

Corporate governance

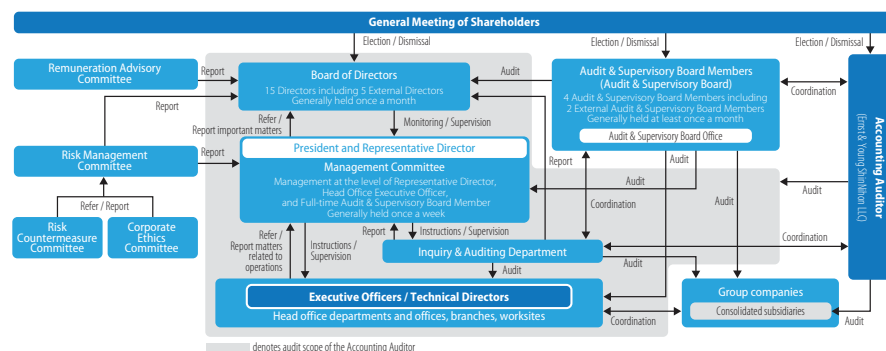
Overview of the corporate governance system

As a Company with Audit & Supervisory Board Members under the Companies Act, the Company ensures transparency and fairness of management through appropriate audits conducted by Audit & Supervisory Board Members regarding the execution of duties by directors.

The Board of Directors receives advice on important management matters from five independent External Directors based on their accumulated experience and expertise, while conducting timely and appropriate decision-making, and performing effective supervision and monitoring. Also, in order to accelerate decision-making and the execution of duties, we have adopted an executive officer system and the Management Committee meets once a week in principle to discuss fundamental management matters.

In accordance with the auditing policies and audit plan prepared by the Audit & Supervisory Board, Audit & Supervisory Board Members attend meetings of the Board of Directors and other important meetings, and conduct auditing visits of branch offices and worksites. They also audit the execution of business by Directors, and provide necessary advice and recommendations.

Furthermore, we are advancing initiatives in the spirit of the Corporate Governance Code, such as enhancing the effectiveness of the Board of Directors and disclosing information in an appropriate and timely manner, as well as striving to create an optimal corporate governance system in response to changes in the business environment through efforts such as establishing a Risk Management Committee to manage and reduce risks in an integrated way.



Efforts to improve the evaluation and effectiveness of the Board of Directors

The Board of Directors of the Company develops and improves the environment to ensure that the appropriate risk-taking is carried out, and fulfills its duties including highly effective monitoring and supervision. Accordingly, the Board has been evaluated as functioning effectively. The Company is engaged in various efforts to maintain and improve this effectiveness going forward.

1. Establishment of the system of distributing information for External Directors

- 1) Provide External Directors and External Audit & Supervisory Board Members with opportunities, other than the meetings of the Board of Directors, to give explanations of important business challenges, etc. including preliminary explanations of propositions for the meetings of the Board of Directors.
- 2) Arrange site inspection as a means of distributing information on current business conditions and background information on the enforcement of policies.
- 3) Hold regular liaison meetings mainly composed of External Directors where discussions on matters including the medium-term management policy and business challenges.
- 4) Provide necessary additional explanations for the matters pointed out and questions raised at the meeting of the Board of Directors at a meeting of the Board of Directors to be held immediately following

the relevant meeting and other occasions.

2. Sharing of the content of discussions at meetings of the Board of Directors

Feed back and share the content of discussions and matters pointed out at meetings of the Board of Directors at the Management Committee which is also attended by Executive Officers and others, and subsequently utilized to draft and promote initiatives.

3. Conducting hearings concerning the management of the Board of Directors, etc.

Hold hearings targeted at all the Directors concerning the operation of the Board of Directors and other matters for each fiscal year and take initiatives necessary for further improvement of effectiveness and invigoration of the Board of Directors based on results of such hearings.

Appointment of Directors and Audit & Supervisory Board Members

Important matters related to human resources examined at the Personnel Committee, which comprises multiple committee members including the Representative Directors and other officers, based on the selection criteria stipulated by the Board of Directors. Decisions on Director and Audit & Supervisory Board Member candidates are made by the Board of Directors (and in the case of Audit & Supervisory Board Member candidates, after a consensus has been reached based on the criteria for consent to the selection of Audit & Supervisory Board Members stipulated by the Audit & Supervisory Board), after considering the results of the aforementioned examination by the Personnel Committee.

