

October 28, 2016

Central Japan Railway Company

Semi-Annual Investors Meeting for the Fiscal Year Ending March 31, 2017: Major Questions & Answers

(Passenger Volume)

- Q. Please confirm the Company's views on transportation revenues in the latter half of the fiscal year.
- A. Given the current steady passenger volume, mainly of businesspersons, we expect transportation revenues to be at 100% year-on-year even considering that the last fiscal year was a leap year. Passenger volume for the Tokaido Shinkansen up to October 27 is at 103% compared to the previous year though the number is on a preliminary basis.

(Passenger Volume)

- Q. How do you assess the current level of demand in terms of business, sightseeing and inbound?
- A. First, looking at the trend in the first half of the fiscal year in terms of business and sightseeing, the rate of increase for weekdays when business use was high exceeded that for weekends when use for sightseeing was high. Meanwhile, we feel that demand for sightseeing use has been come back since entering October.
- As for inbound, it is said that the number of foreign tourists visiting Japan has increased by about 20% this fiscal year. Demand for our travel products for inbound tourists has also been increasing by about 20%. However, the absolute number is small, and the contribution to our earnings remains limited.

(NIPPON SHARYO)

- Q. Is there a risk that NIPPON SHARYO's losses will further expand going forward?
- A. We are not at the stage of being able to comment on the performance for the next term and beyond. We believe that the key is to promptly normalize the business in North America and we, as the parent company, will continue to extend the necessary support.

(NIPPON SHARYO)

Q. How do you, as the parent company of NIPPON SHARYO, understand the subsidiary's overseas business and how do you intend on getting involved going forward?

A. We feel that NIPPON SHARYO can surmount its main hurdle as long as its North American business can be put back on track. We have dispatched engineers as part of our workforce support and they are working together to normalize the situation.

With regard to the deal in Indonesia, we understand that the loss was incurred at the initial stage of design. As NIPPON SHARYO gains more experience going forward, we hope we can prevent the loss from widening.

(Chuo Shinkansen Project)

Q. Please confirm the progress of the Chuo Shinkansen Project. Is it on schedule?

A. We have estimated our capital investment associated with the Chuo Shinkansen to be 113.0 billion yen this fiscal year. Actual spending in the first half of the year was 32.2 billion yen, reflecting that investment is generally in line with the plan.

(Chuo Shinkansen Project)

Q. Although there seems to be a rise in labor costs recently due to a lack of manpower, is the Chuo Shinkansen Project proceeding as scheduled without overrunning the budget for construction costs?

A. It is said that labor costs, etc. are currently on the rise as we head toward the 2020 Tokyo Olympic & Paralympic Games, but we do not believe there is a risk of overrunning our budget at this time. Since the construction period for the Chuo Shinkansen runs for a long period of time, we are proceeding with our plan by taking various steps to reduce construction costs, including placing orders in segments rather than collectively for the entire process.

(Fiscal Investment and Loan Program (FILP)-based Borrowing)

Q. Has the Company determined the specific amount of borrowing and pace? As far as we can see from the progress of construction work for the Chuo Shinkansen, we believe there will be no need for major financing over the next few years.

A. An amount of 1.5 trillion yen is included in Government's Second Supplementary Budget for this fiscal year. Further details are still being adjusted.

Although it will be awhile before the funds procured through financing are actually appropriated to construction work, there is a considerable benefit for our Company since funds can be procured over a long term and at a fixed rate by taking advantage of the current low-interest situation.

(FILP-based Borrowing)

Q. Was there a change to the policy of proceeding with the construction of the Chuo Shinkansen by fully bearing the associated costs?

A. The Chuo Shinkansen Project has been pursued under the framework that our Company fully bears the construction costs and completes the construction work. This is to be done while securing the freedom of management and autonomy of investment as a privately owned company and maintaining the policy of ensuring sound management and stable dividends into the future. The funds procured through FILP are fully redeemed including the interest portion. Therefore, the FILP-based financing does not in any way change the premise that the Company fully bears the construction costs.

(FILP-based Borrowing)

Q. Won't there be more government intervention after receiving the loan?

A. During the course of determining the terms and conditions of the borrowing in the loan agreement to be concluded with the Japan Railway Construction, Transport and Technology Agency (JRTT) going forward, we will secure freedom of management and autonomy of investment.

(Dividends)

Q. Through seeking FILP-based financing, the Company will greatly mitigate management risks in proceeding with the Chuo Shinkansen Project. Taking this into consideration, what is the Company's view on dividends going forward?

A. Our basic policy on dividends has always been to decide the specific dividend amount in accordance with the management environment and performance in each fiscal year. We do this based on the principle of continuously providing stable dividends. This policy will remain unchanged even if we borrow FILP-based funds. Throughout the construction period of the Chuo Shinkansen, we will continue to operate on this policy of securing sound management and stable dividends.

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