


We will achieve tangible results by continuing concerted efforts focused on two important pillars: realizing our “Eternal Mission” and “Pursuing Unlimited Potential” in accordance with “JR East Group Management Vision V.”

Also, through the concrete action of each employee as well as teamwork, we aim to realize our commitment to “Thriving with Communities, Growing Globally.”



TETSURO TOMITA
President and CEO

Question 1

What is the JR East Group's approach to ensuring safe and reliable transportation?

- As we near our 30th anniversary, we will return to our starting point and through the actions of all Group employees build safety, our highest management priority.
- By focusing on the fundamentals—ensuring safety and enhancing the quality of railway transportation services—we want to give customers peace of mind based on assured safety.

Having reached the 30th year since our establishment, I think this is an appropriate point at which to reexamine where we stand. The aging of society and the concentration of the population in cities are becoming more marked. Further, Japan's overall growth potential is weakening. Meanwhile, a large wave of technological innovation, the so-called fourth industrial revolution, is approaching, and economic activities are globalizing. Given the unprecedented conditions that we are facing, I think we need to reconfirm fundamentals. At the same time, we have to respond to changing conditions and prepare for the future. Through to 2020 and beyond will be an extremely important period for the JR East Group.

Our starting point was the privatization of Japanese National Railways (JNR) almost 30 years ago. Recognizing that we are a private company providing public services in the form of train services and that the services we provide are technology-based, we will reexamine our current status. In these efforts, safety will be our highest management priority. Safety underpins everything we do, and I believe it is extremely important that each employee views safety as their responsibility rather than someone else's and performs all common tasks properly. With this in mind, we will establish systems for advancing measures to reinforce each employee's capabilities. Specifically, we need to conduct practical training rigorously and renew and increase training facilities. Further, I want to have individual employees understand the practical ramifications of each component of their jobs. To this end, we will revise teaching materials

with a view to explaining why certain procedures are needed, what would happen if they were not implemented, and what we have learned from past experience. In this way, I want to further cultivate professionalism and a strong awareness of safety among employees.

Increasingly, our operations are dependent upon the capabilities of partner companies and Group companies. In other words, the division of responsibility for operations is becoming increasingly horizontal. As a result, concerted efforts among JR East, Group companies, and partner companies to upgrade safety-related technological capabilities across the Group are critical. Therefore, personnel exchanges are needed at a range of different employee ranks. Further, I want to encourage open communication within the Group by sharing information on and discussing areas of danger and other risks. In addition, physical infrastructure measures are, of course, extremely important. For this reason, we are continuing seismic reinforcement work. However, new problems are arising due to such factors as the operation of Shinkansen at higher speeds. Responding to such problems calls for additional capital investment and the strengthening of aged facilities.

Raising safety to a level that gives customers peace of mind is an important theme. To give customers peace of mind based on assured safety, we will rigorously ensure that each employee conducts operations based on a commitment to pursuing ultimate safety levels, considering what they should do, and fulfilling their duties.

Question 1-2

What is your approach to enhancing safety and service quality?

When considering peace of mind based on assured safety, it is very important to think about how to heighten service quality. With meeting safety requirements as a major premise, we have to upgrade service quality. Every fall, we conduct a customer satisfaction survey. Looking at the results, compared with other railway operators in Japan, transportation reliability is our main weakness. I think railway station facilities, railcar facilities, and employees' attitude toward customers have improved to a certain level. However, customers evaluated us harshly and indicated

that we have significant scope for improvement with regard to transportation reliability, the provision of information to customers when transportation service disruptions occur, and the restoration of timetabled services following such disruptions.

The provision of reliable transportation services begins with each employee performing their duties properly. Since 2015, there has been a series of significant accidents and incidents that have led to transportation service disruptions. We will check whether we are consistently taking



preventive measures established in response to these accidents and incidents and reiterate the importance of preventive measures where necessary. These efforts will include JR East, Group companies, and partner companies. Specifically, we are implementing countermeasures based on lessons learned from past experience, including severed overhead wires, incinerated cables, and railcar and railcar door failures. However, we need to check again where problems actually remain and revise countermeasures accordingly. Also, to increase our ability to respond during transportation service disruptions, we need training based on specific scenarios. To minimize the effect of transportation service disruptions, we use contingency shuttle and alternative line operations. However, we have to enhance these measures even further. At the same time, through simulation training, we must hone our ability to provide customers with accurate guidance information in a timely manner.

