


AN INTERVIEW WITH THE PRESIDENT



TETSURO TOMITA
President and CEO

Fiscal 2013 was a year of steady progress for JR East on the whole. We delivered higher revenues and earnings thanks to extremely strong growth in traffic volume. We also laid out JR East's future course by unveiling a new group management vision.

Looking ahead to fiscal 2016, we are projecting higher revenues and earnings compared with fiscal 2013. We plan to generate operating cash flow totaling ¥1,750 billion over this 3-year period. Of this amount, we have earmarked ¥1,550 billion for capital expenditures. We will also provide shareholder returns emphasizing the total return ratio, even as we work to reduce debt.

We will continue to marshal the collective efforts of all JR East Group employees to achieve sustainable growth and to improve corporate value.

LOOKING BACK AT FISCAL 2013

QUESTION 1

One year has passed since you were appointed president. What are your impressions of the past year?

ANSWER 1

Fiscal 2013 was a year of steady progress for JR East on the whole. We delivered higher revenues and earnings thanks to extremely strong growth in traffic volume. We also laid out JR East's future course by unveiling a new group management vision.

Looking back at fiscal 2013, we steadily grew revenues from railway operations, helped in part by very few railway accidents and service disruptions during the year, as well as a major boost from the encouragement of tourism and reconstruction demand after the Great East Japan Earthquake. Driven by railway operations, the life-style service business also performed steadily. All in all, JR East continued to follow a strong growth path during fiscal 2013.

In railway operations, when we revised train schedules in March 2013, JR East also raised the maximum operating speed of the Tohoku Shinkansen Line's Series E5 *Hayabusa* service to 320 km/h, the fastest in Japan, and started commercial operations of the Series E6 *Super Komachi* service on the Akita Shinkansen Line. We also worked to enhance our Tokyo metropolitan area network by mainly improving the convenience of the *Tokyo Mega-loop*, an outer loop around Tokyo formed by the Musashino, Keiyo, Nambu and Yokohama lines. Furthermore, we celebrated the restoration of Tokyo Station *Marunouchi Building* with a grand opening in October 2012, after 5 years of preservation and restoration work was completed. Tokyo Station is now becoming a new sightseeing attraction in Tokyo visited by large numbers of customers.

In the life-style service business, we opened a host of new facilities that contributed to earnings. In the Station Space Utilization segment, JR East opened the *Marunouchizaka Area* as an addition to *GranSta* and *CentralStreet* in Tokyo Station. Meanwhile, in the Shopping Centers & Office Buildings segment, *GranTokyo North Tower Phase II*, *JR Minami Shinjuku Building* and other facilities were opened.

Besides these positive factors supporting top-line growth, recovery from the Great East Japan Earthquake led to growth in consolidated operating revenues for the first time in 5 years. Consequently, the JR East Group posted higher revenues and earnings in fiscal 2013.

In fiscal 2013, one of our biggest priorities was to implement measures toward recovery from the Great East Japan Earthquake. We continued our efforts to restore conventional lines along the northeastern Pacific coast that were damaged by the tsunami caused by the earthquake. In addition, we pressed ahead with seismic reinforcement work in preparation for major earthquakes, including possible earthquakes directly beneath the Tokyo metropolitan area. We also conducted measures to revitalize regions through tourism campaigns, *Sanchoku-ichi* (farmers' markets) and other initiatives. We have seen a tremendous recovery in

demand from sightseeing customers. Through the *Iwate Destination Campaign*, held jointly with six JR companies, local governments and other partners, we succeeded in doubling the number of travelers from the previous year. And the *POKÉMON with YOU train*, which entered service in December 2012, has proven extremely popular among families. Fiscal 2013 was a year of major advancement in terms of revitalizing regional tourism.

Furthermore, JR East in October 2012 formulated a new management vision entitled "*JR East Group Management Vision V—Ever Onward*." This vision, which is the fifth vision since JR East was established, aims to once again renew the courses of action for the Group going forward, both within and outside the company. These courses of action are embodied by the two important pillars of the vision: "Eternal Mission" and "Pursuing Unlimited Potential."

I believe that we have definitely started to take steady strides toward achieving our management vision in my first year as president.

▶ See pp. 071–076 for a more detailed account of fiscal 2013.

FORMULATION OF THE NEW GROUP MANAGEMENT VISION

QUESTION 2

What led you to formulate the new management vision "JR East Group Management Vision V—Ever Onward"?

