



> REVIEW OF OPERATIONS—NON-TRANSPORTATION

> STATION RENAISSANCE—CREATING NEW STATION ENVIRONMENTS FOR THE 21ST CENTURY

Creating Synergies between Railway Operations and Non-Transportation Businesses

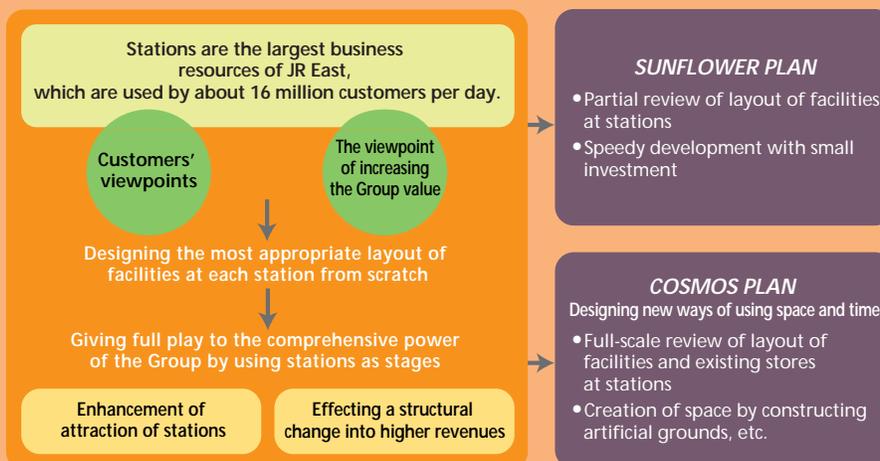
JR East stations, which are used by 16 million people everyday, are the Group's biggest business resource. JR East is dynamically implementing the *Station Renaissance* program to take full advantage of the potential of this resource. JR East is promoting an in-depth review of station spaces and creating synergies between railway operations and non-transportation businesses.

Sunflower Plan

Launched in fiscal 1998, the *Sunflower Plan* mainly targets stations with passenger numbers generally in excess of 30,000. Activities include partial reviews of operational facilities at and around stations and short construction schedules with minimal investment to develop stores. In fiscal 2002, the *Sunflower Plan* initiatives added and improved a total of 20,000 square meters of space in stations, and 80 new restaurants and stores were opened.

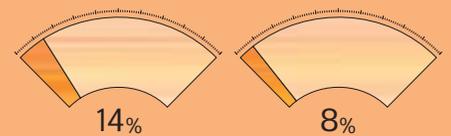
Cosmos Plan

This new plan was launched in December 2000. It involves comprehensive reviews of existing operational facilities at stations where passenger numbers are in excess of 200,000, and major terminal stations in prefectural capitals. In addition, substantial new station spaces are being created through various means, including the construction of artificial ground.



Station Space Utilization

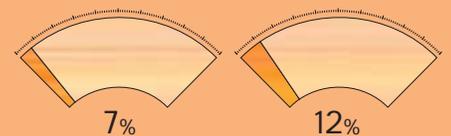
Operating Revenues Operating Income



	(Millions of Yen)	
	Operating Revenues	Operating Income
2002	368,553	26,810
2001	348,994	27,104

Shopping Centers & Office Buildings

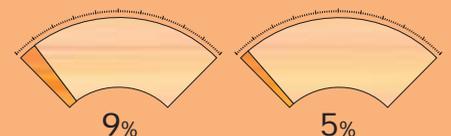
Operating Revenues Operating Income



	(Millions of Yen)	
	Operating Revenues	Operating Income
2002	165,276	38,494
2001	165,818	34,619

Other Services

Operating Revenues Operating Income



	(Millions of Yen)	
	Operating Revenues	Operating Income
2002	219,950	16,084
2001	229,859	18,092

Notes: 1. Percentage is a ratio of fiscal 2002.
2. Operating revenues mean operating revenues from outside customers.

> STATION SPACE UTILIZATION

> OVERVIEW

Each day, 16 million passengers pass through JR East stations. Space in those stations is utilized for a variety of businesses, including retail outlets, convenience stores and restaurants. The list includes 1,100 kiosks selling newspapers, snacks and other items, as well as 300 convenience stores.

