

West Japan Railway Group Integrated Report 2021

—Report on Our Value for Society—



Contents / Editorial policy

Contents

Corporate profile	2
Our vision	3
● Our cherished values	
● Toward value creation by the JR-West Group	
Message from the president	7
● The president's message	
● Three-way discussion—Creating innovation	
● The future being created by the JR-West Group Technology Vision	
Building safe and reliable railways that offer peace of mind	15
● Enhancing safety, with the derailment accident on the Fukuchiyama Line as the starting point	
● Steady implementation of the JR-West Group Railway Safety Think-and-Act Plan 2022	
Strategies for value creation for our vision 25 —JR-West Group Medium-Term Management Plan 2022—	
A foundation supporting value creation	35
● Global environment	
● Human resources and motivation	
● Human rights	
● Corporate governance	
Financial data	49

Editorial policy

This report has been published in order to provide information about JR-West Group's various initiatives and the value they bring, and to communicate with our wide range of stakeholders. The information provided herein focuses on those areas we particularly wish to highlight. For further details of our initiatives, please refer to the relevant pages of our website.

Scope

In principle, JR-West Group (including some initiatives at the non-consolidated level)

Applicable period

In principle, April 2020 to March 2021

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).

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 2021, FY2021 the year ended March 31, 2021

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;
- outbreaks and epidemics of infectious diseases;
- 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 September 30, 2021, and JR-West does not undertake to update or revise any of its forward-looking statements or reflect future events or circumstances.

Businesses of the JR-West Group



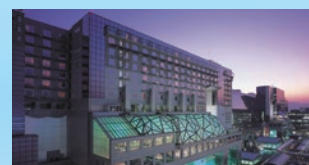
Transportation operations
Railway services, bus services, ferry services



Retail business
Sales of goods and food services, department store, etc.



Real estate business
Shopping center management business, real estate sales and leasing



Other businesses
Hotel business, travel business, construction business, etc.

WEST EXPRESS GINGA

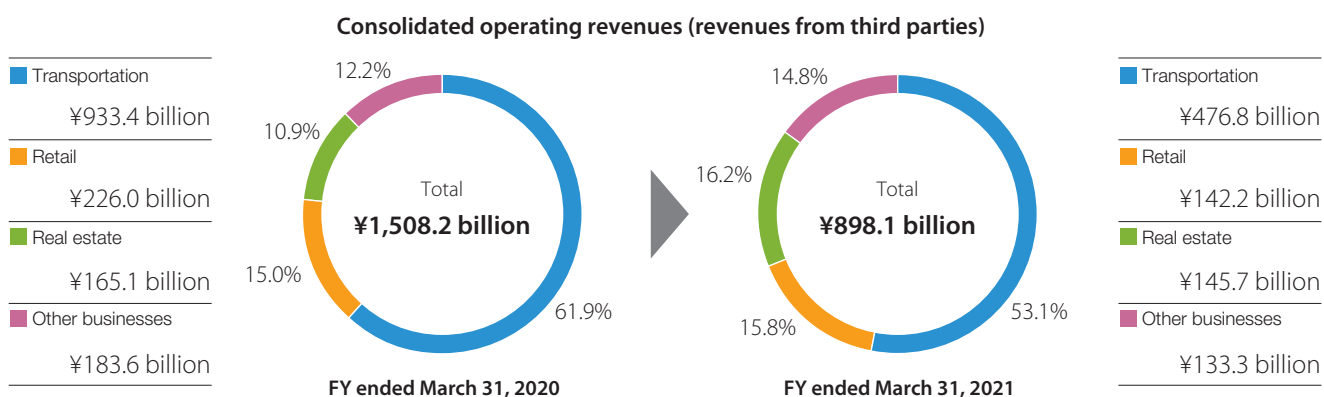
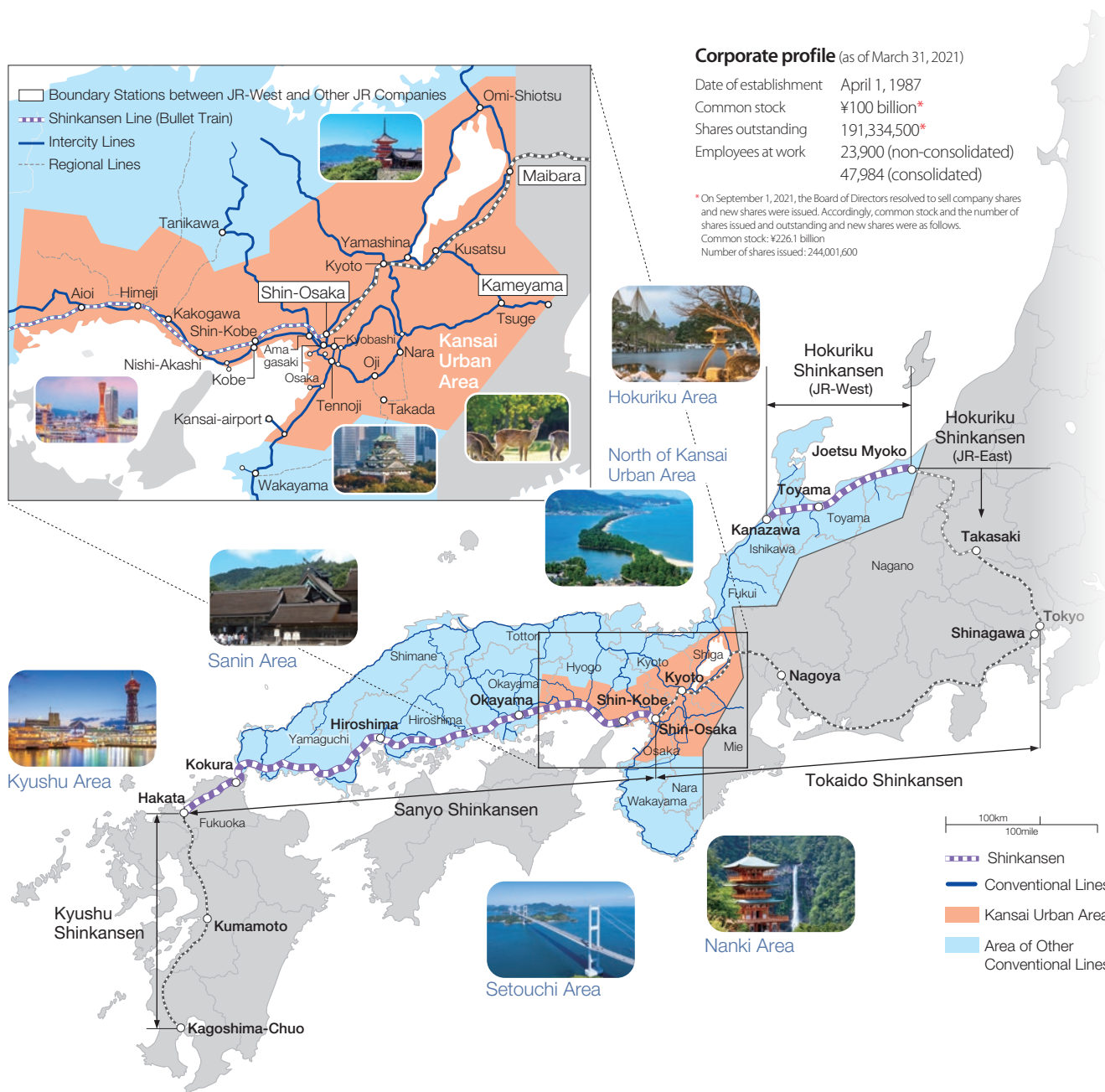
This service was launched with the goal of promoting the appeal of western Japan and revitalizing the region. In order to facilitate enjoyable journeys, we work with the people in the vicinity of the rail lines to offer hospitality both inside and outside our trains by selling attractive local specialties and showcasing traditional arts.

To date we have operated the Sanin and Sanyo routes from the Kyoto, Osaka, and Kobe areas, linking the attractive regions of western Japan. In July 2021, we launched the Kinan course, which offers a plethora of food, culture, and natural beauty.

At Yukawa Station (featured in the photograph on the cover) on the Kisei Line, the Company collaborated with Wakayama University, the Nachikatsuura Town Office, and local landowners to capitalize on the opportunity represented by operating this train to improve the scenery and allow people to take in the beautiful view of the bay.

Corporate profile

The JR-West Group covers the Kansai region, home to one of the most prominent economic zones in the world, and rich in tourism resources such as those of the Setouchi area. The novel coronavirus has had a significant impact on the environment in which we do business. However, we are treating this as an opportunity for change, and we will endeavor to rapidly achieve structural reforms and leverage our abundant resources to create demand, working together to improve our corporate value in the medium and long term.



Our cherished values

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

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 allowing 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 allow an accident such as that on the Fukuchiyama Line to occur. 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—sincere response to the victims of the train accident, measures to enhance safety, and furthering of reform—as top priorities.

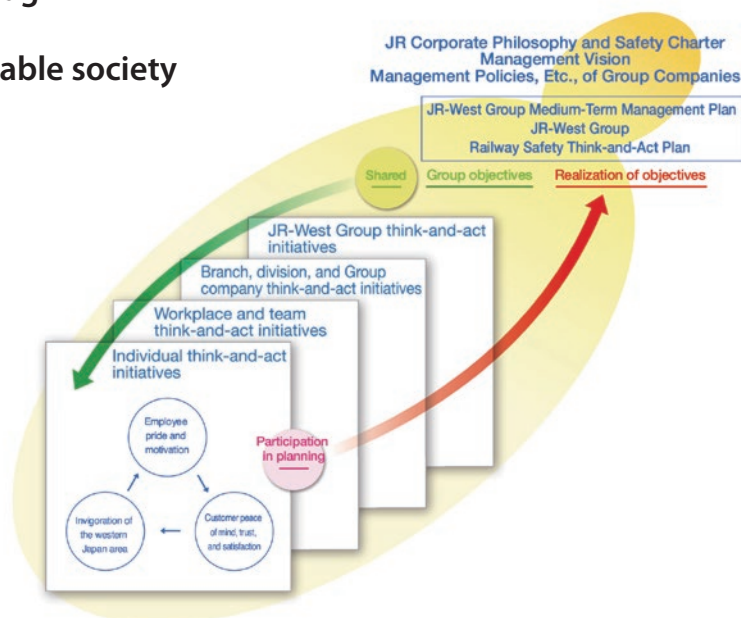


A Corporate Philosophy that is realized through the thinking and actions of each individual—Contributing to the creation of a sustainable society

Our Corporate Philosophy was created after reflecting on the derailment accident on the Fukuchiyama Line and deliberating on the “significance of our existence,” “what society demands of us,” and “what we must do to answer those demands.” In working to make it a reality, we are fulfilling our responsibility as a member of society while also contributing to the creation of a sustainable society.

Each and every one of our employees—the protagonists in realizing our Corporate Philosophy—recognizes the significance of his or her job (what it is for and what it achieves), tirelessly pursues the concept of “think-and-act,” and enhances the value that we deliver to stakeholders and society. This, in turn, leads to motivation and a sense of pride for each employee.

We are working hard to create this virtuous cycle.



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.

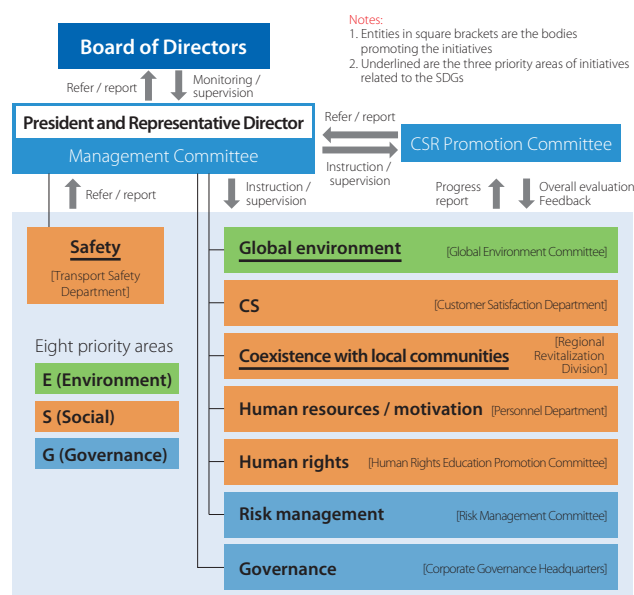
Sustainability promotion system

The CSR Promotion Committee convenes to verify progress and discuss issues among the relevant officers.

The CSR Promotion Committee conducts comprehensive, wide-ranging evaluations from perspectives including external assessments, the opinions of our employees, and the degree of target achievement (including KPIs) and provides necessary feedback to the committees in each area. The PDCA cycle is promoted in the eight CSR priority areas by each of the responsible departments.

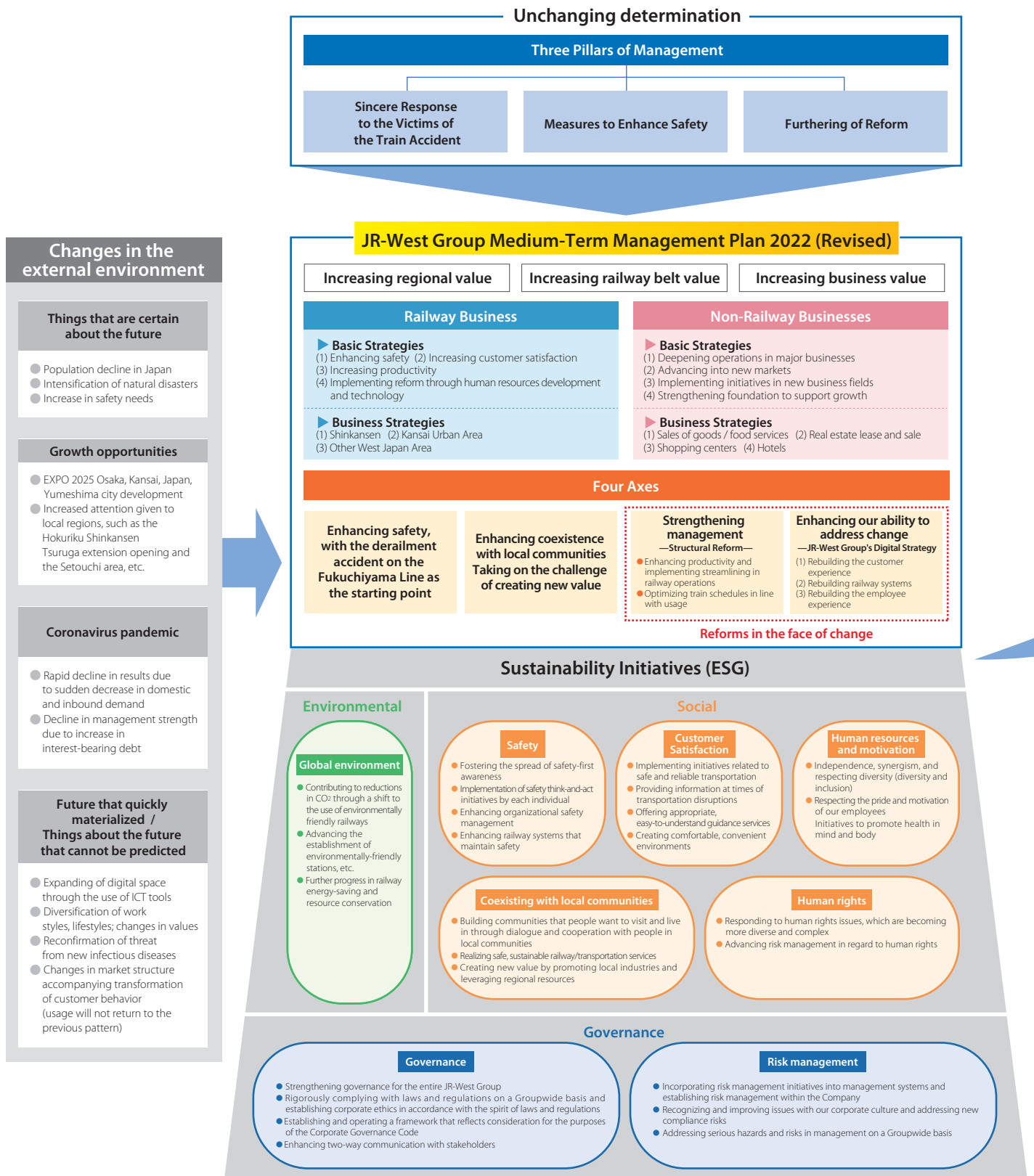
In addition, the status of initiatives in each area is discussed by and reported to the Board of Directors.

Note that safety is the most critical issue that forms the basis of our business, so we place it in a separate, special category.



Toward value creation by the JR-West Group

—Sustainability initiatives—



Basic approach to sustainability

Our Group's mission is to support our customers' lifestyles and contribute to the social and economic development of local communities, centered on the railway business. With railway safety at the foundation, we will draw on the strengths of our environmentally-friendly railways to contribute to carbon neutrality, while helping to resolve social issues through a cycle in which the region's abundant nature and culture, as well as city development, serve to revitalize local communities. In this way, we will realize our vision of creating "a safe and comfortable society filled with meetings among people and smiles." We believe that these efforts will lead to the creation of a sustainable society.

We will also contribute to realizing the SDGs by achieving a western Japan area in which everyone, including future generations, can continue to enjoy energetic, active lifestyles.



The president's message



The Group's unchanging mission in the face of social change

The JR-West Group's operations, including the railway business, are facing an unprecedentedly severe business environment due to the novel coronavirus pandemic and its prolonged impact.

Despite these circumstances, the mission of the JR-West Group, as a social infrastructure business group, remains unchanged: to ensure the safety of our core railway business, and to continue to support the convenient and comfortable lives of our local customers and the development of society and the economy.

Taking as the starting point our unchanging determination to ensure that we will never again allow an accident such as that on the Fukuchiyama Line to occur, and the lessons we have

learned after reflecting on the accident, our foremost mission remains to ensure safety, and making this our top priority is indeed at the heart of our business and the source of our value. As the officers and employees who knew the situation at the time of the accident are now retiring, we have recently defined the "Essential perspectives in achieving safety" with the strong conviction that we must inherit the heavy reflection and lessons learned from the accident and realize safe railways in the future. By passing on these perspectives as a compass for the realization of safe railways, we will build "a railway that assures our customers of its safety and reliability," as stated in our Corporate Philosophy.

Achieving “reform and reconstruction” by adapting to change and providing greater value to society

The novel coronavirus pandemic has, in an instant, brought about a series of structural changes in the world that would otherwise likely have taken place over the next 10 years, and this has posed a variety of challenges for our Group. Our revision of the late-night timetable in March this year in order to secure workers for railway maintenance also reflects such structural changes.

In order to overcome this difficult situation, in October last year we revised the JR-West Group Medium-Term Management Plan 2022. Our main objectives are to enhance railway safety, enhance coexistence with local communities and create new value, strengthen management, and reform the Company to enhance its ability to address change. What we are aiming for is to provide even greater value to society through “reform and reconstruction,” rather than returning to our previous state, by taking the pandemic and changes in social behavior as an opportunity for transformation, and by adapting to change.

Against the backdrop of a reduction in the use of trains compared with previous levels, we will reform in particular the cost structure of our railway business so as to continue to ensure safety and secure the peace of mind and trust of our customers, while continuing to deliver value to their satisfaction. We will

also hone our ability to adapt to change, while also striving to innovate, including implementing digital-driven business reforms. In this way, we will create value as we work hard to ensure that our business operations and service provision meet the needs of society.

Although conditions are uncertain due to the pandemic, in September this year we raised capital through the issuance of new shares. This is because we believe it is necessary to improve our financial position in order to promptly implement our growth strategies, including city development and the creation of tourism demand through coexistence with local communities, as well as to enhance our ability to respond to the changing business environment. Through this capital financing and our revision of the JR-West Group Medium-Term Management Plan 2022, we aim to enhance our corporate and shareholder value through post-pandemic growth.



Our Group’s role in realizing a sustainable society

Along with the revision of the JR-West Group Medium-Term Management Plan 2022, we have set out the role of the JR-West Group in achieving the Sustainable Development Goals (SDGs) that aim for a sustainable society.

In particular, we recognize that protection of the global environment, including the response to climate change resulting from global warming, as seen in the increasing severity of natural disasters, is a crucial management issue for business continuity. Accordingly, in April this year we formulated JR-West Group Zero Carbon 2050, a long-term environmental goal to realize a decarbonized society. This includes the objective of achieving “net zero” CO₂ emissions for the entire JR West Group by 2050, and to that end, also sets a target of reducing CO₂ emissions by 46% in fiscal 2031 versus fiscal 2014. In addition, we have endorsed the Task Force on Climate-related Financial



Disclosure (TCFD) and are disclosing information based on its recommendations.

Through these efforts, we will further refine the environmental superiority of our railways and build railways that can be used more than ever before.

While fulfilling our mission to create “a safe, comfortable society filled with meetings among people and smiles,” we aim to achieve sustainable growth for the Group and also to contribute to the creation of a sustainable society through collaboration with our stakeholders, as “a railway company that coexists with local communities.” I will take the lead in vigorously promoting the Group’s concerted efforts.

Kazuaki Hasegawa

Kazuaki Hasegawa

President and Representative Director

Three-way discussion—Creating innovation



Kazuaki Hasegawa

President and
Representative Director
West Japan Railway Company

Toshihide Kasutani

Commissioner
Japan Patent Office
(As at June 2021)

Hiro Nishiguchi

CEO
Japan Innovation Network
(JIN)

Creating innovation, with every site and every employee as the starting point

Mr. Toshihide Kasutani, Commissioner of the Japan Patent Office (as at June 2021), Mr. Hiro Nishiguchi, CEO of Japan Innovation Network, and Mr. Kazuaki Hasegawa, President and Representative Director of West Japan Railway Company, exchanged views on how innovation can be created in companies and what issues should be addressed.

