

# Directors and Auditors

(As of June 2020)

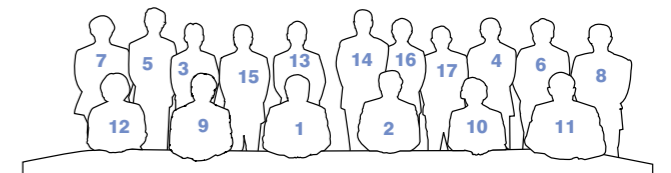


## Directors

- |   |  |  |  |
|---|--|--|--|
| <b>1</b> Chairman<br>Tetsuro Tomita                   | <b>4</b> Executive Vice President<br>Tadao Maekawa | <b>7</b> Executive Director<br>Yoichi Kise             | <b>10</b> Director (Outside Director)<br>Reiko Amano     |
| <b>2</b> President and CEO<br>Yuji Fukasawa           | <b>5</b> Executive Director<br>Tomomichi Ota       | <b>8</b> Executive Director<br>Kiwamu Sakai            | <b>11</b> Director (Outside Director)<br>Masaki Sakuyama |
| <b>3</b> Executive Vice President<br>Fumihisa Nishino | <b>6</b> Executive Director<br>Ryoji Akaishi       | <b>9</b> Director (Outside Director)<br>Motoshige Itoh | <b>12</b> Director (Outside Director)<br>Hiroko Kawamoto |

## Auditors

- |   |   |
|---|---|
| <b>13</b> Full-time Corporate Auditor<br>(Outside Auditor)<br>Keiji Takiguchi   | <b>16</b> Corporate Auditor<br>(Outside Auditor)<br>Kimitaka Mori |
| <b>14</b> Full-time Corporate Auditor<br>(Outside Auditor)<br>Takashi Kinoshita | <b>17</b> Corporate Auditor<br>Nobuyuki Hashiguchi                |
| <b>15</b> Corporate Auditor<br>(Outside Auditor)<br>Seishi Kanetsuki            |   |



## Message from an Outside Director



## JR East's Board of Directors

My impression is that JR East's Board of Directors conducts in-depth deliberation across a wide range of themes. During these deliberations, the Board of Directors incorporates "input from the outside" from independent executives. This includes outside directors like myself. As a result, deliberations go beyond just being discussions among friends to incorporate an extensive scope of perspectives, such as trends in other industries and social changes.

It is desirable for the chairman to conduct meetings in a manner that encourages active deliberation. In addition to being capable of clearly explaining the areas of business for which they are responsible, I think it is good for internal executives to be able to voice opinions on other fields, and for outside executives to actively provide input from the perspective of independent executives. On JR East's Board of Directors, Chairman Tomita fills these roles. Since my appointment as outside director in 2015, the increase in input from outside executives has been noteworthy, and I sense that these comments are invigorating internal executives. Personally, JR East came into contact with society in many ways, so I like to offer remarks about JR East's management from a broad-ranging social perspective.

## "Move Up 2027," Our Group Management Vision

I think everyone in the JR East Group has rallied behind "Move Up 2027," the Group management vision that was announced in July 2018, and is working seriously on its initiatives. However, COVID-19 has changed the operating environment significantly, and the questions we need to address now are how we respond to this changing environment and how we go beyond it. To realize the "Move Up 2027" objectives, it is essential to carefully weigh the risk and return of each investment. On this basis, I believe it is desirable to deliberate deeply about how the JR East Group should expand its business directions and then to reflect this discussion in investment decisions.

To grow sustainably, one of the biggest risks the JR East Group faces is to ensure safety, including its response to increasingly devastating and diverse disasters. At the same time, however, the JR East Group has the chance to expand substantially embracing digital transformation and broadening the value it adds in the railway and ancillary businesses.

Around the world, activity is accelerating with regard to social issues and the SDGs. The JR East Group also needs to assess its routine operations and continue engaging in initiatives through this lens. I believe the Board of Directors also provides a good forum for more in-depth exchanges of opinion surrounding the Group's SDG initiatives.

