

Corporate governance

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Corporate governance report

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Corporate governance

JR-West Group's approach to corporate governance

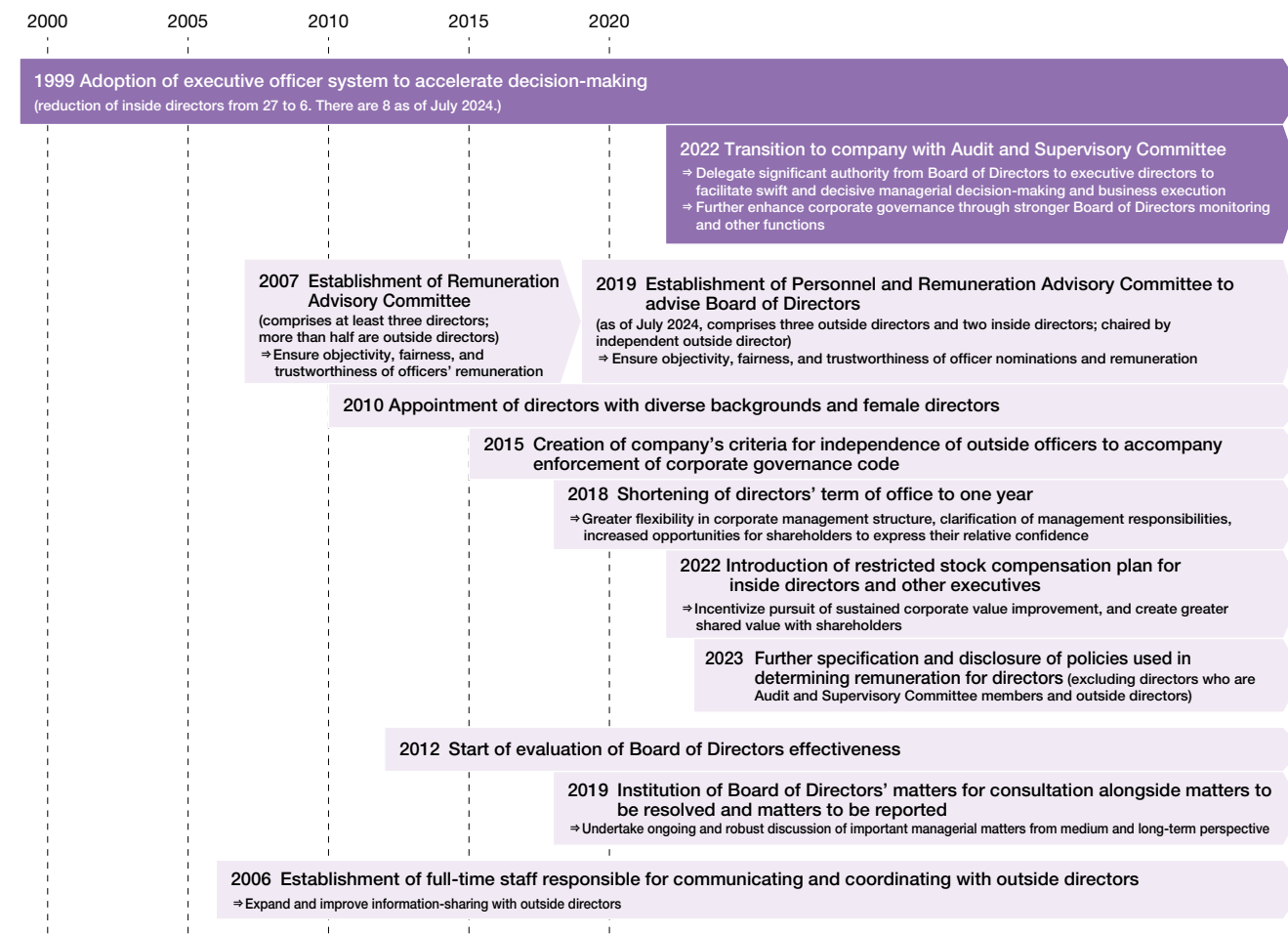
The JR-West Group has been making continuous efforts to contribute to the creation of a safe and prosperous society. With safety as its foundation, the Group provides infrastructure services, having points of contact with many customers and ties with local communities. The Group believes that it can play a role in creating future society by addressing social issues and evolving connections. The Group will create social and economic value through its business activities in line with Our Purpose for this vision.

