

Corporate Governance



Board of Directors

• Number of years as board member • Attendance at board meetings (FY2022)

1 Kazuaki Hasegawa

- 10 years
- 16/16 meetings

Personnel and Remuneration Advisory Committee member

2 Hikaru Takagi

- 4 years
 - 16/16 meetings
- Former professor at the Graduate School of Law, Kyoto University

Independent officer
 Personnel and Remuneration Advisory Committee member

3 Yoshinobu Tsutsui

- 2 years
 - 16/16 meetings
- Chairman of the board and representative director of Nippon Life Insurance Company

Independent officer
 Personnel and Remuneration Advisory Committee member

4 Haruko Nozaki

- 2 years
 - 16/16 meetings
- Former junior corporate officer of Horiba, Ltd.
 Major concurrent posts
 Executive vice president of Kyoto University

Independent officer
 Personnel and Remuneration Advisory Committee member

5 Kenji Iino

- Appointed as director in June 2022
- Former managing director and executive managing officer of Mitsui Fudosan Co., Ltd.
 Major concurrent posts
 Senior corporate auditor of Mitsui Fudosan Realty Co., Ltd.

Independent officer

6 Yoshiyuki Miyabe

- Appointed as director in June 2022
- Major concurrent posts
 Director and executive vice president of Panasonic Holdings Corporation

Independent officer

7 Fumito Ogata

- 6 years
- 16/16 meetings

8 Shoji Kurasaka

- 4 years
- 16/16 meetings

Personnel and Remuneration Advisory Committee member

9 Keiji Nakamura

- 4 years
- 16/16 meetings

10 Eiji Tsubone

- 1 year
- 12/12 meetings

11 Hiroaki Maeda

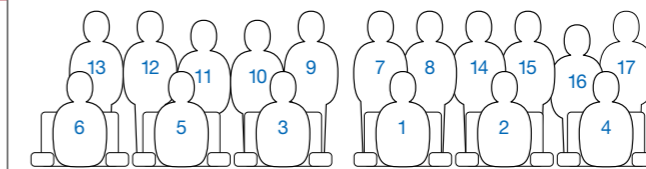
- Appointed as director in June 2022

12 Masatoshi Miwa

- Appointed as director in June 2022

13 Hideo Okuda

- Appointed as director in June 2022



14 Fumio Tanaka

- Appointed as director in June 2022
- (Tenure as Audit & Supervisory Board member: 2 years)
- 16/16 meetings

15 Maki Ogura

- Appointed as director in June 2022
 - (Tenure as Audit & Supervisory Board member: 2 years)
 - 16/16 meetings
- Former judge

Independent officer

16 Emiko Hazama

- Appointed as director in June 2022
 - (Tenure as Audit & Supervisory Board member: 2 years)
 - 16/16 meetings
- Former deputy mayor of Sakai City
 Major concurrent posts
 Professor at the Department of Public Affairs, Osaka University of Commerce

Independent officer

17 Kenryo Goto

- Appointed as director in June 2022
- Former Osaka Office managing partner and senior executive board member of KPMG AZSA LLC
 Major concurrent posts
 Certified public accountant, Kenryo Goto Certified Public Accountant Office

Independent officer

Corporate Governance

Key features of JR-West corporate governance

In light of the dramatic changes in the business landscape that have been taking place in recent years, and with a view towards first reforming and reconstructing and, then, evolving and growing our Group as a whole, JR-West transitioned in June 2022 to a company with an Audit and Supervisory Committee, undertaking this change as part of organizational reform aimed at enhancing our ability to address change.

- The Board of Directors comprises 17 directors, of which eight (47.1%) are independent external directors.
 - ◇ Of the 13 directors (12 men and one woman) on the Board (excluding directors who are Audit and Supervisory Committee members), there are five external directors who specialize in monitoring and supervising.
 - ◇ There are four directors (three men and one woman; three of whom are external directors who are Audit and Supervisory Committee members) who are Audit and Supervisory Committee members invested with voting rights and other authority on the Board of Directors.
- Along with the Board of Directors entrusting much of the responsibility for important business execution decision-making to the executive directors, structures such as an executive officer system have been adopted to accelerate decision-making and business execution.
 - ◇ In June 2022, a group executive officer system was introduced (appointment of the four main group companies' presidents) whose members are equivalent to executive officers and are responsible for improving the corporate value of the overall Group.

