



NEWS RELEASE

Mar 5, 2010

R&I Assigns BBB+: Nagoya Railroad Co. Ltd. CB No.10

Rating and Investment Information, Inc. (R&I) has announced the following:

ISSUER: Nagoya Railroad Co. Ltd. (Sec. Code:9048)
Unsec. Conv. Bonds No.10
New Issue

R&I RATING: BBB+ (Assigned)

RATIONALE:

Nagoya Railroad Co., Ltd. (Meitetsu) is a major railway company that has an extensive transportation network primarily in Aichi and Gifu Prefectures. Mainly in Nagoya City, the railway operator handles various businesses including real estate leasing, department store and hotel operations. Since the Nagoya district has been strongly affected by the economic downturn, the Meitetsu Group's profits and cash flow are heavily squeezed. Even so, R&I believes that Meitetsu will be able to secure decent profits and cash flow, given that 1)it has a certain size of railway and real estate leasing operations, which are relatively stable sources of earnings, and 2) it is working to reorganize or discontinue unprofitable operations.

Due in part to large investments in safety measures and IC card systems, debt has increased over the last 1-2 years. With cash flow being squeezed, the ratio of net debt to EBITDA grew to around 11x in the fiscal term ending March 2009, and the ratio is likely to worsen further in FY2009. It appears that Meitetsu is also slow to accumulate equity capital, a risk buffer. Although, the company plans to adopt conservative financial management going forward, its financial profile leaves considerable room for improvement. R&I will keep an eye on whether the railway operator will be able to continue with reorganization or withdrawal of operations and improve the financial balance amid the continued harsh business environment.

The primary rating methodology applied to this rating is provided at "Basic Methodologies for R&I's Credit Rating". The methodology is available at the web site listed below, together with other rating methodologies that are taken into consideration when assigning the rating.

<http://www.r-i.co.jp/eng/rating/rating/methodology.html>

R&I RATINGS:

ISSUER: Nagoya Railroad Co. Ltd. (Sec. Code: 9048)

LONG-TERM ISSUE RATING:

Unsec. Conv. Bonds No.10

Issue Date

sometime between Mar 23, 2010 and Mar 25, 2010

Redemption

Mar 31, 2015

Issue Amount (mn)

Yen 10,000

R&I RATING: BBB+ (Assigned)

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Notes/Financial covenants:

- 1) negative pledge clause, which covers other domestic convertible bonds the firm issued or may issue in the future, except those with a change of security status clause
- 2) a change of security status clause
- 3) profit maintenance clause

ISSUER RATING: BBB+

RATING OUTLOOK: Stable

In principle, an Issuer Rating is R&I's opinion on an issuer's overall capacity to repay its financial obligations as agreed and is assigned to all issuers. The rating of individual obligations includes the prospect of recovery and reflects the terms and conditions of the agreement and it may be lower or higher than the Issuer Rating.

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