

# Preparing for the next Medium-Term Management Plan

The Medium-Term Management Plan was revised in October 2020 to reflect the onset of the COVID-19 pandemic. We have been making steady progress along four strategic axes, including enhancing safety and strengthening management. However, due to the prolonged pandemic, we expect that in fiscal 2023, the final year of the plan, we will miss the targets for various management indices that we created when we revised our medium-term management plan in October 2022. Having gained the strength to grow through a public stock offering, our goal is to ensure the next Medium-Term Management Plan will place us on a footing to advance to the evolution/growth stage as quickly as possible by realizing a recovery in demand and creating new demand in the future.

## Background to the revision of the Medium-Term Management Plan

### Changes in the business environment and revision of the Medium-Term Management Plan

The JR-West Group has been significantly affected by the pandemic, in the railway and various other businesses. In the midst of a rapidly changing external environment, we revised the JR-West Group Medium-Term Management Plan 2022 in

October 2020, as we seek to realize our vision and ideals, restore our financial foundation over the medium to long term, make reforms in line with changes in society, and set a course for safety and growth.

#### Operating environment changes and assumptions

- Dramatic changes in the external environment due to the pandemic (changes in behavior, such as telework and online meetings; diversification of values)
- A future that came earlier than anticipated, an unpredictable future
- We assume that transportation revenues, our mainstay, will return only to approximately **90% of pre-pandemic levels**
- Focusing on the circumstances regarding the resolution of the pandemic. **Flexibly adding revisions** to the Medium-Term Management Plan

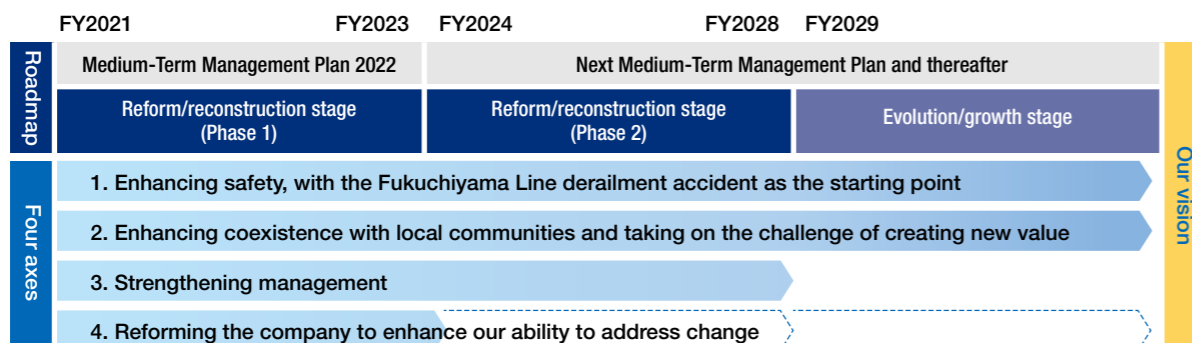
#### Direction of revisions

- **Indication of our future direction**, based on our understanding of current circumstances, in which we cannot predict the details of the changes in a post-pandemic society (The period until March 2028 [FY2028] has been positioned as a time for reform and reconstruction.)
- Reconfirmation of **our unchanging values** and **the significance of the JR-West Group's existence**, even in the midst of change
- On that basis, our understanding of **things that we will change**, with the assumptions that the financial position will worsen and that usage will not return to the previous status

### Four strategic axes, and roadmap for management reconstruction and business structural reforms

The roadmap for reconstructing our management following the pandemic and realizing business structural reforms consists of three stages. We're rebuilding our medium- and long-term strategies along the four axes described below as we focus on the reform/reconstruction stage in strengthening management and

enhancing our ability to address change while simultaneously taking on the challenge of increasing safety, enhancing coexistence with local communities, and creating new value throughout the plan's period. During the subsequent evolution/growth stage, we'll work to facilitate additional development.

