Contribute to the development of Japan’s main transportation artery and social infrastructure

Japan’s Main Transportation Artery

JR Central’s mission is to undertake high-speed, large-capacity passenger transport between Tokyo, Nagoya, and Osaka. “Japan’s main transportation artery” refers to this passenger transport. Since the artery runs through this area of Japan, which plays an important role as the center of the country’s economy and culture, it is possible that stagnancy in the main transportation artery will cause Japan’s economic and social movements in general to also stagnate. JR Central must continue to carry out its mission of managing Japan’s main transportation artery today and in the future through operation of the Tokaido Shinkansen and the Chuo Shinkansen.

Social Infrastructure

On a broader perspective, JR Central also undertakes the mission of supporting the social infrastructure. That is, along with the management of Japan’s main artery, we take a locally oriented approach in operating a network of conventional lines in the Tokai Region, centered on the Nagoya and Shizuoka areas, and manage affiliated business focused on the local communities, thereby supporting the people in those areas. We will remain committed to operating conventional lines while managing and further enhancing affiliated businesses.

Operating Revenues Composition

The transportation business accounts for approximately 80% of consolidated operating revenues and earnings from the Tokaido Shinkansen. According to a financial report, among the affiliated businesses, the operating revenues of the Chuo Shinkansen were 88% of the total. The detailed operating revenues composition is as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>Operating Revenues (billion yen)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transportation</td>
<td>1,412.1</td>
<td>78%</td>
</tr>
<tr>
<td>Merchandise and Other</td>
<td>243.2</td>
<td>13%</td>
</tr>
<tr>
<td>Other</td>
<td>120.5</td>
<td>7%</td>
</tr>
<tr>
<td>Total</td>
<td>1,822.0</td>
<td>100%</td>
</tr>
</tbody>
</table>

Similarly, for consolidated operating revenues, the Chuo Shinkansen’s operating revenues were 88% of the total. The detailed operating revenues composition is as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>Operating Revenues (billion yen)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transportation</td>
<td>1,253.2</td>
<td>78%</td>
</tr>
<tr>
<td>Merchandise and Other</td>
<td>105.1</td>
<td>7%</td>
</tr>
<tr>
<td>Other</td>
<td>69.0</td>
<td>5%</td>
</tr>
<tr>
<td>Total</td>
<td>1,427.4</td>
<td>100%</td>
</tr>
</tbody>
</table>

Note 1: Consolidated operating revenues composition is based on revenues from external customers.
Note 2: The total of items is the breakdown may not be 100% due to rounding.

Environmental, Social, and Governance (ESG) Information

Companies appropriately considering responding to ESG issues and the existence of shareholders who make investments in response to such efforts by the companies are thought to lead to the solution/improvement of global environmental issues and social issues and even to the sound development/operation of capital markets, thus contributing to the establishment of a sustainable society. Source: Japan Exchange Group, Inc.

Appendices

Financial and Transportation Data
Financial Data Comparison of Three JR Companies (Consolidated)
Stock Information
Market Area Characteristics and Transportation Capacity

Representing a powerful presence in the inter-city transportation market, one that is unrivaled all over the world.

Tokaido Shinkansen

An overwhelming capacity for transporting passengers along its main route, from Tokyo to Osaka

Changes in daily transportation capacity (comparison between the Tokaido Shinkansen and airline transportation services operating between the Tokyo Metropolitan area and the Osaka region)

Japan’s population and economic activity are concentrated in the area covering the Tokyo Metropolitan area, the Nagoya region, and the Osaka region

Percentages of our market area in Japan as a whole

JR Central’s Market Area

An inter-city transportation capacity that is unrivaled all over the world

Comparison with overseas transportation services

Market Share*1 (against Airlines)

Market Share*1 (against Airlines)

(Example)

(Ten Thousand seats/day)

Approximately 30,000 seats

Approximately 12 lines of that of airlines

Operating area

1,174.9 km

366.0 km

552.6 km

Tokyo

Shin-Osaka

Nagoya

Hiroshima

Okayama

Tokaido Shinkansen

Operating area

Percentage of our market area in Japan as a whole

JR Central’s Market Area

Area

[As of October 2017]

Population

[As of January 1, 2017]

Prefectural GDP

(Nominal GDP)

[FY2015]

23.7%

60.4%

65.5%

Others

About 12 lines of that of airlines

58

100

(%)
Enhancing Our Competitive Strength

Transportation Service
We succeeded in lifting the maximum speed of our services from 270 km/h to 285 km/h. We successively increased the number of services for our fastest speed train, the “Nozomi”, through increased investment in rolling stock and ground facilities. We established an operational system running up to 10 up and down “Nozomi” services each hour. We continued to introduce new rolling stock incorporating the latest technology.

• Chuo Shinkansen
• Tokaido Shinkansen
• Sanyo Shinkansen

*3: The amount of dividend per share for FY2011 and prior is shown by dividing the amount by 100 for the ease of comparison with the amount for FY2012 and thereafter.

*2: With respect to the amount of dividend per share for FY2012, given the adoption of the unit share system of splitting 1 share of common stock into 100 shares and setting one (1) unit of shares as 100 shares effective October 1, 2012, the amount was calculated on assumption that the stock split was conducted at the beginning of the period.

*1: The planned figures for FY2018 are as of the publication of the financial report for FY2017.

Thoroughgoing preparations against future aging degradation of the Tokaido Shinkansen and large-scale disasters

Japan’s main transportation artery needs to be duplicated

The area covering the three major cities (Tokyo, Nagoya, and Osaka) will effectively form one massive mega-city with a drastic reduction in travel times brought on by the introduction of the Superconducting Maglev System.

With the expansion of the spheres of activity, our lifestyle will undergo a massive change in terms of the way business is conducted and how we use our spare time, opening the door for a wide range of possibilities.

Providing stable dividends
Our policy on dividends has always been to decide the specific dividend amount in accordance with the management environment¹ performance in each FY based in accordance with the specific dividend amount always being to decide the dividend as a core Tokaido Shinkansen service. And we improved convenience for light users and overseas visitors to Japan with our new online reservation and ticketless boarding service, the “smartEX”, introduced at the end of September 2017.

We expanded the lineup and sections covered by the “Express Reservation” service, establishing it as a core Tokaido Shinkansen service. And we improved convenience through our ticketless boarding service “smartEX”, introduced at the end of September 2017.

The “EX-IC” service expands to the Sanyo Shinkansen
Corporate member service starts
To all persons reading the Central Japan Railway Company Annual Report 2018

Greetings

Shin Kaneko
President and Representative Director

Ensuring Safe and Reliable Transportation

In the railway business, JR Central will place top priority on ensuring safe and reliable transportation, and pursue derailment and collision countermeasures for the Tokaido Shinkansen by implementing derailment prevention guards for the entire line using an improved method that assures higher safety. We will also continue to move forward with the implementation of earthquake countermeasures, such as anti-falling measures on suspended ceilings in stations and renovation and anti-shake reinforcement of the Nagoya Workshop, etc. We will also steadily proceed with our large-scale renovation work for the Tokaido Shinkansen. In addition, JR Central will make further efforts to prevent accidents by being sensitive to, and looking deeply into, risks inherent in facilities and construction work, and re-inspecting safety mechanisms. At the same time, we will repeatedly perform practical training to be able to respond properly in the advent of a disaster or other extraordinary situation.

Enhancing Transportation Services

In terms of the Tokaido Shinkansen, we will continue scheduling trains flexibly by utilizing the “10 Nozomi Trains” (operating up to “Nozomi” services in both directions) to meet demands with a focus on timeframes or seasons with increased customer use. JR Central will also continue introducing the N700A (3rd edition) as well as reflecting the features of the 3rd edition model, such as the enhancement to shorten the stopping distances of the Earthquake Brake on existing rolling stock. Meanwhile, we will move forward with the examination to implement timetables that offer increased convenience and stability toward operating all Tokaido Shinkansen trains with a maximum speed of 286 km/h by the end of FY2019. Additionally, we will provide information on train services, such as the departure status at each station and traveling status of individual trains, on the JR Central website. In terms of conventional line, we will flexibly increase the frequency of the number of cars of train to meet demands for “Shinkansen,” “Hida” and other limited express trains. We will also indicate traveling points of trains on the website as well as move forward with the preparations for the expanded area of usage for TOICA in the spring of 2019. In terms of passenger-related facilities, JR Central will make efforts to work on movable platform fences on the Tokaido Shinkansen platforms No. 20 through No. 26 at Shin-Osaka Station. Meanwhile, for conventional lines, we will advance verification testing for movable platform fences at Kanayama Station, and examine specifications with a view to installing such fences. We will complete installing braille blocks that indicate where platform edges are located on the platforms of conventional lines in stations servicing 3,000 or more passengers by moving up the installation plan by two years. We will continue to move forward with the installation of barrier-free facilities, such as elevators and multi-functional toilets, at stations on conventional lines.

Enhancing Sales and Marketing

In sales and marketing, JR Central will take initiatives so that more customers become aware of the convenience of “Express Reservation” and “smartEX” and use these services. We will also promote tourist products, such as “KIZUNA Family Hayatoku,” to widely spur demand. JR Central will enhance tourism campaigns and products that convey the attractiveness of Kyoto, Nara, Takayama, Hida, Ise-Shima and others. We will coordinate with local governments, travel agencies, and other parties through the “Arch Destination Campaign” and work to develop attractive signage material and products and operate sightseeing trains. Furthermore, to see that customers from overseas can conveniently use our railroad services, we will promote expanded use of “smartEX” services for foreigners visiting Japan, as well as work to boost sales of sightseeing value tickets, etc. JR Central will also take initiatives to expand coverage of Free Wi-Fi service in stations and on trains and introduce station numbering for conventional lines.

Promoting the Chuo Shinkansen Project Using the Superconducting Maglev System

The Chuo Shinkansen that employs the Superconducting Maglev technology will enable us to continue our mission of operating a high-speed railway linking the Tokyo Metropolitan areas, Chubu region and Kinki region as well as Osaka Prefecture, which is one of the main arteries of our business. It is being planned in order to ensure the future sustainability of the company.

With respect to the Chuo Shinkansen Project, JR Central will maintain sound management and stable dividends, and take steady steps with a greater sense of seriousness toward completing the project while demonstrating flexibility. We will also continue promoting close coordination with local communities and carry out measurement, design, acquisition of land, etc., according to plan. Furthermore, JR Central will continue to steadily move ahead with construction work, including tunnel and emergency exit excavation and diaphragm wall work, of the Southern Maglev link, including existing businesses, to boost earnings. We will also make efforts to further strengthen the earning capability of the JR Central Group, by focusing on building commercial facilities and merchandise businesses, promoting businesses by making effective use of land owned by the Company, and striving to further increase earnings and enhance competitiveness.

Enforcement of Superconducting Maglev Technology and Reducing Costs

In regard to the Yamanashi Maglev Line, we will proceed with verification testing, etc. to establish a maintenance system that responds to commercial services by alternating operation of 2 trains and continuing to conduct long-distance running tests by using rolling stock and facilities in commercial line specifications. We will also strive to further refine the Superconducting Maglev technology and reduce the costs for the construction, operation, and maintenance of commercial lines. We will also continue conducting the “Superconducting Maglev Ride” in a well-planned manner to further promote understanding of Superconducting Maglev.

Technical Development and Enhancement of Technical Capability

In an effort to promote technological development, JR Central will conduct running tests using N700S validation test vehicles and perform final checks toward finalizing the specifications for mass-production cars. We will also make further efforts with the new production of a testing vehicle for next-generation limited express rolling stock that uses the hybrid system for conventional lines. Furthermore, we will implement more advanced and power-saving inspections and maintenance that utilizes condition monitoring technology, as well as promote technical development that can lead to cost reductions for maintenance and upgrading of facilities. At the same time, we will pursue technological development to further heighten safety against disasters, etc.

Developing Affiliated Businesses

In businesses other than the railway business, JR Central will operate JR Central Towers and JR Gate Tower in a uniform manner and respond to diverse needs by demonstrating synergistic effects to the global environment. We will also make efforts to further strengthen the earning capability of the JR Central Group, by focusing on building commercial facilities and merchandise businesses, promoting businesses by making effective use of land owned by the Company, and striving to further increase earnings and enhance competitiveness.

Engagement in Global Environment Preservation

In regard to global environmental issues, JR Central will not only make the public aware of the importance of the global environment, but also continue promoting various policies that contribute to engagement in global environment preservation, such as introduction of the N700A, which enables significant energy conservation, as well as working toward resource and energy conservation in our daily operations.

We will strive to promote efficiency and reduce costs throughout our business execution activities, including capital investments, with a view to enhancing our management strength.

Overseas deployment of high-speed railway systems

In our projects for the overseas deployment of high-speed railway systems, we will promote technological development and offering formulation of technological specifications, to the main development entity of the Texas Project in the U.S. through the local subsidiary (High Speed Railway Technology Consulting Corporation) while bolstering promotional activities for the use of the Superconducting Maglev system in the Northwest Corridor Project in the U.S. In parallel, we will also promote the technical consulting services for the Taiwan High Speed Rail. We will also promote initiatives to establish the Japanese high-speed rail system, which is based on the core principle of “Crank Avoidance”, as a global standard.

Messages from the Management
What kind of service enhancement measures do you have in mind if you feel about these circumstances? Please tell us your aspirations as President of the Company.

Last year, upon the 30th anniversary of JR Central’s founding, we set forth a new management philosophy: “Contribute to the development of Japan’s main transportation artery and social infrastructure.” JR Central has thus far continued to undertake the operation of the Tokaido Shinkansen, which connects the central cities of Japan’s main transportation artery and social infrastructure. It is our mission to continue fulfilling our mission.

While the Japanese economy has continued to show signs of growth, we also feel that many of the measures we put in place to enhance our competitiveness over the mid to long-term have borne fruit. While the Japanese economy has continued to show signs of growth, if we are also rolling out “Shupo” campaigns intended to introduce the many tourist attractions situated around our railway lines in an attempt to further promote the use of Limited Express trains on conventional lines, and “Sawakaya Walking” events, which are free walking courses covering sightseeing spots near our stations that start from our stations. During this year, we will also coordinate with private companies, hoteliers, and travel agencies to develop sightseeing materials and products and conduct “Sawakaya Walking” events, which are free walking courses covering sightseeing spots near our stations.

The Chuo Shinkansen Project is designed to continue to fulfill the Company’s mission into the future through the operation of a high-speed train service that links the three major metropolitan areas. As such, our commitment to contribute to the development of Japan’s main transportation artery and social infrastructure, our main transportation artery has become even more important for JR Central to continue strengthening these capabilities to further develop and reinforce the Company going forward.

What will N700S, the next series of rolling stock for the Tokaido Shinkansen be like? Can you provide us with details on the schedule for adding this next set of rolling stock?

N700S is a new series of rolling stock that uses the Tokaido Shinkansen line. It is designed to provide a comfortable ride for passengers and to reduce the environmental impact of train travel. The N700S series is scheduled to be introduced in FY2024, with the first trainsets expected to be delivered in March 2024. The N700S series will be equipped with the latest technology to improve the comfort of passengers and reduce energy consumption.

In regards to conventional lines, we have steadily improved services as in areas that make full use of the good location of railway stations. Our efforts to reduce the size and weight of the equipment used. In anticipation of the replacement of diesel railcars currently used for the “Hida” and other trains, the Company will newly develop a full-scale construction work has begun in respective areas of the line. Can you please reiterate the significance of the Chuo Shinkansen Project?

Conventional Lines

Can you tell us of what initiatives you have in place to expand the use of conventional lines?

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Realize Management Philosophy at a Higher Level

What risk factors do you foresee for the Chuo Shinkansen Project, and how do you feel they can be overcome?

Our policy on dividends has always been to decide the specific dividend amount in accordance with the management environment and performance in each fiscal year based on the principle of continuously providing stable dividends in a manner characteristic of the Company. In this business environment, our dividend policy is designed to ensure stable dividends in a manner characteristic of the Company. In this business environment, our dividend policy is designed to ensure stable dividends in a manner characteristic of the Company.
**Key Measures and Capital Investment**

### 1. Ensuring Safe and Reliable Transportation

**Capital investment amount:** 147.0 billion yen

- **JR Central** will work to further reinforce structures along with earthquake countermeasures.
  - Advance construction work for the installation of derailment-prevention guards for the entire Tokaido Shinkansen line as part of implementing derailment- and deviation-prevention measures based on an improved method that ensures higher safety.
  - Proceed with the implementation of measures to prevent suspended ceilings at stations from falling in an earthquake and restraining or reinforcing the quake resistance of the Nagoya Workshop, etc.
  - Steadily proceed with large-scale renovation of the Tokaido Shinkansen while making efforts to achieve cost reductions by introducing the results of technological development and improving construction methods.

- **JR Central** will advance initiatives to prevent accidents and better respond to extraordinary situations.
  - Make further efforts to prevent accidents by being sensitive to and looking deeply into risks inherent in facilities and construction work and re-inspecting safety structures.
  - Repeatedly perform practical training to be able to respond to various conditions expected in the advent of a disaster, or other extraordinary situations.

### 2. Enhancing Transportation Services

**Capital investment amount:** 50.0 billion yen

- **JR Central** will proceed with initiatives to achieve timetables that offer greater convenience.
  - Continue work on setting more flexible train services in accordance with demand during seasons and time frames with increased customer use by applying the 10 “Flavor” Timetables.
  - Proceed with the launch of the N700A (5th edition), while moving forward with enhancement work to reflect features of the third-edition trains, such as reducing the stopping distance of the N700A Brake on existing trains.
  - Move forward with the examination to implement timetables that offer increased convenience and stability toward operating all Tokaido Shinkansen trains with a maximum speed of 385 km/h by the end of FY2019.
  - Neatly increase the frequency and number of cars in train services to meet demand for express trains, such as for Shinkansen and Hida.

- **Shift in the number of trainsets by series for the Tokaido Shinkansen**

<table>
<thead>
<tr>
<th>Series</th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>N700A</td>
<td>86</td>
<td>111</td>
<td>111</td>
</tr>
<tr>
<td>N700A</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(5th edition)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **N700A-type rolling stock**
  - N700A-type rolling stock
  - Widely viewed 3D

- **Enlarged work to reflect the features of the third-edition trains**

- **Enhancing transportation services**
  - Begin providing information on train services, such as traveling points and any individual train delays on the Shinkansen and conventional lines, and the departure status at each Shinkansen station, on the JR Central website.
  - Move forward with the preparations for the expanded area of usage of TOICA in the spring of 2019.

- **Promote the installation of barrier-free facilities at stations of conventional lines, such as elevators and multifunction toilets.**

### 3. Promoting the Chuo Shinkansen Project Involving Superconducting Maglev System

**Capital investment amount:** 250.0 billion yen

**With regard to the Chuo Shinkansen Project involving the Superconducting Maglev System, JR Central** will proceed steadily with the construction work in respective areas of the line while giving serious consideration to safety, the environment, and coordination with towns and cities along the planned route.

- For the Chuo Shinkansen Project, maintain sound management and stable dividends, and take steady steps with a greater sense of seriousness toward completing the project while demonstrating flexibility.
- Continue promoting close coordination with local communities and carry out measurement and design acquisition of land, etc. according to plan.
- Steadily move ahead with construction work, including tunnel and emergency exit excavation and depot and track work of the Southern Alps tunnel, Shingawa Station, Nagoya Station, tunnels in mountainous areas, emergency exit sites in urban areas, and other locations where work is challenging and construction periods will be long. At the same time, steadily proceed with the various types of construction work in areas where necessary preparations have been completed, such as electrical work, etc., based on the Construction Plan (2) between Shingawa and Nagoya Stations of the Chuo Shinkansen Line that was approved in March 2018, by giving serious consideration to construction safety and environmental protection.
- Promote efforts to establish capital-efficient and efficient operation/maintenance systems for the Chuo Shinkansen.

- **Diaphragm wall**
  - A continuous reinforced-concrete wall constructed to protect the surrounding ground before going ahead with a large-scale excavation.

- **Shinagawa Station**
  - Shinkansen Line to the Shinkansen emergency route.

- **Sample illustration of information (on Shinkansen)**
  - Posted on the website.
Key Measures and Capital Investment

**FY2018**

### 4 Brushing Up Superconducting Maglev Technology and Cost Reduction

- JR Central will continue brushing up Superconducting Maglev Technology and pursueing cost reduction.
  - With the Yamanashi Maglev Line, alternately operate two trainsets by using rolling stock and facilities with commercial line specifications and continue conducting long-distance running tests.
  - Proceed with verification, etc. toward establishing a maintenance system that can handle commercial services. At the same time, work to further refine the Superconducting Maglev Technology and reduce costs for construction, operation, and maintenance.
  - Continue conducting “Superconducting Maglev Ride” in a well-planned manner and take steps to further promote understanding of Superconducting Maglev Technology and reduce costs for construction, operation, and maintenance.

### 5 Enhancing Sales and Marketing

- JR Central will take initiatives to attract more customers to use online reservation services for the Shinkansen.
  - Take initiatives so that more customers become aware of the conveniences of Express Reservation and smartEX and use these services.
  - Promote train tours, such as “Ex Nozomi Family Hayateki,” to widely spur demand.

- JR Central will make use of the tourist attractions along railway lines to actively deploy sales and marketing measures.
  - Enhance tourism campaigns and products that convey the attractiveness of Kyoto, Nara, Tokyo, Hida, Ise-Shima, etc.
  - Coordinate with local governments, travel agencies and other partners through the “Aichi Destination Campaign” organized by the JR operators, and make efforts to develop attractive sightseeing materials and products and operate sightseeing trains.

- JR Central will take initiatives so that customers from overseas can conveniently use its rail services.
  - Promote expansion of use of “smartEX” services for foreigners visiting Japan as well as work to boost sales of sightseeing value tickets, etc.
  - Expand coverage of the Free Wi-Fi service in stations and on trains in order to put in place an environment where users can make online reservations and obtain rail services/sightseeing information on their smartphones, etc.
  - Introduce station numbering for conventional lines.

### 6 Promoting Technological Development, Engagement in Global Environment Preservation, Deploying the High-Speed Railway System Overseas

- JR Central will strengthen efforts in technological development that contributes to enhancing safety and reducing costs and in promoting global environment preservation.
  - Conduct running tests using N700S validation test vehicles and perform final checks toward finalizing the specifications for mass-production cars.
  - Move forward with the new production of a testing vehicle for next-generation limited express rolling stock that uses the hybrid system for conventional lines to increase safety and comfort, as well as promote a reduction in total costs.
  - Implement more advanced power-saving inspections and maintenance that utilize condition monitoring technologies. Also, promote technical development that can lead to cost reductions for maintenance and upgrading of facilities.
  - Carry out technological development to further enhance safety against disasters, etc.
  - Promote various policies that contribute to global environment preservation, such as shifting to the N700A and other energy-saving rolling stock.

- JR Central will work to deploy the high-speed railway system overseas.
  - Promote technical assistance, including formulation of technological specifications, to the main development entity of the Texas Project in the U.S. through the local subsidiary (HTeC), while bolstering promotional activities for the use of the Superconducting Maglev system in the Northeast Corridor Project in the U.S.
  - Continue to proceed with the technical consulting services for the renovation work for the operation control system, etc. for the Taiwan High Speed Rail.
  - Advance initiatives to make the Japanese high-speed railway system, which is based on the principle of Crash Avoidance, a global standard.

### 7 Steadily Promoting Affiliated Businesses

- JR Central will promote affiliated businesses, with JR Central Towers and JR Gate Tower at the core, to further enhance customer satisfaction.
  - Operate JR Central Towers and JR Gate Tower in a uniform manner and respond to diverse needs by demonstrating synergistic effects to the fullest, including existing businesses; to boost earnings.
  - Revitalize merchandising businesses and commercial facilities of station buildings, work to make effective use of land owned by the Company and strive to further increase earnings. In addition, take initiatives to expand business areas, such as developing lots under the viaduct, to strengthen the earnings bases.

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**Key Measures and Capital Investment**

**FY2018**

**JR Central Towers and JR Gate Tower**

**Central Garden Residence Gifu Kano**

**Central Garden Residence Tokyo**

**Tokyo Gourmet Zone**

**Central Garden Residence Kyoto Station**

**Central Garden Residence Osaka**

**Central Garden Residence Tokyo**

**JR Gate Tower**

**JR Central Towers**

**Series L0**

**Superconducting Maglev Ride**

**Free Wi-Fi service coverage**

**Number of stations applicable for station numbering**

**Number of members of “Express Reservation”**

**Capital investment amount: 1.0 billion yen**

**Capital investment amount: 11.0 billion yen**

**Capital investment amount: 4.0 billion yen**

**Capital investment amount: 32.0 billion yen**

**Capital investment amount: 29.0 billion yen**

**Capital investment amount: 20.0 billion yen**

**Capital investment amount: 32.0 billion yen**

**Free Wi-Fi service coverage:**

- N700S: 610,000 (as of February 28, 2018)
- “smartEX”: 610,000 (as of February 28, 2018)

**Number of members of “Express Reservation”:**

- 3.7 million: Number of persons registered in “Express Reservation” 610,000: both as of February 28, 2018

**Free Wi-Fi service coverage:**

- On the Tokaido Shinkansen (N700A type and N700S validation test vehicles) and in 24 conventional lines (including 6 stations servicing local Shinkansen and conventional lines).

**Number of stations applicable for station numbering**

- 196 conventional line stations

**Number of members of “Express Reservation”**

- 3.7 million: Number of persons registered in “Express Reservation” 610,000: both as of February 28, 2018
Ensuring Safe and Reliable Transportation

Tokaido Shinkansen

**Large-scale renovation**

Our civil engineering structures are sufficiently maintained through daily and thorough inspections and repair. However, in future, it will be inevitable to replace many of the facilities due to aging. We received the approval of the Minister of Land, Infrastructure, Transport and Tourism for our allowance reserve plan for the large-scale renovation of Shinkansen infrastructure based on the National Shinkansen Railway Development Act and began building the reserves from 2002. Along with this, we have advanced our research on a new construction method, led by our Komaki Research Center. As a result of our R&D efforts, we developed a new construction method that allows us to significantly reduce the impact on train operations during construction work, and to considerably cut the Company’s building cost. As a result of our R&D efforts, we developed a new construction method to further reduce the stopping distance at the time of an earthquake by roughly 30% compared to the stopping distance of N700A (3rd generation).*

* After introducing the “Urgent Earthquake Detection and Alarm System (UrEDAS)” before other companies, we introduced the “Tokaido Shinkansen Earthquake Rapid Alarm System (TERRA-S)” in 2005, thereby improving the system in the speed of the alarm transmission. We are also conducting preventive measures to further improve the system in the speed of the alarm transmission. In addition, we are working to improve the alarm system in the Event of an Earthquake. The system in the Event of an Earthquake, and give a warning to the driver’s cabin of the Shinkansen.

