

Work of JNR Settlement Headquarters (JNRSH)

Japan Railway Construction, Transport and Technology Agency

Overview of JNR Settlement Headquarters

The Japan Railway Construction, Transport and Technology Agency JNR Settlement Headquarters (JNRSH) pays expenses associated with pensions for employees of the former Japanese National Railways (JNR) and sells land acquired from JNR and shares in the Japan railway group of companies (JRs) to meet expenses. The following is an overview of the work of JNRSH and the current state of affairs.

JNRSH Establishment

The JNR Settlement Corporation (JNRSC) was established in April 1987 as a result of the privatization and breakup of JNR; it was tasked with selling land and JR shares acquired from the former JNR to repay ¥25.5 trillion in long-term debt inherited from JNR.

The Law for Disposal of Debts and Liabilities of the Japan National Railways Settlement Corporation (hereafter Law for Disposal of Debts and Liabilities) came into effect on 22 October 1998 (Table1), meaning that the JNRSC was dissolved and its remaining long-term liabilities were assumed by the national government, bringing its 11.5-year history to an end.

In accordance with this law, JNRSH was established within the Japan Railway Construction Public Corporation (JRCC), which inherited the assets of the JNRSC and took over its duties of payment of expenses associated with pensions and disposal of assets.

The Law on the Japan Railway Construction, Transport and Technology Agency was passed in December 2002 in line with the reform of government-affiliated corporations. As a result, in October 2003, the JRCC was disbanded and the independent Japan Railway Construction Transport and Technology Agency (JRTT) administrative agency took over its work. The disposition of land and shares taken over by the JRTT from the JRCC was very different in both content and objective from the other work performed by the JRTT—it was special, temporary work to be performed in accordance with the

Law for Disposal of Debts and Liabilities. Consequently, it was decided to establish JNRSH within the JRTT as had been done with the JRCC. At its establishment, the JRTT was set medium-term operational targets by the Minister of Land, Infrastructure and Transport, which were to be met by the end of FY2007, and formulated a medium-term plan to achieve these targets. JNRSH aims to pay expenses associated with pensions and appropriately dispose of assets in line with this plan.

Table 1 Main provisions of Law for Disposal of Debts and Liabilities of JNR Settlement Corporation

- The government's general account assumed the interest-bearing debts of JNRSH.
- The government wrote off the interest-free debts of JNRSH.
- Retirement benefits and additional pension expenses, which had been shouldered by JNRSC at JNR privatization, were taken over by JRCC. The cost associated with merging the JR Group Mutual Aid Association into the Employee's Pension System, which had been the responsibility of the JNR Settlement Corporation, was shared between the JR companies and JRCC for individuals who became employees of the JRs as a result of the JNR privatization.
- As special work, JRCC would pay additional pension expenses previously assumed by JNRCC and would take over disposal of assets carried out by JNRSC to pay such expenses.
- JNRSC was dissolved.

Work of JNRSH

The work of JNRSH (special work) is based on Article 13 of the Law for Disposal of Debts and Liabilities as follows:

- Payment of expenses associated with pensions
 - Payment of retirement benefits to former JNR employees
 - Payment of additional pension expenses to former JNR employees (including compensation for work-related accidents)
- Payment of part of expenses not borne by JR companies associated with integration of long-term payment of pensions by JR Group Mutual Aid Association into Employee's Pension System
- Disposal of assets
 - Sale of land
 - Sale of JR shares

