

(Translation)

CHALLENGE 2008 – TOGETHER WITH OUR CUSTOMERS –

**(JR-West Group's Medium-Term Management Targets
from FY March 2005 to FY March 2009)**

March 23, 2005

**West Japan Railway Company
(JR-West)**

Table of Contents

	Page
Review of the Current Targets and the Background for Formulating the New Targets.....	1
Business Environments Surrounding JR-West	2
Basic Directions JR-West Will Follow	3
Three Challenges to be Faced during the Period.....	3
Action Plans.....	4
Numerical Targets	9

CHALLENGE 2008 – TOGETHER WITH OUR CUSTOMERS –

JR-West group companies (the Group) has formulated new medium-term management targets entitled "CHALLENGE 2008 – TOGETHER WITH OUR CUSTOMERS –" for the fiscal year ending March 31, 2005 through the fiscal year ending March 31, 2009 (the "Period"). To achieve the targets, the Group will exert its all-out efforts.

Review of the Current Targets and the Background for Formulating the New Targets

- When JR-West achieved complete privatization from a legal and regulatory perspective in December 2001, JR-West Group formulated its five-year "Medium-Term Management Targets" (current) effective through the fiscal year ending March 31, 2006.
- While transportation revenues, comprising most of the Group's operating revenues, are below the initial projections, the Group is expected to almost attain the numerical targets during the fiscal year ending March 31, 2005 as a result of reductions in personnel expenses through improved efficiency in operations and steady decreases in long-term debt and payables, etc.
- Upon the public offering of its all remaining shares held by Japan Railway Construction, Transport and Technology Agency in March 2004, JR-West attained its initial goal of complete privatization both in name and substance.
- Since the implementation of the current Medium-Term Management Targets, certain matters have materialized which were not part of the original formulation such as the Osaka station renovation and the new North Building development project and the acquisition of Nippon Travel Agency Co., Ltd. as a consolidated subsidiary.

Business Environments Surrounding JR-West

External environment

- The economic conditions still remain unpredictable and revenues are not expected to increase through favorable economic conditions.
- We are about to enter an era of population decrease and the social structures and the customer market have been changing rapidly.
- Competition has further intensified in the market and any company that fails to gain the support of customers will not survive.
- Management in consolidated basis has taken root and it has become prevalent to evaluate a company in the capital market, based on the operating results and growth potential of its group as a whole.
- There is a growing demand for corporate social responsibility (CSR), specifically for legal compliance. As a result, the implementation of structures thereof has become a significant requisite for the existence of a company.

Internal environment

- As a result of the public offering of its shares, JR-West has significantly increased its number of shareholders (investors). We will have to meet the growing expectations of our shareholders in the future.
- While the quality standards of customers has increased with intensified competition in the market, we recognize that there is plenty of scope for improving our products and services in terms of software and hardware.
- In spite of a downward trend in transportation revenues, a certain level of profits has been recorded. Consequently, there is concern that a dilution of risk awareness and a general atmosphere to keep the status quo might prevail.

Basic Directions the JR-West Will Follow

Now that we have attained the primary goal of complete privatization, we will give shape to the "management philosophy" which will lay the path for JR-West Group to exert its collective strength as a corporate group, thereby realizing sustainable growth and prosperity and enhancing the corporate value.

- We will further secure a "sense of security and trustworthiness" in our customers, which is the foundation for our existence as a corporate group and provide them with "satisfaction" for our services as a whole by making efforts to surpass their value expectations and thereby establishing solid relationships with our customers.
- We will implement measures from customer perspectives to increase revenues and improve the shareholder value. Through these activities, we also aim to provide our employees with a sense of satisfaction and pride in their jobs.
- Our policy of social responsibility will be as a corporate group that operates in the market and also exists in the society.

Three Challenges to be Faced by JR-West During the Period

In order to achieve our aim of transforming ourselves into an enterprise that can live and win a place in the market based on the basic directions discussed above, we will place the following three "new challenges" at the center of our business operations.

1. Challenge to adhere to customer perspective

Consideration of "customer perspectives" covers the awareness and behavior of each individual employee, as well as planning and implementation measures. Through this approach we believe we will constantly improve the qualities of products and services and achieve a "sense of security and trustworthiness" and "satisfaction" in customers.

2. Challenge to expand the top line

We will grow out of the downward trend of recent years in transportation revenues,

which comprise most of our operating revenues, and secure a path to growth for the Group as a whole.

