

Value Creation by the JR East Group		Business Strategies		Strategies That Support Growth		Sustainability	Data	
Message from the President	Our Value Creation: History and Future	Strengths We Have Built Up	Capital That Supports Value Creation	Value Creation Model	JR East Group Management Vision "Move Up" 2027	Financial and Investment Strategies	Foundations for Value Creation (Corporate Governance)	Outside Directors' Roundtable Talks

Message from the President

We will promote new initiatives by making fundamental changes and transform our business model by expanding our networks to connect even more cities, regions, and people.

With safety remaining the top priority of its business management, the JR East Group will spare no effort in addressing social issues through environmental, social, and governance (ESG) management.



Yuji Fukasawa  
President and CEO



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Message from the President

Purpose and Target Profile

By fulfilling our responsibilities and benefiting society, we will become a sustainable entity. Fiscal 2023, ended March 31, 2023, marked the 150th anniversary of the opening of Japan’s first railway. Looking back over one and a half centuries of history, I am once again struck by the pivotal role that the railway business has played in supporting Japan’s economic development and social transformation since the Meiji era. In connection with this role, we have received words of appreciation from the Emperor and a host of others—that is a great honor for us. I am thankful not only to JR East but to our predecessors and everyone else who has contributed to the development of railways.

At a juncture 150 years on, we have a mission to act with our sights set on the coming 100 years and even as far ahead as the next 150 years. Mindful of our weighty responsibility with respect to the future, we are more focused than ever on finding the best ways of coexisting with and benefiting society. To these ends, the JR East Group will clarify its target profile and transform its business model accordingly. In creating value sustainably, the stabilization of our management foundations is paramount. Until now, we have developed businesses centered on railways and railway stations and focused on improving their service levels. However, population decline is presenting Japan with a major challenge. For us, this decline means fewer customers and fewer workers. Another significant challenge is how to revitalize regions. Regional economic zones, which account for approximately 70% of Japan’s GDP, are facing severe depopulation. Therefore, depopulation and regional revitalization are social issues that cannot be avoided by the JR East Group.

With many issues currently emerging in the wake of the COVID-19 pandemic, we will not be able to stabilize our management foundations unless we advance forward-looking business portfolio reform that is based on shifting from railway-focused to people-focused approaches. People-focused development of an array of businesses will further integration and collaboration, demonstrate the Group’s combined strengths, and fulfill a commitment to helping customers and people in communities realize enriched lives. For this reason, we will change the ratio between businesses related to Mobility and those that provide Lifestyle Solutions to customers from 7:3 to 6:4, with 5:5 as the ultimate goal. For example, our focus on tourism helps address many different issues by growing the number of people engaging with

regions, developing core cities that support regional economies, and revitalizing local industries. Further, we need to promote local digital transformation that utilizes Mobility as a Service (MaaS) and Suica so that our range of initiatives helps develop local economies. Also, we are taking on the challenge of addressing regional medical issues by working with medical professionals to create Smart Healthcare Stations and other new approaches to medical care that combine face-to-face and remote services.

As it pursues ambitious initiatives to tackle various social issues through businesses, the Group will naturally develop an optimally balanced business portfolio. I believe that these initiatives will contribute to the development of both local economies and sustainable corporate management.

Review of Fiscal 2023

Revenues reflected employees’ hard work, and we returned to profitability for the first time in three years. Fiscal 2023 was truly a year of volatility, uncertainty, complexity, and ambiguity. Progress in containing the COVID-19 pandemic did not immediately trigger a surge in customer activity. As border controls were eased in the autumn, the number of visitors to Japan increased, and positive signs finally began to emerge. Meanwhile, we continued to experience extremely significant changes in fiscal 2023, such as greater-than-expected impacts on revenues and expenses due to yen depreciation and a hike in energy prices accompanying the situation in Russia and Ukraine.

Despite this challenging environment, we were able to achieve profitability for the first time in three years because revenues appropriately reflected the hard work of Group employees. To give one example, I was delighted to see frontline employees taking the initiative and using the concurrence of several Shinkansen anniversaries with the 150th anniversary of the opening of Japan’s first railway as an opportunity to hold a range of events and promotional campaigns. Campaigns initiated by frontline employees throughout our service area generated a considerable amount of revenues and created interactions between customers and maintenance personnel and drivers, whose everyday duties rarely involve contact with customers. Inspired by the success of such campaigns, employees have begun considering further

cross-divisional initiatives that customers will love.

We have also made good progress in reducing costs over the past three fiscal years, which has helped return us to profitability. While moving forward with structural reforms, we have proceeded with construction and capital expenditures in accordance with existing plans. Thus, even in a volatile environment, we have been able to steadily implement numerous forward-looking initiatives.

Initiatives for Accelerating “Move Up”

With “Post-COVID-19” and “Visitors to Japan” as key themes, we are advancing new initiatives by realizing fundamental changes. We are viewing fiscal 2024 as a year of fundamental changes. The Group began efforts aimed at promoting such changes with “Post-COVID-19” and “Visitors to Japan” as key themes. In response to the easing of restrictions following Japan’s May 2023 downgrading of COVID-19 to a Class 5 contagion, we have proactively launched campaigns aimed at increasing passenger numbers in a post-COVID-19 era. As greater numbers of visitors to Japan are expected to increase railway usage, we are taking a range of measures, including revising and enhancing the JAPAN RAIL PASS for visitors to Japan. In addition, through the rollout of

smartphone-compatible services that are readily usable by most visitors to Japan, we will enable visitors to make reservations and access a wealth of information. We intend to step up such digital transformation efforts going forward.

Aiming to ease commuter train congestion and promote workstyle reform, in March 2023 we launched off-peak commuter passes, which are based on a completely different concept from that of conventional commuter passes. JR East has advocated for more flexibility in the highly regulated railway fares and charges system, and realizing off-peak commuter passes represents concrete progress in this regard. We will continue discussing reform of this system with a view to making it even more flexible.

As for other initiatives, JR East is steadily proceeding with preparations for the extension of the Hokuriku Shinkansen to Tsuruga, scheduled for spring 2024. In relation to the *Hako-byun* train-based freight transportation service, which has already established a favorable reputation, we will market new services after conducting a series of verification tests focused on realizing such transportation on an even larger scale.

Overseas, we are providing technical support for the India High-Speed Railway Project, which is progressing steadily with on-site construction work. In Singapore, meanwhile, we have conducted an M&A with a track construction company.



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Message from the President

The Group is making steady progress with the **TAKANAWA GATEWAY CITY town development project and with initiatives based on the Beyond Stations concept, which capitalize on railway station infrastructure.**

The Beyond Stations concept was announced more than two years ago. To make even more effective use of railway station infrastructure, we are implementing measures that are transforming railway stations into lifestyle platforms. Our measures include the introduction of shared offices, JRE Station College, JRE Local Hub, and other services. In addition, the JR East Group has recently been promoting laborsaving measures enabled by robots and other devices, and it is currently developing self-service soba restaurants.

In other development initiatives beyond railway stations, we are promoting a real estate-based rotational business model. Under this model, properties developed or owned by the Group are incorporated into real estate funds, and the resulting capital is then reinvested into growth areas or used to acquire promising real estate around railway stations. Moreover, growing our real estate business in this way will help create appealing lifestyles for local residents.

Assuming that, due to major changes in workstyles, the number of customers commuting by railway will not return to pre-COVID-19 levels, we are attempting to broaden the popularity of “workations” and other new workstyles. For example, through tie-ups with railway companies that operate resorts, we plan to sell products that are usable in Karuizawa and other parts of our service area, thereby offering services previously unavailable.

Overseas, in 2022 we unveiled *ekinaka* stores (inside railway stations) in Singapore. In Taipei, we have opened a hotel, which has been well received. The same city saw the launch of our health improvement-focused gym in August 2023. The Group will continue actively pursuing overseas development of businesses in fields where it has particular competence.



The much-awaited opening of TAKANAWA GATEWAY CITY will take place in March 2025. At present, we are accelerating leasing activities, and our plan is to develop the town together with clients. The concept of the project is to develop a “Global Gateway” international hub that links people, nature, and technologies and which contributes to the creation of enriched lifestyles 100 years from now. As part of these efforts, our Flexible Space Project for new types of decentralized town development will make full use of innovative technologies to develop a Flexible Space Workplace Service, which is enabling new workstyles through the integration of real-world and virtual environments. We will also support local residents in holding events rooted in the area, such as summer festivals and Bon Festival dances. We plan to promote community development in partnership with those working in offices and commercial facilities as well as those living in residential areas. Through such joint activities, we want to make TAKANAWA GATEWAY CITY a testing ground for the future. In addition, the project will establish industry–academia collaborations, a co-creation lab incorporating universities, business incubation facilities, and the Center for Cultural Innovations. In other words, the new town will become a template for creating the Japan of tomorrow.

**By building trust, we are expanding networks that connect cities, regions, and people.**

In February 2023, we opened JRE Local Hub, which is a workplace for regional creation, in Tsubamesanjo Station, Niigata Prefecture. Based on the key concepts of “connecting regions” and “connecting generations,” this initiative entails supporting business matching by working with municipal authorities and local companies to raise the profile of the area’s history and technologies and link regions and cities. The focus of the Tsubamesanjo area’s manufacturing industry has shifted from cutlery and Western tableware to automotive components, which are themselves now changing with the introduction of electric vehicles. Meanwhile, Tokyo’s Shinagawa and Ota wards, which are close to TAKANAWA GATEWAY CITY, are home to many small- and medium-sized manufacturers. We are taking on the major challenge of creating a new network connecting these wards with the Tsubamesanjo area. In such ways, the Group is creating new networks that reflect changes in industry and thereby contributing to prosperity going forward.

I believe that in expanding the aforementioned new networks, trust is required. The most important thing is for all Group employees to think about how to further

enhance trust. Based on this trust, we can expand our networks even further by increasing contacts and deepening partnerships with start-ups, universities, and other companies. In promoting local digital transformation, our employees can earn trust and gain new insights by going directly to regional sites and interacting with local communities. We will actively encourage such in-person exchanges and continue to develop our approaches flexibly.

Keys to Realizing “Move Up”

**The JR East Group will further advance integration and collaboration and accelerate business development.**

We aim to further leverage railway stations and the many other types of infrastructure at our disposal. For example, we can use Shinkansen as infrastructure for the transportation of a variety of cargo. Through concerted initiatives that include railway station personnel, train crews, and the employees of affiliated companies, we can also create new services, new value, and reduce costs. The sharp decline in customers during the COVID-19 pandemic instilled a greater awareness of the need for integration and collaboration among Group employees, and individual employees have become increasingly focused on this area over the past several years. Compared with railways, tourism, and other businesses in which we have been engaged for many years, we do not yet have sufficient know-how in business fields where we have a short history. Therefore, we will further expand partnerships with outside companies. In such joint initiatives, we will develop unmanned stores and other ventures based on alliances with start-ups. Similarly, we will develop former Company housing sites in partnership with a real estate company. Speed will be key in these initiatives. With this in mind, we have been reorganizing to establish systems that enable and support decision-making and the implementation of specific measures close to customers and frontline operations. Under these systems, employees will think for themselves about improving service quality and resolving issues and take measures accordingly. Empowering employees in this way will increase their abilities and know-how, expedite the execution of work, and positively affect employee engagement.

The Group will also develop and implement measures to increase the lifetime value of customers from a people-focused perspective. We will not only offer generic

services but also expand personalized services tailored to the life stages of customers through the utilization of JRE POINT and JRE BANK.

As president, I myself will provide firm leadership and support so that employees can take on more and more challenges. I am taking various opportunities to directly communicate to employees that I, as their leader, will take responsibility for their initiatives.

**The Group will provide organizational support for the advancement of bold initiatives.**

When we formulated the JR East Group Management Vision “Move Up” 2027 in July 2018, we envisioned a future with a declining population and fewer customers. Due to the COVID-19 pandemic, this future became a reality sooner than expected, resulting in a greater willingness among our employees to try anything that might be an effective response. I am very pleased about this change in mindset. In facilitating the growing trend toward innovation among employees, we must reform various systems. As well as personnel and wage systems that have been rooted in the railway business, we need to revamp workstyles themselves. In the past, dual employment was prohibited in the railway business for safety reasons. However, safety issues should not arise if switchovers between work responsibilities are done properly. We will increase the adoption of workstyles whereby personnel concentrate on railways when engaged in railway duties and free up time for working on campaigns or gaining experience at other companies. The acquisition of such experience is sure to be a plus for employees. For instance, many employees are keen to take on the challenge of working in our international business. I think we need to think more about developing systems that reward employees who pursue career development.

**We will work on the enhancement of safety as an unchanging task and the top priority of business management.**

Safety is the top priority of our business management, and we have absolutely no intention of changing this commitment. The enhancement of safety is an ever-present task that we must continue focusing on and accomplishing. Moreover, this consistent effort garners trust for the JR East Group as a whole. Through the advancement of safety initiatives aimed at raising employees’ safety awareness and incorporating new technologies, we will build systems that maintain and enhance safety and which establish prototypes for the



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Message from the President

future. With safety and reliability as the watchwords of all business activities, we will forge ahead with ambitious initiatives aimed at realizing sustainable growth.

ESG Initiatives

**Having revised our materiality-related tasks, we will strengthen initiatives to address social issues.**

As railways have a small environmental footprint compared with other means of transportation, we can make a significant contribution to the global environment by encouraging as many people as possible to use our services. The JR East Group recently revised and reorganized its materiality-related tasks to clarify how it will realize ESG management, how it will view and address social issues, and the type of social contributions that are possible. This revision and clarification of the Group’s overall goals is very significant.

