

# NON-TRANSPORTATION



IA mAAch ecute Kanda Manseibashi



IB ecute SouthCourt in Tokyo Station



IC Perie KaihinMakuhari

## STATION SPACE UTILIZATION

### OVERVIEW

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

JR East has many railway stations with high passenger volumes: 93 railway stations are used by more than 100,000 passengers a day, including 38 railway stations used by more than 200,000 passengers a day as of March 31, 2014. Given those volumes, there is considerable scope for the further development of the Group's life-style service business.

### TOPICS

#### Station Renaissance

JR East is implementing the *Station Renaissance* program to maximize the appeal of railway stations as the largest business resource at its disposal. In fiscal 2014, JR East opened *Perie KaihinMakuhari* at Kaihinmakuhari Station, and made use of the structural remains of the defunct Manseibashi Station between Kanda Station and Ochanomizu Station to open *mAAch ecute Kanda Manseibashi*. At the same time, in-station retail facilities such as *ecute Tokyo* and *ecute Tachikawa* were renewed to enhance their competitiveness. IAIBIC

#### Integration of ecute Retail Facilities with Stations

The name of JR East's in-station retail facilities *ecute*, is an acronym the Group coined to express its goal of redesigning spaces within stations (*eki*, in Japanese) as a *center of universal appeal* for all people to come *together* and *enjoy*. These *ecute* facilities

developed inside Omiya, Shinagawa, Tachikawa, Nippori, Tokyo, Ueno and Akabane stations are characterized by the high-quality and highly attractive products and services they provide. The financial trend of these *ecute* facilities is summarized in the following table.

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#### Store Variations that Address Customer Needs

JR East's *NEWDAYS* convenience stores inside stations have become a fixture in the lifestyles of passengers. The Group will enhance the product and service lineup of these stores to maximize the advantage of their in-station environment, and pursue various store formats in addressing the diverse needs of customers using the stations. IE

#### Matsuri Featuring Boxed Lunches from Stations Throughout Japan

Boxed lunches sold at stations add flavor to a memorable railway journey by featuring seasonal "recommended foods" staple dishes and foods that are unique to a region. The *Matsuri* boxed lunch emporium in Tokyo Station has a

## IDI 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	2,300 m <sup>2</sup>	1,600 m <sup>2</sup>	4,300 m <sup>2</sup>	380 m <sup>2</sup>	730 m <sup>2</sup>	4,800 m <sup>2</sup>	1,800 m <sup>2</sup>	1,600 m <sup>2</sup>
Number of shops	78	52	92	18	32	76	39	53
FY2014.3 Results (YoY, %)	¥9.9 billion (98.9%)	¥6.3 billion (105.3%)	¥5.9 billion (101.8%)	¥1.8 billion (101.8%)	¥4.3 billion (108.6%)	¥11.2 billion (101.5%)	¥10.6 billion (104.4%)	¥5.1 billion (101.7%)

lineup of approximately 170 varieties of these boxed lunches sold in stations throughout Japan. The emporium has also garnered popularity for its two demonstration booths where cooks prepare and sell fresh boxed lunches from scratch.

### Beck's Coffee Shop In-station Cafes

*Beck's Coffee Shop* is JR East's in-station café that provides customers the hospitality of a freshly brewed cup of coffee along with an extensive offering of other beverages and foods. Apart from these cups brewed fresh from select, high-quality coffee beans, the food menu has been enhanced with made-to-order items such as breakfast sets and club sandwiches. In this way, *Beck's Coffee Shop* addresses various needs customers may have for a cafe inside a station, providing them a place to take a short break, have a snack, or enjoy a meal.

### Rediscovering the Region Projects

*Rediscovering the Region Projects* are a vital component of JR East's strategy for breathing life into the local communities the Group serves. JR East invigorates regions through a strategy of strengthening collaboration with local communities to facilitate joint efforts in

coming up with new ideas. These efforts entail raising the profile of local products and such tourism resources as traditional culture and festivals. At the same time, they leverage the unique characteristics of railways, and the advantages of JR East's sales channels in the Tokyo metropolitan area.

Visible initiatives include hosting *Sanchoku-Ichi* (farmers' markets) in collaboration with local communities in the Tokyo metropolitan area, the rediscovery of traditional arts and crafts, and the development of processed agricultural products. In fiscal 2014, JR East used the *Sanchoku-Ichi* held in Ueno and Omiya, among other stations, to showcase the appeal of various regions in eastern Japan.

