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West Japan Railway Company

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Securities Code: 9021

<http://www.westjr.co.jp>

The corporate governance of West Japan Railway Company (the “Company”) is described below.

## **I. Basic Views on Corporate Governance, Capital Structure, Corporate Attributes and Other Basic Information**

### **1. Basic views [Updated]**

Based on its “Corporate Philosophy” and “Safety Charter,” the Company will make steady efforts to establish “corporate culture that places top priority on safety” to fulfill corporate social responsibility and to achieve sustainable growth for the future.

In order to realize these objectives, the Company 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 centered on the railway business, and it will strive to establish long-term trusting relationship with each of stakeholders including shareholders. Furthermore from the perspective of improving transparency, soundness and efficiency of business operations, the Company, 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 prompt execution of operations.

### **[Reasons for non-compliance with the principles of the Corporate Governance Code] [Updated]**

The Company complies with all the principles set forth in the Corporate Governance Code.

### **[Disclosure based on the principles of the Corporate Governance Code] [Updated]**

#### Principle 1.4

##### 1. Policy for cross-shareholdings

To achieve sustainable growth of the business aiming at an increase in the corporate value of West Japan Railway Group (the “Group”) over the medium- to long-term, the Company believes that it is important to strive for the maintenance and strengthening of relationships with clients or suppliers which may contribute to such growth. Therefore, the Company acquires and holds shares of the relevant client and supplier companies, comprehensively taking into account matters including a synergetic effect on the businesses of the Group.

With regard to holding such shares, the Company examines whether such holding may contribute to the increase of corporate value from the perspectives of medium- to long-term economic rationale and relationships between the client or supplier and the businesses of the Group, and it confirms with the Board of Directors concerning the objective and rationality of holding such shares.

## 2. Criteria for exercise of voting rights

The Company exercises voting rights based on judgments from such perspectives as contributions to the businesses of the Group through the investees' sustainable growth and such.

### Principle 1.7

To ensure that transactions with related parties do not harm the interests of the Company and the common interests of shareholders and to prevent any concerns with regard to such harm, the Company complies with the procedures prescribed in the Companies Act of Japan with regard to the competitive transactions and conflicting interest transactions (self-dealing and indirect transactions) between the Company and its Directors.

With regard to the transactions between the Company and its major shareholders, the Company has established the criteria for matters to be referred to the Board of Directors, and transactions falling under such category will require approval by the Board of Directors.

The Company will ensure a description of how the relevant approved transaction was conducted is reported to the Board of Directors, and that the content of this report is checked by the Board of Directors, thereby ensuring appropriate handling of the relevant transaction so that the interests of the Company and the common interests of shareholders may not be harmed.

### Principle 3.1

1. The Company discloses and releases the Corporate Philosophy, Safety Charter and the Medium-Term Management Plan on its website, etc.

Corporate Philosophy, Safety Charter and Medium-Term Management Plan

URL: <http://www.westjr.co.jp/global/en/about-us/>

2. Basic policy for Corporate Governance is as per "I.1. Basic views" above.
3. With regard to remuneration for Directors and Audit & Supervisory Board Members, the Company has integrated it into monthly remuneration by abolishing the retirement bonus system for Directors and Audit & Supervisory Board Members.

The Directors' monthly remuneration comprises the "basic remuneration" and the "performance-evaluation remuneration" which is determined by such factors as evaluation of business operating results of each fiscal year with regard to achievement of medium-term objectives, and the level of remuneration takes into account the levels at other companies investigated by specialist external organizations to ensure an appropriate level of remuneration.

In addition, with the aim of enhancing the objectivity and transparency of Directors' remuneration, the Company has established the Remuneration Advisory Committee. This Committee comprises at least three Directors, the majority of whom being External Directors. The Remuneration Advisory Committee deliberates on Directors' remuneration from the perspective of objectivity and fairness and makes recommendations to the Board of Directors based on these deliberations.

Audit & Supervisory Board Members' monthly remuneration comprises only the "basic remuneration" and the level of remuneration takes into account the levels at other companies investigated by specialist external organizations to ensure an appropriate level of remuneration.

Remuneration for each Director is determined by resolution of the Board of Directors and that for each Audit & Supervisory Board Member is determined upon discussions among the Audit & Supervisory Board Members, within the scope of the total amount of remuneration for all Directors and that for all Audit & Supervisory Board Members determined by resolution of the General Meeting of Shareholders respectively.

4. As for the policy for nomination of Directors and Audit & Supervisory Board Members, the Company nominates those officers based on the selection criteria concerning high ethical standards, respect from others, dignity and managerial capability in accordance with the following procedures.
  - (1) The President and Representative Director proposes candidates for Representative Directors from among Directors, and the appointment is resolved at the Board of Directors' meeting.
  - (2) The President and Representative Director proposes candidates for Directors to be recommended to the General Meeting of Shareholders based on the selection criteria established by the Board of Directors, and the nomination of candidates is approved by resolution of the Board of Directors.
  - (3) The President and Representative Director proposes candidates for Audit & Supervisory Board Members to be recommended to the General Meeting of Shareholders upon consent by the Audit & Supervisory Board, and the nomination of candidates is approved by resolution of the Board of Directors.

The Audit & Supervisory Board gives such consent in accordance with the criteria for consent to the selection of Audit & Supervisory Board Members established by the Audit & Supervisory Board.
5. For explanation in line with the nomination of Directors and Audit & Supervisory Board Members, such matters as brief history, position and status of important concurrent office are described in the "Reference Document for the General Meeting of Shareholders."

#### Supplementary principle 4.1.1

The Company has established the criteria for the matters to be decided by the Board of Directors for the purpose of clarifying the scope of judgment and decision made by the Board of Directors for timely and appropriate decision-making by the Board of Directors, and propositions are referred to the Board of Directors in accordance with the criteria and the Board of Directors makes decisions through discussion.

From the perspective of appropriate risk-taking, the decision for referral of propositions to the Board of Directors may, where necessary, take into account not only on the quantitative criteria but also qualitative risk and importance, and the Board of Directors makes decisions through discussion.

#### *Matters to be decided by the Board of Directors*

Matters prescribed by laws and regulations and the Articles of Incorporation, and other important matters related to the management are referred to the Board of Directors.

Among these, main matters with fixed numerical criteria such as amount of money are specified below.

- Large amount of loans
- Disposal and acceptance of transfer of important property
- Debt relief to investees, etc.

Main matters prescribed in the Articles of Incorporation as the matters to be decided by the Board of Directors are specified below.

- Distribution of interim dividends
- Acquisition of treasury stock

#### Principle 4.9

The Board of Directors of the Company has established the criteria for independence to invite external officers who are able to carry out highly effective monitoring and supervision from an objective standpoint independent from the Company.

##### 1. Person related to the Group

- (1) The relevant person is not currently or was not in any of the past ten fiscal years an executive (meaning a person who executes business as an executive director, corporate officer, executive

officer or other employee; hereinafter the same) of the Company or its subsidiary (hereinafter referred to as the “Group Company”).

- (2) A relative within the second degree of kinship of the relevant person is not currently or was not in any of the past ten fiscal years an executive of the Group Company.

## 2. Person related to major client or supplier

The relevant client’s or supplier’s transaction amount with the Company does not reach 2% of the consolidated operating revenues (consolidated total assets in the case of loan) of the Company or the relevant client or supplier currently or on average in the past three fiscal years (or if the relevant client or supplier is a corporation, etc., the relevant person is not currently or was not in the past three years an executive thereof).

