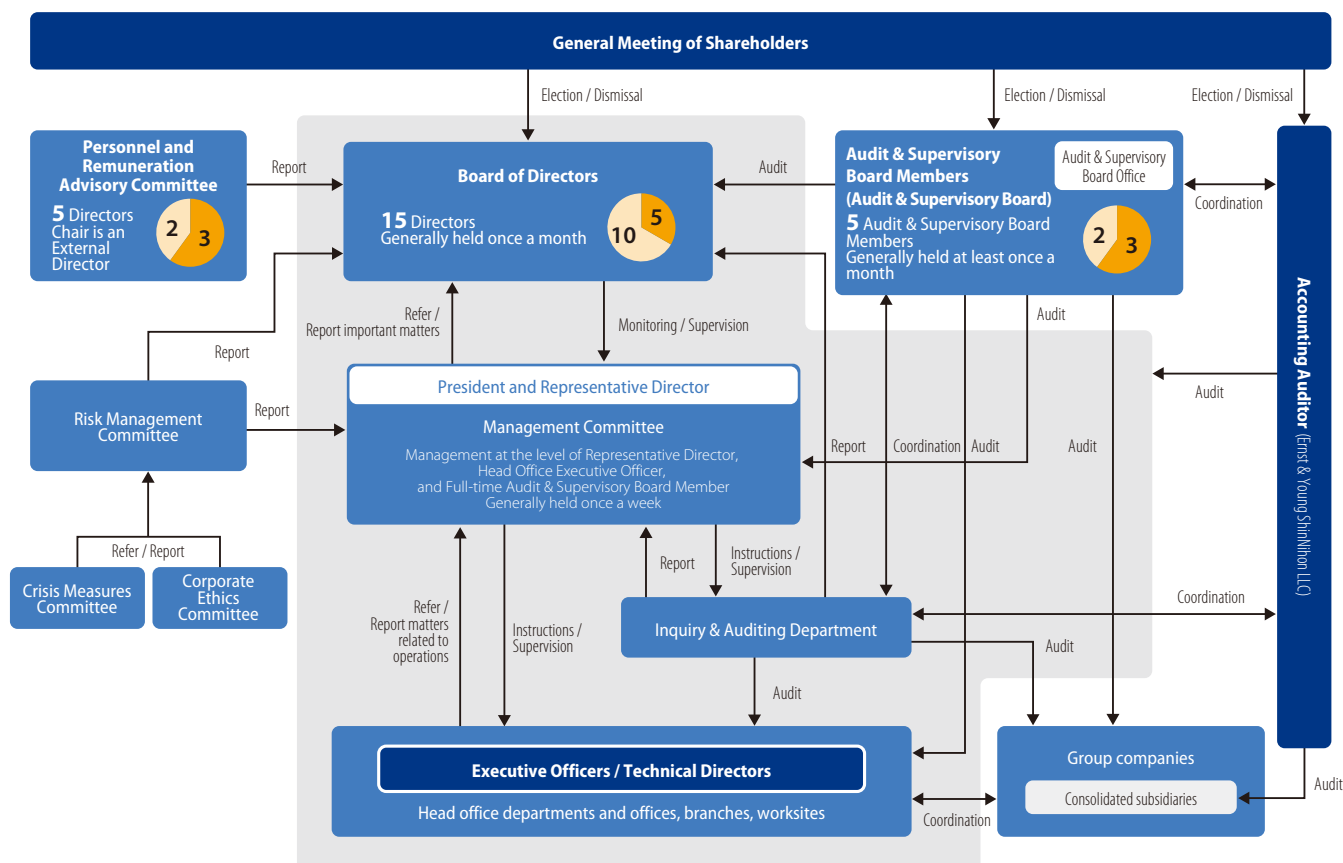


Corporate governance

Key features of JR-West Corporate Governance

- 1 As a Company with Audit & Supervisory Board Members, five of the 15 directors are independent External Directors.
- 2 Adoption of an executive officer system accelerates decision-making and business execution.
- 3 Audit & Supervisory Board Members audit the execution of business by Directors in accordance with the auditing policies and audit plan prepared by the Audit & Supervisory Board. They strengthen collaboration with External Directors, including auditing visits of branch offices and worksites.
- 4 A Personnel and Remuneration Advisory Committee has been established as an advisory body to the Board of Directors, in which a majority of the members are External Directors. This ensures objectivity, fairness and reliability in relation to the personnel affairs and remuneration of directors.
- 5 In addition to the above, 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.



