Annual Report 2012

Building a Base for New Growth

Hankyu Hanshin Holdings

Securities code: 9042

Building a Base for New Growth

Centred on the Kansai district of Japan, Hankyu Hanshin Holdings Group operates six core businesses—Urban Transportation, Real Estate, Entertainment and Communications, Travel and International Transportation, Hotels, and Retailing. The Group is one of the primary private-sector railways operators in Japan. In October 2006, the Hankyu Hanshin Holdings Group came into being through the management integration of Hankyu Holdings, Inc. and Hanshin Electric Railway Co., Ltd.

The Kansai district, the main base of our operations, accounts for approximately 16% of Japan's GDP. In this, the second-largest economic area in the country, the Group operates railway networks linking Osaka, Kobe and Kyoto and a wide range of secondary businesses in areas served by our stations ranging from housing and shopping centres to the Hanshin Tigers professional baseball team and Takarazuka Revue. By providing services that did not exist previously, the Group offers more fulfilling lifestyles and contributes to community-building in areas served by its lines. In pursuing future growth, the Group will work to increase value along Group railway lines while leveraging its know-how in community-building and its brand power.

The theme of the 2012 Annual Report is "Building a Base for New Growth." Through it, the Group aims to give stakeholders an overall understanding of our business operations, including the steady progress we have made in improvement of financial standing to position us for the next stage of growth.

Annual Report 2012

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Forward-looking Statements

The reader is advised that this 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 the time of writing. Actual results may therefore differ substantially from such statements.

About the compilation of this Annual Report and the auditing company used

The financial section of this Annual Report includes a digest of information including consolidated financial statements in the Company's Securities Report for the 174th period, audited by KPMG AZSA LLC presented in somewhat changed 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 Annual Report itself has not been audited by KPMG AZSA LLC.

Definition

"Fiscal 2012" refers to the fiscal year ended 31st March 2012. Other fiscal years are referred to in a corresponding manner in this Annual Report. Figures are basically rounded off. Sums expressed in units of ¥100 million are rounded to the nearest ¥100 million.

Our Business Field

The history of the Hankyu Hanshin Holdings Group goes back to the start of operation of a railway business in the early 1900s, based on Umeda (Osaka) district. This was at a time when railways were spreading across the whole of Japan. Aiming to secure a stable revenue from passenger transportation services, right from the start the predecessor companies of Hankyu Hanshin Holdings Group aggressively acquired and developed residential districts for service by their railway stations. The Ikeda-Muromachi housing development, where subdivision sales were commenced in 1910, was the first residential district to be developed by a Japanese private railway company.

Subsequently, our predecessor companies branched out into one new service after another, including the provision of entertainment, operation of department stores at railway terminuses, and management of commercial facilities and office buildings. They also persuaded educational institutions such as private colleges to build new facilities on sites served by their railway stations. In this way, by offering innovative and attractive services to residents of the communities served by their railway lines, the companies' core railway operations and other businesses were able to realise strong growth through synergy. This reciprocal development also served to promote cultural development in the areas served by the companies' railway lines, and this pioneering business model later became standard for private railway operators all over Japan.

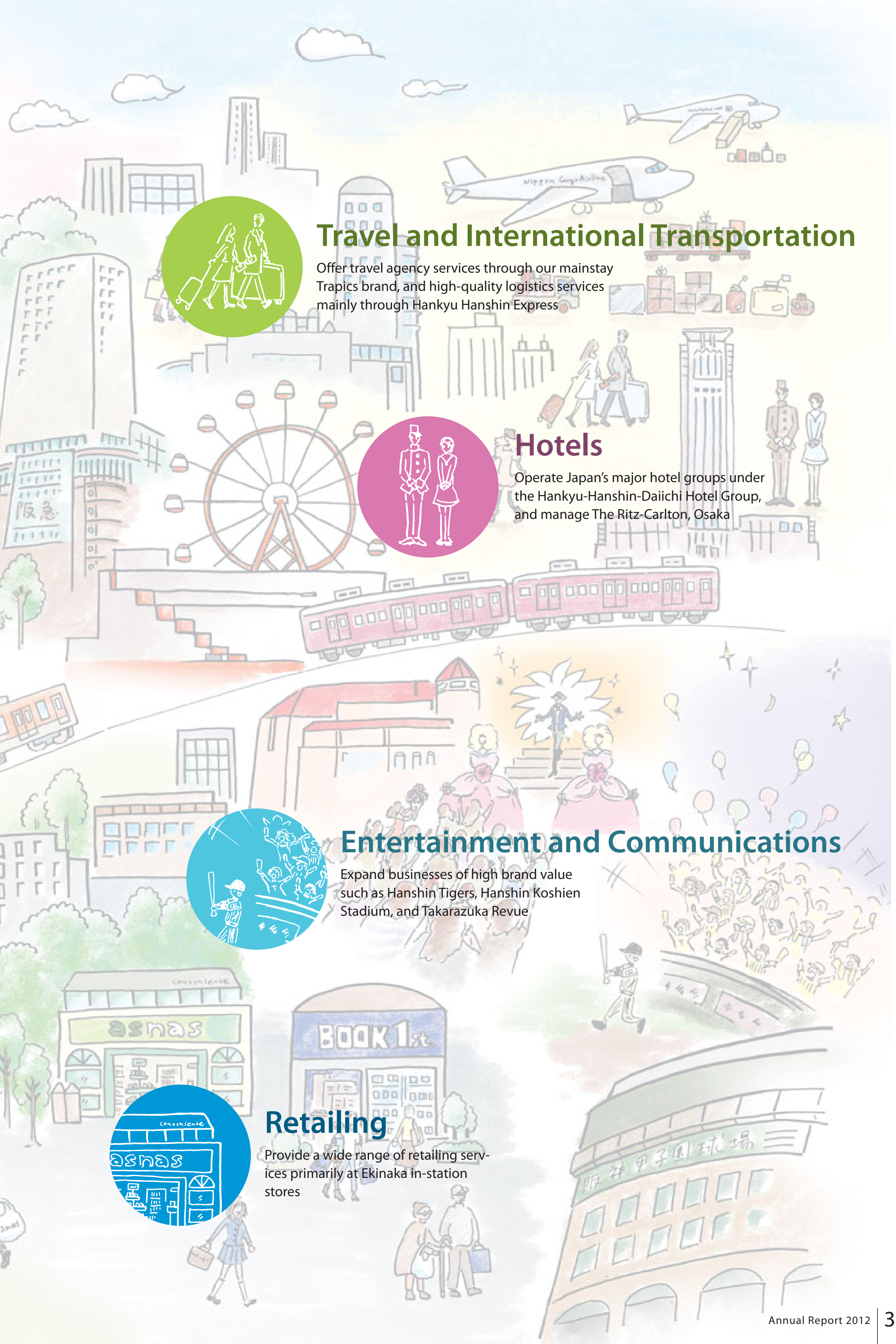
Looking ahead, while placing a very high priority on maintaining a relationship of trust with the residents of areas served by our railway lines, the Group will continue to develop these areas to enhance the attractiveness of each community as a whole. This is in line with our basic policy of attracting more and more people to come and live in communities served by our railway stations.

Urban Transportation

Develop businesses that will optimally leverage the potential of the areas served by our lines connecting Kobe, Kyoto and Namba through the central point of Umeda in the Kansai economic zone

Real Estate

Develop and manage high-quality housing, commercial facilities, and offices in the areas served by our lines



Travel and International Transportation

Offer travel agency services through our mainstay Trapics brand, and high-quality logistics services mainly through Hankyu Hanshin Express

Hotels

Operate Japan's major hotel groups under the Hankyu-Hanshin-Daiichi Hotel Group, and manage The Ritz-Carlton, Osaka

Entertainment and Communications

Expand businesses of high brand value such as Hanshin Tigers, Hanshin Koshien Stadium, and Takarazuka Revue

Retailing

Provide a wide range of retailing services primarily at Ekinaka in-station stores

Snap Shot

Revenues from operations ¥649.7 billion

Operating income ¥73.8 billion

Net income ¥39.3 billion

Real estate holdings — Leasable area (m^2) 1.6 million

Total attendances at Hanshin Tigers Home Games 2.9 million

Total attendances at Takarazuka Revue 2.4 million

Travel billings ¥345.7 billion

International transportation sales ¥77.7 billion

Group hotels 48 hotels / 10,069 rooms

Number of retail outlets 312

Annual number of passengers carried

Hankyu Railway Network 608,632 thousand

Hanshin Electric Railway Network 218,560 thousand

Composition ratio by core business

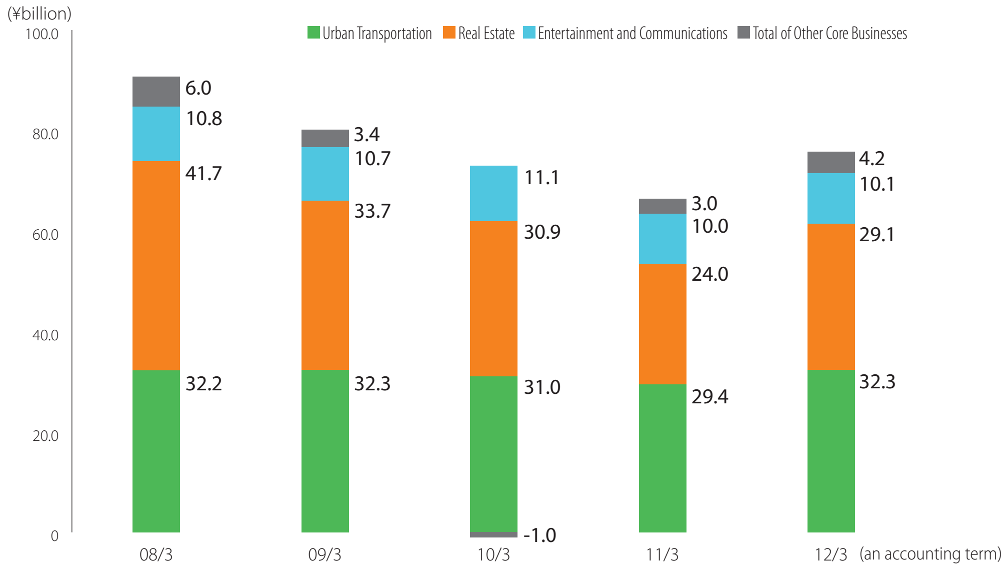
(Fiscal year ended March 2012)

The Group has focused on the development of areas along its lines since its opening, and the Urban Transportation and Real Estate businesses together now account for almost 60% of revenues from operations and approximately 80% of operating income. In the Urban Transportation Business, railways account for most earnings, and the same is true of leasing operations in the Real Estate Business. This ensures stable cash flow in both segments. The Group's railway operations connect the central cities of the Kansai economic zone – Osaka, Kobe, and Kyoto – and they display high transportation efficiency. The most distinctive feature of our real estate leasing operations is the large number of properties we own in prime locations near our railway terminuses, principally in Umeda (Osaka) district.

	Revenues from operations	Operating income
Urban Transportation	28.9%	43.8%
Real Estate	24.6%	39.5%
Entertainment and Communications	14.6%	13.7%
Travel and International Transportation	10.4%	4.3%
Hotels	9.8%	—
Retailing	8.2%	1.8%
Other	3.5%	1.0%

* Revenues from operations refer to such revenues generated from external customers, while operating income represents amounts prior to consolidation adjustments.

Operating Income by Core Business

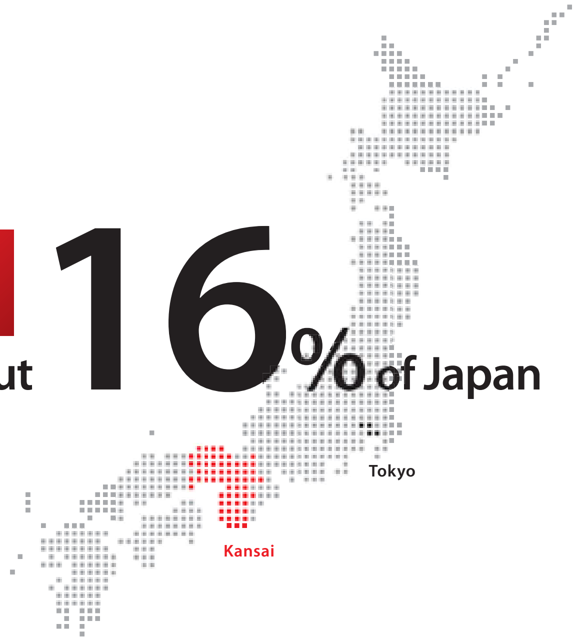


Snap Shot

< Kansai Area >

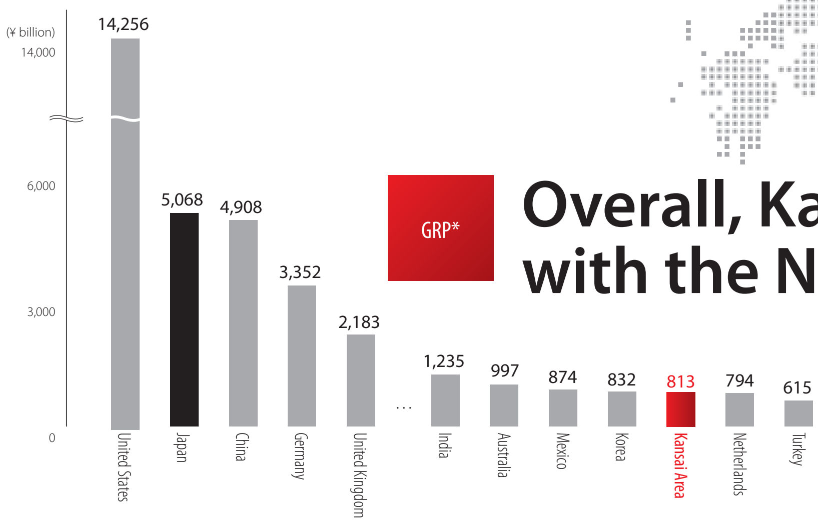
Area
About **7** % of Japan

Kansai's population
About **16** % of Japan



GRP*

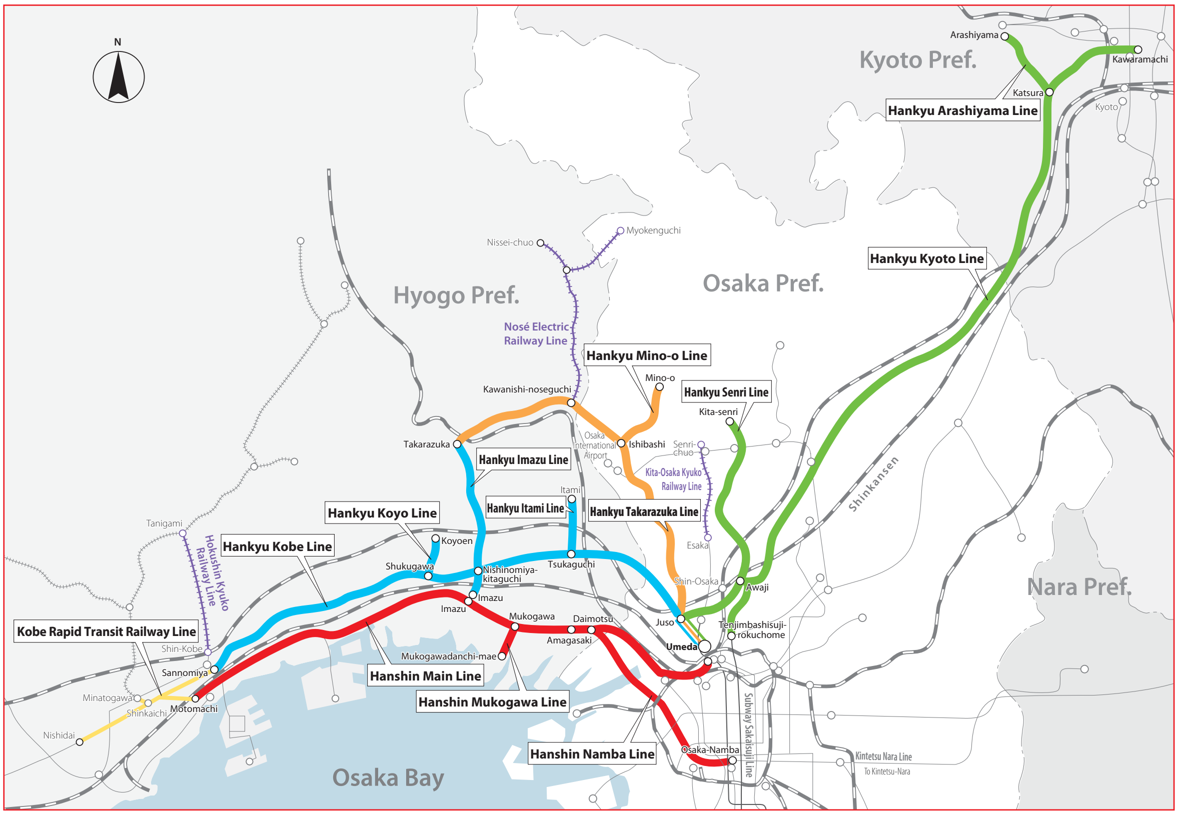
Overall, Kansai is on a par with the Netherlands



*Gross Regional Product
Figures are 2009 GDP

Sources: IMF/World Economic and Financial Surveys 2009
Cabinet Office, Government of Japan, "Prefectural Accounts FY2009"

< Hankyu Railway and Hanshin Electric Railway Network >



< Business Models/Sources of Competitiveness >

High potential of areas served by our stations

The Umeda area of Osaka, the strategic cornerstone of Group operations, (for more information, please see page 28, special feature) is one of the most famous shopping and entertainment districts of Japan, served by JR Osaka Station and the Umeda stations of the Hankyu and Hanshin lines and the Osaka Municipal Subway. It is at the heart of the Kansai economy. In line with the Act on Special Measures concerning Urban Regeneration, on 20th January 2012 the Umeda area was designated as an "area specified for urgent urban regeneration work," and the government is expected to provide support for improvement work to transform the area into an international business hub. In the Umeda area, the Group operates railway terminuses serving both the Hankyu and Hanshin networks, and also runs key commercial facility, office building and hotel businesses (For more information, please see page 47, Major Group Facilities).

Also, the Group's railway network links Umeda (Osaka) with Kobe and Kyoto and other towns constituting the economic hubs of the Kansai district and their suburbs. Areas served by our stations have relatively high population density in the Kansai district.

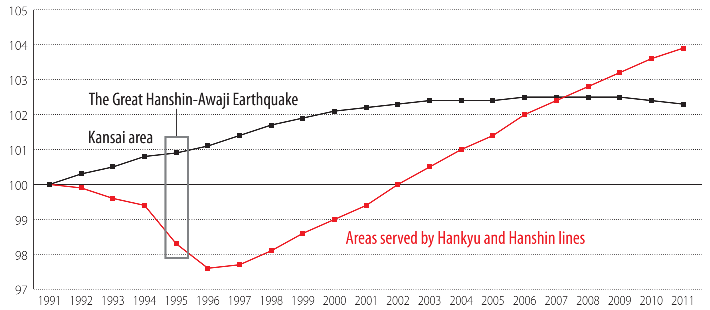
Population trends in areas served by Hankyu and Hanshin lines (1991=100)

*Areas served by Hankyu and Hanshin lines:
Below are lists of areas with Hankyu Corporation and Hanshin Electric Railway stations (including tier 2 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, 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, Nishikyo, out of a total of 11 wards); and Muko and Nagaokakyo cities and Oyamazaki town



Ability to create value in areas served by our stations

The Group creates new demand in the areas served by our lines by developing and managing high-class housing and commercial/amusement facilities, and attracting schools and colleges to these areas. By playing a clear role in establishing and developing local cultural institutions, we are working with local people to develop local communities. The Group has earned an excellent reputation thanks to our long-term efforts to enhance the value of the communities served by our lines, and the areas along the Group's railway lines now enjoy higher popularity levels than other parts of the Kansai region.

Survey of preferred residential areas (Kansai Region)

Source: Survey by Sumitomo Realty & Development and six other major real estate firms (30th September 2011)

Areas along Hankyu and Hanshin lines topped the rankings overall (exception:10th-ranked Tennoji)

Rank	Place	Location	Rank	Place	Location
1	Ashiya	Ashiya, Hyogo	11	Kyoto	Kyoto
2	Nishinomiya	Nishinomiya, Hyogo	12	Suita	Suita, Osaka
3	Shukugawa	Nishinomiya, Hyogo	13	Takarazuka	Takarazuka, Hyogo
4	Umeda	Osaka (Kita-ku)	14	Ibaraki	Ibaraki, Osaka
5	Okamoto	Kobe, Hyogo (Higashi-nada-ku)	15	Toyonaka	Toyonaka, Osaka
6	Kobe	Kobe, Hyogo (Chuo-ku)	15	Takatsuki	Takatsuki, Osaka
7	Senri-chuo	Toyonaka, Osaka	17	Namba	Osaka (Chuo-ku)
8	Sannomiya	Kobe, Hyogo (Chuo-ku)	18	Minoh	Minoh, Osaka
9	Mikage	Kobe, Hyogo (Higashi-nada-ku)	19	Osaka	Osaka (Kita-ku)
10	Tennoji	Osaka (Tennoji-ku)	20	Kurakuen	Nishinomiya, Hyogo

Ownership of content with strong brand value

The Group delivers inspiration and dreams through the Hanshin Tigers professional baseball team/Hanshin Koshien Stadium and the Takarazuka Revue, both of which are unique assets that are popular and enthusiastically supported not only in Kansai but throughout Japan. These two powerful attractions are assets that none of our rivals have. They create economic ripple effects by increasing passenger numbers in the areas served by our stations when there is a show or a game on, and by enabling multiple use of content. They also contribute greatly to increased brand recognition for the Group.

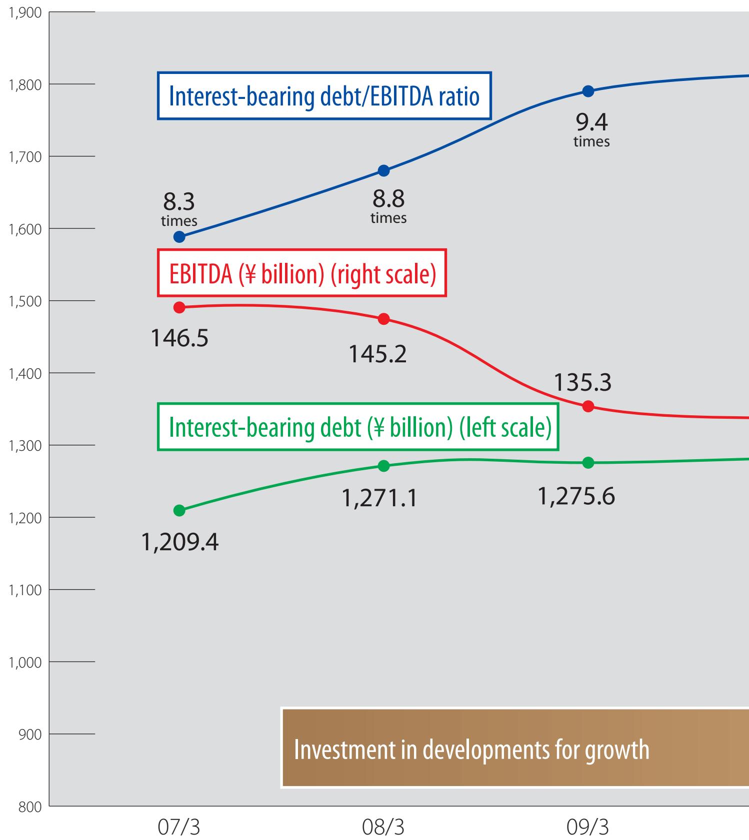
Our Medium-Term Plan

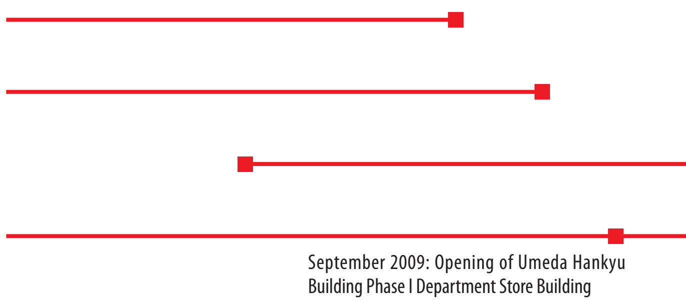
Steady progress in improving our financial position, with the interest-bearing debt/EBITDA ratio set to fall to seven times by fiscal 2016

< Background >

The Group is building enterprise value through major projects such as rebuilding of Umeda Hankyu Building and the Hanshin Namba Line, as well as following a basic policy of improving Group financial standing through effective use of returns from these major projects. As part of this endeavor, we set a target of reducing the consolidated interest-bearing debt/EBITDA ratio to seven times in the Medium-Term Management Plan announced in 2007.

We had originally intended to achieve this target by the year ending March 2013, but this proved unfeasible for various reasons, including schedule changes in the Umeda Hankyu Building reconstruction project, which in turn pushed back the anticipated payback from major projects, and the worsening business environment due to the economic slowdown. However, the Group recognises that it is essential to improve our financial standing to assure sustainable growth into the future, to (1) maintain a certain level of sustained strategic investment to revitalise strategic areas for the Group such as Umeda and areas served by our lines, and (2) to protect ourselves against the risk of rising interest rates in the future. For these reasons, we have set the target of a consolidated interest-bearing debt/EBITDA ratio of seven times, having pushed back the final year of the Medium-Term Management Plan to 31st March 2016, to position us for fresh growth.

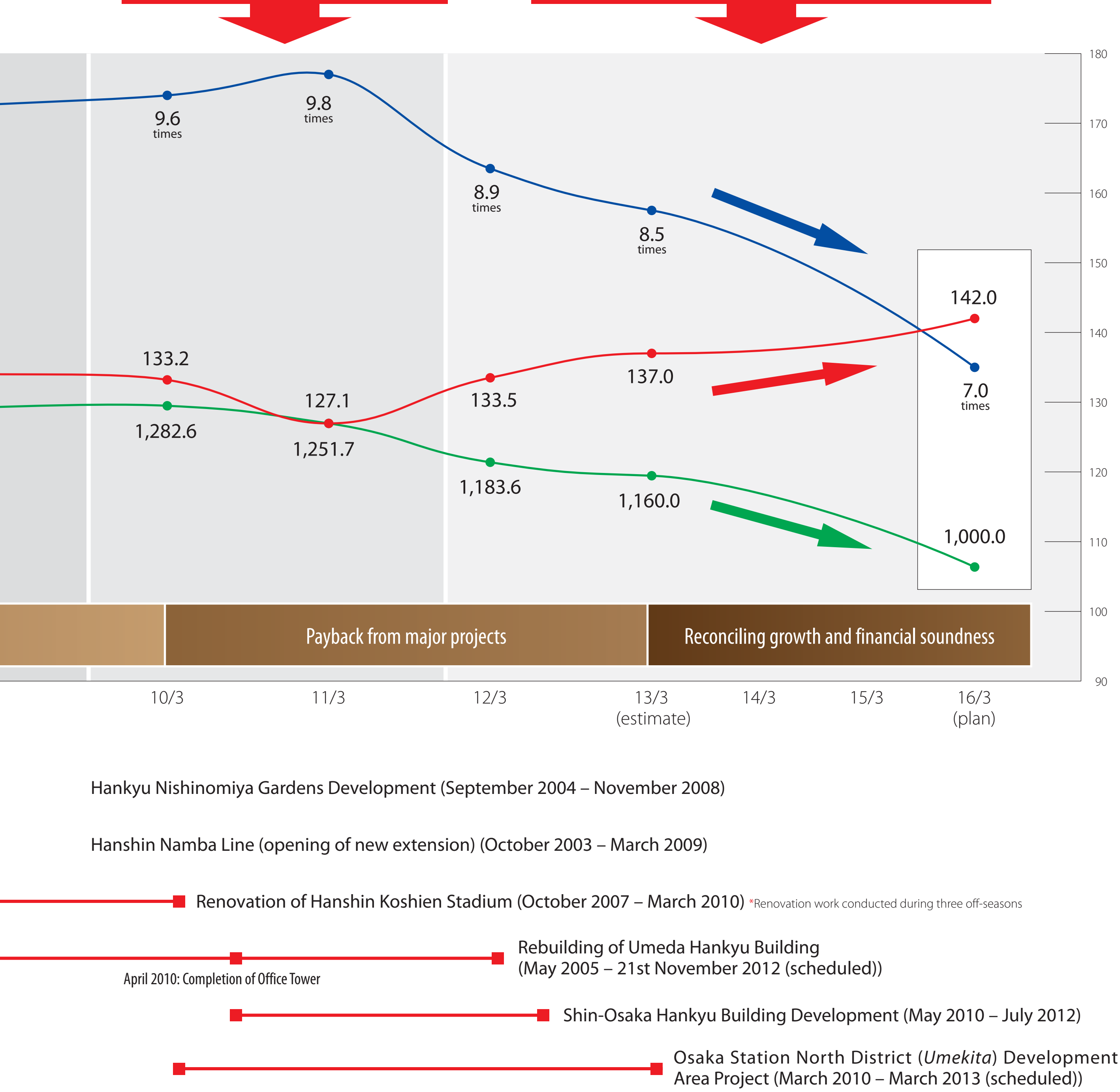




* Project start times are as of works commencement. Also, finish times are project completion dates (completion of A and B blocks for *Umekita* Development Area).

Improve cash flow generation through earnings from major projects such as Hankyu Nishinomiya Gardens, Hanshin Namba Line, the Hanshin Koshien Stadium refurbishment and Umeda Hankyu Building (Office Tower)

Leveraging cash flow generation through large-scale projects, reduce total interest-bearing debt and steadily improve our financial position so that total capital investment is roughly equivalent to depreciation and amortisation costs, even while maintaining a certain level of strategic capital outlays



Consolidated Financial Highlights

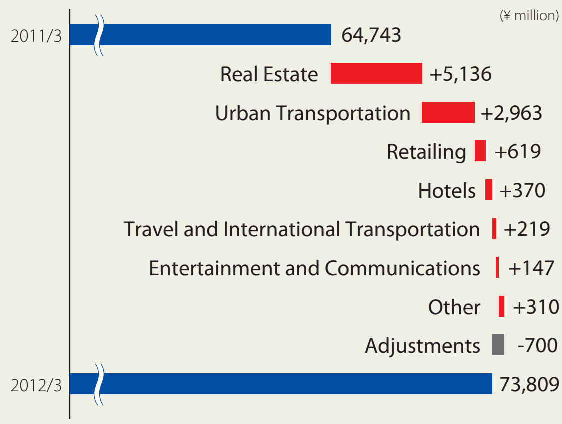
		(¥ million)					($ thousand) ❶
	2007/3 ❷	2008/3	2009/3	2010/3	2011/3	2012/3	2012/3
Result of Operations:							
Revenues from operations	¥ [813,613]	¥752,300	¥683,715	¥653,287	¥638,770	¥649,703	$7,923,207
Operating income	[94,800]	90,724	77,823	70,126	64,743	73,809	900,110
EBITDA ❸	[146,500]	145,200	135,300	133,200	127,100	133,500	1,628,049
Income before income taxes and minority interests	65,305	26,098	34,064	33,899	32,760	43,419	529,500
Net income	[40,507]	627	20,550	10,793	18,068	39,252	478,683
Comprehensive income	—	—	—	12,541	14,728	44,992	548,683
Capital expenditure	53,795	134,307	109,688	132,386	68,431	55,267	673,988
Depreciation and amortisation	43,888	51,577	54,798	60,418	59,669	56,968	694,732
Cash Flows:							
Cash flows from operating activities	¥ 78,981	¥ 74,902	¥108,597	¥146,955	¥103,252	¥124,525	$1,518,598
Cash flows from investing activities	(199,578)	(100,058)	(115,047)	(132,737)	(62,516)	(44,295)	(540,183)
Free cash flow ❹	(120,596)	(25,155)	(6,449)	14,217	40,735	80,230	978,415
Cash flows from financing activities	132,289	36,718	7,014	(24,200)	(39,544)	(78,978)	(963,146)
Financial Position:							
Total assets	¥2,366,694	¥2,348,476	¥2,307,332	¥2,337,331	¥2,314,669	¥2,274,380	$27,736,341
Total net assets	522,286	476,639	473,878	480,633	486,947	524,801	6,400,012
Interest-bearing debt	1,209,382	1,271,100	1,275,620	1,282,583	1,251,665	1,183,647	14,434,720
Per Share Data (yen and U.S. dollars):							
Net income Basic	¥ 31.84	¥ 0.50	¥ 16.28	¥ 8.55	¥ 14.32	¥ 31.13	$0.38
Net income Diluted	—	0.41	16.18	8.51	14.27	31.13	0.38
Net assets	405.35	369.25	366.96	371.70	377.17	407.01	4.96
Dividend	5.00	5.00	5.00	5.00	5.00	5.00	0.06
Ratios:							
Operating income margin (%)	11.7	12.1	11.4	10.7	10.1	11.4	—
ROA (%) ❺	3.8	3.2	2.5	2.2	2.0	2.8	—
ROE (%) ❻	8.4	0.1	4.4	2.3	3.8	7.9	—
Interest-bearing debt/EBITDA (times)	8.3 ❾	8.8	9.4	9.6	9.8	8.9	—
Equity ratio (%)	21.7	19.9	20.1	20.1	20.6	22.6	—
Debt/equity (D/E) ratio (times) ❼	2.4	2.7	2.8	2.7	2.6	2.3	—
Stock Price Index:							
Stock price at the end of fiscal year (yen and U.S. dollars)	¥ 713	¥ 431	¥ 447	¥ 433	¥ 384	¥ 361	$ 4.40
Market capitalisation (¥ billion, $ million)	9,065	5,480	5,683	5,505	4,882	4,590	55,976
PER (times)	22.4	862.0	27.5	50.6	26.8	11.6	—
PBR (times)	1.8	1.2	1.2	1.2	1.0	0.9	—
Business Data:							
Hankyu Railway (thousand) ❿	618,877	618,373	618,585	605,963	603,233	608,632	—
Hanshin Electric Railway (thousand) ❿	179,871	180,906	182,997	193,620	205,202	218,560	—
Average vacancy rates of rental office buildings (Umeda area, Osaka; %) ❽	2.95	3.08	5.88	8.90	11.22	7.29	—

Notes:
❶ The U.S. dollar amounts have been translated, for convenience only, at ¥82 = $1, the prevailing exchange rate on the Tokyo Foreign Exchange Market at 31st March 2012.
❷ From the second quarter of the fiscal year ended 31st March 2007, consolidated results of Hanshin Electric Railway Co., Ltd. are included as a result of management integration, in the scope of consolidation of the Group. Figures in [ ] are calculated assuming the management integration had entered effect from the beginning of the term.
❸ EBITDA = operating income + depreciation expenses + amortisation of goodwill attendant on the management integration of Hankyu and Hanshin. EBITDA figures are rounded to the nearest ¥100 million.
❹ Free cash flow = cash flows from operating activities + cash flows from investing activities
❺ ROA = ordinary income/total assets (average of period-start and period-end totals)
❻ ROE = net income/equity (average of period-start and period-end totals)
❼ D/E ratio = interest-bearing debt/equity
❽ Average vacancy rate figures are overall rates for the Umeda downtown area at the end of March for major rental office buildings (including properties not owned by the Group) with a total floor area of at least 3,300 m². Based on *Latest trends in the office-building market in Osaka*, Miki Shoji.
❾ Calculations are based on EBITDA assuming that the management integration had taken place at the beginning of the fiscal period.
❿ Annual number of passengers carried

Revenues from operations: ¥649.7 billion
(up ¥10.9 billion or 1.7% from the previous fiscal year)
Operating income: ¥73.8 billion
(up ¥9.1 billion or 14.0% from the previous fiscal year)

Revenues from operations increased by 1.7%, or ¥10,933 million, to ¥649,703 million, due to a year-on-year increase in condominium unit sales in the Real Estate Business. In line with this growth, operating income increased 14.0%, or ¥9,065 million, to ¥73,809 million.

■ **Operating income: Factor analysis (YoY change)**



Net income: ¥39.3 billion (up ¥21.2 billion or 117.2% from the previous fiscal year)

Net non-operating expenses more than halved, by ¥9,833 million, to ¥8,416 million, due to an increase in equity in income of affiliates from an increase in our stake in the equity affiliate H_2O Retailing Corporation.

However, the net extraordinary loss worsened by ¥8,239 million to ¥21,973 million, partly due to recognition of impairment losses on land used for major development projects.

At the same time, income tax payments declined 77.1%, or ¥10,810 million year-on-year, to ¥3,219 million, due to a decrease in income taxes-deferred following a reversal of deferred tax assets and deferred tax liabilities triggered by reforms to the tax system in Japan that have brought down corporate tax rates.

The above factors and the increase in operating income pushed net income up by 117.2%, or ¥21,183 million year-on-year, to ¥39,252 million.

■ **Net income: Factor analysis (YoY change)**

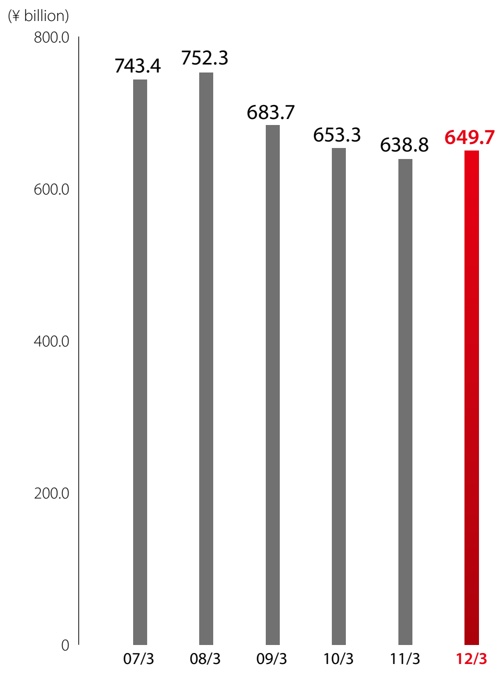
Increase in revenues from operations	¥10.9 billion
Increase in non-operating income (primarily increase in equity in income of affiliates)	¥7.8 billion
Decrease in non-operating expenses (primarily a decrease in interest expenses)	¥2.0 billion
Reduction in income taxes (including income taxes-deferred)	¥10.8 billion
Increase in operating expenses and cost of sales of transportation	¥(1.2) billion
Increase in selling, general and administrative expenses	¥(0.7) billion
Decrease in extraordinary income	¥(0.4) billion
Increase in extraordinary loss (chiefly increase in loss on impairment of fixed assets)	¥(7.8) billion

Interest-bearing debt: ¥1,183.6 billion (down 5.4% or ¥68.0 billion from the previous fiscal year)

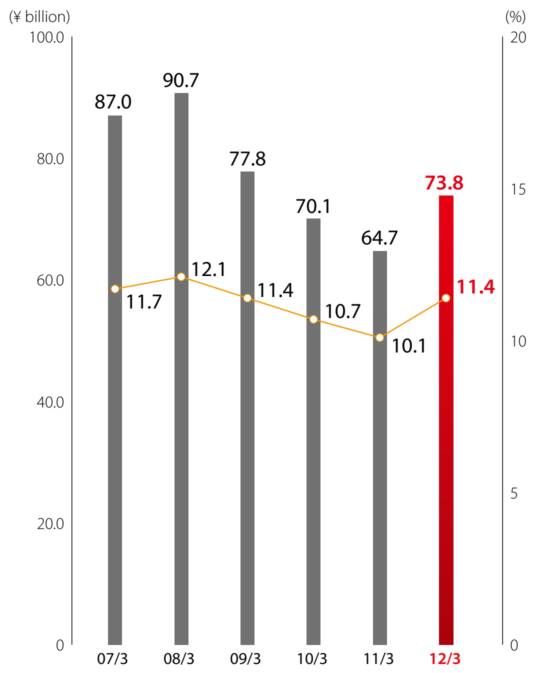
The balance of interest-bearing debt decreased by 5.4%, or ¥68,017 million year-on-year, to ¥1,183,647 million, due to net cash from operating activities surpassing capital investment outlays for rebuilding of Umeda Hankyu Building and other works.

Consolidated Financial Highlights

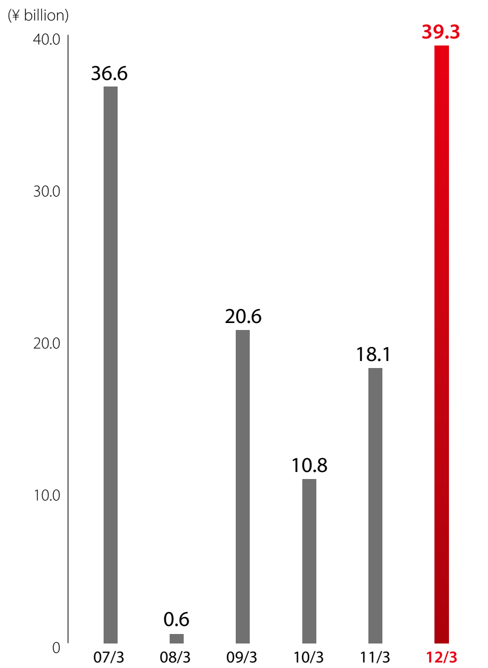
■Revenues from operations



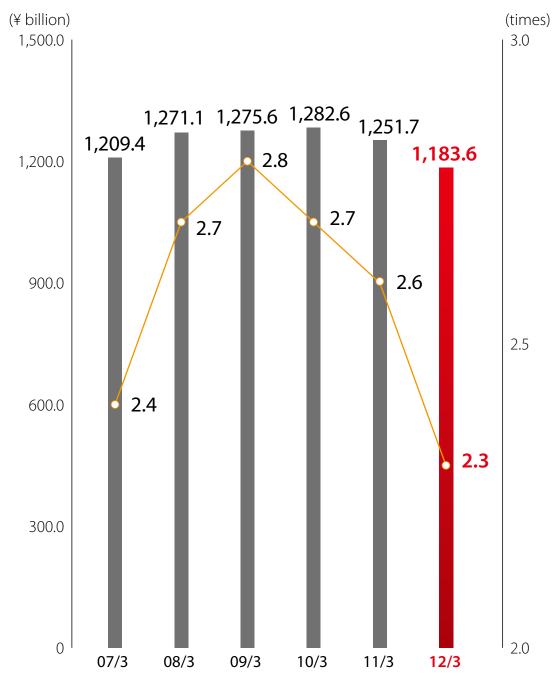
■Operating income/Operating income margin



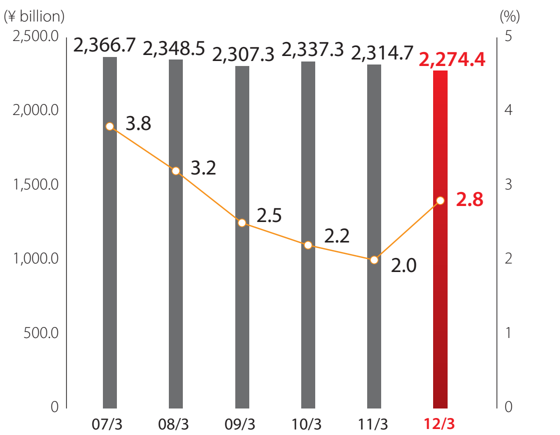
■Net income



■Interest-bearing debt and Debt/Equity ratio

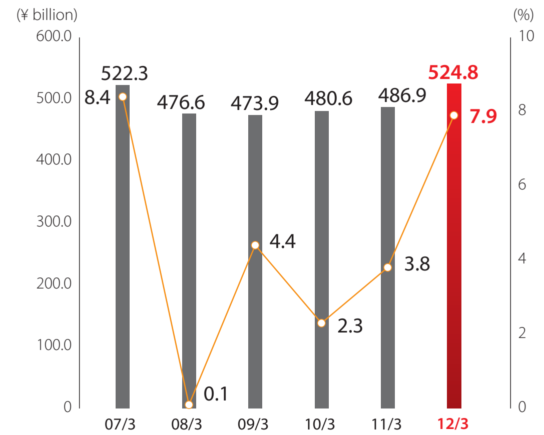


Total assets/ROA



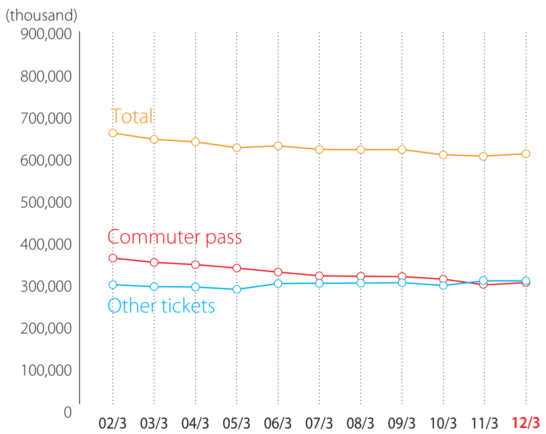
ROA = ordinary income/total assets (average of period-start and period-end totals)

Equity/ROE

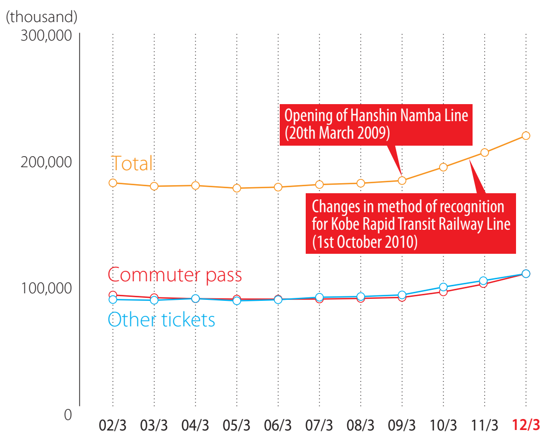


ROE = net income/equity (average of period-start and period-end totals)

Annual number of passengers carried/ Hankyu Railway

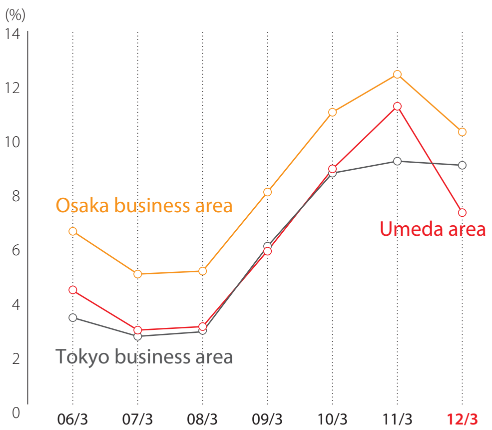


Annual number of passengers carried/ Hanshin Electric Railway



* Sum of tier 1 and tier 2 operators for both Hankyu and Hanshin
* Among tier 2 operators, we have modified our method of recognising Kobe Rapid Transit Railway Line's passenger volumes following changes to its management organisation, effective October 2010 (for both Hankyu and Hanshin-operated stretches of the line)

Average vacancy rates of rental office buildings (Tokyo/Osaka business area)



Source: Miki Shoji, *Latest trends in the office-building market*

Building a Base for New Growth

We are committed to strengthening the operating fundamentals of the Group for future growth, by steadily expanding cash flows from major projects in the Hankyu Hanshin Holdings Group 2007 Medium-Term Management Plan, and by continuing to reduce interest-bearing debt.