Transforming invention into innovation through insight

Hasegawa The major impetus for our innovation efforts was the JR-West Group Technology Vision announced in March 2018. In the process of formulating the JR-West Group's Medium-Term Management Plan, which started that year, we discussed various issues within the company and came to the conclusion that in order to respond to changes in society, we must realize organizational and technological innovation and transform the value we provide. Therefore, we drew up an image of our vision for ourselves in 20 years' time.

The first goal we set forth is, needless to say, pursuing further safety and reliability of transportation in the railway business. The second is providing railway/transportation services that play a role in supporting the creation of appealing areas. This is an approach that aims to improve customer experience and value. And the third is building sustainable railway/transportation systems. This is our image of the transportation system that is needed to realize a sustainable society, and it is also linked to the SDGs (Sustainable Development Goals). In order to achieve these goals, we aim to incorporate not only individual elemental technologies, but also underlying approaches and attitudes that are not part of our conventional DNA.

Kasutani Drawing an image of what you want to achieve in

the future is exactly what prototyping is all about, and I think it is very important for companies that are aiming for growth. Amid the current difficulties posed by the coronavirus pandemic, it is very encouraging to hear that a Japanese company is actively investing in innovation for the future.

Hasegawa If you want to make a big change, it's not a matter of whether or not you can do it. Rather, it's a matter of drawing up a vision and then backcasting from there to clarify what should be done now and what should be done tomorrow. You can't make a concrete mountaineering plan without first deciding when you're actually going to climb this mountain.

Nishiguchi With all industries currently facing difficult times in their core businesses, it is very important to innovate. What's happening in the world is not competition in the core business, but innovation competition. The best defense to protect your core business is to keep innovating; that is, to create new intelligence and implement it in your business. If we want to create the future, we have to acquire the ability to create it ourselves.

Kasutani Indeed. The Japan Patent Office (JPO) also issued a Design Management Declaration three years ago. Design management is an agile type of management, in which the needs and wants are identified from the customer's perspective, and numerous designs are created through trial and error at a detailed level. Rather than creating what you don't have

Toshihide Kasutani

Joined the Ministry of International Trade and Industry (now the Ministry of Economy, Trade and Industry) in 1984. After gaining an MBA at Harvard Business School, he was in charge of trade policy and industrial policy. He served as Director-General of the Multilateral Trade System Department, Director-General of the Electricity and Gas Industry Department, Director-General of the Manufacturing Industries Bureau, Director-General of the Economic and Industrial Policy Bureau, and Assistant Deputy Secretary General of Japan Economic Recovery Secretariat at the Prime Minister's Cabinet Office before being appointed Commissioner of the Japan Patent Office in 2020. He retired from this post in July 2021.



Hiro Nishiguchi

Joined the Long-Term Credit Bank of Japan, Ltd. in 1986. After working for the World Bank Group and Mercer Japan, he was appointed as an Executive Officer of Innovation Network Corporation of Japan in 2009. In 2013, he established Japan Innovation Network (JIN), and in 2019, he was appointed CEO. He is a Specially Appointed Professor at Sophia University.



by yourself, from scratch, you can use open innovation to gain the cooperation of other entities. We have been advocating the necessity of this kind of thing for companies, and we have also started not only advocating it, but also trying to practice it ourselves and learn design thinking. Originally, the main role of the JPO was to establish rights and protect them, but in the future, we would like to create a system to make good use of the rights that have been established.

Nishiguchi In a well-known American report called the “Palmisano Report” published in 2004, innovation is defined as “the intersection of invention and insight, leading to the creation of new value.” The key point is insight, and in this respect innovation differs from mere invention.

Innovation must be value creation. In other words, insight turns mere inventions into value creation through business models. Innovation occurs when invention and insight are successfully combined. I think this is also related to the question of what intellectual property is. Generally, when we think of intellectual property, we associate it with invention, but I think the part related to insight is actually very important. For example, I believe that there are great hints for innovation in the points of awareness and understanding, the hidden needs of customers and communities along the railway lines, hopes for the future, and areas of dissatisfaction that can only be understood by JR-West itself.

The ideal form of an innovation-promoting organization

Nishiguchi There are two main patterns of innovation promotion in different countries. One is led by startups. The other is led by existing organizations. Basically, a country that can do both of these things is a strong country and has a strong industry. The startup formula is largely the same in every country and shares a common language, as the Silicon Valley style has spread around the world.

On the other hand, existing companies have not had this kind of common language until now, but with the establishment of the ISO 56002 international standard for Innovation Management Systems (IMS) in 2019, existing companies finally have a common language too. I have been involved for

quite a while in drafting this standard as a representative of Japan, and countries around the world are taking it very seriously. In the case of JR-West, what kind of organizational structure does the company have for promoting innovation?

Hasegawa The coronavirus pandemic has dealt a heavy blow to our core business over the last year, including our railway business, and this has heightened the sense of crisis that's compelling us to pursue innovation in earnest, focusing on digital technology, and create value for the post-corona era. As a consequence, we launched a new organization, the Digital Solution Headquarters, in November last year to replace the existing Open Innovation Office and Data Solutions Group. We asked the heads of each department in the company to recommend the most suitable people, and we have created an organization that connects the entire company cross-functionally, including the data analytics team and the Business Design Division.

Kasutani By creating a broad structure in the form of the Digital Solution Headquarters, I imagine the goal was also to make the entire group aware of the necessity and importance of innovation?

Hasegawa Yes, that's right. We anticipated that there might be some conflicts with existing business units if this Headquarters were to fulfill a cross-functional role, so at the moment I, as the president, am concurrently serving as its head. Every two weeks or so, I meet with the leaders of the Headquarters to ask them about the progress of their work and any problems they are having, and if necessary, I try to act as a “bulldozer” to make their work easier.

Nishiguchi By having the president himself lead the new organization as the top executive, you have shown not just the organization, but also the entire company that you mean business. When you said “bulldozer” at the end, is that in the sense of breaking down walls?

Hasegawa Yes. In many senses, there are “walls” between departments. For example, the Marketing Department and the various technical departments have their own systems to hold data, but they are all standalone. In such cases, I, as the president, call on them to move forward while eliminating any resistance. I will continue to play the role of “bulldozer” in that sense, more and more.

Nishiguchi I agree that it's important for top management to take action and show that they are serious.

Creating innovation, with every site and every employee as the starting point

Each employee should have an awareness of playing a leading role

Hasegawa As the head of the Digital Solution Headquarters, the message I have been actively communicating is “trial and error.” Inherently, the railway business is based on the principle of safety first and steady implementation, without failure. A wide variety of people with different jobs perform their assigned roles accurately, and then hand them over to the next person to ensure safe train operation according to the timetable. Therefore, each employee is basically expected to properly perform the duties of their respective role as specified.

However, the way services are provided and the approach to ensuring safety also changes with the times, as do the demands of society and the underlying technology. Is it enough to just continue following the rules and regulations as if they were golden rules? That wouldn’t be enough to keep up with the demands of the times. Especially when it comes to this innovation work, I encourage our personnel, telling them that failure is acceptable, that failure is an important experience for success, and that the more failures you have, the more medals you get, and this leads to results in the end.

Kasutani I understand this very well. We at the Patent Office also have certain work to do consistently on a daily basis. If we don’t do this steadily and try new things, we won’t be able to evolve in the right direction. I think it’s really difficult to figure out how to balance what needs to be protected and what needs to be changed.

Hasegawa In the Digital Solution Headquarters, rather than withdrawing into our shell and doing things by ourselves, we talk to each department about various things and say, “Let’s work together!” I think our role is to lead the way. This message is gradually being conveyed to the existing business units too, and when they realize that if they do this, the value of their own department will also be enhanced, or their work will become easier, they become more actively involved. Also,

our Headquarters has a lot of contacts with external businesses, which is also a great source of inspiration for our members. I feel that open innovation enhances our organizational capability, not only in terms of technological achievements, but also in terms of developing the human resources involved.

Nishiguchi Many people think of open innovation as the exchange of technical information, but in fact, really strong open innovation is achieved when the management systems of the respective companies are connected to each other.

Hasegawa What’s difficult is that the more you know about your work, the more conservative you tend to be about changing it because you know too much. I think it’s important to draw out from these people the desire to change and the need to change, and to let them exercise their skills and lead the organization in order to promote change within a limited time frame.

Kasutani There are many things we also have to do in our work in accordance with the set rules, and we can’t just willfully change those rules. However, if you think about it, there can be a more rational way of doing things, and that can be done by changing the rules. I think it’s about shaking up that situation and creating the realization that we need to improve the way we have been doing things.

Hasegawa We often use the term “think-and-act” in our company. It’s about thinking for yourself and acting by yourself. Of course it means fully understanding what the rules are. And why such rules exist. And also whether the rules can be adapted to the current situation. In this way, we encourage all of our employees to think for themselves and act accordingly.

We have a system in place to ensure that if there are any operation-related laws or regulations that the front-line personnel feel should be changed company-wide, their voices will ultimately be heard by the head office. As a result, in recent years we have made various revisions every year based on the opinions of our front-line employees.

Kasutani It’s hard for employees to come up with suggestions unless they have a sense of trust in the management and the organization. If you say something to top management and get no response at all, people will stop saying anything. Even if a proposal is not accepted, I think it is very important to properly explain why it cannot be done.

Hasegawa That’s exactly right. I also believe that feedback is vital. It’s absolutely necessary to create a system within the organization to change things that can be changed in response to suggestions for improvement, and if they cannot be changed, to properly respond about why they cannot be changed. Whether it is a matter of safety or a service, the starting point is the front line, and in recent years we have been putting considerable effort into taking on board what our front-line personnel have noticed or consider to be a problem, and then giving them proper feedback.



Achieving sustainable growth in the future

Kasutani After the collapse of Lehman Brothers more than a decade ago, R&D spending at companies around the world dropped precipitously. However, while Europe, the US, and China recovered to their original levels around one to three years later, it took Japan about five years to recover. In my opinion, the slump during this period, in other words, the failure to invest in the future, has led to the current decline in Japan's ability to innovate. As I said at the beginning, I think it is very important to take a management decision, in the way that JR-West has, to look to the future and do what needs to be done, even in these times of economic difficulty resulting from the pandemic.

Hasegawa The railway industry is in a tough situation, but I believe that we must do what is necessary, even if it means gritting our teeth, to ensure sustainable growth in the future.

Nishiguchi When it comes to sustainability, the SDGs are now the basic global consensus. How do the SDGs relate to the innovation efforts being made by JR-West?

Hasegawa There are many aspects to the SDGs, but the most relevant theme for our Group is "coexistence with local communities." We believe that providing a variety of lifestyle services with a focus on local transportation will lead to the sustainable development of communities and also to the development of our operations.

Another area is "environment." Railways have always been a means of transportation with low CO₂ emissions, provided they are used a lot, and recently we have been working to achieve our Zero Carbon 2050 target.

Nishiguchi What are your future plans for innovation?

Hasegawa I believe we need to firmly embed the idea of innovation within the company. The Digital Solution Headquarters is leading the way in this direction, but I believe that this is a theme that will ultimately be addressed by all departments of the Group. We also plan to firmly incorporate the concept of Innovation Management Systems (IMS). When I re-read the guidelines in the IMS, I found that they clearly indicate very important points such as having a clear vision, commitment by top management, and the process of realizing innovation.

Nishiguchi Fifty-nine countries spent six years creating the standard, so I am proud to say that it has become something worthwhile. The point of IMS is that it can be applied to both existing business units and innovation-related areas. I hope you can make good use of it.

Kasutani What today's talk reaffirmed for me was the importance of sharing objectives and goals. This allows you to expand your connections not only within your own organization, but also with other organizations. The other point is the role of top management. It was clear to me that we need to review what needs to be reviewed in order to achieve our shared objectives, but that strong support from



top management is important for this.

The Ministry of Economy, Trade and Industry as a whole is moving toward a mission-oriented approach to solving socioeconomic issues in its future industrial policy. In order to create innovation, we should take on challenges quickly and without fear of failure. There are some aspects that are difficult to implement in a public institution, but I am trying to learn as I gain experience.

Nishiguchi The term "ambidextrous management" has become popular, but what it really means is that not only the innovation-related departments but also the existing business units should engage in "knowledge exploration" and "knowledge evolution." In other words, everyone should work together to create new products, new businesses, and new customer experiences. At JIN, we call this "double-decker bus management." The lower deck is occupied by the president and management team who are in charge of driving and know what needs to be done, while the upper deck is occupied by people who are exploring new things, so that management exploration and execution can be performed simultaneously.

Hasegawa We also believe that each and every one of our employees plays a leading role in promoting innovation. The seeds of change can be found in our daily work, on the front lines where we greet our customers with a smile and tighten every single screw. Every piece of data obtained in the field is a valuable seed for innovation that can generate new value. I want to create a corporate culture in which not just those in a specific department, but each and every person on the front line feels that they are playing a leading role. I would like the entire organization to innovate and achieve our vision for the future.

Thank you very much for taking part in today's discussion.

The future being created by the JR-West Group Technology Vision

The JR-West Group Technology Vision, an organization-wide initiative

When formulating the JR-West Group Medium-Term Management Plan 2022, the idea of transforming the value we provide through technological innovation was discussed, and in 2018, we drew up the JR-West Group Technology Vision as to represent how we see ourselves in approximately 20 years' time, from a technological perspective. We have been promoting innovation to realize this vision. Furthermore, in order to achieve our ideals, since formulating our Technology Vision we have been reviewing our internal

organization and developing our corporate culture, including establishing the Open Innovation Office in 2018, in order to systematically engage in open innovation. In particular, in the light of the coronavirus pandemic and looking to the future of business operations in the post-corona era, we believe major reforms and innovations are needed, and therefore we are stepping up our innovation initiatives, including the launch of the Digital Solution Headquarters in November 2020.



Our three goals and utilizing innovation

Based on the pursuit of safe and stable transportation, we will create technologies to improve customer experience and customer value, and to realize a sustainable society and transportation system. In addition, by utilizing the new mechanism of open innovation, we will collaborate with a variety of partners to rapidly

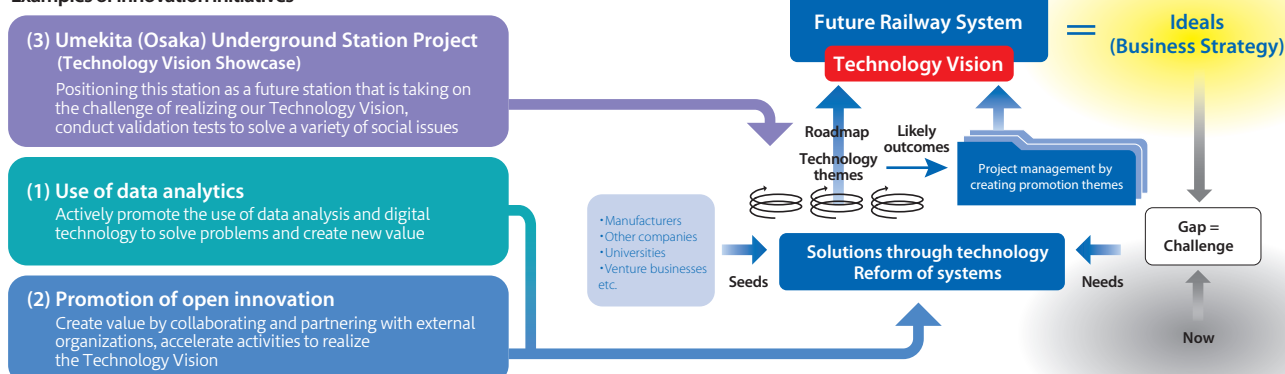
develop completely new elemental technologies.

We plan to make the Umekita (Osaka) Underground Station, which will open in 2023, a place where we can realize our vision of the future.



*ITS: Intelligent Transport Systems

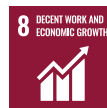
Examples of innovation initiatives



Associated SDGs

8. Decent work and economic growth
9. Industry, innovation and infrastructure

11. Sustainable cities and communities
17. Partnerships for the goals



Initiatives to realize the Technology Vision

(1) Use of data analytics

Actively promote the use of data analysis and digital technology.

Change maintenance system to CBM (Condition Based Maintenance)

Constantly monitoring the status of facilities and railway lines using sensors and other equipment makes it possible to identify abnormalities remotely, without workers having to visit the site in person. In addition to solving the issue of future labor shortages, accumulating and analyzing data will enable us to predict equipment deterioration and make preventive repairs. For example,

in the case of automatic ticket gates, we have created an in-house solution that combines operational maintenance data and AI to achieve CBM,* and we expect this to play a role in driving maintenance system change.



*CBM: Condition Based Maintenance
Preventive maintenance to achieve both quality and efficiency through constant monitoring of the status of facilities

(2) Promotion of open innovation

By actively incorporating knowledge from outside the company and engaging in co-development, we are working to create new value together with a variety of partners.



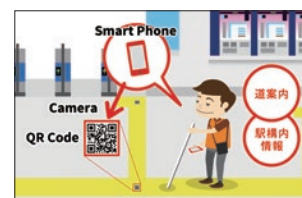
The world's first full-screen platform door with a flexible opening



AI station guidance robot for seamless mobility



Wheelchair step elimination mechanism for eliminating the level difference when getting on and off the railcar



Navigation system "shikAI" for the visually impaired

(3) Umekita (Osaka) Underground Station Project (Technology Vision Showcase)

We have positioned this station as a future station that is taking on the challenge of realizing our Technology Vision, and we are currently conducting validation tests.

The station is positioned as a future station and showcase for taking on the challenge of realizing our Technology Vision. We also expect it to play a role as a source of new customer and social value through the creation of safety systems and new lifestyle services that meet changing social needs. In this way, we aim for it to

become a "station of the future" that integrates the "real-world" and "digital" aspects. To realize this goal, we will employ the open innovation approach, to rapidly and flexibly incorporate technologies from a wide range of partners, and conduct a series of validation tests at actual stations.

External Commendation

Received the Minister of Economy, Trade and Industry's Intellectual Property Achievement Award (Open Innovation Promotion Company)



As a company that actively employs the intellectual property rights system, in fiscal 2021 we received the Minister of Economy, Trade and Industry's Intellectual Property Achievement Award (Open Innovation Promotion Company). We were particularly commended for "strengthening the innovation creation system based on the Technology Vision," "active promotion of open innovation," and "strategic acquisition of intellectual property with an awareness of the protective (i.e., technologies related to safety and stability) and the proactive (i.e., technologies to improve profitability)." We will continue to accelerate the creation of innovation and strive to realize our vision.

Key Points in Presentation of Award

- The company has set out the "JR-West Group Technology Vision" as its vision, has clearly declared its policy on open innovation, and is promoting initiatives. With regard to organizations, in 2018 the company established the Open Innovation Office, and in 2020 it launched the Innovation Department within the Railway Operations Headquarters to strengthen the structure and promote innovation creation.
- In collaborating with small and medium-sized venture firms, the company experienced numerous difficulties at the beginning, due to a number of invisible gaps such as differences in decision-making processes. Learning from this experience, the company introduced a system for sharing the goals of collaboration at the planning stage, which has accelerated progress with open innovation. The company is fostering and creating innovations together with its business partners, such as the world's first full-screen platform door (Nabtesco) and a wheelchair step elimination mechanism (Komatsu Ltd.), thereby enhancing the corporate value of both parties.
- The company purposely and strategically acquires intellectual property: as "protective" technologies on the one hand, which contribute to the safe, stable, and sustainable operation of railways (e.g. platform doors); and as "proactive" technologies on the other hand, which improve profitability (e.g. technology to determine when to perform maintenance, automated operation, etc.). In addition, the company is enhancing its organizational structure for utilizing intellectual property and supporting this utilization, such as coordination with CVC (corporate venture capital) activities at Group companies.

—Enhancing safety, with the derailment accident on the Fukuchiyama Line as the starting point

The derailment accident on the Fukuchiyama Line

On April 25, 2005, issues at the West Japan Railway Company resulted in an 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.

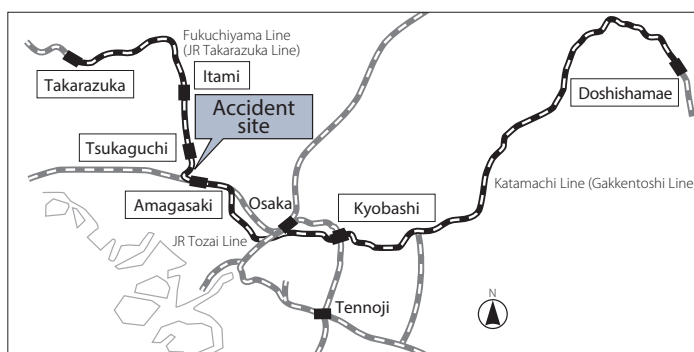
We will continue to make concerted efforts for all persons affected by the accident, while striving to further enhance safety measures and reform our corporate culture.

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 approximately 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 the train was traveling.

In this derailment, 106 passengers and the train driver were killed. Furthermore, 562 passengers and 1 pedestrian walking near the scene were injured.

Cause of the accident

From the Railway Accident Investigation Report issued by the Aircraft and Railway Accidents Investigation Commission (now the Japan Transport Safety Board)

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.

Continuing reflection and passing on the lessons of the accident

No matter how much time has elapsed since the accident, and no matter how many generations pass, we must never let it be forgotten, instead making the derailment accident on the Fukuchiyama Line the starting point for all of our safety initiatives. Looking to the future, to ensure that we pass on the serious reflections and lessons that this accident has taught us, we have

reviewed the problems that were present in our corporate culture and safety management at the time and formulated "Achieving Railway Safety into the Future," which outlines what we should hand on as a compass for safety in the future. This was announced in March 2021.

Points to reflect on, and their background

At the time of the accident, JR-West had not put in place systems to identify and deal with risks when planning and implementing management policies, and we did not have an ATS (Automatic Train Stop) system with speed check functions installed on the curve where the derailment occurred. Moreover, our understanding of human factors was insufficient, and we had reeducation measures in place that were seen as being punitive. Further, there were problems within our organization, including stagnating technical capabilities

and a decreasing awareness of safety, excessive top-down communications, and overconfidence due to our previous successes.

