

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

Nagoya Railroad Co., Ltd.

6 August 2021

Stock exchange Listing: Tokyo Nagoya
 Securities code: 9048
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Scheduled date of filing of quarterly report: 10 August 2021

Scheduled date of dividend payment commencement: -

Supplementary explanations of quarterly financial results: Yes

Quarterly financial results presentation meeting: None

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

1. Consolidated results for the three-month period ended 30 June 2021

(1 April 2021 - 30 June 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	%
Three-month period ended 30 June 2021	108,447	(0.6)	(1,813)	-	1,221	-	(854)	-
Three-month period ended 30 June 2020	109,052	(25.7)	(10,250)	-	(8,526)	-	(7,622)	-

Note: Comprehensive income - for the three-month period ended 30 June 2021 ¥(1,842) million [- %]
 for the three-month period ended 30 June 2020 ¥(7,937) million [- %]

	Net income per share-basic	Net income per share-diluted
	Yen	Yen
Three-month period ended 30 June 2021	(4.35)	-
Three-month period ended 30 June 2020	(38.76)	-

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

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
30 June 2021	1,182,094	405,615	31.3
31 March 2021	1,191,131	407,512	31.2

Reference: Shareholders' equity- as of 30 June 2021 ¥370,398 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) from the beginning of the first quarter accounting period for the fiscal year ending 31 March 2022. Figures for the three-month period ended 30 June 2021 review are based said on figures after application of 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	—				
Fiscal year ending 31 March 2022 (forecast)		0.00	—	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	%
Six-month period ending 30 September 2021	245,000	8.0	1,500	-	3,000	-
Fiscal year ending 31 March 2022	530,000	10.0	13,000	-	16,000	-

	Profit attributable to owners of the parent		Net income per share-basic
	Millions of yen	%	yen
Six-month period ending 30 September 2021	500	-	2.54
Fiscal year ending 31 March 2022	11,000	-	55.94

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

Note: The Company has adopted the “Accounting Standard for Revenue Recognition” (ASBJ Statement No.29, March 31, 2020. Accounting Standards Board of Japan) from the beginning of the first quarter accounting period for the fiscal ending 31 March 2022. The above forecasts are based on 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 June 2021	196,700,692	52,056
31 March 2021	196,700,692	50,559

(Shares)

	Average number of shares outstanding during the periods
Three-month period ended 30 June 2021	196,649,452
Three-month period ended 30 June 2020	196,663,953

- * 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.

4. Quarterly consolidated financial statement and Main Notes

(1) Quarterly Consolidated Balance Sheets (Unaudited)

	Millions of yen	
	31 March 2021	30 June 2021
ASSETS		
Current assets		
Cash and deposits	54,019	53,211
Trade notes and accounts receivable	61,829	-
Trade notes, accounts receivable and contract assets	-	46,960
Short-term loans receivable	1,968	1,899
Land and buildings for sale	64,617	68,919
Merchandise and finished goods	6,154	7,187
Work in process	1,846	2,122
Raw materials and supplies	4,566	4,635
Others	20,282	22,952
Allowance for doubtful accounts	(187)	(177)
Total current assets	215,097	207,711
Non-current assets		
Property and equipment		
Buildings and structures, net	296,888	297,867
Machinery, equipment and vehicles, net	82,583	82,192
Land	359,179	357,223
Lease assets, net	11,625	11,291
Construction in progress	73,951	75,606
Other properties, net	7,199	6,934
Total property and equipment	831,429	831,115
Intangible assets		
Right-of-use facilities	5,379	5,241
Goodwill	854	765
Lease assets	75	60
Other intangible assets	2,912	2,887
Total intangible assets	9,222	8,955
Investments and other assets		
Investment securities	101,642	100,254
Long-term loans receivable	485	466
Deferred tax assets	16,772	16,321
Others	16,858	17,655
Allowance for doubtful accounts	(376)	(384)
Total investments and other assets	135,382	134,312
Total non-current assets	976,033	974,383
Total assets	1,191,131	1,182,094

(1) Quarterly Consolidated Balance Sheets (Unaudited)

	Millions of yen	
	31 March 2021	30 June 2021
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Trade notes and accounts payable	72,424	47,245
Short-term loans payable	53,920	46,820
Commercial papers	-	24,000
Current portion of bonds payable	25,000	10,000
Lease obligations	1,727	1,650
Income taxes payable	2,808	1,497
Deposits received from employees	20,680	20,787
Provision for bonuses	5,088	2,059
Provision for loss on liquidation	178	17
Allowance for loss on collection of gift certificates outstanding	1,739	382
Others	98,212	113,437
Total current liabilities	281,782	267,899
Non-current liabilities		
Bonds payable	215,100	215,100
Long-term loans payable	156,355	164,055
Lease obligations	11,384	11,093
Deferred tax liabilities	3,770	3,645
Deferred tax liabilities for land revaluation	55,222	55,483
Accrued retirement benefits for directors	1,279	1,292
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	33,035
Others	19,461	18,924
Total non-current liabilities	501,836	508,580
Total liabilities	783,619	776,479
Net assets		
Shareholders' equity		
Common stock	101,158	101,158
Capital surplus	35,289	35,294
Retained earnings	132,675	132,285
Treasury stock	(101)	(104)
Total shareholders' equity	269,022	268,633
Accumulated other comprehensive income		
Net unrealised gains on available-for-sale securities	15,402	14,265
Deferred gains and losses on hedges	183	371
Land revaluation increment	86,853	86,564
Foreign currency translation adjustments	(35)	(24)
Retirement benefit adjustments	587	587
Total accumulated other comprehensive income	102,991	101,764
Non-controlling interests	35,497	35,216
Total net assets	407,512	405,615
Total liabilities and net assets	1,191,131	1,182,094

