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## Corporate Governance Report

Last Update: November 14, 2019

Odakyu Electric Railway Co., Ltd.

Koji Hoshino, President & CEO

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Securities Code: 9007

<https://www.odakyu.jp>

The corporate governance of Odakyu Electric Railway Co., Ltd. (hereinafter, the “Company”) is described below.

### I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

#### 1. Basic Views

##### Basic Views

With regard to enhancing and strengthening the Company’s corporate governance, the Company is implementing various measures with the recognition that it is vital to strengthen the function to make decisive decisions unshackled by precedents or customs as well as to strengthen the supervisory function for business execution, by ensuring transparency, fairness and speed when carrying out key strategies. The aim is to maximize the interest of various stakeholders, including our shareholders as well as our customers, business partners, creditors and local communities, and achieve sustained growth as well as enhance the medium- to long-term corporate value of the Company.

##### Basic Policies

###### (1) Securing the Rights and Equal Treatment of Shareholders

The Company provides the necessary information for the exercise of rights by shareholders in a timely and appropriate manner, and develops an environment in which shareholders can exercise their rights without hesitation. The Company also gives consideration to substantially ensuring the rights and equal treatment of various shareholders, including minority shareholders.

###### (2) Appropriate Cooperation with Stakeholders Other Than Shareholders

The Company recognizes that it is vital to cooperate with stakeholders, including employees, customers, business partners, creditors and local communities, to realize sustained growth and the creation of medium- to long-term corporate value. With this recognition, the Company strives to appropriately cooperate with such stakeholders.

###### (3) Ensuring Appropriate Information Disclosure and Transparency

The Company appropriately discloses financial information, such as financial standing and operating results, and non-financial information, such as business strategies and business issues, risk and governance, in compliance with the relevant laws and regulations. In addition, the Company provides other information through news releases, etc. to stakeholders.

The Company also makes efforts to provide accurate, clear and useful information, including non-financial information, taking into consideration that disclosed and provided information will serve as the basis for constructive dialogue with shareholders.

**(4) Fulfilling Responsibilities of the Board of Directors**

The Board of Directors sets the strategic direction of the Company mainly through Long-Term Vision 2020 and the Group Medium-Term Management Plan based on the Group Management Principle. The Company also establishes an environment where appropriate risk-taking by Directors is supported, while electing highly independent Outside Officers and carrying out effective oversight of Directors.

**(5) Dialogue with Shareholders**

The Company engages in constructive dialogue with shareholders even outside the General Meeting of Shareholders, mainly at financial results briefings, with the aim of achieving sustained growth of the Company and enhancing the corporate value over the medium to long term. In such dialogue with shareholders, Directors participate in interviews to the extent reasonable and give appropriate feedback mainly to full-time officers on the views and demands of shareholders grasped during the dialogue. Through these and other efforts, the Company pays due attention to the interests and concerns of shareholders. The Company also makes efforts to explain its business policies to shareholders in an understandable manner so as to gain their support, while at the same time striving to develop a balanced understanding of the positions of shareholders and other stakeholders and act accordingly.

**[Reasons for Non-compliance with the Principles of the Corporate Governance Code]**

The Company implements all the principles of the Corporate Governance Code.

**[Disclosure Based on the Principles of the Corporate Governance Code]**

**Principle 1.4 Strategic Shareholdings**

The Company considers it necessary to maintain and develop business relations with various companies in order to achieve the Group Management Principle of helping its customers create “irreplaceable times” and “rich and comfortable lifestyles.” To this end, the Company holds shares that are deemed necessary as a policy based on comprehensive consideration of factors such as business relationships with the issuing company. With regard to strategic shareholdings held by the Company, the Board of Directors annually verifies the aim and rationale of holding from a qualitative perspective, such as contribution to the maintenance and development of business relations with the issuing company, as well as from a quantitative perspective such as cost of capital and dividend income. Our policy calls for reducing shares for which the significance of holding has diminished through sale and other means as a result of such verification.

The Company also exercises the voting rights on strategic shareholdings for all proposals. In exercising the voting rights, the Company pays special attention to proposals that may damage shareholder value in accordance with the Company’s standards for exercising voting rights based on factors such as the business condition, dividend condition and presence or absence of anti-social acts and other scandals of each company. In addition, the Company receives an explanation of the proposal from the issuing company as necessary.

**Principle 1.7 Related Party Transactions**

At the Company, competing transactions and conflict-of-interest transactions by Directors are specified as proposals to be resolved by the Board of Directors under the Regulations of the Board of Directors. In addition to this, transactions between the Company or its consolidated subsidiaries and officers and their close relatives are also verified to determine the presence of any such transactions and their details every fiscal year, while the details of transactions that fall under the accounting standards and the guidelines for the application of such standards for related party disclosure are disclosed.

**Principle 2.6 Roles of Corporate Pension Funds as Asset Owners**

In order to enhance the efficiency of pension asset management, the Company periodically holds a Pension Asset Management Advisory Council (hereinafter, “Advisory Council”) with the Manager of Finance & Accounting Department as the chairperson and the Manager of Personnel Department as the vice chairperson. At the Advisory Council, participants discuss matters such as asset allocation for pension fund management, management strategy and the entrusted management company, based on their professional or general knowledge and experience commensurate with each position and responsibility.

In determining the specific asset allocation for pension fund management, management strategy and the entrusted management company, the Company has a system to receive advice from outside pension fund management experts as necessary. The Company requests the pension fund management consultant of Rating and Investment Information, Inc. (hereinafter, “R&I”), a group company of Nikkei Inc., to act as an outside

expert. By receiving advice on pension fund management from R&I from a neutral and fair position, the Company has a system that does not allow conflicts of interest to arise between pension fund beneficiaries and the Company.

In order to enhance professional knowledge and experience in pension fund management, the Company utilizes advice from R&I and also endeavors to develop, appoint and assign personnel with the appropriate credentials for such fund management.

### **Principle 3.1 Full Disclosure**

(1) The management principle, management plans and other information are disclosed in the securities reports and the Company's website (<https://www.odakyu.jp/philosophy/>).

(2) Basic views and policies on corporate governance are stated in "I.1. Basic views" of this report.

(3) Policies and procedures for determining compensation are stated in "II.1. [Director Remuneration] Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods" of this report.

(4) In electing the senior management (Directors concurrently serving as Executive Officers) and nominating candidates for Directors and Auditors, persons with outstanding personality and insights are required. In addition, in the case of in-house candidates, persons who are well versed in the Company's operations based on experience gained at several departments are elected and nominated for the senior management and Directors, and persons who have expertise regarding finance, accounting and legal affairs as well as knowledge of the Company's business are elected and nominated for Auditors. In the case of candidates who come from another company or institution, for both Directors and Auditors, the Company nominates those capable of fulfilling roles and functions to enhance management supervising functions, along with career history, experience and professional knowledge, etc. that differ from those of in-house candidates. In addition, election and nomination are conducted by considering the balance between knowledge, experience and skills of the Board of Directors as a whole, and diversity. Also, the dismissal of the senior management is decided in light of the election policy.

Based on the policy above, the election/dismissal of the senior management and nomination of candidates for Directors and Auditors are decided by the Board of Directors following deliberations by the Nomination and Compensation Advisory Committee, in which Independent Outside Directors comprise a majority of the members. In addition, the Company explains the matter concerned to Outside Auditors prior to the meeting of the Board of Directors.

(5) The individual reasons for the election/dismissal of the senior management, candidates for Directors and Auditors are disclosed in the Reference Documents of the Notice of the General Meeting of Shareholders.

### **Supplementary Principle 4.1.1 Summary of Scope and Content of Matters Delegated to the Management**

In addition to matters stipulated in relevant laws and regulations and the Articles of Incorporation, the Company stipulates matters to be resolved by the Board of Directors, such as long-term comprehensive plans in the Regulations of the Board of Directors. Furthermore, the Company sets the standard for the amount, etc. according to importance in the criteria for discussing matters at the Board of Directors, and also resolves matters deemed important in accordance with such standards, such as investments and loans, at the Board of Directors.

