

# Corporate Governance

## Fundamental Stance on Corporate Governance

Based on its Corporate Philosophy and Safety Charter, JR-West will work to fulfill its CSR and strive for sustained future growth through continuous efforts to build a safe railway that gives peace of mind and earns trust.

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.

JR-West will comply properly with the spirit and intent of the Corporate Governance Code, which came into force on June 1, 2015 as one of the listing regulations for Japan's financial securities markets.

## Overview of the Corporate Governance System and Reasons for Adopting This System

JR-West 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, JR-West ensures the transparency and fairness of its management.

The external directors have a clearly defined and specialized role focusing on oversight and supervision. JR-West has five external directors, comprising one female and four male 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 oversight and supervisory functions through offering advice and monitoring the actions of management based on their extensive experience and expert knowledge. In addition, the Company has adopted the executive officer system with the

aim of further enhancing managerial efficiency.

From the perspective of enhancing the soundness, transparency, and efficiency of management, based on the current Audit & Supervisory Board 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 initiative in materializing the Corporate Philosophy, and generates a sense of common values that will constitute the basis of honest and fair business behavior.

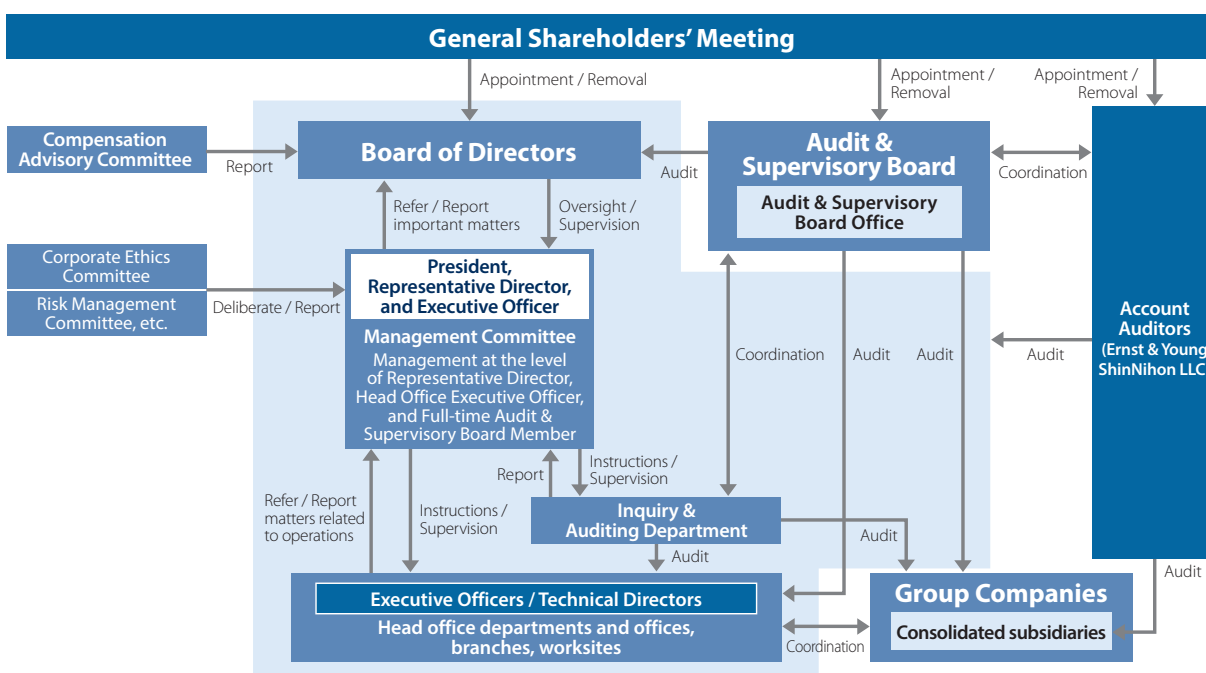
The Company established a Corporate Ethics Committee chaired by the President, which shall deliberate on and evaluate important matters for the establishment of corporate ethics and submit necessary reports to the Board of Directors.

