

October 30, 2012  
East Japan Railway Company

## **JR East Group Management Vision V - Ever Onward**

JR East was established as a result of the reform and privatization of Japanese National Railways (JNR) 25 years ago, and the Group is now at a crossroads of moving on into the next quarter century. With this as an impetus, and in light of major changes in our operating environment, for instance as a consequence of the Great East Japan Earthquake, JR East has just formulated a new management vision entitled “JR East Group Management Vision V - Ever Onward.” This fifth management vision since the Company was established aims to once again renew the courses of action for the Group going forward.

The vision was formulated based on “Key Challenges Over the Next Three Years (FY2013 through FY2015),” which was announced in April 2012. In anticipation of changes in the social environment through around 2020, the vision was drawn up to set forth management’s basic direction and the Group’s specific priorities for execution.

Having positioned the continual fulfillment of “Eternal Mission,” and growth through “Pursuing Unlimited Potential” as two important pillars, the JR East Group will make a fresh start to revitalize the East Japan area, the Group’s home ground, along with Japan as a whole.

### ***1. Our Starting Points—Background to Formulating the Management Vision***

#### **◆ Awareness of Issues When Formulating the Management Vision**

- Through experience derived from the Great East Japan Earthquake, JR East recognized the importance of ties with communities and high expectations for the JR East Group from society. As a company responsible for railways, which are a crucial social infrastructure, we have reaffirmed the mission we must fulfill and its importance.
- Our operating environment has changed dramatically as a result of the Great East Japan Earthquake. There is still much more work that must be done to fully recover from the earthquake. Moreover, the earthquake has brought into sharp relief certain issues that Japan faced even before the earthquake, such as an aging and declining population, the hollowing-out of industry, and the dwindling strength of regional economies.
- Japan must also tackle urgent new issues, such as the accident at Fukushima Daiichi Nuclear Power Station and persistent power shortage problems.

⇒ Having positioned the Great East Japan Earthquake as our second starting point following the reform and privatization of JNR, we must once again ask ourselves what role we must play, and how we should direct our evolution in light of the various challenges we face.



**JR East has formulated a new management vision entitled “JR East Group Management Vision V — Ever Onward,” with a view to achieving sustainable growth and responding to high expectations from society.**

## 2. Our Calling—Basic Courses of Action for Management

### (1) Eternal Mission and Pursuing Unlimited Potential

Under “JR East Group Management Vision V — Ever Onward,” JR East has positioned “Eternal Mission,” and “Pursuing Unlimited Potential” as two important pillars and has established six basic courses of action for the Group.

#### ◆Eternal Mission

The JR East Group’s fundamental mission is to provide safe and high-quality services that customers expect of the JR East Group and conduct railway and life-style businesses, with the aim of contributing to the growth and prosperity of communities. This fundamental mission will never change through the years. We have once again positioned this mission as a key tenet of management. At the same time, we will make relentless efforts to ensure that the content and quality of our services properly answer the expectations of society.

- ① Pursuing “extreme safety levels”
  - Building a railway capable of withstanding natural disasters
- ② Service quality reforms
  - Enhancing rail transportation network and other measures
- ③ Strengthening collaboration with local communities
  - Supporting earthquake recovery, stimulating tourism and revitalizing communities

#### ◆Pursuing Unlimited Potential

The JR East Group must achieve sustained growth in order to continue to fulfill its three-part eternal mission in the years ahead. In a fast-changing environment, maintaining the status quo will only mean falling behind. Unless we constantly take on the challenge of reaching new goals, we will be unable to achieve growth. From the three perspectives outlined as follows, the JR East Group and each and every Group employees will pursue the Group’s unlimited potential.

- ① Technological innovation
  - Forging strategies for conserving energy and the environment, utilizing ICT (information and communication technology) and operating Shinkansen at faster speeds
- ② Tackling new business areas
  - Globalization
- ③ Develop employees and create a corporate culture that maximizes human potential

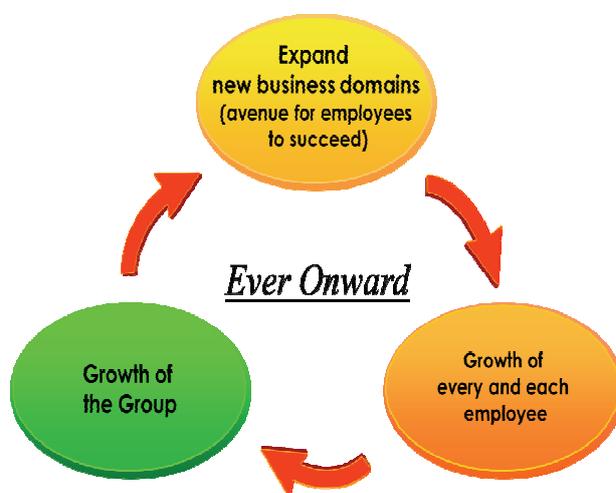
## (2)The JR East Group’s New Key Phrase

### Thriving with Communities, Growing Globally

- As a corporate citizen, we are determined to fulfill our mission to draw a blueprint for the future together with members of the community as we do our part to build vibrant communities.
- To unlock our full potential, we must boldly step out into the world, with the aim of achieving growth. We have enshrined the foregoing two themes into our new key phrase for the Group as a whole.

### 3. Ever Onward

We have adopted “Ever Onward” as the subtheme of “JR East Group Management Vision V.” This subtheme carries forward the spirit of “Idomu” championed in JR East 2020 Vision — idomu —, our management vision formulated in March 2008. “Ever Onward” embodies our strong determination to drive the growth of our employees and the JR East Group as a whole by embracing new challenges such as technological innovation and globalization, as we pursue our unlimited potential.



### 4. Eternal Mission

#### (1) KIWAMERU (Excel): Pursuing “extreme safety levels”

- Based on experience derived from the Great East Japan Earthquake, we will work to implement earthquake countermeasures in preparation for events that are conceivable such as an earthquake directly beneath the Tokyo metropolitan area, focusing on both tangible and intangible aspects, in an effort to build a railway capable of withstanding natural disasters.
- We will strengthen countermeasures against train collision and derailment accidents and rail crossing accidents, along with installing automatic platform gates on station platforms. In these and other ways, we aim to promote the development of railways that customers can utilize without anxiety
- We will continue to tirelessly work to improve safety by pursuing a goal of “zero accidents involving passenger injuries or fatalities and zero accidents involving employee fatalities (including employees of Group companies and partner companies).”

◀Main Points\*▶

*\* Key initiatives incorporating new perspectives that the Group will work on following the newly formulated management vision. Please see the attachment (full text of management vision) for other initiatives.*

- ◇ Countermeasure for major earthquakes
  - We will promote further seismic reinforcement and other countermeasures at a total cost of approximately ¥300 billion, positioning the next five-year period (from FY2013 to FY2017) as an intensive implementation period.
  - Considering the status of damage projections and disaster preparedness plans of national and local governments, we will strive to address any additional remaining risks.
- ◇ Automatic platform gates
  - Yamanote Line: We will accelerate the installation of automatic platform gates. By FY2016, automatic platform will steadily enter service at 23 stations, excluding stations where major renovations are scheduled.
  - Other lines: We plan to install automatic platform doors mainly at stations used frequently by visually challenged customers, while discussing these matters with the relevant organizations.

(2) **MIGAKU (Improve):** Service quality reforms — Enhancing rail transportation network and other measures

- We aim to become No.1 in customer satisfaction in the railway industry by honing the quality of transportation services while rigorously pursuing passenger-friendly railway services.
- We will generate new sources of demand, such as tourism, by steadily promoting several major projects. These include the forthcoming launch of service on the Tohoku Through Line, as well as new operations of the Hokuriku Shinkansen to Kanazawa and the Hokkaido Shinkansen to Shin-Hakodate (provisional name).
- Besides striving to create new demand by upgrading and enhancing services for seniors, we will promote measures to enhance the convenience of Suica. Through these sorts of measures, we aim to further popularize Suica in society as an essential social infrastructure in daily life.

◀Main Points▶

- ◇ Improving transportation quality
  - We aim to reduce the number of service disruptions caused by railcar and equipment malfunctions attributable to JR East within a 100 km radius of Tokyo to one-third the current level (Number of transportation incidents per 1 million rolling stock kilometers in FY2012: 0.06)
  - We will strengthen measures to quickly resume operations, and stop the impact of service disruptions from spreading further, as well as provide passengers with more information, in the event of a service disruption.
- ◇ Pursuing customer-friendly railway services
  - We will enhance service management by each line-side area in consideration of the needs and characteristics of each line-side area

- ◇ Improving the quality of the Tokyo metropolitan area railway network
  - We will begin operation of the Tohoku Through Line. (Passengers will be able to take the Joban, Utsunomiya and Takasaki lines to Tokyo Station, and areas served by the Tokaido Line.)
  - We will steadily improve service with respect to the "Tokyo Megaloop" (an outer loop around Tokyo formed by the Musashino, Keiyo, Nambu and Yokohama lines), Chuo Line and other routes.
  - We will seek to explore the commercial feasibility of establishing new stations from many strategic angles.
- ◇ Expanding the intercity transportation network — Growing Shinkansen, expanding tourism. Discovery of new travel routes —
  - We will utilize the launch of the Hokuriku Shinkansen to Kanazawa and Hokkaido Shinkansen to Shin-Hakodate (provisional name) as an opportunity to encourage large numbers of people to travel to these areas. This will be done in tandem with establishing attractive travel routes, with the aim of promoting tourism covering large areas.
  - We aim to further expand segments where the Tohoku Shinkansen is operated at 320 km/h.
- ◇ Enhancing the convenience of Suica as social infrastructure
  - We will commence nationwide mutual usage service of IC cards issued by transportation companies (spring 2013)
  - We will introduce Suica at stations in regional areas serving large numbers of customers from the Tokyo metropolitan area
  - We aim to increase the maximum number of electronic money transactions to 5 million a day in FY2016, and 8 million a day by FY2021.  
(Past record-high: about 3.4 million transactions a day (result for July 27, 2012))
- ◇ Enhancing services for seniors
  - We aim to increase membership of Otona no Kyujitsu Club (a membership club for seniors operated by JR East) to 2 million by FY2016 (1.55 million as of September 30, 2012).
  - We will work with local governments in regional cities from the perspective of cooperating in their town development initiatives for seniors

**(3) TOMO NI IKIRU (Together):** Strengthening collaboration with local communities

— Supporting earthquake recovery, stimulating tourism and revitalizing communities

- As a company responsible for railways, which are a crucial social infrastructure, and a member of communities, we will consider the future of communities together with local communities and take action accordingly.
- We have positioned the next five years (through FY2017) as an intensive period in which reconstruction from the earthquake will remain an urgent priority. Therefore, we will diligently execute measures to revitalize communities and promote tourism in ways unique to JR East.