In continuing to create value for society, we need to pursue an ideal business portfolio. To this end, we must visualize the current cash flow positions of each business area and then prepare strategies and set targets for future growth in each area. While ensuring that our stakeholders understand these initiatives, we will focus efforts on ensuring that each business can operate sustainably.

**With “flexibility” as a key word, we will undertake wide-ranging reform of organizations, systems, and other aspects of operations that relate to human capital.**

Human capital is becoming increasingly critical as society undergoes major changes. With “flexibility,” in the sense of flexibly pursuing self-reform in response to various developments, as a key word, we will undertake wide-ranging reform of organizations, systems, and other aspects of operations pertaining to the management of human capital. Since about half of our customers are women, we will further increase the percentage of female employees. We also need more non-Japanese personnel so that we can continue overseas expansion. Although much lower than average, the percentage of our employees resigning for personal reasons is certainly higher than it used to be. One major reason for resignations is a mismatch between the career path sought by an employee and the career path offered by the Company. In the past, experience and taking time to learn jobs were emphasized. Today, however, the railway business itself is undergoing major systemic changes, while non-railway businesses are greatly extending their scope. In response to the broader spectrum of jobs, we have developed various career paths for employees. As well as commencing hiring aimed at job specific personnel management in the fields of data marketing, Suica services, and development and real estate, we will transfer labor to growth fields through the use of an open recruitment system and reskilling. Our concern is that, unless we offer a range of careers that promotes diversity, equity,

and inclusion, we will not be able to attract people.

As we broaden the scope of our business portfolio, having a diverse workforce and a wide range of systems will become more critical. Job satisfaction is very important, ranking in priority alongside generating profits and providing employees with compensation that reflects these profits. I see my role as the provision of a broad array of opportunities for employees to make major contributions.

While extending the scope of our business portfolio, we will formulate and execute rigorous intellectual property strategies and manage intellectual property appropriately. The Group will also focus on maximizing its resources by advancing technology development that leverages internal and external knowledge, and using digital transformation to create businesses and raise operational efficiency.

**We will expedite decision-making and business execution and strengthen supervisory functions.**

In June 2023, JR East changed its institutional design from a Company with a Board of Corporate Auditors to a Company with an Audit and Supervisory Committee corporate structure. With the exception of particularly important matters, the authority to make decisions on business execution has been delegated from the Board of Directors to executive directors. Through various measures, we will expedite decision-making and business execution. Further, Audit and Supervisory Committee members now participate in the Board of Directors as directors and vote on its resolutions. This strengthening of supervisory functions will enhance corporate governance. I believe we have put in place a corporate structure that will enable us to raise corporate value by realizing fundamental changes and appropriately adapting to changes in a volatile era.

solutions field. We hope that stakeholders will also take a long-term view of our efforts.

Further, our basic policy on and approach to shareholder returns has not changed. In accordance with “Move Up” 2027, we will stably increase dividends and flexibly purchase treasury stock with a view to achieving a total return ratio of 40% and a dividend payout ratio of 30% over the medium to long term. Based on this policy, in fiscal 2024 we plan to pay interim cash dividends per share of ¥55 and year-end cash dividends per share of ¥55, giving annual cash dividends per share of ¥110. Meanwhile, no matter how challenging the business environment is, we will maintain an unwavering commitment to investment in growth and human capital. In our approach to management, these two types of investment are extremely important focuses, and we are determined to deliver results in both.

For the JR East Group, fiscal 2023 was a year of revival. We were able to return to profitability because employees took the lead and worked together to build a new JR East Group that is even more beneficial to society. Group employees will continue all-out efforts to create new value and services. In parallel, the senior management team will also work unstintingly to ensure the establishment of systems and organizations that support such efforts. Further, we will evolve into a corporate group that fulfills its social mission and realizes further growth. As we evolve, I would like to ask our stakeholders for their continued support. Please have high hopes for the JR East Group going forward.

*Yuji Fukasawa*

Yuji Fukasawa  
President and CEO  
September 2023



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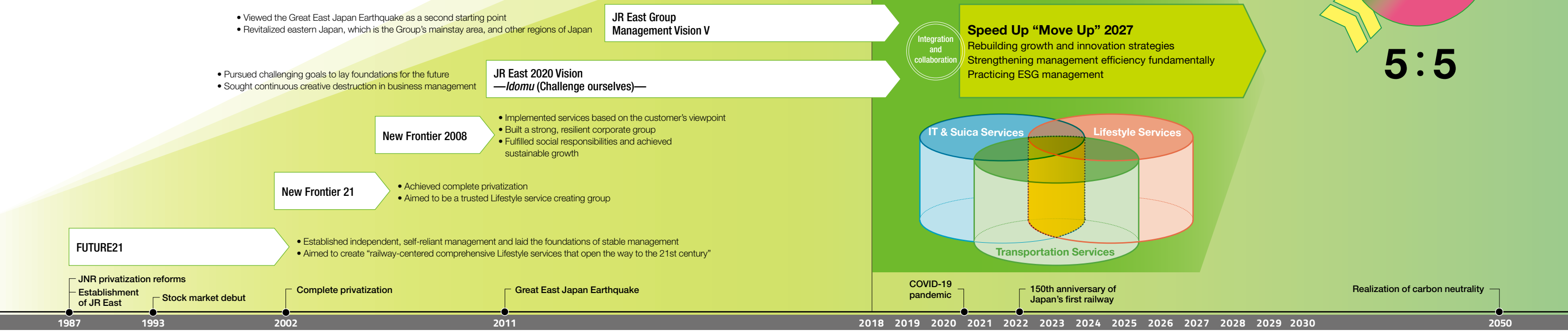
# Our Value Creation: History and Future

## From Railway Alone to Two Pillar Businesses—Mobility and Lifestyle Solutions

Since its establishment in 1987, JR East has been pursuing the rehabilitation and revitalization of railways. The Company has enhanced safety and service quality and expanded its railway network to increase ridership. At the same time, it has improved profitability by enhancing productivity.

With safety remaining the top priority of its business management, the Group enhance the trust of our customers and local communities by pursuing ultimate safety in mobility. At the same time, we will create new value and services focused on people by deepening integration and collaboration and taking on challenges in new areas.

The Group will work to solve social issues through its businesses and achieve sustainable growth based on the two pillars of Mobility and Lifestyle Solutions. At the same time, it aspires to be a corporate group that helps its customers, local communities, shareholders, and its employees and their families to lead enriched lives.



### Main Initiatives (Mobility, Lifestyle Solutions)

**1988** Opening of the Seikan Tunnel and the sleeper train HOKUTOSEI  
**1991** Extension of the Tohoku and Joetsu Shinkansen to Tokyo Station  
**1992** Opening of the Yamagata Shinkansen to Yamagata  
**1993** Maximum speed of 425 km/h recorded by STAR21 on a test run  
**1997** Opening of the Akita Shinkansen and Nagano Shinkansen  
**1999** Opening of the Yamagata Shinkansen to Shinjo  
**2000** Launch of *eki-net*, online reservation service  
**2001** Commencement of operations on the Shonan-Shinjuku Line  
**2001** Start of Suica, contactless smart card fare service

**1990** Opening of GALA Yuzawa Snow Resort  
**1990** Opening of atré Yotsuya, station building  
**1993** Start of ViewCard, own-brand credit card service  
**1996** Establishment of a nursery school near Kokubunji Station  
**2001** Launch of NewDays, own-brand convenience store

**2010** Introduction of automatic platform barriers at Ebisu Station on the Yamanote Line  
**2010** Extension of the Tohoku Shinkansen to Shin-Aomori  
**2011** Debut of the Series E5 Hayabusa  
Launch of Gran Class (first class services)

**2004** Beginning of Suica e-money service  
**2005** Opening of ecute Omiya, an *ekinaka* (inside railway station) store  
**2006** Start of Mobile Suica service  
**2007** Start of interoperability between Suica and PASMO IC cards in the Tokyo metropolitan area  
**2007** Beginning of Suica reward program  
**2007** Opening of the Railway Museum

**2012** Commencement of the operation of Yotsuya Station as an ecoste (eco-station)  
**2012** Completion of the preservation and restoration of Marunouchi Station Building of Tokyo Station  
**2012** Start of the Kesennuma Line BRT (Bus Rapid Transit) service  
**2015** Opening of the Hokuriku Shinkansen to Kanazawa  
**2015** Opening of the Ueno-Tokyo Line  
**2016** Extension of the Hokkaido Shinkansen to Shin-Hakodate-Hokuto  
**2016** Opening of the Purple Line urban railway in Bangkok, Thailand  
**2017** Start of TRAIN SUITE SHIKI-SHIMA, deluxe cruise train

**2012** Opening of the *nomono* Ueno, regional products store  
**2013** Establishment of the first COTONIOR, multipurpose care facility for children and senior citizens  
**2014** Start of JR East App service  
**2016** Start of JRE POINT service, reward program  
**2016** Launch of NEWoMan Shinjuku, a high-quality fashion and gastronomy complex  
**2017** Beginning of the Northern Station Gate Akita project

**2018** Start of Touch de Go! ticketless service for Shinkansen trains  
**2020** Start of Shinkansen e-ticket service  
**2020** Resumption of all Joban Line operations (end of service suspensions due to the Great East Japan Earthquake)  
**2020** Opening of Takanawa Gateway Station, symbolic of TAKANAWA GATEWAY CITY opening in 2025  
**2020** Facilitation of mobile phone use on all Shinkansen segments in the JR East service area  
**2022** Commencement of verification tests for a hydrogen hybrid railcar HYBAR1  
**2023** Launch of off-peak commuter passes

**2018** Opening of JRE MALL, an online shopping mall  
**2019** Start of STATION WORK, an office-sharing service  
**2020** Launch of the WATERS takeshiba complex  
**2021** Opening of the Hotel Metropolitan Premier Taipei in Taiwan  
**2021** Introduction of multifunctional IC cards for regional transit  
**2021** Launch of full-scale operations of *Hako-byun*, a train parcel service  
**2022** Start of TOHOKU MaaS  
**2023** Beginning of Suica services for railway lines in the Aomori, Morioka, and Akita areas

**2024** Introduction of the new E8 Series for the Yamagata Shinkansen  
**2024** Extension of the Hokuriku Shinkansen to Tsuruga  
**2025** Start of driver-only operation on the major lines in the Tokyo metropolitan area  
**2029** Launch of driverless forwarding of the Joetsu Shinkansen (GoA4)  
**2032** Launch of the Haneda Airport Access Line (tentative name)  
**TBA** Launch of driverless operation of the Joetsu Shinkansen (GoA3)

**2025** Opening of TAKANAWA GATEWAY CITY Complex I  
**2026** Development of the Hiromachi area around Oimachi Station (tentative name)  
**2028** Opening of Shibuya Scramble Square (Central Wing and West Wing)  
**2028** Development of Nakano Station Station Building  
**2029** Development of Shinjuku Station Southwest Exit Area Plan  
**2030** Development of Hamamatsucho Station West Exit Area Plan

### Enhancing the Safety and Quality of Railway Services

JR East has improved railway safety through investment in safety and technology development. In the Tokyo metropolitan area, the Company has helped to reduce congestion by increasing the frequency of train services and adding trainsets. We have also contributed to expanding commuting distance by introducing direct services and fast commuter trains. Shortened travel times resulting from the Shinkansen network expansion have brought cities closer together, promoting tourism and regional development.

### Creating New Services

We have effectively utilized management resources accumulated in the railway business to develop services catering to various day-to-day needs at *ekinaka* and other locations. The Company has transformed railway stations from transportation hubs into multifaceted service centers. Suica is no longer an alternative type of ticket, but has developed into a leading IC card that offers its customers new lifestyle solutions.

### Achieving Post-Earthquake Restoration and Revitalization

The Great East Japan Earthquake forced the JR East Group to suspend operations for a long period of time. In a concerted effort to overcome this challenge, the Group restored transportation services by introducing a range of transportation modes in step with town recovery initiatives.

## JR East Group Philosophy

We will earn the trust of our customers as a whole group by aiming for ultimate safety levels as our top priority.

We will strengthen our network capabilities focusing on technologies and information, and we are committed to helping our customers and people in communities to realize enriched lives.



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## Strengths We Have Built Up

Fostered and strengthened by our pursuit of ultimate safety levels, the trust of customers and local communities underpins all of the JR East Group's activities. In addition, the Group is supported by its employees, who consistently perform their day-to-day duties while striving for integration and collaboration in frontline operations Groupwide to create new value.

Our strengths are in real-world, multilayered, organic networks that link people (customers, local communities, our employees and their families, our business partners, and our shareholders and investors) and physical assets, which are essential elements of social infrastructure, and others that connect and expand everything in a borderless way, by focusing on technologies and information. This trust and the support of our employees develop and extend the power of these networks even further.

## Trust



We hold “ultimate safety” as our top priority and operate our business in keeping with our five Basic Principles. The customer safety and community development created by our business forms the core of the Group's brand. The JR East Group's brand is proof of the trust of its customers and local communities and its greatest strength.

## Employees



With a solid sense of mission, our employees steadily carry out their day-to-day duties to deliver safety and reliability to our customers. Every employee also has a strong sense of participation in management, improving the quality of their work and creating value and services focused on people by taking on ambitious challenges with originality and ingenuity. The power of each employee is the Group's greatest strength. We will increase employee engagement for the sustainable growth of our employees and the Group.

The JR East Group's networks link people and physical assets while incorporating digital technologies that broaden borderless connectivity.

## Networks

**Networks that connect regions, cities, and local communities, and extend worldwide**

**Connecting railway networks, sales networks, logistics networks, and human networks to create synergy**

- We will strengthen area-wide links between the regions of eastern Japan and the Tokyo metropolitan market.
- We will extend business development to regions outside eastern Japan and to overseas cities.
- We will build a new business model particularly in Asia.