## 3. Legal professional, etc.

Remuneration, etc. received by the expert from the Company, other than officers’ remuneration, does not exceed the annual amount of ¥10 million currently or on average in the past three fiscal years (if the relevant professional, etc. belongs to a corporation, etc., such remuneration does not reach 2% of the consolidated operating revenues thereof).

## 4. Other

- (1) The relevant person is not a board member or other executive of an organization, etc. whose donations from the Company exceed the annual amount of ¥10 million currently or on average in the past three fiscal years.
- (2) The relevant person is not currently or was not in any of the past five fiscal years a major shareholder (whose stockholding ratio is 10% or more of the total number of voting rights) of the Company (if the relevant major shareholder is a corporation, etc., the relevant person is not currently or was not in the past five years an executive thereof).
- (3) The relevant person does not currently or did not in any of the past three fiscal years have important interest in the Group Company.

### Supplementary principle 4.11.1

#### 1. Size, balance of members and diversity of the Board of Directors

The Board of Directors of the Company develops and improves the environment to ensure that the enhancement of safety toward as a prerequisite for an increase in the corporate value of the Group over the medium- to long-term is promoted and appropriate risk-taking for the sustainable growth of the business is carried out, and fulfills its duties including highly effective monitoring and supervision.

To be more specific, the Board of Directors of the Company conducts evaluation of risks and returns from the medium- to long-term perspective concerning various measures, etc. necessary for the achievement of the Medium-Term Management Plan, which has been prepared for the realization of management vision, and it makes timely and appropriate decisions on these measures. Furthermore, the Board of Directors receives reports on the status of execution of business operations in a timely and appropriate manner. In the course of these processes, each Director and each Audit & Supervisory Board Member fulfills his/her duties appropriately through constructive discussions and exchange of opinions.

Currently, the Board of Directors of the Company comprises fourteen Directors including five External Directors, requires the attendance of four Audit & Supervisory Board Members including three External Audit & Supervisory Board Members, and fulfills appropriate functions as mentioned above. In order to fulfill duties of the Board of Directors continuously, the Board of Directors will maintain appropriate size, composition ratio between Internal and External Directors and others.

## 2. Policy and procedures for election of Directors

### (1) External Directors

The Board of Directors decides on, as the candidates for External Directors, those who may give advice based on broad knowledge including field of expertise in the decision-making processes necessary for the management toward the sustainable growth and the increase in the corporate value of the Company over the medium- to long-term and who are able to conduct highly effective monitoring and supervision from an independent standpoint, and refers such decisions to the General Meeting of Shareholders.

### (2) Internal Directors

The Board of Directors decides on, as the candidates for Internal Directors, those who are appropriate as Directors based on the characteristics of the Company's business, comprehensively taking into account the experience, knowledge and insight based thereon, capacity for objective judgment related to the management, and organizational management ability from the company-wide perspective of each of them, and refers such decisions to the General Meeting of Shareholders.

## Supplementary principle 4.11.2

The Company makes it a principle to limit the number of concurrent positions to a reasonable scope.

In addition, the Company makes efforts to ensure that appropriate discussions are held with the attendance of all Directors so that the monitoring and supervising functions at the Board of Directors are fulfilled appropriately.

The status of important concurrent office of Directors and Audit & Supervisory Board Members are described in the business report for each year.

## Supplementary principle 4.11.3

The Board of Directors of the Company aims to ensure increase in the corporate value of the Group over the medium- to long-term, and while developing and improving the environment in which the safety on which such aims are premised can be promoted, and appropriate risk-taking for the sustainable growth of business can be carried out, and it fulfills its duties, which include highly effective monitoring and supervision.

To be more specific, the Board of Directors of the Company conducts evaluation of risks and returns from the medium- to long-term perspective concerning the various measures, etc. necessary for the achievement of the Medium-Term Management Plan, which has been prepared for the realization of management vision, and it makes timely and appropriate decisions on these measures. Furthermore, the Board of Directors receives reports on the status of execution of business operations in a timely and appropriate manner. In the course of these processes, each Director and each Audit & Supervisory Board Member fulfills his/her duties appropriately through constructive discussions and exchange of opinions.

From these considerations, the Company assesses that the Board of Directors functions effectively. Furthermore, in order to maintain and improve such functions, the Company proceeds with the following initiatives.

### *Content of initiatives*

#### 1. Establishment of the system of distributing information

To ensure the strengthening of monitoring and supervision functions of the Board of Directors, the Company has established and maintains the system of distributing information to external officers.

To be more specific, the Company provides External Directors and External Audit & Supervisory Board Members with opportunities, other than the meetings of the Board of Directors, to give explanations of important business challenges, etc. including preliminary explanations of propositions for the meetings of the Board of Directors and arranges site inspection as a means of distributing information on current business conditions and background information on the enforcement of policies.

In addition, a liaison meeting mainly composed of External Directors is held on a regular basis, where discussions on matters including the medium-term management policy and business challenges are held.

Furthermore, necessary additional explanations for the matters pointed out and questions raised at the meeting of the Board of Directors are given at a meeting of the Board of Directors to be held immediately following the relevant meeting and other occasions.

## 2. 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 Management Committee which is also attended by Executive Officers and others.

## 3. Hearings with Directors and initiatives to improve effectiveness and invigorate the Board of Directors based on results of hearings

The Company holds hearings targeted at all the Directors concerning the operation of the Board of Directors and other matters for each fiscal year and takes initiatives necessary for further improvement of effectiveness and invigoration of the Board of Directors based on results of such hearings.

### Supplementary principle 4.14.2

The Company has set up opportunities for Directors and Audit & Supervisory Board Members to receive training and information and to share challenges with respect to matters on which the Company places emphasis such as those on “Safety,” “Customer Satisfaction” and “Technologies,” and those related to corporate ethics to ensure they can carry out effective monitoring, supervision and audit of such matters, and to further enhance the contribution they can make to increasing the corporate value of the Group over the medium- to long-term.

In addition, as Group engages in wide-ranging business operations, the Company believes that the participation in management by abundantly experienced personnel hailing from within the Group is necessary. Accordingly, the Company makes efforts to develop human resources by such means as providing personnel with opportunities to appropriately gain experience in duties related to the businesses of the Group, thereby securing the personnel capable of undertaking duties in management.

### Principle 5.1

#### 1. Basic views

The Company believes it important to engage in constructive dialogue with its shareholders and investors in a way that contributes to increasing the corporate value and the shareholder value over the medium- to long-term.

The Company will continue to make efforts to disclose the content of business, management information and risk information in an active and fair manner, and it will build long-term trusting relationship with its shareholders and investors by taking an initiative to communication through various occasions.

#### 2. IR promotion system

- (1) The Company has appointed the Director in charge of the Corporate Planning Headquarters, which is responsible for IR, as “Director overseeing the all aspects of dialogue.”
- (2) The Corporate Planning Headquarters is responsible for IR activities involving the Company’s institutional investors and for the management of information related to the important corporate information, and the General Affairs Department assumes particular roles with respect to review and implementation of measures directed toward individual investors and dialogue related to the exercise of voting rights.

With respect to the management of information necessary for the disclosure of information, the Company has established and maintains the system in which the departments concerned within the Company including the Corporate Planning Headquarters, the General Affairs Department, the Finance Department, the Corporate Communications Department and the Tokyo Headquarters work closely together.

### 3. Method of dialogue

The Company holds financial results briefings and small meetings organized by top management for our institutional investors, and it has individual interviews with them as well.

The Company conducts facilities tours, etc. and has established “Shareholder Center” as inquiry contact for our individual investors.

With respect to the propositions for the General Meeting of Shareholders, the Company will make efforts toward timely (early) disclosure of information and conduct necessary dialogue. Furthermore, the Company transmits information on its website and by IR tools or other means and will continue to make efforts for the development and enhancement of such transmission.

