

OVERVIEW

Every day some 17 million people pass through our railway stations, which make them the largest business resource of the JR East Group. We are currently conducting new initiatives to maximize the value of our stations. New in-station development and new formats are being implemented to raise convenience for customers and enhance profitability. We are also drawing on accumulated expertise to make renovations and update existing retail zones into more appealing spaces.

JR East has many railway stations with high passenger volumes: 91 railway stations are used by more than 100,000 passengers a day, including 35 railway stations used by more than 200,000 passengers a day as of March 31, 2012. Given those volumes, there is considerable scope for the further development of life-style businesses.

TOPICS

Station Renaissance

JR East is implementing the *Station Renaissance* program to maximize the appeal of its railway stations—JR East's largest management resource. In the year under review, JR East fully opened *ecute Shinagawa South* within Shinagawa Station and *ecute Akabane* within Akabane Station, among others. The Company was also active in renovating existing stores, including *Dila Nishi-Funabashi* inside Nishi-Funabashi Station and *Dila Asagaya* inside Asagaya Station.

ecute

We currently operate 8 *ecute* shopping centers within railway stations, including two new facilities we opened inside Akabane Station and Ueno Station last year. The shopping centers, which provide high-quality, market-sensitive products and services, are based on the concept of integrating rail and retail and creating unique stations with an underlying story.

Next-Generation Vending Machines

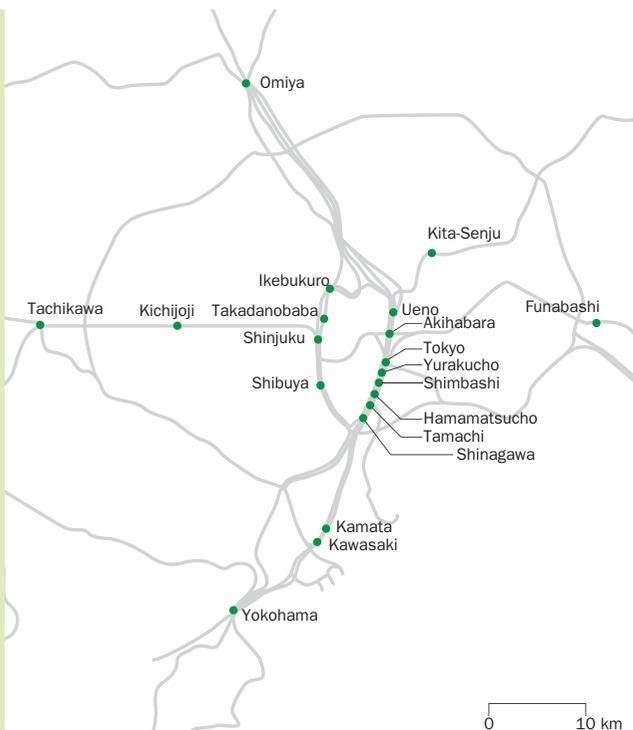
In the beverage vending machine business, we are conducting new initiatives using next-generation vending machines launched in August 2010 and a system that connects the vending machines to a network so that sales information can be collected.

REVIEW OF OPERATIONS NON-TRANSPORTATION

Station Space Utilization

TOP 20 STATIONS WITH LARGE DAILY PASSENGER USE

Station	Number of Passengers per Day
1 Shinjuku	1,468,308
2 Ikebukuro	1,089,524
3 Shibuya	805,532
4 Yokohama	789,800
5 Tokyo	761,994
6 Shinagawa	647,786
7 Shimbashi	487,780
8 Omiya	471,488
9 Akihabara	461,378
10 Takadanobaba	399,482
11 Kita-Senju	388,272
12 Kawasaki	371,302
13 Ueno	349,664
14 Yurakucho	324,504
15 Tachikawa	311,736
16 Hamamatsucho	302,960
17 Tamachi	296,692
18 Kichijoji	275,110
19 Funabashi	267,548
20 Kamata	267,186



A *ecute Shinagawa South*



C Next-generation vending machine

Next-generation vending machines feature 47-inch touch panel displays and sensors that detect customer attributes, which enables them to display recommendations for customers buying products. And the information is collected in a database and utilized in marketing activities. As a recent example, we ran a campaign with a points program that awarded bonus gifts based on purchases made using the *Suica* card.

