

► Philosophy on CSR

# What is the JR East Group's basic stance on CSR?

To fulfill its corporate social responsibilities (CSR), the JR East Group is strengthening management structures in four areas: corporate governance, compliance, accountability, and risk management.

## Basic Philosophy on CSR

The railways that form the core of the JR East Group were originally constructed with the goal of promoting the progress of society, and in this sense it is a business that is intimately linked with society and communities. Because of this relationship, the JR East Group has always had a corporate culture that recognizes the importance of contributing to society, and of fulfilling its responsibility to society through its business activities.

Our Group Policies state that "As a Trusted Lifestyle Service Creating Group, we go forward with our customers, balancing the execution of social responsibility with profit making, and aim for the sustainable growth of the Group." *New Frontier 2008*, the medium-term business plan that started in fiscal 2005, lists as one of the Basic Management Policies to "Fulfill corporate social responsibility, achieve sustainable growth" with the aim of "fulfilling social responsibility by playing a part in development of local communities, through providing reliable transportation services and creating new value, while growing sustainably as a corporate group."

By promoting the growth of business in the JR East Group consistent with our Group Policies and Action Guidelines, we intend to continue functioning as a corporate group that satisfies social expectations and maintains the trust of stakeholders.

## Management Structure for Implementing CSR

### Corporate governance

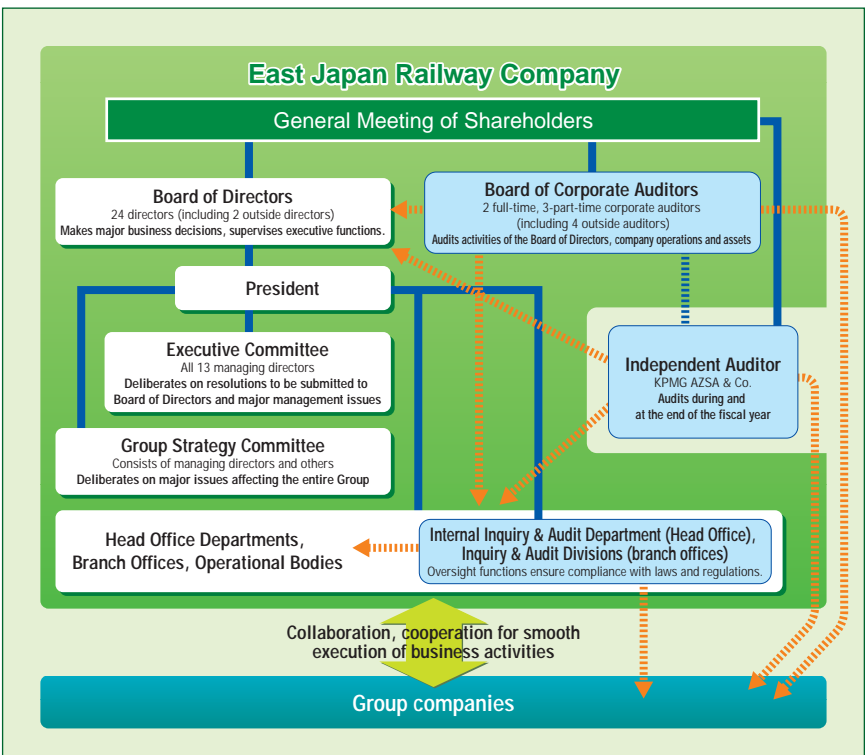
In order to promote the more active discussion of issues by the Board of Directors, accelerate the decision-making process and increase flexibility, the number of directors of JR East was reduced from 31 (July 2002) to 24 (of whom two are from outside the company; July 2005). In addition, an Executive Committee consisting of all managing directors was established to deliberate major management issues. A Group Strategy Committee consisting of executive directors and others was established to consider the major issues which affect the entire Group.

In terms of internal control, we have established the required structures for ensuring legal compliance in executive functions, among other

measures. In order to maintain transparency in management and to strengthen supervisory functions, we have appointed outside directors and auditors who have extensive experience and knowledge. The Board of Corporate Auditors comprises two full-time and three part-time auditors (four of whom are external auditors), and each auditor conducts job-performance audits of the directors in accordance with policies set by the board. Furthermore, regular liaison meetings are held with auditors of Group companies to exchange information.

As for financial auditing, the accounting firm KPMG AZSA & Co., with which JR East has an auditing agreement, conducts independent audits during and at the end of each fiscal year. For internal auditing, we maintain an Inquiry & Audit Department at the Head Office and Inquiry & Audit Divisions at all branch offices. The Inquiry

### ► Corporate Governance System



& Audit Department also performs audits of Group companies.

## Compliance

Recognizing that to exist as a corporation in society, corporate management must be conducted on the basis of compliance and high ethical standards, we built a structure centered on the Legal Department (which was separated from the Administration Department in June 2002) to ensure a rapid response to legal risks and internal legal issues. We strive to ensure compliance with applicable laws and regulations in all our business activities, while considering advice from legal counsel and other professionals.

The *New Frontier 2008* declares that a great effort will be made for our management's complete legal and regulatory compliance. To implement this, in May 2005 we adopted the Policy on Legal and Regulatory Compliance and Corporate Ethics and distributed a Compliance Action Plan to all employees of Group companies, giving a straightforward explanation of Standards of Conduct. In addition to this, we established whistleblower desks both inside and outside the company.

The JR East Group as a corporate group obtains a large amount of personal information in the course of doing business. With the aim of strictly protecting personal information, in March

2005 we established Regulations for the Management of Personal Information, and established the position of Chief Privacy Officer. We are also working to determine the status of personal information obtained by other corporate members of the JR East Group, and to enhance information security.

On an ongoing basis, we implement regular training at branch offices and Group companies, in order to enhance compliance and ethical standards. In fiscal 2004, we continued offering a variety of seminars for JR East and Group companies, including legal skills seminars, management seminars, basic legal trainings, and regular legal seminars.

## Information disclosure for greater accountability

We actively provide information about the JR East Group through public relations and investor relations activities, in order to enhance stakeholders' understanding of the Group and to maintain their trust. We also use Internet websites to provide key corporate information in an appropriate and timely manner.

## Risk management systems

The Crisis Management Headquarters was established in January 2001 to collect and centrally

manage information and to implement initial responses in the event of a major crisis affecting the JR East Group's business operations. In addition, with the aim of controlling risk before crises occur, and to discover risks early, in July 2004 we established the Crisis Management Office. The office strives to minimize damage and loss by involving senior management at an early stage and accelerating decision-making, avoiding delayed responses, disclosing information in an appropriate manner, and considering issues relating to compliance.

Furthermore, in order to maintain a corporate culture that encourages the timely communication of risk-related information, we are enhancing our risk- and information-management structures, for example, by conducting training sessions for Group companies.

### Compliance Training in FY 2004

Title	Number of Times	Participants	Contents, Objectives	Number of Participants
Management Seminar (Compliance Course)	2	Administrative managers (Group companies)	Compliance, risk management, fair hiring practices, human rights education	51
Legal Skills Seminar	1	Legal affairs managers (branches)	Deepening legal knowledge, legal reasoning, and decision-making abilities based on real issues	12
Basic Legal Training	2	Legal affairs personnel (Group companies)	Acquisition of basic legal knowledge	57
Regular Legal Seminar	1	Employees (JR East and Group companies)	Awareness-raising about compliance with laws and regulations	About 200



*Compliance Action Plan*, distributed as a handbook to all employees of the JR East Group.