ANSWER 2

We positioned March 11, 2011 as the second starting point following the privatization of JNR, and once again clarified the Group's role in society and what it should seek to achieve.

The Great East Japan Earthquake that struck on March 11, 2011 caused unprecedented devastation to JR East's service area in the Tohoku region in particular. Having experienced this earthquake, we felt that what members of the affected communities wanted above all else was safety and security in their daily lives. And as an enterprise providing vital social infrastructure, we recognized that JR East must fulfill its mission of delivering safe and secure services.

Every time we restarted a railway segment that had been out of service due to the earthquake, we were cheered on by residents of each community and received many words of thanks from them. By doing our utmost to restore service, we strengthened our ties with these communities. This gave all employees confidence and pride in their work.

JR East was established 26 years ago as a result of the reform and privatization of Japanese National Railways (JNR). The JNR reforms were aimed at revitalizing JNR, which had gone bankrupt, and its railway operations to

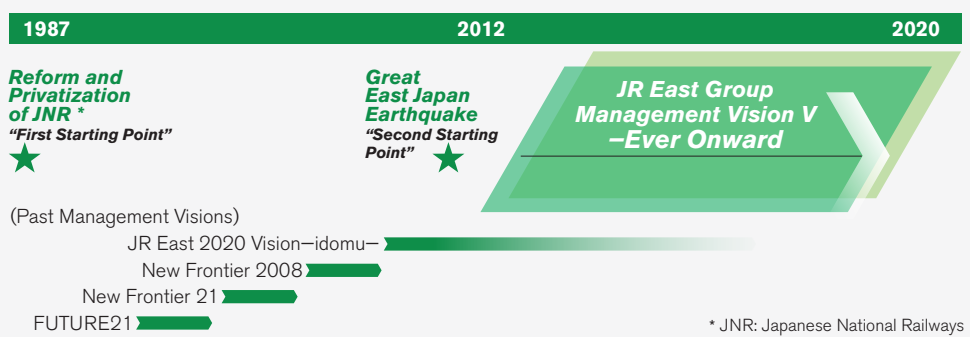
ensure that it could serve communities and society at large. Another goal was to modernize and reinvent the company into a new railway operation that could meet the demands of society through technological innovation, service enhancements and other measures. Having witnessed the earthquake and the dramatic changes that followed, we have rededicated ourselves to the pledges we made during the JNR reforms, namely to "Revitalize Railways."

To this end, we decided to position the Great East Japan Earthquake as the Group's second starting point. While remembering our determination to see through the JNR reforms, the Group rededicated itself to the fulfillment of its "Eternal Mission" and "Pursuing Unlimited Potential" with respect to railways. To present our vision for the kind of company we must become to achieve these goals, we formulated "JR East Group Management Vision V—Ever Onward." Guided by this vision, all Group employees are determined to continue taking steady and strong strides into our next quarter century.

Under "JR East Group Management Vision V—Ever Onward," we have defined the key concept of "Thriving with Communities, Growing Globally." Railways are a network industry, and cannot perform to their fullest without vibrant communities. In this sense, serving communities is our *raison d'être*. As a corporate citizen, we are determined to execute business unique to the JR East Group to draw a blueprint for the future together with members of the community. That is why we have adopted "Thriving with Communities" as part of the vision's key concept.

On the other hand, in order to prevail in these fast-changing times and achieve sustainable growth, we must embrace an enterprising spirit needed to further unlock our potential. I want every employee to believe in their potential and boldly tackle challenges. And I believe that management has a responsibility to create an environment conducive to taking on such challenges. Left alone, the railway business has a tendency to be inward looking, and the organization can easily become self-contained. That must be avoided. To expand opportunities for employees to become actively involved, we will work to enter new business fields, while taking full advantage of outstanding technologies and personnel in Japan and overseas. "Growing Globally" embodies the concept of expanding into new business fields, while looking outward and working together to make way for the future.

FORMULATION OF THE NEW GROUP MANAGEMENT VISION



➤ See pp. 009–013 for a more detailed account of the new management vision "JR East Group Management Vision V—Ever Onward"

ABOUT “ETERNAL MISSION”

QUESTION 3

Under “JR East Group Management Vision V–Ever Onward” you have positioned “Eternal Mission” and “Pursuing Unlimited Potential” as the two important pillars. Could you please explain “Eternal Mission” in a little more detail?

