

We will continue to pursue railway safety while embracing the challenge of creating new businesses as we look to our future.



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Reflecting on the business environment

The business environment continues to be more challenging than ever before due to the COVID-19 pandemic. Consequently, I believe it's important to look squarely towards the future.

Due to the effects of the long-running pandemic, the business environment in which the JR-West Group operates continues to be extremely challenging. Mobility has declined significantly due to a sense of societal and psychological restraint, while work styles are becoming more diverse, for example with broad adoption of telework.

Significant changes extend beyond mobility to encompass the structure of society as well as people's values. I feel these transformations are not mere changes, but indeed represent the evolution of society. Even once the pandemic is brought under control, society will not return to its previous state, but rather will continue to evolve towards the future. Of course, it's important for management to think about impacts on business operations, both good and bad, but it's similarly important to consider developments in society from a different, larger perspective. In that sense, I think we've gained a truly valuable opportunity to think about what kind of future we want for the JR-West Group.

The manner in which people move will continue to become even more diverse in the future. While there will be no change in the basic behavior of going back and forth between home and one's company or school, the amount of usage will decline due to remote arrangements, and workers may end up commuting to different locations, for example satellite offices. Alternatively, the number of people using express trains and Shinkansen trains originating in major regional cities may increase. At the same time, I think people will come to reassess the true value provided by face-to-face encounters with other people and the experience of nature.

To satisfy these diversifying customer needs, we must further refine our railways and other businesses. Fostering the development of new businesses that do not depend on mobility will also be an important management priority. To ensure we progress alongside society as it evolves, we ourselves must also evolve in a timely manner.

Progress in implementing the Medium-Term Management Plan

We're marshaling all our resources to ensure safety, our highest priority; to implement structural reforms; and to rebuild our financial foundation.

We reviewed the JR-West Group Medium-Term Management Plan 2022 in October 2020 based on the challenging business environment in which we operate.

The first priority embraced in that plan is enhancing safety, with the derailment accident on the Fukuchiyama Line as the starting point. It goes without saying that safety is our top management priority, and that it will remain unchanged going forward. We will aggressively put into practice the initiatives set forth in the JR-West Group Railway Safety Think-and-Act Plan 2022 from the dual perspectives of our organization's management structures and individual employees' implementation.

Strengthening management through structural reforms and the rebuilding of our financial foundation is also a pressing management priority. In addition to urgent cost reductions, we're pursuing a variety of reforms, including to increase productivity and optimize train schedules. In September 2021, we carried out a public stock offering in an effort to strengthen our financial foundation. As we look to develop our businesses in diverse ways following the pandemic, we will bring even more resources to bear on implementing structural reforms and rebuilding our financial foundation.

Fare and fee structures and local lines

The pandemic brought these two management issues into clear focus. To discover the best solution, we will pursue discussions in the spirit of addressing challenges head-on.

I believe fare and fee structures and the manner in which local lines will operate are management issues that need to be addressed head-on, and right now.

We have not undertaken a substantial price increase, which would require the government's approval, since our founding as a private-sector company. However, the railway business environment will continue to be challenging going forward, and it will be important to realize flexible fare structures so that we can accommodate a diversifying range of user needs. Fare and fee structures are important topics for railway operators, and we will continue to discuss these matters.

Local lines are another social issue thrown into clearer relief by the pandemic. Many local lines are failing to demonstrate railway transport's defining characteristic—the ability to transport large numbers of people—as Japan's population shrinks and its social structure changes. This is making it difficult for us to maintain these lines on our own as a private-sector company. In the future, I look forward to deepening discussions with the national and local governments as we work with residents to study how to build transportation systems that suit local communities.

Preparing for the next Medium-Term Management Plan

We're accelerating the speed of reform/reconstruction so that we can advance to the evolution/growth stage as quickly as possible.

Recently, when I consider the evolution of society after the pandemic, I feel that we need to accelerate the speed of reform/reconstruction so that we can advance to the evolution/growth stage as quickly as possible.

To that end, the next Medium-Term Management Plan, which will start in fiscal 2024, will be extremely important. In addition to undertaking bold reforms, including a restructuring of our business portfolio, we will work to actively develop businesses related to coexistence with local communities and city development, both of which

are areas where we can realize synergies with railways. In the next Medium-Term Management Plan, I plan to focus resources on creating a new pillar of business for the next generation that doesn't depend on mobility. For the Group to realize sustained growth in the society of the future, it will be important to create a new pillar of business so that we can move forward in a well-balanced manner. When I consider our vision for the Group in 10 or 20 years, I feel that now more than ever we need to embrace this new challenge.



Unique strengths of the JR-West Group

We enjoy an enormous number of customer contact points—5 million people per day—and trust built over many years.

To create new businesses in order to facilitate our further evolution and growth, it will be important to reaffirm the Group's unique strengths.

The first such strength that comes to mind is our customer contact points, specifically 5 million people per day. Few companies in Japan have such an enormous number of customer contact points. Going forward, we will foster even closer connections with each of our customers through digitalization while sharing that information throughout the Group and pursuing one-to-one marketing.

Another strength is the unique trust enjoyed by the Group. Our railway network extends throughout 18 prefectures, and we've built relationships of trust with local residents over many years by leveraging stations on that network. Even if we develop global businesses in the future, we will never move away from this local presence. Contributing to the development of local communities has been our mission since our founding. I believe the relationships of trust that are underpinned by this commitment will prove to be a major asset in future businesses.

Pursuing a digital strategy

We're pursuing initiatives that cut horizontally across the entire company, from data-driven group marketing to operational reforms.

