



West Japan Railway Group **2019** Integrated Report

—Report on Our Value for Society—

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Corporate profile (as of March 31, 2019)

Company name	West Japan Railway Company
Head office	4-24, Shibata 2-chome, Kita-ku, Osaka 530-8341, Japan
Date of establishment	April 1, 1987
Common stock	¥100 billion
Shares outstanding	192,481,400
Main features of business	Transportation operations, non-transportation operations (real estate leasing etc.)
Employees at work	47,842 (consolidated) 24,866 (non-consolidated)
Railway services	Total route length: 4,903.1 kilometers Shinkansen 812.6 kilometers Conventional lines 4,090.5 kilometers Number of stations: 1,174 Number of rolling stock: 6,551

Scope

As a rule, JR-West Group (including some initiatives at the non-consolidated level).

Applicable period

As a rule, April 2018 to March 2019

Reference guidelines

Reference was made to “Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation” published by the Ministry of Economy, Trade and Industry (METI).

* “Notes on forecasts” are listed on page 87.

Regarding the Company’s Fiscal Year

The Company’s fiscal year is from April 1 to March 31. The fiscal years referred to in this Report are the years ending on the last day of the indicated year.
e.g. fiscal 2019, FY2019 the year ending March 31, 2019

On the publication of “West Japan Railway Group Integrated Report 2019”

First of all, thank you for your continued understanding and support of JR-West Group's business.

In the past, the Group has published a CSR report so as to provide an understanding of our management policy, namely to “achieve sustainable growth for local communities and society into the future with a central focus on the railway business, based on safety and security,” and our initiatives to realize this aim.

In compiling the report, our focus has been on conveying as accurately as possible the extent to which the value we wish to provide to our stakeholders and society has been achieved, whether we have realized our aim of leaving smiles on people's faces, and also our goals for achieving this in the future.

We have endeavored to provide comprehensive content within these pages, while referencing a framework including “Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation” published by the Ministry of Economy, Trade and Industry (METI). Accordingly, we have now integrated our annual report and CSR report so as to align the objectives of our stakeholders and society with a view to the creation of shared value, and with the strong determination to provide value that benefits society. This report is therefore titled “West Japan Railway Group Integrated Report 2019 – Report on Our Value for Society.”

It is also our intention to convey as clearly as possible the “thinking” and “actions” of our employees, so that our stakeholders and society can gain an understanding of the attitude and approach that all of our staff members invest in our initiatives. At the same time, I believe that this will also enable all JR-West Group employees to work hand in hand with our business partners to realize common goals, through a sense of rapport with the strenuous efforts of their partners.

In the coming years, it is our aim to offer an even greater depth of content so as to provide you with a thorough understanding of the value provided by JR-West Group to our stakeholders and society, and the steps we are taking to create this value.

Tatsuo Kijima

Tatsuo Kijima
President, Representative Director, and
Executive Officer

Values held by the JR-West Group

Unchanging determination—Ensuring that we will never again cause an accident such as that on the Fukuchiyama Line

With railways being our core business, safety is the basis of every JR-West Group service and product. We are acutely aware of the magnitude of our responsibility for causing and not foreseeing the risk of the extremely serious April 25, 2005 derailment accident on the Fukuchiyama Line.

The total mindset of the JR-West Group and the central focus of our actions is an unchanging determination to ensure that we

will never again cause an accident such as that on the Fukuchiyama Line. We have reflected deeply on the accident and its consequences and take the lessons learned from the accident extremely seriously. As such, we will continue to position our three pillars of management — measures to have ourselves accepted as acting with sincerity by the victims of the train accident, measures to enhance safety, and furthering of reform — as top priorities.

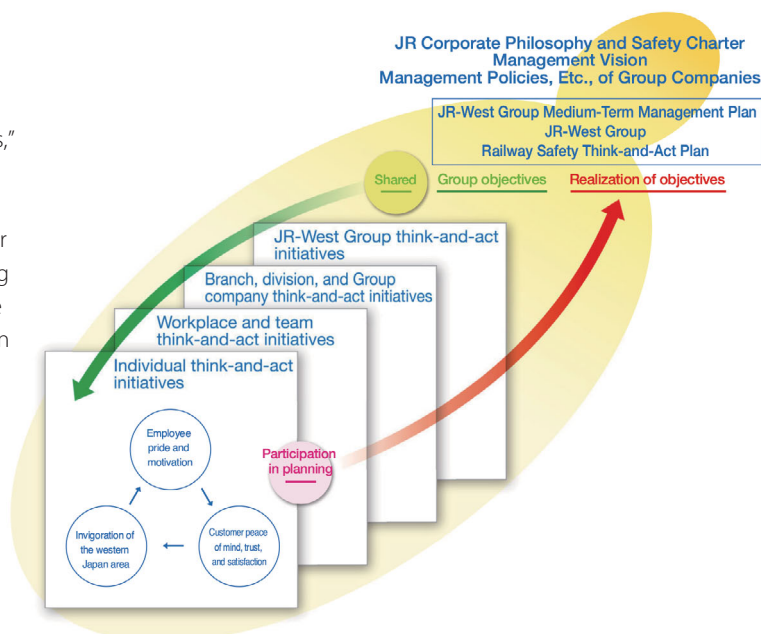


The objectives of JR-West CSR efforts

The core objectives of the JR-West Group's CSR efforts are to reflect on the derailment accident on the Fukuchiyama Line, deliberate on the "significance of our existence," "what society demands of us," and "what we must do to answer those demands," while also making our Corporate Philosophy a reality.

This realization of our Corporate Philosophy is achieved by each and every employee recognizing the significance of his or her job (what is it for and what does it achieve), incessantly pursuing the concept of "think-and-act," and boosting the value that we deliver to stakeholders and society. This, in turn, leads to motivation and pride for each employee.

Achieving this virtuous cycle is the aim of the JR-West Group's CSR.



The determination and pledges contained in our Corporate Philosophy and Safety Charter

In order to establish a corporate culture that places top priority on safety, and also prompted by the derailment accident on the Fukuchiyama Line, our Corporate Philosophy was enacted through deliberation by all of our employees examining the direction in which we would like to progress, the values that we hold dear, and similar concepts.

At the same time, we also reassessed our Safety Charter, which

addresses conduct guidelines related to safety, in order to ensure that each employee is able to instinctively take concrete action in day-to-day tasks on the basis of valuing safety as the highest priority.

The JR-West Corporate Philosophy and Safety Charter embody our determination and pledge to all of society to be a company that makes safety the highest priority and that vows to never again cause a critical accident.

JR-West Corporate Philosophy

- 1 We, being conscious of our responsibility for protecting the truly precious lives of our customers, and incessantly acting on the basis of safety first, will build a railway that assures our customers of its safety and reliability.
- 2 We, with a central focus on railway business, will fulfill the expectations of our customers, shareholders, employees and their families by supporting the lifestyles of our customers, and achieving sustainable growth into the future.
- 3 We, valuing interaction with customers, and considering our business from our customers' perspective, will provide comfortable services that satisfy our customers.
- 4 We, together with our Group companies, will consistently improve our service quality by enhancing technology and expertise through daily efforts and practices.
- 5 We, deepening mutual understanding and respecting each individual, will strive to create a company at which employees find job satisfaction and in which they take pride.
- 6 We, acting in a sincere and fair manner in compliance with the spirit of legal imperatives, and working to enhance corporate ethics, will seek to be a company trusted by communities and society.

Safety Charter

We, ever mindful of the railway accident that occurred on April 25, 2005, conscious of our responsibility for protecting the truly precious lives of our customers, and based on the conviction that ensuring safety is our foremost mission, establish this Safety Charter.

- 1 Safety is ensured primarily through understanding and complying with rules and regulations, a strict execution of each individual's duty, and improvements in technology and expertise, and built up through ceaseless efforts.
- 2 The most important actions for ensuring safety are to execute basic motions, to rigorously enforce safety checks, and to implement flawless communication.
- 3 To ensure safety, we must make a concerted effort, irrespective of our organizational affiliation, rank, or assignment.
- 4 When uncertain about a decision, we must choose the most assuredly safe action.
- 5 Should an accident occur, our top priorities are to prevent concomitant accidents, and to aid passengers.

Our relationship with stakeholders

When JR-West employees deliver high-quality services with motivation and pride, it leads to safe, reliable, and satisfying smiles for customers, as well as energetic, invigorating smiles for residents of the western Japan area. With the benefits received from this, we will continue to ensure business sustainability and growth,

co-creation with shareholders and business partners, and more smiles into the future.

At the same time, we will deliver lasting happiness and smiles to all of our stakeholders by increasing the value we deliver to all of those with whom we work.



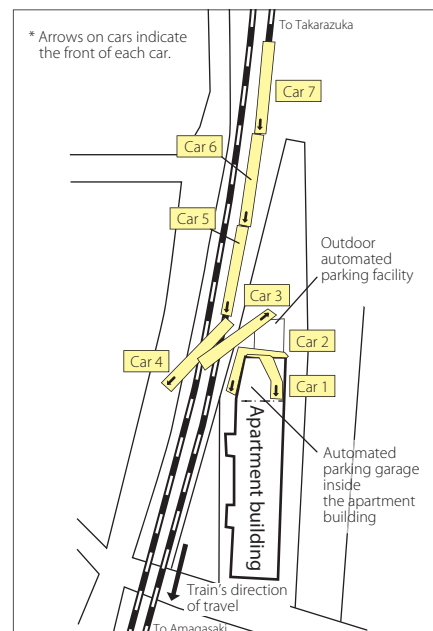
The derailment accident on the Fukuchiyama Line

On April 25, 2005, we at the West Japan Railway Company caused the Accident on the Fukuchiyama Line, an extremely serious accident resulting in 106 fatalities and more than 500 injured passengers. We pray for all the victims of the accident and would like to express our sincerest apologies to their bereaved families. We would also like to express our deepest sympathies and sincerest apologies to the injured passengers and their families.

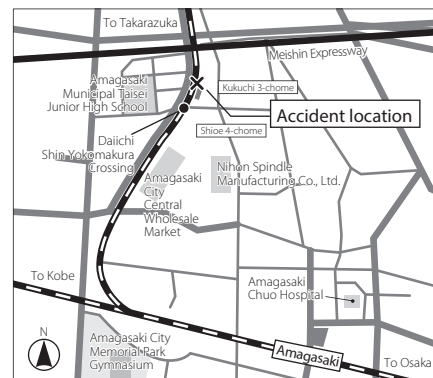
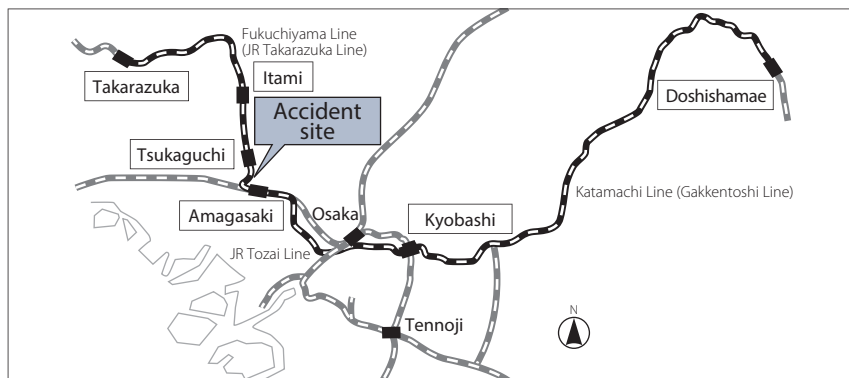
For the immense anxiety that the accident caused, we offer the deepest apology possible to our customers and those in the local community.

Overview

Date/time	Monday, April 25, 2005, approx. 9:18 AM Weather conditions: sunny
Location	Between Tsukaguchi Sta. and Amagasaki Sta. on the Fukuchiyama Line Approx. 1,805 m before Amagasaki Sta. (Amagasaki city, Hyogo prefecture)
Trains involved	Rapid train from Takarazuka Sta. bound for Doshishamae Sta. Train No. 5418M (EMU 207 series, 7 cars)
Summary	Between Tsukaguchi station and Amagasaki station, train No. 5418M entered a rightward curve with a radius of 304 m at 116 km/h—greatly exceeding the speed limit of 70 km/h for the corner. As a result, the first through fifth train cars derailed, causing the first and second cars to collide with an apartment building on the left side of the direction of travel. On this derailment, 106 passengers and the train driver were killed. Furthermore, 562 passengers and 1 pedestrian walking near the scene were injured.



Train car positions during the derailment



Sketch of the accident area on April 25, 2005

Cause of the accident

It is considered highly probable that the train driver's delay in applying the brake resulted in the entry of the train into a 304 m-radius rightward curved track at a speed of approximately 116 km/h, which was far higher than the specified speed limit of 70 km/h, and the running of the train along the curved track at the high speed caused the first car of the train to fall left and derail, which caused the second to fifth cars to derail.

It is considered probable that the train driver's delay in applying the brake is attributable to the diversion of his attention from driving the train to (1) listening to the dialogue between the conductor and the train dispatcher by radio communication which was caused by his belief that he had been hung up on by the conductor while he had been talking to the conductor on the intercom to ask him to make a false report and (2) making up an excuse to avoid being put on an "off-the-train" re-training course.

It is considered probable that the West Japan Railway Company's train driver management system in which drivers who caused an incident or a mistake are put on an "off-the-train" re-training course that can be considered as a penalty or are subjected to a disciplinary action and drivers who did not report an incident or a mistake they had caused or made a false report about such an incident or mistake are put on an even harder "off-the-train" re-training course or subjected to an even harder disciplinary action may have (1) caused the driver to make the call to the conductor on the intercom to ask him to make a false report and (2) caused the diversion of the driver's attention from driving the train.

—From the Aircraft and Railway Accidents Investigation Commission's Railway Accident Investigation Report*

* The Aircraft and Railway Accidents Investigation Commission was reorganized as the Japan Transport Safety Board in October 2008

We will continue to make concerted efforts for all persons affected by the accident, while striving to further enhance safety measures and reform our corporate culture.

This accident has left an indelible mark on our hearts and we will continue drawing upon all of our capabilities to be fully conscious of our responsibility for protecting the truly precious lives of our customers, and incessantly acting on the basis of safety first, while building a railway that assures our customers of its safety and reliability.

Taking to heart the lessons from the accident

Because JR-West had never predicted an accident of this great magnitude before, we did not have an ATS (Automatic Train Stop) system with speed check functions installed on the curve where the derailment occurred and we did not sufficiently take into account human factors in our employee training and similar programs.

After the accident, in looking back on the issues JR-West needs to rectify, and while implementing various safety initiatives, we came up with the following points of reflection as we reassess why we were unable to preempt the derailment accident on the Fukuchiyama Line.

1 Company-wide system for ensuring safety

Inadequacies in the system for identifying and addressing risks

As a company engaged in the railway business, we need to ensure safety by having each part of the organization earnestly fulfill its duties, while also mutually coordinating with its counterparts. These include management personnel, who handle overall supervision and determine the management policies and their requisite safety measures; technical/engineering personnel, who design and build the railway systems that put the above policies into action; and operational/functional personnel, who run the railways, stand on the front lines, and maintain railway system equipment. When implementing management policies in particular, the technical/engineering personnel work at the design stage to first identify and evaluate risks accompanying those policies, then propose safety measures, while the management personnel execute decisions on management policies after confirming that the necessary safety measures have been taken. Then, the operational/functional personnel strive to notice any safety issues after the policies have been implemented (including during day-to-day work tasks), with the management and technical/engineering personnel responding to address any issues.

With regard to our framework for ensuring safety as a Company comprised of these three parts, we reflected on what should have been done before the accident and came up with the following improvement points for each stage of implementing management policies.

The planning stage for management policies

A system for preemptively identifying and addressing risks—in order to prevent severe accidents before they occur—was not established at the planning stage of management policies. For instance, at the planning stage for revising the timetable (which enabled large-scale formation changes to the train line and an accelerated operation schedule) when service began on the JR Tozai Line, policies did not include equipping the line with an ATS system on the curve where the accident occurred.

The decision-making stage for management policies

A system for deciding management policies after confirming that necessary safety measures have been taken was not established. As a result, the confirmation of safety measures and the decision-making process for management policies were undertaken separately, without

mutual coordination, including in the case of management policies for changing the formation of the train line and revising the timetable, and safety measures such as equipping the line with an ATS system.

The post-implementation stage for management policies (including during day-to-day work tasks)

After the implementation of management policies such as changing the formation of the train line, revising the timetable, etc., there were insufficiencies in the system for acknowledging safety issues noticed by personnel during their day-to-day work tasks, as well as gathering information on risks that could lead to major accidents.

Inadequacies in systems such as employee training (greater attention to the “human factor”)

As stated in the Aircraft and Railway Accidents Investigation Commission's Railway Accident Investigation Report, “It is considered probable that the train driver's delay in applying the brake is attributable to the diversion of his attention from driving the train to (1) listening to the dialogue between the conductor and the train dispatcher by radio communication which was caused by his belief that he had been hung up on by the conductor while he had been talking to the conductor on the intercom to ask him to make a false report and (2) making up an excuse to avoid being put on an “off-the-train” re-training course.” In the background to this were insufficiencies in our employee training program's consideration of human factors, as well as a lack of resilience from minimal leeway built into the train timetable.

At that time, the Company thought that pursuing the individual's responsibility for an error would prevent recurrence, so we were carrying out disciplinary action and a re-training program that could be perceived as a penalty against personnel. This led to personnel directing their attention toward covering up and making excuses for errors, which resulted in a situation that opened the door to accidents, as opposed to preventing human errors.

The derailment accident on the Fukuchiyama Line

2 Culture that makes safety the top priority

We believe that part of the background to not having these organization-wide systems for ensuring safety was not having a Company-wide culture that made safety the top priority, and that management personnel in particular had insufficiencies in their actions and awareness of the priority of safety.

Attenuated technical expertise and sensitivity to safety accompanying emphasis on operational efficiency

When the Company was initially founded, efforts were made to promote efficiency across all operations due to the challenging environment in which our operational foundations were being established. As a result, any surplus leeway in operations was reduced and we were not able to elevate safety initiatives as we only took care of maintaining daily tasks. Consequently, technical expertise lagged and we were not able to boost our sensitivity to safety issues.

Insufficient understanding of the “human factor”

As we built up safety measures grounded in experience-based engineering (which is a particularity of the railway business), our fundamental focus became a belief that we could assure safety, so long as we paid attention to laws, regulations, and other rules created from measures and knowledge gained from past accidents. As a result, there was a bias toward preventing recurrence of incidents in an approach that “treated symptoms” while not installing measures for predicting risks preemptively.

Additionally, a focus on ensuring safety by attending to laws, regulations, and other rules led to an inadequate understanding of human factors, such as “humans being prone to fallibility” and “human errors being effects, not causes.” This entailed insufficiencies in our multifaceted analysis of causes and our implementation of countermeasures.

Excessive top-down communications, insistence on punishment and rewards, and emphasis on liability

The particularities of the railway business mean that it is comprised of a variety of technical domains and organized with numerous specialized fields (transportation in general, rolling stocks in particular, facilities & equipment, electronics, etc.). This creates fertile ground for a culture prone to top-down communications, including hierarchy within each specialized field and a salient chain of command.

Drawing on lessons learned from when we were a nationalized company, we followed a workplace management approach in which instructions were comprehensively issued at each workplace and an emphasis on punishment and rewards was fundamental. When these were taken to extremes, the corporate culture became focused on pursuing individual liability and the general awareness of sectionalism was heightened. At the same time, top-down communication became excessive and frank discussion was difficult. Dialogue between management, technical, and operational personnel, as well as communication between superiors and subordinates, along with reciprocal coordination between specialized fields and separate workplaces, were all insufficient.

Overconfidence from a successful track record

As JR-West steadily established its management foundation, we weathered the Great Hanshin Awaji (Kobe) Earthquake disaster, then successfully emerged from full privatization and gradually built up a track record of continuously stable operations. We believe that experiencing these successes engendered an organization prone to over-confidence and a sense of contentment with current circumstances. A stance of humbly learning from external examples gradually diminished and discrepancies with society at large emerged.

3 Steps going forward

In consideration of these reflections and in order to achieve a safe railway system, it has been incumbent upon our management personnel to exhibit leadership and build a structure that guarantees safety — through an organization-wide culture where safety is of the highest priority, followed by enhancing railway systems for maintaining safety.

In order to build a culture where safety is of the highest priority going forward, we will maintain and improve our technical expertise and sensitivity to safety under the operational framework required for guaranteeing safety, as we further boost efforts to disseminate awareness of safety as the highest priority.

Moreover, with an understanding of human factors, we will analyze causes from multiple angles and emphasize a mindset for preemptive avoidance (including forecasting risks and implementing countermeasures). We will strive for dialogue between management, technical, and operational personnel; communication between supervisors and subordinates; and reciprocal collaboration between specialized fields and between workplaces; and we will further establish an environment conducive to each employee reporting safety-related information.

Additionally, the three parts that comprise the Company, including operational/functional personnel, will each sincerely fulfill their role. Specifically, management personnel will continue to maintain a strong

focus on railway safety and technical personnel who support management personnel will proactively report relevant opinions. In particular, management personnel will also consistently maintain a humble stance and approach their future work acknowledging that safety is the highest priority.

In order to enhance organization-wide systems for ensuring safety, we will, within a culture where safety is of the highest priority, strive for on-going improvement based on an understanding of human factors in our employee training, etc. As we implement management policies, we will also ensure reciprocal coordination among the three parts of the Company engaging in each stage of activities from planning, to decision-making, and post-implementation. As we do so, we will identify risks and further enhance systems for addressing those risks.

The JR-West Group will solemnly reflect on our responsibility for protecting the truly precious lives of our customers and, into the future, will make the central focus of our actions an unchanging determination to ensure that we will never again cause an accident such as that on the Fukuchiyama Line. Each and every member of the JR-West Group will dedicate ceaseless effort toward making safety a reality.

Responding to victims

At present, our specially established Supporting Headquarters for the Victims of the Derailment Accident on the Fukuchiyama Line is responding to the needs of those who suffered from the accident. Going forward, we will earnestly listen to the thoughts and opinions of each individual person and continue to make concerted efforts for all persons affected by the accident. Furthermore, we will continue to keep a contact office open in order to be able to consult with and listen to victims into the future.

Holding a memorial ceremony

In September 2005, we held a Memorial Ceremony & Safety Event, which has been followed up with a Memorial Ceremony every year on April 25. After the service ends every year, there have typically been tributes from general visitors bringing flower offerings.

Holding explanation meetings

We have been holding explanation meetings, with attendance by the Company President and relevant executives, as an opportunity to provide victims with information on Company issues and initiatives, while also receiving input from victims.



The Memorial Ceremony

Memorial Grove (Inori no Mori) at the accident site

We incorporated input from victims and drew up a plan in order to construct a Memorial Grove (Inori no Mori) at the site of the Fukuchiyama Line accident in September 2018.

The Memorial Grove includes a cenotaph, a Memorial Corner (with letters to the deceased from their loved ones as well as various items donated in their memory), and an Accident Information Corner (with panels giving details about the accident, as well as newspaper clippings, publications, and other related media covering the accident). Anyone may freely visit the Memorial Grove.

The Memorial Grove serves as a place to remember and lay to rest the souls of those who perished, while also leaving a record of the accident for those who come after. The site will keep the accident from being forgotten and will convey the preciousness of life to society and future generations. It will help JR-West reflect on the accident and will act as a physical pledge to on-going safety as the Company continues to carefully and responsibly preserve the site into the future.



Post-accident Actions

<p>2005 April: Fukuchiyama Line derailment accident May: Formulated a Safety Enhancement Plan Established the Deliberation Department of the Derailment Accident on the Fukuchiyama Line June: Held a public apology and briefing on future actions (with subsequent explanation meetings held as needed) September: Aircraft and Railway Accidents Investigation Commission releases its Railway Accident Report, in addition to recommendations, findings and other issues raised</p> <p>2006 March: Established the Supporting Headquarters for the Victims of the Derailment Accident on the Fukuchiyama Line April: Formulated "JR-West Corporate Philosophy" and "Safety Charter" Memorial Ceremony held to mark the accident (thereafter, service is repeated annually on April 25) June: Established the Safety Research Institute October: Ministry of Land, Infrastructure, Transport and Tourism implements the 1st Transport Safety Management Assessment (which is followed by the 2nd through 8th assessments) Formulated the Railway Safety Management Directives Reassessed Medium-Term Management Plan targets</p> <p>2007 April: Opened the Railway Safety Education Center June: Aircraft and Railway Accidents Investigation Commission releases Railway Accident Investigation Report, in addition to recommendations, findings and other issues raised First Railway Safety Report released July: Compiling of the Advisory Committee on Safety's final report September: 1st gathering of the Council on Safety Promotion</p>	<p>2008 February: Proposal by the Council on Safety Promotion April: Formulated the Fundamental Safety Plan May: Formulated Medium-Term Management Plan 2008-2012</p> <p>2009 September: Disclosure that there was pressure to leak information related to the government's accident investigation November: Report to the Minister of Land, Infrastructure, Transport and Tourism on the information leak December: Established the Corporate Revival Headquarters and Corporate Ethics & Risk Management Department</p> <p>2010 October: Reassessed the Medium-Term Management Plan 2008-2012</p> <p>2011 April: Japan Transport Safety Board's Inspection Team releases its Corruption Inspection and Proposal on Reforming the Accident Investigation System</p> <p>2013 March: Formulated Medium-Term Management Plan 2017 and Railway Safety Think-and-Act Plan 2017</p> <p>2015 April: Released the update of the JR-West Group Medium-Term Management Plan 2017 and an update on future key initiatives</p> <p>2016 April: Commenced initiatives on Total Personnel Safety Management June: Released Third-Party Evaluation of the Safety Management System (thereafter, updated annually)</p> <p>2017 December: Occurrence of the 2017 critical incident with the discovery of cracks in the steel frame of Shinkansen bullet trains</p> <p>2018 February: Formulated JR-West Group Railway Safety Think-and-Act Plan 2022 April: Formulated Medium-Term Management Plan 2022 September: Opening of the Memorial Grove (Inori no Mori) at the accident site</p>
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The derailment accident on the Fukuchiyama Line

“Think-and-act” initiatives taking to heart the lessons of the accident

With 14 years having passed since the derailment accident on the Fukuchiyama Line, nearly half of current JR-West employees joined the Company after the incident. In order to ensure that the accident is not forgotten, and to implement initiatives for improving safety, the entire JR-West Group is carrying out measures to hold in our hearts the lessons of that day.

We have designated the 25th day of every month “safety day.” In addition to having study sessions and cross-departmental discussions on safety at each workplace, we hold “think-and-act” safety training at the Railway Safety Education Center and Memorial Grove (Inori no Mori) at the accident site for the purpose of acknowledging the lessons and points of reflection from the accident, using those insights in safety improvement initiatives, and connecting this to the work tasks of each employee.

Furthermore, we are following “think-and-act initiatives” in each employee’s daily work in order to build a culture where safety is of the highest priority. This includes striving to enhance communication and reciprocal coordination among worksites, as well as endeavoring to establish an environment where it is easy to report information related to safety.

Employee thoughts

Improving safety awareness by “creating a workplace more conducive to speaking out”

Osaka Train Drivers’ Section, Osaka Branch,
Kansai Urban Area Regional Head Office

We think that part of the background to the derailment accident on the Fukuchiyama Line was an atmosphere in which it was difficult to report to supervisors and co-workers mistakes that occurred during operations and risks that were noticed. Hence, we are striving to create a workplace more conducive to speaking out.

Specifically, we have reassessed report forms in order to make it easier to report hazards noticed during train operation and we have meetings that allow employees who have noticed errors or points of concern to explain those issues in their own words. This information is posted on a bulletin board and shared with the entire worksite.

We feel that a mindset is becoming more entrenched where drivers reflect on their day of work and report things they have noticed, while an atmosphere more conducive to making reports is spreading at the workplace. The objective of these initiatives is to prevent errors. We believe that our mission is to translate reported information into countermeasures, while being able to laterally deploy those measures across the workplace.

As drivers on the Fukuchiyama Line, every time we pass by the site where the accident occurred, we feel a strong conviction that a similar derailment accident must never be allowed to happen again. Also, in order to utilize the lessons of the accident across the entire workplace, and to communicate those lessons to junior colleagues, we will strive to create a culture that makes safety the highest priority, because that is something we are especially equipped to do.



(From left)
Yusuke Fukumori,
Koichi Hanada,
Junpei Horiguchi

Improving the quality of work by enhancing communication between specialized divisions

Yamaguchi Civil Engineering Center, Hiroshima Branch
RAILWAY TRACK AND STRUCTURES TECHNOLOGY Co., Ltd.

We are in charge of inspecting roadway bridges above railway lines in the Yamaguchi area. Our technicians range from those engaged in civil engineering, track maintenance, electricity, as well as other diverse areas, and we work under various conditions inspecting each section. Consequently, the work constantly comes with risks of occupational hazards, such as collisions with trains, electrocution, falls, etc. In order to confront these risks, we must, from the planning stages, mutually share and address issues in each line of work and go about our business with coordination by all parties concerned. We were especially nervous about collisions and electrocution when performing our first inspections at stations where multiple train lines intersect. Because of that, we were careful to regularly and repeatedly check in with all of the relevant parties on site in order to identify risks.

Meticulously speaking face to face and reviewing situations with others helped create an atmosphere conducive to open discussion and the active exchange of opinions. As a result, we were able to take necessary precautions, approach our work with a sense of security for all those involved, and perform higher quality inspections.

Protecting the lives of employees helps in protecting the lives of passengers. Going forward, we will continue to engage in uncompromising daily tasks so that everyone around us can enjoy peace of mind.



(From left)
Hiroshima Branch:
Mototsugu Nishida,
Yuta Uchida
(currently dispatched to
KOSEI CORPORATION),
Yuzo Fukano
RAILWAY TRACK AND
STRUCTURES TECHNOLOGY
CO., LTD.: Tsuyoshi Kawai,
Hiroshi Isobe

Initiatives that take into account the accident and work to benefit local communities

As a company entrusted with the precious lives of passengers, we are committed to reflecting on the gravity of causing such a major accident and, as part of creating a society that affords safety and peace of mind, we established the JR-West Relief Foundation in April 2009 (active as a public interest incorporated foundation since January 2010).

Since its inception, the foundation has followed the spirit of its creation by engaging in physical and mental care, such as grief counseling for those affected by accidents and disasters, while also engaging in projects for building safer local communities.

Hosting events

The foundation holds Life Seminars that take up the themes of sorrow and grief counseling, focus on life from multiple perspectives, and strive to provide participants with the opportunity for personal reflection. The foundation also holds Safety Seminars, which take a wide-angle look at addressing safety in local communities, and Life Relay Races, which work with fire departments to help promote emergency aid/life support training.



Holding a life-focused essay & haiku contest for elementary and junior high school students

In 2019, the foundation entered its eleventh year.

As an event marking its tenth anniversary, the organization held an essay and haiku contest for elementary and junior high school students, asking them to write about what life means to them. By creating essays and haiku poems about life, students were able to reflect on the importance of life. We share these reflections with the community by compiling them in a published digest of the best submissions.



Offering grants

Toward creating a society that affords safety and peace of mind, the foundation offers grants to groups and research projects supporting preparations and recovery care for accidents, natural disasters, and unforeseen tragedies, with a special category created covering support projects for areas and individuals afflicted by the Heavy Rain Event of July 2018. Furthermore, in order to help the grass-roots promotion of emergency aid/life support training in local regions, the foundation subsidizes AED training devices and also supports a group whose achievements include providing Inochi no Denwa (a suicide prevention line servicing the six prefectures of the Kinki area).



Comment from a grant recipient

Pocosmama is a group of those who have experienced miscarriage or stillbirth. Our purpose is to engage in activities that support mothers coping with the profound sadness of losing a young child and we also serve as a community offering mutual support for family members coping with the same heartache. Using the grant from the JR-West Relief Foundation, the Kansai branch of Pocosmama has been able to provide education and establish a solid groundwork for spreading information, holding peer support gatherings, and offering support for women who would like to become pregnant again. This year, we have been able to offer the Pocos Café, which is a safe place for sharing experiences of loss, shedding tears among companions who understand feelings held for a lost child, and grasping some sense of encouragement. Also this year, we have received medical research and training. Empathy from those who have had similar experiences, and participation in our activities, helps people to find the spirit to carry on, which is why we will continue our initiatives into the future.



Mami Otake
Representative of
Pocosmama Kansai

Comments from the organizer

Hideo Hironaka

Department Manager, JR-West Relief Foundation



Activities related to mental and physical care for those afflicted by accidents and disasters have given me a poignant sense of how many people there are in the world who are trying to do their best, as well as how many individuals there are concerned about the struggles of life.

At the same time, as the foundation pursues each of our projects, I have felt great meaningfulness from the voices of gratitude coming from grant recipients and seminar participants. Going forward, I would like to cherish these connections, keep the spirit of the foundation at the heart of our thoughts and actions, and continue activities that are beneficial to communities.

Recovering from heavy rain damage through cooperation and think-and-act initiatives

The Heavy Rain Event of July 2018 resulted in large-scale damage throughout West Japan, including in areas where JR-West operates, and many sections of track were rendered unusable.

Amid this unprecedented damage, we came together as a Group and by implementing many think-and-act initiatives and cooperating with local stakeholders, we were able to recover many damaged sections of track and restart operations.*



Recovery work

In order to get life back to normal as soon as possible, we mobilized the capabilities of the entire Group and cooperated with affiliates and local stakeholders in various areas to advance recovery efforts.

Emergency transport during the disaster using ferries and bus rapid transit, and alternative rail transport by Shinkansen

In the early stages of the disaster, road transportation networks were disrupted, so the region came together to begin operating emergency transportation in order to secure a means of transport between Kure and Hiroshima. There were also long-term halts to operations on the Sanyo Main Line, so we provided alternative rail transport by Shinkansen.

A Series of think-and-act initiatives without precedents



Using fallen trees in barriers against landslides

At Ashidachi Station on the Hakubi Line, we used fallen trees as a material to provide additional protection against landslide, shortening the construction period.

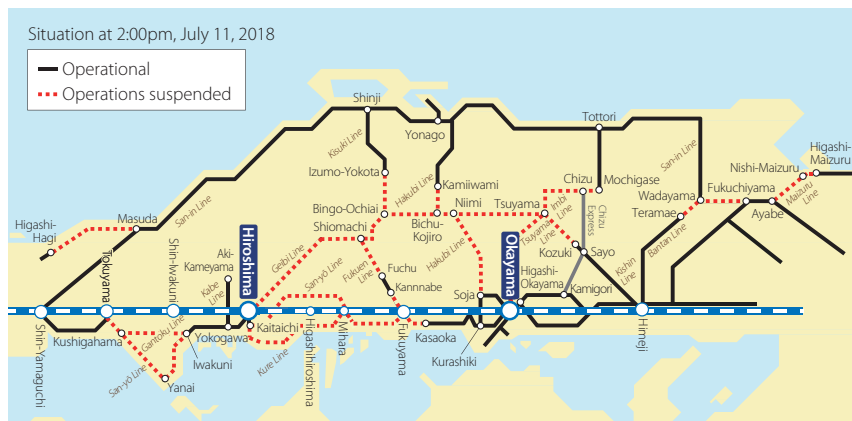


Operating freight trains on alternative routes

With the Sanyo Main Line out of operation, at the request of the Japan Freight Railway Company we provided alternative routes for freight trains via the Hakubi Line, San-in Main Line, and Yamaguchi Line.

JR-West also cooperated in various other ways, including training drivers, checking facilities and equipment such as the railway lines, and coordinating train timetables, thereby playing a part in facilitating rail logistics throughout the entire country, including disaster-hit areas.

Status of operations and damage directly after the Heavy Rain Event of July 2018



An entire region coming together in cooperation



Opening land around stations for bicycle parking

The effects of operations being suspended along sections of track meant that the area around Kaitaichi Station became over-congested with bicycles belonging to passengers. Work on a development project that had started before the heavy rain event was halted and various parties, including the local government, cooperated swiftly to open part of the site that was near the station to passengers as a temporary bicycle parking area. Passengers were able to park at the site for one month.

