

## Creating "Social Value" —Corporate Governance—

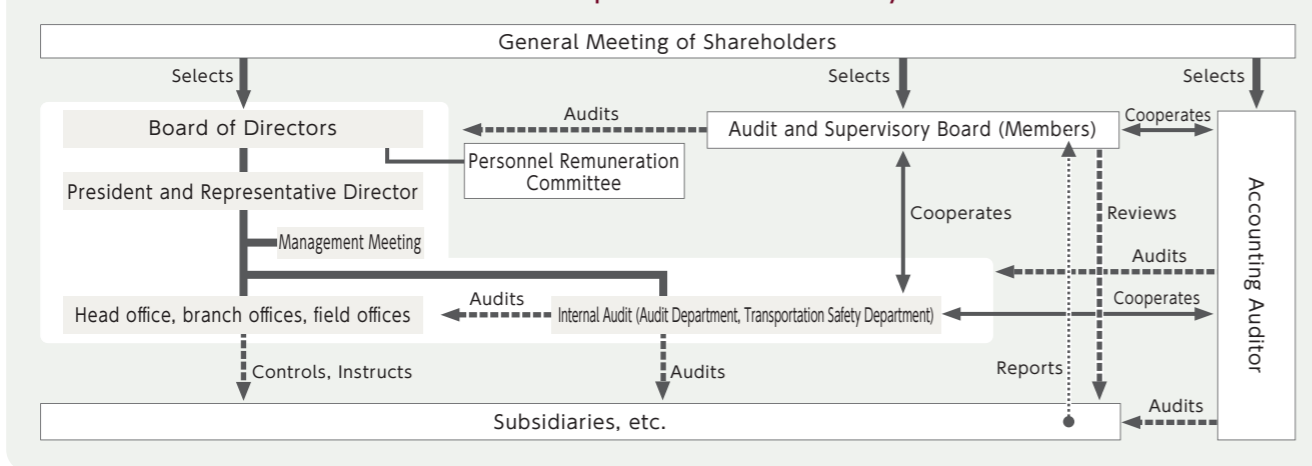
## Corporate Governance

JR Central strives to enhance its corporate governance to ensure the soundness, efficiency and transparency of its business management, thereby ensuring long-term development of the company and continuous enhancement of corporate value. We have announced our stance on, and the initiatives put in place in relation to, the Corporate Governance Code in the Corporate Governance Report.\*

\*The Corporate Governance Report is available on our website.

[https://company.jr-central.co.jp/company/esg/governance/\\_pdf/governance.pdf](https://company.jr-central.co.jp/company/esg/governance/_pdf/governance.pdf)

## JR Central's Corporate Governance System



## Overview of corporate governance system

JR Central's Board of Directors is composed of 13 directors (including five outside directors, one of whom is female) and is chaired by the Company's Chairperson and Representative Director. JR Central also adopts an auditor system, and its Audit and Supervisory Board consists of four members (three of whom are outside auditors) (The figures are as of June 23, 2023).

The Board of Directors meets at least once a month, in principle, to make legal and appropriate decisions upon fully discussing matters stipulated by law as well as important management matters. It also supervises the work of directors. A Management Meeting is held for in-depth discussion of important management issues. Chaired by the President and Representative Director, the Management Meeting is attended by all full-time directors, Audit and Supervisory Board members, and some corporate officers. By deliberating on a wider range of management matters ahead of Board of Directors' meetings, discussions at the subsequent Board of Directors' meetings are enhanced. We request members of the Audit and Supervisory Board to attend meetings of the Board of Directors, the Management Meeting and other important meetings as we endeavor to ensure the legality of management measures during the deliberation process. In addition to these initiatives, the effectiveness of the entire Board of Directors is analyzed and evaluated based on the self-assessment performed by each director and Audit and Supervisory Board member. Based on these results, we discuss further enhancement of the functions of the Board of Directors. Furthermore, JR Central strives to ensure the appropriate execution of business by managing and providing necessary management and guidance to subsidiaries, etc.

From the perspective of ensuring the enhancement of objectivity and transparency in the determination of personnel changes, remuneration, etc. of officers, JR Central established the Personnel Remuneration Committee (chaired by an outside director) consisting of a total of five members: four independent outside directors and the President and Representative Director. The Committee deliberates with the attendance of all of its members prior to resolutions at the Board of Directors meetings regarding personnel changes, remuneration, etc. Resolutions made by the Board of Directors regarding the determination of personnel changes, remuneration, etc. are based on the content of deliberation by the Committee.

