

Securing the People's Trust

Three Reforms, Six Challenges

Ms. Takeshita: The JR East Group is operating businesses that are intimately connected with our daily lives; so many people are interested in knowing how you aim to evolve in the future. What can you tell us about your future objectives?

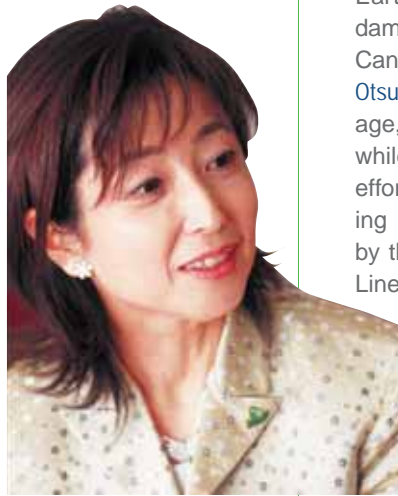
Otsuka: We are implementing initiatives based on *New Frontier 2008*, our newly-formulated medium-term business plan starting in fiscal 2005. This plan was set to help us rise to a higher level as a Trusted Lifestyle Service Creating Group, and clarify our new management orientation. It includes our three Reforms: the 'Mind-Set Reform' that encourages all employees to offer services that reflect the customer's standpoint, the 'Business Reform' to build a robust group and enhance the competitiveness and collective strength of the corporate group, and the 'Management Reform' with the double aim of fulfilling social responsibility and achieving sustainable growth. For the Mind-Set Reform in particular, we uphold our policy to "challenge ourselves to meet customer expectations," as our basic management philosophy, based on the knowledge that realizing customers' expectations is far from easy. However, we must clear the hurdles and take on the challenge for a range of possibilities.

Ms. Takeshita: My impression of the JR East Group is that it enriches our lives and makes them more convenient. Can you give us some concrete examples of your thoughts on adapting to changes in user lifestyles?

Otsuka: In order to fulfill customer expectations, we have developed a series of business strategies we call the "Six Challenges." The first is: Continue relentless efforts to provide safe and reliable transportation with the aim of providing ultimate safety. The second is: Reinvent our stations. We are promoting what we call a *Station Renaissance* to have customers see train stations as a second base for living, after their homes.

The third challenge is: Enhance the convenience and comfort of railway operations. Fourth: Enhance lifestyles through the *Suica* brand of train card and services. During fiscal 2006, we will start to offer customers interchangeable use of their *Suica* card with other transportation companies, and will expand the number of stores where it can be used for payment.

The fifth challenge is to expand our office space and hotel-related businesses, that is: Grow non-transportation operations further. Here, we are putting effort into our



Photograph: Koji Arimitsu

"Station Nursery Schools" business concept, and are in the process of intensive promotion of the service along the Saikyo Line.

The sixth challenge is: Focus on research and development. We are currently developing a high-speed Shinkansen train with a top speed of 360 km/h. We emphasize safety, of course, but comfort and convenience are also important. Another initiative is working to put a low-environmental-impact hybrid railcar, the NE Train, into service.

Fulfilling Corporate Social Responsibility, Achieving Sustainable Growth

Ms. Takeshita: I understand that the Niigata-Chuetsu Earthquake in October of 2004 caused some major damage, including the derailment of a Shinkansen train. Can you tell us about that?

Otsuka: Yes, the quake certainly did cause some damage, and the inconvenience to customers lasted for a while during the recovery, but thanks to the combined efforts of everyone involved, we succeeded in restarting services on all lines. The appreciation expressed by the people of Niigata when the Joetsu Shinkansen Line reopened underlined to me the extent of our impact – as a railway – on the local economy, and it also made me realize the degree of responsibility we have. I was reminded how important it is for us fulfill our responsibility to society as a corporation. I am deeply conscious that safety and peace of mind must be at the core of our service.

We are working hard to clarify the exact causes of the damage that occurred during the earthquake, and to do seismic upgrades and reinforcement work.

Ms. Takeshita: In recent years, the topic of corporate social responsibility has attracted a lot of attention. In your *New Frontier 2008* plan, I understand that you have included this as one of the basic themes. Can you tell us more?

Otsuka: Our business at the JR East Group is, in essence, intimately connected with society and communities. In this sense, we fulfill our responsibility to society by sustainably offering a safe and highly reliable railway service, as well as through businesses involved in lifestyle services that respond to customer needs.

