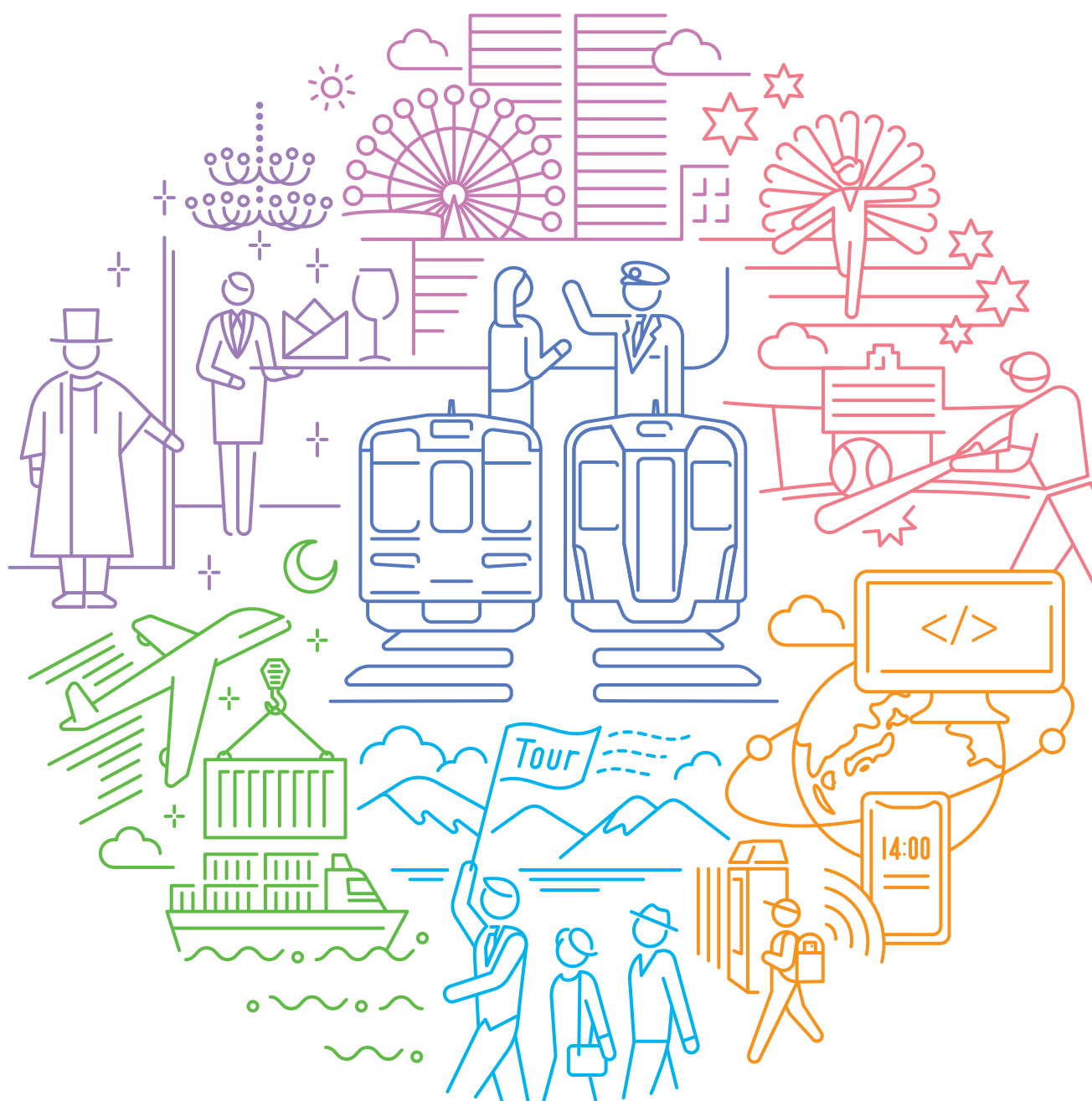


Hankyu Hanshin Holdings

INTEGRATED REPORT 2021



Group Management Philosophy

Mission

What we try to achieve

By delivering “Safety and Comfort” and “Dreams and Excitement,” we create satisfaction among our customers and contribute to society.

Values

What is important to us

Customers First

Everything we do is for the customer. That's where it all starts.

Sincerity

Gain customers' confidence by always being sincere.

Foresight & Creativity

With our pioneer spirit and flexible thinking, we create a new value.

Respect for People

Everyone is absolutely invaluable to the Group.

Principles

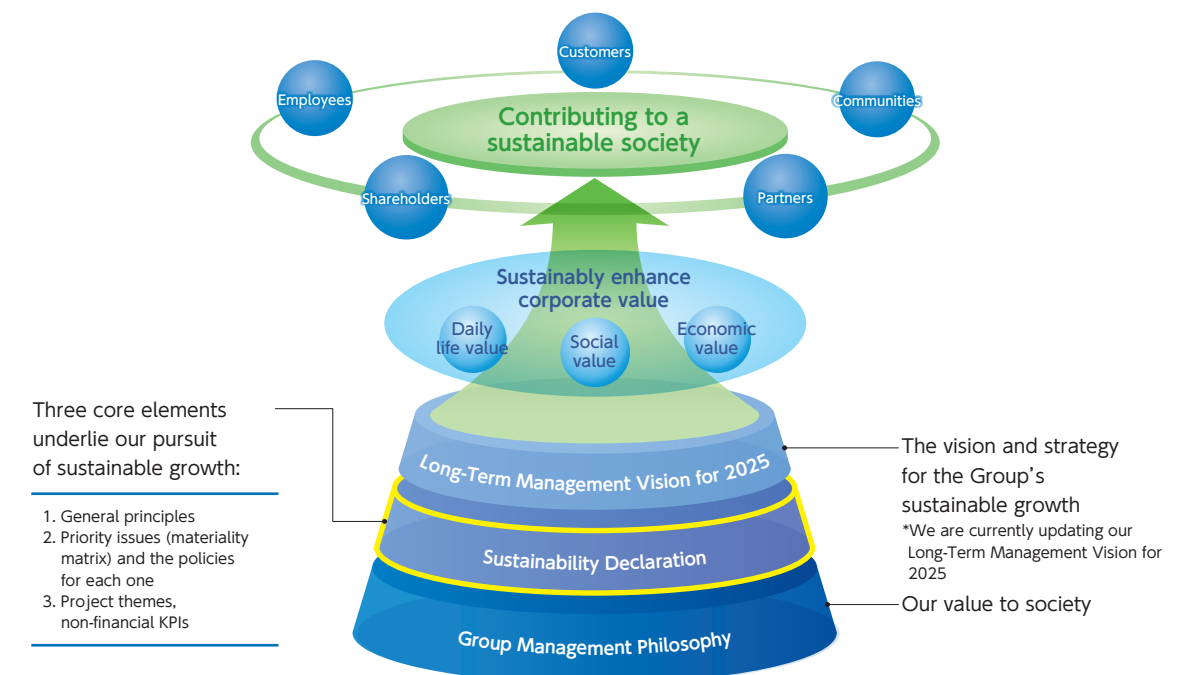
How to act to uphold our values and fulfil our mission

1. We treasure encounters with people, and do our best in the position of a customer.
2. We abide by the laws and regulations, and act with a clear awareness of our social responsibilities.
3. We take pride and responsibility in our work, and carry it out promptly.
4. We are not concerned with what is just before us, but think from medium- and long-term perspectives.
5. We are not satisfied with present conditions, but fix our eyes on the future and act.
6. We have caring feelings and respect each other.
7. We communicate in a lively way and create a workplace with a positive atmosphere.
8. We cooperate with one another for the prosperity of the Group.

Sustainability Declaration

Role of the Sustainability Declaration

Our Sustainability Declaration embodies part of our Group Management Philosophy and underlies our pursuit of sustainable growth.

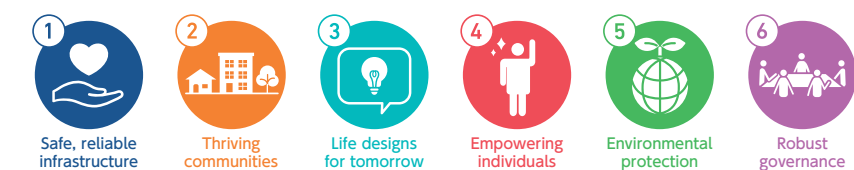


General Principles

Create a future grounded in “Safety and Comfort,” and a future colored by “Dreams and Excitement.”

For over a hundred years, we have sought to cultivate communities and enrich lives. Leveraging this experience, we commit ourselves to addressing social and environmental challenges and working toward a sustainable future, one that offers a fulfilling, joyful life to all and inspires the next generation to dream with hope.

Six priority issues (materiality matrix)



For details, see pages 31–32.

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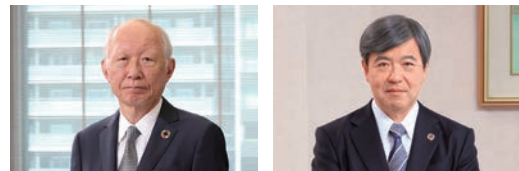
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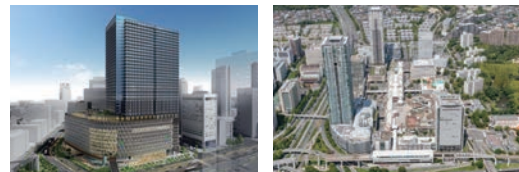
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Special Feature
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Company Overview and Investor Information

Editorial Policy

This integrated report, in addition to a review of fiscal 2021, also describes the management policies and ESG-related initiatives of Hankyu Hanshin Holdings, Inc. It is intended to aid all those who read it, beginning with our shareholders and investors, in gaining a deep understanding of our Company.

Definition of the areas served by the Hankyu and Hanshin lines:
Below are lists of areas with Hankyu Corporation and Hanshin Electric Railway stations (including tier 2 railway operators).
Osaka Prefecture: Osaka City (Fukushima, Konohana, Nishi, Naniwa, Nishi-Yodogawa, Higashi-Yodogawa, Yodogawa, Kita, and Chuo, out of a total of 24 wards); and Toyonaka, Ikeda, Suita, Takatsuki, Ibaraki, Minoh, and Settsu cities and Shimamoto town
Hyogo Prefecture: Kobe City (Higashi-Nada, Nada, Hyogo, Nagata, and Chuo, out of a total of 9 wards); and Amagasaki, Nishinomiya, Ashiya, Itami, Takarazuka and Kawanishi cities
Kyoto Prefecture: Kyoto City (Nakagyo, Shimogyo, Ukyo, and Nishikyo, out of a total of 11 wards); and Muko and Nagaokakyo cities and Oyamazaki town

Period under Review
This integrated report is based on the fiscal year 2021 (April 2020–March 2021), however it also includes information pertaining to activities before and after this period.

Forward-Looking Statements
The reader is advised that this integrated report contains forward-looking statements regarding the future plans, strategies, and earnings performance of Hankyu Hanshin Holdings, Inc., which are not statements of historical fact but constitute estimates or projections based on facts known to the Company's management as of August 2021. Actual results may be influenced by various business risks and uncertainties, and differ substantially from such statements.

About the Compilation of this Integrated Report and the Auditing Company Used
The financial section of this integrated report includes a digest of information including consolidated financial statements in the Company's Securities Report for the 183rd period, audited by KPMG AZSA LLC and presented in a somewhat modified format. We have presented this information in such a way as to ensure that there is no discrepancy with the data presented in the annual securities report. However, the integrated report itself has not been audited by KPMG AZSA LLC.

Integrated Report 2021 Highlights

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Pick Up: Data Analysis Lab—Interview with Associate Professor Takahiko Kusakabe of the University of Tokyo

As part of the Group's approach to digital transformation (DX), it is working to strengthen its digital marketing. Since April 2021, in an example of industrial-academic collaboration with the University of Tokyo, we have established a data analysis lab within the Group. Takahiko Kusakabe, an Associate Professor at the university and the person in overall charge of the lab, speaks to us about the lab's mission and direction.

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Special Feature: Operational Area Growth—Past, Present, and Future

We take a look at Osaka-Umeda, our principal business base, and other areas and explore in detail how they have developed, their current situation, and the large-scale projects that are still underway. As an example of community building that is the result of many years' efforts, we also introduce initiatives in the Nishinomiya-kitaguchi area.

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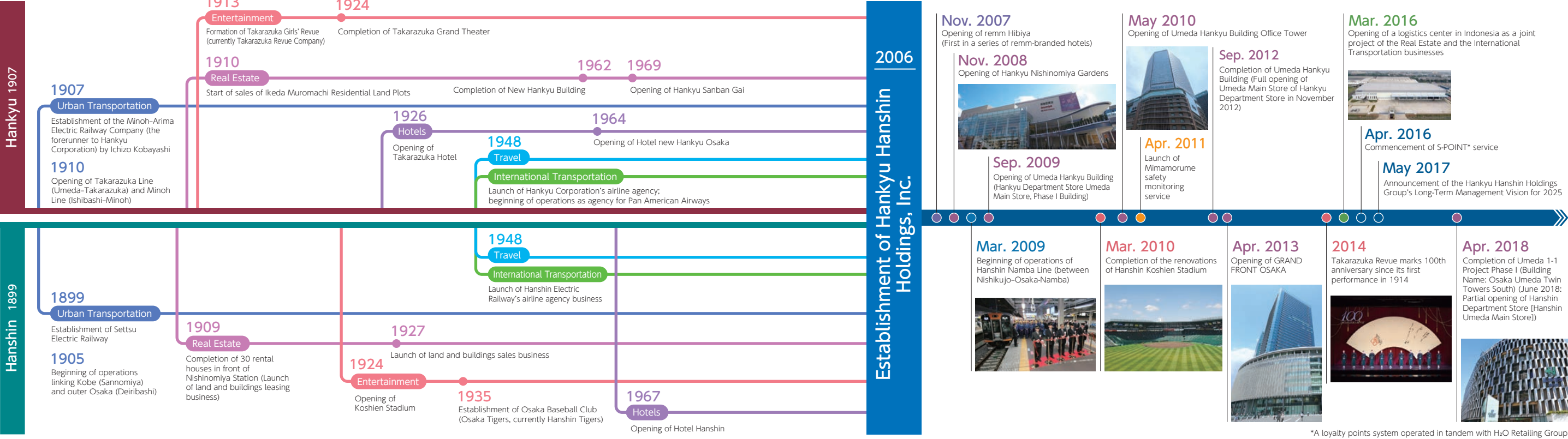
TCFD

In May 2021, we announced our support for the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) and in line with its suggested categories we clarify our governance, strategy, risk management, and metrics and targets. We also look at the risks and opportunities we have identified in urban transportation and real estate, businesses that are predicted to be particularly affected by climate change.

Value Creation Trajectory

The Group has been around for more than a century, and during that time efforts in urban transportation and community building in operational areas such as Osaka-Umeda, among others, have created new value in a variety of forms.

Business Changes and Growth Trajectory



Ichizo Kobayashi upon the founding of the railway business

In 1907, Ichizo Kobayashi founded the Minoh-Arima Electric Railway Company, which would later become the Hankyu Corporation. With a unique business model that combined residential area development, Kobayashi was an early leader in private railway management. Going back eight years earlier, 1899 saw the establishment of Settsu Electric Railway by the railway's first president, Shuzo Toyama. With the company, Toyama laid the foundations for Hanshin Electric Railway as a pioneer of intercity electric railway.

Shuzo Toyama, Hanshin Electric Railway's first president

Both Hankyu Corporation and Hanshin Electric Railway have focused their energies on developing their operational areas as their railway networks spread outward from Osaka-Umeda.

As well as providing homes in the line-side area, they offer new ways of living in the city suburbs. They have also opened businesses like their respective department stores, sited at the railway terminal, and hotels—again contributing to community building.

Through unique forms of entertainment, the companies have brought new types of amusement and culture to people, still charming them in their thousands with the Takarazuka Revue (formed 1913), Hanshin Koshien Stadium (opened 1924), and Hanshin Tigers baseball team (established 1935).

Performance of *Mon Paris* by Takarazuka Girls' Revue (1927)

Osaka Tigers (now Hanshin Tigers) poster

Beginning in the 1960s, development of facilities progressed mainly in Umeda, including the New Hankyu Building, the Dai Hanshin Building, Hotel new Hankyu Osaka, and Hotel Hanshin.

From 1966, Hankyu Corporation began the comprehensive development of Hankyu-Umeda Station. The station was moved and expanded to cater to the growing numbers of users, transforming it into a safer, more comfortable hub. At the same time, Hankyu Sanban Gai was opened underneath the new station. Following up on the station, the company soon after developed the directly connected Hankyu Terminal Building and a number of office buildings and commercial facilities, including the Hankyu Grand Building. All of these projects catapulted the value of Osaka-Umeda as a business base that brings people to the area.

Umeda at the completion of the Hankyu Grand Building (1977)

In 2006, Hankyu Corporation and Hanshin Electric Railway integrated their businesses and Hankyu Hanshin Holdings Group was born.

In the Group, the two companies were able to pool their know-how, talent, and other assets in a cohesive team effort across various business domains, such as the Urban Transportation and Real Estate businesses, so as to enhance competitive ability throughout their portfolio and boost corporate value.

Hankyu Series 9000 train

Hanshin Series 8000 train

Post-integration, developments included Hankyu Nishinomiya Gardens, the renovation of Hanshin Koshien Stadium, the Umeda Hankyu Building, and GRAND FRONT OSAKA. These initiatives by the Hankyu Hanshin Holdings Group managed to progress and deepen community building in these areas.

Furthermore, in 2009, the Hanshin Namba Line opened, completing an expansive network spanning Kobe, Osaka, and Nara.

By merging, Hankyu and Hanshin have been able to harness the ample synergies inherent in their various operations in their quest to further enhance corporate value.

Umeda Hankyu Building concourse

Artist's impression of completed Umeda Phase II (from a December 2020 proposal)

Currently, the Group is studying track placement, for instance by extending the Kita-Osaka Kyuko Railway and building the Naniwasuji Connection Line and Shin-Osaka Connection Line, to further enhance the railway network.

As illustrated by the development of Osaka Umeda Twin Towers South, Phase I of which is already complete, and the Osaka Station North District (Umeda) Phase II Development, the Group is firmly promoting large-scale development projects.

The Group is using the community building abilities it has accrued to continuously provide people and society with new value, particularly in the Osaka-Umeda and other operational areas, and will connect this to its future sustainable growth.

Business Overview

The Hankyu Hanshin Holdings Group has core businesses in seven business domains: Urban Transportation, Real Estate, Entertainment, Information and Communication Technology, Travel, International Transportation, and Hotels. Further, under the direction of the Company, which supervises the Group’s management, these businesses are operated by six core companies:

	Urban Transportation	Real Estate	Entertainment	Information and Communication Technology	Travel	International Transportation	Hotels
							
	Urban Transportation	Real Estate	Entertainment	Information and Communication Technology	Travel	International Transportation	Hotels
Nature of Business	Railway operation business These operations form a network in the Kansai area that centers on the railway lines of Hankyu Corporation and Hanshin Electric Railway. Hankyu Corporation’s railway lines link Osaka (Umeda) with Kobe, Takarazuka, and Kyoto. Hanshin Electric Railway is an operator with railway lines that directly link Kobe with Osaka’s major northern and southern terminals, which are Osaka-Umeda and Osaka-Namba, respectively. The operating kilometers of Hankyu Corporation and Hanshin Electric Railway are 143.6 km* and 48.9 km,* respectively. *Including tier 2 railway operators Automobile business (bus, taxi) This business operates bus and taxi services, which coordinate with railway services to increase convenience in line-side areas. Retailing business This business manages shops mainly inside railway stations on the Hankyu and Hanshin lines.	Leasing business This business owns numerous office buildings and facilities, mainly in the Osaka-Umeda area and the lineside areas of the Hankyu and Hanshin lines. In recent years, the business has been actively pursuing development of real estate in the Tokyo metropolitan area. Real estate sales and other business This business markets condominiums, residential land lots, and detached houses, mainly in the lineside areas of the Hankyu and Hanshin lines and the Tokyo metropolitan area. In recent years the business has entered the ASEAN region. The business is engaged in property management, building maintenance, and other building operation and management services as well as real estate fund management, including private placement funds and J-REIT businesses.	Sports business This business manages the Hanshin Tigers professional baseball team, which has a history of more than 80 years, as well as the team’s home ground and high-school baseball mecca Hanshin Koshien Stadium and related businesses. The business also operates a music business (Billboard Live). Stage business This business manages the performances of the Takarazuka Revue—an organization which has more than a century of history—sells related products, and manages and operates related businesses engaged in video and music distribution. Further, the business operates Umeda Arts Theater and promotes stage productions.	Information and communication technology business This business is in charge of the information services business, which offers a range of IT-based services such as system development; the broadcasting and communications business, which provides multi-channel broadcasts, internet services, and fixed telephone services; and the safety/education business, which operates ProgLab robot programming classes for children, and Mimamoru.me, a child safety service which monitors children’s journeys to and from school.	Travel business This business plans, markets, arranges, and supports travel for Japanese people in Japan and overseas and for inbound tourists. The business provides various travel services which include: media sales to sell packaged tours through advertisements in newspaper, internet and other media, individual tours with itineraries that can be created freely, group tours that we propose for study or as educational tours visiting enterprises or schools, counter sales at shops, tours for the inbound international visitors and arrangements for overseas business trips.	International transportation business As a global forwarder, we have established bases in regions all over the world and developed a comprehensive international logistics business. As the global business diversifies, we provide a one-stop logistics solution that is optimized to our customers’ diverse needs by bringing together air freight, sea freight, and logistics services as a logistics consultant. Domestic bases: 50 / Overseas bases: 134 (As of September 1, 2021)	Hotels business This business operates a wide range of hotel formats, from “city hotels” in urban locations like Tokyo or Osaka through to no-frills hotels, which mainly comprise guest rooms for overnight stays. Hankyu-Hanshin-Daiichi Hotel Group Directly managed hotels: 22 Franchised hotels: 27 Total hotels: 49 (with 12,644 guest rooms) (As of September 1, 2021) In addition to the hotels mentioned above, the business manages The Ritz-Carlton Osaka, based on an alliance with the Ritz-Carlton chain of international luxury hotels.
Core Companies	 Hankyu Corporation  Hanshin Electric Railway	 阪急阪神不動産 *1 Hankyu Hanshin Properties	 Hankyu Corporation  Hanshin Electric Railway	 Hanshin Electric Railway	 Direct to your heart Hankyu Travel International	 Hankyu Hanshin Express	 Hankyu Hanshin Hotels
Fiscal 2021 Results*2	Revenues from operations ¥ 156.9 billion (YoY -30.9 %)	Revenues from operations ¥ 188.4 billion (YoY -20.2 %)	Revenues from operations ¥ 42.2 billion (YoY -43.0 %)	Revenues from operations ¥ 58.1 billion (YoY -0.8 %)	Revenues from operations ¥ 12.0 billion (YoY -64.6 %)	Revenues from operations ¥ 85.6 billion (YoY +12.3 %)	Revenues from operations ¥ 19.1 billion (YoY -68.2 %)
	Operating income - ¥ 5.1 billion (YoY n/a)	Operating income ¥ 28.9 billion (YoY -30.3 %)	Operating income - ¥ 2.3 billion (YoY n/a)	Operating income ¥ 5.6 billion (YoY -0.8 %)	Operating income - ¥ 7.4 billion (YoY n/a)	Operating income ¥ 2.3 billion (YoY n/a)	Operating income - ¥ 17.9 billion (YoY n/a)
	Segment assets ¥ 814.7 billion (YoY -0.2 %)	Segment assets ¥ 1,298.1 billion (YoY +10.2 %)	Segment assets ¥ 106.3 billion (YoY -1.2 %)	Segment assets ¥ 58.7 billion (YoY +5.5 %)	Segment assets ¥ 29.6 billion (YoY -37.3 %)	Segment assets ¥ 52.6 billion (YoY +8.6 %)	Segment assets ¥ 91.2 billion (YoY +3.6 %)
							

*1 As for our Real Estate Business, Hankyu Corporation and Hanshin Electric Railway collaborate with Hankyu Hanshin Properties to promote urban development of real estate owned by Hankyu Corporation and Hanshin Electric Railway for rent and development in cooperation with transportation networks, local governing bodies and others in Umeda and their line-side areas.

*2 In fiscal 2021, the Group’s consolidated revenues from operations and operating income fell significantly compared to the previous fiscal year due to the massive impact of the COVID-19 pandemic on many of the Group’s businesses, including the urban transportation, hotels, entertainment, real estate, and travel businesses.

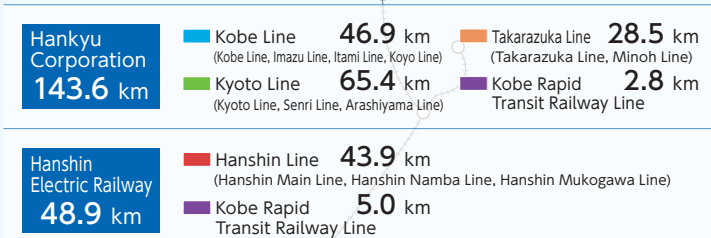
Hankyu Corporation, Hanshin Electric Railway Co., Ltd., Hankyu Hanshin Properties Corp., Hankyu Travel International Co., Ltd., Hankyu Hanshin Express Co., Ltd., and Hankyu Hanshin Hotels Co., Ltd. Through these core businesses and companies, we will foster organic growth across the entire Group.

Service Area

Expanding the service area from Kansai, centering around Osaka-Umeda and its line-side areas to the Tokyo metropolitan area and to Asia

Forming the Railway Networks That Are the Arteries of Kyoto-Osaka-Kobe and the Rest of the Kansai Region

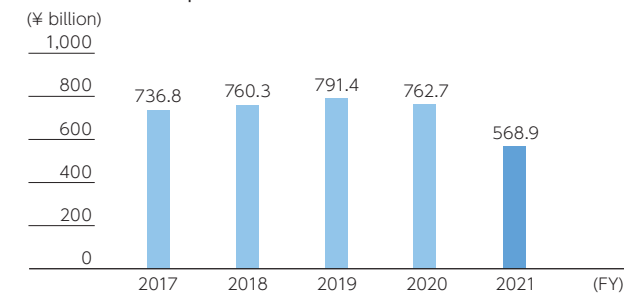
Hankyu Corporation's railway lines link Osaka-Umeda with Kobe, Takarazuka, and Kyoto. Hanshin Electric Railway is an operator with railway lines that directly link Kobe with Osaka's major northern and southern terminals, which are Osaka-Umeda and Osaka-Namba, respectively. These operations form a network that acts as a type of major society-supporting infrastructure in the Kansai area.



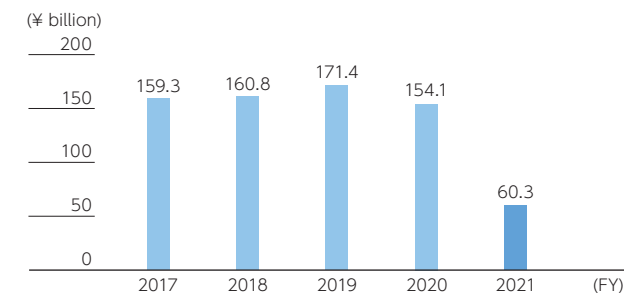
Financial Highlights

Key Financial Indicators (Graphs)

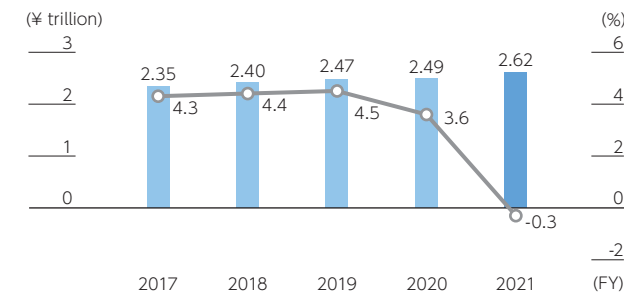
Revenues from operations



EBITDA

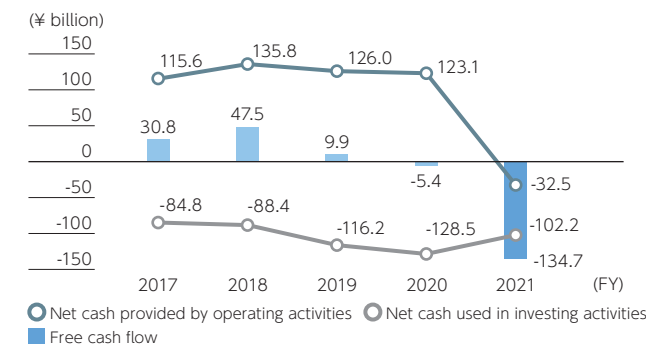


Total assets and ROA

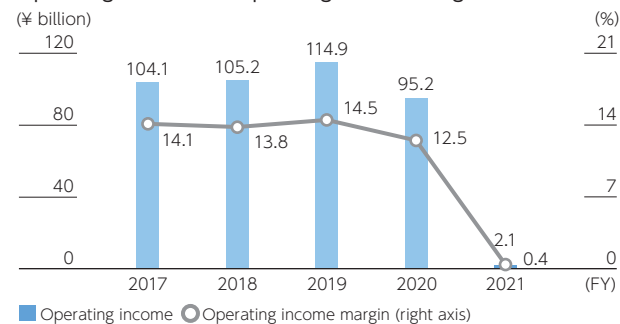


*ROA = Ordinary income/Average total assets at beginning and end of the period

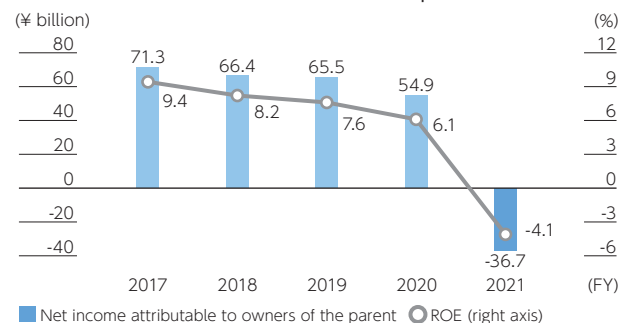
Cash flows



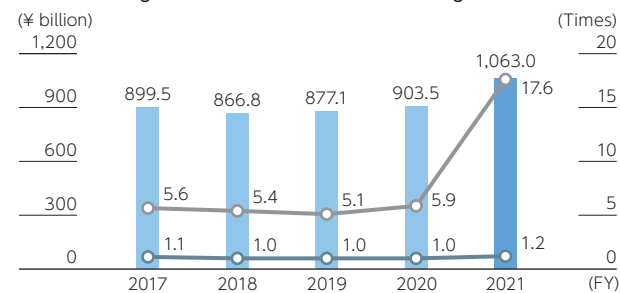
Operating income and operating income margin



Net income attributable to owners of the parent and ROE

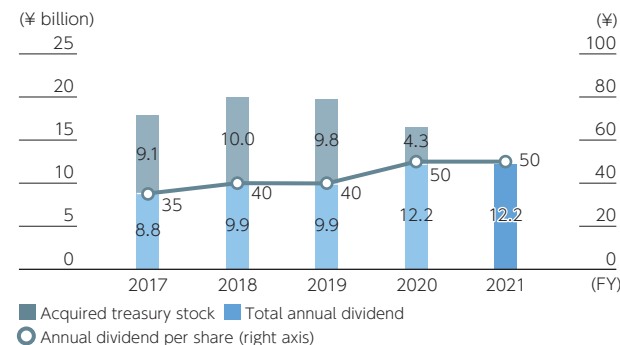


Interest-bearing debt, D/E ratio, and interest-bearing debt/EBITDA ratio



*D/E ratio = Interest-bearing debt/Ordinary income

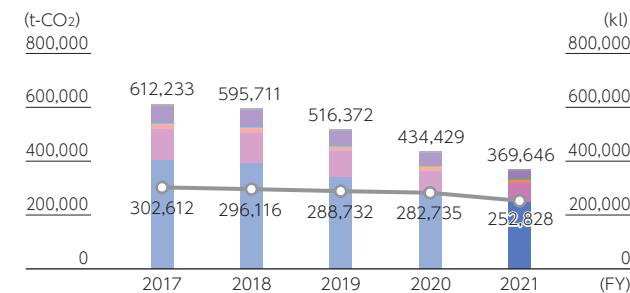
Returns to shareholders



Non-Financial Highlights

Environmental Factors

CO₂ emissions volumes and energy consumption on crude oil-conversion basis

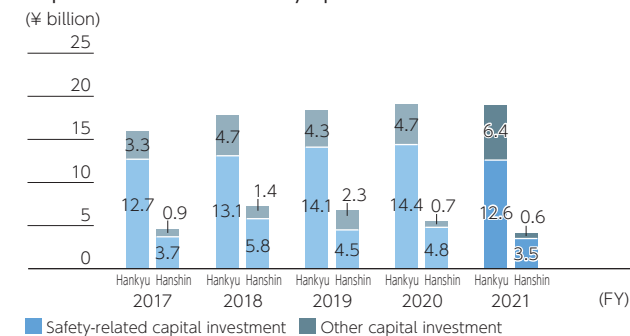


Urban transportation Real estate Entertainment Information and communication technology Travel International transportation Hotels Other Energy consumption on crude oil-conversion basis (right axis)

In fiscal 2021, CO₂ emissions were down 15% year on year to 369,646 t-CO₂, due to the significant stagnation of socioeconomic activities following the state of emergency declared twice amid the COVID-19 pandemic. Energy consumption on a crude oil conversion basis decreased 11% year on year to 252,828 kl.

Social Factors

Capital investment in railway operation business

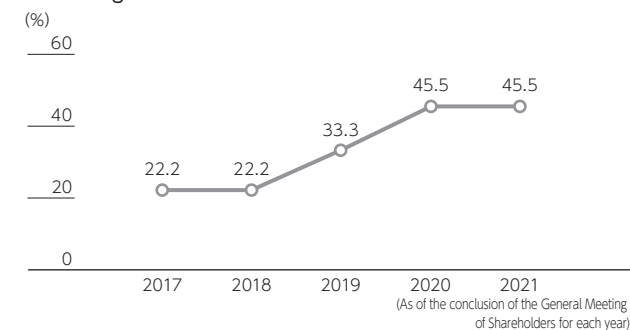


Note: The total length of lines operated is 143.6 km for Hankyu Corporation and 48.9 km for Hanshin Electric Railway.

As a railway operator, the Group provides a form of public infrastructure. We therefore make giving priority to the safety of our customers a fundamental policy of management, and conduct ongoing safety-related capital investments in our railway operation business accordingly. However, in fiscal 2021, in view of the substantial impact of COVID-19, we reduced originally planned capital investment and reviewed the timing of investment while giving consideration to safety. As a result, safety-related capital investments totaled ¥12.6 billion at Hankyu Corporation and ¥3.5 billion at Hanshin Electric Railway. These investments were primarily used for the construction of new trains and renovation of existing ones, as well as construction to further improve our stations, and seismic reinforcement of elevated tracks.

Governance Factors

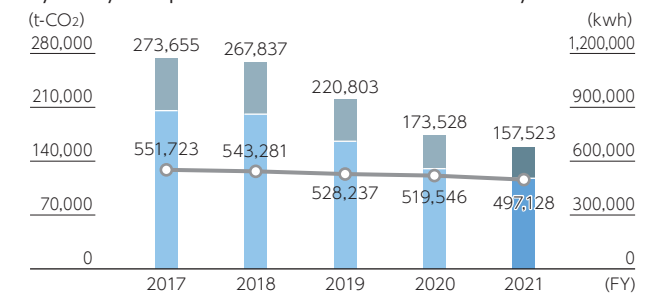
Percentage of outside directors



Note: As a result of approval at the General Meeting of Shareholders held in June 2020, the Company became a company with an audit and supervisory committee.

In order to strengthen its supervision and oversight and improve the quality of its decision making, the Company has appointed 11 directors, of which 5 are independent directors (3 males and 2 females), bringing the percentage of outside directors to 45.5%.

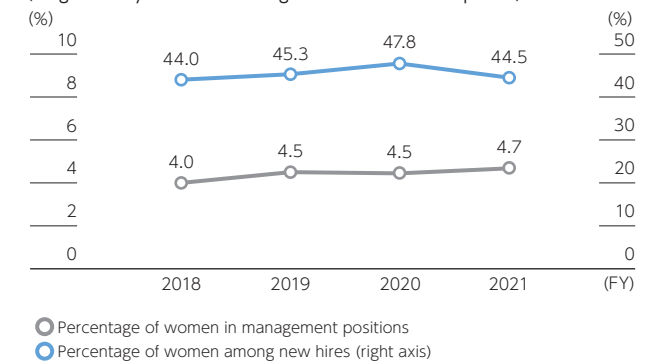
CO₂ emissions/railway operation business energy consumption by Hankyu Corporation and Hanshin Electric Railway



Hankyu Corporation Hanshin Electric Railway Energy consumption (right axis)

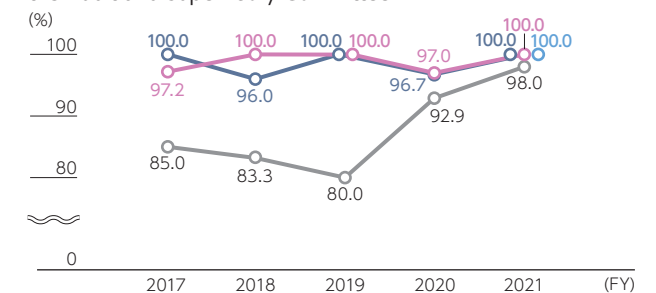
In fiscal 2021, CO₂ emissions associated with railway operation business consumption by Hankyu Corporation and Hanshin Electric Railway were down 9% year on year to 157,523 t-CO₂. Energy consumption plunged mainly because of the effect of Hankyu Corporation's updating to energy-efficient rolling stock, coupled with a fewer number of passengers of both companies amid the pandemic that decreased the weight of train in operation compared to pre-COVID times.

Percentage of women in management positions and women among new hires (Target: Hankyu Hanshin Holdings and its six core companies)



Hankyu Hanshin Holdings and its six core companies are actively pursuing fair working environments where employees are able to fulfill their roles to the best of their abilities regardless of gender, through the active continued hiring of female employees. In fiscal 2021, the percentage of women in management positions was 4.7%, and females made up 44.5% of new hires.

Rate of attendance of outside officers at meetings of the Board of Directors, the Board of Company Auditors, and the Audit and Supervisory Committee



Note: With the approval obtained at the Ordinary General Meeting of Shareholders held in June 2020, Hankyu Hanshin Holdings became a company with an audit and supervisory committee. Fiscal 2021 results represent the attendance status to the meetings of the Board of Company Auditors before the transition and to the Audit and Supervisory Committee after the transition.

Message from the Chairman



Kazuo Sumi
Chairman and Representative Director,
Group Chief Executive Officer

We shall respond appropriately to changes in society and aim for sustainable growth to help build a sustainable society.

Boosting Corporate Value Sustainably Within the Context of a Changing Society

Our aim as a corporate group is to achieve sustainable growth in a society that is continually undergoing change. In 2017, we announced the Hankyu Hanshin Holdings Group Long-Term Management Vision for 2025, and have since been carrying out policies in line with that strategic vision.

In the fourth quarter of fiscal 2020, however, the emergence of the COVID-19 virus caused a sudden change in the business environment, significantly impacting many of our businesses. That impact continues to be felt in fiscal 2022, but there has been a certain degree of recovery in earnings across our businesses recently, so the full-year results for fiscal 2022 are expected to be better than for the previous year.

In such circumstances, we must of course work toward a full business recovery, but at the same time it is also essential to respond properly to changes in the social and economic environment brought on by the pandemic. Toward that end, we have started working on an update to the Long-Term

Management Vision for 2025. Through this effort, we aim to clearly envision what this Group should look like in 2030, and will aim to boost corporate value sustainably within the context of a changing society.

Further Implementing Sustainable Management Toward the Realization of a Sustainable Society

To show how we plan to contribute to the realization of a sustainable society, we announced the Hankyu Hanshin Holdings Group Sustainability Declaration in May 2020.

We have since been putting into action specific measures aimed at meeting the non-financial KPIs for priority issues presented in the declaration. Additionally, in May 2021 we announced our intention to endorse the Task Force on Climate-related Financial Disclosures (TCFD) and the United Nations Global Compact.

Part of our efforts include TCFD compliance measures. Adhering to that disclosure framework, we outline in this

integrated report our governance, risk management, and metrics and targets. To plan our Group strategy, we first identified the risks and opportunities in Urban Transportation and Real Estate, business areas within the Group that will have a considerable impact on climate change. Going forward, we will do further analyses on these topics, which will include trial calculations on financial effects, and based on the findings will incorporate measures into our business strategy to further improve efforts to mitigate climate change.

Passing the Baton of Community-Building

One of the six priority issues in our sustainability declaration is to build “thriving communities.” For over 100 years since our founding, the Group has focused on good town planning along our railway lines. Ichizo Kobayashi, the founder of Hankyu Corporation, carried out development of residential areas and other projects starting in the company’s earliest phase. Among these efforts, he worked to develop safe, secure town areas by setting up street lamps that ran on surplus power from the railway. Such creative thinking, which extended to education and culture, continues today in the Group’s efforts to build thriving communities.

One example is the area around Hankyu Nishinomiya-kitaguchi Station (Nishinomiya, Hyogo Pref.), which was devastated in the Great Hanshin-Awaji Earthquake of 1995. Following the earthquake, a public-private partnership was established to rebuild the train station and vicinity. Amidst that rebuilding, Hankyu Corporation also planned Hankyu Nishinomiya Gardens, a large-scale commercial facility that opened in 2008. We also actively encouraged the establishment of educational and culture facilities and worked to improve the attractiveness and convenience of the area. Our Group also built many high-quality residences in the vicinity and has been working to raise the value of the entire area on an ongoing basis. Thanks to such efforts, the area around the station was rated number one in the Most Desirable Neighborhood in Kansai survey 2021* for the sixth year in a row.

In addition, the Group has two important business locations—Osaka-Umeda and Senri-Chuo—with two hotels (Hotel new Hankyu Osaka and Senri Hankyu Hotel). In the near future, however, due to a complete restructuring of the hotel business, the hotels will be closed and taken down. We will be looking to redevelop the two sites to raise their value and build thriving communities in the two areas. In the Osaka-Umeda area, construction will be completed next spring on the Umeda 1-1 Project, and we will turn to our next major project—intensive land utilization of the site now

occupied by the Hotel new Hankyu Osaka. In the Senri-Chuo area, —a redevelopment project is presently in progress in front of Senri-Chuo Station, adjacent to the Senri Hankyu Hotel, so we will watch how that develops as we study plans for developing the hotel site land.

In these ways, our Group has sought to build thriving districts since our founding, and we realize it is a vital mission to pass the baton on to subsequent generations and continue to contribute to local development and social progress—primarily through efforts to create vibrant areas along our railway lines.

*The Most Desirable Neighborhood survey is a questionnaire of prospective condominium buyers conducted by the “Major 7” condominium builders (Sumitomo Realty & Development, Daikyo, Tokyu Land, Tokyo Tatemono, Nomura Real Estate Development, Mitsui Fudosan Residential, and Mitsubishi Estate Residence).

Building a Corporate Culture That Empowers Each of Our Employees

Another of our Group’s six priority issues stated in the sustainability declaration is “empowering individuals.” This is more important than anything, and to assist in this effort, we have set the “continuous raising of employee satisfaction” as a non-financial KPI. Raising employee satisfaction is the base upon which we will be able to meet the expectations of our many stakeholders. Satisfaction also boosts employee motivation and our organizational strength, which in turn allows us to provide high-quality services that align with the needs of customers. Steady accomplishments then lead to higher customer satisfaction, which translates into improved business results and higher corporate value.

Taking this approach, we have long strived to create a workplace culture that enables our employees to work happily and energetically. Going forward as well, we will promote employee diversity and health, creating a corporate culture that values our employees’ individuality and allows their unique abilities to flourish.

With the ongoing COVID-19 situation, we expect the business climate to remain difficult, but we will pursue our Group management philosophy as one, building a strong trust with customers and local communities as we set our sights on sustainable growth for the Group overall.

Message from the President

Takehiro Sugiyama
President and Representative Director



To build sustainable corporate value in the New Normal

Fiscal 2021 Results

In fiscal 2021, as COVID-19 spread across Japan, people were asked to voluntarily refrain from going out and traveling. Severe restrictions on social and economic activities were imposed, including a national state of emergency twice being declared. The situation has been extremely difficult all year. As a corporate group we have been serious about taking measures to stop the spread of the virus and worked hard to ensure business continuity, but most of the Group's

businesses have been considerably affected by the pandemic. We made efforts to cut costs, constrain investment, and take other actions that resulted in our operating income managing to stay in the black, but we incurred a loss in net income attributable to owners of the parent due to such factors as special losses caused by the pandemic and losses related to the restructuring of the hotel business.

	FY2021 results	FY2020 results	YoY
Revenues from operations	¥568.9 billion	¥762.7 billion	-¥193.8 billion
Operating income	¥2.1 billion	¥95.2 billion	-¥93.1 billion
Ordinary income	-¥7.6 billion	¥88.8 billion	-¥96.4 billion
Net income attributable to owners of the parent	-¥36.7 billion	¥54.9 billion	-¥91.6 billion

Our Direction for Fiscal 2022

About the Medium-Term Management Plan
To realize the Hankyu Hanshin Holdings Group Long-Term Management Vision for 2025, established in 2017, we

formulated a Medium-Term Management Plan for the first four years (fiscal 2019-2022), during which time we have been promoting measures in line with the Vision that aim to

achieve stable operating income of ¥110 billion in the medium-term fiscal year of 2022. The Group's results were largely in line with the Plan up to the outbreak of COVID-19. However, the business climate changed significantly with the pandemic, and it soon became clear that we had no chance of meeting our income target of ¥110 billion. Based on this situation, for fiscal 2022 we have reset the span of years covered by our Medium-Term Management Plan and lower our income target from ¥110 billion, following policy measures through the two tasks outlined below.

Task 1 Setting a Crisis Recovery Phase

For the first task, we are setting a Crisis Recovery Phase as a time frame within which we can put a wholesale effort into recovering as quickly as possible from the effects of the COVID-19 pandemic. Step 1: Take measures to strengthen our business structure In this phase of policy measures, we will devote energy to restoring profits in our existing businesses and quickly establish a plan for cutting fixed costs and turning fixed

costs into variable costs* in order to strengthen our profitability structure in each Group business. With respect to growth investments, large-scale projects that are currently in progress will be continued, but new projects will be subject to careful review in terms of purpose, business viability, risk, etc. We will continue to constrain maintenance and renewal investment to minimize the worsening of the Group's financial standing. *Cutting fixed costs and turning fixed costs into variable costs: operational streamlining and labor-saving, raising productivity to contain costs, reallocating resources, etc.

Step 2: Move forward with the fundamental restructuring of the hotel business As part of step one, taking into consideration that the hotel business had long been facing a tough business climate, then was severely impacted by the COVID-19 pandemic, we plan to carry out a fundamental restructuring of the business covering all three components—operational, personnel, and financial. Specifically, we will take measures to restore sales to pre-pandemic levels and improve income while closing hotels that are unprofitable and cutting fixed costs to strengthen our business structure, as shown in the table below.

Description of Structural Reforms in the Hotel Business

(1) Operational

- In the hotel business, we decided some time ago that any new hotels we open should be no-frills hotels, and we put the existing full-service hotels under review in terms of the business model and use of assets, with a view to ensuring the profitability of the real estate.
- We will focus resources on no-frills hotels (which have good profit potential) and a selected number of full-service hotels. Conversely, we will close hotels that are unprofitable, underperforming, or dilapidated. Seven hotels will be closed, as shown below.

End of FY2022	Dai-ichi Hotel Annex, Kichijoji Dai-ichi Hotel, remm Kagoshima ^{*1} , Umeda OS hotel ^{*2} *1 By the end of FY2022, remm Kagoshima will cease to be a directly managed hotel and become a chain hotel managed by the property's owner. *2 Umeda OS hotel is managed under contract by Hankyu Hanshin Hotels
End of FY2023	Daiichi Hotel Tokyo Seafort
Around the end of FY2025	Hotel new Hankyu Osaka
Around the end of FY2026	Senri Hankyu Hotel

(2) Personnel

- As well as downsizing the workforce as part of the restructuring program (reallocating resources), we will run a business process inventory to see where we could improve productivity. In this way, we hope to achieve enable leaner operation. By hiring fewer people, we will allow the workforce to shrink naturally.

(3) Financial

- We are prepared to record impairment loss to reflect the diminished profitability of assets amid the pandemic.

Task 2
Adapting to the New Normal

For the second task, we will take the steps necessary to adapt steadily to business climate changes accelerated by the pandemic that have ushered in the New Normal.

Step 1: Recognize changes in the business environment brought on by COVID-19

Well prior to the pandemic, most of the businesses in our Group relied on the movement of customers and in-person contact (from urban transportation to shopping at commercial facilities, baseball game attendance, theatergoing, travel, hotel stays, etc.). We competed through products and services in that realm. But since the emergence of COVID-19, people have had fewer opportunities for movement, and interactions through digital media have been on the rise, replacing a real-world physical presence. This and other developments have quickly changed people's lifestyles and ways of doing business. These changes are on the way to becoming firmly established in today's social environment, so it is likely that as the New Normal become established, they will have a considerable effect on the running of most of our Group businesses.

