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April 30, 2025

Company name:	TOBU RAILWAY CO., LTD.
Name of representative:	Yutaka Tsuzuki, President and Representative Director (Securities code: 9001; Tokyo Stock Exchange Prime Market)
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Notice Concerning Action to Implement Management that is Conscious of Cost of Capital and Stock Price

TOBU RAILWAY CO., LTD. (the "Company") hereby announces that the Company, at the Board of Directors meeting held today, resolved to pursue initiatives to implement management that is more conscious of the cost of capital and the stock price toward enhancing the Tobu Group's corporate value.

For details, please see the attachment, "Notice Concerning Action to Implement Management that is Conscious of Cost of Capital and Stock Price."

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

April 30, 2025

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Details of initiatives

Enhancing corporate value

ROE improvement + **Capital cost reduction**

Strengthening profitability by promoting growth strategies

- Achieve operating profit of ¥100.0 billion or more in the mid-2030s by promoting growth strategies, raising the target figure and revising the timeframe set forth in the Long-Term Management Vision, which previously called for operating profit of ¥80.0 billion in FY2033

Use of financial leverage based on financial soundness

- Improve cash flow by strengthening profitability, reducing cross-shareholdings (to less than 10% of the consolidated net assets at the end of FY2027)
- Promote growth strategies by using financial leverage while ensuring medium- to long-term financial soundness with an interest-bearing debt to EBITDA multiple in the 6-range and an equity ratio of 30% or higher in the mid-2030s

Increase in expected growth rate

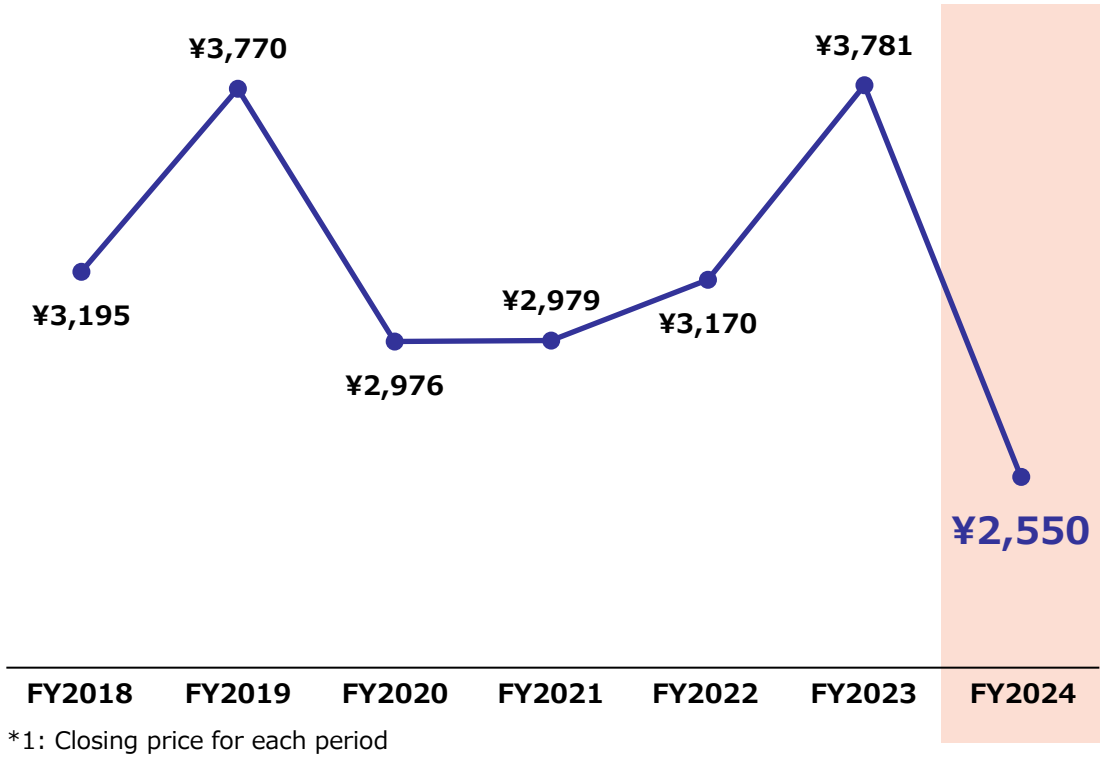
- Increase the expected growth rate by improving profitability and enhancing our ability to communicate the medium- to long-term growth strategy through enhanced dialogue with the market

