

Basic Stance Regarding Corporate Governance

Odakyu Electric Railway Co., Ltd. recognizes it as vital to make decisive decisions on key strategies that are unshackled by precedents or customs while ensuring transparency, fairness and speed, as well as to strengthen the oversight of business execution. The aim is to maximize the interest of various stakeholders, including our customers, business partners, creditors and local communities, and enhance sustainable growth as well as the medium- to long-term corporate value of the Company. We are implementing a range of measures to bolster and improve our corporate governance.

Company Organization and the State of Development of Internal Control Systems

Company Organization

We have adopted a Auditors' system, under which we are focusing our efforts to improve our corporate governance system to achieve efficient and sound business management. Our Board of Directors, which comprises 15 Directors, including three Outside Directors, makes decisions on important business matters and other items required by law and oversees business execution. During the fiscal year ended March 31, 2019, the Board of Directors' meetings were held 13 times. There are five Auditors in total, including three Outside Auditors. Each member refers to the audit standards for Auditors formulated by the Board of Auditors and follows auditing policies and auditing plans in carrying out stringent audit. During the fiscal year ended March 31, 2019, the Board of Auditors' meetings were held 4 times. Additionally, the 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.

We have also established the Nomination and Compensation Advisory Committee to serve as an advisory body to the Board of Directors. This committee comprises Directors, a majority of whom are Outside Directors, and aims to strengthen the independence, objectivity and accountability of the functions of the Board of Directors with regard to 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 to the Board of Directors.

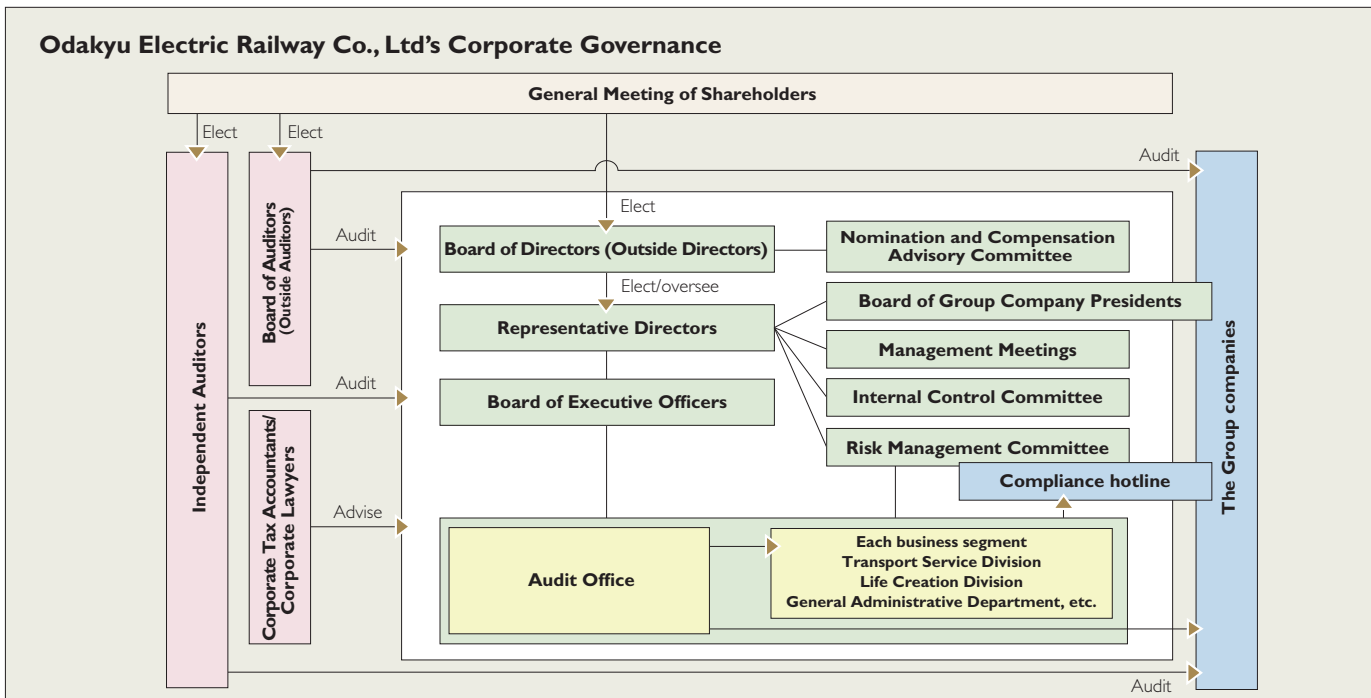
Development of Internal Control Systems

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 of the Company and its subsidiaries

- Regard compliance as part of risk management and establish and implement a compliance system centered on the Risk Management Committee.
- Draw up the 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 the Compliance Hotline as an internal reporting system and identify and rectify compliance issues quickly.
- Follow up on and improve the internal control system of the entire Group, including development of an internal control system related to financial reporting in accordance with the Financial Instruments and Exchange Act of Japan, through the Internal Control Committee.



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

- 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 Auditors.

● **Regulations and other systems regarding the management of risk of loss by the Company and its subsidiaries**

- 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 Supervisory Safety Management Committee.
- Carry out appropriate and timely disclosure when risk is detected or identified.

● **Systems for ensuring the efficient performance of duties by Directors of the Company and its subsidiaries**

- 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 its 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 comprised of about 20 members, under the direct control of the Executive President, audits each business segment routinely and reports the results directly to the Executive President and the Auditors.
- Establish the Group's medium-term management plan for a period of three years and define the priority issues and cash flow allocation of the Group to embody the plan.

● **Systems for reporting to the Company on matters regarding the performance of duties by Directors of subsidiaries**

- Based on the Group Companies Management Regulations, establish the Group's quick reporting system to communicate to the Company on priority matters including 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.

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

- Set up the Audit Office staffed by full-time employees to assist the Auditors.

● **Matters regarding the independence of employees in the previous paragraph from Directors and systems for ensuring the effectiveness of instructions given to these employees**

- Employees assigned to the Audit Office carry out their duties according to instructions from Auditors.

● **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 the same**

- Develop a framework according to which Auditors of the Company 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 of the Company reports routinely on an audit plan and the result of the audit to Auditors and facilitates mutual information-sharing.
- Enhance the system for monitoring the soundness of management by establishing the Odakyu Group Auditors Liaison Committee, including Auditors of the Company, to receive reports on the state of business management from Auditors, top management and management departments of the Group companies. The Auditors also receive reports on the state of the Compliance Hotline as part of the internal reporting system from employees of the Company.

● **Systems for ensuring that reporting parties in the previous paragraph do not receive unfair treatment as a result of such reports**

- Directors Prohibit any retaliation against reporting parties as a result of such reports in accordance with the Compliance Hotline Regulations adopted by the Company and its subsidiaries.

● **Matters regarding the procedures for advance payments or the reimbursement of expenses incurred in relation to the performance of the duties by the Auditors of the Company and any other policy for processing of costs and obligations incurred in relation to the performance of their duties**

- Directors are expected to cooperate with audits. The Company budgets the expenses incurred in relation to the audits to ensure effective audits by Auditors.

● **Other systems for ensuring effective audit by Auditors of the Company**

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