

## How does the JR East Group carry out CSR management?

The JR East Group carries out CSR management in a swift and transparent manner by giving priority to dialog with our stakeholders in order to fulfill our social missions as stated in our Group Policies

### Basic concept on CSR

The railways that form the core of the JR East Group's business were originally constructed for social development. In this sense, the railway business is intimately related with society and local communities. For this reason, the JR East Group has been engaged in our business with a corporate culture that encourages our employee to recognize the importance of contributing to society, and fulfilling our social responsibility.

Then, how can the JR East Group play a part and make contributions in society? Regarding our social missions, our Group Philosophy states that, "As a *trusted Life-style Service Creating Group*, JR East will aim to sustain the development of its business operations while emphasizing its responsibilities to stakeholders and society at large along with its responsibility to generate profits for shareholders."

By carrying out our business activities in accordance with our Group Philosophy and Action Policies, we are determined to re-

main to be a corporate group that can meet the social expectations and the trust of stakeholders.

### Group philosophy

The JR East Group will aim to function as a corporate group capable of providing high quality and advanced services, with railway businesses at its core, while achieving sound management.

For this purpose, every individual employee of the Group will endeavor to consider the customer perspective while supporting safe and punctual transportation and supplying convenient and high-quality products and services. Every employee will continuously take on the challenges of improving the standard of services and raising the level of technology to further gain the confidence and trust of customers.

As a *trusted Life-style Service Creating Group*, JR East will aim to sustain the development of its business operations while emphasizing its responsibilities to stakeholders and society at large along with its responsibility to generate profits for shareholders.

### Action policies

#### 1. Putting customers first

We will put our hearts into providing good service and living up to our customers' expectations.

#### 2. Ensuring safety and quality

We will take thorough measures to provide transportation services that are safe and punctual and products and services that are of high quality.

#### 3. Developing the Group

Each of us will promote Group development based on our autonomous and cooperative efforts and our positive approach to new challenges.

## JR East Group Medium-Term Management Plan: *New Frontier 2008*

—New Creation and Evolution (2005–2008)—

### Basic management policy (three reforms)

**Offering services that reflect the customer viewpoint**

Challenge ourselves to meet customer expectations

**Building a robust group**

Enhance the competitiveness and collective strength of the corporate group based on self-reliant management

**Fulfilling social responsibility and achieving sustainable growth**

Sustain corporate growth by offering improved quality of life

### Creating new customer values (six challenges)

**Continue relentless efforts to provide safe and reliable transportation**

**Further enhance the convenience and comfort of railway operations**

**Enhance lifestyles through the Suica brand**

**Reinvent stations**

**Grow non-transportation operations further**

**Focus on research and development**

## Transparent and responsive management

### Enhancing corporate governance

We have recognized the enhancement of corporate governance as one of our most important management tasks in order to continue to be a trusted corporate group.

Specifically, our Board of Directors meets once per month as a rule, to make decisions on legal and other key executive matters, and supervises management of corporate affairs. Additionally, the Executive Committee consisting of all managing directors has been formed through a decision by the Board of Directors. The Executive Committee generally meets once per week to review decisions by the Board of Directors and other important management issues.

Moreover, we have invited two outside directors to the board in order to enhance management supervision, while four of our five corporate auditors have been selected outside the company to enhance our auditing functions.

Internal audits are performed by a total of about 100 full-time staff in the Audit Department at our Head Office and the Audit Offices at our branches. These audit bodies form a monitoring regime to ensure legally compliant and efficient administrative execution.

Our corporate auditors also have approximately 10 full-time staff to assist them. In accordance with policies set by the Board of Corporate Auditors, full-time and other auditors attend meetings of the Board of Directors, Executive Committee, and other important company meetings,

and audit the directors' executive actions through investigations of finances and other factors.

Accounting audits are conducted by independent auditor KPMG AZSA & Co., with which we have an audit agreement, during and at the end of each fiscal year.

In light of the characteristics of the railway business, we emphasize a long-term perspective in our decision-making, and we remain committed to enhancing our corporate governance under our current audit system.