Regarding decisions on matters other than those resolved by the Board of Directors and business execution, matters such as the duties and authority of each position are stipulated in the Official Authority Rules and are delegated to each level of management.

### **Principle 4.9 Independence Standards and Qualification for Independent Outside Directors**

Independence Standards for Outside Officers specified by the Company are stated in "II.1. [Independent Directors/Auditors] Matters relating to Independent Directors/Auditors" of this report.

### **Supplementary Principle 4.11.1 View on Balance between Knowledge, Experience and Skills of the Board of Directors as a Whole, and on Diversity and Size of the Board of Directors**

The Company's Board of Directors comprises a combination of Executive Directors who are well versed in the Company's operations, in-house Non-Executive Directors and full-time Auditors, as well as several Outside Directors and Outside Auditors who have career history, experience and professional knowledge that differ from those of in-house Directors and Auditors and are fully capable of fulfilling roles and functions to enhance management supervising functions. In this way, the Company strives to ensure the balance between knowledge, experience and skills of the Board of Directors as a whole, and diversity. The Company also

works to have an appropriate size for the constitution of the Board of Directors in light of factors such as business scale and type of operations. The Articles of Incorporation stipulates that the number of Directors shall be 17 or less and the number of Auditors shall be five or less. Based on the policy above, the Board of Directors currently comprises 15 Directors and five Auditors. Among them, the professional background of the three Independent Outside Directors (including one female) consists of two corporate managers and a head of local government, and the professional background of the three Independent Outside Auditors consists of two corporate managers and an attorney-at-law.

#### **Supplementary Principle 4.11.2 Status of Concurrent Positions Held by Directors and Auditors at Other Companies**

The status of significant concurrent positions held by Directors, Auditors, and their candidates is disclosed every year in the Reference Documents and the Business Report of the Notice of the General Meeting of Shareholders.

#### **Supplementary Principle 4.11.3 Analysis and Evaluation of the Effectiveness of the Board of Directors as a Whole**

The Company conducts self-evaluations of Directors and Auditors every year by means such as questionnaire surveys concerning decision-making and oversight functions of the Board of Directors and the support structure of the Board of Directors. Based on the results of such evaluations, the effectiveness of the Board of Directors as a whole is analyzed and evaluated by the Board of Directors. During the fiscal year ended March 31, 2019, as a result of analyses and evaluations, it was confirmed that the Board of Directors was effective. Furthermore, based on the results of analyses and evaluations in the fiscal year ended March 31, 2018 and in prior fiscal years, the Company deepened discussions on business strategy and important matters, and transferred authority by partially revising the Regulations of the Board of Directors with the aim of accelerating decision-making. As a result of analyses and evaluations in the fiscal year ended March 31, 2019, the Company recognizes that it is necessary to further enhance discussions on companywide strategy and the provision of information when deliberating on important matters. With this recognition, the Company will consider further enhancing the effectiveness of the Board of Directors including response to such matters.

#### **Supplementary Principle 4.14.2 Training Policy for Directors and Auditors**

The Company provides information on the Company's business, among other things, as needed to Outside Directors and Outside Auditors, in addition to mainly creating opportunities to inspect the Company's facilities and areas along the Odakyu Line as appropriate to support efforts to deepen understanding of the Company's business. Furthermore, the Company invites outside lecturers to have them give lectures every year on topics such as internal control to Executive Directors and in-house Non-Executive Directors and full-time Auditors. For Executive Directors, the Company also explains and provides information on the details of business of the department they will be in charge of when they assume their respective offices. The Company takes these measures for each Director and Auditor and also provides financial support required for such measures.

#### **Principle 5.1 Policy for Constructive Dialogue with Shareholders**

The Company makes efforts to improve the quality of IR activities through the following initiatives in order to promote constructive dialogue with shareholders and investors.

- (1) The Company appoints a Director in charge of overseeing the department responsible for engaging in dialogue with shareholders and investors (Investor Relations Office).
- (2) Primarily the responsible department gives feedback on the views and demands made by shareholders and investors through regular exchange of information with related departments such as the Management Strategy Department, the Group Management Department, the General Affairs Department and the CSR/Corporate Communications Department, as well as the Group companies, while working to promote understanding inside the Company and the Group.
- (3) For analysts and institutional investors, initiatives such as briefings for each business by the responsible officers and tours of the Company's facilities are taken, in addition to holding financial results briefings (twice a year), in which the President and other members of management participate. Furthermore, for individual investors, company information meetings are held in cooperation with securities companies and other institutions.
- (4) The Company provides opportunities to regularly report mainly on the status of IR activities and the views and demands made by shareholders and investors at meetings of the Board of Executive Officers, primarily

comprising full-time officers and department managers, in addition to feedback given to officers, etc. by the responsible departments as appropriate.

(5) Important information is strictly handled under the internal rules concerning the management of internal information. In addition, a quiet period is set before the announcement of financial results to restrict external coverage and inquiries.

## 2. Capital Structure

Foreign Shareholding Ratio	From 10% to less than 20%
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### [Status of Major Shareholders] Updated

Name / Company Name	Number of Shares Owned (Shares)	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	29,375,400	8.11
The Dai-ichi Life Insurance Company, Limited	22,523,626	6.22
Nippon Life Insurance Company	16,763,615	4.63
Japan Trustee Services Bank, Ltd. (Trust Account)	13,865,400	3.83
The Master Trust Bank of Japan, Ltd. (Retirement Benefit Trust Account, Mitsubishi Electric Corporation Account)	12,908,000	3.56
Meiji Yasuda Life Insurance Company	7,676,721	2.12
Japan Trustee Services Bank, Ltd. (Trust Account 5)	6,119,700	1.69
MUFG Bank, Ltd.	5,750,000	1.59
SUMITOMO LIFE INSURANCE COMPANY	5,500,000	1.52
JP MORGAN CHASE BANK 385151 (Standing Proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	4,910,560	1.36

Controlling Shareholder (except for Parent Company)	—
Parent Company	None

### Supplementary Explanation Updated

1. The status of major shareholders as of September 30, 2019 is stated.
2. The Dai-ichi Life Insurance Company, Limited has contributed an additional 2,000 thousand shares of the Company to a retirement benefit trust and retains rights of instruction in regard to shareholder voting rights of the shares.
3. The 12,908 thousand shares held by The Master Trust Bank of Japan, Ltd. (Retirement Benefit Trust Account, Mitsubishi Electric Corporation Account) are trust assets of a retirement benefit trust consigned by Mitsubishi Electric Corporation to The Master Trust Bank of Japan, Ltd. Mitsubishi Electric Corporation retains rights of instruction in regard to shareholder voting rights of the shares.
4. The above excludes treasury stocks of 6,117 thousand shares held by the Company. The 165 thousand shares of the Company held by the Officer Compensation Trust Account are not included in the treasury stock.