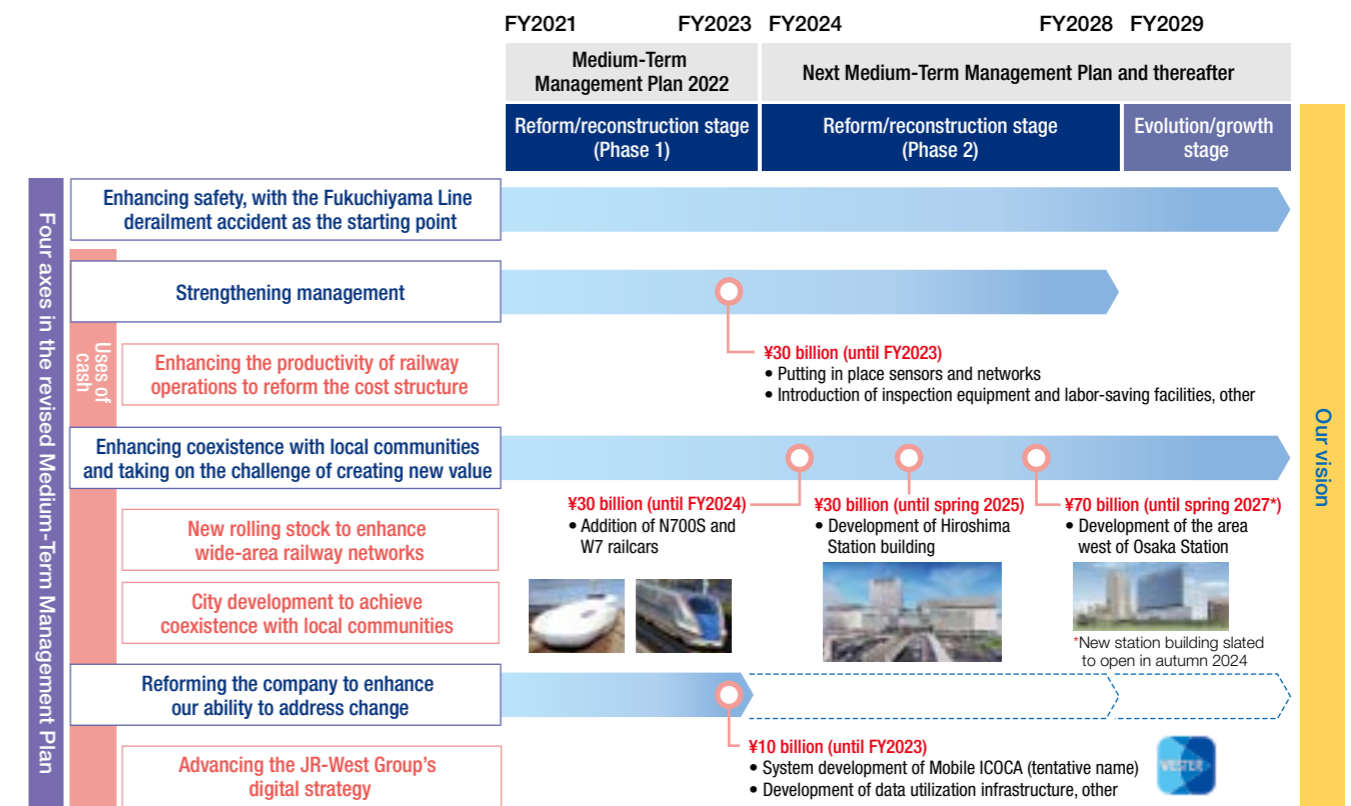


### Public stock offering

Although we have still not yet fully recovered from the drop in railway demand caused by the pandemic, we raised funds through a public stock offering in September 2021 in order to realize growth through tourism and city development in the post-pandemic "new normal" era. This approach has made our balance sheet more robust, and it helped us gain strength to grow. We will deal with the future recovery in demand and new demand creation events from a funding standpoint as we strive

to increase shareholder value through growth once the pandemic has come to an end.

The use of funds is outlined below. We will work to realize pre-pandemic profit levels as quickly as possible by adopting an approach that's informed by both profit and cost considerations and that aligns with the four axes described in the revised Medium-Term Management Plan.