Rail replacement bus services realized through cooperation within the region and support from bus companies across Japan

There were many sections of track which could not be repaired quickly, so in order to fulfill our mission as a group of companies that provide public transport, we cooperated with bus associations, local companies, and bus companies from across Japan to operate rail replacement bus services in each area.

Working to bring smiles to people in the region

Thanks to cooperation from a wide range of people and organizations, we were able to restart operations on many sections of track.¹ As we carried out recovery work, we received many words of encouragement from local people. Also, once services restarted, we were also honored to receive kind words and thanks.

¹ As of September 1, 2019, services are still suspended on the section of track between Miyoshi Station and Karuga Station on the Geibi Line. Operations are scheduled to restart on October 23, 2019.



Business activities of JR-West Group

The JR-West Group consists of West Japan Railway Company, 64 consolidated subsidiaries, 88 non-consolidated subsidiaries, and 22 affiliated companies. (As of September 1, 2019)

We will continue enhancing the Group's strengths and take advantage of the Group's comprehensive capabilities to grow with the aim of achieving our vision—our ideal forms.

The JR-West Group and its employees all work together in wide-ranging business activities, which include transportation services based on railways and lifestyle-related services that take advantage of the features of our transportation services. In addition to this, we also work to develop new business sectors.

No *: Consolidated subsidiaries *: Non-consolidated subsidiaries **: Companies accounted for using the equity method

Note: Company names in each business segment are listed according to the main business activities. The names of the main companies only are listed.

Consolidated segments



Transportation Operations

Railway Services

- West Japan Railway Company
- Sagano Scenic Railway Co., Ltd.

Bus Services

- West Japan JR Bus Company
- Chugoku JR Bus Company

Ferry Services

- JR West Miyajima Ferry Co., Ltd.



Retail Business

Sales of Goods and Food Services

- West Japan Railway Daily Service Net Company
- West Japan Railway Food Service Net Company
- West Japan Railway Fashion Goods Company
- Japan Railway Service Net Kanazawa Company
- Japan Railway Service Net Okayama Company
- Japan Railway Service Net Hiroshima Company
- Japan Railway Service Net Fukuoka Company

Wholesale

- Japan Railway West Trading Co.

Department Store

- West Japan Railway Isetan Limited

Other Retail Businesses

- West Japan Railway Sanin Development Company



Real Estate Business

Real Estate Sales and Leasing

- Kyoto Station Building Development Co., Ltd.
- Osaka Terminal Building Co., Ltd.
- JR West Real Estate & Development Company
- JR West Properties Co., Ltd.

Shopping Center Management Business

- Toyama Terminal Building Company
- Kanazawa Terminal Development Co., Ltd.
- KYOTO STATION CENTER Co. Ltd.
- Kyoto Eki-Kanko Department Store Company
- Shin-Osaka Station Store Company
- JR West Osaka Development Co., Ltd.
- JR West Japan Shopping Center Development Company
- Wakayama Station Building Co., Ltd.
- KOBE SC DEVELOPMENT COMPANY
- Sanyo SC Development Co., Ltd.
- Chugoku SC Development Company



Other Businesses

Hotel Business

- West Japan Railway Hotel Development Limited
- HOTEL GRANVIA OSAKA Co., LTD.
- HOTEL GRANVIA OKAYAMA Co., LTD.
- HOTEL GRANVIA HIROSHIMA Co., LTD.
- Wakayama Terminal Building Co., Ltd.
- Nara Hotel Co., Ltd.
- Amagasaki Hotel Development Limited*

Car Rental Business

- West Japan Railway Rent-A-Car & Lease Co. LTD.

Travel Business

- Nippon Travel Agency Co., Ltd.

Machinery and Equipment Installation Business

- West Japan Railway Techsia Co., Ltd.

Rolling Stock and Equipment Business

- WEST JAPAN RAILWAY TECHNOS CORPORATION
- WEST JAPAN RAILWAY SHINKANSEN TECHNOLOGY CORPORATION

Electrical Contracting Business

- Nishinihon Electric System Co., Ltd.
- West Japan Electric Technologies Co., Ltd.

Electrical Equipment Business

- TETSUDEN Co., LTD.

Civil Engineering and Construction Consulting Business

- JR West Japan Consultants Company

Construction Business

- RAILWAY TRACK AND STRUCTURES TECHNOLOGY CO., LTD.
- DAITETSU KOGYO CO., LTD.
- KOSEI CORPORATION**
- JR WEST BUILT CO., LTD.

Information Services Business

- JR WEST IT Solutions Company

Advertising Business

- West Japan Marketing Communications Inc.

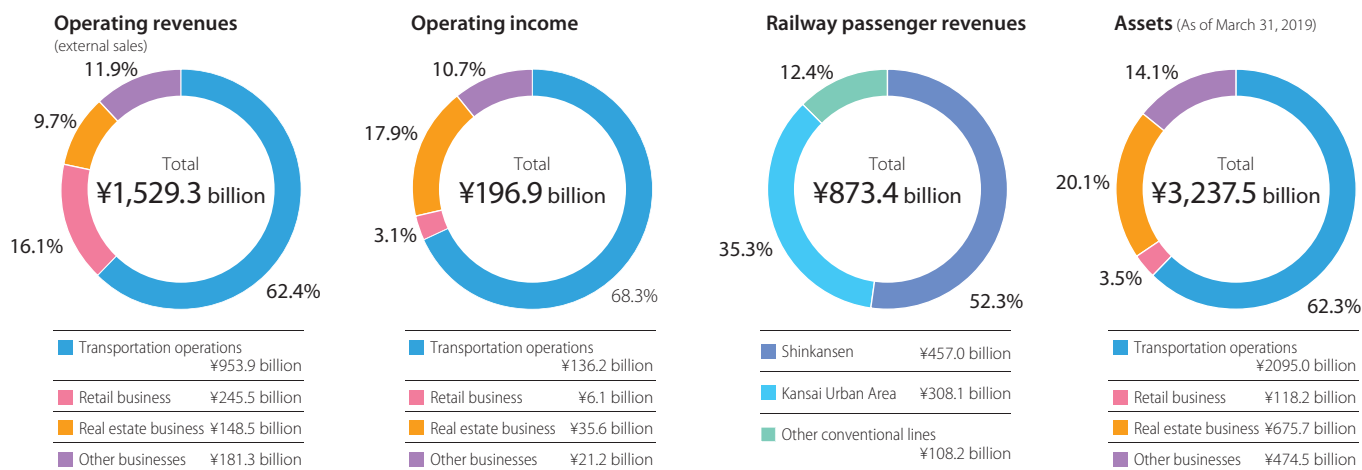
Cleaning and Maintenance Business

- JR West MAINTEC Co., LTD.
- West Japan Railway Hiroshima MAINTEC Co., LTD.
- JR West KANAZAWA MAINTEC Co., LTD.
- West Japan Railway Fukuchiyama MAINTEC Co., LTD.
- JR West OKAYAMA MAINTEC Co., LTD.
- JR West YONAGO MAINTEC Co., LTD.
- JR West FUKUOKA MAINTEC Co., LTD.

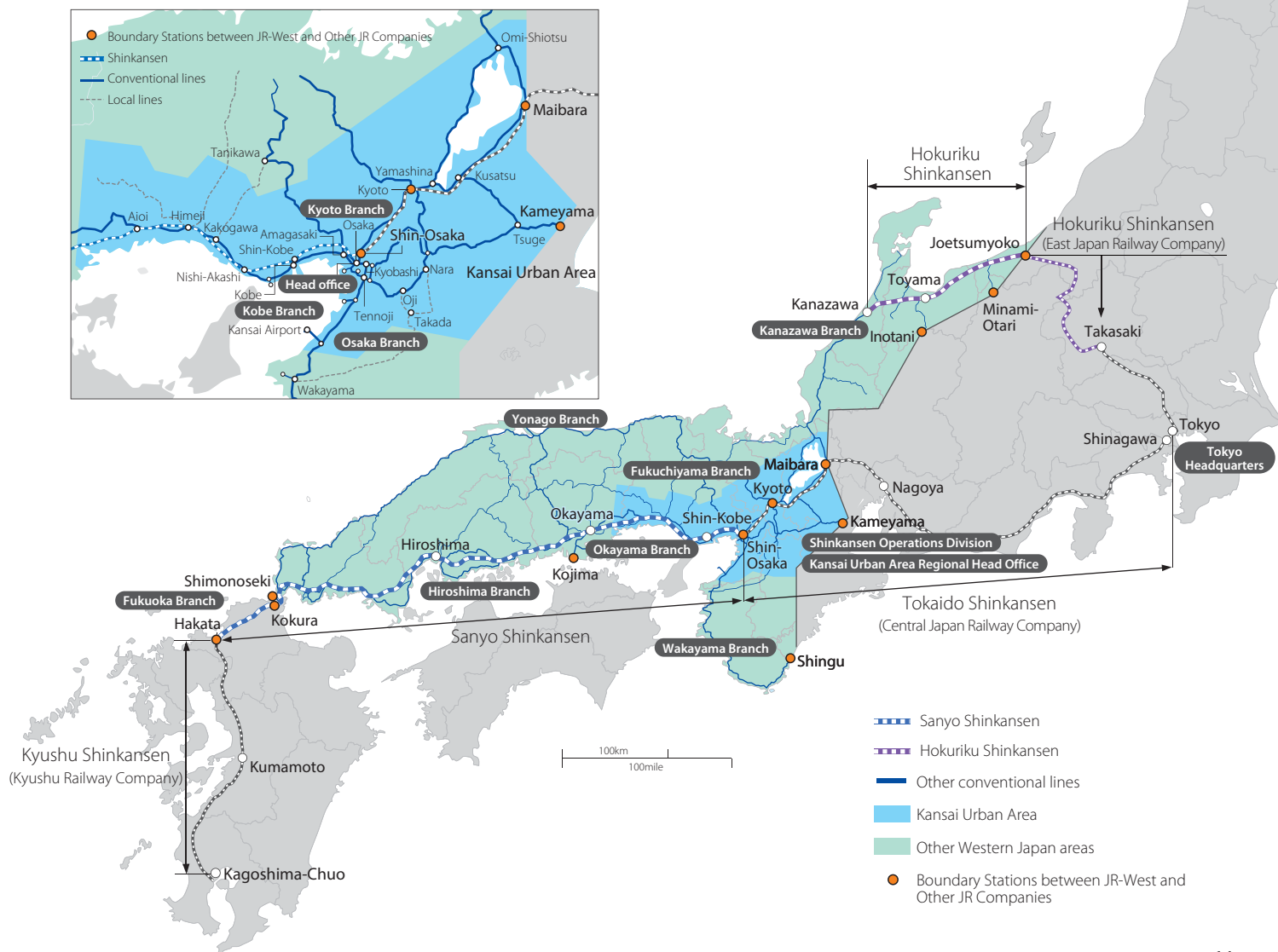
Other

- JR West Japan Transportation Service Co., Ltd.
- JR West Japan LINEN Co., Ltd.
- JR West Japan MARUNIX Co., Ltd.
- JR West Japan General Building Service Co., Ltd.
- Osaka Energy Service Co., Ltd.*
- POSSIBLE MEDICAL SCIENCE, LTD.*
- JR West INNOVATIONS Co., LTD.
- West Japan Railway WellNet Company Limited
- JR West Iwill Co., Ltd.*
- JR West Financial Management Co., Ltd.
- JR West Customer Relations Co., Ltd.

Composition of revenues Year ended March 31, 2019



Operating area



The president's message



Tatsuo Kijima
President, Representative Director,
and Executive Officer

The starting point is our unchanging determination

The grave accident that occurred on the Fukuchiyama Line on April 25, 2005 remains etched in our memory, despite the passing of time. We bear a heavy responsibility of not having been able to anticipate the risk of an accident and prevent its occurrence.

Taking as the starting point our unchanging determination to ensure that we never allow another accident like the Fukuchiyama Line derailment to occur, we continue to



identify and tackle the risks that inevitably arise in the course of operating a railway. I believe this is the only way to build a railway system that our customers can use with genuine confidence and trust.

The first step to our vision

Last year, we launched the JR-West Group Medium-Term Management Plan 2022 (referred to below as “MTP 2022”). With this, we drew up our vision for the future, expressed as the “creation of a safe and comfortable society filled with meetings among people and smiles,” and made a commitment to place safety at the heart of all aspects of our business while redoubling our efforts to achieve our business strategy. We also resolved to impress our stakeholders and leave smiles on their faces.

In fiscal 2019, our operations sustained considerable damage from natural disasters including the Heavy Rain Event of July 2018. However, we were able to make a solid start to the first year of MTP 2022 thanks to the strenuous efforts of the entire Group toward recovery.



Three tasks in the second year of MTP 2022

In this, the second year of MTP 2022, we have set out three major tasks for the whole Group.

The first task relates to railway safety, productivity, and the ability to be continually chosen by our customers.

It goes without saying that safety initiatives are the basis for the railway business, and for all operations throughout the Group. Through even closer cooperation between Group and partner companies, we aim to successfully implement the JR-West Group Railway Safety Think-and-Act Plan 2022 and engage in Groupwide initiatives so that we continue to learn lessons from the Fukuchiyama Line accident.

We also aim to enhance productivity while remaining mindful of future environmental change, utilizing the latest technologies and working together with a wide range of partners.

We will also seize every opportunity in promoting measures to ensure we remain a provider of choice for local communities and customers, through the provision of an attractive transportation service offering. In doing so, we will draw on our broad-based railway network of Shinkansen and conventional lines, and achieve synergies through collaboration with our non-railway business.

The second task is to steadily promote key projects.

A number of major projects and events are planned for Western Japan in the future. As a corporate group responsible for social infrastructure, the entire Group will unite to help revitalize the Kansai region and other regional areas, including maximizing the benefits of the following: extension of the Hokuriku Shinkansen and the enhancement of the potential of Shin-Osaka Station as a base, contribution to the 2025 Osaka-Kansai World Expo, the construction of the Naniwasuji Line, and large-scale station development initiatives for Osaka, Sannomiya, and Hiroshima ("Three Major Projects" in the non-railway business).

The third task concerns our growth strategy and Group management structure.

To achieve Our Vision of the year 2030 and target consolidated operating revenue of ¥2 trillion, we will need to go beyond the trajectory of our existing initiatives and make a quantum leap forward.

How exactly we give concrete form to this is extremely

important, so as part of that process, we will bolster our Group management structure by enhancing the functions of the in-house company system in the non-railway business, in conjunction with drawing up a growth scenario to 2030.

The environment in which we find ourselves is changing dramatically, and technological innovation is progressing apace. We will strive to further enhance railway safety and thereby realize growth for the entire Group, by enhancing our systems and structures to build an organization that provides the kind of value that can meet the challenges and requirements of an increasingly diverse and sophisticated society. At the same time, we will examine the role and mission of each Group company, and build a common consensus as to how best to combine the strengths of each division with the Group.



Meeting the challenges together as a Group, with a sense of mission, dreams, and courage

As we move toward realizing our future vision, the future of the organization will be determined by where and to what extent we take action now. I want us to act surely with a sense of confidence, and thereby to generate new possibilities.

We will take the lead in tackling social challenges, think about the Group's mission within society, and also what our most cherished dreams are for the future. And then, take the next steps forward with a sense of courage while sharing our vision with our customers, the local community, our shareholders, and business partners. In this way, the Group will come together to meet the challenges of the future and create "a safe and comfortable society filled with meetings among people and smiles," while emphasizing our three core values: "safety and security," which is at the heart of the JR-West Group; "nurturing people," which plays a key role in realizing this aim; and contributing to the global environment now and in the future, in line with society's expectations of the railway system.

Tatsuo Kijima

President, Representative Director,
and Executive Officer

The value we seek to provide through the non-railway business —Messages from group company Presidents

West Japan Railway Daily Service Net Company

Nobutoshi Nikaido President and Representative Director

Addressing social issues through our business

Our mission is to contribute to the realization of a safe and comfortable society through safe and high-quality lifestyle-related services, as a service company that enhances the convenience of railway stations and local areas. We develop and operate various in-station stores so as to make railway stations into convenient “Lifestyle Stations,” as well as accommodation-oriented hotels. These are proving to be popular with our customers. However, in future, I believe it will also be important for us to tackle various social issues through our business.

EKI MARCHÉ
Shin Osaka



ENTRÉE MARCHÉ
Kyoto Nishiguchi
(West Exit)

Meeting the requirements of an increasingly diverse and sophisticated society

Our customers’ needs are becoming ever more diverse and sophisticated due to changes in society, including growth in the number of elderly people and single-person families, and women’s increased participation in the workforce. We provide safe, secure and healthy food products tailored to the family composition and lifestyle of our customers. I also believe that by creating attractive products from regional produce in partnership with local people, and promoting

and selling these products at locations including railway stations, we can help to create employment in local areas suffering from depopulation, and revitalize the community in these areas.

We will also be providing new services and product offerings to enable the growing number of foreign visitors, as well as non-Japanese residents living in the vicinity of railway lines, to visit our facilities with ease, while also devising new ways of communicating with our customers.

Aiming for a virtuous cycle of growth together with the community

In order to provide this kind of value, we ourselves need to put in effort. Over recent years, we have built a structure that enables us to take on new challenges, by gaining expertise in various areas and enhancing our execution capability, at the same time as strengthening the foundation of safety. This has included expanding and bolstering our convenience store business in collaboration with Seven-

Eleven Japan, promoting the development of in-station stores, and expanding our “VIA INN” chain of accommodation-oriented hotels.

Fortified by this, and in order to meet the ever more diverse range of challenges, we will need to nurture human resources while also deploying the latest technologies to save labor, so that we can continue to provide comprehensive services even when faced with a shortage of workers.

Another important management issue is to address environmental problems, including microplastics and food waste, which have come under the spotlight in recent years. Our aim is to contribute to society through our operations, and to create a virtuous cycle of continual growth, working hand in hand with local communities. The Company, our business partners and employees each have our part to play in this.



VIA INN Nihonbashi Ningyocho

West Japan Railway Hotel Development Limited

Kazunori Minato President and Representative Director

Generating growth through proactive new hotel development and existing hotel refurbishment

We have opened hotels under the new brand “VISCHIO by GRANVIA,” in Osaka, Amagasaki, and Kyoto. In spring 2020, we plan to open our first hotel “Umekoji Potel KYOTO” under another new brand, “Potel.” In future, we will actively promote new development primarily under the VISCHIO brand.

In addition, we will refurbish the facilities at our existing hotels, including those under the GRANVIA brand and Nara Hotel, so as to develop the appeal of our services and products, and enhance the value we provide.



Hotel GRANVIA Kyoto



High-quality service by a sommelier



Nara Hotel

Being the hotel of choice by fulfilling the diverse needs of customers from around the world

The hotel sector is undergoing dramatic change. Competition is expected to further intensify due to factors such as new hotel openings, including by major overseas brands, and the development of customer reservation via Online Travel Agent (OTA). The demands made by overseas customers are also diversifying. Given these circumstances, I believe it is important for us to set ourselves new challenges and steadily develop our own brand in order to meet our customers' needs.

Communication is an essential part of this process. Especially given the increase in customers from abroad, we must improve our staff's language skills so that we can fully meet our customers' needs. At the same time, it will be important for us to convey the unique

appeal of each region and improve customer satisfaction if we are to be the hotel of choice.

People are a hotel's biggest asset. We aim to be the hotel of choice for our staff as well, by creating a hotel in which the staff—its biggest asset—can work cheerfully with their own dreams and aspirations for the future, and we will continue challenging ourselves to achieve further growth.

The value we seek to provide through the non-railway business
—Messages from group company Presidents

JR West Japan Shopping Center Development Company

Masato Yamaguchi President and Representative Director

Cooperation with tenant companies aimed at creating a vibrant lifestyle for our customers

JR-West Group's shopping center ("SC") business is operated by our Company as a wholly-owned subsidiary of JR-West. In turn, we operate LUCUA Osaka and Tennoji MIO, and have 10 subsidiaries that run shopping centers at the major railway stations from Toyama to Shimonoseki.

In operating the business, we take an approach akin to that of the retail sector. Namely, we carry out customer marketing together with the tenant stores, which are our direct customers. We offer a vibrant lifestyle to both our regular, day-to-day customers and our non-regular customers, such as tourists, through a lineup of stores, products, and services optimized for the convenience of the station location and the shopping scenario.

We promote win-win initiatives based on the

recognition that the success of each individual store is correlated with the success of the overall SC, while maintaining close communication with our tenant companies. As a result, JR-West Group's shopping centers also contribute to development of the local community and have strong brand recognition both in terms of their operations and employment, with business results steadily growing.



LUCUA FOOD HALL LUCUA Osaka B2F

Kanazawa Hyakubangai,
JR Kanazawa Station



Drawing on management prowess acquired through railway business collaboration to develop broader operations and enhance group value

The development of JR-West Group's shopping centers has benefited from the railway business's ability to attract customers. LUCUA Osaka in Osaka Station is now one of the largest station-based retail facilities in

Japan, and it has also won the highest praise in the sector for the way in which it is run. Our shopping centers occupy a central position in their respective areas.

Looking to the future, we aim to expand the SC business

itself and enhance value at the Groupwide level through cooperation with the various operations of JR-West Group, while promoting growth in the resident population alongside railway lines and contributing to an increase in the number of non-resident visitors. We will achieve this by developing a wide range of operations, drawing on the operational strengths of our shopping centers, through collaboration between e-commerce and physical stores (one solution in this era of labor shortages), and by improving the satisfaction of our customers, tenant stores and employees.

LUCUA Osaka, JR Osaka Station



Tennoji MIO, JR Tennoji Station





JR West Real Estate & Development Company

Toshihiko Kunihiro President and Representative Director

Creating communities where local people want to live and visit

Our Company develops buildings in and around railway stations, beautifies and revitalizes areas under elevated structures, and develops retail complexes such as “VIERRA,” based on our corporate slogan “working alongside stations, communities and people’s lives.” We also supply housing, mainly in the

“J.GRAN” series of condominiums. Through various initiatives such as these, we strive to realize “highly appealing city development” while “advancing city development starting with stations.”

Japan is experiencing a continued decline in the birth rate and aging society, as well as growth in the number of inbound visitors and the development of e-commerce. Customer requirements are also changing in line with this evolving social environment.

Mindful of these changes, JR-West Group aims to create communities where our rail customers and local people want to both live and visit.



J.GRAN Motosumiyoshi



JR Kishibe Station building (VIERRA Kishibe Kento)



Area under elevated structure of JR Fukushima Station (Fukumaru-dori 57)

Contributing to regional society by implementing city development starting from stations

We must continue to promote development in a way that builds communities, revitalizing the areas around railway stations. In particular, to create areas that are even more bustling, we will participate actively in redevelopment projects around railway stations.

Allied to this, we will further enhance corporate value by entering markets where continued expansion is anticipated in future, including the metropolitan area and overseas markets, further hone the strengths we have cultivated hitherto, and further boost the competitive strength of our operations.

We will also provide products and services that meet the needs of our customers, including hospitals and residences for the elderly, healthcare and health promotion facilities such as fitness centers, so as to

adapt to the changing social environment.

In various ways, we will continue to realize “highly appealing city development” for local communities while “advancing city development starting with stations,” and make even greater contributions to the development of regional society.



Hiroshima Station building redevelopment plan (Due to open in spring 2025)

Steps toward our vision

JR-West Group Medium-Term Management Plan 2022: approach & overview

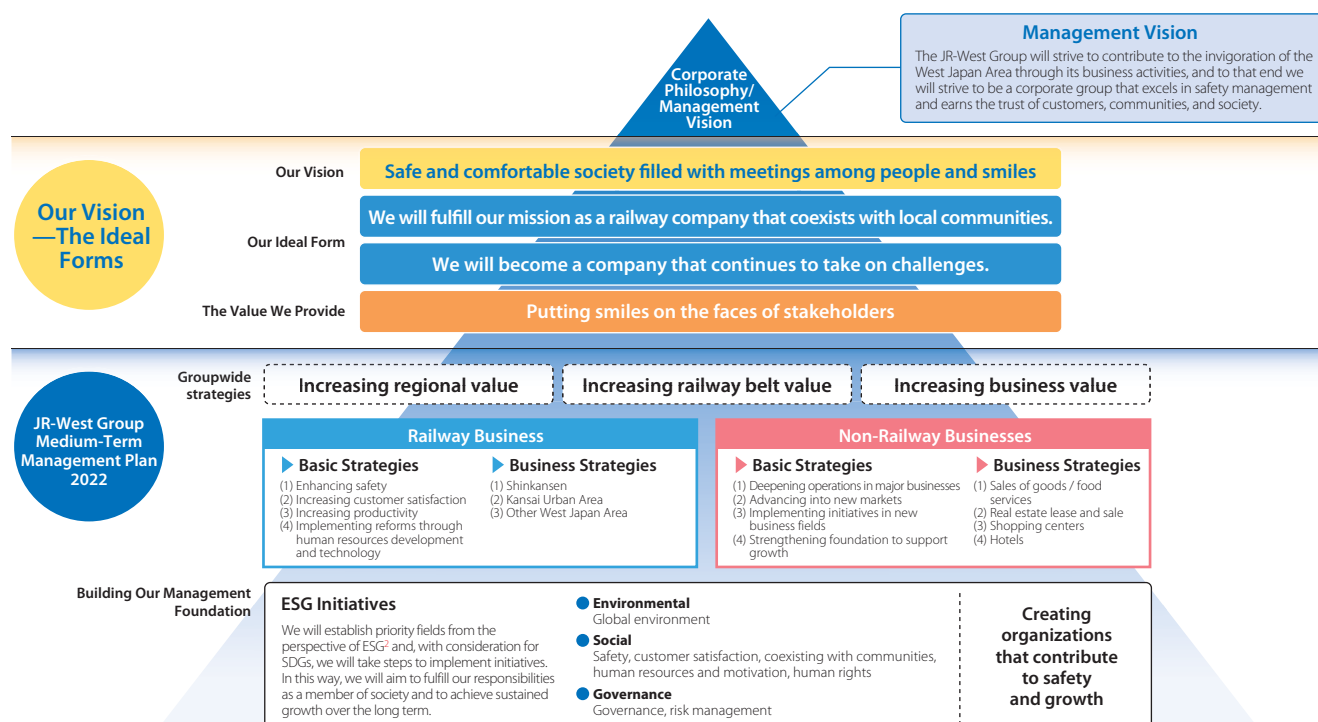
Approach & overview

It is just over 30 years since JR-West Group came into being. In the coming 30 years, we will continue to support local communities, centered on railways, as we endeavor to fulfill our mission of contributing to the development of society and the economy. Amid a challenging business environment, our aim is to achieve further growth by transcending existing structures. The objectives for the scale of our operations set out in the “JR-West Group Medium-Term Management Plan 2022” are a demonstration of our strong determination.

The need for asset efficiency and profitability will remain uppermost in our minds as we work to achieve our vision and objectives in partnership with all of our stakeholders, and we will increase the value that we provide to society.

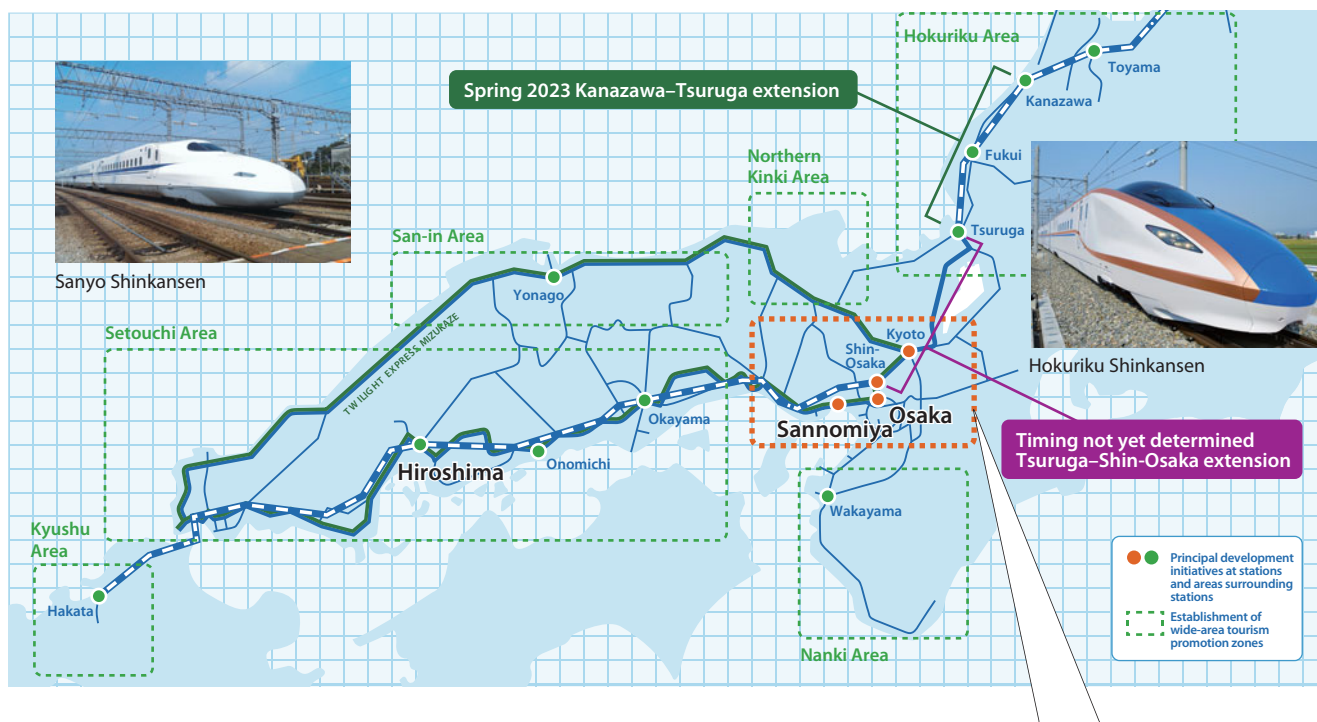


Strategic framework



² ESG is an abbreviation for Environmental, Social, Governance, which are considered to be elements that are important in increasing company sustainability and long-term, sustained increases in corporate value. In recent years, ESG information has received growing attention as a standard for making investment decisions.

Long-term growth strategy



In our current medium-term management plan, we are striving to enhance our corporate value over the long term. As we move toward realizing Our Vision, we will work in partnership with local communities, focused on the West Japan region, so as to build communities alongside railway lines that everyone wants to visit and live in.

We will also maximize the many opportunities being presented in the West Japan region, including the growth in inbound demand, extension of the Hokuriku Shinkansen, and the Osaka-Kansai Japan Expo 2025.

Establishing the Kansai metropolitan area brand

(see image on right)

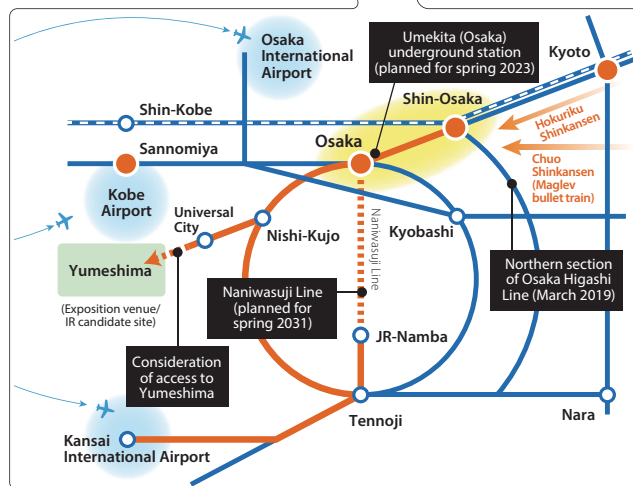
- Kansai is Japan's second metropolitan area. We will establish the Kansai metropolitan area brand, which will position Kansai as an advanced region appropriate to its role as the gateway to Japan.

Other West Japan Area

- Presenting wide-area tourism promotion zones that people "want to visit, and then visit again"
- Implementing city development initiatives for convenient, lively cities, centered on core cities

Area-wide strategy

- Presenting the western Japan area as an appealing destination for inbound customers
- Enhancing wide-area railway networks, centered on the Shinkansen



Key events planned in our region of business

- Rugby World Cup 2019
- World Masters Games 2021 Kansai
- Japan Expo 2025 ("Osaka-Kansai Japan Expo 2025")
- Candidate region for establishment of an Integrated Resort (IR)

Osaka-Kansai World Expo as an opportunity to promote our growth strategy

Osaka has been nominated as the host of Expo 2025 ("Osaka-Kansai Japan Expo 2025"). Seizing on this opportunity, in June 2019 we established an "Expo Project Promotion Office" so that JR-West Group unites in effectively promoting a long-term growth strategy.

Steps toward our vision

Toward long-term sustainable growth

Management KPIs

JR-West Group's Medium-Term Management Plan 2022 (referred to below as "MTP") essentially continues the trajectory of our previous medium-term plan, and therefore we have again incorporated all of the following management KPIs: (1) consolidated operating revenues, (2) consolidated EBITDA, and (3) consolidated ROA.

Consolidated operating revenues are the most direct representation of expansion in the scale of our operations, while consolidated EBITDA measures our ability to generate cash, which is the source of our competitive strength. In seeking to enhance our corporate value over the longer term, we employ these indicators as a measure of the growth in the scale of the Group's business.

The railway industry is an equipment industry, as it requires a large number of facilities and equipment such as rolling stock, tracks and

signaling equipment. Being mindful of how to utilize this equipment efficiently is essential to the continuation of our business, and so we employ consolidated ROA as an indicator of asset efficiency.

Progress status

Fiscal 2019 was a year in which we felt the effects of earthquakes, heavy rainfall and typhoons. However, we were able to achieve a year-on-year increase in revenues and operating income, both on a consolidated and non-consolidated basis, due to steady implementation of measures in the railway and non-railway operations, as initiatives that formed part of the first year of the MTP. We will continue working to achieve growth over the medium-to-long term, while enhancing our corporate value.

Business performance targets

(Billions of yen)

	Results for FY2018 a	Results for FY2019	Objectives for FY2023 b	Increase/ Decrease c=b-a
Operating Revenues	1,500.4	1,529.3	1,630.0	+129.5
Transportation	950.8	953.9	977.5	+26.6
Retail	239.8	245.5	281.0	+41.1
Real estate	139.6	148.5	168.5	+28.8
Other businesses	170.0	181.3	203.0	+32.9
Operating Income	191.3	196.9	[218.0] 210.0	[+26.6] +18.6
Transportation	130.3	136.2	139.5	+9.1
Retail	7.2	6.1	10.0	+2.7
Real estate	35.7	35.6	41.5	+5.7
Other businesses	19.9	21.2	23.0	+3.0
Recurring Profit	177.7	183.3	[205.0] 197.0	[+27.2] +19.2
Profit attributable to owners of parent	110.4	102.7	[134.0] 128.0	[+23.5] +17.5
EBITDA*	356.1	361.3	[408.0] 400.0	[+51.8] +43.8
ROA	6.3%	6.2%	Mid-6% range	–
ROE	11.3%	9.8%	Approx. 10%	–
Transportation Revenues	867.8	873.4	890.0	+22.1

* EBITDA = Operating Income + Depreciation Expense + Amortization of goodwill Figures in [] exclude expenses in preparation for Hokuriku Shinkansen opening

Capital expenditure

In the current MTP, we are planning ¥1.27 trillion in capital expenditure. Moving toward the realization of Our Vision and Ideals, we aim to achieve long-term sustainable growth through proactive investments in safety and growth.

With regard to investments in maintenance and upgrades, our priority is investment in safety, which is at the heart of our operations, and at the same time we will renovate aging facilities such as depots to improve the sustainability of our business.

With regard to investment in growth, we will commit management resources to our core railway business, while also

making upfront investments in large-scale projects including the development of Osaka, Sannomiya, and Hiroshima, which represents a significant opportunity for future growth.