**Counter-disaster measures and other efforts**

JR Central’s conventional lines operate not only in urban areas but also along steep natural slopes and other varied terrain. As such, we have been making efforts to adopt measures against falling rocks, heavy rain, and other disaster situations. In FY2018, we will continue to take measures against falling rocks, such as newly installing falling rock detection nets and protective equipment, and against heavy rainfall, such as reinforcing stop protection and newly installing drainage facilities. We will also continue to advance our efforts to improve safety devices on grade crossings together with making replacements due to aging in order to enhance safety.

**Rearrangement and upgrade of structures and other facilities**

The work started in FY2013, ahead of the original schedule.* We are expecting to engage in renovations for a period of about 10 years. We began with the implementation of “measures to inhibit aging damage”,* while checking the effect of those measures, perform overall renovations as necessary. The reserve of 350 billion yen accumulated by FY2012 is appropriated at a rate of 35 billion each year from FY2013. We will continue to actively incorporate the results of our R&D efforts and make improvements, etc. to construction methods, thereby bringing down related costs in making sure steps forward with our construction work.

* This is the basis of the Ministry of Land, Infrastructure, Transport and Tourism's plan for our allowance reserve plan for the large-scale renovation of Shinkansen infrastructure in FY2013 and beyond, and the “neat concrete lintel” design that we have been conducting in order to reduce the time for structures by inhibiting the occurrence of cracking and other damage from aging.

**Conventional lines**

In order to prevent expansion of damage caused by earthquakes, it is important to stop trains quickly. JR Central adopts an earthquake prevention system* which detects tremors, automatically stops power transmission, and issues an order to moving trains to make an emergency stop. We also made improvements to the “Earthquake Brake” on rolling stock in an effort to reduce the stopping distance at the time of an earthquake. For the next-generation Shinkansen rolling stock N700G, which we are looking to launch in FY2020, we will make improvements to ATC and the brake system to further reduce the stopping distance at the time of an earthquake by roughly 5% compared to the stopping distance of N700A (3rd generation).*

* After introducing the “Target Earthquake Detection and Alarm System (TERRA-S)” before other companies, we introduced the “Tokaido Shinkansen Earthquake Rapid Alarm System (TERRA-S)” in 2005, thereby improving the system in the speed of the alarm transmission. We are also planning to further accelerate the speed of the alarm by utilizing information from the Earthquake Observation Network of the University of Tokyo and the Tokyo Electric Power Company. As for measures adopted for rolling stock, “deviation prevention stoppers” have already been installed on all of our Shinkansen rolling stock.

**Reinforcement of structures**

In order to minimize the impact of various earthquakes on conventional lines, we are implementing earthquake-resistance measures on various civil engineering structures.

**Measures taken and progress**

<table>
<thead>
<tr>
<th>Measures taken</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Tokaido Shinkansen Rapid Alarm System (TERRA-S)*</td>
<td>Tokaido Shinkansen Rapid Alarm System (TERRA-S)*</td>
<td>Tokaido Shinkansen Rapid Alarm System (TERRA-S)*</td>
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<td>Tokaido Shinkansen Rapid Alarm System (TERRA-S)*</td>
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<tr>
<td>Earthquake early warning (Earthquake Early Warning System)</td>
<td>Earthquake early warning (Earthquake Early Warning System)</td>
<td>Earthquake early warning (Earthquake Early Warning System)</td>
<td>Earthquake early warning (Earthquake Early Warning System)</td>
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<td>Earthquake early warning (Earthquake Early Warning System)</td>
<td>Earthquake early warning (Earthquake Early Warning System)</td>
</tr>
</tbody>
</table>

* The measures taken and progress include the following measures:
- Measures taken
- Measures taken
- Measures taken
- Measures taken
- Measures taken
- Measures taken
- Measures taken
- Measures taken

**Further reinforcement of earthquake countermeasures**

We are promoting derailment and deviation countermeasures to prevent expansion of damage from derailment caused by an earthquake. These measures come in a dual system where the highest priority is set on preventing rolling stock from derailing with “derailment prevention guards”, and when derailment cannot be avoided, it provisions the rolling stock from a major derailment with “deviation prevention stoppers”.

In regard to measures for ground facilities, we are installing “derailment prevention guards” as well as adopting measures for civil engineering structures to have the derailment prevention guards function effectively. While we expect to complete implementing these measures to the entire line by FY2022, considering the nature of these measures, we will continue to study the possibility of completing the work as early as possible.

As for measures adopted for rolling stock, “deviation prevention stoppers” have already been installed on all of our Shinkansen rolling stock.

**Reinforcement of structures**

JR Central has been implementing various civil engineering countermeasures in order to prevent damage caused by earthquakes. The culmination of our R&D efforts was the Tokaido Shinkansen Earthquake Rapid Alarm System (TERRA-S)"* which we have been carrying out large-scale renovation work for the Hamamatsu Workshop, which conducts general overhauls*2 of Shinkansen rolling stock. This includes rebuilding and reinforcement so that the general overhaul function can be maintained even in the event of a major earthquake. Most of renovation work has already been completed, and we have been conducting general overhauls using the new inspection and repair lines since January 2017. Reviewing the inspection and repair lines in conjunction with this renovation work resulted in improving operating efficiency. As a result, the number of days required for the general overhauls has been reduced from 15 days to 4 days, enabling us to use rolling stock for operating trains more promptly.

* After introducing the “Target Earthquake Detection and Alarm System (TERRA-S)” before other companies, we introduced the “Tokaido Shinkansen Earthquake Rapid Alarm System (TERRA-S)” in 2005, thereby improving the system in the speed of the alarm transmission. We are also planning to further accelerate the speed of the alarm by utilizing information from the Earthquake Observation Network of the University of Tokyo and the Tokyo Electric Power Company. As for measures adopted for rolling stock, “deviation prevention stoppers” have already been installed on all of our Shinkansen rolling stock,

**Initiatives to stop trains quickly**

In order to prevent expansion of damage caused by earthquakes, it is important to stop trains quickly. JR Central adopts an earthquake prevention system which detects tremors, automatically stops power transmission, and issues an order to moving trains to make an emergency stop. We also made improvements to the “Earthquake Brake” on rolling stock in an effort to reduce the stopping distance at the time of an earthquake. For the next-generation Shinkansen rolling stock N700G, which we are looking to launch in FY2020, we will make improvements to ATC and the brake system to further reduce the stopping distance at the time of an earthquake by roughly 5% compared to the stopping distance of N700A (3rd generation).*

* After introducing the “Urgent Earthquake Detection and Alarm System (UrEDAS)” before other companies, we introduced the “Tokaido Shinkansen Earthquake Rapid Alarm System (TERRA-S)” in 2005, thereby improving the system in the speed of the alarm transmission. We are also planning to further accelerate the speed of the alarm by utilizing information from the Earthquake Observation Network of the University of Tokyo and the Tokyo Electric Power Company. As for measures adopted for rolling stock, “deviation prevention stoppers” have already been installed on all of our Shinkansen rolling stock.
Earthquake-resistance measures for ceilings of stations

In order to heighten safety at stations in case of an earthquake, we install anti-falling measures at stations that service a large number of customers. We prevent suspended ceilings from falling by firmy joining the building frame and the ceiling with wires and taking other measures.

Operation Management and Safety Measures

Features of Japanese high-speed rail system

The Japanese high-speed rail system led by the Tokaido Shinkansen is based on a principle of Crash-Avoidance, which is the biggest feature for ensuring safety. This principle has been derived to prevent the possibility of a collision by using (1) dedicated tracks for high-speed passenger rail service, which completely exclude highway and commuter rail and have no grade crossings, and (2) an Automatic Train Control (ATC) system, which automatically controls the speed limit of high-speed trains and prevents collisions from happening.

Shinkansen General Control Center

At the Shinkansen General Control Center in Tokyo, various directives, such as transportation, operations, facilities, electrical power, and signals, utilize the before-mentioned systems and work in close cooperation to support the safety and reliability of the Shinkansen. Also, the Shinkansen Second General Control Center, which has the same functions as the General Control Center in Tokyo, has been established in Osaka with the cooperation of JR-West. This Center is to be used in the event that the Shinkansen General Control Center becomes inoperable due to a disaster, thereby strengthening our crisis management in emergency situations. Equipment at the Second General Control Center is on standby at all times with the power on. They are usually utilized for education and training of directors and maintenance staff. The Tokaido Shinkansen has been doubling various facilities for ensuring safe and reliable transportation. We also reinforce our crisis management ability by doubling control centers.

The Shinkansen Multiple Inspection Train (Dr. Yellow)

We have also introduced the ‘Shinkansen Multiple Inspection Train (Dr. Yellow)’ to test ground facilities, such as electrical facilities and tracks. This rolling stock, which is based on the Series 700, aids safe and reliable transportation by efficiently conducting high precision inspections at speeds of 270km/h.

Operation management systems

Our Company currently incorporates operation management systems into most lines run on conventional lines. The operation management system includes CTC (Centralized Traffic Control) and the PRC (Programmed Route Control). These systems enable us to manage train and station information in a centralized manner at control centers. Such centralization not only enables normal train management but also allows orders and directives to be issued more rapidly even in emergency situations. We completed the replacement of the operation management system for the Tokaido Line (Shizuoka district) in FY2017.

ATS-PT (Automatic Train Stop)

ATS-PT continuously checks the speed for conventional lines according to the distance to the signal with the speed signal, utilizing the before-mentioned systems and work in close cooperation to support the safety and reliability of the Shinkansen. We also conduct various training sessions simulating repair of derailed rolling stock, and training sessions, information communication training sessions, etc. for emergencies, to field offices for drivers and conductors. We also conduct various training sessions using actual rolling stock, overhead contact lines, and signaling equipment, so that employees on each system can swiftly and accurately respond to emergencies.

Emergency conditions response training

We conduct various training every year as an opportunity for us to enhance the fast-response restoration structure in case of accidents and to learn the work of other systems. We conducted practical training in FY2017, such as passenger evacuation guide training sessions, information communication training sessions, training sessions simulating repair of derailed rolling stock, and line facility restoration training, based on the assumption of natural disasters, such as earthquakes, and train fires.

The General Education Center offers education on specialized knowledge and skills for each function, and provides sessions for various qualifications and trains conductors and drivers. It also hosts effective training beyond the borders of professions, holds lectures for both Shinkansen and conventional lines and enhancing lectures involving borders of systems, etc.

Employee training in preparation for contingencies

From FY2016 we started training all employees to go beyond the call of duty in working together with staff, etc., to respond appropriately in ensuring our customers’ safety should employees happen to be present when unforeseen circumstances occur while traveling to and from work, or while on a business trip. We will continue to train employees every year in the specific measures to take in an emergency, including the mental readiness needed to respond in such a manner.

Multiple Inspection Train and Track Inspection Train (Dr. Tokai)

We efficiently monitor facility status with regard to the maintenance of railway tracks and electrical facilities on conventional lines, using the ‘Multiple Inspection Train’ and ‘Track Inspection Train (Dr. Tokai)’. We efficiently and thoroughly manage and maintain facilities by using the new devices, etc., the installations of which were completed in line with the upgrade timing of inspection equipment in 2018.

Other initiatives

Safety audits

Internal audits are performed on the Company’s business organizations and affiliated companies from three main standpoints. The confirmation of the level of compliance with laws and regulations, the confirmation of systems in place to prevent train and labor accidents that occurred in the past, and the confirmation of the state of accident prevention measure implementation. We strive to prevent violations of laws and regulations, the fading out of past countermeasures, and rules from losing their substance before an incident occurs by having a third party inspect our business operations and share these results.
JR Central strives to improve its transportation service to fulfill its mission of integrally maintaining and developing the Tokaido Shinkansen, which serves as Japan’s main transportation artery, and the conventional line network in the Tokai region. With continual long-term capital investments, we have improved the Tokaido Shinkansen service not only by bolstering safety and accuracy, but also by the high speed, frequency, and capacity, such as by boosting speeds to 285 km/h, or introducing the “10 Nozomi timetable” (operating up to 10 “Nozomi” services in both directions). We will look to further maintain and enhance the competitive advantages offered by the Tokaido Shinkansen as the earnings received from this service are vitally important in proceeding with the Chuo Shinkansen Project.

Characteristics of the Tokaido Shinkansen

- **Safety**
  - 0 accidents
  - No accidents resulting in fatalities or injuries of passengers on board since operations commenced
  - Improvement of safety awareness and skills through human resources education and training
  - Continual investment in safety-related facilities

- **Punctuality**
  - 0.7 minutes
  - Given as total times: 0.7 minutes / 3 trains in service

- **High Speeds**
  - 285 km/h
  - Tokyo – Shin-Osaka: 2 hours 22 minutes

- **High Frequency**
  - 368 services, 466,000 passengers per day

- **Environmental friendliness**
  - 1/8
  - In terms of CO2 emission rate (Column 2 “Shortening of actual time by speed increase”)

- **Comfort**
  - Wide open, quiet space

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**“10 Nozomi Timetable” and offering extra trains flexibly**

Since the introduction of “Nozomi” in 1992, JR Central has increased the number of services for “Nozomi”, which is the fastest train of Tokaido Shinkansen, with the aim of improving our transportation service. In 2014, we created the “10 Nozomi timetable”, which enabled a maximum of 10 “Nozomi” services operated each hour, for almost all time frames. This was made possible thanks to the fact that the renovation construction to add a new track, a new platform, and two more draw-out tracks from 2 to 4, for which back-to-back maintenance is possible, in Shin-Osaka Station was completed, and that we now have a certain number of trainsets for the N700A type*. This kind of capital investment over a mid to long-term span is needed to increase the number of services available. We currently operate up to 15 Shinkansen per hour one way with up to 10 “Nozomi” – the fastest train – mainly during the summer trains with increased customer use. We offer flexible services to meet the demands.

We were able to increase the number of daily services offered by 1% over the previous year to 368 in FY2017 by scheduling trains in this manner. We also recorded the highest number of services offered in one day, 433, on August 10, 2017 at the height of the Summer holiday season.

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Note 1. Database shown include extra trains.
Note 2. Change rates is shown by means of an index with the median transportation volume for FY2007 as 100.
Note 3. Station stops: “Nozomi” Shinkansen, Shin-Okutama, Tachikawa, and Tokyo-Mitsui. Same as “Kodama” plus a few additional stations. Routes of all stations are shown in each column.
Note 4. The sum of “Nozomi”, “Kodama”, and “Takayama” may not agree with the total due to rounding.
Note 5. Number of services excludes extra services.

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**Diagram 1**

Tokaido Shinkansen Service (Comparison with airline transportation service)

<table>
<thead>
<tr>
<th>Destination</th>
<th>Shinkansen (min)</th>
<th>Airline (min)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan (552.6 km)</td>
<td>231</td>
<td>108</td>
</tr>
<tr>
<td>Okayama (732.9 km)</td>
<td>239</td>
<td>128</td>
</tr>
<tr>
<td>Hiroshima (894.2 km)</td>
<td>271</td>
<td>100</td>
</tr>
<tr>
<td>Fukuoka (1,174.9 km)</td>
<td>274</td>
<td>142</td>
</tr>
</tbody>
</table>

Note 1. Departures shown include extra trains. Note 2. Usage status is shown by means of an index with the sectional transportation volume for FY1987 as 100.
Note 3. Station stops: “Shinkansen”, “Nozomi”, “Kodama”, “Takayama”, “Takayama”. Since “Kodama” plus a few additional stations. Routes of all stations are shown in each column.
Note 4. “The sum of “Nozomi”, “Kodama”, and “Takayama” may not agree with the total due to rounding.
Note 5. Number of services excludes extra services.

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**Diagram 2**

Number of train services and usage status of the Tokaido Shinkansen (per day)

<table>
<thead>
<tr>
<th>Source</th>
<th>Shinkansen (km/hr)</th>
<th>Airline (km/hr)</th>
</tr>
</thead>
<tbody>
<tr>
<td>N700A</td>
<td>350</td>
<td>300</td>
</tr>
</tbody>
</table>

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**Diagram 3**

Tokaido Shinkansen (Comparison with airline transportation service)

<table>
<thead>
<tr>
<th>Source</th>
<th>Shinkansen (min)</th>
<th>Airline (min)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan (552.6 km)</td>
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Note 1. Database shown include extra trains.
Note 2. Change rates is shown by means of an index with the median transportation volume for FY2007 as 100.
Note 3. Station stops: “Nozomi” Shinkansen, Shin-Okutama, Tachikawa, and Tokyo-Mitsui. Same as “Kodama” plus a few additional stations. Routes of all stations are shown in each column.
Note 4. The sum of “Nozomi”, “Kodama”, and “Takayama” may not agree with the total due to rounding.
Note 5. Number of services excludes extra services.
Increasing the speed of the Tokaido Shinkansen

Thanks to the revised timetable in 2015, we were able to increase the speed for the first time in 23 years. The maximum speed of the Tokaido Shinkansen increased to 285 km/h. Due to this, the travel time required between Tokyo and Shin-Osaka was shortened by 3 minutes, which is as short as 2 hours and 22 minutes. The new timetable has not only improved convenience but also improved the timetable recovery capability in cases of emergency and other such situations. With the timetable revision in March 2018, over 90% of all regular trains are operated with the N700A type rolling stock that can run at speeds up to 285 km/h. We plan to continue sequentially increasing the number of trains running at 285 km/h in line with the progress of upgrading rolling stock and modification work.

Introduction of the latest N700A and upgrading of existing rolling stock

We have continued to introduce the N700A, which employs the results of our unique technological developments, as the rolling stock to replace Series 700. We have begun introducing the N700A (3rd edition) from FY2016. With a view to further enhancing the safety and stability of the N700A (3rd edition), we have been undertaking enhancement work on the trains, such as heightening functions to prevent equipment malfunction on rolling stock by reinforcing the monitoring function, in addition to further reducing the stopping distance of the Earthquake Brake by 5% compared to the already launched N700A. These functions will not only be made available on newly produced rolling stock, but also on the existing N700A type rolling stock by remodeling and adding similar features. These measures are due to be completed by the end of FY2019, resulting in all of our Shinkansen rolling stock being the N700A type capable of running at a maximum speed of 286 km/h. Having all rolling stock being capable of running at a consistent maximum speed enables us to decrease restrictions on setting timetables and set timetables more flexibly, thereby allowing us to shorten travel time. In addition, since this also enables us to strengthen our recovery capability when a train is delayed, we can anticipate improvements in convenience and stability of timetables. Going forward, we will specifically consider setting a timetable that would further enhance convenience and stability.

Moewifies, in order to further enhance security, we completed installing security cameras in the passenger cars and deck passageways of our N700A type rolling stock at the end of 2017.

<table>
<thead>
<tr>
<th>N700A type rolling stock</th>
<th>[From March 2007 to March 2020 (plan)]</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007.3</td>
<td>150</td>
</tr>
<tr>
<td>2008.1</td>
<td>135</td>
</tr>
<tr>
<td>2008.3</td>
<td>120</td>
</tr>
<tr>
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<td>2017.3</td>
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<tr>
<td>2018.3</td>
<td>10</td>
</tr>
<tr>
<td>2019.3</td>
<td>0</td>
</tr>
<tr>
<td>2020.3</td>
<td>0</td>
</tr>
</tbody>
</table>

Note: The inserted figures are all at the end of each fiscal year (including reserved trains, etc.).

Development of the next-generation rolling stock, N700S

In March 2018, we completed the development of the N700S validation test vehicles for the next-generation Shinkansen rolling stock, reflecting a full-scale model. For the first time since the Series 700 and have begun running these tests. Validation test vehicles are used to perform final checks of new technologies to be introduced in the next generation commercial rolling stock. Following this, they will be used as testing vehicles to promote technological development in aim to further brush up the Tokaido Shinkansen and Series 700. We are currently reviewing plans to commercially introduce the next series of commercial rolling stock around FY2020. We will improve the ATC and brake system for N700S to further reduce the stopping distance of the Earthquake Brake by 5% compared to that used in N700A (3rd edition) in order to further enhance safety. In addition, we will heighten functions to prevent accidents in advance by improving the monitoring of equipment on running rolling stock. At the same time, we will aim to further enhance the precision and efficiency of inspections by transmitting a greater volume of data recorded by rolling stock to the ground, and conducting more detailed analyses of rolling stock conditions at the “rolling stock analysis center”. In terms of service, we will make efforts to further improve comfort, placing electric outlets for mobile devices at all seats, and taking other steps.

Improvement of service on conventional lines

In regards to conventional lines, we have steadily improved services by increasing speeds, introducing new rolling stock, and improving the frequency of trains. With regard to the limited express trains, we have introduced “Wide-View” rolling stock and established the “Wide-View” limited express network, which forms an integrated network with the Shinkansen, by ensuring connections with the Shinkansen. In terms of the popular “Wide-View Shinkansen”, “Wide-View Hida” and other limited express trains, we are flexibly increasing the frequency and the number of train cars in service to meet demand at busy times and for nearby events. In terms of local trains, we are striving to increase the frequency and number of cars per train in service during peak-demand morning and evening periods, establish a rapid train system, and adjust services so that they are offered in certain intervals. Through initiatives such as the above, we will strive to offer timetables that are easier for customers to use.

New production of next-generation limited express train rolling stock (testing vehicle) using the hybrid method

In anticipation of the replacement of electric cars currently used for the “Hida” and “Nanki” limited express trains, we will newly develop a testing vehicle for the next-generation limited express rolling stock that uses the hybrid system, the first of its kind for us, by the end of 2019 and conduct test runs to establish relevant technology. We are aiming to commercially operate the country’s first hybrid electric railway rolling stock that runs at speeds up to 120 km/h, while enhancing the safety and comfort of such trains. We are currently reviewing plans to commercially introduce mass-produced vehicles by FY2022.

The hybrid method utilizes a combination of power generated by the engine and the power stored in a storage battery during braking, etc., to rotate the motor for running the train. By adopting this method, we do not need the rotary components unique to diesel railcars and can achieve increased safety and reliability. In terms of comfort, we can improve smoothness and comfort by not having to give the cars the changing unique to diesel railcars, reducing the number of engines, etc.

Introduction of centralized passenger service system

To further enhance customer convenience and establish an efficient structure in line with customer use, we introduced the centralized passenger service system at 6 stations on the Takayama Line in Gifu Prefecture in 2017 and at 8 stations on the Tokaido Line (between Otsuana and Toyohashi stations) in October 2017 and have been smoothly operating the system. At stations with the centralized passenger service system, we provide such service functions as purchase of tickets, fare adjustment, and recharging of IC cards at all cards that trains are in service. In addition, a full-time operator at the service center monitors the status of the station via surveillance cameras as well as handle fare adjustments, responding to inquiries from customers, providing necessary assistance, and making announcements. If a customer requires guidance, etc., on site, the staff will go to the site and respond to the customer’s needs. Given that there are limited staff available for seat tickets for the Shinkansen, we newly installed a ticket machine for reserved seats with support at Koda Station. The ticket machine not only allows customers to easily purchase reserved seat express tickets, etc., but also allows the operator to respond remotely so that customers may purchase discount tickets, etc., and adjust services so that they are offered in certain intervals. Through initiatives such as the above, we will strive to offer timetables that are easier for customers to use.

Conventional Lines

We operate a network of 12 conventional lines, which form an integrated network with the Tokaido Shinkansen. These lines have contributed to the development of communities and the regional economy in the Tokai region, mainly around Nagoya and Shizuoka.
We are promoting the Chuo Shinkansen Project using the Superconducting Maglev System based on the Nationwide Shinkansen Railway Development Act (hereinafter referred to as “the Act”) to continually carry out our mission of operating a high-speed railway linking the Tokyo Metropolitan area, Chukyo, and Kinki regions, which is the linchpin of our business, and to ensure the future foundation of the company.

Significance of the Chuo Shinkansen Project using the Superconducting Maglev System
- Promoting the Project while ensuring sound management and providing stable dividends

50 years have passed since the inauguration of the Tokaido Shinkansen, which serves as Japan’s main transportation artery. Therefore, we must consider drastic measures to respond to aging in the future and large-scale disasters based on the fact that it takes a long time to construct and build a new railway line. In the wake of the Great East Japan Earthquake, the need for a new line that enables us to offer multiple routes in our main transportation artery has become even more important to prepare for the risk of natural disasters. This is the reason we decided to complete the Chuo Shinkansen as quickly as possible, as it can be used as an alternative to the role of the Tokaido Shinkansen by utilizing the Superconducting Maglev System, which we have developed, under the condition that we bear the cost of its construction. We will operate the Chuo Shinkansen in an integrated manner along with the Tokaido Shinkansen.

While steadily working towards the successful completion of this project and maintaining our ability to react in a flexible manner, we will make necessary investments to ensure safe and reliable transportation, and to enhance competitiveness in the railway business, as well as ensure sound management and provide stable dividends. We will first realize the project between Tokyo and the City of Nagoya, which we have received approval for the construction plan, and strive to further extend to the City of Osaka.

In order to confirm that the principles of a privately-owned company, such as freedom of management and autonomy of capital investment, would not be hindered by application of the Act, we underwent fundamental clauses regarding application of the Act to the Ministry of Land, Infrastructure, Transport and Tourism and received a reply in January 2008 indicating that those principles would not be hindered.

Cost Reduction Committee, which will thoroughly reduce costs while ensuring safety. At the same time, we will flexibly distribute resources in an optimal fashion in accordance with the managerial environment.
Initiatives with the Yamanashi Maglev Line

We started running tests on the initial 18.4 km section of the Yamanashi Maglev Line in April 1997. The level of the Superconducting Maglev Technology was evaluated in multiple stages, resulting in the Superconducting Magnetic Levitation Technologically Practically Evaluation Committee of the Ministry (hereinafter, the Evaluation Committee) acknowledging that the Superconducting Maglev Technology had already achieved levels sufficient for commercial service in July 2009. The Minister established the technological standards of the Superconducting Maglev in December 2011. We now work on the Yamanashi Maglev Line to 42.8 km and fully renewing the facilities was completed in August 2013, and running tests were started with the Series LO (al) rolling stock based on commercial line specifications. In April 2015 we recorded the maximum daily running distance of 4,064 km, and our own world record for the fastest running train with a record of 603 km/h. In February 2017, the Evaluation Committee confirmed its evaluation that the technology development required for commercial lines was completed. We will continue to make efforts in further brushing up Superconducting Maglev System Technology, including improving comfort and enhancing efficiency of maintenance, toward the opening of the Shimagawa-Nagoya route of the Chuo Shinkansen, as well as work to reduce costs for the construction, operation, and maintenance of commercial lines.

Superconducting Maglev Ride

We have been conducting “Superconducting Maglev Ride” since FY2014, and approximately 60,000 people to date have experienced the high-speed travel at 500 km/h, and the high level of performance of Superconducting Maglev Technology, with many giving their positive impressions, such as “traveled in extreme comfort,” and “wishing for early launch of the service.” We will also continue promoting “Superconducting Maglev Ride” in a well-planned manner.

Investment in the Yamanashi Maglev Line and Superconducting Maglev technological development

We have invested heavily in developing the practical technologies required to establish Superconducting Maglev commercial lines. We will proceed with initiatives to realise Superconducting Maglev Project in the Northeast Corridor of the United States while constructing Superconducting Maglev-based Chuo Shinkansen ourselves. The construction, operation and maintenance for these projects all rely on technologies we have developed.

