

Strategy of value creation for our vision—JR-West Group Medium-Term Management Plan 2022—

Strengthening management

We are enhancing coexistence with local communities and implementing new value creation to secure revenues, and to “strengthen management,” we are reforming our cost structure. In particular, we have designated reducing fixed costs in the

railway business as an important point to address in reviewing the medium-term management plan, and we are moving forward with three main initiatives.

	Railway Business	Non-Railway Businesses
Cost structure reform (reducing fixed costs)	<ul style="list-style-type: none"> Enhancing productivity and streamlining railway operations (Maintenance system change centered on the establishment of CBM (see page 32), revising station sales systems, etc.) Optimizing train schedules in line with usage Implementing efficient operations through organizational structure reform and work style reforms 	<ul style="list-style-type: none"> Rapidly reevaluating business portfolio (Closing, replacing, or scaling down unprofitable stores; recombining assets, etc.) Increasing efficiency by reevaluating business processes (Thoroughly reevaluating operating systems/costs, etc.)

Railway Business

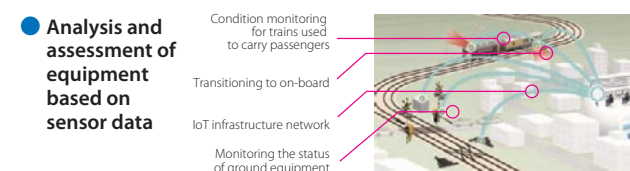
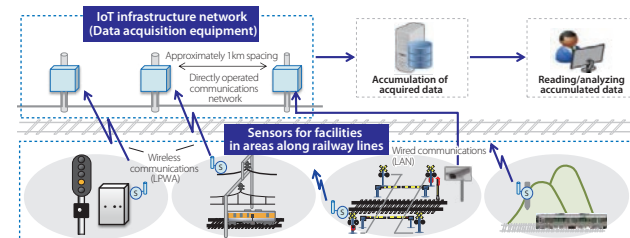
Enhancing productivity and streamlining railway operations

Advancing the use of IoT for ground equipment condition monitoring

With the deployment of CBM, the inspection and repair tasks that were previously performed manually at fixed intervals have been replaced with sensor-based monitoring, with equipment repaired as necessary depending on its condition.

In conjunction with the transition to on-board inspections, etc., we aim to reduce railway equipment inspection work approximately 10% by around 2030. (Approximately 40% reduction for Kansai Urban Area electrical-related work)

A system jointly developed with Nippon Signal Co., Ltd., for gathering, storing, and analyzing data of all kinds on facilities along railway lines (it's the first large-scale deployment of such a system in Japan).



CBM solutions for automatic ticket checking equipment

Using data and AI to develop failure prediction programs, and optimizing inspection frequency.

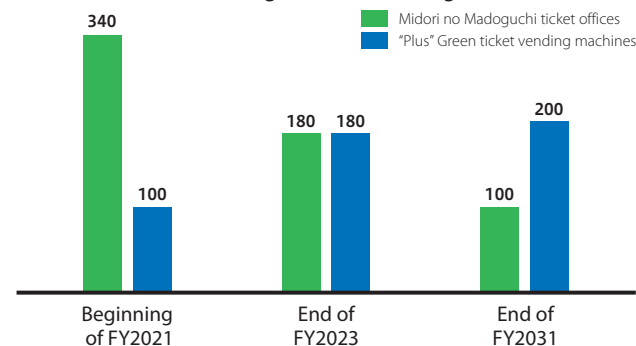
In trials, achieved reduction of approximately 30% in maintenance costs
Considering roll-out to other railway companies

Advancing self-service ticket purchases and station sales systems, with consideration for further changes in the environment (promoting the use of non-contact systems, etc.)

We will reduce the number of staffed “Midori no Madoguchi” ticket offices, replacing them with advanced, high-performance ticketing machines, and expand our web-based reservation service, constructing a system capable of providing safe, satisfying customer service with small numbers of staff.

The JR-West Group will work to reduce personnel costs by approximately 1.5 billion yen per year by the end of fiscal 2023 while maintaining the level of service we offer our customers.