Note 1: The pie chart shows the attributes for the members of each committee. Figures indicate the number of people. Color shading is as follows:

● External Director / External Member ● Internal Director / Internal Member

Note 2: ■ denotes audit scope of the Accounting Auditor

Evaluation of the Board of Directors and efforts to improve effectiveness

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. The Board of Directors continues to maintain and improve its effectiveness, including by enhancing the structure for

conveying information to external directors (such as site surveys and liaison meetings led by external directors), sharing the details of Board discussions within the company, and conducting interviews with all directors concerning the composition and operation of the Board.

Message from external directors

We asked five external directors, who are helping to strengthen corporate governance to enhance the Group's value over the medium- to long-term, about the Group's current challenges and future prospects, including how they view their own roles.

Executive management personnel affairs and remuneration are at the heart of corporate governance

In December 2019, we established the Personnel and Remuneration Advisory Committee (referred to below as "the Committee"), replacing the previous Remuneration Advisory Committee, to enhance transparency and objectivity in relation to the remuneration and personnel affairs of executive management.

The dedicated work of each director and employee in their respective positions is the basis for strengthening and improving corporate governance for the Company's sustainable growth and the medium- to long-term enhancement of corporate value. Within this, however, the decisions and actions of executive management are a decisive element in achieving the organization's goals. For this reason, we regard executive management personnel affairs and remuneration as a crucial element of corporate governance, and we view the mission of the Committee—which considers these matters—as extremely important.

Intense efforts to improve areas including objectivity, through active discussion

The Personnel and Remuneration Advisory Committee repeatedly discusses matters that the Board of Directors asks us to consider, and reports each time a definite plan is formed. Specifically, with regard to the basic policy pertaining to the personnel affairs and remuneration of directors, we have discussed a range of topics, such as the policy and standards for electing representative directors, and the approach to basic remuneration and performance evaluation remuneration.

Based on the proposals made by the secretariat, each committee member actively asks questions and states their opinion, and external committee members in particular ask questions about the approach to the proposals and the evidential data, actively giving their opinions including requests aimed at further enhancement. If initial discussions do not lead to a conclusion and more in-depth consideration is deemed necessary, matters are occasionally carried over to the next session. In this way, the committee members make dedicated efforts to stimulate deliberations and enhance the objectivity, fairness and reliability in personnel affairs and remuneration.

At the same time, since the Committee is still relatively new, there is also an element of trial and error on the part of the committee members, and we continue to improve our deliberations.

Objectively confirming plans to develop candidate executive managers

The essential role of the Committee is to check whether personnel affairs and remuneration are being conducted appropriately based on policies and standards, and we will continue to consider the formulation of basic policies such as plans to develop the next generation of senior management (the succession plan).

In this process, external directors have somewhat limited opportunities to interact directly with candidates for executive

Norihiko Saito

External Director
Chair of Personnel Affairs & Remuneration Advisory Committee

In 1970, joined The Kansai Electric Power Company, Incorporated. After serving in positions including Manager and Director, he was appointed Vice President and Representative Director in 2005, before leaving in 2011. The same year, he was appointed Chairman and Representative Director of Kinden Corporation, leaving in 2016. He has been a Director of the Company since 2012.



management. Going forward, I would like to increase the opportunities for them to directly observe the candidates for executive management, from a variety of angles. This includes enhancing the data on their experience and specialist fields, which forms the basis for candidate selection, and having the candidates more frequently attend Board of Directors meetings to give supplementary explanations.

I would also like us to consider in greater depth the criteria for selection of presidents at our main subsidiaries and the approach to personnel affairs across the entire Group, from a Group governance perspective.

Securing and nurturing human resources capable of adapting to change and achieving our vision

Securing and developing personnel—the people who are directly involved in business operations—is an important and crucial issue for corporations. In the case of JR-West Group, it is important to achieve a good balance between fulfilling our mission of supporting social infrastructure and delivering new value to society. In both our railway and non-railway businesses, we have nurtured personnel who understand the objectives of their own operations, and I can sense how they have the underlying ability to resolve issues.

Looking at the present environment, in future our Group will be required to make significant changes. Our mission as a social infrastructure company will not change, but we will probably need to restructure our business portfolio. In conjunction with that, it will be even more necessary for us to establish policies for developing human resources who can support agile operations in the future, while also securing a diversity of human resources including personnel invited from outside the Group.