Step 2: Adapt to the New Normal

For the Group to build toward sustainable growth, we must develop a suitable response to the new situation that has emerged. A DX (digital transformation) initiative will be

First Quarter Results for Fiscal 2022 and Outlook for the Full Fiscal Year

While the effects of the COVID-19 pandemic still remain significant, the first quarter results for fiscal 2022 saw some degree of recovery from the previous year in each severely affected business, with an attendant increase in revenue and income. Factoring the first-quarter results into the outlook for the full fiscal year, we anticipate a further recovery from the second quarter on—an improvement over the same period in fiscal 2021—shown in the table below.

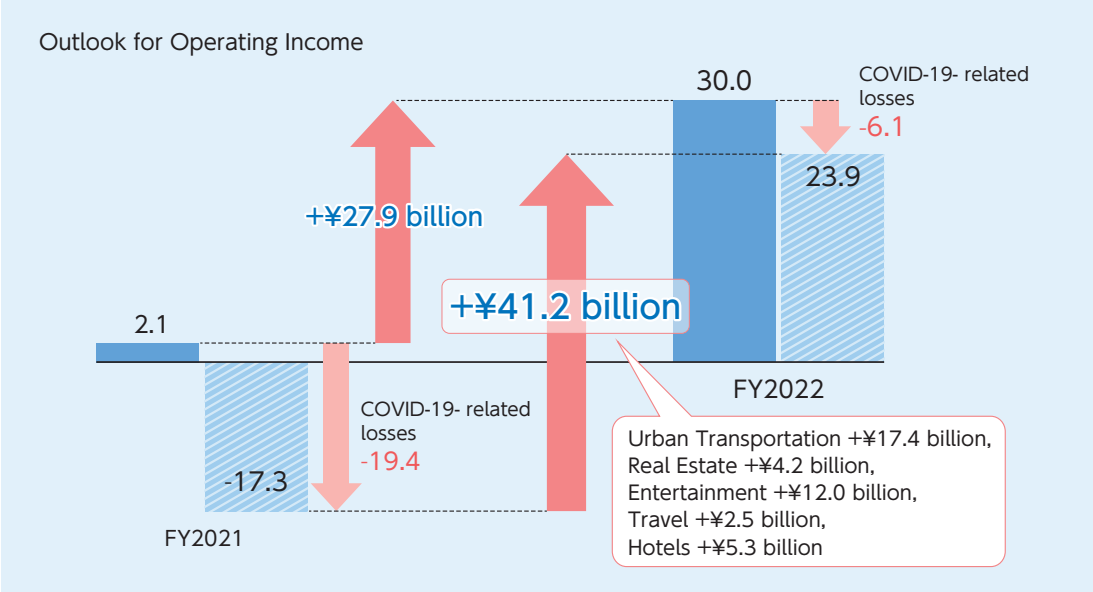
	FY2022 forecast (As of July 30, 2021)	FY2021 results	YoY
Revenues from operations	¥770 billion	¥568.9 billion	+¥201.1 billion
Operating income	¥30 billion	¥2.1 billion	+¥27.9 billion
Ordinary income	¥23 billion	-¥7.6 billion	+¥30.6 billion
Net income attributable to owners of the parent	¥12 billion	-¥36.7 billion	+¥48.7 billion

essential to our success, so will we take quick action based on specific policies to boost our earning capacity and streamline operations, employing digital technologies in the process.

To boost our earning capacity, we will work to provide new products and services based on people's new desire to avoid congested spaces and close contact with others as digital technologies advance further. We will also utilize customer data in digital marketing to stimulate new demand. Particularly with regard to customer data, as the Group provides people with a wide range of urban lifestyle-related products and services, we have data from every business that can be collated into big data for use by the Group as a whole going forward. We plan to use such customer data to more effectively target customers with marketing.

In terms of streamlining operations, it will be vital to increase individual productivity through the use of digital technologies such as robots and IoT at each Group site, so we will accelerate efforts toward that end.

Specifically, in fiscal 2022 we anticipate ¥30 billion in operating income, an increase of ¥27.9 billion over fiscal 2021. However, as shown in the graphic illustration on the right-hand side of the page, when COVID-19-related losses (extraordinary losses) are taken into account, the actual profit increase from FY2021 to FY2022 will be ¥41.2 billion, with a net income attributable to owners of the parent of ¥12 billion, back in the black.



Shareholder Return

With regard to shareholder return, in fiscal 2021 (because a worst-case scenario was avoided, wherein the COVID-19 situation would have remained as bad as it was in April and May 2020, calling for a national state of emergency) a stable ratio could be maintained—¥50 per share for the full-year dividend payout as set in fiscal 2020.

Since we anticipate a certain degree of recovery, ¥50 per share is again likely to be the full-year dividend payout in fiscal 2022.

Update to Our Long-Term Vision with a View of Changes in the Business Climate

The Group's Long-Term Management Vision for 2025, formulated in 2017 to indicate how we wanted to develop over the long term, already anticipates a declining population, advancing technological innovation, and progressive changes in lifestyles and business styles. I believe the direction for the Group stated in the Long-Term Vision does not require any major revisions. However, as described earlier, the pandemic has significantly accelerated the pace of change, so we have decided to update the Long-Term Vision at this time to respond fittingly to the changes in the business climate that have taken place since it was first written.

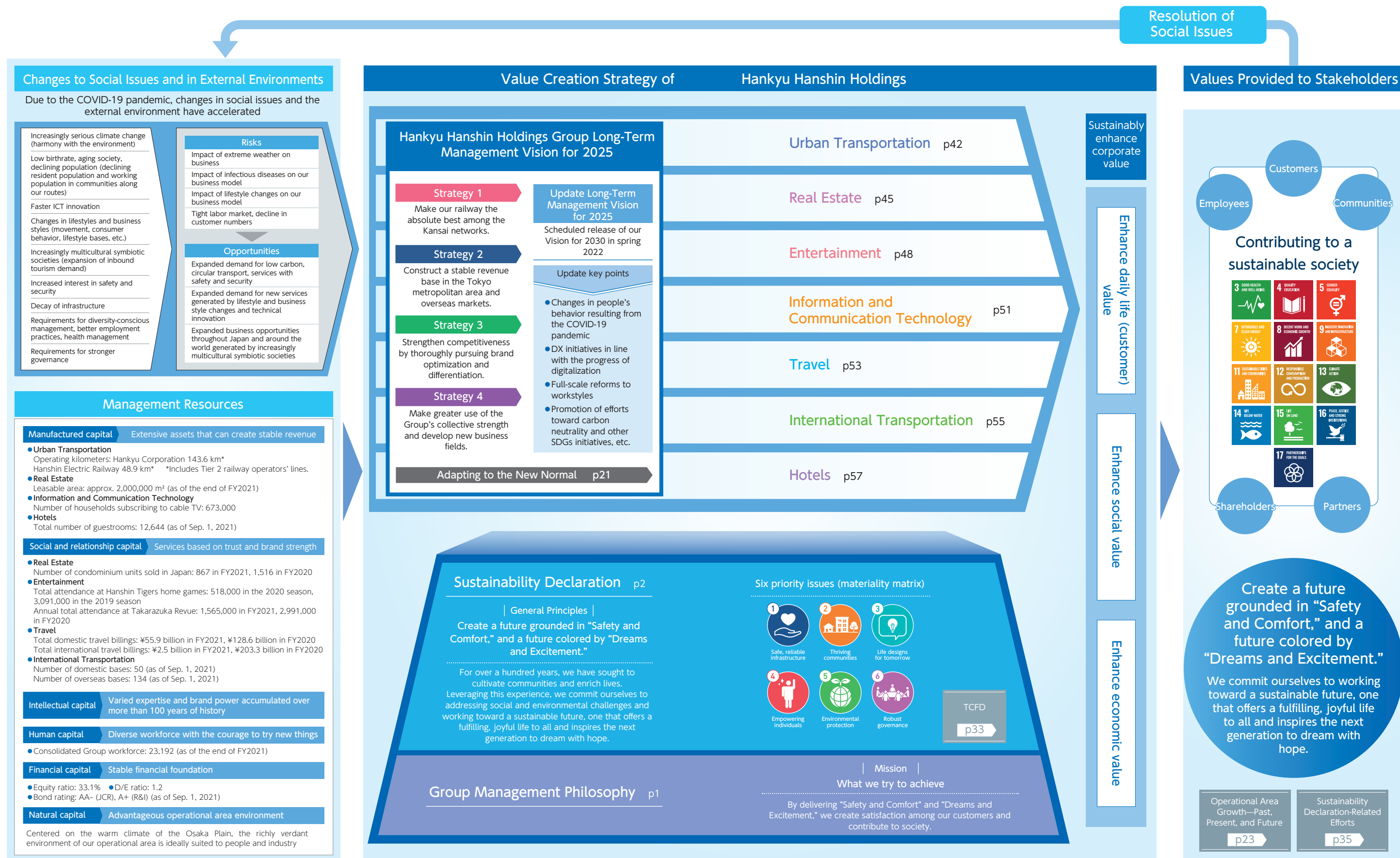
Our response must be focused on adapting to changes in societal behavior brought on by the pandemic, which includes an expansion of online consumption and the widespread acceptance of remote work arrangements. It must also include measures to achieve a digital transformation as the world becomes increasingly driven by data. There has also been a genuine change taking place in working styles alongside the society-wide pursuit of carbon neutral practices and other SDGs (sustainable development goals), so it is vital that we shift our priorities toward such matters.

In the area of finance, as we work to maintain financial soundness it becomes vital to increase capital efficiency more than ever. With such concerns in mind, we will proceed to update the Group's Long-Term Vision with the goal of announcing our Vision for 2030 in the spring of 2022.

The business climate is likely to continue to be difficult for some time to come, but we will first concentrate our energies on achieving a quick recovery from the effects of the COVID-19 pandemic, then steadily carry out measures from the standpoint of adapting to the New Normal. These efforts are aimed at achieving sustainable growth for the Group. In these matters I thank you for your understanding and continuing support.

Value Creation Process of Hankyu Hanshin Holdings

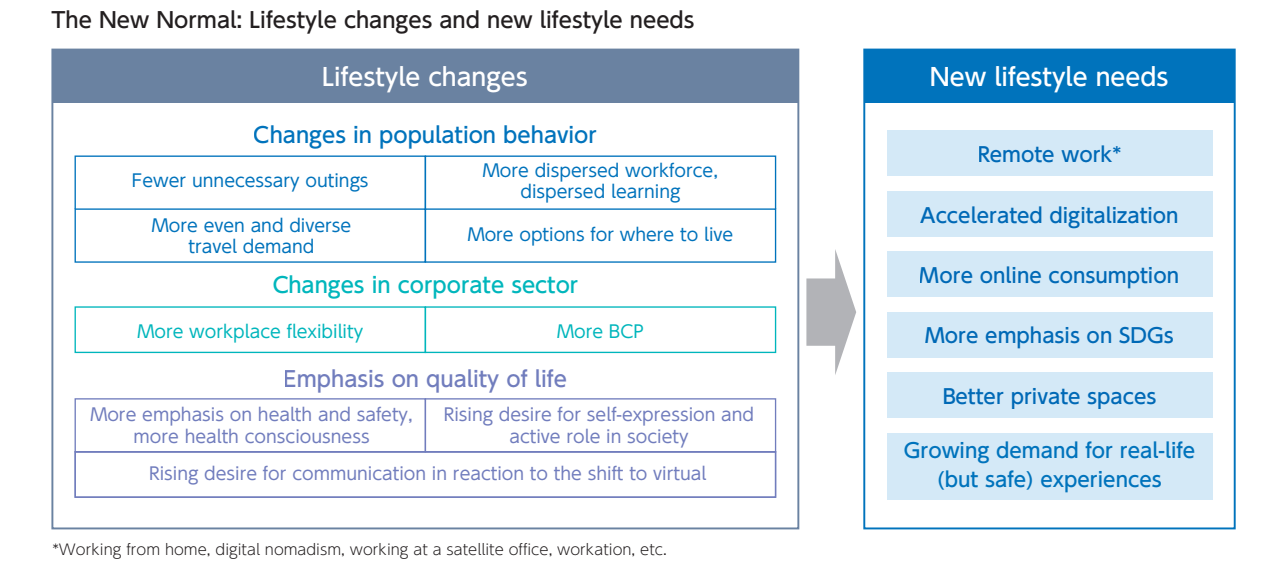
At the Hankyu Hanshin Holdings Group, we hold a diverse range of management resources, which we deploy in order to further our strategy of value creation so as to provide value to stakeholders.



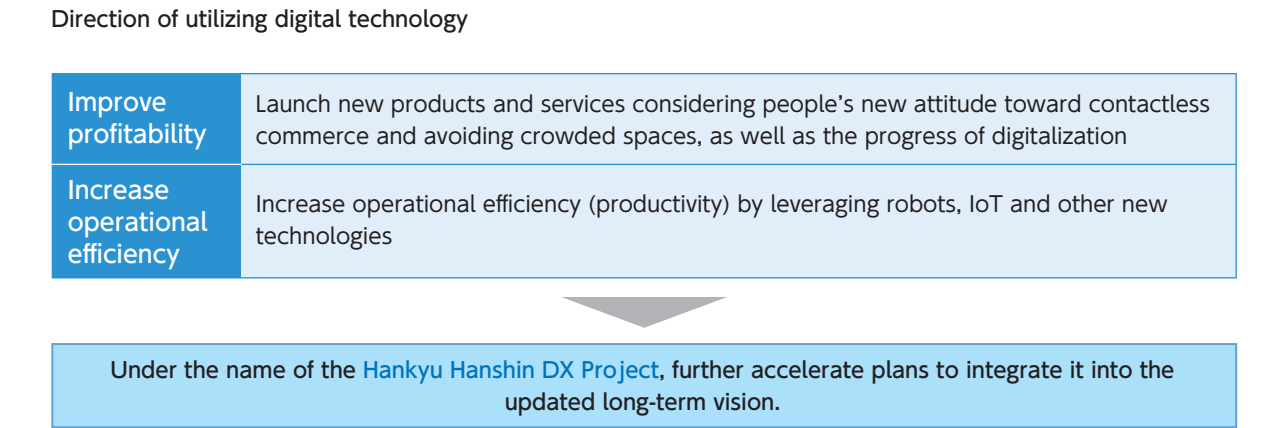
Note: Figures are for FY2021 unless otherwise noted.

Adapting to the New Normal

Changes in the business environment triggered by the COVID-19 pandemic (the coming of the New Normal)
The pandemic has triggered rapid changes in our lifestyles. Going forward, even if the effects of the pandemic once die down and economic activities in Japan and overseas recover to a considerable extent, socioeconomic activities will never fully return to their pre-pandemic state. Since the changes in lifestyles will give rise to needs for new ways of living, the business environment surrounding the Group is expected to undergo major changes (the coming of the New Normal).



Direction of adapting to the New Normal
In order to achieve sustainable growth even in the business environment described above, we need to appropriately adapt to the New Normal and this definitely requires DX initiatives. To this end, we will strive to improve profitability and increase operational efficiency while utilizing digital technology as follows.



► **Strengthening digital marketing by integrating data with groupwide ID**

The Group holds data on people's diverse activities through provision of products and services used in every aspect of people's urban life. Going forward, we will integrate these with a groupwide ID "HH cross ID" and make use of it for the entire Group to realize effective marketing.

Pick Up Data Analysis Lab

Opened within the Company through industry-academia collaboration with the University of Tokyo (April 2021)

(For details, see the next page.)

Pick Up Data Analysis Lab

Creating groupwide innovation through digital marketing and contributing to making smart Hankyu Hanshin service area and smart society

In April 2021, we established the Data Analysis Lab within our Company through industry-academia collaboration with the University of Tokyo to promote customer relationship management (CRM). We asked Associate Professor Takahiko Kusakabe of the University of Tokyo, who supervises all of the lab's projects as Data Analysis Director, about the mission and direction of the lab.



Takahiko Kusakabe
Associate Professor (Dr. Eng.)
Center for Spatial Information Science, the University of Tokyo

Profile
Completed his engineering doctorate at Kobe University Graduate School in 2010. Dr. Kusakabe has been in his current position since January 2021 and is engaged in research and development in the fusion area of information technology and transportation engineering. Since April 2021, he has been supervising all of the lab's projects as Data Analysis Director of Hankyu Hanshin Holdings.

What is the mission of the Data Analysis Lab?

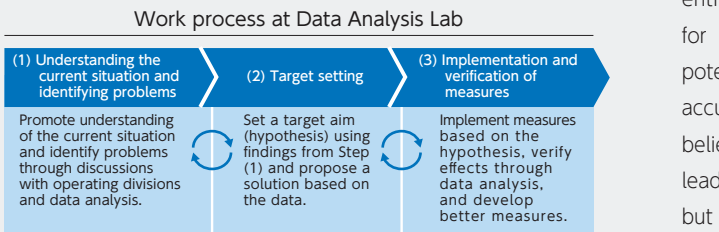
Associate Professor Kusakabe (hereinafter, Kusakabe) The mission of the Data Analysis Lab is to tackle various business challenges assisted by data science, for example, efficiency improvement using data and development of new digital strategies.

The Group has various data related to people's lives in general, obtained from customer relationships such as in railway operations, real estate, entertainment, and travel. By analyzing and utilizing such data, we will be able to take effective measures according to the lifestyles and potential needs of our customers, which will make people's lives more comfortable and convenient.

However, some of our datasets are not currently maintained for advanced CRM. So, we would like to first accumulate data in usable form, and then organize and analyze it.

Could you be more specific about data analysis and utilization?

Kusakabe For example, if we look at train boarding/unboarding data, we can divide customers into two groups: one of people who did not show any significant changes in boarding/unboarding frequency even during the pandemic, and the other of those who showed a steep decline. For the former, we will continue to provide safe transportation services and assure their continued use with a sense of security. Meanwhile, regarding the latter, we will analyze their boarding/unboarding data by combining with data on other businesses, such as purchasing behavior, to find a solution that will better meet the needs of customers and stimulate transportation demand.



Is there anything you are aware of when you explore a solution?

Kusakabe In 2006, when I was studying at Kobe University, I participated in joint research with Hankyu Corporation and Hanshin Electric Railway. The research produced some achievements but they were not sufficient to move on to the phase of practical implementation. In order to harness research results to solve social problems, along with having the latest technology, understanding the needs and problems of the field is also important. At our lab, I focus on understanding and meeting the field needs as much as possible by making use of on-site experience of the members.



Data Analysis Lab consists of Dr. Kusakabe and five employees

What do you expect this initiative to be applied to the future?

Kusakabe Under the current situation of a declining and aging population throughout Japan, the revitalization of the region is directly reliant on the Group's measures to increase the value of the areas along our railway lines. So it is no exaggeration to say that the Group is the leader in building the future of the entire region. The Group's promoting CRM to keep pace with the New Normal while leveraging the lab's outcomes will enable sustainable growth, eventually leading to the development of the entire community. I think this initiative is extremely productive for myself and other researchers as well, because it has the potential to be applied to urban smartization in various ways by accumulating and utilizing big data on people's lives in general. I believe that this industry-academia collaboration will not only lead to the development of the Hankyu Hanshin Holdings Group, but also to the attainment of a sustainable society.

Development trajectory
Future potential

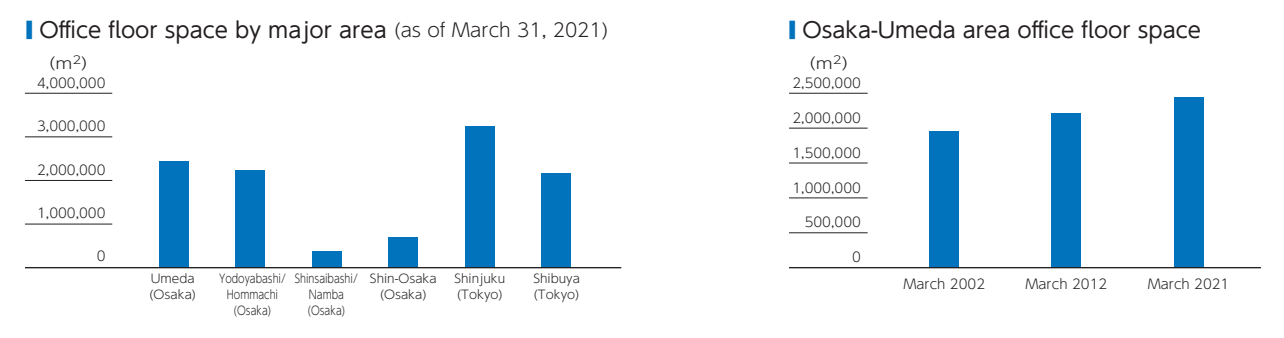
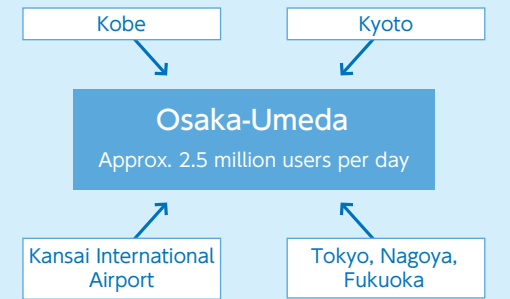
Osaka-Umeda Area Now

Osaka-Umeda is the Greater Kyoto-Osaka-Kobe Region's major transport hub. In the past, the area prospered primarily for its merchant culture and there were comparatively few offices. In recent years, with the development of facilities like the Umeda Hankyu Building and GRAND FRONT OSAKA, both of which we are involved in, there has been an equivalent supply of sophisticated offices. Now, there are seven railway stations as well as offices, commercial facilities, hotels, financial institutions, legal offices and more concentrated in a compact area measuring less than two kilometers in diameter. It is consistently praised as an excellent business environment.

We will continue to dig down into the potential that the Osaka-Umeda area—our most important base—has to offer and work to maximize its value.

Number of passengers per day:
approx. **2.5** million

Hankyu Hanshin Holdings Group: Hankyu Osaka-umeda Station, Hanshin Osaka-Umeda Station
Other railway companies: JR Osaka Station, Osaka Metro Umeda Station, etc.



Source: Monthly surveys on Osaka's and Tokyo's (Tokyo's 5 central districts) latest office market conditions (published by Miki Shoji Co., Ltd.)



Aerial photo of the Osaka-Umeda area

Umekita Phase II Development Project
Private-sector zone specification

Site area North zone: approx. **15,720** m²
South zone: approx. **30,430** m²

Urban open space specification

Site area Approx. **45,000** m²



Initial opening scheduled for summer 2024
See page 27.

HERBIS OSAKA
The Ritz-Carlton Osaka
Offices, hotel, commercial facilities, multipurpose halls



HERBIS ENT
Offices, commercial facilities, theater



To Juso/Shin-Osaka (planned Naniwasuji Connection Line and Shin-Osaka Connection Line)
See page 27.

GRAND FRONT OSAKA
Offices, commercial facilities, hotel (InterContinental Osaka), Knowledge Capital, etc.

Number of shops Approx. **260**
Size Umekita initial development area Approx. **70,000** m²



Applause Tower Hotel Hankyu International
Hotel, commercial facilities, offices, theaters, etc.



NU chayamachi PLUS
Commercial facilities



NU chayamachi
Commercial facilities



Hotel Hankyu RESPIRE OSAKA
Number of guest rooms **1,030**



Umeda Hankyu Bldg.* (Hankyu Umeda Main Store)
Offices, department store, etc.

Total floor space
Approx. **254,000** m²
Office space (incl. Sky Lobby, etc.): approx. 103,000 m²

Building details

41 floors above ground;
2 floors below ground
Office space: 25 floors (17F–41F)
*Name change to Osaka Umeda Twin Towers North scheduled for spring 2022

Umeda 1-1 Project
Osaka Umeda Twin Towers South (Hanshin Umeda Main Store)
Offices, department store, event halls, etc.

Total floor space
Approx. **260,000** m²

Building details
38 floors above ground;
3 floors below ground

Complete opening scheduled for spring 2022



See pages 25–26.

Our wholly owned and shared investment properties, etc.

PROJECT

Project Progress 01

Umeda 1-1 Project

(Building Name: Osaka Umeda Twin Towers South)

The Dai Hanshin Building, home to a Hanshin department store (Hanshin Umeda Main Store), and the New Hankyu Building, which were separated only by a narrow road, are being rebuilt as one building. We will improve nearby public facilities in an integrated manner, seeking to create comfortable, high-quality areas that will enhance the Osaka-Umeda area's international competitiveness. Specifically, we are upgrading city functions, enhancing disaster preparedness, creating new public spaces, and forming attractive townscapes.

Project Summary

Location	1-1 Umeda, Kita-ku, Osaka	Size	38 floors above ground and 3 below ground
Site area	Approx. 12,200 m ² *	Purpose	Department store, offices, halls, etc.
Total floor space	Approx. 260,000 m ²	Construction completion	Spring 2022

*Includes road between Dai Hanshin Building and New Hankyu Building.

A New Flagship Is Born

For both the Dai Hanshin Building and the New Hankyu Building, which have stood for many years, the issue of how to improve their functions was a pressing one. The launch of the Hankyu Hanshin Holdings Group presented an opportunity to pursue a reconstruction plan where Hanshin Electric Railway and Hankyu Corporation could work in tandem, and reconstruction began in October 2014.

Phase I was completed in April 2018 and in June of the same year, the Hanshin department store (Hanshin Umeda Main Store) opened to the public. Work began on Phase II's new construction in June 2019, and in addition to a department store zone, with each floor hosting a rental floor space of more than 3,500 m², we have put in place office zones as well as conference zones to share business information. In September 2021, construction on the department zone in the Phase II building area was completed and a month later opened as part of the Hanshin department store. In the spring of 2022, construction work on the Group's new flagship, Osaka Umeda Twin Towers South, will finally come to a close.

Regulation Easing Has Led to More Space

The characteristic point of this project was our use of the street-level area between the Dai Hanshin Building and the New Hankyu Building to form one new building. This concept owes much to regulation easing that came with a 2011 revision to the Act on Special Measures Concerning Urban Reconstruction, which recognized special measures within urgent urban renewal areas.* This project was the first in Japan to start construction and apply the special measures outlined in the 2011 revision.

In addition, the easing of floor area ratios (FAR) and wall setback distances has allowed us to open up a large amount of space that would not have been possible with renewing the two buildings separately; this has further improved the value of the building.

*Areas designated by law or regulations as those deemed to benefit particularly from urgent and priority promotion of urban facilities through swift, smooth urban development projects, etc., to enhance the area's international competitiveness.

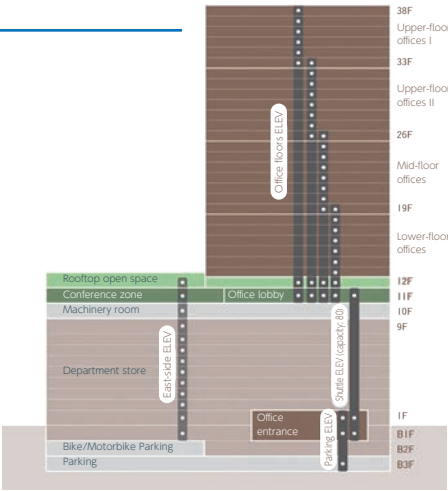
Helping to Make the Area More Disaster-Resilient

We have used the large amount of space that became available above the road. On 11F, there are two multi-purpose event halls (one large, one small, collectively Umeda South Hall) in the conference zone that can accept more than 1,000 guests. On 12F, there is a rooftop plaza, around 1,000 m², covered in greenery.

These two floors can also be used as a temporary space to house people unable to get home should a large-scale disaster occur, which contributes to enhancing disaster-preparedness in the Osaka-Umeda area.



Artist's impression of completed building



Building use diagram



Street-level open air area

Regulation easing applied in this project

- Construction use of space above roads (from exclusive road use)
- Easing of FAR (1,000% → 2,000%)
- Easing wall setback distance (2.0 m → 0.5 m)



Artist's impression of Umeda South Hall (main hall)

Redevelopment of the Surrounding Area

In addition to widening underground passages around JR Osaka Station and managing maintenance, we have been making the underground, above-ground and decking levels more accessible. Our redevelopment of the site has also integrated public facilities in the area. Through these initiatives, we have made the area safer and easier to navigate, resulting into a more comfortable, higher-quality urban district.



Underground passage (post-widening measures)



Above-ground walkway (post-widening measures)

Underground

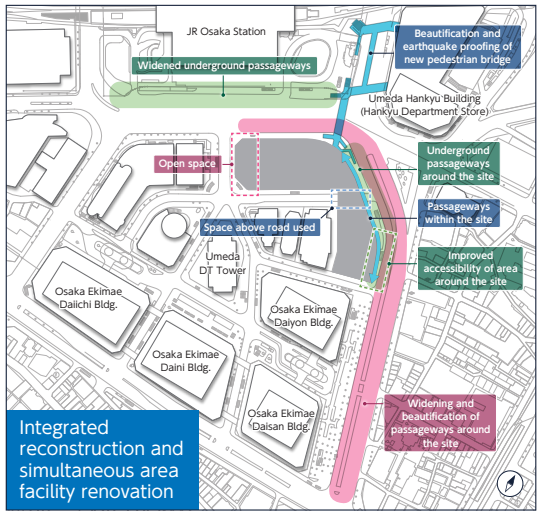
- Widening the underground passages around JR Osaka Station
- Making the surrounding area more accessible
- Constructing underground walkways in the surrounding area

Above ground

- Widening walkways in the surrounding area and managing beautification and daily maintenance
- Constructing open spaces on the west side of the planned site area

Decking level

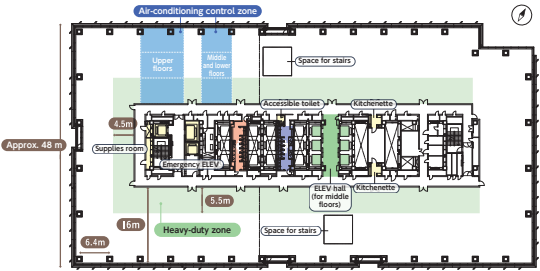
- Beautifying new Umeda pedestrian bridges and improving their earthquake-resistance
- Constructing passageways throughout the site (2F of the planned building)



Integrated reconstruction and simultaneous area facility renovation

Office Zone

The upper floors (11F–38F) will be an office zone that is equipped with the latest equipment, a comfortable environment for every office worker, informed by three concepts: at the heart of a connected Umeda, a building with outstanding services, and genuine wellbeing. There is also a floor (12F) dedicated to serving the building's office workers called WELLCO, which gathers together support functions for a wide variety of workstyles—enhancing worker creativity and productivity.



Ground plan of an office floor



Artist's impression of an office

WELLCO, a Dedicated Floor for Office Workers

wellco

The reason behind the name

The concept for this floor is rest well, work well, learn well—hence the "Well" part of the name. The "co" comes from the communication and collaboration the floor will inspire and that will allow office workers to fully demonstrate their abilities.

To bring this office concept to life, we have incorporated functions that will allow office workers to rest well, work well, and learn well. The goal is to create a virtuous cycle that will lead to highly creative work. Learning made possible by suitable opportunities for office workers to rest and interact with their fellows will enhance both workers' balance between mind and body and their dynamism.

The floor will comprise three main areas—a café serving healthy food, a lounge and workspace that caters to various needs from solo work to large meetings, and a wellness zone that workers can use to refresh or to counter a lack of exercise. Moreover, the floor will have permanent concierges that can help address users' problems.



Café



Lounge and workspace



Wellness zone

In spring 2022, when this project is scheduled to be completed, the Umeda Hankyu Building—which houses Hankyu Department Store (Hankyu Umeda Main Store)—will be renamed Osaka Umeda Twin Towers North. Alongside Osaka Umeda Twin Towers South, the plan is for the two buildings to be known collectively as the Osaka Umeda Twin Towers. The name was chosen because it can be easily recognized by those outside Osaka or even abroad as belonging to the two multistory towers that represent the Hankyu Hanshin Holdings Group and their home of Osaka-Umeda, the Group's primary base of operations.

PROJECT
Project Progress 02
Osaka Station North District (Umekita)
Phase II Development Project

Osaka-Umeda Is Being Reborn with More Than 45,000 m² of Open Green Spaces

A joint venture of nine developers (including Hankyu Corporation; led by Mitsubishi Estate Co., Ltd.) formed a consortium with six design and operating companies (including Hankyu Hanshin Properties) to submit an application to develop the Osaka Station North District (Umekita) Phase II Development area. As a result, the consortium was selected by the Urban Renaissance Agency to lead development of the area, which began in December 2020.

In line with our community building concept of fusing greenery and innovation, we are leading urban development in Osaka, the Kansai region, and even the world from here in Umekita in order to realize a new city model for Osaka that takes into account themes such as the new or next normal, Society 5.0, and the SDGs. (Initial opening scheduled for summer 2024; complete opening in fiscal 2028)

PROJECT
Project Progress 03
New Lines Planned by Hankyu Corporation

Enhancing Accessibility in Osaka-Umeda

In order to increase connections between Osaka-Umeda and Kansai International Airport, Osaka International Airport (Itami Airport), and Shin-Osaka Station (future plans for which include the Linear Chuo Shinkansen Line), Hankyu Corporation is currently investigating plans for three new lines.

In particular, putting these lines in place will raise accessibility to the Osaka-Umeda area from a wide region and we will maximize the Osaka-Umeda's value as an area that a multitude of visitors, from throughout Japan and abroad, continue to choose into the future.

- ① **Naniwasuji Connection Line**
The line to connect Juso Station with Osaka Station to be newly constructed in the Osaka Station North District (Umekita) Phase II Development Area.
- ② **Shin-Osaka Connection Line**
The line to connect Juso Station with Shin-Osaka Station.
- ③ **Osaka Airport Line**
The line to diverge from the Takarazuka Line and be connected to Osaka International Airport.



Artist's impression of completed building

Project Summary

Private-sector zone specifications

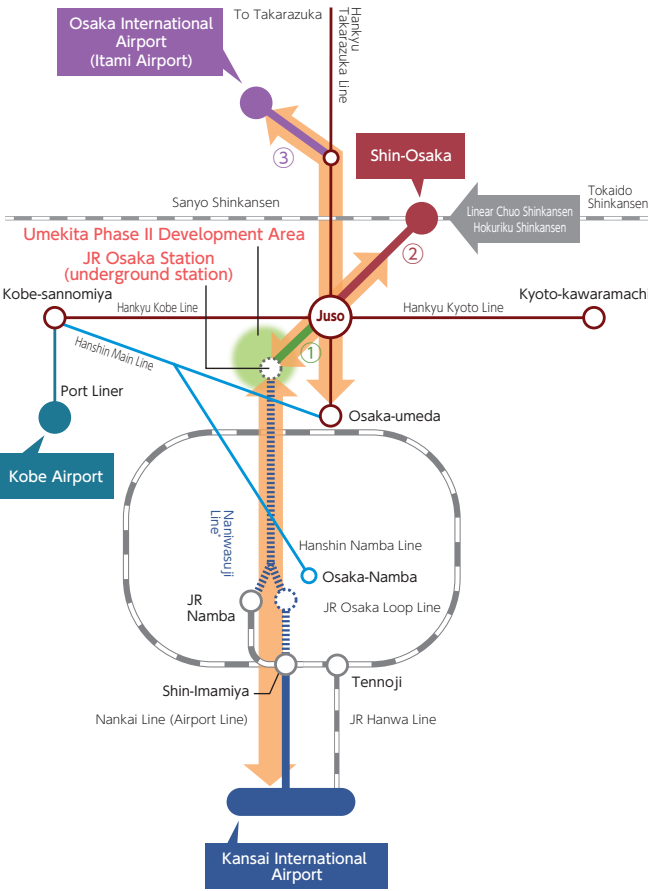
Zone	North zone	South zone
Site area	Approx. 15,720 m ²	Approx. 30,430 m ²
Total floor space	Approx. 149,200 m ²	Approx. 407,250 m ²
Main purposes	Core function,* hotel, residence, etc.	Offices, hotels, commercial facilities, MICE facilities, residences, etc.

*We will establish platform facilities conducive to life design innovation (approx. 10,000 m²) and innovation facilities (approx. 20,000 m²: MICE facilities, co-working space, SOHOs, etc.), and collaborate with Knowledge Capital, the intellectual creation hub of GRAND FRONT OSAKA and other such functions to pursue the creation of life design innovation.

Urban open space specifications

Site area	Approx. 45,000m ²
Total facility floor space	Approx. 12,500m ²
Main purposes	Museum, experiential learning facilities, roofed open spaces, restaurants, shops, etc.

Note: Specifications for private-sector zones are those at the start of construction (December 2020); specifications for urban open spaces are those included in the initial proposal (May 2018).



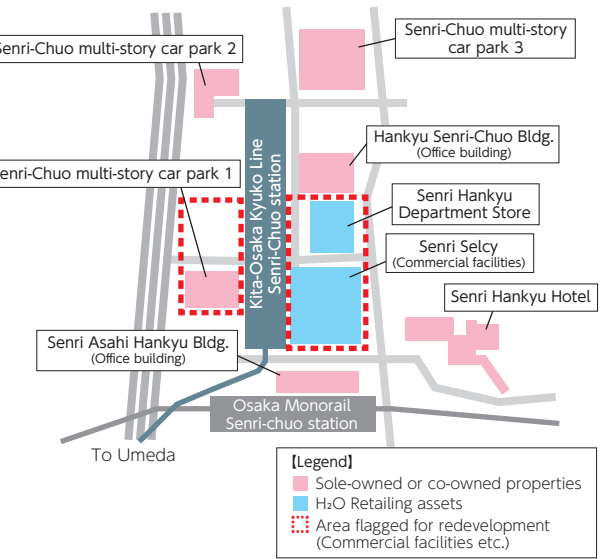
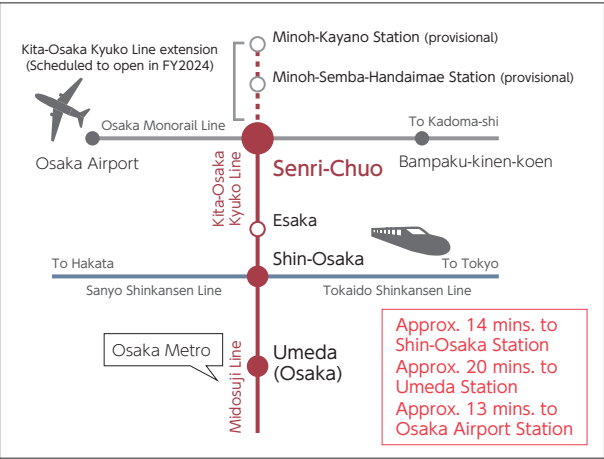
*Naniwasuji Line (scheduled to open spring 2031)

PROJECT
Project Progress 04
Senri-Chuo Area:
a Sub-city Center*1

The large expansive Senri hills stretch across parts of two cities in Osaka Prefecture, Toyonaka and Suita, and are home to Japan's first large-scale "new town," Senri New Town, which was officially opened in 1962.

With Senri-Chuo's core function as a sub-city center, public-private collaborative projects are currently underway to adapt the area to the changing times.

*1 An area located between the main urban area and the suburbs



Kita-Osaka Kyuko Line Extension Project

- Project summary:
- Extension length: Senri-Chuo to Minoh-Kayano (2.5 km)
 - New stations: Minoh-Semba-Handaimae Station, Minoh-Kayano Station
 - Estimated project cost: ¥87.4 billion
 - Demand: 45,000 people per day
- Business scheme:
- Developers: Kita-Osaka Kyuko Railway and Minoh City (for infrastructure between Minoh-Semba-Handaimae and Minoh-Kayano stations)
 - Operated by: Kita-Osaka Kyuko Railway
 - Applicable grants: Social Capital Development Comprehensive Grant
 - Kita-Osaka Kyuko expenses: ¥11 billion
- Schedule:
- December 2015: Acquisition of railway project permission and track permit
 - December 2016: Start of construction
 - FY2024: Opening target



Aerial photo of the Senri-Chuo area

Senri-Chuo's Massive Potential as a Sub-City Center

In 1970, the Kita-Osaka Kyuko Railway was opened to coincide with the Japan World Exposition, Osaka. The current line terminal is Senri-Chuo Station, and the surrounding area is incredibly convenient for its links to the Shin-Osaka and Osaka-Umeda areas and Osaka International Airport (Itami Airport). As well as a growing concentration of houses and retail businesses, the area has plenty in the way of offices. Furthermore, we are planning to extend the Kita-Osaka Kyuko Railway*2 in fiscal 2024, to improve between Senri-Chuo and Minoh, a city with an excellent living environment that acts as a bedtown for those working in the center of Osaka. Such measures are predicted to raise the value of the Senri-Chuo area even further.

*2 Two stations are scheduled to open, Minoh-Semba-Handaimae and Minoh-Kayano, to the north of Senri-Chuo Station.

Considering redevelopment ideas for the Senri Hankyu Hotel site

In the Senri-Chuo area at present, there are studies underway looking at how public-private collaborations can redevelop the area around Senri-Chuo Station where Senri Hankyu, Senri Selcy, and other facilities currently stand. Our hotel to the east of Senri-Chuo Station, the Senri Hankyu Hotel, is due to cease operations around the end of fiscal 2026, and we are looking into how to effectively develop the hotel site, with an eye on the nature and progress of the nearby redevelopment project.

In this way, we are continuously striving to develop areas alongside our routes. For example, we have spent more than a decade in the Nishinomiya-kitaguchi area, developing the large-scale commercial facility Hankyu Nishinomiya Gardens and working to make the area more attractive (see pages 29-30). Here in Senri-Chuo, another important business center for the Group, we aim to build a community that supports a range of people, replicating our success in Nishinomiya-kitaguchi. Going forward, we will hold multiple discussions with local authorities and other related parties as we consider things more carefully.

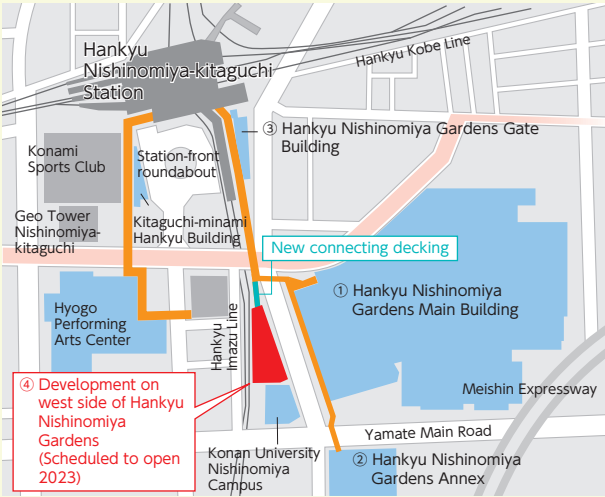
CASE
Past successes
Nishinomiya-kitaguchi—An Enchanting Example of Hankyu Hanshin Holdings’ Community Building

The Nishinomiya-kitaguchi area is the most desirable town in which to live in the Kansai region,* a symbol of work to develop the area that Hankyu Hanshin Holdings has implemented over the years. The development was based on the driving force that informs our community building, a spirit of education, culture, and peace of mind.

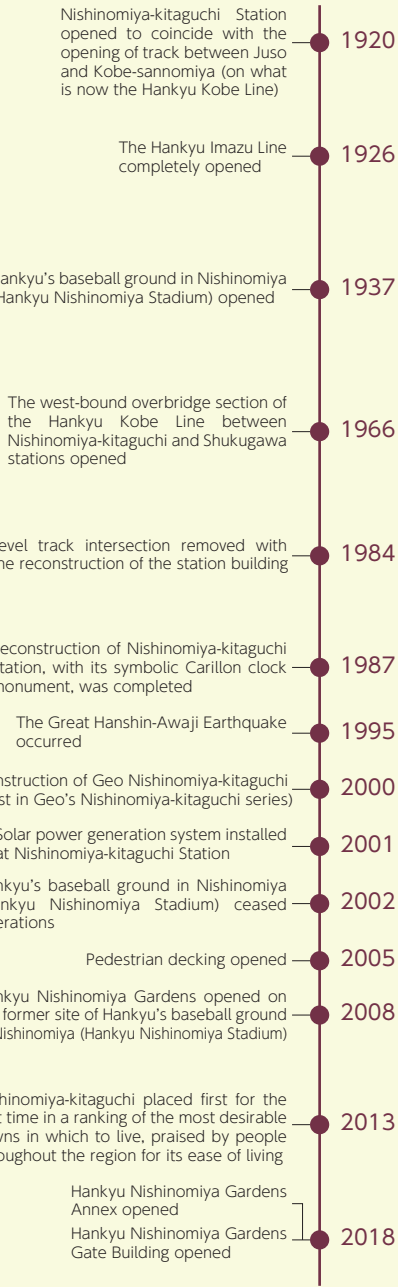
*1st place for four consecutive years in a SUUMO desirable town ranking for Kansai in 2021; 1st place for six consecutive years in a 2021 Kansai area ranking of most desirable towns conducted by MAJOR 7 (a group of seven condominium developers); etc.



Aerial photo of the Nishinomiya-kitaguchi area



The history of Nishinomiya-kitaguchi

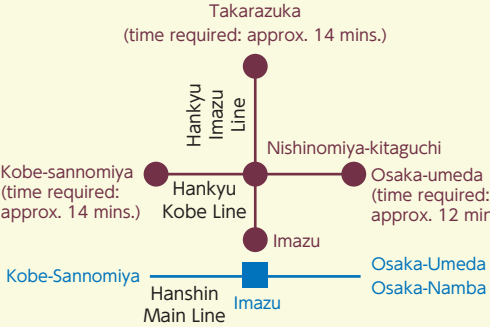


Potential Offered by a Location Midway between Osaka-Umeda and Kobe-Sannomiya

Nishinomiya-kitaguchi Station came into being the same year as the Hankyu Kobe Line opened, 1920. The land here was once a tranquil belt of rural land but with the opening of the railway station, houses and shops started to be built up alongside. Bit by bit, through changes such as Hankyu Corporation's building of Hankyu Nishinomiya Stadium in 1937, the town has slowly taken shape.

As the shopping arcades started to deteriorate, there were studies into advanced uses for the town and through the late 1980s and 1990s, the government started large-scale redevelopment projects as their principal sponsor.

Nishinomiya-kitaguchi Station is located almost exactly halfway between Osaka-Umeda and Kobe-Sannomiya, providing highly convenient connections to both. We are making the most of the massive potential offered by Nishinomiya-kitaguchi and tying it in to further development of the area. To that end, we are making sure we are actively involved in this redevelopment right from the planning stage, pushing forward with our plans in cooperation with government and other related parties.



From Disaster to Lively, Popular Place to Live

The Great Hanshin-Awaji Earthquake in 1995 devastated the area around the station and we and the government had no choice but to put a temporary hold on our development projects at the time. With recovery work, though, new urban development projects began to revitalize the Nishinomiya-kitaguchi area.

In 2000, we sold condominiums in the first of the Geo series of condominium buildings to be located in the area, Geo Nishinomiya-kitaguchi. Since then, we have provided a wealth of high-quality residences, including Geo Tower Nishinomiya-kitaguchi, which has a direct connection to the station. Later, in 2008, we opened a large-scale commercial facility, Hankyu Nishinomiya Gardens Main Building. The facility's performance has been positive; by capturing people's needs and how they have changed with the times, it has been able to create new demand.

We have also worked proactively to attract cultural and educational institutions such as Konan University and Kwansei Gakuin University Law School to the area; we also provided the site for the Hyogo Performing Arts Center. In these and other ways, we are raising the attractiveness of the area; for example, we cooperated with other organizations to put in place decking for pedestrians, which runs from the station, which has provided users with peace of mind.

Nishinomiya-kitaguchi has recovered from the earthquake and been revitalized, becoming a lively, desirable place to live.



① Hankyu Nishinomiya Gardens Main Building



② Hankyu Nishinomiya Gardens Annex



③ Hankyu Nishinomiya Gardens Gate Building



④ Development on west side of Hankyu Nishinomiya Gardens (Scheduled to open 2023)

Hankyu Nishinomiya Gardens —a Town Symbol

Hankyu Nishinomiya Gardens Main Building is one of western Japan's largest shopping centers and was constructed in 2008 on the former site of Hankyu Nishinomiya Stadium, in a fantastic commercial region* midway between the cities of Osaka and Kobe. The facility's Main Building is not just somewhere to shop, it is a lifestyle proposal-based shopping mall that takes harmony with the rich natural environment to be found between Osaka and Kobe as its theme. With an extensive range of high-quality goods that brighten lives, we will meet the needs of customers of all ages while also implementing measures to combat global warming by increasing greenery around the site and placing fountains.

We have worked continuously to raise the attractiveness of the site by opening the Hankyu Nishinomiya Gardens Annex and Gate Building and renovating the Main Building. Even now, ten years after the facility first opened, people continue to flood to the shopping center.

Hankyu Nishinomiya Gardens has a close relationship with the customers and tenants that use the facility and is a symbol of this well-loved, desirable town.

*As of 2013, the population at different radiuses is as follows: 340,000 at 3 km; 780,000 at 5 km. As well as this ample population, Nishinomiya-kitaguchi, alongside the cities of Ashiya, Nishinomiya, and Takarazuka, form a trade area with a great deal of purchasing power.

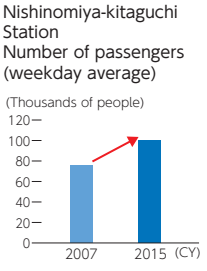
Anticipating Demand and Providing Value

The spirit that flows through all of our community building, one of education, culture, and peace of mind, has borne fruit, accomplishing a remarkable invigoration of the Nishinomiya-kitaguchi area.

Before the Hankyu Nishinomiya Gardens Main Building opened (in 2007), Nishinomiya-kitaguchi Station saw an average of about 76,000 passengers each weekday. By 2015, that figure had grown to around 100,000.