As this shows, at the time of the accident, there were a slew of issues in every aspect of our safety management, and we had been unable to build a company-wide framework for ensuring safety and establish a corporate culture in which safety is the highest priority. We deeply reflect our failure to fulfill our responsibilities as a company entrusted with the lives of our passengers.

Reflections on the derailment accident on the Fukuchiyama Line

We had been unable to build a company-wide framework for ensuring safety and establish a corporate culture in which safety is the highest priority. In other words, we did not fulfill our responsibility as a company entrusted with the precious lives of passengers.

Major background factors to reflect on (Problems rooted in the organization)

How to address safety and ensure it in an organizational context

- We had not based our thinking on the idea that risk is inherent to operating a railway, and thus efforts must be made to prevent possible accidents with serious consequences, regardless of the laws and regulations.
- Because of strongly embedded perceptions that specialist divisions should be responsible for their own activities, management was not prepared to work together with the entire organization to make safety a top priority.

Dealing with employees who stand at the forefront of safety

- We were not working from the concept that any person may make a mistake, which led to the spread of idealistic instruction that had the potential to be perceived as punitive.
- Front-line employees were under the expectation that they should do what they had been told, exactly as they had been told, and as an organization JR-West had not yet matured to a level that allowed the opinions of its employees to be heard, recognized the personalities and independence of each person in the company, and improved the safety and quality of service through proactive effort.

Attitude toward society and overconfidence and excessive pride in railway operations

- We had grown overconfident and excessively proud of our operations, and we lacked the humility to learn from outside our own organization.

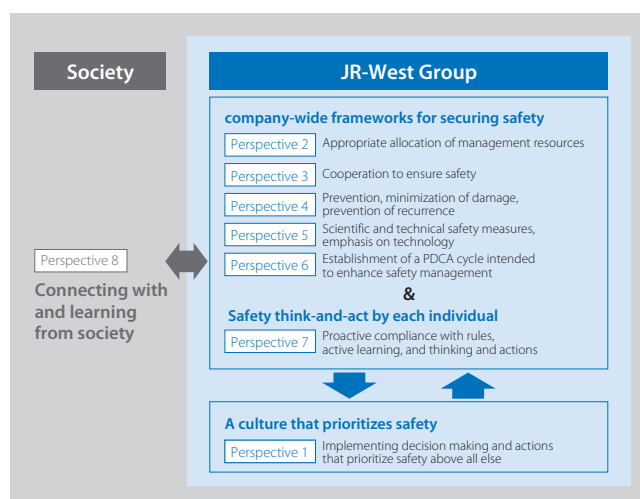
Learning from the lessons of the accident

In order to continue to operate safe railways in the future, we must create a company-wide framework for ensuring safety and leverage that framework to encourage safety “think-and-act” by each individual.

These activities will give rise to a culture in which safety is the highest priority, leading to the construction and improvement of systems and increased safety-oriented thinking and action by all individuals. Repeating this cycle will allow continuous improvements to safety.

In addition to promoting safety initiatives within the company, we will work to connect with and learn from society while gaining the cooperation of our customers and society at large, thus further improving railway safety.

Essential perspectives in achieving safety



Steps going forward

We will periodically check the direction of our safety initiatives, which are based on the “Essential perspectives in achieving safety” that we have defined as lessons from the accident, and periodically evaluate their effectiveness as we work to achieve improvements.

Moreover, we will leverage these perspectives to ensure that each of our employees understands the purpose and background of the safety initiatives and is aware of the role they have to play in putting them into action.

—Enhancing safety, with the derailment accident on the Fukuchiyama Line as the starting point

Memorial Grove (Inori no Mori) at the accident site

We incorporated input from victims and moved forward with a plan 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 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 ongoing safety as the Company continues to carefully and responsibly preserve the site for all future generations.



Efforts to keep the accident in mind and think and act accordingly

Based on our strong determination to prevent an accident such as that on the Fukuchiyama Line from ever occurring again, we conduct training and other initiatives to increase the awareness of each employee regarding safety. This will ensure that we do not forget this accident and allow us to put the lessons learned from it into practice in our daily work. Going forward, our employees and those of our Group companies will continue to visit Memorial Grove at the site of the accident of their own volition, where they will renew our pledge for safety.

Achieving unchanging determination

Hamada Railway Department, Yonago Branch

The very first clause in our local workplace policy is to work toward enhancing safety, with the derailment accident on the Fukuchiyama Line as our starting point. However, due to the effect of the novel coronavirus, in recent years we have had to refrain from visiting Memorial Grove. To ensure that the coronavirus pandemic does not curtail our opportunities to grapple with the derailment accident on the Fukuchiyama Line and thus halt our progress toward improving safety, we connect with Memorial Grove remotely each month to renew our awareness of its significance and of the vestiges of the accident. These moments also provide an opportunity for our employees to remember the seriousness of this tragedy and to reconsider its bearing on their daily work.

Employees from throughout the company, including station staff, railway crew, and employees in our rolling stock, facilities, and electrical installations, share their thoughts on the accident in an initiative that helps to instill an awareness of safety as the top priority for the entire railway department. Additionally, we compile the responses of employees who have undergone this as "Unchanging determination," which we distribute to every office on the branch, which will ensure that we do not forget the accident.



Every employee creates our corporate culture

Miyuki Sasaki

Train Center, Suita Depot, Kansai Urban Area Regional Head Office

When I saw the names inscribed on the monument at Memorial Grove, I was reminded of the lives of the people who died, and I thought of their families and had to fight back tears.

The phrase "corporate culture" came up during our reflections on the accident. I think that we must always be aware that it is we who create our own corporate culture, and I hope that we can create a corporate in which safety is the highest priority.

In our assessments of the risks in our workplace, we will refrain from being overconfident with regard to safety, instead taking a step back to offer hypotheses on risks from a variety of angles and discuss them with our colleagues as we work to improve the awareness of safety throughout the workplace.



Passing on the lessons to our successors

Yuki Kaneda Transportation Section, Fukuchiyama Branch

Our efforts at Memorial Grove allowed me to convey the situation and my thoughts at the time to employees who joined the company after the accident. Although at the time I believed that I was safety conscious, I did wonder if the means hadn't simply become the end. This initiative has caused me to reflect more deeply on our efforts to date directed toward safety and on our employees' awareness in this regard.

For younger employees, the change in awareness in thinking about safety is not actually a change as such, and thus those of us who learned the lessons of the accident first-hand must communicate its importance in full. I myself was present in the midst of this transition, which is why I want to go beyond stories of how things used to be to convey why our current safety measures are important, and communicate to the lessons of the accident in a systematic manner.



Responding to victims

At present, our specially established Supporting Headquarters for the Victims of the Derailment Accident on the Fukuchiyama Line is taking the lead in 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.

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. Due to the spread of the novel coronavirus, in 2020 and 2021 we have offered flowers at the Memorial Grove at the site of the Fukuchiyama Line accident, together with our apologies and condolences.

Explanation meetings

Every year we hold explanation meetings at which the company president and other associated executives inform accident victims directly of our improvements to safety and initiatives we have taken to address issues, as well as receiving input from them.



Initiatives toward creating a society that affords safety and peace of mind

As a company entrusted with the precious lives of passengers, we are committed to reflecting on the gravity of allowing such a major accident to occur and, as part of creating a society that affords safety and peace of mind, we established the JR-West Relief Foundation in April 2009. The foundation has followed the

spirit of its creation by engaging in projects that provide physical and mental care to those affected by accidents and disasters, while also engaging in projects for building safer local communities.

Hosting events

The foundation holds Life Seminars presented by guest speakers from various fields, which focus on life from multiple perspectives and strive to provide participants with the opportunity for personal reflection.

As an event marking its tenth anniversary, the organization now holds an annual essay contest for elementary and junior high school students, on the topic of "life," and shares the best submissions with the community.

Offering grants

The foundation offers grants to support groups and research projects working on preparations and recovery care for accidents, natural disasters, and unforeseen tragedies, in an effort to create a society that affords safety and peace of mind. Furthermore, in order to help promote emergency aid/life support training in local communities 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 Kansai area).



An online "Life seminar"



Staff training at a grant recipient's site



Essay contest booklet

Steady implementation of the JR-West Group Railway Safety Think-and-Act Plan 2022

Steady implementation of the JR-West Group Railway Safety Think-and-Act Plan 2022

The JR-West Group Railway Safety Think-and-Act Plan 2022, which was inaugurated in fiscal 2019, was formulated as a plan to pursue safety by going back to first principles, and it was motivated by a desire to ensure that we will never again allow an accident such as that on the Fukuchiyama Line to occur.

On the basis of fostering the spread of safety-first awareness, we will work over a five-year period to enhance railway systems that maintain safety by enhancing organizational safety management and practicing safety think-and-act initiatives by each individual. By realizing safety management with all employees participating, we will strive to prevent serious incidents and labor accidents.

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

Objectives			FY2019 results	FY2020 results	FY2021 results
Objectives over the 5 years through FY2023	Train accidents that result in casualties among our customers	Zero	0	0	0
	Train labor accidents that result in fatalities among our employees	Zero	0	0	0
FY2023 objectives Further 10% decrease from objective in Safety Think-and-Act Plan 2017 ¹	Train accidents involving people that result in casualties among our customers ²	Further 10% reduction	11	8	5
	Accidents at level crossings	Further 10% reduction	24	17	11
	Transportation disruptions due to internal factors	Further 10% reduction	170	167	145

¹ Further 10% decrease from the objectives achieved in Safety Think-and-Act Plan 2017

² An expansion of scope from the objective "Train accidents with casualties on platforms" in Safety Think-and-Act Plan 2017

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

Safety management with all employees participating

Each employee considers specific risks

To ensure the safety of not only customers but also fellow Group employees, each JR-West Group employee must take a moment to think with regard to potential risks. Only then can we ensure that our decisions and actions prioritize safety above all else.

Enhancement of railways systems that maintain safety

Object-Based Improvements

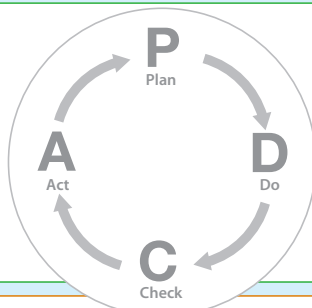
- Maintenance-related investments to ensure upkeep and improvement of current facilities' functions
- Investments and technological developments for increased safety levels
- Investments for reduced labor through mechanization and system-based changes

Policy-Based Improvements

- Compliance with subjective rules and improvement of technical capabilities and skills
- Establishment of measures to effectively reduce worker-caused errors
- Improvement of response flexibility with a focus on safety first

Enhancement of organizational safety management

- Improvement of quality of risk assessment
- Enhancement of safety management system
- Development of means to establish and maintain realistic rules



Implementation of safety think-and-act by each individual

- Creation of an environment that facilitates reporting of problems/concerns
- Establishment of self-management and self-improvement practices
- Implementation of measures that can be enacted as a group

- Understanding and putting into practice efforts developed in the wake of the derailment accident on the Fukuchiyama Line as well as safety-related policies
- Improvement in sensitivity to safety and development of judgmental skills and actions that prioritize safety

Fostering the spread of safety-first awareness

Associated SDGs

- | | |
|--|--|
| 8. Decent work and economic growth | 11. Sustainable cities and communities |
| 9. Industry, innovation and infrastructure | 13. Climate action |
| 10. Reduced inequalities | |



Instilling an awareness of safety as the top priority

Every person in the JR-West Group will keep the derailment accident on the Fukuchiyama Line foremost in their minds and, with an understanding of safety-related policies, will increase their awareness of safety by considering risks in a concrete manner. By taking real action without hesitation, such as halting trains

and stopping work when we feel that a situation may be dangerous or when safety cannot be confirmed, we will create a culture that prioritizes safety.

Example initiative Implementation of “odor” experience training (Fukuchiyama Rolling Stock Unit, Fukuchiyama Branch)

At the Fukuchiyama Rolling Stock Unit, we conduct “odor” training to teach people to detect the odors that can be sensed in the initial stages of an abnormality, training our staff to notice malfunctions in rolling stock at an early stage.

Specifically we have our staff and those of Group Companies experience the odor emitted when the oil and grease used in areas where parts come into contact with each other—such as gearboxes and compressors—heats up, allowing these staff to assess and respond appropriately when they encounter a strange odor.



Odor experience kit
A soldering iron (battery-operated)
and bottled oils



We will work to use this training to make the right decisions and take appropriate action

Ryota Imafuku Rolling Stock Management Staff,
Fukuchiyama Rolling Stock Unit, Fukuchiyama Branch

Participants in odor training were able to experience the smells of oil and grease in a normal state used in vehicles and to compare them to the odors of oil and grease in an unusually heated state. We plan to use the knowledge acquired through this training experience to make the right decisions and take appropriate action when we encounter an unusual odor.



We are doing our best to ensure that this initiative increases the value of employees' experience

Tomoya Honda

Rolling Stock Management Staff, Fukuchiyama Rolling Stock Unit,
Fukuchiyama Branch
(Now the Transportation Section, Fukuchiyama Branch)

In conducting this training, we do our best to educate staff in a manner that increases the value of their experience in advance, to prevent them from falling into the trap of being overconfident about their abilities in an emergency.

Although staff who undergo this training are used to smelling oil and grease itself, they have almost never smelled their odor when heated, so they engage in the classes with interest. We have also created documents with photographs of the equipment and the oils used in it to give participants a better idea of what is involved, organized in a way that makes it easy to understand where a problem has occurred when they detect an odor.

Rather than restricting this initiative to staff at our office, we opened it to staff from other locations and to train operators in yards from other Group Companies. To that end, we embarked on a range of undertakings, including creating a kit to provide experiences of unusual odors, featuring individually bottled oils that can be heated immediately. Looking to the future, we hope to increase the number of substances we use, including fats, oils, and rubbers, as we continue in our endeavors.



Experience-based training equipped us to make an assessment when a problem occurs

Daisuke Adachi Assistant manager, Train Operation Unit,
JR West MAINTEC Fukuchiyama Branch

I am responsible for operating trains inside the train depot and inspecting rolling stock before people drive it, and so I took part in the odor training at the Fukuchiyama Rolling Stock Unit. In the normal course of my work, I never notice the smell of the rolling stock, but smelling the heated oil and grease let us experience how rolling stock are when they are in an abnormal state.

Since different oils and greases are used in different areas of rolling stock, experiencing the odors that different kinds of oils make when heated gave us the knowledge to make an assessment when a malfunction occurs.

Assistant manager Daisuke Adachi (third from left)



Steady implementation of the JR-West Group Railway Safety Think-and-Act Plan 2022

Enhancement of organizational safety management

To improve the functions of railway systems for maintaining safety, we are constructing organization-wide mechanisms to ensure safety, such as safety management systems and risk assessment,¹ implemented at the managerial, technical and operational levels, based on an awareness of safety as the top priority. We also work to ensure that these mechanisms function effectively, without

deterioration over time, and are continuously enhanced. Specifically, we will improve the quality of risk assessments, which help to prevent serious incidents and labor accidents, and construct systems for safety management reviews,² and then utilize a PDCA cycle to improve these continuously.

Example initiative Using ISSM data to grasp trends in periods of high passenger volumes (Okayama Driver's Unit, Okayama Branch)

In the Okayama Driver's Unit, ISSM³ data is used for the following initiatives to prevent human error and minimize risk during periods of high passenger traffic (the Golden Week period in May, the Bon festival period in August, and the year-end and New Year holidays).

- (1) Analyzing trends derived using ISSM regarding events occurring during the year-end and New Year holidays over the past five years
- (2) Establishing initiatives for teams, led by assistant managers, to conduct in each area, deliberately held during periods of high passenger traffic
- (3) Surveying all drivers to identify lines, trains, and inter-station areas where drivers are liable to be careless, and suggest possible precautions
- (4) Holding "Meister Meetings" where leaders of each team evaluate the content of (1) to (3) above and post the results to bulletin boards and tablets at their respective locations



Discussions on near-misses that were the results of combinations of trains, inter-station areas, and environmental factors, and on how to deal with these



After Meister Meetings, the results are posted to bulletin boards and tablets



Supporting our drivers wholeheartedly

Satoshi Ono Assistant director,
Okayama Driver's Unit, Okayama Branch

We utilized ISSM data to analyze phenomena that occur frequently in periods of high passenger traffic, and we identified items to prioritize in our work. We also listen to the opinions of our drivers and catalog precautions for areas where they say they are liable to be careless, providing a visual representation of these issues and giving drivers an awareness of them, in an attempt to prevent human error and minimize risk.

This effort focuses on encouraging drivers to make these issues their own, and going forward we will support them as we work to reduce human error.



Consciously communicating with easy-to-understand words

Tsutomu Matsui Assistant manager,
Okayama Driver's Unit, Okayama Branch

Before periods of high passenger traffic, we hold Meister Meetings at which we identify specific risks and areas of concern for each route in the locations where drivers are assigned and discuss measures to address these.

The content discussed at these meetings is posted on bulletin boards, using consciously chosen short, easy-to-understand words. We also accompany drivers on trains to reconfirm those areas that need attention. A thorough review is carried out, examining the positive facets of each period of high passenger volume as well as those that require review, and we intend to use this as a platform to further improve safety for coming periods of high traffic.



1. Risk assessment: The process of identifying, evaluating, and prioritizing risks, and then discussing appropriate measures for all prioritized risks

2. Safety management review: A system under which management reviews and evaluates the construction and improvement of safety management systems, and then revises and improves them as necessary

3. Integrated System for Safety Management (ISSM): A searchable database of safety and risk assessment information

Safety think-and-act by each individual

Each of us endeavors to report and share information on safety—which leads to organizational safety measures—using this information to evaluate and implement self-management.

While encouraging and commending the efforts made by every person to improve safety, we publish examples where people

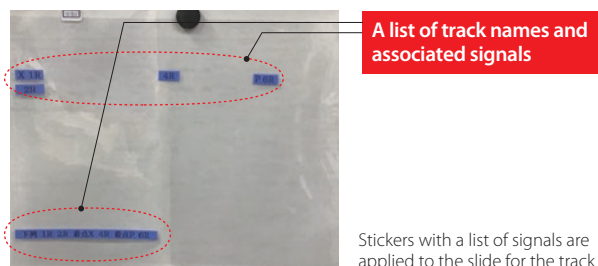
have been particularly creative or ingenious at each work site, disseminating them across the organization through work presentations and in-house publications and adopting their ideas as safety measures.

Examples of initiatives **Measures to prevent mishandling of signal controls** (Takatori Station, Kobe Station Control Area, Kobe Branch, Kansai Urban Area Regional Head Office)

Signals within Takatori station premises are automatically controlled digitally via monitors. When switched to manual control at times of construction work, it was not physically possible to prevent signal mishandling, and thus trains might have been able to enter a construction zone in error.

To solve this problem, we set a clear sheet over the monitors and created four slides, one to match each of the tracks in Takatori Station, and then placed stickers on each slide with a list of the signals on the relevant track.

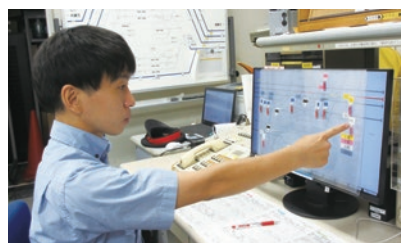
When performing construction work, we place the slide for the line where the construction work will occur onto the clear sheet installed on the control panel, allowing us to check any of the relevant signals visually. This enables us to check visually on arrangements to ensure that no train enters a construction zone, thus minimizing any risks of mishandling. This initiative is also being deployed at other stations.



Stickers with a list of signals are applied to the slide for the track



Slides are overlaid in clear sheets installed on PC monitors



Signals are controlled safely, even when under manual control

We will continue to use trial and error to improve our awareness of safety

Masashi Mizutani Transportation Management Staff, Kobe Station, Kobe Branch, Kansai Urban Area Regional Head Office

Before this initiative was implemented, we had used the technique of checking with backup personnel to confirm that there were no signals on the screen before beginning construction work. We thus had to rely on people's attention in many areas, and we felt that there was a risk of trains entering construction zones in error. A train car had entered a construction zone at another location, and after considering what could happen at our own station, we considered measures to prevent its occurrence.

To that end, we went through a process of trial and error in which we made prototypes and then improved them based on the opinions of our younger employees who are actually involved with operations, which allowed us to formulate measures for safer handling.

When updating the signal control equipment at Takatori Station in the future, we will also need to update this initiative, and thus we will work to identify problem areas again, doing our best to continue our efforts and reduce risk as much as possible. Moreover, we hope to ensure that the significance of our efforts is passed on to new employees and those who transfer to our station.



Steady implementation of the JR-West Group Railway Safety Think-and-Act Plan 2022

Enhancing railway systems that maintain safety

To maintain the safety of railways, we focus on tangible measures while also seeking to maximize the effect of more intangible measures and to supplement areas where tangible measures alone are ineffective. This combination of both tangible and intangible initiatives is intended to improve the functionality of

our safety-maintaining railway systems.

With regard to intangible measures, we work to prevent serious incidents and labor accidents by ensuring that each one of us understands the reasons and bases for our rules and actively complies with them.

Examples initiative Initiatives to learn from accidents using our “Safety Pledge” (Okayama Electric Unit, Okayama Branch)

At safety meetings are held every month at the Okayama Electric Unit, we study accidents that have occurred in the past in other locations and learn about the basis for current handling and rules.

Employees who have studied about past accidents complete “Safety Pledge” training notes on what they felt, things they noticed, things they have questions on, and things they would like to know more about, which they can submit to the unit manager at their own discretion. The unit manager writes their own comments and answers to these notes, resulting in a dialogue that improves awareness and answers each person’s questions.