**Tokyo metropolitan networks that are based on railways and railway stations**

**Establishing a revenue base in the Tokyo metropolitan market**

- We will transform stations, the largest junction with customers in the Metropolitan area, where people, goods, money, and information meet, into a 'platform for daily life' to connect all with the customers.
- We will link our customers to services, digital technologies, and safety and security that support daily life to create connections among customers.

**Networks that interlink people and connect the JR East Group to local communities**

**Creating a flow of people and vibrancy in communities through companionable development**

- We will deepen our relationships with local residents even further and strengthen ties among them.
- We will work together to address local issues and create new value and services through co-creation that combines our assets and solutions with those of regions.

**Digital Networks that utilize data to connect a wide range of businesses**

**Developing Suica into a shared infrastructure and expanding the living sphere covered by the JRE POINT reward program**

- We will widely and finely increase digital and real-world contacts with customers and enhance customer experience.
- We will create value by integrating our services and building personalized relationships with customers that last a lifetime and cover a wide range of day-to-day needs.
- We will enhance lifetime value and help everyone accelerate lifestyle enrichment.

## Capital That Supports Value Creation

Inheriting the 150-year history of the Japanese railway, we will continue to create new value by utilizing our strengths and multiplying the various capitals developed by the Group in the 36 years since the Company's foundation, in our strategies and businesses.

### Human Capital



#### Employees who prioritize safety, creating trust and new value

Consolidated employees: .....	approx. 70,000
Percentage of new graduates who are female: .....	31.1
National Accredited Professional engineers: .....	710
First-class architects:.....	630
Type 1 chief electrical engineers:.....	110
First-class technical radio operators for on-the-ground services: .....	240
Certified General Travel Services Managers: .....	1,890
Certified Care-Fitters:.....	30,600

#### Systems that improve employees' capabilities

Systematic human resources development programs focused on the pursuit of ultimate safety	
Training facilities located at all headquarters and branch offices for the improvement of safety awareness and skills	
Average training hours per employee: .....	51 per year
Participants in digital technology training: .....	approx. 16,000
External training programs for self-development: .....	316
Active personnel exchange with local governments and other companies	

#### Systems that motivate employees

Distribution of tablet computers to all JR East employees	
Number of employees using the Viva Engage employee interactive communication platform: .....	
	10,000 per day
Challenge to address issues in areas and railway lines across divisions and organizations	
Cross-organizational projects: .....	34
General management centers:.....	75
Applications received for the ON1000 new business creation program.....	611
(Total number selected to be new businesses: 10)	

### Social and Relationship Capital



#### Contact with customers and customer base

Suica cards issued .....	95.64 million
Mobile Suica activations and installations:.....	20.31 million
Active ViewCard members: .....	5.59 million
JRE POINT reward program members: ...	13.79 million
Public transportation e-money compatible stores:.....	1.63 million
JR East App downloads: .....	approx. 8.10 million
Beds at JR Hospitals: .....	617

#### Strong, long-standing relationships and partnerships with local communities and municipal authorities that have been sustained through initiatives to increase tourism, develop towns, and exchange personnel

Comprehensive cooperation agreements concluded with municipal authorities: .....	21
Municipal authorities with JRE MALL Furusato Nozei (hometown tax donations) stores: .....	305 in total
Investments contributing to regional revitalization:.....	¥3.0 billion

#### New businesses

Accepted JR EAST STARTUP PROGRAM applications: .....	16 out of 210
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### Intellectual Capital



#### Technology capabilities and operational know-how that have been accumulated during the 150 years of railway operations and that underpin safety

R&D and IT investment: .....	¥103.3 billion
Safety systems for accident prevention and disaster prevention	
Regulations, manuals, and training curricula	
Patents, utility models, and design patents: .....	1,040

### Manufactured Capital



#### Property, plant and equipment and wide-ranging business bases

Railway stations (including BRT): .....	1,681
Shinkansen: .....	1,194.2 operating km
Conventional lines (including BRT): .....	6,224.5 operating km
Land area .....	Transportation: 165,716,000 m² (¥1,610.7 billion)
	Real Estate & Hotels: 610,000 m² (¥446.7 billion)
Shinkansen vehicles: .....	1,387
Conventional line vehicles: .....	10,988
Bridges and viaducts: .....	approx. 18,100
Tunnels: .....	approx. 1,170
Shopping centers: .....	191
Hotel guest rooms: .....	9,693
Leasable office space: .....	560,000 m²
Vehicle manufacturing sites: .....	2 (Japan Transport Engineering Company)
Optical fiber cables: .....	12,590 km
Own power generation (thermal and hydro): ...	3.33 billion kWh
Renewable energy power development:...	136,000 kW

### Natural Capital



#### Efficient utilization of diverse energy

Railway business energy use: .....	46.3 billion MJ
JR East water consumption: .....	11.10 million m³
Group company water consumption: ...	8.01 million m³
Railway forests: .....	approx. 3,900 ha
Tourism resources based on rich nature in eastern Japan	

### Financial Capital



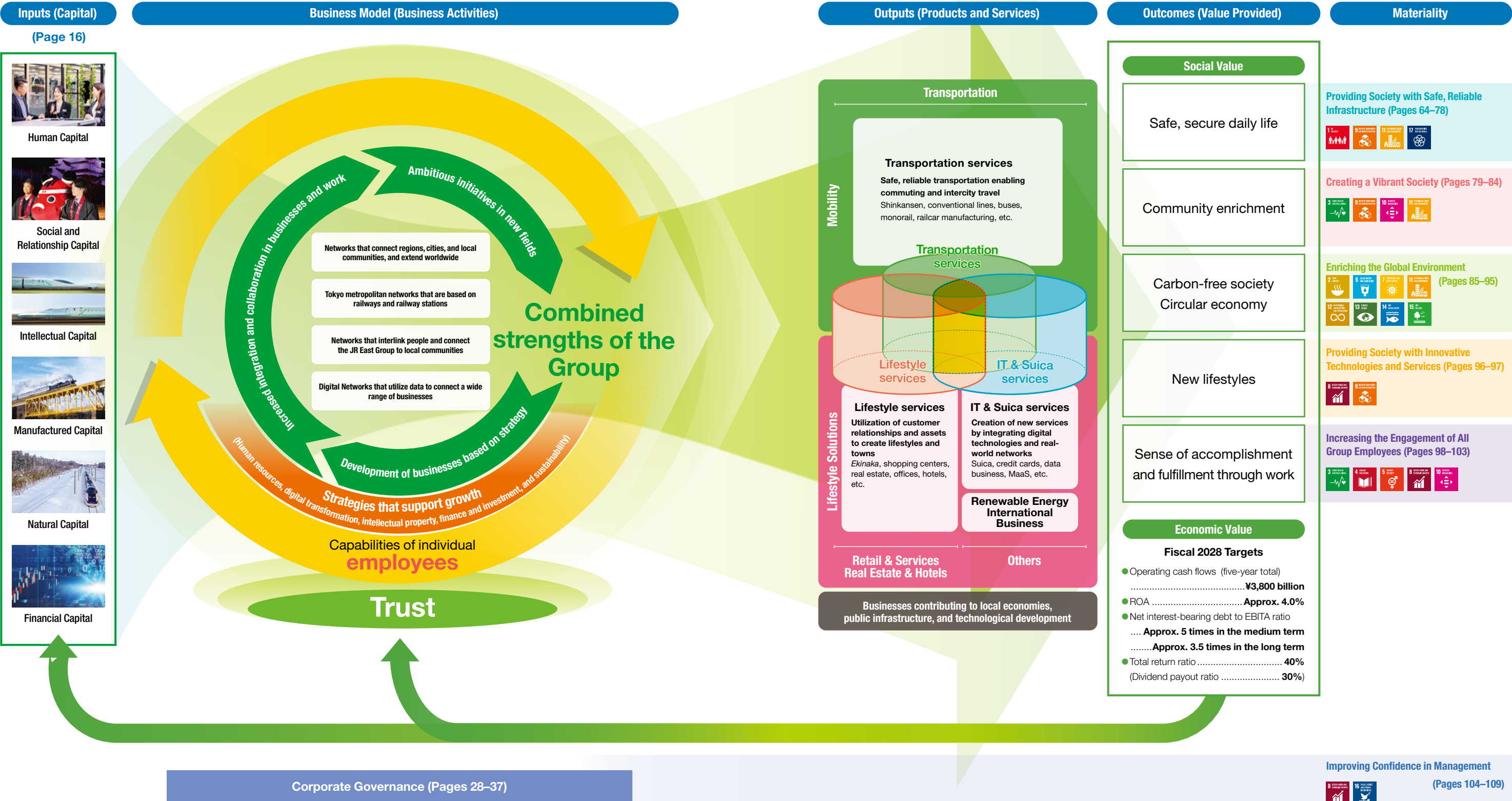
#### Capital expenditures based on medium- to long-term perspectives and a strong financial base that supports the expenditures

Equity ratio: .....	26.4%	
Total net assets:.....	¥2,497.7 billion	
Ratings:	R&I:	AA+
	S&P:	A+
	Moody's:	A1
Capital expenditures:.....	¥554.7 billion	

Value Creation Model

Based on the trust of our customers and local communities, the Group has been developing a wide range of businesses: one related to Mobility and others leading to Lifestyle Solutions for our customers by utilizing our capital and strengths. Our business has three aspects: developing businesses based on strategy; increasing integration and collaboration in the Group's businesses and work; and undertaking ambitious initiatives in new fields. These three aspects contribute to the combined strengths of the Group and are incorporated into our three main services: Transportation, Lifestyle, and IT & Suica. The overlapping of the three services creates new and unique value for the Group.

Through this creation of value, the Group will work to solve social issues and achieve sustainable growth based on the two business pillars of Mobility and Lifestyle Solutions. At the same time, we will realize enriched lives for our customers, local communities, our shareholders and investors, and our employees and their families.





# JR East Group Management Vision “Move Up” 2027

## Social Environment Envisioned in 2027 When “Move Up” 2027 Was Formulated in 2018

- (1) Drastic changes in social structures due to the decreasing birthrate and population and to the aging of the population
- (2) Changes and diversification in values related to work and wealth
- (3) Changes in our living environment due to technological innovations such as AI and IoT
- (4) Spread of new values through globalization of economy and society

COVID-19  
pandemic

## Social Environment Envisioned in 2027 Near at Hand

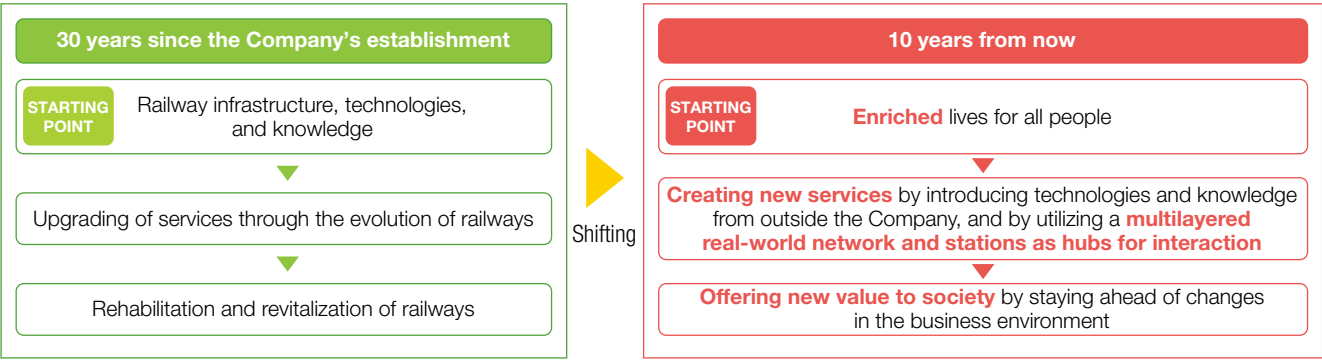
- (1) Drastic changes in and diversification of social structures due to the decreasing birthrate and population, the aging of the population, and **the COVID-19 pandemic**
- (2) **Rapid changes** in and diversification of values related to what it means to work and be wealthy as a result of the COVID-19 pandemic
- (3) Changes in **living environments combining real and digital elements** due to technological innovations such as AI and the IoT
- (4) Globalization of the economy and society going through **a major period of stagnation due to the COVID-19 pandemic**

Post-  
COVID-19

## Transition from Railways-Focused to People-Focused Value Creation (Started in July 2018)

### Basic Policies of “Move Up” 2027

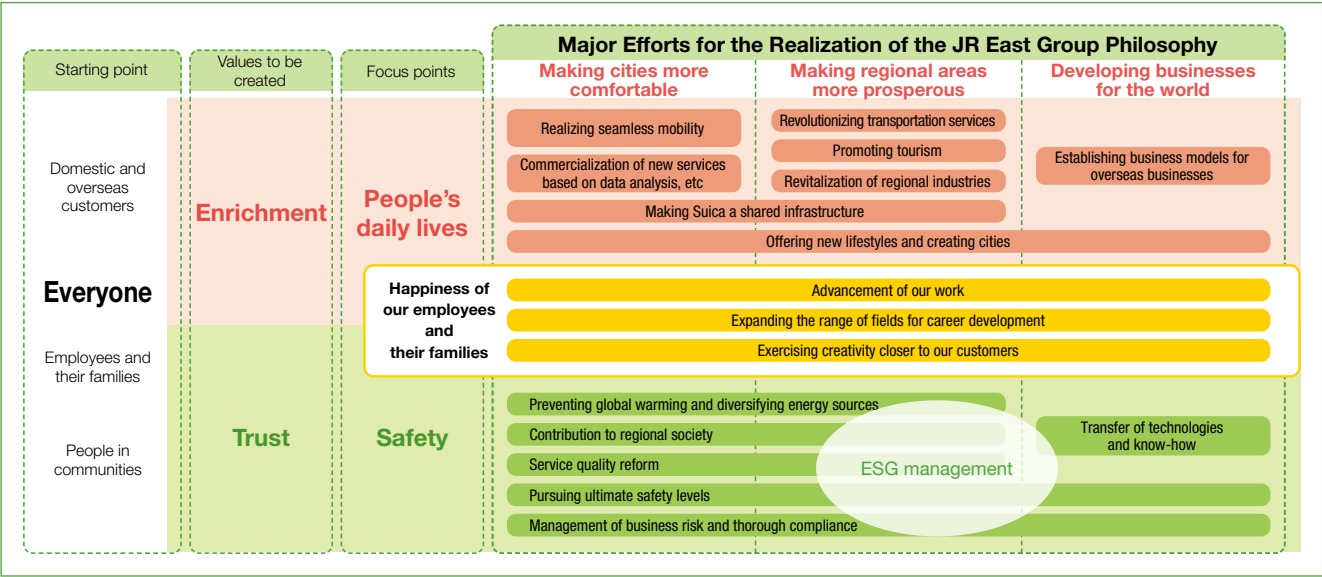
During the 30 years following its establishment, JR East developed a business model that generated revenues by encouraging many customers to use railway services and railway stations through the enhancement of their convenience. From now onwards, with the enrichment of everyone in their daily lives as our starting point, we will create new services and provide them to society by utilizing real-world networks and introducing technologies and knowledge from outside the Company.



