

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

CORPORATE GOVERNANCE REPORT

TOBU RAILWAY CO., LTD.

Last Update: July 6, 2017
TOBU RAILWAY CO., LTD.

Yoshizumi Nezu
President and Representative Director
Contact: +81-3-5962-2067
Securities Code: 9001
<http://www.tobu.co.jp>

The corporate governance of TOBU RAILWAY CO., LTD. (the “Company”) is described below.

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

1. Basic Views **Updated**

1. The mission of the Company (management philosophy, etc.), management strategies and management plan
The Company has set out, as its mission (management philosophy, etc.), “Tobu Group management philosophy” and “Tobu Group management policy.”

(1) Tobu Group management philosophy

Tobu Group laid down the concepts of “dedication,” “enterprising spirit” and “affinity,” as the corner stone for its management.

Dedication:

Tobu Group will contribute to materializing an affluent society, based on the profound awareness that all of its businesses are supported by society.

Enterprising spirit:

Tobu Group will keep challenging with pioneering spirit to break a pathway to a new era, through constant self-improvement without complacency.

Affinity:

Tobu Group will contribute to the evolution of society by promoting its business as well as the welfare of its employees, based on the concept of congeniality among people and harmony with environment.

(2) Tobu Group management policy

Tobu Group will operate diversified and composite businesses on the basis of safety and security, including “transportation,” “leisure,” “real estate” and “retail distribution”, as a corporate group contributing to the development of the areas along its railway lines, through the businesses that closely support customers’ daily lives.

We will provide innovative and inventive services of high quality based on customer’s viewpoint, thereby aiming to create attractive destinations full of energy along the Tobu lines, providing the residents with comfortable lifestyle.

Tobu Group will fulfill its corporate social responsibility through achieving sustainable growth along with local communities, as a corporate group that supports customers' lives by promoting eco-friendly management while constantly generating profit from its business operations.

Under the above management policy, Tobu Group has established the "Tobu Group Long-Term Management Framework" summarizing the basic management direction, along with the "Tobu Group Medium-Term Business Plan 2017 – 2020" based on the foregoing, specifying concrete measures for the four-year period.

The Tobu Group Long-Term Management Framework sets out the following three management strategies.

- (1) Growth strategy
- (2) Maintenance of financial strength
- (3) Further enhancement of shareholder return

On the basis of these management strategies, under the Tobu Group Medium-Term Business Plan 2017 – 2020, the Group will be committed to promote growth investment for the next growth stage along with further reinforcement of the existing businesses, while enhancing incorporation of rapidly growing inbound demand, in anticipation of the Tokyo Olympics and Paralympics and thereafter. In the fiscal year ending March 31, 2021, the Group aims to achieve consolidated operating income of ¥67.5 billion along with profit attributable to owners of parent of ¥38.6 billion.

The Company has, for the purpose of materializing the management philosophy and management policy, set out the following basic views and policy on corporate governance.

2. Basic views and policy on corporate governance

In order to earn trust of all its stakeholders including shareholders, and to ensure sustainable growth and enhancement of corporate value over medium to long-term, the Company believes that it is essential to establish fair and transparent management structure. We will further reinforce the existing Board of Directors and the Audit & Supervisory Board Members system, and actively make appropriate information disclosure on a timely basis. Furthermore, we will be committed to the enhancement of corporate governance, through conscientious corporate activities based on business ethics and compliance with laws and regulations.

In addition, under the views mentioned above, the Company will comply with all of the principles set forth in the Corporate Governance Code, respecting the purpose and intention ingrained therein, in an effort to enhance its corporate value.

3. The Company has, based on the awareness about the support it receives from the stakeholders, as well as the appreciation that it is vital to establish and practice code of conduct for its officers and employees, set out "Tobu Group Compliance Basic Policy" (<http://www.tobu.co.jp/corporation/policy/>) as follows.

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

The Company complies with all of the principles set forth in the Corporate Governance Code.

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

1. The mission of the Company (management philosophy, etc.), management strategies and management plan (Principle 3-1(i))
These are stated in “I. 1. Basic Views” of this report.
2. Basic views and policy on corporate governance (Principle 3-1(ii))
These are stated in “I. 1. Basic Views” of this report.
3. The Company has, based on the awareness about the support it receives from the stakeholders, as well as the appreciation that it is vital to establish and practice code of conduct for its officers and employees, set out Tobu Group Compliance Basic Policy (<http://www.tobu.co.jp/corporation/policy/>) as follows (Principle 2-2).
4. The Company appreciates that it must take appropriate measures to gain the understanding and trust of shareholders who are the providers of capital, with a view to achieving sustainable growth and enhancement of corporate value over medium to long-term. For such purpose, we are engaged in constructive dialogue with shareholders/investors as follows, in order to promote the understanding among, and support from shareholders/investors, in addition to securing the rights and equal treatment of shareholders (Principle 5-1).
 - (i) Dialogue with shareholders/investors in general is promoted jointly by officer in charge of General Affairs and Legal Department and officer in charge of Finance and Accounting Department.
 - (ii) To facilitate constructive dialogue with shareholders/investors, a framework has been established in which general affairs and legal division, finance and accounting division, corporate planning division, public relations division, etc. collaborate and share information.
 - (iii) The Company is engaged in dialogue with shareholders through offering thorough explanation in response to queries from shareholders at the General Meeting of Shareholders, while organizing a tour of our business establishments for individual shareholders once a year, financial results briefings for institutional investors twice a year, and a tour of our business establishments along the Tobu railway lines also for institutional investors once a year. The Company posts on its corporate website, timely and as appropriate, IR information such as financial results and materials for timely disclosure, information for shareholders on the matters such as General Meeting of Shareholders and shareholder special benefits, and transmission of business information in the form of news release, in an effort to provide outgoing information flow as the basis for the dialogue with shareholders.
 - (iv) As for dialogue with individual shareholders, staff in charge shall report on each dialogue to officer in charge of General Affairs and Legal Department, which may, depending on the nature of dialogue, be shared among the management. Certain contents of the dialogue can also be reported to management as appropriate through a meeting body, etc. As for dialogue with institutional investors, implementation results of the financial results briefings for institutional investors shall also be reported to management through a meeting body, etc., while contents of individual interview with each institutional investor shall be reported, on a monthly basis, to management, Audit & Supervisory Board Members and the concerned division, in an effort to share information.
 - (v) To prevent leakage of insider information in the course of dialogue with shareholders and investors, we implement thorough management of and training on insider information. Moreover, we arrange “silent period” from the day after the closing date up to the announcement of the financial results, during which no comment shall be made in response to any inquiries, including interviews.

5. Policy for strategic holdings and standards for exercise of voting rights thereof (Principle 1-4)

The Company retains strategic holdings in comprehensive consideration of smooth running of business through maintenance and reinforcement of relationship with business partners of the Company, as well as synergy effect on the businesses of the Group.

Voting rights for strategic holdings are exercised based on the consideration whether or not such exercise contribute to medium- to long-term corporate value of both the Group and the investees.
6. Related Party Transactions (Principle 1-7)

Competing transactions and conflict of interest transactions conducted by Directors shall, in accordance with the laws and regulations as well as internal rules, be subject to prior approval by, and post-transaction report about their outcome to, the Board of Directors. Meanwhile, transactions with a main shareholder who holds 10% or more of the total number of voting rights of the Company, shall also be conducted appropriately in a fair and transparent manner so as not to harm the interest of the Company and the common interest of its shareholders.
7. The following is the outline of the framework of the Board of Directors and the Audit & Supervisory Board Members to realize its management philosophy.
 - (1) Principle for the balance of knowledge, experience and competence, as well as diversity and scale of the Board of Directors as a whole, and the policy and procedure for nominating candidates for Directors and the Audit & Supervisory Board Members (Supplementary Principle 4-11-1, Principle 3-1 (iv))

The Company believes in “safety as the foundation of all businesses operated by the Tobu Group,” and thus is aware that ensuring safety in all businesses including railway business which provides social infrastructure, is the basis for earning trust from stakeholders as well as for achieving sustainable growth into the future. On such basis, the Company believes that it is desirable to have the Board of Directors composed of Directors promoted internally, who are not only well acquainted with the characteristics of the Company business, but also familiar with the indirect divisions that support each business and its operation, along with Independent Outside Directors who can contribute to enhancing supervisory function of the Board, as well as to ensuring fairness and transparency of management, as part of an effort to increase its corporate value. Maximum number of Directors is set at 20 on a combined basis of Inside/Outside Directors. Currently, the Board of Directors comprises 16 Directors including two Independent Outside Directors (including one female) who have high-level expertise that fits the characteristic of the Company’s business and wealth of experience and insight as corporate executives, in an effort to attain well-balanced mix of knowledge, experience and competence, as well as diversity of the Board.

As for a candidate for the Audit & Supervisory Board Member, the Company believes it desirable to elect a suitable person who can be instrumental in the duty of the Audit & Supervisory Board Member, which is to ensure sound and sustainable growth of the Company, and to establish high-quality corporate governance system that meets the trust of society.

In considering the aforementioned policy, the Company has established the Nomination and Compensation Committee comprising mainly Independent Outside Directors. In terms of the procedure for nominating candidates for Directors, the Board of Directors consults with and receives a report from the Committee about the adequacy of the proposal of nomination of Director candidates. Then the Board of Directors further deliberates the proposal of the nomination and refers it to the General Meeting of Shareholders. Election of the management is decided upon deliberation at the Board of Directors meeting, which is participated by outside officers including Independent Outside Directors. Meanwhile, nomination of candidates for the Audit & Supervisory Board Members is proposed at the General Meeting of Shareholders, following the deliberation at the Board of Directors, and subject to the consent of the Audit & Supervisory Board.