In order to make the area even more convenient and desirable, and contribute to invigorating our operational area, we are progressing with our plan for the site to the west of Hankyu Nishinomiya Gardens, which will include shops, offices, and rental residences (scheduled to open in September 2023).

Hankyu Corporation's founder, Ichizo Kobayashi, believed his task to be to anticipate demand in order to provide value, and that spirit still forms the basis of business and our fundamental philosophy. We will continue to create new value as we focus on the era of the New Normal that we now find ourselves in, and will keep challenging ourselves to raise the charms of this special area.



Sustainable Management

In May 2020, we publicly announced the Hankyu Hanshin Holdings Group Sustainability Declaration, and we are forging ahead with sustainable management. In the declaration, we present our fundamental policy of creating a future grounded in “Safety and Comfort,” and a future colored by “Dreams and Excitement” (see page 2), which underlies our efforts to attain sustainable growth for the Group. This sustainable management, based on the declaration, will both further accelerate our ESG (Environmental, Social, and Governance) measures, and help lead to resolving social issues through our business, continuously improving corporate value, and making society more sustainable.

Major Non-Financial KPIs (For more details on other non-financial KPIs related to empowering individuals, see page 69.)

- Zero culpable incidents in our railway operation business
 - Employee satisfaction: Always better than in previous survey*
 - Women in management positions: Around 10% in FY2031
 - Women among new hires: Always more than 30%
 - *The survey is conducted biennially.
 - Rate of CO₂ emissions cuts (target for FY2031 compared to FY2014)
 - ① Hankyu Hanshin Holdings’ and subsidiaries’ Japanese worksites: 26%
 - ② Related to energy consumption in the rail operations of Hankyu Corporation and Hanshin Electric Railway: 40%
- We are currently reviewing the CO₂ emission reduction targets above in order to help achieve carbon neutrality (decarbonization) by 2050.

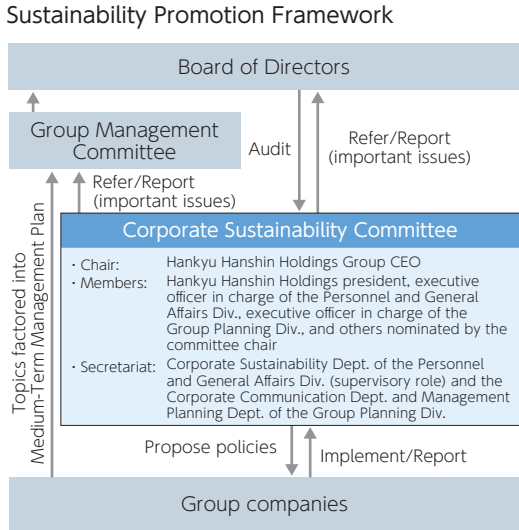
Priority issues (materiality) and policies	Related fields*	Project themes
1 Safe, reliable infrastructure Provide railways and other infrastructure that are safe and disaster-resilient. Ensure that anyone can safely access our facilities and services.		(1) Eliminate accidents and improve safety at railways and commercial facilities (2) Promote actions to prevent/reduce accidents and respond promptly and properly to accidents if they occur (3) Establish safe and comfortable facilities and services that satisfy the needs of a diversity of people
2 Thriving communities Help build sustainable communities with rich natural and cultural heritage, making great places to live in, work in, and visit.		(1) Develop a good living environment (providing good residences, creating green spaces and public spaces, establishing cultural and educational facilities, etc.) (2) Develop and expand commercial/business areas where people communicate with each other (3) Create a line-side environment that makes it easier for women to work and raise children (4) Promote measures to extend the healthy lifespan of the elderly (5) Offer services that satisfy the needs of foreign visitors/residents (6) Enhance collaboration and partnerships with universities, research institutions, ventures, local communities, etc.
3 Life designs for tomorrow Promote refined and inspired lifestyle solutions for a better tomorrow.		(1) Propose products/services that help realize a lifestyle in harmony with nature (2) Propose products/services that lead to revitalization and promotion of local communities and cultures (3) Propose products/services that respond to diverse values and create comfort and excitement (4) Propose products/services for young people who will lead the next generation (5) Create and disseminate cultures through sports and entertainments (6) Improve existing services and create new businesses by utilizing ICT innovation
4 Empowering individuals Provide an inclusive workplace that values diversity and taps into individual talent. Cultivate tomorrow's leaders for society.		(1) Improve employee satisfaction and create a more positive workplace (2) Promote health and productivity management (3) Promote diversity (4) Respect human rights and prevent harassment (5) Cultivate tomorrow's leaders
5 Environmental protection Contribute toward a low carbon, circular economy.		(1) Cut greenhouse gas (CO₂) emissions (2) Improve energy efficiency (promote energy saving) (3) Use more renewable energy (e.g. solar) (4) Aim for more eco-friendly buildings (green buildings) (5) Produce less waste and recycle more
6 Robust governance Act honestly and in good faith, as stakeholders expect us to do.		(1) Promote effective and transparent corporate governance (2) Ensure compliance and prevent corruption (3) Enhance risk management, including climate change (4) Pay attention to opinions of stakeholders in doing business

*The SDG icon that is placed first is the most relevant to each priority issue.

Sustainable Management Promotion Framework

From fiscal 2021, the Corporate Sustainability Committee (composition details to the right), will meet twice each fiscal year, in September and February. The committee will consider the outside environment (government, investor, competitor trends, etc.), ESG evaluation bodies' rating situation, and other factors as they formulate policies related to the sustainable management priority issues, verify the progress of associated initiatives, and deliberate and decide on items to be reflected in the Medium-term Management Plan.

The committee's deliberations are then referred to the Group Management Committee and it also reports to the Board of Directors and accepts their oversight. In this way, we are promoting sustainable management and incorporating it into the Group's overall management system.



Priority Issue Identification Process

When identifying these priority issues, we referred to outside experts' opinions, including on SDGs, global issues, and those issues we have a particular duty to tackle. By doing so, we were able to narrow the issues to the six above. These were then discussed at the Group Management Committee and confirmed by the Board of Directors.

Note: For more details on the identification process and opinions from outside experts, see our website:
<https://www.hankyu-hanshin.co.jp/sustainability/materiality/> (Japanese only)

Priority-Issue-Informed Action Plans and Non-Financial KPIs

To implement our sustainable business practices, we set the groupwide non-financial KPIs listed above. We also formulated action plans (strategies, specific measures, etc.) in line with each the priority issues in fiscal 2021 for each of our businesses, and to confirm the progress of the action plans we formulated specific non-financial KPIs (see pages 42–58). These have also informed our application of sustainable management into our PDCA cycle from both financial and non-financial considerations.

Agreement with the TCFD and the United Nations Global Compact

To help bring about a more sustainable society, we should publicize the stance we are taking toward sustainable business practices, and so in May 2021, we announced our agreement with the Task Force on Climate-Related Disclosures (TCFD) and the United Nations Global Compact.

For more on our response to the TCFD's recommendations, see the following page.

Task Force on Climate-related Financial Disclosures

Based on our Hankyu Hanshin Holdings Group Sustainability Declaration, we are pushing forward with a variety of ESG (Environmental, Social, and Governance) initiatives. As part of that, in May 2021 we announced our endorsement of the Task Force on Climate-related Financial Disclosures (TCFD). In response to the recommendations released by the TCFD, we have used their suggested disclosure categories (see below for more details) to display our governance, strategy, risk management, and metrics and targets. At the same time, we have identified risks and opportunities in urban transportation (railway operations) and real estate, which are predicted to be particularly affected by climate change.

We will continue to proactively disclose information in line with the TCFD's disclosure framework.

TCFD's recommended disclosure categories

TCFD

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Category	Notes
(1) Governance	Details the type of framework used to incorporate climate-related risks and opportunities, as well as strategies, into management
(2) Strategy	Anticipates the actual and potential impact (including analysis looking at scenarios involving a 2°C or 4°C rise in temperatures) of climate-related risks and opportunities, and reflects the findings in business strategies and financial plans, etc.
(3) Risk Management	Details how climate-related risks are evaluated and determined, and whether they are being controlled so as to minimize them
(4) Metrics and Targets	Explains progress management for metrics and targets used when evaluating and managing climate-related risks and opportunities

(1) Governance

Hankyu Hanshin Holdings Group's Corporate Sustainability Committee is chaired by the Group's CEO and meets twice a year (in September and February). The committee takes short-, medium-, and long-term perspectives when discussing the direction of the Group's responses to climate-change-related issues. Particularly important topics are reported to, or brought up at, the Group Management Committee or Board of Directors, and incorporated into the Group's overall management framework. (See page 31 for more details on our Sustainable Management Promotion Framework.)

(2) Strategy (identifying risks and opportunities)

As progress was made with analyzing climate-change-related issues, the Group followed the process outlined in the chart on the opposite page to identify risks and opportunities that have the potential to influence business, especially in railway operations and real estate, which are predicted to be particularly affected by climate change.

(Major responses to risks and opportunities)

The Group is already responding to these risks and opportunities both on a groupwide level and through the risk management structure in each of the individual business divisions.

Taking the response to physical risks to railway operations as an example, we are advancing countermeasures that include reinforcement work on sloped trackside embankments, steps to prevent water ingress at marshaling yards, train evacuation plans where rivers are predicted to flood, and bridge replacement work in collaboration with the Japanese government (see pages 35–36 for more details on safety measures). In our real estate business, we are carrying out work to prevent flooding resulting from surface run-off due to sudden heavy rain. We are also making progress with the development of buildings with excellent environmental credentials and suitability for BCPs, as detailed in (4) metrics and targets.

Going forward, for categories in which impacts are predicted to be particularly large, we will continue to advance further with analysis—such as calculating financial impacts—and also incorporate our responses to these into our business strategies.

(3) Risk management

The Group has established a dedicated risk management office in the Personnel and General Affairs Division to oversee groupwide risk management. The office is responsible for identifying and analyzing pan-organizational risks, while business divisions (including group

member companies) do the same for risks inherent to their own division. The Group has also set up a framework that enables the correct dissemination of information if an unforeseen incident occurs.

Under this framework, each business site conducts an annual risk survey that brings to light, specifically, risks related to climate change (natural disasters, etc.), accidents, information management, compliance, and other organizational management. An appropriate response is then determined for each. This risk analysis and the risk response situation are reported to the Board of Directors each year.

Moreover, from fiscal 2021, the contents of the Corporate Sustainability Committee's deliberations are shared with the risk management office and individual core business divisions, and are reflected in the Group's overall risk management.

(4) Metrics and targets

The Group has set "environmental protection" as a priority issue for its sustainable management, and a CO₂ emission reduction target has been set as a groupwide non-financial key performance indicator (KPI).

In railway operations and real estate, to better evaluate and manage climate-change-related risks and opportunities, we have set individual non-financial KPIs and we are working to maintain and improve our business' resilience to climate change.

■ Groupwide Targets

Rate of CO₂ emissions cuts (1): **Down 26%** on FY2014 levels (in FY2031)

*produced by Hankyu Hanshin Holdings and subsidiaries' Japanese worksites

Rate of CO₂ emissions cuts (2): **Down 40%** on FY2014 levels (in FY2031)

*produced by energy consumption at Hankyu's and Hanshin's railway operation

*We are currently reviewing the CO₂ emission reduction targets above in order to help achieve carbon neutrality (decarbonization) by 2050.

■ Railway Operations

Long service downtime* due to natural disaster: Zero

*Non-operational for 2 days or more
Target: Hankyu Corporation, Hanshin Electric Railway, Kita-Osaka Kyuko Railway, and Nose Electric Railway

■ Real Estate

BCP compliance rate for large buildings* in the Umeda area: 100%

*Buildings completed in FY2022 or after, which have a total floor space of 30,000 m² or greater, and have emergency power supplies for 72 hours in three or more stories. Applied from Osaka Umeda Twin Towers South, which is scheduled to be completed in FY2022.

Environmental certification rate (Green Building, etc.) for large buildings* used for office or commercial applications: 100%

*Buildings completed in FY2021 or after and which have a total floor space of 30,000 m² or greater (excl. buildings shared with other companies)

Note: Buildings that have acquired the Development Bank of Japan's DBJ Green Building certification: Hankyu Nishinomiya Gardens, HEP FIVE, Umeda 1-1 Project (currently certification for the planning for the Osaka Umeda Twin Towers South), and Kobe Sannomiya Hankyu Building

(2) Strategy Table Major climate-related risks and opportunities facing the Group

Category			Risk	Opportunity	Timeframe
Transition risks	Government policy/legal regulations	Carbon tax and costs	[Railway operations] • The imposition or raising of carbon taxes, etc., might lead to an increase in running costs (electricity expenses) in our railway operation business. [Real estate] • A jump in the price of building materials (concrete, iron, steel, etc.) with a change in costs resulting from carbon tax, etc., might lead to an increase in construction costs in development and renovation projects. • An increase in electricity expenses, fuel costs, etc., might lead to an increase in facility management costs.	[Railway operations] • The imposition or raising of carbon taxes, etc., might lead to an increase in gasoline and electricity prices. This could lead to improved price advantages for trains, which are more energy efficient than personal cars. In such a case, we might expect customers to shift to railway transport. [Real estate] • To avoid the impact of carbon tax, etc., we would need to accelerate our introduction of renewable energies, which might lead to a better reputation among tenants.	Medium to long term
		Carbon offset credits	[Real estate] • There is a limit to energy-saving measures possible with older buildings, which might lead to purchase costs for a certain amount of emission offset credits. • Settings of offset credits might lead to an increase in construction costs due to rising prices for construction materials (concrete, iron, steel, etc.)	—	Medium term
		Response to GHG*1 emission regulations for ZEBs,** etc.	[Real estate] • If it becomes necessary to introduce devices, etc., with excellent environmental credentials, it might lead to an increase in construction costs in development and renovation projects. • If older buildings require replacement or renewal, it might lead to an increase in construction and renovation costs.	[Real estate] • If it becomes necessary to strengthen the environmental credentials of new buildings, it might lead to improved competitiveness through reduced operating costs and greater differentiation.	Medium term
	Technology	Spread of new technologies	[Railway operations] • If hydrogen energy or new technologies like autonomous driving are implemented in society, it might lessen the comparative environmental advantages of trains. [Real estate] • Introduction of new technologies related to energy-saving or renewable energy might lead to an increase in construction costs.	[Real estate] • If the price of energy-saving equipment and renewable energy materials drops with the spread of these technologies, it might limit construction costs. • If new technologies are introduced, we might expect a certain level of reductions of facility management costs such as electricity expenses, fuel costs, etc.	Medium term
	Market	Changes in energy mixes/energy demand trends	[Railway operations] • Energy price rises might lead to an increase in running costs (electricity expenses) in our railway operations. [Real estate] • Increased efficiency for renewable energies might lead to an increase in facility management costs such as electricity expenses, fuel costs, etc. A rise in the price of construction materials might lead to an increase in construction costs.	[Railway operations] • Energy price rises might lead to improved price advantages for trains, which are more energy efficient than personal cars. In such a case, we might expect customers to shift to railway transport. [Real estate] • If we have excellent environment credentials for new buildings, it might lead to improved property values and sales.	Medium to long term
	Reputation	Changes in consumer preferences	[Real estate] • If our response to greater customer needs for buildings and homes with excellent environmental credentials is too slow, it might lead to a decrease in property values and brand power (lower rents, occupancy rates, sales numbers, etc.).	[Real estate] • If our response to greater customer needs for buildings and homes with excellent environmental credentials is suitably fast, it might lead to greater differentiation from our competitors and an increase in sales and property values.	Medium to long term
		Changes in investors' evaluation priorities	[Groupwide] • With the ESG investment trend gathering momentum, if we are too slow to respond to and disclose ESG themes, it might lead to a loss of reputation among investors and an increase in capital procurement costs.	[Groupwide] • With the ESG investment trend gathering momentum, if we can shift to businesses that are more considerate of carbon reduction and environmental issues, it might lead to securing new investors who are highly interested in ESG themes and a decrease in capital procurement costs.	Short to long term
Physical risks	Acute	Abnormal weather (intensification of natural disasters)	[Railway operations] • Ultra-large-scale typhoons and increasingly heavy rainfall might lead to a greater chance of damage due to flooding (of marshaling yards, subway stations, electrical equipment, etc.) or destruction of embankments. [Real estate] • If commercial facilities or railways are forced to suspend operations, etc., due to larger typhoons, etc., it might lead to a decrease in the number of visitors or reduced sales. • Flooding resulting from surface run-off might lead to a greater chance of damage to our facilities.	[Real estate] • As demand for buildings, etc., that are highly resistant to damage—through BCP measures, support for people unable to get home, etc.—grows, if we can provide facilities that meet those needs, it might lead to greater competitiveness and expanded sales.	Short to long term
	Chronic	Rising average temperatures	[Railway operations] • The rise in average temperatures might lead to an increase in repair costs for rails, overhead lines, and above-ground facilities. • If summer productivity drops due to intense heat, it might lead to an increase in personnel expenses. [Real estate] • Responding to rising average temperatures might lead to an increase in costs to strengthen our air-conditioning capabilities. • If summer productivity drops due to intense heat, it might lead to an increase in construction expenses.	—	Medium to long term
		Rising sea levels	[Groupwide] • Water ingress into our facilities due to high tides or flooding might lead to an increase in the chances of damage occurring.	—	Long term

*1 Greenhouse gases
*2 Zero-Energy Building

Special Feature Sustainability Declaration-Related Efforts

The Hankyu Hanshin Holdings Group strives to resolve societal issues through its businesses and to tie this effort in to achieving sustainable growth in corporate value and making society more sustainable. It is pressing forward with a range of ESG-related initiatives based on the Hankyu Hanshin Holdings Group Sustainability Declaration.

Chapter 1

Providing infrastructure that is safe and disaster-resilient and ensure that anyone can safely access our facilities and services

1

Priority Issue 1 Safe, reliable infrastructure

11

DISASTER-RESILIENT INFRASTRUCTURE

9

DISASTER-RESILIENT INFRASTRUCTURE

Our first Priority Issue—safe, reliable infrastructure—is the cornerstone of the trust placed in us by society and our various businesses are implementing measures on a daily basis to ensure safety and peace of mind.

In particular, to respond to the increasing severity of climate-related and other natural disasters in recent years, we are promoting initiatives that aim to prevent or minimize the damage such disasters cause. At the same time, by preparing to react swiftly and appropriately should a disaster occur, we will develop safer, more damage-resilient infrastructure and provide facilities and services that anyone can access safely.

Case study

Safer, More Disaster-Resilient Railways

Urban Transportation

In order to carry out their mission of providing safe transportation services, each of the railway companies in our Urban Transportation Business observes strict safety policies, works toward safety-related targets, and endeavors to maintain resilience and readiness to implement day-to-day safety measures and ensure safety in emergency situations.*

*Safety reports are available on each company's website (Japanese only).

Hankyu Corporation https://www.hankyu.co.jp/approach/anzen/	Kita-Osaka Kyuko Railway https://www.kita-kyu.co.jp/company/safety.html
Hanshin Electric Railway https://rail.hanshin.co.jp/service/anzen/	Nose Electric Railway https://noseden.hankyu.co.jp/company/safety.html

Hankyu Corporation

Increasing Railway Facility Resilience

To prepare for increasingly heavy rain, Hankyu Corporation has been carrying out protection work, such as reinforcements that use concrete or netting, on trackside embankments in turn to ensure they do not collapse. In fiscal 2021, we implemented a program of works in eight locations, including on the embankments for the north-bound tracks between Obayashi and Sakasegawa stations on the Imazu Line.

We have also made progress with earthquake-proofing overbridge support pillars; in fiscal 2021, we carried out earthquake-proofing work on pillars around Osaka-umeda, Kobe-sannomiya, Sonoda, Oji-koen, and Takarazuka-minamiguchi stations.



Overbridge support pillar that has been earthquake-proofed

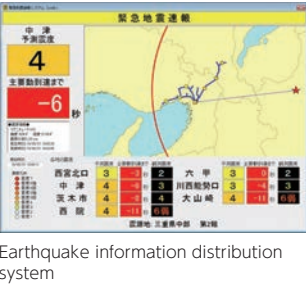
Quickly Evacuating People and Restoring Services

Reviewing how we can quickly evacuate passengers from trains stranded between stations

We have always suspended train operations in the event of an earthquake with tremors that register 5 or more on the Japanese Meteorological Agency's *shindo* scale of seismic intensity, and not restored them until investigation staff have been able to verify the safety of our facilities and equipment. In these instances, it has required time to evacuate passengers from trains that are stranded between stations.

Now, to enable us to evacuate passengers smoothly, we are making a distinction between earthquakes that qualify as "5 Lower" or as "5 Upper" or higher on the *shindo* scale. For sections of track where 5 Lower tremors were measured, we will allow trains to move to the nearest station, provided train crew are able to confirm it is safe to do so.

*Where 5 Upper tremors or above have been measured, train crew will follow our conventional policy and evacuate passengers to somewhere safe.



Efforts to understand earthquake intensities and swiftly restore train services

When earthquakes occur, depending on their strength, we decide on which sections of track to restrict train operations. As such, in order to gain detailed information on the intensity of tremors, and to limit the areas of track for which we have to restrict train operations, we have installed seven seismographs along our lines.

We have also introduced an earthquake information distribution system that was developed by the Railway Technical Research Institute. Using this system, we can predict the damage status for each of our structures and place personnel and materials at structures likely to suffer particularly as a priority, and so we will aim to carry out quicker investigations and swiftly restore train services.

Hanshin Electric Railway Abnormal Weather Conditions and Natural Disasters

At Hanshin Electric Railway, too, we have installed a number of devices in different locations to allow us to better respond quickly to abnormal weather conditions—six rain gauges, nine anemometers (one for wind speed and direction, eight for wind speed), two river water-level gauges, two river monitoring cameras, and two bridge angle meters.

To prepare for earthquakes, in addition to our continuing work to earthquake-proof overbridge support pillars, we have installed seismographs in seven locations and introduced a system that receives earthquake early warnings from by the Japan Meteorological Agency. When this system receives an early warning, or one of our seismographs detects a *shindo*-scale 4 or higher earthquake, it immediately stops all trains. We have also set rules to govern when train operations can be restarted, depending on the strength of the earthquake. In these ways, we are working to develop a framework that allows us to continue providing services even after a disaster.



Rules on restarting train operations after a *shindo*-scale 4 or higher earthquake

- *Shindo*-scale Lower 5 or higher: Train operations can be restarted after facility and equipment checks are carried out (on foot) and their safety verified.
- *Shindo*-scale 4: Train operations can be restarted after tremors have ceased, provided nothing is amiss, but train speeds are limited to 25 km/h. (In parallel, facility and equipment checks are carried and depending on the results the speed limit can be lifted.)



Artist's impression of the completed bridge

Alterations at Yodogawa Bridge on the Hanshin Namba Line

Currently, the track at either end of the Yodogawa Bridge on the Hanshin Namba Line is lower than the river embankment and so if the water level is particularly high, it becomes necessary to stop train operations and close the tide gates. To permanently eliminate this problem, we will raise the height of the bridge, elevate the track sections either side of the bridge, and remove five level crossings from along the work area (around 2.4 km). This project started in December 2018 and is scheduled to be completed in fiscal 2033.

Protecting Train Cars from Flooding

At the Amagasaki Marshaling Yard, which is at risk of being damaged by water ingress resulting from river flooding, we have been carrying out emergency evacuation training to protect the train cars there from flood damage. We are working to minimize the effect on train operations by stopping this kind of damage before it can happen. Our future aim is to build an even more damage-resilient railway that is very capable of responding to abnormal conditions.

Column Appropriate train operating status information

Both Hankyu Corporation and Hanshin Electric Railway provide train operating statuses, restart predictions, and other information on station displays, websites, Twitter, and other sources in a timely and easy-to-understand manner and also make the information available in multiple languages. Both are striving to share information so that as many customers as possible can use our services with peace of mind.

Case study Disaster-Prevention Efforts

Real Estate

In the Real Estate Business, we are working to develop Osaka-Umeda, home to a large number of offices and commercial facilities, as a disaster-resilient district through disaster-prevention activities, including those to raise awareness.

Making Umeda Somewhere People Protect One Another

Umeda Bo-sai Scrum is the name given to disaster preparedness activity unit for visitors to Umeda that are run by the Umeda Area Management Alliance, which comprises Hankyu Corporation, Hanshin Electric Railway, JR West, GRAND FRONT OSAKA TMO, and Osaka Metro.

The unit raises disaster-prevention awareness by broadcasting information via posters, digital signage, websites, social media, and other sources. Through these channels, the unit disseminates disaster-related information such as where to evacuate in a disaster and provide opportunities for people to think about disaster prevention in their everyday lives.

The unit also holds disaster training seminars for Umeda-area office workers, encourages people to learn how to help themselves, and connects companies and facilities in the area, all with the aim of raising Umeda's ability to withstand disasters.



Broadcasting information via digital signage

Chapter 2

Strengthening urban functions and achieving attractive environment for community building or internationally competitive towns through cross-industry cooperation and co-creation



We are working to achieve thriving communities, our second Priority Issue, by developing good living environments and commercial and business areas that promote interaction.

In addition, to improve the community's position in international competition between cities, we are proactively endeavoring to strengthen the district's functions through cross-industry cooperation and co-creation, such as inviting companies, particularly start-ups, that support new industries.

Case study Building Communities around Our Railway Operational Area Real Estate

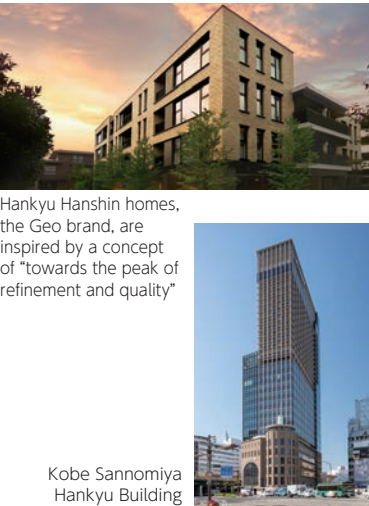
Since the Group was founded, our efforts to adapt to changes in the times or in society have taken myriad forms but are focused on areas alongside our railway operation business.

In the Nishinomiya-kitaguchi area, in the city of Nishinomiya in Hyogo Prefecture, we are continuously implementing initiatives to help raise the value offered by the area. Our efforts thus far have included developing the area around the station—particularly with the large-scale Hankyu Nishinomiya Gardens commercial facility—and providing wonderful residences.

In April 2021, we also replaced the station building attached to Hankyu Kobe-sannomiya Station with a new landmark, the Kobe Sannomiya Hankyu Building, which includes office and commercial space as well as a hotel.

The Group's focus is now on our major business sites in the Osaka-Umeda and Senri-Chuo (in Toyonaka, Osaka Prefecture) areas, where we will make effective use of land that currently houses a hotel scheduled to close. We are pushing forward with studies on how to contribute to building a better community and we will continue to work on urban development that raises the value of our operational area.

(For more information on our community building in the Osaka-Umeda, Senri-Chuo, and Nishinomiya-kitaguchi areas, see pages 23–30.)



Hankyu Hanshin homes, the Geo brand, are inspired by a concept of "towards the peak of refinement and quality"

Kobe Sannomiya Hankyu Building

Case study Creating New Value by Supporting Start-Ups and Co-Creating Real Estate

In addition to our efforts to systematically increase the value of existing buildings, etc., in the Osaka-Umeda area, we are proactively supporting start-ups and pursuing cooperative industry and co-creation. Through these measures, we are raising the area's international competitiveness as a business hub that can create new industries.



GVH#5's co-working space

Launching Start-Up Support Office GVH#5

In November 2014, Hankyu Hanshin Properties opened GVH#5, a membership-based start-up support office, and is working to further raise the competitiveness and regional potential of the Osaka-Umeda area by supporting start-ups that are looking to launch new businesses that will create new businesses and enliven the region.

GVH#5 is not just about providing space, in the form of co-working areas or private offices; the facility also offers a support framework via experts and entrepreneurs, events and seminars, which all provide opportunities to match start-ups with the resources they need and with other companies and organizations.

Umeda as an International Hub for Start-Ups

In 2019, Hankyu Corporation (represented in this program by Hankyu Hanshin Properties), along with six other Japanese companies helped organize Startupbootcamp Scale Osaka, the first time the event had been held in Japan.

The Startupbootcamp program is run by the large-scale, UK-based start-up supporter, Rainmaking, and is one of Europe's largest acceleration programs. Its aim is to select start-ups that show global promise, and through training support, proofs-of-concept, and cooperative industry, support their continued growth.

During the program, internationally chosen overseas start-ups use GVH#5 as a base to develop their businesses with Japanese companies.

Through repeated initiatives like these, we can strengthen our links with promising overseas start-ups and the international start-up community. By doing so, we will assist Osaka and Kansai's growth into an international start-up hub.



Participants in Startupbootcamp Scale Osaka (2019)

Collaborative Verification via Open Network Lab Resi-Tech

Furthermore, since fiscal 2020, Hankyu Hanshin Properties has been involved in Open Network Lab Resi-Tech. The role of this training program for start-ups related to real estate is to discover and train promising start-ups that deal in services that have a close affinity with our Group's businesses (real estate services, lifestyle services, urban development, etc.).

In fiscal 2021, in conjunction with the US company Leela AI, Inc., we carried out a proof-of-concept test for AI that uses image diagnosis technologies to quickly detect trouble or irregularities within commercial facilities. If this technology can be commercialized, it would raise the efficiency of the security tasks that are currently undertaken by guards checking security camera footage. It could also lead to better stop trouble occurring, or minimize its effect, within facilities.

We have been praised by our partners for these kinds of initiatives that allow us to gain feedback from the sites related to our business; in the future, we will continue to work with such partners so as to utilize each other's strengths as we work to cooperate and co-create. This will result in us being able to provide new value.



Case study Regional Revitalization to Enhance the Hanshin Operational Area

Red-Bodied Train Car Community Space

Hanshin Electric Railway has signed a collaborative agreement with the independent government-formed Urban Renaissance Agency (UR) to work together to revitalize the region. UR owns around 20,000 rental apartments along Hanshin Electric Railway's tracks and with this agreement, the two organizations will cooperate with one another in a number of fields, including community exchanges and lifestyles, and health. The aim is for these efforts to enliven the region alongside the tracks, particularly at UR's housing complexes.

One example is the transfer to UR by Hanshin Electric Railway of a famed *Akadasha* (Red-Bodied Train Car) that was once used on the Hanshin Mukogawa Line. In July 2021, UR opened the car as a community space in the UR Mukogawa housing complex, which is located around ten minutes' walk from Mukogawadanchi-Mae Station. The plan for the community space is to act as a base for giving shape to the local community.

Hanshin Electric Railway aims to achieve sustainable growth, even in a society characterized by an aging, shrinking population, by working toward its goal of creating trackside areas full of charm by revitalizing the region and striving to create attractive urban environments.



The Red-Bodied Train Car community space at the UR Mukogawa housing complex

Chapter 3

Creating peace of mind and excitement in daily life through future technology and innovation

3

Priority Issue ③

Life designs for tomorrow

4 QUALITY EDUCATION

9 SUSTAINABLE INDUSTRY AND INFRASTRUCTURE

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Since our foundation, the Group has continued to pass down its heritage of creating value that transcends generations. By actively utilizing ICT innovations, we continue to create life designs for tomorrow, as our third Priority Issue, by offering new services that make our customers' daily lives richer and create a new culture.

Case study

Mimamorume—Offering Peace of Mind

Information and Communication Technology

School Route Email Notification for Parental Peace of Mind

The school route email notification service, Mimamorume, which has been developed as part of our ICT business, uses IC tags to let parents know via email when their child has passed through the school gates.

This service began as part of one of the Group's in-house start-ups in 2011. At that time, not many people were aware of these kinds of service and the service was only rolled out with us figuring it out as we went along. But this kind of service, which greatly reassured parents by letting them watch over their children in real time, met the latent needs of schools, parents, and guardians and was a big success.

Now, the technology has been installed at around 1,600 schools, and the Mimamorume service has expanded its user base to 300,000 people.*

*As of June 30, 2021



Cutting-Edge Technologies Open Up New Protection Possibilities

The needs that Mimamorume catered to do not end there; in 2016, we worked with Hyogo Prefecture's Itami City to start a new service, Machinaka Mimamorume. This system involved placing 1,000 cameras throughout the city, such as on routes to school or at the school gates, as well as integrated receivers. This enables children, the elderly, and other at-risk groups to be watched over anywhere in the city, reducing the risk of crime and allowing incidents or accidents to be resolved quickly. Since then, the number of local authorities installing the system has steadily increased.

In 2020, taking growing needs for peace of mind in regards to health with the COVID-19 pandemic into account, we started sales of an AI-based device that combines facial recognition and body temperature measurement functions as part of the Mimamorume line. Then, in July 2021, we started proof-of-test demonstrations for a wrist-worn device, Mimamorume Watch, that allows vital data to be checked remotely. In this and other ways, we are even using AI and other cutting-edge technologies in the healthcare field, in which there is growing interest because of COVID-19, to pursue new services that meet the needs of the times.



Mimamorume Watch

Taking on Social Issues to Provide Even Greater Reassurance in the Future

With the school route email notification service Mimamorume, we discovered customer needs for a way to confirm whether their children had arrived at school safely, something that at that time could only be met by directly asking the school. Our proposal to solve this issue in a form that anybody could use has grown as a new kind of infrastructure since. These kinds of needs will constantly change to adapt to society and the times. With Mimamorume, we will always listen carefully to what our customers have to say; we will discover associated social issues and anticipate societal and customer needs to resolve those. By developing services to do so, we will work to bring about a society in which people can live with even greater peace of mind in the future.

Case study

New Opportunities to Watch Takarazuka Revue Using Digital Technologies

Entertainment

For those unable to see Takarazuka Revue in the flesh, because they live too far away or for other reasons, we want to find a way that they could enjoy feeling closer to the performances. To that end, we are pressing forward with initiatives to provide viewing opportunities to a range of customers and contribute to expanding the reach of entertainment and creating a new culture.

Live Streaming Takarazuka Revue on Smartphones and TVs

The Takarazuka Revue has a proud tradition stretching back more than 100 years to its founding in 1914. As well as the regular performances throughout the year at Takarazuka Grand Theater and Tokyo Takarazuka Theater, the revue holds shows in around 20 cities as part of its annual national tour. There have also been 27 overseas performances in 18 countries and regions around the world. Since 2007, to allow even more people to see the stage shows, the revue has organized live viewings at movie theaters across Japan, as well in Hong Kong and Taiwan, which offer people from many regions, and all ages from young to elderly, opportunities to get up close to the performing arts.

In July 2020, we launched a live streaming service that enables viewers to enjoy the all of revue's shows in real-time from their homes via their TV, smartphone, or other device. Fiscal 2021 was the first fiscal year of the service but viewer figures totaled about 290,000, showing how many people enjoyed it.

In addition, we have Takarazuka Sky Stage, which broadcasts videos of the stage shows and original programs via satellite or cable TV, a YouTube channel and other tools, which we utilize to provide so many people with dreams and excitement.



Live viewing at a movie theater

Case study

Giving Shape to Feedback to Propose More Comfortable, More Convenient Lives

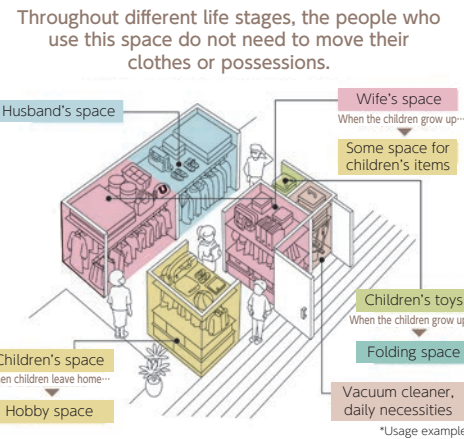
Real Estate

Developing STORAGEEA to Cater to Residents' Lifestyles

For Hankyu Hanshin Properties' Geo condominiums, we have been promoting a cyclical project, Geo fit+, that involves gathering feedback from residents that have moved in, practically testing it out, and then utilizing it in our next product development process.

In 2020, we developed a new kind of storage space, STORAGEEA, by taking on board customer feedback. To meet the growing desire for more hanging space and changes in the composition of families and their lifestyles, we are reviewing the total amount of space in each room and room layouts. As a result, we incorporated specifications that allow users to flexibly adjust hanger rods and shelf space for storage that effectively uses the whole living space and its users' time. The concept of flexibly adapting to changing lifestyles, and its practical application STORAGEEA, has garnered praise, and was awarded a Bronze Award in the Housing and Architecture category of the IAUD International Design Award 2020, which is organized by the International Association for Universal Design (IAUD).

Going forward, we will continue to pursue and propose comfortable lifestyles in hand with our customers.



STORAGEEA is scheduled to be used in condominiums opening to residents in March 2022.



SDGs Trains

— Sending Diverse Messages Aimed at Achieving SDGs with Trains Powered by 100% Renewable Energy —



As part of the Hankyu Hanshin Holdings Group's commitment to creating communities that people will truly want to live in, we have operated the Hankyu Hanshin Dreams and Communities of the Future Project since 2009. The project, which focuses chiefly on fostering Sustainable Community Development and Tomorrow's Leader Development, is one of our efforts aimed at helping meet the SDGs.

In May 2019, to commemorate a decade of project initiatives, we launched the Dreams and Communities of the Future SDGs Trains. By operating these special trains, we hope to educate people about the SDGs, and about efforts to achieve them, in cooperation with the government and the municipalities our trains serve, as well as businesses and civic groups that are serious about SDGs. Since September 2020, we have been promoting this initiative in collaboration with the Tokyu Group, running SDGs Trains 2020 on routes in the west and east of Japan respectively. We are extending the program another year, into fiscal 2022, as SDGs Trains 2021, with it scheduled to continue until September 2022.

As mentioned above, the SDGs Trains are in operation in both east and west Japan with the goals of raising awareness in the SDGs, and we have heard from people who live in our operational area that they got to know about the SDGs through the trains.

These trains comprise the latest energy-efficient rolling stock of Hankyu Corporation, Hanshin Electric Railway, and Tokyu Corporation, and the energy used to run the trains is sourced entirely (effectively 100%) from renewable sources.

As we promote sustainable management, which aims to both resolve social issues and achieve business growth, we are pushing forward with SDGs Trains 2021 and other varied initiatives that contribute to the creation of a sustainable future.



Hankyu Corporation



Hanshin Electric Railway

Presented with a Special Award (SDGs Partnership Award) at the 4th Japan SDGs Award

In December 2020, our Dreams and Communities of the Future SDGs Trains initiative was well-received and presented with a Special Award (SDGs Partnership Award) at the 4th Japan SDGs Award, which is organized by the government's SDGs Promotion Headquarters. This award is given to companies or organizations whose efforts to accomplish the SDGs set by the UN in 2015 are exceptional.



Award ceremony at the main hall of the Prime Minister's Office



The Hankyu Hanshin Holdings Group supports SDGs.



Business Strategy

Urban Transportation

We remain focused on enhancing the value of our railways by providing safe, secure, and comfortable transportation services.



Basic Policies

1 Provide quality urban transportation services and other related services

Develop personnel/Strengthen Group collaboration/Enhance services and convenience/Expand communication/Enhance appeal of railway stations

2 Increase convenience and reliability of infrastructure, expand railway network, and stabilize business base

Develop railway stations and lines, expand railway network, and stabilize business base by creating new demand and raising productivity

3 Ensure safe, reliable transportation

Enhance security/Develop rolling stock

4 Expand feeder services and extend catchment areas of railway lines and stations

Advance line-side measures in the bus and taxi businesses/Enhance bicycle parking areas at railway stations and bicycle rental services

Business Environment

Changes in demand for movement due to COVID-19

While the overall population in the Kansai region is on the decline, the Group's line-side areas, especially in the Osaka-Umeda district, continue to be highly popular and the population is increasing in those areas.

However, the pandemic has brought changes to people's lifestyles, and with more online interaction there have been fewer opportunities for movement and a growing diversification of movement demand.

In such a business climate, we must focus on creating new movement demand, along with further increasing productivity such as revising train line schedules to match trends in travel demand and employing new technologies to make operations more efficient.

Fiscal 2021 Review of Operations

Revenues and income decreased due to a significant drop in travelers caused by COVID-19

As COVID-19 spread across Japan, we worked to fulfill our mission as a provider of public transport and deliver safe transportation services by implementing a range of measures. We took steps to ensure that our employees would not spread the virus and steps to ensure that our trains and buses are properly ventilated, regularly disinfected, and have had antiviral, antibacterial procedures taken so that customers can use our services safely.

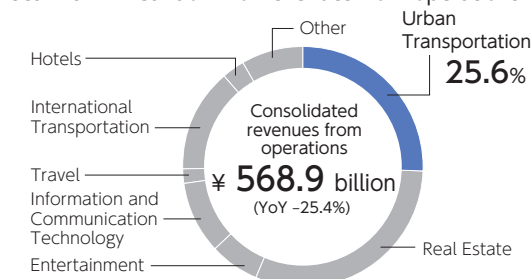
Also, the pandemic accelerated a changing lifestyle trend that had begun in recent years—fewer people taking trains at late-night hours. Due to a dramatic drop in passengers, we decided to schedule the last train to run earlier on both Hankyu Corporation and Hanshin Electric Railway.

As travel demand plummeted, we also reduced costs on things like repairs/maintenance and advertising, and in the automobile business we curtailed bus routes, among many efforts aimed at a business recovery.

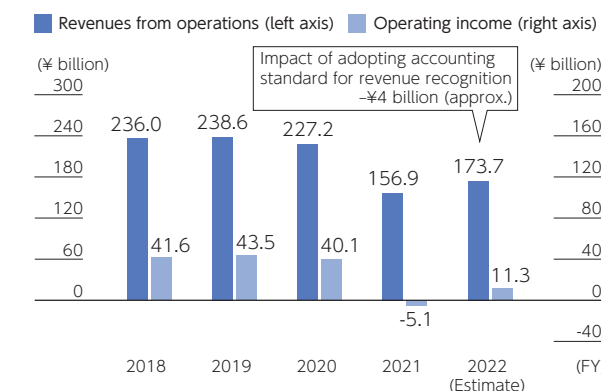
The pandemic still had a tremendous impact on both the railway and automobile business with the number of passengers dropping significantly, causing a substantial year-on-year drop in both revenues from operations and operating income.

Revenues and Income

Fiscal 2021 Breakdown of revenues from operations



Note: Figures for percentage of revenues from operations are calculated based on the simple aggregate amount (including intersegment transactions) of each segment.



Note: The anticipated full-year results for FY2022 are based on information announced on July 30, 2021.

In other COVID-19 related efforts, to make riding trains safer, we installed doors on all platforms at Hankyu Kobe-sannomiya Station and on some platforms at Hanshin Kobe-sannomiya Station. Also, at Hankyu Kobe-sannomiya Station, in tandem with the reconstruction of the adjacent Kobe Sannomiya Hankyu Building, we redesigned the station concourse and toilets to improve passenger convenience and comfort. On the Hanshin Mukogawa Line, a newly designed passenger car with a baseball theme has been introduced to stimulate use of the line.

In the retailing business, the Phase III area of TauT Hankyu Rakusaiguchi opened, a grade-separated facility in the space created by elevating the tracks of the Hankyu Kyoto line near Hankyu Rakusaiguchi Station. This brings us close to the grand opening of the facility.

Fiscal 2022 Outlook and Forward Direction

Working to improve productivity and establish new services that meet the needs of an era of the New Normal and build revenue

In fiscal 2022, an increase in transportation revenue is anticipated for the Hankyu and Hanshin lines plus an increase in transport revenue in the automobile business as society recovers from the pandemic to some degree, bringing year-on-year increases in revenue and income.

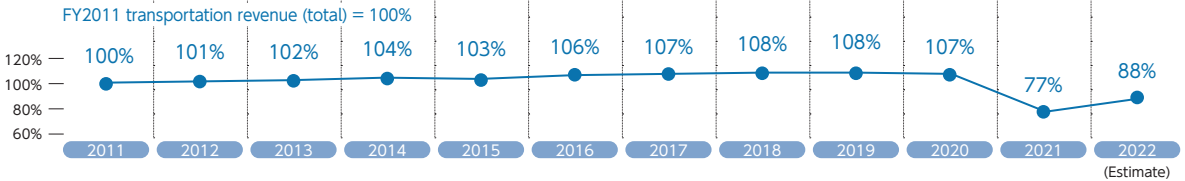
Going forward in an era of the New Normal, we plan to implement measures to earn income that take into consideration heightened needs for avoiding congested spaces and assuring private passenger spaces, such as the introduction of a reserved seating service for an extra fee.

Also ahead, we will keep an eye on trends in passenger demand and revise schedules as the occasion demands, and work to raise productivity by introducing new technologies for operational systems at stations, maintenance, etc.

Transportation revenue

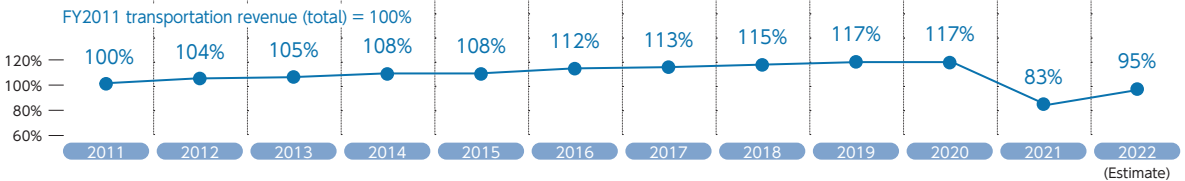
Hankyu Corporation transportation revenue (tier 1 + tier 2) (¥ million)

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022 (estimate)
Non-commuter pass	60,000	60,268	60,749	61,630	60,910	62,920	62,720	63,137	63,059	61,887	40,982	48,695
Commuter pass	29,484	29,922	30,391	31,299	31,549	32,272	32,628	33,198	33,456	34,119	28,093	29,563
Total	89,485	90,191	91,141	92,929	92,459	95,192	95,348	96,335	96,516	96,007	69,075	78,259



Hanshin Electric Railway transportation revenue (tier 1 + tier 2) (¥ million)

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022 (estimate)
Non-commuter pass	18,899	19,422	19,669	20,260	20,286	21,035	21,136	21,638	22,030	21,665	13,725	16,926
Commuter pass	10,126	10,623	10,740	11,008	11,107	11,372	11,563	11,797	12,024	12,327	10,476	10,769
Total	29,025	30,045	30,410	31,269	31,394	32,407	32,699	33,436	34,054	33,993	24,202	27,696



Railway performance results

Hankyu Corporation

Impact of COVID-19
-¥29.7 billion -¥2.2 billion

		FY2021	FY2020	Change	%
Fare revenues (Millions of yen)	Non-commuter pass	40,982	61,887	-20,905	-33.8%
	Commuter pass	28,093	34,119	-6,025	-17.7%
	Workers	25,625	29,623	-3,998	-13.5%
	Students	2,468	4,496	-2,027	-45.1%
	Total	69,075	96,007	-26,931	-28.1%
Passenger volumes (Thousands)	Non-commuter pass	208,035	310,525	-102,489	-33.0%
	Commuter pass	277,068	344,604	-67,535	-19.6%
	Workers	216,044	243,854	-27,810	-11.4%
	Students	61,024	100,750	-39,725	-39.4%
	Total	485,104	655,129	-170,025	-26.0%

Hanshin Electric Railway

Impact of COVID-19
-¥10.9 billion -¥0.9 billion

		FY2021	FY2020	Change	%
Fare revenues (Millions of yen)	Non-commuter pass	13,725	21,665	-7,940	-36.6%
	Commuter pass	10,476	12,327	-1,850	-15.0%
	Workers	9,750	11,080	-1,330	-12.0%
	Students	726	1,246	-520	-41.7%
	Total	24,202	33,993	-9,790	-28.8%
Passenger volumes (Thousands)	Non-commuter pass	76,214	118,559	-42,345	-35.7%
	Commuter pass	107,336	127,652	-20,316	-15.9%
	Workers	90,809	101,243	-10,433	-10.3%
	Students	16,526	26,409	-9,882	-37.4%
	Total	183,550	246,212	-62,661	-25.5%

Notes:
1. Revenues of less than one million yen have been rounded down; personnel totals of less than one thousand people have been rounded down.
2. Fare revenues and passenger volumes from non-commuter pass for Hankyu include revenues and personnel applicable to PiTaPa zone-specified discount fares.
3. Sum of tier 1 and tier 2 railway operators for both Hankyu and Hanshin

Main Efforts Based on Priority Issues for Sustainable Management (Urban Transportation)

Priority issues	Action plan	Non-financial KPIs	Target values	Scope	FY2021 Actual record
1  Safe, reliable infrastructure	• Improve safety education training and performance of train operation safety systems	Culpable incident in railway operation business	Maintain at zero	Hankyu Corporation Hanshin Electric Railway Kita-Osaka Kyuko Railway Nose Electric Railway	Hankyu: 0 incidents (since 1979) Hanshin: 0 incidents (since 1986) Kita-Osaka Kyuko: 0 incidents (since 1970) Nose Electric: 0 incidents (since 1981)
		Major accident in automobile business	No accidents involving death	Hankyu Bus Hanshin Bus Osaka Airport Transport Hankyu Taxi Hanshin Taxi Osaka-Hanshin Taxi	Hankyu Bus: 0 incidents Hanshin Bus: 0 incidents Osaka Airport Transport: 0 incidents Hankyu Taxi: 0 incidents Hanshin Taxi: 1 incident (Accident was fault of other party) Osaka-Hanshin Taxi: 0 incidents
Reason for action plan based on opportunity and risk	In response to rising interest in customer safety and peace of mind, to add transport reliability to the given fundamental of transport safety to put customers at ease and strengthen the Group's brand and trustworthiness				
1  Safe, reliable infrastructure	• Seismic retrofitting (elevated bridges/stations) • Slope protection • Flood protection for major facilities (including railcar evacuation) • Bridge reconstruction to lower risk of flooding • Ascertainment of bridge soundness	Long service downtime due to natural disaster (non-operational for 2 days or more)	Zero	Hankyu Corporation Hanshin Electric Railway Kita-Osaka Kyuko Railway Nose Electric Railway	0 incidents
Reason for action plan based on opportunity and risk	To improve sturdiness to make railway infrastructure more resistant to natural disasters such as earthquakes or torrential rains and typhoons that are intensifying due to climate change, and to set up core systems to enable continuation of operation after a disaster in order to strengthen the Group's brand and trustworthiness				
1  Safe, reliable infrastructure	• Expand wheelchair space in railcars, improve responsiveness of guidance chimes for the vision-impaired, etc. • Encourage rail transit employees (station employees, train crew, etc.) to acquire service assistant certification	Increase number of barrier-free railcars (units)	Aim for steady increase	Hankyu Corporation Hanshin Electric Railway Kita-Osaka Kyuko Railway Nose Electric Railway	• Guidance chime installation rate Hankyu : 28% Hanshin : 65% Kita-Osaka Kyuko : 0% Nose : 7% • Installation rate of advance warning light for side sliding door opening/closing Hankyu : 62% Hanshin : 64% Kita-Osaka Kyuko : 86% Nose : 67%
		Percentage of barrier-free railway stations	• 100% have elevator or slope*1		Hankyu : 98% Hanshin : 98% Kita-Osaka Kyuko : 100% Nose : 100%
		Barrier-free human service rate	• 100% service assistant certification among rail transit employees (station employees, train crew, etc.)		Hankyu : 55% Hanshin : 100% Kita-Osaka Kyuko : 99% Nose : 33%
Reason for action plan based on opportunity and risk	To proceed with barrier-free measures both technical and human to provide safe, comfortable, high-quality service for diversifying needs in order to strengthen the Group's brand and trustworthiness				
5  Environmental protection	• Introduction of new low-energy-consumption railcars • Conversion to LED lighting in station buildings, etc.	Rate of conversion to VVVF inverter-type railcars*2	Aim for steady increase	Hankyu Corporation Hanshin Electric Railway Kita-Osaka Kyuko Railway Nose Electric Railway	Hankyu : 56% (95/169) Hanshin : 64% (49/76) Kita-Osaka Kyuko : 100% Nose : 20% (3/15)
		LED light conversion	• Station lighting (excluding back yard) Hankyu: 100% (Fiscal 2031) Hanshin: 100% (Fiscal 2031) Kita-Osaka Kyuko: 100% (Fiscal 2022)		Hankyu : 52% Hanshin : 66% Kita-Osaka Kyuko : 98%
Reason for action plan based on opportunity and risk	• To accelerate environmental measures amidst rising interest in environmental issues such as global warming in order to meet the expectations of society • To prepare for the risk of rising costs such as electricity rates accompanying stricter environmental regulations				

*1 Percentage of accessible stations (among stations that service 3,000 or more passengers per day)
*2 VVVF inverter-type railcar: a different type of railcar (not the type that generates waste heat energy to control resistors to adjust the voltage for the motor), but a more environmentally efficient railcar that can control the motor's voltage and frequency without waste

Business Strategy

Real Estate

Our goal is to support attractive urban development while offering the choice of an affluent lifestyle.