July 2012

Kazuo Sumi

Kazuo Sumi
President and Representative Director

The year ended 31st March 2012 in review

In the year under review, the Group boosted both revenues and earnings, as it proved possible to mitigate the impact of the Great East Japan Earthquake to a much greater extent than anticipated through intensified marketing and cost-cutting, while condominium unit sales rose year-on-year. Net income also hit a record high, due partly to a reversal of deferred tax liabilities following a reduction in corporate income tax rates.

In the year ended 31st March 2012, we had hesitantly forecast operating income of ¥58.0 billion, factoring in an estimated loss of ¥8.0 billion, primarily in the Travel and Hotels businesses, due to the Great East Japan Earthquake, which coincided with, and greatly complicated, the forecast compilation work. Although the Travel Business was severely impacted by the disaster in April and May 2011, Group measures to stimulate travel demand resulted in recovery in tourist numbers in Japan from summer. Overseas travel in particular performed strongly. Likewise, in the Hotels Business, we were able to mitigate the damage through cost-cutting and other measures, though hotels mainly in the Tokyo area struggled due to a drop-off in corporate demand and in overseas visitor numbers in the months following March 11. As a result, we were able to contain the impact of the disaster on operating income at ¥2.9 billion, across the Group.

Revenues from operations came to ¥649.7 billion, and operating income totalled ¥73.8 billion, an increase at both top and bottom lines, reflecting (1) a robust fare revenue performance at both Hankyu Corporation and Hanshin Electric Railway (Hankyu: up 0.8%; Hanshin: up 3.5%)[*1], (2) a year-on-year increase in condominium unit sales in the Real Estate Business (from 680 to 1,210), and (3) increased occupancy at Umeda Hankyu Building Office Tower.

Ordinary income increased 40.6%, or ¥18.9 billion year-on-year, to ¥65.4 billion, due largely to an increase in equity in income of affiliates following an increase in our stake in equity-method affiliate H_2O Retailing Corporation[*2].

Net income rose by a hefty 117.2%, or ¥21.2 billion, to ¥39.3 billion. Here, the chief factors were, in addition to the increase in ordinary income, a significant decrease in income taxes-deferred following reversal of deferred tax assets and deferred tax liabilities triggered by tax reform in Japan, including a lowering of corporate income tax rates[*3]. This offset recognition of extraordinary loss in the form of impairment losses on land for major development projects.

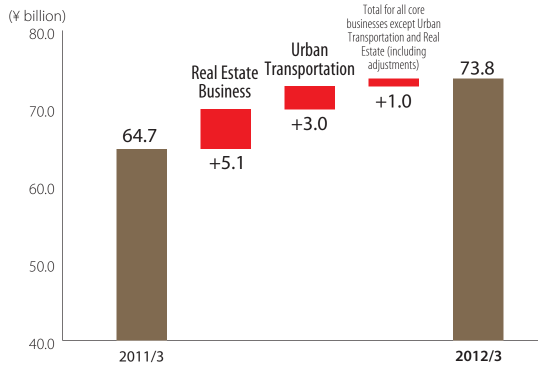
The above-mentioned increase in equity in income of affiliates and reduction in income taxes-deferred were one-time factors that only applied in the year under review. However, net cash from operating activities, which is not affected by such one-time factors, also grew, by 20.6%, or ¥21.3 billion year-on-year, to ¥124.5 billion as a result of steady earnings growth in all segments. Furthermore, net cash used in investing activities (absolute total) decreased by 29.1%, or ¥18.2 billion from the previous fiscal year, as capital expenditure tailed off, with the Umeda Hankyu Building, Phase I Development Area of Osaka Station North District (*Umekita*) and other large-scale projects approaching their scheduled completion within one year. As a result, free cash flow increased by nearly ¥40 billion year-on-year, and the Group has significantly improved its ability to generate cash flow.

*1 Year-on-year comparison of change, total for commuter passes and other tickets. Sum of tier 1 and tier 2 operators for both Hankyu Corporation and Hanshin Electric Railway.

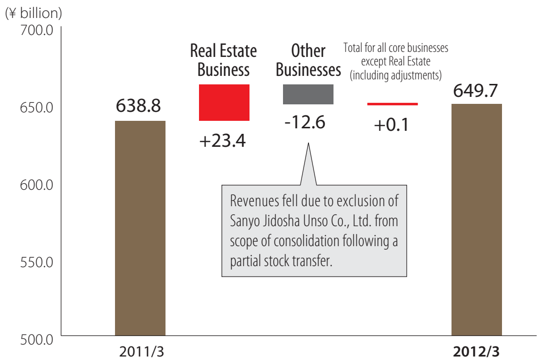
*2 On 30th June 2011, H_2O Retailing Corporation acquired gratis treasury shares held by its major shareholder Hankyu Hanshin Department Stores Kyoeikai. In February and March 2012, almost these shares were sold off at market value. As a result of this, the number of Group shares has not changed, but its stake in H_2O Retailing Corporation has increased by approximately 1%, as a result of an increase in the number of treasury shares deducted from the total number of issued shares outstanding (denominator of the calculation). Likewise, the sale of the treasury shares has increased H_2O Retailing's net assets. As a result of that, equity in income of affiliates has increased on generation of negative goodwill recognised in the consolidated financial statements of the Company.

*3 The balance of deferred tax liabilities of the Group exceeds the balance of deferred tax assets due to the recognition of deferred tax liabilities relating to market valuation gains and land revaluation gains at the time of consolidation of consolidated subsidiaries. For this reason, income taxes-deferred have decreased due to the significant impact of the reversal of deferred tax liabilities from lowering of corporate income tax rates.

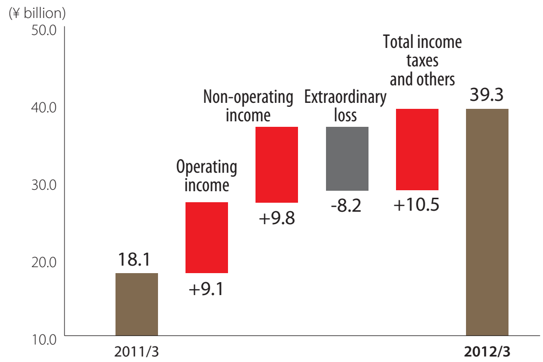
Operating income



Revenues from operations



Net income



As major project outlays tail off, focus turns to reconciling growth with improvement of our financial standing

Final year for the 2007 Medium-Term Management Plan deferred to 31st March 2016

With major projects in the Hankyu Hanshin Holdings Group Medium-Term Management Plan approaching completion this year, the Group now plans to improve its financial standing and bring down the interest-bearing debt/EBITDA ratio to around seven times by 31st March 2016.

The Hankyu Hanshin Holdings Group was created from the management integration of Hankyu Holdings, Inc. and Hanshin Electric Railway Co., Ltd. in October 2006. In March 2007, the new entity compiled and announced a six-year business plan for the period fiscal 2008 to fiscal 2013 (the original "2007 Medium-Term Management Plan"). At the time, the high level of interest-bearing debt had already become a major issue for the Hankyu Holdings group. The management integration also necessitated funding for a takeover bid, so improving our financial standing by reducing interest-bearing debt became a matter of some urgency. However, the fact that investment projects that promised high returns (the rebuilding of Umeda Hankyu Building*1 and Hankyu Nishinomiya Gardens*2 projects) and others that are of particular public benefit and promised medium-term growth (opening of the Hanshin Namba Line*3 and Hanshin Koshien Stadium*4 refurbishment) were already on the drawing board or underway persuaded us to put off the issue of bolstering our finances and give priority to investment, to build up enterprise value.

Accordingly, in the first half of the current Medium-Term Management Plan, from fiscal 2008 to fiscal 2010, we concurrently pursued multiple major projects, and this period was earmarked for investment in developments for growth. The latter part of the plan, from fiscal 2011 to fiscal 2013, would then be dedicated to reducing interest-bearing debt and improving our financial standing and strengthening our fundamentals for future growth, based on the payback from the investments in the first period.

However, we had to shelve plans to shore up our financial position due to failure to meet earnings targets as the Japanese economy rapidly wilted following the sub-prime loan crisis and changes to the completion schedule for the Umeda Hankyu Building project. It had become clear that it would be impossible to meet the consolidated interest-bearing debt/EBITDA ratio target of around seven times by March 2013. However, even against such a challenging backdrop, the Hankyu Nishinomiya Gardens project and the Hanshin Namba Line were well-received by customers and sales continued to exceed initial projections. This gave us confidence about growth prospects for the Group.

Introduction
Part 1 Management Report Section
Part 2 Special Feature
Part 3 Core Businesses: Overview and Outlook
Part 4 Social Responsibility and Management Organisation
Part 5 Financial Section and Corporate Data

So, as things stand, plans to shore up our financial standing are behind schedule. However, as noted above, we believe we should stick to our seven-times goal for the interest-bearing debt/EBITDA ratio, in light of the longstanding priority of building a strong financial base for operations and of sustained investment in large-scale modernisations and new projects, to create value in areas served by our lines and ensure sustainable strategic investment. We also intend to reduce the balance of interest-bearing debt in absolute terms to at least ¥1 trillion, given the prospect of headline interest rates rising.

Based on this approach, we believe we can reduce the ratio of interest-bearing debt/EBITDA to around seven times by steadily whittling down interest-bearing debt. We believe we can do this, by (1) extending the current 2007 Medium-Term Management Plan to 31st March 2016 and by (2) keeping overall capital expenditure within the scope of depreciation and amortisation, even while maintaining a certain level of strategic investment after April 2013, when major projects currently under way such as the Umeda Hankyu Building and Phase I Development Area of Osaka Station North District (*Umekita*) projects will be completed.

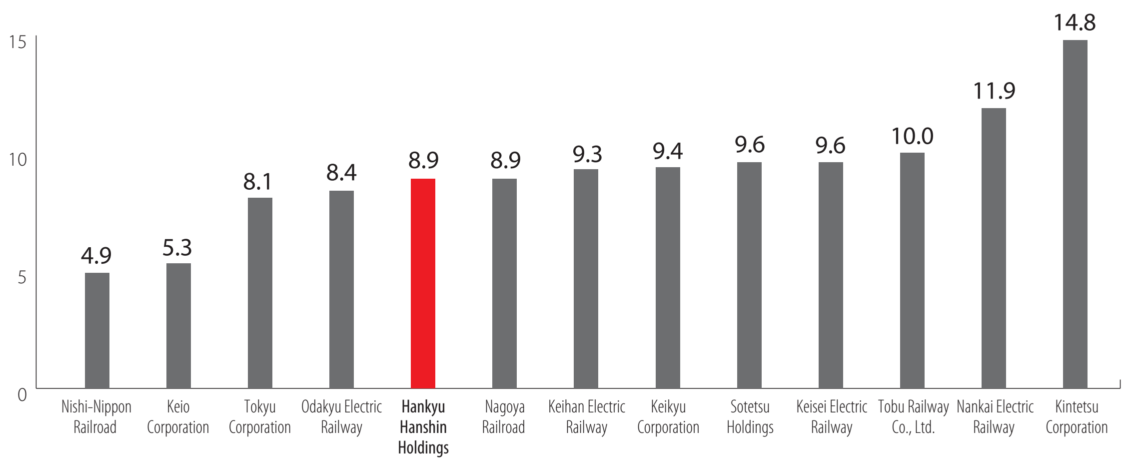
*1 The rebuilding work is divided into three sections. The Grand Opening is scheduled for 21st November 2012. Already open are the Umeda Hankyu Building Phase I Department Store Building (September 2009) and the Office Tower (May 2010). Remaining works are Phase II of the Department Store Building). For more detail, please see page 33.
*2 Grand opening in November 2008
*3 Opened in March 2009
*4 Completed in March 2010

Targeting a reduction in the interest-bearing debt/ EBITDA ratio to 7 times

To ensure that we remain one of the most financially sound leading private railway operators in Japan, we selected seven times as our target for reducing the ratio of interest-bearing debt/EBITDA.

The necessity for huge expenditures on fixed assets is characteristic of our mainstay railway and real estate leasing businesses. Because of this structural constraint, our Group cannot avoid taking on a heavy burden of interest-bearing debt. At the same time, given that we expect steady inflows of net cash from the railway and real estate leasing businesses, a relatively high degree of leveraging, can, we believe, contribute to improvement of enterprise value. It is extremely difficult to pinpoint in a general way the ideal interest-bearing debt/ EBITDA ratio (consolidated) within the private railway sector in Japan. However, to ensure sustainable growth, our business must have firm financial foundations that make it resistant to interest-rate fluctuation and other risks. One very basic benchmark in setting this ratio is to reduce the interest-bearing debt/ EBITDA ratio to a minimum level among other major private railway operating companies. As you can see from figures below, this is how we arrived at a target of seven times.

■ Interest-bearing debt/EBITDA ratios for major listed private railway operators
(as of 31st March 2012; estimates by Hankyu Hanshin Holdings Group)



EBITDA = operating income + depreciation and amortisation.
In the case of Hankyu Hanshin Holdings, amortisation of goodwill attendant on the management integration of Hankyu and Hanshin was added (around ¥2.7 billion). Excluding the amortisation of goodwill, the ratio would be 9.1 times.

Ensuring steady growth through March 2016

We target consolidated operating income of ¥83.0 billion for the year ending March 2016 (an increase of ¥5.0 billion compared with the forecast for the year ending March 2013), on the revenues and earnings boost from the rebuilding of the Umeda Hankyu Building, now under way, and from steady growth across all our segments.

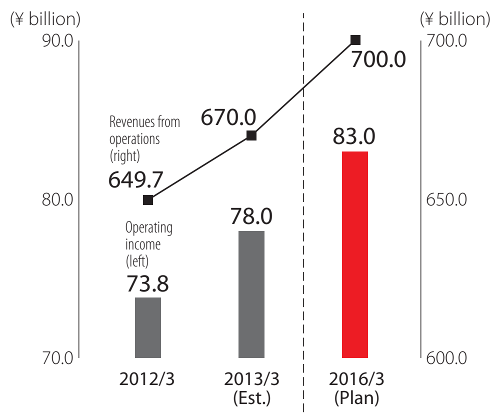
First, in the year ending 31st March 2013, we expect a rebound as the impact on our operations of the Great East Japan Earthquake that struck in 2011 fades away. As mentioned earlier, this disaster shaved ¥2.9 billion off our operating income in fiscal 2012, mostly in the Travel and Hotels businesses. In the Hotels Business, we think it unlikely that the number of visitors to Japan will return to its pre-disaster levels, given the high yen and the adverse impact of the Fukushima Daiichi nuclear disaster. For similar reasons we also expect room prices, which plunged immediately after the disaster, to take time to return to pre-disaster levels. For this reason, we cannot count on covering all of our pecuniary losses in the previous fiscal year in the Hotels Business despite the coming rebound referred to above. By contrast, the Travel Business is in better shape now because of the high yen.

We expect the new Umeda Hankyu Building to contribute significantly to revenues and earnings, due to the high rates of occupancy at the Office Tower, open since May 2010, and the boost from the Grand Opening of the Umeda Flagship Store of Hankyu Department Store in late November 2012*1. Additionally, we expect growth in condominium unit sales and other factors to make the Real Estate Business the main engine of the Group in the year ending 31st March 2013, driving a 3.1% or ¥20.3 billion increase in revenues from operations, and a 5.7% or ¥4.2 billion increase in earnings compared with the year ended 31st March 2012 (For details of ordinary income and other targets, please see Performance Outlook for the Fiscal Year Ending March 2013).

Looking beyond March 2013, we expect the Umeda Hankyu Building to be a revenue and earnings driver, on the back of improvement in occupancy at the Office Tower and the full-year contribution of the department store section. Likewise, we expect major projects scheduled to open in fiscal 2013 and after such as the Shin-Osaka Hankyu Building (completed at the end of July 2012) to gradually contribute to earnings. While large-scale projects such as the Umeda Hankyu Building will contribute to earnings boosts, steady growth is expected in all segments*2. Accordingly, for the year ending 31st March 2016, the final year of the Medium-Term Management Plan, we have set a consolidated operating income target of ¥83.0 billion, an increase of 6.4% or ¥5.0 billion compared with our projections for the year ended 31st March 2013.

*1 Grand opening scheduled on 21st November 2012 (announced on 12th September 2012 by H_2O Retailing Corporation).
*2 Please see page 23 for targeted figures in each segment.

■ Consolidated basis



With regard to net income, in the year ended 31st March 2012, we posted impairment losses of some ¥20.0 billion, partly on land owned in certain major development projects, due to adjusting our business plans to accommodate future instability, in light of current economic conditions. This has enabled us to greatly reduce the risk of posting further massive appraisal losses. As a result, we forecast net income in the year ending 31st March 2016 to rise 33.3% or ¥10.0 billion to ¥40.0 billion, compared with our projections for the year ending 31st March 2013, driven chiefly by steady growth in operating income in the years ahead.

< Consolidated Performance and Key Performance Indicators during the Medium-Term Management Plan Period >

(¥ billion)

	FY3/08 Results*1	FY3/09 Results	FY3/10 Results	FY3/11 Results	FY3/12 Results	FY3/13 Estimate	FY3/16 Plan
Revenues from operations	752.3	683.7	653.3	638.8	649.7	670.0	700.0
Operating income	90.7	77.8	70.1	64.7	73.8	78.0	83.0
Ordinary income	74.9	57.4	50.4	46.5	65.4	60.0	70.0
Net income	0.6	20.6	10.8	18.1	39.3	30.0	40.0
EBITDA	145.2 *2 [143.2]	135.3	133.2	127.1	133.5	137.0	142.0
Effects of integration *3	2.2	4.6	7.1	7.9	8.8	9.7	—
Interest-bearing debt/EBITDA	8.8 times	9.4 times	9.6 times	9.8 times	8.9 times	8.5 times	7.0 times
Interest-bearing debt	1,271.1	1,275.6	1,282.6	1,251.7	1,183.6	1,160.0	1,000.0
Debt/equity ratio	2.7 times	2.8 times	2.7 times	2.6 times	2.3 times	2.2 times	1.6 times
ROE	0.1%	4.4%	2.3%	3.8%	7.9%	6.0%	6.5%

*1 The department store business (The Hanshin Department Store, Ltd. (currently Hankyu Hanshin Department Stores, Inc.) and its four subsidiaries ("Hanshin Department Store Group")) was treated as a consolidated subsidiary up to the first half of the fiscal year ended March 2008.
*2 Figures in [ ] exclude those of the department store business (the former Hanshin Department Store Group)
*3 Calculations based on EBITDA. As some time has passed since the management integration between the former Hankyu Holdings Group and Hanshin Electric Railway Group, the integration boost effect is factored in only up to the year ending March 2013.

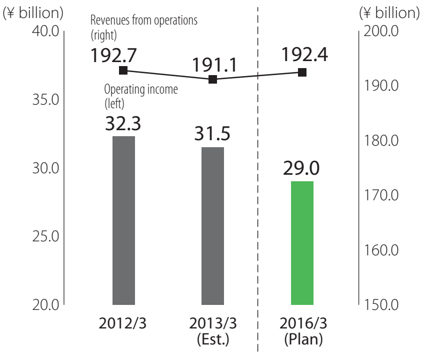
< Capital Investment and Depreciation and Amortisation during the Medium-Term Management Plan Period >

(¥ billion)

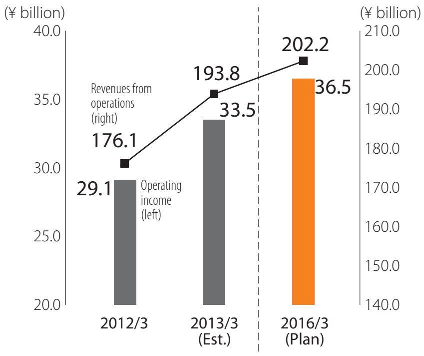
Capital investment	FY3/08- FY3/10 Results	FY3/11- FY3/13 Plan	FY3/14- FY3/16 Plan
Three-year total	376.4	195.0	165.0
Annual average	125.5	65.0 (Estimate for FY3/13) 71.0	55.0

Depreciation and amortisation	FY3/08- FY3/10 Results	FY3/11- FY3/13 Plan	FY3/14- FY3/16 Plan
Three-year total	167.0	173.0 (Estimate for FY3/13) 56.0	169.0

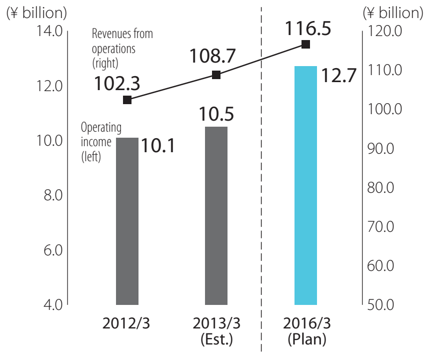
■ Urban Transportation



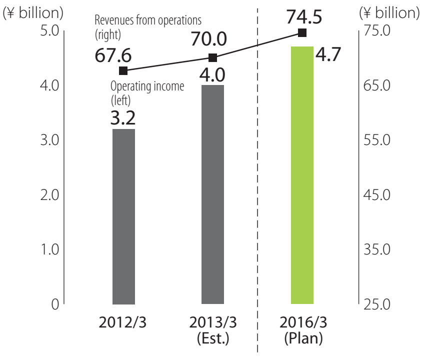
■ Real Estate



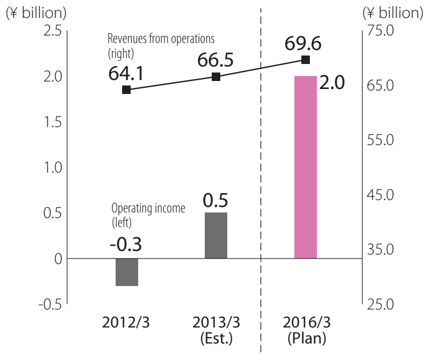
■ Entertainment and Communications



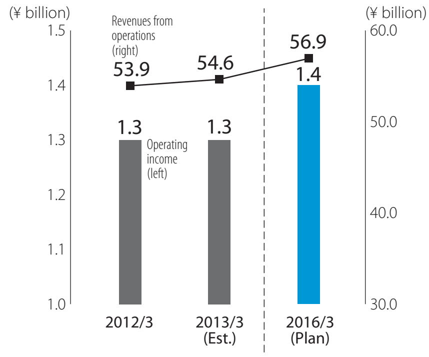
■ Travel and International Transportation



■ Hotels



■ Retailing



Rebuilding of Umeda Hankyu Building project, an important growth driver in the current Medium-Term Management Plan

With steady growth in the occupancy rate at the Office Tower, we expect contributions to revenues and earnings through fiscal 2016.
At the department store, we expect the planned grand opening in late November 2012 to underpin earnings.

Department store will be planned grand opening on 21st November 2012 (announced on 12th September 2012 by H_2O Retailing Corporation).

Now I want to say some things about the Umeda Hankyu Building project (for more details, please see Page 33). In the (current) Medium-Term Management Plan, this rebuilding project is the main growth driver. Previously, the building was leased to Hankyu Department Stores, Inc. (currently Hankyu Hanshin Department Stores, Inc.) as the Umeda Flagship Store of Hankyu Department Store. Based on regulations in the Act on Special Measures concerning Urban Reconstruction relaxing floor-area ratio rules, the sales area of the rebuilt department store will be increased by approximately 1.3 times to around 80,000m^2, helping to cement its overwhelmingly dominant position in the Umeda area. At the same time, we have added an Office Tower using the upper floors. This new rental space, which leverages the new floor-area ratio rules, means that this portion of the building will significantly increase earning levels. The Office Tower occupies a premium site in the Umeda area, and is a local landmark. The combined rate of occupancy and informal tenancy commitments covered approximately 85% of the leasable area in the Office Tower as of 31st July 2012. We are still involved in negotiations with a number of tenants over informal commitments, and when these are completed, this ratio is expected to steadily climb higher. This will contribute to the increase in revenues and income in the years before March 2016, the final year of the current Medium-Term Management Plan.

In the department store part of the development, the south section (Phase I) is already open for business, but the north section (Phase II) is still under reconstruction. We plan the grand opening of the whole development in late November 2012. We expect full-year earnings contributions from the project to begin in the year ending 31st March 2014, and this too will become a steady contributor to earnings. Because new department store sales space is increasing at the moment in Osaka, with both new store building and extensions*1, concerns have been expressed about our ability to meet our sales targets*2 amid this intensified competition. However, we are confident that we can, given the sound reputation within the department store sector of Hankyu Hanshin Department Stores, Inc.'s capabilities. By keeping our customers abreast of lifestyle trends through our new Umeda Flagship Store, we aim to win their support. This concept has already proven itself through the success of the similar Coto Coto Stage*3 concept at the recently opened Nishinomiya Hankyu Department Store and Hakata Hankyu Department Store. This I believe will enable us to significantly differentiate ourselves from rivals.

*1 March 2011: Takashimaya Osaka increased its floor space (Nankai Namba Station, sales ¥117.9 billion (year ended February 2012)).
April 2011: Daimaru Osaka Umeda Store increased its floor space (JR Osaka Station, sales ¥61.8 billion (year ended February 2012)).
May 2011: JR Osaka Mitsukoshi Isetan opened (JR Osaka Station, sales ¥31.0 billion (year ended March 2012)).
Spring 2014: Kintetsu Department Store, Abeno increased its floor space (Kintetsu Abenobashi Station (re-launch planned)).
*2 Total including Hankyu MEN'S Store (Osaka): ¥213.0 billion (full-year operation). In addition, sales for the fiscal year ended 31st March 2005 were approximately ¥192.0 billion (before building).
*3 In this space, storytelling and lectures by specialists in various fields such as photography, picture book readings, cookery and childrearing classes are arranged, giving customers hands-on experience of the value of various products in daily life.

Performance Outlook for the Fiscal Year Ending March 2013

We expect to increase revenues from operations and operating income as the adverse impact of the earthquake disaster fades away, given the rise in the number of condominium units sold and the likely boost from the grand opening of the new Umeda Hankyu Building. However, we forecast net income for the year to fall in a correction from one-time factors in the previous fiscal year, including a decrease in equity in income of affiliates and reduced income taxes-deferred.

We expect revenues from operations to increase by 3.1%, or ¥20.3 billion year-on-year, to ¥670.0 billion. This assumes a fading of the impact of the Great East Japan Earthquake disaster, which affected chiefly the Travel and Hotels Businesses, higher condominium unit sales in the Real Estate Business (up from 1,210 units in fiscal 2012 to around 1,500 units in fiscal 2013), and rising occupancy at the Office Tower of the Umeda Hankyu Building, as well as the boost from the grand opening of the department store after completion of its reconstruction.

We expect operating income for the fiscal year ending March 2013 to increase 5.7%, or ¥4.2 billion year-on-year, to ¥78.0 billion. In addition to the above-mentioned revenue drivers, we expect lower costs. Non-recurring depreciation on non-current assets in connection with the revision of the Japanese tax system in fiscal 2008 (abolition of maximum sums for depreciation), which ended in fiscal 2012, is expected to cut depreciation and amortisation expenses by ¥1.0 billion.

However, ordinary income is set to decrease 8.2%, or ¥5.4 billion year-on-year, to ¥60.0 billion, due largely to an expected decrease in non-operating income. This in turn is due to a correction after the one-time increase in equity in income of affiliates following an increase in our stake in equity-method affiliate H_2O Retailing Corporation.

We expect net income for the fiscal year ending March 2013 to decrease 23.6%, or ¥9.3 billion year-on-year, to ¥30.0 billion, due to an expected increase in income taxes-deferred, reflecting a correction from the reversal of deferred tax assets and deferred tax liabilities triggered by reforms to the tax system in Japan that brought down corporate tax rates.

As things stand, we believe we are strongly positioned to reach our operating income target (consolidated basis) of ¥78.0 billion, as long as there is no significant worsening of negative factors such as the financial instability in Europe. Net income is likely to slip back somewhat from its rise caused by tax-related one-time factors, but we expect our improved ability to generate stable cash flows to bring net income up to a record ¥30.0 billion (excluding the year ended 31st March 2012 affected by one-time factors), keeping us at the forefront of private railway operators* in Japan in earnings.

* Private railway operators excluding the Japan Railways Group

Issues for the future (Directions of next Medium-Term Management Plan)

While increasing value along Group railway lines, we are making progress in striking the right balance between strategic investment in sustainable growth and improvement of our financial standing.

When we compiled the current Medium-Term Management Plan, we initially (that is, in March 2007) saw the railway business as a stable cash flow generator, while the engine of growth was to be real estate leasing. However, in light of the sudden cooling of the real estate market since the collapse of Lehman Brothers in the autumn of 2008, we realised that there was little prospect of the rapid growth in real estate leasing that we were counting on.

However, the Kyoto-Osaka-Kobe triangle*1, the areas served by our lines, is the economic hub of Kansai, which has a gross regional product of $813.2 billion*2. In this triangle, our Group has a firm business footing. Against a background of population shrinkage due to the low birth rate, we expect competition among Japanese regions to become even more severe in years ahead. However, in partnership with local government, it is our basic strategic policy to attract as many people as possible to areas served by Hankyu and Hanshin stations, by investing in them to increase their appeal. As a result of over 100 years of commitment to a creation of communities rich in cultural amenities along our lines, in partnership with residents, these areas have now become very popular. In April 2009, we launched the Hankyu Hanshin Dreams and Communities of the Future project, aiming to create residential communities with lasting appeal, in a spirit of community contribution based on policies of creating desirable local living environments and development of the next generation. Looking ahead, we will take further measures to increase value along Group railway lines, through business and community contribution channels, to maintain the popularity of areas served by our stations.

The Kansai innovation international strategic comprehensive special plan has now been recognised under the general special zoning law. In response to this deregulation, initiatives are now underway in Kansai to create a framework for innovation targeting practical fields and markets in sectors such as medical care and energy. In addition to the above designation, the Umeda area, a strategic zone for the Group, is also earmarked for urgent regeneration works based on the Act on Special Measures concerning Urban Reconstruction. This Act enables deregulation in Umeda aimed at strengthening the international competitiveness and appeal of large urban areas. We are now thinking of redeveloping both the Dai Hanshin Building (main Hanshin Department Store) and the Shin Hankyu Building next door to it. As deregulation proceeds in Umeda, we expect more flexible project planning rules to work favourably for us. In addition, in areas served by Group stations, buildings such as the Kobe Hankyu Building (Hankyu Sannomiya Station building), currently operated as a provisional facility after sustaining damage in the Kobe earthquake, is one of the properties in our portfolio with redevelopment potential. Although the timing is not decided, by steadily proceeding with projects at such properties, we will be able to further progressively increase value along Group railway lines. But here too, we first have to rapidly improve our financial standing to fashion a firm foundation for business operations, before embarking on new redevelopments.

Given that our free cash flow now stands at nearly ¥80 billion, and it is exceptional to see such a concentration of multiple large-scale projects under way as in the 2007 Medium-Term Management Plan's first three years (fiscal 2008 — 2010), it is unlikely that after April 2016, growth-oriented capital investment will increase and interest-bearing debt again start to climb. Accordingly, in the next Medium-Term Management Plan for the period, we believe we will be striking an appropriate balance between strategic investment for sustainable growth and improvement of our financial standing, although we cannot give specific numerical targets just now. In that connection, in the face of deepening globalisation, I believe that we need to carefully watch and work out ways of responding to international economic trends.

*1 The combined area of Kyoto, Osaka and Kobe and their satellite communities.
*2 Figures for the year ended March 2010. Source: Prefectural Accounts (2009) issued by Cabinet Office, and Osaka and other prefectures of the Kansai district. The exchange rate (¥92.80/ US$) is the simple average of the 12-month average market price on the interbank foreign exchange spot market on the Tokyo Stock Exchange for 2009.

Returns to shareholders

In view of our current consolidated dividend payout ratio, we regard ensuring adequate returns to shareholders as an issue that management has to deal with. That said, given that improvement of our financial standing has become the overriding concern for the Group at the moment, only after we close in on our goal of reducing the interest-bearing debt/EBITDA ratio to around seven times can we start considering how to ensure adequate shareholder returns.

For the fiscal year ended 31st March 2012, we paid out a dividend of ¥5 per share of common stock (at the moment, the dividend is paid only at the end of the fiscal year). As mentioned above, because improvement of financial standing is the priority issue, we have decided to use free cash flow to meet funding demand to strengthen our competitiveness in all segments, and to improve our financial standing. For this reason, our basic policy will be to maintain a stable annual dividend of at least ¥5 for the time being. This is the payout that we plan for the year ending 31st March 2013.

In addition, as stated above, we believe we have the resources to achieve an annual net income level of ¥30 billion from the year ending 31st March 2013, provided that there is no dramatic deterioration in the economy such as that caused by the collapse of Lehman Brothers. Because ¥5 per share equates to something over ¥6 billion, our payout ratio would be 20% assuming net income of ¥30 billion. That is certainly not a high level. We recognise that increasing shareholder returns is something we need to be thinking more about. And so we will soon launch a review, once we are certain of achieving our target of reducing the consolidated interest-bearing debt/EBITDA ratio to around seven times. At the same time, we will further build up enterprise value to underpin our share price, and will work unstintingly to meet the expectations of all our shareholders.

Special Feature

Special Feature: Making Umeda even more attractive

Umeda — the area surrounding Osaka Station — lies at the centre of the Kansai region, which is one of the world's biggest conurbations.

Umeda is the strategic cornerstone of the Group's operations, containing many of our principal commercial facilities and multipurpose buildings.

To make the most of the Umeda district's outstanding feature — the largest railway terminus in western Japan — we are currently pursuing a wide variety of development projects to make Umeda into an even more attractive community.

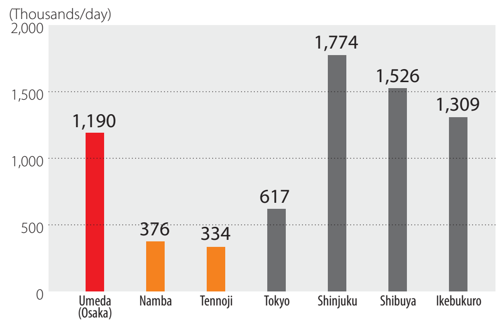
The **Umeda** area's potential

Umeda's strong points are its excellent transportation access, one of the largest concentrations of commercial facilities and a high potential as business district. Numerous development projects, both large and small, are now underway or on the drawing board. The completion of these projects will magnify the attractions of the Umeda area still further, and we expect it to develop into a major international hub that will play a leading role in the revitalization of the Kansai region.

Excellent transportation access

Umeda Station (including Osaka Station and Kitashinchi Station) is an important transportation node, with railway lines leading to all the major cities of the Kansai region. Roughly 1.2 million users enter the station every day, which is the highest figure for the whole of western Japan. As the station also connects directly with the leading cities of East Asia via Kansai International Airport, Umeda is Japan's "gateway to Asia."

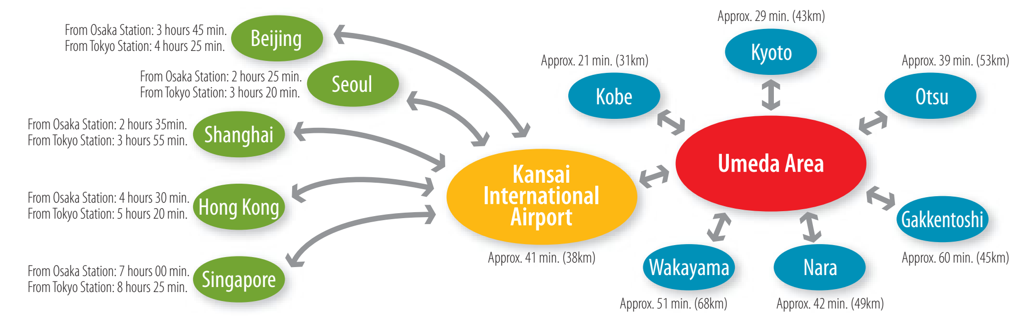
■ Number of persons catching a train at Umeda Station



Umeda: Osaka Municipal Transportation Bureau, JR West, Hankyu, Hanshin
Namba: Kintetsu, Nankai, Osaka Municipal Transportation Bureau
Tennoji: JR West, Kintetsu (Abenobashi), Hankai, Osaka Municipal Transportation Bureau
Tokyo: JR East, Tokyo Metro
Shinjuku: JR East, Keio, Odakyu, Bureau of Transportation Tokyo Metropolitan Government, Tokyo Metro, Seibu
Shibuya: Tokyu, JR East, Tokyo Metro, Keio
Ikebukuro: JR East, Tobu, Seibu, Tokyo Metro

Source: Urban Transportation Report 2010 Edition (Institution for Transport Policy Studies)

■ The Umeda area's transportation potential



*Excluding time taken to change trains
Source: Basic city planning for Osaka Station North District

■ Low-Cost Carriers start services to and from Kansai International Airport

Kansai International Airport operates 24 hours a day, and low cost carriers (LCCs), whose operations within Japan are projected to grow rapidly, have recently been commencing operations from the airport. Ten airlines are currently operating services or planning to do so, which is the largest number for any airport in Japan.

A dedicated terminus for LCCs is currently under construction at Kansai International Airport, scheduled for completion in the autumn of 2012, and the airport is expected to play an even more crucial role as a gateway to the cities of East Asia, where economic growth continues unabated.

List of LCCs that operate services out of Kansai International Airport

Airline		Destinations (including planned services)	
		Overseas	Domestic
Peach Aviation	Japan	Seoul (Incheon), Hong Kong, Taipei	Sapporo, Fukuoka, Nagasaki, Kagoshima, Naha
Jetstar Japan			Narita, Sapporo, Fukuoka
Skymark Airlines			Sapporo, Asahikawa, Naha
Jeju Air	South Korea	Seoul (Incheon, Gimpo), Jeju	
Air Busan		Busan	
Easter Jet		Seoul (Incheon)	
Cebu Pacific Air	Philippines	Manila	
Air Asia X	Malaysia	Kuala Lumpur	
Jetstar Asia	Singapore	Taipei, Manila, Singapore	
Jetstar	Australia	Cairns, Sydney, Gold Coast	

Source: Kansai International Airport Official Site
(http://www.kansai-airport.or.jp/flight/lccspecial/index.html)

Largest concentration of commercial facilities in Japan

The Umeda area currently contains Japan's largest concentration of large-scale commercial facilities (department stores, shopping centres, and so on). It attracts people from within and also outside the Kansai area.

From here on, too, Umeda will see the opening of pioneering new commercial facilities as part of the Osaka Station North District (*Umekita*) Development Area Project. According to a paper on 12th July 2011, by Kazutaka Nagaya of the Nikkei's Research Institute of Industry and Regional Economy, Umeda will become a centre of high fashion and cultural trends, and a "city-centre lifestyle zone" ("*Prospects for the Changing Kansai Trading Zone*").

Comparison of concentration of commercial facilities by region (store area)

Commercial district (official designation)	Store area (m^2)		
	Existing stores, etc.	New stores, etc.	Total
Umeda (Kita-ku, Osaka)	599,875	73,487	673,362
Namba, Shinsaibashi (Chuo-ku, Osaka)*	453,713	14,750	468,463
Shibuya, Omotesando (Shibuya-ku, Tokyo)	424,164	2,203	426,367
Shinjuku (Shinjuku-ku, Tokyo)	419,056	0	419,056
Ikebukuro (Toshima-ku, Tokyo)	378,117	4,460	382,577
Ginza, Nihonbashi (Chuo-ku, Tokyo)	358,448	0	358,448
Marunouchi, Yurakucho (Chiyoda-ku, Tokyo)	339,351	10,071	350,615

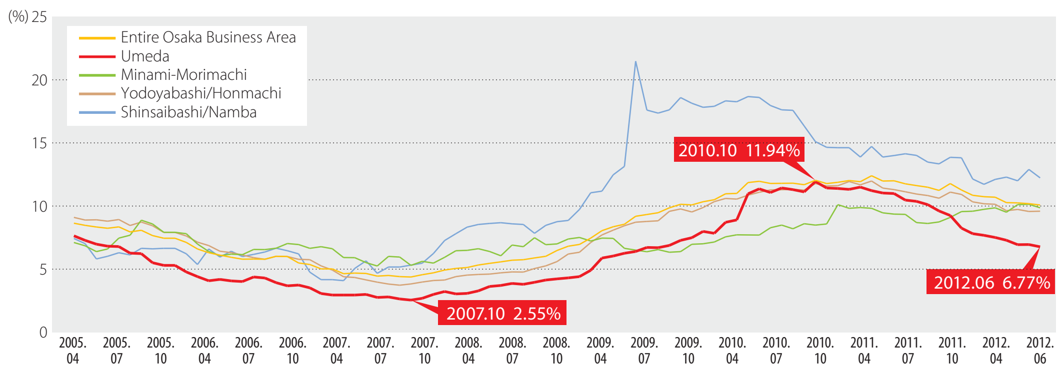
Source: Toyo Keizai, Inc. "List of Large-Scale Retail Outlets 2013"
Store area calculated on basis of official designation in the above table.
Stores surveyed are those with areas in excess of 1,000m^2, as of June 2012, based on data on large-scale stores registered with prefectural governments under the Large-Scale Retail Stores Location Law.
* Including 54,042m^2 for Namba Parks (Naniwa-ku, Osaka)

High potential as business district

In the last few years, many businesses have taken a close look at the Umeda area, attracted by the transportation convenience it offers as the largest railway terminus in western Japan. Umeda has been the first of Osaka's business districts to profit from the growing trend among companies in Osaka as a whole to enlarge their office space or move to larger premises. In reflection of this, office rents in Umeda maintain the highest level in Osaka business areas.

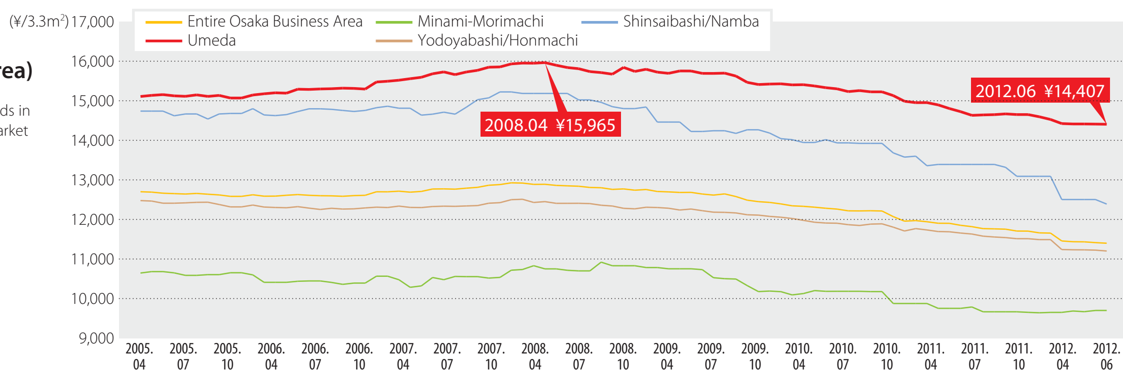
Average Vacancy Rates for Office Buildings (Osaka Business Areas)

Source: Miki Shoji, Latest trends in the office-building market



Average Rents for Office Buildings (Osaka Business Area)

Source: Miki Shoji, Latest trends in the office-building market



The Hankyu Hanshin Holdings Group — a strong presence in the **Umeda** area

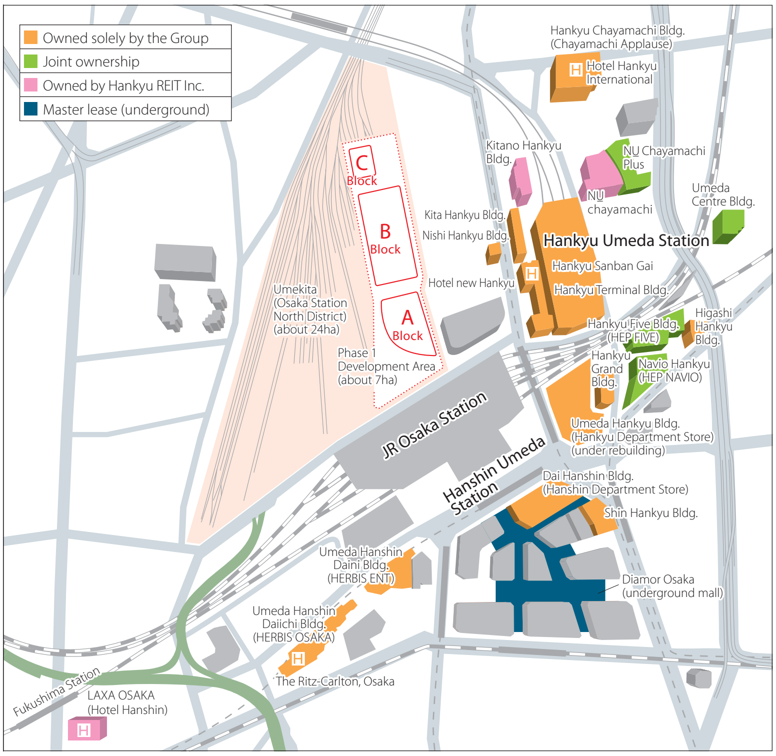
The origins of the Hankyu Hanshin Holdings Group go back to 1906, when the Hanshin Electric Railway opened a station at Umeda next to the Osaka Station of then Japanese National Railways (JNR, now JR West). Mino-Arima Electric Railway Company, the predecessor of Hankyu Corporation, opened its own adjacent station at Umeda in 1910.

