

(Translation)

November 20, 2024

To whom it may concern:

Company Name: East Japan Railway Company
Representative: Yoichi Kise
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 November 20, 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 updated 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

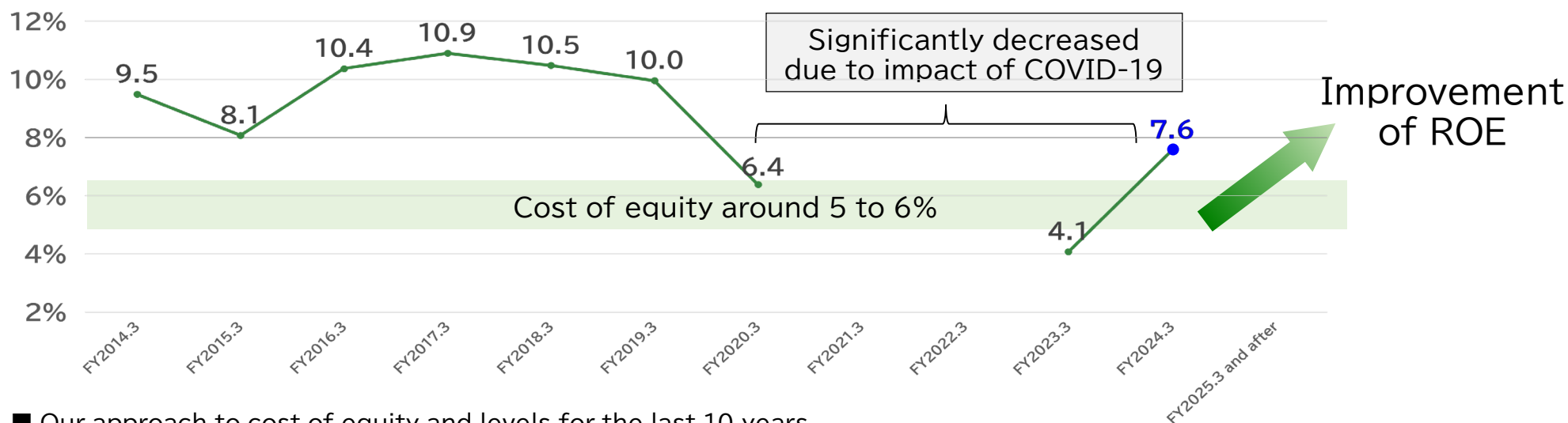
November 20, 2024
East Japan Railway Company

*Underlined: Major updates since previous disclosure

Current recognition of cost of capital and return on equity

- According to CAPM, cost of equity is calculated to be around 5 to 6%. On the other hand, we recognize through discussions with shareholders and investors that there is a gap between such costs and the expected return in the market and that we also have to take into account future increases in cost of equity.
- We aim to further improve ROE, lower cost of equity through enriching discussion with shareholders and investors, and expand the equity-spread.

■ 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

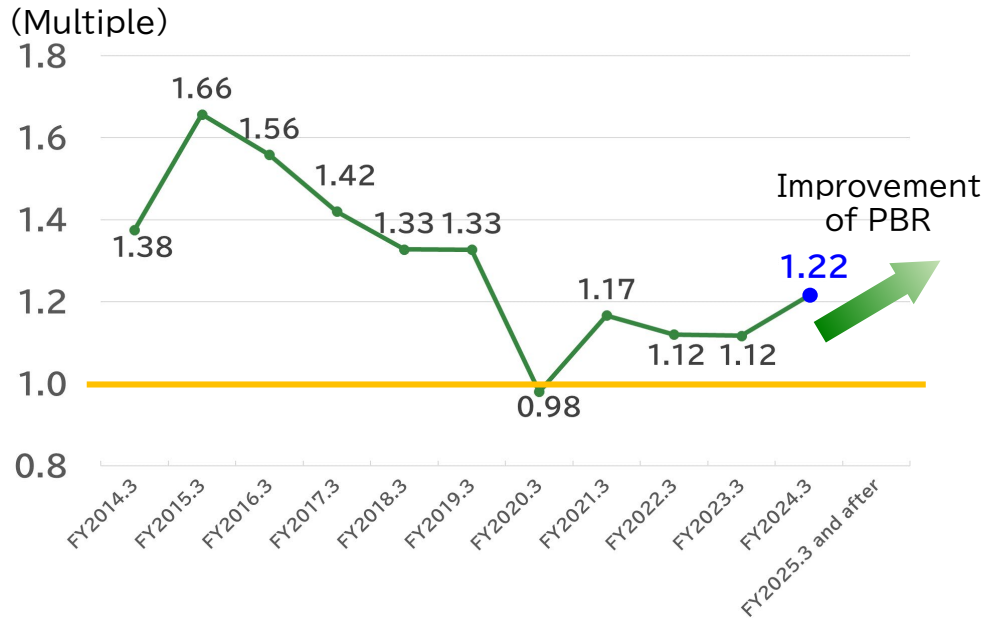
② Beta (β): Sensitivity of the Company's share price to volatility of TOPIX for the last 5 years