### 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	March
Type of Business	Land Transportation
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 10 to less than 50

### 4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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### 5. Other Special Circumstances which may have Material Impact on Corporate Governance

The Company owns Shirohato Co., Ltd. as a listed subsidiary but respects the self-initiative and autonomy of the subsidiary's management, and maintains its independence.
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## II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

### 1. Organizational Composition and Operation

Organization Form	Company with Board of Auditors
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#### [Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	17
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	15
Status of election of Outside Director	Elected
Number of Outside Directors	3
Number of Outside Directors designated as Independent Directors	3

#### Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Tomijiro Morita	From another company								△				
Tamotsu Nomakuchi	From another company								△				
Hiroko Nakayama	Other								△				

\* Categories for "Relationship with the Company"

- \* "○" when the director presently falls or has recently fallen under the category;
- \* "△" when the director fell under the category in the past
- \* "●" when a close relative of the director presently falls or has recently fallen under the category;
- \* "▲" when a close relative of the director fell under the category in the past

- a. Business executive of the Company or its subsidiaries
- b. Non-executive director or business executive of a parent company of the Company
- c. Business executive of a fellow subsidiary company of the Company
- d. A party whose major business partner is the Company or a business executive thereof
- e. Major business partner of the Company or a business executive thereof
- f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company other than remuneration as an officer
- g. Major shareholder of the Company (or a business executive of the said major shareholder if the shareholder is a legal entity)
- h. Business executive of a business partner of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
- i. Business executive of another company whose position would constitute the person as having an interlocking relationship (the director himself/herself only)
- j. Business executive of a company or organization that receives a donation from the Company (the director himself/herself only)
- k. Others

Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Tomijiro Morita	○	He was a business executive of The Dai-ichi Life Insurance Company, Limited until June 2011. The Company and The Dai-ichi Life Insurance Company, Limited are engaged in transactions including borrowing of funds, but the total transaction amount thereof is insignificant, at less than 1% of both the consolidated revenue from operations of the Company and the ordinary revenues of The Dai-ichi Life Insurance Company, Limited.	He has management experience at The Dai-ichi Life Insurance Company, Limited over the years and broad insight based on such experience. The Company elects him as Outside Director as he is fulfilling his role to enhance the Company's management supervising function from an independent and objective perspective by drawing on such experience. In addition, as the Company judged that there is no relationship with significant influence between the Company's management and him and he has no risk of conflict of interest with the Company's general shareholders, he was designated as an Independent Director.
Tamotsu Nomakuchi	○	He was a business executive of Mitsubishi Electric Corporation until March 2009. The Company and Mitsubishi Electric Corporation are engaged in transactions including construction orders, but the total transaction amount thereof is insignificant, at less than 1% of both the consolidated revenue from operations of the Company and consolidated net sales of Mitsubishi Electric Corporation.	He has management experience at Mitsubishi Electric Corporation over the years and broad insight into the engineering field. The Company elects him as Outside Director as he is fulfilling his role to enhance the Company's management supervising function from an independent and objective perspective by drawing on such experience. In addition, as the Company judged that there is no relationship with significant influence between the Company's management and him and he has no risk of conflict of interest with the Company's general shareholders, he was designated as an Independent Director.
Hiroko Nakayama	○	She was the Mayor of Shinjuku until November 2014. The Company and Shinjuku are engaged in transactions, including loan for use agreements related to a disaster supplies warehouse, but the total transaction amount thereof is insignificant, at less than 0.1% of both the consolidated revenue from	She has experience in promoting the revitalization of local community among others as Mayor of Shinjuku, and extensive knowledge based on such experience. The Company elects her as Outside Director as she is fulfilling her role to enhance the Company's management supervising function from an independent and objective perspective by drawing on such experience. In addition, as the Company judged



		operations of the Company and the annual revenue of Shinjuku.	that there is no relationship with significant influence between the Company's management and her and she has no risk of conflict of interest with the Company's general shareholders, she was designated as an Independent Director.
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Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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#### Committee's Name, Composition, and Attributes of Chairperson

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Nomination and Compensation Advisory Committee	Nomination and Compensation Advisory Committee
All Committee Members	5	5
Full-time Members	0	0
Inside Directors	2	2
Outside Directors	3	3
Outside Experts	0	0
Other	0	0
Chairperson	Inside Directors	Inside Directors

#### Supplementary Explanation

The Company has established the Nomination and Compensation Advisory Committee, in which Independent Outside Directors comprise a majority of the members, as an advisory body to the Board of Directors in order to strengthen the independence, objectivity and accountability of the functions of the Board of Directors on matters such as nomination of Directors and Auditors and compensation of Directors.

In addition to President & CEO Koji Hoshino, the Committee comprises persons selected by a resolution of the Board of Directors (Chairman Toshimitsu Yamaki and Outside Directors Tomijiro Morita, Tamotsu Nomakuchi, and Hiroko Nakayama), and deliberates on such matters as basic policy for nomination and compensation and draft proposals for the General Meeting of Shareholders, reporting the results to the Board of Directors. The Committee held four meetings in the fiscal year ended March 31, 2019, which were attended by all of the Committee members.

#### [Auditors]

Establishment of Board of Auditors	Established
Maximum Number of Auditors Stipulated in Articles of Incorporation	5
Number of Auditors	5

#### Coordination among Auditors, Accounting Auditor and Internal Audit Department

Full-time Auditors request the Accounting Auditor to report on such matters as the accounting audit policies, audit plans and audit results during the year and at year-end, as well as explain such matters as the audit policies and audit plans for the audits by Auditors, deepen mutual understanding, and separately exchange information as necessary. In addition, they request the Accounting Auditor to attend the meeting of the Board of Auditors at the beginning of the year, during the year, and at year-end to exchange views with the Accounting Auditor and Outside Auditors.

Furthermore, full-time Auditors value the importance of coordination with the internal audit department and hear quarterly reports on the annual plan of internal audit and the status of audit implementation at what is referred to as the audit reporting meeting, while seeking understanding and cooperation by explaining such matters as the audit plan of Auditors. In addition, as part of an effort to strengthen coordination between the audit by Auditors and the internal audit, full-time Auditors exchange views separately on such matters as the method of monitoring and verifying the establishment and operational status of internal control systems.

Appointment of Outside Auditors	Appointed
Number of Outside Auditors	3
Number of Outside Auditors designated as Independent Auditors	3

#### Outside Auditor's Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Ikuo Uno	From another company										△			
Takehisa Fukazawa	Lawyer													
Masataka Ito	From another company													

\* Categories for "Relationship with the Company"

- \* "○" when the auditor presently falls or has recently fallen under the category;
- "△" when the auditor fell under the category in the past
- \* "●" when a close relative of the auditor presently falls or has recently fallen under the category;
- "▲" when a close relative of the auditor fell under the category in the past

- a. Business executive of the Company or its subsidiaries
- b. Non-executive director or accounting advisor of the Company or its subsidiaries
- c. Non-executive director or business executive of a parent company of the Company
- d. Auditor of a parent company of the Company
- e. Business executive of a fellow subsidiary company of the Company
- f. A party whose major business partner is the Company or a business executive thereof
- g. Major business partner of the Company or a business executive thereof
- h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company other than remuneration as an officer
- i. Major shareholder of the Company (or a business executive of the said major shareholder if the shareholder is a legal entity)
- j. Business executive of a business partner of the Company (which does not correspond to any of f, g, or h) (the auditor himself/herself only)
- k. Business executive of another company whose position would constitute the person as having an interlocking relationship (the auditor himself/herself only)
- l. Business executive of a company or organization that receives a donation from the Company (the auditor himself/herself only)
- m. Others

#### Outside Auditor's Relationship with the Company (2)

Name	Designation as Independent Auditor	Supplementary Explanation of the Relationship	Reasons of Appointment
Ikuo Uno	○	He was a business executive of Nippon Life Insurance Company until March 2011. The Company and Nippon Life Insurance Company are engaged in transactions including borrowing of funds, but the total transaction amount thereof is insignificant, at less than 1% of both the consolidated revenue from operations of the Company and the consolidated ordinary revenues of Nippon Life Insurance Company.	He has management experience at Nippon Life Insurance Company over the years and broad insight based on such experience. The Company elects him as Outside Auditor as he is fulfilling his role to enhance the Company's management supervising function from an independent and objective perspective by drawing on such experience. In addition, as the Company judged that there is no relationship with significant influence between the Company's management and him and he has no risk of conflict of interest with the Company's general shareholders, he was designated as an Independent Auditor.
Takehisa Fukazawa	○	----	He has experience as an attorney-at-law and Supreme Court Justice of Japan and professional knowledge based on such experience. The Company elects him as Outside Auditor as he is fulfilling his role to enhance the Company's management supervising function from an independent and objective perspective by drawing on such experience. In addition, as the Company judged that there is no relationship with significant influence between the Company's management and him and he has no risk of conflict of interest with the Company's general shareholders, he was designated as an Independent Auditor.
Masataka Ito	○	----	He has broad insight and ample knowledge regarding finance and accounting based on his work and auditing experience at financial institutions and management experience of various companies. The Company elects him as Outside Auditor as he is fulfilling his role to enhance the Company's management supervising function from an independent and objective perspective by drawing on such experience. In addition, as the Company judged that there is no relationship with

			significant influence between the Company's management and him and he has no risk of conflict of interest with the Company's general shareholders, he was designated as an Independent Auditor.
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#### [Independent Directors/Auditors]

Number of Independent Directors/Auditors	6
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#### Matters relating to Independent Directors/Auditors

The Company designates all Outside Officers who are qualified to be Independent Directors/Auditors as Independent Directors/Auditors.