Subsequently, both Hankyu and Hanshin developed a large number of commercial facilities and multipurpose buildings (complexes incorporating commercial facilities and offices) in the Kansai region, centred on their own railway terminuses. The most notable landmarks in this development process were the opening of the Hankyu Department Store in 1929, and the opening of the new Hankyu Umeda Station in 1973 after platform relocation and extension work. These were followed by redevelopment work by Hanshin Corporation in the West Umeda area, culminating in the opening of HERBIS OSAKA in 1997 and HERBIS ENT in 2004, which greatly changed the face of the Umeda area.

Hankyu Department Store, opened in 1929, was one of the first railway terminus department store in the world, and was ideally placed to take advantage of the newly dawning age of rail commuting in Japan. The department store was a great success, contributing to the Company's constantly growing business performance, and it has long held the No.1 spot among retail stores in the region. Recently, we have undertaken the rebuilding of the Umeda Hankyu Building, which houses the department store, to cement the store's top position even more firmly. The grand opening of the new Hankyu Department Store, featuring sales floorspace expanded from 60,000m^2 to 80,000m^2, is scheduled for 21st November 2012.

The work on relocating the platforms of Hankyu Umeda Station and expanding the station, completed in 1973, was necessitated by a sharp increase in rail travel demand. Hankyu Umeda Station had hitherto been located to the south of the elevated tracks of the JNR, and the relocation plan called for the station to be transferred to the north side of the tracks, for reasons of convenience. Up to then, the most bustling and lively part of the Umeda area had been the south side of the JNR's elevated tracks, while the north side was filled with old

■ Umeda Area in Detail



* HEP FIVE is jointly owned with Hankyu REIT Inc.
* Hotel Hanshin is operated by Hankyu Hanshin Hotels

(As of the end of July 2012)

Umeda Flagship Store of Hankyu Department Stores at the time of opening (1928)

Hankyu Umeda Station under construction and its neighbouring area in around 1966 houses and dilapidated commercial buildings dating from before World War II. This district was known as "the back of the station (*eki-ura*)," indicating its somewhat shabby image among the public. The opening of the relocated and refurbished Hankyu Umeda Station, together with the Hankyu Sanban Gai, a large-scale shopping centre in basements under the new station, was aimed at totally changing the district's image, and it played a major role in revitalising the entire Umeda area.

Meanwhile, the West Umeda area, on the west side of JR Osaka Station, was relatively undeveloped compared with the areas around Hankyu Umeda Station and in front of Osaka Station. This was because it was occupied mainly by the former JNR's South Umeda Freight Yard and surface railway tracks belonging to Hanshin. With the aim of implementing a world-class urban redevelopment project for the 21st Century, we seised the opportunity of the termination of operations at the South Umeda Freight Yard to undertake a large-scale redevelopment project with the cooperation of the land-owning parties, notably Hanshin Electric Railway Co., Ltd.

We mobilised the resources of the entire Group to implement this redevelopment project, with Hanshin as the main developer. While continuing work to move the railway lines underground, in 1997 we opened the HERBIS OSAKA, a multi-purpose high-rise building whose tenants include The Ritz-Carlton, Osaka hotel and other commercial facilities, as well as suites of high-technology offices. We then launched other redevelopment projects, including the opening in 2004 of the HERBIS ENT, a multi-purpose high-rise building that constitutes the culmination of our overall redevelopment of the West Umeda district. Both HERBIS buildings are built to very high-standard specifications, and the tenants of the commercial facility portions include many of the world's most renowned luxury brands. These two buildings have greatly enhanced the cachet of Umeda — Osaka's gateway.

As described above, the Group has been engaged in developing Umeda for almost a century, and has made a considerable contribution to the area's appeal. As you can see from the map provided on page 31, the Group has a strong presence in the Umeda area.


Hankyu Umeda Station and its neighbouring area in around 1973


Hankyu Sanban Gai at the time of opening (1969)


West Umeda area prior to redevelopment (1984)


Current West Umeda area

Measures taken by the Group to further enhance the attractiveness of the **Umeda** area

Rebuilding of Umeda Hankyu Building

The Umeda Hankyu Building is at the north end of Midosuji, Osaka's main street, and is in a prime location within five minutes' walk from each of the Hankyu, Hanshin, JR and subway Umeda (Osaka) stations. It also contains the Hankyu Department Store Umeda Flagship Store. Rebuilding work on the Umeda Hankyu Building has been pursued without closing the department store, even temporarily, and because of this the work was divided into two sections (north and south). In September 2009 the Phase I of the department store on the south side was opened for business, and in May 2010 the upper portion — the Umeda Hankyu Building Office Tower — was opened.

At present, work continues on Phase II of the department store on the north side, and it should be completed on 21st November, 2012, when the grand opening of the Hankyu Department Store Umeda Flagship Store is scheduled.

After the work is completed, the new Umeda Hankyu Building will be notable for the efforts that have been made to ensure the free movement of pedestrians into and out of the building and between it and surrounding facilities. These measures include making the underground entrance to the high-quality food floor in the department store completely barrier-free.

As a result, visitors will be able to enjoy walking around the building and its neighbouring shopping facilities, and the new building will help to improve the overall image of the Umeda area. Additionally, the new office tower is ideally located for direct access by the several railway lines running into Umeda, and offers superior functionality. Combined with its impressive 41 storeys above ground, the Umeda Hankyu Building Office Tower is a new landmark in the Umeda area, and is expected to make a major contribution to the area's further energisation.

Umeda Hankyu Building

■ The Building

	New Building	Old Building
Total floor area (excluding parking, basement, stairways, etc.)	Approx. 252,000m^2 Department store: Approx. 140,000m^2 Concourse etc.: Approx. 10,000m^2 Office tower: Approx. 102,000m^2	Approx. 112,600m^2
Floors	41 floors above ground and 2 below (Machinery rooms: 14th and 16th floors) Department store: 13 floors above ground and 2 below Office tower: Floors 15 to 41 (Sky Lobby: 15th floor)	12 floors above ground and 2 below
Height	Approx. 187m	Approx. 45m
Major uses	Department store and offices etc.	Department store etc.

■ Planned Investment

Total: Approx. ¥60 billion

Osaka Station North District (*Umekita*) Phase I Development

(Name: GRAND FRONT OSAKA)

This is a large-scale development project underway in the Phase I Development Area (approximately 7ha), which is part of the larger (approximately 24ha) area immediately adjacent to Osaka Station to the north. Undertaken by a consortium of 12 companies, including our Group company (Hankyu Corporation), the project has brought together experts from all over the globe, who have pooled their technological expertise and other know-how with the goal of creating a vibrant town that can take the lead in designing and popularising new businesses and new lifestyles. Based on this development concept, we are working to create a cluster of important urban functions — offices, commercial (shopping and leisure) facilities, hotels and serviced residences, and condominiums — centred on a "knowledge capital" hub. It will become a totemic development, and a fitting gateway to Osaka.

Construction work on this project, along with tenant leasing contracts and the sale of condominiums, is currently underway, with the target of completion in March 2013. Sales of the condominium building (GRAND FRONT OSAKA Owner's Tower) have been strong. 455 individual housing units, out of a total of 525 units, are on the market as of August 2012, with contracts completed for over 90%.

Artist's impression

During the works (as of August 2012)

■ The Building

Name	GRAND FRONT OSAKA			
Block	A Block	B Block		C Block
Floors	38 floors above ground, 3 below	(South Tower) 38 floors above ground, 3 below	(North Tower) 33 floors above ground, 3 below	48 floors above ground, 1 below
Site area	Approx. 10,571m^2	Approx. 22,680m^2		Approx. 4,666m^2
Total floor area	Approx. 187,800m^2	Approx. 295,100m^2		Approx. 73,800m^2
Major uses	Offices, commercial facilities	Offices, "Knowledge Capital," commercial facilities, hotel, serviced residence, convention halls		Apartments for sale

■ Planned Investment (Group share only)

Total: Approx. ¥51 billion

*Facility investment only. Excludes investments in land and buildings for sale

Rebuilding of Dai Hanshin Building and Shin Hankyu Building under consideration

It has now been almost fifty years since the construction of the Dai Hanshin Building, principally occupied by the Hanshin Department Store Umeda Main Store, and the Shin Hankyu Building just across the street. Plans for rebuilding are thus being considered.

Multifaceted Management of the Umeda Area

We are aiming to realise the continuous development of the Umeda area by raising its competitiveness and customer drawing power and by enhancing the area's overall attractiveness. For this purpose, in November 2009 the Group (Hankyu Corporation and Hanshin Electric Railway) established the "Council for Collaboration in the Management of the Umeda Area" together with the West Japan Railway Company (JR West) — which is also pursuing a large-scale development project in the Umeda area — and the Osaka Station North District (*Umekita*) Phase I Development Area Project Town Management Organisation (General Incorporated Association, GRAND FRONT OSAKA Town Management Organisation).

With the objective of improving the overall image of the Umeda area, the Council has adopted the following three basic policies to be shared by its members: (1) developing the area from the station outward; (2) creating a pedestrian-friendly neighbourhood; and (3) creating a neighbourhood fully in tune with the modern age.

■ Roadmap for activities undertaken by the Council for Collaboration in the Management of the Umeda Area

Specific action proposals	Steps to be Undertaken		
Developing the area from the station outward	· Publish area map · Publicise information on events in the area over the Internet · Hold promotional events in the plaza within the station, and coordinate participation · Hold events in open spaces around the station to help extend the liveliness of the station area to a wider part of the neighbourhood	→ · Strengthen joint management of community information services	→ · Provide adequate signage for pedestrians and promote coordination
Creating a pedestrian-friendly neighbourhood	· Conduct clean-up campaigns · Hold events in roadside spaces for cheerful atmosphere · Create lively neighbourhoods by displaying ad banners · Conduct campaigns to promote use of public transportation · Improve area's ambience by installing plants and flower pots	→ · Promote coordination across the area over illegal bicycle parking · Inform public about prevention of crime and fires, for safety enhancement · Expand user friendly facilities and coordinate participation · Examine ideas for traffic management to prioritise pedestrian movement	→ · Make proposals for beautification of area · Operate open-air cafes at roadsides · Examine proposals for getting the most out of road space, such as wider sidewalks
Creating a neighbourhood fully in tune with the modern age	· Publicise area development plans over the Internet · Publicise community management by issuing brochures, etc. · Organise area-specific events that will grow into neighbourhood seasonal celebrations · Conduct activities to create core of "Umeda fans" (including workers, residents, and tourists) who want to participate in the Council's activities · Promote interaction and liaison with urban development bodies all over Japan	→ · Promote eco-friendly urban development · Promote exchanges and collaboration with other cities in Japan and overseas · Design and adopt logo character to improve area's branding · Improve facilities for reception of visitors from other Asian countries, and conduct campaigns encouraging visits to the area	→ · Consider conducting experiments to test effectiveness of above measures taken to develop the area

Core Businesses: Overview and Outlook

At a glance

Revenues from Operations (¥ billion)

Urban Transportation P. 38

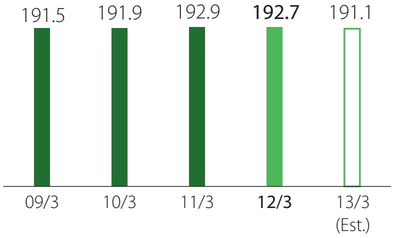
% of Revenues from Operations

28.9%

Revenues from Operations ¥192.7 billion (YoY -0.1%)

Operating Income Margin 16.8%

Segment Assets ¥738.7 billion (YoY -0.6%)



Real Estate P. 42

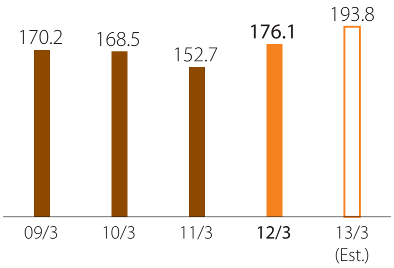
% of Revenues from Operations

24.6%

Revenues from Operations ¥176.1 billion (YoY +15.3%)

Operating Income Margin 16.5%

Segment Assets ¥1,008.9 billion (YoY -3.5%)



Entertainment and Communications P. 48

©Takarazuka Revue Company

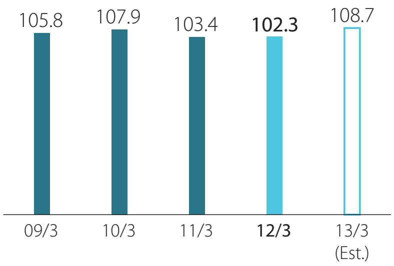
% of Revenues from Operations

14.6%

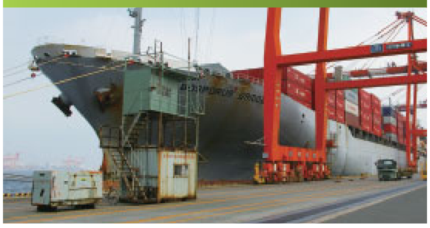
Revenues from Operations ¥102.3 billion (YoY -1.1%)

Operating Income Margin 9.9%

Segment Assets ¥140.6 billion (YoY -0.1%)



Travel and International Transportation P. 51



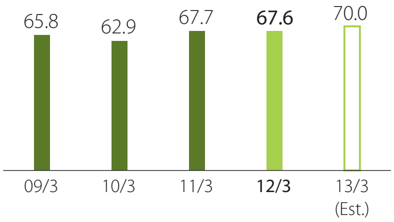
% of Revenues from Operations

10.4%

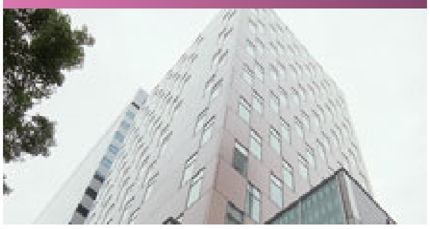
Revenues from Operations ¥67.6 billion (YoY -0.2%)

Operating Income Margin 4.7%

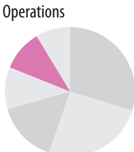
Segment Assets ¥100.5 billion (YoY +24.4%)



Hotels P. 54



% of Revenues from Operations

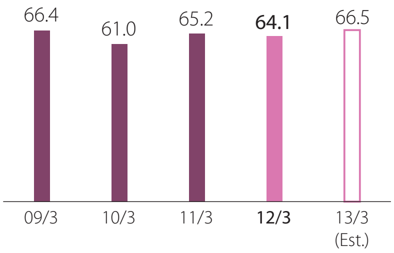


9.8%

Revenues from Operations ¥64.1 billion (YoY -1.7%)

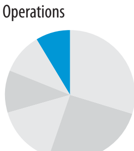
Operating Income Margin —

Segment Assets ¥88.1 billion (YoY -4.7%)



Retailing P. 56

% of Revenues from Operations

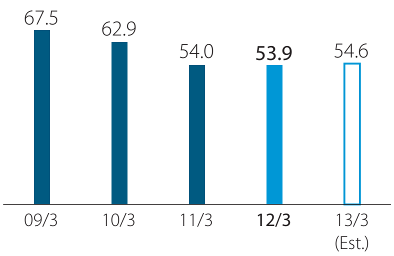


8.2%

Revenues from Operations ¥53.9 billion (YoY -0.3%)

Operating Income Margin 2.5%

Segment Assets ¥17.9 billion (YoY -3.7%)

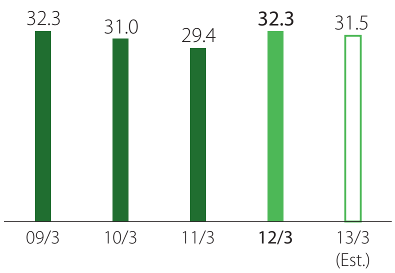


Notes: 1. Figures for segment revenues from operations as a percentage of Group totals are calculated on the basis of sales to external customers (as of 31st March 2012).
2. Revenues from operations in other businesses accounted for 3.5%.

* Retailing business's sales and operating income exclude those of the department store business (the former Hanshin Department Store group, which was a consolidated subsidiary up to first half of the year ended 31st March 2008).

Operating Income (¥ billion)

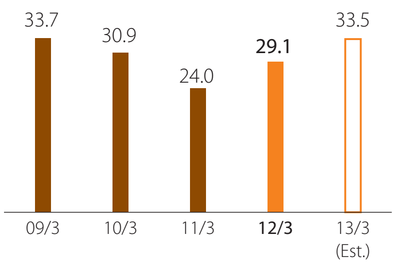
Nature of Business



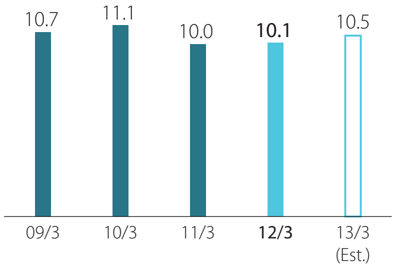
This segment comprises railway operations (with Hankyu Corporation operating the Kobe, Takarazuka and Kyoto lines out of Umeda (Osaka), and Hanshin Electric Railway lines directly linking Kobe with Osaka's major northern and southern terminals, Umeda and Namba). Together, the Hankyu and Hanshin network, combined with other lines, and bus, taxi and other urban transportation services, form a single large-scale network in the Kansai area, centred on the cities of Kyoto, Osaka and Kobe.

Total length of lines operated:

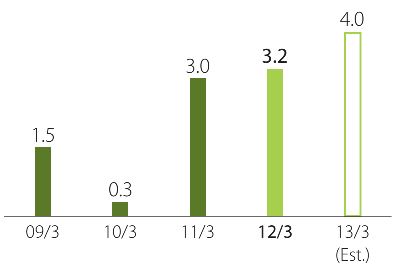
Hankyu Corporation: 143.6km Hanshin Electric Railway: 48.9km (Including tier 2 railway operator)



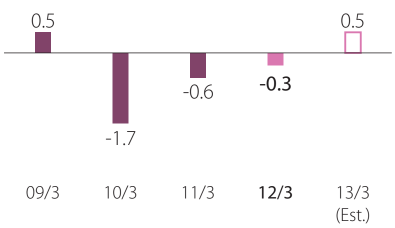
The Real Estate segment derives its core revenue from leasing and management of commercial facilities and office buildings, and its condominium business. Its attractive business portfolio includes commercial facilities such as Hankyu Sanban Gai shopping centre, HERBIS OSAKA, HERBIS ENT, Hankyu Nishinomiya Gardens, and the highly regarded *Geo* condominium brand in the Kyoto-Osaka-Kobe area. It is also involved in large-scale developments such as Phase II of the department store section of the Umeda Hankyu Building rebuilding project, and Osaka Station North District (Umekita) Development Area Project.



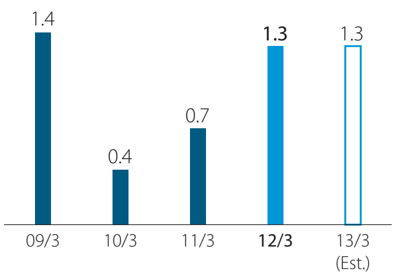
This segment offers a wide variety of live entertainment, centred on the sports business — the nationally popular and famous Hanshin Tigers professional baseball team and their home ground and high-school baseball mecca, Hanshin Koshien Stadium — and the stage revue business, based on the hugely popular Takarazuka Revue, which will celebrate its 100th anniversary in 2014. In addition, this segment runs wide range business such as publishing, advertising, musical entertainment ("Billboard Live" club and restaurant chain), cable television business, and the information technology services.



Our Travel and International Transportation business originally started as an International Air Transport Association (IATA) agency business in 1948, when we signed Japan's first agency contract. In the travel business, centred on Hankyu Travel International Co., Ltd., we offer an original product range featuring the comprehensive and varied Trapics core brand of travel packages, as well as business travel services. In the international transportation business, Hankyu Hanshin Express International Co., Ltd. uses a range of advanced information and communication technologies and global networks to provide high-quality logistics services efficiently combining a wide variety of transportation modes.



The Hankyu-Hanshin-Daiichi Hotel Group operates 48 hotels, consisting of 18 that are directly managed and 30 belonging to chains operated by franchise. It is one of Japan's leading hotel chains with 10,069 guest rooms (as of 31st July 2012). As a hotel operator with many directly managed hotels in the Tokyo and Kansai areas, Japan's two largest markets, it offers a wide range of hotel formats, from general-purpose "city hotels" to new style hotels (with very limited function facilities). In addition to chain operations, it also manages The Ritz-Carlton, Osaka, a venerable international luxury brand with which it has formed an alliance.



This segment group comprises "Ekinaka" retail outlets operated mainly within the premises of stations along our lines, the Lagare shop station kiosk chain, the Book 1st. bookstore chain, the *asnas* convenience store chain, the COLOR FiELD cosmetics and accessories chain, the DOUBLEDAY furniture and daily accessories chain and other sale-of-goods outlets. In addition to our retail outlets in areas served by the Hankyu and Hanshin lines, we have also opened Book 1st. stores in the Tokyo area, and DOUBLEDAY outlets in the Tokyo area and Fukuoka Prefecture. Drawing on our long experience in developing businesses in our home area, we are building our competitive strength in markets beyond the Hankyu and Hanshin networks.

Section 1
Urban Transportation

Major Businesses
Railway operations: Hankyu Corporation, Hanshin Electric Railway, Nosé Electric Railway, Kita-Osaka Kyuko Railway, Hokushin Kyuko Railway, Kobe Rapid Transit Railway
Automobile business (bus, taxi): Hankyu Bus, Hanshin Bus, Hankyu Kanko Bus, Osaka Airport Transport, Hankyu Denen Bus, Hankyu Taxi, Hanshin Taxi

Priority issues

(1) Provide high-value customer services
- Improve the appeal of our transportation services and products
- Expand our networks and catchment areas

(2) Ensure low-cost operations (pooling and improving technology and know-how)

(3) Provide safe, high-quality transportation services that fully justify public trust
- With ongoing major projects and grade separation (track elevation) works underway, as well as barrier removal at stations, this segment is committed to providing safe transportation services

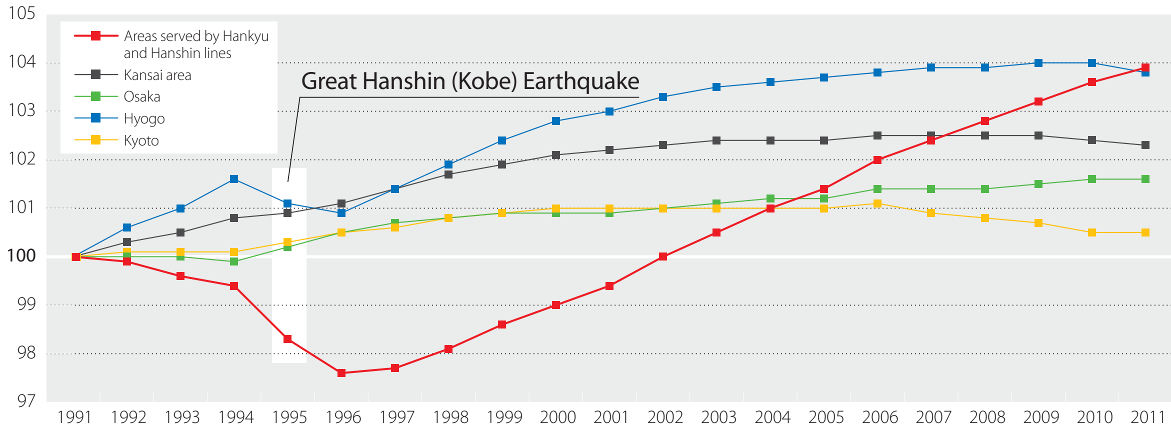
Key facts and business environment

Population growth continues in areas served by our lines

In recent years, the population of the Kansai area has been in decline, with a falling birth-rate and a rising proportion of elderly people. However, areas served by our lines are popular and populations here have maintained gradual growth momentum since the trough of 1996, the year after the Great Hanshin (Kobe) Earthquake (please see Figure 1).

However, there is no doubting that the operating environment for the Urban Transportation Business has become more difficult. The official Population Census of Japan shows that the population between the ages of 15 and 64 — the working-age generations — has already begun to decline, meaning a decline in people living in areas served by our lines is inevitable (please see Figure 2). Compounding this will be continuing competition with the private car.

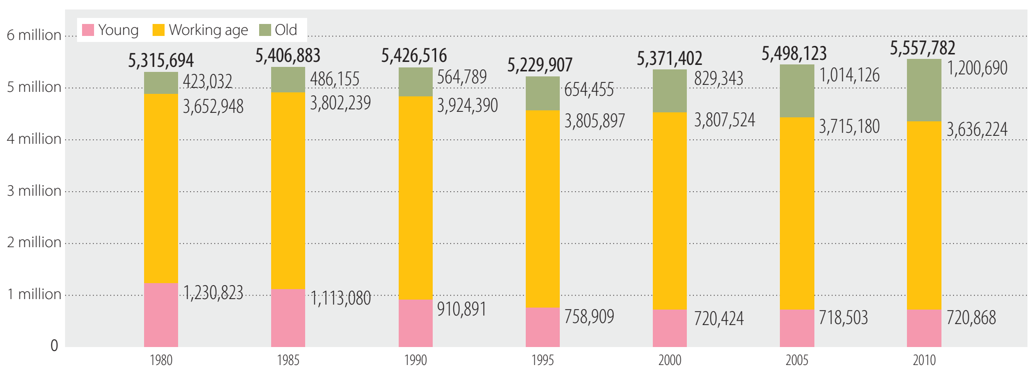
■ Figure 1: Population trends in areas served by Hankyu and Hanshin lines (1991=100)



Areas served by Hankyu and Hanshin lines:
Below are lists of areas with Hankyu Corporation and Hanshin Electric Railway stations (including tier 2 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, 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, Nishikyo, out of a total of 11 wards); and Muko and Nagaokakyo cities and Oyamazaki town

*Based on data in the Basic Resident Register, issued by the Ministry of Internal Affairs and Communications

■ Figure 2: Population by age group, along Hankyu and Hanshin lines (Population Census of Japan)



* Compiled by the Group, based on data from 2010 Population Census of Japan, issued by the Ministry of Internal Affairs and Communications.
* Tallies do not add up to the total at the top for each year as age group is not known in many cases. Unknowns account for the difference.
* Areas served by Hankyu and Hanshin lines are as defined in Figure 1.

Measures to increase the appeal of areas along our lines

Faced with such change in the external environment, we are committed to achieving low-cost operations by pooling technology and know-how and more efficiently deploying human resources of both Hankyu and Hanshin groups. We are also encouraging greater public transport use by upgrading station facilities and expanding networks. Looking ahead, we will continue to improve standards of convenience for customers and make our railway lines more appealing, by expanding and improving all our general transportation services.

Improvement of Hankyu Umeda Station facilities: Launch of modernising works at Hankyu Umeda Station, one of Japan's largest private railway terminals

About 40 years have passed since completion in November 1973 of the relocation of the new Hankyu Umeda Station away from its site near the current Umeda Hankyu Building.

Hankyu Corporation has embarked on modernising works at Hankyu Umeda Station, with completion scheduled for the end of fiscal 2015. The aim is to give the station a completely new, integrated, more upmarket look and make it the "face" of the Umeda district of Osaka, where developments are underway such as the rebuilding of the Umeda Hankyu Building and the Phase I Development at Osaka Station North District (*Umekita*).

The modernising works will involve creation of five spaces at Hankyu Umeda Station, titled "Approach," "Gate," "Lobby," "Stage," and "Galleria," with the use of theatre lighting to achieve a sense of drama. The aim is to create a distinctive theatre-like atmosphere.

A new gateway for Sannomiya (Kobe) and a better transportation hub role (improvement works at Hanshin Sannomiya Station)

Hanshin Sannomiya Station opened as an underground station in 1933. But because there is only one wicket on the western side, it tends to get crowded during a rush-hour. The station also lacks fire-prevention and barrier-free facilities and has long suffered from clumsy connections between lines within the station.

Improvement works at Hanshin Sannomiya Station were launched in October 2007, using subsidies for projects that enhance urban railway convenience. The aim was to improve user convenience and enhance its hub function ahead of the March 2009 launch of direct Hanshin Electric Railway and Kintetsu Corporation shared-line services from Sannomiya to Nara, using the Hanshin Namba Line.

In the improvement works, it was decided to build new eastern wickets, remodel the existing western wicket, redo the wiring throughout the structure, ensure up-to-date fire-prevention facilities and build new elevators and escalators. On 20th March 2012, the eastern wickets opened. In tandem with the station improvement works, an underground pass was also provided as part of the eastern wickets works, enabling easier access to the Port Liner, JR lines, the peripheral commercial facility Kobe Shinbun Kaikan building (M-INT Kobe) and the Santica underground shopping centre.

Performance for the fiscal year ended March 2012

Higher earnings supported by reduced equipment disposal expenses despite negative revenue impact of Great East Japan Earthquake

In the railway business, the focus at Hankyu Corporation during the year was improvement of customer services. New initiatives included the launch of operation of an intercom system for calling wicket staff covering all stations, progress in installation of information displays for delays and other matters, and installation at major stations of ticket gates with glass-walled service counters enabling passengers to call station staff. Other network enhancement measures included the completion of improvement works at Hanshin Mikage Station in November 2011, the opening of new eastern wickets at Hanshin Sannomiya Station in March 2012 and, at Hanshin Koshien Station, improvements aimed at reducing crowding on professional baseball game days and making facilities barrier-free. Revenues from operations in the railway business overall rose 0.8% or ¥1,209 million year-on-year to ¥144,957 million, with both Hankyu and Hanshin lines increasing revenues, as the impact of severe typhoons in the region was outweighed by the entry into service of new retail facilities in the Umeda area and the leap year effect.

In addition, measures were taken to improve customer convenience at the bus and taxi business. Hankyu Bus Co., Ltd. and Hanshin Bus Co., Ltd. expanded a weekend-and-holiday discount, in which holders of commuter passes for certain routes of either company could get additional discounts on certain of the other company's routes, to weekdays as well. However revenues from operations slipped 1.2% or ¥558 million year-on-year to ¥47,483 million due partly to reduced airport bus usage following the Great East Japan Earthquake.

In the other businesses segment of Urban Transportation, revenues from operations fell 6.4% year-on-year or ¥680 million to ¥9,875 million, due partly to a correction following completion and delivery of major orders at rolling-stock manufacturing facilities in the previous fiscal year.

As a result of the above, revenues from operations in the Urban Transportation Business overall declined 0.1% or ¥229 million year-on-year to ¥192,718 million. However, operating income increased 10.1% or ¥2,963 million to ¥32,342 million, due to decreases in property and equipment disposal and depreciation and amortisation expenses.

Hankyu Corporation and Hanshin Electric Railway: Performance in numbers

		Fare revenues (¥ million) *1				Passenger volumes (thousands) *1			
		2012/3	2011/3	Change	%	2012/3	2011/3	Change	%
Hankyu	Other tickets	60,268	60,000	268	0.4%	306,349	306,481	-131	-0.0%
	Commuter pass	29,922	29,484	437	1.5%	302,282	296,751	5,530	1.9%
	Total *2	90,191	89,485	705	0.8%	608,632	603,233	5,399	0.9%
Hanshin	Other tickets	19,422	18,899	522	2.8%	109,284	103,991	5,293	5.1%
	Commuter pass	10,623	10,126	497	4.9%	109,275	101,211	8,064	8.0%
	Total *2	30,045	29,025	1,019	3.5%	218,560	205,202	13,357	6.5%

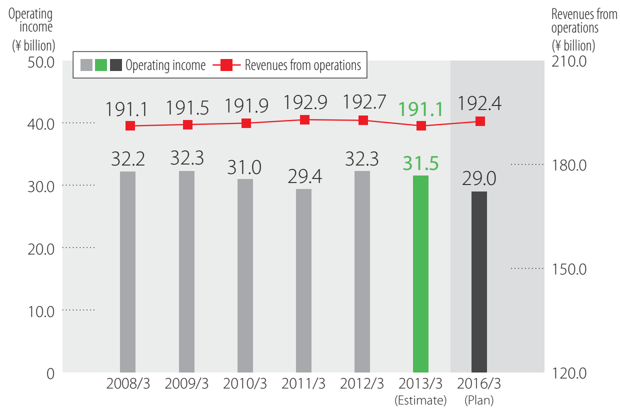
*1 Sum of tier 1 and tier 2 operators for both Hankyu and Hanshin
*2 For Kobe Rapid Transit Railway Line (from Hanshin Motomachi Station and Hankyu Sannomiya Station to Nishidai Station, and from Shinkaichi Station to Minatogawa Station), we have modified our method of recording fare revenues and passenger volumes as these sections are now co-managed by Hankyu Corporation, Hanshin Electric Railway and Kobe Electric Railway (as of October 2010). Changes in fare revenues and passenger volumes for the line for the previous fiscal year using the same method of calculation as the fiscal year under review are as follows.

(Hankyu) Total fare revenues: ¥764 million (0.9%), total passengers carried: 3,560 thousand (0.6%)
(Hanshin) Total fare revenues: ¥182 million (0.6%), total passengers carried: 2,083 thousand (1.0%)

Forecasts for fiscal 2013 onward (Estimates adjusted from 2007 Medium-Term Management Plan)

We forecast revenues from operations in the year ending 31st March 2013 to edge down 0.8% or ¥1.6 billion year-on-year to ¥191.1 billion, partly because of the previous fiscal year being a leap year, and hence one day longer. We forecast operating income to decrease 2.6% or ¥0.8 billion to ¥31.5 billion, for the reason mentioned above and because of increased power and fuel costs due to rising oil prices, which will outweigh an expected reduction in maintenance, and depreciation and amortisation costs, in the railway business.

Looking ahead to the year ending 31st March 2016, we expect revenue levels in the railway and bus and taxi businesses to be more or less flat from the year ended 31st March 2013. We forecast a 0.7% or ¥1.3 billion increase to ¥192.4 billion in revenues from operations compared with our forecast for the year ending 31st March 2013, on the strength of an expected increase in rolling-stock manufacturing orders and other positives. However, in the railway business, we expect operating income to decline 7.9% or ¥2.5 billion compared with the year ending March 2013 (forecast) to ¥29.0 billion, due largely to a one-time cost, a steep increase in property and equipment disposal expenses from gradation and other works near Rakusaiguchi Station on the Hankyu Kyoto Line.



Hankyu Corporation and Hanshin Electric Railway: Performance in numbers (Fiscal 2013)

		Fare revenues (¥ million) *1				Passenger volumes (thousands) *1			
		2013/3	2012/3	Change	%	2013/3	2012/3	Change	%
Hankyu	Total	89,969	90,191	-221	-0.2%	606,242	608,632	-2,390	-0.4%
Hanshin	Total	29,875	30,045	-169	-0.6%	217,121	218,560	-1,439	-0.7%

*1 Sum of tier 1 and tier 2 operators for both Hankyu and Hanshin

Section 2

Real Estate

Major Businesses

Real estate leasing: Extensive property-holdings, mainly along Hankyu and Hanshin lines (For details of major properties, please see page 47)
Major companies: Hankyu Corporation, Hanshin Electric Railway, Hankyu Realty

Real estate sales: Subdivision and sale of residential land lots and sale of condominiums and single-family housing, mainly along Hankyu and Hanshin lines. In recent years, also focused on the sale of condominiums in the Tokyo area
Major companies: Hankyu Corporation, Hanshin Electric Railway, Hankyu Realty

Other real estate businesses: In addition to projects such as the rebuilding of Umeda Hankyu Building, property management, building maintenance and other building operation and management services
Major company: Hankyu Corporation, Hanshin Electric Railway, Hankyu Hanshin Building Management

Priority issues

Real estate leasing
(1) Consolidate and improve earnings capability by strengthening real estate leasing management models, cost-effectively
(2) Consolidate and increase occupancy and profitability through closer tenant relationships and more effective leasing models

Subdivision business
(1) Supply and market condominium buildings at the scale needed by the market, and develop projects tailored to customer needs
(2) Build up condominium supply network in the Tokyo area, and establish the *Geo* brand
(3) Market residential land-lots (Yamatedai, Nakajima and Saito), and develop communities of detached single-family town houses

Other
(1) Proceed with large-scale projects like the rebuilding of Umeda Hankyu Building and the Phase I Development Area of Osaka Station North District (*Umekita*), aiming at early launch of stable operations
(2) Raise the corporate value of Umeda and other areas served by Hankyu and Hanshin lines, through new development projects

Key facts and business environment

Recovery in the leasing market will take time

Most revenues and operating income in the Group's Real Estate Business are generated by the leasing business, which contributes to stable cash flow. The Group has one of the largest rental real estate portfolios of any private rail company, with many properties located near Hankyu and Hanshin lines (for details, please see page 47). Overall rentable area operated by the Group was approximately 1.6 million m^2 (as of 31st March 2012). Of this total, approximately one half, or 700,000m^2 (60% being commercial facilities and the rest office facilities) are concentrated in the Umeda area, the heart of the Kansai economy, where the Group has a large number of very competitively located rental properties (near the Umeda stations of both Hankyu and Hanshin lines as well as JR Osaka Station (please see page 31 for detailed map of the Umeda area).

Looking at the current market for rentable office space in the Umeda area, average vacancy rates for office buildings bottomed out in October 2007 but are still trending at a high level. This reflects the sluggishness of the economy's recovery and ongoing uncertainty about economic prospects, as well as the release onto the market of large numbers of new buildings in the Umeda area between 2010 and 2013. Average rent levels are also continuing their gradual decline.

Recently we have seen a tendency toward an increase in new rental contracts due to tenants relocating from other districts, as well as large-scale business relocations accompanying mergers and corporate consolidations. As a result, the average office vacancy rate for the Umeda area is showing signs of improvement. Nevertheless, as stated above, a number of large-scale properties will be coming on the market between now and 2013, and the vacancy rate is thus likely to remain high for some time to come (see Figures 1 and 2 for average vacancy rates and average rent levels).

In the field of commercial facilities, consumers are tending to prefer lower-priced products or refrain from purchasing at all, which reflects a general decline in consumer confidence. Consequently, the Group's sales in this segment are projected to continue declining for some time to come, particularly for city-centre-type commercial facilities.

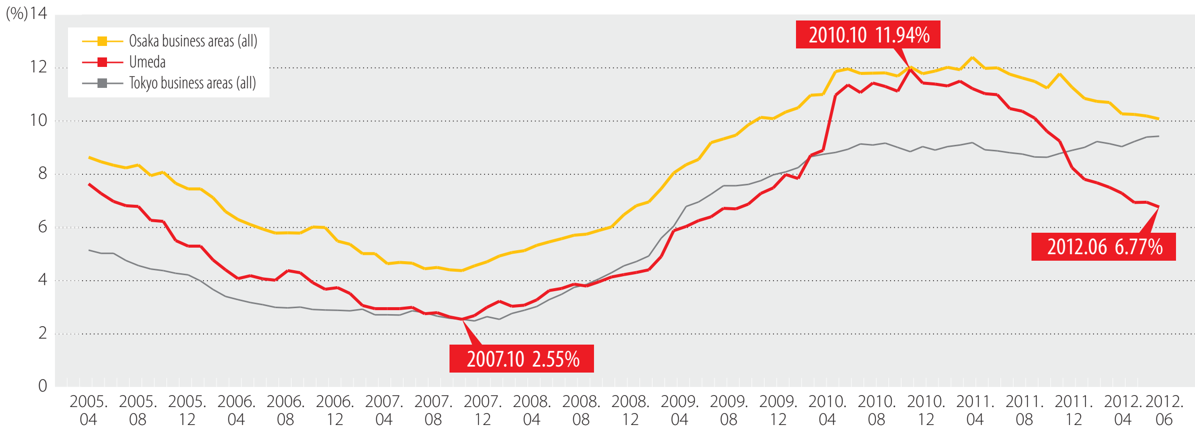
As explained above, the business environment surrounding the real estate leasing market remains challenging. However, thanks to the very competitive locations of our major rental office buildings close to the Hankyu and Hanshin Umeda stations in central Umeda, we can expect relatively stable earnings on the back of steady demand and rent levels even under such difficult conditions.

In commercial facilities, too, we likewise expect limited impact on earnings from the decline in tenant sales, due to the fact that fixed-rent leases account for a relatively high proportion of rental income. Tenant sales at our community-based commercial facilities (shopping centres) in areas served by the Group's railway stations have been holding up comparatively well. In particular, Hankyu Nishinomiya Gardens has been enjoying favourable growth in tenant sales since it opened in November 2008.

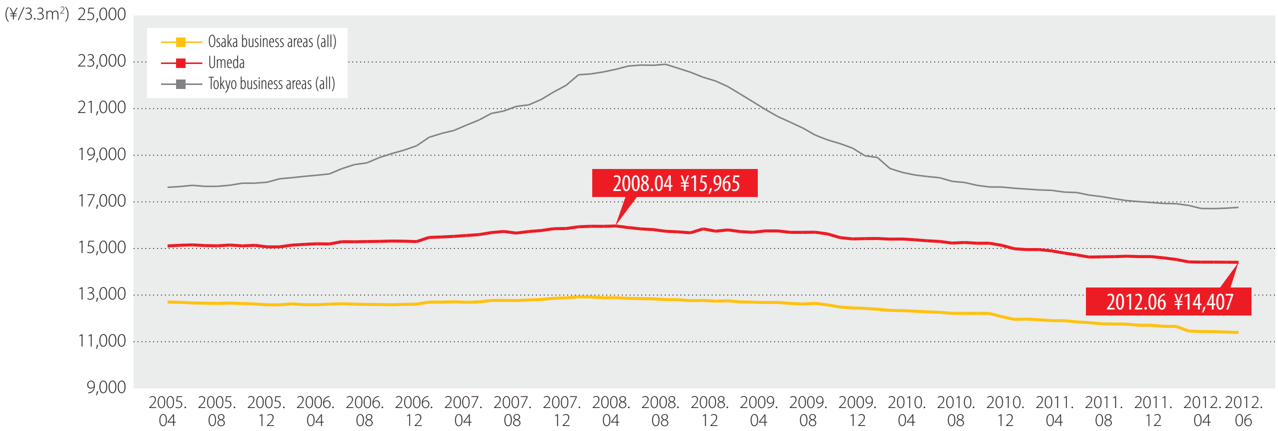
Looking ahead, in the Umeda area, the Group's most important business base, ongoing large-scale development projects mean that competition in the fields of office buildings and commercial facilities is likely to intensify as new properties come on the market. However, as the market leader in the Umeda area, we will leverage our strong relationships with tenants to improve the vacancy rate at properties we own, and will take measures to improve the appeal and customer-drawing power of the Umeda area overall.

■ Figure 1: Average vacancy rates at office buildings (Osaka and Tokyo business areas)

Source: Miki Shoji, *Latest trends in the Office-building market*



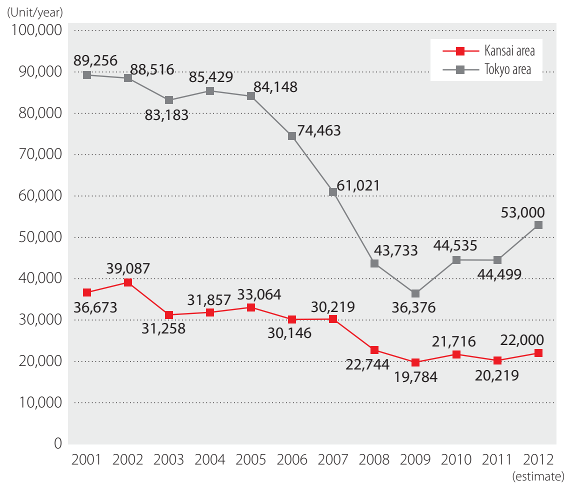
■ Figure 2: Average rents at office buildings (Osaka and Tokyo business areas)



Subdivision business continues to enjoy robust sales

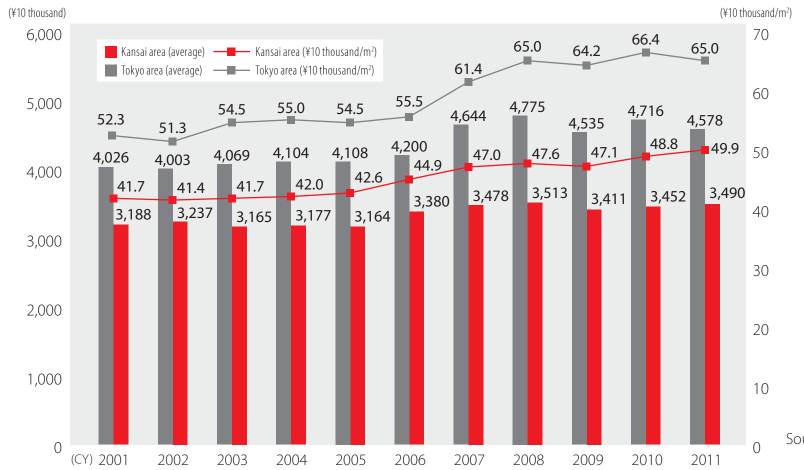
In the subdivision business, we market condominiums, single family houses, and residential land lots. The core business is *Geo*-branded condominiums, supplied as high value-added properties sited in excellent locations, mainly in areas along Hankyu and Hanshin lines and in the Tokyo area. With *Geo*-branded condominiums, the focus is on quality and functionality, and quality management is strict. We use an integrated framework spanning development, sales, and management. The *Geo* marque rates highly in market research into condominium brands.

