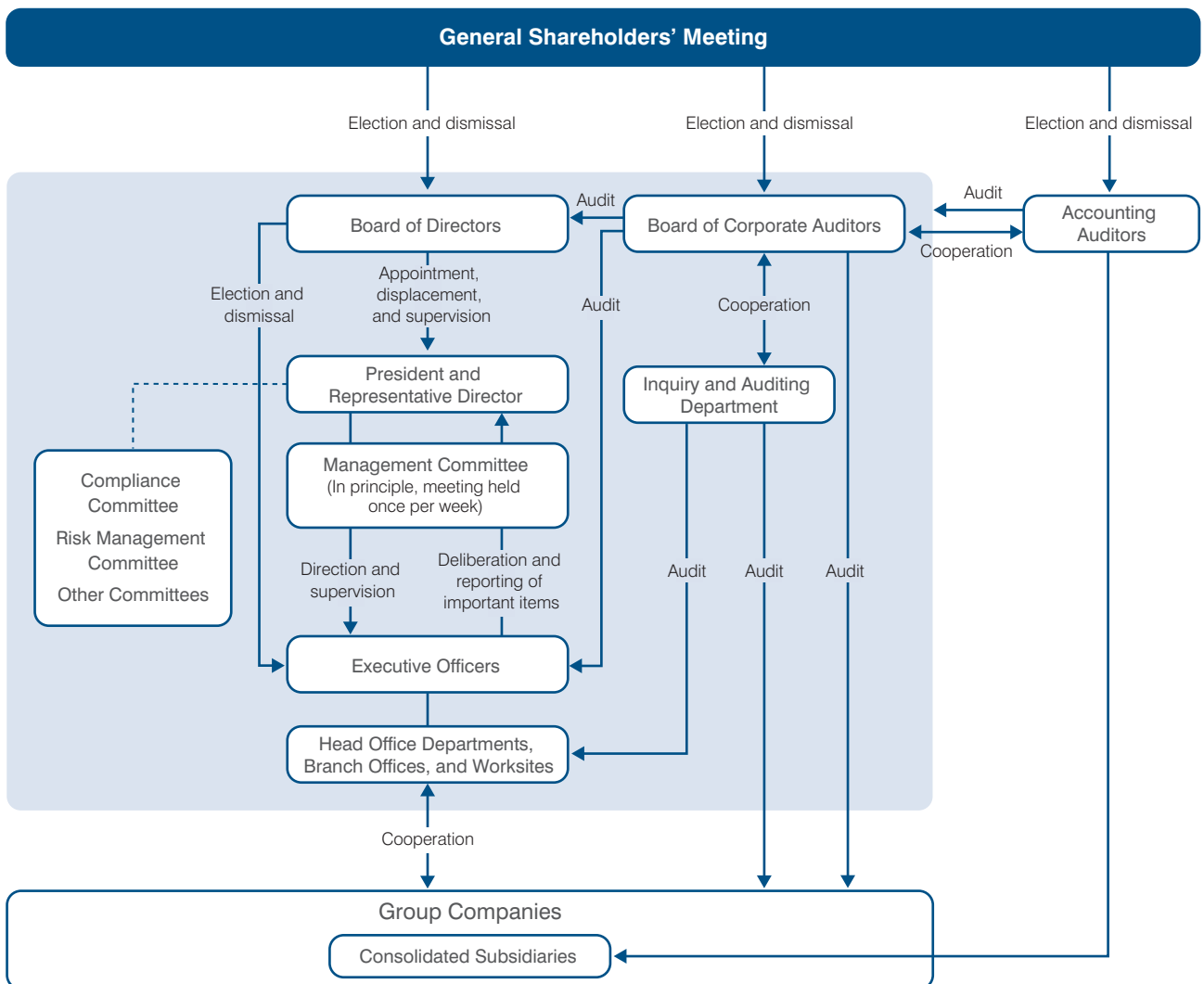


CORPORATE GOVERNANCE

Since its establishment, JR-West has invited persons from outside the Company with excellent management skills and exceptional insight to be directors and corporate auditors. (Currently, five of 12 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.



