

20 Years of JR East—Making a Fresh Start to Shape the Future

*East Japan Railway Company (JR East)
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Introduction

Immediately after the JNR reforms a little more than 20 years ago, there was a sense of crisis in the air at JR East over whether the new company would be profitable and could really recapture the glory days of rail. Nevertheless, all JR East employees were determined to show unrelenting resolve and determination from the outset with the intent of creating a new railway era.

Since those first days, we have striven to enhance the competitiveness of our railway operations despite the effects of the collapse of the Japanese economic ‘bubble’ in 1991, the *Lost Decade* period of low growth, and intensifying competition with other transport modes. Specifically, we have expanded our shinkansen network, increased carrying capacity in the Tokyo metropolitan area, and in recent years, enhanced seamless transportation services. We have also worked to grow life-style services into another business pillar alongside operations to maximize revenues. In addition to incorporating IT and other technological innovations, such as the Suica card system, we have taken measures

to cut costs and increase productivity across the board. JR East has worked to reduce long-term debt inherited from JNR—one of the company’s most important tasks—and although total long-term debt increased temporarily at purchase of the Tohoku and Joetsu shinkansen infrastructure in 1991, we have repaid about ¥2.7 trillion in 20 years. The resultant drop in interest payments has helped stabilize the company’s operations.

Thanks to such efforts, JR East has continually posted favourable operating results and became fully privatized following listing on the Tokyo Stock Exchange, three sales of government-held shares, and amendment of the JR Law. It is no exaggeration to say that we have achieved the objectives of the JNR reforms with independent management of a profitable company and have helped restored railways in Japan to their former glory (Figs. 1 and 2).

However, we must not forget that our business environment is changing rapidly with increasingly exacting and diversified customer expectations. Greater importance is also placed on group-based management and corporate social responsibility (CSR). In its 20-year

Figure 1 Operating Results (Consolidated)

