

FUTURE DIRECTIONS OF MAIN BUSINESS ACTIVITIES

TRANSPORTATION

SHINKANSEN BULLET TRAIN NETWORK

- ➔ JR East will further strengthen its high-speed rail network, which is made up of five lines — the Tohoku, Joetsu and Nagano Shinkansen, and the Yamagata and Akita hybrid Shinkansen. Steps to make the Shinkansen network more competitive in relation to automobile and air travel include shortening average travel times by increasing the number of high-speed rolling stock and promoting “park & ride” parking facilities.
- ➔ JR East plans to begin service on the Yamagata hybrid Shinkansen extension from Yamagata to Shinjo in December 1999. Interest-free loans from an organization backed by local public-sector entities provided all of the funding for this project. In addition, local governments will provide large-scale free parking areas near stations.
- ➔ The number of Shinkansen commuters continues to grow. JR East is operating more all-double-decker trains, which have more seats, during commuting hours to further improve services for passengers.
- ➔ With regard to Seibi Shinkansen lines, a national project, JR East pays usage fees to the owner, Japan Railway Construction Public Corporation. These fees are computed to be within the scope of the corresponding benefits. Two sectors of these projects are currently under construction within JR East’s service area (see page 17).

TOKYO METROPOLITAN AREA NETWORK

- ➔ The densely populated Tokyo area generates an immense volume of demand for rail transportation services. Among the many actions taken to improve services in this market are more frequent departures, longer trains, higher speeds and more guaranteed-seat Commuter Liners. JR East plans to continue concentrating on providing safe and stable transportation services while taking steps to improve services.
- ➔ JR East has never raised fares except to reflect the introduction and revision of the consumption tax. By continuing to avoid fare increases, JR East will further enhance price competitiveness in relation to other major private railways and subways.
- ➔ JR East is adopting advanced technology to dramatically reduce maintenance expenses while reducing the number of employees related to railway operations. The company is raising productivity through the use of new track and electrical facilities and replacement of rolling stock by using newly developed technology. Additionally, work continues to proceed in the expansion of the area covered by the Autonomous Decentralized Transport Operation Control System (ATOS).

INTERCITY AND REGIONAL NETWORKS

- ➔ JR East has concentrated on actions to shorten travel times between major cities in its service area. Improved access to Shinkansen trains, enhanced high-speed networks and higher train speeds have all been effective. By introducing a new type of rolling stock for limited express trains, the Company plans to continue raising speeds and comfort levels.
- ➔ On the regional network, JR East is boosting efficiency through such means as increasing single-operator trains and installing Programmed Route Control (PRC) systems. At the same time, revisions are keeping train schedules in line with demand patterns.

