

(Translation)

March 21, 2024

To whom it may concern:

Company Name: East Japan Railway Company  
Representative: Yuji Fukasawa  
President and CEO  
Securities Code: 9020  
Tokyo Stock Exchange (Prime Market)  
Contact Person: Satoshi Shiohara  
General Manager,  
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Announcement Regarding Action to Implement Management that is  
Conscious of Cost of Capital and Stock Price

East Japan Railway Company (the “Company”) at the meeting of its Board of Directors held on March 21, 2024, aiming for sustainable growth of the Company and mid-to-long-term improvement of corporate value, assessed and evaluated the current status of action to implement management that is conscious of cost of capital and stock price and formulated a framework of actions to be taken for improvement.

Please see the attached “Action to Implement Management that is Conscious of Cost of Capital and Stock Price” for details.

# Action to Implement Management that is Conscious of Cost of Capital and Stock Price

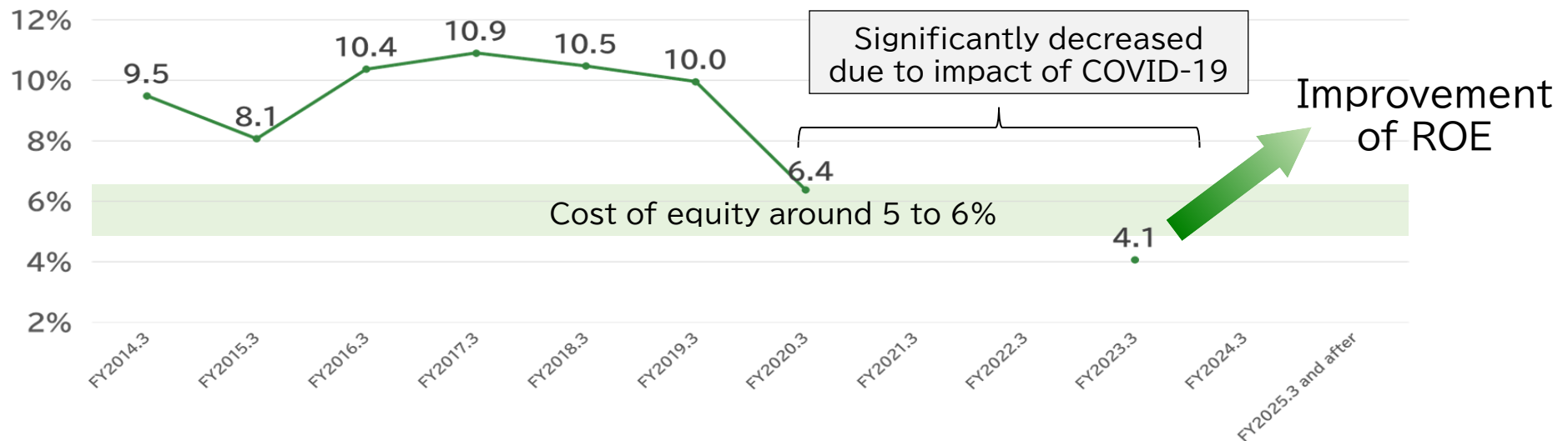
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East Japan Railway Company

## Current recognition of cost of capital and return on equity

- We recognize **cost of equity to be around 5 to 6%**. Although ROE significantly decreased due to the impact of COVID-19, **we aim to realize ROE exceeding cost of equity as soon as possible**. At the same time, while taking into account future increases in cost of equity, we aim to **further improve ROE** to consistently exceed cost of equity.

### ■ Movements in ROE and cost of equity



### ■ Our approach to cost of equity and levels for the last 10 years

Cost of equity is calculated using CAPM

$$\begin{array}{|c|} \hline \text{① Risk-free rate} \\ \hline \text{around 0.5\%} \\ \hline \end{array} + \begin{array}{|c|} \hline \text{② Beta } (\beta) \text{ sensitivity} \\ \hline \text{0.8 to 0.9} \\ \hline \end{array} \times \begin{array}{|c|} \hline \text{③ Market risk premium} \\ \hline \text{6\%} \\ \hline \end{array} = \begin{array}{|c|} \hline \text{Cost of equity} \\ \hline \text{around 5 to 6\%} \\ \hline \end{array}$$