ANSWER 3

We will make persistent efforts to properly answer the expectations of society for the Group by following three courses of action: “Pursuing ‘extreme safety levels,’” “Service quality reforms” and “Strengthening collaboration with local communities.”

In essence, our “Eternal Mission” is to provide safe and high-quality transportation services that contribute to the growth and prosperity of communities. This fundamental mission must be fulfilled at all times. We have worked on this priority under past management visions. However, we have once again positioned this mission as a key tenet of management. We will work to further strengthen and broaden our efforts in this respect.

Perfecting safety is an eternal pursuit. Throughout our 140-year long history in railway operations, we have steadily built up railway safety through steadfast daily efforts. This work will continue forever into the future. We will strive to achieve “extreme safety levels” by continuing our steadfast efforts to maintain and improve safety.

We have implemented steady and systematic seismic reinforcement work in preparation for major earthquakes, most notably by seismically reinforcing more than 40,000 viaduct columns since the Great Hanshin-Awaji Earthquake, which struck in 1995. These measures have paid off. During the Great East Japan Earthquake in 2011, there were no derailment incidents on Shinkansen routes in commercial operation and no collapse of viaduct columns.

Besides countermeasures based on experience from the Great East Japan Earthquake, we are now promoting seismic reinforcement and other countermeasures against a possible

earthquake directly beneath the Tokyo metropolitan area, and other major earthquakes in Japan, at a total cost of approximately ¥300 billion, positioning the five-year period (from fiscal 2013 to fiscal 2017) as an intensive implementation period. In addition to viaduct columns, we have expanded the scope of seismic reinforcement and other countermeasures to include embankments, cutouts, electrical poles, station and platform ceilings and other infrastructure. Efforts will also be made to strengthen the seismic observation system such as by installing more seismometers.

Although a massive amount of investment will be needed, we will steadily implement measures to address all foreseeable risks with the view to building extremely safe railways. We are particularly focused on building a railway capable of withstanding natural disasters. In doing so, we believe that such a railway will serve as a crucial factor underpinning JR East’s revenues over the medium and long terms.

We will accelerate the installation of automatic platform gates for the Yamanote Line as a safety measure for station platforms. By fiscal 2016, automatic platform gates will steadily enter service at 23 stations, excluding the stations where major renovations are scheduled. Ridership on the Yamanote Line accounts for a particularly large share of JR East’s customers, and the Yamanote Line is a hub for the entire Tokyo area railway network, including



those of other railway operators. By giving priority to safety measures on the Yamanote Line, we believe that we can contribute to railway transportation safety in the Tokyo metropolitan area as a whole.

In railway operations, securing safety is a top priority. However, we believe that safety alone is not enough. While ensuring safety, we must also seek to provide reliable and comfortable transportation services. This is why we are pursuing “service quality reforms.” First, we will do our utmost to prevent any disruption in our transportation operations. When accidents or other incidents occur, we must work to contain the impact and to resume operations as

soon as possible, such as by rapidly providing shuttle operations. We will reform service quality through teamwork that cuts across divisional and organizational barriers, to achieve our goal of becoming No. 1 in customer satisfaction in the railway industry. Enhancing the railway transportation network is another key element of service quality reforms. When we begin operation of the Tohoku Through Line in fiscal 2015, which will enable passengers to take the Joban, Utsunomiya and Takasaki lines to Tokyo Station and areas served by the Tokaido Line, we will eliminate the need for passengers to transfer trains at Ueno Station as they do now. This will have the beneficial impact of reducing travel time by about 11 minutes and alleviating congestion during commuting hours. By putting this sort of seamless, direct service in place, we plan to improve the quality of transportation services. In the intercity network, we expect to increase passenger flows between the Tokyo metropolitan area and Hokuriku and Hokkaido, as well as between the northern Tohoku region and Hokkaido, by opening the Hokuriku Shinkansen Line to Kanazawa at the end of fiscal 2015 and launching the Hokkaido Shinkansen to Shin-Hakodate (provisional name) at the end of fiscal 2016. This will help to spur regional economic development, while improving the value of our railway operations in line with the concept of "Thriving with Communities."