## Creating Value through Trust and Enrichment

### Our Vision in “Move Up” 2027

Focusing on people and advancing initiatives in cities, regions, and the world at large, we will offer value by realizing safety, enhancing people's daily lives, and contributing to the happiness of our employees and their families.



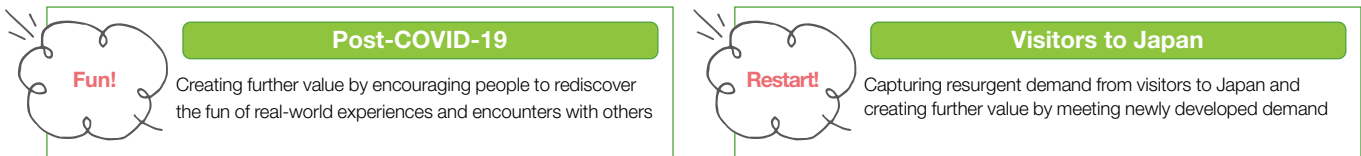
## Speed Up “Move Up” 2027: Increasing the Pace and Level of Initiatives (Started in September 2020)

In response to the dramatic changes in the business environment caused by the COVID-19 pandemic, in September 2020 JR East developed Speed Up “Move Up” 2027. This sets out the priority strategies shown on the right with the aim of realizing “Move Up” 2027 by increasing the pace and level of initiatives.



Viewing change as an opportunity, rebuilding our growth and innovation strategies, and strengthening management efficiency fundamentally, our goal is to establish a sustainable corporate group that can continuously provide high-quality services going forward. Through the daily efforts of Group employees, the JR East Group will fulfill its mission of providing safe, reliable services that are indispensable to everyone's lives across society. In addition, the Group will create new value through integration and collaboration between Transportation services, Lifestyle services, and IT & Suica services and the further evolution and maximization of its strengths.

## Fundamental Change (Started in April 2023)

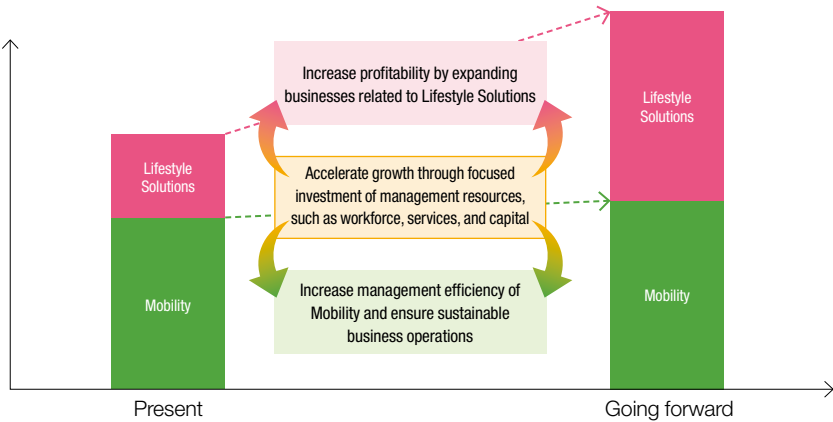


The Group's businesses are still facing risks associated with population decline and the COVID-19 pandemic. Moreover, the recent surge in resource prices, rising interest rates, and other developments are leading to uncertainty in the businesses. On the other hand, we see the recovery trend in tourism-related industries and the rapid return of visitors to Japan that have accompanied the easing of restrictions on movement as excellent opportunities to achieve fundamental change befitting a new era.

## Toward a Business Portfolio Balanced between Mobility and Lifestyle Solutions

We will create new value through integration and collaboration aimed at the early realization of a business portfolio balanced between Mobility, based mainly on railways, and businesses that provide Lifestyle Solutions to customers.

Leveraging the strengths of each business as the basis of these business activities, we will strive to strengthen the management structure of Mobility, expand the Lifestyle Solutions business segment and increase the Group's profitability.



Value Creation by the JR East Group		Business Strategies		Strategies That Support Growth		Sustainability		Data
Message from the President	Our Value Creation: History and Future	Strengths We Have Built Up	Capital That Supports Value Creation	Value Creation Model	JR East Group Management Vision “Move Up” 2027	Financial and Investment Strategies	Foundations for Value Creation (Corporate Governance)	Outside Directors’ Roundtable Talks

JR East Group Management Vision “Move Up” 2027

“Move Up” 2027 Numerical Targets

In light of the drastic changes and subsequent shifts in the business environment caused by the COVID-19 pandemic, we have set fiscal 2028 as the new target period for our numerical targets under “Move Up” 2027.

		Fiscal 2028 Targets	Fiscal 2023 Results
Operating revenues		¥3,276.0 billion	¥2,405.5 billion
Mobility	Transportation	¥2,019.0 billion	¥1,618.5 billion
Lifestyle Solutions	Retail & Services	¥654.0 billion	¥327.8 billion
	Real Estate & Hotels	¥507.0 billion	¥382.2 billion
	Others	¥96.0 billion	¥76.9 billion
Operating income		¥410.0 billion	¥140.6 billion
Mobility	Transportation	¥178.0 billion	¥(24.0) billion
Lifestyle Solutions	Retail & Services	¥80.0 billion	¥35.2 billion
	Real Estate & Hotels	¥124.0 billion	¥111.5 billion
	Others	¥30.0 billion	¥17.2 billion
Adjustment		¥(2.0) billion	¥0.6 billion
Consolidated operating cash flows		(Total amount for 5 years*1) ¥3,800.0 billion	¥581.7 billion
ROA		Approx. 4.0%	1.5%
Net interest-bearing debt to EBITA ratio*2		Approx. 5.0 times in the medium term Approx. 3.5 times in the long term	8.6 times

\*1 Total for fiscal 2024 through to fiscal 2028

\*2 Net interest-bearing debt = Balance of consolidated interest-bearing debt – Balance of consolidated cash and cash equivalents  
EBITDA = Consolidated operating income + Consolidated depreciation expense

Numerical Targets for Specific Measures

		Fiscal 2028 Targets	Fiscal 2023 Results
Mobility-Related Targets	Accidents due to internal causes★	0*1	0
	Serious incidents★	0*1	0
	Railway accidents (compared with fiscal 2019)★	20.0% reduction*1	10.0% reduction*2
	including passenger injuries on platforms (compared with fiscal 2019)★	30.0% reduction*1	17.0% reduction*2
	Railway stations and tracks with automatic platform gates★	330 railway stations, 758 tracks*3	(99 railway stations, 197 tracks)
	Transportation disruptions due to internal causes, conventional lines within 100 km of Tokyo (compared with fiscal 2019)★	55.0% reduction	9.0% reduction
	Transportation disruptions due to internal causes, JR East Shinkansen (compared with fiscal 2019)★	75.0% reduction	38.0% reduction
	Total delay time due to internal causes, conventional lines within 100 km of Tokyo (compared with fiscal 2019)★	70.0% reduction	20.0% reduction
	Visitors to Japan: Railway Business revenues	¥56.0 billion	(¥10.3 billion)
	Ticketless journey rate on JR East Shinkansen	75.0%	41.0%
	Handling rate of eki-net online reservation service	65.0%	37.3%
	5G coverage area	100 locations*4 in total	21 locations in total
	Kilometers of optical fiber cores leased★	400 km*5 in total	(—)
Lifestyle Solutions-Related Targets	Kilometers of in-place monitoring inspection on overhead wires	7,500 km in JR East service area	(5,500 km in JR East service area)
	Countermeasures for major earthquakes (seismic reinforcement): Shinkansen viaduct columns (subject to ministerial ordinances, etc.)★	100.0%*4	(—)
	Countermeasures for major earthquakes (seismic reinforcement): Conventional line rigid-frame bridge abutments (subject to ministerial ordinances, etc.)★	100.0%	(—)
	Sales on JRE MALL, online shopping platform	¥300.0 billion	¥5.1 billion
	Number of shared offices	1,400 locations in total	774 locations in total
	Visitors to Japan: Lifestyle Solutions revenues	¥30.0 billion	(¥7.8 billion)
	Asset management scale in real estate fund business	¥400.0 billion in total	(¥157.8 billion in total)
	Housing developed	6,000 units in total	3,054 units in total
	Childcare support facilities	175 locations in total	165 locations in total
	JRE POINT reward program members★	30.0 million people	13.79 million people
Targets That Will Become the Foundations of Growth	E-payment via IC ticket systems, such as Suica	600.0 million transactions/month	263.0 million transactions/month
	Mobile Suica cards issued	35.0 million	20.31 million
	Transactions on the MaaS platform, Mobility Linkage Platform, provided by JR East★	100.0 million transactions/month	38.68 million transactions/month
	CO <sub>2</sub> emissions of the entire JR East Group (compared with fiscal 2014)★	50.0% reduction*6	14.7% reduction
	Development of renewable energy power sources★	700,000 kW*6	136,000 kW
	Recycling rate for waste (PET bottles) generated at stations and on trains★	100.0%*6	(97%)
	Recycling rate for waste (general/industrial) (compared with fiscal 2014)★	73.0%*6	(79%)
	Assignment of personnel to key growth fields★	2,000 people or more in total*5	(—)
	Percentage of managers who are female★	10.0%	(7.0%)
	Percentage of employees with disabilities★	2.70%	(2.63%)
	Acquisition rate of paternity leave★	85.0% or more	(43.7%)
	Care-fitter qualification acquisition rate★	80.0%	(60.5%)
	Fatal employee accidents including Group and partner companies★	0*1	(1)*2
	Percentage of patent and design applications related to digital transformation and services★	50.0%	(45.0%)
	Penetration of initiatives related to human rights, the environment, and other issues among major suppliers (supply chain penetration percentage)★	100.0%	(55.6%)

\*1 Targets for fiscal 2024   \*2 Preliminary figures   \*3 Targets to be reached by the end of fiscal 2032, major conventional lines in the Tokyo metropolitan area by number of lines

\*4 Fiscal 2026 targets   \*5 Cumulative targets from fiscal 2024 onward   \*6 Fiscal 2031 targets  
(Figures in parentheses are the reference values for new targets)   ★ Indicates materiality-based numerical targets (Page 63)

Financial and Investment Strategies



By pursuing consolidated cash flow management from a medium- to long-term perspective, we will achieve both sustainable growth and financial soundness, and further enhance our corporate value.

Atsuko Itoh

Executive Director  
Director General of Corporate Strategies Headquarters

Q. It has been more than three years since the outbreak of the COVID-19 pandemic. Could you give us an overview of this period and your policies for fiscal 2024 and beyond?

A. Over the three years from fiscal 2021 to fiscal 2023, all Group employees have united in taking rigorous measures to recover profitability and achieve structural reforms.

First of all, to recover profitability, we did everything in our power to boost revenue in existing businesses. In addition, as a new growth strategy, we have expanded our real estate fund business by launching a private real estate investment trust (REIT). We also implemented the “rotational business model” in the real estate business, under which we sell our own properties to private REITs and funds to promptly secure development profits, and we then reinvest the resulting capital in areas with high growth potential.

In structural reforms, we are in the process of shifting to a lean cost structure through means such as reducing the number of trains by spreading out peak demand and revising train schedules commensurate with the degree of usage, running the last trains of the day earlier and the first trains later, expanding driver-only operations, and using condition based maintenance (CBM) for more efficient maintenance. We also expect to reduce operation costs in the railway business by ¥100.0 billion compared to fiscal 2020 by fiscal 2028 and, as of the end of fiscal 2023, we have achieved ¥74.0 billion of that figure.

As a result, whereas we recorded a loss attributable to owners of parent of ¥577.9 billion in fiscal 2021, our largest ever, in fiscal 2023, we returned to profitability for the first time in three years and recorded a profit of ¥99.2 billion. In addition, our operating cash flow, which was negative ¥189.9 billion in fiscal 2021, turned positive and bounced back to ¥581.7 billion in fiscal 2023. We also achieved positive free cash flow in fiscal 2023 for the first time in four years.

Our financial condition is also recovering, after having suffered under the COVID-19 pandemic. We use as a debt management indicator the ratio of net interest-bearing debt to EBITDA (earnings before interest, taxes, depreciation, and amortization), which is calculated by using net interest-bearing debt to show the actual balance of debt and EBITDA to show earning capacity in cash terms. Our net interest-bearing debt to EBITDA ratio in fiscal 2023 was reduced to 8.6 times, from 19.0 times in fiscal 2022.

