

Toward a Trusted Life-style Service Creating Group

The JR East Group aims to fulfill its social responsibilities while generating profit and to push forward responsive and transparent CSR management, in accordance with its Group Philosophy of providing high quality and advanced services, with railway businesses at the core.

CSR Basic Concept

Responding to society's expectations and trust

The railway businesses that form the core of the JR East Group were originally founded and operated for social development. In this sense, they form a type of social infrastructure.

As railway businesses are intimately related with people's lives and local communities, we engage in business with a corpor-

ate culture that encourages employees to recognize the importance of contributing to society, and, thereby, allows us to fulfill our social responsibilities.

"How, then, can the Group play a positive role and, thus, contribute to society?" Regarding this social mission of ours, we abide by our Group Philosophy which states, "As a 'trusted Life-style Service Creating Group', JR East aims 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 pursuing our business activities in accordance with our Group Philosophy and Action Policies, we are determined to remain a corporate group capable of meeting social expectations and maintaining stakeholders' trust.

Management

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

JR East has identified the enhancement of its corporate governance as one of the most critical management tasks in order to continue to be a trusted corporate group.

Corporate governance system

Our Board of Directors, meeting once a month in principle, decides on key operational issues relating to statutory requirements and other matters and supervises overall operations. Under the Board of Directors is the Executive Committee, which includes all directors with executive functions. Meeting once a week in principle, the committee deliberates matters to be decided by the Board of Directors and other important management issues.

Supervision and auditing systems

We have invited two outside directors to join the board in order to enhance management supervision. Furthermore, four of our five corporate auditors have been selected from outside the Group in order to guarantee the enhancement of our auditing functions.

Regarding internal audits, JR East has established an internal auditing system involving approximately 100 full-time employees in the Inquiry & Audit Department at its Head Office and Inquiry & Audit divisions at branch offices, and these units work to ensure that corporate operations are executed appropriately and efficiently.

The audits of corporate auditors are supported by approximately 10 specialized staff. The system for the oversight of directors' implementation of operations, carried out in accordance with rules established by the Board of Corporate Auditors, centers on full-time corporate auditors who

attend meetings of the Board of Directors, the Executive Committee, and other important in-house meetings and also investigate financial situations and other items.

The corporate auditors also exchange auditing information with corporate auditors of Group companies at liaison meetings held at regular intervals.

Regarding financial audits, the financial statements of JR East are audited under contract by an independent auditor (accounting auditor), KPMG AZSA & Co., at the end of each fiscal half year and fiscal year.

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

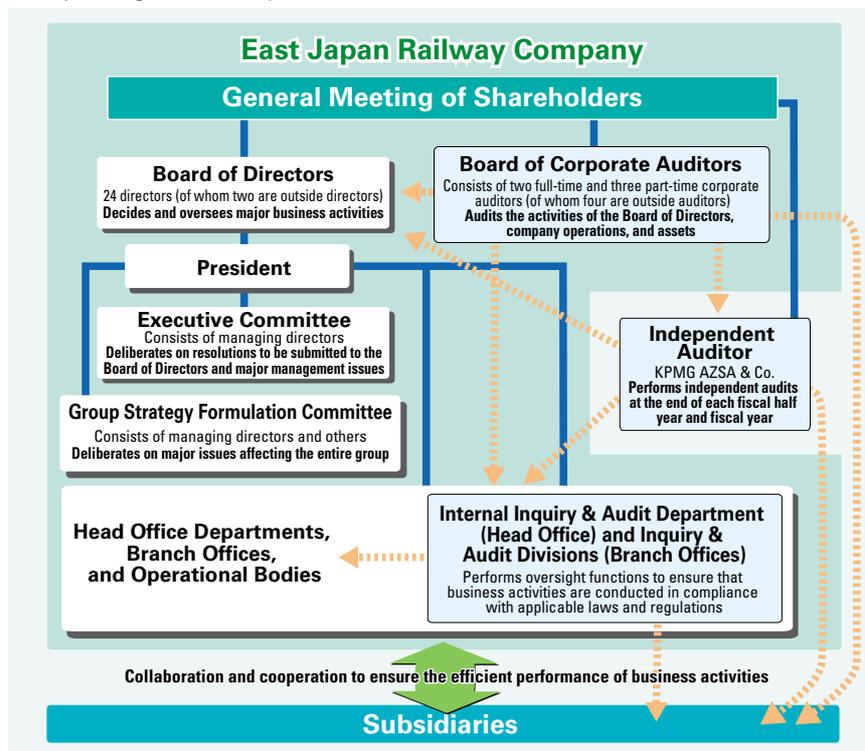
Note that in May 2006, we established a "regime for ensuring administrative appropriateness" in accordance with the Company Law.

