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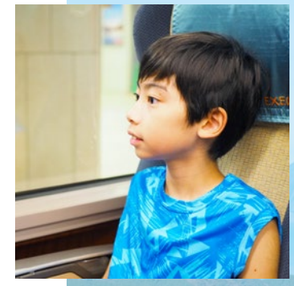
INTEGRATED REPORT 2023

odakyu



INTEGRATED REPORT 2023

CONTENTS

Odakyu Group's Value Creation

1 The Odakyu Group's Management Principle
2 President's Message
8 Growth Potential in Communities Along the Odakyu Line
9 Management Capital
10 Value Creation Process
12 Special Feature
13 Initiatives to Support Families Raising Children
14 Realization of a Recycling-Oriented Society with Local Governments

Value Creation Strategies

18 Management Vision
22 Medium-Term Management Plan
24 Message from the Director in Charge of Finance
28 Consolidated Performance by Segment

Value Creation Foundation

30 Formulation of Material Issues
32 Safety and peace of mind
34 Community Development and Local Communities
35 Daily Life and Tourism Experiences
36 Environment (Carbon Neutrality)
42 Development of Value-Creating Human Resources
48 Directors and Audit & Supervisory Board Members
50 Governance
56 Interview with Outside Director
58 Risk Management / Compliance

Performance-Related and Other Information

60 Eleven-Year Financial Summary
62 Communication with Stakeholders / Stock Price and Ratings Information
63 Corporate Information

Editorial Policy

Integrated Report 2023 aims to relay information to the Odakyu Group's wide range of stakeholders, including shareholders and investors, regarding its medium- to long-term value creation based on the management vision, UPDATE Odakyu, and its management principle, achieved by comprehensively utilizing the Group's value creation process, as well as provide financial and non-financial information.

For editorial purposes, this document references the Integrated Reporting Framework advocated by the IFRS Foundation and Guidance for Collaborative Disclosure and Dialogue for Value Creation, created by the Ministry of Economy, Trade and Industry.

Disclosure Policy

Applicable Period	Fiscal 2022 (April 1, 2022, to March 31, 2023) (Some statements relate to before and after the period in question)
Organization	Odakyu Electric Railway Co., Ltd., and the Odakyu Group
Accounting Standard	Statements have been made according to Japanese Generally Accepted Accounting Principles (GAAP).

Environment Social Governance
Guidance for Collaborative Value Creation

Group's Management Principle

The Odakyu Group will contribute to helping customers create "irreplaceable times" and "rich and comfortable lifestyles."

The Odakyu Group's management principle encapsulates our roles and responsibilities toward society through our businesses as well as our purpose as a corporate citizen in society.

The Group is committed to being a good partner with our customers, helping them make their precious time more comfortable and pleasant by creating and providing them with "irreplaceable times" that contribute to "rich and comfortable lifestyles."

Action Guidelines

In order to realize our management principle, we will provide "excellent quality" and "a moving experience" to our customers, without forgetting our three guiding principles:

Sincerity We sincerely promote all of our businesses based on safety and peace of mind.

Enterprise We take on the challenge of pursuing even better services that are unbound by precedent or convention.

Harmony We strive for collaboration with outside entities and symbiosis with society and the environment, rather than focusing exclusively within the Odakyu Group.

Our action guidelines are principles we follow while engaging in our daily operations. Our mission is to realize our management principle through each employee carrying out their operations sincerely, according to these action guidelines, and to sustainably develop together with society. These three guiding principles are essential factors for creating the Odakyu brand that will be chosen by customers.

We will carve out a new era for Odakyu through sustainable growth together with communities by continuing to promote the creation of community-based value.

Koji Hoshino
President & CEO
(Representative Director)

Moving Forward Without Impeding the Progress of Change

Following the spread of COVID-19, the Odakyu Group faced its first crisis since its foundation, recording a final loss of ¥39.8 billion in fiscal 2020. Our Management Vision and Medium-Term Management Plan set forth our policies for overcoming such unprecedented crises and we have not only rebuilt our business foundation, but have also been working on thorough structural reform with the goal of remaking the foundation to achieve future growth.

In addition to continuing to take on challenges as a Group, in which each employee has a high awareness of structural reform, we improved profitability in fiscal 2022 with a significant increase in operating income to ¥26.6 billion (up ¥20.4 billion year on year) due to a continuous recovery of users, such as in railways, following the decline in impact of the COVID-19 pandemic.

However, I recognize that we cannot avoid the trend of decreasing populations around Japan in the future and the decreasing number of railway users, the main foundation of our income. We are strongly aware that we must not let down our guard nor stop the progress of structural reform since we are in a phase where we can see the impact of COVID-19 is in decline.

To encourage transformation, we are also placing importance on facing new endeavors that have never been attempted before, such as giving shape to ideas that are generated by the free thoughts of Odakyu employees, without being bound by organizational or operational frameworks.

Conclusion of Structural Reform Aimed at Rapid Growth

Fiscal 2023 is the final year of our period of structural reform, which began in fiscal 2021. During this period, we selected three management issues aimed at reform—recover profitability, control interest-bearing debt, and rebuild our business portfolio—to repair the income foundation that was damaged under COVID-19.

As a result of ensuring we advanced structural reform initiatives over the past two years, we expect to realize business structure reform benefits of approximately ¥14.0 billion* by fiscal 2026.

Furthermore, we generated ¥140.0 billion in cash between fiscal 2021 and fiscal 2023 by continuing to review Odakyu-owned assets during the period of structural reform and recently selling the Odakyu Dai-ichi Seimei Building and our head office. I believe that we can achieve the targets we have indicated as criteria for financial soundness, since we expect to bring interest-bearing debt below ¥700.0 billion by the end of fiscal 2023 and recover to an interest-bearing debt/EBITDA ratio of 7.0 times through the advancement of interest-bearing debt reduction based on such methods of securing funds.

Meanwhile, I cannot feel optimistic about the current business environment, in which we are facing a decreasing population, falling birthrate, and aging population, in addition to the rising cost of operating expenses, including raw material costs. As we continue business structure reforms during fiscal 2023, the final year of the period of structural reform, we must carry out management that aims to maximize income based on the business foundation created during this period.

* Compared with fiscal 2018

Management Vision that Strongly Advances the Creation of Community-Based Value

In April 2023, we extended the final year of the designated period of rapid growth from FY2026 to FY2030 to create an image of growth that reflects our structural reform initiatives and the effects of growth investments in the future. Additionally, we are setting new consolidated financial indicators to realize income growth at the same time as controlling total assets with an awareness of capital costs.

When announcing our new Management Vision, I felt that it was important that we show the targets we aim for with specific figures and have indicated our aim to further improve in the medium to long term, with ROE of 7% in FY2030. The impact of COVID-19 to date has created an ongoing environment where we have refrained from announcing concrete figures. However,

by announcing specific measures and figures both internally and externally, I hope to improve in-house awareness of and motivation for pursuing outcomes and increase the level of trust in our management by all our stakeholders as a result.

Furthermore, for the coming period of rapid growth, we selected the promotion of sustainability management, shift in Odakyu's main business domains, and renewal of our business portfolio as concrete policies for reliably achieving results and positioned them as three pillars for achieving rapid growth.

> **By announcing specific figures, I hope to improve in-house awareness of and motivation for pursuing outcomes and increase the level of trust in our management by all our stakeholders as a result.**

I believe that Odakyu's aim of creating community-based value is the essence of sustainability management, as we strive to resolve issues in local communities through our businesses and enhance sustainability, thereby increasing value along the Odakyu Line and, in turn, economic value and corporate value.

We formulated our current material issues to revise our approach and send a clear message that we are committed to addressing social issues and enhancing shareholder value. Since the areas along the Odakyu Line consist of diverse communities, among which are urban areas that are the core of each community and prominent tourist attractions, these communities face a wide range of issues. I think that we should approach these issues through our businesses.

Additionally, I would like to explain our shift in the way we understand business areas. While we had previously been developing our businesses in areas surrounding the Odakyu Line focused on transportation between suburbs and city centers, revenues of numerous businesses decreased in a ripple effect following restrictions to movement due to COVID-19.

Accordingly, rather than developing the businesses in the areas surrounding the Odakyu Line, which are central to the movement of people via railways, we will make a shift in Odakyu's main business domains by understanding local areas as regional economies where many people, companies, corporations, and educational institutions are concentrated. To be more specific, we will realize sustainable growth for local communities and the Odakyu Group by linking the four business domains, based on transportation services and including real estate, lifestyle services, and digital technology, to expand the flow of people and revitalize communities as a whole through initiatives that align with regional characteristics.

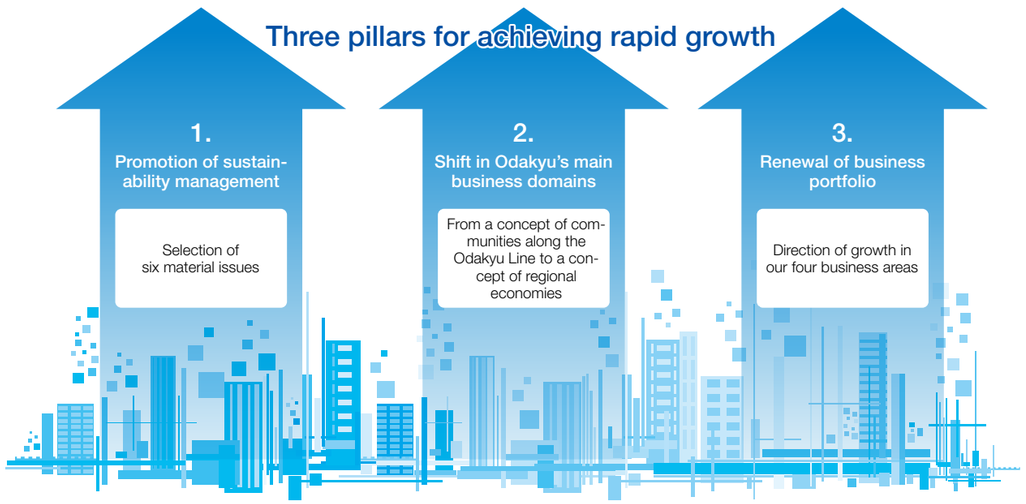
In particular, we will aim to expand the scope of operating revenue in the railway business to exceed ¥20.0 billion by fiscal 2026 by concentrating capital investments in the real estate business and growing it as the first pillar of revenue. Furthermore, we will renew our business portfolio to shift away from our current revenue structure that focuses on the railway business by growing the real estate business to a range of ¥30.0 billion in fiscal 2030 and fully commercializing the digital domain.

One point I would like to clarify is that, while we will focus on increasing the revenue rate of the real estate business and digital business in our business portfolio, railways, which are infrastructure deeply rooted in local communities, will remain the base of our business in the future. Issues in local communities are not all the same. For this reason, the foundation of our Management Vision, even regarding the real estate business and digital business, is not to increase revenue through uniform development, but to create a structure that reflects the characteristics of each community and can be improved by the local community, even after development.

To give an example, Shimokita Senrogai fully opened in 2022, and is characterized by the fact that the local community participated in the development process and, even afterward, local volunteers managing the planting of flowers and trees. As a result, we have created a community-led project that will be maintained by local people.

> **Issues in local communities are not all the same. For this reason, we will develop businesses that reflect the characteristics of each community**

By leveraging the knowledge accumulated through such methods, starting with the real estate business, we will maximize business opportunities by seizing the momentum for redevelopment along the Odakyu Line and effectively utilizing Odakyu-owned assets, especially in the Ebina, Machida, and Shin-Yurigaoka areas. What is important is to demonstrate the ability to coordinate our business not by developing real estate in different areas, but by utilizing our perspective of business development across communities, which is also common in the development of our digital business.



Community-Based Value Perspective in the Digital Business

As with real estate development, I believe that the significance of our involvement in the digital business lies in the fact that, even after completion, we will continue to work with communities to enhance the services we provide them.

Our waste management system, WOOMS, will become a pillar of our digital business going forward as a service that utilizes such methods. WOOMS is a tool that supports increasing the efficiency of collection operations, thus realizing resource recycling by leveraging digital technology on the front lines of waste collection businesses. Not only that, it is also expected to play a role as new infrastructure that supports sustainable communities.

As an example, information on river flooding conditions can be shared on the same system in real time during natural disasters. This information is capable of being gathered by waste collection employees, with their thorough understanding of communities, via daily routes around cities. Our proposal of a service that links such lifestyle-related matters with the environmental issue of resource recycling is based on our unique perspective of possessing physical infrastructure along the Odakyu Line. Additionally, by increasing the areas in which WOOMS is deployed, we can take a cross-regional approach to administrative operations that tend to be divided by area.

Utilization of WOOMS to report river water levels

We have set ¥3.0 billion as an operating income target for the digital business in fiscal 2030. However, profitability will increase considerably as we expand areas of introduction. In particular, local governments face a number of shared issues regarding waste collection, such as labor shortages and the environmental issue of CO_2 emissions, and we are actively developing our business activities in not only areas along the Odakyu Line but with local governments and businesses away from the line.

By fostering our digital business, which utilizes the perspective we have cultivated to date, we hope to grow together with communities that is not limited to providing railway services, but also has strengths in businesses that resolve local issues.

> **We hope to grow together with communities that is not limited to providing a railway services, but also has strengths in businesses that resolve local issues.**

Support for Raising Children as a Long-Term Investment

In November 2021, we formulated our Child-Rearing Support Policy and in March 2022 we launched a flat fare of ¥50 for children with IC cards as a child-rearing support measure. This was a ground-breaking measure in the industry, and our aim is to place importance on the clarity and impact of the ¥50 figure and strongly emphasize Odakyu's support for raising children. This measure has received numerous favorable responses, such as approval and understanding from not only railway users but also places such as local governments and companies along the Odakyu Line.

As a company that aims to growth together with communities along the Odakyu Line, the decreasing birthrate and aging population have been recognized as social issues that are unavoidable. Support for raising children is a key theme shared by both companies and local communities for realizing long-term development along the Odakyu Line and it is significant that we address such issues. Creating areas along the Odakyu Line that are easy for families raising children to live will result in an increased number of visitors by stimulating travel and the resident population. It will also generate business opportunities through co-creation with local governments and businesses with the same mindset.

As a pioneering company that will continue supporting child-rearing in the future, we hope to make improvements as measures that contribute to increasing value along the Odakyu Line and corporate value through initiatives that utilize local resources, such as tourist attractions and places to visit. At the same time we hope to engage in collaboration with local governments and other bodies to create environments that are easy to raise children in.

(Top) Family tour of Ono General Train Depot
(Bottom) Family railway classroom

> **Support for raising children realizes long-term development along the Odakyu Line.**

Human Resources as the Source of Community-Based Value Creation

Odakyu's businesses are based on the trust we have built up through the management of railways, which are physical infrastructure rooted in local communities. Accordingly, we should actively engage in the securing and retention of human resources as a vital management issue.

In my communication with younger employees, I have become aware of their strong desire to gain growth opportunities and a sense of purpose in their work. Human resources are the source of community-based value creation. I believe that developing an environment that allows employees to realize their enthusiasm will lead to business proposals that contribute to creating community-based value, and ultimately to corporate growth.

Based on this concept, we are implementing "Climbers", our business idea solicitation system. This system was launched in 2018, the year after I was appointed as president, and approximately thirty ideas are submitted per year on an ongoing basis. Among these, we commercialize the ones Odakyu finds meaningful and have cleared monetization hurdles.

Many ideas have been born from this system and I would like to introduce one recent idea. AOi School, an alternative school that supports the future independence of students who do not want to attend school, was proposed by two drivers with experience in truancy, and we opened school in Fujisawa, Kanagawa in September 2023. Funds were raised through crowdfunding and the project received support that exceeded its target amount. I feel that Climbers is a program of great social significance since it has allowed us to approach detailed social issues that are difficult to reach as a business. I believe that it will also lead to the development and growth of our employees' willingness to take on new challenges. Such Odakyu initiatives have received praise from outside institutions for innovating corporate culture to create business reform and implementing systems that draw out the spirit of challenge in its employees. For our efforts, we were awarded first prize at the 12th Japan HR Challenge Awards.

AOi School

> **Human resources are the source of community-based value creation. I believe that developing an environment that allows employees to realize their enthusiasm will lead to corporate growth.**

In fiscal 2024, we enter our period of rapid growth and will complete the final year of our period of structural reform together with a diverse range of highly-motivated human resources. We will continue to be a trusted company that is chosen by our customers and local communities as a company that creates new value in communities.

The post-COVID-19 business environment is providing new business opportunities that are connected to the resolution of local issues, and is a tailwind for Odakyu. We will pave the way for the next era of Odakyu by integrating such businesses with those that have been further strengthened through structural reforms, while promoting the creation of community-based value and sustainably grow together with local communities.

President & CEO (Representative Director)

Koji Hoshino

Growth Potential in Communities Along the Odakyu Line

We expect further advancements, including development of the highway infrastructure in the next few years, future redevelopments, and plans to extend railway lines.

The communities along the Odakyu Line include numerous core cities and Japan's top tourist attractions, such as Hakone and Enoshima, and enjoy multi-tiered and affluent regional resources, with a certain population size and gathering of corporate, commercial, research, and educational facilities in each area.

In these high-potential areas, the Odakyu Group has a wide range of public transportation infrastructures, including railways and buses, and real estate, as well as multiple strengths, such as a sense of trust built up over years of business operation and, based on this trust, results from cooperation with local governments and communities. Since communities along the Odakyu Line possess various regional characteristics, they face many social issues, and solving these issues as a business leads to new business opportunities.

Management Capital

Financial Capital

Total assets	¥1,279.9 billion

High rating assessment

Japan Credit Rating Agency	AA–
Rating and Investment Information	A+

Intellectual Capital

Wide-ranging business knowledge regarding areas such as transportation services and community development

Patents/Trademarks	186
Research and development costs	¥269 million

Human Capital

Consolidated number of employees	12,629
(Breakdown)	
Transportation	7,084
Merchandising	890
Real Estate	827
Other Businesses	3,370
Head Office	458

Social and Relationship Capital

Odakyu Romancecar brand

Relationship with local communities and customers along the Odakyu Line

Area of local communities along the Odakyu Line (27 cities, towns, and villages)	1,226 km²
Population of communities along the Odakyu Line*1	5.22 million
Number of annual passengers (railway business)	580.84 million
Number of annual passengers (bus business)	318.83 million
Agreements with governments and universities	26 agreements
Number of Odakyu Point members	approximately 1.45 million
Number of downloads of Odakyu app*2	approximately 780,000
Number of downloads of EMot*2	approximately 450,000

*1 As of October 2022
*2 As of August 2023

Manufacturing Capital

Value of Group capital investment	¥52.8 billion

Transportation network/ Diverse facilities along the Odakyu Line

Odakyu Electric Railway stations	102
Number of trains (railway)*	1,122
Track length (railway)	146.7km
Number of vehicles (bus)*	3,331
Length of routes (bus)	11,089km
Department stores	3
Supermarkets	28
Major commercial facilities	16
Hotels	25
Restaurants	180

* As of August 2022

Natural Capital

Local communities along the Odakyu Line that are rich with natural beauty, including Hakone, Enoshima, and Oyama

Value Creation Process

In order to grow together with communities along the Odakyu Line and in areas where we operate businesses, we will create new value in communities, such as customer experience and lowering of the environmental load, by constantly striving to think outside the box.

We have established and linked the four business domains of transportation, real estate, digital, and lifestyle services. At the same time, we collaborate with local governments and key players in local communities for each regional economy to expand the flow of people and revitalize communities as a whole through initiatives that align with regional characteristics, thereby realizing sustainable growth for local communities and the Odakyu Group.

Input

Management Capital

- Financial Capital
- Social and Relationship Capital
- Intellectual Capital
- Human Capital
- Manufacturing Capital
- Natural Capital

Capability

- Communities along the Odakyu Line with diverse characteristics
- Close relationships with local communities
- Physical infrastructure and lifestyle services built up over 100 years
- Foundation for fusing the physical and the digital

Business Models

Business development in individual regional economies that understand core cities as entire local communities and utilize their regional characteristics

Identification of local issues

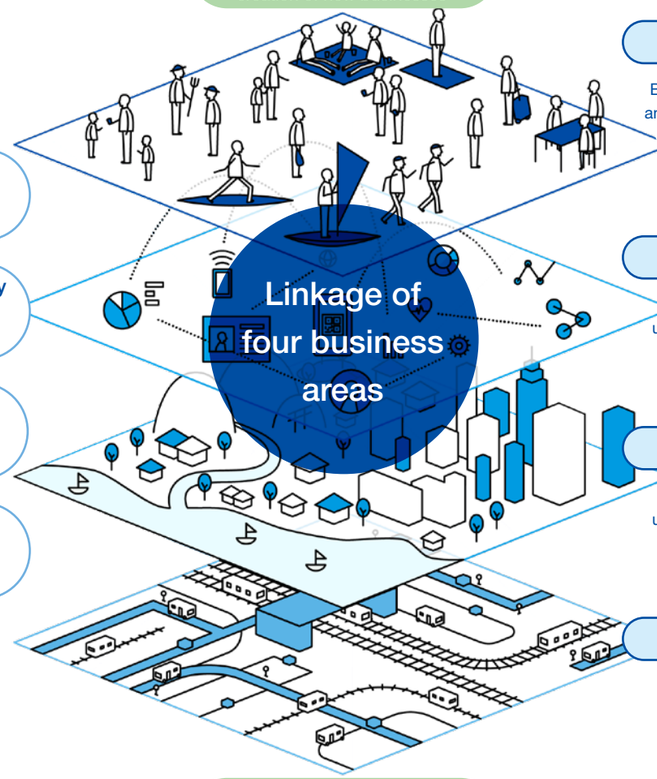
Transformation of existing businesses and creation of new businesses

Collaboration with local governments

Co-creation with key players in local communities

Utilization of local resources

Joint research with educational institutions



Lifestyle services

Balance between commercialization and value creation in local communities Creation of characteristics and people flow in communities (logistics, hotels, etc.)

Digital

Creation of new businesses and utilization of DX and data in existing businesses as areas for growth (new businesses)

Real estate

Creation of new businesses and utilization of DX and data in existing businesses as areas for growth (leasing, sales, etc.)

Public transportation

Creation of sustainable operational structure and generation of stable profit (railways, buses, etc.)