The Company also established a system to accept consultations through contacts with its Ethics Office and outside attorneys as to questionable acts from the perspective of law or corporate ethics, and improved its whistle-blowing system.

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 (ending March 31).

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, 5 of the 14 directors the Company appoints (1 female and 13 male directors) are external directors, whose specialized role



Note:   Denotes audit scope of the account auditors

focuses on oversight and supervision. 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.

In accordance with the selection procedures for directors, the President proposes to the Board of Directors the candidates for director to be recommended to the General Shareholders' Meeting. The Board 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.

Furthermore, 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 and business execution. Moreover, the highest responsibility for the execution of business operations has been integrated into the office of the President.

### **Status of the Internal Control System (Including the Risk Management System)**

Pursuant to the Companies Act of Japan, the Board of Directors has formally authorized the Company's fundamental stance regarding the internal control 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**

The Company has established a Corporate Philosophy and Safety Charter as the foundation of its corporate management. Additionally, the authorization by the Board of Directors of the Medium-Term Management Plan and business operation policy for the fiscal year, established for the entire Group (the Company and its subsidiaries; hereinafter the same shall apply) in order to achieve its Corporate Philosophy and Safety Charter, ensures the Group shares the same direction.

Furthermore, 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 initiative in materializing the Corporate Philosophy. Through the following initiatives, the Company strives to establish a structure for corporate ethics, including legal compliance, for all of its business activities.

##### **(1) Proper administration of Board of Directors' meetings**

- The Company clearly distinguishes directors specializing in supervision and oversight and directors carrying out business operations (serving concurrently as executive officers). The Company also appoints more than one

external director, while also making sure that a structure is in place to provide information to external directors.

- The Board of Directors of the Company meets 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 in a timely and appropriate manner.
- The Company continually improves the effectiveness of the Board of Directors through clarification of policy risks and its role within the Medium-Term Management Plan.

Based on the above efforts, the Company will reinforce the Board of Directors' functions to make reasonable decisions and to supervise and oversee corporate management.

##### **(2) Ensuring the proper execution of duties**

- The Company utilizes mechanisms of mutual supervision, such as a system of collective decision making. The Company also establishes various committees from time to time to ensure duties are executed transparently.
- The Inquiry & Auditing Department, which is responsible for internal audits, audits the Company's business in general from the perspectives of compliance with laws or ordinances and regulations.
- 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 increases objectivity and transparency by defining selection criteria for directors and executive officers.
- 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 laws and establish corporate ethics in its business operations in general.
- The Company has established a department in charge of dealing with anti-social forces and response manuals. The Company also works closely with specialist outside agencies to take a resolute stance against anti-social forces and eliminate any possible relationships.

##### **(3) Establishment of a deliberation body for corporate ethics and enhancement of the whistleblower system**

- The Company established a Corporate Ethics Committee chaired by the President, which deliberates on and evaluates important matters for the establishment of corporate ethics and submits necessary reports to the Board of Directors.
- The Company improves its whistle-blowing system by accepting consultations as to questionable acts from the perspective of law or corporate ethics through its Ethics Office and outside attorneys.

#### **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 Audit & Supervisory Board Members.

## Corporate Governance

### 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 is striving to build a safe railway that gives peace of mind and earns trust. At the same time, the Company is working to establish a system for carrying out proper risk management for all of its business activities through the following initiatives.

- 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.
- The Company will steadily achieve higher levels of safety through "Continual effort to realize safe, reliable transport service," and by "Increasing levels of risk assessment," "increasing safety awareness and implementing think-and-act initiatives with the highest priority on human life," and moving forward with "Investment in safety." All of these initiatives are high priorities and have been set forth in the "Safety Think-and-Act Plan 2017" inaugurated in March 2013.
- The Company works to establish safety management systems 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 President serves as the Chairman of the Risk Management Committee, which identifies risks and critical events that could have a substantial impact on the Company's management, discusses and decides upon important response measures and the preparation of related manuals. The committee also quickly constructs rapid first-response systems for major crises, such as a large-scale natural disaster, strives to implement appropriate countermeasures, and inspects and evaluates risk management frameworks and systems.