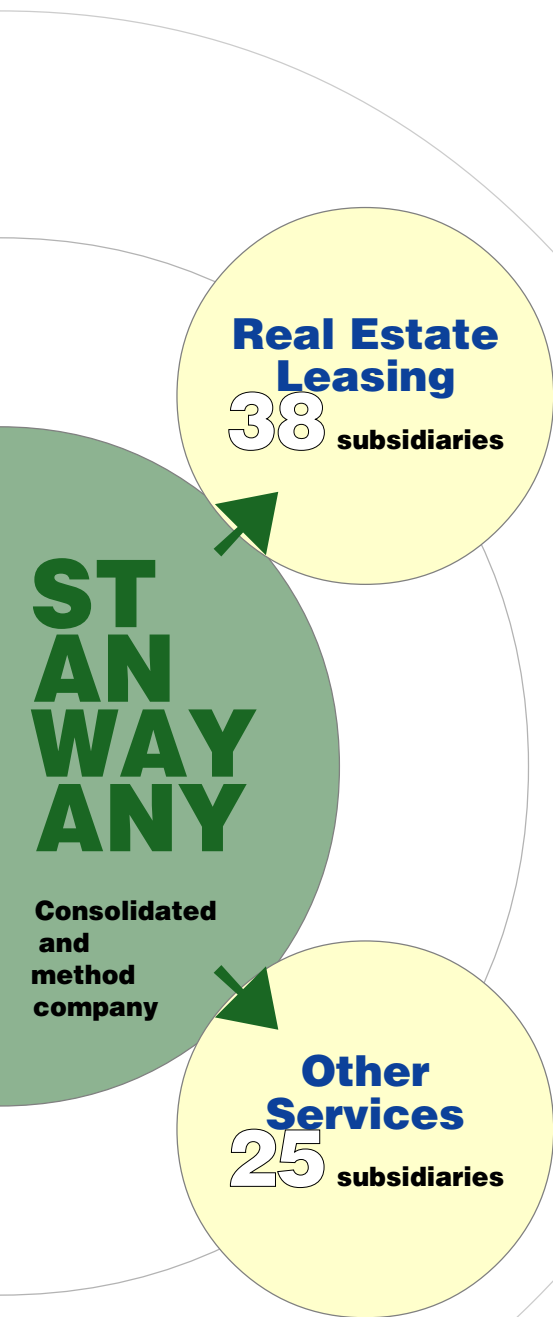
TRAVEL AGENCY SERVICES

- ➔ One objective is addressing the diversifying needs of customers and offering competitively priced travel packages. Another theme is stimulating more demand for rail travel. This involves making domestic travel more appealing by offering new reasonably priced travel packages that combine rail tickets with discounted rental cars and/or multi-night lodging.

Transportation
2 subsidiaries

Merchandise Sales
19 subsidiaries

EA JAP RAIL COMP
81 subsidiaries
1 equity-affiliated



Note: This diagram covers the activities of 81 consolidated subsidiaries and one equity-method affiliate. Some of these subsidiaries are listed more than once as they are engaged in two fields of business.

MERCHANDISE SALES

RETAILING AND RESTAURANTS

- ➔ Station layouts continue to be altered, mainly at stations serving large numbers of passengers, to allow developing more commercial space. This enables the use of prime locations for shops selling books, CDs and fast food, as well as convenience stores and other retail outlets.
- ➔ A large-scale shopping center was opened in April 1999 at Tachikawa Station, which serves a large city in western Tokyo, through a tie-up with a department store company.

REAL ESTATE LEASING

SHOPPING CENTERS

- ➔ In addition to developing buildings for shopping centers at major stations, smaller shopping centers are being constructed at busy suburban stations. These centers sell groceries, household goods and other items closely tied to everyday living, thus attracting commuters, students and other passengers on a daily basis.
- ➔ At existing station buildings and other retail spaces, revisions in merchandise lineups and shifts to different retailing formats will be conducted extensively to match changes in customers' preferences and the distinctive characteristics of each location.

OTHER SERVICES

HOTEL OPERATIONS

- ➔ JR East has a centralized management system for its three types of hotels: *Metropolitan Hotels*, full-service hotels located in city centers; *HOTEL METS*, small-scale urban hotels offering quality accommodations; and the *Folkloro* and *Familio* facilities designed for multi-night stays. This makes it possible to conduct the hotel business in a manner that takes advantage of the huge JR East network.
- ➔ Plans call for the opening of more *HOTEL METS*.

ADVERTISING AND PUBLICITY

- ➔ Advertising businesses make the most of highly visible spaces in stations and inside trains, locations that are ideal for advertisements. Existing advertising formats are being reviewed and new media developed.

INFORMATION SERVICES

- ➔ A sound base in the development and operation of information processing systems supports a growing business in outsourcing, development, software sales and consulting. These activities target other JR companies and other private railways, private-sector companies and the public sector.

CARD BUSINESS

- ➔ As of August 1999, JR East's *View Card* customers on the basis of applications received was almost 1.7 million. To respond to the rising demand for cashless purchasing power in Japan and build a customer data base, steps are being taken to expand the card business such as by issuing affinity cards and increasing the number of merchants who accept the card. Also, the customer data base will be used to bolster sales capabilities of the entire JR East Group.

HOUSING DEVELOPMENT AND SALES

- ➔ Most housing development projects are at locations along JR East's rail lines. Developments are closely tied to rail operations. Quality residences are supplied while reducing risk by taking on developments that play an important role in projects based on city plans and by conducting development activities quickly. The development and sale of residential building sites, houses and condominiums will continue in this manner. JR East will also make effective use of land that it owns. Plans call for continuing to conduct housing development and sales activities not only in the Tokyo area but in other large cities in Japan, too.