

Maintaining Customer Confidence and Trust

Basic concept of CSR

The JR East Group is based on railway businesses that are involved in a broad range of our customers' lives and that are vital to society and local communities. With such a high public profile, we are committed to meeting our social responsibilities by carrying out our business activities in such a manner as to ensure railway safety and reliable transportation services.

In terms of our social mission, our Group Philosophy states: "We will grow continuously and advance in harmony with our customers by generating earnings while meeting our social responsibilities as a Trusted Life-style Service Creating Group." We are determined to remain a corporate group capable of meeting social expectations and maintaining stakeholders' trust by pursuing our business activities in line with that philosophy.

Corporate governance

JR East's Basic Corporate Governance Philosophy

To continue to be a company trusted by its shareholders and all other groups of stakeholders, JR East has made the strengthening of its corporate governance a top-priority management task.

Specifically, with a view to augmenting the soundness and transparency of management, JR East is creating appropriate systems for management decision making, operational execution and auditing, Group management, information disclosure, and other important matters while also implementing the various measures required in connection with those systems.

Operation, Supervision and Auditing System

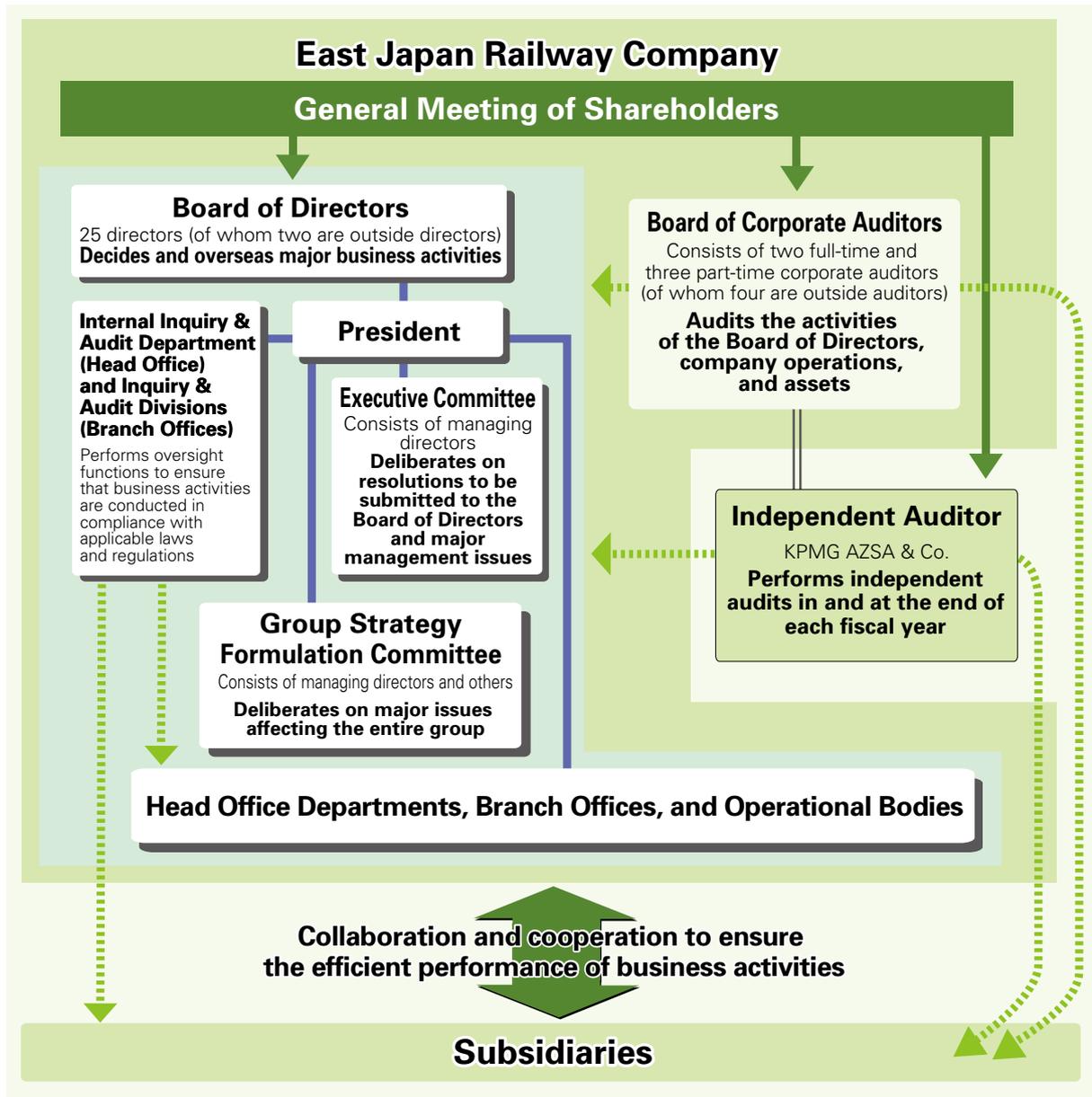
Our Board of Directors, which normally meets every month, decides on key operational issues relating to statutory requirements and other matters and supervises overall operations. Under the Board of Directors is the Executive Committee, which includes all directors with executive functions. Usually meeting every week, this committee deliberates on matters to be decided by the Board of Directors and other important management issues. In addition, meetings of the Group Strategy Formulation Committee, which consists of managing directors and others, are held as and when required to deliberate on major issues affecting the Group as a whole.

