



May 25, 2020

To Our Shareholders

TOBU RAILWAY CO., LTD.

Yoshizumi Nezu, President and Representative Director

(TSE 1<sup>st</sup> Section Securities Code 9001)

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## Supplementary Explanation

### Regarding Proposal 2 of the 200<sup>th</sup> Annual General Meeting of Shareholders

Following the receipt of feedback from our Shareholders, we would like to offer the following supplementary explanation regarding the independence of Masanori Yanagi, Candidate No. 12 under Proposal 2: Election of Twelve (12) Directors at our 200<sup>th</sup> Annual General Meeting of Shareholders (hereinafter, the "Meeting"), scheduled for June 23, 2020.

#### 1 Proposal

Proposal 2: Election of Twelve (12) Directors

Candidate No. 12 Masanori Yanagi (New Candidate, Outside Director, Independent Director)

#### 2 Supplementary Explanation

##### (1) Reason for nomination as candidate for Director

Mr. Yanagi **had been supporting, from an investment and lending perspective, highly public and high-level policy projects for many years** since joining Japan Development Bank (currently Development Bank of Japan Inc. (hereinafter the "Bank")) in 1974. **He was appointed as President of the Bank after having served many important positions within the Bank, and is a highly competent and insightful individual.** We expect him to provide opinions and advice from an **objective standpoint independent of management** based on his **knowledge of the transportation industry**, his experience of management restructuring at an airline company and on his extensive experience in investment and financing. Since 2018, he has been serving as Director of The Japan Economic Research Institute and has been working on research activities for the development of the Japanese economy.

Our Group's business has the following characteristics. Firstly, we are expected to fulfill our public and social mission to **maintain and continue businesses which are part of the social infrastructure and are highly important for the public**, such

as the railway and radio tower industries. Secondly, we formulated the “Tobu Group Long-Term Management Framework” with a **long-term view of planning, examining and executing a great number of business projects** in anticipation of the Tokyo Olympic and Paralympic Games, and the completion of the redevelopment project of the west exit of Ikebukuro Station, which will be a large-scale town development of approximately six hectares. Lastly, we have set the following **three pillars of management strategy** for the long-term management of the Group: ① promotion of growth investment, ② maintenance of financial soundness, ③ further enhancement of shareholder return.

Given this situation and after deliberation by the Nominating and Remuneration Committee, we believe that Mr. Yanagi can provide advice based on his accumulated specialized knowledge and experience in finance and investing, as well as his wide-ranging external network. We believe that he will actively help our Group **promote investment for growth and maintain financial soundness, which will lead to increased corporate value over the medium-to-long term.** Therefore, we nominate him as a candidate for Outside Director.

## (2) Independence

Our Company has a loan with the Bank, in which Mr. Yanagi served as an executive. Although the amount of the loan (171.3 billion yen) is 10.3% of the Company’s consolidated total assets as of March 31, 2020, the Bank is only one of several lenders to the Company and we do not depend solely on the Bank for financing. Furthermore, for the following two reasons, **the Bank is not a business partner that has a significant influence on the Company’s decision making, and therefore, we do not believe that this will affect Mr. Yanagi’s independence.**

- ① The Bank is not a for-profit institution and is 100% owned Government Corporation. The Bank aims to contribute to Japan’s economic and social policies by supporting critical policy projects. Additionally, the Bank is not affiliated with any particular corporate group and takes a neutral position on all projects.
- ② The Bank’s operations are mainly for long-term investments and loans for projects that meet goals as laid out in law. The scope and methods of the Bank’s operations are governed by such laws and regulations.

Furthermore, Mr. Yanagi **meets the requirements for independence established by the Tokyo Stock Exchange, and the Company has registered him with the TSE as an Independent Director.**

Based on the above, the Company believes that there are no problems with his independence and that **he is a suitable candidate for Outside Director.**

## (3) Enhancement of Corporate Governance

We recognize that the enhancement of corporate governance is one of the most

important management issues, and have been undertaking various initiatives regarding this. As part of our initiative, we **introduced the Executive Officer system** in 2018 to clarify execution authorities and responsibilities, in which Executive Officers carry out execution of business under the command and supervision of Representative Directors. Under this system, **the Board of Directors have the primary role of making decisions on management and supervising business execution**, thereby strengthening the Board's function.

In addition, at this Meeting, we are actively promoting the appointment of Outside Directors and Auditors to strengthen the oversight function of the Board, and plan to **increase the number of Outside Director by two, including one female Director**. Consequently, the ratio of Outside Directors after this Meeting will be 33.3% (4 out of 12, including 1 female). The independence ratio will increase significantly from last year's 20.0%, and **the Board's composition in terms of gender will also be ensured**.

Furthermore, in order to strengthen the independence and objectivity of the Board of Directors, we have established the Nominating and Remuneration Committee as an advisory body to the Board. **The Nominating and Remuneration Committee consists of a majority of Independent Outside Directors and is chaired by an Independent Outside Director**. Additionally, we have established a system to ensure the transparency and objectivity of the nomination process. The Board of Directors decided on the contents of Proposal 2 after consulting with the Committee.

Going forward, we will continue to strive to enhance corporate governance and strive for sustainable growth and medium-to-long term enhancement of corporate value.

We would like to ask all of our shareholders to carefully consider all the points above, and we ask for your understanding before exercising your voting rights.

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