May 14, 2026

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Representative: Katsumi Ise
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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 14, 2026, 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.

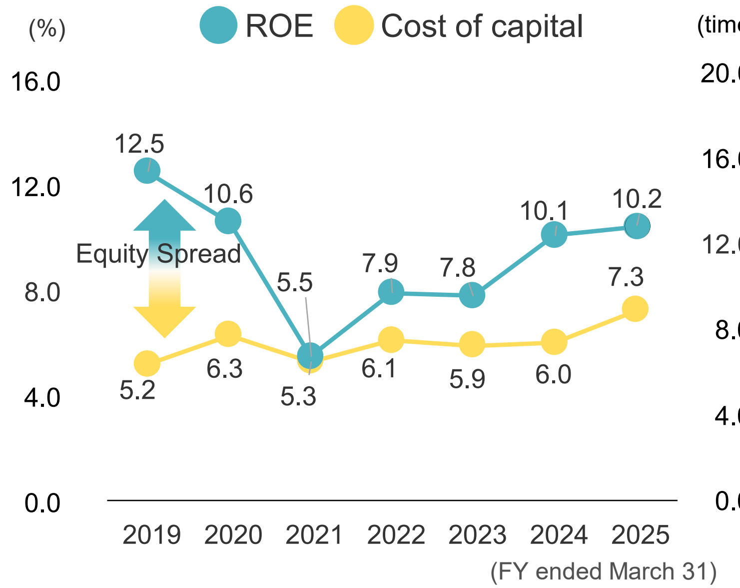
May 14, 2026

Current Analysis of Cost of Capital, Return on Equity (ROE) and Market Valuation

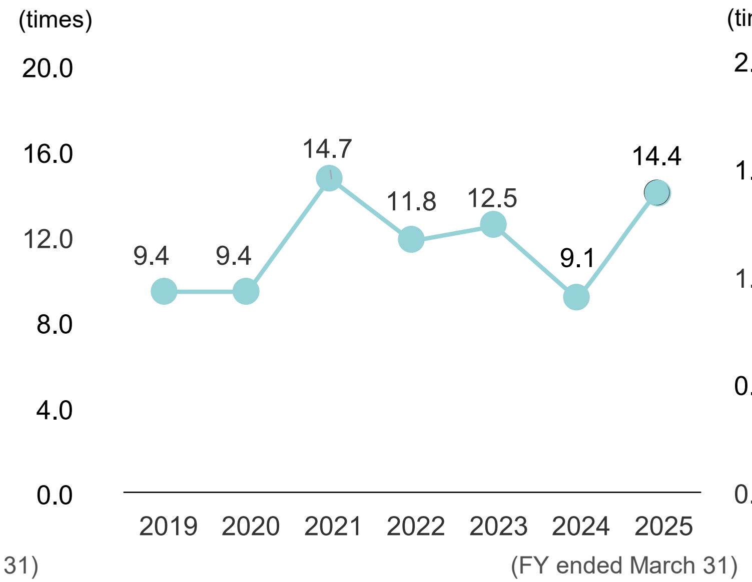
Current Situation

- ✓ The cost of capital has historically remained in the 5–6% range and is currently estimated at around 7%
- ✓ 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

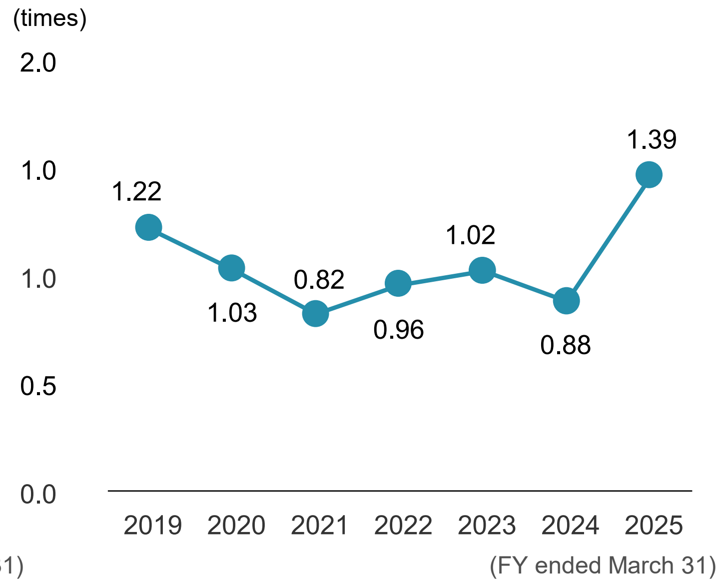
ROE and Cost of Capital



PER



PBR



Risk-free rate	2.36%	Set based on the 10-year government bond yield at the end of the fiscal year
Beta (β) value	0.93	The company's specific risk value
Market Risk Premium	7.62%	Set based on past stock market returns