Basic Policies

Real estate leasing business

1 Enhance appeal of and revitalize Osaka-Umeda area and other areas served by our lines

- Consider and promote systematic building reconstruction in the Osaka-Umeda area
- Develop major line-side bases from a long-term perspective
- Strengthen competitive ability of existing lease properties

2 Strengthen business foundation, etc., in Tokyo metropolitan area

3 Strengthen the distribution facility real estate

Real estate sales business and others

4 Secure stable profits in the real estate sales business and expand scale of operations

- Participate in medium- and long-term projects (urban redevelopment, building reconstruction, etc.)
- Expand business portfolio (rental condominiums for income, etc.)
- Start expanding business area (extend to Nagoya area and major regional cities)

5 Expand and further accelerate the scale of international businesses

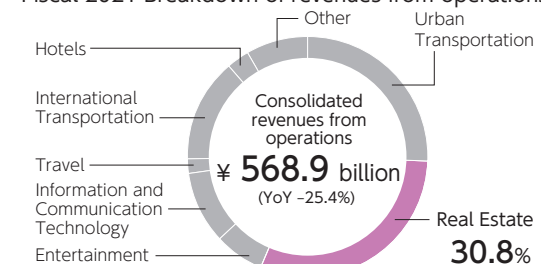
- Expand the scale of residential business in ASEAN nations
- Acquire non-residential assets such as commercial facilities and offices

6 Strengthen and expand non-asset business

- Expand scope of real estate funds and REIT business

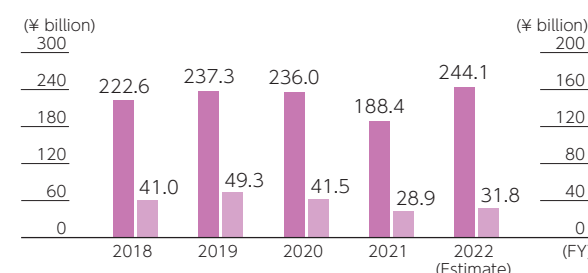
Revenues and Income

Fiscal 2021 Breakdown of revenues from operations



Note: Figures for percentage of revenues from operations are calculated based on the simple aggregate amount (including intersegment transactions) of each segment.

Revenues from operations (left axis) Operating income (right axis)



Note: The anticipated full-year results for FY2022 are based on information announced on July 30, 2021.

Business Environment

Impacted by COVID-19, but firm demand for well-located office buildings and condominiums

The spread of COVID-19 had an impact on the real estate leasing business, even causing the Japanese government to issue multiple state-of-emergency declarations, among other restrictions. A large number of commercial facilities were affected, including in the Osaka-Umeda area, with temporary closures and shortened operating hours. However, we now see a gradual recovery taking place. In offices, the vacancy rate for the market as a whole is rising. This and other signs point to a declining demand for leasing, but the office buildings in our Group are well-positioned in the marketplace and demand is steady; also, the effects of COVID-19 are likely to be limited.

In the domestic condominium sales business, lifestyle changes brought on by the pandemic have raised interest in suburban properties, but demand also continues to be strong for downtown areas that offer high convenience (near train stations or other prime locations), which is a focus of our Company. In the real estate business outside of Japan, COVID-19 has had a certain impact on ASEAN countries, but we anticipate continuing economic growth in the medium to long term, so a growth in demand can be expected.

Fiscal 2021 Review of Operations

The COVID-19 pandemic caused the temporary closure of some commercial facilities and a shortening of hours, etc., leading to a decrease in revenue and income

In the domestic condominium business, large-scale properties were completed and handed over in the previous term, and COVID-19 had a big impact in the real estate leasing business, leading to a significant year-on-year decline in revenues and operating income.

Real Estate Leasing Business

COVID-19 significantly affected the Osaka-Umeda area and a large number of commercial facilities, with temporary closures and shortened operating hours. Even so, with the construction completed on the Kobe Sannomiya Hankyu Building (Chuo-ku, Kobe), which is directly connected to Hankyu Kobe-sannomiya

Station, the completion of H-Cube Minamiaoyama (Minato-ku, Tokyo), and the renewals of Nodahanshin Wiste (Fukushima-ku, Osaka) and Emiru Takatsuki (Takatsuki, Osaka Pref.), we have been taking measures to strengthen the competitiveness of our commercial facilities and office buildings, and maintain and improve occupancy rates. And in distribution facilities, Logista Kyoto Kamitoba was completed in July 2020 (Minami-ku, Kyoto), and Logista Logicross Ibaraki Saito (Ibaraki, Osaka Pref.) — a joint project with another enterprise— was completed in May 2021.

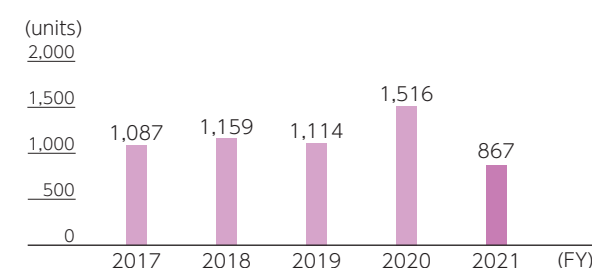
The large-scale development project Umeda 1-1 (building name: Osaka Umeda Twin Towers South) is scheduled for overall completion in the spring of 2022, and construction on the phase-two building is in progress. Construction has also started on the Umekita Phase II Development Project, which set to open around the summer of 2024.

Real Estate Sales and Other Businesses

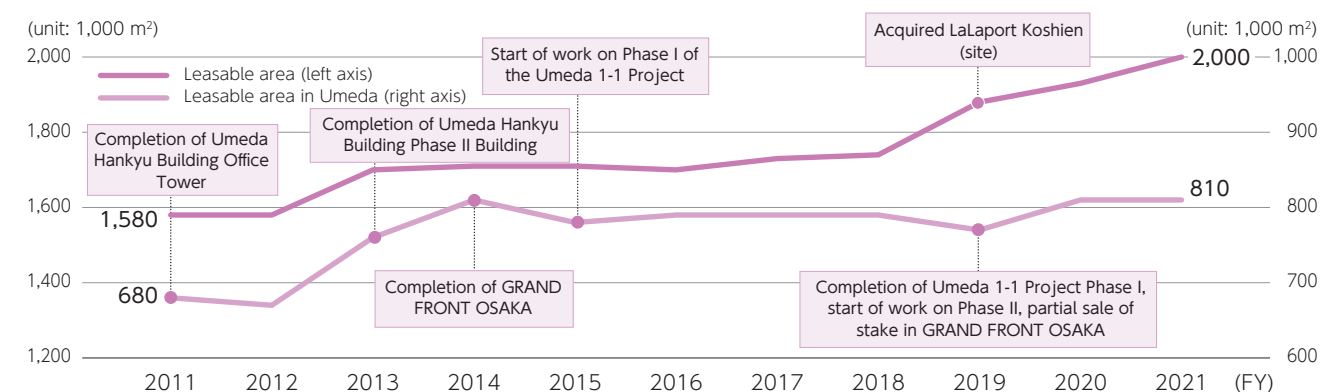
In the domestic condominium business, sales of numerous units were made, including at Geo Tower Minamirimachi (Kita-ku, Osaka), Geo Kitasenri Fujishirodai (Suita, Osaka), and Geo Shinmaruko (Kawasaki, Kanagawa). In detached houses, sales included properties at Geo Garden Saito Minoh (Minoh, Osaka), Geo Garden Nishinomiya Hama Koshien (Nishinomiya, Hyogo), and Geo Garden Sugunami Igusa (Suginami, Tokyo).

In the real estate business outside Japan, we have been expanding the scale of our business, participating in condominium and residential sales projects in Thailand, Vietnam, and other ASEAN countries, as well as real estate leasing projects in Indonesia, and the development and operation of distribution warehouses in Vietnam.

Domestic condominium units sold



Leasable area (at end of fiscal year)



Fiscal 2022 Outlook and Forward Direction

Preparing for an era of the New Normal and pursuing better urban development

In fiscal 2022 there is expected to be an increase in condominium units sold and higher rental income in our leasing business, signaling a degree of recovery from the effects of the pandemic with a rise in revenues and income over the previous year.

Going forward, in the real estate leasing business we will continue to focus on further increasing the attractiveness of line-side areas and revitalizing them, particularly in the Osaka-Umeda area.

In real estate sales and other business, in addition to an increase in condominium sales domestically, we have been expanding our business to include the development and sale of income-property rental condominiums, among other measures, thereby attaining stable profits in real estate sales and expanding the scale of our business. Overseas, as well, with a focus on the ASEAN region, where continued growth is expected, we have been pursuing real estate sales and leasing, aiming to expand the scale of those businesses.

Then, to respond to the rapid changes in lifestyles and working styles brought on by the pandemic, in the office leasing business we began a satellite office business, and opened our first satellite office facility in Senri-Chuo (Toyonaka, Osaka Pref.) in April 2021. In the housing business, we are planning products that take into consideration changing lifestyles, and will continue to pursue policies in line with an era of New Normal.

Finally, in the important business areas for our Group of Osaka-Umeda and Senri-Chuo, with the closing of our existing hotels in these two areas, we will be proceeding to study how to improve the value of the areas by effectively utilizing the vacant lots and will pursue better urban development.

Main Efforts Based on Priority Issues for Sustainable Management (Real Estate Business)

Priority issues	Action plan	Non-financial KPIs	Target values	Scope	FY2021 Actual record
1  Safe, reliable infrastructure	• Implement measures, both human and technological, to enable customer use with peace of mind, including measures to manage natural disasters	Accident and emergency course attendance rate (for employees in real estate leasing)	100% (fiscal 2031)	Hankyu Hanshin Properties Hankyu Hanshin Building Management	64%
		BCP readiness*1 rate for large buildings in the Osaka-Umeda area*2	100%	Hankyu Corporation Hanshin Electric Railway Hankyu Hanshin Properties	— Note: To apply starting with Osaka Umeda Twin Towers South (to be completed in fiscal 2022)
Reason for action plan based on opportunity and risk	In response to rising calls for safety, to prepare for accidents or natural disasters such as earthquakes or flooding from storms occurring more frequently because of climate change through measures both human and technological, thereby strengthening the Group's brand value and trustworthiness				
2  Thriving communities	• Carry out robust urban development that promotes ease of use for diverse customers and working styles	Rate of multilingual guidance at major commercial facilities in the Osaka-Umeda area	100%	Hankyu Corporation Hanshin Electric Railway Hankyu Hanshin Properties	100% Note: Targeted facilities: Hankyu Sanban Gai, HEP Five, Herbis Plaza ENT (Facilities website and pamphlet available in 4 languages, interpretation service available at information desk)
		Number of startups and other collaborative projects aimed at creating new work-life-play forms for diverse lifestyles and to provide services that improve safety, comfort, and peace of mind	Aiming for a steady increase	Hankyu Corporation Hanshin Electric Railway Hankyu Hanshin Properties	38 instances (since fiscal 2019)
Reason for action plan based on opportunity and risk	To provide facilities and services that deliver safety and comfort and offer dreams and inspiration, and that are easy to use for a diverse range of customers, including non-Japanese people; and to get out ahead of the growing need for work style reform and diversification, thereby differentiating our Company from others and strengthening our competitiveness				
3  Life designs for tomorrow	• Work to improve customer satisfaction by responding to customers' diverse values, providing comfort and inspiration, and proposing lifestyles and carrying out urban development projects that will lead to community revitalization	Geo condominium or and home purchase desirability and tenant/owner satisfaction rates	• Purchase desirability survey of prospective buyers (conducted by our Company on the Web) Kansai-region condominiums: Maintained No. 1 brand position in Kansai Tokyo-region condominiums: Among the top 7 brands in Tokyo (FY2031) • Tenant/owner satisfaction rates Condominium tenants in Kansai region: continued to be 90% or higher Condominium tenants in Tokyo region: 90% or higher (FY2031) Detached-home owners in Kansai region: 90% or higher (FY2031)	Hankyu Corporation Hanshin Electric Railway Hankyu Hanshin Properties	• Purchase desirability No. 1 among 18 brands for prospective condominium buyers in Kansai region No. 9 among 16 brands for prospective condominium buyers in Tokyo region • Satisfaction rates Among condominium tenants in Kansai region: 89% Among condominium tenants in Tokyo region: 89% Among detached-home owners in Kansai region: 100%
		Number of apartment units in ASEAN countries (total)	Aim is for a steady increase	Hankyu Hanshin Properties	Approx. 30,050 units (Vietnam: 11,000; Thailand: 11,000; Philippines: 4,000; Indonesia: 3,000; Malaysia: 1,000)
Reason for action plan based on opportunity and risk	• To increase customer satisfaction and boost loyalty to the company brands, propose lifestyles that match diversifying customer values and needs, and carry out urban development for local revitalization and the benefit of the next generation • To leverage our expertise from Japan to contribute to local urban development in ASEAN countries in order to boost the Group's brand value overseas and develop future clientele				
5  Environmental protection	• Reduce CO2 emissions by improving energy efficiencies, etc., and pursue green building and eco-friendly housing to contribute to resolving societal issues and differentiate the company	Acquisition rate of green building and other environmental certifications*3 that apply to office buildings and large buildings for commercial and other uses*4	100%	Hankyu Corporation Hanshin Electric Railway Hankyu Hanshin Properties	— Note: To apply starting with the Kobe Sannomiya Hankyu Building (completed in fiscal 2021; certified in fiscal 2022) Reference: Properties that have acquired the DBJ Green Building certification: Hankyu Nishinomiya Gardens, HEP Five, Umeda 1-1 Project (Osaka Umeda Twin Towers South Plan*5; construction to be completed in spring 2022)
Reason for action plan based on opportunity and risk	To respond to societal demands for a low-carbon economy and greenhouse gas reductions, we will pursue energy-saving and energy-creating measures and efforts to achieve net-zero-energy buildings and homes, and acquire green building certifications and the like, thereby establishing a progressive environmental approach that differentiates our Company from others and strengthens our competitiveness				

*1 BCP readiness: emergency power installed at the 3rd floor and above; emergency power to last 72 hours
*2 Large buildings in the Osaka-Umeda area: buildings with a total floor area of 30,000 m² or more completed in FY2022 or later
*3 Environmental certifications: systems such as DBJ Green Building, CASBEE, BELS, LEED, etc.
*4 Office buildings and large buildings for commercial and other uses: buildings with a total floor area of 30,000 m² or more (excluding properties jointly owned with another company) completed in FY2021 or later
*5 Prior to completion, a scoring system based on the development plan using the DBJ Green Building certification model to provide the framework for certification of the plan

Business Strategy

Entertainment

We will continue to fulfill dreams and offer excitement through our content.



Basic Policies

- 1

Maximize value of the Hanshin Tigers and Koshien brands

Forge a team that contends for the championship on a regular basis/Increase the appeal of Hanshin Koshien Stadium and the Koshien area, and expand the stadium business
- 2

Maximize value of the Takarazuka brand

Quickly restore the capacity utilization and build a strong financial record for the Takarazuka Revue/Actively expand the content business using digital technologies/Increase international business
- 3

Advance growth of other entertainment businesses and the leisure business

Expand the music business and Mt. Rokko businesses

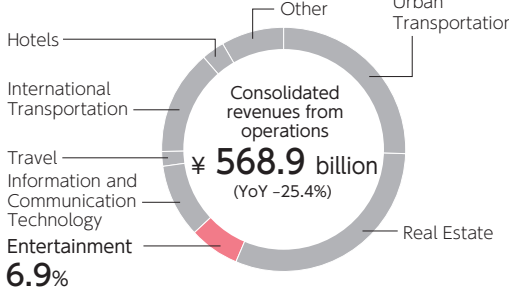
Business Environment

Still a strong desire for live, in-person attendance of baseball games and theater

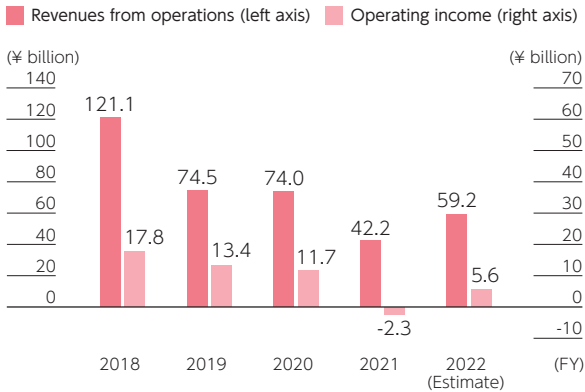
Government restrictions on the hosting of events during the COVID-19 pandemic had a major impact on attendance at our baseball stadium and theaters. Still, demand is expected to remain strong going forward for attending baseball games and theater performances live and in person, so a quick recovery is anticipated as soon as restrictions are eased. Also, thanks to the pandemic, which kept people indoors at home, we were able to distribute new content to people online via the internet—a new expansion of content enjoyment that is expected to further grow our customer base.

Revenues and Income

Fiscal 2021 Breakdown of revenues from operations



Note: Figures for percentage of revenues from operations are calculated based on the simple aggregate amount (including intersegment transactions) of each segment.



Note 1: In line with the launch of the Information and Communication Technology business, figures post-FY2019 do not include these business segments.
Note 2: The anticipated full-year results for fiscal 2022 are based on information announced on July 30, 2021.

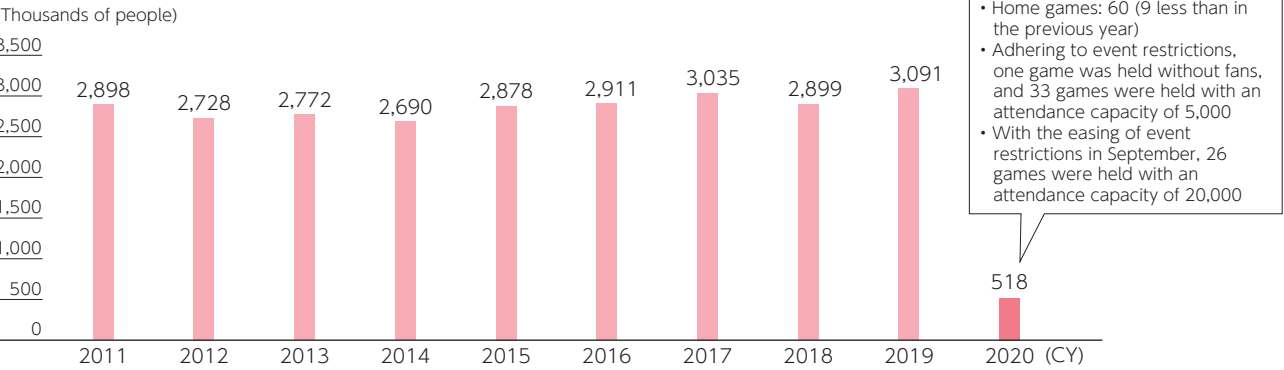
Fiscal 2022 Outlook and Forward Direction

While valuing real-world attendance, we will use digital technologies to expand to new customers

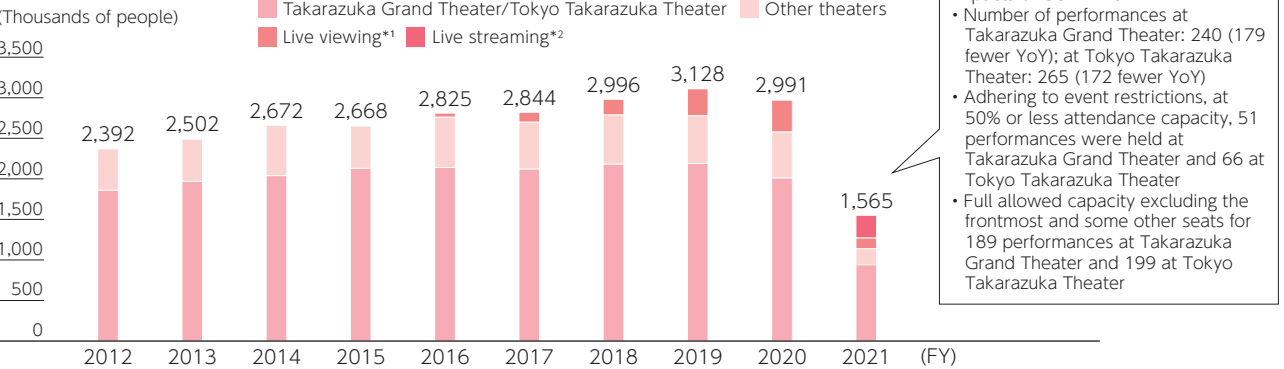
In fiscal 2022, in the sports business, there will be more Hanshin Tigers regular season home games and a rise in stadium attendance; similarly in the stage business, there will be more performances and theater attendees. That indicates a degree of recovery from the effects of the pandemic to be accompanied by

a rise in revenues and income over the previous year.
Even in the New Normal, there will likely be strong demand for real-world attendance of professional baseball games and theater performances. For that reason, we will continue promoting live attendance for both types of content, which will help maximize brand value in both the sports and stage businesses. We will also develop new ways of promoting the enjoyment of content using digital tools to activate the existing customer base and attract new customers.

Total attendance at Hanshin Tigers home games (by season)



Takarazuka Revue total attendance of performances



*1 Live streaming of shows at movie theaters nationwide for paying audiences
*2 Live streaming of shows via the internet for viewing at home on a TV, smartphone, or other device for paying viewers



Main Efforts Based on Priority Issues for Sustainable Management (Entertainment Business)

Priority issues	Action plan	Non-financial KPIs	Target values	Scope	FY2021 Actual record
 Life designs for tomorrow	• Provide opportunities for children to experience the natural appeal of baseball through the Tigers Academy*1	Number of baseball school classes hosted by the Tigers Academy	Maintain 50 or more classes into the future	Hanshin Tigers Baseball Club	38 classes
Reason for action plan based on opportunity and risk	To promote baseball by developing women's baseball and by training youth as the next generation of good athletes, thereby expanding the fan base for professional baseball				
 Life designs for tomorrow	• Actively provide opportunities to school groups to attend performances of the Takarazuka Revue • Hold events for youth such as kids' seminars • Hold lectures and seminars led by Takarazuka Revue alumnae in collaboration with the media • Hold series of Takarazuka Kodomo Athene*2 classes at the Takarazuka Music School	Number of students/children who attended a performance and related program	Over 60,000 (annually)	Hankyu Corporation Umeda Arts Theater Takarazuka Live Next Takarazuka Music School	Approx. 10,000 (attendees of performance/related program, Takarazuka Music School candidates, Takarazuka Kodomo Athene students) Note: Down in fiscal 2021 due to the pandemic
Reason for action plan based on opportunity and risk	• To provide opportunities for youth to have contact with the performing arts and contribute to cultural education, including fostering a rich imagination and artistic sensibilities • To give dreams to children by promoting the appeal of the Takarazuka Music School and supporting the fulfillment of their dreams through a strong school curriculum, thereby contributing to the cultivation of young talent				
 Life designs for tomorrow	• Hold performances of the Takarazuka Revue outside of the Osaka and Tokyo areas • Offer live viewing at movie theaters or other venues and live stream to mobile devices, employing digital technologies and delivery services • Stream video using Takarazuka Sky Stage*3 • Stream video using YouTube, etc.	Total number of viewers of theater performances through live viewing and live streaming, participants in Takarazuka Sky Stage (households), and YouTube channel subscribers	Over 900,000 (fiscal 2026)	Hankyu Corporation Takarazuka Creative Arts Takarazuka Stage Takarazuka Music School	Approx. 640,000
Reason for action plan based on opportunity and risk	• To get people to become more familiar with the Takarazuka Revue in many other parts of Japan using advanced digital technologies even if they are unable to get to a theater, thereby creating more opportunities for people to have contact with the performing arts • Promote the appeal of the Takarazuka Music School to all parts of Japan, and by fostering the dream among children of performing on stage, help build a society that encourages dreams and ambitions				
 Environmental protection	• Convert Hanshin Koshien Stadium lighting to LED lighting for night games and placement around the stadium, utilize solar panels on the roof known as "Ginsan," and hold "carbon offset" games • Switch to the use of biomass packaging material at food stalls and take steps to reduce plastic checkout bags • Implement the collection and recycling of plastic cups	Usage rate of non-plastic food packaging Plastic cup collection rate	Pro baseball/high school baseball games: 70% each (2030 season) 70% (2030 season)	Hanshin Electric Railway Hanshin Tigers Baseball Club Wellness Hanshin	Pro baseball: 45% High school baseball: 35% (2019 season) 18% (2019 season)
Reason for action plan based on opportunity and risk	Carry out environmental measures at Hanshin Koshien Stadium and comprehensively publicize those efforts, thereby contributing toward the achievement of a low-carbon, circular society				

*1 Tigers Academy: A school business established in fiscal 2019 to instruct children on how to play baseball or how to dance
*2 Takarazuka Kodomo Athene: A school run by employees of the Takarazuka Music School that teaches singing, ballet and classical Japanese dance to girls from 4th to 8th grade (40 students/year)
*3 Takarazuka Sky Stage: A service for viewing public performances and original programs featuring Takarazuka Revue stars via CS broadcasts and cable TV

Business Strategy

Information and Communication Technology

Contributing to the development of society through information and communications technology



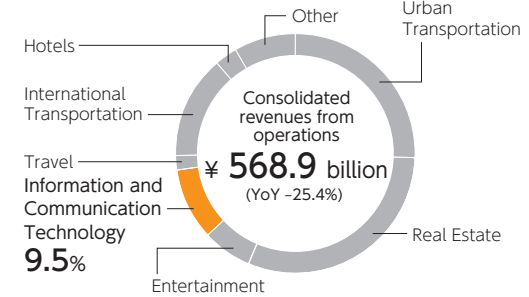
Basic Policies

- 1 Steadily grow existing business in information services mainly through multimedia and healthcare, transportation, facilities, and business in the enterprise sector,* and respond to the demand for digital transformation (DX) accelerated by the pandemic—the New Normal measures aimed at sustainable profit growth
- 2 Achieve stable income in the broadcasting and communications business by expanding and improving regionally based products and services, acquiring customers mainly through communications services, and retaining customers through the introduction and development of lifestyle services
- 3 Expand our safety and education business further in response to programming education becoming a compulsory school subject, and increasing needs for peace of mind and safety

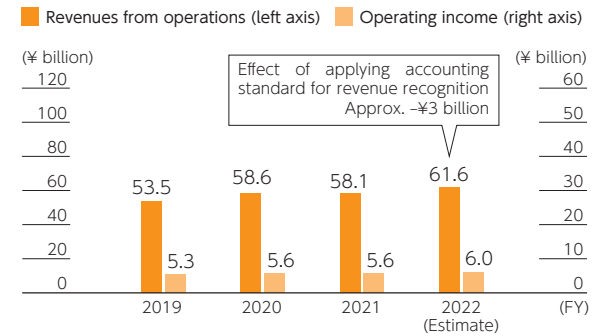
*Enterprise sector: sales of computer equipment and services, commissioned development of public and industrial systems, etc.

Revenues and Income

Fiscal 2021 Breakdown of revenues from operations



Note: Figures for percentage of revenues from operations are calculated based on the simple aggregate amount (including intersegment transactions) of each segment.



Note: The anticipated full-year results for FY2022 are based on information announced on July 30, 2021.

Business Environment

Markets are expanding in all business areas as technological innovations unfold

Strong growth is expected in the market for information services as rapid advances are made in information and communication technology (ICT) and markets expand for systems solutions and things like internet-based mail order. Companies are starting to invest seriously in digital transformation, adapting their business models to changing lifestyles brought on by the pandemic.

The broadcasting and communications business will see greater opportunity as greater numbers of people subscribe to cable TV that includes internet service needed to carry out remote work, and as telecommunications technologies advance and needs grow for data centers to meet further anticipated demand growth in telecommunications.

The market for the safety and education business is likely to continue growing as parents and guardians take increasing interest in our child safety service that monitors children's journeys to and from school, as programming classes became compulsory in elementary schools starting in fiscal 2021, and as the STEAM education* approach to learning takes hold.

*STEAM Education is an approach to learning that provides an integrated education across the subject areas of Science, Technology, Engineering, the Arts and Mathematics aimed at solving real-world societal issues as part of the learning process.

Fiscal 2021 Review of Operations

Revenues dropped as a large project order was not carried over, but more internet subscribers brought income up to previous year's level

In the information services business, we focused as before on the field of transportation systems, and worked to provide services for the new demand that is expected to accompany technological innovations and a further adoption of digital technologies.

In the broadcasting and communications business, we expanded steadily, working to provide fiber-to-the-home (FTTH) service for high-speed internet, and took orders from local governments to build high-speed communications networks in elementary and junior high schools.

In the safety and education business, we saw a steady increase in subscribers to the Mimamorume email notification service that allows parents and guardians to check on their children as they go to and from school.

In the information services business overall, revenues from operations decreased with a large project order not carried over from the previous year in transportation systems, but an increase in internet subscribers in the broadcasting and communications business meant that operating income remained at the previous year's level.

Fiscal 2022 Outlook and Forward Direction

Expanding existing businesses, responding to new needs, and aiming for continued growth

In the information services business, an increase in orders in fiscal 2022 is expected to bring in greater revenue than the previous year, but an accompanying rise in cost prices plus high labor costs associated with expanding business will offset that revenue and keep operating income steady.

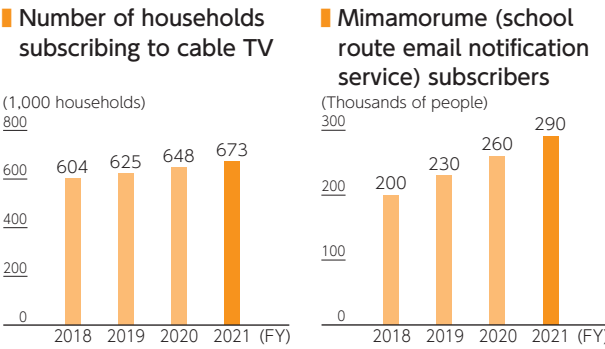
Looking ahead in the information services business, we will fully utilize our strengths, including multi-vendor capabilities*1 and the ability to provide one-stop service,*2 to further expand our existing businesses and become more closely attuned to the needs emerging from the pandemic to grow returns sustainably.

In the broadcasting and communications business, we will expand our products and services, and develop and expand

lifestyle services, responding to the increase in demand for telecommunications as remote work proliferates, working to acquire and retain more customers in order to achieve stable growth and higher profits.

In the safety and education business, we aim to expand the Mimamorume service into the Tokyo metropolitan area and extend the services themselves to further increase the scale of the business. In the ProgLab robot programming classes for children, we will continue to build scale, including franchising, and also plan to expand the curriculum guided by a STEAM education approach.

*1 The ability to build efficient systems that dovetail with the products of other companies
*2 Integrated services extending from system building to operation, monitoring, and maintenance



Main Efforts Based on Priority Issues for Sustainable Management (Information and Communications Technology Business)

Priority issues	Action plan	Non-financial KPIs	Target values	Scope	FY2021 Actual record
1 Safe, reliable infrastructure	Strengthen efforts aimed at getting local authorities to enter into an agreement on disaster preparedness in the Kyoto-Osaka-Kobe area and Tokyo metropolitan area (Bay Communications has already signed agreements with all local authorities in its sales area)	Number of local authorities to sign a disaster preparedness agreement	— (monitoring actual record)	Bay Communications Hanshin Cable Engineering	Bay Communications: 4 local authorities Hanshin Cable Engineering: 14 local authorities
Reason for action plan based on opportunity and risk	To respond rapidly and appropriately when a disaster occurs as a local telecommunications infrastructure provider, thereby contributing to the safety and security of local residents To strengthen responses to local government needs (disaster preparedness and mitigation, crime prevention, etc.) in preparation for expanding the BWA business*1				
2 Thriving communities	Use the Mimamorume school route safety tracking system as the core of our security business to expand GPS services as services that differentiate us and enhance our competitiveness Expand the Machinaka Mimamorume service for city residents, an opportunity for using our BWA business	Number of local authorities to which we contract GPS service and Machinaka Mimamorume and other safety systems	— (monitoring actual record)	Mimamorume	GPS service contracts: 54 local authorities Machinaka Mimamorume: 5 local authorities
Reason for action plan based on opportunity and risk	To help raise the value of line-side areas by responding to increased interest in safety and security To utilize the Group's wireless and wired communications networks, external lines, and construction expertise for expanding services				
6 Robust governance	Acquire external certification for information security (PrivacyMark, ISMS*2)	Status of acquisition of external certification for information security (PrivacyMark, ISMS)	— (monitoring actual record)	Bay Communications Hanshin Cable Engineering Itec Hankyu Hanshin Mimamorume	PrivacyMark certification: Bay Communications, Hanshin Cable Engineering, Itec Hankyu Hanshin, Mimamorume ISMS certification: Itec Hankyu Hanshin
Reason for action plan based on opportunity and risk	To ensure the secure handling of personal information and electronic data as an information and communications technology company to strengthen customer trust in the company				

*1 BWA business: Broadband Wireless Access system *2 ISMS: Information Security Management System

Business Strategy

Travel

Creating travel itineraries that reflect customers' desires



Basic Policies

1 Strengthen competitiveness of travel packages

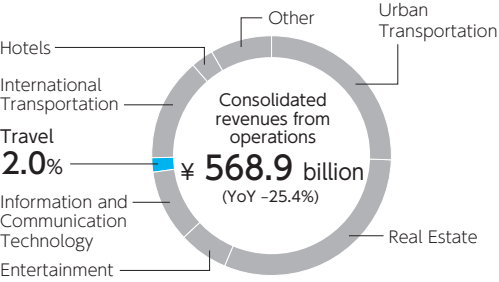
Strengthen areas outside Europe/Strengthen specialized products/Win over new customers/Strengthen collaboration with local areas

2 Strengthen management base

Improve online reservation rate/Streamline administrative work

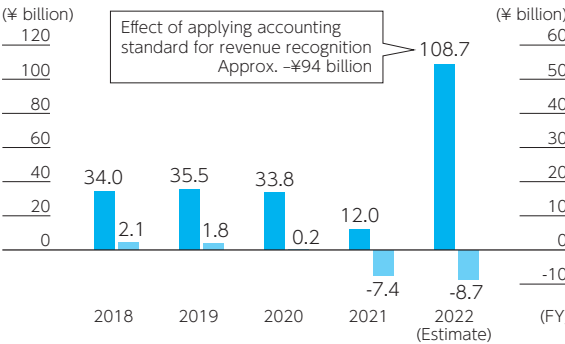
Revenues and Income

Fiscal 2021 Breakdown of revenues from operations



Note: Figures for percentage of revenues from operations are calculated based on the simple aggregate amount (including intersegment transactions) of each segment.

Revenues from operations (left axis) Operating income (right axis)



Note: The anticipated full-year results for FY2022 are based on information announced on July 30, 2021.

Business Environment

Amidst a dramatic downturn due to COVID-19, latent travel demand became a business opportunity

Currently, there are global restrictions in place on people's movements due to the COVID-19 pandemic, so travel demand has fallen off steeply. The number of airline flights has also plummeted, and the requirement to ensure physical distancing has led to higher unit costs because of capacity limitations imposed on public transport and facilities. Also, the supply chain has seen changes taking place. At the same time, with a shift from overseas travel to domestic travel and the avoidance of congested spaces, new needs are emerging among travelers during the pandemic. We are turning these factors into business opportunities, while also anticipating a recovery in travel demand as soon as the pandemic comes to an end.

In terms of business management, we are speeding up efforts aimed at business restructuring for the travel industry as a whole, which includes the further adoption of digital technologies and shrinking of fixed costs by reducing the number of our offices and personnel.

Fiscal 2021 Review of Operations

Lower revenues and incomes due to COVID-19

An extremely difficult business climate remains, with tour cancellations affecting the international travel division over the year, among other effects of the pandemic. In the domestic travel division, the government's Go To Travel campaign boosted the number of customers going on tours, but for the year overall there was a steep drop-off from the previous year. Under these circumstances, we closed some travel offices, even though few tours are sold face-to-face. (Media advertising is our primary means of attracting customers.) Meanwhile, we took other cost-saving measures to try to balance income and expenditures.

Nonetheless, the pandemic hit travel hard, as stated above, and both revenues from operations and operating income took a major hit when compared year over year.

Fiscal 2022 Outlook and Forward Direction

Planning for post-pandemic streamlining and business base restructuring

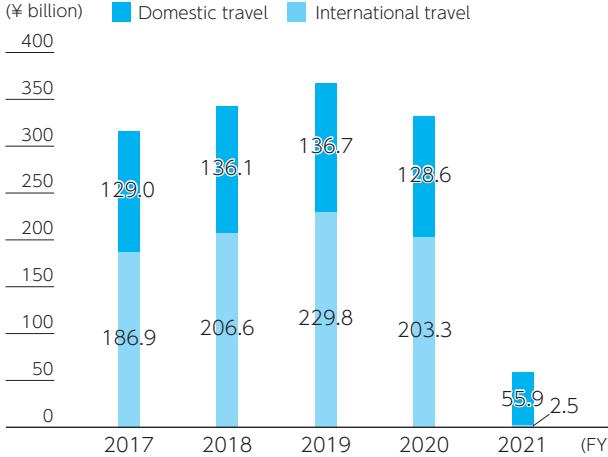
In fiscal 2022, in addition to a significant bump in revenue from applying the new revenue recognition standard, an increase in customers taking domestic tours and other forms of recovery from the pandemic to a reasonable extent will produce a big increase in revenues from operations over the previous year. However, operating income will be worse than last year because of high personnel expenses relative to fiscal 2021, when costs such as that of furloughing staff were recognized as extraordinary losses.

It will likely take some time for demand to recover, so we will review expenditures and to acquire new clientele we will reexamine the media mix for travel advertising and try to make better use of the internet by encouraging online reservations, etc.

We also plan to further strengthen our earning power by bolstering domestic travel during the pandemic and pushing

forward with initiatives for the medium to long term grounded in our basic policy.

Domestic/International Travel Billings (fiscal 2017–fiscal 2021)



Note: Figures represent the aggregate amounts from Hankyu Travel International, Hankyu Hanshin Business Travel and Hanshin Travel International (offsetting intersegment transactions)

Main Efforts Based on Priority Issues for Sustainable Management (Travel Business)

Priority issues	Action plan	Non-financial KPIs	Target values	Scope	FY2021 Actual record
1 Safe, reliable infrastructure	- Preparation of serious-accident response manual and other manuals (as necessary revising BCPs which stipulate response to natural disasters, in light of the intensification of natural disasters due to climate change) - Employee and supplier training in safe operations - Information dissemination on safe operations - Supplier assessments	Number of accident reports of serious culpable incidents (death or serious injury)	Zero, ongoing	Hankyu Travel International	0 incidents
Reason for action plan based on opportunity and risk	To respond rapidly and appropriately to an accident when operating tours or upon the occurrence of a natural disaster, thereby helping to build customer trust and bolster our brand value				
3 Life designs for tomorrow	- Plan tours that promote local areas in coordination with local governments (long-stay domestic travel, infrastructure study tours, community-based tours that start and end in localities, etc.) - Hold seminars through Hankyu Tabikotojuku* that promote regional and cultural development - Support regional development through General Incorporated Association Chiki Mirai Kikaku	Number of collaborating local governments	70 per year (fiscal 2022) Maintain similar numbers going forward	Hankyu Travel International	68 local governments
Reason for action plan based on opportunity and risk	To strengthen mutually beneficial collaboration with local governments and actively promote the appeal of the important elements of travel—localities and culture—thereby contributing to regional revitalization				
6 Robust governance	- Conduct questionnaires of tour participants - Expand customer hot-line/customer center system - Improve quality through tour monitoring by employees and checks during the first run of a trip - Hold meeting on safe international travel locally - Improve response through a call center and Web-based inquiry service	Satisfaction rate based on questionnaires	- Satisfaction rate (fiscal 2021) International/with guide: 90% - International/without guide: 90% - Domestic/overnight: 85% - Domestic/day trip: 85%	Hankyu Travel International	- Customer satisfaction International/with guide* International/without guide* Domestic/overnight: 85% - Domestic/day trip: 82% *No international tours due to the COVID-19 pandemic
Reason for action plan based on opportunity and risk	To improve satisfaction rates by directly hearing customers' voices and meeting diversifying needs with regard to the undefinable product of travel, thereby further boosting product value				

*Hankyu Tabikotojuku: Lectures and workshops held by Hankyu Travel International in Tokyo, Osaka, and other parts of Japan to share helpful tips on travel and information that makes travel more enjoyable

Business Strategy

International Transportation

As a comprehensive distribution enterprise, we are offering creative, high-value-added services to customers on a global basis.

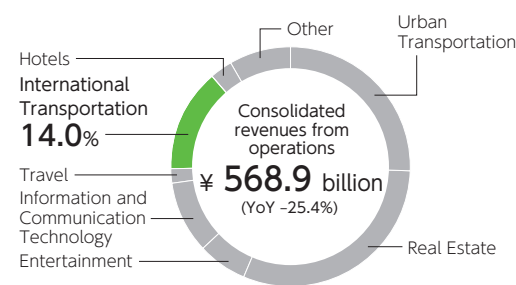


Basic Policies

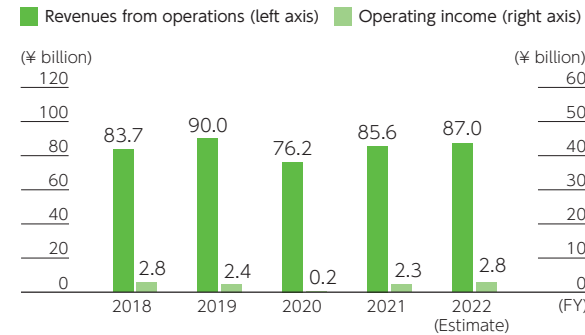
- 1 Reform to establish a balanced business portfolio
 - Strengthen air freight, sea freight, and logistics services businesses globally
- 2 Develop and implement optimal measures for profit growth
 - Proceed with operational and structural reforms using IT, etc.
 - Strengthen sales capabilities globally
 - Maximize synergy with the Seino Holdings Group
- 3 Fortify systems to ensure robust global governance

Revenues and Income

Fiscal 2021 Breakdown of revenues from operations



Note: Figures for percentage of revenues from operations are calculated based on the simple aggregate amount (including intersegment transactions) of each segment.



Note: The anticipated full-year results for FY2022 are based on information announced on July 30, 2021.

Business Environment

The global distribution market will grow in the long term

While the global population is expected to continue rising, the expansion of the electronic commerce market and increasing separation of manufacturing locations from consumption areas with further diversification anticipated means that the role of the global forwarder will continue to expand, not as a freight carrier but for its ability to make optimal proposals to customers centered on shipping arrangements. In particular, we foresee the role of the Japanese forwarder growing by providing comprehensive, high-quality, high-value-added distribution services.

By region, a slowing down is anticipated in Japan, North America, and Europe, but in regions of growth, primarily in Asia, distribution can be expected to continue expanding.

Fiscal 2021 Review of Operations

Preventing the halt of distribution as an essential industry, and efforts to improve profitability leading to higher operating revenues and income

Distribution demand has shrunk, affected by the COVID-19 pandemic on top of the impact felt from the U.S.-China trade friction that began around the autumn of 2018. Plus, air and ocean transport supply is unstable, which is another factor in a business climate that continues to be tough. Under such circumstances, to ensure that global distribution did not come to a halt, we have kept all of our business locations running, both in Japan and overseas, and incorporated the emergency transportation demand from East Asia. Through these and other measures we attempted to improve our finances, which had been hit hard by the U.S.-China trade friction in fiscal 2020, and achieved year-on-year increases in both revenues from operations and operating income.

Additionally, we have been working to expand our distribution warehouses in the ASEAN region, strengthen our logistics business, and further expand our global network.

Fiscal 2022 Outlook and Forward Direction

Expanding the scope and volume of items handled and pushing structural reforms for sustainable growth

In fiscal 2022, we foresee air transportation recovering from the

declining impact of the COVID-19 pandemic, leading to year-on-year increases in revenues and income.

Going forward, to achieve sustainable growth we will work to expand handling and the volume of our air and ocean transport

and logistics, and utilize IT and other technologies to bring about operational reforms, pushing ahead to achieve structural reforms, basic policy goal.

Expansion of our global network, strengthening of our logistics business

● Narita Global Logistics Center commences operations

The former Hankyu Hanshin Narita Cargo Terminal was relocated to the warehouse built by Seino Transportation* adjacent to Narita International Airport. By cooperating with the Seino Transportation truck terminal, we have established a logistics hub that combines international transportation, logistics, and domestic transportation, and allows us to offer a comprehensive range of seamless transportation services. Since the facility's opening, we have acquired new clients and the volume of goods handled is steadily growing.

*A company of the Seino Holdings Group, which entered into a capital and operational tie-up with Hankyu Hanshin Express in 2018.

● Strengthening business development in Africa

In April 2018, we acquired Intraspeed South Africa (Pty) Ltd., a freight forwarder, as a subsidiary; we also acquired Intraspeed's two companies in Kenya and Uganda as subsidiaries. Today, we continue to reinforce our operations in Africa.

● Expansion of our Asian network, rollout of logistics centers

In addition to new warehouses in Indonesia (2016) and Singapore (2017), we have opened new warehouses in India, Vietnam and Myanmar, and established an office in Kuantan, Malaysia. In these and other ways we are further enhancing our logistics structure and expanding our global network in growth markets.

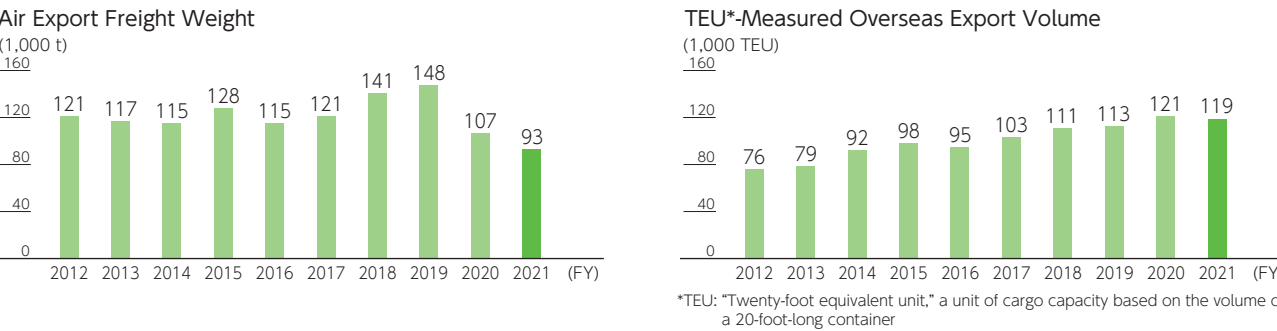
● Strengthening our business in North and Central America

In addition to expanding our locations in Mexico, we are increasing and expanding our warehouses in the USA. Our policy is to strengthen our logistics services in Central and South America from our base in Miami.

