

**Key Challenges and Numerical Targets Over the Next Three Years  
(FY2013 (Year ending March 31, 2013) through FY2015 (Year ending March 31, 2015))**

East Japan Railway Company  
April 26, 2012

The operating environment of JR East has changed drastically as a result of the Great East Japan Earthquake and in various other ways that were unforeseen when the JR East 2020 Vision -idomu- was drawn up in 2008.

In light of these developments, JR East has established a new set of key challenges and numerical targets to be pursued intensively over the next three years. During this period of great change since the earthquake, JR East has been working continually to achieve sustained growth while meeting society's great expectations for it as an enterprise that provides social infrastructure in the form of railways. To this end, JR East will continue to rigorously pursue its limitless potential.

Moreover, now that 25 years have passed since JR East was established, following the division and privatization of JNR (Japanese National Railways), JR East has begun developing a new management vision for JR East in view of the next 25 years. This new vision is scheduled for release sometime in the fall of 2012.

**Key Challenges Over the Next Three Years**

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
4. Technological innovation
  - forging strategies for conserving energy, utilizing ICT (information and communication technology) and operating Shinkansen at faster speeds
5. Globalization

— tackling new markets

## **1. Pursuing “extreme safety levels”**

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

JR East will endeavor to build a railway capable of withstanding natural disasters. Such efforts will be made by reviewing issues that arose from the Great East Japan Earthquake and by implementing both “physical” and “non-physical” disaster assistance following an earthquake occurring directly beneath the Tokyo metropolitan area. At the same time, JR East will steadily make progress on initiatives based on Safety Vision 2013, with the aim of achieving “extreme safety levels.”

In preparation for a major earthquake such as one occurring directly beneath the Tokyo metropolitan area, we will push forward and expand our seismic reinforcement plans, while upgrading and expanding the early seismic detection system primarily by installing additional seismographs.

We will install necessary equipment and provide training to employees, to ensure that rescuing customers and saving lives are our top priority in 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.

We will steadily make progress on initiatives based on Safety Vision 2013, including implementation of measures to prevent train collision and derailment accidents by expanding the installation of ATS-P and ATS-Ps (automatic train-stop systems), along with steps to prevent rail crossing accidents. Such measures will also include station/train platform safety measures, such as installation of platform doors.

We will implement measures to prevent accidents caused by extreme weather events, such as torrential rain, wind gusts and lightning.

## **2. Service quality reforms**

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

JR East will implement service quality reforms by building on teamwork across the

entire JR East. Furthermore, JR East will endeavor to enhance its Tokyo metropolitan area railway network and Shinkansen network.

We will steadily promote our Medium-term Vision for Service Quality Reforms by improving transportation quality in terms of reliability and comfort, as well as by striving to provide passengers with more information, with the aim of achieving the railway industry's No. 1 status for customer satisfaction.

We will improve the quality of our Tokyo metropolitan area railway network. Major plans include the launch of service on the Tohoku Through Line (planned for FY2015), direct service with Sagami Railway, and improvement of transportation services via limited express and liner trains.

We will expand the intercity transportation network, with new operations of the Hokuriku Shinkansen to Kanazawa (planned as of the end of FY2015) and the Hokkaido Shinkansen to Shin-Hakodate (planned as of the end of FY2016).

We will continue to improve the usage of regional lines, as well as the operational efficiency of regional services.

### **3. Strengthening collaboration with local communities**

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

To support earthquake recovery, JR East will make effort to stimulate tourism, revitalize communities, and take other actions to contribute to local communities as a company responsible for regional infrastructure.

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, including by providing bus transportation as an alternative option, with other plans to rebuild the area as a whole and develop towns. To this end, we will hold discussions with the national government and consult local municipal authorities. In the interest of achieving rapid restoration of safe transportation services, we will conduct discussions with local municipal authorities and other relevant parties on restoring transportation using BRT (bus rapid transit) systems on a temporary basis.

We will work closely with local communities to stimulate tourism. Measures

include coordinated efforts to enhance tourism development with local people, extensive promotion of tourism across the Tohoku region, and expansion of tourism by foreign visitors.

We will achieve further progress in implementing community revitalization measures, including promotion of the Rediscovering the Region Projects and provision of assistance to local manufacturing.

We will promote the Tokyo Station Marunouchi Redbrick Building, which is under restoration and will be unveiled with a grand opening in October 2012, as a new landmark for the capital city of Japan.

We will collaborate with local communities to execute large projects, including those at Shinjuku, Chiba, Yokohama, and Shibuya stations, with the aim of developing internationally attractive towns.

Given Japan's aging society with fewer and fewer children, we will strive to increase the value of areas along railway lines by improving the community amenities available at train stations and the HAPPY CHILD PROJECT and through other measures.

#### **4. Technological innovation**

**— forging strategies for conserving energy, utilizing information and communication technology (ICT) and operating trains at faster speeds**

JR East will pursue various forms of innovation, including technological innovation, in pursuit of its limitless potential.

To promote innovative technology development, we will intensively allocate business resources in this area, while strengthening R&D through the establishment of the Technology Innovation Development Committee and other actions.

In light of Japan's prolonged power shortage issues, we will develop strategies for conserving energy for JR East. Measures under this strategy will include introduction of smart grid technology, upgrading of facilities and increase in power generation efficiency at our own power plants, as well as development of a viable catenary and battery-powered hybrid railcar system.

We will continue to develop environmentally friendly railroad systems, including by introducing energy-efficient railcars, adopting LED lighting, and creating

zero-emission stations utilizing solar power generation, storage battery and other technologies.

