

To achieve sustainable growth even amid the challenging business conditions, we prepared *JR East 2020 Vision—idomu*—in order to establish and pursue ambitious goals, which address “how railways, and how we as a railway operators, should evolve over the coming 10 years.”



Satoshi Seino
President and CEO

Q At the end of fiscal 2008, JR East announced *JR East 2020 Vision—idomu*. Why did you conclude the *New Frontier 2008* medium-term management plan one year ahead of schedule and announce a long-term corporate management vision?

A Although our corporate management has made steady progress since JNR was restructured, we cannot predict the future. Under fierce and volatile business conditions, I felt we had to set and take on the challenge of new targets rather than feel satisfied with past successes.

More than 20 years have passed since the restructuring of JNR. During that period, thanks to a wide variety of support from our customers, shareholders, other investors, local communities, and individuals, our achievements have surpassed most predictions. We have reached the ultimate goal of full privatization. Also, in recent years JR East has performed solidly and realized higher revenues and earnings. Further, we have come close to achieving the numerical targets of our medium-term management plan *New Frontier 2008*, which ends in March 2009.

Looking ahead, however, business conditions are getting tougher and more volatile as society ages, the population falls, competition in the transportation market intensifies, and customer needs become ever-more exacting and varied. Given that operating environment, we must not rest on our laurels or slacken reform efforts. Therefore, we decided to begin preparing our next plan as soon as possible and taking on new challenges.

New Frontier 2008 Numerical Targets

	Fiscal 2008	Fiscal 2009 (Targets)
Consolidated Operating Cash Flow (4-year total)	¥1,465.2 Billion	¥2,000.0 Billion
Total Long-term Debt / Shareholders' Equity	2.2 Times	Approx. 2 Times
Consolidated Ratio of Operating Income to Average Assets (ROA)	6.4%	6.0%

Q Why did you announce a long-term corporate management vision, something that is rarely seen these days?

A We prepared a corporate management vision setting out the kind of company we want to be in 10 years time so that we could incorporate a long-term perspective, which enabled us to advance measures toward more-ambitious targets.

A characteristic of railway operations, the JR East Group's core business, is that it does not suddenly change today or tomorrow, but after 10 years it may undergo a transformation. A decade ago, *Suica*, the Shonan-Shinjuku Line, and the buildings at the Yaesu exit of Tokyo Station did not exist. We achieved those successes by developing ambitious concepts and steadily advancing long-term measures toward their realization.

Then, to achieve sustainable growth even amid the challenging business conditions, we prepared *JR East 2020 Vision—idomu—* in order to establish and pursue ambitious goals, which address "how railways, and how we as a railway operators, should evolve over the coming 10 years."

Q What are the features of JR East's new vision?

A One feature of the vision is its emphasis on the "*idomu*," mindset of pursuing fresh challenges and ambitious goals, another feature of the vision is a call to go beyond the frameworks of previous initiatives and achieve self reform by "Moving Up a Gear" in corporate management.

Our vision's characteristics are encapsulated by "*idomu*," which means challenge in Japanese, and "Moving Up a Gear."

The vision's "*idomu*" subtitle represents a mindset that all Group employees should share and that will drive all of the vision's initiatives. If we fall into the trap of thinking the methods that have brought us this far and enabled us to achieve full privatization will work in the future, we may, on the contrary, find it difficult to maintain even our present standing. We must revisit our origins and recapture the strong sense of crisis with which we tackled the restructuring of JNR. With that same urgency, JR East has to take on the challenge of developing a new corporate profile over the next decade. Mindful of this, we chose "*idomu*" as a key theme.

Under the theme of "Moving Up a Gear," we have identified specific initiatives in seven areas. We will tackle such initiatives as "Increasing focus on investment to raise corporate value" and "Opening the way to new business areas" using methods that depart from previous approaches. Taking cars as an analogy, we will move initiatives that are still in second gear up to third gear and beyond so that we can step up their pace. Also, we will adopt new methods and ways of thinking.



For more details about *JR East 2020 Vision—idomu—*, please refer to the brochure.

Q The *JR East 2020 Vision—idomu*—identifies “things that must change” and “things that must not change.” “Things that must change” covers “Moving Up a Gear” initiatives, what are the “things that must not change”?

A “Things that must not change” include the “JNR reform” mindset that is a part of our DNA and our earnest pursuit of “safety” as the highest priority of corporate management.

