

FUNDAMENTAL STANCE ON CORPORATE GOVERNANCE

Based on its Corporate Philosophy and Safety Charter, JR-West will work to fulfill its corporate social responsibility and strive for sustained future growth through continuous efforts to establish a corporate culture that places top priority on safety. To realize these goals, from the perspective of enhancing the soundness, transparency, and efficiency of management, JR-West is striving to reinforce its corporate governance by putting in place systems to establish corporate ethics, strengthen oversight and supervisory functions, and expedite the execution of business operations.

OVERVIEW OF THE CORPORATE GOVERNANCE SYSTEM AND REASONS FOR ADOPTING THIS SYSTEM

JR-West adopts the structure of a Company with Auditors pursuant to the Corporation Law of Japan as its corporate governance system. By subjecting the execution of duties by the directors to appropriate auditing by each of the corporate auditors, including three external corporate auditors, JR-West ensures the transparency and fairness of its management.

Further, through the appointment of external directors and the adoption of such systems as the executive officer system, JR-West is working to strengthen the oversight and supervisory functions of the Board of Directors, decide on matters of operational execution that are critical to management, and ensure oversight of the directors' execution of duties. The external directors have a clearly defined and specialized role focusing on oversight and supervision. JR-West has five external directors. In addition to participating in decision making as full members of the Board of Directors, the external directors work to further strengthen oversight and supervisory functions through offering advice and monitoring the actions of management based on their extensive experience and expert knowledge.

From the perspective of enhancing the soundness, transparency, and efficiency of management, based on the current corporate auditor system outlined above, JR-West considers it appropriate to put in place a system for management decision making and operational execution as well as oversight and supervision.

To establish corporate ethics, the Company institutes its code of conduct and 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 basis of honest and fair business

behavior. The Company establishes a "Corporate Ethics Committee" with outsiders as its members as an advisory organ of its Board of Directors, which shall deliberate on and evaluate important matters for the establishment of corporate ethics and submit necessary recommendations and reports to the Board of Directors. The Company also establishes a system to accept consultations as to questionable acts from the perspective of law or corporate ethics through contacts with the "Ethics Office" of the Company and outside attorneys and improves its whistleblowing system.

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 or 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 oversight of the execution of duties.

To strengthen the Board of Directors' oversight and supervisory functions, of the 14 directors the Company appoints, five are external directors, whose specialized role focuses on oversight and supervision. Furthermore, one of the external directors is selected as the chairman of the Board of Directors. The Company is working to reinforce the system for conveying information to the external directors through such measures as increasing the opportunities for briefing the external directors on the status of operational execution.

Further, the Company has established the Management Committee, comprised of members including representative directors and executive officers mainly in the head office, to discuss items fundamental to the execution of business duties. In principle, the Management Committee convenes weekly. In addition, by delegating authority to the executive officers, the Company aims to expedite decision making. Furthermore, by unifying the highest responsibility for the execution of business operations on the office of president, the Company executes business operations rapidly.

In accordance with the selection procedures for directors, president proposes the candidates for director to be recom-

mended to the General Shareholders' Meeting to the Board of Directors, which makes decisions on the candidates through a resolution. The Company has abolished the directors' bonus system and director compensation has been unified as a system of monthly compensation. With the aim of enhancing the objectivity and transparency of director compensation, the Company has established the Compensation Advisory Committee, which comprises at least three directors, the majority of whom are external directors. The Compensation Advisory Committee deliberates on director compensation from the perspective of objectivity and fairness and makes recommendations to the Board of Directors based on these deliberations.

STATUS OF THE INTERNAL CONTROL SYSTEM (INCLUDING THE RISK MANAGEMENT SYSTEM)

Pursuant to the Corporation Law of Japan, the Board of Directors formally approves the Company's fundamental stance regarding the internal control system and the status of this system.

An overview of this system is as follows.

