

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 reforms, which was to establish an independent and autonomous management based on the principle of self-responsibility. We are now within reach of the ultimate goal of the reform process: full privatization.

Under the new amendment law which took effect December 1, 2001, the three JR companies in Honshu (JR East, Central Japan Railway Company and West Japan Railway Company) are no longer subject to the Law Concerning Passenger Railway Companies and the Japan Freight Railway Company (the JR Law). This will substantially enhance the degree of freedom of management in such areas as fund raising and asset disposal.

The only step remaining before JR East as it seeks to become a pure private-sector company is the sale of Japan Railway Construction Public Corporation's 12.5% shareholding (500 thousand shares) in JR East. The timetable for the sale has yet to be determined, since it will be necessary to take into account such factors as the state of the stock market, the price of JR East shares, and trends in the Japanese economy.

Full privatization will allow us to manage our business activities with greater speed and flexibility. While fully understanding that even more independent management will become necessary, JR East will implement steadily and surely the medium-term business plan, and will further strengthen its management base to meet the expectations of shareholders and investors.

Suica: Automatic Fare Collecting System Using IC Cards

On November 18, 2001, JR East introduced a new automatic fare collecting system using a contactless IC card, *Suica* (*Super Urban Intelligent Card*) at 424 stations in the Tokyo Metropolitan Area. This system enables smooth passage through the gate merely by touching the automatic fare collecting machine lightly with the *Suica* card, and it settles fare payment automatically by unifying commuter pass and prepaid card functions. Passengers are therefore able to go through smoothly without tickets or additional cash for ticket purchases.

JR East plans to extend *Suica* to the Shinkansen lines and areas outside of the Tokyo Metropolitan Area, and to use the system jointly with other railway companies. Other options under consideration include the integration of *Suica* with JR East's credit card, *View Card*, and the addition of electronic money functions. This would allow the card to be used for various other purposes, such as shopping at stations and shopping centers. We are also studying a system that will allow customers to book and pay for reserved seats via *Suica* IC chips in mobile telephones. This system would virtually eliminate the need for human intervention, including on-train ticket checks by conductors.

Station Renaissance

Over 16 million passengers move through our stations each day. Under the *Station Renaissance* scheme, we aim to create new station environments for the 21st century. Starting from zero, we will optimize business layouts in our stations based on the perspectives of passenger satisfaction and group value maximization.

We will take various steps to make our stations more convenient for passengers, including the aggressive introduction of barrier-free designs, and the deployment of additional service managers. We will also continue to implement the existing *Sunflower Plan*, under which we have reviewed existing facilities with the aim of securing space for business activities. At the same time, we will implement the *Cosmos Plan*, the aim of which is to create business space through artificial ground development and other large-scale projects, especially at terminal stations in the Tokyo Metropolitan Area. Through these initiatives, we will work to realize the full potential of stations as business assets.

In February 2002, as the first project of *Cosmos Plan*, Ueno station (Tokyo) will be newly reborn.