As we move on to the post-COVID-19 society, we will make a fundamental change in our financial and investment strategies, spearheaded by pursuing consolidated cash flow management from a

medium- to long-term perspective. Until now, when it comes to Group performance management, we have focused on single-year revenues and profits at individual Group companies, but from now on we will refocus on medium- to long-term cash flows on a consolidated segment basis. We are also promoting delegation of authority to accelerate decision-making and enhancing performance tracing. Furthermore, we will implement cash flow management optimized for business characteristics.

Q. What is the purpose of “cash flow management optimized for business characteristics?” What direction will you take and what policies will you implement for the respective businesses?

A. We run a wide range of businesses, including Transportation, Retail & Services, Real Estate & Hotels, IT & Suica, Renewable Energy, and International business. To achieve the policies of the JR East Group Management Vision “Move Up” 2027 at a higher level and at a faster pace, we need to refine the strengths of each business, integrate the businesses and coordinate between them. In addition, we need to restructure our growth strategies for the post-COVID-19 phase. The method for achieving this is cash flow management optimized for business characteristics. Specifically, we will optimally allocate business resources and manage performance, investments, and profits and losses with consideration for the respective characteristics of Mobility and Lifestyle Solutions.

Mobility is positioned as a sustainable business that requires stability and evolution. With the assumption that we will not see any rebound in railway usage to pre-COVID levels, we will carry out a radical structural reform to secure sustainable cash flows. We will strategically accelerate profitability improvement and structural reform by linking operating cash flow with capital investment. Our financial policy will be to aim to continuously reduce the net interest-bearing debt to EBITDA ratio.

Lifestyle Solutions are growth businesses that anticipate change with speed. We will identify growth drivers within each business and generate more cash flows. In terms of financial policy, we will focus on EBITDA growth to secure the kind of investment capacity that will lead to a stronger earnings base. In the real estate business in particular, in addition to our traditional long-term holdings business, we will expand rotational and management business operations to accelerate business speed and acquire new earnings.



Financial and Investment Strategies

Cash Flow Management Optimized for Business Characteristics

Segments	Mobility	Lifestyle Solutions
Business characteristics	<b>Sustainable business</b> that requires stability and evolution	<b>Growth business</b> that anticipates change with speed
Targeted business operations	<b>Sustainable business operations</b> within the confines of its cash flow	<b>Acceleration of growth without missing opportunities</b> through flexible financing and rotational business in the real estate business, etc.
Financial policies	<b>Focus on controlling net interest-bearing debt to EBITDA ratio</b> (Aiming for continuous reduction of our net interest-bearing debt to EBITDA ratio)	<b>Focus on EBITDA growth</b> in order to secure investment capacity that will lead to a stronger earnings base

Q. What is your position on the newly announced numerical targets for fiscal 2028 and the usages of cash from fiscal 2024 to fiscal 2028?

**A.** The numerical targets for fiscal 2026, which were set in January 2021, were determined based on certain assumptions at a time when there was no clear end in sight to the COVID-19 pandemic. Since it is anticipated that post-COVID normality will finally be reached by the end of fiscal 2024, we have decided to set new numerical targets for fiscal 2028, the concluding year of “Move Up” 2027. To further increase operating revenues, operating income, and operating cash flow, in Mobility, we will capture new post-COVID-19 needs and inbound demand and we will also work to reduce operation costs. In Lifestyle Solutions, in addition to refining existing businesses, we will strategically roll out our real estate business as well.

In the post-COVID-19 era, we will promote transformation of our business portfolio to build a strong management foundation that is resilient to changes in the external environment and capable of sustainably creating value. To that end, over the next five years we plan to invest approximately ¥3.9 trillion, given operating cash flow of approximately ¥3.8 trillion. As part of this, we will practice thorough selection and concentration in investment needed for the continuous operation

of business, while we will accelerate growth investment for the opening of TAKANAWA GATEWAY CITY and the Oimachi Development project from fiscal 2025 to fiscal 2026. Growth investments in Lifestyle Solutions will constitute approximately 70% of all growth investments. In the Real Estate & Hotel business in particular, in addition to these developments, we will continue to drive numerous large-scale development projects, including those that will contribute to earnings from fiscal 2029 onwards.

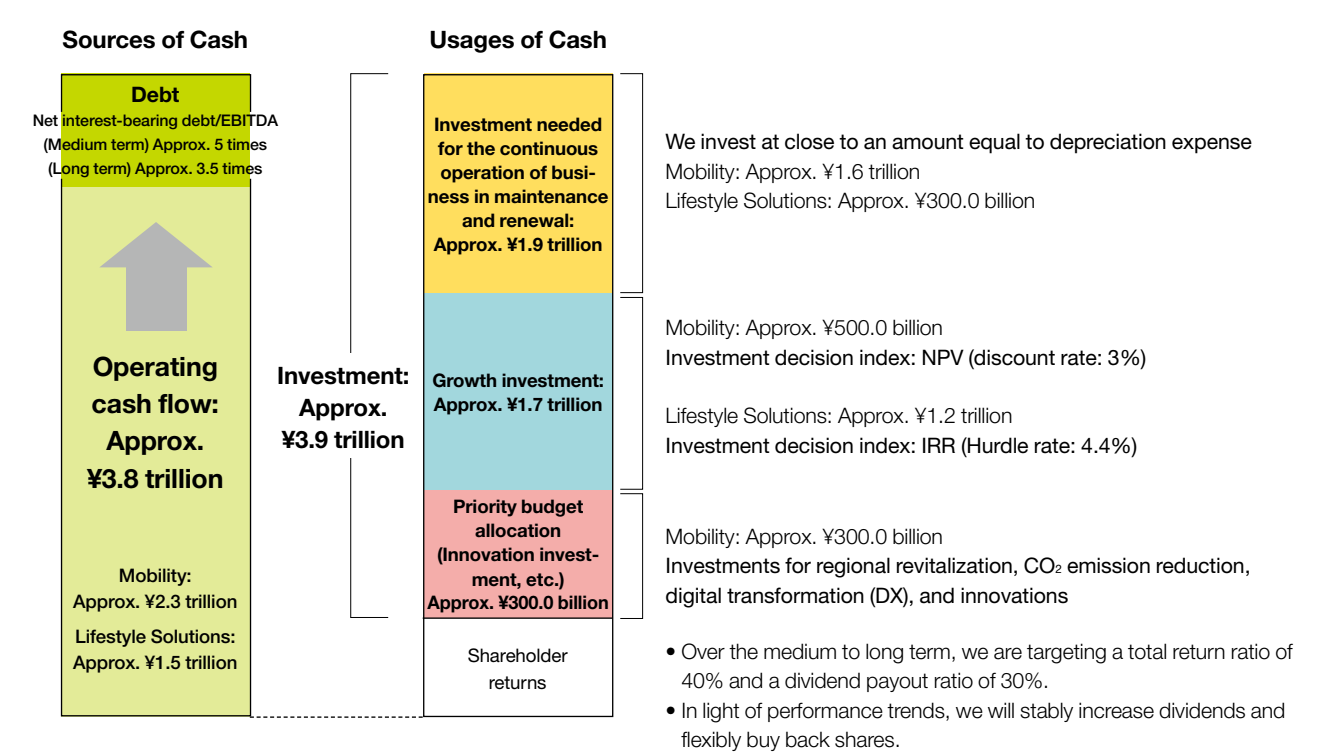
With regard to shareholder returns, over the medium to long term, we are targeting a total return ratio of 40% and a dividend payout ratio of 30%. In light of performance trends, we will stably increase dividends and flexibly buy back shares.

Q. JR East has continued to implement aggressive levels of capital investment. How will you maintain investment discipline and ensure financial soundness?

**A.** We will manage investment needed for the continuous operation of business using the level of depreciation expense as a yardstick.

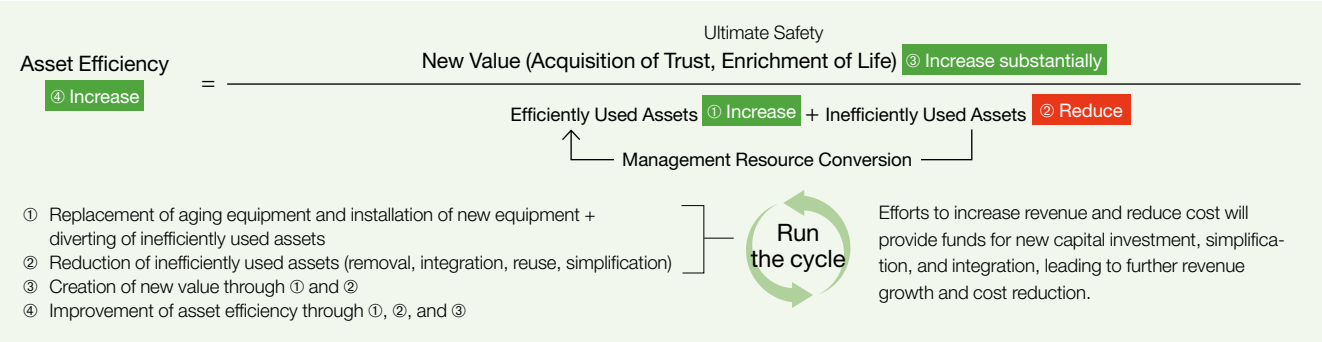
We implement growth investments after assessing rates of return based on investment judgment criteria. Specifically, we make decisions based on Internal rate of return (IRR) for Lifestyle Solutions, and set the

Usages of Cash from Fiscal 2024 to Fiscal 2028



Financial and Investment Strategies

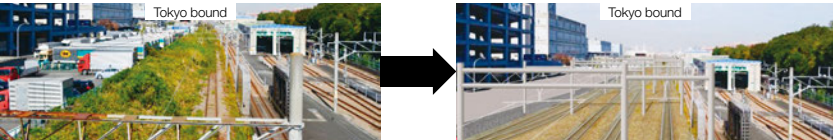
Approach to Asset Efficiency Improvement (“Move Up” Drivers)



Diverting of Inefficiently Used Assets Example 1: Redevelopment of former company housing sites—Funabashi Ichiba-cho Project (tentative name)

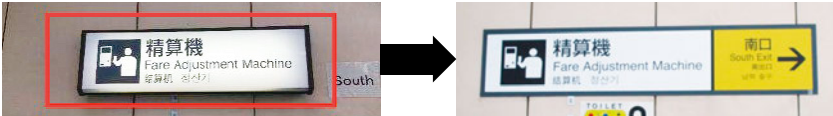


Diverting of Inefficiently Used Assets Example 2: Effective use of existing assets such as lines on which operations are suspended in the construction of the Haneda Airport Access Line (tentative name) (improvement section in the Tokyo Freight Terminal)



Streamlining Inefficiently Used Facilities Example: Removal of internal illumination from station premises signage

\* In light of the brightness of station premises, we removed internally illuminated information signs and replaced them with new sheet-type information sign panels (approx. 380 cases in fiscal 2023).



Q. What is your message to JR East shareholders and investors?

A. We have accelerated our response to change, since the future that we anticipated when we first formulated "Move Up" 2027 materialized unexpectedly early due to the COVID-19 pandemic. With the pandemic finally winding down, we are going back on the offensive.

Our financial and investment strategies have also changed significantly. Acknowledging that there is unlikely to be any rebound in railway usage to pre-COVID-19 levels, we have reformulated our growth strategy, implemented a range of structural reforms, and introduced cash flow management optimized for business characteristics.

It will become even more important to engage in dialogue with our

shareholders and investors so that they can understand how our Group has changed in this way. To date, we have deepened dialogue through various forums, such as financial results briefings, individual meetings, and shareholder-oriented events. We are also strengthening two-way communication. Since fiscal 2022, we have been holding IR Day, a combination of meetings focused on themes of strong interest to investors, such as our real estate and hotel businesses, and dialogue with outside officers, and in fiscal 2023 we started holding shareholders' roundtable meetings for individual shareholders.

Through these efforts, we will work to earn the long-term trust of our shareholders and investors. We also live up to the mandate they have given us by pursuing longer-term enhancement of corporate value.

Environmental Investment and ESG Bond Issuance

The JR East Group places paramount importance on practicing ESG management, and we plan to invest approximately ¥130.0 billion in such initiatives over the five years from fiscal 2024 to fiscal 2028. For JR East, environmental investment means decarbonization investment that contributes primarily to the reduction of CO<sub>2</sub> emissions. Specifically, it includes the introduction of high environmental performance rolling stock, LED lighting in stations, the installation of "ecoste" (eco-stations) and the development of high-efficiency air-conditioning.

In addition, since January 2020, we have issued four sustainability bonds\*1 in Japan and one green bond\*2 overseas. Funds procured from the sustainability bonds in January 2023 will be allocated to E235 series trains (Yokosuka/Sobu Rapid Line) and KAWASAKI DELTA.