While there are aspects of JR East that have to change in response to changing business conditions, there are aspects that JR East must protect. Aspects we need to uphold are the “JNR reform” mindset and our earnest pursuit of “safety.”

In restructuring JNR, the three fundamental goals were to achieve “autonomous corporate management,” “corporate management rooted in local communities,” and “companies that respond appropriately, flexibly, and promptly to changing times and conditions.” In order to avoid repeating the failures of JNR, we must never forget the “JNR reform” mindset. We have to pass it on as part of JR East’s DNA.

Further, safety is our highest priority. Accordingly, our vision sets out an “unflinching commitment to extreme safety levels.” For safety, there are never “full marks,” but we will work tirelessly to get as close as possible to a perfect score.

Q You mentioned “extreme safety levels,” what kind of challenges is JR East taking on in this respect?

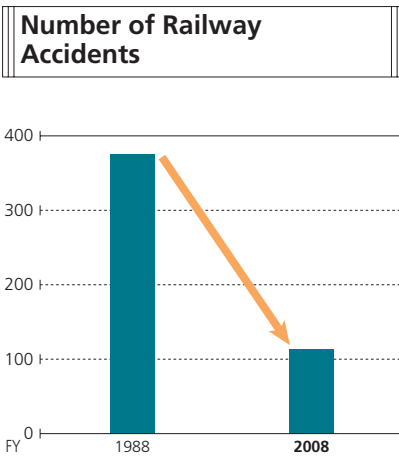
A By always concentrating on safety through the areas of safety infrastructure and safety awareness, we want to firmly place safety at the heart of our organizational culture.

JR East has reduced operational railway accidents to approximately one-fourth of their level at the time of its establishment. In recent years, however, major accidents have occurred, such as the accident on the Uetsu Line in 2005 in which five passengers lost their lives. Continuing to pursue the goal of eliminating accidents that result in the death or injury of customers and the death of employees, including the employees of Group companies and partner companies, we will implement measures that improve safety infrastructure and safety awareness.

For safety infrastructure, JR East will continue to advance its “Priority Improvement Plan for Safety Equipment.” We will eradicate accidents that can be avoided by upgrading systems for railway operations and maintenance. Since the train collision at Higashi-Nakano Station in 1988, JR East has invested more than 40% of non-consolidated total capital expenditures on safety. I want to continue taking a wide variety of safety measures. For example, we will continue installing safety equipment, such as ATS-P automatic train stop devices that prevent derailments and collisions. Also, we plan to introduce automatic platform gates on the Yamanote Line.

For safety awareness, we will continue educational and training initiatives for each employee who is responsible for safety. By encouraging frontline employees to discuss frankly hidden potential causes of accidents and safety weak points to prevent accidents based on the *Challenge Safety* program, we aim to heighten the capabilities of the individual employees that are responsible for ensuring future safety and strengthen the organization.

JR East’s ceaseless efforts to further improve safety not only focus on railway operations, in which customers entrust us with their lives, but on its life-style businesses, which many customers use regularly. Measures to prevent accidents never end.



Q On the other hand, “Moving Up a Gear in Seven Areas” gives the impression of a strong determination to change. Is the first initiative under that heading, “Increasing focus on investment to raise corporate value,” a good example of JR East’s efforts to shift into a higher gear?

