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Nankai Electric Railway Co., Ltd.

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The corporate governance of Nankai Electric 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

We recognize that the strengthening of corporate governance functions is an important management issue. For this reason, we strive to implement strict adherence to laws and regulations first of all, while seeking to practice very transparent management and fair and rational decision-making, as well as strengthen the supervisory functions that oversee these processes. At our company, we respect all of the principles in “Japan’s Corporate Governance Code,” which was established by the Tokyo Stock Exchange. We will continuously make efforts to examine and enhance our corporate governance functions with the aim of achieving sustainable growth and the enhancement of corporate value over the medium and long term.

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

The Company implements all the principles of the Corporate Governance Code.

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

[Principle 1-3]

The Company strives to strengthen its financial standing, placing great emphasis on the balance between interest-bearing debt and cash flows. We have also been making efforts to achieve the sustainable growth of corporate value while promoting investment that contributes to the improvement of profitability in the future. With respect to the return of gains to shareholders, the Company intends to pay stable dividends to its shareholders. In the medium term business plan, the Company discloses quantitative targets; consolidated operating income, and the ratio of interest-bearing debt to EBITDA.

[Principle 1-4]

If the Company determines that a business relationship with any party contributes to the improvement of the Group’s corporate value in the medium to long term, the Company holds strategic shareholdings with a view to maintaining and strengthening such business relation.

Shares currently held as strategic shareholdings are reviewed every year at the Board of Directors’ meeting where they are examined quantitatively using the Company’s cost of capital as the standard. If the rationality of strategic shareholding is deemed to be weak for certain stocks, the Company shall reduce the number of shares held as swiftly as possible.

With respect to the exercise of voting rights, in cases such as the following where there will be a significant impact on the issuing company's corporate value or on its transactions with the Company, the Company shall determine whether it is for or against proposals based on dialogues, etc. with the issuing company as necessary.

- When a significant worsening of business performance has persisted for a period of time
- When there is a major scandal
- When a proposal that goes against the interests of controlling shareholders is submitted
- When a proposal is submitted regarding a capital policy that brings about a change in the Company's control or large-scale dilution
- When a proposal that will have a significant impact on the issuing company's transactions with the Company is submitted

[Principle 1-7]

With regard to conflict-of-interest transactions by Directors, the Company requires an approval of the Board of Directors in compliance with the laws and regulations. The outline of the results shall be reported promptly at the Board of Directors' meeting following the execution of such transaction. However, the outline of the results concerning conflict-of-interest transactions on a recurring basis shall be reported on a quarterly basis. In addition, with regard to transactions with major shareholders (those holding voting rights equivalent to 10% or more of the total voting rights), the Company takes the same measures as those required for conflict-of-interest transactions by Directors at the Board of Directors' meeting. The Board of Directors shall deliberate on the relevant matters impartially with a view to ensuring the common interests of the Company and its shareholders.

[Principle 2-6]

For the management of the Company's corporate pension fund, an Asset Management Committee has been established. The said Committee receives reports on the management of the pension fund, and conducts monitoring efforts as appropriate. The said Committee is comprised of members with knowledge on the Stewardship Code and the management of funds, such as Chief Manager of Accounting & Finance Department and Chief Manager of Personnel Department.

[Principle 3-1]

(1) The Company discloses its Corporate Philosophy, Group business guidelines, Nankai Group Management Vision 2027 and the medium term business plan on the Company's website, etc.

- Corporate Philosophy  
<http://www.nankai.co.jp/company/company/>
- Group business guidelines
- Nankai Group Management Vision 2027
- The medium term business plan  
<http://www.nankai.co.jp/company/keikaku/>

(2) Basic views on corporate governance and basic policies are as provided above in "1. Basic Views."

(3) Policies and procedures for the Board of Directors of the Company to determine the compensation for Directors are as provided below in "Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods" shown in [Director Remuneration] included in "1. Organizational Composition and Operation" listed in "II Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management."

(4) The Company selects persons in managerial positions with knowledge about the Group's operations as well as specialists in safety management of transportation as candidates for Directors from within the Company. In addition, as candidates for Outside Directors, the Company selects persons who have knowledge and experience as business managers, and can be responsible for management supervisory function from their independent standpoints without any mutual relationship which may impose significant control over the management of the Company.

With respect to candidates for Auditors, the Company selects persons well versed in the Group's operations as candidates for Full-Time Senior Corporate Auditors from within the Company. The Company also select persons as candidates for Outside Auditors who have knowledge related to legal

affairs, finance and accounting, and can be responsible for the function to ensure the effectiveness of audits from their independent standpoints without any mutual relationship which may impose significant control over the management of the Company.

The matters related to the determination of candidates for Directors and those for Auditors, the selection of Representative Directors and the appointment of Corporate Officers are submitted to Nomination Committee for opinions and advice of Outside Directors, prior to the determination at the Board of Directors' meeting.

For a Director or Corporate Officer for which any of the following applies, after deliberation via Nomination Committee, the Board of Directors shall determine if the said Director or Corporate Officer shall be dismissed from his or her position or responsibilities, and if necessary, submit a proposal to the general meeting of shareholders regarding the Director's dismissal.

- When there is a violation of obligations in duties, or negligence of duties
- When there is misconduct not befitting of a Director or Corporate Officer
- When there is a mental or physical disability that prevents the execution of duties, or makes the execution intolerable

(5) In the event of personnel changes in Representative Director(s), the explanation regarding the nomination of new Representative Director(s) is provided in a timely disclosure material at the time of selection. As for candidate(s) for Director(s) and Auditor(s), the explanation regarding the nomination of the respective candidate(s) is provided in the Reference Documents for the General Meeting of Shareholders.

On the other hand, when the Board of Directors decides to dismiss a Director or Corporate Officer from his or her position or responsibilities, or submits a proposal to the general meeting of shareholders regarding a Director's dismissal, the explanation regarding the dismissal is provided in a timely disclosure material at the time the dismissal is determined.

[Supplementary Principle 4-1-1]

In order to strengthen the supervisory function of the Board of Directors and establish agile business execution systems, the matters to be submitted to the Board of Directors' meeting shall be clearly defined by standards which specify the property, the amount of money involved, etc. based on the resolutions of the Board of Directors' meeting in consideration of the Company's consolidated total assets and risk of each item, etc. For the treatment of matters other than those mentioned above, the Company intends to develop internal regulations which clearly stipulates the standards for authority and decision-making in order to appropriately delegate authorities from the Board of Directors to the Company management team members, thereby the efficiency of business execution is optimized and increased.

[Principle 4-9]

The standards for determining the independence of Outside Directors and Outside Auditors are as provided below in "Matters relating to Independent Directors/Auditors" shown in [Independent Directors/Auditors] included in "1. Organizational Composition and Operation" listed in "II Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management."

[Supplementary Principle 4-11-1]

Based on the Company's business characteristics whose social responsibility is to ensure safe transportation, the Company believes that it is necessary for us to appoint an appropriate number of Directors from within the Company who are well versed in the railway business and safety management of transportation. In addition, the Company shall appoint several Outside Directors so that they account for one third of the Company's Board of Directors in order to ensure the objectivity and transparency of managerial decision-making processes.

The Company selects persons in managerial positions who are well versed in a diverse range of business operations including the railway business as candidates for Directors from within the Company. The Company also selects the candidates for Outside Directors in accordance with "Independence Standards for Outside Officers" provided in [Principle 4-9].

The matters related to the determination of candidates for Directors and the selection of Representative Directors and Corporate Officers are submitted to Nomination Committee for opinions and advice of Outside Directors, prior to the determination at the Board of Directors' meeting.

[Supplementary Principle 4-11-2]

Upon selecting the candidates for Outside Directors and Outside Auditors, the Company takes their status of concurrent positions into account. The status of significant concurrent positions of Outside Directors and Outside Auditors is disclosed on an annual basis in the Business Report attached to notice of convocation of the general meeting of shareholders as well as securities reports.

[Supplementary Principle 4-11-3]

The Company shall conduct annual analysis and assessment at the Board of Directors' meeting on the effectiveness the Board of Directors as a whole based on the results of self-assessment in a survey for all Directors and Auditors.