- (2) Independence Standard and Qualification for Independent Outside Directors (Principle 4-9)
The Company elects as Independent Outside Directors persons with broad insight into management, who can contribute to ensuring the efficiency and fairness of management, through offering opinions and advice on Directors' business execution, from an objective point of view, being independent from the management of the Company. The standards for independence from the management are presented in "II. 1. [Independent Directors/Audit & Supervisory Board Members] Matters relating to Independent Directors/Audit & Supervisory Board Members" of this report.
- (3) Explanation about the nomination and election of individual Directors and the Audit & Supervisory Board Members, as well as the status of concurrent positions of officers (Principle 3-1(v), Supplementary Principle 4-11-2)
Explanation associated with the nomination and election of Directors and the Audit & Supervisory Board Members, as well as status of their concurrent positions are presented in the form of career summary, positions, significant concurrent positions, and reasons for their election in the "notice of the General Meeting of Shareholders." "Notice of the 197th Annual General Meeting of Shareholders" is posted on the Company's website (http://www.tobu.co.jp/ir/meeting/pdf/20170525_1.pdf), for your reference. We believe that the current number of their concurrent position is within a reasonable range, in view of their attendance to the Board of Directors meetings and the Audit & Supervisory Board meetings
- (4) Policy for Training of Directors/Audit & Supervisory Board Members (Supplementary Principle 4-14-2)
In order to help Directors/Audit & Supervisory Board Members to understand and carry out the roles and duties expected of them, the Company organizes lecture presentations as appropriate, while arranging for them to attend external seminars and symposiums, etc., if necessary, or encouraging them to participate in external seminars, etc., that can help them to carry out their duties, by actively providing support including payment of associated expenses.
Newly appointed Directors/Audit & Supervisory Board Members shall be offered opportunities to have better understanding about the roles and duties expected of them and other relevant matters, while newly appointed Outside Directors/Outside Audit & Supervisory Board Members shall be offered opportunities to receive explanations about the corporate information including its management environment, etc.
- (5) Extent of Delegation to Management (Supplementary Principle 4-1-1)
For the purpose of making decisions on the important management-related matters as well as of supervising business execution by individual Directors, the Board of Directors has prescribed in the "matters subject to deliberation at the Board of Directors" matters including formulation of medium- to long-term business plan and decisions on important businesses, along with the matters stipulated under laws and regulations, and the Articles of Incorporation, while delegating other decision-making in the course of business execution, etc., to the President and other management staff, in accordance with the "Regulation on the Execution of Duties."
- (6) Analysis and Evaluation of Effectiveness of the Board of Directors and the Outline of the Results Thereof (Supplementary Principle 4-11-3)
To ensure the effectiveness of the Board of Directors, analysis and evaluation of effectiveness of the Board of Directors will be carried out annually on the basis of the self-evaluation conducted by each Director, and the outline of the results thereof will be disclosed.
In the fiscal year ended March 31, 2017, purposes of the Board of Directors were defined to comprise "strategic function," "judgment function" and "supervisory function," whereby its effectiveness in accordance with these purposes was verified. Evaluation was carried out first by conducting a questionnaire with each Director, whose results were summarized and analyzed. Then evaluation results were finalized based on the opinion of the Audit & Supervisory Board, as well as interviews with

Representative Directors on the results of the questionnaire along with challenges facing the Board of Directors.

The evaluation results found that the Board of Directors was largely functioning adequately in accordance with its purposes, whereby its effectiveness was ensured. Meanwhile, some comments were made concerning provision and sharing of information to and with the members of the Board of Directors, which shall be the basis for future consideration for further improvement of functions (strategic, judgment and supervisory) of the Board of Directors.

(7) Policy and procedure for determining remuneration for Directors (Principle 3-1 (iii))

Remuneration for individual Directors comprises, based on certain standards, individual performance-linked portion and the corporate performance-linked portion both reflecting the attainment of target under the medium- to long-term business plan, on top of the fixed portion of remuneration according to rank, in order to establish a remuneration system that provides individual incentive, while achieving further enhancement of corporate value. The aforementioned principle has been summarized as the “Policy for Determining Remuneration for Directors,” and resolved by the Board of Directors. In addition, the Company has established the Nomination and Remuneration Committee comprising mainly Independent Outside Directors as an advisory body to the Board of Directors. The Board of Directors consults with and receives a report from the Committee about the adequacy of the level of remuneration. Then the Board of Directors resolves the method for determining remuneration for Directors.

2. Capital Structure

Foreign Shareholding Ratio	From 10% to less than 20%
----------------------------	---------------------------

[Status of Major Shareholders] **Updated**

Name / Company Name	Number of Shares Owned (Shares)	Percentage (%)
Master Trust Bank of Japan, Ltd. (trust account)	57,662,000	5.36
Japan Trustee Services Bank, Ltd. (trust account)	46,324,000	4.30
FUKOKU MUTUAL LIFE INSURANCE COMPANY	26,178,000	2.43
Mizuho Bank, Ltd.	23,266,048	2.16
Japan Trustee Services Bank, Ltd. (trust account 5)	19,634,000	1.82
Nippon Life Insurance Company	17,709,903	1.64
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	17,523,749	1.62
STATE STREET BANK WEST CLIENT – TREATY 505234	17,282,111	1.60
Japan Trustee Services Bank, Ltd. (trust account 7)	14,448,000	1.34
Japan Trustee Services Bank, Ltd. (trust account 1)	14,445,000	1.34

Controlling Shareholder (except for Parent Company)	—
---	---

Parent Company

None

Supplementary Explanation **Updated**

1. Apart from the shares listed in the Status of Major Shareholders above, FUKOKU MUTUAL LIFE INSURANCE COMPANY holds as trustee 5,822,000 shares in the Company in a retirement benefits trust, where the company retains the authority to give instruction on the exercise of voting rights.
2. Report of Possession of Large Volume
 - (1) Whereas the Report of Possession of Large Volume (the Change Report) submitted on June 21, 2016 by Sumitomo Mitsui Trust Bank, Limited and its joint-holders, Sumitomo Mitsui Trust Asset Management Co., Ltd. and Nikko Asset Management Co., Ltd., states that they hold shares as follows as of June 15, 2016, the Company could not verify the number of shares effectively held by the aforementioned parties as of March 31, 2017, and thus prepared the Status of Major Shareholders above on the basis of the shareholder registry.

Information contained in the aforementioned Report of Possession of Large Volume (the Change Report) is as follows.

Name: Sumitomo Mitsui Trust Bank, Limited and two other parties
Address: 1-4-1, Marunouchi, Chiyoda-ku, Tokyo
The number of shares held by the above parties: 65,212,000 shares
The ratio of the shares held by the above parties against the total number of shares outstanding: 6.06%
 - (2) Whereas the Report of Possession of Large Volume (the Change Report) submitted on October 21, 2016 by Mizuho Bank, Ltd. and its joint holders, Mizuho Trust & Banking Co., Ltd. and Asset Management One Co., Ltd. states that they hold shares as follows as of October 14, 2016, the Company could not verify the number of shares effectively held by the aforementioned parties as of March 31, 2017, and thus prepared the Status of Major Shareholders above on the basis of the shareholder registry.

Information contained in the aforementioned Report of Possession of Large Volume (the Change Report) is as follows.

Name: Mizuho Bank, Ltd. and two other parties
Address: 1-5-5 Otemachi, Chiyoda-ku, Tokyo
The number of shares held by the above parties: 75,939,000 shares
The ratio of the shares held by the above parties against the total number of shares outstanding: 7.06%

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange, First Section
Fiscal Year-End	March
Type of Business	Land transportation business
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥100.0 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 50 to less than 100

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

—

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

—

II

Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organization Form	Company with Audit & Supervisory Board
-------------------	--

[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	20
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	16
Election of Outside Directors	Elected
Number of Outside Directors	2
Number of Independent Directors	2

Outside Directors' Relationship with the Company (1) **Updated**

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Noriko Yagasaki	Academic												
Hirofumi Nomoto	From another company								○	○			

* Categories for "Relationship with the Company"

* "○" when the Director presently falls or has recently fallen under the category;

"△" when the Director fell under the category in the past

* "●" when a close relative of the Director presently falls or has recently fallen under the category;

"▲" when a close relative of the Director fell under the category in the past

a. Executive of the Company or its subsidiaries

b. Non-executive Director or executive of a parent company of the Company

c. Executive of a fellow subsidiary company of the Company

d. A party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the Company or an executive thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides remuneration as a Director or Audit & Supervisory Board Member

g. Major shareholder of the Company (or an executive of said major shareholder if the shareholder is a legal entity)

h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the Director himself/herself only)

- i. Executive of a company, between which the Company's Outside Directors/Audit & Supervisory Board Members are mutually appointed (the Director himself/herself only)
- j. Executive of a company or organization that receives a donation from the Company (the Director himself/herself only)
- k. Others

Outside Directors' Relationship with the Company (2) **Updated**

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Noriko Yagasaki	○	Outside Director Ms. Noriko Yagasaki serves as Associate Professor of Department of International Tourism Management, Faculty of International Tourism Management at Toyo University, and as Outside Director of Japan Freight Railway Company.	<p>Ms. Noriko Yagasaki possesses extensive knowledge as an academic in transport policy and tourism policy, along with experience as an outside director of other corporations. We have determined that she will reflect her knowledge and experience, etc. on the management of the Company, and play a supervisory role of business execution from an objective point of view, being independent from the management of the Company. We believe that this will contribute to further improving the corporate value of the Group. Therefore, we have elected her as an Outside Director.</p> <p>In addition, as the Company has determined that she is adequately independent by the "Criteria for Independence of Outside Directors and Outside Audit & Supervisory Board Members," as presented in "II. 1. [Independent Directors/Audit & Supervisory Board Members] Matters relating to Independent Directors/Audit & Supervisory Board Members," she has been designated as an Independent Director of the Company.</p>

