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**Exporting Dream Trains to the East and to the West
– How Kinki Sharyo Has Tackled Overseas Projects –**

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Since its founding in 1920, Kinki Sharyo has exported rail vehicles to more than 20 countries. As this fact suggests, our company has engaged in overseas projects actively. The corporate management has decided that the fluctuations in the number of orders cannot be evened out sufficiently with adjustments in the domestic market. In this chapter, I will introduce the major markets in which we are currently active, and discuss our future prospects and goals.

Our Activities Related to Major Overseas Projects

Near and Middle Eastern Markets

Our company is working to keep and expand our shares in the Near and Middle Eastern markets, with special emphasis on the Egyptian market to which we have exported about 1,400 vehicles; as well as a project in Dubai (in the United Arab Emirates) that is currently at the manufacturing stage.

In the Egyptian market, we have contributed to promoting the domestic production of rail vehicles through technical cooperation with SEMAF, a vehicle manufacturer in the country. We will continue our business in Egypt by maintaining our relationship with SEMAF. Regarding the subway construction in Cairo, our aim is to secure future orders for new projects, by going beyond the scope of our core business of manufacture and delivery of rail vehicles and providing maintenance and training. This means that we are actively providing so-called peripheral services based on our mainstay to secure the trust of our customers. We will keep on our effort in the region seeking new business opportunities mainly in Dubai, in terms of infrastructure development involving full turnkey projects.

North American Markets

To develop our business in the North American markets actively, we established Kinkisharyo (USA) Inc. (KUI) (our U.S. affiliate) in 1991; and Kinkisharyo International, L.L.C. (KILLC) in 1999, with KUI as its holding company. We expect that our total sales in these markets, since the establishment of KILLC, will have exceeded 1 billion dollars by the end of fiscal year 2010. In January 2006, Rail Transit Consultants, Inc. (RTC), which had cooperated with us as a technical consultant for more than 20 years, joined the Kinki Sharyo Group of companies. This move has helped establish a foundation for our engineering services not only in the North American markets, but

throughout the world.

In the North American markets, we have developed business specialized in light rail vehicles (LRVs). Our vehicles have evolved from conventional high-floor single-link LRVs to 70% low-floor LRVs we will keep on expanding our LRV share in the U.S. based on our accumulated technology and know-how, as well as our track record. We are also endeavoring to enter not only the U.S. market, but also the Canadian market. We will promote our R&D further to introduce next-generation LRVs.



We have been also entrusted with the maintenance of the vehicles we delivered to the New Jersey Transit Corporation (NJT) and the Valley Metro Rail (VMR). The NJT Hudson Bergen LRT project is of a type called DBOM, namely a contract that comprises Design, Build (i.e. civil engineering, construction and vehicle manufacture), Operation (for 20 years in this case) and Maintenance. It is an American-type PPP (Public and Private Partnership). For this project, we worked with a general contractor in the U.S. to establish a special corporation for bidding. KILLC is in charge of the manufacture and maintenance of vehicles.

The appreciation of this track record by the authorities helped us win the contract on the maintenance services for VMR-bound LRVs.

We will keep our efforts to win new DBOM contracts and orders involving the maintenance of delivered vehicles.

Southeast Asian Markets

To Kowloon-Canton Railway Corporation (KCRC), our largest customer in the Southeast Asian markets, we have delivered a total of 252 rail cars for their East Rail, West Rail and Ma On Shan Rail. Currently, we are manufacturing 34 rail cars for the Kowloon Southern Link project that will link up the East Rail and West Rail.



In March 2007, we have finished delivering 24 LRVs for the Manila 1st Line, which is now operated commercially. Given strong sales activities of Chinese and South Korean vehicle manufacturers in the Southeast Asian markets, it is certain that we will face a stiff price competition there. Therefore, our business development will involve the offering of cost-competitive vehicles, and the localization of local production in some of these markets.

Future Prospects

Kinki Sharyo has adhered to the principle of customer satisfaction. We are proud of the trust of our customers in various countries. Regarding the needs of the customers, we have made efforts to solve problems in close cooperation with railway operators and parts manufacturers. Of course, our relationship as a contractual party with owners and parts manufacturers is important. However, we think that we must also maintain our attitude as a true business partner, thinking about what we can do to promote mutual benefits; and cooperating with our partners in solving their problems.

Delivering safe products meeting quality standards, meeting the delivery schedule – this goal may sound rather commonplace. However, we believe that our commitment to achieving the goal for our customers throughout the world will secure customer satisfaction; and make them feel that we are trustworthy – which represents an even more important objective.

In the North American markets, our sales activities are specialized in LRVs. We think that we can maintain and improve our market shares by continuously evolving our business, never being complacent with our track record; and making steady R&D efforts to introduce new products designed to attain a higher customer satisfaction.