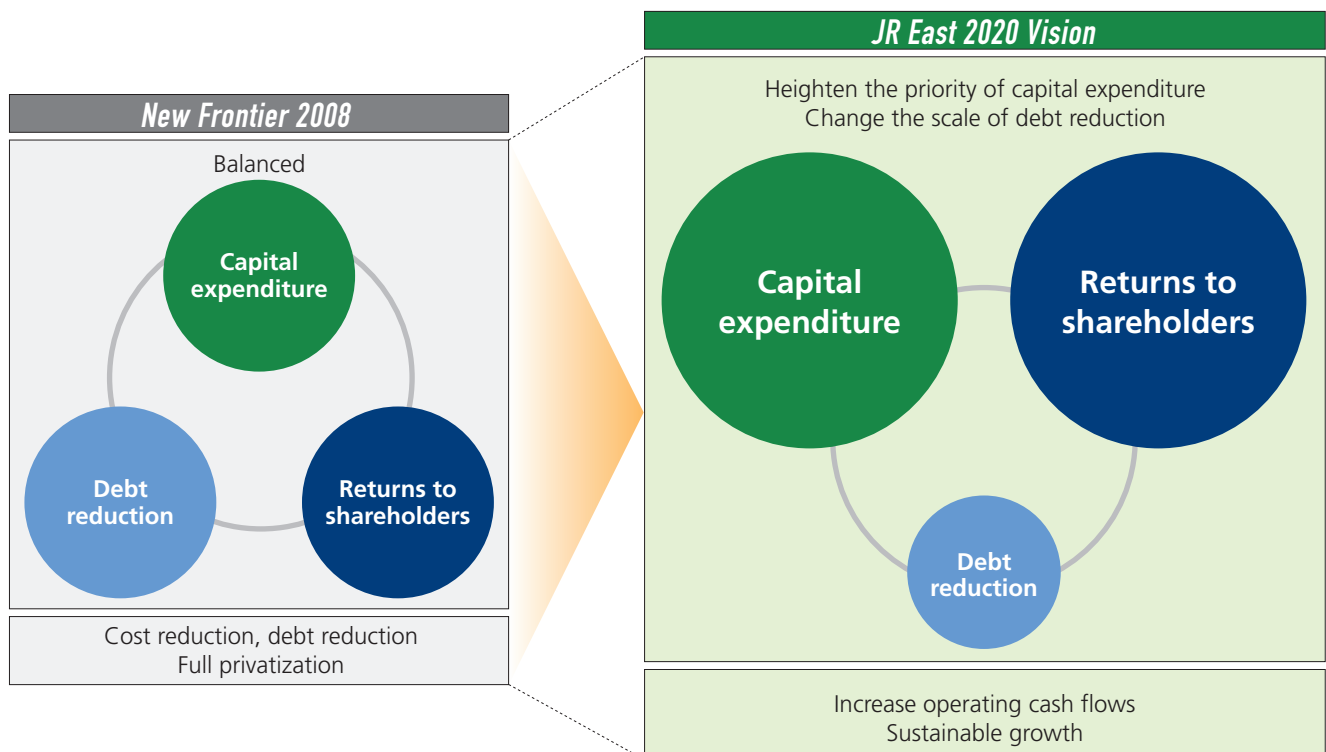
A Until now, we have reduced total long-term debt to strengthen management foundations. However, we have raised the priority of forward-looking investment in growth and will increase such investment accordingly. At the same time, we will heighten the priority of returns to shareholders.

Because JR East started with a massive debt and high interest payments, for some time after its establishment reducing total long-term debt to strengthen its financial position was the uppermost corporate management consideration. Therefore, in principle, we kept capital expenditures within the scope of depreciation. But under *New Frontier 2008*, we stepped up investment to achieve a balance among the reduction of total long-term debt, capital expenditure, and returns to shareholders.

Under *JR East 2020 Vision—idomu—*, we have changed our way of thinking about the ordering of three priorities and decided to give priority to capital expenditure and returns to shareholders. Therefore, we aim to increase operating cash flow by adopting a more aggressive stance that steps up capital expenditure in order to achieve growth in future, expand operations, and strengthen operational foundations.

JR East will further heighten returns to shareholders and aims to increase the consolidated dividend payout ratio to 30% in stages. In addition, we will take wide-ranging measures that include the flexible acquisition of treasury stock. Of course, we will continue reducing total long-term debt, but we will revise the size of reductions.

Investing Aggressively to Raise Corporate Value





Q Would it be correct to say that the first change of gear links to your second aim of “Opening the way to new business areas”?

A We will look for new operations to establish alongside transportation operations, life-style businesses, and *Suica* operations, such as overseas operations and *WiMAX* operations.