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Hirofumi Nomoto	○	<p>Outside Director Mr. Hirofumi Nomoto serves as President & Representative Director and Executive Officer of TOKYU CORPORATION, Director of TOKYU RECREATION CO., LTD., Director of Tokyu Fudosan Holdings Corporation, Outside Director of TOEI COMPANY, LTD and Outside Director of JAPAN POST BANK Co., Ltd.</p> <p>In addition, Mr. Yoshizumi Nezu, President of the Company, concurrently serves as Outside Director of TOKYU CORPORATION, which has rental fee transactions for railroad cars with the Company. Such transaction, however, involves an amount less than the standard amount of transaction set out in the “Criteria for Independence of Outside Directors and Outside Audit & Supervisory Board Members,” as presented in “II. 1. [Independent Directors/Audit & Supervisory Board Members] Matters relating to Independent Directors/Audit & Supervisory Board Members,” with no influence on his independence.</p>	<p>Mr. Hirofumi Nomoto possesses extensive experience and broad insight as a corporate manager in the same transportation industry as the Company. We have determined that he will reflect his experience and insight, etc. on the management of the Company, and play a supervisory role of business execution from an objective point of view, being independent from the management of the Company. We believe that this will contribute to further improving the corporate value of the Group. Therefore, we have elected him as an Outside Director.</p> <p>In addition, as the Company has determined that he is adequately independent by the “Criteria for Independence of Outside Directors and Outside Audit & Supervisory Board Members,” as presented in “II. 1. [Independent Directors/Audit & Supervisory Board Members] Matters relating to Independent Directors/Audit & Supervisory Board Members,” he has been designated as an Independent Director of the Company.</p>

Voluntary Establishment of Committee(s)
Corresponding to Nomination Committee or
Remuneration Committee

Established

Committee's Name, Composition, and Attributes of Chairperson
--

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Nomination and Remuneration Committee	Nomination and Remuneration Committee
All Committee Members	3	3
Full-time Members	0	0
Inside Directors	1	1
Outside Directors	2	2
Outside Experts	0	0
Other	0	0
Chairperson	Inside Director	Inside Director

Supplementary Explanation

In order to review important matters regarding the nomination of, and remuneration for, Directors of the Company, the Company has established the Nomination and Remuneration Committee as an advisory body to the Board of Directors, with a view to reinforcing functional independence and objectivity of the Board.

The Nomination and Remuneration Committee reviews the adequacy of the proposal of nomination of Director candidates, as well as the adequacy of the level of remuneration, organizing the Committee's opinion on these subjects, and report to the Board of Directors.

[Audit & Supervisory Board Members]

Establishment of the Audit & Supervisory Board	Established
Maximum Number of Audit & Supervisory Board Members Stipulated in Articles of Incorporation	5
Number of Audit & Supervisory Board Members	5

Cooperation among Audit & Supervisory Board Members, Independent Auditor, and Internal Audit Division

The Audit & Supervisory Board Members and the Independent Auditor are working in close collaboration through regular meetings and other means, actively exchanging opinions and information, in an effort to ensure efficient implementation of audits. They present and explain about the respective audit plans to each other. The Audit & Supervisory Board Members receive from the Independent Auditor the summary report on the results of the quarterly review on quarterly financial results and the summary report on the results of audit required under the Companies Act for the year-end financial results, along with the explanation about the main focus of audits, while receiving reports on the matters related to internal control over financial reporting, exchanging opinions

with the latter. Furthermore, the Audit & Supervisory Board Members attend audit visits and inspections conducted by the Independent Auditor, as appropriate.

The Audit & Supervisory Board Members and the internal audit division stay in close collaboration in executing auditing duties, including examination of the status of business operations and assets at the Company, as well as the Group companies, in an effort to ensure efficient implementation of audits. The Audit & Supervisory Board Members regularly receive reports on the results of audit, etc. conducted by the internal audit division, exchanging opinions therewith, while effectively utilizing such results in carrying out audit by the Audit & Supervisory Board Members over the internal control system.

The Independent Auditor and the internal audit division have mutual communication and coordination as appropriate, while the internal audit division attends the audit visits conducted by the Independent Auditor as part of the working collaboration.

Appointment of Outside Audit & Supervisory Board Members	Appointed
Number of Outside Audit & Supervisory Board Members	3
Number of Independent Audit & Supervisory Board Members	3

Audit & Supervisory Board Members' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Osamu Shoda	From another company													
Yuzaburo Mogi	From another company													
Takashi Kobayashi	From another company													

* Categories for "Relationship with the Company"

* "○" When the Audit & Supervisory Board Member presently falls or has recently fallen under the category;

"△" When the Audit & Supervisory Board Member fell under the category in the past

* "●" When a close relative of the Audit & Supervisory Board Member presently falls or has recently fallen under the category

"▲" When a close relative of the Audit & Supervisory Board Member fell under the category in the past

a. Executive of the Company or its subsidiary

b. Non-executive Director or accounting advisor of the Company or its subsidiaries

c. Non-executive Director or executive of a parent company of the Company

d. Audit & Supervisory Board Member of a parent company of the Company

e. Executive of a fellow subsidiary company of the Company

f. A party whose major client or supplier is the Company or an executive thereof

g. Major client or supplier of the Company or an executive thereof

h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides remuneration as an Audit & Supervisory Board member

i. Major shareholder of the Company (or an executive of said major shareholder if the shareholder is a legal

- entity)
- j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the Audit & Supervisory Board Member himself/herself only)
 - k. Executive of a company, between which the Company's Outside Directors/Audit & Supervisory Board Members are mutually appointed (the Audit & Supervisory Board member himself/herself only)
 - l. Executive of a company or organization that receives a donation from the Company (the Audit & Supervisory Board Member himself/herself only)
 - m. Others

Audit & Supervisory Board Members' Relationship with the Company (2)

Name	Designation as Independent Audit & Supervisory Board Member	Supplementary Explanation of the Relationship	Reasons of Appointment
Osamu Shoda	○	Outside Audit & Supervisory Board Member Mr. Osamu Shoda serves as Honorary Chairman & Executive Adviser of NISSHIN SEIFUN GROUP INC.	<p>Mr. Osamu Shoda has used his extensive experience and broad insight as a corporate manager in audit duties of the Company. By offering his opinions and advice on business execution of Directors from an objective point of view, being independent from the management of the Company, he plays an appropriate role in securing the sound and sustainable growth of the Company and in establishing a quality corporate governance system that earns the trust of society. Therefore, we have elected him as an Outside Audit & Supervisory Board Member</p> <p>In addition, as the Company has determined that he is adequately independent by the "Criteria for Independence of Outside Directors and Outside Audit & Supervisory Board Members," as presented in "II. 1. [Independent Directors/Audit & Supervisory Board Members] Matters relating to Independent Directors/Audit & Supervisory Board Members," he has been designated as an Independent Audit & Supervisory</p>

Name	Designation as Independent Audit & Supervisory Board Member	Supplementary Explanation of the Relationship	Reasons of Appointment
			Board Member of the Company.
Yuzaburo Mogi	○	Outside Audit & Supervisory Board Member Mr. Yuzaburo Mogi serves as Honorary CEO and Chairman of the Board of Directors of KIKKOMAN CORPORATION, Outside Director of Calbee, Inc., Executive Director (External) of Oriental Land Co., Ltd. and Outside Audit & Supervisory Board Member of FUJI MEDIA HOLDINGS, INC.	Mr. Yuzaburo Mogi has used his extensive experience and broad insight as a corporate manager in audit duties of the Company. By offering his opinions and advice on business execution of Directors from an objective point of view, being independent from the management of the Company, he plays an appropriate role in securing the sound and sustainable growth of the Company and in establishing a quality corporate governance system that earns the trust of society. Therefore, we have elected him as an Outside Audit & Supervisory Board Member. In addition, as the Company has determined that he is adequately independent by the “Criteria for Independence of Outside Directors and Outside Audit & Supervisory Board Members,” as presented in “II. 1. [Independent Directors/Audit & Supervisory Board Members] Matters relating to Independent Directors/Audit & Supervisory Board Members,” he has been designated as an Independent Audit & Supervisory Board Member of the Company.

