



May 15, 2025

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

TOTETSU KOGYO CO., LTD. (hereinafter, the “Company”) hereby announces that, at the meeting of its Board of Directors held on May 15, 2025, the Company updated its policies on specific initiatives to improve the action to implement management that is conscious of cost of capital and stock price. This update is based on an analysis and evaluation of the current situation, with the aim of enhancing corporate value over the medium to long term and achieving sustainable growth.

For details, please refer to the attached document “Action to Implement Management that is Conscious of Cost of Capital and Stock Price.”



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

TOTETSU KOGYO CO., LTD.

May, 2025

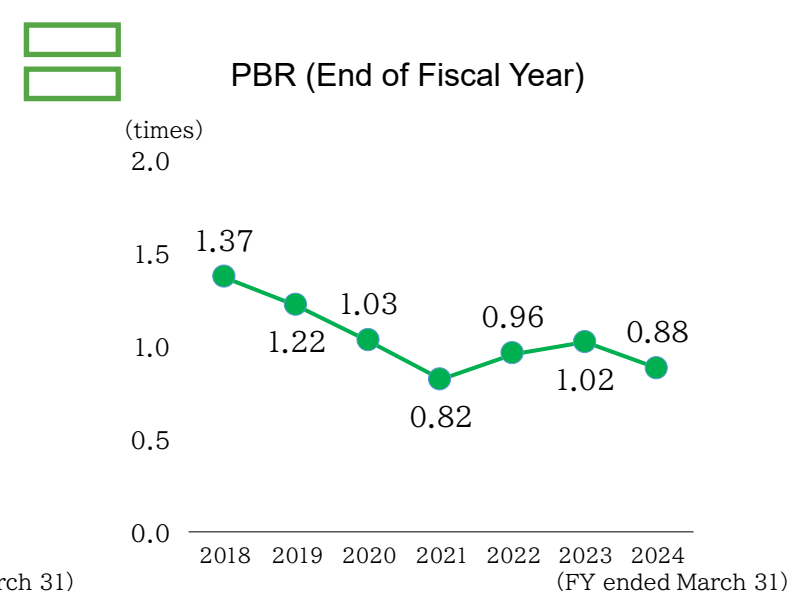
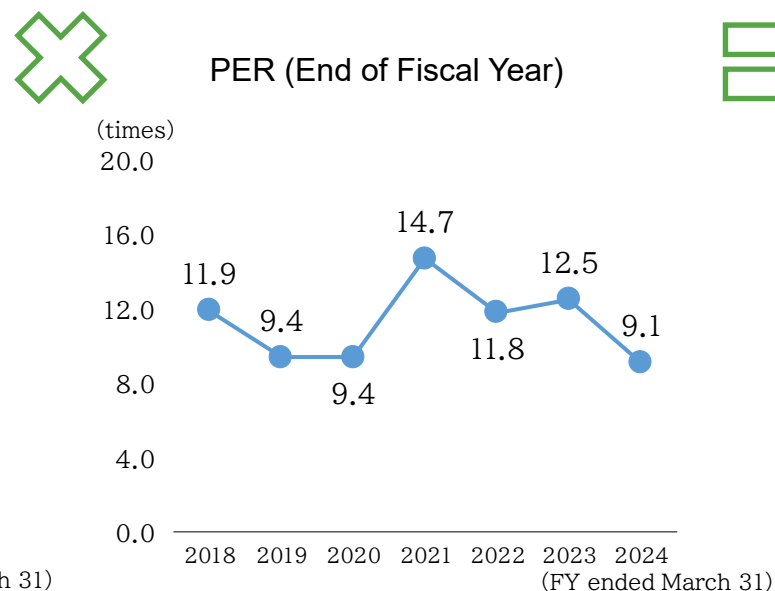
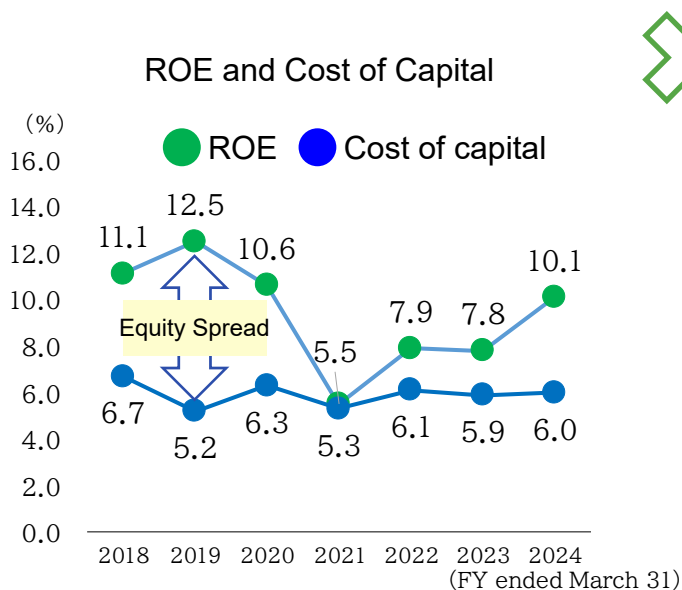


