

Consolidated Financial Results for the Six-month Period Ended 30 September 2021 (Japanese GAAP) (Unaudited)

Nagoya Railroad Co., Ltd.

8 November 2021

Stock exchange Listing: Tokyo Nagoya
 Securities code: 9048
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Scheduled date of filing of quarterly report: 9 November 2021
 Scheduled date of dividend payment commencement: -
 Supplementary explanations of quarterly financial results: Yes
 Quarterly financial results presentation meeting: Yes (for institutional investors and analysts)

* Amounts of less than ¥1 million have been rounded down.

1. Consolidated results for the six-month period ended 30 September 2021 (1 April 2021 - 30 September 2021)

(1) Consolidated operating results (%: year-on-year)

	Operating revenues		Operating income		Ordinary income		Profit attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six-month period ended 30 September 2021	224,284	(1.2)	(2,644)	-	2,525	-	1,016	-
Six-month period ended 30 September 2020	226,942	(28.2)	(14,987)	-	(10,838)	-	(12,404)	-

Note: Comprehensive income - for the six-month period ended 30 September 2021 ¥2,247 million [- %]
 for the six-month period ended 30 September 2020 ¥(13,415) million [- %]

	Net income per share-basic	Net income per share-diluted
	Yen	Yen
Six-month period ended 30 September 2021	5.17	4.83
Six-month period ended 30 September 2020	(63.08)	-

Note: Net income per share-diluted for the six-month period ended 30 September 2020 is not shown in the above table, because net income per share was loss although there are potential common shares with dilution effects.

Note: The Company has adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 31, 2020. Accounting Standards Board of Japan), etc. from the beginning of the first quarter accounting period for the fiscal year ending 31 March 2022. Figures for the six-month period ended 30 September 2021 are based on the figures after application of said accounting standards.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
30 September 2021	1,179,476	410,112	31.7
31 March 2021	1,191,131	407,512	31.2

Reference: Shareholders' equity- as of 30 September 2021 ¥374,200 million
 as of 31 March 2021 ¥372,014 million

Note: The Company has adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 31, 2020. Accounting Standards Board of Japan), etc. from the beginning of the first quarter accounting period for the fiscal year ending 31 March 2022. Figures for the six-month period ended 30 September 2021 are based on the figures after application of said accounting standards.

2. Cash dividends

	Annual dividends				
	1st quarter end	2nd quarter end	3rd quarter end	Fiscal year end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended 31 March 2021	—	0.00	—	0.00	0.00
Fiscal year ending 31 March 2022	—	0.00			
Fiscal year ending 31 March 2022 (forecast)			—	12.50	12.50

Note: Revisions to the most recently disclosed dividend forecasts: None

3. Consolidated operating results forecast for the fiscal year ending 31 March 2022

(%: year-on-year)

	Operating revenues		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ending 31 March 2022	500,000	3.8	3,000	-	10,000	-

	Profit attributable to owners of the parent		Net income per share-basic
	Millions of yen	%	yen
Fiscal year ending 31 March 2022	5,000	-	25.43

Note: Revisions to the most recently disclosed results forecasts: Yes

Note: The Company has adopted the “Accounting Standard for Revenue Recognition” (ASBJ Statement No.29, March 31, 2020. Accounting Standards Board of Japan), etc. from the beginning of the first quarter accounting period for the fiscal ending 31 March 2022. The above forecasts are based on the figures after application of said accounting standards.

Notes

- (1) Changes in significant consolidated subsidiaries during the period (changes in specific consolidated subsidiaries resulting in changes in the scope of consolidation): None
- (2) Application of accounting methods which are exceptional for quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of revisions
 - 1) Changes in accounting policies resulting from the revision of the accounting standards: Yes
 - 2) Changes in accounting policies other than the above: None
 - 3) Changes in accounting estimates: None
 - 4) Restatement of revisions: None

(4) Number of issued shares (Common stock) (Shares)

	Number of issued shares (including treasury stock)	Number of treasury stock
As of 30 September 2021	196,700,692	53,772
31 March 2021	196,700,692	50,559

(Shares)

	Average number of shares outstanding during the periods
Six-month period ended 30 September 2021	196,648,641
Six-month period ended 30 September 2020	196,660,784

* This report is not subject to audit procedures.