Name	Designation as Independent Audit & Supervisory Board Member	Supplementary Explanation of the Relationship	Reasons of Appointment
Takashi Kobayashi	○	Outside Audit & Supervisory Board Member Mr. Takashi Kobayashi serves as Senior Advisor of FUKOKU MUTUAL LIFE INSURANCE COMPANY and Outside Auditor of Matsuya Co., Ltd.	<p>Mr. Takashi Kobayashi has used his extensive experience and broad insight as a corporate manager in audit duties of the Company. By offering his opinions and advice on business execution of Directors from an objective point of view, being independent from the management of the Company, he plays an appropriate role in securing the sound and sustainable growth of the Company and in establishing a quality corporate governance system that earns the trust of society. Therefore, we nominate him as a candidate for Outside Audit & Supervisory Board Member</p> <p>In addition, as the Company has determined that he is adequately independent by the “Criteria for Independence of Outside Directors and Outside Audit & Supervisory Board Members,” as presented in “II. 1. [Independent Directors/Audit & Supervisory Board Members] Matters relating to Independent Directors/Audit & Supervisory Board Members,” he has been designated as an Independent Audit & Supervisory Board Member of the Company.</p>

[Independent Directors/Audit & Supervisory Board Members]

Number of Independent Directors/ Audit & Supervisory Board Members	5
---	---

Matters relating to Independent Directors/Audit & Supervisory Board Members

1. Criteria for Independence of Outside Directors and Outside Audit & Supervisory Board Members
The Company deems Outside Directors and Outside Audit & Supervisory Board Members to be independent when they do not fall under any of the following items.
 - (1) A principal shareholder who holds 10% or more of the total number of voting rights of the Company at the end of the fiscal year, or its executive person
 - (2) Of the lenders to the Company, a financial institution or other principal creditor that the Company depends upon for funding to the extent that it is not replaceable at the end of the fiscal year, or its executive person
 - (3) Of the business partners of the Company, a party which receives the payment of 2% or more of the consolidated operating revenue for the fiscal year from the Company at the end of such fiscal year, or its executive person
 - (4) Of the business partners of the Company, a party which pays to the Company at the end of the fiscal year of the party 2% or more of the consolidated operating revenue for such fiscal year, or its executive person
 - (5) A person who receives from the Company donations or subsidies of an annual amount exceeding ¥10 million during the fiscal year, or its executive person
 - (6) An attorney, certified public accountant, tax accountant, consultant or the like who receives from the Company remuneration other than the remuneration as Director or Audit & Supervisory Board Member of an annual amount exceeding ¥10 million during the fiscal year
 - (7) A person who belongs to an organization such as a corporation (law firm, audit firm, tax accountant firm, consulting firm, etc.) or a union that receives from the Company money or other financial benefits whose amount exceeds 2% of consolidated operating revenue for the fiscal year of such organization
 - (8) A person who served as an executive person of the Company or its subsidiaries during the past 10 years.
 - (9) The “fiscal year” mentioned in Item 1 to 7 falls under a year within the past three years.
 - (10) When a person who falls under any of Item 1 to 8 serves in an important position, his/her spouse or relatives within the second degree of kinship
2. The Company has designated all Outside Directors and Outside Audit & Supervisory Board Members who meet the above standards as Independent Directors/Audit & Supervisory Board Members.
3. The Company has, in the “Supplementary Explanation of the Relationship” concerning Independent Directors/Audit & Supervisory Board Members, not mentioned transactions that are similar to general consumer transactions involving immaterial amount of payment.

[Incentives]

Incentive Policies for Directors

Other

Supplementary Explanation

Remuneration for individual Directors comprises, based on certain standards, individual performance-linked portion and the corporate performance-linked portion both reflecting the attainment of target under the medium- to long-term business plan, on top of the fixed portion of remuneration according to individual rank, in order to establish a remuneration system that provides individual incentive, while achieving further enhancement of corporate value.

Recipients of Stock Options

Supplementary Explanation

—

[Director Remuneration]

Disclosure of Individual Director's Remuneration

No Individual Disclosure

Supplementary Explanation **Updated**

The amounts of remuneration paid in the fiscal year ended March 31, 2017, in consideration of the execution of duties by Directors and the Audit & Supervisory Board Members of the Company is as follows.

¥252 million paid as remuneration for Directors (excluding ¥99 million paid as employee salary (including bonus) to Directors concurrently serving as employees)

¥67 million paid as remuneration for the Audit & Supervisory Board Members

Total: ¥320 million

Policy on Determining Remuneration Amounts and Calculation Methods

Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

Remuneration for individual Directors comprises, based on certain standards, individual performance-linked portion and the corporate performance-linked portion both reflecting the attainment of target under the medium- to long-term business plan, on top of the fixed portion of remuneration according to rank, in order to establish a remuneration system that provides individual incentive, while achieving further enhancement of corporate value. The aforementioned principle has been summarized as the "Policy for Determining Remuneration for Directors," and resolved by the Board of Directors. In addition, the Company has established the Nomination and Remuneration Committee comprising mainly Independent Outside Directors as an advisory body to the Board of Directors. The Board of Directors consults with and receives a report from the Committee about the adequacy of the level of remuneration. Then the Board of Directors resolves the method for determining remuneration for Directors.

[Supporting System for Outside Directors and/or Outside Audit & Supervisory Board Members]

Staffs of the department in charge of providing support to Outside Directors and Outside Audit & Supervisory Board Members, or staffs of General Affairs and Legal Department, provide explanation to Outside Directors and Outside Audit & Supervisory Board Members themselves or through their secretaries, by telephone or visit in person.

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

The Board of Directors of the Company which comprises 16 Directors including two Outside Directors, has, for the purpose of making decisions on the important management-related matters as well as of supervising business execution by individual Directors, prescribed in the “matters subject to deliberation at the Board of Directors” matters including formulation of medium- to long-term business plan and decisions on important businesses, along with the matters stipulated under laws and regulations, and the Articles of Incorporation, while delegating other decision-making in the course of business execution, etc., to the President and other management staff, in accordance with the “Regulation on the Execution of Duties.”

Outside Directors are playing important roles in ensuring efficiency and fairness of management, as their presence at the Board of Directors meetings prompts Directors to explain about execution of their duties with the awareness that Outside Directors are present, while they have their objective opinions and advice reflected on the management. Besides the above, Outside Directors are contributing to the enhancement of corporate governance through playing important roles in strengthening the independence and objectivity of the Board of Directors’ function, in their capacity as members of the Nomination and Remuneration Committee which, as an advisory body to the Board of Directors, reviews important matters regarding the nomination and remuneration. Thus the Company is determined to maintain the existing structure.

The Board of Managing Directors comprising Managing Directors or other Directors with higher executive titles, along with Audit & Supervisory Board Members, has deliberation on the important management matters including the matters subject to deliberation at the Board of Directors, while sharing important information concerning the business operation of the Company.

Furthermore, the Company is, with a view to establishing business ethics and furthermore enhancing compliance awareness among its officers and employees, with the aim to ensure credibility of its internal control system, striving for promoting compliance-based management through regularly holding the “Compliance Committee” established to provide support and guidance to the officers and employees practicing compliance, along with the development of compliance training system based on the specific guidelines for the daily business conduct under the “Tobu Group Compliance Basic Policy.” For the purpose of risk management, the Company has developed and promotes the risk management system, whereby the Company regularly holds meetings of the Risk Management Committee established as a body that coordinates formulation of risk management guidelines and risk management activities, while such meetings may be held ad-hoc in the event of a risk situation to urgently discuss and implement countermeasures. To ensure appropriateness of business operations of the Group, the Group Administration Department that is responsible for the management of subsidiaries, etc., manages and supports the execution of business at subsidiaries, etc., in accordance with the “Group Companies Management Regulations,” while the “Tobu Group Corporate Meetings” and other meetings focused on further reinforcement of the Group governance, are held on a regular basis, to communicate the Group management policies and share management information, and to promote collaboration with subsidiaries, etc., with a view to enhancing corporate value of the Group. In addition, the Company is, with a view to enhancing fairness and transparency of management, engaged in the activities such as the presentation of corporate information through corporate website, along with the IR activities including financial results briefings and the tour of our business establishments along the Tobu railway lines, as part of further effort to provide appropriate information disclosure on a timely basis.

For the purpose of internal audit of the Company and the Group companies, the internal audit division with eight staff including the General Manager established within the Internal Audit Department reviews and evaluates the execution of business from the viewpoints of both legality and rationality, feeding back the information based on the audit results as well as advice/recommendations for improvement to Representative Directors, audited department or officer in charge at the audited company, or other concerned staff of the departments including the internal control division responsible for internal control function, thereby aiming to maintain appropriate business operations as well as the achievement of operational improvement and management streamlining.

For the purpose of audit by the Audit & Supervisory Board Members, five Audit & Supervisory Board Members, including three Outside Audit & Supervisory Board Members, attend the Board of Directors meetings, while engaging in the audit of the execution of duties by Directors, bearing risk management in mind, through the measures, including attendance to important meetings, inspection of important authorization documents, theme-specific audit of the Group companies, hearing from Directors and General Managers, holding of the Group Audit & Supervisory Board meetings, attendance to the financial results briefings at the Group companies, and examination of business operation as well as assets at the Company and the Group companies, all in accordance with audit policy, audit plan and audit work assignment formulated based on the “Standards for Audit by the Audit & Supervisory Board Members” set out by the Audit & Supervisory Board, reporting the progress of such activities to the Audit & Supervisory Board held on a regular basis, forming audit opinion based on deliberation over the audit results, in an effort to ensure audit effectiveness. Audit & Supervisory Board Member Mr. Naotaka Nakajima possesses considerable expertise in finance and accounting earned through his years of experience in the finance and accounting division of the Company.

In the meantime, the Audit & Supervisory Board Members receive report from Directors, as well as the internal control division, regularly and as appropriate, on the development and operation of the internal control system, while requesting explanation as necessary. Moreover, the Audit & Supervisory Board Members exchange opinions with Representative Directors as appropriate on management policies and the important challenges the Company must address, to improve audit effectiveness. Besides, full-time assistant to the Audit & Supervisory Board Members are assigned, whose appointment and transfer are implemented subject to the consultation with the Audit & Supervisory Board Members.

The Company ensures audit effectiveness, by appointing three Outside Audit & Supervisory Board Members who are independent, and not classified as a person who may be subject to significant degree of control by the management, or who may exert significant degree of control over the management, and that with extensive experience and broad insight as corporate manager. Outside Audit & Supervisory Board Members are playing important roles in ensuring fairness of management and contributing to enhancing corporate governance, as their presence prompts Directors to explain about execution of their duties with the awareness that Outside Directors are present, while they have their objective opinions and advice reflected on the management. Thus the Company is determined to maintain the existing structure.

