

STATION RENAISSANCE— **CREATING NEW STATION ENVIRONMENTS FOR THE 21st CENTURY**

Since establishment, JR East has moved decisively to leverage the potential synergy of its business resources such as high-traffic stations and adjacent commercial spaces. Creation of convenient and attractive retail-store, restaurant, office, hotel and other facilities will deliver sustainable revenue growth and complementary business diversity.



Station Space Utilization

JR East continued its efforts to improve the attractiveness and earning power of its stations. Tsudanuma and Asagaya stations were enhanced through *Cosmos Plan* initiatives implemented in November 2002 and May 2003, respectively. *Sunflower Plan* initiatives were implemented at 67 stations, including Mejiro, Osaki, Sakuragicho, Hashimoto and Hachinohe.



Shopping Centers & Office Buildings

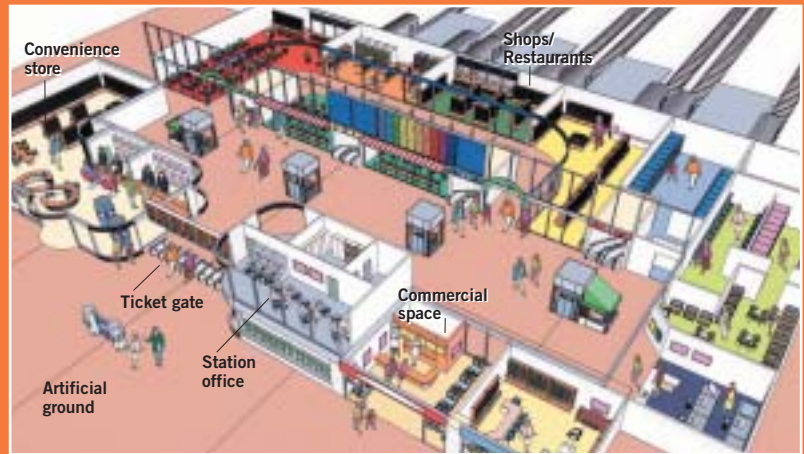
In April 2002, JR East and Tokyu Corporation jointly opened the *JR Tokyu Meguro Building*. A subsidiary of JR East is renting out office space and operating a shopping center there.

Cosmos Plan

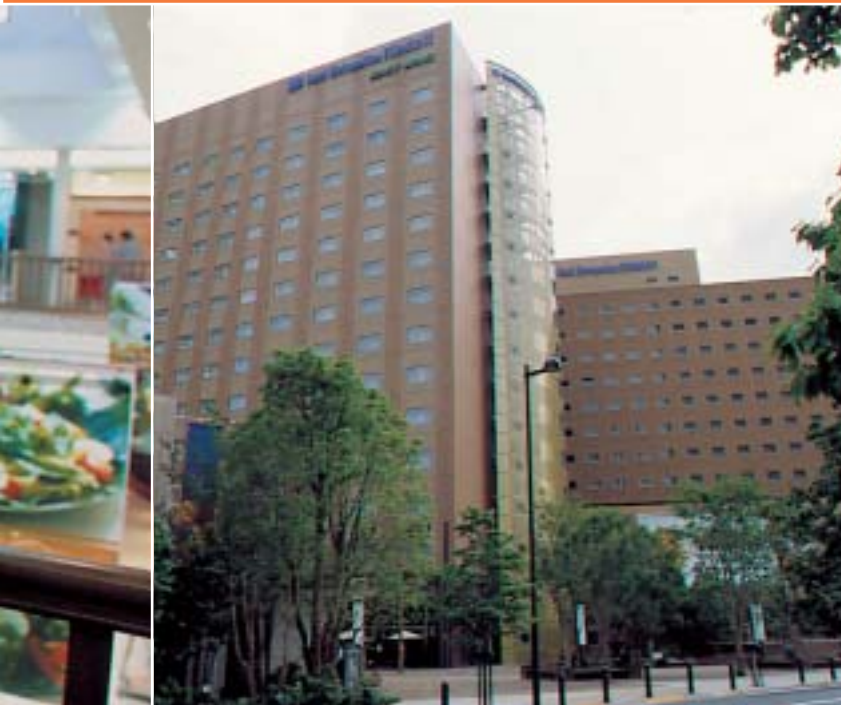
Introduced in December 2000, the *Cosmos Plan* involves comprehensive reviews of existing operational facilities at stations where passenger numbers are in excess of 200 thousand per day and major terminal stations in prefectural capitals. In addition, substantial new station spaces are being newly created through various methods, including the construction of artificial ground.