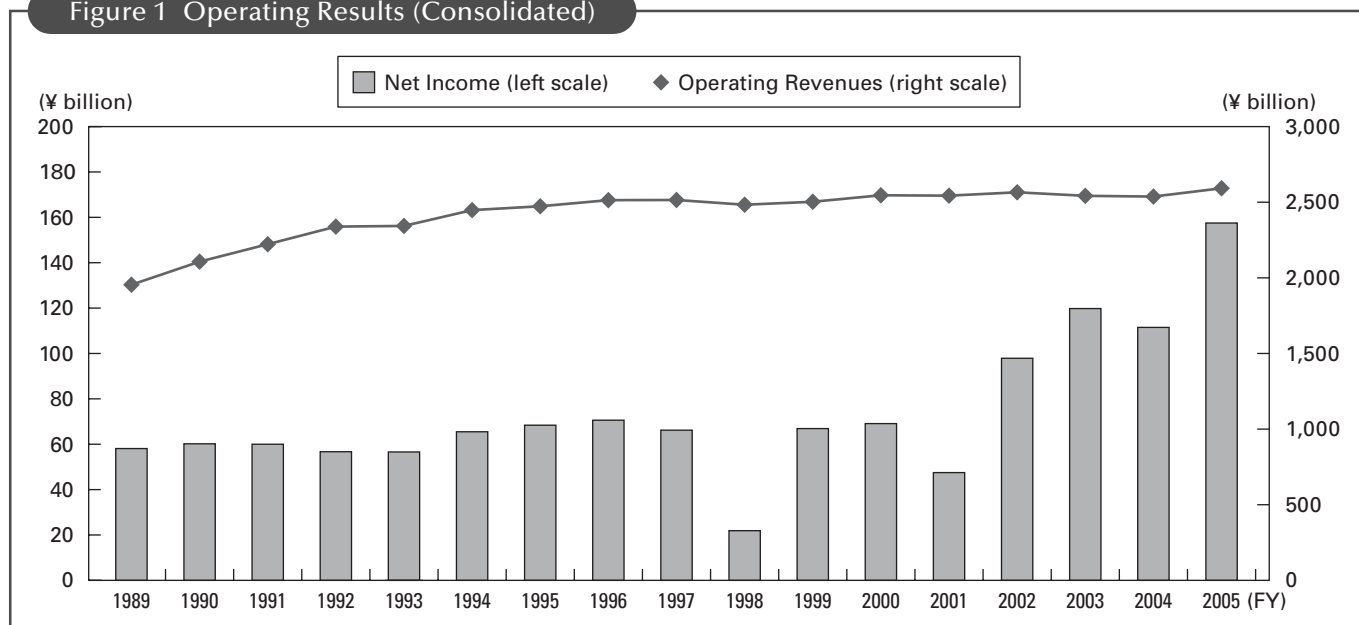
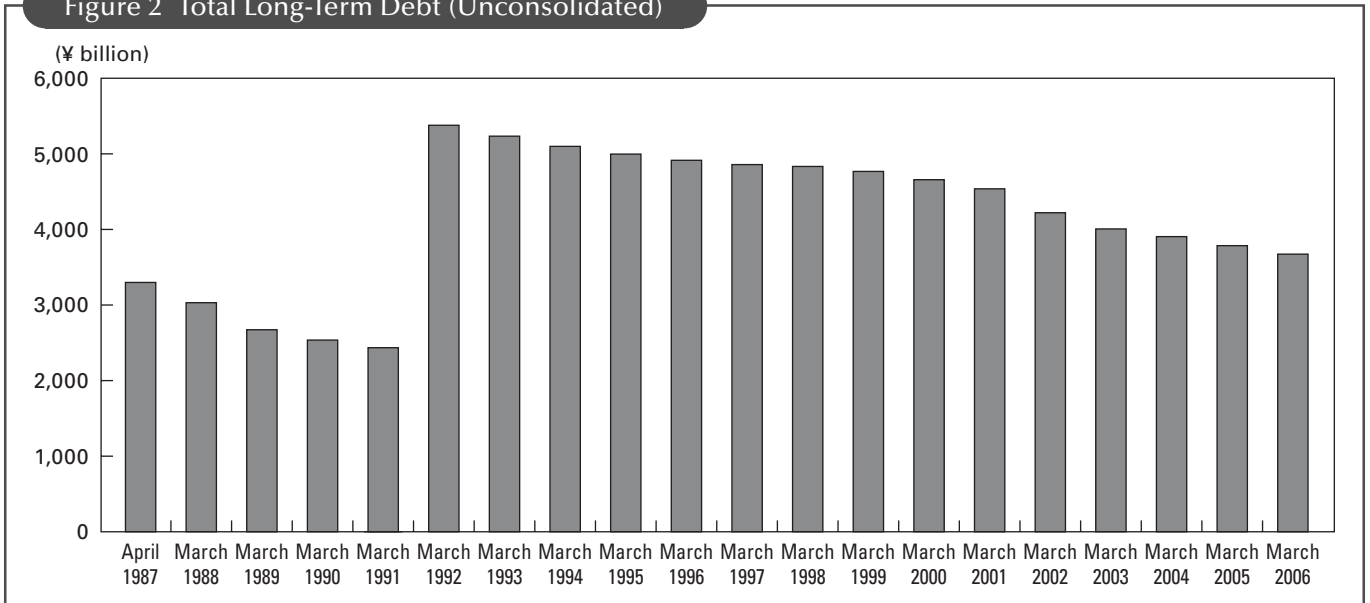


Figure 2 Total Long-Term Debt (Unconsolidated)



