

Station Space Utilization

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 I Feb. 2006	600m ²
	Grand opening Mar. 2007	1,100m ²
Morioka	Feb. 2006	4,100m ² *
Koenji	Mar. 2006	450m ²
Tokyo	Oct. 2007	1,500m ²
Tachikawa	Autumn 2007	4,100m ²
Mitaka	Winter 2007	1,500m ²
Tabata	Autumn 2008	1,800m 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—88 stations were used by more than 100,000 passengers a day, including 35 used by more than 200,000, in fiscal 2007. Given those volumes, there is clearly significant potential for the further development of non-transportation services.

Topics

ecute—Retailing Operations inside Ticket Gates

As part of its *Station Renaissance* program—a campaign designed to maximize the appeal of stations, its key management resource—JR East is creating “station building shopping complexes” in unified spaces inside ticket gates based on the new *ecute* business model. JR East opened the first such complex, *ecute Omiya*, in March 2005, followed by *ecute Shinagawa*, which began operating in October 2005.



Omiya Station



Shinagawa Station



Nishi-Funabashi Station



Ofuna Station

Both Omiya Station and Shinagawa Station rank among Japan's top terminal stations—being used each day by approximately 460,000 and 610,000 passengers, respectively—and their *ecute* complexes are designed to meet the needs of diverse customers. In addition, the complexes are implementing various kinds of merchandising strategies based on an integrated service concept and other features that create unified commercial space. Measures are being taken to further increase the complexes' convenience and attractiveness through such initiatives as those to enhance barrier-free characteristics and introduce environment-friendly design themes, and the complexes have earned high evaluations from customers.

In fiscal 2007, *ecute Omiya* generated ¥920 million in net sales, up 10.6% from fiscal 2006, and *ecute Shinagawa* recorded ¥710 million in net sales, up 14.1%.

Station Retailing Operations

At the end of fiscal 2007, JR East's station retailing operations other than *ecute* complexes were centered on 777 *LET'S KIOSK* outlets, 172 *NEW-DAYS* convenience stores, and 232 *NEW-DAYS MINI* compact convenience stores.

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.

Regarding kiosk operations, JR East has begun seeking to strengthen profitability through various reform measures, including those designed to considerably lower personnel costs.

Outlook

Station Renaissance Plans

ecute Tachikawa is scheduled to open for business in October 2007 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. Plans call for creating stores specializing in such products as sweets and fashion goods as well as coffee shops, while also offering a day-care center and a comprehensive medical clinic. The complex is projected to initially generate approximately ¥6.3 billion in annual sales.

In addition, JR East will begin operating the *GranSta* shopping complex on the basement level within the concourse area of Tokyo Station in October 2007. This complex is expected to have about 50 stores—including a delicatessen, sweets shop, bakery, coffee shop, and grocery store—with a total of 4,500m² of floor space. The complex is expected to record roughly ¥5.6 billion in annual sales.



NEW-DAYS



Concept illustration of *ecute Tachikawa*



Concept illustration of *GranSta* shopping complex in Tokyo Station

Shopping Centers & Office Buildings



Concept illustration of Tokyo Station City



Sapia Tower

Overview

JR East's stations and surrounding property are assets with great potential, and JR East is seeking to make the most of this potential by developing diverse types of shopping centers—primarily facilities in the *LUMINE*, *atré*, and *S-PAL* chains—that are designed to match the special characteristics of each location and to wield powerful capabilities for attracting customers.

Regarding office building development, JR East is concentrating primarily on the development and management of office buildings that offer extraordinary levels of convenience due to their direct links to train stations. JR East is devoting particular attention to large-scale urban space and cityscape creation projects in the area around Tokyo Station, which is used by 760,000 passengers a day. By constructing a state-of-the-art business center in this area that effectively leverages the benefits of proximity to the station building, JR East is preparing to provide highly functional office space that meets diverse needs.

As of March 31, 2007, JR East operated 123 shopping centers and 18 office buildings.

Topics

Opening of Sapia Tower

In March 2007, JR East completed the first element of the *Tokyo Station City* project around Tokyo Station, *Sapia Tower*, a 35-story multipurpose

building with four basement floors on the Nihombashi side (north side) of the station. The tower includes office, conference, and hotel zones.

The tenants that have been moving into *Sapia Tower* since March include companies, universities and other educational institutions, and medical corporations. Some corporate tenants are moving their head office to the building to take advantage of its outstanding location, while many tenants intend to employ the building's conferencing facilities for business consulting, seminars, and recruiting activities. *Sapia Tower* will also act as a knowledge exchange and information transmission hub due to the many universities and other educational institutions taking up occupancy, some of which will use space in the building as a Tokyo campus for graduate school courses or as an office that arranges collaboration with industry and the government.

Reorganization Moves

In accordance with its efforts to increase the JR East Group's resource utilization efficiency and optimize resource allocation through the implementation of "autonomy and collaboration" and "selection and concentration" strategies, JR East has continued to move ahead with the reorganization of shopping center and office development projects through the creation of joint ventures. As of April 2006, JR East took a further step in reorganizing its shopping center management operations by creating two joint ventures with five participating companies.

