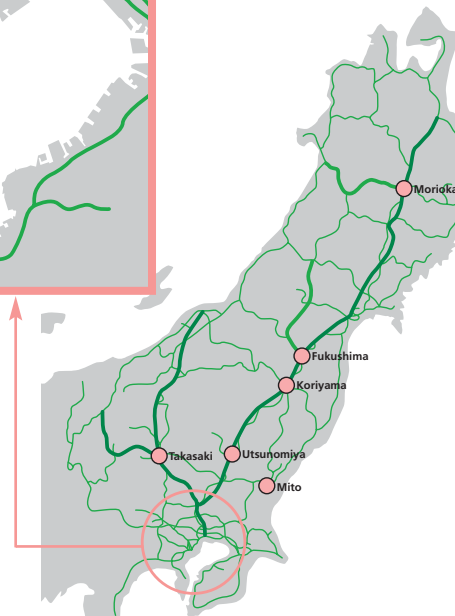




Non-Transportation—Station Space Utilization

Development of *Station Renaissance*



ecute Omiya and ecute Shinagawa shopping areas

STATION RENAISSANCE—FUTURE DEVELOPMENT

Station	Opening	Store Space
Ueno	Feb. 2002	5,900m ²
Fukushima	Mar. 2004	900m ² *
Mito	Mar. 2005	1,900m ² *
Omiya	Mar. 2005	4,900m ² *
Koriyama	Mar. 2005	3,200m ² *
Nishi-Funabashi	Mar. 2005	2,100m ²
Utsunomiya	Aug. 2005	1,500m ² *
Shinagawa	Oct. 2005	1,600m ²
Takasaki	Dec. 2005	2,000m ² *
Ofuna	Phase 1 Feb. 2006	600m ²
	Grand opening Mar. 2007	1,100m ²
Morioka	Feb. 2006	4,100m ² *
Koenji	Mar. 2006	450m ²
Tachikawa	FY2008	(TBD)
Tabata	Autumn 2008	1,800m ² *
Mitaka	FY2009	1,500m ²
Nippori	FY2009	800m ²

* Includes shopping center reconstruction

Overview

As its stations—used by roughly 16 million passengers a day—are its largest management resource, JR East operates a wide range of related businesses, including retail outlets and restaurants, that enhance customer convenience and comfort while raising profitability. Many of the stations have high passenger volumes—87 stations were used by more than 100,000 passengers a day, including 33 used by more than 200,000, in fiscal 2006. Given those volumes, there is clearly significant potential for the further development of non-transportation services.

Topics

Station Renaissance

JR East is proactively developing the potential of its stations by pursuing measures based on its *Station Renaissance* program, which aims to increase customer convenience while simultaneously augmenting profitability. These measures are designed to reflect customer perspectives and raise the JR East Group's overall value. Specifically, after thoroughly reassessing its existing facilities, JR East works toward the optimal restructuring and deployment of businesses at each station as well as the creation of space for new businesses. In accordance with this strategy, JR East undertook development proj-

ects at approximately 380 locations in the five-year period through fiscal 2006, including 69 locations during fiscal 2006.

ecute*—A New Business Model

Shinagawa Station is one of Japan's major terminal stations, used by approximately 600,000 passengers daily. In October 2005, JR East held the grand opening ceremony there for the second *ecute* facility, *ecute Shinagawa*, following the opening of the *ecute Omiya* facility at Omiya Station, both of which were designed based on a new business model for shop development in areas inside the ticket gates of stations.

Improvements to existing floor space and the creation of levels above the station's platforms have added 5,300m² of floor space, of which 1,600m² is for stores. In its first half year of operation, *ecute Shinagawa's* 46 shops—all compatible with *Suica* cards—generated ¥3.4 billion in revenues. The shops' core target is businesspeople in their 20s and 30s, who comprise a large share of the passengers transiting Shinagawa Station, and the shops are therefore adopting merchandising methods designed to help people in this target group better enjoy their leisure and shopping time.

Reflecting its strong popularity since its opening at the end of fiscal 2005, *ecute Omiya* generated ¥8.7 billion in revenues, significantly higher than originally projected.

* *ecute* is an acronym derived from *eki* (the Japanese word for station), center, universal, together, and enjoy.

Development of *Dila* Station Shopping Malls

JR East operates a growing number of shopping malls under the *Dila* trade name at its stations. As of June 2006, *Dila* malls had been created at 14 stations. During fiscal 2006, the first stage of the *Dila* mall development project at Ofuna

Station was completed, and the *Dila Koenji* mall at Koenji Station opened for business in February 2006. In addition, the *Dila Omiya* mall at Omiya Station reopened after its renovation and addition of sales areas. The *Dila* malls at these three stations comprise 31 shops. *Dila* malls in diverse locations have earned high evaluations and their contributions to JR East's performance have exceeded original projections.