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

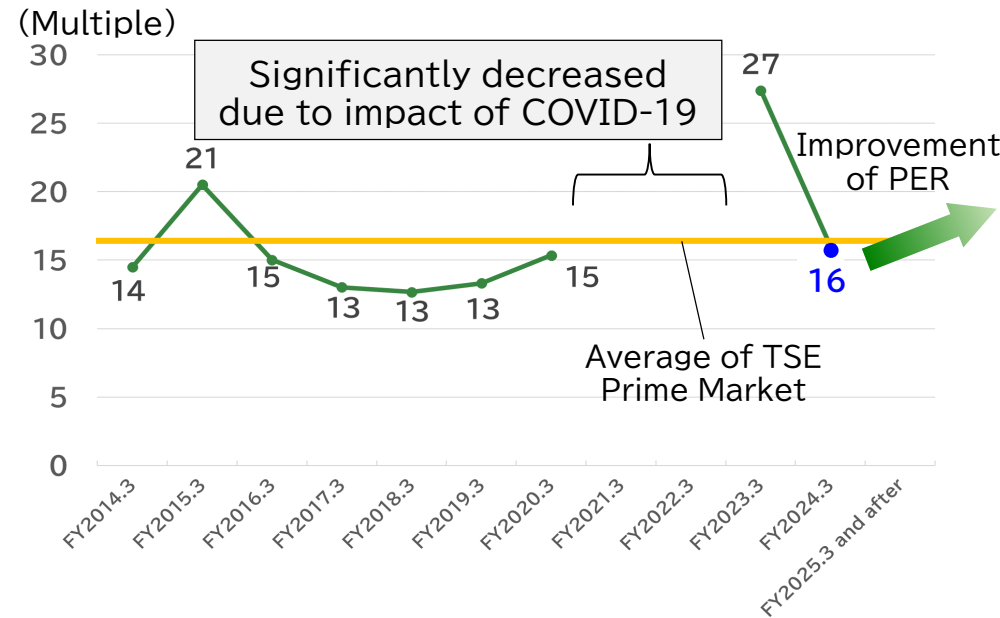
Current recognition of evaluation from the market

