

# State of Implementing Management that is Conscious of Cost of Capital and Stock Price

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TOKYO ENERGY & SYSTEMS INC.



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# Initiatives for Improvement of PBR

\* CN = carbon neutral

Increase ROE	Strengthen profitability Optimize capital structure	Results of efforts in FY2025
 <p>Implement the business strategies in the FY2024 Medium-term Management Plan</p>	Invest in growth businesses	We issued green bonds to procure funding for investment in CN*-related businesses with high growth potential and directed funds to biofuel power generation projects.
	Improve profitability by transforming business portfolio	We focused on the <b>nuclear power</b> and <b>substations</b> fields, where we anticipate increasing construction projects, to increase earnings power and profitability.
	Strengthen sales force for expanding business	We acquired new customers through sales activities centered on our six branches across Japan, resulting in a total of 106.5 billion yen of orders and a record high in construction projects carried forward to the next fiscal year.
 <p>Make shareholder returns with a focus on optimal capital structure and cost of capital</p>	Continue implementing graduated dividends	FY2024 dividend 52 yen ⇒ FY2025 dividend 63 yen (forecast) (FY2025 initial forecast dividend 57 yen; revised dividend up by 6 yen)
	Flexibly conduct share buybacks	We bought back 200,000 shares on November 6, 2025. We also cancelled 1,750,000 shares of treasury stock.
	Improve market liquidity and actively reform shareholding structure	We offered a total of 3,100,000 shares for sale.
<p>Improve IR activities to foster stakeholder understanding</p>	Promote understanding of business by actively disclosing information to the market	We continued to project the image of a company that wishes to be contacted by institutional investors.
	Promote more active dialogue with stakeholders	We conducted 84 IR interviews (up 39 year over year)
	Make use of opinions expressed in dialogues to review operating strategies	The contents of IR interviews were shared with the Board of Directors and reflected in the FY2026 management plan.
Cost of equity: reduce	Reduce stock price volatility Foster growth expectations	

# Our Capital Strategy (Optimization of Shareholding Structure)

## Optimization of shareholding structure

- We have been reviewing our capital policy to increase corporate value over the medium to long term and achieve sustainable growth. Given the high shareholding ratios of our major shareholder, **we may not be eligible for inclusion in the TOPIX with our current market capitalization (calculated on a free-float basis). We recognize this would harm shareholder value.**
- We engaged in extensive dialogue and coordination with Tokyo Electric Power Company Holdings, Incorporated (TEPCO), our principal shareholder, and secured their understanding of our corporate vision and the capital policy for achieving it. **We determined that it was possible to improve market liquidity and actively reform our shareholding structure while offering an uninterrupted opportunity to trade in our shares, so in February 2026, we announced a secondary offering of our shares.** Even after the completion of this secondary offering, we will **remain an equity method affiliate of TEPCO** and continue to work closely with the TEPCO Group to fulfill our responsibility for delivering reliable supplies of electricity and to enhance our sustainable corporate value.

## Distribution by shareholder type

