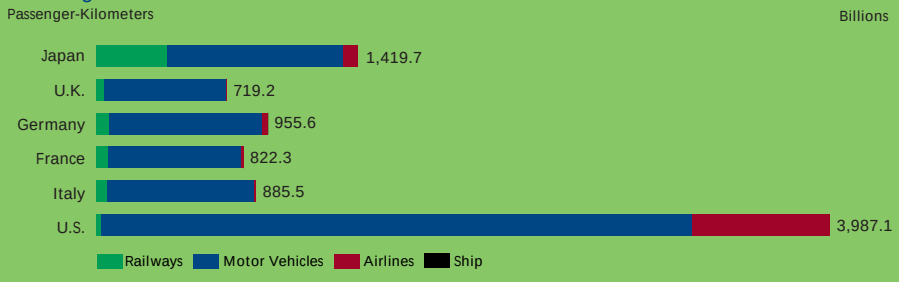
> *TRANSPORTATION BUSINESS SUPPORTS JR EAST AS A STABLE PROFIT RESOURCE.*

Aiming to Become the World's Number One Railway

The railway is a safe and reliable mode of transportation. It is excellent method for transporting large volumes of passengers and freight rapidly, especially over medium and long distances. Railways are also extremely energy efficient and environment-friendly. JR East is using these characteristics to the full as it strives to build the best rail system in the world.

Passenger Volume



Figures for Japan are for the year ended March 31, 2001; figures for the U.K. are for the year ended March 31, 2000; figures for Germany, France and Italy are for the year ended December 31, 1999; and figures for the U.S. are for the year ended December 31, 1997.

Accident Frequency per One Million Train-Kilometers

Note: 1. As of December 31, 1999, except JR Group (including JR East) figures as of March 31, 2000
2. Germany: Deutsche Bahn AG (German Railways),
France: Société Nationale des Chemins de fer Français (French National Railways),
Italy: Ferrovie dello Stato S.p.A.(Italian National Railways),
3. Prepared by JR East based on materials from International Union of Railways (Union Internationale des Chemins de fer)

Largest Passenger Volume

Japan's economic and geographical characteristics are reflected in the heavy reliance of Japanese society on railways. JR East, which serves an area that includes Tokyo, boasts the highest passenger volume in the world.

Safety and Reliability

Japanese railways are famous for operating punctually. JR East maintains extensive safety and accident-prevention systems. This commitment is reflected in an extremely low accident rate and extremely reliable transportation services.

JR East's average delay per train was 0.4 minutes for Shinkansen and 0.7 minutes for conventional lines, and railway operating accidents per one million train-kilometers were 0.45 cases in fiscal 2002.

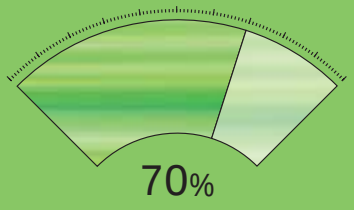
Consumer-Focus Services

JR East maintains a thorough commitment to consumers in all of its activities. Its aim is to provide services that precisely match customer needs.

Environment Protection

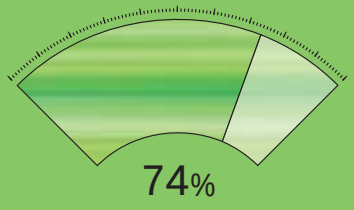
JR East makes strong efforts to protect the environment. It is working to minimize the environmental load from its activities by setting targets to be achieved by fiscal 2006 and by implementing its own action programs to achieve those targets.

Operating Revenues



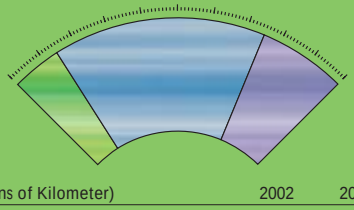
	(Millions of Yen)
2002	1,789,599
2001	1,801,370

Operating Income



	(Millions of Yen)
2002	235,585
2001	244,631

Passenger-Kilometers



(Millions of Kilometer)	2002	2001
Shinkansen network	17,741	17,679
Tokyo metropolitan area network	76,200	76,457
Intercity and regional networks	30,975	31,028

Notes: 1. Percentage is a ratio of fiscal 2002.
2. Operating revenues mean operating revenues from outside customers.