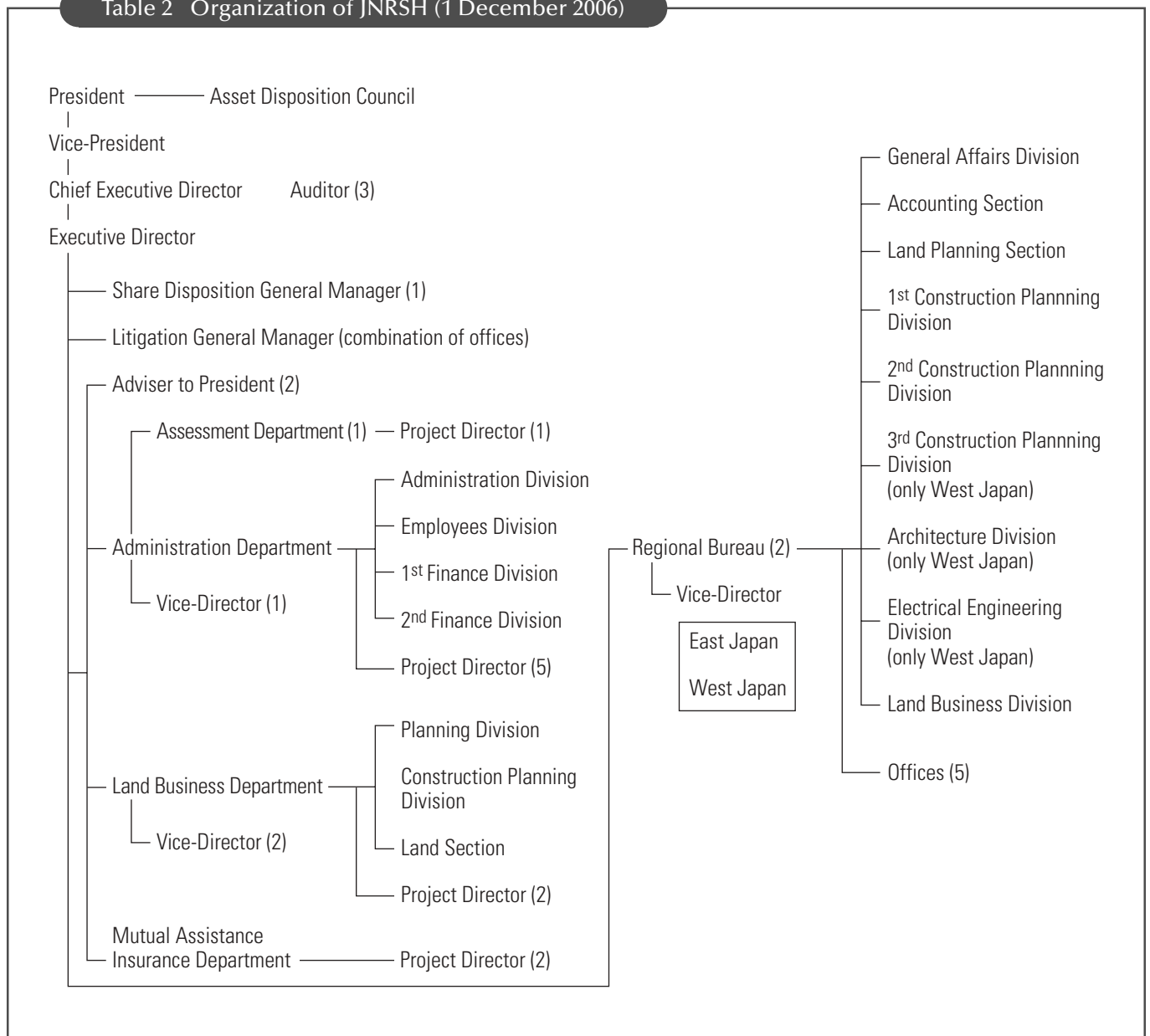
- Other duties
 - Infrastructure development work, asset management and provision of loans

JNRSH Operational Structure

JNRSH is comprised of a head office in Tokyo and regional organizations centred around two regional bureaus (Table 2).

Two JRTT executive directors are responsible for JNRSH, one of whom is the chief executive director of JRTT. The JRTT chief executive director is also the JNRSH managing director and oversees all special work. Based on Article 27 of the Law for Disposal of Debts and Liabilities, JNRSH uses a separate account, which is classified differently from the accounts for all other JRTT work.