- In the life-style business, we will promote three town development perspectives that will see us conduct development and business expansion initiatives integrated with towns surrounding stations. These measures will be centered on the development of large-scale terminal stations, the Tokyo metropolitan area railway network and core regional train stations.

«Main Points»

- ◇ Restoration of segments along the Pacific coast damaged by the tsunami
  - We will coordinate our efforts to restore conventional lines along the Pacific coast that were damaged by the tsunami caused by the Great East Japan Earthquake with other plans to rebuild the area as a whole and develop towns. To this end, we will hold discussions with the national and local governments.
  - We will steadily promote restoration and other work on railway routes (segments) for which restoration has been decided.
  - Provisional restoration using a BRT (Bus Rapid Transit) system—Kesennuma Line: full-scale BRT operations by the end of 2012; Ofunato Line: full-scale BRT operations in spring 2013; Yamada Line: negotiations with the local governments on plans how to restore the Yamada Line are ongoing
- ◇ Promoting Japan as a tourism-oriented nation
  - Joint destination campaigns will be conducted in the Tohoku region by the six JR companies, and original Visit Tohoku campaigns will be held by the JR East Group.
  - We will introduce new high-grade trains, for the purpose of proposing appealing travel plans possible only on railways.
  - We will establish sightseeing routes aimed at expanding the number of tourists visiting Japan ("Golden Route for Travel in East Japan")
- ◇ Driving further growth in the life-style business—Three town development perspectives
  - Large-scale terminal stations: Seeing train stations as “towns” in their own right, we will strive to increase the value of train stations and the entire area surrounding each station (Tokyo, Shinjuku, Shibuya, Shinagawa, Yokohama, Chiba and Sendai Stations)
  - Tokyo metropolitan area network: we will continue to develop a line-side area brand that is chosen by consumers by developing areas from the multidimensional perspective of town development, and not just the railway stations uni-dimensionally.
  - Core regional cities: From the third perspective of collaborating with local governments and other entities, we will strive to revitalize these cities by renewing station facilities, renovating station buildings, and enhancing public and community functions, and develop stations that symbolize the town and surrounding areas as a whole.
- ◇ Measures to fulfill our role as provider of regional transportation
  - We will develop trains based on new concepts that people seek to board just for the "ride" itself.

- We will work to increase the operating efficiency on regional routes.
- ◇ Revitalizing local industries
  - Leveraging the JR East Group's sales networks and expertise, we will seek to contribute to the sextic industrialization of the agriculture, forestry and fisheries industries and increase demand for locally produced goods.

## 5. Pursuing Unlimited Potential

(1) **HIRAKU (Pioneer):** Technological innovation — Forging strategies for conserving energy and the environment, utilizing ICT (information and communication technology) and operating railways at faster speeds

- We will vigorously promote technological innovation by embracing the approach of open innovation where we utilize external development capabilities and intellectual property.
- We will emphasize measures to establish energy and environmental strategies in light of Japan's prolonged power shortage issues, develop new railway systems utilizing ICT that are unfettered by conventional notions, and embrace the challenge of operating Shinkansen at a maximum speed of 360 km/h.

### «Main Points»

- ◇ Establish energy and environmental strategies
  - We will work to upgrade the facilities and improve the power generation efficiency of Kawasaki Thermal Power Station, while upgrading our privately operated power grid.
  - We will expand the introduction of solar power generation, while pursuing R&D activities focused on new renewable energy sources.
  - We will promote R&D directed at revolutionizing train operation systems (automatic power-saving train operation and train operation free of catenary utilizing high-performance storage battery systems, etc.).
  - We will strive to introduce smart grid technology to train power systems in order to further boost the efficiency of energy usage.
  - Environmental targets (Targets for FY2021) —Energy usage by railway operations: reduce by 8% (compared to FY2011); CO<sub>2</sub> emissions coefficient of JR East's own power plants: improve by 30% (compared to FY1991)
- ◇ Utilizing ICT
  - We aim to implement communication-based train control (CBTC), a wireless railway car control system, on the Joban Local Line. At the same time, we seek to expand the operation of ATACS to railway lines in the Tokyo metropolitan area.

ATACS has been put into operation on the Senseki Line between Aobadori Station and Higashi-Shiogama Station.

- We will introduce mobile IT terminals to support employees engaged in frontline operations, while revolutionizing maintenance related to railcars and facility renewals based on monitoring of conditions by trains in service and related data analysis.
- ◇ We will conduct R&D toward achieving operation of Shinkansen at a maximum speed of 360 km/h.

**(2) NOBIRU (Grow):** Tackling new business areas— Globalization

- Given that overseas railway markets are projected to expand, we will cooperate with companies worldwide to participate in overseas railway projects, with the aim of driving the Group's growth.
- By embracing the challenge of new business domains, we will hone the Group's technologies and expertise, while building an open and transparent corporate culture.

« Main Points »

- ◇ Participating in overseas railway projects
  - We will actively develop an overseas railway consulting business around Japan International Consultants for Transportation Co., Ltd. (JIC).
  - We aim to participate in overseas railway projects including in the operation & maintenance field.
  - We will promote the development of overseas sites (Europe: Brussels; Asia: Singapore, etc.)
- ◇ Expanding railcar manufacturing operations
  - We will supply high-quality and high value-added railcars worldwide, such as by reducing lifecycle costs.
  - Leveraging comprehensive technological capabilities concerning railcars, we will participate in various overseas railway projects.
- ◇ Fully leveraging external technologies and services
  - We will actively incorporate outstanding technologies and services from outside the company, including overseas.
  - We will expand procurement of railway products overseas.
- ◇ New business initiatives
  - We will work to develop new services integrated with town development (residential services, medical and healthcare, education, and delivery services, etc.)

**(3) HABATAKU (Empower):** Developing employees and creating a corporate culture that maximizes human potential

- To ensure that employees are able to experience personal growth and fulfillment through their work, we will strive to provide numerous opportunities where highly motivated employees can succeed and tackle new challenges. At the same time, we will create a culture of respect for embracing challenges, where people feel empowered to try new initiatives.
- Through technological innovation and participation in overseas railway projects, among other means, we aim to build an open and transparent corporate culture and nurture personnel with an expansive perspective, as we foster employees who are able to take a broad interest in other industries and the world at large.
- To address the tumultuous management environment and allocate business resources to growing sectors, we will create a lean, muscular and agile management structure that is able to continuously generate profit.

«Main Points»

- ◇ Expanding opportunities for employees to succeed and tackle challenges
  - We have been increasing opportunities to fulfill employees' aspirations such as by establishing application-based projects and training programs.
  - We will step up measures to nurture global human resources, by utilizing the Global Human Resources Development Program - Ever Onward, which will consist of training options such as on-the-job training on overseas railway projects, short-term and long-term study abroad programs.
- ◇ Corporate culture reforms
  - We will conduct cohesive group management and enhance Group value by rigorously implementing the principles of horizontal division of duties and overall optimization.
  - We will promote work style reforms to further harness the abilities of employees in the Head Office etc. and establish a more efficient operating structure.
- ◇ Establish a lean, muscular and agile management structure
  - Capital investment: Promote investments needed to achieve sustainable growth and a stronger base of operations, among other priorities.
  - Returns to shareholders: We will continue working to maintain stable dividends while flexibly conducting share buybacks based our new total return ratio target of 33%.  
(Previous target: Consolidated dividend pay-out ratio of 30%)
  - Debt reduction: We aim to reduce interest-bearing debt to ¥3,000 billion sometime during the 2020s.  
(¥3,340.2 billion as of March 31, 2012)

#### Forward-Looking Statements

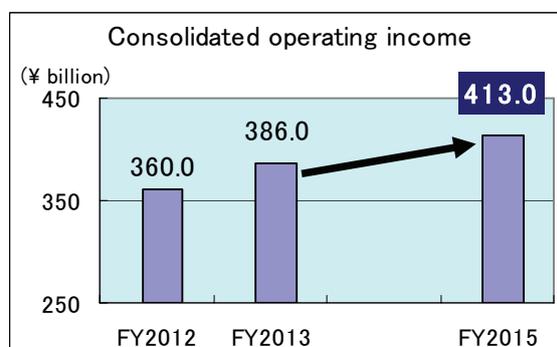
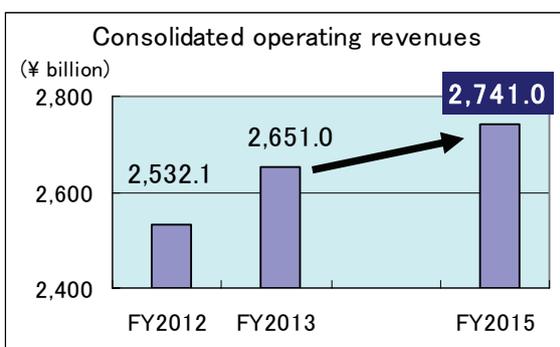
Statements contained in this document with respect to JR East's plans, strategies, and beliefs that are not historical facts are forward-looking statements about the future performance of JR East, which are based on management's assumptions and beliefs in light of the information currently available to it. These forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause JR East's actual results, performance, or achievements to differ materially from the expectations expressed herein. These factors include, without limitation, (i) JR East's ability to successfully maintain or increase current passenger levels on railway services, (ii) JR East's ability to improve the profitability of railway and other operations, (iii) JR East's ability to expand non-transportation operations, and (iv) general changes in economic conditions and laws, regulations, and government policies in Japan.

