

“I do mu” – means to continue pursuing possibilities

It is now a year since JR East launched Vision 2020 - *i do mu* - which looks steadfastly 10 years ahead. In line with this vision, the Group now has the goal of contributing to the forming of a sustainable society by playing its role and taking its responsibilities. How is JR East today viewing the vision it set up and how is it proceeding along the path of its realization? Satoshi Seino, JR East president, spoke of the progress of the vision and explained his thoughts as a top executive to CSR expert Professor Mika Takaoka of Rikkyo University's College of Business.

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New value creation from a customer perspective

Takaoka: JR East announced its JR East Vision 2020 - *i do mu* - in March 2008. Could you please tell us the background of its drafting and publication?

Seino: Since JR East was formed after the division and privatization of the Japanese National Railways (JNR), we have published three management visions, the most recent of which was our four-year plan New Frontier 2008. Within these rather short-term four-year plans, of course, we tended to target those things we believed we could achieve within such a period. I have to add, however, that in the longer-term Vision 2020 we included the challenge of achieving a sustainable society, even though there are aspects that cannot be realized with our current technologies. This was because we still felt it was important to include such a goal. In fact, we formulated this management vision after considering the role we believe we should be playing in 10 years, including, to a certain extent, our dreams. As such, Vision 2020 contains certain aspects that are still concepts. For those concepts that become concrete, however, we will set schedules, establish frameworks for their promotion, and ultimately realize all our goals.

Takaoka: In considering corporate social responsibilities, including environmental issues, wasn't it better for you to draw up a business plan with a longer span such as Vision 2020?

Seino: Exactly. Because we want to define the role JR East will play as the operator of an urban railway network, supporting regional redevelopment and contributing to the development of all our business fields, we included all these aspects in Vision 2020.



Seven gear changes needed to attain sustainable growth

Takaoka: In JR East Vision 2020 - *i do mu* -, I think you showed what JR East is aiming for in the expression “Moving Up a Gear in Seven Areas.” In it you mentioned several areas that may surprise the general public, such as raising corporate value through an increased focus on investment, and examining the possibilities of overseas operations. I personally wondered what JR actually means when it cites developing overseas operations. Are these the aspects that are represented by the word “*idomu*” or challenge?



Seino: In the past, we had to place the highest priority on reducing the long-term debt we had inherited from JNR, and if there was money available, we used it to repay existing debt as much as possible. If we intend to develop a sustainable business for the future, however, I believe that a more active system of investment will also be necessary. As a result, I named the goal of “increasing focus on capital investment” as the first of the seven areas of activity for which we need to gear up. We will, therefore, make active capital investment in the areas we believe will ultimately lead to the growth of the company.

It is true that it is quite difficult to draw a practical image of what our overseas activities could actually be, but we do receive many inquiries and requests from countries around the world. In particular, we are often asked to dispatch engineers to participate in such areas as technical cooperation in railcar maintenance and transport operations know-how. To date we have responded by simply dispatching capable engineers, but from now on we expect to actively develop our overseas business operations in cooperation with other Japanese companies.

Takaoka: Included in the seven areas you mentioned are such environmentally friendly targets as “taking a positive and long-term approach to global environmental problems” and “reducing total CO₂ emissions from railway operations by 50% compared with fiscal 1991 levels by fiscal 2031.”

Seino: Railways are environment-friendly. It is well documented that CO₂ emissions from railways are only 10% of those from automobiles for transporting a person over the same distance. From our perspective, however, this is simply a result. We have not, in fact, reviewed railcar performance from the aspect of CO₂ emissions, nor actively considered reviewing energy efficiency from the perspective of CO₂ emissions. The lower emissions levels are simply the result of keeping in pace with technological development and benefiting from the results.

Takaoka: I see, but I believe that JR East has actively advanced railcar weight reduction. Are you saying that the primary aim of such reductions was not the lowering of CO₂ emissions?

