

In March 2005, JR-West formulated and publicized a medium-term management targets entitled "CHALLENGE 2008—TOGETHER WITH OUR CUSTOMERS" (the "Targets") for the period through the fiscal year ending March 31, 2009. However, on April 25, 2005, the Company caused a very grave accident to occur between Tsukaguchi and Amagasaki on the Fukuchiyama Line. In consideration of the accident, the Company has formulated a Safety Enhancement Plan and has exerted its company-wide efforts to implement the plan steadily. Thus, the Company intends to revise the Targets, as described at right.

Management
Target

Build a "Corporate Culture of Placing Top Priority on Safety"

We will build a "corporate culture of placing top priority on safety" by making all employees fully understand and put into practice the Corporate Philosophy and the Safety Charter and implementing the Safety Enhancement Plan steadily, and restore the confidence of our customers and other stakeholders, thereby realizing sustainable growth as a corporate group.

Important Management Challenges

Response to the Victims of the Accident in All Sincerity

We have given one of the highest priorities to our response to the victims of the railway accident on the Fukuchiyama Line. We, on the initiative of our Supporting Headquarters for the Victims of the Derailment Accident on the Fukuchiyama Line, will continue to exert our company-wide efforts to respond to any victims by listening to their opinions and requests in all sincerity. We will also convey the bitter anguish and grief of the victims to all employees and make each of them fully aware of the misery brought by the accident.

Promotion of Measures to Enhance Safety

Implement the Safety Enhancement Plan Steadily

By implementing the Safety Enhancement Plan steadily, we will exert our all-out efforts to provide reliable and trustworthy railway services and assure greater safety within the JR-West Group, which engages in railway services as its core business, thereby building up a basis for sustainable growth in the future.

To be specific, by enhancing awareness of the Safety Charter and holding safety meetings to allow top management and officers on the one hand and employees in the field on the other to directly exchange opinions, we will endeavor to prevent the accident from fading from our memories and make all employees more safety-conscious.

In addition, we will intensively and steadily implement measures in our software infrastructures, including the establishment and improvement of the symptom control activities utilizing “accident origins” and “worrisome events” and more effective education of employees on safety, as well as measures in our hardware infrastructures, including the installation of ATS-SWs (with speed checking functions) and ATS-Ps, quake-resistant reinforcement construction of elevated tracks and other quake-resistant and disaster-preventive measures, measures to enhance crossing security and replacement of aged facilities.

Furthermore, we will promote various measures to prevent the recurrence or occurrence of a grave accident, including the

establishment of schemes for safety audits and safety evaluation and the continued improvement thereof through actually implementing the same. This is the utilization of the fruits of work by our Safety Research Institute established in June 2006 and adequate responses to recommendations of the Aircraft and Railway Accidents Investigation Commission of the Ministry of Land, Infrastructure and Transport and proposals of our Safety Consultative Committee. We will also focus more efforts on preventing labor accidents, including measures to prevent railway workers from being hit by trains.

To promote these measures, we, based on the notion that “great importance should be placed on people in the field” and that “the group companies should work in a body,” will endeavor to secure human resources and enhance technology and expertise and pour our management resources preferentially and intensively to required capital expenditure and other items during the period.

Establish a Safety Management System

To engage in enhancing safety continuously, in October 2006 we, in accordance with the Railway Business Law amended recently, established the “Railway Safety Management Manual,” which is intended to establish a safety management system relating to the basic policy on business operations, control systems and methods of implementation thereof to secure safe transportation.

Based on the “Railway Safety Management Manual,” we will continue our efforts to enhance safety to build a corporate culture of placing top priority on safety.

In so doing, we aim to cause “no accident to produce casualties among our customers.” Also, we will exert ceaseless effort to cause “no serious labor accident to our employees.”

Promotion of Reforms

To restore the confidence of our customers and the society eroded by the accident and build up a basis for sustainable growth in the future, we will share a sense of current crisis, and promote reforms of our business operations in general, including job structures, operational processes, and schemes and systems in which employees find job satisfaction and take pride.

Provision of Quality Services and Products Preferred by Customers

Railway Business

In March 2006, we revised the timetables of our conventional railway lines, specifically in the Urban Network (transportation services linking the entire Kyoto-Osaka-Kobe metropolitan area), which have revised stoppage time and set a margin of time according to the actual status of use by passengers. We will also continue our efforts to improve the qualities of our transportation services in general, including ground facilities and rolling stock, raise the level of front-desk services of our employees, implement measures based on "customer opinions," strengthen our IT and IC technology, including the services of "Express Reservations" of the Shinkansen Line started in July 2006, and implement other measures rapidly, placing top priority on safety, from the perspective of our customers and precisely in response to customer needs.

In March 2006, we revised the timetables of the Shinkansen Line. We will continue our efforts to further improve our Shinkansen transportation system, including the introduction of N700 Series rolling stock, and make preparations for the opening of the Osaka Outer Loop Line and the Kyushu Shinkansen Line between Hakata and Shin-Yatsushiro, thereby implementing various projects relating to our railway business properly.

Non-Railway Businesses

We will devote more efforts to our current "NexStation Plan" to improve the quality of our station, and endeavor to increase the values of our ICOCA and J-WEST cards, whereby developing businesses to support the lifestyles of our customers aggressively, centering on the railway business.

We will steadily promote the Osaka Station renovation and New North Building development project, expected to be completed in the spring of 2011, and continue our efforts to build up a basis for sustainable growth of the whole JR-West Group.

Enhancement and Preservation of Technology, and Expertise and Promotion of Technological Development

With the understanding that business operations based on capable and reliable technology and expertise will form the basis for business management, including safety, we, united with the whole group companies, will enhance and preserve technology and expertise.

In developing technologies, we will further strengthen cooperation with other companies and third-party research organizations, aiming at reforming railway technology through introduction of state-of-the-art technology and general-purpose technology to the railway system, based on a solid technology platform.

Performance of Corporate Social Responsibilities

With the belief that we can perform our corporate social responsibilities only through pursuing the cause declared in our new Corporate Philosophy, we, all officers and employees, will exert our strenuous efforts for fulfillment of this purpose, focused on establishing ourselves as a reliable and trustworthy railway company.

To respond to the expectations of our stakeholders, including customers, shareholders, communities and societies, we will strengthen our functions of monitoring and supervising management based on the newly established system of corporate governance, assure strict compliance in the whole business operations and improve our crisis management system to implement our internal control system effectively, and simultaneously promote timely and adequate information disclosure and environment-protection efforts, whereby performing our corporate social responsibilities in earnest.

Prospect of Management Indices

As a result of our efforts as discussed above, the management indexes for the fiscal year ending March 31, 2009 as projected in the Targets are expected to be as follows:

Consolidated ROA (return on assets)	5.8%	(6.4%)
Consolidated ROE (return on equity)	9.4%	(10.0%)
Consolidated operating revenues	¥1,275 billion	(¥1,250 billion)
Transportation revenues	¥767.5 billion	(¥756.5 billion)
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Total capital expenditure on a consolidated basis for the fiscal year ended March 31, 2005 to the fiscal year ending March 31, 2009	¥750.0 billion	(¥660.0 billion)
Total capital expenditure on a non-consolidated basis for the fiscal year ended March 31, 2005 to the fiscal year ending March 31, 2009	¥620.0 billion	(¥540.0 billion)
Safety-related capital expenditure	¥360.0 billion	(¥280.0 billion)

The figures in the parentheses show those prior to revision.

Please take notice that these forward-looking statements of operating results in the future are made as of October 31, 2006 and may differ materially from the actual results.