* Explanation for appropriate use of forecasts and other notes

The forward-looking statements such as operational forecasts contained in this statements summary are based on information currently available to the Company and certain assumptions which are regarded as legitimate. Actual results may differ from such forward-looking statements for a variety of reasons.

(Reference) Non-consolidated operating results forecast for the fiscal year ending 31 March 2022

(%: year-on-year)

	Operating revenues		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ending 31 March 2022	86,400	10.3	4,300	—	4,600	—

	Profit		Net income per share-basic
	Millions of yen	%	yen
Fiscal year ending 31 March 2022	2,500	—	12.71

Note: Revisions to the most recently disclosed results forecasts: Yes

Note: The Company has adopted the “Accounting Standard for Revenue Recognition” (ASBJ Statement No.29, March 31, 2020. Accounting Standards Board of Japan),etc. from the beginning of the first quarter accounting period for the fiscal ending 31 March 2022. The above forecasts are based on the figures after application of said accounting standards.

4. Quarterly consolidated financial statement and Main Notes

(1) Quarterly Consolidated Balance Sheets (Unaudited)

	Millions of yen	
	31 March 2021	30 September 2021
ASSETS		
Current assets		
Cash and deposits	54,019	38,265
Trade notes and accounts receivable	61,829	-
Trade notes, accounts receivable and contract assets	-	51,810
Short-term loans receivable	1,968	1,895
Land and buildings for sale	64,617	75,183
Merchandise and finished goods	6,154	6,050
Work in process	1,846	1,230
Raw materials and supplies	4,566	4,657
Others	20,282	21,959
Allowance for doubtful accounts	(187)	(171)
Total current assets	215,097	200,880
Non-current assets		
Property and equipment		
Buildings and structures, net	296,888	300,430
Machinery, equipment and vehicles, net	82,583	82,174
Land	359,179	357,629
Lease assets, net	11,625	11,130
Construction in progress	73,951	73,006
Other properties, net	7,199	7,175
Total property and equipment	831,429	831,547
Intangible assets		
Right-of-use facilities	5,379	5,212
Goodwill	854	857
Lease assets	75	45
Other intangible assets	2,912	2,895
Total intangible assets	9,222	9,010
Investments and other assets		
Investment securities	101,642	103,590
Long-term loans receivable	485	453
Deferred tax assets	16,772	16,818
Others	16,858	17,522
Allowance for doubtful accounts	(376)	(347)
Total investments and other assets	135,382	138,037
Total non-current assets	976,033	978,595
Total assets	1,191,131	1,179,476

(1) Quarterly Consolidated Balance Sheets (Unaudited)

Millions of yen

	31 March 2021	30 September 2021
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Trade notes and accounts payable	72,424	45,449
Short-term loans payable	53,920	51,206
Commercial papers	-	30,000
Current portion of bonds payable	25,000	-
Lease obligations	1,727	2,156
Income taxes payable	2,808	3,101
Deposits received from employees	20,680	20,572
Provision for bonuses	5,088	5,348
Provision for loss on liquidation	178	16
Allowance for loss on collection of gift certificates outstanding	1,739	344
Others	98,212	109,530
Total current liabilities	281,782	267,727
Non-current liabilities		
Bonds payable	215,100	215,100
Long-term loans payable	156,355	157,797
Lease obligations	11,384	10,431
Deferred tax liabilities	3,770	3,683
Deferred tax liabilities for land revaluation	55,222	55,459
Accrued retirement benefits for directors	1,279	977
Provision for loss on liquidation	5,963	5,949
Allowance for loss on collection of gift certificates outstanding	405	-
Employee retirement benefit liability	32,893	33,311
Others	19,461	18,926
Total non-current liabilities	501,836	501,637
Total liabilities	783,619	769,364
Net assets		
Shareholders' equity		
Common stock	101,158	101,158
Capital surplus	35,289	35,276
Retained earnings	132,675	134,172
Treasury stock	(101)	(107)
Total shareholders' equity	269,022	270,499
Accumulated other comprehensive income		
Net unrealised gains on available-for-sale securities	15,402	16,297
Deferred gains and losses on hedges	183	428
Land revaluation increment	86,853	86,547
Foreign currency translation adjustments	(35)	(23)
Retirement benefit adjustments	587	450
Total accumulated other comprehensive income	102,991	103,700
Non-controlling interests	35,497	35,911
Total net assets	407,512	410,112
Total liabilities and net assets	1,191,131	1,179,476

