

Corporate Governance

JR East's Corporate Governance Philosophy

To continue to be a company trusted by its shareholders and all other types of stakeholders, JR East has made the strengthening of its corporate governance a top-priority management task.

Specifically, with a view to augmenting the soundness and transparency of management, JR East is creating appropriate systems for management decision making, operational execution and auditing, Group management, information disclosure, and other important matters while also implementing the various measures required in connection with those systems.

Because of the special characteristics of JR East's mainstay railway transportation operations, JR East emphasizes the making of management decisions based on a long-term perspective. Accordingly, JR East believes the most appropriate course is to enhance corporate governance based on its current auditor system of governance.

Current Status of Corporate Governance Units and Internal Control Systems

Overview of Corporate Governance Units

JR East's Board of Directors comprises 24 directors, including 2 outside corporate directors. Meeting once a month in principle, the Board of Directors decides on key operational issues relating to statutory requirements and other matters and supervises overall operations. Created by the Board of Directors, the Executive Committee includes all directors with executive functions. Meeting once a week in principle, the committee deliberates matters to be decided by the Board of Directors and other important management issues. In addition, the Group Strategy Formulation Committee, which mainly consists of directors with executive functions, considers management strategy for respective operational areas and other significant Group issues with a view to developing the JR East Group as a whole.

The Board of Corporate Auditors comprises five corporate auditors, including two full-time corporate auditors and four outside corporate auditors. In accordance with guidelines established by the Board of Corporate Auditors, the corporate auditors supervise directors' implementation of operations by attending meetings of the Board of Directors, the Executive Committee, and other committees and by making inquiries regarding JR East's operations and assets.

Creation of Internal Control Systems

JR East's basic policy regarding internal control systems and its progress in creating such systems are as follows:

1) Systems to ensure that corporate officers and employees perform their duties in accord with relevant laws and regulations as well as with the articles of incorporation

a. To promote rigorous legal compliance and high corporate ethical standards, JR East and its consolidated subsidiaries (hereinafter Group companies) have drafted their Legal Compliance and Corporate Ethics Guidelines, which serve as corporate action guidelines for the JR East Group, and distributed handbooks that explain conduct standards in concrete terms to each corporate officer and employee.

b. JR East's Legal Department and Administration Department handle overall control over horizontally integrated compliance matters throughout the Company.

c. A unit has been established to provide compliance-related advice and receive whistle-blower reports and other reports related to compliance issues.

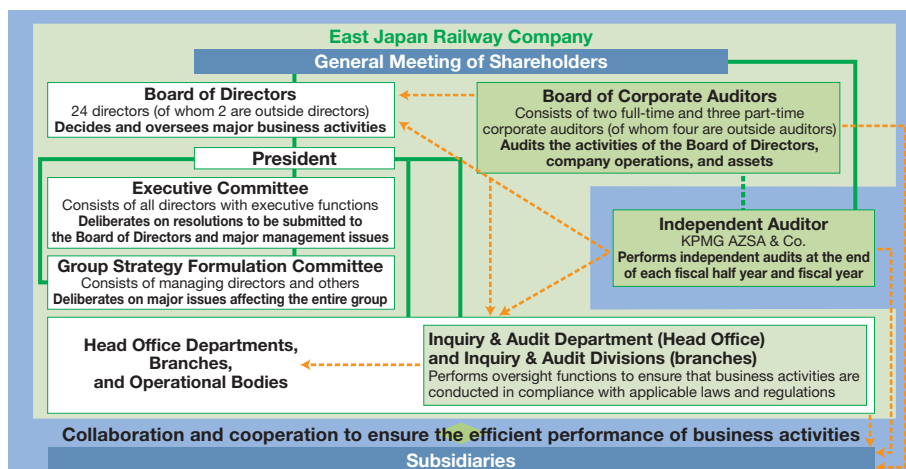
d. With respect to internal audits, a supervision system has been established to ensure the appropriateness and efficiency of operational execution.

2) Preservation and administration systems for information related to directors' performance of their duties

Documents related to directors' performance of their duties are appropriately preserved and administered in accordance with relevant laws and internal regulations. Directors and auditors can view these documents whenever necessary.