Although we introduced the corporate officer system in May 2003, we adopted an executive system in June 2012 that is aimed at further accelerating decision-making and enhancing discussions by the Board of Directors and at further clarifying the roles of directors and corporate officers, who are responsible for business execution, in order to appropriately respond to changes in the business environment surrounding the Company in a timely manner. Audit and Supervisory Board members not only attend important meetings, such as the Board of Directors' meetings and the Management Meeting, but also perform rigorous audits based on plans formulated by the Audit and Supervisory Board through audits of head office departments, railway operation divisions, branch offices, field offices, subsidiaries, etc., as well as examination of the state of business execution by directors, corporate officers and employees through exchanges of opinions with them. To ensure effective audits by Audit and Supervisory Board members, JR Central also provides an assistant system whereby its employees are assigned as full-time staff to support the work of the Audit and Supervisory Board members.

Internal audits are performed by the Audit Department on the overall work of JR Central, its major subsidiaries, and other related companies from the perspective of compliance, efficiency and effectiveness of business operation. The audits are performed by such methods as checking business materials, contracts and other documents, observing operations, and interviewing related persons, and the results are reported to management. In addition, in order to prevent operational and labor accidents, safety audits are performed by the Transportation Safety Department, the results of which are also reported to management.

JR Central receives appropriate accounting audits that are based on generally accepted audit standards by Deloitte Touche Tohmatsu LLC, which has been appointed as its accounting auditor.

Audit and Supervisory Board members, internal audit departments, and the accounting auditor cooperate with each other by exchanging information periodically or as needed, and they receive necessary information from each department involved in internal control to confirm the status of implementation of each item stipulated in the Fundamental Corporate Governance Policies.

## Outside Directors and Outside Audit and Supervisory Board Members

Based on its policy to ensure the most appropriate system for executing the duties of the Company, JR Central has appointed five outside directors and three outside Audit and Supervisory Board members. The level of independence of each outside director and outside Audit and Supervisory Board member is judged in accordance with the criteria for independence established by the Tokyo Stock Exchange, Inc. in order to ensure that the opinions provided are formed from an independent standpoint and are based on the high degree of experience and insight accumulated outside the Company.

From their independent standpoints and based on the high degree of experience and insight accumulated outside the Company, JR Central receives opinions from outside directors at the meetings of the Board of Directors and the Personnel Remuneration Committee, and from outside Audit and

Supervisory Board members at meetings of the Board of Directors and the Audit and Supervisory Board. In addition, through the various opportunities to comment on our operations prior to Board of Directors' meetings, they provide us with valuable advice on economic and social developments and overall business management.

The advice given by outside directors and outside Audit and Supervisory Board members is utilized to perform audits by Audit and Supervisory Board members, internal audits, safety audits, and accounting audits, as well as to implement each item stipulated in the Fundamental Corporate Governance Policies.

Each outside director and outside Audit and Supervisory Board member is registered with the Tokyo Stock Exchange and Nagoya Stock Exchange as an independent officer with no risk of conflict of interest with general shareholders.

## Main concurrent posts held by outside directors and outside Audit and Supervisory Board members [As of March 31, 2023]