### 4. Internal feedback

The Company reports opinions obtained from its shareholders and investors to the Management Committee and the Board of Directors from time to time.

### 5. Management of insider information

The Company has established the “Regulations for Prevention of Insider Trading” prescribing the system related to the management of important corporate information, and it has also established and published the “Disclosure Policy” prescribing the policy for timely and appropriate information disclosure in an effort to prevent insider trading.

Disclosure Policy

URL: <http://www.westjr.co.jp/global/en/ir/disclosure-policy/>

## 2. Capital structure

Foreign shareholding ratio	30% or more
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### [Status of major shareholders]

Name	Number of shares owned (Shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Unit)	7,704,400	3.98
Sumitomo Mitsui Banking Corporation	6,400,000	3.30
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	6,300,000	3.25
Japan Trustee Services Bank, Ltd. (Trust Unit)	5,192,400	2.68
Mizuho Bank, Ltd.	4,600,000	2.37
JR-West Employee Stock-Sharing Plan	4,332,800	2.24
Nippon Life Insurance Company	4,000,000	2.06
Sumitomo Mitsui Trust Bank, Limited	3,200,100	1.65
STATE STREET BANK WEST CLIENT - TREATY 505234	2,744,458	1.42
THE BANK OF NEW YORK MELLON SA/NV 10	2,441,821	1.26

Controlling shareholder (except for parent company)	—
Parent company	None

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**Supplementary explanation**

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The shareholders listed under “Status of major shareholders” are based on the shareholder register as of March 31, 2015. In addition, the Company holds 606 shares of treasury stock.

**3. Corporate attributes**

Listed stock market and market section	Tokyo Stock Exchange / First section Nagoya Stock Exchange / First section Fukuoka Stock Exchange / Main Board
Fiscal year-end	March
Type of business	Land transportation
Number of employees (consolidated) as of the end of the previous fiscal year	1,000 or more
Operating revenues (consolidated) for the previous fiscal year	¥1 trillion or more
Number of consolidated subsidiaries as of the end of the previous fiscal year	From 50 to less than 100

**4. Policy on measures to protect minority shareholders in conducting transactions with controlling shareholder**

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**5. Special circumstances which may have material impact on corporate governance**

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## II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Supervision in Management

### 1. Organizational composition and operation

Organization form	Company with Audit & Supervisory Board Members
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#### [Directors]

Maximum number of Directors stipulated in Articles of Incorporation	40
Term of office stipulated in Articles of Incorporation	2 years
Chairman of the Board of Directors	Company Chairman (excluding the case where the person concurrently serves as President)
Number of Directors	14
Appointment of External Directors	Appointed
Number of External Directors	5
Number of Independent Officers designated from among External Directors	5

#### External Directors' relationships with the Company (1)

Name	Attribute	Relationships with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Tadashi Ishikawa	Attorney at law											
Yumiko Sato	Academic											
Yuzo Murayama	Academic											
Norihiko Saito	From another company											
Hideo Miyahara	Academic										△	

\* Categories for "Relationships with the Company"

\* "○" when the Director presently falls or has recently fallen under the category;

"△" when the Director fell under the category in the past;

\* "●" when a close relative of the Director presently falls or has recently fallen under the category; and  
 "▲" when a close relative of the Director fell under the category in the past

- Executive (a person who executes business; hereinafter, the same) of the Company or its subsidiaries
- Non-executive director or executive of a parent company of the Company
- Executive of a fellow subsidiary company of the Company
- A party whose major client or supplier is the Company or an executive thereof
- Major client or supplier of the Company or an executive thereof
- Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides remuneration as a Director
- Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a corporation)
- Executive of a client or supplier of the Company (which does not correspond to any of d, e, or f) (the Director himself/herself only)
- Executive of a corporation, between which and the Company External Directors/Audit & Supervisory Board Members are mutually appointed (the Director himself/herself only)
- Executive of a corporation that receives a donation from the Company (the Director himself/herself only)
- Others

External Directors' relationships with the Company (2)

Name	Designation as Independent Officer	Supplementary explanation of the relationship	Reasons for appointment
Tadashi Ishikawa	○	Special Counsel, Oh-Ebashi LPC & Partners	The Company appointed him as External Director to have his accumulated experience and expertise as an attorney at law reflected in the management of the Company. Moreover, based on the fact that there is no risk of a conflict of interest arising between the External Director and ordinary shareholders—he has not previously held a position at any major client or supplier of the Company—the Company judges that he is able to maintain a sufficient level of independence. The Company believes that he is able to monitor the management of the Company from an independent position. He is therefore designated as an Independent Officer.
Yumiko Sato	○	Professor, Faculty of Regional Development Studies, Otomon Gakuin University  Director, Mature Society Research Institute, Otomon Gakuin Educational Foundation  Member of the Board of Governors, Japan Broadcasting Corporation	The Company appointed her as External Director to have her accumulated experience and expertise as an academic expert reflected in the management of the Company. Moreover, based on the fact that there is no risk of a conflict of interest arising between the External Director and ordinary shareholders—she has not previously held a position at any major client or supplier of the Company—the Company judges that she is able to maintain a sufficient level of independence. The Company believes that she is able to monitor the management of the Company from an independent position. She is therefore designated as an Independent Officer.
Yuzo Murayama	○	Professor, Doshisha Business School  Vice President, Doshisha University	The Company appointed him as External Director to have his accumulated experience and expertise as an academic expert reflected in the management of the Company. Moreover, based on the fact that there is no risk of a conflict of interest arising between the External Director and ordinary shareholders—he has not previously held a position at any major client or supplier of the Company—the Company judges that he is able to maintain a sufficient level of independence. The Company believes that he is able to monitor the management of the Company from an independent position. He is therefore designated as an Independent Officer.

Name	Designation as Independent Officer	Supplementary explanation of the relationship	Reasons for appointment
Norihiko Saito	○	Chairman and Representative Director, Kinden Corporation	The Company appointed him as External Director to have his accumulated experience and broad insight as a corporate executive reflected in the management of the Company. Moreover, based on the fact that there is no risk of a conflict of interest arising between the External Director and ordinary shareholders—he has not previously held a position at any major client or supplier of the Company—the Company judges that he is able to maintain a sufficient level of independence. The Company believes that he is able to monitor the management of the Company from an independent position. He is therefore designated as an Independent Officer.
Hideo Miyahara	○	Specially-appointed Professor, Graduate School of Information Science and Technology, Osaka University  The Company provides research grants to this university.	The Company appointed him as External Director to have his accumulated experience and expertise as an academic expert reflected in the management of the Company. Moreover, based on the fact that there is no risk of a conflict of interest arising between the External Director and ordinary shareholders—he has not previously held a position at any major client or supplier of the Company—the Company judges that he is able to maintain a sufficient level of independence. The Company believes that he is able to monitor the management of the Company from an independent position. He is therefore designated as an Independent Officer.

Voluntary establishment of committee(s) equivalent to Nominating Committee or Remuneration Committee	Not established
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#### [Audit & Supervisory Board Members]

Establishment of Audit & Supervisory Board	Established
Maximum number of Audit & Supervisory Board Members stipulated in Articles of Incorporation	4
Number of Audit & Supervisory Board Members	4

#### Cooperation among Audit & Supervisory Board Members, Accounting Auditor and internal audit departments

The Audit & Supervisory Board Members and the Accounting Auditor engages in ongoing exchange of information regarding each other's respective audit plans, methodology, and results, as well as maintaining close mutual cooperation to facilitate efficient and effective auditing. Furthermore, the Audit

& Supervisory Board Members and the Inquiry & Auditing Department, which is the internal audit department, conduct regular exchanges of opinion on each other's respective audit plans, methodology, and results, as well as other measures to maintain close mutual cooperation. At the same time, they strive to ensure efficient and effective auditing as well as the accuracy and reliability of financial reporting.