- The Audit and Supervisory Committee audits the job performance of directors according to auditing policies and plans. The committee coordinates with the Accounting Auditor, internal audit department, and others via regular information exchange and other means.
- 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 independent external directors. This ensures objectivity, fairness, and reliability in relation to the personnel affairs and remuneration of officers.
- 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.

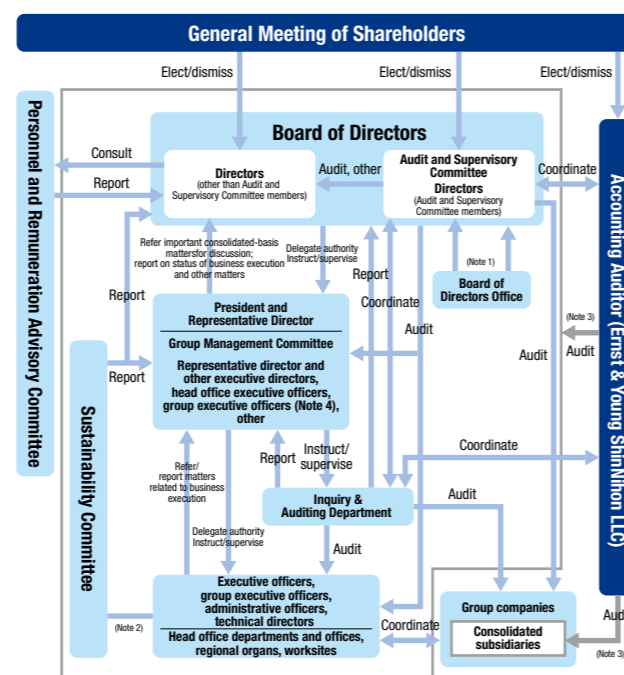


Head of operations;
Vice President, Representative Director,
and Executive Officer
Shoji Kurasaka

Main measures to strengthen Board of Directors-centered corporate governance

June 1999	• Adoption of executive officer system to accelerate decision-making (reduction of internal directors from 27 people to six)
June 2006	• Establishment of full-time staff responsible for communicating and coordinating with external directors ⇒ Expand and improve information-sharing with external directors
April 2007	• Establishment of Remuneration Advisory Committee (comprises at least three directors; more than half are external directors) ⇒ Ensure objectivity, fairness, and trustworthiness of officers' remuneration
June 2010	• Appointment of directors with diverse backgrounds, female directors
June 2012	• Start of evaluation of Board of Directors effectiveness
September 2015	• Creation of Company's Criteria for Independence of External Officers to accompany enforcement of Corporate Governance Code
June 2018	• Shortening of directors' term of office to one year ⇒ Greater flexibility in corporate management structure, clarification of management responsibilities, increased opportunities for shareholders to express their relative confidence
December 2019	• Establishment of Personnel and Remuneration Advisory Committee to advise Board of Directors (as of July 2022, comprises three external directors and two internal directors; chaired by external director) ⇒ Ensure objectivity, fairness, and trustworthiness of officer nominations and remuneration • Institution of Board of Directors' matters for consultation alongside matters to be resolved and matters to be reported ⇒ Undertake ongoing and robust discussion of important managerial matters from medium and long-term perspective
June 2022	• Transition to company with Audit and Supervisory Committee ⇒ Delegate significant authority from Board of Directors to directors to facilitate swift and decisive managerial decision-making and business execution Further expansion of corporate governance through stronger Board of Directors monitoring and other functions • Introduction of group executive officer system (appointment of four main group companies' presidents) whose members are equivalent to executive officers and are responsible for improving corporate value • Introduction of restricted stock compensation plan for internal directors and other executives ⇒ Incentivize pursuit of sustainable corporate value improvement, and create greater shared value with shareholders

Current corporate governance structure



- Note 1: JR-West has established the Board of Directors Office to support the duties of the Board of Directors and the Audit and Supervisory Committee. Full-time support staff have been put in place who are ensured independence from executive directors and others.
- Note 2: The Sustainability Committee performs comprehensive evaluation of sustainability initiatives and gives essential feedback on priority areas such as the global environment and risk management. For each of these priority areas, the departments in charge create separate committees as needed to pursue PDCA.
- Note 3: □ denotes audit scope of the Accounting Auditor.
- Note 4: Group executive officers are equivalent to executive officers and are appointed by the Board of Directors to enhance the overall value of the Group, in accordance with the decision-making of the Board of Directors and executive directors, as persons responsible for executing group company business.