Expansion of area of operations and business domains

Increase in the flow of people and revitalization of local communities

Output

Material issues

1. Safety and peace of mind P.32–33
2. Community development and local communities P.34
3. Daily life and tourism experiences P.35
4. Environment (carbon neutrality) P.36–41
5. Development of value creating human resources P.42–47
6. Governance P.50–55

Consolidated Financial Targets

1. Operating income ¥**60.0** billion plus extra
2. Interest bearing debt / EBITDA ratio Approx. **7.0** times
3. ROE **7**%

Outcome

Society

- Realization of sustainable society
- Increase in community-based value

Increase in resident population

Increase in number of visitors

Increase in people that maintain relationships with communities

Improvement in well-being

Improvement in livability

Local economic circulation

Economy

- Continuous profit growth
- Increase in shareholder value

Management Principle P.1

Action Guidelines P.1

Management Vision P.18

Special Feature

Approach to Resolving Local Communities Issues as a Starting Point for Physical Infrastructure

There are diverse communities including cities, residential areas, and tourist spots along the Odakyu Line which face a wide range of issues.

We aim to realize sustainable growth for local communities and the Odakyu Group by utilizing expertise that has supported physical infrastructure and is deeply rooted in these communities, such as railways and real estate, and implementing measures in line with their characteristics.

In this integrated report, we introduce the background of initiatives for supporting families raising children and the results we have achieved through our digital business WOOMS, together with Zama city, a municipality along the Odakyu Line, to realize a recycling-oriented society.

01 Initiatives to Support Families Raising Children

Together with communities along the Odakyu Line, we will create environments that are easy to raise children in, and create areas along the Line that will be chosen for years into the future.

Project Team Members
Transportation Planning Department

(Top left) Takuto Yoshikawa
(Top right) Shinya Hiratsuka
(Bottom left) Hisashi Miura
(Bottom right) Shozo Akiyama

Groupwide Support for Families Raising Children

From the perspective of generating community-based value, we are carrying out initiatives aimed at realizing the creation of areas along the Odakyu Line that are easy to raise children in as a response to the social issues of a decreasing birthrate and aging population, and believe that so doing generates value only we as a railway company can provide. Increasing the resident population, revitalizing local communities, and raising the lifestyle satisfaction of people living along the Odakyu Line will not only directly lead to value creation but also the improvement of corporate value.

In November 2021, we formulated the Child-Rearing Support Policy as a vision for the Company to promote initiatives aimed at creating areas along the Odakyu Line that are easy to raise children in. With this clear objective, we formed a project team of volunteers to implement various measures in an integrated manner. The team has been responsible for coordinating efforts that were previously conducted by individual divisions, disseminating information and gathering resources Groupwide. This team is made up of not only employees raising children but members throughout Odakyu with diverse occupations and backgrounds.

Connection of ¥50 Flat Fare to the Creation of Areas Chosen Along the Odakyu Line

A flat fare of ¥50 for children with IC cards was launched in March 2022 and was our first nationwide initiative, receiving high praise. Looking at the number of children's IC card users in fiscal 2022, with significant year-on-year growth of approximately 40% due in part to recovery of the number of users following decreased impact of the pandemic, the initiative has stimulated demand for travel. Furthermore, in addition to survey results showing increased use of the railway and Odakyu's commercial facilities by parents and guardians, the fare reduction for children has also led to increased opportunities for cooperation with local governments along the Odakyu Line and companies that support families raising children.

Meanwhile, there are still numerous issues concerning the creation of areas along the Odakyu Line that are easy to raise children in, such as the uncertainties and stress that accompany traveling with children. In addition to initiatives to ensure that customers traveling with children have a safe and comfortable journey, including the introduction of child-rearing support cars to commuter trains and baby care rooms at stations, we are also promoting the development of childcare for school-age children, attracting nursery schools, and hosting fun family-inclusive events. Going forward, we will continue to enhance Odakyu's lifestyle services in line with the diversification of people's lifestyles and develop environments that are easy to raise children in.

We have also received positive feedback from households without children who are pleased to see that these initiatives are fostering opportunities for the entire community to support the raising of children. The development of environments that are easy to raise children in will lead to an increase in the number of visitors, people that maintain relationships with communities, and resident population. As a result, Odakyu will achieve the creation of areas that will be chosen for years into the future by families raising children and young people.

Flat fare for children with IC cards

¥50

Number of non-commuter children using IC cards*

+45%

Number of visitors to the Odakyu Family Fun Festival 2022

Approximately 48,000 people

* Fiscal 2022 (change from fiscal 2021)

02 Realization of a Recycling-Oriented Society with Local Governments

Roundtable

Realizing Resource Recycling through WOOMS Digital Business, Utilizing Perspectives Cultivated through Odakyu's Physical Infrastructure

WOOMS is a digital tool to support waste collection operations provided by Odakyu Electric Railway. We asked officials from Zama city, which is focusing its efforts on the resolution of environmental issues and realization of resource recycling, how their experience has changed with the introduction of WOOMS.

Value Provided by WOOMS Beyond Enhancing Waste Collection Efficiency

Odakyu The number and scale of operations for waste collection continue to shrink due to factors such as labor shortages. We have observed cases where local governments and restaurants are asked by waste collection contractors to decrease the frequency of collection, and even cases where new requests are turned down.

The Odakyu Group manages regional infrastructure, hotels, and commercial facilities. Since these businesses generate waste, we understand the need to create an effective system for waste collection and a system for resource recycling.

Amid these circumstances, we have had the opportunity to interview representatives of the Clean Center from Zama city, and learned that, from the same position of supporting infrastructure, they share the same challenges and targets to realize the transition to a recycling-oriented society.

Zama City Zama city has faced labor shortages related to waste collection for more than 10 years. The issue was how to efficiently collect waste for a waste treatment facility shared by three cities (Zama city, Ebina city, and Ayase city) which is a distance of approximately 30 minutes from downtown Zama city. Waste collection is a vital infrastructure that supports the lifestyles of citizens and is invariably an issue in times of disaster. Just as we were deciding that we needed to develop a sustainable collection system as a city, we received a proposal about WOOMS.

> "In addition to overtime hours, we reduced the number of round trips by waste collection vehicles."

At the time, waste collection was carried out by a representative following a paper map. While team leaders and others in charge of sites felt the need to improve operational efficiency through digital tools such as WOOMS, and were positive about their introduction, not all waste collection employees understood their importance.

Odakyu First, we started by creating a connection with employees on-site. We observed waste collection operations by riding along with employees on collection day. On occasion, we accompanied employees who had difficulty with digital tools and heard their opinions.

As a side note, the collection sites had some similarities to the atmosphere of our railway engineering sites. Railway companies also support operations that are out of sight of the public, such as the maintenance of tracks and trains involving a large number of employees. Although we are by no means inconspicuous, we take pride in the fact that we support regional infrastructure through these operations. It was felt that this concept was the same for waste collection employees.

What we noticed was that people on-site were working with their own individual approaches, always thinking about how to efficiently complete waste collection as a whole, not just their assigned route.

Zama City We have had a support system in place for some time to standardize the waste collection workload in Zama city.

For example, the amount of waste collected changes depending on the day and route, such as when a large volume of waste is produced by local events. Accordingly, vehicles that finish collection early on their assigned routes and have space left over drive other routes, enabling employees to finish their work as a team. However, since employees utilizing a paper map to collect waste cannot see in real time which collection points have not been dealt with yet, they increase their workload if visiting areas where waste has already been collected.

Odakyu The support function of WOOMS reflects such realizations and can be used as the starting point for resolving issues on-site. Employees are able to support their coworkers because they can visualize and share areas where collection is completed in real time and understand at a glance the areas where waste has not yet been collected.

This function also eliminates any sense of urgency because, even if there is a high volume of waste on one route, employees share the peace of mind that work can be ultimately divided among employees. In fact, looking at the data following its introduction, there has been a decrease in acceleration, sudden braking, and abrupt steering when collecting waste in a rush. Ensuring that such a support system functions more smoothly has become a turning point in the spread of WOOMS on-site.

Zama City I believe that this is the result of Odakyu's development from the perspective of employees on-site.

Following the introduction of WOOMS, because employees only have to drive necessary routes, this has enabled a decrease in the number of

> "Increasing the motivation of on-site employees leads to the enhancement of administrative services, such as proposal ideas for resource recycling."

> Enhancing the recycling rate without placing the burden of separating waste onto citizens was a significant result.

overtime hours during the new year period, when there is a lot of waste, and the number of round trips by waste collection vehicles, leading to a reduction in CO_2 emissions.

This doesn't just stop at improving efficiency. The motivation of waste collection employees has also increased. Previously, the support for each route was based on the judgment of group leaders, but since introducing WOOMS, employees can understand the status of collection at a glance and make their own decisions on giving support.

Furthermore, since the efficiency of operations has increased, employees also actively engage in educational activities at places such as nursery schools and elementary schools, and maintain and clean their vehicles on a daily basis. I feel that this is a sign of growing awareness that employees are observed by and part of the public. The sense of distance from citizens is decreasing and children have begun waving at waste collection trucks as they drive past, which is a rare sight.

By enhancing the efficiency of operations in this way, we are moving toward proposals for achieving resource recycling, not just the main focus area of waste collection operations.

Birth of a Model for Guiding a Recycling-Oriented Society

Zama City One idea that was realized following the introduction of WOOMS was the recycling of trimmed branches and leaves from maintaining trees.

Before this, we considered whether we could gather only pruned branches to reuse, but it was not realistic as they did not appear at every collection point and are put out for collection at different times. As such, they have been treated as burnable waste.

Odakyu Employees utilize the messaging function of WOOMS to mark collection points on a digital map with a check where branches have been put out as burnable waste, which has enabled other vehicles to collect only the branches later. The collected branches are utilized as a raw material in fertilizer and biomass electricity generation by bringing them to an intermediate treatment center within the city and turning them into wood chips.

Zama City Enhancing the recycling rate without placing the burden of separating waste onto citizens was a significant result.

Furthermore, Zama city has announced its ALL RESOURCE Declaration and is conducting initiatives that advance the recycling of waste. With this in mind, the recycling of kitchen waste, which makes up a large percentage of household waste, has become a key topic. Against this backdrop, our FOOD CYCLE Project, which was realized through Odakyu's proposal, not only reduces the volume of waste but also serves as an advanced example of resource recycling.

Odakyu If each household in urban areas does their own composting, its use is limited to their gardens. Since Zama city is also engaged in activities including urban agriculture, we decided that we could expand the scale of composting by widely recruiting participants as a city, enabling its use as agricultural compost. Reducing the volume of kitchen waste thrown away by each household and the cultivation and sale of agricultural products that utilize this compost could be called a form of local production for local consumption in urban areas, in addition to the realization of resource recycling.

> We will realize a resource-recycling society by utilizing the potential of WOOMS more broadly to address issues that vary depending on the region or business entity.

Zama City In fact, this initiative received applications from 300 households in its first year, and it currently has 600 participants.

We distributed compost bins to each participating household to compost their kitchen waste. They put the compost out for collection on a specified day where it is picked up by recycling collection vehicles and transported to fields. The success of WOOMS can be attributed to the fact that it has created a flexible system for collecting new items and the motivation to get involved in resource recycling. The compost produced has also been a big success with farmers and we believe that this approach could even become a model for urban farming. By the end of March 2024, the aim is to convert approximately 20 tons of kitchen waste into two tons of compost.

We feel that awareness of resource recycling has been gradually increasing among citizens through our FOOD CYCLE Project and other initiatives. Since kitchen waste is a large part of overall household waste, the resulting decrease is easier to notice. As a result, we heard from participants that they want to review their overall lifestyles, such as how they could further reduce waste. It has generated opportunities for citizens to incorporate resource recycling into their lifestyles.

Realization of Resource Recycling—From Along the Odakyu Line to Nationwide

Zama City WOOMS is not only for waste collection. It also takes photographs of river flooding conditions during natural disasters, enabling the collection and sharing of information in real time. We believe that Zama city's waste collection operations will evolve into something more than just conventional collection services. We will shift toward enhancing administrative services that utilize information that can only be gained through daily visits to local communities and our proximity to citizens. Since Odakyu is expanding WOOMS to not only Zama city but also other local governments, there is hope that the examples generated in Zama city can be used as a base for horizontal development in other local communities, and that Japan's resource-related issues and structures can be changed.

Odakyu Going forward, we will continue engaging in advanced initiatives to realize a recycling-oriented society with Zama city, and hope that we can roll them out in other local governments.

Furthermore, it is important to approach industrial waste in the same manner as our efforts with local governments to promote resource recycling. We at the Odakyu Group are one such business. While the volume of waste generated by businesses is large, its processing is outsourced to various waste collection contractors, making it difficult to ascertain the total volume.

With this in mind, we launched WOOMS Connect in May 2023, a service to support issues in businesses that generate waste, and began to provide a service that visualized the volume, items, and disposal status of waste, linking them to resource recycling. We will realize a resource-recycling society by utilizing the potential of WOOMS more broadly to address issues that vary depending on the region or business entity.

Average waste collection load

+12%

Number of trips

-16%

Amount recycled after pruning

+725t

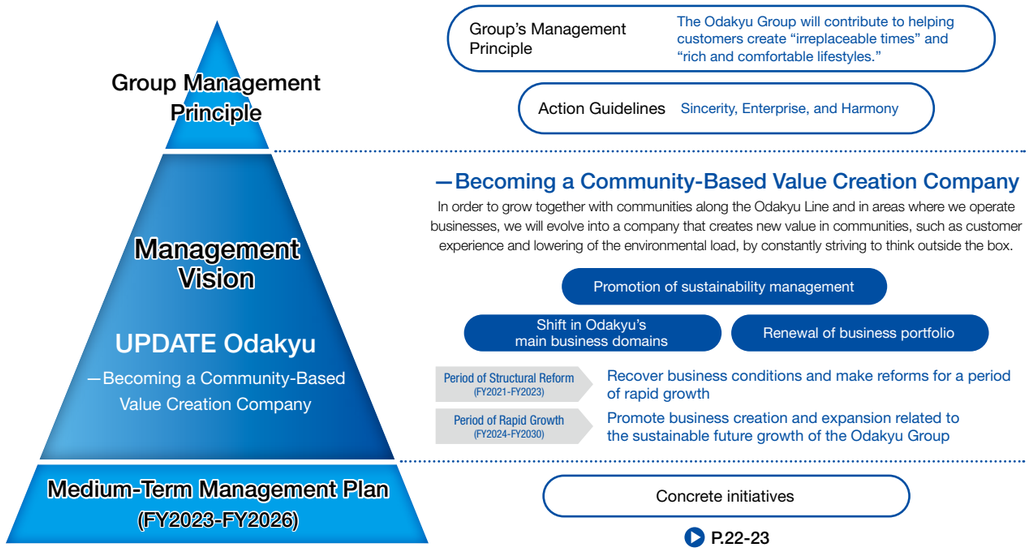
* Results from April 2021 to December 2021, following implementation of the system, compared with the same period in fiscal 2019

Management Vision

Our Business Planning Structure

The Group's Management Principle comprises management principles that demonstrate our universal values for management and the significance of Odakyu in society, a code of conduct for each employee from the management team down to achieve these principles, and action guidelines that express our promise to each stakeholder. Our social responsibility is to sustainably develop together with society by promoting daily business activities in line with these action guidelines and realizing our management principles.

We are striving to enhance the values of the Group and areas along the Odakyu Line by formulating our Management Vision: UPDATE Odakyu —Becoming a Community-Based Value Creation Company, which aims to maintain financial soundness and adapt to the post-COVID-19 business environment for the purpose of realizing these management principles.

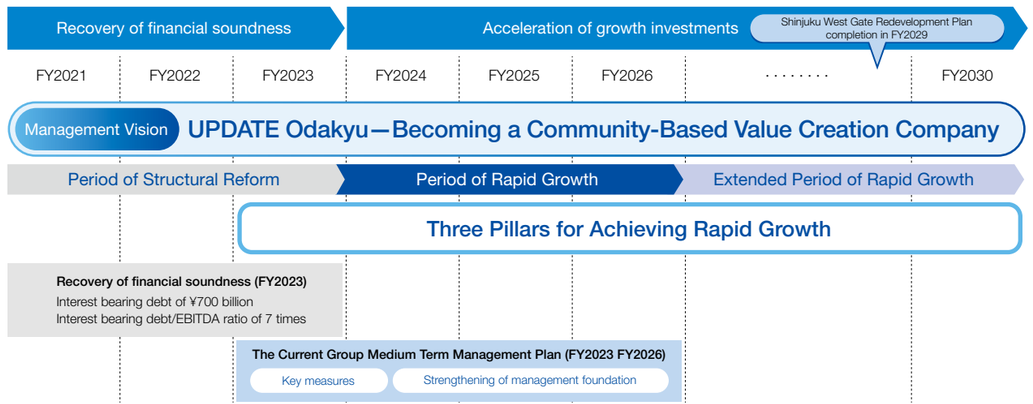


P.22-23

Approach to This Plan

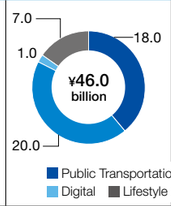
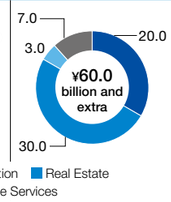
We set fiscal 2021 to fiscal 2023 as the period of structural reform and fiscal 2024 to fiscal 2030 as the period of rapid growth.

Regarding the period of this plan, to create an image of growth that reflects our structural reform initiatives and the effects of growth investments in the future, in addition to the impacts of the COVID-19 pandemic, which has continued since the formulation of the Management Vision in fiscal 2021, we have extended the final year of the period of rapid growth from fiscal 2026 to fiscal 2030.



Consolidated Financial Targets

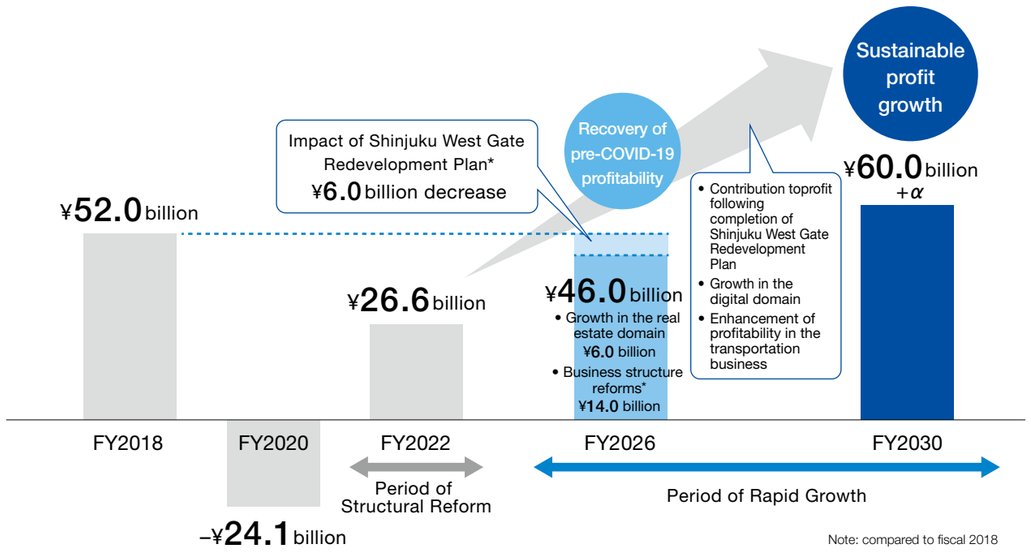
We will achieve profit growth by aiming to become a community-based value creation company that grows at the same time as developing communities and businesses along the Odakyu Line, and will improve social and stakeholder value while ensuring financial soundness.

Approach to key indicators		FY2026	FY2030	Long-term policies
Profit growth	**Operating income** • Continue the period of structural reform • Concentrate capital investment as the first pillar of the real estate domain • Grow the digital domain			Sustainable profit growth
Securing of financial soundness	**Interest-bearing debt/EBITDA ratio** • Make predictions that enable the maintenance of 7.0 ratio, even during the construction period of the Shinjuku West Gate redevelopment • Advance while maintaining the current level of investment in the real estate and digital domains	**Maintain 7.0 times**	**Approx. 7.0 times**	Improvement through profit growth
Management with an awareness of capital cost	**ROE*** • Aim to further improve in the medium to long term, recording 7% in FY2030 • Control total assets with an awareness of capital costs • Consider demand for funds in the Shinjuku West Gate Redevelopment Plan while aiming to optimize capital structure	**—**	**7%**	Further improvement

* Net income attributable to owners of parent / shareholders' equity (excluding net unrealized gain on securities)

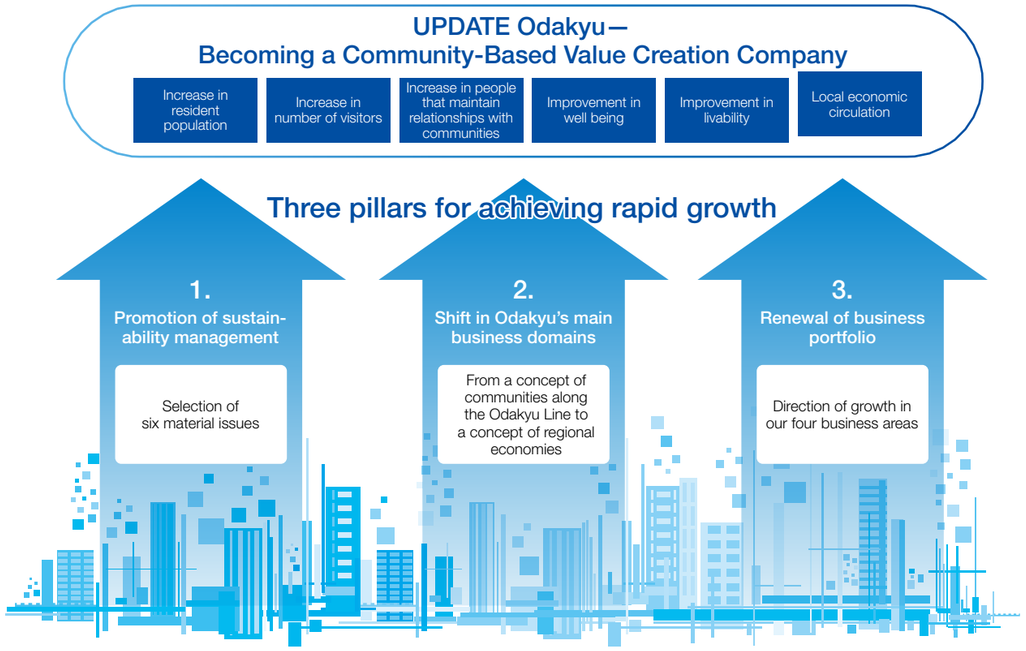
Recovery of operating income and steps for growth

- We anticipate a recovery in profitability to pre-pandemic levels by FY2026, during the period of the Shinjuku West Gate Redevelopment Plan, due to growth in the real estate industry and structural reforms at all businesses, excluding the impact of closures accompanying construction
- After completion of construction in the Shinjuku West Gate Redevelopment Plan in FY2030, we will achieve ¥60.0 billion plus extra through the Plan's contribution to profit and growth in the digital domain
- From FY2030 onward, we will continue to aim for sustainable profit growth through community development in individual regional economies



Note: compared to fiscal 2018

We adopted three pillars for achieving rapid growth—promotion of sustainability management, shift in Odakyu's main business domains, and renewal of our business portfolio—as concrete policies aimed at realizing our Management Vision. By promoting these three pillars, we aim to become a Community-Based Value Creation Company that increases the resident population, number of visitors, and people that maintain relationships with communities; improves well-being; improves livability; and generates local economic circulation.



