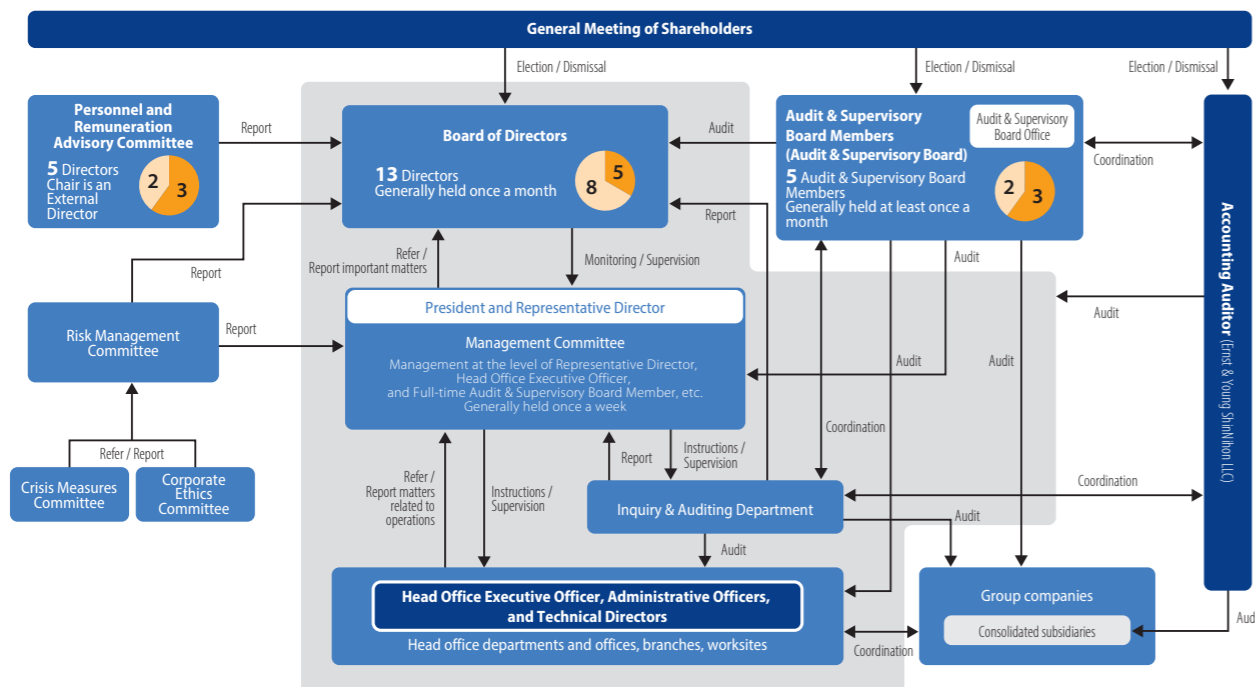


## A foundation supporting value creation

# Corporate governance

### Key features of JR-West corporate governance

- As a Company with Audit & Supervisory Board Members, five of the 13 directors are independent External Directors.
- Adoption of structures such as an executive officer system accelerates decision-making and business execution.
- 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 work sites.
- 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.
- 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

### Directors / Board of Directors

Faced with the unprecedented management crisis brought on by the novel coronavirus pandemic and the need for structural reforms in both the profit and cost of our businesses, in June 2021 we revised the structure of the Board of Directors to allow centralized control of the management resources of the entire group and facilitate rapid allocation of resources, with the goal of overcoming this crisis. Specifically, top management will be structured with the President as the Chairman of the Board of Directors, without any chairman or vice chairman, and the board itself streamlined from 15 members (10 full-time members and five outside members) to 13 (eight full-time members and five outside members).

Going forward, we will implement the initiatives described in the JR-West Group Medium-Term Management Plan 2022 rapidly and effectively and move to further strengthen business execution functions and accelerate decision-making in order to effect recovery from the novel coronavirus pandemic and promote reform.