Table 2 Organization of JNRSH (1 December 2006)



Asset Disposition Council

JRTT has an Asset Disposition Council for work related to the disposition of important assets (Table 3).

This council currently comprises five members and is operated according to the provisions of the council management regulations. The opinion of the council must be sought in the following cases (based on Article 16 Section 1 of the Law for Disposal of Debts and Liabilities).

- Formulation of fundamental policy regarding disposition of assets
- Preparation or amendment of documents detailing work procedures related to disposition of assets
- Work related to disposition of important assets (Table 4)

The Asset Disposition Council also deliberates important matters related to the disposition of assets when asked by the president (Article 16 Section 2 of the Law for Disposal of Debts and Liabilities)

Table 3 Asset Disposition Council

Chairman	Yasuo Hibata Professor of Graduate School of Media and Governance, Keio University
Vice Chairman	Hiroshi Kumon Advisor, Mitsui Sumitomo Insurance Co., Ltd.
Members	Hiroyuki Ito President, Japan Real Estate Institute
	Tsuguo Iyama Advisor, Ishikawajima-Harima Heavy Industries Co., Ltd.
	Kazuyuki Nagai President, Chuo University

Table 4 Law for Disposal of Debts and Liabilities Article 16 Section 1

Important assets

Land

Land of same or larger area than values below according to location

- Areas designated for urbanization in Tokyo 2,000 m²
- Areas designated for urbanization in Saitama, Chiba, Kanagawa, Kyoto, Osaka and Hyogo prefectures 5,000 m²
- Other areas 10,000 m²

Shares

Shares of six JR passenger companies and JR Freight

Relevant law: Law for Disposal of Debts and Liabilities of Japanese National Railways Settlement Corporation Enforcement Regulations (Ministry of Transport Law No. 70, 1998) Article 2 Section 1

Current Disposal of Assets

Land

Based on the October 2003 reform of government-affiliated corporations, JNRSH acquired 303 ha of land. Previously, JNRSC and the former JNRSH had sold 9238 ha of land inherited from the former JNR. One of the medium-term targets is disposal of land as quickly as possible using every possible method. Specifically, excluding land that requires coordination with local governments for disposal, the plan states that all land should be disposed of by the end of the medium-term targets period. Therefore, JNRSH sold approximately 119 ha between FY2003 and the end of FY2005. To achieve this, we requested parties to purchase land by promoting urban planning projects, used effective methods of advertising and took other measures to sell the land as quickly as possible (such as cutting the price of land that did not sell at auction).

As a result, 9054 ha (98%) of the land acquired at the JNR privatization reforms in 1987 has been sold. Approximately 184 ha of remaining land held at the start of FY2006 can be classified into 153 ha with unfavourable conditions, such as being part of an urban planning project; 12 ha scheduled to be sold to local governments or other entities in FY2006 or later; and 19 ha with other special conditions, such as remaining buildings or other structures or poor-quality adjoining roads where conditions must be enhanced to facilitate sale. By enhancing the conditions for sale of such land, we have made considerable progress toward selling unsold lots at Umeda Station (North) located close to JR Osaka Station, and at the former Musashino Marshalling Yard, spanning Misato City and Yoshikawa City in Saitama Prefecture. At Umeda Station (North), relocation of Umeda Freight Yard has been under discussion since the JNR privatization in April 1987 and after some 19 years of talks, in February 2006, a memorandum of agreement was entered into to start construction of Suita Freight Terminal (provisional name).