I think our greatest responsibility and task is to meet the expectations of customers and give them peace of mind based on assured safety by increasing efforts aimed at ensuring safe and reliable transportation. We must satisfy fundamental requirements by ensuring safety and enhancing the quality of railway transportation services.

Question 2

What priority management measures will the JR East Group tackle?

- We aim to use the expansion of our railway network that has resulted from such initiatives as the opening of the Hokkaido Shinkansen Line, the extension of the Hokuriku Shinkansen Line, and the opening of the Ueno-Tokyo Line to grow inter-regional railway travel.
- In the life-style service business, we will accelerate the realization of projects with our sights set on the next five years as well as the coming decade.

As a private company, generating earnings is important. To grow earnings, we have to be hungrier and step up the pace of measures. In fiscal 2016, our business results were comparatively favorable. At times like these, complacency is a danger. Treating water lowers employee morale and saps a company's vitality. To grow amid today's dramatically changing business conditions, companies must aim for ambitious goals rather than preserve the status quo. Also, such goals contribute greatly to employees' job satisfaction. I want us to believe in our own potential and strengthen our appetite for taking on initiatives that will generate more earnings.

For example, we will take advantage of our high-speed railway network centered on Shinkansen service to create new passenger flows. In the first fiscal year following the extension of the Hokuriku Shinkansen Line, total passenger traffic, including airline passengers, between the

Tokyo metropolitan area and Kanazawa / Toyama rose approximately 1.6 times year on year, from approximately 5 million passengers to 8 million passengers. Initially, we set an ambitious target, seeking to increase total passenger traffic 2.0 times, to 10 million. In reality, however, total passenger traffic grew 1.6 times. Nonetheless, we are steadily nearing our goal. Rather than simply having customers use Shinkansen services instead of aircraft, our goal is to increase overall passenger flows, thereby invigorating regional economies and energizing local communities. Further, significant potential remains that we can unearth by promoting Toyama and Kanazawa as well as areas beyond these destinations, such as Fukui and the Noto Peninsula, and by encouraging passenger flows across a wide area that includes the surrounding prefectures, such as Niigata, Nagano, and Gifu. We are committed to working in

partnership with local communities to grow passenger flows with a view to boosting total passenger traffic between the Tokyo metropolitan area and the Hokuriku region to 10 million passengers.

Also, we want to increase passenger flows between the Tokyo metropolitan area and southern Hokkaido and between the Tohoku region and southern Hokkaido by exploiting the Hokkaido Shinkansen Line, which opened in March 2016. From Tokyo Station to Shin-Hakodate Hokuto Station takes about four hours. However, from Sendai Station to Shin-Hakodate Hokuto Station only takes roughly two and a half hours. In other words, by straddling the Tsugaru Straits, the Hokkaido Shinkansen Line has brought the Tohoku region and southern Hokkaido much closer together. We are keen to collaborate closely with local communities to create appealing new tourism routes, encourage tourism from overseas, and boost business activities. Not many visitors to Japan travel to the Tohoku region, but many of them visit Hokkaido. We believe that we can attract tourists from overseas to the Tohoku region by working with local communities to create new tourism routes. For example, we can encourage tourists from overseas who are visiting Hokkaido to use the Hokkaido Shinkansen and Tohoku Shinkansen lines to visit Aomori,