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

	Millions of yen	
	1 April 2020 -30 June 2020	1 April 2021 -30 June 2021
Operating revenues	109,052	108,447
Operating expenses		
Transportation, other services and cost of sales	107,857	99,219
Selling, general and administrative expenses	11,446	11,041
Total operating expenses	119,303	110,260
Operating loss	(10,250)	(1,813)
Non-operating income		
Interest income	4	5
Dividend income	717	626
Equity in net earnings of affiliates	377	640
Subsidies for employment adjustment	1,156	1,471
Miscellaneous income	404	1,116
Total non-operating income	2,660	3,858
Non-operating expenses		
Interest expenses	798	761
Miscellaneous expenses	137	62
Total non-operating expenses	936	824
Ordinary income (loss)	(8,526)	1,221
Extraordinary income		
Gain on sales of fixed assets	115	199
Gain on contributions for construction	433	272
Gain on sales of investment securities	497	716
Others	126	112
Total extraordinary income	1,172	1,300
Extraordinary losses		
Loss on sales of fixed assets	15	23
Impairment loss on fixed assets	16	103
Loss on disposition of fixed assets	62	213
Loss on valuation of investment securities	948	86
Provision for loss on liquidation	-	286
Loss on reduction of property and equipment	372	241
Others	697	39
Total extraordinary losses	2,111	995
Profit (loss) before income taxes	(9,465)	1,527
Income taxes – current	1,436	1,353
Income taxes – deferred	(3,470)	771
Total income taxes	(2,034)	2,124
Loss	(7,431)	(597)
Profit (loss) attributable to:		
Non-controlling interests	191	257
Owners of the parent	(7,622)	(854)

Quarterly Consolidated Statements of Comprehensive Income (Unaudited)

Millions of yen

	1 April 2020 -30 June 2020	1 April 2021 -30 June 2021
Loss	(7,431)	(597)
Other comprehensive income		
Net unrealised gains and losses on available-for-sale securities	(782)	(980)
Deferred gains and losses on hedges	236	193
Land revaluation increment	-	(308)
Foreign currency translation adjustments	(1)	11
Retirement benefit adjustments	1	(14)
Share of other comprehensive income of affiliates accounted for using the equity method	41	(147)
Total other comprehensive income	(505)	(1,245)
Comprehensive income	(7,937)	(1,842)
Comprehensive income attributable to:		
Owners of the parent	(8,187)	(1,974)
Non-controlling interests	250	132

(3) 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)

The Company has adopted the “Accounting Standard for Revenue Recognition” (ASBJ Statement No.29, March 31, 2020, Accounting Standards Board of Japan) from the beginning of the first quarter accounting period for the fiscal year ending 31 March 2022. The Company now recognizes 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 “Accounting Standard for Revenue Recognition” 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 was conventionally 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 was conventionally recognized in the net amount after deducting 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 was conventionally 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 deducting the payment amount from the gross amount of consideration received from the customer.

For the adoption of the revenue recognition accounting standard, 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 three-month period ended 30 June 2021 decreased by ¥6,501 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 “Accounting Standard for Revenue Recognition”, “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)

The Company has adopted the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, 4 July 2019, Accounting Standards Board of Japan) 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. 30, 4 July 2019, Accounting Standards Board of Japan), the Company has decided to adopt the new accounting policies set forth by the “Accounting Standard for Fair Value Measurement” 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 new cases of COVID-19 will gently decrease toward March 2022.

Segment information

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

	Traffic	Transport	Real Estate	Leisure and Service	Distribution	Aviation Services	Others (*1)	Total	Adjustment (*2)	Quarterly consolidated financial statements (*3)
Operating revenues:										
External customers	21,000	30,030	26,805	2,350	19,621	4,411	4,832	109,052	—	109,052
Intersegment sales/transfer	523	71	2,463	83	2,141	—	4,424	9,709	(9,709)	—
Total	21,523	30,102	29,269	2,434	21,763	4,411	9,256	118,762	(9,709)	109,052
Segment income (loss)	(8,638)	(390)	5,617	(5,125)	(1,294)	(216)	(49)	(10,097)	(152)	(10,250)

*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 ¥(152) 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 three-month period ended 30 June 2021

	Traffic	Transport	Real Estate	Leisure and Service	Distribution	Aviation Services	Others (*1)	Total	Adjustment (*2)	Quarterly consolidated financial statements (*3)
Operating revenues:										
External customers	26,557	32,998	16,479	7,184	14,993	4,347	5,886	108,447	—	108,447
Intersegment sales/transfer	563	78	2,431	74	561	5	3,738	7,453	(7,453)	—
Total	27,120	33,077	18,911	7,258	15,555	4,352	9,624	115,901	(7,453)	108,447
Segment income (loss)	(1,779)	889	2,642	(3,151)	(561)	(158)	178	(1,940)	127	(1,813)

*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 ¥127 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 “Accounting Standard for Revenue Recognition” 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 decreased by ¥50 million in the transport business, by ¥7 million in the real estate business, by ¥10,002 million in the distribution business, by ¥350 million in the others business, and increased by ¥25 million in the traffic business, by ¥1,651 million in the leisure and service business.

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