Current analysis of cost of capital, return on equity (ROE) and market valuation

**Blue underlined text: major updates since previous disclosure*

Current Situation

- ✓ The cost of capital has historically remained in the 5–6% range and is **currently estimated at around 6%**
- ✓ Although ROE dropped significantly in the fiscal year ended March 31, 2022 (FY2021) due to the impact of the COVID-19 pandemic, it has been on an upward trend thanks to ongoing efforts to improve capital profitability
- ✓ The current PER stands at around 9x, which we recognize as a relatively low market valuation compared to the industry average
- ✓ The PBR currently hovers around 1x. By steadily executing our long-term vision, we aim to further enhance corporate value



| | | |
|---------------------|--------------|--|
| Risk-free rate | <u>1.47%</u> | Set based on the 10-year government bond yield at the end of the fiscal year |
| Beta (β) value | <u>0.77</u> | The company's specific risk value |
| Market Risk Premium | <u>7.37%</u> | Set based on past stock market returns |

The cost of capital for FY2024 is approximately 6%



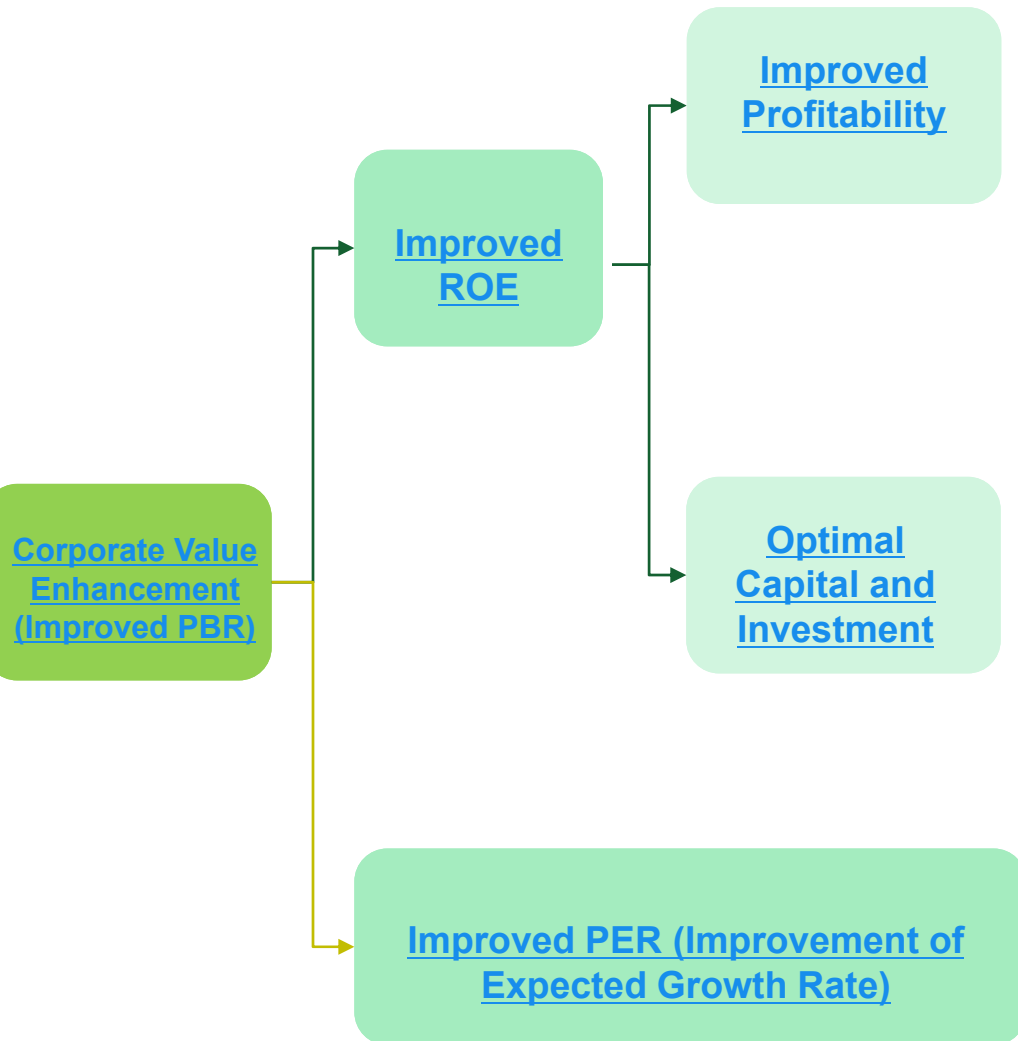
Policy and initiatives for enhancing corporate value

