

JR East's Basic Corporate Governance Philosophy

To continue to be a company trusted by its shareholders and all other groups 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, effectiveness, 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 making 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 Systems

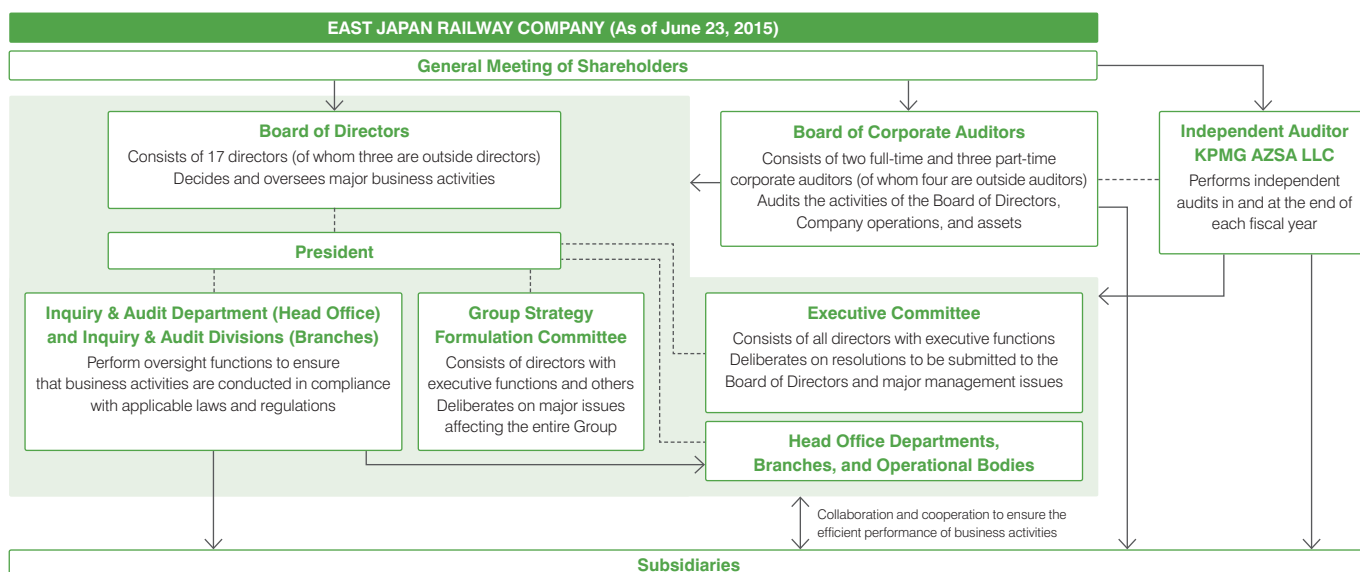
Reason for Adopting Current Corporate Governance System

Railway operations, JR East's principal business, require judgments that are based on a range of knowledge and experience regarding safety and other areas as well as decision making that reflects long-term perspectives. Accordingly, decisions on important management matters are reached through consultation among multiple directors. Further, JR East has adopted a system in which audits are conducted by corporate auditors who are independent from the Board of Directors and have terms of service of four years.

Overview of Corporate Governance Units

JR East's Board of Directors comprised 17 directors, including three outside corporate directors as of June 23, 2015. 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 Executive Committee deliberates on 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, convenes as required and considers management strategy for respective operational areas and other significant Group issues with a view to developing the JR East Group as a whole.

Conceptual Diagram of Corporate Governance



Meeting once a month in principle, the Board of Corporate Auditors comprises five corporate auditors, including two full-time and three part-time corporate auditors, of whom four are outside auditors. In accordance with guidelines established by the Board of Corporate Auditors, the corporate auditors supervise the directors' implementation of operations by attending meetings of the Board of Directors, the Executive Committee, and other committees as well as by making inquiries regarding JR East's operations and assets.

Basic Internal Control Policy for Financial Reports

JR East's basic internal control policy for financial reports is as follows:

- 1) JR East will establish and operate systems required to ensure the appropriateness of documents relating to the financial statements and other information.
- 2) Regarding the establishment and operation of the systems indicated in the previous item, JR East will adhere to generally accepted standards for the evaluation of internal controls in relation to financial reports and evaluate internal controls each fiscal year.