| Name                               | Name of other company, etc. | Title  |
|------------------------------------|-----------------------------|--|
| Director                           | Haruo Kasama                | Toppan Printing Co., Ltd. External Auditor   |
|                                    | Taku Oshima                 | NGK Insulators, Ltd. Chairman and Representative Director<br>Toho Gas Co., Ltd. Outside Director<br>Aichi Employers' Association Chairman  |
|                                    | Tsuyoshi Nagano             | Tokio Marine Holdings, Inc. Chairman<br>Seiko Group Corporation Outside Director<br>FUJIFILM Holdings Corporation Outside Director   |
| Director                           | Hiroko Kiba                 | INPEX CORPORATION External Auditor   |
|                                    | Hiroko Kiba                 | He attended all 11 meetings of the Board of Directors after his appointment on June 23, 2022. At the Board of Directors' meetings, he has stated his opinions based on his experience in corporate management and other expertise. He also attended the meetings of the Personnel Remuneration Committee and expressed opinions based on his extensive experience and deep insight. In addition, through various briefing opportunities prior to Board of Directors' meetings, he has provided valuable advice on economic and social developments and overall business management. Through the above-mentioned activities, he has contributed to the maintenance and further development of the sound management of the Company from the standpoint of an independent outside director. |
| Audit and Supervisory Board Member | Kunihiro Nasu               | Hyojito Co., Ltd. Outside Director   |
|                                    | Hajime Ishizu               | He attended all 13 meetings of the Board of Directors and all 14 meetings of the Audit and Supervisory Board held in FY2022. At the Board of Directors' and the Audit and Supervisory Board meetings, he has expressed opinions based on his experience in transportation administration and other expertise.  |
|                                    | Fumio Yamashita             | He attended all 13 meetings of the Board of Directors and all 14 meetings of the Audit and Supervisory Board held in FY2022. At the Board of Directors' and the Audit and Supervisory Board meetings, he has expressed opinions based on his experience in police administration and other expertise.  |
|                                    | Shigeo Kifuji               | He attended all 13 meetings of the Board of Directors and all 14 meetings of the Audit and Supervisory Board held in FY2022. At the Board of Directors' and the Audit and Supervisory Board meetings, he has stated his opinions based on his experience as a public prosecutor and lawyer and other expertise.  |
|                                    | Kunihiro Nasu               | He attended all 13 meetings of the Board of Directors and all 14 meetings of the Audit and Supervisory Board held in FY2022. At the Board of Directors' and the Audit and Supervisory Board meetings, he has stated his opinions based on his experience as a lawyer and other expertise.  |

## Activity status of outside directors and outside Audit and Supervisory Board members [FY2022]

| Name            | Principal activity  |
|-----------------|---|
| Haruo Kasama    | He attended all 13 meetings of the Board of Directors held in FY2022. At the Board of Directors' meetings, he has stated his opinions based on his experience as a public prosecutor and lawyer and other expertise. He also attended the meetings of the Personnel Remuneration Committee and expressed opinions based on his extensive experience and deep insight. In addition, through various briefing opportunities prior to Board of Directors' meetings, he has provided valuable advice on economic and social developments and overall business management. Through the above-mentioned activities, he has contributed to the maintenance and further development of the sound management of the Company from the standpoint of an independent outside director.  |
| Taku Oshima     | He attended all 13 meetings of the Board of Directors held in FY2022. At the Board of Directors' meetings, he has stated his opinions based on his experience in corporate management and other expertise. He also attended the meetings of the Personnel Remuneration Committee and expressed opinions based on his extensive experience and deep insight. In addition, through various briefing opportunities prior to Board of Directors' meetings, he has provided valuable advice on economic and social developments and overall business management. Through the above-mentioned activities, he has contributed to the maintenance and further development of the sound management of the Company from the standpoint of an independent outside director.  |
| Tsuyoshi Nagano | He attended all 11 meetings of the Board of Directors after his appointment on June 23, 2022. At the Board of Directors' meetings, he has stated his opinions based on his experience in corporate management and other expertise. He also attended the meetings of the Personnel Remuneration Committee and expressed opinions based on his extensive experience and deep insight. In addition, through various briefing opportunities prior to Board of Directors' meetings, he has provided valuable advice on economic and social developments and overall business management. Through the above-mentioned activities, he has contributed to the maintenance and further development of the sound management of the Company from the standpoint of an independent outside director.  |
| Hiroko Kiba     | He attended all 11 meetings of the Board of Directors after his appointment on June 23, 2022. At the Board of Directors' meetings, she has stated opinions based on her experience as a freelance news anchor, teaching staff at a university, a member of the Council of Transport Policy and other expertise. She also attended the meetings of the Personnel Remuneration Committee and expressed opinions based on her extensive experience and broad-ranged insight. In addition, through various briefing opportunities prior to Board of Directors' meetings, she has provided valuable advice on economic and social developments and overall business management. Through the above-mentioned activities, he has contributed to the maintenance and further development of the sound management of the Company from the standpoint of an independent outside director. |
| Hajime Ishizu   | He attended all 13 meetings of the Board of Directors and all 14 meetings of the Audit and Supervisory Board held in FY2022. At the Board of Directors' and the Audit and Supervisory Board meetings, he has expressed opinions based on his experience in transportation administration and other expertise.   |
| Fumio Yamashita | He attended all 13 meetings of the Board of Directors and all 14 meetings of the Audit and Supervisory Board held in FY2022. At the Board of Directors' and the Audit and Supervisory Board meetings, he has expressed opinions based on his experience in police administration and other expertise.   |
| Shigeo Kifuji   | He attended all 13 meetings of the Board of Directors and all 14 meetings of the Audit and Supervisory Board held in FY2022. At the Board of Directors' and the Audit and Supervisory Board meetings, he has stated his opinions based on his experience as a public prosecutor and lawyer and other expertise.   |
| Kunihiro Nasu   | He attended all 13 meetings of the Board of Directors and all 14 meetings of the Audit and Supervisory Board held in FY2022. At the Board of Directors' and the Audit and Supervisory Board meetings, he has stated his opinions based on his experience as a lawyer and other expertise.   |

