

# Year-End Investors Meeting

FY2010.3 (Fiscal Year ending March 31, 2010)

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## I . Management Policy and Promotion of the Tokaido Shinkansen Bypass Project

President  
Yoshiomi Yamada



Central Japan Railway Company

Apr. 30<sup>th</sup>, 2010

# Management Policy

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★ **Steadily making investments required to fulfill our mission of operating our railways**

Prioritizing safe and reliable transportation

Steadily promoting measures for vitality enhancement

★ **Strengthening earning capability and making “Cost Reduction”**

Introducing the Series N700 in a concentrated manner and developing functions of EX-IC service, etc

Pursuing efficiency and “Cost Reduction” at all levels

Maintaining sound operation and stable dividends

Reducing long-term debt and payables

Steadily promoting the Tokaido Shinkansen Bypass Project

# Promotion of the Tokaido Shinkansen Bypass Project

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## Future steps

- After consulting with the Council of Transport Policy, an operation entity & construction entity will be designated and a development program formed, after which an environmental assessment will be implemented, and construction started

## Principles in regard to promoting the project

- While maintaining freedom of management and autonomy over capital expenditure, we shall bear the cost of the project and see it through to fruition.
- We shall maintain sound operation and stable dividends during construction and also after inauguration

## Estimate after amending preconditions

- Even after updating the estimate announced in December 2007 with the latest performance data, etc, we have deemed that we will be able to construct the Bypass To Osaka while maintaining sound operation and stable dividends and bearing the cost for the project
- Commercial operation to commence:    To Nagoya : 2027            To Osaka : 2045

# Year-End Investors Meeting

FY2010.3 (Fiscal Year ending March 31, 2010)

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## II. FY 2010.3 Financial Results, FY2011.3 Forecast, Future Policy Development, etc

Executive Director and  
Director General of Corporate Planning Division

**Shin Kaneko**

Director and  
General Manager of Finance Department

**Hidenori Fujii**



# Summary of Financial Results for FY2010.3 (Consolidated)

(Billions of yen)

<Breakdown of FY2010.3>

	FY2009.3 Results A	FY2010.3 Results B	Increase/ Decrease B-A	YoY Comparison B/A	<Breakdown of FY2010.3>			
					Apr.-Sep.	YoY Comparison	Oct.-Mar.	YoY Comparison
<b>Operating Revenues</b> (Transportation revenues of JRC)*	1,570.2 (1,169.6)	1,486.6 (1,072.8)	△83.6 (△96.7)	94.7% (91.7%)	730.6 (533.8)	94.5% (89.3%)	756.0 (539.0)	94.8% (94.3%)
<b>Operating Expenses</b> (Operating Expenses of JRC)	1,187.9 (879.0)	1,193.1 (869.8)	5.2 (△9.1)	100.4% (99.0%)	554.1 (400.7)	104.3% (100.1%)	639.0 (469.0)	97.4% (98.0%)
<b>Operating Income</b>	382.3	293.4	△88.8	76.8%	176.4	73.1%	117.0	83.1%
Non-operating Revenues and Expenses(net)	△164.2	△128.2	35.9	78.1%	△58.3	84.8%	△69.9	73.2%
<b>Ordinary Income</b>	218.1	165.2	△52.8	75.8%	118.1	68.4%	47.1	103.7%
<b>Net Income</b>	126.0	91.7	△34.2	72.8%	69.6	67.9%	22.0	94.4%

\*JRC stands for JR Central.