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

To establish corporate ethics, the Company institutes its code of conduct and code of ethics in accordance with its "Corporate Philosophy" and generates a sense of common values that will constitute the basis of honest and fair business behavior by encouraging its officers to comply with these codes and exercise the initiative in materializing the "Corporate Philosophy."

The Company establishes a "Corporate Ethics Committee" with outsiders as its members as an advisory organ of its Board of Directors, which deliberate on and evaluate important matters for the establishment of corporate ethics and submit necessary recommendations and reports to the Board of Directors.

The Company also accepts consultations as to questionable acts from the perspective of law or corporate ethics through the "Ethics Office" of the Company and outside attorneys and improves its whistle-blowing system.

The Board of Directors of the Company meets once every month, in principle, to deliberate on important matters for management, report the development of execution of business and matters concerning corporate ethics on a timely and appropriate manner and monitor the execution by the directors

of their duties mutually. The Company makes a clear distinction between directors who engage exclusively in monitoring and supervision and directors execute business (concurrently serving as executive officers) as well, have two or more external directors, appoint the "Chairman," who shall act as chairman of the Board of Directors from among the external directors, and improve its information provision system to the external directors to strengthen its functions of monitoring and supervision of corporate management. In addition, the Company clarifies the criteria for selection of directors and executive officers to ensure objectivity and transparency.

With regard to the execution by the directors and employees of their duties, the Company utilizes mechanisms of mutual supervision, such as a system of collective decision making. Also, it establishes various committees from time to time to ensure duties are executed transparently. In addition, the Inquiry & Auditing Department, responsible for internal audits, audit business of the Company in general from the perspectives of compliance with laws or ordinances and regulations.

Furthermore, 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 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 or rules in connection with the execution of their duties, at the close of each fiscal year.

Through these measures, the Company endeavors to improve its systems to ensure compliance with law and establish corporate ethics in its business operations in general.

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

In accordance with laws and regulations and the Company's document-management policies, 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 the 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, JR-West 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 the Basic Safety Plan in April 2008 based on advice provided by the Advisory Panel for Safety Promotion on improving safety measures, toward the goal of realizing higher levels of safety. Also, the Company has worked to entrench a safety management-oriented mindset based on the Railway Safety Management Manual, which it formulated in response to the October 2006 revision to the Railway Business Act. In addition, 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 Management Committee, comprised of members including representative directors and executive officers mainly in the head office, in principle convenes weekly to discuss items fundamental to the execution of business duties. In addition, the Company has introduced the executive officer system, under which authority is delegated to the executive officers to strengthen the oversight and supervisory functions of the Board of Directors and enhance the speed of decision making.

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

Based on deliberations by the Corporate Ethics Committee, the Company formulates policies relating to measures aimed at building Groupwide corporate ethics. The Risk Management Committee determines fundamental matters related to Groupwide risk management. Based on policies and stipulations, each subsidiary establishes committees and regulations to construct systems to establish a Group wide corporate ethics system and carry out appropriate risk management. Furthermore, the whistle-blowing system may be utilized for consultations related to Group companies through internal and external consultation services established by the Company.

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 relevant laws and regulations in their business management through internal audits.

“Evaluation of Internal Controls for Financial Reporting” is carried out as a Group wide 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 full-time 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. Furthermore, corporate auditors receive regular reports and additional reports as needed 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 important documents, including documents related to decisions; to cooperate with the internal audit department and accounting auditors; to regularly 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.

STATUS OF AUDITS BY THE CORPORATE AUDITORS, INTERNAL AUDITS, AND ACCOUNTING AUDITS

In accordance with the auditing policies and audit 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 as well as to deliberate and make decisions. With regard to the support system provided for the corporate auditors, including the external corporate auditors, the Company has expanded and strengthened the corporate auditor staff, whose duty is to provide full-time assistance to the corporate auditors. The staff carry out their duties in accordance with the instructions of the corporate auditors.