For fiscal 2019, the Company has concluded that the Board of Directors of the Company has been operated favorably for the most part, and the effectiveness of the Board of Directors as a whole was maintained as it was confirmed that issues identified as a result of the previous fiscal year's analysis and assessment were improved to a certain extent. On the other hand, issues that require improvement still remain; ensuring implementation of the PDCA cycle for the medium term business plan, securing sufficient time and opportunities for deliberation on the establishment of the next medium term business plan, and the holding of the Board of Directors' meetings with remote conference system using video and audio to create pseudo face-to-face meeting. In consideration of these issues, the Company will take initiatives for the further enhancement of the effectiveness of the Board of Directors as a whole.

[Supplementary Principle 4-14-2]

Necessary training is provided to Directors and Auditors so that they can fulfill their roles and responsibilities. The details of the training are as follows.

- New Directors and Auditors from within the Company will receive training from legal professionals, experts in corporate governance, etc.
- New Outside Directors and Outside Auditors will receive explanations regarding the Company's business description, financial condition, management strategy, etc.
- Directors and Auditors will be encouraged to attend external lectures and related expenses will be provided by the Company as appropriate.
- Tours of the Group's facilities etc. will be held for Outside Directors and Outside Auditors.

[Principle 5-1]

The Company designates the Administrative Planning Department as the department in charge of investor relations. Financial results briefings for institutional investors and securities analysts are to be held every six months in addition to holding small meetings, conducting individual visits, etc., as appropriate. The Company also proactively responds to various types of inquiries such as visits, phone interviews, etc.

## 2. Capital Structure

Foreign Shareholding Ratio	10% or greater and less than 20%
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### [Status of Major Shareholders] **Updated**

Name / Company Name	Number of Shares Owned	Percentage (%)
Japan Trustee Services Bank, Ltd. (trust account)	6,554,400	5.78
The Master Trust Bank of Japan, Ltd. (trust account)	3,836,400	3.38
Nippon Life Insurance Company	2,484,789	2.19
JP MORGAN CHASE BANK 385151	1,966,709	1.74
Japan Trustee Services Bank, Ltd. (trust account 5)	1,825,400	1.61
Sumitomo Mitsui Trust Bank, Limited	1,516,000	1.34
MUFG Bank, Ltd.	1,473,723	1.30
Sumitomo Mitsui Banking Corporation	1,429,417	1.26
Japan Trustee Services Bank, Ltd. (trust account 7)	1,371,300	1.21
The Senshu Ikeda Bank, Ltd.	1,289,087	1.14

Controlling Shareholder (except for Parent Company)	_____
Parent Company	None

Supplementary Explanation **Updated**

- (1) The description provided above is based on the shareholders' register as of March 31, 2019.
- (2) Percentages are calculated after subtracting treasury shares (63,605 shares). Treasury shares do not include 66,900 shares of the Company's shares held by the share delivery trust as stock compensation for Directors and Corporate Officers.
- (3) In a statement of large-volume holdings dated March 30, 2020, and submitted for public inspection, MUFG Bank, Ltd. stated that together with its joint holders, it held the Company's shares as of March 23, 2020 as described below. However, as of March 31, 2020, the Company has not been able to verify the actual number of shares held. Accordingly, the description in [Status of Major Shareholders] provided above is based on the shareholders' register as of March 31, 2020.

The details of the statement of large-volume holdings are as follows.

Name	Number of shares held (Shares)	Ratio to the total number of outstanding shares
MUFG Bank, Ltd.	1,473,723	1.30%
Mitsubishi UFJ Trust and Banking Corporation	2,839,720	2.50%
Mitsubishi UFJ Kokusai Asset Management Co., Ltd.	412,600	0.36%
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	1,756,159	1.55%

### 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	March
Type of Business	Land Transportation
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥100 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

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

[About the Company's listed subsidiary]

The Company has a listed subsidiary, Nankai Tatsumura Construction Co., Ltd.

Main businesses of the said subsidiary include general construction business, design business, and real estate management and trading business. While the said subsidiary serves as a function sharing company in charge of execution of civil engineering and construction works of the Group, it maintains competitiveness in such business fields through its independent management. We believe that the said subsidiary will contribute to sustainable growth of the Group and the enhancement of corporate value over the medium and long term.

In order to take appropriate control as a group company, the Company dispatches Directors to the said subsidiary and provides financial management support as necessary. However, the Company respects the judgment of the management of the said subsidiary, in principle. Furthermore, the Company strives not to unjustly undermine the interests of the said subsidiary, its shareholders, and its other stakeholders. To that end, the Company properly exercises appointment and dismissal authorities and take other measures so that an effective governance structure that effectively utilizes Independent Outside Directors will be established.

## 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 Auditors
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#### [Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	15
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors <b>Updated</b>	8
Appointment of Outside Directors	Appointed
Number of Outside Directors	3
Number of Independent Directors	3

#### Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*											
		a	b	c	D	e	f	g	h	i	j	k	
Sono Kiyoshi	From another company									○			
Tsunekage Hitoshi	From another company									○			
Koezuka Miharu	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 listed 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 compensation as a director/auditor.
- g. Major shareholder of the Company (or an executive of the 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 and the Company outside directors/auditors 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)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Sono Kiyoshi	○	Mr. Sono Kiyoshi is concurrently serving as Chairman of the Board of Directors of MUFG Bank, Ltd. The Company conducts transactions such as borrowing of funds, etc. with the said bank.	The Company has no material interest with Mr. Sono Kiyoshi or no relationship potentially in conflict with general shareholders, as stipulated by the Tokyo Stock Exchange. He is expected to provide us appropriate advice and supervision for the Group's overall management based on his great insight cultivated through his career as a bank manager from his independent standpoint without any mutual relationship which may impose significant control over the management of the Company. For this reason, the Company appointed (designated) him as an Outside Director (Independent Director).
Tsunekage Hitoshi	○	Mr. Tsunekage Hitoshi is concurrently serving as Chairman of Sumitomo Mitsui Trust Bank, Limited. The Company conducts transactions such as borrowing of funds, etc. with the said bank.	The Company has no material interest with Mr. Tsunekage Hitoshi or no relationship potentially in conflict with general shareholders, as stipulated by the Tokyo Stock Exchange. He is expected to provide us appropriate advice and supervision for the Group's overall management based on his great insight cultivated through his career as a bank manager from his independent standpoint without any mutual relationship which may impose significant control over the management of the Company. For this reason, the Company appointed (designated) him as an Outside Director (Independent Director).
Koezuka Miharu	○	Although Ms. Koezuka Miharu has served at Takashimaya Company, Limited, she is currently not an executive of the said company. The Company conducts transactions with Takashimaya Company, Limited, such as leases of the buildings that accommodate the said company's Osaka and Sakai stores.	The Company has no material interest with Ms. Koezuka Miharu or no relationship potentially in conflict with general shareholders, as stipulated by the Tokyo Stock Exchange. She is expected to provide us appropriate advice and supervision for the Group's overall management based on her great insight cultivated through her career as a department store manager from her independent standpoint without any mutual relationship which may impose significant control over the management of the Company. For this reason, the Company appointed (designated) her as an Outside Director (Independent Director).



Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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Committee's Name, Composition, and Attributes of Chairperson

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Nomination Committee	Compensation Committee
All Committee Members	4	4
Full-time Members	0	0
Inside Directors	1	1
Outside Directors	3	3
Outside Experts	0	0
Other	0	0
Chairperson	Outside Director	Outside Director

Supplementary Explanation **Updated**

- (1) Nomination Committee  
The Company has established a Nomination Committee comprising President and CEO Achikita Teruhiko and the Outside Directors above (chaired by an Outside Director), thereby securing the objectivity, transparency and fairness of the nomination process.  
The Nomination Committee deliberates the following matters prior to the Board of Directors' deliberation.
- Determination of the candidates for Directors and those for Auditors, selection of Representative Directors and appointment of Corporate Officers
  - Dismissal of a Director or Corporate Officer, and dismissal of or decision to not reelect a Representative Director
  - The specific status of implementation of the succession plan for the executive officer based on the ideal state of and selection policy for the executive officer determined by the Board of Directors
- (2) Compensation Committee  
The Company has established a Compensation Committee comprising President and CEO Achikita Teruhiko and the Outside Directors above (chaired by an Outside Director), thereby securing the objectivity, transparency and fairness of the process to determine compensations.  
Decisions on compensation for individual Directors and Corporate Officers at the level of Senior Corporate Officer or above ("Corporate Officers with Special Titles") are delegated to the President and CEO by a resolution of the Board of Directors, but such decisions must be approved by the Compensation Committee. Furthermore, any proposals to revise the officer compensation system are deliberated by the Compensation Committee before being submitted to the Board of Directors.

