

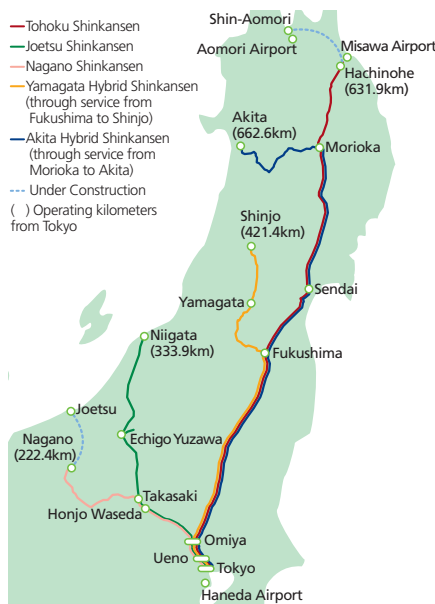
Review of Operations Transportation

SHINKANSEN NETWORK

OVERVIEW

For JR East, its Shinkansen services rank alongside its transportation services in the Tokyo metropolitan area as a mainstay business. JR East operates a five-route Shinkansen network that links Tokyo with five regions: Tohoku, Joetsu, Nagano, Yamagata, and Akita. Specially designed hybrid Shinkansen trains—capable of running on Shinkansen and conventional lines—serve the Yamagata and Akita regions.

The 631.9-kilometer Tohoku Shinkansen line runs between Tokyo and Hachinohe, with the fastest train on the line covering this distance in 2 hours and 56 minutes. Meanwhile, the 303.6-kilometer Joetsu Shinkansen line connects Omiya and Niigata. The minimum travel time to complete the 333.9-kilometer section between Tokyo and Niigata is 1 hour and 37 minutes. The 117.4-kilometer Nagano Shinkansen line extends from Takasaki to Nagano. The fastest train covers the 222.4-kilometer Tokyo–Nagano stretch of line in 1 hour and 23 minutes. A through service to a conventional line links



Five-Route Shinkansen Network

Tokyo and Shinjo and covers 421.4 kilometers. And, the Yamagata hybrid Shinkansen can complete that journey in as little as 3 hours and 14 minutes. Also, the Akita hybrid Shinkansen (a through service to conventional lines) covers the 662.6-kilometers between Tokyo and Akita in a minimum of 3 hours and 49 minutes.

TOPICS

Continuing Strong Demand for *Hayate* Service on the Tohoku Shinkansen Line

For services linking Tokyo and the northern part of Japan's main island, JR East has taken decisive steps to heighten competitiveness with air routes. In December 2002, the Tohoku Shinkansen line was extended 96.6 kilometers, from Morioka to Hachinohe. A journey between Tokyo and Hachinohe on the quickest train now takes only 2 hours and 56 minutes—a saving of 37 minutes. To coincide with the launch of services between Morioka and Hachinohe, JR East unveiled its new E2-1000 series railcar, which enhances passenger comfort through full active suspension and low-noise pantographs. Moreover, JR East has simplified train schedules to make them easier to use. And, in response to increased demand for seating, JR East has introduced all-reserved-car Shinkansen.

Clearly, the extension of the Tohoku Shinkansen line to Hachinohe has significantly boosted demand for JR East's railway services. Compared with the *Hatsukari* limited express service on the previous conventional line, the new *Hayate* service achieved a more-than-50% rise in passenger numbers in the first half of fiscal 2004, even though the initial excitement following the service launch had abated.

The *Hayate* service has enabled JR East to capture a significantly larger share of the market for travel between Tokyo and the Aomori and Misawa areas. Before the launch of the *Hayate* service, JR East accounted for about 40% of that market. In the first half of fiscal 2004, that share jumped to roughly 70%. As a result, an airline suspended its service between Haneda Airport in Tokyo and Aomori Airport at the end of November 2003. Further, another airline reduced its daily services between Haneda Airport and Misawa Airport near Hachinohe from four to three in December 2002 and uses smaller airplanes for the remaining services.



Shinkansen trains



Hayate, E2-1000 series railcar operating on the Tohoku Shinkansen line

Opening Honjo Waseda Station

In March 2004, JR East opened its first new station on the Joetsu Shinkansen line since it came into operation in November 1982. The new station—Honjo Waseda—is situated about 90 kilometers north of Tokyo station. Waseda University has several facilities near-by the station, including the Graduate School of Global Information and Telecommunication Studies and a support facility for emerging industries. In addition, the university plans to establish an environment related graduate school in the area in April 2005.

