

Management Policy

1. Fundamental Management Policy

In regard to the railway business, JR Central prioritizes maintenance of safe and reliable operation in its fundamental policy. Based on this primary principle, the company also continues as its fundamental policy to stably and sufficiently fulfill its long term mission to maintain and develop, in an integrated fashion, both the Tokaido Shinkansen which serves as Japan's main transportation artery, and the conventional railway network in the Tokai (such as Nagoya or Shizuoka) region. Therefore, JR Central constantly makes efforts such as providing services that are chosen by the customers and improving efficiency of its business operation.

Furthermore, JR Central aims to enhance the overall strength of the JR Central Group by expanding business with an emphasis on business fields which are expected to have synergic effects with the railway business. A representative example is the business development in the JR Central Towers in Nagoya Station.

2. JR Central's Mid/Long Term Management Strategy

It is vitally important for JR Central to manage the railway business, which is the core business of the JR Central Group, with a long-term perspective. Therefore, the company is promoting major projects in a systematic manner while enhancing its financial constitution.

In regard to the Tokaido Shinkansen, the company is relentless at striving to improve transportation services while providing safe and punctual transportation unparalleled anywhere in the world. First of all, by the fiscal year ending March 31, 2010, JR Central will be engaging in the concentrated introduction of 42 Series N700 trainsets, which will start commercial operation in July of this year, having Series N700 trainsets serve as all of the "Nozomi" direct services between the Tokaido/Sanyo Shinkansen. The company will deliberate on the continued introduction of Series N700 trainsets thereafter. In addition, JR Central is striving to further enhance the transportation infrastructure of the Tokaido Shinkansen by, for example, augmenting its electric facilities for train operation and engaging in renovation work to improve transportation service at the Shin-Osaka Station, such as increasing the number of platforms.

The company is also steadily promoting its non-railway businesses according to its Fundamental Management Policy.

JR Central is proactively continuing its involvement and engagement in long-term projects. As one of its long-term issues, the company is continuing to conduct "topographical and geological" surveys on the Chuo Shinkansen, which it has conducted in accordance with a directive issued by the Minister of Transport in February 1990. Furthermore, JR Central has implemented construction of the Yamanashi Maglev Test Line and both experiments and development of the Superconducting

Maglev technology, in light of the Ministry of Transportation's formal view that the Chuo Shinkansen should act as a substitute for the Tokaido Shinkansen and be constructed as a "second Tokaido Shinkansen." This was also based on the Ministry's request that JR Central spend the special investment in the land and structures on the 18.4km long Yamanashi Maglev Test Line, which will ultimately become a part of the Chuo Shinkansen, since the Chuo Shinkansen is under the managerial responsibility of JR Central. As a result of the company's experiments to date, the Maglev Technological Practicality Evaluation Committee under the Japanese Ministry of Land, Infrastructure and Transport acknowledged in March of 2005 that, "the foundational technology for Superconducting Maglev is established for practical application." Based on all of the above, JR Central will invest 355 billion JPY of its own funds into the Yamanashi Maglev Test Line facilities in order to completely change the specifications to suit for practical use and conduct new experiments for confirming the practicality of Superconducting Maglev after lengthening the line to 42.8km.

As already mentioned above, JR Central's field of managerial responsibility, or in other words, it's "mission", is management of high-speed railway that connects the Tokyo, Chukyo (or Nagoya) and Kinki (or Osaka) regions. In light of the facts that the transport performance of the Tokaido Shinkansen is close to full capacity and that its transportation services have nearly reached a perfect level, JR Central is deliberating on how to promote and construct, on its own initiative, a second Tokaido Shinkansen that has sufficient transport performance and can offer quantitative and high-quality services over these regions, or in other words, how to realize a joint advanced transportation artery along with the Tokaido Shinkansen that develops and replaces its function. JR Central is examining this long-term project based on the results of geographic and geologic surveys, the knowledge gained from the Yamanashi Maglev Test Line and also running tests to verify the practicality of Superconducting Maglev over a 42.8km test line. At the first stage of such deliberation processes, the company is considering to set a preliminary goal to start commercial operation of this new Shinkansen between the Tokyo metropolitan and Chukyo (or Nagoya) regions by 2025.

