

Semi-Annual Investors Meeting FY2016.3 (Fiscal Year Ending March 31, 2016): Major Questions and Answers

(Passenger Volume)

Q. What is your view on business environments in the second half of the fiscal year? Regarding transportation revenues, are there any factors that are different from the trend so far, such as a slowdown in the pace of reservation for products for inbound visitors?

A. For the second half of the fiscal year, we expect the same level of performances as the previous year, as originally planned. Considering the characteristics of the railway business, where it is difficult to increase and decrease expenses in tandem with revenues, we consider that it is not appropriate to make a budget on the assumption that the transportation volume increases easily. As for businesses related to inbound visitors, currently there are no noticeable changes.

Q. Assuming the situation where the transportation volume increases at an annual rate of 2% and you increase the supply of train service as well, how much longer can you continue to increase the number of train service utilizing the current "10 Nozomi Timetable"?

A. We are currently operating 10 "Nozomi" per hour only during busy seasons and the time frames with increased customer use such as Friday evening. We will continue to operate 10 "Nozomi" hourly at maximum to meet the demands by utilizing the existing facilities. Regarding rolling stock, we have calculated the necessary number of rolling stock sets with some margin, and thus we currently think that we can accommodate demand up until immediately before the inauguration of the Chuo Shinkansen.

(Capital Investment)

Q. Tell us your view on the schedule for the introduction of rolling stock in the future. Also tell us whether you will provide additional depreciation in the same way as before.

A. 20 trainsets of N700A will be additionally introduced by the end of FY2020.3, where one set will be introduced in FY2017.3 and five to seven sets will be introduced each year in the subsequent three fiscal years. For FY2017.3, it had been originally planned to introduce six sets of N700A. Therefore, together with the investment plan at this time, seven sets will be introduced in total. Regarding depreciation, we plan to provide additional depreciation in the same way as the existing Shinkansen rolling stock.

Q. Regarding large-scale renovations, you said that measures to inhibit aging deterioration are being conducted smoothly. When do you determine whether to start implementing overall renovation?

A. Regarding the large-scale renovation of the Tokaido Shinkansen, measures to inhibit aging deterioration have been conducted for about two and half years. At moment, there are no cases where we have judged that overall renovation, such as material replacement, is necessary. In the future as well, first we will steadily implement measures to inhibit aging deterioration. Then, we will monitor the status of structure to judge the necessity of overall renovation for each case.

(The Chuo Shinkansen Project)

Q. You said that you concluded agreements for the construction of the Southern Alps Tunnel and a part of Shinagawa Station. In terms of construction volume, how much portion do they represent in the whole amount of 5.5 trillion yen?

A. As mentioned before, please forgive us for not disclosing the amount and volume of individual construction works, since doing so will affect future contracts.

It took some time for negotiations, but we concluded construction contracts for the Yamanashi Construction Section for the Southern Alps Tunnel in August, for the North Construction Section at Shinagawa Station in September, and for the South Construction Section for the same station in October. We consider that these contracts were the results of intensive discussions and started at reasonable prices.

Q. If construction costs increase due to inflation or other reasons, will you take inflation into consideration with respect to fares and surcharges of the Chuo Shinkansen at the time of its inauguration?

A. Fares and surcharges of the Chuo Shinkansen will be determined before the inauguration upon consideration of market situations and other factors at that time, just as the cases of other Shinkansens.

Q. There are concerns that the construction costs of the Chuo Shinkansen may increase. On the other hand, operating cash flows exceed the long-term estimation published in 2010. Are you going to update the long-term estimation? Also, what sort of concept is sound management which you assume in promoting the Chuo Shinkansen Project? Are there any numeric criteria?

A. The Chuo Shinkansen Project is a long-term project of 10 years or more with the budget exceeding 5 trillion yen. At this moment, we do not think that the situation has

substantially changed compared with the assumptions used for the long-term estimation. It is true that actual performances are better than the original estimation at this time. However, we do not think it makes sense to revise the project each time to respond to individual conditions which change from moment to moment.

As for sound management, we will maintain it by solidly ensuring profits through stable incomes and appropriate cost management to achieve shareholder returns. However, there are no numeric criteria.

(NIPPON SHARYO, LTD.)

Q. NIPPON SHARYO has been performing poorly for two consecutive years. Have you identified the problems? How much influence will be exerted on the performances of JR Central in this fiscal year and the next fiscal year?

A. NIPPON SHARYO's domestic performances and orders received have been doing well. Poor performances are due to the deterioration of business performance at NIPPON SHARYO U.S.A., which is a NIPPON SHARYO's US subsidiary. Loss provision at this time was set up because it was decided to review the design for railway rolling stock to the US as a result of testing of prototype rolling stock, which led to a substantial delay of delivery in this large-scale sales transaction. Since it is necessary to produce a new body structure and conduct tests again, we think it will take some more time.

As for the consolidated results for this fiscal year, further investigation is required in the future, but costs that can be reasonably estimated at the time of the interim financial results have been incorporated. However, as for the plan for the next term, we are not in the stage to state the influence concretely since it is necessary to conduct close investigation including the schedule of retesting.

(Return to Shareholders)

Q. Business results have been revised upward, but interim dividends are paid as originally planned. Does this indicate that dividend increase will be difficult during the construction period of the Chuo Shinkansen?

A. It does not follow that there will be no dividend increase in the future because of the Chuo Shinkansen Project. We will provide dividends as the return to shareholders in the future as well in an appropriate style while ensuring sound management including the Chuo Shinkansen Project. Specific dividends will be determined each time, based on business environments and performance in each period.

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