

Since its establishment, JR-West has invited persons from outside the Company with excellent management skill and exceptional insight to be directors and corporate auditors. (Currently, five of 13 directors, and three of four corporate auditors are from outside the Company.) The beneficial advice and proper auditing the Company receives has helped ensure transparency and fairness in management. The Company has also reduced the number of directors, introduced an executive officer system, and broadened the authority of the executive officers to strengthen the supervisory function of the Board of Directors, and enhance the speed of decision-making. In accordance with these measures, in June 2006 the Company introduced a new corporate governance structure aimed at further enhancing the monitoring and oversight of business conduct, as well as increasing its speed.

Specifically, the monitoring and supervisory functions of the Board of Directors were enhanced by clearly distinguishing the external directors who are independent and specialize in monitoring and supervision, from directors who also conduct the affairs of the Company as executive officers. The number of external directors was also increased from three to five, while an external director was appointed as chairman of the Board of Directors. The monitoring and supervisory function for corporate administration has been strengthened by bolstering the structure for providing information to external directors, such as increasing the number of opportunities for reporting the status of business conduct to the external directors. The speed of business conduct has been enhanced by giving the president of the Company primary responsibility for the conduct of operations.

The Board of Directors meets once a month in principle. It receives timely and appropriate reports on the status of the conduct of business, deliberates on significant business matters, and makes prompt decisions. A Management Committee

composed of the executive officers in the head office and full-time corporate auditors, and chaired by the president meets once a week in principle to discuss basic business matters.

For the compensation of directors, JR-West has, in accordance with the Company Law and by resolution of the Board of Directors, adopted a new compensation structure that eliminates the director bonus system and unifies compensation in a monthly payment. A Compensation Advisory Committee has also been established for the purpose of providing an objective viewpoint and increasing transparency in the compensation and other benefits for directors. This committee is composed of three or more directors, the majority of whom are external directors. It deliberates on compensation and other benefits for directors from an objective and fair standpoint, and makes a recommendation to the Board of Directors.

In accordance with the auditing policies and plan prepared by the Board of Corporate Auditors, corporate auditors 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 conduct of business by directors, and provide necessary advice and recommendations. Corporate auditors also request business reports from subsidiaries and other affiliates, and investigate their business and/or finances as necessary. The Board of Corporate Auditors meets regularly to hear reports on significant matters pertaining to audits, and to deliberate and make decisions. For the support structure for corporate auditors, the administrative staff structure to provide full-time support to corporate auditors has been strengthened and enhanced, and is conducted under the direction of corporate auditors.