Progress on the Superconducting Maglev System Technology

| June 1990 | JR Central issues to the Minister of Transport the appraisal for the commercial utilization of the Yamanashi Maglev Line
| April 1997 | Running test trial on the Yamanashi Maglev Line
| March 2000 | The Evaluation Committee of the Ministry of Land, Infrastructure, and Transport (hereinafter, the Evaluation Committee) issued the Technology Development Plan for the Superconducting Maglev System in the presence of the Minister of Land, Infrastructure, and Transport
| December 2005 | JR Central records the world speed record for a manned set vehicle at 603 km/h
| November 2004 | The Evaluation Committee of the Ministry of Land, Infrastructure, and Transport and Transport and Tourism acknowledged that “the technologies required for commercial application have been established”
| September 2006 | A facility investment plan is established to restart the Yamanashi Maglev Line and infrastructure
| January 2007 | The Evaluation Committee of the Ministry of Land, Infrastructure, and Transport and Transport and Tourism evaluates that “the technology development required for commercial lines was completed”
| July 2009 | The Evaluation Committee of the Ministry of Land, Infrastructure, and Transport and Transport and Tourism acknowledged that “the technologies required for commercial services have been established from a comprehensive and systematic standpoint, and it is possible to move forward with detailing the specifications for commercial services and the technical standards”
| May 2011 | The Evaluation Committee of the Ministry of Land, Infrastructure, and Transport and Transport and Tourism confirmed the evaluation that the technology development required for commercial lines was completed
| December 2013 | The Evaluation Committee of the Ministry of Land, Infrastructure, and Transport and Transport and Tourism evaluated that “the technology development required for commercial lines was completed”

What is superconductivity?

Superconductivity is the phenomenon that the electrical resistance of certain materials approaches zero and their temperature falls almost to absolute zero. Whether a material can be cooled to a coil in a superconductive state (superconductive coil), this current can flow almost indefinitely, resulting in the elimination of a very large magnetic field. Pekelstein, titanium alloy has been used for the Superconducting Maglev and superconductive coil is achieved when cooling down to a temperature of around 4.2°F.


Enhancing Sales and Marketing

“Express Reservation” and “smartEX” are reservation services that are mainstream sales services that enable seat reservations and the changing of reservations easily online while eliminating the need to pick up tickets, thereby making the most use of the high volume Tokaido Shinkansen. In particular, “smartEX”, which we introduced in September 2017, is an online reservation and ticketless boarding service that can be used by following a simple registration procedure. The service offers greater convenience also for non-members of Express Reservation and for foreign tourists visiting Japan, etc., when using the Tokaido Shinkansen.

In terms of tourism, we will not cut out measures to stimulate demand, such as the Kyoto campaign, and continue to strengthen our relationship with local residents and travel agencies at tourist spots in our operating areas. We will also strive to increase Shinkansen ridership by providing attractive travel products and bolstering initiatives aimed at various members.

Improving Convenience for the Tokaido Shinkansen

Promoting online reservation and ticketless boarding services

In an effort to have customers more conveniently use the Tokaido Shinkansen, JR Central takes initiatives to promote online reservation and ticketless boarding services. We provide the “Express Reservation” service for customers who frequently ride the Shinkansen for business or other reasons. Members of the service can smoothly ride the Shinkansen by simply touching their member IC card at the automatic ticketing gates after reserving their seats with a smartphone or other device beforehand. There is no need to stop at the ticket counter of a station, which allows customers to significantly reduce the total transit time, plus enjoy the benefit of using the Shinkansen at a discounted member price. Additionally, as members can change their reservation as many times as they want without any additional charges, they can always select the train that best suits their need from a vast selection of trains including the “Nozomi”, which has a maximum of 10 departures every hour.

We also offer “smartEX” with no membership fee for customers who only occasionally use the Shinkansen, including people traveling to visit their hometowns, tourists, and foreigners visiting Japan. This service allows riders to use their smartphones to obtain a ticketless board pass at ticket gates, thereby eliminating the need for ticket pickup and enabling the “one ticket one seat” method.

In terms of tourism, we will roll out measures to stimulate demand, such as the Kyoto campaign, and continue to strengthen our relationship with local residents and travel agencies at tourist spots in our operating areas. We will also strive to increase Shinkansen ridership by providing attractive travel products and bolstering initiatives aimed at various members.

Stimulating Tourist Demand

Deployment of tourism campaigns

We have continuously implemented travel campaigns, such as the Kyoto Campaign, for Kyoto and Nara, which are the largest and most sustainable tourism regions in our operating areas, and we are promoting the use of the Shinkansen mainly from the Tokyo Metropolitan area to the Kansai region. In particular, we run a point-of-sale advertising for the “Kyoto Campaign” based on a concept of enabling customers to re-acknowledge Japanese beauty and profundity.

In our “Toloyo Bookmark” Campaign to promote the use of the Shinkansen to visit Tokyo from the Kansai and Chukyo areas, we also introduce tourism information on Tokyo, travel items, etc., on the website. In addition, we are working on coming up with attractive products associated with Hida, Ise-Shima and other locations.

We will use various tourism activities, such as the “Kyoto Campaign”, “Kyoto Highlights Travel”, for Kyoto and Nara, which are the largest and most sustainable tourism regions in our operating areas, and we are promoting the use of the Shinkansen mainly from the Tokyo Metropolitan area to the Kansai region. In particular, we run point-of-sale advertising for the “Kyoto Campaign” based on a concept of enabling customers to re-acknowledge Japanese beauty and profundity.

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Enhancement of tourist products for the users of “Express Reservation” and “smartEX”

For customers using these services, we are expanding tourism products that offer the use of the Shinkansen at discounted prices when customers plan ahead for sightseeing and other purposes. For example, by launching various products, such as “EX Nozomi Family Hayakuto” and other services that offer a discount for family or friends travelling together using the Shinkansen, although the travel dates, number of seats, sections of travel and hours of boarding may be limited, we are stimulating demand for Shinkansen use.

Efforts toward foreign tourists

To have visitors to Japan also use our online reservation and ticketless boarding service “smartEX” for the Tokaido Shinkansen and the Sanyo Shinkansen, we introduced a service that enables visitors to reserve seats for the Shinkansen prior to their departure from their home country by downloading a special smartphone application*.

As a result, visitors to Japan can more conveniently use the Tokaido Shinkansen and the Sanyo Shinkansen.

We also collaborate with municipalities located along the lines and other transportation companies to promote the sales of excursion packages for foreign tourists visiting Japan, targeting areas such as “Tokayama and Hikokuri”, and the “Ise, Kumano, and Wakayama” areas. We offer the “FLEX JAPAN” brand to stimulate tourism along our lines, with a focus on the Tokaido Shinkansen. Specifically, we offer a product for, for example, that offers a round-trip non-reserved seat ticket between Tokyo and Kyoto or Osaka plus a one-day tour ticket at the destination as a set.

We have been operating “Japan Highlights Travel”, a portal site that has a collection of tourism information on areas along the Tokaido Shinkansen to stimulate travel demand in cooperation with local municipalities and tourist associations along the line. The website may be viewed also in English and Chinese (traditional Chinese) in addition to Japanese.

In addition, to make our train services more user-friendly and to have customers use the services with a sense of security, we will introduce station numbering for conventional line stations that are not used by many visitors to Japan, by September 2018.

We will also work to expand coverage of the Free Wi-Fi service in all stations on the Shinkansen and in 24 conventional line stations that service a large number of visitors to Japan. We plan to launch the Free Wi-Fi service in all stations on the Shinkansen and Express “Hida” sequentially from the summer of 2018.

910,000, and approximately 210,000 members enjoyed “50+” brand products.

We not only inform the members of seasonal tourism information through the magazine and the website but also offer affordable travel products that use the Tokaido Shinkansen.

“50+ (Fifty Plus)” travel plan

Given the aging population in Japan, the senior age group, which is said to have more leisure time and disposable income than other age groups, is growing. We expanded the target group to include persons aged 50 and above, and has been operating a travel club “50+”, which anyone over 50 years old can participate in.

The number of members as of the end of 2017 totaled approximately 112,000, and approximately 210,000 members enjoyed “50+” brand products.

We not only inform the members of seasonal tourism information through the magazine and the website but also offer affordable travel products that use the Tokaido Shinkansen.

*1 The number of uses of “Express Reservation” and “smartEX”

We also offer “smartEX” with no membership fee for customers who only occasionally use the Shinkansen, including people traveling to visit their hometowns, tourists, and foreigners visiting Japan, so that they can also use the convenient online reservation and ticketless boarding service. This ticketless service enables customers to board the Tokaido Shinkansen and the Sanyo Shinkansen by simply registering their credit cards and the widely-used commuting type IC card from their smartphone, etc. As a result, we offer greater convenience for even more customers to use the Shinkansen.

Reservations for reserved seats using these services currently account for over 30% of all reservations. We will continue to promote greater use of online reservation and ticketless boarding services.

### Promoting online reservation and ticketless boarding services

<table>
<thead>
<tr>
<th>Number of sales of online reservation services</th>
<th>Number of Express Reservation members</th>
<th>Number of persons registered to “smartEX”</th>
</tr>
</thead>
<tbody>
<tr>
<td>176,000 uses</td>
<td>3.39 million uses</td>
<td>0.72 million uses</td>
</tr>
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</table>

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Reservations for reserved seats using these services currently account for over 30% of all reservations. We will continue to promote greater use of online reservation and ticketless boarding services.
The Northeast Corridor Project

The railway business is supported by employees who thoroughly execute their tasks using various skills and cooperation with each other, and supported by various types of equipment, such as rolling stock, civil engineering structures, tracks, and electric and signal equipment. In order to further ensure safety and strengthen the future managerial foundation, it is vital to continue developing core technologies which serve as the base of the foundation.

Looking ahead, we will focus on the development using the latest technology in relation to rolling stock and other equipment towards further improving safety and enriching our transportation services, and have this lead to the building of an efficient management structure that emphasizes reducing unnecessary costs.

Promoting Technological Development

To proactively deepen the existing railway technologies, JR Central pursues development of technologies that support the future of the Company, and takes initiatives to enhance technical capabilities and develop human resources. At the Komaki Research Center, which opened July 2002, by leveraging the development capability utilizing actual-size test equipment, which is the main distinctive feature of the research center, we have made accomplishments in proprietary technology development, including the development of a new rolling stock (refer to page 20 for features of the N700S, refer to page 21 for features of the next-generation limited express rolling stock using the hybrid method), the development of countermeasures against derailment and deviation for the Tokaido Shinkansen, and development of large-scale renovation methods for new civil engineering structures in relation to our Shinkansen trains, and the development of high-speed heavy-duty academy for Shinkansen.

In FY2018, we will conduct running tests using the N700S validation test vehicles, which are the next-generation rolling stock of the Tokaido Shinkansen, and perform final checks toward finalizing the specifications for mass-production cars. In regard to conventional lines, we will move forward with the new production of a testing vehicle for next-generation limited express rolling stock that use the hybrid system for conventional lines to increase safety and comfort, as well as promote a reduction in total costs. Furthermore, we will implement more advanced and power-saving inspections and maintenance, that utilize condition monitoring technology, as well as promote technical development that can lead to cost reductions for maintenance and upgrading of facilities. At the same time, we will pursue technological development to further strengthen safety against disasters, etc.

Development of movable platform fences for conventional lines

Since conventional lines come in diverse rolling stock models and number of trainsets with doors located in different places, we have been continuing to examine movable platform fences that can accommodate the circumstances of JR Central’s conventional line platforms.

In this type that opens and closes in the left-right directions, we have the largest-level movable platform fences for conventional lines that have an opening width of over 4 meters. For the opening and closing of fences, we use sensors to detect the number of trainsets on a train and the stopping position and automatically open the fences while the train conductor operates the closing of fences. In this way, our movable platform fences can accommodate trains with a varying number of trainsets. In developing these fences, we focused on safety given the wide opening and closing, and keeping costs low.

In January 2018, we installed test fences on the platform of Kanyama Station on the Tokaido Line and began verification testing. Based on the results of this testing, we will aim to install the movable platform fences on the platforms of Kanyama Station on the Tokaido Line at the earliest possible time.

Overseas deployment of high-speed railway systems

We currently offer consultation to Overseas high-speed railway projects and take associated initiatives by utilizing our comprehensive technologies in the highest level high-speed railway system in the world with the aim of realizing overseas deployment of high-speed rail systems. We believe that the overseas deployment of high-speed railway system will be a meaningful project that enables Japanese manufacturers to maintain and strengthen their technology and skills through the expansion of the international high-speed railway market, and will lead to the stable provision of materials and equipment, and to technological innovation and cost reductions in railway-related equipment.

We target countries and regions where it can be expected to introduce total systems involving new high-speed passenger railway lines in which our systems and related railway systems can be used to the full.

Concerning railway projects in which the Systems Engineering business can be utilized, we continue to promote initiatives that support the development of the overseas deployment of high-speed rail systems.

We set the criteria that the overseas deployment of high-speed rail systems must meet as follows:

1. The target countries must have a stable political and economic environment adequate for the introduction of high-speed rail systems.
2. The systems that can contribute to the economy and development of the target countries must be introduced.
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We believe that the overseas deployment of high-speed rail systems, based on the organization of high-speed railways, can realize a stable provision of materials and equipment, and contribute to enhancing the national infrastructure of the countries concerned.

In FY2018, we will conduct running tests using the N700S validation test vehicles, which are the next-generation rolling stock of the Tokaido Shinkansen, and perform final checks toward finalizing the specifications for mass-production cars. In regard to conventional lines, we will move forward with the new production of a testing vehicle for next-generation limited express rolling stock that use the hybrid system for conventional lines to increase safety and comfort, as well as promote a reduction in total costs. Furthermore, we will implement more advanced and power-saving inspections and maintenance, that utilize condition monitoring technology, as well as promote technical development that can lead to cost reductions for maintenance and upgrading of facilities. At the same time, we will pursue technological development to further strengthen safety against disasters, etc.

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Consulting & Coordination business

Our policy regarding the overseas expansion high-speed railway systems is that we do not lead the implementing body of development projects but contribute to projects primarily through consulting. Specifically, we propose the deployment of high-speed railway as a total system, which includes civil engineering structures, track, electric and signal equipment, signage, rolling stock, operation management systems, maintenance and repair, etc., to overseas markets. We do not formulate technical specifications and provide support and consultation to ensure safe and reliable operation of the high-speed railway by supplying various manuals regarding operation and maintenance, and conducting education and training for staff, etc., but also coordinate with relevant Japanese companies when projects become concrete.

The N700s Rabbit and SCMAGLEV

We are proposing high-speed railway systems that called the “N700s Rabbit” and “SCMAGLEV” to overseas markets. The N700s Rabbit is a Tokaido Shinkansen trains based on the principle of “Crash Avoidance”, of which the Series N700 rolling stock is the main component. The SCMAGLEV is a Superconducting Maglev System completed by us that can realize commercial services at a high-speed of 500 km/h.

The Texas Project

The Texas Project which is to be used the N700s Rabbit is a business venture which aims at linking has major city centers, Dallas and Houston, with high-speed rail. The main development body, Texas Central Partners (TCP), is pursuing business development activities through the procurement of construction funds and the formulation of preliminary designs. The project is steadily moving forward as indicated in the release of the Draft Environmental Impact Statement (DES) in December 2017. In TCP, activities from a technological perspective, we established a local subsidiary, High-Speed-Railway Technology Consulting Corporation (HTCC) in October 2016. In October of the same year, HTCC entered into a technical assistance agreement with TCP and began providing technical consulting for the business development activities performed to TCP, such as formulation of specifications, preparation of management and maintenance plans, creation of preliminary designs for stations and maintenance facilities, and development of personnel training and educational programs.

In order to support the business development activities from a technological perspective, we established a local subsidiary, High-Speed-Railway Technology Consulting Corporation (HTCC) in October 2016. In October of the same year, HTCC entered into a technical assistance agreement with TCP and began providing technical consulting for the business development activities performed to TCP, such as formulation of specifications, preparation of management and maintenance plans, creation of preliminary designs for stations and maintenance facilities, and development of personnel training and educational programs.

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Technical consulting for Taiwan High Speed Rail

In response to a request for technical assistance from Taiwan High Speed Rail Corporation, which operates Taiwan’s high-speed railway based on the Japanese high-speed rail system, we started providing technical consulting in FY2014 and completed three projects by PY2016. Since May 2017, we have been providing technical consulting for implementation of Traffic Control System Upgrade conducted by Taiwan High Speed Rail Corporation.

Making efforts to promote Japanese high-speed rail systems as a global standard

We will continue to promote initiatives to establish the Japanese high-speed rail system, which is based on the core principle of “Crash Avoidance”, as a global standard, through the International High-Speed Rail Association (IHRA).
Developing Affiliated Businesses

The development of Nagoya Station, which boasts an average 220,000 passengers per day, the highest number of passengers among any of our stations, forms a pillar of our affiliated businesses.

At Nagoya Station, we opened JR Central Towers (hereinafter, “Towers”) right above the station in 2000 and then fully opened JR Gate Tower (hereinafter, “Gate Tower”) adjacent to the Towers in April 2017. We will continue to operate Towers and Gate Tower in a uniform manner and take initiatives to demonstrate synergistic effect through clearly aggregating the concepts of business of both facilities, to increase earnings through business cooperation, and to maximize profits by pursuing efficient management.

- JR Central Towers
  Towers, the skyscraper complex with a height of 245 meters and a total floor area of approximately 477,000 m², built right above Nagoya Station at a total cost of roughly 200 billion yen, is the core of our affiliated businesses. Our three consolidated subsidiaries run a department store, a hotel and offices. After the full opening in 2003, earnings of our affiliated businesses increased significantly. As for the department store business, JR Tokai Takashimaya Co., Ltd., belonging to the Merchandise and Other segment, operates JR Nagoya Takashimaya, which attracts many visitors by leveraging the station’s location directly above the station. In February 2017, we completed large-scale renewal work for the first time since the opening, in anticipation of the opening of “Takashimaya Gate Tower Mall” at Gate Tower (as described hereafter), and reopened in March 2017.

- JR Gate Tower
  Gate Tower, standing adjacent to Towers, is a high-rise complex comprising commercial facilities, a hotel, offices, a true terminal, and parking lots, along with other facilities. The height is approximately 200 meters, and the total floor area is approximately 263,000 m². It is roughly 65% of the scale of Towers. The total business cost is approximately 135 billion yen. In November 2016, occupancy of offices began, followed by the opening of “Takashimaya Gate Tower Mall” and “Nagoya JR Gate Tower Hotel” along with other facilities in April 2017. Gate Tower, along with Towers, has created a highly convenient and attractive urban space, further invigorating the area around the Nagoya Station.

With regard to the hotel business, Nagoya Marriott Associa Hotel is run by JR Tokai Hotel Co., Ltd., wholly-owned subsidiary of JR Central, belonging to the Other segment. The location directly above the station allows for a spectacular high-rise view and the high-grade facilities have gained wide acclaim. This has led to the hotel maintaining a high occupancy rate of more than 80% in FY2017 (annual average), and we are working to increase earnings by performing flexible yield control.

The business offices are run by JR CENTRAL BUILDING CO., LTD. (wholly-owned subsidiary of JR Central, belonging to the Real Estate segment), which operates the facility. Since opening, the offices have continually recorded a high occupancy level, which remained at near full occupancy during FY2017.

- Other initiatives
  As JR Central primarily holds Tokaido Shinkansen stations and related facilities in the Tokyo Metropolitan area and the Kansai region, we have to date engaged in developing a business which effectively uses the limited space available, such as the area inside Shinkansen stations and under elevated tracks. In FY2018, we will open “Tokyo Gourmet Zone” - a new gourmet spot full of various restaurants and bars, including bistros, Spanish bars and beer halls - at the “First Avenue Tokyo Station” in Tokyo Station. In addition, we are proceeding with our development efforts in places other than Nagoya Station in the Tokai region where we operate conventional lines. In FY2017, we conducted renovation work at station buildings, including “NAGOYA ONE” at Hamamatsu Station and the main PARCHE building at Shizuoka Station. In FY2018, we will renovate other station buildings, such as the food section of PARCHE.

At the same time, we will proceed with the development of areas under elevated tracks in the Sagamihara District in Nagoya and others. We are also working to invigorate our real estate and logistics businesses by making effective use of land we own and taking other initiatives. In FY2018, we will set forth the plans for the “Central Garden Residences Gifu Kano,” a condominium facility built on a lot in Gifu where JR Central’s corporate housing was located. We will continue to move ahead with those initiatives going forward in an effort to further enhance our earning power and reinforce our competitiveness.
Even more, the Tokaido Shinkansen has been globally recognized for its environmental superiority. Data shows that the Tokaido Shinkansen has reduced its environmental impact significantly compared to other transportation modes. JR Central also considers suppressing the load placed on the environment across its entire transportation section and having minimal adverse impact on the global environment. In addition to directly reducing the load on the environment by improving energy efficiency in its railway operations, such as lowering power consumption in rolling stock, JR Central also considers suppression of the load placed on the environment across its entire transportation section, brought about by having many passengers as possible opt for using railway services that reduce the burden on the global environment, as linked to efforts related to the engagement in global environmental preservation.

Environmental Superiority of Railway

The problem of global warming is an issue that should be dealt with on a global scale. While it is regarded that CO₂ among greenhouse gases, in particular, has the largest impact on global warming, railways account for only 7% of CO₂ emissions despite undertaking 30% of the country’s overall passenger transport volume. Compared with other airplanes (B777-200), the Tokaido Shinkansen (Series N700 “Nozomi”) consumes approximately 1/6th of the amount of energy per kilometer when traveling between Tokyo and Osaka, and discharges about 1/20th of the CO₂ emissions. The data shows that the Tokaido Shinkansen has overwhelming environmental superiority.

Guidelines and Objectives

Environmental Action Guidelines

JR Central has established a set of Environmental Action Guidelines consisting of the following seven items as part of its engagement in global environmental preservation:

- Provide comfortable transport services to promote further use of railways, which offer superior global environmental preservation
- Promote technological development that contributes to global environmental preservation
- Use fuel and energy efficiently
- Promote waste control and recycling
- Appropriately manage chemical substances
- Promote environmentally friendly goods and materials
- Contribute to society and raise awareness for global environmental preservation

Environmental Goal

JR Central formulated the Plan of Low Carbon Society Phase II (in which our Energy Consumption Unit) as of Fy2030 will be improved by 25% compared with that of Fy1995 (refer to the Japan Business Federation (Nikkeiren) website for further details) and is aiming to make sure that the plan is executed. Up to now, we established a Voluntary Plan in which we have achieved our target of a 15% reduction in energy consumption as of the end of FY05, and we have proactively developed and introduced energy-conserving rolling stock. This rolling stock will promote productive initiatives, such as the continuous development and introduction of energy-conserving rolling stock, while setting train services flexibly (through the 10 N700 Timetable, operating up to 10 N700 services in both directions, etc.) to meet the needs of passengers.

- JR Central defines Energy Consumption Unit as the "amount of energy consumed when running 1 car for 1 kilometer", due to total rolling stock kilometers being the value which is the most relevant to the business activities.

Initiatives with the Shinkansen

Introducing Energy-Conserving Rolling Stock

We are proactively developing and introducing energy-conserving rolling stock in our effort to further reduce the Shinkansen’s energy consumption. We have introduced 90 Series N700A trainsets in an intensive manner for five years since FY2007. 39 trainsets of the latest N700A rolling stock have been introduced as of FY2017, with a further 12 trains scheduled to be introduced from FY2018 to FY2019.

Energy consumption volume for the N700A trainset of Series N700A in FY2017 is 23% lower than that for Series 300, and 16% less than that for Series 700, which traveled at the maximum speed of 270 km/h. It means that the N700A has significantly improved energy consumption while increasing the speed. The result is that our Energy Consumption Unit at the end of FY2017 improved by approximately 34% compared with that of FY1995. We will aim to further achieve energy efficiency by promoting the introduction of the N700A.

With the adoption of a drive system using silicon carbide (SiC), lighter rolling stock, reduced travel resistance and other factors on the next-generation Shinkansen rolling stock N700S, which we plan to launch commercially in FY2020, we expect to be able to cut energy consumption even further.

Great Environmental Performance of Series N700A Type

N700A type trains have been highly improved in environmental performance as well as in terms of speed and comfort due to the introduction of the following technologies.

- **Reduction in traction resistance**
  - **Reduction in rolling stock weight**
  - **Introducing Body Inclining System**
  - **Expansion of Electric Power Regenerative Braking System**
  - **Lighter, Smaller Blower-less CI**
  - **Reducing Energy Consumption of Series N700S**
  - **Improvements in LED Lighting**
  - **Using Eco-friendly Materials**

**Reduction in traction resistance**

We reduce the traction resistance by introducing a nose shape with great aerodynamic abilities, using flush window cliffs, which have not been used for many years, and optimizing car body color to reduce the amount of sunlight, etc.

**Reduction in rolling stock weight**

We are improving the rolling stock weight to be as light as possible to further reduce traction resistance. JR Central introduced the latest N700A type trainset in FY2013, and has been actively introducing lightweight rolling stock since then.

**Introducing Body Inclining System**

The Body Inclining System is introduced to N700-type trains in a similar manner in the Shinkansen in order to increase the speed at a certain level of energy consumption. This system finds it possible to increase speed while maintaining the level of comfort and safety of our Shinkansen.

**Expansion of Electric Power Regenerative Braking System**

We have been actively developing and introducing energy-conserving rolling stock in an intensive manner for five years since FY2007. 39 trainsets of the latest N700A rolling stock have been introduced as of FY2017, with a further 12 trains scheduled to be introduced from FY2018 to FY2019.

**Lighter, Smaller Blower-less CI**

The CI (Blower-less CI) generates a large amount of airflow from running for air cooling, into practical use in the Shinkansen and uses the system in part of the rolling stock of Series N700. For N700A, the CI (Blower-less CI) is equipped in Series N700A to reduce the electric consumption of Series N700A.

**Reducing Energy Consumption of Series N700S**

With the adoption of a drive system using silicon carbide (SiC), lighter rolling stock, reduced travel resistance and other factors on the next-generation Shinkansen rolling stock N700S, which we plan to launch commercially in FY2020, we expect to be able to cut energy consumption even further.

**Improvements in LED Lighting**

In the cabins of regular cars on the N700A, lighting has been optimized in accordance with the bright seat colors. LED lights with a dimmer are installed on the N700A.

**Using Eco-friendly Materials**

We have introduced 80 Series N700 trainsets in an intensive manner for five years since FY2007. 39 trainsets of the latest N700A rolling stock have been introduced as of FY2017, with a further 12 trains scheduled to be introduced from FY2018 to FY2019.