Skill diversity of directors

The table below defines the six skills (knowledge, experience, abilities, other) that are currently considered important for the Board of Directors to possess to carry out timely and appropriate decision-making, along with highly effective monitoring and supervision, which facilitate achievement of the

four strategic axes of the revised JR-West Group Medium-Term Management Plan 2022 (see p. 25).

With regard to ESG-related skills, we believe that these six skills encompass their essential elements and that the entire skill set should be represented by the Board of Directors as a whole.

Table of skills currently represented by, and particularly expected of, directors (skills matrix)

Name	Position in the Company	Skills particularly expected to be displayed (major components stated in lower column)					
		Corporate management Business strategy Organization development Finance strategy	Governance Legal affairs/risk management Diversity Human rights Human resources cultivation	Safety/quality Safety/quality-related technologies Customer satisfaction Marketing	Innovation/advanced technology DX Productivity improvement Global environment	Community/city development Real estate development Enhancing convenience of railway networks Improving appeal of communities/cities	Coexistence with local communities Tourism/industrial development Local culture development Sustainable transportation systems
Kazuaki Hasegawa	President and representative director (Chairman of the Board of Directors)	●		●		●	
Hikaru Takagi	Director (independent, external)		●				
Yoshinobu Tsutsui	Director (independent, external)	●	●				
Haruko Nozaki	Director (independent, external)		●				●
Kenji Iino	Director (independent, external)	●				●	
Yoshiyuki Miyabe	Director (independent, external)			●	●		
Fumito Ogata	Representative director	●		●		●	
Shoji Kurasaka	Representative director	●	●				●
Keijiro Nakamura	Representative director	●		●			●
Eiji Tsubone	Director	●			●		
Hiroaki Maeda	Director		●	●			
Masatoshi Miwa	Director	●	●				
Hideo Okuda	Director	●			●		
Fumio Tanaka	Full-time Audit and Supervisory Committee member			●	●		
Maki Ogura	Full-time Audit and Supervisory Committee member (independent, external)		●				
Emiko Hazama	Audit and Supervisory Committee member (independent, external)		●				●
Kenryo Goto	Audit and Supervisory Committee member (independent, external)	●	●				

Note 1: Of skills possessed by each individual, up to three skills that are particularly expected to be displayed in light of the composition of the Board of Directors have the mark "●".
Note 2: The above table is not an exhaustive list of all the knowledge, experience, ability, etc., the individuals possess.

Evaluation of the Board of Directors' effectiveness and efforts to improve its effectiveness

An evaluation of the effectiveness of the Board of Directors is carried out once every year through questionnaires, discussions, and other means, aimed at all Board members (and, until fiscal 2022, all members of the Audit and Supervisory Board).

The results of the fiscal 2022 evaluation of the effectiveness of the Board of Directors confirmed that the Board continues to be sufficiently engaged in discussion focused on Group reform and reconstruction. As for future challenges, there was shared recognition among Board members about the need for more in-depth discussion about what must be done with regard to the direction of our business portfolio, the allocation of managerial resources, the implementation of sustainability-related initiatives, and other matters connected with the improvement of corporate value in the medium and long term after the end of the pandemic. There was also shared recognition about the need for fundamental reform of the management structure that will ensure the future survival and growth of the Group. Based on these considerations,

the Board made the decision to transition the company to one with an Audit and Supervisory Committee. (This decision was announced on January 31, 2022, and the transition was enacted following approval at the 35th Ordinary General Meeting of Shareholders on June 23, 2022.)

Based on all of this, the JR-West Board of Directors has been deemed to be functioning effectively. And, in order to maintain and improve its effective functioning, the following efforts are being pursued.

1. Improvement of the system for sharing information with external directors
2. Institution of matters for consultation by the Board of Directors to enhance discussion
3. Sharing of the Board of Directors' discussion content with executives
4. Use of questionnaires and other means to survey directors, and, based on the results, enactment of efforts to improve the effectiveness and vitality of the Board of Directors

Corporate Governance

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 and others.

This committee, which comprises at least five directors, the majority of whom are independent external directors and the committee chair is also an independent external director, deliberates on officer remuneration and personnel matters from a fair and objective standpoint and makes recommendations to the Board of Directors. Specific matters deliberated by this committee include Board of Directors composition and diversity, expected skills of directors and officers, policies and criteria for selection and dismissal of directors and officers, policies and criteria for remuneration of directors and officers, and the creation of succession planning.