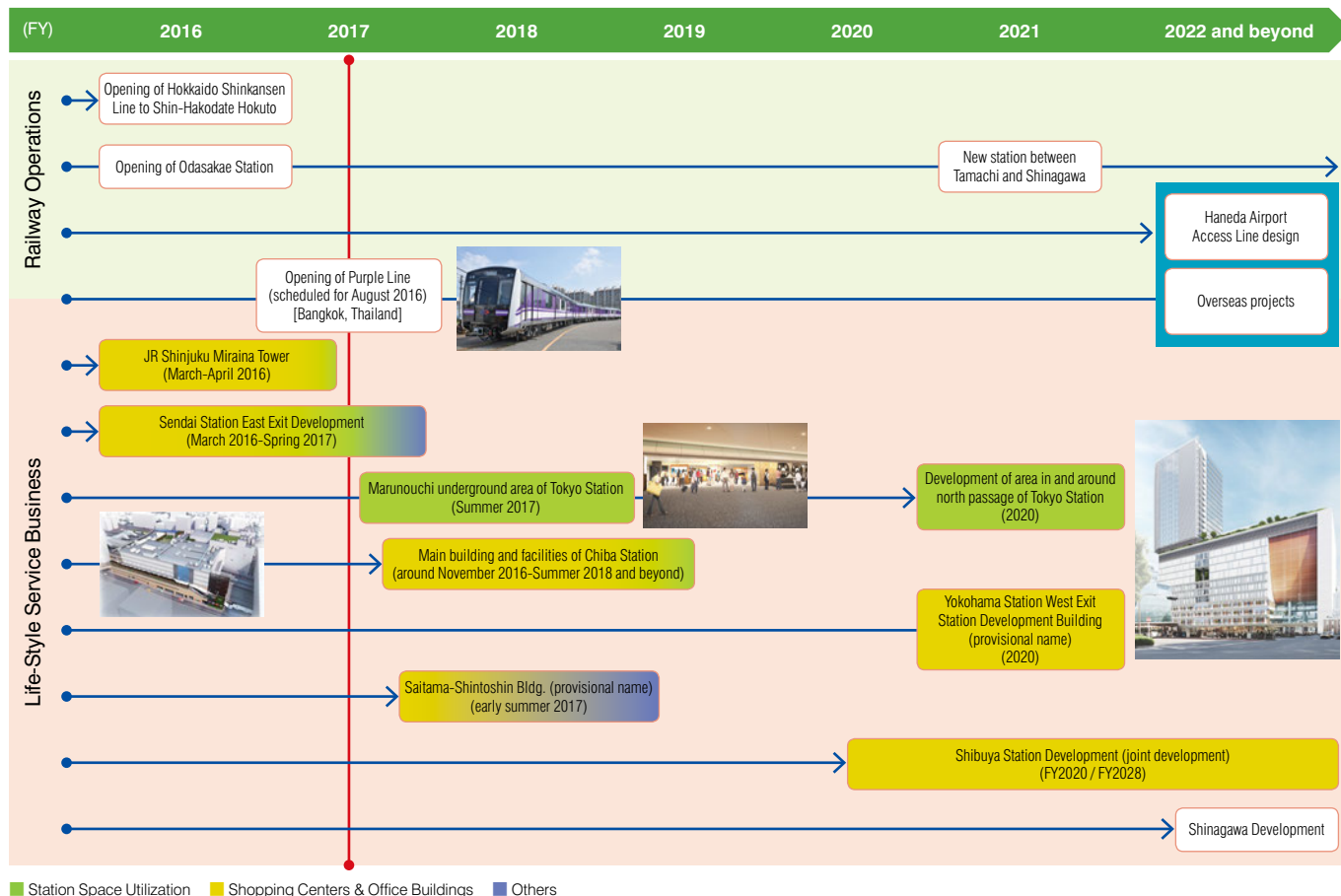
Morioka, Sendai, and Fukushima or Yamagata and Akita and return home via Tokyo. Another promising idea is a tourism route taking advantage of the newly privatized Sendai Airport to integrate air and land transportation services. Given the burgeoning potential of our high-speed railway network centered on Shinkansen services, we intend to develop it into a major source of earnings.

Further, revenues from conventional lines in the Tokyo metropolitan area are the mainstay of JR East, accounting for approximately two-thirds of its revenues from railways. Currently, as well as competition with other modes of transportation, competition between railway operators is becoming fiercer. In response, we aim to redouble efforts aimed at ensuring safe and reliable transportation so that customers choose our conventional line services. By achieving this goal, I believe we can increase passenger flows, even in the Tokyo metropolitan area, which is expected to see its working-age population and total population decline.