The fastest train from Honjo Waseda station takes 49 minutes to reach Tokyo station. A total of 51 trains stop at the new station daily, mainly during the morning and evening rush hours, making the commute between Tokyo and Honjo Waseda more convenient. The construction of Honjo Waseda station was funded by local governments and contributions from businesses.

Enhancing Joetsu Shinkansen Services

To cater to growing passenger demand, JR East increased use of the all-double-decker E4 *Max* series Shinkansen during peak morning and evening commuting periods on the Joetsu Shinkansen line in March 2004. As a result, seat availability rose 15%. Also, JR East raised the operating speed from 210km/h to 240km/h on certain track sections for 11 round trips of the *Toki* Shinkansen service that connect with the conventional line *Hakutaka* limited express service at Echigo Yuzawa station, roughly 200 kilometers north of Tokyo.

In accordance with environmental noise regulations, the majority of trains on the Joetsu Shinkansen line operated up to a maximum speed of 210km/h as of March 2004. However, following the preparation of environmental measures, JR East intends to raise the top speed for all trains operating south of Echigo Yuzawa station to 240km/h.

Bolstering Service Reliability

JR East has completed a series of scheduled reinforcement projects aimed at preventing rain-related damage on its five Shinkansen lines.

In the past, JR East cancelled train services or reduced train operating speeds to ensure safety when rainfall intensity exceeded a specified level. However, JR East undertook reinforcement projects in areas nearby tracks to preempt rain-related damage. As a result, rain-related cancellations were, in principle, eliminated for the Nagano Shinkansen line from June 2002 and for the Tohoku Shinkansen and Joetsu Shinkansen lines from December 2002.

Also, JR East carried out similar reinforcement work on the Akita hybrid Shinkansen line. Due to those efforts, JR East was able to relax mandatory restrictions on train operations during heavy rain from June 2003. Moreover, JR East has eliminated rain-related cancellations for some sections of the Akita hybrid Shinkansen line and roughly halved cancellations and speed restrictions on the line. JR East also implemented similar measures for the Yamagata hybrid Shinkansen line in June 2002.

OUTLOOK

Extending Shinkansen Lines

Extension work is currently under way on the Hachinohe–Shin-Aomori segment of the Tohoku Shinkansen line and the Nagano–Toyama segment of the Hokuriku Shinkansen line. For the Hokuriku Shinkansen line, JR East will operate the section between Nagano and Joetsu (see page 20 for details).



Honjo Waseda station with E4 *Max* series Shinkansen



A scene of reinforced track on the Akita hybrid Shinkansen line

TOKYO METROPOLITAN AREA NETWORK

OVERVIEW

The Tokyo metropolitan area network has a total of 1,106.1 operating kilometers, excluding Tokyo Monorail, that link central Tokyo with nearby suburban cities. Most of the network is within a 100-kilometer radius of Tokyo station. JR East accounts for almost half of the Tokyo area's huge, highly profitable rail transportation market in terms of passenger kilometers and operating revenues (see page 88 for details).

TOPICS

Competing with Other Railway Companies

In Tokyo, competition is intensifying as operators of rival subway networks and other railway systems develop their networks and services. JR East is responding to this competitive environment by strengthening its network. JR East has a significant advantage in those expansion efforts because it is able to leverage established infrastructure without incurring large capital expenditures through such measures as developing new routes that share existing line segments with other services.

Meanwhile, JR East has not raised fares since its establishment in 1987, except to reflect consumption tax introduction and revision. In contrast, during the same period, most of the other major passenger railway companies have been compelled to raise fares repeatedly to offset sizable investments needed to boost capacity. As a result, JR East's price competitiveness has risen steadily.

Without fare increases or large capital expenditures, JR East has been able to achieve a capacity increase over the 17 years since its establishment equivalent to 2.7 times the average capacity of its major Tokyo competitors.

Easing Crowding

JR East has taken steps to alleviate crowding on main lines in the Tokyo metropolitan area during the morning rush hour by introduc-

ing new wide-bodied railcars and railcars with longer seats and by using commuter liners to segregate passenger flows. Consequently, average over-utilization rates have decreased from 238% in fiscal 1988, when JR East was established, to 194% in fiscal 2004. JR East is targeting an average over-utilization rate of between 180% and 190% for the Tokyo metropolitan area by fiscal 2006.

Increasing Frequency of Services on the Shonan-Shinjuku Line

By sharing existing line segments with other services, JR East launched the Shonan-Shinjuku line in December 2001. This new route has already changed passenger flows by eliminating the need to change trains when traveling between suburban cities in the northern part and the southern part of the Tokyo metropolitan area. The route covers more than 180 operating kilometers.