1. Promotion of sustainability management

Selection of six material issues

For more details, please see page 30.

2. Shift in Odakyu's main business domains

From a concept of communities along the Odakyu Line to a concept of regional economies

- We will shift from business development under the concept of communities along the Odakyu Line, which focused on transportation between suburbs and city centers, to business development for communities as a whole, which focuses on core cities
- We will promote community development, under the understanding that each core city is an individual regional economy, to maximize the potential growth of local communities
- We have set four business areas (public transportation, real estate, digital, and lifestyle services) and connected with key players, local governments and communities, in each regional economy
- We will realize sustainable growth for local communities and the Odakyu Group by expanding the flow of people and revitalize communities as a whole through initiatives that align with regional characteristics

To date

Business development in areas surrounding the Odakyu Line focused on transportation between suburbs and city centers

Market scale **Passengers: 2 million**

Going forward

Business development in individual regional economies that understand core cities as entire local communities and utilize their regional characteristics

Market scale **Population of communities along the Odakyu Line: 5.2 million and extra**

Note: Pre-COVID-19 result

3. Direction of Growth in Our Four Business Areas

Direction of Growth in Our Four Business Areas

- We are predominantly allocating resources to the real estate domain as the first pillar of revenue to increase profitability and expand the scale of profits, while positioning the digital domain as a new area of growth
- We are advancing the improvement of efficiency and recovering profitability in the public transportation domain, while strengthening resilience to risks, such as a sudden decrease in passengers
- We are advancing initiatives, such as reorganization of businesses in the lifestyle services domain, and promoting initiatives to increase synergy in other business domains

Targets for FY2030

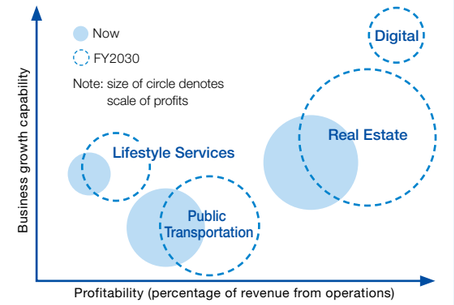
Public Transportation
Creation of sustainable operational structure and generation of stable profit (railways, buses, etc.)
Operating income
¥20.0 billion

Real Estate
Expansion of development as the foundation for value creation in local communities and growth as the firstpillar of revenue (leasing, sales, etc.)
Operating income
¥30.0 billion

Digital
Creation of new businesses and utilization of DX and data in existing businesses as areas for growth (new businesses)
Operating income
¥3.0 billion

Lifestyle Services
Balance between commercialization and value creation in local communities Creation of characteristics and people flow in communities (merchandising, hotels, etc.)
Operating income
¥7.0 billion

Image of New Business Portfolio



Strengthening of the real estate domain

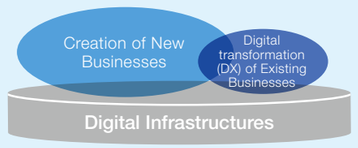
- During the coming period of renewal, we expect numerous business opportunities in the cities that have developed communities along the Odakyu Line from its foundation to present day
- We aim to sustainably develop local communities and strengthen businesses through promotion of development in conjunction with "soft" (method) initiatives such as area management, highly efficient utilization of Odakyu-owned assets, urban redevelopment, and participation in private finance initiatives (PFIs) centered on core cities along the Odakyu Line, in addition to the Shinjuku West Gate Redevelopment Plan
- We aim to further increase asset efficiency and profitability by promoting expansion of investment methods and fields, such as an asset rotation model, special purpose company (SPC) investments, and overseas projects

Search for new businesses that utilize digital technology

- We will extend the resolution of issues in local communities to areas away from the Odakyu Line by creating new businesses that utilize digital technology
- We have made the digital domain a new pillar of growth by strengthening marketing through digital infrastructures, while at the same time increasing the efficiency of business operations due to DX in existing businesses

Creation of New Businesses

- Expansion of earnings by providing services to companies and local governments in regional economies
- Creation focused on regional infrastructure, such as collection of resources and management by local governments



Digital Transformation (DX) of Existing Businesses

- Enhancement of operational efficiency and reduction of maintenance operations by promoting condition-based maintenance, expanding the surveillance of railway equipment status, and introducing monitoring of line facilities
- Enhancement of efficiency by aggregating systems in our real estate business and reinforcement of proposal capabilities by connecting customer information

Digital Infrastructures

- Business creation and DX promotion in existing businesses through MaaS infrastructure (MaaS Japan) and integrated membership infrastructure (ONE)
- Creation of smart city common data infrastructure with NEC Corporation

Medium-Term Management Plan

To realize our Management Vision, we will promote the strengthening of our management foundation through three strategies while working toward four key measures under the Medium-Term Management Plan.

Key Measures

Key measure 1
Advancements in the public transportation domain

Key measure 2
Strengthening of the real estate domain and redevelopment along the Odakyu Line
P.34

Key measure 3
Search for new businesses that utilize digital technology

Key measure 4
Tourism and lifestyle services in response to a post-COVID-19 world
P.35

Strengthening of Management Foundation

Strengthening of management foundation 1
Digital transformation (DX) strategies

Strengthening of management foundation 2
Environmental strategies
P.36

Strengthening of management foundation 3
Human resource strategies
P.42

Key measure 1

Advancements in the public transportation domain

We will continue advancements in public transportation, which is the foundation of all business domains, aimed at creation of sustainable operational structure and generation of stable profit

Reinforcement of Sustainable Operating Structure

- Deepen examination into shift to conductor-less trains
- Consolidation of signal operations
- Increase in maintenance efficiency
- Review of all operations

Structure for necessary personnel
30% decrease (by FY2035)
Note: compared to FY2020 for railway business

- Promotion of Odakyu platform door installation that utilizes railway station barrier-free fare system
- Response to increasing severity of natural disasters and renewal of aging facilities (promotion of earthquake reinforcement construction work, transfer to Ono General Train Depot, etc.)

Current status of facilities
(as of March 31, 2023)
9 stations, 24 lines

End of FY2032
37 stations, 107 lines

Reinforcement of Transportation Nodes

Station improvement work will generate prosperity for entire communities by improving convenience, safety, and accessibility through implementation of project to develop free passageways in collaboration with local governments

Creation of Demand for Transportation Services and Maximization of Revenue

- Strategic pricing
- Continual implementation of initiatives to increase revenue that utilize express trains and OP Point system
- Promotion of support measures for families raising children
- Upgrade of stations to become the hubs of lifestyles and communities
- Expansion of digital tickets

Expansion into New Domains

- Promotion of taking on outsourcing from outside companies by leveraging business expertise
- Examination of overseas expansion for public transportation operations

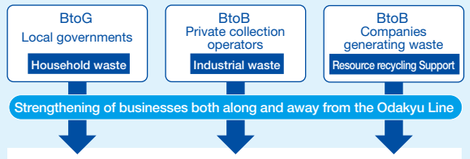
Key measure 3

Search for new businesses that utilize digital technology

We aim to steadily promote monetization by creating new businesses in the digital domain from the source of local issues, expanding to local governments and businesses both along and away from the Odakyu Line, and achieve an operating income of ¥3.0 billion by FY2030.

WOOMS Waste Management Business

- Solution for making waste collection more efficient and promoting resource recycling
- Expansion of introduction to local governments and private collection operators both along and away from the Odakyu Line



FY2025: Aim to achieve operating profitability
Aim to expand areas and revenue scale with a focus on government-designated cities

Ichi no Ichi (Social Media for Local Governments)

- Development by Odakyu of social media services that digitally transform management by local governments and provision of services to local governments both along and away from the Odakyu Line

Introduction to local governments
400 cases
(as of March 2023)

Areas of introduction
Setagaya City, Machida City, Sagamihara City Minami-ku, Hadano City, Matsuda City, Narashino City, Kyoto City, Nagoya City, etc.

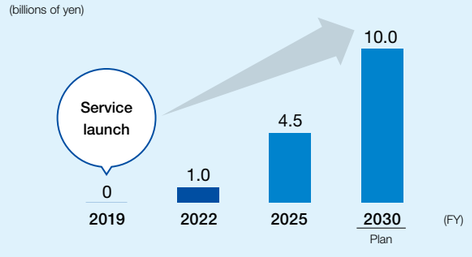
MaaS Japan and EMot

- Development of MaaS platform by Odakyu and provision to transportation service providers, local governments, and other entities both along and away from the Odakyu Line
- Continued expansion of mobile payment and utilization scenarios and contribution to more efficient investment in station service equipment

Amount of payments
¥10 billion in FY2030

Collaborating businesses and local governments
Tobu Railway, Co., Ltd., Seibu Railway, Co., Ltd, Entetsu Railway Co., Ltd., Chichibu Railway Company, Fujisawa City, Odawara City, Hamamatsu City, etc.

Trend in Amount of Payments



Strengthening of management foundation 1

Digital transformation (DX) strategies

We have made the digital domain a new pillar of growth by strengthening marketing through digital infrastructures, while at the same time increasing the efficiency of business operations due to DX in existing businesses

Creation of Infrastructure for Promoting DX

- **Changes to Odakyu's organizational structure**
  Digital Innovation Promotion Department
  Proposes, implements, and supports Groupwide DX strategies by aggregating DX operations
  Digital Business Creation Department
  Promotes creation of new businesses that utilize digital technology
- **Strengthening of and improvement of efficiency for services**
  Promotion of digital customer relationship management (CRM) and digital communication
  Increase in efficiency for railway maintenance and real estate asset management
- **Reinforcement of security**
  Promotion of introduction of Zero Trust security measures

Digital investments
¥10.0 billion
Note: amount invested between FY2023 and FY2026

DX Certification
Certification system based on applications by businesses with superior DX initiatives
DX認定

(Acquired certification in February 2023)

Message from the Director in Charge of Finance

I will steadily advance the rebuilding of our business portfolio by carrying out financial management that places importance on capital efficiency, not just the scale of revenue.

Takashi Hayama
Director and Senior Managing Executive Officer

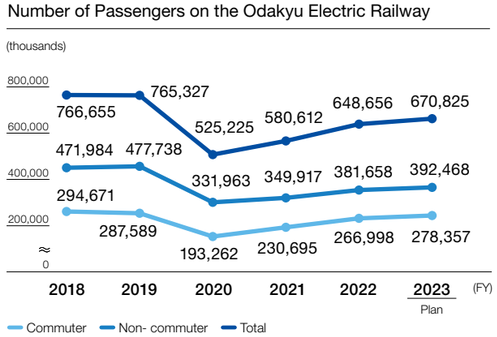
Please explain Odakyu's performance in fiscal 2022.

In fiscal 2022, there was an overall improvement in performance compared to the previous fiscal year due to factors including contribution from a recovery in the number of railway users. This was demonstrated by revenue from operations of ¥395.1 billion (a year-on-year increase of 10.1%) and operating income of ¥26.6 billion (a year-on-year increase of 332.4%).

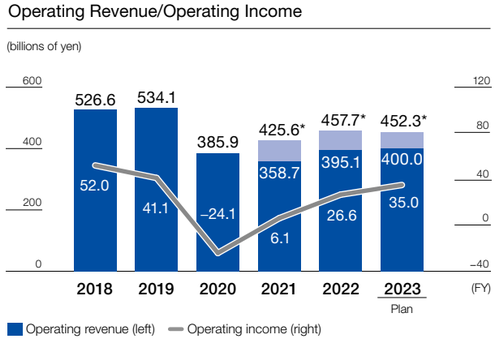
In order to update and become a company that creates community-based value, the Odakyu Group has designated the three-year period from fiscal 2021 as the period of structural reform, which aims to recover financial soundness. During this period, we have promoted income and expenditure structural reform. In fiscal 2022, we strove to recover the level of revenue from operations through a pricing overhaul that comprised fare revisions for Odakyu's special limited express ticket and each bus company. At the same time, we promoted the review of cost structures and withdrawal from unprofitable businesses. Furthermore, I recognize that we are on track to a steady recovery of financial soundness as a result of selling major real estate properties.

Meanwhile, there have been changes to the business environment that impacted performance. In particular, energy costs rose more than predicted and power costs in the railway business increased by approximately ¥2.3 billion year on year. However, we minimized the impact by steadily promoting income and expenditure structural reforms, such as improving the efficiency of timetables, downsizing facilities, and improving the efficiency of management systems. I believe it is vital we reinforce our capability to respond to new risks by creating a durable business foundation going forward.

Number of Passengers on the Odakyu Electric Railway



Operating Revenue/Operating Income

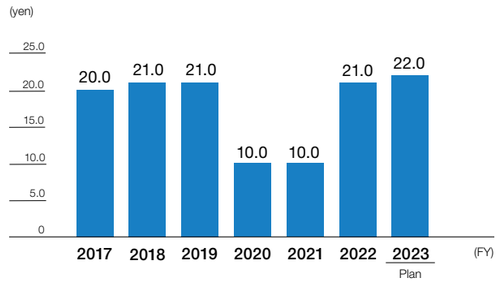


* The Company has adopted standards, such as "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29), from FY2021. Some figures are show before changes in accounting policy in order to make a comparison.

Our improvement of performance in fiscal 2022 showed the results of steadily implementing income and expenditure structural reforms to date and has laid the groundwork for our period of rapid growth that begins in fiscal 2024.

Additionally, regarding shareholder returns, dividends for fiscal 2022 increased ¥11 year on year to ¥21 per share, and we expect dividends to further increase by ¥1 in fiscal 2023 to ¥22 per share. This exceeds the level prior to the COVID-19 pandemic. Going forward, we will consider the reinforcement of shareholder returns while comprehensively judging the management environment and capital efficiency.

Dividend per Share



Please explain Odakyu's sale of assets implemented during the period of structural reform and policies going forward.

By fiscal 2023, the final year of the period of structural reform, we will have sold Odakyu Dai-ichi Seimei Building and Odakyu Century Building. We decided that both properties need to be sold in light of investments to update facilities in the future since it has been over 40 years since these buildings were constructed and the twin buildings share both above- and below-ground elements.

We set out policies for capital allocation in the Medium-Term Management Plan and will prioritize allocating resources in our growth investments, including the Shinjuku West Gate Redevelopment Plan, taking place between fiscal 2023 and fiscal 2026. Accordingly, it is vital that we manage assets efficiently and maximize cash flows from operating activities.

Going forward, we will enhance asset efficiency through methods including the improvement of return on investments from existing properties and the replacement of assets with highly profitable properties.

Please explain the progress of business structure reforms and the status of achieving financial soundness.

To date, Odakyu has engaged in creating a sustainable operating system in anticipation of future employee shortages in the railway business. To ensure that we maintain operations in 2035 with approximately 70% of the structure for necessary personnel from fiscal 2020, we are making operations more efficient and reducing costs through digital investments.

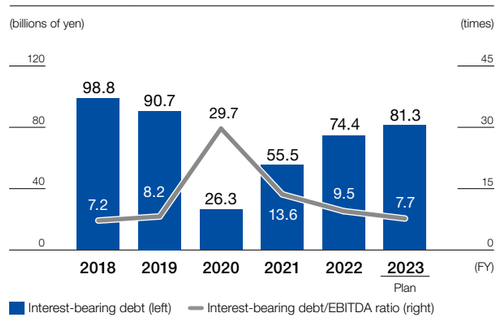
Recently, we have engaged in measures such as creating a shared platform for line maintenance and management with other railway companies, leading to further reduction of costs and enhancement of efficiency. We also aim to recover profitability by adopting a barrier-free fare system in railway stations from March 2023 and continually revising pricing in the bus business and hotel business.

Furthermore, we anticipate a recovery of approximately ¥14.0 billion* on an operating income basis as the result of business structure reforms by advancing the rebuilding of our business portfolio through selection-and-concentration efforts in our existing businesses.

In addition to the above initiatives, we have advanced the repayment of interest-bearing debt, which was reduced to ¥706.4 billion at the end of fiscal 2022, through measures including the sale of assets as mentioned previously and the sale of cross-shareholdings. In fiscal 2023, we plan to reduce this to ¥627.3 billion, below the ¥700 billion target for financial soundness. Based on recovery in revenue commensurate with recovery in the number of railway users, we expect to achieve an interest-bearing debt/EBITDA ratio of 7.0 times as a target for fiscal 2023.

* Comparing actual results from FY2018 and plans for FY2026

Trends in EBITDA, Interest-Bearing Debt, and Interest-Bearing Debt/EBITDA Ratio



Please explain the details of investments in key areas.

Based on concrete policies aimed at achieving our Management Vision and the Medium-Term Management Plan announced in April 2023, we will strengthen growth investments, especially in the real estate and digital domains, as part of rebuilding our business portfolio.

Going forward, we will be increasing the opportunities for new investments. However, what I must keep in mind, particularly in my position, is the enhancement of capital efficiency.

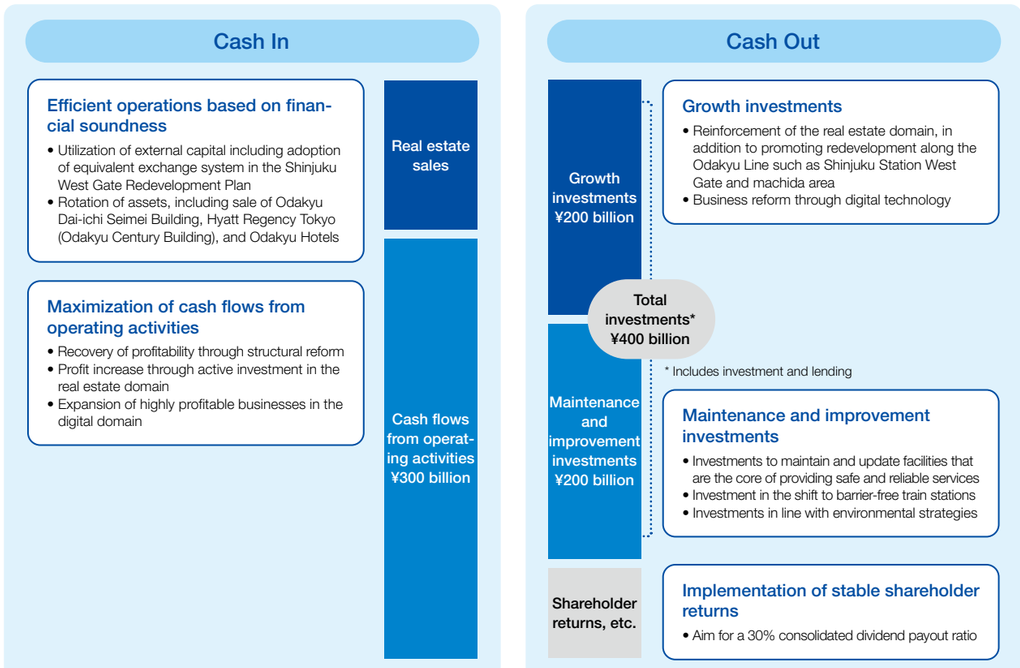
Odakyu has traditionally set indicators related to the scale of revenue, namely revenue from operations and EBITDA. Under the current Management Vision we have also set ROE of 7% as a target for 2030. In the future, will engage in financial management that includes capital efficiency, not just the scale of revenue.

About the Real Estate Domain

With the real estate business as the first pillar of revenue, we aim to expand the scale of revenue, which is currently ¥18.0 billion, to ¥20.0 billion in fiscal 2026, and ¥30.0 billion in fiscal 2030, exceeding the scale of revenue in the railway business.

In particular, the Shinjuku West Gate Redevelopment Plan is a major investment project that is currently under development. From a financial perspective, it is projected to account for a large part of our demand for funds for at least the next three to four years. While the operating bodies for this project are the Odakyu Group and Tokyo Metro, we signed a basic agreement with Tokyu Land Corporation as a joint venture candidate. This agreement is intended to maximize the value of the project through mutual cooperation between the two companies by providing management resources in addition to expertise. Meanwhile, an equivalent exchange system will also contribute to reducing liabilities. As a result of this agreement, at present, we plan to maintain an interest-bearing debt/EBITDA ratio of 7.0 times, even during the construction phase, without considering procurement of funds by means such as increasing capital. Construction is expected to be completed in fiscal 2029, but we must closely observe risks during the construction period. Since construction will take a long time, there is an increased budgetary risk due to the rising cost of living and personnel expenses, as well as a risk of delays in construction.

We will carefully monitor the development process with all these risks in mind.



About the Digital Domain

The digital business is currently being developed to serve as a foundation for revenue and we plan to secure operating income of ¥1.0 billion in fiscal 2026. We have also set aside a total of ¥10.0 billion for digital investments between fiscal 2023 and fiscal 2026 and will push for digital investments aimed at enhancing efficiency, as well as projects such as WOOMS (see page 14 for more details) and MaaS, for which areas of implementation are steadily expanding with the aim to restore operating profitability.

In addition to investments in the above real estate and digital domains, with the promotion of business structure reforms we anticipate recovery in profitability to pre-pandemic levels by fiscal 2026, excluding the impact of store closures associated with the Shinjuku West Gate Redevelopment Plan. Additionally, in fiscal 2030, which is the planning period of our Management Vision, we will aim for approximately ¥60.0 billion in operating income, exceeding levels prior to the pandemic, through contribution to profit due to the completion of the Shinjuku West Gate Redevelopment Plan, growth of the digital business, and enhancement of profitability in the transportation business.

Please explain Odakyu's investments in the management foundation for the purpose of realizing growth.

One of the bases for realizing our Management Vision is investment in human resources. We must enhance these investments to secure value creators, including the above strategies.

In fiscal 2023, we will implement wage increases, raising the starting salary for new graduates to the highest level in the industry, and substantially raising wages, especially for younger employees. At the same time, we will continue to invest in human resources to acquire skills based on management plans, such as support for acquiring qualifications and development of digital-savvy personnel.

Odakyu has a "Climbers" system for business idea suggestions on which we place importance as an investment in human resources. To support the endeavors of employees utilizing this system, we set aside a portion of the above digital investments to commercialize highly feasible proposals.