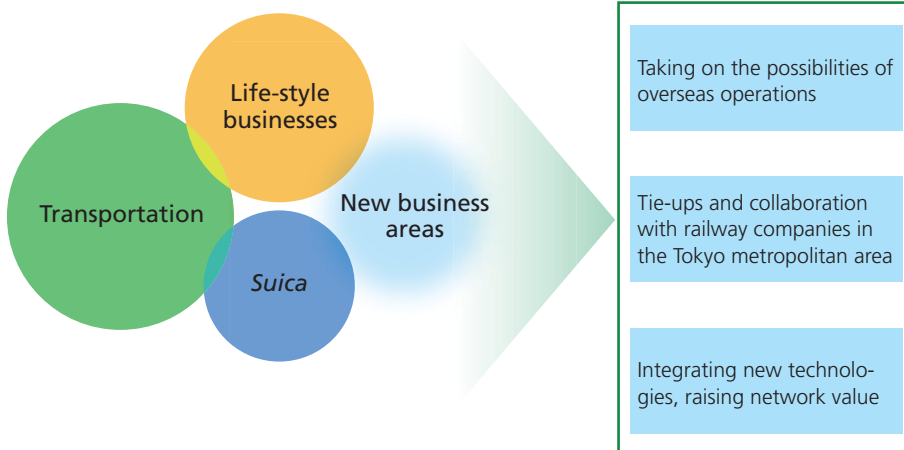
We are considering the possibility of taking on overseas operations as one of our new business areas. While many countries are achieving remarkable economic development, against a backdrop of worsening global environmental problems, recent years have seen the emergence of a new attitude to railways as mass transportation systems with environmental advantages. Exploiting our technology and expertise, I want to spread Japanese railway technology overseas to contribute to the development of railways worldwide. I envision us involved in overall coordination based on the collective efforts of experts in the fields of railcars, signals, and civil engineering. To that end, we have already begun developing in-house systems.

Another potential new business area is high-speed large-capacity broadband communication services that use *WiMAX* next-generation high-speed wireless

technology. As well as potentially enabling us to provide information to passengers and carry advertisements through digital hanging posters in railcars, *WiMAX* technology could dramatically improve our internal operations.

Until now, when talking about the pillars of our business we have referred to transportation operations as the first, life-style businesses as the second, and *Suica* operations as the third. Looking ahead, I want to find operations that have the potential to become the fourth pillar of our business.

Opening the Way to New Business Areas



Q Can you outline plans for the third initiative, which is related to global environmental problems?

A We will meet society's expectations by increasing railway usage and thereby reducing society's overall CO₂ emissions, and further lessening the environmental burden of railway operations. To that end, we aim to halve CO₂ emissions and intensify technology development efforts.

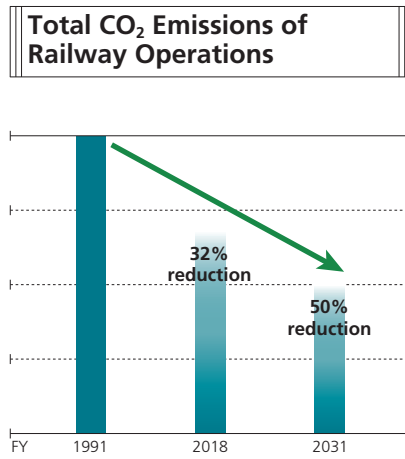
I think we have reached a point where concrete action is needed to solve global environmental problems. Also, I believe that the role of railways as an environment-friendly mode of transportation is likely to grow. Per person over the same travel distance, trains produce only one-tenth of the CO₂ emissions of automobiles and one-sixth of those of aircraft.

Keeping abreast of the latest technological advances, JR East has reduced CO₂ emissions through such efforts as the introduction of energy-saving railcars and diesel hybrid railcars. In fiscal 2008, JR East's CO₂ emissions were down 23% compared with fiscal 1991 levels. By fiscal 2018, we hope to have reduced emissions by 32% compared with fiscal 1991 levels. Further, we aim to halve emissions compared with fiscal 1991 levels by fiscal 2031.

Although we are setting the bar very high, I think we can reach those targets if we advance existing measures more vigorously while concentrating efforts on developing and introducing new technologies to remain in the vanguard of environmental railway technology. With that in mind, JR East's initiatives include the establishment of the Environmental Technology Research Center, which is energetically tackling global environmental problems with a long-term perspective. Just one example of the center's projects is the development of fuel-cell hybrid railcars.

As part of environmental management efforts, we will begin building *eco stations* that will serve as models for a range of measures to reduce the environmental burden within railway stations, such as solar power generation, LED lighting, and greening. Our ideal is to generate all of the electricity used by those stations ourselves.

Also, in efforts to reduce society's overall CO₂ emissions, we are collaborating with local governments and operators of other transportation systems to realize trouble-free connections and other measures that will create a public transport network rivaling the convenience of private cars and encourage more customers to choose to leave their cars at home.