Based on Our Purpose, corporate philosophy, and safety charter, JR-West will continue to make constant efforts to improve railway safety, fulfill its corporate social responsibility, and strive for sustained development.

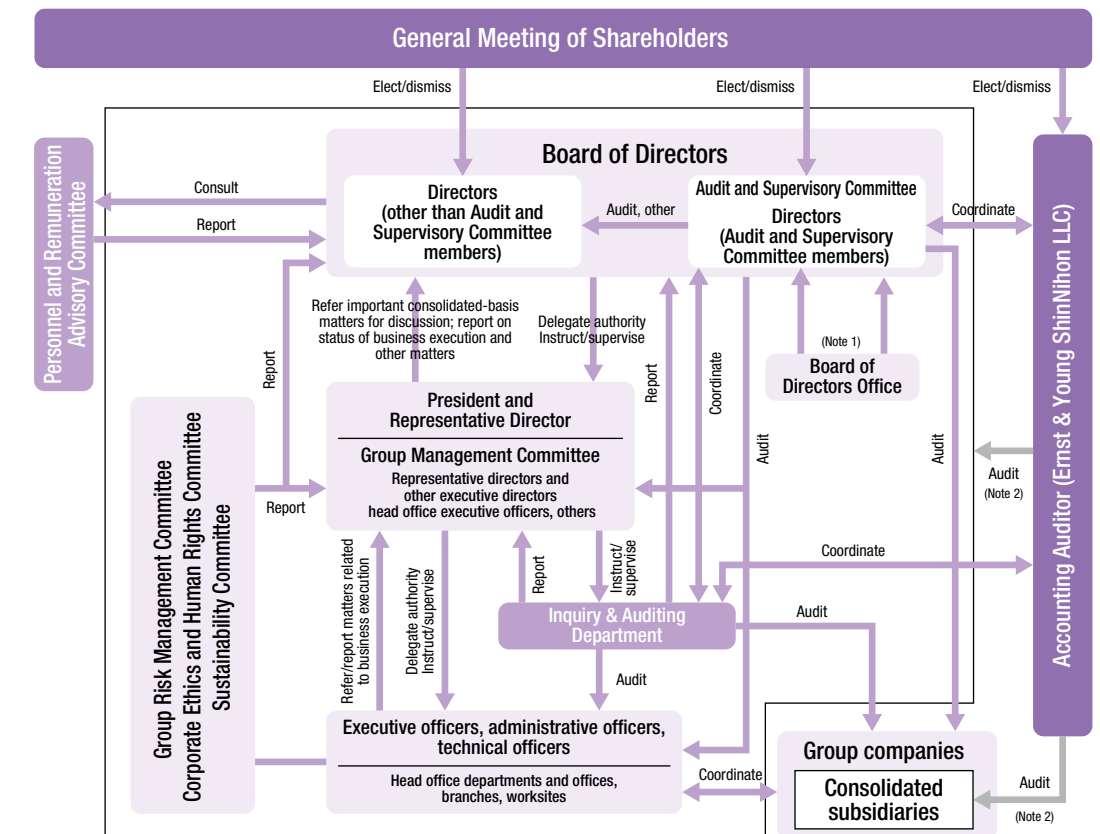
In order to realize these objectives, JR-West will

execute business operations from a medium- to long-term perspective in keeping with the intent of the corporate governance code" and the characteristics of its businesses, and it will strive to establish long-term trusting relationship with each of its stakeholders, including shareholders. Furthermore, from the perspective of improving transparency, soundness, and efficiency of business operations, JR-West, aiming for the enhancement of corporate governance, will make efforts to improve the systems to ensure the following: establishment of corporate ethics, strengthening of functions to monitor and supervise corporate management, and facilitating prompt decision-making and flexible execution of operations.

Main measures to strengthen Board of Directors-centered corporate governance



Corporate governance structure of JR-West



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: denotes audit scope of the Accounting Auditor.