Current State of Risk Management Systems

JR East has established the Transportation Operations Center, which operates 24 hours a day and has the task of ensuring rapid and appropriate responses in the event of an accident or disaster affecting railway operations. JR East has also established two specialized internal committees, the Railway Safety Promotion Committee and the Customer Comments Committee. The former stresses the prompt review, effective formulation, and promotion of measures for preventing railway operation accidents and accidents involving injury and death. The latter focuses on the effective formulation and promotion of measures for preventing the malfunction of railway cars, facilities, and equipment, and improving the response to service disruptions once a transportation malfunction occurs, with the aim of enhancing transportation service quality.

With regard to the risk of a significant adverse influence on corporate operations due to such incidents as external offenses or internal misconduct and legal violations by JR East or its subsidiaries, all JR East departments undertake risk management activities. In addition, JR East has established the Crisis Management Headquarters based around departments responsible for risk management, as well as implemented 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 undertakes such actions as gathering the relevant information and implementing countermeasures.

Current State of Internal Audits, Corporate Audits, and Accounting Audits (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 the Head Office and Inquiry & Audit divisions at branch offices, and together they work to ensure that corporate operations are executed lawfully and efficiently. Audits of the business execution status of the Head Office, Branch Office, Operational Body, and other entities are performed according to an audit plan, and requests are made for the submission of progress updates for items requiring improvement. The audit results are reported to representative directors at the end of each accounting period and at other times deemed necessary. In addition, the Inquiry & Audit Department audits subsidiaries.

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 subsidiaries 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 the implementation of operations by directors, carried out in accordance with the 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 as well as investigate financial situations and other items. Further, corporate auditor Toshiaki Yamaguchi is a certified public accountant and has extensive expertise with regard to finance and accounting.

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

- Designated certified public accountants:
Shozo Tokuda, Teruhiko Tanaka, and Kazuhiko Azami
- Breakdown of auditing assistants:

Certified public accountants	16
Other	20

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 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.

Outside Directors and Outside Corporate Auditors

JR East has three outside directors. Also, JR East has four outside corporate auditors. There is no conflict of interest between these outside directors, outside corporate auditors, and JR East with regard to personal relationships, capital relationships, business relationships, or other potentially conflicting interests JR East is obliged to disclose.

JR East elects outside directors in order to take advantage of extensive knowledge and experience garnered outside JR East in its management

and with a view to strengthening corporate governance systems through oversight of business management from independent standpoints. Moreover, JR East elects outside corporate auditors in order to take advantage of extensive knowledge and experience garnered outside JR East in its auditing operations and with a view to strengthening corporate governance systems through auditing of directors and the business duties they execute from independent standpoints.

Principal Activities of Outside Directors and Outside Corporate Auditors in Fiscal 2015

Title	Name	Principal activities
Outside Director	Takeshi Sasaki	Attended 14 meetings out of all 16 meetings of the Board of Directors held during the fiscal year (attendance rate 88%) and spoke on the Company's management issues based on his wide experience as an expert.
Outside Director	Tomokazu Hamaguchi	Attended all 16 meetings of the Board of Directors held during the fiscal year (attendance rate 100%) and spoke on the Company's management issues based on his wide experience as a top executive.
Outside Corporate Auditor	Shigeo Hoshino	Attended all 16 meetings of the Board of Directors held during the fiscal year (attendance rate 100%) and all 15 meetings of the Board of Corporate Auditors held during the fiscal year (attendance rate 100%), and spoke on the Company's management issues based on his wide experience in government.
Outside Corporate Auditor	Hajime Higashikawa	Attended all 16 meetings of the Board of Directors held during the fiscal year (attendance rate 100%) and all 15 meetings of the Board of Corporate Auditors held during the fiscal year (attendance rate 100%), and spoke on the Company's management issues based on his wide experience in government.
Outside Corporate Auditor	Toshiaki Yamaguchi	Attended all 16 meetings of the Board of Directors held during the fiscal year (attendance rate 100%) and all 15 meetings of the Board of Corporate Auditors held during the fiscal year (attendance rate 100%), and spoke on the Company's management issues based on his wide experience as a certified public accountant.
Outside Corporate Auditor	Mutsuo Niita	Attended all 16 meetings of the Board of Directors held during the fiscal year (attendance rate 100%) and all 15 meetings of the Board of Corporate Auditors held during the fiscal year (attendance rate 100%), and spoke on the Company's management issues based on his wide experience as an attorney-at-law.