### Executive Officers and Administrative Officers

Together with the reviews of the Board of Directors' structure, we clarified the position of the executive officers who are responsible for management and appointed administrative officers, positions subordinate to that of executive officers, tasked with business execution. Executive officers will be principally nominated from the heads of divisions associated with decision-making for the entire Group. Administrative officers will be nominated as persons responsible for executing business in specific divisions and domains, maximizing achievements in each domain, and serving to enhance the corporate value in each of our businesses, including railways, and of the Group as a whole. Moreover, we will retain the technical officer system, which accommodates particularly talented technical personnel.

In accordance with the establishment of the new system of administrative officers, the number of executive officers has been changed from 35 to 12, with the number of administrative officers set at 22.

### Evaluation of the Board of Directors and efforts to improve effectiveness

The Board of Directors is tasked with creating an environment that facilitates appropriate risk-taking by management aimed at improving the corporate value of the JR-West Group over the medium to long term, while also conducting highly effective monitoring and supervision.

Specifically, they deliberate on the direction and strategy for medium- and long-term management, while evaluating the risk and return for all important Group facilities from a medium- and long-term perspective, and make timely and appropriate decisions. Additionally, the Board receives timely and appropriate reports on the status of business executed by directors.

Moreover, to maintain and improve the effectiveness of the

Board of Directors, we have established a system to report information to external officers, we share the content of deliberations by the Board within the company, and we conduct surveys of all board members and auditors regarding the role and operation of the Board and hold discussions based on the results. The results of these surveys and discussions show that the Board of Directors has engaged in sufficient discussion on the transformation and recovery of the JR-West Group, taking the recent dramatic changes in the business environment into consideration.

Based on this, the JR-West Group Board of Directors is deemed to be functioning effectively.

### Establishment of the Personnel and Remuneration Advisory Committee

The JR-West Group has established a Personnel and Remuneration Advisory Committee tasked with improving objectivity, fairness, and reliability with regard to matters such as the remuneration and personnel affairs of officers.

This committee comprises at least five directors, the majority of whom are independent external directors, and deliberates on remuneration and personnel matters from a fair and objective standpoint, making recommendations to the Board of Directors. In fiscal 2021, nine committee meetings were held, with all committee members in attendance.

The committee deliberates on matters on which it is consulted by the Board of Directors, including nomination, appointment policies

for representative directors, etc., and on basic remuneration and performance-based compensation. External directors and other committee members are proactive in asking questions and stating their opinions.

Recognizing that decision-making and actions on the part of senior management influence corporate management, and that the remuneration and appointments of senior management are important elements in strengthening corporate governance to improve corporate value in the medium- and long-term, the JR-West Group will continue to enhance discussions in the Personnel and Remuneration Advisory Committee to improve objectivity, fairness, and reliability in this regard.

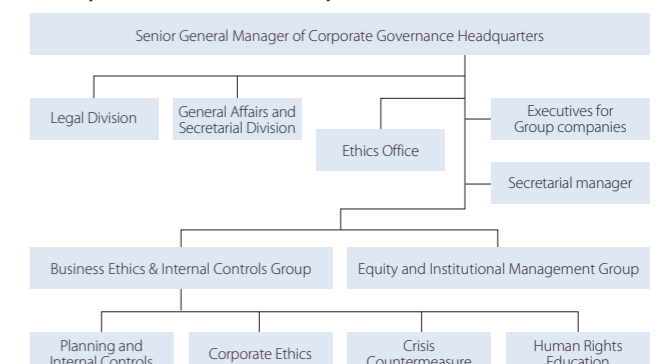
### Establishing the Corporate Governance Headquarters

The JR-West Group established the Corporate Governance Headquarters in June 2021, integrating the governance promotion and internal control functions of the former Corporate Ethics & Risk Management Department and General Affairs Department to respond to changes in the environment surrounding governance, such as revisions to corporate law and the Corporate Governance Code.

This Division comprises the Business Ethics & Internal Controls Group, which is responsible for enhancing and strengthening internal controls and risk management, in parallel with the Equity and Institutional Management Group, tasked with sharing administration and running the General Meeting of Shareholders and the Board of Directors. The position of secretary has also been established, with the secretarial manager being responsible for communicating information to and supporting external officers. Each one of these parties works in cooperation with the others to execute its duties. Additionally, the independent Ethics Office has been established, which is tasked with acting a whistle blower.