Officer remuneration

Overview of the remuneration system for directors

Remuneration for JR-West directors consists of fixed, basic remuneration; short-term incentive performance-evaluation remuneration; and share-based remuneration (see below), which incentivizes pursuing shared value with shareholders over the long term and increasing corporate value over the medium to long term. Basic remuneration and performance-evaluation remuneration are paid monthly, while share-based remuneration is paid at a fixed time each year.

However, remuneration for directors who are Audit and Supervisory Committee members and for external directors consists of basic remuneration only.

Regarding the amount of basic remuneration, JR-West prepares a remuneration table organized according to management responsibilities, taking into account remuneration levels at other companies, as investigated by specialist external organizations, to ensure an appropriate level of remuneration.

In order to increase focus on improving company performance for each business year, JR-West provides performance-evaluation remuneration at an amount that corresponds to the degree to which railway safety, consolidated revenues, consolidated income, and asset efficiency targets established at the outset of the previous fiscal year have been met but that does not exceed 30% of the basic remuneration. While this is largely premised on the achievement of safe and stable railway operations, which is our core business, systematic support of appropriate risk-taking by management for the sake of long-term sustainable growth as a corporate group and improving corporate value is also important. Thus, both ensuring railway safety and the KPIs set in the JR-West Group Medium-Term Management Plan 2022 are used as performance indicators.

For share-based remuneration, restricted stock is issued at a base amount that corresponds to the recipient's management responsibilities.

Remuneration for directors (excluding external directors and directors who are Audit and Supervisory Committee members),

Members (as of July 2022)

Title/position	Name	Attribute
Chair	Yoshinobu Tsutsui	Independent external director
Member	Hikaru Takagi	Independent external director
Member	Haruko Nozaki	Independent external director
Member	Kazuaki Hasegawa	Internal director
Member	Shoji Kurasaka	Internal director

Committee meetings in fiscal 2022

During fiscal 2022, the entire Personnel and Remuneration Advisory Committee met 10 times.

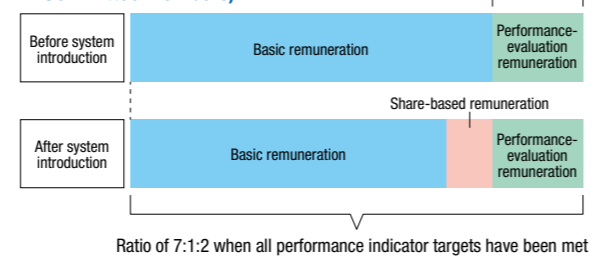
when all performance indicator targets established at the outset of the previous fiscal year have been met, consists of basic remuneration, performance-evaluation remuneration, and share-based remuneration in a ratio of 7:2:1 (see the graph below).

Specific decisions about remuneration for individual directors (excluding directors who are Audit and Supervisory Committee members) are arrived at through deliberation by a Personnel Committee comprising multiple representative directors, the director in charge of personnel, and others and with due consideration given to the recommendations of the Personnel and Remuneration Advisory Committee (on which external directors are the majority) to ensure remuneration is both fair and credible.

Share-based remuneration system

With the aim of incentivizing directors' efforts to sustainably increase corporate value and to more closely align director and shareholder interests, a restricted stock remuneration plan for directors (excluding external directors and directors who are Audit and Supervisory Committee members) was introduced following approval at the 35th Ordinary General Meeting of Shareholders on June 23, 2022. (Executive officers, group executive officers, administrative officers, and technical directors are also included.)

Reference: Composition of remuneration for directors (excluding external directors and directors who are Audit and Supervisory Committee members)



Message from Newly Appointed External Directors

Monitoring and supervising corporate governance effectiveness from an outside perspective



External director
Kenji Iino

Creating corporate value and enhancing the trust of society cannot be accomplished without sound corporate governance and a tireless, cooperative commitment by management and employees.

From my vantage point as an outsider, I believe that the monitoring and administrative mechanisms and systems of corporate governance are already in place at JR-West.

In the course of performing supervision and monitoring, I will actively engage the Board of Directors and others in an exchange of opinions in order to address such matters as whether

JR-West's corporate governance systems are operating properly, whether there is shared, Group-wide awareness, and whether JR-West's efforts are earning the broad trust of society.

