

Basic Stance Regarding Corporate Governance

Odakyu Electric Railway Co., Ltd. recognizes it as vital to make decisions on key strategies and carry them out efficiently and speedily, as well as to strengthen the oversight of business execution, with a view to maximizing the interest of various stakeholders, including our shareholders, creditors, business partners, customers and local communities. We are implementing a variety of measures to improve and bolster our corporate governance.

Company Organization and the State of Development of Internal Control Systems

Company Organization

We have adopted a corporate auditors' system, under which we are focusing efforts to improve our corporate governance system to achieve efficient and sound business management. Our Board of Directors, which comprises 14 directors, including one outside director, makes decisions on important business matters and other items required by law and oversees business execution. There are five auditors in total, including three external auditors. Each auditor refers to the audit standards for corporate auditors formulated by the Board of Auditors and follows auditing policies and auditing plans in carrying out stringent audit. Additionally, the corporate auditors attend Board of Directors' and other important meetings, review important approved documents, investigate the business and

financial conditions of the Company, monitor and evaluate the development and operational status of the internal control systems.

Moreover, aiming to strengthen supervisory functions of the Board of Directors with regard to business operations and to optimize the decision-making process, we have adopted an executive officer system consisting of directors and department heads in charge of business execution.

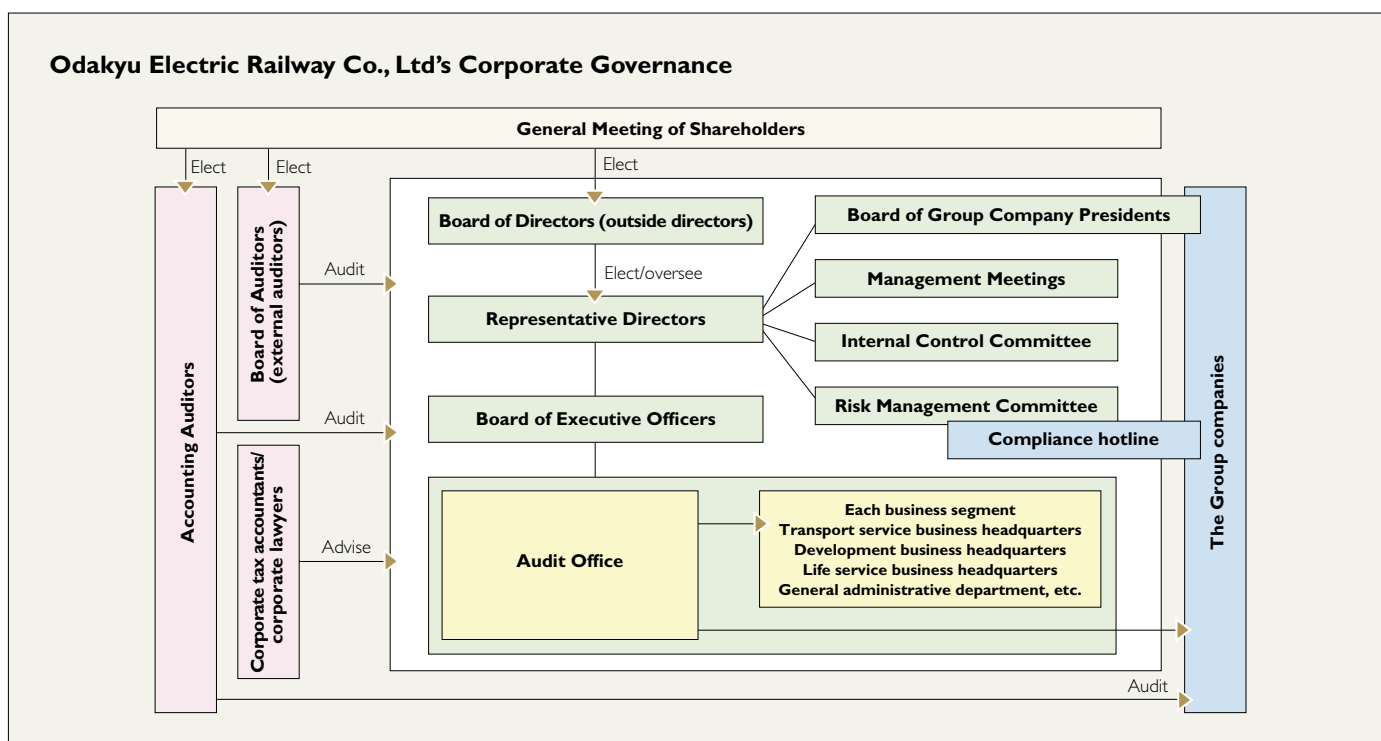
Development of Internal Control Systems

We have resolved on basic policies regarding the development of internal control systems at our Board of Directors' meetings and are currently developing internal control systems, including the establishment of frameworks for risk management and taking the conditions of internal audit into consideration.

The overview of the basic policies is as follows.

● Systems for ensuring compliance with laws and the Articles of Incorporation in the performance of duties by directors and employees

- Regard compliance as part of risk management and establish and implement a compliance system under a Risk Management Committee.
- Draw up a Compliance Manual as a code of behavior to be observed by directors and employees from the viewpoint of not only the regulations and articles of incorporation but also



conventional wisdom and corporate value, and respond appropriately to antisocial forces, based on the manual.

- Set up a Compliance Hotline as an internal reporting system and identify and rectify compliance issues quickly.

● **Systems for retaining and managing information regarding the performance of duties by directors**

- Store and manage documents and other information relating to the execution of responsibilities by directors properly, according to internal rules.
- Respond appropriately to requests for reviews of the information defined above by directors and corporate auditors.

● **Regulations and other systems regarding the management of risk of loss**

- Implement company-wide systems, with the Risk Management Committee to play a central role and manage the risk surrounding our business precisely.