Number of locations: 50 in Japan, 134 outside Japan (as of September 1, 2021)

● Local subsidiary
● Branch/Office
● Representative office

Air and sea freight volumes (total handled by Japanese and overseas companies in the International Transportation Business)



Main Efforts Based on Priority Issues for Sustainable Management (International Transportation Business)

Priority issues	Action plan	Non-financial KPIs	Target values	Scope	FY2021 Actual record
Safe, reliable infrastructure	• Prepare a BCP	Rate of existence of BCP	100%	Hankyu Hanshin Express Hankyu Hanshin Logipartners	Preparation completed by both companies
Reason for action plan based on opportunity and risk	To build systems that prevent the stoppage of distribution as an essential industry, even if an accident or natural disaster occurs, thereby increasing trust in the business and benefiting society				
Safe, reliable infrastructure	• Improve the quality of customs clearance services	Rate of customs errors	About 0.1% maintained, which is lower than the industry average (0.3%)	Hankyu Hanshin Express	0.05%
Reason for action plan based on opportunity and risk	To pursue protective measures at ports and airports as a customs broker, thereby helping to maintain safety and security in society				

Business Strategy

Hotels

Japan's leading hotel chain operator



Basic Policies

Carry Out Structural Reforms (See page 16 for more details.)

1 Strengthen business competitiveness

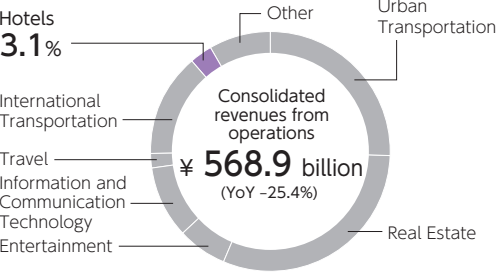
Concentrate management resources and strengthen business competitiveness through specialization

2 Improve viability of hotels

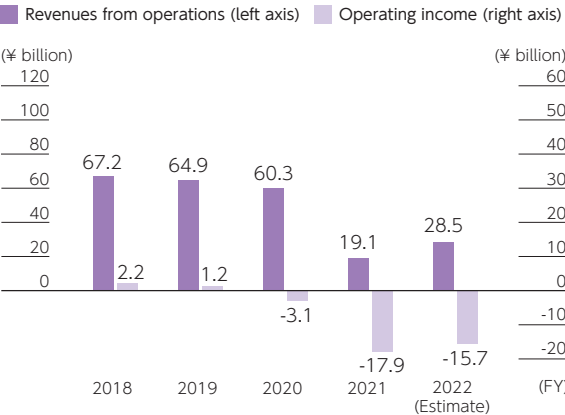
Revise cost structure at existing hotels and improve efficiency of their business operations

Revenues and Income

Fiscal 2021 Breakdown of revenues from operations



Note: Figures for percentage of revenues from operations are calculated based on the simple aggregate amount (including intersegment transactions) of each segment.



Note: The anticipated full-year results for FY2022 are based on information announced on July 30, 2021.

Business Environment

Demand plummeted due to the pandemic, but business will likely pick up as demand recovers when it ends

In the domestic hotel market, particularly in the Kansai region, there had been an ongoing scramble to open new hotels that started before the pandemic to accommodate growing inbound tourism, and competition among hotels had become increasingly fierce. Then the pandemic hit and restrictions on people's movement and related factors severely curtailed demand, decimating the hotel business.

On the bright side, over the medium to long term, the COVID-19 pandemic will come to an end and the movement of people globally will gradually rebound. Major events such as EXPO 2025 in Osaka, Kansai will play a role in expanding the demand for accommodations going forward.

Fiscal 2021 Review of Operations

A steep decline in customers due to the pandemic led to lower revenues and income

In fiscal 2021, the business climate became very tough due to the spread of COVID-19, and in both the accommodation and food/beverage businesses there was a huge drop-off in customers over the year and some hotels were even closed temporarily.

In these circumstances, the Takarazuka Hotel, as the official hotel of the Takarazuka Revue, was opened in a new location in June based on the concept of "The Dream Lives On." Also, construction proceeded on our second "remm plus" hotel—remm plus Kobe Sannomiya—to open in April 2021. The two hotels are designed to bolster our competitiveness.

However, as noted above, the impact of the pandemic and other factors caused a significant decline from the previous year in revenues from operations and operating income.

Fiscal 2022 Outlook and Forward Direction

Steady structural reforms will continue, aimed at improving results and boosting business competitiveness

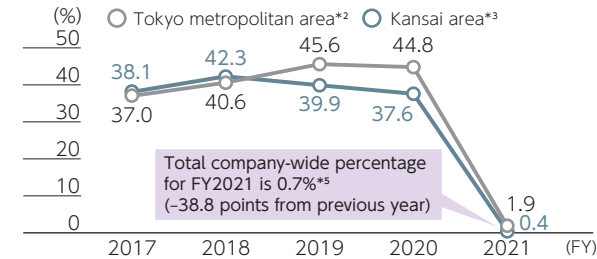
In fiscal 2022, some degree of recovery from the effects of the pandemic is anticipated in both the accommodation and food/

beverage businesses, which will translate into higher revenues and income over the previous year. Although inbound demand is not expected to rebound within the fiscal year, demand in both the accommodation and food/beverage businesses is expected to start recovering gradually toward the end of the year.

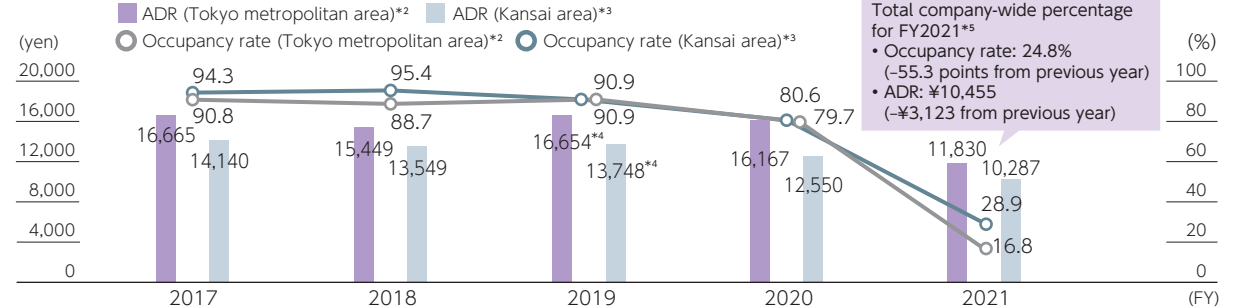
Hankyu Hanshin Hotels are steadily implementing structural reforms to improve results as early as possible. We are also studying how to integrate ICT and are working to optimize personnel to achieve greater efficiencies and higher productivity. Other measures will include rigorously implementing revenue management to bolster our earnings capacity, plus making adjustments to meet the requirements of the "New Normal" for

avoiding physical contact and congested spaces, thereby boosting our business competitiveness.

Non-Japanese guests as a percentage of overnight-stay guests at Hankyu Hanshin Hotels*



Average daily rates (ADR) and guest room occupancy rates*1 of Hankyu Hanshin Hotels in the Tokyo metropolitan area and Kansai area



*1 The data omits the COVID-related temporary closures of some hotels.
*2 Directly managed by Hankyu Hanshin Hotels in the Tokyo metropolitan area
*3 Directly managed by Hankyu Hanshin Hotels in the Kansai area
*4 Starting in fiscal 2020, we report the earnings of overseas online travel agents on a gross basis, rather than on a net basis as before. The new method (gross basis) has been applied retroactively to the previous fiscal year.
*5 Including remm Kagoshima

Main Efforts Based on Priority Issues for Sustainable Management (Hotels Business)

Priority issues	Action plan	Non-financial KPIs	Target values	Scope	FY2021 Actual record
Safe, reliable infrastructure	- Manage use of "select ingredients" listed on menus - Train employees on menu creation and item listings - Comply with designated system of checks	Number of serious culpable incidents related to listing of foods	Zero, ongoing	Hankyu Hanshin Hotels	0 incidents
Reason for action plan based on opportunity and risk	To make an active and ongoing effort to label foods properly in order to provide customers with safe food, thereby helping to build trust in the Group and bolster our brand value				
Safe, reliable infrastructure	- Enhance collaboration with local governments - Prepare stockpiles of items for disaster preparedness and establish a system for managing them - Prepare a response manual for when lifelines get cut off - Prepare a response manual for how to evacuate, the location of evacuation shelters, etc.	Prepare stockpiles of items for disaster preparedness	Secure a 3-day supply for employees and guests (fiscal 2031)	Hankyu Hanshin Hotels	Secure a 3-day supply for employees
Reason for action plan based on opportunity and risk	To strengthen risk countermeasures in times of emergency and create an environment in which customers can feel safe at a hotel, thereby helping to build trust in the Group and bolster our brand value				
Environmental protection	- Reduce food waste (repurpose waste from food preparation, adjust serving methods, arrangement) - Set up systems regarding waste volume - Carry out waste reduction and recycling - Biodegrading food waste disposer	Volume of food waste	-50% compared to fiscal 2014 (fiscal 2031)	Hankyu Hanshin Hotels	-62% compared to fiscal 2014 Note: Fiscal 2021 reduction due to COVID-related temporary closures of some hotels (Reference: Fiscal 2020) -14% compared to fiscal 2014
Reason for action plan based on opportunity and risk	To actively work to reduce food waste as an enterprise that handles food at a time when food waste is becoming an increasing concern, thereby helping to build a sustainable society				
Environmental protection	- Consider no longer offering disposable plastic items - Choose products made from alternative materials	Number of disposable plastic items in guest rooms	-50% compared to fiscal 2020 (fiscal 2031)	Hankyu Hanshin Hotels	New targets set in fiscal 2021 Achieve in steps from fiscal 2022 on
Reason for action plan based on opportunity and risk	To actively work to reduce plastics at a time when microplastics are polluting the environment and there is rising interest in getting rid of plastics worldwide, thereby responding to customers' wishes and helping to build a sustainable society				



Robust governance



Policies

Act honestly and in good faith, as stakeholders expect us to do.

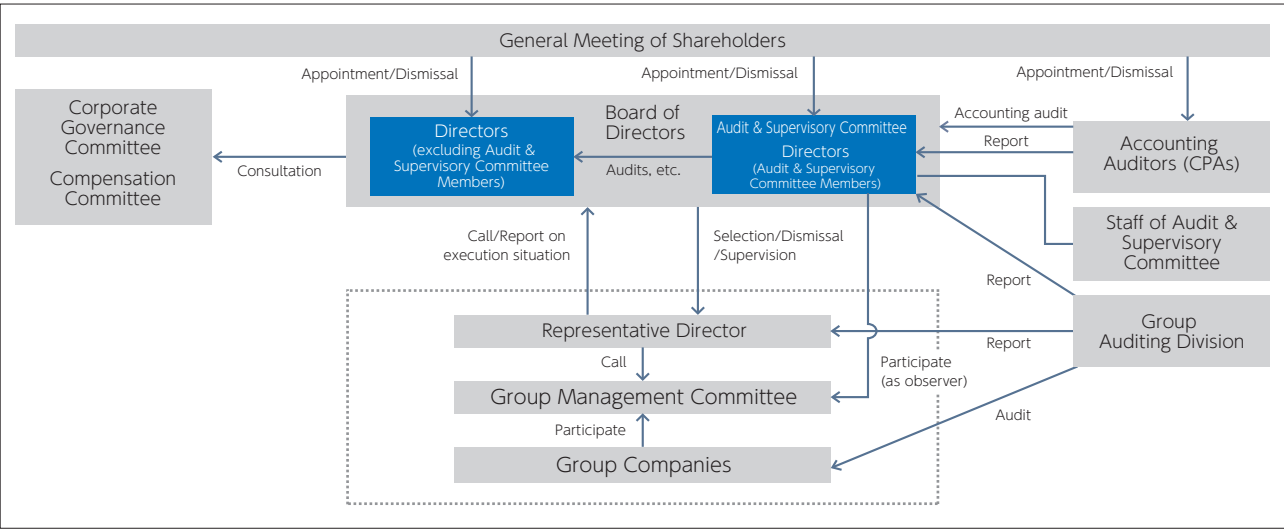
Basic Approach

The Company aims to remain a company that customers and other stakeholders trust. To this end, the Company is strengthening and increasing corporate governance by heightening the transparency and soundness of business management, complying with relevant laws and regulations, and ensuring appropriate, timely disclosure.

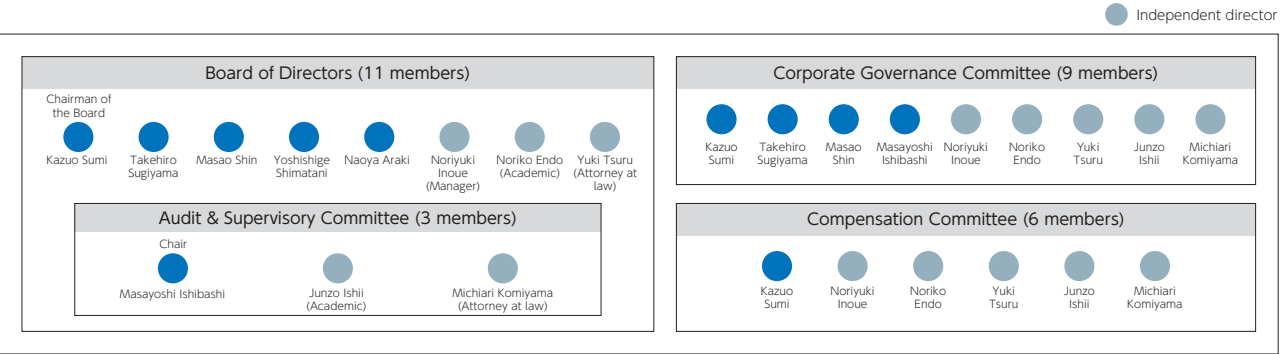
Reflecting this basic approach, the Company has established the policies below with a view to adhering to the principles of our Corporate Governance Code, sustaining growth, and enhancing corporate value over the medium to long term.

- (1) We shall respect shareholders' rights and ensure equality.
- (2) We shall take into consideration the interests of shareholders and other stakeholders and cooperate with them appropriately.
- (3) We shall disclose corporate information appropriately and ensure transparency.
- (4) We shall ensure that the Board of Directors performs its roles and duties appropriately and ensure advanced oversight and decision making.
- (5) We shall have constructive dialogue with shareholders with a view to sustaining our growth and enhancing corporate value over the medium to long term.

Corporate Governance System



*The Hankyu Hanshin Holdings Group takes practical steps to enact all of the principles stipulated in the Corporate Governance Code. For examples of specific action and other items relating to corporate governance, please refer to the Corporate Governance Report in the sustainability section of the Group's website. https://www.hankyu-hanshin.co.jp/download/sustainability/materiality/corporate/governance/info_governance.pdf (Japanese only)



(See pages 67-68 for more details about Directors and Audit & Supervisory Committee Members.)

Governance Structure

Overview of Hankyu Hanshin Holdings' and the Group's Corporate Governance Structure

Hankyu Hanshin Holdings, Inc. is a pure holding company, and the conduct of operations is basically the responsibility of Group member companies. Hankyu Hanshin Holdings' principal role is supervision and oversight of the entire Group—meaning that these functions are separate from the conduct of Group businesses.

Through this system, the Company realizes supervision and oversight and enhances the overall governance of the Group by: retaining the authority to approve the Company's and the Group's management policies and strategies, and the medium-term or annual management plans of all core businesses; requiring timely submission of progress reports by operating companies; and having Group companies obtain approval from, or report to, Hankyu Hanshin Holdings before taking actions that affect the Group's management significantly (for example, investments above a certain threshold).

With regard to the above matters, the Board of Directors, which includes outside directors, makes approval decisions and

receives reports. Moreover, to undertake preliminary reviews the Company has established a Group Management Committee, which includes representatives of the Group's core businesses.

Further, to ensure transparency in the appointment and dismissal of the Company's directors and to facilitate coordination with outside directors, the Group has established the Corporate Governance Committee, which comprises standing Audit & Supervisory Committee members, and outside directors who are independent of the Company, and representative directors. Moreover, to ensure that concrete decisions regarding the amount of director compensation (excluding that of members of the Audit & Supervisory Committee) under the responsibility of the Board of Directors, are made based on objective and transparent procedures, the Company has established a Compensation Committee comprising the chairman (or the president, in the chairman's absence or unavailability) and outside directors who are independent of the Company.

In addition, as part of efforts to strengthen its overall capabilities, the Company is strengthening the governance of funding. Measures include centralizing funding under the Company, as a rule, and distributing funds to operating companies within the limits set out in business plans that the Company has approved.

Recent Efforts to Strengthen Corporate Governance

		Proportion of independent officers
FY2016	Corporate Governance Committee established • Charged with ensuring transparency of corporate director appointments and dismissals and facilitating coordination with outside officers. Committee meets twice a year, and comprises the representative directors, standing auditors (standing Audit & Supervisory Committee members since June 2020), and outside officers.	5/18 27.8%
FY2017	Evaluation of the Board of Directors' effectiveness • A survey was carried out to assess the management by the Board of Directors, including the sufficiency of its explanations and the appropriateness of its handling of its proceedings. (Starting in fiscal 2021, interviews are preceded by questionnaires for more effective assessment.)	5/19 26.3%
FY2018	Abolition of senior advisors system	5/14 35.7%
FY2019	Abolition of anti-takeover measures and Compensation Committee established • Charged with ensuring that the objectivity and transparency of procedures relating to decisions regarding board members' remuneration, including amounts. Committee meets once a year, and comprises the chairman and outside officers.	5/14 35.7%
FY2020	Review of compensation system • Stock-based, performance-linked stock compensation system (paid into trust) introduced for the chairman and president in order to further motivate them to enhance the Company's corporate value and business performance, as well as to enhance shareholder value.	6/14 42.9%
FY2021	Change in legal status regarding audit function • Became a "Company with an Audit & Supervisory Committee" as part of efforts to bolster the Board of Directors' oversight function and enhance corporate governance. • Upon that change, the number of company officers was reduced to 11 and the number of independent directors was made five (including two women) in order to increase the proportion of independent officers.	5/11 45.5%

Robust governance

More Transparent Management and Effective Governance

Management Organization for Decision Making, Execution, and Oversight of Matters Related to Company Management

Board of Directors and Directors

The Board of Directors enhances governance of the entire Group and oversight of respective companies by: retaining the authority to approve decisions regarding the Company and the Group's management policies and strategies, and the medium-term or annual management plans of all core businesses; and requiring timely reporting by operating companies about Group companies' significant investments.

In order to reinforce governance and oversight capabilities and boost decision-making quality, the Board of Directors is composed of 11 directors, five of whom are independent directors, including two women. Moreover, the 11 directors include all three members of the Audit & Supervisory Committee.*1, 2

Membership of the Board of Directors, etc.

Maximum number of directors stipulated in articles of incorporation	No upper limit stipulated
Term of office stipulated in articles of incorporation	1 year (2 years in the case of Audit & Supervisory Committee members)
Chairman of the board	Chairman
Number of directors	11
Appointment of outside directors	Appointed
Number of outside directors	5
Among outside directors, number of independent directors	5

*1 Quorum of directors: The Company's articles of incorporation stipulate that a quorum shall be reached with at least four directors and at least three Audit & Supervisory Committee members.

*2 Criteria for appointment of directors: Criteria for appointment of directors are stipulated in the Company's articles of incorporation as follows:
(1) Directors shall be appointed at shareholders' meetings into two distinct categories: Audit & Supervisory Committee members and others.
(2) Resolutions on the appointment of directors shall be passed with a majority of voting rights held by shareholders in attendance, provided that those in attendance constitute no less than one third of all shareholders with voting rights.
(3) Resolutions on the appointment of directors shall not be conducted by cumulative vote.

Audit & Supervisory Committee and Its Members

Of the Audit & Supervisory Committee's three members, two are independent directors. By selecting committee members who are independent from the Company and have a high level of specialist expertise, the Company endeavors to further ensure sound decision making. We provide full backup to enable the Audit & Supervisory Committee members to perform their governance and oversight functions, for example by involving them in the Group Management Committee and other meetings within the Group.

Membership of the Audit & Supervisory Committee

	Audit & Supervisory Committee
Total committee members	3
Full-time committee members	1
Internal directors	1
Outside directors	2
Committee chairperson	The internal director
Directors and employees assigned to aid the duties of Audit & Supervisory Committee members	Staff assigned exclusively to this position

Corporate Governance Committee (voluntarily established committee equivalent to a nominating committee)

To ensure transparency in the appointment and dismissal of directors and coordination with outside directors, a Corporate Governance Committee has been established, made up of three representative directors, one full-time Audit & Supervisory Committee member, and five independent directors.

In addition to providing advice relating to the selection of director candidates and the dismissal of directors (excluding Audit & Supervisory Committee members), the Corporate Governance Committee serves as a forum to provide information in such areas as the Group's finances to outside directors.

Compensation Committee (voluntarily established)

To ensure that concrete decisions regarding the amount of compensation paid to directors (excluding Audit & Supervisory Committee members), which are the responsibility of the Board of Directors, are made based on objective and transparent procedures, the Company has established a Compensation Committee comprising the chairman and five independent directors.

The committee provides advice relating to the Company's compensation system and its content.

Group Management Committee

The members of the Group Management Committee include full-time directors (excluding Audit & Supervisory Committee members) and executive officers of the Company, and representatives of each of the Group's core businesses. The committee meets to deliberate and decide on the approval of resolutions of the Board of Directors; the Group's management strategies and business plans; Group companies' significant investments; and significant Group management matters.

Ensuring Effectiveness of the Board of Directors and Audit & Supervisory Committee

Attendance at meetings of the Board of Directors and Audit & Supervisory Committee, and Board of Company Auditors by outside directors (FY2021)

Name	Position	Attendance (times attended/times held)			Statements at Board of Directors meetings, etc.
		Board of Directors	Audit & Supervisory Committee	Board of Company Auditors	
Noriyuki Inoue	Director	10/10	—	—	Instructive comments made from a corporate manager's perspective, based on a wealth of management experience
Noriko Endo	Director	10/10	—	—	Instructive comments based on a wealth of experience and knowledge gained through research into public and government policy
Yuki Tsuru	Director	8/8	—	—	Instructive comments from a compliance perspective
Junzo Ishii	Director and Audit & Supervisory Committee member	10/10	9/9	2/2	Instructive comments from a management studies expert's perspective
Michiari Komiyama	Director and Audit & Supervisory Committee member	10/10	9/9	2/2	Instructive comments from a compliance perspective

*On June 17, 2020, with the conclusion of the 182nd General Meeting of Shareholders, we became a company with an audit and supervisory committee. The chart above details attendance for both the pre-transition Board of Corporate Auditors and the post-transition Audit & Supervisory Committee.

*The office of the Board of Directors assists outside directors and the office of the Audit & Supervisory Committee assists outside directors who are Audit & Supervisory Committee members; in particular, the office of the Audit & Supervisory Committee is staffed with dedicated staff. Moreover, the office of the Board of Directors sends out materials relating to motions to be tabled at board meetings, in principle around seven days before the meeting date, as well as its other activities to enhance outside directors' supervision and oversight functions.

Evaluation of the Board of Directors' effectiveness

The Company conducts evaluations of the board's effectiveness at the board meeting held in April every year.

A summary of the process, items, and results of an evaluation of the effectiveness of the Board of Directors conducted in fiscal 2021 is as shown below.

1. Evaluation process

In fiscal 2021, the board's effectiveness was evaluated by conducting a questionnaire survey regarding the adequacy of the board's composition and operations, followed by interviews with board members based on the questionnaire's results.

2. Evaluation items

As a result of the questionnaire and interviews, the board's composition and operations in fiscal 2021 were deemed to be adequate, and the evaluation concluded that the board was effective and generally administered appropriately.

Conversely, it was suggested that the information provided in advance about matters tabled at board meetings could be more extensive.

Reasons for Adoption of Current Corporate Governance System

As described in the Overview of Hankyu Hanshin Holdings' and the Group's Corporate Governance Structure on page 60, Hankyu Hanshin Holdings, Inc. is a pure holding company, and the conduct of operations is basically the responsibility of Group member companies. Hankyu Hanshin Holdings' principal role is supervision and oversight of the entire Group—meaning that these functions are separate from the conduct of Group businesses.

In addition to this, the Company shifted to an Audit & Supervisory Committee set-up in order to reinforce that corporate governance structure and further enhance corporate value. The shift was approved by a resolution at the 182nd annual General Meeting of Shareholders on June 17, 2020.

Compensation System

Compensation of Directors

Policy

The Company's compensation system for directors (excluding Audit & Supervisory Committee members) further motivates them to enhance the Company's corporate value and business performance, as well as to enhance shareholder value. Compensation comprises two elements: basic monetary compensation paid according to position and stock-based, performance-linked stock compensation paid in trust to individuals in the posts of chairman and president.

*The group's stock-based, performance-linked stock compensation system includes a malus clause, under which rights to receive stock-based compensation may be withheld from any person eligible for this system who commits an egregious breach of duty prior to finalization of such rights, or if any other grounds for withholding such rights arise.

*The payment of retirement benefits to directors was discontinued in April 2004 to heighten transparency of the compensation system.

Procedure

Based on the foregoing policies, to ensure that concrete decisions regarding the amount of director compensation, which are the responsibility of the Board of Directors, are made based on objective and transparent procedures, the Company has established a Compensation Committee comprising the chairman (or the president, in the chairman's absence or unavailability) and five independent directors. The Board of Directors makes compensation decisions after consultation with the Compensation Committee concerning the compensation system and content of compensation.

Other Efforts to Strengthen Governance

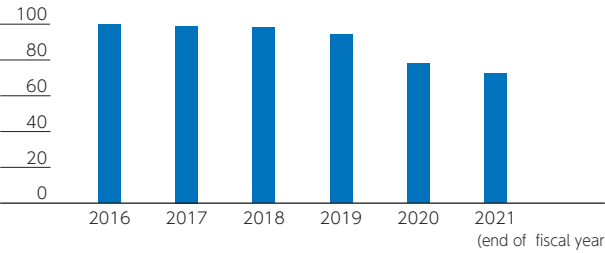
Position regarding strategic shareholdings

The Company acquires shares held for strategic reasons with a view to building relationships of trust with various stakeholders and enhancing corporate value over the medium to long term by maintaining business relationships or strengthening collaborations with partner companies and maintaining relationships with regional communities.

Robust governance

Individual strategic shareholdings are reviewed for appropriateness each year by the Board of Directors, taking into account economic rationales such as dividend income. Where a given holding is deemed no longer appropriate, it is sold progressively, with comprehensive consideration of factors such as the Company's financial circumstances and the influence of stock sales on market conditions.

Strategic Shareholdings Held (Taking FY2016 final levels as 100)



Abolition of anti-takeover measures

After considering recent trends related to such measures and changes in the business environment, the Company has decided to abolish anti-takeover measures that have already been set to expire at the conclusion of the General Meeting of Shareholders held in June 2018.

Internal Control System

Basic Approach to Internal Control System and the Progress of System Development

Recognizing the importance of ensuring that the business operations of the Company are conducted in an appropriate manner, we believe it is vital to have an internal control system for the entire Group, and to revise it when deemed necessary.

In particular, the Group has a robust structure for compliance-focused management, including a dedicated compliance office, a Compliance Manual, and compliance training, all aimed at raising awareness of compliance issues throughout the entire Group.

As part of our whistleblower system, we have a Corporate Ethics Consultation Desk for quickly bringing our attention to any incident that may threaten our compliance-focused management. If a serious incident occurs, we promptly set up a risk management committee to determine how to respond.

We also have a Group Auditing Division, which has its own dedicated staff and operates under the direct control of the president. This division establishes regulations and conducts internal audits of Hankyu Hanshin Holdings and its Group companies. Specifically, each of the Group's businesses audits compliance with laws and internal regulations—and other priority themes to be tackled—as well as risks peculiar to their own businesses, based on both the Group Management Philosophy (particularly the Principles) and groupwide annual auditing policies and plans.

To create a structure for ensuring appropriate operations, the Group vests auditors of each Group company with authority not only in accounting but also in operational audits, and at the same time provides guidance to smaller Group companies on Board of Directors' resolutions for the creation of an internal control system.

With regard to systems for "Evaluation and Auditing of Internal Controls over Financial Reports," a section of the Financial Instruments and Exchange Act, the Company responds appropriately by carrying out management evaluations on a consolidated basis, in line with in-house rules.

Basic Approach to Eliminating Anti-social Forces and the Progress of its Development

We have a clear policy of thorough rejection of any involvement with organized crime groups, companies connected with organized crime groups, *sokaiya* racketeers, or other "antisocial forces" that threaten the order and safety of civic society, and firm refusal of their unreasonable demands.

To ensure full awareness of this policy throughout the entire Group, it is instituted in the Basic Policy on the Establishment of the Internal Control System and clearly set forth in the Hankyu Hanshin Holdings Group Compliance Handbook distributed to all Group directors and employees.

In practice, we cooperate closely with lawyers, police, and other organizations, and all Hankyu Hanshin Holdings Group contracts contain clauses banning involvement with antisocial forces.

We also share relevant information between Group companies, maintain high awareness of issues through employee training, and participate proactively in community meetings and activities pertaining to the elimination of organized crime and other antisocial forces.

If an incident occurs, we take a pan-organization approach in response, bringing in the relevant in-house departments and teaming up with outside experts.

Corruption Prevention and Compliance

We at the Hankyu Hanshin Holdings Group are constantly striving to live up to the stakeholders' expectations and become a good, trustworthy organization. Our strong focus on compliance is one of the pillars underpinning our efforts in this area.

Organizational Initiatives for Better Compliance

We have established a dedicated compliance office in the Personnel and General Affairs Division to help bolster compliance groupwide by pursuing three main initiatives as set forth below.

Moreover, the Board of Directors conducts biennial reviews to monitor compliance with the Code of Conduct, mainly involving questionnaire surveys of employees.

1. Raising Awareness via the Compliance Handbook

The Compliance Handbook makes clear to all the Group's directors and employees that violations of law or social norms, or actions that betray customer trust, are prohibited, and provides handy examples of likely scenarios. In this way, the manual is part of our effort to raise awareness of the importance of compliance.

Compliance Handbook Content

Hankyu Hanshin Holdings Group Management Philosophy

Mission, Values, and Principles

- Compliance for the Interest of Customers**
 - Customer Safety First
 - Sincere Response to Customers
 - Observance of Rules
 - Proper Treatment of Personal Information
 - Proper Disclosure
 - Act as a Sensible Member of Society
 - Proper Use of SNS
- Compliance for the Interest of Shareholders**
 - No Inappropriate Accounting
 - No Insider Trading
- Compliance as a Member of Society**
 - Environmental Activities
 - Social Activities
 - Respect for Human Rights
- Compliance in Workplace**
 - Good Working Environment
 - Clear Distinction Between Work Spending and Private Spending
 - Observance of Decision-Making Procedures
- Compliance for the Interest of Business Partners**
 - Sincere Trading
 - Proper Use of Intellectual Property
 - No Involvement with Anti-Social Forces
 - No Bribery or Excessive Entertainment

2. Corporate Ethics Consultation Desk (Internal Whistle-Blower Procedures)

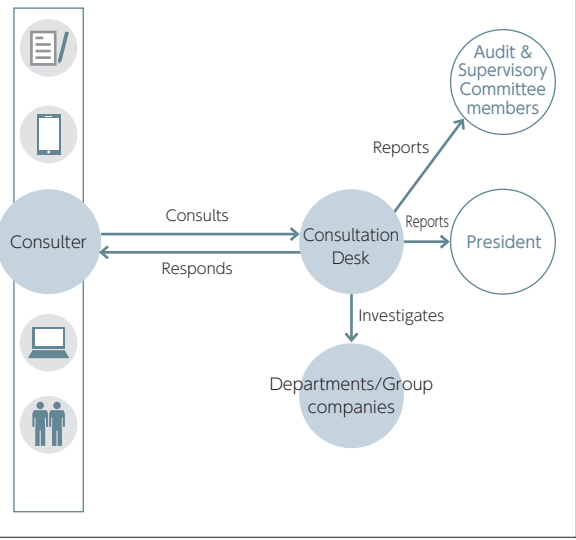
The Corporate Ethics Consultation Desk comprises an in-house section and an external section, which is staffed by outside lawyers. It enables all Hankyu Hanshin Holdings Group officers and employees, as well as the group's business partners, to report—anonously—behavior that violates (or may violate) laws or regulations, or is otherwise unethical.

Furthermore, the desk reports each year to the Board of Directors on the consultations it has received.

Forty-eight reports were received in fiscal 2021 from throughout the whole Group.

Our efforts surrounding the Corporate Ethics Consultation Desk have been praised and in October 2020, we received Whistleblowing Compliance Management System* certification.

Corporate Ethics Consultation Desk

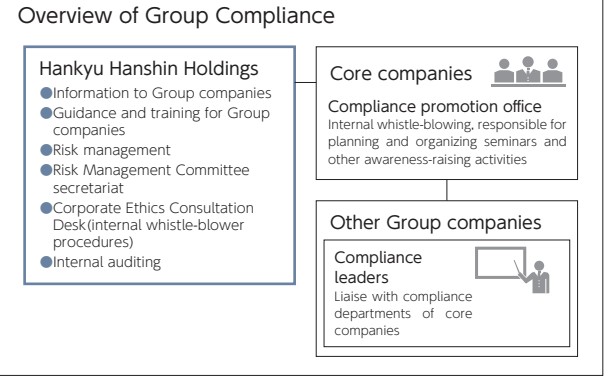


*A certification system introduced by the Consumer Affairs Agency to improve the effectiveness of companies' internal whistle-blowing systems.

3. Other Initiatives

In the case of identification of a major compliance issue during the course of an ethics consultation, a risk management committee is convened as soon as possible to discuss and decide on appropriate responses.

In addition, we are setting up compliance promotion offices at major Group companies and appointing "compliance leaders" at other companies to ensure our response is on a Group-wide basis.



Raising Awareness Among All Officers and Employees

We seek to raise awareness among all Group officers and employees regarding compliance issues through a variety of training activities and communication as described below.

1. Training

- New recruit training, training upon promotion
- Training upon first appointment to director or auditor position at a Group affiliate
- Collective training for Group companies' compliance officers
- On-site training at Group companies

2. Communication

- Compliance-related serials in Group magazines
- Compliance-related e-mail newsletter featuring case studies and updates regarding laws and regulations
- Compliance-related information posted on the Group intranet

Thorough Corruption Prevention

Our corruption prevention extends not only to banning bribery of public officials, we are also thorough in ensuring treatment that could be construed as excessive entertaining does not occur. This is equally true overseas, where we make sure to grasp business practices in each country and raise awareness so as not to do anything that might invite suspicions of bribery or other corrupt practices.

As part of our corruption prevention measures, in May 2021, we announced our agreement with the United Nations Global Compact; we are pushing forward with corruption prevention activities based on the compact tenth principle: "Businesses should work against corruption in all its forms, including extortion and bribery."

Robust governance

Risk Management Structure

We have established a risk management structure to help maintain the health of the Group’s management by preventing risks from becoming reality, and at minimizing the damage if they do. Specifically, the Group has established a dedicated risk management office in the Personnel and General Affairs Division to oversee groupwide risk management. The office is responsible for determining and analyzing pan-organizational risks, while business departments and group companies do the same for risks inherent to their own organizations. The Group has also set up a framework that enables the correct dissemination of information if an unforeseen incident occurs.

Under this framework, each Group company conducts an annual risk survey that brings to light, specifically, risks related to natural disasters (including infectious diseases), accidents, information management, compliance, and other organizational management risks. An appropriate response is then determined for each.

If a serious risk situation materializes, a Crisis Response Team, headed by the president, is formed to contain the damage spreading and minimize the fallout.

These principles and actions are prescribed in our Risk Management Regulations, and a report on risk analyses and responses is, in principle, presented to the Board of Directors annually.

Moreover, the Corporate Sustainability Committee also deliberates climate-change-related issues (see page 31) and the contents of these deliberations are shared with the risk management office and relevant individual departments, and are reflected in the Group’s overall risk management.

Reflecting Stakeholder Sentiment in Operations

At the Hankyu Hanshin Holdings Group, we believe that the views of our stakeholders—including customers, local communities, shareholders, trading partners, and employees—have an important place in our business operations.

Shareholder and Investor Relations

We have adopted a variety of initiatives to make shareholder meetings more rigorous and make it easier for shareholders to exercise their voting rights. These include timing meetings to avoid scheduling clashes with other companies, using online voting platforms, posting convocation and resolution notices (including English versions) on our website, and improving the voting experience for institutional investors.

- **Early sending of convocation notices for the General Meeting of Shareholders**
Notices of convocation for the General Meeting of Shareholders held in June 2021 were sent 21 days prior to the event (May 26, 2021).

- **Avoiding scheduling clashes with other companies**
The General Meeting of Shareholders held in June 2021 took place on June 16, 13 days before the day on which other companies held their own meetings.

- **Exercising voting rights via electronic means**
We have allowed votes to be cast online via a designated voting website.

- **Entry into an electronic voting platform**
Efforts to improve the environment in which other institutional investors exercise their voting rights
We belong to an electronic voting platform run by ICJ, Inc. We also post convocation and resolution notices (including English versions) on our website.

- **Providing convocation notices (digest version) in English**
We create English versions of convocation and resolution notices.

- **IR activities**
We engage with investors in a variety of ways, including briefings—attended by the president—for analysts and institutional investors regarding the mid-year and year-end results, and dedicated investor relations staff in the Group Planning Division respond to investors’ inquiries. The feedback we get from investors is shared in-house and reflected in business management.

Respecting Stakeholders’ Positions

Realizing our mission to create satisfaction among our customers and contribute to society by delivering safety, comfort, dreams, and excitement involves the ongoing pursuit of sustained growth underpinned by an active commitment to ESG.

In May 2020, we launched the Hankyu Hanshin Holdings Group Sustainability Declaration (see page 2), a clear indication of how we intend to contribute to more sustainable use of resources across society. The declaration sets forth our determination to ramp up ESG initiatives, to further solidify the relationship of trust we enjoy with customers, local communities, shareholders, trading partners, employees, and other stakeholders, and to use the Hankyu Hanshin Holdings Group’s businesses as a vehicle for overcoming the challenges we all face as a society.

Our social contribution activities, such as environmental and community action, have benefited from the institution of a clear Group policy and the establishment of a dedicated department within the Personnel and General Affairs Division, and our efforts in this area are guided by the Sustainability Declaration.

See the Hankyu Hanshin Holdings website for details (<https://www.hankyu-hanshin.co.jp/sustainability/>) (Japanese only).

Acting on Feedback from Customers

We value feedback from customers, which we receive in via multiple channels, including our Listening Center and forums for dialogue with residents’ groups from communities along our railway routes. This structure is designed so that customer feedback is routinely shared in-house and reflected in our business.

The Hankyu Corporation incorporates its Transit Information Center and the Listening Center into its framework for collecting and acting on customer feedback.

For its part, the Hanshin Electric Railway seeks to act on feedback collected by its public relations office and at its various facilities, as well as through its website and the efforts of its communications staff.

Alongside the pertinent departments, we investigate and respond to opinions, questions, and other feedback as appropriate, and the results are subsequently used to improve our businesses.

Acting on Feedback from Experts

The priority issues relating to sustainable management set forth in the Materiality Matrix (see page 31) reflect the diverse views provided by a broad variety of experts, including professors, civic groups, and investors.

Taxation Transparency (Tax Policy)

1. Fundamental policy

The Group wishes to remain a corporate group that has the trust of its customers and the rest of society. To this end, we are strengthening and enhancing our corporate governance by further raising the level of transparency and soundness of our business management, complying with laws and regulations, and disclosing information in an appropriate manner and at a suitable time.

This fundamental approach will guide us as we aim to both contribute to society by paying a reasonable amount of tax and achieve sustainable growth and greater corporate value in the medium to long term.

2. Compliance with tax laws and regulations

As well as complying with laws and regulations pertaining to taxation, we will report and pay taxes appropriately and thereby fulfill our corporate social responsibility.

3. Tax planning

The scope of our tax planning is based on our business objectives and actual performance and we are working to improve corporate value through the effective use of tax incentives and other measures. Our tax planning is not conducted with the aim of tax avoidance.

4. Tax governance

Corporate governance of taxation is covered by our groupwide governance system. We have an oversight system in place, under which tax-related risks are reported to the Board of Directors and Audit & Supervisory Committee as appropriate.

5. Tax-related risk management

Should any dealings for which tax interpretations are unclear take place as part of our business activities, we take advice from outside experts and where needed consult with tax authorities in advance so as to minimize tax-related risk.

6. Relationship with tax authorities

We work to maintain a positive relationship with tax authorities and respond in a timely manner to their queries accurately and honestly.

Amount of Tax Paid (¥ billion)			
	Japan	Overseas	Total
FY2019	29.5	0.6	30.2
FY2020	14.0	0.5	14.5
FY2021	19.4	0.3	19.8

*Tax paid is a combined figure for both national and regional taxes. The figures given above are based on country-specific reports and are not directly connected to our consolidated financial statements.

Approach to Intellectual Property

The intellectual properties that we have built up through our business activities over many years—including our brands, trademarks, and confidential management assets such as written materials and expertise—are important corporate assets to the Hankyu Hanshin Holdings Group. As such, we will endeavor to create new intellectual properties, both to provide products and services that customers can choose with peace of mind and to appropriately distribute as a management asset to support future business expansion. To those ends, it is imperative that we manage and use these assets appropriately.

Based on that approach, we will manage intellectual properties in the ways outlined below so as to raise their value even further.

We also have the utmost respect for intellectual properties that belong to third parties.

- (1) We will not only work to avoid or prevent the infringement of the intellectual properties we have created, but will acquire rights so as to support the expansion of our business activities and use these intellectual properties actively and strategically in our businesses.
- (2) Where third parties, including business partners, wish to do business that involves the use of our intellectual properties, we will make our permission mandatory and ensure permission is dependent on the contents of that use after an appropriate investigation.
- (3) Where we confirm that a third party has, or may have, infringed upon our intellectual property rights, we will take serious actions.

Directors and Audit & Supervisory Committee Members

As of June 16, 2021

Directors



Kazuo Sumi
Chairman and Representative Director, Group Chief Executive Officer

1973 Joined Hankyu Corporation
2000 Director, Hankyu Corporation
2002 Managing Director, Hankyu Corporation
2003 President, Hankyu Corporation
2005 President, Hankyu Holdings, Inc.
2006 President, Hankyu Hanshin Holdings, Inc.
2014 Chairman, Hankyu Corporation (Current position)
2017 Chairman, Group CEO, Hankyu Hanshin Holdings, Inc. (Current position)
2021 Director, Hankyu Travel International Co., Ltd. (Current position)
2021 Director, Hankyu Hanshin Hotels Co., Ltd. (Current position)



Takehiro Sugiyama
President and Representative Director

1982 Joined Hankyu Corporation
2005 Director, Hankyu Corporation
2006 Director, Hankyu Holdings, Inc.
2006 Director, Hankyu Hanshin Holdings, Inc.
2007 Managing Director, Hankyu Corporation
2016 Executive Vice President, Hankyu Corporation
2016 Executive Vice President, Hankyu Hanshin Holdings, Inc.
2016 Director, Hanshin Electric Railway Co., Ltd. (Current position)
2016 Director, Hankyu Hanshin Express Co., Ltd. (Current position)
2017 President, Hankyu Corporation (Current position)
2017 President, Hankyu Hanshin Holdings, Inc. (Current position)
2021 Chairman, Hankyu Hanshin Properties Corp. (Current position)



Masao Shin
Executive Vice President and Representative Director

1981 Joined Hanshin Electric Railway Co., Ltd.
2006 Director, Hanshin Electric Railway Co., Ltd.
2006 Director, Hankyu Hanshin Holdings, Inc.
2008 Managing Director, Hanshin Electric Railway Co., Ltd.
2014 Senior Managing Director, Hanshin Electric Railway Co., Ltd.
2016 Director, Hankyu Corporation (Current position)
2017 President, Hanshin Electric Railway Co., Ltd. (Current position)
2017 Executive Vice President, Hankyu Hanshin Holdings, Inc. (Current position)
2018 Director, Hankyu Hanshin Properties Corp. (Current position)



Noriyuki Inoue
Director (Outside director*)

1957 Joined DAIKIN INDUSTRIES, LTD.
1994 President, DAIKIN INDUSTRIES, LTD.
2002 Chairman and CEO, DAIKIN INDUSTRIES, LTD.
2003 Director, Hankyu Corporation
2005 Director, Hankyu Holdings, Inc.
2006 Director, Hankyu Hanshin Holdings, Inc. (Current position)
2014 Chairman and Chief Global Group Officer, DAIKIN INDUSTRIES, LTD. (Current position)



Noriko Endo
Director (Outside director*)

1994 Joined DIAMOND, Inc.
2013 Visiting Researcher, Policy Alternatives Research Institute, the University of Tokyo
2015 Project Professor, Graduate School of Media and Governance, Keio University
2019 Director, Hankyu Hanshin Holdings, Inc. (Current position)
2020 Project professor at the Keio University Global Research Institute (Current position)



Yuki Tsuru
Director (Outside director*)

2000 Attorney at law (Current position)
2016 Auditor of Hitotsubashi University
2020 Director, Hankyu Hanshin Holdings, Inc. (Current position)



Yoshishige Shimatani
Director (Part-time)

1975 Joined TOHO CO., LTD.
2011 President, TOHO CO., LTD. (Current position)
2015 Director, Hankyu Hanshin Holdings, Inc. (Current position)



Naoya Araki
Director (Part-time)

1981 Joined Hankyu Department Store, Inc.
2012 President, Hankyu Hanshin Department Stores, Inc.
2012 Representative Director, H-O RETAILING CORPORATION
2017 Director, Hankyu Hanshin Holdings, Inc. (Current position)
2020 President and Representative Director, H-O RETAILING CORPORATION (Current position)
2020 Chairman, Hankyu Hanshin Department Stores, Inc. (Current position)

Directors, Audit & Supervisory Committee Members



Masayoshi Ishibashi
Director, Audit & Supervisory Committee Member (Full-time)

1979 Joined Hanshin Electric Railway Co., Ltd.
2013 Standing auditor, Hanshin Electric Railway Co., Ltd. (Current position)
2013 Standing auditor, Hankyu Hanshin Holdings, Inc.
2020 Director, Audit & Supervisory Committee Member (Full-time), Hankyu Hanshin Holdings, Inc. (Current position)



Junzo Ishii
Director, Audit & Supervisory Committee Member (Outside director*)

1986 Professor of Faculty of Commerce, Doshisha University
1989 Professor of Faculty of Business Administration, Kobe University
1999 Professor of Faculty of Business Administration, Graduate School of Kobe University
2008 President of the University of Marketing and Distribution Sciences
2010 Auditor, Hankyu Hanshin Holdings, Inc.
2010 Auditor, Hanshin Electric Railway Co., Ltd. (Current position)
2016 Director, Distribution Science Research Center
2020 Director, Audit & Supervisory Committee Member, Hankyu Hanshin Holdings, Inc. (Current position)



Michiari Komiyama
Director, Audit & Supervisory Committee Member (Outside director*)

1971 Prosecutor
1999 Prosecutor, Supreme Public Prosecutor's Office
1999 Chief Prosecutor, Saga District Public Prosecutor's Office
2002 Chief Prosecutor, Kobe District Public Prosecutor's Office
2003 Notary, Osaka Legal Affairs Bureau
2013 Attorney at law (Current position)
2017 Auditor, Hankyu Hanshin Holdings, Inc.
2017 Auditor, Hankyu Corporation (Current position)
2020 Director, Audit & Supervisory Committee Member, Hankyu Hanshin Holdings, Inc. (Current position)

*Mr. Noriyuki Inoue, Ms. Noriko Endo, Ms. Yuki Tsuru, Mr. Junzo Ishii and Mr. Michiari Komiyama satisfy the qualifications of outside directors as provided in Article 2, Paragraph 15 of the Companies Act. The Company has submitted notifications to the stock exchanges on which its shares are listed, naming Mr. Inoue, Ms. Endo, Ms. Tsuru, Mr. Ishii and Mr. Komiyama as independent officers.

