

Consolidated Financial Results for the Nine-month Period Ended 31 December 2021 (Japanese GAAP) (Unaudited)

Nagoya Railroad Co., Ltd.

7 February 2022

Stock exchange Listing: Tokyo Nagoya
 Securities code: 9048
 URL: <https://top.meitetsu.co.jp/>
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Scheduled date of filing of quarterly report: 8 February 2022
 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 nine-month period ended 31 December 2021 (1 April 2021 - 31 December 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 | % |
| Nine-month period ended 31 December 2021 | 360,147 | 0.8 | 6,667 | - | 14,115 | - | 8,201 | - |
| Nine-month period ended 31 December 2020 | 357,116 | (23.6) | (9,895) | - | (3,485) | - | (8,820) | - |

Note: Comprehensive income - for the nine-month period ended 31 December 2021 ¥6,254 million [-%]
 for the nine-month period ended 31 December 2020 ¥(9,240) million [-%]

| | Net income per share-basic | Net income per share-diluted |
|--|----------------------------|------------------------------|
| | Yen | Yen |
| Nine-month period ended 31 December 2021 | 41.71 | 38.97 |
| Nine-month period ended 31 December 2020 | (44.85) | - |

Note: Net income per share-diluted for the nine-month period ended 31 December 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 nine-month period ended 31 December 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 | % |
| 31 December 2021 | 1,199,516 | 412,987 | 31.5 |
| 31 March 2021 | 1,191,131 | 407,512 | 31.2 |

Reference: Shareholders' equity- as of 31 December 2021 ¥377,290 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 nine-month period ended 31 December 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: None

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 31 December 2021 | 196,700,692 | 55,049 |
| 31 March 2021 | 196,700,692 | 50,559 |

(Shares)

| | Average number of shares outstanding during the periods |
|--|---|
| Nine-month period ended 31 December 2021 | 196,647,823 |
| Nine-month period ended 31 December 2020 | 196,658,331 |

* 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 | 31 December 2021 |
| ASSETS | | |
| Current assets | | |
| Cash and deposits | 54,019 | 40,579 |
| Trade notes and accounts receivable | 61,829 | - |
| Trade notes, accounts receivable and contract assets | - | 60,456 |
| Short-term loans receivable | 1,968 | 1,893 |
| Land and buildings for sale | 64,617 | 76,628 |
| Merchandise and finished goods | 6,154 | 6,008 |
| Work in process | 1,846 | 1,541 |
| Raw materials and supplies | 4,566 | 4,882 |
| Others | 20,282 | 28,104 |
| Allowance for doubtful accounts | (187) | (175) |
| Total current assets | 215,097 | 219,918 |
| Non-current assets | | |
| Property and equipment | | |
| Buildings and structures, net | 296,888 | 304,430 |
| Machinery, equipment and vehicles, net | 82,583 | 80,183 |
| Land | 359,179 | 357,515 |
| Lease assets, net | 11,625 | 12,466 |
| Construction in progress | 73,951 | 75,730 |
| Other properties, net | 7,199 | 6,895 |
| Total property and equipment | 831,429 | 837,221 |
| Intangible assets | | |
| Right-of-use facilities | 5,379 | 5,784 |
| Goodwill | 854 | 758 |
| Lease assets | 75 | 30 |
| Other intangible assets | 2,912 | 2,981 |
| Total intangible assets | 9,222 | 9,555 |
| Investments and other assets | | |
| Investment securities | 101,642 | 98,843 |
| Long-term loans receivable | 485 | 434 |
| Deferred tax assets | 16,772 | 16,313 |
| Others | 16,858 | 17,574 |
| Allowance for doubtful accounts | (376) | (344) |
| Total investments and other assets | 135,382 | 132,821 |
| Total non-current assets | 976,033 | 979,598 |
| Total assets | 1,191,131 | 1,199,516 |

(1) Quarterly Consolidated Balance Sheets (Unaudited)