New Corporate Governance Structure

Directors who specialize in monitoring and supervisory functions are clearly distinguished from directors who also conduct the affairs of the Company as executive officers. From June 2006, the number of external directors was increased from three to five, while an external director was appointed as chairman of the Board of Directors, further strengthening its monitoring and supervisory functions.

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.

Board of Directors

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.

Management Committee

The Management Committee is composed of representative directors, directors who also conduct the affairs of the Company, executive officers in the head office, and full-time corporate auditors. In principle, it convenes once a week to discuss matters fundamental to the execution of the Company's businesses.

Corporate Auditors and Board of Corporate Auditors

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.

Internal Control Systems—Fundamental Stance and Current Conditions

(1) Systems to ensure directors and employees observe laws and regulations and the Company's articles of incorporation when executing their duties

In principle, the Board of Directors meets once a month. In addition to deliberating on significant business matters, directors report in a timely and appropriate manner on the execution of business duties and carry out mutual monitoring. Further, in order to ensure transparency and fairness in management, the Company has invited persons from outside the Company with excellent management skills and exceptional insight to be directors and corporate auditors. They provide Company management with a diverse range of guidance and advice and conduct oversight from an objective standpoint. In June 2006, the monitoring and supervisory function for corporate administration was further strengthened by measures to clearly distinguish directors who specialize in monitoring and supervisory functions from directors who also conduct the affairs of the Company as executive officers, by an increase in the number of external directors, by the appointment of an external director as chairman of the Board of Directors, and by bolstering the structure for providing information to external directors.

Regarding compliance, the president serves as the Chairman of the Compliance Committee. Based on the Corporate Philosophy established in April 2006, the Compliance Committee formulates a compliance policy each fiscal year, deliberates and makes decisions about the formulation and improvement of in-Company systems and rules, identifies risks and establishes necessary response measures, and carries out a range of educational and motivational activities. In addition, the Company is also continually inspecting and evaluating its framework for maintaining compliance. The Company's corporate ethics-related efforts include formulating the Code of Company Member Ethical Practices, and establishing the Ethics Office, which serves as a consulting hotline for company members. Further, the Company works to fully convey the meaning and role of these initiatives to company members to ensure they always comply with corporate ethics, such as those pertaining to laws and regulations. For the execution of duties, the Company utilizes mechanisms of mutual supervision, such as a system of collective decision making. Also, it establishes a variety of committees to ensure duties are executed transparently. In addition, the Inquiry and Auditing Department, which functions as the internal audit department, monitors all Company activities from the perspective of maintaining compliance with laws and regulations.

Further, JR-West's Inquiry and Auditing Department conducts evaluations of the effectiveness of its internal control over financial reporting and its audit system, in order to maintain and improve internal control and ensure accuracy and reliability.

Through these initiatives, the Company strives to maintain systems to ensure compliance, such as with laws and regulations, in all of its business activities.

(2) Systems to store and manage information relating to the directors' execution of their duties

In accordance with its document-management regulations, each department in the Company appropriately prepares, stores, and manages information relating to the directors' execution of their duties, and when necessary makes this information available for inspection by directors or corporate auditors.

(3) Regulations for management of risk of loss and related systems

On April 25, 2005, JR-West caused an extremely serious accident when one of its trains derailed between Tsukaguchi and Amagasaki Stations on the Fukuchiyama Line, resulting in 106 fatalities and more than 500 injuries among passengers. Solemnly accepting responsibility, the Company resolved that such an accident would never again occur. In accordance with its Corporate Philosophy and Safety Charter, it has set "to establish a corporate culture that places top priority on safety" as its most important management objective and has been striving to realize this objective.

