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**Company Name: West Japan Railway Company**

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## **Mid-term Management Targets**

### **“Advancing to the Second Stage of Railway Revitalization”**

During these past 15 years since JR-West's founding, JR-West has made unceasing effort to achieve the "Revitalization of the Railway," the fundamental goal of the reformation of Japanese National Railways. JR-West is on the verge of achieving the complete privatization, the ultimate goal of Japanese National Railways reformation, and as a private-sector industry, JR-West fully realizes the need to further enhance its operational system based on independence and the self-recognition of responsibilities. In preparation for entry into **"the Second Stage of Railway Revitalization,"** JR-West has established **"Mid-term Management Targets for the JR-West Group"** for 2001 to 2005.

The JR-West Group as a whole shall continue to make fresh and innovative efforts toward achieving even greater strides forward.

#### **I. The Fundamental Managerial Directions of JR-West**

The economic conditions with which the JR-West Group is faced are expected to grow even more severe, due to drastic changes in the structure of industries resulting from the globalization of economies, the declining working population resulting from the graying of the Japanese society, advancements in technological reforms, such as information technologies, and increased competition from other forms of transportation as a result of deregulation and the advancement of roadway facilities. In this drastically fluctuating business environment, it is vital that JR-West remain a winner in the market, and that we construct strategic, timely initiatives that will lead to future growth. Fully aware of these needs, JR-West has established the following four fundamental directions its business activities must now take.

A common theme for everyone working at JR-West has been the "JR-West Management Philosophy " which our company has held since its founding. This concept is also common to the entire JR-West Group, and in working towards the realization of these goals, JR-West strives to promote safe, reliable business operation along the lines of its management philosophy.

### **1. Enhance the further security and reliability we offer to our customers.**

- (1) In addition to ongoing efforts to provide safe, reliable transportation, JR-West strives to be a trustworthy corporate group that offers its passengers services and products the passenger can feel confident in selecting.
- (2) Placing great importance on interaction with the people it serves, JR-West is striving to make its railways even easier to use. For example, JR-West is promoting "barrier free" design in its stations and rolling stock to meet the growing needs of Japan's graying society.

### **2. Contribute to the advancement and development of society and the economy, with the railway as a core business.**

- (1) Contribute to the revitalization and development of the industrial economy through the provision of transportation services and the development of businesses with the railway at their core.
- (2) Strive for an amalgamation of superior railway technologies through the promotion of the development and improvement of railway technologies, and by passing these technologies on to new generations of JR-West employees.

### **3. Increase the corporate value and live up to the expectations of our shareholders.**

- (1) Utilizing the comprehensive capabilities of the JR-West Group, increase the asset efficiency and maximize our corporate value.
- (2) Continuously work for appropriate disclosure and strive for open, forthright management.

### **4. Strive for business operation that is friendly to the global environment.**

- (1) Further utilize the advantages of the railway that are friendly to the environment.
- (2) Put full efforts into the promotion of recycling, measures to prevent environmental pollution, etc.

## II Numeric Targets

With the entire JR-West Group working as a single, unified unit, JR-West has established the following numeric targets in order to further increase the performance of the consolidated base of the JR-West Group.

		3/2001 Results	3/2006 Targets
<b>ROA</b>	(consolidated)	4.4%	5.4%
(Operating Income)			+ 1.0pt
<b>ROE</b>	(consolidated)	8.1%	9.6%
(Net Income)			+ 1.5pts
<b>Operating Income</b>	(consolidated)	111.8 billion yen	130.0 billion yen
			+ 15%
<b>Net Income</b>	(consolidated)	30.9 billion yen	50.0 billion yen
			+ 60%
<b>Long-term Debt</b>	(consolidated)	1,385.6 billion yen	1,100.0 billion yen
			290.0 billion yen
	(non-consolidated)	1,267.9 billion yen	1,000.0 billion yen
			270.0 billion yen
<b>Head Count</b>	(non-consolidated)	41,000 people	32,000 people
			9,000 people

### III Major Emphases on Action Plans

JR-West is placing major emphasis on the following items as concrete action plans to achieve its mid-term management targets.