In addition, the life-style service business will play a significant role in growing revenues. Currently, businesses other than the railway business account for roughly one-third of the Group's revenues, or revenues of approximately ¥900.0 billion. Moreover, we plan to increase these

Major Projects Going Forward

(as of June 2016)





revenues. Until now, although we have described the railway business and the life-style service business as the two pillars of the Group, there has always been a sense of railways as the mainstay with life-style services in attendance. Going forward, however, we must aim for an era in which the life-style service business drives the growth of the railway business. With this in mind, we intend to make railway stations more appealing. In doing so, the surrounding towns will become more attractive, thereby generating new passenger flows. I think the life-style service business will play a major role in developing appealing railway stations, increasing passenger flows, and energizing towns. We have enhanced shopping centers, office buildings, hotels, and businesses inside railway stations considerably, but if we fail to do anything further customers will begin to lose interest. With our sights set five or 10 years ahead, we have to adopt fresh approaches to developing railway stations, the areas inside railway stations, shopping centers, office buildings, and hotels. Fortunately, our service area includes the Tokyo metropolitan area, which is a significant advantage, and I believe we will be able to rise to the challenge of capitalizing on the many business opportunities that this area offers. To put this another way, the life-style service business provides a wide range of opportunities for employees to realize their

capabilities. I would like such employees to welcome these opportunities, avoid complacency, and become more ambitious. Already, we are redeveloping Tokyo, Shinjuku, Shibuya, Yokohama, Chiba, and Sendai stations. However, we aim to accelerate such efforts and create further appealing spaces.

One of the JR East Group's major roles is to energize towns and invigorate local communities by combining the railway and life-style service businesses to increase passenger flows while heightening the appeal of railway stations. By sharpening our appetite for establishing additional revenue sources, I want to vitalize local economies and have local communities feel that their regions are becoming energized. We should have high aspirations as we tackle initiatives for local communities and feel privileged that we have the opportunities to do so. I think our employees find benefiting the public makes their work enjoyable and rewarding. Therefore, I trust that all employees will make a concentrated effort to realize our ambitions.

Question 3

What are the Group's management strategies for growth?

- We aim to post operating revenues of approximately ¥3,000.0 billion and operating income of ¥500.0 billion in fiscal 2019.
- Our target for total consolidated cash flows from operating activities between fiscal 2017 and fiscal 2019 is approximately ¥2,000.0 billion. Of this, we will allocate ¥1,600.0 billion to capital investment. We intend to pay stable cash dividends and maintain a flexible policy on share buybacks. Also, aiming to strengthen our financial position, we will steadily move toward our goal of reducing consolidated interest-bearing debt to ¥3,000.0 billion during the 2020s.

As significant targets for the coming three fiscal years, we aim to achieve operating revenues of ¥2,967.0 billion and operating income of ¥498.0 billion by fiscal 2019. We will maintain ROA at the current level of 6% and ROE at the current level of 10%.

Over the coming three fiscal years, we will generate total consolidated cash flows from operating activities of approximately ¥2,000.0 billion, of which ¥1,600.0 billion is earmarked for capital investment. We want to realize a total return ratio target of 33% by continuing to pay stable cash dividends and using surplus funds to buyback and cancel shares. We also want to reduce consolidated interest-bearing debt from the present level of approximately ¥3,200.0 billion to ¥3,000.0 billion during the 2020s. Although interest rates are unprecedentedly low or even negative, we cannot predict interest rates. Therefore, we will adhere to our existing approach of steadily reducing debt.

Anticipating the use of cash flows five years, 10 years, and further ahead is paramount. Of the ¥1,600.0 billion we have earmarked for capital investment, we will invest roughly ¥1,000.0 billion in maintenance and renewal. Further, we want to invest ¥600.0 billion of this amount in measures aimed at ensuring safe and reliable transportation, including seismic reinforcement measures, safety measures for platforms and railway crossings, and disaster countermeasures. Also, during the next three fiscal years plans call for approximately ¥600.0 billion of growth investment, which will cover such initiatives as redeveloping railway stations and introducing new railcars. Given that we expect consolidated cash flows from operating activities to be comparatively plentiful for some time to come, we want to use them in effective, farsighted ways that will facilitate business management going forward.