Sunflower Plan

Launched in fiscal 1998, the *Sunflower Plan* mainly targets stations with passenger numbers generally in excess of 30 thousand per day. Activities include partial reviews of operational facilities at and around stations and short construction schedules with minimal investment to develop stores.



STATION RENAISSANCE

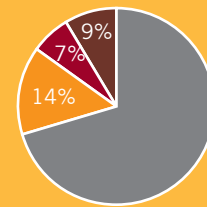


Other Services

In the year ended March 31, 2003, two new hotels were added to the *HOTEL METS* chain: The *HOTEL METS Kamakura-Ofuna* and the *HOTEL METS Hachinohe*. The *Metropolitan Hotel* chain was also enhanced by the addition of an annex, East Wing, to the *Hotel Metropolitan Edmont*. The *HOTEL METS* chain caters mainly for business travelers, while the *Hotel Metropolitan* chain consists of city hotels.

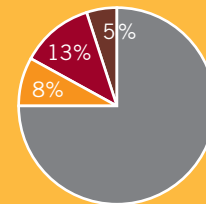
(Photo: Transportation News Co., Ltd.)

OPERATING REVENUES



(Millions of Yen)	2002	2003
Station Space Utilization	368,553	368,961
Shopping Centers & Office Buildings	165,276	170,321
Other Services	219,950	225,955

OPERATING INCOME



(Millions of Yen)	2002	2003
Station Space Utilization	26,810	28,135
Shopping Centers & Office Buildings	38,494	43,519
Other Services	16,084	17,458

Notes: 1. Percentage is a ratio of the year ended March 31, 2003.
2. Operating revenues mean operating revenues from outside customers.

STATION SPACE UTILIZATION

OVERVIEW

Stations, where 16 million passengers embark each day, are JR East's most important business resource. JR East runs a wide range of businesses, including retail outlets and restaurants, to enhance the convenience and comfort of station users and increase its profitability. It is continually working to make its stations more attractive by developing new types of stores to meet a wide range of consumer needs.

JR East is dynamically creating synergies between its railway and non-transportation operations through in-depth reviews of its station layouts under the *Station Renaissance* program. The volume of traffic through many of JR East's stations indicates that there is a considerable scope for the development of consumer-oriented services. For example, in the year ended March 31, 2003 (fiscal 2003), JR East had 32 stations used by over 200 thousand passengers a day, and 54 stations used by between 100 thousand and 200 thousand passengers per day.



Tsudanuma station



Ueno station

TOPICS

Development Status of *Sunflower Plan* and *Cosmos Plan*

Under the *Sunflower Plan*, JR East carried out a total of 296 development projects covering an aggregate area of 240,000m² between fiscal 1998 and fiscal 2002. In fiscal 2003, it undertook projects at 67 locations, including Mejiro station, Osaki station, Sakuragicho station, Hashimoto station and Hachinohe station. These projects covered a total area of 13,000m² and resulted in the opening of a wide range of new retail outlets. Before the launch of the *Sunflower Plan*, there were commercial developments at only about 30% of stations used by over 30 thousand passengers per day. The ratio is now in excess of 90%.

The *Cosmos Plan* was devised as a framework for larger-scale development projects. The first to be renovated was Ueno station, which is used by 372 thousand passengers per day. The upgrade was completed in February 2002. JR East continues with similar projects in central and suburban Tokyo. Among them were projects at Tsudanuma station, completed in November 2002, and at Asagaya station, completed in May 2003, which serve 209 thousand and 88 thousand passengers daily, respectively.

Ueno Station Renewal Project—First-year Results

First-year sales in *atré Ueno*, the new shopping center created through the refurbishment of Ueno station, exceeded targets. There has also been a clear synergy effect, including increased revenue from sales of short-distance passenger tickets at Ueno station. Station users say that the station is brighter and easier to use since the refurbishment, while local business owners say that the district around the station now attracts more people.