1. Work to further increase the levels of safety and reliability, key elements of railway operation.
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Work to eradicate accidents resulting from human error, and to promote further safety measures, such as the introduction of operation control systems as backup systems and the further installation of ATS-P equipment.

Work toward the steady promotion of maintenance control for railway structures, and plan to increase inspection precision through the introduction of infrared delamination inspection systems, etc.

Strive to eliminate train delays resulting from rolling stock and signaling equipment breakdown, etc.

Enhance employee training related safety through the utilization of Drivers' Training Centers and the various types of training facilities, as well as through the implementation of guidance and training based on practical experience.

2. Work to further enhance the high-speed transportation system of the Sanyo Shinkansen.
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Through timetable revision planned for implementation in the autumn of 2003, enhance the high-speed transportation systems uniting Nozomi and Hikari operation and create a more diverse pattern of stations at which these trains stop.

For the Kodama, change to a 4-row seating pattern, improve connections with conventional lines, and promote the utilization of "Park & Ride" facilities.

Continue efforts to increase comfort and convenience of the Shinkansen lines while planning for the future development and introduction of the next generation of high-speed rolling stock.

3. Further enhance the high-speed operation and convenience advantages offered by the Urban Network.

Work to further expand and improve special rapid express and rapid express train operation on the Urban Network and to further improve convenience by increasing train frequency.

Promote the installation of new stations, improve access to bus services, and enhance parking facilities.

4. Work to increase the speed and comfort of inter-city transportation.

Work to increase speed and comfort through the introduction of new models of rolling stock and improvements on track facilities.

5. Work to enhance the lineup of products and services accurately based on our diverse customer needs.

Work to expand and enhance the lineup of special transportation packages, including advanced ticket sales, tickets for specific trains, three-day weekend tickets, and family packages.

Further enhance station planning and design, working together with the local regions in order to create new demand for station services.

Work to increase membership of the Zipang Club and expand the range of services offered to club members.

6. Work to eliminate the need for customers to wait to purchase tickets at stations.

Promote the use of ticket vending machines for reserved seat tickets (Green Ticket Vending Machines) and work to enhance the functions and services offered by the 5489 Telephone Reservation Service and the e5489 Internet Reservation Service.

Work to further improve front-end services.

7. Strengthen communication with our customers through efforts such as increasing the amount of information we provide.

In order to quickly respond to customer inquiries, work to expand the amount of information provided about train schedules, operation status, etc., that can be accessed via the Internet, mobile phones, etc.

Provide timely, accurate information, utilize *Kikuzo* Customer Service Corners and *Kikuzo* Suggestion Boxes, and also utilize e-mail to create an extensive system to handle customer service inquiries.

Utilize opinions and ideas from our customers in the development and modification of our products and services.

8. Work to improve the comfort of our stations and rolling stock, creating a railway that is exceptionally easy for our customers to use.

Promote the ongoing installation of facilities such as elevators and escalators to create a barrier-free environment.

Work to create cleaner station restroom facilities and to construct additional waiting rooms on station platforms.

Work to increase manner awareness, such as the need to yield seats each other in trains.

9. Promote the installation of automatic ticket gates and IC card compatible ticket gates.

Work to introduce IC card compatible ticket gates on the Urban Network area in fiscal 3/2004.

Taking advantage of the launch of IC cards, promote the study of the expansion of IC card utilization to other private railways and to other areas of business.

Examine the possibilities for installing additional automatic ticket gates in Urban Network area stations that already have automatic ticket gates.

10. Enhance employee training to ensure that our railway technologies, the very foundation of our business operation, will be accurately and reliably passed on to new generations of JR-West employees.

Enhance systems for managing railway technologies and know-how through databases, etc., in order to compile and organize railway technologies and to ensure that these technologies are passed on to new generations of JR-West employees.

In the promotion of a changeover to a new generation of JR-West employees, foster the human resources that will be the key to future railway operation through OJT and enhanced group training in order to pass on JR-West railway technologies to these new generations.