Seino: To put it simply, lighter railcars cause less track damage. The burden on rails is completely different with today's light, stainless steel trains when compared to the old, heavy, steam locomotives. Furthermore, reducing the energy consumption of the railcars themselves was also an important issue. So we decided that our goal should be to design more environmentally friendly railcars, and we are now continuing with their development and introduction. We are starting with a shift from diesel railcars that directly emit CO₂ to diesel hybrid railcars which have less negative environmental impact. Currently diesel hybrid railcars are operating on the Koumi Line. Moreover, we currently have fuel cell railcars and battery-charged trains at the R&D stage. The latter is the train that carries batteries onboard that can be rapidly recharged while the train stops at stations. If we succeed in this development, we will be able to operate electric trains on lines without overhead wires.

Takaoka: I think there is a big difference in terms of corporate social responsibility from simply saying that railways are environmentally friendly to being strong minded enough to set their own targets and time frameworks to further reduce their environmental impact.



In local regions I think the issue of local railway line survival will be a key issue to the potential economic contributions to local communities. You stated in JR East Vision 2020 - *i do mu* - that even if the number of passengers continues to decline on local lines, you will continue to consider it part of your business to maintain services by including, perhaps, the use of alternative transport systems.

Seino: Since our establishment we have not closed any local railway lines, but it is true that there are lines on which the transport volume continues to decrease, mainly because of drops in population. In such cases, we believe it is our responsibility, while making cost reductions, to continue to make efforts and take measures such as, for example, increasing customer numbers through tourism revitalization. If, however, it becomes too difficult to maintain railway transportation, we intend to keep overall services going through such means as replacing trains with uses a group company of JR East operates.

Takaoka: You are saying that such considerations are the responsibility of railway companies?

Seino: I believe it is so. Recently, for example, we have been working with tourist associations and regional industries in order to carry through several local community revitalization initiatives.

Professor Takaoka, do you know the Gono Line? It is a local line running along the foot of the Shirakami Mountains, a World Heritage Site. For 10 years now in cooperation with local people, we have been operating Resort Shirakami, a resort train. Passengers on this train can enjoy on-board live performance of the Tsugaru shamisen and have plenty of time to look at the magnificent scenery as the train slows down at specific places for just that reason. Resort Shirakami has become very popular with customers from urban areas, many of whom are repeat passengers, because it is a train on which they can fully enjoy a slower pace of life. As you can see, it is possible to build up a relationship that is beneficial both to members of the local community and to the public in general, by not simply regarding local trains as having only to serve local communities, but rather making people all over Japan feel that they would love to ride a particular line.

Takaoka: I think it is a great initiative that will prove useful in the revitalization of local regions while also being appreciated by urban residents. This is one area in which JR East, with its extremely broad network, can make a difference.

Seino: We cannot deny that local railway lines are suffering difficulties, but I believe that along with reducing costs through increased efficiency, it is also important to make effective use of local railway lines and generate such new added value that will make customers want to experience them.

Takaoka: Has the formulation of JR East Vision 2020 - *i do mu* - made the Group more energetic?

Seino: I think the understanding of Vision 2020 and its penetration within the Group is proceeding very successfully. The awareness of the issues it mentions has increased in each and every employee and the understanding of the direction in which the Group is moving has deepened. In fact, while formulating Vision 2020, I personally visited every branch office and spoke of the thoughts I was including in the vision.



Shinanogawa power plant problem

Takaoka: In terms of your efforts toward improving the environment and energy supply, the Shinanogawa power plant incident was regrettable, wasn't it?

Seino: I deeply apologize both for causing so much trouble to local residents and for having worried all JR East customers. We will take all possible measures and improve our internal systems in order to make sure such a problem never happens again.

We have established an external committee comprised of lawyers, electric power experts and other concerned parties as well as an internal committee headed by the vice president to look into the problem. Currently the two committees are instigating measures that will prevent a recurrence. The incident has also led us to start to check all our activities in terms of compliance with laws and regulations in order to discover any other potential problematic points that may currently be hidden.