With regard to internal audits, the Inquiry & Auditing Department, which is tasked with internal auditing functions, comprises approximately 30 staff, including five support staff for the corporate auditors. 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 internal regulations and the adequacy of business operation management, including evaluation of internal controls relating to financial reporting.

Further, the corporate auditors and the Inquiry & Auditing Department, which is responsible for internal audits, conduct regular exchanges of opinion and receive timely reports on each other's respective audit plans, methodology, and results, as well as other measures to maintain close mutual cooperation. At the same time, the corporate auditors and the Inquiry & Auditing Department strive to ensure efficient and effective auditing as well as the accuracy and reliability of financial reporting.

With regard to independent 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 four partners, eight other certified public accountants (CPAs), 13 associate accountants, and five other support staff. These audits are conducted in accordance

with auditing standards generally accepted in Japan. In addition, the audits conducted by the corporate auditors, the Inquiry & Auditing Department, and the accounting auditors 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 FUNCTIONS AND ROLES OF THE EXTERNAL DIRECTORS AND EXTERNAL CORPORATE AUDITORS AND PERSONAL, EQUITY, BUSINESS, AND OTHER RELATIONSHIPS WITH THE COMPANY

JR-West adopts the structure of a Company with Auditors as its corporate governance system. Specifically, by subjecting the execution of duties by the directors to appropriate auditing by each of the corporate auditors, including three external corporate auditors, JR-West ensures the transparency and fairness of its management. Further, five of the 14 directors are external directors, whose role is focused on oversight and supervision. In addition to participating in decision making as members of the Board of Directors, the external directors work to further strengthen the oversight and supervisory functions of the Board of Directors through offering advice and monitoring the actions of management based on their extensive experience and expert knowledge.

Based on the fact that there is very little likelihood of a conflict of interest arising between the five external directors and ordinary shareholders—none of the external directors has previously held a position at any companies with which JR-West has a significant business relationship or which are major shareholders of JR-West—the Company judges that the external directors are able to maintain a sufficient level of independence. The Company believes that the external directors are able to provide management oversight from an independent position.

Based on the fact that there is very little likelihood of a conflict of interest arising between the three external corporate auditors and ordinary shareholders—none of the external corporate auditors has previously held a position at any companies with which JR-West has a significant business relationship or which are major shareholders of JR-West—the Company judges that the external corporate auditors are able to maintain a sufficient level of independence. The Company believes that the external corporate auditors are able to audit the execution of duties of the directors from an independent position.

DIRECTOR COMPENSATION, ETC.

(1) Total compensation amount by officer classification, total compensation amount by type of compensation, and number of recipient officers

Officer classification	Total compensation amount (Millions of yen)	Total compensation amount by type of compensation (Millions of yen)				Number of recipient officers
		Basic compensation	Stock options	Bonus	Retirement bonus	
Directors (excluding external directors)	¥283	¥283	—	—	—	9
Corporate auditors (excluding external corporate auditors)	¥ 27	¥ 27	—	—	—	1
External directors and external corporate auditors	¥ 90	¥ 90	—	—	—	8

(2) Total compensation amounts for individual officers

No disclosure is made owing to the fact that no individual officer received total compensation of ¥100 million or higher.

(3) Policy for determining the amount of director compensation, etc.

With regard to compensation for directors and corporate auditors, the Company has abolished the directors' bonus system and the directors' retirement bonus system, and has instead implemented a unified system of monthly compensation.

The directors' monthly compensation comprises "basic remuneration" and "performance-evaluation remuneration," the latter of which is determined using such factors as business operating results during the previous fiscal year as a guide. The level of compensation takes into account compensation levels at other companies, with such information drawn from specialist external organizations, to ensure an appropriate level of compensation.

In addition, with the aim of enhancing the objectivity and transparency of director compensation, the Company has established the Compensation Advisory Committee, which comprises at least three directors, the majority of whom are external directors. The Compensation Advisory Committee deliberates on director compensation from the perspective of objectivity and fairness and makes recommendations to the Board of Directors based on these deliberations.