Since fiscal 2014, JR East has been engaged in the *NOMONO 1-2-3* project. This project integrates the primary (1), secondary (2) and tertiary (3) sectors of the economy by promoting new approaches to nurturing the appeal of local agricultural, fishery and forestry

products in combination with the accomplished capability of local communities for processing such products and the Group's customer-oriented product development and marketing capabilities.

## OUTLOOK

### Further Enhancement of In-station Value

Looking ahead, JR East will continue to promote its *Station Renaissance* program, which seeks to maximize the value of spaces inside railway stations for development as businesses that expand earnings and enhance its competitiveness. At the same time, the Group will engage in the sextic industrialization of the agriculture, fishing and forestry sector and hold more *Sanchoku-Ichi* activities to promote the appeal of local communities and expand sales channels for the products they produce.

### TOP 20 STATIONS WITH LARGE DAILY PASSENGER USE



Station	Number of Passengers per Day
1 Shinjuku	1,502,036
2 Ikebukuro	1,100,700
3 Tokyo	831,816
4 Yokohama	813,188
5 Shibuya	757,078
6 Shinagawa	671,322
7 Shimbashi	509,890
8 Omiya	490,958
9 Akihabara	480,654
10 Kita-Senju	406,856
11 Takadanobaba	403,026
12 Kawasaki	394,020
13 Ueno	363,760
14 Yurakucho	334,730
15 Tachikawa	320,822
16 Hamamatsucho	311,568
17 Tamachi	288,866
18 Osaki	286,794
19 Kamata	279,456
20 Kichijoji	278,564



IEI NEWSPAPERS





IAI The GranRoof walkway at Tokyo Station



IBI nonowa Musashisakai



IBI JR Otsuka Minamiguchi Building

## SHOPPING CENTERS & OFFICE BUILDINGS

### 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 its railway stations and the locations nearby to develop a wide variety of shopping centers tailored to the individual characteristics of each area.

In developing and leasing office buildings, the Group also makes the most of its advantages, such as the exceptional convenience of properties with direct access to railway stations, and high-grade office facility specifications to achieve occupancy rates and rent levels that are higher than the industry average. With *Tokyo Station City*, in particular, the Shopping Centers & Office Buildings segment leveraged the development's location next to Tokyo Station—a railway station used by

approximately 400,000 passengers a day—to develop a large-scale business center with cutting-edge, high-performance office facilities to meet diverse tenant needs.

As of March 31, 2014, JR East operated 152 shopping centers and 24 office buildings.

### TOPICS

#### New Shopping Centers

JR East is actively opening new shopping facilities to keep pace with a changing external business environment and intensifying competition. One example of this is the September 2013 opening of the *GranRoof* covered walkway above the Yaesu entrances to Tokyo Station, which connects the two office towers to the north and south of the station. There are 15 commercial retail facilities JR East developed for operation in *GranRoof* from the basement floor to the third floor above ground. Apart from that, the Shopping Centers & Office Buildings segment opened *atrévie Otsuka* in

addition to the openings of *nonowa Musashisakai* and *nonowa Higashikoganei* as part of the Group's *Chuo Line Mall* vision for property development on the Chuo Line.

Among the office buildings the segment opened in the past fiscal year were *JR Otsuka Minamiguchi Building*. Looking ahead, JR East will continue developing office buildings from the viewpoint of prospective tenants. To flexibly address their needs, the Group will develop buildings designed to withstand earthquakes, provide emergency power, and accommodate people if they have difficulty getting home in the event of a disaster. Such buildings satisfying business continuity plan (BCP) requirements have risen rapidly in demand in recent years. Environmental issues will be addressed, primarily by reducing CO<sub>2</sub> emissions of the buildings, and by fitting them with energy-saving facilities and equipment.

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## Remodeling

Remodeling is an effective means of keeping shopping centers fresh in the eyes of customers. In fiscal 2014, JR East carried out numerous remodeling projects, including for *LUMINE Yurakucho*, *atré Kichijoji* and *S-PAL Koriyama*, to reenergize existing stores and attract prominent tenants that can draw in customers.

## OUTLOOK

### Aggressive Development

It is JR East's policy to continue taking advantage of the exceptional capability of its stations and the locations around those stations to draw in customers in developing shopping centers and office buildings going forward.