In addition to data from such campaigns, vending machines are now able to collect sales data that was not possible previously, so a range of customer-oriented marketing information is tested and then utilized in new product development and selection of product lineups.

We have installed 336 next-generation vending machines as of the end of fiscal 2012 and are working to install 500 by around the summer of 2012. **C**

In Tie-Up With Railway Strategy

The customers of *ekinaka* (in-station) shops are people who travel by rail, so we are actively conducting sales promotions linked to the railway business.

Specifically, the shops create and sell original commemorative boxed lunches and railway merchandise and hold produce fairs tied to our destination campaigns. These efforts have been received very positively by customers.

OUTLOOK

Station Renaissance Program to Evolve Further

Operating revenues from the Station Space Utilization segment in fiscal 2012 increased 2.4% over the previous year to ¥409.7 billion, thanks to increased revenues from new openings and renovations. Operating income increased by 8.3% year on year, to ¥34.0 billion.

In fiscal 2012, we will open *CentralStreet* in the central passageway of the first floor of Tokyo Station inside the ticket gates in conjunction with the grand opening of the Marunouchi Station Building. "Link Japan" is the basic goal of *CentralStreet*, meaning that we want to connect people with people, city with country, Japan with the world. The area will feature a variety of shops selling everything from general merchandise, boxed lunches and sweets to souvenirs and gift items. It will be "Main Street" within the new station, welcoming people from all over Japan and the world.

We will continue actively promoting the *Station Renaissance* program to further raise the appeal of our railway stations. **D**

B DEVELOPMENT OF *ecute*

	Omiya	Shinagawa	Tachikawa	Nippori	Tokyo	Ueno	Shinagawa South	Akabane
Beginning of operations	Mar. 2005	Oct. 2005	Oct. 2007 (phase I) Oct. 2008 (phase II)	Mar. 2008 Jun. 2009 (floor space increase)	Mar. 2010	Dec. 2010 (phase I) Mar. 2011 (phase II)	Dec. 2010 (phase I) Feb. 2011 (phase II) Apr. 2011 (phase III) May 2011 (phase IV)	Mar. 2011 (phase I) Jul. 2011 (phase II) Aug. 2011 (phase III) Sep. 2011 (phase IV)
Store space	around 2,300 m ²	around 1,600 m ²	around 4,300 m ²	around 380 m ²	around 1,300 m ²	around 4,800 m ²	around 1,800 m ²	around 2,000 m ²
Number of shops	78	47	91	18	28	79	39	55
FY2012.3 Results (YoY, %)	¥10.0 billion (103.8%)	¥6.1 billion (83.8%)	¥5.8 billion (99.5%)	¥1.8 billion (98.4%)	¥3.5 billion (97.9%)	¥10.3 billion	¥9.8 billion	¥3.8 billion



B *ecute* Ueno



D Conceptual drawing of *CentralStreet*

OVERVIEW

Concentrating on such railway station buildings as *LUMINE* and *atré*, JR East's shopping center operations make full use of the formidable customer-drawing power of JR East's railway stations and the locations nearby to develop a wide variety of shopping centers tailored to the individual characteristics of each area.

Also, JR East develops and leases office buildings, focusing on those buildings in highly convenient locations that have direct access to its railway stations. With *Tokyo Station City*, in particular, we leveraged its location next to Tokyo Station—a railway station used by approximately 380,000 passengers a day—to develop a large-scale business center involving leading-edge highly functional offices that cater to diverse needs.