## ◆ Capital Investment

Consolidated: 267.3 billion yen, Non-consolidated: 244.8 billion yen

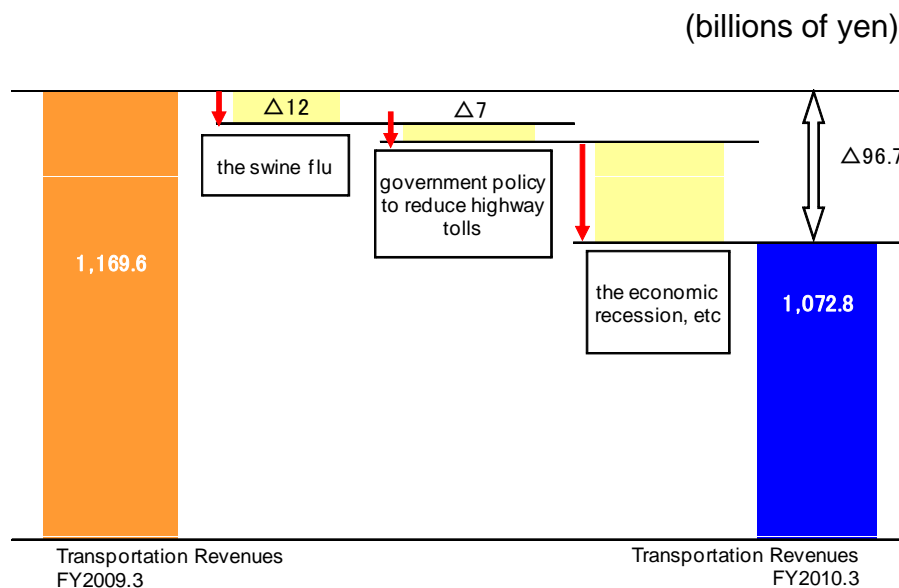
## ◆ Total Long-Term Debt and payables Reduction

Consolidated: 81.6 billion yen, Non-consolidated: 60.6 billion yen

# Analysis of the Increases and Decreases in JRC's Transportation Revenues and Operating Expenses for FY 2010.3

## Transportation Revenues of JRC

- Transportation revenues decreased by 96.7 billion yen due to elements such as the economic recession, the swine flu, and government policy that reduced highway tolls.



## Operating Expenses of JRC

- Operating expenses decreased by 9.1 billion yen due to “Cost Reduction” and suppressing non-urgent costs that do not affect safety.

(billions of yen)

	FY2009.3	FY2010.3		notes
	Results	Results	Inc/Dec	
Operating Expenses	879.0	869.8	Δ9.1	
Personnel Expenses	174.2	172.7	Δ1.4	Decrease in the number of months used for calculating bonus
Non-Personnel Expenses	432.2	417.6	Δ14.5	
-Energy	36.8	32.0	Δ 4.7	Decrease in unit price
-Maintenance	186.7	177.4	Δ 9.2	Decreases in demobilization costs and costs related to anti-earthquake reinforcement of track columns
-Others	208.7	208.1	Δ 0.5	Decreases in software, sales commission costs, and advertisement costs increase in disposing costs of PCB
Taxes other than income taxes	31.6	32.3	0.7	
Depreciation and Amortization	240.8	247.0	6.1	Introduction of the Series N700

◆ Effects from Cost Reduction for FY2010.3 :  
approx. Δ4.0 billion yen

# Summary of Financial Results for FY2010.3 (By segment)

(Billions of yen)	FY2009.3 A	FY2010.3 B	Increase/ Decrease B-A	YoY Comparison B/A %
Operating Revenues	1,570.2	1,486.6	△83.6	94.7%
Transportation	1,240.3	1,142.3	△97.9	92.1%
Merchandise and Other	201.3	188.6	△12.7	93.7%
Real Estate	70.4	66.7	△3.7	94.7%
Other Services	216.1	255.5	39.4	118.2%
Operating Income	382.3	293.4	△88.8	76.8%
Transportation	359.6	272.0	△87.6	75.6%
Merchandise and Other	5.4	3.7	△1.6	69.3%
Real Estate	13.9	6.7	△7.1	48.4%
Other Services	2.8	10.3	7.4	361.9%