Tackling Global Environmental Problems

Reducing total CO₂ emissions of railway operations

Reduce 50% by fiscal 2031
(Government recommendation: 50% reduction worldwide by 2050)

Reducing environmental burden

Introducing reusable energy
Energy-saving railway stations: "eco stations"
Energy-saving railcars, hybrid railcars
Regenerating railway trees

Public transportation network providing convenience rivaling private cars

Collaboration with other railway, bus, and taxi companies

Q What does the fourth initiative, “Upgrading the Tokyo metropolitan area railway network to make line-side areas more attractive and convenient,” entail?

A JR East will strengthen the Tokyo metropolitan area network, the JR East’s largest source of earnings, and encourage a shift from cars to trains by collaborating and coordinating with operators of other railways and transportation systems. Also, we intend to create attractive railway lines that make people want to live alongside JR East railway lines.

Japan has an ageing population with a declining birthrate. However, according to national statistics, the population of the Tokyo metropolitan area is forecast to increase until 2015. I think this is one of JR East’s advantages. Amid those conditions, in order to further heighten competitiveness, from now we will strengthen the Tokyo metropolitan area network as our earnings mainstay to actualize potential demand and add momentum to the shift from car usage to train usage. Further, we will link those efforts with initiatives to make line-side areas more attractive and convenient.

In efforts to strengthen the Tokyo metropolitan area network through collaboration with other railway operators, we began limited express through services based on cooperation with Tobu Railway Co., Ltd., in March 2006. Also, we are moving forward with preparations for the commencement of mutual through services with Sagami Railway Co., Ltd. (commonly known as Sotetsu), slated for fiscal 2015. An in-house project will extend the services of the Utsunomiya Line, the Takasaki Line, and the Joban Line to Tokyo Station by constructing the Tohoku Through Line. The resulting through services will increase convenience, ease crowding, and shorten journey times.

Further, for the “Tokyo mega loop” lines encircling the Tokyo metropolitan area, the Musashino Line, the Keiyo Line, the Nambu Line, and the Yokohama Line, we will further improve the convenience and comfort of line-side areas with respect to transportation services and life-style services.

Among other projects, the completion of a continuous series of level-crossing overpasses on the Chuo Line between Mitaka and Tachikawa will open up a new area under the elevated railway tracks stretching through western Tokyo. As well as completing the introduction of new-type railcars to the Chuo Line, we will make its line-side

areas more attractive and convenient by developing that new area under the elevated railway tracks from the perspective of town development, rather than simply developing railway stations themselves within the area.

In conjunction with those initiatives, to support the advancement of women in society and the diversification of lifestyles, we are increasing the number of station-based nursery schools. Through such initiatives targeting transportation services and life-style services, we hope to create attractive railway lines that make people want to live alongside JR East railway lines.

- ① Through Operations with Tobu Railway Co., Ltd.
- ② Through Operations with Sagami Railway Co., Ltd.
- ③ Tohoku Through Line
- ④ Tokyo Mega Loop
- ⑤ Chuo Line





Q How will JR East realize its fifth goal of “Invigorating regional railway lines and interregional communications”?

A We will promote the charms of regions in the JR East service area and create travel demand by collaborating with local governments to develop tourism. For regional railway lines, we will reevaluate line segments in accordance with medium-to-long-term outlooks for usage while rejuvenating facilities and railcars. At the same time, the JR East Group will continue to fulfil its responsibility toward regional networks.

Regions face increasingly tough economic conditions due to declining populations and the ageing of society. In response, while building collaborative relationships with local communities, we will step up measures to address those problems through our operations.

A key initiative is generating travel demand by helping to develop tourism. The JR East service area has tourism resources that are not as well known as they should be. Using the opportunities presented by the extension of Shinkansen lines—the planned commencement of services to Shin-Aomori on the Tohoku Shinkansen Line in fiscal 2011 and to Kanazawa on the Hokuriku Shinkansen Line in fiscal 2015—and we will work closely with local communities to highlight the appeal of tourist destinations in eastern Japan.

Meanwhile, revision of regional railway lines based on the medium-to-long-term outlooks for usage will become necessary.

For intercity networks, we will rejuvenate facilities and railcars. At the same time, to ensure the continuation of railway lines, we will reassess and improve complex, large facilities and equipment to reflect conditions resulting from extensions and improvements to the road network.

