

REVIEW OF OPERATIONS

NON-TRANSPORTATION

Station Space Utilization



ecute Omiya



ecute Shinagawa



ecute Tachikawa

Development of ecute

	<i>ecute Omiya</i>	<i>ecute Shinagawa</i>	<i>ecute Tachikawa</i>
Beginning of Operations	March 5, 2005	October 1, 2005	October 5, 2007 (phase I) October 7, 2008 (phase II)
Store Space	Approximately 2,300m ²	Approximately 1,600m ²	Approximately 4,400m ²
Main Business Lines	Delicatessen, confectionary, sundry goods, restaurants, services (73 stores)	Delicatessen, confectionary, sundry goods, restaurants, services (46 stores)	Delicatessen, confectionary, sundry goods, cafes, services, nursery school, clinics, etc. (92 stores)
Fiscal 2009 Results	Store sales: ¥10.2 billion (+ 2% year on year)	Store sales: ¥7.4 billion (+ 2% year on year)	Store sales: ¥5.4 billion (+ 73% year on year)



Top 20 Stations with Large Daily Passenger Use

Station	Number of Passengers per Day
1 Shinjuku	1,532,040
2 Ikebukuro	1,126,824
3 Shibuya	852,634
4 Yokohama	804,386
5 Tokyo	788,270
6 Shinagawa	656,878
7 Shimbashi	502,042
8 Omiya	479,440
9 Akihabara	448,168
10 Takadanobaba	413,780
11 Kita-Senju	389,448
12 Kawasaki	372,970
13 Ueno	362,488
14 Yurakucho	338,722
15 Hamamatsucho	317,400
16 Tachikawa	316,246
17 Tamachi	308,248
18 Kichijoji	286,356
19 Funabashi	272,730
20 Kamata	271,402

OVERVIEW

Used by around 17 million passengers a day, the railway stations that JR East operates are its most significant management resource. In those railway stations, JR East also operates a wide variety of businesses, including retail outlets and restaurants, that provide customers with convenient, comfortable services and increase its earnings.

JR East has many railway stations with high passenger volumes: 92 railway stations are used by more than 100,000 passengers a day, including 36 railway stations used by more than 200,000 passengers a day as of March 2009. Given those volumes, the scope for the further development of non-transportation services is considerable.

TOPICS

Making Favorable Progress under the *Station Renaissance* Program

JR East is moving forward with the *Station Renaissance* program (see page 99 for details) to maximize the appeal of its railway stations. For example, *ecute* commercial spaces have already generated a favorable reputation based on the success of *ecute Omiya*, *ecute Shinagawa*, and the first phase of *ecute Tachikawa*. In fiscal 2009, the second phase of *ecute Tachikawa* opened, while *atr vie Tabata* began operations to coincide with the remodeling of Tabata Station.

In fiscal 2009, despite the affects of the recession, new commercial spaces performed well, with *ecute* posting year-on-year increases in store sales of 2% at Omiya, to ¥10.2 billion; 2% at Shinagawa, to ¥7.4 billion; and 73%, at Tachikawa, to ¥5.4 billion, due to the opening of the second phase. Similarly, *GranSta*, which opened in fiscal 2008, exceeded its expectations to achieve store sales of ¥10.1 billion.

Commercial spaces, such as *ecute* and *Dila*, developed under the *Station Renaissance* program between fiscal 2002 and fiscal 2009, contributed operating revenues of approximately ¥168.3 billion in fiscal 2009.

Revitalizing Existing Stores

JR East will revitalize existing stores by heightening customer convenience through the introduction of *Suica* electronic money services as well as remodeling initiatives that include conversions to new business types and formats. In retail operations, JR East's development of *NEWDAYS* convenience stores increased the network to 419 stores as of April 1, 2009.

OUTLOOK

Evolving the *Station Renaissance* Program

Based on its new management vision, JR East will actively develop non-transportation operations. As part of those efforts, JR East will expand the *Station Renaissance* program by concentrating on railway stations in downtown Tokyo that it has not yet developed as well as other railway stations with growing commercial potential due to the vitalization of their surrounding areas. Specifically, JR East will actively advance marketing and merchandising initiatives and develop new businesses such as *ecute* and *Dila* shopping facilities.

Plans call for the development of Gotanda Station in May 2009, the third phase of Mitaka Station in June 2009, the fifth phase of Ofuna Station in spring 2010, and Ageo Station also in spring 2010.

Also, JR East will maximize the value of *ekinaka* ("spaces inside railway stations") by undertaking bold renewals of existing shopping areas that have become obsolete and revitalizing them as shopping areas that attract customers.