**[Auditors]**

Establishment of the Board of Auditors	Established
Maximum Number of Auditors Stipulated in Articles of Incorporation	5
Number of Auditors	5

Cooperation among Auditors, the Accounting Auditors and Internal Audit Departments

As provided below in “iv. Cooperation among internal audit, audit by Auditors, and accounting audit” shown in “1) Audit” included in “(2) Audit and supervision” listed in “2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System).”

Appointment of Outside Auditors	Appointed
Number of Outside Auditors	3
Number of Independent Auditors	3

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

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Arao Kozo	Lawyer													
Aiba Koji	From another company										△			
Kunibe Takeshi	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 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. Auditors 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 compensation as an auditor
- i. Major shareholder of the Company (or an executive of the 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 auditor himself/herself only)
- k. Executive of a company, between which and the Company outside directors/auditors are mutually appointed (the auditor himself/herself only)
- l. Executive of a company or organization that receives a donation from the Company (the auditor himself/herself only)
- m. Others

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

Name	Designation as Independent Auditor	Supplementary Explanation of the Relationship	Reasons of Appointment
Arao Kozo	○	-----	The Company has no interest with Mr. Arao Kozo or no relationship potentially in conflict with general shareholders, as stipulated by the Tokyo Stock Exchange. He is expected to enhance the effectiveness of the Group's audits based on his expertise as a lawyer and extensive experience through his years of engagement in corporate legal affairs from his independent standpoint without any mutual relationship which may impose significant control over the management of the Company. For

			this reason, the Company appointed (designated) him as an Outside Auditor (Independent Auditor). He also has knowledge of finance and accounting and is well versed in corporate legal affairs.
Aiba Koji	○	Although Mr. Aiba Koji has served at Nippon Life Insurance Company, he is currently not an executive of the said company. The Company conducts transactions such as borrowing of funds, etc. with the said company.	The Company has no material interest with Mr. Aiba Koji or no relationship potentially in conflict with general shareholders, as stipulated by the Tokyo Stock Exchange. He is expected to enhance the effectiveness of the Group's audits based on his great insight cultivated through his career as an executive of a life insurance company from his independent standpoint without any mutual relationship which may impose significant control over the management of the Company. For this reason, the Company appointed (designated) him as an Outside Auditor (Independent Auditor). He also has knowledge of finance and accounting through his business experience in a life insurance company.
Kunibe Takeshi	○	Although Mr. Kunibe Takeshi has served at Sumitomo Mitsui Banking Corporation, he is currently not an executive of the said bank. The Company conducts transactions such as borrowing of funds, etc. with the said bank.	The Company has no material interest with Mr. Kunibe Takeshi or no relationship potentially in conflict with general shareholders, as stipulated by the Tokyo Stock Exchange. He is expected to enhance the effectiveness of the Group's audits based on his great insight cultivated through his career as a bank manager from his independent standpoint without any mutual relationship which may impose significant control over the management of the Company. For this reason, the Company appointed (designated) him as an Outside Auditor (Independent Auditor). He also has knowledge of finance and accounting gained through his business experience in a bank.

**[Independent Directors/Auditors]**

Number of Independent Directors/Auditors	6
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Matters relating to Independent Directors/Auditors
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The Company designates as Independent Directors/Auditors all Outside Directors and Outside Auditors who are qualified to serve as Independent Directors/Auditors.  
The Company stipulates the standards for determining the independence of Outside Directors and Outside Auditors as follows.

[Independence Standards]

The Company appoints Outside Directors and Outside Auditors on the precondition that the candidates do not have any material interest with the Company and do not fall under the conditions as lacking independence in the Independence Standards stipulated by the Tokyo Stock Exchange for the purpose of submitting notifications following the appointment of independent Directors and independent Auditors. The Company also requires candidates that have insight and experience necessary for supervising and auditing business execution not only in the railway business whose social responsibility is to ensure safe transportation but in a diverse range of the Group's business operations, as well as positive motivation and qualification to properly fulfill his/her assignment that is expected to be carried out from an independent standpoint. The Company believes that these requirements are essential to respond to our shareholders' mandate.

[Incentives]

Incentive Policies for Directors	Performance-linked Remuneration
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Supplementary Explanation **Updated**

As provided below in "Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods" shown in [Director Remuneration].

Recipients of Stock Options	-----
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Supplementary Explanation

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[Director Remuneration]

Disclosure of Individual Directors' Remuneration	No individual disclosure
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Supplementary Explanation **Updated**

The Company discloses the number of eligible officers, type and total amount of compensation, as well as total amount of compensation by category for Directors (excluding Outside Directors), Auditors (excluding Outside Auditors), Outside Directors, and Outside Auditors, respectively.  
The total amount of compensation, etc. for the most recent fiscal year ended March 31, 2020 is as follows.

Category	Number of officers	Amount of compensation (basic remuneration)
Directors (excluding Outside Directors)	10 persons	298 million yen
Auditors (excluding Outside Auditors)	3 persons	47 million yen
Outside Directors	5 persons	25 million yen
Outside Auditors	3 persons	25 million yen

Apart from the above, the total amount of compensation, etc. for three Corporate Officers with Special Titles who are not concurrently serving as Director is 61 million yen.

Policy on Determining Remuneration Amounts  
and Calculation Methods **Updated**

Established

#### Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

[Details of the Policy and Decision Method for Determining the Amount or Calculation Method of Officers' Compensation]

Compensations for Directors and Corporate Officers with Special Titles are composed of the supervision payment and the execution payment.

(1) Supervision Payment

Directors are paid a fixed and equal amount in cash.

(2) Execution Payment

Corporate Officers with Special Titles are paid an amount comprising basic compensation, bonuses and stock compensation.

The proportions of basic compensation, bonuses and stock compensation are set at 60:25:15 respectively, with the purposes of increasing incentives for enhanced performance and promoting the penetration of management awareness of shareholder value and stock price.

1) Basic Compensation

A fixed amount is paid in cash, according to individual duties and responsibilities.

2) Bonuses

Lump-sum payments will be made in cash after the conclusion of each fiscal year's General Meeting of Shareholders, of an amount calculated based on the Company's performance and individual performance during the respective fiscal year.

The proportions based on the Company's performance and individual performance are 70:30 respectively. However, the President's bonus is calculated based on the Company's performance alone.

i. Company's performance portion

The Company's performance portion will be calculated and paid according to the achievement of the target index, provided the predetermined conditional index is cleared.

(i) Conditional index

The achievement of a fixed level of profit for each fiscal year and the ability to maintain stable dividend payments to shareholders will be considered conditions for the payment of the Company's performance portion. Profit attributable to owners of the parent will be the conditional index. The Company's performance portion of bonuses will not be paid if the profit attributable to owners of the parent for the respective fiscal year is less than 70% of the average for the previous five years, excluding the years with the highest and lowest profit.

(ii) Target index

In order to increase the incentive for achieving the goals of Nankai Group Management Vision 2027 and the medium term business plan KYOSO136 Planning, the target index will be the Company's consolidated operating income, which is a quantitative target for both the vision and plan above. The amount of the Company's performance portion of bonuses will be directly proportional to the achievement of the budget established at the beginning of each fiscal period, within the range from 80% to 120%. The actual amount to be paid varies within a range from 50% to 150% of the standard amount of the Company's performance portion of bonuses. No bonus for the Company's performance portion is paid if the achievement rate of the target index is below 80%.

The results of the conditional index and target index for fiscal 2019 are as follows:

Conditional index:

Profit attributable to owners of the parent

Result:

20,811 million yen

70% of the average for the past five years, excluding the highest and lowest figures:

10,312 million yen

Target index:  
Consolidated operating income  
Budget established at the beginning of fiscal period:  
34,100 million yen  
Result:  
35,223 million yen  
Achievement rate:  
103.3%

Note: The budget established at the beginning of the fiscal period for consolidated operating income is rounded off to the nearest hundred million yen.

ii. Individual performance portion

The President will evaluate the overall level of achievement of the targets set out by individual officers each year, on a scale of 1 to 4, based on which the amount of bonus to be paid for the individual performance portion will be determined. The actual amount of the individual performance portion of bonuses to be paid varies within a range from 70% to 130% of the standard amount of the individual portion of bonuses, or otherwise no amount is to be paid, depending on the President's evaluation.