Accounting audit and the audit of the internal controls over financial reporting were carried out from an independent standpoint by KPMG AZSA LLC, who is in audit engagement with the Company. Names of the certified public accountants who conducted the audit for the fiscal year ended March 31, 2017, as well as composite of the team of assistants engaged in the audit are as follows.

- Names of the certified public accountants who conducted the audit
Hideki Yanagisawa, Satoshi Hosoya and Takahiro Togashi
 - Composite of the team of assistants engaged in the audit
18 certified public accountants and 34 other staff
- (Note) Other staff includes successful applicants of the certified public accountant examination and the staff responsible for system audit.
- Mutual coordination between the internal audit, audit by the Audit & Supervisory Board Members, and

accounting audit

The Audit & Supervisory Board Members and the Independent Auditor are working in close collaboration through regular meetings and other means, actively exchanging opinions and information, in an effort to ensure efficient implementation of audits. They present and explain about the respective audit plans to each other. The Audit & Supervisory Board Members receive from the Independent Auditor the summary report on the results of the quarterly review on quarterly financial results and the summary report on the results of audit required under the Companies Act for the year-end financial results, along with the explanation about the main focus of audits, while receiving reports on the matters related to internal control over financial reporting, exchanging opinions with the latter. Furthermore, the Audit & Supervisory Board Members attend audit visits and inspections conducted by the Independent Auditor, as appropriate.

The Audit & Supervisory Board Members and the internal audit division stay in close collaboration in executing auditing duties, including examination of the status of business operations and assets at the Company, as well as the Group companies, in an effort to ensure efficient implementation of audits. The Audit & Supervisory Board Members regularly receive reports on the results of audit, etc. conducted by the internal audit division, exchanging opinions therewith, while effectively utilizing such results in carrying out audit by the Audit & Supervisory Board Members over the internal control system.

The Independent Auditor and the internal audit division have mutual communication and coordination as appropriate, while the internal audit division attends the audit visits conducted by the Independent Auditor as part of the working collaboration.

- Mutual collaboration between supervision/audit by Outside Directors or Outside Audit & Supervisory Board Members, internal audit, audit by the Audit & Supervisory Board Members, and accounting audit, as well as the relationship between them and the internal control division

Outside Directors, at the Board of Directors, perform supervisory function from an objective standpoint over the decision on the countermeasures proposed as appropriate by Representative Directors and Executive Directors as a result of an internal audit, while enhancing the effectiveness of supervisory operation based on the audit report presented by the Audit & Supervisory Board Members and the Independent Auditor.

Outside Directors also engage in the decision on the Internal Control Basic Policy at the Board of Directors, while receiving reports on the development and actual operation thereof.

Outside Audit & Supervisory Board Members receive reports on the results of audit by the internal audit division on a regular basis through the Audit & Supervisory Board as well as Audit & Supervisory Board Members, and utilize such results for the purpose of audit by the Audit & Supervisory Board Members of the internal control system. Meanwhile, Outside Audit & Supervisory Board Members receive from the Audit & Supervisory Board Members briefing documents on audit and quarterly review plans by the Independent Auditor, summary report on the results of the quarterly review, and explanation about the progress of audit visits and inspections conducted by the Independent Auditor. In addition, Outside Audit & Supervisory Board Members receive explanation about the main focus of audits, etc., for the year-end financial results as well as the report on the matters regarding the internal control over the financial reporting, from the Independent Auditor following his attendance to the Audit & Supervisory Board meeting, while exchanging opinions therewith, thereby enhancing the audit effectiveness.

Furthermore, Outside Audit & Supervisory Board Members receive reports from Directors as well as the internal control division through the Audit & Supervisory Board, etc., on the development and operation of the internal control system, on a regular basis or as appropriate, while requesting explanation as necessary.

- Outline of the liability limitation agreements

The Company has entered into liability limitation agreements with Directors who are not Executive Directors, etc., as well as the Audit & Supervisory Board Members to limit their liabilities stipulated in the Article 423, Paragraph 1 of the Companies Act to the amount stipulated by laws and regulations when they act in good faith without gross negligence.

3. Reasons for Adoption of Current Corporate Governance System

As stated in “2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System),” the Company believes that it has already built up a necessary and sufficient corporate governance system, having established a framework with features, including an effective and efficient decision-making system by defining the matters subject to decisions at the Board of Directors as well as the extent of delegation to management, implementation of supervision by the Board of Directors including Outside Directors as well as effective audit conducted by the Audit & Supervisory Board Members including the Outside Audit & Supervisory Board Members, for the purpose of ensuring fairness and efficiency in the execution of duties by Directors, establishment of the internal audit division, promotion of compliance-based management, and the development of a risk management system, apart from limiting Directors’ term of office to one year to clarify management responsibilities, hence the current system and framework are adopted.

III Implementation of Measures for Shareholders and Other Stakeholders

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

Updated

	Supplementary Explanation
Early Notification of General Meeting of Shareholders	The initiatives adopted with respect to the Annual General Meeting of Shareholders held in June 2017 -Notice of the meeting was mailed on June 1, 2017, 21 days prior to the scheduled date of the meeting. -Prior to the mailing, the notice was posted on the websites of Tokyo Stock Exchange as well as the Company on May 25, 2017, 28 days prior to the scheduled date of the meeting.
Allowing Electronic Exercise of Voting Rights	The Company started adopting this method from the Annual General Meeting of Shareholders held in June 2014.
Participation in Electronic Voting Platform	The Company started to participate in the electronic voting platform from the Annual General Meeting of Shareholders held in June 2014.
Providing Convocation Notice (Summary) in English	English version (summary) of the notice was posted on the websites of Tokyo Stock Exchange as well as the Company on May 25, 2017, 28 days prior to the scheduled date of the meeting.
Other	At the General Meeting of Shareholders, visualized explanation is presented to shareholders on the business report as part of the matters to be reported.

2. IR Activities **Updated**

	Supplementary Explanation	Presentation by Representative
Preparation and Publication of Disclosure Policy	This information is published on the Company's website (http://www.tobu.co.jp/ir/outline/)	
Regular Investor Briefings for Analysts and Institutional Investors	Twice a year (after the year-end settlement as well as the second quarter settlement), President personally explains about the financial results, the progress of measures for each segment of the Tobu Group as well as the Tobu Group Medium-Term Business Plan, and other matters. Furthermore, tour of the Group's business establishments is organized once a year.	Yes
Posting of IR Materials on Website	This information is published on the Company's website (http://www.tobu.co.jp/ir/bs/). Contents of the information posted: Presentation materials for the financial results briefing, the FACT BOOK and Monthly Report of Operations	
Establishment of Department and/or Manager in Charge of IR	Department in charge: Finance and Accounting Department Responsible person: General Manager of the Finance and Accounting Department Responsible person for administrative liaison: Manager in charge of IR in the Finance and Accounting Department	

3. Measures to Ensure Due Respect for Stakeholders **Updated**

	Supplementary Explanation
Stipulation of Internal Rules for Respecting the Position of Stakeholders	For the purpose of conscientious and appropriate corporate activities for stakeholders, action guidelines are set out in the “Tobu Group Compliance Basic Policy” and the “Compliance Manual.”
Implementation of Environmental Activities, CSR Activities, etc.	<p>“Social and Environmental Report” is prepared annually and posted on the Company’s website (http://www.tobu.co.jp/csr/report/).</p> <p>Information contained in the report: Comment from the top management, specific cases addressed, communication, environmental management system, environmental load data</p> <p>Meanwhile, “Social and Environmental Report for Children” is separately prepared and distributed at Tobu railway stations, etc.</p>
Development of Policies on Information Provision to Stakeholders	For the purpose of timely and appropriate information disclosure, action guidelines are set out in the Tobu Group Compliance Basic Policy and the “Compliance Manual.”
Other	<p>Since railway business involves working early morning/late night shifts, the Company did not actively recruit female staff until 1999 when regulation restricting female workers from working late at night was lifted. Thereafter, the Company has been endeavoring to expand the scope of career opportunities for women, while committed to developing an environment in which female staff can stay working utilizing their talent. So far the Company has adopted various systems at more far-reaching levels than required by laws, including staggered commuting system, reemployment system, maternity leave system and child-rearing support allowance, to develop an environment featuring 100% childcare leave utilization, 100% short-hour work-shift/staggered commuting utilization, and less than 10% job turnover within the first three years of coming back from childcare leave, and thereby developed an environment allowing workers to stay working with peace of mind, which serves as the basis for promoting female employees to managerial staff.</p> <p>The Company will keep implementing career-awareness training with a view to appointing female managerial staff, while targeting 25% or higher female mix of career-track recruits, to ensure constant increase in the number of female managerial staff.</p>

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

1. Contents of the resolution at the Board of Directors concerning the system
 - (1) System to ensure that Directors and employees of the Company execute their duties in compliance with laws and regulations, and the Articles of Incorporation

To ensure that its officers and employees make decisions and execute business in compliance with laws and regulations, and the Articles of Incorporation, the Company formulates the “Tobu Group Compliance Basic Policy” as principles of conduct related to compliance along with its action guidelines in the form of the Compliance Manual and Compliance Card, which are distributed to all officers and employees, followed up by the compliance training on continuous basis. Meanwhile, the Company develops and promotes compliance-based management system by establishing specific department dedicated to coordination of compliance initiatives across the Company, contact desk for compliance-related whistleblowing and consultation, and the “Compliance Committee” for the purpose of monitoring the progress of the compliance promotion.
 - (2) System for the storage and management of information concerning the execution of duties by Directors of the Company

In accordance with laws and regulations, and the internal regulations, the Company appropriately store and manage the documents regarding the execution of duties and decision-making by Directors, such as the minutes of the Board of Directors meetings and circulars for approval.
 - (3) System for the regulations and other arrangement to manage the risk of loss at the Company

For the purpose of managing risk such as accidents and disasters, the Company formulates the “Risk Management Regulations” and other regulations as part of the internal rules, while the responsible department prepares and distributes manuals, etc. Meanwhile, the “Risk Management Committee,” which is established as an organizational body that coordinates risk management, holds meetings on a regular basis for the purpose of sharing risk information, as well as on as needed basis in the event of risk for the purpose of developing a framework for urgent consultation on, and implementation of, the countermeasures.
 - (4) System to ensure efficient execution of duties by Directors of the Company

The Company executes its business under the authority and responsibility based on the “Regulation on the Execution of Duties.” The Company regularly holds the Board of Directors meetings, for the purpose of making decisions on the important management-related matters, as well as of supervision over the execution of business by Directors. Furthermore, in order to complement the function of the Board of Directors as well as to improve management efficiency, the Board of Managing Directors meetings are held on a regular basis, for the purpose of deliberation over the important management-related matters, as well as sharing of important information concerning business operation, etc.
 - (5) System to ensure the appropriateness of business operations of the corporate group comprising the Company and its subsidiaries, etc.