Appointment of External Audit & Supervisory Board Members	Appointed
Number of External Audit & Supervisory Board Members	3
Number of Independent Officers designated from among External Audit & Supervisory Board Members	3

External Audit & Supervisory Board Members' relationships with the Company (1)

Name	Attribute	Relationships with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Mikiya Chishiro	Other													
Yasumi Katsuki	Certified public accountant													
Yoshinobu Tsutsui	From another company										○			

\* Categories for "Relationships with the Company"

\* "○" when the Audit & Supervisory Board Member presently falls or has recently fallen under the category;

"△" when the Audit & Supervisory Board Member fell under the category in the past

\* "●" when a close relative of the Audit & Supervisory Board Member presently falls or has recently fallen under the category;

"▲" when a close relative of the Audit & Supervisory Board Member fell under the category in the past

- Executive of the Company or its subsidiaries
- Non-executive director or accounting advisor of the Company or its subsidiaries
- Non-executive director or executive of a parent company of the Company
- Audit & supervisory board member of a parent company of the Company
- Executive of a fellow subsidiary company of the Company
- A party whose major client or supplier is the Company or an executive thereof
- Major client or supplier of the Company or an executive thereof
- Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides remuneration as an Audit & Supervisory Board Member
- Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a corporation)
- Executive of a client or supplier of the Company (which does not correspond to any of f, g, or h) (the Audit & Supervisory Board Member himself/herself only)
- Executive of a company, between which and the Company External Directors/Audit & Supervisory Board Members are mutually appointed (the Audit & Supervisory Board Member himself/herself only)
- Executive of a company or organization that receives a donation from the Company (the Audit & Supervisory Board Member himself/herself only)
- Others

External Audit & Supervisory Board Members' relationships with the Company (2)

Name	Designation as Independent Officer	Supplementary explanation of the relationship	Reasons for appointment
Mikiya Chishiro	○	Former Cabinet Public Relations Secretary	The Company appointed him as External Audit & Supervisory Board Member, expecting him to reflect his accumulated experience and broad insight in public administration on audits of the Company. Moreover, based on the fact that there is no risk of a conflict of interest arising between the External Audit & Supervisory Board Member and ordinary shareholders—he has not previously held a position at any major client or supplier of the Company—the Company judges that he is able to maintain a sufficient level of independence. The Company believes that he is able to audit the execution of duties of the Directors from an independent position. He is therefore designated as an Independent Officer.
Yasumi Katsuki	○	Certified public accountant, Katsuki Office	The Company appointed him as External Audit & Supervisory Board Member, expecting him to reflect his accumulated experience and expertise as a certified public accountant on audits of the Company. Moreover, based on the fact that there is no risk of a conflict of interest arising between the External Audit & Supervisory Board Member and ordinary shareholders—he has not previously held a position at any major client or supplier of the Company—the Company judges that he is able to maintain a sufficient level of independence. The Company believes that he is able to audit the execution of duties of the Directors from an independent position. He is therefore designated as an Independent Officer.

Name	Designation as Independent Officer	Supplementary explanation of the relationship	Reasons for appointment
Yoshinobu Tsutsui	○	<p>President and Representative Director, Nippon Life Insurance Company</p> <p>The Company has entered into transactions with this company in the form of long-term debt and insurance policies for which employees are policy holders.</p>	<p>The Company appointed him as External Audit &amp; Supervisory Board Member, expecting him to reflect his accumulated experience and broad insight as a corporate executive on audits of the Company.</p> <p>Moreover, based on the fact that there is no risk of a conflict of interest arising between the External Audit &amp; Supervisory Board Member and ordinary shareholders—he has not previously held a position at any major client or supplier of the Company—the Company judges that he is able to maintain a sufficient level of independence. The Company believes that he is able to audit the execution of duties of the Directors from an independent position. He is therefore designated as an Independent Officer.</p>

**[Independent Officers]**

Number of Independent Officers	8
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Matters relating to Independent Officers

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**[Incentives]**

Implementation of measures to provide incentives to Directors	Other
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Supplementary explanation

The amount of individual Director's remuneration is adjusted based on their responsibilities and performance, and so forth, in the previous fiscal year.

Recipients of stock options	
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Supplementary explanation

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## [Director remuneration]

Disclosure of individual Directors' remuneration	No individual disclosure
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### Supplementary explanation

- Details of officers' remuneration (Fiscal year ended March 31, 2015)  
Remuneration paid to Directors: ¥471 million  
Remuneration paid to Audit & Supervisory Board Members: ¥76 million  
Total: ¥547 million  
(Note) The total amount of remuneration, etc. for eight external officers for the fiscal year ended March 31, 2015 was ¥88 million.

Policy on determining remuneration amounts or calculation methods thereof	Established
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### Disclosure of policy for determining remuneration amounts or calculation methods thereof

With regard to remuneration for Directors and Audit & Supervisory Board Members, the Company has integrated it into monthly remuneration by abolishing the retirement bonus system for Directors and Audit & Supervisory Board Members.

The Directors' monthly remuneration comprises the "basic remuneration" and the "performance-evaluation remuneration" which is determined using such factors as business operating results during each fiscal year toward the achievement of medium-term objectives, and the level of remuneration takes into account the levels at other companies investigated by specialist external organizations to ensure an appropriate level of remuneration.

In addition, with the aim of enhancing the objectivity and transparency of Directors' remuneration, the Company has established the Remuneration Advisory Committee. This Committee comprises at least three Directors, the majority of whom being External Directors. The Remuneration Advisory Committee deliberates on Directors' remuneration from the perspective of objectivity and fairness and makes recommendations to the Board of Directors based on these deliberations.

Audit & Supervisory Board Members' monthly remuneration comprises only the "basic remuneration" and the level of remuneration takes into account the levels at other companies investigated by specialist external organizations to ensure an appropriate level of remuneration.

Remuneration for each Director is determined by resolution of the Board of Directors and that for each Audit & Supervisory Board Member is determined upon discussions among the Audit & Supervisory Board Members, within the scope of the total amount of remuneration for all Directors and that for all Audit & Supervisory Board Members determined by resolution of the General Meeting of Shareholders respectively.

### [Supporting system for External Directors and/or External Audit & Supervisory Board Members]

The Company arranges the Board of Directors meeting schedule at an early date and provides preliminary explanations of propositions and so forth. In addition, since June 2006 a dedicated staff member has been appointed as a secretarial manager to communicate and coordinate with External Directors and the Company is working to reinforce the system of distributing information to the External Directors through such measures as briefing the External Directors on the status of execution of business operations. As a supporting system for Audit & Supervisory Board Members, including External Audit & Supervisory Board Members, the Company has established an Audit & Supervisory Board Office under the direct control of the Audit & Supervisory Board Members and appointed its employees to engage exclusively in assisting the Audit & Supervisory Board Members.

### 2. Matters on functions of business execution, audit and supervision, nomination and remuneration decisions (overview of current corporate governance system)

The Company has adopted the structure of a Company with Audit & Supervisory Board Members as its corporate governance system, pursuant to the Companies Act of Japan. By subjecting the execution of duties by Directors to appropriate auditing by each of the four Audit & Supervisory Board Members (all

males), including three External Audit & Supervisory Board Members, the Company ensures the transparency and fairness of its management.

