

Corporate Governance

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 has 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 experience in security and decision-making based on mid- and long-term perspectives are necessary, we, JR East, set up a board of auditors which is composed of auditors who is independent from the board of directors.

Basic Explanation of Our Organizations

Our 15-member Board of Directors, including three outside directors (as of June 22, 2018), 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.

Internal Audits, Audits by Corporate Auditors and Status of Accounting Audits

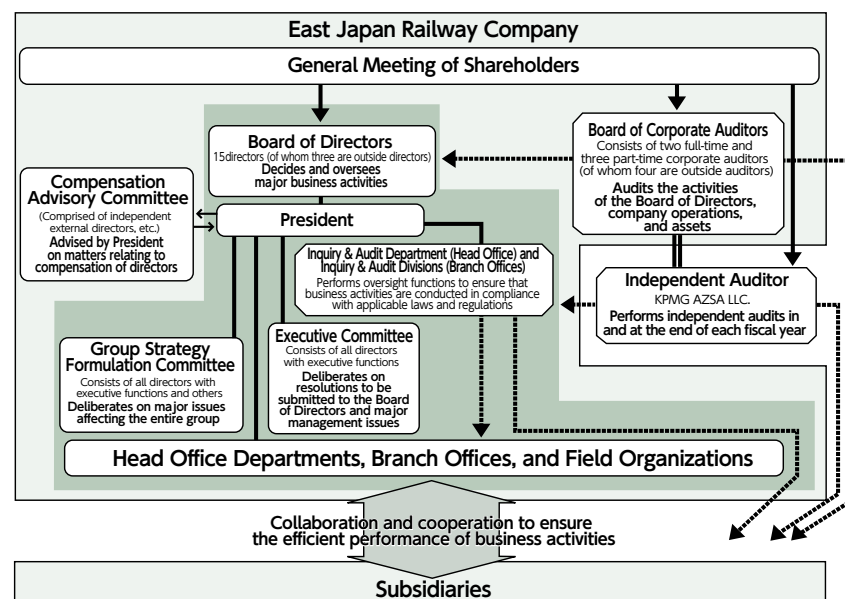
JR East has established an internal auditing system involving approximately 100 full-time employees in the Inquiry & Audit Department at the Head Office and Inquiry & Audit Divisions in branch offices, and these units work to ensure that corporate operations are executed appropriately and efficiently. 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 members of 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 FY2018.

[Corporate Governance System (as of June 22, 2018)]



Compliance

Basic Concept of Compliance

JR East sets legal and regulatory compliance and corporate ethics as fundamental management tools to build a better relationship of trust with society.

We adopted our Policy on Legal and Regulatory Compliance and Corporate Ethics as the Group's corporate activity guidelines. Concomitantly, in various business fields such as the railway business, lifestyle service business and Suica business, we comply with all related laws and conduct business in accordance with corporate ethics. In addition, we conduct education for our group companies' employees and also established Compliance Hotlines, both inside and outside the company, and are promoting efforts on compliance.

Policy on Legal and Regulatory Compliance and Corporate Ethics and the Compliance Action Plan

The Policy on Legal and Regulatory Compliance and Corporate Ethics stipulates our approach to regulatory compliance and corporate ethics based on the Group's philosophy and principles. In order to heighten the efficacy of these guidelines, we have notified the entire Group about them by distributing a Compliance Action Plan Handbook that indicates the nature of the actions that we expect everyone employed by the Group to take. This handbook has been revised for fiscal year 2018 to reflect the recent changes in laws and the social environment so that the actions expected of the employees may be made more concrete. Furthermore, in conjunction with the development of overseas business, a basic policy for the prevention of bribery relating to foreign public officials was formulated and announced.

Promotion of Compliance

In order to deepen understanding of the importance of compliance and the intent of "compliance and corporate ethics" by each employee, we have been providing annual compliance education for all Group employees. Taking into account recent corporate scandals, we have been reconsidering our own mission and the pride we have about our work, while also recognizing the importance of good workplace communications. In addition, we will nurture a culture of "compliance by thinking for yourself" through such means as constructing curricula incorporating cases suited to each individual's workplace. Recently, education has taken the format of study groups held in each department under the head of the department, using materials prepared by the head office. Taking up familiar cases of violations, the study groups lead employees to take another look at "why one has to observe rules" and "what happens if one fails to

observe them."