## Ensuring the effectiveness of the Board of Directors and the Audit and Supervisory Board

The appointment of directors is conferred to General Shareholders Meetings following a resolution of the Board of Directors concerning the appropriate election of candidates deemed to be the most fitting for the role as selected based upon a general consideration of their abilities, knowledge, work history, etc., irrespective of age, sex or nationality. The number of directors elected, the division of their roles are determined based on a comprehensive consideration of the progress of ongoing projects in accordance with a policy of establishing the most appropriate system for the execution of the Company's operations. From the perspective of ensuring the enhancement of objectivity and transparency in the determination of personnel changes, etc. of officers, JR Central established the Personnel Remuneration Committee (chaired by an outside director) consisting of a total of five members: four independent outside directors and the President and Representative Director. The Committee deliberates with the attendance of all of its members prior to resolutions at the Board of Directors meetings regarding personnel changes, etc. Resolutions made by the Board of Directors regarding the determination of personnel changes, etc. are based on the content of deliberation by the Committee.

The important concurrent positions held by directors and Audit and Supervisory Board members are as stated in the business reports and General Shareholders Meeting Reference Materials. None of the concurrently held positions hinder the directors' or Audit and Supervisory Board members' ability to

fulfill the roles and responsibilities of such positions for the Company.

The Board of Directors meets at least once a month in principle, to make legal and appropriate decisions upon fully deliberating matters stipulated by law as well as important management matters. It also appropriately supervises the work of directors by holding discussions based on reports on business execution from the directors in charge of each operation. JR Central receives valuable broad-view advice on management from outside directors, which is taken into consideration in regulating the management of the Company.

In addition, the Company analyzes and evaluates the effectiveness of the entire Board of Directors based on self-evaluation by each director and Audit and Supervisory Board member, and based on the results, the Company continues to make efforts to further enhance the functions of the Board of Directors, such as periodically reporting to the Board of Directors important matters in executing the business of the Company, including the implementation state of internal audits and the occurrence of train and labor accidents. Additionally, in order to further improve the effectiveness of the Board of Directors, the Company holds conferences for opinion exchanges between outside directors and members of the management concerning general issues of business management, and meetings of outside directors exclusively consisting of outside directors.

Based on the above, the Board of Directors finds that the effectiveness of the entire Board of Directors is sufficiently ensured.

## Corporate Governance

### Remuneration for officers

Directors' remuneration consists of fixed basic compensation paid on a monthly basis and a bonus paid in June each year. The basic compensation amount is determined based on a comprehensive assessment of a director's position, length of service and other factors, while the bonus amount is determined by mainly taking into consideration the business performance, including ordinary income, as well as shareholder return and other factors. The specific bonus amount for each individual is determined in consideration of the degree of responsibility assigned to the director's position, performance in ensuring safety, and performance of assigned duties. The ratio of the basic compensation to bonus we use as a guide is 3 to 1. The operating performance for FY2022 and other fiscal years are as described in the financial data on pages 31 to 34.

Outside directors' remuneration consists only of the fixed basic compensation paid on a monthly basis.

The Board of Directors makes resolutions regarding the policy for determining remuneration, etc. for these directors, and the determination of specific amounts of remuneration, etc. for each individual is left to the President and Representative Director who has knowledge of the performance of duties assigned to each director. At the 25th Ordinary General Meeting of Shareholders held on June 22, 2012, it was resolved that the total amount of remuneration for directors would be no more than 1.2 billion yen per year (of which the amount for outside directors would be no more than 50 million yen per year). At the 35th Ordinary General Meeting of Shareholders held on June 23, 2022, it was resolved that the total amount of remuneration for outside directors would be no more than 100 million yen per year, and the President and Representative Director decides the actual amounts within the range of this limit. The number of directors at the conclusion of the 25th Ordinary General Meeting of Shareholders held on June 22, 2012 was 14 (including three outside directors). The number of directors at the conclusion of the 35th Ordinary General Meeting of Shareholders held on June 23, 2022 was 12 (including four outside directors).