In June 2007, a report on the Fukuchiyama Line accident released by the Aircraft and Railway Accidents Investigation Commission made various remarks, including "proposals" and "opinions." The Company quickly acted in response to the report's recommendations and has been steadily implementing improvement measures. Additionally, the Company formulated a Basic Safety Plan in April 2008 based on advice provided by the Advisory Panel for Safety Promotion on improving safety measures, and has been steadily carrying out this plan, in combination with previous measures, toward the goal of realizing higher levels of safety. Also, the Company has worked to entrench a safety management-orientated mindset based on the Railway Safety Management Manual, which it formulated in response to the October 2006 revision to the Railway Business Act. The Company president serves as the Chairman of the Risk Management Committee. The committee identifies risks and critical events that could have a substantial impact on the Company's management, prepares related manuals, and discusses and decides upon important response measures. The committee also quickly constructs rapid first-response systems for a major crisis, strives to implement appropriate countermeasures, and inspects and evaluates risk management frameworks and systems.

Through these measures, the Company is working to maintain and improve systems to achieve appropriate risk management for all Company business activities.

(4) Systems to ensure that directors execute their duties efficiently

Based on the plan for all business activities defined by the Board of Directors at the start of each fiscal year, the directors responsible for each department appropriately carry out the duties necessary to implement the policies of their departments in accordance with their administrative authority and rules for decision making determined by regulations relating to Company organizations and the execution of Company duties. Further, the Company has established the Management Committee, comprised of members including representative directors and executive officers in the head office, to discuss items fundamental to the execution of business duties. In addition, the Company has introduced the executive officer system, broadened the authority of the executive officers to strengthen the supervisory function of the Board of Directors, and enhanced the speed of decision making.

(5) Systems to ensure the appropriateness of operations in the corporate group

The Compliance Committee and the Risk Management Committee determine compliance and risk management policies for the entire JR-West Group. In addition, each subsidiary establishes committees and regulations to construct systems to establish a Groupwide compliance system and carry out appropriate risk management. Furthermore, the Group is striving to ensure officers and employees throughout the Group behave ethically, such as by providing guidance on Group-related ethical matters through the Ethics Office.

The Company works to ensure that the appropriateness and the effectiveness of Group management are preserved. It maintains systems so that Group companies can discuss important management items with the Company prior to decisions being made. In addition, the Company's executives serve as directors and corporate auditors at important Group companies. Further, when required, the Company will confirm that Group companies are observing laws and regulations in their business management through internal audits.

"Evaluation of Internal Controls for Financial Reporting" is carried out as a Groupwide measure because consolidated operations are the subject of these evaluations.

(6) Matters relating to those employees who provide assistance to corporate auditors and the independence of those employees from directors

The Company appoints corporate auditor staff to provide fulltime support to the corporate auditors as they carry out their auditing duties. The staff carries out its duties in accordance with the instructions of the corporate auditor. Further, decisions on staff redeployment or evaluation are made while giving full consideration to the opinions of the corporate auditors.

(7) Systems for directors and employees to report to corporate auditors and other systems regarding reporting to corporate auditors

Directors, executive officers, and employees immediately report to the corporate auditors or the Board of Corporate Auditors on serious accidents, behavior that violates laws and regulations or the Company's articles of incorporation, or if they discover a situation that might result in the Company incurring significant damage. In addition, corporate auditors as needed or regularly receive reports on the status of internal audits, details of reporting to the Ethics Office, details of the activities of the special deputies to the president, details of the activities of each department and the issues they face, and any other items as requested by corporate auditors or the Board of Corporate Auditors.

(8) Other systems to ensure that the corporate auditors carry out their audits effectively

To ensure the effectiveness of the audits carried out by corporate auditors, directors and other executives maintain systems for corporate auditors to attend important meetings; to inspect decision-making documents; to cooperate with the internal audit department and accounting auditors; to exchange opinions with representative directors and other executives; and other systems necessary for the corporate auditors to carry out their audit activities effectively. Further, the Company works to coordinate the activities of departments that have jurisdiction over offices in the Company and to ensure that surveys in other locations are conducted effectively and efficiently.