Progress status

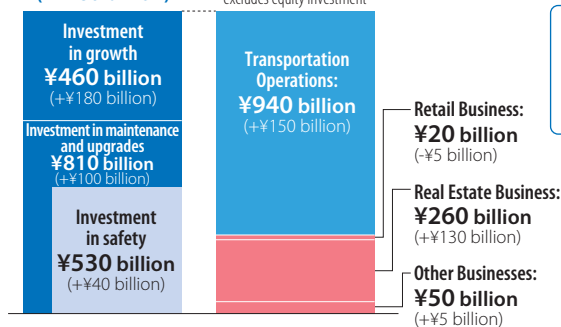
In fiscal 2019, we did not achieve our original plan due to prioritizing post-disaster recovery work, but investment in safety was carried out in line with plans. Our overall plan for the MTP period is unchanged.

Total capital expenditure in current MTP

Figures in parentheses: vs. previous medium-term management plan

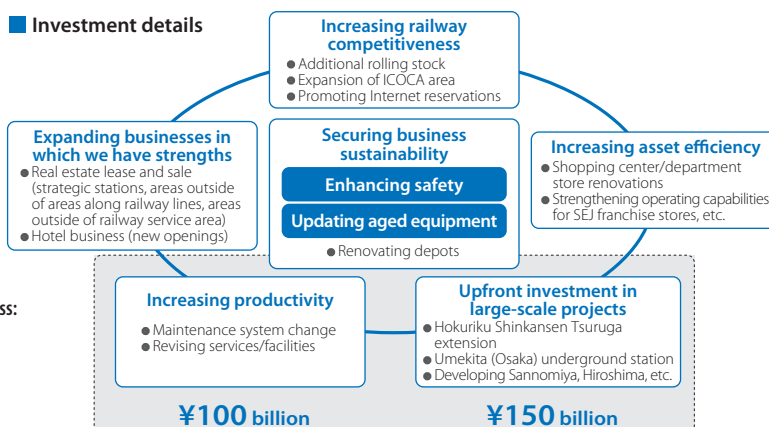
¥1,270 billion
(+¥280 billion)

(Breakdown by segment)
* Amount of increase / decrease
excludes equity investment



Medium-Term Management Plan 2022

Investment details



Financial strategies

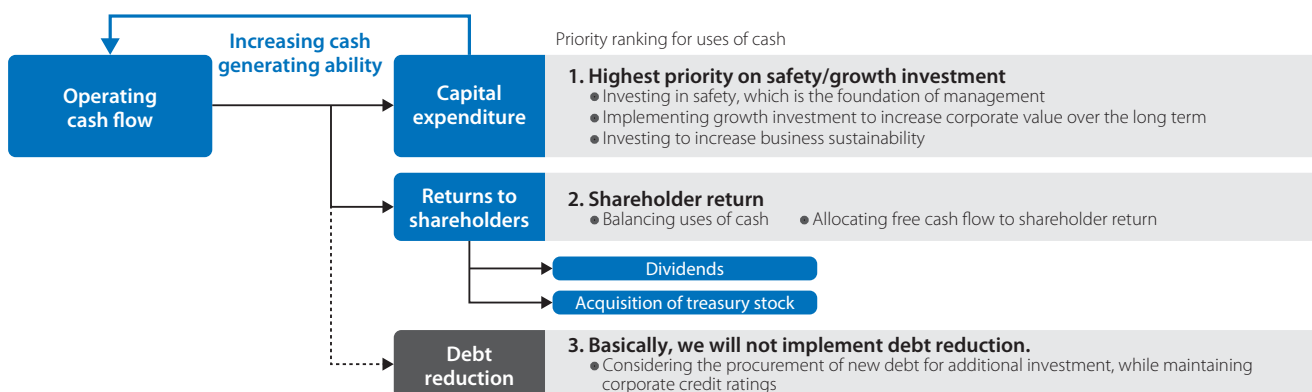
In our current MTP, we have clear priorities for the use of funds.

Reflecting on the critical incident on the Shinkansen that occurred in December 2017, investment in safety is our top priority, and safety is at the heart of our operations. We will also commit investments to achieve long-term growth, including major projects such as the extension of the Hokuriku Shinkansen to Tsuruga, and initiatives to enhance productivity. Furthermore, we will make investments to upgrade obsolete assets inherited from Japanese National Railways, etc., to improve the sustainability of our business. (1.)

Any funds that remain after implementing the necessary investments in safety and growth will essentially be returned to our shareholders. To gain our shareholders' long-term support, we will make stable dividend payments over the long term and also increase the level of shareholder returns, including through acquisitions of treasury stock. (2.)

Since we have achieved a certain level of financial soundness, basically, we will not make any debt reduction. (3.)

Through these measures, we will continue to realize our MTP commitment of leaving smiles on the faces of our stakeholders.



Note. Balance of cash and deposits: Generally maintaining current level

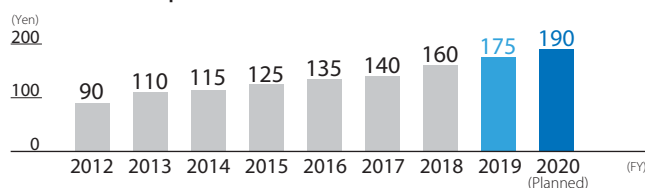
Shareholder return policy

We will implement stable dividends, aiming for a dividend payout ratio of approximately 35% in fiscal 2023.

Over the period of this plan, our yardstick will be a total return ratio of approximately 40%, and we will make flexible acquisitions of treasury stock.

- With capital expenditures expanding, we will enhance returns to shareholders. We will bolster both profit growth and shareholder return.
- We will focus on sustained profit growth and utilize return ratios.

Ref.: Dividend per share trend



Shareholder return in fiscal 2020

Planning on dividends of ¥190 per share, an increase of ¥15
(10th consecutive year of higher dividends)

Planning to acquire treasury stock, with upper limit of ¥10 billion

Steps toward Our Vision

Progress on Groupwide strategies —example initiatives

The JR-West Group has established ideal forms and is advancing initiatives for making our vision into reality. Going forward, we have established three Groupwide strategies which focus on creating value as a corporate group that provides social infrastructure centered on railway services, and realizing growth for the entire Group. These strategies are to increase regional value, increase the value of railway belts, and increase business value. Our railway business and non-railway business will work as one to advance these strategies.

Increasing regional value

We will work together with local communities to build cities and areas along railway lines that everyone wants to visit and everyone wants to live in.

Increasing the value of railway belts

We will contribute to the realization of convenient, comfortable lifestyles in areas along railway lines by providing safe, high-quality railway services and lifestyle services.

Increasing business value

We will provide high-quality products and services that will become the first choice for our customers.

Increasing regional value —Setouchi Palette Project

JR-West is developing the Setouchi Area¹ into a wide-area tourism route and establishing tourism resources based on industry and culture in the region to create a multi-textured area where something new can be found on every trip. We are aiming to develop it into a major tourism area that a large number of people from both Japan and overseas will want to visit repeatedly.



Launch of the New Onomichi Station

In March 2019, we opened a new station building for Onomichi Station that can serve as a base for visitors touring the Setouchi Area. We aimed to realize a new station that retains the charm and local flavor of the original station building (built in 1891) while growing together with the town, serving as a center for communicating the appeal of the area and as a lively place for connecting with locals.



Verification testing of tourism MaaS

JR-West is engaging in various types of MaaS (Mobility as a Service²) in order to provide seamless, stress-free transportation services. We also aim to contribute to city development by coordinating these MaaS with lifestyle services and tourism promotion.

As a first step in this initiative, since fall 2019 we have been working with local businesses that operate boat, bus, taxi, car rental, bicycle rental, car sharing, and other services, as well as businesses that provide restaurant and accommodation information, to implement verification testing of a tourism MaaS centered on the eastern part of Hiroshima Prefecture. This project aims to build a system to coordinate various business operators in the Setouchi Area, understand tourist needs, and facilitate cooperation over the implementation of various projects in the region.

setowa — a dedicated MaaS smartphone app

An app that enables users to create and edit a schedule that includes transportation, sightseeing spots, food services, and accommodation, as well as make and pay for reservations.



(Area covered by setowa)



¹ Setouchi Area: The area surrounding the Seto Inland Sea, Japan's biggest inland sea. Blessed with calm waters and beautiful islands, it is known for offering a variety of tourism resources.

² MaaS: Mobility as a Service. A concept which aims to realize a new type of mobility by using information and communications technology to create a cloud service that seamlessly connects all types of transport other than privately owned cars.

Increasing the value of railway belts

—enhancing the appeal of the Osaka area and area around Kyoto Station

We are accelerating our efforts to maintain rail networks and enhance the quality of transport services, including by opening the northern section of the Osaka Higashi Line (Shin-Osaka–Hanaten), and a new station on the Kyoto–Tambaguchi segment of the Sagano Line (Umekoji-Kyotonishi station). We are also engaged in creating new businesses, such as opening the Hotel VISCHIO Osaka and renovating LUCUA.

We are also advancing a large-scale in-station renewal of

Kyoto station, including departments stores and shopping centers, in order to enhance its appeal by ensuring the optimal placement of all retail facilities. Additionally, we are newly developing and renovating five hotel brands in the area around the station in order to meet the varied accommodation needs of customers from both Japan and overseas.

(scheduled to open in part in Spring 2020)

Osaka area



Area around Kyoto station



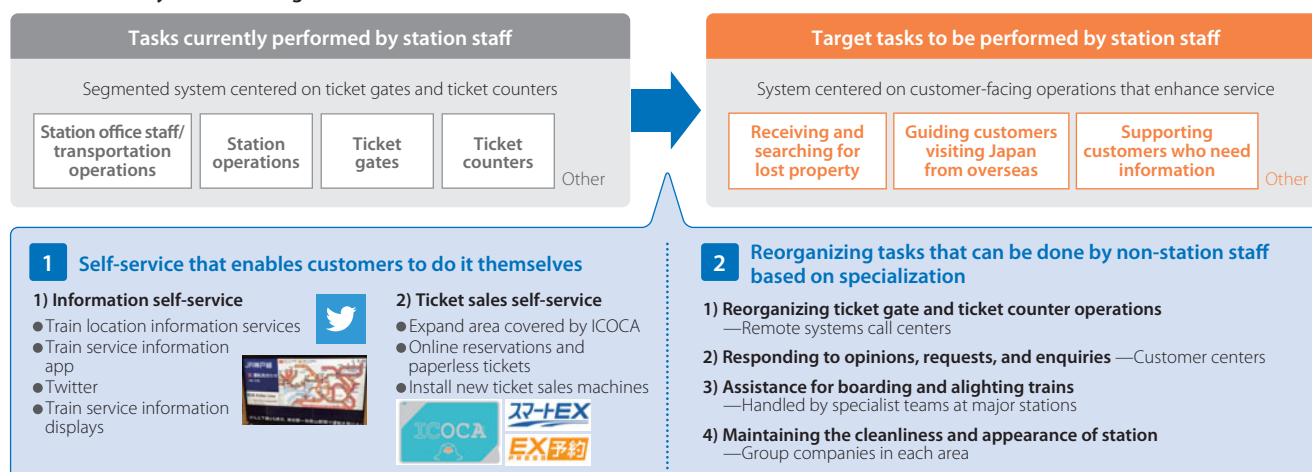
Increasing business value

—building station systems that aim to continuously provide safe, high-quality railway services

In preparation for the future contraction of the workforce, we will utilize new technologies and introduce new equipment. In this way, we will increase productivity in an overall sense, including that of human resources, technologies, and equipment. With a small number of people and simple equipment, we will create value more effectively.

At stations, we will build frameworks for advancing self-service information and ticket sales functions and reorganizing ticket gate and ticket counter operations to enable station staff to focus on operations that are more effective when done by humans. In this way, we will build systems through which a small number of staff can sustainably provide high levels of safety and customer service.

New station systems building



Promoting our “technology vision”



Eiji Tsubone
Executive Officer,
General Manager
of Railway System
Planning Department,
Railway Operations
Headquarters

Setting challenges to achieve our technology vision

It is over a year since we drew up our Technology Vision, in March 2018. The challenges we have set ourselves are gradually taking shape. For example, in “Pursuing further safety and reliability of transportation,” we are conducting tests for detecting abnormal external Shinkansen sounds through machine learning of sound data. In “Providing railway/transportation services that play a role in supporting the creation of appealing areas,” we are pushing forward with initiatives to generate new value in cooperation with various partners. This includes the further development of the prepaid IC card ICOCA and the online train reservation service e5489, as well as the holding of an idea competition (“Umekita Innovation Challenge”) to ensure that Umekita (Osaka) Underground Station (provisional name), scheduled to open in spring 2023, becomes a showcase for our Technology Vision.

And in “Building sustainable railway/transportation systems,” where we are working toward the realization of Condition Based Maintenance (CBM), we will begin operating rolling stock condition-monitoring equipment, and we will soon be implementing facilities management using 3D data in a railway Mobile Mapping System (MMS)¹, developed in collaboration with Asia Air Survey Co., Ltd., a company with which we have a capital tie-up. These initiatives will serve to integrate our various systems.

Innovation means business transformation

In our Technology Vision, we are not simply aiming to develop technology. Innovation means the creation of new value through a transformation of existing business processes. Our aim is to continually provide our customers with value in the form of even safer and more comfortable railway transportation services 20 years from now –in spite of a decline in the population– by utilizing rapidly evolving new technology and also by transforming our own operations. To achieve this, we are pressing on with initiatives to become “a company that continues to take on challenges,” as set out in the JR-West Group Medium-Term Management Plan 2022.

¹ MMS (Mobile Mapping System): A technology whereby sensor equipment such as laser scanners and digital cameras, installed on the vehicle, combine with a Global Navigation Satellite System (GNSS) to measure the surrounding environment in 3D while the vehicle is moving.

Building a safe and comfortable

The challenge of “Umekita (Osaka) Underground Station” Open innovation initiatives

Umekita (Osaka) Underground Station (provisional name), scheduled to open in spring 2023, is positioned as a station of the future for realizing our Technology Vision, and our goal is to provide seamless, one-to-one services. Employing an open innovation format, we are working together with a wide range of partners to achieve rapid and flexible development, including repeated validation testing at the actual station.

In order to create new services at the station, in fiscal 2019 we solicited ideas for services under the following theme: “Novel and futuristic services at ‘Umekita (Osaka) Underground Station (provisional name)’, the Gateway to Japan, which excite customers.” Three ideas were then chosen. In the coming years, we will press on with initiatives to realize seamless, personally tailored customer services.

An “island-style ticket vending machine” using an interactive projector

Combining a projector and sensors, station names and Shinkansen seats are projected onto the station wall or counter, and by touching the projected images/text, passengers can reserve and pay for their rail ticket, etc.

Top Prize

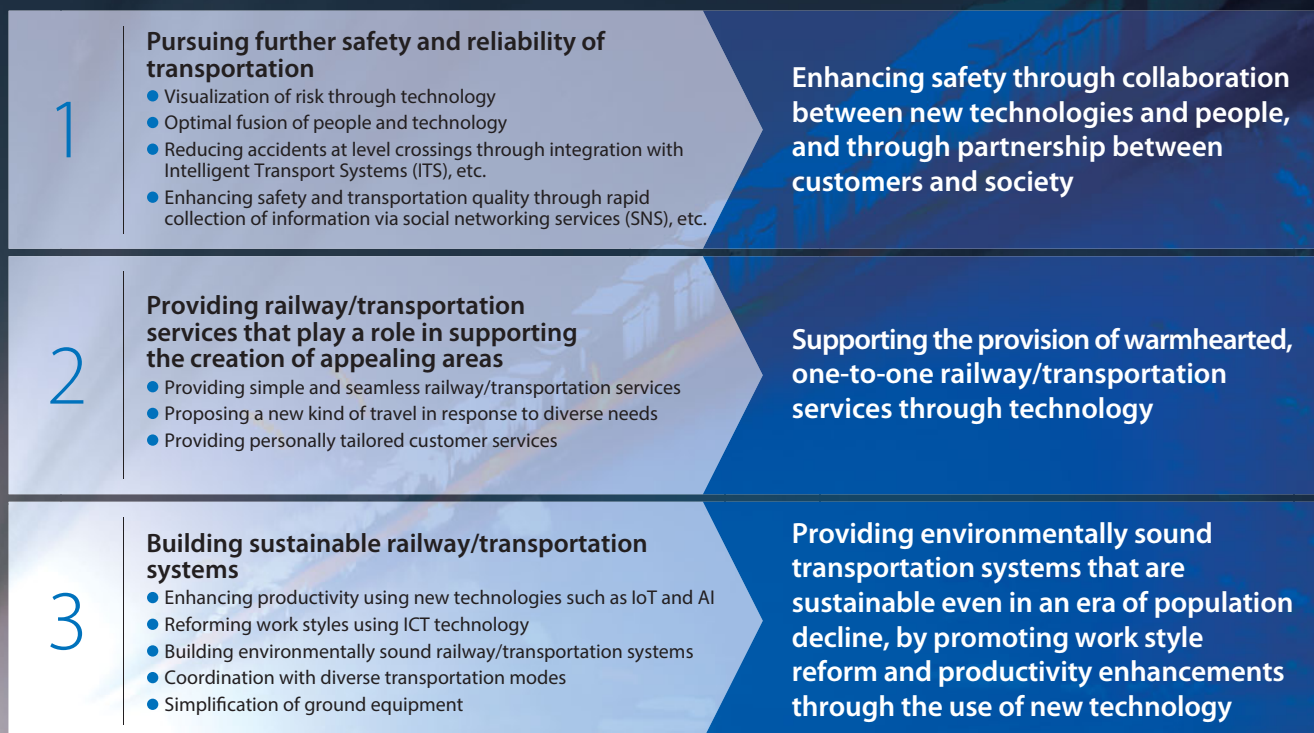


Prize for
Excellence

“BLIND ATTENDANT” Visually impaired persons are guided to Umekita via beacon-equipped braille blocks

Beacons installed in the station interact with devices carried by customers, guiding them via audio along a barrier-free route. This helps visually impaired customers to get around.

Three ideal forms



future through technology

Use of data science Aiming for rapid value creation

Spurred on by the most critical issue for our business, namely, to enhance the productivity of our operations in response to the decline in the working population, we continue to resolve business issues by utilizing data science technology in the AI and IoT fields. Data science is a new field that differs from the conventional engineering field, which has been the foundation for the railway business. Positioning data science as a new core competence of the Group, we will rapidly create new value with a sense of urgency in our work.

Incorporating data science will enable us to...

Realize safety enhancements in an efficient manner, by building highly accurate models for visualization, abnormality detection, and fault prediction, and by sensing changes in the condition of railway rolling stock and equipment in advance

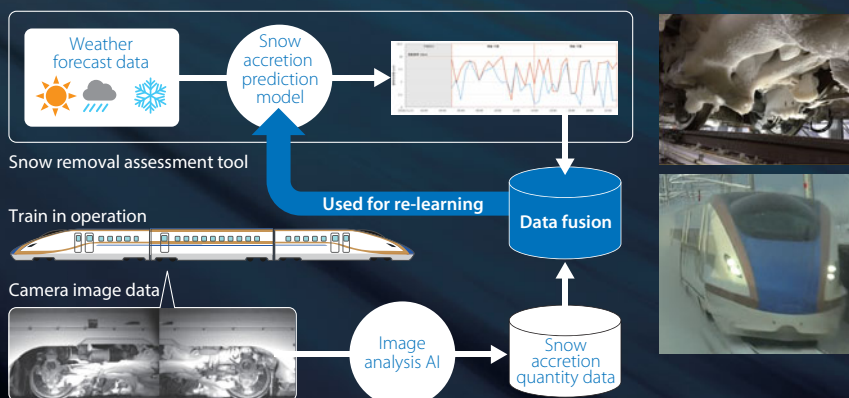
Create new value, including utilizing railway rolling stock and equipment data for resolving issues on a cross-divisional basis and for application to the service field, including customer information, rather than viewing the resolution of operational issues as simply a matter of data analysis within a particular division

Example of resolving a business issue using data science

Enhancing the accuracy of snow accretion prediction during snowfall

Regarding the accretion of snow on Shinkansen bogies during snowfall, the necessity of snow removal work is decided the day before, but there is the issue of the accuracy of snow accretion prediction on the previous day. In order to provide safer and more stable transportation, we commissioned an AI prediction model from a third-party provider to enhance the accuracy of snow accretion prediction, and have built a highly accurate model. We are currently at the testing stage, and continue to resolve practical implementation issues before commencing live operation.

■ Implementation through fusion of snow accretion prediction model and image analysis AI



Technology vision special three-way discussion



Fumito Ogata

Vice President, Representative Director, and Executive Officer; Senior General Manager of Railway Operations Headquarters

Kazuhiko Toyama

Representative Director and CEO of Industrial Growth Platform, Inc.

Eiji Tsubone

Executive Officer, General Manager of Railway System Planning Department, Railway Operations Headquarters

The challenge of evolving in the railway/transportation field in an era of innovation

In March 2018, JR-West Group drew up a Technology Vision, and we are now tackling the challenge of realizing our ideal form in 20 years' time. Kazuhiko Toyama, Representative Director and CEO of Industrial Growth Platform, Inc., exchanged views with Fumito Ogata, Vice President, Representative Director of JR-West (Senior General Manager of Railway Operations Headquarters) and Eiji Tsubone, General Manager of Railway System Planning Department, about the innovation required to create new value, as well as the corporate culture and attitude demanded of each individual employee in order to realize that innovation.

The huge potential for innovation in the railway/transportation field

Tsubone In terms of the background to drawing up our Technology Vision, we were aware of three issues. First, Japan's declining population. In other words, how should we tackle an inevitable drop in transportation revenue, and a reduction in workers? Second, the increased sophistication of services. Ten years ago, no-one thought that safety measures, such as in the case of platform doors, would become such a talking point. This is the necessity of continually developing and providing services that meet the



expectations of society. And third, reform of the corporate culture. This is about reforming the corporate culture of being excessively cautious in everything. We have drawn up our Technology Vision as a policy for overcoming these external and internal issues.

Ogata A railway is an extremely complex system, so it's very difficult to suddenly change various things. So we drew up the ideal form of what we wanted to become in 20 years' time—in other words, our dreams for the future—and our task is to innovate by backcasting¹ from that.

Toyama Innovation is not just about technology. It also points to transformation in a social and industrial context, and it's originally a social concept. In that sense, true innovation is arguably when a company like JR-West, which is responsible for social infrastructure in the form of railways, transforms itself to resolve social issues.

A sense of urgency in relation to sudden changes in technology and society

Ogata JR-West Group has delivered a strong performance, including record high revenues and profits in fiscal 2019. At the same time, we feel a strong sense of urgency about whether we can withstand the dramatic changes that society will see in the coming years.

Our policy is to innovate in the three ideals set out in our Technology Vision (see P28), but the railway business has a culture rooted in a conservative approach to operations, which is not readily compatible with innovation. It is conservative not just at the site of train operation, but also in terms of technology development and planning, and this poses an issue.

Toyama Innovation essentially gives rise to quantum change, but in the phase prior to that kind of “disruptive innovation,”² from a management perspective I think it’s correct to bolster operational activity and enhance competitive strength through steady improvements and refinements. The problem is how to respond to that kind of disruptive innovation. For example, I think the sudden development of motorization (the spread of automobiles) represented a kind of disruptive innovation for the railways.

Ogata I completely agree. Looking back, the privatization of the national railways was also one way of responding to that disruptive innovation. Do you think that this kind of disruptive innovation will occur again in the future?



Toyama Nowadays, there is much talk of a “digital transformation”³ in various fields, and business model reform using robots and AI is progressing at a rapid pace. It seems highly likely that disruptive innovation could occur in a number of industrial fields, including JR-West’s business sector. As a result of that process, not only could rankings within the sector change, but even the sector itself could vanish without a trace. However, the major change brought about by disruptive innovation will not necessarily wipe out all of the existing influential forces. Instead, there will actually be a lot of companies that win through and survive. I believe organizational capability will be a key element in that.

Ability to adapt to change —the need for an “ambidextrous” organizational capability

Toyama It’s difficult to accurately predict quantum change resulting from disruptive innovation and draw up countermeasures, and even if you try, there’s a high chance of failure. So what’s important is how JR-West as a whole improves its organizational capability to respond effectively

Kazuhiko Toyama

Profile

After starting his career with Boston Consulting Group, Mr. Toyama later became the CEO of Corporate Directions, Inc. (CDI), and in 2003, he was appointed as COO of the Industrial Revitalization Corporation of Japan (IRCJ). He has extensive experience of corporate revitalization. In 2007, he founded Industrial Growth Platform, Inc. (IGPI), becoming CEO. He is an outside director of Panasonic Corporation and Tokyo Electric Power Company Holdings, Inc.



to such change, and whether the organization can proactively evaluate whether it is doing its best. An organizational culture that fears failure and doesn’t take risks, or condemns failure, is unlikely to be able to respond to quantum change.

Ogata As a railway company that is responsible for people’s lives, I think it’s necessary to place safety at the core of our business and further pursue the goal of “never failing,” while simultaneously fostering a culture that grows by learning from failure and setbacks.

Toyama Yes. “New challenges” and “day-to-day operations” have a kind of interdependence. The capital needed to take on challenges is secured through safe day-to-day operation of the trains. However, the difficulty here is that “operational business” and “the challenge to innovate” are like “water and oil” from a cultural, conceptual and behavioral perspective — they don’t mix. Many Japanese corporations—not just JR-West—struggle to build and maintain an “ambidextrous” organization that blends these two elements.

The importance of diversity, and open innovation

Ogata So this means that an organization needs to constantly have “ambidextrous” elements in its organizational capability. Is the overall diversity of the organization also an important factor in that?

Toyama Yes, it is. As “diversity” and “fluidity” are important elements in responding to disruptive innovation, the organizational body needs to accommodate human resources that are quite different from the norm.

Tsubone I think that increasing our sensitivity to the seeds of technological innovation and social trends is an important issue. JR-West has had a culture of being inward and preferring not to deal with people we don’t know well, but recently we launched an open innovation office and we’ve been seeking to build external relationships. Also, in the data science field, we launched a Data Solutions Group, and are engaged in collaboration with various partners.

Ogata As decision-making takes time when it’s done at Head Office, in December 2016 we formed the group company JR West INNOVATIONS Co., Ltd., and gave it the discretionary power to take on challenges without the fear of failure. This company is now collaborating with external parties, and we hope this will bring significant benefits in the future.

Technology vision special three-way discussion

Toyama I think that's very good. Having that kind of space is important. Looking at it from the perspective of the collaboration partner, it's extremely important for the other party to take decisions quickly. When carrying out co-development, everything comes to a halt if you have to consult the other party on each occasion, which is intolerable. Your group company is rather like the Dejima trading post at Nagasaki during the Edo period. They can see and make use of what JR-West has, and make decisions quickly. I believe that all large Japanese companies need to have that kind of Dejima-like space. The open innovation style of trying things out also leads to being chosen as a partner that the other side wants to work with. They might think, "JR-West looks conservative at first, but they're actually pretty open-minded and get things done quickly, and allow us to do all sorts of things," and this reputation then spreads, which is a significant benefit.

Ogata It's also a strength that we have fields where we provide tangible, real-world services, don't you think?

Toyama Corporate infrastructure such as a railway offers the most exciting challenges to third parties who have innovative technologies. They are also attracted by the things JR-West can provide that they don't themselves have. Particularly people with experience of the virtual world should feel highly attracted to what JR-West has cultivated and can provide, in its real-world and "serious" sector. In the future, real-world competition will involve multiple capabilities, rather than being unifaceted, and I think this represents a great opportunity for JR-West, given your active involvement in open innovation.

Nurturing a challenge-oriented culture

Tsubone With our Technology Vision, we have taken the approach of backcasting from our ideal vision of the future in order to develop the technology aspects of our railway/transportation services, and in some respects it's a process of trial and error.

Toyama That's because even if you aim to develop along the current trajectory, you might still be forced to change track, due to some tumultuous external event. In the mobility field, which is a vast field, you certainly can't predict who will plan and devise what in future, even with a 20-year timeframe.

Ogata In other words, in this era in which it's often hard to grasp the overall picture, I feel it's also important for us to keep abreast of developments in various external fields, not just in terms of technology. And also to continue setting ourselves challenges through a process of trial and error, even if we can't see the overall picture.

Tsubone In connection with that, we've adopted a stage-gate process⁴, and we are starting to build the ability to respond

to changes in society, such as by increasing the number of challenging projects with repeated validation tests.

Ogata In fact, when starting these initiatives, we told our staff that it was fine to fail in this kind of location or space, and that seems to have been a really big shock for them.

Toyama They needed a Copernican change of mindset. But that kind of change is very important. Novel things are created when people with different backgrounds and values come together and undergo an intellectual struggle. Also, in operations it's necessary to evaluate that there has not been any failure, and with innovation, it's important to differentiate the evaluation criteria and skillfully assess what could have been done better. Rather than something simply being a "failure," a key point is to gain something positive from a setback; for example, that the test failed but the damage was smaller than before, or that the organization learned something valuable from the failure. This is where the courage and abilities of the evaluating party are tested.

Leadership is an important part of becoming "ambidextrous"

Tsubone I agree, but also there are some troublesome aspects to realizing an ambidextrous organization. Incorporating innovations that utilize new technology in actual "safe operations" needs to be done carefully by the operations department. This requires close cooperation between the departments responsible for the innovation and operation, and this is quite difficult to achieve both in terms of the attitude of the staff and the manpower aspects. How can that be overcome?

Toyama I can't give a clear-cut answer to that. The operational, "real-world" work is essentially performed on a "line" basis, but the development and deployment of new technology takes the form of a "project." Matters need to be progressed in tandem. If the stress of that is not removed, then all you can do is brace yourself for the process.

Ogata Newly developed technology is transplanted or transferred, while maintaining existing operations, so in some cases you have to change the actual way of working.

Toyama It would be easy if railway operations could be stopped for six months, but tests have to be conducted while the trains are still running, and then the new technology has to be implemented in real-world operations, so you need to be prepared for the possible stress of that process. What's important is for the leader to deal skillfully with the clashes and friction that tend to occur. It's important for the leader to determine the winner on each occasion, or in other words to accept the risk.



The strength underpinned by operations

Ogata The ideal situation is for the innovation and operations teams to cooperate with each other and work as a single unit. Operation also entails improvement and refinement, so I think it's also important to develop the operational strengths.

Toyama That's right. Even in an era of disruptive innovation, a real-world company is not immediately defeated when it's hit with something new. Because competition in the real world is another matter altogether. A business focused on cyberspace is akin to



“aerial combat,” and the outcome is settled through disruptive innovation in the virtual world. But the mobility field is akin to a real-world “land battle.” In other words, there are systems and equipment for getting around, and people who use them, and it's a world in which a real exchange of value takes place. In the cyber world, even if some kind of disruptive innovation occurs, it doesn't necessarily filter down easily to the ground-based operational world. In the real world, the elements involved are extremely complex compared with cyberspace, including the human element. The world of railways even involves people's lives. It's not a world in which things can be suddenly changed because of some invention in the virtual world. So it's a major strength of JR-West that it has robust operations.

Development from the customer's standpoint, with a sense of humility, is key

Toyama At the same time, if you're not attentive enough, you could be beaten by existing competitors that have taken advantage of quantum change. To avoid that, you need to take the change on board yourself. Looking back over history,

operations and technologies that are now seen as “basic” were of great importance and value. And so the users paid you for them. But by merely continuing to do the same thing, their value diminishes with time. In a changing competitive environment, it's important for JR-West to pursue “good technology” that creates new value, as well as innovation, and to use this to enhance its own corporate value.

Ogata In the private sector, companies create some form of new value, provide this to their customers, and then receive money as consideration for that. You resolve any problems that your customers experience. You provide them with what you think they want. That's the basis for everything, right?

Toyama That's right. You must always keep in mind what it is the user is prepared to pay money for in order to resolve a problem. In a private company, that money funds the salaries of your staff, and so each individual needs to be keenly aware of this fact at all times. Regardless of whether the activity is improvement or refinement, or disruptive innovation. Competition between companies will become increasingly fierce in the future. As well as competition with your sector peers, there may be new entrants from other sectors who completely overturn the conventional competitive structure. There's no doubt that the core value, the basis for the railway business is safety and security. But users actually pay for the value you're able to add above that base, or choose JR-West on that basis. Ultimately, each and every employee must keep this in mind at all times.

Ogata Please tell me what your expectations are for JR-West Group in the coming years.

Toyama JR-West is an infrastructure company that provides society with services in the form of railways and transportation, and at the same time operates railways with the responsibility for its passengers' lives. Based on these strengths, I hope you will continue to innovate and find solutions for social issues. Please do keep up the good work!



- 1 Backcasting: A conceptual method of starting with defining a desirable future and then working backward to the present to identify what should be done now
- 2 Disruptive innovation: Technological innovation that disrupts the existing business order and dramatically alters the industry structure
- 3 Digital transformation: The use of data and digital technology by companies in response to the drastically changing business environment, in order to reform products, services and business models in line with the needs of customers and society, while also transforming business itself as well as the organization, processes, and corporate culture so as to ensure superiority in the competitive arena
- 4 Stage-gate process: A method by which the processes from research through to development are divided into stages, separated by gates. At each gate, the R&D themes are refined while carrying out validation tests and the like.