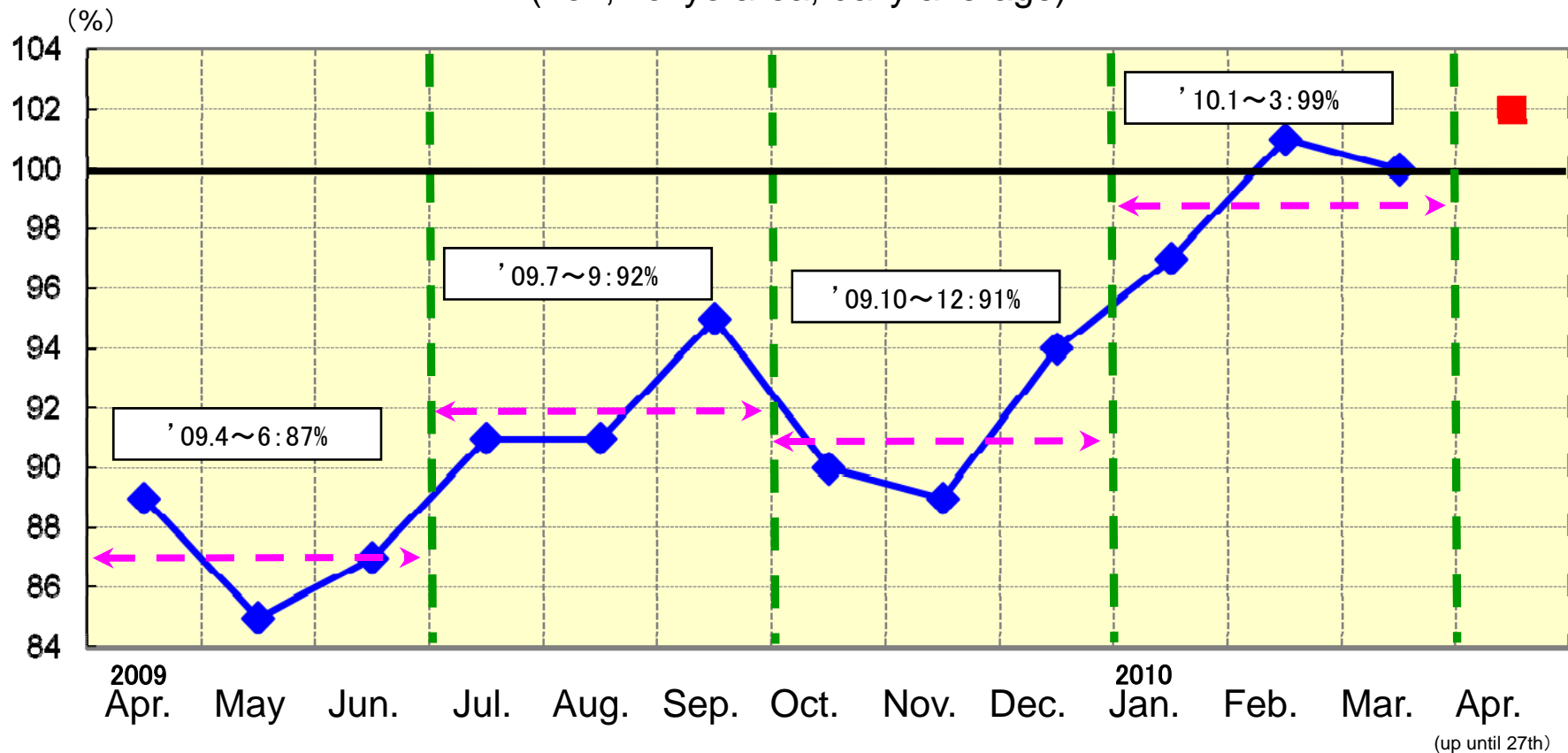
\* Figures by segment for operating revenues and operating income are values prior to eliminating transaction offsets between segments.