The External Directors have a clearly defined and specialized role focusing on monitoring and supervision. The Company has five External Directors, comprising four male and one female Directors. In addition to participating in decision making related to the execution of important management issues as full members of the Board of Directors, the External Directors work to further strengthen monitoring and supervisory functions through offering advice and monitoring the actions of management based on their accumulated experience and expertise. In addition, the Company has adopted the executive officer system with the aim of further enhancing managerial efficiency.

To establish corporate ethics, the Company has instituted Officers' Code of Conduct and Officers' Code of Ethics, makes its officers comply with these codes and exercise the initiative in materializing the "Corporate Philosophy" and generates a sense of common values that will constitute the bases of honest and fair business behaviors.

Furthermore, the Company has established a "Corporate Ethics Committee" with the President acting as chairman, which deliberates on and evaluates important matters for the establishment of corporate ethics and submits necessary reports to the Board of Directors.

The Company also accepts consultations as to questionable acts from the perspective of laws and regulations or corporate ethics through contacts with the "Ethics Office" of the Company and outside attorneys and improves its internal reporting system.

In addition, the Directors and Executive Officers submit "Letters of Confirmation of Execution of Duties," which state that they have committed no misdeed or material violation of laws and regulations or other rules in connection with the execution of their duties, at the close of each fiscal year.

In principle, the Board of Directors meets once a month. In addition to receiving timely and appropriate reports on such matters as the status of the execution of business operations and corporate ethics, the Board of Directors deliberates on important management matters and carries out expeditious decision making. The Board also undertakes mutual monitoring of the execution of duties.

To strengthen the Board of Directors' monitoring and supervisory functions, 5 of the 14 Directors the Company appoints (13 male and 1 female Directors) are External Directors, whose specialized role focuses on monitoring and supervision. The Company is also working to reinforce the system of distributing information to the External Directors through such measures as increasing the opportunities for briefing the External Directors on the status of execution of business operations.

Moreover, the highest responsibility for the execution of business operations has been integrated into the office of the President and the Company has established the Management Committee, comprised of members including Representative Directors and Executive Officers serving at the head office, to deliberate on matters fundamental to the execution of business. In principle, the Management Committee convenes weekly. In addition, by delegating authority to the Executive Officers, the Company aims to expedite decision making and business execution.

In accordance with the auditing policies and audit plan prepared by the Audit & Supervisory Board, Audit & Supervisory Board Members attend meetings of the Board of Directors and other important meetings, and conduct auditing visits of branch offices and worksites. They also hold individual hearings with Directors on matters considered necessary, audit the execution of business by Directors, and provide necessary advice and recommendations. Audit & Supervisory Board members also request business reports from subsidiaries and other affiliates, and investigate the status of business and assets as necessary. The Audit & Supervisory Board meets regularly to hear reports on significant matters pertaining to audits as well as to deliberate and make decisions. Also, the Company has established the Audit & Supervisory Board Office under the direct control of the Audit & Supervisory Board Members and appointed its employees to engage exclusively in assisting the Audit & Supervisory Board Members. The employees belonging to the Audit & Supervisory Board Office execute their duties under the orders and instructions of the Audit & Supervisory Board Members. Audit & Supervisory Board Member Yasumi Katsuki, who is qualified as a certified public accountant, has considerable knowledge of finance and accounting.

With regard to internal audits, the Inquiry & Auditing Department, which is the internal audit department, comprises approximately 25 staff. Through this structure, the Inquiry & Auditing Department conducts audits covering the Company's overall business operations, from the perspective of compliance



with relevant laws and regulations and other rules and the adequacy of business operation management, including evaluation of internal controls relating to financial reporting.

Furthermore, the Audit & Supervisory Board Members and the Inquiry & Auditing Department, which is the internal audit department, conduct regular exchanges of opinion on each other's respective audit plans, methodology, and results, as well as other measures to maintain close mutual cooperation. At the same time, they strive to ensure efficient and effective auditing as well as the accuracy and reliability of financial reporting.

To ensure safety, taking seriously that on April 25, 2005, it caused a very grave accident to occur between Tsukaguchi and Amagasaki on the Fukuchiyama Line in which 106 precious lives were claimed and more than 500 passengers were injured, and with a resolve never to permit the occurrence of such any accident, the Company works to build a safe railway that gives peace of mind and earns trust in accordance with its "Corporate Philosophy" and "Safety Charter."

Moreover, the Company has taken steps to make improvements in an effort to respond promptly to remarks, including "proposals" and "opinions" stated in the report on the investigation of the train accident on the Fukuchiyama Line publicized by the Aircraft and Railway Accidents Investigation Commission in June 2007. Furthermore, to steadily enhance the levels of safety, the Company focuses on "continual effort to realize safe, reliable transport service," "increasing the level of risk assessment," "increasing safety awareness and implementing think-and-act initiatives with the highest priority on human life" and "investment in safety," which have all been set forth in the "Safety Think-and-Act Plan 2017" formulated in March 2013.

Also, the Company strives to build a stronger safety management system based on its "Railway Safety Management Manual" newly instituted in accordance with the amended Railway Business Act of Japan enforced in October 2006.

To prevent the accident from recurring, the President plays a leading role. At a Safety Management meeting, which meets once a week in principle, information regarding accidents, and so forth, is shared and overall direction on countermeasures is deliberated to instruct the necessary matters immediately. At the same time, the discussions of this committee are reflected in proposals for accident prevention measures at the Safety Promotion meeting, (which is held once a month in principle,) and the status of implementation is tracked. Furthermore, the President's Special Aide has been established within the Railway Operations Headquarters to promote initiatives for improving safety, and takes steps to ascertain the situation on the front-line of operations and improve it. The Company has also reinforced the Transport Safety Department and works on initiatives which include enhancing planning functions for leadership and supervision within the Railway Operations Headquarters. Meanwhile, the Company established the Safety Research Institute in June 2006, which is dedicated to research on safety such as human factors, and in June 2009 the Company took steps to steadily promote the improvement of technical capabilities that underpin safety by introducing a system where skilled technical human resources are positioned as "Technical Directors."

With regard to furthering of reform, the Company will foster a corporate culture of "keeping safe," "being trusted," and "think-and-act on one's own initiative" based on the proposals from the "Reform Promotion Committee" formed from external experts.

With regard to risk management, the "Risk Management Committee" with the President acting as chairman keeps track of risks and critical factors that may have material effects on management of the Company, prepares manuals and deliberates on and determines important policies to respond thereto, prepares to establish a rapid initial response system and implement appropriate measures in the event of a wide-scale disaster or any other serious crisis, and examines and evaluates the risk management schemes and systems.

With regard to accounting audits, the Company has entered into an audit agreement with Ernst & Young ShinNihon LLC, which carries out appropriate audits that are conducted by an audit team comprising three partners and an auditing support staff consisting of 40 members: 24 other CPAs and 16 other support staff. These audits are conducted in accordance with auditing standards generally accepted in Japan. In addition, the audits conducted by the Audit & Supervisory Board Members, the Inquiry & Auditing Department, and the auditing firm involve close mutual cooperation and the ongoing exchange of information regarding each other's respective audit plans, methodology, and results, to facilitate efficient and effective auditing.

The certified public accountants that have conducted audit operations are as follows:

- Name of certified public accountants that have conducted audit operations

Mikio Konishi, Yutaka Matsumura, Naoya Nishino

The President and Representative Director proposes candidates for Directors to be recommended to the General Meeting of Shareholders based on the selection criteria established by the Board of Directors, and the nomination of candidates is approved by resolution of the Board of Directors.

With regard to remuneration for Directors and Audit & Supervisory Board Members, the Company has integrated it into monthly remuneration by abolishing the retirement bonus system for Directors and Audit & Supervisory Board Members.