3) Risk management rules and systems

a. JR East has established a Transportation Operation Center that operates 24 hours a day and has the task of ensuring rapid and appropriate responses in the event of an accident or disaster in railway operations. JR East has also established specialized internal committees focused on maintaining safety and on improving reliability.



b. With regard to the risk of a significant adverse influence on corporate operations due to such incidents as external offenses or internal scandals and legal violations, all JR East departments undertake risk management activities. In addition, JR East has established a Crisis Management Headquarters as well as crisis management related internal regulations. In the event of a problem, JR East's crisis management system calls for top management to participate in the immediate establishment of a preliminary task force that rapidly takes such actions as those to gather relevant information and implement countermeasures.

4) Systems for promoting directors' efficient performance of duties

a. To promote efficiency in JR East's operations, internal regulations have been established that allocate authority by clearly defining the authority and roles of each unit.

b. To increase the transparency of the *New Frontier 2008* medium-term management plan, which articulates common goals for the entire JR East Group, and to promote the efficient implementation of measures to attain the plan's objectives, action programs have been established for each organizational unit. Progress in action program implementation is periodically evaluated as a means of promoting the efficient implementation of strategic measures.

5) Systems for promoting operational propriety throughout the JR East Group

a. The Group companies have drafted the Legal Compliance and Corporate Ethics Guidelines, which serve as corporate action guidelines with regard to legal compliance and corporate ethics, and distributed handbooks that explain conduct standards in concrete terms to each corporate officer and employee. In addition, an external compliance consultation and reporting unit has been established to serve the entire JR East Group.

b. The Group companies have established risk management units as well as regulations and other provisions related to risk management. In the event of a problem, these regulations call for the immediate establishment of a preliminary task force that rapidly takes such actions as those to gather relevant information, report such information to the parent company when appropriate, and implement countermeasures.

c. To promote operational propriety throughout the JR East Group, JR East participates in the management of Group companies by dispatching directors to those companies and by other means. In addition, JR East's Inquiry & Audit Department performs audits of Group companies at regular intervals.

6) Items related to employees who assist corporate auditors in the performance of their duties

Specialized staff are assigned to the Corporate Auditors Office to assist corporate auditors in the performance of their duties. This is a system designed to increase the efficiency of audits and enable audits to be performed smoothly.

7) Independence from directors of employees who assist corporate auditors in the performance of their duties

The staff of the Corporate Auditors Office are to only follow instructions from the corporate auditors and are not subject to orders from directors or other employees.

8) Systems for directors and employees to report to corporate auditors and other systems for reports to corporate auditors

For items that Board of Directors' regulations stipulate are to be decided by the Board, deliberation standards have been established, and these standards provide for appropriate deliberations to be conducted at Board meetings. The nature of important items other than those that regulations stipulate are to be decided by the Board may also be confirmed at meetings of the Board and of the Executive Committee.

9) Other systems for promoting the effective performance of corporate auditors' audits

The corporate auditors hold meetings at regular intervals with the president and the independent financial audit company to exchange information and opinions.

Systems for Internal Audits, Corporate Audits, and Accounting Audits

Regarding internal audits, JR East has established an internal auditing system involving approximately 100 full-time employees in the Inquiry & Audit Department at its Head Office and Inquiry & Audit divisions at branch offices, and these units work to ensure that corporate operations are executed appropriately and efficiently. Audits are implemented based on plans prepared at the beginning of fiscal years, requests are made for the submission of progress updates for items requiring improvement, and the audit results are reported to representative directors at the end of fiscal years and at other times deemed necessary. In addition, the Inquiry & Audit Department audits Group companies.

Regarding corporate audits, corporate auditors exchange information at monthly meetings of the Board of Corporate Auditors, and they also exchange auditing information with corporate auditors of Group companies at liaison meetings held at regular intervals. The audits of corporate auditors are supported by approximately 10 specialized staff. The system for the oversight of directors' implementation of operations, carried out in accordance with rules established by the Board of Corporate Auditors, centers on full-time corporate auditors who attend meetings of the Board of Directors, the Executive Committee, and other important in-house meetings and also investigate financial situations and other items.

Regarding accounting audits, the accounts of JR East are audited under contract by an independent auditor (accounting auditor), KPMG AZSA & Co., at the end of each fiscal half year and fiscal year. The following is a breakdown of the certified public accountants who conducted audits in the fiscal year under review as well as the auditing assistants.