Unit manager Yoshimasa Kawabata (left) and Naoaki Komiya (right) reflecting on and supporting concrete thinking and actions through the safety pledge

Sharing our reflections to increase awareness of safety

Naoaki Komiya

Electrical Management Staff, Okayama Electric Unit, Okayama Branch

At the safety meetings held each month, I write safety pledge training notes about the things I think of and notice, which I submit to the unit manager. This is a chance for me to communicate with the manager, and it has increased the number of opportunities I have to discuss safety.

Moreover, I receive feedback from the unit manager that acts as motivation for me to continue submitting safety pledges.

Every month we set goals to prevent the types of phenomena we learned about in the safety meeting from happening, and the following month we work with the unit manager to review and share areas where we could have tried more changes. Going forward, I hope that we can continue this initiative and further improve our awareness of safety.

Encouraging people to notice things through dialogue

Yoshimasa Kawabata

Unit manager, Okayama Electric Unit, Okayama Branch

Currently in safety meetings held in the Okayama Electric Unit, we review events that have happened at other locations and companies, writing down things we notice and questions that occur to us during these meetings in safety pledges so that we can reflect them in concrete thinking and actions.

Additionally, we have created opportunities for staff to share their safety pledges with me after the meetings, allowing us to resolve the questions they have written and facilitating communication between supervisors and their subordinates, all the while gathering opinions from employees.

I write my own comments and answers, resulting in a dialogue that improves awareness and answers each person’s questions, and it serves as an opportunity to link this initiative to concrete thinking and actions.

Response to the novel coronavirus

As a social infrastructure company that supports our customers' lifestyles, the JR-West Group works as one to protect the safety of both customers and employees, prevent the spread of infection,

and continue doing business, endeavoring to provide customers with safety and peace of mind.

Examples of initiatives

Contributing to the local community and initiatives to protect our customers and employees from infection

Initiatives to protect our customers from infection

To allow our customers to use our services with peace of mind, we maintain hygiene and take measures to prevent congestion and crowding.

● Disinfection and ventilation of stations and trains

- Spraying of anti-virus and anti-bacterial materials on elevators as well as on train car interiors and on devices such as automatic ticket vending machines
- Careful cleaning and disinfection of escalator handrails, and on handrails and hanging straps in train cabins, etc.
- Ventilation of waiting rooms and train cabins by opening windows and using air conditioners
- Installation of air purifiers* in approximately 600 limited express trains such as the Thunderbird and Haruka (installed sequentially beginning in September 2020)

*Purifiers use a combination of photocatalysts and ultraviolet light that has been confirmed to be extremely effective in eliminating odors, sterilization, suppressing viruses and removing VOC (volatile organic compounds).



● Information about congestion, etc.

- We provide information on our website about congestion by time period (based on statistics from the previous week) on our main lines and route segments
- We provide information in real time on congestion on 323 Series regular trains on the Osaka Loop and Yumesaki lines via the official WESTER MaaS app. Information is also available on congestion at major stations (based on statistics from the previous week)



Initiatives to prevent our employees from infection

To provide stable railway transport services and offer peace of mind to our customers, we are developing work styles such as working from home, and we are urging our employees to act to maintain their health and prevent infectious disease.

- Conducting workplace vaccinations
- Disinfection of rest areas and other shared spaces as well as shared items in workplaces
- Lower workplace attendance by asking employees to work from home and through socially distanced working



Contributing to regional society

JR-West cooperates with local governments in efforts to prevent infection, offering peace of mind to people who live alongside railway lines.

- Providing protective medical masks and clothing to medical institutions through local governments
- Providing guidance to large vaccination sites with WESTER
- Support for large-scale vaccination efforts by local governments through Group Companies

- Operation of vaccination sites
- Support for reservations and reservation changes at vaccination call centers
- Guidance at vaccination sites
- Operation of free shuttle buses to large vaccination sites



Current awareness and progress

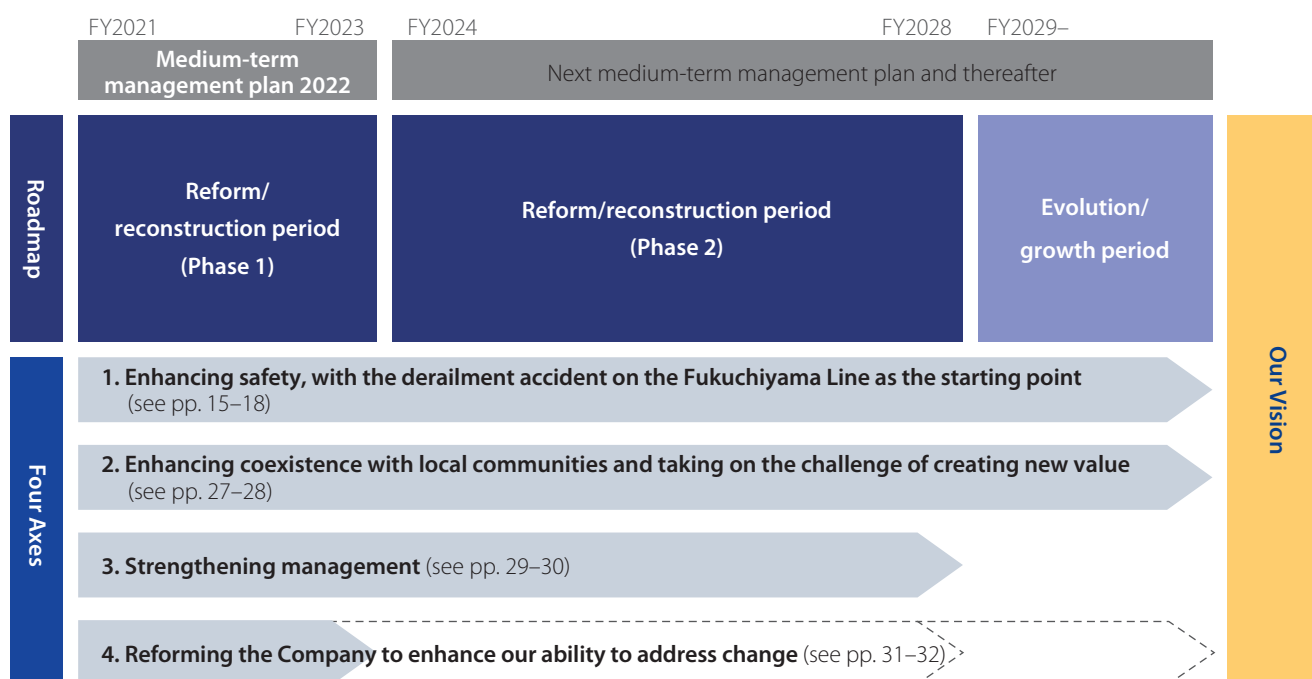
Background to the revision and direction

The JR-West Group has been significantly affected by the novel coronavirus pandemic, both in the railway and non-railway businesses. In the midst of a rapidly changing external environment, we revised the JR-West Group Medium-Term Management Plan

2022 in October 2020, as we seek to realize Our Vision and Ideals, restore our financial foundation over the medium- to long-term, make reforms in line with changes in society, and set a course for safety and growth.

● Environmental change and strategic direction

Operating environment changes and assumptions	<ul style="list-style-type: none"> ● Dramatic changes in the external environment due to the spread of the novel coronavirus infection (changes in behavior, such as telework and online meetings; diversification of values) ● Future that occurred rapidly, things about the future that cannot be predicted ● We assume that transportation revenues, our mainstay, will return only to approximately 90% of pre-coronavirus levels ● Focusing on the circumstances regarding the resolution of the coronavirus situation. <p>Flexibly adding revisions to the medium-term management plan</p>
Direction of revisions	<ul style="list-style-type: none"> ● Indication of our future direction, with consideration for our understanding of current circumstances, in which we cannot predict the details of the changes in society in the period after the coronavirus. (The period until the next medium-term management plan (FY2028.3) has been positioned as a time for reform and restoration.) ● Reconfirmation of our “unchanging values” and the “meaning of the JR West Group’s existence,” even in the midst of change. ● On that basis, our understanding of “things that we will change,” with the assumptions that the financial position will worsen and that usage will not return to the previous status.



● Management Indices

Management indices	Results for FY2017	FY2022 objectives (As of April 2018)	FY2023 objectives (October 2020 revision)	FY2021 results
Consolidated operating revenues*	¥1,500.4 billion	¥1,630.0 billion	¥1,450.0 billion	¥898.1 billion
Consolidated EBITDA	¥356.1 billion	¥400.0 billion	¥330.0 billion	(¥70.8 billion)
Consolidated ROA	6.3%	Mid-6% range	Approx. 4%	—
(Reference) Consolidated ROE	11.3%	Approx. 10%	Approx. 9%	—
Transportation revenues*	¥867.8 billion	¥890.0 billion	¥775.0 billion	¥419.4 billion

* Does not include the effect of the application of “Accounting Standard for Revenue Recognition,” etc.

Progress by business

Use of our services was not expected to recover during fiscal 2021.

For fiscal 2022, we have reflected the results of the first quarter and revised the plan for the year downward from the initial forecast, based on a review of areas such as the timing of recovery of the transport revenue on which our business is based, given the prolonged effects of the novel coronavirus. As the outlook for vaccination and the subsequent removal of restrictions on activities remains unclear, we have formulated our assumptions based on a range as opposed to a precise target.

Although the recovery that we initially anticipated has been delayed, we will move ahead with the structural reforms and other initiatives explained in the revisions to the medium-term management plan and be sure to take any opportunities for growth.

Railway business

In regard to railway safety, which is our highest priority, we are moving forward steadily with the JR-West Group Railway Safety Think-and-Act Plan 2022. Additionally, as a measure against novel coronavirus infections, from June 2021 we launched a new service providing real-time congestion status on the Osaka Loop Line and other lines, to offer greater peace of mind to people who use our services.

To help recover demand while paying due attention to safety and security, we are introducing the N700S and enhancing the functions of the EX service to further improve transportation services on the Shinkansen. Furthermore, in preparation for the anticipated recovery in demand, we are improving cooperation with other companies such as Universal Studio Japan operator USJ LLC., Japan Airlines Corporation, and Hoshino Resort, Inc.



Retail business

In March 2021, we opened "Eki-Marché Shin-Osaka Sotoe," centered around takeout and the food court outside the ticket gates of Shin-Osaka Station. We hope to create facilities that are convenient for the people who pass through Shin-Osaka Station on a daily basis while commuting to work and school.

Eki-Marché Osaka underwent its first large-scale renovation since opening, with Phase 1 opening in October. We will offer a greater variety of food to cater to new lifestyles, and improve the store layout and flow lines to make these facilities more convenient for daily use.



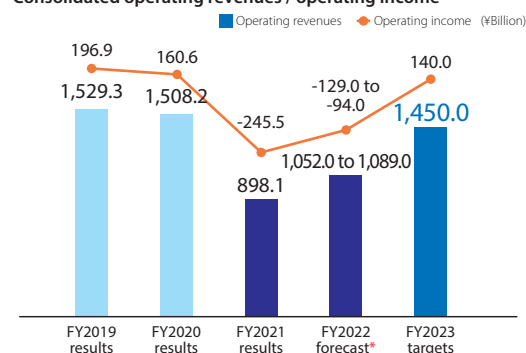
Real estate business

In March 2021 we established our first private real estate fund in the real estate leasing and sales business. Looking to the future we will expand the scale of our assets in stages, with the intention of forming a private REIT. Additionally, our shopping center management business opened Shukugawa Green Place in September, our third shopping center in the city.

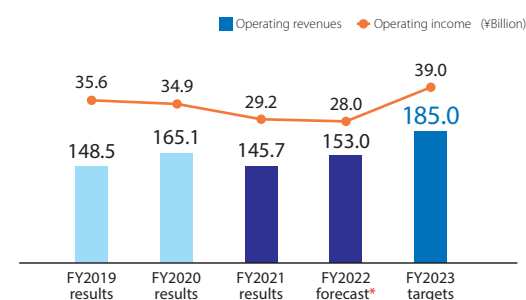
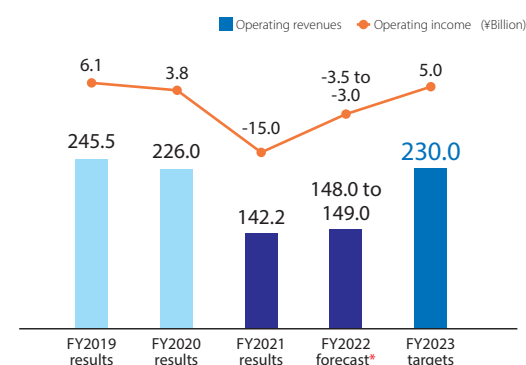
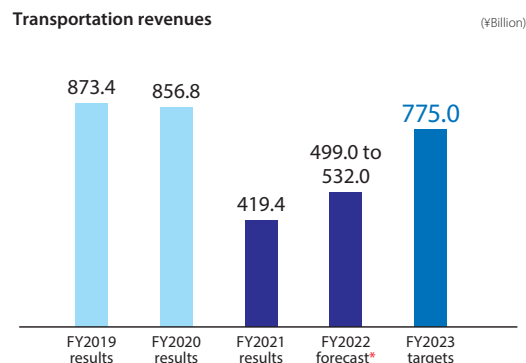
Going forward, we will continue our efforts to capture opportunities for urban development and to improve Groupwide revenues and asset efficiency by diversifying business schemes.



Consolidated operating revenues / operating income



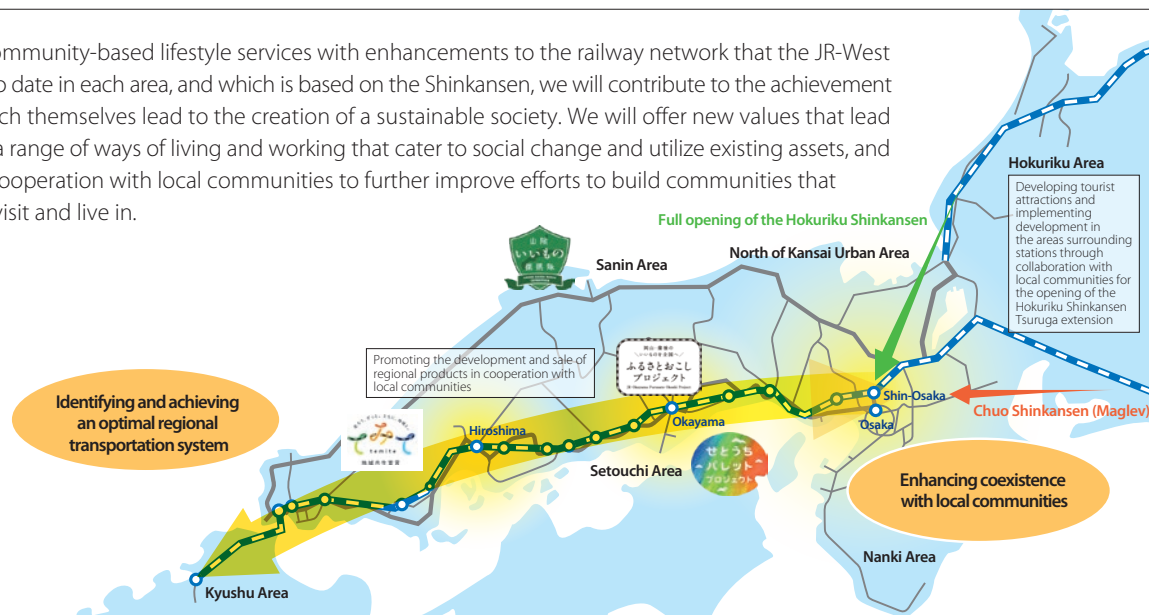
Transportation revenues



* Applying the Accounting Standard for Revenue Recognition in FY2022.3.

Enhancing coexistence with local communities and taking on the challenge of creating new value

By combining community-based lifestyle services with enhancements to the railway network that the JR-West Group has built to date in each area, and which is based on the Shinkansen, we will contribute to the achievement of the SDGs, which themselves lead to the creation of a sustainable society. We will offer new values that lead to proposals for a range of ways of living and working that cater to social change and utilize existing assets, and we will work in cooperation with local communities to further improve efforts to build communities that people want to visit and live in.



Enhancing coexistence with local communities

Setouchi Palette Project

The Setouchi Palette Project is intended to transform the Setouchi area into a major sightseeing draw that both domestic and international travelers will come back to see time and time again. The railway business has come together with non-railway businesses and the local community to create a wide-area tourism routes and to develop content that makes the most of the region's natural beauty, industry, and culture.

● Constructing an attractive sightseeing route featuring both railway and ship

The JR-West Group has entered into cooperative agreements with the Setonaikaikisen Group and the Chugoku Transport & Tourism Bureau. In a joint venture with the Setonaikaikisen Group, a high-speed sightseeing cruiser, the SEA SPICA, was launched in September 2020.

We have developed a new sightseeing route that allows passengers to take in the sights of the Inland Sea from both land and sea by taking the cruiser and riding on the etSETOr and La Malle de Bois sightseeing trains. Products from the region are provided and sold on the trains, on board the cruiser, and at stopover spots.



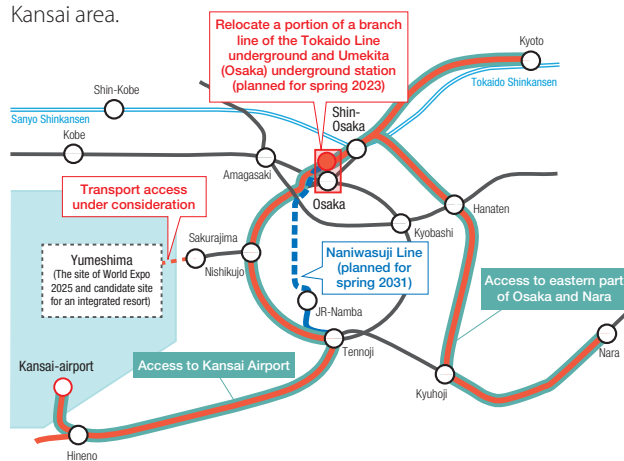
● Preparing new content that makes the most of local attractions

In August of 2021 we welcomed the grand opening of SETOUCHI GLAMPING, a joint venture with HOTEL&RESORT SHIMODEN Co., Ltd. that allows guests to enjoy themselves in safety and comfort. The facility interiors and the food provided were developed in cooperation with local businesses.



Establishing Kansai metropolitan area brand

We will advance "city development starting from stations," beginning with Osaka Station, our largest terminal station, while addressing changes in the operating environment. In addition, we will leverage the opportunities presented by the EXPO 2025 Osaka, Kansai, Japan to enhance the convenience of the railway network in the Kansai metropolitan area and contribute to the development of the Kansai area.



● Development planned for the vicinity of Osaka station



Associated SDGs

- | | |
|--|--|
| 8. Decent work and economic growth | 11. Sustainable cities and communities |
| 9. Industry, innovation and infrastructure | 17. Partnerships for the goals |
| 10. Reduced inequalities | |



Identifying and achieving the optimal regional transportation system

Promoting the development of next-generation mobility services

With the goal of achieving next-generation mobility services that will play a part in creating attractive areas, the JR-West Group is launching a project in collaboration with Softbank Corp. to develop Bus Rapid Transit (BRT) that utilizes automated- and convoy-driving technologies.

Beginning in October 2021, we will embark on proof-of-concept tests using three types of autonomous vehicles at a dedicated test course that has been set up at our rolling stock facilities in Yasu city, and we will move forward on development with the goal of bringing these technologies to fruition in 2023.



Constructing a regional MaaS

We are working to construct a regional MaaS that will provide stress-free transport from people's homes to their destinations, providing a link to lifestyle-related services such as hospitals and supermarkets and connecting rural and urban areas.

Beginning in fiscal 2021, we began offering an on-demand vehicle allocation service on a trial basis,* with the goal of achieving sustainable public transport in the town of Ohnan Town and upland areas in Shimane Prefecture. Web-based reservations and cashless payment are being tested, as are the linking of movement data and lifestyle services such as tracking services.

*On-demand vehicle allocation service:

A transport system that picks passengers up and drops them off at the time and place requested rather than services such as buses or trains that circle round specified stops at pre-set times.



Proposals for "Life with Railways" that address changes in society

The JR-West Group is proposing "Life with Railways," combining railways with a range of services, as a new kind of lifestyle that addresses changes in society brought about by the novel coronavirus. We are working on initiatives such as "workplace networks," "metropolitan area residence + regional community," and "workations." "Workplace networks" offer a range of workplace environments along customers' routes—in the Western Japan area and others—combining these with railway service in a proposal for work styles that are unrestricted by time or place.

Additionally, as part of the "metropolitan area residence + regional community" initiative, we will propose a "second hometown" to facilitate interaction in the early stages of town-building for residents of the Suita Sustainable Smart Town scheduled to open in the spring of 2022, in cooperation with Myoko City in Niigata Prefecture, Wakasa Town in Fukui Prefecture, Takashima City in Shiga Prefecture, and the Suita Sustainable Smart Town Committee (representative manager: Panasonic Corporation). This initiative will contribute to the town's goal of becoming a community that fosters multi-generational living, health, and coexistence with the region, and in addition, is intended to revitalize western Japan as a whole, as part of "Life with Railways."

① Workplace Networks

Proposing work styles that are unrestricted by time or place, in combination with railway services

- Central offices
- Shared workplaces, booth-type workplaces
- Inside a Shinkansen

② Metropolitan area residence + regional collaboration

Proposal for a second hometown where people can enjoy the best of the local region

③ Workation ④ Lifestyles with multiple bases

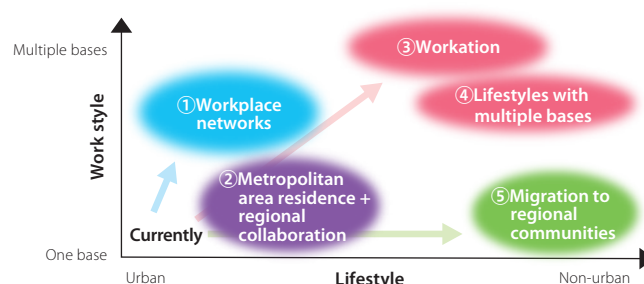
Proposal for having multiple bases so that people can work and travel in places they like

- Life subscription
- Workation subscription

⑤ Migration to regional communities

Proposal for living in rural areas while working in an urban area

- Trial "non-urban living" project



Strengthening management

We are enhancing coexistence with local communities and implementing new value creation to secure revenues, and to “strengthen management,” we are reforming our cost structure.