The Company establishes a specific department that is responsible for the management of subsidiaries, etc., thereby building up a system to manage and support the execution of business at subsidiaries, etc., in accordance with the Group Companies Management Regulations, to ensure within the subsidiaries, etc., the framework for reporting to the Company, risk management

framework, and the framework for ensuring efficiency in business execution, while the internal audit division of the Company carries out audits of subsidiaries, etc., in an effort to further reinforce the Group governance. Meanwhile, the Company develops the Group-wide compliance-based management system in collaboration with subsidiaries, etc., through holding the “Tobu Group Corporate Meetings” on a regular basis and other measures, to communicate the Group management policies and share the information regarding the progress of business execution at subsidiaries, etc., along with management information. Furthermore, the Company develops a system to ensure the appropriateness of business operations concerning financial reporting in accordance with the relevant laws and regulations, including Financial Instruments and Exchange Act, to ensure the credibility of financial reporting, while making assessment of effectiveness of financial reporting, along with improvements to shortcomings.

- (6) Matters regarding the system concerning the employees to assist the execution of duties by the Audit & Supervisory Board Members if such employees are required by the Audit & Supervisory Board Members, and regarding the reassurance of independence of such employees from Directors of the Company, as well as of the effectiveness of the instructions to such employees by the Audit & Supervisory Board Members of the Company

The Company appoints full-time staff under the Audit & Supervisory Board Members, who assist the execution of duties by the Audit & Supervisory Board Members of the Company based on the instructions thereof. Appointment and transfer of such full-time staff under the Audit & Supervisory Board Members are implemented subject to the consultation with the Audit & Supervisory Board Members.

- (7) System for allowing Directors and employees of the Company and its subsidiaries, etc., to report to the Audit & Supervisory Board Members of the Company, as well as the system for ensuring that any person who has made report to the Audit & Supervisory Board Members of the Company will not be subjected to unfair treatment because of making such report

The Audit & Supervisory Board Members of the Company attend the Board of Directors meetings and other internal meetings, including the Board of Managing Directors meetings where important management-related matters are reported and deliberated, while inspecting circulars for approval and other important documents concerning business execution and decision-making, requesting explanation from Directors or employees of the Company as necessary. The Audit & Supervisory Board Members of the Company also receive reports on the execution of business at subsidiaries, etc., through organizing the “Group Audit & Supervisory Board” meetings and other measures, while receiving on a regular basis the results of audit of subsidiaries, etc., as conducted by the internal audit division. The Company and its subsidiaries, etc., develop a whistleblowing system, prescribing appropriate treatment of the whistleblowers.

- (8) Matters regarding the policy for the processing of expenses or obligations arising from the execution of duties by the Audit & Supervisory Board Members of the Company, including the procedures for the advance payment or reimbursement of such expenses

The Company cooperates with the execution of duties by the Audit & Supervisory Board Members of the Company, and bears the various expenses necessary for their audit.

- (9) Other system to ensure effective execution of audit by the Audit & Supervisory Board Members of the Company

The Audit & Supervisory Board Members of the Company regularly hold the Audit & Supervisory Board meetings based on the audit policy and audit plan formulated based on the “Standards for Audit by the Audit & Supervisory Board Members,” while specifying the matters to be reported from

Directors of the Company, exchanging opinions with Representative Directors as appropriate on the management policy, important challenges the Company must address, etc.

2. Outline of the operation of the internal control system

(1) Initiatives for compliance

The Company and the Group companies have endeavored to develop and enhance the compliance-based management system across the Group, staying focused on promoting compliance awareness, using the “Tobu Group Compliance Basic Policy” as principles of conduct, implementing measures including various trainings on compliance, while prescribing appropriate treatment of the whistleblowers.

Meanwhile, the “Tobu Group Liaison Council” has been organized with a view to eliminating anti-social forces, to ensure ongoing framework for reinforcing the protection against anti-social forces and sharing information and countermeasures, etc., across the Group.

(2) Initiatives for risk management

For the purpose of risk management at normal times, the “Risk Management Committee” and the “Risk Management Working Group,” a body for providing recommendations and reporting to the Committee, were held twice each, to promote the risk prevention and awareness.

As part of the disaster countermeasures, the Company actively engaged in various disaster drills, including the implementation of a drill for the safety confirmation system to check post-disaster safety of all employees, etc., along with other drills as an effort to develop disaster-preparedness as a railway operator, such as disaster drill involving nine municipalities including Tokyo, prefectures and cities, and the comprehensive emergency drill.

(3) Initiatives for safety measures

For the purpose of maintenance and enhancement of the safety management system, the Company ensured and promoted implementation of safety measures through verification and inspection of the practice of such measures at each department, at the “Railway Management Conference” and the “Committee for Promoting Safety including Railway Accident Prevention,” etc., held on a monthly basis, while promoting exchange of opinions between the field operations division and the head office division, and verifying the progress of the field work as well as various initiatives, through the “Meeting for Exchanging Opinions between the Field Operations and the Head Office” and “Safety Patrols,” etc. In addition, the Company conducted safety audit for the purpose of verification, assessment and improvement to ensure appropriate operation of the safety management system at each department of the Railway Business Division, and checked the status of implementation of PDCA cycle.

Also, “The 6th Tobu Group Transport Operators Safety Promotion Liaison Meeting” was held for the purpose of enhancing the safety management system at each Group company, whereby progress of the safety-related initiatives was reported from each company.

(4) Initiatives for enhancing efficiency in business execution as well as for the storage and management of information related to business execution

12 meetings of the Board of Directors were held to make decisions on the important management-related matters, as well as to supervise the execution of duties by individual Directors, while the proceedings of the meeting are recorded in the form of the minutes, stored and managed appropriately. Proposals for the Board of Directors meeting are presented to each attendee beforehand to ensure adequate deliberation.

Meanwhile, for the purpose of complementing the function of the Board of Directors as well as for improving management efficiency, 21 meetings of the Board of Managing Directors were held to have deliberation over the important matters concerning the business operation.

(5) Initiatives for ensuring the appropriateness of the business operation within the Group

With respect to the Group companies, guidance and supervision over the business execution at each company have been provided on a daily basis, primarily by the Group Administration Department, while the “Tobu Group Corporate Meetings” were held twice, inviting the management of each company, as part of an effort to thoroughly communicate the Group management policy. The Internal Audit Department carried out internal audit as well as audits of the Group companies, for the purpose of reinforcing and enhancing monitoring function over the Company and Group companies, as well as further enhancing the effectiveness of the internal control system at the Group level.

With respect to the internal control over financial reporting, status of its development and operation was assessed, and review of business process was instructed for the areas requiring improvements, which were followed up by the verification of the progress status and improvement results of the remedial measures taken.

(6) Initiatives for ensuring the effectiveness of audit by the Audit & Supervisory Board Members

The Audit & Supervisory Board Members attended important meetings, including the Board of Directors meetings, the Board of Managing Directors meetings, meetings of Management Liaison Meeting, meetings of Liaison Meeting for Revitalization of Railway Area, and the financial results briefings at the Group companies, while inspecting important authorization documents, etc., receiving reports from the Internal Audit Department on the audit results describing the status of internal control, along with hearing from Directors and General Managers of various departments for collecting information, thereby carrying out audit of the execution of duties and decision-making by Directors.

Six meetings of the Audit & Supervisory Board were held in accordance with the annual audit policy and audit plan, while opinions were exchanged between the Audit & Supervisory Board Members, Representative Directors and the Independent Auditor. Furthermore, four meetings of the Group Audit & Supervisory Board were held whereby reports were made by the audit & supervisory board members of the Group companies, while reports were made as appropriate on the important matters and information such as audit results, by directors and employees of the Group companies, as well as the Group Administration Department and the Internal Audit Department. At the same time, a system is in place in which the Audit & Supervisory Board Members receive reports concerning whistleblowing within the Company, while the appropriate Audit & Supervisory Board Members receive reports on whistleblowing within the Group companies from the concerned Group companies or the Group Administration Department.

In the meantime, two full-time staffs were placed to assist the execution of duties by the Audit & Supervisory Board Members based on the instruction of the Audit & Supervisory Board Members, and the expenses required in the course of their activities were borne by the Company.

