

## THE JR-WEST GROUP'S MEDIUM-TERM MANAGEMENT PLAN 2008–2012

The West Japan Railway Company Group (“JR-West Group,” the “Group” or “we,” as the case may be) has formulated the JR-West Group’s Medium-Term Management Plan 2008–2012 (the “Plan”) for the fiscal years ending March 31, 2013. The Group will steadily implement the Plan to achieve sustainable growth in the future, while strengthening its bases for safety.

### Aims to Pursue in the Medium and Long Terms

In accordance with our “Corporate Philosophy,” which shows the aims and the common value we pursue, we will set the “aims to pursue in the medium and long terms” as described below and implement a range of efforts during the period of the Plan as the first stage:

- We will strive to form a dynamic group of technologies and expertise and become a company that excels in safety management, by never forgetting the railway accident on the Fukuchiyama Line and continuously pursuing greater safety.
- We will strive to provide “only one services” with reliability and satisfaction that will be highly evaluated by our customers, by providing safe and reliable transportation services to our customers, strengthening the relationships with our customers through state-of-art technologies in the fields of information and telecommunications, and providing comfortable services in the stations and trains operated by the Group in a unified manner.
- We, in combination with our railway division and business development division and in collaboration with local communities, will strive to develop comfortable, convenient and functional stations and community renovations in their surrounding premises to enhance the value of our railway belts.

- We will strive to establish a good management foundation based on “human resources” and “technology” and pursue every possibility in regard to them.
- We will strive to become a corporate group trusted by local communities and society as a company playing a key social role, through sound business activities.

### Management Targets

For the “aims to pursue in the medium and long terms,” we will set the management targets for the period of the Plan as described below. Through our corporate activities to fulfill the management targets, we will fulfill the expectations of our stakeholders, including customers, shareholders, employees and their families, communities and the society.

***We will build a corporate system to ensure no accidents to produce casualties among our customers and no serious labor accidents to our employees.***

- Taking to heart the invaluable lesson taught by the railway accident on the Fukuchiyama Line, we will make it a principle to attain higher safety levels and strive to build a brand of safety and reliability. To do this, we will revitalize our organization with the reform of the mindset of our employees and our corporate culture serving as the driving force, seek customer satisfaction, enhance technologies and expertise and perform our corporate social responsibilities.
- By making ourselves the customers’ first choice, we will strive to enhance our corporate value, thereby establishing an “upward spiral” structure to further enhance safety, improve our services and expand our growth field and achieve sustainable growth as a corporate group.

- We will build a management vision from a long-term perspective, covering the innovation of our railway systems, among others, and work for the early realization thereof.

### **Building a Brand of Safety and Reliability**

By operating a business that gives the highest priority to safety based on the renovation of the mindset of our employees and our corporate culture and the attainment of higher safety levels by carrying out reforms, we will build a "brand of safety and reliability."

#### **1. Response to the Victims of the Accident in All Sincerity**

We will continue to exert our company-wide efforts to respond to the victims of the railway accident on the Fukuchiyama Line, which we recognize as one of the most important management issues. We will never forget the accident and take it to heart as an invaluable lesson in our efforts to enhance safety, which is vital to railway operations, in the future.

#### **2. Commitment to Security through Attainment of Higher Safety Levels**

We will seriously promote measures in response to the remarks stated in the investigation report of the Aircraft and Railway Accidents Investigation Commission and also by placing our newly formulated Basic Safety Plan at the core of the Medium-Term Management Plan, steadily implementing measures to seek and attain higher safety levels.

#### **3. Commitment to Customer Satisfaction**

Based on safe and reliable transportation service, we will implement measures in our software and hardware infrastructures from the perspective of our customers and provide comfortable services that satisfy our customers.

#### **4. Improvement of Technologies and Expertise**

Our railway systems are the accumulation of various technologies, skills and expertise. We will upgrade our technologies and skills, together with our group companies to improve the qualities of our railway transportation services.

#### **5. Provision of Job Satisfaction and Pride**

We will exert our efforts to secure and cultivate human resources and enhance job satisfaction of every employee to make the best of the capabilities of the employees. We will also work seriously to cultivate human resources who can think and act for themselves and build a system thereof.

#### **6. Measures for Environmental Protection**

We will aggressively implement measures for environmental protection, with the aim of making 75% of our rolling stock energy-saving and reducing the basic unit of energy consumption by 12% from the 1995 level in the fiscal year ending March 31, 2013. We will also continue energetic efforts on resource saving, with the aim of attaining an 85% rate of recycling trash in the stations and trains (recyclable waste) and at least a 90% rate of recycling railway materials generated by maintenance and repairs. Furthermore, we will promote development of technologies conducive to environmental protection. We will also give publicity of our "earth-conscious railway" to win more customers and contribute to CO<sub>2</sub> reductions in the overall transportation system.