##### **Independence Standards for Outside Officers**

Outside Officers are judged to be sufficiently independent so long as they do not fall under any of the following categories.

- (1) A business executive of the Company or its Group company (collectively, the "Group")
- (2) A major shareholder of the Company (who possesses 10% or more of voting rights either directly or indirectly) or a business executive thereof
- (3) A business executive of a principal lender (financial institution or other significant creditor indispensable for the Group's financing and on which the Group is irreplaceably dependent) of the Group
- (4) A business executive of a major business partner (an entity who pays the Group 2% or more of the Group's annual consolidated net sales) of the Group
- (5) A business executive of a company which holds the Group as a major business partner (an entity which receives from the Group 2% or more of its annual consolidated net sales)
- (6) An individual who receives a remuneration of ¥10 million or more per year from the Group other than remuneration as an officer
- (7) A business executive of an entity that receives donations of ¥10 million or more per year from the Group
- (8) A business executive of another company whose position would constitute the person as having an interlocking relationship
- (9) A spouse or relative within two degrees of kinship of an individual with an important position who falls under the above criteria (1) through (8)
- (10) An individual who has fallen under the above criteria (1) in the past 10 years, an individual who has fallen under the above criteria (2) in the past five years, and an individual who has fallen under the above criteria (3) through (9) in the past three years

#### [Incentives]

Incentive Policies for Directors	Other
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#### Supplementary Explanation

It is the Company's policy to determine compensation for Directors concurrently serving as Executive Officers by the role-linked compensation, determined in accordance with position, in addition to the compensation plan linked to business performance per fiscal year, determined based on certain standards including sales growth rate, adjusted for the status of each Director's achievement of targets, and stock compensation plan with stronger linkage with the shareholder value that uses a trust to provide incentives for improving business performance over the long term.

With regard to the performance-linked compensation component of compensation for Directors, 75% of the criteria for determining the performance appraisal that forms the basis for calculation is qualitative targets and 25% is quantitative targets. Qualitative targets set out individual issues from a management standpoint from a medium- to long-term perspective based on the Long-Term Vision 2020, while quantitative targets are set

according to four consolidated performance indicators (sales growth rate, EBITDA growth ratio, adjusted ROA, and EPS) from a Group management perspective. Based on the above, the evaluation results of the achievement levels for each fiscal year are reflected in the amount of compensation.

Recipients of Stock Options	
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Supplementary Explanation
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## [Director Remuneration]

Disclosure of Individual Directors' Remuneration	No Individual Disclosure
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Supplementary Explanation
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The amount of compensation, etc., for the Company's Directors and Auditors in the fiscal year ended March 31, 2019 is as follows:

a) Director 17 persons ¥408 million

b) Auditor 6 persons ¥79 million

(Notes) 1. a) and b) above include two Directors who retired upon expiration of the term of office at the conclusion of the 97th Annual General Meeting of Shareholders held on June 28, 2018, and one Auditor who retired due to his resignation.

2. a) above includes the amount of ¥46 million recorded as expenses in the fiscal year under review for the stock compensation plan that uses a trust.

3. In addition to the amount in a) above, a total amount of ¥29 million was paid as the employee salary portion for two Directors concurrently serving as employees.

4. Of the total amount of ¥488 million, which is the sum of a) and b) above, the total amount of compensation, etc., for six Outside Officers was ¥62 million.

Policy on Determining Remuneration Amounts and Calculation Methods	Established
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Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods
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Regarding compensation of Directors and Auditors, the maximum total compensation amounts for all Directors and all Auditors are determined by a resolution of the General Meeting of Shareholders.

It is the Company's policy to determine compensation for Directors concurrently serving as Executive Officers by the role-linked compensation, determined in accordance with position, in addition to the compensation plan linked to business performance per fiscal year, determined based on certain standards including sales growth rate, adjusted for the status of each Director's achievement of targets, and stock compensation plan with stronger linkage with the shareholder value that uses a trust to provide incentives for improving business performance over the long term.

Based on the policy above, resolutions are made by the Board of Directors in regard to compensation for Directors following deliberations by the Nomination and Compensation Advisory Committee, in which Independent Outside Directors comprise a majority of the members. In addition, the compensation amount for each Auditor is determined by discussion among Auditors.

## [Supporting System for Outside Directors and/or Auditors]

Important matters and the status of business execution are reported to Outside Directors as appropriate. In addition, the Company has established the Auditor's Office as a dedicated organization to assist Outside Auditors. The Auditor's Office comprises full-time employees who carry out their duties according to

instructions from full-time Auditors. As for the transmission of information to Outside Auditors, the Company provides opportunities for contact with full-time Auditors outside the meetings of the Board of Auditors to enable the exchange of information on such matters as how corporate governance of the Company should be, while having the relevant departments within the Company and the Auditor's Office provide important internal information in a timely manner.

**[Retired presidents/CEOs holding advisory positions (Senior Advisor, Advisor, etc.)]**

Information on retired presidents/CEOs holding advisory positions (Senior Advisor, Advisor, etc.)

Name	Job title/ position	Responsibilities	Employment terms (Full/part time, with/without compensation, etc.)	Date when former role as president/ CEO ended	Term
—	—	—	—	—	—

Number of retired presidents/CEOs holding  
advisory positions (Senior Advisor, Advisor, etc.)

0

Others

Although there is a system in place, there are currently no applicable persons.

**2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration  
Decisions (Overview of Current Corporate Governance System)**

**(1) Overview of the Current System**

The Company adopts the auditor system and makes efforts to strengthen the corporate governance system with a view to achieving highly efficient and sound management under this system.

The Company's Board of Directors (held 13 meetings in the fiscal year ended March 31, 2019), which comprises 15 Directors, including three Outside Directors, makes decisions on important business execution and other items stipulated by laws and regulations, in addition to overseeing business execution. The record of attendance at the meetings of the Board of Directors by each Director is as disclosed in the Reference Documents of the Notice of the General Meeting of Shareholders. There are five Auditors, including three Outside Auditors, and each Auditor complies with the standards for the audits by Auditors which were determined by the Board of Auditors (held six meetings in the fiscal year ended March 31, 2019) and follows the audit policies and audit plans. The Auditors attend meetings of the Board of Directors and other important meetings, review important approved documents, investigate the business and financial conditions, monitor and evaluate the development and operational status of the internal control systems in conducting stringent audits. Also, among the Auditors, two full-time Auditors (Yoshio Ishii, Jun Usami) and one Outside Auditor (Masataka Ito) have business experience as the officer responsible for (officer in charge of) the accounting department at the Group companies and Tokyo Ryutsu Center Inc., respectively, along with considerable insight regarding finance and accounting. In addition to this, for the purpose of strengthening supervisory functions of the Board of Directors with respect to business execution and optimizing the decision-making process, the Company has adopted the Executive Officer System comprising Directors and department managers in charge of business execution. The Company also has established the Nomination and Compensation Advisory Committee, in which Independent Outside Directors comprise a majority of the members, as an advisory body to the Board of Directors with the aim of strengthening the independence, objectivity and accountability of the functions of the Board of Directors with regard to matters such as the nomination of Directors and Auditors, as well as compensation for Directors. The Committee deliberates on such matters as basic policy on nominations and compensation, and drafts proposals for the General Meeting of Shareholders, reporting the results thereof to the Board of Directors.

