

NON-TRANSPORTATION

Station Space Utilization

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 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: 91 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 2010. Given those volumes, there is considerable scope for the further development of non-transportation services.

TOPICS

Station Renaissance Program Produces Solid Results

JR East is implementing the *Station Renaissance* program to maximize the appeal of its railway stations—JR East's largest management resource. A particular highlight of that program in fiscal 2010 was *ecute* commercial spaces, at Nippori Station JR East increased *ecute* floor space. Also, JR East remodeled a Tokyo Station shopping mall in order to launch *ecute Tokyo* as a new *ekinaka* ("spaces inside railway stations"). Furthermore, despite the recession, *ecute* performed steadily.

Looking at stores sales, *ecute Omiya* posted ¥9.6 billion, a 6% decline year on year; *ecute Shinagawa* ¥7.2 billion, a 3% decrease year on year; and *ecute Tachikawa* ¥5.9 billion, a 9% increase year on year reflecting the opening of its second phase.

In addition to *ecute* initiatives, JR East opened new stores at Oimachi Station on the Rinkai Line, Gotanda Station, *Dila Mitaka*, and *Dila Ofuna*. Also, *GranSta*, which opened in fiscal 2008, overcame tough business conditions to record a 3.9% year-on-year increase in store sales, to ¥10.4 billion.

Other efforts in fiscal 2010 included developing Echigo-Yuzawa Station's "gateway" for tourists as one of JR East's *Rediscovering the Region Projects*. Working closely with the local community, JR East opened *CoCoLo Yuzawa Gangi Dori*, a commercial space bringing out regional characteristics fully, and developed a visitors center in Echigo-Yuzawa Station.

JR East Acquires Kinokuniya Co., Ltd.

JR East acquired all of the shares of Kinokuniya Co., Ltd., which operates a chain of high-end supermarkets, to make it a consolidated subsidiary in April 2010. Having opened Japan's first supermarket, Kinokuniya is a long-established company that recently celebrated its 100th anniversary. Combining JR East's railway network with Kinokuniya's

integrated distribution (its producer networks, purchasing power, and so on) will further enable railway-station-centered town development based on the development of *ekinaka* and railway station buildings as well as the creation of new businesses that will help increase tourism and invigorate regions.

OUTLOOK

Station Renaissance Program to Evolve Further

In accordance with *JR East 2020 Vision—idomu—*, JR East aims to develop non-transportation operations further. To that end, 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. In those efforts, JR East intends to step up marketing and merchandising while developing *ecute* and *Dila* shopping facilities. Specifically, Oimachi Station, Nippori Station, and Kawasaki Station.

At the same time, JR East will maximize the value of *ekinaka* by undertaking bold renewals of aging shopping areas in order to revitalize them by creating appealing shopping areas. JR East plans to remodel Tokyo Station in fiscal 2011.



ecute Nippori



GranSta



CoCoLo Yuzawa Gangi Dori



Top 20 Stations with Large Daily Passenger Use

Station	Number of Passengers per Day
1 Shinjuku	1,497,044
2 Ikebukuro	1,096,498
3 Shibuya	824,482
4 Yokohama	799,266
5 Tokyo	768,048
6 Shinagawa	643,478
7 Shimbashi	496,096
8 Omiya	472,848
9 Akihabara	449,216
10 Takadanobaba	409,054
11 Kita-Senju	387,952
12 Kawasaki	374,294
13 Ueno	356,826
14 Yurakucho	332,504
15 Tachikawa	316,136
16 Hamamatsucho	310,290
17 Tamachi	307,964
18 Kichijoji	282,628
19 Funabashi	271,120
20 Kamata	267,516

Development of *ecute*

	Beginning of Operations	Store Space	Main Business Lines	Fiscal 2010 Store Sales
Omiya	March 2005	approx. 2,300 m ²	Delicatessen, confectionary, sundry goods, restaurants, services (73 stores)	¥9.6 billion (94% year on year)
Shinagawa	October 2005	approx. 1,600 m ²	Delicatessen, confectionary, sundry goods, restaurants, services (46 stores)	¥7.2 billion (97% year on year)
Tachikawa	October 2007 (phase I) October 2008 (phase II)	approx. 4,300 m ²	Delicatessen, confectionary, sundry goods, cafes, services, nursery school, clinics, etc. (92 stores)	¥5.9 billion (109% year on year)
Nippori	March 2008 June 2009 (floor space increase)	approx. 380 m ²	Delicatessen, confectionary, sundry goods, cafes (17 stores)	¥1.5 billion
Tokyo	March 2010	approx. 1,300 m ²	Delicatessen, confectionary, sundry goods, cafes (31 stores)	— (Opened March 28, 2010)



ecute Shinagawa (above)
ecute Tachikawa (above right)
ecute Omiya (right)
ecute Tokyo (far right)