- Aim to maintain and increase ROE of 8% or higher over the medium to long term, while controlling the cost of capital and enhancing the Group's corporate value by executing the above initiatives to implement management that is even more conscious of the cost of capital and the stock price in light of the current business environment and market trends
- Implement strategic shareholder returns by raising the total shareholder return ratio to 40% or higher during the period of the Medium-Term Business Plan (FY2024–FY2027) and then considering a further increase in FY2028 and beyond

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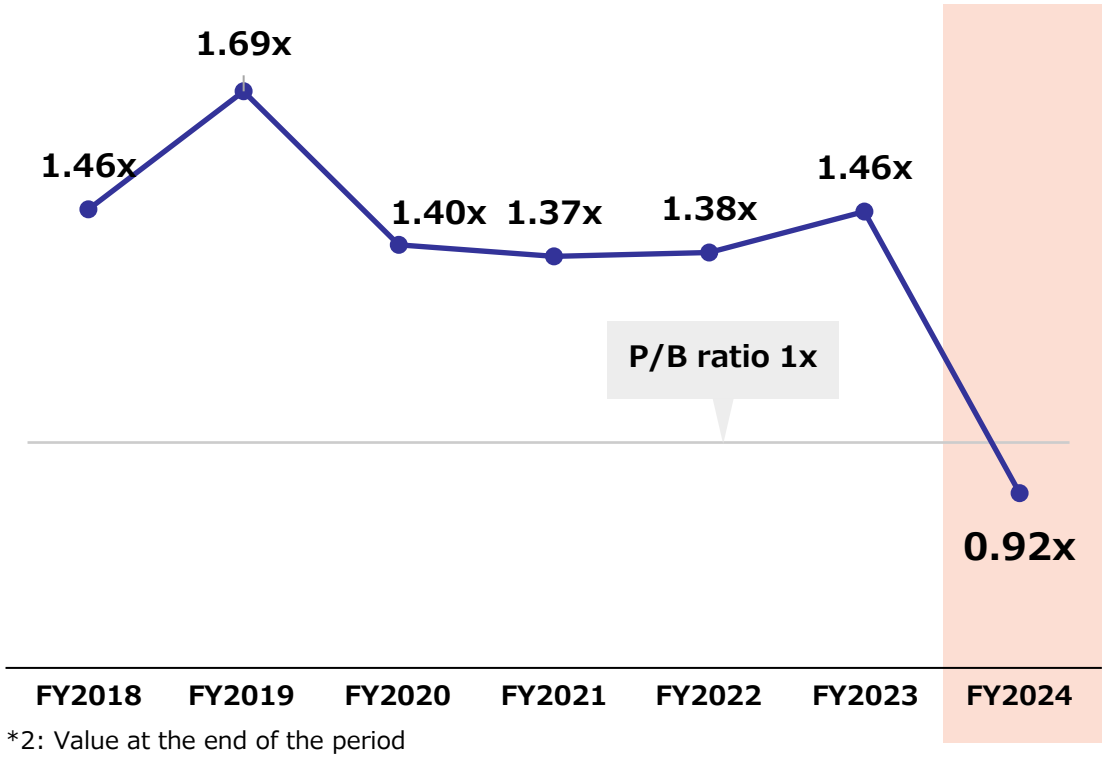
II. Development of Financial Indicators and Assessment of Current Status (1) (stock price)