The cost of capital for FY2025 is approximately 7%

Policy and Initiatives for Enhancing Corporate Value

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

PBR
1.39x

ROE
10.2%

PER
14.4x

Enhancement Policy

Improved Profitability

Optimized Capital

Improved Liquidity

Improvement of Expected Growth Rate

Initiatives

Strengthening Expansion into Three Key Business Areas
- ◆ JR East and Public/Private Railways
- ◆ Railway-related Sectors
- ◆ Public Enterprises and Private Businesses

Strengthening the Construction System through the Trinity Management
- ◆ Integrated management with Totetsu Kogyo Group companies
- ◆ 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
- ◆ Enhancement of dialogue with the capital markets
- ◆ Deepening understanding of the company through initiatives such as hosting facility tours
- ◆ Enhancing information disclosure (Integrated reports, websites, etc.)

Stock Price and PBR

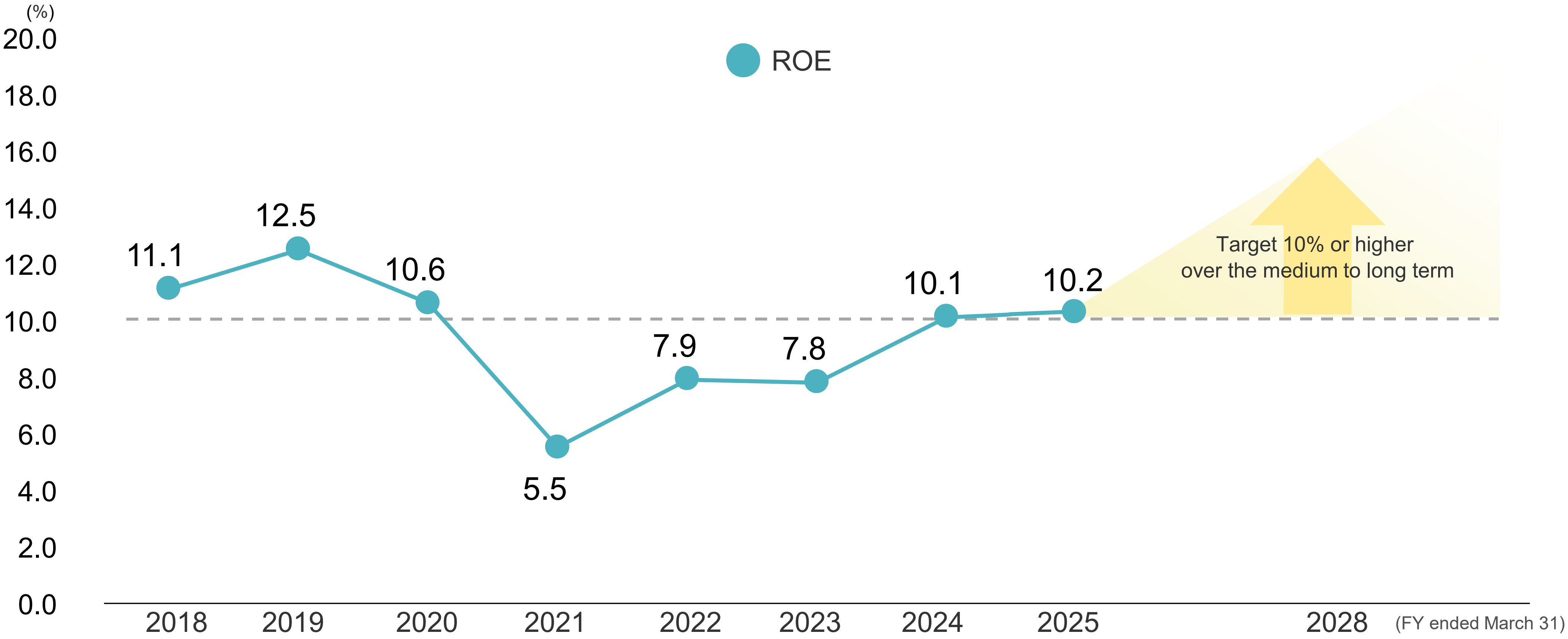
- The stock price and PBR have undergone a gradual re-rating alongside earnings growth over the past three years
- Market valuation is entering a normalization phase driven by the earnings recovery
- Our policy is to continue pursuing enhancement of corporate value over the medium to long term through stable growth and enhancement of capital efficiency