In addition, JR Central is continually and steadily striving to reduce long-term debt and payables, which is one of its most important managerial issues.

3. Issues that JR Central must deal with

While prioritizing the securing of safe and reliable operation in the railway business, the entire JR Central Group is striving to enhance profitability through further streamlining its businesses while providing higher-quality services. Some of the most important issues that JR Central is dealing with are outlined below.

In order to further improve safety of the railway business, JR Central is enhancing its anti-earthquake countermeasures by making functional upgrades to the Earthquake Disaster

Prevention System by, for example, aiming to complete and commence use of increased TERRA-S (Tokaido shinkansen Earthquake Rapid Alarm System) detection points by September of this year, while accelerating as much as possible the quake-resistant reinforcement of elevated track columns and rail embankments on all Tokaido Shinkansen lines. In regard to conventional lines, in addition to installing safety devices, such as operation data recorders and emergency train stop devices, by the end of this fiscal year, JR Central is also continuing construction to introduce the ATS-PT system (pattern checking automatic train stopping devices).

As far as the Tokaido Shinkansen is concerned, JR Central will actively operate extra trains focusing on peak periods and peak times of use. Furthermore, in conjunction with the commencement of operation of the Series N700 on July 1 of this year, the company will revise timetables and gradually increase the number of Series N700 introduced for “Nozomi” service directly linking the Tokaido and Sanyo sections. Furthermore, in order to further enhance the transport infrastructure of the Tokaido Shinkansen, JR Central is continuing with construction to increase the number of electric facilities for train operation and to make renovations to improve transportation services at the Shin-Osaka Station, such as increasing the number of platforms.

In regard to conventional lines, JR Central is continuing to strive to optimize transportation systems in accordance with types of line sections and characteristics of each area. By September of this year, JR Central plans to complete restoration and commence commercial operation of the Takayama Line from Tunokawa to Inotani Station, which has been serviced by buses after operation was disrupted by a typhoon in 2004.

In terms of sales, JR Central is working to further increase the number of users of the Express Reservations service which was expanded to include all lines of the Tokaido/Sanyo Shinkansen in July 2006. JR Central is also steadily making preparations to introduce its Express Reservations IC Service, which utilizes IC, later this fiscal year. Together with the introduction of the Express Reservation IC service, services for the IC card ticket “TOICA” for conventional lines will be expanded from the Nagoya region, where it was introduced in November 2006, to the Shizuoka region during this fiscal year.

With regard to passenger related facilities, JR Central is also continuing to renovate major stations such as Tokyo, Shin-Yokohama, Shizuoka, Nagoya and Kyoto, in order to offer further convenience and comfort for travelers. Additionally, the company is also steadily making facilities barrier-free in cooperation with local municipalities.

In regard to non-railway businesses, in order to realize intensive and effective use of the company’s assets, JR Central is continuing to develop the “JR Central Shin-Yokohama Station Building (tentative name)” and disused sites of former company housing. Furthermore, in major stations, JR Central is actively developing businesses that can sufficiently take advantage of station locations such as by promoting the renewal of commercial facilities within stations in conjunction

with renovating station facilities themselves and performing quake-resistant reinforcement of elevated track columns. Through these measures, the company is striving to further enhance the overall strength of the entire JR Central Group.

In response to global environmental issues, JR Central believes that it should enhance the characteristics of railways and is actively promoting measures that contribute to the preservation of the global environment, starting with the introduction of the Series N700, which is extremely energy-efficient. The company is engaged in efforts to allow as many customers as possible to utilize railways, which has less impact on the global environment. Furthermore, the company aims for the widespread penetration of the concept of “Eco Business Trips” and is actively disseminating related information.