- Of the 15 directors, 7 are independent outside directors. (For details on the composition of the Board of Directors, see pp. 95–96.)
- The Audit and Supervisory Committee (chaired by an independent outside director) 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 (chaired by an independent outside director) has been established as an advisory body to the Board of Directors, in which a majority of the members are independent outside directors. (For details on the Personnel and Remuneration Advisory Committee, see below.)

- 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 and an in-house company system have been adopted to accelerate decision-making and business execution, as well as facilitate the independence and autonomy of business divisions.
- The Sustainability Committee, Corporate Ethics and Human Rights Committee, and Group Risk Management Committee deliberate on various matters related to the sustained development of the JR-West Group and report the content of these deliberations to the Board 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.

Personnel and Remuneration Advisory Committee

JR-West 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 outside directors and the committee chair is also an independent outside 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, and policies and criteria for selection, dismissal, and remuneration of directors and officers.

In fiscal 2024, the Personnel and Remuneration Advisory Committee met nine times with all members in attendance.

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

JR-West conducts an evaluation of the effectiveness of the Board of Directors each year, and brings about continuous improvement to the effectiveness of the Board of Directors by evaluating on a regular basis whether the Board of Directors is fulfilling its expected roles and duties, which, in turn, leads to the continuous growth of the Group and the medium- to long-term improvement of corporate value.

In order to evaluate the effectiveness for fiscal 2024, a questionnaire was administered, taking into account the status of initiatives carried out by the Board of Directors in fiscal 2024, to address the challenges identified in the evaluation of the Board of Directors for fiscal 2023. The Board of Directors held discussions based on the results of the said questionnaire on the challenges for which initiatives should be carried out in fiscal 2025.

- (1) Priority initiatives for fiscal 2024 informed by the evaluation of the effectiveness of the Board of Directors in fiscal 2023
 - (i) Further enhance discussions on various challenges related to the medium- to long-term improvement of corporate value
 - (ii) Devise monitoring approaches to strengthen the functions of monitoring and supervision
 - (iii) Further enhance communication between outside directors and the Audit and Supervisory Committee

- (2) Evaluation of the effectiveness of the Board of Directors in fiscal 2024
 - Questionnaire given to Board of Directors: December 2023 to January 2024
 - Discussion by Board of Directors: January 2024
 - Evaluation results reported to Board of Directors: February 2024

- (3) Evaluation results of the effectiveness of the Board of Directors in fiscal 2024

Based on the results of the questionnaire, the Board of Directors found the following: that lively discussions were held on medium- to long-term improvement of corporate value and on strategy, and the content and quality of such discussions were improving; and that the effectiveness of Board of Directors was maintained and improved based on the statuses of the initiatives to improve the functions of monitoring and supervision and the initiatives to further enhance communication between outside directors and the Audit and Supervisory Committee.

On the other hand, wide-ranging challenges to improve effectiveness of the Board of Directors for the future were raised, mainly by outside directors, such as the following: the need to further deepen discussions related to challenges aimed at value creation; the need to further devise approaches to facilitate discussions that prioritize the challenges and processes of monitoring; and the need to continuously discuss the skills that the Board of Directors needs to be equipped with and to make efforts to acquire further insight.

- (4) Challenges for the Board of Directors to address during fiscal 2025
Based on the above result, we have determined that the Board of Directors is functioning effectively. However, we will continue to carry out the following initiatives towards further improving the effectiveness of the Board of Directors and strengthening corporate governance.