**Reduction in Running Resistance (Coverall Hoods)**

The motor is equipped as a generator during braking to produce electricity which is returned to the catenary at the time of deceleration. The power converter (CI) converts electricity from the catenary and sends it to the motor at the time of acceleration, and returns the electricity generated by the motor back to the catenary at the time of deceleration. JR Central was the first to put the blower-less power converter, which uses the regeneration of electricity returned from the motor during normal braking except during braking at slow speed immediately before stopping.

The power converter (CI) converts electricity from the catenary and sends it to the motor at the time of acceleration, and returns the electricity generated by the motor back to the catenary at the time of deceleration. JR Central was the first to put the blower-less power converter, which uses the regeneration of electricity returned from the motor during normal braking except during braking at slow speed immediately before stopping.

The power converter (CI) converts electricity from the catenary and sends it to the motor at the time of acceleration, and returns the electricity generated by the motor back to the catenary at the time of deceleration. JR Central was the first to put the blower-less power converter, which uses the regeneration of electricity returned from the motor during normal braking except during braking at slow speed immediately before stopping.

**Brakes (Power generation)**

The motor is equipped as a generator during braking to produce electricity which is returned to the catenary.

**Power running (Power consumption)**

The regenerated power returned to the catenary is used when accelerating after braking.

**ESG Information | Engagement in Global Environmental Preservation**
● Enhancement of electricity supply efficiency by replacing ground facilities

By replacing the electricity compensation devices from FY2011 to FY2020, which inhibit voltage reduction as rolling stock travels away from a substation, with a facility with less electricity loss, we expect to be able to reduce the electricity use on the Shinkansen by approximately 3%.

Also, by replacing part of the frequency converters from FY2014 to FY2021, which convert 50 Hz electricity to 60 Hz electricity required to operate the Shinkansen, with a stationary type with less loss, we expect to be able to reduce Shinkansen electricity consumption by approximately 2%.

Initiatives with Conventional Lines

● Introducing Energy-Conserving Rolling Stock

JR Central has also been striving to conserve the energy of rolling stock on conventional lines. We will promote the introduction of rolling stock with better energy efficiency by introducing the Electric Power Regenerative Braking System, higher efficiency power control conversion methods, lighter rolling stock, etc. to electric cars, and will do the same for diesel railcars by introducing lighter rolling stock and high mileage diesel engines, etc. As a result of these initiatives, all of the conventional line rolling stock is energy-conserving rolling stock. For our new rolling stock (Series 313 5th edition; Series K-Ka 25 2nd edition), we will look to further reduce the loading on the environment by using LED lights.

In anticipation of the replacement of the 85 Series diesel rail cars currently used for the “Hida” limited express and others, the Company will newly develop testing vehicles for the next-generation limited express rolling stock that uses the hybrid system, and conduct test runs to establish relevant technologies from the end of 2019. The next-generation limited express train rolling stock (testing vehicle) is expected to achieve an approximately 15% improvement in fuel efficiency and reduction in exhaust fumes, such as CO2 and NOx, by making use of power stored in batteries when accelerating and stopping. We are currently reviewing plans to commercially introduce mass-produced vehicles by FY2022. (Refer to P. 21 for further details.)

Comparison of electricity consumption and diesel fuel consumption of cars on conventional lines (electric cars and diesel railcars)

<table>
<thead>
<tr>
<th>Item</th>
<th>Electric cars</th>
<th>Diesel railcars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electric energy efficiency (%)</td>
<td>9.5</td>
<td>69</td>
</tr>
<tr>
<td>Diesel energy efficiency (%)</td>
<td>6.0</td>
<td>71</td>
</tr>
<tr>
<td>Note: Based on simulated test runs between Toyohashi and Ogaki (rapid operation)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Shift in the introduction of energy-conserving rolling stock on conventional lines (electric cars and diesel railcars)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Shinkansen Electric Cars</th>
<th>Shinkansen Diesel Cars</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2010</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>FY2011</td>
<td>98.7%</td>
<td>70.7%</td>
<td>712%</td>
</tr>
<tr>
<td>FY2012</td>
<td>98.8%</td>
<td>71.0%</td>
<td>737%</td>
</tr>
<tr>
<td>FY2013</td>
<td>98.9%</td>
<td>71.3%</td>
<td>771%</td>
</tr>
<tr>
<td>FY2014</td>
<td>98.8%</td>
<td>71.0%</td>
<td>771%</td>
</tr>
<tr>
<td>FY2015</td>
<td>98.6%</td>
<td>70.5%</td>
<td>736%</td>
</tr>
<tr>
<td>FY2016</td>
<td>98.8%</td>
<td>71.0%</td>
<td>737%</td>
</tr>
<tr>
<td>FY2017</td>
<td>98.8%</td>
<td>71.0%</td>
<td>737%</td>
</tr>
<tr>
<td>FY2018</td>
<td>98.8%</td>
<td>71.0%</td>
<td>737%</td>
</tr>
</tbody>
</table>

Common Initiatives for the Shinkansen and Conventional Lines

● Energy-saving by replacing high-pressure mercury lamps with LED

JR Central had conventionally used high-pressure mercury lamps for lighting in stations, railroad crossings, and other railway facilities. However, we are proceeding to replace high-pressure mercury lamps with LED lamps. We plan to complete the replacement process by the end of 2020, as a result of which we will cut our annual power consumption associated with lighting of railway facilities by approximately 70% (down 20 million kWh) compared to the level prior to the replacement work. At the same time, we expect to also reduce the annual CO2 emission volume by approximately 70% (down 10,000 t) compared to the prior level, thereby decreasing environmental burden.

Legal Compliance

● Management of chemical substances

Based on the PRTR Law (Pollutant Release and Transfer Register Law) and other relevant laws and regulations related to chemical substances, we report the amount of emissions and transfer of relevant substances to local municipalities and manage those substances appropriately.

● Measures against soil contamination

In FY2017, specific hazardous substances were detected exceeding the standard value from part of the soil when we conducted soil surveys in the former corporate housing area in Karuya. We reported the matter to relevant administrative authorities and took appropriate measures. We will submit a report should any substances exceeding the standard value be detected in such surveys, and will take appropriate measures as instructed by laws and regulations and the administrative authorities.

Effective Use of Resources/Use of Natural Energies and Introduction of Energy-Efficient Facilities

JR Central promotes effective utilization of resources through the JR (Reduce, Reuse, and Recycle) initiative, etc. Specifically, we aim to reduce emissions from waste materials during construction, utilize rain water, recycle tickets and uniforms, and recycle rolling stock, etc. In addition, we strive to leverage natural energies and introduce energy-efficient facilities when constructing new buildings and renovating existing buildings.

Green Procurement Guidelines

JR Central implements a green procurement policy, prioritizing the procurement of eco-friendly materials. To this end, we established the JR Central Green Procurement Guidelines to enhance coordination with our business partners and work with them to contribute towards global environmental preservation. P. 21 http://gprs.jrcentral.co.jp/sg/en/1/greenprocurement_guide.html

Equipment for FY2017

● JR Gate Tower

With the JR Gate Tower, the construction of which was completed in February 2017, we worked on creating an energy-efficient environment within the building to reduce the environmental burden by introducing regional air conditioning systems, adopting LED lighting, installing solar power generation panels, creating green areas in the 15th-floor rooftop garden and on roofs of low-rise buildings. We not only achieved “Rank S” in environmental performance, which is the highest rank on the “CASBEE (Comprehensive Assessment System for Buildings Environmental Efficiency)” scale, but also reduced approximately 20% of CO2 emissions from the building compared to standard model buildings, according to the CASBEE Nagoya 2010 standard.

● General Education Center

At the General Education Center, which was newly built in September 2011, we aim to conserve energy by introducing a ventilation system which uses its thermal storage achieved by the utilization of nighttime electricity service as its heat source and LED lighting, etc. Furthermore, we designed the building to effectively use natural energy by improving external insulation efficiency through arranging a rooftop garden and taking advantage of passive solar design and light as much as possible. As a result, we were able to obtain “Rank S”, which is the highest assessment level under the CASBEE.

● SCMaglev and Railway Park

At the SCMaglev and Railway Park, which opened in March 2011, we aimed to use natural energy to effectively utilize daytime electricity service as its heat source and LED lighting, etc. Furthermore, we designed the park to effectively use natural energy by improving external insulation efficiency through arranging a rooftop garden and taking advantage of passive solar design and light as much as possible. As a result, we were able to obtain “Rank S”, which is the highest assessment level under the CASBEE.

● Hamamatsu Workshop

The Hamamatsu Workshop, which conducts general overhaul of Shinkansen rolling stock, has been constructed since July 2010. In FY2015 the rooftop of the workshop was used to install a solar power generation system with the capacity to generate approximately 300 kWh or about 300,000 kWh annually. In addition, we implemented an energy-conserving facility, boilers, and other equipment in FY2015. Meanwhile, in regard to painting for the body of the workshop, although we had been using oil-based paint containing volatile organic compounds, we adopted a water-based paint facility which allows us to use water-based paint that is harmless to the environment, thereby reducing environmental burden. Furthermore, we implemented the country’s first test bench work machine which is equipped with a water-based paint system to improve the working environment for our employees.

● Nagoya Workshop

JR Central has been taking anti-earthquake measures and improving facilities since February 2014 in the Nagoya Workshop where general overhaul, etc. of conventional line rolling stock are conducted. We aim to reduce approximately 20% of electricity consumption for the workshop by introducing high-cold LED lighting and tightly transforming equipment as energy saving measures.

Activity status for FY2017

● Environmental accounting

The investments, costs, and their principal effect involved in environment preservation activities during FY2017 are estimated as listed below.

Environmental accounting

<table>
<thead>
<tr>
<th>Activity</th>
<th>Cost (million JPY)</th>
<th>Effect (million JPY)</th>
</tr>
</thead>
<tbody>
<tr>
<td>JC Line renovation project</td>
<td>239.4</td>
<td></td>
</tr>
<tr>
<td>JR Gate Tower</td>
<td>312.6</td>
<td></td>
</tr>
<tr>
<td>General Education Center</td>
<td>24.3</td>
<td></td>
</tr>
<tr>
<td>SCMaglev and Railway Park</td>
<td>291.1</td>
<td></td>
</tr>
<tr>
<td>Hamamatsu Workshop</td>
<td>10.4</td>
<td></td>
</tr>
<tr>
<td>Nagoya Workshop</td>
<td>2,810.6</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>3,534.8</td>
<td></td>
</tr>
</tbody>
</table>

Emissions and waste reduction

<table>
<thead>
<tr>
<th>Activity</th>
<th>CO2 Emission (ton/year)</th>
<th>Waste (t/year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>JR Gate Tower</td>
<td>426.6</td>
<td>22,857</td>
</tr>
<tr>
<td>General Education Center</td>
<td>143.3</td>
<td>8,400</td>
</tr>
<tr>
<td>SCMaglev and Railway Park</td>
<td>131.9</td>
<td>8,400</td>
</tr>
<tr>
<td>Hamamatsu Workshop</td>
<td>13.8</td>
<td>2,799</td>
</tr>
<tr>
<td>Nagoya Workshop</td>
<td>3,150.3</td>
<td>19,006</td>
</tr>
<tr>
<td>Total</td>
<td>3,850.6</td>
<td>34,334</td>
</tr>
</tbody>
</table>

ESG Information | Engagement in Global Environmental Preservation
Under the N-OJT program, we take a fine-tuned approach in developing self-betterment opportunities, such as internal and external correspondence guidance, and results of guidance. Meanwhile, approximately 250 group training sessions were held in FY2017 and about 9,500 employees attended these sessions. This number multiplied by the number of days of training sessions held came to roughly 78,000 man-days. This means that we provided approximately 4 days of training per employee in a year. To promote self-familiarization, we offered 30 internal correspondence training courses to employees of JR Central, its group companies, etc. Approximately 7,200 employees in total voluntarily participated in these courses. We will remain committed to enhancing educational opportunities by continuously working to brush up various training programs and measures aimed at human resource development.

It is the duty of JR Central to maintain and protect healthy minds and bodies of employees and to secure an environment in which employees can be motivated to contribute. To this end, we have taken a number of initiatives in addition to providing health check-ups, etc. required under law. Such initiatives include measures to promote sound mental and physical health. Measures against lifestyle-related diseases and sleep apnea syndrome, subsidies for fees for complete physical check-ups and influenza vaccinations, and efforts to maintain reasonable working hours.

As for measures to maintain sound mental health, we take various steps to prevent mental disorders based on the “JR Central Plan for Promoting Healthy Minds.” We also hold training sessions based on employee level concerning ways to put in place the division of roles and coordination among relevant departments, methods to make improvements to the workplace environment and so on. Furthermore, we conduct stress checks for all employees at the departments, methods to make improvements to the workplace environment, against lifestyle-related diseases and sleep apnea syndrome, subsidies for necessary expenses for mental health care and childcare support. By making efforts to secure favorable work-life balance for employees, we encourage employees to continue working and demonstrate their strengths at JR Central.

As a result of these initiatives, we have an extremely high employee retention rate despite the fact that we employ many new employees every year, as the labor turnover rate of approximately 1% indicates.

Human Resources Development

Basic Policy of Human Resources Development

It is the duty of JR Central to maintain and promote healthy minds and bodies of employees and to secure an environment in which employees can be motivated to contribute. To this end, we have taken a number of initiatives in addition to providing health check-ups, etc. required under law. Such initiatives include measures to promote sound mental and physical health. Measures against lifestyle-related diseases and sleep apnea syndrome, subsidies for fees for complete physical check-ups and influenza vaccinations, and efforts to maintain reasonable working hours.

In regard to measures against lifestyle-related diseases, we have been offering guidance on various matters as necessary from the employees aged 40 and above since FY2008. In FY2015, we expanded the annual checkup as well as following a change in assignment, etc. and so on. Furthermore, we conduct stress checks for all employees at the departments, methods to make improvements to the workplace environment, against lifestyle-related diseases and sleep apnea syndrome, subsidies for necessary expenses for mental health care and childcare support. By making efforts to secure favorable work-life balance for employees, we encourage employees to continue working and demonstrate their strengths at JR Central.

As a result of these initiatives, we have an extremely high employee retention rate despite the fact that we employ many new employees every year, as the labor turnover rate of approximately 1% indicates.

In February 2018, JR Central was recognized under the “Certified Health Corporation” and the “Family-Friendly Corporation.” JR Central was also recognized as a “Healthy Workplace” for five consecutive years from FY2007, and the ratio of employees taking childcare leave was 100% and that of employees taking nursing leave was 100%.

Meanwhile, if the need to take care of a family member arises, employees may take nursing care leave of up to 365 days*2 (93 days under law) and may take childcare leave until a child reaches the age of three*2 (until a child reaches the age of one under law), or for six months*2 after a child enters elementary school. We establish and carry out an action plan*3 for maintaining and improving the ratio of employees taking childcare leave. In FY2016, the ratio of females taking childcare leave was 100% and that of males was 6.4%.

Meanwhile, the Company promotes business with the awareness to thoroughly execute their duties and great skills.

In FY2018, the number of female employees was approximately 2,100 (approximately 10% of all employees), reflecting a significant increase.

Support for maintaining balance between child care, nursing care, and work

Healthy labor-management relations

JR Central currently complies with the various laws and regulations including the Labor Union Act, and has-established labor agreements with all four labor unions currently in place. [Total union membership of 19,400 employees as of March 31, 2018].

We hold joint management council meetings and engage in collective bargaining based on these labor agreements, and will continue to strive to build healthy and stable labor management relations.
Cooperation with Local Communities / International Exchanges / Promotion of Culture & Art and Lifelong Learning

Railways, which are a mode of public transportation, are extremely closely connected to local communities. We are enhancing the convenience of stations, which are the gateway to local communities, as well as contributing to local communities, through operating medical facilities and museums, etc. in the Nagoya region, where our head office is located, in addition to rolling out sales and marketing efforts and operating websites that spread the attractive features of communities located along our railway lines by selling locally produced goods, etc. Furthermore, we interact with experts on railways from other countries and engage in activities toward promoting culture, art, and lifelong learning.

Contribution to Local Communities

Initiatives to improve the level of convenience and accessibility of stations, etc.

JR Central cooperates with the requests from local municipalities to establish new stations, improve station buildings, develop plazas in front of stations, and promote railway elevation projects, etc., thereby contributing to community development. Based on relevant laws, such as the so-called Barrier-Free Act, JR Central cooperates with governments and municipalities to jointly establish and improve facilities to enable all passengers, including persons with disabilities and elderly passengers, to use our services safely and with a sense of security.

As part of our initiatives taken in stations, we are proceeding with our plan to eliminate uneven ground by installing elevators, etc., and to install multi-functional toilets sequentially in stations used by 3,000 or more passengers per day. Basically in all of the stations, installations have been completed or are under way. We have completed installation of guiding blocks for visually impaired persons and braille blocks that prevent such persons from falling from platforms. Furthermore, in regard to braille blocks, we are sequentially replacing them with the type of braille blocks that indicate where platform edges are located. In addition, to further increase the safety of platforms, since FY2011 we have been moving ahead with the installation of movable platform fences at Nizomi stations that service a high number of passengers. We plan to complete the installations on platforms No. 20 to No. 26 of Shin-Osaka Station in FY2022, which will complete the installations at all Nizomi stations. As for conventional lines, we are engaged in the development of movable platform fences compatible to the platforms of lines we operate. Further, nearly all of JR Central’s trains include support facilities for passengers using a wheelchair.

Setting general hospitals for local communities (Nagoya Central Hospital)

As an acute care hospital, Nagoya Central Hospital located in Nakamura-ku, Nagoya, performs over 1,500 surgeries a year round, providing some of the most advanced medical care services available using the latest medical equipment. The hospital is also a committed emergency health care provider, coordinating with local ambulance services to take in over 3,500 ambulance calls per year. Looking ahead, the Nagoya Central Hospital will look to leverage its distinctive features and expertise to further contribute to the local community.

Promotion of culture, art, and lifelong learning (JR Tokai Lifelong Learning Foundation)

JR Tokai Lifelong Learning Foundation is a public interest incorporated foundation established in October 1990 with the purpose of contributing to society through promotion of culture, art, and lifelong learning. The Foundation’s main activities include holding exhibits of artwork of Hoshun Yamaguchi, known as a pioneer in new Japanese art at Hoshun Yamaguchi Memorial Hall which opened in Hyaima-machi, Kanagawa in October 1991, and disclosing the galleries and gardens that offer seasonal flowers and trees for public viewing. Further, in an effort to support lifelong learning, the Foundation engages in a wide range of cultural activities, including holding classes for painting, photography, etc., and organizing classes to learn about history and culture.
JR Central strives to enhance our corporate governance to ensure soundness, efficiency, and transparency of management, to implement long-term development of the company, and to enhance sustainable corporate value.

JR Central's Corporate Governance System

The Board of Directors of JR Central is comprised of 17 members (three of whom are outside directors). JR Central also employs an auditor system, and its Audit and Supervisory Board consists of two members (four of whom are outside auditors). (The figures are as of June 22, 2018.) The Board of Directors meets at least once a month, and makes legal and appropriate decisions upon fully discussing important business issues as well as issues stipulated by the law, following explanation about the background of issues discussed, and the progress status for such. It also monitors the work of directors. To broaden deliberations, we have also established a Management Meeting in which important issues related to management are discussed in advance of the meetings of the Board of Directors. We request Audit and Supervisory Board Members to attend meetings of the Board of Directors, the Management Meeting and other important meetings, as we endeavor to ensure the legality of management measures during the deliberation process. Further, JR Central strives to ensure the appropriate execution of business by managing and providing guidance to affiliated companies where necessary.

Although we introduced the corporate officer system in May 2003, we introduced an executive system in June 2012 with the aim of further accelerating decision-making, enhancing discussions, and further clarifying roles for directors and corporate officers, who are responsible for operation. In order to appropriately respond to changes in the business environment in a timely manner, Audit and Supervisory Board Members not only attend important meetings such as the Board of Directors and the Management Meetings, but also inspect the state of execution carried out at head offices, railway operations divisions, branch offices, field offices, and affiliated companies based on plans enacted by the Audit and Supervisory Board to strictly promote their audit work. To ensure effective audits by the members of the Audit and Supervisory Board, JR Central also provides an assistant system in which our employees are assigned as full-time staff to support auditors work.

Internal audits are performed by the Audit Department on the financial and accounting measures during the deliberation process. Further, JR Central receives beneficial opinions about the execution of our business from Outside Directors and Outside Audit and Supervisory Board Members who provide advice based on their various experience and great insight gained outside of the company from their independent standpoints, both in and outside of the Board of Directors meetings and meetings of the Audit and Supervisory Board. We utilize the advice given by Outside Directors and Outside Audit and Supervisory Board Members in the form of reports and advice by Audit and Supervisory Board Members, internal audits, safety audits, accounting audits, as well as items stipulated in the Fundamental Governance Policies.

JR Central receives beneficial opinions from the following persons:

<table>
<thead>
<tr>
<th>Name</th>
<th>Principal activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fujio Otsu</td>
<td>Outside Director, Outside Audit and Supervisory Board Member</td>
</tr>
<tr>
<td>Kenji Komine</td>
<td>Outside Director, Outside Audit and Supervisory Board Member</td>
</tr>
<tr>
<td>Takashi Sasaki</td>
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<tr>
<td>Hajime Ishizu</td>
<td>Outside Director, Outside Audit and Supervisory Board Member</td>
</tr>
<tr>
<td>Hiroki Ota</td>
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</tr>
<tr>
<td>Shigeo Kihji</td>
<td>Outside Director, Outside Audit and Supervisory Board Member</td>
</tr>
<tr>
<td>Kunihito Hase</td>
<td>Outside Director, Outside Audit and Supervisory Board Member</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Classification</th>
<th>Basic Compensation</th>
<th>Bonus</th>
<th>Total amount of compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensation Officers</td>
<td>13 586</td>
<td>13 240</td>
<td>826</td>
</tr>
<tr>
<td>Total amount of compensation, etc. by officer classification, total amount for the fiscal year ended March 31, 2018 (In yen)</td>
<td>13 586</td>
<td>13 240</td>
<td>826</td>
</tr>
</tbody>
</table>

Outside Directors and Outside Audit and Supervisory Board Members

Based on our policy to make the most appropriate execution system for Outside Directors and Outside Audit and Supervisory Board Members, JR Central appoints these Outside Directors and four Outside Audit and Supervisory Board Members. The Company determines the level of independence of Outside Directors and Outside Audit and Supervisory Board Members based on the criteria for independence established by the Japan Exchange Group, Inc. in order to ensure that the opinions provided by Outside Directors and Outside Audit and Supervisory Board Members are formed from an independent standpoint, and are based on the high degree of experience and insight accumulated outside the company.

JR Central receives beneficial opinions from the following persons:

<table>
<thead>
<tr>
<th>Name</th>
<th>Reasons for election</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fujio Otsu</td>
<td>Mr. Otsu was appointed as an executive officer because of his corporate management experience and the great insight.</td>
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</tr>
<tr>
<td>Hajime Ishizu</td>
<td>Mr. Ishizu is an executive officer because of his experience in a public administration and the great insight.</td>
</tr>
<tr>
<td>Hiroki Ota</td>
<td>Mr. Ota was appointed as an executive officer because of his experience in police administration and the great insight.</td>
</tr>
<tr>
<td>Shigeo Kihji</td>
<td>Mr. Kihji was appointed as an executive officer because of his experience in a public administration and the great insight.</td>
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<td>Kunihito Hase</td>
<td>Mr. Hase was appointed as an executive officer because of his corporate management experience and the great insight.</td>
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JR Central strives to ensure the appropriate execution of business from Outside Directors and Outside Audit and Supervisory Board Members who provide advice based on their various experience and great insight gained outside of the company from their independent standpoints, both in and outside of the Board of Directors meetings and meetings of the Audit and Supervisory Board. We utilize the advice given by Outside Directors and Outside Audit and Supervisory Board Members in the form of reports and advice by Audit and Supervisory Board Members, internal audits, safety audits, accounting audits, as well as items stipulated in the Fundamental Governance Policies.

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<td>Total amount of compensation, etc. by officer classification, total amount for the fiscal year ended March 31, 2018 (In yen)</td>
<td>13 586</td>
<td>13 240</td>
<td>826</td>
</tr>
</tbody>
</table>

JR Central receives beneficial opinions from the following persons:

<table>
<thead>
<tr>
<th>Name</th>
<th>Reasons for election</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fujio Otsu</td>
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<tr>
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<tr>
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<th>Basic Compensation</th>
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JR Central has announced its stance on, and the initiatives it has put in place, in relation to the Corporate Governance Code (hereafter, the "Code") found within Corporate Governance Report*. Of the principles set forth in the Code, those that are not implemented are principles that assume formulation of midterm management plans and the presentation of numerical targets (supplementary principle 4-1-2 and principle 5-2). The reason for this is as follows.

"In the railway business, the core pillar of JR Central's business, ensuring safe and reliable transportation is an issue of utmost importance, and all aspects of our business, from our daily business operations, to employee training and capital investment, are implemented with the highest priority given to increasing the level of reliability of the services we provide. As such, we do not implement a system of management whereby company-wide midterm business plans are formulated and managerial targets are pursued in a manner that can really assess the state of the business at set moments. While JR Central neither formulate midterm management plans nor establish numerical targets in this manner, the Company does promote its railway business from a long-term perspective. Specifically, in addition to the construction of the Tokaido Shinkansen, which is now underway, other measures that require a long-term capital investment, such as large-scale renovation for the Tokaido Shinkansen, the implementation of earthquake countermeasures, and plans to upgrade rolling stock in service, are established with a long-term perspective in mind, and we are steadily proceeding toward these projects. Plans and results of other major measures are announced publicly as appropriate, and steady progress continues to be made in these areas. We will continue to announce annual income and expenditure plans, key measures, and capital investment plans each year in light of our immediate management environment, and will continue to steadily enhance our management foundation in order to firmly maintain a sound management outlook based on efficient operational management stemming from the securing of safe and reliable transportation." Further, matters disclosed based on each principle of the code are as follows.

[Corporate Governance Report can be found on the Japan Exchange Group, Inc. website.]

**Disclosure based on Corporate Governance Code principles**

**Principle 1-4 Cross-shareholdings**

All transactions involving Directors which may pose a conflict of interest, and transactions between Directors and the Company, require the approval of, and reporting to, the Board of Directors as stipulated in relevant laws and regulations and rules governing the Board of Directors. Every year confirmations are made on a regular basis with officers as to whether related party transactions have been made between officers or directors and the Company.

**Principle 1-7 Related party transactions**

JR Central positions the General Meeting of Shareholders as an important opportunity for dialog with shareholders and strives to improve the quality of questions and answers through the dialogue. The Company refrains from discussing financial results.

**Principle 3-1 Full disclosure**

JR Central has established a Policy for Promoting Constructive Dialog with Shareholders as follows.

• JR Central practices the General Meeting of Shareholders as an important opportunity for dialog with shareholders and strives to improve the quality of questions and answers through the dialogue. The Company refrains from discussing financial results.

