

Full Privatization

Ever since the establishment of JR East, the entire organization has been united in a determined effort to realize the vision of the Japanese National Railways restructuring, which was to establish an independent and autonomous management structure based on the principle of self-responsibility. Under the Law of Part Amendment to the Law Concerning Passenger Railway Companies and the Japan Freight Railway Company, which took effect in December 2001, JR East is no longer required to obtain the approval of the Minister of Land, Infrastructure and Transport for key management decisions, such as the appointments and dismissals of representative directors, the financing, or the disposal of major assets.

In June 2002, 500 thousand JR East shares formerly held by the JNR Settlement Headquarters of the Japan Railway Construction Public Corporation were sold to the public. This sale marked the final realization of full privatization, which was the goal of the Japanese National Railways restructuring, as well as the most important management priority for JR East.

In October 2002, JR East successfully launched a 30-year bond in the domestic market. The issuance of such long-dated bond was only the third in the history of the Japanese corporate sector. The aim was to take advantage of historically low interest rates. JR East will continue to use its new status as a fully privatized company to achieve a more flexible and agile approach to financing.

Enhancing Railway Services

In December 2002, the 96.6-kilometer Morioka-Hachinohe segment of the Tohoku Shinkansen was completed, significantly reducing the time required for travel between the Tokyo metropolitan area and the northern part of Japan's main island, Honshu. A journey from Tokyo to Hachinohe (631.9 kilometers) on the fastest train now takes 2 hours 56 minutes, a saving of 37 minutes. The ability of JR East to compete against airlines has been dramatically enhanced. To avoid any negative impact of this new line on JR East's results, the parallel conventional line has been separated from JR East and sold to two semi-public corporations.

Within the Tokyo metropolitan area, JR East extended its Saikyo line and directly linked it with the Rinkai line, which is operated by the Tokyo Waterfront Area Rapid Transit Corporation, to improve services, such as shorter travel times and eliminations of train changes. Direct trains run 46 round trips per day. The Shonan-Shinjuku line, which JR East began to operate in December 2001 as a new route using existing facilities, has been very popular, attracting 30 thousand passengers daily. In December 2002, the number of round trips was increased substantially to 38 per day. These improvements of the network in the Tokyo metropolitan area have further enhanced JR East's ability to compete with other modes of transportation.

The automatic fare-collecting system based on the contactless IC card, *Suica*, introduced by JR East in November 2001, has expanded its network to Tokyo Monorail in April 2002, and to the Rinkai line in December 2002. The new system has been extremely popular with passengers, who enjoy the convenience of being able to pass through the gates without using tickets or paying additional cash for fare adjustments. As of December 1, 2002, the number of users had reached 5.2 million.

Station Renaissance

Over 16 million passengers move through JR East stations each day. Stations are the JR East Group's most important business resources. To make the best use of them, the Company started the *Station Renaissance* program. Under this program, JR East optimizes business layouts from scratch at its stations from the perspective of passenger satisfaction and Group value maximization.

In February 2002, Ueno station was reborn as the first station developed under the *Cosmos Plan*. The *Cosmos Plan*, a major part of *Station Renaissance*, is a large-scale development program focusing mainly on terminal stations in the Tokyo metropolitan area. Tenant sales of ¥10 billion annually are predicted for the new shopping center at Ueno station. The presence of these outlets has boosted passenger numbers at Ueno station by around 10%. Renovation work is planned for a number of terminals in central and suburban Tokyo. The *Sunflower Plan* meanwhile targets development projects that can be completed quickly with minimal investment, as well as partial modifications to operational facilities. Projects under the plan are in progress at several medium-sized stations in the Tokyo metropolitan area.

JR East is working actively to improve barrier-free access to its facilities and to place service managers as part of a continuing effort to enhance the convenience of its stations for rail passengers. JR East aims to install elevators on all platforms in stations covered by the Transportation Accessibility Improvement Law. Escalators are also being installed, especially in busy stations.