

# Accelerating the drive to realize Our Purpose and the Long-Term Vision 2032 as we stir the hearts, and drive the future, of stakeholders

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## Realizing the Long-Term Vision

### I'm asking partners and myself, "What stirs our hearts—in other words, what's Our Purpose?"

In April 2023, the JR-West Group adopted Our Purpose as a statement of its existence in the society of the future and announced the Long-Term Vision 2032.

Formulating these involved a series of freewheeling discussions led by young employees who will shape the Group's future. The expression "Our Purpose" itself emerged from these discussions. Our goal was to help everyone who works for the Group take personal ownership in, and responsibility for, that future.

Our Purpose is as follows: "Evolve connections among people, communities, and societies. Stir the heart, drive

the future." We believe that the phrase "stir the heart" includes the meaning of experiencing excitement ourselves. We want every employee of the JR-West Group to feel engaged and motivated, so that they can stir people's hearts and drive the future while feeling enthusiastic enough that their own hearts are stirred, too.

I direct those same words at myself, and I use these words to guide my approach to management whenever possible. The past year has been a time of reflection for both employees and executives as they ask themselves, "What stirs our hearts?"

## Review of fiscal 2024 and updated Medium-Term Management Plan

### Our businesses outperformed expectations thanks to structural reforms and actions to capture demand in the wake of the pandemic. We updated our Medium-Term Management Plan so that we can realize the Long-Term Vision more quickly.

In fiscal 2024, we launched the Medium-Term Management Plan 2025 ("the Medium-term Management Plan") and the JR-West Group Railway Safety Think-and-Act Plan 2027 ("the Railway Safety Think-and-Act Plan"), geared to realizing Our Purpose and the Long-Term Vision. The Medium-Term Management Plan regroups our businesses into two domains: mobility services, which includes our railway and stores inside stations, and life design, which includes businesses that integrate closely into individual consumers' lifestyles, independent of mobility. Society has been undergoing major change in lifestyles and workstyles as a result of the pandemic. We realized that there's a need for a new perspective when thinking about the post-pandemic business environment in order to make the most of the Group's strengths and provide even greater value to society across a broad range of domains.

Reviewing last year, which was the first year of the Railway Safety Think-and-Act Plan, we pursued actions in the area of railway safety, our top priority, informed by a strong awareness of putting customers first and meeting their expectations. We also made improvements to problems that were found during incidents such as major transportation disruptions and workplace accidents.

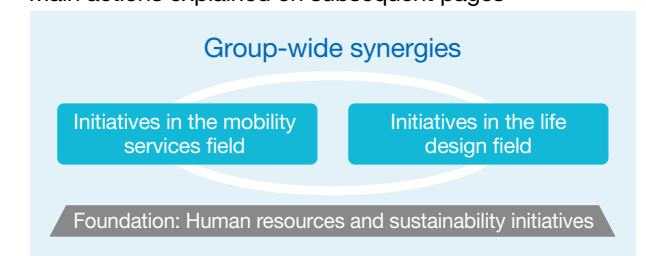
The year also let us once again feel our connections to local communities and society as we worked with various local partners and groups to restore rail service following the Noto Peninsula Earthquake of January 2024 and to start the Hokuriku Shinkansen service between Kanazawa and

Tsuruga in March. Furthermore, the year saw progress across an array of projects, which will lay the foundations for future growth, including the opening of the Umekita area at Osaka Station, the start of double-track service on the Nara Line, and the rollout of new WESTER points and Mobile ICOCA services.

Building on these, the entire JR-West Group worked to create demand in response to opportunities presented by the recovery in demand, including from inbound tourism. Thanks to these efforts and to the structural reforms undertaken during the pandemic, we saw a recovery in performance that has put us on pace to exceed the plan's targets.

Taking into account this progress, the future outlook for the business environment, and other information, we updated the Medium-Term Management Plan in April 2024 in order to realize the Long-Term Vision more quickly by adding about 210 billion yen in capital investment by fiscal 2028 and allocating additional resources to priority measures.

### Main actions explained on subsequent pages







Mobility services field: Safety improvements and ongoing evolution in the railway business

Improving railway safety is our top priority, and that will remain unchanged going forward.

The updated Medium-Term Management Plan also makes improving railway safety in response to the derailment accident on the Fukuchiyama Line our top priority, and that will remain unchanged in the future. We will continue to work to improve safety under the Railway Safety Think-and-Act Plan, through both infrastructure-oriented measures, for example improving safety on station platforms and at rail crossings and ensuring resilience with regard to earthquakes and other contingencies, and human-oriented measures, for example by means of mechanisms to ensure optimal safety for frontline employees and improvements to rules.

We will also use additional investments to move up replacement of aging railcars. In addition to safety and comfort benefits, this is effective in reducing maintenance costs.

At the time we formulated the Medium-Term Management Plan we expected usage of railways, our flagship business in mobility services, to recover to 90% of pre-pandemic levels, but performance had already exceeded that level during fiscal 2024. To ensure we can tap tourism and travel demand, including from inbound tourism, we will work to enhance our railway service from both infrastructure- and people-oriented perspectives.