Specifically, the segment plans to promote the construction of *CIAL Sakuragicho* (scheduled to open in summer 2014) and a new building for Nagano Station's Zenkoji Exit (scheduled to open by the end of fiscal 2015). **ID|IE|**

### Large Projects Currently Under Way

There are also other large projects under way that have no scheduled completion dates 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 Group 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. At the same time, JR East plans to construct the *Shinjuku New South Exit Building* (provisional name) on the adjacent land. This building will be used to provide office space and commercial facilities, as well as a multi-purpose hall among other civic attractions. Both the new station building and transportation hub are due for completion in spring 2016.

Together with TOKYU CORPORATION and Tokyo Metro Co., Ltd., JR East is also pressing ahead with the redevelopment of Shibuya Station. The buildings planned include both the largest office building and commercial facility complex in the vicinity of Shibuya Station. The East Tower is scheduled to open in 2020, while the West and Central Tower are scheduled to open in 2027.

At Yokohama Station, JR East has formulated a *Yokohama Station West Exit Station*

*Building Plan* (provisional name). This plan calls for the construction of a commercial facility and office building complex, with convenient direct access to the station, scheduled to open in 2020.

Other building projects JR East will develop together with local communities include the redevelopment of Chiba Station and Sendai Station. **IF|IG|**



**IF|** New transportation hub at Shinjuku Station and *Shinjuku New South Exit Building* (provisional name)



**ID|** *CIAL Sakuragicho*



**IE|** Nagano Station's Zenkoji Exit



**IG|** Conceptual image of the redeveloped Shibuya Station

## MAJOR PROJECTS GOING FORWARD

	<i>Shinjuku New South Exit Building</i> (provisional name)	Main building and facilities of Chiba Station	Sendai Station East Exit development		Shibuya Station development (Joint-development)	<i>Yokohama Station West Exit Building</i> (provisional name) (Station-front tower) (Tsuruya-cho tower)	
Opening	Spring 2016	Spring 2018 (full opening)	Commercial Spring 2016	Hotel Spring 2017	(East Bldg.) 2020 (Center, West Bldg.) 2027	2020	
Total floor space (m <sup>2</sup> )	Approx. 111,000	Approx. 73,800	Approx. 43,000	Approx. 14,000	Approx. 270,000	94,000	24,000
Office (m <sup>2</sup> )	Approx. 77,200	—	—	—	Approx. 70,000 (Leased floor)	Approx. 28,000	—
Commercial (m <sup>2</sup> )	Approx. 9,400	Approx. 57,400	Approx. 41,000	—	Approx. 70,000 (Store space)	Approx. 66,000	—
Hotel (rooms)	—	—	—	Approx. 280	—	—	—



OTHERS

HOTEL OPERATIONS

The JR East Group operates 44 hotels in the JR-EAST HOTELS network with a total of 6,352 guest rooms as of March 31, 2014.

Operating income of JR East's hotel business increased 7.3% year on year to ¥47.7 billion in fiscal 2014, performing strongly in step with a recovery in the Japanese economy and an increase in demand from inbound travelers.

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 (10 hotels with 3,035 guestrooms at an occupancy averaging 83.5%).

Meanwhile, 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 (23 hotels with 2,683 guestrooms at an occupancy averaging 81.7%).

The Tokyo Station Hotel

The *Tokyo Station Hotel*, which first opened in 1915, was closed in March 2006 while Tokyo Station *Marunouchi Building* underwent restoration and preservation. JR East reopened this hotel on October 2012 as a cutting-edge facility like no other, housed in the historically restored splendor of the station building which has been designated an Important Cultural



IA A guestroom in The Tokyo Station Hotel

Property of Japan. The hotel occupies 20,800 m<sup>2</sup> of total floor space from the second floor underground on up through the fourth floor above ground of this building. The hotel has 150 guestrooms in all. IA

New Openings

Fiscal 2014 saw the opening of *HOTEL METS Niigata*, with direct access to Niigata Station, as the 23rd hotel in the *HOTEL METS* franchise. This hotel with nine floors above ground was built to provide 197 guest rooms with spaciousness comparable to a city hotel. In addition, a restaurant serving dishes created with local ingredients for local consumption and shops providing local produce and products of Niigata were developed at the lower floors of this hotel. IB



IB HOTEL METS Niigata

ADVERTISING AND PUBLICITY

Advertising on transit promotional media in Japan grew 3.9% in fiscal 2013 for the first time in five years, and another buoyant 1.9% on the back of economic recovery in fiscal 2014 (Source: DENTSU INC., "Advertising Expenditures in Japan").

