

JR East regards strengthening the trust placed in it by shareholders and other stakeholders through enhanced corporate governance as a top management priority.

### BOARD OF DIRECTORS

JR East's Board of Directors comprised 23 directors, including 2 outside corporate directors, as of the end of June 2004. The Board of Directors decides on key operational issues relating to statutory requirements and other matters and supervises overall operations. It convened 13 times during fiscal 2004. Since its establishment in 1987, JR East has enhanced management transparency and supervisory functions by appointing outside corporate directors with extensive experience and expertise in business fields outside the realm of its own operations.

JR East has streamlined its Board of Directors in recent years to invigorate debate and enhance the flexibility and speed of decision making. Subsequent to the shareholders' annual meeting in June 2003, the number of directors was reduced from 31 to 27. A further reduction to 23 directors was approved at the shareholders' annual meeting in June 2004.

Furthermore, JR East discontinued the directors' and corporate auditors' retirement bonus system upon conclusion of the shareholders' annual meeting in June 2004.

### OTHER COMMITTEES

Under the Board of Directors is the Executive Committee, which comprises 14 directors with executive functions. The committee deliberates matters to be decided by the Board of Directors and other important management issues. The Executive Committee met 44 times in fiscal 2004.

In addition, the Group Strategy Formulation Committee—which mainly consists of directors with executive functions—considers management strategy for respective operational areas and other significant group issues. The committee held 6 meetings in fiscal 2004.

### BOARD OF CORPORATE AUDITORS

The Board of Corporate Auditors comprises 5 corporate auditors, including 2 full-time corporate auditors. And, the board's 4 outside corporate auditors include an attorney and a CPA. In accordance with guidelines established by the Board of Corporate Auditors, the corporate auditors supervise directors' implementation of operations by attending meetings of the Board of Directors, the Executive Committee, and other

Note: Yen figures have been translated to U.S. dollars at the rate of ¥106 to US\$1 as of March 31, 2004, solely as a convenience to readers.

committees and by inquiring into JR East's operations and assets. Furthermore, JR East's corporate auditors hold regular liaison meetings with the auditors of subsidiaries to share audit-related information.

### JR EAST'S CORPORATE GOVERNANCE PHILOSOPHY

Management decisions related to JR East call for long-term experience in keeping with the considerable length of time required for investments in mainstay railway operations to yield returns. JR East believes the most appropriate course is to enhance corporate governance based on its current auditor system of governance.

### SHAREHOLDERS' ANNUAL MEETING

Aiming to be as accessible to shareholders as possible, JR East listens very carefully to its shareholders' views and offers clear explanations at annual meetings attended by more than 1,500 shareholders every year. Moreover, JR East made it easier for shareholders to exercise their voting rights by introducing a computerized voting system from the shareholders' annual meeting in June 2003.

### DIVIDEND POLICY

JR East's basic profit appropriation policy is to continue stable dividend payments to shareholders and to bolster retained earnings for the establishment of a sound management platform that will enable the development of operations centered on railway business.

Based on that policy, JR East paid a cash dividend of ¥6,000 (\$57) per share for fiscal 2004, which included an interim cash dividend of ¥3,000 (\$28) per share and represented a ¥1,000 increase per share in the ordinary cash dividend.

For fiscal 2005, plans call for the payment of a cash dividend of ¥6,000 per share, which will include an interim cash dividend of ¥3,000 per share.

### COMPENSATION OF DIRECTORS AND CORPORATE AUDITORS

In fiscal 2004, JR East paid the following compensation to directors and corporate auditors.

**Compensation according to articles of incorporation or approved by shareholders at the annual meeting held in June 2004**

Directors		Corporate Auditors		Total	
No. of recipients	Amount	No. of recipients	Amount	No. of recipients	Amount
33	¥559 million (\$5 million)	8	¥79 million (\$1 million)	41	¥638 million (\$6 million)

Note: The above does not include bonuses paid to executives through appropriation of earnings, retirement benefits approved by the shareholders' annual meeting, and the employee salaries of executive employees.

**COMPENSATION OF INDEPENDENT AUDITOR**

In fiscal 2004, JR East paid compensation of ¥100 million (\$943 thousand) to AZSA & Co., in accordance with an audit contract and ¥42 million (\$396 thousand) for other services provided by the independent auditor.

**INTERNAL AUDITING AND COMPLIANCE SYSTEMS**

To ensure the efficient implementation of lawful operations, JR East has established an internal auditing system that comprises the Inquiry & Audit Department at its head office and Inquiry & Audit divisions at branch offices. The Inquiry & Audit Department also audits JR East's subsidiaries.

JR East works to ensure that its operations comply with laws and regulations. Those efforts center on JR East's Legal Department, which detects any potential legal problems at an early stage and consults with attorneys and other compliance experts as necessary. In addition, JR East heightens awareness of compliance issues and develops related human resources by conducting regular training programs for legal managers and administrators of subsidiaries.

**RISK MANAGEMENT SYSTEM**

JR East implements wide-ranging risk management for its railway operations by upgrading facilities and equipment and training personnel in relation to accident prevention, disaster countermeasures, and transport disruption countermeasures. In particular, JR East has established a system that prepares JR East to respond promptly and appropriately in the event of accidents or disasters. That system includes JR East's Transportation Operation Center, which operates 24 hours a day. Furthermore, JR East is working to accumulate risk management know-how based on the wealth of experience among its employees. And, in March 2004 JR East established the Transportation Reliability Improvement Committee, which is tasked with constructing a highly reliable

transportation system based on JR East's advanced and complex railway network.

Primary responsibility for the management of risk associated with external criminal acts and improprieties that could have a significant impact on JR East's operations lies with the Crisis Management Headquarters, established in January 2001. That headquarters coordinates closely with all related departments. In the event of such a problem arising, the Crisis Management Headquarters and senior management rapidly set up an initial action task force that prevents delayed responses stemming from confused or inadequate communication.

**SAFETY BACKUP FOR CONTRACTORS**

In March 2004, JR East established the Group Companies Safety Management Group in its Transport Safety Department, which collaborates closely with contractors to enhance management systems for safety and technology levels and to upgrade training programs. Also, in January 2004 JR East created the Signalling Technology Management Group in the Facilities Department of its head office. This group offers technical direction to contractors and seeks to enhance their technical management and training.

JR East and its contractors work together to standardize safety measures by coordinating the formulation of their respective safety plans.

**STRENGTHENED DISCLOSURE AND GROUP NETWORK  
Quarterly Results**

To enhance the timeliness of its disclosure, JR East began issuing quarterly financial statements in fiscal 2004. As a result, investors can now assess JR East's operational performance and financial position in three-month units.

**Cash Management System**

In April 2001, JR East introduced a cash management system to improve capital efficiency and reduce interest-bearing debt on a consolidated basis by integrating the management of the JR East group's cash and funding. As a result, interest-bearing debt has decreased approximately ¥170 billion in the three years since JR East established the system. In fiscal 2004, interest paid by JR East to external entities was reduced by roughly ¥3 billion.