3) Stock Compensation

i. Outline of the stock compensation plan for Directors/Corporate Officers

The Company has introduced a stock compensation plan for Directors (excluding Outside Directors and foreign residents; the same applies hereinafter) and Corporate Officers with Special Titles (excluding those concurrently serving as Director and foreign residents) (hereinafter collectively referred to as "Targeted Officers" with the aim of further clarifying the linkage of Targeted Officers' compensation to the Company's performance and share value, having Targeted Officers share with shareholders both the benefits and risks of fluctuation in share prices, and thus raising Targeted Officers' motivation to contribute to enhancing the Company's performance and corporate value over the medium- to long-term. The stock compensation plan delivers the Company's shares to the Targeted Officers in office during the period from the conclusion of the 102nd General Meeting of Shareholders until the conclusion of an Annual General Meeting of Shareholders pertaining to the last fiscal year ending within 3 years from this General Meeting of Shareholders (hereinafter, the "Applicable Period"). Under the plan, the Company's shares are acquired through a trust using cash contributed by the Company, through disposal of treasury stock or through the stock market (including off-auction trading), and a number of the Company's shares are delivered through the Trust to each Targeted Officer corresponding to the number of points they have been awarded.

In principle, Targeted Officers will receive delivery of the Company's shares upon their retirement from office.

In addition, the Board of Directors may decide to extend the Applicable Period within a period of five years.

ii. Total number of shares or amount to be acquired for Targeted Officers under the stock compensation plan

The maximum amount of funds to be contributed by the Company to acquire the Company's shares necessary for delivery to Targeted Officers serving as Directors during the Applicable Period is 180 million yen (60 million yen per year).

Furthermore, the maximum total number of points to be awarded to Targeted Officers (points are allotted according to position etc., with one point worth one share of the Company) is 72,000 points (24,000 points per year), and the maximum total number of shares of the Company to be acquired through the trust is 72,000 shares (24,000 shares per year).

**[Supporting System for Outside Directors and/or Outside Auditors]**

The General Affairs Department is the secretariat of the Board of Directors. In order to improve the effectiveness of supervising and auditing by Outside Directors and Outside Auditors, the General Affairs Department shall provide them with materials for the Board of Directors' meeting in advance whenever possible and as necessary, make an arrangement for them to receive explanation from each officer in charge, etc. about the agenda and the contents ahead of meetings. The secretariat also provides explanation on the agenda and the summary of matters to be reported to Outside Directors prior to the Board of Directors'

meeting. Through the aforementioned initiatives, the Company strives to ensure the propriety of decision-making procedures at the Board of Directors' meetings. In addition, absent Outside Officers will receive materials on the deliberation and reporting, as well as the results.

The Corporate Auditor's Office is the secretariat of the Board of Auditors. The Corporate Auditor's Office conveys information such as the date and time of the Board of Auditors' meeting as well as the agenda in advance, while providing assistance on field audits to each business location as necessary. Information beneficial for the execution of audits are collected from the contents submitted to the Management Committee and other approval documents, and provided to Senior Corporate Auditors, who report and explain them to Outside Auditors as necessary.



[Retired Presidents/CEOs Holding Advisory Positions]

**Information on retired presidents/CEOs holding advisory positions**

Name	Job title/ position	Responsibilities	Employment terms (Full/part time, with/without compensation, etc.)	Date when former role as president/ CEO ended	Term
Kawakatu Taiji	Honorary Adviser	Advice in response to requests from the current management (as necessary)	Part time Position without compensation	March 15, 2001	Lifetime
Yoshida Jiro	Honorary Adviser	Advice in response to requests from the current management (as necessary)	Part time Position without compensation	June 29, 2005	Lifetime
Yamanaka Makoto	Special Adviser	Advice in response to requests from the current management (as necessary)	Part time Position without compensation	June 23, 2015	4 years (from June 21, 2019)
Watari Shinji	Special Adviser	Advice in response to requests from the current management (as necessary) Activities as a member of the Management Committee of Osaka Metro Co., Ltd	Part time Position without compensation	June 23, 2015	4 years (from June 21, 2019)

**Number of retired presidents/CEOs holding  
advisory positions**

4

Others

The Company's system of Senior Advisers was abolished by a resolution of the Board of Directors held on June 21, 2019, and at the same time, the Company's system of Advisers was reviewed. Former Chairmen and Presidents of the Company will be designated Special Advisers for four years after retirement as Director (until age 80), after which they will remain Honorary Advisers for life.

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

To strengthen the supervisory function of the Board of Directors, the company makes it a main duty of the Board of Directors to make decisions on management policy etc. and to supervise the execution of business. On the other hand, to promote more agile business execution, the Company separates its executive and supervisory functions clearly by making Corporate Officers responsible for the execution of business. Based on the Company's business characteristics whose social responsibility is to ensure safe transportation, the Company believes that it is necessary for us to appoint an appropriate number of Directors from within the Company who are well versed in the railway business and safety management of transportation. In addition, the Company ensures the objectivity and transparency of decision-making processes for important management issues such as nominations and compensation by appointing several Outside Directors so that

they account for one third of the Company's Board of Directors and establishing the Nomination Committee and the Compensation Committee, in which Outside Directors represent a majority of the members. Furthermore, the Internal Audit Department shall provide the Board of Auditors with reports on the status of audits with the attendance of Outside Directors. The Board of Auditors, on the other hand, strives to enhance its own management supervisory function by exchanging opinions regularly with Representative Directors who are ultimately responsible for the development and operation of the internal control system.

(1) Business execution

1) Board of Directors

The Board of Directors (chair: President and CEO, secretariat: General Affairs Department) consists of 8 Directors (including 3 Outside Directors) and 5 Auditors (including 3 Outside Auditors), and meets on a monthly basis in principle to make decisions on basic management policy and important business execution, and to supervise the execution of duties by Directors.

2) Management Committee

Based on the fundamental management policies established by the Board of Directors, the Management Committee, which is comprised of Corporate Officers with Special Titles (chair: President, secretariat: General Affairs Department), meets once a week to deliberate on important issues of business execution to be decided by the President. They seek to comprehensively control business execution and optimize decision-making on management.

3) Nomination Committee

As described in "(1) Nomination Committee" shown in "Supplementary Explanation" included in "Committee's Name, Composition, and Attributes of Chairperson" listed in [Directors] of "Organizational Composition and Operation" above.

4) Compensation Committee

As described in "(2) Compensation Committee" shown in "Supplementary Explanation" included in "Committee's Name, Composition, and Attributes of Chairperson" listed in [Directors] of "Organizational Composition and Operation" above.

(2) Audit and supervision

1) Audit

i. Audit by Auditors

The Board of Auditors, which consists of 5 Auditors (chair: Full-Time Senior Corporate Auditor, secretariat: Corporate Auditor's Office), meets once a month in principle and executes audits on business execution. The Company held 13 Board of Auditors' meeting in fiscal 2019. The status of attendance of each Auditor is as follows:

Position	Name	Number of Board of Auditors' meetings held	Attendance
Senior Corporate Auditor	Fujita Takaichi	3	3
Senior Corporate Auditor	Katsuyama Masafumi	13	13
Senior Corporate Auditor	Iwai Keiichi	10	10
Outside Auditor	Oku Masayuki	13	12
Outside Auditor	Arao Kozo	13	12
Outside Auditor	Aiba Koji	13	13

Senior Corporate Auditor Iwai Keiichi has considerable knowledge of finance and accounting as he has long engaged in the accounting and finance division of the Company and served as Chief Manager of Accounting & Finance Department and an officer in charge of Accounting & Finance.

Major matters considered at the Board of Auditors include: audit reports, basic matters on audit, status of progress in KYOSO136 Planning, the agenda of and matters to be reported at the Management Committee,

the status of audit by the Accounting Auditor, evaluation of the Accounting Auditor, status of internal audit, etc. and the plan for the following fiscal year.

The Board of Auditors regularly exchanges opinions with Representative Directors and officers in charge of each department, and the Company has established a system in which they can exchange opinions with Directors, Corporate Officers and other employees as necessary with respect to individual management issues. In addition, Senior Corporate Auditors attend the Management Committee and other important meetings and hear reports about issues that are important to the management of the Company and the Group, including the status of business execution, operating results and financial conditions. These Auditors also receive important documents, including draft plans after approval and internal auditing reports for review, and conduct on-site examinations at facilities, places of operations, etc. of the Group. Senior Corporate Auditors report to Outside Auditors at the Board of Auditors' meetings about information gathered through these efforts and add appropriate explanations about such information from the perspectives of those well-versed in the business of the Company. In turn, Outside Auditors provide guidance and state opinions based on their expertise and experiences outside the Company. By following these different roles and mutually complementing each other's functions, they increase the effectiveness of audits by Auditors.