Regarding regional networks, we will continue efforts aimed at increasing their usage and rigorously improving the efficiency of operational management. If full examinations of usage conclude that, even with such efforts, for certain line segments it will be extremely difficult to maintain railways as a mode of transportation, JR East will change over to and operate non-railway transportation in order to maintain and improve service levels.

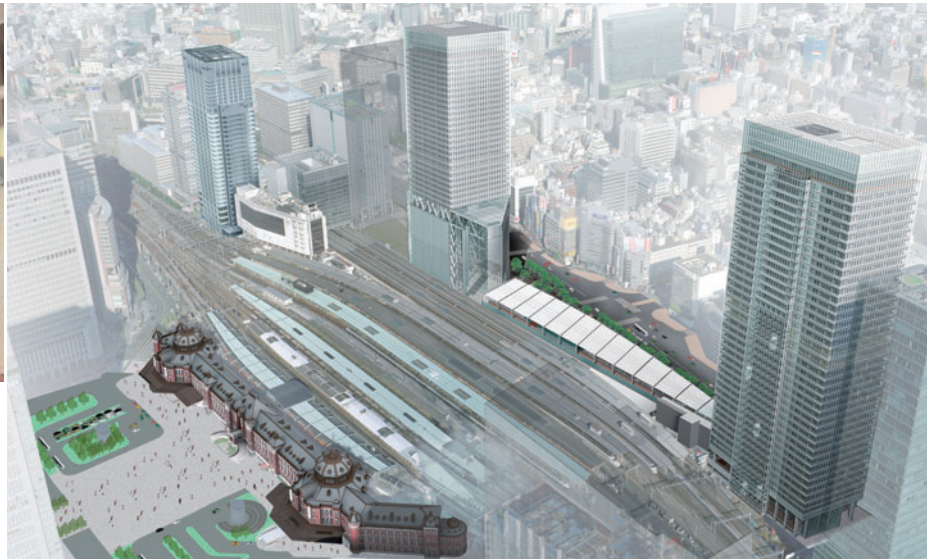


Q Can you explain JR East's sixth stepped-up initiative of "Developing life-style businesses aggressively, increasing non-transportation operating revenues to approximately 40% of total operating revenues by fiscal 2018"?

A As a source of future growth, we will accelerate efforts to develop life-style businesses by advancing the *Station Renaissance* program and the large-scale development of terminal railway stations.

JR East has developed life-style businesses that create synergistic benefits with railway operations by developing *ekinaka*, or spaces within railway stations, and constructing and remodeling buildings in or near railway stations. However, we will expand such initiatives.

Our *Station Renaissance* program has driven those efforts, and we intend to expand and strengthen the program with a focus on downtown railway stations. In addition to developing railway stations themselves, we will begin making line-side areas of railway lines more attractive and convenient and developing areas. A good example of making line-side areas more attractive and convenient is the *Chuo Line Mall* (provisional name) concept for developing areas under elevated railway tracks as we complete a continuous series of level-crossing overpasses on the Chuo Line.



Also, we will steadily undertake large-scale development of terminal railway stations. Plans call for the development of office buildings at the new south exit of Shinjuku Station and at Chiba Station, at west and east exits of Yokohama Station, and at Shibuya Station. In addition, we will free up a large area of developable land near Shinagawa Station by consolidating and transferring a rail yard and changing the position of railway tracks.

At the time of JR East's establishment, non-transportation operating revenues accounted for roughly 20% of total operating revenues. Twenty years on, we have lifted that figure to about 30%. By fiscal 2018, I want to raise it to 40%. Adding another 10% in half the time, in 10 years, is ambitious given the large share of total operating revenues that railway operations currently account for, but I think we can do it through accelerating progress by "Moving Up a Gear."

Q In the seventh area, what are your plans for "Establishing *Suica* operations as a third pillar of operations"?

A We will spread *Suica* throughout railway networks in Japan as the nation's de facto IC passenger ticket. Also, we will establish *Suica* as the number one electronic money and develop *Suica* businesses into operations that make an even larger contribution to Group earnings.

Since we launched *Suica* in November 2001, customer convenience has risen dramatically thanks to our efforts to realize seamless services through the introduction of electronic money, *Mobile Suica*, and mutual use with *PASMO*. Ten years ago, I think, none of us imagined tickets would become IC cards or mobile phones would become commuter passes and usable as electronic money for shopping. The next 10 or 20 years may bring further unimagined, radical change.