#### **7. Performance of Corporate Social Responsibilities**

To meet the requirements of the society for corporate social responsibilities, we will make it a principle to continue offering positive value to society through sound business activities, and ensure strict compliance with the law and actively promote social action programs.

## Promotion of Business Strategies for Sustainable Growth

We will exert our efforts to enhance existing businesses in our each business segment and make inroads into new fields to achieve sustainable growth as the JR-West Group. As a growth field, we will place emphasis on the transportation services of the Sanyo Shinkansen Line and enhancement of the value of our railway belts in the Kyoto-Osaka-Kobe metropolitan area to improve our corporate value.

### 1. Sanyo Shinkansen Renaissance

During the period of the Plan, due to the further expansion of Haneda Airport in the fall of 2010 and the extension of the Kyushu Shinkansen Line to Hakata in the spring of 2011, among others, passenger transportation is expected to change drastically. Seizing the opportunity, we will draw intensively on our management resources, strengthen cooperation with Central Japan Railway Company and Kyushu Railway Company and make maximum use of the potential of the Sanyo Shinkansen Line to accelerate its use. Specifically, we will strive to establish a competitive advantage over airliners in 900 kilometer/four-hour areas.

### 2. Enhancement of the Value of Our Railway Belts in the Kyoto-Osaka-Kobe Area

We will make the most of our railway network in the Kyoto-Osaka-Kobe area to further enhance the convenience of access to the Osaka area and improve the qualities of our railway services. Simultaneously, in combination with our railway division and business development division and in collaboration with local communities, we will develop stations and their surrounding premises to enhance the value of our railway belts.

### 3. Changes in Systems for Operating Processes and Management

To enjoy sustainable growth in the future with the advent of a society facing the major trend of depopulation, we will continuously change our systems in terms of operating processes and management so that we can seize profitable opportunities to the best extent and also make our organization more autonomous and flexible.

In addition, we will extensively encourage inventiveness in the front lines of the field and focus our efforts on technological development activities to renovate our railway systems.

## Building of Management Vision from a Long-Term Perspective

From a long-term perspective looking 10 to 15 years into the future, we will address important strategic issues related to management and work for their early realization. We will intensively promote technological development during the period of the Plan, necessary for their realization.

### 1. Renovation of Our Railway Systems

In consideration of changes in the social environment of railway operations, including future transportation demand, technologies and labor conditions, we are required to build a new railway system and promote a modal shift to achieve sustainable growth on a long-term basis. We will implement a study on technological renovations to enable us to do so.

### 2. Efforts in Our Local Railway Lines

We recognize the resolution of issues concerning our local railway lines as one of our important management issues. As a company existing in harmony with local communities, and in consideration of the situation in which emphasis is placed on the revitalization of regional public transportation, we will consider the resolution of the issues in collaboration with local authorities.

### 3. Planning and Implementation of New Projects with Growth Potential

During the period of the Plan, we will have worked to enhance our transportation services, including the transportation capacity of the Shinkansen Line, and the Osaka station development project. In this situation, to facilitate our sustained growth in the future, we will consider the planning of new projects with growth potential, including the acquisition of outside management resources, in addition to our continued efforts to further reinforce the basis of our existing businesses.

#### Financial Strategy and Capital Policy to Enhance Corporate Value

As a result of the reduction of long-term debt and payables so far, our financial position has become sounder and healthier. We will give greater importance to the strengthening and expansion of our business base by increasing capital expenditure for safety and for future growth to enhance our corporate value. In addition, in consideration of our current shareholders' equity and long-term debt and payables, we consider it important to maintain and improve capital efficiency and increase return to our shareholders, aiming to achieve 3% of consolidated dividend on equity (DOE) for the fiscal year ending March 31, 2013 on condition that our projects will yield results. Furthermore, to allow management to implement capital policies with agility, we will acquire our own shares flexibly upon consideration of our cash flow condition.

#### Management Indices

Among the management indices for the fiscal year ending March 31, 2013, consolidated operating revenues, consolidated earning before interest, taxes, depreciation and amortization (EBITDA), consolidated return on assets (ROA) and consolidated return on equity (ROE) are projected as follows:

Consolidated operating revenues: ¥1,430 billion

Consolidated EBITDA\*: ¥345 billion

\* EBITDA = operating income + depreciation expenses

Consolidated ROA: 7%

Consolidated ROE: 10%

The total capital expenditures for the fiscal year ending March 31, 2009 to the fiscal year ending March 31, 2013, principally for safety-related capital expenditure, are projected as follows:

**Consolidated: ¥980 billion**

**Non-consolidated: ¥780 billion**

**(safety-related capital expenditure: ¥430 billion)**

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\*Please take note that these forward-looking statements regarding operating results in the future are made as of the date hereof and may differ materially from the actual results due to changes in the business environment and other factors.