■ Corporate officers (as of July 1, 2019)

Directors * External Director as stipulated by Article 2 Paragraph 15 of the Companies Act

Chairman and Director (Chairman of the Board of Directors)	Seiji Manabe
Director	Yumiko Sato*
Director	Yuzo Murayama*
Director	Norihiko Saito*
Director	Hideo Miyahara*
Director	Hikaru Takagi*
President, Representative Director and Executive Officer	Tatsuo Kijima
Vice-President, Representative Director, and Executive Officer	Fumito Ogata
Vice-President, Representative Director, and Executive Officer	Kazuki Hasegawa

Vice President, Representative Director, and Executive Officer	Yoshihisa Hitano	Senior General Manager of Shinkansen Operations Division, Railway Operations Headquarters
Director and Senior Managing Executive Officer	Shoji Kurazaka	General Manager of General Affairs Department
Director and Senior Executive Officer	Kejiro Nakamura	Deputy Senior General Manager of Railway Operations Headquarters / General Manager of Transport Safety Department, Railway Operations Headquarters
Director and Senior Executive Officer	Toshihiro Matsuoka	Deputy Senior General Manager of Railway Operations Headquarters / Deputy Senior General Manager of Shinkansen Operations Division, Railway Operations Headquarters
Director and Senior Executive Officer	Atsushi Sugioka	Senior General Manager of Corporate Planning Headquarters / Senior General Manager of IT Headquarters / Senior General Manager of Tokyo Headquarters
Director and Senior Executive Officer	Tadashi Kawai	Senior General Manager of Kansai Urban Area Regional Head Office

Audit & Supervisory Board Members ** External Auditor as stipulated by Article 16 of the Companies Act

Full-Time Auditor	Makoto Shibata	Certified Public Accountant, Katsuki Office
Full-Time Auditor	Naoki Nishikawa	Chairman and Representative Director, Nippon Life Insurance Company

Remuneration for Directors and Audit & Supervisory Board Members

The Company has abolished the bonus system for Directors and Audit & Supervisory Board Members and integrated it into monthly remuneration, and the level of remuneration takes into account the levels at other companies investigated by specialist external organizations to ensure an appropriate level of remuneration.

As the monthly remuneration for Directors who are not External Directors, the "basic remuneration" as fixed remuneration and the "performance-evaluation remuneration," which is determined by such factors as evaluation of business operating results of each fiscal year with regard to achievement of medium-term objectives.

- For the "basic remuneration," the Company prepares a table of remuneration organized according to management responsibilities, and applies it to respective officers on an individual basis.
- For the "performance-evaluation remuneration," the Company provides such remuneration at amounts that do not exceed 30% of the "basic remuneration," in line with the extent to which objectives have been achieved in terms of the respective targets set forth at the outset of the fiscal year. Accordingly, the Company sets targets with respect to ensuring railway safety, shareholder returns, consolidated profits, and asset efficiency.

To External Directors and Audit & Supervisory Board Members, the "performance-evaluation remuneration" is not given in view of their responsibilities and the "basic remuneration" is provided in return for their exercise of duties.

With the aim of enhancing the objectivity and transparency, the Board of Directors consults with the Remuneration Advisory Committee (consisting of three or more directors, the majority of

whom are External Directors), particularly regarding matters such as policies relating to the aforementioned remuneration and basic application thereof.

Whereas remuneration for each Director and each Audit & Supervisory Board Member is set within the scope of the total amount of remuneration determined by resolution of the General Meeting of Shareholders, decisions regarding remuneration on an individual basis are left to the discretion of the President and Representative Director by resolution of the Board of Directors. Specific decisions are made upon engaging in deliberations whereby the Company holds meetings of the Remuneration Committee comprising multiple Representative Directors and the Director in charge of personnel, carried out while respecting recommendations made by the Remuneration Advisory Committee. Remuneration for each Audit & Supervisory Board Member is determined upon discussions among the Audit & Supervisory Board Members.

■ Remuneration of Directors (FY 2019 Results)

Category	Remuneration amount (millions of yen)	Type of remuneration and amount (millions of yen)		Number of eligible officers
		Basic remuneration	Performance evaluation remuneration	
Directors (excluding external directors)	480	444	35	12
Auditors (excluding external auditors)	28	28	—	2
External directors and auditors	99	99	—	9