The Directors' monthly remuneration comprises the "basic remuneration" and the "performance-evaluation remuneration" which is determined using such factors as business operating results during each fiscal year toward the achievement of medium-term objectives, and the level of remuneration takes into account the levels at other companies investigated by specialist external organizations to ensure an appropriate level of remuneration.

In addition, with the aim of enhancing the objectivity and transparency of Directors' remuneration, the Company has established the Remuneration Advisory Committee. This Committee comprises at least three Directors, the majority of whom being External Directors. The Remuneration Advisory Committee deliberates on Directors' remuneration from the perspective of objectivity and fairness and makes recommendations to the Board of Directors based on these deliberations.

Audit & Supervisory Board Members' monthly remuneration comprises only the "basic remuneration" and the level of remuneration takes into account the levels at other companies investigated by specialist external organizations to ensure an appropriate level of remuneration.

Remuneration for each Director is determined by resolution of the Board of Directors and that for each Audit & Supervisory Board Member is determined upon discussions among the Audit & Supervisory Board Members, within the scope of the total amount of remuneration for all Directors and that for all Audit & Supervisory Board Members determined by resolution of the General Meeting of Shareholders respectively.

### **3. Reasons for adoption of current corporate governance system**

From the perspective of enhancing the soundness, transparency, and efficiency of management, based on the current Audit & Supervisory Board Member System as outlined above in 2., the Company considers it appropriate to put in place a system for management decision making and operational execution as well as audit and supervision.

### III. Implementation of Measures for Shareholders and Other Stakeholders

#### 1. Measures to vitalize the General Meeting of Shareholders and smooth exercise of voting rights

	Supplementary explanations
Early notification of General Meeting of Shareholders	Notification is generally sent by three weeks before the date of the General Meeting of Shareholders.
Scheduling Ordinary General Meeting of Shareholders avoiding the peak day	The meeting is held several days before the peak day.
Allowing electronic or magnetic exercise of voting rights	Since the General Meeting of Shareholders held in June 2004, the Company has introduced exercise of voting rights using the Internet.
Participation in electronic voting platform and other efforts to enhance the voting environment for institutional investors	Since the General Meeting of Shareholders held in June 2008, exercise of voting rights using a “platform for electronic exercise of voting rights for institutional investors” operated by ICJ Inc. has been available.
Providing convocation notice (fully or partially) in English	English translations of convocation notices are prepared and posted on the Company’s website. They are also submitted to securities exchanges and provided for public inspection.

#### 2. IR activities

	Supplementary explanations	Explanation by the representative in person
Preparation and publication of disclosure policy	The Company prepared the disclosure policy and it is posted on the Company’s website.	
Regular investor briefings for analysts and institutional investors	The Company holds briefings following the half-year and full-year financial results, and a briefing on the announcement of the Group’s medium-term management plans.	Yes
Posting of IR materials on website	Financial material and so forth is posted on the Company’s website.	
Establishment of department and/or manager in charge of IR	A group in charge of IR has been established within the Corporate Planning Headquarters.	

### 3. Measures to ensure due respect for stakeholders

	Supplementary explanations
Provisions to ensure due respect for stakeholders in internal rules, etc.	The Corporate Philosophy sets out the Company's intention to meet stakeholders' expectations.
Implementation of environmental activities, CSR activities, etc.	The Company considers realizing the vision set out in the Corporate Philosophy as being nothing less than carrying out its corporate social responsibility. To this end, all employees of the Company are making a united effort to realize it. The Company also publishes the "JR-West CSR Report (Company Think-and-Act Report)," which provides a whole image of the Company's initiatives. The Company's environmental activities involve striving to further increase the environmental compatibility of the railway system itself, including through energy saving and promotion of recycling.
Other	<p>The Company believes in appointing the most suitable person for the job. This also applies to the promotion of women to executive and management positions.</p> <p>The Board of Directors at the Company comprises 14 Directors, which includes one woman. In June 2015, the Company appointed its first-ever female Executive Officer. As for women in managerial positions, as of July 1, 2015, there are 43 female managers, including one female holding the position equivalent to general manager (Group company president), which represents about 3% of all managers and a 126% increase compared to the fiscal year ended March 31, 2006.</p> <p>Moreover, since restrictions on women working late at night were abolished in a revision of the Labor Standards Act of Japan, etc. in 1999, we have prepared the necessary facilities and furthered the expansion of positions in which women can be active. Having continued to actively hire women, the current number of female employees stationed across all workplaces is about 3,250 (approximately 10% of the total workforce).</p> <p>Based on the belief that corporate value is enhanced through a diverse workforce that includes both genders, as well as parents and caregivers, the Company is actively promoting work-life balance initiatives in terms of both systems to support employees in their professional and personal lives and the creation of workplace environments that make accessing these systems easier. For example, in the fiscal year ended March 31, 2015, some 640 employees, including about 80 men, took childcare leave and nearly all of these employees returned to work after their leave was over, which shows that many employees take advantage of these systems. Furthermore, the Company has formulated and is implementing a plan of action based on the Act on Advancement of Measures to Support Raising Next-Generation Children of Japan and has been awarded the third "Kurumin mark" certification by the Ministry of Health, Labour and Welfare as a company complying with its standards.</p> <p>The Company will continue to promote the creation of work environments that make it easy for women to participate actively, and to use these to assist with the development of female employees who can participate in management in the future.</p>

#### **IV. Matters Related to the Internal Control System**

##### **1. Basic views on internal control system and progress of system development**

Basic views on internal control system and progress of system development are as follows:

1. Systems to secure the execution by the Directors and employees of their duties to comply with laws and regulations and the Articles of Incorporation

The Company has instituted a “Corporate Philosophy” and a “Safety Charter” as the basis of management. To materialize the philosophy and the charter, the Board of Directors of the Company determines medium-term management plans and annual business operation policies for the entire Group (including the Company and its subsidiaries; the same applies hereinafter) to share the directions for the entire Group to follow.

Furthermore, to establish corporate ethics, the Company has instituted its Code of Conduct and Code of Ethics in accordance with the “Corporate Philosophy,” made its officers comply with these codes and exercise the initiative in materializing the “Corporate Philosophy” and generate a sense of common values that will constitute the bases of honest and fair business behaviors. Through the following measures, the Company shall endeavor to improve its systems to ensure compliance with laws and regulations and establish corporate ethics in its business operations in general:

(1) Adequate operation of the Board of Directors

- The Company shall make a clear distinction between Directors to engage exclusively in monitoring and supervision and Directors to execute business (concurrently serving as Executive Officers), have two or more External Directors and improve the system of distributing information to the External Directors.
- The Board of Directors of the Company shall meet once every month, in principle, to deliberate on important matters for management and report the development of execution of business and matters concerning corporate ethics on a timely and appropriate manner.
- The Company shall clearly present the risks of measures and the position thereof in a medium-term management plan to ensure the enhancement of efficiencies of the Board of Directors.

Through these measures, the Company shall strengthen the functions of appropriate decision-making of the Board of Directors and its functions of monitoring and supervision of corporate management.