> *SHINKANSEN BULLET TRAIN NETWORK*

> OVERVIEW

JR East operates a five-route Shinkansen network, comprising the Tohoku, Joetsu and Nagano Shinkansen lines and the Yamagata and Akita hybrid Shinkansen lines, with through service to conventional lines (see map).

The 535.3-kilometer Tohoku Shinkansen runs between Tokyo and Morioka. The fastest train on this line covers the distance in 2 hours and 21 minutes. The 303.6-kilometer Joetsu Shinkansen links Omiya and Niigata. Minimum time between Tokyo and Niigata (333.9 kilometers) is 1 hour and 37 minutes. The 117.4-kilometer Nagano Shinkansen extends from Takasaki to Nagano. This service cuts travel time between Tokyo and Nagano (222.4 kilometers) to 1 hour and 19 minutes. Yamagata hybrid Shinkansen (through service to conventional lines) covers 421.4 kilometers between Tokyo and Shinjo, and its shortest travel time is 3 hours and 7 minutes. Akita hybrid Shinkansen (through service to conventional lines) covers 662.6 kilometers between Tokyo and Akita, and its shortest travel time is 3 hours and 49 minutes. Revenues from the conventional line sectors of hybrid Shinkansen services are credited to intercity and regional networks.

Competition with Air Services

Japanese railways enjoy a competitive advantage over air services in medium- and long-distance transportation up to 750 kilometers. All major cities in the area served by JR East fall within this radius from Tokyo, which means that JR East is well positioned to compete with airlines.

> OPERATIONAL HIGHLIGHTS

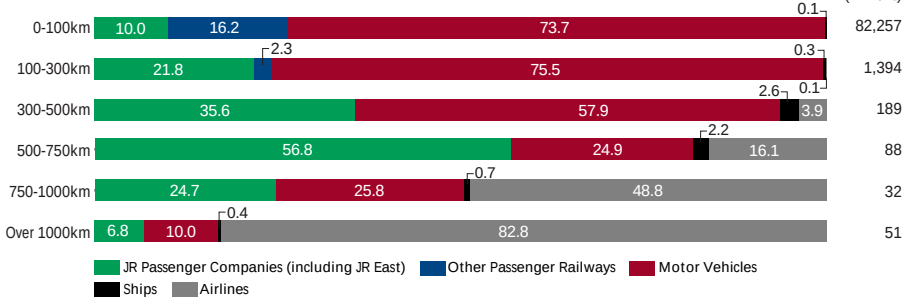
Extension of Shinkansen to Hachinohe

In December 2002, the Tohoku Shinkansen will reach the city of Hachinohe. Hachinohe is located 96.6 kilometers from Morioka in the northern part of Japan's main island, Honshu (see map). The shortest travel time from Tokyo to Hachinohe (631.9 kilometers) will be reduced by about 40 minutes to just over 2 hours 50 minutes. Passengers making the 727.9-kilometer journey from Tokyo to

JR East's Five-Route Shinkansen Network

Shares of Each Mode of Transportation in Japan According to Distances

Average from Fiscal 1996 to Fiscal 2000



Source: Ministry of Land, Infrastructure and Transport
Figures are based on number of passengers

Aomori will be able to change to a limited express train on a conventional line at Hachinohe, and the shortest travel time for the trip will be cut by about 30 minutes to just under 4 hours. To coincide with the extension to Hachinohe, JR East will introduce new type of trains equipped with IT-based services (see IT-related Topic). There will also be new features designed to enhance passenger comfort, including an active suspension system to control horizontal movement of the railcars. To reduce costs, JR East also emphasized ease of maintenance in the design of the new railcars. In addition, significant portion of the railcars will be built using environment-friendly recyclable materials.

Seating Services

There is growing demand for commuter services via the Shinkansen network. To stimulate further growth in demand, JR East is strategically increasing capacity by introducing *Max* all-double-decker E4 series Shinkansen trains.