- 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

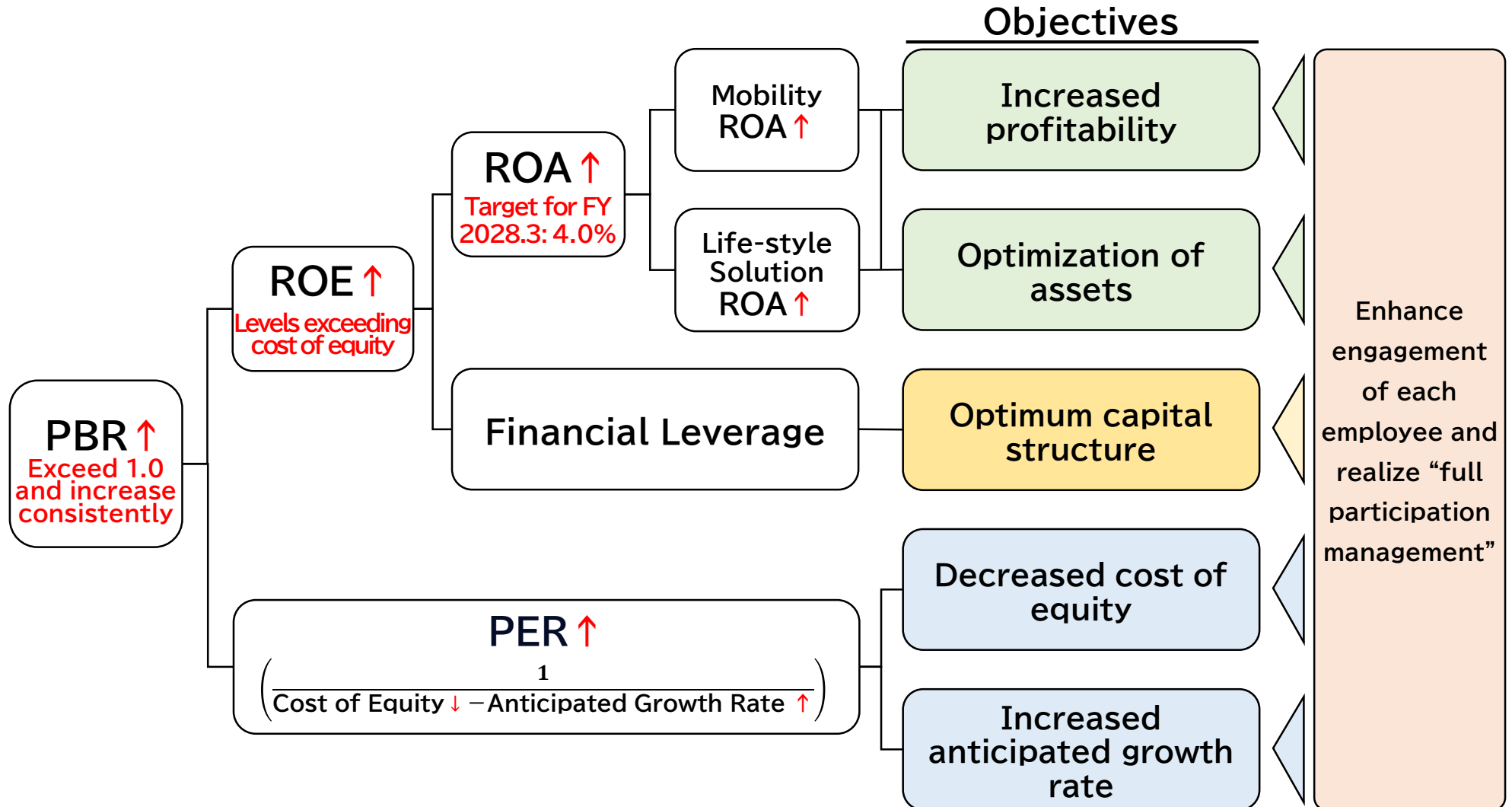


■ Breakdown of PBR

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

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.**



Specific Action to Implement Management that is Conscious of Cost of Capital and Stock Price ①

Objectives

Increased profitability

Optimization of assets

Specific Action

◆ Maximize cash flows

- From FY2025.3, establish strategy and KPI for each of the 14 business units. On a Group-wide level, optimally allocate resources necessary for our business strategy, efficiently utilize human capital and improve mid-to-long-term productivity on a consolidated basis.

◆ Appropriate price pass-through and price strategy

- In order to reflect the increasing cost on railway fares appropriately, steadily prepare filing for approval of fare revision.
- Continue to request the government to implement a simple and flexible system, such as notification of express charges for Shinkansen and introduction of a system that can respond to inflation in a timely manner, and to review the total cost method itself.
- Review charges including for high value-added railcars (Green Car, GranClass, etc.) and accelerate price strategy implementable by notification.

◆ Portfolio strategy

- In order to promote two-axis management of Mobility and Life-style solution, acknowledge strengths and weaknesses in each business and clarify priority areas, areas requiring a revamp and areas that need to be the subject of discussion as a matter of principle. Realize optimal business composition which demonstrates the Group's synergy to the maximum with an eye to external collaboration and M&A.
- In the real estate business, establish value chains and realize the growth of the Group through expansion of business areas by JR East Real Estate Co., Ltd. (reinforcing development of land owned by the Company and acquisition and development of external properties) and acceleration of rotational business.

◆ Efficient use of assets

- Break up ROA into numerical targets such as income, cost, capital investment, turnover ratio of fixed assets relating to railway business, and link them to the targets of each headquarter, branch office and business site, aiming at improvement of profitability and asset efficiency.

◆ Decrease assets

- Continuously decrease cross-shareholding as a whole, 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.

Specific Action to Implement Management that is Conscious of Cost of Capital and Stock Price ②

Objectives

Specific Action

Optimum capital structure

- ◆ **Level of interest-bearing debt based on business characteristics**
 - Real Estate and Hotels is positioned as a “growth business” which must adapt to changes with speed, and **actively utilize interest-bearing debt**. Consider potentially setting **targets of interest-bearing debt for Real Estate and Hotels** separately from other businesses.
 - Mobility is positioned as a “sustainable business” which requires stability and growth, and **emphasize net interest-bearing debt/EBITDA ratio**.

Decreased cost of equity

- ◆ **Thoughtful dialogue with capital markets**
 - Presentation at financial results briefings is made by President and CEO for year-end and 2nd quarter and by Director-General of Corporate Strategies Headquarters for 1st and 3rd quarter. Continue to actively implement **dialogue between the management** and shareholders and investors.
 - Enhance reliability through **flexible revisions of business forecast**.
- ◆ **Enhancement of disclosures**
 - **Publicize renewed FACT BOOK** dedicated to historical facts and data (July 8, 2024). Continue to review positioning of each disclosure material and **enhance disclosure of business information and ESG information**.

Increased anticipated growth rate

- ◆ **Strengthening of publicity on growth strategy**
 - Publicize mid-to-long-term goals by business segments and **strategy to achieve goals per business**
 - Enhance **efforts to encourage deeper understanding of the prospects of each business** of our Group at IR DAY, etc.