### Management indices

The management objectives for fiscal 2023, the final year of the Medium-Term Management Plan, were revised downward from the initial values (announced in April 2018) due to the pandemic. In addition, we've revised the objectives based on the assumptions that the pandemic will continue and that the

prolonged pandemic will push back a recovery in usage beyond what was envisioned when the Medium-Term Management Plan was revised. As a result, we expect that performance will fall short of the objectives that were established when the Medium-Term Management Plan was revised.

Management indices	Results for FY2018	FY2023 objectives (As of April 2018)	FY2023 objectives (October 2020 revision)	FY2023 forecast
Consolidated operating revenue*	¥1,500.4 billion	¥1,630.0 billion	¥1,450.0 billion	¥1,309.0 billion
Consolidated EBITDA	¥356.1 billion	¥400.0 billion	¥330.0 billion	¥193.0 billion
Consolidated ROA	6.3%	Mid-6% range	Approx. 4%	0.8%
(Reference) Consolidated ROE	11.3%	Approx. 10%	Approx. 9%	5.9%
Transportation revenue*	¥867.8 billion	¥890.0 billion	¥775.0 billion	¥673.0 billion

\*The impact of applying the Accounting Standard for Revenue Recognition has not been taken into account (except for FY2023 forecast).

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## Progress in implementing the Medium-Term Management Plan

### Enhancing safety, with the Fukuchiyama Line derailment accident as the starting point

With regard to safety, which is a top-priority strategy that embodies the very basis of management, we're making steady progress in implementing additional safety improvements and railway labor accident countermeasures in line with the JR-West Group Railway Safety Think-and-Act Plan 2022.

### Enhancing coexistence with local communities and taking on the challenge of creating new value

With regard to enhancing coexistence with local communities, we're creating new demand from two approaches: improving railway networks and city development. Efforts include increasing the number of N700S cars on the Sanyo Shinkansen, enhancing EX service functions, and developing the area around Toyama Station to attract more visitors with the opening of the Hokuriku Shinkansen (MAROOT and Hotel Vischio Toyama).

With regard to new value creation, we're working together with various external partners while utilizing existing assets as a strength. As part of that effort, we're searching for opportunities to provide solutions that we've developed in our problem resolution activities and our businesses to other companies in our industry as well as to companies in other industries.

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#### Railway networks

##### Shinkansen

- Add N700S cars on Sanyo Shinkansen
  - ☑ Two trains each in FY2021 and FY2023
- Expand functionality of EX service
  - ☑ Start of service on Kyushu Shinkansen (June 2022)
  - ☑ EX-MaaS and EX Dynamic Package (tentative names), other
- Add W7 series cars on Hokuriku Shinkansen (from FY2022)



##### Kansai urban area

- Umekita (Osaka) underground station (spring 2023)
- Make Nara Line into double-track railway (spring 2023)
- Naniwasuji Line (spring 2031)



##### Strengthen marketing, other

- Rebuild inbound tourism strategy
- Study yield management and fare system
- Identify and implement optimal transportation system

#### City development around JR sites and along railways

##### Large-scale city development projects

- Osaka
    - ☑ Development of area west of Osaka Station (from spring 2024)
    - ☑ New station building (autumn 2024)
    - ☑ Development under elevated tracks (from autumn 2024)
    - ☑ Above-ground station building of Umekita (Osaka) underground station (spring 2025)
  - Hiroshima: New station building (spring 2025)
  - Sannomiya: New station building (FY2030)
  - Kyoto: Development of area northwest of Kyoto Station (FY2030)
  - Toyama: MAROOT, Hotel Vischio Toyama (March 2022)
  - Okayama: Redevelopment of area in front of Okayama Station (from FY2027)
- ##### Other projects
- Suita SST (April 2022)
  - Suma Aqualife Park and Suma Seaside Park redevelopment project (from FY2024)

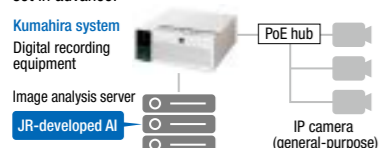


#### Telecommunications business utilizing the railway business optical-fiber network

- Opening up the railway business optical-fiber network, which offers high quality, high stability, and high reliability
- Taking on the challenge of business development initiatives that find new uses for existing business assets
- Started optical fiber core wire rental service in October 2021

#### Contributing to the creation of a safe, secure society through AI technology

- Image analysis technology developed by JR-West incorporated in surveillance camera system from Kumahira Co., Ltd.
- AI analyzes people\* and objects recorded by the camera and detects people's movements and objects that it has previously learned. It can also detect the entry of people into designated areas that have been set in advance.