① Risk-free rate: Yield of 10-year government bonds

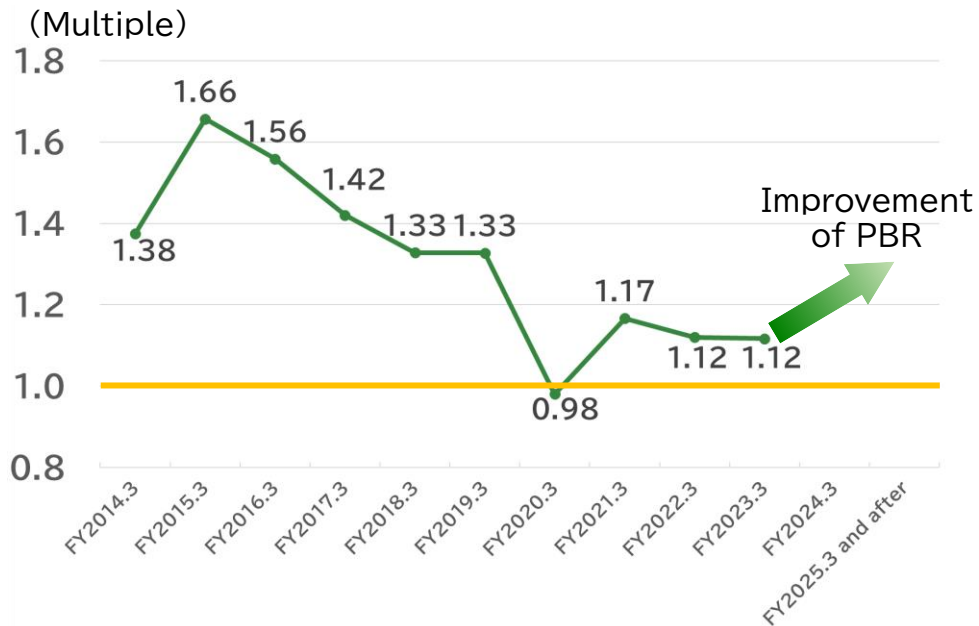
② Beta ( $\beta$ ): Sensitivity of the Company's share price to volatility of TOPIX for the last 5 years

③ Market risk premium: Historical stock market yield minus risk-free rate

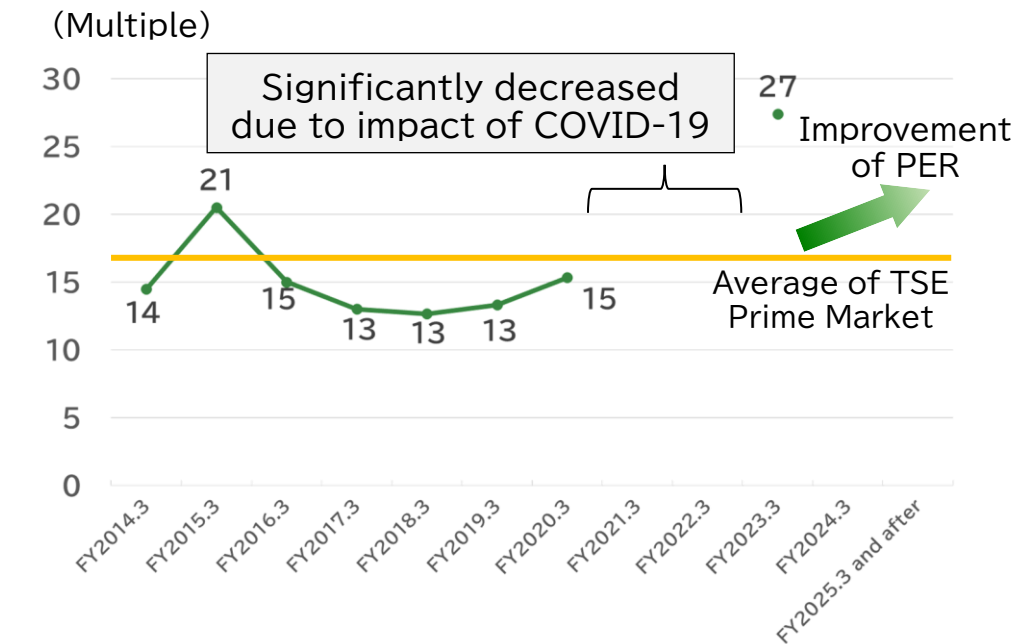
# Current recognition of evaluation from the market

- PBR has been decreasing. Aiming to **exceed 1.0 and increase consistently**.
- As PBR is the product of **ROE (i.e., rate of return)** multiplied by **PER (i.e., expectation for growth)**, PBR needs to be increased by both **improving rate of return** and **increasing expectation for growth**.