Appointment Status of Outside Directors (As of July 2015)

Name	Positions at other entities	Reasons for election
Takeshi Sasaki	—	JR East deems Mr. Sasaki to be appropriate for the appointment and equipped with managerial judgment capability and expertise for providing the Company with supervision and advice on management on the basis of his experience as a former dean of the Faculty of Law, University of Tokyo, and a former president of the University of Tokyo.
Tomokazu Hamaguchi	Outside Director, IHI Corporation, KURARAY CO., LTD., and Director, FPT CORPORATION	JR East deems Mr. Hamaguchi to be appropriate for the appointment and equipped with managerial judgment capability and expertise for providing the Company with supervision and advice on management on the basis of his experience as a former president and CEO of NTT DATA Corporation.
Motoshige Itoh	Professor of the University of Tokyo, Graduate School of Economics	JR East deems Mr. Itoh to be appropriate for the appointment and equipped with managerial judgment capability and expertise for providing the Company supervision and advice on management on the basis of his experience as a former Dean of the Graduate School of Economics and the Faculty of Economics of the University of Tokyo and as a Professor of the Graduate School of Economics of the University of Tokyo.

Appointment Status of Outside Corporate Auditors (As of July 2015)

Name	Positions at other entities	Reasons for election
Shigeo Hoshino	—	JR East deems Mr. Hoshino to be appropriate for the appointment and equipped with audit operation judgment capability and expertise for auditing the execution of business duties by the Company's directors on the basis of his experience in major posts at the Ministry of Land, Infrastructure, Transport and Tourism.
Hajime Higashikawa	—	JR East deems Mr. Higashikawa to be appropriate for the appointment and equipped with the audit operation judgment capability and expertise for auditing the execution of business duties by the Company's directors on the basis of his experience in major posts at the National Police Agency.
Toshiaki Yamaguchi	Certified Public Accountant	JR East deems Mr. Yamaguchi to be appropriate for the appointment and equipped with the audit operation judgment capability and expertise for auditing the execution of business duties by the Company's directors on the basis of his vast experience as a certified public accountant.
Mutsuo Nitta	Attorney, Outside Corporate Auditor, Sumitomo Corporation	JR East deems Mr. Nitta to be appropriate for the appointment and equipped with the audit operation judgment capability and expertise for auditing the execution of business duties by the Company's directors on the basis of his vast judiciary experience as a judge and attorney-at-law.

Compensation of Directors and Corporate Auditors**JR East's Total Remuneration of Directors and Corporate Auditors by Classification, Total Remuneration by Type, and Number of Directors and Corporate Auditors Receiving Remuneration**

Position	Total Amount of Remuneration (¥ Million)	Total Amount of Remuneration by Type (¥ Million)		Number of Recipients
		Basic Remuneration	Bonuses	
Directors (not including outside directors)	785	616	168	19
Corporate auditors (not including outside corporate auditors)	10	8	2	1
Outside directors and outside corporate auditors	105	84	21	6
Total	900	709	191	26

Note: The amount of remuneration, etc., includes the amount paid to two directors who resigned at the conclusion of the 27th Ordinary General Meeting of Shareholders held on June 24, 2014.

Total Remuneration of Individual JR East Directors

Not recorded because no individual received total consolidated remuneration of ¥100 million or more.

Remuneration for Auditing Services**Remuneration for Independent Auditors**

Classification	(¥ Million)			
	Fiscal 2014		Fiscal 2015	
	Remuneration for Auditing Services	Remuneration for Non-auditing Services	Remuneration for Auditing Services	Remuneration for Non-auditing Services
JR East	245	6	245	8
Consolidated subsidiaries	480	2	478	3
Total	725	9	723	11