Fiscal 2019 performance in priority CSR fields and fiscal 2020 plans for priority initiatives

Area	Plan (priority FY2019 initiatives)		Do (FY2019 initiatives)	KPI, etc. progress and current status
Safety	Five-year objectives up to FY2023 <ul style="list-style-type: none"> • No train accidents that result in casualties among our customers • No railway labor accidents that result in fatalities among our employees 	Fostering the spread of safety-first awareness	Implement “think-and-act” safety training	FY2019 results <ul style="list-style-type: none"> • Train accidents that result in casualties among our customers: 0 • Railway labor accidents that result in fatalities among our employees: 1 • Train accidents involving people that result in casualties among our customers: 11 • Accidents at level crossings: 24 • Transportation disruptions due to internal factors: 170
	Objectives to achieve in FY2023 <ul style="list-style-type: none"> • Train accidents involving people that result in casualties among our customers: 9 (additional 10% reduction) • Accidents at level crossings: 22 (additional 10% reduction) • Transportation disruptions due to internal factors: 126 (additional 10% reduction) 	Enhancing organizational safety management	Gauge the degree of dissemination of a safety mindset	
		Implementing safety think-and-act initiatives by each individual	Expand “non-disciplinary approach to human errors” to Group companies	
		Enhancing railway systems that maintain safety	Educate personnel on communicating through “mutual confirmation”	
CS	Objectives to achieve in FY2023 Make customers into “fans of JR-West” → Comprehensive score of 4.0 or higher on customer satisfaction surveys (5-point scale; in-house evaluation)		Implementing initiatives related to safe and reliable transportation	Level of “approving” customers on fiscal 2020 customer satisfaction survey: 3.96 (5-point scale; in-house evaluation)
			Providing information at the time of transport disorder	
			Offering appropriate, easy-to-understand guidance services	
			Creating comfortable, convenient environments (stations, trains, personal manners, etc.)	
Coexistence with communities	<ul style="list-style-type: none"> • Create depth that delivers appealing discoveries on each customer visit by building tourism routes that canvass wide areas and include content that leverages local industries and cultural attractions • Open new lines and new stations to expand the railway network • Promote dialogue with local residents in order to share the future vision each group has for developing its area 	Initiatives for increasing regional value	Launching the Setouchi Palette Project	<ul style="list-style-type: none"> • Progress is being made on initiatives—in coordination with local regions—for city development that encourages visitors (expanding the non-resident population), such as the Setouchi Palette Project, etc. • While steadily advancing projects to open new lines and stations (and aiming to maximize the benefits of these projects), progress is being made on initiatives for urban development that encourages residents (expanding the resident population). • In order to achieve safe and sustainable railways and transport services, we are striving to promote dialogue with local communities and to keep lines of communication open with municipalities through disaster recovery and reconstruction initiatives.
		Initiatives for increasing railway belt value	Opening new lines (the northern section of the Osaka Higashi Line (from Shin-Osaka to Hanaten) and stations (Umekoji-Kyotonishi Station on the Sagano Line), improving convenience, etc. by elevating and remodeling stations and expanding IC card networks	
		Safe and sustainable railways and transport services	Initiatives to revitalize areas adjacent to railway lines, taking into account the urban development ideas and visions of the community	

Our Starting Point		Strategy of Value Creation for Our Vision			A Foundation Supporting Value Creation		Data
Safety	Customer satisfaction	Coexistence with communities	Human resources/ motivation	Human rights	Global environment	Risk management	
Check		evaluation: a circle (○) shows a result; an asterisk (*) shows challenges to tackle going forward			Action (plans for priority FY2020 initiatives)		(Reference) Objectives such as KPI, etc. to achieve by FY2023
<p>○ Sincere level of understanding of past accidents, including the derailment accident on the Fukuchiyama Line</p> <p>* Translate this into concrete initiatives at each workplace (such as efforts against railway labor accidents that result in fatalities among our employees) in order to prevent occupational/labor accidents</p>		Strive to further cultivate awareness in order to understand human factors and prevent occupational/labor accidents			<p>Five-year objectives up to FY2023</p> <ul style="list-style-type: none">• No train accidents that result in casualties among our customers• No railway labor accidents that result in fatalities among our employees		
<p>○ Measure indicators linked to objectives for the Railway Safety Think-and-Act Plan 2022</p> <p>* In order to effectively utilize the indicators, reassess the implementation period and refine survey questions</p>		Review subsequent strategies taking into account measured results			<p>Objectives to achieve in FY2023</p> <ul style="list-style-type: none">• Train accidents involving people that result in casualties among our customers: 9 (additional 10% reduction)• Accidents at level crossings: 22 (additional 10% reduction)• Transportation disruptions due to internal factors: 126 (additional 10% reduction)		
<p>○ Greater number (compared to the previous fiscal year) of self-reported events/occurrences</p> <p>* Disseminate a basic understanding of the “non-disciplinary approach to human errors”</p>		Implement on-going, rank-specific education in order to disseminate a basic understanding of the “non-disciplinary approach to human errors”					
<p>○ With regard to awareness of “confirmation dialogue,” maintain a high score for gauging the level of this awareness.</p> <p>* Dissemination approach that avoids this being seen as an “imposition”</p>		Implement e-learning for supervisors in order to further disseminate basic understanding					
<p>○ Successfully provide information in an easy-to-understand way by setting up an official Twitter account and the like, while also enhancing guidance tools</p> <p>○ Enhance guidance tools to allow for multilingual guidance</p> <p>○ Provide optimal customer facilities (such as Western-style toilets) based on how facilities are used</p> <p>○ Create a direct phone line for the customer Lost and Found Office and start offering an online chat option</p> <p>○ Encourage improvements in manners by promoting more vocal “mutual assistance” where staff approach customers and customers offer assistance among themselves</p> <p>* Provision of information at the time of transport disruption</p> <p>* Create a good environment for travelers visiting Japan</p>		<p>We strive to have customers become fans of JR-West by having each individual employee build up a track record of “think-and-act” customer service, while also improving the quality of our service and achieving our CS Vision 2022.</p> <ul style="list-style-type: none">• On-going/evolving initiatives toward our five priority issues• Information provision that lets customers decide for themselves• Improve the quality of services for travelers visiting Japan			<p>Objectives to achieve in FY2023</p> <p>Make customers into “fans of JR-West”</p> <p>Achieve and maintain a level of approx. 80% or higher for “approving” customers (comprehensive score of 4.0 or higher on customer satisfaction survey) (5-point scale; in-house evaluation)</p>		
<p>○ Advance initiatives for city development that encourages visitors (expanding the non-resident population), such as the Setouchi Palette Project, the San-in Destination Campaign, and the Yamaguchi After Destination Campaign.</p> <p>○ Steadily advance initiatives to maximize the effects of projects for enhancing railway networks, including opening new lines and stations, and expanding the network for IC cards.</p> <p>○ Push forward initiatives to steadily work toward recovery and reconstruction after major natural disasters, while also striving, through these efforts, to promote dialogue with local communities.</p> <p>* Enhancing wide-area railway networks, centered on the Shinkansen</p> <p>* Presenting the western Japan area as an appealing destination for inbound customers</p> <p>* Establishing the Kansai metropolitan area brand by promoting initiatives that increase the value of railway belts in the area</p> <p>* Presenting wide-area tourism promotion zones in each part of western Japan and implementing city development initiatives for convenient, lively cities, centered on core cities</p>		<p>Initiatives, etc. for regional revitalize focusing on tourism, including continuing to promote the Setouchi Palette Project, the Setouchi DC pre-campaign, and the San-in After Destination Campaign</p> <p>• Continue initiatives for maximizing the benefits of opening new lines and stations, including the northern section of the Osaka Higashi Line and Umekoji-Kyotonishi Station</p> <p>• Upgrade the JR Kyoto Line, JR Kobe Line, and Osaka Loop Line by promoting the Urban Future Creation Project with regional collaboration</p> <p>• Bolster inbound processing systems, including setting up delay-free purchasing systems (i.e., no waiting in line) and easy-to-understand guidance devices, in order to expand usage by travelers visiting Japan</p> <p>Recovery efforts in regions afflicted by natural disasters Promote recovery initiatives and, through those initiatives, encourage dialogue, etc. with local communities in order to achieve safe and sustainable transport services</p>			<p>Progress of initiatives — through dialogue and coordination with local regions — for city development that encourages visitors (expanding the non-resident population), city development that encourages residents (expanding the resident population), and the achievement of safe and sustainable railways and transport services</p>		

Fiscal 2019 performance in priority CSR fields and fiscal 2020 plans for priority initiatives

Area	Plan (priority FY2019 initiatives)		Do (FY2019 initiatives)	KPI, etc. progress and current status
Human resources/ motivation	A business group with diversity as a weapon	<ul style="list-style-type: none"> • Simplifying procedures and consistently providing information to help employees utilize programs and facilities, so that diverse human resources can be able to continue and grow their careers 	<ul style="list-style-type: none"> • Share information and cultivate the desired mindset by using the internal newsletter, group training, etc. • Simplify application procedures for telework 	Although there were improvements in some subcategories of the “business group with diversity as a weapon” indicator, we have not achieved fiscal 2023 targets.
	Employees with the initiative to Think and Act	<ul style="list-style-type: none"> • Building a framework for quantitatively evaluating the handing down of employees’ technical expertise in each field, while also promoting the cultivation of that expertise • Continue holding management-skills briefings for managers to facilitate an understanding of the importance of on-the-job training after conventional training ends 	<ul style="list-style-type: none"> • Upgrade systems in some divisions to facilitate better visualization of technology • Assess the status of on-the-job training and upgrade manager briefings, taking into account the issues identified in the assessments 	Although there were improvements in the “employees with the initiative to think and act” indicator, we have not achieved fiscal 2023 targets.
	A workplace that demonstrates synergy and compassion	<ul style="list-style-type: none"> • Initiatives to improve management abilities: support the development of workplaces that maximally draw out the talents of each individual • Cultivate a culture of mutual support 	<ul style="list-style-type: none"> • Continue implementing training addressing the improvement of management capabilities • Increase opportunities that will lead to energizing workplaces 	The “workplace that demonstrates synergy and compassion” indicator declined. We have not achieved fiscal 2023 targets.
	Building health that allows employees to energetically engage in work	<ul style="list-style-type: none"> • Create visual data on health for each branch and each location, then promote the PDCA cycle • Utilize approaches that include employees in a participatory capacity in initiatives for energizing workplaces 	<ul style="list-style-type: none"> • Strive to visualize the status of health at each location and start using an app for viewing the results of each individual’s past health exams • Utilize the collective analytic results of stress checks and promote work environment improvement activities (“Lively Workplaces”) 	FY2019 results <ol style="list-style-type: none"> (1) Ratio of employees experiencing high stress: 4.9% (2) Ratio of lively workplaces: 52% (3) Ratio of employees with flags on their regular health checks: 44.4% (4) Daily lifestyle improvements: Smokers: 26.3%; High-volume drinkers: 11.0% (men), 13.2% (women); Regular exercisers: 20.2%; Response rate to physician referrals: 60%; Comprehensive health exam recipients: 42.9%; “Specific health guidance” recipients: 65.9%
Human rights	Formulate a policy on human rights and demonstrate a clearer stance through initiatives on human rights		Formulate the JR West Group Basic Policy on Human Rights	Enacted the JR West Group Basic Policy on Human Rights (April 2019)
	Promote initiatives to incorporate in our business activities risk management related to human rights, in order to preemptively avoid cases of human rights infringement		Identify possible human rights infringement risks at each workplace and implement risk management by discussing countermeasures, etc. within that workplace	Locations that have identified priority issues (approx. 90% of all workplaces)
Global environment	Initiatives to prevent global warming		Promoting the adoption of energy-saving railcars and high-efficiency machinery	FY2019 results <p>Energy consumption rate: -4.3% (vs. FY2014)</p> <p>Adoption rate for energy-saving rolling stock: 87.6%</p> <p>Recycling rate for station and train garbage (recyclable): 97.9%</p> <p>Railway material recycling rate: Facility construction: 97.7%</p> <p>Rolling stock: 95.3%</p>
	Contributions to building a recycling-oriented society		Promoting the 3Rs for station and train garbage (recyclable), as well as railway material	
	Promoting an environmental management system (EMS)		Complying with laws and regulations, and avoiding environmental pollution risks	
	Coexisting with communities and nature		Promote initiatives for preserving biodiversity	
Risk management	Crisis countermeasures	Respond to serious hazard risks in a unified management approach by the Group	<ul style="list-style-type: none"> • Prepare terrorism countermeasures with foresight in case of a major event • Strengthen emergency first-response framework through a variety of training exercises • Establish and follow a BCP predicting major disasters 	Maintain and raise risk sensitivity (including Group companies), while making any necessary reassessments, by repeatedly carrying out a variety of drills
	Compliance	Confirm and rectify issues with the organizational culture and respond to new compliance risks	<ul style="list-style-type: none"> • Enact “Organizational Management to Protect Against Corruption” as an initiative toward preventing corruption in our business • Respond to urgent issues, for example, carry out internal surveys addressing the new issue of GDPR (the EU General Data Protection Regulation) and the utilization of big data 	Have zero cases of serious organizational corruption
	Information security	Improve the information security level of the entire JR-West Group	<ul style="list-style-type: none"> • Cultivate awareness of information security • Improve capacity for crisis response 	Have zero serious accidents or cases of damage related to information security

Our Starting Point		Strategy of Value Creation for Our Vision		A Foundation Supporting Value Creation		Data
Safety	Customer satisfaction	Coexistence with communities	Human resources/ motivation	Human rights	Global environment	Risk management
Check (evaluation: a circle (○) shows a result; an asterisk (*) shows challenges to tackle going forward)		Action (plans for priority FY2020 initiatives)			(Reference) Objectives such as KPI, etc. to achieve by FY2023	
<div>○ Increase in employees utilizing HR programs and continuing their careers</div> <div>* It is necessary to establish an environment and engender a culture of not simply continuing careers, but further growing careers</div>		<div>• Communicate information and continually foster the corporate culture</div> <div>• Implement training addressing career development</div>			<div>In order to promote our Vision for Human Resources Cultivation, develop indicators—using, for example, the results of our Employee Awareness Survey—and quantitatively trace the three concepts of “employees with the initiative to think and act,” “workplaces that demonstrate synergy and compassion,” and “a business group with diversity as a weapon,” as part of our aim to “have each individual employee take a personal stake in human resource cultivation, with support for and a firm sense of Company initiatives.”</div>	
<div>○ By promoting the visualization of technical expertise, gauge the technical level of each individual at each location and use feedback to build the PDCA cycle</div> <div>* Promote the visualization of technical expertise utilizing systems in all areas</div> <div>* Continue implementing efforts to encourage an understanding of the importance of on-the-job training</div>		<div>• Further promote visualization of technical expertise utilizing systems and consider ways for further utilization</div> <div>• Continually strengthen management capabilities supporting employee growth, while also establishing an environment facilitating the growth of employees with initiative</div>				
<div>○ Hold workshops, etc. for discussions about each workplace; promote initiatives that foster workplace unity</div> <div>* Further promote workplace vitalization through organizational development approaches</div> <div>* Continue implementing initiatives for strengthening management capabilities</div>		<div>• Advance initiatives for fostering workplace unity</div> <div>• Continue implementing initiatives, such as training, for strengthening management capabilities</div>				
<div>○ Evidence of improvement in the majority of targets</div> <div>* Results dipped versus the previous fiscal year with regard to the “ratio of employees experiencing high stress” and the “ratio of lively workplaces”</div>		<div>• Urge preemptive avoidance of illness by providing real-time data on whether comprehensive health exams have been received, the status of responses to physical referrals, etc.</div> <div>• Continually implement workplace environment improvement activities (creating “lively workplaces”)</div> <div>• Promote non-smoking habits, prompted by the Revised Health Promotion Act</div>			<div>• In order to build a foundation for human resource cultivation, advance our Medium-Term Health Management Plan utilizing the results in our Employee Awareness Survey of the two concepts of “pride and motivation” and “mental and physical health (health management)”</div> <div>• Mental and physical health (health management) (1) Ratio of employees experiencing high stress: below 4% (2) Ratio of lively workplaces: 80% or higher (3) Ratio of employees with flags on their regular health checks: below 40% (4) Daily lifestyle improvement activities (smokers: below 20%, high-volume drinkers: below 10%, regular exercisers: 30% or higher, response rate to physician referrals: 80% or higher, comprehensive health exam recipients: 70% or higher, “specific health guidance” recipients: 80% or higher)</div>	
<div>○ By enacting and publicizing the JR West Group Basic Policy on Human Rights, we have been able to demonstrate a clear stance on respect for human rights to all stakeholders</div> <div>* Disseminating the JR-West Group Basic Human Rights Policy</div> <div>○ Successfully strove to improve employees’ awareness of human rights by having workplace discussions on the highest priority issues related to human rights</div> <div>* Respond to human rights issues that are diversifying and becoming more complex</div>		<div>• Strive to disseminate the philosophy and aims of the JR West Group Basic Policy on Human Rights by convening a Human Rights Education Promotion Committee and having human rights training at each workplace</div> <div>• Promoting human rights due diligence</div> <div>• Implementing human rights risk management toward preemptively avoiding cases of human rights infringement</div>			<div>• Status of formulating a human rights policy, which is then communicated to every employee so that there is widespread awareness</div> <div>• Status of employees being cognizant within their individual work tasks of human rights, while acting with respect for human rights</div>	
<div>○ Steady progress is being made toward achieving the fiscal 2023 target for energy consumption, etc.</div> <div>* Further utilization of technology and creative solutions</div> <div>○ Achieve all targets for our recycling rate for station and train garbage (recyclable)</div> <div>* Improve recycling rate for items, such as waste plastic, that have a low recycling rate</div> <div>○ Make progress in improvements, in terms of operations, through environmental training and environmental inspections</div> <div>* Further promote initiatives in a unified approach by Group companies</div> <div>○ Biodiversity preservation initiatives are prevalent at each workplace</div> <div>* Examples of initiatives are shared laterally across divisions</div>		<div>• While steadily advancing measures to meet environmental targets, we remodeled Higashihama station on the San-in Line as a Zero Energy Station (ZES) and are endeavoring to use new technology for microorganism electric generation and electric generation using environmental vibrations.</div> <div>• With unified effort, the JR-West Group is promoting initiatives to address social issues toward building a recycling-oriented society.</div>			<div>Objectives to achieve in FY2023</div> <div>• Energy consumption rate (vs. FY2014): -3%</div> <div>• Energy-saving railcars as a percentage of total rolling stock: 88%</div> <div>• Station and train garbage (recyclable) recycling rate: 96%</div> <div>• Railway material recycling rate: Facility construction: 97% Rolling stock: 92%</div> <div>• Promote environmentally friendly stations and office facilities</div>	
<div>○ In a unified Group effort, promote precautionary and security systems with foresight in case of a major event</div> <div>○ Use drills to improve risk sensitivity, related to the first-response framework, for the entire Group</div> <div>* Concrete, on-going administrative initiatives after the first-response framework is established</div>		<div>■ Respond to serious hazard risks in a unified management approach by the Group</div> <div>• Carry out precautionary security measures when holding large-scale events</div> <div>• Strengthen emergency first-response framework through a variety of training exercises</div> <div>• Predicting major disasters, consider establishing alternate strategic hubs</div>			<div>Status of implementing drills for various risks, including earthquakes, and reviewing and revising systems, rules, etc. as necessary</div>	
<div>* It is necessary to ensure a pervasive, Groupwide awareness of “Organizational Management to Protect Against Corruption”</div> <div>* Regarding new issues related to protecting personal information, it is necessary to respond in actual business practices (for example, with a Privacy Policy and internal rules and regulations) while also establishing a Groupwide framework.</div>		<div>■ Confirm and rectify issues with the organizational culture and respond to new compliance risks</div> <div>• Communicate our Three Values for preventing corruption to the entire Group</div> <div>• In our organizational climate monitoring (such as corporate ethics questionnaires), implement feedback tied to workplace improvement</div> <div>• Revise our Privacy Policy and internal rules and regulations related to protecting personal information</div> <div>• Initiatives for preventing corrupt activity when expanding business overseas</div>				
<div>○ Boost crisis awareness using Groupwide drills with targeted e-mail attacks, while also carrying out self-checks of our internal IT environment</div> <div>○ Raise crisis response capabilities through group training for the JRW-CSIRT and through incident response drills</div> <div>* Countermeasures for ingenious cyberattacks</div>		<div>• On-going JRW-CSIRT activities</div> <div>• Mitigate risks and strengthen precautionary and security systems for cyberattacks during large-scale events</div> <div>• Improve the information security level of the entire JR-West Group by enforcing information security standards</div>			<div>Status of reaching zero serious accidents or cases of damage related to information security</div>	

Safety

The value we provide

- Enhancing our sensitivity toward safety, through both mechanisms and corporate culture
Ensuring and enhancing the safety at the root of our vision: “Safe and comfortable society filled with meetings among people and smiles”

Message from the officer responsible

We’re fostering safety-first awareness as a result of enhancing response capabilities in every individual

The JR-West Group recognizes that ensuring and enhancing safety is the foundation for achieving our goal of a “safe and comfortable society filled with meetings among people and smiles.”

To ensure the safety of our customers and colleagues, we comply with rules and procedures born from past training and risk assessment. In fiscal 2019, we worked to enhance capabilities for responding to scenarios involving difficult judgment calls, by promoting a mindset that will unhesitatingly halt a train or stop work upon sensing danger or when unable to confirm safety. Based on the results of employee questionnaires and on an increase in cases of employees actually stopping trains to

confirm safety, I feel that we’re fostering safety-first awareness.

Furthermore, by urging employees to always envision various scenarios and even more concretely

consider the potential risks in these, we’re equipping them to remain calm in emergencies and to place safety first in judgment calls and actions. We hope to enhance sensitivity toward safety and build a climate that prioritizes safety.

Under an unwavering commitment to never again allow another accident like the Fukuchiyama Line accident, everyone in our Group will continue to pursue safety through constant efforts and will work from every angle to improve railway systems that maintain safety, to achieve the prevention of serious accidents and labor accidents.



Fumito Ogata

Chief Safety Officer
Vice President, Representative
Director, and Executive Officer;
Senior General Manager of
Railway Operations Headquarters

Initiatives in fiscal 2019

- Enhancement of organizational safety management, including assessment of degree of permeation of safety policies among employees, creation of mechanisms for identifying and improving rules that are difficult to follow, and, with regard to safety initiatives, checks of whether the PDCA cycle is functioning effectively, enactment of necessary improvements, etc.
- A sense of fostering safety-first awareness through education, training, etc. aimed at improving capabilities to respond to scenarios involving difficult judgment calls

Future issues

- Based on past scenarios involving failure to continuously implement safety measures learned through past lessons involving train accidents, labor accidents with casualties, and other serious incidents, we will continuously work to improve the efficacy of safety policies based on execution scenarios
- Throughout daily work, we will normalize concrete consideration of risks by every employee, as well as the stopping of trains without hesitation when safety cannot be confirmed

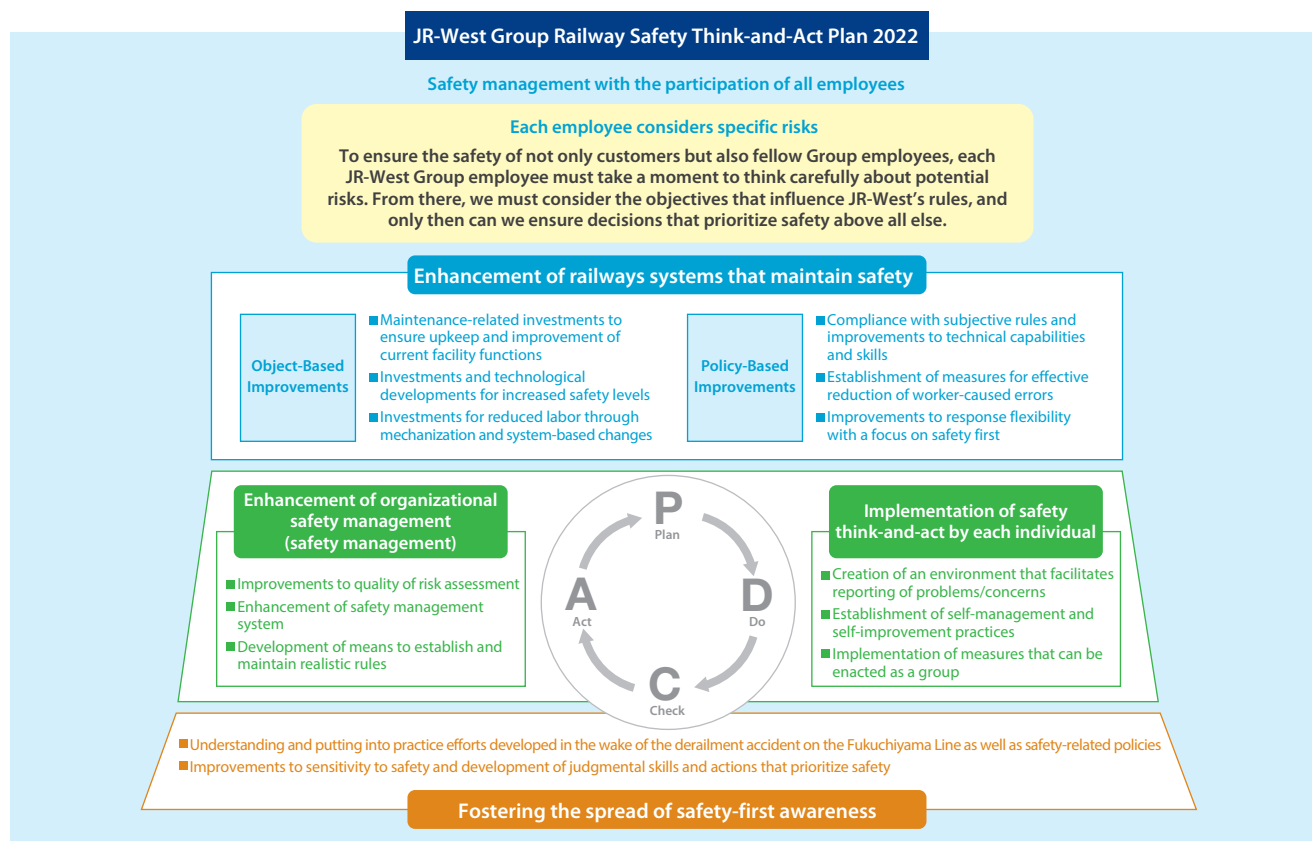
JR-West Group Railway Safety Think-and-Act Plan 2022

Managing safety with the participation of all Group employees to protect the safety of customers and colleagues

Since the Fukuchiyama Line accident, our Company has looked back upon issues for review and reflection. Toward the creation of a safety-first culture and mechanisms to ensure safety across the organization, we have enacted a variety of initiatives, both tangible and intangible. The result of these has been a decrease in transport disruptions caused by railway operation accidents or internal factors.

Despite this, in the critical incident that occurred on a Shinkansen train in 2017, operation of the train continued even after abnormalities were detected, revealing the presence of issues in safety-first decision-making and behavior in situations where merely following rules is insufficient.

As part of the vision of the JR-West Group Railway Safety Think-and-Act Plan 2022, we will work to enhance railway systems that maintain safety by enhancing organizational safety management and the practice of safety think-and-act initiatives by each individual, acting on a foundation of fostering the spread of safety-first awareness. In order to ensure the safety of customers and colleagues in immediate situations, we will make every effort to prevent serious accidents and labor accidents, beginning from the practice of every individual stopping to concretely consider risks, and connecting this to judgment and action that prioritize safety above all.



The objectives of the JR-West Group Railway Safety Think-and-Act Plan 2022, and progress under the plan

Objectives				FY2023 results
Objectives over the 5 years through FY2023	Train accidents that result in casualties among our customers	Zero	0 cases	0 cases
	Train labor accidents that result in fatalities among our employees	Zero	0 cases	1 case
FY2023 objectives Further 10% decrease from objective in Safety Think-and-Act Plan 2017	Train accidents involving people that result in casualties among our customers ¹	Further 10% reduction	9 cases	11 cases
	Accidents at level crossings	Further 10% reduction	22 cases	24 cases
	Transportation disruptions due to internal factors	Further 10% reduction	126 cases	170 cases

¹ An expansion of scope from the objective "Train accidents with casualties on platforms" in Safety Think-and-Act Plan 2017

Safety-first awareness and think-and-act – Each individual considers specific risks –

To prevent serious accidents and labor accidents, it is imperative that we observe rules and procedures established on a base of past accidents, past labor accidents, risk assessment, and more. However, due to unforeseen changes in circumstances, human error, and other factors, rules and procedures are not always sufficient.

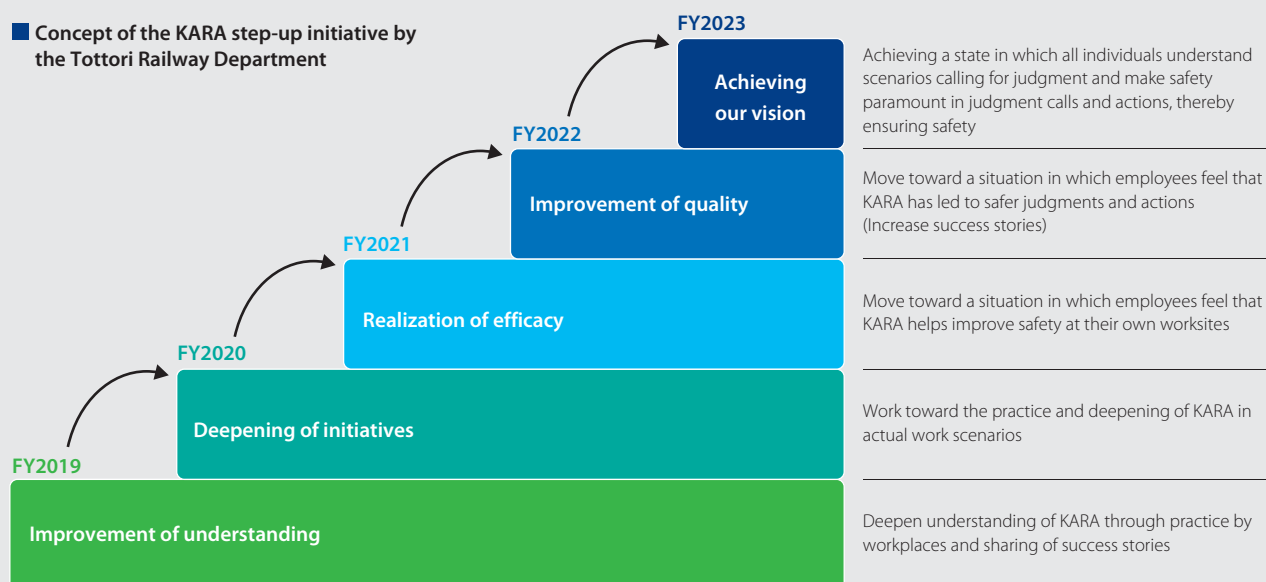
What is needed in such scenarios is that every employee stop,

consider specific risks that could occur, and connect this to judgment and action that puts safety first. It is also important that we envision and prepare for such scenarios in advance.

Our company is bolstering opportunities for thinking concretely about risks within the everyday duties of our workplaces to instill this as a habit.

The Tottori Railway Department is fostering in its employees a mindset called KARA (Count Risk Assessment). This is an initiative by which employees think concretely about risk by first clearing their minds before making judgments about things or taking action. In the same manner as the JR-West Group Railway Safety Think-and-Act Plan 2022 that we launched in fiscal 2019, the department has set a condition that it aims to achieve over the course of five years, and is operating a PDCA cycle.

■ Concept of the KARA step-up initiative by the Tottori Railway Department



Hiroshi Mitani

General Manager, Tottori Railway Department,
Yonago Branch

We've created our own risk assessment method, KARA, and are developing employees who envision risk in their thoughts and actions

Before commencing work, our employees subconsciously think about and act on their past experiences and lessons learned. However, we believe that it is important to create opportunities for thinking about these things consciously, and to instill the habit of working and acting with those thoughts active in mind. Accordingly, we're implementing our KARA initiative to get people to stop and think. In their respective work scenarios, employees already carry out the basic act of seeing and confirming things with the eye. However, we also place importance on the instant of mentally considering and

envisioning what can't be seen.

As our workplaces have employees who come from various railway divisions, I had many discussions with assistant stationmasters who oversee the systems, to think through many ideas including ways of moving forward with initiatives, the setting of specific scenarios, and how to make use of KARA in training. By regularly conducting questionnaires and hearings, we'll work to develop employees who can assess conditions and, based on the issues uncovered, can envision risks in varied scenarios, think, and exercise judgment.

In the Osaka Signal and Communication Unit, we use a Work Plan Confirmation Chart to share primary details and schedules concerning work among parties concerned until completion of the work. When time and mental condition come under pressure, all of us take care to avoid risky actions. We also identify risks in advance for construction-related projects, and have the parties concerned mutually confirm risks again on the day of work. This lets people stop work without hesitation when things do not proceed according to plan or when risks become apparent.



Checklist urging mutual confirmations

Adopting the Work Plan Confirmation Chart has brought greater leeway to work

Kazutaka Umazume

Assistant Manager, Osaka Signal and Communication Unit, Kansai Urban Area Regional Head Office

We had always depended heavily on workers' individual experience and capabilities when undertaking construction-related work. However, using the Work Plan Confirmation Chart to share particularly key points and

schedules, we can now engage in work while mutually confirming the degree of progress. I feel that this also lets us work with less psychological pressure, which has led to the improvement of safety, by allowing us to set backup schedule days in advance in the event that work falls behind schedule.

We're improving awareness across the worksite by thinking together about risks

Masaya Kinoshita, Kohei Komura, Ryota Mitani

Osaka Signal and Communication MC, Kyoto-Osaka-Kobe Regional Branch
West Japan Electric Technologies Co., Ltd.

In the past, our operation leaders had focused on issuing directions to workers, who in turn did not often speak up to operation leaders. We're now working to create environments that facilitate mutual communication. Specifically, before the start of work, operation leaders question workers about envisioned risks and work stoppage scenarios; after the completion of work, they conduct reviews of whether any risks were present.

As a result, workers in partner companies are recently pointing out potential dangers and otherwise speaking up more about risks in work. I feel that we're preparing an environment in which every worker can halt work when concerns come up.



From left: Hideaki Ijima, Shoya Kinoshita, Kazutaka Umazume, Kohei Komura, Ryota Mitani

Thinking on a risk basis has enabled us to respond smoothly in cases of difficult judgment

Hideaki Ijima

Assistant Manager, Osaka Signaling Office, Osaka Construction Center, Railway Construction Department Nishinihon Electric System Co., Ltd.

We're urging workers to employ risk-based thinking in every future work project, without being bound by the successes of the past. This includes considering whether work plans can really be completed under the current schedule, and what sort of risks can be

envisioned if sudden changes occur in schedules or the weather worsens. We're working to facilitate think-and-act in every worker on the basis of risks envisioned in advance, with a unity of purpose in stopping work without hesitation when envisioned scenarios occur.

In signaling equipment replacement work, cases have arisen in which work did not proceed as planned, carrying the potential for failure to finish on time. In

the past, this created situations of difficult judgment calls on whether to press forward with the work or halt it. As we had pre-set criteria for halting work, however, we were able to do so without hesitation.

Ensuring the safe use of stations by customers (safety on the platform)

To ensure that customers can use stations with peace of mind, we are undertaking both tangible and intangible safety improvements on station platforms.

Through platform safety initiatives that incorporate the cooperation of customers, accidents such as falls from platforms or contact with trains are on the decline. Looking ahead, we will keep on enhancing platform safety with the cooperation of customers, including means such as customers using platform emergency buttons if someone has fallen from the platform.

Under the JR-West Group Railway Safety Think-and-Act Plan 2022, we are working to reduce train accidents involving customer casualties, which continue to occur mostly on platforms.

We will continue to request the cooperation of our customers,

while having our employees watch over and call out to customers at ticket gates and on platforms. At the same time, we will work to further improve platform safety through means including the installation of platform barriers.



Watching over customers on the station platform



Platform barrier installation work



Tennoji Station, Osaka Branch, Kansai Urban Area Regional Head Office
(From left)

Kunihiko Kosaka,
Assistant Manager

Kazeto Kohama,
Transportation Management Staff

Working to enhance powers of observation to sense signs of danger

With tourism spots and commercial districts expanding around Tennoji Station, we're closely watching the flow and movement of customers and are working to hone our sensitivity toward picking up initial signs of danger.

We watch over customers who are unsteady on foot until they are safely on the train, and contact and coordinate with the stations where these customers disembark. We also take note of unusual customer behavior caught by cameras on the platforms, and move quickly to call out to these customers. We're seeing an increasing number of cases in which such actions have led to the prevention of accidents.

Rather than take a stance of waiting, we plan to boost our powers of observation to proactively pick up the slightest hints of danger while staying prepared to take quick action, so that we can make Tennoji Station an even more secure space.

We continue thinking about how to make station platforms safe

In cooperation with transport, civil engineering, and other divisions, we determine the placement and reinforcement method for platform barriers, the position of operation panels, and so on. As train schedules, platform configuration, and other conditions differ for every station, no two stations have exactly the same specifications for platform barriers. To ensure the quality of the barriers, we adjust sensors and test hundreds of items, confirming that the barrier gates operate when a train stops.

Installation during a short time period remains difficult, but we pool our knowledge daily to shorten the construction period as much as possible. When the installation work has been completed and the properly-functioning platform barrier sees off its first train, I feel a sense of fulfillment in having contributed to safe use of the station platform by customers. To ensure that all of our stations can be used safely, we'll take on the challenge of commercializing new safety equipment and installation of platform barriers.



Hiroki Ogino

Product Technology Department, Technology Head Office West Japan Railway Technica Co., Ltd.

Think-and-act by employees and safety improvement initiatives for the Shinkansen

We are advancing a variety of initiatives to improve the safety of the Shinkansen. In response to the serious incident that occurred in 2017, we are undertaking both tangible and intangible safety measures. In particular, we are currently making efforts to further enhance inspections from a dynamic perspective of monitoring the state of running trains and detecting abnormalities.

We are also working to enhance the response capabilities of employees, through means including training based on an understanding of human factors. Cases are increasing in which employees cooperate as teams to take appropriate responses to situations.



Joint simulation training

Among its everyday tasks, the operation management team at Okayama Station handles troubles that occur in running trains and performs in-car checks of air conditioning and comfort based on the results of regular passenger surveys and analysis in the rail yard.