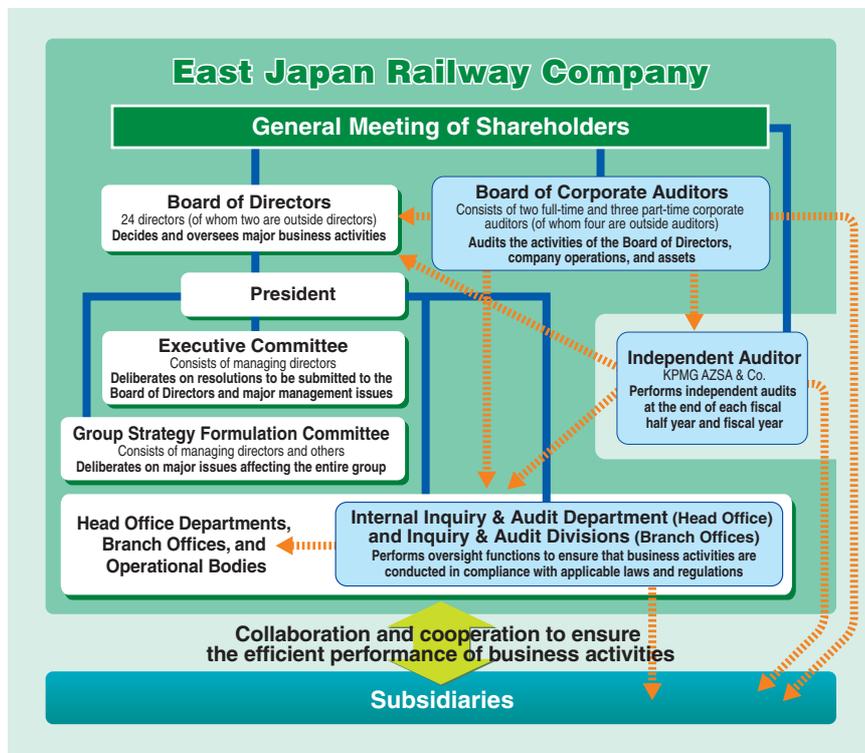
Note that in May 2006, we established a "regime for ensuring the appropriateness of administration" in accordance with the Company Law.

### Communication with society

We have relations with a large number of stakeholders, including the approximately 16 million customers using our railway services each day, as well as our shareholders and investors, business partners, employees and their families, NPOs, and local communities.

In order to gain greater understanding from these stakeholders, we actively communicate information about our group initiatives through public and investor-relations activities. We strive to disclose key corporate information on our website in a swift and appropriate manner. We also proactively create opportunities to learn our stakeholders' views and requests. We are determined to remain a credible and trustworthy company through continued dialog with society.

### Corporate governance system



## Foundations that support management

### Compliance

Recognizing that corporate management must be conducted based on compliance and high ethical standards if a company is to survive and prosper, we have built a structure to ensure a rapid response to legal risks and internal legal issues under the initiative of the Legal Department and the Crisis Management Office at the Administration Department. We strive to ensure compliance with applicable laws and regulations in all our business activities, while receiving advice from legal counsel and other professionals. The *New Frontier 2008* declares that greater efforts must be made for corporate management by complying with laws and regulations. To achieve this goal, we adopted the Policy on Legal and Regulatory Compliance and Corporate Ethics in June 2005, and distributed a booklet called Compliance Action Plan to all employees of our Group companies to give a straightforward explanation and raise their awareness of compliance. Accordingly, we established internal reporting sections both inside and outside the company.

In addition, prior to the Whistleblower Protection Act coming into force in April 2006, we established rules in March 2006 to handle information in the public interest with the objective of protecting whistleblowers.

As a corporate group that manages a large amount of personal information in the course of doing business, we established the Regulations for the Management of Personal Information in March 2005, and appointed Chief Privacy Officers, with the aim of strictly protecting personal information. We are also working to enhance information security of our entire Group companies by ascertaining the holding status of personal information.

We also regularly provide trainings for employees of our branch offices and Group companies, in order to enhance compliance and ethical standards. In fiscal 2005, we continued offering a variety of training, such as Management Seminar, Legal Skills Seminar, Basic Legal Training, and Regular Legal Seminar for employees of JR East and our Group companies.

Additionally, we actively promote activities to raise awareness of compliance-related issues by holding compliance seminars (17 times with a total of about 2,100 attendees), where our top management explained the importance of compliance to

our employees, and providing opportunities to exchange opinions between executives at our Head Office and field workers (37 times with a total of about 300 attendees).

### Risk management systems

The Crisis Management Headquarters was established in January 2001 to centrally collect and manage information, and to take initial responsive actions in the event of a major crisis affecting the JR East Group's business operations. We have also established the Crisis Management Office, with the aim of controlling risks before crises occur, and to identify potential risks at an early stage. We strive to minimize damage and losses caused by a crisis by taking various measures, such as accelerating our top management's decision-making by facilitating its early involvement to avoid delays in response, disclosing information in an appropriate manner, and conducting compliance-based management.

Furthermore, we are enhancing our risk- and information-management structures, by conducting training for our Group companies, for the purpose of creating an open corporate culture that can distribute risk-related information in a timely manner.

### ► Compliance training

Title	Number of meetings	Participants	Contents and objectives	Number of participants
Management Seminar (Compliance Course)	2	Administrative managers of Group companies	Compliance and risk management	40
Legal Skills Training	1	Legal affairs managers of branch offices	Enhancement of practical legal knowledge, legal reasoning, and decision-making/problem-solving skills	12
Basic Legal Training	1	Legal affairs personnel of Group companies	Acquisition of basic legal knowledge	70
Regular Legal Seminar	4	Employees of JR East and Group companies	Explanation of new and revised laws, and awareness-raising about compliance	About 200 for each seminar