## 6. Numerical Targets

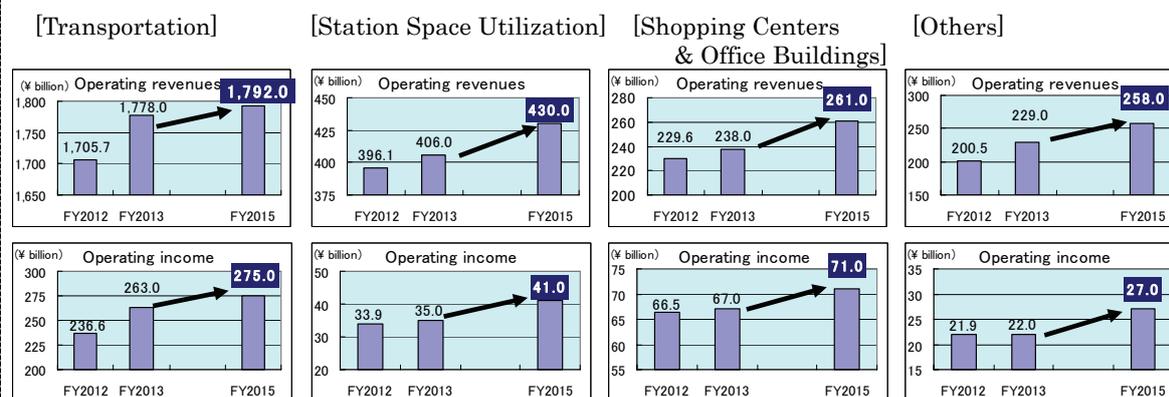
- We will establish numerical targets that we will seek to achieve over the next three years. Those three-year targets will be reviewed annually, and will be revised to new targets for the next three years starting from the following fiscal year. Through this approach, we will establish numerical targets that properly reflect any changes in the management environment or other developments that could take place going forward.
- We updated our numerical targets for FY2013 to FY2015 to reflect business results for the first half of FY2013. Looking ahead, we will announce new numerical targets together with business results every fiscal year, based on the numerical targets we are now announcing.

### Numerical Targets for FY2013 through FY2015

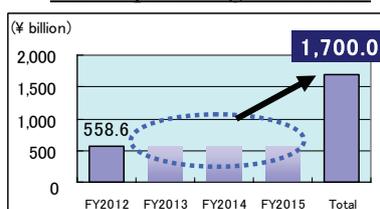
#### ① Consolidated operating revenues and operating income for FY2015



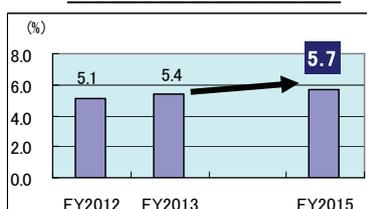
#### ② Segment operating revenues and operating income for FY2015



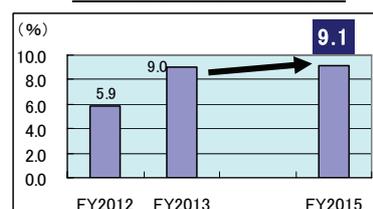
#### ③ Consolidated cash flows from operating activities



#### ④ Consolidated ROA at the end of FY2015



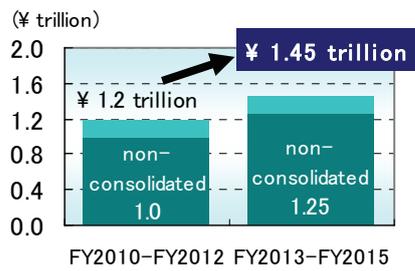
#### ⑤ Consolidated ROE at the end of FY2015



\* The target for consolidated cash flows from operating activities represents the aggregate of the estimated cash flows for the three years from FY2013 to FY2015.

Reference

Capital expenditure for FY2013 through FY2015



- Planned consolidated capital expenditure for the three years from FY2013 to FY2015 are approximately ¥1,450 billion.
- Planned capital expenditure in safe and stable transportation for the three years from FY2013 to FY2015 are approximately ¥500 billion.
- Planned growth investments expected to generate returns, such as those in life-style businesses, for the three years from FY2013 to FY2015 are approximately ¥500 billion.

## **(Reference) Briefing on JR East 2020 Vision — Idomu**

We have steadily achieved the measures set forth in JR East 2020 Vision — Idomu, which was drawn up in 2008. We will continue to work under “JR East Group Management Vision V — Ever Onward” on any issues that have yet to be fully addressed.

### **【Key Initiatives Achieved】**

#### **■ Railway Operations**

- We intensively installed safety equipment (Measures included installing ATS-P and ATS-Ps (automatic train-stop system) systems, expanding installation of anemometers, and introducing automatic platform gates on the Yamanote Line.)
- We enhanced safety training and drills for employees.
- We improved the convenience and comfort of the “Tokyo Megalooop” (Measures included opening the Musashi-Kosugi Station on the Yokosuka Line (the crossing point with the Nambu Line), and starting rapid train service on the Nambu Line.)
- We augmented turnaround facilities designed to prevent the impact of transportation system disruptions from spreading further (Yoshikawa-Minami Station in March 2012)
- We installed additional displays in Tokyo metropolitan area stations to provide information during incidents on train operations. (148 displays in 21 stations as of March 31, 2008 → 410 displays in 119 stations as of March 31, 2012)
- We began implementing the new ATACS (Advanced Train Administration and Communications System) wireless railway car control system on the Senseki Line between Aobadori Station and Higashi-Shiogama Station (September 2011)
- We launched operations of the Tohoku Shinkansen to Shin-Aomori (December 2010), and introduced a first class service called *GranClass* to the Series E5 Shinkansen trains. (March 2011)
- We introduced a yield management system enabling detailed reserved seat planning and pricing measures. (Fully introduced in October 2011)
- We completed preservation and restoration work on the Tokyo Station Marunouchi Redbrick Building. (October 2012)

#### **■ Life-style Business**

- We doubled the number of Station Day Care facilities and other childcare facilities through FY2011. (19 facilities as of March 31, 2008 → 42 facilities as of March 31, 2011; 61 facilities as of October 2012)
- We expanded J-AD Vision, an advertising medium at stations that uses large LCD screens. (295 screens in 34 stations as of October 2012)
- We opened The Tokyo Station Hotel. (October 2012)

## ■ Suica Business

- We expanded the mutual usage service network for Suica (Sapporo and Fukuoka areas). (Service expanded to the Sapporo area in March 2009 and Fukuoka area in March 2010.)
- We expanded the number of stores accepting Suica electronic money. (29,130 stores as of March 31, 2008 → 188,630 stores as of September 30, 2012)

## ■ Others

- We established Japan International Consultants for Transportation Co., Ltd. (JIC), with the view to expand the overseas railway consulting business. (November 2011)
- We established Japan Transport Engineering Company (J-TREC), a railcar manufacturing Group company. (April 2012)
- We developed “ecoste” (environmental earth conscious station) model stations (Yotsuya Station in March 2012, Hiraizumi Station in June 2012).
- We introduced energy-efficient railcars (85% as of March 31, 2008 → 89.5% as of March 31, 2012).
- We established technical training centers for employees (86 locations as of October 2012).

## **【Numerical targets】**

In *JR East 2020 Vision — Idomu*, we established three-year numerical targets and achievements envisioned by FY2018.

⇒ Considering the drastic changes in the business environment following the Great East Japan Earthquake and other events, we decided to combine these targets into three-year numerical targets. In April 2012, we established new three-year targets (FY2013 to FY2015). We have recently updated these numerical targets to reflect business results in the first half of FY2013.

**JR East Group Management Vision V**  
**— Ever Onward**

October 30, 2012  
East Japan Railway Company

## **Group Philosophy**

The JR East Group aims to contribute to the growth and prosperity of the East Japan area by providing quality leading-edge services, with train station and railway businesses at its core, to customers and communities.

We will continue to embrace the challenge of pursuing “extreme safety levels” and service quality reforms. Through technological innovation and globalization, we will strive to attain goals such as nurturing personnel with an expansive perspective, spurring the advancement of railways, and making line-side areas more attractive and convenient. To this end, JR East will continue to rigorously pursue its unlimited potential.

We aim to grow continuously while meeting our social responsibilities as a *Trusted Life-Style Service Creating Group*.

## **Basic Principles**

### **1. Together with customers and communities**

We will put our hearts into providing good service and living up to customers’ and communities’ expectations.

### **2. Enhancing safety and quality**

We will aim to enhance safe and reliable transportation services and service quality.

### **3. Pursuing unlimited potential**

With an expansive perspective and based on our calling, we will pursue the JR East Group’s unlimited potential.

## Contents

### Group Philosophy and Basic Principles

#### 1. Our Starting Points

#### 2. Our Calling

#### 3. Ever Onward

#### 4. Eternal Mission

##### (1) KIWAMERU (Excel): Pursuing “extreme safety levels”

— Building a railway capable of withstanding natural disasters

##### (2) MIGAKU (Improve): Service quality reforms

— Enhancing rail transportation network and other measures

##### (3) TOMO NI IKIRU (Together): Strengthening collaboration with local communities

— Supporting earthquake recovery, stimulating tourism and revitalizing communities

#### 5. Pursuing Unlimited Potential

##### (1) HIRAKU (Pioneer): Technological innovation

— Forging strategies for conserving energy and the environment, utilizing ICT (information and communication technology) and operating Shinkansen at faster speeds

##### (2) NOBIRU (Grow): Tackling new business areas

— Globalization

##### (3) HABATAKU (Empower): Developing employees and creating a corporate culture that maximizes human potential

#### 6. Numerical Targets

#### 7. Conclusion

### Safety Mission Statements

# 1. Our Starting Points

## [First Starting Point]

JR East was established as a result of the reform and privatization of Japanese National Railways (JNR) 25 years ago. Considerable time has passed since then. In fact, almost all of our new employees were born after the reform. Nonetheless, the reform of JNR, with the following goals, will always remain our first starting point.

- **Thinking and acting for ourselves, upholding management autonomy**
- **Achieving regionally rooted management**
- **Aiming to be a company capable of responding appropriately, flexibly, and promptly to changing times and conditions**

To avoid repeating the shortfalls and failure of JNR, we will hold the goals of the reform close to heart. While constantly remaining mindful of the support we have received from stakeholders, including customers and communities, we will make the continued pursuit of those goals the basis of our corporate management.

## [Second Starting Point]

On March 11, 2011, some 24 years after the company was formed, the Great East Japan Earthquake struck. JR East was forced to suspend operations on many routes, including Shinkansen, over an extended period. Various facilities were damaged, along with a large drop in railway ridership. Above all, the Great East Japan Earthquake caused untold devastation in many communities where we conduct business.