Takashi Matsumura

Rolling Stock Management Staff, Okayama Branch,
Hakata Depot, Shinkansen Operations Division

We're building mutually supportive relationships with other locations

Following the past critical incident, we've created more opportunities for looking back on responses to unusual situations together with crew and control staff, with more face-to-face meetings. I feel that we've built a relationship that facilitates open talk.

In particular, crew and station personnel feel relief when the train experts of our operation management team mobilize. Even so, the judgment call to stop a train is an uneasy one for us as well. We mobilize our sensitivity to detect slight changes, as well as experience gained by the operation management team through past events, to handle issues in cooperation with parties concerned.

Through such efforts, I feel that we're building mutually supportive relationships

in which crew, station personnel, control staff, and our operation management team leverage each other's knowledge and experience to promote a mindset that will stop trains when an abnormality is detected or when judgment is difficult.

At times, mobilization requests come in just before a train arrives, quickly heightening the sense of tension. Throughout this, we will continue our efforts to respond calmly, in cooperation with parties concerned.

Through train drivers, conductors, pursers (onboard sales staff), operations control staff, and other employees covering each other's roles and displaying teamwork, we carried out quick removal of bamboo that was discovered during a run to have fallen on the tracks. The result was the early resuming of operation.

We aim to enhance members' collaboration for a safe and secure Shinkansen

During operation, a driver noticed bamboo that had fallen on the tracks and stopped the train. The driver, two pursers (on-board sales staff), and I were on the train, and I was the only one able to head to the site to remove the obstruction. I confirmed and coordinated the division of roles among the members, including preparation for resuming operation, making announcements to customers, and

offering guidance information. I consciously led the division of roles to avoid time spent waiting for instructions. Before I disembarked onto the track, we conducted a careful simulation of the work procedures for tying up the bamboo using cable laid alongside the tracks. With a single admonition from the command staff to take care, I was able to disembark and handle the situation calmly.

Looking outside this incident as well,



Hiroyuki Higashiyama

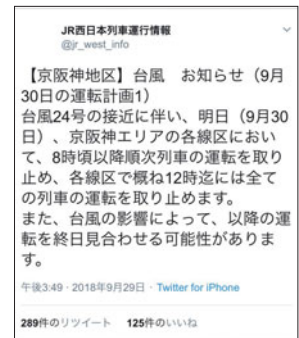
Conductor, Osaka Shinkansen Conductor's Unit,
Shinkansen Operations Division

I feel that on-board members have come to check on each other and communicate more often in the workplace. I hope to further see the team become one, with the aim of a safer and more secure Shinkansen.

Initiatives in planned suspension of service

In preparation for increasingly severe natural disasters, our company continually undertakes a variety of physical countermeasures. When damage to railway facilities or long suspensions of service are expected due to typhoons or other severe weather, we carry out the suspensions according to plans.

Implementing a planned suspension of service that results in major inconvenience to customers is an unpleasant decision for our company as an operator of trains, but we believe that no mission is greater than ensuring the safety of customers and avoiding social disorder. We provide information at an early stage through bulletin boards in stations, our website, government agencies, and media outlets, in our efforts to prevent disruptions. We also work to provide information in multiple languages, in consideration of customers visiting Japan.



Advance notifications in a variety of forms (Twitter)



Nobutake Sakai

General Controller, Osaka General Control Center,
Kansai Urban Area Regional Head Office

We make decisions on safe railway operation and preparations for the resumption of operations

Planned suspensions of service come about through a determined decision to ensure that there is no situation in which, by continuing to operate trains when a typhoon or other danger is approaching, a train stops between stations to discharge customers onto the tracks amid danger. In principle, we send notifications of potential suspension at least two days in advance, and notifications of suspension at least one day in advance, so that customers can take action in a safe and planned manner.

Although the maintenance of safe railway operation is the goal, suspension of train service inconveniences a great number of customers who use our trains every day. However, to ensure that we

never overlook risks (even with the occasional swing and miss), we'll address imminent situations by making the best decisions we can based on our many past experiences, to prevent situations that pose dangers to customers.

While trains are stopped, we perform safety checks and railway equipment restoration work aimed at resuming operation, and make transport plans and various other preparations in line with the progress of work. By honing our skills through daily education and training, we'll work to enable safer train operation.

We're making efforts to minimize inconvenience while promoting understanding of our mission of safe use by customers

Large-scale suspensions of service cause great inconvenience and troubles for our customers. To enable planning that results in the lowest impact with greatest safety for customers, we coordinate closely among departments and employees in charge of communicating information, to deliver information to as many customers as possible, as quickly as possible.

Employees in charge of notifications through media outlets, bulletin boards in stations, on-board announcements, operation information on our website,

Twitter, and contact with local government authorities share information in real time over networks while discussing and coordinating the content of communications. To the extent possible, we strive to convey information to customers by no later than rush hour on the evening before the day of a typhoon's arrival, or rush hour on Friday evening if the expected arrival is on Saturday or Sunday.

I hope to further enhance cooperation among parties concerned and pursue even more effective communication of information.



Tomoyuki Ishihara

Deputy Section Chief, General Affairs Section,
Kansai Urban Area Regional Head Office

View from outside the Company

“Psychological safety” in the workplace that supports the foundation of safety culture



Dr. Hiroyuki Yamaguchi

Dean and Professor, Faculty of Human-Environment Studies,
Kyushu University

Looking through this report, I can see that the efforts by the JR-West Group to foster a safety culture in its organization have continued steadily. I recognize in these an unchanging determination to never again cause an accident such as that on the Fukuchiyama Line, through initiatives such as think-and-act, platform safety, and planned suspensions of service.

However, when that resolution and a mindset that prioritizes safety has spread to every employee and has become shared by all, we can finally say that an organizational culture of safety has taken root. Whether an employee practices judgment and actions that immediately prioritize safety even when hurried or tired, or even when the employee is possibly at fault, is the matter in question.

Seen from this perspective, the critical incident involving cracking, abnormal noise, and abnormal odor from the bogie frame of a Sanyo Shinkansen Nozomi train departing from Hakata in December 2017 shows that there is still a long way to go on the road to building a culture of safety. The investigation report by the Ministry of Land, Infrastructure, Transport and Tourism strongly suggested the possibility that the temptation to avoid creating trouble superseded the priority on safety.

The creation of a culture of safety in an organization proceeds at the unit of teams in the field, through initiatives to fit safety-first principles to one's own works, to put the principles into practice by incorporating them into concrete actions and judgment calls, understanding them experientially, and sharing them. In order to share the principles, it is important that there exists “psychological safety” by which people can freely discuss insights in work or their own opinions within everyday workplace communication, without concern over differences in position or expertise. Even idle chatting is fine. Expanding initiatives with a focus on increasing opportunities for dialog with colleagues in the field holds a vital key in building a culture of safety.

Procurement that supports safe and reliable transportation

Basic stance on procurement

JR-West's businesses comprise large amounts of equipment that supports safe and reliable transportation. However, this equipment requires continuous inspection and repair, including the replacement of parts or entire pieces of equipment, which means we need to procure equipment and labor from a wide range of suppliers. Therefore, the many departments within the Company, including maintenance departments who are at the frontline of dealing with equipment, cooperate closely in order to realize procurement from the best suppliers that is high quality, appropriately timed, appropriately valued, and fair.

Furthermore, in our basic transaction agreements and the like, we have set conditions that include safety assurances, compliance with laws and regulations, consideration of employees work situations, the absence of any behavior linked to organized crime, and environmental conservation. These conditions ensure we can work together with suppliers to implement procurement that takes into account the needs of society.

Quality control

In order to maintain dealings with suppliers who have the capability to provide the quality demanded by JR-West, we check that they have the necessary qualifications. When purchasing new equipment, we prevent any defects from occurring in advance by carrying out verification testing if necessary. We also carry out inspections once work has been completed and demand quality assurances in basic transaction agreements for purchasing equipment to ensure that all equipment is of a quality that supports safe and reliable transportation.

In addition to this, for suppliers who manufacture equipment that plays a major role in safety, such as automatic train stops (ATS) and speedometers, we first carry out advance checks of documentation, including materials regarding inspection systems (including certification management), work processes, drawings, molds, the management of contractors and others, and education and training. This is then followed up by visits to manufacturing facilities so we can carry out inspections to confirm the situation with our own eyes. These inspections are carried out once every three or five years for suppliers with ISO 9001¹ certification and once every two years in principle for suppliers without such certification.

If a defect occurs, the relevant departments work with the supplier to come up with improvement measures and we follow up on the implementation of these measures to ensure the situation does not occur again.

The results of checks of supplier quality control systems carried out in fiscal 2019 are as follows.

Compliance with basic quality control conditions	34 companies, 41 business sites
Implementing measures to prevent reoccurrence of a defect	2 companies, 2 business sites

We ensure thorough awareness of laws and regulations regarding quality control through an annual report that checks awareness-raising methods and the content of educational materials, and when we carry out visits, we ensure this awareness is spread by explaining matters such as the aim of and background behind the visits directly. The results of checks regarding thorough awareness of laws and regulations in fiscal 2019 are as follows.

Checks through supplier reports	127 companies
Onsite checks	34 companies

Advancing CSR-based procurement together with suppliers

JR-West gains an understanding of the status of CSR initiatives at each supplier through surveys and interviews concerning matters such as the prevention of human rights infringements, fair dealing and the elimination of any behavior linked to organized crime, reducing environmental impact, and governance. In this way, we are evolving the implementation of CSR-based procurement throughout our supply chain.

Since fiscal 2019, we have been visiting each individual supplier. In addition to communicating with these suppliers about having a framework for promoting CSR activities in line with their situation and educating employees, we also work to deepen their understanding of how everyday activities carried out for the benefit of employees and the local environment are conducive to CSR, with the aim of raising their motivation to engage in such activities.

¹ ISO 9001: The international standard for quality management systems that ensure consistency in the provision of products and services and enhance customer satisfaction.

View from outside the Company

When manufacturing rolling stock parts such as windshield wipers, we used to use solvents and highly volatile oils for post-process cleansing at our plants. However, we have now introduced ultrasonic cleansing equipment with the main aim of improving safety and workability. Hand-cleansing parts after processing using these solvents and oils produced a small volume of gas which had an impact on employee health and the global environment. However, when JR-West informed us that we could make improvements through this initiative, we realized we could contribute from a CSR perspective.

It has become clear that our next distinct challenge is to move forward with initiatives such as reviewing and altering our business activities and raising awareness of CSR among employees.

I think that CSR initiatives are crucial to enabling us to coexist and thrive together with local communities. I look forward to further deepening our partnership with JR-West and steadily advancing CSR initiatives.



Masayasu Tsuji
Director and General Manager of
the Production Department
Sunazaki Manufacturing Company, Ltd.

Safety in non-railway business

In regard to safety, our efforts to advance initiatives in unison with all Group companies and business partners are not limited to just railway operations. In our non-railway business we have also made reducing risks that might threaten customer safety our utmost priority, with a focus on food safety, building and equipment safety, and safety within stations (in-station logistics, etc.).

Food safety

In November 2005, we launched the Food Project and to date, we have utilized the capabilities and knowledge provided by external partners and come together as a Group to promote food safety. We have built a framework that includes the establishment of a Quality Control Department and creation of guidelines, and the

backup provided by this framework, internal audits, and the like, as well as the awareness and cooperation of workers who actually deliver the food products, is crucial to ensuring safety. We continuously respond to social factors, such as revisions of laws and regulations, to implement fundamental hygiene management in an honest manner.

Sanyo SC Development Co., Ltd. is primarily based in the Okayama area and operates the Okayama Ichi Ban Gai shopping center and the Sun Station Terrace shopping centers in Okayama, Kurashiki, and Fukuyama. As the building owner, it implements regular audits of restaurants with kitchen facilities, provides guidance during daily store inspections, and holds study sessions for store managers and staff, among other initiatives. This ensures that delicious food can continue to be served with safety as the highest priority.



A food safety study session

Always keeping the tenant's point of view in mind and working together with them



Mikio Yamamoto
Section Chief responsible for
Food Safety and Quality Control
Operations Section,
Operations Management
Department
Sanyo SC Development Co., Ltd.

As the person responsible for food safety, I work behind the scenes to try and maintain a situation in which nothing bad can occur. As the building owner, communication is key to ensuring our tenants take food safety seriously. When I first took this position, I took the unpopular approach of trying to force stores to strictly adhere to manuals and I was highly critical during things like store inspections and then demanded that the stores come up with improvement measures. However, as demand rose for even higher levels of safety, I realized that it was crucial that I take the tenant's position and consider what they could do, and then work together with them to achieve this. Instead of just pointing out issues, I proposed ideas for solving them

based on each store's specific situation and built relationships of trust through experiences such as visiting stores after closing and helping them clean.

Although these businesses have high employee turnover rates, I feel that hygiene management levels have risen, and that safety has become deeply rooted in the food provision process.

View from outside the Company

At first, I had no previous experience of the high level of food safety engagement that was being demanded and I was a little lost, but now, after implementing multiple initiatives I am able to say "It's ok, it's safe" with confidence. If I have even the slightest concern, I am able to discuss it with Sanyo SC Development in detail and their biannual internal audit keeps me on my toes. I take a positive approach and aim to have zero findings from these audits.

Store manager meetings hosted by Sanyo SC keep me up to date on various information related to food safety and the latest movements such as changes to laws and regulations, and I feel that my capabilities are improving.

In the very unlikely event that a food poisoning incident occurred at our store, it would not only affect us, but also Okayama Ichi Ban Gai and the JR-West Group. Ultimately our goal is not to reduce the number of audit findings but to work together to provide customers with peace of mind.



Akihiko Shimizu
Manager, Robatayaki Hakkaku
Okayama Ichi Ban Gai

Customer satisfaction

The value we provide

- Peace of mind and trust: Ensuring customers understand that securing peace of mind is a matter of course for us
- Comfort: Making customers comfortable without even realizing it
- Meeting expectations: Making even more customers happy
- Exceeding expectations: Amazing and surprising customers

Message from the officer responsible

Aiming to achieve our CS vision

“What kind of feelings do we want our customers to feel as the result of our work?”

I want to use this question to ensure that each individual and our team as a whole apply themselves in the right way.

This idea is also reflected in our Customer Satisfaction Vision 2022 and Think-and-Act Declaration for Customer Satisfaction.

First of all, the most important thing is to create and maintain a situation in which the customer feels that peace of mind and comfort is a matter of course and does not even think about it, today, tomorrow, and every day after. I want us to be a Group that takes on our daily railway work sincerely based on this sense of purpose.

If we can accumulate a track record of work that is aligned on this vector, we might be able to make even more customers happy and sometimes even amaze and surprise them.

We continuously implement customer satisfaction surveys and in the fiscal 2020 survey, 72.9% of customers said they had favorable feelings toward the

company, resulting in a score of 3.96 out of 5. Our goal is to achieve a favorability rating of 4.0. This would mean that around 80% of customers liked our service.

Therefore, in addition to accumulating a track record of railway work with a sense of purpose as professionals, we must ensure we never lose sight of our customers' perspectives. Questioning ourselves as to whether we are prioritizing our own convenience will lead us to try and imagine our customers' feelings.

I believe this will enable us to be totally orientated toward delivering to the customer and I want us to grow as a group where the efforts of each individual are brought together through teams in order to create a favorable feeling among customers and local people.

Katsuhiro Hasegawa

General Manager,
Customer Satisfaction Department,
Railway Operations headquarters



Initiatives in fiscal 2019

- Provided multilingual service information through our official Twitter account
- Enhanced the provision of service information through initiatives such as expanding train location services

Future issues

- Implementing initiatives related to safe and reliable transportation
- Providing information at times of transportation disruptions
- Offering appropriate, easy-to-understand guidance services
- Creating comfortable, convenient environments (stations, trains, manners, etc.)
- Providing information regarding examples of improvements, plans, etc. (two-way communication)

Customer Satisfaction Vision 2022

which shows what kind of feeling we want to instill in our customers



Peace of mind that is a matter of course

The JR-West Group strives to provide reliable, daily transportation that enable customers to use railway services with peace of mind. We aim to minimize the effects of delays and service suspensions and enhance guidance services from our customers' perspectives.

The importance and difficulty of delivering peace of mind as a matter of course that is felt through disaster recovery

The effects of the Heavy Rain Event of July 2018 in West Japan led to a situation where JR-West was unable to operate trains on many lines for a long period. This brought home the importance and difficulty of providing railways that customers can use with peace of mind that is a matter of course and gave us a fresh way of thinking about our work.



Hiroshima Branch staff
(From left)

Yasutaka Ito,
Deputy Section Manager, Electrical Engineering Section
Manabu Nakashin,
Deputy Unit Manager, Mihara Electrical Engineering Unit
Kazuhisa Kita,
Truck & Structures Management Staff, Hiroshima Civil
Engineering Center
Shinya Ota,
Truck & Structures Section member

If we detect an abnormality in equipment, we have always routinely rushed to the location and worked to ensure everything is back to normal quickly, but our involvement in the work to recover from the Heavy Rain Event of July 2018 has raised our awareness of the need to prepare for unforeseen situations. This experience of an unexpected occurrence has also reaffirmed the importance of things like establishing early response systems in our daily work. On this occasion, we experienced an unprecedented disaster and we were able to gain knowledge that would be difficult to acquire in normal situations, such as establishing an order of priority for recovery work, and the necessary points for interconnecting systems. We will share this knowledge across the company, including with

employees who have no experience of this kind of situation, by incorporating it into training and education.

This incident has made us keenly realize the importance of support systems that we take for granted in our daily lives, such as water and roads. Through this experience, we firmly recognize that train operations are support systems that our customers should be able to take for granted. Striving to realize zero equipment-based accidents is not an easy task, as factors such as lightning and animal damage have an effect. However, should an incident occur, we will quickly rush to the scene and we are raising our ability to realize a speedy recovery. We will constantly strive to ensure that customers can use our railway services with peace of mind that is a matter of course.

Guidance services from our customers' perspectives

JR West's customer centers receive a large volume of enquiries every day. We work to provide guidance from the perspective of each individual customer.

Each day we receive enquiries from customers that cover a wide range of different subjects, and in addition to providing accurate information, the demands of each inquiry also differ (e.g. response speed, volume of information, etc.)

Fiscal 2019 saw many disasters occur, including the Northern Osaka Prefecture Earthquake, the Heavy Rain Event of July 2018 in West Japan, and typhoons. These resulted in enquiries about services from a large number of customers who were experiencing difficulties and these

sometimes involved harsh language. During disasters, the status of operations is changing constantly. While providing customers with live information orally, we had to provide guidance while supplementing it with additional information as required and recognizing that we were not just "relaying" information but "communicating" it.

Due to this experience I am now even more conscious of making quick and accurate judgments about the customer's needs and providing them with information in a way that is easy to understand.



Yayoi Tsuji

JR West Customer Relations Co., Ltd.

During both normal and abnormal situations, I will continue to polish my ability to provide guidance that incorporates the customer's perspective and enables them to take their train with peace of mind.

Customer satisfaction

Making customers comfortable without even realizing it

We are actively working to make services even more comfortable for customers, including renewing stations and toilet facilities and beautifying stations and trains. We have also established a guidance framework that enables first-time customers to use services without difficulty.

Making trains more comfortable to use

Customers spend a lot of time on trains, so the entire JR-West Group is working to make train cars cleaner and more comfortable.

As a train car cleaning instructor, I provide staff with education that enables them to work safely and guidance on the actual methods we use for cleaning. Despite being the deputy leader of our CS improvement group, I struggled for ideas of how to achieve this improvement. After thinking it through, I asked group members to submit issues they have when cleaning the cars and ideas of how to solve these issues. Then we trialed one of these ideas for two months over around 50 cars we are responsible for cleaning.

As an addition to our everyday

duties, this was certainly not easy work, but Deputy Unit Manager Mizobe followed up with members and everyone was able to carry it out with a sense of accomplishment. What made me happiest was the flow of ideas from members of things they wanted to try. The idea that was trialed will continue to be implemented and I am looking forward to trying out a new idea.

As customer needs are constantly growing, we need to always be refining our sensibilities, raising our technical ability, and improving quality as a team in order to continue meeting expectations.



JR West MAINTeC Co., Ltd.

(From right)

Hiroaki Mizobe,

Deputy Unit Manager, Nara operations Unit

Yosuke Matsuzawa,

Instructor

Providing guidance to foreign visitors to Japan

As the number of foreign visitors to Japan is rising, we are enhancing multilingual signage and announcements. During normal operations, as well as situations where trains are delayed, we are working to be able to provide customers with the information they need, including the progress of recovery and estimated service resumption times, in a timely manner.



We always try to provide polite guidance with a smile in order to create fun memories for foreign visitors to Japan. I myself experienced this in the past when riding the Haruka limited express service, but while Japanese trains are punctual and convenient, they can also be very confusing for customers from overseas, as there are many different types of tickets and not all trains stop at

(From left)
JATS KANSAI

Lehner Hubert

Lai Yap Kuang

Wu Jiahui

the same stations. In order to remove a customer's concerns and unease, I try to understand the situation and needs of each individual customer and provide them with guidance that I think will make them feel comfortable.

Providing guidance when trains are delayed is still an issue, but we are refining the information we think is needed and the way in which it is broadcast through a repeated process of trial and error, in which we reflect on each incident. We will cooperate with station staff to make improvement after improvement as we strive to eliminate the concerns of customers from overseas.

Making even more customers happy

Factors such as the increase in visitors to Japan from overseas and the increased participation of women in the workplace means that the customers who use JR-West Group services are becoming more diverse. We are always trying to get a feel for customers' expectations so that we can be conscious of meeting their needs.

Reaching out to customers

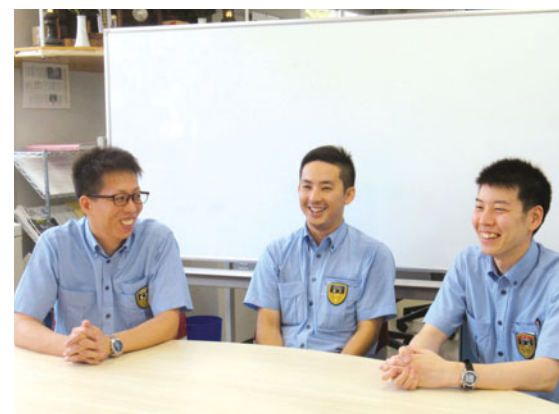
We consciously try to imagine a customer's unvoiced needs when they read digital signage in stations and train cars and look up train routes using their cell phones, so that we can meet these needs.

We always make effort to reach out to customers who looks like they need help, not only on trains but everywhere they use our services, including while they are waiting on platforms and moving between areas. We also record the details of how we approached them in a work report that covers what happened over one day of work, which we submit to our direct supervisor at the end of the day.

Obviously we work to improve the way in which we approach customers, but it is also important to be able to sense what a customer needs beforehand and raise our ability to do this. Our supervisor compiles the content of our reports in a

timely manner and provides feedback through a daily notice. As crew members work alone, we do not often get chances to watch each other work, so this notice creates an opportunity to have conversations and find a perspective that we cannot realize by ourselves. I feel that the stimuli provided by our colleagues leads to changes in how we act in the future.

The number of foreign visitors to Japan is increasing and while it is difficult to approach someone who speaks a different language, I want each individual to consider what they can do and use this to drive our work forward.



Kanazawa Train Driver's and Conductor's Unit,
Kanazawa Branch
(From left)

Takahiro Hashikita, Assistant Manager
Shinosuke Taguchi, Driver
Hitoshi Koyama, Conductor

Amazing and surprising customers

We are doing our best to ensure customers understand that securing peace of mind is a matter of course for us, make customers comfortable without even realizing it, and make even more customers happy. We believe that the accumulation of these efforts occasionally leads to moments where we amaze and surprise customers. Going forward, all members of the JR-West Group will work together to realize a Group that brings smiles to all stakeholders.

A message from a customer

I commute to work by train every morning but now that I'm pregnant, I suffer from morning sickness. Each morning, the chance that I will be able to get a seat from my nearest station is about fifty-fifty.

This morning I was standing near the priority seats, but no seats were open and I was hit by intense morning sickness. Just as we passed Akashi Station, an announcement about priority seats came over the speakers, but it was different from the usual

announcement. It went like this, "Please check whether there is anyone with a maternity symbol nearby when you are sitting in priority seats. If so, please let them use your seat." Following the announcement, one of the people noticed my maternity symbol and let me have their seat. While I am grateful to the person who gave up their seat, I was even more moved by the consideration of the conductor who made the announcement.

I sent this email to express my gratitude. Thank you very much.

Coexistence with communities

The value we provide

- We provide safe and sustainable railway operation and transportation services and help communities where people want to visit and live and realize their visions for the future of their communities
- As a corporate group providing social infrastructure centered on railway services, we support people's lifestyles by offering safe and high-quality railway and lifestyle services

Message from the officer responsible

Helping build attractive communities for visiting and residing for a safe and flourishing society

Communities in Japan are facing a severe social and economic outlook as the country's shrinking population leads to smaller markets and a diminishing labor force. In addition, the changing climate is expected to bring more intense weather events and environmental impacts. On the positive side, several trends and developments in our business region will bring opportunities for growth, including the growing number of tourists from overseas, benefits from the



extension of the Hokuriku Shinkansen and the openings of the Umekita (Osaka) underground station and Naniwasuji Line, and major international events such as the Osaka-Kansai World Expo 2025.

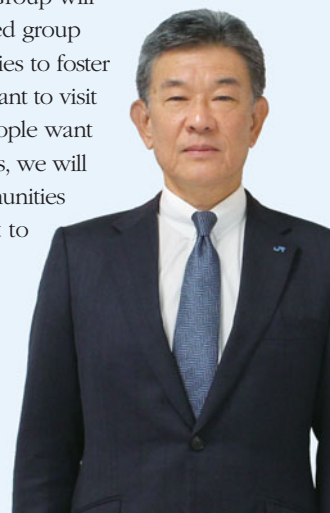
In fiscal 2019, the first year of the JR-West Group Medium-Term Management Plan 2022, we steadily advanced the Setouchi Palette Project, a plan to work with communities to revitalize the regional appeal, along with measures to increase the value of railway belts by taking advantage of opportunities to add new train lines and stations to our railway network. Although our

group operations were strongly impacted by the series of natural disasters that included the Northern Osaka Prefecture Earthquake, the Heavy Rain Event of July 2018, and direct hits from large typhoons, the local governments and citizens in the afflicted regions are working together to bring about a quick rehabilitation and reconstruction.

As a provider of social infrastructure centered on railway services, the JR-West Group will continue advancing a concerted group effort working with communities to foster cities and towns that people want to visit and train lines along which people want to live. Through those activities, we will contribute to stimulating communities and economies and do our part to create a safe and flourishing society filled with meetings among people and smiles.

Atsushi Sugioka

Director and Senior Executive Officer
Senior General Manager of
Corporate Planning Headquarters



Initiatives in fiscal 2019

- Launched the Setouchi Palette Project to boost the appeal of the Setouchi region and attract repeat visitors from across Japan and overseas
- Increased the value of railway belts by expanding our railway network with the extension by linking the Shin-Osaka and Hanaten stations of the Osaka Higashi Line and adding the new Umekoji-Kyotonishi Station on the Sagano Line
- Joined with local citizens and governments in areas afflicted by natural disasters, such as the Heavy Rain Event of Japan, to rehabilitate and reconstruct communities

Future issues

- Enhancing wide-area railway networks, centered on the Shinkansen
- Presenting the western Japan area as an appealing destination for inbound tourism
- Establish the Kansai metropolitan brand by raising railway belt value in the Kansai Urban Area
- Promoting wide-area tourism zones and implementing city development initiatives to create convenient, lively cities, centered on core cities in western Japan

Preparing with communities for earthquake and tsunami

Training safety evacuation leaders in anticipation of a major earthquake along the Nankai Trough

The Kinokuni Line is a long, scenic railway line running along the coast of the Kii Peninsula. Due to its proximity to the ocean, we made various safety preparations for the event of an earthquake and subsequent tsunami affecting the line. The preparations included equipping trains with pamphlets of tsunami hazard maps for all passengers, placing evacuation markers and guides on telephone poles along the line, and conducting evacuation drills using actual trains for passengers and local citizens.

In addition, we opened our tsunami preparation activities to a wider group of the local population by enlisted Wakayama University associate professor Kazuhiro Nishikawa to create a special *Tetsugaku** course integrating disaster response for trains and a real train to practice the drills to provide an engaging way to practice evacuation from a train and increase the number of evacuation leaders in the area.



View from outside the Company

The JR-West Wakayama Branch Office has been conducting tsunami disaster drills with employees, their families, local governments, and others since before the 2011 Tohoku Earthquake. High school students make up the greatest proportion of passengers on the Kinokuni Line. I realized that high school students would make ideal evacuation leaders and began planning hands-on safety drills that they could participate in.



holding the drills could give a community a reputation as a dangerous place to live or visit. The *Tetsugaku* course combining disaster preparation education and a real local train car for practice

I also realized a few truths that make communities reluctant to conduct about disaster drills: 1) they are costly and a lot of work to present, 2) the participants are only people who already know the danger of disasters, and 3)

drills was created to overcome these issues. To date, we are pleased to have offered the course seven times as it is being incorporated to package tours and the disaster preparation lessons at high schools. I am hoping the course will become a mainstay and an important part of our connections with the communities.

In February 2019, Wakayama University and the JR-West Wakayama Branch created a cooperative agreement to create programs ranging from disaster prevention and tourism to local citizen's education to contribute to making more connections among the people in the communities. I want to also play an active role in those activities.



Kazuhiro Nishikawa
Associate Professor,
Wakayama University

Working with Local Citizens to Build Disaster Ready Communities

I was part of the team that presented the *Tetsugaku* tsunami evacuation drills. I acted as the train conductor, and my role was to run ahead to the evacuation grounds and call out as loud as I could to tell people leaving the train car which way to go. The uneven ground beside the tracks made it difficult to move quickly, but everyone helped each other along, encouraging each other to keep moving. The evacuation went smoothly and safely. I think that if people helped each other like that in a

real situation, they would arrive safely at the evacuation grounds even more quickly.

On the train line where I usually conduct the trains, they say that a tsunami could reach us as quickly as 11 minutes after an earthquake. I want to continue increasing the knowledge and skills of our passengers and providing safety practice drills so that all of the people in our local communities are prepared to respond in the event of an emergency.



Sae Aoki
Train Driver, Wakayama Train Driver's Unit
Wakayama Branch

* *Tetsugaku* is railway safety training course that includes visiting local train lines and facilities and practicing evacuating from an actual train in the event of a tsunami.

Coexistence with communities

Fostering local business

Land-based aquaculture business — Promoting industry and creating jobs

The JR-West Group also contributes to local economies by promoting new industries and creating employment opportunities. One of these activities was the launch of our land-based aquaculture business in June 2017. Land-based aquaculture is a sustainable production method that enables proper management of the cultivation and safe, secure, and consistent quality seafood. In addition, it is unaffected by weather or natural disasters and does not contribute to the depletion of natural resources from overfishing. Our first venture in the land-based aquaculture field is currently underway in Tottori Prefecture, where we are raising mackerel.

Land-based aquaculture is still a developing industry the quality of the seafood being produced is not yet widely recognized. We established the Premium Organic Fish certification brand,

known as the PROFISH brand, based on our high standards for land-based seafood production to establish a recognizable standard for high-quality production management methods in this promising industry. We will continue to increase awareness of this growing part of the seafood industry, and through our operations contribute to local industry and employment.



"Ojosaba" mackerel raised in Tottori Prefecture

Looking for ways to stimulate industry and employment beyond our own businesses



Hiroaki Ishikawa
Chief Manager
Business Development Headquarters

When we started focusing our attention on community revitalization, the first primary industry that came to mind was agriculture. In our first foray, we joined with Tottori Prefecture to cultivate mackerel for raw consumption, which had been considered extremely difficult. After this initial success, we are now looking to team with Tottori again to cultivate flounder and also considering producing new specialty products of masu salmon in Toyama Prefecture, oysters and kuruma prawns in Hiroshima Prefecture, and tiger pufferfish in Yamaguchi Prefecture.

These ventures would not be

successful if we approached the idea of helping revitalize communities merely with the desire to "do something for the community." Our approach is to work closely with the communities by meeting with various people and listening to their ideas and then considering what is in our ability to do. Also, in addition to looking to start a new business, we also give significant thought to its ability to promote local industry and create jobs. Our land-based aquaculture business is leading to the creation of new activities, such as the branding of locally produced seafood products, and I would like to continue building the business until it is as large as our station building and real estate businesses.

Building attractive urban spaces

City development planning with local governments and medical institutions

The cities of Suita and Settsu are developing a health and medical zone outside of Kishibe Station on the JR Kyoto Line. Centered on the National Cerebral and Cardiovascular Center, the area will be known as "Kento," an abbreviation of Northern Osaka Health and Biomedical Innovation Town. The JR-West Group is seeking to complement Kento with our VIERRA Kishibe Kento project at the Kishibe Station. The project's development concept is focused on providing commercial space to serve a "health promotion

function" in line with the Kento concept and to serve a "lifestyle convenience function" for the local population.



VIERRA Kishibe Kento

Safe and sustainable railway and transportation services

As elsewhere, the environment for our public transportation business is changing on almost a daily basis amid evolving transportation needs, Japan's declining birthrate and aging population, and the intensifying natural calamities.

We will continue to promote the economic activity along our railway belts and support local urban development plans with safe and reliable railway operation and transportation services.

We conduct various activities to promote the special attractions of the western Japan. One example is our collaboration with the Japan Agricultural cooperative JA Kinosato to present a Food & Train tour to travel and enjoy the abundant farm-fresh fruit available along the Wakayama Line.

Actively promoting and advertising attractions along our train lines supports our ability to provide safe and sustainable railway operation and transportation services.



On the Food & Train tour

Featuring our railway assets to boost a local economy

The former Uzui Station on the unused JR Sanko Line in Onan, Shimane Prefecture is a local sightseeing destination known as the "Station in the Sky" because its boarding platform is some 20 meters above the ground. Although no longer in use, the station was one of several railway assets that JR-West bequeathed to Onan in June 2019. We will be providing technical support and tourism expertise to the city's plan to create a railway park using the railway assets.

View from outside the Company

When the old JR Sanko Line became obsolete, we thought that there must be some way the city could use the railway facilities as a "local resource" to stimulate economic activity. We knew that the "Station in the Sky" was popular among train enthusiasts and thought it could be developed into a tourism asset for the town.

In fiscal 2019, JR-West loaned the station and tracks to a local NPO who conducted a special event to gauge public interest in the site. The event attracted a large crowd to ride a special dolly on the tracks, enjoy noodles sliding down a watery chute on the 116 steps from the train platform, and an evening illumination show. The success led in the city accepting ownership of the Uzui and Kuchiba stations and their railway grounds in June 2019.

The town is currently arranging to develop the facilities into a railway park. We are teaming with JR-West, local citizens, and government agencies to bring in top-level eateries, plan cultural events, and other attractions that will appeal to train enthusiasts and tourists across the country. We expect the park to have a positive impact on the economic activity in our region.



Ryoji Ishibashi
Mayor
Onan Town



The trolley car on the former Uzui Station tracks

Human resources/ motivation

The value we provide

- Develop the capacity to see and respond to diversifying and advancing social needs
- Cultivate human resources that contribute to the continuity and development of the business into the future

Message from the officer responsible

“Growth of human resources” and “growth of the corporation” are linked in positive reciprocity.

Aiming toward growth now and in the future for the JR-West Group, we strive for a virtuous cycle of business growth from fostering human resources, and human resources growth from fostering business growth.

In fiscal 2019, in order to cultivate employees with the initiative to think and act, we defined and pursued targets for achieving the ideals outlined in our Vision for Human Resources Cultivation. Going forward, we will further hone our initiatives by implementing the PDCA approach, while striving to improve management skills for supervisors and managers as we encourage a cycle of human resources growth and business growth.