NON-TRANSPORTATION

Shopping Centers & Office Buildings

OVERVIEW

Concentrating on such railway station buildings as *LUMINE* and *atr *, JR East's shopping centers operations fully exploit the formidable customer-drawing power of JR East's railway stations and the locations nearby them to develop a wide variety of shopping centers tailored to the individual characteristics of each area.

Also, 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 770,000 passengers a day—and provides leading-edge highly functional offices that cater to diverse commercial needs. As of March 31, 2010, JR East operates 133 shopping centers and 20 office buildings.

TOPICS

*Tokyo Station City Shows**Stable Earning Power*

Although business conditions in fiscal 2010 were tough, *Tokyo Station City*, comprising *Sapia Tower*, *GranTokyo North Tower*, and *GranTokyo South Tower*, matched its results of the previous fiscal

year, achieving operating revenues of ¥25.0 billion and operating income of ¥12.0 billion. Moreover, the *Tokyo Station City* project will finish restoring the Tokyo Station Marunouchi redbrick building in spring 2012 and begin operations at the *Tokyo Station Hotel* (provisional name) and at the Daimaru extension of the second phase of *GranTokyo North Tower* in fiscal 2013. The project's finishing touches will be the fiscal 2014 development of *Gran-Roof* at the Yaesu exit of Tokyo Station.

New Railway Station Buildings Open, Existing Shopping Centers Remodeled

As well as unveiling *LUMINE MAN SHIBUYA* in Tokyo, JR East began operations at Iwaki Station Building in Fukushima, Musashi-Koganei Station Building in Tokyo, *CIAL PLAT Higashi-Kanagawa* in Kanagawa, *E'site Ageo* in Saitama, and *atr vie Sugamo* in Tokyo in fiscal 2010.

Further, JR East maintained and improved the appeal of existing stores through remodeling. In fiscal 2010, JR East remodeled *Kawasaki BE* in Kanagawa, *Perie* in Chiba, and *T pico* in Akita and introduced major tenants that enjoy strong customer endorsement.

OUTLOOK

Plans Call for Aggressive Development

In shopping centers operations, although Japan's demographic structure is changing, economic conditions are lackluster, and Internet shopping and other factors are intensifying competition, JR East will cater to the resulting changes in markets and customer needs by launching new initiatives. For example, fiscal 2011 will see the beginning of operations at Hachioji Station South Exit Building (provisional name) and Akihabara Denkigai-guchi Building (provisional name) as well as the remodeling of a railway station building at Kichijoji Station.

In addition, office buildings operations will move forward with the construction of JR South Shinjuku Building (provisional name) and Kanda Manseibashi Building (provisional name), which are scheduled to begin operations in 2012.

Further, as part of *Rediscovering the Region Projects*, and with the extension of the Tohoku Shinkansen Line to Shin-Aomori Station in mind, JR East plans to develop a "craft center" and "market" complex at the Shin-Aomori waterfront area in keeping with Shin-Aomori's town development concept.



