Challenge 01/03

CREATING NEW CUSTOMER VALUE

JR East's overriding goal is to create ***new customer value*** *by addressing the 6 Challenges set forth in the* ***Key Management Issues*** *section of New Frontier 2008.*

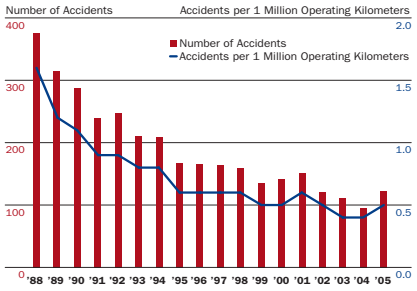



A. Earthquake countermeasures
B. *Green Car Suica System*

Challenge 01 ▸▸ UPGRADE SAFETY AND RELIABILITY

OPERATIONAL RAILWAY ACCIDENTS*

Years ended March 31



* Train derailments and fatal accidents and injuries at such locations as level crossings and platforms.

Safety

JR East initiated the *Safety Plan 2008* five-year plan in March 2004. Based on that plan, JR East and its partner companies are implementing concerted measures for the priority provision of safety equipment to prevent major accidents and for the reconstruction of safety management to enable precise responses to changes in a range of environments.

More Reliable Transportation

- JR East will enhance the dependability of ground equipment and railcars to preempt the causes of transportation disruptions.
- JR East will expedite service resumption and improve passenger announcements when transportation disruptions occur.
- JR East will reinforce the disaster resistance of facilities and equipment.

Countermeasures for Major Earthquakes

In light of the lessons learned from the Niigata Chuetsu Earthquake, JR East is stepping up disaster countermeasures through such initiatives as bringing forward the completion dates of current engineering projects for the reinforcement of elevated railway tracks.

Challenge 03 ▸▸ ENHANCE CONVENIENCE AND COMFORT OF RAILWAY OPERATIONS

Image of Tohoku through line

Shinkansen Network

- JR East will maximize the advantages of its Shinkansen network compared with competing modes of transportation by raising service speeds and transportation capacity.

Tokyo Metropolitan Area Network

- JR East will expand mutual through services with other railway companies to enable passengers to reach their destination stations without transferring.
- JR East will advance preparations for through services linking the Tokaido line with the Tohoku, Takasaki, and Joban lines (Tohoku through line), targeting completion in fiscal 2010 (see page 35 for details).
- JR East will add value to services on conventional lines by increasing limited express services and addressing passengers' seating needs through the introduction of *Green Cars* (first class cars).

Intercity and Regional Network

- JR East will continue offering transportation services that reflect regional conditions.
- JR East will work toward the practical application of the hybrid *NE train* (New Energy train), which has a drive system that places less burden on the environment.

CREATING NEW CUSTOMER VALUE

JR East's overriding goal is to create ***new customer value*** *by addressing the 6 Challenges set forth in the* ***Key Management Issues*** *section of New Frontier 2008.*



Challenge 03

▸▸ REINVENT STATIONS

JR East will make stations—its largest management resource—even more convenient and attractive.

Image of a new-type sales counter

Greater Functionality

In addition to bolstering the functions of stations as communication hubs, JR East will strengthen their functions as service bases catering to customers' diverse needs.

More User-Friendly

Focusing on terminal stations, JR East will transform concourses near ticket gates to create one-stop information services zones. Moreover, JR East will upgrade announcement displays and increase the number of Service Managers deployed to actively offer customers assistance. JR East's goal is to simultaneously raise the quality and efficiency of services by dovetailing highly ergonomic vending machines and painstaking one-on-one services.

Higher Earning Power

JR East wants to exploit the potential of its stations to the full by heightening their appeal and earning power. To that end, JR East will continue pursuing its *Station Renaissance* initiative (see page 38 for details) and honing the competitiveness of its retailing and food services operations on station premises. Further, JR East will introduce influential commercial tenants into stations from outside the group.

Challenge 04

▸▸ GROW NON-TRANSPORTATION OPERATIONS FURTHER

JR East's basic strategy is to keep forging ahead with the development of businesses that optimally utilize the group's management resources and create significant synergies with railway operations. Guided by that strategy, JR East will prevail in competitive markets by redoubling its efforts to reorganize and consolidate respective business categories and formats and by leveraging tie-ups and mergers with companies outside the group.

