

[December 25, 2007]

**Central Japan Railway Company Decides to Promote the  
*Tokaido Shinkansen Bypass* (also known as *Chuo Shinkansen*)  
on the Premise that the Company Would Bear the Cost for the Project**

The Board of Directors of Central Japan Railway Company (the “Company”) has made decisions about the following three matters at its meeting held today.

1. With respect to the *Tokaido Shinkansen Bypass* utilizing the Superconducting Maglev system, the Company has deliberated on “promoting and realizing, on its own initiatives and as the first phase, the inauguration of commercial operation between the Tokyo Metropolitan and the Chukyo regions in 2025, the end of the first quarter of the twenty-first century.” After making deliberations based on the assumptions presently envisaged, the Board of Directors has concluded that the construction of the necessary line (the “Bypass”) in this first phase as the “*Chuo Shinkansen*” under the Nationwide Shinkansen Railway Development Law (the “Law”) on the premise that the Company would bear the cost for the project will contribute to a sustainable and stable management of the Company with payment of stable dividends. As a result, the Company has decided to take actions to promote the project on the basis of the above initiative on the premise that the Company would bear the cost for the project.

## Conclusions from Long-term Estimated Forecast

- The Board of Directors has concluded that the Company will be able to continue to secure payment of stable dividends and respond to changes in the business environment, both before and after the inauguration of the Bypass, even if the Company promotes the Bypass project on the premise that the Company would bear the cost for the project, while at the same time making investments necessary to ensure safe and reliable transportation and to strengthen its competitiveness.

More specifically:

<Before the inauguration of the Bypass>

- Although the balance of long-term debt of the Company will increase gradually because the Bypass construction will occur and at the same time the Company continues to make investments necessary to ensure safe and reliable transportation and to strengthen its competitiveness, the Company will be able to keep the level of earnings that will enable it to maintain a sound management and pay stable dividends.

<After the inauguration of the Bypass>

- It is estimated that the Company's peak balance of long-term debt and payables will occur in FY2025 (which is the fiscal year when the Bypass is expected to commence commercial operations) and that the total balance of the Company's long term debt and payables at that time will stand at JPY4.9 trillion, less than JPY5 trillion (cf. the historical peak of JPY5.4 trillion was in FY1991), and further that after FY2025, the Company will be able to reduce its long-term debt at a higher rate than historical rates, based on its cash flow from operating activities of approximately JPY400 billion a year; it is estimated that the long-term debt will return to the current level in the eighth year following the inauguration of Bypass commercial operations.
- In FY2026 (which is when the Bypass operating costs and depreciation/amortization costs will become normalized), ordinary income will be approximately JPY70 billion, which is in the same level in FY1998 and 1999, and then will increase year after year as the debt and payables decrease, resulting in an average of approximately JPY140 billion a year for ten years between FY2026 and FY2035.

(Notes) Major Assumptions

(1) Operating Revenues:

- The Company will earn operating revenues as forecasted for FY2007 and maintain the same level before the inauguration of the Bypass. After the inauguration of the Bypass, operating revenues of the Company will increase by 5% in the fiscal year of inauguration and, by the tenth year after the inaugural year, increase gradually to a level that is 10% higher than pre-inauguration, because the *Chuo Shinkansen* would reduce by approximately 50% the transportation time between the Tokyo Metropolitan and Chukyo regions and we expect that

such reduction will not only permit the Company to revise fares and surcharges upward and also cause air passengers now traveling between the Tokyo Metropolitan and the Kansai/Sanyo regions to shift to *Chuo Shinkansen*. It is estimated that operating revenues will remain flat after the tenth year after inauguration.

(2) Costs and Expenses:

- As to the Bypass, the Company will employ an increasing number of personnel for construction work and education/training. The Company will recognize training and test operation costs two years prior to the inauguration of the Bypass. After the inauguration of the Bypass, the Company will recognize operating costs, depreciation cost, and property tax (\*) (approximately JPY330 billion in FY2026).

(\*) The Company expects to be allowed for special exemptions in relation to property tax as in the case of new *Shinkansen* lines (so-called *Seibi Shinkansen* project).

- For *Tokaido Shinkansen* and conventional lines, the Company expects to require the same level of staffing and the same level of operating expenses as those now required, before and after the inauguration of the Bypass.

(3) Capital Expenditure:

- For *Tokaido Shinkansen* and conventional lines, the Company will spend, in average, about JPY200 billion a year for required maintenance, renovation work necessary for enhancement of competitiveness, and for replacement of all “*Nozomi*” services with the series N700 rolling stock, as well as for the Yamanashi Maglev Test Line before the inauguration of the Bypass. After the inauguration of the Bypass, the Company will spend approximately JPY130 billion in capital expenditures for necessary maintenance and renovations.

- For the Bypass, it is estimated that the Company will spend approximately JPY5.1 trillion as construction costs and rolling stock expenses for approximately 290 km line of the Superconducting Maglev system, which are exclusive of the expenditure for intermediate stations and related costs that should be borne by local municipalities. After the inauguration of the Bypass, the Company will make investments necessary for maintenance and renovation of facilities.

2. The Company strongly wishes to receive instructions from the authority as to the rest of the *Chuo Shinkansen* surveys under Article 5 of the Law as soon as possible, in order to complete the first phase of the *Tokaido Shinkansen* Bypass on the premise that the Company would bear the cost for the project.

3. To this end, the Company believes that it is necessary to confirm basic issues in case of the private self-funding method under the Law when the function of the *Tokaido Shinkansen* Bypass will be served by the *Chuo Shinkansen* for which the Company has received instructions as to topographical and geological surveys under Article 5 of the Law (\*\*), and will make necessary inquiries to the Ministry of Land, Infrastructure and Transport.

(\*\*) Due to the fact that the Law has not been applied to a private company intending to proceed with a project with its own funding, we will confirm interpretations of this law with the said

ministry, especially from the viewpoint of whether this law may interfere with common practice for a private company, such as autonomy of capital expenditure and discretion of management.