As of March 31, 2012, JR East operated 144 shopping centers and 20 office buildings.



TOPICS

New Shopping Centers

In the fiscal year under review, JR East opened *LUMINE Yurakucho*, *Excel MiNAMI*, and *E'site Takasaki*, among other shopping facilities. Of these, *LUMINE Yurakucho* is home to 107 establishments. In addition to a "fashion floor" brimming with individuality and featuring a number of fashionable boutiques, this new *LUMINE* features stores offering food, cosmetics, variety goods, and all manner of services. The opening of *LUMINE Yurakucho* already has contributed to an increase in outings to the Yurakucho area.



Remodeling

In fiscal 2012, JR East carried out a number of remodeling projects, an effective means of keeping shopping centers fresh in the eyes of customers.

Of these projects, *atré Kameido* has 118 shops in total, of which about half were renewed. The shopping center features a restaurant zone where the design concept evokes a traditional Japanese atmosphere, as well as a branch of *JeXer FITNESS CLUB & SPA*. Several other shopping centers have been refurbished with a view to enhancing their appeal, including *Perie Chiba Carnival*, *GRANDUO Tachikawa*, *atré Yotsuya*, and *Hiratsuka Lusca*.



OUTLOOK

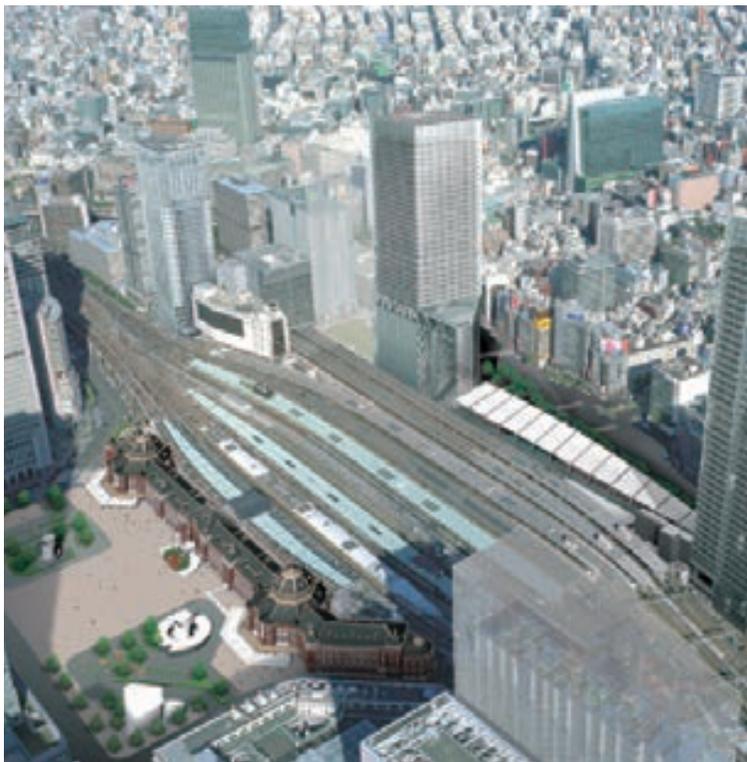
Aggressive Development

Going forward, the Shopping Centers & Office Buildings segment will continue to make proactive use of the formidable customer-drawing power of JR East's railway stations and surrounding locations to develop new shopping centers and office buildings. At *Tokyo Station City*, we are