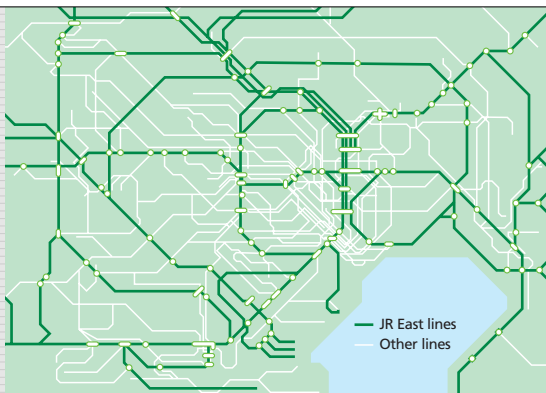
Initially, the line carried 25 round-trip trains a day; however, that increased to 38 in December 2002 to raise morning and evening service volumes. Passenger numbers have grown from about 30 thousand a day to more than 60 thousand a day—partly as a result of passengers switching to the Shonan-Shinjuku line from the services of rival railway companies.

OUTLOOK

Strategically Expanding the JR East Transportation Network

JR East aims to simultaneously enhance passenger convenience and increase revenues by offering through services and seating services.

- Through services will enable JR East to win passengers from rival forms of transportation and to increase revenue by realizing superior convenience and shorter travel times.
- Seating services will enable JR East to increase revenue by allowing it to charge additional fees for those high-value-added services.



Rail lines around Tokyo



A view of Green Car (first class cars) railcars

Constructing a Track Overpass near Ikebukuro Station

To increase the number of trains operating on the Shonan-Shinjuku line, JR East has built elevated tracks to bypass a bottleneck created by a same-level intersection with another JR East line near Ikebukuro station. In autumn 2004, plans call for increasing the number of trains operating on the Shonan-Shinjuku line, especially during the morning rush hour, from 38 round trips a day to 64.

JR East anticipates that increasing through services will encourage more passengers, particularly those using commuter passes, to change from competitors' train services to JR East services.

Introducing Green Cars

JR East local trains on certain lines include *Green Cars* (first class cars), which are used on average by 57 thousand passengers a day.

In autumn 2004, JR East will connect two double-decker *Green Cars* to local train services on further three lines. By adding those cars, JR East aims to cater to passengers' seating needs and increase revenues. And, JR East will introduce the *Green Car Suica* system, which reduces the need for on-board ticket inspection for *Suica* users.

Introducing New Railcars on the Joban Line

In 2005, JR East is planning to introduce the new E531 series train on the Joban line, one of the main lines in the Tokyo metropolitan area. The E531 series will be the first suburban train with a top speed of 130km/h. The introduction of that new train will shorten the travel time by roughly three minutes for the approximately 60 minutes of travel between Ueno and Tsuchiura. Further, JR East is considering the introduction of a rapid service that will shorten that journey by 10 minutes in order to strengthen competitiveness with the Tsukuba Express, which is due to come into service in autumn 2005.

Taking Measures to Enhance Reliability

JR East strictly adheres to regulations that mandate the cancellation of train services or the reduction of train operating speeds to ensure safety when rainfall intensity exceeds a specified level.

In the five-year period from fiscal 2005, JR East will take steps to eliminate service cancellations and raise permissible top operating speeds. JR East intends to undertake construction projects to mitigate rain damage at approximately 500 locations, mainly focusing on sections of track in the Tokyo metropolitan area that have a particularly significant impact on passenger flows. Upon completion of the works, JR East expects to reduce train delays and cancellations due to heavy rain roughly 40% in the Tokyo metropolitan area.

Aiming to Realize the Tohoku Through Line Concept

JR East aims to establish a new through route by laying additional double tracks between Ueno station, which is the terminus for northbound, medium-distance services, and Tokyo station, which is the terminus for southbound, medium-distance services. Service roll-out is slated for fiscal 2010.

JR East is confident that improvement of its network will heighten competitiveness with other railway companies by easing crowding, reducing travel times, and eliminating bothersome transfers.



A scene of reinforced track on a conventional line



Enhanced Tokyo Metropolitan Area Network

Note: The stations and the lines in this map appear throughout the text, including in the non-transportation section.

INTERCITY AND REGIONAL NETWORKS, TRAVEL AGENCY SERVICES

INTERCITY AND REGIONAL NETWORKS

OVERVIEW



Intercity and regional networks cover 5,367.8 kilometers, accounting for more than 70% of JR East's total network. Those networks provide non-Shinkansen intercity services and regional services not covered by the Tokyo metropolitan area network.

