

[TRANSLATION]

April 27, 2021

To Whom It May Concern:

Name of Company: Central Japan Railway Company
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**Notice Concerning Total Construction Costs for the Chuo Shinkansen Section
between Shinagawa and Nagoya**

The Central Japan Railway Company (the “Company” or “we”) is carrying out the construction of the Chuo Shinkansen section between Shinagawa and Nagoya, since the construction implementation plan was approved for the section between Shinagawa and Nagoya in October 2014, by entering into contracts after making decisions on capital investments, starting with those that need to be undertaken at an early stage, such as Shinagawa Station, Nagoya Station, and Southern Alps Tunnel.

In the meantime, we have estimated an increase in construction costs since construction costs exceeded the initially expected amount with respect to certain construction sites, such as both the Shinagawa and Nagoya terminals. At the same time, the business environment has deteriorated sharply due to the impact of COVID-19 since last year. Therefore, in order to confirm that the plan for funding required for construction and sound management are secured, the Company has been conducting a close examination of the outlook for the construction costs for the entire section between Shinagawa and Nagoya, reflecting factors that are considered reasonable. As a result, it has been determined that the total construction costs are expected to exceed the amount announced in the “Application for Permission regarding the Construction Implementation Plan (#2) of the Chuo Shinkansen Section between Shinagawa and Nagoya” (September 25, 2017), and we hereby make the following announcement.

1. Forecast of the total construction costs (section between Shinagawa and Nagoya)
7.04 trillion yen
 - * Increased by approximately 1.5 trillion yen compared to the estimated amount at the time of the Construction Implementation Plan (#2) (5.52 trillion yen)
 - * Includes the cost for rolling stock and excludes the expenses already spent on the Yamanashi Maglev Line

2. Reasons for the increase in construction costs
 - Responding to challenging construction work, enhancing earthquake countermeasures, securing utilization sites of excavated soil, etc.
 - Please see Exhibit “Main Reasons for the Increase in Construction Costs”.

3. Confirmation of securing construction funds and sound management
 - The Company will prioritize sound management and stable dividends with regard to future management just as always, and will fund the construction costs mainly through operating cash flow and the remaining amount through repayable borrowings. If the Company anticipates that it can no longer ensure sound management and stable dividends, the Company will aim to complete the construction by adjusting the pace of construction and fully restoring its management strength.
 - As a reference, in order to confirm that the funds necessary for completion of the construction are secured, the Company calculated the operating cash flow based on certain reasonable assumptions in the event that the revenue recovers at a realistically expectable pace, and confirmed that, if approximately 1 trillion yen of new financing is added to such operating cash flow, the cumulative amount of the funds available for construction of the section between Shinagawa and Nagoya would exceed the total construction costs calculated at 7.04 trillion yen in FY2028. It should be noted that this does not mean that a new target time for opening is set, however, a trial calculation of the status of securing funds under certain assumptions was made for reference purposes only.
 - The Company will continue to proceed with the Chuo Shinkansen project with the aim of early realization of the Chuo Shinkansen while ensuring sound management and stable dividends.

(For reference: Assumptions for confirmation, etc.)

Transportation revenues (Shinkansen and conventional lines)	Transportation revenues will recover gradually to 66% in FY2021, 80% in FY2022, and 90% in FY2023, and after FY2024 to 100% by FY2028
Expenses	Essentially, personnel expenses will be maintained at the current scale of personnel required for railways, and non-personnel expenses will be recorded at the five-year average of the results from FY2015 to FY2019. In addition, cost reductions pursued through “Business Reforms” are considered to a certain extent.
Capital investments (Chuo Shinkansen)	7.04 trillion yen
Capital investments (Shinkansen and conventional lines)	Essentially, necessary capital investments will be accumulated, and considering the cost reductions through “Business Reforms”, capital investments will remain unchanged at approximately 220 billion yen per year in and after FY2028.
Others	Interest rate on financing: 3%

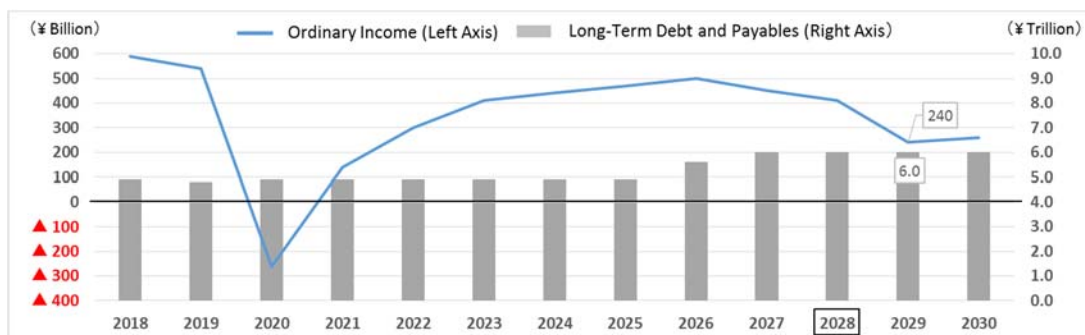
Note) The recovery in transportation revenues from Shinkansen and conventional lines is compared to FY2018.

(For reference: Results of confirmation)

Period in which the cumulative amount of the funds available for construction of the Chuo Shinkansen exceeds the total construction cost*	FY2028
Operating revenues for the fiscal year following the above period	1,530 billion yen
Ordinary income for the fiscal year following the above period	240 billion yen
Long-term debt outstanding for the fiscal year following the above period	6.0 trillion yen

Note) In and after the period marked with asterisk (*) above, in calculating operating revenues and ordinary income, it is assumed that transportation revenues will increase by around 5% compared to previous periods, and that depreciation expenses and maintenance and operation costs will be recorded for the assets related to the Chuo Shinkansen. This does not mean that a new target time for opening is set, however, a trial calculation was made for reference purposes only.

(For reference: Changes in ordinary income and long-term debt)



4. Others

- The above matters were resolved at the meeting of the Board of Directors held today.
- The above matters do not affect the forecasted results of operations for the fiscal year ending March 31, 2022 (announced on April 27, 2021).

Main Reasons for the Increase in Construction Costs

(1) Responding to challenging construction work (+500 billion yen)

- The construction of both terminals in Shinagawa Station and Nagoya Station is complicated with a long construction period, and the Company placed orders by dividing the construction to the extent that the Company can control the risks during the procedure of execution of contracts. In addition, geological uncertainties and severity of construction constraints in narrow locations have become clear in the process of proceeding with the construction.

(2) Enhancing earthquake countermeasures (+600 billion yen)

- With respect to the structures in the open section, it became necessary to reinforce the entire structure in order to further prepare for earthquakes based on the analysis using the data of running tests in Yamanashi Maglev Line and the countermeasures of which effectiveness had been verified by the vibration tests, etc. in the test equipment in Komaki Research Center.

(3) Securing utilization sites of excavated soil (+300 billion yen)

- It had been difficult to secure sites for the utilization of soil excavated in urban areas; however, the Company solved this issue by bearing the expense of shore protection work, etc. in a reclamation project (Shinhommoku Pier in Yokohama Port, etc.). In addition, transportation and receiving costs are expected to increase for soil excavated from mountain tunnels due to the situation of prospective utilization sites.