> IT-related Topic

New Train for Hachinohe Extension

JR East will introduce a new type of trains for the opening of the Hachinohe extension on the Tohoku Shinkansen in December 2002. JR East plans to cease on-board ticket inspection by utilizing information gathered as passengers pass through the automatic fare collecting gate. LED displays in the trains will show information of the train's operations. In addition, a digital control system based on information technology will provide gentle, loss-free braking. This feature will improve passenger comfort while reducing traveling times and allowing trains to operate at closer intervals.

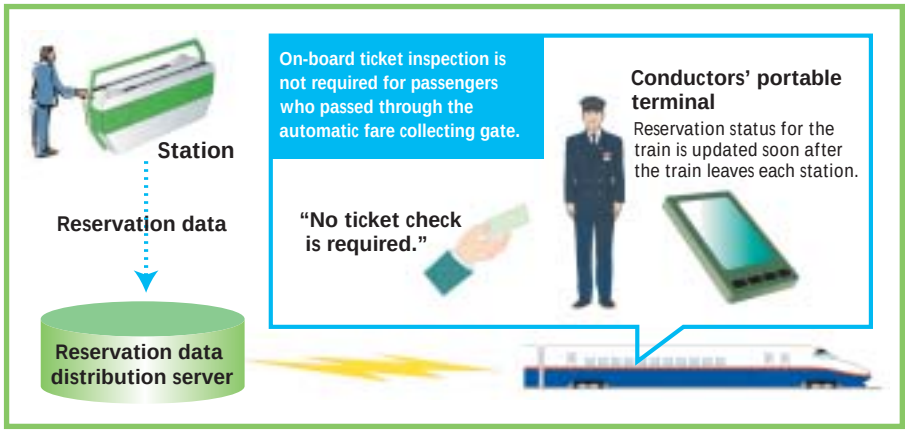
On-Board Ticket Inspection

Passenger information is transmitted directly to the conductor's portable terminal as soon as each passenger passes through the automatic fare collecting gate at stations. This minimizes disturbance to passengers in the trains and eliminates the need for manual on-board ticket inspections.

Advanced E2 series Shinkansen for Hachinohe extension
Trains traveling between Tokyo and Hachinohe will be changed from the eight-car trains that currently operate between Tokyo and Morioka to a 10-car format.

Shinkansen commuting scene
This 16-car, *Max* all-double-decker E4 series Shinkansen with 1,634 seats, boasts the largest capacity in the world for high-speed train services.

Shinkansen On-Board Ticket Inspection System



> *TOKYO METROPOLITAN AREA NETWORK*

> OVERVIEW

This network consists of 1,106.1 operating kilometers that link central Tokyo with surrounding areas. Most of these lines are within a radius of about 100 kilometers from Tokyo station. JR East claims nearly half of the Tokyo area rail transportation market, which is immense and profitable, in terms of both passenger-kilometers and operating revenues.

Rush Hour on Yamanote Line

The commuter rush hours on Yamanote line encircling Tokyo are well known. The Tokyo metropolitan area has a population of 33 million. Everyday, over 2.5 million passengers, commuting into Tokyo, involves a change from suburban commuter trains extended outward from the Tokyo area in five directions. During peak times, some of the JR East trains in the Tokyo metropolitan area network run at 120-second intervals.

Competition with Subways and Other Major Passenger Railways

Competition with subway networks and other major passenger railway systems in Tokyo is intensifying due to ongoing development of their networks and services. JR East is meeting this challenge by strengthening its network through the opening of various routes. By using existing facilities, it is able to develop new routes without large-scale capital outlays. JR East has never raised fares since its inception in 1987, except to reflect the introduction and revision of the consumption tax. On the other hand, faced with sizable investments needed to boost capacity, most of the other major passenger railways have been compelled to raise fares repeatedly on most of their lines during the same period. Thus JR East's price competitiveness has risen.

Upgrading commuter services is a primary objective in this sector. JR East is taking many steps to increase capacity and relieve congestion, as well as to raise train speeds and increase passenger comfort for example by operating commuter trains that provide guaranteed-seat service.