1. On further improving the content and quality of discussions by the Board of Directors
We will make good use of the matters for consultation as established in the regulations of the Board of Directors, among others, to deepen discussions on value creation aimed at realizing our Long-Term Vision, and discussions on challenges for the medium to long term bearing in mind environmental change.
2. On further improving monitoring and supervision functions
While continually devising ways to improve approaches to monitoring, we will make good use of opportunities such as off-site meetings led by outside directors to establish an environment in which the functions of monitoring and supervision can be suitably effective.
3. On improving the collective insight of the Board of Directors
We aim to further improve effectiveness by conducting training designed to further enhance the insight that the Board of Directors needs to be equipped with in order to respond to the changes in the external environment.
4. Listed below are the matters that existing initiatives have been addressing. JR-West plans to continue with such initiatives to improve the effectiveness of the Board of Directors.
 - (i) Establishment of a system to distribute information
To ensure the strengthening of monitoring and supervision functions of the Board of Directors, JR-West has established and maintains a system for giving information to outside directors.
To be more specific, JR-West provides outside directors with preliminary explanations regarding points of discussion, previous internal discussions, and other topics with regard to propositions for the meetings of the Board of Directors in order to facilitate substantial and effective discussions at Board of Directors meetings. The company also provides them with opportunities, other than the Board of Directors meetings, to give explanations

- on important business challenges and other topics and arranges site inspections as a means of giving information on current business conditions and background information on measures. Furthermore, necessary additional explanations on the matters pointed out and questions raised at the Board of Directors meeting are given at a Board of Directors meeting to be held immediately following the relevant meeting and other occasions.
- (ii) Enhancement of discussions through the establishment of matters for consultation
In addition to matters to be resolved and matters to be reported, JR-West establishes in the regulations of the Board of Directors matters for consultation where the medium- to long-term management policy, strategies, and important business challenges are discussed, and the Board of Directors conducts continuous and substantial discussions from a medium- to long-term viewpoint.
- (iii) Sharing of the content of discussions at meetings of the Board of Directors
The content of discussions and matters pointed out at meetings of the Board of Directors are fed back to and shared at the Group Management Committee, which is also attended by executive officers and others, and utilized in the drafting and implementation of measures and other purposes.

Effectiveness evaluation of the Audit and Supervisory Committee

Upon conducting discussions on the effectiveness of the Audit and Supervisory Committee, JR-West has determined that its effectiveness is being further improved through the establishment of new opportunities for communication between part-time Audit and Supervisory Committee members and executive directors, among other measures.

Furthermore, while we have enhanced information sharing with the internal audit department, a proposal was made to share challenges with the internal audit department and to collaborate on responses aimed at improving the quality of audits.

■ Offsite meetings

Month held	Participating divisions
October 2023	Corporate Strategy Division
February 2024	Marketing Headquarters
May 2024	Inquiry & Auditing Department
August 2024	Work Style Reform Project Team



Self-driven caravan BRT, Higashihiroshima

■ On-site inspections and other visits

Month held	Sites visited
December 2023	Self-driven caravan BRT; Higashihiroshima
January 2024	New Hiroshima Station building, Chugoku Regional Head Office; Hiroshima
July 2024	The Osaka Station Hotel, Autograph Collection; Osaka



New Hiroshima Station building, Hiroshima

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■ Opinions of outside directors in discussing the updated Medium-Term Management Plan 2025 and other matters