Reasons for election of outside directors

Name	Audit & Supervisory Committee Member	Independent officer	Reasons for appointment
Noriyuki Inoue		○	For many years, representative director of DAIKIN INDUSTRIES, LTD. and vice-chairman of Kansai Economic Federation. Appointed for his wealth of management experience, perspective from top business circles, and ability to provide independent input. Further, his appointment presents no issues with regard to the Independence Criteria established by the company in light of the Tokyo Stock Exchange's independence requirements, and there is no risk of any conflict of interest with general shareholders.
Noriko Endo		○	To obtain input based on her extensive expertise acquired through research into public governance, she was appointed for her ability to provide independent input. Further, her appointment presents no issues with regard to the Independence Criteria established by the company in light of the Tokyo Stock Exchange's independence requirements, and there is no risk of any conflict of interest with general shareholders.
Yuki Tsuru		○	Currently an attorney at law. Appointed to advise on more compliance-based management and for her ability to provide independent input. Further, her appointment presents no issues with regard to the Independence Criteria established by the company in light of the Tokyo Stock Exchange's independence requirements, and there is no risk of any conflict of interest with general shareholders.
Junzo Ishii	○	○	Former Professor of Faculty of Business Administration within the Graduate School of Kobe University and former President of the University of Marketing and Distribution Sciences. Appointed for his ability to express useful opinions based on his high-level specialist expertise in business administration and for his ability to provide independent input. Further, his appointment presents no issues with regard to the Independence Criteria established by the company in light of the Tokyo Stock Exchange's independence requirements, and there is no risk of any conflict of interest with general shareholders.
Michiari Komiyama	○	○	A member of the legal profession who has served in important positions, including chief prosecutor of the Kobe District Public Prosecutor's Office, and who is currently active as an attorney at law. Appointed because, given his experience, he is expected to provide valuable opinions, particularly about ensuring compliance in business management. Further, his appointment presents no issues with regard to the Independence Criteria established by the company in light of the Tokyo Stock Exchange's independence requirements, and there is no risk of any conflict of interest with general shareholders.



Priority Issue 4

Empowering individuals



Policies

Provide an inclusive workplace that values diversity and taps into individual talent.
Cultivate tomorrow's leaders for society.

Non-Financial KPIs

Non-financial KPIs	Target value	Scope	FY2021 result
Employee satisfaction	Always better than in previous survey (conducted biennially)	Hankyu Hanshin Holdings and the six core companies*1	FY2020 result 3.72 (on a five-level scale)*2
Women in management positions	Around 10% in FY2031	Hankyu Hanshin Holdings and the six core companies	4.7%
Women among new hires	Always 30% or more	Hankyu Hanshin Holdings and the six core companies	44.5%
(Hereinafter, non-financial KPIs newly set for FY2022)			
Specific health guidance provision	60% or more in FY2026	Hankyu Hanshin Holdings and the six core companies	30.9%
Smoking prevalence	15% or less in FY2026	Hankyu Hanshin Holdings, Hankyu Corporation, Hanshin Electric Railway, and Hankyu Hanshin Properties	21.7%
Paternity leave uptake	100% in FY2026	Hankyu Hanshin Holdings and Hankyu Hanshin Properties	8.6%

*1 Six core companies: Hankyu Corporation, Hanshin Electric Railway, Hankyu Hanshin Properties, Hankyu Travel International, Hankyu Hanshin Express, and Hankyu Hanshin Hotels
*2 Results are compiled regarding four companies (Hankyu Hanshin Holdings, Hankyu Corporation, Hanshin Electric Railway, and Hankyu Hanshin Properties) on which a survey was conducted in fiscal 2020.

Project Themes (1)
Improve employee satisfaction and create a more positive workplace

Conduct Employee Satisfaction Surveys
Hankyu Hanshin Holdings and the six core companies have designed original employee satisfaction surveys suitable for the Group, aiming at continuous improvement of employee satisfaction through regular monitoring. The survey results are utilized not only to grasp the current situation from the four aspects of "jobs, workplaces, bosses, the company," but also to measure our engagement, such as willingness to contribute to these four aspects, in considering initiatives for increasing our job satisfaction and improving working environments.

Project Themes (2)
Promote health and productivity management

Putting the Declaration on Employee Health Management into Practice
The Hankyu Hanshin Holdings Group's Declaration on Employee Health Management expresses our dedication to improving health awareness among our workforce and making our workplaces more comfortable. Based on the declaration, Hankyu Corporation and the Group's other core companies have assigned directors to be in charge of efforts in this area, with regular activity reports to be made to top management. Through these activities, a system to promote health and productivity management has been put in place.

The Hankyu Hanshin Holdings Group's Declaration on Employee Health Management

The Hankyu Hanshin Holdings Group believes that the mental and physical wellbeing of employees and their families remains the source of happiness and the cornerstone of the Group's prosperous future. In addition, in order to provide our customers with safety and comfort as well as dreams and excitement, it is paramount that we enable everyone to fully demonstrate their diverse personalities and abilities in good health.

To achieve this goal, we will maintain high awareness of our own well-being and work with our colleagues in the workplace and their families to promote good health.

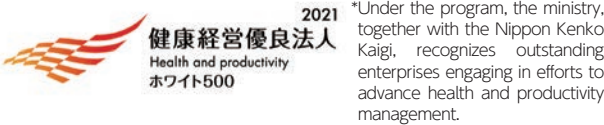
The Hankyu Hanshin Holdings Group declares that it will actively support the well-being of each individual and strive to create a workplace environment in which all can live and work in good health and with motivation. The Group will pursue these initiatives under the slogan "Hankyu Hanshin Wellness Challenge."

Takehiro Sugiyama
President and Representative Director
Officer in charge of Health Management
Hankyu Hanshin Holdings, Inc.
April 2018

The Hankyu Hanshin Wellness Challenge
We at the Hankyu Hanshin Holdings Group have a variety of initiatives in place to improve health across our entire workforce. These include encouraging participation in We Walk events, mental health counseling facilities at both Hankyu Corporation and Hanshin Electric Railway, free participation in online clinics aimed at helping smokers quit, and encouraging employees to undergo cancer screenings.

For the time being, our attention is focused on countering the spread of COVID-19 to ensure smooth continuity of business.

Certified "Health & Productivity Management Outstanding Organization"
The Group's 15 business companies, including six core ones, were selected for the Certified Health & Productivity Management Outstanding Organizations Recognition Program for 2021.*



Project Themes (3)
Promote diversity

Empowering Women in the Workplace
Hankyu Hanshin Holdings and the six core companies have established action plans based on the Act on Promotion of Women's Participation and Advancement in the Workplace, and continue to be proactive hirers of women. In addition, we strive to maintain a working environment where all employees—regardless of gender—can seek to fulfill their potential. To this end, we offer varied career experience and implement policies to help maintain a balance between work and home life.

These initiatives earned Hankyu Hanshin Holdings the honor of being selected as a constituent of the MSCI Japan Empowering Women (WIN) Select Index, which comprises leading companies in terms of gender diversity, for the second consecutive year since 2020.

2021 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)
MSCI <https://www.msci.com/our-solutions/esg-investing>

Balancing Work and Family Care Commitments
The Company* is creating an environment with a range of options as shown below to help employees maintain their working careers in balance with family commitments and other major events in life.

- Expanded support programs: Work-from-home, an optional "pool" of unused annual paid leave days, and subsidies for those using babysitters, etc.
- Expanded support for those on childcare leave: regular updates about what's going on in the workplace, "back on board" seminars, etc.
- Handbooks for leave-takers and their managers

*The support initiatives described above are those of Hankyu Hanshin Holdings; other Group companies have their own systems in place in accordance with the scale of their operations.

Workforce Composition of Hankyu Hanshin Holdings and the Six Core Companies (as of March 31, 2021)

Employees*1		Management employees*1	
Total	Female	Total	Female
10,527	22.2%	1,645	4.7%

New recruits*2 (FY2021)		Avg. service (years)			
Total	Female	Male	Female	Total	Difference
604	44.5%	20.1	10.1	17.7	10.0

*1 Includes those on secondment elsewhere; excludes those seconded to us.
*2 Newly graduated and mid-career hires

Encouragement of paternity leave
At Hankyu Hanshin Holdings and Hankyu Hanshin Properties Corp., we are improving the environment, so both male and female employees can balance their work and home lives by expanding systems of childcare leave and other means.

Employment Opportunities for People with Disabilities
Assist Hankyu Hanshin is a special subsidiary established in 2005 for the purpose of providing opportunities for people with disabilities to work within our Group, providing services such as cleaning, office massage, and intragroup correspondence deliveries. This initiative was recognized by the Osaka prefectural government, which awarded us the Highly Commended Prize in its Heartful Corporate Challenge in September 2019.

In December 2020, the Company became the first "Monisu Employer" in Osaka prefecture as a business owner excelling in the implementation of initiatives to promote and stabilize employment of people with disabilities.

Personnel Development to Increase Diversity
Regardless of the type of employment, we are cultivating diverse human resources based on the following policies.

Personnel development policy

- Support independent career formation and competence development
- Clarify the image of personnel we seek and support training at workplaces
- Promote new value creation from a long-term perspective

Project Themes (4)
Respect human rights and prevent harassment

Basic Philosophy and Policy on Respect for Human Rights
At the Hankyu Hanshin Holdings Group, we work hard to ensure across-the-board respect for human rights. To ensure all employees understand our stance, we have compiled a written Basic Philosophy on Respect for Human Rights and Basic Policy on Respect for Human Rights.

The Hankyu Hanshin Holdings Group Basic Philosophy on Respect for Human Rights

We will contribute to the establishment of a fair and abundant society in which all people's human rights are respected and in which no person is discriminated against because of their birth, nationality, beliefs, gender, race, age, or disability.

Today, respecting the human rights of customers, trading partners, shareholders, local communities, employees, and all other people is a vital part of every company's social responsibilities.

To that end, we are determined to develop a better instinct for human rights by maintaining a deep knowledge and understanding of human rights and the surrounding issues.

We recognize that human rights are closely relevant to us all, and endeavor to make sensitivity to human rights a core part of our thoughts and our actions.

See the Basic Policy on Respect for Human Rights (Japanese only) at <https://www.hankyu-hanshin.co.jp/sustainability/materiality/human/rights/>

Preventing Harassment through Human Rights Training
All Hankyu Hanshin Holdings management-level employees and top executives of our Group companies undergo human rights training once a year. Moreover, ongoing reinforcement is provided in the form of various human rights training sessions for newly appointed officers and managers, new recruits, and newly promoted employees at Group companies in order to instill the importance of respect for human rights and prevent harassment.

Empowering individuals

Project Themes (5)
Cultivate tomorrow's leaders

As part of the Hankyu Hanshin Dreams and Communities of the Future Project, we provide career education programs for elementary school children. The following two programs received the Minister's Award (Grand Prix) at the 8th Career Education Awards held by the Ministry of Economy, Trade, and Industry in fiscal 2018, and the highest award (the Minister's Award) at the "Youth Experience Activity Promotion Company Award" sponsored by the Ministry of Education, Culture, Sports, Science and Technology in fiscal 2021.

Hankyu Hanshin Dreams and Communities Challenge Troop
With railways, hotels, the Takarazuka Revue Company, and Hanshin Koshien Stadium among many others, our businesses, facilities, and workforce are the ideal framework for elementary school students to experience a variety of real work during their summer vacation.

We have hosted over 17,000 children across 389 programs so far. (No programs took place in fiscal 2021 due to the COVID-19 pandemic.)



Kids participate in the Hotel Patisserie Program

Hankyu Hanshin Dreams and Communities Exciting Work Program
Hankyu Corporation management staff conduct classes at local elementary schools about Hankyu founder Ichizo Kobayashi's community building initiatives and the wide-ranging work that goes into supporting communities as a means of fostering love of community and dreams for the future. To date, we have brought these opportunities to think about future occupations to around 20,000 children at 236 schools.



Children participate eagerly in an in-school program

TOPICS

Hankyu Hanshin Holdings Group Social Contribution Activity
Hankyu Hanshin Dreams and Communities of the Future Project



As part of the Hankyu Hanshin Holdings Group's commitment to creating communities that people will truly want to live in, we have operated the Hankyu Hanshin Dreams and Communities of the Future Project since 2009. The project, which focuses chiefly on developing environment-friendly regional environments and tomorrow's leaders, is one of our efforts aimed at helping meet the SDGs as outlined in the Sustainability Declaration we unveiled in May 2020.

Basic Policy

We intend to promote the creation of communities along our line-side areas that people will truly want to live in.

Priority Areas

Our links to the future: Sustainable Community Development and Tomorrow's Leader Development

(1) Sustainable Community Development

As a Group with strong local roots, we are committed to sustainable community building with environment-friendly developments that provide local residents with security, peace of mind, and cultural enrichment.

Themes of specific initiatives

- 1. Creating a safe, comfortable, and environmentally aware local community
- 2. Contributing to the preservation of biodiversity and the natural environment
- 3. Promoting sustainable lifestyles
- 4. Preserving, utilizing, and developing local history and cultural resources
- 5. Prevention of global warming
- 6. Contributing to the emergence of a society committed to recycling and waste reduction

(2) Tomorrow's Leader Development

We are creating opportunities for the healthy development of ambitious children, upon whose shoulders the task of building the communities of the future rests.

Themes of specific initiatives

- 1. Enabling children to experience and learn about nature and ecology
- 2. Fostering mental enrichment in children through cultural and artistic activities

- 3. Supporting the healthy development of children through sports
- 4. Enabling children to gain a deeper understanding of society and their communities
- 5. Cultivating in children a sense of compassion and acknowledgement of diversity
- 6. Instilling in children the wisdom of their parents and grandparents
- 7. Supporting children with disabilities, children orphaned by traffic accidents or disasters, children in single-parent families, and children confined to social welfare facilities

Group Social Contribution Initiatives in Recent Years

Collaboration with Group companies

We promote the initiatives of our Group companies through public relations, sponsorships, and additional contributions. In fiscal 2021, 96 initiatives were carried out groupwide (102 in fiscal 2020). In addition, we are supporting citizen's groups and encouraging our employees' participation in volunteer activities in the areas of Sustainable Community Development and Tomorrow's Leader Development.

Collaboration with local community

We subsidize citizen's groups in the Hankyu Hanshin service area through donations raised by our employees and additional contributions from the Company via the Hankyu Hanshin Dreams and Communities of the Future Fund. By the end of fiscal 2021, 149 institutions have received a total of ¥88.06 million.

Collaboration with Group employees

As a support for current and past employees to join or continuously engage in community activities voluntarily, we distribute information through Group magazines and mail magazines and provide opportunities for volunteering inside and outside the Company. In fiscal 2021, the number of participants in volunteer activities reached 4,390.



Environmental protection



Policies

Contribute toward a low-carbon, circular economy.

Major Non-Financial KPIs

Non-Financial KPIs	Target value	Scope	FY2021 result
Rate of CO ₂ emissions cuts	FY2031: 26% compared to FY2014	Hankyu Hanshin Holdings and its subsidiaries' Japanese worksites	40.0%
	FY2031: 40% compared to FY2014	Energy consumption in railway operation business of Hankyu Corporation and Hanshin Electric Railway	41.5%

Target setting for the rate of CO₂ emissions cuts described above is currently being reviewed toward the goal of going carbon neutral (decarbonized society) by 2050.

Basic Environmental Philosophy

Mindful that global environmental preservation is a task facing all mankind, the Hankyu Hanshin Holdings Group works for a sustainable society through environmental activities aimed at handing down a sounder global and human environment to the next generation.

Basic Environmental Policies

- 1. We will monitor the environmental impact of our business activities and take action to reduce it.
- 2. We will accurately understand environmental laws and regulations and other social requirements and comply with them.
- 3. We will strive to raise employees' awareness so that every employee will be able to act in an environmentally sustainable manner.

Project Themes (1)
Cut greenhouse gas (CO₂) emissions

Changes in CO₂ Emissions (see page 12)

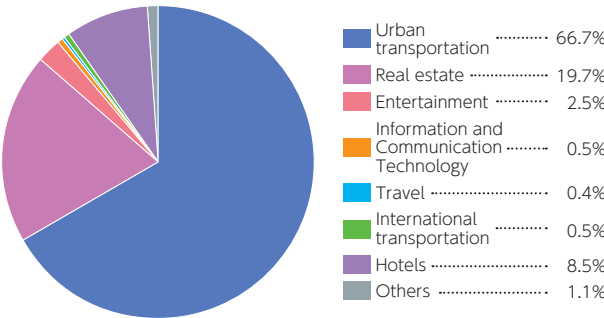
We promote energy-efficiency initiatives throughout the Group and endeavor to reduce CO₂ emissions.

Our efforts to reduce energy consumption include the introduction of an increased number of new rolling stock with better energy efficiency, as well as the introduction of LED lighting in railway stations, commercial facilities, hotels, etc., which contributes to decreasing energy consumption by our Group companies year by year.

Moreover, the significant stagnation of socioeconomic activities due to the COVID-19 pandemic and the state of emergency declared twice became major factors that caused CO₂ emissions for fiscal 2021 to fall by 15% year on year, to 369,646 t-CO₂.

The graph below shows a breakdown of CO₂ emissions across the whole Group.

Fiscal 2021 Groupwide Segment-Specific CO₂ Emissions



*Figures pertain to 78 Hankyu Hanshin Holdings subsidiaries in Japan; some businesses, for which it is difficult to calculate energy consumption, are excluded.

Project Themes (2)
Improve energy efficiency
(promote energy saving)

Upgrading to Energy-Efficient Rolling Stock

In our railway operation business, the biggest energy consumption point is the operation of transportation services. Seeking to reduce energy consumption, we are gradually upgrading our rolling stock to energy-efficient models with, for instance, regenerative braking systems that use the resistance of braking motion to drive a motor and generate electricity for use in powering other trains.

Another example is Hankyu Corporation's use of aluminum railway cars, which are approximately ten percent lighter than conventional steel models and therefore use less energy and put less burden on brakes when decelerating.

Meanwhile, Hanshin Electric Railway is reducing its environmental impact by introducing rolling stock with stainless steel structures and doing away with external painting.

Both companies are also gradually installing LED lights, which use less energy, last longer, and create less waste.

Upgrading to Energy-Efficient Rolling Stock (as of March 31, 2021)

Hankyu Corporation Total rolling stock: 1,283 cars

- Cars with regenerative braking: 904 (70%)
- Aluminum-body cars: 810 (63%)
- Cars with LED lights: 662 (52%)

Hanshin Electric Railway Total rolling stock: 358 cars

- Cars with regenerative braking: 326 (91%)
- Stainless steel cars: 154 (43%)
- Cars with LED lights: 212 (59%)

Energy Savings

Reduction in railway operation business energy consumption in FY2021 compared with FY2014

Hankyu Corporation 12.7%, **Hanshin Electric Railway** 10.9%

Environmental protection

Upgrading to LED Lighting

We are gradually upgrading to LED lights at our Group companies' facilities. LED lights can increasingly be found not only in Hankyu and Hanshin train cars but also at their stations, marshaling yards, tunnels, level crossings, and other railway facilities, as well as Takarazuka Grand Theater, Tokyo Takarazuka Theater, and our commercial facilities, hotels, and distribution hubs.

Our Hanshin Koshien Stadium plans to switch stadium lighting to LED in the off-season of 2021. With this, we will reduce CO₂ emissions by about 60% to improve energy efficiency.



1300-series Hankyu train cars are lit with LED lights



Inside Takarazuka Grand Theater



Hankyu Sanban Gai shopping arcade



Hanshin Koshien Stadium plans to introduce LED lighting (sample image).

Project Themes (3)
Use more renewable energy (e.g. solar)

Install Solar Power Generation Facilities to Reduce CO₂ Emissions

We are endeavoring to reduce CO₂ emissions by installing solar power generation facilities at premises groupwide, including Hankyu Settsu-shi Station, Hanshin Oishi Station, Hankyu Nishinomiya Gardens, HEP FIVE, and Hanshin Koshien Stadium.



HEP FIVE



Hanshin Koshien Stadium

Green Energy and Offset Credits

Since fiscal 2012, when we at Hankyu Hanshin Holdings hold our General Meeting of Shareholders, the energy used at the venue is offset under the Ministry of the Environment's J-VER scheme using offset credits generated by reforestation projects in Hyogo Prefecture.

In addition, Hankyu Corporation, Hanshin Electric Railway and Hanshin Tigers are offsetting carbon emissions jointly with Osaka Gas using the J-Credit scheme.*

Hankyu Corporation: Since fiscal 2015, all CO₂ emitted during "carbon offset performances" of the Takarazuka Revue has been offset. (No performances were run in fiscal 2021 due to the pandemic.)

Hanshin Electric Railway and Hanshin Tigers: Starting from fiscal 2022, all CO₂ emitted during certain summer baseball matches hosted by and held at Hanshin Koshien Stadium will be offset.

*J-Credit scheme: A program under which the Japanese government certifies amounts of CO₂ and other greenhouse effect gases reduced/absorbed through the introduction of energy-saving equipment, forest management, and other efforts as credits

Project Themes (4)
Aim for more eco-friendly buildings (green buildings)

DBJ Green Building Certification

The Group is increasing efforts to acquire DBJ Green Building Certification*¹ for its large office and commercial buildings to be newly built. To date, our Umeda 1-1 Project (Osaka Umeda Twin Towers South plan certification*², overall completion scheduled in 2022 spring) and Hankyu Nishinomiya Gardens have received rating of five stars, and HEP FIVE four stars. In August 2021, Kobe Sannomiya Hankyu Building earned three stars.

*¹ A five-stage (1-5 stars) rating system launched by the Development Bank of Japan to certify properties which give proper care to the environment and society (green buildings)

*² A scheme that keeps a score of each real estate property before completion by using the DBJ Green Building Certification model based on its development plan, and certification is given to the development "plan"



DBJ Green Building
2016 Plan
Umeda 1-1 Project



DBJ Green Building
2021
Kobe Sannomiya
Hankyu Building
(Acquired in August 2021)

Other Environmentally Considerate Buildings

NU chayamachi PLUS has "green walls" and rooftop greenery to counter the heat island effect, as well as LED lighting to help cut CO₂ emissions. The air conditioning at the HERBIS OSAKA and HERBIS ENT buildings feature one of Japan's largest (at the time of installation) single-building ice thermal storage systems, which provides for efficient night-time energy use.

Since the end of July 2011, all Geo condominiums* for sale have featured laminated low-emissivity glass, LED lights (common and exclusively owned areas), EV charging facilities, etc. as part of our endeavor to tackle environmental issues. Introduction of electricity-generation equipment that uses sunlight and solar heat is also ongoing with some properties.

*Such features may not be available for some joint venture properties with other companies.

Project Themes (5)
Produce less waste and recycle more

Recycling Hanshin Koshien Stadium's Plastic Drink Containers

We work with TEIJIN FRONTIER CO., LTD. to recycle the plastic drink containers used to serve beer at Hanshin Koshien Stadium. The recycled containers are made into beer cup holders and a variety of other popular novelty items. We collected 4.9 metric tons of used drink containers, which became 11,000 cup holders, in fiscal 2020 before the spread of COVID-19.



A beer cup recycle bin

Recycling Food Waste in Hotel Business

At some Hankyu Hanshin hotels, we strive to reduce food waste and use resources more efficiently by properly separating scraps and repurposing reusable ones as compost or feed on a pig farm.

No More Plastic Straws

From July 2019, Hankyu Hanshin Hotels has ceased using plastic straws in the restaurants and banquet halls of its directly-operated hotels, and has replaced them with straws made from a resin derived from corn and other plant matter.

Plant-based plastics, like paper, generate little energy upon incineration, and emit no combustion gases containing hazardous substances.

Starting from fiscal 2022, at our directly managed restaurants, we give a straw only to customers who need it to reduce plastic usage.



Straw made from plant-derived plastic

Other Environmental Initiatives

Obtaining Environmental Management System Certifications

Some of the Group's worksites have obtained certifications related to environmental management systems such as ISO14001 and Green Management Certification.

Our Group companies and worksites that have acquired ISO14001, an international standard for environmental management systems, are as follows.

- Hankyu Corporation (Hankyu Railway Shojaku Factory)
- Hankyu Hanshin Express (Narita Cargo Center, Osaka Cargo Terminal)
- HHE* (USA), HHE (HONG KONG), HHE (NETHERLANDS), HHE (DEUTSCHLAND), HHE (MALAYSIA)
- Itec Hankyu Hanshin (all group companies)

*HHE: HANKYU HANSHIN EXPRESS

Proposing CO₂ Reduction in Travel, etc.

In September 2021, Hankyu Travel International started a new project of proposing CO₂ reduction in MICE, travel and other activities conducted by companies and organizations. Proposals made in this project include plans that proactively use accommodation and transportation facilities with low CO₂ emissions, those put a limit on the use of plastics, and introduction of carbon offset. In addition, support for the procurement of renewable energy is offered to companies that own hotels and commercial facilities. Through these services, we will support companies and organizations working toward carbon neutral.

Conservation and Effective Use of Water Resources

Hankyu Hanshin Hotels encourages guests staying multiple nights to use the same sheets and towels instead of having them replaced every day. This reduces the volume of wastewater, and some of the money saved on laundry is donated to environmental action groups.

Meanwhile, Hankyu Nishiyama-tennozan Station and Hanshin Koshien Stadium are equipped with tanks to store rainwater, which is subsequently used in toilets and to water the baseball field, etc., and we are working to install water-efficient toilets in our other stations and facilities.

Protecting Biodiversity at the Rokko Alpine Botanical Garden

Rokko Alpine Botanical Garden, a member of the Japan Association of Botanical Gardens since its inception in 1947 serving as a local outpost, is devoted to preserving biodiversity; around 1,500 varieties of alpine and cold-region plants from around the world, as well as plants native to Rokko, and endangered species are all cultivated in near-natural conditions.



Hepatica nobilis var. pubescens variety of liverwort, an endangered species in Hyogo

Protecting Japan's Best Satoyama Forest

The *satoyama* community forest and agricultural landscape in the Kurokawa district of Kawanishi City, Hyogo, has been described as Japan's best. The Nose Electric Railway, which serves the Kurokawa district and owns some 40 ha of land, is dedicated to the revival of its land as a *satoyama* forest jointly with the government and citizen groups, as well as the conservation of biodiversity through PR activities.

Consolidated Eleven-Year Summary

Fiscal Year	2011	2012	2013	2014	2015	2016 ⁸	2017	2018 ⁹	2019	2020	2021	2021	
Result of Operations (Millions of yen and thousands of U.S. dollars) ¹ :													
Revenues from operations	¥ 638,770	¥ 649,703	¥ 682,439	¥ 679,157	¥ 685,906	¥ 746,792	¥ 736,763	¥ 760,252	¥ 791,427	¥ 762,650	¥ 568,900	\$ 5,125,225	
Operating income	64,743	73,809	87,921	91,828	94,026	110,293	104,058	105,211	114,937	95,170	2,066	18,613	
EBITDA ²	127,100	133,500	145,100	149,200	150,100	166,500	159,300	160,800	171,400	154,100	60,300	543,243	
Ordinary income (loss)	46,494	65,393	74,914	81,191	85,590	104,479	100,607	103,774	110,543	88,795	(7,623)	(68,676)	
Income (loss) before income taxes	32,760	43,419	62,192	83,542	77,620	96,087	100,805	101,410	88,562	86,746	(41,013)	(369,486)	
Net income (loss) attributable to owners of the parent	18,068	39,252	39,702	46,352	54,201	69,971	71,302	66,361	65,476	54,859	(36,702)	(330,649)	
Comprehensive income	14,728	44,992	54,081	55,941	71,034	63,842	79,288	73,991	66,565	44,292	(22,803)	(205,432)	
Capital expenditure	68,431	55,267	59,512	80,722	68,115	66,639	86,212	86,404	114,368	81,090	108,472	977,225	
Depreciation and amortization	59,669	56,968	54,540	54,474	53,143	53,701	52,800	53,276	54,172	56,542	55,733	502,099	
Cash Flows (Millions of yen and thousands of U.S. dollars):													
Cash flows from operating activities	¥ 103,252	¥ 124,525	¥ 127,655	¥ 146,991	¥ 131,881	¥ 124,838	¥ 115,633	¥ 135,821	¥ 126,035	¥ 123,086	¥ (32,501)	\$ (292,802)	
Cash flows from investing activities	(62,516)	(44,295)	(58,923)	(45,517)	(52,529)	(78,843)	(84,845)	(88,351)	(116,160)	(128,498)	(102,151)	(920,279)	
Cash flows from financing activities	(39,544)	(78,978)	(69,195)	(105,079)	(81,746)	(47,278)	(30,595)	(43,242)	(11,171)	964	134,631	1,212,892	
Increase (decrease) in cash and cash equivalents	474	767	817	(1,840)	(1,125)	(1,978)	(480)	4,588	(1,848)	(4,454)	(375)	(3,378)	
Cash and cash equivalents at end of year	22,592	23,572	25,581	24,497	23,497	22,363	22,530	27,501	27,589	23,526	25,222	227,225	
Financial Position (Millions of yen and thousands of U.S. dollars):													
Total assets	¥2,314,669	¥2,274,380	¥2,281,007	¥2,286,928	¥2,279,638	¥2,282,180	¥2,349,831	¥2,404,926	¥2,466,223	¥2,489,081	¥2,621,028	\$23,612,865	
Total net assets	486,947	524,801	573,154	617,598	679,482	724,237	804,659	866,512	915,381	937,672	909,985	8,198,063	
Interest-bearing debt	1,251,665	1,183,647	1,126,633	1,032,307	955,828	916,570	899,523	866,758	877,055	903,480	1,063,048	9,577,009	
Per Share Data (Yen and U.S. dollars) ³ :													
Net income attributable to owners of the parent	Basic	¥ 14.32	¥ 31.13	¥ 31.48	¥ 36.76	¥ 42.98	¥ 277.88	¥ 285.11	¥ 267.91	¥ 266.86	¥ 225.69	¥ (151.72)	\$ (1.37)
	Diluted ⁴	14.27	31.13	31.47	36.75	42.95	277.67	284.86	267.81	266.86	—	—	—
Net assets	377.17	407.01	443.63	477.69	525.56	2,815.96	3,150.67	3,391.35	3,615.52	3,738.56	3,598.83	32.422	
Dividend	5.00	5.00	5.00	6.00	6.00	35.00	35.00	40.00	40.00	50.00	50.00	0.45	
Ratios:													
Operating income margin (%)	10.1	11.4	12.9	13.5	13.7	14.8	14.1	13.8	14.5	12.5	0.4	—	
ROA (%) ⁵	2.0	2.8	3.3	3.6	3.7	4.6	4.3	4.4	4.5	3.6	(0.3)	—	
ROE (%) ⁶	3.8	7.9	7.4	8.0	8.6	10.3	9.4	8.2	7.6	6.1	(4.1)	—	
Interest-bearing debt/EBITDA (Times)	9.8	8.9	7.8	6.9	6.4	5.5	5.6	5.4	5.1	5.9	17.6	—	
Equity ratio (%)	20.6	22.6	24.5	26.3	29.1	31.0	33.5	34.8	35.9	36.4	33.1	—	
Debt/equity (D/E) ratio (Times) ⁷	2.6	2.3	2.0	1.7	1.4	1.3	1.1	1.0	1.0	1.0	1.2	—	
Others:													
Number of outstanding shares (Thousands)	1,271,406	1,271,406	1,271,406	1,271,406	1,271,406	254,281	254,281	254,281	254,281	254,281	254,281	—	
Number of employees	21,302	20,811	20,751	20,913	21,037	21,607	21,860	22,152	22,654	22,800	23,192	—	

1. The U.S. dollar amounts have been translated, for convenience only, at ¥111 = US\$1, the prevailing exchange rate on the Tokyo Foreign Exchange Market as of March 31, 2021.

2. EBITDA = operating income + depreciation expenses + amortization of goodwill
EBITDA figures are rounded to the nearest ¥100 million.

3. The Company (since fiscal 2020) and our subsidiary Hankyu Hanshin Properties Corp. (since fiscal 2019), as well as Hankyu Corporation and Hanshin Electric Railway Co., Ltd. (both since fiscal 2018), have operated the Board Incentive Plan Trust, and the shares of the Company held by such trust are recorded as treasury shares in the consolidated financial statements.
Therefore, when net assets per share and net income per share vesting in the shareholders of the Parent Company and net income per share vesting in them after dilution are calculated, the number of such shares is included in the treasury shares to be deducted.

4. As there are no residual shares with a dilutive effect, net income attributable to owners of the parent per diluted share for fiscal 2020 has been omitted. For fiscal 2021, net income attributable to owners of the parent per diluted share is omitted because a net loss per share was recorded despite the existence of dilutive shares.

5. ROA = ordinary income / total assets (average of period-start and period-end totals)

6. ROE = net income attributable to owners of the parent / equity (average of period-start and period-end totals)

7. D/E ratio = interest-bearing debt / equity

8. Regarding transactions related to such items as the export of mixed cargo of the International Transportation Business, the Company has changed the recognition of revenues from operations from net presentation to gross presentation as of fiscal 2017. As a result of this change, the amount of revenues from operations for fiscal 2016 is the amount after retrospective application (gross presentation).
Further, the Company consolidated shares at the ratio of 5 shares to 1 share with an effective date of August 1, 2016. Net income per share, diluted net income attributable to owners of the parent per share, net assets per share, dividend per share, and number of outstanding shares have been calculated based on the assumption that the said reverse stock split was executed on April 1, 2015.

9. The partially amended "Tax Effect Accounting" standards (ASBJ Guidance No. 28, February 16, 2018) have been applied since the start of fiscal 2019, and the consolidated financial indicators and similar of fiscal 2018 are those after retrospective application of the relevant accounting standards.

Business Risks

The various categories of risk to which business performance, stock price, financial position and other aspects of the operations of the Hankyu Hanshin Holdings Group are subject are detailed below. Information about future events that appears in this integrated report was determined by the Group and was current as of March 31, 2021. These risks do not include all of the risks that the Group could face.

1 Natural Disasters and Accidents

1.1 Risk from Epidemics

If an infectious disease becomes widespread and restrictions are imposed on the movement and lives of people in various ways, it may materially affect the Company's businesses. Specifically, impacts may be seen in the Urban Transportation Business through effects such as a declining number of passengers on railways and other means of transportation; in the Real Estate Business through temporary closings, the shortening of business hours and a decreasing number of visitors to leased facilities; in the Entertainment Business through the cancellation of and attendance restrictions on professional baseball games and performances of the Takarazuka Revue; in the Travel Business through the cancellation of overseas and domestic tours; and in the Hotel Business through falling demand from inbound tourism as well as domestic travel and other adverse effects.

As a result of COVID-19, the Group has been impacted as described above. Depending on how the pandemic situation evolves, the timing and degree by which demand recovers and other factors, the Group's future business performance and financial position may fluctuate significantly.

Given the circumstances, the Group has positioned fiscal 2021 as a crisis recovery phase, during which it is committed to recovering its pre-COVID-19 business and preventing and limiting the deterioration of its financial position as much as possible.

1.2 Natural Disasters

Operating across an extremely wide range of businesses in its Urban Transportation, Real Estate, Entertainment, Information and Communication Technology, Travel, International Transportation and Hotels segments, the Group maintains a correspondingly large assortment of facilities necessary for conducting business. In the event of earthquakes, typhoons or other natural disasters, large-scale accidents or acts of terrorism, the business performance and financial position of the Group could be adversely affected by damage to these facilities, its customers and/or limitations placed on its business operations. Especially in recent years, it has been pointed out that climate change in the form of rising air and sea temperatures may increase the frequency of torrential rains and strong typhoons, and there is an increasing risk of the above-mentioned adverse effects being brought about by these natural disasters.

To minimize the impact of natural disasters and accidents, the Group is investing in the maintenance and renovation of existing facilities, conducting seismic reinforcement work, and working to develop systems with a priority on safety, especially at group companies engaged in the railway business and other public transportation.

2 Information Management

The Group uses information systems in each of its business segments. If the functions of these systems are materially impacted by accidents, disasters, human errors or cyber-attacks, system failures or malfunctions, information leaks or other events may

occur and disrupt the Group's business operations whereby affecting its business performance and financial position. Regarding personal information, the Group manages databases containing customer data and other personal information in each of its businesses. If information is leaked due to an unexpected incident, claims for damages and loss of public credibility may substantially affect the Group's performance.

In accordance with internal regulations, such as fundamental policies on electronic information security, the Group takes measures required to prevent leaks, falsification or unauthorized use of information and to operate its information systems securely. A framework is also in place to report and deal with problems promptly. For personal information, in addition to the above, the Group has established regulations, such as fundamental policies on the management of personal information, and developed a system to help ensure the appropriate use and protection of personal information. Relevant training programs for employees are also provided.

3 Compliance

The Group promotes compliance management in each of its business segments not only by strictly observing the Companies Act, Financial Instruments and Exchange Act, labor laws, Act on the Protection of Personal Information, tax laws, economic laws, various industrial laws and other relevant laws, but also through adherence to corporate ethics. However, in the event of noncompliance, claims for damages and loss of public credibility may affect the Group's business performance and financial position.

The Group aims to meet the expectations of all its stakeholders and operate as a corporate group that is trusted and applauded by them. Based on the idea that one of the preconditions for achieving that goal is a compliance-focused business attitude, the Group has developed internal regulations such as a code of corporate ethics. Various education and training programs are also implemented for employees to raise their awareness of compliance and prevent noncompliance. The Group has also established a whistleblower system that allows prompt detection of and dealing with events that threaten our compliance stance and record.

4 Finance (Interest-Bearing Debt)

The Group makes continuous capital investments in each of its business segments. Most of the necessary funds are procured by borrowing from financial institutions and issuing corporate bonds, among other means. For this reason, in the case of future increases in interest rates, changes in financial markets, or downgrades in the Group's credit rating due to changes in its financial position, the Group's interest expenses may increase, and raising additional funds on desirable terms, including funds needed to refinance interest-bearing debt that reaches maturity, may become difficult.

The balance of interest-bearing debt held by the Group as of the end of March 2021 on a consolidated basis was ¥1,063,048 million. Going forward, the Group plans to make capital

investments required for maintaining and improving facilities, etc., and proceeding with large-scale projects such as the Umeda 1-1 Project, construction of which is to be fully completed in the spring of 2022. Amid the deep impact of the COVID-19 pandemic and depending on the extent of the impact on the Group's business performance, consolidated interest-bearing debt is expected to increase to a certain degree.

The Group will continue to diversify its funding and secure its liquidity, take steps to avoid interest rate risks through fixed rate financing, and strive to maintain the soundness of its financial position by controlling interest-bearing debt through cost reduction and investment in maintenance and replacement.

5 Changes in Political, Economic and Social Environment

5.1 Legal Risk

In accordance with the stipulations of Article 3 of the Railway Business Law, the Group must obtain separate permissions from the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) for each category of railway operations on each route that it intends to operate. Under Article 16 of the Law, a railway operator must obtain MLIT's approval for the passenger fares it intends to set and on each occasion when it wishes to change the fares. Therefore, these regulations may limit the activities of the Group's railway business. Notably, no fixed periods are prescribed for the permissions or approvals of MLIT.

In addition to the railway business, other businesses in which the Group engages are also subject to various laws and regulations. If these are tightened, the cost of regulatory compliance may increase, while failure to comply with regulations may limit the Group's activities and affect the Group's business performance, financial status, etc.

The Group is working to minimize any such effects by investigating and ascertaining in advance information regarding changes in existing regulations and the establishment of new regulations and their respective impacts.

5.2 Decline in the Market Value of Assets Held by Members of the Hankyu Hanshin Holdings Group

In the case of a substantial decline in the market value of inventory assets, property and equipment and intangible assets, investment securities or other assets, the recording of impairment loss or valuation loss would likely have a negative impact on the business performance and financial position of the Hankyu Hanshin Holdings Group.

5.3 Declining Birth Rate

In the Group's mainstay Kyoto-Osaka-Kobe area, demographic changes accompanying the declining birth rate and other factors are expected to decrease demand for railway, bus, taxi and other types of passenger transportation services, as well as decrease demand in other business areas. In addition, securing personnel is likely to become difficult as an imbalance between supply and demand develops in the labor market. Such situations could affect the business performance and financial position of the Group.

In addition to efforts to increase the resident population in areas along the railway lines operated by the Group and to increase the influx of visitors to these areas by capturing the demand generated by foreign tourists, etc., the Group will broadly promote efforts to improve productivity by introducing advanced technologies.

5.4 Changes in Lifestyle and Workstyle

People's lifestyles and workstyles are now changing because of the COVID-19 pandemic. If effects of the pandemic and other events continue to transform people's lives, it may affect the existing business models of the Group since it operates businesses closely related to the way people live.

In view of the new socioeconomic environment (the so-called "New Normal") and the business environment in the New Normal era against the backdrop of rising awareness of Sustainable Development Goals (SDGs), the Group will update its Hankyu Hanshin Holdings Group Long-Term Management Vision for 2025 (to be released in the spring of 2022). The Group will also take a needs-oriented approach to offer and leverage a range of products and services in order to continuously improve its corporate value.

5.5 Addressing Climate Change

To cope with climate change, efforts are being made on a global basis to reduce greenhouse gas emissions. Although the Group's railway, its core business, has less of an environmental impact than other means of transportation, it may require future investment or incur additional expense for measures required to move toward a more decarbonized and recycling-based society. Moreover, if the Group fails to adjust to these social demands, it may face a decrease in revenue due to the loss of public credibility and/or financing difficulties.

The Group recognizes that greenhouse gas reduction is necessary for realizing a sustainable society. With "environmental protection" set as one of the priority issues in its Sustainability Declaration, the Group is moving forward with environmental protection activities, including the setting of Key Performance Indicators (KPIs) tied to the CO₂ emission reduction rate. The Group has also agreed to and is taking steps in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The Group will strive to solve various social issues through its business in order to help realize a sustainable society.

5.6 International Operations

The Group's Real Estate, Travel, International Transportation and other businesses are also active overseas and are, therefore, subject to various risk factors in each country, ranging from drastic changes in political and economic conditions to incidents of conflict, dispute or terrorism and the outbreak of infectious diseases. The Group is working to address these risks based on risk analyses supported by the advice of lawyers, consultants and other experts. However, in the case of an unexpected development, the business performance and financial condition of the Group may be affected.

Consolidated Balance Sheets

As of March 31, 2020 and 2021

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Assets:			
Current assets:			
Cash and deposits	¥ 25,023	¥ 27,546	\$ 248,162
Trade receivables	68,366	72,991	657,577
Land and buildings for sale	121,813	158,899	1,431,523
Finished products and merchandise	2,596	2,509	22,604
Work in progress	4,061	4,242	38,216
Materials and supplies	4,862	4,859	43,775
Other	36,476	54,608	491,964
Allowance for doubtful receivables	(216)	(350)	(3,153)
Total current assets	262,984	325,307	2,930,694
Noncurrent assets:			
Property and equipment:			
Buildings and structures-net (Note 7.3)	574,481	556,183	5,010,658
Machinery, equipment and vehicles-net (Note 7.3)	66,263	63,112	568,577
Land (Notes 7.3 and 7.5)	950,100	962,837	8,674,207
Construction in progress	198,838	244,591	2,203,523
Other-net (Note 7.3)	22,076	20,995	189,144
Total property and equipment (Notes 7.1 and 7.2)	1,811,760	1,847,720	16,646,126
Intangible assets:			
Goodwill	14,223	12,014	108,234
Other (Notes 7.2 and 7.3)	22,327	21,908	197,369
Total intangible assets	36,550	33,923	305,613
Investments and other assets:			
Investment securities (Notes 7.3 and 7.4)	302,951	333,743	3,006,694
Deferred tax assets	6,956	6,792	61,189
Net defined benefit asset	13,636	20,186	181,856
Other (Note 7.3)	54,436	53,612	482,991
Allowance for doubtful receivables	(195)	(256)	(2,306)
Total investments and other assets	377,786	414,077	3,730,423
Total noncurrent assets	2,226,097	2,295,721	20,682,171
Total assets	2,489,081	2,621,028	23,612,865

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Liabilities:			
Current liabilities:			
Trade payables	¥ 29,508	¥ 29,138	\$ 262,505
Accrued expenses	16,727	16,374	147,514
Short-term borrowings (Note 7.3)	158,406	151,235	1,362,477
Commercial paper	—	30,000	270,270
Current portion of bonds	25,000	10,000	90,090
Lease obligations	2,404	3,206	28,883
Income taxes payable	13,683	2,192	19,748
Provision for bonuses	3,986	4,033	36,333
Other (Note 7.3)	144,917	134,437	1,211,144
Total current liabilities	394,634	380,618	3,428,991
Long-term liabilities:			
Long-term debt (Note 7.3)	615,058	673,387	6,066,550
Bonds	97,000	187,000	1,684,685
Lease obligations	5,609	8,219	74,045
Deferred tax liabilities	181,590	176,839	1,593,144
Deferred tax liabilities related to land revaluation (Note 7.5)	5,146	5,187	46,730
Net defined benefit liability	63,020	62,890	566,577
Long-term deferred contribution for construction	74,657	91,792	826,955
Other	114,690	125,106	1,127,081
Total long-term liabilities	1,156,774	1,330,424	11,985,802
Total liabilities	1,551,409	1,711,042	15,414,793
Net assets:			
Shareholders' equity:			
Common stock	99,474	99,474	896,162
Capital surplus	146,598	146,772	1,322,270
Retained earnings	685,087	636,095	5,730,586
Less treasury stock, at cost	(44,224)	(48,701)	(438,748)
Total shareholders' equity	886,935	833,640	7,510,270
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	13,792	24,600	221,622
Deferred gains or losses on hedges	(28)	3	27
Revaluation reserve for land (Note 7.5)	5,511	5,483	49,396
Foreign currency translation adjustments	(427)	(615)	(5,541)
Cumulative adjustments related to retirement benefit plans	(136)	4,038	36,378
Total accumulated other comprehensive income	18,711	33,511	301,901
Non-controlling interests (Note 7.5)	32,025	42,834	385,892
Total net assets	937,672	909,985	8,198,063
Total liabilities and net assets	2,489,081	2,621,028	23,612,865

Consolidated Statements of Income

Years ended March 31, 2020 and 2021

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Revenues from operations	¥ 762,650	¥ 568,900	\$ 5,125,225
Costs of revenues from operations:			
Operating expenses and cost of sales of transportation	640,441	542,159	4,884,315
Selling, general and administrative expenses (Note 8.1)	27,039	24,674	222,288
Total costs of revenues from operations (Note 8.2)	667,480	566,833	5,106,604
Operating income	95,170	2,066	18,613
Non-operating income:			
Interest income	149	122	1,099
Dividend income	1,399	980	8,829
Gain on foreign exchange	387	656	5,910
Equity in income of affiliates	3,389	—	—
Miscellaneous income	2,005	1,813	16,333
Total non-operating income	7,331	3,572	32,180
Non-operating expenses:			
Interest expenses	9,267	8,885	80,045
Equity in loss of affiliates	—	1,622	14,613
Miscellaneous expenses	4,438	2,754	24,811
Total non-operating expenses	13,706	13,262	119,477
Ordinary income (loss)	88,795	(7,623)	(68,676)
Extraordinary income:			
Gain on contributions for construction	4,643	3,485	31,396
Employment adjustment subsidies	—	8,715	78,514
Other	1,394	966	8,703
Total extraordinary income	6,038	13,167	118,622
Extraordinary loss:			
Loss on reduction of noncurrent assets	4,636	3,568	32,144
COVID-19-related losses (Note 8.3)	—	19,382	174,613
Structural reform-related loss (Note 8.4)	—	18,618	167,730
Other	3,450	4,989	44,946
Total extraordinary loss	8,086	46,557	419,432
Income (loss) before income taxes	86,746	(41,013)	(369,486)
Income taxes – current	28,235	4,205	37,883
Income taxes – deferred	1,599	(10,683)	(96,243)
Total income taxes	29,834	(6,478)	(58,360)
Net income (loss)	56,911	(34,535)	(311,126)
Net income attributable to non-controlling interests	2,051	2,166	19,514
Net income (loss) attributable to owners of the parent	54,859	(36,702)	(330,649)

Consolidated Statements of Comprehensive Income

Years ended March 31, 2020 and 2021

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Net income (loss)	¥ 56,911	¥ (34,535)	\$ (311,126)
Other comprehensive income:			
Valuation difference on available-for-sale securities	(5,122)	4,150	37,387
Deferred gains or losses on hedges	314	32	288
Revaluation reserve for land	—	(41)	(369)
Foreign currency translation adjustments	(45)	(386)	(3,477)
Remeasurements of defined benefit plans	(2,401)	3,904	35,171
Share of other comprehensive income of associates accounted for using equity method	(5,364)	4,071	36,676
Total other comprehensive income (Note 9)	(12,618)	11,732	105,694
Comprehensive income	44,292	(22,803)	(205,432)
Comprehensive income attributable to:			
Owners of the parent	42,242	(24,476)	(220,505)
Non-controlling interests	2,049	1,672	15,063

Consolidated Statements of Changes in Net Assets

Years ended March 31, 2020 and 2021

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Less treasury stock, at cost	Total shareholders' equity
Balance as of March 31, 2019	¥99,474	¥146,591	¥641,731	¥(34,400)	¥853,397
Changes in items during the period:					
Dividends from surplus			(11,020)		(11,020)
Net income (loss) attributable to owners of the parent			54,859		54,859
Reversal of revaluation reserve for land			11		11
Purchase of treasury stock				(9,960)	(9,960)
Disposal of treasury stock		(0)	(0)	136	136
Change in treasury stock of parent arising from transactions with non-controlling interest shareholders		(0)			(0)
Change in scope of consolidation		6	(495)		(489)
Changes in equity in affiliates accounted for by equity-method treasury stock				0	0
Net changes in items other than shareholders' equity					
Total changes in items during the period	—	6	43,355	(9,824)	33,538
Balance as of March 31, 2020	99,474	146,598	685,087	(44,224)	886,935
Changes in items during the period:					
Dividends from surplus			(12,188)		(12,188)
Net income (loss) attributable to owners of the parent			(36,702)		(36,702)
Reversal of revaluation reserve for land					—
Purchase of treasury stock				(4,660)	(4,660)
Disposal of treasury stock			(0)	187	187
Change in treasury stock of parent arising from transactions with non-controlling interest shareholders		176			176
Change in scope of consolidation		(2)	(100)		(103)
Changes in equity in affiliates accounted for by equity-method treasury stock				(4)	(4)
Net changes in items other than shareholders' equity					
Total changes in items during the period	—	174	(48,991)	(4,477)	(53,295)
Balance as of March 31, 2021	99,474	146,772	636,095	(48,701)	833,640