Unrelated to the relocation of the Umeda Freight Yard, a lot of about 7 ha that can be vacated has been designated as an advanced development area. Applications were sought in phases to develop the area for commercial, business and residential use, with the focus on the Urban Renaissance Agency and Knowledge Capital Zone (creating new frontier industries through a concentration of people, information, technologies and knowledge related to cutting-edge robotics, IT and environmental technology), and a developer was found at auction. Sale of the land at the former Musashino Marshalling Yard is extremely difficult under present conditions. It cannot be used for buildings because the whole area is an urbanization control area and the part in Yoshikawa City is a designated agricultural promotion area. JNRSH developed the 50-ha part of the yard in Misato City as roads and parks, assuming this lot will become an area

designated for urbanization in the future. Applications were sought to develop 34 ha of building land according to the proposed district plan with the aim of attracting large-scale commercial facilities, distributors, and housing, and a developer was found at auction. JNRSH is working in parallel to develop the area infrastructure (regulation reservoirs and roads) with completion scheduled by the end of FY2007. The 30-ha lot in Yoshikawa City has been the subject of intense discussion with related parties aimed at rezoning as an urbanization area and JNRSH has also worked hard to enhance sale conditions for this area.

Shares in Six Passenger JRs and JR Freight

Of the 9.19 million shares in the seven JR companies acquired from the former JNR, a total of 8.24 million shares in JR East, JR Central and JR West have been sold, netting some ¥4.0343 trillion in revenue.

In October 2003, JRJT acquired 886,000 shares in JR Central and 634,000 shares of JR West, both of which are listed companies, and 950,000 shares in JR Hokkaido, JR Shikoku, JR Kyushu (the island JRs) and JR Freight, all of which are unlisted.

Shares in the listed JR companies are in accordance with the policies of the medium-term plan with due regard to stock-market conditions, economic trends, and consistency with economic and fiscal policies. JRJT sold 634,000 million shares in JR West in FY2003 and 600,000 shares of JR Central in FY2005. The remaining 286,000 shares in JR Central were sold in April 2006 as a result of a proposal by the Asset Disposition Council to comply with an offer by JR Central to buy back its own shares. These shares were sold via ToSTNeT-2—a Tokyo Stock Exchange system on which JR Central is listed—allowing

companies to make a public offer to buy back their shares. As a result of these measures, all shares in the three listed JR companies have been sold as required by the medium-term plan (Table 5).

Amid severe business conditions, the three island JRs and JR Freight are aiming to consolidate their operating bases to promote listing. We plan to evaluate suitable methods for disposing of their shares, keeping a close eye on their business conditions in accordance with our medium-term plan.

Current State of Payments

We are making stable payments for pensions expenses and we have also established an Asbestos Problem Countermeasures Team within JNRSH to tackle asbestos-related damages, which has recently become a large-scale problem. We are collecting data on former JNR employees exposed to asbestos during their work and are promoting measures, such as payment of compensation to employees and their families who have suffered asbestos-related illness and death.

Summary

We have made smooth progress in the 3 years or so since JNRSH was reborn as an independent administrative agency, and the Independent Administrative Agency Evaluation Committee of the Ministry of Land, Infrastructure and Transport highly commended our FY2005 performance in meeting our medium-term targets by disposing of both land and shares in the JR companies. Now that we are in the 2007, the last year of our medium-term business plan, all our employees are working hard to ensure that we meet our targets.

Table 5 Sales of Shares in JRs

Company	Shares when JNRSC Established (1000)	Shares Sold (1000)	Sale Revenue (¥ billion)	Sale Date	Shares Held at 31 Dec 2006 (1000)
JR East	4,000	2,500	1,075.9	Oct 1993	0
		1,000	652	Aug 1999	
		500	266	Jun 2002	
JR Central	2,240	1,354	485.9	Oct 1997	0
		600	477	Jul 2005	
		286	329	Apr 2006	
JR West	2,000	1,366	487.8	Oct 1996	0
		634	260.7	Mar 2004	
Total	8,240	8,240	4,034.3	—	0
JR Hokkaido	180	—	—	—	180
JR Shikoku	70	—	—	—	70
JR Kyushu	320	—	—	—	320
JR Freight	380	—	—	—	380
Total	950	—	—	—	950
Grand Total	9,190	8,240	4,034.3	—	950