> OPERATIONAL HIGHLIGHTS

> IT-related Topic

Suica

JR East launched the IC card *Suica* automatic fare collecting system in November 2001. This convenient new system enables smooth passage through the automatic fare collecting gate merely by touching it with the *Suica* card, without the need to remove it from its case. As of June 2002, the service was available at 470 stations, including 9 Tokyo Monorail stations, throughout most of the Tokyo metropolitan area network.

Opening of New Routes

In December 2001, JR East opened the new Shonan-Shinjuku line, which traverses central Tokyo through Shinjuku station and directly links the southern and northern suburbs of the metropolis. In December 2002, JR East will introduce through services between its

Rush hour on Yamanote line

Automatic ticket vending machine that adds stored value to *Suica* IC cards.

Saikyo line and Rinkai line. Rinkai line is operated by Tokyo Waterfront Area Rapid Transit Corporation and serves Tokyo's waterfront district. In addition, work will begin on the development of another new direct service, which will also link southern and northern Tokyo, but through Tokyo station. These new routes will reduce travel times, eliminate the need to change trains and alleviate congestion on parallel sections of Yamanote line.

Tokyo Monorail

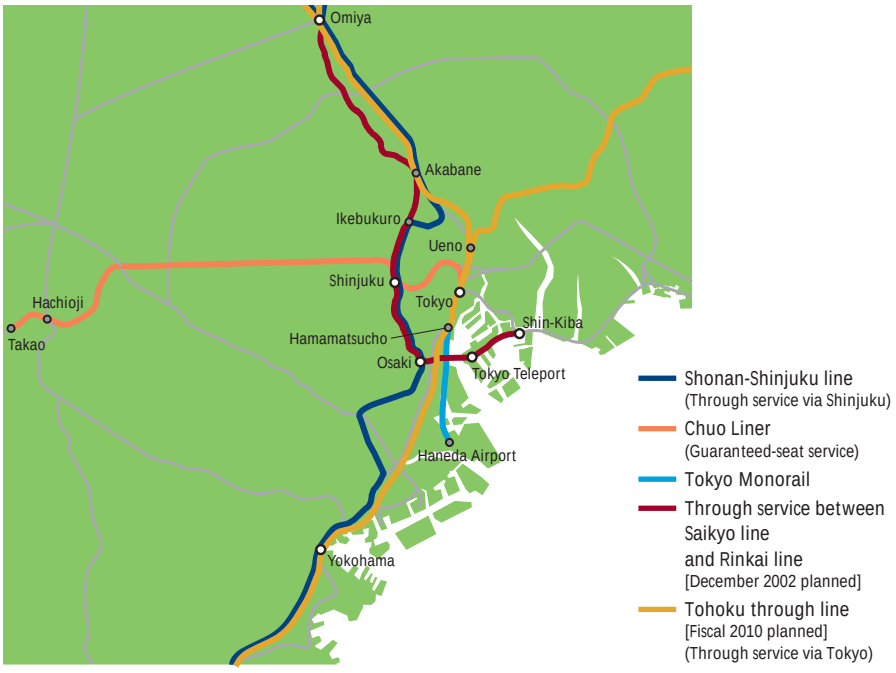
In February 2002, JR East acquired Tokyo Monorail, which provides access to Tokyo's Haneda International Airport. Haneda is the closest airport to central Tokyo. It is already used by 50 million people a year, and there are proposed plans for the future construction of a new runway. Around 90% of Tokyo Monorail passengers transfer from lines run by JR East. In December 2002, work will begin on the construction of escalators and other facilities to facilitate transfers and provide barrier-free access to the Monorail terminal at Hamamatsucho station. This acquisition will strengthen JR East's network and stimulate new demand.

Chuo Liner

In December 2001, JR East introduced the *Chuo Liner* on its Chuo line. The purpose of the new service was to improve seating services on Tokyo's crowded trains by running trains with all reserved seats. When a passenger buys a Liner ticket at a ticket machine in a station, the information is immediately transmitted to the conductor's terminal. The conductor then only needs to inspect the tickets of passengers sitting in unsold seats.

Chuo Liner

Enhanced Tokyo Metropolitan Area Network



Note: Rinkai line is operated by Tokyo Waterfront Area Rapid Transit Corporation.