Restructuring of Retailing and Restaurant Operations

Another target for restructuring is the retailing and restaurant operations. Convenience store operation is an extremely promising business format, and JR East is already one of the industry leaders in terms of average daily turnover. However, management of the convenience stores was previously spread among various group companies. In fiscal 2002, the business was restructured under the trade name *NEW DAYS*, and operating efficiency has been improved through the integration of merchandise flows, logistics and systems, so the pace of store development can be expected to accelerate.



Sunflower Plan "before and after" at Sakuragicho station

Note: The station users for each station represent twice the number of passengers embarking.

On the other hand, a subsidiary specializing in restaurant operation absorbed its fast food subsidiary in fiscal 2002. The company will be able to manage outlets with enhanced efficiency by combining knowledge from both the restaurant and fast food. As a result, there has already been significant progress toward the development of new business formats and the reform of existing formats.

Innovation of Bento Business

JR East sells a wide variety of bento products, Japanese-style ready-made meals, using carefully selected ingredients and progressing with the development of healthy, safe and high-quality bento. *O-Bento* made entirely from organic natural ingredients went on sale in July 2001. JR East established a local subsidiary and food manufacturing plant in California, U.S.A., and bentos are imported from there in a frozen state and are then sold. It has expanded and diversified its sales channels to include stores at stations, in trains, upscale supermarkets and

mail order, and the products are also being marketed in the United States.

Alliances with Companies Outside JR East

JR East is enhancing its ability to meet the increasingly diverse needs of consumers by speeding up the evolution of its business operations through partnerships with companies outside the group. Specifically, a variety of new outlets are being established with companies that include Ryouhin Keikaku Co., Ltd., Fast Retailing Co., Ltd., Yoshinoya D&C Co., Ltd., Shikoku Railway Company and Tokyu Corporation.

FUTURE DEVELOPMENTS

Future Projects of *Cosmos Plan*

Tachikawa station and Omiya station are targeted under the *Cosmos Plan*. Tachikawa station, a terminal in western Tokyo, is used by 286 thousand passengers daily, while Omiya station is a northern Tokyo terminal used by 456 thousand passengers each day. The aim of the projects is to

enhance the attractiveness of the stations, including provision of barrier-free access and the alleviation of congestion, while at the same time increasing revenues. Completion is scheduled for 2005. There are also plans for development projects at other stations, including terminal stations of prefectural capitals.

Promotion of Supply Chain Management

JR East established a new subsidiary to coordinate logistics of retail business operations at stations and in trains. Its mission is to promote supply chain management (SCM) aimed at total optimization, based on collaboration across multiple companies and organizations.

It will implement a range of reforms under the group's SCM promotional strategy, including the reduction of logistics costs, the development of common logistics information infrastructure and reform of operations of the group.



NEWDAYS



O-bento



IMAGE OF OMIYA STATION

SHOPPING CENTERS & OFFICE BUILDINGS

OVERVIEW

Stations and nearby land are highly profitable assets of JR East. By developing shopping centers and office building businesses, while offering passengers the convenience of shopping at stations, JR East drives profitability with revenue from commercial tenants. As of April 2003, JR East was operating 113 shopping centers and 14 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.

TOPICS

Opening of JR Tokyu Meguro Building and *atré Meguro*

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, used by 199 thousand passengers per day. This station is served by a total of four railway lines,

including JR East's Yamanote line, providing direct access to many locations in central Tokyo. This location is ideal for both office and retail facilities. JR East owns 24,000 m² out of total floor area of 52,000 m².

Tenants on the retail and service floors of the building include the *atré Meguro*, a shopping center operated by JR East.

Merger of JR East Shopping Center Companies

In fiscal 2002, JR East established a team, within the Life-style Business Development Headquarters, whose mission is to strengthen overall management of the shopping center business and reduce operating costs. As part of this process, eight group companies were merged into four in April 2003. Anticipated benefits include stronger sales, reinforced financial structures and enhanced profitability.

Station-Based Nursery School

A total of eight childcare facilities, including three established in fiscal 2003, have been opened as tenants in facilities owned

by JR East. The availability of these facilities close to stations has been welcomed by working parents who commute long distances and find it difficult to drop off and pick up children from suburban daycare centers. Their presence is also expected to produce synergy benefits for JR East through increased use of its commercial facilities.