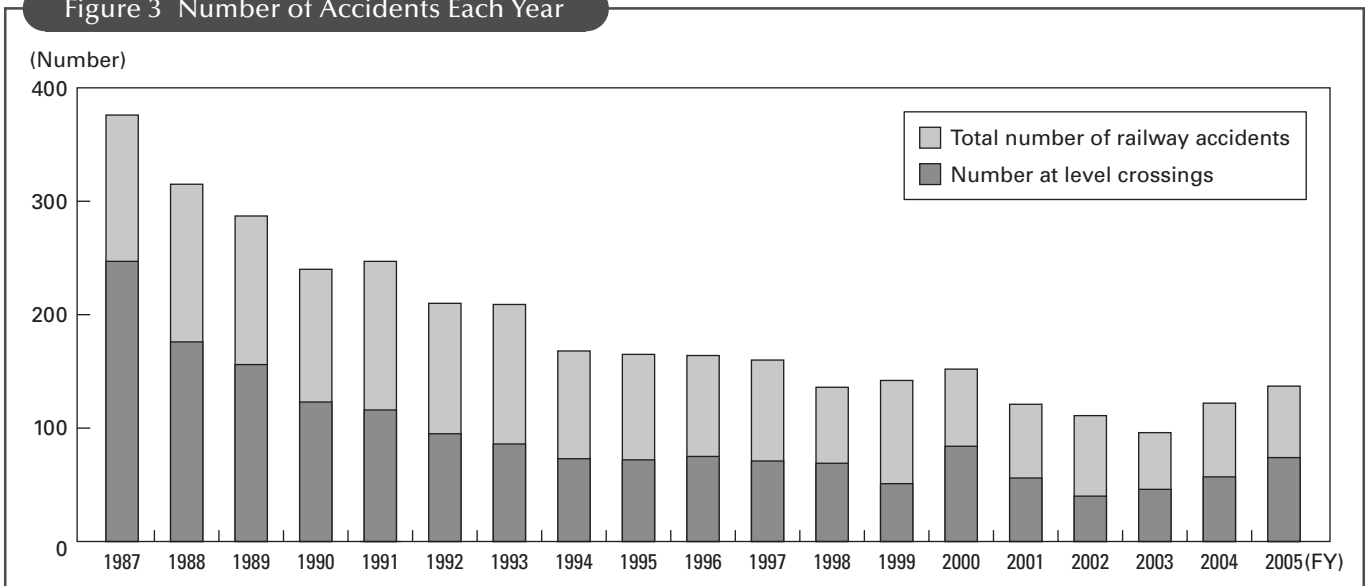
history, the JR East Group has grown to include over 80 companies and we are working to attain three basic management goals in line with the policy of becoming a trusted life-style services group, providing services taking the customer's viewpoint into account, creating a strong and robust group, and fulfilling our social responsibility and achieving sustainable growth. The group policy is based on the New Frontier 2008 4-year medium-term business plan, which started in FY2005.

Main Initiatives and Results in Railway, Life-style Service and Suica Operations

Safety measures and accident reduction

As a railway operator, we shall never forget the collision at Higashi-Nakano Station on the Chuo Line in 1988, which prompted us to further bolster safety measures and reminded us that passenger safety is always the primary concern. Based on this commitment, about 40% of our capital investment each year—over ¥1.7 trillion since the company was founded—is devoted to enhancing safety. We are keen to further refine our safety systems by formulating new measures based on new technologies and through free discussion in the workplace to create a climate of safety. The company has also established its own Safety Research Laboratory, which researches safety issues from a wide range of viewpoints, drawing fully on scientific findings. Thanks to these endeavours, the numbers of railway and level-crossing accidents have both fallen considerably since 1987 (Fig. 3).

Figure 3 Number of Accidents Each Year



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Improving transportation and capacity Tokyo metropolitan area

JR East is working actively to enhance capacity, especially in the Tokyo metropolitan area, by increasing the number of services, including direct trains, and operating longer trains. We started direct services on the Shonan-Shinjuku Line in 2001 and increased the number of trains on this route significantly in 2004. In 1991, we began increasing the number of carriages in each train set on the Yamanote and Musashino lines, and in 2002, started operating through services between the Saikyo and Rinkai lines via Osaki Station. As a result, the total daily operating km in the Tokyo metropolitan area for local trains has risen by 35% in the 20 years of JR East operations. This increase is more than twice the current daily capacity of another major private operator in the capital. The company has also introduced new rolling stock to carry more passengers on different lines, including Series E231 carriages on the Yamanote Line, Sobu Line (local) and Tokaido Line and Series E233 carriages on the Chuo Line. Consequently, the congestion rate during the Tokyo morning rush hour has been reduced from nearly 240% in FY1987 to just over 185% in FY2006.

Expanding shinkansen network

JR East has devoted significant resources to developing its shinkansen network, including the Tohoku and Joetsu shinkansen, both inherited from JNR. JR East now owns five shinkansen lines. In 1991, the Tohoku and Joetsu shinkansen were extended as far as Tokyo. The Yamagata Shinkansen opened the following year and was extended to Shinjo in 1999. The Akita and Nagano shinkansen opened in 1997 and the Tohoku Shinkansen was extended to Hachinohe in 2002.

New shinkansen train sets have been introduced to increase speed and carrying capacity and enhance passenger convenience. As a result, travel times have been cut substantially, increasing rail's competitive edge over other transport modes. Between 1987 and 2005, the time to travel by rail from Tokyo to Hachinohe has been cut by 67 minutes, from Tokyo to Akita by 76 minutes, and from Tokyo to Yamagata by 53 minutes (Fig. 4).