At the same time, we will promote efforts to build a workplace environment that support the growth of human resources. Our initiatives to boost the efficiency of work processes through ICT, and to create an environment in which diverse human resources can be actively engaged, have translated to a reduction in average overtime hours and a higher ratio of women in positions at the management level or



above. We have announced a Medium-Term Health Management Plan, which promotes preemptively avoiding illness and steadfastly improving daily lifestyles. This is exemplified through our initiatives for health management utilizing data and including employees in a participatory capacity, as well as our target ratio for comprehensive health exams and a higher ratio of employees who exercise.

Going forward, we will keep cultivating human resources able to contribute to the continuity and development of the JR-West Group, as we also provide an environment that makes that possible. In doing so, we will further establish a business foundation that increases employee motivation while we meet the expectations of all of our customers, shareholders, and employees.



Yutaka Nakanishi

Executive Officer, General
Manager of Personnel Department

Initiatives in fiscal 2019

- Set objectives toward achieving the “ideal form” for all employees
- Continue implementing leadership skill development at the management level
- Promote corporate culture reforms while establishing an environment in which diverse human resources can be actively engaged
- Preemptively avoid illness and steadfastly promote improvements in daily lifestyles

Future issues

- Improve skills related to management and human resource cultivation for supervisors
- Establish an environment in which employees with diverse backgrounds can maximally exercise their talents, and provide these employees with opportunities to further their careers
- Preemptively avoid mental and physical health issues for employees

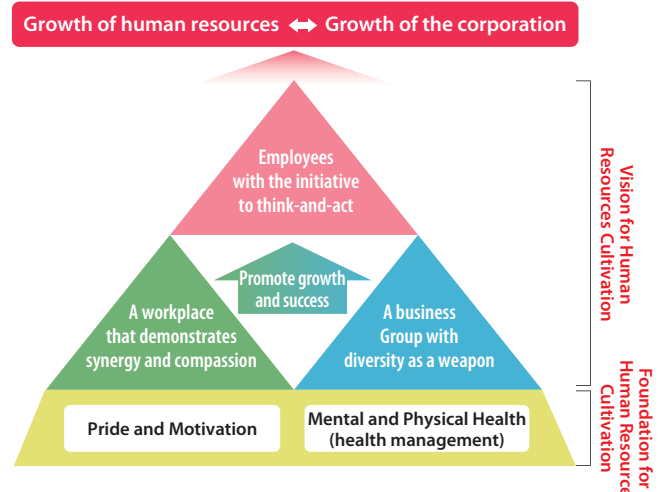
JR-West Group's Vision for Human Resources Cultivation

In the results of our Employee Awareness Survey, which is one indicator measuring the progress of our Vision for Human Resources Cultivation, we saw increases in statistics such as “employees with the initiative to think and act” and “a business Group with diversity as a weapon,” as well as the related indices for “ability to take think-and-act initiative” and “diversity and workstyle reforms.”

However, from the perspectives outlined in our Vision for Human Resources Cultivation and Foundation for Human Resource Cultivation, we did not meet the announced fiscal 2023 objectives, so going forward we will strive to achieve our ideal vision across all branches of the Group.

(Details of the Employee Awareness Survey results are given on p. 88)






■ Ideal vision for human resources cultivation



Vision for Human Resources Cultivation

Target level

Example initiatives

Employees with the initiative to think-and-act	<ul style="list-style-type: none"> Improving safety and services that respond to a changing society by mastering autonomous intelligence and technology. Capturing opportunities for career advancement through personal initiative. 	Example initiative (1) Implementing open-enrollment training (joint training with other companies) 	Example initiative (2) Taking a personal stake in top-priority goals by starting discussions on local workplace policies. 
A workplace that demonstrates synergy and compassion	<ul style="list-style-type: none"> Having mutual compassion that builds relationships of cooperation and reciprocal growth. Maintaining a workplace that supports the growth of each and every employee. 	Example initiative (1) Assessment-based on-the-job training OJT after group training 	Example initiative (2) Holding “Lively Workplace Workshops” and discussing how to improve mental and physical health at one’s local office. 
A business group with diversity as a weapon	<ul style="list-style-type: none"> Allowing diverse employees to be active on the same plane, regardless of their background or affiliation. Providing services that respond to diversifying values. 	Example initiative (1) Establishing the Kamonohashi Day Care Center inside JR-West 	Example initiative (2) Management training for supporting the active engagement of female employees 

Human resources/motivation

Human resource cultivation to maximize the abilities of each employee

Basic approach

As we move toward realizing our ideal vision for cultivating human resources, we are promoting a combination of group-level and individual-level training on a foundation of on-the-job training that encourages the growth of every staff member at each workplace.

Management skill development for supervisors and managers

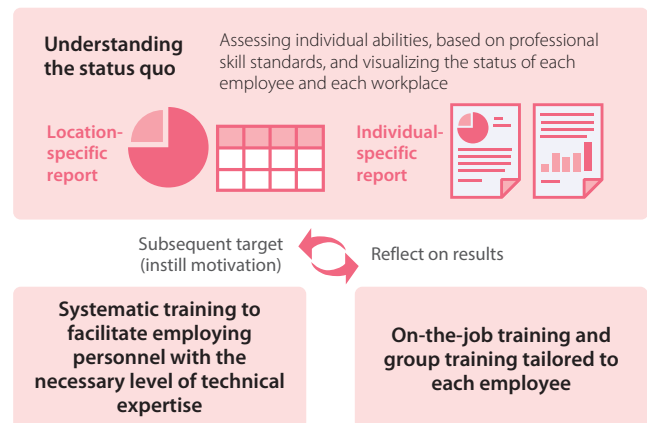
As one element in creating workplaces that encourage the growth of each and every employee, we provide group training on the subject of management before employees are promoted. After this training takes place, participants receive one year of on-the-job and person-to-person training with supervisors in order to ensure on-going skill development. In a survey conducted in fiscal 2019, 80% or more of participating employees and supervisors reported feeling that trainees experienced growth.

Passing on technical expertise

By visually depicting knowledge and technical expertise, we are trying to systematically foster employees who will carry the mantle of the next generation. This visualization, by utilizing

systems and reorganizing indicators for measuring technical expertise, helps reestablish an environment for seeing our progress in passing on technology at each workplace. JR-West is proceeding to build a framework for smoothly transferring to the next generation knowledge and technical expertise that support safety and customer service.

■ Example of utilizing “visualization” of knowledge and technical expertise



Hajime Komori

Unit Manager, Okayama Rolling Stock Unit,
Okayama Branch

I incorporate overcoming weaknesses into my management approach.

Before being promoted to manager, I received Assessment Training to gauge my strengths and weaknesses. Through realistic cases studies and a Leadership Questionnaire,* I was able to see my weak points of being slow to make decisions (due to over-analysis) and being unable to elicit cooperation and support with full agreement from those around me. My current approach to management benefits from knowing ahead of time that I had these weaknesses to overcome. At my current workplace, we have

announced a policy to change workstyles so that employees can enjoy a balance between their professional and personal lives. After receiving the understanding and support of supervisors, we reassessed our practices, including making the beginning and end of the work day earlier. It my hope to be able to visualize the individual challenges of each employee, draw out his or her ambition (through highly transparent evaluations), and translate our efforts into personal growth and a more energetic workplace for everyone.

View from outside the Company

At present, there still are not many companies that have built systems for cultivating human resources by using a worksite PDCA cycle and providing on-the-job training with supervisors after having employees assess their strengths and weaknesses and understand the new abilities they are going to need at important junctures in their careers. JR-West employees have a strong sense of mission and responsibility toward their work, and one of their strengths is their cooperation with peers. At the same time, while JR-West employees resolutely tackle the tasks given to them, there is still room for improvement with regard to confronting the essence of problems head on, identifying their own personal challenges, and proactively solving issues and peripheral conflicts.

I have high hopes for each employee to fully utilize JR-West's framework for cultivating human resources, while taking greater initiative in finding their personal path to growth. In order to do so, I think both supervisors and subordinates will need to transcend systems and groups, actively communicate, and keep following the PDCA cycle.



Masaharu Tanaka

HRD Trainer
Recruit Management
Solutions Co., Ltd.

* Leadership Survey: A survey of the subject's daily leadership skills, etc., with responses from professional colleagues in a variety of positions.

Promoting diversity and workstyle reforms

Promote diversity

In April 2019, we formulated an Action Plan for Empowering Female Employees and Fostering the Next Generation. (See table below)

In terms of the previous action plan, we were able to achieve our targets through initiatives that included establishing programs and fostering a new mindset. The new plan carries on the same initiatives to date, reassesses how we want to design our training, and promotes the participation of male staff in childcare, in order to both retain employees with diverse backgrounds and to aim for a company that lets employees maximally apply their talents.

Workstyle reforms

We have been expanding the number of worksites that utilize a flextime work schedule, promoting telework by simplifying the procedures involved, and encouraging employees to use the internal JR-West chat service. These are part of efforts to establish an environment that allows workstyles that yield results despite time constraints. Over a five-year period, we have reduced average overtime hours by approximately one hour.

Going forward, we will strive for a virtuous cycle that further enlivens the workplace by advancing workstyle reforms—through utilizing ICT and establishing the right business environment—and helping employees enhance both their professional and personal lives.

■ Action plan for empowering female employees and fostering the next generation

Action plan for empowering female employees and fostering the next generation (FY2020–22)	
Objective 1	During the period of the plan, achieve a 25% or higher ratio of female employees among new hires. Additionally, within this ratio, achieve a 40% or higher ratio of female employees who are new graduates hired in the professional field of transportation.
Objective 2	By the end of fiscal 2022, boost the current (end of fiscal 2019) number of female managers and supervisors by a factor of 1.5 or greater.
Objective 3	Establish a work environment conducive to career continuity and growth for diverse employees.
Objective 4	By the end of fiscal 2022, achieve a 15% utilization rate of paternity leave by male employees.

On-going/
progressing

Reference: Action Plan for Empowering Female Employees (FY2016–19)		Result
Objective 1	During the period of the plan, achieve a 25% or higher ratio of female employees among new hires. Additionally, within this ratio, achieve a 40% or higher ratio of female employees who are new graduates hired in the professional field of transportation.	Achieved
Objective 2	By the end of fiscal 2019, boost the current (end of fiscal 2016) number of female managers and supervisors by a factor of 1.5 or greater.	Achieved
Objective 3	Establish a work environment conducive to career continuity and growth for diverse employees.	Established programs and the like.

Utilizing the Shorter Work Week Program and Lowering Mental Stress for My Family



Hirokazu Shiozaki

Train Driver, Osaka Train Driver's Unit, Osaka Branch, Kansai Urban Area Regional Head Office

(Programs utilized)

- Paternity leave: 2 times
- Shorter Work Week: 1 time

When my wife returned to her position as a train driver, I was able to take one month of paternity leave, then work shorter work weeks for three months. It was my first time to use the Shorter Work Week Program and I was somewhat uneasy about whether we would be able to take turns handling work and child care commitments, but my boss quickly offered me advice and I entered the program.

This allowed me to see parts of my child's life that I would not normally see and also helped my family have a fuller home life. Furthermore, by being home during the uneasy period just after our child entered daycare, I think that I was able to spare psychological stress on my wife when she was focusing on her on-site observational training in order to return to work. Also, by taking part in this program, I stoked curiosity from colleagues—more of them showed interest and asked questions like, "What is the Shorter Work Week Program?"

In the future, I hope that my wife and I will be able to cooperate as a couple to fully enjoy both our professional and personal lives.

Utilizing HR Programs and Striving for More Efficient Work

While focusing mainly on design work, up to now I have been involved in projects at Ibaraki Station, Osaka Station, and elsewhere.

In order to equally balance the dreams I want to fulfill through work and the role I want to fulfill at home, I am constantly thinking about my workstyle and testing out different options by taking advantage of the programs and tools the company offers. My busy work schedule means that there are still some days when I do not see my two children while they are awake and it is a bit too early to declare whether or not this has been the right career choice. However, I want to keep utilizing the programs the company provides, actively making suggestions to those around me, further boost work efficiency for all workplaces, and shorten meeting times, which I think is all part of me continuing to following my personal workstyle.



Shiho Ito

Facility Management Staff Umekita Construction Office, Osaka Construction Office

(Programs utilized)

- Paternity leave: 2 times
- Shorter Work Hours: 1 time

Human rights

The value we provide

- We provide products and services that all customers can use comfortably and with peace of mind
- We realize workplace environments that enable employees to feel at ease and work together dynamically

Message from the officer responsible

Incorporating a human rights perspective into everyday work activities

As a business group responsible for social infrastructure centered on railways, the JR-West Group puts safety first and aims to be trusted by customers, communities, and society.



That's why in the JR-West Group Medium-Term Management Plan 2022, we made human rights a priority field in regard to building our management foundation and we are advancing initiatives in this area.

In April 2019, we formulated the JR-West Group Basic Policy on Human Rights to give our efforts a concrete direction. This document clearly states that we respect the human rights of all individuals, including customers, local residents, our business partners, and JR-West Group employees. In addition to implementing human rights risk management, which aims to ensure that discrimination cannot occur at any of our workplaces, we have also been implementing human rights due diligence* in response

to increasingly diverse and complex human rights issues. Through this process, we identify important human rights issues that are shared across the Group and come up with measures for tackling them.

We believe that these initiatives ensure that we can provide products and services that all customers can use comfortably and with peace of mind, as well as creating workplace environments that enable employees to feel at ease and work together dynamically.

Going forward we will continue to incorporate a human rights perspective into everyday work activities in order to realize our vision of "a safe and comfortable society filled with meetings among people and smiles."



Shoji Kurasaka

Director and Senior Managing Executive Officer;
General Manager of General Affairs Department

Initiatives in fiscal 2019

- Formulated the JR-West Group Basic Policy on Human Rights
- Implemented workplace education based on familiar case studies at all workplaces in order to provide employees with required knowledge and awareness
- Implemented human rights risk management aimed at preventing human rights infringements before they can occur

Future issues

- Disseminate the JR-West Group Basic Policy on Human Rights
- Tackle important human rights issues through human rights due diligence

* Human rights due diligence: A process of identifying human rights issues that are shared across the JR-West Group and then implementing PDCA cycles

Formulating the JR-West Group Basic Policy on Human Rights

To present, the JR-West Group has been tackling a wide range of human rights issues. However, changes in social circumstances are driving significant change in human rights awareness and the issues being faced by today's society have grown increasingly diverse and complex, including issues concerning LGBTQ and people from other countries.

We operate businesses that involve many stakeholders, including customers and employees, so it is important that we raise awareness and knowledge of human rights, respect the human rights of all individuals connected to the JR-West Group's

business activities, and apply a diverse range of values when implementing these business activities.

In order to realize this, in April 2019 we formulated and released the JR-West Group Basic Policy on Human Rights* to provide a concrete direction for advancing business activities that are respectful of human rights Groupwide.

* The JR-West Group Basic Policy on Human Rights can be viewed using the following web address:
<https://www.westjr.co.jp/company/action/humanrights/pdf/humanrights.pdf>
 (Japanese only)

Cultivating employees who can connect with a diverse range of customers

The JR-West Group's customer base is becoming increasingly diverse in terms of age, gender, nationality, whether they have a disability, and other aspects. Connecting with this diverse range of customers and creating value that meets their expectations will

result in the growth of corporate value. Therefore, we need to cultivate employees who can leverage diverse backgrounds to connect with a variety of customers.

Implementing "touch, feel, realize" experience-based training

At Sakaishi station, we are collaborating with instructors from the Osaka Minami School for Students with Visual Impairments to implement training in which employees experience what it is like to be a customer with a visual impairment in order to understand their feelings. In addition to station employees, train crew, systems engineers, employees from Group companies, and others also participate in the training in order to create opportunities to consider how each individual can ensure that all customers can use our services safely and comfortably.

Aiming for a situation in which all customers can use services unaided and without stress



Kotaro Higashi
 Assistant Station Official,
 Sakaishi Station
 (now Assistant Station Official,
 Osaka Station)
 Osaka Branch, Kansai Urban
 Area Regional Head Office

around to becoming a guide who delivers a stress-free, comfortable user experience.

My goal is to realize a situation in which consideration for the feelings of a diverse range of customers is not something special, but a natural part of our daily behavior.

Experiencing what it is like to walk along a platform without vision strongly reminds employees of our aim to realize a situation in which all passengers can use our stations and rail services unaided and without stress. From this starting point, we can consider what each individual can do from a wider viewpoint, which broadens the scope of our behavior. After the training, I can feel the change in awareness at workplaces as the way in which employees speak and behave shifts from being an assistant who helps the customer get



View from outside the Company

I helped run this training because I want people to have a deeper understanding of visual impairments and people with visual impairments.

The employees were really passionate and participated in the training with enthusiasm, and I respect their spirit and openness. However, even if you say a person is visually impaired, the extent of their impairment and what they are able to do differs between individuals and I don't think you can sufficiently meet an impaired person's needs by just following a manual.

I feel that the results of this training are steadily being seen in the service employees are providing people with visual impairments, especially station staff. Going forward, I hope that they will properly provide for customers with visual impairments by paying attention to the extent of their impairment and what they are able to do, and catering to their diverse needs, including in situations that do not involve face to face contact, such as making station announcements that are considerate of people with impairments.



Takashi Matsumura
 Principal
 Osaka Prefectural Osakaminami
 School for Students with Visual
 Needs

Global environment

The value we provide

- We reduce the CO₂ emission volume of transportation infrastructure by placing high priority on improving the environmental performance of our railways
- We contribute to a recycling-based society by reducing (saving resources and extending use) reusing, and recycling (the 3Rs) our recyclable waste and products
- We work to minimize the impact of our operations on nature and the ecosystem and coexist in harmony with local communities and nature

Message from the officer responsible



Because we want to see the Earth smile

People around the world are working to find solutions to global problems like climate change, plastic waste, and diminishing biodiversity with the intent to create a sustainable human society. The JR-West Group acknowledges that our business activities affect the global environment, and preserving the earth's environment is accordingly a priority corporate responsibility. The Group is working in concert to create a sustainably developing society.

JR-West's activities to preserve the environment are rooted in our Basic Approach and our Code of Conduct. Another fundamental element in our environmental activities is the "think-and-act" mindset that we seek to instill in our employees to promote creative approaches to environmental preservation.



Our Medium-term Management Plan 2022 outlines specific measures to advance our environmental policies and sets environmental

objectives. Railways are generally much more energy efficient than other ways of transportation, and the JR-West Group is seeking to further reduce the amount of energy our railway facilities consume to make train services an attractive choice for a wider number of people. We will continue to reduce our overall CO₂ emissions and contribute to creating a recycling society while also decreasing our impact on nature and biodiversity to reduce our environmental footprint. We aim to enhance our business sustainability and be a positive contributor to society and a conservator of the environment.

Yasushi Neki

Technical Director
Manager of Technology Development,
Railway Headquarters



Basic Concept

JR-West, working in unison with its Group companies, will endeavor to protect the global environment and contribute to the realization of a society in which sustainable development is possible.

Code of Conduct

1. Aiming to be a corporate group that is friendly to the global environment, we will engage in appropriate and effective resource usage.
2. We will develop technologies and engage in creative innovation to protect the global environment.
3. We will act with a constant awareness of the need to protect the global environment.

Measures to Protect Biodiversity

1. Reduce the impact of our business activities on ecosystems
2. Develop new uses for available vegetation resources

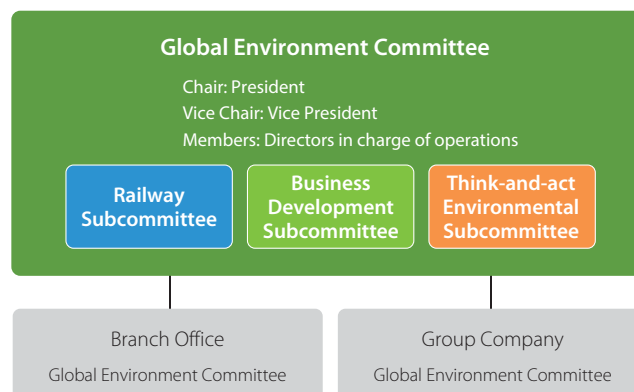


Structure and role of our global environmental protection activities

The Global Environment Committee and three subcommittees

The Global Environment Committee of the JR-West Group sets environmental targets and implements measures to address environmental issues. Chaired by the president and includes directors of various business operations, the committee has three subcommittees promoting environmental action at our branch offices and Group companies.

The Railway Subcommittee covers the railway business division, the Business Development Subcommittee covers the non-railway business division, including hotel, retail, and restaurant operations, and the Think-and-act Environmental Subcommittee promotes employee environmental activities to raise individual awareness.



Environmental targets and performance

Environmental targets

We have set environmental performance targets in line with the five-year Medium-Term Management Plan 2022. We are working to attract more people to using the environmentally friendly railway infrastructure. Although this would increase energy consumption by our railway operations, it would reduce the

Item	FY2023 target	FY2019 actual
Energy consumption intensity (vs. FY2014)	-3%	-4.3%
Percentage of energy-efficient railcars	88%	87.6%
Station and onboard garbage (recyclable) recycling rate	96%	97.9%
Railway material recycling rate (facility construction)	97%	97.7%
Railway material recycling rate (rolling stock)	92%	95.3%
Promote environmentally friendly stations and office facilities		

overall CO₂ emissions of the social transportation infrastructure. To best measure our energy usage under this dynamic, we measure the environmental performance of our business activities using units of "energy consumption intensity." One unit is the amount of energy used to move a train car one kilometer. Tracking these units enables us to gauge our energy efficiency.

Environmental performance

The introduction of energy efficient train cars and other energy-saving measures enabled us to continue lowering the intensity of our energy consumption in FY2019. We also broadened our efforts to recycle the trash collected at our stations and on our train cars as well as our used railway materials.

Environmental footprint of our business operations

The quantitative environmental cost of JR-West's business operations in FY2019 is presented below. More detailed information is available on our corporate website.

INPUT	Electricity	3.05 billion (0.39 billion) kWh
	Fuels (crude oil conversion)	32,334 (23,114) kl
	A4-size copier paper	160 (200) million sheets
	Water (water supply, groundwater, industrial water, recycled treated water) ¹	5.36 (4.01) million cubic meters
OUTPUT	CO ₂ emissions ²	1,723 (236) thousand t-CO ₂
	Industrial waste discharges ³ (items reported to the government as industrial waste)	9,600 (273,000) tons
	Drainage water ⁴	5.17 million cubic meters

Numbers in parentheses represent the volume produced by consolidated subsidiaries and other Group companies (reported separately).

¹ Water and drainage water represent the volumes capable of being technically measured.

² Carbon dioxide emissions are calculated using methods stipulated in the Japanese "Act on Rationalizing Energy Use" and "Act on Promotion of Global Warming Countermeasures"

³ Group company industrial waste discharges include waste produced by JR-related contracted construction

⁴ Drainage water reporting is limited to water flow that is capable of being technically measures, such as water release to rivers and water released to sewage systems.

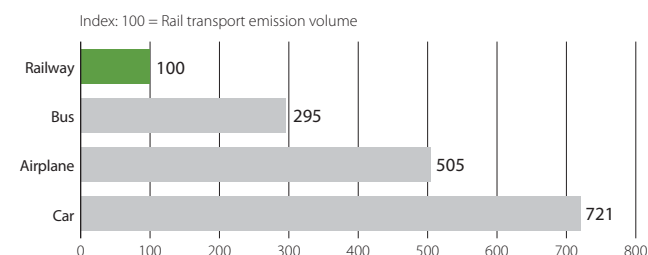
Global environment

Initiatives to prevent global warming (energy-saving)

Environmentally friendly railways

Train transportation is an extremely environmentally friendly form of transport that is exceptionally energy efficient and generates less CO₂ emissions than automobiles or airplanes. JR-West continually seeks to improve the environmental performance of its operations through introducing more energy-efficient rolling stock, train operation methods, and facilities.

CO₂ emissions per unit of "Passenger" transport volume (FY2018)



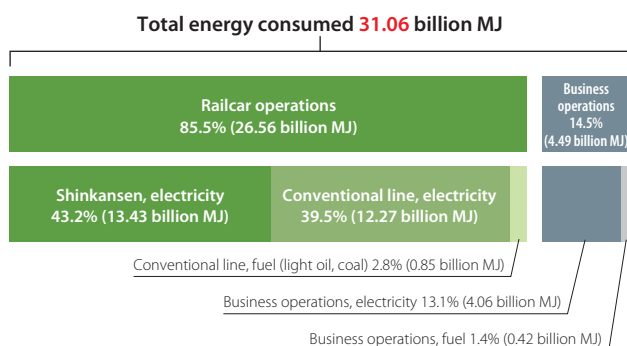
Source: JR-West based on Ministry of Land, Infrastructure and Transport data

Reducing energy consumed in railcar operations

Railcar operations represent 85.5% of the energy consumed by our railway business. Our ongoing efforts to introduce new energy-efficient train cars have raised the percentage of these cars to 87.6% of our overall fleet of trains at the end of fiscal 2019. We are also developing technologies and installing equipment enabling us to use energy more efficiently, such as the power storage facility¹ at Yasu Station on the Biwako Line.

We also promoted energy-conscious railcar operation and balanced our train schedules to better match customer traffic flow. These and other measures enabled us to reduce energy consumed by our train operations in fiscal 2019 to 2.0% lower than in fiscal 2014.

JR-West overall energy consumption (FY2019)



¹ Power storage facility: Energy recovered during regenerative braking by train cars is collected in storage batteries. The energy is then discharged to assist nearby train cars during acceleration.

² JR-West's Zero Energy Stations use completely natural energy sources through combination of solar power and storage batteries to operate customer facilities on sunny days.

Eco stations

Efforts in recent years to make our stations more accessible with barrier-free facilities and safer with automated platform gates have tended to increase the amount of electricity needed to operate the stations. The Eco Station Design Guidelines we have adopted are reversing that trend. The JR Kobe Line's Maya Station, which opened for operation in March 2016, was designed based on these guidelines and operates on roughly half the amount of electricity of other stations of its size.

Higashihamma Station on the San-in Main Line, which will be a stop for the Twilight Express Mizukaze luxury train beginning in November 2019, will be the Company's first Zero Energy Station (ZES)². The ZES will use energy harvested from microbes and environmental vibrations.

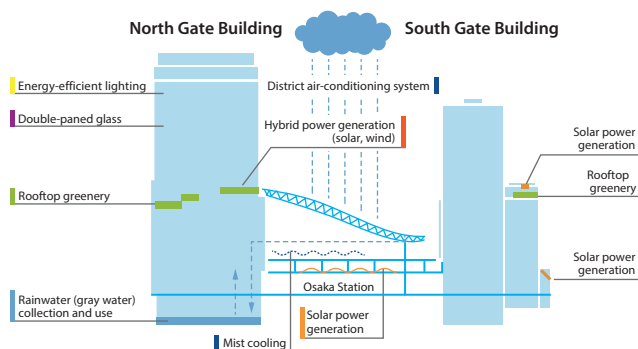


Higashihamma Station is a ZES pilot station

JR-West Group environmental activities

The Company's Osaka Station City, operated by the Group's Osaka Terminal Building Company, was designed to combine environmental aspects with overall ease of use. The station uses solar, wind, and other renewable energies while also reducing energy consumption by incorporating natural sunlight through a domed roof over the train platforms.

JR West Real Estate & Development Company is combining its environmental principles with its vision for smart communities. The company is developing apartments and other properties using the latest technologies for energy efficiency, production, and storage. The environmental performance of these properties is contributing to realizing a sustainable society.



Partnership leads to substantial energy savings

—The Kyoto Station Building HVAC System Retrofit—

(Front row, left to right) Yoshiyuki Takaura of the Kyoto Station Building Development Co., Ltd., Masayuki Mizutani of JR West Japan General Building Service Co., Ltd., Makoto Nakaya of the West Japan Railway Techsia Co., Ltd., and Yu Okumura of Nishinihon Electric System Co., Ltd. (Back row, left to right) Naoki Kariatsumari of Nishinihon Electric System Co., Ltd., Masaru Inoue and Tatsuhiko Nishimura of West Japan Railway Techsia Co., Ltd.



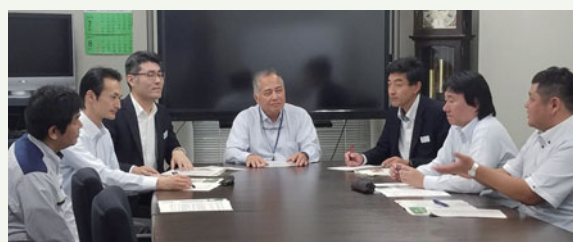
1. The challenges for the Kyoto Station Building

The Kyoto Station Building is a 24-hour operation housing the train station, a hotel, department store, theater, and other commercial operations. The building consumes the most electricity and produces the most CO₂ emissions of any single structure in Kyoto, which prides itself on being a model environmental city. Global warming made the building's "major environmental impact" a critical issue that needed to be addressed. In addition, the maintenance of the building needed to change for it to be a part of a sustainable society and to fulfill the vision for the building continuing to flourish in 100 years.



3. Project participants from inside and outside the Group

We created a project team from the building owners, a commissioning administration team, an architectural firm, and a construction company from both inside and outside the Group to generate innovative ideas for refurbishment. We had a very ambitious goal of incorporating highly efficient energy-saving facilities and, although there was some apprehension by Group members that participated in the project, the team was able to look beyond conventional approaches to try new ideas to achieve the goal.

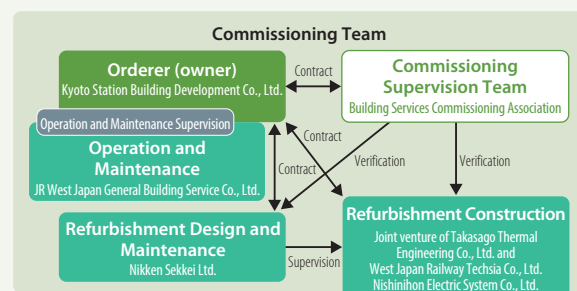


2. New approaches and building commissioning³

The Kyoto Station Building's heating system consumed such a huge amount of energy that just replacing the older equipment would not reduce its environmental impact. The system needed a radical upgrade plan.

We took this as an opportunity for a complete system overhaul. We began by defining what we needed to improve the building's quality so it will last a long time and delved deeper and deeper to examine the core issues to find out what exactly we needed to do. When we finally had clear and specific targets, we shared them with our stakeholders and decided to implement building commissioning to monitor the processes with continuous verification and analysis.

■ Structuring of the building commissioning

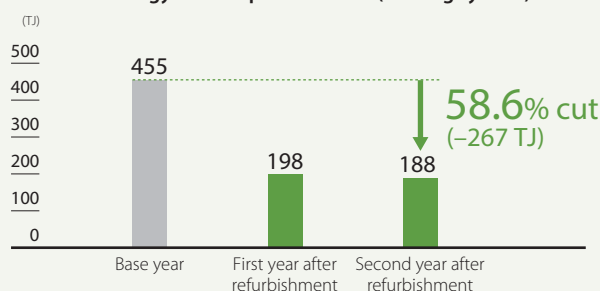


4. Massive energy savings

Without disrupting operations in the building complex, the team radically overhauled the outdated facilities and cut the building's overall annual energy consumption by roughly 30%. Energy consumption of the heating system, which was the main target, was reduced by roughly 60%.

Our achievement has been recognized as also being applicable to other buildings and has received widespread acclaim, even receiving the 2018 Minister's Prize of Economic, Trade and Industry for Energy Conservation Grand Prize. We believe the achievement reducing the energy consumption of the JR West Kyoto Station Building will enable wider contributions to efforts to mitigate global warming.

■ Annual energy consumption volume (heating system)



³ Commissioning is a process of analyzing the operating performance of an existing building, having specialists propose necessary refurbishment and adjustments for better operating performance and to optimize the system, and then installing the new equipment while verifying the performance improvement.

Contributing to a recycling oriented society (resource preservation)

Applying the 3Rs

JR-West Group applies the 3Rs of reduce, reuse, and recycle. Examples include reducing the items we use in the maintenance of our rolling stock, facilities, and electrical equipment; reusing runoff water when washing train cars; and recycling plastic and glass bottles, cans, and newspapers recovered at our stations and left in our train cars.



A station trash bin separated for four types of recycling materials

A concerted recycling effort with our customers and tenants

The Osaka Station City (OSC) encompasses Osaka Station, which is used by some 870,000 travelers in a single day, as well as a hotel, department stores, restaurants, shops, and other commercial operations. On an average day, these produce some 20 tons of garbage. Osaka Station provides customers with four types of waste receptacles for plastic bottles, cans and glass bottles, newspapers and magazines, and other waste. OSC tenants divide their waste into 20 different categories. The company tracks the waste generated by tenant and category to promote efforts to reduce the production of waste and to increase recycling rates.



(Left to right)
Kento Uehara, Environmental & Logistics Group, Operation Unit at Osaka Terminal Building Company; Takashi Hayashi of Akioka Environmental Improvement Inc.; and Junji Uekubo, Umeda Branch OSC Operations Leader, and Takeshi Koyama, Umeda Branch Deputy Branch Manager of JR West Japan MARUNIX Co., Ltd.

hold regular waste management meetings where we provide feedback to each tenant about the volume of waste produced, how well the trash is being separated, and examples to follow. The Osaka Terminal Building Company, which operates OSC, and the site's waste management firms JR West Japan Marunix and Akioka Environmental Improvement encourage the waste separation efforts by the employees of the OSC tenants.

Waste separation helping to increase recycling

Waste separation is key to recycling, and the roughly 10,000 people working at OSC are all doing their part. The high numbers of store employees and visitors in the commercial operations make it particularly important to actively encourage trash separation. To promote trash separation by all tenants, we

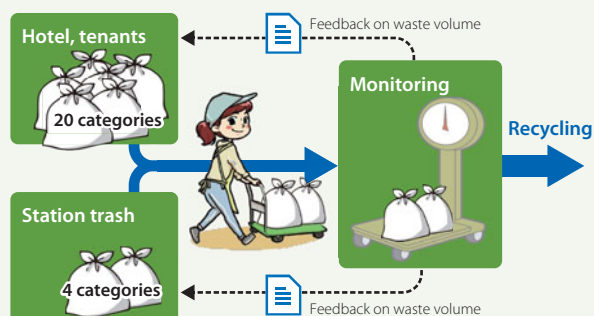
Encouraging kids to separate trash too

OSC holds a special Kids Week twice each year, during which children are invited to see some of the behind-the-scenes operations in the OSC "backyard", including how much trash is collected in a single day. We also talk to the kids about environmental issues and show ways that waste is being reused, such as using waste oil to make soap and recycling paper to make toilet paper.



Children visiting the OSC backyard

The recycling flow at Osaka Station City



Diligently recycling for a better society

With the help of the people using Osaka Station and all the workers at OSC, we at the JR-West Group will continue to diligently carry out recycling efforts. We are proud that the Osaka Station is leading our contribution to creating a sustainable society and will continue seeking to further raise the percentage of recycled waste at our largest train terminal.

Our Starting Point		Strategy of Value Creation for Our Vision			A Foundation Supporting Value Creation		Data
Safety	Customer satisfaction	Coexistence with communities	Human resources/ motivation	Human rights	Global environment	Risk management	

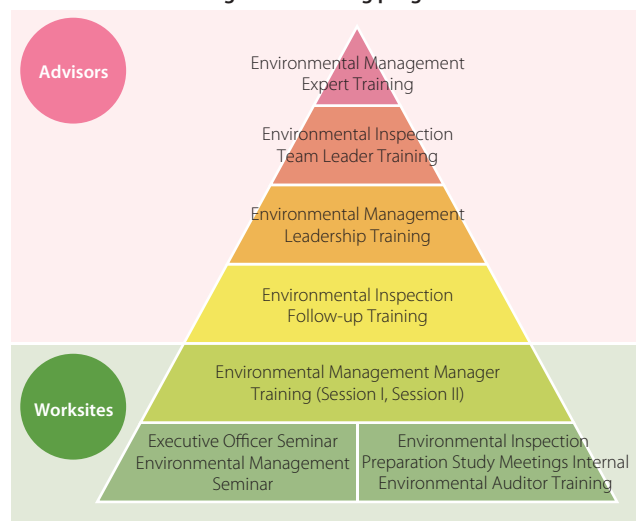
Our environment management system¹

Complying with laws² and Avoiding environmental contamination risk

Train operations are very eco-friendly compared to other forms of transportation, but our business operations can impact the environment if we do not properly handle the waste that it produces, such as the waste oil and chemical substances. We created our own environmental management system (EMS)³ based on the ISO 14001 standards⁴ which is in effect at all of the business sites of the railway division to ensure we comply with laws and avoid risk of environmental contamination.