	Thousands of U.S. dollars				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Less treasury stock, at cost	Total shareholders' equity
Balance as of March 31, 2020	\$896,162	\$1,320,703	\$6,171,955	\$(398,414)	\$7,990,405
Changes in items during the period:					
Dividends from surplus			(109,802)		(109,802)
Net income (loss) attributable to owners of the parent			(330,649)		(330,649)
Reversal of revaluation reserve for land					—
Purchase of treasury stock				(41,982)	(41,982)
Disposal of treasury stock			(0)	1,685	1,685
Change in treasury stock of parent arising from transactions with non-controlling interest shareholders		1,586			1,586
Change in scope of consolidation		(18)	(901)		(928)
Changes in equity in affiliates accounted for by equity-method treasury stock				(36)	(36)
Net changes in items other than shareholders' equity					
Total changes in items during the period	—	1,568	(441,360)	(40,333)	(480,135)
Balance as of March 31, 2021	896,162	1,322,270	5,730,586	(438,748)	7,510,270

Consolidated Statements of Cash Flows

Years ended March 31, 2020 and 2021

	Millions of yen							
	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Cumulative adjustments related to retirement benefit plans	Total accumulated other comprehensive income		
Balance as of March 31, 2019	¥24,144	¥(325)	¥5,523	¥(163)	¥2,287	¥31,465	¥30,517	¥915,381
Changes in items during the period:								
Dividends from surplus								(11,020)
Net income (loss) attributable to owners of the parent								54,859
Reversal of revaluation reserve for land								11
Purchase of treasury stock								(9,960)
Disposal of treasury stock								136
Change in treasury stock of parent arising from transactions with non-controlling interest shareholders								(0)
Change in scope of consolidation								(489)
Changes in equity in affiliates accounted for by equity-method treasury stock								0
Net changes in items other than shareholders' equity	(10,351)	296	(11)	(263)	(2,423)	(12,754)	1,507	(11,246)
Total changes in items during the period	(10,351)	296	(11)	(263)	(2,423)	(12,754)	1,507	22,291
Balance as of March 31, 2020	13,792	(28)	5,511	(427)	(136)	18,711	32,025	937,672
Changes in items during the period:								
Dividends from surplus								(12,188)
Net income (loss) attributable to owners of the parent								(36,702)
Reversal of revaluation reserve for land								—
Purchase of treasury stock								(4,660)
Disposal of treasury stock								187
Change in treasury stock of parent arising from transactions with non-controlling interest shareholders								176
Change in scope of consolidation								(103)
Changes in equity in affiliates accounted for by equity-method treasury stock								(4)
Net changes in items other than shareholders' equity	10,808	32	(27)	(188)	4,175	14,800	10,808	25,608
Total changes in items during the period	10,808	32	(27)	(188)	4,175	14,800	10,808	(27,686)
Balance as of March 31, 2021	24,600	3	5,483	(615)	4,038	33,511	42,834	909,985

	Thousands of U.S. dollars							Total net assets
	Accumulated other comprehensive income						Non-controlling interests	
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Cumulative adjustments related to retirement benefit plans	Total accumulated other comprehensive income		
Balance as of March 31, 2020	\$124,252	\$(252)	\$49,649	\$(3,847)	\$(1,225)	\$168,568	\$288,514	\$8,447,495
Changes in items during the period:								
Dividends from surplus								(109,802)
Net income (loss) attributable to owners of the parent								(330,649)
Reversal of revaluation reserve for land								—
Purchase of treasury stock								(41,982)
Disposal of treasury stock								1,685
Change in treasury stock of parent arising from transactions with non-controlling interest shareholders								1,586
Change in scope of consolidation								(928)
Changes in equity in affiliates accounted for by equity-method treasury stock								(36)
Net changes in items other than shareholders' equity	97,369	288	(243)	(1,694)	37,613	133,333	97,369	230,703
Total changes in items during the period	97,369	288	(243)	(1,694)	37,613	133,333	97,369	(249,423)
Balance as of March 31, 2021	221,622	27	49,396	(5,541)	36,378	301,901	385,892	8,198,063

	Millions of yen		Thousands of U.S. dollars	
	2020	2021	2021	
Cash flows from operating activities:				
Income (loss) before income taxes	¥ 86,746	¥ (41,013)	\$ (369,486)	
Depreciation and amortization (Note 11.2)	56,542	57,502	518,036	
Structural reform-related loss	—	18,618	167,730	
Amortization of goodwill	2,426	2,508	22,595	
Equity in (income) losses of affiliates	(3,389)	1,622	14,613	
Increase (decrease) in net defined benefit liability	(1,813)	(1,112)	(10,018)	
Increase (decrease) in allowance for doubtful receivables	(49)	197	1,775	
Interest and dividend income	(1,548)	(1,102)	(9,928)	
Interest expenses	9,267	8,885	80,045	
Loss on reduction of noncurrent assets	4,636	3,568	32,144	
Gain on contributions for construction	(4,643)	(3,485)	(31,396)	
Decrease (increase) in trade receivables	25,035	(4,354)	(39,225)	
Decrease (increase) in inventories	2,803	(36,799)	(331,523)	
Increase (decrease) in trade payables	(17,884)	(632)	(5,694)	
Other	(14,727)	(2,261)	(20,369)	
Subtotal	143,400	2,140	19,279	
Interest and dividends received	4,362	4,129	37,198	
Interest paid	(9,381)	(8,899)	(80,171)	
Income taxes (paid) refunded	(15,295)	(29,871)	(269,108)	
Net cash provided by operating activities	123,086	(32,501)	(292,802)	
Cash flows from investing activities:				
Purchases of noncurrent assets	(96,028)	(136,958)	(1,233,856)	
Proceeds from sales of noncurrent assets	884	19,911	179,378	
Purchases of investment securities	(27,660)	(14,137)	(127,360)	
Receipt of contributions for construction	19,631	29,249	263,505	
Expenditure for long-term loans receivable	(23,767)	(744)	(6,703)	
Other	(1,557)	528	4,757	
Net cash used in investing activities	(128,498)	(102,151)	(920,279)	
Cash flows from financing activities:				
Net increase (decrease) in short-term borrowings	21,039	(17,446)	(157,171)	
Net increase (decrease) in commercial paper	—	30,000	270,270	
Proceeds from long-term debt	28,330	103,350	931,081	
Repayment of long-term debt	(34,365)	(34,696)	(312,577)	
Proceeds from new bonds issued	29,766	99,474	896,162	
Redemption of bonds	(20,000)	(25,000)	(225,225)	
Purchases of treasury stock	(9,960)	(4,660)	(41,982)	
Dividends paid	(11,020)	(12,188)	(109,802)	
Dividends paid to non-controlling shareholders of consolidated subsidiaries	(526)	(724)	(6,523)	
Other	(2,298)	(3,476)	(31,315)	
Net cash used in financing activities	964	134,631	1,212,892	
Effect of exchange rate changes on cash and cash equivalents	(7)	(354)	(3,189)	
Increase (decrease) in cash and cash equivalents	(4,454)	(375)	(3,378)	
Cash and cash equivalents at beginning of year	27,589	23,526	211,946	
Increase in cash and cash equivalents from newly consolidated subsidiary	391	2,072	18,667	
Cash and cash equivalents at end of year (Note 11.1)	23,526	25,222	227,225	

Notes to the Consolidated Financial Statements

1. Framework for Preparing Consolidated Financial Statements

1.1 Method of preparation for consolidated financial statements

The Company's consolidated financial statements were prepared in accordance with the "Regulations Concerning Terminology, Forms and Preparation Methods of Consolidated Financial Statements" (Finance Ministry Ordinance No. 28 of 1976).

1.2 Audit verification

The Company's consolidated financial statements for the fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021) were audited by KPMG AZSA LLC, as per Article 193-2(1) of Japan's Financial Instruments and Exchange Act.

1.3 Special measures to ensure the appropriateness of consolidated financial statements and other reports

The Company makes special efforts to ensure the appropriateness of its consolidated financial statements and other reports. In addition to subscribing to related publications, it has joined the Financial Accounting Standards Foundation and participates in seminars and other events held by the Foundation, audit firms and other relevant organizations to establish a system for understanding the accounting standards in detail and responding suitably to changes made to them. The Company also compiles with and provides common manuals for preparing the consolidated financial information on a Groupwide basis and arranges training courses for accounting staff at affiliates.

1.4 Translation into U.S. dollars

The U.S. dollar amounts have been translated for convenience only at ¥111 to U.S. \$1.00, the prevailing exchange rate on the Tokyo Foreign Exchange Market as of March 31, 2021.

2. Basis of Preparation of Consolidated Financial Statements

2.1 Scope of consolidation

2.1.1 Number and names of consolidated subsidiaries

Number of consolidated subsidiaries—95.

Names of primary consolidated subsidiaries are listed on page 113. As from the consolidated fiscal year ended March 31, 2021, the following companies have been included in the scope of consolidation: Hankyu Railway Service Co., Ltd. due to the establishment of the company and Hankyu Hanshin Marketing Solutions Inc. and two other companies in view of their increased significance.

Additionally, in the same period, Hokushin Kyuko Railway Co., Ltd. and one other company were excluded from the scope of consolidation due to the completion of their liquidation.

2.1.2 Names of major nonconsolidated subsidiaries

Hankyu Mediax Co., Ltd.

Nonconsolidated subsidiaries have been excluded from the scope of consolidation because the total amounts of their entire assets, sales, net income or loss (amount equivalent to equity interests), retained earnings (amount equivalent to equity interests) and other figures are limited, and the effect on the consolidated financial statements as a whole is negligible.

2.2 Items related to application of equity-method accounting

2.2.1 Number and names of affiliates for which equity method is applied

Number of affiliates for which equity method is applied—11.

The names of the primary companies are listed on page 113.

2.2.2 Names of nonconsolidated subsidiaries and affiliates for which equity method is not applied

The nonconsolidated subsidiaries including Hankyu Mediax Co., Ltd., and affiliates including OS Co., Ltd., to which the equity method does not apply are accounted for using the cost method rather than the equity method because the total amounts of their net income or loss (amount equivalent to equity interests), retained earnings (amount equivalent to equity interests) and other figures are limited, and the effect on the consolidated financial statements as a whole is negligible.

2.3 Items related to fiscal year-ends, etc., for consolidated subsidiaries

Of the consolidated subsidiaries, the closing date of HANKYU HANSHIN EXPRESS (USA) INC., HANKYU HANSHIN EXPRESS (DEUTSCHLAND) GMBH and 21 other companies is December 31, and that of Nihon Protech Co., Ltd. is January 31. The consolidated financial statements have been prepared using the financial statements based on the closing date of each company, and major transactions conducted between the individual closing dates and the consolidated closing date have been adjusted for as necessary for the consolidation.

2.4 Accounting policies

2.4.1 Valuation standards and methods for major assets

I. Securities

Available-for-sale securities:

- a. Available-for-sale securities with fair market values:
The market value method is applied based on the market price, etc., at the fiscal year-end. (Related valuation differences are directly included under net assets and the cost of securities sold is determined by the moving average method.)
- b. Available-for-sale securities without fair market values:
The moving average cost method is applied.
For investments in limited liability investment partnerships and similar investments, however, the Company's share of assets held by such partnerships is recorded.

II. Derivatives

The market value method is applied.

III. Inventories

- a. Land and buildings for sale:
The identified cost method is applied. (Balance sheet values are calculated by writing down book values based on decreased profitability.)
- b. Other inventories:
The moving average cost method is applied. (Balance sheet values are calculated by writing down book values based on decreased profitability.)

2.4.2 Depreciation methods for major depreciable assets

I. Property and equipment (excluding leased assets)

- a. Replacement assets of railway operations:
Replacement method (mainly the declining-balance method) is applied.
- b. Other property and equipment:
While property and equipment (excluding leased assets) are depreciated mainly by the declining balance method, some assets are depreciated by the straight-line method.
However, regarding the abovementioned "Replacement assets of railway operations" and "Other property and equipment," depreciation of buildings acquired on or after April 1, 1998 (excluding facilities attached to buildings) and depreciation of facilities and structures that are attached to buildings and which were acquired on or after April 1, 2016 are calculated using the straight-line method.

II. Intangible assets (excluding leased assets)

Intangible assets (excluding leased assets) are amortized using the straight-line method.
Internal-use software is amortized by the straight-line method over its useful life (mainly 5 years).

III. Lease assets

Lease assets are depreciated using the straight-line method with the lease term as the useful life and a residual value of zero (an amount of guaranteed residual value if there is an agreement for a residual value guarantee).

2.4.3 Accounting standards for significant transactions

I. Allowance for doubtful receivables

Allowance for doubtful receivables is provided based on the ratio of past loan loss experience for general accounts and individually estimated uncollectible amounts for certain individual accounts.

II. Provision for bonuses

The Company recognizes as provision for bonuses the amount expected to be paid to employees as bonuses for the fiscal year.

2.4.4 Accounting methods for retirement benefits

In calculating the amount of retirement benefit obligations, the benefit formula method is used to attribute the estimated amount of retirement benefits to the period up to March 31, 2021.

Past service cost is recorded in expenses using the straight-line method over a certain number of years (mainly 10 years), which is within the average remaining years of service of the employees at the time when these costs are incurred.

Actuarial differences are recorded in expenses from the following year using the straight-line method over a certain number of years (mainly 10 years), which is within the average remaining years of service of the employees at the time when these costs are incurred.

2.4.5 Basis for converting significant assets and liabilities in foreign currencies into Japanese yen

The assets and liabilities of overseas subsidiaries are converted into yen based on the spot exchange rate on the balance sheet date, and income and expenses of overseas subsidiaries are converted into yen based on the average exchange rate during the relevant period. Differences in conversion are included in foreign currency translation adjustments and non-controlling interests in the net assets section.

2.4.6 Significant hedge accounting methods

I. Method of hedge accounting

Deferred hedge accounting is applied.

Exceptional accounting applies to interest rate swaps that satisfy the requirements for exceptional accounting for interest rate swaps.

Designation accounting applies to foreign currency-denominated receivables and payables that have forward exchange contracts and which satisfy the requirements for designation accounting.

II. Hedging instruments and hedged items

Main hedging instruments and hedged items are as follows:

- a. Hedging instruments: Forward exchange contracts, currency swap contracts and currency option contracts
Hedged items: Foreign currency receivables and payables and future foreign currency transactions
- b. Hedging instruments: Interest rate swap contracts and interest rate option contracts
Hedged items: Loans payable and bonds

III. Hedging policy

The Group is exposed to the risk of foreign exchange and interest rate fluctuations and uses derivatives to hedge risks.

IV. Method for evaluating hedge effectiveness

Other than when the effectiveness of hedges is obvious, hedge effectiveness is evaluated semiannually using the comparison and analysis method.

V. Other risk management methods concerning hedge accounting

Internal rules regarding the segregation of duties, maximum transaction amounts, etc., have been established for the use of derivative transactions based on which derivative transactions are used. The implementation and management of derivative transactions are carried out by the accounting department with the approval of the decision makers in each Group company. An internal control system has been developed to ensure that the contract signing and termination comply with the internal rules.

2.4.7 Method and period of amortization of goodwill

Goodwill is amortized, in general, in equal amounts over 5 years. The goodwill resulting from the management integration with Hanshin Electric Railway Co., Ltd. in the fiscal year ended March 31, 2007 is being amortized in equal amounts over 20 years.

2.4.8 Scope of cash and cash equivalents included in consolidated statements of cash flows

In preparing the consolidated statements of cash flows, cash on hand, readily available deposits and short-term highly liquid investments without material risk of changing their value and with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

2.4.9 Other significant matters for preparing consolidated financial statements

I. Accounting for contributions for construction in railway operations

The Company receives contributions for construction from local governments and other organizations that cover a portion of construction expenses arising from the construction of continuous grade separations in railway operations. When construction is completed, noncurrent assets acquired as a result of accepting these contributions for construction are recognized at acquisition cost after deducting the amount of the contributions.

In the consolidated statements of income, gain on contributions for construction is recognized in extraordinary income, and the acquisition cost of noncurrent assets, after deducting the amounts equivalent to the contributions for construction, is recognized in extraordinary loss as loss on reduction of noncurrent assets.

II. Accounting for consumption tax

Accounting for consumption tax is based on the tax exclusion method.

III. Adoption of consolidated tax payment system

A consolidated tax payment system has been adopted.

IV. Application of tax effect accounting for the transition from a consolidated tax payment system to a group taxation system
With regard to Paragraph 3 of the “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (PITF No. 39, March 31, 2020), the Company and its domestic consolidated subsidiaries did not follow Paragraph 44 of the

3. Significant Accounting Estimates

Accounting estimates are reasonably calculated based on the information available when preparing the consolidated financial statements. Among the amounts recorded in the consolidated financial statements for the fiscal year ended March 31, 2021 based on accounting estimates, the items that may have a significant impact on the consolidated financial statements for the next fiscal year are as follows.

3.1 Recoverability of deferred tax assets

3.1.1 Amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2021
Deferred tax assets of 63,542 million yen (amount before offsetting deferred tax liabilities)

3.1.2 Other information that assists users of financial statements in understanding the nature of the estimates
I. Method used to calculate the amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2021
Deferred tax assets were recorded based on future taxable income, etc., estimated in the medium-term management plan pursuant to the “Implementation Guidelines on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26).

II. Major assumptions used to calculate the amounts recorded in the consolidated financial statements for the fiscal year ended March 31, 2021
Estimates of future taxable income were based on the medium-term management plan. Additionally, the following assumptions were made to reflect the effects of COVID-19 on the accounting estimates.
Socio-economic activities that affect the Group are expected to gradually recover through three roughly classified steps as below.
First step (until March 2022): The movement of people resumes in neighborhoods in Japan and gradually extends beyond. The effects of physical distancing are also gradually mitigated.
Second step (April 2022-March 2023): People come and go not only within Japan but throughout the world, recovering gradually.
Third step (April 2023 and beyond): The impact of COVID-19 diminishes and domestic and overseas economic activities recover to a considerable extent.
However, the Group considers that its business environment will not fully return to its pre-COVID-19 state even in the third step.

III. Impact on the consolidated financial statements for the next fiscal year
The timing and amount of taxable income may be affected by uncertain future economic conditions and COVID-19 infection status. If the actual timing and amount of taxable income differ from estimates, the amount of deferred tax assets that are considered recoverable may fluctuate and have a significant impact on the consolidated financial statements for the next fiscal year.

“Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, February 16, 2018) but applied provisions of pre-amended tax laws when calculating the amounts of deferred tax assets and liabilities that relate to transitioning to a group taxation system, which was established under the Act on the Partial Revision of the Income Tax Act, etc. (No. 8, 2020), and related amendments of tax laws for transitioning to a single tax payment system.

3.2 Impairment of noncurrent assets

3.2.1 Amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2021
As stated in Note 8, “Consolidated Statements of Income” an impairment loss of 9,676 million yen for noncurrent assets held by Hankyu Hanshin Hotels Co., Ltd. was recorded. Property and equipment held by the company was 51,144 million yen.

3.2.2 Other information that assists users of financial statements in understanding the nature of the estimates
I. Method used to calculate the amounts recorded in the consolidated financial statements for the fiscal year ended March 31, 2021
In principle, the Group classifies its assets into groups by business segment as determined for management purposes or on an individual property basis.
If there are indications of impairment, book value is compared to the total amount of undiscounted future cash flows obtained from the asset group to determine whether it is necessary to recognize an impairment loss. Based on the result of the determination if recognizing an impairment loss is necessary because the total amount of undiscounted future cash flows falls below the book value, then the book value is reduced to the recoverable amount (net realizable value or value in use, whichever is higher), and the reduction in book value is recognized as an impairment loss.
In the Hotels Business, some hotels continued to have operating loss and others were considered to have indications of impairment due to a considerable deterioration in the business environment, amid the COVID-19 pandemic. As a result for hotels requiring recognition of an impairment loss, the book value of such hotels was reduced to the recoverable amount, and the reduction in the book value was recorded as an impairment loss.

II. Major assumptions used to calculate the amounts recorded in the consolidated financial statements for the fiscal year ended March 31, 2021
Estimates of future cash flows were based on the medium-term management plan, and the impact of COVID-19 was based on the same assumptions as in Section 3.1, “Recoverability of deferred tax assets” stated above.

III. Impact on consolidated financial statements for the next fiscal year
Future cash flows may be affected by uncertain future economic conditions and fluctuations in market prices in addition to the COVID-19 infection status. If actual results deviate from estimates, it may have a significant impact on the consolidated financial statements for the next fiscal year.

4. Standards and Guidance Not Yet Adopted

4.1 Accounting Standard for Revenue Recognition

The following standard and guidance were issued but not yet adopted.
• “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020)
• “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 26, 2021)
• “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020)

4.1.1 Outline
The International Accounting Standard Board (IASB) and the Financial Accounting Standard Board (FASB) jointly developed comprehensive accounting standard for revenue recognition and the Revenue from Contracts with Customers was issued in May 2014 (IFRS No. 15 by IASB, and Topic 606 by FASB).

IFRS No. 15 was applied for annual reporting periods beginning on or after January 1, 2018, Topic 606 was also applied from annual reporting periods beginning December 15, 2017. Based on such a situation, the ASBJ developed the comprehensive accounting standard for revenue recognition/ the implementation guidance and issued them together.
On the ASBJ’s basic policy for development of accounting standard for revenue recognition, the basic principles of IFRS No. 15 were incorporated into the ASBJ Statement No. 29 as starting points, the Statement was set out, from the viewpoint of comparability among financial statements which is one of merits for consistency with IFRS No. 15. If there are any items which should be considered in current practices in Japan, alternative treatments would be added to the extent of not losing the comparability.

4.1.2 Effective date
Effective from the beginning of the fiscal year ended March 31, 2022.

4.1.3 Effects of the application of the standards
The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

5. Changes in Presentation

5.1 Application of “Accounting Standard for Disclosure of Accounting Estimates”

In applying the “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020), Notes to Significant Accounting Estimates have been presented starting from the consolidated financial statements for the fiscal year ended March 31, 2021.
However, the notes do not include the information related to the fiscal year ended March 31, 2020, in accordance with the transitional treatment stipulated in Paragraph 11 of the standard.

4.2 Accounting Standard for Fair Value Measurement

• “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019)
• “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9, July 4, 2019)
• “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019)
• “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, July 4, 2019)
• “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020)

4.2.1 Outline
Given that the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) set out almost identical detailed guidance for the measurement of fair value (respectively IFRS No. 13 “Fair Value Measurement” under International Financial Reporting Standards (IFRS) and Accounting Standards Codification Topic 820 “Fair Value Measurement” under US-GAAP), the ASBJ released the “Accounting Standard Fair Value Measurement” etc., in an effort to establish consistency between Japan’s accounting standards and international accounting standards centering on guidance and disclosure of the fair value of financial instruments.
On the ASBJ’s basic policy for development of accounting standard for fair value measurement, in order to enhance the comparability of financial statements between domestic and foreign companies the standard essentially adopted the entire provisions of IFRS No. 13. Moreover, with consideration for the accounting practice in Japan to date, to the extent that the comparability of financial statements is not materially impaired, alternative accounting treatments are provided for select items.

4.2.2 Effective date
Effective from the beginning of the fiscal year ended March 31, 2022.

4.2.3 Effects of the application of the standards
The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

5.2 Consolidated Statements of Income

“Loss on retirement of noncurrent assets” in non-operating expenses, which was listed separately in the previous period, has been included in “Miscellaneous expenses” under non-operating expenses starting from the current consolidated fiscal year, because of its decreased significance.
As a result, a “Loss on retirement of noncurrent assets” of 1,487 million yen, which was listed as an item in non-operating expenses in the consolidated income statement for the previous period, was reclassified as “Miscellaneous expenses.”

6. Additional Information

6.1 Performance-based stock compensation plan for directors, etc., of the Company

6.1.1 Outline of transaction

To further enhance motivation to improve corporate value and business performance, and to provide an incentive to improve shareholder value, the Company has introduced a stock compensation system (hereinafter referred to as the "System") for directors of the Company (excluding those who are also members of audit and other committees) in a position of chairman or president.

Moreover, Hankyu Corporation, Hanshin Electric Railway Co., Ltd., and Hankyu Hanshin Properties Corp. have adopted the System for full-time directors and corporate officers, excluding outside directors and nonresidents of Japan and employees of other companies on loan to Hankyu Hanshin

Properties Corp.

The System uses an officer compensation BIP (Board Incentive Plan) trust under which shares in the Company will be provided to, and money equivalent to the exchange value of shares in the Company will be paid to directors and others based on performance and position.

6.1.2 Shares in the Company remaining under the trust

Shares in the Company remaining under the trust were listed as treasury stock in the net assets section on a book value basis for trust (excluding ancillary expenses). The book value of and the number of shares of treasury stock at the end of the fiscal year ended March 31, 2020 were 1,479 million yen and 367,308 shares, and at the year ended March 31, 2021, the amounts were 1,610 million yen and 408,268 shares, respectively.

7. Consolidated Balance Sheets

7.1 Accumulated depreciation of property and equipment

Millions of yen		Thousands of U.S. dollars
2020	2021	2021
¥ 1,177,475	¥ 1,180,943	\$ 10,639,126

7.2 Accumulated contributions for construction directly deducted from the acquisition cost of noncurrent assets

Millions of yen		Thousands of U.S. dollars
2020	2021	2021
¥ 449,278	¥ 447,657	\$ 4,032,946

7.3 Pledged assets and secured liabilities

The following table shows the assets pledged as collateral. Amounts in parentheses () indicate those related to a railway foundation.

	Millions of yen				Thousands of U.S. dollars	
	2020		2021		2021	
Property and equipment:						
Buildings and structures	¥ 201,238	¥ (201,238)	¥ 198,766	¥ (198,766)	\$ 1,790,685	\$ (1,790,685)
Machinery, equipment and vehicles	50,423	(50,423)	51,725	(51,725)	465,991	(465,991)
Land	241,625	(241,625)	241,048	(241,048)	2,171,604	(2,171,604)
Other	2,898	(2,898)	2,387	(2,387)	21,505	(21,505)
Intangible assets:						
Other	179	(179)	118	(118)	1,063	(1,063)
Investments and other assets:						
Investment securities	292	(—)	231	(—)	2,081	(—)
Other	372	(—)	441	(—)	3,973	(—)
Total	497,029	(496,364)	494,720	(494,047)	4,456,937	(4,450,874)

In addition to the above, the Company pledged investment securities (fiscal year ended March 31, 2020: 800 million yen, fiscal year ended March 31, 2021: 800 million yen) as collateral for loans of third parties.

The following table shows the secured liabilities. Amounts in parentheses () indicate those related to a railway foundation.

	Millions of yen				Thousands of U.S. dollars	
	2020		2021		2021	
Current liabilities:						
Short-term borrowings	¥ 9,784	¥ (9,784)	¥ 10,050	¥ (10,050)	\$ 90,541	\$ (90,541)
Other	120	(—)	135	(—)	1,216	(—)
Long-term liabilities:						
Long-term debt	114,522	(114,522)	120,322	(120,322)	1,083,982	(1,083,982)
Total	124,427	(124,307)	130,507	(130,372)	1,175,739	(1,174,523)

7.4 The following table shows the securities of nonconsolidated subsidiaries and affiliates.

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Investment securities	¥ 257,644	¥ 257,867	\$ 2,323,126

7.5

Two consolidated subsidiaries and an equity-method affiliate revaluated land for business use based on the Law Concerning Revaluations of Land (Law No. 34, promulgated on March 31, 1998) and the Law to Partially Modify the Law Concerning Revaluations of Land (Law No. 19, promulgated on March 31, 2001). Of the valuation differences identified as a result of this, the consolidated subsidiaries recorded the amount corresponding to the taxes on the valuation difference in the liability section as "Deferred tax liabilities related to land revaluation" and the amount attributable to minority shareholders as "Non-controlling interests." The amount remaining after subtracting these was recorded in the net assets section as "Revaluation reserve for land." The equity-method affiliate recorded the amount corresponding to its equity in the valuation difference (after subtracting taxes) in the net assets section as "Revaluation reserve for land."

- Revaluation method
The revaluation amounts were determined based on the revaluated value of noncurrent assets provided for in Article 2, Paragraph 3 of the Enforcement Ordinance for the Law Concerning Land Revaluation (Ordinance No. 119, promulgated on March 31, 1998).
- Date of revaluation: March 31, 2002

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Difference between the market value as of March 31 of the lands for which reevaluation was made and the book value of after reevaluation	¥ (6,215)	¥ (6,274)	\$ (56,523)

7.6 Contingent liabilities

The Company and its subsidiaries have provided a liability guarantees for loans of the companies, etc., listed below.

Fiscal year ended March 31, 2020

	Millions of yen
Nishi-Osaka Railway Co., Ltd.	¥ 17,266
Borrowers on loans for purchase of land and buildings	6,013
Overseas affiliates	5,473
Other (four companies)	259
Total	29,013

Fiscal year ended March 31, 2021

	Millions of yen	Thousands of U.S. dollars
Nishi-Osaka Railway Co., Ltd.	¥ 16,389	\$ 147,649
Borrowers on loans for purchase of land and buildings	13,953	125,703
Overseas affiliates	6,728	60,613
Other (five companies)	285	2,568
Total	37,356	336,541

In addition to the above, a subsidiary of the Company submitted letters of awareness for management guidance (fiscal year ended March 31, 2020: 4,677 million yen, fiscal year ended March 31, 2021: 1,196 million yen) in connection with the fund procurement of overseas affiliates.

8. Consolidated Statements of Income

8.1 The breakdown of selling, general and administrative expenses is shown below.

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Personnel expenses	¥ 12,175	¥ 12,392	\$ 111,640
Expenses	10,691	8,002	72,090
Taxes	948	904	8,144
Depreciation and amortization	796	865	7,793
Amortization of goodwill	2,426	2,508	22,595
Total	27,039	24,674	222,288

8.3

COVID-19-related losses include fixed costs incurred during the period of business suspension and costs directly required for preparation and cancellation of events under the state of emergency issued by the government and in response to stay-at-home requests from local governments. Such costs were recorded under extraordinary loss.

8.4 Structural reform-related loss

Fiscal year ended March 31, 2021

In recent years, Hankyu Hanshin Hotels Co., Ltd., a consolidated subsidiary of the Company, has been in a severe business environment, especially in the Kinki region, where competition between hotels has intensified. Under such circumstances, greatly affected by the COVID-19 pandemic, some of its hotels were closed during the state of emergency that was issued twice. The occupancy rate of the guest rooms and the use of the general banquet facilities plummeted throughout the period. The use of restaurants, etc., was also sluggish. Furthermore, going forward, it seems that it will take a considerable amount of time for profits to recover.

For these reasons, the Group has decided to move ahead with drastic structural reforms, including reforms for all aspects of “business,” “personnel” and “finance,” to establish a firmer business structure. Consequently, impairment loss (9,676 million yen) and a provision of allowance for loss on withdrawal of property and equipment (6,786 million yen) were recorded under structural reform-related loss of extraordinary loss.

Use	Type	Region	Millions of yen	Thousands of U.S. dollars
			Amount	Amount
Hotel business assets (14)	Buildings and structures, etc.	Osaka, Hyogo, Tokyo, etc.	¥ 9,676	\$ 87,171

8.4.1 Method of asset grouping

Our Group includes each business or property as group assets for account management purposes.

8.4.2 Background to recognizing impairment loss

Amid the COVID-19 pandemic and due to other factors, some hotels continued to have operating loss. It was determined that other hotels had indications of impairment due to a significant deterioration in the business environment, and decisions were made as to whether it was necessary to recognize impairment losses. As a result, the book value of hotels for which an impairment loss needs to be recognized was reduced to the recoverable amount (9,676 million yen).

8.4.3 Breakdown of loss on impairment

	Millions of yen	Thousands of U.S. dollars
Buildings and structures	¥ 4,614	\$ 41,568
Land, etc.	1,700	15,315
Other	3,361	30,279
Total	9,676	87,171

8.4.4 Method used to calculate recoverable value

The recoverable value is based on value in use or net realizable value.

Value in use was calculated by discounting future cash flows by 4.0%. For net realizable value, the memorandum value, etc., is used.

8.2 The retirement benefit expenses and the main expense items and monetary amounts within the amounts of allowance and provision included in the costs of revenues from operations are shown below.

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Retirement benefit expenses	¥ 6,377	¥ 7,220	\$ 65,045
Provision for bonuses	4,171	4,229	38,099

9. Consolidated Statements of Comprehensive Income

Reclassification adjustments and tax effects related to other comprehensive income

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Valuation difference on available-for-sale securities:			
Increase (decrease) during the year	¥ (8,550)	¥ 5,881	\$ 52,982
Reclassification adjustments	1,268	(34)	(306)
Subtotal, before tax	(7,282)	5,846	52,667
Tax (expense) or benefit	2,159	(1,695)	(15,270)
Valuation difference on available-for-sale securities	(5,122)	4,150	37,387
Deferred gains or losses on hedges:			
Increase (decrease) during the year	328	49	441
Reclassification adjustments	151	—	—
Subtotal, before tax	480	49	441
Tax (expense) or benefit	(165)	(17)	(153)
Deferred gains or losses on hedges	314	32	288
Revaluation reserve for land:			
Increase (decrease) during the year	—	—	—
Reclassification adjustments	—	—	—
Subtotal, before tax	—	—	—
Tax (expense) or benefit	—	(41)	(369)
Revaluation reserve for land	—	(41)	(369)
Foreign currency translation adjustments:			
Increase (decrease) during the year	(45)	(386)	(3,477)
Reclassification adjustments	0	—	—
Subtotal, before tax	(45)	(386)	(3,477)
Tax (expense) or benefit	—	—	—
Foreign currency translation adjustments	(45)	(386)	(3,477)
Remeasurements of defined benefit plans:			
Increase (decrease) during the year	(2,769)	5,591	50,369
Reclassification adjustments	(819)	123	1,108
Subtotal, before tax	(3,588)	5,714	51,477
Tax (expense) or benefit	1,186	(1,809)	(16,297)
Remeasurements of defined benefit plans	(2,401)	3,904	35,171
Share of other comprehensive income of associates accounted for using equity method:			
Increase (decrease) during the year	(5,375)	4,009	36,117
Reclassification adjustments	11	62	559
Share of other comprehensive income of associates accounted for using equity method	(5,364)	4,071	36,676
Total other comprehensive income	(12,618)	11,732	105,694

10. Consolidated Statements of Changes in Net Assets

Fiscal year ended March 31, 2020

10.1 Matters concerning types and total number of outstanding shares, and types and number of outstanding shares of treasury stock

(Thousands of shares)				
	Number of shares as of April 1, 2019	Increase in number of shares	Decrease in number of shares	Number of shares as of March 31, 2020
Number of shares issued:				
Common stock	254,281	—	—	254,281
Total	254,281	—	—	254,281
Treasury stock, at cost:				
Common stock (Notes 1, 2 and 3)	9,541	2,529	34	12,036
Total	9,541	2,529	34	12,036

Notes:

1. The number of shares of treasury stock at the end of the fiscal year ended March 31, 2020 included 367,308 shares in the Company owned by the officer's compensation BIP trust.

(Overview of reasons for fluctuations)

2. The increase of 2,529 thousand shares of treasury stock of common stock consisted of 2,489 thousand shares acquired upon the resolution of the Board of Directors' meeting, 23 thousand shares acquired by the officer's compensation BIP trust and 16 thousand shares created by the purchase of odd-lot shares.
3. The decrease of 34 thousand shares of treasury stock of common stock consisted of 33 thousand shares delivered by the officer's compensation BIP trust, 0 thousand shares due to the sale of odd-lot shares and 0 thousand shares due to a change in the equity ratio against affiliates to which the equity method is applicable.

10.2 Items concerning stock acquisition rights

There is no relevant item.

10.3 Items related to dividends

10.3.1 Dividends paid

(Resolution)	Type of shares	Dividends paid	Dividend per share	Record date	Effective date
		(Millions of yen)	(Yen)		
June 13, 2019 Annual General Meeting of Shareholders	Common stock	¥ 4,925	¥ 20	March 31, 2019	June 14, 2019
November 1, 2019 Board of Directors	Common stock	6,094	25	September 30, 2019	December 2, 2019

Notes:

1. The dividends by a resolution at the annual General Meeting of Shareholders on June 13, 2019 included 7 million yen of dividends for the shares in the Company owned by the officer's compensation BIP trust.
2. The dividends by a resolution of the Board of Directors on November 1, 2019 included 9 million yen of dividends for the shares in the Company owned by the officer's compensation BIP trust.

10.3.2 Dividends whose effective date falls in the fiscal year following the fiscal year of the record date

(Resolution)	Type of shares	Dividends paid	Source of dividends	Dividend per share	Record date	Effective date
		(Millions of yen)		(Yen)		
June 17, 2020 Annual General Meeting of Shareholders	Common stock	¥ 6,094	Retained earnings	¥ 25	March 31, 2020	June 18, 2020

Note: The total amount of dividends includes 9 million yen of dividends for the shares in the Company owned by the officer's compensation BIP trust.

Fiscal year ended March 31, 2021

10.4 Matters concerning types and total number of outstanding shares, and types and number of outstanding shares of treasury stock

(Thousands of shares)				
	Number of shares as of April 1, 2020	Increase in number of shares	Decrease in number of shares	Number of shares as of March 31, 2021
Number of shares issued:				
Common stock	254,281	—	—	254,281
Total	254,281	—	—	254,281
Treasury stock, at cost:				
Common stock (Notes 1, 2 and 3)	12,036	1,337	45	13,327
Total	12,036	1,337	45	13,327

Notes:

1. The number of shares of treasury stock at the end of the fiscal year ended March 31, 2021 included 408,268 shares in the Company owned by the officer's compensation BIP trust.

(Overview of reasons for fluctuations)

2. The increase of 1,337 thousand shares of treasury stock of common stock consisted of 1,235 thousand shares acquired upon the resolution of the Board of Directors' meeting, 86 thousand shares acquired by the officer's compensation BIP trust, 12 thousand shares created by the purchase of odd-lot shares and 2 thousand shares due to a change in the equity ratio against affiliates to which the equity method is applicable.
3. The decrease of 45 thousand shares of treasury stock of common stock consisted of 45 thousand shares delivered by the officer's compensation BIP trust (the Company's shares) and 0 thousand shares due to the sale of odd-lot shares.

10.5 Items concerning stock acquisition rights

There is no relevant item.

10.6 Items related to dividends

10.6.1 Dividends paid

(Resolution)	Type of shares	Dividends paid		Dividend per share		Record date	Effective date
		(Millions of yen)	(Thousands of U.S. dollars)	(Yen)	(U.S. dollars)		
June 17, 2020 Annual General Meeting of Shareholders	Common stock	¥ 6,094	\$ 54,901	¥ 25	\$ 0.23	March 31, 2020	June 18, 2020
November 6, 2020 Board of Directors	Common stock	6,094	54,901	25	0.23	September 30, 2020	December 1, 2020

Notes:

1. The dividends by a resolution at the annual General Meeting of Shareholders on June 17, 2020 included 9 million yen of dividends for the shares in the Company owned by the officer's compensation BIP trust.
2. The dividends by a resolution of the Board of Directors on November 6, 2020 included 8 million yen of dividends for the shares in the Company owned by the officer's compensation BIP trust.

10.6.2 Dividends whose effective date falls in the fiscal year following the fiscal year of the record date

(Resolution)	Type of shares	Dividends paid		Source of dividends	Dividend per share		Record date	Effective date
		(Millions of yen)	(Thousands of U.S. dollars)		(Yen)	(U.S. dollars)		
June 16, 2021 Annual General Meeting of Shareholders	Common stock	¥ 6,063	\$ 54,622	Retained earnings	¥ 25	\$ 0.23	March 31, 2021	June 17, 2021

Note: The total amount of dividends includes 10 million yen of dividends for the shares in the Company owned by the officer's compensation BIP trust.

11. Consolidated Statements of Cash Flows

11.1 Relationship between cash and cash equivalents at fiscal year-end and amounts shown on consolidated balance sheets

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Cash and deposits in the consolidated balance sheets	¥ 25,023	¥ 27,546	\$ 248,162
Deposits with maturities over 3 months	(1,497)	(2,323)	(20,928)
Cash and cash equivalents in the cash flow statements	23,526	25,222	227,225

11.2

Depreciation and amortization for the fiscal year under review include depreciation costs recorded as COVID-19-related losses under extraordinary loss.

12. Lease Transactions

<As lessee>

Future lease payments for noncancelable leases in connection with operating lease transactions

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Due within one year	¥ 7,583	¥ 7,027	\$ 63,306
Due after one year	63,913	58,155	523,919
Total	71,496	65,183	587,234

<As lessor>

Future lease receivables for noncancelable leases in connection with operating lease transactions

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Due within one year	¥ 2,721	¥ 2,818	\$ 25,387
Due after one year	20,350	20,159	181,613
Total	23,071	22,978	207,009

13. Financial Instruments

13.1 Matters regarding financial instruments

13.1.1 Policy on financial instruments

It is the Group's policy to limit the investment of its funds to short-term deposits which are highly secure, and the Group raises funds mainly through loans from financial institutions, bonds and commercial paper. Derivative transactions are used to avoid risk, as discussed later, and it is our policy to refrain from speculative transactions.

13.1.2 Details of the financial instruments used, the risk involved and the risk management system

Trade receivables, namely note receivables and trade account receivables, are exposed to the credit risk of customers. The Group limits its exposure to this credit risk by controlling due dates and balances by customer and by making periodical checks of the credit conditions of major customers pursuant to the internal regulations of each company.

Investment securities consist mainly of stocks and bonds and are exposed to market price fluctuation risk. However, fair values and the financial condition of the issuers are checked periodically, and the risk management system is confirmed.

Almost all trade payables, namely note payables and trade account payables, have a payment date that falls within one year. Some assets and liabilities denominated in foreign currencies are exposed to exchange rate fluctuation risk (market risk), which is limited through forward exchange contracts.

Short-term borrowings and commercial paper are used mainly to raise short-term funds for working capital, and long-term debt and bonds are used mainly to raise the long-term funds necessary for capital investment plans. Some floating-rate debt is exposed to interest rate fluctuation risk

(market risk), which is limited by fixing interest rates through interest rate swap transactions. In addition, liquidity risk—the risk that payment will not be made by the due date—is limited by the timely preparation of financing plans and proper fund management. Also, surplus funds of the Group companies are concentrated and used effectively through the centralization of Group funds by using a cash management system. The immediate raising of funds from financial institutions became possible through the establishment of backup financing, such as commitment lines. In addition, the Company maintains a proper balance between direct financing and indirect financing and diversifies the raising of funds by using multiple financial institutions, thus securing liquidity.

Regarding the use of derivative transactions, internal regulations prescribe the division of duties and transaction limits. Forward exchange contracts are used to hedge exchange rate fluctuation risk involved in a portion of the foreign currency-denominated assets and liabilities. The purpose of interest rate swap transactions is to hedge the interest rate fluctuation risk of certain loans. These derivative transactions involve credit risk because if the other party to a transaction defaults under the terms of contract or becomes bankrupt, then the benefit that would have been obtained in the future if the transaction had continued will not be received. However, credit risk is limited by carrying out transactions only with financial institutions with high credit ratings.

More information regarding the means and objectives of hedging, hedging policy and the method used to evaluate the effectiveness of hedges related to hedge accounting for derivative transactions is described in Note 2.4, "Accounting policies," and Note 2.4.6, "Significant hedge accounting methods," outlined in Note 2, "Basis of Preparation of Consolidated Financial Statements."

13.2 Matters regarding fair values of financial instruments

Book values recorded in the consolidated balance sheet, fair values and differences between them are as shown below.

	Millions of yen						Thousands of U.S. dollars		
	2020			2021			2021		
	Book value	Fair value	Difference	Book value	Fair value	Difference	Book value	Fair value	Difference
Assets									
(1) Cash and deposits	¥ 25,023	¥ 25,023	¥ —	¥ 27,546	¥ 27,546	¥ —	\$ 248,162	\$ 248,162	\$ —
(2) Trade receivables	68,366	68,366	—	72,991	72,991	—	657,577	657,577	—
(3) Investment securities	33,647	33,647	(0)	63,954	63,954	(0)	576,162	576,162	(0)
Liabilities									
(4) Trade payables	29,508	29,508	—	29,138	29,138	—	262,505	262,505	—
(5) Short-term borrowings*1	123,710	123,710	—	106,263	106,263	—	957,324	957,324	—
(6) Commercial paper	—	—	—	30,000	30,000	—	270,270	270,270	—
(7) Bonds*2	122,000	123,633	1,633	197,000	197,414	414	1,774,775	1,778,505	3,730
(8) Long-term debt*1	649,755	665,220	15,464	718,358	735,100	16,741	6,471,694	6,622,523	150,820
(9) Derivative transactions*3	(205)	(205)	—	58	58	—	523	523	—

*1 Current portion of long-term debt is included in (8) Long-term debt.

*2 Current portion of bonds is included.

*3 The net receivables/liabilities incurred as a result of derivative transactions are shown in net figures, net liabilities are shown in parenthesis.

Notes:

1. Methods used to calculate the fair values of financial instruments and matters regarding securities and derivative transactions

(1) Cash and deposits and (2) Trade receivables

The fair values of these are almost equal to their book values because they will be settled within a short period of time. As a result, their fair values are based on their book values.

(3) Investment securities

The fair values of investment securities are based on prices quoted by stock exchanges, and the fair values of bonds are based on prices quoted by stock exchanges or prices presented by trading financial institutions. Securities categorized by the purpose for which they are held are described in Note 14, "Securities."

(4) Trade payables, (5) Short-term borrowings and (6) Commercial paper

The fair values of these are almost equal to their book values because they will be settled within a short period of time. As a result, their fair values are based on their book values.

(7) Bonds

The fair values of bonds are based on market prices.

(8) Long-term debt

The fair value of fixed-rate long-term debt is based on a method of calculation in which the total principal and interest is discounted at an interest rate that is assumed for the introduction of similar new debt. The fair value of floating-rate long-term debt is based on the book value because the fair value of floating-rate long-term debt reflects market interest rates within a short period of time and closely approximates the book values.

(9) Derivative transactions

Please see Note 15, "Derivatives."

2. The book value of financial instruments whose fair value is extremely difficult to ascertain

Classification	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Non-listed equity securities and bonds	¥ 6,523	¥ 6,520	\$ 58,739
Investments in limited liability investment partnerships and similar investments	5,136	5,399	48,640

It is extremely difficult to ascertain the fair value of these financial instruments because market prices are not available and future cash flows cannot be estimated. As a result, they are not included in (3) Investment securities.

3. The securities of nonconsolidated subsidiaries and affiliated companies are not included in (3) Investment securities.

4. Supplementary explanation regarding fair value of financial instruments

The fair values of financial instruments are generally based on market prices. If market prices are not available, the fair values of financial instruments are reasonably calculated. In such calculations, certain assumptions may be used. As a result, if different assumptions are used, the values may differ. For derivative contracts, the amount of the contract which is indicated in Note 15, "Derivatives" does not indicate the market risk involved in derivative transactions themselves.

5. Redemption and repayment schedule of monetary claims and investment securities with maturities after the consolidated closing date
Fiscal year ended March 31, 2020

	Millions of yen			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	¥ 25,023	¥ —	¥ —	¥ —
Trade receivables	68,366	—	—	—
Investment securities:				
Available-for-sale securities with maturities (government bonds, etc.)	59	223	10	300
Total	93,449	223	10	300

Fiscal year ended March 31, 2021

	Millions of yen				Thousands of U.S. dollars			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	¥ 27,546	¥ —	¥ —	¥ —	\$ 248,162	\$ —	\$ —	\$ —
Trade receivables	72,991	—	—	—	657,577	—	—	—
Investment securities:								
Available-for-sale securities with maturities (government bonds, etc.)	70	160	—	300	631	1,441	—	2,703
Total	100,608	160	—	300	906,378	1,441	—	2,703

6. Amount of planned redemption and repayment of bonds and long-term debt after the consolidated closing date
Fiscal year ended March 31, 2020

	Millions of yen			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Bonds	¥ 25,000	¥ 27,000	¥ 30,000	¥ 40,000
Long-term debt	34,696	264,556	249,770	100,732
Total	59,696	291,556	279,770	140,732

Fiscal year ended March 31, 2021

	Millions of yen				Thousands of U.S. dollars			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Bonds	¥ 10,000	¥ 67,000	¥ 60,000	¥ 60,000	\$ 90,090	\$ 603,604	\$ 540,541	\$ 540,541
Long-term debt	44,971	297,864	278,625	96,898	405,144	2,683,459	2,510,135	872,955
Total	54,971	364,864	338,625	156,898	495,234	3,287,063	3,050,676	1,413,495

14. Securities

14.1 Available-for-sale securities

Classification		Millions of yen			Thousands of U.S. dollars		
		2020			2021		
		Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference
Securities with book value exceeding acquisition cost	(1) Equity securities, etc.	¥ 26,407	¥ 18,373	¥ 8,034	¥ 61,918	¥ 41,268	¥ 20,649
	(2) Bonds	292	287	5	231	228	2
	Subtotal	26,699	18,660	8,039	62,149	41,497	20,652
Securities with book value not exceeding acquisition cost	Equity securities, etc.	6,937	7,985	(1,048)	1,795	1,886	(91)
	Subtotal	6,937	7,985	(1,048)	1,795	1,886	(91)
Total		33,637	26,646	6,990	63,944	43,383	20,561

Note: Unlisted equity securities and others (fiscal year ended March 31, 2020: 11,659 million yen, fiscal year ended March 31, 2021: 11,920 million yen) are not included in the above table because it was extremely difficult to determine their market values as there were no market prices and their future cash flows cannot be reasonably estimated.