Regarding these stores, JR East makes strong efforts to vitalize them by carrying attractive merchandise and enhancing services, as well as by actively renewing the stores. Moreover, JR East is developing new types of businesses by introducing the know-how of companies outside the Group.

> OPERATIONAL HIGHLIGHTS

Development of New Business Formats

JR East is working to meet the increasingly diverse needs of customers by forming partnerships outside of its own corporate group with companies that have strong brand names. These partnerships allow JR East to apply the knowledge and other resources of non-group companies to the development of products and menus that are suitable for station sites. To date, partnerships have been formed with Ryohin Keikaku Co., Ltd., which sells products under the Muji brand, Fast Retailing Co., Ltd., the casual apparel chain operator, and Yoshinoya D&C Co., Ltd.,

which operates over 1,000 gyudon (beef bowl) restaurants.

Tokyo Shokudo Central Mikuni's was opened in Tokyo station in October 2001 in partnership with Kiyomi Mikuni, a noted international chef specializing in French cuisine. The restaurant offers an extensive menu of reasonably priced Japanese, Western and Chinese food, ranging from light snacks to full-course meals.

Fusion of Railway Operations and Non-transportation Businesses

JR East has begun to develop stores that combine a variety of services, including retailing, food and beverages and sales of travel packages. In May 2001, it established *Becks Coffee* and *Mujirushiryohin.COM KIOSK* outlets in the ticket office and *View Plaza* travel agency of Hachioji station (Tokyo). In March 2002, fusion stores with café facilities were opened in the *View Plaza* of Kichijoji station (Tokyo), Tokyo station and Shin-Urayasu station (Chiba).

O-bento

In July 2001 JR East introduced a new frozen *O-bento* (lunch-box) made entirely from organic natural ingredients. These revolutionary products set a new standard for safe, healthy, high-quality lunches. JR East estab-



Tokyo Shokudo Central Mikuni's



Shopping complex in Hachioji station



O-bento

lished a local subsidiary and food manufacturing plant in California. Food is processed there and then imported into Japan for sale as frozen lunch-boxes.

Restructuring of Retailing and Restaurant Operations

The JR East Group is also restructuring its retailing and restaurant operations. In April 2001, a subsidiary which operated restaurants merged with another subsidiary which operated fast food stores. By combining knowledge of both the restaurant and fast food fields, this new organization will be able to manage outlets with enhanced efficiency.

In October 2001, JR East restructured its convenience store operations and launched a new format called *NEWDAYS*. The merchandise procurement and distribution and computer systems of these stores are being integrated to improve operating efficiency.

> IT-related Topic

eki-net Shopping

Stations are used everyday by large numbers of commuters, making them the ideal distribution points for IT-based service. Since April 2000, customers have been able to pick up books, CDs and other merchandise ordered over the Internet shopping mall, *eki-net Shopping*, at convenience stores and certain restaurants in stations. From September 2001, shoppers can order books and pick them up at

a specified station on the following day. Goods can be picked up at 288 outlets in 188 stations, mainly in the Tokyo metropolitan area (figures are as of May 31, 2002). IT is helping to boost the sales performance of the entire JR East Group. For example, by using the Internet, it is possible to offer a wide range of goods, even in the limited space available in stations.



Shopping mall *eki-net Shopping*



NEWDAYS
New format of JR East's convenience store

> SHOPPING CENTERS & OFFICE BUILDINGS

> OVERVIEW

Stations and nearby land are highly profitable assets of JR East. Shopping centers on station land raise the value of existing assets while offering passengers the convenience of being able to do their shopping at stations. As of March 31, 2002, JR East was operating 110 shopping centers and 13 office buildings. When developing these facilities, JR East is concentrating on creating a mix of tenants that reflects customers' needs, the nature of the site and the characteristics of the local market.

> OPERATIONAL HIGHLIGHTS

New Buildings at Terminal Stations

At terminal stations, JR East is constructing large-scale buildings using the space above tracks and land adjacent to stations. In April 2002, a new building was opened at Meguro station on Yamanote line. In the spring of 2004, a new office building will be completed at Shinagawa station. There are also plans for a large-scale development at Tokyo station.