Furthermore, we formulated basic compliance issues which should be periodically confirmed by each applicable chief of business into the "Confirmation Support Sheet of Basic Issues" and we undertake continuous inspections and confirmations using this sheet. To ensure more effective utilization of this arrangement we have made it possible to monitor the use of this sheet in the field through the Intranet. Additionally, in order to thoroughly disseminate the significance of obeying rules, we have selected representative cases of violations for use as teaching materials and for presentation on the Intranet as examples of compliance violations.

Compliance Hotline

"When an employee wonders how to conduct themselves regarding compliance and corporate ethics" and "when an employee recognizes activity which is against compliance or corporate ethics or which may be against compliance or corporate ethics", in order for the employee to report and consult, we established "Compliance Hotlines", both inside and outside the company. We accept consultations and reports from business partners and retirees and publish how we accept them on our website.

In FY 2018, we received 208 consultations and messages on a wide range of issues such as the handling of laws and regulations, and problems in human relations and harassment, and responded to them properly and respectfully.

Risk Management

JR East established the Crisis Management Headquarters to centrally collect and manage information, and to promptly respond in the event of major crises affecting business operations of the JR East Group, etc. On top of this, we established the Crisis Management Office, a full-time bureau in the Administration Department at Head Office that takes responsibility for Headquarters' secretarial work. We are striving to be prepared for any potential risks JR East Group may face. We have established a system enabling us to promote compliance and to respond to various emergencies from overseas—terrorist threats, pandemics such as influenza, and other possibilities.

With respect to business risks faced by our Group, we review them periodically in terms of their importance and the impact they may cause when they become apparent. Furthermore, we identify risks inherent in all of our business operations, analyze and evaluate them and take actions to reduce them in accordance with their priority.

■ Ensuring Information Security

In recent years, on the internet, cyberattacks have increased in sophistication worldwide, and even in public organizations and private companies in Japan, a large scale of information leakage has continuously occurred. Furthermore, the threat of cyber terrorism through computer viruses and other infections, which cause dysfunction in information systems related to the social infrastructure, is increasing.

JR East, as a corporate group which supports the social infrastructure of railways, has designed and introduced an information security management system based on the Group's basic policy for information security, and regularly carries out security measures including upgraded information system functions.

The Group will actively develop human resources specializing in security in cooperation with external organizations and by sharing information with other companies, with the aim of improving cyber security-related knowledge. At the same time, we will conduct problem response drills aimed at minimizing effects in the event of a problem, by promptly constructing an initial framework and taking measures through departmental cooperation.

All employees are kept constantly up to date on the importance of information security and the strict handling of information through our rule book on information system use and our internal magazine. All Group employees also receive information security education with the aim of raising awareness about how they should guarantee workplace information security.

■ Personal Data Protection

Pursuant to applicable laws and regulations including the Act on the Protection of Personal Information, the JR East Group published its Privacy Policy, formulated the Regulations for the Management of Personal Information and appointed Chief Privacy Officers who have the responsibility of strictly protecting personal data. Furthermore, as one of several measures responding to the government's General Data Protection Regulation, which came into force in May 2018, we have now published an English-language version of our privacy policy on our website.

Through leaflets for raising employee awareness, articles in our internal magazines and compliance education, we are also working to ensure that all employees remain fully aware of the necessity of the strict handling and management of personal data. Furthermore, in order to ensure proper control of personal data, the Group conducts periodic internal workplace audits.

■ Impropropriety at Shinanogawa Power Station

In March, 2009 JR East received an administrative sanction because the company's water intake had exceeded the maximum allowed at our hydroelectric plant, Shinanogawa Power Station (the collective name for the Senju, Ojiya and Ojiya Daini power plants in Ojiya and Tokamachi Cities, Niigata Prefecture).

The sanction was issued in accordance with the River Act and included the revocation of a permit to draw water from the Shinano River. Subsequent to receipt of this sanction, we have taken corrective actions in accordance with the directions in the sanction and have endeavored to implement measures to prevent recurrence and to cultivate close cooperation with the local communities.