2. Basic Views on Eliminating Anti-Social Forces

1. Basic principles

The Company shall stand firmly against the anti-social forces that threaten order and security of civic society, rejecting categorically any demand, etc. therefrom.

2. Status of development

The Company has, with a view to preventing the anti-social forces from interfering with its management activities, as well as from inflicting damage, introduced the anti-social forces exclusion

clause in the wording of contracts with business partners, while including in the Compliance Manual the procedure to deal with the anti-social forces, as measures to ensure that such procedure be known to all officers and employees. In order to be prepared against undue demand by the anti-social forces, General Affairs and Legal Department has been appointed as the department responsible for coordinating actions against the anti-social forces, including development of close collaboration, from peacetime, with the external expert organizations such as the police authority, Tokyo Metropolitan Center for Elimination of Crime Syndicates and attorneys, for gathering and managing information on the anti-social forces, while relevant trainings are provided to the Group companies as appropriate through the “Tobu Group Liaison Council.” In the event of undue demand by the anti-social forces, actions to be taken shall follow the basic and specific procedures to deal with such demand as part of the countermeasures against the anti-social forces including organized crime groups, as presented by Tokyo Metropolitan Center for Elimination of Crime Syndicates, etc.

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures

Adopted

Supplementary Explanation

The Company decided, by the resolution at the Annual General Meeting of Shareholders held on June 26, 2015, to introduce the countermeasures in response to large-scale purchase of shares of the Company with a view to preventing abusive acquisition of the Company, etc., as an initiative for ensuring its corporate value and common interests of its shareholders, as well as the safety of transport provided by the Company as the basis of the customer confidence.

For the detail of the aforementioned countermeasures, please refer to the “Notice of Countermeasures to Large-scale Purchase of Shares of the Company (Takeover Defense Measures),” materials for disclosure to the Tokyo Stock Exchange dated May 20, 2015, as posted on the website of the Company (<http://www.tobu.co.jp/ir/>).

The Company has decided as follows its basic policy with respect to the attitude which ought to be taken by persons who control over the decisions on the financial as well as business policies of the Company.

1. Outline of the basic policy

While the Company is determined to further pursue its initiatives for the purpose of ensuring and enhancing its corporate value and common interests of its shareholders, as well as ensuring the safety of transport in the Company’s core business, transportation business, we recently observed cases in the Japanese stock market, etc., in which large-scale purchase of shares of a company was forced through on a one-sided basis, without obtaining consent of the management of the targeted company.

Naturally, the Company would not flatly refuse all large-scale purchases of its shares, insofar as they may contribute to ensuring and enhancing its corporate value and common interests of its shareholders, as well as the safety of transport provided by the Company.

However, there are actual cases of large-scale purchase of shares in a company that are found not to contribute to ensuring and enhancing such targeted company’s corporate value and common interests of its shareholders, as well as the safety of transport, as they should, judging from their objectives, etc., clearly damage the efforts to ensure and enhance the corporate value of such targeted company and common interests of its shareholders, as well as the safety of transport, or may effectively coerce shareholders into selling their shares, or do not provide enough time and information for the Board of Directors and shareholders of the targeted company to fully review terms of the purchase, or for the Board of Directors of the targeted company to prepare alternative proposals.

The Company believes that it is essential for the Company to keep maintaining and promoting as ever the provision of “safety and security” as the basis of its management, and the basic principles concerning its public mission as a railway operator, in order to continuously ensure and enhance its corporate value and common interests of its shareholders, through solidifying credibility and establishing basis for growth.

The Tobu Group has formulated the “Tobu Group Medium-Term Business Plan 2014-2016,” and actively creates businesses with earnings potential over the period up to 2020, on top of focusing on the reinforcement of the earnings basis of each existing business including the TOKYO SKYTREE TOWN project, materialized

during the term of previous medium-term business plan, the “Tobu Group Medium-Term Business Plan 2010-2013,” thereby aiming to achieve sustainable growth over the future periods.

In the event that the aforementioned management strategy should be switched, by the large-scale purchaser of shares of the Company, to a management style in pursuit solely of short-term profit, it should impair the efforts to ensure and enhance its corporate value and common interests of its shareholders, as well as the safety of transport provided by the Company.

In view of the aforementioned circumstances, the Board of Directors of the Company believes that it is essential, for the purpose of preventing the inappropriate purchase of shares in the Company from impairing the efforts to ensure and enhance its corporate value and common interests of its shareholders, as well as the safety of transport provided by the Company, to develop a framework against such large-scale purchase before it actually happens, which ensures sufficient information and time for shareholders to decide whether or not to accept the proposal for the purchase, and for the Board of Directors of the Company to prepare alternative proposals, enabling negotiating with the purchaser for the benefit of shareholders.

2. Specific initiatives

- (1) Special initiatives that contribute to effective utilization of the Company asset, appropriate formation of corporate group, and other fulfillment of other basic policies

While the Tobu Group with the Company at the core engages in its business activities through solidifying credibility and establishing basis for growth, with a view to ensuring and enhancing its corporate value and common interests of its shareholders, as well as the safety of transport it provides, the Company believes that the core element of such business activities should be the provision of “safety and security,” and that to keep providing “safety and security” which are the basis of confidence in all businesses, should be fundamental to ensuring and enhancing the entire Tobu Group’s corporate value and common interests of its shareholders.

The Company shall seek to continuously ensure and enhance its corporate value and common interests of its shareholders, through endeavoring to strengthen management base that ensures continuous growth of earnings in each segment of leisure, real estate, retail distribution and other besides the main stay segment of transportation, with a view to achieving the Group’s medium- to long-term growth.

- (2) Initiatives for preventing the decision-making on the policies of the Company’s finance and business operation from being controlled by the parties inappropriate in light of the basic policy

The Company obtained approval on the introduction of the “Countermeasures in Response to Large-scale Purchase of Shares of the Company (Takeover Defense Measures); (hereinafter the “Plan”),” at the Annual General Meeting of Shareholders held on June 26, 2015.

The Plan is intended, in the event of a large-scale purchase of shares of the Company, to ensure and enhance its corporate value and common interests of its shareholders, as well as the safety of transport provided by the Company, through managing to secure necessary and sufficient information and time for shareholders to make an appropriate judgment, as well as the opportunity for the Company to negotiate with the purchaser.

The Plan is intended for a purchase in which total holding ratio of the holder and its joint-holders of the share certificates, etc., issued by the Company, exceeds 20%, or a public tender offer in which total ratio of the offeror’s holding of share certificates, etc., issued by the Company, subject to the tender offer, and the specially related parties’ holding of such share certificates, etc., exceeds 20%, (hereinafter collectively referred to as the “Purchase, etc.,” while the parties conducting the Purchase, etc., as the “Purchaser, etc.”).

In the event of the Purchase, etc., of the share certificates, etc., of the Company, the Purchaser, etc., involved in such Purchase, etc., will be requested to submit a document containing the information necessary to consider the details of the purchase, as well as the pledge to comply with the procedures set out under the Plan. Then such information presented by the Purchaser, etc., and the opinions regarding

the details of the Purchase, etc. by the Purchaser, etc., along with supporting documents, as well as the alternative proposal presented by the Board of Directors as appropriate, shall be subject to review and evaluation by the Independent Committee consisting exclusively of the members independent from the management engaged in execution of business of the Company. Based on the advice obtained from independent third parties as necessary, the Independent Committee takes actions, including review of the details of the Purchase, etc., review of the alternative proposal presented by the Board of Directors of the Company, discussions and negotiations with the Purchaser, etc., and disclosure of relevant information to shareholders via the Board of Directors of the Company.

If the Purchaser, etc., does not comply with the procedures established in the Plan, or if the Purchase, etc. by the Purchaser, etc., is found, following the review of the details of the Purchase, etc., to clearly damage the efforts to ensure and enhance its corporate value and common interests of its shareholders, as well as the safety of transport provided by the Company, constituting a situation that meets one of the criteria set out under the Plan, reasonably justifying the judgment to implement gratis allotment of stock acquisition rights, the Independent Committee makes recommendation to the Board of Directors of the Company for such implementation. Even in the case where the Independent Committee finds it reasonable to implement the gratis allotment of stock acquisition rights, if the Committee believes that such implementation should be finalized subject to the resolution of the General Meeting of Shareholders, the Committee recommends the Board of Directors of the Company to convene the General Meeting of Shareholders, and submit thereto the proposal for implementing the gratis allotment of stock acquisition rights. The stock acquisition right shall entitle its holder to acquire one share in the Company in principle, on condition that the holder pays in an amount specified by the Board of Directors of the Company in the resolution for the gratis allotment of stock acquisition rights, within the range between the lower limit of one yen and the upper limit of 50% of the market price of one such share, subject to the condition for exercise that the Purchaser, etc., is not allowed to exercise such rights. The stock acquisition right also are subject to the terms of acquisition, which allows the Company to acquire the stock acquisition right from parties other than the Purchaser, etc., in exchange for shares of the Company, whereby the Company shall, in the event of an acquisition based on such terms of acquisition, be able to deliver the applicable number of shares in exchange for one stock acquisition right. The Board of Directors of the Company shall, fully respecting the aforementioned recommendation by the Independent Committee, make resolution to implement, or not to implement, the gratis allotment of stock acquisition rights. However, the Board of Directors of the Company shall, in the event of the recommendation by the Independent Committee for convening the General Meeting of Shareholders, and submitting thereto the proposal for implementing the gratis allotment of stock acquisition rights, make resolution to promptly convene a General Meeting of Shareholders and submit thereto such proposal, unless it involves extreme difficulty in holding such General Meeting for reasons including practicality. In the event of the aforementioned decision, the Board of Directors of the Company promptly makes a disclosure of the outline of such resolution and other information as deemed appropriate by the Board of Directors of the Company.