In another initiative, through *ekinaka* stores, consolidated subsidiary Nippon Restaurant Enterprise Co., Ltd., provides safe and reliable food ingredients sourced from an agriculture association, which it established through joint investment with local producers. From a variety of perspectives, JR East will actively examine the possibility of a variety of new agriculture-related initiatives. Through such initiatives, JR East will collaborate with local communities to help reinvigorate regions.



atr vie Tabata



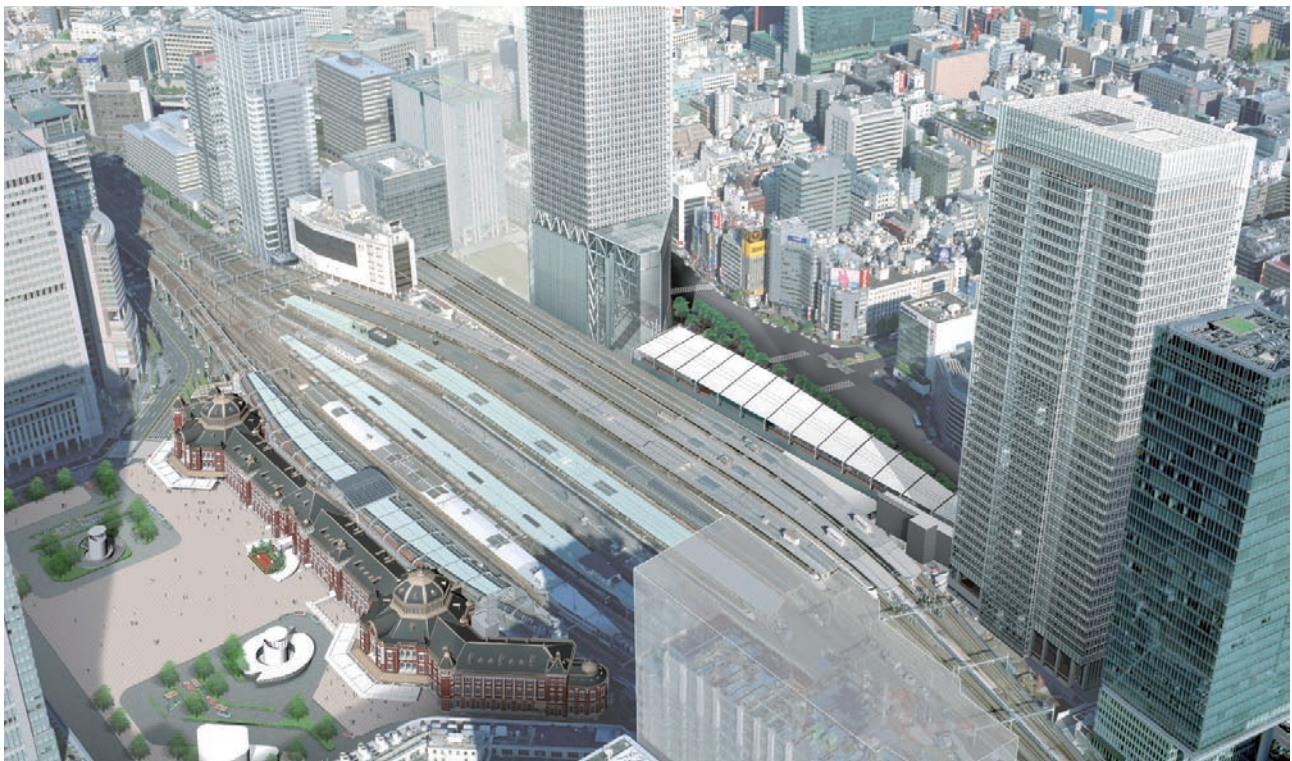
GranSta in Tokyo Station



NEWDAYS

REVIEW OF OPERATIONS
NON-TRANSPORTATION

Shopping Centers & Office Buildings



Concept illustration of Tokyo Station City



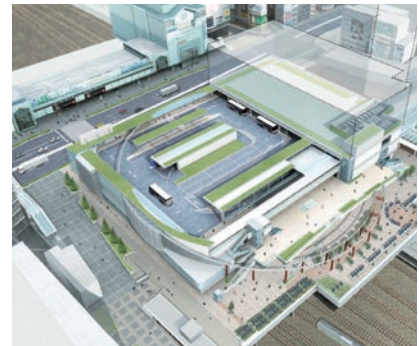
Gran Tokyo South Tower



Granduo Kamata



Kawasaki BE



Concept illustration of the future business development of Shinjuku Station

OVERVIEW

Concentrating on such railway station buildings as *LUMINE* and *atré* and department-store formats such as *Granduo*, JR East fully exploits the formidable customer-drawing power of its railway stations and the locations nearby them to develop a wide variety of shopping centers tailored to the individual characteristics of each area. Similarly, JR East develops and leases office buildings, focusing on those buildings in highly convenient locations that have direct access to its railway stations. In particular, JR East operates a large commercial complex that leverages its location next to Tokyo Station, a railway station used by approximately 790,000 passengers a day, and provides leading-edge highly functional offices that can cater to diverse commercial needs.

As of March 31, 2009, JR East operated 126 shopping centers and 19 office buildings.

TOPICS

Enjoying Continuing Success—Tokyo Station City

In office buildings operations, in fiscal 2009 *Tokyo Station City*, comprising *Sapia Tower*, *GranTokyo North Tower*, and *GranTokyo South Tower*, met its initial targets despite facing a deepening recession—posting operating revenues of ¥25.0 billion and operating income of ¥12.0 billion.

As a result, in fiscal 2009 shopping centers & office buildings operations achieved higher revenues and earnings, recording year-on-year increases of 8.4% in operating revenues, to ¥222.6 billion, and 17.1% in operating income, to ¥70.0 billion.

The *Tokyo Station City* project will continue with restoration work on the Tokyo Station Marunouchi redbrick building due for completion in spring 2012 and the *Tokyo Station Hotel* (provisional name) scheduled to begin operations. The project's finishing touches will be the fiscal 2014 development of *GranRoof* and an open square at the Yaesu exit of Tokyo Station.

Opening New Railway Station Buildings, Remodeling Existing Shopping Centers

In shopping centers operations, fiscal 2009 saw the opening of the JR East's second department store, *Granduo Kamata* in Tokyo, as well as *S-PAL II* in Miyagi, and *CoCoLo Minamikan* in Niigata. Also, *LUMINE MAN SHIBUYA* and Higashi-Kanagawa Station Building are slated for opening in fiscal 2010.