- Transportation : **Decreasing revenues , decreasing profits**
  - Decrease in transportation revenues of JR Central, etc
- Merchandise and Other: **Decreasing revenues , decreasing profits**
  - Decreases in sales of “Tokai Kiosk”, “JR Tokai Takashimaya”, and “JR-Central Passengers” etc.
- Real Estate : **Decreasing revenues , decreasing profits**
  - Decrease in sales of real estate, and increase in expenses for preparations for the Nagoya Station New Project, etc
- Other Services: **Increasing revenues , increasing profits**
  - Full consolidation of Nippon Sharyo



# Current State of Tokaido Shinkansen Passenger Volume

Trends in the cross-sectional passenger volume for the Tokaido Shinkansen  
(YoY, Tokyo area, daily average)



- YoY passenger volume was as nearly forecasted throughout FY 2010.3 excluding the impact of the swine flu.
- YoY numbers themselves have improved since Q4 of FY2010.3 due to low results for the previous year.



## Performance Forecast for FY2011.3 (Consolidated/Non-consolidated)

【Consolidated】				【Non-consolidated】			(Billions of yen)
	FY2010.3 Results A	FY2011.3 Forecast B	Increase/ Decrease B - A		FY2010.3 Results C	FY2011.3 Forecast D	Increase/ decrease D - C
Operating Revenues	1,486.6	1,457.0	△29.6	Operating Revenues (Transportation Revenues)	1,143.9 (1,072.8)	1,144.0 (1,072.8)	0
Operating Expenses	1,193.1	1,168.0	△25.1	Operating Expenses	869.8	865.0	△4.8
Operating Income	293.4	289.0	△4.4	Operating Income	274.1	279.0	4.8
Non-operating Revenues and Expenses(net)	△128.2	△122.0	6.2	Non-operating Revenues and Expenses(net)	△125.7	△120.0	5.7
Ordinary Income	165.2	167.0	1.7	Ordinary Income	148.3	159.0	10.6
Net Income	91.7	97.0	5.2	Net Income	88.4	96.0	7.5

### ◆ Capital Investment

Consolidated: 328.0 billion yen, Non-consolidated: 308.0 billion yen

### ◆ Total Long-Term Debt and Payable Reduction

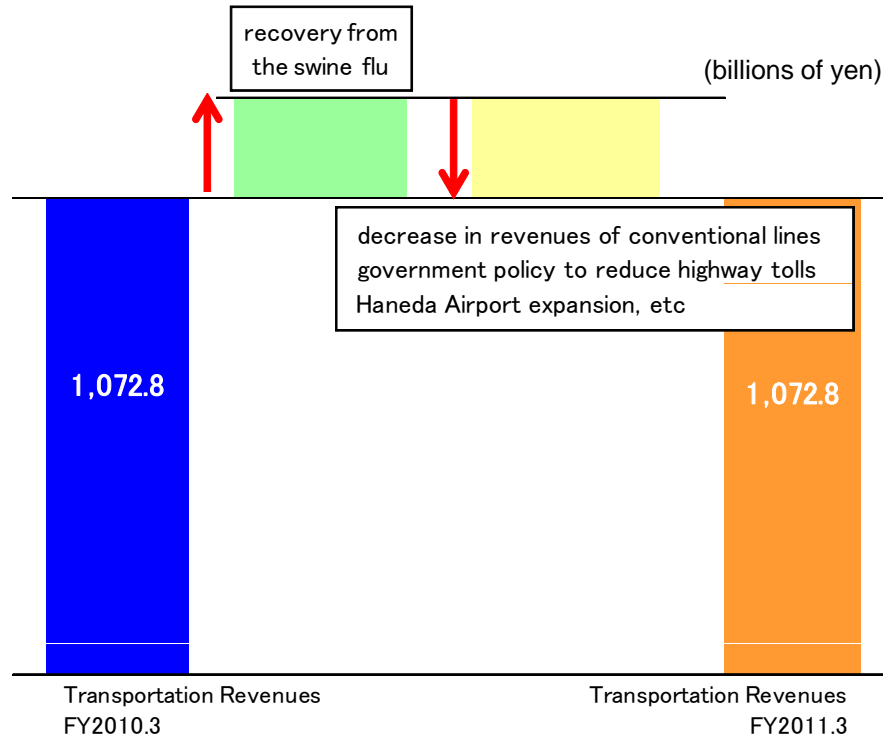
Consolidated: 73.0 billion yen, Non-consolidated: 60.0 billion yen

# Analysis of the Increases and Decreases in JRC's Transportation Revenues and Operating Expenses for FY2011.3 Performance Forecast

## Transportation Revenues of JRC

- It is forecasted that transportation revenues will be at par with FY2010.3 since the economic situation remains uncertain and due to concerns such as government policy to reduce highway tolls.