Stock Price*1



*1: Closing price for each period

P/B ratio*2



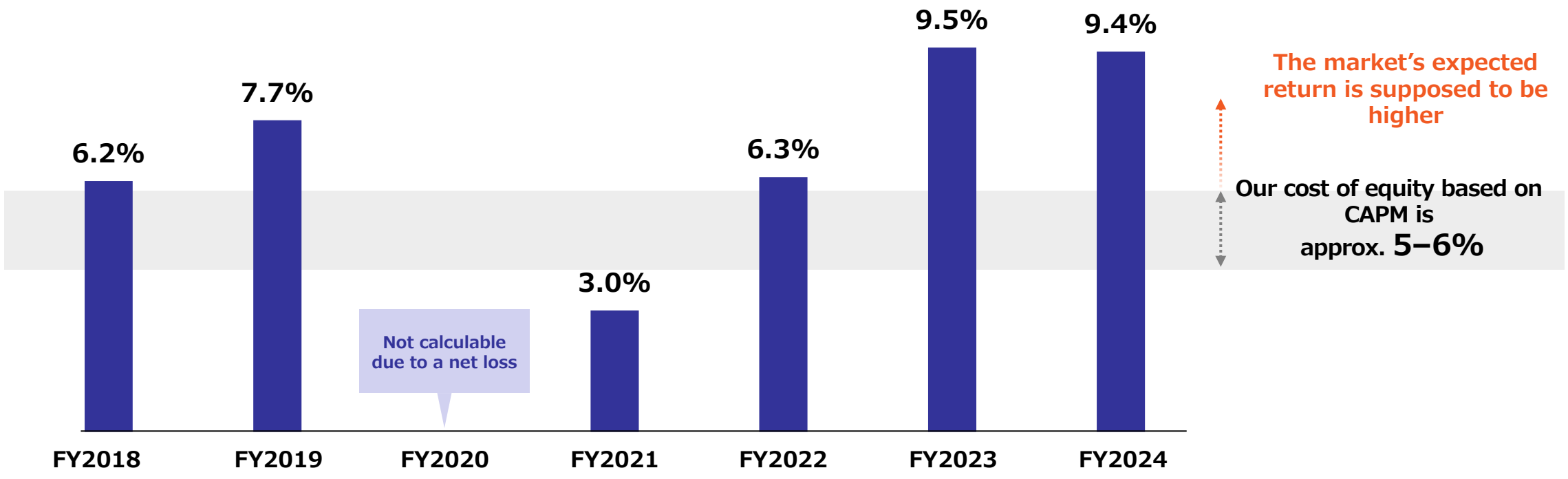
*2: Value at the end of the period

- **Stock price and P/B ratio were both at low levels in the most recent FY2024**
- **P/B ratio was below 1x in FY2024 partly due to low growth targets and the failure to fully communicate the Group's growth strategy**
- **Must implement concrete measures to increase corporate value in the medium to long term**

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II. Development of Financial Indicators and Assessment of Current Status (2) (cost of equity and profitability)