3. Challenge to reform ceaselessly

Without being satisfied with the status quo, we will continue our challenge to reform our "corporate culture" or "corporate climate".

Action Plan

Challenge to adhere to customer perspectives

- "Adherence to customer perspectives" means our efforts to consider what customers desire at all times and to constantly improve the qualities of our products and services.
- To further secure a "sense of security and trustworthiness" in customers, which is the primary motivation for the selection of JR-West Group by the customer in the first place, we will place our utmost emphasis on assuring safe and secure transportation as this forms the basis of the business. In order to achieve this purpose, we will maintain and renew our transportation facilities, implement steps against possible large-scale disasters, continue soft measures, including training of employees, and create a barrier-free environment at our stations and other facilities. Additionally, we will speed up recovery efforts in the event of any emergency, such as an accident, and maximize our efforts to provide timely and proper information to customers through the improvement of our operation control systems, in an overall effort to make safe and comfortable services available to customers. Furthermore, in the Non-railway businesses, we will concentrate our all-out efforts on taking advantage of the characteristics of each business and improving the quality of products and services.
- To afford customer satisfaction, the axis of the Group's operations as a whole shall be placed on the "improvement of customer satisfaction". In doing this we aim to further improve the quality of front-line services and pursue the planning and execution of new measures with the awareness of "customer perspectives" to make every new customer a repeat customer. Additionally, by making positive use of

information technology, we will promote fine-tuned responses to customers and customer relationship management (CRM) in an effort to realize operations focused on customer relationships.

Challenge to expand the top line

(i) Railway Business

Due to a trend of contraction in the market resulting from a population decrease and intensified competition with rival transportation companies, fundamental revenues are expected to decrease. However, by implementing the following measures, we aim to achieve sustained growth:

- Competition with airlines and other transportation is expected to further intensify, therefore we aim to improve our Sanyo Shinkansen services by increasing the frequency of "Nozomi" trains. In addition we aim to improve the quality of our products and services as a whole, including prices and sales and promotional efforts specifically in the competitive areas, so as to increase our market share and revenues in each competitive area.
- With regard to our conventional railway services, while fundamental revenues in the Urban Network (transportation services linking the entire Kyoto-Osaka-Kobe metropolitan area) are expected to decrease due to a trend of market contraction resulting from population decline, we aim to maintain the level of revenues projected for the fiscal year ending March 31, 2005 by opening new stations in areas where we compete with other private railway companies and by implementing measures that will contribute to an increase in the market share. In addition, in preparation for the opening of the Osaka Outer Loop Line, we will improve the functions of the transportation system for each service line. Furthermore, in Intercity and Regional services outside of the Urban Network, we will continue to implement necessary measures to minimize any decrease in revenues.
- We will actively practice PR activities to customers by conducting campaigns, including a "Discover West" campaign.

- We will enhance the convenience of customers by utilizing our IC card "ICOCA" and exploring its possibilities, as well as strengthening and expanding our sales channels via information technology.

(ii) Non-railway Businesses

In our Non-railway businesses, we will complete our current "NexStation Plan" which aims to create convenient and attractive stations, and devote more efforts to business development from the perspectives of customers to maximize the potential of our stations. We will also improve the competitiveness of each business and expand our business sectors and areas, and enhance their synergistic effects with our core railway business to increase revenues. The specific objectives for each business are as follows:

Sales of goods and food services strategic business unit

Shift to highly efficient business models (e.g. "Daily-in", small-seized convenience stores); accelerated increase in the number of such stores; development and promotion of "Eki-naka (or in-station)" stores; and expansion of the development of budget hotels into outside of the station area; etc.

Shopping center strategic business unit

Establishment of attractive tenant mixes and "constant refreshment" through change of business models and renewals.

Real estate strategic business unit

Development of commercial station buildings and the aggressive promotion of the development of space below elevated railway tracks and sale of real estate in lots.

Hotel strategic business unit

Strengthening of chain operations and raising the brand awareness of "Granvia".

Others

Department store business:	Timely remodeling of the JR Kyoto Isetan department store and the development of commercial zones in the station premises by taking advantage of existing business expertise.
Travel agency business:	Business reconstruction and expansion of business sectors in Nippon Travel Agency Co., Ltd. by strengthening its e-commerce sales, etc.
New businesses:	Entry into credit card business, etc. and promotion of electronic money.