(1<sup>st</sup> half 101%, 2<sup>nd</sup> half 99%)



## Operating Expenses of JRC

- Non-consolidated operating expenses will decrease by 4.8 billion yen due to a decrease in measures compared with FY2010.3 and efforts to reduce costs etc. (billions of yen)

	FY2010.3		FY2011.3		notes
	Results	Forecast	Inc/Dec		
Operating Expenses	869.8	865.0	△ 4.8		
Personnel Expenses	172.7	173.0	0.2		
Non-Personnel Expenses	417.6	415.0	△ 2.6		
-Energy	32.0	32.0	△0.0		
-Maintenance	177.4	183.0	5.5		Increase in demobilization costs
-Others	208.1	200.0	△ 8.1		Decrease in disposing costs of PCB Increase in outsourcing costs
Taxes other than income taxes	32.3	33.0	0.6		
Depreciation and Amortization	247.0	244.0	△ 3.0		Decrease in depreciation and amortization costs for Shinkansen-related assets

### ◆ Cost Reduction

■ Estimate for FY2011.3: approx. △2.0 billion yen (the portion after normalization)

■ Examples (already completed)

- Express Reservations: Improvement in the way of sending mails, and improvement in methods for maintaining computer systems
- The simultaneous implementation of construction/repair work, etc

# Performance Forecast for FY2011.3 (By segment)

## ◆Merchandise and Other

Forecast continues to be harsh in consideration of the impact of the economic recession

## ◆Real Estate

Decreases in rent revenues due to closure of stores in conjunction with promotion of the Nagoya Station New Building Project.

## ◆Other Services

Decreases, such as a reduction in exports from Nippon Sharyo

(Billions of yen)

	FY2010.3 A	FY2011.3 B	Increase/ Decrease B-A	YoY Comparison B/A %
Operating Revenues	1,486.6	1,457.0	△29.6	98.0%
Transportation	1,142.3	1,142.6	0.2	100.0%
Merchandise and Other	188.6	183.8	△4.8	97.4%
Real Estate	66.7	64.2	△2.5	96.1%
Other Services	255.5	234.2	△21.3	91.6%
Operating Income	293.4	289.0	△4.4	98.5%
Transportation	272.0	277.6	5.5	102.1%
Merchandise and Other	3.7	2.4	△1.3	63.4%
Real Estate	6.7	6.1	△0.6	90.5%
Other Services	10.3	5.5	△4.8	53.2%

※Figures by segment for operating revenues and operating income are values prior to eliminating transaction offsets between segments. 11

# Key Policies for Improving Shinkansen Service

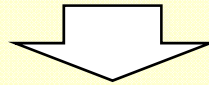
		FY2009.3	FY2010.3	FY2011.3	FY2012.3	FY2013.3	FY2014.3	
Airlines			Haneda Airport Expansion ★					
Improving Shinkansen Service	Amenity	Concentrated Introduction of 80 trainsets of Series N700 (FY2008.3–FY2012.3)						
		2009.3 ★ Introduction of Internet Service in Series N700	★ 2010.3 All Regular Nozomi with Direct Services to the Sanyo Section to be Series N700		during FY2012.3 ★ All Regular Nozomi Services to be Series N700			
	Ticketless	★ 2008.3 Introduction of IC Service	★ 2009.8 Expanding the IC Service to Corporate members and Sanyo Shinkansen					
	Enhancing Transportation Capacity	★ 2009.3 Power Facilities Enhanced	★ 2009.3 ⇒ <i>We introduced operation of 9 "Nozomi" services per hour</i>			⇒ <i>In order to handle emergency situations more efficiently</i> ⇒ <i>Max.10 "Nozomi" Services/hour possible</i>	during FY2014.3 ★ Shin-Osaka Station New Platform Completed	
Station Renovation	2009.3 (Nagoya Station) ★	★ 2009.6 (Maibara Station) ★ 2009.5 (Toyohashi Station)			Passenger related Facilities Improved Spring 2012 (Tokyo Station) ★	Spring 2013 (Shin-Osaka Station) ★		