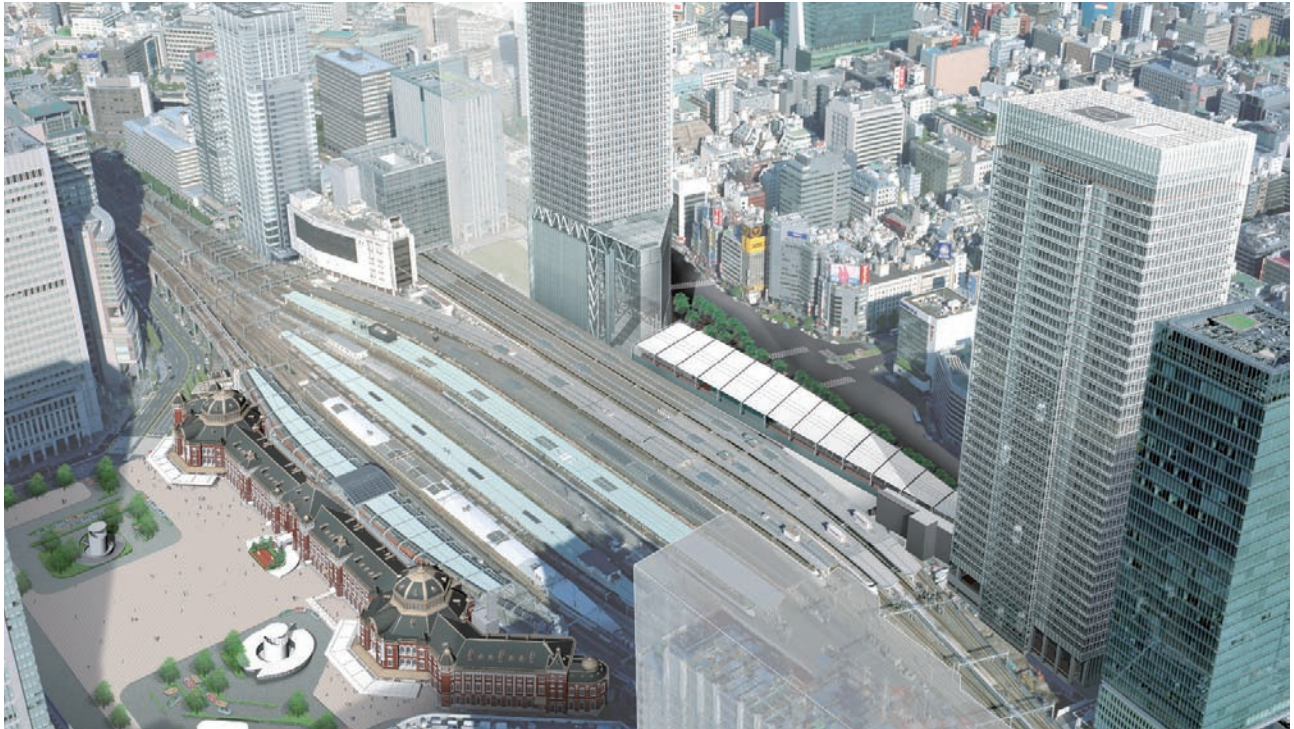
GranTokyo South Tower



LUMINE MAN SHIBUYA



CIAL PLAT Higashi-Kanagawa



Concept illustration of Tokyo Station City

Development of Tokyo Station City

	<i>Sapia Tower</i>	<i>GranTokyo North Tower</i>	<i>GranTokyo South Tower</i>
Beginning of operations	March 2007 Conference facilities, hotel: May 2007	November 2007 (Phase I)	November 2007
Rentable area / sales floor area	Office: approx. 30,600 m ² Conference facilities: approx. 1,800 m ² Hotel: 343 rooms	approx. 15,300 m ² (Offices owned by JR East)	approx. 49,400 m ² (Offices owned by JR East)
Cost	¥27.4 billion	¥129.0 billion (Amount shouldered by JR East)	
Fiscal 2010 actual results	Operating revenues: ¥25.0 billion Operating income: ¥12.0 billion		
Initial estimate	Operating revenues: ¥7.6 billion Operating income: ¥2.8 billion	Operating revenues: ¥19.0 billion Operating income: ¥8.0 billion (When Phase II completed)	
Notes	Phase II scheduled to begin operations in spring 2013		

Concept illustration of Akihabara Denkigai-guchi Building (provisional name)
 Concept illustration of JR South Shinjuku Building (provisional name)(far right)



NON-TRANSPORTATION

Other Services: Advertising and Publicity

OVERVIEW

JR East provides transportation advertising in railway station concourses and in and on railcars, which approximately 17 million people use a day. In fiscal 2010, transportation advertising in Japan was down 11.5%, to ¥5,922.2 billion. Against that backdrop, transportation advertising declined for the second consecutive year, decreasing 18.0%, to ¥204.5 billion. Nevertheless, 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 2010 advertising revenues of approximately ¥48.1 billion represented roughly half of the total advertising revenues of ¥97.2 billion for transportation advertising.

Susceptibility to economic fluctuations is a characteristic of advertising, and these operations are facing challenging conditions. On the other hand, the development of next-generation technologies and materials is progressing rapidly, and JR East intends to heighten the value of advertising media for advertisers through further digitization and network incorporation.