First Half of FY2025.3 Results of Dialogue with Shareholders and Investors

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Format of Dialogue

For institutional investors and analysts

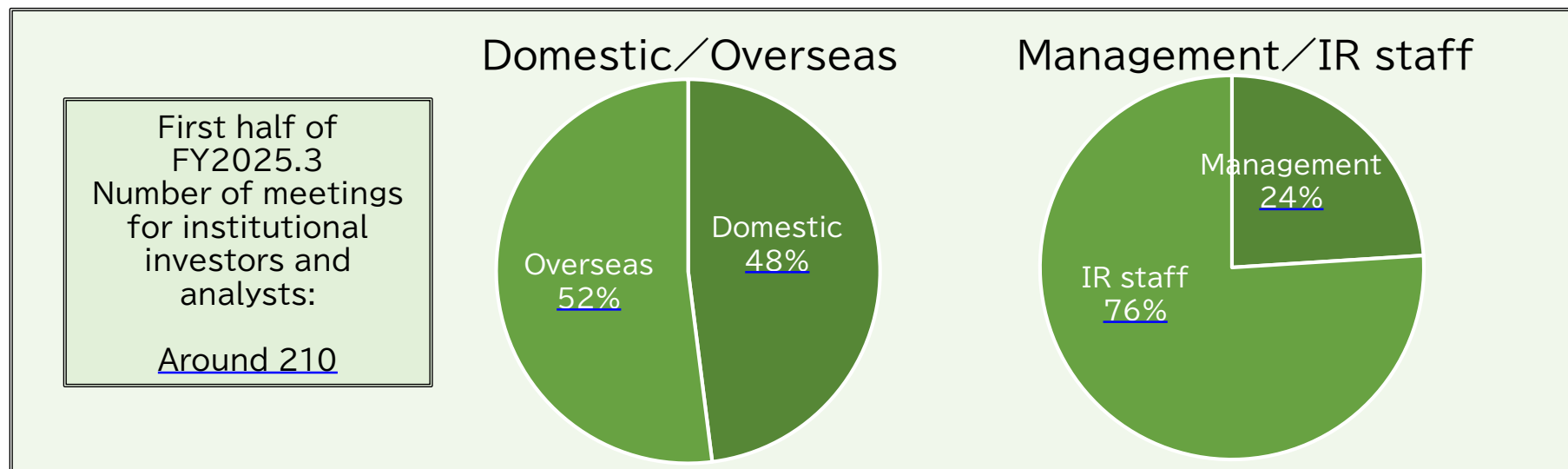
Financial results briefings, 1-on-1 meetings (visit overseas investors and domestic investors, individual interviews)

For individual investors

Online briefings, facility tours, opinion exchange meetings

Persons in charge

President and CEO, Director-General of Corporate Strategies Headquarters,
Senior Executive Officers, Executive Officers, Unit Leaders, Managers



Major areas of interest of shareholders and investors

Mobility

- Status in revision of fare and charge system and possibility of fare revision in the near future
- Future revenue growth measures, including capturing inbound demand
- Prospect of cost increase due to inflation and mid-term profit level of railway business
- Status of discussions regarding line segments with low usage

Life-style solution

- Strategy to double the operating revenue and income in FY2034.3 announced in Beyond the Border
- Prospect of rotational business model in real estate business
- Status of leasing and prospect of operating revenue and income of TAKANAWA GATEWAY CITY
- Specific measures for expanding *Suica* life zone

Capital policy

- Prospect of capital investment
- Impact of increase in interest rates and future level of interest-bearing debt
- Policy on returns to shareholders and future prospects
- Plans for realization of management that is conscious of cost of capital and stock price

ESG

- Roadmap of “Zero Carbon Challenge 2050”
- Status of regional revitalization and compatibility with capital efficiency
- Linking of executive remuneration to ESG management effort

* Q&A summary from financial results briefing etc. is posted on the Company's website. https://www.ireast.co.jp/e/investor/index_year.html

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 as necessary
- Directors in charge provide summary at internal meetings of each business department

Actions taken based on past dialogue and feedback

- Specification of relationship between value-creation model and financial and investment strategy, clarification of message to shareholders and investors, partial revision of KPI, enhancement of understandability using charts in the JR East Group Report
- Signing and participation in the United Nations Global Compact
- Application and registration for “TNFD* Adopter” as the first railway operator *Taskforce on Nature-related Financial Disclosures
- Commencement of disclosure of greenhouse gas emissions including Scope 3 and calculation and disclosure of CO₂ emissions per Shinkansen segment

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

- **For institutional investors and analysts**
Financial results briefing for year-end and 2nd quarter will be attended by President and CEO
Financial results briefing for 1st and 3rd quarter 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