Station Retailing Operations

LET'S KIOSK outlets and *NEWDAYS* convenience stores are the mainstays of JR East's station retailing. At the end of fiscal 2006, there were 866 *LET'S KIOSK* outlets and 395 *NEWDAYS* convenience stores in operation. Convenience store operations are an extremely promising business format, with average daily store sales approaching those of major convenience store chains in Japan. JR East is striving to step up the efficiency of convenience store operations by further integrating product distribution and other systems.

Station Renaissance Plans

ecute Tachikawa

ecute Tachikawa is scheduled to open for business in fiscal 2008 at Tachikawa Station, which is a terminal station in western Tokyo used daily by approximately 300,000 people. The project entails the development of 11,500m² of floor space, including areas outside ticket gates. In line with the proven record of other *ecute* facilities, *ecute Tachikawa* is expected to offer highly convenient and pleasant services and make a significant contribution to JR East's performance.

JR East is moving forward with the planning of several other large-scale *Station Renaissance* development projects, including those for regional terminals and stations.



Dila Ofuna



LET'S KIOSK



NEWDAYS



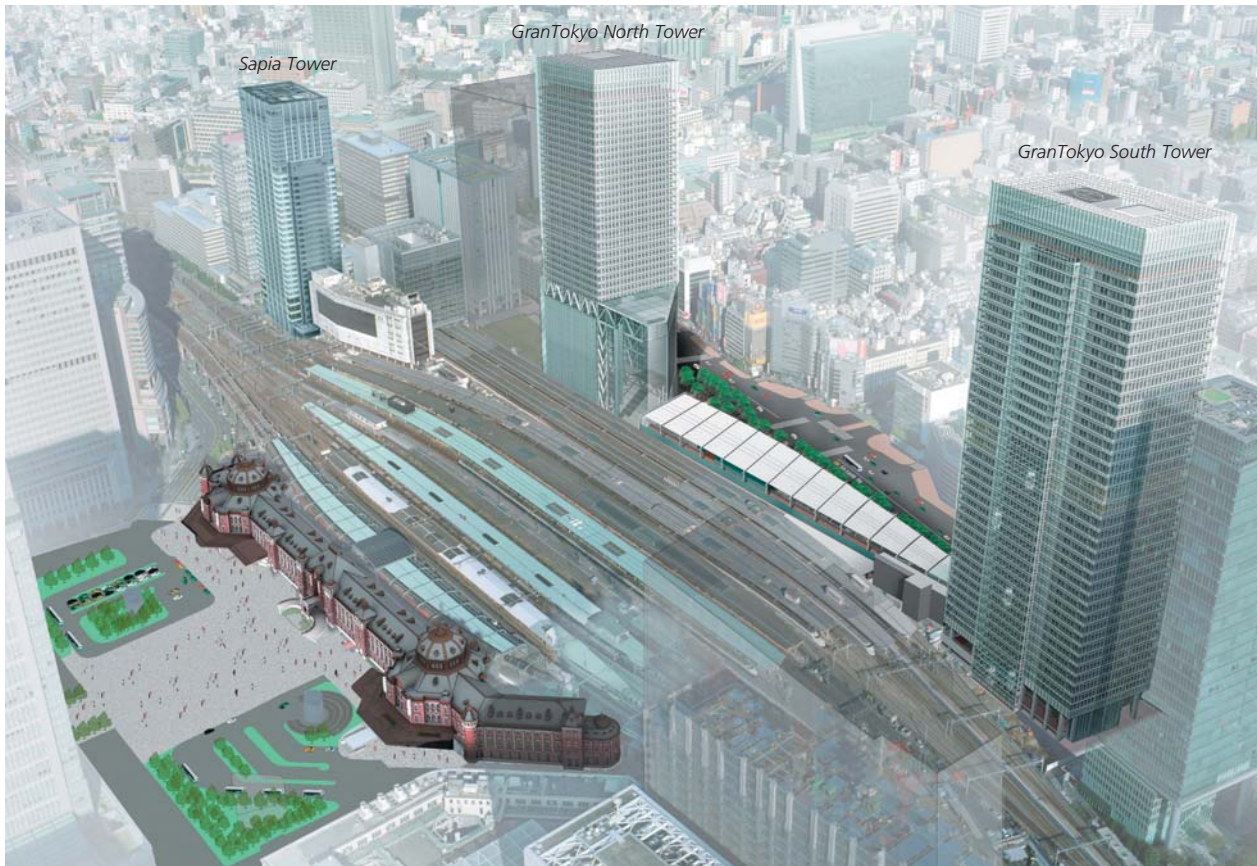
Suica Topics—Suica Stations



JR East has been steadily increasing the array of *Suica* services through projects such as *Suica Station Ueno*, which was completed in February 2005 at Tokyo's Ueno Station. Besides increasing the number of stores in the area inside the ticket gates that accept the *Suica* system, *Suica Station Ueno* has installed *Suica* compatible equipment—such as product and ticket vending machines and lockers—and undertaken other measures to enable the system's use throughout the station complex. Plans call for steadily increasing the number of *Suica Stations*, and the conversion of all stations on the Yamanote Line circling central Tokyo into *Suica Stations* was completed in February 2006. JR East expects such projects to play a significant role in expanding the scope of *Suica* usage.