Further, JR East remodels such shopping centers as *LUMINE* and *atré* and replaces tenants regularly to maintain and improve the appeal of sales areas as well as ensure the stores match customer needs. In fiscal 2009, JR East remodeled

LUMINE EST in Tokyo, *Kawasaki BE* in Kanagawa, and *Kokubunji L* in Tokyo as well as actively brought in major tenants with the ability to attract customers. Also, Tsuchiura Station Building in Ibaraki is scheduled for remodeling in fiscal 2010.

Thanks to such efforts and the resulting favorable growth in tenant revenues, consolidated subsidiary LUMINE Co., Ltd., which operates mainstay railway station buildings, recorded year-on-year increases of 4.0% in operating revenues, to ¥51.0 billion, and 3.4% in operating income, to ¥10.4 billion, in fiscal 2009.

OUTLOOK

Developing Attractive Towns Centered on Railway Stations

JR East will begin making line-side areas of railway lines more attractive and convenient as well as developing areas from a town development perspective. Following clear development concepts that reflect local characteristics, JR East will develop line-side areas and railway-station-centered towns that are endorsed by customers and local communities. An example of such initiatives is JR East's development of areas under elevated railway tracks to realize the *Chuo Line Mall* (provisional name) concept and thereby enhance the attractiveness and convenience of line-side areas.

Developing Large-Scale Terminus Stations

JR East will implement development plans for the building development at the new south exit of Shinjuku Station (featuring 2 basement floors, approximately 33 floors above ground, and a total floor space of approximately 110,000 square meters) and carry out plans for the development of buildings—including the rebuilding of existing railway station buildings—near Chiba Station, the west and east exits of Yokohama Station, and Shibuya Station.

In addition, JR East will create a large developable area near Shinagawa Station by integrating and transferring a train depot and changing the position of the railway lines. Through consultation and collaboration with related local authorities, JR East is moving forward with development of that area.

REVIEW OF OPERATIONS

NON-TRANSPORTATION

Other Services

—Advertising and Publicity



Suipo, new transportation advertising medium



Digital posters



Train Channel

OVERVIEW

JR East's advertising and publicity operations principally comprise transportation facilities advertising both in railway station concourses and in and on railcars. In Japan, transportation is a major advertising medium, ranking higher than radio and next after television, newspapers, and magazines in terms of advertising revenues. Transportation advertising nationwide accounted for 3.7%, or ¥249.5 billion, of the ¥6,692.6 billion that Japanese companies spent on advertising in 2008. JR East has a very strong position in the transportation advertising business. In the Tokyo metropolitan area, the mainstay market for transportation advertising, JR East's fiscal 2009 advertising revenues of ¥56.0 billion represented roughly half of the total advertising revenues of ¥112.7 billion for transportation advertising.