JR Tokyu Meguro Building

In April 2002, JR East and Tokyu Corporation jointly opened the *JR Tokyu Meguro Building*. The new building includes a complex consisting of a station, office space and retail outlets above the tracks at Meguro station, which is served by a total of four railway lines, including JR East's Yamanote line and Tokyu's Meguro line, providing direct access to many locations in central Tokyo.

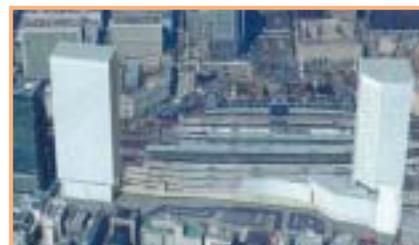
This location is ideal for both office and retail facilities. JR East owns approximately 24,000 m² out of total floor area of approximately 52,000 m².

Large-Scale Development Plan at Tokyo Station

On the Yaesu (eastern) side of Tokyo station, JR East plans to build twin high-rise towers with an aggregate planned floor space of approximately 340,000 m², for use mainly as offices and shopping centers. Construction will be completed in fiscal 2008 for the first phase and in fiscal 2011 for the second phase. In addition, the historic station building on the Marunouchi (western) side of Tokyo station will be restored to its original form as completed in 1914. That project will be completed in fiscal 2011. There are also plans for the redevelopment of the station-front community squares on each side of Tokyo station. Construction will be finished in fiscal 2010.



JR Tokyu Meguro Building



Large-scale development plan at Tokyo station (conceptual drawing)



Mitaka Lonlon

Mitaka Lonlon is an example of a suburban station building with a focus on the essentials of daily life.



J-kids Lumine Kitasenju Nursery School

In August 2001, *J-kids Lumine Kitasenju Nursery School* opened in Kitasenju in northeastern Tokyo as the fourth tenant of this type. Stations provide extremely convenient locations for such facilities, and more are expected to appear in the years ahead.

Focus on Everyday Living

At suburban stations, JR East operates smaller shopping centers at stations. The main tenants are retailers with a focus on the essentials of daily life, such as fresh food stores, drug stores, bookstores, CD shops and restaurants. These outlets are popular with customers in the communities around the stations.



> IT-related Topic

Ekipara

Ekipara is a portal site established to provide integrated access to all information, mainly about JR East Group shopping centers at stations. Users can retrieve information by location or type of business or shop, including data about almost 110 shopping centers and 9,000 shops. Other services include an e-mail magazine and message board pages for members.



Ekipara

> OTHER SERVICES

ADVERTISING AND PUBLICITY

> OVERVIEW

Spaces in stations and trains of JR East, whose network is used by 16 million passengers daily, are ideal for a broad range of advertisements. JR East is promoting advertising services by utilizing such spaces. For example, a single 11-car Yamanote line train has space for more than 1,500 individual ads, all benefiting from high readership. Efforts continue to target the development of new advertising techniques in a manner that addresses the needs of customers and bolsters advertising revenues.

for aesthetic reasons has now been lifted, and in February 2002, JR East began to sell advertising space on its train car bodies. There is strong interest in advertising on Yamanote line cars, which has particularly high impact because of the large number of passengers that use the line.



Advertising on train car bodies

> OPERATIONAL HIGHLIGHTS

Advertising on Train Car Bodies

Prohibition of advertising on the outside of trains by the Tokyo Metropolitan Government

> IT-related Topic

In-Train Video Advertising

The E231 series Yamanote line cars, which were introduced in April 2002, have two 15-inch display monitors above each door. These are used to display video advertising, as well as train operating information and other information.



In-train video advertising

HOTEL OPERATIONS

> OVERVIEW

Hotels are a powerful vehicle for generating income from real estate holdings and have synergies with railway operations and travel agency operations. JR East has established several types of hotels, including city hotels, business hotels and long-term-stay hotels, under separate brands. Since April 1998 *JR East Hotel Chain*, which is centralizing management of these brands to better enable hotel operations to benefit from JR East's network and generate economies of scale. Among specific actions are stronger chain management, as well as joint advertising and procurement activities.