Under these conditions, we have been able to surmount these difficulties thanks to the considerable support of all related parties. Through experience derived from the Great East Japan Earthquake, we have reaffirmed our mission as a railway operator and have learned the following valuable lessons.

- **The significance and responsibility of our mission**
- **High expectations for the JR East Group from customers and communities**
- **The abilities every individual employee demonstrated in the recovery and restoration effort following the Great East Japan Earthquake**
- **The importance of steadfast daily activities and training drills**

Our operating environment has changed dramatically as a result of the Great East Japan Earthquake. There is still much more work that must be done to fully recover from the earthquake. Moreover, the earthquake has brought into sharp relief certain issues that Japan faced even before the earthquake, such as an aging and declining population, the hollowing-out of industry, and the dwindling strength of regional economies. These issues are becoming increasingly serious challenges. Japan must also tackle new issues, such as the accident at Fukushima Daiichi Nuclear Power Station and persistent power

shortage problems.

Having positioned March 11, 2011 as our second starting point, we must once again ask ourselves what role we must play, and how we should direct our evolution as an enterprise providing social infrastructure in the form of railways.

### **[New Management Vision Formulated]**

From this perspective, we have formulated our fifth medium-term management plan, “JR East Group Management Vision V — Ever Onward.” The plan was formulated based on “Key Challenges Over the Next Three Years (FY2013 (Year ending March 31, 2013) through FY2015 (Year ending March31, 2015)),” which was announced in April 2012. In anticipation of changes in the social environment through around 2020, we have drawn up a plan that sets forth management’s basic direction and what specific priorities we will execute.

All JR East Group employees worked together to overcome the difficulties caused by the earthquake, giving JR East a sense of confidence and pride. Keeping this confidence and pride close to heart, the JR East Group will continue to boldly tackle various challenges as we make a fresh start to revitalize the East Japan area, our home ground, along with Japan as a whole.

## 2. Our Calling

### **Thriving with Communities, Growing Globally**

The Great East Japan Earthquake poignantly reminded us of the fact that companies cannot thrive without sound and vibrant communities. The East Japan area, our home ground, and Japan as a whole currently face a host of issues. As a corporate citizen, we are determined to fulfill our mission and execute businesses unique to the JR East Group in an effort to help solve those issues. The goal is to draw a blueprint for the future together with members of the community as we do our part to build vibrant communities. This is what we mean by “thriving with communities.”

However, taking root in communities does not mean becoming complacent by turning inward. To continue to fulfill our mission, we must constantly transform ourselves and achieve growth. We must look outward and step out into the world, while actively seeking knowledge and technology externally. We believe that doing so will provide fertile ground for capturing new growth opportunities. To unlock our full potential, we must boldly step out into the world. That is what we mean by “growing globally.”

Accordingly, we have adopted “Thriving with Communities, Growing Globally” as the JR East Group’s new key phrase, in order to develop a shared understanding among all Group employees and achieve cohesive Group-wide management.

### **Eternal Mission and Pursuing Unlimited Potential:**

Even amid the major upheaval following the Great East Japan Earthquake, the fundamental mission of JR East will never change. However, the content and quality of services that customers and communities expect of the JR East Group will change in step with shifting social conditions. Our mission is to provide safe and high-quality services that customers expect of the JR East Group and conduct railway and life-style services businesses, with the aim of contributing to the growth and prosperity of communities. We have once again positioned this mission as a key tenet of management. At the same time, we will make relentless efforts to ensure that the content and quality of our services properly answer the expectations of society.

#### **[Eternal Mission]**

##### **(1) Pursuing “extreme safety levels”**

—**Building a railway capable of withstanding natural disasters**

##### **(2) Service quality reforms**

—**Enhancing rail transportation network and other measures**

**(3) Strengthening collaboration with local communities**

- **Supporting earthquake recovery, stimulating tourism and revitalizing communities**

The JR East Group must achieve sustained growth in order to continue to fulfill its three-part eternal mission in the years ahead. In a fast-changing environment, maintaining the status quo will only mean falling behind. Unless we constantly take on the challenge of reaching new goals, we will be unable to achieve growth. The JR East Group and every Group employee have the unlimited potential needed to achieve further growth. We have technologies underpinning business operations such as railways, markets for our business activities, and people supporting these two elements. From these three perspectives, we will pursue the JR East Group's unlimited potential.

**[Pursuing Unlimited Potential]**

**(1) Technological innovation**

- **Forging strategies for conserving energy and the environment, utilizing ICT (information and communication technology) and operating Shinkansen at faster speeds**

**(2) Tackling new business areas**

- **Globalization**

**(3) Developing employees and creating a corporate culture that maximizes human potential**

### **3. Ever Onward**

The JR East Group possesses a railway network stretching over 7,500 km, with about 1,700 stations, retail stores and restaurants in the life-style business, and line-side areas with various attractive features. In addition, we safely and reliably operate trains every day, and possess business resources — specifically technologies, knowledge and experience — needed to provide customers who come and go through this network with various life-style services. Furthermore, Suica prepaid, rechargeable IC cards, which were launched in 2001, have grown to the point where they are used in various life-style scenes and settings, not just for railway service. Today, Suica is an integral part of social infrastructure essential to daily life. All of these assets have immense potential to contribute to the JR East Group's growth in the future.

Above all, the JR East Group's greatest asset is every employee underpinning its business operations, and we believe every employee still has considerable potential to expand his or her abilities. Since JR East was formed, we have faced various challenges, including natural disasters such as the Great East Japan Earthquake and a decline in operating revenues due to economic downturns. The true strength demonstrated by all Group employees in these trying circumstances is the key to unlocking the full potential of our business resources. To this end, we must provide new avenues for employees to succeed, such as through technological innovation and globalization, in addition to existing businesses. We intend to develop the abilities of our highly motivated employees as we actively create opportunities for them to thrive.

We will drive the Group's growth by having every employee achieve personal growth through their work. This will further expand avenues for employees to succeed, providing them with even more opportunities to grow. By combining the personal growth of every employee with the Group's growth, we will achieve positive cycles of growth. This is what we mean by "Ever Onward."

Positioning the Great East Japan Earthquake as our second starting point, the JR East Group and each employee will be guided by our calling, which set a course for management, as we embark on a new journey to advance ever onward.

## 4. Eternal Mission

### (1) KIWAMERU (Excel): Pursuing “extreme safety levels”

#### —Building a railway capable of withstanding natural disasters

When the Great East Japan Earthquake occurred, the earthquake countermeasures steadily implemented by JR East until then proved effective to a great extent. However, the earthquake also revealed issues that we must address to ensure a higher level of safety. Based on this experience, we have worked to implement earthquake countermeasures in preparation for events that are conceivable such as an earthquake directly beneath the Tokyo metropolitan area, focusing on both tangible and intangible aspects. In these ways, we are working to build a railway capable of withstanding natural disasters.

We are also further promoting initiatives to prevent train collision, derailment accidents and rail crossing accidents. At the same time, we are taking steps to install automatic platform gates for the Yamanote Line and exploring the possibility of installation for other lines. In these and other ways, we continue to promote the development of railways that passenger can utilize reliably. We will also bolster activities aimed at achieving “extreme safety levels.” For example, we will steadily make progress on initiatives based on 2013 Safety Vision, while formulating our next medium-term safety plan.

Pursuit of safety measures can never end. We will continue to tirelessly work to improve safety by pursuing a goal of “zero accidents involving passenger injuries or fatalities and zero accidents involving employee fatalities (including employees of Group companies and partner companies).”

#### ① Responding to major earthquakes

##### a) Promotion of seismic reinforcement and other countermeasures for the earthquake

*(Seismic reinforcement and other countermeasures at a total cost of approximately ¥300 billion)*

We will now promote seismic reinforcement and other countermeasures against a possible earthquake directly beneath the Tokyo metropolitan area, as well as the possible Tokai Earthquake and other major earthquakes in Japan at a total cost of approximately ¥300 billion, positioning the next five-year period (from FY2013 to FY2017) as an intensive implementation period. Through these countermeasures, we will endeavor to build a railway capable of withstanding natural disasters.

- To prepare for a possible earthquake directly beneath the Tokyo metropolitan area, we will conduct seismic reinforcement of embankments, cutouts, brick arch viaducts, electrical poles and other infrastructure. In addition, we will implement station/platform ceiling and wall collapse prevention countermeasures, among other initiatives. We will also accelerate measures such as seismic reinforcement of viaduct columns, which we had been implementing on an ongoing basis.
- Based on experience derived from the Great East Japan Earthquake, we will proceed with the seismic reinforcement of train station buildings serving more than 3,000 passengers per day, along with the seismic reinforcement of Shinkansen electrical poles, particularly in the Sendai area.
- We will work to enhance emergency communications functions in the event of an earthquake. Countermeasures include increasing the communications speed for seismometer measurement data, and upgrading backup power supplies for the communications network.

***(Addressing remaining risks)***

Considering the status of damage projections and disaster preparedness plans of national and local governments, we will strive to monitor any additional remaining risks while actively taking steps to mitigate those risks.

**b) Rescuing customers and saving lives in the event of a disaster**

***(Responses in the event of an earthquake)***

We will install necessary equipment and provide training to employees, to ensure that rescuing customers and saving lives are our top priority in the event of an earthquake. In addition, we will take steps to assist people who have difficulty returning home, such as by securing temporary shelter within train stations and stockpiling supplies.

***(Guiding tsunami evacuations)***

We will enhance employees' ability to respond to tsunamis through regular training and drills using a Tsunami Response Manual (our manual for employees in the event tsunamis are anticipated), which stipulates such matters as areas in danger of tsunami, and operating restrictions and methods when tsunamis are anticipated. Having understood the manual, employees will autonomously make decisions and take action in response to situations that cannot be addressed solely by the manual. Their actions and decisions will be based on the Tsunami Evacuation Principles, which we established following the Great East Japan Earthquake.

**② Responses to natural disasters and extreme weather events**

We will continue to make the necessary capital expenditures to address natural disasters and extreme weather events, such as torrential rain, wind gusts and lightning, which have been increasing recently. Measures will include capital expenditures to upgrade facilities in vulnerable sites. Also, we will upgrade our observation system and develop new technologies, with the aim of achieving even higher levels of safety.