JR-West Group's vision, as stated in the JR-West Group Medium-Term Management Plan 2022, is the "creation of a safe, comfortable society filled with meetings among people and smiles," and we have affirmed this to be an unchanging commitment, despite changes necessitated by the novel coronavirus pandemic. In terms of the specific measures to achieve this, there is the work being undertaken by each and every individual, as well as our corporate governance initiatives. Whether an executive management or a new recruit, it is important that we work enthusiastically while always keeping in mind how our daily efforts go towards achieving our vision.

A Foundation Supporting Value Creation

Corporate governance

Creating a more open forum for discussion

When I first took up my post, at meetings of the Board of Directors I sometimes felt that there was not a lot of feedback other than from the directors responsible for projects, but recently people have been asking questions and stating their opinions a lot more. Also, we probably need to create a more open environment in which people can freely exchange opinions, employing the “matters for consultation” including discussion of our medium-term policy.

I myself have been involved for a long time in university management, which differs from corporate management, and having experienced this different career allows me to contribute something new. As external directors, we state our opinions frankly from the perspective of our specialist fields and our feel for wider society, and I hope to see our internal directors adopting an approach of incorporating something novel from



Hideo Miyahara

External Director

After holding positions including Assistant, Faculty of Engineering, Kyoto University and Professor, School of Engineering Science, Osaka University, became President of Osaka University in 2003 (until 2007). In 2013, became a Director of the Company. Currently serves as Visiting Professor, Graduate School of Information Science and Technology, Osaka University. Specializes in Information Networking.

outside the company, without hesitation, so that discussion triggers “chemical reactions.”

Drawing on the advantages of digital and analog to provide mobility with value

As a communications engineer, I have promoted the shift to digital in society. The novel coronavirus pandemic has forced meetings, training seminars and many other things to suddenly shift online, and there are concerns that in a digital-only world, there are limits to what information we can convey and that everything becomes overly formalized and inflexible. For example, with university lectures, previously the lecturer decided how to proceed and what to talk about while observing the students’ expressions and attitude, but this cannot be done so easily online.

Amid the shift to digital, there are many things that only “analog” can achieve. Rather than choosing between the two, I think it is important to realize a “happy mean.” This also applies to mobility. The value in face-to-face interaction between people has not changed; in fact, it is becoming even more important. I would like our employees to continue to feel a sense of mission in the important role they play in society.

Also, our Group has considerable organizational capability in society as a social infrastructure corporation. I would like our employees to feel pride in supporting safety and peace of mind in society, and engage themselves in their roles with presence of mind from a long-term perspective.

Supporting more rational decision-making

As a jurist slightly removed from corporate management, I am able to openly ask questions when the Board of Directors deliberates on issues. It is typically the case that the larger the organization is, the more a persuasive alternative can be in the minority and get buried within the company. Given the potential for this to happen even in JR-West Group, I try to state my views and take decisions based on a variety of conceptual angles, incorporating the minority perspective.

At the same time, the reality is that for some projects, an instant decision is needed due to timing or internal circumstances. In such a case, I ascertain what kind of discussions led to the matter being proposed for the Board of Directors’ agenda, and approach discussion on the Board after properly understanding the contextual management message.

Demand for a legal approach

When business conditions are favorable, proactive urban engineering-related ideas become important in building a corporate vision, and there is not much focus on legal considerations, but in tough times a prudent approach is demanded.

It has been over 30 years since the breakup and privatization of Japanese National Railways, and given the Group’s nature as a social infrastructure business with a high degree of community engagement, in some respects it remains difficult for the Group to act purely on its own judgment. For example, at the present time we must balance

the need to prevent the spread of the novel coronavirus with the pursuit of value in the mobility field—a seemingly contradictory objective. With the whole of society going through a period of pain, I intend to participate in discussions on the Board of Directors while considering how we, as a company, can conduct decision-making and business promotion in a rational manner, at the same time as meeting the expectations and demands of our stakeholders.

Hikaru Takagi

External Director

Has held positions including Assistant, University of Tokyo, Professor, Faculty of Law, Kobe University, Professor, Faculty of Law, Gakushuin University, and Professor, Graduate School of Law, Kyoto University. Became a Director of the Company in 2018. Currently serves as Honorary Professor, Kyoto University. Specializes in administrative law.