REVIEW OF OPERATIONS NON-TRANSPORTATION

Shopping Centers & Office Buildings

A *Tokyo Station City*



B *LUMINE Yurakucho*



C *atré Kameido*

currently proceeding with Phase II of the Tokyo Station Yaesu Area construction project. In fiscal 2012, we plan to carry out expansion of the department store space in the *Gran Tokyo North Tower*. This will be followed in fiscal 2013 by the completion of a central pedestrian deck (*Gran Roof*) connecting *Gran Tokyo North Tower* and *Gran Tokyo South Tower*, which will then be populated with stores. New office buildings under construction include the *JR South Shinjuku Building* (open in June 2012) and the *JR Kanda Manseibashi Building* (due to open in winter 2012). In shopping center operations, we will proceed with development of the *atr vie Higashi-Nakano* (scheduled to open in summer 2012) and Tsurumi Station building (*CIAL Tsurumi*; set to open in fall 2012), while in fall 2013 we also plan to launch the *JR Otsuka Station South Exit Building* (provisional name; a combined shopping center and office building complex). **D E**

Large Projects Currently Under Way

Other large projects are under way which have no scheduled completion date as yet, but have the potential to regenerate stations and their environs.

In conjunction with the Ministry of Land, Infrastructure, Transport and Tourism, JR East is creating a new transportation hub at Shinjuku Station. The Company will create an artificial deck approximately 1.47 hectares in size above the tracks, on which it will then build a multilevel urban infrastructure facility to enable passengers to transfer more smoothly between trains, highway buses, taxis, and private vehicles. Currently, the structure for the upper levels is being built. At the same time, JR East plans to construct a station building at the New South Exit of Shinjuku Station. The building will have two floors below ground, 33 floors above ground, and a total floor space of approximately 110,000 m². The groundwork for this project is now being laid, and both the new station building and transportation hub are due for completion in spring 2016. **F G**

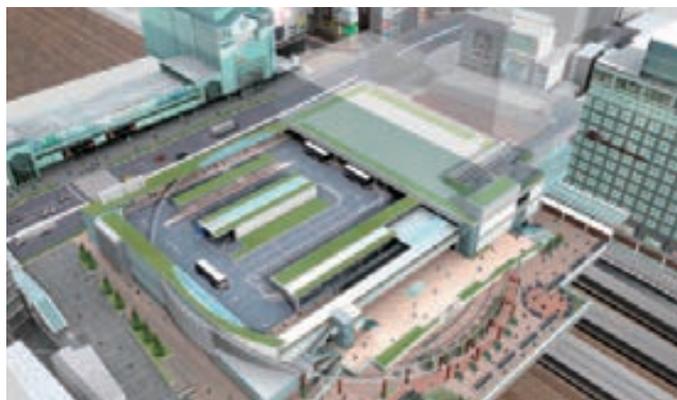
The Company is also rebuilding Chiba Station and the Main Station Building. Specifically, raising the station concourse above the railway tracks on an artificial deck will enable the creation of an airy and readily recognizable station area befitting the gateway to Chiba's prefectural capital with a population of one million. JR East expects that simultaneously rebuilding the station and the antiquated and cramped station building will help invigorate the area around the station by enabling the Group to develop attractive businesses that dovetail with the new station complex. The main construction began in October 2011, and currently the old station building is undergoing demolition and the foundation to the artificial deck is being built. The new station complex will be opened in stages from 2016 through 2018. Combined, the new station and station building will include one underground floor, seven floors above ground, and a total floor space of approximately 70,000 m².

Other building projects JR East will develop together with local communities include the redevelopment of Yokohama Station and Shibuya Station. **F G**

D JR South Shinjuku Building



E Kanda Manseibashi Building



F The transportation hub and New South Exit building to Shinjuku Station currently under development



G Plan to rebuild Chiba Station and the Main Station Building

Advertising and Publicity

JR East provides transportation advertising in its railway stations and railcars, which approximately 17 million people use each day. Billings for transportation advertising in Japan have declined for four consecutive years owing to economic sluggishness, and were down 2.3% in the 2011 calendar year. Provided this background, however, JR East maintains an overwhelmingly strong position in the business of transportation advertising throughout the Tokyo metropolitan area. To offer but one illustration, the approximately ¥48.6 billion in advertising fees JR East received amounted roughly to a 50% share of this market in the year ended March 31, 2012.