Despite the affect of the recession triggered by the subprime loans problem, JR East is taking various steps to add value to transportation advertising and increase advertising revenues.

TOPICS AND OUTLOOK

Installing Digital Posters

JR East installed large LCD (liquid crystal display) screens for advertising, known as digital posters, in the concourses of Tokyo Station in July 2008. Digitization enables the changing of content to suit the day or time of day. Exploiting that advantage, JR East will install more digital posters at other stations to increase the exposure of this new digital medium.

Extending the Train Channel

The *Train Channel* is an advertising medium that broadcasts commercials within railcars on screens above the doors. JR East introduced the *Train Channel* to the Yamanote Line in April 2002, subsequently adding further value to the advertising medium by upgrading its data capacity and transmission speed in the second half of fiscal 2006. As a result, the *Train Channel* has earned a favorable reputation among advertisers. Also, it was extended to include the Chuo Line in fiscal 2007 and the Keihin-Tohoku and Negishi lines from fiscal 2008. Continuing such efforts, JR East will steadily introduce the *Train Channel* to other line segments. In fiscal 2009, advertising revenues from the *Train Channel* were up 38% year on year.

Raising the Asset Value of Railway Stations and Train Services

While undertaking *ekinaka* development, JR East will create effective advertising media solutions by integrating plans for advertising media installations with the design and development for remodeling railway stations.

Additionally, JR East will raise the asset value of its railway stations and train services by developing advertising media that take advantage of such new technology as video communication enabled by the next-generation high-speed wireless technology *WiMAX* and organic EL (electroluminescence).

Through those initiatives, JR East will upgrade its railway stations and train services and thereby add to their asset value.

REVIEW OF OPERATIONS

NON-TRANSPORTATION

Other Services

—Hotel Operations



Concept illustration of Tokyo Station Hotel



HOTEL METS Tachikawa



Lounge in Hotel Metropolitan Marunouchi

OVERVIEW

JR East operates city, business, and long-term-stay hotels, and it had 39 hotels with a total of 5,501 guest rooms as of March 31, 2009. JR East's mainstay *Metropolitan Hotels* chain consists of 10 city hotels in the Tokyo metropolitan area and near the terminals of major railway stations in regional cities. In addition to being advantageously located next to railway stations, those hotels provide sophisticated accommodation, dining, and banquet services. Further, JR East's *HOTEL METS* business hotels focus on accommodation, offering comfortable, reasonably priced rooms comparable with those of city hotels. Most of the *HOTEL METS* hotels have either direct access to a railway station or are close to one.

TOPICS AND OUTLOOK

Strengthening the Metropolitan Hotels Chain

In May 2007, JR East opened *Hotel Metropolitan Marunouchi* on the upper floors of *Sapia Tower*. Since then, the hotel has performed well by focusing on providing sophisticated accommodation and first-class comfort while taking advantage of an outstanding location directly connected to Tokyo Station. Also, in fiscal 2009, JR East remodeled the guest rooms and banquet halls of *Hotel Metropolitan* in Tokyo and *Hotel Metropolitan Morioka* to strengthen the competitiveness of existing facilities.

In fiscal 2009, the 10 *Metropolitan Hotels* had an average occupancy rate of 79%.

Developing HOTEL METS

JR East operated 18 *HOTEL METS* hotels as of March 31, 2009. As well as targeting businesspeople, JR East hopes local residents will use those hotels as gathering places and to accommodate their guests. In fiscal 2009, JR East cut the tape for *HOTEL METS Tachikawa* in Tokyo and expanded *HOTEL METS Kamakura Ofuna* in Kanagawa. JR East will continue developing the *HOTEL METS* in the Tokyo metropolitan area, with *HOTEL METS Komagome* scheduled to open for business in Tokyo in fiscal 2010.

In fiscal 2009, the 18 *HOTEL METS* hotels had an average occupancy rate of 81%.

Constructing a Hotel in Tokyo Station

At the Marunouchi exit (the west side) of Tokyo Station, JR East is restoring the historic Marunouchi redbrick building and developing the open square that it looks onto. With restoration work, JR East plans to open a hotel befitting Japan's flagship railway station inside this important cultural asset.