Questions concerning the future of local rail lines and

rising costs affect railway sustainability. As a result of environmental changes including the shrinking and aging of Japan's population and a shift to road-centric city planning, usage is declining significantly as we fail to meet local needs. As discussions about rebuilding the business progress, we're committed to working together to explore and realize an optimal transit system that's sustainable and easy to use while sharing our take on related issues with local stakeholders.

In addition, inflation is exerting a remarkable level of upward pressure on costs. First, we will continue to use technology to boost productivity while pursuing structural cost savings. We haven't sought a substantial fare revision (hike) of the kind that would require authorization by the national government since the company's founding, with the exception of increases accompanying changes in the consumption tax rate. Against this backdrop, it's necessary to look at how prices can better take into account underlying costs so that we can continuously fulfill our mission as a public transportation provider while accommodating diversifying needs. We also see a need to ease regulations, for example to create a simpler, more flexible transportation fare structure. We will continue to lobby the government to make such changes.

Life design field: Real estate and city development

Inogate Osaka and The Osaka Station Hotel have opened. In addition to our wide network of facilities in Osaka, Sannomiya, and Hiroshima, we will continue to pursue locally rooted city development across each region.

Inogate Osaka and The Osaka Station Hotel finally opened in July 2024. Along with the Umekita area, these projects symbolize the Osaka Station area and its ongoing transition. Reflecting our pursuit of multiple large-scale projects in connection with local city planning for areas around stations as one way to help improve regional value, we plan to open the new Hiroshima Station Building in 2025 and the new Sannomiya Station Building in fiscal 2030.

As for the allocation of additional investments under the updated Medium-Term Management Plan, we will

invest about 110 billion yen in the life design field, of which about 97 billion yen will be directed to real estate and city development. We're also diversifying the projects we undertake by, for example, working with the city of Akashi in Hyogo Prefecture, a core city, to redevelop the area around Nishi-Akashi Station, including housing. Going forward, we will develop large-scale facilities as well as city planning rooted in local communities across the regions we serve. The life design field currently accounts for about 25% of our operating income, but we plan to boost that to 40% by fiscal 2033.

Creating synergies across group businesses

Digital services will serve as a shared platform as we look to create Group-wide synergies. We're also getting more ideas from young employees and worksites.

Creating synergies between business fields will be essential to the management of the JR-West Group going forward. It will be important to build on the capabilities of our railway, retail and dining, hotel, shopping center, and real estate businesses, but taking into account what kinds of valuable experiences the entire Group can provide to customers will also be essential.

Providing a shared platform in that regard are our WESTER app and Mobile ICOCA digital services. In addition to contacts with about 5 million customers every day, centered on the railway business, we own a diverse array of real-world service vehicles, including hotels and shopping centers. This capability is a key strength of the Group, one impossible to build overnight. We believe we can go beyond synergistic effects involving group businesses, for example running campaigns that offer customers traveling by Shinkansen information about hotels at their destination or allow customers to use points earned by using rail services at shopping centers, by pursuing data-driven marketing based on the big data accumulated through such campaigns to create demand and birth new businesses in the life design field.

We're also preparing to launch Wesmo!, a new smartphone-based payment and wallet service. There are already a number of competing services, but we believe we can leverage the Group's unique strengths to establish a competitive advantage. Above all, this approach will serve as a key strategy in continuously increasing the

Group's value from the standpoint of creating synergies across the Group.

I feel that the ambience within the Group has been changing recently as we make progress building platforms that cut across the organization. Shared platforms like WESTER points have created new venues for departments in the mobility services and life design fields to engage in discussions. Those venues in turn are providing opportunities for young employees and worksites in each business to voice new ideas, for example in planning new services that cut across departmental boundaries.

In the past, there were limited opportunities for collaboration across different businesses, and there was a sort of wall between divisions. One aim in revamping our business portfolio was to create relationships that would enable us to complement one another while creating synergies that would in turn generate additional value. I figured that it would be up to me to lead these reforms, but it's been inspiring to see young employees across the Group quickly seize the initiative by coming up with their own ideas and taking the first steps to bring them to fruition.

In January 2024, we established the Marketing Headquarters at the Head Office to create synergies between the mobility services and life design fields and carry out marketing initiatives that cut across the Group.

JCLaaS, a new business in the life design field

We're tapping the Group's unique experience and expertise to roll out a new business that will help solve societal issues.

In February 2024, we launched JCLaaS, a new business in the life design field. We're playing the lead role and working with NTT Communications Corporation and four financial institutions—Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd., and the Development Bank of Japan Inc.—to run a comprehensive infrastructure management business.

In recent years, the aging of road and water supply infrastructure has been a major issue in Japan. Taking advantage of the Group's diverse set of skills and expertise related to the construction and maintenance of infrastructure, including not only railways but also roads and bridges, and working with a diverse range of partners, we've launched a new business that will help resolve this problem.