The status of audit, including the organization and personnel involved in the internal audit and assisting duties of the Auditors, is as described in “IV. 1. Basic Views on Internal Control System and the Progress of System Development” below.

Ernst & Young ShinNihon LLC was appointed as the Accounting Auditor, and the names of certified public accountants who performed audit work in the fiscal year ended March 31, 2019 and the composition of assistants involved in audit work are as follows:

Ernst & Young ShinNihon LLC

Designated Limited Liability Partner and Engagement Partner: Motoki Yoshimura

Designated Limited Liability Partner and Engagement Partner: Tokuro Onohara

Designated Limited Liability Partner and Engagement Partner: Yoshikatsu Nakahara

\* Composition of assistants involved in audit work: nine certified public accountants, 19 assistants

(2) Status of initiatives to strengthen the functions of Auditors

The status of initiatives to strengthen the functions of Auditors is as described in “II 1. Coordination among Auditors, Accounting Auditor and Internal Audit Department” and “II 1. Supporting System for Outside Auditors” above.

(3) Overview of contents of liability limitation agreement with Outside Officers

The Company’s Articles of Incorporation stipulate that the Company may enter into agreements with Directors (excluding persons who are Executive Directors, etc.) and Auditors that limit their liabilities for damages to the Company in order to facilitate the recruitment of appropriate human resources and enable them to fully perform their expected roles. Among the Directors, all Outside Officers have entered into such agreements with the Company, and in the event that the Outside Officers neglect their duties and cause damages to the Company, the maximum amount of liability for damages under the agreements will be ¥10 million or the minimum liability amount set out in Article 425, Paragraph 1 of the Companies Act, whichever is higher, on the condition that they perform their duties in good faith and without gross negligence.

### 3. Reasons for Adoption of Current Corporate Governance System

(1) Reason for adopting the current system

The Company ensures efficiency and soundness, as well as effectiveness and expertise, etc., of management, while fully respecting the roles and functions of Outside Officers under the governance system above, in view of the business characteristics of the Group, which is engaged in a wide range of businesses oriented towards people’s livelihood mainly in areas along the Odakyu Line, centered on the transportation business which has a social mission as a public transportation service provider. The Company adopted this system based on its judgment that supervision of management is functioning effectively as a result of this approach.

(2) Matters concerning Outside Directors

Outside Directors perform roles and functions to enhance the management supervising function, including providing effective opinions to management from an objective, neutral or independent perspective based on career history, experience and professional knowledge that differ from those of in-house Directors.

### III. Implementation of Measures for Shareholders and Other Stakeholders

#### 1. Measures to Vitalize the General Meeting of Shareholders and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Meeting of Shareholders	Send the notice three weeks before the General Meeting of Shareholders.
Allowing Electronic Exercise of Voting Rights	Exercise voting rights via the Internet.
Participation in Electronic Voting Platform and Other Efforts to Enhance the Voting Environment for Institutional Investors	Participate in the electronic voting platform.
Providing Convocation Notice in English	Translate part of the notice (narrowly defined notice and reference documents) into English.
Other	Visualize business report and other materials, and post the notice on the Company's website four weeks before the General Meeting of Shareholders.

#### 2. IR Activities

	Supplementary Explanations	Explanation by Representative
Preparation and Publication of Disclosure Policy	Formulate IR policy and disclose it on the website URL: <a href="https://www.odakyu.jp/ir/odakyu/">https://www.odakyu.jp/ir/odakyu/</a>	
Regular Investor Briefings for Individual Investors	Place: Branch of securities company, etc. Time and number of times of briefing: April, August, September, December, February, March; nine times a year Number of participants: Approximately 20 to 170 persons	None
Regular Investor Briefings for Analysts and Institutional Investors	Time and number of times of briefing: After announcement of financial results, twice a year (May and November every year) Number of participants: Approximately 50 persons	Yes
Posting of IR Materials on Website	Materials posted: Financial information, materials for timely disclosure other than financial information, financial results briefing materials, securities reports and quarterly reports, business reports, etc. URL: <a href="https://www.odakyu.jp/ir/">https://www.odakyu.jp/ir/</a>	
Establishment of Department and/or Manager in Charge of IR	Responsible department: Investor Relations Office Officer responsible for investor relations: Toshiro Yamamoto, Managing Director Person responsible to contact for investor relations matters: Toru Ishiguro, Investor Relations Office Manager	

#### 3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Implementation of Environmental Activities, CSR Activities etc.	Disclose the implementation status of social/environmental activities on the website URL: <a href="https://www.odakyu.jp/company/socialactivities/environment_consideration/">https://www.odakyu.jp/company/socialactivities/environment_consideration/</a>
Development of Policies on Information Provision to	Formulate IR policy and disclose it on the website URL: <a href="https://www.odakyu.jp/ir/odakyu/">https://www.odakyu.jp/ir/odakyu/</a>



Stakeholders	
Other	<p>The Company believes that, in order to cope with a highly uncertain society in the future and achieve further growth as a company, it is essential to develop an environment where employees can accept each other and work energetically while respecting various “values” and “ways of thinking” that transcend the attributes of each employee. From this perspective, the Company established a “section in charge of diversity promotion” within the Personnel Department in July 2017 and announced the Diversity &amp; Inclusion Declaration in February 2018 as the Company pushes ahead with initiatives to proactively promote diversity and inclusion.</p> <p>In particular, the Company formulates action plans based on the Act on the Promotion of Female Participation and Career Advancement in the Workplace and the Act on Advancement of Measures to Support Raising Next-Generation Children, as well as promotes various initiatives to support efforts to balance work and family life.</p> <p>As a result of these initiatives, the Company gained external recognition, receiving “Platinum Kurumin Authorization” by the Ministry of Health, Labour and Welfare in February 2018 and being selected for the “New Diversity Management Selection 100” by the Ministry of Economy, Trade and Industry in March 2018.</p>

## IV. Matters Related to the Internal Control System

### 1. Basic Views on Internal Control System and the Progress of System Development

The Company has resolved on basic policies on the development of internal control systems with the following contents at the Board of Directors' meetings and is developing such systems, including the development of frameworks for risk management and the conditions of internal audit.

The Odakyu Group Management Principle calls for "helping its customers create 'irreplaceable times' and 'rich and comfortable lifestyles'."

The Group recognizes that sustained development together with society is the corporate social responsibility (CSR) it needs to fulfill through the realization of this management principle. With the understanding that the development of internal control systems is indispensable for that purpose, the Group will actively and continuously promote the development of such systems in line with the following basic policies.

At each Group company, it will apply each item of the policies by taking into consideration such factors as the type and size of business of each company and the impact on the Group as a whole.

(1) Systems for ensuring compliance with laws, regulations and the Articles of Incorporation in the execution of duties by Directors and employees of the Company and its subsidiaries

- a) The Company regards compliance as part of risk management, and establishes and promotes a compliance system centered on the Risk Management Committee.
- b) The Company draws up a code of behavior to be observed by Directors and employees, including laws, regulations and the Articles of Incorporation, as the Compliance Manual, in order to gain the trust of society. In addition, the Company thoroughly promotes awareness of compliance through education based on the manual above.
- c) The Company stands firmly against and responds appropriately to anti-social forces that threaten the order or safety of civil society based on the manual above.
- d) The Company sets up the Compliance Hotline as an internal reporting system and identifies and solves compliance issues promptly. Furthermore, the Company ensures transparency through checking the appropriateness of responses to the reported matter by an external organization from an objective perspective.
- e) The Company's internal audit department strengthens the audit system, including conducting the audit of each Group company in turn, primarily from the standpoint of compliance mainly with laws, regulations, the Articles of Incorporation, and internal rules, while coordinating with the internal audit departments of the Group companies.