■ New supply of condominiums (Tokyo and Kansai areas)



Source: Based on Real Estate Economic Institute Co., Ltd.'s National Condominium Market Trends 2011, and Condominium Market Forecasts in the Tokyo Metropolitan and Kansai Areas in the First Half of 2012

■ Condominium Prices (Tokyo and Kansai areas)



Source: Based on Real Estate Economic Institute Co., Ltd.'s National Condominium Market Trends 2011

The number of individual condominium units sold in 2011 amounted to 44,499 in the Tokyo area (down 0.1% year-on-year) and 20,219 in the Kansai region (down 6.9% year-on-year). In 2012 thus far, the supply of condominiums to the market during the January-June first-half period rose in the Tokyo area by 14.0% year-on-year, due to a rebound from the previous year's decline caused by the Great East Japan Earthquake. The supply also rose 11.1% in the Kansai region.

The number of condominium units forecast to be supplied to the market in 2012 is 53,000 in the Tokyo area and 22,000 in the Kansai region. Factors behind these year-on-year increases include the government's continued measures to encourage home buying, including reduced tax rates on mortgage loans. In addition, in the Tokyo area there has been a delay in the start of construction and sale of condominiums owing to the aftereffects of the March 2011 disaster, and the number of construction starts is expected to increase. In the Kansai region, condominiums at a number of large-scale development projects will be coming on the market.

In the first half of 2012 the average rate of conclusion of a sales contract in the first month after a condominium comes on the market was 77.6% in the Tokyo area and 75.9% in the Kansai region, both above the generally employed benchmark level of 70% for condominium sales. This indicates that the condominium market is on the road to recovery.

Looking ahead, we expect sales to remain firm in the near term despite concerns over the impact of a higher consumption tax, firmly underpinned by demand created by home-purchase incentives and other measures. The Group is enjoying robust sales, with customers appreciating its supply of high-quality properties sited in excellent locations.

Note: The above figures are based on research by Real Estate Economic Institute Co., Ltd. Reference was made to National Condominium Market Trends 2011, Condominium Supply Forecasts in the Tokyo Metropolitan and Kansai Areas 2012, and Condominium Market Forecasts in the Tokyo Metropolitan and Kansai Areas in the First Half of 2012.

Steady progress in large-scale development projects

At the moment, the Group is working to raise its profile in the Umeda area. Two projects in particular are aimed at improving the appeal of the overall area: the reconstruction of the Umeda Hankyu Building and the Phase I Development Area Project at Osaka Station North District (*Umekita*). At Umeda Hankyu Building, the grand opening of the Umeda Flagship Store of Hankyu Department Stores is scheduled for 21st November 2012, bringing to completion a seven-year project. Already, tenant occupancy at the Office Tower opened in May 2010 stands at approximately 85% (as of 31st July 2012), including informal tenancy commitments.

In addition, the Shin-Osaka Hankyu Building opened at a site adjacent to JR Shin-Osaka Station, a major *shinkansen* terminal which is a gateway to Osaka.

Project overviews are as follows.

Umeda Hankyu Building

Please see page 33 (Special Feature)

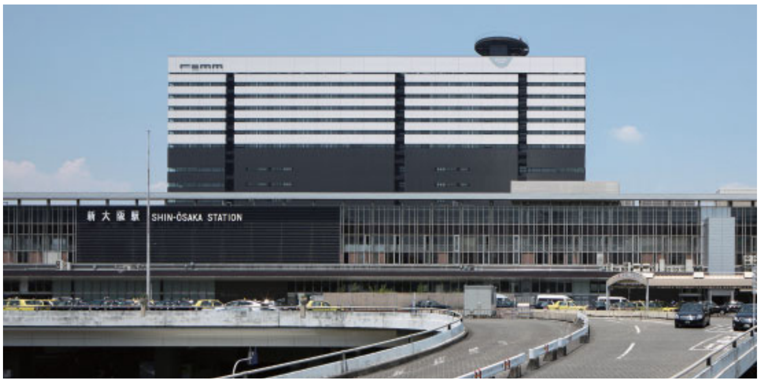
Phase I Development Area Project at Osaka Station North District (*Umekita*)

Please see page 34 (Special Feature)

Shin-Osaka Hankyu Building

The Shin-Osaka Hankyu Building is a multipurpose structure with 17 floors above ground, comprising a Group-operated hotel that prioritises a good night's sleep over other services (REMM Shin-Osaka), offices, and retail, bus terminal and other facilities. Convenience is the keynote. It is linked directly to JR Shin-Osaka Station (a major *shinkansen* terminal which is a gateway to Osaka) and its subway station on the Midosuji Line, which connects to Osaka commercial hubs such as Umeda, Yodoyabashi, Honmachi, Shinsaibashi and Namba. It also provides better access to the area north of JR Shin-Osaka Station, which had been difficult to get at, via the station's newly-opened northern exit.

Following the completion of this building on 31st July 2012, we opened retail and other facilities on the second and third floors to coincide with the opening of the concourse on 22nd August. On 21st September, key tenant REMM Shin-Osaka opened for business.



Shin-Osaka Hankyu Building

■ The building

<table>
<tr><td>Site area</td><td colspan="3">Approx. 4,150m^2</td></tr>
<tr><td>Total floor area</td><td colspan="3">Approx. 35,600m^2</td></tr>
<tr><td rowspan="4">Floors</td><td rowspan="4">17 floors above ground</td><td>12–17</td><td>REMM Shin-Osaka
(Hankyu Hanshin Hotels, 296 rooms)</td></tr>
<tr><td>3–11</td><td>Offices (floor space for rent: Approx. 15,800m^2)</td></tr>
<tr><td>2–3</td><td>Retail facilities (floor space for rent: Approx. 1,000m^2)</td></tr>
<tr><td>1</td><td>Bus terminal</td></tr>
</table>

■ Planned investment

Total: Approx. ¥10 billion

Performance for the fiscal year ended March 2012

Revenues and earnings rose on higher condominium sales and occupancy at Umeda Hankyu Building Office Tower

In the real estate leasing business, revenues from operations declined 2.9%, or ¥2,413 million, to ¥81,830 million. This result reflected the impact of the economic slowdown, which overshadowed the earnings contribution of the launch of operations in April 2011 of NU chayamachi Plus (Kita-ku, Osaka) and the recession-defying performance of Hankyu Nishinomiya Gardens, now in its third year of operation, as well as measures to keep occupancy rates up at retail facilities and office buildings across the portfolio, backed up by management cost-cutting measures.

Condominium sales in the subdivision business included units at *Geo* Grande Umeda (Kita-ku, Osaka), *Geo* Katsura (Nishikyo-ku, Kyoto) and *Geo* Hankyu Tsukaguchi Premier (Amagasaki, Hyogo Prefecture); and in the Tokyo area, *Geo* Bunkyo Otsuka Nakamachi (Bunkyo-ku, Tokyo) and *Geo* Senkawa (Toshima-ku, Tokyo). In residential land-lot subdivisions, we marketed residential land and single family housing in areas where we operate, including Hankyu Takarazuka Yamatedai (Takarazuka, Hyogo Prefecture) and Osaka Nakajima Koen Toshi Hapia Garden Shiki-no-Machi (Nishiyodogawa-ku, Osaka). As a result, condominium unit sales increased significantly*1, and revenues from operations in the condominium subdivision business rose by 53.4% or ¥22,943 million, to ¥65,913 million.

In the other real estate businesses including development projects, revenues from operations increased 7.8% or ¥3,052 million year-on-year to ¥42,297 million, due to steady increases in tenants moving into the Office Tower of the Umeda Hankyu Building, which is now under reconstruction; the Office Tower opened early, in May 2010.

As a result, revenues from operations in the real estate business overall increased 15.3% year-on-year, or ¥23,384 million, to ¥176,114 million, and operating income rose 21.4%, or ¥5,136 million, to ¥29,133 million.

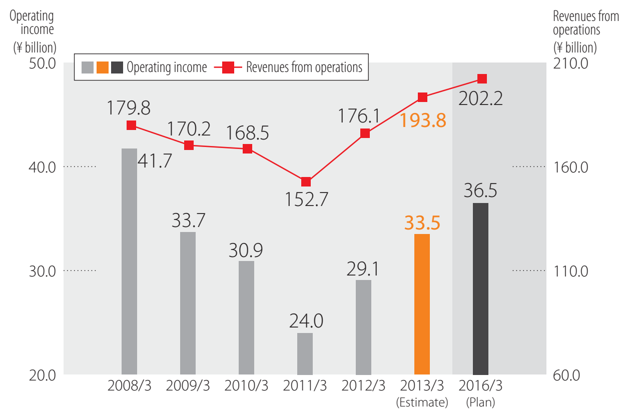
*1 Condominium unit sales in previous year (fiscal 2011): 680
Condominium unit sales in year under review (fiscal 2012): 1,210
Note: Number of condominiums sold (number of deliveries) includes units in shared buildings in which only a portion of the units are subdivisions for sale.

Forecasts for fiscal 2013 onward (Estimates adjusted from 2007 Medium-Term Management Plan)

In the year ending 31st March 2013, we expect revenues from operations to increase 10.0%, or ¥17.7 billion, to ¥193.8 billion, with operating income rising 15%, or ¥4.4 billion, to ¥33.5 billion, largely due to expected higher condominium sales*2 compared to the previous fiscal year and increased rental income, from improved occupancy rates at the Umeda Hankyu Building Office Tower and the grand opening of the Umeda Flagship Store of Hankyu Department Stores (within Umeda Hankyu Building).

For the year ending 31st March 2016, we forecast revenues from operations to rise 4.3%, or ¥8.4 billion, to ¥202.2 billion, and operating income to increase 9.0%, or ¥3.0 billion, to ¥36.5 billion. The higher sales and earnings projections compared with projected levels for the year ending 31st March 2013 assume further occupancy increases at Umeda Hankyu Building Office Tower as well as full-year rental income contributions from Umeda Flagship Store of Hankyu Department Stores after its grand opening, and from Shin-Osaka Hankyu Building (due to complete at the end of July 2012). The estimates also factor in earnings boosts and cost-cutting from improvements to real estate leasing management models.

*2 Condominium unit sales forecast for fiscal 2013: 1,500
Note: Number of condominiums sold (number of deliveries). includes units in shared buildings in which only a portion of the units are subdivisions for sale.

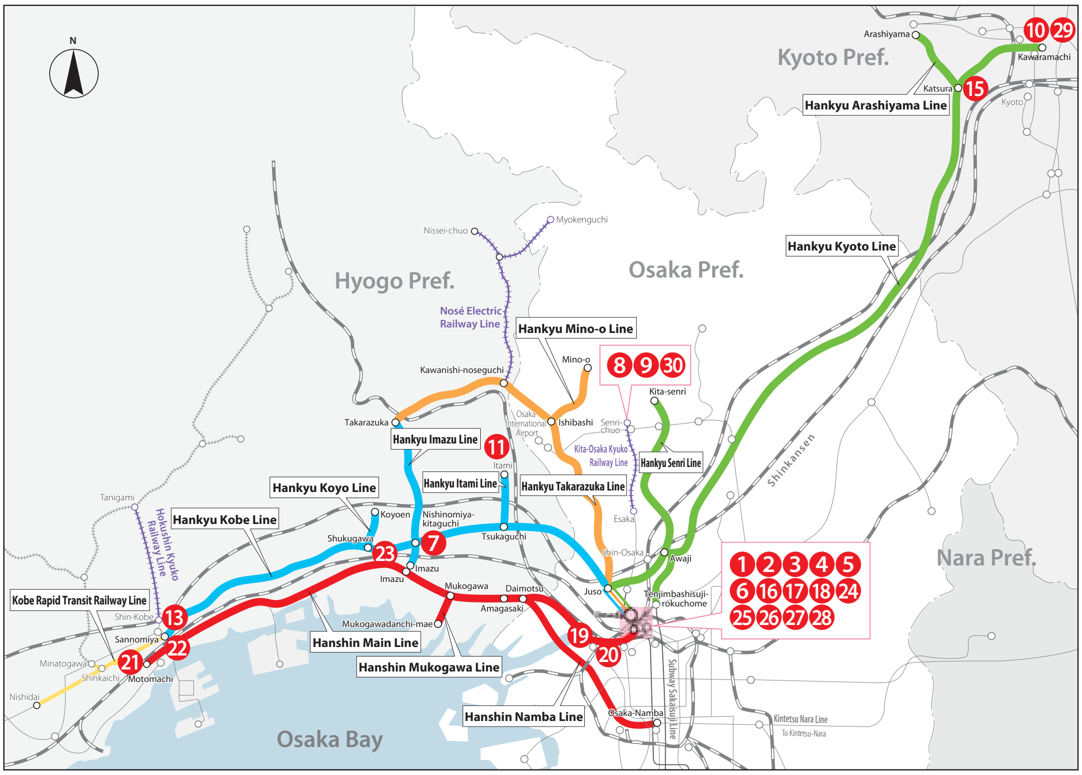


Major Group Facilities

Property Name	Location	Completed	Leasable Area (m²)*1	Property Name
1 Umeda Hankyu Bldg.	Kita-ku, Osaka	2009,2010*2	126,096	Department store (Hankyu Department Stores), Offices
2 Hankyu Terminal Bldg.	Kita-ku, Osaka	1972	26,721	Offices, Commercial facilities
3 Hankyu Sanban Gai Shopping Centre	Kita-ku, Osaka	1969	40,808	Commercial facilities
4 Shin Hankyu Bldg.	Kita-ku, Osaka	1962	32,962	Offices, Commercial facilities
5 Kita Hankyu Bldg.	Kita-ku, Osaka	1971	13,356	Offices, Commercial facilities
6 NU chayamashi PLUS	Kita-ku, Osaka	2011	3,021	Commercial facilities
7 Hankyu Nishinomiya Gardens	Nishinomiya, Hyogo	2008	108,215	Department stores (Hankyu Department Stores), Commercial facilities
8 Senri Chuo multistory car park (No.1, No.2, No.3)	Toyonaka, Osaka	2007,2008*3	—	Car park
9 Senri Asahi Hankyu Bldg.	Toyonaka, Osaka	1992	14,300	Offices, Commercial facilities, Multipurpose convention hall
10 Kotocross Hankyu Kawaramachi	Shimogyo-ku, Kyoto	2007	2,979	Commercial facilities
11 Itami Hankyu Station Bldg. (Itami Reita)	Itami, Hyogo	1998	11,800	Commercial facilities
12 TX Akihabara Hankyu Bldg. (AKIBA TOLIM)	Chiyoda-ku, Tokyo	2008	10,297	Hotels (REMM Akihabara), Commercial facilities
13 Kobe Hankyu Bldg.	Chuo-ku, Kobe	1936	7,894	Commercial facilities
14 Miyazu Hankyu Bldg. (Mipple)	Miyazu, Kyoto	1997	20,021	Commercial facilities
15 Katsura Higashi Hankyu Bldg. (MEW Hankyu Katsura)	Nishigyo-ku, Kyoto	1993	2,915	Commercial facilities
16 Umeda Hanshin Daiichi Bldg. (HERBIS OSAKA)	Kita-ku, Osaka	1997	81,702	Commercial facilities, Multifunctional convention hall, Offices, Hotels (The Ritz-Carlton, Osaka)
17 Umeda Hanshin Daini Bldg. (HERBIS ENT)	Kita-ku, Osaka	2004	54,787	Offices, Commercial facilities, Theatre (Osaka Shiki Theatre)
18 Dai Hanshin Bldg.	Kita-ku, Osaka	1963	98,578	Department stores (Hanshin Department Stores)
19 Noda Hanshin Bldg. (WISTE)	Fukushima-ku, Osaka	1992	31,630	Commercial facilities, Offices
20 Fukushima Hanshin Bldg.	Fukushima-ku, Osaka	1987	21,764	Offices
21 Motomachi Hanshin Bldg.	Chuo-ku, Kobe	1987	7,865	Outside horse-racing ticket booth
22 Sannomiya Hanshin Bldg.	Chuo-ku, Kobe	1933	13,672	Department stores (Takashimaya)
23 EBISTA Nishinomiya (Commercial facility under elevated railway tracks)	Nishinomiya, Hyogo	2003	10,359	Commercial facilities
24 Hankyu Chayamachi Bldg. (Applause Tower)	Kita-ku, Osaka	1992	52,065	Offices, Commercial facilities, Hotel (Hotel Hankyu International)
25 Navio Hankyu (HEP NAVIO)	Kita-ku, Osaka	1980	15,711	Commercial facilities
26 Hankyu Five Bldg. (HEP FIVE)	Kita-ku, Osaka	1998	12,613	Commercial facilities
27 Umeda Center Bldg.	Kita-ku, Osaka	1987	10,085	Offices, Commercial facilities
28 Hankyu Grand Bldg.	Kita-ku, Osaka	1977	34,923	Offices, Commercial facilities
29 Hankyu Kawaramachi Bldg.	Shimogyo-ku, Kyoto	1974	38,237	Takashimaya Department Store
30 Hankyu Senri Chuo Bldg.	Toyonaka, Osaka	1980	15,542	Offices

*1 Leasable area does not include areas for public use.
*2 In Umeda Hankyu Building, the Department Store section (Phase I) was completed in 2009, and the Office Tower section in 2010.
*3 Multistory car parks No.1 and No.2 saw completion of extension works in 2007, and No.3 completed its new construction in 2008.

Major Group Properties



Section 3

Entertainment and Communications

©Hanshin Tigers

Major Businesses

Sports business: Professional baseball business (the Hanshin Tigers) and Hanshin Koshien Stadium, and related businesses

Stage businesses: Takarazuka Revue and related businesses, operation of Umeda Arts Theatre and promotion of stage productions

Communication and media businesses: advertising, publishing, cable television business, musical entertainment ("Billboard Live" club and restaurant chain), information technology services, etc.

Leisure businesses: Mt. Rokko and Takarazuka Garden Fields, and other leisure businesses

Priority issues

(1) Maximise the value of the Hanshin Tigers, Koshien and Takarazuka brands
- Improve the appeal of live events (create superior attractions, train and acquire star talent, and increase the appeal of our live-event venues)
- Broaden the fan base and improve customer retention (leverage Customer Relationship Management, strengthen promotion through external media)
- Create value chain of live events and media content (enhance the appeal of established media, broaden the range of media channels, and use next-generation networks to get our message across)

(2) Establish a communication and media business base
- Boost the value of media operations in areas served by our lines and engage local customers in dialogue
- Develop information technology solution businesses inside and outside the Group

(3) Leverage our leisure facilities (facilities on top of Mt. Rokko, Takarazuka Garden Fields, etc)
- Enhance synergies between customer-oriented facilities and enhance joint promotions

Key facts and business environment

Delivering inspiration and dreams through two attractions

According to the Ministry of Internal Affairs and Communications Statistics Bureau's Family Income and Expenditure Survey, recreational service expenditure of total household in 2011 (real terms) fell 3.6% year-on-year. The live entertainment industry, traditionally seen as recession-proof, seems to have succumbed to the prolonged economic slowdown after all.

Despite these headwinds, our unique Hanshin Tigers, Hanshin Koshien and Takarazuka Revue brands retain their popularity and passionate fan bases all over Japan, and the games and shows continue to draw the crowds. These two powerful brands are assets that none of our rivals can match and form a proprietary core strength of the Group, contributing significantly to Group brand value.

Hanshin Tigers and the Hanshin Koshien Stadium

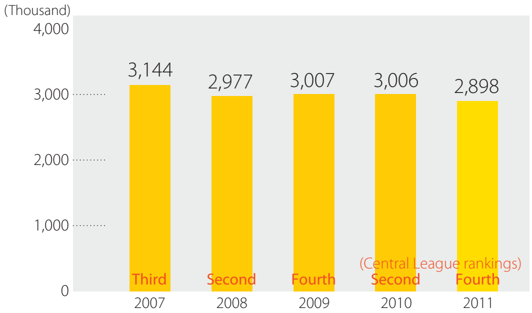
Of the professional baseball leagues in Japan, the Hanshin Tigers have both one of the longest histories and a bedrock of fans not only in their home area, Kansai, but also across Japan. In the past seven years, attendances at home games in the Pennant Race have been the largest in Japan. The Hanshin Tigers were the only one of the 12 professional baseball teams in Japan to register total attendances of over 3 million people in the 2005-2007, 2009 and 2010 seasons.

Opened in 1924, the Hanshin Koshien Stadium is a sports venue of considerable historical value. Known as the home ground of the Hanshin Tigers and also the home of the spring and summer high school baseball championships, it now also hosts major events

©Hanshin Tigers

Hanshin Koshien Stadium

Total Attendances at Hanshin Tigers Home Games



*Capacity at Hanshin Koshien Stadium declines from 2008 following renovation programme

such as the Koshien Bowl (annual American college football final) and open-air concerts.

In the spring of 2010 we completed a renovation of the Stadium, which had been undertaken in three phases starting in autumn 2007. The works included seismic reinforcement, replacement of the "silver umbrella" roof cover and floodlighting, installation of new seating and refurbishment of food and drink outlets, resulting in a more safe and comfortable spectator space that generates improved earnings.

©Hanshin Tigers

Takarazuka Revue

Performances are given all over Japan by the Takarazuka Revue, which is based at two main venues, the Takarazuka Grand Theatre (Hyogo Prefecture, 2,550 seats) and the Tokyo Takarazuka Theatre (2,069 seats). Repertoires span a wide range of Japanese and western material, including overseas musicals. Takarazuka Revue has made a name for itself for major individual musical and show productions that are performed throughout the year. In 2011, the troupes gave over 450 performances at both its main theatres, in front of a total of approximately 2.4 million people during the year, including troupe tours of venues nationwide.

Inspiration and dreams — by delivering these to our customers through high-quality performances on the stage and sports field, the Hanshin Tigers, Hanshin Koshien Stadium and Takarazuka Revue brands are maximizing brand value for the Group.

©Takarazuka Revue Company

©Takarazuka Revue Company

Performance for the fiscal year ended March 2012

Earnings in this segment rose year-on-year on the back of cost-cutting measures which more than offset the negative impact of the failure of the Hanshin Tigers to proceed to the Climax Series playoff stage and a reduction in revenues following the termination of analog broadcasting in the cable television business.

In the sports business, the failure of the Hanshin Tigers to proceed to the Climax Series (in the previous year, two games were home games) and other factors caused revenues from operations to slip 1.7%, or ¥412 million, year-on-year to ¥23,451 million, despite the Tigers' fan base and our measures to make the most of the Hanshin Koshien Stadium by leveraging food, drink and merchandising outlets and fan-oriented services through special event programmes.

In the stage business, the stage revue business had notable successes with productions at the Takarazuka Grand Theatre and Tokyo Takarazuka Theatre of *Nova Bossa Nova*, the fourth revival since it was first produced in 1971, and *Meguriaiha futatabi* (My only shinin' star), both by the Hoshi (Star) troupe. Additionally, in the theatre business, productions that got people talking included an elaborate reinterpretation of the musical *Roméo et Juliette: de la Haine à l'Amour*, first performed in France in 2001. However, revenues from operations in the stage business declined 1.1%, or ¥287 million, year-on-year to ¥25,792 million.

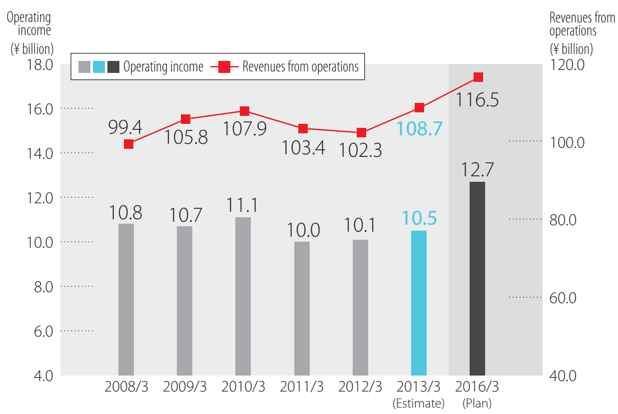
Communication and media and other businesses in this segment include the cable television business, where we focused on our triple-play services, a package of multichannel cable TV, cable internet, and Cable-Plus Phone services. Despite steadily growing subscriber numbers, revenues from operations dipped 1.0% in these businesses, or ¥613 million, year-on-year to ¥58,341 million, due in part to a fall in the number of work orders to deal with equipment interference problems amid the shutdown of analogue broadcasting in Japan.

As a result, revenues from operations in the Entertainment and Communications Business overall dipped 1.1%, or ¥1,093 million, to ¥102,313 million. However, bold cost-cutting measures helped raise operating income 1.5%, or ¥147 million, to ¥10,141 million.

Forecasts for fiscal 2013 onward (Estimates adjusted from 2007 Medium-Term Management Plan)

We forecast revenues from operations in the year ending 31st March 2013, to increase 6.2%, or ¥6.4 billion, to ¥108.7 billion, after factoring in the contribution from consolidation of Himeji Cable Television Co., Ltd. In addition to the impact of this addition, reduced lease expenses in the cable television business and sale of golf businesses to outside customers are likely to push operating income up 3.5%, or ¥400 million, to ¥10.5 billion.

In the fiscal year ending 31st March 2016, revenues from operations are expected to increase 7.2%, or ¥7.8 billion, to ¥116.5 billion from our forecast for the year ending 31st March 2013, on higher revenues and an improved operating income margin from a pickup in advertising demand and strength in information technology services, coupled with lower depreciation and amortisation expenses in the sports business. Operating income is expected to rise 21.0%, or ¥2.2 billion, to ¥12.7 billion, from fiscal 2013 projections.



Section 4

Travel and International Transportation

Major Businesses

Travel Business: Hankyu Travel International Group (7 companies)

Total billings: ¥345.8 billion (No. 5 in the industry)

• Total billings are Hankyu Travel International (nonconsolidated) figures for fiscal year ended March 2012.

International Transportation Business: Hankyu Hanshin Express Group (24 companies)

Sales: ¥77.7 billion

• Sales are total of Hankyu Hanshin Express Group figures for fiscal year ended March 2012.

Priority issues

Travel Business

(1) Raise customer satisfaction levels
- Rigorous quality and risk management

(2) Improve sales capabilities
- Strengthen product lineup, step up operations in Tokyo area, and expand sales channels

(3) Create fundamentals for stable earnings
- Improve process efficiencies in back office/administrative departments

International Transportation Business

(1) Strengthen our marketing capabilities
- Strengthen global strategy, deepen involvement in the marine cargo/logistics business

(2) Expand networks in promising markets
- Expand networks in emerging markets

(3) Improve quality standards
- Strengthen ISO and compliance

Key facts and business environment

Travel

Aim to achieve the highest customer approval ratings in the industry

Since the 1990s, the Group's travel businesses have focused on using newspapers and other media (mail-order and online sales) to market packages, which are organised under a stable of brands spearheaded by the mainstay Trapics marque. Billings for overseas travel, a particular strength, were the third-highest in Japan in fiscal 2012, and our position in the domestic travel sector is sixth. This business is growing steadily. We now place fifth overall in total billings in the travel sector in Japan.

The business environment in fiscal year ended March 2012 remained tough. Despite external pressures such as discouraging economic and social trends in Japan, and the recent earthquake disaster, a risk to which the travel business is particularly susceptible, our travel business is achieving further steady growth in both international and domestic operations. The Group is able to develop and bring products to market quickly, leveraging advertising-driven sales, a particular strength of Hankyu Travel International.

Looking ahead, we plan to boost the added value and quality of our travel products, and also broaden our lineup, to satisfy increasingly diverse demands, aiming ultimately to achieve the highest customer approval ratings in the sector through a constant focus on safety, comfort and providing inspiration and dreams. We aim to attract still more customers by working together to provide high-quality travel services that truly meet customer wishes.

■ Total Travel Billings (2012/3)

Rank	Company name	¥ billion
1	JTB	1,348.3
2	Nippon Travel Agency	370.4
3	Kinki Nippon Tourist	363.8
4	HIS	349.3
5	Hankyu Travel International	345.8
6	Rakuten Travel	292.7
7	JTB World Vacations	224.2
8	ANA Sales	203.8
9	JALPAK	160.2
10	Club Tourism International	142.1

■ Overseas Travel Billings (2012/3)

Rank	Company name	¥ billion
1	JTB	458.3
2	HIS	332.6
3	Hankyu Travel International	236.5
4	JTB World Vacations	224.2
5	Kinki Nippon Tourist	137.8
6	Nippon Travel Agency	133.2
7	JALPAK	63.0
8	Nippon Express	56.0
9	Club Tourism International	55.7
10	Nissin Travel Service	40.2

■ Domestic Travel Billings (2012/3)

Rank	Company name	¥ billion
1	JTB	870.8
2	Rakuten Travel	274.6
3	Nippon Travel Agency	225.8
4	Kinki Nippon Tourist	219.8
5	ANA Sales	178.3
6	Hankyu Travel International	109.1
7	JALPAK	97.2
8	Club Tourism International	86.4
9	Top Tour	79.6
10	JR TOKAI TOURS	78.1

行きたい旅、見つかる。

* Source: Hankyu Hanshin Holdings, based on Japan Tourism Agency Bulletin (online): Business Volume for Major Travel Agents (April 2011 to March 2012) Billings are rounded down to the nearest ¥100 million.

International Transportation

Global logistics provider utilising advanced ICT

Even compared with other Japanese freight forwarding companies, which are strong players in the global distribution sector, the Hankyu Hanshin Group's international transportation business has led rivals in marine transportation and logistics to create a framework that optimises our customers' supply chain management. We are a total provider of logistics management systems, capable of handling multiple transportation modes from bases all over the world. By using advanced information technologies, we have built up an infrastructure capable of meeting the increasingly sophisticated logistics needs of our customers. Another strength of the Group is ability to offer tailored customer services. The Bosch Group of Germany found itself in difficulty after the Great East Japan Earthquake due to supply chain disruption to its Japan operations. We were able to respond flexibly and quickly to their needs, and deliver Bosch orders safely and without delay. In recognition of this service, we were awarded one of the coveted Bosch Supplier Awards in July 2011.

At the moment, demand for transportation services has tailed off somewhat, amid fears of global recession due to the growing European debt crisis. At the same time, we see little prospect of rapid recovery in freight-forwarding demand due to the uncertain prospects for the global economy. Despite these headwinds, the Group will further develop its business by steadily making progress toward priority goals. At the same time, we are aggressively setting up offices in the promising emerging markets, and aim to become a powerful company capable of supporting customers' logistics strategies with high-quality services and systems. This is part of our drive to build Group brand value on the international stage.

■ Overseas network

Overseas: 21 companies in 92 locations
Number of employees: 1,973 (as of 1st April 2012)

Performance for the fiscal year ended March 2012

Although the travel business was severely hit by the Great East Japan Earthquake, earnings grew on a robust performance in international transportation

The Great East Japan Earthquake had a devastating effect on the business environment for the tourist industry in Japan. Since the disaster, our travel business has embarked on an aggressive marketing drive, introducing special promotional products, and overseas travel has grown from last year in terms of outbound tourists from Japan. Even in domestic travel operations, there has been an upturn, centred on the southernmost island of Kyushu (which was least affected by the disaster). However, we are not yet back to pre-disaster performance levels. As a result, revenues from operations in the travel business were down 4.7%, or ¥1,485 million, year-on-year, to ¥29,821 million.

The international transportation business likewise had another year of uncertainty. Japan saw some progress in recovery from the chaos wrought by the Great East Japan Earthquake on manufacturing output levels and supply chains, but this was offset by a slowdown in imports of consumer goods and the economic malaise in Europe.

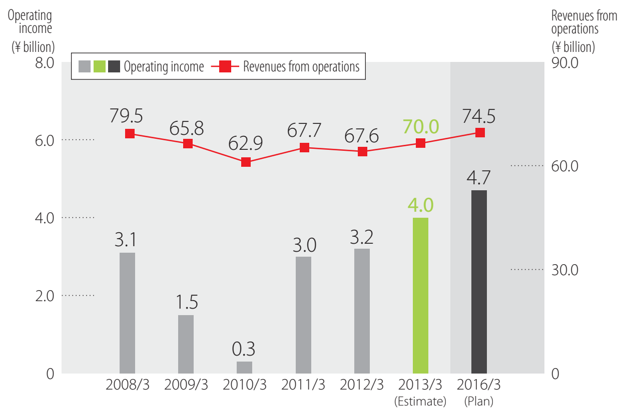
Despite this backdrop, revenues from operations in our international transportation business increased by 3.5% or ¥1,269 million year-on-year to ¥37,763 million, on steady progress in various marketing strategies aimed at improving performance in marine transportation and expanding the logistics business, all of which underpinned earnings.

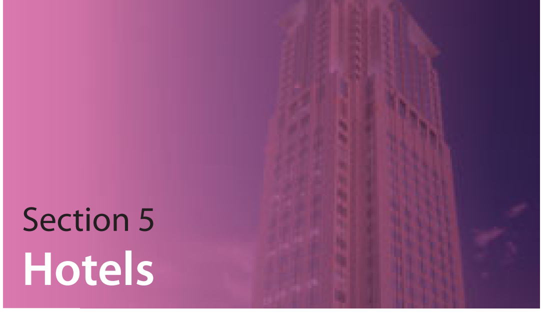
As a result of the foregoing, revenues from operations in the Travel and International Transportation Business dipped by 0.2%, or ¥139 million year-on-year, to ¥67,571 million, and operating income rose 7.4%, or ¥219 million, to ¥3,171 million.

Forecasts for fiscal 2013 onward (Estimates adjusted from 2007 Medium-Term Management Plan)

In the year ending 31st March 2013, we see revenues from operations growing 3.6%, or ¥2.4 billion year-on-year, to ¥70 billion, and operating income jumping 26.1% or ¥0.8 billion, to ¥4.0 billion. In the international transportation business, we expect a decrease in billings due to the impact of the European economic slowdown, but this will be more than offset by the rebound in the domestic travel business from the Great East Japan Earthquake disaster.

In the year ending 31st March 2016, we forecast revenues to rise 6.4% or ¥4.5 billion from our projections for the year ending 31st March 2013, to ¥74.5 billion, and operating income to rise 17.5%, or ¥0.7 billion, to ¥4.7 billion. These forecasts assume an increase in the travel business in tourist numbers particularly for pre-planned package tours, combined with ongoing growth in the international transportation business, chiefly in the emerging markets.





Section 5
Hotels

Major Businesses

Principal directly operated hotels:

Hotel Hankyu International [Number of rooms: 168; total capacity: 316]
Hotel new Hankyu Osaka [Number of rooms: 922; total capacity: 1,304]
Dai-ichi Hotel Tokyo [Number of rooms: 277; total capacity: 554]
The Ritz-Carlton, Osaka* [Number of rooms: 292; total capacity: 584]

* The Ritz-Carlton, Osaka is operated by the Ritz-Carlton hotel chain under the management of Hanshin Hotel Systems.

Priority issues

(1) Improve profitability of established hotels
- Restructure operations by screening out weaker performers
- Invest appropriately in product value improvement
- Improve sales capabilities and productivity through structural reforms

(2) Expand chain by opening new directly managed hotels
- Further develop the REMM brand
- Increase profit margins by focusing more on hotels specialising in lodging services

(3) Outsource more hotel operation under franchise/management contracts
- Grow earnings at established hotels run under franchise, with chain headquarters providing operational services
- Run more hotels through franchises, leveraging chain operational know-how and brand image

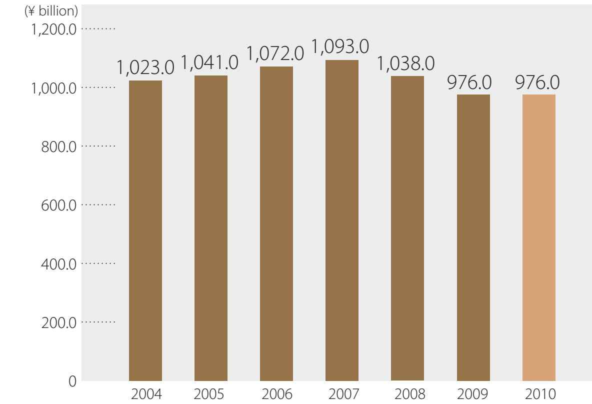
Conditions in the hotel market and our response

According to estimates by Japan Productivity Center*, Japan's hotel market continued to expand from 2003 through 2007 (based on sales). However, in 2009 and 2010, room demand slumped and the scale of the hotel market fell back to ¥976 billion, 10% below its peak in 2007. This was due to a decline in numbers of business-people visiting Japan after the global economic crisis following the collapse of Lehman Brothers in the autumn of 2008, and to weak leisure spending owing to the H1N1 flu scare in 2009.

To respond to this challenging environment, the Group devoted three fiscal years to a complete overhaul of its flagship Hotel new Hankyu Osaka, refurbished the Hotel Hankyu International and undertook other measures to strengthen its competitive position over that period.

* White Paper on Leisure, fiscal 2010 edition, published by Japan Productivity Center

Size of the hotel market in Japan



Opening of the fourth REMM hotel, Shin-Osaka

The first Kansai hotel under our REMM brand, which prioritises a good night's sleep over banquet and other function-based businesses, opened in Shin-Osaka on 21st September 2012.

This is the fourth REMM hotel following openings in Hibiya and Akihabara in Tokyo and in Kagoshima, Kyushu (October 2011). Housed in the conveniently located Shin-Osaka Hankyu Building, which connects directly with the subway and JR lines at Shin-Osaka Station, this new hotel is expected to serve both business and tourist demand.

REMM Shin-Osaka

Performance for the fiscal year ended March 2012

Losses narrow, thanks to cost-cutting measures, despite declining revenues due to the earthquake disaster

In the Hotels Business, we took various measures to boost profitability, including the opening of a third REMM hotel in October 2011, in Kagoshima, and Takarazuka Hotel's taking over of the contract to manage the Kwansei Gakuin Kaikan convention hall facilities of the Kwansei Gakuin educational corporation. We also developed the franchise business, and undertook joint sales promotion measures with other Group hotels, including campaigns to commemorate the opening of REMM Kagoshima.

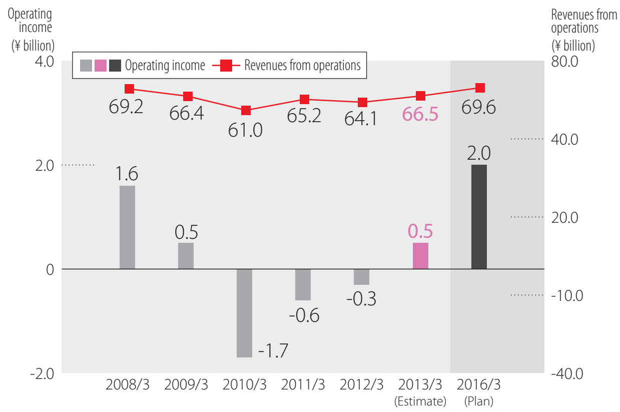
However, the slump in business demand and fall in the number of foreign visitors to Japan in the wake of the earthquake disaster continue to take a heavy toll on this business.

As a result, revenues from operations in this business declined 1.7%, or ¥1,129 million year-on-year, to ¥64,090 million. The operating loss improved by ¥370 million to ¥269 million, due partly to cost-cutting measures.

Forecasts for fiscal 2013 onward (Estimates adjusted from 2007 Medium-Term Management Plan)

In the year ending 31st March 2013, we expect to grow both revenues and earnings on the back of recovery in lodging demand following the earthquake disaster from business people and inward-bound tourists, as well as for banquet and other function services. We also expect to benefit from the full-year earnings contribution of REMM Kagoshima and reduced depreciation and amortisation costs. We expect revenues from operations to increase by 3.8%, or ¥2.4 billion year-on-year, to ¥66.5 billion, while an ¥0.8 billion improvement from last year's operating loss will yield operating income of ¥0.5 billion.

For the fiscal year ending 31st March 2016, we expect to increase revenues compared with our forecasts for fiscal 2013, due to marketing initiatives (refurbishments) at our established hotels, and the full-year earnings contribution of the REMM Shin-Osaka hotel. Factoring in additionally the cost-cutting from further structural reform, we expect revenues from operations in the year ending 31st March 2016 to increase 4.7%, or ¥3.1 billion, to ¥69.6 billion compared with our projection for the year ending 31st March 2013, and operating income to jump 300% or ¥1.5 billion to ¥2.0 billion.



*Food and drink businesses operated by the Retail Business segment have been transferred to the Hotel Business segment, as of fiscal 2011.

Section 6

Retailing

Major Businesses

Retail: Hankyu Retails Corporation

Bookstore chain Book 1st., Convenience store chain *asnas*, Station kiosk chain Lagare shop, High-end supermarket chain Seijo Ishii*, Cosmetics chain COLOR FiELD, the furniture and daily accessories chain DOUBLEDAY, the Cleduple cosmetics and accessories store with powder rooms, the general accessory store a.d.r.e.s., etc.

* Seijo Ishii is operated under a franchise agreement with Seijo Ishii Co., Ltd.

Priority issues

(1) Strengthen the competitiveness of each retail format
- Deepen the specialisation and build up the brand of each retail format
- Consolidate and improve current earnings levels at established stores and expand the business through store openings and refurbishments

(2) Develop formats to drive future business growth

(3) Create a more efficient operating model for back-office administration

Key facts and business environment

Retailing formats located inside and near stations

The Group's Retailing Business is mainly focused on stores inside and near station buildings (*Ekinaka, Ekichika*). Outlets and operators include station kiosks such as Lagare shop, the convenience store chain *asnas*, and formats run with partners. We also operate the bookstore chain Book 1st. and the general merchandise formats COLOR FiELD and DOUBLEDAY. We are extending these businesses beyond areas served by our lines and boosting their brand power and competitiveness.

Enhancing the appeal of our station-based retailing formats

Many of the retail formats and stores run by the Group's Retailing Business can expect comparatively stable sales revenues, thanks to their location within stations and their wide range of businesses. These have been strengths of the Group's operations. However, our station-based retailing operations will continue to face difficult conditions. A long-term increase in train use is unlikely amid a worsening employment situation and demographic change, with rising numbers of senior citizens and a lower birth rate. In addition, the number of in-station shops at other railway operators is on the rise, forcing our partner companies to be more rigorous in site evaluation.

Against this backdrop, the Group is taking measures to strengthen the competitiveness and improve the business efficiency of each retail format. We are also improving the appeal of our stations and retail outlets through measures such as major renovations of in-station stores at the Hankyu Umeda Station, to make our stations pleasanter places for customers to frequent. Symbolising this initiative will be the launch in September 2011 of the new Cleduple-brand accessory and cosmetic store with powder rooms, targeting women.

Cleduple store in Umeda Station

a.d.r.e.s. store in Nishinomiya-Kitaguchi Station

Performance for the fiscal year ended March 2012

Expand business scale and revamp store network, and hold down costs to boost earnings despite declining revenues

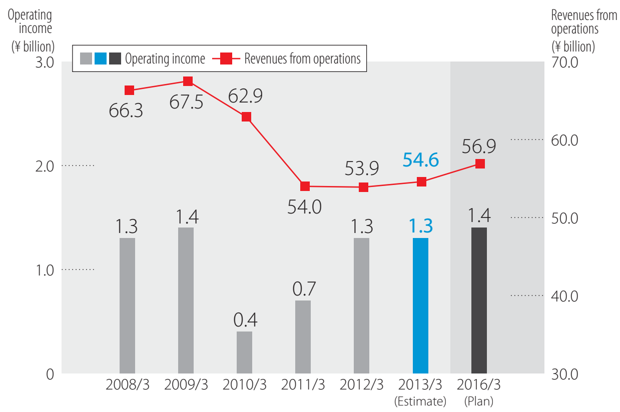
In store strategy, we launched measures aimed at revitalising the in-station store business at Hankyu Umeda Station, by opening a Cleduple cosmetics store with powder room (outside the wicket on the third floor) and refurbishing the *asnas* convenience store (same location), and at Hankyu Nishinomiya-Kitaguchi Station, by opening our first a.d.r.e.s store, a new general accessory brand (second-floor wicket area). In addition, outside our catchment areas, we opened the Cook Deli Gozen shop selling delicatessen items at Abeno Q's MALL (Abeno-ku, Osaka), and a DOUBLEDAY furniture and daily accessories store at LakeTown OUTLET mall (Koshigaya, Saitama Prefecture). These measures have expanded our scale of operations and revamped the store network, strengthening competitiveness and earnings.

Despite these measures, revenues from operations slipped 0.3%, or ¥154 million year-on-year, to ¥53,853 million, due to intensified competition among established stores and store closures, resulting from the withdrawal from business operations of Sound 1st., a retailer of music software. However, operating income increased 86.7%, or ¥619 million, to ¥1,333 million, on business restructuring and other measures to boost profitability.

Forecasts for fiscal 2013 onward (Estimates adjusted from 2007 Medium-Term Management Plan)

In the year ending 31st March 2013, we expect revenues from operations to increase 1.4%, or ¥0.7 billion year-on-year, to ¥54.6 billion, factoring in the effect of "Ekinaka" in-station store renovations. But operating income is likely to stay flat at ¥1.3 billion, amid a very challenging operating environment.