The stations and railcars that serve approximately 17 million people each day are JR East's most precious business assets. The Group generates sizeable ancillary revenues utilizing those assets as advertising media. Advertising and publicity is a business quintessentially affected by ups and downs in the economy. Consequently, JR East has looked to the following initiatives to improve the value of its transit promotional media and secure revenues.

Advertising Media Development Integral to Grand Design

In JR East's advertising and publicity business, advertising proposals are a proactive and integral part of station improvement and construction work from the start. Advertising is part of the grand design from the planning stage, and this ensures that the spaces within stations lead to an expansion in the Group's advertising and publicity business. During the past fiscal year, *J-AD Vision* was installed in Kaihinmakuhari Station and Kichijoji Station in September. IC



IC Kichijoji Station

Digitization

The JR East Group's advertising media has been digitized using *J-AD Vision* large-size LCD displays, which have been installed in major stations throughout Tokyo. As of March 31, 2014, 334 of these screens were installed in 44 stations. Another way in which JR East has digitized advertising is *Train Channel*, an advertising medium installed above the doorways of its new commuter railcars. Used for broadcasting advertising content on-board, *Train Channel* has been deployed in commuter trains on the Yamanote, Chuo, Keihin-Tohoku, Keiyo, Saikyo and Yokohama lines and the *Narita Express*.

The Group is also making WiMAX (worldwide interoperability of microwave access) available to customers for telecommunications access in stations and railcars. ID



ID Train Channel (Yokohama Line)

AVERAGE HOTEL OCCUPANCY IN JAPAN

Guest room occupancy (%)	Fiscal 2013												Fiscal 2014											
	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
Nationwide	71.4	71.9	72.7	73.3	81.9	79.7	80.3	79.7	73.9	65.5	77.4	80.9	79.6	78.5	77.7	80.1	87.1	81.5	84.2	82.0	72.9	66.2	75.6	79.6
Tokyo	84.9	81.8	82.8	82.4	83.5	81.9	84.2	81.9	80.2	71.8	84.0	87.0	87.0	83.3	84.0	83.0	85.6	82.6	89.9	92.9	84.5	76.6	88.4	89.2

Source: HOTERES WEB, <http://www.hoteresweb.com/> (website in Japanese only)



IAI Ticket gate use



IBI Convenience store use



ICI Vending machine use

## SUICA

### OVERVIEW

JR East introduced *Suica* in November 2001 as a fare collection system based on an IC card for replacing magnetically coded tickets. *Suica* is a reusable debit card that can be charged repeatedly with cash and credit pre-payments 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 46.43 million cards as of March 31, 2014. **IAI**

### TOPICS

#### Usage Area of *Suica*

Since the service was introduced to the Tokyo metropolitan area in November 2001, usability of *Suica* has been extended 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 Group has spearheaded the promotion of a mutual usage service among IC cards of different transportation companies. These efforts to improve customer convenience culminated in the launch of a nationwide mutual service network linking 10 different IC cards in March 2013. To make this network possible, transportation companies abandoned bilateral agreements on mutual usage in favor of a blanket approach. Travelers can now use *Suica* or any one of the IC transportation cards they own to ride most trains, buses or some other mode of public transportation in almost any major city in Japan. As of March 31, 2014, *Suica* was usable at 4,403 stations and on approximately 23,445 buses nationwide.

#### *Suica* Electronic Money

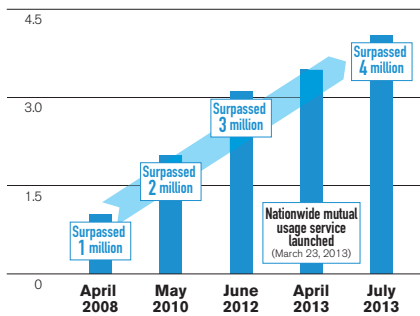
Since launching the electronic money service of *Suica* in March 2004, JR East has been expanding business partnerships for the card, with the aim of popularizing its usage in a wide variety of settings. Beyond the stores and vending machines inside railway stations, usability of the card has been extended 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 online shopping 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 248,890 retail locations and electronic money cards issued by public transportation companies turned over a record 4.06 million transactions a day as of July 2013.

