

Main Q&A of Year-End Investor Meeting for FY2017.3

(Transportation Status of the Tokaido Shinkansen)

Q. There is an impression that since entering this year, particularly from February and March on, the Tokaido Shinkansen ridership has been on the rise compared with the level of the previous year. Have there been changes in the trends in demand, both in terms of business and tourism?

A. With respect to the demand for business use, automobile-related and electric-related companies engaged in exports along the Tokaido line, which have a large impact on the transportation volume of the Tokaido Shinkansen, have been performing favorably in general. Accordingly, Tokaido Shinkansen ridership has been extremely strong. In terms of demand associated with tourism, we recognize active flows of people primarily in the Tokyo metropolitan area and the Kansai area. While the transportation volume is already at a considerably high level, and a further increase seems to be difficult under the current circumstances, we envision that with effort going forward we can secure a volume comparable to the level of the previous year when we experienced a record high.

(Chuo Shinkansen Project)

Q. Please describe the pace of capital investment going forward for the Chuo Shinkansen. The plan indicates an increase of approximately 50 billion yen from FY2016 to FY2017. Considering that the total construction cost for the section between Shinagawa and Nagoya is expected to be 5.5 trillion yen, there is an impression that the pace is not quick. What type of construction prompts capital investment to increase? Or please explain from when the construction will become more active.

A. Due in part to the fact that we have held briefings on business, etc., in a conscientious manner, the amount of capital investment at the initial stage of construction was below the plan. However, construction generally proceeded as planned in FY2016, and we will pick up the pace gradually going forward. For example, in the construction of the Southern Alps tunnel, the amount of capital investment will increase as construction proceeds from work on inclined shafts to the pilot tunnel, and on to the excavation of the main tunnel. Capital investment will also rise when construction for shield tunnels begins in urban areas. As such, construction work will sequentially become more active. It is difficult to pinpoint the exact timing of increased activity, but we project that the peak of construction will arrive in FY2022 or thereafter.

(Chuo Shinkansen Project)

Q. To what level does the Company view that cash should be accumulated going forward to secure an adequate reserve for the construction of the Chuo Shinkansen? Once the reserve is secured, will there be a change in the approach on cash allocation, i.e. the balance between capital investment and dividend distribution?

A. The initial plan was to cover the construction cost for the section between Shinagawa and Nagoya with cash from operating activities and external funds. However, we can now secure the portion of external funds with a loan using FILP. Going forward, since we will first appropriate the funds procured through the FILP loan to the Shinagawa-Nagoya construction costs, cash will temporarily build up. When funds procured through the FILP loan are used up, we will appropriate the accumulated cash to complete the construction for the route up to Nagoya. As for the construction between Nagoya and Osaka, we will appropriate cash from operating activities and external funds. Therefore, this reserve is not something with a target value of accumulation. As previously mentioned, we intend to pursue the project based on the principle that we move forward with the construction of the Chuo Shinkansen, while strictly maintaining sound management and stable dividends.

(Chuo Shinkansen Project)

- Q. Please explain the view that the implementation of the Chuo Shinkansen is aimed not only at realizing a dual system with the Tokaido Shinkansen and achieving a social contribution, but also at investment to promote growth in the coming 30 years comparable to that achieved in the past 30 years.
- A. If the project proceeds as planned, the entire line up to Osaka will be in operation in 30 years from now. When the line is in full operation, Tokyo and Osaka, the two major metropolises with a huge population, will be connected in 67 minutes at the fastest speed, making the flow between these cities extremely active both in terms of business and leisure. We also view that in light of the concerns about an earthquake directly hitting the Tokyo metropolitan area, and the call for mitigating the overpopulation problem in the metropolis, new movements might develop as headquarters, plants, and research centers are relocated to the country's Chubu and Kansai regions. Furthermore, we anticipate an increase in the flow of people as the convenience of accessing the Tokyo metropolitan area from stations along the Chuo Shinkansen will improve tremendously. Also with respect to the Tokaido Shinkansen, if for instance the shift in passengers using the Nozomi to the Chuo Shinkansen opens up room in the train schedules, we might be able to attain the flexibility of having the Hikari and Kodama trains stop at more stations in between. This may contribute to enhancing the value of areas around such stations in between and increase movement. As described, the launch of the Chuo Shinkansen is anticipated to not only realize the dual Shinkansen system but, also to trigger various forms of new demand.

(NIPPON SHARYO)

- Q. Given that NIPPON SHARYO is an important subsidiary for JR Central, does the Company intend to further enhance the relationship by strengthening its involvement in the subsidiary going forward by incrementally injecting funds, dispatching employees, and so on under the current circumstances where there is no change to the large-scale rolling stock deal for the U.S.?

A. Under the current circumstances, we have no specific plan to provide NIPPON SHARYO with further funds or manpower support. Discussions are currently under way regarding the deal with the U.S. and we understand that depending on the content of the discussions, there may be an impact on the performance of the subsidiary. We are monitoring the situation.

(Deployment of affiliated businesses going forward)

Q. Please share your views on the deployment of affiliated businesses after the opening of JR Gate Tower.

A. JR Central recognizes that expanding revenues through further deployment of affiliated businesses is a key issue, also from the standpoint of supporting the construction of the Chuo Shinkansen. We view that with the opening of JR Gate Tower, the nucleus of the affiliated businesses has been completed. Looking ahead, we will move forward with exploring various initiatives toward expanding revenues while brushing up our existing businesses. For example, we will work on a joint development project that combines selling of condominiums and land lots at the former site of JR Central's corporate housing in Gifu City. In Shizuoka, Hamamatsu and Toyohashi, we will proceed with the renewal of existing station complex.

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