We are feeling the impact of COVID-19, and social trends are changing markedly. I would like to contribute by deliberating on how these shifting trends will affect "Move Up 2027" and what new initiatives will be necessary.

## In Closing

To date, the JR East Group has continued to respond as necessary to the changes in society. Even amid major upheavals in the operating environment like we are currently experiencing, I anticipate that JR East will respond to the needs of the times.

To do so, communicating more closely with society is important. The Company is working to enhance disclosure; I would like to see even more effort to communicate information through a variety of channels. I hope to hear a host of opinions from our stakeholders.

# Corporate Governance

## Basic corporate governance philosophy

To achieve the sustained business growth and to improve its medium-to long-term corporate value, JR East pursues achievement of the ultimate in safety to enhance reliability for customers and to create a spiritually affluent life for people as our business so that the expectations of all our stakeholders including shareholders, customers, and local communities will be met by making transparent, fair, firm, and timely decisions.

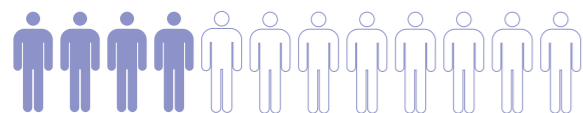
JR East has set "the Guidelines of Corporate Governance" which were developed by the Board of Directors as the material which shows the basic concept of our corporate governance and its concrete activities and presents it on our corporate website.

## Governance system

Our Board of Directors consists of 12 members including four outside directors (as of June 23, 2020), and it generally meets monthly to decide statutory requirements and other key operational matters and to supervise overall operations. The Board of Directors has established an Executive Committee consisting of 8 directors and 12 senior executive officers. This Executive Committee generally meets once a week and deliberates on matters to be decided by the Board of Directors and other important management issues. In addition, the Group Strategy Formulation Committee consisting of 8 directors, 12 senior executive officers, and 4 executive officers is formed with the aim of the development of all JR East groups, and meets as required to discuss important group issues such as management strategies for each business field.

### Directors

12 (Including four outside directors)



### Auditors

5 (Including four outside auditors)



Before resolving agenda items to appoint or dismiss directors or the president and representative director, in the interests of objectivity, appropriateness, and transparency we consult first with the Personnel Deliberation Committee, which comprises independent outside directors and other directors.

When determining director compensation, we first consult with the Remuneration Deliberation Committee, which is made up of independent outside directors and other directors.

## Reasons for adopting our current corporate governance system

We have established a Board of Directors due to the need to make decisions that reflect various types of expertise and experience in such areas as safety assurance in the railway business, which account for a majority of earnings, and from a medium- to long-term perspective. We also have in place a Board of Corporate Auditors, which is made up of corporate auditors and is independent from the Board of Directors.

