(Translation)

March 17, 2023
West Japan Railway Company

March 2023 Small Meeting, Summary of Questions and Answers

1. Overview

(1) Date	March 17, 2023 (Friday)
(2) Participants	Director and Executive Officer, Senior General Manager, Digital Solutions Headquarters Hideo Okuda General Manager, Corporate Strategy Division, Corporate Strategy Headquarters Takeshi Fukano
(3) Content	(1) Overview of the JR-West Group's digital strategy and (2) questions and answers

2. Principal Questions and Answers (Summary)

Rebuilding the Customer Experience — JR-West's Approach and Differences from the Previous Initiatives of Other Companies

Q1

It seems that the Group's main approach will be based on the cumulative effects of existing initiatives. Should the plan include more initiatives from the perspective of customers? There have been long lines at food service facilities in station buildings. However, despite the widespread adoption of apps and smartphones, reservation services have not made significant progress. What is the reason for these circumstances? What are the challenges that the Group faces in regard to improving waiting times and eliminating lost opportunities?

A1

Currently, there are differences between the services wanted by individual customers and the services provided by the Company. The JR-West Group's digital strategy includes the phrase "rebuilding the customer experience," and the word "customer" in this phrase refers to "individual customers." We are striving to transform into a group that can provide services aligned with the needs of each individual customer. Up to this point, we have followed a

segment-based approach. For example, we have had shopping center members, hotel members, and railway members. In fact, the Group was not able to accurately grasp the circumstances across segments, even for the same customer. Going forward, in addition to integrating the Group's point programs, we will also utilize a common membership system. In this way, we will be able to grasp ongoing sequences of customer activities on an individual basis, such as what they purchased, where they purchased it, and what railway services they used. Based on that understanding, the Group will be able to work together to offer more-precise recommendations and to link those recommendations to future usage. In regard to the comment about the necessity of a focus on the customer perspective, we agree completely, and going forward the Group will focus its comprehensive strengths on the provision of services focused on individual customers. We expect to be able to report further progress in the future.

Our Approach to Circumstances within the Group

Q2

It seems that Group already includes companies that have long track records, such as Asia Air Survey Co., Ltd. What are the policies for making further use of the digital technologies that exist within the Group? Also, will the Group be able to scale up these initiatives in terms of going outside the Group for collaboration with external partners?

A2

Asia Air Survey Co., Ltd., has an extremely high level of technical skills, and due to their results up to this point, they have strong connections with municipal governments. We believe that this company will be an important partner in the area of "building new business pillars that are not linked to mobility," which the Group will be addressing as we move forward. Looking at another example, Group member West Japan Railway Techsia Co., Ltd., currently has initiatives underway. These include the development and sale of a simple IC processing terminal for bus operators. From the perspective of collaboration within the Group, Nippon Travel Agency will also play an indispensable role. As mentioned, Nippon Travel Agency is aiming to convert to a solutions business and is proposing solutions to issues faced by municipal governments. Those proposals include both solutions originating in-house and those from partners.

Going forward, the JR-West Group will make full use of its internal capabilities and will strive to deepen the potential of alliances with external organizations, etc.

A Human Resources Strategy that Supports our Digital Strategy

Q3

The Group has strengthened its data analytics team. Has it established a unit to create businesses based on the data that is now available? Furthermore, will it also be necessary to

build a framework for finding employees with exceptional skills?

A3

One example is an AI model that we developed internally. By selling this model to other companies in the same industry, we accomplish two objectives at the same time. However, there are a limited number of potential customers, and the growth potential of this business model is limited. In the Digital Solutions Headquarters, we have established the Business Design Division. The employees in the division include people who have gained experience by being seconded to trading companies and people with extensive experience in overseas business. The Business Design Division is guiding our initiatives to build business pillars that are not linked to mobility. From the perspective of employee utilization, in the previous year we established a side job system, and in addition we have taken steps to enhance the job recruitment system, which is now active throughout the year. From April, we will introduce an innovation program. In these ways, we are establishing a framework for the acquisition of new viewpoints and skills.

Quantitative Effects of the DX Strategy

Q4

Please discuss the forecasts for digital strategy investment and expenditures, and the Group's thinking about the timing of the achievement of monetization. Is the Group considering alliances with other companies in order to achieve monetization at an early stage?

A4

Over the period of the current medium-term management plan, we are implementing capital expenditures of ¥20.0 billion. We have already achieved certain results, such as cost reductions stemming from the analysis of big data, etc., and the creation of mobility demand from 500,000 people resulting from approximately 80 digital stamp rallies. Under the next medium-term management plan, we will continue to recognize the importance of DX in the creation of synergies. A single initiative could potentially produce multiple results. As we refine the methods of measuring this progress, we will strive to demonstrate the extent to which these initiatives can contribute to results. It is often said that businesses do not start off small and then grow big. In line with that thinking, we are considering businesses with revenues on a scale of ¥10.0 billion or ¥100.0 billion. Up to this point, we have worked to create a variety of businesses. However, we would like to make clear that these new initiatives are different from previous business creation efforts. For example, if we can increase the monthly unit price by ¥300, then the increase will be approximately ¥4,000 on an annual basis. We are aiming for about 10 million WESTER members in FY2028.3, and if we can achieve a unit price increase of ¥300 per month for even half of those, then that will be an increase in revenues of approximately ¥20.0 billion per year.

In addition, from the perspective of collaboration with other companies, it is difficult to build

shared memberships and external point sales from the ground up. Fortunately, the Group has an existing membership system, and we also have useful assets that are not possessed by other organizations. Accordingly, we are ready to take on this challenge going forward.

End