The intercity network mainly comprises limited express trains. JR East continues to upgrade services with the introduction of new railcars, more frequent departures, and more convenient connections to Shinkansen lines. For the regional network, JR East is working to improve business performance by reflecting customer trends in train scheduling to promote travel by railway and by raising efficiency through such measures as the introduction of trains that can be operated by only one crew member.

Particularly in rural areas, the advantages of automobiles are increasing due to highway construction and improvements in local road networks. JR East is adapting to this changing environment by introducing a range of services aimed at coexistence with road travel. Such initiatives include park and ride, bus, and rent-a-car services.



Park and ride services

TOPICS

Promoting Park and Ride

JR East is moving forward with the development of station parking lots, especially in regional cities, to meet the needs of passengers that drive to their nearest station and then travel by train to their destinations. As of the end of March 2004, over 500 stations had total parking lot capacity for approximately 60,000 vehicles.

Enhancing Convenience through Rail and Rent-a-Car

The rail and rent-a-car service enables passengers to ride comfortably to their destination by train and to enjoy the freedom of a rental car once they arrive. JR East introduced a service in April 1995 that allows passengers to rent cars at about half the standard rate. This service has proved popular, with roughly 150,000 passengers taking advantage of it in fiscal 2004.

TRAVEL AGENCY SERVICES

OVERVIEW

JR East sells travel packages mostly through its chain of *View Plaza* travel centers, mainly located in stations. In particular, JR East offers superior packages that leverage its railway network. JR East is working especially hard to offer travel packages that target specific types of customer based on detailed market research. Also, JR East advertises the attractions of such railway-centered travel packages and of packages developed in collaboration with regional communities through the Internet and other mass-media channels.

TOPICS

Promoting Tourism from Overseas through the East Japan Railway Japan Bound Tour Operation Center

In July 2003, JR East started operations of the East Japan Railway Japan Bound Tour Operation Center, which arranges travel packages and group rail tickets for non-Japanese visiting Japan.



A scene at a *View Plaza* travel center

JR East offers user-friendly travel packages for Japan through the JAL Group's overseas offices.

Japan's private and public sectors are currently making a concerted effort to revitalize the domestic economy by promoting tourism. The Japanese government has launched the "Visit Japan Campaign," which aims to increase the number of non-Japanese tourists visiting Japan from about 5 million a year to 10 million a year by 2010. The establishment of the East Japan Railway Japan Bound Tour Operation Center as a department dedicated to services for tourists from overseas is linked to that initiative. By focusing mainly on the areas covered by its railway operations, JR East intends to discover and publicize tourism resources while working with regional communities to develop and market attractive travel packages.

Marketing Targeted Travel Packages

One example of JR East's original targeted travel packages is its *Otona no Kyujitsu*, or "breaks for seniors." In fiscal 2004, about



Leaflet of *Nombiri Komachi*

or "relaxing tours for young women," is a product targeting working women in their late 20s and early 30s. In fiscal 2004, 60,000 customers chose this package.

80,000 passengers bought one of those products, which JR East markets to serve the needs of Japan's rapidly aging society. Another example is *Meguri-Hime*, or "touring princess," catering to middle-aged women that have been freed from childcare responsibilities and have increased leisure time. JR East sold about 30,000 of those packages in fiscal 2004. *Nombiri Komachi*,

Further, in January 2004, JR East marketed *The Onsen*, or "hot springs," a new travel package brand focused on the appeal of real hot spring spas. These new products are earning a strong reputation as a new type of travel package that only offers authentic hot spring spas.

Amid the surfeit of travel-related information, JR East is successfully developing the brand presence of those travel packages. Customers highly evaluate JR East's products because each package has a clear concept, and JR East emphasizes communication with customers to find a trip that matches their individual preferences.

Strengthening *eki-net* Travel Services

JR East is continually working to raise customer convenience by enhancing automated sales methods. For example, in April 2001, JR East established the *eki-net* travel web site as a one-stop travel related ticketing service ("eki" is Japanese for railway station). By using the site, customers can reserve JR line tickets, air tickets, rental cars, hotel rooms, and a variety of travel packages. Further, in December 2002, JR East launched the *eki-net* discount system, which offers passengers discounted fares if they reserve tickets through *eki-net* and collect them from an automated ticket vending machine.

In May 2003, *eki-net* travel was chosen as the most-improved web site in a brand ranking of the web sites of about 800 major companies carried out by Nikkei BP Consulting Inc., an IT industry think tank. On a quarterly basis, Nikkei BP Consulting surveys the web sites of major companies nationwide from the user's viewpoint by assessing such factors as public awareness of site contents and traffic volumes.



RAIL PACKAGE to attract overseas tourists



World *eki-net* site
<http://www.world.eki-net.com/>