We have set targets for revenues and earnings at conservative levels because the economic outlook for Japan remains uncertain in some respects. Further, we plan to control costs steadily. Each year roughly 3,000 employees will retire, which will reduce personnel expenses. On the other hand, we face the problems of how to increase efficiency and how to compensate for a shortage of manpower. We intend to respond to the problem of growing numbers of retirees by increasing productivity through technological innovation, outsourcing operations, and utilizing Group companies and partner companies. While personnel expenses are decreasing, outsourcing expenses are rising slightly. Despite this increase, we are confident that we can reduce total personnel expenses and outsourcing expenses steadily. Although we have set a conservative target for revenues, I think that we will be able to generate stable operating income by controlling costs steadily. In-house, I am urging employees to aim higher because the revenue target represents the lowest limit. In addition, I am calling on the life-style service business to increase its pace of development. This is a challenge because there are significant time restrictions on work conducted at busy railway stations in the Tokyo metropolitan area and other railway stations that large numbers of customers use. Nonetheless, I would like to bring forward development initiatives as much as we can.

Question 4

Can you please outline the Group's long-term vision for growth after 2020?

- Aiming to capture demand from visitors to Japan, we will publicize the Tohoku and Joshinetsu regions.
- We will collaborate with region municipal authorities to contribute to town development centered on railway stations.
- We will incorporate open innovation to advance technological innovation.
- We aim to be a corporate group in which diverse personnel can realize their capabilities and play important roles.

I would like to begin with tourism. Developing tourism into a robust growth industry has become a national mission in Japan. We will step up initiatives aimed at encouraging more tourists to visit the Tohoku and Joshinetsu regions and energize local communities through tourism. The government aims to attract 40 million visitors to Japan by 2020 and 60 million by 2030. Moreover, the government has set out targets for spending by visitors to Japan of ¥8,000.0 billion by 2020 and ¥15,000.0 billion by 2030. With a view to regional revitalization, I think we should attract some of this large number of tourists from the Tokyo–Kyoto–Osaka route to the Tohoku and Joshinetsu regions. As well as forming these efforts into a major pillar of our operations, I believe such efforts aimed at regional revitalization are a role we should fulfill.

Currently, efforts to attract tourists from overseas to the Tohoku region are gathering a great deal of momentum. For example, the region's six prefectures are planning to conduct a joint promotional campaign targeting tourists from overseas. This initiative began at a symposium aimed at

revitalizing the Tohoku region through tourism, which was held in April 2016 in Sendai and attended by the governors of the Tohoku region's six prefectures. We want to play an active role in supporting such efforts. The Tohoku region has many hidden tourism resources. We will unearth appealing tourism resources with which even Japanese people are unfamiliar and that showcase history and culture, hot springs, cuisine, and nature and then develop and publicize them. Through such efforts, I believe we can further realize the Tohoku region's significant potential. *TRAIN SUITE SHIKI-SHIMA*, a luxury sleeper and cruise train, will begin operations in May 2017. I want to exploit train services such as this to distribute information about new tourism resources on the sightseeing routes that they follow.

Next, we will expand the life-style service business in areas beyond railways. In the Tokyo metropolitan area, we will proceed with development on the former site of the JR Shinagawa Depot railway yard. By downsizing the railway yard between Shinagawa and Tamachi stations, we will free up for development a 13-hectare plot of land, equivalent to half of the railway yard's original area. Our goal is to develop this prime downtown location into a new gateway that welcomes the world to Tokyo, Japan, and Asia. As for regional initiatives, we are proceeding with development in Sendai. Also, I think we need to revitalize other core regional cities and their railway stations, including Akita, Aomori, and Niigata, by advancing town development centered on railway stations. I am confident that we can bring new vitality to cities by collaborating with regional municipal authorities' efforts based on the "compact cities" concept and helping to concentrate the development of not only shopping centers, offices, and hotels but also medical, childcare, nursing care, university, and cultural facilities around railway stations.