In addition, the Company continues to strengthen the internal control systems of the entire Group, including development of internal control systems related to financial reporting in accordance with the Financial Instruments and Exchange Act, through the Internal Control Committee comprising the Company's full-time officers.

(2) Systems for storing and managing information regarding the execution of duties by Directors of the Company

- a) The Company stores and manages documents and other information relating to the execution of duties by Directors properly according to internal rules including information security rules, document management rules and filing rules.
- b) The Company responds appropriately to requests for reviews of the information above by Directors and Auditors.

(3) Regulations and other systems regarding the management of risk of loss by the Company and its subsidiaries

- a) The Company and the Group companies develop systems mainly centered on the Risk Management Committee under the Odakyu Group Risk Management Policies to respond to risk. Also, the Company accurately manages the response to risks that have a significant impact on Group management, including grasping them through the Odakyu Group Risk Management Liaison Committee.
- b) The Company sets up the General Response Headquarters to oversee emergency responses to emerging events that cause large-scale losses, regardless of whether the phenomena are natural or socioeconomic, under the instructions of the President in accordance with risk management rules, and appropriately deals with such events.

- c) The Company recognizes its foremost duty, “ensuring safety,” as one of the important risk management initiatives, in playing a role as a public transportation service provider. With this in mind, the Company strives to ensure the safety of transportation proactively in accordance with safety management regulations under the Supervisory Safety Management Committee, which is the specialized organization involving rail transportation.
- d) In the event that a risk is identified or emerges, timely and appropriate disclosure is carried out according to importance thereof at the Company and the Group companies.

(4) Systems for ensuring the efficient execution of duties by Directors of the Company and its subsidiaries

- a) The Company adopts the Executive Officer System comprising Directors and department managers in charge of business execution to strengthen the supervisory function of the Board of Directors for business execution as well as optimize and enhance the efficiency of decision-making.
- b) Each business department of the Company performs its duties under the authority and responsibility defined in the division of duties and the Official Authority Rules, in accordance with the medium-term management plan formulated based on the management principle and long-term vision, department policies and budget for the respective fiscal year.
- c) The Company appropriately controls business performance of each business department by the “business performance control system” using unified company-wide indicators.
- d) Regarding the internal audit system of the Company, the Audit Office (comprising about 20 persons), an internal audit department under the direct control of the President & CEO, regularly audits each business department from the standpoint of compliance mainly with the laws, regulations, the Articles of Incorporation and internal rules, and efficient execution of duties, and reports the results thereof to the President & CEO and Auditors.
- e) The Company formulates the Group Medium-Term Management Plan for a period of three years and defines mainly the priority issues and cash flow allocation of the entire Group to embody the plan. Also, the Company requires prior approval upon formulation of important matters such as the medium-term management plan and budget by the Group companies based on the Group Medium-Term Management Plan, and develops an appropriate and efficient operation system for Group management.

(5) Systems for reporting to the Company on matters regarding the execution of duties by Directors of the Company’s subsidiaries

Based on the Group Companies Management Regulations stipulated by the Company, the Company establishes the Group’s quick reporting system to communicate to the Company on priority matters of the Group companies. In addition, the Company conducts regular interviews regarding the details of formulation of the medium-term management plan based on the Group’s management principle and long-term vision and the status of business execution as well as the financial situation including financial results, while enhancing mutual information-sharing within the Group mainly through the Board of Group Company Presidents.

(6) Matters regarding employees assigned by the Auditors of the Company to assist with their duties, if such assignment is requested

The Company sets up the Auditor’s Office (comprising about four persons) as an organization that assists with the duties of Auditors and assigns dedicated employees.

(7) Matters regarding ensuring the independence of employees in the preceding item from Directors and the effectiveness of instructions given to these employees

Employees comprising the Auditor’s Office carry out their duties according to instructions from full-time Auditors. Furthermore, decisions mainly on personnel transfers and evaluation of such employees are made by prior consultation with full-time Auditors.

(8) Systems for reporting to Auditors of the Company by Directors and employees of the Company, or Directors, Auditors and employees of its subsidiaries, or parties who receive reports from them, and other systems for reporting to Auditors

- a) The Company develops a framework that allows full-time Auditors to check important matters sequentially through attendance at meetings of the Board of Executive Officers and reports on the details of internal approval (approval by Division Director or higher).
- b) Directors and employees representing departments of the Company report on the status of business execution to Auditors as appropriate, while reporting on other matters stipulated by laws and regulations

and matters that materially affect the Company as appropriate.

- c) The internal audit department of the Company regularly reports on its audit plan and the result of the audit to Auditors and facilitates information-sharing with Auditors.
- d) Full-time Auditors of the Company set up the Odakyu Group Auditors Liaison Committee to receive reports mainly on the status of audit from Auditors of the Group companies, and also receive reports mainly on the status of business execution from management at the time of audit of the Group companies and on other occasions, and exchange views. In addition, they enhance the system for monitoring the soundness of management by receiving reports mainly on the state of business management from the management departments of the Group companies as needed. Also, with the Compliance Hotline available as an internal reporting system, the status of internal reporting is regularly reported from employees of the Company to full-time Auditors of the Company.

(9) Systems for ensuring that reporting parties in the preceding item do not receive unfair treatment as a result of such reports

The Company prohibits unfair treatment against the reporting parties in accordance with laws, regulations and the Compliance Hotline Rules prescribed by the Company and the Group companies.

(10) Matters regarding the procedures for advance payments or the reimbursement of expenses incurred in connection with the execution of duties by the Auditors of the Company and any other policy for processing of costs and obligations incurred in connection with the execution of their duties

Directors cooperate in the audits by Auditors, and the Company budgets the expenses incurred in connection with the audits to ensure effective audits.

(11) Other systems for ensuring effective audit by Auditors of the Company

- a) The Company develops a framework that allows Auditors to attend important meetings, etc., and strengthens the provision of information to Auditors while enhancing its propriety.
- b) The Company works to ensure a framework under which three-way coordination between the Auditors, internal audit department and Accounting Auditor is strengthened mainly through regular reporting on the audit plan and the status of audit implementation by the Accounting Auditor to the Auditors, in addition to efforts such as regular reporting on the internal audit results by the internal audit department to the Auditors.

An overview of the operational status based on the basic policies above is as follows:

(1) Initiatives for compliance

- a) The Company and the Group companies regularly conduct education on compliance with the aim of maintaining and enhancing awareness of social responsibility and ethics of each employee, thereby striving to enhance awareness of compliance through reaffirmation of basic matters, case studies and other training according to level and role.

In the fiscal year ended March 31, 2019, based on the theme of “from knowledge to action” derived from the results of the Odakyu Group compliance questionnaire conducted in the fiscal year ended March 31, 2015, the Company continued efforts in regard to the compliance action plan formulated by the Company’s departments and the Group companies. In addition, in formulating an action plan for the fiscal year ending March 31, 2020 based on the results of compliance questionnaire conducted in the fiscal year ended March 31, 2018, the Company worked to strengthen the Group-wide compliance system by conducting education on the formulation of action plans for persons responsible for risk management at each business department of the Company and at the Group companies, and by sharing compliance issues and measures implemented at each business department of the Company and at the Group companies.

- b) The Company and the Group companies inform everyone within the companies of the Compliance Hotline, an internal reporting system, to promote its use. At the Company, the status of such internal reporting of the Company and the Group companies is regularly reported at meetings of the Risk Management Committee. The Company’s employees also regularly report to the Company’s full-time Auditors.

(2) Storage and management of information

Regarding the system for storing and managing information relating to the execution of duties by Directors of the Company, the Company stores and manages such information properly in accordance with various

regulations while appropriately responding to any requests from Directors and Auditors to review such information.