\*1 Sustainability bonds: The proceeds of these bonds are used for projects that contribute to the resolution of both environmental and social issues

\*2 Green bonds: The proceeds of these bonds are used for projects that contribute to solutions to environmental problems



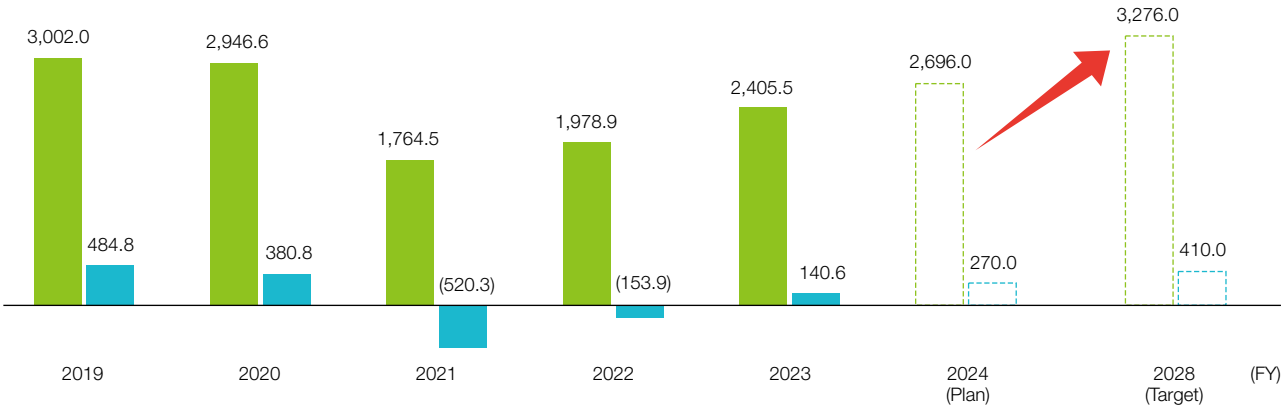
E235 series railcars (using proceeds from January 2023 sustainability bonds) feature characteristics such as energy-saving trains (environment) and barrier-free facilities (social).

Business Results and Targets

Operating revenues Operating income

Consolidated Operating Revenues & Operating Income

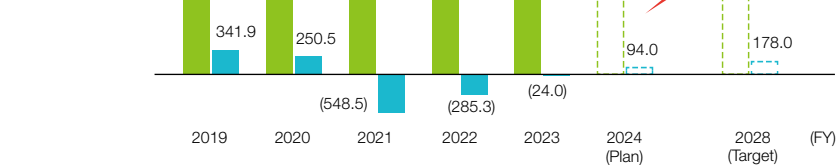
(Billions of yen)



Mobility

Transportation

(Billions of yen)



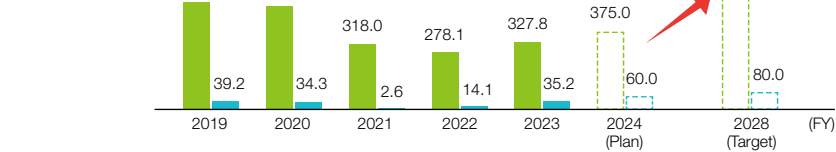
Major Initiatives Going Forward

- Capturing inbound demand, introduction of Green Cars on the Chuo Rapid Line, sales measures (yield management)
- Overseas rolling stock sales (railcar manufacturing business)

Lifestyle Solutions

Retail & Services

(Billions of yen)

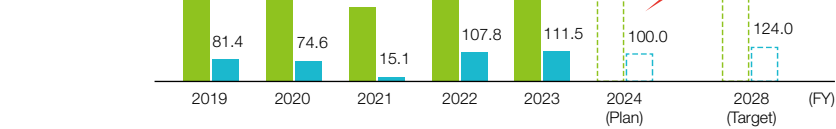


Major Initiatives Going Forward

- Growth of existing stores, JRE MALL, STATION WORK (shared office), and Hako-byun (train-based freight transportation service)

Real Estate & Hotels

(Billions of yen)

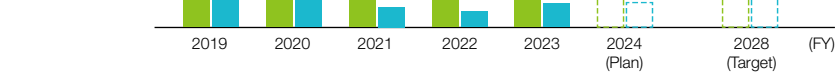


Major Initiatives Going Forward

- Growth of existing shopping centers, office buildings, and hotels, TAKANAWA GATEWAY CITY, Oimachi Development Project, and opening of new hotels

Others (IT & Suica, Renewable Energy, International Business etc.)

(Billions of yen)



Major Initiatives Going Forward

- Growth of the Suica e-money and credit card business, advancement of renewable energy power generation business



Foundations for Value Creation (Corporate Governance)

Basic Corporate Governance Philosophy

JR East pursues the achievement of ultimate safety to enhance reliability for customers and the creation of enriched lives for people as its business. To that end, it works to make transparent, fair, firm, and timely decisions. At the same time, the Company strives for genuine collaboration with its stakeholders, including shareholders, customers, local communities, business partners, creditors, and employees who work for the Group, and it aims to achieve sustained business growth and improve its medium- to long-term corporate value.

The Company's Corporate Governance Guidelines, developed by the Board of Directors, set out its basic approach and concrete activities and are published on its corporate website.

<https://www.jreast.co.jp/e/aboutus/>

Transition to Company with Audit and Supervisory Committee

Since June 2022, the Company has been reforming its organization so that it can flexibly respond to the rapidly changing business environment and strengthen its management structure. In June 2023, it transitioned to the Company with Audit and Supervisory Committee system of governance. In so doing, the Company aims to further accelerate decision-making and business execution by delegating decision-making authority on important business execution from the Board of Directors to executive directors. The Company also intends to enhance corporate governance by strengthening the supervisory functions of the Board of Directors and further elevate corporate value.

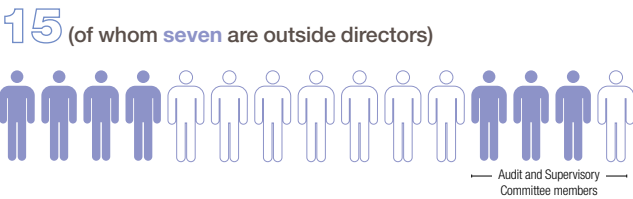
Composition of the Board of Directors and Other Governing Bodies

JR East's Board of Directors consists of 15 members, including seven outside directors. It generally meets monthly to deliberate on statutory requirements, other basic business policies and strategies for the entire Group, important matters for Group management, and other key operational matters and to supervise overall business operations.

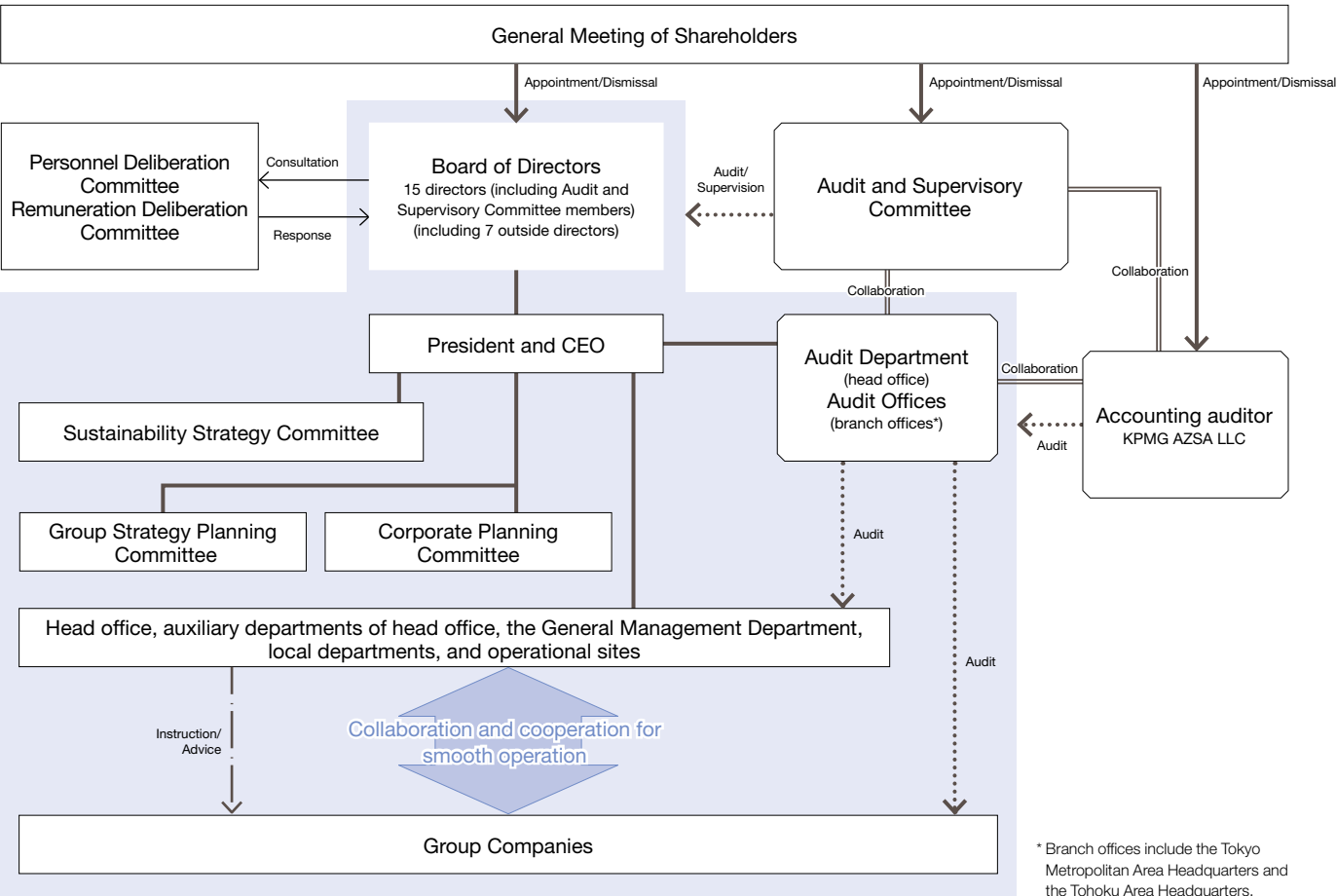
The Board of Directors has established a Corporate Planning Committee consisting of seven directors (excluding outside directors and Audit and Supervisory Committee members) and 11 senior executive officers. The committee generally meets once a week to deliberate and report on matters to be decided by the Board of Directors and other important Group management issues.

In addition, the Group Strategy Planning Committee, chaired by the president, was formed to develop strategy across the entire Group and, with membership including directors and senior executive officers, it meets as required to discuss issues pertaining to the formulation and implementation of Group business strategies.

Number of Members of the Board of Directors



Corporate Governance Report (As of July 2023)



Method for Ensuring the Effectiveness of the Board of Directors

Every year, we perform an analysis and assessment of the effectiveness of the Board of Directors, as described below.

- The effectiveness of the Board of Directors is assessed from the perspective of the Board's roles and responsibilities, including transparent, fair, quick, and decisive decision-making.
- Regarding the assessment method, all directors independently evaluate the Board of Directors' effectiveness. The results of this evaluation are analyzed, outside directors are consulted on their opinions, and the Board of Directors' methods of operations may be revised, if necessary.

Results of the Analysis and Assessment of the Board of Directors' Effectiveness

The results of the self-assessment at the Board of Directors meeting on May 15, 2023, confirmed that the Board of Directors appropriately considers matters for deliberation, conducts sufficient reporting to fulfill its role in supervising business execution, and that it has a compliance system in place. On the basis of these results, JR East determined that the Board of Directors is sufficiently fulfilling its roles and responsibilities and judged it as being effective.

Reflecting the opinions of outside directors, to further enhance the effectiveness of the Board of Directors, JR East will continue to provide training for directors, which includes the hosting of on-site visits for outside directors and lectures by outside experts. We also aim to expedite management decision-making and enhance monitoring functions in line with our transition to the Company with Audit and Supervisory Committee system of corporate governance and accelerate discussions to clarify the vision and direction of each business unit.

Provision of Information to Outside Directors

To boost the effectiveness of its Board of Directors, JR East is working to enhance opportunities for information sharing by having outside directors conduct inspections and engage with employees in each area of operation at on-site visits. In fiscal 2023, it implemented the following.

- Inspection of Shinanogawa Power Station (October to November)
- Inspection of hydrogen hybrid train HYBARI (October)
- Participation in "Move Up" Chat Forums\* (December)
- Inspection of measures in Taiwan (January)
- Visit to JR East General Training Center Accident History Exhibition Hall (March)
- Mitaka cross-organizational project visit (March)



\* A forum for dialogue between executives and employees in individual areas of operation, with the aim of instilling the Group management vision "Move Up" 2027 and encouraging Group employees to proactively take on challenges and implement innovations

Personnel Deliberation Committee

When it comes to resolutions on the appointment and dismissal of directors (excluding Audit and Supervisory Committee members) and on the appointment and dismissal of the president, as a means of ensuring objectivity, timeliness, and transparency, the Company consults in advance with the Personnel Deliberation Committee, which consists of outside directors and other directors (excluding Audit and Supervisory Committee members).

Approach to Evaluating the Effectiveness of the Board of Directors

Analysis and Assessment of the Board of Directors' Effectiveness in Fiscal 2023	
Item	Highly Rated Items
Decision-making related to business execution	• Discussions have been held regarding future strategies. • A forum for decision-making has been established in addition to the Board of Directors.
Supervision of the execution of duties by directors	• A sense of unity is taking shape in the system responsible for internal governance.
Management of the Board of Directors	• Support for outside directors has been improving, including through on-site visits and advance explanations of Board meeting agendas. • Executive study sessions with external lecturers, executive "workations," and on-site visits are an effective part of director training.
Item	Items For Improvement
Decision-making related to business execution	• Ongoing discussions will be held by the Board of Directors on the progress of "Move Up" 2027 and the direction of the Company. • In conjunction with the transition to the Company with Audit and Supervisory Committee governance system, the delegation of business execution will speed up management and the enhancement of monitoring functions will be achieved by reporting on delegated matters.
Supervision of the execution of duties by directors	• There is a need to enhance reporting methods that facilitate the provision of clear analysis of progress toward goals, with easily understandable results.
Management of the Board of Directors	• Thoroughgoing materials preparation and explanations that make clear the issues and information necessary for decision-making are required. • For more complex agenda items, efforts will be made to explain them more clearly, by providing comprehensive explanations of their history and background, both when preparing materials and when providing explanatory notes in advance.