(2) Quarterly Consolidated Statements of Operations and Consolidated Statements of Comprehensive Income (Unaudited)
 Quarterly Consolidated Statements of Operations (Unaudited)

	Millions of yen	
	1 April 2020	1 April 2021
	-30 September 2020	-30 September 2021
Operating revenues	226,942	224,284
Operating expenses		
Transportation, other services and cost of sales	218,508	204,555
Selling, general and administrative expenses	23,421	22,372
Total operating expenses	241,930	226,928
Operating loss	(14,987)	(2,644)
Non-operating income		
Interest income	9	11
Dividend income	758	664
Equity in net earnings of affiliates	445	1,384
Subsidies for employment adjustment	3,809	2,967
Miscellaneous income	1,117	1,711
Total non-operating income	6,140	6,738
Non-operating expenses		
Interest expenses	1,630	1,499
Miscellaneous expenses	360	69
Total non-operating expenses	1,991	1,569
Ordinary income (loss)	(10,838)	2,525
Extraordinary income		
Gain on sales of fixed assets	248	341
Gain on contributions for construction	578	275
Gain on sales of investment securities	1,343	1,701
Others	233	315
Total extraordinary income	2,403	2,633
Extraordinary losses		
Loss on sales of fixed assets	85	35
Impairment loss on fixed assets	605	330
Loss on disposition of fixed assets	242	535
Loss on valuation of investment securities	986	91
Provision for loss on liquidation	-	286
Loss on reduction of property and equipment	501	244
Others	711	91
Total extraordinary losses	3,132	1,615
Profit (loss) before income taxes	(11,566)	3,543
Income taxes – current	1,776	2,683
Income taxes – deferred	(1,289)	(582)
Total income taxes	486	2,101
Profit (Loss)	(12,052)	1,441
Profit (loss) attributable to:		
Non-controlling interests	351	424
Owners of the parent	(12,404)	1,016

Quarterly Consolidated Statements of Comprehensive Income (Unaudited)

Millions of yen

	1 April 2020 -30 September 2020	1 April 2021 -30 September 2021
Profit (Loss)	(12,052)	1,441
Other comprehensive income		
Net unrealised gains and losses on available-for-sale securities	(1,670)	1,105
Deferred gains and losses on hedges	254	251
Land revaluation increment	-	(308)
Foreign currency translation adjustments	(3)	11
Retirement benefit adjustments	3	(141)
Share of other comprehensive income of affiliates accounted for using the equity method	54	(113)
Total other comprehensive income	(1,362)	805
Comprehensive income	(13,415)	2,247
Comprehensive income attributable to:		
Owners of the parent	(13,852)	1,849
Non-controlling interests	437	397

(3) Quarterly Consolidated Statements of Cash Flows (Unaudited)

	Millions of yen	
	1 April 2020	1 April 2021
	-30 September 2020	-30 September 2021
Cash flows from operating activities:		
Profit (loss) before income taxes	(11,566)	3,543
Depreciation	19,713	18,852
Impairment loss on fixed assets	605	330
Increase (decrease) in employee retirement benefit liability	546	202
Increase (decrease) in provision for bonuses	117	246
Increase (decrease) in provision for loss on liquidation	(786)	(175)
Increase (decrease) in other provision	(287)	(1,647)
Loss (gain) on sales of investment securities	(357)	(1,610)
Decrease (increase) in trade notes and accounts receivable	4,999	8,260
Decrease (increase) in inventories	9,406	(5,359)
Increase (decrease) in trade notes and accounts payable	(11,923)	(17,605)
Others, net	(2,315)	(425)
Subtotal	8,152	4,613
Interest and dividends received	1,324	1,070
Interest paid	(1,598)	(1,565)
Amount of extra retirement payments	(12)	(46)
Amount of subsidies for employment adjustment received	3,257	3,225
Income taxes refund (paid)	(7,217)	1,518
Net cash provided by (used in) operating activities	3,906	8,814