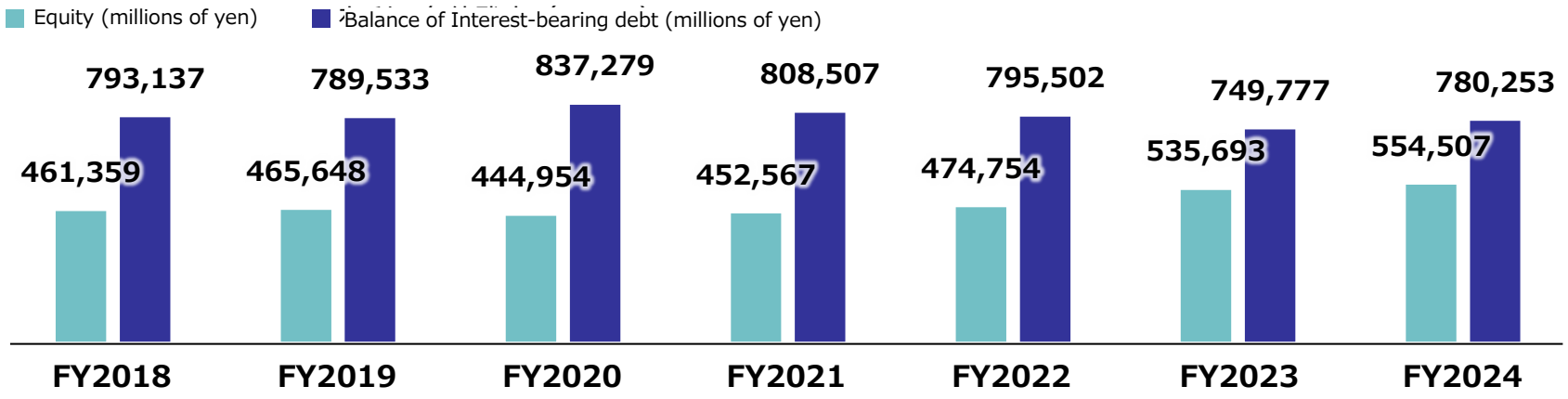
ROE



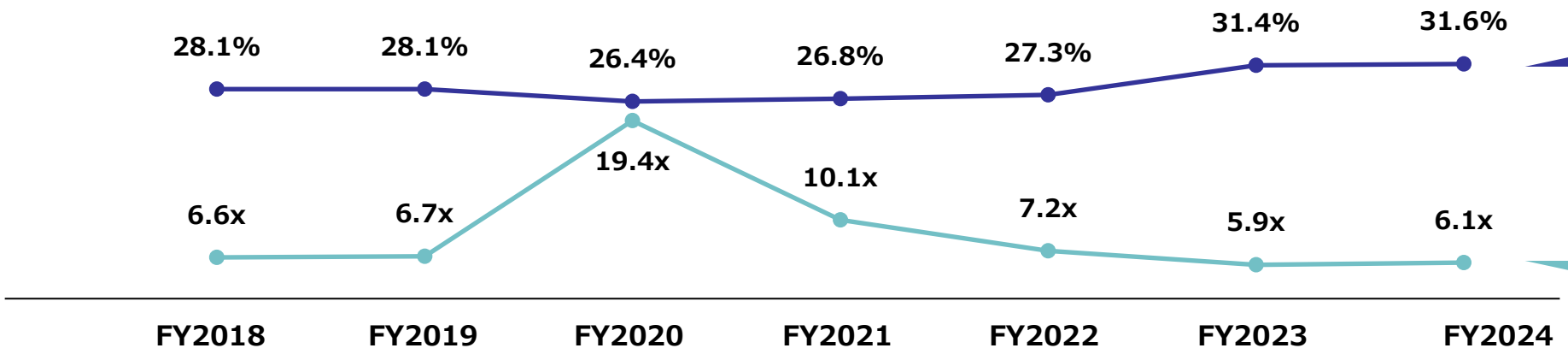
- Our cost of equity based on CAPM is approximately 5–6%
- We believe that the market's expected return is higher than the above
- We must ensure ROE that exceeds the market's expected return over the medium to long term

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II. Development of Financial Indicators and Assessment of Current Status (3) (financial soundness)



Interest-bearing debt has settled at approx. ¥750.0 to 840.0 billion



Equity ratio

Consistently improving

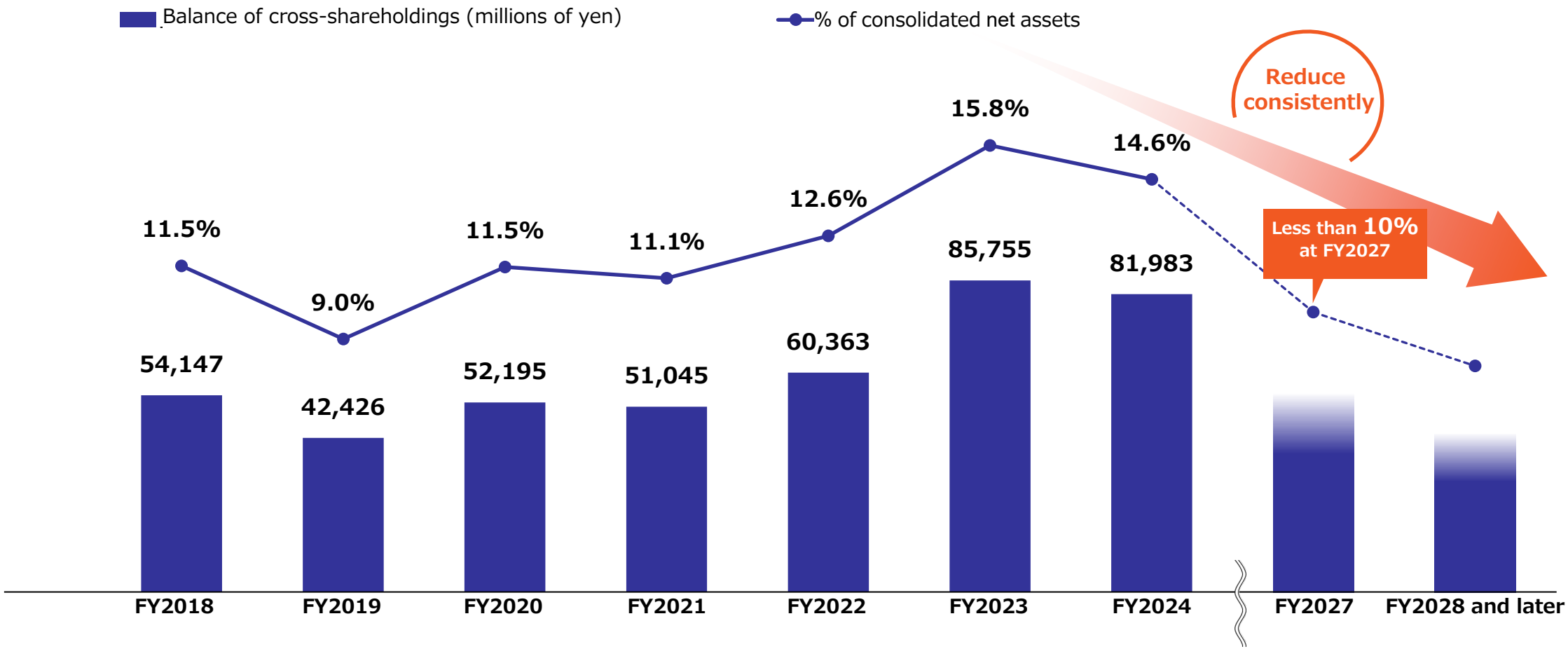
Interest-bearing debt to EBITDA multiple

