

To Shareholders with Voting Rights

Company Name: TOBU RAILWAY CO., LTD.
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The 198th Annual General Meeting of Shareholders of TOBU RAILWAY CO., LTD.: Supplementary Explanation on Proposal 3 and 4

Regarding Proposal 3 “Election of Nine (9) Directors” and Proposal 4 “Delegation of Gratis Allotment of Stock Acquisition Rights as Takeover Defense Measures” which will be presented before the 198th Annual General Meeting of Shareholders (the “General Meeting”) of TOBU RAILWAY CO., LTD. (the “Company”) scheduled to be held on June 22, 2018, details are as presented in the notice of convocation. Although it is repeating an explanation, in order for shareholders to further gain an in-depth understanding with its background, a supplementary explanation is provided as follows:

1. Proposal 3 Election of Nine (9) Directors

With a view to materializing further sustainable growth and mid-to-long term enhancement of corporate value, the Company introduced an Executive Officer system on April 1, 2018. The introduction of the Executive Officer system aims at clarifying execution authorities and responsibilities to establish a framework in which Executive Officers carry out execution of business under the command and supervision of Representative Directors. At the same time, under this system, the Board of Directors shall have the primary role of making decisions on management and supervising business execution, whereby the Board’s function is strengthened. As a result, the management structure, which is currently composed of 16 Directors, will be composed of nine (9) Directors (two (2) are Outside Directors) (**percentage of Outside Directors: 22%**) at the conclusion of this General Meeting. Furthermore, of the five (5) Audit & Supervisory Board Members of the Company, three (3) are Outside Audit & Supervisory Board Members. Accordingly, the total number of Directors and Audit & Supervisory Board Members shall be fourteen (14), of which five (5) are outside officers (**percentage of Outside Directors and Audit & Supervisory Board Members: 36%**) at the conclusion of this General Meeting.

As for **Outside Directors**, the Company shall newly elect **the following two (2) persons who do not have any personal, capital, business relationships and other interests** with the Company.

(New Candidates for Outside Directors)

Mr. Mitsuyoshi Shibata (Chairman of the Board of Furukawa Electric Co., Ltd. (to present))

Mr. Takaharu Ando (Outside Director of NITORI Holdings Co., Ltd. (to present);
External Director of AMUSE INC. (to present);

Outside Director of ZENSHO HOLDINGS CO., LTD. (to present))

* Current Outside Directors Ms. Noriko Yagasaki and Mr. Hirofumi Nomoto shall retire.

2. Proposal 4 Delegation of Gratis Allotment of Stock Acquisition Rights as Takeover Defense Measures

As disclosed on May 17, 2018 in the “Notice of Countermeasures (Takeover Defense Measures) to Large-scale Purchase of Shares of TOBU RAILWAY,” the effective period of countermeasures (Takeover Defense Measures) to a large-scale purchase of shares of the Company will expire at the conclusion of the General Meeting. The Company proposes to renew it with the following two major points changed from the current Takeover Defense Measures.

Change (1): Trigger criteria shall be **limited to the so-called “four types cited by the high court” and “coercive two-tiered acquisition”** when countermeasures are taken.

Change (2): In order to prevent arbitrary decisions by the Board of Directors, the Independent Committee shall make objective decisions when countermeasures are taken. **Members of the Independent Committee at the time shall be composed of three (3) persons in total, the aforementioned two (2) Outside Directors with rich experience as corporate manager and outside director of a listed company, and one (1) outside expert.** As a result, the majority shall be Outside Directors who are entrusted by the shareholders and independent from the management, developing a system where decisions of

independent Outside Directors are reflected in the resolutions made by the Independent Committee. The Company plans to appoint the following three (3) persons as members of the Independent Committee.

Mr. Mitsuyoshi Shibata (candidate for Outside Director)
Mr. Takaharu Ando (candidate for Outside Director)
Mr. Gan Matsui (Member of the Independent Committee to present)

Naturally, the Company would not flatly refuse all large-scale purchases of its shares in so far as they may contribute to ensuring and enhancing its corporate value and common interests of its shareholders, as well as ensuring and enhancing safety, public interest and user benefit (convenience) in the transport business. However, since situations where ensuring and enhancing the Company's corporate value and common interests of its shareholders, as well as ensuring and enhancing safety, public interest and user benefit (convenience) in the transport business may be impaired, the Company proposes to continue its takeover defense measures. TOBU Group is dedicated to further developing the local community by supporting the daily lives of customers living along its railway lines through its engagement in the transportation business positioned as one of society's pieces of infrastructure. Furthermore, the Group asks shareholders to understand the background that the proposal contributes to ensuring and enhancing the Company's corporate value and common interests of its shareholders in the mid-to-long term and does not aim to maintain the positions of officers of the Company.

3. Dialogue with Shareholders

The proposed changes from the current Takeover Defense Measures presented in Proposal 4 are a result of consideration by the Company after asking shareholders for their views through dialogue between them and the Company.

The Company intends to continuously consider the views of shareholders with sincerity through dialogue with them, and will link that to ensuring and enhancing its corporate value and the common interests of its shareholders.

We ask for continuous support of our shareholders in understanding the background and approving each proposal.

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