We support these efforts with training programs for employees to become environmental managers at the worksites and an environmental management leadership training program to become a qualified internal environmental inspector. We also conduct annual environmental inspections to ensure the EMS system is functioning effectively.

Environmental management training programs



Concerted Group effort to avoid environmental pollution risk

The Mihara Shinkansen railway maintenance unit publishes a detailed disclosure of its environmental pollution from the Shinkansen train operation. The district and Group companies use these reports to help avoid risk of environmental pollution and as motivation for employees to each do their part on a daily basis. The Environmental Management Committee meets monthly examine and implement risk avoidance measures at the worksites based on the reports. Daily efforts to remind employees of the measures before they start work each day are having a demonstrable positive impact.

The Company recognizes worksites like the Mihara Shinkansen district with an award for exceptional environmental management, and we are aiming to continue improving our EMS activities throughout the Group.



The Environmental Management Committee of the Mihara Shinkansen Railway Maintenance Unit

- 1 An environmental management system (EMS) is a system and measures to fulfill environmental policies and meet targets intended to conserve the environment.
- 2 Complying with laws represents compliance with the standards and policies set by Japan Accreditation Board, a Japanese public interest incorporated foundation providing ISO and other accreditation related to environmental conservation.
- 3 The JR-West EMS was created based on ISO 14001:2004. The Company began implementing its EMS system to its railway operation sites in fiscal 2001, and the system is currently in effect at 223 sites (as of March 31, 2019).
- 4 ISO 14001 is an international standard for EMS.

Coexisting in harmony with communities and nature

The JR-West Group's business activities benefit in many ways from nature; at the same time, and we recognize that our operations do impact the natural environment. We therefore work with local communities to help preserve biodiversity with the aim of limiting the impact we have on various ecosystems.

The nature in our railway belts is home to protected species and rare fauna and flora, and we conduct our daily operations to protect these species. We have created a field guide to these species for use in project preliminary surveys and have detailed biodiversity preservation procedures to follow when any of the species are discovered.

The Kisuki Railway Department participated in one of the more unique environment protection measures when it joined an

organization of people living along the train line and various local groups dedicated to revitalizing the land and railway assets along the railway. We have joined the organization's efforts to beautify Sakuraoorochi Lake, the Akagawa Firefly Park, and to preserve local terraced rice fields.



Joining local citizens to beautify the Sakuraoorochi Lake area



Inspecting for rare fauna and flora prior to a project

Risk management

The value we provide

- Prevention of damage to the company (actual damage, damage to credit, etc.) through the construction of systems for normal (non-emergency) conditions
- Minimization of damage through the enactment of appropriate organizational response in emergencies

Message from the officer responsible

Bringing smiles to stakeholders through management and reduction of risk

The intensification of natural disasters, the rise in terrorism and cyberattack risks, technological



innovation, working style reform, the globalization of business – in these and many other ways, the environment around us is changing rapidly and risks are diversifying.

In addition, successive corporate scandals in recent years have led to strong calls for fairness and transparency in corporate activities.

We hope to take on these environmental changes, understand the demands of society, identify surrounding risks, and work to manage and reduce these, so that we can provide customers and communities with a sense of security and confidence, provide our shareholders with continuous shareholder value. We also hope to connect these activities to a feeling of pride in work and in the company among our colleagues.

In the first year of Medium-Term Management Plan 2022, we raised the level of risk management in Group companies to firmly instill risk management in company management across the Group, and undertook topics including emergency first-response

training, education and training for information security from the perspective of organizational management, and prevention of improprieties. While we worked toward the improvement of risk sensitivity through edification and toward risk reduction through the development of relevant mechanisms, there remain many issues to address.

Looking ahead, we'll tackle individual themes including readiness for major earthquakes and other disasters, measures against terrorism, prevention of corporate improprieties, protection of personal information, and improvement of information security level, while using PDCA to enhance the efficacy of risk management in the Group as a whole. Through the accumulation of these, we'll achieve the creation of a management base that will let us keep on providing smiles to all of our stakeholders.

Soichiro Itai

General Manager of Corporate Ethics & Risk Management Department



Initiatives in fiscal 2019

- Preparations for heightened security systems united across the Group in anticipation of the G20 Summit and other large-scale events
- Setting of direction by top management for organizational management initiatives
- Promotion of a risk management system focused on commitment by upper management in Group companies
- Strengthening of initiatives targeting JRW-CSIRT* Group companies

Future issues

- Execution of heightened security when hosting large-scale events in the future
- Consideration by the organization of specific prevention measures for risks envisioned in our Group companies
- Ongoing improvement of risk management systems matched to conditions in Group companies
- Improvement of information security level for the Group overall

* CSIRT: An abbreviation of Computer Security Incident Response Team, a general term for organizations that deal with incidents involving computer security.

Crisis countermeasures

Providing customers with reassurance through heightened security as a unified group during the G20 Osaka Summit

To prevent incidents of terrorism and ensure the safety of customers, our Group companies implemented heightened security in conjunction with railway facilities and commercial facilities operated by the Group.

We conducted advance education and training for employees, not only to improve practical capabilities but also to enable each employee to engage in heightened security with a high sensitivity toward terrorism, thereby achieving safety for customers. I think that undertaking advance guidance for customers and requests for their cooperation together with other railway operators smoothly facilitated understanding and cooperation regarding the heightened security.

Drawing on the experience gained from this, we will investigate even more effective methods as the Tokyo Olympic and Paralympic Games and Expo 2025 approach.

To achieve our paramount aim of preventing terrorism and securing the safety of customers, we took measures including placing a maximum level of staff on patrols within stations, blocking off waste bins and coin lockers, and placing security staff in trains, with a focus on conventional lines in the Kansai Urban Area and on the Sanyo and Hokuriku Shinkansen lines.

We also cooperated with 11 Kansai area railway operator companies and bureaus to jointly produce posters informing customers about the waste bins and coin lockers, providing a greater sense of security to customers through this unity among the railway operators.



Notices of blocked-off waste bins and coin lockers, in Japanese, English, Chinese, and Korean

We worked to prevent acts of terrorism through “visible security”



Hiroshi Imazu

General Manager, Security Division
JR West Japan General Building Service Co., Ltd.

As locations where large numbers of people gather, railway facilities present a risk as targets for terrorism attacks. We worked to prevent such acts through “visible security,” centered on vigilance by security guards. To carry out heightened security effectively with limited staff, we drafted a detailed security plan and enforced actions such as response to discoveries of suspicious persons or items. Specifically, we reinforced the security staff presence in

trains, enacted a 24-hour patrol structure within station facilities, strengthened patrols of facilities along train lines, and carried out training for employees by Shinkansen on-board security staff under our personnel in charge of instruction and education.

With even greater security demanded for major events including the Tokyo Olympic and Paralympic Games and Expo 2025, we hope to lead crisis management and heightened security as security professionals and as the point organization for safety and security in the JR-West Group as a whole.

We fostered Group-wide unity to achieve heightened security on an unprecedented scale



Kaoru Izumi

Section Manager, Safety Guidance and Standards Section
Shinkansen Transport Safety Department,
Shinkansen Operations Division

We had no experience with an event of this scale, and began investigations with no idea of how to best accommodate it. Paying attention to the balance between railway operation and an effective heightened security structure, we held repeated close discussions with related sections. This time in particular, we urged the advance sharing of information so that the extensive range of Shinkansen-related personnel could act

with understanding of the importance of security, while personally sensing the possibility of incidents occurring in their own workplaces. We also worked to increase response capabilities through training in collaboration with local police, fire stations, and railway operators.

Through the initiatives, each party concerned was able to learn anew the necessity of maintaining safety whatever the circumstances of society, along with the importance of acting with safety first.

Risk management

Compliance

In September 2009, in the process of the investigation into the Fukuchiyama Line accident by the (then-existing) Aircraft and Railway Accidents Investigation Commission, a severe compliance issue came to light involving efforts by persons including executives of our company to leak information to members of the commission.

The reason that this incident deepened into a significant societal issue was that, according to a third-party report, "JR West had little understanding of the magnitude of the trust and the significance of the confidence placed in the company by society, and the weight of the accompanying responsibility."

In light of this, we deeply regret the fact that our attitude of addressing customers, communities, and society with sincerity as a company has not fully penetrated and that we have tended to let our own internal logic take precedence. We recognize further that our corporate culture holds poor openness and defects in unity, which are evident in excessive command hierarchies and vertical divisions, and in a lack of free and open communication.

Each one of our employees humbly accepts that our company exists under a mandate of confidence earned from society. By striving to improve our corporate ethics, each of us aims to create a company that is trusted by communities and society, and is working to meet those expectations.

Sharing "Three Values" within the Group to prevent corporate improprieties

Under the recognition that we must never commit dishonesty or improprieties that would lead to the loss of trust by society overall, we issued a top-level commitment from our president to the Group overall, putting forth "Three Values" that we share across the Group to prevent improprieties.

1 We will not allow dishonesty or improprieties that directly lead to the loss of trust by stakeholders

This is a fundamental value by which we remain constantly conscious of not allowing dishonesty or improprieties, in the sense not only of preserving the trust placed in us by many people but also in that of not harming the motivation and pride of our colleagues in the workplace.



2 Honest failure to meet targets holds greater value than achieving targets through dishonesty

This is a foundational value, rebuilt atop the unsteady realization that the temptation to act dishonestly may cross our minds as we seek to tackle difficulties. Above all, we have resolved that we will never aim to achieve targets through dishonesty.



3 We will speak up about incongruities in the workplace, never pretending to not notice

It is important to create a climate in which every person can talk to colleagues, consult with superiors, and take action when noticing something unusual in work, rather than pretending to not notice. We will treasure this as a value for sensing and handling dishonest actions and improprieties at an early stage.



Enhancing two-way communication

Conducted reviews of their respective companies, our company's executives and Group company presidents reaffirmed that a climate with the potential to hinder the early sensing of improprieties remains deeply rooted. This was seen in comments such as "individuals' observations are not easily communicated within the company as information (difficulty in speaking up, difficulty in consultation)," and "human relationships have become diluted; pretending to not notice things and a disinterest in matters outside of one's own work are spreading."

It is important that, as a component of management, superiors demonstrate a stance of listening attentively to subordinate employees, and that those employees speak up to management. Through training and opportunities for reviewing employees' own actions, we will call on everyone, whether a superior or subordinate, to personally take action, and will strive to enhance two-way communication.

“Think-and-act” for taking a step forward, born from an understanding of the visions for employees’ own workplaces

To address the dilution of communication brought about by an increase in less experienced employees and changes in working styles with the launch of the Hokuriku Shinkansen, the Kanazawa Branch believes as an organization that it is vital to back up every employee and support “think-and-act” for taking a step ahead, as well as offer assistance for employees’ growth. We further believe that this will lead to an improvement in the compliance awareness of every individual.

Acting as a forerunner, Kanazawa Station is undertaking initiatives that provide opportunities for employees to discuss roles in their own workplaces, as well as their mission, roles, and standpoints with respect to customers and other workplaces, while considering anew the “think-and-act” by each individual that will achieve their workplaces’ visions. This leads to workplaces with greater synergies and unity, where knowledge and improvements can be seen.

We’re creating a lively workplace through dialogue

Acting on the resolution by managers to act as a unified pillar in boosting motivation, Kanazawa Station set several opportunities for all managers to consider the mission and the role of the station, as well as their own “think-and-act.”



Takanobu Korekawa
Deputy Section Manager
Planning Section, Kanazawa Branch

At first, participants took workplace issues to be the fault of others, and mutual understanding appeared difficult. Through continued dialogue, however, participants gradually came to see that all shared the same target vision, and the dialogs became pleasant venues for discussions of each person’s next steps. These dialogs have since expanded to regular employees. With everyone sharing their visions for their workplaces and following up through “think-and-act,” interactions among responsible parties are increasing, leading to mutual follow-up actions and spontaneous proposals and actions. Even a single bulletin board hanging in the station office, with its concentration of



Initiatives at Kanazawa Station

knowledge and ideas for improvement, conveys a passion for work.

Looking ahead, we will continue developing opportunities for dialogue, so that we can create more lively workplaces where each employee feels personal responsibility for problems and does whatever each can.

Information security

Steady improvements in information security awareness and crisis response capabilities in Group companies

Fostering information security awareness

Through JR-West Group CSIRT* (JRW-CSIRT), an organization for the purpose of preventing security incidents and preventing the spread of damage in the event of occurrence, we are working to foster information security awareness within the JR-West Group. In fiscal 2019, we expanded the target of our training regarding targeted email attacks to encompass Group companies, and also implemented voluntary inspections of companies’ internal IT environments, in preparation for the risk of cyberattacks timed to large-scale events. We also convened a Group Company Information Security Liaison Group meeting aimed at top management in Group companies, and confirmed the promotion of initiatives aimed at improving information security in line with internal and external trends.

* CSIRT: An abbreviation for Computer Security Incident Response Team.

Improvement of crisis response capabilities

In addition to implementing group training and incident response training for JRW-CSIRT, we participate in training for major infrastructure in cooperation with government bodies, with the goal of improving our crisis response capabilities. By deepening the activities of JRW-CSIRT, we will push ahead in improving the information security level of the JR-West Group overall.



Group Company Information Security Liaison Group

Corporate governance

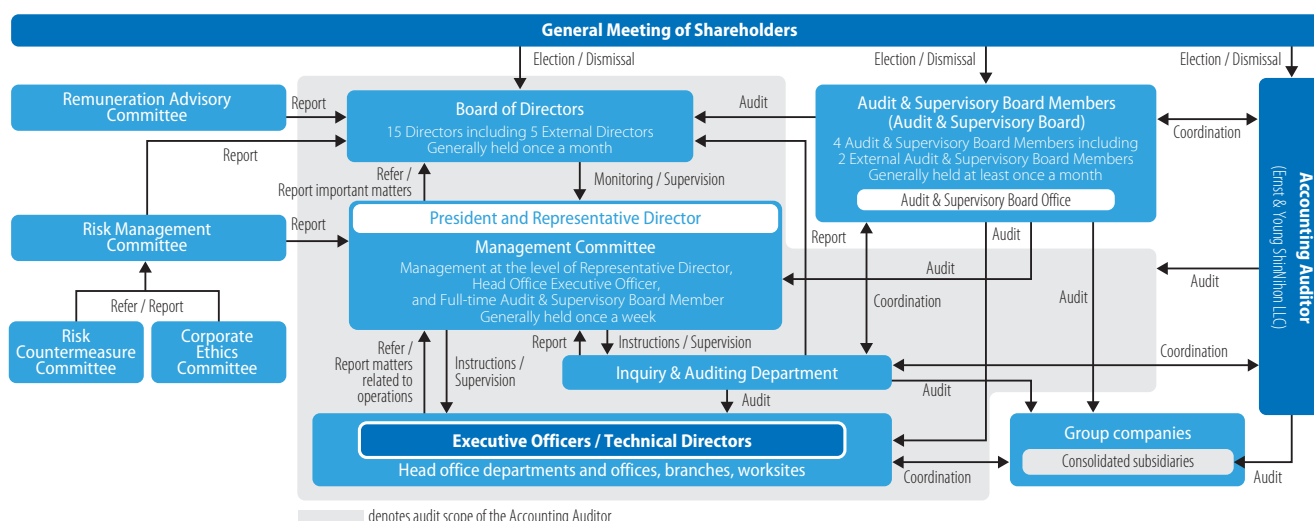
Overview of the corporate governance system

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*	Professor, Faculty of Regional Development Studies, Otemon Gakuin University
Director	Yuzo Murayama*	Professor, Doshisha Business School
Director	Norihiko Saito*	Special Counsel, KINDEN CORPORATION
Director	Hideo Miyahara*	Visiting Professor, Graduate School of Information Science and Technology, Osaka University
Director	Hikaru Takagi*	Professor, Graduate School of Law, Kyoto University
President, Representative Director and Executive Officer	Tatsuo Kijima	
Vice President, Representative Director, and Executive Officer	Fumito Ogata	Senior General Manager of Railway Operations Headquarters
Vice President, Representative Director, and Executive Officer	Kazuaki Hasegawa	Senior General Manager of Business Development Headquarters

Vice President, Representative Director, and Executive Officer	Yoshihisa Hirano	Senior General Manager of Shinkansen Operations Division, Railway Operations Headquarters
Director and Senior Managing Executive Officer	Shoji Kurasaka	General Manager of General Affairs Department
Director and Senior Executive Officer	Keijiro 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 2 Paragraph 16 of the Companies Act

Full-Time Auditor	Makoto Shibata	
Full-Time Auditor	Naoki Nishikawa	

Auditor	Yasumi Katsuki**	Certified Public Accountant, Katsuki Office
Auditor	Yoshinobu Tsutsui**	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

Corporate governance special three-way discussion

The role of the Board of Directors in achieving sustainable growth and enhancing corporate value

JR-West Group has appointed several external directors (external directors and external auditors) to enhance and strengthen the monitoring and supervisory functions of the Board of Directors.

In this round-table discussion, external directors Yumiko Sato and Yuzo Murayama exchanged views with Shoji Kurasaka, Director and Senior Managing Executive Officer; General Manager of General Affairs Department, about various topics including strengthening governance and the conditions required for the Group's further growth.



Shoji Kurasaka

Director and Senior Managing Executive Officer;
General Manager of General Affairs Department

Yumiko Sato

External Director

Yuzo Murayama

External Director

External director profile

Yumiko Sato

Professor, Faculty of Regional Development Studies, Ottemon Gakuin University. Member of the Board of Governors, Japan Broadcasting Corporation. After joining Suntory Co., Ltd., she became General Manager, Research Institute on Continuity and Change in Life, and General Manager, Next Generation Institute, following which she was Senior Research Fellow, Suntory Foundation. She assumed her present post in 2013. Became an External Director of the Company in 2010.

Yuzo Murayama

Professor, Doshisha University Graduate School of Business. Member of "Safety & Security" Expert Council for the Strengthening & Promotion of an Innovation Strategy, Cabinet Office. Assumed his present post in 2004 following positions including Deputy Chief Research Fellow, Economic Investigation Division, Nomura Research Institute, Ltd., and Assistant Professor, Osaka University of Foreign Studies. Became an External Director of the Company in 2010.

Becoming a company that provides value to a wide range of stakeholders

Kurasaka I believe our external directors play an indispensable role in the JR-West Group, and are arguably the cornerstone of governance. First of all, could you talk about your first impressions when assuming the post of external director?

Sato When I first came to JR-West about nine years ago, it was only responsible for transportation services in the

public sector, and I had the impression that it was a really serious company. I recall feeling how strong the vertical hierarchy was, with a clear chain of command, partly because at Suntory, where I previously worked, the corporate culture emphasized doing things freely, at your own responsibility.

Murayama Like Sato-san, I came here about nine years ago, and I certainly had the impression that the company was a bit rigid compared with a typical private sector firm, and

lacking in flexibility. Although in some respects that's probably inevitable for a company that has a strong public sector slant in its business.

Kurasaka After the Fukuchiyama Line derailment, we drew up a new Corporate Philosophy and revised our Safety Charter, and we have also made continuous efforts in activities aimed at ensuring safety, as well as customer satisfaction. What are your views about the Group's *raison d'être* and the value we should be providing?

Murayama I think the Group's value creation is encapsulated in the words "a railway company that coexists with local communities," as set out in the JR-West Group Medium-Term Management Plan 2022, which defines our ideals for the future. In order to provide value to various stakeholders, I think it's important to grow our business with consideration for the future of local communities, underpinned by "safety and security," which is at the heart of the transportation operations.

Sato As the market for the transportation business shrinks due to the declining birth rate and aging society, I think the perspective of "growth as a private sector company" is also important. Without that, it would probably also be difficult to fulfill our fundamental mission as a provider of public transportation. By further developing our non-railway business, which is a current area of focus, we can also safeguard our public sector mission. I think the balance of that is important.

Kurasaka Earnings from the non-railway business have grown to make up about one third of the total, so our business is still focused on railways. I'd like JR-West to grow while maintaining a balance between the railway and non-railway business, as you pointed out, with "safety and security" at the foundation.

Murayama There are probably still only a small number of people who talk about JR-West as "a railway company that coexists with local communities." In that sense, we're only half-way there. Although we are making steady efforts at developing activities that make local communities happy, focused on the Western Japan area, our image as "a railway company that coexists with local communities" will not become established in society unless we look to revitalize regional areas a bit more creatively. In some respects we're not doing the most we can in this area, despite the huge potential.

Sato Since becoming an external director, I've also realized how the Company has been engaged in various initiatives, such as tourism development in collaboration with local communities and travel providers, but this isn't very well known. I'd like this to be promoted a bit more.

The importance of pursuing customer satisfaction from a broad perspective

Kurasaka As well as your deliberations on the Board, you are also both actively engaged in activities such as site inspections and exchanging views with our employees.



Could you tell me about the impressions you've gained through those activities?

Sato I'm very grateful to have had many opportunities to visit the sites of operation in different areas and hear direct feedback. I also have the chance to attend to various events, including presentations on customer satisfaction. Previously, there were many presentations about the initiatives being carried out at a particular site, and I sometimes felt that a lot more could be done from a Groupwide perspective, but recently this has changed considerably. There has been an increase in large-scale customer satisfaction initiatives at the companywide level, including Head Office, rather than just at particular sites. I've particularly felt that the scope of what can be done is widening among our younger employees, and that they're doing their very best.

Kurasaka I've also seen various operational sites, and I have a keen sense of how the desire to do good for the community—not just for your own railway station or the Company—has increased little by little.

Sato There are also many more instances of women thriving in the workforce. It really encourages me to hear people saying that their perspectives have widened after experiencing various worksites.

Murayama We have many dedicated staff members who perform the work assigned to them carefully and thoroughly. However, one issue is how to respond flexibly when something out of the ordinary occurs. If we are going to improve customer satisfaction, we need to hone other soft skills, such as communication skills. As well as performing our assigned work assiduously, I think we should broaden the scope of our activities, such as by approaching customers voluntarily to build relationships, and this should also raise our visibility.

Sato Recently, I think it's very positive to see how efforts being made at the local level are often seamlessly supported by staff from Head Office too, and in that respect it's important to have the sensitivity to perceive the hard efforts being made by the local sites. I'd like Head Office to fully digest the objectives and efforts of the local sites, and work to resolve issues together, rather than the local site simply doing the best it can by itself.

Corporate governance special three-way discussion



Kurasaka The local sites, branches and Head Office each have their own role, but as you rightly say, it's important to further deepen our mutual cooperation. Ultimately, reducing the difficulties experienced at the local level enhances the value provided to the customer.

Wide-ranging opinions stimulate Board discussions

Kurasaka Our Board of Directors includes external directors from various backgrounds. This is also true of you both: Sato-san has researched issues such as life, culture, and generational changes in lifestyle at a Research Institute and Foundation at Suntory, as well as university. And Murayama-san has experience of consulting on economics and business trends at Nomura Research Institute, and has conducted research at university on areas such as CSR-related issues and business strategy amid changing international relations. How do you approach your work on JR-West's Board of Directors, based on that experience?

Murayama Actually, in a sense I think I'm a different type of Board member to the others (laughs). I don't have experience of being a director in a large corporation, so I'm a slightly different shade to the rest. In part because of that, when I first attended a Board meeting, I found it a bit difficult to get used to the very formal atmosphere. I felt that the discussion could be a bit freer. A discussion doesn't liven up without constructive two-way debate. So I endeavored to speak up whenever I felt some doubts about something, even if only minor.

Sato In that sense, both Murayama-san and myself are "different types" (laughs). Actually, I think it's valuable for people like us to speak out from a slightly different perspective and change the atmosphere of the meeting.

Murayama I especially try to represent the external perspective and the shareholder's perspective at meetings. I might say that something feels a bit incongruous from an external perspective, or that this is how a shareholder would view something.

Sato I think it's important to see things from the perspective of the employees performing the work, as well as the user's sensibility. I always keep two things in mind: are the employees convinced, and how does it feel from the user's standpoint?

Kurasaka From what you've explained, I can see how you both speak at meetings with an awareness of the perspective of the Company's stakeholders. In the light of that, what do you particularly value during Board discussions?

Sato What I value is to "think from the local viewpoint." Specifically, whether there is a gap between management and what the staff members are thinking and feeling in performing their work. I'd like there to be discussions from the perspective of building a company in which anyone can work with ease, and of course that applies to the active participation of women as well. And also, I try to speak with a sense of what the users of the railways and facilities themselves feel. Additionally, coming from outside the company, sometimes it's difficult for us to grasp the background to policies that are tabled for discussion, and how they were drawn up. So for example, I'd like there to be greater discussion about the overarching direction, such as how those measures are positioned within the Group's overall strategy.

Murayama Yes, because it's difficult to make the correct judgment if you don't understand what kind of background a project emerged from and how it's positioned within the overall strategy. It's not just a question of, "We'll invest this amount in this project." However, as we'd already highlighted this issue several times in the past, there has been considerable improvement.

The Board of Directors as a place to convey one's own thoughts and passions

Kurasaka I think that active discussion by the Board of Directors is a prerequisite to enhancing corporate governance and corporate value, and so I wonder what your assessment is of current Board discussions?

Murayama Discussion is much livelier than it was nine years ago. The atmosphere is brighter too, and there are more opportunities for everyone to say what they really feel in a relaxed way. In conjunction with that, the content of discussions has also deepened, and overall I think it's moving in a very positive direction.

Sato As well as we external directors, the internal directors also speak out a lot more, don't they? There's no



longer any feeling that only certain people are speaking while the rest listen quietly, and opinions are stated from various angles. However, ideally, I'd like the internal members to express their thoughts and passions about their work to a greater extent. Such as why they want to implement a particular measure, and what they want to achieve through that. I think the Board is also a place for sharing those thoughts and that energy.

Kurasaka On one occasion, an issue I was involved with was approved after receiving multiple opinions, and it wasn't just about getting it approved—it was also approached on the basis of whether it should really be done.

However, what do you think about the level of information support you receive, such as presentations and materials ahead of Board meetings, and visits to the various divisions?

Murayama I think it's done really well. The appropriate materials are provided, and we are given good access to site operations, so when a related issue arises, we have a good feel for it. It's a completely different matter to talk about something with a real feel for the actual site of operation, rather than just a desk-based understanding.

Sato Yes, it's often difficult to understand something without seeing the actual site. Just the other day, I visited a railway control center, and I really understood how everyone worked together as a “community” and also the feeling of distance. Recently, I accompanied some auditors on a visiting audit, and I was able to share an awareness of the issues with the auditors, which was very meaningful for me.

Aiming for further growth while sharing values throughout the Group

Kurasaka In terms of strengthening governance, another important issue is to enhance transparency in relation to matters such as the personnel and remuneration policy for directors. We've established a Remuneration Advisory Committee chaired by an external director, and personnel matters for directors are debated at a Personnel Committee composed of internal directors, and are considered by the Board of Directors. I think this needs to be enhanced even further. Based on this, could you give me your views on how we should develop human resources and the

management team in order to realize growth for JR-West Group in the coming years?

Murayama Human resource development is one of the most critical issues for a company, and for we to be involved as external directors, I think there probably needs to be more in-depth discussion by the Board concerning the nature of HR development at JR-West Group. I'd like to hear more about what kind of personnel and leaders members want to develop for the future, what kinds of measures are being implemented to achieve that, and what the actual results of those measures are.

Sato Expansion of the non-railway business is essential for the Group's future growth, and to achieve that, we will need personnel with a different skillset to the past. I also expect to see a greater diversity of human resources working together at the same site. How we think about that kind of HR and organizational strategy is an important issue for the future, I think. When developing human resources, it's not just about hiring “outstanding” talent – it's also important how we stretch people with potential, so we need to take a long-term view of that. In that sense, I think there's still plenty of scope for women to be more actively involved in the workforce.

Murayama I think the Company is now at a major crossroads. If we are to grow the non-railway business significantly, the organization itself also needs to transform so as to be able to support this. As part of that process, I think it's important for us to share a vision of what the Group as a whole should be aiming for, so as to bring a sense of unity to the Company.

Sato I agree. Developing two kinds of business in parallel—one that is charged with a public infrastructure mission in the form of public transportation, and another that involves competing in the same arena as private sector firms—inevitably brings difficulties. To overcome these difficulties, I think it's important for the entire Group to share common values and a common mission, and for every employee to keep this uppermost in their mind.

Kurasaka Thank you very much for giving me your views today. It's been a very valuable discussion.



Initiatives in each business

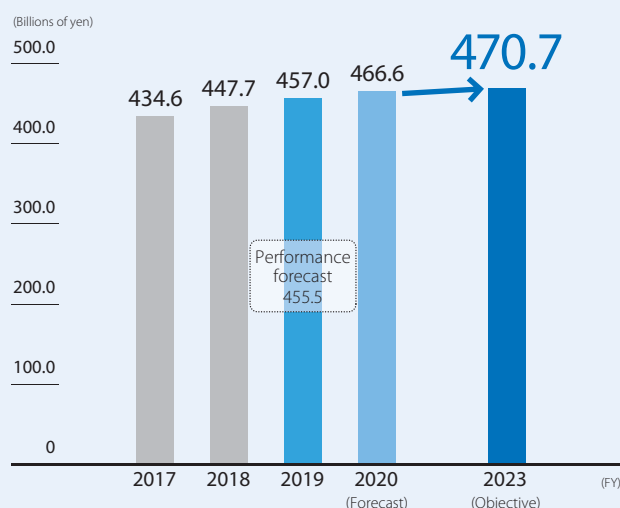
Strategy and progress in the railway business

Shinkansen

Capturing both business and tourism demand through increases in convenience and various campaigns



Shinkansen revenues

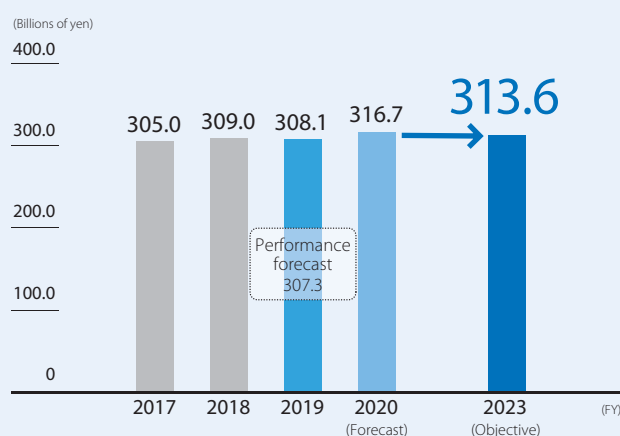


Conventional Lines (Kansai Urban Area)

Strongly advancing initiatives to increase the value of railway belts and the quality of transportation services



Conventional line revenues (Kansai Urban Area)

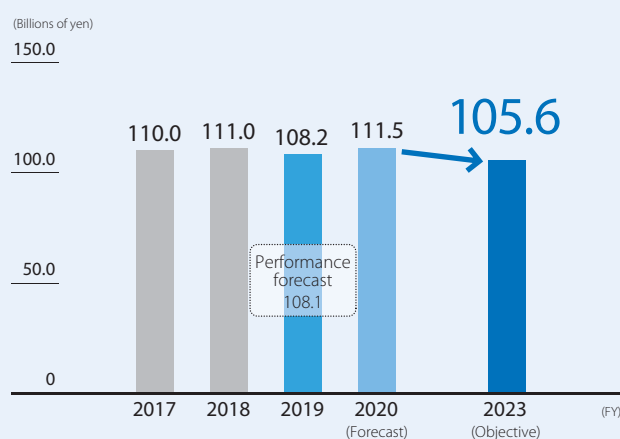


Conventional Lines (Other West Japan Area)

Contributing to regional invigoration through the realization of city development centered on stations and of sustainable transportation services



Conventional line revenues (Other West Japan Area)



Our value

We will strive to reinforce high-speed railway safety, enhance strengths centered on wide-area railway networks, and contribute to the expansion of the visitor population.

Business strategy

The Shinkansen is JR-West's biggest growth driver. We will link safety—the largest strength of the Shinkansen—to increases in competitiveness. In addition, we will increase our share of the transportation market vis-à-vis airlines by taking steps to enhance transportation services. Other initiatives will include striving to stimulate tourism demand by enhancing wide-area tourism routes and implementing campaigns. We will strive to capture both business and tourism demand.

Main initiatives**Safe and Reliable Transportation**

- Trains used in direct operation between the Tokaido Shinkansen and the Sanyo Shinkansen standardizing on the N700A model (FY2020)
- ➔ Realizing timetables that increase reliability/convenience

Ensuring Business Sustainability

- Hakata Depot renovation (end of FY2029)
- Establish new Sanyo Shinkansen maintenance base

Hokuriku Shinkansen Tsuruga Extension (Spring 2023)**Enhancing transportation services**

- Increase in Mizuho 1 round-trips (March 2019)
- e5489 Corporate Service, internet reservations for corporations (November 2018)
- Expanding area in which e5489 tickets can be received (April 2019)
- New IC boarding service for the Hokuriku Shinkansen (end of FY2020)
- Business trip support campaign

Fostering tourism demand

- Tourism campaigns through community collaboration (Setouchi, Hokuriku, etc.)
- Capturing Inbound Demand

Our value

We will increase the value of railway belts through the provision of transportation services that offer peace of mind and reliability, the development of areas along railway lines, etc.

Business strategy

In the Kansai Urban Area, we strive to increase the value of railway belts and increase the resident population in areas along railway lines through Groupwide initiatives. We have been rolling out a succession of new initiatives, including the opening of new lines and stations, and the introduction of paid seat reservation services and the ICOCA point service.

Main initiatives**Increasing the Value of Railway Belts**

- Implementing Groupwide initiatives to develop areas along railway lines
- Opening of Umekoji-Kyotonishi Station (March 2019)
- Full opening of Osaka Higashi Line (March 2019)
- Umekita (Osaka) underground station (Spring 2023)
- Naniwasuji Line (Spring 2031)

Capturing Inbound Demand**Increasing the quality of transportation services**

- ICOCA point service (October 2018)
- PiTaPa post-paid services (October 2018)
- New special rapid service fee-based seats service—"A Seats" (March 2019)
- Commuting-hour limited express service—"Raku-Raku Harima" (March 2019)

Securing business sustainability

- Suita Depot renovation (end of FY2029)

Our value

Through dialogue and collaboration with communities, we will develop businesses aligned with local areas and contribute to the activation of the Other West Japan Area.

Business strategy

In the Other West Japan Area, we will activate regions, centered on tourism; implement city development initiatives, centered on core cities; engage in dialog with local communities in order to aim for sustainable railway/transportation services; increase productivity by simplifying equipment, etc. In these ways, we will develop businesses aligned with regional conditions.