Emphasizing dialogs with stakeholders

We have a wide range of relationships with many 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, and local communities.

In order to achieve a higher level of understanding with these stakeholders, we actively disseminate information about Group initiatives through public and investor relations activities. We also strive to disclose key corporate information on our website in a swift and appropriate manner. Furthermore, we work to create opportunities to listen to and learn from our stakeholders' views and requests. We are determined to remain a credible and trustworthy company through earning the continued respect of society and holding dialogs with society as a whole.

■ Corporate governance system (as of March 31, 2007)



Dealing with management risks at an early stage

Ensure thorough compliance

Recognizing that corporate activities based on strict compliance and high ethical standards are prerequisites for a company to survive and prosper, we have built a structure that ensures rapid response to legal risks and internal legal issues under the auspices of our Legal Department and the Crisis Management Office of the Administration Department. We strive to ensure total compliance with applicable laws and regulations in all our business activities with the assistance of advice from legal counsel and other professionals.

Internal compliance awareness

Our New Frontier 2008 manifesto states that greater efforts must be made to ensure that corporate management complies totally with laws and regulations. To achieve this goal, we adopted a Policy on Legal and Regulatory Compliance and Corporate Ethics in 2005, and distributed a booklet titled “Compliance Action Plan” to all employees of Group companies in order to provide them with a straightforward explanation of the requirements and raise their awareness of the necessity of compliance.

At the same time, we established a

“Compliance Hotline” to receive both internal and external information. In addition, in March 2006, prior to the promulgation of the Whistleblower Protection Act in April of the same year, we established rules to handle information that is in the public interest with the objective of protecting whistleblowers.

Protection of Personal Information

As a corporate group that manages vast amounts of personal information in the course of doing business, we established Regulations for the Management of Personal Information in 2005, and appointed Chief Privacy Officers who have the task of strictly protecting personal information. We are also working to enhance the information security levels of all our Group companies by ascertaining the holding status of personal information.

Raising employee awareness

We regularly provide training sessions for employees of our branch offices and Group companies, in order to enhance levels of compliance and ensure the highest levels of ethical standards. In fiscal 2006, we continued to offer a variety of training, including Legal Skills Training, a Management School compliance course, Basic Legal Training, and Regular Legal Seminars for employees of JR East and our Group companies.

Additionally, we actively promote activities that are designed to raise awareness of compliance-related issues by holding compliance seminars and workshops, and include compliance-related articles in our internal newsletter.

Risk management

The Crisis Management Headquarters was established in 2001 to centrally collect and manage information, and to make prompt initial responses in the event of major crises affecting the business operations of JR East Group companies. We further established the full-time Crisis Management Office in 2004, with the aim of controlling risks before crises occur, and to identify potential risks at the earliest possible stage.

We constantly strive to minimize loss and damage from crises by measures such as accelerating top management decision-making through facilitating its early involvement, in order to avoid delays in response; by disclosing information in an appropriate manner; and by conducting compliance-based management.

We are also enhancing our risk- and information-management structures by conducting training for Group companies to create an open corporate culture that can disseminate risk-related information in a timely manner.

Compliance training

Title	Number of sessions	Participants	Contents and objectives	Number of participants
Management School (Compliance Course)	1	Administrative managers of Group companies	Compliance and risk management	35
Legal Skills Training	1	Legal affairs managers of branch offices	Enhancement of practical legal knowledge, legal reasoning, and decision-making/problem-solving skills	11
Basic Legal Training	2	Legal affairs personnel of Group companies	Acquisition of basic legal knowledge	51
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