Millions of yen

| | 31 March 2021 | 31 December 2021 |
|---|---------------|------------------|
| LIABILITIES AND NET ASSETS | | |
| Liabilities | | |
| Current liabilities | | |
| Trade notes and accounts payable | 72,424 | 54,394 |
| Short-term loans payable | 53,920 | 50,692 |
| Commercial papers | - | 29,000 |
| Current portion of bonds payable | 25,000 | - |
| Lease obligations | 1,727 | 2,285 |
| Income taxes payable | 2,808 | 2,469 |
| Deposits received from employees | 20,680 | 20,818 |
| Provision for bonuses | 5,088 | 1,108 |
| Provision for loss on liquidation | 178 | 33 |
| Allowance for loss on collection of gift certificates outstanding | 1,739 | 344 |
| Others | 98,212 | 113,149 |
| Total current liabilities | 281,782 | 274,297 |
| Non-current liabilities | | |
| Bonds payable | 215,100 | 225,100 |
| Long-term loans payable | 156,355 | 156,808 |
| Lease obligations | 11,384 | 11,763 |
| Deferred tax liabilities | 3,770 | 4,036 |
| Deferred tax liabilities for land revaluation | 55,222 | 55,456 |
| Accrued retirement benefits for directors | 1,279 | 1,057 |
| 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 | 33,529 |
| Others | 19,461 | 18,529 |
| Total non-current liabilities | 501,836 | 512,231 |
| Total liabilities | 783,619 | 786,529 |
| Net assets | | |
| Shareholders' equity | | |
| Common stock | 101,158 | 101,158 |
| Capital surplus | 35,289 | 35,140 |
| Retained earnings | 132,675 | 141,362 |
| Treasury stock | (101) | (109) |
| Total shareholders' equity | 269,022 | 277,551 |
| Accumulated other comprehensive income | | |
| Net unrealized gains on available-for-sale securities | 15,402 | 12,347 |
| Deferred gains and losses on hedges | 183 | 442 |
| Land revaluation increment | 86,853 | 86,542 |
| Foreign currency translation adjustments | (35) | (21) |
| Retirement benefit adjustments | 587 | 427 |
| Total accumulated other comprehensive income | 102,991 | 99,738 |
| Non-controlling interests | 35,497 | 35,697 |
| Total net assets | 407,512 | 412,987 |
| Total liabilities and net assets | 1,191,131 | 1,199,516 |

(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 |
| | -31 December 2020 | -31 December 2021 |
| Operating revenues | 357,116 | 360,147 |
| Operating expenses | | |
| Transportation, other services and cost of sales | 332,249 | 319,802 |
| Selling, general and administrative expenses | 34,762 | 33,676 |
| Total operating expenses | 367,012 | 353,479 |
| Operating income (loss) | (9,895) | 6,667 |
| Non-operating income | | |
| Interest income | 14 | 15 |
| Dividend income | 1,240 | 1,164 |
| Equity in net earnings of affiliates | 1,053 | 2,469 |
| Subsidies for employment adjustment | 5,502 | 3,743 |
| Miscellaneous income | 1,554 | 2,407 |
| Total non-operating income | 9,364 | 9,801 |
| Non-operating expenses | | |
| Interest expenses | 2,427 | 2,209 |
| Miscellaneous expenses | 527 | 144 |
| Total non-operating expenses | 2,954 | 2,354 |
| Ordinary income (loss) | (3,485) | 14,115 |
| Extraordinary income | | |
| Gain on sales of fixed assets | 344 | 504 |
| Gain on contributions for construction | 720 | 278 |
| Gain on sales of investment securities | 2,520 | 1,817 |
| Compensation for forced relocation | - | 790 |
| Others | 244 | 317 |
| Total extraordinary income | 3,830 | 3,707 |
| Extraordinary losses | | |
| Loss on sales of fixed assets | 167 | 72 |
| Impairment loss on fixed assets | 1,350 | 454 |
| Loss on disposition of fixed assets | 289 | 802 |
| Loss on valuation of investment securities | 995 | 83 |
| Provision for loss on liquidation | - | 303 |
| Loss on reduction of property and equipment | 637 | 245 |
| Others | 1,432 | 264 |
| Total extraordinary losses | 4,872 | 2,227 |
| Profit (loss) before income taxes | (4,527) | 15,595 |
| Income taxes – current | 2,947 | 4,177 |
| Income taxes – deferred | (203) | 1,956 |
| Total income taxes | 2,743 | 6,134 |
| Profit (Loss) | (7,271) | 9,460 |
| Profit (loss) attributable to: | | |
| Non-controlling interests | 1,549 | 1,259 |
| Owners of the parent | (8,820) | 8,201 |

Quarterly Consolidated Statements of Comprehensive Income (Unaudited)