**IBICI**

## RECORD DAILY TRANSACTION VOLUME OF PUBLIC TRANSPORTATION ELECTRONIC MONEY CARDS<sup>\*1</sup>

Million transactions



\*1. Set comprising Kitaca, PASMO, Suica, manaca, TOICA, ICOCA, Hayakaken, nimoca and SUGOCA

## Comparison with Other Electronic Money Businesses

Total settlement amount by electronic money in Japan, comprising pre-paid electronic money cards, such as *Suica*, issued by public transportation companies and those issued by the retail distribution sector is estimated to have surpassed ¥3 trillion in 2013<sup>\*2</sup>. Of note, as of December 31, 2013, electronic money cards issued by public transportation companies accounted for the largest share of these settlements in terms of transaction volume.

\*2. Set comprising *Suica*, *PASMO*, *ICOCA*, *WAON*, *nanaco* and *Edy* (Source: The Nikkei newspaper, morning edition January 22, 2014)

### STATUS OF ELECTRONIC MONEY

(As of December 31, 2013)

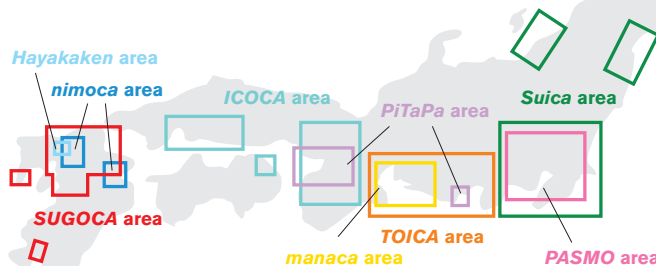
	Transaction Volume in Dec. 2013 (in thousands)	Cumulative cards issued (in thousands)	Usable locations
<i>WAON</i>	87,000	37,800	173,000
<i>Nanaco</i>	93,500	26,950	141,700
<i>Edy</i>	32,000	80,000	370,000
Public transportation e-money cards	96,770	87,500	242,000

Source: Nikkei Marketing Journal, morning edition January 27, 2014

## Online Transactions with *Suica*

Online settlement with *Suica* began when JR East launched the *Mobile Suica* in October 2006. This online capability was expanded in July 2009 when the *Suica Internet Service* was introduced to enable customers to use their home PCs for charging prepayments to

## NATIONWIDE MUTUAL USAGE SERVICE



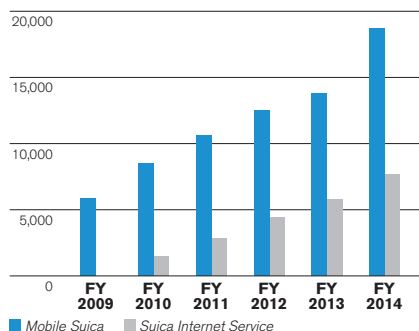
- As a basic rule, IC cards cannot be used for continuous travel from an area served by one IC card to another. However, as an exception to this rule, IC cards can be used on direct service between lines served by the *Suica* and *PASMO* cards in the Tokyo metropolitan area, and certain direct service segments served by the *SUGOCA* and *Hayakaken* cards in Kyushu.
- Some transportation companies do not accept IC cards.

their *Suica* cards and to settle e-commerce payments with *Suica*.

Online transactions with *Suica* began on JR East's *eki-net Shopping* e-commerce site and has since expanded steadily to include major online malls, such as *amazon.co.jp* and *Yahoo! Japan Shopping*. There are now over 10,000 retailers accepting payment online with *Suica*, including outlets for e-books, online games and other digital content.

### NUMBER OF STORES ACCEPTING ONLINE SETTLEMENT WITH *SUICA*

Number of Stores



## OUTLOOK

### Enhance *Suica's* Convenience as an IC Railway Ticket

Aiming to expand *Suica* services throughout the railway network, JR East will strive to expand the usable domain of *Suica* to include mutual usage with IC railway tickets in the Sendai area.

### Further Growth in the Electronic Money Business

JR East will also apply a strategic approach to large chain stores and other retail venues, and link its development of tourism centered on regional destinations, and work to expand its network of affiliated stores to promote further use of electronic money. This will entail strengthening the Group's cooperation with other public transportation companies in the electronic money business and reducing the cost of introducing electronic money through the use of thin clients<sup>\*3</sup> and other means.

\*3. A device that enables the concentration of all primary functions related to settlement on a central server. Thin clients enable retail establishments to reduce the cost of introducing electronic money services.