Under the Climbers system, proposals are judged on their commercial viability and profitability according to strict review. The profitability of proposals that are deemed eligible for commercialization is assessed over a two- to three-year period. We must hold discussions in the future about the establishment of detailed standards and will develop a vision for after commercialization to determine whether it is a business Odakyu should continue and whether we should hand it over to the best owner.

We will continue to make investments in the management foundation, such as DX investments and human resource investments, while keeping in mind the effects on the Group as a whole and the relevance to our business.

Finally, on reflection, our discussions to date surrounding efficiency and total asset control have been insufficient given the high percentage that the railway business holds in our portfolio, institutional restrictions on fares, and existing policies for safety measures. Going forward, I hope to lead in-house discussions to pursue the enhancement of profitability by improving efficiency and total asset control, while placing priority on safety and peace of mind, with the aim of achieving ROE of 7% and further improving it in the long term.

Under our Management Vision, we will work to ensure our investors and all our stakeholders are able to see the results of investments through financial strategies with an even higher awareness of capital efficiency.

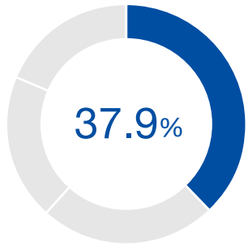
Consolidated Performance by Segment

Transportation (Railways, Buses, and Others)

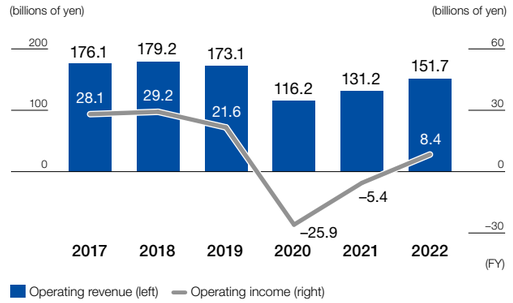
Odakyu Electric Railway operates three lines: the Odawara Line (which connects Shinjuku and Odawara), the Enoshima Line, and the Tama Line, which cover a total 120.5 km (70 stations).

Group companies provide methods of transportation, such as buses and taxis, mainly in Tokyo and Kanagawa Prefecture, which support the transportation infrastructure of local communities. Diverse communities along the Odakyu Line have a combined population of 5.22 million people in 27 cities, districts, towns, and villages. The line is dotted with stations that are the hubs for an average of more than 100,000 daily passengers, from urban areas and suburbs to tourist spots such as Hakone and Enoshima.

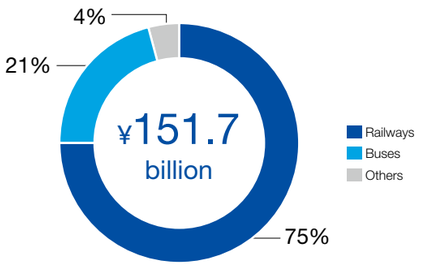
Ratio of Operating Revenue



Operating Revenue / Operating Income



Ratio of Operating Revenue within Segment



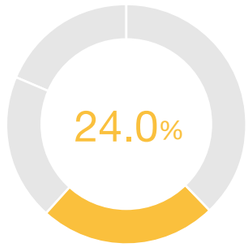
Merchandising (Department Stores, Stores and Retail, and Others)

We are focusing on the department store industry and the store and retail industry to design appealing sales floors and provide services that meet the needs of customers, with the aim of creating added value along the Odakyu Line.

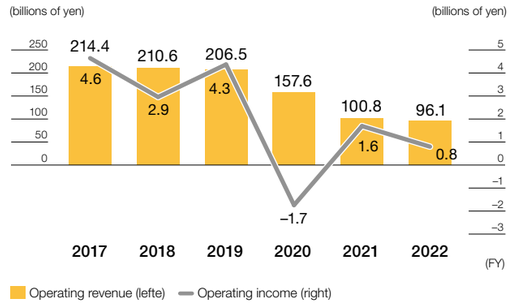
The Odakyu Department Store's main store ceased operations following the progression of the Shinjuku West Gate Redevelopment Plan but operations at Shinjuku West Gate HALC have continued following renewal. We have created an alliance with Seven & i Holdings Co., Ltd. to transfer operation of in-station stores and convenience stores to Seven-Eleven franchises, and enhancing the appeal of "Odakyu OX" supermarkets.

Additionally, we are promoting the expansion of business domains, such as e-commerce, and trade areas to address changes in lifestyles and diverse customer needs.

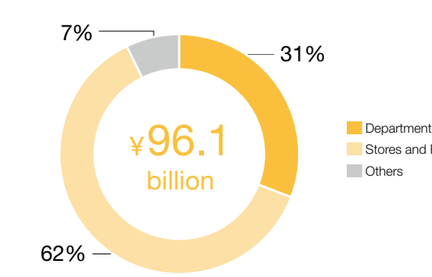
Ratio of Operating Revenue



Operating Revenue / Operating Income



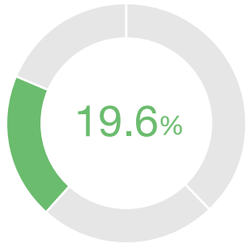
Ratio of Operating Revenue within Segment



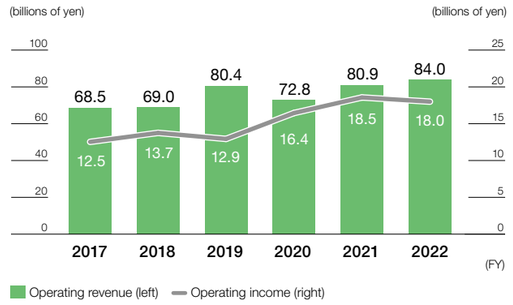
Real Estate (Real Estate Sales and Leasing)

We are developing the real estate business, with local communities along the Odakyu Line at the core, by supplying housing, in addition to leasing and operating commercial facilities, office buildings, hotels, and other properties. In the Shimo-Kitazawa area, between Higashi-Kitazawa Station and Setagaya-Daita Station, we have developed the Shimokita Senrogai, which utilizes the space created above the tracks due to the relocation of the station underground associated with our multiple double tracks project. The district opened in May 2022. We are also carrying out development in core areas around stations, such as Mukogaoka-Yuen Station and Ebina Station in Kanagawa Prefecture, based on the characteristics of each location and the surrounding environment.

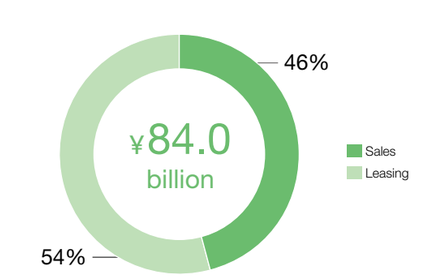
Ratio of Operating Revenue



Operating Revenue / Operating Income



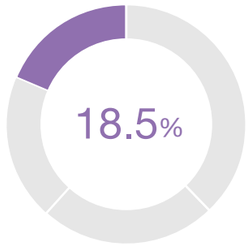
Ratio of Operating Revenue within Segment



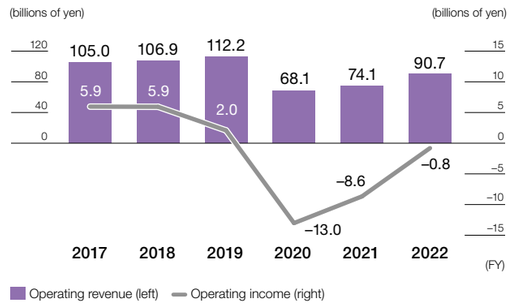
Other Businesses (Hotels, Restaurants, and Others)

We are focusing on the operation and development of hotels and restaurants. In terms of hotels, we are focusing operations on the main tourist hubs along the Odakyu Line in the Shinjuku and Hakone areas. Recently, however, we have been operating hotels that match the characteristics of a given region, not just along the Odakyu Line but also in places such as Kyoto and Okinawa Prefecture. Additionally, in the area of restaurant food and beverage services, we manage a variety of restaurants throughout Japan, including the in-station restaurant Hakone Soba, which we are developing to meet the needs of passengers using our stations.

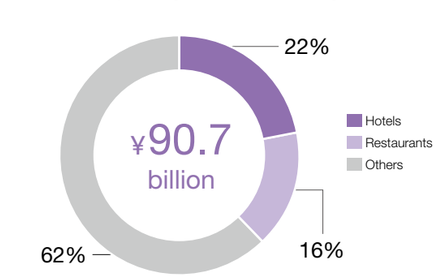
Ratio of Operating Revenue



Operating Revenue / Operating Income



Ratio of Operating Revenue within Segment



Note: Adopted standards, such as the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29), from fiscal 2021

Formulation of Material Issues

Message from the Director in Charge of Sustainability

Under the Odakyu Group's Management Vision: UPDATE Odakyu —Becoming a Community-Based Value Creation Company, we aim to create community-based value through our businesses while considering the environment and social sustainability, and to enhance the sustainability of communities, which will lead to the Group's medium- to long-term development. Without community development there can be no development for the Odakyu Group. To further clarify this point, we positioned promotion of sustainability management as a pillar of realizing rapid growth under the Medium-Term Management Plan formulated in fiscal 2023.

The Odakyu Line is home to communities with diverse characteristics, starting in the metropolis of Shinjuku and spanning numerous core cities and Japan's leading tourist attractions, such as Hakone and Enoshima. Accordingly, it faces numerous social issues. In setting material issues to promote sustainability management, we identified such social issues and examined their importance, including human capital and governance, which are the foundation of this promotion. At the same time, we reviewed Odakyu's unique progress in addressing safety and security as a transportation infrastructure business, building relationships with local communities, invigorating affluent tourism resources, developing new digital services, and achieving carbon neutrality.

As a community-based value creation company, we will strive to achieve our material issues by accurately understanding environmental changes through the continuous resolution of social issues.

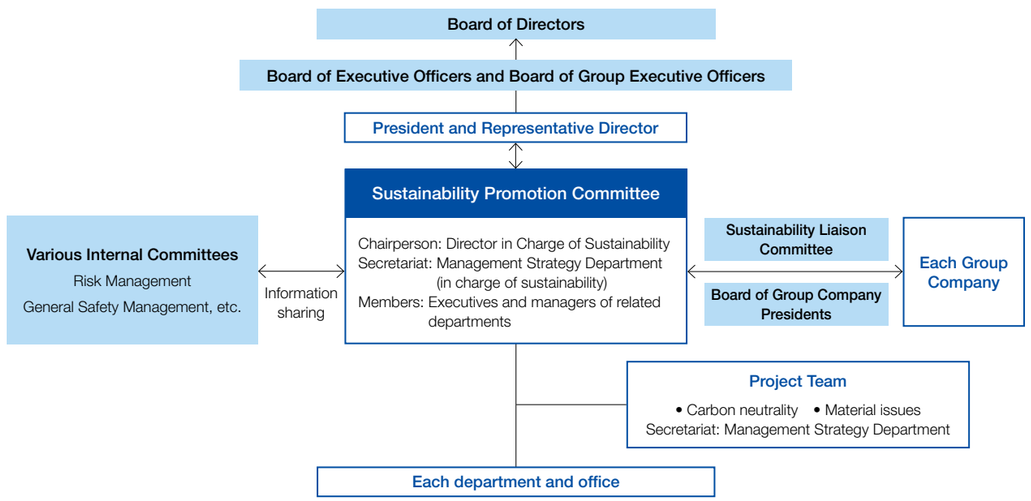
Isamu Arakawa

Director (Representative Director), Senior Managing Executive Director

Promotion System

Odakyu has established the Sustainability Promotion Committee to promote sustainability across the Group. The committee is chaired by the Director in Charge of Sustainability, with the Management Strategy Department serving as secretariat, and it discusses issues including formulation of all policies, planning for specific measures based on material issues, setting of promotion indicators, and status of progress, in collaboration with each related internal department and Group company.

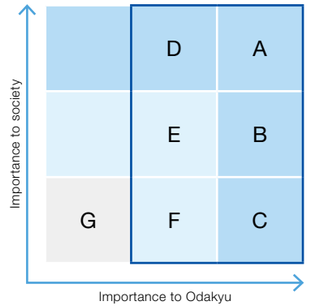
Structure of the Sustainability Promotion Committee



Process for Identifying Material Issues

We have organized social issues tied to multiple themes by consolidating SDGs, which are global social issues, detailed business risks and opportunities of the Group, and various environmental perceptions shared in discussions by the Future Creation Committee, which formulates annual plans through a system where all members of the organization participate, and discussions at the management level.

Moreover, we categorize these social issues according to their level of importance, and after repeated evaluations of their importance in light of the Odakyu Group's business development and management resources, we identify particularly important social issues as material issues.



A	Labor shortages / Decreasing birthrate and aging population / Decrease in working-age population / Technological innovations / Frequency and severity of natural disasters / Realization of decarbonization and resource recycling / Diversity / Social labor shortage / Workstyle diversification / Response to human rights
B	Damage to trust in railways / Barrier-free response / Decrease in use of public transportation and stations / Decrease in opportunities for going out / Permeation of digital services / Digitalization of customer contact points / Increase in energy procurement costs / Corporate scandals and fraud
C	Level of attachment and satisfaction in people living along the Odakyu Line / Plateau and decrease in population of communities along the Odakyu Line
D	Shift to EVs and FCVs / Environmental and climate change response / Decline in vitality of local communities / Decrease in governmental functions / Increase in cyber attacks / Conservation of natural resources and biodiversity
E	Aging of railways infrastructure / Decrease in young people using cars / Increase in mobility-impaired people / Overtourism / Increase in competition between cities and regions / Lifestyle changes / Consumer behaviors with awareness of the environment / Increase in movement of human resources / Increase in interest rates and cost of living / Corporate value including non-financial factors
F	Utilization of railway assets / Increase in operational costs / Increase in IT investment / Expansion of digital native generation
G	Aging of Odakyu-owned assets / Shift to borderless industry / Increase in costs due to new regulations and tax systems / Creation of properties with high environmental and disaster prevention functions

List of Material Issues

We will achieve sustainable growth by resolving social issues by placing at the center of our management the following six material issues, selected based on the Group's Management Principle and Management Vision.

Safety and peace of mind	▶ Provision of public transportation services that prioritize safety and peace of mind ▶ Pursuit of a society where anyone can live with peace of mind
Community development and local communities	▶ Realization of community development that combines work, residence, commerce, education, and recreation, and wellness ▶ Community development that utilizes local assets
Daily life and tourism experiences	▶ Promotion of rich lifestyles that utilize technology ▶ Provision of region-specific tourism experiences
Environment (carbon neutrality)	▶ Realization of a decarbonized society through energy conservation, renewable energy, electrification, and collaboration with local communities ▶ Realization of a resource recycling society, the aim of Beyond Waste
Development of value-creating human resources	▶ Cultivation of a corporate culture that enables all employees to work in their own unique way ▶ Development of human resources to achieve sustainable management
Governance	▶ Realization of an optimal governance structure that supports the expectations of all stakeholders

Safety and peace of mind

Material issues

- **Provision of public transportation services that prioritize safety and peace of mind**
- **Pursuit of a society where anyone can live with peace of mind**

Key social issues to be faced

- Safe and reliable public transportation
- Barrier-free society
- Cyber crime and natural disasters

Target (each fiscal year)

- Zero accidents that occur in the railway business where Odakyu is at fault
- Zero deaths or serious injuries in the bus and taxi businesses

Indicators to Monitor

- Level of overall satisfaction in railway services

Safety Management System

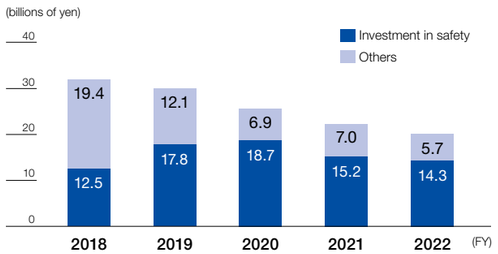
Odakyu has adopted the “aim to be the safest railway company in Japan” as a basic principle. We recognize that our most important mission is continuing to provide the safest, most comfortable, high-quality transportation service and are thus striving to develop a system for maintaining safety. Specifically, we have established safety management regulations based on the Transport Safety Management System established by the Ministry of Land, Infrastructure, Transport and Tourism. Further, we have designated a manager in each department, with the president & CEO as the chief safety officer, who supervises operations related to ensuring safety, and clarified the roles and responsibilities of each manager. Additionally, we have created a safety management committee at the headquarters of each division and each workplace to promote measures for preventing recurrence, and each headquarters and workplace work together to communicate and share information and to consider and implement various measures. Furthermore, we are implementing rapid improvements through a plan-do-check-act (PDCA) cycle by conducting an annual internal railway audit and regularly reviewing and improving the safety management system.

For more details of our safety management initiatives, please see the Odakyu Safety Report 2023 (Japanese only).
https://www.odakyu.jp/csr/safety/safety_report/

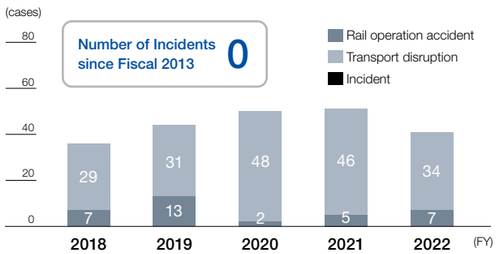
Investment in Safety

Odakyu strives to maintain and renew facilities to improve the safety of platforms and railway crossings and to prepare for natural disasters, such as large-scale earthquakes and heavy rains. In fiscal 2022, we implemented capital investment in areas such as increasing the rolling stock of 5000 series trains, repairing embankment slopes, and enhancing the functions of railway crossing obstacle detection systems.

Trend in Capital Investments (Odakyu Electric Railway Business)



Number of Railway Accidents



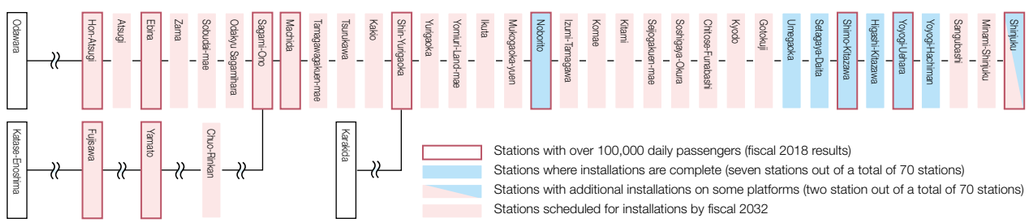
Installation of Platform Doors

We are accelerating platform door installation and other measures, utilizing the railway station barrier-free fare system, to improve safety and ease of movement. By fiscal 2032, we aim to complete platform door installations on 107 platforms at a total of 37 stations, including at all stations between Shinjuku Station and Hon-Atsugi Station as well as at Chuo-Rinkan Station, Yamato Station, and Fujisawa Station.

Railway Station Barrier-Free Fare System*

Launch: March 18, 2023 **Amount collected annually:** ¥4.8 billion
Additional fares: ¥10 to regular adult fares (IC cards and tickets) and calculated into commuter passes
* Child fares are now half the amount of adult fares after additional fares. Children’s IC card fares and commuter passes do not have additional fares set.

Note: From fiscal 2033 onward, we will consider additional installations based on the status of each station and discussions with related local governments.



Initiatives for Human Resource Development and Passing Down of Techniques

The Odakyu Training Center is a training school designated by the Minister of Land, Infrastructure and Transport that conducts training on the knowledge and skills necessary for train personnel duties. We conduct three years of follow-up training for train personnel after confirmation of the ability to perform duties on an individual basis, and regularly implement aptitude tests. We also periodically check the status of operational knowledge retention and practical work implementation. Furthermore, we maintain and enhance knowledge and skills through training and guidance in line with the introduction of new trains and changes to regulations and seminars at each workplace.

Train simulator

Initiatives for Food Safety and Other Issues

Initiatives for Quality Control

Odakyu Food Co., Ltd. manufactures products with thorough hygiene and quality control and received Hazard Analysis and Critical Control Point (HACCP) certification for cooked rice and processed rice products from the Corporation of Rice-Cooking of Japan.

Note: HACCP is a method of hygiene management where companies, such as food manufacturers, understand hazards such as contamination by food poisoning bacteria and by foreign objects and, in all processes from the arrival of raw materials to the shipping of products, manage vital processes for eliminating or reducing such hazards to ensure product safety.

Main Companies That Engage in Food Safety and Other Initiatives	
Stores and retail	Odakyu Shoji Co., Ltd.
Food manufacturing	Odakyu Food Co., Ltd.
Restaurants	Odakyu Restaurant System Co., Ltd. GIRAUD RESTAURANT SYSTEM CO., LTD.

HACCP certification

Odakyu Food Co., Ltd. Zama Factory

Provision of Health-Conscious Products

At “Odakyu OX” supermarkets, which are operated by Odakyu Shoji Co., Ltd., we are mindful of ensuring that customers shop with peace of mind. To do so, we provide products that show the face of the production area and producers, and highly safe products such as organic vegetables and low-pesticide vegetables cultivated by Odakyu-specified farmers, based on our policy of health, safety, peace of mind, beauty, and convenience.

Meanwhile, we set forth various in-house standards including transaction standards for placing orders and an audit system for stores, while ensuring quality control, and we have continued to implement improvement activities since 2007 aimed at providing further safety and peace of mind.

Deli and prepared food sales area at Odakyu OX

Responsible Initiatives Related to Alcohol

Prevention of Sale to Minors (Under 20 Years Old)

At supermarkets managed by Odakyu Shoji Co., Ltd., such as Odakyu OX and Odakyu OX MART, and convenience stores, such as Seven-Eleven, we engage in compliance with laws and regulations, such as implementing age verification for customers when appropriate, to prevent the sale of alcohol to people under 20 years old.

Eradication of Drunk Driving

At GIRAUD RESTAURANT SYSTEM CO., LTD., particularly at road-side stores, we strive to prevent drunk driving by posting storefront notices regarding our refusal to provide alcohol to drivers and introducing proxy driving services.

Prevention of Violent Behavior

Odakyu Electric Railway Co., Ltd., strives to conduct educational activities to prevent violent behavior and trouble between customers, such as displaying posters about violence prevention from the Japan Private Railway Association in stations and trains.

Community development and local communities

Material issues

- **Realization of community development that combines work, residence, commerce, education, and recreation, and wellness**
- **Community development that utilizes local assets**

Key social issues to be faced	Indicators to Monitor
• Declining birthrate and aging society • Decrease in vitality of local communities • Intensified competition between urban and local communities • Innovation of technology	• Population in areas along the Odakyu Line • Number of users at focus stations in areas being strengthened • Overall level of satisfaction by local residents • Overall level of satisfaction with how to live (well-being)

Strengthening of the real estate domain and redevelopment along the Odakyu Line

We aim to enhance asset efficiency and earnings power by expanding investment methods and fields at the same time as promoting and collaborating with local communities on redevelopment of areas around key Odakyu-owned assets, with a focus on core cities along the Odakyu Line, in addition to the Shinjuku West Gate Redevelopment Plan.