I will also leverage my experience and insights in domestic and overseas real estate development and sales, administration, and investment management of real estate investment trusts for the sake of furthering community/city development and other endeavors, as well as fostering their positive coordination with the railway business.

Developing together with stakeholders as a public endeavor

Konosuke Matsushita, the founder of Panasonic, described companies as being a "public endeavor." The resources needed for a company to operate, including human resources, capital, land, and materials, are all obtained from society. The only way a company will grow and develop over the long term is if it makes full use of those resources to generate surplus value and not only contribute to society but also develop together with its customers, business partners, shareholders, society, and all other stakeholders. This is the foundation on which basic

management policies are established. I see the aim of corporate governance as watching and making sure that no action is taken that is contrary to these policies and prompting swift, appropriate, and bold action in response to environmental change.

The public certainly thinks of JR-West as a public endeavor. I look forward to robust discussion with executives about when to apply the brakes, when to pick up speed, and when a change of direction is warranted.



External director
Yoshiyuki Miyabe

Facilitating both cautious and bold management through corporate governance

JR-West has a responsibility to keep its accounts balanced while also helping ensure safety and security in people's everyday lives. Although the pandemic has made this task more difficult, it is management's job to achieve it nonetheless. And I believe that corporate governance is one of the tools that helps them to accomplish this.

For example, when trying to improve both the productivity and safety of railway operations, it is likely that some measures will conflict in some ways with others. Also, while we want to restore the company's financial base as quickly as

possible, investment in safety is the most important strategy.

JR-West is proceeding one sure step at a time to resolve these sorts of multifaceted management challenges in order to make western Japan an area in which everyone, including future generations, can continue to enjoy energetic, active lifestyles.

With my outsider's perspective, I will make it my mission to encourage not only caution but boldness as well.



External director
Kenryo Goto



Shoji Kurasaka
Vice President,
Representative Director,
and Executive Officer

Emiko Hazama
External Director
(Audit and Supervisory
Committee Member)

Hikaru Takagi
External Director

Corporate governance
Three-way discussion

Role of the Board of Directors in accommodating intense change in the business environment and increasing corporate value

We're working to realize structural reforms in our business and management in the midst of an unprecedented crisis brought on by a shrinking population, intensifying natural disasters, and the COVID-19 pandemic. External director Hikaru Takagi, external director and Audit and Supervisory Committee member Emiko Hazama, and Vice President Shoji Kurasaka talked about a broad range of topics, including the role that the Board of Directors is expected to play in increasing corporate value, while focusing on the significance of the JR-West Group's existence, the value it should provide to stakeholders, and associated medium- and long-term issues.

Be a company that can embrace new challenges in partnership with various stakeholders

Kurasaka: At a time of intense change in the business environment, it's an urgent priority to implement speedy decision-making while strengthening corporate governance in ways that both emphasize the defensive approach we've taken in the past and an aggressive approach to a variety of management issues. We're working diligently to reform our management structures. I'd like to discuss those topics later. But first, tell me about your impression of the company before becoming an external director, and your impression after assuming that role.

Takagi: I thought JR-West had a steady, conservative culture before becoming an external director four years ago, but since taking on that role, I've found that there are many people who are pursuing dynamic reforms. My impression has changed; I see the company as having diverse human resources and a

balanced approach to management.

Hazama: Before becoming an external director, my image of JR-West was that of a steady and technologically capable company, for example as a Shinkansen train operator. I became an external director two years ago, during the pandemic. I found JR-West to be a company that did not fear change, with employees having a healthy sense of crisis expressing the need for change. I think two issues facing the company are how to match existing businesses with the current needs of society, and how to take on the challenge of new business domains. My image of the railway industry—not just JR-West—was that of a male-dominated sector, but I was encouraged to see many women at work at railway sites and group companies. About half of the world's population are women. In JR-West Group businesses like travel, shopping centers, department stores, and condominiums, in many cases it is women who make the purchasing decisions. I hope to see JR-West become a corporate group where diverse

individuals can make an even greater contribution in the future, regardless of gender or age.

Kurasaka: Concerning ongoing changes in the business environment, how do you see the significance of the Group's existence and the value it should provide?