Ekipara

Ekipara is a portal site established in February 2002 to provide integrated access to all information, mainly about JR East's shopping centers at stations. Users can retrieve information by location or type of business or shop, including data about 9,000 shops in over 100 shopping centers at stations. Other services include a message board page on which members can post messages. The membership as of April 2003 was over 20,000. Future plans call for the establishment of a mobile site and the inclusion of information about stores at stations.



*JR Tokyu Meguro Building with *atré Meguro**



J-Kids Lumine Kitasenju Nursery School



Artist's concept of Tokyo station and the surrounding area



Development plans for the Yaesu district

Note: The station users for each station represent twice the number of passengers embarking.

FUTURE DEVELOPMENTS

JR Shinagawa East Building

Shinagawa station is used by 530 thousand passengers daily. Redevelopment schemes have transformed the district around the station into an important business area. JR East plans to erect a new building on the east side of the station, with completion scheduled for the spring of 2004. The station already offers airport access, and the area's transportation infrastructure will be dramatically improved in October 2003 with the opening of a new station of the Tokaido Shinkansen line operated by Central Japan Railway Company.

Tokyo Station District Development Plan

Major projects to create urban landscapes and develop city spaces are in progress in the area around Tokyo station, which is used by 750 thousand passengers daily. On the Yaesu (eastern) side of Tokyo station, JR East plans to build twin high-rise towers with an aggregate planned floor space of 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. On the Marunouchi (western) side, the historic station building will be conserved and

restored to its original form as completed in 1914. This project will be completed in fiscal 2011. Additionally, station-front community squares will be created on both sides of the station. There is also a plan for a building which will house a cluster of businesses and other organizations involved in research and education on the Nihombashi (northern) side of the station.

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, an 11-car Yamanote line train has space for more than 2,500 individual ads, all benefiting from high visibility and readership.

JR East has 32 stations that are used by more than 200,000 passengers a day. Posters and signboards at these stations are an extremely effective form of advertising.

A media mix combining transportation advertising with mass media advertising can provide important synergy and complementation effects. There is keen interest in the potential of this type of advertising from a sales promotion perspective, including

the ability to develop marketing campaigns based on advertising on particular lines or in specific stations.

TOPICS

Using Information Technology

The E231 series Yamanote line cars have two 15-inch display monitors above each door. These are used to display video advertising and train operating information. In-train advertising is extremely visible to passengers. Introduced a year ago, this form of advertising is beginning to establish a position for itself as an important visual medium.

Advertising on Railcar Bodies

Prohibition of advertising on the outside of trains by the Tokyo Metropolitan Government for aesthetic reasons has now been lifted, and JR East began to sell advertising space on its railcar bodies in February 2002. 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. Moreover, this business is being further developed for introduction on other lines.

Advertising Media in Terminal Stations Upgraded

Shinjuku, Shibuya, Ikebukuro and Tokyo stations are used by a total of more than four million passengers a day. As part of refurbishment projects at these stations, JR East has also upgraded its advertising media. These measures have resulted in the



Advertising on railcar bodies

(Photo: Transportation News Co., Ltd.)

creation of highly effective advertising opportunities. This segment is contributing heavily to increasing revenues through increased bookings from numerous major national clients.

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. The number of guest rooms reached 4,700 as of May 2003.

Since April 1998, JR East has operated its hotels as a single chain, named *JR East Hotel Chain*, 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.

TOPICS

HOTEL METS

HOTEL METS specializes mainly in accommodation services. It offers comfortable, reasonably priced rooms with facilities similar to those found in city hotels. As of May 2003, there are 13 *HOTEL METS*, mostly located in the Tokyo metropolitan area. The quality of *HOTEL METS* 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.

In April 2002, the 117-room *HOTEL METS Kamakura-Ofuna* was opened. The new hotel has been very popular not only with tourists, but also with business travelers. The 82-room *HOTEL METS Hachinohe*

opened in November 2002, and is set to become a major tourism center in the northern Tohoku region. The opening was timed to coincide with the extension of Shinkansen services to Hachinohe.