Challenge to reform ceaselessly

- We will sensitively keep track of the effects of any rapid change in management environment and continue to seek ideals for the employees' consciousness as well as the operations of the Group as a whole, including organizations and businesses. In so doing, we will create a corporate climate in which we will continuously work towards growth and to overcome negative effects in the business environments.
- In the midst of the aging population resulting from the decline in the birthrate, we will renovate our operating processes, and promote mechanization and systematization through the use of advanced technologies including IT in order to establish a labor-saving efficient operating system and reduce costs.

Promotion of projects for future advancement

- In order to enable the Group to make a leap forward in the future, we will promote the Osaka station renovation and the new North Building development project based on an innovative concept, with the aim of revitalizing the Osaka station, one of the largest stations in Japan. In addition, we will steadily promote projects that may stimulate growth, including the development of the N700-series Shinkansen rolling stock in collaboration with JR-Central, and conduct a study on the establishment of a new business model that may have a synergistic effect. Furthermore, we will take appropriate measures to deal with the opening of the Hakata station of the Kyushu Shinkansen Line.

Promotion of technological development and research

- In the pursuit of "assurance of safe and secure transportation", "improvement of services", "expansion of the top line", "cost reductions" and "care for the global environment" for the future, we will promote technological developments that may yield operational improvements and the innovation of railway systems, and engage in research to assess the possibilities of their practicable uses. Specifically, we will pursue the development of safety systems, the development of next-generation trains through the use of our technological test train "U@tech", the utilization of information technology, and conduct research on higher speed transportation etc.
- To boost the results of the technological developments and research, we will further strengthen cooperation with research organizations, including the Railway Technical Research Institute and universities.

Contribution to regional economies

- As a corporate group coexisting with the regional society, we will actively conduct campaigns to create demand for tourism, including a "Discover West" campaign, to further activate tourism in the area. In addition, we will promote various measures in cooperation with local governments and contribute to the social economy through activities conducive to the development of the area.

Positive approach to global environmental problems

- To further exploit the properties of a railway that is highly energy-efficient and friendly to the global environment, we will continue our current efforts which include the introduction of energy-saving trains and recycling efforts (the trash collected in stations and trains, and waste from railway materials), and exert our efforts to develop new technologies, thereby saving energies and resources.
- To reduce the impact of our operations on the environment, we will strongly promote our group-wide efforts towards "environment management" to control the impact of our daily activities on the environment.

Performance of corporate social responsibility

- To perform our corporate social responsibility (CSR), we will not only carry out the missions of a railway as social infrastructure, but carry on sound operations in compliance with laws, so as to forge good relationships with our stakeholders, including customers, shareholders and regional societies. In particular, we will establish a CSR promotion system with our President as a head and exert our strenuous efforts towards fulfillment of this purpose.
- In preparation for a possible large-scale disaster, we will improve our risk management system.

Numerical targets

The numerical targets for the fiscal year ending March 31, 2009 are as follows:

Consolidated ROA(return on asset) (operating income basis) 6.4%

Consolidated ROE(return on equity) (net income basis) 10.0%

Consolidated operating revenues ¥1,250 billion

Transportation revenues ¥756.5 billion

By promoting our new challenges and concrete actions as discussed above, we will increase a “sense of security and trustworthiness” and “satisfaction” from customers, realize sustainable growth, and expand and enhance the corporate value. In addition, by taking into account the shareholders' equity in our capital composition and the state of long-term debt and payables, we plan to increase annual dividends by ¥1,000 per share to ¥6,000 per share during the Period, provided we can secure the sustained and constant growth of operating revenues to reach the targets.

(For reference)

Total capital expenditure on a consolidated basis for the fiscal year ending March 31, 2005 to the fiscal year ending March 31, 2009 is expected to be ¥660 billion.

<Notes on forward-looking statements>

JR-West's current plans, objectives, strategies and beliefs contained in this material are, except for historical facts, forward-looking statements of operating results in the future. These statements, which are based on the judgments and projections of JR-West's management obtained from currently available information, are subject to risks and uncertainties. Hence, these forward-looking statements of operating results in the future could differ materially from the actual results. Risks and uncertainties that could affect the actual results include, but are not limited to:

- economic downturn, deflation, population decreases and other factors that may affect JR-West's business;
- adverse changes to JR-West in laws, regulations and government policies in Japan;
- service improvements, price reductions and other strategies undertaken by competitors such as passenger railway and airline companies;
- declines in operating revenues or unexpected increases in costs;
- liability or adverse publicity associated with property or casualty losses; and
- earthquake and other natural disaster risks.

All undated information in this material is made as of the date hereof.