Development of life-style service operations and Station Renaissance

Although the old Japanese National Railways Law limited the scope of non-rail services that JNR could offer, the restrictions were relaxed considerably at the JR transition. Although some new JR East business ventures have failed to bear fruit, we have nurtured many others into core operations within the group, including shopping centres, hotels, offices, retail shops, and restaurants. Based on the principle of selection and focus, the JR East Group is developing operations permitting the most



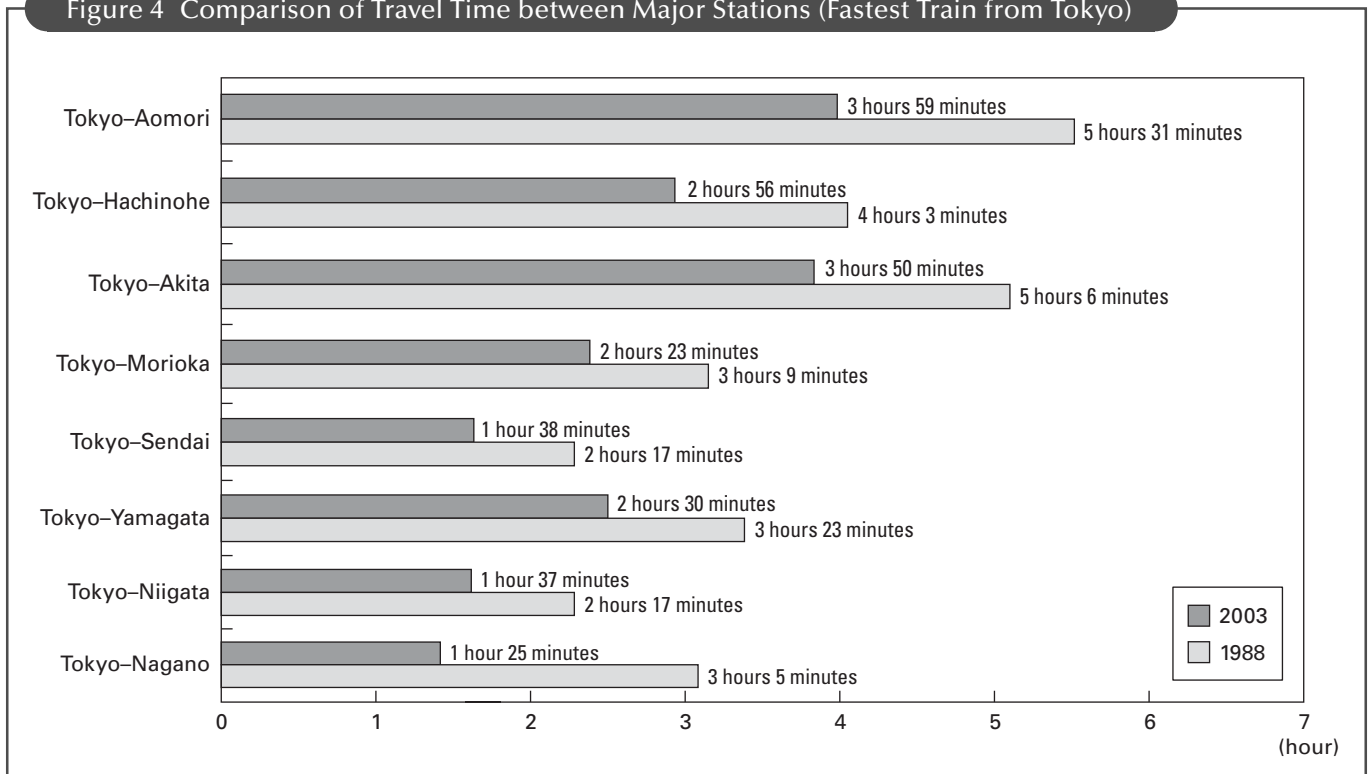
Series E233



Series 400 Tsubasa

efficient use of management resources that are expected to generate synergies with stations and rail through a Station Renaissance strategy. Because stations are one of our largest management resources, we reviewed the locations of life-style service shops and other facilities inside them. Beginning with Ueno Station in FY2002, we set about maximizing their value. Recently, we have developed new retail operations inside the ticket wickets at Omiya and Shinagawa stations under the *ecute* project. As part of this initiative, efforts to enhance the convenience and appeal of stations have been well received by customers. In addition to meeting retail needs within stations, we have unified merchandising within areas based on the same-service concept. We have also paid considerable attention to the environment in the space design and included a range of facilities offering barrier-free access.