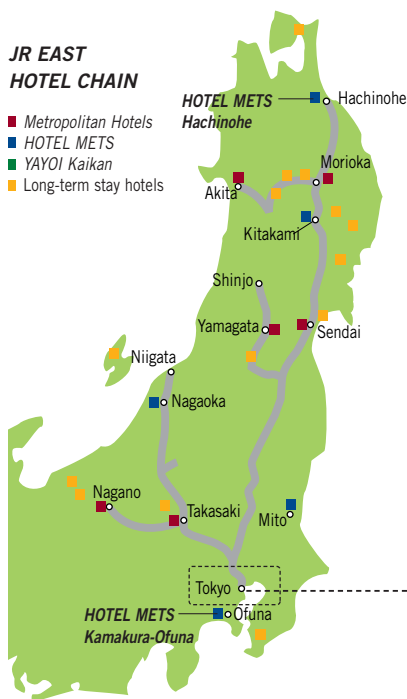
Metropolitan Hotels

As of May 2003, JR East operated 10 city hotel-type *Metropolitan Hotels*, which are located mainly in Tokyo, prefectural capitals and at Shinkansen stations. In March 2003, a newly completed 220-room annex, *Hotel Metropolitan Edmont East Wing*, was opened in Tokyo.

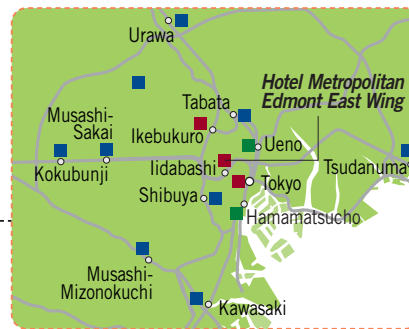
FUTURE DEVELOPMENTS

Hotel Dream Gate Maihama

In the past, vibration and noise problems made spaces under railway overpasses unsuitable for hotel construction. Today, a new construction method jointly developed by JR East and Takenaka Corporation real-



HOTEL METS Kamakura-Ofuna



Hotel Metropolitan Edmont East Wing

(Photo: Transportation News Co., Ltd.)

ized the dramatic reduction of vibration and noise. These techniques are being used in the construction of the *Hotel Dream Gate Maihama* at Maihama station, the gateway to Tokyo Disneyland.

CREDIT 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 May 2003, the number of *View Card* members was 2.4 million, based on the number of applications.

Beginning in April 2000, *View Card* was honored at VISA member merchants all over the world, the number of which was 29.5 million as of March 2003, moreover, from June 2003, JR East has also established a business relationship with JCB to both dramatically expand the card user

base and improve convenience to users.

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*.

TOPICS

Integration with *Suica* System

In July 2003, JR East introduced the new *View Suica* card, which combines the features of the *View Card* and the *Suica IO Card*. In addition to its credit card functions, the new card will also enhance the convenience of rail travel by supporting ticketless and cashless access to services. (See page 24.)

FUTURE DEVELOPMENT

Enhancing Convenience of Multi-function ATMs

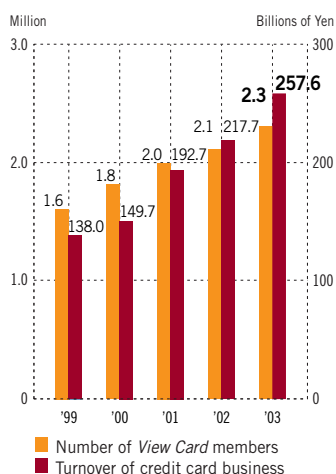
In October 2001, JR East introduced its new *VIEW ALTE* ATM network. With *VIEW ALTE* ATMs, customers can obtain cash advances using credit cards provided by other companies as well as the *View Card*. It is also possible to recharge *Suica* cards at *VIEW ALTE* ATMs from July 2003.

SPORT AND LEISURE SERVICES

OVERVIEW

JR East is responding to the increasing popularity of health-related activities by developing a fitness club business and a relaxation service business. The fitness club business is being developed under the *Jexer* brand. As of May 2003, there were five *Jexer* clubs, mostly in prime locations adjacent to stations.

NUMBER OF *View Card* MEMBERS AND TURNOVER OF CREDIT CARD BUSINESS



View Suica cards



VIEW ALTE ATM



Jexer Omiya