

Integration of the Travel Businesses

18th, January 2001

West Japan Railway Company

Kinki Nippon Tourist Co., Ltd, Nippon Travel Agency Co., Ltd, West Japan Railway Company and Kinki Nippon Railway Co. Ltd agreed to integrate Kinki Nippon Tourist Co., Ltd, Nippon Travel Agency Co., Ltd and TiS Headquarters (Travel Business Division) of West Japan Railway Company.

1. What being carried out

- (1) Targeting in January 2003, Kinki Nippon Tourist Co., Ltd, Nippon Travel Agency, and TiS Headquarters of West Japan Railway Company will be merged into a company.(hereunder “Integrated Company”)
- (2) By the end of March 2001, a new company will be established so that the effect of the integration can be shown promptly.

2. Purpose for Integration

The business environment for travel businesses has been changing dramatically in recent years. Customer travel needs have diversified and travel style has changed from standardised mass-group travel to various individual and small-group travel. Direct sales to customers through IT tools have been increasing and the prices of travel products are lowering. As such, competition between travel agencies is growing more and more severe as each agency struggle to survive.

The goals of the Integrated Company are to achieve sustainable growth, offering better services to its customers, increasing the reliability for the corporations as a travel agency, and ascertaining a secure raison d'être for travel business operation. Primarily, the Integrated Company will provide a stronger sales force. The Integrated Company will consolidate the know-how of three organisations and will be able to efficiently use each organisation's strong business assets. The Integrated Company will also create a stronger business foundation, achieving full use of scale merit, and the price competitiveness and brand value of the Integrated Company's products will increase over what each individual company can currently offer. Operational efficiency will also improve.

3. The effects of the Integration

- (1) Prompt response to the diversified needs of customers and business partners .
- (2) Strengthened product competitiveness, expanded sales power, and full application of scale merit.

- (3) The ability to offer appealing products and business models by concentrating personnel and business know-how.
- (4) Strengthened business foundation resulting from cost reduction measures such as the introduction of efficient sales organisations.
- (5) Full utilisation of the strengths of each three organisations to generate additional advantages resulting from the integration.

4. Integration Schedule

(1) Outline

Please see the attached sheet

(2) Integration Procedure

Establishment of the New Company

By the end of March 2001, a new company will be established to prepare for the integration so that the effect of the integration can be shown promptly.

Paid in Capital is 200 million yen and four companies will invest.

Integration

Integrated operation will commence in January 2003. The integration of the TiS Headquarters of JR-West with Nippon Travel Agency is targeted for autumn 2001.

Reference Information: Current Status of the Three Organisations Participating in the Integration.

	Kinki Nippon Tourist Co.,Ltd	Nippon Travel Agency Co. Ltd.	TiS Headquarters, JR-West	Total
Sales (millions yen)	733,000	460,600	135,700	1,329,300
Operating Revenue (millions yen)	98,000	55,671	13,618	167,289
Number of Sales Bases	270	261	56	587
Number of Employees	6,249	4,084	1,225	11,558
Paid in Capital (millions yen)	7,579	1,000	-	-

(Sales, and Operating Revenue are based on the business plans for Fiscal 2001)

(Number of Sales Bases and Number of Employees are as of 1st, Jan. 2001.)

Procedure for The Integration