Another crucial management priority is strengthening collaboration with local communities. In particular, we seek to harness the power of tourism to revitalize the disaster-hit regions, and by extension Japan as a whole. In fiscal 2014, we will conduct *Destination Campaigns* for Sendai and Miyagi Prefecture, and Akita Prefecture. We will work closely with local communities to attract large numbers of visitors to the Tohoku region. Measures will include uncovering tourism resources and disseminating information. In other initiatives, JR East will progressively introduce new-concept trains that people seek to board for the "ride" itself, such as restaurant trains and steam locomotive trains. Through these initiatives, we hope to expand railway travel options and stimulate tourism. Another key theme for strengthening collaboration with local communities is to develop towns centered on railway stations. We aim to transform large-scale station terminal buildings into appealing destinations in their own right that attract visitors, not merely places where people get on or off trains or transfer between them. One prime example is Tokyo Station, where preservation and restoration work on the Tokyo Station *Marunouchi Building* was completed in October 2012. As with Tokyo Station, we will promote town development by transforming train stations such as Shinagawa, Shibuya, Shinjuku, Yokohama, Chiba

and Sendai, and having the beneficial impact of these stations ripple out to revitalize the surrounding towns and spur the development of the local community. In addition, in core regional cities, we will concentrate various facilities in and around railway stations and in line-side areas to serve communities. These facilities will include housing, nursing care, medical, and child-rearing facilities that meet the needs of people's daily lives.

We also have an important mission to help revitalize local industries. Our efforts are particularly focused on selling locally produced goods in the Tokyo metropolitan area, mainly by hosting farmers' markets for more than 2,000 days every year at Tokyo metropolitan area railway stations and other locations, as well as at the *NOMONO* shop for selling local produce in Ueno Station. We plan to open our second *NOMONO* shop after the Ueno Station location by the end of fiscal 2014. Furthermore, in regard to the sextic industrialization of primary industry, we are implementing measures such as supporting *Akita Shokusai Produce*, which sells local produce from Akita Prefecture in the Tokyo metropolitan area. In addition, we established *A-FACTORY*, which produces cider in Aomori Prefecture. Looking ahead, we will continue to expand these sorts of initiatives with the view to revitalizing regional economies and helping to create new employment in local communities.

Our "Eternal Mission" is to provide safe and high-quality transportation services that contribute to the growth and prosperity of communities.

EARTHQUAKE RECOVERY EFFORTS

QUESTION 4

What is the current status of earthquake recovery efforts and what are your restoration policies and priorities ahead?

ANSWER 4

As of April 2011, JR East had approximately 400 km of closed segments. However, as a result of gradual progress on restoration, we now have 250 km of closed segments. In terms of the outlook for restoration, we believe that JR East must coordinate its efforts with plans to rebuild areas as a whole and develop towns, while ensuring safety. Given the large number of matters that must be coordinated, including the cost burden, we believe that restoration will take much more time.

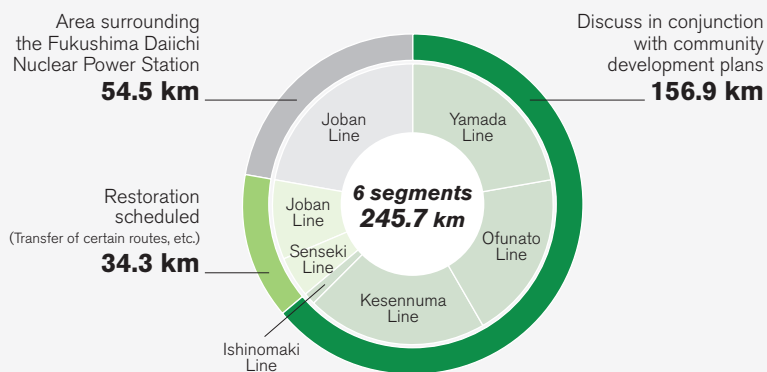
Railway routes along the northeastern Pacific coast were severely damaged by the tsunami. Station buildings, tracks, and bridge piers were swept away or buried. Immediately after the earthquake, JR East closed segments along the northeastern Pacific coast totaling approximately 400 km due to tsunami damage. However, as a result of steady progress with restoration work, JR East now has 250 km of closed segments. Looking ahead, we plan to restore railway services on the Senseki, Joban and other lines through work that will include relocating lines inland in some segments. However, JR East must coordinate efforts to restore the Kesennuma, Ofunato and Yamada lines with plans being formulated to restore the areas as a whole and develop towns, while ensuring customer safety. Accordingly, JR East is currently discussing how to go about restoring these lines with the national government, relevant local governments, and other parties.