(3) Strengthening the framework for risk management

The Company and major Group companies identify risks that have a material impact on corporate management and take the necessary measures in accordance with the Odakyu Group Risk Management Policies. In the fiscal year ended March 31, 2019, the Company also reviewed the risks based on such factors as changes in the operating environment. Going forward, we will gradually implement such measures.

In addition, in an effort to promote risk management throughout the entire Group, the Company held lectures on such topics as compliance and internal control for officers of the Group companies. Furthermore, persons responsible for risk management at the Group companies held the Odakyu Group Risk Management Liaison Meetings to share information and promote coordination. We also shared information when risk cases occurred within the Group to prevent their recurrence.

(4) Response to emerging risks

The Company formulates individual business continuity plans in accordance with risk management rules in response to the occurrence of events that have a material impact on the Company. In the fiscal year ended March 31, 2019, we conducted a disaster drill based on the assumption of railway terrorism and a drill for assembling in an emergency in accordance with Business Continuity Management (BCM), with a view to reviewing the business continuity plan and enhancing the effectiveness of various measures. In addition, the Group companies have a system for reporting the occurrence of risk cases to the Company and respond quickly in coordination with the Company as needed.

(5) Strengthening the Group safety management system

The Group holds the Supervisory Safety Management Meetings by Odakyu Group Transport Business Operators attended by transport business operators including railway, bus, taxi and vessel operators. The Group further strengthens the safety management system mainly through cooperation or information-sharing among the Group companies.

(6) Enhancing appropriateness and efficiency of business execution

- a) Under the Executive Officer System, the Company makes decisions on important matters related to business execution after proposing and discussing the matters at meetings of the Board of Executive Officers before presenting them to the Board of Directors in accordance with the regulations. The Company also endeavors to enhance appropriateness and efficiency of business execution by making sure that proposals of meeting bodies such as the Board of Directors are provided as much as possible in advance.
- b) Based on the Group Management Principle and Long-Term Vision 2020, the Company formulates the Group Medium-Term Management Plan for a period of three years, while requiring prior approval upon formulation of important matters such as the medium-term management plan and budget by the Group companies based on the Group Medium-Term Management Plan, and developing an appropriate and efficient operation system for Group management. The Company also regularly checks the progress thereof and takes measures as needed.

(7) Improving the Group internal audit system

In addition to internal audit of departments within the Company and the Group companies by the internal audit department of the Company, we have established an internal audit department at some Group companies to improve the internal audit system at the Group level.

(8) Improving provision of information to Auditors and other audit systems

The Company regularly holds meetings with a view to deepening mutual trust between Representative Directors and Auditors and encourages the exchange of views among them, while developing a system that enables Auditors to check the status of initiatives taken by Representative Directors in response to various issues.

The Company's employees regularly report on the status of internal reporting of the Compliance Hotline of the Company and the Group companies to full-time Auditors. Also, as an initiative to complement the reinforcement of the provision of information to Auditors for internal control purposes, the provision of information obtained by full-time Auditors as needed to the Board of Auditors and the forum for discussion by

Auditors improves the provision of information to Outside Auditors. In addition, a system to monitor soundness of management at the Group level is being reinforced mainly through the establishment of the Odakyu Group Auditors Liaison Meetings by full-time Auditors in an effort to promote the exchange of views with the Auditors of the Group companies and improve the quality of audits of the Group as a whole.

## **2. Basic Stance on Eliminating Anti-Social Forces and the Progress of System Development**

### **(1) Basic stance**

The Company has set forth 17 items of code of behavior which each officer and employee should always keep in mind for the purpose of ensuring full compliance. The Company has set “severance of any relations with anti-social forces” in one of the items of the code, while setting “stand firmly against, not surrender to or be in collusion with anti-social forces and groups that threaten the order or safety of civil society” as the basic stance (basic principle) of such code of behavior.

### **(2) Progress of system development**

The Company defines Guidelines for Behavior which present more specific details than the code of behavior above, while including such details in the Compliance Manual distributed to officers and employees to disseminate matters they should keep in mind in ordinary times and in times of emergency.

The Company also has built close cooperative relations with specialized agencies such as the police, centered on the General Affairs Department on a regular basis, and stands firmly and responds in a unified manner with related parties in times of emergency.

## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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#### Supplementary Explanation

The basic policies on parties desirable to control determination of the Company's finance and business policies are as follows:

(1) Details of basic policies

Regarding the shares of the Company, which is a public company, the Company believes that, so long as shareholders and investors are allowed to freely trade such shares, the decision on parties desirable to control determination of the Company's finance and business policies should ultimately be based on the collective will of the shareholders, and the decision on whether or not to accept a large-scale purchase by a specific party and sell the Company shares should ultimately be left to the discretion of the Company's shareholders.

However, among large-scale purchases of shares, there are some purchases which do not contribute to the corporate value of the Company or the common interests of shareholders, including those with a purpose that would obviously undermine the corporate value and common interests of shareholders mainly through the sale of important operating assets, those with the potential to coerce shareholders into accepting the purchase, and those where information needed by shareholders to make the best choice is not sufficiently provided.

The Company believes that it is necessary to ensure the corporate value of the Company and the common interests of shareholders by taking appropriate measures for shareholders in response to such large-scale purchases.

(2) Special initiatives that contribute to the realization of the basic policies

a) Realization of Long-Term Vision 2020

The Group Management Principle calls for helping its customers create "irreplaceable times" and "rich and comfortable lifestyles." With this management principle and Long-Term Vision 2020, which indicates the direction to be taken until the fiscal year ending March 31, 2021, we will establish a robust growth cycle to realize the management principle through the promotion of various measures under the two themes of "maximize Group revenue along the Odakyu Line after completion of multiple double tracks" and "sow and nurture seeds of growth by the fiscal year ending March 31, 2021," together with the "Future Fields," which sets forth the Group's vision for itself.

b) Reinforcement of safety measures in the transportation business and enhancement of quality of transport services

The Group believes that its foremost social responsibility is to provide comfortable and high-quality transport services with safety as the top priority.

c) Enhancement and reinforcement of corporate governance

Regarding enhancement and reinforcement of corporate governance at the Company, the Company takes various measures, recognizing the reinforcement of the function of efficiently and swiftly determining and implementing key strategies and the supervisory function for business execution as important issues.

The Company is intent on steadily implementing the measures above to ensure and enhance the corporate value of the Company and the common interests of shareholders.

(3) Initiatives to prevent a party who is deemed inappropriate in light of the basic policies from controlling determination of the Company's finance and business policies

The Board of Directors of the Company takes all possible measures to the extent permitted by the Financial Instruments and Exchange Act, the Companies Act and other relevant laws and regulations. These measures include requesting the party attempting to make large-scale purchases of the Company shares to provide adequate information required by shareholders to make appropriate decisions, evaluating and studying such information, followed by disclosing, among other things, the opinions of the Board of Directors of the Company, as well as negotiating with the large-scale purchaser as needed and working to secure the time needed by shareholders to consider this matter.

(4) Decisions of the Company's Board of Directors regarding the initiatives above and the reasons thereof

The measures to realize Long-Term Vision 2020, reinforce safety measures in the transportation business, enhance quality of transport services, and enhance and reinforce corporate governance stated in (2) above were formulated as specific measures to continuously and sustainably ensure and enhance the corporate value of the Company and the common interests of shareholders, and truly contribute to the realization of the basic policies.

In addition, the initiatives stated in (3) above aim to ensure and enhance the corporate value of the Company and the common interests of shareholders in line with the basic policies through taking measures mainly to secure the information and time needed by shareholders to determine whether or not to accept the large-scale purchase of the Company shares when such purchase is made and to negotiate with such large-scale purchaser for the sake of shareholders.

As such, the Board of Directors of the Company holds the view that the initiatives mentioned in (2) and (3) above do not undermine the common interests of shareholders of the Company and are not for the purpose of maintaining the positions of the Company's officers.

