

■ *The Shinkansen Network Continues to Expand*

JR East operates two hybrid Shinkansen routes, offering through service from Tokyo to Shinjo and Akita. JR East developed this unique method of running the same trains on both Shinkansen and conventional lines where rails have been widened. This system shortens travel times by eliminating the need to change trains and enabling trains to operate at higher speeds.

The Yamagata hybrid Shinkansen, which began running in July 1992, has increased capacity to keep pace with solid demand. In December 1999, the conventional line sector of this service was extended from Yamagata on to Shinjo, a distance of 61.5 kilometers and through service between Tokyo and Shinjo began. The average travel time between Tokyo and Shinjo is now 3 hours and 25 minutes, a reduction of roughly 30 minutes. The fastest train links these two cities in 3 hours and 5 minutes. Interest-free loans from an organization backed by local public-sector entities provided all of the funding for this project. In addition, local governments provided large-scale free parking areas (“park & ride” parking facilities) holding a total of about 2,800 cars at five stations. This is expected to attract more passengers by making it convenient to drive to a station.

■ *Broad-Based Development of Life-Style Businesses*

Opening of *Gran Duo*

In April 1999, a new type of shopping center named *Gran Duo* opened its doors in Tachikawa, a large city in Tokyo’s western suburbs. Tachikawa Station serves 240,000 people daily. The subsidiary that operates *Gran Duo* receives support from Hankyu Department Stores, Inc., one of Japan’s major department store companies. Situated in a prime location, *Gran Duo* attracts a large number of customers.

Diversifying the *Kiosk* Network

Kiosk, a station-based retail chain selling newspapers, magazines, snacks and other items, is aggressively developing new formats. Examples include book stores, CD shops and drug stores. As part of this program, *Kiosk* formed a tie-up in April 1999 with Pia Corp., a major Japanese ticket distributor, and subsequently opened a *Ticket Pia Kiosk* shop. An October 1999 agreement with Ryohin Keikaku Co., Ltd., which sells a diverse line of No Brand products that is especially popular among young people, led to the opening of *Mujirushi-Ryohin COM KIOSK*, a *Kiosk* selling these items.

HOTEL METS Open in Kitakami and Nagaoka

Occupancy rates of *HOTEL METS* have been consistently high. Supporting this performance are locations at or near stations and a strategy of offering the quality accommodations of a full-service urban hotel at lower prices. Two more of these hotels opened in July 1999 in Kitakami and Nagaoka. Both are located in growing regional cities with Shinkansen stations. These additions increased the *HOTEL METS* network to ten locations with 952 rooms as of December 1999.

The View Card Becomes Still More Useful

JR East's *View Card* had attracted about 1.75 million customers as of the end of November 1999 on the basis of applications received. From April 2000, *View Cards* will be honored at any VISA-affiliated merchant worldwide, dramatically boosting the convenience of these cards.

■ *More Emphasis on Consolidated Management*

Nonconsolidated financial statements, prepared in accordance with the Securities and Exchange Law of Japan, generally have been regarded as the primary means of financial disclosure in Japan. Consolidated figures were provided only in a secondary role. This system is set to change in the fiscal year ending March 31, 2000 to one in which consolidated results take precedence. To lay the groundwork for this move, JR East established a subsidiary to conduct accounting, consulting and other related services in April 1998. A committee headed by the Company president was formed to create strategies and management plans on a group-wide basis.

In anticipation of the disclosure of consolidated interim financial statements beginning in the fiscal year ending March 31, 2001, JR East released a set of consolidated financial information including segment information for the current interim period (refer to supplementary information).