> *INTERCITY AND REGIONAL NETWORKS*

> OVERVIEW

Made up of 5,475.7 operating kilometers, intercity and regional networks represent over 70% of JR East's total network. They provide non-Shinkansen intercity services and regional services not included in the Tokyo metropolitan area network. The main services of the intercity network are the limited express trains. JR East continues to upgrade services with new rolling stock, more frequent departures and more convenient connections to Shinkansen lines. On the regional network, the Company is striving to raise efficiency. This primarily involves efforts to keep schedules closely in line with demand and the use of railway cars that require only a single operator.

Competition with Automobiles

Automobiles have an advantage in regional services outside of the Tokyo metropolitan area network because of their ability to provide door-to-door services. JR East is responding to this challenge by developing diversified services aiming at coexistence with automobiles, such as offering of bus or car-rental services.

> OPERATIONAL HIGHLIGHTS

Park and Ride

Parking lots at stations are being developed, especially in regional cities, to meet the needs of passengers who drive to their local station and then travel by train to their destinations. By the end of March 2002, parking lots with a total capacity for around 59,000 vehicles had been established at about 520 stations. These figures include both parking lots set up by JR East and large-scale free-parking facilities set up by local governments.

Rail and Rent-a-Car

JR East offers an innovative approach to travel. Passengers can combine the comfort of rail travel to their destination station, with the freedom of a rental car after they arrive. The *Rail and Rent-a-car* service, introduced a new service in April 1995, which allows passengers to rent cars at about one-half of the normal rate. As a result, in fiscal 2002, the number of passengers using the *Rail and Rent-a-car* service was about 148,000, which is nearly double the total for fiscal 1996.

Introduction of New Types of Limited Express Trains

JR East introduced new types of trains for limited express services, *Azusa* and *Kaiji* on Chuo line, which connect the Tokyo area and Kofu and Matsumoto, in December 2001. Because Chuo line runs through a section with rigid geographical features, the comfort of this new type of train has been improved by lowering the center of balance and controlling the entire train by computers. Larger windows are fitted for the enjoyment of the magnificent landscapes along the lines to enhance the attractiveness of train travel for passengers.

Park and ride

New types of limited express train
E257 series for Azusa and Kaiji on Chuo line

> TRAVEL AGENCY SERVICES

> OVERVIEW

JR East conducts sales of travel packages mainly in the *View Plaza* chain (travel agency), which has outlets at stations. In particular, JR East will implement customer-friendly measures on the basis of market research and planning of packages attractive to target customers by using its railway network. JR East also distributes information regarding attractive travel packages using railways by utilizing various media such as mass media and the Internet.

> OPERATIONAL HIGHLIGHTS

Travel products sold by JR East are carefully designed to match customer preferences. The current line-up includes the following products.

Nombiri Komachi

The *Nombiri Komachi*, or refreshing tours for young women, brand was launched in February 2001. The products are targeted toward working women in their twenties and thirties, who form a large population group in Japan and are strongly motivated toward travel. In fiscal 2002, packages were booked by almost 28,000 people.

Otona no Kyujitsu

The *Otona no Kyujitsu*, or holiday for seniors, brand first went on sale in July 2001. The products are designed to meet the travel needs of senior citizens in the 60-plus age group, in response to Japan's rapidly graying society.

Watashi no Kazoku

The *Watashi no Kazoku*, or tours for families, brand was launched in March 2002. In April 2002, full two-day weekends were introduced at all Japanese elementary schools and junior high schools. These family-oriented products were developed in response to the growing popularity of family weekend activities.

> IT-related Topic

eki-net Travel

In April 2001, JR East established a web site (http://www.eki-net.com) where consumers can book all of their ticketing requirements, including not only JR line tickets, but also air tickets, rental cars and hotels.

World eki-net
There is also a web site (http://www.world.eki-net.com) where passengers can book JR line tickets, including Shinkansen and *Narita Express* (which connects Narita International Airport with central Tokyo) tickets, in English.

Current line-ups of travel packages
From left, *Nombiri Komachi*, *Otona no Kyujitsu* and *Watashi no Kazoku*