	Millions of yen	
	1 April 2020 -30 September 2020	1 April 2021 -30 September 2021
Cash flows from investing activities:		
Purchases of fixed assets	(36,777)	(36,116)
Proceeds from sales of fixed assets	1,008	597
Purchases of investment securities	(28)	(12)
Proceeds from sales and redemptions of investment securities	1,546	1,731
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	-	520
Proceeds from contribution received for construction	10,205	10,886
Others, net	138	261
Net cash provided by (used in) investing activities	<u>(23,907)</u>	<u>(22,131)</u>
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	956	994
Increase (decrease) in commercial papers	-	29,999
Proceeds from long-term debt	13,743	10,486
Repayment of long-term debt	(10,320)	(12,865)
Issuance of bonds	29,866	-
Redemption of bonds	-	(25,000)
Dividends paid to shareholders	(4,905)	(22)
Others, net	(1,237)	(1,028)
Net cash provided by (used in) financing activities	<u>28,103</u>	<u>2,563</u>
Effect of exchange rate changes on cash and cash equivalents	92	10
Net increase (decrease) in cash and cash equivalents	<u>8,195</u>	<u>(10,743)</u>
Cash and cash equivalents at beginning of period	<u>32,011</u>	<u>53,459</u>
Increase (decrease) in cash and cash equivalents resulting from change in the fiscal period of consolidated subsidiaries	(3,407)	-
Cash and cash equivalents at end of period	<u>36,799</u>	<u>42,716</u>

(4) Notes to Quarterly Consolidated Statements (Unaudited)

Notes on going concern assumption: None

Notes on significant changes in shareholders' equity: None

Changes in Accounting Policies

(Accounting Standard for Revenue Recognition, etc.)

The Company has adopted the “Accounting Standard for Revenue Recognition” (ASBJ Statement No.29, March 31, 2020, Accounting Standards Board of Japan), etc. from the beginning of the first quarter accounting period for the fiscal year ending 31 March 2022. The Company has recognized revenue in the amount expected to be received in exchange for promised goods or services when control of promised goods or services is transferred to the customer.

The main changes due to the adoption of the Revenue Recognition Accounting Standard and other standards are as follows.

(i) Revenue recognition related to commuter pass sales

In the traffic business, the revenue related to the commuter pass sales of the railway business had been previously recognized on a monthly basis from the month of sale, but since the performance obligation is satisfied over the valid period of the commuter pass, the recognition time has been changed to a monthly installment from the month in which the valid period starts.

(ii) Revenue recognition related to principal / agent transactions

In the leisure and service business, the revenue related to planned tour in the travel industry had been previously recognized in the net amount after deducing the payment amount to the supplier from the gross amount of consideration received from the customer, but for transactions for which the role in the provision of goods or services to the customer corresponds to the principal, the process has been changed to recognize revenue based on the gross amount of consideration received from the customer.

In the distribution business, the revenue related to the digestive purchase of the department store business had been previously recognized in the gross amount of consideration received from the customer, but for transactions in which the role in providing goods or services to the customer corresponds to the agent, we have changed to a process to recognize as revenue a net amount after deducing the payment amount from the gross amount of consideration received from the customer.

For the adoption of the Revenue Recognition Accounting Standard and other standards, the Company has followed the transitional treatment provided for in the proviso of Paragraph 84 of the accounting standard. Accordingly, the cumulative effect of retroactively applying the new accounting policies prior to the beginning of the first quarter accounting period for the fiscal year ending 31 March 2022 has been added to or subtracted from retained earnings at the beginning of the period.

As a result, although operating revenues for the six-month period ended 30 September 2021 decreased by ¥11,275 million, the impact on operating loss, ordinary income, and profit before income taxes was immaterial. The impact on the balance of retained earnings at the beginning of the period was also immaterial.