Shinjuku West Gate Redevelopment Plan (scheduled for completion in FY2029)

- Demolition of Odakyu Department Store's main store currently underway
- Intensification of plans based on partnerships with Tokyo Metro Co., Ltd. and Tokyu Land Corporation
- Promotion of redevelopment projects and community development by considering development of areas (communities) rather than points (assets near stations)

Overview of Construction Plan

Operating bodies: Odakyu Electric Railway Co., Ltd., Tokyo Metro Co., Ltd., and Tokyu Land Corporation (scheduled)
Area: Approx. 15,720m²
Floor space: Approx. 281,700m²
Main use: Commercial, business, and railway station facility
Number of stories: 48 aboveground, 5 belowground
Maximum height: Approx. 260m
Construction start: October 2022
Construction finish: Fiscal 2029 (scheduled)
Total project cost: Approx. ¥200.0 billion (planned investment by Odakyu and Tokyu Land Corporation)

Community Development Along the Odakyu Line in Core Cities

Machida Area

Promotion of redevelopment in the area around Machida Station, which boasts the second highest number of passengers on the Odakyu Line, through utilization of Odakyu-owned assets around the station, in anticipation of the extension of the Tama Toshi Monorail

Shin-Yurigaoka Area

Consideration of community development concepts through utilization of Odakyu's infrastructural assets aimed at reinforcing transportation node functions and generating prosperity due to the extension of the Yokohama Municipal Subway Blue Line

Expansion of Methods and Fields

- Improvement of short-term revenue cycle through SPC investments and asset rotation model
- Aim to expand investment focused on Australia and the U.S. and participate in transit-oriented development (TOD) that utilizes Odakyu's business experience

Key social issues to be faced

Material issues

- **Promotion of rich lifestyles that utilize technology**
- **Provision of region-specific tourism experiences**

Key social issues to be faced	Indicators to Monitor
• Diversification of lifestyles • Increase in mobility impaired people • Innovation of technology • Over-tourism and inbound tourism	• Number of Odakyu ONE ID users • Number of Freepasses sold (Hakone, Enoshima, and Kamakura areas) • Number of visitors to tourist areas along the Odakyu Line(Hakone and Fujisawa)

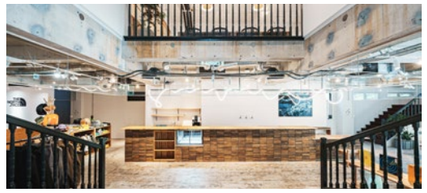
Tourism and lifestyle services in response to a post-COVID-19 world

Promotion of lifestyle services that integrate new lifestyles while ensuring that recovery in tourism demand is connected to revenue

Initiatives for Tourism Demand

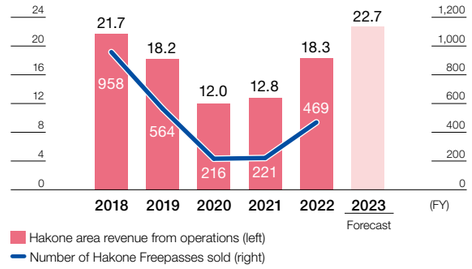
Increase in appeal of tourist attractions along the Odakyu Line

- Promotion of sustainable tourism through launch of HAKONATURE project for creating and sharing nature based experiences together with local companies
- Revitalization of Enoshima area through park private finance initiatives (Kugenuma Kaihin Park renewal project) and Shonan Fujisawa Revitalization Consortium


HAKONATURE BASE, the hub for accessing nature opened in Hakone-Yumoto

Odakyu Sightseeing Service Center* users
(As of March 2023) * For overseas visitors
Ticket purchasers **▲48.9%**
(Compared to March 2019)

Hakone Area Revenue from Operations and Number of Hakone Freepasses Sold



Enhancement of convenience through digital transformation of tourism

- Multi-lingual functionality of EMot MaaS App
- Introduction of new ticket gate verification functions for credit card contactless payments and QR codes, focused on the Hakone, Enoshima, and Kamakura areas
- Centralization and digitalization of reservation and payment for travel products, special discount tickets, and special limited express tickets through dynamic packaging website

Ratio of Hakone Freepass sales to digital sales
20%
(As of March 2023)

Expansion of Tourism Personnel Service Business

- M&A in 2019 with Humanic, which runs a dispatch agency that specializes in tourist attractions
- Expansion of businesses that understand labor shortages in the tourism industry following recovery in domestic vacations and inbound demand

Integration of Businesses and New Lifestyles

Commercial facilities that coexist with local communities

- Promotion of measures to integrate and revitalize station plazas, including Ekinaka, through collaboration with Komae city
- Opening of AGORA Hon-atsugi, a hub for producing entrepreneurs and creating businesses

Environment (carbon neutrality)

Material issues

- **Realization of a decarbonized society through energy conservation, renewable energy, electrification, and collaboration with local communities**
- **Realization of a resource recycling society, the aim of Beyond Waste**

Key social issues to be faced	Target (fiscal 2050)
• Response to climate change (decarbonization and resource recycling in local communities) • Shift to public transportation with a low environmental impact • Conservation of forests, the countryside, rivers, and oceans	• Odakyu Group CO_2 emissions **Net zero**

Odakyu Group Carbon Neutrality 2050

The Odakyu Group has formulated the action guidelines Odakyu Group Carbon Neutrality 2050, with the aim of achieving net-zero CO_2 emissions in 2050. These action guidelines comprise the three pillars of an environmental vision, long-term environmental targets, and environmental strategies, and demonstrate our engagement in environmental issues through our business activities, such as the reduction of our CO_2 emissions, recycling of resources, and conservation and utilization of natural resources.

Under our management vision "UPDATE Odakyu—Becoming a Community-Based Value Creation Company," which was formulated in April 2021, the environment is at the heart of our management decisions. At the Odakyu Group, we will take on the challenge of solving environmental issues to realize a sustainable society and further enhance our environmental advantage.

SUSTAINABLE DEVELOPMENT GOALS

Environmental Vision

The mission of the Odakyu Group is to pass on a beautiful global environment and a kind society to future generations and actively engage in solving environmental issues, such as reducing CO_2 emissions, recycling resources, conservation, and utilization of natural resources, through our business activities.

Environmental Strategies

The Odakyu Group formulated the following UPDATE 1–3 based on Odakyu Group Carbon Neutrality 2050 and is taking on climate change issues as both risks and opportunities with regard to its growth strategies. Accordingly, we are carrying out Groupwide initiatives for addressing climate change.

UPDATE 1	Realize a decarbonized society	ACTION 1	Achieve net-zero CO_2 emissions at the Odakyu Group
		ACTION 2	Resolve issues in local communities to realize a decarbonized society
		ACTION 3	Shift to environmentally friendly public transportation
UPDATE 2	Realize a resource recycling society	ACTION 1	Promote the 5Rs* within the Odakyu Group
		ACTION 2	Resolve issues in local communities to realize a resource recycling society
UPDATE 3	Conserve and utilize nature	ACTION 1	Conserve forests, the countryside, rivers, and oceans
		ACTION 2	Utilize natural resources

For more details, please see the Odakyu corporate website (Japanese only).
https://www.odakyu.jp/sustainability/carbon-neutral/

Long-Term Environmental Targets*

Odakyu Group aims for net zero CO_2 emissions by 2050

To achieve this goal, we will reduce CO_2 emissions by 50% by 2030 (compared with 2013)

* Scope for long-term environmental targets: Scope 1 and Scope 2 at 29 main consolidated subsidiaries

Road Map for Realizing Carbon Neutrality

We are taking the following actions based on Odakyu Group Carbon Neutrality 2050.

2021 — 2030 — 2040 — 2050

- 2021: Formulation of Odakyu Group Carbon Neutrality 2050
- 2050: Achievement of net-zero CO_2 emissions

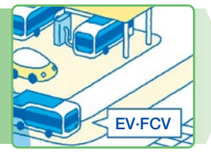
The Odakyu Group's Decarbonization

Reduction strategies (energy conservation)
- Introduction of energy-efficient trains and equipment and environment-friendly operation
- Even more effective utilization of renewable electricity
- Introduction of cutting-edge technology to new properties

Shinjuku West Gate Redevelopment Plan

→ Introduction of the latest technology, including as part of traditional energy-saving initiatives

Transformation strategies (shift to electric and hydrogen power)
- Introduction of electric vehicles and fuel-cell-powered buses



Popularization of electric vehicles and fuel-cell vehicles

→ Switch from diesel-fueled buses to electric vehicles and fuel-cell vehicles

Creation strategies (utilization of renewable energy)
- Securing of renewable energy that utilizes power purchase agreements
- Purchase of environmental value

Installation of solar power to stations and commercial facilities

→ Shift to electricity derived from renewable energy

Resolution of environmental issues in local communities
- Solar power generation
- Renewable energy generation, renewable energy, and circulation of resources in local communities

Promotion of waste management business

→ Collaboration with local governments and companies to achieve decarbonization and a resource-recycling society

Information Disclosure Based on TCFD Recommendations

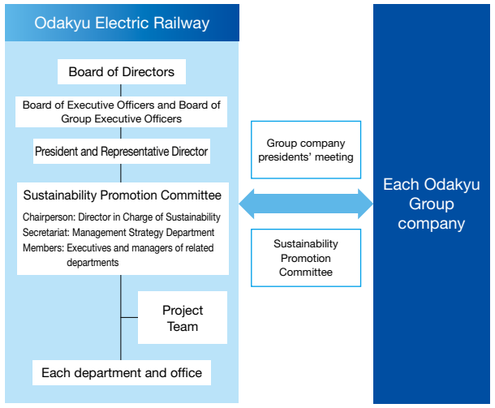
The Odakyu Group has announced its endorsement of the recommendations of the Task Force on Climate-related Disclosures (TCFD), which were established by the Financial Stability Board (FSB). We will disclose information based on TCFD recommendations.

Governance

We have formulated the action guidelines Odakyu Group Carbon Neutrality 2050, which includes long-term environmental targets, and have promoted initiatives to achieve them. We established the Sustainability Promotion Committee as an institution that discusses matters related to this promotion, identifies climate-related risks and opportunities, and is chaired by the executive officer in charge of sustainability.

Furthermore, the Sustainability Promotion Committee reports to the Board of Directors and president & CEO, observes the status of progress toward goals and climate-related risks and opportunities, and provides guidance as necessary.

Issues discussed by the Sustainability Promotion Committee are shared and collaborated on across all departments and the entire Group to promote initiatives.



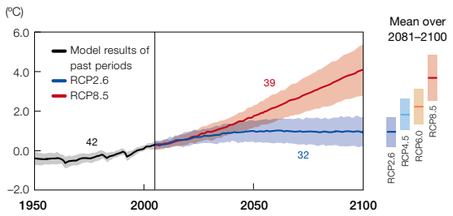
Strategies

(1) Risks and Opportunities

The Odakyu Group has considered the following results of scenario analysis in terms of key risks and opportunities for the transportation and real estate businesses. Furthermore, we have classified risks brought about by climate change into risks associated with the shift to a low-carbon society (transition risks, mainly under the 1.5ºC scenario*1) and risks associated with physical impacts (physical risks, mainly under the 4ºC scenario*1), in line with TCFD recommendations, while also analyzing said risks.

These analyses referenced scenarios from the Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IEA).

Global average surface temperature change



Reference: Working Group I to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change, Summary for Policymakers

Risks and Opportunities	Item	Key details of impact on business	Level of impact*2	Period*3
Transition Risks	**Policies and regulations**	Increase in costs due to introduction of carbon tax	○	Medium term
		Increase in development and manufacturing costs, such as for trains, in response to new regulations Transportation	—	Medium term
		Increase in installation costs due to the reinforcement of the Act on the Rational Use of Energy and to the enforcement of energy-conservation standards (such as shift to net zero energy building) Real estate	—	Medium term
	Technology	Increase in costs following introduction of electric vehicles and fuel-cell-powered buses Transportation	○	Medium term Long term
	Market	Decrease in passengers due to changes in natural resources and damage to tourism resources Transportation	—	Medium term Long term
		Increase in procurement costs for energy and materials (such as iron)	—	Short term Medium term
	Evaluation	Low evaluations from investors and customers who judge our climate change countermeasures to be delayed or inadequate	—	Medium term
Physical Risks	**Acute**	Increase in costs for recovering from natural disasters following increased and prolonged wind and rain damage as well as a decrease in revenues due to service suspensions and temporary closures	○	Short term Medium term Long term
		Fall in the value of assets and decrease in population in communities along the Odakyu Line that are at a high risk of natural disasters (such as mountainous regions)	—	Long term
		Increase in costs due to more capital investment aimed at disaster reduction and prevention and rise in insurance premiums	—	Medium term
		Decrease in revenues due to inability to maintain railway equipment, including rolling stock, and service suspensions following separation of the supply chain Transportation	—	Medium term
	Chronic	Occurrence of service suspensions and temporary closures due to uncertainty in the supply of electricity following mainstreaming of renewable energy	—	Medium term Long term
Opportunities		Increase in asset value and rental income for properties with high environmental performance Real estate	—	Medium term
		Decrease in energy generation costs for railways due to effective utilization of renewable electricity Transportation	○	Medium term Long term
		Increase in passengers due to decarbonization and MaaS in response to changes in environmental preferences and needs Transportation	○	Medium term
		Increase in rental income due to rise in demand for properties that are decarbonized and have high disaster prevention capabilities Real estate	—	Medium term
		Expansion of and participation in businesses that resolve issues in local communities to realize a decarbonized and resource-recycling society	○	Medium term Long term
		Reduction of disaster recovery costs due to a reinforcement of disaster preparedness Transportation	—	Short term Medium term

*1 Increase in average global temperatures at the end of the current century compared with pre-industrial levels
*2 Items with high level of impact marked with ○
*3 Short term means between zero and three years, medium term indicates between three and 10 years, and long term equates to more than a decade

(2) Response to Risks and Opportunities

In response to key risks and opportunities, we will implement Odakyu Group Carbon Neutrality 2050 at the same time as the following countermeasures.

Risks and Opportunities	Countermeasures
Transition Risks	Introduction of energy-efficient trains and equipment
	Introduction of advanced technology to new properties
	Introduction of electric vehicles and fuel-cell-powered buses
	Introduction of renewable energy
Physical Risks	Implementation of safety measures for abnormal weather at railway facilities
	Establishment of systems for evacuating trains
	Implementation of emergency drills

Risks and Opportunities	Countermeasures
Opportunities	Even more effective utilization of renewable electricity
	Promotion of our environmental advantages, such as operating a zero-carbon Romancecar
	Promotion of seamless and convenient MaaS
	Promotion of waste management business WOOMS
	Expansion of and participation in businesses related to renewable energy

Risk Management

To realize Odakyu Group Carbon Neutrality 2050, the Sustainability Promotion Committee—which is chaired by the executive officer in charge of sustainability—plans, drafts, and manages the progress of initiatives for reducing the Group's CO_2 emissions twice a year. Furthermore, the Sustainability Promotion Committee discusses updates to analyses of and progress with regard to initiatives concerning the risks and opportunities of climate change, which have been identified in strategies, and reports to the Board of Directors as necessary. The issues discussed by the Sustainability Promotion Committee are then shared and collaborated on across all departments and the entire Group to promote initiatives.

Additionally, we respond to risks brought about by natural disasters based on crisis management regulations and business continuity plans. We endeavor to strengthen our resilience by periodically reviewing said regulations and plans in meetings of the Risk Management Committee, which is chaired by the executive officer in charge of risk management.

Indices and Targets

Under Odakyu Group Carbon Neutrality 2050, we have formulated long-term environmental targets.

Specific Initiatives

Operation of the Zero-Carbon Romancecar

Operation of all limited express Romancecars that generate net-zero CO_2 emissions by utilizing the Tokyo Cap-and- Trade Program

(Operating between April 1, 2022 and September 30, 2027)

Introduction of EV Buses

(Kanagawa Chuo Kotsu Co., Ltd., Hiratsuka sales office)
Reduction in environmental load by replacing diesel buses with EV buses

Note: Does not cover long-term environmental targets for Kanagawa Chuo Kotsu Co., Ltd.

Introduction of Solar Power Generation Equipment

Installation of solar power generation equipment through on-site power purchase agreements (PPA) in Ebina area to further utilize renewable energy and launch of collaboration with the TEPCO Group and Idemitsu Kosan Co., Ltd. to decarbonize local communities

Launch of Nature Activity Base

Opening of HAKONATURE BASE as a hub for co-creation and communication with local businesses about new ways to enjoy Hakone, under the theme of nature-based experiences

Business Cards Made from Used Paper

Utilization of business cards made from recycled posters hung in stations and trains. As a result, transformation of approximately 600kg of old posters into one year's worth of Odakyu business cards (50% recycled paper)

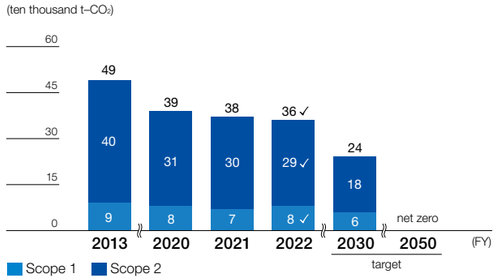
Food Waste Turned into Feed

Transformation of all food waste produced by the Odakyu Group into liquid feed. Utilization of feed to raise pigs for the Yuton brand sold as gifts at "Odakyu OX" supermarkets and Odakyu Department Stores

Environmental Data

Trends in GHG Emissions

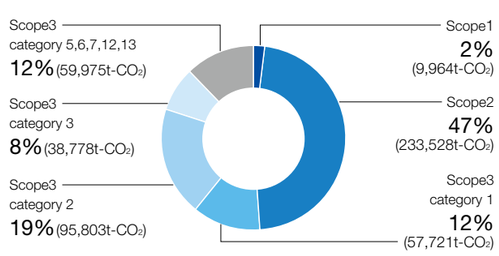
Odakyu Group (Scope 1 and 2)



Note: Rounded up to the nearest ten thousand t–CO_2

Note: In fiscal 2022, Scope 2 location-based emissions were 270,000 t–CO_2 ✓

Odakyu Electric Railway (Category 1, 2, and 3 in Scope 3)

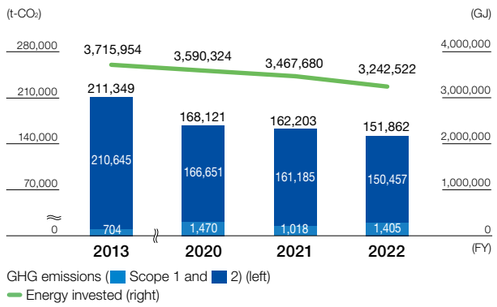


Note: Total for Categories 1–3 in Scope 3 were 192,302 t–CO_2 ✓

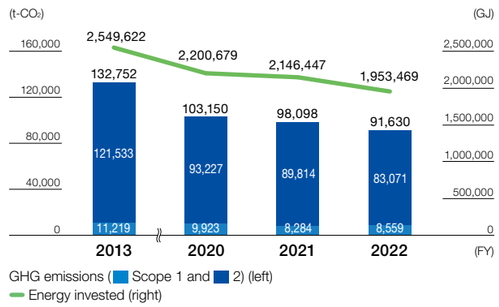
Note: Aggregation of electricity and steam only for Category 3 in Scope 3

GHG emissions and energy invested (Odakyu Electric Railway)

Railway Department



Real Estate Department, Head Office, and Other Entities



Fiscal 2022 Environmental Performance Data (Odakyu Electric Railway)

		INPUT		
	Unit	Railway Department	Real Estate Department, Head Office, and Other Entities	Total
Amount of energy invested*1				
Energy	GJ	3,242,522	1,953,469	✓ 5,195,991
Electric power	kWh	329,228,000	161,385,000	490,613,000
City gas	thousand m³	231	2,288	2,519
Propane gas	t	49	652	701
Gasoline	kl	16	7	23
Diesel 1	kl	169	5	174
Kerosene	kl	32	547	579
Heavy oil	kl	69	29	98
Steam	GJ	—	73,307	73,307
Cold water	GJ	—	88,841	88,841
Amount of resources invested				
Drinking water*	thousand m³	568	644	1,212
Solar power generated	kWh	820,000 (167,000 kWh consumed in-house and 653,000 kWh sold)		
Paper used in office automation	sheet	6,119,049		

		OUTPUT		
	Unit	Railway Department	Real Estate Department, Head Office, and Other Entities	Total
GHG emissions (Scope 1 and 2)*1				
CO_2 emissions	t-CO_2	151,862	91,630	243,492
Amount of waste generated*2				
Total amount of waste generated	t	779	6,444	7,223
Combustible waste	t	229	3,126	3,355
Cardboard	t	46	1,871	1,917
Used paper	t	27	176	203
Raw waste	t	75	428	503
Scrap metal	t	55	29	84
Waste plastic	t	99	385	484
Amount recycled	t	410	2,819	3,229
Recycling rate	%	52.6	43.7	44.7
Wastewater*2	thousand m³	581	661	1,242
NOX emissions	t			30.5
PCB disposal	t			6.5

*1 Based on the Act on the Rational Use of Energy and the Act on Promotion of Global Warming Countermeasures.

*2 The scope covers our main offices (49 offices).

(Scope of environmental data guarantee) Environmental data is subjected to a limited guarantee to ensure its reliability and information covered by the guarantee is marked with a ✓ symbol. We disclose the third-party verification report, scope structure, and criteria on our website (Japanese only).

https://www.odakyu.jp/sustainability/carbon-neutral/assurance/

Development of value-creating human resources

Material issues

- **Realization of a decarbonized society through energy conservation, renewable energy, electrification, and collaboration with local communities**
- **Realization of a resource recycling society, the aim of Beyond Waste**

Key social issues to be faced	Targets (Fiscal 2050)
• Diversity and inclusion • Labor shortage • Work style diversification	• Percentage of female employees (full-time) **35%** • Percentage of women in administrative roles **30%** • Percentage of male employees taking paternity leave **100%**

Message from the Director in Charge of Human Resources

We will draw out the diversity of each employee and develop human resources who can continue creating community-based and social value.