> OPERATIONAL HIGHLIGHTS

The HOTEL METS Chain

HOTEL METS specializes mainly in accommodation services. It offers comfortable, reasonably priced rooms with facilities similar to those found in city hotels. As of June 2002, there are 12 *HOTEL METS*, mostly located in the Tokyo area. A new one will open in Hachinohe to coincide with the extension of the Tohoku Shinkansen line in December 2002. The quality of the *HOTEL METS* chain is being improved through service standardization, including the development of know-how based on the ISO 9001 quality management system, for which JR East has acquired certification.

HOTEL METS Shibuya was opened at Shibuya station in November 2001. There is fierce competition among business hotels in

the Shibuya district, but the new hotel is strongly differentiated by its direct access to the station and by an array of tenant retailers specializing in goods and services that appeal to working women, including a health supplement store and a relaxation salon. This is the 11th *HOTEL METS*, and with 186 rooms it is the largest.

The Hotel Metropolitan Chain

The JR East Group has developed 10 full-service, city hotel-type *Metropolitan Hotels*. These are located mainly in Tokyo, prefectural capitals and at Shinkansen stations.

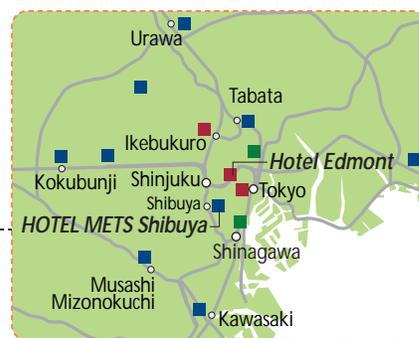
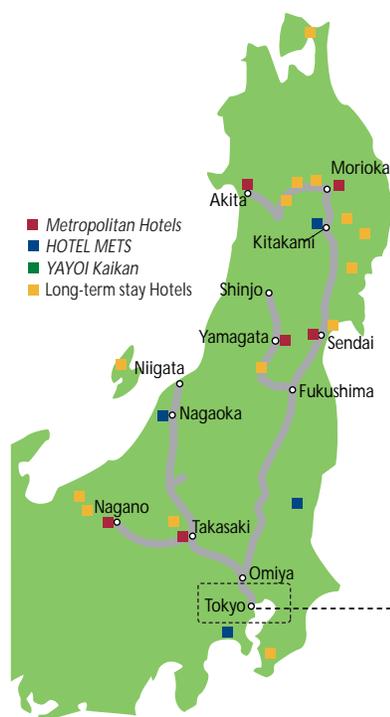
The *Hotel Edmont* is a city hotel located in the Iidabashi district of central Tokyo. To meet the strong demand for accommodation, a 220-room annex will be opened on currently under-utilized land near the hotel in March 2003.



HOTEL METS Shibuya



Hotel Edmont Annex (conceptual drawing)



CARD BUSINESS

> OVERVIEW

JR East's credit card, *View Card*, has a growing number of cardholders, mainly people who patronize JR East stations, shopping centers and hotels. As of the end of June 2002, the number of *View Card* members is approximately 2.2 million based on the number of applications.

Beginning in April 2000, *View Card* is honored at the approximately 22 million VISA member merchants all over the world, making the card substantially more convenient to use.

JR East plans to continue aggressive expansion of its credit card business. Growth will enable JR East to raise the level of service to customers by responding to Japan's rising demand for cashless purchasing, as well as to generate valuable cardholder data on purchasing patterns that can be incorporated in marketing programs. Another key strategy calls for the future integration of *View Card* with *Suica*.

> OPERATIONAL HIGHLIGHTS

> IT-related Topic

View Card with Suica Functions

In fiscal 2004, JR East will combine its Group credit card, *View Card*, with its *Suica* contactless IC card, allowing *Suica* cardholders to use their *Suica* cards as credit cards.

VIEW ALTTE ATM

In October 2001 JR East launched its new *VIEW ALTTE* ATM network. Under this system, cashing services provided by other credit card companies can be used. By the end of June 2002, 85 terminals had been installed in 49 stations.

More Cards Accepted for Over-the-Counter Ticket Purchases

Until recently the only credit card accepted for over-the-counter ticket purchases in almost all stations of JR East was *View Card*. Since October 2001, customers have also been able to use JCB, Visa, MasterCard, American Express and Diners' Club credit cards.



VIEW ALTTE ATM