Due to the adoption of the Revenue Recognition Accounting Standard and other standards, “Trade notes and accounts receivable”, which were presented under “current assets” in the consolidated balance sheet for the previous fiscal year, have been included in “Trade notes, accounts receivable and contract assets” from the first quarter accounting period for the fiscal year ending 31 March 2022. In accordance with the transitional treatment provided in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, reclassification based on the new presentation method has not been carried out for the previous fiscal year.

(Accounting Standard for Fair Value Measurement, etc.)

The Company has adopted the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, 4 July 2019, Accounting Standards Board of Japan), etc. from the beginning of the first quarter accounting period for the fiscal year ending 31 March 2022. In accordance with the transitional treatment provided in Paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the “Accounting Standard for Financial Instruments”(ASBJ Statement No. 10, 4 July 2019, Accounting Standards Board of Japan), the Company has decided to adopt the new accounting policies set forth by the Fair Value Measurement Accounting Standard and other standards into the future. These changes had no impact on the Company’s quarterly consolidated financial statements.

(Additional Information)

(Accounting estimate for the impact of COVID-19)

It is difficult to accurately predict how COVID-19 will spread in the future or when it will be contained. And in estimating future cash flows for the impairment of fixed assets, the recoverability of deferred tax assets and other matters, the Company assumes that the movement of people will gradually become active due to the progress of vaccination, etc. and the domestic economic activity will gradually recover from the current situation toward March 2022.

Segment information

Information about reportable segments operating revenues and profit or loss for the six-month period ended 30 September 2020

(Millions of yen)

	Traffic	Transport	Real Estate	Leisure and Service	Distribution	Aviation Services	Others (*1)	Total	Adjustment (*2)	Quarterly consolidated financial statements (*3)
Operating revenues:										
External customers	47,717	61,748	42,874	7,593	45,145	9,964	11,898	226,942	—	226,942
Intersegment sales/transfer	1,065	193	4,859	152	3,970	—	7,713	17,954	(17,954)	—
Total	48,782	61,941	47,734	7,745	49,115	9,964	19,611	244,897	(17,954)	226,942
Segment income (loss)	(12,150)	117	7,510	(8,602)	(2,191)	181	241	(14,893)	(94)	(14,987)

*1) “Others” is a business segment that is not considered a reportable segment. It includes the business of equipment maintenance, information processing, insurance agency and others.

*2) Segment income (loss) adjustment amounting to ¥ (94) million was treated as intersegment elimination.

*3) Segment income (loss) was reconciled to operating loss in the accompanying quarterly consolidated statements of income.

1. Information about reportable segments operating revenues and profit or loss for the six-month period ended 30 September 2021

(Millions of yen)

	Traffic	Transport	Real Estate	Leisure and Service	Distribution	Aviation Services	Others (*1)	Total	Adjustment (*2)	Quarterly consolidated financial statements (*3)
Operating revenues:										
External customers	53,896	66,320	32,675	18,123	29,969	10,436	12,860	224,284	—	224,284
Intersegment sales/transfer	1,108	221	4,877	113	1,249	—	6,952	14,523	(14,523)	—
Total	55,005	66,542	37,553	18,237	31,218	10,436	19,813	238,807	(14,523)	224,284
Segment income (loss)	(4,087)	1,680	4,891	(5,042)	(1,479)	732	471	(2,834)	190	(2,644)

*1) “Others” is a business segment that is not considered a reportable segment. It includes the business of equipment maintenance, information processing, insurance agency and others.

*2) Segment income (loss) adjustment amounting to ¥190 million was treated as intersegment elimination.

*3) Segment income (loss) was reconciled to operating loss in the accompanying quarterly consolidated statements of income.

2. Information related to changes in reportable segments

As described in changes the accounting policies, the Company has adopted the Revenue Recognition Accounting Standard and other standards from the beginning of the first quarter accounting period for the fiscal year ending 31 March 2022 and has changed in accounting for revenue recognition. We have also changed the method of calculating profit or loss for business segments.

With this change, compared to the conventional method, operating revenues for the six-month period ended 30 September 2021 decreased by ¥94 million in the transport business, by ¥20,383 million in the distribution business, by ¥371 million in the others business, and increased by ¥65 million in the traffic business, by ¥51 million in the real estate business, by ¥5,377 million in the leisure and service business.

In addition, the impact on segment income (loss) was immaterial.