In addition, technological innovation is important for the Group's growth and employee motivation. Railways still have abundant scope for technological innovation, and I want to realize this potential. Currently, the applications for ICT (information and communications technology) are increasing steadily. No exception to this trend, we plan to use ICT to enable completely novel approaches to maintenance. For example, using wireless train control systems such as ATACS (Advanced Train Administration and Communications System) enables us to minimize



signaling equipment, communications equipment, and other ground equipment, thereby reducing maintenance and costs. Another example is the use of big data and the Internet of Things (IoT). We need to use the IoT to collect online data about the status of railcars, railway tracks, and electrical facilities so that we can identify failure precursors. This will allow us to prevent accidents and increase efficiency by conducting condition-based maintenance, which entails timing maintenance optimally in light of the condition of target facilities. In addition, we want to make more use of sensor-based technology and monitoring technology to facilitate disaster countermeasures and the safety of platforms and railway crossings. Using such technology will enable us to detect earthquakes earlier, identify suspicious persons, take terrorism countermeasures, and identify signs of landslides rapidly. Further, we will advance technological development in relation to countermeasures for gusts of wind that incorporate Doppler radar. Such technological innovation will reduce accidents, strengthen disaster countermeasures, and heighten safety. In other fields, given the progress in developing hydrogen batteries and fuel cells that power automobiles, the development of fuel cells for trains is a natural progression I think. As for energy resources, we are already developing wind and solar power generation and other renewable energy sources, and we plan to move forward with technological innovation in this field. Further, I believe we can use robots to clean railway stations and provide customers with guidance information. In particular, robots are an effective way of compensating for manpower shortages and increasing productivity. Focusing on this range of initiatives, we are having in-house discussions about accelerating efforts and setting out targets and timeframes with a view to preparing plans. Establishing targets and timeframes and proceeding with technological innovation is absolutely essential I feel. We have many young, ambitious employees. Therefore, I would like to incorporate open innovation and work with outside manufacturers in Japan and overseas as well as universities to drive technological innovation forward. I want to make such initiatives the third pillar of our operations.

Lastly, personnel are indispensable to the JR East Group. We aim to create a workplace culture that enables the Group's various talented personnel to fully realize their potential. With this in mind, we must create conditions conducive to taking on new challenges. We will cultivate a proactive culture in the Group by continuing to seek new overseas projects in such areas as high-speed railways and urban railways. Due to the nature of their business, railway operators tend to be inward looking. Consequently, it is important for us to expand our horizons and transform our culture by developing initiatives to grow revenues based on promoting tourism, tackling technological innovation, and participating in overseas projects. Specifically, we will develop personnel who are able to work internationally by sending more than 600 employees a year overseas to study under short- and long-term programs or to receive a range of on-the-job training. By continuing such initiatives we intend to foster personnel with global, outward-looking viewpoints and become a

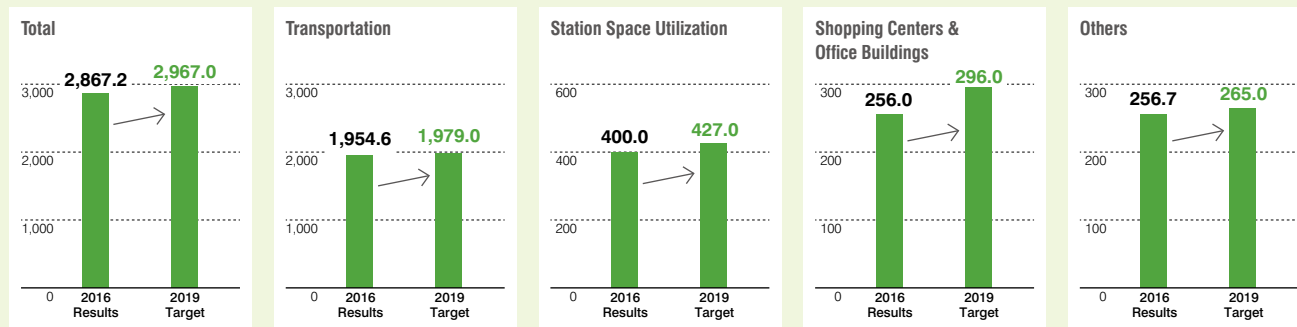
corporate group that can take advantage of these attributes. Further, with a focus on female employees and promoting diversity, we will encourage a variety of different personnel to play important roles in our organization. The percentage of female employees in JR East has risen to 11%, and female employees account for approximately 30% of new recruits. Moreover, we have more than 400 female managers. Thus, female employees make a major contribution to our operations. I have said this before, however, given that half of our customers are women, we definitely need to reflect women's viewpoints in our business management. Therefore, I want to see female employees playing important roles in an even broader range of workplaces.