# Progress of the Tokaido Shinkansen Bypass Project

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## ◆ Announcement on December 25, 2007

We determined that it is possible to construct track between Tokyo and Nagoya as the first step in the Tokaido Shinkansen Bypass, while bearing the financial burden



## ◆ Announcement on April 28, 2010

On the same assumptions, we determined that it is possible to build a Bypass that runs all the way to Osaka.

- Commercial operation to commence: To Nagoya : 2027, To Osaka : 2045

## ◆ Legal Process

- Deliberation of the designation of an operation entity & a construction entity, and formulation of a development program is currently underway by the Council of Transport Policy.
- On April 15, technical matters regarding Superconducting Maglev, etc. were debated.  
During the next meeting to be held on May 10, we shall appear before the council as the operating entity to express our ideas.

# Nagoya Station New Building Project

## (1) Site area (based on building codes)

Approx. 85,000m<sup>2</sup> (including JR Nagoya Station)

\* The area of the site that is intended for development is 11,700m<sup>2</sup>

## (2) Size of building of which it is presumed

that an environmental assessment will be conducted

- Total area           Approx. 260,000m<sup>2</sup>
- Highest Point     Approx. 220m
- Floors               46 Floors

Notes: Total area, etc at the basic concept

• Total area	approx. 280,000m <sup>2</sup>
• Highest Point	approx. 260m
• Floors	55 Floors

## (3) Building Use

Offices, hotels, commercial facilities,  
bus terminal, parking lot

## (4) Schedule (planned)

- Mid-FY2010

Dismantling of existing Nagoya Terminal Building to begin

- FY2016 New building completion

\* Bus terminals, offices, commercial facilities, hotels, etc.  
will continue commencing operations until FY2017



◆ We are continuing earnest deliberation on the implementation plan, including what businesses are to occupy the new building



# Overseas Deployment of High-Speed Rail Systems

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- We look to enter the international high-speed rail market to pursue several corridor projects in the United States and other countries worldwide for deployment of the Tokaido Shinkansen system “N700-I Bullet” and superconducting magnetic levitation system “SCMAGLEV”.
- Through US research firms we have conducted surveys and assessments on the feasibility of expanding into other countries, including the US, and have identified specific target corridors. We are now engaged in marketing activities to proceed with these projects.

[Potential corridors]