To ensure the veracity of internal audits, JR East has established an internal auditing system involving approximately 100 full-time employees in the Inquiry & Audit Department at the Head Office and inquiry & audit divisions in branch offices, and these units work to ensure that corporate operations are executed appropriately and efficiently. The Inquiry & Audit Department also undertakes the auditing of Group companies.

Our Board of Corporate Auditors usually meets every month and 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.

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

■Corporate Governance system (as of August 1, 2009)



Compliance

The Basic Concept of Compliance

In order to advance our efforts toward achieving total compliance, in 2005 we adopted a Policy on Legal and Regulatory Compliance and Corporate Ethics, and distributed, to all employees of Group companies, a booklet entitled "Compliance Action Plan" with the aim of raising their awareness of the necessity of compliance. At the same time, we established a Compliance Hotline to receive both internal and external information.

In order to regain the full trust of the public after the Shinanogawa power plant incident that occurred in 2009, in addition to traditional measures, we have now revised the Compliance Action Plan, implemented full inspection of legal compliance matters and strengthened employee education, and are currently involved in a group-wide promotion of compliance management.

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Formulation and Revision of the Compliance Action Plan

In June 2005, JR East formulated and distributed the first version of its Compliance Action Plan which summarized what we consider to be desirable conduct for all Group employees. This was revised in April 2009 to incorporate the objective of constantly reviewing our work operations using laws and regulations as the basis of the reviews, in order to further promote thorough compliance and employee awareness.

Full Inspection of Legal Matters and a Continuous Review of Overall Work

We conduct full inspections of our compliance in regard to all our operations. Starting with this series of full inspections, JR East will promote continuous reviews of all its operations based on laws and regulations, internal rules, and social norms.

Strengthening Compliance Education

JR East conducts compliance education on an ongoing basis and we intend to further reinforce this system. Specifically, to raise the awareness of compliance, within the fiscal year ending in March 2010, we will educate all Group employees using the revised Compliance Action Plan.

■ Compliance Training

Title	Number of sessions	Participants	Contents and objectives	Number of participants
Management School (Compliance Course)	1	Administrative managers of Group companies	Compliance	37
Legal Skills Training	1	Legal affairs managers of branch offices	Enhancement of practical legal knowledge, legal reasoning, and decision-making/problem-solving skills	14
Basic Legal Training	2	Legal affairs personnel of Group companies	Acquisition of basic legal knowledge	50
Regular Legal Seminar	4	Employees of JR East and Group companies	Explanation of new and revised laws, and awareness-raising about compliance	About 180 for each seminar

Protection of Personal Information

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.

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 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. Furthermore, we have recently established a system that is necessary for us to respond to the emerging risk of the influenza pandemic, and are otherwise striving to prepare effective responses to all risks faced by the Group.

Information Disclosure

JR East has a wide range of relationships with many stakeholders, including the 16.86 million customers using our railway services each day, as well as our shareholders and investors, business partners, employees and their families, and local communities. We actively disseminate information about Group initiatives through public and investor relations activities to these stakeholders. We also strive to disclose key corporate information on our website in a swift and appropriate manner. Furthermore, JR East is working to create wide-ranging opportunities to listen to and learn from the views and requests of our stakeholders.

The Shinanogawa Power Plant Incident

On March 10, 2009, JR East received an administrative penalty from the Hokuriku Regional Development Bureau, Ministry of Land, Infrastructure, Transport and Tourism in line with the River Act including the revocation of a permit to draw water from the Shinanogawa River because the company's water intake had exceeded the maximum allowed quantity. We would like to express our deepest apologies to residents along the Shinanogawa River and all others involved in this case, and to everyone using JR East's services.

Taking to heart the understanding that we must never make the same mistake again, JR East has established the Outside Experts Committee on Hydroelectric Plant Operations and the Project on Operational Improvement and Reinforcement in Power Plants under the jurisdiction of top executives, through the deliberations of which we intend to consistently instigate improved work mechanisms and systems.

Furthermore, we are actively advancing the improvement of our business practices and cooperating with local communities through our Shinanogawa Power Station Improvement Department which was established in the Head Office on April 1, 2009, as well as through a local office directly under its jurisdiction. We have also transferred from the Tokyo Branch Office all functions related to power generation and supply to the Energy Management Center, which was established on the same day as a Head Office-affiliated organization. By taking these steps, we have clarified the framework of responsibility and the channels for orders and directives while, at the same time, improving communication between front-line facilities and the Head Office.

Since its establishment, JR East has worked to achieve complete compliance and enhanced internal control and we have responded, mainly through our Crisis Management Office, to various situations that have occurred over the years. The Shinanogawa power plant incident, however, has reminded us that if we are to retain the full trust of the public, we must continue to strive for an improved level of employee education on compliance, implement full inspection of compliance in all our operations, and ensure the promotion of compliance management.