### 4. Systems to ensure that directors execute their duties efficiently

- Based on the JR-West Group Medium-Term Management Plan and business operations policy for the fiscal year authorized by the Board of Directors, the directors responsible for each department, based on their creation of departmental policy, appropriately carry out the duties necessary to implement the measures of their departments in accordance with their administrative authority and with rules for decision making determined by regulations relating to Company organizations and the execution of Company duties.
- 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 to enhance the speed of decision making.

### 5. Systems to ensure the appropriateness of operations in the corporate group

The Company has established a Medium-Term Management Plan for the entire Group so that the entire Group shares the same direction. To fulfill its responsibilities as a member of society, the Company will ensure the appropriateness of operations in the corporate group through the following systems established to improve compliance awareness and corporate ethics.

#### (1) Basic promotion system for Group management

- The Company has established a department in charge of promoting Group management. Material matters related to the management of Group Companies, including business plans, are deliberated in advance with the Company and reported on after the fact to the Company in accordance with the Group Company Management Regulations established by the Company.
- The Company regularly holds various meetings and training sessions for executives and employees of Group Companies to ensure information is shared mutually within the Group.

#### (2) Appointment of JR-West officers as officers at Group Companies

- The Company's officers are appointed as Presidents and Auditors at key Group Companies to ensure the legal compliance and effectiveness of Group management.

#### (3) Establishment of corporate ethics and risk management system for the entire Group.

- Based on deliberations by the Corporate Ethics Committee, the Company formulates policies relating to measures aimed at building Group-wide corporate ethics.
- The Risk Management Committee determines fundamental matters related to Group-wide risk management.
- The Company has established a department in charge of the entire Group's risk management, while 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 Company has a system in place for specific risk management for the entire Group whereby head office departments, branch offices and Group Companies identify important risks and carry out countermeasures. The department in charge of risk management for the entire Group manages the progress and provides support together with internal audit departments.

#### (4) Whistleblower system

- Under the whistleblower system, hotlines established inside and outside the Company address consultations related to Group Companies. At the same time, the Company strives to make the whistleblower system known to all Group Companies.

#### (5) Internal audits of Group Companies

- Internal audits of the Company can, when necessary, verify the legal and regulatory compliance of the business operations of Group Companies.
- The evaluation of internal control related to financial reporting is carried out as a Group initiative because all businesses are subject to these evaluations on a consolidated basis.

## **6. Matters relating to those employees who provide assistance to Audit & Supervisory Board members and the independence of those employees from directors and matters for ensuring the effectiveness of instructions given to these employees**

- The Audit & Supervisory Board Office has been established as an organization for Audit & Supervisory Board members, and employees are selected to staff the office in order to support the duties of Audit & Supervisory Board members.
- The staff carries out its duties in accordance with the instructions of the Audit & Supervisory Board members in a position that is independent from other departments.
- The Company has established a cooperative system for information sharing for these employees to execute their duties.
- These employees are selected carefully based on their knowledge and acumen given the important role they play in the function of audits. Decisions on staff redeployment or evaluation are made while giving full consideration to the opinions of the Audit & Supervisory Board members.

## **7. Systems for directors and employees of the Company and its subsidiaries and persons receiving reports from directors or employees to report to Audit & Supervisory Board members, other systems for reporting to Audit & Supervisory Board members, and systems for ensuring that no unfavorable treatment is received due to such reports**

- The Company's directors, executive officers, and employees, as well as the directors, executive officers and employees of Group Companies, immediately report to the Audit & Supervisory Board members or the Audit & Supervisory Board 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 or its Group Companies incurring significant damage.
- Audit & Supervisory Board members receive regular reports and additional reports as needed on the status of internal audits, details of reporting to the Ethics Office for all Group Companies, details of the activities of the Deputies to the Safety Manager, details of the activities of each department and the issues they face, and any other items as requested by Audit & Supervisory Board members or the Audit & Supervisory Board.
- The protection of persons submitting a report is handled properly in accordance with the internal regulations of the Company and Group Companies.