**③ Automatic platform gates**

We will accelerate the installation of automatic platform gates for the Yamanote Line as a safety measure for station platforms. By FY2016, automatic platform gates will steadily enter service at 23 stations, excluding stations where major renovations are scheduled. For routes other than the Yamanote Line, we plan to install automatic platform gates mainly at stations used frequently by visually challenged customers, while discussing these matters with the relevant organizations.

**④ Promoting measures to prevent train collision and derailment accidents**

Our goal is to eradicate preventable accidents by further upgrading railway operation and maintenance systems. As part of measures to prevent train collision and derailment accidents, we will continue to install ATS-P and ATS-Ps (automatic train-stop systems), along with taking steps to prevent rail crossing accidents.

Also, in order to minimize human error, we will simplify both the tangible and intangible aspects of our operations. Examples include refining the number of various handling rules and standardizing the specification of equipment and devices.

**⑤ Upgrading systems and structures to ensure safety**

We will enhance the ability of every employee responsible for safety and the organization as a whole by having employees discuss frank opinions regarding hidden causes of potential accidents and safety vulnerabilities. At the same time, we will learn from past accidents and the examples of other companies. In addition, we will continue to constantly pursue the optimal safety management system for the Group as a whole, while continuously implementing training and drills designed to increase and maintain an awareness of safety.

## **(2) MIGAKU (Improve): Service quality reforms**

### **—Enhancing rail transportation network and other measures**

To become a corporate group respected by customers and communities, we will implement service quality reforms by harnessing teamwork extending beyond our business divisions and other groups within our organization. Our goal is to become No. 1 in customer satisfaction in the railway industry. We will achieve this goal by rigorously pursuing customer-friendly railway services. We will hone the quality of transportation services by enhancing reliability and comfort, as we promote the development of railways that customers can utilize without anxiety.

Furthermore, we will generate new sources of demand, such as tourism, by steadily promoting several major projects. These include the forthcoming launch of service on the Tohoku Through Line, as well as new operations of the Hokuriku Shinkansen to Kanazawa and the Hokkaido Shinkansen to Shin-Hakodate (provisional name). Meanwhile, we will begin exploring various new options for enhancing the next generation of transportation services in urban areas.

Moreover, the productive population of the East Japan area has started to decline. By 2020, the elderly are expected to account for about 30% of the population in this area. This will have a large impact on JR East business operations, especially its railway operations. However, seeing this challenge as an opportunity, we will strive to create new demand by taking a range of initiatives designed to make railway travel even more accessible to elderly customers, and by offering them a variety of services. These initiatives will be designed to enable the elderly to enjoy vibrant lives and travel.

In Suica operations, we will work to develop services and expand the number of partners accepting Suica electronic money, among other measures, which will enable people to enjoy the benefits of Suica as an essential social infrastructure in daily life. Through these sorts of measures, we aim to further popularize Suica in society.

#### **① Improving transportation quality**

##### ***(Preventing disruptions to service)***

We will continue working to enhance the reliability of railcars and equipment in order to reduce the number of service disruptions. One particular goal is to reduce the number of service disruptions caused by railcar and equipment malfunctions attributable to JR East within a 100 km radius of Tokyo to one-third the current level. Efforts will also be made to prevent service disruptions by promoting measures such as natural disaster countermeasures. Furthermore, we see improving the technical skills of employees responsible for railcar and equipment maintenance as a key priority. Accordingly, we will continue to conduct intensive training and drills involving such employees.

*(Quickly resume operations and stop the impact of service disruptions from spreading further)*

In the event of a service disruption, it is crucial to quickly resume operations, stop the impact of service disruptions from spreading further, and restore normal operating schedules. From this perspective, we will develop new systems and operating frameworks that help us to achieve these priorities, in an effort to enhance our responsiveness to service disruptions.

*(Providing passengers with more information)*

To upgrade the information provided to customers during service disruptions, we will strive to install more train station displays designed to provide information in times of service disruptions, along with displays in railcars, while upgrading the content provided by these displays. In addition, we will introduce a system that provides information about alternative transportation and the position of following trains, as a means to provide each customer with the information they need.

**② Pursuing customer-friendly railway services**

*(Enhancing service management by each line-side area)*

We will enhance the service quality of JR East by reflecting customer feedback obtained through various channels in service improvements. Specific measures include monitor-based surveys of line-side areas, which are designed to gauge untapped needs of customers and increase interactive communication with customers. Through these measures, we will enhance service management by line-side area, considering the needs and characteristics of each line-side area in terms of railway operation, the provision of information and other aspects.

*(Building a reliable and comfortable railway)*

We will boost the level of customer service provided by all JR East Group employees to ensure that customers can utilize railways reliably and comfortably. We will also improve the tangible and intangible aspects of services so that seniors and customers unaccustomed to railways can also use our services without anxiety. Moreover, we will rigorously enforce measures to prevent customers from sustaining injuries when using trains, along with anti-crime measures.

*(Enhancing convenience when purchasing products using ICT)*

We seek to create an environment where customers can easily compare and consider purchasing a variety of products, as well as speedily book seats on

trains from home or on the go. To this end, we will enhance the convenience of the Internet-based seating reservation system *Eki-net* and introduce dynamic packaging\* of travel products. Through these measures, we aim to raise the ratio of customers purchasing tickets and packaged travel products on their own using the Internet and various devices to about 70% by FY2021.

\* A travel product that can be structured independently by customers over the Internet by freely combining various package elements, such as trains and accommodations, according to price.

### ③ Improving the quality of the Tokyo metropolitan area railway network

#### *(Improving transportation services)*

In the Tokyo metropolitan area, we will work to improve transportation services on each railway line. Specifically, considering demographic changes in each line-side area, we will improve services by shifting emphasis from ramping up transportation capacity during peak hours to improving convenience during daytime hours and enhancing seating and direct service with other railway lines. Through these and other measures, we will create attractive railway lines that “make people want to live alongside JR East railway lines”

- North-South Corridor ⇒ The Tohoku Through Line will enter service in FY2015. As a result, passengers will be able to take the Joban, Utsunomiya and Takasaki lines to Tokyo Station, and areas served by the Tokaido Line. In conjunction, we will conduct renovation work on various related stations, such as Tokyo, Shimbashi and Nippori stations, in an effort to improve convenience.
- East-West Corridor ⇒ We aim to steadily improve services on routes such as the Chuo Line, where there are strong needs for rapid service and seating upgrades.
- “Tokyo Megaloop,” an outer loop around Tokyo formed by the Musashino, Keiyo, Nambu and Yokohama lines ⇒ We will implement measures such as expanding direct service among our railway lines, and improving convenience during the daytime hours.
- We will further promote preparations for starting direct service with Sagami Railway.

#### *(Establishing new stations from a strategic perspective)*

We will seek to explore the commercial feasibility of establishing new stations from many strategic angles, and to bring such plans to fruition in cooperation with local governments. The goal is to increase points of contact among railways, towns and customers, while further improving convenience and railway usage

by customers.

Furthermore, we will also consider building new station platforms at existing stations from the standpoint of improving customer convenience.

#### ④ **Expanding the intercity transportation network**

—Growing Shinkansen, expanding tourism. Discovery of new travel routes—

##### *(Launch of Hokuriku Shinkansen and Hokkaido Shinkansen operations)*

We will launch new operations of the Hokuriku Shinkansen to Kanazawa (scheduled for the end of FY2015) and the Hokkaido Shinkansen to Shin-Hakodate (provisional name) (scheduled for the end of FY2016). We will take this opportunity to work closely with local communities to encourage large numbers of people to travel to these areas. At the same time, we will take full advantage of the enhancement of the Shinkansen network to establish attractive travel routes, with the aim of promoting tourism covering large areas.

- Hokuriku Shinkansen ⇒ In addition to promoting the movement of people between the Tokyo metropolitan area and Hokuriku area, we will promote the development of sightseeing routes over a large area spanning Niigata, Nagano and Gifu prefectures in cooperation with local communities and other transportation companies.
- Hokkaido Shinkansen ⇒ We will work to attract customers to Aomori and Hakodate by promoting the two destinations as a sightseeing area unified by Shinkansen. Along with this, we aim to expand the movement of people between the Tohoku region and Hokkaido.
- To promote the foregoing measures and strengthen cooperation with local communities, we will establish new business offices in service areas such as Hokuriku. Efforts will also be made to provide easily accessible travel products and build related sales systems.

##### *(Operating Tohoku Shinkansen at faster speeds)*

In spring 2013, we plan to start operating the Tohoku Shinkansen at 320 km/h on the Utsunomiya-Morioka segment. We will further enhance our fleet of New Series E5 and E6 Shinkansen railcars in an effort to reduce the average travel time on this segment. Furthermore, we aim to further expand operating segments where Shinkansen will run at 320 km/h.

#### ⑤ **Enhancing the convenience of Suica as social infrastructure**

##### *(Enhancing Suica's convenience as an IC railway ticket)*

Aiming to expand Suica services throughout the railway network, we will ensure nationwide mutual usage service of IC cards issued by transportation companies

from the spring of 2013. In addition, we will promote the introduction of Suica at stations in regional areas serving large numbers of customers from the Tokyo metropolitan area. Also, we will promote the switch to a fare and charge structure leveraging the features of IC railway tickets, with the view to making this structure easier to understand and use by customers.

***(Driving further growth in the electronic money business)***

We will promote the expansion of electronic money to large chain stores and compatible stores in new domains closely tied to daily life. This will entail reducing the cost of introducing electronic money through the use of thin clients\* and other means. Through these measures, we aim to increase the maximum number of transactions to 5 million a day in FY2016, and 8 million a day by FY2021, thereby contributing to JR East earnings.

\* A device that enables the concentration of all primary functions related to settlement on a central server. Thin clients enable retail establishments to reduce the cost of introducing electronic money services.

***(New business initiatives)***

From FY2014, we will launch an information business utilizing information, such as data about consumption patterns according to customer attributes, as marketing data. This information will be based on data obtained from *Suica* and *View Card*. In addition, we aim to develop new services using the *Mobile Suica* service.

**⑥ Enhancing services for seniors**

Aiming to create a society where seniors can lead vibrant lives, we will strive to provide a diverse array of services in line-side areas by utilizing train station spaces and working closely with local governments and other companies. These efforts will be centered on *Otona no Kyujitsu Club* (a membership club for seniors operated by JR East), which has 1.5 million members.