Non-Transportation—Shopping Centers & Office Buildings



Concept illustration of the development of the Tokyo Station district

Overview

JR East's stations and surrounding property are assets with the potential to generate high levels of profit. By using these assets to expand its business developing and managing shopping centers and office buildings, JR East is able to offer passengers convenient shopping facilities at stations while enhancing its own profitability by obtaining revenue from commercial tenants. As of June 2006, JR East operated 123 shopping centers and 17 office buildings.

Topics

Reorganization Moves

In fiscal 2006, on the occasion of the start of the JR East Group's large-scale Tokyo Station area development project, JR East used the corporate split-off method to reorganize Group operations

with the objectives of building operational systems that place greater emphasis on customer perspectives and promoting the effective utilization of assets in the Tokyo Station area and elsewhere. This round of reorganization entailed the creation of separate Group companies to specialize in office building property management, commercial development, and asset management, and it is expected to help augment the value of the Group's assets as well as the Group's overall competitiveness.

Office Building Development

The JR East Group uses its office buildings to secure steady, long-term earnings from real estate leasing. As of June 2006, JR East operated 130,000m² of leasable office space in 17 buildings. The flagship *JR Shinagawa East*

Building, opened in March 2004, is a representative example of how JR East leverages direct station access, name recognition, and a reputation for reliability to attract tenants to its “station-linked office buildings.” Occupancy rates at such buildings are very close to 100%, making those buildings a source of highly stable income. In October 2005, JR East began operating the *Tokyo Building*, which has been developed in cooperation with two other companies, and this contributed to a rise in its income.

Shopping Facility Development

Seeking to make the most of the customer-drawing and profit-generating potentials of its real estate situated in and around stations, JR East is developing large-scale shopping centers as well as small- and medium-scale station building commercial complexes containing shops that cater to people’s daily needs. In June 2005, JR East opened the five-level *Odawara LUSCA* shopping complex in Odawara Station—a five-line hub station that connects JR East lines with the lines of four other railway companies and is used daily by 60,000 JR East passengers. That same month, JR East opened *Atré Vie Akihabara*, a small-scale, six-story station building with shops on its upper five floors.

Outlook

Development Plans for the Tokyo Station District

Large-scale projects are under way to create city spaces and urban landscapes in the area around Tokyo Station, which is used by 740,000 passengers a day. Such plans to redevelop the area

around Tokyo Station have an important position in JR East’s office building development business. By fully exploiting a site adjoining Tokyo Station, JR East will create a state-of-the-art business center with the size and functional office space to cater to all manner of needs.

By March 2007, JR East will have completed *Sapia Tower*, a 34-story multipurpose building with four basement floors on the Nihombashi side, or north side, of the station that will include office, conference, and hotel zones. The finished complex will have a total floor space of approximately 79,000m². An independent JR East development initiative on JR East property, the project is expected to cost ¥28.0 billion.

On the station’s Marunouchi side, or west side, JR East plans to conserve and restore the historic station building and refurbish the plaza that it faces.

On the station’s Yaesu side, or east side, JR East is collaborating with four companies that own land in the area to develop twin 200m towers—*GranTokyo North Tower* and *GranTokyo South Tower*—and a station-front plaza. The lot area is approximately 20,000m² and the completed buildings will have 360,000m² of floor space. JR East projects that its share of the cost of the series of construction projects, scheduled for completion in March 2011, will be approximately ¥110.0 billion.

Other Business Development

JR East is continuing to draft plans for future business development at Shinjuku Station, Shibuya Station, and other terminal stations.



Tokyo Building



Odawara LUSCA shopping complex



Concept illustration of the future business development of Shinjuku Station



Suica Topics—Employee ID Suica



JR East has begun issuing *Suica IO Cards* (dual-use ID card version), which combine the functions of *Suica* cards and employee ID cards. These new cards were developed in response to the needs of Mitsubishi Electric Corporation, which chose to issue new employee ID cards based on *Suica IO Cards* on the occasion of its move to a new head office building. In addition to being used for train travel and shopping, the cards have been designed to be compatible with the employee-working-hour recording and building security systems of the *Tokyo Building*.