## ■ Movements in PBR



## ■ Movements in PER

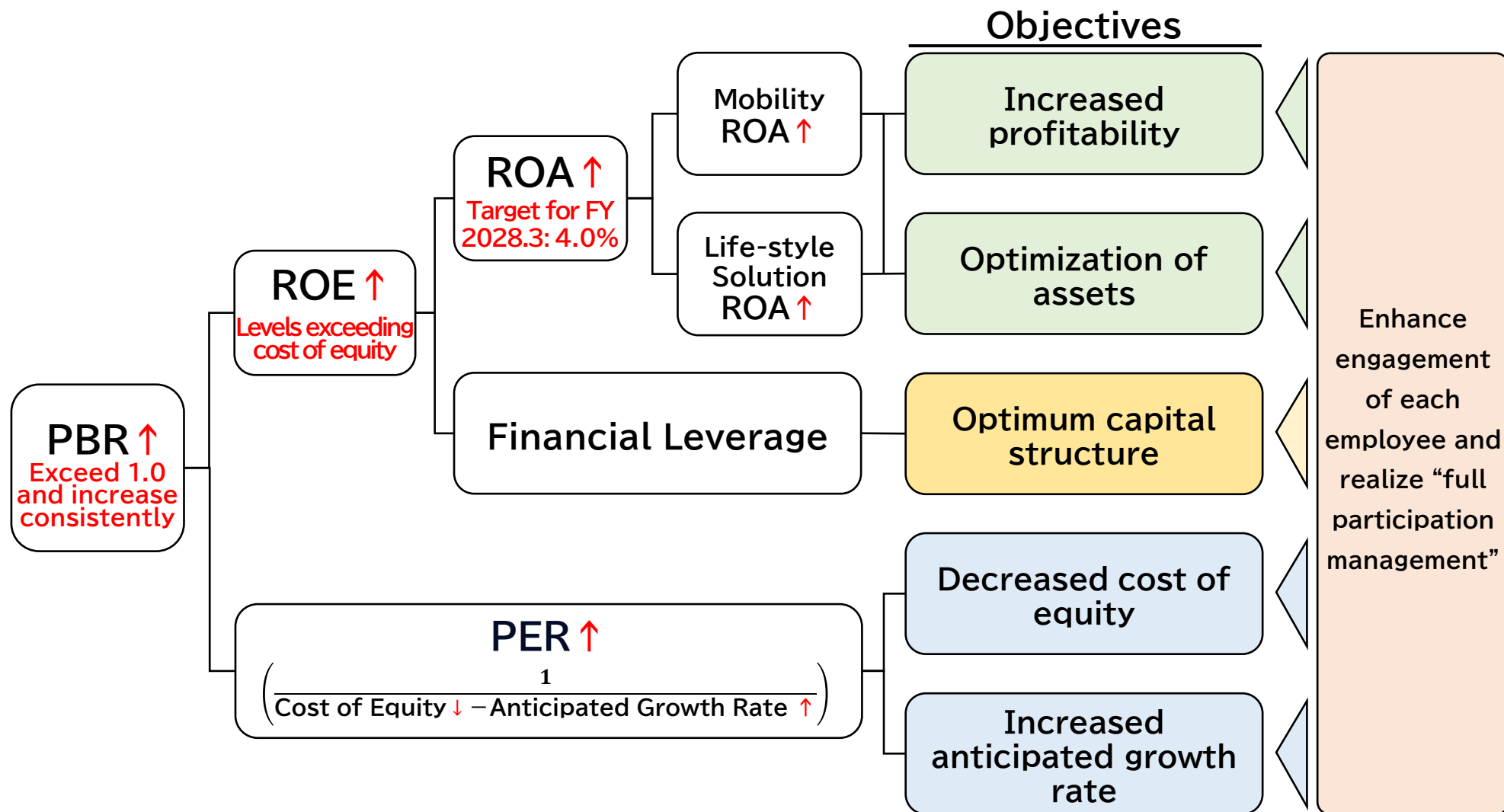


## ■ Breakdown of PBR

$$\begin{aligned}
 &\boxed{\text{PBR (Price-Book Value Ratio)}} = \boxed{\text{ROE (Return on Equity)}} \times \boxed{\text{PER (Price-Earnings Ratio)}} \\
 &= \boxed{\text{ROA}} \times \boxed{\text{Financial Leverage}} \times \frac{1}{\boxed{\text{Cost of Equity}} - \boxed{\text{Anticipated Growth Rate}}}
 \end{aligned}$$

## Action to Implement Management that is Conscious of Cost of Capital and Stock Price

- Framework of Action to Implement Management that is Conscious of Cost of Capital and Stock Price
- In light of our Group being in a capital intensive industry as well as our Group's characteristic of engaging in the business of holding assets of a highly public nature, and therefore difficult to dispose, **aim to improve ROE and PBR through improvement of ROA.**



Objectives	Specific Action
<p>Increased profitability</p>	<ul style="list-style-type: none"> <li>◆ <b>Maximize cash flows</b> <ul style="list-style-type: none"> <li>On a Group-wide level, recognize and optimally allocate resources necessary for our business strategy on a per business-unit basis, <b>efficiently utilize human capital and improve mid-to-long-term productivity on a consolidated basis.</b></li> </ul> </li> <li>◆ <b>Appropriate price pass-through</b> <ul style="list-style-type: none"> <li>In order to reflect the increasing cost on railway fares appropriately, <b>file for approval of revision of fares if possible</b> based on guidelines on calculation of revenue and cost to be amended.</li> </ul> </li> <li>◆ <b>Portfolio strategy</b> <ul style="list-style-type: none"> <li>Acknowledge strengths and weaknesses in each business and <b>clarify priority areas, areas requiring a revamp and areas that need to be the subject of discussion as a matter of principle.</b> Realize optimal business composition with an eye to external collaboration and M&amp;A.</li> <li>Shift from business focused on holding assets to <b>rotational and management business</b>, aiming at “accelerating business speed” and “acquiring new type of revenues”.</li> </ul> </li> </ul>