***(Expanding Otona no Kyujitsu Club)***

We aim to increase membership of *Otona no Kyujitsu Club* to 2 million by FY2016, the club's 10th founding anniversary. This will be achieved by providing new services such as creating a forum for people to make new friends utilizing platforms such as Social Networking Services (SNS).

***(Developing a diverse array of services)***

In the Tokyo metropolitan area and regional cities, we aim to develop centers for

community activities and services for seniors in fields such as health and medical care. In regional cities, local governments are implementing plans to develop “compact cities” that concentrate medical, food and residential facilities around train stations, as well as provide support for people moving to regional cities from the Tokyo metropolitan area. Considering these and other developments, we will cooperate with town development initiatives for seniors by working closely with other companies.

### **(3) TOMO NI IKIRU (Together): Strengthening collaboration with local communities**

#### **— Supporting earthquake recovery, stimulating tourism and revitalizing communities**

JR East cannot continue to thrive unless the East Japan area and Japan as a whole remain vibrant. As a company responsible for railways, which are a crucial social infrastructure, and a member of communities, we will consider the future of communities together with local communities and take action accordingly. We have positioned the next five years (from FY2013 through FY2017) as an intensive period in which reconstruction from the earthquake will remain an urgent priority. Therefore, we will diligently execute measures to revitalize communities and promote tourism in ways unique to JR East. Tourism, in particular, is a field where JR East strengths can be most fully brought to bear. Because it is also an industry covering an expansive range of business sectors, tourism can be expected to have a ripple effect on the entire regional economy. Accordingly, JR East will pursue extensive promotion of tourism across Japan and expansion of tourism by foreign visitors.

In the life-style business, JR East will continue to demonstrate its collective capabilities in coordination with railway operations going forward. Mindful of this priority, we will work to drive further business expansion. In particular, we will promote three town development perspectives that will see us conduct development and business expansion initiatives integrated with towns surrounding stations. These measures will be centered on the development of large-scale terminal stations, the Tokyo metropolitan area railway network and core regional train stations.

#### **① Restoration of segments along the Pacific coast damaged by the tsunami caused by the Great East Japan Earthquake**

##### ***(Basic policy on restoration of segments damaged by the tsunami)***

We will coordinate our efforts to restore conventional lines along the Pacific coast that were damaged by the tsunami caused by the Great East Japan Earthquake with other plans to rebuild the area as a whole and develop towns.

To this end, we will hold discussions with the national and local governments. JR East has adopted a plan to restore railways of the Senseki Line between Takagimachi and Rikuzen-ono, the Joban Line between Soma and Watari, and the Ishinomaki Line between Watanoha and Urashuku. Construction and other work are now steadily under way, with the view to restoring operations. Safety measures include relocating lines and increasing the elevation of lines along some segments. Restoration work on the Ishinomaki Line between Urashuku and Onagawa will be carried out in coordination with town restoration plans.

***(Addressing closed segments including the restricted area around the nuclear power station)***

We will consider plans in discussion and accommodation with relevant parties concerning the restoration of the Joban Line between Hirono and Haranomachi, which includes the restricted area around the Fukushima Daiichi Nuclear Power Station following the accident, taking into account such factors as progress on decontamination work by the national government, and the return of local residents to the affected communities.

***(Restoration of the Kesennuma, Ofunato and Yamada lines)***

Regarding the provisional restoration using a BRT (Bus Rapid Transit) system, we aim to start BRT operations for the Kesennuma Line by the end of 2012 and for the Ofunato Line in spring 2013. We will continue to discuss the provisional restoration of the Yamada Line with local governments.

Apart from that, we have positioned BRT as a network for linking communities and people, and will actively implement measures that contribute to the recovery of line-side areas. Measures will include the use of BRT to transport visitors for sightseeing along line-side areas, develop farmers' markets and enhancing the provision of information. In these and other ways, we will revitalize communities in cooperation with local governments and companies in line-side area.

**② Promoting Japan as a tourism-oriented nation**

***(Collaboration with local communities)***

We will work closely with local communities to stimulate tourism in the East Japan area. Measures include coordinated efforts to develop and commercialize tourism resources. We will also disseminate a broad range of information, and promote the development of infrastructure supporting tourists, such as by improving transportation access from train stations to sightseeing spots. To promote these measures, we will strengthen cooperation with local companies,

local governments, tourism organizations and other entities, while working to nurture personnel in the tourism field.

*(Support for the recovery of the Tohoku region through tourism)*

We will leverage the power of tourism to support the Tohoku region in recovering from the earthquake. To this end, we will conduct continuous measures to stimulate tourism by encouraging people across Japan to visit the Tohoku region. These will include joint destination campaigns conducted in the Tohoku region by the six JR companies, and original Visit Tohoku campaigns held by JR East.

*(Introduction of high-grade trains)*

We will introduce new high-grade trains that will become JR East new flagship, for the purpose of proposing appealing travel plans possible only on railways and providing cabin interiors that evoke a special occasion atmosphere.

*(Promoting an inbound tourism strategy)*

To establish Japan as a tourism-oriented nation, we will enhance the information we provide overseas by enhancing the appeal of railway travel. This will be done by establishing a “Golden Route for Travel in East Japan” featuring a combination of the East Japan area’s unique tourism attractions, along with launching a new brand for travel to Japan from abroad. Through these initiatives, we will work to significantly increase the number of tourists visiting Japan, especially the Tohoku region. And by FY2017, we aim to increase revenue from overseas tourists visiting Japan to about ¥10 billion, roughly twice the current level.

**③ Driving further growth in the life-style business**

**—Three town development perspectives —**

In the life-style business, we will rigorously adhere to a “selection and concentration” strategy, as we strive to expand business centered on fields where we have a strong competitive edge and can capture synergies with railway operations and demonstrate the Group’s collective capabilities. Also, we will work to qualitatively transform existing businesses and enhance brand value in these areas, while actively developing new businesses and services, with the aim of driving further growth.

One particular area of focus will be to develop attractive towns centered on railway stations by concentrating appealing services and functions in and around train stations, while addressing changes in the environment such as the ongoing

aging of society and globalization, as well as the needs of customers and communities. We want to create railway stations symbolizing towns and regions, where members of the community can gather and interact with one another.

***(Large-scale development of terminal railway stations)***

In large-scale terminal station development projects at Tokyo, Shinjuku, Shibuya, Yokohama, Chiba and Sendai stations, we see each of these stations as a town in its own right. Accordingly, we will work as one with Group companies and others operating businesses in these stations to further increase the value of each station. Furthermore, we will work closely with local governments and companies in the areas surrounding stations with the aim of enhancing the value of the area as a whole, centered on stations.

***[Shinagawa Development Project]***

The Shinagawa area is expected to become much more significant in terms of its functions as a transportation hub going forward. The Shinagawa Development Project is one of Japan's largest development projects of its kind. For these reasons, we will work closely with the community to develop an internationally attractive town that is not confined to conventional notions.

***(Developing a line-side area brand that is chosen by consumers)***

In the Tokyo metropolitan area network, we will continue to make line-side areas more attractive and convenient by developing areas from the multidimensional perspective of town development, and not just the railway stations uni-dimensionally. As one of the first examples of this approach, we will continue to promote a plan for the development of a "Chuo Line Mall" underneath the elevated Chuo Line between Mitaka and Tachikawa.

In addition, considering the needs of customers and residents of line-side areas, we will promote the realignment of various facilities and services such as existing station buildings, along with town development in areas surrounding stations. We aim to establish a line-side area brand that makes people want to live in each area. To this end, we will improve the community amenities available at train stations, while actively developing the HAPPY CHILD PROJECT\* childcare business.

\* HAPPY CHILD PROJECT: A Group-wide business for comprehensively supporting childcare activities

***(Revitalize core regional cities)***

In core regional cities faced with declining populations, local governments and other entities are promoting town development centered on stations. From the third perspective of collaborating with these partners, we will strive to revitalize these cities by renewing station facilities, renovating station buildings, and enhancing public and community functions. Furthermore, by enhancing the ability of stations to function as gateways for tourists, we will create railway stations that are highly convenient for both local residents and visitors to the region—stations that symbolize the town and surrounding areas as a whole.

**④ Measures to fulfill our role as provider of regional transportation**

***(Developing trains that people seek to board for the “ride” itself)***

In regional routes, we will develop trains based on new concepts that people seek to board just for the “ride” itself, rather than as a means of transportation. By providing an amazing experience for customers that liberates them from their daily lives, we aim to expand the use of trains for tourism.

***(Increasing operating efficiency on regional routes)***

We will continue working to increase the operating efficiency of regional routes. At the same time, we will review regional routes with low ridership where we are unable to harness the advantages of railway transportation. Following extensive consideration of railway usage patterns for these routes since the founding of JR East, we will strive to secure an effective means of transportation together with communities, such as by introducing alternative transportation methods.

**⑤ Revitalizing local industries**

We will provide assistance to local manufacturing industries as part of our initiatives to revitalize communities. Leveraging JR East sales networks and expertise, we will implement measures such as jointly developing products with local producers, providing sales channels in the Tokyo metropolitan area and disseminating information. Through these measures, we hope to contribute to the sextic industrialization\* of the agriculture, forestry and fisheries industries and increase demand for locally produced goods.

\* Sextic industrialization: An activity integrating agricultural, fishery and forestry production (primary industry) with product processing (secondary industry) and sales services (tertiary industry) in order to create a new industry utilizing local resources. The expression sextic industrialization was derived from multiplying one, two and three, implying an industrialization integrating the primary, secondary and tertiary industries.

**⑥ Contributing to communities and society as a whole through medical services**

Through the JR Tokyo General Hospital and JR Sendai Hospital, which are directly operated by JR East, we will provide advanced medical services using ICT and other advances. Meanwhile, as a trusted regional medical center, we will enhance cooperation with other medical institutions in the surrounding areas in order to contribute to communities and society as a whole.

## 5. Pursuing Unlimited Potential

### (1) HIRAKU (Pioneer): Technological innovation

—Forging strategies for conserving energy and the environment, utilizing ICT (information and communication technology) and operating Shinkansen at faster speeds

JR East will tackle the challenge of technological innovation in various fields, in pursuit of its unlimited potential. Besides in-house R&D activities, we will embrace the approach of open innovation where we utilize external development capabilities and intellectual property. Meanwhile, the Technology Innovation Development Committee established internally will vigorously promote technological innovation by setting ambitious goals, clarifying issues and policies, and prioritizing R&D investment. Specifically, we will emphasize measures to establish energy and environmental strategies in light of Japan's prolonged power shortage issues, develop new railway systems utilizing ICT that are unfettered by conventional notions, and embrace the challenge of operating Shinkansen at a maximum speed of 360 km/h.