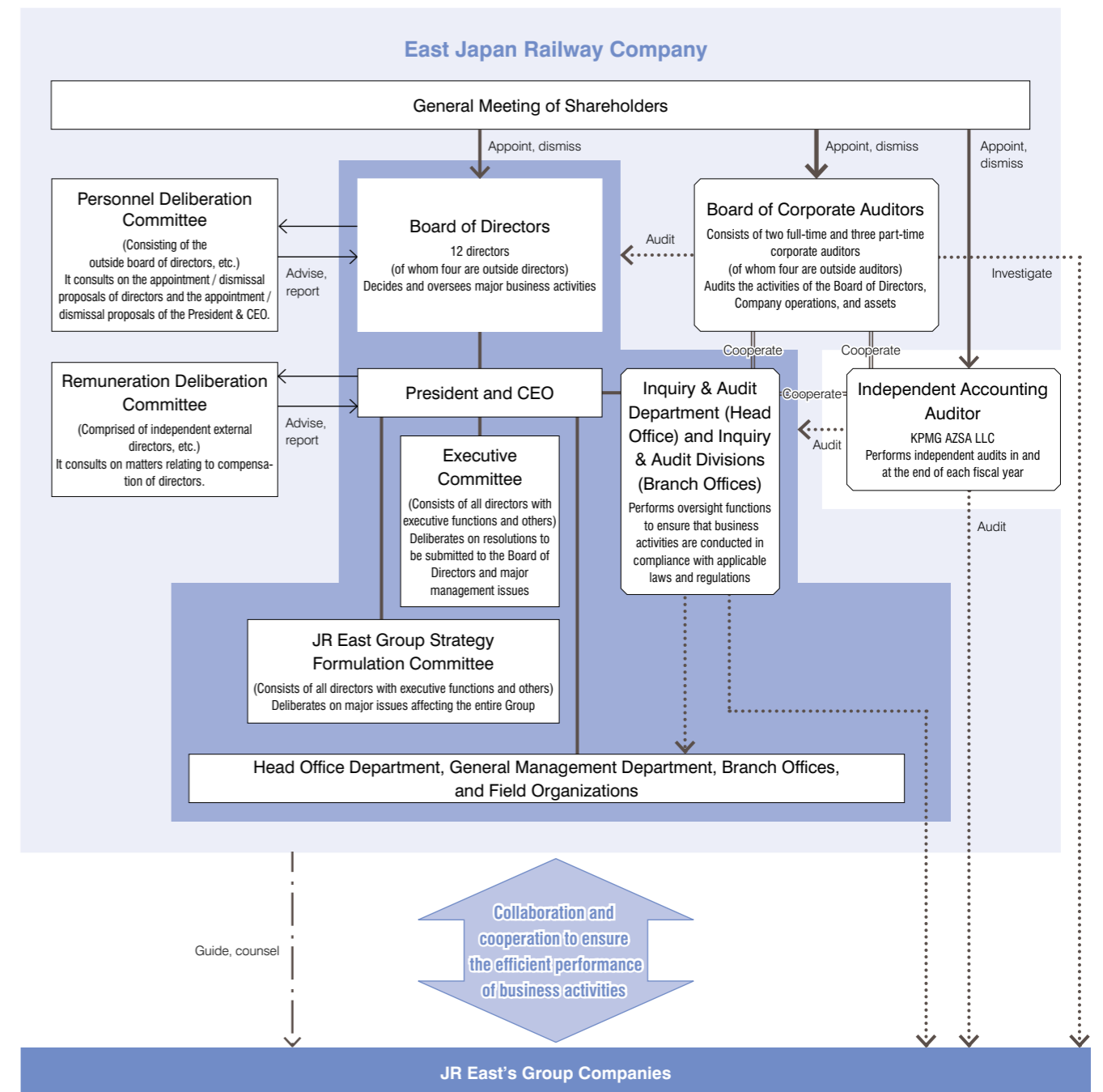
## Audits by corporate auditors, internal audits, and accounting audits

The Company has five corporate auditors (of whom four are outside corporate auditors), two full-time and three part-time. One of the part-time corporate auditors is qualified as a certified public accountant and has extensive experience related to finance and accounting. We assign around 10 dedicated staff members to assist the corporate auditors. In accordance with the policy determined by the Board of Corporate Auditors, the corporate auditors attend the Board of Directors and other important meetings, audit the status of operations and financial assets, and regularly exchange views with the representative director and outside directors. Furthermore, the Corporate Auditors communicate and exchange information with directors and corporate auditors of Group companies, and obtain reports as needed on the operations of Group companies. The Board of Corporate Auditors meets once each month, in principle, mainly to consider such matters as audit policies, methods, division of duties, and planning, and the appropriateness and status of operation of the Board of Directors' resolutions related to the Group internal control system. The Board of Corporate Auditors assesses individual corporate auditors' audit activities and shares awareness of any problems among corporate auditors.

JR East has assigned approximately 100 full-time employees to handle internal audits at the corporate headquarters and in branch offices, organizing an audit system to ensure the lawful and effective corporate operation. In addition, we have an audit agreement in place with KPMG AZSA LLC (an accounting auditor) to perform accounting audits at mid-term and year-end.