Furthermore, members of this department are appointed to serve as executives for Group companies, in order to offer support and consulting for the Group Companies, strengthening governance throughout the JR-West Group.

#### Corporate Governance Headquarters



## A foundation supporting value creation

# Corporate governance

### Message from an External Audit & Supervisory Board Member

As a Company with Audit & Supervisory Board Members, we ensure the transparency and fairness of management through appropriate audits by each of the five Audit & Supervisory Board Members, including three External Audit & Supervisory Board Members.

In order to reflect a wide range of insight and expertise in the auditing of the JR-West Group, we have appointed External Audit & Supervisory Board Members who possess a wealth of experience in various fields such as law, accounting, corporate management, and administrative management. We asked three External Audit & Supervisory Board Members, 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 prospects.

### Once the mechanisms are put in place, it is people who drive them

After spending more than 30 years in the judiciary, I became an Audit & Supervisory Board Member of the Company in June last year. After assuming my position, what I immediately felt was that our staff across the entire Group are personally committed to improving safety and service. Both top management and front-line employees think about what they should personally do, create mechanisms on a company-wide basis, and update these in response to the events that occur each day. In addition, during my visits to branch offices and work sites, I had the opportunity to come into contact with the phrase "mutual understanding, respect, and empathy," which I sensed was the foundation of our corporate culture.

However, I feel that we are still in the process of developing synergies between the railway business and the non-railway business so as to bring out our strength as a Group. In addition, facilities and systems that make it easy for people to work together, regardless of gender, are being developed, and a large number of female employees are active in each business and at each site. However, I think we need to work even harder to promote and develop women for managerial and executive positions.

Corporate governance, including the implementation of risk management and compliance, is well established and operated in the Group, but it is people who drive it. In this sense, I feel it is important that "mutual understanding, respect, and empathy" and an approach that places importance on the actual work site continue to penetrate more deeply in the future.



**Maki Ogura**

External Audit & Supervisory Board Member (Full-Time)

Registered as an attorney at law in 1990. After being appointed to the office of judge in 2007, he served as a judge of the Osaka High Court (retired in 2020). Became an Audit & Supervisory Board Member of the Company in 2020.

### Adapting to change

In the midst of the coronavirus pandemic, the Group must respond to changes and realize structural reforms while ensuring safety. Under such circumstances, I feel that the Board of Directors operates on a sound basis, establishing "matters for consultation" in order to discuss important matters in addition to "matters to be resolved" and "matters to be reported," as well as clarifying the issues in materials and explaining the agenda in advance.

In spite of time constraints and the coronavirus pandemic, I believe there is room for further improvement in the effectiveness of the Board of Directors, including the use of IT to achieve more efficient confirmation of those facts that form the premise for discussions. In addition, I believe that we need to enhance our efforts to emphasize the "three realities" (3Gs) principle in auditing, i.e., "the actual place (*Gemba*), the actual thing (*Genbutsu*), and the facts (*Genjitsu*)," while also utilizing IT.

### Working to provide constructive opinions to the benefit of our stakeholders, based on evidence, reason, and facts

As an independent, full-time External Audit & Supervisory Board Member, I believe it is important to provide constructive opinions based on facts in an easy-to-understand manner. For example, whether the Company is achieving sustainable improvements in corporate value and operating its business in a sound manner in accordance with laws and regulations.

To this end, I strive to take an objective perspective based on my own experience and knowledge, as well as the exchange of opinions with other external directors, without being bound by accepted practice within the Group. I also actively obtain and check all kinds of information, from the workplace to the head office and Group companies, using non-auditing methods.

In the judiciary, I worked not only on the resolution of individual cases, but also on the reform of the judicial system for the benefit of the users. The three basic concepts were "evidence," "reason," and "facts." Based on these concepts, at JR-West Group I also strive to provide constructive opinions to the benefit of our customers, local residents, shareholders, employees and other stakeholders, from a medium- to long-term perspective.