11. Promote the further development and improvement of technologies through the utilization of advanced technologies such as information technology.

Promote the research of technologies to further increase rolling stock operation speeds.

Examine the introduction of a ticket-less system that utilizes information technology, promote information technology utilization on rolling stock, etc.

Promote the development of technologies that further reduce labor requirements and costs.

12. Work to further deepen and promote the parallel development of cost reduction measures in order to strengthen cost competitiveness.

Promote measures to reduce labor requirements and rationalize operation, such as mechanization and the introduction of new equipment, constructing an effective business operation system for the entire JR-West Group.

Promote the further reduction of the cost of procuring materials from outside sources and the further reduction of construction costs.

13. Increase the competitiveness of each type of business by working to firmly establish Strategic Business Unit Systems.

Maximize the effects of the restructuring of our sales of goods and food service business and our hotel business.

Implement additional reviews of management systems, e.g., examine the restructuring of shopping centers in the JR-West Group for each area and business contents.

14. Increase the attractiveness of station by promoting the redistribution of business space.

Work to develop business projects that take advantage of the features of a station premises, by converting to different types of business opportunities, etc.

In order to maximize the utilization of the customer-attracting potential of a station, concentrate station business facilities, merge or eliminate business organizations, etc., thereby creating new business spaces within existing station areas.

Promote development by redistributing this type of new business space and property to business projects that are highly competitive. Also, examine the possibility of leasing or selling such property to organizations outside the Group.

15. Promote the development of business bases and the development/fostering of new business projects.

Actively examine the development and renovation of the Osaka Station as part of the business development in the northern area of Umeda.

Strengthen systems for developing new business projects.

Work to more effectively utilize internal business venture systems.



16. Implement flexible business tie-ups and capital tie-ups with businesses offering strengths and advantages that the Group currently does not offer.

Steadily promote the merger of travel businesses.

Promote the introduction of anchor tenants that can attract customers to our stations.

17. Increase energy efficiency and further utilize advantages of the railway that are friendly to the environment.

Reduce the amount of energy use by introducing low-energy rolling stock, replacing rolling stock with lightweight cars, and further promoting the effective utilization of regenerated electric power.

With the goal of maximizing the advantages offered by the railway, examine revisions to operating conditions, e.g., a reduction in the number of cars in a train configuration, based on a consideration of the conditions of each track section.

18. Through the promotion of recycling, etc., work to fully involve the entire Group in the resolution of global environmental problems.

Increase the ratio of recycling by promoting the train-ticket recycling and the separation of trash collected from stations and trains.

Promote "Green" procurement and work to prevent environmental pollution.

Work toward the lateral development of ISO 14001 environmental management systems.

Create environmental reports that incorporate environmental accounting, environmental protection goals, etc.

## IV Constructing an Energetic, Rapid-Response Business Climate

Work to construct an energetic, rapid-response business climate in order to promote these major projects.

### **1. Increase Decision-Making Speed**

In order to accurately respond to rapid and drastic social and economic changes, work for rapid decision making and fast policy implementation through organizational restructuring, a review of corporate rules, etc.

### **2. Construct an Energetic Business Climate**

Through the fostering of ambitious human resources with the desire to succeed, construct a lively, energetic business climate capable of working toward self-realization through business execution.

All of us at JR-West still hold fast to the spirit our corporation has embraced since its founding, putting maximum effort into the achievement of these goals so that we may continue to be worthy of the trust our customers and stockholders have placed in us.

#### Forward Looking Statement

Statements made in this Mid-term Management Targets with respect to JR West's plans, strategies, and benefits, and other statements that are not historical facts are forward-looking statements about the future performance of JR-West that are based on management assumptions and beliefs in light of information currently available to it, and thus involves risks and uncertainties. Potential risks and uncertainties include, without limitation, the general economic conditions and business environment, consumer spending trends, competitive conditions with companies other than JR-West and its affiliates, and changes to laws and regulations.