We are well aware of the strong calls for restoring railway service on these segments from the local communities. First and foremost, however, safety measures are essential to restoring railways in order to ensure the safety of customers. Among the specific safety measures that will be needed are to relocate tracks to inland

areas, develop breakwaters, and increase the elevation of land. Furthermore, restoration plans must be coordinated with each community's town development plan. When laying railway tracks, unless we consider the location of future city halls, schools, hospitals and other facilities, we may find that no one will use the railway even after service is resumed. Furthermore, we must hold concrete discussions on intersections of railways with roads, rivers and other features. And above all, the restoration cost presents a major challenge. To implement extensive safety measures, and coordinate efforts with town development plans, JR East will need to incur an even larger cost



CURRENT STATUS OF SUSPENDED RAILWAY SEGMENTS



than what would be needed to simply restore the railways to their original condition. It is not possible for JR East to bear the entire cost burden alone. Since public assistance from national and local governments will be vital, we are currently discussing these matters with the relevant parties.

We expect that much more time will be needed to solve these issues. Another problem we will need to discuss is the matter of ensuring



BRT (Bus Rapid Transit)

an adequate passenger volume. The segments that are currently closed had a very low ridership, and there is a risk that the population of these areas could decline further as a result of the earthquake. Even if railway service is resumed, it will be extremely challenging to maintain sound management of these operations thereafter. For this reason, JR East must thoroughly discuss these matters with both the national and local governments.

In light of this situation, JR East has proposed using a BRT (Bus Rapid Transit) system to local governments as a means of provisionally restoring transportation services along the Kesennuma, Ofunato and Yamada lines until recovery is achieved. This proposal is intended to ensure local access to regional transportation. Thereafter, with the agreement of the local communities and following provisional operation from August 2012, we finally started BRT operations for the Kesennuma

Line (Yanaizu–Kesennuma) and the Ofunato Line (Kesennuma–Sakari) in December 2012 and March 2013, respectively. By introducing the latest hybrid buses, improving service frequency and taking other measures, the BRT service has proven popular among customers, including senior high school students commuting to school.

Looking ahead, we will work to further improve service through such means as increasing segments with BRT-only lanes. BRT has been attracting attention as a new transportation service in regional areas. At the same time, we believe that it has drawn public debate on optimal modes of transportation for communities as they recover from the earthquake. Going forward, we will continue talks with members of local communities, with the view to restoring regional transportation services that contribute to the earthquake recovery.

DETAILS OF “PURSUING UNLIMITED POTENTIAL”

QUESTION 5

Next, please tell us about “Pursuing Unlimited Potential,” the second pillar of your “JR East Group Management Vision V–Ever Onward.”

ANSWER 5

We will boldly pursue the JR East Group’s unlimited potential chiefly by driving technological innovation and globalization. To meet these challenges, we will develop employees and create a corporate culture that maximizes human potential.

The first main point of the “Pursuing Unlimited Potential” is technological innovation. There are many people who believe that railway technology has matured, but I strongly disagree. Railways still harbor vast potential. Believing in that “unlimited potential,” JR East intends

to spur the evolution of railways by harnessing the power of technology. We began operating the Tohoku Shinkansen Line’s Series E5 *Hayabusa* service at a maximum speed of 320 km/h, but JR East has outstanding technology to increase the speed of the Shinkansen

Line even further. Next, we aim to raise the bar by increasing Shinkansen’s maximum commercial operating speed to 360 km/h. On conventional lines, JR East is strengthening activities from the standpoints of promoting energy and environmental strategies and utilizing

information and communication technology (ICT). In spring 2014, we will begin operating storage battery-driven railcars for service on the Karasuyama Line, but our efforts will not stop there. In the future, we aim to introduce the same technology to the Tokyo metropolitan area railway segments such as the Yamanote Line, with the view to achieve catenary-free railway operations. Catenary removal will not only reduce maintenance costs and environmental burden, but should also make our railways more resilient to natural disasters. Furthermore, in terms of utilizing ICT, we have put the ATACS wireless train control system into operation on the Senseki Line between Aobadori Station and Higashi-Shiogama Station. Looking ahead, we

will consider expanding the operation to railway segments in the Tokyo metropolitan area. In addition, JR East plans to implement communication-based train control (CBTC), a similar wireless train control system used overseas, on the Joban Local Line around 2020. Employing these sorts of new technologies should enable us to develop railway systems free of track circuits, offering cost advantages with fewer malfunctions. Furthermore, technological innovation will help energize the company and expand opportunities for employees, not to mention open up new possibilities for railways. Indeed, technology has the power to expand the potential of every employee of the JR East Group indefinitely.