In addition, we have established the Corporate Auditor's Office as an organization dedicated to handling work related to the Board of Auditors and audits by Auditors in order to strengthen Auditors' functions. The Corporate Auditor's Office consists of 2 staff members, who shall follow the commands and orders of Auditors. As for the personnel changes and evaluations of Corporate Auditor's Office members, the consent of Senior Corporate Auditors shall be obtained.

ii. Internal audit

For the purposes of accurately understanding the state of business operations and promoting the improvement thereof from the perspective of increasing management efficiency, as well as maintaining and promoting compliance management, we have established a system which enables the Internal Audit Department (17 members) and the Compliance Management Promotion Department (5 members) to collaborate in the systematic implementation of internal audits (including audits of group companies) based on audit plans established at the start of each accounting period. Basic audit policies, concrete measures and audit themes are determined when establishing audit plans, based on consideration of issues such as risks faced by the Company and the Group, and revisions to laws.

iii. Accounting audit

(i) Name of the Accounting Auditor  
KPMG AZSA LLC.

(ii) Period of continuous service: 51 years

(iii) Certified public accountants who execute the audit

The Company has entered into an audit contract with KPMG AZSA LLC., for the purpose of audit on Non-Consolidated and Consolidated Financial Statements. In the most recent fiscal year ended March 31, 2020, the following two certified public accountants were designated as engagement partners in charge of audit and attestation services.

Classification	Name	Years of continuous service
Designated limited liability partner	Goto Kenryo	5 years
Designated limited liability partner	Kitamura Keiko	2 years

In the fiscal year ending March 31, 2021, the Company continues its audit contract with KPMG AZSA LLC., and the following two certified public accountants are designated as engagement partners in charge of audit and attestation services.

Classification	Name
Designated limited liability partner	Kondo Yasuhito
Designated limited liability partner	Kitamura Keiko

(iv) Assistants of audit services

Assistants of audit services were selected in accordance with the standards of the auditing firm, namely, 12 certified public accountants, 8 associate members of the Japanese Institute of Certified Public Accountants, and 1 other member.

(v) Policy and reason for selecting the Accounting Auditor

The Board of Auditors selects the Accounting Auditor based on consideration of their independence and quality control systems including systems to ensure the fair execution of duties, as well as factors such as whether the audit plans actually reflect risks to the Company's business, and whether the projected audit fees are appropriate.

The Company's policy on the dismissal of or decision to not reappoint the Accounting Auditor is as follows.

[Policy on the dismissal of or decision to not reappoint the Accounting Auditor]

If the Board of Auditors judges that the situation of the Accounting Auditor corresponds to the items listed in Article 340, Paragraph 1 of the Companies Act, the Company will dismiss the Accounting Auditor based on the unanimous agreement of all Auditors.

If the Accounting Auditor is otherwise no longer considered capable of performing its duties appropriately, or if it is judged reasonable to change Accounting Auditors in order to increase the fairness and propriety of the audit, the Board of Auditors will determine the contents of a proposal on the dismissal or non-reappointment to be submitted to the General Meeting of Shareholders.

(vi) Evaluation of the Accounting Auditor by the Auditors and the Board of Auditors

The Board of Auditors will ask for an explanation from the Accounting Auditor regarding its independence, quality control, and the appropriateness of its system for executing audit duties, and confirm the status of their maintenance and operation. In addition, Senior Corporate Auditors meet regularly with the audit team described in "(iii) Certified public accountants who execute the audit" and "(iv) Assistants of audit services" above to exchange opinions, and accompany the audit team in visits to business offices and subsidiaries, as well as inventory counts. In this way, Senior Corporate Auditors monitor the implementation of the accounting audit, based on the audit plan. The Accounting Auditor is evaluated through these measures at the meeting of the Board of Auditors held in March every year, based on opinions gathered from the Accounting & Finance Department and Internal Audit Department, as well as the Explanation Regarding the Evaluation of the Accounting Auditor, which is submitted by the Accounting Auditor.

iv. Cooperation among internal audit, audit by Auditors, and accounting audit

(i) Cooperation between internal audit and audit by Auditors (including audit by Outside Auditors)

The Board of Auditors conducts interviews with the Internal Audit Department and the Compliance Management Promotion Department on the audit plan they developed, receives reports based on the plan, and asks for an explanation as necessary. The Board of Auditors has also been making efforts to strengthen autonomous monitoring function by attending field audits and exchanging opinions, which leads to the closer cooperation between internal audit and audit by Auditors, and consequently, results in the further enhancement of the effectiveness of audits backed by the collaborative effects.

(ii) Cooperation between audit by Auditors (including audit by Outside Auditors) and accounting audit

The Board of Auditors conducts interviews with the Accounting Auditor on the audit plan, receives audit reports in light of the plan on a quarterly basis, and hold question and answer sessions. The Board of Auditors has also been making efforts to improve the quality of both operational audits and accounting audits through closer cooperation with the Accounting Auditor such as by attending field audits conducted by the Accounting Auditor as well as by holding meetings with the Accounting Auditor where they can exchange information obtained at the Auditors' operational audits and the Accounting Auditor's accounting audits, respectively, as necessary.

(iii) Cooperation between internal audit and accounting audit

The Internal Audit Department conducts interviews with the Accounting Auditor on the audit plan annually in July. Together with Auditors and related departments, the Internal Audit Department receives reports about the implementation status of audits from the Accounting Auditor. The Internal Audit Department has also strived to enhance the cooperation with the Accounting Auditor by attending field audits conducted by the Accounting Auditor as necessary.

v. Relationship among internal audit, audit by Auditors, accounting audit, and the Internal Control Department

(i) Relationship between internal audit and the Internal Control Department

The Internal Audit Department is required to conduct audits to examine whether systems of each department responsible for the development and operation of the internal control system are properly developed and effectively operated. Chief Managers, Managers and related employees of departments subject to audit are required to cooperate so that the relevant audits are carried out smoothly and swiftly. The results of the relevant audits are promptly reported by the Internal Audit Department to the President and CEO. For the execution of internal audits (including audits on group companies), the Internal Audit Department collaborates with the Compliance Management Promotion Department to ensure the effectiveness of audits as necessary.

(ii) Relationship between audit by Auditors and the Internal Control Department

Senior Corporate Auditors have established a system in which they can carry out interviews individually with Officers and Chief Managers in charge of each department that develops and operates each system related to the internal control system as well as with the presidents of group companies, whereby Senior Corporate Auditors can confirm the effectiveness of the relevant systems.

(iii) Relationship between accounting audit and the Internal Control Department

Officers, Chief Managers, Managers, and related employees of the Internal Audit Department and the Accounting & Finance Department have established a system in which they can cooperate with the Accounting Auditor in order that accounting audits and field audits are carried out by the Accounting Auditor smoothly and effectively.

2) Outside Officers

i. Functions and roles to be fulfilled in corporate governance

Outside Directors are expected to utilize their knowledge and experience as business managers for the management of the Company. They are responsible for the function which contributes to the improvement of efficiency and transparency in management from their independent standpoints without any mutual relationship which may impose significant control over the management of the Company.

Outside Auditors are expected to utilize their knowledge, experience and expertise as business managers or lawyers for the auditing of the Company. They are responsible for the function which contributes to the securing of transparency in management and the qualitative improvement of audits from their independent standpoints without any mutual relationship which may impose significant control over the management of the Company.

ii. Cooperation among supervision/audit, internal audit, audit by Auditors, and accounting audit

(i) Cooperation between supervision/audit and internal audit

The Board of Auditors obtains audit plans from the Internal Audit Department and receives reports on audits based on the plans, with the attendance of Outside Directors. Outside Directors and Auditors (including Outside Auditors) exchange opinions on audit plans and results, and request the Internal Audit Department and the Compliance Management Promotion Department explanations as necessary.