Beyond 2020—when initiatives in the life-style service business and overseas projects will have expanded our business area—will be a good time to change as a company and as an organization. However, our fundamental commitment to giving customers peace of mind based on assured safety through efforts to ensure safety and enhance service quality will remain unchanged. Exploiting an expanded railway network, we will take measures to increase inter-regional railway travel while promoting tourism and developing towns to energize local communities. Also, we will give priority to tackling overseas projects, technological innovation, and personnel development as we step up efforts to pursue our unlimited potential.

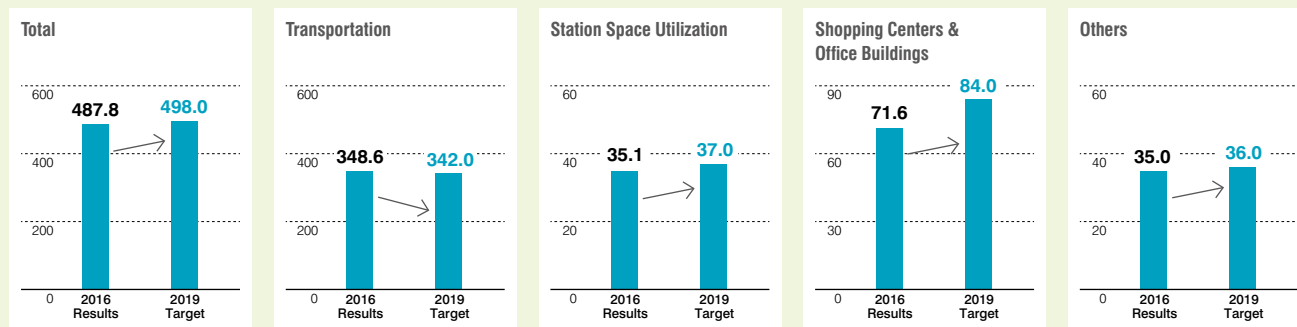
Shinagawa Development Project



Consolidated Operating Revenues Billions of Yen (Years ended / ending March 31)



Consolidated Operating Income Billions of Yen (Years ended / ending March 31)



Consolidated ROA (Ratio of operating income to average assets)

Fiscal 2016 Results **6.3%** → At the end of fiscal 2019 **Around 6%**

Consolidated ROE (Return on average equity)

Fiscal 2016 Results **10.4%** → At the end of fiscal 2019 **Around 10%**

Uses of Consolidated Cash Flows

	Targets	Fiscal 2017
Consolidated cash flows from operating activities	Approx. ¥2.0 trillion (Three-year total to fiscal 2019)	
Capital expenditures	Approx. ¥1.6 trillion (Three-year total to fiscal 2019)	¥520.0 billion*1
Investment needed for the continuous operation of business (Safety practice and transportation stability)	Approx. ¥1,000.0 billion (Approx. ¥600.0 billion)	¥342.0 billion
Growth investment	Approx. ¥600.0 billion	¥178.0 billion
Shareholder returns	[Medium- to long-term target] 33% total return ratio (to profit attributable to owners of parent)	¥130/share dividend Share buybacks*2
Debt reduction	(During the 2020s) ¥3.0 trillion interest-bearing debt balance	Reduce interest-bearing debt Around ¥30.0 billion

*1 In addition, priority budget allocation maximum of ¥30.0 billion from the deposit balance on March 31, 2016 (capital expenditures of approximately ¥550.0 billion in total)

*2 Share buybacks of maximum 3.3 million shares or ¥30.0 billion (April 28 to July 29, 2016)