Many local governments, particularly in rural areas, recognize this problem as a major challenge but have concerns about their ability to resolve it in the face of labor shortages and financial difficulties. JCLaaS will support municipal functions through a comprehensive set of

operations that goes beyond construction contracting to include planning, ordering, and other tasks traditionally overseen by governments to help maintain, manage, and update infrastructure. The trust accumulated by the Group in the communities it serves will be a major driving force in actions that leverage partnerships between government and the private sector.

Operations have already begun, and after gaining trust from the local government and partners, we're participating in sewerage and water supply operations in the city of Fukuchiyama in Kyoto Prefecture. We're seeing interest from other local governments as well, and we've set the goal of rolling out projects in more than 100 localities by 2030.

The market for infrastructure updates and maintenance has been estimated at about 10 trillion yen per year. There's major potential for both resolving societal issues and realizing a successful business, and we expect JCLaaS to become a new pillar of business for the Group in terms of both social and economic value.

On human resources

We're putting in place an environment that will empower every employee to do their job in a creative and forward-looking manner.

It goes without saying that human resources are the driving force to improve our ability to adapt to and create change—a major management theme. Putting in place an environment that lets each Group employee do their job with passion and enthusiasm is the single most important role for the Group's executive management.

To that end, it will be important to create mechanisms that empower employees to be creative in their everyday work. We will cultivate a mindset that lets employees go about their jobs with a forward-looking, reform-driven mindset as they shift focus from yesterday to today, and from today to tomorrow by, for example, using new digital tools to streamline railway maintenance work.

Digital transformation will play a critical role. To date, we've worked to deploy hardware, including in the field, and to enhance the software side of our operations as well by, for example, rolling out tools that let employees create their own apps or to automate work tasks. Employees are sharing the apps they've developed on our intranet, and we're working to expand use across the organization.

With regard to securing human resources, hiring and

development also pose key challenges. Addressing these issues will only become more important as labor shortages caused by Japan's shrinking, aging population manifest themselves. Rather than sticking to hiring new graduates, we will take a flexible approach that includes mid-career hiring and hiring of foreign nationals.

Moving forward with diversity, equity, and inclusion will also be important in ensuring every employee enjoys a rewarding work environment. As the life design field expands, the Group's businesses are becoming even more diverse. Human resources with diverse values will play an essential role in underpinning that growth. It will be critical for us to create an environment in which individuals with diverse lifestyles and backgrounds, not only in terms of nationality and gender, but also parenting and nursing care responsibilities, illness, disability, and LGBTQ+ identity, respect one another and make the most of their skills and abilities. I believe that an organization based on mutual understanding, respect, and empathy is best positioned to exhibit strength along with exceptional creativity and flexibility.

Sustainability initiatives

Sustainability initiatives will help increase future corporate value and potential.

When striving to realize sustained value creation over the long term, sustainability initiatives focused on human capital, human rights, and the environment will help boost the potential of our future corporate value.

We've declared our commitment to pursuing diversity, equity, and inclusion, as I've discussed with regard to human resources, and to eliminating all forms of harassment of Group employees and in the supply chain.

In terms of the environment, we're working to lower CO<sub>2</sub> emissions by harnessing renewable energy to power

service on major rail routes, including Shinkansen lines, the Osaka Loop Line, and the JR Kyoto and Kobe Lines, as well as major facilities in the Osaka Station area and elsewhere so that customers will continue to choose the JR-West Group in the future. As society's awareness of environmental issues continues to grow, customer demand for eco-friendly mobility services with lower CO<sub>2</sub> emissions is rising, and we've already started to provide CO<sub>2</sub>-free business travel services that use renewable energy.

Message to stakeholders

The JR-West Group will come together to further accelerate its efforts to realize the Long-Term Vision.

The curtain will finally rise on Expo 2025 in fiscal 2026. In addition to helping visitors get to the venue, we will contribute to the event's success in a range of other ways, including by hosting related events at the JR West Labo in the Umekita area. The Expo will offer an excellent opportunity to communicate the appeal of western Japan to foreign and domestic audiences alike, driven by the growth in inbound tourism. We'll work with local communities to encourage visitors to add a leg to their trip by visiting other areas in western Japan.

Looking back over the last year, the recovery in our fiscal 2024 performance has exceeded my own expectations. Despite the challenging pandemic environment, the Group's concerted efforts in structural

reforms and to lay the foundation for new businesses have paid off. Recognizing that this achievement was made possible by the trust of shareholders and other stakeholders, we plan to lower cost of capital and make a recovery in earnings per share by rolling out a 100 billion yen share buyback program while carefully monitoring progress in the updated Medium-Term Management Plan.

In this way, we've started to accelerate our efforts to realize the Long-Term Vision. The JR-West Group will continue to marshal all its resources and capabilities to embrace the challenges of connecting people to people, people to communities, and people to society, and of stirring the heart and driving the future.