## 2. Other Matters Concerning Corporate Governance System

### (1) Basic policy on information disclosure

The Company formulates an IR policy as the basic policy on information disclosure, and proactively discloses corporate information including operating results and business conditions to shareholders, investors and society to ensure transparency of management. The Company announces this policy on its website.

### (2) Internal systems for timely disclosure

#### a) Development of organization in charge of disclosure

-The Company complies with such regulations as the stock exchange regulations and manages important corporate information in accordance with the Rules for Disclosure of Corporate Information for the purpose of conducting timely disclosure of corporate information that has a material impact on the investment decisions of investors.

-The Investor Relations Office is the dedicated department for matters related to timely disclosure. The Investor Relations Office has a total staff of four members including the Investor Relations Office Manager (concurrently serving as the Manager of Finance & Accounting Department) who is responsible for handling information.

-In order to gather corporate information appropriately, a system is developed, including the attendance of the Investor Relations Office Manager at meetings of the Board of Executive Officers, and a checklist is prepared at the Investor Relations Office to determine the necessity of timely disclosure of the information gathered.

-The Company has established the Information Disclosure Committee with the aim of verifying the appropriateness of the timely disclosure process, as well as discussing important matters concerning timely disclosure. The Information Disclosure Committee is chaired by one full-time officer and comprises several other members. Full-time Auditors attend meetings of the Committee.

#### b) Preparation of timely disclosure procedure

##### i. Collection of timely disclosure information

-In the event that information required to be disclosed in a timely manner or information for which it is not obvious whether or not such information should be disclosed in a timely manner is expected to arise at the Company, or in the event that information required to be disclosed in a timely manner or information for which it is not obvious whether or not such information should be disclosed in a timely manner arises, the Division Director, Office Manager or Manager responsible for such information reports the outline or contents thereof to the Investor Relations Office Manager.

-The Group Management Department and other departments collect information on subsidiaries, etc., required to be disclosed in a timely manner at the Company or for which it is not obvious whether or not such information should be disclosed in a timely manner, and report the contents thereof to the Investor Relations Office Manager.

-In addition to the foregoing, the Investor Relations Office Manager attends meetings of the Board of Executive Officers and confirms whether there is any information required to be disclosed in a timely manner.

##### ii. Decision on timely disclosure

-The Investor Relations Office Manager, upon receiving a report on such information from the Division



Director, Office Manager and Manager responsible for such information, consults with departments including the Management Strategy Department, the Group Management Department, the Finance & Accounting Department, the General Affairs Department, and the CSR/Corporate Communications Department, in principle, to decide on the necessity of timely disclosure and the contents thereof.

-The Investor Relations Office Manager reports in advance on the contents of information to be disclosed in a timely manner in accordance with the Rules for Disclosure of Corporate Information, the timing and method of disclosure to the President, the Information Disclosure Committee members and full-time Auditors. In addition, the Investor Relations Office Manager reports in advance on information that was not disclosed in a timely manner in accordance with the Rules for Disclosure of Corporate Information and the reasons for not disclosing to the President, the Information Disclosure Committee members and full-time Auditors. In the event that there is an objection to the decision on the necessity of timely disclosure, among other things, such matters are discussed by the Information Disclosure Committee, and the President decides on the necessity of timely disclosure, among other things, based on the results of discussions held by the Committee.

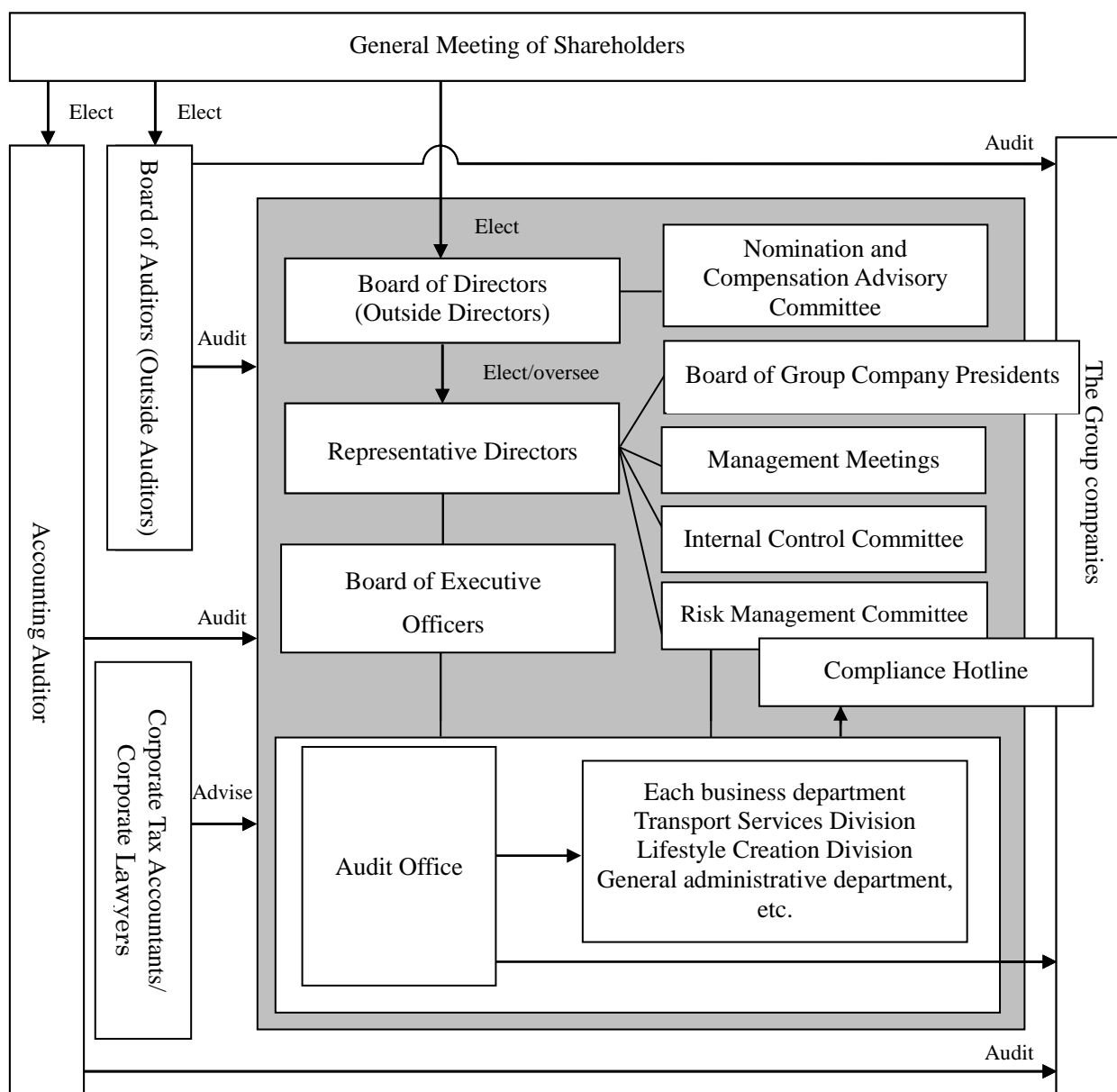
-The decisions made and financial information are disclosed through the Board of Directors, in principle. The occurrence of material facts is disclosed promptly after such occurrence.

-In the event that the General Response Headquarters is set up in accordance with risk management rules to conduct timely disclosure as part of an emergency measure, the Head of the General Response Headquarters will decide on the necessity of timely disclosure and the contents thereof in accordance with risk management rules.

c) Checking function for internal systems for timely disclosure

-The Information Disclosure Committee meets four times a year, in principle, and, upon submission of securities reports and other documents, confirms the contents thereof and the disclosure process, as well as periodically monitors whether timely disclosure was conducted appropriately in accordance with the Rules for Disclosure of Corporate Information.

## Odakyu Electric Railway Co., Ltd.'s Corporate Governance



## Internal Systems for Timely Disclosure of Corporate Information at the Company