\*The AI human detection technology using in this project estimates and detects the movement of the human physique. It does not identify individuals through things like facial recognition and movement tracking. (Developed in accordance with the *Guidebook for Utilization of Camera Images* from Japan's Ministry of Internal Affairs and Communications)

#### Open innovation initiatives among railway operators

- Co-creation activities, such as the sharing of technologies and know-how and the resolution of issues, are being implemented among railway operators throughout Japan. These operators are identifying common issues in operations and maintenance and searching for methods of resolving social issues in local communities.
- As a solution facilitating the easy provision of guidance to customers at unstaffed stations, Choshi Electric Railway Co., Ltd. started operation of Scomm., an information terminal developed by the JR-West Group. (February 2022)

#### Services centering on new lifestyles

- Opening Work PLACE COCOLO and providing workplaces on Shinkansen trains as a way to build a network of workplaces
- Proposing a "second hometown" to Suita SST residents as part of a "metropolitan area residence + regional community" initiative

### Strengthening management

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We're moving forward with reforms in cost structures on both a non-consolidated basis and for group companies in order to strengthen management. With regard to reductions in fixed costs for railways, an area of particular focus, we realized structural cost savings of 12 billion yen during fiscal 2022 by optimizing train schedules, increasing the productivity of railway operations, and realizing efficient management through organizational

reforms and work style reforms. Group companies realized structural cost savings of 13 billion yen by improving the profitability and asset efficiency of existing outlets through the optimization of operating structures and through transitions in business structures. During fiscal 2023, we're aiming to increase those savings to 20 billion yen on a non-consolidated basis and to 14 billion yen for group companies.

### Reforming the company to enhance our ability to address change

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With regard to our ability to address change, we're working to build a foundation that will empower both our organization and human resources to accommodate change and grow. As part of that effort, we are pursuing the JR-West Group Digital Strategy and have been working swiftly across the entire Group in three forms of rebuilding: (1) rebuilding the customer experience, (2) rebuilding railway systems, and (3) rebuilding the employee experience.

We have strengthened customer contacts, including through the WESTER MaaS app and introduced WESTER points as a group-wide point service. We're also preparing to release Mobile ICOCA (tentative name) in spring 2023. The next step in our digital strategy will be an important part of our value creation.

## Approach to the next Medium-Term Management Plan

### Fostering the development of businesses that are not linked to mobility while refining existing businesses

#### Positioning of the next Medium-Term Management Plan

As a result of changes in the structure of society and people's values following the pandemic, we believe that it's no longer possible to return to the way things were before the pandemic. Even as macro-level social issues like climate change and Japan's shrinking population manifest themselves, we see new needs and opportunities. In this sort of business environment, the next Medium-Term Business Plan covers an important

period during which we will embark on a new chapter that will test every aspect of the JR-West Group's existence. Reflecting our strong sense of crisis that we cannot continue to build on our past successes, we will reexamine the significance of the Group's existence and the value we provide to society and implement our strategy boldly and quickly, including by rebuilding our business portfolio.

#### Strategic direction

We will work relentlessly to enhance safety under the new plan that starts in fiscal 2024 as part of a continued approach that treats safety as a top-priority strategy. In addition, we will work to lower the break-even point by revitalizing the railway business and pursuing structural reforms in existing businesses. Moreover, we will expand synergies through community/city development. Furthermore, we will pursue a digital strategy that maximizes those synergies by implementing data-driven group marketing that more closely aligns with individual needs. Through these efforts, we are bringing to bear

our innovations and the assets we've accumulated in order to take on the challenge of building future business pillars that are not linked with mobility.

We'll also work to supply new social value and to boost sustainability through these businesses. In addition to taking advantage of environmentally friendly rail transport in our business activities while working to reduce greenhouse gas emissions to combat climate change, we will work to invest in the human capital that supports our businesses and to enhance governance.