The second main point is

globalization. We have three purposes here. The first purpose is to overcome the tendency for our railway operations to be inward looking by building an outward-facing corporate culture. The second purpose is to participate in overseas railway projects, for which market expansion is expected going forward, by supplying Japanese railway technology, maintenance capacity and train operation capabilities as a packaged solution. The third purpose is to spur the growth of employees by having them experience what it is like to embrace new challenges in overseas markets and new business domains. The growth of every employee is essential to improving corporate value. JR East has many talented young employees on the frontlines, and we will work intensively to develop our human resources by taking full advantage of our global human resource development program. This program covers a range of training options, such as OJT trainee assignments to overseas railway projects, short-term and long-term study abroad programs, and opportunities to gain business experience at other companies.

▶ See pp. 009–013 for a more detailed account of the new management vision "JR East Group Management Vision V—Ever Onward"



We will boldly pursue the JR East Group's unlimited potential chiefly by driving technological innovation and globalization.

NUMERICAL TARGETS

QUESTION 6

What are your numerical targets? And what is your approach to using cash?

ANSWER 6

In fiscal 2016, we are projecting higher revenues and earnings compared with fiscal 2013. We plan to generate operating cash flow totaling ¥1,750 billion over this 3-year period. Of this amount, we have earmarked ¥1,550 billion for capital expenditures. We will also provide shareholder returns emphasizing the total return ratio, even as we work to reduce debt.

Under “JR East Group Management Vision V—Ever Onward,” we have established numerical targets for a 3-year period. We have set targets for consolidated operating revenues and operating income, as well as segment operating revenues and operating income. Those 3-year targets will be reviewed annually, and will be revised into new targets for the next three years starting from the following fiscal year. Through this approach, we will ensure that our targets properly reflect any changes in the management environment that could take place going forward.

In terms of our current numerical

targets for fiscal 2016, we are targeting consolidated operating revenues of ¥2,788 billion, an increase of about ¥116 billion from fiscal 2013, and consolidated operating income of ¥418 billion, an increase of about ¥20 billion over the same time period. Furthermore, we are forecasting a consolidated ROA (operating return on assets) of 5.5% and a consolidated ROE (net return on equity) of 8.9% for fiscal 2016.

In regard to the use of operating cash flows, we will emphasize capital expenditures aimed at future growth and business expansion, as well as reinforcing the business base, while

enhancing shareholder returns and steadily reducing debt.

We are projecting operating cash flow totaling ¥1,750 billion over the 3-year period from fiscal 2014 to fiscal 2016. Of this amount, we have earmarked ¥1,550 billion for capital expenditures. Capital expenditures consist of growth investments of ¥600 billion, with the remaining ¥950 billion earmarked for investment needed for the continuous operation of business. Of the investment needed for the continuous operation of business, ¥600 billion is earmarked for safety-related investment.

FY2016.3 NUMERICAL TARGETS BY SEGMENT (¥ billion)

	2013.3 Results	2014.3 Plan	2016.3 Target	Increase/ decrease	2016.3/ 2013.3
Operating revenues	2,671.8	2,692.0	2,788.0	+116.2	104.3%
Transportation	1,795.1	1,820.0	1,857.0	+61.9	103.4%
Station Space Utilization	404.2	406.0	437.0	+32.8	108.1%
Shopping Centers & Office Buildings	238.9	250.0	261.0	+22.1	109.2%
Others	233.6	216.0	233.0	-0.6	99.8%
Operating income	397.6	401.0	418.0	+20.4	105.1%
Transportation	266.4	269.0	278.0	+11.6	104.3%
Station Space Utilization	37.6	37.0	42.0	+4.4	111.8%
Shopping Centers & Office Buildings	68.2	69.0	72.0	+3.8	105.6%
Others	26.9	27.0	27.0	+0.1	100.5%
Adjustment	-1.5	-1.0	-1.0		

Consolidated ROA

(rate of operating income on total assets)
(at the end of FY2016)

5.5%

Consolidated ROE

(rate of net income on equity)
(at the end of FY2016)

