

Overview of “JR East 2020 Vision”

- The division and privatization of the Japanese National Railways resulted in the establishment of East Japan Railway Company (JR East) 21 years ago, in April 1987. Since then, JR East has achieved full privatization—the ultimate goal of the restructuring of the Japanese National Railways. On the way to reaching that goal, JR East surmounted the numerous obstacles one at a time by emphasizing its autonomy and receiving the support of its customers, local communities, and other stakeholders.
- However, we must not be satisfied with such past successes. Instead, we have to continue forging ahead and taking on new goals.
- JR East has prepared a long-term management plan: “JR East 2020 Vision—Challenge—”. Guided by that vision, we have resolved to move up a gear in management initiatives and self-reform.
- To keep abreast of rapidly changing business conditions and fulfil our roles and responsibilities, we have positioned the word “challenge” at the heart of those management efforts. JR East will work in unison to realize its vision.
- Also, JR East has set out three-year numerical management targets and identified management milestones that it aims to reach in a decade.

Background to preparation of the vision

Long-term vision

- For fiscal 2009, the year ending March 31, 2009, the achievement of most of the numerical targets set out in the *New Frontier 2008* medium-term management plan (from fiscal 2006) had come within sight.
- With more than 20 years having passed since the restructuring of the Japanese National Railways and having accomplished the initial goal of full privatization, it was necessary to depict a new long-term vision.



- Due to the railway-centered nature of JR East’s business and the resulting length of time required for projects, JR East prepared a management plan based on a long-term perspective that looks 10 or 15 years ahead.

Moving up a gear

- The need to steadily advance preparations in response to long-term changes in business conditions (aging society, advances in broadcasting / communications technology, growing concern with environmental preservation, etc.)



- Given the limitations of simply continuing previous measures, JR East clarified “things that must change” and “things that must not change” and set out even more ambitious goals.

1. Basic Management Policies

As a message to stakeholders, we set out the following four policies.

- (1) Pursuing safety and customer satisfaction rigorously (mainly for customers)
- (2) Sustaining growth and pursuing initiatives for the next era (mainly for shareholders / investors)
- (3) Meeting corporate social responsibilities (mainly for communities / society)
 - Through its operational activities, JR East continues to benefit local communities, regions as a whole and Japanese society.
 - Through its operations, JR East is further increasing its efforts to solve pressing regional and social problems while building collaborative relationships with regions in which both partners fulfil their roles.
- (4) Building organizational strength and developing human resources (mainly for employees)

2. Unflagging Commitment to the “Extreme Safety Levels”

With “safety” as its highest management priority, JR East is tirelessly seeking “the complete elimination of accidents resulting in the death or injury of customers or the death of employees (including employees of Group companies and partner companies).”

- We will eradicate accidents within the railway system that we can prevent by upgrading systems for railway operations and maintenance.
- We will steadily and continuously reduce risks related to such external factors as natural disasters.
- We will implement comprehensive countermeasures for railway level crossings and platforms, where a large proportion of operational railway accidents occur.
- We will introduce movable platform barriers on the Yamanote Line as part of platform safety countermeasures.
- We will invest approximately ¥450 billion in transportation safety and reliability over three years, in such areas as installation of Automatic Train Stop devices (ATS-P type), earthquake resistance strengthening, and disaster countermeasures.

3. Moving Up a Gear in Seven Areas

JR East will move up a gear in seven areas and their accompanying management reforms based on a mind-set that is “eager to forge ahead,” that “sets out unprecedentedly ambitious goals,” and that “takes on the challenge of reforming existing structures and systems.”

(1) Increasing focus on investment to raise corporate value

⇒Shifting emphasis toward growth investment

- After increasing consolidated cash flows from operating activities (consolidated cash flows from operating activities of ¥1,800 billion over three years from fiscal 2009 to fiscal 2011), we will shift the emphasis toward using cash flows for investment in future growth.