In particular, we have designated reducing fixed costs in the

railway business as an important point to address in reviewing the medium-term management plan, and we are moving forward with three main initiatives.

	Railway Business	Non-Railway Businesses
Cost structure reform (reducing fixed costs)	<ul style="list-style-type: none"> Enhancing productivity and streamlining railway operations (Maintenance system change centered on the establishment of CBM (see page 32), revising station sales systems, etc.) Optimizing train schedules in line with usage Implementing efficient operations through organizational structure reform and work style reforms 	<ul style="list-style-type: none"> Rapidly reevaluating business portfolio (Closing, replacing, or scaling down unprofitable stores; recombining assets, etc.) Increasing efficiency by reevaluating business processes (Thoroughly reevaluating operating systems/costs, etc.)

Railway Business

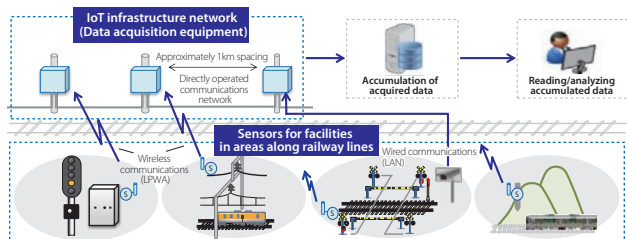
Enhancing productivity and streamlining railway operations

Advancing the use of IoT for ground equipment condition monitoring

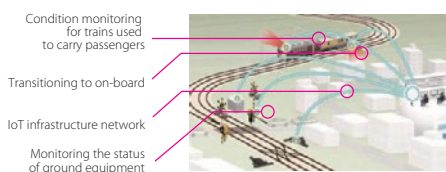
With the deployment of CBM, the inspection and repair tasks that were previously performed manually at fixed intervals have been replaced with sensor-based monitoring, with equipment repaired as necessary depending on its condition.

In conjunction with the transition to on-board inspections, etc., we aim to reduce railway equipment inspection work approximately 10% by around 2030. (Approximately 40% reduction for Kansai Urban Area electrical-related work)

A system jointly developed with Nippon Signal Co., Ltd., for gathering, storing, and analyzing data of all kinds on facilities along railway lines (it's the first large-scale deployment of such a system in Japan).



Analysis and assessment of equipment based on sensor data



CBM solutions for automatic ticket checking equipment

Using data and AI to develop failure prediction programs, and optimizing inspection frequency.

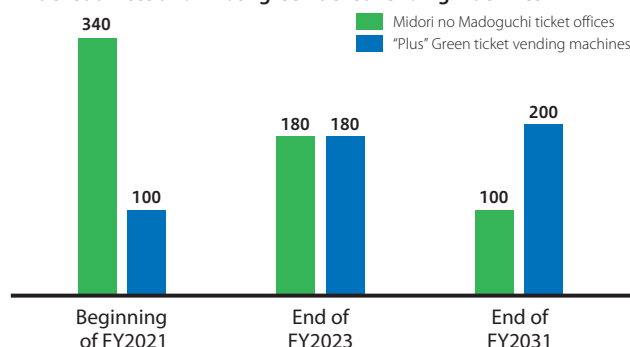
In trials, achieved reduction of approximately 30% in maintenance costs
Considering roll-out to other railway companies

Advancing self-service ticket purchases and station sales systems, with consideration for further changes in the environment (promoting the use of non-contact systems, etc.)

We will reduce the number of staffed “Midori no Madoguchi” ticket offices, replacing them with advanced, high-performance ticketing machines, and expand our web-based reservation service, constructing a system capable of providing safe, satisfying customer service with small numbers of staff.

The JR-West Group will work to reduce personnel costs by approximately 1.5 billion yen per year by the end of fiscal 2023 while maintaining the level of service we offer our customers.

Predicted number of stations with Midori no Madoguchi ticket offices and “Plus” green ticket vending machines



Closeup of the operation screen of “Plus” green ticket vending machines



Associated SDGs

8. Decent work and economic growth
9. Industry, innovation and infrastructure
11. Sustainable cities and communities



Optimizing train schedules in line with usage

Implementing spring 2021 timetable revisions (March 2021)

In answer to the temporary reduction in demand brought on by the novel coronavirus pandemic, we are working to adjust timetables—especially for express trains—and supply, and to convert fixed costs into variable costs.

Additionally, the number of passengers traveling late at night has been declining since before the pandemic, and we have revised the timetable in the Kansai Urban Area by moving up the time of the last train, a change intended to improve the hours worked by maintenance personnel.

Implementing autumn 2021 timetable revisions (October 2021)

We have moved forward some of the timetable revisions planned for spring 2022 and revised the timetables for some lines, primarily for trains in daylight hours.

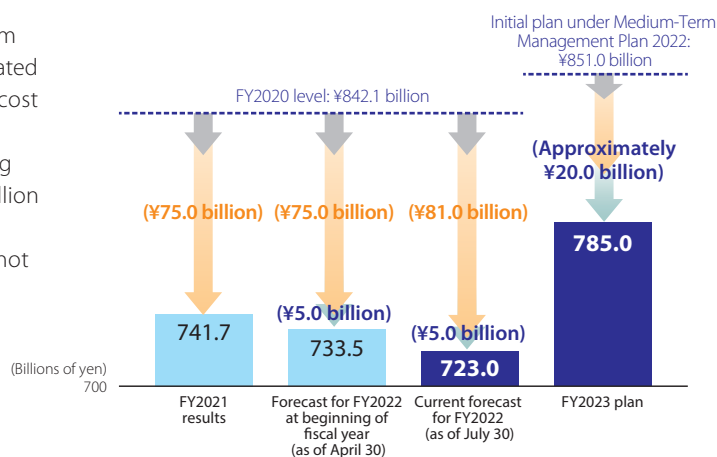
Implementing efficient operations through organizational structure reform and work style reforms

We plan to hire approximately 200 people in fiscal 2023, around 550 fewer than the previous year. While we will streamline the number of personnel employed at headquarters departments, we have established divisions such as the Regional Revitalization Division and the Business Design Division, which will shoulder the task of achieving further growth for the Group (June 2021).

In fiscal 2023, the final year of the current medium-term management plan, we will work to reduce non-consolidated operating expenses by around 20 billion yen through cost structure reforms.

We also plan to reduce non-consolidated operating expenses in fiscal 2022 by 86 billion yen, including 5 billion yen achieved through structural reform.

Although the real effects of structural reforms are not expected to be achieved until the period of the next medium-term management plan, we are making steady progress.



Non-Railway Businesses

Real Estate Business

Asset recombinations, asset diversification

We will engage in asset sales and establish a private real estate fund to diversify our business schemes while improving asset efficiency to obtain new opportunities for city development. Further, we will make steady progress in large-scale projects associated with city development in areas such as Osaka and Hiroshima.



Commercial facilities, etc., in the area southwest of Toyama Station



Kakogawa Hiraoka-cho NK building (logistics facilities)



Development under elevated railway tracks at Osaka Station and the new Osaka Station building



New Hiroshima Station building

Hotel Business

Advancing core projects and rebuilding brands in preparation for demand recovery

We will scale back or withdraw from some non-accommodation-related facilities to improve profitability. Additionally, we will allocate management resources to core projects to improve customer satisfaction in anticipation of a period of recovered demand.

Nippon Travel Agency

Thoroughly reevaluating business model

While reducing the number of stores we are engaged in, we will increase our ratio of web-based sales. (94 stores as at the end of June 2021, down by 100 stores from the end of December 2020)

We will expand our business domains through alliances with other industries, engage in public demand and rural revitalization, strengthen our DX business (MaaS, etc.), and transition from the Business-to-Customer model we have been engaged in to date to a Business-to-Business model.

Reforming the Company to enhance our ability to address change

Corporate culture reform, human resources, organization

As a company operating in a sector where the future is difficult to predict, continued growth requires a bold approach on two fronts: in existing business fields, making operational improvements and deepening strengths; and in new business fields, securing new opportunities and developing areas in response to environmental changes. What is important is to interact with a wide range of people and business partners and to generate innovation through a process of trial and error. We recognize that our human resources are key to realizing this goal, and we will continue to build a foundation that enables the organization and human resources to meet change and grow together, focused on maximizing each person's potential and creating a place for personal growth.

- Transforming into a corporate culture of boldly tackling uncertainty
- Building an organization and systems with the ability to execute and adapt to change, thereby strengthening Group management
- Building a corporate culture in which diverse human resources flourish, respect one another, and enhance each other's abilities; and supporting further growth

Promoting the JR West Group's Digital Strategy

For JR-West Group to continue fulfilling its role and mission as "a railway company that coexists with local communities," we will

need to use digital technology to optimize the use of customer and operational data we have accumulated to date, as well as to create new value in areas such as enhancing productivity and generating demand by providing services that meet diversifying needs. And through this process, we must also push forward with Group operational reforms. Accordingly, in October 2020 we formulated the "JR-West Group's Digital Strategy" and are working cross-functionally and rapidly to realize the following three forms of "rebuilding."

- 1 Rebuilding the customer experience
(Determining the best approach to services that address customer needs)
- 2 Rebuilding railway systems
(Realizing the Technology Vision)
- 3 Rebuilding the employee experience (Work style reform)

Future vision of the JR-West Group's Digital Strategy

In completing the three areas for reconstruction that are the pillars of this strategy, we aim to create new value through services that transcend the boundaries between different regions and businesses, as digital technology connects the JR-West Group with society and our stakeholders. This will lead to "a safe and comfortable society filled with meetings among people and smiles."

Rebuilding the customer experience

Implementation of convenient, affordable, and enjoyable transportation and lifestyle services centered on ICOCA and WESTER

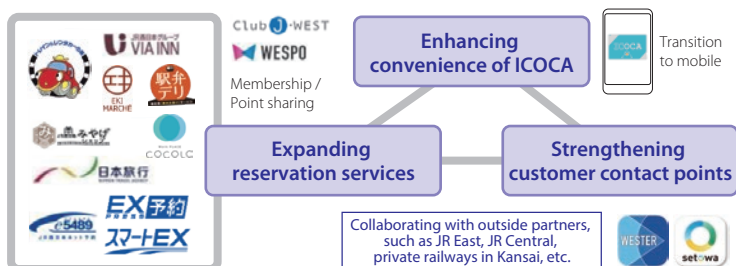
Personal tastes are growing more diverse, and people are increasingly using their smartphones to obtain information, requiring an approach that reflects the needs of individual customers. We will strengthen cooperation with a range of partners, such as various JR companies, we will leverage MaaS applications such as "WESTER" and "setowa" to provide information on spots for outings, and we will offer coupons and convenient reservation services using

an AI-based shopping point program to perform analysis of individual customers based on their data. We will also work to provide transport and services that are attractive and easy for customers to use.

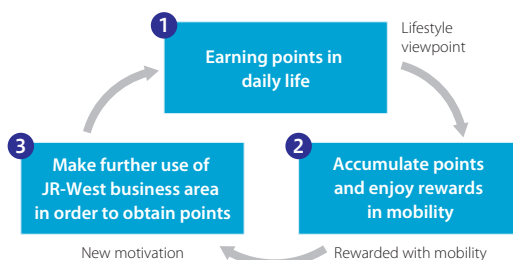
In the future, reservations and the MaaS applications that service as touch points for customers will be linked to Mobile ICOCA (provisional name), which is scheduled to launch in the spring of 2023. The creation of a circular, continuous service that standardizes memberships and points and allows members to earn points and use attractive services in their daily lives will contribute to revitalization of western Japan.

Visual image of circular, continuous services using mobile ICOCA (provisional name) and MaaS

Enhancing ICOCA/WESTER functionality, strengthening alliances



Reforming services from customer viewpoint



Associated SDGs

8. Decent work and economic growth
9. Industry, innovation and infrastructure
17. Partnerships for the goals



We will leverage a range of data and work with partners to increase the value we offer

Asako Suminokura Digital Solutions Headquarters

Amidst the social changes wrought by the novel coronavirus pandemic, the behavior of our customers is becoming increasingly diverse. In response to these increasingly varied needs, and to offer services that are more in line with them, as a data scientist my task is to maintain an awareness of the current situation based on a variety of data, visualizing and examining it to build hypotheses for measures to solve the issues that each division faces.

With regard to the AI-based shopping point program, with the support of GiXo Ltd., a company to which I was temporarily assigned, we developed optimal methods for analyzing current trends in the

travel routes of our customers, and we used these methods as an aid in designing our services. This allowed us to create new experiences while staying closely aligned with the preferences of individual customers.

Going forward, we will make the most of the advantages of being an in-house analysis organization that can make proposals and raise issues throughout the company, as we work to improve the value of customer experiences and increase the speed with which we offer them, strengthen cooperation with a range of partners including local government and other businesses, and increase the overall value that we are able to offer to make our customers happy.

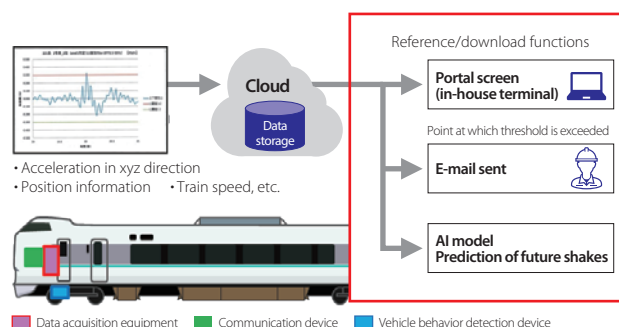


Rebuilding railway systems / Promoting maintenance system change

Using vehicle behavior detection devices to understand track conditions

We hope to leverage AI and IoT-based technologies to implement CBM,¹ which will allow us to continually monitor the state of all equipment. Furthermore, we will divert data² from the vehicle behavior detection devices currently in use to track maintenance, facilitating low-cost, regular monitoring of the condition of railway tracks. Our organizations are using data in a coordinated manner to improve safety and efficiency.

1. Condition Based Maintenance (CBM): A preventive maintenance approach whereby the state of equipment is constantly monitored/identified and maintenance is only carried out when necessary, realizing both quality and efficiency.
2. Vehicle behavior detection device: A device that triggers an emergency stop when a significant shake occurs due to a train derailing, overturning, or colliding with something, and then transmits a preventative radio signal to other trains in the area to prevent concurrent accidents.



Rebuilding the employee experience

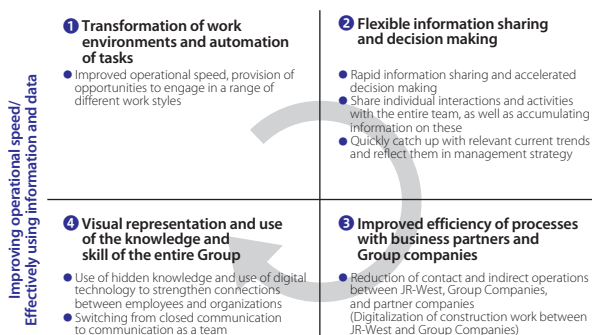
Toward work styles that produce results with frequency

In fiscal 2022 we began lending work smartphones and personal computers for remote working to company employees at the headquarters and branch offices to enable them to more frequently create initiatives that help to improve the Group's ability to respond to change, improve safety, offer better customer service, and increase profit, resulting in working environments that are unrestricted by location.

We are also considering reforming business processes in fiscal 2023 to boost efficiency across the organization by deploying groupware throughout the entire company (approximately 130 people). Using the time gained by improving operational efficiency, we have promoted data utilization and joint creation of value both inside and outside the group, with the goal of gathering the knowledge of our entire corporate Group and creating value. With regard to data utilization in particular, we will push forward with tangible and intangible measures to allow us to use in-house

data throughout our organization, such as enacting policies on data utilization and deploying business intelligence tools, in conjunction with the construction of a data accumulation platform in the cloud.

Styles of working and proceeding with tasks that are not limited by time or space



Visual representation of operational data and activities throughout the Group

Visualizing communications/Increasing operational efficiency

Financial strategies

Basic policy

To continue to fulfill our mission as an infrastructure company, even in the event of a disaster, such as a new infectious disease or a natural catastrophe, it is essential that we restore our financial foundation as soon as possible. To realize this goal, we aim to restore the D/E ratio to approximately 1 by the end of the reform/reconstruction period (end of FY2028).

In September 2021 we engaged in capital procurement through

the issue of new shares. This will balance growth based on taking advantage of a range of future opportunities with a quick recovery of our financial foundation.

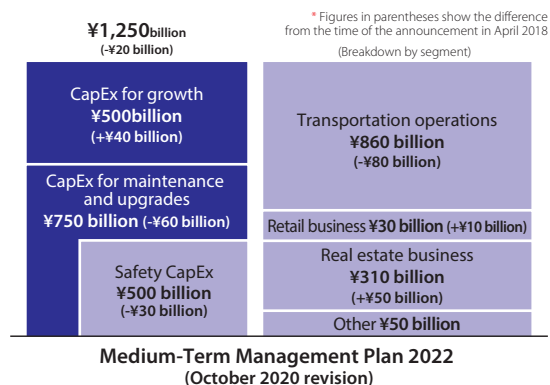
Giving top priority to investing in the safety of railways, our core business, we aim to maximize the value of our shares and of our business through growth after the novel coronavirus has receded, in order to meet the expectations of our stakeholders.



Capital investment

With regard to the revisions to the medium-term management plan, consolidated capital expenditure is projected to be ¥1,250 billion over five years. We will control the total amount of investment in safety to a certain extent, but we will steadily make the investment necessary to implement the measures included in the revisions to the medium-term management plan, such as enhancing safety.

The proceeds from this public offering will also be directed toward (1) enhancing the productivity of railway operations to reform the cost structure, (2) new rolling stock to enhance wide-area railway networks, (3) city development to achieve coexistence with local communities, and (4) advancing the JR West Group’s digital strategy to enhance the Group’s ability to address change.



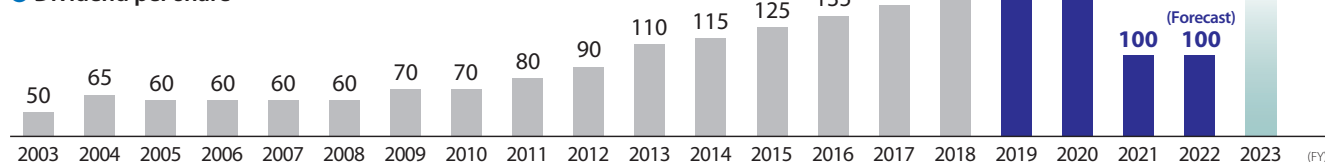
Shareholder return

We have a basic policy of stable dividends over the long term, and we will maintain a policy of aiming for a dividend payout ratio of approximately 35% in fiscal 2023.

Although the Group posted a loss in fiscal 2021, we decided to pay a year-end dividend of ¥50 per share, or ¥100 for the year.

In fiscal 2022, based on a policy emphasizing long-term stable dividends, we plan on paying ¥100 per share for the full year, in recognition of our determination to recover the performance of our business.

● Dividend per share



Note: As of July 1, 2011, one share of common stock was split into 100 shares. The dividend per share was calculated based on the number of shares after this split.