- Designated certified public accountants: Masanori Sato, Toshio Ikeda, and Mamoru Takamura

- Breakdown of auditing assistants: Certified public accountants: 13; junior certified public accountants: 14; other: 4

JR East facilitates coordination and information sharing to promote efficient and effective auditing. For example, full-time corporate auditors and the director responsible for internal auditing units hold monthly liaison meetings, and full-time corporate auditors receive regular updates on audit implementation from the accounting auditor five times a year and at any other time deemed necessary.

Overview of Relationships between the Company and Outside Corporate Directors and Auditors, Including Personnel, Capital, and Other Business Relationships

The outside corporate directors and the outside corporate auditors have no business relationship with JR East.

Current State of Risk Management Systems

JR East has established a Transportation Operation Center that operates 24 hours a day and has the task of ensuring rapid and appropriate responses in the event of an accident or disaster in railway operations. JR East has also established specialized internal committees focused on maintaining safety and on improving safety—the Safety Promotion Committee and the Transportation Reliability/Stability Improvement Committee.

With regard to the risk of a significant adverse influence on corporate operations due to such incidents as external offenses or internal scandals and legal violations, all JR East departments undertake risk management activities. In addition, JR East has established the Crisis Management Headquarters as well as crisis management related internal regulations. In the event of a problem, JR East's crisis management system calls for top management to participate in the immediate establishment of a preliminary task force that rapidly takes such actions as those to gather relevant information and implement countermeasures.

Compensation of Directors and Corporate Auditors

In fiscal 2007, JR East paid the following compensation to directors and corporate auditors.

(Number of recipients)

Directors (24):	¥ 923 million
Corporate auditors (5):	¥ 118 million
Total (29):	¥1,041 million

Notes: 1. The above total sum was paid to all those occupying the position of director and corporate auditor on and subsequent to the day following the 19th Regular General Meeting of Shareholders, held on June 23, 2006.

2. The compensation amount for directors and corporate auditors determined at the 20th Regular General Meeting of Shareholders, held on June 22, 2007, was ¥243 million (including ¥219 million for directors and ¥23 million for corporate auditors).

3. The above total sum includes ¥126 million in compensation for outside directors.

Compensation of Independent Auditor

For fiscal 2007, JR East paid compensation of ¥126 million (\$1 million) to KPMG AZSA & Co. for services provided pursuant to article 2, paragraph 1, of the Certified Public Accountant Law. Further, JR East paid compensation of ¥50 million (\$424 thousand) for other services in fiscal 2007.

Number of Directors

JR East's articles of incorporation stipulate that the number of JR East's directors shall be 30 or less.

Conditions for Determining the Selection of Directors

The conditions stipulated by JR East's articles of incorporation for resolutions are a quorum of shareholders with one-third or more of voting rights and the approval of the resolution by shareholders with more than half of those voting rights.

Resolutions to Be Decided by the General Shareholders' Meeting That May Be Decided by the Board of Directors

Acquisition of Treasury Stock

In accordance with article 165, paragraph 2, of the Company Law, JR East's articles of incorporation provide for the acquisition of treasury stock through market transactions and other means based on a resolution of the Board of Directors. This is designed to enable the execution of flexible capital policies that respond to current and future changes in the operating environment.

Interim Dividends

JR East's articles of incorporation stipulate that interim dividends based on article 454, paragraph 5, of the Company Law may be paid to shareholders and pledgees as of the end of September 30 of each year in accordance with resolutions of the Board of Directors. This is designed to enable the flexible execution of measures to distribute profit to shareholders.

Conditions for Special Resolutions of the General Shareholders' Meeting

The conditions stipulated by JR East's articles of incorporation for resolutions based on article 309, paragraph 2, of the Company Law are a quorum of shareholders with one-third or more of voting rights and the approval of the resolution by shareholders with two-thirds or more of those voting rights. These conditions are designed to promote the smooth and efficient functioning of the general shareholders' meetings.

Other

With regard to information disclosure, JR East is proactively engaged in advertising and investor relations programs. By making use of its website and other media, JR East is striving to increase the volume of information disclosed, ensure that information disclosure is timely, and otherwise improve its information disclosure.