Millions of yen

| | 1 April 2020 -31 December 2020 | 1 April 2021 -31 December 2021 |
|---|-----------------------------------|-----------------------------------|
| Profit (Loss) | (7,271) | 9,460 |
| Other comprehensive income | | |
| Net unrealized gains and losses on available-for-sale securities | (2,485) | (2,797) |
| Deferred gains and losses on hedges | 439 | 265 |
| Land revaluation increment | - | (308) |
| Foreign currency translation adjustments | (5) | 13 |
| Retirement benefit adjustments | 4 | (155) |
| Share of other comprehensive income of affiliates accounted for using the equity method | 78 | (223) |
| Total other comprehensive income | (1,969) | (3,206) |
| Comprehensive income | (9,240) | 6,254 |
| Comprehensive income attributable to: | | |
| Owners of the parent | (10,768) | 5,077 |
| Non-controlling interests | 1,527 | 1,176 |

(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, 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 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 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 deducting 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 nine-month period ended 31 December 2021 decreased by ¥13,397 million, the impact on operating income, 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 domestic economic activity will slowly recover toward March 2022 as the COVID-19 gradually converges.

Segment information

Information about reportable segments operating revenues and profit or loss for the nine-month period ended 31 December 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 | 77,454 | 96,546 | 57,899 | 15,352 | 75,036 | 16,106 | 18,720 | 357,116 | — | 357,116 |
| Intersegment sales/transfer | 1,560 | 335 | 6,903 | 304 | 6,513 | — | 11,862 | 27,479 | (27,479) | — |
| Total | 79,014 | 96,882 | 64,803 | 15,656 | 81,549 | 16,106 | 30,582 | 384,596 | (27,479) | 357,116 |
| Segment income (loss) | (11,867) | 2,068 | 9,549 | (10,056) | (1,868) | 1,704 | 699 | (9,770) | (125) | (9,895) |

*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 ¥ (125) 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 nine-month period ended 31 December 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 | 85,787 | 102,231 | 50,139 | 36,658 | 47,609 | 17,170 | 20,550 | 360,147 | — | 360,147 |
| Intersegment sales/transfer | 1,893 | 286 | 7,315 | 211 | 1,842 | — | 10,467 | 22,017 | (22,017) | — |
| Total | 87,681 | 102,518 | 57,454 | 36,870 | 49,452 | 17,170 | 31,018 | 382,164 | (22,017) | 360,147 |
| Segment income (loss) | (1,101) | 3,322 | 7,737 | (4,777) | (1,517) | 1,673 | 1,104 | 6,440 | 226 | 6,667 |

*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 ¥226 million was treated as intersegment elimination.

*3) Segment income (loss) was reconciled to operating income 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 nine-month period ended 31 December 2021 decreased by ¥145 million in the transport business, by ¥33,190 million in the distribution business, by ¥470 million in the others business, and increased by ¥189 million in the traffic business, by ¥79 million in the real estate business, by ¥13,726 million in the leisure and service business.

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

5. Other

Notice Concerning the Commencement of Tender Offer for Shares of Meitetsu Transportation Co., Ltd.

At the meeting of the board of directors on February 7, 2022, the Company decided to implement a tender offer pursuant to the Financial Instruments and Exchange Act (the "Tender Offer") as part of the series of transactions to make Meitetsu Transportation Co., Ltd. (the "Target Company") private by acquiring all of the Target Company's common stock (excluding the shares held by the Company and NIPPON EXPRESS CO., LTD. that entered into a non-tender agreement with the Company and treasury stock owned by the Target Company) (the "Target Company Shares").

The outline of the Tender Offer is as follows.

(1) Period of the Tender Offer

30 business days from February 8, 2022 (Tuesday) through March 24, 2022 (Thursday)

(2) Price of the Tender Offer (the "Tender Offer Price")

3,500 yen per share of common stock

(3) Number of shares to be purchased

Number of shares to be purchased 1,868,441 shares

No maximum or minimum number of shares to be purchased has been set.

Note : In the Tender Offer, since no maximum or minimum number of shares to be purchased has been set, all of the Target Company Shares tendered will be purchased.

(4) Aggregate tender offer price 6,539,543,500 yen

Note : The aggregate tender offer price is the amount obtained by multiplying the number of shares to be purchased (1,868,441 shares) by the Tender Offer Price (3,500 yen per share) .

(5) Commencement date of settlement

March 31, 2022 (Thursday)

(6) Ways to raise funds for purchase

Using its own funds

(7) Policies on Reorganization after the Tender Offer (So-called "Two-Step acquisition", etc.)

We plan to make the Target Company private and to change the Target Company's shareholders to a two-company system of the Company and NIPPON EXPRESS CO., LTD. If all of the Target Company Shares couldn't be acquired through the Tender Offer, after the completion of the Tender Offer, we will implement the procedures to acquire all of the Target Company Shares through a share consolidation by the Target Company.