(ii) Cooperation between supervision and audit by Auditors (including audit by Outside Auditors)

By creating opportunities for Outside Directors and Auditors (including Outside Auditors) to exchange information and share their understanding, the Company aims to strengthen the information gathering capabilities of Outside Directors to support their activities as Outside Officers. In addition, the Company holds meetings for Outside Directors and the Board of Auditors to exchange opinions to maintain the effectiveness of audits by Auditors.

(iii) Cooperation between supervision/audit and accounting audit

The Board of Auditors obtains audit plans from the Accounting Auditor with the attendance of Outside Directors. Outside Directors and Auditors (including Outside Auditors) exchange opinions on audit plans and hold question and answer sessions with the Accounting Auditor as necessary.

iii. Relationship between supervision/audit and the Internal Control Department

As provided above in [Supporting System for Outside Directors and/or Outside Auditors] shown in “1. Organizational Composition and Operation.”

iv. Agreement for limitation of liability

The Company has concluded an agreement with Outside Directors; Messrs. Sono Kiyoshi, Tsunekage Hitoshi, and Koezuka Miharu as well as Outside Auditors; Messrs. Arao Kozo, Aiba Koji, and Kunibe Takeshi to limit their liability described in Article 423, Paragraph 1 of the Companies Act, pursuant to Article 427, Paragraph 1 of the Companies Act as well as Article 25 and Article 33 of the Articles of Incorporation. The maximum amount of liability described in the agreement shall be the amount stipulated by laws and regulations.

### **3. Reasons for Adoption of Current Corporate Governance System**

As described above in “2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System),” the Company has adopted the present corporate governance system because it considers that the system functions effectively, through measures such as those aimed at strengthening the supervisory function of the Board of Directors, as well as measures aimed at strengthening the management supervisory function of the Board of Auditors, including involvement in the nomination process and compensation decision process and cooperation with the Internal Audit Department.

### III. Implementation of Measures for Shareholders and Other Stakeholders

#### 1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

**Updated**

	Supplementary Explanations
Early Notification of General Shareholder Meeting	The Company sends the notice of convocation of the general meeting of shareholders in principle from around 3 to 6 business days prior to the statutory deadline. The contents of the notice are to be electronically disclosed on TDnet prior to dispatch in principle. As for the Notice of Convocation of the 103rd Annual General Meeting of Shareholders, which is for the most recent fiscal year, the Company dispatched the Notice 2 business days prior to the statutory deadline, and electronically posted the contents of the Notice on TDnet 5 business days prior to dispatch.
Scheduling AGMs Avoiding the Peak Day	The Company sets the schedule for the general meeting of shareholders in principle to avoid the foremost peak day. The 103rd Annual General Meeting of Shareholders, which is for the most recent fiscal year, was held on June 18, 2020, avoiding the foremost peak day.
Allowing Electronic Exercise of Voting Rights	The Company provides exercise of voting rights via the Internet, etc. for the general meeting of shareholders.
Utilization of Electronic Voting Platform and Other Methods to Improve the Environment for Institutional Investors' Voting	The Company participates in the Electronic Voting Platform operated by ICJ, Inc.
Providing Convocation Notice in English	The Company prepares an English version of the convocation notice including its reference documents.
Other	The notices of convocation are posted on the Company's website. (URL: <a href="http://www.nankai.co.jp/ir/soukai/">http://www.nankai.co.jp/ir/soukai/</a> )

#### 2. IR Activities **Updated**

	Supplementary Explanations	Presentation by Representatives
Formulation and Announcement of Disclosure Policy	The Disclosure Policy has been formulated and posted on the Company's website. (URL: <a href="http://www.nankai.co.jp/ir/disclosurepolicy/">http://www.nankai.co.jp/ir/disclosurepolicy/</a> )	
Regular Investor Briefings for Analysts and Institutional Investors	The Company holds briefings twice a year, in May and November. Following items are to be explained at each briefing session; the outline of financial results and financial results forecasts respectively for the first six months and the full-year, the progress of the medium term business plan, and other related items.	Available
Posting of IR Materials on Website	IR materials are posted on the Company's website. (URL: <a href="http://www.nankai.co.jp/company/">http://www.nankai.co.jp/company/</a> )	
Establishment of Department and/or Manager in Charge of IR	IR activities are handled by Administrative Planning Department. The officer in charge of IR activities is Nikaya Yoshinori, Corporate Officer and General Manager, Corporate Policy Division.	

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

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	<p>As an all-round lifestyle provider centering on the railway business, the Company established its Corporate Philosophy under the belief that it shall greatly contribute to the building of a better society through a wide range of businesses that support people's lives comprehensively. The Company also established its Code of Business Ethics for the sound growth of the Company and group companies as well as for the establishment of business ethics. Through these initiatives, we are committed to the promotion of compliance-based management.</p> <p>In addition, we have been promoting a group-wide campaign, "In Harmony with Customers." In this campaign, starting from setting annual targets for each of the Company's departments and group companies, we are engaged in various measures from viewpoints of our customers. The Company also takes all possible precautions to prevent accidents by continuing investment and employee training with a view to "assuring safety," which is the Company's most important responsibility. Preparing for the occurrence of disasters, in order to secure the safety of customers, the highest priority, and aiming for early recovery of our business activities, we have established the Disaster Countermeasure Regulations, in a commitment to fulfilling our corporate social responsibilities. In addition, in the case of an emergency such as a major earthquake, in order to prevent the interruption of important business activities, or to enable the recovery of such activities as quickly as possible in the event of interruption, we have formulated the Business Continuity Plan (BCP), which stipulates countermeasures to be taken beforehand and action plans.</p>
Implementation of Environmental Activities, CSR Activities, etc.	<p>In parallel with the promotion of compliance-based management as an effort in CSR, the Company has established the Environmental Philosophy as the foundation of its environmental measures and the Environmental Policies to clarify its policies concerning the environment. Based on these policies, we are promoting various initiatives in each division including the introduction of environment-friendly train stock, etc. The Company has established a system which facilitates the steady and proactive fulfillment of its social responsibilities by developing an environmental management system and making greater efforts to preserve the environment, which resulted in the acquisition of ISO14001 certification in the Headquarters Department and the Chiyoda Works. Additionally, as a part of social contribution activities, the Company has established a scholarship fund for high school students orphaned in traffic accidents mainly in Osaka Prefecture with the aim of contributing to the development of promising human resources. For details of our environmental preservation activities and CSR activities, in addition to taking a look at Corporate Report, please visit the Company's website (<a href="http://www.nankai.co.jp/company/">http://www.nankai.co.jp/company/</a>).</p>
Development of Policies on Information Provision to Stakeholders	<p>For the purpose of timely disclosure of corporate information, the Company has internally appointed an officer in charge of handling information. We have also strived to properly comprehend material corporate information as well as to strictly control such information. In disclosing information, the Company prepares disclosure documents following the deliberation with related departments while receiving advice and instructions from the Accounting Auditor, etc. as necessary. Such documents are promptly disclosed following the resolution or reporting at the Board of Directors' meeting, etc. Additionally, we have been making group-wide efforts for the precise announcement of financial results within the month following closing date.</p>
Other	<p>The Company intends to appoint competent human resources as officers or managerial staff regardless of gender.</p>



	<p>The Company also intends to enhance its corporate value and steadily live up to the trust of society with a corporate culture in which each of the employees with various personalities and capabilities respects each other and proactively leverage those advantages.</p> <p>Particularly, in order to further promote female advancement, the Company will make efforts to increase the number of women employed in various fields and as various posts including managerial and leadership positions. We intend to steadily raise the percentage of women to the total number of recruits by setting a target ratio of around 30% of recruits with a college education or higher.</p> <p>Accordingly, the Company will continue to enhance its initiatives to provide more opportunities for women to play a greater role, such as the provision of expanded career development support, the improvement of the working environment, reforms of the workplace culture and employee's awareness, etc.</p>
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## IV. Matters Related to the Internal Control System

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

#### (1) Basic views

We recognize that the strengthening of corporate governance functions is an important management issue. For this reason, we have strived to implement strict adherence to laws and regulations. Additionally, we have been making efforts to achieve transparent management, fair and rational decision-making, and reinforcement of functions to oversee these operations.

#### (2) Progress of development

1) System to ensure that the execution of duties by Directors, etc. of the Company and its subsidiaries conforms to laws, regulations, and the Articles of Incorporation

For the sound growth of the Company and group companies and for the establishment of business ethics, in addition to creating Code of Business Ethics, we have created a dedicated organization responsible for the promotion of internal auditing and compliance-based management.