Main initiatives**Invigorating communities, centered on tourism**

- Setouchi Palette Project
- Expanding e5489 ticketless service (September 2018)
- WEST EXPRESS Ginga (new long-distance train) (Spring 2020)

Increasing productivity

- On-board IC ticket checking equipment (Sakai Line March 2019, Wakayama Line Spring 2020, Nanao Line Spring 2021)
- Wireless automatic train control (ATC) system (Wakayama Line Spring 2023)

Implementing city development, centered on core cities

- Hiroshima, Okayama, Toyama, etc.
- Onomichi new station building (March 2019)

Realization of sustainable transportation services

- Converting of the Kibi Line to LRT

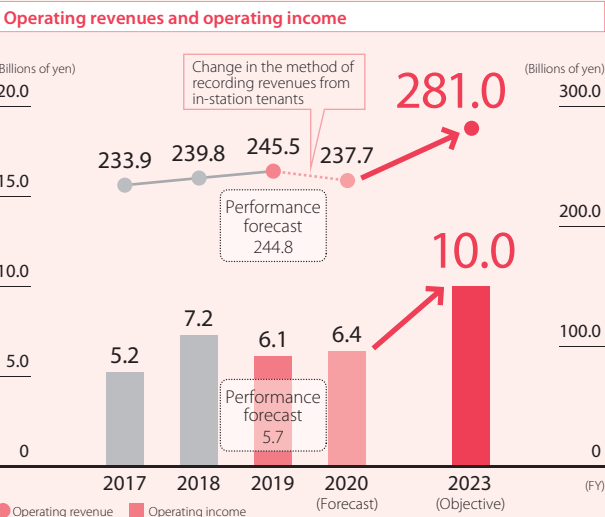
Capturing Inbound Demand

Initiatives in each business

Strategy and progress in the non-railway business

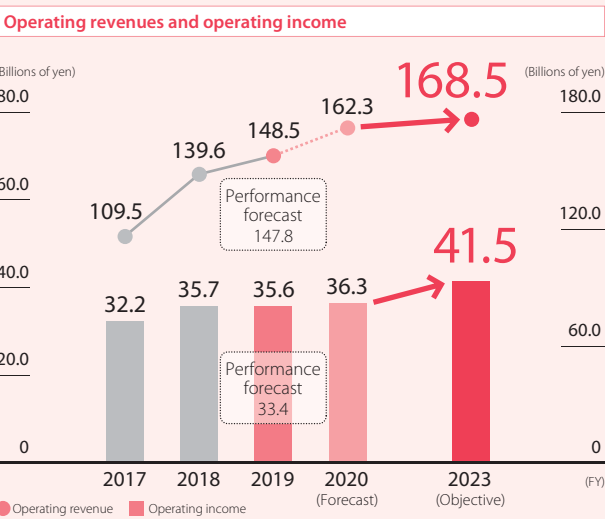
Retail Business

Accelerating growth through in-station renovations and expanded openings of Seven-Eleven Japan allied stores/ VIA INN hotels



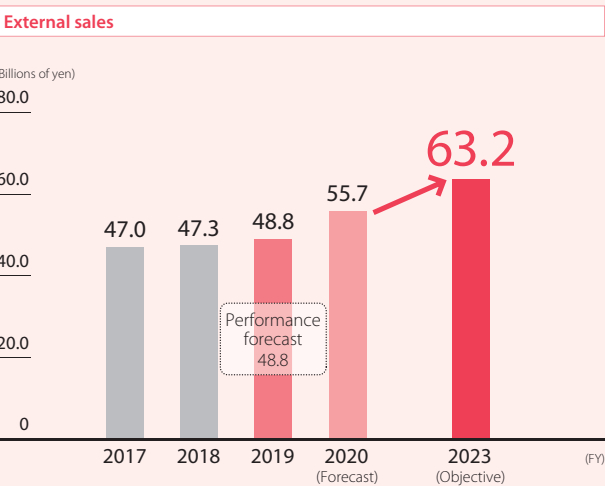
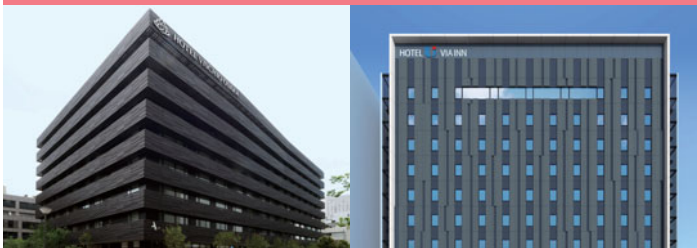
Real Estate Business

Contributing to increases in regional value and railway belt value through development in stations and in areas surrounding stations.



Hotel Business

Addressing diverse accommodation needs with multiple brands, centered on accommodation-oriented hotels.



Note: Consolidated base (Retail business: "VIA INN" + Other businesses: Hotel operations)

Our value

(Sales of Goods/Food Services)

We will strengthen functions as “Lifestyle Stations,” and provide support for the enjoyment of daily lives and travel.

Business strategy

In the retail business, we will realize increased asset efficiency by enhancing station functions, including strengthening store operating capabilities, developing and renovating in-station stores, and renovating department stores. We will also expand our business scale in line with this by opening Seven-Eleven Japan allied stores in areas surrounding stations, opening new accommodation-oriented hotels, and implementing other measures.

Main initiatives

(Sales of Goods/Food Services)

Enhancing asset efficiency

- Strengthening operating capabilities of Seven-Eleven Japan allied stores
→ FY2019: sales up 40%* vs. before conversion
- Kyoto in-station renovation (April 2019)
- Okayama in-station renovation (Fall 2020)

Expanding business scale

- New openings of Seven-Eleven Japan allied stores
→ End of March 2019: Cumulative total of 391 stores
- New openings of “VIA INN”, accommodation-oriented hotels

(Department Stores)

Enhancing asset efficiency

- Large-scale renovation of JR Kyoto Isetan (Spring 2020)

Our value

(Real Estate Lease and Sale)

We will build communities that people want to reside in and visit, and contribute to the development of areas along railway lines and local communities.

(Shopping Centers)

We will propose high-quality lifestyles through the provision of tangible and intangible products and services.

Business strategy

In the real estate lease and sales business, to maximize regional value and railway belt value in the western Japan area, we are implementing aggressive initiatives inside and outside our railway service area. In the shopping center business, we are working to increase asset efficiency by conducting development and renovation measures that reflect consideration for local conditions.

Main initiatives

(Real estate lease and sales)

Implementing city development starting from stations

- Business utilizing city-owned site southwest of Toyama Station (Spring 2022)
- Redevelopment project in urban district in front of Okayama Station (FY2026)

Expanding business scale

- Initiatives outside railway service area (Tokyo metropolitan area, Nagoya metropolitan area)

(Shopping centers)

Increasing asset efficiency

- Large-scale renovation
 - Kyoto (April 2019)
 - Okayama (Fall 2020)
 - Total floor space after renovation: approximately 17,500m² (increase of approximately 3,500m²)
- Hiroshima eki Phase IV (October 2019), Rebuilding of station building (Spring 2025)

Our value

We will meet the accommodation needs of a diverse range of customers and provide support for comfortable stays.

Main Hotel Opening Plans

Brand		Category	End of FY2019		FY2020 onward
GRANVIA	Other	City hotels	6 hotels	2,270 rooms	[Kyoto] Renovation of entire hotel (–Spring 2020) [Osaka] Renovation of entire hotel (–April 2022)
VISCHIO	Other	High-class accommodation-oriented hotels	2 hotels	590 rooms	[Kyoto] Open: May 2019, No. of rooms: 423 rooms
VIA INN	Retail	Accommodation-oriented hotels	22 hotels	5,292 rooms	[Kyotoeki Hachijoguchi] Open: May 2019, 468 rooms [Hakataguchi Ekimae] Open June 2019, 205 rooms [Shinsaibashi Yotsubashi] Open July 2019, 224 rooms [Nihonbashi Ningyocho] Open: Aug 2019, 240 rooms [Hiroshima Shinkansenguchi] (tentative name) Open: Spring 2020, approx. 250 rooms
Potel	Non-consolidated	Community-oriented casual hotels	—	—	[Umekoji (Kyoto)] Open: Spring 2020, No. of rooms: approx. 140 rooms
First Cabin Station	Non-consolidated	High-end capsule hotels	3 hotels	260 rooms	
Total				8,412 rooms	

Note: Information includes non-consolidated hotel operations

Business strategy

We will work to address diverse needs. To that end, we will develop five hotel formats, centered on accommodation-oriented hotels, and strive to expand the scale of our hotel business.



End of FY2023
Approx. 2,300 rooms
Approx. 1,400 rooms
Approx. 6,700 rooms
Approx. 200 rooms
Approx. 400 rooms
11,000 rooms

Consolidated 10-year financial summary

Years ended March 31

	2010	2011	2012 ⁹
Consolidated balance sheets			
Total assets	2,546.3	2,672.4	2,642.9
Total liabilities	1,844.2	1,951.1	1,909.4
Net assets	702.1	721.2	733.5
Consolidated statements of profit or loss			
Operating revenues (Revenues from third parties)	1,190.1	1,213.5	1,287.6
Transportation	797.4	806.4	839.0
Retail	201.9	201.3	233.5
Real estate	70.9	75.7	93.5
Other businesses	119.6	129.9	121.4
Operating Income	76.5	95.9	109.7
Transportation	45.2	61.1	76.7
Retail	3.1	3.5	(2.9)
Real estate	22.5	22.2	25.9
Other businesses	6.7	9.6	10.3
Recurring profit	48.1	68.9	82.4
Profit attributable to owners of parent	24.8	34.9	29.4
Consolidated statements of cash flows			
Cash flows from operating activities	161.3	223.2	206.2
Cash flows from investing activities	(208.7)	(246.2)	(199.1)
Cash flows from financing activities	54.6	51.4	(36.8)
Key management indicators			
Return on total assets (ROA) (%) ¹	3.1	3.7	4.1
Return on equity (ROE) (%) ²	3.7	5.2	4.2
Equity ratio (%)	26.3	25.8	26.6
Debt-Equity Ratio (times) ³	1.6	1.6	1.5
EBITDA (¥ billions) ⁴	218.4	246.8	279.1
Earnings (net income) per share (EPS) (¥)	12,837	18,066	152.29
Book-value (net assets) per share (BPS) (¥) ⁵	345,568	355,712	3,632.41
Dividend per share (¥)	7,000	8,000	90
Payout ratio (%)	54.5	44.3	59.1
Total return ratio (%) ⁶	—	—	—
Dividend on equity (DOE) (%) ⁷	2.0	2.3	2.5
Rate of total distribution on net assets (%) ⁸	—	—	—
Other items			
Depreciation and amortization (consolidated)	141.9	150.8	169.3
Capital expenditures (consolidated)	210.1	260.0	195.4
Capital expenditures (non-consolidated)	165.5	208.5	150.8
(Restated) Safety-related investment	95.6	125.1	97.7
Long-term debt and payables (consolidated)	1,038.9	1,102.6	1,068.8
Number of employees at work (consolidated) As of March 31	46,104	45,703	45,402
Number of employees at work (non-consolidated) As of March 31	26,443	26,705	26,778
	2010	2011	2012
Total transportation revenues			
Shinkansen	312.4	323.9	351.5
Kansai Urban Area (Kyoto-Osaka-Kobe Area)	286.1	284.4	287.3
Other lines	121.4	119.6	119.8

¹ Return on total assets (ROA) = operating income / [(total assets at the end of the previous fiscal year + Total assets at the end of the fiscal year under review) / 2]

² Return on equity (ROE) = net income / [(equity at the end of the previous fiscal year + equity at the end of the fiscal year under review) / 2]

³ Debt-equity ratio = long-term debt and payables / total shareholders' equity

⁴ EBITDA = operating income (after enterprise tax readjustment) + depreciation expense + amortization of goodwill

⁵ Book-value (net assets) per share (BPS) = equity at the end of the fiscal year under review / number of shares at the end of the fiscal year under review

⁶ Total return ratio = (total dividends + acquisitions of treasury stock) / net income

⁷ Dividend on equity (DOE) = dividend per share / [(BPS at the end of the previous fiscal year + BPS at the end of the fiscal year under review) / 2]

Billions of yen, %, yen, people

2013	2014	2015	2016	2017	2018 ¹⁰	2019
2,613.7	2,687.8	2,786.4	2,843.1	3,007.8	3,071.8	3,237.5
1,845.5	1,880.5	1,939.7	1,916.8	1,975.2	1,955.5	2,057.7
768.1	807.3	846.7	926.3	1,032.6	1,116.3	1,179.8
1,298.9	1,331.0	1,350.3	1,451.3	1,441.4	1,500.4	1,529.3
844.9	851.3	868.4	928.7	929.1	950.8	953.9
234.6	240.1	220.1	232.0	233.9	239.8	245.5
90.9	102.2	87.2	108.8	109.5	139.6	148.5
128.4	137.1	174.4	181.5	168.8	170.0	181.3
129.4	134.5	139.7	181.5	176.3	191.3	196.9
90.1	91.0	100.6	125.1	121.7	130.3	136.2
(0.4)	4.4	1.5	5.3	5.2	7.2	6.1
28.0	27.7	25.1	32.7	32.2	35.7	35.6
12.3	11.8	15.6	22.4	20.4	19.9	21.2
104.6	112.9	121.9	162.2	160.7	177.7	183.3
60.1	65.6	66.7	85.8	91.2	110.4	102.7
238.0	237.7	223.6	259.8	234.1	275.1	289.7
(154.7)	(165.3)	(212.9)	(233.2)	(295.8)	(166.3)	(247.4)
(85.2)	(47.8)	1.6	(31.3)	44.3	(71.4)	(7.1)
4.9	5.1	5.1	6.4	6.0	6.3	6.2
8.3	8.6	8.4	10.2	10.0	11.3	9.8
28.5	29.2	28.8	30.9	31.3	33.2	33.3
1.3	1.3	1.3	1.1	1.1	1.0	1.0
290.3	288.5	289.3	338.1	339.1	356.1	361.3
310.87	338.98	344.58	443.53	471.52	570.72	533.31
3,850.82	4,048.31	4,138.65	4,534.29	4,857.50	5,273.42	5,612.63
110	115	125	135	140	160	175
35.4	33.9	36.3	30.4	29.7	28.0	32.8
—	—	—	—	—	—	42.5
2.9	2.9	3.1	3.1	3.0	3.2	3.2
—	2.9	3.1	3.1	3.0	3.2	4.2
160.8	153.9	149.5	156.6	162.7	163.5	163.1
152.9	166.7	225.6	233.1	192.4	169.4	245.3
124.8	144.5	186.4	198.7	159.8	127.8	190.9
72.7	89.3	90.2	126.0	105.0	83.2	125.2
983.0	980.7	1,004.2	1,001.8	1,037.9	1,032.2	1,064.0
45,326	46,006	47,565	47,456	47,382	47,869	47,842
26,889	27,300	26,886	26,555	25,821	25,291	24,866

Billions of yen

2013 ¹¹	2014	2015	2016	2017	2018	2019
769.1	780.6	797.0	850.0	849.6	867.8	873.4
357.0	364.4	375.9	437.2	434.6	447.7	457.0
288.9	292.1	296.2	302.2	305.0	309.0	308.1
123.0	123.9	124.8	110.5	110.0	111.0	108.2

⁸ Rate of total distribution on net assets = (total dividends + acquisitions of treasury stock) / consolidated net assets

⁹ The Company conducted a stock split on July 1, 2011, at a ratio of 100 ordinary shares for each ordinary share.

¹⁰ From the fiscal year ended March 31 2018, accompanying partial amendments to "Accounting Standard for Tax Effect Accounting," the method of offsetting deferred tax assets and deferred tax liabilities in the "Assets" and "Liabilities" sections has been changed.

¹¹ We have revised the allocation method for revenue from non-commuter passes on conventional lines (Kansai Urban Area and Other Lines) from the fiscal year ended March 2014. Figures in the above chart for the fiscal year ended March 2013 have been retroactively calculated based on the new allocation method. Under the previous allocation method, transportation revenues for Kansai Urban Area and Other Lines in that fiscal year totaled ¥291.4 billion and ¥120.6 billion, respectively.

Note: For the Consolidated statements of profit or loss, the historical highest values are highlighted.

Financial statements

Consolidated balance sheets

Millions of yen

	Prior consolidated fiscal year (March 31, 2018)	Current consolidated fiscal year (March 31, 2019)
Assets		
Current assets		
Cash and deposits	82,995	109,327
Notes and accounts receivable-trade	28,180	32,521
Railway fares receivable	40,186	43,552
Accounts receivable	72,713	72,287
Securities	18,700	27,500
Inventories	101,258	104,827
Other current assets	56,323	65,623
Less allowance for doubtful accounts	(815)	(705)
Total current assets	399,542	454,934
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,144,690	1,175,279
Machinery and transport equipment	351,382	376,995
Land	758,987	767,908
Construction in progress	73,063	73,496
Other property, plant and equipment	36,413	60,207
Total property, plant and equipment	2,364,537	2,453,887
Intangible assets	35,867	39,361
Investments and other assets		
Investments in securities	86,817	101,010
Net defined benefit asset	1,868	2,170
Deferred tax assets	142,059	140,749
Other investments and assets	43,961	49,359
Less allowance for doubtful accounts	(2,823)	(3,876)
Total investments and other assets	271,882	289,413
Total non-current assets	2,672,286	2,782,661
Total assets	3,071,829	3,237,596

Millions of yen

Prior consolidated fiscal year
(March 31, 2018)Current consolidated
fiscal year
(March 31, 2019)**Liabilities and shareholders' equity**

Current liabilities		
Notes and accounts payable-trade	65,057	70,771
Short-term loans payable	17,252	20,713
Current portion of bonds	25,000	35,000
Current portion of long-term loans payable	34,126	38,832
Current portion of long-term payables for acquisition of railway properties	1,580	1,642
Accounts payable	95,188	126,024
Accrued consumption tax	11,835	6,583
Accrued income tax	31,130	28,068
Inter-line fares received	1,893	2,686
Deposits received	93,768	105,788
Prepaid railway fares received	38,860	41,280
Advances received	29,551	33,785
Provision for bonuses	39,187	37,408
Provision for loss on disaster	—	11,100
Provision for point program	2,204	2,081
Other current liabilities	43,652	46,786
Total current liabilities	530,289	608,554
Non-current liabilities		
Bonds payable	499,983	534,984
Long-term loans payable	367,161	350,828
Long-term payables for acquisition of railway properties	104,375	102,728
Deferred tax liabilities	2,446	1,528
Provision for large scale renovation of Shinkansen infrastructure	8,333	12,500
Provision for environmental safety measures	15,838	11,587
Provision for loss on liquidation of railway belts	10,170	9,594
Provision for unredeemed gift certificates	2,414	2,382
Net defined benefit liability	301,783	285,843
Other long-term liabilities	112,730	137,203
Total non-current liabilities	1,425,236	1,449,180
Total liabilities	1,955,525	2,057,734
Net assets		
Total shareholders' equity		
Common stock	100,000	100,000
Capital surplus	56,171	56,171
Retained earnings	849,925	911,532
Treasury stock, at cost	(481)	(483)
Total shareholders' equity	1,005,615	1,067,220
Valuation and translation adjustments		
Net unrealized holding gain on securities	4,018	3,837
Deferred gains or losses on hedges	83	(54)
Remeasurements of defined benefit plans	11,242	8,594
Total valuation and translation adjustments	15,344	12,378
Non-controlling interests	95,343	100,262
Total net assets	1,116,304	1,179,861
Total liabilities and net assets	3,071,829	3,237,596

Financial statements

Consolidated statements of income and consolidated statements of comprehensive income

Millions of yen

Consolidated statements of income

	Prior consolidated fiscal year (From April 1, 2017 To March 31, 2018)	Current consolidated fiscal year (From April 1, 2018 To March 31, 2019)
Operating revenues	1,500,445	1,529,308
Operating expenses		
Transportation, other services and cost of sales	1,113,026	1,128,016
Selling, general and administrative expenses	196,052	204,345
Total operating expenses	1,309,079	1,332,361
Operating income	191,365	196,946
Non-operating revenues		
Interest income	33	17
Dividend income	670	1,144
Dividends income of insurance	2,328	2,233
Transfer from administrative fee of contracted construction	1,525	1,580
Equity in earnings of affiliates	2,480	1,812
Other	2,060	2,638
Total non-operating revenues	9,098	9,426
Non-operating expenses		
Interest expense	20,906	20,030
Other	1,777	3,019
Total non-operating expenses	22,684	23,049
Recurring profit	177,780	183,323
Extraordinary profits		
Gain on sale of non-current assets	247	612
Gain on contributions received for construction	25,533	23,724
Compensation income for expropriation	1,237	1,212
Other	5,875	3,527
Total extraordinary profits	32,894	29,076
Extraordinary losses		
Loss on sales of non-current assets	664	139
Loss on deduction of contributions received for construction from acquisition costs of property, plant and equipment	24,208	22,107
Loss on reduction for expropriation, etc.	976	1,204
Loss on disaster	1,863	11,433
Provision for loss on disaster	—	11,100
Other	12,282	9,240
Total extraordinary losses	39,995	55,226
Profit before income taxes	170,679	157,173
Income taxes- Current	48,260	47,937
Income taxes- Deferred	6,400	1,414
Total income taxes	54,661	49,352
Profit	116,018	107,821
Profit attributable to non-controlling interests	5,524	5,071
Profit attributable to owners of parent	110,493	102,750

Millions of yen

Consolidated statements of comprehensive income

	Prior consolidated fiscal year (From April 1, 2017 To March 31, 2018)	Current consolidated fiscal year (From April 1, 2018 To March 31, 2019)
Profit	116,018	107,821
Other comprehensive income		
Valuation difference on available-for-sale securities	305	(323)
Deferred gains or losses on hedges	(132)	(172)
Remeasurements of defined benefit plans, net of tax	(2,089)	(2,575)
Share of other comprehensive income of associates accounted for using equity method	70	68
Total other comprehensive income	(1,846)	(3,003)
Comprehensive income	114,171	104,817
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	108,347	99,783
Comprehensive income attributable to non-controlling interests	5,824	5,034

Consolidated statement of cash flows

Millions of yen

	Prior consolidated fiscal year (From April 1, 2017 To March 31, 2018)	Current consolidated fiscal year (From April 1, 2018 To March 31, 2019)
Cash flows from operating activities		
Profit before income taxes	170,679	157,173
Depreciation and amortization	163,562	163,188
Loss on deduction of contributions received for construction from acquisition costs of property, plant and equipment	24,208	22,107
Loss on disposal of property, plant and equipment	5,506	8,056
Increase (decrease) in liability for retirement benefits	(26,528)	(19,720)
Increase (decrease) in allowance for doubtful accounts	1,705	940
Increase (decrease) in provision for employees' bonuses	1,755	(1,813)
Increase in allowance for large-scale renovation of Shinkansen infrastructure	4,166	4,166
Increase (decrease) in other provisions	(4,366)	6,438
Interest and dividend income	(703)	(1,161)
Interest expense	20,906	20,030
Equity in earnings of affiliates	(2,480)	(1,812)
Proceeds from contribution for construction	(25,533)	(23,724)
Decrease (increase) in notes and accounts receivable-trade	(12,282)	(6,888)
Decrease (increase) in inventories	(15,736)	(2,709)
Increase (decrease) in notes and accounts payable-trade	23,440	41,268
Increase (decrease) in accrued consumption taxes	(366)	(5,276)
Other	9,605	(1,585)
Subtotal	337,540	358,679
Interest and dividends income received	700	1,159
Interest paid	(20,663)	(19,753)
Income taxes paid	(42,475)	(50,357)
Net cash provided by operating activities	275,101	289,728
Cash flows from investing activities		
Payments for time deposits with a maturity in excess of more than three months	(231)	(231)
Proceeds for time deposits with a maturity in excess of more than three months	231	231
Purchases of property, plant and equipment	(201,705)	(257,264)
Proceeds from sales of property, plant and equipment	2,239	453
Contributions received for constructions	36,391	29,932
Purchases of investments in securities	(4,604)	(15,289)
Proceeds from sales of investments in securities	631	55
Net decrease (increase) in loans receivable	3,083	501
Other	(2,388)	(5,808)
Net cash used in investing activities	(166,352)	(247,420)
Cash flows from financing activities		
Net increase in short-term loans	857	4,248
Proceeds from long-term loans	37,600	29,700
Repayments of long-term loans	(31,780)	(41,326)
Proceeds from issuance of bonds	40,000	70,000
Redemption of bonds	(50,000)	(25,000)
Payment of long-term payables for acquisition of railway properties	(1,515)	(1,583)
Purchases of treasury stock	—	(9,999)
Proceeds from sales of treasury stock	0	—
Cash dividends paid to owners of parent	(29,049)	(32,329)
Cash dividends paid to non-controlling interests	(122)	(114)
Other	(37,413)	(770)
Net cash (used in) provided by financing activities	(71,422)	(7,174)
Net increase (decrease) in cash and cash equivalents	37,326	35,132
Cash and cash equivalents at beginning of year	63,332	101,448
Increase in cash and cash equivalents resulting from initial consolidation of a subsidiary	789	—
Cash and cash equivalents at end of year	101,448	136,581

Recognizing and responding to risks and opportunities

Formulating strategies taking into account business environment changes and JR-West's strengths

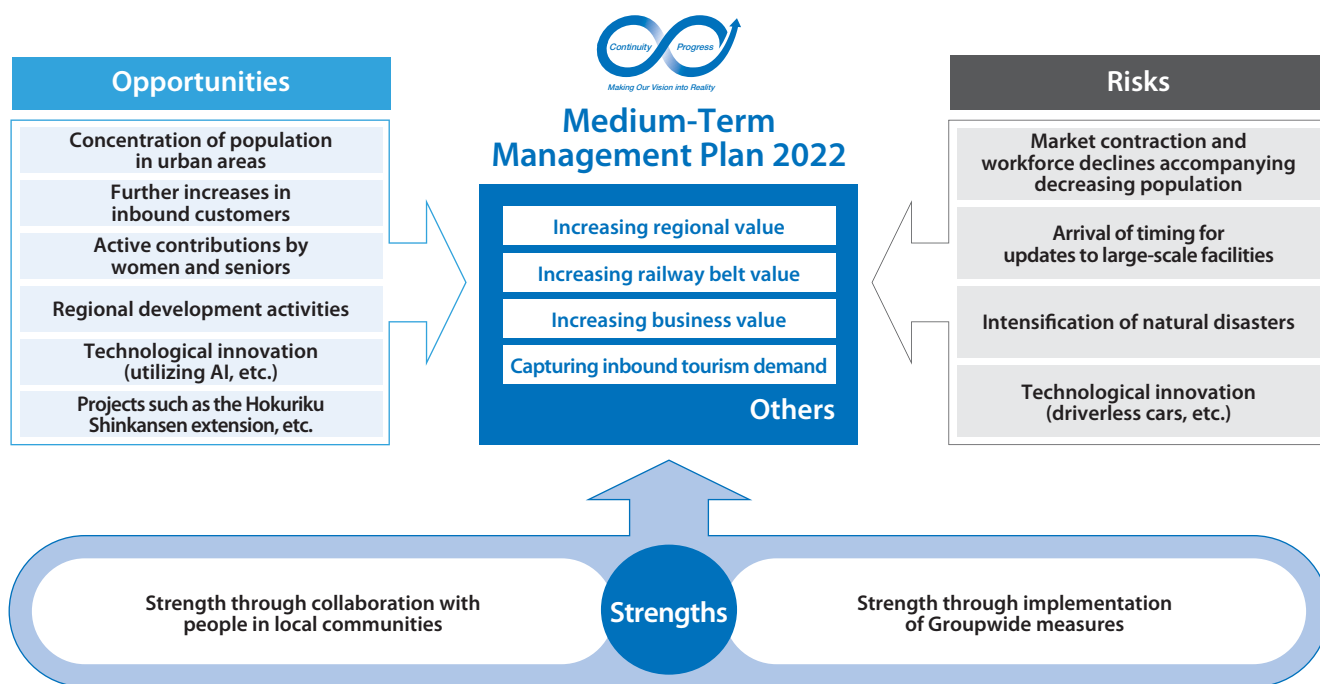
In our current Medium-Term Management Plan, we have formulated strategies while taking into account JR-West's strengths and appropriately assessing the risks and opportunities from internal and external business environment changes.

In our geographical area of operations, there are many growth opportunities — such as the Hokuriku Shinkansen Line extension, development of the Naniwasuji Line, and the Three Big Projects (Osaka, Sannomiya, and Hiroshima) for large-scale strategic station development — on which we would like to capitalize and move quickly from a medium- to long-term perspective. Furthermore, we would like to use the area's abundance of tourist attractions and proximity to Asian neighbors, and leverage these advantages to capture inbound visitor demand while also revitalizing communities.

At the same time, we recognize the severe internal and external environment, including the risks of population decline, intensification of natural disasters, and aging of large-scale facilities. From the perspective of ensuring business sustainability, we will proactively strive to improve productivity utilizing new technology, etc., while also updating disaster prevention and mitigation countermeasures, and upgrading large-scale facilities, which we see as opportunities to strengthen functionality.

We disclose risk information including the market contraction and workforce declines accompanying decreasing population, and intensification of natural disasters on our website.

<https://www.westjr.co.jp/global/en/ir/library/annual-report/2019/>



Cautionary Disclaimer Regarding Forecasts

This report contains forward-looking statements that are based on JR-West's current plans, assumptions, estimates, and projections about its business, industry, and capital markets around the world.

Pronouncements related to these forward-looking statements are subject to various risks and uncertainties. Generally, these forward-looking statements use future-oriented terminology such as "may," "will," "expect," "anticipate," "estimate," "plan," or similar words.

These statements discuss future expectations, identify strategies, contain projections of results of operations or of JR-West's financial condition, or state other forward-looking information.

Known or unknown risks, uncertainties, and other factors could cause the actual results to differ materially from those contained in any forward-looking statements. JR-West cannot promise that the expectations expressed in these forward-looking statements will turn out to be correct. JR-West's actual results could be materially different from and worse than expectations.

Important risks and factors that could cause actual results to be materially

different from expectations include, but are not limited to:

- expenses, liability, loss of revenue, or adverse publicity associated with property or casualty losses;
- economic downturn, deflation, and population decreases;
- adverse changes in laws, regulations, and government policies in Japan;
- service improvements, price reductions, and other strategies undertaken by competitors such as other passenger railway and airline companies;
- earthquake and other natural disaster risks; and failure of computer telecommunications systems disrupting railway or other operations.

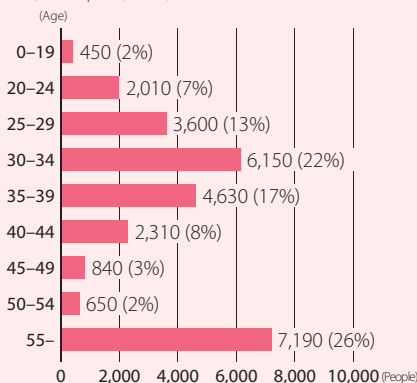
All forward-looking statements in this report are made based on information available to JR-West as of August 31, 2019, and JR-West does not undertake to update or revise any of its forward-looking statements or reflect future events or circumstances.

Future compensation and other expenses related to the Fukuchiyama Line accident that occurred on April 25, 2005 are difficult to estimate reasonably at this time, and so have not been included in forecasts in this report.

Data related to human resources and motivation (non-consolidated)

Employee composition by age

(as of April 1, 2019)

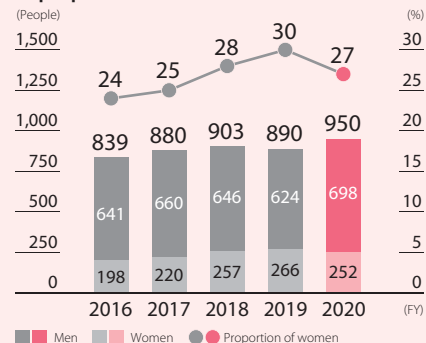


Percentage of female workers

(Indicating managers and executive separately)

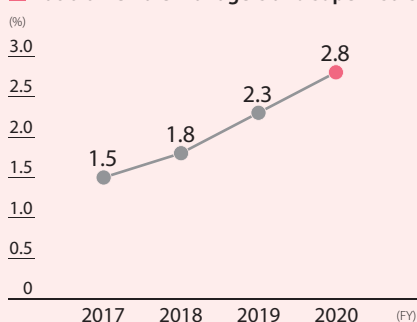
Overall	
13%	
Managers	Executives
2%	4%
as of April 1, 2019	
Include an external director	
Percentage of people taking paid leave	
Overall	
88%	
Average number of days used in FY2019: 17.5 of 20 days	

Number of hires by gender and changes in proportion of women hires*

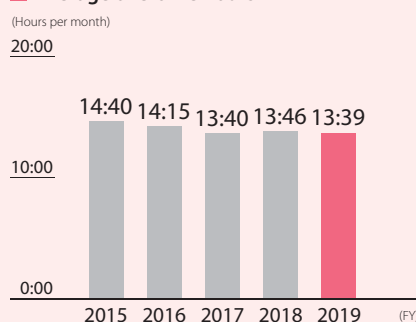


* Includes hiring of recent graduates (including those with some post-graduation work experience), hiring of employees who started out as contract employees, and hiring of experienced professionals

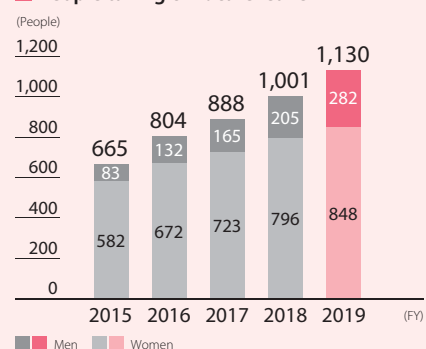
Ratio of female managers and supervisors



Average overtime hours



People taking childcare leave



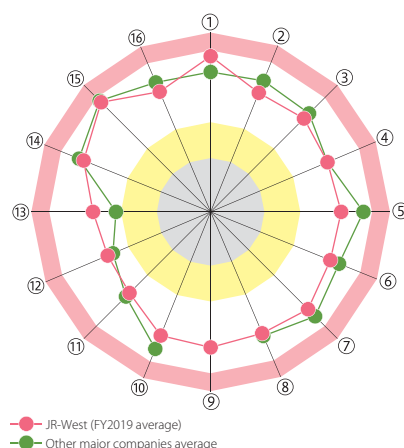
FY2019 employee awareness survey

Since fiscal 2009, we have conducted a survey of all employees as one method for gauging the status of their motivation.

Compared to other major companies, we showed high marks for items (1) "pride and sense of mission in work" and (13) "reflection of front-line information in policies (workplace-based approach)," however, overall scores on the survey were below their previous level.

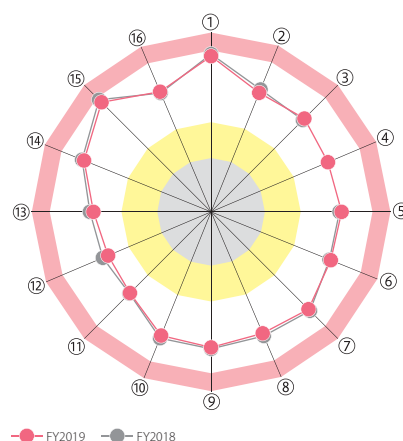
Nevertheless, there were positive changes, such as improved scores on four items, including (3) "initiative and capacity to think and act."

Comparison with other major companies



Note: Some questions are not part of surveys conducted by other major competitors.

Comparison with FY2018



- ① Pride and sense of mission in work
- ② Meaningfulness and sense of achievement in work
- ③ Initiative and capacity to think and act
- ④ Mental and physical vitality
- ⑤ Participation in workplace initiatives
- ⑥ Work-life balance
- ⑦ Cultivation of a CS mindset
- ⑧ Workplace culture (synergy & compassion)
- ⑨ Initiatives to pass on technology and boost expertise
- ⑩ Communication with supervisors
- ⑪ Fair evaluations and compensation
- ⑫ Opportunities to improve skills
- ⑬ Reflection of front-line information in policies (workplace-based approach)
- ⑭ Dissemination & sharing of management policies (Medium-Term Plan, etc.)
- ⑮ Pride in the company
- ⑯ Diversity & workstyle reforms

■ 4.0 average and above: very high
 ■ 3.5 average and above: high
 ■ 3.0 average and above: normal
 ■ Less than 3.0 average: low



West Japan Railway Company

Corporate Planning Headquarters
 4-24 Shibata 2-chome, Kita-ku, Osaka 530-8341
 TEL: +81-6-6375-8708
<https://www.westjr.co.jp/global/en/>



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