## **8. Other systems to ensure that Audit & Supervisory Board members carry out their audits effectively**

- To ensure the effectiveness of the audits carried out by Audit & Supervisory Board members, directors and other executives maintain systems for Audit & Supervisory Board members 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 Audit & Supervisory Board members to carry out their audit activities effectively.
- The Company will assume any cost that occurs from the execution of Audit & Supervisory Board Member

duties, including consultations with external professionals, such as attorneys or auditing companies.

- 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.
- The Company will enhance and bolster the entire Group's Audit & Supervisory Board audit system to accommodate regular meetings of the Company's full-time Audit & Supervisory Board members and Audit & Supervisory Board members of Group Companies, such as the Group Audit & Supervisory Board member Conference.

## **Overview of Contracts for Limitation of Liability**

In accordance with article 427, item 1, of the Companies Act of Japan, the Company provides in the Articles of Incorporation that external directors and external Audit & Supervisory Board members are to enter into a contract for limitation of liability with the Company, limiting the liability of the external directors and external corporate auditors under article 423, item 1, to a specified amount. As of the release date of the Company's Yuho securities report, all external directors and external corporate auditors had entered into such a contract with the Company.

## **Status of Audits by the Audit & Supervisory Board Members, Internal Audits, and Accounting Audits**

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 conduct 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 their business and/or finances 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. With regard to the support of the Audit & Supervisory Board members, including external Audit & Supervisory Board members, the Audit & Supervisory Board Office has been established as an organization for Audit & Supervisory Board members and employees are selected to staff the office in order to support the duties of Audit & Supervisory Board members. The staff carries out its duties in accordance with the instructions of the Audit & Supervisory Board members. Audit & Supervisory Board member Yasumi Katsuki holds the qualifications of a certified public accountant (CPA) and possesses a wealth of knowledge relating to finances and accounting.

With regard to internal audits, the Inquiry & Auditing Department, which is tasked with internal auditing functions, 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 internal regulations 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 responsible for internal audits, 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,

## Corporate Governance

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 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 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.

### In fiscal 2015, auditing procedures were conducted by the following CPAs.

Name	Affiliated auditing firm	Consecutive years of auditing
Designated limited liability partners	Ernst & Young ShinNihon LLC	—
Partners		—
		—

### Policies Regarding the Functions, Roles, Relationship with the Company, and Independence of the External Directors and External Audit & Supervisory Board Members

JR-West adopts the structure of a Company with Audit & Supervisory Board members as its corporate governance system. Specifically, by subjecting the execution of duties by directors to appropriate auditing by each of the four Audit & Supervisory Board members, including three external Audit & Supervisory Board members, JR-West ensures the transparency and fairness of its management. Furthermore, five of the 14 directors are external directors, whose role is focused on oversight and supervision. The external directors work to further strengthen the oversight and supervisory functions of the Board of Directors.

Applications for all external directors and Audit & Supervisory Board members have been submitted to the securities exchanges on which the Company is listed to identify them as independent officers.

All five external directors—Tadashi Ishikawa, Yumiko Sato, Yuzo Murayama, Norihiko Saito, and Hideo Miyahara—were selected due to their rich backgrounds in fields such as law, management, and academia. The Company hopes to reflect the expertise of these individuals in its management.

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—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. It should be noted, however, that external director Hideo Miyahara is affiliated with Osaka University, an institution to which the Company provides research grants.

All three external Audit & Supervisory Board members were selected due to their rich backgrounds in a variety of fields—Mikiya Chishiro in politics, and Yoshinobu Tsutsui and Yasumi Katsuki as managers and CPAs. The Company hopes to reflect the expertise of these individuals in its management.