8.9%

OPERATING CASH FLOW USAGE PLAN		
	Targets	FY2014.3
Consolidated operating cash flow	Approx. ¥1,750 billion (FY2014.3 to FY2016.3)	
Capital expenditures	Approx. ¥1,550 billion (FY2014.3 to FY2016.3)	Approx. ¥510 billion*
Of which		
Investment needed for the continuous operation of business (Safety practice and transportation stability)	Approx. ¥950 billion (Approx. ¥600 billion)	Approx. ¥316 billion
Growth investment	Approx. ¥600 billion	Approx. ¥194 billion
Shareholder returns	33% Total return ratio	¥120/share dividend Share buybacks**
Debt reduction	(During the 2020s) ¥3,000 billion interest-bearing debt balance	Reduce interest-bearing debt around ¥20 billion

* In addition, priority budget allocation max. ¥30 billion from the deposit balance on March 31, 2013 deposit balance (capital expenditures of approx. ¥540 billion in total)

** Share buyback of ¥8.3 billion executed in May 2013

In regard to safety-related investment, as I said earlier, we are currently executing seismic reinforcement and other countermeasures at a total cost of ¥300 billion. Previously, we had invested just under ¥200 billion in seismic reinforcement measures. We believe that these measures were successful in minimizing damage during the Great East Japan Earthquake. Given that safety is the backbone of JR East's business, we will continue to steadily execute the necessary safety-related investments after carefully prioritizing safety measures, with the aim of realizing "extreme safety levels." Furthermore, investment in service quality and growth is also essential to propelling the Company's sustainable growth. Accordingly, we plan to execute these sorts of investments while giving due consideration to profitability.

In regards to shareholder returns, JR East will strive to maintain stable dividends while flexibly conducting share repurchases, based on its total return ratio target of 33%. For fiscal 2013, JR East bought back 1 million shares (repurchased in May 2013), in addition to paying full-year cash dividends of ¥120 per share. Going forward, we will continue working to reach our total return ratio target of 33%.

JR East plans to reduce its balance of consolidated interest-bearing debt to ¥3,000 billion sometime during the 2020s. To this end, we plan to steadily reduce consolidated interest-bearing debt by around ¥20 billion a year on average.



We are projecting operating cash flow totaling ¥1,750 billion over the 3-year period from fiscal 2014 to fiscal 2016. Of this amount, we have earmarked ¥1,550 billion for capital expenditures.

MEASURES AGAINST THE FALLING POPULATION

QUESTION 7

Can JR East really achieve sustainable growth as Japan's population declines?

ANSWER 7

We believe that we have strong prospects for maintaining and even increasing demand for railway services by increasing the frequency of railway use per person and raising the share of railway passengers in the transportation mix.

Japan's falling population due to the aging of society and fewer births, notably the declining working-age population, is correlated to a certain extent to a decrease in the number of railway customers using commuter passes. Therefore, the decline in Japan's population presents a huge challenge for the railway business. However, we believe that we can surmount this challenge by increasing the number of railway passengers, even as the overall resident

population declines. Therefore, our goal is to increase the frequency of railway use per person and improve the share of railway passengers in the transportation mix by having people select railways as their preferred mode of transportation.

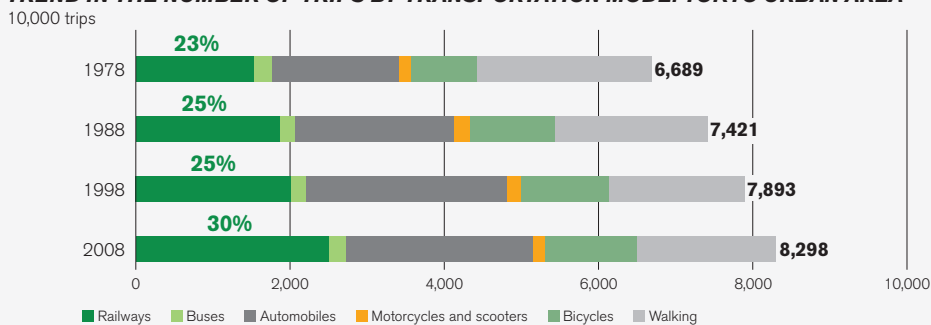
According to the "Tokyo Urban Area Person Trip Survey" by the Ministry of Land, Infrastructure, Transport and Tourism, recent trends in the transportation mix show that the share of railways is increasing, while that of automobiles

is declining. This trend is credited to the improved convenience of railways as a result of network enhancements in recent years. Even as the population declines, JR East should be able to further increase the number of railway passengers in the Tokyo metropolitan area if the share of railways rises as people select trains as their preferred mode of transportation. If we work to further enhance the convenience and comfort of railways while ensuring safe and reliable transportation, we believe that JR East will have ample scope to attract new passengers to its railways.