Takagi: The Group's core railway business is like a public service. That means it's expected to play a different role than other private-sector companies. The significance of the Group's existence lies primarily in fulfilling those expectations. Since supporting local communities is also the job of local public organizations and the national government, it's essential to realize collaboration between government and the private sector.

Hazama: The future towards which the Group aspires is a safe, comfortable society, and this "safety-first" approach should never change. In order to support the foundations of a safe, comfortable society, it's necessary to work closely with local governments, the national government, and other companies. I believe that JR-West can play a central role in that collaboration. Although advances in IT have created a sense of crisis with regard to reductions in mobility, for example commuting, I believe that people as social beings seek social interaction. When people make connections and build trust, they create culture and a safe, secure society. I expect to see the Group embrace challenges from a new perspective as it asks how railway and other group businesses can make a contribution.

Kurasaka: Realizing a "safe, comfortable society filled with meetings among people and smiles" remains a statement of the Group's values and the significance of its existence, despite the pandemic. Technology and the environment are continually changing, but I believe in the fundamental human desire to meet and communicate with others, and we'd like to continue to provide the goods and services that customers desire.

Some things become apparent when you visit sites in the field

Kurasaka: As a prerequisite for deliberation and discussion at the Board of Directors, we have directors actively tour railway sites and exchange views with employees, including at group companies, so that they can better ascertain the actual state of the Group's management. Have you learned anything interesting from those encounters?

Takagi: I realized that it's been no easy thing to navigate the hardships imposed by the pandemic. JR-West is a large organization, but I think it's important for management to continue to pay attention to feedback from employees in the field.



Hazama: Tours of sites and facilities provided valuable opportunities to listen to unfiltered feedback from personnel in the field. Even in the midst of a difficult situation due to the pandemic in which JR-West experienced fewer customers, I saw employees at various workplaces facing their responsibilities earnestly without losing motivation to do their jobs and fulfill their roles. This stance is invaluable for the company. I hope to see the company take advantage of a diverse range of human resources as it embraces the challenges of new businesses.

Monitoring operations while offering support for increasing corporate value

Kurasaka: As I mentioned earlier, the pandemic has prompted an unprecedented management crisis even as we work to adapt to changes in the business environment. The Board of Directors has conducted far-reaching discussions about how to overcome this crisis, addressing topics including safety, financial strategies and management directions based on current business conditions, and organizational structural reforms, including the transition to a company with an Audit and Supervisory Committee. How do you evaluate the administration and operational initiatives of the Board of Directors in this process?

Takagi: It is my understanding that the need for structural reform has been an issue since before the pandemic and has been intensified by it. I feel that our executive team has taken all the necessary steps without allowing the pace of reform to slacken, and they've done a great job. I'm truly impressed that such tough reforms could be successfully undertaken.

Hazama: The Board of Directors sets matters for consultation regarding policies and issues that are important from a management perspective. I feel this has made problem areas clear and that discussions have been sufficient. In addition to reducing fixed costs to the extent that safety can be ensured amid this crisis, we need to take on new challenges. I want to conduct a careful examination—while offering support—of

how we can realize our ultimate goal of increasing corporate value by asking how the railway business should be positioned and operated, and how we can create new appeal for the JR-West Group, bearing in mind the need to foster the global development and further diversification of the company's businesses.

Kurasaka: Having transitioned to a company with an Audit and Supervisory Committee, we will need to move forward with discussions of medium- and long-term management issues, for example sustainability initiatives, which have been growing in importance in recent years, along with structural reforms in our businesses and the nature of our portfolio, while accelerating decision-making. In addition, we need to enhance the monitoring function of the Board of Directors.

I'd like to hear your views on the Board of Directors, including administration and operational support structures designed to foster more dynamic discussions in the future.

Takagi: The Board of Directors made clear its transition to a monitoring approach, but discussions about governance are generally difficult to understand, and different participants see the subject differently. Against this backdrop, the U.S. approach of monitoring performance alone and changing management accordingly is not in fact a great fit with railway companies in Japan, which operate on a particularly long-term perspective. So I've been thinking about how monitoring can be accomplished.

Hazama: I think the transition to a company with an Audit and Supervisory Committee is rational from the standpoint of realizing speedy decision-making and strengthening governance in light of current business conditions. I'm a member of the Audit and Supervisory Committee, and the No. 1 issue for us is the question of whether we can discuss a variety of management issues and carry out evaluation and monitoring responsibilities sufficiently to facilitate the next spurt of growth. To that end, I'd like to see the executive team share information even more actively. I'd also like to pay attention to whether the Board of Directors is able to conduct discussions



from the respective perspectives of its diverse body of members. Going forward, I also expect to see a more involved effort to identify the management indicators (KPIs) that will serve as the basis for evaluation.