*Expected consolidated cash flows from operating activities for fiscal 2006 to fiscal 2008: ¥1,519 billion

- We will continue to reduce total long-term debt but decrease the size of reductions.

*Expected at fiscal 2008 year-end: total long-term debt of ¥3,563 billion

- We aim to increase dividends to shareholders in stages, with a 30% consolidated dividend payout ratio target.

*Expected figure for fiscal 2008: 21.4% consolidated dividend payout ratio

(2) Opening the way to new business areas

⇒Taking on the challenge of new business areas in which JR East can take advantage of its strengths

- Capitalizing on overall railway technology capabilities, we will enter into tie-ups with Japanese manufacturers and examine the possibility of overseas operations. (in-house organization for advancement of such initiatives already established, and JR East plans to strengthen such initiatives in line with progress of examinations)
- We will take on the challenge of strengthening the overall competitiveness of the railway industry through tie-ups and partnership with railway companies.
- Through *WiMAX* communication services, we aim to develop new businesses that provide video advertisements or communication services within moving railcars.

(3) Taking a positive and long-term approach to global environmental problems

⇒Reducing total CO₂ emissions of railway operations 50% by fiscal 2031 compared with fiscal 1991 levels

(Fiscal 2009 target: 22% reduction (compared with fiscal 1991))

- We will establish the “Environmental Technology Research Center” (provisional name) with a view to leading the world’s environmental railway technology.
(Begin preparation for establishment from fiscal 2009, aiming for establishment in fiscal 2010)
- We will take steps to utilize such reusable energies as wind power and photovoltaic power generation.
- We will begin to build a model railway station, or “eco station,” that incorporates various technologies for preserving the environment.
(Plans call for the establishment of one *eco station* for each branch office within 10 years)

(4) Upgrading the Tokyo metropolitan area railway network to make line-side areas more attractive and convenient

⇒ Aiming to create a public transportation network that rivals the convenience of private cars

⇒ We are creating attractive railway lines that “make people want to live alongside JR East railway lines”

- We will extend the services of the Utsunomiya Line, the Takasaki Line, and the Joban Line to Tokyo Station by constructing the “Tohoku Through Line”. (aim to begin operations in fiscal 2014)
- We will enhance the “mega loop” lines of the Tokyo metropolitan area (the Musashino Line, the Keiyo Line, the Nambu Line, the Yokohama Line), by further improving the convenience and comfort of transportation services, railway station facilities, and life-style services.
- We will make line-side areas of the Chuo Line generally more attractive and convenient by completing the construction of a continuous series of level-crossing overpasses between Mitaka and Tachikawa, completing the introduction of new railcars for rapid-service, and implementing development plans for areas under elevated railway tracks.
- We will double the number of child-rearing support facilities by fiscal 2011, such as station-based nursery schools. (21 nursery schools as of April 2008)

(5) Invigorating regional railway lines and interregional communications

- We will promote the charms of tourism in the regions of eastern Japan and collaborate with regions to develop tourism.
- We will work to increase the number of tourists visiting Japan by realizing railways that are easy for customers from overseas to use and collaborating with the “Visit Japan Campaign.”
- We will cooperate with local authorities’ “town development efforts centered on railway stations,” such as “compact city” initiatives, by upgrading railway station facilities.
- We will renew facilities and railcars in intercity networks.
- We will promote increased usage of regional networks and rigorously improve the efficiency of operational management. On that basis, JR East aims to maintain and improve overall service levels for line segments that are extremely difficult to maintain as railways through such initiatives as changing over to and operating non-railway modes of transportation.

(6) Developing life-style businesses aggressively, increasing non-transportation operating revenues to approximately 40% of total operating revenues by fiscal 2018

(Non-transportation operating revenues as a percentage of total operating revenues for fiscal 2008 (expected): 31.3%)

- For the Chuo Line, where construction is progressing on a project to create a continuous series of level-crossing overpasses between Mitaka and Tachikawa, we will take steps to realize our “Chuo Line Mall” (provisional name) concept by developing an entire area under the elevated railway tracks based on a unified concept to enhance the image of the line-side area and increase earnings.
- We will implement development plans for buildings at Shinjuku Station, Chiba Station, the west exit and east exit of Yokohama Station, and Shibuya Station.
(We aim to begin operations at the building development at the New South Exit of Shinjuku Station in fiscal 2017.)