### Stating opinions with a focus on finance and accounting, with "healthy skepticism"

Since I took up my position 10 years ago, the Company's Board of Directors has been actively discussing issues. Particularly in recent years, I feel it has been even more carefully managed, providing multiple opportunities to discuss medium- and long-term issues and important matters.

I myself am aware that I am expected to play a role as a person with knowledge of finance and accounting, and in my actions, I always keep in mind the points of the Code of Ethics for Certified Public Accountants, including "healthy skepticism."

Moreover, I try to speak from the quantitative angle at the Board of Directors, and I always make sure to point out and verify any impact especially in the area of finance and accounting, when I feel that we should share a deep awareness of this.

In addition to meetings of the Board of Directors and the Audit & Supervisory Board, I have also asked to attend meetings that part-time Audit & Supervisory Board Members did not formerly attend in order to exchange opinions with the accounting auditors and hear explanations of financial results from the Finance Department.

However, I also believe that my role is to contribute to the development of an environment that supports appropriate risk-taking, without taking an overly narrow view of my own scope of responsibility.



**Emiko Hazama**

External Audit & Supervisory Board Member

Joined Suntory Co., Ltd. in 1982. After serving as the General Manager in charge of Transmission of Information, Osaka Tourism & Convention Association, and Deputy Mayor of Sakai City, became Professor, Department of Public Affairs, Osaka University of Commerce in 2020. Was appointed as an Audit & Supervisory Board Member of the Company in the same year. She specializes in urban policy and regional economic theory.

### The importance of creating an open culture

After assuming the post of Audit & Supervisory Board Member, I visited several sites and saw how each and every employee was working to improve safety and service in a disciplined manner, without losing morale, even in a situation where the number of customers was decreasing due to the coronavirus pandemic. I hope that the Company continues to focus on creating an open culture that will serve as the foundation for this.

It is people who make a company or organization, and it is people who make its future. I strongly feel that we should be a company that values employees who are sincere in their duties and where each and every employee can work with vitality.

### Further deepening our knowledge with social perspectives

I believe that my role is to apply a social perspective to auditing

### Yasumi Katsuki

External Audit & Supervisory Board Member

Registered as a Certified Public Accountant in 1977. After serving as a Partner of Asahi & Co. (now KPMG AZSA LLC), established Katsuki Office in 2010. Became an Audit & Supervisory Board Member of the Company in 2011.



### It is important to monitor the three defensive lines as a single link

To strengthen corporate governance, we need to grasp governance, internal control, and risk management as a whole, as a single link. I think it is extremely important to have a sense of the big picture by monitoring the three lines of defense that protect these areas; namely, the first is management of the local work units; the second is management by the back-office departments; and the third is the functions of the internal audit department. As an Audit & Supervisory Board Member, I will continue to take a close look at how these three lines play a role and whether they are functioning properly.

based on my experience in the corporate and government sectors, keeping in mind the social responsibility that the Group bears as an infrastructure company and the changes that will occur in the future.

At the Board of Directors meetings, external directors express their opinions frankly based on their experiences and expertise, and there is a system in place to continually engage in discussions from the early stages of consideration, including matters for consultation. It is very important that information is provided for the discussion process leading up to the board meeting, including the relevant advantages and disadvantages, and I myself check the materials from that perspective. It has been one year since I took office, and I believe that we need to put even greater efforts into improving governance throughout the Group, as well as cooperation with accounting auditors and internal audit departments.

### What we value most is winning the confidence of all our stakeholders

Although we are facing a severe business environment, it is important to enhance our corporate value together with our stakeholders, as well as to value the broad perspectives of ESG and the SDGs. Along with this, we need to win the confidence of all our stakeholders, including our customers and local communities. To achieve this, what we need to do is to strengthen corporate governance and to ensure that we look closely at whether we are fostering confidence during our audits.

We also need to consider from a broad-based perspective what the JR-West Group should be and what role we can play in the future. As an External Audit & Supervisory Board Member, I intend to contribute my own ideas from that external perspective.