Figure 4 Comparison of Travel Time between Major Stations (Fastest Train from Tokyo)



Suica Progress

JR launched its Suica (Super Urban Intelligent Card) service for payment of train fares in 2001. The start of this service with replacement of aging ticket gates was the first step in realizing our dream of creating a card to offer unrivalled convenience for customers by leveraging the latest technology. Although Suica could only be used in the Tokyo metropolitan area at first, we have expanded the system to include areas around Sendai and Niigata. Suica is also fully compatible with JR West's ICOCA card as well as with the PASMO card issued by private railways, Tokyo Metro, and bus operators in the Tokyo metropolitan

area since 18 March, meaning it is now possible to ride almost all transport in the capital and surrounding districts using just one card.

2004 saw the start of a service allowing Suica to be used as e-money for making purchases at some outlets like station kiosks, and in 2006, a mobile Suica service was launched for mobile phones. Suica can also be used as e-money for purchases at convenience stores, shopping centres, and other places around town. The number of Suica users has far outstripped our initial expectations. It is estimated that about 30 million cards have been issued including PASMO, compared to our first prediction of just 5 million.



Suica

Key Issues to Address and Proposed Solutions

After 20 years of operation, there are two key management issues we need to consider for the future. The first is laying the foundations to create a rock-solid corporation for the new age and to facilitate long-term growth. In addition to taking continued initiatives to enhance our finances, by aggressively reducing costs and repaying long-term debt, we will press full ahead with further development of life-style services and Suica operations.

The second point is instilling a passion for reform based on the JNR reform spirit in future generations. We have to tell our younger employees—who did not go through

the JNR reforms—about our experiences and the prevailing spirit at that time. We see the 20th anniversary of our founding as a new starting point for passing on the passion for reform from 20 years ago with the aim of creating a bright, new future.

Specifically, JR East will further enhance railway operations making full use of technical innovations to offer our customers full peace of mind. We will propose new ideas for a more fulfilling life through our Station Renaissance concept focused on stations and rail and develop Suica into a new social infrastructure. Next, we would like to go into more detail about some of the challenges we face and the ways in which we will set about addressing them.

Safety based customer peace of mind

As explained above, JR East places the highest priority on safety and has worked strenuously to attain this objective. Despite our efforts, a train was derailed on the Uetsu Line in December 2005. Although there can never be perfection in railway safety, we must continue to do everything we can in pursuit of this ultimate goal. The quality of railway operations is largely determined by transportation reliability. We are fully aware that our customers would like to see further improvements in service reliability, of course without compromising safety, and we will continue to do our utmost to reach this goal. Safety is a prerequisite for railway operations and service reliability is another key factor. However, these elements alone do not give passengers peace of mind, which comes from passengers who use train services; it is not something railway operators can create. The JR East Group would like to focus on offering peace of mind and all companies in the group, covering operations such as hotels, restaurants, shopping centres, work on the same principle of establishing ourselves as a group that customers firmly associate with this concept.



Series E4 Max

Countermeasures to declining birth rate and aging population

Japan's declining birth rate and aging population have both positive and negative effects on our business. Whatever happens, we believe it is important to implement flexible responses to a changing society so that we remain the corporate group of choice for customers in the future.