Incidentally, there were no major violations of laws or regulations and the matters relating to the products and service in FY2020.

Corporate governance system (as of June 23, 2020)



## Corporate Governance

**Ensuring board of directors effectiveness**

Once each year, an analysis and assessment of effectiveness of the Board of Directors is performed, as described below.

- The effectiveness of the Board of Directors is assessed from the perspective of the board's roles and responsibilities, including transparent, fair, quick, and decisive decision-making.
- As to the assessment method, all directors independently evaluate the Board of Directors' effectiveness. These results are analyzed, independent outside directors are asked for their opinions, and the Board of Directors' method of operations may be revised, if necessary.

**Results of the analysis and assessment of board of directors effectiveness at the board of directors meeting on April 14, 2020**

- The results of self-assessment confirmed that the Board of Directors appropriately considers matters for deliberation, conducts sufficient reporting to fulfill its role in supervising business execution, and had a compliance system in place. Based on these results, the Company determined that its Board of Directors was sufficiently fulfilling its roles and responsibilities, and analyzed the board as being effective.
- Based on opinions from the independent outside directors, to further enhance the effectiveness of the Board of Directors we have enhanced director training through such measures as holding site visits, for independent outside directors and hosting lectures by outside experts. In addition, we worked to further enhance Board of Directors reporting to augment the monitoring of progress on "Move Up 2027."

**Executive compensation**

The Company pays directors who are not outside directors monthly compensation based on their roles as consideration for their everyday business execution, within the scope of compensation resolved at the General Meeting of Shareholders. In addition, these directors receive performance-linked compensation based on management performance, shareholder dividends, and their degree of contribution to operating performance and the achievement of the Company's medium-term management vision during that fiscal year.

In consideration of their job responsibilities, outside directors and corporate auditors receive no performance-linked compensation. They receive monthly compensation as consideration for business execution within the scope of the compensation amount resolved at the General Meeting of Shareholders.

Details of the Company's executive compensation for FY2020 are provided as follows.

	People	Total Amount
Directors (excluding outside directors)	12	¥516 million (base compensation: ¥451 million; performance-linked compensation: ¥64 million)
Corporate auditors (excluding outside auditors)	2	¥12 million (base compensation: ¥12 million)
Outside executives	9	¥125 million (base compensation: ¥125 million)
Total	23	¥654 million (base compensation: ¥589 million; performance-linked compensation: ¥64 million)

Note: These figures include compensation paid to two directors and three corporate auditors who stepped down at the close of the 32nd Ordinary General Meeting of Shareholders on June 21, 2019.

**Indices for performance-linked compensation and the reason for their selection**

In addition to "performance during the year," a director's success during a given business year is measured through an overall assessment of indices including "operating performance" and "shareholder returns" (business characteristics strongly associated with cooperation among business departments) and "level of contribution to the Group management vision, 'Move Up 2027'" (business characteristics associated with a long span of time from the planning stage to the appearance of results). To assess performance during the year and the level of contribution, the president and representative director conducts goal-setting interviews and tracing interviews with individual directors regarding the achievement level of annual plans and the Group management vision, "Move Up 2027."

In FY2020, the Company generally moved forward according to plan with projects planned under the Group management vision, "Move Up 2027." However, we fell short of our numeric targets due to the impacts of Typhoon No. 19 (Hagibis) and COVID-19. Measures to reduce performance-linked compensation have been introduced, taking into consideration the impact of Typhoon Hagibis and COVID-19 on targets for FY2020, as well as the likelihood of the pandemic affecting performance in FY2021.

**Performance-linked compensation and ratio of compensation not linked to performance**

The ratio of base compensation to performance-linked compensation for directors who are not outside directors is typically around 4:1, excluding the variable portion for individual directors' performance. That ratio varies within a certain scope, based on individual performance. Measures to reduce performance-linked compensation have been introduced, taking into consideration the impact of Typhoon Hagibis and COVID-19 on targets for FY2020, as well as the likelihood of the pandemic affecting performance in FY2021.