**Principle 4-1 Roles and responsibilities of the Board of Directors**

The Board of Directors is involved in decision making processes concerning matters stipulated in relevant laws and regulations and the articles of incorporation, making it essential for the Board of Directors to exercise their duties and responsibilities in an independent manner through consideration of the opinions provided by Outside Directors and Outside Audit and Supervisory Board Members in order to ensure that the opinions provided by Outside Directors and Outside Audit and Supervisory Board Members are formed on an independent standpoint, and are based on the high degree of expertise and insight accumulated outside the Company.

**Principle 4-9 Independence standards and qualification for independent Directors**

The Company determines the level of independence of Outside Directors and Outside Audit and Supervisory Board Members based on the criteria established by the Board of Directors in order to ensure that the opinions provided by Outside Directors and Outside Audit and Supervisory Board Members are formed on an independent standpoint, and are based on the high degree of expertise and insight accumulated outside the Company.

**Principle 4-11 Disclosure of Policy for Determining the Amount of Compensation and the Calculation for Such in the Corporate Governance Report**

All Directors and Audit and Supervisory Board Members of the Company have the sufficient ability and insight to fulfill their roles and responsibilities, and perform their duties with an appropriate sense of responsibility as endorsed by all shareholders, while continuing to refine their skills and knowledge by actively participating in external training programs, etc. JR Central takes necessary measures to ensure that all Directors and Audit and Supervisory Board Members perform the duties required of them, such as in instances where relevant laws and regulations are revised, for example, by making the content of such measures known through meetings, etc., and by holding training events to share management issues faced by the Company so that the Company can make decisions concerning such issues in an appropriate manner.

**Principle 4-14 Director and Audit and Supervisory training**

The Board of Directors of the Company meets once or more a month to make legal and appropriate decisions on publicly disclosing important business issues as well as issues stipulated by law, following explanation about the background of issues discussed, and the progress status for each project based on a policy of establishing the most appropriate management structure for the execution of the Company's business activities.

**Principle 5-1 Policy for constructive dialog with shareholders**

All Directors and Audit and Supervisory Board Members of the Company have the sufficient ability and insight to fulfill their roles and responsibilities, and perform their duties with an appropriate sense of responsibility as endorsed by all shareholders, while continuing to refine their skills and knowledge by actively participating in external training programs, etc.

JR Central has established a Policy for Promoting Constructive Dialog with Shareholders as follows. JR Central positions the General Meeting of Shareholders as an important opportunity for dialog with shareholders and strives to improve the quality of questions and answers through the dialogue. The Company refrains from discussing financial results.

-- End --
Fundamental Corporate Governance Policies

JR Central resolved the Fundamental Corporate Governance Policies* in the Board of Directors meetings.

*For the Fundamental Corporate Governance Policies, please refer to the URL below.

Compliance/Whistle-blowing system

JR Central not only stipulates internal regulations based on the law, etc. but also conducts employee education on various occasions with the aim of thoroughly complying with the law, etc. when executing work. In addition, we also have established a whistle-blowing system. We have whistle-blowing contact points not only within the Company but also in an external law firm in order to establish a system in which employees, etc. can report any violation of the law, etc. at work. We also post fliers describing the whistle-blowing system and contact information for the contact points in all workplaces with the aim of widely disseminating the system.

Risk-management system

JR Central has established the Railway Safety Promotion Committees, etc. at the head office, railway operation divisions, branch offices, and in each area from the perspective of preventing train and labor accidents, and formulating and promoting safety measures through an integrated organization that stretches from the head office to each field office.

JR Central also manages a control center, which plays a key role in information communication, on call 24 hours a day at each railway operation division to respond to emergencies, such as accidents and disasters, and has also established a fast-response restoration structure in which employees can be gathered anytime according to the scale or impact of an accident or disaster. Additionally, in preparation for emergencies such as large-scale natural disasters, we have established the second Shinkansen General Control Center that can substitute for the Shinkansen General Control Center for the Tokaido Shinkansen.

Response to internal control related to financial reporting

We periodically investigate the system and execution situation, etc. within JR Central and JR Central Group companies in accordance with a basic framework offered by the Business Accounting Council in order to confirm that they are effectively functioning. JR Central also engages in efforts to maintain the level of internal control related to financial reporting by providing feedback from these investigations to duties.

Concept of capital policy and shareholder return

Our policy on dividends has always been to decide the specific dividend amount in accordance with the management environment and performance in each FY based on the principle of continuously providing stable dividends. JR Central considers that shareholder returns through dividends are appropriate in principle, and we do not plan to purchase additional treasury stock at this point.

We will finance our projects by issuing corporate bonds and borrowing, in addition to the long-term loan totaling 3 trillion yen acquired using the Fiscal Investment and Loan Program (FILP) to expand the capital expenditure of the Chuo Shinkansen.

We do not plan to purchase additional treasury stock at this point.

We will finance our projects by issuing corporate bonds and borrowing, in addition to the long-term loan totaling 3 trillion yen acquired using the Fiscal Investment and Loan Program (FILP) to expand the capital expenditure of the Chuo Shinkansen.

The following resolutions were passed at the 31th Ordinary General Meeting of Shareholders held June 22, 2018.

(1) Content of the resolved matters:

Proposal 1: Appropriation of retained earnings
(i) Matters concerning year-end dividends
Seventy (70) yen per common share of the Company
(ii) Other matters concerning the appropriation of retained earnings:
- Line item relating to retained earnings showing an increase and the amount thereof
- General reserve: 360,000,000,000 yen
- Line item relating to retained earnings showing a decrease and the amount thereof

Proposal 2:
- Proposal 2: Appointment of Directors
- Proposal 3: Election of one (1) Audit and Supervisory Board Member

Proposals 2 and 3 were approved as follows:

- Proposal 2: Appointment of Directors: Mr. Kunihiro Nasu was elected as Audit and Supervisory Board Member.
- Proposal 3: Election of one (1) Audit and Supervisory Board Member

(2) Number of votes, indicating approval, disapproval, and abstention regarding the resolved matters, requirements for the resolved matters to be adopted, and results of voting:

<table>
<thead>
<tr>
<th>Proposal</th>
<th>Approved (number of votes)</th>
<th>Disapproved (number of votes)</th>
<th>Abstention (number of votes)</th>
<th>Approval Rate (%)</th>
<th>Result of Voting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proposal 1</td>
<td>1,700,026</td>
<td>48,669</td>
<td>1,198</td>
<td>96.44 Approved</td>
<td></td>
</tr>
<tr>
<td>Proposal 2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proposal 3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(3) Reason for not adding some of the votes of shareholders who attended the ordinary general meeting of shareholders to the final number of votes:

The votes of shareholders who attended the general meeting of shareholders on the meeting date, but have not been confirmed as to whether they indicated approval, disapproval or abstention, were not added to the final count because the requirements for the proposals to be resolved were already met by adding the votes from the exercise of voting rights as of the day before the general meeting of shareholders was held to the votes of shareholders who attended the general meeting of shareholders, which were confirmed as approvals or disapprovals, and the proposals were duly adopted in accordance with the Companies Act.
J.R. Central operates the Tokaido Shinkansen, the main transportation artery linking Tokyo, Nagoya, and Osaka, and a network of 12 conventional lines centered on the Nagoya and Shizuoka City areas.

**Central Japan Railway Company (JR Central)** was established in 1987.

**History**

- **1987**
  - April: Central Japan Railway Company (JR Central) is established.

- **1988**
  - March: Three stations are established on the Tokaido Shinkansen (Shin-Fuji, Kakegawa, Mikawa-Jo).
  - JR Tokai Bus Company is established (now a consolidated subsidiary).

- **1989**
  - March: A new model diesel railcar is introduced to the West Express on the Tokaido Line.

- **1990**
  - February: JR Central starts topographical and geological surveys along the Chuo Shinkansen following orders from the Minister of Transport.

- **1991**
  - October: JR Central applies to the Minister of Transport for approval of the construction plan of the Yamanashi Maglev Line and gains approval.

- **1992**
  - March: The first Nozomi begins commercial service on the Tokaido Shinkansen using Series 300 rolling stock.
  - July: JR Central changes its name to JR Tokai Takashimaya Co., Ltd, in September 1997 (now a consolidated subsidiary).

- **1994**
  - June: JR CENTRAL BUILDING Co., Ltd is established (now a consolidated subsidiary).

- **1995**
  - April: Running tests start on the Yamanashi Maglev Line.

- **1996**
  - October: JR Central lists on the JASDAQ section of the Tokyo, Osaka, and Otsuka stock exchanges (integrated with the Tokyo Stock Exchange in July 2001) and also on the Kyoe Stock Exchange (merged with Osaka Stock Exchange in March 2002).

- **1997**
  - March: Series 700 rolling stock is introduced on the Tokaido Shinkansen Nozoros.

- **1998**
  - March: Construction of JR Central Towers in Osaka is completed.

- **1999**
  - May: Nagoya Marunouchi Hotel (operated by JR Tokai Hotels Co., Ltd) opens.

- **2000**
  - March: JR Tokai Real Estate Co., Ltd is established (now a consolidated subsidiary).

- **2001**
  - December: JR Central is excluded from the jurisdiction of the JR Law through the enactment of amendment to the JR Law.

- **2002**
  - July: A new research center is constructed in Komaki City in Aichi Prefecture.

- **2003**
  - October: Shinkansen Stabilis on the Tokaido Shinkansen line. The timetable is drastically revised by the increase of the maximum speed on all Tokaido Shinkansen lines to 300km/h.

- **2005**
  - July: The Japan National Railways (JNR) Settlement Headquarters, an independent division within the Japan Railway Construction, Transport and Technology Agency (JRTT), with 800,000 shares of JR Central.

- **2006**
  - March: Raw Automatic Train Control (ATC) system is introduced to the Tokaido Shinkansen.
  - April: JR Central proceeds 388,966 shares of its treasury stock based on a decision made by the Board of Directors, authorized by the articles of incorporation.
  - The JRTT Settlement Headquarters within the JRTT completes the sale of all of its shares at JR Central by selling 466,071 shares of common stock of the company.

- **2007**
  - January: Application for changes to the Yamanashi Maglev Line Construction Plan is approved by the Minister of Land, Infrastructure, and Transport (hereinafter, the "Minister")
  - July: JR Central introduces the new Series N700C rolling stock for the Tokaido Shinkansen Nozoros services.

- **2008**
  - October: JR Central makes NIPPON SHARYO, LTD., a consolidated subsidiary.
  - JR Central submits a report to the Minister of Land, Infrastructure, and Transport (the "Minister") concerning topographical and geological surveys of the Chuo Shinkansen in response to the order received in 1990.

- **2009**
  - May: JR Central cancels 90,000 shares of treasury stock.

- **2010**
  - January: JR Central cancels 90,000 shares of treasury stock.

- **2011**
  - November: JR Central cancels 90,000 shares of treasury stock.

- **2012**
  - May: JR Central cancels 90,000 shares of treasury stock.

- **2013**
  - February: JR Central introduces the new Series N700A rolling stock for the Tokaido Shinkansen Nozomi services.

- **2014**
  - August: Extension of the Yamanashi Maglev Line to 40 km and upgrading of facilities are completed, and running operation is restarted.

- **2015**
  - October: The construction of the Construction Implementation Plan (Part 1) between Shinkawaga and Nago in the Chuo Shinkansen.

- **2016**
  - November: Appli for long-term loan totaling 3 trillion yen (plan) using the Fiscal Investment and Loan Program (FILP) for the construction of the Chuo Shinkansen to the Japan Railway Construction, Transport and Technology Agency.

- **2017**
  - February: Construction of JR Gate Tower in Osaka is completed.
  - April: Takashimaya Gate Town Mall (operated by JR Tokai Takashimaya Co., Ltd) Nagoya JR Gate Tower Hotel (operated by JR Tokai Hotels Co, Ltd) open along with other facilities, resulting in the opening of JR Gate Tower.

- **2018**
  - March: The Minister approves the Construction Implementation Plan (Part 2) between Shinagawa and Nago in the Chuo Shinkansen.
1) Transportation
JR Central steadily moved forward with the large-scale renovation work of the Tokaido Shinkansen while continuously working to achieve cost reductions to maintain and enhance the soundness of civil engineering structures. We also took steps to implement earthquake countermeasures, which included the initiation of construction work for the installation of derailment prevention guards for the entire Tokaido Shinkansen as part of our initiatives to enhance the railway’s reliability and safety. In addition, we also worked on setting up more flexible train services in accordance with demand during seasons and time frames, etc., with increased customer use by applying the “10 Nozomi” timetable (operating up to 10 Nozomi services in both directions) and welcomed a large number of passengers using our services. Furthermore, we proceeded with the launch of the NOZOA (3rd edition), while moving forward with the implementation and development of safety and reliability of the railway network, such as reducing the stopping distance of the Earthquake Brakes, on existing rolling stock. We also expanded our fleet of rolling stock and introduced a new type of N700A series EMU, etc. We introduced new portable tablets for train conductors and began running tests. Meanwhile, JR Central introduced new limited express rolling stock for the Tokaido Shinkansen and the N700A series EMU, which could be able to respond to various conditions expected in the event of a natural disaster, or other extraordinary situations. Furthermore, we expanded the coverage of our Free Wi-Fi service to all stations on the Tokaido and Tōkaido Shinkansen lines and began running tests for the entire Tokaido Shinkansen on conventional lines. Furthermore, taking the opportunity of the 30th anniversary of the Company’s founding, we held commemorative events, such as art exhibition and training facilities tours and work experience events at stations. We also adopted a new uniform for customer service staff.

As part of our sales and marketing efforts, we introduced “smartE”, a new online reservation and ticketing service on the Tokaido Shinkansen. The service was introduced in cooperation with companies, such as the “Shinshu Destination Campaign” in coordination with Nagano Prefecture, etc. In the “Japan Holidays Travel Campaign” in coordination with Hamamatsu-shi, Shizuoka Prefecture, associated with the “Shizuoka Tourism Campaign” and the “Shizuoka Tourism Campaign”. In our merchandise and other businesses, we opened the “Takashimaya Tomato” in Autumn 2017 and began offering the “Gate Tower Plaza Restaurant Mall”, with the opening of the restaurant zone at the future Hamamatsu Station. In addition, we have worked to strengthen our sales capabilities at the “Nagoya Marriott Associa Hotel” and reinforce our sales capabilities at the “Nozawa Manti Hotel” and other existing hotels. At the same time, we also offered a discount on the New Year’s Eve dinner, the launch of the NOZOA (3rd edition). At the same time, we are making constant improvements to the railway services for the benefit of all passengers.

In the fiscal year ending March 2019, we will continue to place top priority in ensuring safe and reliable railway services in our railway business and steadily move forward with the implementation of counter-measure earthquake measures, including the derailment and derailment countermeasures for the Tokaido Shinkansen, large-scale renovation work for civil engineering structures, etc., and the launch of the NOZOA (3rd edition). At the same time, we will take initiatives to increase the user convenience of our railway services by promoting the expansion and development of the railway service provided via the Company website, expanding the coverage of our Free Wi-Fi service in stations and on trains, and, in coordination with the NOZOA (3rd edition). We will also examine measures aimed at improving the quality of the Tokaido Shinkansen trains traveling at the highest speed of 285 km/h by the end of FY2019, proceed with the running tests for limited express rolling stock that use the hybrid system for conventional lines. Meanwhile, we will proceed steadily with the Chuo Shinkansen Project involving the construction of the Shinkansen line through the Kanto region in order to implement the Superconducting Maglev System, while giving serious consideration to safety, the environment, and coordination with local communities. In the event of a natural disaster, we will take initiatives to increase the user convenience of our railway services by promoting the expansion and development of the railway service provided via the Company website, expanding the coverage of our Free Wi-Fi service in stations and on trains, and, in coordination with the NOZOA (3rd edition). We will also examine measures aimed at improving the quality of the Tokaido Shinkansen trains traveling at the highest speed of 285 km/h by the end of FY2019, proceed with the running tests for limited express rolling stock that use the hybrid system for conventional lines. In our merchandise and other businesses, we opened the “Takashimaya Tomato” in Autumn 2017 and began offering the “Gate Tower Plaza Restaurant Mall”, with the opening of the restaurant zone at the future Hamamatsu Station. In addition, we have worked to strengthen our sales capabilities at the “Nagoya Marriott Associa Hotel” and reinforce our sales capabilities at the “Nozawa Manti Hotel” and other existing hotels. At the same time, we also offered a discount on the New Year’s Eve dinner, the launch of the NOZOA (3rd edition). At the same time, we are making constant improvements to the railway services for the benefit of all passengers.

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### Financial Highlights

#### Consolidated

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<th>Operating expenses (Billion yen)</th>
<th>Operating Income (Billion yen)</th>
<th>Net income (Billion yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2013</td>
<td>¥1,652.5</td>
<td>¥1,579.7</td>
<td>¥72.8</td>
<td>¥255.6</td>
</tr>
<tr>
<td>FY2014</td>
<td>¥1,672.2</td>
<td>¥1,597.7</td>
<td>¥74.5</td>
<td>¥264.1</td>
</tr>
<tr>
<td>FY2015</td>
<td>¥1,738.4</td>
<td>¥1,617.4</td>
<td>¥121</td>
<td>¥337.4</td>
</tr>
<tr>
<td>FY2016</td>
<td>¥1,756.9</td>
<td>¥1,637.4</td>
<td>¥129.5</td>
<td>¥392.9</td>
</tr>
<tr>
<td>FY2017</td>
<td>¥1,822.0</td>
<td>¥1,684.9</td>
<td>¥137.1</td>
<td>¥402.7</td>
</tr>
</tbody>
</table>

#### Non-consolidated

<table>
<thead>
<tr>
<th>Fiscal Year</th>
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<th>Operating expenses (Billion yen)</th>
<th>Operating Income (Billion yen)</th>
<th>Net income (Billion yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2013</td>
<td>¥2,385.8</td>
<td>¥2,282.2</td>
<td>¥103.6</td>
<td>¥202.0</td>
</tr>
<tr>
<td>FY2014</td>
<td>¥2,393.5</td>
<td>¥2,292.6</td>
<td>¥100.9</td>
<td>¥201.5</td>
</tr>
<tr>
<td>FY2015</td>
<td>¥2,452.7</td>
<td>¥2,363.7</td>
<td>¥119.0</td>
<td>¥250.7</td>
</tr>
<tr>
<td>FY2016</td>
<td>¥2,559.2</td>
<td>¥2,465.4</td>
<td>¥103.8</td>
<td>¥259.8</td>
</tr>
<tr>
<td>FY2017</td>
<td>¥2,691.3</td>
<td>¥2,554.7</td>
<td>¥136.6</td>
<td>¥286.6</td>
</tr>
</tbody>
</table>

### Other Related Materials

#### List of consolidated subsidiaries (Table 1)

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Capital (Billion yen)</th>
<th>Main Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>JR Toco Nozomi Co., Ltd.</td>
<td>14,000</td>
<td>100.0</td>
</tr>
<tr>
<td>JR Toco Tours</td>
<td>410</td>
<td>70.0</td>
</tr>
<tr>
<td>JR TKNK AGENCY CO., LTD.</td>
<td>61</td>
<td>90.0</td>
</tr>
<tr>
<td>NIPPON SHARYO, LTD.</td>
<td>11,810</td>
<td>51.2</td>
</tr>
<tr>
<td>JR TOKAI CONSTRUCTION Co., Ltd.</td>
<td>300</td>
<td>100.0</td>
</tr>
<tr>
<td>OTHER</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Learning safety from accidents (Column 1)

“Learning Safety from Accidents” is a book that has been published seven times since FY2007 that introduces, in illustrations, past accidents and disasters in an easy to understand format. The book is distributed to the General Education Center and field offices for use in training and workplace OJT.

#### Shortening of arrival time by speed increase (Column 2)

With the inauguration of the Tokaido Shinkansen in 1964, the time required to travel between Tokyo and Osaka was shortened from 3 hours and 10 minutes to 2 hours and 30 minutes (4 hours at the time of inauguration). Furthermore, with the introduction of the “Nozomi” in 1992, that time was shortened to 2 hours and 52 minutes. In October 2003, the rolling stock and ground facilities that we had continuously engaged in for approximately 15 years culminated with the upgrading of the maximum speed of all trains to 270 km/h and the drastic timetable revision that resulted in a maximum of seven Nozomi services operating each hour.

With the introduction of the “10 Nozomi Timetable (operating up to 10 Nozomi services in both directions)” in 2014 and the increase in maximum speed to 285 km/h in 2015, the shortest travel time between Tokyo and Osaka has now been reduced to 2 hours and 20 minutes.

### Corporate Data

#### Key Financial Indicators

- **Equity Ratio**
  - FY2013: 1,753.7
  - FY2014: 2,020.1
  - FY2015: 2,316.3
  - FY2016: 2,692.4

- **Operating Revenues**
  - FY2013: ¥1,652.5
  - FY2014: ¥1,672.2
  - FY2015: ¥1,738.4
  - FY2016: ¥1,756.9
  - FY2017: ¥1,822.0

- **Capital expenditure**
  - FY2013: ¥276.2
  - FY2014: ¥271.5
  - FY2015: ¥242.3
  - FY2016: ¥225.3

- **Net income attributable to owners of the parent**
  - FY2013: ¥255.6
  - FY2014: ¥264.1
  - FY2015: ¥337.4
  - FY2016: ¥392.9
  - FY2017: ¥402.7

- **Income before income taxes**
  - FY2013: ¥1,157.9
  - FY2014: ¥1,165.6
  - FY2015: ¥1,159.7
  - FY2016: ¥1,137.4
  - FY2017: ¥1,160.0

- **Operating Income**
  - FY2013: ¥7.4
  - FY2014: ¥8.6
  - FY2015: ¥12.5
  - FY2016: ¥13.8
  - FY2017: ¥14.6

- **Earnings per Share**
  - FY2013: ¥1,299
  - FY2014: ¥1,342
  - FY2015: ¥1,714
  - FY2016: ¥1,996
  - FY2017: ¥2,015

- **Total assets**
  - FY2013: ¥5,178.1
  - FY2014: ¥5,217.9
  - FY2015: ¥5,268.5
  - FY2016: ¥7,052.6

- **Equity**
  - FY2013: ¥1,802.2
  - FY2014: ¥2,063.9
  - FY2015: ¥2,352.5
  - FY2016: ¥2,726.7

- **Operating expenses**
  - FY2013: ¥1,157.9
  - FY2014: ¥1,165.6
  - FY2015: ¥1,159.7
  - FY2016: ¥1,137.4
  - FY2017: ¥1,160.0

- **Operating Revenues**
  - FY2013: ¥1,661.3
  - FY2014: ¥1,931.0
  - FY2015: ¥2,219.9
  - FY2016: ¥2,582.8
  - FY2017: ¥2,929.8

### Other Related Materials

#### Learning safety from accidents (Column 1)

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With the introduction of the “10 Nozomi Timetable (operating up to 10 Nozomi services in both directions)” in 2014 and the increase in maximum speed to 285 km/h in 2015, the shortest travel time between Tokyo and Osaka has now been reduced to 2 hours and 20 minutes.

### Acceleration by increasing the speed of the Tokaido Shinkansen

- **Maximum speed**
  - FY2013: 210 km/h
  - FY2014: 220 km/h
  - FY2015: 220 km/h
  - FY2016: 220 km/h
  - FY2017: 270 km/h
Management’s Discussion and Analysis of Consolidated Financial Condition and Results of Operations (MD&A)

1) Overview of FY2017
In FY2017, amid the continuing satisfactory level of railway use, JR Central strived to enhance services placing the top priority on ensuring safe and reliable transportation in the railway business, which is the core of our operations. In our railway business, in terms of the Tokaido Shinkansen, we have steadily proceeded a large-scale renovation and earthquake countermeasures, such as countermeasures to derailing and deviation. Also, we utilized the "10 Nozomi Timetable" to schedule trains flexibly. Furthermore, we have introduced the N700A (3rd edition) and reflected the features of the third-generation trains on existing rolling stock.
In terms of the conventional lines, we have systematically promoted earthquake countermeasures, such as anti-earthquake reinforcement for elevated columns, etc., measures against rainfall and falling rocks, and improvement of safety devices on grade crossings. Also, we flexibly increased the frequency and the number of train cars to meet demand for the "Shinano", "Hida", and other limited express trains.
In terms of sales and marketing, we have promoted proactive initiatives, such as measures to expand our tourist products in order to stimulate demand for use of our services.
In non-railway business, we worked to enhance existing businesses. We have conducted integrated management of both the JR GATE TOWER, which fully opened in April 2017, and the JR CENTRAL TOWERS and carried out active sales and advertising promotion.
Our commitment to the aforementioned series of measures led to continuing favorable railway transportation volume for both business and tourism, resulting in increase in transportation revenues for JR Central, while we saw an increase in revenue from the opening of the JR GATE TOWER. As a result, overall consolidated operating revenues increased. Overall consolidated operating expenses increased because of increase in expenses relating to the JR Central’s technological development and the opening of the JR GATE TOWER despite of decrease in depreciation and amortization associated with the Yamamashi Maglev Line.

2) Operating Performance
a) Operating Revenue
Operating revenue increased by 65.0 billion yen (3.7%) YoY to 1,822.0 billion yen.
In terms of our transportation business, JR Central’s transportation revenues increased by 42.4 billion yen (2.4%) YoY to 1,358.3 billion yen. Passenger volume on the Tokaido Shinkansen increased by 3.5% YoY, pushing up transportation revenues 3.4% YoY to 1,253.2 billion yen. Passenger volume on conventional lines increased by 1.0% YoY with transportation revenues increasing 1.1% YoY to 105.1 billion yen.
In our non-transportation businesses, operating revenues for the merchandise and other segment, real estate segment, and other segment increased respectively by 7.7%, by 13.7%, and by 3.0% YoY.

b) Operating Expenses
Operating expenses increased by 22.5 billion yen (2.0%) YoY to 1,160.0 billion yen because of an increase in expenses relating to the Company’s technological development and the opening of the JR GATE TOWER despite of decrease in depreciation and amortization associated with the Yamamashi Maglev Line.

c) Operating Income
Operating income increased by 42.4 billion yen (6.9%) YoY to 662.0 billion yen.

d) Non-Operating Income/Loss
Non-operating income/loss worsened 22.8 billion yen over the FY2016 due to an increase in interest expenses from the long-term debt for the Chuo Shinkansen construction.

e) Net Income Attributable to Owners of the Parent
As a result, net income attributable to owners of the parent increased by 2.5 billion yen (0.7%) YoY to 395.5 billion yen.

3) Cash Flow
Cash and cash equivalents (hereinafter, “capital”) as of the end of FY2017 increased by 367.8 billion yen YoY to 782.4 billion yen.
Capital gained from operating activities increased by 29.0 billion yen YoY to 695.9 billion yen due to a decrease in income tax paid and the fact that non-consolidated transportation revenues of JR Central increased as the use of JR Central’s services for business as well as tourism maintained high levels.
Capital expended through investing activities decreased by 233.0 billion yen YoY to 1,434.7 billion yen mainly due to a decrease in proceeds from the reversal of money held in trust for the Chuo Shinkansen construction and a drop in expenditures (net) associated with fund management.
Capital gained from financing activities increased by 9.5 billion yen YoY to 1,434.7 billion yen mainly due to a decrease in the amount of liquidation of long-term debt and payables despite a drop in the amount of bonds issued.

