

April 28, 2016

Central Japan Railway Company

Main Q&A of the Year-End Investor Meeting for FY2016.3

Q. Transportation revenue for the Tokaido Shinkansen remains flat for FY2016, but what factors does analysis show to be affecting this?

A. Transportation volume on the Tokaido Shinkansen for FY2015 increased 4% year-on-year, with a similar rate of growth on both weekdays, where commuting passengers form the bulk, and weekends and holidays, where the majority of passengers are tourists.

Conditions will be slightly disadvantageous during FY2016 as the long Silver Week holiday of the previous year will not line up this year, nor is it a leap year. Demand in the business sector remains firm following continued activity amongst major companies in Tokyo, Nagoya and Osaka, as well as a gradual recovery in the overall economy, despite some ongoing concerns there. With 15<sup>th</sup> anniversary events being held at theme parks in Tokyo and Osaka as well as the Ise-Shima Summit, demand from tourism will be addressed by actively promoting travel packages to suit.

Data is only available through to April 27 since the new fiscal year began, however the transportation volume for the Shinkansen is at 101% year-on-year, and bookings for the Golden Week period look positive.

Q. The transportation volume for April is at 101% so far, however there are plans to increase the number of trains on the Tokaido Shinkansen to 103% year-on-year between March and June this year. How is the current transportation volume viewed?

A. The Shinkansen transportation volume for last fiscal year was the highest ever recorded. Transportation volume has exceeded figures for the preceding year for every month from August 2011, shortly after the Great East Japan Earthquake,

through to now. The current volume is already relatively high. Increasing this volume even further will be no easy task.

The aim for FY2016 is to maintain the same level as the previous year, and the current figures indicate that the outlook seems positive for the start of the fiscal year.

Q. What methods will be used to increase revenue following the introduction of the new online seat reservation and ticketless boarding service for the Shinkansen?

A. The new service will be rolled out in summer next year, and allows for simple reservations similar to online shopping, as well as ticketless boarding so that passengers can use their own commuter IC cards. This will provide a much higher level of convenience for so many passengers, and help expand the customer base.

Q. Will the large-scale renovations planned for the Shinkansen as part of measures to inhibit aging damage be completed in four years, by FY2019? What is the outlook for overall renovations?

A. A two-stage plan has been devised for large-scale renovations for the Tokaido Shinkansen. The first step will involve measures to inhibit aging damage for prevent deformation such as cracks. The effects of this work will be analyzed, and the second step implemented if overall renovations such as replacement of major components are required.

Following on from the three years through to FY2015, capital investment of 145 billion yen has been planned over four years through to FY2019, all of which cover measures to inhibit aging deterioration. These measures to inhibit aging damage are carried out in around 10 years, and will also continue after FY2019.

Meanwhile, overall renovations will be carried out in areas where they are deemed required, while implementing these measures to inhibit aging damage and carefully examining their effects. Currently, there are no areas that are deemed to require overall renovations.

Q. The rate of investments being made for the Chuo Shinkansen seems quite slow. Please provide an updated investment schedule leading up to the first service to be operating in 2027.

A. The amount of investment for FY2015 was less than the amount planned at the beginning of that fiscal year, however briefing sessions for local impacted municipalities were planned carefully, and there were also factors such as the slight delay in securing contracts for some work.

Since the beginning of FY2016, contracts that were finalized in April cover construction of the Meijo emergency exit, and the Kita-Shinagawa emergency exit and substation facilities. Other work that are currently being negotiated or open for public tenders will be finalized as soon as possible so that full-scale construction work can begin. This will lead to an increase in the amount of capital investment. While the construction period was initially raised as very tight, there is unlikely to be any delays in the start of services from 2027 due to the current low level of investment. Every effort will be directed to this project into the future.

Q. Are negotiations underway with major contractors for the construction of the Chuo Shinkansen? Some media outlets reported on difficulties in negotiating prices last year, however the price of materials has stabilized and the business performance and profits of major contractors has also improved. Has this made it easy to enter into negotiations with those contractors?

A. The first contracts to be finalized covered areas requiring difficult, large-scale construction such as Shinagawa Station, Nagoya Station and the tunnel through the Southern Alps. Our entire engineering team has been busy working out the details of these contracts. These construction projects are difficult by any standards, and we have been fine-tuning the details. Some of these processes take time to enable the most reasonable price and efficient method to be selected from the various proposals raised.

The time taken to finalize the contract for Nagoya Station is due to the complexity

of the existing structure as well as a high level of construction quality so no issues arise in the future. Negotiations are currently underway with the aim of finalizing the contracts before the end of the year.

Q. Has there been any change in the approach to sourcing funds into the future following the negative interest rates launched by the Bank of Japan? And does the cheaper price of shares compared to other companies in the same sector factor in the risk of higher interest rates when considering the Chuo Shinkansen project? As the project is gradually implemented the accumulative long-term debt is forecast to increase after three to four years, however have there been any plans to bring forward financing by utilizing the current low interest rates?

A. The trend in interest rates has been analyzed carefully until now, however there has been no change in the basic policy for finding a reliable source of funds over the long-term. Company bonds that we produced in April have an interest rate of 0.421% over 20 years, which is the lowest rate of interest ever for our 20-year bonds, so the company is benefiting from this low-interest market.

Yet there is no sense in continuing to source more funds right now, and any future financing will be sourced in a flexible manner while factoring in construction progress and the capital available at any given time.

Q. What information is available for the start of operations between Nagoya and Osaka of the Chuo Shinkansen at the same time? What conditions will be required so that the service can begin at the same time?

A. If beginning operations at the same time refers to starting services between Tokyo and Nagoya, as well as Nagoya and Osaka at the same time, this is physically impossible. Construction of the Nagoya and Osaka route will take around 10 years, and will require several years of environmental impact assessments to be completed first. In total, this will take much longer than 10 years. Instead of beginning services at the same time, pushing forward the scheduled start of services may be possible.

Being a private enterprise, the Tokyo and Nagoya route and the Nagoya and Osaka route need to be separated into two stages of planning, as there needs to be sufficient time for management capabilities to recover.

The Chuo Shinkansen Project was launched as it was initially to be covered by the company, and we have not asked the national government to meet any specific conditions. Opening the route to Osaka as soon as possible still remains a high priority for us, and if the national government provides a proposal it will be certainly considered depending on maintaining sound management and stable dividends.

Q. Have improvements to the business performance of NIPPON SHARYO been forecast?

A. As already announced, NIPPON SHARYO is in the midst of redesigning rolling stock for the U.S. market. Our company has dispatched a couple of dozen of highly skilled staff to NIPPON SHARYO to provide assistance there.

There is no concrete forecast of business performance after FY2017, however we will continue to provide assistance wherever possible to ensure that the U.S. subsidiary returns stable performance figures.

Q. What is the aim of raising dividends while increasing investment for the Chuo Shinkansen?

A. As mentioned numerous times in the past, corporate value for the railway business is increased by establishing a reliable, long-term management foundation. Stable dividends will be provided into the future while ensuring sufficient internal reserve to cover projects such as the Chuo Shinkansen. In addition to this basic policy, FY2015 saw positive trends in transportation volume for both business and tourism, etc. and as such a 5 yen increase in year-end dividends has been planned, to 65 yen per share.

There is no change to the fact that maintaining sound management and stable dividends are the key points for implementing the Chuo Shinkansen Project.