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

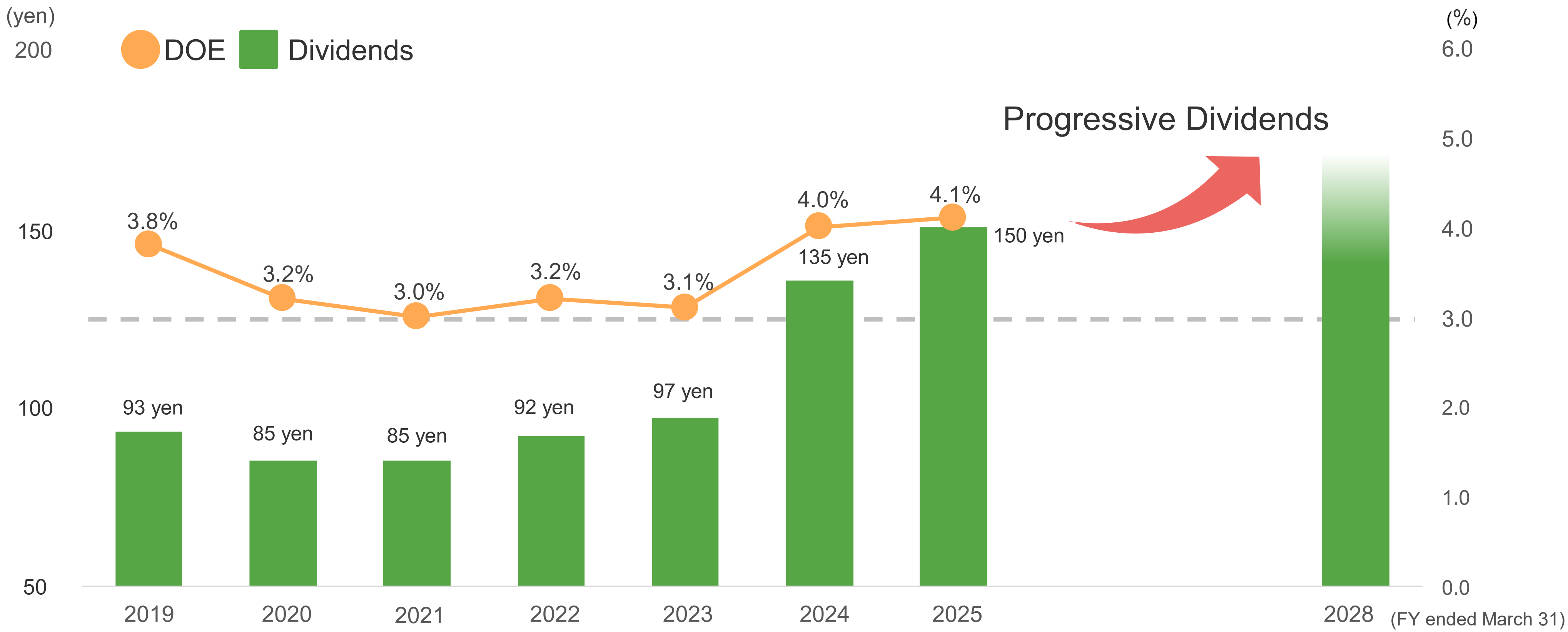


Growth Investment and Shareholder Return Policy

- In light of medium- to long-term business growth opportunities, flexibly review growth investments aimed at improving productivity in response to changes in the social climate
- Introduce a shareholder return indicator to continue proactive and stable shareholder returns regardless of financial performance

➤ Pursue disciplined capital allocation with a focus on the balance between investment and returns

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



Enhanced Engagement with the Market

Shareholder and Investor Comments (Excerpts)

- Expectations for investments in mechanization and human capital to improve productivity and meet robust demand
- Concerns remain over the potential for future profit margin improvement
- Commendation for the company's proactive approach to communicating its message to the market

IR activity policy

- 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

<Past activities>

Speakers	Activities	FY2022	FY2023	FY2024	**FY2025**
President	Earnings briefing	2 times / 74 participants	2 times / 109 participants	2 times / 114 participants	**2 times / 90 participants**
	IR briefing for individual investors	91 participants	112 participants	119 participants	**102 participants**
President Outside Directors	Small group meeting	6 companies	6 companies	5 companies	**5 companies**
	Facility tour	7 companies / 9 participants	6 companies / 10 participants	14 companies / 20 participants	**9 companies / 11 participants**
IR personnel	One-on-one IR interview	75 companies / 110 participants	83 companies / 135 participants	121 companies / 156 participants	**141 companies / 195 participants**