(2) Securement of proper execution of duties

- The Company shall ensure transparency thereof by devising schemes that may allow checking functions, including a system of circulating requests for managerial decision, as well as various committees to be established from time to time.
- The Company shall make the Inquiry & Auditing Department, responsible for internal audits, audit business of the Company in general from the perspectives of compliance with laws and regulations and other rules.
- For the purpose of the establishment of systems to evaluate and audit internal control over financial reporting, the Company shall maintain and improve internal control over financial reporting through the evaluation of the effectiveness thereof by the department responsible for internal audits to ensure the correctness and credibility of financial reporting.
- The Company shall clarify the criteria for the selection of Directors and Executive Officers to ensure objectivity and transparency.
- The Directors and Executive Officers shall submit “Letters of Confirmation of Execution of Duties,” which shall state that they have committed no misdeed or material violation of laws and regulations or other rules in connection with the execution of their duties, at the close of each fiscal year.
- Against anti-social forces, the Company shall establish general supervising divisions and sections and manuals to cope with them. The Company shall also work closely with external specialized agencies and deal with them in a resolute attitude, and have no truck with them.

- (3) Institution of a deliberative organ for the establishment of corporate ethics and the improvement of the internal reporting system
  - The Company shall establish a “Corporate Ethics Committee” with the President acting as chairman, which shall deliberate on and evaluate important matters for the establishment of corporate ethics and submit necessary reports to the Board of Directors.
  - The Company shall also accept consultations as to questionable acts from the perspective of laws and regulations or corporate ethics through contacts with the “Ethics Office” of the Company and outside attorneys and improve its internal reporting system.
2. Systems concerning storage and management of information on the execution by the Directors of their duties
  - Pursuant to laws and regulations and the document management manuals of the Company, information on the execution by the Directors of their duties shall be prepared, stored and managed properly by the respective sections in charge thereof and shall be made available for inspection by the Directors and Audit & Supervisory Board Members at all times whenever necessary.
3. Regulations concerning management of the risk of loss and other systems

Taking seriously that on April 25, 2005, it caused a very grave accident to occur between Tsukaguchi and Amagasaki on the Fukuchiyama Line in which 106 precious lives were claimed and more than 500 passengers were injured, and with a resolve never to permit the occurrence of such any accident, the Company shall work to build a safe railway that gives peace of mind and earns trust in accordance with its “Corporate Philosophy” and “Safety Charter.” Simultaneously, through the following efforts, the Company shall build up a system for appropriate risk management in its business activities in general:

- The Company shall steadily implement measures in response to remarks, including “proposals” and “opinions” stated in the report on the investigation of the train accident on the Fukuchiyama Line publicized by the Aircraft and Railway Accidents Investigation Commission in June 2007.
- The Company shall also steadily enhance the levels of safety by focusing on “continual effort to realize safe, reliable transport service,” “increasing the level of risk assessment,” “increasing safety awareness and implementing think-and-act initiatives with the highest priority on human life” and “investment in safety,” which have all been set forth in the “Safety Think-and-Act Plan 2017” formulated in March 2013.
- The Company shall build a stronger safety management system based on its “Railway Safety Management Manual” instituted in accordance with the amended Railway Business Act of Japan enforced in October 2006.

Additionally, the “Risk Management Committee” with the President acting as chairman shall keep track of risks and critical factors that may have material effects on management of the Company, prepare manuals and deliberate on and determine important policies to respond thereto, prepare to establish a rapid initial response system and implement appropriate measures in the event of a wide-scale disaster or any other serious crisis, and examine and evaluate the risk management schemes and systems.

4. Systems to secure efficient execution by the Directors of their duties
  - The Directors in charge of their respective sections shall, based on the medium-term management plan and annual business operation policy determined by the Board of Directors at the beginning of each fiscal year, execute their duties properly with regard to the measures of the respective sections by formulating the policies of such sections or otherwise in accordance with the authority and decision-making rules under the Company’s regulations of its organization and execution of business.
  - The Company shall convene a session of the Management Committee consisting of the Representative Directors and the Executive Officers serving at the head office of the Company once every week in principle, to deliberate on fundamental matters for execution of business, and introduce a system of executive officers to delegate authorities to the Executive Officers, whereby ensuring stronger functions of the Board of Directors to monitor and supervise and its speedier decision-making.

5. Systems to secure the properness of business activities of the corporate group

The Company shall institute group-wide medium-term management plans to share the directions for the entire Group to follow. To fulfill its responsibility as a member of society, the Company shall enhance awareness about compliance and establish corporate ethics, and develop the following systems to secure the properness of business activities of the corporate group:

(1) Fundamental system to promote group management

- The Company shall establish a section of its own responsible for promoting group management and with regard to important managerial matters of the group companies, including business plans, establish a system to allow them to consult with the Company in advance and file ex-post facto reports in accordance with the group company management rules to be prescribed by the Company.
- The Company shall regularly hold various meetings and training sessions for officers and employees of its group companies to share information among the Group.

(2) Assumption of the offices of officers of group companies by officers of the Company

- The Company shall make its officers assume the offices of directors and audit & supervisory board members of its important group companies to ensure legitimate and effective management of the Group.

(3) Establishment of corporate ethics in the entire Group and the formulation of risk management systems

- The Company shall determine policies on the establishment of corporate ethics in the entire Group by taking into consideration deliberations at its “Corporate Ethics Committee.”
- The Company shall determine fundamental matters for risk management of the entire Group at its “Risk Management Committee.”
- The Company shall establish a section responsible for risk management of the entire Group and each group company shall take measures to establish committees and regulations, whereby formulating a system for the establishment of corporate ethics and appropriate risk management of the entire Group.
- Furthermore, for specific risk management of the entire Group, each section and each branch of the Company and each group company shall take the initiative in detecting serious risks and developing a system to implement countermeasures, whereby allowing the section responsible for risk management of the entire Group to cooperate with the internal audit sections to manage each progress situation and afford support.

(4) Internal reporting system

- With regard to the internal reporting system, the Company shall respond to consultations concerning any group company through contacts established in and outside of the Company. The Company shall also make the system well known among the group companies.

(5) Performance of internal audits of group companies

- For the purpose of its internal audits, the Company shall, whenever necessary, confirm the observation of laws and regulations and other rules concerning execution of business by the group companies.
- With regard to the “evaluation of internal control over financial reporting,” the Company shall promote its group-wide efforts as the business on a consolidated basis is subjected to such evaluation.

6. Matters concerning the employees to assist the Audit & Supervisory Board Members to execute their duties and their independence from the Directors and the matters concerning the securement of efficiencies of directions to such employees

- The Company shall establish an Audit & Supervisory Board Office under the direct control of the Audit & Supervisory Board Members and appoint its employees to engage exclusively in assisting the Audit & Supervisory Board Members.

- The employees belonging to the Audit & Supervisory Board Office shall, independently of any section, execute their duties under the orders and instructions of the Audit & Supervisory Board Members.
  - The Company shall develop a cooperative system to provide information or otherwise for such employees executing their duties.
  - In consideration of such employees' assuming a key role of engaging in part of the auditing functions, the Company shall appoint them by taking into full account their experience and knowledge and make their personnel changes and evaluations by giving serious consideration to the opinions of the Audit & Supervisory Board Members.
7. System for reporting by directors and employees of the Company and its subsidiaries or any party receiving reports from such persons to the Audit & Supervisory Board Members and other systems for reporting to the Audit & Supervisory Board Members, and a system to ensure the prevention of unfair treatment because of such reporting
- The Directors, Executive Officers and employees of the Company, as well as the directors, executive officers, audit & supervisory board members and employees of its group companies, shall give to the Audit & Supervisory Board Members or the Audit & Supervisory Board reports promptly upon the occurrence of any grave accident, any act in violation of any laws and regulations or the Articles of Incorporation and any event that may cause material damage to the Company or any group company.
  - They shall also give reports on the state of performance of internal audits, the particulars of information provided with the "Ethics Office," the particulars of the measures taken by the President's Special Aide, the details of business and problems of each section and such other matters as requested by the Audit & Supervisory Board Members or the Audit & Supervisory Board, from time to time and on a regular basis.
  - Any person who gives such any report shall be protected properly by instituting internal rules by the Company and each group company.
8. Other systems to ensure effective audits by the Audit & Supervisory Board Members
- The Directors of the Company, etc. shall formulate systems necessary for the Audit & Supervisory Board Members to expediently perform audits, including those to allow the Audit & Supervisory Board Members to attend important meetings, inspect decision documents and other important documents, cooperate with its internal audit section and Accounting Auditor and exchange opinions with the Representative Directors and other officers on a regular basis.
  - All expenses incurred by the Audit & Supervisory Board Members in executing their duties, including consultation with attorneys, auditing firms and other third-party professionals as the necessity arises, shall be borne by the Company.
  - The sections responsible for the business offices of the Company shall coordinate and cooperate with each other to allow the Audit & Supervisory Board Members to visit the offices to perform effective and efficient audits.
  - The Company shall improve and strengthen the system of audits by audit & supervisory board members of the entire Group that can respond to regular meetings, such as liaison conferences of audit & supervisory board members of the Group consisting of the Full-time Audit & Supervisory Board Members of the Company and audit & supervisory board members of its group companies.