Enhancement Policy and Main Initiatives

| | |
|---|---|
| Improved ROE | Be conscious of maintaining capital profitability consistently above the cost of capital. |
| Achieving the targets of Action Plan 2029 | Steadily promote Action Plan 2029 to realize our long-term vision, with the goal of achieving our numerical targets. |
| Key Initiatives | Expansion into three key business areas—JR East and public/private railways, railway-related sectors, and public enterprises and private businesses—will be strengthened. At the same time, initiatives such as integrated management with Totetsu Kogyo Group companies and enhanced trinity management based on the principle of ‘coexistence and mutual prosperity’ with partner companies will be steadily implemented. The steady implementation of each measure is being ensured. |
| Growth Investment | Investment in human resources (optimization of construction capacity), technological development and mechanization investment (such as large-scale Shinkansen renovations), safety investment and system investment to improve productivity, and the promotion of environmental investment aimed at CO2 reduction. |
| Numerical Targets | Conscious of the level expected by the market, we have revised the targets for the fiscal year ending March 2029, aiming to achieve net sales of over 190 billion yen, maintain or improve ROE above 10%, while focusing on achieving non-financial KPI targets from the perspective of strengthening ESG management. |
| Strengthening Shareholder Returns | By setting the total dividend payout at DOE of 3% or more, and implementing progressive dividends, we aim to further strengthen shareholder returns. |



Policy and initiatives for enhancing corporate value



Communicating Our Growth Story

Promotion of Action Plan 2029

Strengthening Expansion into Three Key Business Areas

1) JR East and Public/Private Railways

2) Railway-related Sectors

3) Public Enterprises and Private Businesses

Strengthening the Construction System through the Trinity Management

1) Integrated management with Totetsu Kogyo Group companies

2) Coexistence and mutual prosperity with partner companies

Investment in Sustainable Growth and Productivity Improvement

Human Resource Investment of 20 billion yen

Technological Development and Mechanization Investment of 50 billion yen

Strengthening Shareholder Returns

DOE of 3% or more, Progressive Dividends

Strengthening of IR activities

- 1) Enhancement of dialogue with the capital markets
- 2) Deepening understanding of the Company through initiatives such as hosting facility tours
- 3) Enhancing information disclosure (Integrated reports, websites, etc.)