Based on the fact that there is very little likelihood of a conflict of interest arising between the three external Audit & Supervisory Board members 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—the Company judges that the external corporate auditors are able to maintain a sufficient level of independence. The Company believes that the external Audit & Supervisory Board members are able to audit the execution of duties of the directors from an independent position. External Audit & Supervisory Board Member Yoshinobu Tsutsui is also President of Nippon Life Insurance Company, with which the Company has entered into transactions in the form of long-term debt and insurance policies for which employees are policy holders.

### 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)	¥428	¥428	—	—	—	10
Audit & Supervisory Board Members (excluding external Audit & Supervisory Board Members)	¥ 30	¥ 30	—	—	—	1
External directors and external corporate auditors	¥ 88	¥ 88	—	—	—	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 Audit & Supervisory Board members, 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.

Audit & Supervisory Board Member 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 Audit & Supervisory Board member is determined through consultations among the Audit & Supervisory Board members. The totals of these compensation amounts are determined within the total compensation amounts for all directors and all Audit & Supervisory Board members 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: 36

Total carrying amount on the balance sheet: ¥14,693 million

### 2. Holding purpose, name of holding company, number of shares, and amount on the balance sheet for holdings of investments in stocks for which the holding purpose is other than pure investment

#### Fiscal 2014

Investments in stocks for special purposes

Company	Number of shares	Amount on the balance sheet (Millions of yen)	Holding purpose
Sumitomo Mitsui Trust Holdings, Inc.	5,334,530	¥ 2,485	To maintain a good relationship, facilitate smooth business operations
Japan Tobacco Inc.	610,000	¥ 1,976	
Sumitomo Mitsui Financial Group, Inc.	408,340	¥ 1,800	
Mitsubishi UFJ Financial Group, Inc.	2,921,500	¥ 1,656	
The Kinki Sharyo Co., Ltd.	3,454,000	¥ 1,340	
Isetan Mitsukoshi Holdings Ltd.*	500,000	¥ 637	
Electric Power Development Co., Ltd.*	192,840	¥ 562	
Mizuho Financial Group, Inc.*	1,767,410	¥ 360	
Resona Holdings, Inc.*	299,300	¥ 149	
East Japan Railway Company*	200	¥ 1	

\* Although the amounts presented on the balance sheet for these holdings do not exceed one-hundredth of the Company's common stock, 10 holdings are presented in the table

#### Fiscal 2015

Investments in stocks for special purposes

Company	Number of shares	Amount on the balance sheet (Millions of yen)	Holding purpose
Sumitomo Mitsui Trust Holdings, Inc.	5,334,530	¥ 2,643	To maintain a good relationship, facilitate smooth business operations
Japan Tobacco Inc.	610,000	¥ 2,318	
Mitsubishi UFJ Financial Group, Inc.	2,921,500	¥ 2,172	
Sumitomo Mitsui Financial Group, Inc.	408,340	¥ 1,878	
The Kinki Sharyo Co., Ltd.	3,454,000	¥ 1,347	
Isetan Mitsukoshi Holdings Ltd.*	500,000	¥ 994	
Electric Power Development Co., Ltd.*	192,840	¥ 781	
Mizuho Financial Group, Inc.*	1,260,160	¥ 266	
Resona Holdings, Inc.*	299,300	¥ 178	
East Japan Railway Company*	200	¥ 1	

\* Although the amounts presented on the balance sheet for these holdings do not exceed one-hundredth of the Company's common stock, 10 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 of the voting rights and the approval of the resolution by shareholders with more than half of those voting rights. Furthermore, 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 Shareholders' Meeting 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 Companies Act of Japan, the Company's Articles of Incorporation stipulate that the Company may acquire its own shares through market transactions, etc., based on a resolution by 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 stipulate that the Company may pay an interim dividend based on a resolution of the Board of Directors.

#### Conditions for Special Resolutions of the General Shareholders' Meeting

The conditions stipulated by JR-West's Articles of Incorporation for resolutions based on article 309, paragraph 2, of the Companies Act of Japan are a quorum of shareholders with one-third or more of the 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.