In addition to the areas where we have already established mutual use, we plan to begin *Suica* mutual use in the Sapporo and Fukuoka areas. Our goal is to spread *Suica* throughout railway networks in Japan as the nation's de facto IC passenger ticket.

As for electronic money, we aim to increase the scope and frequency of its usage. Currently, *Suica* electronic money accounts for one million transactions daily at the most. We are targeting eight million transactions daily by the end of fiscal 2011. We will reach that target by further rolling out *Suica* in city shopping streets to make it the number one electronic money for shopping beyond railway stations. At the same time, we will transform *Suica* electronic money into a payment method on an equal footing with cash or credit cards. In the future, although it may require joint efforts with other providers of electronic money, I want to create a world where if you have *Suica*, you will not need cash.



Q In addition to fresh approaches under the “Moving Up a Gear” initiatives, the new vision includes initiatives under the heading of “Ongoing Efforts.”

A For such initiatives as “Heightening customer satisfaction even further” and “Developing Human Resources” we will not change our policies, but we will continue seeking even higher levels of achievement. Since, those initiatives are as important as “Moving Up a Gear in Seven Areas,” we will continue pursuing them.

For “Ongoing Efforts,” we will not change our policies, but we will continue seeking even higher levels of achievement. “Heightening customer satisfaction even further,” “Developing human resources,” and “Advancing research and development aggressively” and other initiatives in “Ongoing Efforts” are another main plank of the corporate management vision, and there is no difference in the importance of initiatives of “Moving Up a Gear in Seven Areas” and “Ongoing Efforts.” I believe that effective corporate management should combine initiatives that call for a pioneering spirit and those that require conviction and unflinching effort.

For example, we intend to realize “Heightening customer satisfaction even further” by advancing existing efforts to further improve the stability of transportation and realize railway stations that customers can use comfortably and confidently. Accordingly, we have set ourselves very challenging targets. For the average over the three-year period from fiscal 2009 to fiscal 2011, we aim to reduce the total duration of delays caused by ground equipment failure in the greater Tokyo area 50% compared with those in fiscal 2006, and we aim to reduce railcar failures in the greater Tokyo area in fiscal 2011 to two-thirds of those in fiscal 2006.

Similarly, regarding “Developing human resources,” we are aware that handing down skills to the next generation is a very pressing issue for us. Therefore, we conduct mass training at training centers and encourage employees to fully pass on their expertise day-to-day at workplaces through on-the-job training.

“Advancing research and development aggressively,” “Expanding the Shinkansen network and increasing earnings from railway operations,” and “Expanding life-style businesses” are also initiatives that we will continue tackling. Among such efforts, we will conclude the *Tokyo Station City* project, which covers a 10-year period, in fiscal 2014, after completing restoration of the Tokyo Station Marunouchi redbrick building in fiscal 2012 and beginning operations at the *Tokyo Station Hotel* (provisional name) in fiscal 2013.





Q What kind of corporate profile do you want to develop for JR East?

A JR East should continue as a *Trusted Life-style Service Creating Group* that gives customers peace of mind. Based on *JR East 2020 Vision—idomu—*, I want to take on the challenge of leading the Group toward realization of its ideal corporate profile.

The JR East Group's overriding goal is to remain a *Trusted Life-style Service Creating Group*. I want JR East to be a Group that gives customers peace of mind when they hear our name. To explain further, by routinely providing safety, accurate service schedules, and comfort, I want us to be an entity that people do not normally think about but one that they need for everyday life, like oxygen.

Also, I want shareholders and other investors to feel sure that JR East will continue to grow steadily. Our goal is to have local communities trust us because they feel JR East contributes to their community. In addition, I want each employee to enjoy working based on a sense of assurance that JR East is a company in which they can work hard and achieve their ambitions. That is my ideal company.

We do not have a specific milestone that will mark the end of efforts to develop our corporate profile. Rather, I want us to develop into an organization that can boldly continue taking on ambitious targets and overcome the array of issues that we will encounter.

As we move forward, the recently announced *JR East 2020 Vision—idomu—* will be our guide. In the process of realizing JR East's ideal corporate profile, my most important mission is to provide the Group with leadership and continue taking on challenges.