Shigeru Suzuki
Director and Managing Executive Officer

Odakyu's Approach to Human Resources

Odakyu will soon celebrate its 100th anniversary. To date, Odakyu has developed together with local communities through our businesses. Even amid the new lifestyles following the COVID-19 pandemic, our foundation for achieving this remains the same. I hope that each employee continues to independently think, learn, and act when it comes to accurately understanding ever-changing customer needs and social issues and providing value in response, to create diverse value as a company that is vital for local communities while adapting to highly uncertain times. To this end, we have formulated the Human Resource Management Policy as action guidelines for what we expect from employees.

Future Issues

To create diverse value, I believe that, in addition to individual growth, it is essential to create a corporate culture where employees with different approaches, skills, experiences, and values can truly understand and empathize through dialogue and share ideas and knowledge in line with the direction of our Management Vision from their respective viewpoints. I believe it is particularly important to align perspectives through regular dialogue, and we are promoting future creation committees at each Group company, in which all employees participate in one-on-one sessions and the formulation of annual plans.

Policies for Management of Human Resource

Diversity is the key to continuing to develop together with communities, being chosen by customers, communities, and society while gaining their trust. To date, we have worked to become an organization that embraces diversity, utilizes and develops individual capabilities, and creates new value.

It is vital to promote the creation of a support structure and corporate culture that draws out the diversity of individuals, enables individual progress and growth, and enhances the ability to create value for the next 100 years.

Details of Specific Initiatives

For example, for each individual to create diverse value while experiencing growth, we must create methods for evaluating autonomous value creation behavior. Additionally, we will further promote the recruitment of working professionals and exchange with other companies, and will make steady progress toward achieving our new and revised numerical targets for the promotion of female participation and career advancement.

To improve the effectiveness of measures related to such human resources, we plan to enhance the details of measures and implement regular engagement surveys going forward.

While working to enhance systems and create a corporate culture, we will create a virtuous cycle that enhances corporate value, creating opportunities for co-creation with local communities and society and supporting the development and advancement of employees by utilizing time provided through enhanced efficiency measures such as DX.

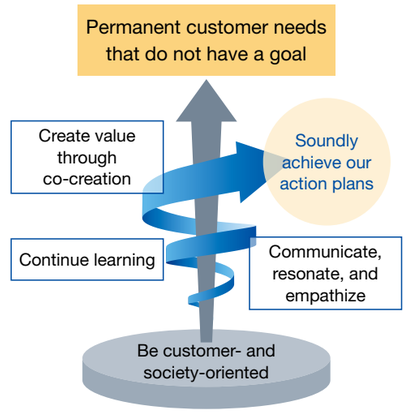
Human Resource Management Policy

Value-Creating Human Resources
All employees at the Odakyu Group will create new value connected to UPDATE Odakyu

What we value

- We will create value in local communities through our jobs
- Value means inspiring our customers and co-workers, contributing to the development of our Company and business partners, and creating our own growth together with local communities

By building up diverse and sustainable values, we will achieve UPDATE Odakyu—Becoming a Community-Based Value Creation Company



How can we create new value in local communities?

1. Keep asking ourselves who the customers are and what society is, and continue to learn by ourselves
2. Actively communicate our value for customers and society outside the Company, as well as inside, to gain resonance and empathy
3. Carry out co-creation from diverse perspectives together with suitable business partners to create value free from self-sufficiency and consignment principles

Approach to Setting Group Targets Related to Diversity

Fundamentally, the Odakyu Group has always operated with the intention of being a company where anyone can play an active role, regardless of attributes including age and gender. The Odakyu Group is a corporation centered on transportation services which currently attracts a high percentage of male employees. We have set the following numerical targets for the promotion of female participation and career advancement based on the belief that increasing employee awareness of diversity has a positive correlation with the percentage of female employees, and based on the direction of our Management Vision to continue creating diverse value.

	Performance for FY2022	Targets for FY2030	Targets for FY2050
Percentage of female employees (full-time)	15.6%	20.0%	35.0%
Percentage of women in administrative roles	10.4%	15.0%	30.0%
Percentage of male employees taking paternity leave	57.6%	100.0%	100.0%

Note: For the Odakyu Group and 34 consolidated subsidiaries (as of July 31, 2023)
Note: Section renewed on our homepage (Japanese only) following the setting of new targets https://www.odakyu.jp/sustainability/diversity/

Measures to Draw Out the Diversity of Individuals

Matching Companies with External Human Resources

Recruitment

The Odakyu Group practices enhanced onboarding measures that improve points of contact with external human resources and actively welcome them into the Company to ensure they can smoothly adjust to the organization and demonstrate their abilities once they join. Specifically, we implement training for new graduate employees (four times), training during their second year, and a follow-up system at dormitories for single employees and support program for returning travel expenses.

Employee Retention Indicators (FY2022)

Turnover rate	1.4%
Retention rate after three years with Company (new graduates)	91.0%

New Initiatives Aimed at Securing and Retaining Human Resources

To secure and retain human resources, we have raised the initial salary to ¥236,600 (regular positions for university graduates), the highest level in the railway industry, and improved employee compensation mainly for younger employees, raising the average monthly salary for regular employees under the current human resource wage system by approximately ¥14,000 (4.5%), the highest level in almost 30 years.

Furthermore, against a backdrop of increasing need for highly skilled human resources, following the advancement and complication of operations, we engage in mid-career recruitment throughout the year.

Matching Companies with Internal Human Resources

Careers (Deploy, Evaluate, Compensate, and Develop)

At the same time as promoting the flow of value creation activities via employees' spontaneous motivation through measures for deployment, evaluation, compensation, and development, we also support autonomous career development that leads to the continuous generation of value.

System for Employees to Participate in New Initiatives and Projects Across Departments

The Odakyu Group implements measures to fully demonstrate the approaches and skills of each employee while accepting and leveraging diverse personalities and individual strengths.

Through our in-house system for business idea suggestions, employees have created new businesses that understand social issues including measures that contribute to enhancing the sustainability of local communities, and have participated in 26 in-house projects to date across divisional boundaries, generating new value with a sense of motivation.

Climbers Business Idea Solicitation System

A system that empowers employees to freely propose businesses

Total number of proposals	196
Projects in progress	17
Commercialized projects	4

climbers
Odakyu Innovation Challenge

In-House System for Human Resource Project Suggestions

A system for utilizing human resources across departments with the goal of discovering and utilizing human resources with ambition

Projects implemented	26
Number of participants	145

*As of July 31, 2023

Acceleration of Employee Value Creation Activities

Employees actively generate ideas within existing businesses to accelerate value creation activities that contribute to communities and society. In addition to soliciting ideas with the aim of creating new value by utilizing railway assets, we practice enhanced measures, particularly for child-rearing households and elementary and middle school students, such as hosting lectures as local schools and exchange events with the local communities. These measures are linked to Odakyu employees who want to attract interest in railways and our initiatives, who want people to enjoy areas along the Odakyu Line, and who want to provide value to local communities.

Employee lecturing in railway safety classroom

Picture book written and published by current Odakyu employee

The Japan HR Challenge Awards (hosted by the HR Challenge Awards Executive Committee and supported by the Ministry of Health, Labour and Welfare) are presented to companies that actively conduct new and exemplary initiatives by means of "bold endeavors in the human resource domain to invigorate Japanese society." The award aims to promote the revitalization of Japanese society through presentation to companies who take on challenges in the human resource domain.

The Odakyu Group was highly evaluated for the innovation of corporate culture to generate business transformation and as a system to encourage employees to take on challenges. We were awarded first prize among 98 candidates.

Human Resource Development

At the same time as encouraging autonomous employee initiatives, we implement development measures to pass our contribution to value creation for communities and society along to the next generation.

System That Supports Acquiring Qualifications

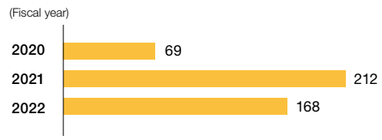
This system was established in 2012 with the goals of enhancing the desire for self-improvement among employees and of contributing to the development of employees' capabilities, in addition to securing employees with the qualifications necessary for business management. Employees receive monetary incentives according to the level of their qualifications and support equivalent to examination fees. In April 2023, the scope of qualifications doubled compared to the launch of the system due to coverage for new qualifications related to DX.

Employees can acquire diverse qualifications regardless of current position or department, which contributes to further career autonomy.

Scope of Qualifications

Launch of System (2012) **55** qualifications → As of April 2021 **78** qualifications → Now (April 2023 to present) **97** qualifications

Number of Applications

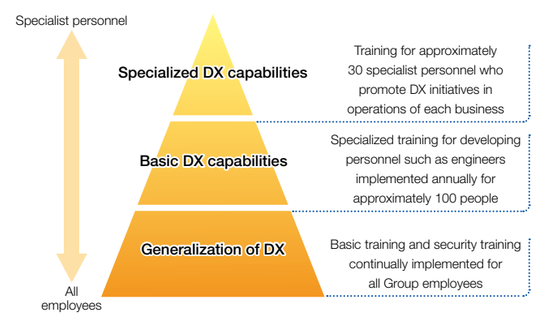


Development of Digital-Savvy Personnel

We are implementing training at each level to develop skilled human resources.

Regarding general-level training, over 90% of full-time directors and employees have participated in e-learning to understand DX basics, forming a shared in-house understanding of DX. Additionally, 2,200 employees participated in e-learning related to security.

In development of specialized and basic capabilities, we have launched hands-on lectures, cloud-based training, and education relating to SNS, and will make further progress going forward.



Enhancement of Foundation for Realizing Diversity and Inclusion

To generate value, we create a corporate culture that embraces, utilizes, and mutually develops the diversity of individuals with the aim of further enhancing the system foundation.

Odakyu promotes a corporate culture based on a future creation process through which employees exercise independence, creativity, and enthusiasm, and enjoy the challenges of change in every era.

Furthermore, we are enhancing various support measures with the aim of enabling unique work and lifestyles for each employee.

Future creation committee in which all employees can participate

Initiatives that Contribute to Enhancing the Quality of Workplace Relationships

We conduct quantitative evaluations through engagement surveys that position the improvement of relationship quality as a key point in our success circulation model and a base for employee value creation activities.

We implement a cycle that further enhances relationship quality and, consequently, enhances the quality of outcomes (results and performance) by personally recognizing and discussing the current status of the workplace and Company.

Results of Engagement Survey* (Odakyu Electric Railway)

	FY2018	FY2022	Increase
Quality of relationship	6.61	6.97	0.36

Evaluates the amount of conversation in the workplace, level of mutual cooperation, and other factors on a 10-point scale.

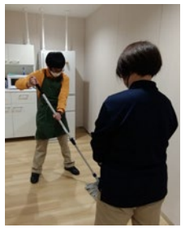
	FY2018	FY2022	Increase
Level of contribution	3.61	3.74	0.13
Adaptability	3.51	3.65	0.14
Fellowship	3.81	3.74	-0.07

Evaluates the sense of unity between individual employees, workplace, and Company, and level of contribution to mutual growth on a 5-point scale.

* Implemented for Odakyu employees

Creation of a Stable Working Environment for Employees with Disabilities

We established the special-purpose company WELLHEARTS ODAKYU Co., Ltd., to promote a working environment where employees with disabilities can exercise their individual capabilities and play an active role, supporting their participation and independence in society. In 2023, the company will celebrate its 20th anniversary.



Employment Rate for People with Disabilities (Odakyu Electric Railway)

3.6%

Note: As of July 31, 2023
Note: Compared with mandatory rate of 2.3% (as of July 31, 2023)
Note: Anticipates phased increase of mandatory rate (2.7% in July 2026)

Various Support Systems for Balancing Work and Home Life

To create a work environment where diverse human resources can easily balance their work and family responsibilities, we are introducing various support systems that go beyond the legal requirements. At the same time, we are promoting the understanding, permeation, utilization, and facilitation of these systems.

Additionally, we are promoting the creation of an environment where employees can work with peace of mind, such as by creating a system that enables them to take paid leave or concentrate on medical treatment needed to recover from an illness as well as a system that supports a balance of work and medical treatment, such as for cancer.

System Related to Representative Childcare

Company System that Exceeds Legal Stipulations

- **System for Reduced Working Hours**
  While the law states that employees can work reduced hours while raising children up to three years old, Odakyu allows this option until children reach the end of fourth grade.
- **System for Exemption from Night Work**
  While the law states that employees can be exempt from night work while raising children up to the beginning of elementary school, Odakyu allows exemptions from working between 10pm and 5am the next day until children reach the end of fourth grade.
- **System for Exemption from Overtime Work**
  While the law states that employees can be exempt from overtime while raising children up to the beginning of elementary school, Odakyu allows exemptions from working outside of scheduled hours until children reach the end of fourth grade.

Unique Odakyu Systems Not Stipulated by Law

- **System for Exemption from Overnight Work that Requires Accommodation**
  Employees raising children may request exemption from overnight work that requires accommodation, within the limit of regulations, until children reach the end of sixth grade.
- **Paternity Leave**
  Employees whose partners have given birth can take five days of leave within the first 14 days after the birth. In addition, of the days not taken during the relevant period, up to three days may be used as childcare leave or childbirth leave.
- **“Pre-Maternity-Leave” Counseling**
  We implement third-party counseling between expecting employees, management, and the personnel department in anticipation of a smooth return to work, providing opportunity for discussions to reconfirm Odakyu’s system and workstyle options in advance of taking maternity leave.
- **System to Subsidize Babysitters**
  Babysitters are available at corporate contract rates. The Company is responsible for all registration fees and annual membership fees.
- **Online Health and Medical Consultations**
  Employees are provided online OBGYN and pediatric services for free. This program addresses reproductive healthcare concerns such as fertility and infertility as well as disorders relating to menopause, as an initiative to support the working and lifestyle careers of each employee.

Message from the Head of the Personnel Department

Measures for Promoting Female Participation and Career Advancement and Their Results

Kaori Tsuyuki
Executive Officer,
Head of Personnel Department

We provide various types of support for Odakyu employees who are raising children to continue working in a stable, healthy, enriched manner. While it is natural to feel uncertain or confused when balancing work and childcare, all female employees are able to make appropriate use of government and Company systems, playing an active role and continuing to further their careers after returning to work.

It is also natural to support male employees who want to experience childbirth and childcare together with their families, and we have greatly increased the percentage of male employees taking childcare leave.

Regarding the administrative promotion track, we are steadily advancing women into important positions and leadership roles including Group company president, department head, and overseas company manager, with no disparity in compensation by gender. Going forward, we aim to make matches that meet the career aspirations of each employee.

Percentage of Female Employees Returning to Work (Odakyu Electric Railway)

100% (FY2022)

Percentage of Male Employees Taking Paternity Leave

55.1% (FY2021) ▶ **73.8%** (FY2022)

Percentage of Women in Career-Track Positions (Odakyu Electric Railway)

1990–2000	8.3%
2001–2010	16.9%
2011–2020	34.6%
2021 onward	37.9%

Directors and Audit & Supervisory Board Members (As of June 29, 2023)

Directors

Koji Hoshino

President & CEO (Representative Director), President and Executive Officer

Apr. 1978 Joined the Company
Jun. 2003 Executive Officer of the Company
Jun. 2008 Director of the Company
Jun. 2010 President & CEO (Representative Director) of Odakyu Bus Co., Ltd.
Jun. 2013 Managing Director of the Company
Jun. 2013 Executive Officer of the Company
Jun. 2013 Division Director of Transportation Services Division of the Company
Jun. 2015 Executive Director of the Company
Apr. 2017 Assumed the Office of President & CEO (Representative Director) of the Company (to present)
Jun. 2022 Assumed the Office of President and Executive Officer of the Company (to present)

Isamu Arakawa

Director (Representative Director), Senior Managing Executive Director

Apr. 1983 Joined the Company
Jun. 2013 Executive Officer of the Company
Jun. 2016 Director of the Company
Apr. 2018 Managing Director of the Company
Apr. 2018 Division Director of Lifestyle Creation Division of the Company
Apr. 2020 Assumed the Office of Division Director of Corporate Strategy & Planning Division of the Company (to present)
Apr. 2021 Executive Director (Representative Director) of the Company
Jun. 2022 Assumed the Office of Director (Representative Director) of the Company (to present)
Jun. 2022 Assumed the Office of Senior Managing Executive Director of the Company (to present)

Responsibilities at the Company:
Division Director of Corporate Strategy & Planning Division

Takashi Hayama

Director (Representative Director), Senior Managing Executive Director

Apr. 1985 Joined the Company
Jun. 2013 Executive Officer of the Company
Jun. 2015 President & CEO (Representative Director) of Odakyu Housing Co., Ltd.
Jun. 2017 Director of the Company
Jun. 2017 President & CEO (Representative Director) of ODAKYU Resorts Co., Ltd.
Apr. 2020 Managing Director of the Company
Apr. 2020 Executive Officer of the Company
Jun. 2022 Assumed the Office of Director of the Company (to present)
Apr. 2023 Assumed the Office of Senior Managing Executive Director of the Company (to present)

Responsibilities at the Company:
Responsible for Customer Value Creation Department, Digital Business Creation Department, Investor Relations Office, and Finance & Accounting Department

Akinori Tateyama

Director and Managing Executive Officer

Apr. 1986 Joined the Company
Jun. 2014 Executive Officer of the Company
Jun. 2018 Director of the Company
Apr. 2019 President & CEO (Representative Director) of Odakyu Restaurant System Co., Ltd.
Apr. 2022 Managing Director of the Company
Apr. 2022 Executive Officer of the Company
Apr. 2022 Assumed the Office of Division Director of Transportation Services Division of the Company (to present)
Jun. 2022 Assumed the Office of Director of the Company (to present)
Jun. 2022 Assumed the Office of Senior Managing Executive Director of the Company (to present)

Responsibilities at the Company:
Division Director of Transportation Services Division and Responsible for Tourist Business Development Department

Satoshi Kuroda

Director and Managing Executive Officer

Apr. 1986 Joined the Company
Jun. 2014 Executive Officer of the Company
Jun. 2019 Director of the Company
Apr. 2020 Division Director of Lifestyle Creation Division and Manager of Development Planning Department of the Company
Apr. 2021 Managing Director of the Company
Apr. 2021 Assumed the Office of Division Director of Community Development Division of the Company (to present)
Jun. 2022 Assumed the Office of Director of the Company (to present)
Jun. 2022 Assumed the Office of Senior Managing Executive Director of the Company (to present)

Responsibilities at the Company:
Division Director of Community Development Division

Shigeru Suzuki

Director and Managing Executive Officer

Apr. 1988 Joined the Company
Jun. 2017 Executive Officer of the Company
Apr. 2020 President & CEO (Representative Director) of ODAKYU Resorts Co., Ltd.
Jun. 2021 Director of the Company
Apr. 2022 Managing Director of the Company
Apr. 2022 Executive Officer of the Company
Jun. 2022 Assumed the Office of Director of the Company (to present)
Jun. 2022 Assumed the Office of Senior Managing Executive Director of the Company (to present)

Responsibilities at the Company:
Responsible for General Affairs Department, Corporate Communications / Environment Department, and Personnel Department

Hiroko Nakayama

Outside Director

Apr. 1967 Joined Tokyo Metropolitan Government
Jun. 1999 Director General, Secretariat of Personnel Commission, Tokyo Metropolitan Government
Jul. 2001 Director General, Secretariat to Audit and Inspection Commissioners, Tokyo Metropolitan Government
Nov. 2002 Mayor of Shinjuku
Jun. 2007 President (Representative Director) of Tokyo Eco Service Co., Ltd.
Jun. 2015 Assumed the Office of Director of the Company (to present)
Apr. 2016 Assumed the Office of Chairperson of Personal Commission, Metropolitan Area Cities (to present)

Toru Ohara

Outside Director

Apr. 1978 Joined Tokio Marine & Fire Insurance Co., Ltd.
Jun. 1992 Director of Tokio Marine MC Asset Management Co., Ltd.
Jun. 1999 Executive Officer of Tokio Marine Asset Management Co., Ltd.
Sep. 2000 Joined Franklin Templeton Investments Japan Limited
Oct. 2000 Senior Managing Director of Franklin Templeton Investments Japan Limited
Dec. 2009 Special Advisor of Franklin Templeton Investments Japan Limited
Apr. 2010 Joined Okasan Asset Management Co., Ltd.
Jun. 2015 Senior Managing Director of Okasan Asset Management Co., Ltd.
Jun. 2018 Board Member of Okasan Asset Management Co., Ltd.
Jun. 2020 Assumed the Office of Director of the Company (to present)

Takehide Itonaga

Outside Director

Apr. 1977 Joined the Dai-ichi Mutual Life Insurance Company
Apr. 2014 Senior Managing Executive Officer of the Dai-ichi Mutual Life Insurance Company
Jun. 2016 President (Representative Director) of SOHGO HOUSING Co., Ltd.
Jun. 2019 Assumed the Office of Chairman (Representative Director) of SOHGO HOUSING Co., Ltd. (to present)
Jun. 2020 Assumed the Office of Director of the Company (to present)

Shiro Kondo

Outside Director

Apr. 1973 Joined Ricoh Company, Ltd.
Jun. 2003 Managing Director of Ricoh Company, Ltd.
Jun. 2005 Director of Ricoh Company, Ltd.
Senior Managing Executive Officer of Ricoh Company, Ltd.
Apr. 2007 Representative Director of Ricoh Company, Ltd.
President of Ricoh Company, Ltd.
Apr. 2013 Representative Director of Ricoh Company, Ltd.
Chairman of Ricoh Company, Ltd.
Apr. 2016 Representative Director, Chairman of Ricoh Company, Ltd.
Apr. 2017 Director, Chairman of Ricoh Company, Ltd.
Jun. 2022 Assumed the Office of Director of the Company (to present)

Executive Officers

Masashi Hisatomi
Manager of Digital Business Creation Department

Koichi Kutsuzawa
Manager of Real Estate Strategy Department and Shinjuku Project Promotion Department

Hideo Mizuyoshi
Manager of Tourist Sales Department

Kaori Tsuyuki
Manager of Human Resource Department

Masakazu Murohashi
Manager of Group Management Department

Takeshi Yamamoto
Manager of Management Strategy Department

Group Executive Officers

Ichiro Sugasawa
President & CEO of Odakyu Building Service Co., Ltd.

Goichi Inoue
President & CEO of Odakyu Shoji Co., Ltd.

Atsushi Yamaguchi
President & CEO of Odakyu Agency Inc.

Waichiro Hosoya
President & CEO of Odakyu SC Development Co., Ltd.

Hisashi Fukami
President & CEO of Odakyu Restaurant System Co., Ltd.