Predicted number of stations with Midori no Madoguchi ticket offices and “Plus” green ticket vending machines



Closeup of the operation screen of “Plus” green ticket vending machines



Optimizing train schedules in line with usage

Implementing spring 2021 timetable revisions (March 2021)

In answer to the temporary reduction in demand brought on by the novel coronavirus pandemic, we are working to adjust timetables—especially for express trains—and supply, and to convert fixed costs into variable costs.

Additionally, the number of passengers traveling late at night has been declining since before the pandemic, and we have revised the timetable in the Kansai Urban Area by moving up the time of the last train, a change intended to improve the hours worked by maintenance personnel.

Implementing autumn 2021 timetable revisions (October 2021)

We have moved forward some of the timetable revisions planned for spring 2022 and revised the timetables for some lines, primarily for trains in daylight hours.

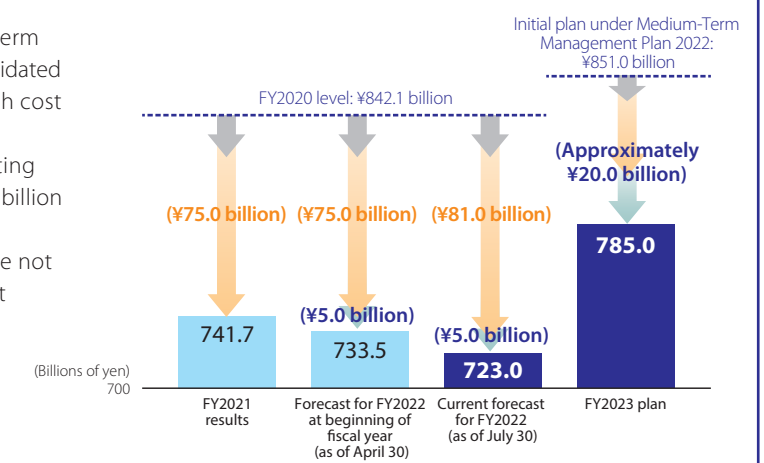
Implementing efficient operations through organizational structure reform and work style reforms

We plan to hire approximately 200 people in fiscal 2023, around 550 fewer than the previous year. While we will streamline the number of personnel employed at headquarters departments, we have established divisions such as the Regional Revitalization Division and the Business Design Division, which will shoulder the task of achieving further growth for the Group (June 2021).

In fiscal 2023, the final year of the current medium-term management plan, we will work to reduce non-consolidated operating expenses by around 20 billion yen through cost structure reforms.

We also plan to reduce non-consolidated operating expenses in fiscal 2022 by 86 billion yen, including 5 billion yen achieved through structural reform.

Although the real effects of structural reforms are not expected to be achieved until the period of the next medium-term management plan, we are making steady progress.

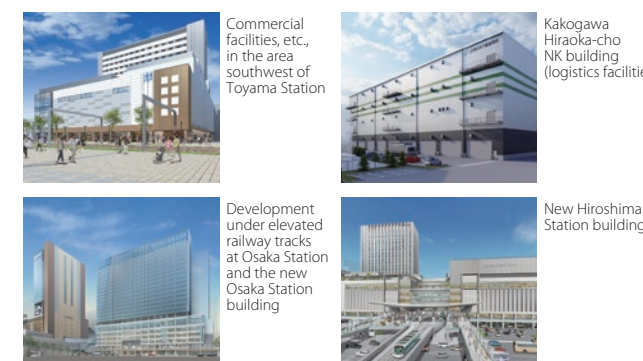


Non-Railway Businesses

Real Estate Business

Asset recombinations, asset diversification

We will engage in asset sales and establish a private real estate fund to diversify our business schemes while improving asset efficiency to obtain new opportunities for city development. Further, we will make steady progress in large-scale projects associated with city development in areas such as Osaka and Hiroshima.



Hotel Business

Advancing core projects and rebuilding brands in preparation for demand recovery

We will scale back or withdraw from some non-accommodation-related facilities to improve profitability. Additionally, we will allocate management resources to core projects to improve customer satisfaction in anticipation of a period of recovered demand.

Nippon Travel Agency

Thoroughly reevaluating business model

While reducing the number of stores we are engaged in, we will increase our ratio of web-based sales. (94 stores as at the end of June 2021, down by 100 stores from the end of December 2020)

We will expand our business domains through alliances with other industries, engage in public demand and rural revitalization, strengthen our DX business (MaaS, etc.), and transition from the Business-to-Customer model we have been engaged in to date to a Business-to-Business model.