

Future Directions of Main Business Activities

TRANSPORTATION

SHINKANSEN BULLET TRAIN NETWORK

- JR East will further strengthen its Shinkansen 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 air and automobile travel include enhancing the convenience of railways by increasing the number of high-speed rolling stock to shorten average travel times and promoting “park & ride” parking facilities. To increase efficiency, JR East revised schedules and train composition to match demand patterns.
- 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 this project are currently under construction within JR East’s service area (see page 27).

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 striving to reduce the number of employees related to railway operations while reducing maintenance expenses mainly by replacing rolling stock and roadbeds with equipment that requires little or no maintenance.
- JR East is preparing to introduce a new automatic fare collecting system using a new type of IC card and plans to begin this service in 2001. In addition to using these cards to improve services for passengers and cut costs, JR East will explore opportunities for new IC card-related businesses (see page 16).

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 new types of rolling stock for limited express trains, the Company plans to continue raising speeds and comfort levels.
- On the regional network, revisions are keeping train schedules in line with demand patterns, while improvements in connections and other actions enhance convenience for passengers. At the same time, JR East is boosting efficiency through such means as increasing single-operator trains and installing Programmed Route Control (PRC) systems.

TRAVEL AGENCY SERVICES

- The objectives are offering products that address the needs of specific customer categories, such as families, housewives and older travelers, 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 based on themes and special events that combine rail tickets with discounted rental cars and/or multi-night lodging.

MERCHANDISE SALES

RETAILING AND RESTAURANTS

- JR East is rapidly and effectively implementing *The Sunflower Plan*, whereby layouts are altered at stations serving large numbers of passengers to allow developing more commercial space.
- Businesses will be conducted with partners outside the JR East Group to improve profitability.
- In the growing field of Internet businesses, *eki-net* electronic mall services will be upgraded. In addition, JR East will launch activities that draw on its strengths. *JC* convenience stores and *Mini-convenience stores* will be the primary bases for these new businesses.

REAL ESTATE LEASING

SHOPPING CENTERS (Leasing space to tenants)

- Prominent tenants will be added and retailing formats shifted to match changes in customers' preferences and the distinctive characteristics of each location.
- In addition to developments at major stations, smaller shopping centers that mainly sell groceries, household goods and other items closely tied to everyday living, are being constructed at busy suburban stations.
- JR East will draw on the resources of the entire group to lease retail space to tenants and will conduct joint advertising activities.

OTHER SERVICES

HOTEL OPERATIONS

- JR East is optimizing the operations of its *JR East Hotel Chain* by using a centralized management system for its mainly 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.
- Direct sales capabilities will be enhanced and the number of regular guests increased, mainly through Internet sales.
- 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.

CARD BUSINESS

- As of July 2000, the number of JR East's *View Card* customers on the basis of applications received was about 1.9 million. More dual-branded cards were issued through tie-ups with JR East Group shopping centers and hotels. In April 2000, all *View Cards* gained a VISA function as well. Due to these actions, the number of cardholders continues to grow steadily. The customer data base will be used to bolster sales capabilities of the entire JR East Group.

HOUSING DEVELOPMENT AND SALES

- Most housing developments are at locations along JR East's rail lines and closely tied to rail operations. JR East supplies quality residences by participating in projects based on city plans, developing projects quickly to reduce risk, and reflecting the needs of Japan's aging society. 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.

INFORMATION SERVICES

- JR East is working on the development and operation of even more reliable data processing systems as society becomes increasingly reliant on information and the development of new businesses using the Internet.