<p>Optimization of assets</p>	<ul style="list-style-type: none"> <li>◆ <b>Efficient use of assets</b> <ul style="list-style-type: none"> <li>Break up ROA into numerical targets such as income, cost, capital investment, turnover ratio of fixed assets relating to railway business, and <b>link them to the targets of each headquarter, branch office and business site</b>, aiming at improvement of profitability and asset efficiency.</li> </ul> </li> <li>◆ <b>Decrease assets</b> <ul style="list-style-type: none"> <li><b>Continuously decrease cross-shareholding as a whole</b>, while maintaining cross-shareholding that contributes to the improvement of our corporate value, aiming at maintenance and enhancement of stable business relationships as well as close collaboration from a mid-to-long-term perspective.</li> </ul> </li> </ul>

Objectives	Specific Action
<p><b>Optimum capital structure</b></p>	<ul style="list-style-type: none"> <li>◆ <b>Level of interest-bearing debt based on business characteristics</b> <ul style="list-style-type: none"> <li>• Real Estate and Hotels is positioned as a “growth business” which must adapt to changes with speed, and <b>actively utilize interest-bearing debt</b>. Consider potentially setting <b>targets of interest-bearing debt for Real Estate and Hotels</b> separately from other businesses.</li> <li>• Mobility is positioned as a “sustainable business” which requires stability and growth, and <b>emphasize net interest-bearing debt/EBITDA ratio</b>.</li> </ul> </li> </ul>
<p><b>Decreased cost of equity</b></p>	<ul style="list-style-type: none"> <li>◆ <b>Thoughtful dialogue with capital markets</b> <ul style="list-style-type: none"> <li>• Actively implement <b>dialogue between the management</b> and shareholders and investors.</li> <li>• <b>Disclose planned value of EBITDA</b> to increase foreseeability of cash flows.</li> <li>• Enhance reliability through <b>flexible revisions of business forecast</b>.</li> </ul> </li> <li>◆ <b>Enhancement of disclosures</b> <ul style="list-style-type: none"> <li>• <b>Enhance disclosure of business information and ESG information</b> through renewal of IR materials including financial results presentation materials and fact sheet.</li> </ul> </li> </ul>
<p><b>Increased anticipated growth rate</b></p>	<ul style="list-style-type: none"> <li>◆ <b>Strengthening of publicity on growth strategy</b> <ul style="list-style-type: none"> <li>• Publicize mid-to-long-term goals by business segments and <b>strategy to achieve goals per business</b></li> </ul> </li> </ul>