Foundations for Value Creation (Corporate Governance)

Remuneration Deliberation Committee

When it comes to determining the remuneration of directors (excluding Audit and Supervisory Committee members), as a means of ensuring the transparency and fairness of procedures, the Company consults in advance with the Remuneration Deliberation Committee, which consists of outside directors and other directors (excluding Audit and Supervisory Committee members).

Executive Remuneration

The Company pays directors (excluding outside directors and Audit and Supervisory Committee members) base remuneration based on their roles in consideration of their everyday business execution, within the scope of the remuneration amount resolved at the General Meeting of Shareholders. In addition, said directors receive performance-linked remuneration based on management performance, shareholder dividends, their degree of contribution to operating performance and the achievement of our Group Management Vision, and ESG-related initiatives during the fiscal year.

In consideration of their job responsibilities, outside directors (excluding Audit and Supervisory Committee members) receive no performance-linked remuneration. They receive base remuneration for business execution within the scope of the remuneration amount resolved at the General Meeting of Shareholders.

Details of the Company’s executive remuneration for fiscal 2023 prior to its transition to the Company with Audit and Supervisory Committee system of governance are shown in the table below.

	People	Total Amount
Directors (excluding outside directors)	9	¥464 million (Base remuneration: ¥351 million)
Corporate auditors (excluding outside auditors)	1	¥12 million (Base remuneration: ¥12 million)
Outside executives	9	¥144 million (Base remuneration: ¥144 million)
Total	19	¥620 million (Base remuneration: ¥507 million)

Notes: (1) The figures above include remuneration paid to one director and one corporate auditor who stepped down at the close of the 35th Ordinary General Meeting of Shareholders on June 22, 2022.  
(2) In response to the impact of the COVID-19 pandemic on JR East’s business performance, directors (excluding outside directors) voluntarily returned 10% or 20% of their base remuneration from April 2022 to July 2022. In addition, full-time corporate auditors received a 10% reduction in base remuneration as decided by the Board of Corporate Auditors. The amounts of base remuneration for directors and corporate auditors in the table above include the amount of remuneration voluntarily returned and the remuneration reductions.

Ratio of Base Remuneration to Performance-Linked Remuneration

The ratio of base remuneration to performance-linked remuneration for directors (excluding outside directors and Audit and Supervisory Committee members) has typically been around 4:1, excluding the variable portion for an individual director’s performance, so that performance-linked remuneration accounts for a certain percentage of total remuneration. We are now raising that ratio to 3:2 to further increase incentives for medium- to long-term corporate value enhancement and sustained growth through achievement of our Group Management Vision. In addition, until now, the variable portion for individual directors’ performance-linked remuneration has been added to or subtracted from the basic amount for each position within the range of +30% to –40%, but that range has been revised to +40% to –40%. Further reductions may be made after considering circumstances related to the Company’s management, including business results for the current fiscal year and the business forecast for the next fiscal year.

Indices for Performance-Linked Remuneration and the Reason for Their Selection

In addition to their performance during the year, success for directors (excluding outside directors and Audit and Supervisory Committee members) during a given business year is measured through an overall assessment of indices including consolidated operating results such as operating revenues and operating income during the year and shareholder returns (business characteristics strongly associated with cooperation among business departments); level of contribution to “Move Up” 2027 (business characteristics associated with a long span of time from the planning stage to the appearance of results); and ESG efforts (in light of the importance of fulfilling the social responsibilities expected of a corporation).To assess performance during the year, the level of contribution, and ESG efforts, the president and CEO conducts goal-setting and tracing interviews with individual directors regarding the level of achievement of annual business plans and “Move Up” 2027. Performance-linked remuneration is paid as cash remuneration at a fixed time each year. In fiscal 2023, however, evaluations of corporate earnings were impacted by the fact that, although the Company achieved profitability in fiscal 2023 (our 36th term), earnings fell short of targets. This and other criteria including individual directors’ degree of contribution to the achievement of “Move Up” 2027 were factored into overall assessments upon which additions or subtractions to performance-linked remuneration were implemented.

No non-monetary remuneration is paid.

Succession Plans

JR East has in place a performance evaluation system for inside directors (excluding Audit and Supervisory Committee members) that sets and traces targets. The Company also has a target management system that sets and traces targets for managers and other employees who are candidates for executive positions, and it considers these systems to constitute succession plans for the president and CEO and other such officers. The Personnel Deliberation Committee, which is an advisory body to the Board of Directors, deliberates on succession plans for the president and CEO and reports to the Board of Directors, so that the committee will be proactively involved in the formulation and implementation of those plans while at the same time appropriately supervising the development of successor candidates in a systematic manner. The Board of Directors also supervises whether successor training for the president and CEO is being conducted appropriately by obtaining reports on succession plans and reviewing the status of efforts to achieve management targets such as the Group Management Vision and annual plans to ascertain the details of succession plans and the accomplishments of directors and executives.

Auditing

JR East conducts Audit and Supervisory Committee audits, internal audits, and accounting audits. The Company endeavors to conduct mutually efficient and effective audit activities through structured information sharing. Such information sharing includes regular liaison meetings held about once a month between the internal audit department and the Audit and Supervisory Committee, as well as reports obtained by the Audit and Supervisory Committee from the accounting auditor on quarterly review results, annual audit results, and audit-related information. JR East also implements regularly scheduled exchanges of opinion between the Audit and Supervisory Committee, the internal audit department, and the accounting auditor.

Audits by the Audit and Supervisory Committee

JR East’s Audit and Supervisory Committee consists of a total of four members: two full-time members and two part-time members (three of the four are outside members). In addition, Director Kimitaka Mori, who is an Audit and Supervisory Committee member, is a certified public accountant and has considerable knowledge of finance and accounting. The Company assigns around 10 dedicated staff members to assist the Audit and Supervisory Committee.

In accordance with the policies determined by the Audit and Supervisory Committee, each committee member attends meetings of the Board of Directors and other important meetings, listens to reports on the status of the execution of duties from directors and the internal audit department, inspects important approval documents, audits the status of business and financial assets, and listens to reports on the status of execution of duties from the accounting auditor, with whom they also discuss major auditing matters. In addition, the committee works to communicate and exchange information with Group company directors and corporate auditors and obtains reports as needed on the operations of Group companies. Moreover, the committee holds regular discussions with JR East’s representative directors and outside directors (excluding those who are Audit and Supervisory Committee members).

Internal Audits

Internal audits are conducted by a dedicated team of staff in the Audit Department at head office and in Audit Offices at each branch office to evaluate and make recommendations on the status of business execution, risk control, and management of measures to realize the JR East Group Management Vision “Move Up” 2027 from the perspectives of effectiveness, efficiency, legality, and adequacy. Guided by an audit plan, the dedicated staff audit the head office, branch offices, and operational sites. Where there is need for improvement, the team asks for a report on the situation and provides advice.

In addition, Group companies assign internal audit staff to conduct audits, and the parent company also conducts audits on a regular basis.

The results of these audits are reported to the president and CEO approximately once a quarter and to the Board of Directors and the Audit and Supervisory Committee once every half year.

Details of Audits by the Internal Audit Department

1. Audits of Management

Under the theme of initiatives pertaining to “Growth strategies for achieving “Move Up” 2027” and “Fundamental strengthening of management foundation,” the internal audit department conducts audits of the state of management from the perspectives of effectiveness, efficiency, and adequacy, and we aim to provide support for the achievement of these goals as well as present issues that need resolving.

2. Audits of Operation Risk Control

We conduct audits on the status of risk identification by the business execution departments of the Company and its Group companies, risk prioritization policy, and risk response status, and we assess the effectiveness of internal control by auditing the status of management, such as whether the PDCA cycle is functioning effectively to reduce risks.

3. Audits of Legal and Regulatory Compliance

These audits are aimed at confirming the status of compliance with laws and regulations in the execution of business by JR East and its Group companies and the status of their system security measures (compliance status). We also make recommendations related to internal control based on event risks and causes.

Policy on Shareholdings in Selected Companies

The Company will hold shares in selected companies that will contribute to its corporate value, in order to maintain and strengthen stable business relationships and close cooperative relationships with such companies over the medium to long term. The Company will exercise its rights as a shareholder of a company by examining the details of proposals for each general meeting of shareholders of said company and requesting any explanation therefor, as necessary, in consideration of whether the proposal contributes to the medium- to long-term corporate value of said company and whether the proposal is in accordance with the objectives for such shareholdings. When a selected company proposes to dispose of Company shares, the Company will take no action to inhibit such disposal, including by suggesting that such disposition would reduce business with the Company.

In addition, the Company will examine the medium- to long-term economic rationale and outlook of its shareholdings in each of the selected companies in light of their operating results (operating revenues and operating income for the most recent fiscal year as well as the following fiscal year) and capital cost (comparison with internal rate of return). Based on such examination and objectives for said shareholdings, the Company will consider whether it is necessary to dispose of its shareholding in any company upon discussion with said company where it is determined that the rationale for such a shareholding may have ceased to exist. Regarding shares in selected companies held as of fiscal 2023 year-end, the Company individually examined those shareholdings at the Board of Directors meeting held on June 14, 2023, and resolved to continue to hold only those stocks whose rationality for holding has been confirmed.

Policy on Dialogue with Shareholders and Investors

We create opportunities for constructive dialogue with shareholders and investors to deepen their understanding of the JR East Group’s businesses and to build long-term, trust-based relationships.

By building long-term relationships of trust, we aim to achieve sustainable business growth and enhance our corporate value over the medium to long term.

<https://www.jreast.co.jp/e/investor/>



IR Day



Small meeting for analysts and institutional investors



Shareholder gathering



Shareholder event in Sendai (vehicle tour)



Foundations for Value Creation (Corporate Governance)

Organization (As of July 2023)

Directors

Ⓔ: Personnel Deliberation Committee member Ⓔ: Remuneration Deliberation Committee member ①: Number of years in office ②: Attendance at meetings of the Board of Directors in fiscal 2023



Chairman of the Board of Directors

Tetsuro Tomita

① 24 years  
② 16/16



President and CEO

Yuji Fukasawa

Ⓔ Ⓔ

① 18 years  
② 16/16



Executive Vice President

Yoichi Kise

Ⓔ Ⓔ

① Six years  
② 16/16



Executive Vice President

Katsumi Ise

① Three years  
② 16/16



Executive Vice President

Chiharu Watari

① Two years  
② 12/12



Executive Director

Atsuko Itoh

① Three years  
② 16/16



Executive Director

Hitoshi Suzuki

① One year



Outside Director

Motoshige Itoh

Ⓔ Ⓔ

① Nine years  
② 16/16



Outside Director

Reiko Amano

Ⓔ Ⓔ

① Eight years  
② 16/16



Outside Director

Hiroko Kawamoto

Ⓔ Ⓔ

① Four years  
② 15/16



Outside Director

Toshio Iwamoto

Ⓔ Ⓔ

① Two years  
② 12/12

Directors and Audit and Supervisory Committee Members

①: Number of years in office (including years served as Corporate Auditors) ②: Attendance at the meetings of the Board of Directors in fiscal 2023

③: Attendance at meetings of the Board of Corporate Auditors in fiscal 2023



Director, Full-Time Member of the Audit and Supervisory Committee (Outside Director)

Takashi Kinoshita

① Five years  
② 16/16  
③ 19/19



Director, Full-Time Member of the Audit and Supervisory Committee

Masaki Ogata

① One year



Director, Member of the Audit and Supervisory Committee (Outside Director)

Kimitaka Mori

① Seven years  
② 15/16  
③ 18/19



Director, Member of the Audit and Supervisory Committee (Outside Director)

Hiroshi Koike

① Two years  
② 12/12  
③ 13/13

Directors' Skills Matrix

Name	Position and Responsibilities Other Noteworthy Information	Corporate Management and Business Strategy	Realization of an Inclusive Society and Promotion of ESG Management	Finance and Accounting	Human Resource Development and Job Satisfaction	Compliance and Risk Management	Legal	Technology Innovation and Digital Transformation	Global Business	Transportation Services and Safety	Lifestyle Services / Community Development / Lifestyle Development	IT & Suica Services, MaaS	Regional Development
Tetsuro Tomita	Chairman of the Board of Directors	●	●	●	●	●			●	●	●	●	●
Yuji Fukasawa	President and CEO Representative Director	●	●	●	●	●			●	●	●	●	●
Yoichi Kise	Executive Vice President Representative Director Assistant to the President Director General of Marketing Headquarters; In charge of Shinagawa Development; In charge of Regional Revitalization	●	●	●	●	●			●		●	●	●
Katsumi Ise	Executive Vice President Representative Director Assistant to President Director General of Innovation Strategy Headquarters	●		●	●	●		●	●	●		●	
Chiharu Watari	Executive Vice President Representative Director Assistant to President Director General of Railway Business Headquarters Chief Safety Officer	●	●	●	●	●		●		●			●
Atsuko Itoh	Executive Director Director General of Corporate Strategies Headquarters	●	●	●	●	●							●
Hitoshi Suzuki	Executive Director Deputy Director General of Railway Business Headquarters (Safety and Transport & Rolling Stock)	●			●	●		●		●			
Motoshige Itoh	Outside Director Has held professorships at the University of Tokyo and Gakushuin University	●	●	●	●	●		●	●		●		
Reiko Amano	Outside Director Has held important positions at Kajima Corporation, National Research Institute for Earth Science and Disaster Resilience, National Institute for Environmental Studies, and Japan Atomic Energy Agency	●	●		●	●		●		●			
Hiroko Kawamoto	Outside Director Has held important positions at All Nippon Airways Co., Ltd., and ANA Strategic Research Institute Co., Ltd.	●	●		●	●				●			
Toshio Iwamoto	Outside Director Served as president and CEO, representative director of NTT DATA Corporation	●	●	●	●	●		●	●			●	
Takashi Kinoshita	Director, Full-Time Member of the Audit and Supervisory Committee (Outside Director) Has held important posts in the National Police Agency		●		●	●				●			
Masaki Ogata	Director, Full-Time Member of the Audit and Supervisory Committee Has held important posts in the Company's Railway Business Division and has also served as chairman of the International Association of Public Transport, in addition to serving as vice chairman of the Board of Directors of JR East	●	●		●	●		●	●	●		●	●
Kimitaka Mori	Director, Member of the Audit and Supervisory Committee (Outside Director) Certified public accountant Has previously served as president of the Japanese Institute of Certified Public Accountants	●	●	●	●	●							
Hiroshi Koike	Director, Member of the Audit and Supervisory Committee (Outside Director) Has served as a judge of the Supreme Court of Japan		●	●	●	●	●						

Note: The above list does not represent the entire expertise and experience of each director.