(Reference)
Substantial free cash flow (amount obtained by subtracting an expenditure for purchase of property, plant, and equipment, and intangible assets, etc. (306.9 billion yen) within net cash used in investing activities from net cash provided by operating activities (695.9 billion yen)) increased by 52.1 billion yen YoY to 302.5 billion yen.

4) Long-Term Debt and Payables
During FY2017, the balance of long-term debt and payables increased to 4,856.2 billion yen both on a consolidated and non-consolidated basis, mainly due to borrowing of 1,500.0 billion yen in long-term debt for the Chuo Shinkansen construction. The balance of long-term debt and payables other than long-term debt for the Chuo Shinkansen construction decreased by 12.8 billion yen to 1,856.2 billion yen on a non-consolidated basis.
When JR Central purchased the Tokaido Shinkansen facilities in October 1991, we were burdened with total long-term debt and payables of more than five times our annual transportation revenues, including the liabilities inherited from Japanese National Railways at the time of its break-up and privatization.
We regarded reducing long-term debt and payables as our most important financial task, and we have endeavored to trim debt and payables as rapidly as possible. Consequently, the 5,456.2 billion yen in total long-term debt and payables at the end of March 1992, immediately after we acquired the Tokaido Shinkansen assets, has been reduced to 1,856.2 billion yen (excluding long-term debt for the Chuo Shinkansen construction).
JR Central will continue working to enhance the earning capability and make every effort to pursue efficiency and cost reduction across all operations including capital investment while steadily promoting efforts to strengthen our managerial foundation for various businesses, such as the Tokaido Shinkansen, and to construct the Chuo Shinkansen. At the same time, we will strive to improve our financial strength as the entire group by, among others, procuring capital effectively as well as efficiently.

5) Net Asset Balance
Net asset balance at the end of FY2017 increased by 358.0 billion yen over the end of FY2016 to 3,084.7 billion yen, and our equity ratio decreased from 38.2% at the end of FY2016 to 34.3% at the end of FY2017.

6) Capital Procurement
In order to procure capital from various sources and facilitate smooth fundraising, we have acquired issuer credit ratings from Moody’s Japan, Rating and Investment Information, Inc., Standard and Poor’s Ratings Japan K.K. and Japan Credit Rating Agency, Ltd. The rating is respectively Aa3, AA, AA-, and AAA.
Furthermore, in order to secure short-term liquidity, we have established a commitment of 100 billion yen as of the end of FY2017.
## Consolidated Balance Sheet

### ASSETS

<table>
<thead>
<tr>
<th>Category</th>
<th>Millions of Yen (Note 2)</th>
<th>Thousands of US Dollars (Note 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CURRENT ASSETS:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents (Note 12)</td>
<td>¥ 782,454</td>
<td>$ 7,381,641</td>
</tr>
<tr>
<td>Money held in trust for the Chuo Shinkansen construction (Note 3.d and 12)</td>
<td>¥ 2,849,931</td>
<td>$ 26,801,235</td>
</tr>
<tr>
<td>Marketable securities (Notes 4 and 12)</td>
<td>¥ 138,700</td>
<td>$ 1,055,688</td>
</tr>
<tr>
<td>Trade receivables (Note 12)</td>
<td>¥ 41,258</td>
<td>$ 341,301</td>
</tr>
<tr>
<td>Inventories</td>
<td>¥ 38,116</td>
<td>$ 305,884</td>
</tr>
<tr>
<td>Prepaid expenses and other</td>
<td>¥ 166,438</td>
<td>$ 1,329,687</td>
</tr>
<tr>
<td><strong>Total noncurrent assets</strong></td>
<td>¥ 5,103,914</td>
<td>$ 4,086,220</td>
</tr>
<tr>
<td><strong>CURRENT ASSETS</strong></td>
<td>¥ 3,804,768</td>
<td>$ 30,894,037</td>
</tr>
</tbody>
</table>

| Investments and other assets:                                           |                           |                                  |
| Investment securities (Note 4 and 12)                                   | ¥ 294,242                  | $ 2,191,555                      |
| Investments in and advances to unconsolidated subsidiaries and affiliates (Note 4) | ¥ 18,212                   | $ 137,711                        |
| Asset for retirement benefits (Note 8)                                  | ¥ 5,652                    | $ 42,902                         |
| Deferred tax assets (Note 3.w and 11)                                   | ¥ 166,438                  | $ 1,329,687                      |
| Prepaid expenses and other                                              | ¥ 74,634                   | $ 596,094                        |
| **Total investments and other assets**                                  | ¥ 559,181                  | $ 4,273,292                      |

| Property, plant and equipment (Note 3.g):                               |                           |                                  |
| Buildings and structures                                               | ¥ 4,827,813                | $ 38,537,858                     |
| Machinery, rolling stock and vehicles                                  | ¥ 5,415,850                | $ 41,857,955                     |
| Land                                                                    | ¥ 2,354,770                | $ 18,822,924                     |
| Construction in progress                                               | ¥ 401,234                  | $ 3,208,226                      |
| Other                                                                   | ¥ 178,720                  | $ 1,398,087                      |
| **Total**                                                              | ¥ 9,175,700                | $ 70,975,958                     |
| Accumulated depreciation                                               | (¥4,632,657)               | (¥37,043,311)                    |
| **Net property, plant and equipment**                                  | ¥ 4,544,043                | $ 37,932,647                     |

| **Total noncurrent assets**                                             | ¥ 5,103,914                | $ 30,894,037                     |

| **TOTAL ASSETS (Note 5.)**                                             | ¥ 8,908,682                | $ 64,044,169                     |

See notes to consolidated financial statements.

### LIABILITIES AND EQUITY

<table>
<thead>
<tr>
<th>Category</th>
<th>Millions of Yen (Note 2)</th>
<th>Thousands of US Dollars (Note 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CURRENT LIABILITIES:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-term loans payable (Notes 5 and 12)</td>
<td>¥ 27,569</td>
<td>$ 255,518</td>
</tr>
<tr>
<td>Current portion of long-term debt (Notes 3 and 12)</td>
<td>¥ 82,847</td>
<td>$ 774,028</td>
</tr>
<tr>
<td>Current portion of long-term debt of the employee—stock ownership plan trust (Notes 3.m, 10 and 12)</td>
<td>¥ 9,400</td>
<td>$ 79,943</td>
</tr>
<tr>
<td>Current portion of long-term accounts payable—railway facilities (Notes 7 and 12)</td>
<td>¥ 5,126</td>
<td>$ 41,604</td>
</tr>
<tr>
<td>Trade payables (Note 12)</td>
<td>¥ 227,523</td>
<td>$ 1,814,463</td>
</tr>
<tr>
<td>Provision for bonuses</td>
<td>¥ 28,218</td>
<td>$ 226,207</td>
</tr>
<tr>
<td>Income taxes payable (Note 12)</td>
<td>¥ 109,783</td>
<td>$ 867,788</td>
</tr>
<tr>
<td>Advances received</td>
<td>¥ 44,234</td>
<td>$ 343,245</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>¥ 602,823</td>
<td>$ 4,688,481</td>
</tr>
</tbody>
</table>

| **NONCURRENT LIABILITIES:**                                            |                           |                                  |
| Investment securities (Notes 4 and 12)                                   | ¥ 294,242                  | $ 2,191,555                      |
| Asset for retirement benefits (Note 8)                                  | ¥ 5,652                    | $ 42,902                         |
| Deferred tax assets (Note 3.w and 11)                                   | ¥ 166,438                  | $ 1,329,687                      |
| Prepaid expenses and other                                              | ¥ 74,634                   | $ 596,094                        |
| **Total noncurrent liabilities**                                        | ¥ 555,352                  | $ 4,052,509                      |

| **CONTINGENCIES (Note 15):**                                           |                           |                                  |
| **EQUITY (Notes 9 and 18):**                                           |                           |                                  |
| Common stock—authorized, 824,000,000 shares; issued, 206,000,000 shares in 2018 and 2017 | ¥ 112,000                  | $ 1,056,603                      |
| Capital surplus                                                        | ¥ 53,498                   | $ 422,498                        |
| Retained earnings                                                      | ¥ 2,976,434                | $ 20,069,566                     |
| Treasury stock—at cost, 10,173,749 shares in 2018 and 9,200,886 shares in 2017 | ¥ 5,626 103,159            | $ 1,055,688                      |
| Accumulated other comprehensive income—railway facilities (Notes 7 and 12) | ¥ 543,897                  | $ 4,215,103                      |
| Liability for retirement benefits (Note 8)                             | ¥ 175,000                  | $ 1,396,283                      |
| **Total noncontrolling interests**                                     | ¥ 60,980                   | $ 475,283                        |
| **Total noncurrent liabilities**                                       | ¥ 5,221,138                | $ 40,474,410                     |

| **TOTAL LIABILITIES AND EQUITY**                                        | ¥ 8,908,682                | $ 64,044,169                     |

See notes to consolidated financial statements.
Central Japan Railway Company and Consolidated Subsidiaries Year Ended March 31, 2018

Operating income $621,023 $619,656 $576,677 $623,580

OPERATING EXPENSES (Note 3.a):
Transportation, other services and cost of sales (Note 3.k) 966,608 954,512 982,295 9,119,658
Salaries, general and administrative expenses 193,326 182,903 177,436 1,823,830
Total operating expenses 1,160,934 1,137,415 1,150,731 18,943,488

CONSOLIDATED STATEMENT OF INCOME

INCOME BEFORE INCOME TAXES 561,852
INCOME TAXES (Note 11) (23,640) (23,640) (23,640)
OPERATING INCOME 538,212

OTHER INCOME (EXPENSES):
Interest income 8,471 8,446 8,471 8,471
Interest expense (Note 7) (78,722) (78,722) (78,722)
Other—net (Note 3.e) (247,762) (247,762) (247,762)
Other income (expenses) (1,095,826) (1,095,826) (1,095,826)

INCOME FROM OPERATIONS 404,390
OTHER COMPREHENSIVE INCOME (LOSS) (Note 16):
Remeasurements of defined benefit plans 4,704 4,704 4,704 4,704
Deferred (loss) gain on hedges 183,663 183,663 183,663 183,663
Unrealized gain (loss) on available-for-sale securities 9,521 9,521 9,521 9,521
Changes in the ownership interest by purchase of shares of consolidated subsidiaries (1) (1) (1) (1)
Net change in the year (16,460) 21 (1,183) (17,599) (7,001) (23,190)

BALANCE, MARCH 31, 2018
197,024 112,000 53,499 2,341,207 (103,156) 22,227 (1) 1,183 2,316,597 36,168 2,352,566

BALANCE, MARCH 31, 2017
196,799 112,000 53,499 2,241,207 (103,157) 22,227 (9) (3,175) 2,269,397 36,168 2,303,566

BALANCE, MARCH 31, 2016
196,799 112,000 53,499 2,221,207 (103,156) 22,227 (945,009) (7,001) 2,249,297 36,168 2,213,129

Net income attributable to owners of the parent 3,731,150 3,731,150 3,731,150

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FINANCIAL SECTION

CENTRAL JAPAN RAILWAY COMPANY Annual Report 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CENTRAL JAPAN RAILWAY COMPANY Annual Report 2018

CONSOLIDATED STATEMENT OF INCOME

Central Japan Railway Company and Consolidated Subsidiaries

CONSOLIDATED STATEMENT OF Changes in Equity

Central Japan Railway Company and Consolidated Subsidiaries

CONSOLIDATED STATEMENT OF Comprehensive Income

Central Japan Railway Company and Consolidated Subsidiaries

CONSOLIDATED STATEMENT OF Changes in Equity

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CONSOLIDATED STATEMENT OF Changes in Equity

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CONSOLIDATED STATEMENT OF Comprehensive Income

Central Japan Railway Company and Consolidated Subsidiaries

CONSOLIDATED STATEMENT OF Changes in Equity
Central Japan Railway Company and Consolidated Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. INCORPORATION OF CENTRAL JAPAN RAILWAY COMPANY

Central Japan Railway Company (Tokai Rysuku Tensuido Kabushiki Gaisha, the “Company”) was incorporated on April 1, 1987, as a private business company, pursuant to the Law for Japanese National Railways Restructuring enacted upon the resolution of the Japanese Diet.

The business of the Japanese National Railways (the “JNR”) was succeeded by the following newly established organizations: seven railway companies including the Company, the former Shinkansen Holding Corporation (a predecessor entity to the Railway Development Fund (1991–1997), which was subsequently succeeded by the Corporation for Advanced Transport and Technology (the “CATT”) (1997–2003) and in turn by the Japan Railway Construction, Transport and Technology Agency (the “JRTT”)), the former Railway Telecommunication Co., Ltd., Railway Information Systems Co., Ltd., the Railway Technical Research Institute (the “RTRI”) which reorganized as a public interest corporation, the JR Settlement Corporation (the “JRSC”). All of the assets and liabilities of the JNR were transferred to such organizations, including the JRSC. Prior to December 1, 2001, the Law Concerning Passenger Railway Companies and the Japan Freight Railway Company (the “Law”) required that authorization be obtained from the Minister of Land, Infrastructure, Transport and Tourism (the “Minister of Transport”) regarding fundamental such as (1) commencement of business other than railway and its related business, (2) the appointment of representative directors and corporate auditors, (3) the issuance of new shares and bonds, (4) long-term loans payable, (5) amendments to the Articles of Incorporation, (6) operating plans, (7) sales of material assets, (8) propriations of earnings and (9) merger or dissolution. As of December 1, 2001, since the Law was revoked and the Company was no longer required to obtain the aforementioned authorizations. On October 8, 1997, the Company’s shares were listed on the Nagoya and Tokyo stock exchanges in Japan. The JRSC, which held all 2,240,000 of the Company’s outstanding shares prior to the listing, was transformed into the Japan Railway Construction Public Corporation (the “JRCP”), and in turn by the Japan Railway Construction Public Corporation (the “JRCP”), all of the Company’s shares held by the JRTT were sold. 

On May 10, 2016, the Company established JR Central Financial Management Co., Ltd., which became a consolidated subsidiary from the fiscal year ended March 31, 2017.

On October 1, 2013, the Japan Railway Construction Public Corporation (the “JRCP”) was succeeded by JR Central Financial Management Co., Ltd. (the “JRCPC”). On October 1, 2003, the CATT and the JRTT were succeeded by the Japan Railway Construction, Transport and Technology Agency (the “JRTT”), and operated. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥106 to $1, the approximate rate of exchange as of March 31, 2018. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate. Japanese yen figures of less than one million yen are rounded down to the nearest million of yen, except for per share information, and U.S. dollar figures of less than one thousand U.S. dollars are also rounded down to the nearest thousand of U.S. dollars, except for per share information.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2017 and 2018 consolidated financial statements to conform to the classifications used in 2018.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥106 to $1, the approximate rate of exchange as of March 31, 2018. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate. Japanese yen figures of less than one million yen are rounded down to the nearest million of yen, except for per share information, and U.S. dollar figures of less than one thousand U.S. dollars are also rounded down to the nearest thousand of U.S. dollars, except for per share information.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Principles of Consolidation

The accompanying consolidated financial statements as of March 31, 2018, include the accounts of the Company and its 29 (29 in 2017 and 28 in 2016) significant subsidiaries (together, the “Companies”).

On May 10, 2016, the Company established JR Central Financial Management Co., Ltd., which became a consolidated subsidiary from the fiscal year ended March 31, 2017.

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are consolidated, and those companies over which the Company has the ability to exercise significant influence are accounted for using the equity method. Investments in two affiliates are accounted for using the equity method. Investments in the remaining unconsolidated subsidiaries and affiliates are stated at cost. The equity method of accounting had been applied to the investments in those companies, the effect on the accompanying consolidated financial statements would not be material.
The difference between the cost of acquisition and the fair value of the equity of an acquired subsidiary at the date of acquisition is fully amortized when incurred. All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in net income arising from the sale of property, plant and equipment at the Companies' parent companies are also eliminated. A certain consolidated subsidiary has adopted a fiscal year ending on February 28, which is different from that of the Company. The necessary adjustments for preparing consolidated financial statements as of March 31 have been deducted from the subsidiaries' results of operations, and such adjustments for significant intercompany accounts and transactions are presented within the consolidated statements as of March 31, which occur between the fiscal year-end of the subsidiary and that of the Company.

b. Business Combinations
— Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees, are accounted for in expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information and facts about circumstances and facts that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date. A parent's ownership interest in a subsidiary might change if the parent purchases or sells any of its shares or if the subsidiary issues new equity securities. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary, whereby the parent retains its controlling interest in subsidiary. Any difference between the fair value of the consideration received or paid and the amount of which the noncontrolling interest is accounted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

c. Cash Equivalents
— Cash equivalents are short-term investments that are readily convertible to a known amount of cash and are held for short-term purposes, by the specific identification method for land and buildings held for sale in lots, by the specific identification method for work in progress and by the moving-average cost method for materials and supplies, or not selling value.

f. Marketable and Investment Securities
— Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: (1) held-to-maturity debt securities, for which there is a positive intent and ability to hold to maturity, and (2) available-for-sale securities, which are not classified as the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of taxes, reported as a separate component of equity. Certain securities classified as available-for-sale securities are carried at cost, determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

Property, Plant and Equipment—Property, plant and equipment are stated at cost. Certain contributions in aid for construction of railways and other property are deducted directly from the cost of the related assets. The accumulated contributions deducted from the cost of property, plant and equipment as of March 31, 2018 and 2017 amounted to ¥289,130 million (¥272,721 million) and ¥279,784 million, respectively. Depreciation is computed substantially by the declining-balance method over the estimated useful lives of the assets. Depreciation is provided for the Shinkansen rolling stock based on kilometers traveled. The range of useful lives is principally from 2 to 30 years for buildings and structures, and from 2 to 20 years for machinery, rolling stock and vehicles. Depreciation of certain railway structures, except for the Shinkansen railway facilities, is computed by the replacement-accounting method.

Long-Lived Assets—The Companies review their long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be determined by the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and actual disposition of the asset or the net selling price at disposition.

Software Costs—Software costs are amortized by the straight-line method over five years.

Deferred Charges—Bond issuance costs are fully charged to income as incurred.

 provision for Large-scale Renovation of the Shinkansen Infrastructure—The provision for large-scale renovation of the Shinkansen infrastructure is provided based on the Nationwide Shinkansen Railway Development Law and Regulations, the Company reversed the provision in the amount of ¥15,600 million ($30.188 billion) for the year ended March 31, 2018 and ¥15,000 million for the years ended March 31, 2017 and 2016.

Retirement and Pension Plans—The Company and 28 consolidated subsidiaries have unfunded retirement plans covering substantially all of their employees. Six consolidated subsidiaries have noncontributory defined benefit pension plans and one consolidated subsidiary has a defined contribution pension plan, some of those subsidiaries also have unfunded retirement plans. Some of the subsidiaries have adopted the simplified accounting method for calculation of liability for retirement benefits. For such subsidiaries, the liability for retirement benefits is mainly calculated based on the projected benefit obligations and plan assets at the balance sheet date. The amount of projected benefit obligations is allocated to periods on a benefit formula basis. Actual gains and losses are amortized on a straight-line basis mainly over five years, which is within the average remaining service period. Nonmarketable nonvested options are attributed to periods on a benefit formula basis, mainly over five years, which is within the average remaining service period.

Employee stock ownership plan—In accordance with Accounting Standards Board of Japan (“ASBJ”) Practical Issues Task Force No. 30, “Practical Solution on Accounting of Delivering the Company’s Own Stock to Employees etc. through Trusts,” at year-end, the Company shall record (1) the company stock held by the employee stock ownership trust as treasury stock in equity, (2) all other assets and liabilities of the employee stock ownership trust on a line-by-line basis, and (3) a liability/asset for the difference of any gain or loss on delivery of the stock by the employee stock ownership trust to the employee shareholding association, (ii) dividends received from the entity for the stock held by the employee stock ownership trust, and (iii) any expenses relating to the employee stock ownership trust.

Research and Development Costs—Research and development costs are charged to income as incurred. Research and development costs charged to income were ¥88,797 million (¥85,638 thousand), ¥86,609 million and ¥75,379 million for the years ended March 31, 2018, 2017 and 2016, respectively.

Other Income (Expenses)—Other income (expenses) in the consolidated statement of income for the year ended March 31, 2018 includes settlement of the railway rollover stock project for the U.S. A. for an amount of $21,281,244, primarily for employee-related, NIPPON SHARYO, LTD. recognized a loss resulting from the conclusion of the contract to pay the settlement money to Sumitomo Corporation and Sumitomo Corporation of Americas.

Laws—Lease assets of finance leases that were not deemed to transfer ownership of the leased property are depreciated and amortized by the straight-line method over the lease period.

Income Taxes—The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities, then they are adjusted for expected future tax rates. In a series of temporary differences between the carrying amounts and the tax bases of assets and liabilities, deferred taxes are measured by applying currently enacted tax laws to the temporary differences. The Companies applied ASBJ Guidance No. 26, “Guidance on Recognizing Contingent Tax Assets,” effective April 1, 2016. There was no impact from this for the year ended March 31, 2017.

Appropriations of Retained Earnings—Amounts of retained earnings are reflected in the consolidated financial statements for the following year upon shareholders’ approval.

Consumption Tax—Unless otherwise stated, all figures are presented net of tax.

Derivatives and Hedging Activities—The Companies use financial instruments mainly to manage exposure to market risks of changes in foreign currency exchange rates and in interest rates. Foreign currency swaps are utilized by the Companies to reduce interest rate risks. Interest rate swaps are utilized by the Companies to reduce interest rate risks. Interest rate and currency swap contracts are utilized by the Company to hedge foreign exchange risks. The Companies do not enter into derivatives for trading or speculative purposes.

Foreign currency swaps, which qualify for hedge accounting and specific matching criteria, are not remeasured at market value, but the hedged debt is translated at the contracted rates of the foreign currency swaps. Interest rate swaps, which qualify for hedge accounting and meet specific matching criteria, are not remeasured at market value, but the differential paid or received under the swap is recognized and included in interest expense. When interest and currency swap contracts meet the above criteria, hedged debt is translated at the contracted rates, and the differential paid or received under the swap agreement is recognized and included in interest expense.

Per Share Information—Basic net income per share is computed by dividing net income attributable to owners of the parent available to common shareholders by the weighted-average number of common shares outstanding for the period. The net income attributable to owners of the parent available to common shareholders used in the computation for 2018, 2017 and 2016 was ¥395,902 million (¥371,127 thousand), ¥392,913 million and ¥373,440 million, respectively. The average number of shares used in the computation for 2018, 2017 and 2016 was 196,233,039 shares, 196,183,182 shares and 196,089,185 shares, respectively. The average number of shares held by the Company for the employee stock ownership trust for the year ended March 31, 2016 was 566,089 shares, and it is included in the weighted-average number of shares outstanding during the fiscal year. Diluted net income per share is not presented in the accompanying consolidated financial statements as the Comptrol method is used to calculate dilutive securities.

Cash dividends per share presented in the accompanying consolidated financial statements are dividends applicable to the respective years, including dividends paid to be paid at the end of the year.

New accounting pronouncements—On March 30, 2018, the ASBJ issued ASBJ Statement No. 29, “Accounting Standard for Revenue Recognition”. The core principle of the standard and guidance is that an entity should recognize revenue from the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should recognize revenue in accordance with that core principle by applying the following steps: Step 1: Identify the contract with the customer. Step 2: Identify the performance obligations in the contract. Step 3: Determine the transaction price. Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The accounting standard and guidance are effective for annual periods beginning on or after April 1, 2018. Earlier application is permitted for annual periods beginning on or after April 1, 2018. The Company expects to apply the accounting standard and guidance for annual periods beginning on April 1, 2021, and is in the process of measuring the effects of applying the accounting standard and guidance in future applicable periods.

w. Changes in presentation (Earlier Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting")

—On February 16, 2018, the ASBJ issued ASBJ Statement No. 28, "Partial Amendments to Accounting Standard for Tax Effect Accounting," which requires deferred tax assets and deferred tax liabilities to be classified as investments and other assets and noncurrent liabilities, respectively. Deferred tax assets were previously classified as current assets and investments and other assets, and deferred tax liabilities were previously classified as current liabilities and noncurrent liabilities under the previous accounting standard. The revised accounting standard is effective for annual periods beginning on or after April 1, 2018. Earlier application is permitted for annual periods ending on or after March 31, 2018. The Company applied the revised accounting standard as of March 31, 2018, and deferred tax assets of ¥18,787 million which were previously classified as current assets as of March 31, 2017 have been reclassified as investments and other assets in the accompanying consolidated balance sheet.

(Consolidated Statements of Cash Flows)

—“Purchase of treasury stock” was included in “other—net” under financing activities of the consolidated statement of cash flows for the years ended March 31, 2017 and 2016. Since the amount increased significantly during the year ended March 31, 2018, such amount is disclosed separately in the financing activities of the consolidated statement of cash flows.

As a result, the amounts of ¥(381) million and ¥(7,928) million recorded as “Other—net” under financing activities of the consolidated statement of cash flows for the years ended March 31, 2017 and 2016 were reclassified to “Purchases of treasury stock” in the amounts of ¥(2) million and ¥(0) million and to “Other—net” in the amounts of ¥(379) million and ¥(7,927) million, respectively, in the consolidated statement of cash flows for the years ended March 31, 2017 and 2016.

3. Accounting Changes and Error Corrections

—In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows: (1) Changes in Accounting Policies—When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retroactively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions. (2) Changes in Presentation—When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates—A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods. (4) Corrections of Prior-Period Errors—When an error in prior-period financial statements is discovered, those statements are restated.

4. MAKEABLE AND INVESTMENT SECURITIES

 Marketable securities as of March 31, 2017 consisted of certificates of deposit. Information regarding investment securities with readily determinable fair values classified as available-for-sale and held to maturity as of March 31, 2016 and 2017 was as follows:

<table>
<thead>
<tr>
<th>Securities classified as:</th>
<th>Available for sale</th>
<th>Held to maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity securities</td>
<td>¥81,778</td>
<td>¥2,120,754</td>
</tr>
<tr>
<td>Trust fund investment</td>
<td>¥276</td>
<td>¥2,603</td>
</tr>
</tbody>
</table>

The information for available-for-sale securities whose fair value is not readily determinable as of March 31, 2018 and 2017, is disclosed in Note 12. The impairment loss on investments in an unconsolidated subsidiary for the year ended March 31, 2016, was ¥419,861 million. The impairment loss on investment securities for the year ended March 31, 2018 and 2017 was not presented as the effect was immaterial.

Investment securities of ¥4,486 million (US$42,320 thousand) as of March 31, 2018 were pledged as collateral for issuing a letter of credit on railway rolling stock production business.

