

## IV Others

### IV-1 CSR Management

#### ▶ Basic Concept of CSR

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

In terms of our social mission, our Group Philosophy states: "We aim to grow continuously 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.

#### ▶ Basic Corporate Governance Philosophy of JR East

JR East aims to meet the expectations of all our stakeholders, including shareholders, customers, and local communities, by making transparent, fair, firm, and timely decisions with regard to management issues such as ensuring safe, comfortable transportation and reforming service quality, in order to achieve sustained business growth centering on stations and railways and improvement of our medium- and long-term corporate value.

We are focused on making decisions from a long-term perspective, taking into account the nature of the railway business that is our core activity, and we consider it appropriate to strengthen our corporate governance in future, based on our existing auditing system.

In addition, JR East set "Guidelines of corporate governance" which shows concrete activities and the basic concept of corporate governance by resolution of the Board of Directors and publishes it on the JR East website.

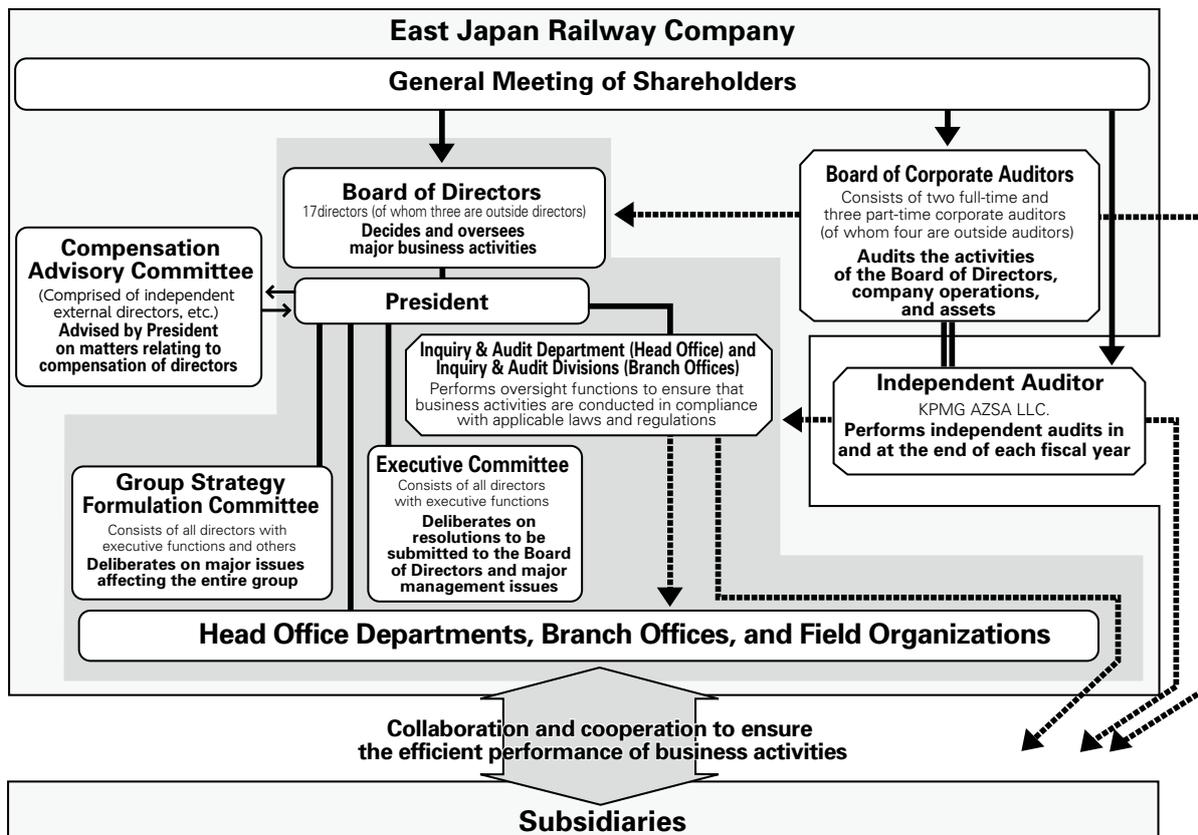
#### ▶ The Reasons Why JR East Adopted the Present Corporate Governance System

In the railway portion of our main business, since a variety of knowledge and experiments for security and decision making based on mid - and long - term perspectives are necessary we, JR East, therefore set up the board of auditors which is composed of auditors who are independent from the board of directors.

#### ▶ Basic Explanation of Our Organizations

Our 16-member Board of Directors, including three outside directors (as of June 30, 2015), normally meets monthly to decide key operational matters relating to statutory requirements and other matters, and to supervise overall operations. Under the Board of Directors is the Executive Committee, which includes all directors with executive functions and senior executive officers. 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 all directors with executive functions and others, are held as required to discuss major issues affecting the Group as a whole, including management strategy for each business field.

■ Corporate Governance System (as of June 23, 2016)



► Internal Audits, Audits by Corporate Auditors and Status of Accounting 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 holds regular liaison conferences with auditors of group companies. The audit by corporate auditors is supported by approximately 10 specialized staff. They oversee executive actions carried out by directors, with a focus on full-time auditors, in accordance with the rules established by the Board of Corporate Auditors by attending the Board of Directors, the Executive Committee and the other important in-house meetings, and by investigating their normal operations and financial situations.

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

Incidentally, there were no major violations of laws or regulations relating to the products and services in FY2016.