TOPICS AND OUTLOOK

J-AD Vision Exploits Large-Capacity Wireless Service

JR East is installing *J-AD Vision*, formerly referred to as digital posters, an advertising medium that uses large LCD (liquid crystal display) screens, at major railway stations, including the central passage of Tokyo Station and free passages of Shinagawa Station as well as at Yokohama Station, Omiya Station, and Sendai Station. The large-capacity—high-speed wireless technology WiMAX enables *J-AD Vision* to display content, mainly videos, to suit the day or time of day. Going forward, JR East will install *J-AD Vision* at other major railway stations and develop the medium with a view to incorporating networks.

Train Channel Expands

The *Train Channel* is an advertising medium that broadcasts video commercials within railcars on screens above the doors. JR East has introduced the *Train Channel* to the Yamanote Line, the Chuo Line, the Ome Line, the Itsukaichi Line, and the Keihin-Tohoku and Negishi lines. In October 2009, JR East introduced the

Train Channel to the new Narita Express, making it the first limited express to have the *Train Channel*. By upgrading news, weather, and entertainment information, JR East will develop the *Train Channel* into an even more attention-getting medium.

“Ad stands and Ad shops” Evolve

“Ad stands and Ad shops” refers to the deployment of advertising that matches store sales promotions. For example, a food manufacturer promoting an instant noodle product not only used wrapping advertisement inside and outside of a store in Shibuya Station but also offered samples of the product for tasting in the store. In another example, a kimono-wearing class in Tokyo Station offered a “kimono rental and powder room” service in conjunction with advertisements inside and outside the class.

Shinagawa Station’s central passage (*J-AD Vision*)The *Train Channel* on the new Narita Express

Ad shop at Tokyo Station

NON-TRANSPORTATION

Other Services: Hotel Operations

OVERVIEW

JR East operates city, business, and such long-term-stay hotels as *Familio* and *Folkloro*, and it has 42 hotels with a total of 6,005 guest rooms as of March 31, 2010. JR East's mainstay *Metropolitan Hotels* chain consists of city hotels in the Tokyo metropolitan area and near the terminuses of major regional railway stations. 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 comfort comparable to city hotels at reasonable prices. Most *HOTEL METS* hotels have either direct access to a railway station or are very close to one. That advantage maintains occupancy rates at approximately 80% even amid unfavorable business conditions.

TOPICS AND OUTLOOK

The Metropolitan Hotels Chain Upgrades

The *Metropolitan Hotels* chain comprises 10 hotels and 3,036 guest rooms as of March 31, 2010. In fiscal 2010, JR East vitalized and strengthened the competitiveness

of existing facilities by remodeling the guest rooms and banquet halls of *Hotel Metropolitan Nagano*, *Hotel Metropolitan Takasaki*, and *Hotel Metropolitan Akita*. *Metropolitan Hotels* had an occupancy rate of 77.6% in fiscal 2010. Further, *Hotel Metropolitan Marunouchi* in Tokyo performed well. Opening on the upper floors of *Sapia Tower* in May 2007, that hotel focuses on providing sophisticated accommodation and first-class comfort while taking advantage of an outstanding location directly connected to Tokyo Station.

HOTEL METS Develops

The *HOTEL METS* chain includes 20 hotels and 2,211 guest rooms as of March 31, 2010. As well as targeting businesspeople, JR East hopes local residents will use those hotels as gathering places and to accommodate their guests. Fiscal 2010 saw the launch of *HOTEL METS Komagome* in Tokyo. In line with plans to continue developing the *HOTEL METS* chain in the Tokyo metropolitan area, JR East will begin operations at *HOTEL METS Yokohama Tsurumi* from fall 2010. Further, the fiscal 2010 occupancy rate was 80.1%.

Familio and Folkloro Evolve

Familio and *Folkloro* account for nine hotels and 272 guest rooms as of March 31, 2010. As part of the *Rediscovering the Region Projects*, JR East is taking steps to develop *Folkloro Iwate Towa* as a French-style (auberge) hotel; that uses produce from its attached vegetable garden and *Familio Tateyama* as a hotel themed on enjoying sports and activities.

Hotel Takes Shape in Tokyo Station

At the Marunouchi exit side (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 due to finish in fiscal 2011, JR East plans to open a hotel befitting Japan's flagship railway station inside this important cultural asset in fiscal 2013.



The remodeled *Hotel Metropolitan Akita*



HOTEL METS Komagome



Concept illustration of *Tokyo Station Hotel*