Audit & Supervisory Board Members

Toshiro Yamamoto

Auditor

Apr. 1981 Joined the Company
Jun. 2005 Executive Officer of the Company
May 2012 President & CEO (Representative Director) of HOKUO TOKYO Co., LTD.
Jun. 2015 Managing Director of the Company
Jun. 2015 Executive Officer of the Company
Apr. 2020 Director of the Company
Jun. 2020 Assumed the Office of Auditor of the Company (to present)

Shinji Nagano

Auditor

Apr. 1985 Joined the Company
Jun. 2013 Executive Officer of the Company
Jun. 2015 President & CEO (Representative Director) of Odakyu Engineering Co., Ltd.
Apr. 2018 Executive Officer of the Company
Jun. 2018 Director of the Company
Apr. 2020 Managing Director of the Company
Apr. 2022 Director of the Company
Jun. 2022 Assumed the Office of Auditor of the Company (to present)

Masataka Ito

Outside Auditor

Apr. 1972 Joined the Japan Development Bank
Feb. 2003 Inspector of Development Bank of Japan Inc.
Jun. 2004 Director of Tokyo Ryutsu Center Inc.
Jun. 2006 Managing Director of Tokyo Ryutsu Center Inc.
Jun. 2008 President & CEO (Representative Director) of Skynet Asia Airways Co., Ltd.
Jun. 2011 President (Representative Director) of DBJ Nomura Investment Co., Ltd.
Jun. 2012 Assumed the Office of Auditor of the Company (to present)

Takeshi Hayashi

Outside Auditor

Apr. 1982 Joined Nippon Life Insurance Company
Jul. 2012 Director and Managing Executive Officer of Nippon Life Insurance Company
Jul. 2013 Managing Executive Officer of Nippon Life Insurance Company
Mar. 2015 Senior Managing Executive Officer of Nippon Life Insurance Company
Apr. 2018 Assumed the Office of President and Representative Director of Nissay Leasing Company, Limited (to present)
Jun. 2020 Assumed the Office of Auditor of the Company (to present)

Yukako Wagatsuma

Outside Auditor

Apr. 1988 Registered as Attorney-at-Law (Dai-Ichi Tokyo Bar Association)
Apr. 1988 Joined Nagashima & Ohno
Feb. 1993 Registered as Attorney-at-Law in New York State, United States
Mar. 1997 Joined Philip Morris Co., Ltd.
Nov. 1998 Joined Mitsui, Yasuda, Wani & Maeda
Jan. 2002 Partner of Mitsui, Yasuda, Wani & Maeda
Jul. 2004 Partner of Ito & Mitomi
Jul. 2014 Partner of HAYABUSA ASUKA LAW OFFICES
Oct. 2015 Partner of PwC Legal Japan
Jan. 2016 Representative Partner of PwC Legal Japan
Jul. 2020 Partner of PwC Legal Japan
Jun. 2022 Assumed the Office of Auditor of the Company (to present)
Jul. 2022 Appointed as a partner at Isshiki & Partners (to present)

(Names of companies used in this section are the names used at the time.)

Governance

Material issues

Realization of an optimal governance structure that supports the expectations of all stakeholders

Key social issues to be faced
- Disclosure of non-financial information
- Sustainable corporate management

Target (fiscal year)
- Zero cases where major laws are broken

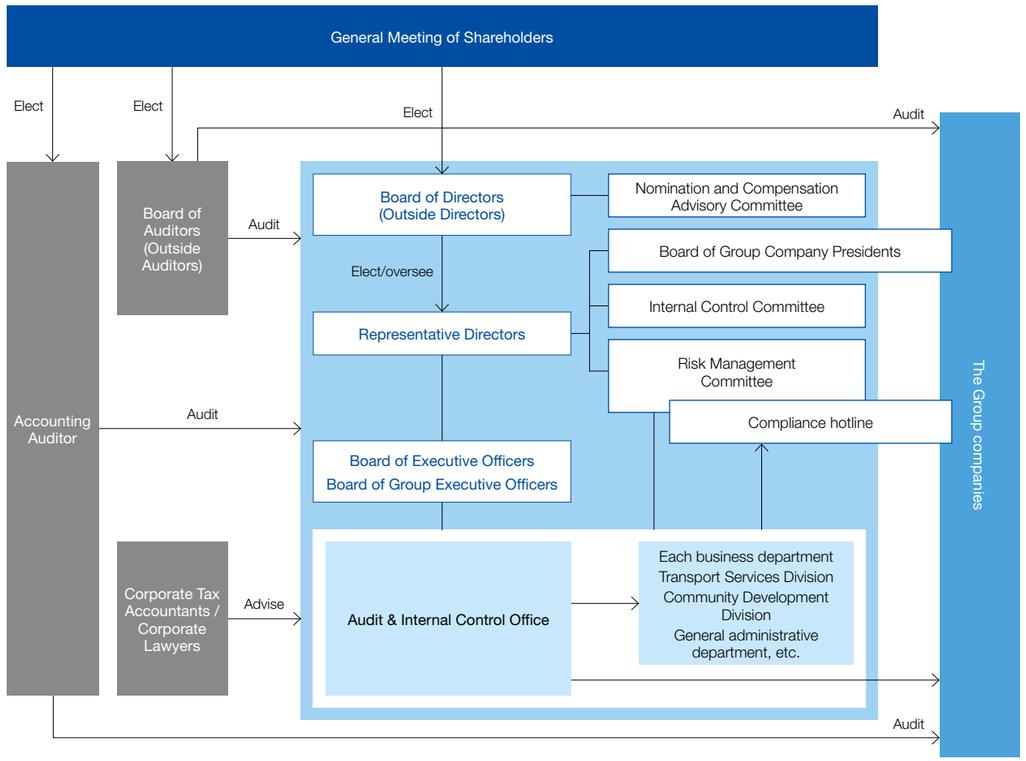
Target (fiscal 2030)
- Ratio of female officers 30%

Monitoring indicator
- Ratio of independent outside directors

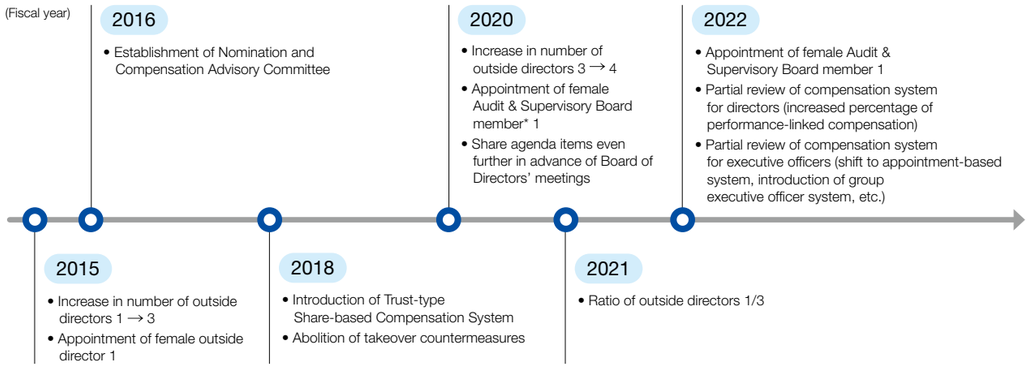
Basic View on Corporate Governance

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 precedent 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 interests of various stakeholders, including our shareholders as well as our customers, business partners, creditors, and local communities, and achieve sustained growth as well as to enhance the medium- to long-term corporate value of the Company.

Corporate Governance System



Progress of Corporate Governance



* Resigned on August 26, 2021

Key Topics Discussed by the Board of Directors

The Board of Directors makes decisions on the execution of important business operations and other matters required by law and supervises the execution of said operations. The following key topics were among those discussed in fiscal 2022:

Key Topics Discussed by the Board of Directors	Key Topics Discussed and Reported Items (Debate, Monitoring, and Inspection)
Medium-Term Management Plan	• Discussions regarding policies for formulating the Medium-Term Management Plan • Discussions during the planning phase of the next Medium-Term Management Plan and formulation of the current plan
Shinjuku West Gate Redevelopment Plan	• Decisions regarding the demolition and related construction for the Shinjuku West Gate Redevelopment Plan
Related to railway business	• Decisions regarding the formulation of a plan for Odakyu platform door installation that utilizes the railway station barrier-free fare system • Decisions regarding the implementation of construction for station renewal
Sale of Odakyu-owned assets	• Decisions regarding the sale of assets including office buildings and hotels
Monitoring of all business items	• Monitoring of level of revenue for acquisition and development of real estate properties • Monitoring of performance and progress of overseas businesses
Response to Corporate Governance Code	• Analysis of voting results at the Annual General Meeting of Shareholders • Examination of significance of cross-shareholdings from quantitative and qualitative perspectives • Monitoring of result of implementing Board of Directors' effectiveness evaluations
Initiatives for environmental issues	• Decisions regarding changes to long-term environmental targets under Odakyu Group Carbon Neutrality 2050 • Decisions regarding the progress of Odakyu Group Carbon Neutrality 2050
About Group companies	• Decisions regarding financing of Group companies • Decisions regarding transfer of Group companies • Monitoring of management status of Group companies
Others	• Decisions regarding the review of Basic Policy on Determining Director Remuneration • Decisions regarding the partial review of the executive officer system and standards for submitting proposals to the Board of Directors and Board of Executive Officers

View on Balance between the Knowledge, Experience, and Skills of the Board of Directors as a Whole and on the 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, inside non-executive directors and full-time auditors, and several outside directors and outside auditors who have extensive track records, experience, and professional knowledge that differ from those of inside directors and auditors and who are fully capable of fulfilling roles and functions to enhance management supervisory functions. In this way, the Company strives to ensure the balance between the knowledge, experience, and skills of the Board of Directors as a whole and the diversity thereof. The Company also works to have an appropriate size for the Board of Directors in light of factors such as business scale and type of operations. The Articles of Incorporation stipulate 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 10 directors and five auditors. In terms of said directors, of the four independent outside directors (including one outside female director), three are corporate managers and one is a head of local government. Regarding the abovementioned auditors, of the three independent outside auditors (including one outside female auditor), two are corporate managers and one is a lawyer.

Skills Matrix

In light of the management vision and the medium-term management plan based thereon as well as of the business characteristics of the Group, the Company believes that the Board of Directors should possess skills related to important matters for the supervisory function (corporate management, finance & accounting, law & risk management, human resources & labor management, sustainability (ESG), IT & digital, transportation business, and real estate business).

		Corporate management	Finance & accounting	Law & risk management	Human resources & labor management	Sustainability (ESG)	IT & digital	Transportation business	Real estate business
Directors	Koji Hoshino	○			○			○	
	Isamu Arakawa	○		○		○	○		○
	Tahashi Hayama	○	○				○		○
	Akinori Tateyama	○			○			○	
	Satoshi Kuroda	○						○	○
	Shigeru Suzuki	○		○	○	○			
	Hiroko Nakayama				○	○			
	Toru Ohara	○	○			○			
	Takehide Itonaga	○							○
	Shiro Kondo	○					○		
Auditors	Toshiro Yamamoto	○	○				○		
	Shinji Nagano	○		○	○	○		○	
	Masataka Ito	○	○						
	Takeshi Hayashi	○		○	○				
	Yukako Wagatsuma			○					

* This table does not state all of the skills possessed by each director and auditor.

Appointment of Directors

In electing senior management (directors concurrently serving as executive officers) and nominating director and auditor candidates, persons with outstanding personalities and insight are required. In addition, in the case of inside candidates, persons who are well versed in the Company's operations based on experience gained at several departments are elected and nominated for senior management and director positions, 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 auditor positions. 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 supervisory functions, as well as those with track records, experience, and professional knowledge, etc., that differ from those of inside candidates. In addition, election and nomination are conducted by considering the balance between the knowledge, experience, and skills of the Board of Directors as a whole and the diversity thereof.

Furthermore, decisions to remove members of senior management are made based on Odakyu's appointment policy.

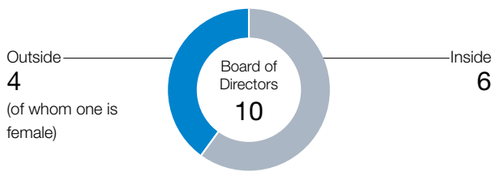
Reasons for Appointment of Outside Directors

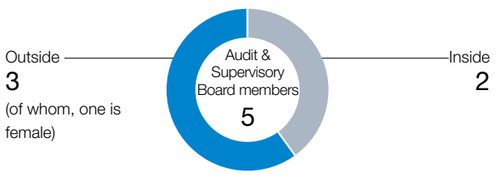
Hiroko Nakayama	She has experience in promoting the revitalization of the local community among others as Mayor of Shinjuku, and extensive knowledge based on such experience. The Company renominates her as a candidate for outside director expecting her to fulfill her role of enhancing the management supervisory function through activities including deliberations at the Board of Directors and the Nomination and Compensation Advisory Committee from an independent and objective perspective by drawing on these experiences.
Toru Ohara	He has management experience and broad insight based on his work at financial institutions. The Company renominates him as a candidate for outside director expecting him to fulfill his role of enhancing the management supervisory function through activities including deliberations at the Board of Directors and the Nomination and Compensation Advisory Committee from an independent and objective perspective by drawing on these experiences.
Takehide Itonaga	He has management experience, broad insight based on his work at financial institutions, as well as knowledge regarding the real estate business. The Company renominates him as a candidate for outside director expecting him to fulfill his role of enhancing the management supervisory function through activities including deliberations at the Board of Directors and the Nomination and Compensation Advisory Committee from an independent and objective perspective by drawing on these experiences.
Shiro Kondo	He has management experience and broad insight in the technical field. The Company renominates him as a candidate for outside director expecting him to fulfill his role of enhancing the management supervisory function through activities including deliberations at the Board of Directors and the Nomination and Compensation Advisory Committee from an independent and objective perspective by drawing on these experiences.

Reasons for Appointment of Outside Audit & Supervisory Board Members

Masataka Ito	He has management experience and broad insight based on his work and auditing experience at financial institutions, as well as ample knowledge regarding finance and accounting. The Company renominates him as a candidate for outside auditor as he is fulfilling his role to enhance the auditing function from an independent and objective perspective by drawing on these experiences.
Takeshi Hayashi	He has management experience and broad insight based on his work at financial institutions. The Company renominates him as a candidate for outside auditor as it believes that he can fulfill his role to enhance the auditing function from an independent and objective perspective by drawing on these experiences.
Yukako Wagatsuma	She has experience as an attorney-at-law and professional knowledge based on such experiences. The Company renominates her as a candidate for outside auditor as it believes that she can fulfill her role to enhance the auditing function from an independent and objective perspective by drawing on these experiences.

Composition of Board of Directors and Audit & Supervisory Board Members





Nomination and Compensation Advisory Committee

The Company has established the Nomination and Compensation Advisory Committee, in which independent outside directors comprise a majority of 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 the nomination of directors and auditors and compensation of directors.

The committee discusses basic policy for issues, such as nominations and compensation, drafts agenda items for the Annual General Meeting of Shareholders, and then reports the results to the Board of Directors. In fiscal 2021, the committee was convened four times with all members present.

◎: Chairperson

Members	◎ Koji Hoshino President & CEO	Hiroko Nakayama Outside Director	Toru Ohara Outside Director	Takehide Itonaga Outside Director	Shiro Kondo Outside Director

Note: Only covers meetings held following the appointment of Mr. Shiro Kondo on June 29, 2022.

Analysis and Evaluation of the Effectiveness of the Board of Directors as a Whole

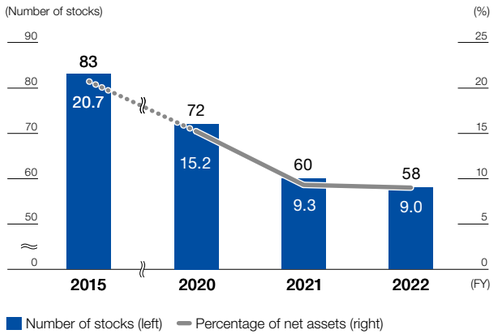
The Company conducts self-evaluations of directors and auditors every year by means such as surveys concerning the decision-making and supervisory functions of the Board of Directors and the support structure of the Board. Based on the results of such evaluations, the effectiveness of the Board of Directors as a whole is analyzed and evaluated.

During the fiscal year ended March 31, 2023, as a result of analyses and evaluations, it was confirmed that the Board of Directors was functioning effectively. Additionally, based on the results of analyses and evaluations from past fiscal years, we held several reporting sessions and seminars that contributed to deepening discussions related to key topics, including the Medium-Term Management Plan, as well as to enhance information on risks by changing the format for agenda items. As a result of analyses and evaluations in the fiscal year ended March 31, 2022, the Company recognizes that it is necessary to devise consultation methods to continue further deepening discussions on key topics, such as the Medium-Term Management Plan, and increase opportunities for outside officers to provide information and acquire knowledge. With this recognition, the Company will consider further enhancing the effectiveness of the Board of Directors, including responses to the above matters.

Strategic Shareholdings

The Company considers it necessary to maintain and develop business relations with various companies in order to achieve the Group Management Principle. 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. To date, we have been working to decrease the number of stocks and percentage of strategic shareholdings that are net assets, with a high percentage of strategic shareholdings that are net assets as a key issue. The Board of Directors annually verifies the aim and rationale of shareholdings 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.

Trends in strategic shareholdings



Compensation

Basic Policy on Determining Director Compensation

Compensation for directors (excluding outside directors) comprises fixed compensation, determined in accordance with position, in addition to compensation linked to business performance per fiscal year, determined based on certain standards including consolidated operating income, adjusted for the status of each director's achievement of targets, and stock compensation with stronger linkage with shareholder value that uses a trust to provide incentives for improving business performance over the long term. The ratio of performance-linked compensation to the total amount of compensation shall increase in accordance with the position held. In the case of directors, this will be approximately 30%.

Compensation for outside directors and other directors is determined only by fixed compensation, in light of the fact that their major role is supervising management.

With regard to performance-linked compensation, 70% of the criteria for determining the performance appraisal that forms the basis for calculation is level of attainment of quantitative targets and 30% is level of attainment of qualitative targets. The level of attainment of quantitative targets is decided based on consolidated performance indicators (consolidated operating income and the consolidated operating income ratio) established from the perspective of Group management and achievement levels for each fiscal year for indicators in line with the role of each director. The level of attainment of qualitative targets is determined based on the degree of achievement of individual tasks set from a medium- to long-term management perspective. Performance-linked compensation is calculated based on a final evaluation that takes into account the level of attainment of said targets. Furthermore, the standard amount of performance-linked compensation for each position will, as a rule, fluctuate between 0% and 200% as a result of the final evaluation.

Fixed compensation is paid regularly while directors are in office. Performance-linked compensation is paid as a lump sum after the end of the fiscal year. In principle, stock compensation that uses a trust is granted and paid at the time of retirement in the form of shares of the Company and cash. Stock compensation that uses a trust is determined in accordance with the position in question. In the event that a recipient of stock compensation is dismissed or resigns from their office as director due to damages they caused to the Company or in other similar cases, all or part of the granted beneficiary rights to shares of the Company will be invalidated by a resolution of the Board of Directors.

Compensation amounts for directors are deliberated at meetings of the Nomination and Compensation Advisory Committee by comprehensively considering factors including the above basic policy and general norms, and the results thereof are reported to the Board of Directors. The Board of Directors resolves to leave the matter to the representative director on the premise of payment of amounts in line with reports of the Nomination and Compensation Advisory Committee on remuneration amounts for individual directors.

Summary of Compensation in Fiscal 2022

Category	Total amount (millions of yen)	Total amount by type (millions of yen)		
		Cash compensation	Stock compensation	Performance-linked compensation
Directors*	262	149	72	40
Auditors*	46	46	–	–
Outside directors	76	76	–	–

* Excluding outside directors

Goals and Results of Performance Indicators Used to Calculate Performance-Linked Compensation for Fiscal 2022*

Evaluation indicators	Amount paid out between April and June 2022	
	Goal	Result
Sales growth rate (%)	3.20	-27.74
EBITDA growth ratio (%)	11.98	-70.95
Adjusted ROA (%)	3.66	-1.87
EPS (yen)	85.91	-109.60

* The amount paid out between April and June 2022 reflects the evaluation results for the achievement levels in fiscal 2020 and the amount paid out between July 2022 and March 2023 reflects the evaluation results for the achievement levels in fiscal 2022
* We revised the basic policy for determining director remuneration on June 29, 2022. The portion paid out between April 2022 and June 2022 was calculated based on performance indicators prior to policy amendments

Evaluation indicators		Amount paid out between July 2022 and March 2023	
		Goal	Result
Consolidated operating income (millions of yen)		24,600	26,601
Consolidated operating income ratio (%)		6.1	6.7
Role indicators	Operating income of Odakyu Electric Railway Co., Ltd. (millions of yen)	11,168	8,441
	Operating income of Odakyu real estate business (millions of yen)	12,837	10,365

Dialogues with Shareholders

In fiscal 2022, we conducted the following key activities.

Status of Key IR Activities

Scope	Activities	Number of times	Details
For shareholders, analysts, and institutional investors	Briefing sessions for institutional investors	2	Briefing sessions regarding the Medium-Term Management Plan and its progress and financial results conducted by the president & CEO and other responsible executive officers
	Management consultations	3	Individual consultations conducted by responsible executive officers and general manager of the IR Office
	Shareholder relations meetings	11	Individual consultations conducted by responsible executive officers and general manager of the IR Office
	Individual interviews	74	Individual consultations conducted by the Director in charge of IR
For individual investors	Company briefing sessions for individual investors	2	Online company briefing sessions
Other IR activities	Promotional activities for investors	As needed	Renewal of information on corporate site (Summary of Financial Results, Monthly Trends of Operations, Factbook, Integrated Report, etc.)

Examples of Improvement Based on Dialogues with Investors

Opinion

I want Odakyu to provide specifics on what it sees as material issues, how it will grow, and the vision and standards for medium- to long-term growth and continuity.

Improvement

We adopted interest-bearing debt and an interest-bearing debt/EBITDA ratio in fiscal 2023 as targets for achieving financial soundness, and in April 2023 we disclosed our long-term operating income, interest-bearing debt/EBITDA ratio, and ROE in addition to identifying material issues.

Interview with Outside Director

I will support taking on challenges aimed at achieving the Medium-Term Management Plan and creating new businesses by leveraging my experience as an engineer and manager.

Shiro Kondo
Outside Director

Reflections on the Year as an Outside Director

One year has passed since I was appointed as an outside director. I have gained the impression that Odakyu is a company with a pioneering will and an eye to the future. At the same time as rebuilding the management foundation due to the impact of COVID-19, the Group is advancing discussions of growth measures following major investments.

Furthermore, I feel that open management of proceedings has ensured that it is easy for me to communicate as an outside director. Opportunities have been provided for information sharing and pre-meeting briefings. In particular, a structure is being developed for follow-up activities as an outside director, such as additional explanations for the details of each agenda item held by each relevant department as necessary.