- We will promote the new development around Shinagawa Station.

(7) Establishing *Suica* operations as a third pillar of operations

⇒Developing the mutual-use railway network for *Suica* nationwide and aiming to spread *Suica* nationwide as the number one electronic money

- We aim to reach a 90% usage rate for *Suica* and *PASMO* in the Tokyo metropolitan area in fiscal 2011.
(approximately 70% as of December 2007)
- We aim to enable the use of *Suica* throughout the JR East network.
- We aim to realize eight million electronic money transactions daily in fiscal 2011.
(The highest number of daily transactions for transportation-related electronic money (total of *Suica* / *PASMO* / *ICOCA*) is approximately 920,000. (as of February 29, 2008))

4. Ongoing Efforts

JR East will continue existing initiatives and raise their level.

(1) Heightening customer satisfaction even further

Improving the reliability of transportation

- We aim to reduce by half the total duration of delays caused by ground equipment failure.
(Average over the three years from fiscal 2009 to fiscal 2011. Compared with fiscal 2006)
- We aim to reduce railcar failures by two thirds by fiscal 2011 in the Tokyo metropolitan area.
(Compared with fiscal 2006)
- We will expand and improve systems providing information guidance and rapid communication during transportation disruptions.
- We will increase the provision of facilities that enable the use of alternative routes to minimize the effect of transportation disruptions.

Creating railway stations that customers can use comfortably and without anxiety

- We will provide and improve more barrier-free facilities, waiting rooms, benches, and platform roofs.
- We will newly introduce facilities that allow customers that have a problem or feel anxious to contact station staff at any time and request assistance.
- We will install at major railway stations terminals providing information on connections, which customers can use to search weather conditions or tourist information for their destinations.

Realizing railway stations that enable customers to buy tickets without waiting

(2) Developing human resources

(3) Advancing research and development aggressively

(4) Expanding the Shinkansen (bullet train) network and increasing earnings from railway operations

Expanding the network

- We plan to commence operations between Hachinohe and Shin-Aomori on the Tohoku Shinkansen. (fiscal 2011)
- We plan to commence operations between Nagano and Kanazawa on the Hokuriku Shinkansen. (fiscal 2015)
- We plan to commence operations between Shin-Aomori and Shin-Hakodate on the Hokkaido Shinkansen. (fiscal 2016)

Introducing faster Shinkansen services

- We will introduce new high-speed railcars (E5 series) to the Tohoku Shinkansen. (fiscal 2011)
- We will introduce services with operating speeds of up to 320 km/h, with the fastest service linking Tokyo and Shin-Aomori in approximately 3 hours and 5 minutes. (fiscal 2013)

Introducing “super green (high-grade first class) cars” (provisional name)

- We will introduce a “super green car” (provisional name) service and offer customers higher levels of service. (fiscal 2011)

(5) Expanding life-style businesses

Developing a 500 NEWDAYS convenience store network

Expanding office buildings operations by developing office buildings near to railway stations

Completing Tokyo Station City project (fiscal 2014)

- Completing restoration work on the Tokyo Station Marunouchi redbrick building (fiscal 2012)
- Beginning operation of “Tokyo Station Hotel” (provisional name) (fiscal 2013)

5. Numerical Management Targets

*Figures below in parenthesis are expected fiscal 2008 results and comparisons between expected fiscal 2008 results and targets