◇ N700-I : Tampa-Orlando-Miami, Las Vegas-Los Angeles, Texas, and others

◇ SCMAGLEV : Baltimore-Washington DC, and others

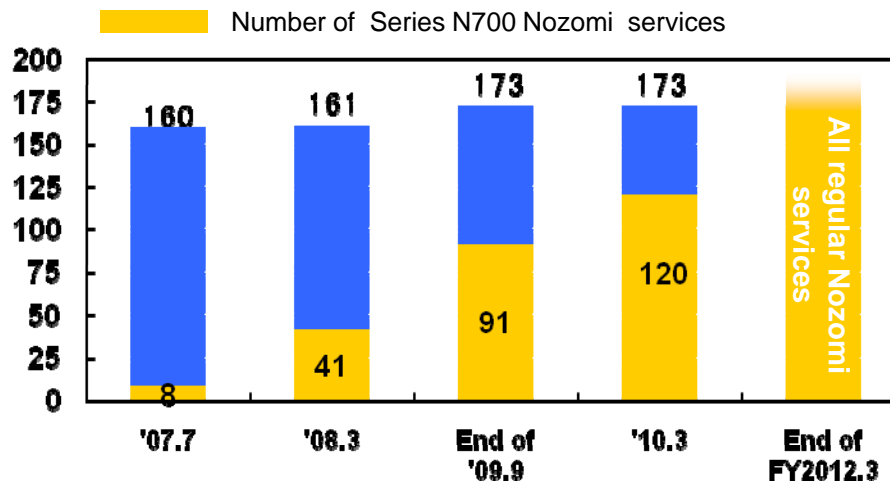


# Appendix

## Introduction Results of the Series N700 and the number of Nozomi

- 48 trainsets had been introduced as of the end of March 2010, resulting in the Series N700 accounting for a little under 40% of all trainsets. All regular “Nozomi” with direct services to the Sanyo section started to be operated by the Series N700.
- 80 trainsets of Series N700 will be introduced by FY2012.3.

### The Number of Nozomi Services Operated by Series N700 (daily, excluding extra services)



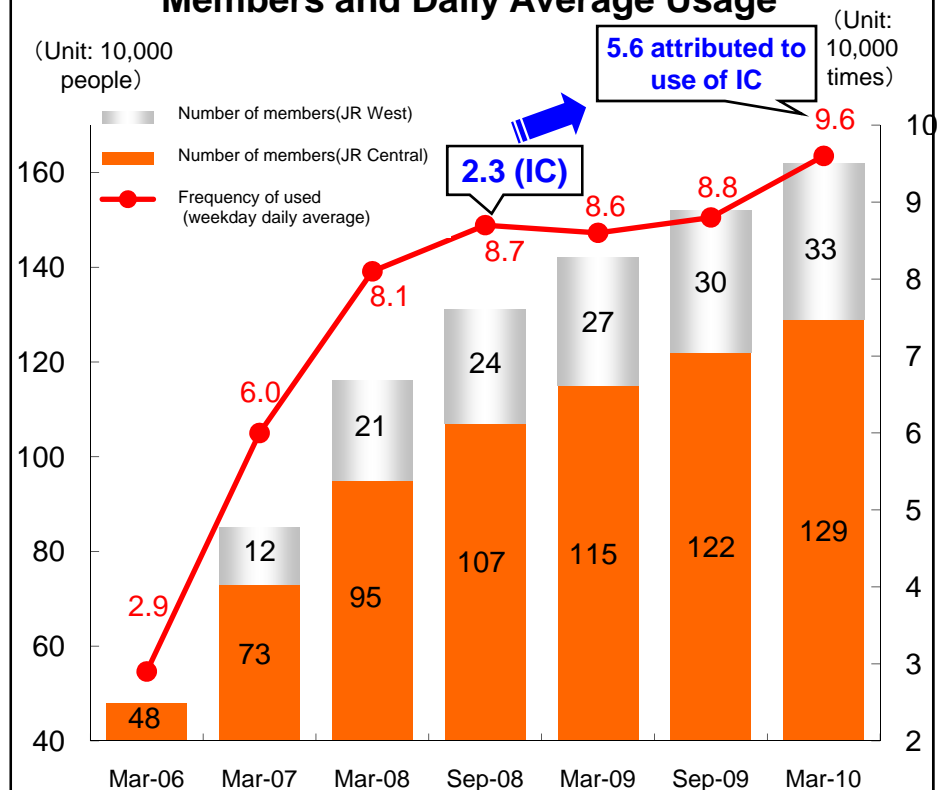
\* The numbers above the bars are those of all Nozomi services

\* The numbers of '07.7, '08.3, and '10.3 are as of the timetable revisions

## Usage Status of Express Reservation Service

- The usage increased due to the expansion of “EX-IC Service” to the Sanyo Shinkansen and the commencement of service for corporate members in August 2009.

### The Number of Express Reservation Members and Daily Average Usage



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In this material, forward-looking statements, such as those regarding business plans, strategies, and financial forecasts, are based on assumptions that reflect information available at the time of writing. The accuracy of such statements, therefore, is inherently uncertain because it is affected by future macroeconomic trends and business environment developments, notably, consumption trends, competitive challenges, and changes in relevant laws and legal provisions.