Theme		Outside directors' opinions (summary)
Changes in the external environment	Booming tourism and inbound travel	<ul style="list-style-type: none">Regarding overtourism, measures need to be taken in anticipation of the impact that proposed government measures will have on the Group.The Board of Directors should continue to monitor changes in the flow of people between Kansai and Hokuriku due to the extension of the Hokuriku Shinkansen to Tsuruga.
	Labor shortages	<ul style="list-style-type: none">Improving work engagement among essential workers responsible for railway operations is an extremely important issue.Sharing and collaboration on human resources and know-how across companies and industries is needed.Regarding how the funds generated by improved business performance will be used, we hope to see a positive message sent out about rewarding employees who have persevered through the pandemic.We would like to see efforts aimed at creating a comfortable working environment, including by utilizing human resources between group companies.
	Inflation	<ul style="list-style-type: none">It is important that all company heads view the rise in hurdle rates in the current rising interest rate environment as their own responsibility and respond accordingly.
	Diversifying customer needs	<ul style="list-style-type: none">We hope that, by having an organization that operates across the Group to proactively maintain contact with other departments and worksites and that works collaboratively to realize customer-centric reform, increased customer trust and engagement with the JR-West Group can be achieved.As the added value provided to customers, and the way in which it is provided changes, it is important from a governance perspective to discuss the nature and strategy of JR-West business from a higher level perspective.
	Improving the safety, and sustaining the evolution of, railway business	<ul style="list-style-type: none">Even as digital transformation progresses, new risks will likely emerge and the total amount of risk is not likely to decrease, thus necessitating a reconsideration of how safety should be.As JR-West consolidates back-office departments and hires more mid-career professionals, a challenge for human resource development is transferring skills that are directly linked to safety. We would like the company to address this issue by utilizing the capabilities of veteran employees.Investments to improve the sustainability of railways should be seen as increasing the value provided to customers through strengthened railways and improved services.We hope that one outcome of the restructuring of the Johana/Himi Line will be an improvement in the well-being of nearby residents.In order to gain social acceptance for the fare revision, we believe it is necessary to spark discussion from the perspective of the sustainability of railways throughout Japan, rather than just JR-West alone.
	Creating value together as a Group	<ul style="list-style-type: none">As more employees experience having their feedback implemented as policies, their creativity and sense of participation will also increase.In order to share and realize Our Purpose, the Medium-Term Management Plan, and other goals, it is important that they be managed from the bottom up in each workplace and that they be told as stories that will move employees.Governance-related cooperation among group companies should be strengthened.Given that recent scandals in other industries are partly caused by an environment in which employees can't or won't speak up to their superiors, it is necessary to create organizations that offer a high level of psychological safety.We hope that by using Our Purpose, the Medium-Term Management Plan, the JR-West Group Code of Conduct, etc., as opportunities for dialogue in each workplace, the organizational culture can be further improved and employee engagement increased.
	Improving the ability to adapt to and create change	<ul style="list-style-type: none">We would like to see efforts made to visualize the synergistic effects of digitalization.JR-West should take the lead across the region in a variety of sectors, including non-railway business, as it advances collaboration with other JR companies.In order for a new business to grow, it is important to have collaboration and handover between "initiators," i.e., personnel who are skilled in starting up the business, and "closers," i.e., personnel who are skilled in expanding the business.JCLaaS is a significant business from a social issues perspective. We want to see it pursued with an emphasis on profitability and broad regional cooperation among local governments.We hope that a portfolio of ideal innovation-minded talent will be created by engaging with each person and systematically developing them into human resources through creative approaches and support.While allowing flexible work styles, such as fully remote work, it is important to devise ways to improve project management and employee unity.
Financial strategy and shareholder returns		<ul style="list-style-type: none">Taking into account its current financial situation, when communicating with investors and presenting a roadmap for increasing corporate value, JR-West should demonstrate its commitment to shareholder returns, particularly efforts to restore EPS through share buybacks, in response to the public offering. Ultimately, the aim should be to restore the share price to the level it was before the public offering during the pandemic and fulfill the company's commitment to investors who will support it over the long term.We believe that the market will appreciate the fact that the company paid dividends even during the pandemic, that it has set a target dividend payout ratio of 35% or more, and that it will use one-third of the additional resource allocation associated with the updated Medium-Term Management Plan 2025 to buy back treasury stock.When revising the medium-term numerical targets and considering the direction of resource allocation, we would like to see deeper discussion on how these are balanced with Our Purpose, multi-stakeholderism, human capital investment, and other issues.

Officer remuneration (overview of the remuneration system for directors)

In order to establish a remuneration system that functions sufficiently as an incentive to achieve sustained improvement in corporate value and that also takes into account the Medium-Term Management Plan, we consulted with the Personnel and Remuneration Advisory Committee regarding decision-making policy on individual director remuneration and other matters (hereinafter, "decision-making policy"). Respecting the committee's recommendations, we made a resolution at the Board of Directors meeting held on February 24, 2021.

With regard to this decision-making policy, coinciding with the start of the JR-West Group Medium-Term Management Plan 2025, a resolution was passed at the Board of Directors meeting held on April 28, 2023 to revise the policy so that it appropriately links business performance with remuneration of individual directors in order to better incentivize directors to improve performance leading, in turn, to medium- to long-term improvement in corporate value. This revised decision-making policy applies to remuneration from July 2023 onwards.