#### ① Establishing energy and environmental strategies

##### *(Promoting energy creation)*

To ensure a steady supply of power, we will work to upgrade the facilities and improve the power generation efficiency of Kawasaki Thermal Power Station, while closely monitoring supply and demand for electricity and other trends going forward. Along with these efforts, we will upgrade our privately operated power grid. In addition, we will expand the introduction of solar power generation, while pursuing R&D activities focused on new renewable energy sources such as wind, geothermal and biomass power.

##### *(Promoting energy conservation)*

We will commercialize the NE Train Smart Denchi Kun, a catenary and battery-powered hybrid railcar train system, in 2014. Furthermore, while facilitating the effective use of regenerative electricity from the standpoint of energy management, we aim to revolutionize train operation systems by pursuing R&D directed at automatic power-saving train operation\*<sup>1</sup> and train operation free of catenary (overhead power lines)\*<sup>2</sup> utilizing high-performance storage battery systems. In other areas, besides adopting LED lights, and achieving high efficiency by replacing heating equipment and air-conditioning equipment, we will promote energy conservation throughout entire development areas in step with large-scale development projects.

\*1 A train operation system that achieves more efficient and energy saving operation by exchanging information among trains and between trains and power facilities.

\*2 Trains run on electricity stored in a storage battery without drawing electricity from power lines (overhead lines) on electrified rail segments.

***(Introducing smart grid technology to train power systems)***

Aiming to boost the efficiency of energy usage by linking energy creation with energy conservation, we will strive to introduce smart grid technology\*<sup>1</sup> to train power systems. Besides promoting the development of technologies for “storing and using surplus electricity” and “using surplus electricity at a distant location,” we will seek to implement measures to save power consumption by utilizing smart meters\*<sup>2</sup> and other advances.

\*1 A technology for achieving even more efficient and effective use of energy by storing surplus electricity and redirecting it to different locations through the combination of ICT and power equipment technologies.

\*2 A power meter with communications functions enabling virtually real-time monitoring and automated control of power usage.

***(Environmental targets)***

Under a unified Group-wide environmental strategy, we will work to curb CO<sub>2</sub> emissions by establishing numerical targets for energy usage in railway operations and other parameters.

**<Environmental Targets for FY2021>**

- 1) Reduce energy usage by railway operations by 8% (compared to FY2011)**
- 2) Improve the CO<sub>2</sub> emissions coefficient of JR East’s own power plants by 30% (compared to FY1991)**

**② Utilizing ICT**

***(Improving customer service quality)***

We will build information platforms encompassing not only railway-related information for the Tokyo metropolitan area, but also regional information and other data, in order to provide information tailored to individual customer needs (e.g., *Train Net*\*). We will also strive to develop public wireless LANs inside train stations and trains, along with measures to enhance the communication environment when Shinkansen is in motion. For example, we will address the loss of mobile phone signal strength inside tunnels.

\* Train Net: Information service in trains for smart mobile phones

*(Transforming transportation systems)*

Aiming to transform the Tokyo metropolitan area transportation system, we are preparing to implement communication-based train control (CBTC), a wireless railway car control system, on the Joban Local Line. At the same time, we seek to expand the operation of ATACS, which has been put into operation on the Senseki Line between Aobadori Station and Higashi-Shiogama Station, to railway lines in the Tokyo metropolitan area. Preparations are also being made to implement the next-generation train control and monitoring system INTEROS (INtegrated Train communication/control network for Evolvable Railway Operation System)\*.

\* A next-generation train control and monitoring system utilizing large-capacity, high-speed universal data transmission technology.

*(Innovation in frontline operations)*

By introducing mobile IT terminals to support employees engaged in frontline operations, we will drive improvements in the quality of transportation and services. We also aim to build a framework for optimizing daily maintenance and facility renewals based on monitoring of conditions by trains in service and related data analysis.

**③ Operating Shinkansen at faster speeds**

We will continue our R&D efforts toward achieving an operational speed of 360 km/h for Shinkansen. These efforts will be focused on improving stability during high-speed operation and reducing the environmental impact to areas along Shinkansen lines. Also, we will feed back research achievements into operation of Shinkansen at 320 km/h, in order to upgrade safety and reliability, along with expanding segments where Shinkansen is operated at 320 km/h.

**④ Promoting an intellectual property strategy**

Given that we will be stepping up technological innovation and participating in overseas railway projects, we will enhance our intellectual property strategy. To this end, we will nurture personnel and develop related systems.

**(2) NOBIRU (Grow): Tackling new business areas**

**—Globalization**

In railway operations, corporate management is prone to adopting an inward perspective and trying to complete everything within their own industry due to structural reasons. However, to advance railway operations into the future, it is vital for

JR East to hone its technologies and expertise by obtaining expansive knowledge through entry into new business domains. Notably, the overseas railway market is projected to grow at an average annual rate of 2.5% going forward. As a result, the market should increase in size to ¥22 trillion in 2020. Accordingly, we will cooperate with companies worldwide to participate in overseas railway projects. Meanwhile, in Japan, we will overcome the tendency to look inward by taking steps such as actively incorporating superior technologies from around the world. Our goal is to establish an open and transparent corporate culture.

## ① Participating in overseas railway projects

### *(Participating in overseas railway projects)*

JR East will actively develop an overseas railway consulting business around Japan International Consultants for Transportation Co., Ltd. (JIC). Furthermore, working closely with companies worldwide, we aim to participate in overseas railway projects including in the operation & maintenance field (planning, guidance and support related to train operation, equipment maintenance and related areas). One particular area of focus will be fast-growing Asia, which we have positioned as a priority region. We also intend to address railway projects in various regions while carefully identifying risks.

### *(Developing overseas sites)*

We will develop business sites in Asia, including Singapore, in addition to opening the Brussels Office to serve as a business site in Europe. The purpose of these new offices is to promote overseas railway projects while strengthening our information gathering and marketing capabilities.

## ② Expanding railcar manufacturing operations

### *(Enhancement measures aimed at establishing a fourth business pillar)*

We will maximize synergies between Japan Transport Engineering Company (J-TREC), which joined the Group in April 2012, and the JR East Group, including our Niitsu Rolling Stock Plant, in order to establish railcar manufacturing operations as our fourth business pillar\*. We will supply high-quality and high value-added railcars worldwide by answering various customer needs, including reducing lifecycle costs, by utilizing ICT. This will be done by further enhancing JR East comprehensive technological capabilities ranging from railcar manufacturing to operation and maintenance. Through production of the New Series E7 railcars for the Hokuriku Shinkansen at J-TREC, we aim to amass design and manufacturing expertise concerning Shinkansen and high-speed railcars.

\* The JR East Group's fourth business pillar, following railway operations, life-style business and Suica.

***(Promoting overseas business expansion)***

By further honing our comprehensive technological capabilities concerning railcars, we aim to participate in various overseas railway projects ranging from urban to high-speed railways, along with expanding our railcar manufacturing operations overseas. Additionally, we will team up with companies in Japan and overseas to expand the share of Japanese railcars in overseas markets.

**③ Fully leveraging external technologies and services**

***(Actively introducing overseas technologies)***

We will actively incorporate superior external technologies and services, including those from overseas, such as train control systems. To this end, we will continuously monitor external trends and information concerning technological development, without insisting on developing technologies internally.

***(Expanding procurement from overseas)***

When procuring railway products, our basic policy is to seek high-quality, low-priced products with adequate after-market services from a broad range of areas worldwide. Looking ahead, we will continue to enhance ties with overseas companies and the information we provide regarding procurement, with the view to expanding procurement from overseas.

**④ New business initiatives**

***(New business initiatives in the life-style business)***

Considering the onset of an aging society marked by a declining population, we will work to develop a host of new services in such fields as medical and healthcare, education, and delivery services, in addition to residential services integrated with town development, with the aim of increasing our contact with customers. In doing so, we will consider such perspectives as relevance with existing business and synergies with railway operations. Also, we will promote business activities from a global viewpoint, including overseas business expansion.

***(Promotion of M&As)***

We will actively promote M&As and business alliances with other companies, among other measures, for the purpose of obtaining technologies and expertise lacking in the Group and capturing synergies with existing businesses.

### **(3) HABATAKU (Empower): Developing employees and create a corporate culture that maximizes human potential**

Unless every employee achieves personal growth, we will be unable to drive the growth of the JR East Group as a whole. In the services sector, where JR East operates, the capabilities of frontline employees closest to customers are extremely important. To ensure that employees are able to experience personal growth and fulfillment through their work, we will strive to provide numerous opportunities where highly motivated employees can succeed and tackle new challenges. At the same time, we will create a culture of respect for embracing challenges, where people feel empowered to try new initiatives. Moreover, through technological innovation and participation in overseas railway projects, among other means, we aim to build an open and transparent corporate culture and nurture personnel with an expansive perspective, as we foster employees who are able to take a broad interest in other industries and the world at large. To address the tumultuous management environment and allocate business resources to growing sectors, we will create a lean, muscular and agile management structure that is able to continuously generate profit.

#### **① Expanding opportunities for employees to succeed and tackle challenges**

##### *(Expanding opportunities to fulfill employees' aspirations)*

In addition to firmly establishing a new personnel and wage system introduced in FY2013, we have been increasing opportunities to fulfill employees' aspirations such as by establishing application-based projects and training programs, and personnel exchanges with others outside the company. Through these measures, we intend to broaden our search for talented people, while actively harnessing the extensive potential of every employee.

##### *(Promoting diversity)*

We will continue to promote the development of a work environment where women and people with disabilities can succeed. Considering our expansion of overseas business and the increase in tourists visiting Japan from abroad, we will actively work to recruit non-Japanese employees.

##### *(Passing on skills and technology-related capabilities of veteran employees, while nurturing leaders of technological innovation)*

Given that our workforce will see the rapid replacement of older generations by younger generations over the next 10 years, we will accelerate the transfer of skills and technology-related capabilities, while increasing opportunities for employees to efficiently and effectively acquire these skills and capabilities. In addition, we will endeavor to strengthen training of mid-level employees who

will play a core role in workplaces going forward.