We intend to continue to secure the trust placed in us by customers, shareholders, and communities, by maintaining a high sense of ethics and fully complying with laws and regulations, and through highly transparent management practices, as well as by dealing sincerely with the key issues of our day – issues like: adapting to the aging of society, protecting personal information, and recognizing the need for vitalization in local communities. In addition, since rail has lower environmental impacts than other modes of transportation, we will further promote the initiatives we have been working on,

Profile: **Keiko Takeshita**

Keiko Takeshita usually takes the heroine role, particularly on NHK television, and became a popular actress in Japan when still a student at Tokyo Women's University. She has played a wide range of roles on film and on stage, and has become an accomplished actress in both name and ability as the recipient of many awards.

Ms. Takeshita has served many social causes, including participating in a charity concert for relief efforts after the Hanshin-Awaji Earthquake of January 1995. She has also been active in environmental issues and, at the 2005 World Exposition, Aichi, Japan, served as the head of the Japan Pavilion.



Photograph: Koji Arimitsu

and further enhance the environmental advantages of rail over other modes of transportation.

Achieving Both Environmental Protection and Business Growth

Ms. Takeshita: In effect, what you are talking about is balancing efforts of environmental protection with business growth, correct?

Otsuka: That's right. We have established some quantitative targets to help us make steady progress in the environmental aspects of our business activities. Since we achieved most of our targets for fiscal 2005 by the end of fiscal 2003, including our goal to reduce CO₂ emissions to 20% below 1990 levels, we have set higher targets for fiscal 2008, and this time have also included new quantitative targets for the entire Group. We will be introducing energy-efficient railcars, and companies in the Group will be promoting the recycling of various kinds of waste, for example.

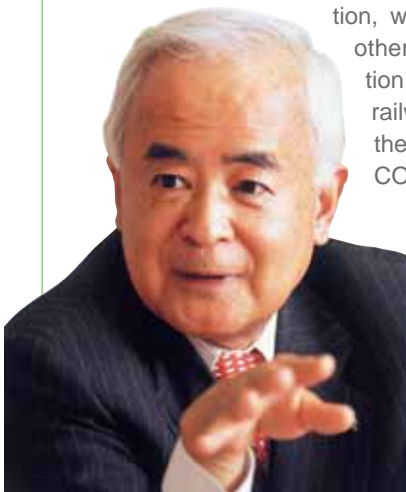
In the future we will continue to exert our full effort offering railways and other services that are a pleasure for our customers to use, and will continue in the expansion of business – with consideration toward the environment underpinning management thinking. For example, we will be promoting intermodal transportation, which combines rail and other modes of transportation, so that energy-efficient railways can contribute to the reduction of the overall CO₂ emissions associated with the movement of goods and people in society.

This interview took place in February 2005.

Mutsutake Otsuka

President
East Japan Railway Company

Mutsutake Otsuka



Photograph: Koji Arimitsu

Reflections on the Train Derailment on the Fukuchiyama Line of JR West

"Safety" has been the top priority for JR East since the day it was founded, and will continue to be so.

In April 2005, on the Fukuchiyama Line of JR West, a huge tragedy occurred, caused by a train derailment that resulted in the loss of 107 lives, and injury to over 500 people. I pray for the souls of those who lost their lives, and for the fast recovery of those who were injured.

Learning from this tragedy, JR East is looking back on our operation and making the utmost effort once again to ensure compliance with train speed limits, compliance with maintenance standards for railcars and structures, and health management of crews. We also had all our executives visit our local offices and facilities to exchange views with many employees, identifying any potential risks that may have been overlooked. It would be unacceptable to ignore the lessons of other companies, or to brush them off as if they don't concern us. There is no "finish line" when you're talking about safety measures. We will make our greatest possible effort each and every day to achieve "ultimate safety."

The number of railway operational accidents has dropped to about one-third what it was when JR East was established (fiscal 1987), but the fact is that the accident rate is still not zero. It is difficult to achieve a perfect safety record, but we aim for zero major accidents resulting in serious damage or injury. With a target of "zero customer and employee fatalities and injuries," we are now implementing our *Safety Plan 2008*, our fourth five-year plan.

After the Fukuchiyama Line accident, the ATS-P automatic train stop system has become the focus of much attention in terms of equipment-related safety measures. JR East has installed this system in almost all track sections of the Tokyo metropolitan area, and is working now to expand its coverage to other areas.