Targets through to fiscal 2011		Operating revenues	Operating income
Consolidated operating revenues / operating income		¥2,781 billion (¥2,699 billion, 103.0%)	¥518 billion (¥436 billion, 118.8%)
(By segment)	Transportation	¥1,888 billion (¥1,855 billion, 101.8%)	¥392 billion (¥326 billion, 120.2%)
	Station space utilization	¥432 billion (¥408 billion, 105.9%)	¥41 billion (¥37 billion, 110.8%)
	Shopping centers and office buildings	¥224 billion (¥206 billion, 108.7%)	¥70 billion (¥60 billion, 116.7%)
	Other services	¥237 billion (¥230 billion, 103.0%)	¥16 billion (¥14 billion, 114.3%)
Consolidated cash flows from operating activities		Fiscal 2009–2011 3-year total (fiscal 2006–fiscal 2008 total)	¥1,800 billion (¥1,519 billion, 118.5%)
Consolidated ROA			7% (6.2%, +0.8 percentage points)

Achievements envisioned by fiscal 2018	Operating revenues	Operating income
Consolidated operating revenues / operating income	¥3,100 billion (¥2,699 billion, 114.9%)	¥670 billion (¥436 billion, 153.7%)

(reference) Capital expenditure plans through to fiscal 2011			
	Consolidated	Fiscal 2009–2011 3-year total (fiscal 2006–fiscal 2008 total)	¥1,400 billion (¥1,196 billion, 117.1%)
	Non-consolidated	Fiscal 2009–2011 3-year total (fiscal 2006–fiscal 2008 total)	¥1,100 billion (¥900 billion, 122.2%)

Forward-Looking Statements

Statements contained in this report 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.

(reference) Overview of *New Frontier 2008* Medium-Term Management Plan

JR East is steadily moving toward achievement of the targets set out in its four-year medium-term management plan, *New Frontier 2008*. Because achievement had come within sight for the plan's fourth year, the plan's original period was from fiscal 2006 to fiscal 2009, JR East decided to wind up the plan early without waiting for the plan's final fiscal year. Having included issues that it needs to continue addressing under the title of "Ongoing Efforts" in its new management vision, JR East will tackle such issues with an even stronger sense of urgency.

1) Numerical Management Targets ⇒ Steadily Moving Toward Achievement

(1) Total consolidated cash flows from operating activities of ¥2,000 billion over four years (achievement expected in fiscal 2009)

*¥1,519 billion for three years (expected for fiscal 2006 to fiscal 2008)

(2) Ratio of total long-term debt to shareholders' equity, approximately 2 times (achievement expected in fiscal 2009)

* 2.2 times (expected at fiscal 2008 year-end)

(3) Consolidated ROA of 6% (→following on from fiscal 2008, achievement also expected in fiscal 2009)

* 6.2% (expected for fiscal 2008)

2) Main Measures Achieved

- Integration of JR Ticket Offices (*Midori no Madoguchi*) and Travel Counters (*View Plaza*)
- Introduction of new railcars (E233 series) to Chuo Line
- Commencement of operations of hybrid railcars (*kiha* E200 series) on Koumi Line
- Development of *ecute* Omiya / Shinagawa / Tachikawa and *Dila* Nishi-Funabashi shopping facilities
- Commencement of operations in the first phase of *Tokyo Station City* project
- Commencement of mutual use for *Suica* / *PASMO*
- Commencement of issuance of *View Suica* including commuter pass function
- Commencement of *Suica auto-charge* services and *Mobile Suica* services
- Management reform of JR East Retail Net Co., Ltd. (formerly East Japan Kiosk Co., Ltd.)

3) Main Focuses of *Ongoing Efforts*

- Investigation of cause of Uetsu Line accident (occurred on December 25, 2005) and implementation and furtherment of countermeasures
- Continued implementation of countermeasures for transportation disruptions in Tokyo metropolitan area (a series of which occurred in fiscal 2007)
- Commencement of operations on the "Tohoku Through Line" (provisional name)
- Completion of *Tokyo Station City* project
- Expansion of usage area of *Suica* nationwide
- Achievement of four million *Suica* electronic money transactions (daily) (fiscal 2009 target)

*The highest number of (daily) transactions for transportation-related electronic money is approximately 920,000. (as of February 29, 2008)