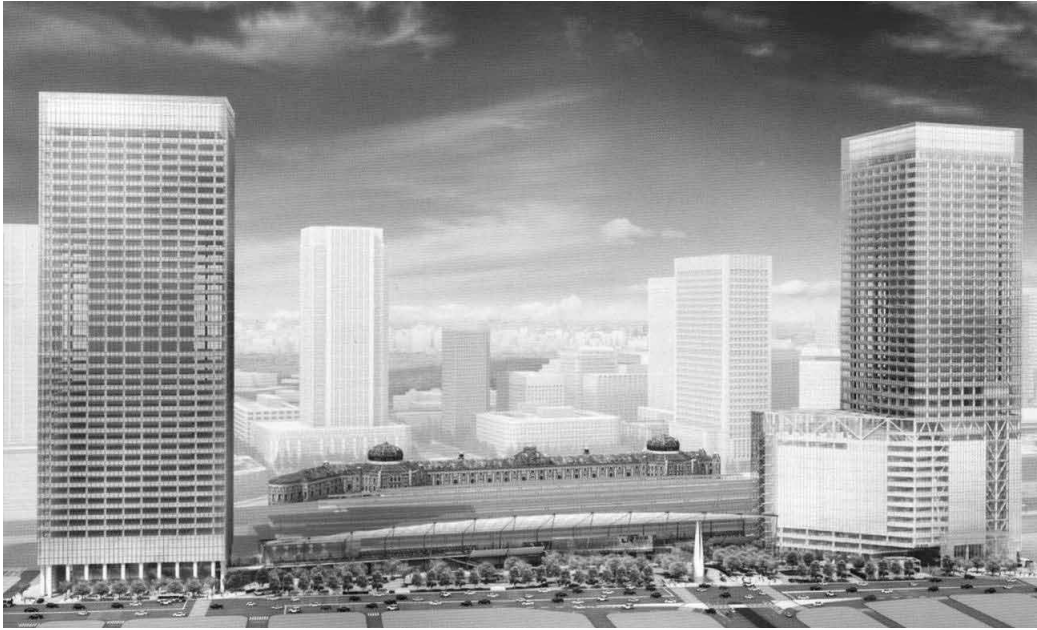
JR East is taking steps to meet changing demand as a result of the aging Japanese population. We are expanding the scope of our *Otona no Kyujitsu* (Holidays for Adults) club, are enhancing courses and other services offered to members through our *Shumi no Kai* (Hobby Course), and are also starting to offer escorted tours. Senior citizens are an important market segment and we are forging ahead with marketing products to meet their needs. We also remain committed to making stations, trains and other facilities barrier-free by increasing the number of escalators and lifts, making Suica compatible with other IC passenger cards, and increasing direct and through train services. We want to construct a railway system that offers everyone, from children to senior citizens, peace of mind and comfort. It is necessary to formulate long-term business strategies in response to the falling birth rate in Japan. We are working to lessen the burden of raising children, for example by making improvements so that women and children can use our stations free from stress or worry. We are also taking other measures towards the same goal, including offering tickets for families with children, such as the Three Day Pass; increasing the number of crèches at stations; promoting use of a maternity badge to ask other passengers to give up their seats to pregnant women; and participating in the Safe Station for Children scheme.

Response to intensifying competition

It is predicted that the transport environment will remain severe and competition with other transport modes will become even fiercer. The JR East Group aims to expand the market for rail based on collaboration as well as competition. Although railway companies work to enhance their services in friendly rivalry with each other, we will also work hand in hand with other operators where possible to improve rail's overall convenience.

We have continued to differentiate our services from other operators to provide greater capacity and convenience. Examples include opening the Shonan-Shinjuku Line and subsequently increasing services on this route, introducing new trains on some routes and adding green cars to some local trains. We will steadfastly continue with such endeavours, for example by opening the Tohoku Through Line—a plan to link the Utsunomiya, Takasaki, and Joban lines with the Tokaido line.

On the other hand, we also cooperate actively with other



Artist's image Tokyo Station City when completed

operators. One such example is the start of through limited express services with Tobu Railway over both companies' lines from March 2006. Following integration of the Suica and PASMO systems in March this year, we will continue collaborating with bus and other train operators to offer convenient services for customers and expand the total railway market.

Outlook for life-style service operations and Tokyo Station City

We aim to grow life-style service operations into a central pillar of operations to rival the scale of our railway business. To achieve this aim, we will keep striving to enhance our competitive edge and overall capability in this field based on the concepts of selection and concentration and also self-discipline and partnership. JR East will continue to transform stations from facilities that people simply pass through to appealing spaces where people meet and have fun in line with the Station Renaissance concept. One such example is *ecute*, the third of which opened at Tachikawa Station in October 2007. We are also making headway with the Tokyo Station City project, which aims to develop Tokyo Station and the surrounding area into a space befitting the main station in the nation's capital—the gateway to Japan. Two key beliefs of the JR East Group have been incorporated in this project, namely that stations are small towns in their own right and that they should play a major role as cultural centres. As well as developing the Yaesu and Nihonbashi exits of Tokyo Station, we are restoring the red-brick building on the Marunouchi side to the original state when opened.