Furthermore, we will work to nurture personnel who can lead the way for the Group's technological innovation. Measures will include utilizing the JR East Technical Academy (for employees), along with promoting personnel exchanges and joint research with external research institutes, partner companies and other entities.

*(Nurturing global human resources)*

We will launch the Global Human Resources Development Program — Ever Onward, which will consist of training options such as on-the-job training on overseas railway projects, short-term and long-term study abroad programs, and opportunities to obtain business experience at public-sector agencies and external companies. In this manner, we will systematically nurture global human resources.

**② Corporate culture reforms**

— **Work style reforms, raising the efficiency of organizational management** —

*(Promoting cohesive group management)*

Aiming to enhance Group value, we will rigorously implement two principles. The first is horizontal division of duties, where individual Group companies fully demonstrate their strengths based on autonomous decision-making in an effort to fulfill their roles and missions. The second is overall optimization, where companies act with a constant awareness of how they can cooperate and contribute to the Group's development as a whole. While working to ensure latitude in operations and clarify responsibilities, we will develop shared Group IT infrastructure and promote active personnel exchanges, with the aim of promoting cohesive group management.

*(Speedy corporate management)*

We will review the roles of the Head Office, branches and operating sites, to ensure that more timely management decisions are made in closer touch with customers and communities.

*(Innovation in work styles at the Head Office etc.)*

In the Head Office etc., we are promoting work style reforms such as switching to paperless operations, revamping the intranet, and achieving work styles that are not tied to specific workstations. These measures are designed to further harness the abilities of employees and establish a more efficient operating structure.

③ **Establishing a lean, muscular and agile management structure**

*(Cash flow policies that help to improve corporate value)*

We will continue to conduct management with an emphasis on driving growth in operating cash flows, while using these cash flows for investments in sustainable growth and a stronger base of operations. In regard to returns to shareholders, we have established a new total return ratio target of 33%. To reach this target, we will continue working to maintain stable dividends while flexibly conducting share buybacks. Another priority in achieving such a sound financial base is to steadily reduce interest-bearing debt. Our target is to reduce interest-bearing debt to ¥3,000 billion sometime during the 2020s. (Interest-bearing debt was ¥3,340.2 billion as of March 31, 2012.)

*(Strategic downsizing)*

We intend to build a lean, muscular and agile management structure to pave the way for sustainable growth. To this end, we will implement downsizing from a strategic perspective. Measures will include dismantling underutilized facilities, streamlining facilities, and optimizing transportation capacity based on transportation trends.

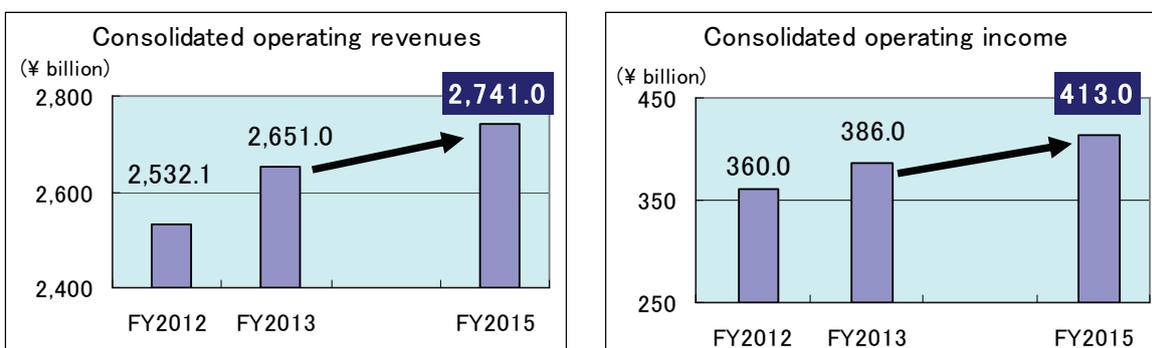
## 6. Numerical Targets

Guided by “JR East Group Management Vision V — Ever Onward,” JR East will establish numerical targets that it will seek to achieve over the next three years. Those three-year targets will be reviewed annually, and will be revised to new targets for the next three years starting from the following fiscal year. Through this approach, we will establish numerical targets that properly reflect any changes in the management environment or other developments that could take place going forward.

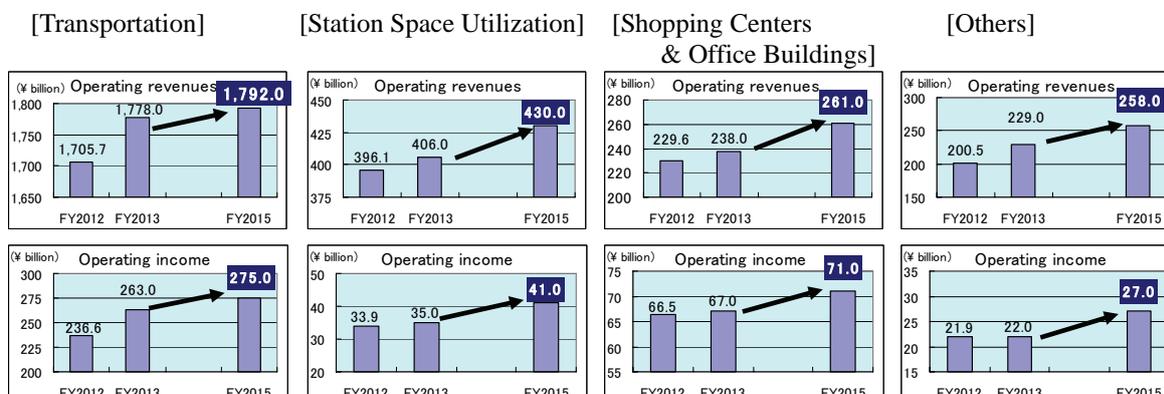
Numerical targets for FY2013 to FY2015 have already been announced in April 2012. However, we have updated these numerical targets without changing the time period to reflect business results for the first half of FY2013. Looking ahead, we will announce new numerical targets together with business results every fiscal year, based on the numerical targets we are now announcing.

### Numerical Targets for FY2013 through FY2015

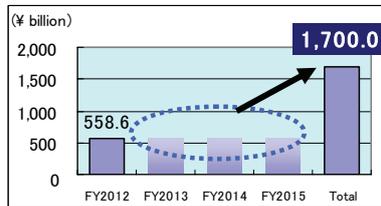
#### ① Consolidated operating revenues and operating income for FY2015



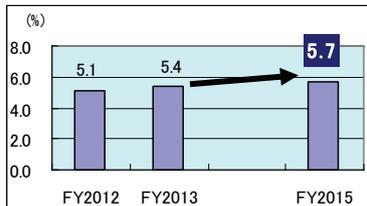
#### ② Segment operating revenues and operating income for FY2015



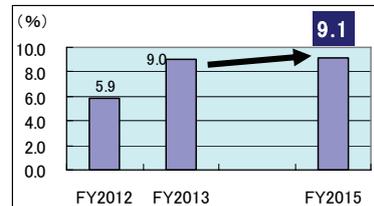
③ Consolidated cash flows from operating activities



④ Consolidated ROA at the end of FY2015



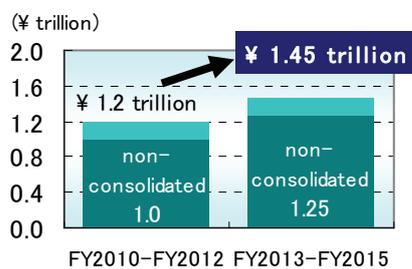
⑤ Consolidated ROE at the end of FY2015



\* The target for consolidated cash flows from operating activities represents the aggregate of the estimated cash flows for the three years from FY2013 to FY2015.

Reference

Capital expenditure for FY2013 through FY2015



- Planned consolidated capital expenditure for the three years from FY2013 to FY2015 are approximately ¥1,450 billion.
- Planned capital expenditure in safe and stable transportation for the three years from FY2013 to FY2015 are approximately ¥500 billion.
- Planned growth investments expected to generate returns, such as those in life-style businesses, for the three years from FY2013 to FY2015 are approximately ¥500 billion.

## 7. Conclusion

“JR East Group Management Vision V — Ever Onward” describes goals that can be achieved only through the mass efforts of every employee, rather than through top-down directives. These goals are the aim of every employee who works in the JR East Group. The plan covers many different fields, such as pursuing “extreme safety levels,” service quality reforms, strengthening collaboration with local communities, technological innovation, globalization and corporate culture reform. In all of these fields, the willingness to embrace challenges is paramount. This means that employees must feel empowered to try new initiatives, without fear of failure. We are confident that by encouraging all Group employees to think and act for themselves, we can take the JR East Group to an even higher stage.

Looking at the current management environment, we see no shortage of pressing issues, such as the shape of Japan’s future energy policy, the future course toward resolution of the nuclear accident, and uncertainties harbored by the Japanese economy. However, despite these headwinds, the JR East Group will gather its collective capabilities to steadily and vigorously move forward. While holding an expansive perspective without being preoccupied by fixed notions, we will constantly aspire to innovation and continuously embrace challenges, in pursuit of our unlimited potential.

The power to shape our future lies in our own hands. We will advance — Ever Onward.

### Forward-Looking Statements

Statements contained in this document with respect to JR East’s plans, strategies, and beliefs that are not historical facts are forward-looking statements about the future performance of JR East, which are based on management’s assumptions and beliefs in light of the information currently available to it. These forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause JR East’s actual results, performance, or achievements to differ materially from the expectations expressed herein. These factors include, without limitation, (i) JR East’s ability to successfully maintain or increase current passenger levels on railway services, (ii) JR East’s ability to improve the profitability of railway and other operations, (iii) JR East’s ability to expand non-transportation operations, and (iv) general changes in economic conditions and laws, regulations, and government policies in Japan.

## **General principles of Safety**

1. Safety is the most important mission in transportation.
2. Ensuring safety is based on exact observance of rules and procedures, and is achieved through constant practice.
3. Enforcement of confirmation and complete contact is most important for ensuring safety.
4. For ensuring safety we should cooperate together and go beyond our official responsibility.
5. When we have questions or must choose among several options, we should remain calm, think by ourselves, and take the safest course after thorough consideration.