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

Performance-evaluation remuneration is a cash remuneration amount reflective of performance indicators for the business year, with these being divided between company performance and individual performance. The ratio of company performance to individual performance is 7:3, assuming all performance indicator

targets are achieved. However, only the company performance portion is applied to corporate officers like the president and representative director.

Both company performance and individual performance will be evaluated quantitatively and qualitatively based on the achievement status of each indicator set at the beginning of the previous fiscal year.

Performance indicators for company performance are financial indicators and non-financial indicators. Regarding financial indicators, consolidated income, asset efficiency, and the ratio of life design field to consolidated income are the three performance indicators used. For non-financial indicators, they are railway safety, global environment, and work engagement.

The performance indicators for individual performance are the main KPIs of the departments each director is responsible for. The individual performance portion will vary from 0% to 200% depending on indicator achievement status and qualitative evaluation.

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

Remuneration for directors (excluding outside directors and directors who are Audit and Supervisory Committee members), 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 6:3:1 (see the table below).

The amount of remuneration for directors (excluding directors who are members of the Audit and Supervisory Committee) will be determined based on the above policy and by a resolution of the Board of Directors. However, the determination of basic remuneration and performance-evaluation remuneration is, by resolution of the Board of Directors, left to the president and representative director. Specific decisions 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 outside directors are the majority) to ensure remuneration is both fair and credible.

Type of remuneration	Payment criteria				Payment method	Remuneration structure ^{*2}
Basic remuneration	A remuneration table shall be created, which corresponds to management-related responsibilities, and payment shall be made after ensuring it is of an appropriate level				Payment in cash on a monthly basis	60%
Performance evaluation remuneration ^{*1}	Company performance	Financial indicators	Consolidated income	70%	Payment in cash on a fixed date	30%
			Asset efficiency			
			Ratio of life design field to consolidated income			
		Non-financial indicators	Railway safety			
			Global environment			
		Work engagement				
	Individual performance	Main KPIs of the departments each director is responsible for		30%		
Share-based remuneration	Payment of a base amount corresponding to management-related responsibilities				Payment of monetary claims on a fixed date, and delivery of restricted stock compensation in exchange for payment	10%

^{*1} Only the company performance portion will be applied to corporate officers like the president and representative director.
^{*2} Assuming all performance indicators achieve the targets set at the beginning of the previous business year.

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Board of Directors (As of June 19, 2024) • Number of years as board member • Attendance at board meetings (FY2024)

- | | | |
|---|---|---|
| 1 President, Representative Director, and Executive Officer
Kazuaki Hasegawa
• 12 years
• 15/15 meetings
Chairman of the Board of Directors
Personnel and Remuneration Advisory Committee member | 5 Outside Director
Yoshiyuki Miyabe
• 2 years
• 15/15 meetings
Major concurrent posts
Director and executive vice president of Panasonic Holdings Corporation
Independent officer
Personnel and Remuneration Advisory Committee member | 12 Outside Director (full-time Audit and Supervisory Committee member, chairman of the Audit and Supervisory Committee)
Maki Ogura
• 2 years
(tenure as Audit and Supervisory Committee member: 2 years)
• 15/15 meetings
Former judge
Independent officer |
| 2 Outside Director
Yoshinobu Tsutsui
• 4 years
(tenure as Audit and Supervisory Committee member: 5 years)
• 15/15 meetings
Major concurrent posts
Chairman of the board and representative director of Nippon Life Insurance Company
Independent officer
Chairman of the Personnel and Remuneration Advisory Committee | 6 Vice President, Representative Director, and Executive Officer
Shoji Kurasaka
• 6 years
• 15/15 meetings
Personnel and Remuneration Advisory Committee member | 13 Director (full-time Audit and Supervisory Committee member)
Makiko Tada
• 1 year
• 11/11 meetings |
| 3 Outside Director
Haruko Nozaki
• 4 years
• 15/15 meetings
Former junior corporate officer of Horiba, Ltd.
Major concurrent posts
Executive vice president of Kyoto University; outside director of Sekisui Chemical Co., Ltd.
Independent officer
Personnel and Remuneration Advisory Committee member | 7 Vice President, Representative Director, and Executive Officer
Koichi Haruna
• Appointed as director in June 2024 | 14 Outside Director (Audit and Supervisory Committee member)
Emiko Hazama
• 2 years
(tenure as Audit and Supervisory Committee member: 2 years)
• 15/15 meetings
Former deputy mayor, Sakai City
Major concurrent posts
Professor at the Department of Public Affairs, Osaka University of Commerce
Independent officer |
| 4 Outside Director
Kenji Iino
• 2 years
• 15/15 meetings
Former managing director and executive managing officer of Mitsui Fudosan Co., Ltd.
Independent officer | 8 Vice President, Representative Director, and Executive Officer
Akira Inoue
• Appointed as director in June 2024 | 15 Outside Director (Audit and Supervisory Committee member)
Kenryo Goto
• 2 years
• 11/11 meetings
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; outside director (Audit and Supervisory Committee member) of Towa Pharmaceutical Co., Ltd.
Independent officer |
| | 9 Director and Senior Managing Executive Officer
Eiji Tsubone
• 3 years
• 15/15 meetings | |
| | 10 Director and Senior Executive Officer
Hideo Okuda
• 2 years
• 15/15 meetings | |
| | 11 Director and Executive Officer
Takeshi Urushihara
• Appointed as director in June 2024 | |