Developing Suica operations into one of three central pillars

JR East has striven to firmly establish Suica as one of the leading IC cards and on 18 March 2007, Suica and PASMO became fully integrated to create what is thought to be the largest IC card network in the world. This development greatly increased the convenience of Suica, both for fare payments and for use as e-money to purchase goods. Mobile Suica launched in 2006 combines the communications and display functions of a conventional mobile phone with the fare payment and e-money functions of a Suica card. Additional services are scheduled to be introduced for mobile Suica, including shinkansen seat booking and ticket purchase from March 2008.

We will strive to unleash the hidden potential of Suica by measures such as tie-ups with other companies to develop this business into a central arm of our operations.

Conclusion

2007 has seen a number of developments that will serve as new starting points for the future, such as completion of part of Tokyo Station City and integration of the Suica and PASMO IC card systems. As well as the opening of The Railway Museum in Omiya on 14 October (see *JRTR* 48) and other projects to commemorate our 20th anniversary, we have a number of other projects on the cards to benefit our passengers and other people.

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JR East Chronology

1987

- 9 Apr — Held First Railway Safety Promotion Committee meeting
- 7 Jun — Established Green Counter (old Customer Service Room)
- 1 Jul — Started Japanese travel sales

1988

- 13 Mar — Started *Hokutosei* limited express sleeper service
- 25 Apr — Started LOOK EAST campaign
- 6 Jul — Started *Shonan-Shinjuku Liner* service
- 2 Dec — Opened Keiyo Line partially
- 5 Dec — Accident at Higashi-Nakano Station

1989

- 11 Mar — Started *Super Hitachi* service
- 1 Apr — Opened Safety Research Laboratory and JR East General Training Center

1990

- 10 Mar — Started 275 km/h services on Joetsu Shinkansen
Opened Keiyo Line fully
- 21 Apr — Installed automatic ticket gate system at Tokyo and Komagome stations
- 28 Apr — Started *Super-view Odoriko* operation
- 23 Jun — Put double-decker shinkansen cars into service on Tohoku Shinkansen
- 13 Sep — Held First Railway Safety Symposium
- 14 Oct — Announced FUTURE21 management plan for 21st century
- 20 Dec — Opened Gala Yuzawa Snow Resort

1991

- 1 Mar — Launched IO Cards
- 19 Mar — Started *Narita Express* (N'EX) operations
- 20 Jun — Started Tohoku and Joetsu Shinkansen services to/from Tokyo
- 1 Oct — Purchased facilities of Tohoku and Joetsu shinkansen

1992

- 18 May — Launched Bound for Heartland, Japan campaign
- 1 Jul — Opened Yamagata Shinkansen and started *Tsubasa* operation
- 2 Nov — Signed cooperative agreement with Deutsche Bahn (Germany)

1993

- 2 Feb — Launched View Card
- 18 Mar — Started Series 209 commuter services
- 2 Jul — Started *View Sazanami* and *View Wakashio* operations
- 26 Oct — Listed JR East shares on Tokyo, Osaka, Nagoya and Niigata stock exchanges
- 21 Dec — Tested low-noise, high-speed *STAR21* at 425 km/h

1994

- 24 May — Opened Hotel Mets Kumegawa
- 15 Jul — Started *Max* shinkansen, consisting of all double-decker cars
- 3 Dec — Started E217 series suburban-type trains

1995

- 1 Apr — Launched View Gift Certificate
- 22 Jun — Launched From Tohoku campaign to promote Tohoku region
- 2 Jul — Opened New Chuo Line platform at Tokyo Station following elevation work
- 7 Jul — Opened Folkloro Tono
- 22 Sep — Signed cooperative agreement with FS Trenitalia (Italy)
- 10 Nov — Started operation of COSMOS new integrated shinkansen computer system
- 28 Nov — Signed cooperative agreement with SNCF (France)

1996

- 16 Mar — Extended Saikyo Line to Ebisu
- 14 Dec — Launched ATOS transport control system for Tokyo Metropolitan Area

1997

- 22 Mar — Opened Akita Shinkansen and started *Komachi* service
- 27 Jun — Established Life-Style Business Development Headquarters of JR East
- 29 Sep — Opened new head office building
- 1 Oct — Opened Nagano Shinkansen and started *Asama* service
Started *Fresh Hitachi* service
- 16 Oct — Introduced shinkansen automatic ticket gate system
- 20 Dec — Started *Max E4* series services

1998

- 8 Mar — Launched TRAiNG campaign
- 4 Oct — Opened JR East Art Center Shiki Theater
- 1 Nov — Started operations of Shinkansen Early Earthquake Detection System