Corporate auditor compensation comprises only "basic remuneration," and the level of compensation takes into account compensation levels at other companies, with such information drawn from external special organizations, to ensure an appropriate level of compensation.

The compensation for each individual director is determined by a resolution of the Board of Directors, and the compensation for each individual corporate auditor is determined through consultations among the corporate auditors. The totals of these compensation amounts are determined within the total compensation amounts for all directors and all corporate auditors approved by a resolution of the General Shareholders' Meeting.

STATUS OF STOCK HOLDINGS

(1) Investments in stocks for which the holding purpose is other than pure investment

Number of companies: 42

Total carrying amount on the balance sheet: ¥9,848 million

(2) Holdings of investments in stocks for which the holding purpose is other than pure investment

Company	Number of shares	Amount on the balance sheet (Millions of yen)	Holding purpose
The Sumitomo Trust and Banking Co., Ltd.	2,947,000	¥1,614	To maintain a good relationship, and facilitate smooth business operations
Mitsubishi UFJ Financial Group, Inc.	2,921,500	¥1,431	
Sumitomo Mitsui Financial Group, Inc.	408,340	¥1,261	
Japan Tobacco Inc.	3,050	¥1,061	
Electric Power Development Co., Ltd.*	192,840	¥ 593	
Isetan Mitsukoshi Holdings Ltd.*	500,000	¥ 502	
Resona Holdings, Inc.*	299,300	¥ 353	
Chuo Mitsui Trust Holdings, Inc.*	943,500	¥ 331	
Mizuho Financial Group, Inc.*	1,647,450	¥ 304	
Mizuho Trust & Banking Co., Ltd.*	2,467,000	¥ 231	

* Although the amounts presented on the balance sheet for these holdings do not exceed one-hundredth of the Company's common stock, the ten largest holdings are presented in the table.

(3) Stocks for which the holding purpose is purely investment purposes

There are no applicable items.

NUMBER OF DIRECTORS

The Company's Articles of Incorporation stipulates that the number of directors shall be 40 or less.

REQUIREMENTS RELATING TO RESOLUTIONS FOR THE APPOINTMENT OF DIRECTORS

The conditions stipulated by JR-West's Articles of Incorporation for resolutions are a quorum of shareholders with one-third or more voting rights and the approval of the resolution by shareholders with more than half of those voting rights. Further, the Company's Articles of Incorporation stipulates that resolutions for the appointment of directors shall not be conducted using cumulative voting.

RESOLUTIONS TO BE DECIDED BY THE GENERAL MEETING OF SHAREHOLDERS THAT MAY BE RESOLVED BY THE BOARD OF DIRECTORS

(1) Acquisition of treasury stock

With regard to the acquisition of treasury stock, to facilitate expeditious management decisions, pursuant to Article 165, paragraph 2, of the Corporation Law of Japan, the Company's Articles of Incorporation stipulates that the Company may acquire its own shares through market transactions, etc., based on a resolution of the Board of Directors.

(2) Interim dividend

To expand the opportunities for shareholder return, pursuant to Article 454, paragraph 5, of the Corporation Law of Japan, the Company's Articles of Incorporation stipulates that the Company may pay an interim dividend based on a resolution of the Board of Directors.

CONDITIONS FOR SPECIAL RESOLUTIONS OF THE GENERAL MEETING OF SHAREHOLDERS

The conditions stipulated by JR-West's Articles of Incorporation for resolutions based on article 309, paragraph 2, of the Corporation Law of Japan are a quorum of shareholders with one-third or more voting rights and the approval of the resolution by shareholders with two-thirds or more of those voting rights. These conditions are designed to promote the smooth and efficient functioning of the General Shareholders' Meetings by relaxing the quorum required for special resolutions of the General Shareholders' Meeting.