## **2. Basic views on eliminating anti-social forces and progress of related efforts**

Basic views on eliminating anti-social forces and progress of related efforts are as follows:

The Group strives to take a resolute stand against anti-social forces and to have no truck with them based on the basic views on internal control system described above and the "Employee Code of Ethics." Specifically, the system is as follows.

1. Establish a general supervising division, and appoint a manager responsible for preventing unreasonable requests.



2. Work closely with external specialized agencies such as the police and lawyers and gather the necessary information at all times.
3. Prepare response manuals and introduce “Anti-Social Force Elimination Clauses” into all contract types.
4. Conduct thorough education and instruction by distributing “Compliance Guidelines” and holding training and so forth.

## V. Other

### 1. Adoption of anti-takeover measures

Adoption of anti-takeover measures	Not adopted
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#### Supplementary explanation

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### 2. Other matters concerning corporate governance system

The Company complies with laws and regulations such as the Financial Instruments and Exchange Act of Japan and with the Securities Listing Regulations and so forth stipulated by securities exchanges. It also strives to provide timely and appropriate disclosure of information through the following internal systems.

#### 1. Ascertain internal information

With respect to the “important corporate information” set out by the above-mentioned Securities Listing Regulations, the Company has appointed internal sections with responsibility for duties relating to each kind of information and prepared systems to ascertain information securely and to manage it rigorously.

#### 2. Information collection and management

The Senior General Manager or the Deputy Senior General Manager of the Corporate Planning Headquarters has been appointed as the manager responsible for handling of information, and the manager provides overall management of important corporate information for business management. The Company has also established a secretariat within the Corporate Planning Headquarters, tasked with collating and managing corporate information.

#### 3. Report to the manager responsible for handling of information

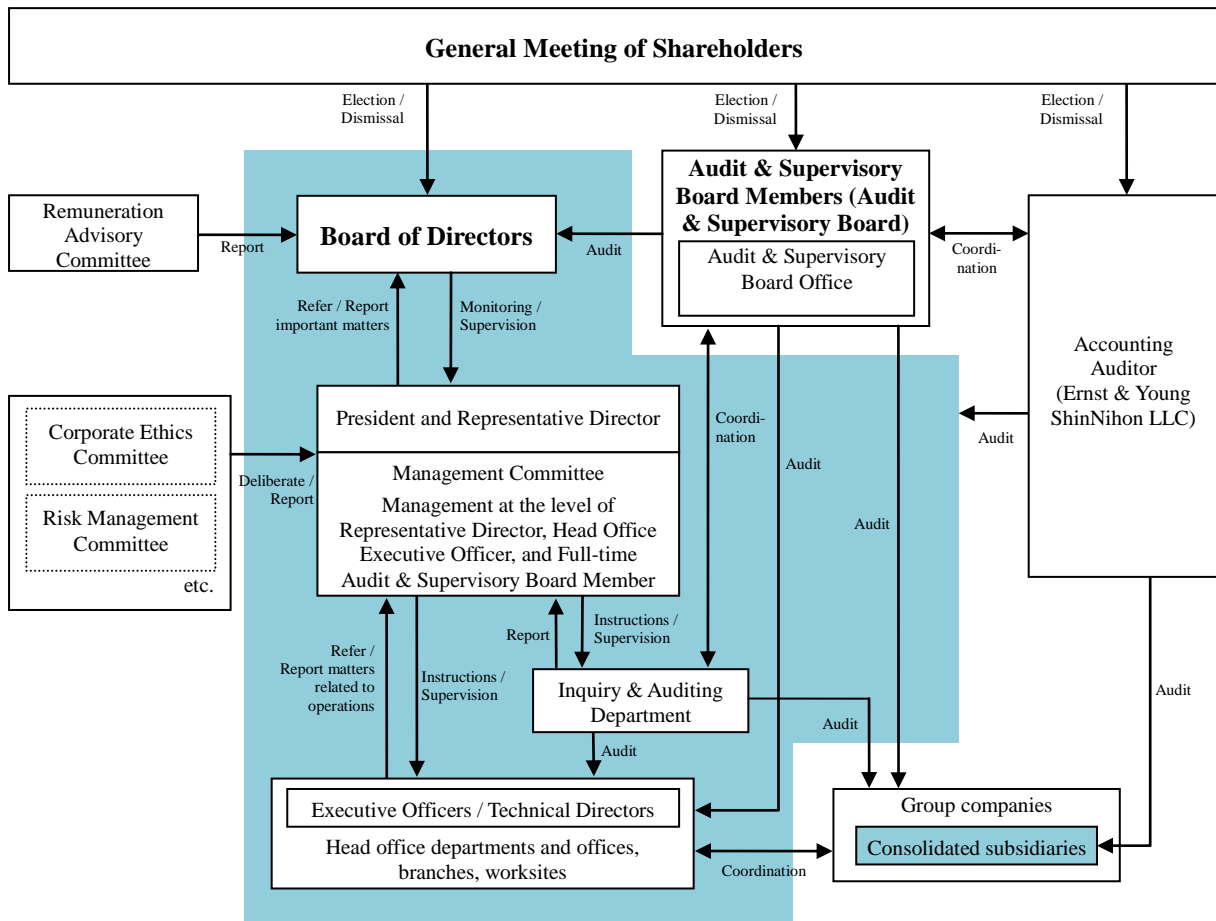
In the event of an incident corresponding to important corporate information, and so forth, the section involved is required to promptly report the information to the manager responsible for handling of information and related officers. In cases where it is not clear whether the event constitutes important corporate information or not, the system requires the section involved to refer to the manager responsible for handling of information on all such occasions.

#### 4. Timely and appropriate disclosure of information

For publication of important corporate information, the Corporate Planning Headquarters plays the central role in coordinating with the General Affairs Department, Corporate Communications Department, Tokyo Headquarters, and other relevant internal sections, and promptly provides the information by TDnet and by distributing materials to press clubs, etc., in an effort to ensure timely and appropriate disclosure of information.

#### 5. Formulation, notification, and penetration of internal rules

Basic matters relating to management and so forth of corporate information are set out in the “Regulations for Prevention of Insider Trading.” To ensure timely and appropriate information disclosure, the Company strives to notify these internal rules to corporate officers and employees, and so forth, and to help them penetrate.



(Note) The Company shall establish an Audit & Supervisory Board Office under the direct control of the Audit & Supervisory Board Members and appoint its employees to engage exclusively in assisting the Audit & Supervisory Board Members.

(Note)  denotes audit scope of the Accounting Auditor.