The remuneration for Audit and Supervisory Board members consists only of basic compensation, which is paid in a fixed amount every month, and the appropriate amount is determined through consultation among

### Policy concerning cross-shareholdings

Our strategy for cross-shareholdings is based on a general consideration of the necessity thereof and is grounded in the belief that maintaining and bolstering long-term and stable business relationships through holding other companies' stock facilitate our operations and enhance our corporate value over the medium to long term. If any of our cross-shareholdings are deemed to be unnecessary in light of this policy, we assess and divest from them.

Furthermore, our Board of Directors examines whether it is beneficial

### Policy for promoting constructive dialogue with shareholders

JR Central positions the General Meeting of Shareholders as an important opportunity for dialogue with shareholders and strives to improve the quality of question-and-answer sessions in the meeting as a means of contributing to sustainable growth and enhancing corporate value over the medium to long term. Dialogue with shareholders in general is overseen by the General Manager of the Administration Department, and questions, opinions and requests from shareholders are responded to, to the extent reasonable, in the form of an individual meeting or over the telephone, etc.

Of this, dialogue with institutional investors is overseen by the Director General of the Corporate Planning Division, and the IR manager assigned to the Business Administration Department of the Corporate Planning Division is in charge of dialogue response. The Administration Department is mainly in charge of dialogue (SR) with the voting rights managers of institutional investors, with whom there is a commitment for constructive dialogue on an individual basis. The IR team strives to further improve shareholder dialogue by organically coordinating with related departments. It also strives to improve dialogue measures by not only holding individual meetings but also

the Audit and Supervisory Board members. At the 20th Ordinary General Meeting of Shareholders held on June 22, 2007, it was resolved that the total amount of remuneration for Audit and Supervisory Board members would be not more than 250 million yen per year, and the actual amount is decided within the range of this limit. The number of Audit and Supervisory Board members at the conclusion of the relevant Ordinary General Meeting of Shareholders was five.

From the perspective of ensuring the enhancement of objectivity and transparency in the determination of remuneration, etc. for officers, JR Central established the Personnel Remuneration Committee (chaired by an outside director) consisting of a total of five members: four independent outside directors and the president and representative director. The Committee deliberates with the attendance of all of its members prior to resolutions at the Board of Directors' meetings regarding remuneration, etc. for officers. Resolutions regarding the policy for determining remuneration, etc. at the Board of Directors' meetings are made based on the deliberations of the Committee. Delegated by the Board of Directors, the President and Representative Director decides the specific amounts of directors' remuneration. Since the amount of remuneration for each director is determined through the above-mentioned procedures, the Board of Directors deems that the amounts conform with the decision policy.

### Total amount of remuneration by officer category, total amount of remuneration by type, and number of eligible officers [FY2022]

| Category  | Basic compensation          |                            | Bonus                       |                            | Total amount (million yen) |
|---|-----------------------------|----------------------------|-----------------------------|----------------------------|----------------------------|
|   | Number of eligible officers | Total amount (million yen) | Number of eligible officers | Total amount (million yen) |                            |
| Director (excluding outside director)   | 13                          | 424                        | 8                           | 152                        | 576                        |
| Audit and Supervisory Board member (excluding outside Audit and Supervisory Board member) | 1                           | 47                         | -                           | -                          | 47                         |
| Outside officer   | 9                           | 153                        | -                           | -                          | 153                        |

Note: Directors (excluding outside directors) and the Audit and Supervisory Board members (excluding part-time Audit and Supervisory Board members) have voluntarily returned 10% of their basic compensation from April 2022 to September 2022. The total amount of basic compensation indicated in the table above includes the amount of compensation voluntarily returned.

to retain specific cross-shareholdings after scrutinizing them in light of the medium- to long-term economic rationale and future outlook, the purpose of continuing to own such cross-shareholdings, and other factors.

Moreover, in exercising the voting rights of cross-held shares, we carefully examine the details of each agenda item and decide whether to approve or disapprove, taking into consideration the improvement of our corporate value over the medium to long term, and the sustainable growth of our business partners, etc.

implementing online meetings and facility tours, etc., where necessary, in addition to holding quarterly financial briefings. Dialogue response is made, to the extent reasonable, together with senior management and directors or Audit and Supervisory Board members, based on a general consideration of the requests and interests put forth by the institutional investor.