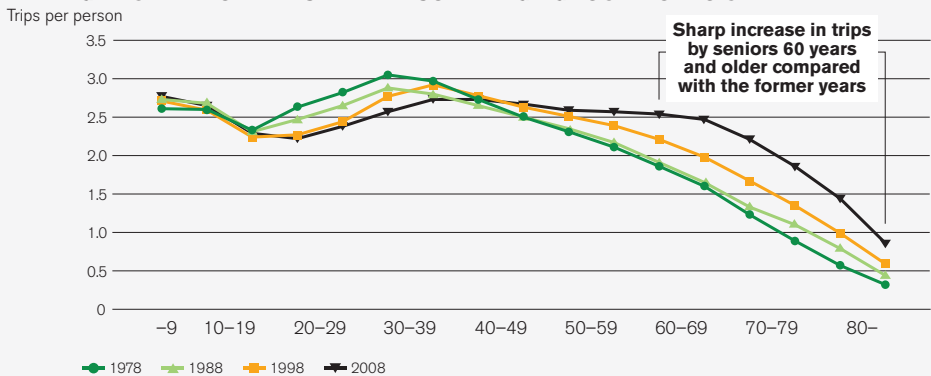
Going forward, the working-age population is also projected to decline in the Tokyo metropolitan area. Nevertheless, we believe that the influx of more and more women and seniors into the workforce will have a positive effect on the working population. For this reason, as I said before, we intend to maintain and even increase demand for railway services by increasing the share of railways with respect to the overall transportation mix.

Moreover, we are seeing trends such as an extremely rapid increase in the frequency of railway use and activity levels of seniors aged 60 and above. The people in this age group are referred to as "active seniors" as they have a certain amount of latitude in terms of money and time, and can devote themselves to a range of activities such as travel, as well as hobbies and other interests. We believe that capturing demand for travel services from this segment presents a huge

TREND IN THE NUMBER OF TRIPS BY TRANSPORTATION MODE: TOKYO URBAN AREA



AVERAGE NUMBER OF TRIPS PER PERSON BY AGE GROUP: TOKYO URBAN AREA



Source: Ministry of Land, Infrastructure, Transport and Tourism, Tokyo Urban Area Person Trip Survey

business opportunity for JR East. JR East operates a membership club for seniors called *Otona no Kyujitsu Club*, which has more than 1.6 million members. By providing meticulous services that cater to the needs of seniors, we

will strive to further activate this customer segment.

Considering the foregoing factors, we believe that there is no need to be downbeat about the future as Japan's population declines. By enhancing the

Tokyo metropolitan area network, expanding the intercity network, and upgrading and extending services for seniors, we are convinced that we will be able to increase the number of railway passengers.

AS A COMPANY RESPONSIBLE FOR RAILWAYS

QUESTION 8

Finally, please share your ambitions toward realizing the group management vision.

ANSWER 8

We will achieve the Group's growth by spurring the growth of every employee. This will be done by building an enterprise that embraces a challenging spirit, and expanding opportunities for employees to become actively involved.

The purpose of formulating this management vision was to return to our starting point of fulfilling our responsibilities as a company responsible for railways, which are a crucial social infrastructure, and to share this mission among all Group employees. I often call on all employees to join me in working together to serve communities by providing safe and reliable transportation services.

Companies cannot grow unless their employees grow. I believe that the growth of every employee holds the key to achieving the Group's growth. And by expanding opportunities for employees to become actively involved, employees will have even more avenues to grow. In essence, "*Ever Onward*" is all about creating this positive cycle where employees' growth is tied to that of the Group as a whole. I intend to create an enterprise where there is respect for embracing challenges, and where

people feel empowered to try new initiatives—an open-minded culture in which people believe in their potential and take on new challenges even if they stumble along the way.

Based on "*JR East Group Management Vision V—Ever Onward*," we will continue to marshal the collective efforts of all JR East Group employees to achieve sustainable growth and to improve corporate value. Without loosening the reins, we intend to prove worthy of the trust placed in us by investors. We will do so by continuing to produce tangible results as we move JR East "*Ever Onward*."



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