Fiscal 2021 performance in priority CSR fields

Area	Target status to achieve by FY2023		KPI, etc. progress and current status
Safety	Five indices in the JR-West Group Railway Safety Think-and-Act Plan 2022		
	<div>Five-year objectives up to FY2023</div> (1) No train accidents that result in casualties among our customers (2) No railway labor accidents that result in fatalities among our employees <div>Objectives to achieve in FY2023</div> (3) Train accidents involving people that result in casualties among our customers: additional 10% reduction (4) Accidents at level crossings: additional 10% reduction (5) Transportation disruptions due to internal factors: additional 10% reduction	(1) 0 (2) 0 (3) 9 (4) 22 (5) 126	(1) 0 [0 cumulative incidents] (2) 0 [1 cumulative incident] (3) 5 (4) 11 (5) 146
CS	Make customers into "fans of JR-West" 80% or higher for "approving" customers	Comprehensive score of 4.0 or higher on customer satisfaction survey	3.88
Coexistence with communities	Progress of initiatives—through dialogue and coordination with local regions—for (1) City development that encourages visitors (expanding the non-resident population) (2) City development that encourages residents (expanding the resident population) (3) The achievement of safe and sustainable railways and transport services		(1) Start of a proof-of-concept "JR West + Life subscription" service (2) Full opening of VIERRA TOWN Shigino (Contributing to the creation of a town that creates a sense of accessibility) (3) Entered into an agreement with Ohnan Town in Shimane Prefecture to cooperate on regional MaaS, began work on a proof-of-concept trial for a car-dispatching application, and promoted dialogue with other regions
Human resources / motivation	Promote our Vision for Human Resources Cultivation (1) Employees with the initiative to think and act (2) Workplace that demonstrates synergy and compassion (3) Business group with diversity as a weapon	7.5 or higher for each indicator in employee awareness surveys	Although scores in all indices improved year-on-year, targets for FY2023 were not achieved (1) 6.4 (year-on-year increase of 0.16) (2) 6.55 (year-on-year increase of 0.03) (3) 6.16 (year-on-year increase of 0.09)
	Mental and physical health (health management) (1) Ratio of employees experiencing high stress (2) Ratio of lively workplaces (3) Ratio of employees with flags on their regular health checks (4) Daily lifestyle improvement activities a. smokers, b. drinkers, c. regular exercisers, d. response rate to physician referrals, e. comprehensive health exam recipients, f. "specific health guidance" recipients	(1) below 4% (2) 80% or higher (3) below 40% (4) a. below 20%, b. below 10%, c. 30% or higher, d. 80% or higher, e. 70% or higher, f. 80% or higher	While there is improvement in most categories, FY2023 targets have not yet been achieved (1) 4.9%, (2) 80%, (3) 46.2% (4) a. 23.2%, b. Men 11.9%, Women 9.2%, c. 23.2%, d. 61.4%, e. 43.4%, f. 76.8%
	Promotion of diversity (to FY2022) (1) Ratio of female hires (2) Ratio of female employees who are new graduates hired in the professional field of transportation (3) Number of female managers and supervisors (4) Establish a work environment conducive to career continuity and growth for diverse employees (5) Utilization rate of paternity leave by male employees	(1) 25% or more (2) 40% or more (3) 1.5 times or more than at the close of FY2019 (4) - (5) 15% or more	With some exceptions, targets to be reached by FY2023 were achieved (1) 28.4% (2) 46.8% (3) 1.44 times (4) Revise systems and training for support of LGBTQ issues (5) 31.5%
Human rights	Formulation of a human rights policy, which is then communicated to every employee so that there is widespread awareness Awareness of the human rights policy according to employee awareness surveys (from FY2022)	80% or more	Conducted initiatives to promote uptake of our human rights policy, such as holding human rights awareness training for executives and employees of the JR-West Group
	Employees cognizant of human rights within their individual work tasks, while acting with respect for human rights (1) Employees receive education and training on human rights (2) Due diligence performance ratio for human rights (human rights risk management)	(1) 100% (2) 100% (performed all locations)	(1) Participation rate: 99% Held ongoing human rights awareness training for executives and employees of the JR-West Group (2) Performance rate: 89% To prevent violations of human rights, human rights due diligence (human rights risk management) initiatives are conducted to identify specific areas in each workplace where there is a risk of violation of human rights, ascertain the potential for human rights issues, and evaluate and implement countermeasures
Global environment	Energy consumption rate	vs. FY2014: -3%	-3.8%
	Energy-saving railcars as a percentage of total rolling stock	88%	89.5%
	Station and train garbage (recyclable) recycling rate	96%	99.5%
	Railway material recycling rate: Facility construction	97%	98.0%
	Railway material recycling rate: Rolling stock	92%	95.1%
	Promote environmentally friendly stations and office facilities		
Risk management	Implementing drills for various risks, including earthquakes, and reviewing and revising systems, rules, etc. as necessary		Improved sensitivity to first response system for risk by performing drills to prepare for a major earthquake, etc.
	Reaching zero cases of serious compliance violations, such as organizational corruption, etc.		Have zero cases of serious organizational corruption
	Reaching zero serious accidents or cases of damage related to information security		Have zero serious accidents or cases of damage related to information security
Governance	The Company is maintained, survives, and is growing as a listed corporate group thanks to sound management and business operations. (1) Actions such as institutional management and information disclosure are performed in accordance with laws and regulations, listing rules (the corporate governance code), and other rules on business activities (2) Long-term, stable relationships are built with shareholders, and dialogues promoted (3) Corporate governance is improving throughout the Group (Efficient and effective deployment of oversight activities, etc.)		(1) Appropriate referral and report to the Board of Directors and enhanced deliberations on matters for consultation, and the smooth and legal implementation of the transition to paperless and web-based business practices Shareholders' meetings are held in a lawful, appropriate manner, prioritizing the prevention of infection (2) Dialogues are conducted with institutional investors in an appropriate manner (3) Through our investigations, and through checking letters of confirmation of execution of Duties, we believe that there are no serious deficiencies

Global environment

The JR-West Group's approach to protection of the global environment

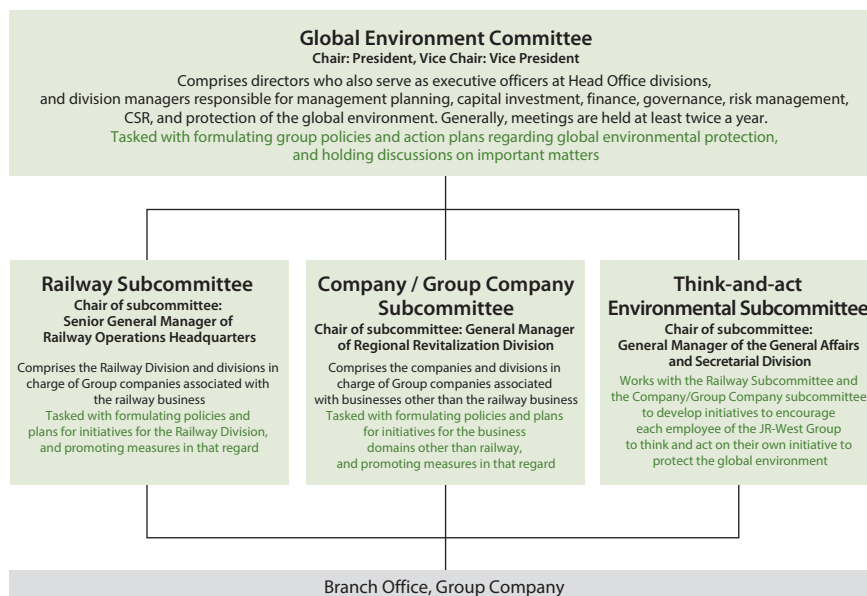
The JR-West Group will continue to fulfill its mission as a corporate group that supports social infrastructure, improving its ability to respond to environmental changes such as recurring disasters and alterations in the behavior of both customers and society, while giving priority to ensuring the safety of railways, which constitute its core business. The Group will contribute to the creation of a safe and comfortable society filled with meetings among people and smiles, which we have made our vision for the future. Through initiatives aimed at achieving this vision, we will push forward with efforts in the three priority domains of safety and security, coexistence with local communities, and global

environment, motivated by our desire to help achieve the SDGs aimed at creating a sustainable society, and to make western Japan an area in which everyone, including future generations, can continue to enjoy energetic, active lifestyles.

There is a rapidly growing social interest in protecting the global environment, including measures aimed at decarbonization and at countering climate change. The JR-West Group will pursue measures to protect the environment and improve the sustainability of our society, and we will continue to support the lives of our customers and fulfill our mission as a social infrastructure business group, helping to achieve our vision for the future.

Systems to promote initiatives to protect the environment

Recognizing that protecting the environment is an important managerial theme, the JR-West Group has established a Global Environment Committee chaired by the company president and comprising the general managers of principal divisions as well as full-time directors responsible for divisions at Head Office. This committee deliberates on important matters such as the Group's basic policy for protection of the global environment, the setting of targets and medium- and long-term plans for the environment, and the formulation of action plans. Moreover, important items on the Global Environment Committee agenda are discussed and reported to the Management Committee and the Board of Directors, with the goal of sharing this information among senior management.



Progress on medium-term environmental goals

In tandem with the JR-West Group Medium-Term Management Plan 2022, the JR-West Group has set medium-term goals for fiscal 2023 and is working to achieve them.

As of fiscal 2021 we are on track to meet all of our goals in each field.

Energy consumption intensity (vs. FY2014) FY2023 target FY2021 actual -3% -3.8%		Percentage of energy-efficient railcars FY2023 target FY2021 actual 88% 89.5%		Station and onboard garbage (recyclable) recycling rate FY2023 target FY2021 actual 96% 99.5%	
Railway material recycling rate (facility construction) FY2023 target FY2021 actual 97% 98.0%		Railway material recycling rate (rolling stock) FY2023 target FY2021 actual 92% 95.1%		Promote environmentally friendly stations and office facilities	

Associated SDGs

- | | |
|--|--|
| 7. Affordable and clean energy | 12. Responsible consumption and production |
| 9. Industry, innovation and infrastructure | 13. Climate action |
| 11. Sustainable cities and communities | 14. Life below water |



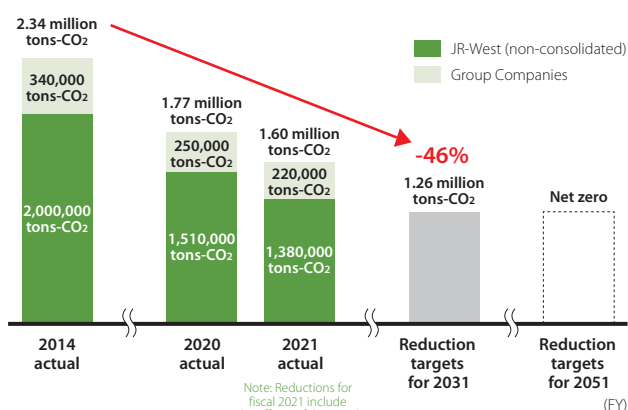
"JR-West Group Zero Carbon 2050" long-term environmental goals

Setting goals to achieve zero carbon

As social movements aimed at achieving a decarbonized society rapidly gain ground, understanding that Group businesses such as railways emit a large amount of CO₂ and responding to climate change caused by global warming, such as storms and floods and other intensifying natural disasters, are important management issues that must be addressed for the JR-West Group to continue doing business. In recognition of the need for the JR-West Group to be more active in addressing climate change, we have formulated the "JR-West Group Zero Carbon 2050" long-term environmental goals, in addition to the environmental goals included in the Group's Medium-Term Management Plan.

Target values include reducing CO₂ emissions for the entire Group by 46% (in comparison to fiscal 2014) by fiscal 2031 and to virtually zero by fiscal 2051.

CO₂ emission trends and targets (Scope 1+2, Group Companies)



CO₂ reductions in Scope 3 (non-consolidated basis)

FY2020	FY2021
1,980,000 tons-CO ₂	1,870,000 tons-CO ₂

- Scope 1: Total CO₂ produced by combustion of diesel oil for operation of diesel train operation and combustion of kerosene and heavy oil, etc., for operational purposes
- Scope 2: Total CO₂ emitted indirectly by JR-West in association with electric power (for train and business operations) purchased from power companies
- Scope 3: Total CO₂ emitted from other companies in relation to the business activities of JR-West (indirect emissions other than Scope 1 and Scope 2)

Main initiatives

To achieve our long-term environmental goals, we are proceeding with initiatives in the following three main areas.

1 Fostering environmental innovation through new technologies

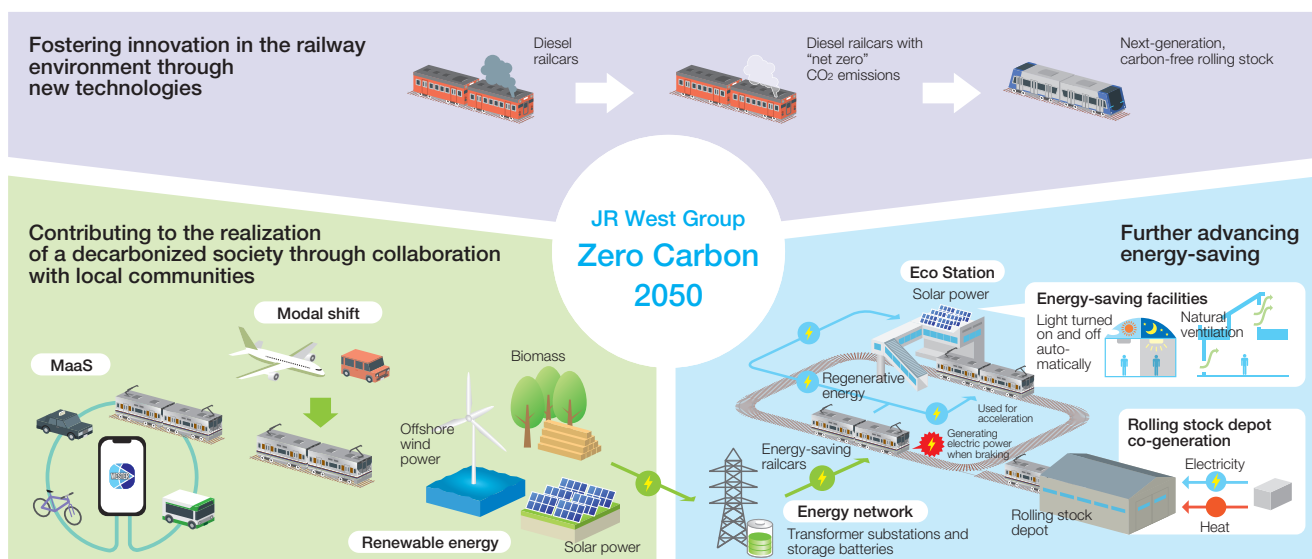
We have begun to consider the switch from trains fueled with diesel oil to using oil from next-generation biodiesel fuels, which will reduce CO₂ emissions effectively to zero, and are considering moving to advanced carbon-free rolling stock in future.

2 Further advancing energy-saving

Although we are already working to conserve energy through the introduction of energy-efficient rolling stock and equipment, we will endeavor to make more energy-saving efforts.

3 Contributing to the realization of a decarbonized society through collaboration with local communities

By leveraging the environmentally advantageous characteristics we offer in terms of CO₂ output per unit of transportation in urban areas and between cities, and using MaaS to improve convenience by creating an environment in which anyone can move with ease, we will endeavor to make public transportation as a whole—including railway—a smart, green mode of transport. We are also considering participating in additional renewable energy businesses.



Global environment

Risk and opportunity/scenario analysis on climate change (information disclosure initiatives based on TCFD recommendations)

We will leverage the fact that railways—the core business of the JR-West Group—are more environmentally friendly than other types of transport, to help reduce the CO₂ emissions of society as a whole by having more people utilize our services. Moreover, the impact of the climate change associated with global warming, such as intensifying natural disasters, is increasing with every year, and the need for society as a whole to address it is growing rapidly.

The JR-West Group must understand the fact that our business as a whole emits a large amount of CO₂ and recognize that addressing climate change is an important issue for management if we are to continue doing business into the future. We are working to understand the risks and opportunities that climate change brings.

Additionally, the JR-West Group supports the recommendations of the Task Force on Climate-related Disclosure (TCFD), and we will proceed with appropriate disclosure and analysis of information on risks and opportunities related to climate change.

These risks and opportunities, and the analysis thereof, focus on the railway business, which is the core business of the JR-West Group, and which is expected to be strongly affected by climate change.

Governance

The JR-West Group will contribute to the creation of a sustainable society, and we will promote initiatives to protect the environment and allow us to grow sustainably in the long term. The Group has established a Global Environment Committee as an organization to push forward with these initiatives, which is chaired by the president and representative director and comprises the general managers of principal divisions as well as full-time directors responsible for divisions at the Head Office. This committee generally meets twice annually to deliberate on the Group's basic policy for protection of the global environment and on the setting of targets and medium- and long-term plans for the environment, as well as to monitor the status of plans and concrete initiatives aimed at achieving targets.

Note that items on the Global Environment Committee agenda are discussed and reported to the Management Committee and the Board of Directors as necessary.



Strategy

Based on the effect of climate change and socioeconomic scenarios reflected the situations offered by the Intergovernmental Panel on Climate Change (IPCC), the JR-West Group has analyzed the risks and opportunities that climate change represents to the

railway business.

We are aware of the risks of increased damage brought on by more frequent typhoons and floods, the heightened tax burden accompanying the introduction of a carbon tax, and the increasing amount of the renewable energy surcharge brought about by Japan's review of the makeup of its electricity sources. Conversely, the superior environmental characteristics of railway have been recognized, and it was found that the increased convenience offered by the spread of MaaS and other similar services also provides opportunities to increase railway use.

The specific content of analyses is as shown at right. (This analysis is based on a scenario of a 2°C increase in temperature, where society has actively addressed climate change.) The direction of the technological solutions addressing changes in the business environment, including climate change, is illustrated in the "JR-West Group Technology Vision" (see pages 13 and 14). Going forward, the JR-West Group will contribute to the creation of a sustainable society, taking appropriate measures to address the risks and opportunities it has identified and working to increase corporate value in the long term as a business group that is responsible for social infrastructure.

Risk management

The JR-West Group will update the content of its analyses based on information such as changes in the business environment and the publication and update of a range of forecasts issued by public institutions in relation to the risks and opportunities associated with climate change, along with measures to address them. We will also periodically deliberate on and monitor the content of analyses and the state of initiatives aimed at achieving long-term environmental targets in meetings of the Global Environment Committee.

Moreover, content discussed by the Global Environment Committee will be discussed and reported to the Management Committee and the Board of Directors as necessary, sharing and managing risks related to climate change as important issues for management.

Indices and goals

The JR-West Group has formulated the "JR-West Group Zero Carbon 2050" long-term environmental goals and, with these as targets, has set the objective of reducing CO₂ emissions for the entire Group effectively to zero by fiscal 2051, with an interim goal of reducing emissions by 46% of fiscal 2014 levels by fiscal 2031. We believe that this is a level that will result in Japan meeting the goals that it has set for CO₂ reduction and lead to the achievement of the targeted temperature increase of 1.5°C or less, or less than 2°C higher than that of the time of the industrial revolution—the goal of the Paris Agreement. The JR-West Group will promote initiatives to reduce CO₂, and, through initiatives intended to realize the goals of "JR-West Group Zero Carbon 2050," we will contribute to the creation of a sustainable society.

Risks recognized

Type	Risk to the Company	Effect	Measures
Risks associated with the transition to a decarbonized society (transition risks)	Policies and laws		
	Large increases in the renewable energy surcharge	Large	<ul style="list-style-type: none"> Promotion of energy-efficient rolling stock, energy-saving equipment, and energy-saving driving Substitution/conversion of fuels, switching electricity to renewable sources Transition to low-carbon equipment and facilities through the introduction of internal carbon pricing
	Increased tax burden due to reforms in the tax system, such as the introduction of a carbon tax	Large	
	Increased green investment brought on by emissions controls	Large	<ul style="list-style-type: none"> Response to growing green investment through issue of green bonds
	Technology		
	Increased development costs for support of next-generation technology		<ul style="list-style-type: none"> Control of development costs through open innovation and joint development with other companies Use of subsidy systems from the government and other organizations
	Failed investment due to errors in assessing environmental values		<ul style="list-style-type: none"> Investment activities that take environmental values into account through the introduction of internal carbon pricing
	Market		
	Increased costs for procuring fossil fuels	Large	<ul style="list-style-type: none"> Substitution/conversion of fuels Evaluation of sustainable modes of transportation that are environmentally appropriate for the region
	Increase in material prices due to suppliers passing on environmental costs through their pricing	Large	<ul style="list-style-type: none"> Controlling the cost of purchasing materials by reviewing equipment updates and reviewing facilities
	Increase in electricity shortages caused by disturbances in the balance between supply and demand associated with the electrification of society and the expansion of energy conservation		<ul style="list-style-type: none"> Promotion of energy-efficient rolling stock, energy-saving equipment, and energy-saving driving in order to reduce the amount of electricity consumed Establishing in-house systems and methods to respond when warnings of power shortages are issued
	Promoting ethical consumption in society		<ul style="list-style-type: none"> Achieve smart, green transport by using MaaS in urban areas and intercity transportation, areas where the characteristics of railway offer advantages In areas where the characteristics of railway do not offer advantages, consider sustainable transport systems appropriate for regions in terms of the environment, in consultation with the region concerned
Risks associated with the physical effects of climate change (physical risks)	Reputation		
	Decline in the environmental preeminence of railways due to the electrification of cars	Large	<ul style="list-style-type: none"> Disclosure of information on the status of TCFD analysis and the "JR-West Group Zero Carbon 2050" long-term environmental goals Research on the development of social infrastructure through the Kyoto University Disaster Risk Management Engineering course (JR-West), along with regular lectures for citizens, both funded by the Company
	Negative effect on material procurement due to reduced ESG rating	Large	<ul style="list-style-type: none"> Disclosure of information on the status of TCFD analysis and the "JR-West Group Zero Carbon 2050" long-term environmental goals Research on the development of social infrastructure through the Kyoto University Disaster Risk Management Engineering course (JR-West), along with regular lectures for citizens, both funded by the Company
	More criticism from stakeholders due to delays in initiatives and insufficient disclosure of information	Large	
	Loss of consumer confidence due to increased suspensions of train operations		<ul style="list-style-type: none"> Publishing of information on JR-West safety initiatives, including planned suspensions of operations Timely and appropriate provision of information to customers when train operations are suspended
	Abnormal weather		
	Increased damage to railway facilities due to the increasing frequency of typhoons and floods	Large	<p>We will promote the following initiatives from the standpoint of mitigating damage to customers and to railway facilities</p> <p>[Measures to prevent flooding of railway facilities]</p> <ul style="list-style-type: none"> We will implement both hard and soft measures to prevent flooding and relocate rolling stock at important facilities such as general depots, rolling stock holding facilities, signal equipment facilities and control centers <p>[Implementation of a weather disaster response system]</p> <ul style="list-style-type: none"> Introduce a weather disaster response system on major railway lines in the Kansai Urban Area to prepare for worsening weather disasters and minimize the risk of human error To improve safety with regard to localized heavy rainfall, radar rainfall monitoring systems will be deployed on all conventional railway lines <p>[Reinforcement measures of slopes on railway line]</p> <ul style="list-style-type: none"> Reinforce sloping areas and establish drainage systems to improve safety and shorten times when operation is restricted, primarily in the area of Kyoto, Osaka, and Kobe. Create slope disaster charts and utilize sensing technologies to understand slope deformation and enhance detection precision <p>[Strengthening of railway track equipment]</p> <ul style="list-style-type: none"> Improve train operations' safety and durability by replacing old wooden sleeper sections with concrete ones <p>[Implementation of planned suspensions of operation]</p> <ul style="list-style-type: none"> Implement planned suspensions of operations, including relocation of rolling stock, as necessary when large typhoons, etc., approach or make landfall Appropriate provision of information regarding planned suspension and resumption of operations <p>[Implementation of emergency response training]</p>
	More suspension of train operations due to damage to railway facilities	Large	
	Increased impact on trains due to power blackouts	Large	<ul style="list-style-type: none"> Taking BCP into account, install emergency power generators at control centers, which are vital centers for train operation, in order to maintain function during power blackouts Establish in-house systems and methods to respond when warnings of power shortages are issued Deploy the N700S to the Tokaido and Sanyo Shinkansen lines (The battery-based self-propelled system to be installed will allow us to help customers in the event of extended blackouts)
	Increased damage insurance	Large	<ul style="list-style-type: none"> Promote initiatives to mitigate damage to railway facilities
	Material shortages due to disruptions in supplier logistics		<ul style="list-style-type: none"> From the standpoint of BCP, ensure that there are multiple channels in the supply chain for important items that have a significant effect on train operation and that a certain amount of inventory is maintained
	Increased air conditioning costs due to rising temperatures		<ul style="list-style-type: none"> Greenification of rooftops and building walls, and the adoption of heat-insulating materials Improve air conditioning efficiency by introducing regional heating and cooling systems
	Increased damage from animals due to the expanding range of wild animals cause by decreased snowfall		<ul style="list-style-type: none"> Expand measures to prevent damage from animals (improved fences to keep deer from entering, development of sound equipment for repelling animals, improvement of vehicle obstruction guards, etc.)
Working environment	Working environment		
	Increase in labor accidents such as heat stroke due to rising temperatures		<p>We will promote the following initiatives from the standpoint of improving working environments and preventing labor accidents</p> <p>[Measures to prevent heat stroke]</p> <ul style="list-style-type: none"> Maintenance of equipment to counter heatstroke, such as air-conditioned clothing, application of WBGT values, use of morning and evening hours for work Equipping of crew compartments on vehicles with air conditioners <p>[Reconstruction of railway systems]</p> <ul style="list-style-type: none"> Reduction of workload along railway lines through onboard and sensor-networked ground inspections, surveying with MMS technology, and the mechanization and automation of construction work Reduction of workload along railway lines through the integration of functions into vehicles and the simplification of ground facilities
	Increased cost of measures to prevent heat stroke		