Steadily improving due to increasing EBITDA

- **Financial soundness is steadily improving, with the balance of interest-bearing debt hovering at approximately ¥750.0 to 840.0 billion**
- **Equity ratio is consistently increasing; interest-bearing debt to EBITDA multiple is steadily improving as well**
- **We will maintain financial soundness over the medium to long term, balancing growth investment and shareholder returns**

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III. Cross-shareholdings and Plan for Sale



- **In FY2024, we sold approximately ¥10.0 billion in cross-shareholdings, which accounted for 14.6% of consolidated net assets at the end of FY2024**
- **We will reduce the percentage of consolidated net assets to less than 10% at the end of FY2027, and will continue to reduce thereafter**

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■ Key management indicators and projected values

	Before	After
Profitability	Operating profit FY2027 ¥74.0 billion FY2033 ¥80.0 billion Increase profit in the non-railway businesses by capturing growth markets, particularly tourism, in light of changes in the operating environment	Operating profit FY2027 ¥74.0 billion mid-2030s ¥100.0 billion+ Accelerate investment in growth areas (tourism and area development) and expand leisure, real estate, and new businesses.
Management conscious of cost of capital	ROE Period of the Medium-Term Business Plan (FY2024–FY2027) Approx. 8% Manage assets and liabilities with an awareness of the cost of capital by allocating funds from the sale of assets (such as cross-shareholdings) to growth investments and shareholder returns	ROE Until the mid-2030s Maintain and increase 8%+ Aim to maintain and increase the rate of 8% or higher over the medium to long term, while controlling the cost of capital and enhancing corporate value

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IV. Review of Medium- and Long-term Financial Targets (2) (shareholder returns and financial soundness)

■ Key management indicators and projected values

Before

Shareholder returns

Total return ratio

Period of the Medium-Term Business Plan (FY2024–FY2027)

30%+

Enhance shareholder returns through flexibly combining dividends and share buybacks, while balancing them with growth investments and financial soundness with future performance in mind

Financial soundness

Interest-bearing debt to EBITDA multiple

FY2027

6x range

Control interest-bearing debt in anticipation of large-scale investment in the Ikebukuro West Exit redevelopment while investing for further growth

After

Shareholder returns

Until FY2027		From FY2028
Total return ratio	**DOE**	
Period of the Medium-Term Business Plan (FY2024–FY2027)	Period of the Medium-Term Business Plan (FY2024–FY2027)	FY2028 and beyond
40%+	Increase in phases with 2.2%+ in mind	**Consider further increase**

Achieve a total return ratio of 40% or higher through dividends and share buybacks during the period of the Medium-Term Business Plan, and further increase the ratio in FY2028 and beyond

Financial soundness

Interest-bearing debt to EBITDA multiple	Equity ratio
Until the mid-2030s	Until the mid-2030s
6x range	**30%+**

Maintain financial soundness by improving profitability, increasing cash flow, and flexibly using funds from the sale of cross-shareholdings and borrowings to sustain the interest-bearing debt to EBITDA multiple and the equity ratio over the medium to long term

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Cash allocation (for period of the Medium-Term Business Plan)