Effective period of the Plan expires at the conclusion of the Annual General Meeting of Shareholders for the last fiscal year ending within three years after the conclusion of the Annual General Meeting of Shareholders held on June 26, 2015. However, the Plan shall be abolished at any time before the expiry of its effective period, subject to the resolution of the General Meeting of Shareholders of the Company, to withdraw the aforementioned delegation to the Board of Directors for the decisions on the matters related to gratis allotment of stock acquisition rights with respect to the Plan, or subject to the resolution of the Board of Directors of the Company to abolish the Plan.

Introduction of the Plan should not have any specific direct impact on shareholders, unless the gratis allotment of stock acquisition rights is carried out. On the other hand, if the gratis allotment of the stock acquisition rights is carried out, value of the shares held by shareholders may be subject to dilution unless the procedures for exercising the stock acquisition rights are followed by shareholders (provided,

however, that if the Company carries out acquisition of the stock acquisition rights in consideration of the shares of the Company, shares held by shareholders are not subject to such dilution).

- (3) Evaluation of the specific initiatives by the Board of Directors of the Company and the reasons therefor
- The initiatives described in 2 (1) above have all been formulated as concrete measures that contribute to ensuring and enhancing the Company's corporate value and common interests of its shareholders, as well as the safety of transport provided by the Company, and thus are in line with the basic policies of the Company.

As described in 2 (2) above, the Plan has been introduced with a view to ensuring and enhancing its corporate value and common interests of its shareholders, as well as the safety of transport provided by the Company, and thus is in line with the basic policies of the Company. It must be emphasized that the Plan is not intended to preserve the current positions of the officers of the Company, but is reasonable and contributes to ensuring and enhancing its corporate value and common interests of its shareholders, as well as the safety of transport provided by the Company, as its fairness and objectivity are ensured by the facts that the Plan has been introduced based on the resolution of the General Meeting of Shareholders of the Company, and thus respects the shareholders' intention, that rational and objective trigger criteria have been established, that the Plan can be triggered subject at all times to the decision of the Independent Committee established to consist exclusively of the members independent from the management engaged in execution of business of the Company, that the Independent Committee shall be able to obtain advice from the independent third parties at the expense of the Company, that a General Meeting of Shareholders shall, in the event of the recommendation by the Independent Committee for convening the General Meeting of Shareholders, and submitting thereto the proposal for implementing the gratis allotment of stock acquisition rights, be convened promptly for submitting thereto such proposal, unless it involves extreme difficulty in holding such General Meeting for reasons including practicality, and that the Plan has a fixed effective period of around three years, and can be abolished at any time before the expiry of the effective period, subject to the resolutions of the General Meeting of Shareholders, or of the Board of Directors of the Company.

2. Other Matters concerning Corporate Governance System

[Outline of Timely Disclosure System]

1. Basic Stance on Timely Disclosure

The Company has, for the purpose of ensuring management transparency to shareholders, investors and society in general, set out the policy for active disclosure of information such as operating results and status of business under the IR guidelines, which is posted on the Company's website.

Furthermore, the "Tobu Group Compliance Basic Policy" has been established as guidelines for the officers and employees of the Group, in which our primary attitude is described in a statement "On the basis of the trust of investors earned through timely and appropriate information disclosure, we will promote conscientious corporate activities, aiming to enhance corporate value through business development flexibly adapting to the change in business environment," in an effort to have it known across the Group.

2. Internal System for Timely Disclosure

Timely disclosure of the corporate information subject to timely disclosure in accordance with the rules of Tokyo Stock Exchange, and other information that may influence the share price of the Company (hereinafter collectively the "information for timely disclosure") is managed as follows, by the officer in charge of General Affairs and Legal Department acting as the officer responsible for handling information.

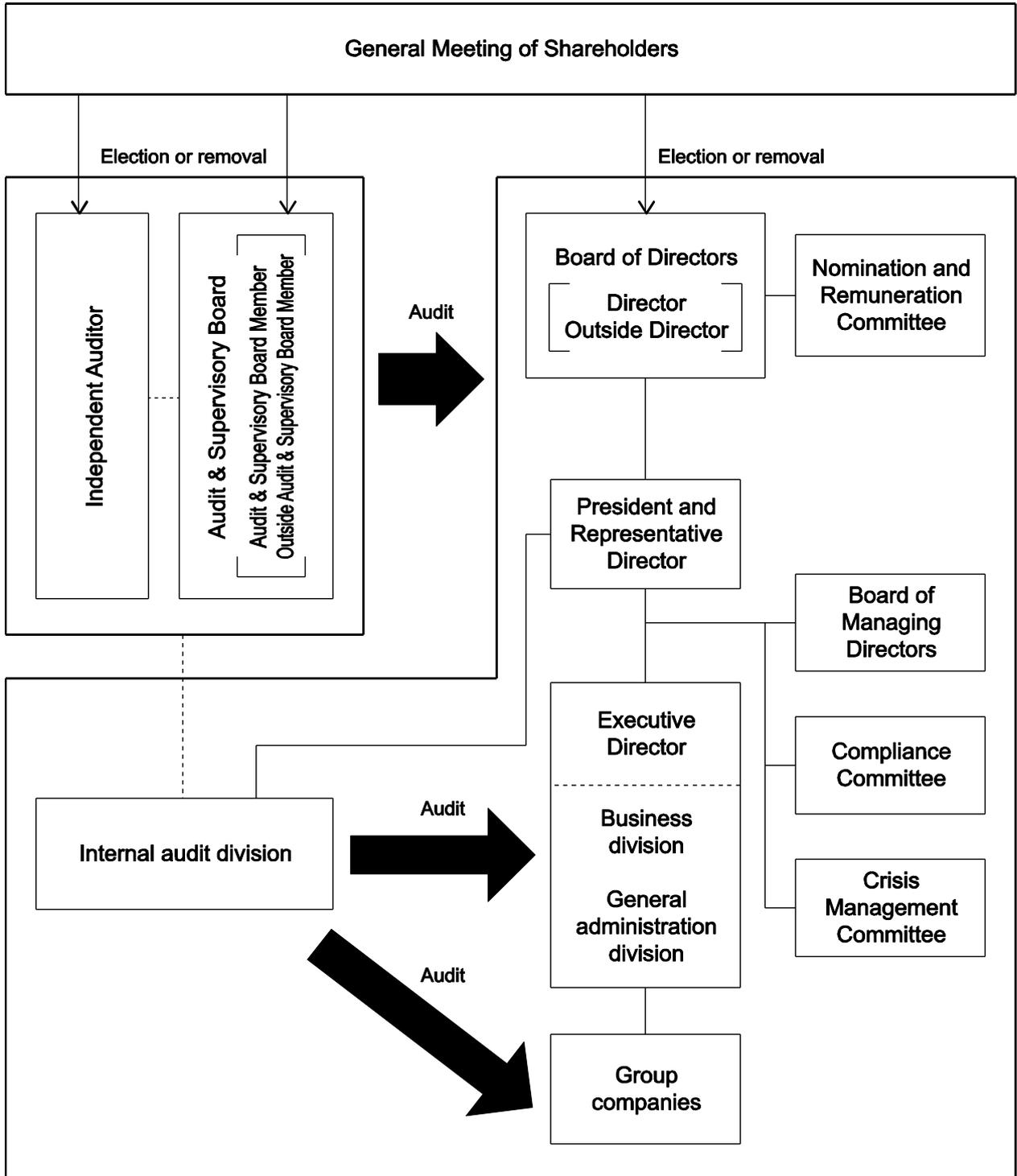
(1) Collection of information for timely disclosure and decision to make timely disclosure

In the event of information for timely disclosure arising at each department as well as the Group company, the concerned department (Group Administration Department of the Company in the case of information arising in the Group companies) verifies such information, and reports it to the General Affairs and Legal Department. If it is not certain whether such information constitutes the information for timely disclosure, concerned officers including primarily the officer in charge of the General Affairs and Legal Department consults to determine whether such information should be subject to timely disclosure.

(2) Timely disclosure to Tokyo Stock Exchange

Management decisions and financial information are approved first by the Board of Directors, and then they are further approved by the President, Representative Directors, and the officer in charge of the General Affairs and Legal Department and served for timely disclosure by the General Affairs and Legal Department. Regarding occurrences of events, they are approved by the President, Representative Directors, and the officer in charge of the General Affairs and Legal Department and served for timely disclosure by the General Affairs and Legal Department after the events occurred.

Corporate Governance Structure of the Company



Outline of the timely disclosure system

Information for timely disclosure

Information on the Group companies	Financial information	Management decisions	Occurrence of events
------------------------------------	-----------------------	----------------------	----------------------

Department in charge



Group Administration Department	Finance and Accounting Department	Corporate Planning Department, Group Administration Department, General Affairs and Legal Department, Finance and Accounting Department, etc.	
---------------------------------	-----------------------------------	---	--

Collection of information for timely disclosure



General Affairs and Legal Department

Decision to make timely disclosure

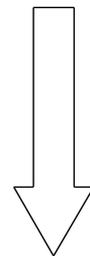


Subject to discussion by the concerned officers including primarily the officer in charge of General Affairs and Legal Department (officer responsible for handling information)
--

Approval for the management decisions and the financial information



The Board of Directors, etc.



Approval for the disclosure of the information for timely disclosure



President, Representative Directors, officer in charge of General Affairs and Legal Department
--

Timely disclosure



General Affairs and Legal Department



Tokyo Stock Exchange