Global environment

Opportunities for recognition

Type	Opportunities for the Company	Effect	Efforts to grasp opportunities
Resource efficiency	Reductions in CO ₂ and energy consumption through updating of rolling stock and equipment to energy-efficient equipment		● Accelerating the installation of high-efficiency equipment such as devices that utilize regenerative power, by using newly created subsidy programs and energy-saving facilities
	Equipment updates making effective use of government support systems such as tax incentives		
Energy sources	Promotion of fuels with virtually zero CO ₂ emissions, as well as fuel cells and storage batteries through technological progress and reductions in pricing	Large	● Evaluating new energy sources (next-generation bio-diesel fuels, carbon-free next-generation rolling stock, fuel-cell co-generation systems, etc.)
Products and services	In areas where the characteristics of railway can be put to good use, railways are acknowledged as being environmentally superior, with use increasing due to policy-based promotion of public transport and greater awareness of railway use (Modal shift)	Large	● Promoting the use of railway by strengthening the appeal of its environmental superiority ● Enhancing secondary transport services linked with railway (Park and ride, electric bicycle sharing services, etc.)
	Increased use due to the greater convenience of public transportation associated with the proliferation of MaaS	Large	● Enhancing services using digital technology ("ICOCA de Jisapo," a time-staggered commuting point service) ● Enhancing MaaS (Kansai MaaS, "Wester" MaaS app, etc.)
	Promotion of sustainable modes of transportation that are environmentally appropriate for the region	Large	● Cooperating with regional communities using demand-based transportation to make regional public transport more convenient ● Promoting BRT development projects using automated driving and convoy driving technologies
Market	Reduction of electricity procurement costs through expansion of renewable energy		● Evaluating participation in renewable energy businesses
	Securing of revenue in the electricity supply and demand market using JR-West equipment		● Evaluating participation in VPP (Virtual Power Plant) businesses
Resilience	Reduction of suspensions of train operations and ensuring of reliability through successful implementation of BCP measures with regard to weather disasters		● Promoting initiatives and disclosing information to mitigate damage to railway facilities
	Establishment of railway forests reduces CO ₂ and helps to prevent disasters		● Ongoing initiatives to conserve forests through "Club J-WEST Forest" ● Evaluating effective use of railway forests

Contributing to a recycling-oriented society

The JR-West Railway Group is promoting the 3Rs—Reduce, Reuse, and Recycle—to reduce the environmental impact of wastewater and waste arising from our business activities, and

we will work as a group to contribute to the creation of a recycling-oriented society.

Examples of initiatives

Removing sludge in wastewater treatment using an electrolytic wastewater treatment system (West Japan Railway Techsia Co., Ltd.)

West Japan Railway Techsia Co., Ltd., developed the "J-TREAT" electrolytic wastewater treatment system, which electrolytically processes wastewater resulting from washing vehicles and rolling stock parts at locations such as vehicle depots, eliminating more than 90% of dirt from sludge emissions (clods of dirt removed from wastewater), in addition to reducing the power consumed by the treatment process. Compared to wastewater treatment equipment that utilizes conventional flotation methods, this system contributes significantly to purifying wastewater, conserving energy, and reducing waste, and to date it has been installed at 11 vehicle depots belonging to the Company. Additionally, delivery of this system is being expanded outside the JR-West Railway Group, helping to reduce the environmental impact of society as a whole.



In addition to reducing this environmental impact, we also sought to conserve cost and save space.

Shinichiro Okamoto, Kohei Nitta Environmental Technology Division, West Japan Railway Techsia Co., Ltd.

In developing this electrolytic wastewater treatment system, we were particularly aware of the need to avoid the use of chemicals and to conserve electricity by controlling the current used to suit the level of contamination.

Development began with learning about water treatment and studying examples from other companies. Trials were conducted in a range of different locations while we worked with manufacturers to explore the major issues of conserving space and reducing the cost of electrodes.

As a result, we successfully developed electrodes using a cheaper metal (molybdenum) as a substitute and reduced output of sludge to

ten percent of that of normal methods, representing a major reduction in both cost and environmental impact.

We are now attempting to create a monitoring system that will allow us to further reduce the energy consumed in water treatment, and we hope to reduce environmental impact and contribute to a recycling-oriented society by promoting the adoption of the equipment we have developed at more locations.



(From right) Shinichiro Okamoto, Kohei Nitta

Examples of initiatives

Environmental impact reduction /environmental management of the rolling stock division, use of water-based paint for rolling stock (Hakusan Depot, Kanazawa Branch)

The Hakusan Depot handles large amounts of waste, oil, grease, and chemical substances related to rolling stock maintenance, and to ameliorate our effect on the global environment, we are using detailed check sheets for each location in line with actual conditions at the time of operational inspections, to enable us to effectively operate environmental management systems unique to JR-West in accordance with ISO14001. Moreover, we have set targets for the reduction of chemical substances and reduced the amount of environmentally harmful chemical substances we use by substituting environmentally friendly substances for the organic solvents used in the rust-inhibiting paint we use for axles on rolling stock.

**We will promote management in cooperation with a wide range of divisions****Yohei Nakayama**Rolling Stock Management Staff
General Affairs Department (current Quality Management Center)

To implement the PDCA cycle effectively, we created individual check sheets to suit actual conditions at each of our locations. These check sheets were intended to allow all employees, including those of Group Companies, to share common objectives, and they were linked to internal audits to check the actions of each division. We used PowerPoint presentations rather than distributing documents when introducing these check sheets, as part of a paperless initiative we have had in place for some time. Additionally, we revise our internal rules annually, and we are working to ensure that the PDCA cycle is carried out properly.

Going forward, I hope to leverage the experience I have gained to date to provide the employees around me with a broader perspective on the environment and to work with everyone to implement better environmental management.



Yohei Nakayama reviews the check sheet (at right)

We will work to maintain quality and our employees' health**Masahiro Niwa**Rolling Stock Management Staff
Rolling Stock Inspection Center

The rust-inhibiting paints we have used to date are organic substances and may affect the body, thus we substituted them with water-based paints out of concern for work environments and the health of our employees, while maintaining quality in order to prevent axle parts from rusting. We spent approximately one and a half years evaluating whether water-based paints with a track record in other locations would be appropriate for use on the W7-Series Shinkansen. Although we encountered some difficulties, such as changes to work processes stemming from new mixing tasks, we pooled our thoughts to create an optimal procedure. Currently we are working to change to water-based paints on other parts.

We will continue to maintain quality while remaining aware of the relevant environmental and health aspects.



Examples of initiatives

Reducing food loss and utilizing it in biomass power generation (HOTEL GRANVIA OKAYAMA Co., Ltd., and Biodiesel Okayama Co., Ltd.)

HOTEL GRANVIA OKAYAMA is continuing initiatives to reduce food waste, such as ordering ingredients in the correct amount, cooking the right amount of food, and the 30-10 campaign to reduce leftovers with the cooperation of our customers. Furthermore, from April 2021 we embarked on a new initiative in which we bring cooking waste such as vegetable and fish skins to a food product recycling factory (Biodiesel Okayama Co., Ltd.).

This factory uses microorganisms to decompose and ferment waste, using the biogas arising from this process as fuel to generate electricity. By making effective use of the waste that had previously been incinerated as material for renewable energy, we will work with local communities to help build a sustainable society.

**Utilizing food waste effectively****Shota Takahashi** Chief of Planning Section, Planning Department HOTEL GRANVIA OKAYAMA Co., Ltd.

We had been working to separate waste and reduce food loss for some time, and have now begun participating in a biomass power generation business using food waste. This business has no effect on operations, nor does it take a great deal of time and effort, and the results are evident in the power generated, which has increased our staff's awareness of environmental awareness. At the Hotel Granvia we are pursuing a range of environmental initiatives in addition to biomass power generation, including switching to LED lighting and installing water-saving devices. We are also actively engaged in initiatives to improve the local environment, such as participating in cleanup activities

on the Hyakken river.

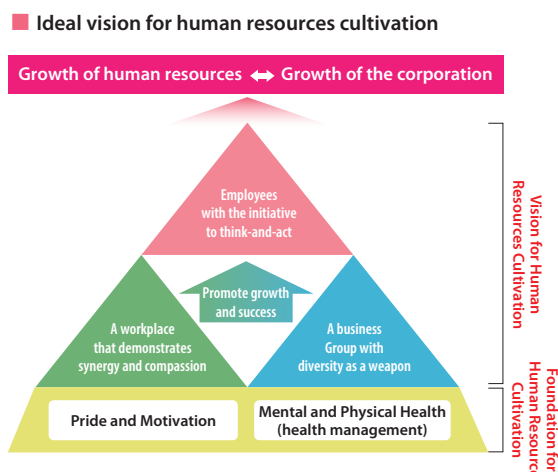
Going forward, we intend to participate in a range of activities in an effort to be the best hotel in the region, and we will continue to cooperate with biomass power generation while contributing to a recycling-oriented society.



Human resources and motivation

JR-West Group's Vision for Human Resources Cultivation

We have positioned "Human resources and job motivation" as an important foundation for management in our Medium-Term Management Plan 2022. We have set out our Vision for Human Resources Cultivation and stated that the whole Group will endeavor to pursue this goal. We will create a virtuous cycle in which cultivating human resources leads to the growth of our business, which in turn results in the further cultivation of human resources. By repeating this virtuous cycle to meet the expectations of our customers and shareholders, we will cultivate people who can contribute to the sustainable growth of the Group going forward.



Highlights of activities in FY2021

- Transition to online training and study to cater to a diverse range of work styles
- Promotion of workplace improvements based on the review of stress checks
- Implementation of initiatives to promote understanding of sexual minorities and improvement of systems to enhance employees' job satisfaction

Future themes

- Construction of training systems to further encourage staff independence, and improvement of training and education through the effective adoption of ICT
- Promotion of visualization and use of various targets aimed at achieving our Medium-term Health Management Plan
- Creation of systems and a culture that encourages employees from a diverse range of backgrounds to achieve their full potential

Initiatives for cultivating human resources

Propelled by a desire to achieve our vision of cultivating human resources, we utilize a combination of group study and self-study built on a foundation of on-the-job-training in every workplace to encourage the growth of each person.

Catering to a diverse range of work styles by transitioning to online training

The coronavirus pandemic has prompted us to review the methods we use to manage our training, and we have moved some of the training that was previously conducted while staff stayed overnight in our employee center to an online format involving live training via web meeting services as well as on-demand training using an e-learning system. This has allowed people to undergo training from their workplaces or homes, and employees who previously would have had to forgo overnight group training for reasons such as childcare are now able to attend. People who have participated in our online training said that it was easier for those from distant locations to attend, and that it is comparable to face-to-face training.



Development of the management skills of managers and leaders

In fiscal 2021, 943 employees from throughout the Group took part in a training program that teaches management skills to the leaders and managers who must encourage each employee to show initiative and actively support their growth. This allows leaders and managers to gain the requisite skills before they are promoted.

In this program, trainees gain experience in how to assess and make decisions on issues in upper-level positions and in working with those around them, while at the same time learning objectively and quantitatively about their own strengths and weaknesses. After training, the trainees set action goals based on these strengths and weaknesses and receive follow-up support from their superiors through interviews and assistance in on-the-job training over a period of a year, promoting skills development that focuses on the achievement goals set by each person.

Associated SDGs

4. Quality education 8. Decent work and economic growth
5. Gender equality 9. Industry, innovation and infrastructure



Promotion of health management

We believe that the health of our employees is a vital managerial resource, and are working to improve the productivity and we value of our business through health management that supports and maintains it. Specifically, we have formulated a Medium-term Health Management Plan encompassing target values and priority initiatives for the medium term (five years) beginning in fiscal 2019, and we are promoting initiatives in this regard (see page 34).

In March of 2021, we received certification as an Excellent Health Management Corporation, via a system that offers recognition to companies that are implementing health management in a strategic manner, our third such award (in the large business category). Looking to the future, we will work to promote our health management initiatives, while also pursuing initiatives for the care of our employees' mental health.

Prevention of disease

In fiscal 2021 the coronavirus pandemic caused people to refrain

from visiting medical facilities, resulting in a year-on-year deterioration in referral reply and medical check-up rates. Conversely, there was a significant year-on-year improvement in specific health guidance, which can partly be attributed to follow-up initiatives such as encouragement provided by workplace managers and occupational health staff to people receiving this guidance.

Promotion of workplace improvements through revisions to stress checks

Our company has combined the results of stress checks with employee awareness surveys to assess the level of vitality in the workplace and promote workplace improvements. Beginning in fiscal 2021, we altered the number of items for stress checks from our own designated 57 items to the 80 items recommended by the Ministry of Health, Labour and Welfare, allowing us to determine the level of vitality in the workplace using normal methods.

Promotion of diversity

In order to achieve our Vision for Human Resources Cultivation of "a business Group with diversity as a weapon," we are endeavoring to become a business in which a diverse range of employees with varying backgrounds can continue to demonstrate their respective strengths.

Initiatives to promote women's activities and cultivate the next generation

We are working to offer systems and training environments that allow employees from a diverse range of backgrounds to work flexibly, and to encourage male employees to take part in caring for their children. Amidst the rapid diversification of society, we are pushing forward with efforts to create a workplace in which a diverse range of employees can work energetically and further their careers.

In fiscal 2021 we instituted career design training for female employees and their managers, which attracted a total of 110 participants.

Action plan for empowering female employees and fostering the next generation (FY2020 to FY2022)

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.

An atmosphere of understanding and recognition of a diverse range of work styles is spreading

Keisuke Higashi Assistant Director, Kyoto Branch, Suita Depot, Kansai Urban Area Regional Head Office

When my second child was born, I took parental leave for about a year and a half to raise my two-year-old eldest daughter. I started my leave before my wife entered the hospital to give birth, but the coronavirus pandemic meant that I was unable to take my daughter anywhere, and I spent my time trying to keep us occupied. Despite the difficulties we faced, after my wife gave birth, we spent many fulfilling days together with our two children.

Although my position as assistant director meant that I was nervous about taking leave, the support of my colleagues alleviated my anxiety, for which I am very grateful. Four men in my workplace have taken parental leave during the past year, which has made me realize that an atmosphere of understanding and recognition of a diverse range of work styles is spreading. Going forward, I will offer my encouragement to male employees who are considering taking parental leave.



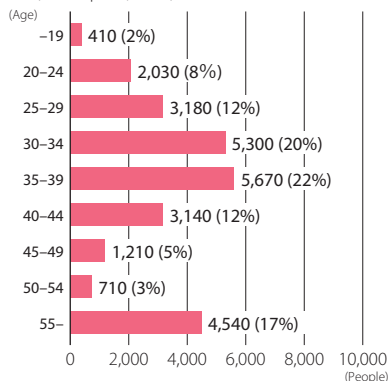
Initiatives for LGBTQ and other sexual minorities

In fiscal 2021 we held training for all employees to foster understanding of sexual minorities, and we distributed "ALLY" stickers to show our understanding for LGBTQ issues. Additionally, we revised in-house systems to allow employees with same-sex partners to apply these systems to their partners in the same way as they would to a spouse if the relationship is deemed to be equivalent to a marriage, and we established in-house and external desks for consultation.



Human resources and motivation

■ Employee composition by age
(as of April 1, 2021)



■ Percentage of female workers

Overall	
15%	
Managers	Executives
2%	11% (6% when executive officers, administrative officers, and technical officers are included)

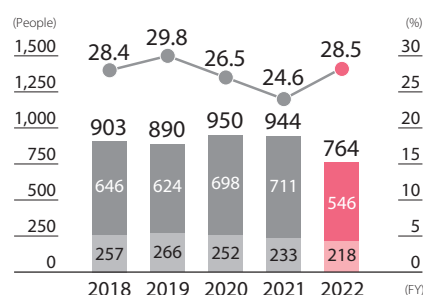
As of April 1, 2021

■ Percentage of people taking paid leave

Overall
87%

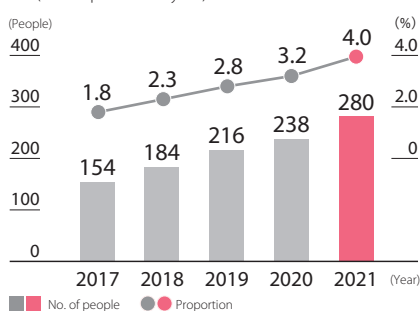
Average number of days used in FY2021: 17.3 of 20 days

■ Number of hires by gender and changes in proportion of women hires*

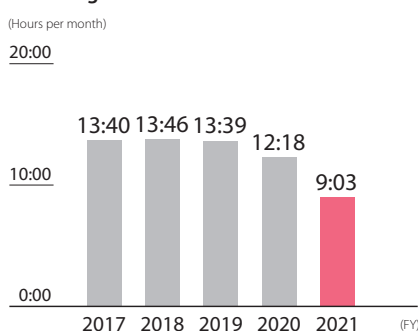


* Includes hiring of recent graduates (including those with some post-graduation work experience), hiring of employees who started out as contract employees, and hiring of experienced professionals

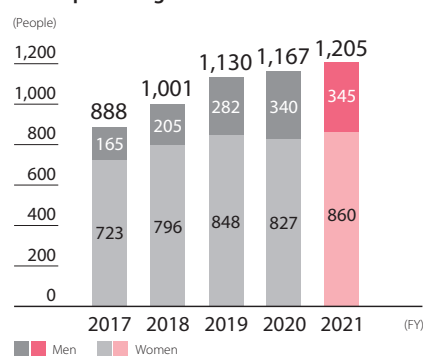
■ Number and proportion of female managers and supervisors
(as of April 1 each year)



■ Average overtime hours



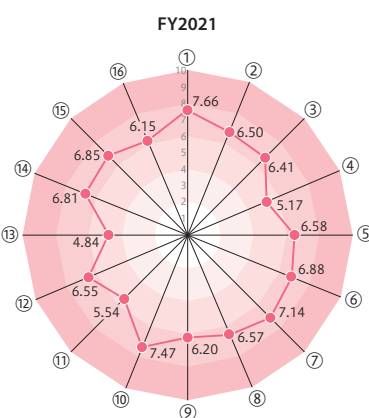
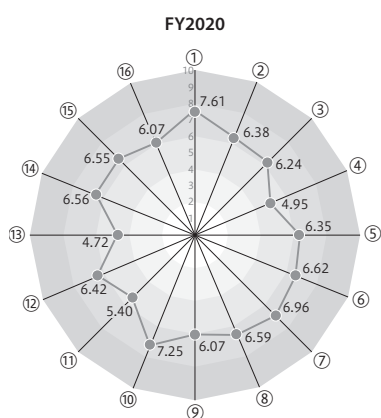
■ People taking childcare leave



■ FY2021 employee awareness survey

Since 2008, a survey of all employees has been carried out as one means of gauging the level of job satisfaction. Taking into consideration the results of the survey, we are working to create a company in which employees find job satisfaction and in which they take pride.

Data on the results of the survey is prepared for each organization, based on the circumstances of each organization, in order to encourage them to independently identify the issues and implement the necessary measures. This data is then fed back to each organization.



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

External evaluation

Aiming to be a "business group with diversity as a weapon" as set out in our Vision for Human Resources Cultivation, we are working to build an environment, systems, and culture in which a diversity of human resources can maximize their potential and flourish. This includes a scheme supporting a balance between work and childcare, as well as initiatives to improve understanding of sexual minorities including LGBTQ.

The main external awards and certifications we currently hold are shown below.



"Child-rearing Support Company"
(Ministry of Health,
Labour and Welfare)



"PRIDE Index 2020," an index that assesses initiatives related to LGBT and other sexual minorities. Highest "Gold" rating

Human rights

Associated SDGs

5. Gender equality
8. Decent work and economic growth
10. Reduced inequalities



Priority initiatives

- Appropriate responses to increasingly complex and diverse human rights issues
- Development and operation of a system to integrate a human rights-based perspective into daily activities

JR-West Group Basic Policy on Human Rights

To date, 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, which is based on international standards for human rights, to provide a concrete direction for advancing business activities that are respectful of human rights Groupwide. We are promoting corporate activities based on this policy and moving forward with initiatives that respect human rights.