Yoshinobu Tsutsui

External Director

Joined Nippon Life Insurance Company in 1977, where he held positions including Director and Director & Senior Managing Executive Officer, before being appointed President and Representative Director in 2011. In 2018, became Chairman of the Board of Nippon Life Insurance Company. In 2020, became a Director of the Company.

A bold and resolute approach that puts safety first

In terms of the JR-West Group's image, what I feel first of all is its bold approach to things—its pioneering spirit. Illustrative of this is the Group's growth strategy set out in the JR-West Group Medium-Term Management Plan 2022. I sense the strong determination of senior management involved in drawing up this plan—in driving the Group's operations into the future. Another aspect is the Group's strong sense of mission in relation to safety, which reflects what has been learned from the derailment accident on the Fukuchiyama Line. The way the Group has proactively invested management resources far exceeded what I initially imagined.

Setting a direction after examination from various viewpoints

I feel that all members of the Board of Directors properly share an awareness of the issues and a sense of urgency, and issues are debated in a multi-faceted way, without getting excessively pessimistic or optimistic. JR-West Group needs to move forward strategically while implementing robust safety management that protects the lives of our customers. With infrastructure businesses, sometimes the results only emerge after five or 10 years, and there can be unease about the immediate future. This

makes it all the more necessary for executive management to examine things earnestly from various "proactive" and "prudent" viewpoints, agree on a direction based on mutual trust, and ultimately get everyone's agreement on the correct path while conveying this clearly to the employees.

Continuing to ask ourselves, with humility, how we should function as a social infrastructure company

The four basic policies proposed by the President (see pp.16–18) to address the novel coronavirus pandemic are indeed linked to the basic approach of the Sustainable Development Goals (SDGs). From now on, all companies will need to commit to the SDGs and ESG (Environmental, Social and Governance), but this "commitment" is not just about making a contribution; rather, I think it is about taking responsibility for promoting the SDGs and ESG. I believe the two elements of making profits and pursuing social sustainability will increasingly converge. I want to make this commitment part of my own behavior, and would also like to see it being adopted by the Board of Directors.

"Furthering of Reform" is one of the Group's three pillars of management, and I think this is starting to steadily yield results. As a social infrastructure company, there are values we should change or newly acquire besides those that we should preserve, and I would like to see the Group pushing forward with reform with this in mind, while asking ourselves questions in a spirit of humility.

Dialogue with external parties reminds you of your own strengths

Even before my appointment, I had opportunities to interact with people from JR-West Group, and I sensed their sincerity and approachability. At the same time, although employees on the same level in the internal hierarchy are close to each other, I sometimes feel that there is a slight distance with those immediately above and below them. If there was a culture of praising each other more often, especially one's juniors, I think this would bring out the abilities of each person even more.

JR-West Group has numerous strengths, including its on-site capabilities, but this is difficult to notice when you are in the workplace. I think that increasing opportunities for dialogue with people from different generations, backgrounds, lines of work and companies would remind our employees of the Group's strengths, and I hope that I can contribute in this way.

Feeling personal relevance and engagement is the key to achieving our vision

The more manuals we have, the more people expect to be "taught" something. For example, I fear that our Vision for Human Resources Cultivation tends to be thought of something that is "given by the company," simply because it is a systematic and good approach.

What is important is that each person feels personal relevance and engagement.

In the phrase "employees with the initiative to think and act," which forms part of our vision, it also might not be immediately clear what "initiative" actually means. I interpret it to mean "your

Haruko Nozaki

External Director

In 1980, joined HORIBA, Ltd. After serving in positions including General Manager, Personnel and Education Department, in 2014 she became Junior Corporate Officer (present post). In 2020 she became a Director of the Company.



life, you are the main player." "Workplaces that demonstrate synergy and compassion" could be reworded as "workplaces where each person belongs and has their own role to play."

I think we could benefit from more instances of individuals taking ownership, and of senior personnel communicating in a way that resonates with each individual.

Placing importance on observing each employee closely

As a company, JR-West is able to observe each employee closely and support them so that they flourish, and as an external director, I also want to support them.

Currently, it is the people working on site who feel the most unease, as they are experiencing first-hand the sharp drop in the use of trains due to the novel coronavirus pandemic. I intend to visit many work sites, meet our personnel face to face, listen to their concerns, and make sure that they hear my message.