Susceptibility to economic fluctuations is a characteristic of advertising, and challenging conditions have persisted in the advertising industry, with numerous companies cutting back on advertising as part of their effort to reduce costs. On the other hand, the development of next-generation technologies and materials is progressing rapidly, and JR East intends to heighten the value of its advertising media for advertisers by building an extensively digitized network.

J-AD Vision is but one example. This advertising medium utilizing large LCD (liquid crystal display) screens enables video broadcasting in stations, and through audiovisual material that varies by time of day and day of the week, provides the capacity to advertise goods and services in a timely manner. JR East tends to install rows of these

displays in one location, and the array of 44 displays in the central passage at Shinagawa Station is among the largest in Japan.

Another example is *Train Channel*, which is an advertising medium JR East is introducing that broadcasts video commercials on flat-panel monitors installed inside railcars. Following the installation of this medium in railcars on the Keiyo Line, the *Train Channel* network has grown to 19,000 monitors as of March 31, 2012.



A J-AD Vision in Shinagawa Station

REVIEW OF OPERATIONS NON-TRANSPORTATION

Others

Hotel Operations

OVERVIEW

The JR East Group operates 43 hotels in the JR-EAST HOTELS network with a total of 6,252 guest rooms as of March 31, 2012.

The network's mainstay *Metropolitan Hotels* chain consists of city hotels in the Tokyo metropolitan area and near the terminuses of major regional railway stations. In addition to being advantageously located next to railway stations, these hotels provide sophisticated accommodation, dining, and banquet services. Alternately, JR East's *HOTEL METS* business hotels focus on accommodation at reasonable prices, with comfort comparable to a city hotel. Most *HOTEL METS* hotels have either direct access to a railway station or are very close to one. In Fiscal 2012, the Group opened *Hotel R-Mets Utsunomiya*, a business hotel linked directly with JR Utsunomiya Station in Tochigi Prefecture.

The Tokyo Station Hotel

The Tokyo Station Hotel, first opened in 1915, was closed in March 2006 while the historic Marunouchi red brick building underwent restoration and preservation. JR East is scheduled to reopen this hotel on October 3, 2012 as a cutting-edge facility like no other, housed in the historically restored splendor of a station building Japan has designated an important cultural property.

All 150 guest rooms of the hotel will be housed in the second through part of the

fourth floor to Tokyo Station's restored Marunouchi red brick building. The standard size of a room will be around 40 m², which will be on the spacious side for Tokyo. The facilities as a whole, including the guest rooms, will be characterized by a contemporary, European-style interior design, set in an airy architectural space featuring high ceilings of around 3.7 meters and tall windows. (Ceiling height on the fourth floor will be 3 meters and 4 meters.)



B The Tokyo Station Hotel



A The Palace Side guest room in The Tokyo Station Hotel

OVERVIEW

JR East introduced *Suica* in November 2001 as a fare collection system based on an IC card for displacing magnetically coded tickets. *Suica* is a reusable debit card that can be charged repeatedly with cash and credit prepayments and enables users to board local trains with a touch of a scanner on automatic ticket gates at either end of the journey.

JR East began *Suica* electronic money services in March 2004. At the same time, JR East has been expanding the usage of *Suica* electronic money to *Suica*-compatible vending machines and stores inside and outside stations. The card has won the support of customers for the convenience it offers. As such, issuance of *Suica* stood at 38.88 million cards as of March 31, 2012.

TOPICS

Expanded Usage Area of *Suica*

Since the service was introduced to the Tokyo metropolitan area in November 2001, usability of *Suica* has been expanded to the Company's services in the Sendai and Niigata areas. At the same time, JR East has worked to establish an environment enabling the use of *Suica* throughout major cities in Japan. To this end, the Company has spearheaded the promotion of a mutual usage service among IC cards of different transportation companies. Starting with *Suica*'s mutual compatibility with *PASMO* IC cards in March 2007, usability was extended to most other railways and bus services in the Tokyo metropolitan area. As of March 31, 2012, *Suica* was usable at 2,990 stations nationwide.