In the fiscal year ending 31st March 2016, we expect increased revenues and earnings compared with our projections for the year ending 31st March 2013, with revenue from operations rising 4.2%, or ¥2.3 billion, to ¥56.9 billion, and operating income growing 7.7%, or ¥0.1 billion, to ¥1.4 billion. This assumes steady progress in store-opening and increasing revenues in the general merchandise business.



*From the year ended March 2011, we have factored in the transfer of (1) the food and drink businesses operated by Creative Hankyu Co., Ltd. to the Hotels segment, and (2) Creative Hankyu's remaining landscape-gardening business under a merger arrangement into other segment.

A Message from the President

One of the primary goals of corporate management is the realisation of sustainable growth, and I believe that the overall capabilities of a company or corporate group can only be achieved if each single employee harnesses his or her capabilities to this task. In other words, a company's enterprise value is the sum of the collective capabilities of all its employees.

There are many different ways of looking at the capabilities of a workforce, but in my opinion it is principally a combination of three basic elements — skills, motivation, and teamwork. A company's employees of course require certain skills, and having acquired these, a system must be created to encourage teamwork. But in addition, if all employees are strongly motivated to perform their work well, they will be able to display their full abilities, and this will enable the company to provide a service that satisfies its customers. In our case, I believe that such conditions will lead to the growth of the Hankyu Hanshin Group, and to the enhancement of our enterprise value.

Consequently, from time to time I urge the Group's employees to make efforts to acquire new skills, cultivate effective teamwork, and maintain a high level of motivation. As one method of realising these aims, I instruct them to employ the PDCA cycle.

Regrettably, at Hankyu Corporation, a railway company that is one of the core companies in the Group, since November 2011 there have been three instances in which train drivers failed to see a red stop signal, resulting in damage at railway points (switches). Each accident affected rolling stock or side-tracks of station yards, and was caused by driver error.

Needless to say, we have installed ATS (Automatic Train Stop) and other backup systems on the assumption that humans can misinterpret signals. However, within a station yard, it was possible for a train to enter the mainline track for coupling additional cars onto the train if the driver had followed the checking procedure of the ATS. AS the president of Hankyu Corporation, three or four times a year I make inspection tours of all our stations, train yards, and technology divisions. I used these tours to exchange opinions with staff on the front line in an effort to nip accidents in the bud, so to speak. It was a great shock to me and I deplore that such accidents could occur in quick succession.

All employees involved in the railway operations are working together to prevent a recurrence of such accidents and regain the public's trust, having once again been forcibly reminded that everything we do is for our customers, and that safety is of overriding importance. Once again, we must reexamine our day-to-day operational procedures, tackle the issues concerned as a team, and devise solutions to the problems we discover.

We will also apply this approach to all our other, non-railway operations. From the current fiscal year, I am aiming to direct the Company's employees to use the PDCA cycle approach, but in so doing, to carefully examine the current situation as a team and ensure that all team members have a common perception of the issues involved, and, finally, to hold brainstorming sessions so as to attack the problem from all possible angles and make full use of the know-how possessed by each individual member. The team as a whole must address the issue of "what is the basic nature of the problem, and how can we best solve it?" Through earnest debate over such questions, effective teamwork will come into being, and each member will be strongly motivated. I believe that this approach will yield improved progress.

In all the Group's business operations — not only in the railway business — our day-to-day activities can increase our customers' trust only a very little at a time. In contrast, the opposite phenomenon — loss of trust — can occur in an instant. What is important for us is that each management executive and each employee should recognise this afresh, and should interact with sincerity with our customers and all other stakeholders to forge strong bonds of trust. This, I believe, will lead to the sustainable growth of the Group.

August 2012

Kazuo Sumi
President and Representative Director

Corporate Governance

Our Corporate Governance System

Hankyu Hanshin Holdings, Inc. (or, the Company) is a pure holding company, and conduct of operations is basically the responsibility of Group member companies. Hankyu Hanshin Holdings' principal role is supervision and oversight of the whole Group — meaning that these functions are separate from conduct of Group businesses. Under this structure, the Company:

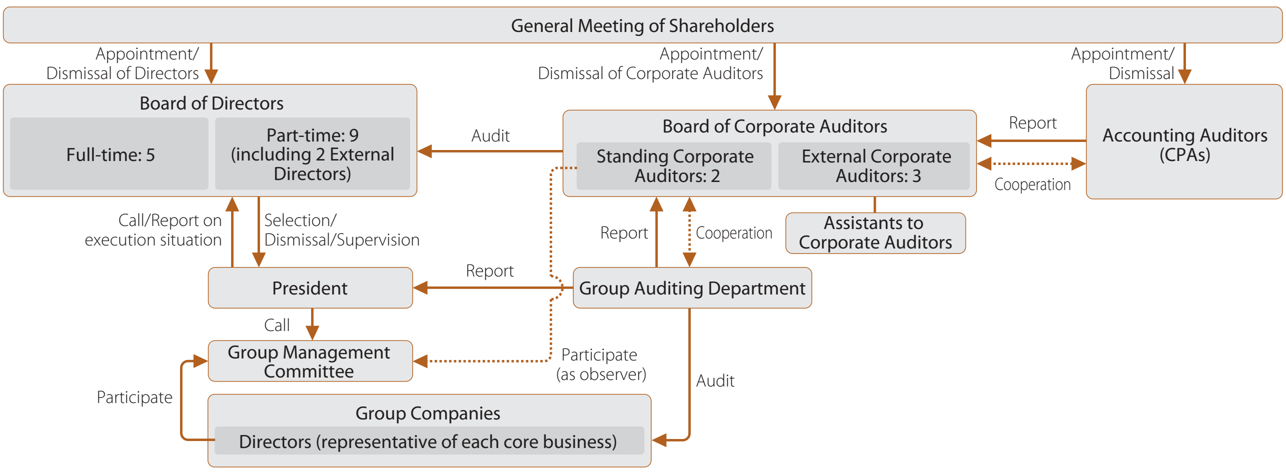
- Makes decisions regarding Group management policy and strategy;
- Approves the medium-term and annual management plans of all core businesses;
- Requests reports on progress in management plans from time to time from the "operating companies" (that is, those that actually run the businesses); and
- Grants approval in cases where a Group company takes actions that significantly affect Group management (for example, when investments rise above a certain threshold).

In this way, the Company aims to improve its supervision and oversight of all Group companies, and raise overall Group governance standards.

In further governance measures, our Board of Directors, which includes external directors, receives reports with regard to the above matters, and approves management decisions. The Company has set up a Group Management Committee including representatives of core businesses of the Group to undertake preliminary reviews.

In addition to these initiatives, and as part of our efforts to strengthen the Group's overall capabilities, the Group is also strengthening governance with regard to fund procurement. Measures include centralising funding under the Company, and ensuring that necessary funds are distributed to the operating companies within specific parameters laid down in their business plans approved by the Company.

Corporate Governance System



Management Organisation

(1) Board of Directors and Directors

1. Board of Directors

The Board of Directors of Hankyu Hanshin Holdings, Inc. works to realise improved corporate governance for the entire Group by the means detailed in the above section "Our Corporate Governance System."

In fiscal 2012 the Board gave its approval to the Group's budget and accounts settlement, and to various management plans including a revised current Medium-Term Management Plan. In addition, the Board received and examined reports on railway station improvements and renovation work, as well as changes to train timetables made by the operating companies, and on business restructuring within the Group.

The Board also received reports concerning the progress being made in creating a fully functioning internal control system. Meetings of the Board of Directors were held 10 times during fiscal 2012. The rate of attendance at these meetings was 70% for the external directors and 87% for the external corporate auditors.

2. Directors

Our Board of Directors has 14 members, and has an emphasis on strengthening the flexibility of management and supervisory functions. Nine of these are part-time directors, including two external directors, who are independent of the Company and bring to the table a wealth of experience in corporate management. Our aim is to strengthen our supervisory and oversight function and raise the standard of decision-making. The term of office of directors is set at one year, to clarify management responsibilities following the introduction of anti-takeover measures (prevention of large-scale Company share purchases).

(2) Board of Corporate Auditors, Corporate Auditors, and Ensuring Effectiveness of Auditing

The Company adopts the corporate auditor system to ensure adequate management oversight. We have five Corporate Auditors, who monitor the business operations and financial position of the Company and its subsidiaries, and audit the performance of duties by the directors. Three of the five Corporate Auditors are external, to provide an independent viewpoint and ensure a high degree of professionalism in Group auditing. In this way, we are working to further ensure sound decision-making in the conduct of operations. We provide full backup to Corporate Auditors, for example by involving them in the Group Management Committee and other meetings within the Group. The Board of Corporate Auditors meets once a month, in principle, to discuss and pass resolutions on important matters.

In addition, as part of the auditing of the Group's business operations, the Corporate Auditors peruse when appropriate auditing plans and results of audits of the Group Auditing Department, composed of internal audit staff. The Corporate Auditors also receive from the Group Auditing Department regular reports (and ad hoc reports when required) on internal audits at the Company and its subsidiaries, including on the state of operation of the whistle-blowing system.

At the same time, they receive regular status reports from the accounting auditors (CPAs), and take part in on-site audits by the accounting auditors including those of Group companies.

Please note that specialist staff members are appointed to assist the Corporate Auditors in the performance of their duties. To ensure the independence of these staff members, prior discussions are held with the corporate auditors over matters such as personnel changes and evaluations.

Besides, the President of the Company holds regular meetings with the Corporate Auditors to exchange opinions, and ratify decisions regarding issues facing the Company, risks to which the Company is exposed, progress in improving the environment for auditing and major issues encountered by the Corporate Auditors in the performance of their duties. Management must also hold preliminary discussions with the Corporate Auditors for amendment or deletion of any regulations pertaining to the functions of the Corporate Auditors, such as matters involving corporate ethics.

(3) External Directors and External Auditors

The Company appoints independent external directors and auditors with the aim of further enhancing the governance of the Group through their contributions to meetings of the Board of Directors and the Board of Corporate Auditors, as well as other activities.

The external directors appointed to the Board are selected from amongst persons with extensive experience in corporate management, with the aim of strengthening the management oversight function of the Board of Directors with respect to the Group as a whole, and also in the expectation that the external directors will provide advice to the Company's management from a broad perspective. Similarly, the external corporate auditors whom we appoint are selected from amongst persons possessing high-level specialist expertise in the fields of compliance and business administration.

When selecting candidate external directors and external corporate auditors for appointment, we employ the criteria laid down by the Tokyo Stock Exchange in evaluating the independence of the candidates. By the use of these selection criteria, we ensure that the appointment of external directors and external corporate auditors does not constitute a problem of any kind, and that their appointment poses no risk of conflict of interest with general shareholders.

Relations with External Directors

Name	Reasons for Appointment
Noriyuki Inoue (Independent Director)	Representative Director for many years at Daikin Industries, Ltd. Also served as vice-chairman of Kansai Economic Federation. Appointed for his wealth of management experience, perspective from top business circles, and ability to provide independent input.
Shosuke Mori (Independent Director)	Representative Director for many years at Kansai Electric Power Co., Inc., a company whose operations, like those of the Hankyu Hanshin Holdings Group, are closely bound up with the public good. Also served as chairman of Kansai Economic Federation. Appointed for his wealth of management experience, perspective from top business circles, opinions from the viewpoint of corporate social responsibility, and ability to provide independent input.

Relations with External Auditors

Name	Reasons for Appointment
Takaharu Dohi (Independent Auditor)	Former prosecutor-general, currently a lawyer. Appointed to advise on more compliance-based management and for his ability to provide independent input.
Haruo Sakaguchi (Independent Auditor)	Currently a lawyer. Appointed to advise on more compliance-based management and for his ability to provide independent input.
Junzo Ishii (Independent Auditor)	Former Professor of Business Administration within the Graduate School of Kobe University, currently 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.

Attendance at meetings of the Board of Directors and other important management meetings (figures for fiscal 2012)

External Directors

Name	Attendance at meetings of the Board of Directors
Noriyuki Inoue	Attended 9 of 10 meetings
Shosuke Mori	Attended 5 of 10 meetings

External Auditors

Name	Attendance at meetings of the Board of Directors	Attendance at meetings of the Board of Corporate Auditors
Takaharu Dohi	Attended 8 of 10 meetings	Attended 11 of 12 meetings
Haruo Sakaguchi	Attended all 10 meetings	Attended all 12 meetings
Junzo Ishii	Attended 8 of 10 meetings	Attended 10 of 12 meetings

Other Deliberative Bodies

(1) Group Management Committee

The Group Management Committee, comprising full-time Directors (President, representative directors, head of Personnel and General Affairs Dept. and head of Corporate Planning Dept.) and representatives of each core business, meets to discuss resolutions of the Board of Directors, Group company management strategy and business planning and systems and rules for maintenance of the holding company system, and major Group management matters, such as investments beyond set parameters and reorganisations.

(2) Core Business Strategy Councils

Each core business has a Core Business Strategy Council, comprising the President, representative directors, the director in charge of the Corporate Planning Dept. of the Company and executives of each core business. The councils deliberate future business development for each core business and discuss business plans and progress management (performance evaluation).

(3) The Group Presidents' Meeting — Initiatives to foster solidarity within the Group

The Hankyu Hanshin Holdings Group comprises over 150 group companies. The Group Presidents' Meeting, held twice a year, brings together presidents of those Group subsidiaries and affiliates. It is designed to foster a deeper sense of solidarity within the Group and ensure that the Group philosophy and management policies permeate the whole organisation. The Group Presidents' Meeting aims to encourage a joint sense of commitment to the Medium-Term Management Plan. Awards are made to companies that boost earnings or individuals and groups that successfully launch initiatives or make significant contributions at their units.

Number of meetings of deliberative bodies held (figures for fiscal 2012)

Group Management Committee	13 meetings
Core Business Strategy Councils	3 meetings
The Group Presidents' Meeting	2 meetings

Compensation for Directors and Corporate Auditors

Our system for determining compensation for directors is designed to incentivise contributions that enhance the Group's enterprise value and business performance. In this system, compensation comprises two elements: a basic portion determined according to the post held by the director, and a bonus-type element linked to business performance.

Half of the performance-linked compensation is paid into a fund used for acquisition of shares in the Company.

However, the compensation paid to part-time directors, including external directors, and to corporate auditors, comprises only the portion determined by post held, in light of the nature of their duties.

The total compensation paid to directors and corporate auditors is kept within the total compensation amount approved by the Company's shareholders at the General Meeting of Shareholders. Compensation for individual directors is determined by resolution of the Board of Directors, while compensation for individual corporate auditors is determined by deliberation of Corporate Auditors.

Note: The payment of retirement benefits to directors and corporate auditors was discontinued in April 2004 in the interests of greater transparency in the compensation system.

Please note that the Company does not offer stock options to its directors.

However, the Board of Directors of the Company has passed a resolution to issue warrants as a form of stock option-based compensation to the directors (excluding part-time directors) of its subsidiary Hankyu Corporation and to the full-time directors (excluding those directors concurrently serving as employees) of subsidiary Hanshin Electric Railway Co., Ltd.* This measure has been taken to ensure that the directors of these two companies, which are core members of the Group, share equally with the shareholders both the possibility of gain in the event of a rise in their company's share price and the risk of loss in the event that the share price falls, and that, therefore, they will be further motivated to pursue the improvement of their company's business performance and the enhancement of its enterprise value over the medium-to-long term.

* Resolutions on the issuance of warrants were passed at meetings of the boards of directors of Hankyu Corporation held on 29th March 2012 and Hanshin Electric Railway held on 14th June 2012.

Compensation Paid to Directors and Corporate Auditors

	No. of recipients	Total paid out in fiscal 2012 (Millions of yen)
Directors (external)	16 (2)	117 (16)
Corporate Auditors (external)	5 (3)	17 (6)
Total (external)	21 (5)	134 (22)

*1: Recipients of compensation include two directors who retired at the conclusion of the General Meeting of Shareholders held on 16th June 2011.

*2: In addition to the above, compensation received by external directors and corporate auditors from subsidiaries of the Company for their duties as directors and corporate auditors amounted to ¥22 million for the fiscal year ended March 2012.

Of the Company's full-time Directors and Corporate Auditors, directors Kazuo Sumi, Mitsuo Nozaki and Tsuneo Wakabayashi, and corporate auditor Tsunenori Kawashima are also senior executives at the Company's subsidiary Hankyu Corporation. Representative Director Shinya Sakai, Director Masao Shin, and corporate auditor Chikashi Suehara, are also senior executives at the Company's subsidiary Hanshin Electric Railway Co., Ltd. They have received additional compensation from each company.

Dialogue with Shareholders and Investors

Measures taken to enhance the effectiveness of the Company's General Meeting of Shareholders and to facilitate the exercise of voting rights

	Remarks
Early dispatch of notices of convocation	To allow shareholders sufficient time to examine the items for resolution at the shareholders' meeting before exercising their voting rights, we endeavor to send out the notices of convocation at the earliest possible date. We sent out such notices on 25th May 2012, 20 days before the General Meeting of Shareholders.
Avoiding the "busiest day" for shareholder meetings	To enable as many shareholders as possible to attend our general meeting of shareholders, we held our 2012 General Meeting of Shareholders on 14th June, 14 days before the "busiest day" on which a large proportion of Japanese companies hold their general shareholders' meetings.
Online and electronic voting	To enable shareholders who cannot attend our general shareholders' meetings to nevertheless exercise their voting rights, as well as to make voting more convenient, we accept votes made via the internet, and we also participate in the electronic voting platform operated by ICJ Inc.
Other	Notices of convocation of general shareholders' meetings and of resolutions passed at the meetings are posted on the Company's website. We also post translations of the notices of convocation into English.

Investor Relations Activities

As a rule, the Company arranges results meetings for analysts and institutional investors in Japan after earnings announcements twice a year. Earnings results and business plans are discussed by senior management representatives.

Our website (http://holdings.hankyu-hanshin.co.jp/ir/) includes (mostly Japanese-language) materials necessary for investment judgements (earnings reports, securities reports, due disclosure materials, and summaries of results meetings). The website also carries a profile of the Group and its competitive strengths, mainly for individual investors.

Internal Control System

Overview

Recognising the importance of ensuring that the business operations of the Company are conducted in an appropriate manner, we have established an internal control system for the entire Group, and revise it when deemed necessary. As things stand, our internal control system is characterised as follows.

- A Group Management Philosophy was compiled following the management integration of Hankyu Holdings, Inc. and Hanshin Electric Railway Co., Ltd., along with a Group mission (our goals), statement of values (what we consider important) and a code of conduct (what actions to take to realise them). We ensure that all employees from executive down understand them.
- We ensure compliance-focused management by compiling and distributing a Compliance Manual, and have established a dedicated whistle-blowing system. (For further information on the Company's compliance activities, please refer to the following section.)
- We have established the Group Auditing Department, composed of internal audit staff under the direct control of the President, for independent monitoring of Groupwide business activities. It carries out internal audits into Hankyu Hanshin Holdings Group and all its operating companies.
- To create a structure for ensuring appropriate operations, the Group vests corporate 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 creation of an internal control system.
- Corporate Auditors and the Group Auditing Department receive regular reports from the Risk Management Office with regard to creation and operation of internal controls at the Company and its subsidiaries (including implementation status for risk management and promotion of compliance-based management measures). Through such measures, they deepen their links with, and strengthen the role of, internal control departments.
- With regard to systems for "Management Assessment and Audit Concerning Internal Control Over Financial Reporting," 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.

Measures for Avoidance of Contact with Antisocial Elements

To ensure compliance and protect the interests of the Company, we have a basic policy of avoiding all contact with antisocial elements that pose a threat to public order and safety, such as criminal gangs and companies associated with them, and *sokaiya* racketeers who disrupt shareholder meetings, and of never yielding to extortion. These policies are basic policies in our internal control system and are clearly stated in the Hankyu Hanshin Holdings Group Compliance Manual distributed among executives and employees of Group companies.

Specific measures include routinely strengthening communications with external organisations such as lawyers and the police, and introducing into all contracts signed by Group companies' clauses that forbid contact with antisocial elements.

In addition to working to raise awareness of this issue through information exchange and a range of employee training courses, we are aggressively involved in regional activities and gatherings aimed at rooting out antisocial elements.

When an incident does occur, we respond as a single organisation, rallying round the department in charge, and work in partnership with outside experts.

Compliance

As a system to ensure compliance-focused management, the Group has set up a dedicated compliance office, and is working to raise awareness of compliance issues among executives and employees by means of the measures detailed below.

Compliance Manual and Training Programmes

The Company's Compliance Manual and Compliance Card express the Company's determination not to tolerate violation of laws or social norms or betrayal of customer trust, by any Group employee from executives down. It also aims to raise awareness by pointing out cases where compliance errors can easily be made.

The Company provides intensive compliance training on a Groupwide basis for new employees, midcareer hires and newly appointed executives. In addition, all Group companies arrange their own training programmes tailored to job grade and function, with the aim of further increasing compliance awareness.

Corporate Ethics Consultation Desk (internal whistleblower procedures)

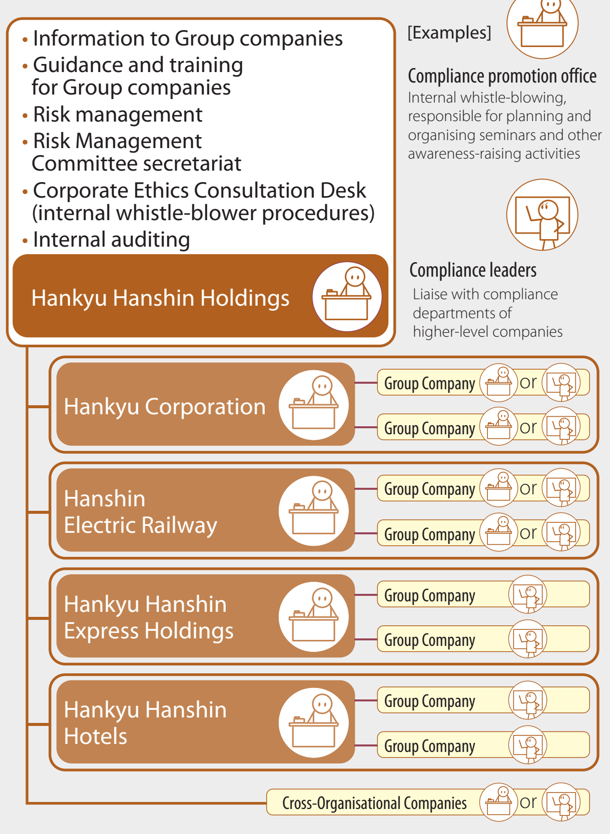
We have set up a dedicated whistleblower hotline enabling all employees to discuss or quickly bring to management's notice suspected or known legal violations and unethical conduct. Business partners are also welcome to use this consultation and notification facility, and when necessary we will use lawyers and other outside specialists to improve its effectiveness.

Establishment of Risk Management Committees

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 such as Hankyu Corporation, Hanshin Electric Railway Co., Ltd., Hankyu Hanshin Express Holdings Corp. and Hankyu Hanshin Hotels Co., Ltd. At other companies we are appointing "compliance leaders," to ensure our response is on a Groupwide basis.

Overview of Group Compliance



Measures to Prevent Takeovers

To secure and further enhance the enterprise value of the Company, and therefore the common interests of its shareholders, we believe that it is imperative to conduct business operations from a medium- to long-term perspective, to build and maintain a relationship of trust with local government institutions and residents in the areas served by our railway lines, and to place the highest management priority on strengthening cohesion and collaboration within the Group, so as to enhance the Group's comprehensive power.

For this reason, we have introduced a system to prevent a takeover of the Company whereby, in the event of the appearance of a potential buyer of the Company that wishes to raise their stake above 20% or more of the Company's outstanding shares, new share subscription rights are granted to shareholders who are, de facto, shareholders other than the potential buyer, to confirm a potential buyer's intention. This system was approved at the General Meeting of Shareholders held on 14th June 2012, and remains in effect for three years.

For more details (in Japanese) of the Company's basic policies regarding governance of joint-stock companies including these takeover prevention measures, please see:
http://holdings.hankyu-hanshin.co.jp/ir/topics/data/KS201206142N3.pdf

Risk Management

At the Company, risks to which many different divisions are exposed are managed by the Risk Management Office, while risks arising in the business operations of individual divisions are managed by risk-management units within the divisions themselves. In both cases, risks are identified and analysed, and risk management systems are overhauled from time to time. We evaluate the likelihood of materialisation of each risk and its frequency, as well as the extent of impact in the event of materialisation and its importance. On that basis, we draw up measures to prevent the materialisation of risk or to mitigate its impact ("risk mitigation measures"). These measures are documented in the form of risk management manuals, and the results of risk analysis and how such a risk is being handled when a risk arises are, reported, as appropriate, to the Board of Directors.

We have also established a liaison system enabling the effective transmission of information in the event of unforeseen circumstances. Under this system, in the event of materialisation of a risk, executives and employees immediately take risk-mitigation measures as specified in the above-mentioned documentation and other measures to prevent the further spread of the impact. They also submit reports to pre-appointed risk management liaison personnel.

The Company provides supervision to all companies in the Group so that the same system is operated by them all, and has set up a system enabling the transmission to the Company of accurate information in the event of an unforeseen development.

A particular area of importance in this regard is the Company's core railway business, which entails direct risk to people's lives through accidents. Even in the event of a minor mistakes and problems where no individual responsibility arises, it is important to make every effort to bring the number of problems and mistakes that could cause an accident as close to zero as possible, by continuing to meticulously railway business staff, and share and analyse data. Such painstaking efforts to forestall even one human error are one of the foundation stones on which the Company ensures safety of operations and meets public expectations.

In the following pages, readers will find a summary of the safety management systems at Hankyu Corporation and Hanshin Electric Railway, both of which are our major private sector railway operators.

Safety Management System

Basic Safety Policy and Objectives

Hankyu Corporation and Hanshin Electric Railway put the highest priority on ensuring safe operations in our business activities. As described below, we have formulated a basic policy on safety and are doing whatever we can to prevent accidents, based on the goal of maintaining zero accidents for which we bear responsibility.

Hankyu Corporation Safety Policy (Code of Conduct)

- The president and directors of the Company are required to establish a framework that ensures all business activities place the highest priority on safety. Utilising the Company's civil engineering facilities, electrical facilities, rolling stock, and the expertise of its employees, the Company's basic policy for ensuring safety in transport and other operations shall be determined in accordance with the following.

- Code of Conduct for Safe Transport Operations*
  - Ensure safe transport
  - Comply with all relevant laws and regulations
  - Be fully aware of operating conditions and ensure equipment is safe
  - Enforce check procedures and put the highest priority on safety
  - Place priority on human life
  - Provide information accurately and rapidly
  - Continue making improvements and reforms

* Only titles for Code of Conduct items have been shown due to space restrictions. The full Code of Conduct provides detailed explanations for each item.

Hanshin Electric Railway Safety Policy

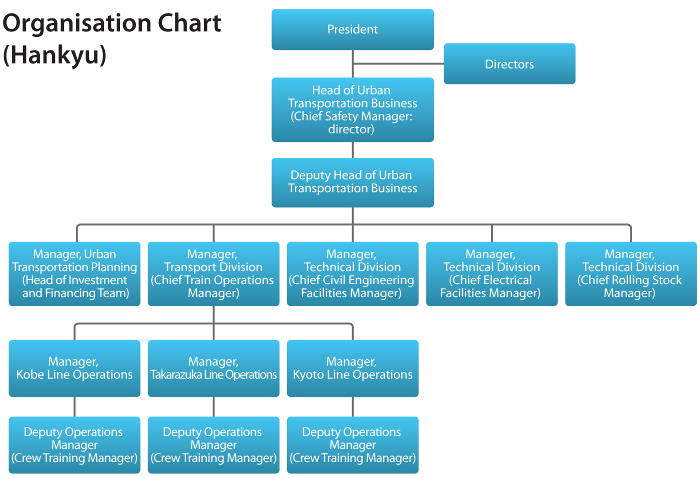
- Maximum priority on safety
  The president, directors and employees shall do whatever they can to ensure safety of operations, based on the understanding that putting the highest priority on ensuring safety is the mission of railway businesses.

- Compliance with laws and regulations
  The Company shall comply with all laws and regulations related to safety and apply them rigorously and sincerely in its operations.

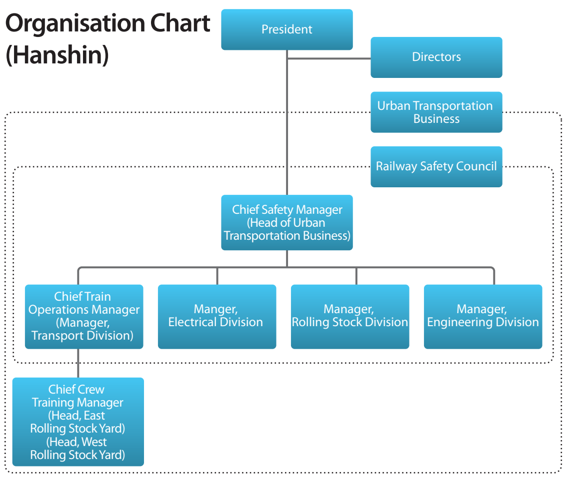
- Maintenance of safety management systems
  The Company shall implement continuous verification procedures to ensure safety management systems are operating appropriately.

Transport Safety Organisations

Organisation Chart (Hankyu)



Organisation Chart (Hanshin)



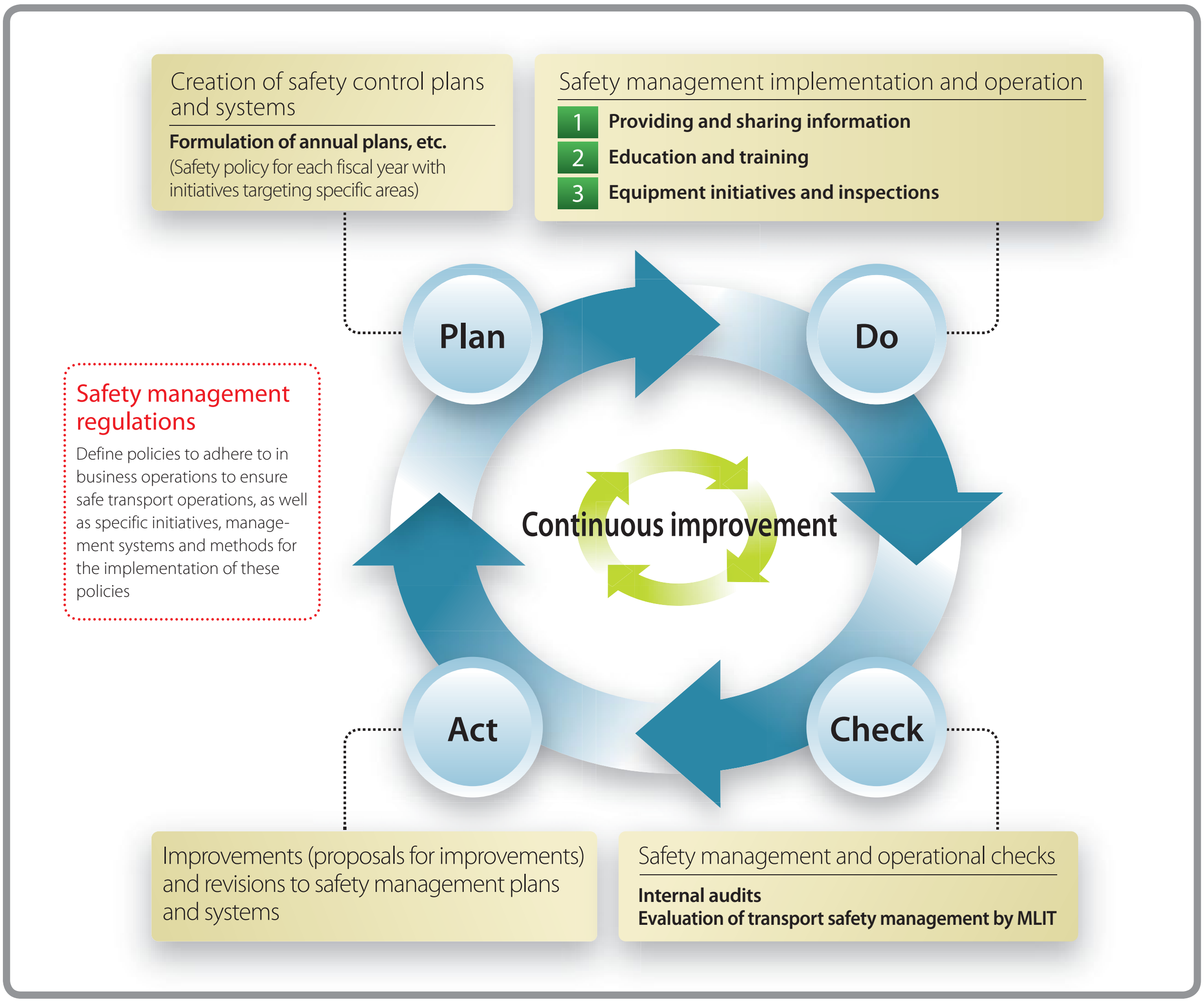
Position	Role
President	Ultimate responsibility for ensuring transport safety
Chief Safety Manager (Head of Urban Transportation Business)	Responsible for overseeing all activities related to ensuring transport safety
Chief Train Operations Manager (Manager, Transport Division*)	Responsible for managing all aspects of train operations, under the direction of the Chief Safety Manager
Chief Crew Training Manager (Hankyu: Deputy Operations Managers of each line; Hanshin: Heads of East and West Rolling Stock Yards)	Responsible for ensuring all crew are properly qualified (appropriate qualifications, knowledge and skills), under the direction of the Chief Train Operations Manager
Other Safety Managers	Individuals in each division responsible for ensuring facilities under their management do not act as an obstacle to transport safety, under the direction of the Chief Safety Manager

* In the case of Hankyu Corporation, this role is filled by the Manager or Deputy Manager of the Transport Division.

Initiatives to Reinforce the Safety Management System (Using the PDCA Cycle)

By applying our safety management system (PDCA cycle) to a range of safety initiatives, we are aiming to create a virtuous cycle of improvement based on even higher safety goals.

Outline of Safety Management System



Revisions to the Railway Business Act in October 2006 required railway companies to create new safety management systems dedicated to transport safety. Under our new safety management system, we are targeting even higher levels of safety by applying the PDCA cycle, ensuring compliance with all related laws and regulations, conducting operations that place the highest priority on safety, and fostering greater awareness of safety issues among employees from directors down.

From page 67 to 71, we explain in more detail points 1 — 3 of "Do = safety management implementation and operation" in the above diagram.

1 Providing and Sharing Information

Hankyu Corporation

Safety Management and Promotion Committee — Information Sharing System

The system shown below has been set up to ensure a range of information related to transport safety is shared by all divisions.

Enhancing Information Sharing and Communication (Key Initiatives)

Opportunities to share opinions during inspections by the president and the heads of divisions

During inspections by the president, the head of the Urban Transportation Business and other managers, meetings about transport safety are held to give senior managers a better picture of the situation in front-line operations and to enhance communication with managers on the front line. This is part of wider efforts to create a more open corporate culture.

Free discussion meetings

"Free discussion meetings" are also held during visits by the president or the head of the Urban Transportation Business to provide an opportunity to share opinions, without any predetermined topic. Such discussions are not restricted to operational issues and are designed to promote smooth communication regardless of employee position or business division.

Management area meetings

Aware that communication and cooperation between front-line personnel in divisions responsible for train operations, civil engineering facilities, electrical facilities and rolling stock is vital to maintaining and improving transport safety in each area served by our stations, we began holding "management area meetings" from the year ended March 2011 to improve communication and information sharing.

Hanshin Electric Railway

Create a "Safety First" Corporate Culture and Rigorously Ensure Compliance

Inspections, lectures and visits by the President, Chief Safety Manager (Head of Urban Transportation Business) and managers further improve employee safety awareness. We are also rigorously ensuring compliance.

Information Sharing through the Railway Safety Council

In principle, Hanshin Electric Railway holds meetings of its Railway Safety Council twice every month. The Council is chaired by the head of the Urban Transportation Business, and its members are made up of other managers from within this business. The Council hears reports from relevant managers regarding accidents, safety incidents, and potential accidents and near accidents, and shares information about these reports. It analyses the causes of these accidents, safety incidents, and potential accidents and near accidents. Based on the results of this analysis, it formulates countermeasures to prevent reoccurrence, and issues instructions to the Railway Safety Liaison Team* and related divisions.

* Railway Safety Liaison Team: Comprising managers from each railway business division, this team is responsible for sharing information about operations, accidents, and issues in each division, and discusses and reviews causes and measures to prevent recurrence.

Ensuring the Information Sharing System Continues to Function Properly

Hanshin Electric Railway endeavours to ensure active communication with employees on a daily basis, with details fed back to the front lines when the causes of accidents, safety incidents, and potential accidents and near accidents are identified and countermeasures developed.

For incidents that were caused by human error, each division and the Railway Safety Liaison Team assess the effectiveness of measures to prevent any recurrence and report where necessary to the Railway Safety Council. This approach has given the Company a greater capability to assess the effectiveness of countermeasures.

Round-Table Sessions

As part of our training, we hold round-table sessions for new train crew employees with less than one year's practical experience in transportation operations, for review purposes. These sessions are held at preset times, for specific job categories. In addition, we hold such meetings four times a year for each rolling stock yard and station area, for support staff, train crew and station staff (around 160 times altogether). Here, the aim is to foster greater safety awareness and share information through group discussions of near-accidents and other activities.

2 Education and Training

Hankyu Corporation and Hanshin Electric Railway both conduct specific training programs in their train operation, civil engineering (workshop) facility, electrical facility, and rolling stock divisions, as well as exercises to prepare for specific emergency situations. Both networks also hold their own independent joint drills for emergencies where cooperation across business divisions is required.

Joint Drills: Hankyu Corporation

*In July 2011, based on occurrence in the Great East Japan Earthquake disaster, we carried out schematic exercises for emergency manager callouts and communication, assuming simultaneous occurrence of earthquakes along three major faultlines, the Tokai, Tonankai and Nankai. In November, we carried out practical emergency drills comprising emergency evacuation guidance for passengers and derailment response scenarios, assuming derailments caused by something falling out of a vehicle onto a level crossing.

Establishment of Daimotsu Training Line

In 2011, Hanshin Electric Railway built the Daimotsu Training Line, with track and signalling facilities, at the Daimotsu Training Centre, which had been dedicated to training of staff for electric power facilities. The Daimotsu Training Line is a general-purpose technical training facility for improvement of expertise and skills in track maintenance and signalling, and transfer of skills to subordinates. It also enables both categories of staff to better understand all aspects of these two closely-related operations, and work more closely in partnership.

Since August 2011, when track maintenance facilities were completed at Daimotsu Training Line, drills have included removal and replacement of sleepers and rails. With regard to signaling equipment in this fiscal year, we plan to carry out training drills into replacement of automatic circuit breakers at level crossings and of signal lights.

Investigating the cause of a points failure, and emergency repair training (both upper and lower)

New simulator-based training for train crews

In August 2011, Hanshin Electric Railway introduced new training simulators for drivers and conductors, replacing the obsolete former system.

With the new simulator, the driver sits in a cab manning the controls, with a track displayed in front of him on an LCD screen. The system can recreate actual operating conditions, by day and night, spanning clear, rainy, foggy and other kinds of weather. With computer graphics, the system can also recreate various accident scenarios or simulate incidents and accidents that are rare or that cannot be reproduced in actual vehicle-based training. By repeatedly rehearsing their responses to such situations, crews are better able to immediately and appropriately respond to actual emergencies.

*Scenarios covered by the simulator include earthquakes, signal system failures, traffic about to enter a level crossing, fire in an underground tunnel and rolling stock breakdowns.

Training the driver

Training the conductor

3 Equipment Initiatives and Inspections

Hankyu Corporation and Hanshin Electric Railway both take a wide range of steps to improve safety using equipment and infrastructure. Below, we explain some of the main initiatives.

Overpass and Underground Construction Work

Both companies are pushing ahead with the construction of multiple rail overpasses to reduce the number of level crossings and improve traffic flow near train lines. Elevated or underground sections now account for large portions of Hanshin Electric Railway's Hanshin Main Line (87%) and its Hanshin Namba Line (90%), including the new extension from Nishikujo Station to Osaka-Namba Station. All of Kobe Rapid Transit Railway Line is in underground. This work to raise the tracks has led to a marked drop in the number of level-crossing accidents.

Grade separation (track elevation) works are currently under way on the Hankyu Kyoto Line near Awaji and Rakusaiguchi stations, and on the Hanshin Main Line between Sumiyoshi and Ashiya and between Koshien and Mukogawa.

Elevating the Hanshin Main Line between Sumiyoshi and Ashiya, in Hyogo

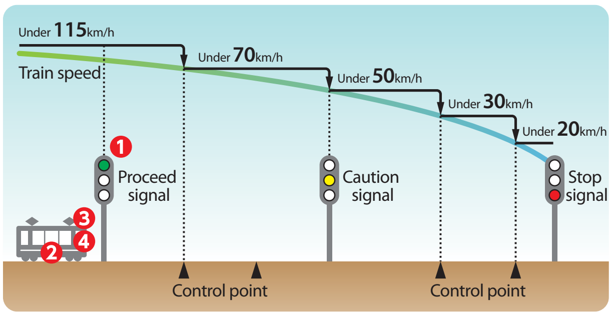
Controlling Rail Traffic with Automatic Signal, Point and Signage Systems

Both companies utilise computer-based systems to control rail traffic. Hankyu Corporation uses the Total Traffic Control (TTC) system, while Hanshin Electric Railway uses the Programmed Traffic Control (PTC) system. The companies' TTC and PTC centres automatically control signals, points, and platform signs and announcements based on preprogrammed information for all trains and stations (such as departure times, line numbers, destinations, and train types). The computers at the heart of these systems (central control systems, PTC computers) are systemised with multiple backups and inbuilt redundancy to ensure a high level of reliability in the event of a problem.

Upgrading Automatic Train Stopping Equipment

Automatic Train Stop (ATS) equipment automatically slows down or stops trains when drivers fail to notice or respond to, or misinterpret, signals or signaled speed limits. Hankyu Corporation and Hanshin Electric Railway both use continuous speed-checking type ATS systems on all their lines*, including branch lines, ensuring a high level of safety.

* Between Sakuragawa and Osaka-Namba stations on the Hanshin Namba Line, Hanshin Electric Railway relies on an onboard control-point continuous speed-checking type ATS system that Kintetsu Corporation employs.

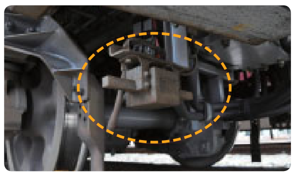


Continuous Speed-Checking Type ATS System: Hankyu Corporation's Continuous Speed-Checking ATS System

In an effort to further improve safety, Hankyu Corporation has been adding a new pattern control system to its existing ATS equipment. This new control system is aimed at preventing overrun into level crossings, failure to stop at designated stations, and collisions in which a train runs into the end block of lines. This system is already in operation on the Kobe Line and the Kyoto Line and is currently being rolled out on the Takarazuka Line.

Both companies are also working to improve safety by installing ATS equipment on sharp curves and branches in lines to prevent derailments caused by excessive speed.

1 Obstruction signal



2 ATS pickup

3 ATS indicator in driver's cab

4 Speedometer in driver's cab

In March 2011, Hankyu Corporation finished compilation of independent safety standards stricter than those of the Ministry of Land, Infrastructure, Transport and Tourism. In May 2011, Hanshin Electric Railway completed installation of Automatic Train Stop (ATS) facilities at all 28 junctions on its network.

Hankyu Corporation is planning to introduce a safety system enabling automatic braking of rolling stock using ATS, even if the driver misses a 'stop' shunting signal in a train depot. This measure is intended to avoid damage to points if a train jumps a 'stop' light, as happened at Nishinomiya depot on the Kobe Line in November 2011 and June 2012.

Initiatives to Improve Platform Safety

At Hankyu Corporation and Hanshin Electric Railway, the following measures prevent objects and people falling onto the track from the platform, and forestall accidents:

Installation of yellow warning-line tiles on platform

To stop visually-impaired and other passengers from falling off the platform, we have installed yellow warning-line tiles next to the tactile tiles (with bumps that can be felt through shoe soles) so that a blind passenger can tell which side of the yellow warning-line he or she is.

Both Hankyu Corporation and Hanshin Electric Railway aim to complete the installation of yellow warning-line tiles at all of their stations in the fiscal year ending 31st March 2013.

Installation of emergency alert devices

When somebody or something falls onto the track, the event is detected by special mats under the platform edge, or an emergency stop button on the platform can be pressed. These set off alarm indicators and an emergency buzzer for crews and station staff, preventing serious accidents. On Hanshin lines, we have completed installation of emergency stop buttons at all stations.

On Hankyu lines, we have taken measures to further improve safety through platform emergency stop buttons that work in tandem with ATS systems, effective fiscal 2010.

Platform widening

At Mukogawa Station on the Hanshin Main Line, (up-line to Osaka), we have broadened the platform by about 1.5m to alleviate rush-hour crowding and enhance safety.

Before platform widening

After platform widening

Social Contribution Activities

Promoting the Hankyu Hanshin Dreams and Communities of the Future Project

For over 100 years, the Hankyu Hanshin Holdings Group has grown with the local community, primarily in areas along its railway lines, and built up relations of mutual trust. To ensure that the Group will continue to exist and prosper over the next century as a member of the local community, in April 2009 we launched the Hankyu Hanshin Dreams and Communities of the Future project as a community contribution initiative.