## Outside Directors’ Roundtable Talks



**Toshio Iwamoto**  
Outside Director

**Tetsuro Tomita**  
Chairman of  
the Board of Directors

**Hiroshi Koike**  
Outside Director  
(Audit and Supervisory  
Committee Member)

In June 2023, JR East changed its institutional design to a Company with Audit and Supervisory Committee corporate governance structure to strengthen governance functions even further. Governance and the effectiveness of the Board of Directors were discussed by two outside directors and the chairman of the Board of Directors.

### From a Company with a Board of Corporate Auditors to a Company with Audit and Supervisory Committee

**Tomita** In June 2023, a determination was made to change JR East’s institutional design from a Company with a Board of Corporate Auditors to a Company with an Audit and Supervisory Committee corporate governance structure. Based on a medium- to long-term perspective, this determination was made after reconsidering the role and governance of the Group in relation to the advancement of the JR East Group Management Vision “Move Up” 2027 in a new post-COVID-19 era. The delegation from the Board of Directors to executive directors of the authority to make important business decisions will further expedite decisions and business execution. In addition, Audit and Supervisory Committee members now participate on the Board of Directors as directors and vote on its resolutions, thereby strengthening supervisory functions. I believe that this change in institutional design will realize faster management decision-making and strengthen the supervisory functions, which in turn will contribute to the enhancement of corporate value.

**Iwamoto** Since fiscal 2023 was my first year serving in this position, I have been carefully observing the Group’s governance. In my opinion, governance was strong even before the change in institutional design. Recently, companies have become subject to considerable social pressure to separate their supervisory and executive functions by shifting to corporate structures that include supervisory boards. Therefore, I believe that the change in institutional design to a Company with Audit and Supervisory Committee corporate governance structure will have the effect of demonstrating to the outside world the importance that JR East places on governance.

**Koike** Like Mr. Iwamoto, I believe that the governance structure of the Group was robust when it had a Company with a Board of Corporate Auditors corporate structure. In particular, a broad approach was taken to the concept of internal control, and such control functioned effectively in various situations. As a Company with Audit and Supervisory Committee corporate governance structure will enable even faster decision-making and business execution, I believe that the new institutional design is highly compatible with the Group, which has long focused on strengthening governance.

**Iwamoto** Prior to the change in institutional design, the Board of Directors discussed the extent to which the authority to make business execution decisions should be delegated to the executive side. Although the rules now allow delegation of authority to the executive side for matters that are extremely important to the management of the Group, such as major M&A proposals and asset sales, I believe that certain important matters should continue to be referred to the Board of Directors.

### Incorporation of Objective Viewpoints into the Company

**Iwamoto** Inside directors have a wealth of knowledge about the Group’s businesses. What is required of an outside director such as me, then, is to introduce objective viewpoints into the Company. I have served as president and chief executive officer of NTT DATA Corporation. My comments and actions based on the experience and knowledge acquired in my former position should be useful in strengthening the governance and corporate management of the Group. For example, cyber security and large-scale overseas M&A are my fields of expertise. I would like to use my professional background to contribute to the sustainable growth of the Group and, by extension, to the enhancement of corporate value over the medium to long term.

**Koike** Prior to assuming this position, I served in the legal profession as a judge, including a period as a supreme court justice. Although I have never been directly involved in corporate management, there are similarities between business management and lawsuits. Litigation is categorized into accident-related and contract-related cases. Both types of cases are caused by inadequate risk management. Trials that retrospectively review incidents also clarify the root causes of problems. Consequently, the importance of risk management has been instilled in me. I also have experience in managing organizations. When I was in charge of justice system reform, the precise suggestions received from outside experts gave me a real sense of the need for objective viewpoints. Although inside directors have a variety of knowledge based on their experience, they tend to have an inward-looking perspective. Outside directors who have had long careers outside the Group can survey it from a certain distance and give objective opinions on business management. With the Group making a major shift in course toward a people-focused approach, now is precisely the time when an objective viewpoint is critical. I would like to contribute to the further growth of the Group by focusing on stating opinions that reflect the experience and knowledge I have garnered.

**Tomita** I look for objectivity, fairness, and foresight from outside directors. The Company is a huge organization that has played a central role in 150 years of railway history. As a result, we have a tendency to fall back on in-house logic, and I believe our corporate culture makes the incorporation of outside opinions challenging. Nonetheless, as society and customers are constantly changing, we must never manage the Company based solely on our own values and logic. In a rapidly evolving society, only referring to in-house viewpoints when thinking about what to incorporate into business management and how to do so is sometimes insufficient. I expect our outside directors, who have a wealth of experience and knowledge, to provide us with uncompromising opinions based on a variety of considerations, including medium- to long-term perspectives and social perspectives.

### Features of the JR East Group’s Governance

**Iwamoto** What particularly surprised me about the Group’s governance is the high quality of internal audits. In general, internal audits focus on whether there are any violations of laws, regulations, or the Articles of Incorporation. In addition to auditing these areas, the Group conducts management audits, whereby the Audit Department audits the management status of measures with respect to effectiveness, efficiency, and appropriateness. With the aim of achieving goals in these regards, the department provides support and flags issues that need to be resolved. For example, the department evaluates the penetration of “Move Up” 2027 initiatives, such as the creation of an open workplace culture and enhancement of employee engagement. In general, the Corporate Planning Department would be responsible for this role. However, this would mean that the department in charge of setting targets also monitors progress in achieving them, which would make appropriate evaluations challenging.

**Koike** I agree, and I think JR East’s internal control and management audits are not formal procedures but rather emphasize substance. During on-site audits, I felt that the Company is seeking the widespread establishment of internal control that is practical, which differs from the kind of the internal control described in the literature.

**Tomita** We have had a range of discussions about internal control over the past three or four years. Railway companies had a culture that strongly emphasized compliance with regulations and precise execution of instructions. However, such an approach is no longer appropriate in this day and age. Encouraging employees themselves to think about what the issues are, make discoveries, come up with measures, and take the initiative to act on their own revitalizes entire organizations. In the Company, we must firmly establish a culture of acting spontaneously and independently. For audits to only check predetermined items is not enough. With this in mind, we have established a system enabling audits that are more substantive. Going forward, the auditing function will be expected to find and address unseen issues. Mindful of these expectations, the Company’s corporate auditors had been advancing reforms.

**Koike** I believe that the building of a practical system has been made possible by the effective role that the Board of Directors plays. When I first assumed this position, I was very surprised by the liveliness of discussions at Board meetings. Not only inside directors but also outside directors take an active part in discussions. Based on their experience and expertise, directors make many incisive comments, and everyone engages in the discussions. I think a sound cycle has been established whereby inconclusive discussions are left for individual directors to mull over in the interim and then resumed at the next Board meeting.

**Iwamoto** While I also give the Board of Directors high marks for effectiveness, I believe there are issues pertaining to its management of risk. In my view, risk management is the main issue that the Board should focus on. Some companies have risk management departments. Rather than identifying, analyzing, and prioritizing risks, formulating specific countermeasures for risks and then preventing them, risk must be managed in practical ways.



Outside Directors’ Roundtable Talks

Toward Further Strengthening of Governance Functions

**Tomita** Established in July 2018, the JR East Group Management Vision “Move Up” 2027 calls for a major change in the fundamental approach that underpins business management. Accordingly, we aim to transition from providing railway-centered services to creating people-focused value and services. “People” refers to our customers, local residents, employees, business partners, and shareholders. I believe the key going forward will be to adopt a multi-stakeholder approach that conducts business management in a well-balanced manner taking into consideration the interests of everyone. For this reason, the construction of a people-focused governance system will also be necessary.

In governance, we tend to focus on formal requirements such as institutional design, but the actions taken under a governance system are more important. The performance of the Group’s work is largely dependent on the feelings of the employees who carry it out. Each daily task that our employees perform changes according to their state of mind. I call this “mental and emotional productivity.” We must discuss governance with a focus on how to manage the emotions and engagement of our employees. By thinking about governance in a people-focused manner and utilizing the initiative and ingenuity of our employees in business management, we will increase their mental and emotional productivity. In further strengthening the governance of the Group, I believe that such mental and emotional productivity is important.

**Iwamoto** The JR East Group experienced a significant drop in transportation revenues due to the COVID-19 pandemic. Although revenues are currently trending toward recovery, I am concerned that they will never fully return to pre-COVID-19 levels. To achieve sustainable growth in this situation, transformation into a corporate group that aims for growth in two core areas—Mobility and Lifestyle Solutions—makes sense. In transforming into a new corporate entity, a high level of employee engagement is essential. By setting out a vision and proactively communicating to employees the roles expected of them, JR East will improve employee engagement. For its 70,000 Group employees, the JR East Group must become an “umbrella” that provides them with emotional support.

**Koike** The JR East Group has begun to head toward realizing a business portfolio that is well balanced between Mobility and Lifestyle Solutions. In other words, the Group is breaking away from the business management style that it has developed in the railway business and is promoting a strategy that has been established by backcasting from management goals, which reflect the Group’s target profile and market environment. More than ever before, management and employees must have a common understanding and push forward to realize these management goals. I believe that the Group’s employees have the ability to take action and head toward the management goals that have been set. In fiscal 2023, I visited about 20 locations, including branch offices, frontline offices, and subsidiaries. Everyone I met shared the Group’s philosophy and target profile and was proud to be an employee of the Group. Aligning the aspirations of management and employees is very important.



For Sustainable Growth of the JR East Group

**Tomita** A major role of the JR East Group, which is centered on the railway business, is to bring vitality to towns and communities and to create a vibrant society. To this end, we need to transform into a company that does not have inward-looking tendencies and which is capable of people-focused thinking. Moreover, the cultivation of employee autonomy will become even more important. The key to developing such a corporate culture is collaboration among people with different values. As we seek regional revitalization through regional digital transformation that is enabled by Suica and Mobility as a Service (MaaS), we are currently working with local residents to solve problems, which is leading to the creation of mold-breaking initiatives and services. I believe that collaborating with outside stakeholders in this way will transform the mindset of employees, which in turn will change the Company’s corporate culture.

**Iwamoto** The essence of ESG management is the provision of products and services that address social issues. By providing the value sought by society, corporate groups become viewed as necessary and, as a result, earn profits. However, we must not forget that the value sought by society changes with the times. Therefore, we should always monitor trends and change the form of the value that we provide accordingly. As social issues change, the Group must also change. The mission of the Group is to continue offering products and services that help solve social issues, and it should always remain focused on addressing these issues. While maintaining an unshakable management base, the Group must also be flexible enough to respond to an evolving social environment.

**Koike** In response to changes in social issues, simply catching up with trends is not enough. The Group has to analyze the background to changes and develop a substantive understanding of why they are occurring. For example, when promoting diversity, rather than simply being satisfied with increasing the percentage of female employees, we should think about why diversity is required and how the empowerment of women will change society. I believe that young people have a heightened awareness of ESG factors. If the outlooks of young employees can be incorporated into business management, engagement will increase. The establishment of governance and corporate management that reflect diverse opinions will lead to higher corporate value.

**Tomita** Being able to discern the real point of initiatives is crucial. To take workstyle reform as an example, the real point is not simply to reduce working hours but to change the quality of work. We must advance reform in the true sense of the word so that employees feel that they are working of their own volition rather than being compelled to work.

In Conclusion

**Iwamoto** Outside directors do not have as much information about the Company as inside directors. As an outside director, I would like to rectify this disparity by adhering to the Three Actualities Principle (actual locations, actual objects, and actual people) and visiting more frontline offices to find clues to the solutions for issues. At meetings of the Board of Directors, I intend to freely offer my experience and knowledge and give particular emphasis to risk management, as I have already mentioned.



**Koike** The pace of the “Move Up” that the JR East Group is undertaking is extremely fast, and problems could arise on occasion. In my opinion, the harder people try, the likelier they are to develop tunnel vision and reach conclusions that are exclusively based on their own logic, which can sometimes result in inappropriate outcomes. Whenever I feel something is not quite right, I believe my responsibility is to analyze the matter based on the experience and knowledge I have accumulated over the years and provide objective opinions. By continuing to visit frontline offices to develop an understanding of the thoughts and opinions of employees working in frontline operations and by explaining my viewpoint, I would like to contribute to the sustainable growth of the JR East Group.

**Tomita** To achieve sustainable growth, I think the Board of Directors must continue tackling challenges head-on. This roundtable discussion has reconfirmed to me the importance of risk management-centered governance capabilities and adaptability to social changes. We will continue to engage in such discussions at Board meetings and analyze a range of issues while providing support to the executive side.

Lastly, the form that governance takes depends on the characteristics of a company and the type of business in which it is engaged. Rather than being satisfied with the establishment of a generic form of governance, we should pursue the optimal form of governance for the JR East Group. We will communicate our philosophy to society with a view to gaining the understanding of our shareholders and other stakeholders.