Suica Electronic Money

Since launching the electronic money service of *Suica* in March 2004, JR East has been expanding business partnerships for the card, with the aim of popularizing its usage in a wide variety of settings. Beyond the stores and vending machines inside railway stations, usability of the card has been extended outside the stations to convenience stores and shopping centers, as well as mass retailers of electronics and home appliances. In addition, JR East is working to broaden the environment of *Suica*'s usage to the settlement of internet shopping accounts and various other aspects of daily life. Numerous means JR East employs to promote the card's use include *Suica Point Club*, which awards users with points usable for charging *Suica*.

As a result of these efforts, usage of *Suica* electronic money has continually grown to the point where the cards were accepted at approximately 177,630 retail locations and turned over a record 2.88 million transactions a day, approximately, as of March 31, 2012.

REVIEW OF OPERATIONS NON-TRANSPORTATION

Suica

A Ticket gate use



C Vending machine use



C Convenience store use



A Suica



A View Card with commuter pass function



A Tie-up with financial institutions, airlines and retail chains

Mobile Suica

Mobile Suica is an application which enables mobile phones equipped with a special microchip to host the card. In addition to all of the card's convenient functions, this mobile application provides various services using the telecommunications and display functions of mobile phones. For example, the *Mobile Suica Limited Express Ticket* service enables customers to use their mobile phones to book and purchase reserved-seat tickets on the Shinkansen online, and to board the train ticket-free. In July 2011 the Group launched a smartphone version of its *Mobile Suica* service for Android™ handsets compatible with the *Osai-fu-Keitai* service. Membership in this service numbered roughly 2.82 million individuals as of March 31, 2012.

Note: *Suica* and *Mobile Suica* are registered trademarks of East Japan Railway Company, *Osai-fu-Keitai* is a registered trademark of NTT DOCOMO, INC., and Android™ is a trademark of Google Inc.

Other Services

Furthermore, JR East is developing a lineup of *Suica* services that cater to a wide range

of customer needs, such as the *View Card with Suica*, which integrates *Suica* with the credit card functions of the Group's *View Card*, as well as various other multifunctional IC cards integrating *Suica* with company and student identification cards.

OUTLOOK

Broadening *Suica* Beyond the Confines of Railway Networks

JR East aims to extend the use of *Suica* to all of its railway lines and expand the mutual compatibility of *Suica* with other IC cards. By the spring of 2013, JR East will have led an effort to establish a mutual usage service network that ties together ten different IC cards currently in use in Japan. With this network launched, JR East's *Suica* will be mutually compatible with *PiTaPa*, the IC card introduced for various railway and subway lines in the Kansai region, and with *manaca*, the IC card for railways and subways in the Nagoya area. Within the fiscal year ending March 31, 2014, the Company plans to expand this compatibility to *SAPICA*, the IC card for subways, buses and other public transportation servicing the

city of Sapporo and its suburbs, as well as *RYUTO*, the IC card servicing the bus lines Niigata Kotsu Co., Ltd. operates in Niigata City.

Raise *Suica's* Status as the Premier Electronic Money Format, and Nurture It to Help Drive Group Earnings

JR East will raise the status of *Suica* as the premier electronic money format in Japan. To this end, the Company will expand *Suica's* usable locations that are in close contact with the daily lives of users, while working in collaboration with the IC cards of other public transportation companies. At the same time, JR East will promote the card's usage to be in line with the characteristics of participating stores and cardholders.

Upgrade *Suica* Operations to a Comprehensive IT Business Based on Information the Cards Log

Data on the movement and consumption behavior of *Suica* users that JR East accumulates daily will also be applied to developing ancillary operations, such as an IT Business for providing this data as marketing information.

B OPERATING AREA

As of March 31, 2011