<table>
<thead>
<tr>
<th>Securities classified as:</th>
<th>Available for sale</th>
<th>Held to maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity securities</td>
<td>¥83,762</td>
<td>¥140,000</td>
</tr>
<tr>
<td>Trust fund investment</td>
<td>276</td>
<td>140,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Securities classified as:</th>
<th>Available for sale</th>
<th>Held to maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity securities</td>
<td>¥81,778</td>
<td>¥2,120,754</td>
</tr>
<tr>
<td>Trust fund investment</td>
<td>276</td>
<td>2,603</td>
</tr>
</tbody>
</table>

The fair value of marketable securities classified as available-for-sale and held to maturity at March 31, 2018 and 2017, is presented in the consolidated statement of financial position.
5. SHORT-TERM LOANS PAYABLE AND LONG-TERM DEBT

The annual maturities of long-term debt outstanding at the principal amounts as of March 31, 2018, 0.12% as of March 31, 2017, and 0.16% as of March 31, 2016, consisted of the following:

<table>
<thead>
<tr>
<th>Year Ending March 31</th>
<th>Millions of Yen</th>
<th>Thousands of U.S. Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Company</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unsecured 2.39% bonds due 2026</td>
<td>29,789</td>
<td>281,037</td>
</tr>
<tr>
<td>Unsecured 2.31% bonds due 2027</td>
<td>30,000</td>
<td>283,018</td>
</tr>
<tr>
<td>Unsecured 2.39% bonds due 2028</td>
<td>36,000</td>
<td>328,018</td>
</tr>
<tr>
<td>Unsecured 2.39% bonds due 2029</td>
<td>30,000</td>
<td>283,018</td>
</tr>
<tr>
<td>Unsecured 2.39% bonds due 2030</td>
<td>30,000</td>
<td>283,018</td>
</tr>
<tr>
<td>Unsecured 2.39% bonds due 2031</td>
<td>10,000</td>
<td>94,339</td>
</tr>
<tr>
<td>Unsecured 2.39% bonds due 2032</td>
<td>10,000</td>
<td>94,339</td>
</tr>
<tr>
<td>Unsecured 2.39% bonds due 2033</td>
<td>10,000</td>
<td>94,339</td>
</tr>
<tr>
<td>Unsecured 2.39% bonds due 2034</td>
<td>10,000</td>
<td>94,339</td>
</tr>
<tr>
<td>Unsecured 2.39% bonds due 2035</td>
<td>15,000</td>
<td>141,509</td>
</tr>
<tr>
<td>Unsecured 2.39% bonds due 2036</td>
<td>15,000</td>
<td>141,509</td>
</tr>
<tr>
<td>Unsecured 2.39% bonds due 2037</td>
<td>15,000</td>
<td>141,509</td>
</tr>
<tr>
<td>Unsecured 2.39% bonds due 2038</td>
<td>15,000</td>
<td>141,509</td>
</tr>
<tr>
<td>Unsecured 2.39% bonds due 2039</td>
<td>15,000</td>
<td>141,509</td>
</tr>
<tr>
<td>Unsecured 2.39% bonds due 2040</td>
<td>15,000</td>
<td>141,509</td>
</tr>
<tr>
<td>Unsecured 2.39% bonds due 2041</td>
<td>15,000</td>
<td>141,509</td>
</tr>
<tr>
<td>Unsecured 2.39% bonds due 2042</td>
<td>15,000</td>
<td>141,509</td>
</tr>
<tr>
<td>Total</td>
<td>281,037</td>
<td>2,596,650</td>
</tr>
</tbody>
</table>

The Company has entrusted cash for the repayment of a portion of its outstanding bonds based on debt assumption agreements with financial institutions; however, the Company is not released from the primary responsibility for the liability by these agreements. The outstanding bonds covered by these agreements as of March 31, 2018 and 2017, were as follows:

<table>
<thead>
<tr>
<th>Year Ending March 31</th>
<th>Millions of Yen</th>
<th>Thousands of U.S. Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secured 2.82% bonds due 2017</td>
<td>48,800</td>
<td>4,314,690</td>
</tr>
<tr>
<td>Secured 2.18% bonds due 2018</td>
<td>28,900</td>
<td>2,596,650</td>
</tr>
<tr>
<td>Secured 2.0% bonds due 2019</td>
<td>49,900</td>
<td>4,314,690</td>
</tr>
<tr>
<td>Unsecured 2.3% bonds due 2020</td>
<td>179,198</td>
<td>179,198</td>
</tr>
<tr>
<td>Unsecured 2.5% bonds due 2021</td>
<td>187,735</td>
<td>187,735</td>
</tr>
<tr>
<td>Unsecured 2.74% bonds due 2022</td>
<td>188,679</td>
<td>188,679</td>
</tr>
<tr>
<td>Unsecured 2.31% bonds due 2023</td>
<td>188,679</td>
<td>188,679</td>
</tr>
<tr>
<td>Unsecured 2.39% bonds due 2024</td>
<td>94,339</td>
<td>94,339</td>
</tr>
<tr>
<td>Unsecured 2.39% bonds due 2025</td>
<td>94,339</td>
<td>94,339</td>
</tr>
<tr>
<td>Unsecured 2.39% bonds due 2026</td>
<td>94,339</td>
<td>94,339</td>
</tr>
<tr>
<td>Unsecured 2.39% bonds due 2027</td>
<td>94,339</td>
<td>94,339</td>
</tr>
<tr>
<td>Unsecured 2.39% bonds due 2028</td>
<td>94,339</td>
<td>94,339</td>
</tr>
<tr>
<td>Unsecured 2.39% bonds due 2029</td>
<td>94,339</td>
<td>94,339</td>
</tr>
<tr>
<td>Unsecured 2.39% bonds due 2030</td>
<td>94,339</td>
<td>94,339</td>
</tr>
<tr>
<td>Unsecured 2.39% bonds due 2031</td>
<td>94,339</td>
<td>94,339</td>
</tr>
<tr>
<td>Unsecured 2.39% bonds due 2032</td>
<td>94,339</td>
<td>94,339</td>
</tr>
<tr>
<td>Unsecured 2.39% bonds due 2033</td>
<td>94,339</td>
<td>94,339</td>
</tr>
<tr>
<td>Unsecured 2.39% bonds due 2034</td>
<td>94,339</td>
<td>94,339</td>
</tr>
<tr>
<td>Unsecured 2.39% bonds due 2035</td>
<td>94,339</td>
<td>94,339</td>
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<tr>
<td>Unsecured 2.39% bonds due 2036</td>
<td>94,339</td>
<td>94,339</td>
</tr>
<tr>
<td>Unsecured 2.39% bonds due 2037</td>
<td>94,339</td>
<td>94,339</td>
</tr>
<tr>
<td>Unsecured 2.39% bonds due 2038</td>
<td>94,339</td>
<td>94,339</td>
</tr>
<tr>
<td>Unsecured 2.39% bonds due 2039</td>
<td>94,339</td>
<td>94,339</td>
</tr>
<tr>
<td>Unsecured 2.39% bonds due 2040</td>
<td>94,339</td>
<td>94,339</td>
</tr>
<tr>
<td>Unsecured 2.39% bonds due 2041</td>
<td>94,339</td>
<td>94,339</td>
</tr>
<tr>
<td>Unsecured 2.39% bonds due 2042</td>
<td>94,339</td>
<td>94,339</td>
</tr>
<tr>
<td>Total</td>
<td>2,596,650</td>
<td>2,596,650</td>
</tr>
</tbody>
</table>

The aforementioned bonds for which the Company entered into debt assumption agreements have been derecognized in the consolidated balance sheet and disclosed as contingent liabilities (see Note 15). The Company has credit commitments from banks. Total unused credit available to the Company as of March 31, 2018, was ¥100,000 million (¥439,396 thousand). All assets of the Company were pledged for the above secured bonds of ¥79,700 million ($751,886 thousand), as an enterprise mortgage, which gives the holder thereof a security interest in all assets junior to that of other present or future secured creditors, but senior to that of general creditors.

### Financial Section
6. LONG-TERM DEBT FOR THE CHUO SHINKANSEN CONSTRUCTION
Long-term debt for the Chuo Shinkansen construction is a loan in the amount of ¥3,009,050 million from the JRT using the Fiscal Investment and Loan Program (the "FILP") in accordance with the Order for Enforcement of the Act on the Japan Railway Construction, Transportation and Technology Agency (the "JRT Act") for promoting the construction of the Chuo Shinkansen.

The average interest rates of long-term debt for the Chuo Shinkansen construction as of March 31, 2018, were 0.6%.

Annual maturities of long-term debt for the Chuo Shinkansen construction as of March 31, 2018, were as follows:

Year Ending March 31 Millions of Yen Thousands of U.S. Dollars
2019 $ 3,126 $ 40,358
2020 5,443 51,349
2021 7,871 56,537
2022 8,141 57,933
2023 6,526 61,986
Thereafter 520,043 4,905,448
Total 5,987,082 55,275,673

Interest expense on the long-term debt for the Chuo Shinkansen construction accounted for 6.9% of income before extraordinary items for the year ended March 31, 2017.

7. LONG-TERM ACCOUNTS PAYABLE—RAILWAY FACILITIES
Long-term accounts payable—railway facilities were incurred in the amount of ¥8,093,661 million in 1991 for the purchase of the Shinkansen railway facilities and assets related to the JRT. Payment terms are 25.5 years for ¥4,944,486 million and 50 years for ¥4,048,575 million. Payment terms and interest rates of the payables were determined based on the agreements on the purchase of the Shinkansen railway facilities. The Company had paid off ¥4,944,486 million by January 2017.

The average interest rates of long-term accounts payable—railway facilities excluding current portion as of March 31, 2018, were 6.49%.

Annual maturities of long-term accounts payable—railway facilities as of March 31, 2018, were as follows:

Year Ending March 31 Millions of Yen Thousands of U.S. Dollars
2019 $ 5,652 $ 75,305
2020 5,141 72,254
2021 4,048 57,933
2022 3,000 41,268
2023 1,896 25,490
Thereafter 2,487,314 37,746,341
Total 2,592,006 38,523,564

8. RETIREMENT AND PENSION PLANS
Employees whose service with the Company and consolidated subsidiaries is terminated are entitled to retirement and pension benefits determined by various components of the plan assets.

b. The changes in plan assets for the years ended March 31, 2018, 2017 and 2016, were as follows:

<table>
<thead>
<tr>
<th>Year Ending March 31</th>
<th>Millions of Yen</th>
<th>Thousands of U.S. Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>222,417</td>
<td>2,896,812</td>
</tr>
<tr>
<td>2017</td>
<td>220,417</td>
<td>2,875,613</td>
</tr>
<tr>
<td>2016</td>
<td>220,417</td>
<td>2,875,613</td>
</tr>
</tbody>
</table>

The retirement benefit expenses recognized by the consolidated subsidiaries, which adopt the simplified accounting method, are included in the cost of sales in the amounts of ¥253,679 million for the year ended March 31, 2017, ¥23,204 million for the year ended March 31, 2018, and ¥226,417 million for the year ended March 31, 2016.

c. Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2018 and 2017, was as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of Yen</th>
<th>Thousands of U.S. Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>24,920</td>
<td>310,591</td>
</tr>
<tr>
<td>2017</td>
<td>25,117</td>
<td>312,399</td>
</tr>
</tbody>
</table>

d. The components of net periodic benefit costs for the years ended March 31, 2018, 2017 and 2016, were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of Yen</th>
<th>Thousands of U.S. Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>6,459</td>
<td>82,321</td>
</tr>
<tr>
<td>2017</td>
<td>7,186</td>
<td>91,313</td>
</tr>
<tr>
<td>2016</td>
<td>10,481</td>
<td>133,374</td>
</tr>
</tbody>
</table>

f. Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2018, 2017 and 2016, were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of Yen</th>
<th>Thousands of U.S. Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>(9,869)</td>
<td>(126,849)</td>
</tr>
<tr>
<td>2017</td>
<td>(7,380)</td>
<td>(94,903)</td>
</tr>
<tr>
<td>2016</td>
<td>(3,141)</td>
<td>(40,814)</td>
</tr>
</tbody>
</table>

h. Assumptions used for the years ended March 31, 2018, 2017 and 2016, were set forth as follows:

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

i. Defined Contribution Plan
Total contribution by the Companies for the defined contribution plan was ¥125 million ($1,179 thousand) for the year ended March 31, 2018, ¥121 million for the year ended March 31, 2017, and ¥117 million for the year ended March 31, 2016.
9. EQUITY

Shareholders' equity is subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria including (i) having a Board of Directors, (ii) having independent auditors, (iii) having an Audit & Supervisory Board, and (iv) the term of service of the directors being prescribed as no more than five years, the normal business plan of the company may provide for dividends to be paid. However, in the above cases, dividends may be paid only if the amount of paid-in capital and legal reserve equals at least 20% of the capital stock and the aggregate amount of dividends and other distributions paid to shareholders does not exceed more than 10% of the paid-in capital and legal reserve.

b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of capital surplus) or as additional paid-in-capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the aggregate amount of legal reserve and additional paid-in-equity equals 25% of the common stock. The Companies Act also provides that dividends be paid only out of retained earnings-unappropriated. Under the Companies Act, the amount of any paid-in-capital and legal reserve must be included in the aggregate amount of legal reserve and additional paid-in-capital for purposes of determining the amount available for distribution to the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The Companies Act also provides that common stock, legal reserve, additional paid-in-capital, other capital surplus and retained earnings-unappropriated cannot be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

10. EMPLOYEE STOCK OWNERSHIP PLAN

The Company holds the Employee Stock Ownership Plan by transactions of delivering its own stock to the JR Tokai Employee Shareholding Association (the "Shareholding Association") through trusts for the purpose of improving the employee benefit program for employees participating in the Shareholding Association and revitalizing the Shareholding Association.

(1) Transaction outline

The Company introduced an "Employee Stock Ownership Plan (employee shareholding association purchase-type)" (the "Plan") in September, 2017. To introduce the Plan, the Company, as the trustee, entered into a Stock Benefit Trust (Employee Shareholding Association Purchase-type) Agreement (hereinafter referred to as the "Trust") with the JR Tokai Employee Shareholding Association (the "Shareholding Association") and the Shareholding Association entered into a Stock Benefit Trust Agreement (the "Trust Agreement") with Mizuho Trust & Banking Co., Ltd. as the trustee (hereinafter the "Trust Agreement"). Pursuant to the Trust Agreement, the Company holds the Employee Stock Ownership Plan by transactions of delivering its own stock to the JR Tokai Employee Shareholding Association as the trustor. The Trust Agreement also provides for companies to purchase treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

(2) The Trust holds the treasury stock and long-term debt, which was included in the consolidated balance sheet as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of Yen</th>
<th>Thousands of U.S. Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>2017</td>
</tr>
<tr>
<td>Treasury stock</td>
<td>¥ 18,527</td>
<td>$ 174,783</td>
</tr>
<tr>
<td>(balance)</td>
<td>¥ (972,900)</td>
<td></td>
</tr>
<tr>
<td>Long-term debt of the employee stock ownership plan trust</td>
<td>¥ 26,700</td>
<td>¥ 193,396</td>
</tr>
</tbody>
</table>

(3) Annual maturities of long-term debt of the employee stock ownership plan trust as of March 31, 2018, were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of Yen</th>
<th>Thousands of U.S. Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>¥ 4,408</td>
<td>$ 40,941</td>
</tr>
<tr>
<td>2020</td>
<td>¥ 4,408</td>
<td>$ 40,941</td>
</tr>
<tr>
<td>2021</td>
<td>¥ 4,408</td>
<td>$ 40,941</td>
</tr>
<tr>
<td>2022</td>
<td>¥ 4,700</td>
<td>$ 45,562</td>
</tr>
<tr>
<td>Thereafter</td>
<td>¥ 72,700</td>
<td>$ 686,216</td>
</tr>
</tbody>
</table>

11. INCOME TAXES

The Companies are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30% for the fiscal year ended March 31, 2018 and 2017, and 32.7% for the year ended March 31, 2016. The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities as of March 31, 2018 and 2017, were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of Yen</th>
<th>Thousands of U.S. Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>2017</td>
</tr>
<tr>
<td>Deferred tax assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred tax asset on unrealized gain on investments</td>
<td>¥ 72,739</td>
<td>$ 70,090</td>
</tr>
<tr>
<td>Liability for retirement benefits</td>
<td>¥ 65,408</td>
<td>$ 64,762</td>
</tr>
<tr>
<td>Deferred tax on unrealized gain on investments</td>
<td>¥ 11,141</td>
<td>$ 10,917</td>
</tr>
<tr>
<td>Loss on write down of investment securities</td>
<td>¥ 7,942</td>
<td>$ 7,915</td>
</tr>
<tr>
<td>Provision for adverse tax review</td>
<td>¥ 6,951</td>
<td>$ 6,849</td>
</tr>
<tr>
<td>Unrealized profit on property, plant and equipment</td>
<td>¥ 7,459</td>
<td>$ 7,060</td>
</tr>
<tr>
<td>Deferred income tax on accounting receivables</td>
<td>¥ 12,396</td>
<td>$ 12,341</td>
</tr>
<tr>
<td>Other</td>
<td>¥ 44,840</td>
<td>$ 43,481</td>
</tr>
<tr>
<td>Total</td>
<td>¥ 288,008</td>
<td>$ 280,241</td>
</tr>
<tr>
<td>Less valuation allowance</td>
<td>¥ (34,715)</td>
<td></td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>¥ 253,293</td>
<td>$ 247,726</td>
</tr>
</tbody>
</table>

Deferred tax assets as of March 31, 2018 and 2017, were reflected in the accompanying consolidated balance sheets under the following captions:

<table>
<thead>
<tr>
<th></th>
<th>Millions of Yen</th>
<th>Thousands of U.S. Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>2017</td>
</tr>
<tr>
<td>Investments and other assets</td>
<td>¥ 166,438</td>
<td>$ 163,368</td>
</tr>
<tr>
<td>Noncurrent liabilities</td>
<td>¥ 1,087</td>
<td>$ 1,020</td>
</tr>
<tr>
<td>Net deferred tax assets</td>
<td>¥ 160,450</td>
<td>$ 152,348</td>
</tr>
</tbody>
</table>

Reconciliations between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2016, were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of Yen</th>
<th>Thousands of U.S. Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td></td>
</tr>
<tr>
<td>Normal effective statutory tax rate</td>
<td>30.7%</td>
<td></td>
</tr>
<tr>
<td>Increase in valuation allowance</td>
<td>1.4</td>
<td></td>
</tr>
<tr>
<td>Effect of tax rate changes, net</td>
<td>1.4</td>
<td></td>
</tr>
<tr>
<td>Deduction of R&amp;D promotion tax system</td>
<td>(1.4)</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>(0.3)</td>
<td></td>
</tr>
<tr>
<td>Actual effective tax rate</td>
<td>32.7%</td>
<td></td>
</tr>
</tbody>
</table>

Since the difference between the normal effective statutory tax rate and the actual effective tax rate was not significant, reconciliations were not presented for the years ended March 31, 2018 and 2017.

New tax reform laws enacted in Japan in 2019 changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2019, and that for the year ended March 31, 2019, from 31.5% to 30.5%. The effective tax rate was 29.0% for the year ended March 31, 2016, before the change in the statutory tax rate.

12. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

a. Policy for Financial Instruments

The Company holds financial instruments, mainly debt which includes bank loans, bonds and others, based on their capital financing plan. Cash and cash equivalents are comprised of cash and cash equivalents.

b. Nature and Extent of Risks Arising from Financial Instruments

Money held in trust for the Chuo Shinkansen construction is set to be segregated from the JRTT's accounts and paid to the JRTT by the Company in accordance with the JRTT Act for purposes of promoting the construction of the Chuo Shinkansen. The trust property is comprised of cash and cash equivalents.

Trade receivables arise from sales to customers and are considered credit risk assets, subject to changes in credit risk. Trade receivables are recognized net of an allowance for trade receivables, which is determined based on the credit risk in accordance with IFRS 9, "Financial Instruments." The estimated lifetime expected credit loss is measured using a model that considers expected losses under stressed scenarios. The Company is exposed to the risk of market price fluctuations.

Payment terms for intercompany transactions and income taxes payable are within one year.

Short-term bank loans are used to fund the Companies’ ongoing operations. Bonds and long-term loans are used for renewal of long-term debt and capital spending. Please see Note 5 for a maturity analysis for bank loans and bonds payable.

Long-term debt of the Shinkansen construction is a loan in the amount of $30,000,000 from the JRTT using the FILP in accordance with the JRTT Act for purposes of promoting the construction of the Chuo Shinkansen.

Long-term debt of the employee stock ownership plan trust is a loan which the Trust borrowed from financial institutions. Long-term accounts payable—railway facilities were incurred in the amount of $8,099,861 in 1991 for the purchase of the Shinkansen railway ground facilities and are reported as the JRTT's long-term accounts. The maturity is shown under "Long-term debt" in Note 12. Payments and interest rates of the payables were determined based on the agreements with the purchase of the Shinkansen railway ground facilities. The Company had paid off $4,494,946 by January 2017.

Derivatives are held for the purpose of managing exposure to market risks of changes in foreign exchange rates of foreign currency denominated long-term loans and others, based on their capital financing plan. The Company is exposed to risk of market risks as described in Note 13.

Risk Management for Financial Instruments

Credit Risk Management

The Financial Section

This page is a part of the Financial Section.
Credit risk is the risk of economic loss arising from a counterparty’s failure to meet its obligations according to the contractual terms. The Company manages its credit risk from trade receivables by monitoring its credit exposure to customers in the context of the creditworthiness of major customers by each business administration department to identify the default risk of customers in the early stage. With respect to hold-to-maturity debt securities, the Company manages its credit risk by limiting debt securities to high credit risk credit rated bonds.

Market Risk Management

Investment securities are managed by monitoring market values and the financial position of issuers on a regular basis.

(4) Fair Values of Financial Instruments

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, other valuation techniques are used instead. Also, please see Note 15 for the details of fair value for derivatives.

a. Valuation Techniques

The fair values are determined by discounting the cash flow estimated for each due date by the appropriate discount rate, which is a market rate for similar obligations.

b. Financial Instruments whose Fair Value Cannot be Reliably Determined

Fair values of investment securities are measured at the quoted market price for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. Fair value information for investment securities by classification is included in Note 2.

Trade Receivables and Payables, Short-Term Loans Payable and Income Taxes Payable

The carrying values of trade receivables and payables, short-term loans payable and income taxes payable approximate fair value because of their short maturities.

Money Held in Trust for the Chuo Shinkansen Construction

The fair value of money held in trust for the Chuo Shinkansen construction is determined based on financial assets which are held by the trust property. Their carrying values approximate fair value because the trust property consists of a deposit.

Investments in unconsolidated subsidiaries and affiliates

Investments in unconsolidated subsidiaries and affiliates are stated at cost. The carrying amount of investment in unconsolidated subsidiaries and affiliates which qualify for hedge accounting and are accounted for by the method stated in the Note 3b, by discounting the aggregated values of the bonds in combination with foreign currency swaps, which qualify for hedge accounting, at the foreign exchange rate for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments.

c. Investments in unconsolidated subsidiaries and affiliates

Investment securities are measured at the quoted market price for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. Fair value information for investment securities by classification is included in Note 2.

Money Held in Trust for the Chuo Shinkansen Construction and Long-Term Debt of the Employee Stock Ownership Plan Trust Including Current Portion

The fair values of these payables are determined by discounting the cash flows related to the debts at the Company’s assumed bond issuing rate or corporate borrowing rate.

Long-Term Accounts Payable—Railway Facilities Including Current Portion

The legal characteristics, all terms and conditions of accounts payable-railway facilities are stipulated in the special law, and as no active market for the railway facilities exists, fair value of these payables is determined by discounting the cash flows related for each due date at the Company’s assumed bond issuing rate.

Cash and Cash Equivalents and Marketable Securities

The fair values of cash and cash equivalents and marketable securities approximate fair value because of their short maturities.

Domestic bonds are measured at the quoted market prices. Fair values of foreign currency bonds are determined in combination with foreign currency swaps, which qualify for hedge accounting and meet specific matching criteria and are accounted for by the method stated in the Note 3b, by discounting the aggregated values of the bonds in combination with foreign currency swaps at the Company’s assumed bond issuing rate.

Fair values of long-term bonds with floating interest rates are measured in combination with interest rate swaps or interest rate and currency swaps, which qualify for hedge accounting and are accounted for by the method stated in the Note 3b, by discounting the aggregated values of the principals at the quoted market rates for similar obligations.

The fair values of other debt, long-term debt for the Chuo Shinkansen construction and long-term debt of the employee stock ownership plan trust are determined by discounting the cash flows related to the debts at the Company’s assumed bond issuing rate or corporate borrowing rate.

Long-Term Accounts Payable—Railway Facilities Including Current Portion

The carrying values of trade receivables and payables, short-term loans payable and income taxes payable approximate fair value because of their short maturities.

Investments in unconsolidated subsidiaries and affiliates

Investments in unconsolidated subsidiaries and affiliates are stated at cost. The carrying amount of investment in unconsolidated subsidiaries and affiliates which qualify for hedge accounting and are accounted for by the method stated in the Note 3b, by discounting the aggregated values of the bonds in combination with foreign currency swaps, which qualify for hedge accounting, at the foreign exchange rate for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments.

Investment securities

Investment securities are measured at the quoted market price for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. Fair value information for investment securities by classification is included in Note 2.

Money Held in Trust for the Chuo Shinkansen Construction and Long-Term Debt of the Employee Stock Ownership Plan Trust Including Current Portion

The fair values of these payables are determined by discounting the cash flows related to the debts at the Company’s assumed bond issuing rate or corporate borrowing rate.

Long-Term Accounts Payable—Railway Facilities Including Current Portion

The legal characteristics, all terms and conditions of accounts payable-railway facilities are stipulated in the special law, and as no active market for the railway facilities exists, fair value of these payables is determined by discounting the cash flows related for each due date at the Company’s assumed bond issuing rate.

Cash and Cash Equivalents and Marketable Securities

The fair values of cash and cash equivalents and marketable securities approximate fair value because of their short maturities.

Domestic bonds are measured at the quoted market prices. Fair values of foreign currency bonds are determined in combination with foreign currency swaps, which qualify for hedge accounting and meet specific matching criteria and are accounted for by the method stated in the Note 3b, by discounting the aggregated values of the bonds in combination with foreign currency swaps at the Company’s assumed bond issuing rate.

Fair values of long-term bonds with floating interest rates are measured in combination with interest rate swaps or interest rate and currency swaps, which qualify for hedge accounting and are accounted for by the method stated in the Note 3b, by discounting the aggregated values of the principals at the quoted market rates for similar obligations.

The fair values of other debt, long-term debt for the Chuo Shinkansen construction and long-term debt of the employee stock ownership plan trust are determined by discounting the cash flows related to the debts at the Company’s assumed bond issuing rate or corporate borrowing rate.

Long-Term Accounts Payable—Railway Facilities Including Current Portion

The carrying values of trade receivables and payables, short-term loans payable and income taxes payable approximate fair value because of their short maturities.