As a guideline to deepen the spirit of our Code of Business Ethics, the Company formulated a Compliance Manual which specifies the particular business operations and conducts required for each officer and employee of the Company and group companies. By conforming ourselves to the Compliance Manual and providing training sessions, we are committed to achieving the instilment of the philosophy of compliance-based management as well as the elimination of relationships with anti-social forces. We have also established a Corporate Ethics Hotline System where officers and employees can send reports or receive consultations, with the aim of early detection or correction of legal and ethical issues.

In addition, we have set up a Compliance Committee that deliberates various measures for the promotion of compliance-based management, whereby in the event of a serious compliance violation, the committee will make proposals for corrections and recurrence prevention measures.

Moreover, in addition to properly establishing and operating systems which are necessary for ensuring the reliability of financial reporting, we will be committed to maintaining and improving such systems through evaluations of their effectiveness by the Internal Audit Department.

2) Systems related to storing and managing information concerning the execution of duties by Directors

Documents related to the execution of duties by Directors and Corporate Officers, including circulated draft plans and the minutes of the Board of Directors' meetings and other important meetings, are prepared appropriately, stored and managed in accordance with our Document Regulations and other in-house company rules. In addition, we have established a Security Policy and arranged systems where we can appropriately safeguard our information resources and secure their "confidentiality," "completeness," and "availability."

3) Regulations and other systems related to the management of loss risk for the Company and its subsidiaries

The Company has established the Crisis Management Guidelines as comprehensive standards to prevent the occurrence of crises (excluding serious accidents and disasters) as well as to minimize damage to the Company, its officers and employees, travelers and customers should they occur. In addition, we have established the Disaster Countermeasure Regulations with the aim of fulfilling our corporate social responsibilities particularly by taking measures to minimize damage such as regulating a countermeasure organization and emergency handling procedures for occurrence or potential occurrence of major accidents and disasters, efforts for early recovery of the Company's operations, as well as commitment to secure the safety of travelers, customers, and our officers and employees.

Moreover, in the Group Company Management Regulations, it is stipulated that we shall work to grasp crisis information across group companies and conduct crisis management for group companies in accordance with our Crisis Management Guidelines.

In the railway business, for the purpose of securing transportation safety, the Company has established the Safety Management Regulations and the Safety Promotion Committee. Going forward, we will be committed to the further promotion of safety management.

With respect to risk management accompanying the respective business operations of each of the Company's departments and group companies, the relevant departments and companies have been taking measures such as the provision of training sessions, the development of manuals and regulations, etc., as necessary.

4) System to ensure the efficient execution of duties by Directors and others in the Company and its subsidiaries

In order to realize the systematic and efficient conduct of our business activities, in our in-house company rules, we have clearly stipulated the business organizations and the assignment of duties as well as the responsibilities, authorities, duties and other roles of the employees assigned to the respective positions.

Moreover, we have adopted a system of Corporate Officers, giving Corporate Officers responsibility for business execution, and enhancing the agility of business execution by clearly separating the Company's executive and supervisory functions. Based on the fundamental management policies established by the Board of Directors, a Management Committee, which is comprised of Corporate Officers with Special Titles, meets once a week to discuss matters on important business execution. Through this and other efforts, we seek to comprehensively control business execution and optimize decision-making on management.

For the execution of duties by Directors of Nankai group companies, based on our Group Company Guidance Policy, we have stipulated basic policies for organizational form and institutional design after considering their business scales, special qualities and characteristics while keeping in mind their agility and autonomy in management. Moreover, with the aim of ensuring the reliability of financial reporting and achieving the higher efficiency in business operations, we have adopted shared services for accounting operations.

In addition, for the purpose of enhancing management effectiveness, particularly in order to accurately understand the state of business operations and promote their improvement, we have established a system where the Internal Audit Department can systematically implement internal audits including audits for group companies.

5) Systems related to reporting to the Company about items concerning the execution of duties by subsidiary company Directors and other staff

Based on the Group Company Guidance Policy and the Group Company Management Regulations, we maintain close contact for mutual understanding between the Company and our group companies. We also require group companies to obtain advance approval from the Company for items of a certain importance on management such as important facility investments, and ask for reporting as appropriate.

6) Systems to ensure the propriety of business conducted by other group members

While we strive for unified management and effective control as a corporate group by dispatching our officers and employees to serve as officers and management personnel in our group companies, we seek to strengthen the functions of Auditors of our group companies and enhance their information sharing through the placement of Associate Auditors and discussions at the Group Company Auditor Counsel.

Furthermore, in addition to stipulating the IT Management Regulations for the establishment of IT control, the Company's Examination Committee has prepared strict screening procedures for the execution of financing to group companies in order to optimize the business operation of the Group as a whole.

7) System to ensure that the auditing by the Company's Auditors is conducted effectively

We have established a Corporate Auditor's Office as an organization dedicated to work related to the Board of Auditors and audits by Auditors. In accordance with the Company Regulations, the Corporate Auditor's Office is clearly separated from the command structure of Representative Directors and other Directors and Corporate Officers, and its staff members follow the directions and orders of Auditors. In addition, as for the personnel changes and evaluations of Corporate Auditor's Office members, the consent of Full-Time Senior Corporate Auditors shall be obtained.

The Company's Directors, Corporate Officers and other employees request that Senior Corporate Auditors attend the Management Committee and other important meetings where they report about issues that are important to the management of the Company and the Group, including the status of business execution, operating results, and financial conditions. We have also arranged a system for Senior Corporate Auditors where they can receive important documents, including draft plans after approval and internal auditing reports, for review. Moreover, in response to Auditors' requests, we conduct exchanges of opinions related to individual management issues.

For the operation of the Corporate Ethics Hotline System, the Corporate Ethics Hotline System Rules declare that officers and employees shall not treat informants disadvantageously or unfairly, nor shall they conduct acts of retribution or discrimination. Moreover, reports about the status of the operation are to be made regularly to Senior Corporate Auditors.

While setting a budget for ordinary auditing expenses based on the audit plans of the Board of Auditors, when expenses are claimed outside of the budget for special expenditures such as for when Auditors or the Board of Auditors consult lawyers, certified public accountants, and other experts outside the Company for their

opinions in executing audits, the Company shall not unreasonably withhold payment except the case where the claimed expenses are deemed unnecessary for the execution of Auditors' duties.

## 2. Basic Views on Eliminating Anti-Social Forces **Updated**

### (1) Basic views

For the sound growth of the Company and group companies and for the establishment of corporate ethics, the Company has formulated the Code of Business Ethics. The Code of Business Ethics specifies our intention to reject all contact with organizations involved in activities in violation of the law or accepted standards of responsible social behavior, and represents our efforts to break off any relationships with anti-social forces.

### (2) Progress of development

The Company has formulated the Compliance Manual in an effort to break down the spirit of the Code of Business Ethics to the level of operations and behaviors of each officer and employee. In order to eliminate anti-social forces, the Company has set up the Compliance Management Promotion Department, which is manned full-time by a former member of the police.

In addition to the aforementioned matters, the specific progress of internal system development and measures are as follows.

- 1) The President expresses the spirit of the Code of Business Ethics and gives statements in every possible occasion inside and outside the Company in order to deepen the spirit of the Group as a whole and each officer and employee.
- 2) If unreasonable demands are posed by anti-social forces, immediate reporting and consultation shall be made to the Compliance Management Promotion Department. In response, the Compliance Management Promotion Department shall not succumb to demands from anti-social forces, but support the initiatives to break off relationships by giving advice and instructions. Additionally, the Company has built close collaborations with external specialized organizations (the police, lawyers, the Osaka Center for Removal of Criminal Organizations, etc.), which enables us to consult them and receive advice as necessary.
- 3) Counterparties shall always be monitored whether they fall under anti-social forces by utilizing the Company's own database, information from external specialized organizations, etc. In addition, in the event of occurrence of any relationship with anti-social forces without prior knowledge, the Company shall promptly terminate the relationship after discovery or concerns to that effect.
- 4) In order to prevent damage in cases where anti-social forces become our business partners or shareholders and pose unreasonable demands, the Company has taken measures to include "clauses for the exclusion of organized crime groups" in contracts, trade agreements, and similar documents.
- 5) The Company participates in community activities and meetings hosted by the Osaka Prefectural Center for Removal of Criminal Organizations, the Osaka Corporate Defense Countermeasures Federation, etc. to eliminate anti-social forces including crime syndicates.
- 6) In the event that any damage is caused due to unreasonable demands, the Company shall clearly declare inside and outside the Company that it will not succumb to unreasonable demands, and diligently file a damage report to the police without hesitation to prevent the further spread of damage.

## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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#### Supplementary Explanation

##### (1) Basic Policy

The Company believes that the decision in response to a takeover proposal involving a transfer of the Company's control shall be ultimately made based on the intent of our shareholders as a whole. Furthermore, the Company will not deny all large-scale purchases of the Company's shares if such purchases contribute to corporate value and thus the common interests of shareholders.

However, some large-scale purchases do not actually contribute to the corporate value of their target companies or the common interests of shareholders. These include acquisitions with aims that obviously do harm to corporate value and the common interests of shareholders, those that effectively force existing shareholders to sell their holdings, and those that do not provide sufficient time or information for the Board of Directors and shareholders of the target company to consider the details of the large-scale purchase, or for the Board of Directors to present an alternative proposal.

In particular, in order to secure and enhance corporate value, it is necessary for the Company to maintain and strengthen its positive relationship of trust with its customers, centered around those who live close to its lines, and the local community. Furthermore, it is imperative that the Company ensures safe transportation, its greatest responsibility as a railway company. While it is of course necessary for any large-scale buyer of the company's shares to understand details of the Group's finance and business, it is also vital for such a buyer to understand the source of the Company's corporate value, secure and enhance it over the medium and long term. If this is not the case, then the Company's corporate value and the common interests of shareholders will be damaged.

The Company believes that if a large-scale buyer does not contribute to the Company's corporate value and the common interests of shareholders, it is not appropriate for that buyer to control the Company's finance and business policy. In response to large-scale purchases of this nature, we believe it is necessary to engage appropriate measures, in accordance with the Financial Instruments and Exchange Act, the Companies Act and other relevant laws and regulations, to secure the Company's corporate value and the common interests of shareholders.

##### (2) Details of Efforts to Realize the Fundamental Policy

###### 1) Special efforts contributing to the realization of the fundamental policy

In an effort to enhance corporate value, the Group has established and is pursuing Nankai Group Management Vision 2027, a vision for the Group in 10 years, as well as the medium term business plan KYOSO136 Planning, the first step in realizing this vision, spanning the three years from fiscal year 2018 to fiscal year 2020. KYOSO136 Planning establishes five fundamental policies aimed at sustainable growth and the enhancement of corporate value in the medium and long term, as described on the Company's website (<http://www.nankai.co.jp/company/keikaku/>) (available in Japanese only).

###### 2) Efforts to prevent decisions on the Company's financial and business policy being controlled by those who are inappropriate in light of the fundamental policy

In an effort to prevent decisions on the Company's financial and business policy being controlled by those who are inappropriate in light of the fundamental policy, the Company will request any party intending to undertake a large-scale purchase of the Company's shares to provide information necessary for shareholders and the Board of Directors to consider the details of the purchase. Based on this information, the Board of Directors will discuss and negotiate with the buyer as necessary, and present the opinion of the Board of Directors to shareholders. In addition, the Company will engage appropriate measures, in accordance with the Financial Instruments and Exchange Act, the Companies Act and other relevant laws and regulations, including working to ensure that shareholders have sufficient time to make an appropriate decision on the purchase.

###### 3) The decision of the Board of Directors and its reasons concerning each effort described above

Nankai Group Management Vision 2027 and the medium term business plan KYOSO136 Planning, mentioned in 1) of (2) above, have both been established as concrete measures to continuously and sustainably

enhance corporate value and the common interests of shareholders, and clearly contribute to the realization of the fundamental policy.

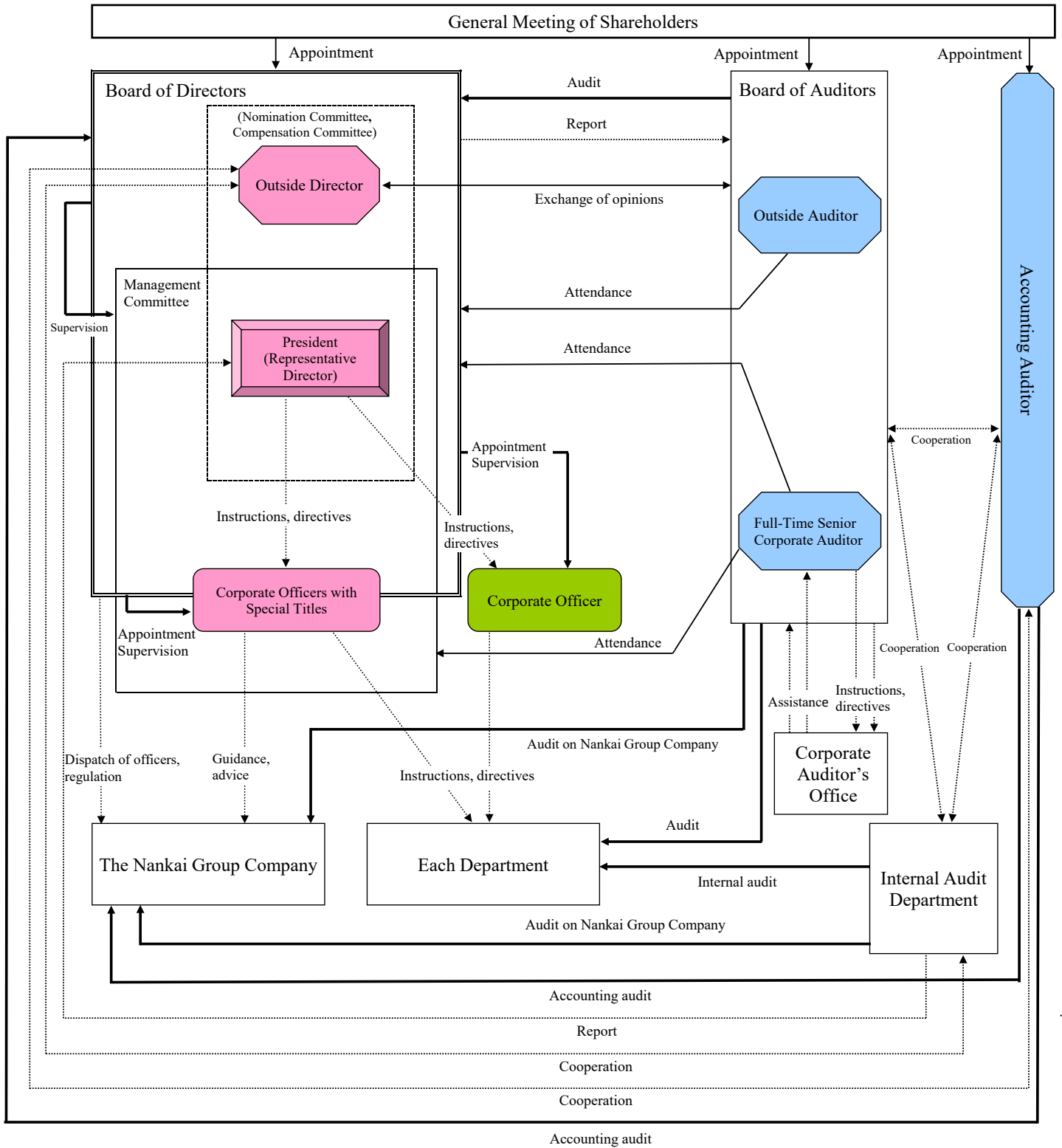
Likewise, the efforts described in 2) of (2) above are aimed at warding-off acquisitions that are detrimental to corporate value and the common interests of shareholders, thus securing and enhancing corporate value and the common interests of shareholders, by ensuring sufficient time and information for all shareholders to make an appropriate decision, as well as securing an opportunity for negotiation with the potential buyer, if a large-scale acquisition of the company's stock is attempted.

Therefore, these efforts and measures conform to the fundamental policy and the common interests of shareholders of the Company, and are not aimed at maintaining the status of the Company's officers.

## **2. Other Matters Concerning Corporate Governance System**

The Timely Disclosure System of the Company has been stipulated in the Disclosure Policy and posted on the Company's website. (URL: <http://www.nankai.co.jp/ir/disclosurepolicy/>)

# [Corporate Governance System]



[Timely Disclosure System]