Borrowings

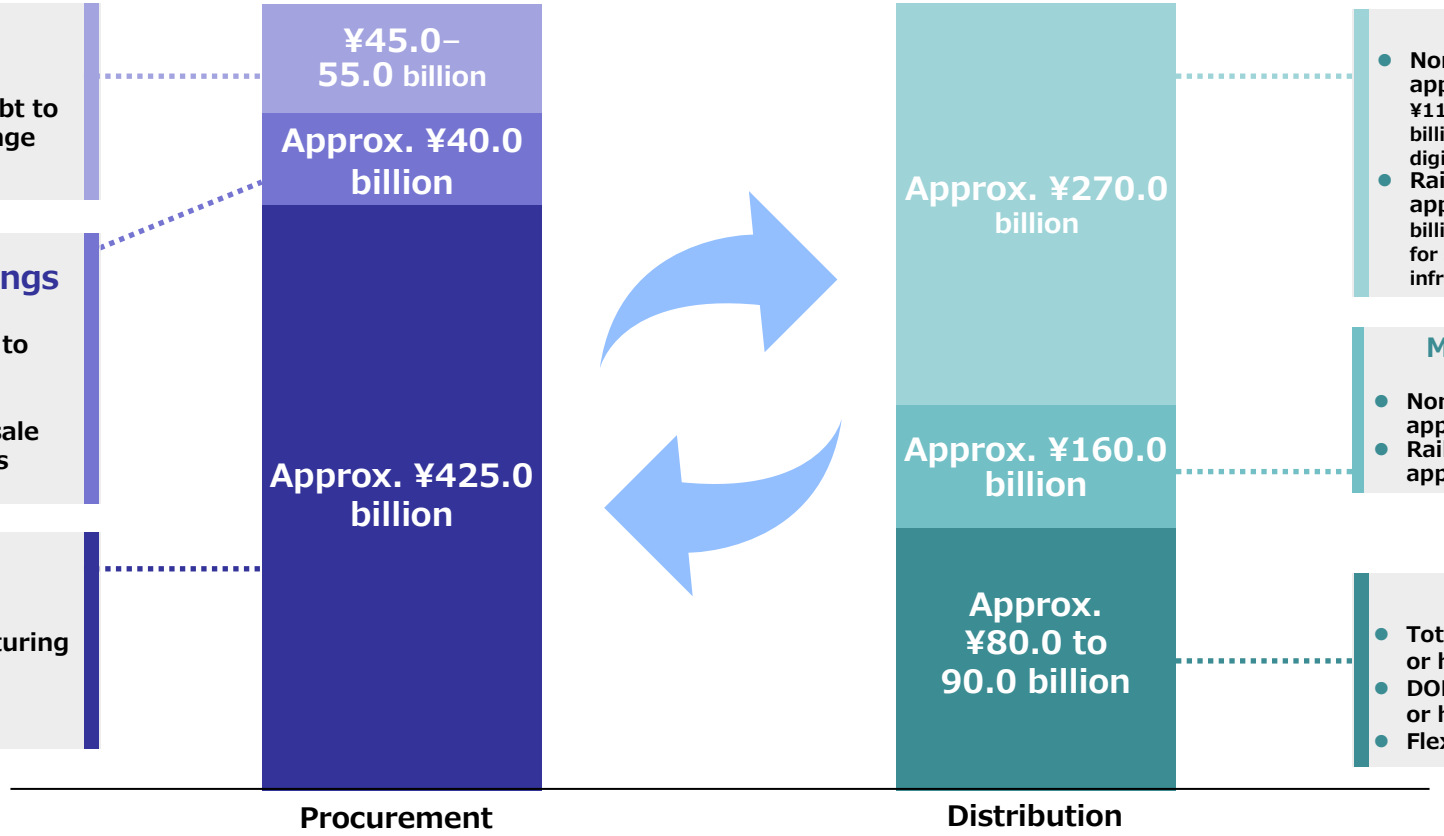
- Maintain interest-bearing debt to EBITDA multiple in the 6-range

Sale of cross-shareholdings

- Reduce cross-shareholdings to less than 10% of FY2027 consolidated net assets
- Actively use proceeds from sale for key strategic investments

Operating CF

- Expand operating CF by capturing strong demand for inbound tourism among others



Major priority strategic investments

- Non-railway business investment: approx. ¥180.0 billion (comprising ¥115.0 billion for development, ¥62.0 billion for tourism, and ¥4.0 billion for digitalization)
- Railway business investment: approx. ¥90.0 billion (comprising ¥10.0 billion for digitalization and ¥80.0 billion for strengthening of business infrastructure)

Maintenance and renewal investments

- Non-railway business investment: approx. 60.0 billion
- Railway business investment: approx. ¥100.0 billion

Shareholder returns

- Total return ratio to be raised to 40% or higher
- DOE to be raised in phases with 2.2% or higher in mind
- Flexible share buybacks

Implement cash allocation to improve capital efficiency while maintaining financial soundness

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