Digital transformation (DX) will be a key strategy as we look to develop the Group's businesses in the future.

We formed the Digital Solution Headquarters as a companywide, cross-cutting organization in November 2020 to orchestrate the implementation of this digital strategy throughout the company. I served as its first senior general manager in order to lead an effort that transcends organizational boundaries. Recently, I feel that these initiatives have been steadily bearing fruit.

One aim of this digital strategy is data-driven group marketing. We already offer WESTER and "tabiwa by

WESTER" as MaaS apps, and in spring 2023 we plan to release Mobile ICOCA (tentative name), which will allow use of ICOCA functionality on smartphones.

Another important initiative will be pursuing operational reforms through a shift to digital. For example, we should be able to realize substantial streamlining by leveraging technologies like IoT and AI in areas such as inspection operations at railway sites. Going forward, we'll also focus on developing mechanisms to increase each employees' IT literacy.

Coexistence with local communities and city development

We're working to coexist with local communities while taking advantage of our unique strengths by integrating city development with our railway network.

To the extent that companywide, cross-cutting collaboration holds the key to success, our approach is the same as in developing our businesses. In June 2022, we formed the Regional Revitalization and Development Headquarters. The mission of this new organization is to fully leverage the Group's unique strengths by integrating coexistence with local communities and city development with our railway network.

With regard to city development in the future, I believe that there is an important role to be played by not only

Japan's metropolises, but also major regional cities. The people of the middle class have supported the development of the Japanese economy until now, and restoring the middle class will be essential in order to grow the economy in the future. This is also true in cities. Our goal is to work with local residents to build major regional cities and then establish partnerships with those cities so that we can embrace the challenge of city development that leverages the Group's strengths in a way that leads to use of railway services.

Real and virtual

I feel the JR-West Group's new potential in the combination of the real and the virtual.

To date, the Group's businesses have used the real world as their stage. By contrast, business has been emerging recently in virtual spaces. As part of a recent experiment, we built Virtual Osaka Station as a station in the metaverse in the summer of 2022 and took part in Virtual Market, the world's largest VR event.

We're prone to think of the real and the virtual as concepts that stand in opposition to one another, but that

is by no means the case. It would be interesting if we were to combine our strengths in the real world with the features of the virtual world to create new value as only the JR-West Group can. I believe that as the owner of Osaka Station, no entity is better positioned to embrace this challenge than us.

Addressing environmental issues

I believe addressing environmental issues like carbon neutrality poses business opportunities.

It goes without saying that addressing environmental issues like climate change is a top management priority for us. To that end, we established JR-West Group Zero Carbon 2050 as a long-term goal in April 2021. We're working aggressively to realize our goal of virtually zero CO₂ emissions by 2050 by, for example, establishing key performance indicators (KPIs).

I believe that rising interest in the SDGs and other environmental issues presents a business opportunity that will lead to increased demand for the Group. One characteristic of railway transport is that it generates

overwhelmingly less CO₂ compared to passenger cars or aircraft. In fact, the EU has adopted policies encouraging use of railways as a sustainable means of transportation.

In addition, initiatives to realize carbon neutrality by managing CO₂ emissions from not only one's own company, but also other companies involved in associated business activities, are strengthening worldwide. That includes transportation, which employees use for commuting and business travel. If such efforts spread in Japan, people's awareness of railway transport may change.



Human resource development

In order for the Group to embark on a new course of evolution, I believe free-spirited individuality and free-wheeling imagination will also be important.

Safety is our top priority, and for that reason, our human resource development programs to date have perhaps tended to give priority to the defensive areas of management and adjustment. However, going forward, an aggressive stance in the areas of imagination and planning capabilities will also be important if the Group is to create new businesses and evolve in new directions.

We'll be dedicating resources to creating organizations and programs that will allow us to make the most effective use possible of individual employees' skills and abilities in such areas. In September 2022, we introduced a sub-career program that lets employees work a second job at other companies and a career development leave program that lets employees pursue studies and earn professional qualifications. Our goal is to foster the development of individuals whose skills empower them to

prosper professionally not only at the JR-West Group, but anywhere in the world—the kind of employees that are head-hunted by other companies.

We don't want our employees to be too unconventional, but I feel that we will need free-spirited individuality and free-wheeling imagination in our employees going forward.

It will also be essential to create an environment in which each employee can make the most of their skills and abilities. We'll work to create mechanisms that allow a diverse range of people, regardless of gender, nationality, or age to practice an array of work styles. I believe that realizing an environment in which diverse human resources can make the most of their skills and abilities will be critical to the Group's future.

Message to stakeholders

My top-priority mission right now is to get back on our feet after a series of reforms and rebuilding and demonstrate that we're moving forward.

As I mentioned at the outset, the business environment in which the Group operates is presenting unprecedented challenges, and moving beyond them is requiring us to take all possible measures. It is unfortunate that a variety of stakeholders, including customers, shareholders, and employees, are currently shouldering a substantial burden.

To better accommodate dramatic changes in the business environment in a timelier manner, we implemented a transition to a company with an audit and supervisory committee in June 2022. To meet stakeholders' expectations, we will do our utmost to implement structural reforms and rebuild our financial

foundation. More than anything else, the mission with which I am currently entrusted is to complete our reforms and rebuilding as soon as possible and demonstrate to everyone how we've overcome our challenges.

Of course, it's not good enough just to overcome those challenges; we also need to move forward through sure footwork. We've also embraced the challenge of creating a new pillar of business looking ahead 10 or 20 years in the future. By pooling the abilities of all JR-West Group employees, we aim to be a corporate group that evolves together with society.