- Upon the discovery of an incident that can cause large-scale damage, assemble a General Task Force and address the issue properly.
- Ensure the safety of transportation proactively under a Supervisory Safety Management Committee.
- Carry out appropriate and timely disclosure when risk is detected or exposed.

● **Systems for ensuring the efficient performance of duties by directors**

- Adopt an executive officer system and strengthen the supervisory function of the Board of Directors and improve their decision-making properly and efficiently.
- Each business segment performs their duties within the scope of authority and responsibility defined in the Company rules and in accordance with the medium-term management plans and the department policies and budget for the respective fiscal year.
- Assess and control corporate performance properly, using unified company-wide indicators.
- As part of the internal control systems, the Audit Office, under the direct control of the Executive President, audits each business segment routinely and reports on the result directly to the Executive President and the auditors.

● **Systems for ensuring the proper operation of the corporate group consisting of the Company and its subsidiaries**

- Conduct routine hearings concerning the implementation of the medium-term management plan, the state of business execution and

the financial situation as well as facilitate the Group's information-sharing among the Board of Group Company Presidents.

- Improve the risk management system for the entire Group under the Odakyu Group Risk Management Policies and perform proper risk management.
- Based on the code of behavior applied throughout the Group, each Group company formulates its own code of conduct and implements an internal reporting system, and ensures full compliance.
- Reinforce the auditing system mainly by having our internal auditing department audit Group companies one by one.
- Follow up on and improve the internal control system of the entire Group including financial reporting through the Internal Control Committee.

● **Matters regarding employees designated by the auditors to assist with their job responsibilities, if such a designation is requested**

- Set up a Corporate Auditors Office staffed by full-time employees.

● **Matters regarding the independence of employees in the previous paragraph from directors**

- Employees assigned to the Corporate Auditors Office carry out their duties according to instructions from auditors, and not to those from representative directors.

● **Systems for reporting to auditors by directors and employees and other systems regarding reporting to auditors**

- Develop the framework according to which auditors check important matters sequentially through minutes of meetings of executive officers and internal documents requesting approval.
- Directors and others report on the state of business execution and other important matters to auditors, as needed.
- The internal audit department reports routinely on an audit plan and the result of the audit to auditors and facilitates mutual information-sharing.

● **Other systems for ensuring effective audit by auditors**

- Develop the framework according to which auditors attend important meetings, and strengthen the provision of information to auditors as well as enhance its propriety.
- Construct systems for promoting cooperation between auditors, the internal audit department and accounting auditors.