Basic Policy We intend to promote the creation of towns and cities in all the areas where we operate — principally in the areas served by our railway lines — in which people will truly want to live

Priority areas

Environment-friendly 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.

Human capital 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.

The Hankyu Hanshin Dreams and Communities of the Future Project

私たちは、未来へつなぐ
「環境づくり」と「人づくり」に貢献します。

The emblem of "the Hankyu Hanshin Dreams and Communities of the Future Project"

(1) Fostering social contribution activities at Group companies

The Group is involved in around 80 activities driven forward by individual member companies, all community activities that dovetail with the Basic Policy.

[Environment-friendly development]

Activities to create a safer, more comfortable and environment-friendly community

- Partipication in the "Stop Drunk Driving" Project
- Children's emergency sanctuary programme in taxis, offices and stores

Activities that safeguard the natural environment and biodiversity

- Tree-thinning by volunteer employees
- Donations for environmental bodies based on cost-saving through reuse of towels and seats

[Human capital development]

Cultural and artistic activities that raise moral awareness in children

Child conducting orchestra

- Charity concert for parents and children in the Hankyu Dreams and Communities programme

Activities that deepen children's understanding of regional and social issues

- Giving students experience of jobs (at Hankyu Hanshin)
- Railway and hotel pavilion exhibit at KidZania Koshien

(2) Hankyu Hanshin Dreams and Communities of the Future Fund for support of citizens' activities

We support such groups by matching donations made by the Hankyu Hanshin Dreams and Communities of the Future Fund, to which our employees contribute. In fiscal 2012, a selection panel awarded ¥6 million to 14 groups (the cumulative total was ¥13 million for 28 groups at the end of the fiscal year).

[Initiative]

Support activities for Kodomo Community Care, a non-profit foundation

This organisation, which gets no public funding, aims to create local environments enabling children requiring medical care to mix with other, healthy children. It operates childcare facilities where nurses are in attendance all day.

(3) Point-based social contribution activities for employees and former employees

We grant points to employees and former employees depending on the number of days they engage in volunteering outside working hours, and organise charity events at our offices. In addition, we will launch a subsidy system for citizens' groups for which employees and former employees volunteer to help out. In this way, we have been encouraging employees and former employees to take part in community activities.

For more detailed information, please visit this (Japanese-language) website:

http://www.hankyu-hanshin.co.jp/yume-machi/

Environment Protection Activities

The Group has compiled environmental basic concepts and policies and pursues environmental protection activities. Earlier measures to save energy in light of the need to curb global warming have been stepped up since the Great East Japan Earthquake, since strengthened measures to save electricity have become a pressing public need.

Basic Concepts Mindful that global environmental protection 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.

[Initiatives]

(1) Power saving

"Setsu-1" Grand Prix logo

Inside stations and rolling stock, and in our commercial facilities and administrative offices, we have cut back on air conditioning use, reduced lighting intensity, rigorously enforced switch-off rules and taken other measures to save power in all areas of operations, with the understanding and cooperation of our customers. In the summer of 2012, we organised the "Setsu-1" Grand Prix participatory event to encourage power-saving by employees in their homes.

(2) Initiatives to curb global warming

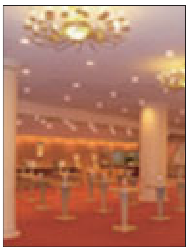
1. LED lighting

We are adopting LED lighting at directly operated hotels, as well as the Takarazuka Grand Theatre, Tokyo Takarazuka Theatre, Hankyu Sanban Gai and other leisure and retail facilities. In addition to the completion of LED installation and other works by the end of fiscal 2013 at Hankyu Kawaramachi Station, Karasuma Station, underground sections along Hankyu Kyoto Line, and Hanshin Sannomiya Station, we expect to complete the LED outfitting of Hankyu Umeda Station in the three years from fiscal 2013.

2. Renewable energy

We have installed solar panels capable of generating a total of 325kW at seven Group-company facilities, including the "Silver Umbrella" roof of the Hanshin Koshien Stadium and Settsu-Shi Station, Japan's first zero-carbon station. In addition, we sell condominium units that contribute to the prevention of global warming: *Geo* Tower Tenroku (with a solar cooling system using solar energy for air-conditioning) and *Geo* Tezukayama 1-chome (with individual solar power systems for each unit, a first in the Kansai region).


Hotel New Hankyu Osaka


Takarazuka Grand Theatre


Geo Tezukayama 1-chome (Artist's impression)

(3) Measures to reduce waste and encourage resource recycling — Recycling plastic cups

At Hanshin Koshien Stadium, we are recycling plastic beverage cups in partnership with Teijin Fibers Ltd. In this initiative, we collect plastic cups used for beer and other beverages sold at the Hanshin Koshien Stadium, and recycle them into polyester fibres. Annual collection volume is targeted at around five tons, or some 200,000 plastic cups.

Collection cart

(4) Measures to help protect the natural environment — Donation of environmentally-friendly toilets, and forestry protection

In measures to help protect the natural environment, Hankyu Travel International has donated environmentally-friendly toilets, which use bacterial techniques to break down human waste, to tourist areas of Yakushima island, Kumano-Kodo, Shiretoko and Rebun island. Likewise, Hankyu Hanshin Express Holdings group has, in partnership with local governments, organised ongoing forestry thinning work, carried out by volunteering Group employees at four locations around Japan.


Tree thinning by employee volunteers

For more detailed information, please visit this (Japanese-language) website:

http://holdings.hankyu-hanshin.co.jp/eco/

Directors and Corporate Auditors

(As of 15th June 2012)

Directors

Kazuo Sumi
President and Representative Director

1973 Joined Hankyu Corporation
2000 Director, Hankyu Corporation
2002 Managing Director, Hankyu Corporation
2003 President, Hankyu Corporation (Current position)
2005 President, Hankyu Holdings
2006 President, Hankyu Hanshin Holdings (Current position)

Shinya Sakai
Representative Director

1970 Joined Hanshin Electric Railway
2002 Director, Hanshin Electric Railway
2005 Managing Director, Hanshin Electric Railway
2006 President, Hanshin Electric Railway
2006 Representative Director, Hankyu Hanshin Holdings (Current position)
2008 Chairman, Hanshin Tigers Baseball Club (Current position)
2011 Chairman, Hanshin Electric Railway (Current position)

Noriyuki Inoue
Director (External)*

1957 Joined Daikin Industries
1994 President, Daikin Industries
2002 Chairman and CEO, Daikin Industries (Current position)
2003 Director, Hankyu Corporation
2005 Director, Hankyu Holdings
2006 Director, Hankyu Hanshin Holdings (Current position)

Shosuke Mori
Director (External)*

1963 Joined Kansai Electric Power
2005 President, Kansai Electric Power
2010 Director, Hankyu Hanshin Holdings (Current position)
2010 Chairman, Kansai Electric Power (Current position)

Isao Matsuoka
Director (Part-time)

1957 Joined Toho
1977 President, Toho
1985 Director, Hankyu Corporation
1995 Chairman, Toho
2005 Director, Hankyu Holdings
2006 Director, Hankyu Hanshin Holdings (Current position)
2009 Honorary Chairman, Toho (Current position)

Shunichi Sugioka
Director (Part-time)

1964 Joined Hankyu Department Store
2000 President, Hankyu Department Store
2000 Director, Hankyu Corporation
2005 Chairman, Hankyu Department Store
2005 Director, Hankyu Holdings
2006 Director, Hankyu Hanshin Holdings (Current position)
2007 Chairman and CEO, H_2O Retailing (Current position)
2008 Chairman, Hankyu Hanshin Department Stores (Current position)

Takaoki Fujiwara
Director (Part-time)

1975 Joined Hanshin Electric Railway
2005 Director, Hanshin Electric Railway
2007 Managing Director, Hanshin Electric Railway
2011 President, Hanshin Electric Railway (Current position)
2011 Director, Hankyu Hanshin Holdings (Current position)

Hiroshi Ojima
Director (Part-time)

1965 Joined Hankyu Express International
2003 President, Hankyu Express International
2004 Director, Hankyu Corporation
2005 Director, Hankyu Holdings
2006 Director, Hankyu Hanshin Holdings (Current position)
2008 President, Hankyu Hanshin Express Holdings
2010 Chairman, Hankyu Hanshin Express Holdings (Current position)

Corporate Auditors

Chikashi Suehara
Standing Corporate Auditor

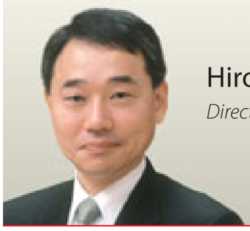
1968 Joined Hanshin Electric Railway
2000 Director, Hanshin Electric Railway
2003 Managing Director, Hanshin Electric Railway
2006 Representative and Senior Managing Director, Hanshin Electric Railway
2007 Representative Director and Vice President, Hanshin Electric Railway
2008 Standing Corporate Auditor, Hanshin Electric Railway (Current position)
2009 Standing Corporate Auditor, Hankyu Hanshin Holdings (Current position)

Tsunenori Kawashima
Standing Corporate Auditor

1977 Joined Hankyu Corporation
2002 Director, Hankyu Corporation
2005 Director, Hankyu Holdings
2005 Managing Director, Hankyu Corporation
2006 Representative Director, Hankyu Holdings
2006 Representative and Managing Director, Hankyu Corporation
2006 Representative Director, Hankyu Hanshin Holdings
2009 Standing Corporate Auditor, Hankyu Corporation (Current position)
2012 Standing Corporate Auditor, Hankyu Hanshin Holdings (Current position)

Takaharu Dohi
Corporate Auditor (External)*

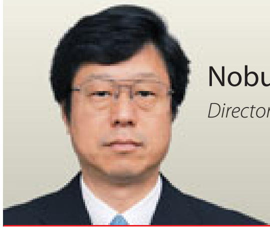
1958 Prosecutor
1996 Prosecutor-General (until 1998)
1998 Lawyer (Current position)
2002 Corporate Auditor, Hankyu Corporation (Current position)
2005 Corporate Auditor, Hankyu Holdings
2006 Corporate Auditor, Hankyu Hanshin Holdings (Current position)



Hiroshi Desaki

Director (Part-time)

1980 Joined Hankyu Corporation
2007 Director, Hankyu Corporation
2011 Managing Director, Hankyu Corporation
2012 President, Hankyu Hanshin Hotels (Current position)
2012 Director, Hankyu Hanshin Holdings (Current position)



Nobuo Minami

Director (Part-time)

1977 Joined Hanshin Electric Railway
2007 President, Hanshin Tigers Baseball Club (Current position)
2008 Director, Hankyu Hanshin Holdings (Current position)
2008 Director, Hanshin Electric Railway (Current position)

Koichi Kobayashi

Director (Part-time)

1982 Joined Hankyu Corporation
2004 Chairman, Takarazuka Revue Company (Current position)
2005 Director, Hankyu Holdings
2006 Director, Hankyu Hanshin Holdings (Current position)

Mitsuo Nozaki

Director

Head of Personnel and General Affairs Dept.

1981 Joined Hankyu Corporation
2005 Director, Hankyu Corporation
2006 Director, Hankyu Holdings
2006 Director, Hankyu Hanshin Holdings (Current position)
2007 Managing Director, Hankyu Corporation (Current position)

Masao Shin

Director

Head of Corporate Planning Dept. and Personnel and General Affairs Dept.

1981 Joined Hanshin Electric Railway
2006 Director, Hanshin Electric Railway
2006 Director, Hankyu Hanshin Holdings (Current position)
2008 Managing Director, Hanshin Electric Railway (Current position)

Tsuneo Wakabayashi

Director

Head of Corporate Planning Dept.

1983 Joined Hankyu Corporation
2007 Director, Hankyu Corporation
2009 Managing Director, Hankyu Corporation (Current position)
2011 Director, Hankyu Hanshin Holdings (Current position)

* Mr. Noriyuki Inoue and Mr. Shosuke Mori satisfy the qualifications of external directors as provided in Article 2, Paragraph 15 of the Corporate Law.

The Company has submitted notifications to the stock exchanges on which its shares are listed, naming Mr. Noriyuki Inoue and Mr. Shosuke Mori as external (independent) directors.

Haruo Sakaguchi

Corporate Auditor (External)*

1958 Lawyer (Current position)
1989 Vice Chairman, Japan Federation of Bar Association
2006 Corporate Auditor, Hankyu Holdings
2006 Corporate Auditor, Hankyu Corporation (Current position)
2006 Corporate Auditor, Hankyu Hanshin Holdings (Current position)

Junzo Ishii

Corporate Auditor (External)*

1986 Professor of Faculty of Commerce, Doshisha University
1989 Professor of Business Administration, Kobe University
1999 Professor of Business Administration, Graduate School of Kobe University
2008 President of the University of Marketing and Distribution Sciences (Current position)
2010 Corporate Auditor, Hankyu Hanshin Holdings (Current position)

* Mr. Takaharu Dohi, Mr. Haruo Sakaguchi, and Mr. Junzo Ishii satisfy the qualifications of external corporate auditors as provided in Article 2, Paragraph 16 of the Corporate Law.

The Company has submitted notifications to the stock exchanges on which its shares are listed, naming Mr. Takaharu Dohi, Mr. Haruo Sakaguchi, and Mr. Junzo Ishii as external (independent) auditors.

Part 5 Financial Section and Corporate Data

Consolidated Six-Year Summary

Years ended 31st March

	2007/3*2	2008/3	2009/3	2010/3	2011/3	2012/3	2012/3
Result of Operations (millions of yen and thousands of U.S. dollars): *1							
Revenues from operations	¥743,376	¥752,300	¥683,715	¥653,287	¥638,770	¥649,703	$7,923,207
Operating income	87,003	90,724	77,823	70,126	64,743	73,809	900,110
EBITDA*3	146,500	145,200	135,300	133,200	127,100	133,500	1,628,049
Income before income taxes and minority interests	65,305	26,098	34,064	33,899	32,760	43,419	529,500
Net income	36,619	627	20,550	10,793	18,068	39,252	478,683
Comprehensive income	—	—	—	12,541	14,728	44,992	548,683
Capital expenditure	53,795	134,307	109,688	132,386	68,431	55,267	673,988
Depreciation and amortisation	43,888	51,577	54,798	60,418	59,669	56,968	694,732
Cash Flows (millions of yen and thousands of U.S. dollars):							
Cash flows from operating activities	¥ 78,981	¥ 74,902	¥108,597	¥146,955	¥103,252	¥124,525	$1,518,598
Cash flows from investing activities	(199,578)	(100,058)	(115,047)	(132,737)	(62,516)	(44,295)	(540,183)
Cash flows from financing activities	132,289	36,718	7,014	(24,200)	(39,544)	(78,978)	(963,146)
Increase (decrease) in cash and cash equivalents	11,791	11,403	(2,174)	(9,680)	474	767	9,354
Cash and cash equivalents at end of year	40,166	31,166	30,690	21,440	22,592	23,572	287,463
Financial Position (millions of yen and thousands of U.S. dollars):							
Total assets	¥2,366,694	¥2,348,476	¥2,307,332	¥2,337,331	¥2,314,669	¥2,274,380	$27,736,341
Total net assets	522,286	476,639	473,878	480,633	486,947	524,801	6,400,012
Interest-bearing debt	1,209,382	1,271,100	1,275,620	1,282,583	1,251,665	1,183,647	14,434,720
Per Share Data (yen and U.S. dollars):							
Net income—Basic	¥ 31.84	¥ 0.50	¥ 16.28	¥ 8.55	¥ 14.32	¥ 31.13	$0.38
Net income—Diluted	—	0.41	16.18	8.51	14.27	31.13	0.38
Net assets	405.35	369.25	366.96	371.70	377.17	407.01	4.96
Dividend	5.00	5.00	5.00	5.00	5.00	5.00	0.06
Ratios:							
Operating income margin (%)	11.7	12.1	11.4	10.7	10.1	11.4	
ROA (%)*4	3.8	3.2	2.5	2.2	2.0	2.8	
ROE (%)*5	8.4	0.1	4.4	2.3	3.8	7.9	
Interest-bearing debt/EBITDA (times)	8.3*8	8.8	9.4	9.6	9.8	8.9	
Equity ratio (%)	21.7	19.9	20.1	20.1	20.6	22.6	
Debt/equity (D/E) ratio (times)*6	2.4	2.7	2.8	2.7	2.6	2.3	
Interest coverage ratio (times)*7	4.5	4.0	3.4	3.0	3.0	3.7	
Others:							
Number of outstanding shares (thousands)	1,271,406	1,271,406	1,271,406	1,271,406	1,271,406	1,271,406	
Number of employees	20,498	19,892	20,805	20,938	21,302	20,811	

*1 The U.S. dollar amounts have been translated, for convenience only, at ¥82 = $1, the prevailing exchange rate on the Tokyo Foreign Exchange Market as of 31st March 2012.
*2 From the second quarter of the fiscal year ended 31st March 2007, consolidated results of Hanshin Electric Railway Co., Ltd. are included as a result of management integration, in the scope of consolidation of the Group.
*3 EBITDA = operating income + depreciation expenses + amortisation of goodwill attendant on the management integration of Hankyu and Hanshin
EBITDA figures are rounded to the nearest ¥100 million.
Figures in 2007/3 were calculated assuming the management integration had entered effect from the beginning of the term.
*4 ROA = ordinary income/total assets (average of period-start and period-end totals)
*5 ROE = net income/equity (average of period-start and period-end totals)
*6 D/E ratio = interest-bearing debt/equity
*7 Interest coverage ratio = (operating income + interest and dividend income)/interest expense
*8 EBITDA is calculated assuming the management integration at the beginning of the term.

Analysis of Operating Results for the Year Ended 31st March 2012

Revenues from operations for the year under review increased by ¥10,933 million (1.7%) year-on-year, to ¥649,703 million. The adverse impact of the Great East Japan Earthquake was substantial, particularly on the Travel and Hotels businesses, while in the Entertainment and Communications business, revenues were affected by the failure of the Hanshin Tigers baseball team to advance to the Climax Series, as well as by a decline in revenues from cable television operations due to a decrease in the number of contracts for work to prevent TV reception interference (as a result of the ending of analogue broadcasting). However, a strong performance by our Real Estate business more than offset these negative factors, with condominium sales rising sharply over the previous year.

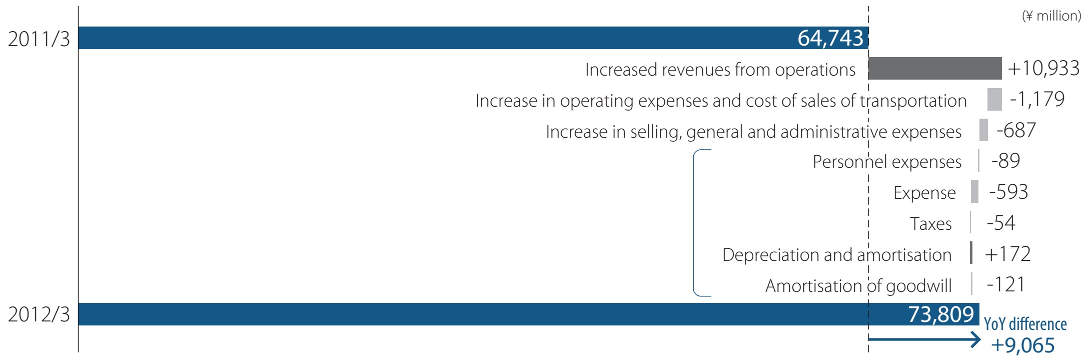
Operating income posted a year-on-year increase of ¥9,065 million (14.0%), to ¥73,809 million, thanks to successful cost-cutting initiatives by all the Group's core businesses in addition to increased sales of condominiums. For the fiscal year ended March 2012, the negative impact of the Great East Japan Earthquake is estimated to amount to ¥7,300 million on revenues from operations and ¥2,900 million on operating income.

Ordinary income rose ¥18,899 million (40.6%) year-on-year, to ¥65,393 million. This is attributable to an increase in equity in income of affiliates following an increase in the Company's equity stake in H_2O Retailing Corporation (an affiliated company under the equity method).

Net income increased sharply, by ¥21,183 million (117.2%) year-on-year, to ¥39,252 million. This is attributable to a decrease in income taxes — deferred as a result of the reversal of a portion of deferred tax assets and deferred tax liabilities stemming from a revision of the taxation system including a reduction in the corporate income tax rate. This positive factor more than offset the posting as an extraordinary loss of a loss on impairment of fixed assets associated with the acquisition of land for large-scale development projects.

Summary of consolidated business results: please also see Message from the Management (The year ended 31st March 2012 in review) on page 16.

Analysis of Operating Income



Segment Information

The following table shows business performance for each core segment. For a review of these results, please refer to the page indicated at the foot of the table.

(Millions of yen)

	Urban Transportation	Real Estate	Entertainment and Communications	Travel and International Transportation	Hotels	Retailing	Other	Adjustments	Consolidated
Revenues from operations									
2012/3	192,718	176,114	102,313	67,571	64,090	53,853	31,334	-38,293	649,703
2011/3	192,947	152,730	103,407	67,710	65,220	54,008	43,910	-41,164	638,770
Difference	-229	23,384	-1,093	-139	-1,129	-154	-12,575	2,871	10,933
YoY (%)	-0.1%	15.3%	-1.1%	-0.2%	-1.7%	-0.3%	-28.6%	7.0%	1.7%
Operating income/loss									
2012/3	32,342	29,133	10,141	3,171	-269	1,333	761	-2,804	73,809
2011/3	29,378	23,996	9,994	2,952	-639	713	450	-2,103	64,743
Difference	2,963	5,136	147	219	370	619	310	-700	9,065
YoY (%)	10.1%	21.4%	1.5%	7.4%	—	86.7%	68.9%	-33.3%	14.0%
Reference page	P.40	P.46	P.50	P.53	P.55	P.57	*	—	—

*Regarding other businesses, in our domestic logistics operations we excluded Sanyo Jidosha Unso Co., Ltd. from the scope of consolidation, making it into an affiliate under the equity method. This resulted in decreased revenues, but this factor was more than offset by improved earnings at Hankyu Hanshin Card Co., Ltd. thanks to reduced costs.

Review of Financial Position

1. Assets, Liabilities and Net Assets

Total assets at the end of the fiscal year under review decreased by ¥40,289 million from the previous term-end, to ¥2,274,380 million. This was the result of a decrease in land and buildings for sale, as well as a decline in property and equipment resulting from the posting of depreciation and amortisation.

Total liabilities decreased by ¥78,143 million from the previous term-end to ¥1,749,578 million, due partly to a reduction in interest-bearing debt.

Net assets increased ¥37,854 million from the previous term-end to ¥524,801 million on an increase in retained earnings.

Equity came to ¥513,292 million, for an increase of ¥37,490 over the previous fiscal year-end. This was the result of an increase in retained earnings due to the posting of net income and other factors.

As a result, the equity ratio stood at 22.6% and ROE at 7.9%.

2. Cash Flows

Cash and cash equivalents increased by ¥979 million from the previous term-end, to ¥23,572 million.

Net cash provided by operating activities amounted to ¥124,525 million, net cash used in investing activities amounted to ¥44,295 million, and net cash used in financing activities amounted to ¥78,978 million.

The following is an analysis of year-on-year changes in each cash flow category.

(1) Cash Flows from Operating Activities

Net cash provided by operating activities increased by ¥21,273 million from the previous fiscal year. This was due to an increase in operating income and a decrease in inventories accompanying the sale of condominiums.

(2) Cash Flows from Investing Activities

Net cash used in investing activities declined by ¥18,221 million. This was due to an increase in revenue as a result of the receipt of contributions for construction, as well as a decline in expenditure for the purchases of property and equipment.

(3) Cash Flows from Financing Activities

Net cash used in financing activities increased by ¥39,434 million, due partly to increased expenditures for repayment of long-term debt.

Trends in Cash Flow Indicators

	2008/3	2009/3	2010/3	2011/3	2012/3
Equity ratio (%)	19.9	20.1	20.1	20.6	**22.6**
Equity ratio (%) (market value basis)	23.2	24.4	23.4	20.9	**20.0**
Cash flows/interest-bearing debt ratio (times)	17.0	11.7	8.7	12.1	**9.5**
Interest coverage ratio (times)	4.0	3.4	3.0	3.0	**3.7**

Notes:
Equity ratio = equity/total assets
Equity ratio (market value basis) = market capitalisation/total assets
Cash flows/interest-bearing debt ratio = interest-bearing debt/operating cash flows
Interest coverage ratio = (operating income + interest and dividend income)/interest expense
* Each index has been calculated in accordance with financial indicators on a consolidated basis.
* Market capitalisation has been calculated as follows: year-end closing stock price X total shares issued at year-end (after deduction of treasury stock).

3. Fund Procurement

During the fiscal year under review the outstanding balance of interest-bearing debt (consolidated basis) declined by ¥68,017 million to ¥1,183,647 million at the end of the fiscal period. This reflected the fact that total net cash provided by operating activities outweighed capital expenditure outlays, including for the rebuilding of the Umeda Hankyu Building. The ratio of consolidated interest-bearing debt divided by EBITDA (operating income before amortisation), the benchmark we use for assessing the soundness of our financial position, stood at 8.9 times (9.8 times in the previous fiscal year).

Consolidated Capital Expenditure and Depreciation and Amortisation

Capital expenditure in the fiscal year under review (consolidated basis; including intangible assets) decreased by ¥13,163 million (19.2%) year-on-year, to ¥55,267 million.

The following is a breakdown for each business segment.

	2012/3 (Millions of yen)	YoY (%)
Urban Transportation	20,333	-29.5
Real Estate	27,363	-2.7
Entertainment and Communications	4,434	-13.2
Travel and International Transportation	995	-68.3
Hotels	1,305	22.0
Retailing	724	-8.7
Other	324	-64.0
Total	55,480	-18.4
Adjustments	-213	—
Consolidated	55,267	-19.2

< Urban Transportation >
With a focus on safety and service improvement, the railway business invested in elevated tracks (to allow lines to cross over roads without the need for level crossings) and general facility improvements, works to make stations barrier-free and in rebuilding and improving existing rolling stock. In bus and taxi businesses, vehicles were upgraded.

< Real Estate >
In the real estate leasing business, Hankyu Corporation continued the rebuilding works at Umeda Hankyu Building and the construction of the Shin-Osaka Hankyu Building, as well as renovation and repair work on rental buildings operated by Hankyu Corporation, Hanshin Electric Railway Co., Ltd., and Hankyu Realty Co., Ltd.

< Entertainment and Communications >
In the communication and media business, investments targeted acquisition of cable TV terminal equipment (Bay Communications Inc.). In addition, in the stage revue business, Hankyu Corporation financed improvement and renewal of the Takarazuka Grand Theatre.

< Travel and International Transportation >
In the travel and international transportation business, Hankyu Travel International Co., Ltd. carried out interior refurbishing work in line with the relocation of its head office.

< Hotels >
In the hotels business, Hankyu Hanshin Hotels Co., Ltd. newly constructed the REMM Kagoshima hotel and carried out interior refurbishing work on other hotels.

< Retailing >
In the retailing business, Hankyu Retails Corporation constructed new directly operated outlets, including the Cleduple Umeda store and the a.d.r.e.s. Nishinomiya-Kitaguchi store.

Depreciation and amortisation decreased by ¥2,700 million (4.5%) from the previous year (consolidated basis) to ¥56,968 million.

Business Risks

The various categories of risk to which the business performance, stock price, financial position and other aspects of operations of the Hankyu Hanshin Holdings Group are subject are detailed below. Nevertheless, these dangers do not encompass all risks attendant on Group activities and there are risks other than those stated below which are difficult to foresee.

Information about future events that appears in this report was determined by the Group to be current as of 31st March 2012.

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. Moreover, under Article 16 of the Law, a railway operator must obtain the Ministry's approval for the passenger fares it intends to set and on each occasion when it wishes to change the fares. Consequently, there is a certain risk that the Group's railway operations may be constrained in some way by the Ministry's administration of these regulations.

Progress in Large-Scale Development Projects

The Group seeks to utilise its working assets more effectively to facilitate the development of areas served by Hankyu and Hanshin lines. To raise its asset effectiveness, the Group is pursuing the following initiatives: rebuilding of the Umeda Hankyu Building; development of the "*Umekita*" (Osaka Station North District) Phase I Development Area Project; and further development of the International Culture Park "Saito" (a new town). These projects are all seen as key to the Group's future growth, and management will be working to complete them as soon as possible. However, in the event of rapid and major changes in the business environment, affecting land prices or urban development plans, the business performance and financial position of the Group could be adversely affected.

Interest-Bearing Debt

The balance of interest-bearing debt held by the Group as of the end of March 2012, on a consolidated basis, was ¥1,183,647 million.

As a result of the acquisition of shares in Hanshin Electric Railway Co., Ltd. through a successful public tender offer (takeover bid) on 27th June 2006, Hanshin Electric Railway has become a consolidated subsidiary of Hankyu Holdings. This acquisition has resulted in an increase in the balance of interest-bearing debt of the Group. On the other hand, management integration between the Hankyu Holdings Group and Hanshin Electric Railway Group has increased cash flows, so the Group is not expected to have any significant difficulty in repaying its debts.

The Group will take measures to diversify its fund procurement methods to deal with an increase in interest-bearing debt resulting from the integration, and will use all possible means to minimise the negative impact of interest rate movements. But in the unlikely event that interest rates rise suddenly and in excess of our projections, this could exert an adverse effect on the business performance and financial position of the Group.

Affiliated Companies

In order to ensure greater convenience for users of the Hokushin Kyuko Railway Line (run by consolidated subsidiary Hokushin Kyuko Railway Co., Ltd.), Hankyu Corporation (a consolidated subsidiary) has agreed to a plan transferring railway facilities held by Hokushin Kyuko Railway to Kobe Rapid Transit Railway Co., Ltd. (a consolidated subsidiary) and retaining railway business as a tier 2 railway operator. To facilitate the plan, in fiscal 2003 Hankyu Corporation provided Kobe Rapid Transit Railway with financing for part of the funds necessary to purchase the facilities.

In September 2007, Kobe Electric Railway Co., Ltd. (an equity method affiliate), temporarily suspended support for the rehabilitation of Hokushin Kyuko Railway. To uphold the rehabilitation project, additional financing was extended to Hokushin Kyuko Railway by Hankyu Corporation.

We will continue to provide assistance to ensure that Hokushin Kyuko Railway can conduct smooth and efficient operations as a tier 2 railway operator. However, the business performance and financial position of the Group could be affected by changes in this plan.

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, and other assets, the recording of impairment losses or valuation losses would likely have a negative impact on the earnings performance and financial position of the Hankyu Hanshin Holdings Group.

Natural Disasters

Operating as it does a very wide range of businesses in its Urban Transportation, Real Estate, Entertainment and Communications, Travel and International Transportation, Hotels, and Retailing segments, the Group has a correspondingly large assortment of facilities necessary for conduct of business, such as railway installations and buildings and retail outlets for rent. In the event of earthquakes or other major disasters, the business performance and financial position of the Group could be adversely affected by damage to these facilities.

Other Risks and Countermeasures

The following is the Group's perspective provided in response to questions received from our investors in relation to the risks attendant on our business. Information about future events that appears in this report was determined by the Group to be current as of 31st March 2012 and is not intended to negate the possibility of these risks impacting the business performance, financial position and other aspects of operations of the Group.

Economic Environment-related Risks

Interest Rate Fluctuations

Long-term debt and corporate bonds are comprised mainly of long-term financing needed for capital expenditure programs, while short-term borrowings and commercial paper are comprised mainly of financing that is associated with short-term operating capital. Some floating exchange rate borrowings and corporate bonds are exposed to interest rate fluctuation risk (market risk); however, we lock in interest rates by concluding interest rate swap and option contracts to avoid the risks attendant upon interest rate fluctuations.

Nevertheless, in the unlikely event that interest rates were to rise dramatically, the business performance and financial position of the Group could be adversely affected.

Changes in the Financing Environment

Cash-flow management plans are made in a timely manner for the purpose of appropriately managing funds. By doing so, we avoid liquidity risks which could render the Group incapable of meeting payment deadlines. Additionally, the centralisation of Group funds through the use of cash pool systems and other mechanisms facilitates the consolidation and efficient usage of surplus funds by Group companies, while the establishment of back-up lines such as commitment lines enables the Group to obtain finance from financial institutions at a moment's notice. We also disperse our transaction partners over several financial institutions to maintain an appropriate balance of direct and indirect financing. Thus, we ensure liquidity by diversifying the methods we use for obtaining finance.

Foreign Currency Market Fluctuations

Foreign exchange rate contracts, currency swap contracts and currency option contracts are employed to avoid the exchange rate fluctuation risks attendant on some foreign currency-denominated assets and liabilities. Although these derivative transactions involve some credit risk, such as the risk of being no longer able to enjoy the fruits of ongoing trading due to a transaction partner failing to meet its obligations under the terms and conditions of the contract or going bankrupt, we avoid such risk by engaging in transactions only with highly rated institutions.

The Group's overseas sales constitute less than 10% of its consolidated operating revenues.

Business-related Risks

Demographic Change

Due to the declining birth-rate and aging population, it is expected that capital expenditure on safety measures and construction aimed at making facilities barrier-free will increase. At the same time, due to future population decline, it is possible that transportation demand (for the Group's railways, buses and taxis) will recede, and that demand in other businesses may also decline.

In order to respond to this challenge, the Group is working with government and educational institutions on community-building initiatives with a focus on peace of mind, education and cultural enrichment. By doing so, we are working to enhance the appeal of the areas served by our stations so as to ensure that our railway lines enjoy the patronage of large numbers of people.

Safety Management

In the Group's core railway business, our passengers would suffer greatly if an accident were to occur. We are keenly aware of the responsibility entrusted to us for our passengers' lives. Therefore, the cornerstone of our business is ensuring that accidents do not occur due to negligence on our part.

Accordingly, the Group has upgraded all aspects of its safety capabilities in the conviction that putting passengers first and prioritising safety come above all else. We are engaged in a wide variety of endeavours for ensuring that we go one step further to offer our passengers even safer transportation.

(For safety measures in our Urban Transportation business, please refer to Page 65.)

Natural Disasters and Acts of Terrorism

The Group's businesses and transportation network infrastructure could be significantly damaged by natural disasters such as earthquakes, typhoons and floods or acts of terrorism.

Hankyu Corporation and Hanshin Electric Railway Co., Ltd. have installed rain, wind and river water gauges in the areas along our railway lines for collecting observation data. We also use real-time information provided by meteorological observatories to ensure the safe operation of our trains. If an earthquake of JMA seismic intensity 4 or above is detected by a seismograph or predicted by an earthquake early warning system, all trains that operate in the zone in question will immediately prepare for emergency stopping. For possible acts of terrorism, or where suspicious items or persons are identified or damage has occurred, we have risk-graded management response systems.

We have also developed emergency response systems for minimising the social impact in the unlikely event of an incident which causes long-term disruption to transit services or results in a great number of casualties.

Infectious Disease Outbreaks and Epidemics

Group businesses could be significantly affected if economic activities were restricted or customers refrained from going out due to an outbreak or epidemic of an infectious disease such as SARS (Severe Acute Respiratory System) or H1N1 flu. In fact, the Group was significantly impacted by customers refraining from going out during the fiscal 2010 H1N1 flu epidemic. The main businesses affected at this time were Urban Transportation, Travel and Hotels.

In response to the spread of infectious diseases such as H1N1 flu, the Group has developed a Business Continuity Plan (BCP) for each division, under the direction of core companies. During the H1N1 outbreak in 2009 and 2010, ongoing surveys into infection rates among employees and their families in each division gave us a good idea of the scale of risk, minimising the impact of H1N1 on our business. Also, in the railway business, which is a particularly important part of the social infrastructure, we drew up plans in advance to minimise the impact of any explosive spread of the disease, including multiple schedules assuming a shortage of railway staff.

Other Risks

Changes to Accounting Standards

In line with ongoing revisions to accounting standards in Japan to achieve convergence with International Financial Reporting Standards (IFRS), the government of Japan is considering requiring listed companies to apply IFRS in their consolidated financial statements*.

In the future, changes to accounting standards and application of IFRS could adversely affect the Group's financial position and earnings performance. This is due to new accounting rules regarding retirement benefits, which are now subject to revision, and the shift from amortisation to impairment of goodwill.

Currently, we are working closely with our independent auditor KPMG AZSA LLC to deal with future issues that may arise from adopting the new accounting standards and IFRS.

Furthermore, due to the revision of the accounting standards for retirement benefits, effective from the fiscal year ending March 2014, it will be mandatory for unrecognised items (unrecognised actuarial differences and unrecognised prior service costs) to be recognised immediately on the consolidated balance sheets. However, since the total amount of unrecognised items as of the end of the fiscal year under review was ¥7,701 million, any impact of immediate recognition on net assets would be considered immaterial.

* In its interim report on the handling of international accounting standards in Japan made public in June 2009, the Financial Services Agency said it planned to make a decision by around 2012 on whether adoption of International Financial Reporting Standards (IFRS) should be mandatory in Japan, effective from 2015 or 2016. However, the former Minister for Finance Services Shozaburo Jimi on 21st June 2011 expressed doubt that IFRS could be enforced by the year ending March 2015, and added that if the standards were made mandatory, a changeover period of about 5-7 years after the announcement would be needed.

Consolidated Balance Sheets

As of 31st March 2011 and 2012

	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Assets:			
Current assets:			
Cash and deposits [4. NOTES (1) ③]	¥ 23,947	¥ 24,280	$ 296,098
Trade receivables	71,281	73,404	895,171
Land and buildings for sale	131,782	118,415	1,444,085
Finished products and merchandise	7,949	7,219	88,037
Work in progress	4,668	4,288	52,293
Materials and supplies	3,949	3,858	47,049
Deferred tax assets	13,160	7,625	92,988
Other	29,422	36,445	444,451
Allowance for doubtful receivables	(322)	(251)	(3,061)
Total current assets	285,837	275,286	3,357,146
Noncurrent assets:			
Property and equipment:			
Buildings and structures—net [4. NOTES (1) ③]	602,710	578,925	7,060,061
Machinery, equipment and vehicles—net [4. NOTES (1) ③]	53,242	47,404	578,098
Land [4. NOTES (1) ③ and ⑤]	896,085	892,356	10,882,390
Construction in progress	132,243	131,434	1,602,854
Other—net [4. NOTES (1) ③]	15,939	18,246	222,512
Total property and equipment [4. NOTES (1) ① and ②]	1,700,220	1,668,366	20,345,927
Intangible assets:			
Goodwill	41,248	38,437	468,744
Other [4. NOTES (1) ② and ③]	17,671	17,157	209,232
Total intangible assets	58,919	55,594	677,976
Investments and other assets:			
Investment securities [4. NOTES (1) ③ and ④]	221,004	227,417	2,773,378
Deferred tax assets	4,170	4,002	48,805
Other	45,848	44,321	540,500
Allowance for doubtful receivables	(1,332)	(608)	(7,415)
Total investments and other assets	269,691	275,133	3,355,280
Total noncurrent assets	2,028,832	1,999,093	24,379,183
Total assets	2,314,669	2,274,380	27,736,341

	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Liabilities:			
Current liabilities:			
Trade payables	¥ 40,404	¥ 43,410	$ 529,390
Short-term borrowings [4. NOTES (1) ③]	297,464	316,545	3,860,305
Current portion of bonds	40,000	35,000	426,829
Income taxes payable	3,865	4,170	50,854
Accrued expenses	18,908	21,275	259,451
Provision for bonuses	3,960	3,702	45,146
Other [4. NOTES (1) ③]	142,621	142,937	1,743,134
Total current liabilities	547,227	567,043	6,915,159
Long-term liabilities:			
Bonds	127,000	102,000	1,243,902
Long-term debt [4. NOTES (1) ③]	780,908	720,782	8,790,024
Deferred tax liabilities	157,577	147,840	1,802,927
Deferred tax liabilities related to land revaluation [4. NOTES (1) ⑤]	6,667	5,493	66,988
Provision for retirement benefits	58,770	59,194	721,878
Provision for directors' retirement benefits	767	875	10,671
Long-term deferred contribution for construction	15,862	21,555	262,866
Other	132,939	124,792	1,521,854
Total long-term liabilities	1,280,495	1,182,535	14,421,159
Total liabilities	1,827,722	1,749,578	21,336,317
Net assets:			
Shareholders' equity:			
Common stock	99,474	99,474	1,213,098
Capital surplus	150,027	150,027	1,829,598
Retained earnings	243,264	276,059	3,366,573
Less treasury stock, at cost	(4,036)	(4,140)	(50,488)
Total shareholders' equity	488,729	521,421	6,358,793
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	(11,936)	(8,044)	(98,098)
Deferred gains or losses on hedges	(232)	(131)	(1,598)
Revaluation reserve for land [4. NOTES (1) ⑤]	1,706	2,972	36,244
Foreign currency translation adjustments	(2,464)	(2,924)	(35,659)
Total accumulated other comprehensive income	(12,927)	(8,128)	(99,122)
Subscription rights to shares	—	32	390
Minority interests [4. NOTES (1) ⑤]	11,144	11,476	139,951
Total net assets	486,947	524,801	6,400,012
Total liabilities and net assets	2,314,669	2,274,380	27,736,341

Consolidated Statements of Income

Years ended 31st March 2011 and 2012

	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Revenues from operations	¥638,770	¥649,703	$7,923,207
Costs of revenues from operations:			
Operating expenses and cost of sales of transportation	541,473	542,653	6,617,720
Selling, general and administrative expenses [4. NOTES (2) ①]	32,552	33,240	405,366
Total costs of revenues from operations [4. NOTES (2) ②]	574,026	575,894	7,023,098
Operating income	64,743	73,809	900,110
Non-operating income:			
Interest income	92	94	1,146
Dividends income	1,082	1,184	14,439
Equity in income of affiliates	3,309	10,024	122,244
Miscellaneous income	2,487	3,501	42,695
Total non-operating income	6,972	14,805	180,549
Non-operating expenses:			
Interest expenses	22,222	20,558	250,707
Miscellaneous expenses	2,999	2,662	32,463
Total non-operating expenses	25,222	23,221	283,183
Ordinary income	46,494	65,393	797,476
Extraordinary income:			
Gain on sales of noncurrent assets [4. NOTES (2) ③]	354	619	7,549
Gain on contributions for construction	12,089	10,957	133,622
Other	1,059	1,487	18,134
Total extraordinary income	13,504	13,064	159,317
Extraordinary loss:			
Loss on sales of noncurrent assets [4. NOTES (2) ④]	502	58	707
Loss on reduction of noncurrent assets	11,175	10,962	133,683
Loss on retirement of noncurrent assets [4. NOTES (2) ⑤]	1,232	499	6,085
Loss on impairment of fixed assets [4. NOTES (2) ⑥]	4,261	20,212	246,488
Non-recurring depreciation on noncurrent assets [4. NOTES (2) ⑦]	3,083	—	—
Special allowance for doubtful receivables	16	43	524
Special reserve for investment loss	78	6	73
Other	6,887	3,255	39,695
Total extraordinary loss	27,237	35,038	427,293
Income before income taxes and minority interests	32,760	43,419	529,500
Income taxes—current	6,054	6,074	74,073
Income taxes—deferred	7,975	(2,855)	(34,817)
Total income taxes	14,030	3,219	39,256
Income before minority interests	18,730	40,200	490,244
Minority interests in income	661	947	11,549
Net income	18,068	39,252	478,683

Consolidated Statements of Comprehensive Income

Years ended 31st March 2011 and 2012

	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Income before minority interests	¥18,730	¥40,200	$490,244
Other comprehensive income:			
Valuation difference on available-for-sale securities	(2,455)	2,756	33,610
Deferred gains or losses on hedges	611	96	1,171
Revaluation reserve for land	—	1,136	13,854
Foreign currency translation adjustments	(721)	(504)	(6,146)
Share of other comprehensive income of associates accounted for using equity method	(1,435)	1,306	15,927
Total other comprehensive income [4. NOTES (3) ①]	(4,002)	4,792	58,439
Comprehensive income	14,728	44,992	548,683
(Details)			
Comprehensive income attributable to owners of the parent	14,092	44,108	537,902
Comprehensive income attributable to minority interests	635	884	10,780

Consolidated Statements of Changes in Net Assets

Years ended 31st March 2011 and 2012

	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Shareholders' equity:			
Common stock:			
Balance at beginning of year	¥ 99,474	¥ 99,474	$1,213,098
Changes of items during the period:			
Total changes of items during the period	—	—	—
Balance at end of year	99,474	99,474	1,213,098
Capital surplus:			
Balance at beginning of year	150,027	150,027	1,829,598
Changes of items during the period:			
Total changes of items during the period	—	—	—
Balance at end of year	150,027	150,027	1,829,598
Retained earnings:			
Balance at beginning of year	232,135	243,264	2,966,634
Changes of items during the period:			
Dividends from surplus	(6,337)	(6,334)	(77,244)
Net income	18,068	39,252	478,683
Reversal of revaluation reserve for land	250	53	646
Disposal of treasury stock	(13)	(9)	(110)
Change in scope of consolidation	(838)	(166)	(2,024)
Total changes of items during the period	11,129	32,795	399,939
Balance at end of year	243,264	276,059	3,366,573
Less treasury stock, at cost:			
Balance at beginning of year	(3,808)	(4,036)	(49,220)
Changes of items during the period:			
Purchase of treasury stock	(270)	(40)	(488)
Disposal of treasury stock	41	21	256
Changes in equity in affiliates accounted for by equity method-treasury stock	—	(84)	(1,024)
Total changes of items during the period	(228)	(103)	(1,256)
Balance at end of year	(4,036)	(4,140)	(50,488)
Total shareholders' equity:			
Balance at beginning of year	477,829	488,729	5,960,110
Changes of items during the period:			
Dividends from surplus	(6,337)	(6,334)	(77,244)
Net income	18,068	39,252	478,683
Reversal of revaluation reserve for land	250	53	646
Purchase of treasury stock	(270)	(40)	(488)
Disposal of treasury stock	28	12	146
Change in scope of consolidation	(838)	(166)	(2,024)
Changes in equity in affiliates accounted for by equity method-treasury stock	—	(84)	(1,024)
Total changes of items during the period	10,900	32,692	398,683
Balance at end of year	488,729	521,421	6,358,793
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities:			
Balance at beginning of year	(8,075)	(11,936)	(145,561)
Changes of items during the period:			
Net changes of items other than shareholders' equity	(3,860)	3,891	47,451
Total changes of items during the period	(3,860)	3,891	47,451
Balance at end of year	(11,936)	(8,044)	(98,098)