Image of the high-rise building on the Nihombashi side of Tokyo station

Office Buildings Operations

JR East intends to advance the development of major office buildings that take advantage of highly convenient locations with direct station access and boast cutting-edge functionality. JR East is targeting the growth of those operations into the non-transportation segment's mainstay by freeing up large sites for development.

Hotel Operations

JR East will offer high-value-added products based on alliances with JR East's travel agency business and group companies. At the same time, JR East plans to accelerate the development of its hotel chain by aggressively opening new hotels, primarily concentrating on the *HOTEL METS* chain (see page 43 for details).

Development of Tokyo Station District

March 2007 will see the unveiling of a high-rise building on the north, Nihombashi side of Tokyo station, followed in August of the same year by the opening of one of the twin towers on the station's east, Yaesu side (see page 41 for details).

By steadily paving the way for further growth of its office buildings operations, JR East will put into effect plans for the development of large-scale sites at such locations as Shinjuku station's south exit, Shibuya station, and Shinagawa rail yard.

Challenge 05

CREATING NEW CUSTOMER VALUE

JR East's overriding goal is to create ***new customer value*** *by addressing the 6 Challenges set forth in the* ***Key Management Issues*** *section of New Frontier 2008.*

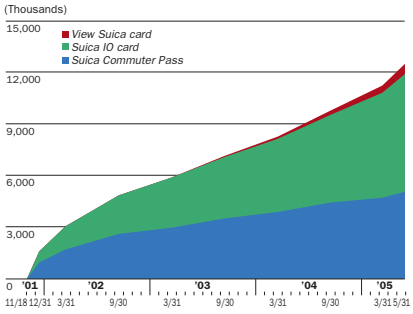
A. *Suica Commuter Pass*
B. *View Suica* card
C. *JALCARD Suica*
D. Image of *View Suica Commuter Pass*

Challenge 05

▸▸ ENHANCE LIFESTYLES THROUGH SUICA

Suica is not only altering the nature of JR East's long-standing services, it has almost limitless potential as a vehicle for new lifestyle services. Therefore, JR East will single-mindedly develop Suica's suite of functions and services to earn Suica endorsement not only as a railway ticket but as a must-have tool for everyday life. JR East is confident that those efforts will grow Suica operations into a mainstay business and establish Suica's unshakeable position as the leading IC card.

NUMBER OF *SUICA* CARDS ISSUED



Mobile Suica

A scene of *Suica* electronic money in use

Suica Milestones

In November 2001, JR East launched *Suica* (Super Urban Intelligent CArd)—a contactless IC card that incorporates the commuter pass or stored-fare railway ticket functions previously performed by magnetic cards.

Debuting in Tokyo and its suburbs, *Suica* initially could only be used as a commuter pass or a stored-fare railway ticket. By marrying *Suica* with its *View Card* credit card, JR East issued the *View Suica* card in July 2003. Further, JR East added an electronic money function to *Suica* in March 2004 and initiated mutual use with West Japan Railway Company's ICOCA® IC card in August 2004. And, the story of *Suica*'s evolution is far from over.

As of the end of May 2005, 12.6 million *Suica* had been issued. Also, the card is usable at 861 stations, including those of companies with which JR East has mutual-use tie-ups. Stores participating in the *Suica* electronic money system are multiplying not only in station premises and buildings but also in downtown areas; approximately 1,000 stores now accept payment by *Suica*.

Expansion of Mutual Use and *View Suica Commuter Pass*

By offering the amenity of being able to travel anywhere using a single *Suica* card, the commencement of mutual use with approximately 50 transportation companies in the Tokyo metropolitan area from fiscal 2007 is sure to buoy the number of *Suica* holders.

Further, plans call for the January 2006 issuance of *View Suica Commuter Pass*, which will be usable as a commuter pass, a stored-fare railway ticket, or a credit card.

Mobile Suica

January 2006 will also witness the much-awaited launch of *Mobile Suica*, which will enable users to pass through automatic ticket gates by holding their cell phones near gate sensors, as is done with *Suica* cards. Also, *Mobile Suica* will, of course, include an electronic money function. Integration with cell phones' communications and display functions will bring *Suica*'s functions and services into a new paradigm.

Popularization of *Suica* Electronic Money

Suica was used for 100 thousand electronic money transactions a day as of May 2005. JR East aims to drive daily transactions up to 2 million in the near-term and to 4 million by fiscal 2009.