**Basic concept of compliance**

JR East positions Compliance as a basic policy of the corporate management to build a better relationship of trust with regional communities and society.

We adopted the "Policy on Legal and Regulatory Compliance and Corporate Ethics" as the Group's corporate activity guidelines, and we comply with all related laws including the railway business law in various business fields such as the transportation services, life-style services and IT/ *Suica* business, and we thus conduct business in accordance with corporate ethics.

**Overview of compliance at the JR East Group****Policy on legal and regulatory compliance and corporate ethics**

We uphold regulatory compliance and corporate ethics in accordance with the Group's philosophy and activities principles. To improve the efficacy of this policy, we have distributed the "Compliance Action Plan Handbook" to all members of the Group. This handbook outlines the actions expected of every employee. It is revised periodically to reflect changes in laws and the social environment.

Furthermore, in conjunction with the development of overseas business, we formulated and announced the "Basic Policy for the Prevention of Bribery Relating to Foreign Public Officials."



Compliance Action Plan Handbook

**Promotion of compliance**

To help each employee better understand the importance of compliance, each year we conduct compliance education for all employees. In FY2020, at each workplace we showed videos related to abuse of authority and discussed case studies of compliance violations at other companies. In these ways, we work to impart specific knowledge and awareness to help prevent compliance violations that could affect management.

The head of each workplace regularly checks operational appropriateness using questionnaires. We use the "Confirmation Support Sheet of Basic Issues," which summarizes fundamental compliance-related matters, for ongoing checking and confirmation. To ascertain potential compliance risks inherent in customization activities, we distribute questionnaires to all Group employees in an effort to detect any early signs of major scandals.

**Compliance hotline**

We have established consultation desks both internally and outside the Group to facilitate consultation and reporting related to compliance. We accept consultations and reports from business partners and retirees and publish how we accept them on our website.

In FY2020, we received 223 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.

Corporate Governance

Implementation of the internal control system

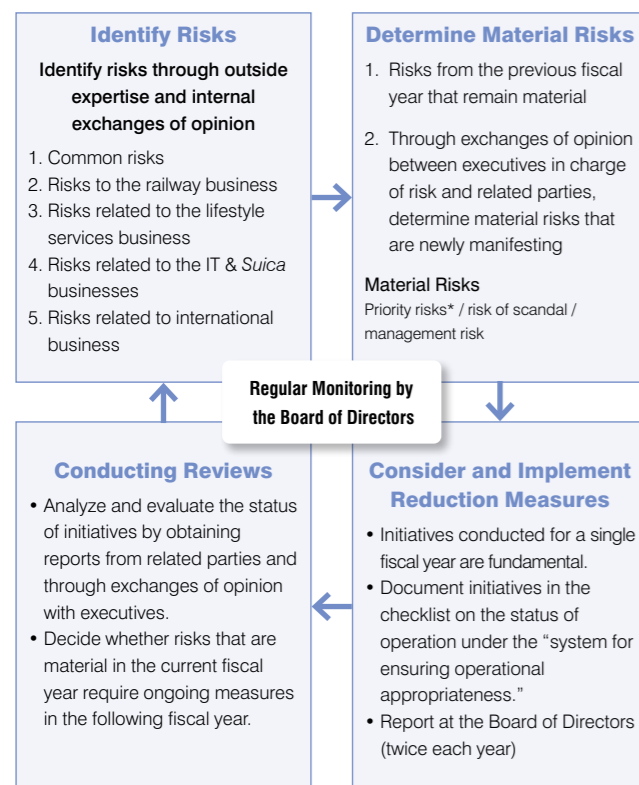
JR East has an internal control system in place to ensure compliance based on the Companies Act, risk management, and efficient business execution. We have also established and operate systems necessary to ensure the appropriateness of documents and other information related to financial calculations, based on the Financial Instruments and Exchange Act.