This policy applies to all executives and employees of the JR-West Group. We will endeavor to have all of our stakeholders understand this policy and respect human rights.

Implementing training and education for our employees

Implementing training to encourage awareness of human rights and acceptance of a diverse range of viewpoints

The JR-West Group provides human rights awareness training to all of its executives and employees. Additionally, we offer ongoing training for employees in leadership roles at each workplace (such as those tasked with promoting understanding of human rights), to promote understanding and awareness of a range of human rights-related issues.

We also conduct training intended to improve our knowledge and awareness of safety and customer service for elderly or injured customers, or those with disabilities, and to raise the level of customer service we offer.

Human rights awareness lectures

We hold human rights awareness lectures featuring speakers from

outside the company that are intended to raise the level of awareness of human rights of each of our employees. In fiscal 2021 we held a total of seven lectures themed on preventing harassment in the workplace.



A human rights awareness lecture

Seeking slogans on human rights

JR-West is seeking slogans on human rights, hoping to boost the awareness of this issue in every person. In fiscal 2021, 57,000 submissions were received from throughout the Group, three of which were selected to receive the Grand Prize or an Excellence Award.

Promoting due diligence with regard to human rights

The JR-West Group conducts human rights due diligence initiatives to prevent human rights violations from occurring, ascertaining specific human rights risks that may occur in each workplace and then identifying potential human rights issues and evaluating and implementing countermeasures.

We select priority issues from among the human rights violation risks identified and then exchange opinions and simulate experiences using participatory training materials, leading to a greater understanding of human rights and helping to prevent discrimination. Moreover, we are working to build positive relationships with our suppliers and local communities, provide products and services that customers can use in comfort and with

peace of mind, and create workplaces where our employees can feel safe and work enthusiastically.

Cross-departmental learning about mutual aid at the Kii Station, Wakayama Branch

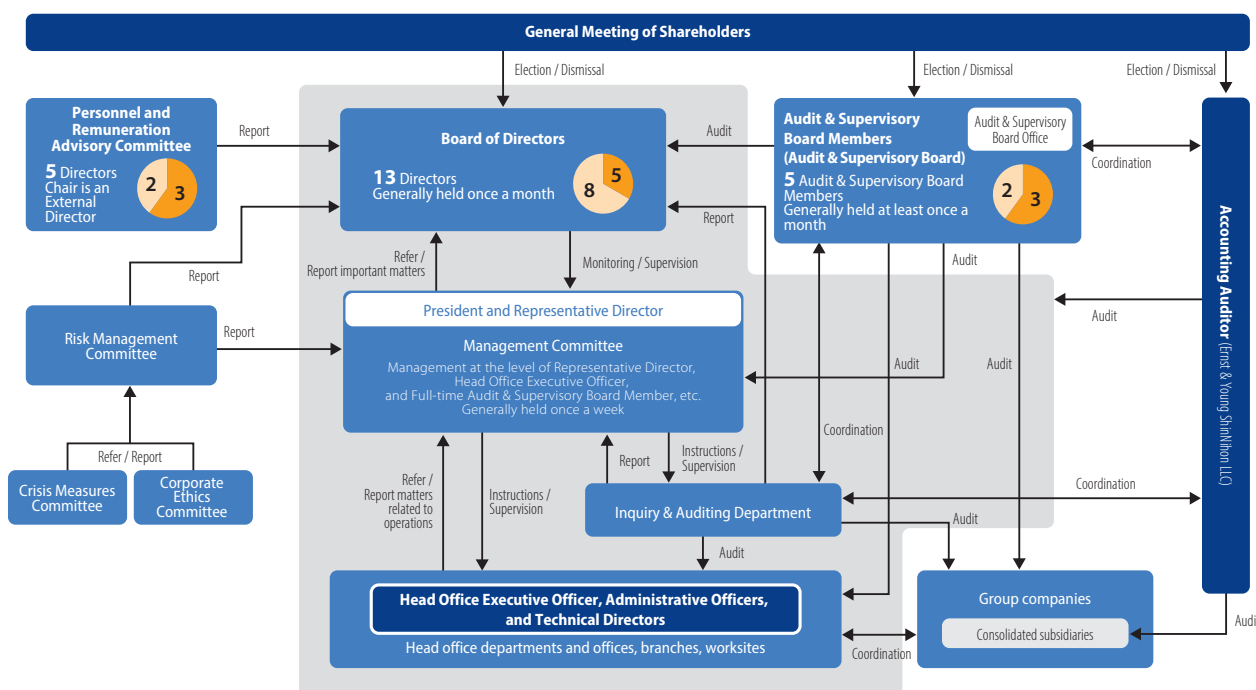
In order to deepen understanding of the concept of mutual aid—which refers to the act of looking out for each other and helping each other out, as well as talking to customers—we are engaged in learning about mutual aid in concert with employees from other divisions, discussing case studies and experiencing what it is like to offer assistance.



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.

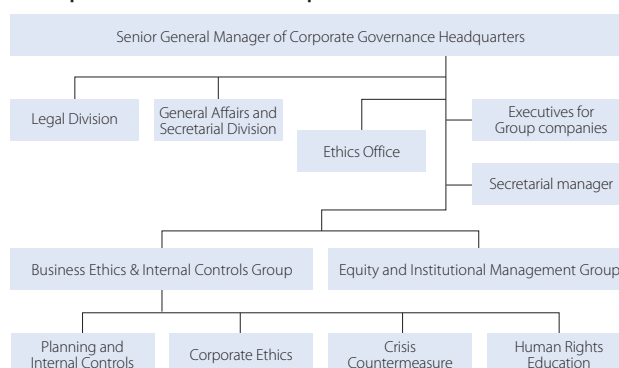
Establishing the Corporate Governance Headquarters

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 as 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



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.

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.



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

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.

Consolidated financial summary (FY2011–FY2021)

Years ended March 31

	2011	2012 ⁹	2013	2014
Consolidated balance sheets				
Total assets	2,672.4	2,642.9	2,613.7	2,687.8
Total liabilities	1,951.1	1,909.4	1,845.5	1,880.5
Net assets	721.2	733.5	768.1	807.3
Consolidated statements of profit or loss				
Operating revenues (Revenues from third parties)	1,213.5	1,287.6	1,298.9	1,331.0
Transportation	806.4	839.0	844.9	851.3
Retail	201.3	233.5	234.6	240.1
Real estate	75.7	93.5	90.9	102.2
Other businesses	129.9	121.4	128.4	137.1
Operating Income	95.9	109.7	129.4	134.5
Transportation	61.1	76.7	90.1	91.0
Retail	3.5	(2.9)	(0.4)	4.4
Real estate	22.2	25.9	28.0	27.7
Other businesses	9.6	10.3	12.3	11.8
Recurring profit	68.9	82.4	104.6	112.9
Profit attributable to owners of parent	34.9	29.4	60.1	65.6
Consolidated statements of cash flows				
Cash flows from operating activities	223.2	206.2	238.0	237.7
Cash flows from investing activities	(246.2)	(199.1)	(154.7)	(165.3)
Cash flows from financing activities	51.4	(36.8)	(85.2)	(47.8)
Key management indicators				
Return on total assets (ROA) (%) ¹	3.7	4.1	4.9	5.1
Return on equity (ROE) (%) ²	5.2	4.2	8.3	8.6
Equity ratio (%)	25.8	26.6	28.5	29.2
Debt-Equity Ratio (times) ³	1.6	1.5	1.3	1.3
EBITDA (¥ billions) ⁴	246.8	279.1	290.3	288.5
Earnings (net income) per share (EPS) (¥)	18,066	152.29	310.87	338.98
Book-value (net assets) per share (BPS) (¥) ⁵	355,712	3,632.41	3,850.82	4,048.31
Dividend per share (¥)	8,000	90	110	115
Payout ratio (%)	44.3	59.1	35.4	33.9
Total return ratio (%) ⁶	—	—	—	—
Dividend on equity (DOE) (%) ⁷	2.3	2.5	2.9	2.9
Rate of total distribution on net assets (%) ⁸	—	—	—	2.9
Other items				
Depreciation and amortization (consolidated)	150.8	169.3	160.8	153.9
Capital expenditures (consolidated)	260.0	195.4	152.9	166.7
Capital expenditures (non-consolidated)	208.5	150.8	124.8	144.5
(Restated) Safety-related investment	125.1	97.7	72.7	89.3
Long-term debt and payables (consolidated)	1,102.6	1,068.8	983.0	980.7
Number of employees at work (consolidated) As of March 31	45,703	45,402	45,326	46,006
Number of employees at work (non-consolidated) As of March 31	26,705	26,778	26,889	27,300
	2011	2012	2013 ¹¹	2014
Total transportation revenues				
Shinkansen	323.9	351.5	357.0	364.4
Kansai Urban Area (Kyoto-Osaka-Kobe Area)	284.4	287.3	288.9	292.1
Other lines	119.6	119.8	123.0	123.9

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]

⁸ Rate of total distribution on net assets = (total dividends + acquisitions of treasury stock) / [(Equity at the end of the previous fiscal year + Equity at the end of the fiscal year under review) / 2]

Billions of yen

2015	2016	2017	2018 ¹⁰	2019	2020	2021
2,786.4	2,843.1	3,007.8	3,071.8	3,237.5	3,275.2	3,479.4
1,939.7	1,916.8	1,975.2	1,955.5	2,057.7	2,052.1	2,523.4
846.7	926.3	1,032.6	1,116.3	1,179.8	1,223.1	956.0
1,350.3	1,451.3	1,441.4	1,500.4	1,529.3	1,508.2	898.1
868.4	928.7	929.1	950.8	953.9	933.4	476.8
220.1	232.0	233.9	239.8	245.5	226.0	142.2
87.2	108.8	109.5	139.6	148.5	165.1	145.7
174.4	181.5	168.8	170.0	181.3	183.6	133.3
139.7	181.5	176.3	191.3	196.9	160.6	(245.5)
100.6	125.1	121.7	130.3	136.2	105.3	(252.1)
1.5	5.3	5.2	7.2	6.1	3.8	(15.0)
25.1	32.7	32.2	35.7	35.6	34.9	29.2
15.6	22.4	20.4	19.9	21.2	19.7	(5.1)
121.9	162.2	160.7	177.7	183.3	148.3	(257.3)
66.7	85.8	91.2	110.4	102.7	89.3	(233.2)
223.6	259.8	234.1	275.1	289.7	240.1	(103.2)
(212.9)	(233.2)	(295.8)	(166.3)	(247.4)	(268.6)	(211.6)
1.6	(31.3)	44.3	(71.4)	(7.1)	(29.1)	446.7
5.1	6.4	6.0	6.3	6.2	4.9	(7.3)
8.4	10.2	10.0	11.3	9.8	8.1	(23.7)
28.8	30.9	31.3	33.2	33.3	34.1	24.5
1.3	1.1	1.1	1.0	1.0	0.9	1.8
289.3	338.1	339.1	356.1	361.3	332.2	(70.8)
344.58	443.53	471.52	570.72	533.31	466.88	(1,219.71)
4,138.65	4,534.29	4,857.50	5,273.42	5,612.63	5,847.27	4,460.73
125	135	140	160	175	182.5	100
36.3	30.4	29.7	28.0	32.8	39.1	—
—	—	—	—	42.5	50.3	—
3.1	3.1	3.0	3.2	3.2	3.2	1.9
3.1	3.1	3.0	3.2	4.2	4.1	1.9
149.5	156.6	162.7	163.5	163.1	170.4	173.4
225.6	233.1	192.4	169.4	245.3	254.5	216.6
186.4	198.7	159.8	127.8	190.9	176.2	167.4
90.2	126.0	105.0	83.2	125.2	116.1	105.1
1,004.2	1,001.8	1,037.9	1,032.2	1,064.0	1,018.9	1,559.5
47,565	47,456	47,382	47,869	47,842	48,323	47,984
26,886	26,555	25,821	25,291	24,866	24,439	23,900

Billions of yen

2015	2016	2017	2018	2019	2020	2021
797.0	850.0	849.6	867.8	873.4	856.8	419.4
375.9	437.2	434.6	447.7	457.0	441.2	165.5
296.2	302.2	305.0	309.0	308.1	307.5	194.4
124.8	110.5	110.0	111.0	108.2	108.1	59.4

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 in blue.

Financial statements

Millions of yen

Consolidated balance sheets

	Prior consolidated fiscal year (March 31, 2020)	Current consolidated fiscal year (March 31, 2021)
Assets		
Current assets		
Cash	78,530	210,291
Notes and accounts receivable-trade	28,198	37,347
Railway fares receivable	34,699	25,107
Accounts receivable	71,671	61,543
Securities	127	24
Inventories	117,088	118,899
Other current assets	77,298	81,103
Less allowance for doubtful accounts	(634)	(638)
Total current assets	406,981	533,678
Non-current assets		
Property, plant, and equipment		
Buildings and structures	1,215,032	1,219,124
Machinery and transport equipment	385,669	384,067
Land	780,886	783,246
Construction in progress	86,437	118,904
Other property, plant, and equipment	64,062	62,713
Total property, plant, and equipment	2,532,088	2,568,055
Intangible assets	34,229	34,054
Investments and other assets		
Investments in securities	116,690	103,105
Net defined benefit asset	1,919	2,595
Deferred tax assets	136,954	191,769
Other investments and assets	51,085	51,192
Less allowance for doubtful accounts	(4,692)	(5,000)
Total investments and other assets	301,956	343,662
Total non-current assets	2,868,275	2,945,773
Total assets	3,275,257	3,479,452

Millions of yen

	Prior consolidated fiscal year (March 31, 2020)	Current consolidated fiscal year (March 31, 2021)
Liabilities and shareholders' equity		
Current liabilities		
Notes and accounts payable-trade	70,037	60,255
Short-term loans payable	24,711	19,474
Commercial paper	60,000	—
Current portion of bonds	35,000	25,000
Current portion of long-term loans payable	36,422	36,952
Current portion of long-term payables for acquisition of railway properties	1,567	1,309
Accounts payable	133,582	149,889
Accrued consumption tax	9,367	6,225
Accrued income tax	20,953	18,142
Inter-line fares received	6,700	6,388
Deposits received	98,282	120,403
Prepaid railway fares received	31,999	30,202
Advances received	40,532	52,603
Allowance for bonuses	37,410	23,473
Allowance for loss on disaster	5,131	2,230
Allowance for point program	2,431	2,077
Other current liabilities	44,398	35,997
Total current liabilities	658,530	590,627
Non-current liabilities		
Bonds	509,986	814,988
Long-term loans payable	334,846	581,408
Long-term payables for acquisition of railway properties	101,158	99,848
Deferred tax liabilities	655	1,846
Allowance for large scale renovation of Shinkansen infrastructure	16,666	20,833
Allowance for environmental safety measures	8,912	6,898
Allowance for loss on liquidation of railway belts	8,887	8,809
Allowance for unredeemed gift certificates	2,343	2,797
Net defined benefit liability	269,328	254,830
Other long-term liabilities	140,834	140,528
Total non-current liabilities	1,393,620	1,932,790
Total liabilities	2,052,150	2,523,418
Net assets		
Total shareholders' equity		
Common stock	100,000	100,000
Capital surplus	56,567	57,454
Retained earnings	956,227	696,703
Treasury stock, at cost	(483)	(482)
Total shareholders' equity	1,112,311	853,676
Valuation and translation adjustments		
Net unrealized holding gain on securities	(430)	(780)
Deferred gains or losses on hedges	29	0
Remeasurements of defined benefit plans	6,114	17
Total valuation and translation adjustments	5,714	(762)
Non-controlling interests	105,080	103,119
Total net assets	1,223,106	956,033
Total liabilities and net assets	3,275,257	3,479,452

Financial data

Financial statements

Millions of yen

Consolidated statements of income

	Prior consolidated fiscal year (From April 1, 2019 To March 31, 2020)	Current consolidated fiscal year (From April 1, 2020 To March 31, 2021)
Operating revenues	1,508,201	898,172
Operating expenses		
Transportation, other services and cost of sales	1,130,143	975,595
Selling, general and administrative expenses	217,430	168,121
Total operating expenses	1,347,573	1,143,717
Operating income (loss)	160,628	(245,544)
Non-operating revenues		
Interest income	38	27
Dividend income	1,164	908
Dividends income of insurance	1,880	1,593
Transfer from administrative fee of contracted construction	1,770	1,710
Equity in earnings of affiliates	1,787	1,909
Subsidies for employment adjustment	—	3,316
Other	2,222	3,595
Total non-operating revenues	8,864	13,062
Non-operating expenses		
Interest expense	19,465	20,455
Other	1,674	4,430
Total non-operating expenses	21,139	24,885
Recurring profit (loss)	148,353	(257,367)
Extraordinary profits		
Gain on sale of non-current assets	961	10,407
Gain on contributions received for construction	12,191	11,841
Compensation income for expropriation	2,658	1,586
Subsidies for employment adjustment	—	4,991
Other	7,286	3,109
Total extraordinary profits	23,097	31,936
Extraordinary losses		
Loss on sales of non-current assets	148	109
Loss on deduction of contributions received for construction from acquisition costs of property, plant, and equipment	11,606	10,666
Loss on reduction for expropriation, etc.	2,642	398
Loss related to novel coronavirus	—	11,879
Loss on valuation of investments in securities	1,804	15,721
Other	14,586	10,532
Total extraordinary losses	30,788	49,309
Profit (loss) before income taxes	140,662	(274,740)
Income taxes- Current	40,703	9,990
Income taxes- Deferred	6,130	(50,812)
Total income taxes	46,833	(40,822)
Profit (loss)	93,828	(233,918)
Profit (loss) attributable to non-controlling interests	4,447	(703)
Profit (loss) attributable to owners of parent	89,380	(233,214)

Millions of yen

Consolidated statements of comprehensive income

	Prior consolidated fiscal year (From April 1, 2019 To March 31, 2020)	Current consolidated fiscal year (From April 1, 2020 To March 31, 2021)
Profit(loss)	93,828	(233,918)
Other comprehensive income		
Valuation difference on available-for-sale securities	(4,572)	(362)
Deferred gains or losses on hedges	105	(37)
Remeasurements of defined benefit plans, net of tax	(2,519)	(6,174)
Share of other comprehensive income of associates accounted for using equity method	208	38
Total other comprehensive income	(6,778)	(6,535)
Comprehensive income	87,050	(240,453)
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	82,716	(239,691)
Comprehensive income attributable to non-controlling interests	4,333	(762)

Millions of yen

Consolidated statement of cash flows

	Prior consolidated fiscal year (From April 1, 2019 To March 31, 2020)	Current consolidated fiscal year (From April 1, 2020 To March 31, 2021)
Cash flows from operating activities		
Profit(loss) before income taxes	140,662	(274,740)
Depreciation and amortization	170,448	173,468
Loss on deduction of contributions received for construction from acquisition costs of property, plant, and equipment	11,606	10,666
Loss on disposal of property, plant, and equipment	11,934	5,982
Loss (gain) on valuation of investment securities	1,804	15,721
Increase (decrease) in liability for retirement benefits	(20,190)	(23,911)
Increase (decrease) in allowance for doubtful accounts	728	311
Increase (decrease) in provision for employees' bonuses	(190)	(13,937)
Increase in allowance for large-scale renovation of Shinkansen infrastructure	4,166	4,166
Increase (decrease) in other provisions	(8,706)	(5,307)
Interest and dividend income	(1,203)	(936)
Interest expense	19,465	20,455
Equity in earnings of affiliates	(1,787)	(1,909)
Proceeds from contribution for construction	(12,191)	(11,841)
Decrease (increase) in notes and accounts receivable-trade	15,527	10,681
Decrease (increase) in inventories	(9,184)	3,874
Increase (decrease) in notes and accounts payable-trade	(16,487)	30,642
Decrease/increase in consumption taxes receivable/payable	2,739	(11,197)
Other	(4,044)	(2,118)
Subtotal	305,097	(69,930)
Interest and dividends income received	1,201	939
Interest paid	(19,217)	(20,191)
Income taxes paid	(46,928)	(14,113)
Net cash provided by operating activities	240,152	(103,295)
Cash flows from investing activities		
Purchases of property, plant, and equipment	(265,152)	(242,047)
Proceeds from sales of property, plant, and equipment	1,564	12,850
Contributions received for constructions	21,742	22,793
Purchases of investments in securities	(25,507)	(3,020)
Proceeds from sales of investments in securities	1,923	812
Net decrease (increase) in loans receivable	(34)	(927)
Other	(3,193)	(2,153)
Net cash used in investing activities	(268,657)	(211,692)
Cash flows from financing activities		
Net increase in short-term loans	3,791	(5,448)
Net changes in commercial paper	60,000	(60,000)
Proceeds from long-term loans	20,000	283,600
Repayments of long-term loans	(39,205)	(36,507)
Proceeds from issuance of bonds	10,000	330,000
Redemption of bonds	(35,000)	(35,000)
Payment of long-term payables for acquisition of railway properties	(1,645)	(1,567)
Purchases of treasury stock	(9,999)	—
Proceeds from sales of treasury shares	—	0
Cash dividends paid	(34,999)	(24,870)
Dividends paid to non-controlling interests	(333)	(311)
Other	(1,774)	(3,144)
Net cash (used in) provided by financing activities	(29,167)	446,749
Net increase (decrease) in cash and cash equivalents	(57,671)	131,761
Cash and cash equivalents at the beginning of the period	136,581	78,283
Increase in cash and cash equivalents from newly consolidated subsidiary	1,110	—
Decline in cash and cash equivalents accompanying removal from scope of consolidation	(1,736)	—
Cash and cash equivalents at end of year	78,283	210,045

West Japan Railway Group Integrated Report 2021

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We have been selected as a constituent stock of the ESG Indices



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