1999

- 25 Jan — Launched Meguri Hime campaign for women
- 2 Feb — Launched Safety Plan 21
- 29 Apr — Started *Ban-Etsu Monogatari-go* steam locomotive service
- 16 Jul — Started *Cassiopeia* limited express sleeper service
- 2 Aug — Held IPO for second tranche of government-held shares
- 4 Dec — Extended Yamagata Shinkansen to Shinjo

2000

- 11 Mar — Started *Super Hatsukari* service
Started E231 commuter train services
- 1 Apr — Opened JR East General Education Center
- 8 Apr — Launched Eki-net Internet shopping mall
- 29 Nov — Announced New Frontier 21 medium-term business plan

2001

- 7 Feb — Launched Nonbiri Komachi campaign for women
- 2 Apr — Started cash management system
- 27 Apr — Launched Eki-net Travel website
- 2 Jul — Introduced women-only cars on Saikyo Line
- 13 Jul — Introduced Holidays for Adults Club
- 1 Oct — Opened NEWDAYS convenience stores
- 18 Nov — Launched Suica IC card system
- 1 Dec — Promulgated amended JR Company Law
Opened Shonan-Shinjuku Line
Started E257 series limited express train services
Opened JR East Group Research and Development Center
- 27 Dec — Acquired management control of The Orange Page, Inc.

2002

- 22 Feb — Acquired management control of Tokyo Monorail Co., Ltd.
- 28 Feb — Launched Ekipara station building portal site
- 21 Apr — Introduced E231 series cars on Yamanote Line
- 21 Jun — Became fully privatized with final IPO of all government-held shares
- 1 Nov — Opened Accident History Exhibition Hall
- 1 Dec — Extended Tohoku Shinkansen services from Morioka to Hachinohe and introduced digital ATC on this section
Started *Hayate* service from Tokyo to Hachinohe

2003

- 10 Apr — Opened Old Shimbashi Station
- 1 Jul — Started View Suica card service
- 15 Jul — Launched Keitai EkiPara mobile phone portal site covering station buildings
- 12 Oct — Launched shinkansen Suica commuter tickets
- 26 Oct — Started Suica service around Sendai
- 21 Dec — Introduced Digital ATC on Keihin Tohoku Line

2004

- 5 Mar — Announced Safety Plan 2008
- 13 Mar — Opened Honjo Waseda Station on Joetsu Shinkansen
- 22 Mar — Launched Suica shopping service
- 14 Jul — Established IT Business Department and Suica Department
- 26 Jul — Launched Travelling on Local Lines series
- 1 Aug — Made JR East Suica and JR West ICOCA cards compatible
- 10 Sep — Started construction for Tokyo Station Yaesu Development Project
- 16 Oct — Introduced Green cars on Shonan-Shinjuku Line trains
Launched Green car Suica system
- 23 Oct — Suffered damage from major Niigata Chuetsu Earthquake

2005

- 24 Jan — Announced New Frontier 2008 medium-term business plan
- 5 Mar — Opened *ecute* Omiya
- 1 Jun — Launched Holidays for Seniors Zipang Club
- 25 Jun — Started *FASTECH 360S* running tests
- 1 Jul — Established IT Business Development Headquarters and Customer Service Department
Changed name of Management Administration Department to Management Planning Department
- 9 Jul — Started E531 series dual-voltage (AC and DC) train services on Joban Line
- 1 Oct — Launched Holidays for Seniors Middle Club
Opened *ecute* Shinagawa
- 10 Dec — Started running all services on Joetsu Shinkansen line from Omiya at 240 km/h to Echigo-Yuzawa
- 25 Dec — Train derailed on Uetsu Line

2006

- 21 Jan — Started Suica service around Niigata
- 28 Jan — Started Mobile Suica service
- 1 Feb — Established Disaster Prevention Research Laboratory
- 18 Mar — Started direct limited express services with Tobu Railway
- 6 Apr — Started *FASTECH 360Z* running tests
- 14 May — Closed Transportation Museum
- 30 Jul — Introduced Digital ATC on all sections of Yamanote Line
- 25 Dec — Held memorial service for victims of Uetsu Line derailment
- 26 Dec — Introduced E233 series commuter trains on Chuo Rapid Line

*Based on JR East Corporate Handbook and *Kotsu Shimibun*