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 JR East Group, etc. On top of this, we established the Crisis Management Office as the risk management unit within the Corporate & Strategies Legal Strategies Department at the Head Office that takes responsibility for Headquarters' secretarial work. In these ways, we are striving to be prepared for any potential risks the JR East Group may face.

With respect to the preventive measures against serious risks endangering the business operation of JR East Group, we identify, analyze, and evaluate risks inherent in all our business operations, and we identify the serious risks and have undertaken actions to reduce these risks annually in accordance with their priority. In doing so, in collaboration with the internal audit division we have positively conducted risk reducing activities.

Risk management initiatives



\*Risks of particular importance to be addressed each fiscal year

Risk Management Initiatives at the JR East Group

The JR East Group faces operational and other risks related to the railway business in addition to the same sort of risks as other companies face: the risk of scandal, management risk, accident risk, risk of natural disasters, and a host of others.

To date, the Company has addressed risks as they appeared, centering on the railway business, and sought to reduce risk. However, we recognize the need to take a bird's-eye view toward the Group's overall business and identify, analyze, evaluate, and formulate measures to reduce risk on an ongoing basis. Accordingly, we have configured new measures that incorporate the PDCA cycle (plan, do, check, act). In addition, based on "Move Up 2027" we are endeavoring to achieve sustainable growth for the Group by ascertaining the risk of changes in the internal and external environment and promoting measures to continue reducing risks.

Risk management is important across all workplaces, and it is an ongoing part of everyday operations rather than a transient activity. As compliance activities that support this risk management, we provide reminders about our internal reporting system. We also hold annual training for all employees themed on "recognizing and addressing risks before the consequences become grave," thereby raising their awareness of risk management.



Risk Management Unit  
Corporate and Legal Strategies  
Department

Ensuring information security

JR East has designed and introduced an information security management system outlined by the "JR East Group's Basic Policy for Information Security." We constantly monitor the trends around us and take additional countermeasures, as necessary. Furthermore, in cooperation with the external organizations, we have minimized the security risks by regularly monitoring for fraudulent incidents and communications.

(Internal Initiatives)

- Distribution of the "10 Points on Information Security" (Rules related to use of the information system) and ensuring thorough awareness
- Conducting annual training for all employees



10 Points on Information Security

Personal data protection

Pursuant to applicable laws and regulations including the "Act on the Protection of Personal Information," JR East Group has published its "Basic Policy for Personal Information Handling" and formulated the "Regulations for the Management of Personal Information," and we improve our handling of personal information in tandem with legal revisions. In addition, we are revising our rules to reinforce our personal information management system and reduce the risk of information leaks and appointed Chief Privacy Officers who have the responsibility of strictly protecting personal data. Furthermore, as one of several measures responding to the EU General Data Protection Regulation (GDPR), which came into force in May 2018, we have now published an English-language version of our privacy policy and others 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 periodical internal workplace audits.



Leaflet entitled "Points of Caution on the Handling of Personal Information"

Dialogue with investors and shareholders

We create opportunities for constructive dialogue with shareholders and investors to deepen their understanding of the JR East Group's businesses and build long-term, trust-based relationships. As a result, we strive to ensure sustainable business growth and build corporate value over the medium-to-long term.

(Specific Initiatives)

- Financial results briefings (twice each year), individual meetings, overseas IR presentations (in FY2020, in the United States, Europe, Asia, and Australia), as well as meetings on business themes of particularly high interest
- Shareholder-only events (examples to date: nighttime railway museum, special tours of a Shinkansen General Rolling Stock Center tours of the Marunouchi Station Building in Tokyo Station)



Employee communication

Executives communicate actively with Group employees by visiting worksites and exchanging opinions at roundtables.

To enhance bilateral communication between executives and Group employees, in FY2019 we introduced "venues for discussing transformation," holding these discussions at various locations in relation to "Move Up 2027," the Group's management vision. (In FY2020, we held these discussions approximately 100 times.) Numerous executives visited individual regions, and the discussions resulted in spirited exchanges of opinion about independent challenges and initiatives for realizing "Move Up 2027" among Group employees.