Investments in unconsolidated subsidiaries and affiliates

Investments in unconsolidated subsidiaries and affiliates are stated at cost. The carrying amount of investment in unconsolidated subsidiaries and affiliates which qualify for hedge accounting and are accounted for by the method stated in the Note 3b, by discounting the aggregated values of the bonds in combination with foreign currency swaps, which qualify for hedge accounting, at the foreign exchange rate for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments.

Investment securities

Investment securities are measured at the quoted market price for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. Fair value information for investment securities by classification is included in Note 2.

Money Held in Trust for the Chuo Shinkansen Construction and Long-Term Debt of the Employee Stock Ownership Plan Trust Including Current Portion

The fair values of these payables are determined by discounting the cash flows related to the debts at the Company’s assumed bond issuing rate or corporate borrowing rate.

Long-Term Accounts Payable—Railway Facilities Including Current Portion

The legal characteristics, all terms and conditions of accounts payable-railway facilities are stipulated in the special law, and as no active market for the railway facilities exists, fair value of these payables is determined by discounting the cash flows related for each due date at the Company’s assumed bond issuing rate.

Cash and Cash Equivalents and Marketable Securities

The fair values of cash and cash equivalents and marketable securities approximate fair value because of their short maturities.

Domestic bonds are measured at the quoted market prices. Fair values of foreign currency bonds are determined in combination with foreign currency swaps, which qualify for hedge accounting and meet specific matching criteria and are accounted for by the method stated in the Note 3b, by discounting the aggregated values of the bonds in combination with foreign currency swaps at the Company’s assumed bond issuing rate.

Fair values of long-term bonds with floating interest rates are measured in combination with interest rate swaps or interest rate and currency swaps, which qualify for hedge accounting and are accounted for by the method stated in the Note 3b, by discounting the aggregated values of the principals at the quoted market rates for similar obligations.

The fair values of other debt, long-term debt for the Chuo Shinkansen construction and long-term debt of the employee stock ownership plan trust are determined by discounting the cash flows related to the debts at the Company’s assumed bond issuing rate or corporate borrowing rate.

Long-Term Accounts Payable—Railway Facilities Including Current Portion

The carrying values of trade receivables and payables, short-term loans payable and income taxes payable approximate fair value because of their short maturities.

Investments in unconsolidated subsidiaries and affiliates

Investments in unconsolidated subsidiaries and affiliates are stated at cost. The carrying amount of investment in unconsolidated subsidiaries and affiliates which qualify for hedge accounting and are accounted for by the method stated in the Note 3b, by discounting the aggregated values of the bonds in combination with foreign currency swaps, which qualify for hedge accounting, at the foreign exchange rate for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments.

Investment securities

Investment securities are measured at the quoted market price for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. Fair value information for investment securities by classification is included in Note 2.

Money Held in Trust for the Chuo Shinkansen Construction and Long-Term Debt of the Employee Stock Ownership Plan Trust Including Current Portion

The fair values of these payables are determined by discounting the cash flows related to the debts at the Company’s assumed bond issuing rate or corporate borrowing rate.
13. Derivatives

The Companies entered into foreign currency swap agreements to manage exposure to market risks of changes in foreign exchange of foreign currency bonds, and interest rate swap agreements to manage exposure to market risks of changes in interest rates of certain liabilities. Derivative transactions entered into by the Companies do not involve any losses arising from credit default.

14. Leases

As a lessee, the minimum rental commitments under noncancelable operating lease as of March 31, 2018 and 2017 were due as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of Yen</th>
<th>Thousands of U.S. Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due within one year</td>
<td>$ 5,184</td>
<td>$ 6,684</td>
</tr>
<tr>
<td>Due after one year</td>
<td>$ 2,376</td>
<td>$ 1,517</td>
</tr>
<tr>
<td>Total</td>
<td>$ 7,560</td>
<td>$ 8,101</td>
</tr>
</tbody>
</table>

As a lessor, the minimum rental commitments under noncancelable operating leases as of March 31, 2018 and 2017, were due as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of Yen</th>
<th>Thousands of U.S. Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due within one year</td>
<td>$ 5,704</td>
<td>$ 4,471</td>
</tr>
<tr>
<td>Due after one year</td>
<td>$ 25,334</td>
<td>$ 15,964</td>
</tr>
<tr>
<td>Total</td>
<td>$ 31,038</td>
<td>$ 20,535</td>
</tr>
</tbody>
</table>

15. Contingencies

As of March 31, 2018, the Company has joint and several obligations with the RTRI to make payments on long-term debt of ¥4,531 million ($42,745 thousand) under the JORI. The procedures in place to test the adequacy of financial resources are the Management Committee, in addition, as of March 31, 2018, the Company is contingently liable for guarantees of loans of RTRI amounting to ¥13,400 million ($126,415 thousand).

16. Other Comprehensive Income (Loss)

The components of other comprehensive income (loss) for the years ended March 31, 2018, 2017 and 2016, were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of Yen</th>
<th>Thousands of U.S. Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrealized gain (loss) on available-for-sale securities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gain (loss) arising during the year</td>
<td>$ 13,824</td>
<td>$ 8,490</td>
</tr>
<tr>
<td>Reclassification adjustments to profit or loss</td>
<td>$(6)</td>
<td>$(0)</td>
</tr>
<tr>
<td>Amount before income tax effect</td>
<td>$ 13,818</td>
<td>$ 8,490</td>
</tr>
<tr>
<td>Income tax effect</td>
<td>$(4,303)</td>
<td>$(2,759)</td>
</tr>
<tr>
<td>Total</td>
<td>$ 9,515</td>
<td>$ 5,731</td>
</tr>
</tbody>
</table>

Deferred gain on hedges: (Loss) gain arising during the year | $ (4) | $ 2 |
| Amount before income tax effect | $(4) | $(2) |
| Income tax effect | $(2) | $(0) |
| Total | $(6) | $ 2 |

Remeasurements of defined benefit plans: Adjustments arising during the year | $ 2,204 | $ (1,962) |
| Reclassification adjustments to profit | $ 4,442 | 3,876 |
| Amount before income tax effect | $ 6,704 | $ 2,040 |
| Income tax effect | $ (5,990) | $(415) |
| Total | $ 704 | $ 1,645 |

Share of other comprehensive income in affiliates: Gain (loss) arising during the year | $ 39 | $ 27 |
| Reclassification adjustments to profit | $ 38 | 17 |
| Total | $ 77 | $ 44 |

Total other comprehensive income (loss) | $ 14,299 | $ 5,855 |

17. Segment Information

The Companies are comprised of three reportable segments by nature of products and services: Transportation, Merchandise and Other Real Estate. The Companies entered into foreign currency swaps, interest rate swaps, or interest rate and currency swaps which qualify for hedge accounting are accounted for in combination with hedged items in Note 12.

<table>
<thead>
<tr>
<th></th>
<th>Hundreds of U.S. Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transportation</td>
<td>2018</td>
</tr>
<tr>
<td>Operating revenues:</td>
<td></td>
</tr>
<tr>
<td>Operating revenues:</td>
<td>$ 1,421,182</td>
</tr>
<tr>
<td>Intersegment transactions or transfers</td>
<td>14,428</td>
</tr>
<tr>
<td>Total</td>
<td>$ 1,435,610</td>
</tr>
<tr>
<td>Intercompany transactions or transfers</td>
<td>$ 14,120,090</td>
</tr>
<tr>
<td>Total</td>
<td>$ 14,120,090</td>
</tr>
<tr>
<td>Segment profit</td>
<td>$ 7,882</td>
</tr>
<tr>
<td>Other</td>
<td>$ 8,234,090</td>
</tr>
<tr>
<td>Total</td>
<td>$ 8,241,972</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>$ 190,763</td>
</tr>
<tr>
<td>Amounts of investments in equity</td>
<td>$ 9,648</td>
</tr>
<tr>
<td>Increase in property, plant and equipment and intangible assets</td>
<td>$ 305,974</td>
</tr>
</tbody>
</table>

Finance Section
18. SUBSEQUENT EVENTS

Appropriations of Retained Earnings

The following appropriation of retained earnings as of March 31, 2018, was approved at the Company's shareholders’ meeting held on June 22, 2018. The total amount of dividends includes ¥164 million (thousand) in dividends to be paid to the Trust.

<table>
<thead>
<tr>
<th>Year-end cash dividends</th>
<th>¥ (thousand)</th>
<th>Millions of Yen</th>
<th>Thousands of U.S. Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>15,180,044</td>
<td>¥ 15,180,044</td>
<td>$ 1,358,337</td>
</tr>
<tr>
<td>2018</td>
<td>16,421,714</td>
<td>¥ 16,421,714</td>
<td>$ 1,448,154</td>
</tr>
<tr>
<td>Year-end retained earnings</td>
<td>¥ (thousand)</td>
<td>Millions of Yen</td>
<td>Thousands of U.S. Dollars</td>
</tr>
<tr>
<td>2017</td>
<td>161,930</td>
<td>¥ 161,930</td>
<td>$ 1,408</td>
</tr>
<tr>
<td>2018</td>
<td>147,556</td>
<td>¥ 147,556</td>
<td>$ 1,287</td>
</tr>
</tbody>
</table>

Nonconsolidated Balance Sheet (Unaudited)

Central Japan Railway Company

ASSETS

Millions of Yen (Note 1)        Thousands of U.S. Dollars (Note 1)

2018  2017  2018  2017

CASH AND CASH EQUIVALENTS

$ 772,744 $ 398,157 $ 729,087 $ 366,935

MARKETABLE SECURITIES

$ 2,406,951 $ 1,472,791 $ 2,601,235 $ 1,561,700

TRADE RECEIVABLES

$ 40,823 $ 40,823 $ 470,828 $ 470,828

INVENTORIES

$ 11,185 $ 11,185 $ 109,198 $ 109,198

PROPERTY, PLANT AND EQUIPMENT

$ 589,889 $ 33,273 $ 368,889 $ 216,379

TOTAL CURRENT ASSETS

$ 5,755,444 $ 2,908,654 $ 8,384,317 $ 5,418,760

NONCURRENT ASSETS:

INVESTMENTS AND OTHER ASSETS

Property, plant and equipment (Note 2)

$ 8,600,659 $ 8,025,536 $ 75,645,613 $ 72,890,419

CONSTRUCTION IN PROGRESS

$ 420,438 $ 208,683 $ 4,715,723 $ 3,966,396

LONG-TERM DEBT OF THE EMPLOYEE STOCK OWNERSHIP PLAN TRUST

$ 214,992 $ 214,626 $ 2,635,194 $ 2,597,249

TOTAL ASSETS

$ 32,881,237 $ 30,692,125 $ 363,263,981 $ 345,232,981

LIABILITIES AND EQUITY

Millions of Yen (Note 2)        Thousands of U.S. Dollars (Note 2)

2018  2017  2018  2017

CURRENT LIABILITIES:

$ 192,724 $ 145,399 $ 1,682,825 $ 1,540,073

CURRENT PORTION OF LONG-TERM DEBT

$ 3,000,000 $ 3,000,000 $ 1,221,858 $ 1,221,858

TOTAL CURRENT LIABILITIES

$ 42,031,282 $ 39,053,283 $ 4,715,723 $ 4,715,723

NONCURRENT LIABILITIES:

$ 4,715,723 $ 4,715,723 $ 2,597,249 $ 2,597,249

LONG-TERM DEBT

$ 3,000,000 $ 3,000,000 $ 1,221,858 $ 1,221,858

LONG-TERM ACCOUNTS PAYABLE—RAILWAY FACILITIES

$ 11,088 $ 11,088 $ 106,572 $ 106,572

TOTAL NONCURRENT LIABILITIES

$ 4,715,723 $ 4,715,723 $ 2,597,249 $ 2,597,249

EQUITY

$ 8,577,179 $ 8,373,733 $ 73,850,319 $ 72,890,419

LIABILITIES AND EQUITY

$ 32,881,237 $ 30,692,125 $ 363,263,981 $ 345,232,981

No notes to nonconsolidated financial statements.
**Nonconsolidated Statement of Income (Unaudited)**

<table>
<thead>
<tr>
<th>Central Japan Railway Company</th>
<th>Year Ended March 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Millions of Yen (Note 1)</td>
</tr>
<tr>
<td><strong>OPERATING REVENUES:</strong></td>
<td></td>
</tr>
<tr>
<td>Railway business</td>
<td>¥ 1,414,884</td>
</tr>
<tr>
<td>Other</td>
<td>12,560</td>
</tr>
<tr>
<td><strong>Total operating revenues</strong></td>
<td>¥ 1,427,444</td>
</tr>
<tr>
<td><strong>OPERATING EXPENSES:</strong></td>
<td></td>
</tr>
<tr>
<td>Railway business</td>
<td>793,541</td>
</tr>
<tr>
<td>Other</td>
<td>8,400</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>802,150</td>
</tr>
<tr>
<td>Operating income</td>
<td>625,293</td>
</tr>
<tr>
<td><strong>OTHER INCOME (EXPENSES):</strong></td>
<td></td>
</tr>
<tr>
<td>Interest and dividend income</td>
<td>3,194</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(79,105)</td>
</tr>
<tr>
<td><strong>Total income</strong></td>
<td>549,591</td>
</tr>
<tr>
<td><strong>INCOME BEFORE INCOME TAXES</strong></td>
<td>549,591</td>
</tr>
<tr>
<td><strong>INCOME TAXES:</strong></td>
<td></td>
</tr>
<tr>
<td>Current</td>
<td>172,961</td>
</tr>
<tr>
<td>Deferred</td>
<td>(7,780)</td>
</tr>
<tr>
<td><strong>Total income taxes</strong></td>
<td>165,181</td>
</tr>
<tr>
<td><strong>NET INCOME</strong></td>
<td>¥ 384,410</td>
</tr>
<tr>
<td></td>
<td>¥ 1,956.94</td>
</tr>
<tr>
<td><strong>PER SHARE OF COMMON STOCK:</strong></td>
<td></td>
</tr>
<tr>
<td>Basic net income</td>
<td>¥ 1,956.94</td>
</tr>
<tr>
<td>Cash dividends applicable to the year</td>
<td>140.00</td>
</tr>
</tbody>
</table>

See notes to nonconsolidated financial statements.

**Nonconsolidated Statement of Changes in Equity (Unaudited)**

<table>
<thead>
<tr>
<th>Central Japan Railway Company</th>
<th>Year Ended March 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Thousands of Yen (Note 1)</td>
</tr>
<tr>
<td><strong>BALANCE, APRIL 1, 2015</strong></td>
<td>197,000</td>
</tr>
<tr>
<td>Net income</td>
<td>328,658</td>
</tr>
<tr>
<td>Dividends from surplus, ¥120 per share</td>
<td>(23,640)</td>
</tr>
<tr>
<td>Purchase of treasury stock</td>
<td>(0)</td>
</tr>
<tr>
<td>Net change in the year</td>
<td>(16,205)</td>
</tr>
<tr>
<td><strong>BALANCE, MARCH 31, 2016</strong></td>
<td>197,000</td>
</tr>
<tr>
<td>Net income</td>
<td>381,898</td>
</tr>
<tr>
<td>Dividends from surplus, ¥130 per share</td>
<td>(25,610)</td>
</tr>
<tr>
<td>Purchase of treasury stock</td>
<td>(2)</td>
</tr>
<tr>
<td>Net change in the year</td>
<td>6,643</td>
</tr>
<tr>
<td><strong>BALANCE, MARCH 31, 2017</strong></td>
<td>197,000</td>
</tr>
<tr>
<td>Net income</td>
<td>384,410</td>
</tr>
<tr>
<td>Dividends from surplus, ¥140 per share</td>
<td>(27,580)</td>
</tr>
<tr>
<td>Purchase of treasury stock</td>
<td>(972)</td>
</tr>
<tr>
<td>Disposal of treasury stock</td>
<td>0</td>
</tr>
<tr>
<td>Net change in the year</td>
<td>8,736</td>
</tr>
<tr>
<td><strong>BALANCE, MARCH 31, 2018</strong></td>
<td>196,027</td>
</tr>
<tr>
<td>Net income</td>
<td>384,410</td>
</tr>
<tr>
<td>Dividends from surplus, ¥150 per share</td>
<td>(27,580)</td>
</tr>
<tr>
<td>Purchase of treasury stock</td>
<td>(972)</td>
</tr>
<tr>
<td>Net change in the year</td>
<td>8,736</td>
</tr>
</tbody>
</table>

See notes to nonconsolidated financial statements.
Central Japan Railway Company

1. BASIS OF PRESENTATION OF NONCONSOLIDATED FINANCIAL STATEMENTS

The accompanying nonconsolidated financial statements have been prepared in accordance with the provisions set forth in the Companies Act, the Japanese Financial Instruments and Exchange Act, the Law for Railway Business Enterprise and their related accounting regulations, and in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards. In preparing these nonconsolidated financial statements, certain reclassifications and rearrangements have been made to the nonconsolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2017 nonconsolidated financial statements to conform to the classifications used in 2018.

The nonconsolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥106 to $1, the approximate rate of exchange as of March 31, 2018. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate. Japanese yen figures of less than one million yen are rounded down to the nearest thousand of U.S. dollars, except for per share information, and U.S. dollar figures of less than one thousand U.S. dollars are rounded down to the nearest thousand of U.S. dollars, except for per share information.

2. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as of March 31, 2018 and 2017, consisted of the following:

<table>
<thead>
<tr>
<th>Category</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>¥ 3,232,709</td>
<td>¥ 2,921,331</td>
</tr>
<tr>
<td>Buildings</td>
<td>609,112</td>
<td>604,025</td>
</tr>
<tr>
<td>Structures</td>
<td>3,706,243</td>
<td>3,767,978</td>
</tr>
<tr>
<td>Rolling stock</td>
<td>899,687</td>
<td>891,142</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>641,905</td>
<td>612,570</td>
</tr>
<tr>
<td>Lease assets</td>
<td>2,993</td>
<td>2,119</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>420,438</td>
<td>268,681</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>¥ 8,565,070</td>
<td>¥ 7,585,393</td>
</tr>
<tr>
<td><strong>Accumulated depreciation</strong></td>
<td>(4,380,236)</td>
<td>(3,972,583)</td>
</tr>
<tr>
<td><strong>Net property, plant and equipment</strong></td>
<td>¥ 4,184,834</td>
<td>¥ 3,612,810</td>
</tr>
</tbody>
</table>

Property, plant and equipment are stated at cost. Depreciation is computed by the declining-balance method over the estimated useful lives of the assets. Additional depreciation is provided for the Shinkansen rolling stock based on kilometers traveled. Depreciation of certain railway structures, except for the Shinkansen railway facilities, is computed by the replacement-accounting method.

INDEPENDENT AUDITOR’S REPORT

To the Board of Directors of Central Japan Railway Company:

We have audited the accompanying consolidated balance sheet of Central Japan Railway Company and its consolidated subsidiaries as of March 31, 2018, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management’s Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Central Japan Railway Company and its consolidated subsidiaries as of March 31, 2018, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 2 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

June 22, 2018

Deloitte Touche Tohmatsu LLC
Member of Deloitte Touche Tohmatsu Limited
Financial and Transportation Data

<table>
<thead>
<tr>
<th>Transportation revenues</th>
<th>2016 (¥ billion)</th>
<th>2017 (¥ billion)</th>
<th>2018 (¥ billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shinkansen</td>
<td>13,773</td>
<td>14,669</td>
<td>15,233</td>
</tr>
<tr>
<td>Conventional lines</td>
<td>17,635</td>
<td>18,412</td>
<td>19,142</td>
</tr>
<tr>
<td>Ordinary Tickets</td>
<td>19,176</td>
<td>20,716</td>
<td>21,256</td>
</tr>
<tr>
<td>Commuter Passes</td>
<td>3,504</td>
<td>3,630</td>
<td>3,680</td>
</tr>
<tr>
<td>Top 10 Stations in terms of Number of Average Daily Passengers (FY2017)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nagoya</td>
<td>216</td>
<td>196</td>
<td>173</td>
</tr>
<tr>
<td>Tokyo</td>
<td>101</td>
<td>98</td>
<td>91</td>
</tr>
<tr>
<td>Osaka</td>
<td>89</td>
<td>89</td>
<td>89</td>
</tr>
</tbody>
</table>

Passenger Kilometers

<table>
<thead>
<tr>
<th>Shinkansen</th>
<th>2016 (¥ billion)</th>
<th>2017 (¥ billion)</th>
<th>2018 (¥ billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conventional lines</td>
<td>13,773</td>
<td>14,669</td>
<td>15,233</td>
</tr>
<tr>
<td>Ordinary Tickets</td>
<td>17,635</td>
<td>18,412</td>
<td>19,142</td>
</tr>
<tr>
<td>Commuter Passes</td>
<td>19,176</td>
<td>20,716</td>
<td>21,256</td>
</tr>
</tbody>
</table>

Passenger Ridership

<table>
<thead>
<tr>
<th>Shinkansen</th>
<th>2016 (¥ billion)</th>
<th>2017 (¥ billion)</th>
<th>2018 (¥ billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conventional lines</td>
<td>13,773</td>
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<tr>
<td>Commuter Passes</td>
<td>19,176</td>
<td>20,716</td>
<td>21,256</td>
</tr>
</tbody>
</table>

Long-Term Loan Using the Fiscal Investment and Loan Program (Long-term debt for the Chuo Shinkansen)

In November 2016, JR Central applied for a long-term loan using the Fiscal Investment and Loan Program (hereafter, “FILP Loan”) for 3 trillion yen (plan) to Japan Railway Construction, Transport and Technology Agency (JTTC) to promote the construction of the Chuo Shinkansen. We proceeded to borrow funds in five lots sequentially thereafter and secured financing for a planned total of 3 trillion yen in July 2017.

The advantage we gain from the FILP Loan lies in mitigating three management risks, which are interest-rate increase risk, financing risk, and redemption risk. Specifically, since we can secure long-term, fixed- and low-interest rate funds, we are able to mitigate the risk of interest rates rising in the future and fix interest payments at a low level for a long period of time.

Under the original plan, roughly 3 trillion yen of the construction cost for the route between Shinagawa and Nagoya, which is approximately 5.5 trillion yen, was expected to require new financing. However, by securing the amount through the FILP Loan, we have the funds needed until live operation in Nagoya without being considerably impacted by future economic conditions and interest rate fluctuations, thereby reducing financing risk.

Furthermore, since the FILP Loan matures after the construction period of the Chuo Shinkansen, during which time a large amount of funds is needed, we are able to build up cash from operating activities to provide for the redemption of liabilities, thereby also mitigating redemption risk.

In the material submitted to the Transport Policy Council of the Ministry of Land, Infrastructure, Transport and Tourism in 2010, we indicated in our outlook that a period of 8 years after live operation in Nagoya will be set to recover management strength. After reducing long-term debt by a certain amount, construction on the route between Nagoya and Osaka will be initiated while seeing that sound management and stable dividends are strictly maintained, and ensuring that the balance of long-term debt does not exceed 5 trillion yen throughout the project period until live operation of the entire line. By utilizing this FILP Loan, we are able to reduce this period for restoring management strength and promote construction efforts in an aim to moving up live operation of the entire line up to 8 years.

The Chuo Shinkansen Project is pursued based on the premise that JR Central, as a private corporation, covers full cost of construction, while securing management autonomy in investment and seeing that sound management and stable dividends are strictly maintained until the construction work is fully completed.

The FILP Loan poses no change to this premise.

As for the terms of the FILP Loan, the weighted average rate is 0.86%, which is fixed throughout the entire period, and the annual interest expenses are 25.7 billion yen. The repayment method is equal principal payment over a period of roughly 10 years after delivering the payment of principal for about 30 years.

The funds procured from the FILP Loan will be applied only for the cost of construction of the Chuo Shinkansen. We ensure the transparency of funds by setting a trust aimed at segment-based management.

Illustrated plan of moving up live operation

2027

Deferred Fixed/low-Interest for about 30 years

Live operation in Osaka

Live operation in Nagoya

Moving up live operation by up to 8 years

Shinkansen

Conventional Lines

Total

Ordinary Tickets

Commuter Passes

| Shifts in Total Long-Det Debt and Payables (Million passenger-kilometers) (Billion yen) |
|---------------------------------|-----------------|-----------------|
| Shinkansen                      | 2016 (¥ billion) | 2017 (¥ billion) | 2018 (¥ billion) |
| Conventional lines              | 13,773          | 14,669          | 15,233          |
| Ordinary Tickets                | 17,635          | 18,412          | 19,142          |
| Commuter Passes                 | 19,176          | 20,716          | 21,256          |
| Top 10 Stations in terms of Number of Average Daily Passengers (FY2017) | | | |
| Nagoya                          | 216             | 196             | 173             |
| Tokyo                           | 101             | 98              | 91              |
| Osaka                           | 89              | 89              | 89              |

Variables

- Conventional lines
- Ordinary tickets
- Commuter passes

Note: The planned figures are as of the publication of March 2018.
### Financial Data Comparison of Three JR Companies (Consolidated)*1

- **Return on Equity (%)**
  - JR Central: 13.8%
  - JR East: 10.5%
  - JR West: 11.3%

- **Operating Income/Total Assets (%)**
  - JR Central: 8.3%
  - JR East: 6.0%
  - JR West: 6.3%

- **Equity Ratio (%)**
  - JR Central: 34.3%
  - JR East: 35.1%
  - JR West: 33.2%

- **Net Income/Operating Revenues (%)**
  - JR Central: 21.7%
  - JR East: 9.8%
  - JR West: 7.6%

- **Asset Turnover (%)**
  - JR Central: 0.0
  - JR East: 1.0
  - JR West: 0.0

- **Debt Ratio (%)**
  - JR Central: 8.3%
  - JR East: 9.8%
  - JR West: 11.0%

- **Dividend per Share**
  - JR Central: ¥130
  - JR East: ¥160
  - JR West: ¥200

- **Dividend Payout Ratio (%)**
  - JR Central: 6.9%
  - JR East: 7.4%
  - JR West: 11.0%

### Stock Information

- **Shifts in JR Central’s Stock Price**

### Major Shareholders

- **Mizuho Bank, Ltd.**
  - Number of shares held: 3,230,000
  - Percentage of total issued shares: 1.64%

- **The Bank of Tokyo-Mitsubishi UFJ, Ltd.**
  - Number of shares held: 3,421,900
  - Percentage of total issued shares: 1.74%

- **Nippon Life Insurance Company**
  - Number of shares held: 3,423,900
  - Percentage of total issued shares: 1.74%

- **The Sumitomo Mitsui Banking Corporation**
  - Number of shares held: 4,000,000
  - Percentage of total issued shares: 2.03%

**Note:** On October 1, 2012, the Company implemented a 100-for-1 stock split and employed a share unit system by which one share unit equals 100 shares. Please refer to the left axis for stock prices before September 2012 and the right axis for stock prices after October 2012.

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*1 Figures are calculated by JR Central based on Financial Report of all JR companies for FY2017.
*2 Operating Income + Interest and dividend income / Interest expense