	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Deferred gains or losses on hedges:			
Balance at beginning of year	¥ (845)	¥ (232)	$ (2,829)
Changes of items during the period:			
Net changes of items other than shareholders' equity	612	101	1,232
Total changes of items during the period	612	101	1,232
Balance at end of year	(232)	(131)	(1,598)
Revaluation reserve for land:			
Balance at beginning of year	1,956	1,706	20,805
Changes of items during the period:			
Net changes of items other than shareholders' equity	(250)	1,265	15,427
Total changes of items during the period	(250)	1,265	15,427
Balance at end of year	1,706	2,972	36,244
Foreign currency translation adjustments:			
Balance at beginning of year	(1,736)	(2,464)	(30,049)
Changes of items during the period:			
Net changes of items other than shareholders' equity	(727)	(459)	(5,598)
Total changes of items during the period	(727)	(459)	(5,598)
Balance at end of year	(2,464)	(2,924)	(35,659)
Total accumulated other comprehensive income:			
Balance at beginning of year	(8,700)	(12,927)	(157,646)
Changes of items during the period:			
Net changes of items other than shareholders' equity	(4,226)	4,798	58,512
Total changes of items during the period	(4,226)	4,798	58,512
Balance at end of year	(12,927)	(8,128)	(99,122)
Subscription rights to shares:			
Balance at beginning of year	—	—	—
Changes of items during the period:			
Net changes of items other than shareholders' equity	—	32	390
Total changes of items during the period	—	32	390
Balance at end of year	—	32	390
Minority interests:			
Balance at beginning of year	11,505	11,144	135,902
Changes of items during the period:			
Net changes of items other than shareholders' equity	(360)	331	4,037
Total changes of items during the period	(360)	331	4,037
Balance at end of year	11,144	11,476	139,951
Total net assets:			
Balance at beginning of year	480,633	486,947	5,938,378
Changes of items during the period:			
Dividends from surplus	(6,337)	(6,334)	(77,244)
Net income	18,068	39,252	478,683
Reversal of revaluation reserve for land	250	53	646
Purchase of treasury stock	(270)	(40)	(488)
Disposal of treasury stock	28	12	146
Change in scope of consolidation	(838)	(166)	(2,024)
Change in equity in affiliates accounted for by equity method-treasury stock	—	(84)	(1,024)
Net changes of items other than shareholders' equity	(4,586)	5,162	62,951
Total changes of items during the period	6,313	37,854	461,634
Balance at end of year	486,947	524,801	6,400,012

Consolidated Statements of Cash Flows

Years ended 31st March 2011 and 2012

	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 32,760	¥ 43,419	$ 529,500
Depreciation and amortisation	59,669	56,968	694,732
Loss on impairment of fixed assets	4,261	20,212	246,488
Non-recurring depreciation on noncurrent assets	3,083	—	—
Amortisation of goodwill	2,684	2,806	34,220
Equity in (income) losses of affiliates	(3,309)	(10,024)	(122,244)
Increase (decrease) in provision for retirement benefits	1,021	329	4,012
Increase (decrease) in allowance for doubtful receivables	(1,667)	(635)	(7,744)
Increase (decrease) in reserve for investment loss	(435)	(352)	(4,293)
Interest and dividend income	(1,174)	(1,278)	(15,585)
Interest expense	22,222	20,558	250,707
Loss (gain) on sales of noncurrent assets	147	(567)	(6,915)
Loss on reduction of noncurrent assets	11,175	10,962	133,683
Loss on retirement of noncurrent assets	1,232	499	6,085
Gain on contributions for construction	(12,089)	(10,957)	(133,622)
Decrease (increase) in trade receivables	9,460	(5,153)	(62,841)
Decrease (increase) in inventories	(3,242)	15,316	186,780
Increase (decrease) in trade payables	(6,511)	3,184	38,829
Increase (decrease) in other liabilities	(3,522)	(4,328)	(52,780)
Other	12,403	5,418	66,073
Subtotal	128,170	146,380	1,785,122
Interest and dividends received	2,578	2,678	32,659
Interest paid	(22,446)	(20,815)	(253,841)
Income taxes (paid) refunded	(5,051)	(3,717)	(45,329)
Net cash provided by operating activities	103,252	124,525	1,518,598
Cash flows from investing activities:			
Purchases of noncurrent assets	(79,398)	(76,901)	(937,817)
Proceeds from sales of noncurrent assets	4,578	6,291	76,720
Purchases of investment securities	(4,749)	(3,185)	(38,841)
Proceeds from sale of investment securities	331	2,597	31,671
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	—	602	7,341
Net decrease (increase) in short-term loans receivable	29	184	2,244
Long-term loans advanced	(127)	(340)	(4,146)
Proceeds from collection of long-term loans receivable	81	1,291	15,744
Receipt of contributions for construction	17,220	20,530	250,366
Other	(482)	4,634	56,512
Net cash used in investing activities	(62,516)	(44,295)	(540,183)
Cash flows from financing activities:			
Net increase (decrease) in short-term borrowings	(9,016)	4,153	50,646
Proceeds from long-term debt	76,731	79,960	975,122
Repayment of long-term debt	(106,059)	(124,695)	(1,520,671)
Proceeds from new bonds issued	31,795	9,941	121,232
Redemption of bonds	(25,000)	(40,000)	(487,805)
Dividends paid	(6,337)	(6,334)	(77,244)
Dividends paid to minority shareholders of consolidated subsidiaries	(319)	(314)	(3,829)
Other	(1,337)	(1,689)	(20,598)
Net cash used in financing activities	(39,544)	(78,978)	(963,146)
Effect of exchange rate changes on cash and cash equivalents	(715)	(483)	(5,890)
Increase (decrease) in cash and cash equivalents	474	767	9,354
Cash and cash equivalents at beginning of year	21,440	22,592	275,512
Increase in cash and cash equivalents from newly consolidated subsidiary	677	212	2,585
Cash and cash equivalents at end of year	22,592	23,572	287,463

Notes to the Consolidated Financial Statements

1. FRAMEWORK FOR PREPARING CONSOLIDATED FINANCIAL STATEMENTS

(1) Method of preparation for consolidated financial statements

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

(2) Audit verification

The Company's consolidated financial statements for the fiscal year under review (1st April 2011 to 31st March 2012) were audited by KPMG AZSA LLC, as per Article 193-2 (1) of the Financial Instruments and Exchange Act.

(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 organisations to establish a system for understanding the accounting standards in detail and responding suitably to changes made to them. The Company also compiles and provides common manuals for preparing the consolidated financial information on a group basis, and arranges training courses for accounting staff at affiliates.

(4) Translation into U.S. dollars

The U.S. dollar amounts have been translated, for convenience only, at ¥82 = $1, the prevailing exchange rate on the Tokyo Foreign Exchange Market as of 31st March 2012.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

(1) Scope of consolidation

① Number and names of consolidated subsidiaries

Number of consolidated subsidiaries—101.

Names of primary consolidated subsidiaries are listed on Page 112.

Hankyu Hanshin Express (Vietnam) Co., Ltd. and 3 other companies, due to their increased significance, have been included in the scope of consolidation.

Meanwhile, Chayamachi Kikaku Co., Ltd. and 1 other company, because they were extinguished for a merger, Sanyo Jidosha Unso Co., Ltd., due to transfer of a portion of its shares, and Hanshin Freight International (Thailand) Co., Ltd. and 2 other companies as their liquidation was completed, have been excluded from the scope of consolidation.

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, retained earnings, and other figures are limited, and the effect on the consolidated financial statements as a whole is negligible.

③ Special purpose entities subject to disclosure

An overview of special purpose entities subject to disclosure, an overview of transactions using special purpose entities subject to disclosure, and the monetary values and other details of transactions with special purpose entities subject to disclosure are presented in "4. Notes" "(17) Special purpose entities."

(2) Items related to application of equity-method accounting

① Number and names of affiliates for which equity method is applied

Number of affiliates for which equity method is applied—10.

Names of major equity-method affiliates

H_2O Retailing Corporation, Kobe Electric Railway Co., Ltd., Toho Co., Ltd., Tokyo Rakutenchi Co., Ltd.

Sanyo Jidosha Unso Co., Ltd, which had been a consolidated subsidiary, became a new equity-method affiliate in the fiscal year under review due to transfer of a portion of its shares.

② Names of nonconsolidated subsidiaries and affiliates for which equity method is not applied

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

(3) Items related to fiscal year-ends, etc. for consolidated subsidiaries

The account closing date for Hankyu Hanshin Express (Netherlands) B.V., Hankyu Hanshin Express (Deutschland) GmbH and 20 other consolidated subsidiaries is 31st December. 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.

(4) Items related to accounting treatment and standards

① Valuation standards and method for major assets

(a) Securities

Available-for-sale securities

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.)

Available-for-sale securities without fair market values:

The moving average cost method is mainly applied.

For investments in limited liability investment partnerships and similar investments, however, the Company's share of assets held by such partnerships is recorded.

(b) Derivatives

The market value method is applied.

(c) Inventories

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.)

Finished products and merchandise, work in progress, and materials and supplies:

The moving average cost method is mainly applied. (Balance sheet values are calculated by writing down book values based on decreased profitability.)

② Depreciation methods for major depreciable assets

(a) Property and equipment (excluding leased assets)

While property and equipment (excluding leased assets) are depreciated for the most part using the declining balance method, there is also some use of the straight-line method.

Depreciation of buildings acquired after 1st April 1998 (excluding facilities attached to buildings) is calculated using the straight-line method.

(b) Intangible assets (excluding leased assets)

Intangible assets (excluding leased assets) are amortised using the straight-line method.

Software (used by the Company), however, is amortised by the straight-line method over the internal available life (3 to 6 years).

(c) Lease assets related to finance leases other than those that transfer ownership of the lease assets

Lease assets related to finance leases other than those that transfer ownership of the lease assets are depreciated using the straight-line method with the lease term as the useful life, and the residual value is zero.

Finance leases that commenced prior to 31st March 2008 are accounted for similar method applied to operating lease transactions.

③ Accounting for contributions for construction

Some consolidated subsidiaries of the Company accept contributions for construction from local governments and other organisations as part of the cost of construction when carrying out railroad elevations such as continuous grade separations and crossing-widening work.

The assets acquired using the contributions are recorded in noncurrent assets at the acquisition cost, after deducting the amounts corresponding to the contributions.

The amounts received for construction including such contributions are recorded in extraordinary income as a gain on contributions for construction in the consolidated statements of income, and the amount directly deducted from the acquisition cost is recorded in extraordinary loss as a loss on reduction of noncurrent assets in the consolidated statements of income.

④ Accounting standards for significant transactions

(a) 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.

(b) Provision for bonuses

Provision for bonuses is recorded in the amount expected to be paid by some consolidated subsidiaries as bonuses during the fiscal year.

(c) Provision for retirement benefits

Provision for retirement benefits is provided based on the estimated amount of projected benefit obligation and the fair value of plan assets in preparation for retirement benefits to be paid to employees at the end of the fiscal year.

Prior service costs are recorded in expenses in equal amounts using the straight-line method over a certain number of years (3 to 15 years), which is within the average remaining years of service of the employees at the time when these costs are incurred, commencing, in general, in the fiscal year in which they arise.

Actuarial differences are recorded in expenses using the straight-line method over a certain number of years (4 to 15 years), which is within the average remaining years of service of the employees at the time when these costs are incurred, commencing in the fiscal year following the year in which they arise.

(d) Provision for directors' retirement benefits

Provision for directors' retirement benefits is provided in an amount based on the internal rules of some of the consolidated subsidiaries for the payment of retirement benefits to their directors.

⑤ Basis for converting significant assets and liabilities in foreign currency into Japanese yen

The assets, liabilities, income and expenses of overseas subsidiaries are converted to yen based on the spot exchange rate on the balance sheet date. Differences in conversion are included in foreign currency translation adjustments and minority interests in the net assets section.

⑥ Significant hedge accounting methods

(a) 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 assets and liabilities with foreign exchange forward contracts.

(b) Hedging instruments and hedged items

Hedging instruments	Hedged items
Foreign exchange contracts Currency swap contracts Currency option contracts	Foreign currency trade receivables and trade payables and future foreign currency transactions
Interest rate swap contracts Interest rate option contracts	Interest on bonds and loans payable

(c) Hedging policy

The Group is exposed to the risk of foreign exchange and interest rate fluctuations and uses derivatives as a means of hedging these risks.

(d) Method for evaluating the effectiveness of hedges

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

(e) 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.

⑦ Method and period of amortisation of goodwill

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

⑧ Scope of cash 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.

⑨ Other significant matters for preparing consolidated financial statements

(a) Accounting for consumption tax

Accounting for consumption tax is based on the tax exclusion method.

The non-deductible amount of the consumption tax on assets that are not tax deductible is included in "Other" in investments and other assets on the consolidated balance sheets as long-term prepaid consumption tax and is amortised in equal amounts based on provisions of Corporation Tax Law.

(b) Adoption of consolidated tax payment system
A consolidated tax payment system has been adopted.

3. ADDITIONAL INFORMATION

The Company and its consolidated domestic subsidiaries are applying "Accounting Standard for Accounting Changes and Error Corrections" (Accounting Standards Board of Japan ("ASBJ") Statement No. 24 issued on December 4, 2009) and "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24, issued on December 4, 2009) for accounting changes and corrections of prior period errors which are made form the fiscal year beginning on April 1, 2012.

4. NOTES

(1) Consolidated Balance Sheets

① Accumulated depreciation of property and equipment

Millions of yen		Thousands of U.S. dollars
2011	2012	2012
¥964,847	¥994,173	$12,124,061

② Accumulated contributions for construction directly deducted from the acquisition cost of noncurrent assets

Millions of yen		Thousands of U.S. dollars
2011	2012	2012
¥359,050	¥368,264	$4,491,024

③ Pledged assets and secured liabilities

The following table shows the assets pledged as collateral.

	Millions of yen				Thousands of U.S. dollars	
	2011		2012		2012	
Current assets:						
Cash and deposits	¥ 140	[¥ —]	¥ —	[¥ —]	$ —	[$ —]
Property and equipment:						
Buildings and structures	225,327	[219,992]	219,391	[215,405]	2,675,500	[2,626,890]
Machinery, equipment and vehicles	41,808	[41,808]	37,374	[37,374]	455,780	[455,780]
Land	268,730	[255,562]	266,011	[255,486]	3,244,037	[3,115,683]
Other	2,669	[2,669]	2,997	[2,997]	36,549	[36,549]
Intangible assets:						
Other	129	[129]	129	[129]	1,573	[1,573]
Investment and other assets:						
Investment securities	14,953	[—]	14,536	[—]	177,268	[—]
Total	553,759	[520,162]	540,441	[511,392]	6,590,744	[6,236,488]

The following table shows the secured liabilities.

	Millions of yen				Thousands of U.S. dollars	
	2011		2012		2012	
Current liabilities:						
Short-term borrowings	¥ 10,469	[¥ 9,317]	¥ 12,283	[¥ 9,650]	$ 149,793	[$ 117,683]
Other	55	[—]	178	[—]	2,171	[—]
Long-term liabilities:						
Long-term debt	100,700	[85,560]	101,182	[88,244]	1,233,927	[1,076,146]
Total	111,225	[94,878]	113,644	[97,895]	1,385,902	[1,193,841]

The amounts in brackets are the amounts for the Railway Foundation within the total of each category.

④ The following table shows the securities of nonconsolidated subsidiaries and affiliates.

	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Investment securities (stocks)	¥152,106	¥163,970	$1,999,634

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 31st March 1998) and the Law to Partially Modify the Law Concerning Revaluations of Land (Law No. 19, promulgated on 31st March 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 belonging to minority shareholders as "Minority interests." The

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amount remaining after subtracting these was recorded in the net assets section as "Revaluation reserve for land." The equity-method affiliates 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 31st March 1998).

Date of revaluation: 31st March 2002.

The difference between the market value of the land and book value after revaluation at the end of previous fiscal year and fiscal year under review are as follows:

Millions of yen		Thousands of U.S. dollars
2011	2012	2012
¥(5,602)	¥(5,857)	$(71,427)

⑥ Contingent liabilities

The Company and its subsidiaries provide a liability guarantee for loans of the Companies, etc. listed below.

Fiscal year ended 31st March 2011

	Millions of yen
Nishi-Osaka Railway Co., Ltd.	¥24,135
Borrowers on loans for purchase of land and buildings	6,339
Other (three companies)	79
Total	30,554

Fiscal year ended 31st March 2012

	Millions of yen	Thousands of U.S. dollars
Nishi-Osaka Railway Co., Ltd.	¥23,348	$284,732
Borrowers on loans for purchase of land and buildings	6,112	74,537
Other (six companies)	32	390
Total	29,493	359,671

Note: Major partner companies included in above are the Company's affiliates.

(2) Consolidated Statements of Income

① The breakdown of selling, general and administrative expenses is shown below.

	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Personnel expenses	¥16,254	¥16,344	$199,317
Expenses	11,471	12,065	147,134
Taxes	706	761	9,280
Depreciation and amortisation	1,434	1,262	15,390
Amortisation of goodwill	2,684	2,806	34,220
Total	32,552	33,240	405,366

② 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
	2011	2012	2012
Special allowance for doubtful receivables	¥ 125	¥ 101	$ 1,232
Provision for bonuses	4,260	3,750	45,732
Retirement benefit expenses	9,440	8,614	105,049
Provision for directors' retirement benefits	139	182	2,220

③ The gain on sales of noncurrent assets resulted from the transfer of land and other property.

④ The breakdown of the loss on sales of noncurrent assets is shown below.

Fiscal year ended 31st March 2011

	Millions of yen
Land	¥287
Construction in progress, etc.	214

Fiscal year ended 31st March 2012

	Millions of yen	Thousands of U.S. dollars
Land, etc.	¥58	$707

⑤ The breakdown of the loss on retirement of noncurrent assets is shown below.

Fiscal year ended 31st March 2011

	Millions of yen
Book value upon removal	¥482
(Breakdown)	
Buildings and structures	325
Intangible assets, etc.	157
Cost of removal work	750

Fiscal year ended 31st March 2012

	Millions of yen	Thousands of U.S. dollars
Book value upon removal	¥348	$4,244
(Breakdown)		
Buildings and structures	255	3,110
Tools, furniture and fixtures, etc.	92	1,122
Cost of removal work	151	1,841

⑥ Loss on impairment of fixed assets

Fiscal year ended 31st March 2011

The loss on impairment of fixed assets was calculated by grouping the assets based on the minimum unit that generates a cash flow that is generally independent of the cash flow of other assets or asset groups. As a result, the book values of a total of 30 fixed assets groups, the market values of which have been declining sharply from their book values due to a continuous decrease in land value, and those that have continuously resulted in operating losses and whose profitability is unlikely to recover in the future, were reduced to the recoverable amount, and the amount of the reduction has been recorded as a loss on impairment of fixed assets (¥4,261 million) under extraordinary loss.

Region	Use	Type of assets	Millions of yen
Osaka	Property for rent, etc. Total: 14	Buildings and structures, etc.	¥3,071
Tokyo	Hotel, etc. Total: 3	Buildings and structures, etc.	945
Hyogo, etc.	Idle assets, etc. Total: 13	Land, etc.	245

The following table shows a breakdown of the loss on impairment of fixed assets in each region.

Region	Type of assets	Millions of yen
Osaka	Buildings and structures	¥2,924
	Machinery, equipment and vehicles	13
	Land	103
	Other	24
	Intangible assets	4
Tokyo	Buildings and structures	816
	Machinery, equipment and vehicles	3
	Other	116
	Intangible assets	8
Hyogo, etc.	Buildings and structures	43
	Machinery, equipment and vehicles	2
	Land	136
	Construction in progress	55
	Other	4
	Intangible assets	3

The recoverable value of this asset group has been calculated based on the net sale value or value in use.

The net sale value is determined by rationally adjusting the expected sale prices, appraised values based on the Japanese Real Estate Appraisal Standards, and/or fixed asset tax assessment values. When the value in use is used for the calculation, the future cash flow is discounted by 4.0%.

Fiscal year ended 31st March 2012

The loss on impairment of fixed assets was calculated by grouping the assets based on the minimum unit that generates a cash flow that is generally independent of the cash flow of other assets or asset groups. As a result, the book values of a total of 45 fixed assets groups, the market values of which have been declining sharply from their book values due to a continuous decrease in land value, and those that have continuously resulted in operating losses and whose profitability is unlikely to recover in the future, were reduced to the recoverable amount, and the amount of the reduction has been recorded as a loss on impairment of fixed assets (¥20,212 million ($246,488 thousand)) under extraordinary loss.

Region	Use	Type of assets	Millions of yen	Thousands of U.S. dollars
Osaka	Land for development, etc. Total: 17	Construction in progress, etc.	¥17,860	$217,805
Hyogo	Golf business facilities, etc. Total: 11	Buildings and structures, etc.	1,257	15,329
Kyoto, etc.	Idle assets, etc. Total: 17	Land, etc.	1,094	13,341

The following table shows a breakdown of the loss on impairment of fixed assets in each region.

Region	Type of assets	Millions of yen	Thousands of U.S. dollars
Osaka	Buildings and structures	¥ 322	$ 3,927
	Machinery, equipment and vehicles	2	24
	Land	1,116	13,610
	Construction in progress	16,413	200,159
	Other	3	37
	Intangible assets	2	24
Hyogo	Buildings and structures	731	8,915
	Machinery, equipment and vehicles	40	488
	Land	392	4,780
	Construction in progress	78	951
	Other	8	98
	Intangible assets	0	0
	Investment and other assets	5	61
Kyoto, etc.	Buildings and structures	291	3,549
	Machinery, equipment and vehicles	10	122
	Land	763	9,305
	Other	28	341
	Intangible assets	1	12

The recoverable value of this asset group has been calculated based on the net sale value or value in use.

The net sale value is determined by rationally adjusting the expected sale prices, appraised values based on the Japanese Real Estate Appraisal Standards, and/or fixed asset tax assessment values. When the value in use is used for the calculation, the future cash flow is discounted by 4.0%.

⑦ Non-recurring depreciation on noncurrent assets arises mainly from changes to the number of years of useful life for certain rental properties.

(3) Consolidated Statements of Comprehensive Income

Fiscal year ended 31st March 2012

① Reclassification adjustments and tax effects relating to other comprehensive income

	Millions of yen	Thousands of U.S. dollars
Valuation difference on available-for-sale securities:		
Increase (decrease) during the year	¥ 326	$ 3,976
Reclassification adjustments	892	10,878
Subtotal, before tax	1,218	14,854
Tax (expense) or benefit	1,538	18,756
Valuation difference on available-for-sale securities	2,756	33,610
Deferred gains or losses on hedges:		
Increase (decrease) during the year	(144)	(1,756)
Reclassification adjustments	326	3,976
Subtotal, before tax	181	2,207
Tax (expense) or benefit	(84)	(1,024)
Deferred gains or losses on hedges	96	1,171
Revaluation reserve for land:		
Increase (decrease) during the year	—	—
Reclassification adjustments	—	—
Subtotal, before tax	—	—
Tax (expense) or benefit	1,136	13,854
Revaluation reserve for land	1,136	13,854
Foreign currency translation adjustments:		
Increase (decrease) during the year	(504)	(6,146)
Reclassification adjustments	—	—
Subtotal, before tax	(504)	(6,146)
Tax (expense) or benefit	—	—
Foreign currency translation adjustments	(504)	(6,146)
Share of other comprehensive income of associates accounted for using equity method:		
Increase (decrease) during the year	1,476	18,000
Reclassification adjustments	(169)	(2,061)
Share of other comprehensive income of associates accounted for using equity method	1,306	15,927
Total other comprehensive income	4,792	58,439

(4) Consolidated Statements of Changes in Net Assets

① Items related to types and total number of shares issued and types and number of treasury stock shares

Fiscal year ended 31st March 2011

(Thousands of shares)

	No. of shares as of 1st April 2010	Increase in number of shares	Decrease in number of shares	No. of shares as of 31st March 2011
No. of shares issued				
Common stock	1,271,406	—	—	1,271,406
Total	1,271,406	—	—	1,271,406
Treasury stock, at cost				
Common stock (Notes 1 and 2)	9,278	690	71	9,897
Total	9,278	690	71	9,897

(Overview of reasons for fluctuations)

Notes:

1. The increase of 690 thousand shares of treasury stock includes an increase of 470 thousand shares purchased from owners of unknown whereabouts, and an increase of 220 thousand shares due to the purchase of odd lot shares.
2. The decrease of 71 thousand shares of treasury stock is due to the sale of odd lot shares.

Fiscal year ended 31st March 2012

(Thousands of shares)

	No. of shares as of 1st April 2011	Increase in number of shares	Decrease in number of shares	No. of shares as of 31st March 2012
No. of shares issued				
Common stock	1,271,406	—	—	1,271,406
Total	1,271,406	—	—	1,271,406
Treasury stock, at cost				
Common stock (Notes 1 and 2)	9,897	420	39	10,279
Total	9,897	420	39	10,279

(Overview of reasons for fluctuations)

Notes:

1. The increase of 420 thousand shares of treasury stock includes an increase of 296 thousand shares due to the change of interest for equity-method affiliates, and an increase of 124 thousand shares due to the purchase of odd lot shares.
2. The decrease of 39 thousand shares of treasury stock is due to the sale of odd lot shares.

② Items related to subscription rights to shares and treasury subscription rights

Fiscal year ended 31st March 2012

Classification	Breakdown of new share subscription rights	Type of shares subject to share subscription rights	Number of shares subject to share subscription rights				Balance as of 31st March 2012	
			As of 1st April 2011	Increase	Decrease	As of 31st March 2012	(Millions of yen)	(Thousands of U.S. dollars)
The Company (parent company)	Subscription rights as stock options	—	—	—	—	—	¥32	$390
Total		—	—	—	—	—	32	390

③ Items related to dividends

Fiscal year ended 31st March 2011

(a) Dividends paid

(Resolution)	Type of shares	Dividends paid (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
16th June 2010 General meeting of shareholders	Common stock	¥6,337	¥5	31st March 2010	17th June 2010

(b) Dividends whose effective date falls in the fiscal year following the fiscal year of the record date

(Resolution)	Type of shares	Dividends paid (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
16th June 2011 General meeting of shareholders	Common stock	¥6,334	Retained earnings	¥5	31st March 2011	17th June 2011

Fiscal year ended 31st March 2012

(a) 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)		
16th June 2011 General meeting of shareholders	Common stock	¥6,334	$77,244	¥5	$0.06	31st March 2011	17th June 2011

(b) 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)		
14th June 2012 General meeting of shareholders	Common stock	¥6,334	$77,244	Retained earnings	¥5	$0.06	31st March 2012	15th June 2012

(5) Consolidated Statements of Cash Flows

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
	2011	2012	2012
Cash and deposits in the consolidated balance sheets	¥23,947	¥24,280	$296,098
Deposits with maturities over 3 months	(1,354)	(707)	(8,622)
Cash and cash equivalents in the cash flow statements	22,592	23,572	287,463

② Major items of assets and liabilities of a company that has been excluded from the scope of consolidation due to the transfer of a portion of its shares during the fiscal year under review

Sanyo Jidosha Unso Co., Ltd.	Millions of yen	Thousands of U.S. dollars
Current assets	¥2,272	$27,707
Noncurrent assets	2,721	33,183
Current liabilities	2,006	24,463
Long-term liabilities	1,711	20,866

(6) Lease Transactions

<As lessee>

① Finance lease transactions that do not transfer ownership of the lease asset, prior to the initial year for commencement of the accounting standards for lease transactions

(a) Amount equivalent to acquisition cost, accumulated depreciation and net leased property at fiscal year-end

	Millions of yen						Thousands of U.S. dollars		
	2011			2012			2012		
	Acquisition cost	Accumulated depreciation	Net leased property	Acquisition cost	Accumulated depreciation	Net leased property	Acquisition cost	Accumulated depreciation	Net leased property
Buildings and structures	¥ 7	¥ 7	¥ 0	¥ —	¥ —	¥ —	$ —	$ —	$ —
Machinery, equipment and vehicles	4,139	2,815	1,324	2,822	1,840	981	34,415	22,439	11,963
Other	3,070	2,526	544	1,091	972	119	13,305	11,854	1,451
Total	7,217	5,348	1,868	3,913	2,812	1,100	47,720	34,293	13,415

Note: Acquisition cost includes interest paid due to a low percentage of future lease payments in the year-end balance of property and equipment.

(b) Amount equivalent to future lease payments

	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Due within one year	¥ 768	¥ 319	$ 3,890
Due after one year	1,100	781	9,524
Total	1,868	1,100	13,415

Note: The future lease payments include interest paid due to a low percentage of future lease payments in the year-end balance of property and equipment.

(c) Lease payments and amount equivalent to depreciation expenses

	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Lease payments	¥1,161	¥759	$9,256
Amount equivalent to depreciation expenses	1,161	759	9,256

(d) Method for calculating the amount equivalent to depreciation expense

The amount equivalent to depreciation expense is calculated using the straight-line method with the lease term as the useful life, and the residual value is zero.

② Operating lease transactions

	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Future lease payments			
Due within one year	¥ 2,634	¥ 2,398	$ 29,244
Due after one year	10,608	12,225	149,085
Total	13,242	14,623	178,329

<As lessor>

① Operating lease transactions

	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Future lease payments receivables			
Due within one year	¥ 381	¥ 381	$ 4,646
Due after one year	4,972	4,591	55,988
Total	5,354	4,972	60,634

(7) Financial Instruments

① Matters regarding the conditions of financial instruments

(a) 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.

(b) Details of the financial instruments used, the risk involved, and the risk management system

Marketable and 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.

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 the due date and balance by customer, and by making periodical checks of the credit conditions of major customers pursuant to the internal regulations of each company.

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 by foreign currency are exposed to exchange rate fluctuation risk (market risk), which was hedged through forward exchange contracts.

Long-term debt and bonds are used mainly to raise the long-term funds necessary for capital investment plans, and short-term borrowings and commercial paper are used mainly to raise short-term funds for working capital. Some floating-rate debt and floating-rate bonds are exposed to interest rate fluctuation risk (market risk). Exposure to interest rate fluctuation risk is limited by fixing interest rates through interest rate swap transactions. In addition, there is liquidity risk that payment will not be made by the due date. Liquidity risk is limited by the timely preparation of financing plans and proper fund management. In addition, surplus funds of the Group companies are concentrated and used effectively through centralisation of Group funds by using the cash pool system, etc. Immediate fund raising from financial institutions became possible through the establishment of backup financing such as commitment lines. In addition, the Company maintained a proper balance between direct financing and indirect financing, and advanced the diversification of raising funds means by using many financial institutions, thus securing liquidity.

Regarding the use of derivative transactions, internal regulations prescribe the division of duties and transaction limits. With respect to derivative transactions, the main purpose of interest rate swap transactions is to hedge the interest rate fluctuation risk involved in certain loans and bonds. Forward exchange contracts are used mainly to avoid exchange rate fluctuation risk involved in a portion of foreign currency denominated assets and liabilities. These derivative transactions involve credit risk because, if the other party to a transaction defaults on debts based on contracted conditions, or becomes bankrupt, the benefit that would have been obtained in the future if the transaction had continued will not be enjoyed. However, credit risk is limited by carrying out transactions only with financial institutions with high ratings.

More information regarding the means and objectives of hedging, hedging policy, and the method of evaluating the effectiveness of hedges related to hedge accounting for derivative transactions, is described in "(4) Items related to accounting treatment and standards" "⑥ Significant hedge accounting methods" outlined in "2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS."

② Matters regarding fair values of financial instruments

Book value, fair value and the differences between them as of the end of the previous fiscal year and fiscal year under review are as shown below.

	Millions of yen						Thousands of U.S. dollars		
	2011			2012			2012		
	Book value	Fair value	Difference	Book value	Fair value	Difference	Book value	Fair value	Difference
(a) Cash and deposits	¥ 23,947	¥ 23,947	¥ —	¥ 24,280	¥ 24,280	¥ —	$ 296,098	$ 296,098	$ —
(b) Trade receivables	71,281	71,281	—	73,404	73,404	—	895,171	895,171	—
(c) Securities	41,132	41,132	0	38,997	38,997	0	475,573	475,573	0
Total assets	136,361	136,361	0	136,682	136,682	0	1,666,854	1,666,854	0
(d) Trade payables	40,404	40,404	—	43,410	43,410	—	529,390	529,390	—
(e) Short-term borrowings (*1)	172,478	172,478	—	176,652	176,652	—	2,154,293	2,154,293	—
(f) Bonds (*2)	167,000	169,552	2,552	137,000	139,981	2,981	1,670,732	1,707,085	36,354
(g) Long-term debt (*1)	905,894	916,367	10,473	860,675	873,814	13,139	10,496,037	10,656,268	160,232
Total liabilities	1,285,778	1,298,804	13,025	1,217,738	1,233,859	16,120	14,850,463	15,047,061	196,585
(h) Derivative transactions	—	(18,335)	—	—	(15,442)	—	—	(188,317)	—

(*1) Current portion of long-term debt is included in (g) Long-term debt.
(*2) Current portion of bonds is included.

(Note 1) Method for calculating the fair values of financial instruments and matters regarding securities and derivative transactions

(a) Cash and deposits, (b) 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.

(c) Securities

The fair values of stocks 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 categorised by the purpose for which they are held are described in "(8) Securities."

(d) Trade payables, (e) Short-term borrowings

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.

(f) Bonds

The fair values of fixed-rate bonds issued by the Company and some of its consolidated subsidiaries are based on market prices. The fair values of floating-rate bonds are based on their book values because the fair values of floating-rate bonds reflect market interest rates within a short period of time, and closely approximate their book values.

(g) Long-term debt

The fair values of fixed-rate long-term debts are based on a method of calculation whereby the total principal and interest is discounted at an interest rate that is assumed for the introduction of similar new debt. The fair values of floating-rate long-term debt are based on their book values because the fair values of floating-rate long-term debts reflect market interest rates within a short period of time and closely approximate their book values.

(h) Derivative transactions

Described in "(9) Derivatives."

(Note 2) The book value of financial instruments whose fair value is extremely difficult to ascertain

Classification	Millions of yen 2011	Millions of yen 2012	Thousands of U.S. dollars 2012
Available-for-sale securities:			
Non-listed equity securities	¥ 5,028	¥ 4,984	$ 60,780
Investments in limited liability investment partnerships and similar investments	7,845	5,064	61,756
Negotiable certificates of deposit	14,896	14,416	175,805
Total	27,770	24,465	298,354

It is extremely difficult to ascertain the fair values of these because market prices are not available and future cash flows cannot be estimated. As a result, they are not included in (c) Securities.

(Note 3) The securities of nonconsolidated subsidiaries and affiliated companies are not included in (c) Securities.

(Note 4) Supplementary explanation regarding fair values of financial instruments
The fair values of financial instruments include values based on market prices. If market prices are not available, the fair values of financial instruments include values that have been reasonably calculated. Certain assumptions are used to calculate the above values. As a result, if different assumptions are used, the values may differ. For derivative contracts, the amount of the contract which is indicated in "(9) Derivatives" does not indicate the market risk involved in derivative transactions themselves.

(Note 5) Redemption and repayment schedule of monetary claims and securities with maturities

Fiscal year ended 31st March 2011

	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	¥23,947	¥—	¥ —	¥—
Trade receivables	71,281	—	—	—
Securities:				
Held-to-maturity debt securities (government bonds, etc.)	5	9	—	—
Available-for-sale securities with maturities (government bonds)	—	18	231	—
Total	95,234	28	231	—

Fiscal year ended 31st March 2012

	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	¥24,280	¥ —	¥ —	¥—	$ 296,098	$ —	$ —	$—
Trade receivables	73,404	—	—	—	895,171	—	—	—
Securities:								
Held-to-maturity debt securities (government bonds, etc.)	5	9	—	—	61	110	—	—
Available-for-sale securities with maturities (government bonds)	10	18	305	—	122	220	3,720	—
Total	97,699	28	305	—	1,191,451	341	3,720	—

(Note 6) Amount of planned redemption and repayment of bonds and long-term debt after the consolidated closing date

Fiscal year ended 31st March 2011

	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	¥ 40,000	¥ 65,000	¥ 55,000	¥ 7,000
Long-term debt	124,986	556,163	175,285	49,459
Total	164,986	621,163	230,285	56,459

Fiscal year ended 31st March 2012

	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	¥ 35,000	¥ 60,000	¥ 35,000	¥ 7,000	$ 426,829	$ 731,707	$ 426,829	$ 85,366
Long-term debt	139,893	486,438	154,969	79,374	1,706,012	5,932,171	1,889,866	967,976
Total	174,893	546,438	189,969	86,374	2,132,841	6,663,878	2,316,695	1,053,341

(8) Securities

① Held-to-maturity debt securities

	Millions of yen						Thousands of U.S. dollars		
	2011			2012			2012		
Classification	Book value	Fair value	Difference	Book value	Fair value	Difference	Book value	Fair value	Difference
Securities with fair value exceeding book value	¥ 9	¥ 9	¥ 0	¥ 9	¥ 9	¥ 0	$110	$110	$ 0
Securities with fair value not exceeding book value	5	5	—	5	5	—	61	61	—
Total	14	14	0	14	14	0	171	171	0

② Available-for-sale securities

	Millions of yen						Thousands of U.S. dollars		
	2011			2012			2012		
Classification	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference
Securities with book value exceeding acquisition cost:									
(a) Equity securities	¥16,579	¥ 8,570	¥ 8,009	¥12,330	¥ 6,461	¥ 5,869	$150,366	$ 78,793	$ 71,573
(b) Bonds	249	244	4	263	253	10	3,207	3,085	122
(c) Other	3	3	0	3	3	0	37	37	0
Subtotal	16,832	8,817	8,014	12,598	6,718	5,880	153,634	81,927	71,707
Securities with book value not exceeding acquisition cost:									
(a) Equity securities	24,281	47,765	(23,483)	26,311	46,517	(20,206)	320,866	567,280	(246,415)
(b) Bonds	0	0	(0)	70	70	(0)	854	854	(0)
(c) Other	2	2	(0)	2	2	(0)	24	24	(0)
Subtotal	24,284	47,768	(23,483)	26,383	46,589	(20,206)	321,744	568,159	(246,415)
Total	41,117	56,586	(15,468)	38,982	53,307	(14,325)	475,390	650,085	(174,695)

③ Available-for-sale securities sold during previous fiscal year and fiscal year under review

	Millions of yen						Thousands of U.S. dollars		
	2011			2012			2012		
Classification	Amount sold	Total gains on sale	Total losses on sale	Amount sold	Total gains on sale	Total losses on sale	Amount sold	Total gains on sale	Total losses on sale
Equity securities	¥7	¥0	¥0	¥2,597	¥306	¥1,116	$31,671	$3,732	$13,610

(9) Derivatives

① Derivative transactions for which hedge accounting has not been applied

No items

② Derivative transactions for which hedge accounting has been applied

(a) Currency

Fiscal year ended 31st March 2011

Classification	Type	Main hedged items	Millions of yen: Contract amount	Millions of yen: Portion of contract amount exceeding one year	Millions of yen: Fair value (Note)
Designation of forward exchange contracts, etc.	Forward exchange contracts	Trade payables			
	Buy contract				
	Euro		¥10,190	¥—	¥460
	U.S. dollar		5,001	—	56
	Pound sterling		17	—	0
	Swiss franc		920	—	67
	Canadian dollar		848	—	41
	New Zealand dollar		97	—	3
	Australian dollar		244	—	20
	Hong Kong dollar		261	—	3
	Singapore dollar		14	—	0
	Thai baht		41	—	0
	Japanese yen		667	—	14
	Total		18,304	—	668

Fiscal year ended 31st March 2012

Classification	Type	Main hedged items	Millions of yen: Contract amount	Millions of yen: Portion of contract amount exceeding one year	Millions of yen: Fair value (Note)	Thousands of U.S. dollars: Contract amount	Thousands of U.S. dollars: Portion of contract amount exceeding one year	Thousands of U.S. dollars: Fair value (Note)
Designation of forward exchange contracts, etc.	Forward exchange contracts	Trade payables						
	Buy contract							
	Euro		¥ 8,341	¥—	¥193	$101,720	$—	$2,354
	U.S. dollar		5,235	—	289	63,841	—	3,524
	Pound sterling		21	—	0	256	—	0
	Swiss franc		1,318	—	74	16,073	—	902
	Canadian dollar		521	—	40	6,354	—	488
	New Zealand dollar		129	—	8	1,573	—	98
	Australian dollar		262	—	15	3,195	—	183
	Hong Kong dollar		167	—	(1)	2,037	—	(12)
	Singapore dollar		14	—	(0)	171	—	(0)
	Thai baht		101	—	(1)	1,232	—	(12)
	Japanese yen		670	—	6	8,171	—	73
	Total		16,783	—	625	204,671	—	7,622

Note: Fair value calculation

Fair value is determined based mainly on prices quoted from counterparty financial institutions.

(b) Interest rate

Fiscal year ended 31st March 2011

Classification	Type	Main hedged items	Millions of yen: Contract amount	Millions of yen: Portion of contract amount exceeding one year	Millions of yen: Fair value
Deferral hedge accounting and exceptional accounting of interest rate swaps	Interest rate swap contracts Payable fixed rate/ Receivable floating rate	Long-term debt and bonds	¥599,445	¥557,158	¥(19,003)
	Total		599,445	557,158	(19,003)

Fiscal year ended 31st March 2012

Classification	Type	Main hedged items	Millions of yen: Contract amount	Millions of yen: Portion of contract amount exceeding one year	Millions of yen: Fair value (Note)	Thousands of U.S. dollars: Contract amount	Thousands of U.S. dollars: Portion of contract amount exceeding one year	Thousands of U.S. dollars: Fair value (Note)
Deferral hedge accounting and exceptional accounting of interest rate swaps	Interest rate swap contracts Payable fixed rate/ Receivable floating rate	Long-term debt	¥524,964	¥489,520	¥(16,067)	$6,402,000	$5,969,756	$(195,939)
	Total		524,964	489,520	(16,067)	6,402,000	5,969,756	(195,939)

Note: Fair value calculation
Fair value is determined based mainly on prices quoted from counterparty financial institutions.

(10) Retirement Benefits

① Overview of retirement benefit plan

Some consolidated subsidiaries of the Company provide two types of defined benefit plans, defined benefit pension plans and unfunded lump-sum payment plans. Hankyu Corporation has also established a retirement benefits trust.

② Items related to retirement benefit obligations

	Millions of yen 2011	Millions of yen 2012	Thousands of U.S. dollars 2012
1) Projected benefit obligation	¥(123,821)	¥(125,333)	$(1,528,451)
2) Plan assets	61,690	60,886	742,512
3) Unfunded projected benefit obligation (1+2)	(62,131)	(64,447)	(785,939)
4) Unrecognised actuarial differences	5,020	9,099	110,963
5) Unrecognised prior service costs	262	(1,397)	(17,037)
6) Book value (net) (3+4+5)	(56,848)	(56,745)	(692,012)
7) Prepaid pension costs	1,922	2,448	29,854
8) Provision for retirement benefits (6-7)	(58,770)	(59,194)	(721,878)

Note: Certain consolidated subsidiaries use simplified methods for calculating retirement benefit obligations.

③ Items related to retirement benefit expenses

	Millions of yen 2011	Millions of yen 2012	Thousands of U.S. dollars 2012
1) Service cost (Note 1)	¥6,334	¥6,127	$74,720
2) Interest cost on projected benefit obligation	2,590	2,284	27,854
3) Expected return on plan assets	(1,132)	(916)	(11,171)
4) Amortisation of actuarial differences	1,561	1,431	17,451
5) Amortisation of prior service costs	87	(292)	(3,561)
6) Retirement benefit expenses (1+2+3+4+5)	9,440	8,635	105,305

Notes:
1. Retirement benefit expenses of consolidated subsidiaries that use a simplified method are recorded in 1) Service cost.
2. In addition to the retirement benefit expenses shown above, the Company made extra retirement payments of ¥31 million as operating expenses in the fiscal year ended 31st 2011, and ¥52 million ($634 thousand) mainly recorded as extraordinary loss in the fiscal year under review.

④ Items related to basis for calculating retirement benefit obligations, etc.

(a) Periodic distribution method for estimated amount of retirement benefits
Allocated equally to each service year using the estimated number of total service years
(b) Discount rate
Mainly 2.0%
(c) Expected rate of return on plan assets
Fiscal year ended 31st March 2011: mainly 2.5%
Fiscal year ended 31st March 2012: mainly 2.0%
(d) Number of years over which prior service costs are written off
3 to 15 years (amortised using the straight-line method over a period not exceeding the average remaining service period of active employees)
(e) Number of years over which actuarial differences are written off
4 to 15 years (amortised using the straight-line method over a period not exceeding the average remaining service period of active employees and recognised in expenses starting from the following fiscal year)

(11) Stock Options, etc.