Knowledge, experience, abilities and other strengths of directors (skills matrix)

We have clarified seven skills (knowledge, experience, abilities, etc.) 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, in order to realize the five key strategies of the Medium-Term Management Plan 2025, which are to improve safety of railways, revitalize and restructure core businesses (railway business, group businesses), further evolve real estate and city development, develop diverse services via digital strategy, and create new businesses. These skills are 1) corporate management, 2) governance, 3) safety and quality, 4)

customer satisfaction and marketing, 5) innovation and global environment, 6) community and city development and 7) coexistence with local communities.

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

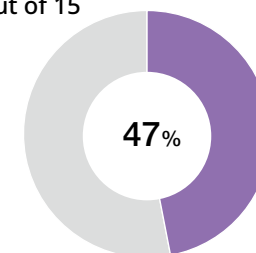
The table below lists the seven abovementioned skills that each director (including directors who are Audit and Supervisory Committee members) currently possesses and is expected to demonstrate in particular.

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

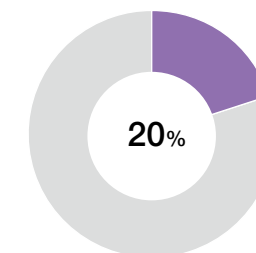
Name	Position in the company	Skills particularly expected to be displayed (major components stated in lower column)						
		Corporate management Business strategy Organization development Financial strategy	Governance Legal affairs/risk management Diversity Human rights Human resources cultivation	Safety/quality Safety-related technology/management Quality control	Customer satisfaction Marketing Creation of customer value Expansion into new business areas Brand value	Innovation Global environment DX/advanced technology Productivity improvement Decarbonization Energy savings	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
1 Kazuaki Hasegawa	President and representative director (chairman of the Board of Directors)	●		●			●	
2 Yoshinobu Tsutsui	Director (independent, outside)	●	●		●			
3 Haruko Nozaki	Director (independent, outside)		●					●
4 Kenji Iino	Director (independent, outside)	●			●		●	
5 Yoshiyuki Miyabe	Director (independent, outside)	●		●		●		
6 Shoji Kurasaka	Representative director	●	●					●
7 Koichi Haruna	Representative director	●					●	●
8 Akira Inoue	Representative director	●		●				
9 Eiji Tsubone	Director	●			●	●		
10 Hideo Okuda	Director	●			●	●		
11 Takeshi Urushihara	Director			●				●
12 Maki Ogura	Full-time Audit and Supervisory Committee member (independent, outside, Audit and Supervisory Committee chair)		●					
13 Makiko Tada	Full-time Audit and Supervisory Committee member			●	●			●
14 Emiko Hazama	Audit and Supervisory Committee member (independent, outside)		●					●
15 Kenryo Goto	Audit and Supervisory Committee member (independent, outside)	●	●					

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.

Percentage of independent outside directors among directors 7 out of 15



Percentage of women among directors 3 out of 15



Ratio of the number of years as director

