

# Compliance

## The Basic Concept of Compliance

In 2005, JR East adopted the Policy on Legal and Regulatory Compliance and Corporate Ethics as the Group's corporate activity guidelines. Concomitantly, we established Compliance Hotlines, both inside and outside the Company for internal reporting, and have promoted efforts on compliance. In 2009, in order to enhance a sense of awareness of compliance, we provided educational opportunities to all Group employees and implemented full inspection of all matters relating to legal compliance in all aspects of overall duties. We are, furthermore, currently running a compliance management scheme on a group-wide basis.

### Formulation and Revision of the Compliance Action Plan

In order to enhance the effectiveness of the policy originally formulated in 2005, we developed and distributed the first version of our Compliance Action Plan document that summarized what we consider to be desirable levels of conduct for all Group employees. After the series of Shinanogawa power plant incidents, however, a revised edition was published in 2009 which incorporate such aspects as the necessity of constant awareness of potential problems, adherence to laws and regulations as basis for actions, and confirmation of the contents of reports.

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

We conducted full inspections of our compliance in regard to all our operations including Group companies. Starting with this series of full inspections, JR East is promoting continuous reviews of all its operations based on laws and regulations, internal rules, and social norms. We will continue to implement inspections and review all our operations while constantly revising the items to be inspected.

### Strengthening Compliance Education

JR East conducts regular compliance education sessions and intends to further reinforce the system. In order to specifically raise employee awareness in terms of compliance, in 2009 we made available to all Group employees an education program based on our revised Compliance Action Plan. We intend to continue to offer education in line with the actual conditions in individual workplaces.

In 2010, we delivered a compliance questionnaire to all JR East employees in an effort to raise their awareness of compliance issues.

#### ■ Compliance Training

Title	Number of sessions	Participants	Contents and objectives	Number of participants
Management School (Compliance Course)	1	Administrative managers of Group companies	Compliance	32
Legal Skills Training	1	Legal affairs managers of branch offices	Enhancement of practical legal knowledge, legal reasoning, and decision-making/problem-solving skills	16
Basic Legal Training	2	Legal affairs personnel of Group companies	Acquisition of basic legal knowledge	52
Regular Legal Seminar	4	Employees of JR East and Group companies	Explanation of new and revised laws, and awareness-raising about compliance	520

### **Personal Data Protection**

In 2005, we published our Regulations for the Management of Personal Information, and appointed Chief Privacy Officers who bear the responsibility of strictly protecting personal data. We are also working to ensure that each and every employee is aware of the necessity of the strict handling and management of personal data through pamphlets covering the subject exclusively and articles in our internal magazines. In order to even further enhance our levels of information security we regularly conduct internal workplace audits.

### **Risk Management**

The Crisis Management Headquarters was established in 2002 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. In 2004, we added the Crisis Management Office, a full-time section that has taken responsibility for Headquarters' secretarial work. We have, furthermore, recently established a system that enables us to respond to various emergencies including terrorist threats and pandemics such as influenza, and are constantly striving to prepare effective responses to all potential risks faced by Group companies.

### **Information Disclosure**

JR East has a wide range of relationships with many stakeholders, including the 16.68 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.

## Shinanogawa Power Station Incident

On March 10, 2009, JR East received an administrative penalty from the director of the Hokuriku Regional Development Bureau of the Ministry of Land, Infrastructure, Transport and Tourism. The penalty was consistent with that of the River Act and included the revocation of a permit to draw water from the Shinano River because the company's water intake had exceeded the maximum allowed quantity at our hydroelectric plant, Shinanogawa Power Station (the collective name for the Senju, Ojiya and Shin-Ojiya power Station in Ojiya and Tokamachi cities, Niigata Prefecture). We would like to express our deepest apologies for causing a serious diminishment in the trust of local residents and all others involved in this case for us, and for the great inconvenience and concern.

This incident was a result of our lack of awareness of the increasing importance of improving and conserving the river environment. Additionally, we failed to fully appreciate our use of the precious water of the Shinano River and to suitably face the voices of local residents for the environmental improvements to the Shinano River. With these as backgrounds, we fully acknowledge our improper water intake from the Shinano River.

In order to prevent a recurrence of such incidents, JR East has been working on awareness measures which include compliance, improvement to organizations and systems, and the creation of a highly transparent workplace environment.

The specific content of each measure is detailed below.

### 【Awareness measures】

- Implementation of employee awareness training on River Act compliance, and the creation of check functions by reviewing our long-term personnel assignment policy

### 【Improvements to organizations and systems】

(Company-wide measures)

- Compliance education for all employees in the Group, and general inspections of compliance status for all departments of the company

(Measures for the power generation department)

- As part of the enforcement of our compliance promotion system, the establishment of the Outside Experts Committee on Hydroelectric Plant Operations, and the Project on Operational Improvement and Reinforcement in Power Plants
- Aiming to actively promote our work improvements at the Shinanogawa Power Station, the establishment of the Shinanogawa Power Station Improvement Department at the Head Office. Additionally, to clarify work implementation organization related to power generation and feeding, the establishment of the Energy Management Center as a Head Office-affiliated organization
- Revision of regulation systems related to water facility usage at power plants, including the clarification of rules associated with the River Act at the Shinanogawa Power Station
- Refurbishment of facilities and systems for proper water intake
- To improve upon the soundness and transparency of work related to water facility usage at the Shinanogawa Power Station, the implementation of measures to acquire ISO9001 certification, the international standard for quality management systems

### 【The creation of a highly transparent workplace environment】

- Advance consultation with river administrators
- To increase the transparency of power station operations, implementation of measures to reinforce coalitions with local municipalities, and to coexist with and contribute to local communities
- Regular opinion exchange meetings within the Head Office, the Energy Management Center and the Shinanogawa Power Station

With the aforementioned as countermeasures for recurrence, and with the approval of associated parties, on April 2, 2010, JR East applied to the Hokuriku Regional Development Bureau of the Ministry of Land, Infrastructure, Transport and Tourism for exclusive river water use at the Shinanogawa Power Station. On June 9, 2010, JR East received authorization from the Bureau for special-purpose river water rights for the Shinanogawa Power Station, and resumed water intake and power generation at the Station.

Hereafter, JR East will remain committed to comply with all related laws and regulations, and to strictly manage river flow rates and water intake volumes. Additionally, for the harmonization of the water environment of the Shinano River and water use, we will conduct test water releases for a period of five years, verifying and evaluating the results at the Shinano River Middle Basin Water Environment Improvement Review Council. Furthermore, we will steadily improve structures of the fish chute of the Miyanaka Dam. JR East will wholeheartedly pursue the execution of these measures in order to better contribute to the local communities, and to be acknowledged by all concerned individuals as a partner with which to coexist into the future.