Takaoka: Unlike stations, power plants are difficult for outside eyes to scrutinize, so I think the creation of a strict internal framework and a corporate culture that maintains discipline will be the most significant improvements.

Seino: We will continue to make the utmost effort to recover public trust.

Once again reviewing safety and security

Takaoka: Please tell us what you will be mainly working on in the fiscal year ending March 2010.

Seino: I consider the fiscal year ending March 2010 to be a year in which we will strengthen our foundations, by which I mean, for example, further deepening our efforts toward ensuring safety - something that is extremely basic. To this end, we have formulated a new five-year basic safety plan - Safety Vision 2013 - which commenced in April 2009.

A special feature of Safety Vision 2013 is that for the first time we have formally codified our *sangen* principle (three actualities): go to the site, make direct observations, and determine the facts. As the base tenet of the Group's safety policy, we have set ourselves the targets of getting into direct contact with the site, thing or person, accurately identifying the situation, and taking appropriate measures. With the aim of achieving full understanding of this goal, managers are currently covering the country explaining the importance of the policy to all employees.

Takaoka: In Safety Vision 2013, you mentioned that in the past in regard to earthquakes or other natural phenomena, the accent had been on taking action after something had happened, but that from now on you will emphasize prior risk management by preparing for events that are likely to happen.

Seino: I have always considered it critically important to establish firm measures in advance of potential risks, but this is the first time we have clearly set out such a policy in our basic safety plan. In that sense, the *sangen* principle and management of potential risks are the two major points of the new plan.

Takaoka: Emphasizing anew safety and security which are the most fundamental aspects for railway operators, I think this is a very superior CSR decision.

Seino: I think that there are few people who use our services while worrying if we are going to get them to their destinations safely or not, and JR has an obligation to respond to those expectations. In the past we have had bitter experiences where safety measures have failed and that is why I consider it our most important mission to maintain the situation where passengers take safety for granted. We must, therefore, continue to face the challenge of achieving extreme levels of safety.



To be a company in which employees feel glad to work

Takaoka: You also have a responsibility for your employees. As a company, how are you planning to ensure that your employees lead affluent and fulfilling lives?

Seino: We have to offer many diverse options. For example, we already provide our employees with opportunities to improve their career paths through training and taking examinations, so naturally I would like to see them taking full advantage of such opportunities and also benefiting from self-education. What is more, I want them to enjoy their jobs. In the end, it comes down to a question of what exactly can a company do? All I can say is that we must constantly discuss matters with our employees and proceed step by step.

Takaoka: Does that mean you will improve welfare systems such as maternity and paternity leave so that your employees can achieve a better work-life balance?

Seino: I want JR East to be a company where women can enjoy their work. To enable individuals, regardless of sex, to work to the best of their abilities, it is necessary to establish an environment where people can both work and take care of their children. We still face many problems in achieving this goal, but we will continue to make improvements in the working environment that will create a culture of improved work-life-balance and support a beneficial harmony of work and childcare. I want JR East to be a company where, after retirement, people, whether male or female, feel glad to have worked.

Takaoka: Yes, becoming an organization in which people can be proud to spend their working lives is an excellent goal.

Seino: I genuinely hope JR East will be such a company.



Mika Takaoka

Education

March 1999: Completed Ph.D. in economics, Graduate School of Economics, University of Tokyo

Career

April 2001: Associate professor, Institute of Economic Research, Osaka City University

April 2006: Associate professor, College of Business, Rikkyo University

April 2009 to present: Professor, College of Business, Rikkyo University

Social Activities

- Member, Personal Service Working Group, Global Service Study Group, Ministry of Economy, Trade and Industry
- Expert member, Expert Committee for Environmental Information, General Policy Subcommittee, Central Environmental Council, Ministry of the Environment
- Chair, Study Committee on Drafting Guidelines on Environmental Consideration in International Conferences, etc., Japan Environment Association