Non-Transportation—Other Services

Advertising and Publicity

Overview

JR East's transportation advertising operations mainly focus on station concourses and railcars. In Japan, transportation facilities are a major advertising medium, ranking higher than radio and below only television, newspapers, and magazines in terms of power. Transportation advertising accounted for 4.1%, or ¥243.2 billion, of the ¥5,962.5 billion that Japanese companies spent on advertising in 2005 (source: Dentsu Inc.).

Transportation advertising is a unique advertising medium in that it enables companies to repeatedly appeal to potential customers as they commute to work or school and go about their everyday business. Further, companies can advertise more efficiently by selecting lines or stations used by their target audiences. On Tokyo's Yamanote Line, for example, an 11-car train has space for about 2,000 separate highly visible advertisements.

In addition to selling conventional station poster and signboard space, JR East is working to increase revenues by marketing unused station spaces, such as floors and automatic ticket gates.

Topics

Railcar Body Advertising

JR East sells space on its railcar bodies for stick-on graphic advertisement sheets. Reflecting customers' high evaluations of new capabilities for dynamic, free-style graphic advertisement designs, JR East's sales of railcar body advertising surged 36% during fiscal 2006.

At the Forefront of IT

Rolled out in April 2002, the E231 series railcars used on the Yamanote Line feature two 15-inch monitors above each door that display updates on the train's progress and advertisement videos. Since October 2005, JR East has augmented the volume of data presented and increased the speed of data transmission to the displays. These measures have made it possible to show a more diverse range of advertisements. Railcars introduced on the Chuo Line from the current fiscal year are scheduled to have the same video advertising system.

As part of its development programs for new-technology-based advertising media, JR East has installed large, ceiling-mounted digital video monitors in the space above the aisles of Keihin-Tohoku Line trains previously occupied by hanging advertisement posters. In cooperation with Japan Telecom Co., Ltd., JR East uses a high-speed wireless LAN to provide digital information services through those monitors. Some of the program content can be downloaded using FM radios, personal digital assistants (PDAs), and other products.



Railcar body advertising



Passengers watch the monitors on a Yamanote Line train



Ceiling-mounted digital video monitors on a Keihin-Tohoku Line train

Non-Transportation—Other Services

Hotel Operations

Overview

Hotels generate income from real estate assets and also create powerful synergies with railway and travel agency operations. JR East operates several types of hotels, including city, business, and long-stay hotels. As of June 2006, JR East had a total of approximately 5,000 guest rooms in 40 hotels.

JR East seeks to strengthen the overall operation of its hotels by managing them as a single, integrated chain—the *JR East Hotel Chain*—that achieves economies of scale based on the utilization of the JR East network through such initiatives as joint advertising and purchasing. Since April 1, 2005, JR East has worked to build an efficient management organization and to bolster competitiveness by reorganizing the chain's management systems for hotels in the metropolitan Tokyo area.

Topics

Metropolitan Hotels

As of June 2006, JR East operated nine *Metropolitan Hotels*, which are city hotels situated mainly in the Tokyo metropolitan area and at major terminal stations in regional cities. Their prime locations near stations give these hotels a competitive advantage, and they also offer a well-balanced array of sophisticated accommodation, restaurant, and reception facility services.

Plans call for a new hotel in this chain, *Hotel Metropolitan Marunouchi*, which will boast approximately 350 single and double guest rooms and occupy the upper stories of the aforementioned *Sapia Tower*. Situated in the Marunouchi district—one of Japan's premier business districts—this sophisticated hotel is expected to provide customers with high-grade lodging services while also making use of its location near Tokyo Station to flexibly provide businesspeople with diverse services.

HOTEL METS Chain

HOTEL METS are lodging-oriented business hotels offering comfortable, reasonably priced rooms comparable to those of city hotels. As of June 2006, JR East operated 16 *HOTEL METS*, primarily in the Tokyo metropolitan area. Almost all of those hotels are either directly linked with or close to stations. In May 2005, JR East opened the 120-guest-room *HOTEL METS Akabane* at Akabane Station, which is used daily by approximately 170,000 JR East passengers, and, in February 2006, JR East opened *HOTEL METS Fukushima* at Fukushima Station, which is used daily by approximately 30,000 JR East passengers. In 2007, plans call for opening *HOTEL METS Koenji* at Koenji Station, which is used daily by approximately 100,000 JR East passengers, and, in spring 2008, *HOTEL METS Tachikawa* is scheduled to open at Tachikawa Station, which is used daily by approximately 300,000 JR East passengers.

Hotel Construction in the Marunouchi Building Portion of Tokyo Station

The reconstruction of the Marunouchi Building portion of Tokyo Station, which will preserve the building's historical exterior walls, is progressing steadily and is expected to be completed in 2011. Plans call for creating a new hotel in that building in place of the *Tokyo Station Hotel* that previously operated there.



Hotel Metropolitan in Ikebukuro



HOTEL METS Fukushima



Concept illustration of the entrance of *Hotel Metropolitan Marunouchi*