We will seek innovation in railway operations and further enhancement of the convenience of Suica” by leveraging ICT in various fields.

We will continue our R&D efforts toward achieving an operational speed of 360 km/h for Shinkansen.

## **5. Globalization**

### **— tackling new markets —**

JR East will achieve innovation through globalization of JR East by tackling new markets.

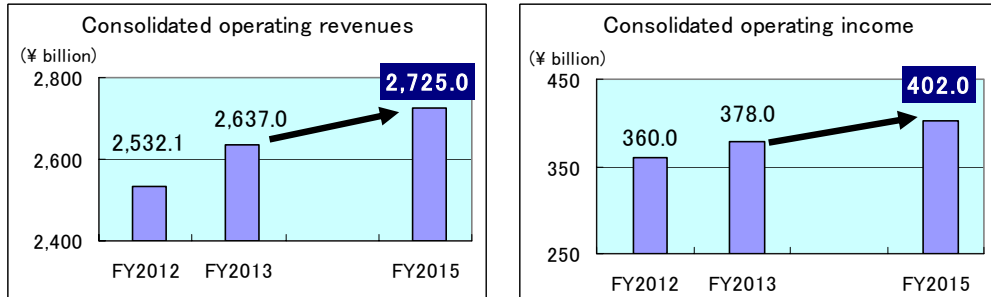
We will strive to develop an overseas railway consulting business, while seeking participation in railway projects around the world in collaboration with other Japanese and overseas companies, working primarily with Japan International Consultants for Transportation Co., Ltd.

We will capture synergies between Japan Transport Engineering Company, which recently joined JR East, and our Niitsu Rolling Stock Plant in order to establish railcar manufacturing operations as our fourth business pillar. We will also make efforts to expand business overseas as well as in Japan by further enhancing our comprehensive technological capability in railcar manufacturing and maintenance.

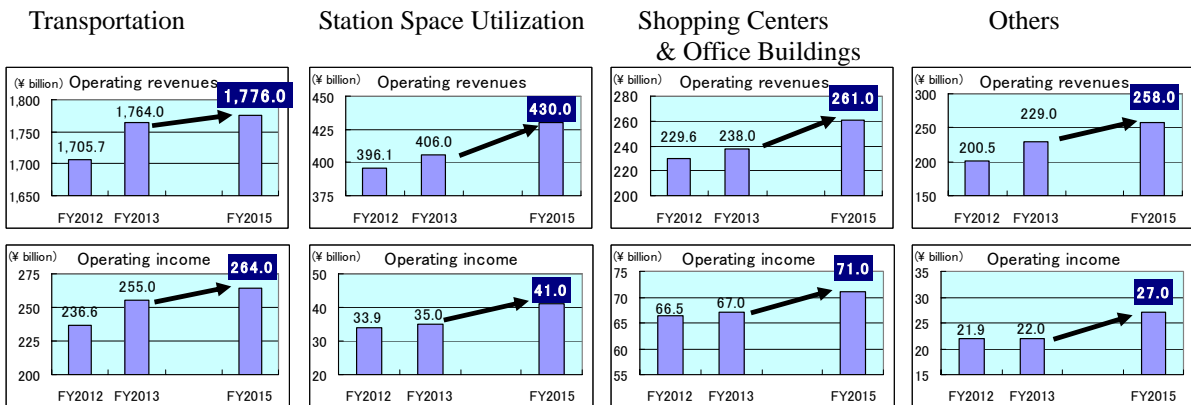
We will also actively work to develop new business and pursue M&A.

## Numerical targets Over the Next Three Years (FY2013 through FY2015)

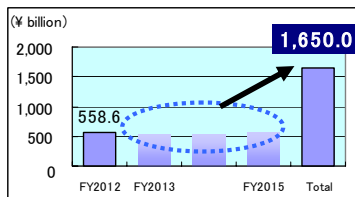
### Consolidated operating revenues and operating income for FY2015



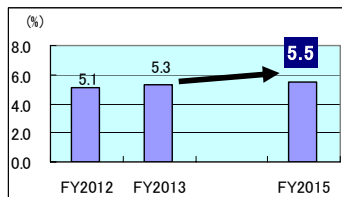
### Segment operating revenues and operating income for FY2015



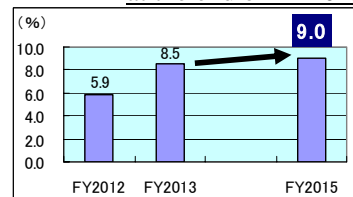
### Consolidated cash flows from operating activities



### Consolidated ROA at the end of FY2015



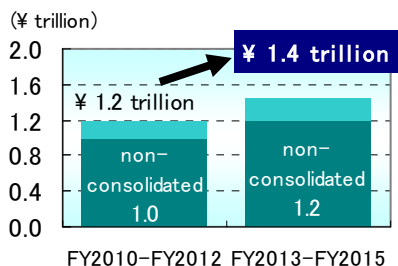
### Consolidated ROE at the end of FY2015



\* The FY2015 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 expenditures for the next three years



Planned consolidated capital expenditures for the next three years from FY2013 to FY2015 are approximately ¥1,400 billion.

Planned capital expenditures in safe and stable transportation for the next three years from FY2013 to FY2015 are approximately ¥500 billion.

Planned growth investments expected to generate returns, such as those in life-style services businesses, for the next three years from FY2013 to FY2015 are approximately ¥500 billion.

\* (Note) Statements in this document are based on certain assumptions that JR East viewed as reasonable as of the date hereof. Actual results may differ from such statements for a variety of reasons.