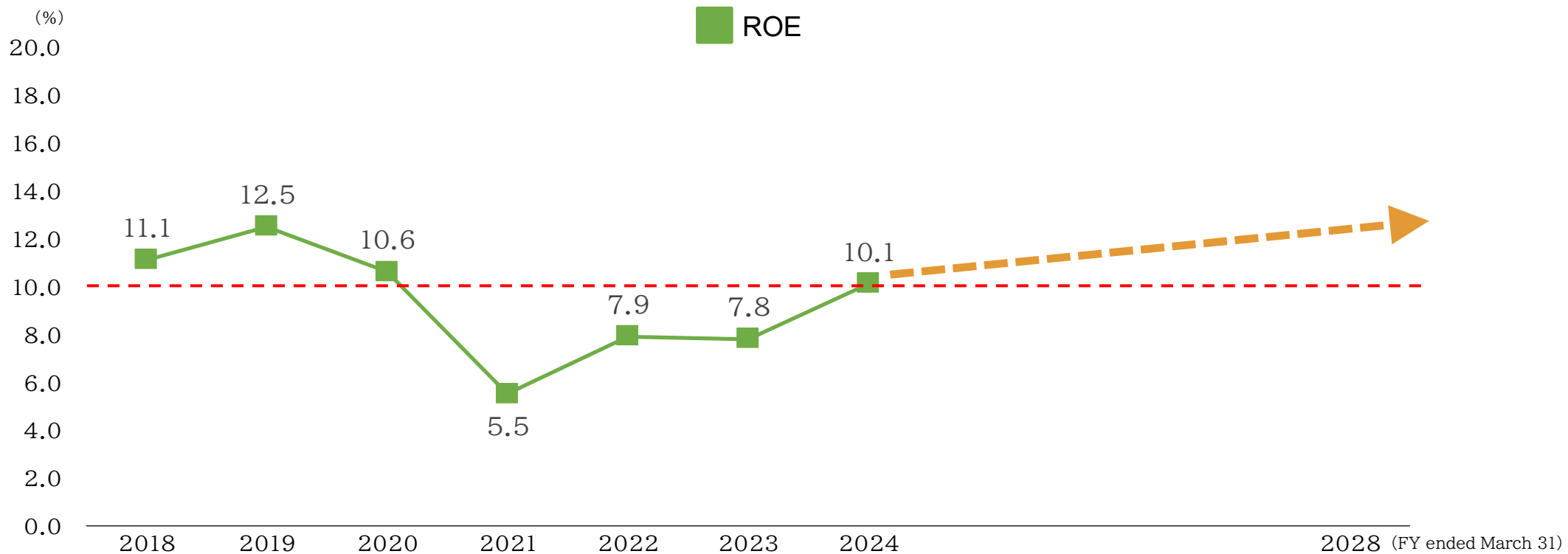


Action Plan 2029 ROE target

[Strive to maintain and improve ROE above 10% over the medium to long term](#)

Strengthen profitability through Action Plan 2029 key initiatives

With a focus on capital profitability, continuously implement management that exceeds the cost of capital