We also focus on enriching provision of information to shareholders by posting the information presented at financial briefings on TDnet and our website, and enhancing the content of the convocation notice of the General Meetings of Shareholders. Furthermore, we work to ensure that sufficient information concerning decisions made on important measures and important capital investments reaches as large a number of stakeholders as possible, using the mass media to deliver detailed information at regular press conferences held by the President and by presenting such information to the press.

The content of dialogue with shareholders is reported to senior management and, if necessary, feedback is provided to the Board of Directors.

### Main activities (FY2022)

Based on the above-mentioned policy, we engaged in dialogue with a wide range of domestic and overseas institutional investors to whom the Company's management team and IR/SR staff responded, regardless of the investment method of the institutional investor or the field of responsibility of the person in charge, based on themes such as our business content and specific initiatives related to ESG.

In addition to providing management with feedback on the content of the dialogue, we also conduct surveys of institutional investors after individual interviews and financial briefings. Upon analyzing the feedback obtained and the needs of institutional investors, we work

to further enhance corporate governance and future dialogue by enriching disclosure and using the information for reconsidering the content of briefing materials.

|   |            |
|---|------------|
| - Number of dialogues held with institutional investors and analysts:                         | <b>205</b> |
| - Number of financial briefings and small meetings with institutional investors and analysts: | <b>5</b>   |
| - Number of items of feedback from institutional investors:                                   | <b>135</b> |

### Fundamental Corporate Governance Policies

JR Central passed a resolution on the Fundamental Corporate Governance Policies\* at its Board of Directors' meeting.

\*Please refer to the following URL for the Fundamental Corporate Governance Policies.

URL <https://company.jr-central.co.jp/company/about/governance.html>

### Compliance & whistleblowing system

JR Central not only stipulates internal regulations based on laws and other regulations but also conducts employee education on various occasions with the aim of thoroughly complying with laws and regulations when executing business. In addition, we have established an internal reporting system that allows employees to report any violations of laws and regulations during business operations,

providing contact points both internally and externally. We make thorough efforts to protect whistleblowers by stipulating in the internal regulations the non-disclosure of the whistleblower's name, elimination of any disadvantages caused by reporting, and allowing anonymous whistleblowing, and to ensure that the system is disseminated through educational opportunities available to all employees.

### Risk management system

From the perspective of preventing railway operation accidents, labor accidents, and disasters, JR Central has established the "Railway Safety Promotion Committee," etc. at the head office, the Shinkansen and Conventional Lines Operations Divisions, branch offices and in each area, establishing and promoting an integrated system for safety measures from the head office to field organizations.

We also manage a control center to respond to emergencies, such as an accident or disaster, which plays a key role in information

communication, on call 24 hours a day in the Shinkansen and the Conventional Lines Operations Divisions, establishing a fast-response restoration system in which employees can be gathered at any time according to the scale or impact of an accident or disaster. Additionally, in preparation for emergencies, such as large-scale disasters, we have established the Second General Control Center for the Tokaido Shinkansen, which has an alternative function to the General Command Center.

### Response to internal control related to financial reporting

Regarding internal control related to financial reporting, we periodically investigate the system and state of execution, etc. in accordance with the basic framework established by the Business Accounting Council,

and confirm that internal control is effectively functioning. We also work to maintain the level of internal control related to financial reporting by providing feedback from the investigation to our operations.

### Capital policy and approach to shareholder return

We will finance our projects by issuing corporate bonds and borrowing, in addition to a long-term loan totaling 3 trillion yen acquired using the Fiscal Investment and Loan Program (FILP) to promote the construction of the Chuo Shinkansen. We do not plan to use treasury stock or pursue a capital increase at this point.

Given the nature of the railway business, which is managed from a long-term perspective, the specific dividend amount is determined considering the business environment and operating results of each fiscal year based on the Company's consistent and basic policy for the continuation of stable dividends. Regarding treasury stock, we basically believe that shareholder returns through dividends are appropriate, and at present, we have no plans to repurchase

additional shares. It should be noted that when we say "from a long-term perspective," we mean that we will not cut corners in taking the necessary steps to ensure that our rail services continue to operate steadily over the long term. For example, we will undertake such measures as large-scale renovations as well as derailment and deviation countermeasures for the Shinkansen, along with working on the Chuo Shinkansen, a large-scale long-term project. In order to gain shareholder's understanding toward the above approach, we believe that a basic policy of continuing stable dividends is necessary. Going forward, we will maintain this principle of stable dividends during the construction of the Chuo Shinkansen.