# FY2024.3 Results of Dialogue with Shareholders and Investors

March 21, 2024  
East Japan Railway Company

## Format of Dialogue

### For institutional investors and analysts

Financial results briefings, IR Day, small meetings, 1-on-1 meetings

### For individual investors

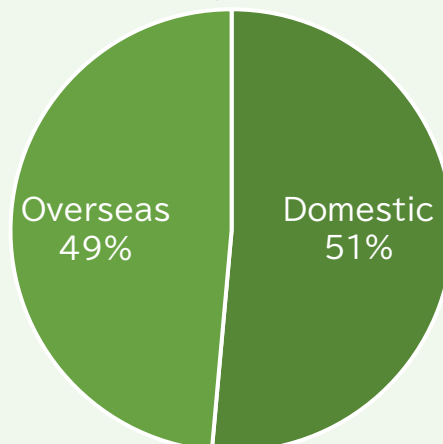
Online briefings, facility tours, opinion exchange meetings

## Persons in charge

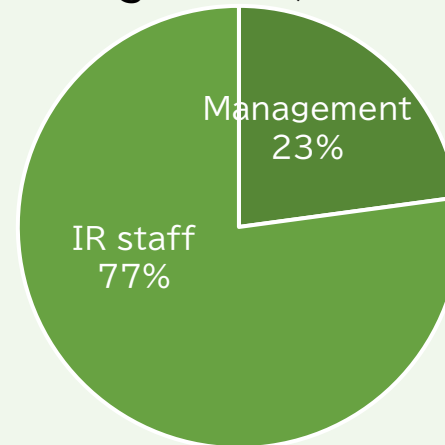
President and CEO, Executive Directors, Senior Executive Officers, Executive Officers, Outside Directors, Unit Leaders, Managers

FY2024.3 Number  
of meetings for  
institutional  
investors and  
analysts:  
  
Around 350

### Domestic/Overseas



### Management/IR staff



# Major areas of interest of shareholders and investors

## Mobility

- Possibility of revision and increase of fares and charges
- Status of discussion regarding line segments with low usage
- Level of transportation revenue after COVID and effect of price increase of products targeting inbound tourists
- Progress on 100 billion-yen cost reduction plan and mid-term profit level of railway business

## Life-style solution

- Status of recovery of revenue for each business
- Prospect of rotational business model in real estate business
- Status of construction of Shinagawa Development Project (Phase I) and progress of leasing
- Growth potential of Suica business

## Capital policy

- Prospect of capital investment
- Method of financing capital needs and future level of interest-bearing debt
- Policy on returns to shareholders and future prospects

## ESG

- Roadmap of “Zero Carbon Challenge 2050” and status of development of hydrogen hybrid train
- Status of regional revitalization and compatibility with capital efficiency
- Number of advisory committee meetings held



## Feedback to management and the Board of Directors

- Directors in charge periodically provide feedback on dialogue to the Board of Directors
- Departments in charge of dialogue report on major areas of interest to President and CEO and Directors in charge
- Directors in charge provide summary at internal meetings of each business department

## Actions taken based on past dialogue and feedback

- Clarification of value-creation model and redefinition of materiality in JR East Group Report
- Enhancement of disclosure in financial results presentation material (including relevant indices in Transportation and Real Estate & Hotels)
- Submission of commitment letter for obtaining certification of SBT (Science Based Targets)
- Revision of executive remuneration system (increasing the proportion of performance-linked remuneration, introducing ESG management index)

## Actions for enhancement of dialogue with shareholders and investors in FY2025.3

### • For institutional investors and analysts

Financial results briefing for the 6 month period and for the fiscal year will be attended by President and CEO

Financial results briefing for the 3 month period and 9 month period will be attended by Director-General of Corporate Strategies Headquarters

### • For individual investors

Further enhance dialogue opportunities through increased number of online briefings and facility tours