Fiscal year ended 31st March 2012

① Cost amount and account associated with stock options

Operating expenses and cost of sales of transportation and cost of sales: ¥32 million ($390 thousand)

② Details and size of stock options and changes therein

(a) Details of stock options

Resolution date: 16th June 2011

Classification and number of eligible personnel	10 directors of subsidiaries
Class and number of shares (Note)	104,000 shares of common stock
Grant date	25th July 2011
Vesting conditions	Not defined
Service period	Not defined
Exercise period	From 26th July 2011 to 25th July 2041

Note: Indicated in the equivalent number of shares.

(b) Size of stock options and changes therein
The covered stock options are those which existed during the consolidated fiscal year under review and the number is indicated in the equivalent number of shares.

(i) Number of stock options

	Resolution date: 16th June 2011
Before vested (shares)	
At the end of the previous fiscal year	—
Granted	104,000
Expired	—
Vested	104,000
Unvested	—
After vested (shares)	
At the end of the previous fiscal year	—
Vested	104,000
Exercised	—
Expired	—
Unexercised	104,000

(ii) Unit price information

	Resolution date: 16th June 2011
Exercise price	¥ 1 (US$0.01)
Average stock price at exercise	¥ — (US$ —)
Fair value unit price at the grant date	¥311 (US$3.79)

③ Estimation method for fair value unit price of stock options

The following method was applied to fairly valuate the unit price of stock options granted during the fiscal year under review.

(a) Valuation method used: Black–Scholes model

(b) Major basic data and estimation method

	Resolution date: 16th June 2011
Volatility of stock price (Note 1)	19.53%
Expected life (Note 2)	2.036 years
Expected dividends (Note 3)	¥5 [US$0.06] / share
Risk-free interest rate (Note 4)	0.162%

Notes:
1. Volatility of stock price is calculated based on the closing prices in regular transactions for the Company's common stock on individual transaction dates during the period of 2.036 years (11th July 2009 through 25th July 2011).
2. Expected life is calculated based on the actual length of service of eligible directors of subsidiaries who had resigned in the past, as well as on the actual length of service of eligible personnel as of the grant date.
3. Expected dividends are based on the actual dividends paid for the fiscal year ended March 2011.
4. Risk-free interest rate is the yield of government bonds for the period corresponding to the expected life.

④ Estimation method for the number of vested stock options

Since the stock options were vested on the grant date, vested and granted stock options are the same in number.

(12) Deferred Tax

① Significant components of the Company's deferred tax assets and liabilities

	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Deferred tax assets:			
Loss on impairment of fixed assets	¥ 32,853	¥39,509	$481,817
Loss on revaluation of real estate for sale	36,031	30,879	376,573
Provision for retirement benefits	23,517	21,075	257,012
Tax loss carryforwards	26,618	19,135	233,354
Loss on adjustment of transferred profit and loss	7,026	8,022	97,829
Losses on revaluation of investment securities	8,504	7,589	92,549
Unrealised profit from assets	6,195	5,683	69,305
Loss on valuation of properties of business reorganisation	4,756	3,578	43,634
Provision for bonuses	1,950	1,708	20,829
Allowance for doubtful receivables	1,006	898	10,951
Enterprise taxes and business office taxes	729	775	9,451
Depreciation and amortisation	373	343	4,183
Provision for directors' retirement benefits	319	320	3,902
Revaluation of assets on consolidation	7,397	—	—
Other	21,929	15,466	188,610
Subtotal of deferred tax assets	179,210	154,988	1,890,098
Valuation allowance	(54,740)	(49,355)	(601,890)
Less amounts offset against deferred tax liabilities	(107,139)	(94,005)	(1,146,402)
Total deferred tax assets	17,331	11,627	141,793
Deferred tax liabilities:			
Gain on reversal of difference from land revaluation	(139,291)	(127,399)	(1,553,646)
Revaluation of assets on consolidation	(102,435)	(95,135)	(1,160,183)
Net unrealised holding gains on securities	(16,717)	(14,087)	(171,793)
Gain on valuation of properties of business reorganisation	(2,908)	(2,496)	(30,439)
Other	(3,367)	(2,756)	(33,610)
Subtotal of deferred tax liabilities	(264,720)	(241,874)	(2,949,683)
Less amounts offset against deferred tax assets	107,139	94,005	1,146,402
Total deferred tax liabilities	(157,580)	(147,869)	(1,803,280)
Net deferred tax liabilities	(140,249)	(136,241)	(1,661,476)

Note: The Company reversed the "Surplus from land revaluation" when, as a result of a (physical) absorption-type corporate split on 1st April 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 relating to land revaluation" have been recorded as deferred tax liabilities starting from the fiscal year ending 31st March 2006.

② A reconciliation of the significant differences between the normal effective statutory tax rate and the effective tax rate reflected in the accompanying consolidated statements of income

Fiscal year ended 31st March 2012

The normal effective statutory tax rate	40.6%
(Adjustment)	
Valuation allowance	22.4
Elimination of dividends from consolidated subsidiaries	11.4
Amortisation of goodwill	2.6
Per capita amount of inhabitants tax	1.1
Nondeductible expenses	0.8
Non taxable income	(11.0)
Equity in (income) losses of affiliates	(9.4)
Downward adjustment of deferred tax assets (liabilities) at the end of the year due to change in tax rate	(53.3)
Other	2.2
The effective tax rate	7.4

Note: Information for the fiscal year ended 31st March 2011 is omitted as the difference between the normal effective statutory tax rate and the effective tax rate reflected in the accompanying consolidated statements income is less than 5% of the normal effective statutory tax rate.

③ Adjustment of deferred tax assets and liabilities for enacted changes in tax laws and rates

The "Act for Partial Revision of the Income Tax Act, etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures" (Act No. 114 of 2011) and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction from the Great East Japan Earthquake" (Act No. 117 of 2011) were promulgated on 2nd December 2011, and led to a reduction in the corporate income tax rate and the imposition of the special corporate tax for reconstruction with respect to the consolidated fiscal years starting on or after 1st April 2012. Accordingly, the effective statutory tax rate used for the calculation of deferred tax assets and liabilities is changed from the current rate of 40.6% to the following percentages depending on the time when the temporary difference or the like is resolved.

From the consolidated fiscal year starting on 1st April 2012 to the consolidated fiscal year starting on 1st April 2014: 38.0%

Consolidated Fiscal year starting on 1st April 2015 and thereafter: 35.6%

This tax rate change reduced deferred tax liabilities (after deducting deferred tax assets) by ¥24,967 million ($304,476 thousand), income taxes-deferred by ¥23,131 million ($282,085 thousand) and deferred losses on hedges by ¥10 million ($122 thousand), and increased valuation difference on available-for-sale securities by ¥1,846 million ($22,512 thousand).

In addition, deferred tax liabilities related to land revaluation decreased by ¥759 million ($9,256 thousand) while the revaluation reserve for land increased by the same amount.

(13) Asset Retirement Obligations

① Asset Retirement Obligations recorded in the consolidated balance sheets

None of the Group's asset retirement obligations are recorded in the consolidated balance sheets.

For certain consolidated subsidiaries, instead of recording asset retirement obligations as liability, a reasonable estimate of the amount of deposits from rental properties that cannot be finally recovered is made, and the portion for that fiscal year is recorded as expenses.

② Asset retirement obligations not recorded in the consolidated balance sheets

(a) Asset retirement obligations related to the restoration of certain rental assets to their original state

For certain consolidated subsidiaries, obligations arise in connection with the restoration of offices, etc., to their original state at the end of tenancies based on the rental contract. However, the period of the rental assets involved is not stated with certainty, and there is currently no plans to transfer, etc. Accordingly, no reasonable estimate can be made of the corresponding asset retirement obligations. As a result, asset retirement obligations corresponding to these liabilities are not recorded.

(b) Retirement obligations related to structures containing asbestos

Certain consolidated subsidiaries own structures containing asbestos. However, they have mechanisms in place to prevent airborne dispersal of asbestos, and there are currently no plans to demolish the structures in question. With both the timing and method of any demolition as yet undecided, it is not possible to reasonably estimate such asset retirement obligations. As a result, asset retirement obligations corresponding to these liabilities are not recorded.

(14) Rental Property

Some consolidated subsidiaries own rental property such as office buildings for lease and commercial facilities for lease in the Kita Ward of Osaka and other areas. Rental income relating to such rental property in the fiscal year ended 31st March 2011 is ¥26,892 million (significant rental revenues are recorded in revenues from operations and significant rental expenditures are recorded in costs of revenues from operations). Impairment losses totalling ¥2,699 million were recorded as extraordinary loss, as was non-recurring depreciation on noncurrent assets totalling ¥3,069 million. (recorded as an extraordinary loss). Rental income related to such rental properties in the consolidated fiscal year under review is ¥25,674 million ($313,098 thousand) (significant rental revenues are recorded in revenues from operations and significant rental expenditures are recorded in costs of revenues from operations). Impairment losses totalling ¥1,280 million ($15,610 thousand) were recorded as an extraordinary loss.

Book value, increase/decrease and fair value are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Book value (Note 1):			
Balance at the beginning of year	¥570,329	¥566,424	$6,907,610
Increase/Decrease (Note 2)	(3,904)	(3,746)	(45,683)
Balance at the end of year	566,424	562,677	6,861,915
Fair value at the end of year (Note 3)	620,263	610,764	7,448,341

Notes:

1. Book value is acquisition cost less accumulated depreciation and loss on impairment of fixed assets.
2. The increase/decrease for the fiscal year ended March 31st 2011 mainly reflects an increase due to acquisitions of real estate totalling ¥12,635 million and a decrease due to depreciation and amortisation of ¥11,851 million, impairment losses totalling ¥2,699 million and non-recurring depreciation on noncurrent assets of ¥3,069 million. The main increases in the fiscal year ended 31st March 2012 are acquisitions of real estate of ¥2,130 million ($25,976 thousand), the turning of some properties into external rentals due to change in the scope of consolidation of ¥4,612 million ($56,244 thousand), and completion of development properties of ¥1,786 million ($21,780 thousand). The main decreases were depreciation of ¥11,421 million ($139,280 thousand) and impairment losses of ¥1,280 million ($15,610 thousand).

3. Fair value as of end of the fiscal year is the appraisal value according to an outside real estate appraiser 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 road tax rating in the case of other properties.

4. Property under development is not included in the above table, as it is still in the development stage, making it difficult to determine fair value. The amounts of properties under development indicated in the consolidated balance sheets for the consolidated fiscal years ended 31st March 2011 and 2012 are ¥141,609 million and ¥143,444 million ($1,749,317 thousand), respectively.

(15) Segment Information

① Segment information

(a) Summary of reportable segment

The Company's reportable segments are regularly reviewed, using the segment specific financial information available to enable the Board of Directors to determine the allocation of management resources and evaluate business results.

The Group comprises six core businesses: "Urban Transportation," "Real Estate," "Entertainment and Communications," "Travel and International Transportation," "Hotels" and "Retailing." The businesses are operated by four core companies: Hankyu Corporation, Hanshin Electric Railway Co., Ltd., Hankyu Hanshin Express Holdings Corporation and Hankyu Hanshin Hotels Co., Ltd., under the leadership of the Company, which manages the Group.

The nature of business in each reportable segment is as follows:

Urban Transportation: railways, and automobile business

Real Estate: the renting of real estate, and sale of real estate

Entertainment and Communications: sports related businesses, stages, communication and media and leisure and other businesses

Travel and International Transportation: travel and international cargo services

Hotels: hotel ownership and management businesses

Retailing: retail business

(b) Method for calculating revenues from operations, income (loss), assets and other items for each reportable segment

The accounting treatment for each reportable business segment is based on the methods detailed in "2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS." Internal transactions (land and structure lease and rental transactions, etc.) calculated by management accounting at companies with businesses spanning multiple segments are also recorded.

Income (loss) for each reportable segment refers to operating income (loss).

Intersegment revenues from operations and transfers are based on similar arms length third-party transaction data. Where no such data exist, calculations follow certain in-house rules.

(c) Information regarding totals for revenues from operations, income (loss), assets and other items by reportable segment

Fiscal year ended 31st March 2011

	Millions of yen										
	Reportable segment										
	Urban Transportation	Real Estate	Entertainment & Communications	Travel & International Transportation	Hotels	Retailing	Subtotal	Other (Note)	Total	Adjustment	Amounts appearing in the consolidated financial statements
Revenues from operations:											
(i) Customers	¥188,002	¥ 135,011	¥ 94,727	¥67,565	¥64,613	¥53,326	¥ 603,246	¥35,094	¥ 638,341	¥ 429	¥ 638,770
(ii) Intersegment	4,945	17,718	8,679	145	606	682	32,778	8,815	41,593	(41,593)	—
Total	192,947	152,730	103,407	67,710	65,220	54,008	636,025	43,910	679,935	(41,164)	638,770
Segment income (loss)	29,378	23,996	9,994	2,952	(639)	713	66,396	450	66,847	(2,103)	64,743
Segment assets	742,889	1,045,557	140,730	80,808	92,469	18,563	2,121,018	48,815	2,169,833	144,835	2,314,669
Other items											
Depreciation and amortisation	29,110	17,610	7,222	1,398	3,061	917	59,322	867	60,190	(520)	59,669
Increase in property and equipment and intangible assets	28,823	28,126	5,110	3,139	1,069	793	67,063	902	67,966	464	68,431

Note: The "Other" category comprises business such as construction and domestic logistics services not included in reportable segments.

Fiscal year ended 31st March 2012

Millions of yen

	Reportable segment										
	Urban Transportation	Real Estate	Entertainment & Communications	Travel & International Transportation	Hotels	Retailing	Subtotal	Other (Note)	Total	Adjustment	Amounts appearing in the consolidated financial statements
Revenues from operations:											
(i) Customers	¥187,586	¥ 159,736	¥ 94,753	¥ 67,541	¥63,454	¥53,166	¥ 626,239	¥22,889	¥ 649,128	¥ 574	¥ 649,703
(ii) Intersegment	5,131	16,378	7,560	29	635	687	30,423	8,444	38,868	(38,868)	—
Total	192,718	176,114	102,313	67,571	64,090	53,853	656,662	31,334	687,997	(38,293)	649,703
Segment income (loss)	32,342	29,133	10,141	3,171	(269)	1,333	75,852	761	76,613	(2,804)	73,809
Segment assets	738,681	1,008,850	140,578	100,497	88,144	17,870	2,094,623	37,866	2,132,489	141,890	2,274,380
Other items											
Depreciation and amortisation	28,018	16,768	7,524	1,477	2,526	821	57,137	362	57,499	(530)	56,968
Increase in property and equipment and intangible assets	20,333	27,363	4,434	995	1,305	724	55,156	324	55,480	(213)	55,267

Thousands of U.S. dollars

	Reportable segment										
	Urban Transportation	Real Estate	Entertainment & Communications	Travel & International Transportation	Hotels	Retailing	Subtotal	Other (Note)	Total	Adjustment	Amounts appearing in the consolidated financial statements
Revenues from operations:											
(i) Customers	$2,287,634	$ 1,948,000	$1,155,524	$ 823,671	$ 773,829	$648,366	$ 7,637,061	$279,134	$ 7,916,195	$ 7,000	$ 7,923,207
(ii) Intersegment	62,573	199,732	92,195	354	7,744	8,378	371,012	102,976	474,000	(474,000)	—
Total	2,350,220	2,147,732	1,247,720	824,037	781,585	656,744	8,008,073	382,122	8,390,207	(466,988)	7,923,207
Segment income (loss)	394,415	355,280	123,671	38,671	(3,280)	16,256	925,024	9,280	934,305	(34,195)	900,110
Segment assets	9,008,305	12,303,049	1,714,366	1,225,573	1,074,927	217,927	25,544,183	461,780	26,005,963	1,730,366	27,736,341
Other items											
Depreciation and amortisation	341,683	204,488	91,756	18,012	30,805	10,012	696,793	4,415	701,207	(6,463)	694,732
Increase in property and equipment and intangible assets	247,963	333,695	54,073	12,134	15,915	8,829	672,634	3,951	676,585	(2,598)	673,988

Note: The "Other" category comprises business such as construction service not included in reportable segments.

(d) Reconciliation of differences between total amounts for reportable segments and amounts appearing in the consolidated financial statements (adjustment of difference)

	Millions of yen		Thousands of U.S. dollars
Revenues from operations:	2011	2012	2012
Total reportable segment revenues	¥636,025	¥656,662	$8,008,073
Revenues from operations classified under "Other"	43,910	31,334	382,122
Revenues from operations from external customers classified as "Adjustment"	429	574	7,000
Revenues from operations from intersegment transactions and transfers	(41,593)	(38,868)	(474,000)
Revenues from operations in the consolidated financial statements	638,770	649,703	7,923,207

	Millions of yen		Thousands of U.S. dollars
Income	2011	2012	2012
Total reportable segment income (loss)	¥66,396	¥75,852	$925,024
Income (loss) classified under "Other"	450	761	9,280
Amortisation of goodwill (Note)	(2,684)	(2,806)	(34,220)
Other	581	2	24
Operating income in the consolidated financial statements	64,743	73,809	900,110

Note: Refers mainly to the amortisation of goodwill arising from the management integration with Hanshin Electric Railway Co., Ltd. in the fiscal year ended 31st March 2007.

Assets	Millions of yen 2011	Millions of yen 2012	Thousands of U.S. dollars 2012
Total reportable segment assets	¥2,121,018	¥2,094,623	$25,544,183
Assets classified under "Other"	48,815	37,866	461,780
Balance of unamortised goodwill (Note 1)	41,172	38,388	468,146
Other (Note 2)	103,663	103,502	1,262,220
Total assets in the consolidated financial statements	2,314,669	2,274,380	27,736,341

Notes:
1. Refers mainly to the balance of unamortised goodwilll arising from the management integration with Hanshin Electric Railway Co., Ltd. in the fiscal year ended 31st March 2007.
2. Consists mainly of surplus working capital (cash and deposits), unallocated assets such as long-term investment funds (investment securities) and land, etc., and intersegment eliminations at the Company, Hankyu Corporation and Hanshin Electric Railway Co., Ltd.

Fiscal year ended 31st March 2011

Other items	Millions of yen			
	Total reportable segment	Other	Adjustment	Amounts appearing in the consolidated financial statements
Depreciation and amortisation	¥59,322	¥867	¥(520)	¥59,669
Increase in property and equipment and in intangible assets	67,063	902	464	68,431

Fiscal year ended 31st March 2012

Other items	Millions of yen				Thousands of U.S. dollars			
	Total reportable segment	Other	Adjustment	Amounts appearing in the consolidated financial statements	Total reportable segment	Other	Adjustment	Amounts appearing in the consolidated financial statements
Depreciation and amortisation	¥57,137	¥362	¥(530)	¥56,968	$696,793	$4,415	$(6,463)	$694,732
Increase in property and equipment and in intangible assets	55,156	324	(213)	55,267	672,634	3,951	(2,598)	673,988

② Related information

(a) Information about product and service categories

Information about product and service categories is the same as that described in "① Segment information" "(c) Information regarding totals for revenues from operations, income (loss), assets and other items by reportable segment."

(b) 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 description of regional breakdown 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.

(c) Information about important customers

No single external customer accounts for more than 10% of the revenues from operations reported in the consolidated income statements.

③ Information regarding loss on impairment of fixed assets, by reportable segment

Fiscal year ended 31st March 2011

	Millions of yen										
	Reportable segment										
	Urban Transportation	Real Estate	Entertainment & Communications	Travel & International Transportation	Hotels	Retailing	Subtotal	Other	Total	Adjustment (Note)	Amounts appearing in the consolidated financial statements
Loss on impairment of fixed assets	¥13	¥2,699	¥—	¥36	¥697	¥508	¥3,955	¥117	¥4,072	¥189	¥4,261

Fiscal year ended 31st March 2012

	Millions of yen										
	Reportable segment										
	Urban Transportation	Real Estate	Entertainment & Communications	Travel & International Transportation	Hotels	Retailing	Subtotal	Other	Total	Adjustment (Note)	Amounts appearing in the consolidated financial statements
Loss on impairment of fixed assets	¥12	¥17,139	¥762	¥54	¥349	¥84	¥18,402	¥—	¥18,402	¥1,810	¥20,212

	Thousands of U.S. dollars										
	Reportable segment										
	Urban Transportation	Real Estate	Entertainment & Communications	Travel & International Transportation	Hotels	Retailing	Subtotal	Other	Total	Adjustment (Note)	Amounts appearing in the consolidated financial statements
Loss on impairment of fixed assets	$146	$209,012	$9,293	$659	$4,256	$1,024	$224,415	$—	$224,415	$22,073	$246,488

Note: The amounts under “Adjustment” are the amounts for land etc. not allocated to business segments.

④ Information regarding amortisation of goodwill and the balance of unamortised goodwill, by reportable segment

Omitted as the significance is negligible.

⑤ Information regarding gains from negative goodwill, by reportable segment

Omitted as the significance is negligible.

(16) Related Party Transactions

① Related party transactions

(a) Transactions between the company submitting the consolidated financial statements and related parties

No items

(b) Transactions between consolidated subsidiaries of the company submitting the consolidated financial statements and related parties

Directors and principal shareholders (only individual shareholders) of the company submitting the consolidated financial statements

Fiscal year ended 31st March 2011

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 31st March 2011 (Millions of yen)
Company in which director or close family thereof holds majority of voting rights	Tateishi Sangyo Co., Ltd.	Ikeda City, Osaka	¥100	Real estate business	None	Lease of real estate Concurrent post (director)	Rental income	¥16	Deposit	¥30

Notes:
1. The transaction amount and the balance at the end of the fiscal year do not include consumption tax, etc.
2. Transaction terms and conditions, and method of determining transaction terms and conditions, etc.
Director of the Company, Koichi Kobayashi, and his close family own 58% of the voting rights in Tateishi Sangyo Co., Ltd.
The terms and conditions of the property lease are determined with reference to similar transactions in the neighbouring area.

Fiscal year ended 31st March 2012

Type	Name of related party	Address	Amount of capital (Millions of yen)	Amount of capital (Thousands of U.S. dollars)	Business	Voting interest	Relationship with related party	Details of transaction	Transaction amounts (Millions of yen)	Transaction amounts (Thousands of U.S. dollars)	Item	Balance as of 31st March 2012 (Millions of yen)	Balance as of 31st March 2012 (Thousands of U.S. dollars)
Director	Haruo Sakaguchi	—	¥ —	$ —	Auditor of the Company	Directly 0.0%	Lease of real estate	Rent income	¥42	$512	Deposit	¥33	$402
Company in which director or close family thereof holds majority of voting rights	Tateishi Sangyo Co., Ltd.	Ikeda City, Osaka	100	1,220	Real estate business	None	Operation and management of real estate Concurrent post (director)	Operation and management fee for real estate	50	610	Accounts receivable	2	24

Notes:
1. The transaction amount and the balance at the end of the fiscal year do not include consumption tax, etc.
2. Transaction terms and conditions, and method of determining transaction terms and conditions, etc.
(1) The terms and conditions of the property lease are determined with reference to similar transactions in the neighbouring area.
(2) Director of the Company, Koichi Kobayashi, and his close family own 77% of the voting rights in Tateishi Sangyo Co., Ltd.
Any decisions on operation and management of real estate are made by reference to neighborhood transactions.

② Notes about parent company and major affiliated companies

No items

(17) Special Purpose Entities

① Overview of special purpose entities subject to disclosure and overview of transactions using special purpose entities subject to disclosure

Some consolidated subsidiaries invested in special purpose entities (in the form of special limited liability companies, joint ventures, etc.) aimed at development and increase in value of assets. The special purpose entities use nonrecourse loans, etc. from financial institutions to acquire real estate (trust beneficiary rights), which they plan to sell to investors upon development, leasing, etc. The consolidated subsidiaries are expected to recover their investments in an appropriate manner upon completion of the business, and even in cases in which losses arise, the cost to the consolidated subsidiaries is limited to the amount invested. Moreover, the consolidated subsidiaries do not own equity with voting rights in any of the special purpose entities nor do they dispatch directors or employees to them.

	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Number of special purpose entities	8	6	
Total assets as of the most recent closing date (simple aggregate)	¥71,118	¥55,266	$673,976
Total liabilities as of the most recent closing date (simple aggregate)	46,787	35,115	428,232

② Amount of transactions with special purpose entities subject to disclosures and others

Fiscal year ended 31st March 2011

	Millions of yen		
	Significant transaction amounts or balance as of 31st March 2011	Significant income and expenditure: Item	Amount
Real estate purchased	¥9,527		
Investments in silent partnerships (Notes 1 and 2)	7,819	Distributed income (Note 3)	¥320
Receivable amount of dividends (Note 4)	812	Distributed loss (Note 5)	47
Management business	—	Management fees (Note 6)	409

Fiscal year ended 31st March 2012

	Millions of yen		
	Significant transaction amounts or balance as of 31st March 2012	Significant income and expenditure: Item	Amount
Investments in silent partnerships (Note 2)	¥5,043	Distributed income (Note 3)	¥689
Receivable amount of dividends (Note 4)	347	Distributed loss (Note 5)	42
Management business	—	Management fees (Note 6)	416

	Thousands of U.S. dollars		
	Significant transaction amounts or balance as of 31st March 2012	Significant income and expenditure	
		Item	Amount
Investments in silent partnerships (Note 2)	$61,500	Distributed income (Note 3)	$8,402
Receivable amount of dividends (Note 4)	4,232	Distributed loss (Note 5)	512
Management business	—	Management fees (Note 6)	5,073

Notes:
1. Accrued future loss from valuation of investments in the aggregate amount of ¥1,878 million for the fiscal year ended 31st March 2011 was recorded.
2. Investments in silent partnerships are recorded as investment securities in the consolidated balance sheets.
3. Distributed income is recorded in revenues from operations in the consolidated statements of income.
4. The receivable amount of dividends is equal to the suspended payments of dividends.
5. Distributed loss is presented in costs of revenues from operations in the consolidated statements of income.
6. Management fees are presented in revenues from operations in the consolidated statements of income.

(18) Per Share Information

The following tables show net assets per share, net income per share, diluted net income per share, and the basis for their respective calculations.

Item	2011	2012	2012
① **Net assets per share (Yen / U.S. dollars)**	¥377.17	¥407.01	$4.96
(Basis for the calculation)			
Total net assets (Millions of yen / Thousands of U.S. dollars)	¥486,947	¥524,801	$6,400,012
Amount to be deducted from total net assets (Millions of yen / Thousands of U.S. dollars)	¥11,144	¥11,508	$140,341
(Of the amount, subscription rights to shares)	¥[—]	¥[32]	$[390]
(Of the amount, minority interests)	¥[11,144]	¥[11,476]	$[139,951]
Net assets at the end of the fiscal year related to common shares (Millions of yen / Thousands of U.S. dollars)	¥475,802	¥513,292	$6,259,659
Common shares issued (Thousands of shares)	1,271,406	1,271,406	
Treasury stock shares (Thousands of shares)	4,448	4,533	
Common shares held by consolidated subsidiaries and equity-method affiliates (Thousands of shares)	5,449	5,745	
Common shares used to calculate net assets per share (Thousands of shares)	1,261,509	1,261,127	

Item	2011	2012	2012
② **Net income per share (Yen / U.S. dollars)**	¥14.32	¥31.13	$0.38
(Basis for the calculation)			
Net income (Millions of yen / Thousands of U.S. dollars)	¥18,068	¥39,252	$478,683
Amount not belonging to common stockholders (Millions of yen / Thousands of U.S. dollars)	¥—	¥—	$—
Net income related to common shares (Millions of yen / Thousands of U.S. dollars)	¥18,068	¥39,252	$478,683
Average number of common shares during term (Thousands of shares)	1,261,993	1,260,836	
③ **Net income per share—diluted (Yen / U.S. dollars)**	¥14.27	¥31.13	$0.38
(Basis for the calculation)			
Adjustment to net income (Millions of yen / Thousands of U.S. dollars)	¥(61)	¥—	$—
(Equity in income of affiliates)	¥[(61)]	¥[—]	$[—]
Increase in number of common shares (Thousands of shares)	—	70	
(Of the amount, subscription rights to shares)	[—]	[70]	
Summary of potential shares that were not included in the calculation of diluted income per share because their effect was not dilutive	—	—	

5. CONSOLIDATED SUPPLEMENTARY STATEMENTS

(1) Corporate Bond Statements

Company	Name	Issue date	Millions of yen		Thousands of U.S. dollars	Interest rate	Security	Redemption date
			Balance as of 1st April 2011	Balance as of 31st March 2012	Balance as of 31st March 2012			
Hankyu Hanshin Holdings, Inc.	Series 28 unsecured corporate bonds	28th June 2001	¥ 10,000	¥ —	$ —	(Note 2)	None	28th June 2011
Hankyu Hanshin Holdings, Inc.	Series 33 unsecured corporate bonds	18th July 2007	20,000	20,000 [20,000]	243,902 [243,902]	1.85%	None	18th July 2012
Hankyu Hanshin Holdings, Inc.	Series 34 unsecured corporate bonds	14th Nov. 2007	10,000	—	—	1.39	None	14th Nov. 2011
Hankyu Hanshin Holdings, Inc.	Series 35 unsecured corporate bonds	14th Nov. 2007	10,000	10,000	121,951	1.66	None	14th Nov. 2013
Hankyu Hanshin Holdings, Inc.	Series 36 unsecured corporate bonds	30th July 2008	20,000	—	—	1.46	None	29th July 2011
Hankyu Hanshin Holdings, Inc.	Series 37 unsecured corporate bonds	23rd Oct. 2009	10,000	10,000	121,951	1.10	None	23rd Oct. 2014
Hankyu Hanshin Holdings, Inc.	Series 38 unsecured corporate bonds	23rd Oct. 2009	10,000	10,000	121,951	1.87	None	23rd Oct. 2019
Hankyu Hanshin Holdings, Inc.	Series 39 unsecured corporate bonds	28th Jan. 2010	20,000	20,000	243,902	1.25	None	27th Jan. 2017
Hankyu Hanshin Holdings, Inc.	Series 40 unsecured corporate bonds	22nd Sept. 2010	15,000	15,000	182,927	1.43	None	18th Sept. 2020
Hankyu Hanshin Holdings, Inc.	Series 41 unsecured corporate bonds	22nd Sept. 2010	7,000	7,000	85,366	1.72	None	22nd Sept. 2022
Hankyu Hanshin Holdings, Inc.	Series 42 unsecured corporate bonds	17th Mar. 2011	10,000	10,000	121,951	1.54	None	17th Mar. 2021
Hankyu Hanshin Holdings, Inc.	Series 43 unsecured corporate bonds	9th Sept. 2011	—	10,000	121,951	0.55	None	9th Sept. 2016
Hanshin Electric Railway Co., Ltd.	Series 12 unsecured corporate bonds	25th June 1997	15,000	15,000 [15,000]	182,927 [182,927]	3.525	None	25th June 2012
Hanshin Electric Railway Co., Ltd.	Series 14 unsecured corporate bonds	23rd June 2004	10,000	10,000	121,951	2.22	None	23rd June 2014
Total	—	—	167,000	137,000 [35,000]	1,670,732 [426,829]	—	—	—

Notes:

1. The amount in parenthesis in the "Balance as of 31st March 2012" column is the current portion of the total amount and is recorded in current liabilities on the consolidated balance sheets.
2. (1) From the day after 28th June 2001 to 28th June 2004
   1.30% annualised
   (2) From the day after 28th June 2004
   The interest rate is the 20-year swap rate minus the 2-year swap rate plus 0.15%. (If the result of this calculation was below 0, the rate would be 0%)
3. Redemption schedule of bonds for five years subsequent to 31st March 2012

	Millions of yen	Thousands of U.S. dollars
Due within one year	¥35,000	$426,829
Due after one year through two years	10,000	121,951
Due after two years through three years	20,000	243,902
Due after three years through four years	—	—
Due after four years through five years	30,000	365,854

(2) Statements of Loans Payable

Item	Millions of yen		Thousands of U.S. dollars		
	Balance as of 1st April 2011	Balance as of 31st March 2012	Balance as of 31st March 2012	Average interest rate	Repayment deadline
Short-term borrowings	¥ 172,478	¥ 176,652	$ 2,154,293	0.824%	—
Current portion of long-term debt	124,986	139,893	1,706,012	1.130	—
Current portion of lease obligations	1,380	1,774	21,634	—	—
Long-term debt (excluding current portion)	780,908	720,782	8,790,024	1.230	2013 – 2032
Lease obligations (excluding current portion)	4,911	7,544	92,000	—	2013 – 2025
Other interest-bearing debt	—	—	—	—	—
Total	1,084,665	1,046,647	12,763,988	—	—

Notes:
1. The balances are expressed after the elimination of transactions with companies in the consolidation group.
2. The "Average interest rate" of loans payable is the weighted average interest rate for outstanding loans payable as of end of the fiscal year under review.
3. The "Average Interest rate" is not shown for lease obligations because the Company mainly adopts the method of including the amounts equal to interest in total capital lease obligations and the method of spreading the total amount equal to interest equally over each fiscal year of the lease period.
4. Repayment schedule of long-term debt and lease obligations (excluding current portion) for five years subsequent to 31st March 2012.

Long-term debt	Millions of yen	Thousands of U.S. dollars
Due after one year through two years	¥185,687	$2,264,476
Due after two years through three years	156,128	1,904,000
Due after three years through four years	78,036	951,659
Due after four years through five years	66,586	812,024

Lease obligations	Millions of yen	Thousands of U.S. dollars
Due after one year through two years	¥1,493	$18,207
Due after two years through three years	1,172	14,293
Due after three years through four years	855	10,427
Due after four years through five years	620	7,561

(3) Schedule of Asset Retirement Obligations

Items to be reported in the schedule of asset retirement obligations are omitted since they are recorded in the notes to Article 15-23 of Consolidated Financial Statement Regulations.

6. OTHERS

Quarterly financial information in fiscal year ended 31st March 2012

Cumulative period	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Revenues from operations (Millions of yen)	¥150,901	¥318,614	¥479,871	¥649,703
Income before income taxes and minority interests (Millions of yen)	22,259	36,487	56,436	43,419
Net income (Millions of yen)	15,101	21,283	49,894	39,252
Net income per share (Yen)	11.97	16.88	39.57	31.13

Cumulative period	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Revenues from operations (Thousands of U.S. dollars)	$1,840,256	$3,885,537	$5,852,085	$7,923,207
Income before income taxes and minority interests (Thousands of U.S. dollars)	271,451	444,963	688,244	529,500
Net income (Thousands of U.S. dollars)	184,159	259,549	608,463	478,683
Net income per share (U.S. dollars)	0.15	0.21	0.48	0.38

Accounting period	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Net income per share (Yen)	¥11.97	¥4.90	¥22.70	¥(8.44)

Accounting period	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Net income per share (U.S. dollars)	$0.15	$0.06	$0.28	$(0.10)

Major Group Companies

(As of 31st March 2012)

Consolidated Subsidiaries

Urban Transportation

	Name of Company
Railway Operations	Hankyu Corporation
	Hanshin Electric Railway Co., Ltd.
	Nosé Electric Railway Co., Ltd.
	Kita-Osaka Kyuko Railway Co., Ltd.
	Hokushin Kyuko Railway Co., Ltd.
	Kobe Rapid Transit Railway Co., Ltd.
	Hankyu Hanshin Railway Technology Co., Ltd.
	Hankyu Hanshin Electric System
Automobile	Hankyu Bus Co., Ltd.
	Hanshin Bus Co., Ltd.
	Hankyu Kanko Bus Co., Ltd.
	Osaka Airport Transport Co., Ltd.
	Hankyu Denen Bus Co., Ltd.
	Hankyu Taxi Inc.
	Hanshin Taxi Co., Ltd.
	Hankyu Hanshin Motor Technology Co., Ltd.
	Nippon Rent-A-Car Hankyu Inc.
Other	Alna Sharyo Co., Ltd.

Real Estate

	Name of Company
Real Estate Leasing	Hankyu Corporation
	Hanshin Electric Railway Co., Ltd.
	Hankyu Realty Co., Ltd.
	Osaka Diamond Chikagai Co., Ltd.
	Hanshin Real Estate Co., Ltd.
Real Estate Sales	Hankyu Corporation
	Hanshin Electric Railway Co., Ltd.
	Hankyu Realty Co., Ltd.
Other	Hankyu Hanshin Building Management Co., Ltd.
	Hankyu Hanshin Security Service Co., Ltd.
	Hankyu Hanshin Techno Service Co., Ltd.
	Hankyu Hanshin Clean Service Co., Ltd.
	High Security System Co., Ltd.
	Hankyu REIT Asset Management, Inc.

Entertainment and Communications

	Name of Company
Sports	Hanshin Electric Railway Co., Ltd.
	Hanshin Tigers Baseball Club, Ltd.
	Wellness Hanshin Inc.
Stage	Hankyu Corporation
	Takarazuka Creative Arts Co., Ltd.
	Takarazuka Stage Co., Ltd.
	Umeda Arts Theater Co., Ltd.
Communication and Media	Hankyu Advertising Agency Inc.
	Hanshin Contents Link Corporation
	Itec Hankyu Hanshin Co., Ltd.
	Hankyu Communications Co., Ltd.
	Bay Communications Inc.
Leisure, etc.	Hanshin Electric Railway Co., Ltd.

Travel and International Transportation

	Name of Company
Travel Agency	Hankyu Travel International Co., Ltd.
	Hankyu Hanshin Business Travel Co., Ltd.
	Hankyu Travel Support Co., Ltd.
International Transportation	Hankyu Hanshin Express Co., Ltd.
Other	Hankyu Hanshin Express Holdings Corporation

Hotels

	Name of Company
Hotel Management	Hankyu Hanshin Hotels Co., Ltd.
	Hanshin Hotel Systems Co., Ltd.
	Hotel New Hankyu Kochi Co., Ltd.
	Hankyu Hanshin Restaurants Co., Ltd.
	Amanohashidate Hotel Co., Ltd.
	Arima View Hotel Co., Ltd.

Retailing

	Name of Company
Retailing	Hankyu Corporation
	Hankyu Retails Corporation
	Iina Dining Co., Ltd.

Other

	Name of Company
Construction	Hanshin Construction Co., Ltd.
	Chuo-Densetsu Co., Ltd.
Group Finance	Hankyu Hanshin Financial Support Co., Ltd.
Outsourcing Services for Personnel and Accounting Services	Hankyu Hanshin Business Associate Co., Ltd.

Equity-method Affiliates

Main Business	Name of Company
Department Store	H_2O Retailing Corporation [Securities code: 8242]
Railway Operations	Nishi-Osaka Railway Co., Ltd.
	Kobe Electric Railway Co., Ltd. [Securities code: 9046]
Motion Picture Business	Tokyo Rakutenchi Co., Ltd. [Securities code: 8842]
	Toho Co., Ltd. [Securities code: 9602]
Commercial Broadcasting	Kansai Telecasting Corporation

Investor Information

(As of 31st March 2012)

Hankyu Hanshin Holdings, Inc.

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1-16-1, Shibata, Kita-ku, Osaka 530-0012, Japan
Phone: +81-6-6373-5001
(Corporate Planning Dept., IR Office)
Fax: +81-6-6373-5042

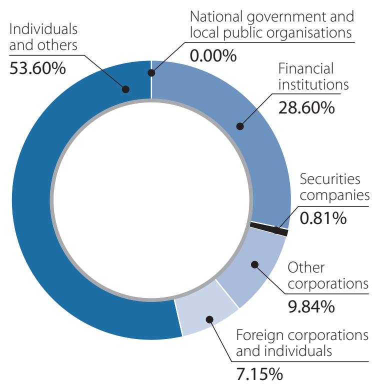
Tokyo Office (Personnel and General Affairs Dept.):
Toho Twin Tower Bldg.,
1-5-2, Yurakucho, Chiyoda-ku, Tokyo 100-0006, Japan
Phone: +81-3-3503-1568
Fax: +81-3-3508-0249

Paid-in Capital: ¥99,474 million
Fiscal Year-End: 31st March
Number of Employees: 20,811 (consolidated basis)
Authorised Shares: 3,200,000,000
Issued Shares: 1,271,406,928
Number of Shareholders: 98,992
Unit of Trading: 1,000 shares
Stock Exchange Listing: Tokyo, Osaka
Transfer Agent: Mitsubishi UFJ Trust and Banking Corporation

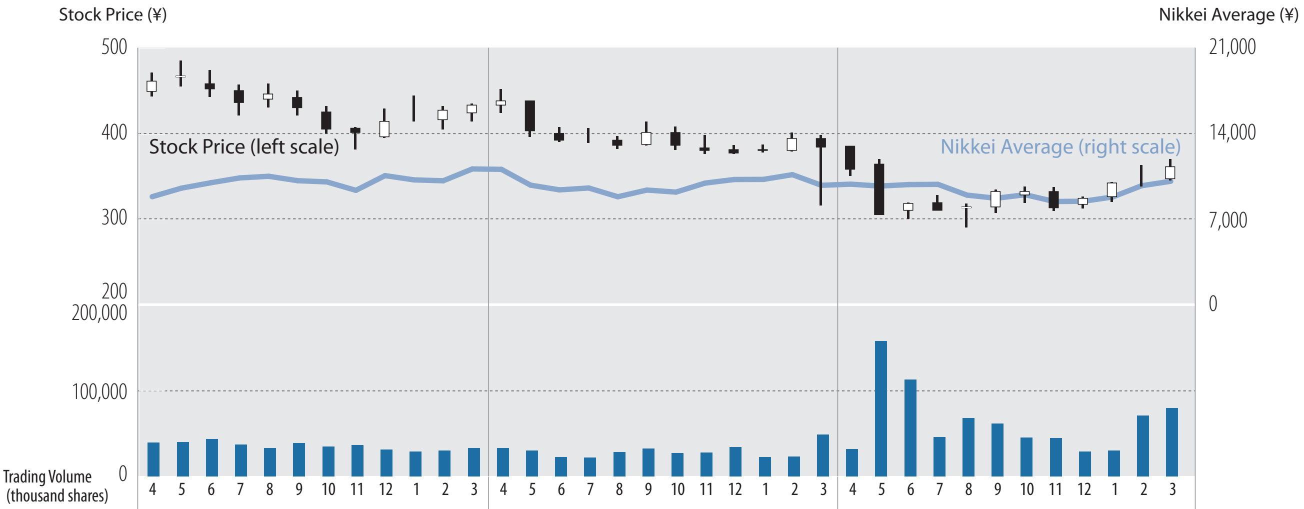
Principal Shareholders:

Name	Number of shares (thousands)	Percentage (%)
Japan Trustee Services Bank, Ltd. (Trust account)	69,279	5.44
The Master Trust Bank of Japan, Ltd. (Trust account)	42,403	3.33
Nippon Life Insurance Company	34,144	2.68
Sumitomo Mitsui Banking Corporation	30,947	2.43
H_2O Retailing Corporation	20,418	1.60
Japan Trustee Services Bank, Ltd. (The Sumitomo Trust & Banking Co., Ltd. Retirement Benefit Trust Account)	13,665	1.07
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	11,190	0.88
Japan Trustee Services Bank, Ltd. (Trust account 1)	10,541	0.82
Japan Trustee Services Bank, Ltd. (Trust account 4)	10,139	0.79
Japan Trustee Services Bank, Ltd. (Trust account 6)	10,097	0.79

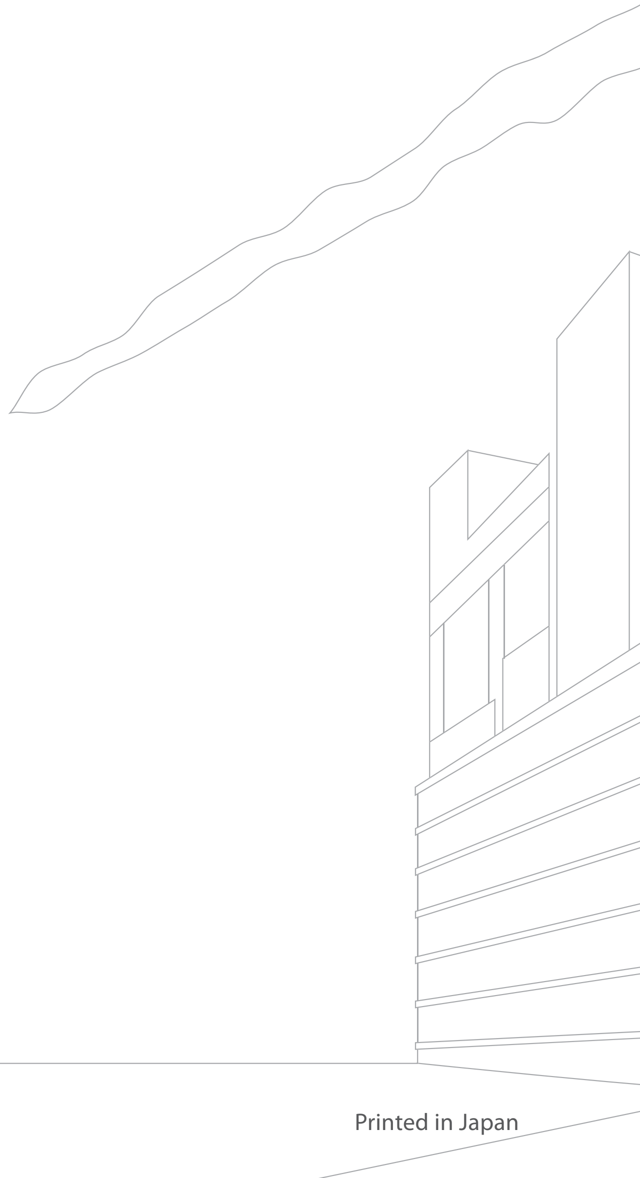
Ownership Breakdown:



Stock Price Range and Trading Volume (Tokyo Stock Exchange):



	Fiscal year ended March 2010	Fiscal year ended March 2011	Fiscal year ended March 2012
High	485	452	385
Low	381	316	297
At year-end	433	384	361



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