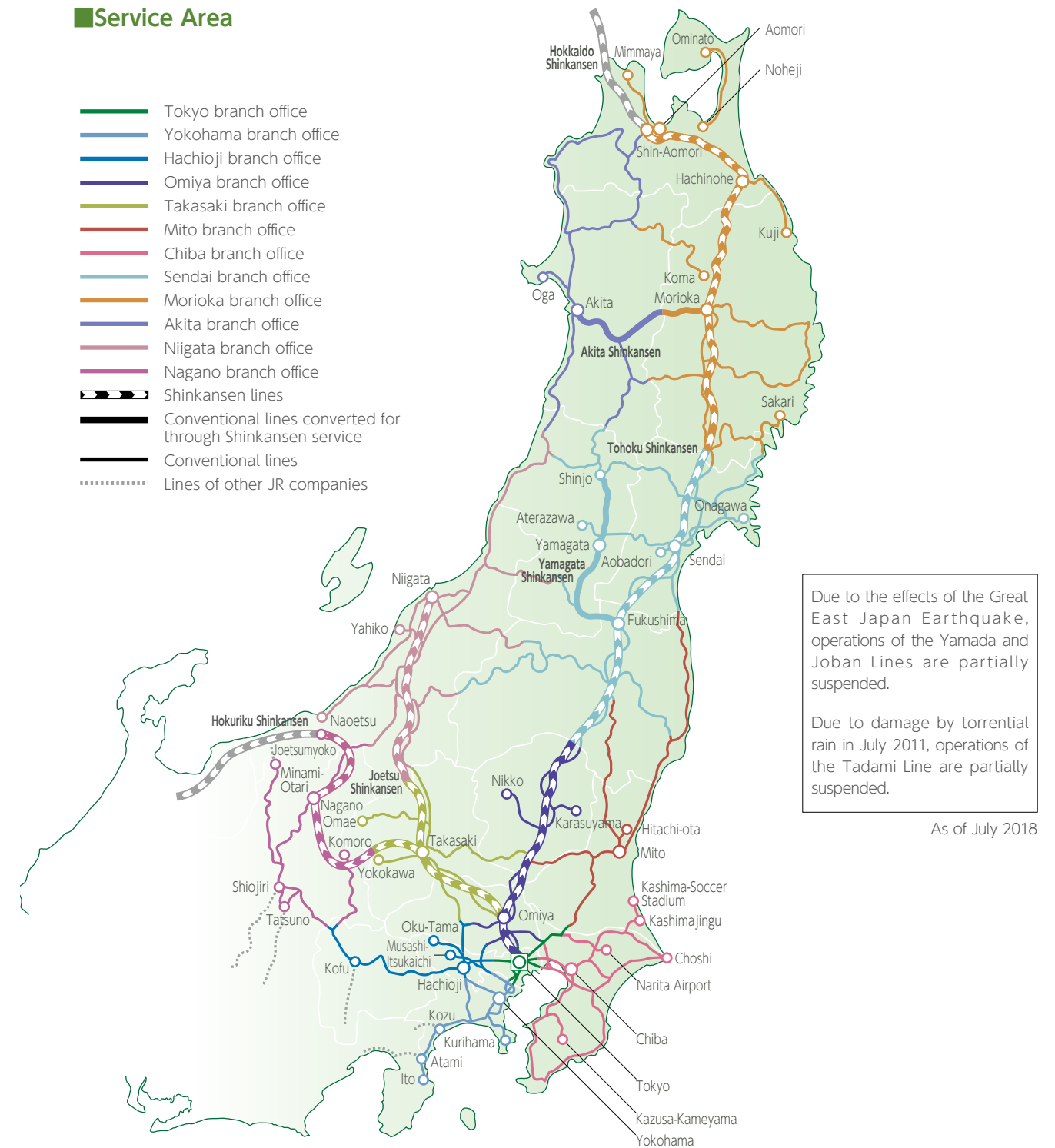
In June 2010, having obtained a permit from the Director of the Hokuriku Regional Development Bureau of the Ministry of Land, Infrastructure, Transport and Tourism to again take water from the Shinano River through to June 2015, we resumed operation of the Shinanogawa Power Station.

Following resumption, we conducted a trial sluice for coordinating river environment and water use. With the results of the investigation and opinions collected from local residents, we filed a renewal application in May 2015 and received approval in June 2015.

We are sincerely committed to fostering harmony with the river environment and enhancing coprosperity with communities. Furthermore we are promoting compliance management to prevent occurrence of similar incidents.

Corporate Info

■ Service Area



Passenger line network	Shinkansen lines: 1,194.2km Conventional lines: 6,263.1km
Number of stations	1,667
Total number of trains in operation per day	12,236 (Timetable revised in March 2018)
Total number of passengers per day	approx. 17.70 million