Takagi: It's necessary to check whether KPIs are rational for the organization. Focusing on and paying attention to results alone can invite harmful effects. For some projects, we won't see results right away though the processes are important, so I think we need to think about how to balance results and processes.

Kurasaka: I believe that the key to monitoring is to identify goals that align with the significance of our existence, along with results and issues associated with those goals, and then to have external directors evaluate our efforts from an outside perspective to ensure the company is not moving in the wrong direction. Although it's important to achieve our financial indicators for each fiscal year, we have many businesses that take time to get results. An important issue is that we need to carefully examine how to evaluate such businesses, including their processes.

Providing support for embracing new challenges through deeper discussions on proactive risk management and on utilizing diverse human resources

Kurasaka: Corporate governance has both aggressive and defensive aspects. What do you keep in mind as you participate in Board of Directors meetings and internal committee meetings as external directors based on your career background, experience, and areas of expertise?

Takagi: I'm expected to contribute through my experience and knowledge as a lawyer in the broad sense of the term, and my profession is fundamentally a defensive one. Since we're undertaking reforms due to the future need for a more aggressive approach, I intend to participate in discussions primarily in risk management.



Hazama: I'm participating as an external member of the Risk Management Committee. Risk management also has defensive and aggressive components, and the aggressive side is important when taking on new businesses. The idea is not to interrupt a business or shrink it just because there are risks. Rather, I'd like people to take on the challenge of adopting a more constructive approach to risk management that liberates us from those risks. JR-West is a company that offers customers safe, comfortable lifestyles and fun. I've worked consistently to figure out how to deliver such comfort, including when I occupied different positions in the past. I hope to put that experience to good use.

Kurasaka: Mr. Takagi is also a member of the Personnel and Remuneration Advisory Committee. In addition to developing frameworks that address human resources and remuneration policies and standards and monitoring their implementation, the committee discusses a broad range of related topics, including promotions and development policies. These have a major impact on corporate governance. What do you think?

Takagi: It's currently difficult for outsiders to understand the logic that lies behind our human resource system. The systems used by local government offices and large corporations are similar. Generally, until now, they were described as mechanisms by which employees assigned to various departments were evaluated in the context of employees' interpersonal relationships inside the company over a long period of time, leading to their promotions. As the environment changes significantly going forward, reforms will be necessary, including from the standpoint of ensuring gender equality for women. We'll also need to promote outside human resources and choose employees for positions regardless of age.

Kurasaka: Numerous human resource issues emerge when we think about management in the future. For example, how should we develop human resource strategies that will allow us to boldly take on the challenge of realizing our management strategy? How should we secure a new generation of human

resources to run the company? Ms. Hazama described the railway industry as "male-dominated" earlier, and in fact there was a long period of time in Japan during which women were not allowed to work in the field due to legal constraints. Today, women's contributions are growing, although it remains important to continue to undertake initiatives to place women in core management positions and jobs where they can participate in decision-making. If we fail to do so, we'll see a gap emerge between the services we provide and the services sought by customers.

Hazama: Has the human resource development system been defined clearly?

Kurasaka: In addition to offering education for specific fields of expertise and job levels according to the position and type of work for which employees were hired, we offer support for career development. In addition to disclosing information about current human capital conditions and future prospects to audiences both inside and outside the company, I'd like to deepen mutual understanding and have employees themselves play a useful role in their own career development. In the future, we'd like to see the Personnel and Remuneration Advisory Committee and the Board of Directors more adequately discuss human resources strategies based on our management strategy.

Hazama: I'd like to see employees continue to do good work in a way that suits their own personalities and abilities. Although it's ideal when employees are doing something they enjoy for their job, it's possible to create a sense of motivation even when they aren't. People spend the best years of their lives at work. Don't waste them. I'd like to see them do things that they're uniquely able to accomplish in the place they find themselves now, and to accumulate results so that they can move up one step at a time. I think if people do that, they'll find that the surrounding scenery will change.

Kurasaka: I agree. There's more to talk about, but thank you for sharing your valuable thoughts and ideas with us today.