To date, I have been a part of Ricoh Company, Ltd., where I was involved in development and design in the technical field and, for six years from 2007, was responsible for management as Representative Director. While the business conditions differ, demands from the capital market are the same as those for the Odakyu Group. My period as a manager, in particular, during which the financial market crisis was leveraged as opportunity, is an experience that relates to current challenges taken on by the Odakyu Group, such as conducting business structure reforms while launching new businesses. Based on such experience, I hope to utilize my knowledge as an outside director, mainly in fields that include new business creation and reliability issues, to achieve Odakyu's Medium-Term Management Plan.

Discussions Aimed at Growth and Points to Remember

I have evaluated that Odakyu's structural reform initiatives are making steady progress. The period of the Medium-Term Management Plan from fiscal 2023 onward is a phase in which Odakyu will allocate resources to growth businesses in the areas of real estate and digital technology and develop new profitable businesses.

Odakyu possesses a revenue stream in the form of the railway business. Now that the outlook for a recovery in the number of users has been established, I believe that the environment is ready for investments in growth.

The success of new businesses depends on whether the Company is capably leveraging those that are its strength and core. In this respect, the waste management business WOOMS and other projects are good examples of initiatives in the area of co-creation, taking advantage of the relationship with local communities and governments that Odakyu has cultivated over time.

Meanwhile, there is hard work in making a profit, since new businesses take time to get off the ground. To achieve this, management needs to set standards for the obstacles faced and the time frame for clearing them, while thoroughly supporting its front lines.

While this is a critical moment for Odakyu's new business creation, going forward, I hope we can carefully monitor and advise in order to support taking on challenges in the same way as one sows seeds and plants saplings for the future.

Human Resource Strategies, the Key to Executing Strategies

The key to this unique phase for Odakyu, in which business transformation and new business creation are accomplished simultaneously, is human resource strategies. It is vital for the corporate side to actively set out measures to promote a shift in Odakyu's human resource portfolio.

Providing opportunities to create new jobs and build human relations through the promotion and transfer of employees is a catalyst for change and leads to the enhanced drive to take on new challenges. Accordingly, Odakyu should actively promote employees with the motivation to grow into new fields through flexible human resource strategies. I sincerely hope that management gets involved to ensure that employees are successful in their new endeavors.

As an outside director, I want to participate in a wide range of Odakyu's activities, not just those pertaining to the Board of Directors. I believe there are areas in which I can leverage my knowledge from my past experience for a considerable return, especially regarding the launch of new businesses. I hope to play a role in supporting business creation by communicating with employees who engage in new businesses.

Advancement of Sustainability Management for Long-Term Benefit

Under Odakyu's new management vision, I commend Odakyu's stance of distinctly setting out sustainability management, such as selection of material issues.

In terms of carbon neutrality, in particular, there need to be discussions about how to achieve net zero in a realistic manner, including for the bus and taxi businesses, since the Odakyu Group has clearly adopted the target of achieving net-zero CO_2 emissions by 2050.

While implementing sustainability management, I am aware that simply enhancing the score obtained from external appraisers should not be the only objective. I believe in management that enhances the quality of businesses from the perspective of local communities and society and earns the trust of a wide range of stakeholders is the best way to achieve long-term benefit for Odakyu. In this regard, the Medium-Term Management Plan shows commitment to aligning sustainability with corporate growth and to Groupwide efforts, with high aspirations.

The areas along the Odakyu Line are abundant in regional resources, such as natural resources that include undeveloped woodlands, oceans, and rivers, and many educational institutions. I will support Odakyu's management as it continues to take on the challenge of solving regional issues through our businesses in such areas and unlocking their potential.

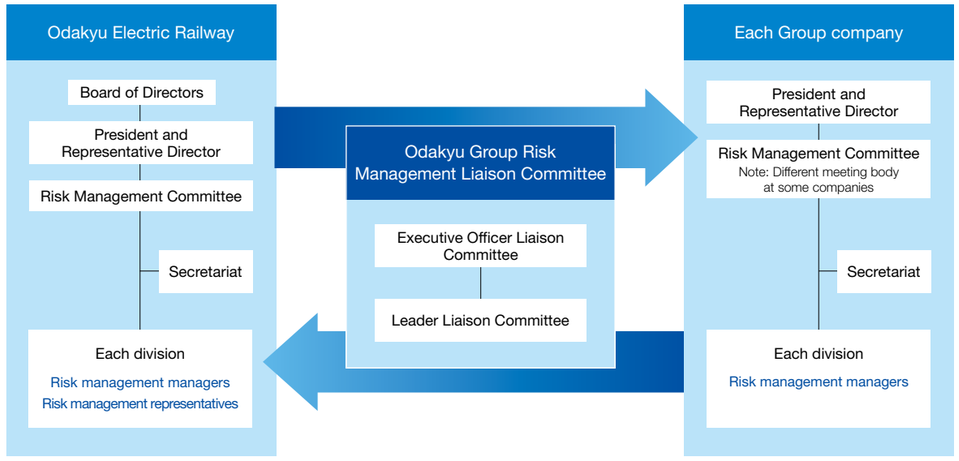
Risk Management / Compliance

Initiatives Related to Risk Management

We formulated the Odakyu Group Risk Management Policy in October 2008 that sets out basic matters in risk management promotion. Based on this policy, we aim to create a promotion system at each Group company, centered on the Risk Management Committee, to identify risks and address each one while sharing information and communicating through the Odakyu Group Risk Management Liaison Committee, which comprises key Group companies. Additionally, the Risk Management Committee, chaired by the executive officer in charge of general affairs, supervises such initiatives, understanding the risks at a Group level and considering countermeasures.

The foundation of risk management is conducting appropriate decision-making and implementing the decisions in two steps, prevention (premeditated countermeasures to minimize damage) and business continuity activities (business continuity and quick recovery when risks occur). Under the Risk Management Committee, initiatives are advanced to ensure that this occurs.

Odakyu Group Risk Management Structure



Business Continuity Activities

As a company that is responsible for regional infrastructure and owns large-scale commercial facilities, we have formulated crisis management regulations that clarify organizations and authority during emergencies based on the assumption that risks can materialize and crisis situations can occur at any time. We have also created a business continuity plan (BCP) to ensure the achievement of business continuity and quick recovery from interruptions due to incidents such as earthquakes, railway accidents, building fires, personal information leaks, and new strains of influenza and viruses.

Furthermore, to ensure we can act appropriately from management to the front lines during emergencies, we implement drills for each role.

Companywide general disaster prevention drill

Business continuity plan and railway disaster prevention plan for large-scale earthquakes

Compliance Initiatives

The Odakyu Group has positioned compliance as part of risk management and defined it as our approach and efforts to comply with rules, such as laws, internal regulations, and socially accepted practices, and to sincerely implement business activities.

1. Compliance Manual

We have formulated a compliance manual, which compiles compliance standards for behavior and regulations for handling information to be followed by executive officers and employees, and distribute it to all employees.

2. Compliance Training

Odakyu has introduced position-based compliance training to enhance employee awareness of compliance, which has a 100% attendance rate.

In addition to basic compliance and case studies, training for new employees familiarizes them with the necessary reporting mechanism. In training for newly-appointed supervisors, we provide in-depth education on points to prevent compliance violations in the workplace and the role of managers in practicing compliance through case studies. In training for newly-appointed managers, we position compliance within corporate management (the foundation of sound management) and align awareness with the Group's Risk Management Policy while also holding seminars by lawyers about compliance and preventing harassment.

Number of Compliance Training Attendees (Odakyu Electric Railway)

	FY2020	FY2021	FY2022
Training for newly-appointed managers	29	17	25
Training for newly-appointed supervisors	44	30	29
Training for new employees	144	66	18
Total (people)	217	113	72

* Including the above, since 2000 a cumulative total of approximately 8,700 Group employees have attended compliance training.

3. Compliance Hotline

By establishing a Compliance Hotline* as a point of contact that enables employees to report compliance violations that they have discovered, we can quickly bring violations to light, as well as take appropriate corrective action and implement measures to prevent recurrence.

* The hotline can be utilized by people connected to the Company, including employees, probationary employees, part-time employees, contract employees, temporary employees, and business partners. Additionally, we have implemented a thorough system to ensure that the details of reports are handled only by authorized persons in a completely independent and private room at all times so that information does not leak.

Usage Rate for Compliance Hotline

Fiscal 2020	Fiscal 2021	Fiscal 2022
27 cases	39 cases	72 cases

Information Security

Amid rapid changes to the ICT environment, the Odakyu Group recognizes that maintaining information security is a key management issue. In April 2022, we formulated the Odakyu Group Basic Policy for Information Security in Information Systems and engage in Groupwide information security.

Furthermore, to further reinforce the Group's information security structure, we have created the role of Information Security Supervisor within the Risk Management Committee to oversee operations related to information security in information systems. We have also appointed an Information Security Response Representative to share information on vulnerabilities in information systems and coordinate security breach responses among relevant parties. Additionally, as hardware countermeasures, we are implementing the necessary security countermeasures in key information systems and networks. As education for employees, we implement information security training and targeted attack email drills for all Odakyu employees and some Group companies, and implement blind-scenario incident response drills that assume a security breach in railway systems.

Eleven-Year Financial Summary

(Millions of yen)

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Operating results-related											
Revenue from operations	515,223	523,187	518,715	529,812	523,031	524,660	526,675	534,132	385,978	358,753	**395,159**
Operating income	44,119	49,377	49,858	52,934	49,946	51,464	52,089	41,103	(24,190)	6,152	**26,601**
Ordinary income	36,365	42,061	44,098	45,695	46,638	47,891	49,687	38,299	(31,223)	4,699	**25,119**
Income before income taxes	30,319	39,003	47,258	42,575	39,711	43,940	45,194	35,998	(41,261)	23,227	**58,767**
Net income attributable to owners of parent	19,674	25,048	30,147	27,497	26,067	29,328	32,468	19,923	(39,804)	12,116	**40,736**
Comprehensive income	29,691	27,752	50,028	15,503	28,471	33,333	30,279	8,855	(34,078)	809	**44,468**
Capital investments	53,357	46,920	54,612	59,619	74,805	68,288	82,215	91,599	62,943	64,693	**52,889**
Depreciation	50,424	48,651	46,691	47,307	46,936	45,347	46,727	49,628	51,258	49,363	**47,866**
EBITDA*1	94,543	98,028	96,549	100,242	96,883	96,811	98,817	90,731	26,355	55,515	**74,468**
Cash flow-related											
Cash flows from operating activities	71,483	73,638	71,126	78,702	79,494	85,394	72,733	74,897	27,178	48,617	**62,928**
Cash flows from investing activities	(34,748)	(23,050)	(43,194)	(49,276)	(67,053)	(52,681)	(80,094)	(85,454)	(43,582)	(45,515)	**34,712**
Cash flows from financing activities	(37,771)	(50,052)	(38,997)	(21,473)	(20,473)	(8,099)	(15,083)	17,171	37,207	(30,573)	**(51,056)**
Net increase (decrease) in cash and cash equivalents	(1,036)	534	(11,066)	7,953	(8,032)	24,613	(22,444)	6,613	20,803	(27,471)	**46,584**
Cash and cash equivalents at end of the year	29,860	30,438	19,371	27,326	19,293	43,907	21,636	28,464	49,267	21,852	**67,474**
Free cash flows*2	36,734	50,587	27,931	29,426	12,441	32,712	(7,361)	(10,557)	(16,403)	3,101	**97,641**
Balance sheet-related											
Net assets	245,545	267,573	308,209	317,023	338,703	366,577	389,180	390,183	352,456	349,257	**388,490**
Shareholders' equity	220,940	238,683	259,677	280,609	299,987	322,157	346,997	363,053	319,609	327,726	**364,589**
Total assets	1,264,501	1,244,344	1,253,849	1,257,332	1,270,102	1,294,498	1,312,433	1,328,303	1,326,996	1,285,230	**1,279,976**
Interest-bearing debt	806,358	762,854	730,375	715,876	702,578	719,197	715,293	741,027	782,822	756,537	**706,479**
Per share information-related*3											
Net assets per share (yen)	336.05	366.32	422.33	433.93	927.30	998.98	1,061.37	1,066.01	963.40	954.58	**1,066.07**
Dividend amount per share (yen)	7.5	8.0	8.5	9.0	19.0	20.0	21.0	21.0	10.0	10.0	**21.0**
Net income per share (yen)	27.26	34.72	41.80	38.14	72.31	81.36	90.11	55.08	(109.60)	33.36	**112.11**
Financial indicator-related											
Ratio of operating income to revenue from operations (%)	8.6	9.4	9.6	10.0	9.5	9.8	9.9	7.7	(6.3)	1.7	**6.7**
ROA (ratio of operating income to total assets) (%)*4	3.5	4.1	4.1	4.4	4.1	4.2	4.2	3.2	(1.9)	0.5	**2.1**
ROE (ratio of net income to shareholders' equity) (%)*5	9.2	10.9	11.9	10.1	9.0	9.4	9.7	5.6	(11.6)	3.7	**11.6**
Interest-bearing debt/EBITDA ratio (times)	8.5	7.8	7.6	7.1	7.3	7.4	7.2	8.2	29.7	13.6	**9.5**
Shareholders' equity ratio (%)	19.2	21.2	24.3	24.9	26.3	27.8	29.1	29.1	26.4	27.0	**30.3**
D/E ratio (debt-to-equity ratio) (times)*6	3.6	3.2	2.8	2.6	2.3	2.2	2.1	2.0	2.4	2.3	**1.9**
Interest coverage ratio (times)*7	7.1	7.8	8.4	10.0	11.1	13.3	12.3	14.0	5.0	10.0	**13.8**
PER (price-to-earnings ratio) (%)	43.0	25.6	29.3	32.1	30.0	26.5	29.8	43.1	—	61.1	**15.3**
PBR (price book-value ratio) (times)	3.5	2.4	2.9	2.8	2.3	2.2	2.5	2.2	3.1	2.1	**1.6**
Consolidated dividend payout ratio (%)	27.5	23.0	20.3	23.6	26.3	24.6	23.3	38.1	—	30.0	**18.7**
DOE (dividend on equity ratio) (%)*8	2.5	2.5	2.5	2.4	2.4	2.3	2.2	2.2	1.1	1.1	**2.2**
Other											
Total number of issued shares (shares)*3	736,995,435	736,995,435	736,995,435	736,995,435	368,497,717	368,497,717	368,497,717	368,497,717	368,497,717	368,497,717	**368,497,717**
Number of employees (consolidated) (persons)	13,164	13,221	13,226	13,283	13,560	13,914	13,938	14,019	13,960	13,272	**12,629**
Number of employees (non-consolidated) (persons)	3,613	3,628	3,593	3,593	3,637	3,726	3,792	3,847	3,760	3,758	**3,712**

*1 EBITDA = Operating income + Depreciation
*2 Free cash flows = Cash flows from operating activities + Cash flows from investing activities
*3 The Company implemented a 1-for-2 reverse stock split with an effective date of October 1, 2016.
*4 ROA = Operating income / Total assets (average of the start and end of the fiscal year; excluding net unrealized gain on securities)
*5 ROE = Net income attributable to owners of parent / Net assets (average of the start and end of the fiscal year; excluding net unrealized gain on securities)
*6 D/E ratio = Interest-bearing debt / Shareholders' equity
*7 Interest coverage ratio = Operating cash flows / Interest paid
*8 DOE = Annual dividend payout / Shareholders' equity (average of the start and end of the fiscal year)

Note: Odakyu adopted Partial Amendments to Accounting Standard for Tax Effect Accounting, etc. (ASBJ Statement No. 28, February 16, 2018) and restated the figures for fiscal 2017 accordingly.
Note: While standards such as the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29) have been applied since fiscal 2021, we have not restated figures for fiscal 2020.

Communication with Stakeholders / Stock Price and Ratings Information

Communication with Stakeholders

Our basic policy for IR activities is to actively communicate with all of our stakeholders, including shareholders and investors, and fairly and promptly disclose our corporate information, such as business results and the status of our businesses.

By periodically sharing the opinions and requests of our stakeholders with management, we can utilize them in the management of the Group to enhance corporate value.

Furthermore, we will strive to reinforce information disclosure. In addition to this report, which summarizes information on management strategies and ESG information that we believe to be of high importance, we also carry out appropriate disclosure of important information required by the Financial Instruments and Exchange Law and the Tokyo Stock Exchange through disclosure tools and channels, including our homepage, as well as timely and appropriate information that aids investment decisions.

IR Information

https://www.odakyu.jp/english/about/ir/

Safety Report (Japanese only)

https://www.odakyu.jp/csr/safety/safety_report/

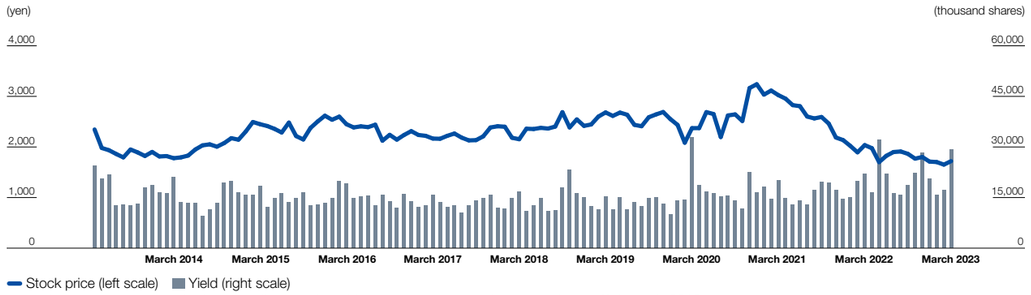
Environment of the Odakyu Group (Japanese only)

https://www.odakyu.jp/sustainability/

Diversity and Inclusion Report (Japanese only)

https://www.odakyu.jp/company/diversity/report/210330/book/pdf/all.pdf

Stock Price and Yield*



* The stock price and yield reflect values after adjustment for a reverse stock split implemented on October 1, 2016.

Credit Rating Information

Credit rating agencies	Long term	Short term
Japan Credit Rating Agency, Ltd.	AA- (Stable)	J-1+
Rating and Investment Information, Inc.	A+ (Stable)	a-1

Corporate Information (As of March 31, 2023)

Company Profile

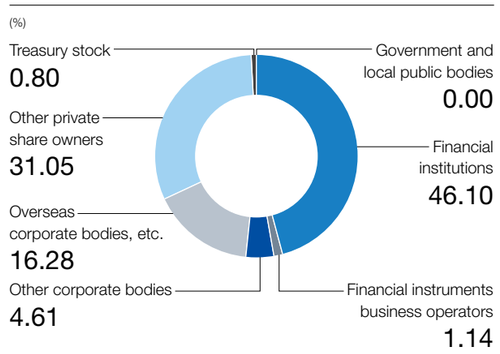
Company Name	Odakyu Electric Railway Co., Ltd.
Established	June 1, 1948 (Predecessor Odawara Express Railway Co., Ltd., established on May 1, 1923)
Head Office	2-7-1 Nishi-Shinjuku, Shinjuku-ku, Tokyo 163-0713
Common Stock	¥60.359 billion
Representative	Koji Hoshino, President & CEO
Business	Railway business, real estate business, other business
Issued Shares	368,497,717 shares
Shareholders	64,979
Employees	3,712

Status of Principal Shareholders (Top 10)

Name	Number of shares held (thousands)	Percentage of shares held in terms of total shares issued* (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	49,205	13.46
The Dai-ichi Life Insurance Company, Limited	17,232	4.71
Nippon Life Insurance Company	16,763	4.59
Custody Bank of Japan, Ltd. (Trust Account)	15,948	4.36
The Master Trust Bank of Japan, Ltd. (Retirement Benefit Trust Account, Mitsubishi Electric Corporation Account)	12,908	3.53
Meiji Yasuda Life Insurance Company	6,909	1.89
MUFG Bank, Ltd.	5,750	1.57
STATE STREET BANK WEST CLIENT-TREATY 505234	5,731	1.57
SUMITOMO LIFE INSURANCE COMPANY	5,500	1.50
Sumitomo Mitsui Banking Corporation	4,708	1.29

* Excludes treasury stock

Status of Share Ownership



35 Consolidated Subsidiaries and Two Affiliated Companies

Transportation

- Railways
  Hakone Tozan Railway Co., Ltd.
  Enoshima Electric Railway Company, Limited
- Buses
  Hakone Tozan Bus Co., Ltd.
  Odakyu Bus Co., Ltd.
  Tachikawa Bus Co., Ltd.
  Tokai Jidosha Co., Ltd.
  Enoden Bus Co., Ltd.
  Tokai Bus Co., Ltd.
  Odakyu Highway Bus Co., Ltd.
- Taxis
  Odakyu Koutsu Co., Ltd.
- Tourism
  Hakone Sightseeing Cruise Co., Ltd.
- Other
  Odakyu Hakone Holdings Inc.

Merchandising

- Department stores
  Odakyu Department Store Company Limited
- Supermarkets
  Odakyu Shoji Co., Ltd.
- Other
  Odakyu Food Co., Ltd.

Real estate

- Real estate sales
  Odakyu Real Estate Co., Ltd.
  Odakyu Housing Co., Ltd.
- Real estate leasing
  Odakyu SC Development Co., Ltd.
  Hakone Facility Development Co., Ltd.

Other businesses

- Hotels
  ODAKYU Resorts Co., Ltd.
  Odakyu Hotels Co., Ltd.
  Odakyu Hotels Southern Tower Co., Ltd.
- Planning, design, and operation
  UDS Ltd.
  OKINAWA UDS Ltd.
- Restaurants
  Odakyu Restaurant System Co., Ltd.
  GIRAUD RESTAURANT SYSTEM CO., LTD.
- Travel
  Odakyu Travel Co., Ltd.
- Golf
  ODAKYU SPORTS SERVICE Co., Ltd.
- Railway maintenance
  Odakyu Engineering Co., Ltd.
- Building management
  Odakyu Building Service Co., Ltd.
- Information and media
  Odakyu Agency Inc.
- Accounting outsourcing
  Odakyu Financial Center Co., Ltd.
- Staffing services
  Humanic Holdings Co., Ltd.
  HUMANIC Co., Ltd.
- Insurance
  ODAKYU INSURANCE SERVICE CO., LTD.

Affiliated company

Kanagawa Chuo Kotsu Co., Ltd.
Shirohato Co., Ltd.

Forward-Looking Statements

The plans, strategies, and other forward-looking statements in this report that are not based on historical fact reflect the assumptions and beliefs of management based on currently available information. However, it should be noted that there is a possibility for actual results to differ significantly owing to such factors as changing social and economic conditions.