With no intention of slackening the pace, JR East will continue determined efforts to decisively expand usage of *Suica* as electronic money. For example, the major convenience store operator FamilyMart Co., Ltd., plans to introduce *Suica* electronic money at its approximately 1,000 stores in the *Suica* usage area in fiscal 2006. JR East will also encourage more people to use *Suica*'s electronic money function by targeting tie-ups with companies outside the group through such initiatives as adding *Suica* functions to the cash cards of financial institutions.

Challenge 06

CREATING NEW CUSTOMER VALUE

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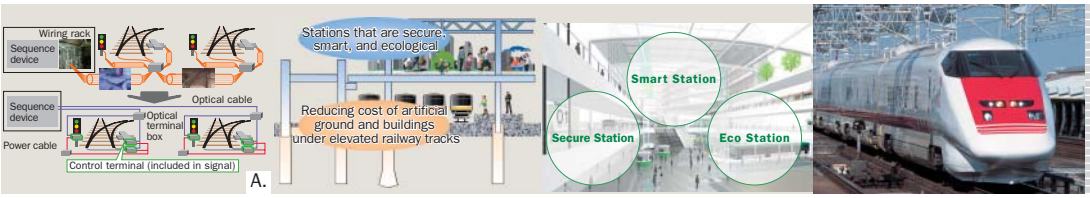


A. Image of a network signal control system

Challenge 06

▸▸ FOCUS ON R&D

Based on the following five key initiatives, JR East will tirelessly research, develop, and introduce leading-edge technologies that create new customer value.

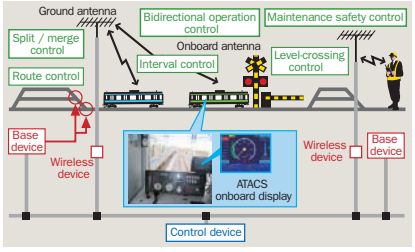


Image of ATACS

Safety and Reliability

JR East is moving forward with a range of research and development projects to reach the targets of the *Safety Plan 2008,* which it launched in March 2004. In particular, to enhance the safety and reliability of its transportation services, JR East is developing a network signal control system based on optical technology that significantly reduces cables and wiring work. Also, JR East is developing the Advanced Train Administration and Communication System (ATACS), which is a next-generation system based on trains that detect their own locations and the regulation of the intervals between trains using wireless communication.

Regarding the derailment of a Shinkansen train at the time of the Niigata Chuetsu Earthquake, JR East intends to undertake research to clarify the derailment mechanism and to develop countermeasures to prevent derailments and minimize damage in the unlikely event of a derailment.

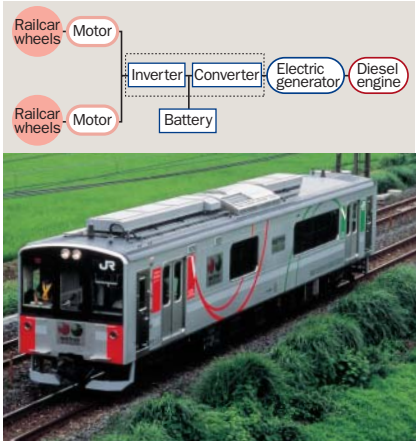
FASTECH 360S

Convenience and Comfort

Concentrating on heightening the competitiveness of its railway operations, JR East will conduct research and development aimed at shortening journey times on Shinkansen and conventional lines and creating comfortable stations and railcars. Following the June 2005 completion of FASTECH 360S, the test railcar for the new, high-speed Shinkansen railcars, JR East is now collecting a variety of data that will be used to achieve an optimal mix of speed, reliability, environmental compatibility, and comfort at speeds in the region of 360km/h.

Cost Reduction

JR East aims to create a stronger, leaner management organization by reducing maintenance costs and raising operational efficiency. With that in mind, JR East is developing various labor-saving devices, such as low-maintenance turnout and switch facilities, and new maintenance methods that lengthen the service life of tracks.



NE train (New Energy train)

Global Environment

Looking to mitigate the environmental burden of railway operations, JR East will pursue development efforts focused on the practical application of its hybrid *NE train* (New Energy train) and the creation of energy-saving technologies and others.

Revamping of Stations

To make maximum use of the assets of its railway operations, JR East will hone building methods that allow the efficient construction of facilities above railway tracks or below elevated railway tracks. Further, JR East intends to enhance the convenience and appeal of stations by developing next-generation ticketing systems and other trials.