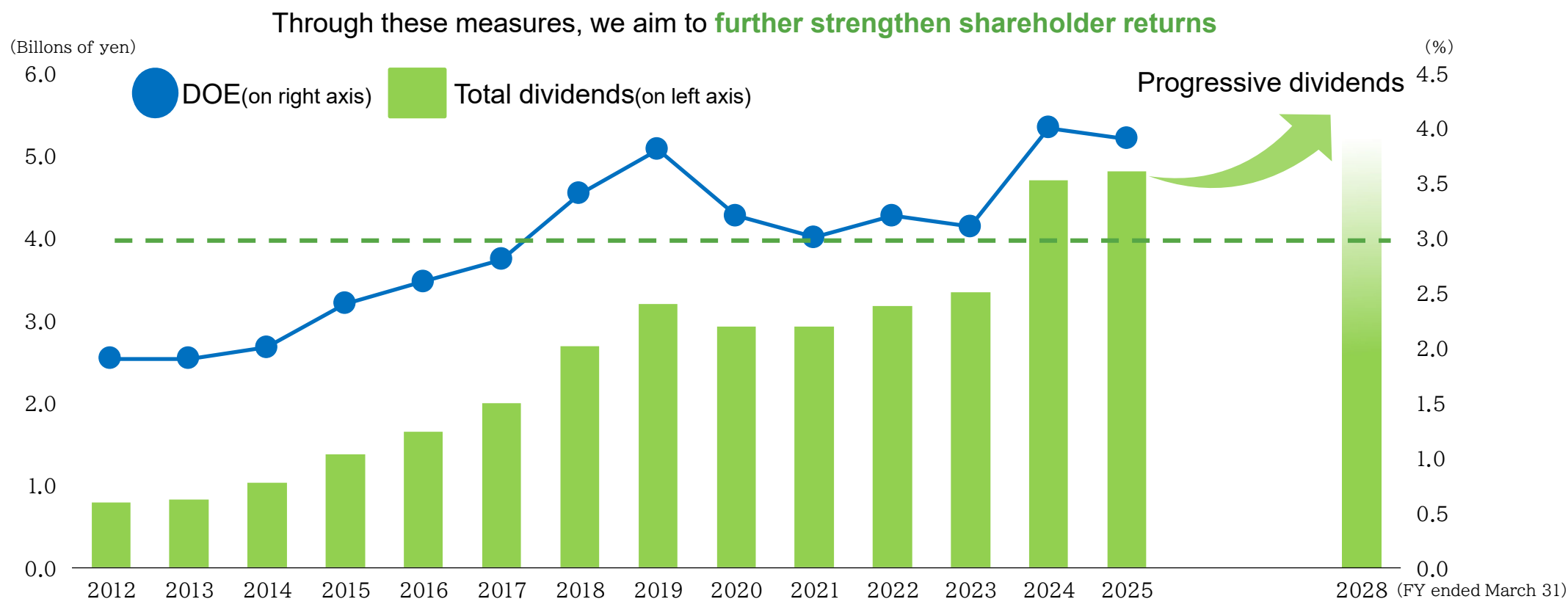




Shareholder Return Policy

To continue proactive and stable shareholder returns regardless of financial performance, a new shareholder return indicator will be introduced.

| Total Dividend Target | Introduction of progressive dividends |
|-----------------------|---|
| DOE of 3% or more | With a focus on capital profitability, continuously implement management that exceeds the cost of capital |





Improvement of Market Valuation

Enhanced Engagement with Investors

- To deepen investors' understanding of the Company, we are proactively expanding our IR activities
- In response to investor requests, briefing sessions are held to explain our long-term vision and medium-term management plan, which form the foundation of our sustainable growth and corporate value enhancement
- The management team including the President and outside directors have attended the briefings

| Activities | Number of times / Number of participating companies / Number of participants | | | |
|------------|--|--------|--------|------------------------|
| | FY2021 | FY2022 | FY2023 | FY2024 |

Handled by the President

| | | | | |
|--------------------------------------|---------------------------------------|-------------------------|--------------------------|--|
| Earnings briefing | 2 times/76 participants | 2 times/74 participants | 2 times/109 participants | 2 times/114 participants |
| IR briefing for individual investors | Not held due to the COVID-19 pandemic | 91 participants | 112 participants | 119 participants |

Handled by the President and Outside Directors

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|---------------------|---------------------------------------|--------------------------------|---------------------------------|---|
| Small group meeting | 6 companies | 6 companies | 6 companies | 5 companies |
| Facility tour | Not held due to the COVID-19 pandemic | 7 companies/ 9 participants | 6 companies/ 10 participants | 14 companies/ 20 participants |

Handled by Public Relations and IR personnel

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|-------------------------|----------------------------------|-----------------------------------|-----------------------------------|---|
| One-on-one IR interview | 49 companies/ 66 participants | 75 companies/ 110 participants | 83 companies/ 135 participants | 116 companies/ 157 participants |
|-------------------------|----------------------------------|-----------------------------------|-----------------------------------|---|