Outlook

Tokyo Station City

Beginning with the recent opening of *Sapia Tower*, the *Tokyo Station City* development project has entered its full-scale commercial operations stage. On the station's Yaesu side (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. These twin towers are scheduled to be completed in October 2007, and plans call for completing the various other portions of the development project in spring 2013.

The start of commercial operation of *Sapia Tower*, *GranTokyo North Tower*, and *GranTokyo South Tower* is projected to generate approximately ¥11.5 billion in gross revenue during fiscal 2008.

Other Business Development

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



atré Ebisu



Shinagawa East Building



Concept illustration of the future business development of Shinjuku Station



Suica Topics—Personal ID Confirmation Function

A newly developed *Building Entrance/Departure Administration System* employs the extremely high security capabilities of Suica's personal ID confirmation function. This system can be used to record the times of individuals' arrivals at and departures from a building; to facilitate corporate personnel management processes regarding employees' working hours; and to control

such equipment as lighting, air-conditioning, and elevators. The system has already been installed at such JR East office buildings as *Sapia Tower*, *Shinagawa East Building*, and the *Tokyo Building*.



Other Services—Advertising and Publicity

Overview

The JR East Group'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, magazines, and the Internet in terms of power.

Transportation advertising accounted for 4.2%, or ¥250.5 billion, of the ¥5,995.4 billion that Japanese companies spent on advertising in 2006 (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. 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 & Outlook

Train Channel Video Advertising

Rolled out in April 2002, the E231 series railcars used on the Yamanote Line feature two 15-inch monitors above each door, one of which displays updates on the train's progress and one of which shows sponsored video content. 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 sponsored video content. Since fiscal 2006, the introduction of railcars on the Chuo Line with this video advertising system has expanded the system's audience, and railcars scheduled to be introduced on the Keihin-Tohoku Line from the current fiscal year will also have this system.

New Media Employing New Technologies

As part of its strategy for developing and using new media that employ new technologies, JR East has since December 2006 installed large video monitors within Shinjuku Station and Shibuya Station for pilot operation displaying sponsored video content distributed over the Internet. The programs displayed are edited to optimize the content shown at different locations and times. In some cases, sponsored video content from the Train Channel is shown, but diverse tests are being conducted of the display of animated content, documentary videos, and other new kinds of content as well as train-related information.



Railcar body advertising



Video advertising system on the Chuo Line



Suica Topics—SuiPo

SuiPo (*Suica Poster*) is a new transportation advertising medium enabling people to interact with wall posters in train stations and other advertisements by using a *Suica* card and an Internet accessible mobile phone. Since April 2007, JR East has expanded the application of *SuiPo* technology at Ikebukuro, Tokyo, Shibuya, Ueno, and Shimbashi stations. After registering their *Suica* cards

and telephones for the *SuiPo* system, people can obtain emailed information related to products and services by simply touching



their cards or *Mobile Suica* phones to readers adjacent to the posters. The system is a promising new advertising medium, and the scope of its application is expected to continue growing.

Other Services—Hotel Operations

Overview

JR East operates several types of hotels, including city, business, and long-stay hotels. As of March 31, 2007, JR East had a total of approximately 5,000 guest rooms in 39 hotels.

The core of the Group's hotel operations is its 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.

HOTEL METS are lodging-oriented business hotels offering comfortable, reasonably priced rooms comparable to those of city hotels. As of March 31, 2007, there were 18 *HOTEL METS* in operation (including those operated by franchisees), primarily in the Tokyo metropolitan area. Almost all of those hotels are either directly linked with or close to stations.

Since April 1, 2007, JR East has worked to build a more-efficient management organization and to bolster competitiveness by reorganizing the Group company that manages hotels in the Tokyo metropolitan area.

Topics

Metropolitan Hotels

In May 2007, *Hotel Metropolitan Marunouchi* began operating with approximately 350 single and double guest rooms occupying the upper stories of *Sapia Tower*, which was completed in March 2007 as part of the *Tokyo Station City* development project. Situated in the Marunouchi district—one of Japan's premier business districts—this sophisticated hotel is providing 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

In March 2007, JR East opened the 110-room *HOTEL METS Koenji* at Koenji Station, which is used daily by approximately 100,000 JR East passengers. This hotel is the 18th facility in JR East's growing *HOTEL METS* chain. In addition to use by businesspeople, the new hotel is expected to be used as a community gathering place and as a guesthouse for people living nearby. In spring 2008, *HOTEL METS Tachikawa* is scheduled to open at Tachikawa Station.

Hotel Construction in the Marunouchi Building Portion of Tokyo Station

On the Marunouchi side (west side) of Tokyo Station, JR East is implementing a project aimed at preserving and refurbishing the historic Marunouchi Building and creating a station-front plaza area. Construction work in the building is progressing steadily and expected to be completed in fiscal 2012. Plans call for creating a new hotel worthy of occupying the Marunouchi Building, which is an important part of Japan's cultural heritage as well as being the symbolic face of Japan's most central railway station.



Hotel Metropolitan in Ikebukuro



Entrance of Hotel Metropolitan Marunouchi



Executive twin room in Hotel Metropolitan Marunouchi