14.2 Securities for which impairment loss has been recorded

Fiscal year ended March 31, 2020

Impairment loss of 1,356 million yen was recorded for investment securities (shares in available-for-sale securities).

Fiscal year ended March 31, 2021

Information is omitted as the significance was negligible.

15. Derivatives

15.1 Derivative transactions for which hedge accounting has not been applied

Currency
Fiscal year ended March 31, 2020

Classification	Type	Millions of yen			
		Contract amount	Portion of contract amount exceeding one year	Fair value (Note)	Valuation gain/loss
Transactions other than market transactions	Currency swap contracts:				
	Receive yen, pay US dollar	¥ 598	¥ —	¥ (53)	¥ (53)
	Forward exchange contracts:				
	Buy contract				
	Euro	10,245	—	(128)	(128)
	US dollar	4,124	—	66	66
	Swiss franc	1,052	—	28	28
	Canadian dollar	891	—	(52)	(52)
	Singapore dollar	448	—	(14)	(14)
	Australian dollar	344	—	(38)	(38)
	New Zealand dollar	79	—	(5)	(5)
	South African rand	46	—	(6)	(6)
Total		17,831	—	(204)	(204)

Fiscal year ended March 31, 2021

Classification	Type	Millions of yen				Thousands of U.S. dollars			
		Contract amount	Portion of contract amount exceeding one year	Fair value (Note)	Valuation gain/loss	Contract amount	Portion of contract amount exceeding one year	Fair value (Note)	Valuation gain/loss
Transactions other than market transactions	Forward exchange contracts:								
	Buy contract								
	US dollar	¥ 169	¥ —	¥ 7	¥ 7	\$ 1,523	\$ —	\$ 63	\$ 63
Total		169	—	7	7	1,523	—	63	63

Notes:
1. Fair value is based mainly on prices quoted from counterparty financial institutions.
2. Regarding the above currency swap contracts, in the nonconsolidated financial statements, hedge accounting is applied for monetary payables and receivables related to transactions between consolidated subsidiaries. In the consolidated financial statements, however, hedge accounting is not applied because the hedged items are eliminated.

15.2 Derivative transactions for which hedge accounting has been applied

15.2.1 Currency
Fiscal year ended March 31, 2020

Classification	Type	Main hedged items	Millions of yen		
			Contract amount	Portion of contract amount exceeding one year	Fair value (Note)
Primary method	Forward exchange contracts				
	Sell contract	Trade receivables			
	US dollar		¥ 16	¥ —	¥ 0
	Buy contract	Trade payables			
Designation of forward exchange contracts, etc.	Japanese yen		500	—	(3)
	Forward exchange contracts				
	Buy contract	Trade payables (forecast transactions)			
	US dollar		1,295	—	3
	Indian rupee		34	—	(1)
	Forward exchange contracts				
	Sell contract	Trade receivables			
	US dollar		148	—	
	Buy contract	Trade payables			
	US dollar		1,064	—	
	Euro		568	—	
	Hong Kong dollar		164	—	
	Thai baht		67	—	(Note 2)
	Australian dollar		36	—	
	New Zealand dollar		29	—	
	Singapore dollar		24	—	
	Pound sterling		21	—	
	Canadian dollar		12	—	
	South African rand		7	—	
	Swiss franc		2	—	
Total			3,994	—	(0)

Fiscal year ended March 31, 2021

Classification	Type	Main hedged items	Millions of yen			Thousands of U.S. dollars		
			Contract amount	Portion of contract amount exceeding one year	Fair value (Note)	Contract amount	Portion of contract amount exceeding one year	Fair value (Note)
Primary method	Forward exchange contracts							
	Sell contract	Trade receivables						
	US dollar		¥ 5	¥ —	¥ 0	\$ 45	\$ —	\$ 0
	Buy contract	Trade payables						
Designation of forward exchange contracts, etc.	Japanese yen		1,129	—	(0)	10,171	—	(0)
	Forward exchange contracts							
	Buy contract	Trade payables (forecast transactions)						
	US dollar		745	—	52	6,712	—	468
	Indian rupee		22	—	(0)	198	—	(0)
	Forward exchange contracts							
	Sell contract	Trade receivables						
	US dollar		178	—		1,604		
	Buy contract	Trade payables						
	US dollar		733	—		6,604	—	
	Thai baht		192	—	(Note 2)	1,730	—	(Note 2)
	Hong Kong dollar		134	—		1,207	—	
	Euro		105	—		946	—	
	Pound sterling		35	—		315	—	
	Singapore dollar		14	—		126	—	
	Swiss franc		1	—		9	—	
Total			3,298	—	51	29,712	—	459

Notes:
1. Fair value is based mainly on prices quoted from counterparty financial institutions.
2. Designation of forward exchange contracts, etc., are treated together with trade receivables and trade payables that are subject to hedging; therefore, their market values are recorded together with those of trade receivables and trade payables.

Notes to the Consolidated Financial Statements

15.2.2 Interest rates

Fiscal year ended March 31, 2020

Classification	Type	Main hedged items	Millions of yen		
			Contract amount	Portion of contract amount exceeding one year	Fair value (Note)
Exceptional accounting of interest rate swaps	Interest rate swap contracts: Pay fixed rate/Receive floating rate	Long-term debt	¥ 151,897	¥ 147,300	¥ (8,914)
Total			151,897	147,300	(8,914)

Fiscal year ended March 31, 2021

Classification	Type	Main hedged items	Millions of yen			Thousands of U.S. dollars		
			Contract amount	Portion of contract amount exceeding one year	Fair value (Note)	Contract amount	Portion of contract amount exceeding one year	Fair value (Note)
Exceptional accounting of interest rate swaps	Interest rate swap contracts: Pay fixed rate/Receive floating rate	Long-term debt	¥ 144,000	¥ 124,700	¥ (7,116)	\$ 1,297,297	\$ 1,123,423	\$ (64,108)
Total			144,000	124,700	(7,116)	1,297,297	1,123,423	(64,108)

Note: Fair value is based mainly on prices quoted from counterparty financial institutions.

16. Retirement Benefits

16.1 Overview of retirement benefit plans

The Company and some consolidated subsidiaries provide defined benefit plans (defined benefit pension plans and lump-sum payment plans) or defined contribution plans. Hankyu Corporation has set up a retirement benefit trust.

In addition, some consolidated subsidiaries subscribe to employee pension fund plans in multi-employer plans. For them, the Company has used the same accounting treatment as it used for defined contribution plans when the amount of plan assets corresponding to the contributions by the Company cannot be rationally calculated.

16.2 Defined benefit plan

16.2.1 Table of movement in retirement benefit obligations

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Balance at beginning of the year	¥ 133,751	¥ 132,022	\$ 1,189,387
Service cost	7,933	8,061	72,622
Interest cost	254	254	2,288
Actuarial loss (gain)	53	679	6,117
Retirement benefits paid	(9,562)	(9,134)	(82,288)
Decrease resulting from the end of the retirement benefit plan system	(443)	—	—
Other	36	173	1,559
Balance at end of the year	132,022	132,057	1,189,703

Note: Amounts in the table above include the retirement benefit obligations of consolidated subsidiaries using simplified methods.

16.2.2 Table of movement in plan assets

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Balance at beginning of the year	¥ 86,137	¥ 82,638	\$ 744,486
Expected return on plan assets	1,087	1,332	12,000
Actuarial loss (gain)	(2,715)	6,270	56,486
Contribution paid by the employer	4,001	4,080	36,757
Retirement benefits paid	(5,145)	(4,968)	(44,757)
Decrease resulting from the end of the retirement benefit plan system	(737)	—	—
Other	10	—	—
Balance at end of the year	82,638	89,352	804,973

Note: Amounts in the table above include the plan assets of consolidated subsidiaries using simplified methods.

16.2.3 Table of reconciliation between the balance of retirement benefit obligations and of plan assets, and the liabilities for retirement benefit and assets for retirement benefit recorded in the consolidated balance sheet, as of the end of fiscal year

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Funded retirement benefit obligations	¥ 70,521	¥ 69,796	\$ 628,793
Plan assets	(82,638)	(89,352)	(804,973)
	(12,116)	(19,556)	(176,180)
Unfunded retirement benefit obligations	61,500	62,260	560,901
Total net defined benefit liability and asset	49,383	42,704	384,721
Net defined benefit liability	63,020	62,890	566,577
Net defined benefit asset	(13,636)	(20,186)	(181,856)
Total net defined benefit liability and asset	49,383	42,704	384,721

Note: Amounts in the table above include the retirement benefit obligations and plan assets of consolidated subsidiaries using simplified methods.

16.2.4 Breakdown of retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Service cost	¥ 7,933	¥ 8,061	\$ 72,622
Interest cost	254	254	2,288
Expected return on plan assets	(1,087)	(1,332)	(12,000)
Amortization of actuarial differences	(680)	263	2,369
Amortization of past service cost	(138)	(139)	(1,252)
Other	49	72	649
Retirement benefit expenses	6,329	7,179	64,676
Loss resulting from the end of the retirement benefit plan system	293	—	—
Total	6,623	7,179	64,676

Notes:

- Amounts in the table above include the retirement benefit expenses of consolidated subsidiaries using simplified methods.
- In addition to the retirement benefit expenses shown above, extra retirement payments have been paid; 30 million yen recorded as costs of revenues from operations and extraordinary loss in the fiscal year ended March 31, 2020, and 161 million yen as extraordinary loss in the fiscal year ended March 31, 2021.
- Loss resulting from the end of the retirement benefit plan system is included in the “Other” section in extraordinary loss.

16.2.5 Remeasurements of defined benefit plans

Breakdown of items related to remeasurements of defined benefit plans (prior to the deduction of the tax effect) is as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Past service cost	¥ (138)	¥ (139)	\$ (1,252)
Actuarial differences	(3,450)	5,854	52,739
Total	(3,588)	5,714	51,477

Notes to the Consolidated Financial Statements

16.2.6 Cumulative adjustments for retirement benefit plans

A breakdown of items related to the cumulative adjustments for retirement benefit plans (prior to the deduction of the tax effect) is as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Unrecognized past service cost	¥ (903)	¥ (763)	\$ (6,874)
Unrecognized actuarial differences	(84)	(5,938)	(53,495)
Total	(987)	(6,702)	(60,378)

Note: The above relates to consolidated subsidiaries. In addition to the above items, the remeasurements of defined benefit plans include unrecognized items (the amount corresponding to equity) of equity-method affiliates.

16.2.7 Items relating to plan assets

I. Breakdown of major plan assets

Ratio of the major types of assets to total assets are as follows:

	2020	2021
Bonds	37%	35%
Equity securities	31	36
Cash and deposits	2	2
General accounts of life insurance	28	25
Other	2	2
Total	100	100

Note: The retirement benefits trust established for the Company’s pension plan constituted 12% of total plan assets in the previous fiscal year and 11% of total plan assets in the current fiscal year.

II. Method of determining the long-term expected rate of return on plan assets

Current and target asset allocations and historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return on plan assets.

16.2.8 Items relating to actuarial assumptions

Major actuarial assumptions

	2020	2021
Discount rate	Mainly 0.0%	Mainly 0.0%
Long-term expected rate of return on plan assets	Mainly 2.0%	Mainly 2.0%
Expected rate of salary increase	Mainly 2.0%	Mainly 2.1%

16.3 Defined contribution plan

The amount of the required contribution for the consolidated subsidiaries’ defined contribution plans (including employee pension fund plans in multi-employer plans to which the same accounting methods are applied as for defined contribution plans) was 43 million yen in the fiscal year ended March 31, 2020 and 41 million yen in the fiscal year ended March 31, 2021.

17. Deferred Tax

17.1 Significant components of the Company's deferred tax assets and liabilities

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Deferred tax assets:			
Gain on donations by related companies for tax purposes	¥ 55,122	¥ 55,122	\$ 496,595
Tax loss carryforwards (Note 1)	5,736	33,084	298,054
Net defined benefit liability	15,891	13,952	125,694
Loss on impairment of fixed assets	12,784	9,999	90,081
Loss on revaluation of real estate for sale	9,162	9,257	83,396
Loss on adjustment of transferred profit and loss	5,614	5,503	49,577
Unrealized profit from assets	5,302	5,106	46,000
Allowance for loss on withdrawal of property and equipment	96	2,471	22,261
Provision for bonuses	1,648	1,580	14,234
Enterprise taxes and business office taxes	1,519	416	3,748
Temporary differences related to investments in subsidiaries	11,021	—	—
Other	9,699	11,275	101,577
Subtotal of deferred tax assets	133,598	147,769	1,331,252
Valuation allowance from tax loss carryforwards (Note 1)	(2,546)	(6,214)	(55,982)
Valuation allowance from the total of future deductible temporary differences	(77,364)	(78,012)	(702,811)
Subtotal of valuation allowance	(79,910)	(84,227)	(758,802)
Less amounts offset against deferred tax liabilities	(46,731)	(56,749)	(511,252)
Total deferred tax assets	6,956	6,792	61,189
Deferred tax liabilities:			
Gain on reversal of difference from land revaluation (Note 2)	(130,478)	(131,392)	(1,183,712)
Revaluation of assets on consolidation	(78,321)	(77,963)	(702,369)
Net unrealized holding gains on securities	(12,217)	(16,537)	(148,982)
Reserve for reduction of noncurrent assets	(3,449)	(3,398)	(30,613)
Gain on valuation of properties of business reorganization	(1,745)	(1,722)	(15,514)
Other	(2,110)	(2,575)	(23,198)
Subtotal of deferred tax liabilities	(228,322)	(233,589)	(2,104,405)
Less amounts offset against deferred tax assets	46,731	56,749	511,252
Total deferred tax liabilities	(181,590)	(176,839)	(1,593,144)
Net deferred tax liabilities	(174,634)	(170,046)	(1,531,946)

Notes:

1. The expiration of tax loss carryforwards, the related valuation allowance and the resulting net deferred tax assets

Fiscal year ended March 31, 2020

	Millions of yen						
	Within one year	Over one year to two years	Over two years to three years	Over three years to four years	Over four years to five years	Over five years	Total
Tax loss carryforwards*1	¥ 449	¥ 853	¥ 3,026	¥ 88	¥ 79	¥ 1,237	¥ 5,736
Valuation allowance	(443)	(848)	(181)	(77)	(45)	(950)	(2,546)
Deferred tax assets	5	5	2,845	11	34	287	3,189*2

*1 Tax loss carryforwards were calculated based on the statutory tax rate.

*2 Of the total tax loss carryforwards of 5,736 million yen (multiplied by the statutory effective tax rate), 3,189 million yen were deferred tax assets. This 3,189 million yen of deferred tax assets comprised mainly 2,520 million yen of deferred tax assets of Hankyu Corporation, which is a member of the consolidated tax group to which the Company is the consolidated parent corporation. The deferred tax assets were made when for tax purposes a valuation loss on properties for sale was recorded at Hankyu Corporation in the fiscal year ended March 31, 2014. Of the deferred tax assets, the losses carried for tax purposes have been determined to be recoverable from taxable income we expect in the future.

Fiscal year ended March 31, 2021

	Millions of yen						
	Within one year	Over one year to two years	Over two years to three years	Over three years to four years	Over four years to five years	Over five years	Total
Tax loss carryforwards*1	¥ 691	¥ 2,954	¥ 123	¥ 63	¥ 332	¥ 28,918	¥ 33,084
Valuation allowance	(686)	(582)	(114)	(10)	(189)	(4,632)	(6,214)
Deferred tax assets	5	2,372	9	52	143	24,285	26,869*2

	Thousands of U.S. dollars						
	Within one year	Over one year to two years	Over two years to three years	Over three years to four years	Over four years to five years	Over five years	Total
Tax loss carryforwards*1	\$ 6,225	\$ 26,613	\$ 1,108	\$ 568	\$ 2,991	\$ 260,523	\$ 298,054
Valuation allowance	(6,180)	(5,243)	(1,027)	(90)	(1,703)	(41,730)	(55,982)
Deferred tax assets	45	21,369	81	468	1,288	218,784	242,063*2

*1 Tax loss carryforwards were calculated based on the statutory tax rate.

*2 Of the total tax loss carryforwards of 33,084 million yen (multiplied by the statutory effective tax rate), 26,869 million yen were deferred tax assets. The deferred tax assets were determined to be recoverable from the taxable income expected in the future as set forth in the Note 3, "Significant Accounting Estimates."

2. The Company reversed "Surplus from land revaluation" when, as a result of a (physical) absorption-type corporate split on April 1, 2005, it handed over all of its land to Hankyu Corporation (which changed its name from Hankyu Corporation Spin-Off Preparation Inc. to Hankyu Corporation on the same day). As a result, "Deferred tax liabilities related to land revaluation" has been recorded as "Deferred tax liabilities" starting from the fiscal year ended March 31, 2006.

17.2 Reconciliation of significant differences between the statutory tax rate and the effective tax rate reflected in the accompanying consolidated statements of income

	2020	2021
Statutory tax rate	30.6%	—%
(Adjustment)		
Elimination of dividends received from consolidated subsidiary companies, etc.	19.7	—
Difference in tax rates from those of Parent Company	2.2	—
Amortization of goodwill	0.9	—
Per capita portion of inhabitants tax	0.4	—
Nondeductible expenses	0.4	—
Valuation allowance	0.4	—
Nontaxable income	(19.3)	—
Profit or loss from investments with equity method affiliates	(1.2)	—
Other	0.2	—
Effective tax rate	34.4	—

Note: The reconciliation for the consolidated fiscal year ended March 31, 2021 is omitted as a loss before income taxes was recorded.

18. Asset Retirement Obligations

Omitted as the significance was negligible.

19. Rental Property

Some consolidated subsidiaries own rental property, such as office buildings and commercial facilities for lease in Kita Ward, Osaka and other areas. Rental profits and losses related to the rental property in the fiscal year ended March 31, 2020 were 32,663 million yen (major rental revenues are recorded in revenues from operations and major rental expenses are recorded in costs of revenues from operations). Rental profits and losses related to the rental property in the fiscal year ended March 31, 2021 were 26,215 million yen (major rental revenues are recorded in revenues from operations and major rental expenses are recorded in costs of revenues from operations).

Book value recorded in the consolidated balance sheet, the increase/decrease during the fiscal year and the market value for rental property are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Book value (Note 1):			
Balance at beginning of the year	¥ 639,657	¥ 645,922	\$ 5,819,117
Increase/decrease (Note 2)	6,265	7,185	64,730
Balance at end of the year	645,922	653,108	5,883,856
Fair value at end of the year (Note 3)	914,359	917,853	8,268,946

Notes:

1. Book value is acquisition cost less accumulated depreciation.
2. As for the increases/decreases during the fiscal year ended March 31, 2020, the main increases were the completion of buildings under construction of 13,940 million yen and acquisitions of real estate of 6,235 million yen, and the main decrease was depreciation of 12,838 million yen. As for the increases/decreases during the fiscal year ended March 31, 2021, the main increase was the completion of buildings under construction of 22,730 million yen, and the main decrease was depreciation of 12,833 million yen.
3. Fair value as of the end of the fiscal year is the appraisal value according to outside real estate appraisers based on Japanese Real Estate Appraisal Standards in the case of key properties and the fair value based on indicators such as the assessed value of noncurrent assets and the road tax rating for other properties.
4. Properties under development were not included in the above table because it was difficult to determine the market value. Furthermore, properties under development recorded in the consolidated balance sheet for the fiscal year ended March 31, 2020 and 2021 were 156,001 million yen and 171,670 million yen, respectively.

20. Segment Information

20.1 Segment information

20.1.1 Summary of reportable segments

The Group's reportable segments, which make financial information for units of the Group available, are regularly reviewed by the Board of Directors to determine the allocation of management resources and evaluate business results.

The Group, centering on six core companies of Hankyu Corporation, Hanshin Electric Railway Co., Ltd., Hankyu Hanshin Properties Corp., Hankyu Travel International Co., Ltd., Hankyu Hanshin Express Co., Ltd. and Hankyu Hanshin Hotels Co., Ltd., under the leadership of the Company in charge of management of the Group, is running business centered around the seven business areas of urban transportation, real estate, entertainment, information and communication technology, travel, international transportation and hotels.

The nature of the business in each reportable segment is as follows:

Urban Transportation: Railway operations, automobile and retailing businesses

Real Estate: Rental real estate, real estate sales and other businesses

Entertainment: Sports-related businesses and stage events

Information and Communication Technology: Information and communication technology business

Travel: Travel services

International Transportation: International cargo services

Hotels: Hotel ownership and management

20.1.2 Method used to calculate revenues from operations, income (or loss), assets and other items for each reportable segment

The accounting treatment for each reportable business segment is based on the methods described in Note 2, "Basis of Preparation of Consolidated Financial Statements," including Internal transactions (lease transactions for lands and buildings, etc.) that are calculated through management accounting at companies with businesses covering multiple segments.

Income (or loss) for each reportable segment refers to a figure based on operating income (or loss).

Intersegment revenues from operations and transfers are mainly based on similar to that for regular transactions.

20.1.3 Information regarding totals for revenues from operations, income (loss), assets and other items by reportable segment

Fiscal year ended March 31, 2020

	Millions of yen									
	Reportable segments							Other (Note 1)	Adjustment (Note 2)	Amounts appearing in the consolidated financial statements (Note 3)
	Urban Transportation	Real Estate	Entertainment	Information and Communication Technology	Travel	International Transportation	Hotels			
Revenues from operations:										
I. Customers	¥ 222,478	¥ 216,805	¥ 72,593	¥ 49,904	¥ 33,762	¥ 76,104	¥ 59,136	¥ 31,472	¥ 393	¥ 762,650
II. Intersegment	4,698	19,241	1,427	8,671	3	81	1,143	11,014	(46,281)	—
Total	227,176	236,046	74,020	58,576	33,766	76,186	60,280	42,486	(45,887)	762,650
Segment income (loss)	40,056	41,510	11,695	5,598	232	170	(3,142)	2,381	(3,332)	95,170
Segment assets	816,195	1,178,160	107,608	55,658	47,286	48,429	88,030	38,040	109,672	2,489,081
Other items:										
Depreciation and amortization	27,621	17,150	3,751	3,752	761	1,310	2,503	381	(691)	56,542
Increase in property and equipment and intangible assets	32,928	32,212	4,161	4,865	1,244	1,111	4,814	198	(446)	81,090

Notes:

1. The "Other" segment refers to a business segment not included in reportable segments and includes the construction business, etc.
2. The main item in the adjusted amount of the segment income or loss for the fiscal year was the amortization of goodwill of (2,238) million yen (amortization of goodwill having originated mainly from the management integration with Hanshin Electric Railway Co., Ltd. in fiscal 2007).
In addition to the balance of unamortized goodwill of 13,987 million yen (goodwill having originated mainly from the management integration with Hanshin Electric Railway Co., Ltd. in fiscal 2007), the adjusted amount for segment assets includes surplus working capital (cash and deposits), long-term investment funds (investment securities), unallocated assets such as land and intersegment eliminations at the Company, Hankyu Corporation and Hanshin Electric Railway Co., Ltd.
3. Segment profit and loss is adjusted with operating income in the consolidated statements of income.

Fiscal year ended March 31, 2021

	Millions of yen									
	Reportable segments							Other (Note 1)	Adjustment (Note 2)	Amounts appearing in the consolidated financial statements (Note 3)
	Urban Transportation	Real Estate	Entertainment	Information and Communication Technology	Travel	International Transportation	Hotels			
Revenues from operations:										
I. Customers	¥ 152,355	¥ 173,240	¥ 41,442	¥ 49,838	¥ 11,954	¥ 85,468	¥ 18,463	¥ 35,734	¥ 402	¥ 568,900
II. Intersegment	4,570	15,119	749	8,245	6	84	682	14,106	(43,563)	—
Total	156,926	188,360	42,192	58,083	11,960	85,552	19,145	49,840	(43,160)	568,900
Segment income (loss)	(5,108)	28,923	(2,258)	5,556	(7,397)	2,308	(17,927)	1,881	(3,911)	2,066
Segment assets	814,650	1,298,114	106,310	58,743	29,626	52,616	91,230	39,985	129,750	2,621,028
Other items:										
Depreciation and amortization	27,052	17,302	2,942	4,246	886	1,288	2,369	456	(812)	55,733
Increase in property and equipment and intangible assets	29,515	68,762	1,716	4,544	1,352	687	1,922	329	(358)	108,472

	Thousands of U.S. dollars									
	Reportable segments							Other (Note 1)	Adjustment (Note 2)	Amounts appearing in the consolidated financial statements (Note 3)
	Urban Transportation	Real Estate	Entertainment	Information and Communication Technology	Travel	International Transportation	Hotels			
Revenues from operations:										
I. Customers	\$ 1,372,568	\$ 1,560,721	\$ 373,351	\$ 448,991	\$ 107,694	\$ 769,982	\$ 166,333	\$ 321,928	\$ 3,622	\$ 5,125,225
II. Intersegment	41,171	136,207	6,748	74,279	54	757	6,144	127,081	(392,459)	—
Total	1,413,748	1,696,937	380,108	523,270	107,748	770,739	172,477	449,009	(388,829)	5,125,225
Segment income (loss)	(46,018)	260,568	(20,342)	50,054	(66,640)	20,793	(161,505)	16,946	(35,234)	18,613
Segment assets	7,339,189	11,694,721	957,748	529,216	266,901	474,018	821,892	360,225	1,168,919	23,612,865
Other items:										
Depreciation and amortization	243,712	155,874	26,505	38,252	7,982	11,604	21,342	4,108	(7,315)	502,099
Increase in property and equipment and intangible assets	265,901	619,477	15,459	40,937	12,180	6,189	17,315	2,964	(3,225)	977,225

Notes:

1. The "Other" segment refers to a business segment not included in reportable segments and includes the construction business, etc.
2. The main item in the adjusted amount of the segment income or loss for the fiscal year was the amortization of goodwill of (2,238) million yen (amortization of goodwill having originated mainly from the management integration with Hanshin Electric Railway Co., Ltd. in fiscal 2007).
In addition to the balance of unamortized goodwill of 11,749 million yen (goodwill having originated mainly from the management integration with Hanshin Electric Railway Co., Ltd. in fiscal 2007), the adjusted amount for segment assets includes surplus working capital (cash and deposits), long-term investment funds (investment securities), unallocated assets such as land and intersegment eliminations at the Company, Hankyu Corporation and Hanshin Electric Railway Co., Ltd.
3. Segment profit and loss is adjusted with operating income in the consolidated statements of income.

20.2 Related information

Fiscal years ended March 31, 2020 and 2021

20.2.1 Information by product and service

Information about product and service categories is the same as that described in Note 20.1.3, "Information regarding totals for revenues from operations, income (loss), assets and other items by reportable segment."

20.2.2 Information by region

I. Revenues from operations

Since over 90% of revenues from operations in the consolidated statements of income are revenues from external customers in Japan, a breakdown by region is omitted.

II. Property and equipment

Since over 90% of the total value of property and equipment in the consolidated balance sheets relates to property and equipment in Japan, a breakdown by region is omitted.

20.2.3 Information about important customers

No single external customer accounts for more than 10% of the revenues from operations reported in the consolidated statements of income.

20.3 Information regarding impairment loss on noncurrent assets for each reportable segment

Fiscal year ended March 31, 2020

Omitted as the significance was negligible.

Fiscal year ended March 31, 2021

In the "Hotels" segment, an impairment loss of 9,676 million yen was recorded as a structural reform-related loss under extraordinary loss.

20.4 Information regarding amortization of goodwill and the balance of unamortized goodwill by reportable segment

Information is omitted as the significance was negligible.

20.5 Information regarding gains from negative goodwill by reportable segment

Information is omitted as the significance was negligible.

21. Related-party transactions

21.1 Related-party transactions

21.1.1 Transactions between the company submitting the consolidated financial statements and related parties

No items

21.1.2 Transactions between consolidated subsidiaries of the company submitting the consolidated financial statements and related parties

I. Nonconsolidated subsidiary or related company of the company that submitted the financial statements

Fiscal year ended March 31, 2020

Type	Name of Company, etc.	Address	Amount of capital (Millions of yen)	Business	Voting interest	Relationship with related party	Details of transaction	Transaction amounts (Millions of yen)	Item	Balance as of March 31, 2020 (Millions of yen)
Subsidiary of Related Company	Hankyu Hanshin Department Stores, Inc.	Kita-ku, Osaka City	¥ 200	Department store business	None	Lease of real estate	Acceptance of deposits	—	Deposit	¥27,099

Fiscal year ended March 31, 2021

Type	Name of Company, etc.	Address	Amount of capital (Millions of yen)	Business	Voting interest	Relationship with related party	Details of transaction	Transaction amounts		Item	Balance as of March 31, 2021	
								(Millions of yen)	(Thousands of U.S. dollars)		(Millions of yen)	(Thousands of U.S. dollars)
Subsidiary of Related Company	Hankyu Hanshin Department Stores, Inc.	Kita-ku, Osaka City	¥ 200	Department store business	None	Lease of real estate, Directors holding concurrent posts	Acceptance of deposits	—	—	Deposit	¥27,098	\$244,126

Notes:

1. The transaction amount and the balance as of the end of the fiscal year do not include any consumption tax.

2. Terms and conditions of transactions and policies for determining terms and conditions of transactions

Terms and conditions for deposits are determined in the same way as general transactions.

II. Directors and principal shareholders (only individual shareholders) of the company submitting the consolidated financial statements

Fiscal year ended March 31, 2020

Type	Name of related party	Address	Amount of capital (Millions of yen)	Business	Voting interest	Relationship with related party	Details of transaction	Transaction amounts (Millions of yen)	Item	Balance as of March 31, 2020 (Millions of yen)
Audit & Supervisory Board Member	Haruo Sakaguchi	—	¥ —	Auditor of the Company	Directly 0.0%	Lease of real estate	Lease of real estate	¥ 53	Deposit	¥ 40
Director of Major Subsidiary	Tomiyuki Matsuda	—	—	Director at Hankyu Hanshin Properties Corp.	Directly 0.0%	Contract for renovation work	Renovation work	10	—	—

Fiscal year ended March 31, 2021

Type	Name of related party	Address	Amount of capital		Business	Voting interest	Relationship with related party	Details of transaction	Transaction amounts		Item	Balance as of March 31, 2021	
			(Millions of yen)	(Thousands of U.S. dollars)					(Millions of yen)	(Thousands of U.S. dollars)		(Millions of yen)	(Thousands of U.S. dollars)
Auditor of Major Subsidiary	Haruo Sakaguchi	—	¥ —	\$ —	Auditor of Hankyu Corporation	Directly 0.0%	Lease of real estate	Lease of real estate	¥ 53	\$ 477	Deposit	¥ 40	\$ 360
Close relative of Major Subsidiary's Auditor	Close relative of Toshiro Kuroki	—	—	—	Close relative of Auditor of Hanshin Electric Railway Co., Ltd.	None	Sale of condominiums	Sale of condominiums	28	252	—	—	—

Notes:

1. The transaction amount and the balance as of the end of the fiscal year do not include any consumption tax.

2. Terms and conditions of transactions and policies for determining terms and conditions of transactions

Terms and conditions for leases are determined by referencing to similar transaction cases in the neighboring area.

Terms and conditions for sales of condominiums are rationally determined after negotiations, taking into consideration the actual market value.

21.2 Notes about parent company and major affiliated companies

No items

22. Per Share Information

Net assets per share and the calculation basis, net income or net loss per share and the basis for their respective calculations are as shown below.

	2020	2021	2021
(1) Net assets per share (Yen / U.S. dollars)	¥ 3,738.56	¥ 3,598.83	\$ 32.42
(Basis for the calculation)			
Total net assets (Millions of yen / Thousands of U.S. dollars)	¥ 937,672	¥ 909,985	\$ 8,198,063
Amount to be deducted from total net assets (Millions of yen / Thousands of U.S. dollars)	¥ 32,025	¥ 42,834	\$ 385,892
(Of the amount, non-controlling interests)	¥ [32,025]	¥ [42,834]	\$ [385,892]
Net assets at the end of the fiscal year related to common shares (Millions of yen / Thousands of U.S. dollars)	¥ 905,647	¥ 867,151	7,812,171
Common shares issued (Thousands of shares)	254,281	254,281	
Treasury stock shares (Thousands of shares)	10,877	12,166	
Common shares held by consolidated subsidiaries and equity-method affiliates (Thousands of shares)	1,159	1,161	
Common shares used to calculate net assets per share (Thousands of shares)	242,245	240,953	
(2) Net income (loss) per share (Yen / U.S. dollars)	¥ 225.69	¥ (151.72)	\$ (1.37)
(Basis for the calculation)			
Net income (loss) attributable to owners of the parent (Millions of yen / Thousands of U.S. dollars)	¥ 54,859	¥ (36,702)	\$ (330,649)
Amount not belonging to common stockholders (Millions of yen / Thousands of U.S. dollars)	¥ —	¥ —	\$ —
Net income (loss) attributable to owners of the parent related to common share (Millions of yen / Thousands of U.S. dollars)	¥ 54,859	¥ (36,702)	\$ (330,649)
Average number of common shares during term (Thousands of shares)	243,077	241,903	

Notes:

1. In calculating net assets per share, the number of shares in the Company owned by the officer's compensation BIP trust is included in that of treasury stock shares to be excluded from the total number of outstanding shares at the end of the fiscal year. Furthermore, in calculating the net income (loss) per share for the current fiscal year, the number of the shares in the Company owned by the officer's compensation BIP trust is included in that of treasury stock shares to be excluded in calculating the average number of the shares during the current fiscal year. The number of such treasury stock shares deducted in calculating the net assets per share as of March 31, 2020 was 367,308, and, as of March 31, 2021, was 408,268. The average number of treasury stock shares deducted in calculating the net income (loss) per share for the fiscal year ended March 31, 2020, was 371,785, and, for the fiscal year ended March 31, 2021, was 371,271.
2. As there are no residual shares with a dilutive effect, diluted net income per share for the consolidated fiscal year ended March 31, 2020 has been omitted. For the consolidated fiscal year ended March 31, 2021, diluted net income per share is omitted because a net loss per share was recorded despite the existence of dilutive shares.

23. Subsequent Events

23.1

Not applicable.

24. Consolidated Supplementary Statements

24.1 Corporate bond statements

Company	Name	Issue date	Millions of yen		Thousands of U.S. dollars	Interest rate	Security	Redemption date
			Balance as of April 1, 2020	Balance as of March 31, 2021	Balance as of March 31, 2021			
Hankyu Hanshin Holdings, Inc.	Series 40 unsecured corporate bonds	Sep 22, 2010	¥ 15,000	¥ —	\$ —	1.430%	None	Sep 18, 2020
Hankyu Hanshin Holdings, Inc.	Series 41 unsecured corporate bonds	Sep 22, 2010	7,000	7,000	63,063	1.720	None	Sep 22, 2022
Hankyu Hanshin Holdings, Inc.	Series 42 unsecured corporate bonds	Mar 17, 2011	10,000	—	—	1.540	None	Mar 17, 2021
Hankyu Hanshin Holdings, Inc.	Series 46 unsecured corporate bonds	Oct 25, 2013	10,000	10,000	90,090	0.819	None	Oct 25, 2023
Hankyu Hanshin Holdings, Inc.	Series 47 unsecured corporate bonds	Jul 18, 2014	10,000	10,000	90,090	1.202	None	Jul 18, 2029
Hankyu Hanshin Holdings, Inc.	Series 48 unsecured corporate bonds	Dec 15, 2016	10,000	10,000 (10,000)	90,090 (90,090)	0.120	None	Dec 15, 2021
Hankyu Hanshin Holdings, Inc.	Series 49 unsecured corporate bonds	Dec 15, 2016	10,000	10,000	90,090	0.817	None	Dec 15, 2036
Hankyu Hanshin Holdings, Inc.	Series 50 unsecured corporate bonds	Sep 13, 2018	10,000	10,000	90,090	0.345	None	Sep 13, 2028
Hankyu Hanshin Holdings, Inc.	Series 51 unsecured corporate bonds	Sep 13, 2018	10,000	10,000	90,090	0.789	None	Sep 13, 2038
Hankyu Hanshin Holdings, Inc.	Series 52 unsecured corporate bonds	Nov 21, 2019	10,000	10,000	90,090	0.215	None	Nov 21, 2029
Hankyu Hanshin Holdings, Inc.	Series 53 unsecured corporate bonds	Nov 21, 2019	10,000	10,000	90,090	0.878	None	Nov 19, 2049
Hankyu Hanshin Holdings, Inc.	Series 54 unsecured corporate bonds	Feb 27, 2020	10,000	10,000	90,090	0.486	None	Feb 27, 2040
Hankyu Hanshin Holdings, Inc.	Series 55 unsecured corporate bonds	Jul 17, 2020	—	20,000	180,180	0.001	None	Jul 14, 2023
Hankyu Hanshin Holdings, Inc.	Series 56 unsecured corporate bonds	Jul 17, 2020	—	10,000	90,090	0.120	None	Jul 17, 2025
Hankyu Hanshin Holdings, Inc.	Series 57 unsecured corporate bonds	Jul 17, 2020	—	20,000	180,180	0.280	None	Jul 17, 2030
Hankyu Hanshin Holdings, Inc.	Series 58 unsecured corporate bonds	Feb 26, 2021	—	20,000	180,180	0.090	None	Feb 26, 2026
Hankyu Hanshin Holdings, Inc.	Series 59 unsecured corporate bonds	Feb 26, 2021	—	10,000	90,090	0.270	None	Feb 26, 2031
Hankyu Hanshin Holdings, Inc.	Series 60 unsecured corporate bonds	Feb 26, 2021	—	20,000	180,180	0.680	None	Feb 26, 2041
Total	—	—	122,000	197,000 (10,000)	1,774,775 (90,090)	—	—	—

Notes:

1. The figures in parenthesis for the balances as of March 31, 2021 are the amounts payable within one year of the total outstanding and are listed as current liabilities in the consolidated balance sheet.
2. The amounts of bonds scheduled to be redeemed within five years subsequent to March 31, 2021 are as follows.

	Millions of yen	Thousands of U.S. dollars
Due within one year	¥ 10,000	\$ 90,090
Due after one year through two years	7,000	63,063
Due after two years through three years	30,000	270,270
Due after three years through four years	—	—
Due after four years through five years	30,000	270,270

24.2 Statements of loans payable

Item	Millions of yen		Thousands of U.S. dollars	Average interest rate	Repayment deadline
	Balance as of April 1, 2020	Balance as of March 31, 2021	Balance as of March 31, 2021		
Short-term borrowings	¥ 123,710	¥ 106,263	\$ 957,324	0.334%	—
Current portion of long-term debt	34,696	44,971	405,144	0.783	—
Current portion of lease obligations	2,404	3,206	28,883	—	—
Long-term debt (excluding current portion)	615,058	673,387	6,066,550	0.776	2022–2041
Lease obligations (excluding current portion)	5,609	8,219	74,045	—	2022–2031
Other interest-bearing debt					
Commercial paper (to be repaid within one year)	—	30,000	270,270	(0.057)	—
Total	781,480	866,048	7,802,234	—	—

Notes:

1. The balances refer to those after the elimination of transactions between companies in the consolidated group.
2. "Average interest rate" of loans payable refers to the weighted average interest rate for outstanding loans as of the end of the fiscal year ended March 31, 2021.
3. For lease obligations, "average interest rate" is not shown because the Company uses mainly the method that includes the amount of interest in total lease obligations and that spreads the total amount of interest equally over each fiscal year of the lease period.
4. The repayment schedule for long-term debt and lease obligations (excluding those scheduled to be repaid within one year) within five years subsequent to March 31, 2021 is as follows.

Long-term debt	Millions of yen	Thousands of U.S. dollars
Due after one year through two years	¥ 54,271	\$ 488,928
Due after two years through three years	90,905	818,964
Due after three years through four years	82,436	742,667
Due after four years through five years	70,250	632,883

Lease obligations	Millions of yen	Thousands of U.S. dollars
Due after one year through two years	¥ 2,805	\$ 25,270
Due after two years through three years	2,316	20,865
Due after three years through four years	1,695	15,270
Due after four years through five years	822	7,405

24.3 Schedule of asset retirement obligations

The schedule is omitted as the significance was negligible.

Others

Quarterly financial information in fiscal year ended March 31, 2021

Cumulative period	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Revenues from operations (Millions of yen)	¥ 111,286	¥ 241,018	¥ 394,037	¥ 568,900
Loss before income taxes for quarter of the fiscal year (Millions of yen)	(25,510)	(29,165)	(18,941)	(41,013)
Net loss attributable to owners of the parent for quarter of the fiscal year (Millions of yen)	(18,900)	(23,007)	(16,858)	(36,702)
Net loss per share for quarter of the fiscal year (yen)	(78.02)	(94.97)	(69.62)	(151.72)

Cumulative period	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Revenues from operations (Thousands of U.S. dollars)	\$ 1,002,577	\$ 2,171,333	\$ 3,549,883	\$ 5,125,225
Loss before income taxes for quarter of the fiscal year (Thousands of U.S. dollars)	(229,820)	(262,748)	(170,640)	(369,486)
Net loss attributable to owners of the parent for quarter of the fiscal year (Thousands of U.S. dollars)	(170,270)	(207,270)	(151,874)	(330,649)
Net loss per share for quarter of the fiscal year (U.S. dollars)	(0.70)	(0.86)	(0.63)	(1.37)

Accounting period	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Net income (loss) per share for quarter of the fiscal year (yen)	¥ (78.02)	¥ (16.95)	¥ 25.40	¥ (82.28)

Accounting period	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Net income (loss) per share for quarter of the fiscal year (U.S. dollars)	\$ (0.70)	\$ (0.15)	\$ 0.23	\$ (0.74)

Major Group Companies

Consolidated Subsidiaries (As of March 31, 2021)

Urban Transportation

	Name of company
Railway operations	Hankyu Corporation Hanshin Electric Railway Co., Ltd. Nose Electric Railway Co., Ltd. Kita-Osaka Kyuko Railway Co., Ltd. Kobe Rapid Transit Railway Co., Ltd.
Automobile	Hankyu Bus Co., Ltd. Hanshin Bus Co., Ltd. Hankyu Taxi Inc. Hanshin Taxi Co., Ltd.
Retailing	Hankyu Corporation Eki Retail Service Hankyu Hanshin Co., Ltd. Hankyu Style Labels Co., Ltd.
Other	Alna Sharyo Co., Ltd. Hankyu Sekkei Consultant Hanshin Station Net Co., Ltd.

Real Estate

	Name of company
Real estate leasing	Hankyu Corporation Hanshin Electric Railway Co., Ltd. Hankyu Hanshin Properties Corp.
Real estate sales and other business	Hankyu Corporation Hanshin Electric Railway Co., Ltd. Hankyu Hanshin Properties Corp. Hankyu Hanshin Building Management Co., Ltd. Hankyu Hanshin High Security Service Co., Ltd. Hankyu Hanshin Clean Service Co., Ltd. Hankyu Hanshin REIT Asset Management, Inc. Hankyu Hanshin Housing Support Ltd.

Entertainment

	Name of company
Sports	Hanshin Electric Railway Co., Ltd. Hanshin Tigers Baseball Club, Ltd. Hanshin Contents Link Corporation
Stage	Hankyu Corporation Takarazuka Creative Arts Co., Ltd. Umeda Arts Theater Co., Ltd.

Information and Communication Technology

	Name of company
Information and Communication Technology	Itec Hankyu Hanshin Co., Ltd. Bay Communications Inc.

Travel

	Name of company
Travel agency	Hankyu Travel International Co., Ltd. Hankyu Travel Support Co., Ltd.

International Transportation

	Name of company
International transportation	Hankyu Hanshin Express Co., Ltd. Hankyu Hanshin Logipartners Co., Ltd. HHE (USA) Inc. HHE (Deutschland) GmbH HHE (HK) Limited HHE Southeast Asia Pte. Ltd. HHE: Hankyu Hanshin Express

Hotels

	Name of company
Hotel management	Hankyu Hanshin Hotels Co., Ltd. Hanshin Hotel Systems Co., Ltd. Arima View Hotel Co., Ltd.

Other

	Name of company
Construction	Hanshin Kensetsu Co., Ltd. Chuo Densetsu Co., Ltd.
Advertising and media design	hankyu hanshin marketing solutions Inc.
Outsourcing services for personnel and accounting services	Hankyu Hanshin Business Associate Co., Ltd.
Credit and point card	Hankyu Hanshin Card Co., Ltd.
Group finance	Hankyu Hanshin Financial Support Co., Ltd.

Equity-Method Affiliates (As of March 31, 2021)

Main business	Name of company
Department store	H ₂ O RETAILING CORPORATION (Securities code: 8242)
Railway operations	Nishi-Osaka Railway Co., Ltd. Kobe Electric Railway Co., Ltd. (Securities code: 9046)
Motion picture business	TOHO CO., LTD. (Securities code: 9602)
Real estate leasing	TOKYO RAKUTENCHI CO., LTD. (Securities code: 8842)
Commercial broadcasting	Kansai Television Co., Ltd.

Company Overview and Investor Information

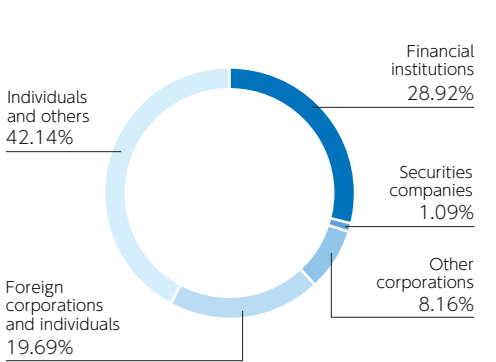
Hankyu Hanshin Holdings, Inc. (As of March 31, 2021)

Head Office	Paid-in Capital	¥99,474 million
1-16-1, Shibata, Kita-ku, Osaka 530-0012, Japan	Fiscal Year-End	March 31
Phone: +81-6-6373-5001	Number of Employees	23,192 (consolidated)
(IR Office, Corporate Communication Dept., Group Planning Div.)	Authorised Shares	640,000,000
Fax: +81-6-6373-5042	Issued Shares	254,281,385
Tokyo Office (Personnel and General Affairs Div.)	Number of Shareholders	77,070
17F Toho Hibiya Bldg. 1-2-2, Yurakucho, Chiyoda-ku,	Unit of Trading	100 shares
Tokyo 100-0006, Japan	Stock Exchange Listing	Tokyo
Phone: +81-3-3503-1568	Transfer Agent	Mitsubishi UFJ Trust and Banking Corporation
Fax: +81-3-3508-0249		

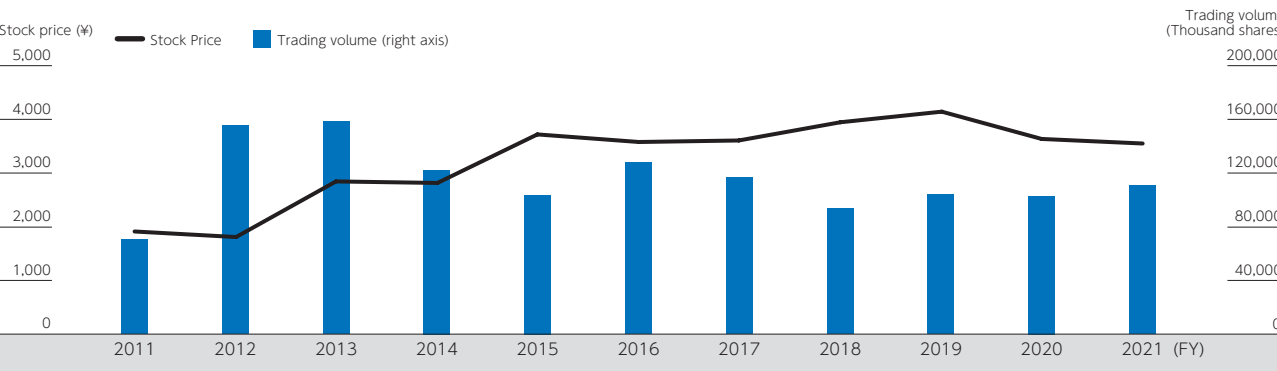
Principal Shareholders

Name	Number of shares (Thousands)	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	18,919	7.80
Custody Bank of Japan, Ltd. (Trust account)	11,635	4.80
Nippon Life Insurance Company (Standing Proxy: The Master Trust Bank of Japan, Ltd.)	5,224	2.15
H ₂ O RETAILING CORPORATION	4,207	1.73
STATE STREET BANK WEST CLIENT-TREATY 505234 (Standing Proxy: Mizuho Bank, Ltd. Settlement & Clearing Services Division)	4,029	1.66
Custody Bank of Japan, Ltd. (Trust account 7)	3,895	1.61
Custody Bank of Japan, Ltd. (Trust account 5)	3,872	1.60
Sumitomo Mitsui Banking Corporation	3,581	1.48
Custody Bank of Japan, Ltd. (Trust account 6)	3,433	1.42
Custody Bank of Japan, Ltd. (Trust account 1)	3,083	1.27

Ownership Breakdown



Stock Price and Annual Trading Volume (Tokyo Stock Exchange)



- Notes:
- The stock prices are as of the end of each fiscal year (March 31). The trading volumes are for each fiscal year (April 1 to March 31).
 - The data takes into account the reverse stock split and the change of trading unit conducted with an effective date of August 1, 2016.

Hankyu Hanshin Holdings, Inc.

1-16-1, Shibata, Kita-ku, Osaka 530-0012, Japan

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<https://www.hankyu-hanshin.co.jp/en/>

Hankyu Hanshin Toho Group