Creating Value for Our Network Area

Hankyu Hanshin Holdings

Annual Report 2011

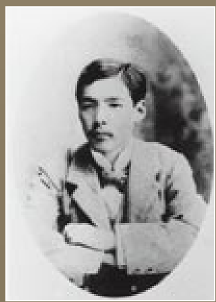
Securities code: 9042

Hankyu and Hanshin: Keeping Kansai connected for over 100 years

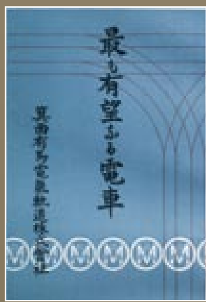
The companies now forming the Hankyu Hanshin Holdings Group have contributed to the development of Japan through their key role in the Kansai community since the end of the 19th century. This is how the story unfolded.

Hankyu **1907**

Ichizo Kobayashi founded the Mino-Arima Electric Railway Company (the predecessor of Hankyu Corporation)



Ichizo Kobayashi at the time



A pamphlet highlighting the potential of the company and promoting line-side areas

Hanshin **1899**

Founding of Settsu Electric Railway

The Settsu Electric Railway was established to provide high-speed electric railway transportation services in the short coastal corridor between the two major cities of western Japan, Osaka and Kobe.
[**Later, the Company was renamed "Hanshin Electric Railway" in 1899.** The word Hanshin itself means "Osaka-Kobe," using Chinese pronunciations of representative characters in both words (Han=Osaka and Shin=Kobe)]

Hanshin's first unit (the former Type 1) in action

1905

Operations begin linking Kobe (Sannomiya) and outer Osaka (Deiribashi)

The Hanshin Electric Railway was one of the grandfathers of all interurban railways, realising as it did the concept of using high-speed electric railways running on broad-gauge tracks to link cities for first time in Japan.

Kobe Station on first day of service

Part 1: This is where it all began

1910

Takarazuka Line (Umeda-Takarazuka) and Mino-o Line (Ishihashi-Mino-o) open

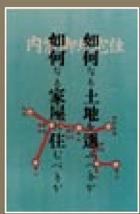
Type 1 unit on Shin Yodogawa Railroad Bridge

Launch of land and housing sales

When Ichizo Kobayashi founded the Mino-Arima Electric Railway Company, he realised that expanding demand for transportation services would depend on creating residential districts in areas alongside the lines, which were ideal for such developments.

In Ikeda-Muromachi, on the early Takarazuka Line, he started a land and housing subdivision sale business immediately after the launch of railway services. By accepting the long-term monthly-instalment payment method, which at the time was revolutionary, he was able to capture rapidly emerging demand from the middle classes. The project was enormously successful. More Kobayashi land and housing projects followed the laying of railway lines nationwide, creating a business model for the whole private railway industry.

Ikeda-Muromachi housing development



Brochure about advantages of suburban life, titled "What land shall I choose? What home shall I live in?"

1913

Takarazuka Girls' Revue (later Takarazuka Revue Company)

To attract tourists to visit the hot spring resort in the terminus city of Takarazuka, Kobayashi formed a song-and-dance troupe comprised only of girls. Guided by Kobayashi's motto (*Kiyoku, Tadashiku, Utsukushiku,* or Modesty, Fairness and Grace), the all-female Takarazuka Revue has continued to perform a wide range of works from many genres, including overseas musicals. Always remaining ahead of the times, it has attracted a large following over the years.

Debut performance of *Donburako* by Takarazuka Girls' Revue

Takarazuka at the time

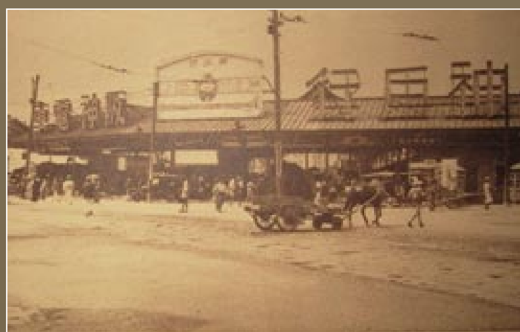
1909

Thirty rental homes by the Nishinomiya Station

Rental homes by the Nishinomiya Station

1914

Launch of operations on double-track main line between Deiribashi and Umeda



Hanshin Umeda Station

In the years after the opening of Japan's first railway in 1872 between Shimbashi (Tokyo) and Yokohama, the network spread out across the country. Settsu Electric Railway was founded in 1899 to provide rapid transit services between Osaka and Kobe (in the same year, it changed its name to Hanshin Electric Railway). In 1907, Ichizo Kobayashi founded the Mino-Arima Electric Railway Company, the predecessor of Hankyu Corporation. Both Hankyu and Hanshin continued to develop new lines out of Umeda in central Osaka.

Part 2:

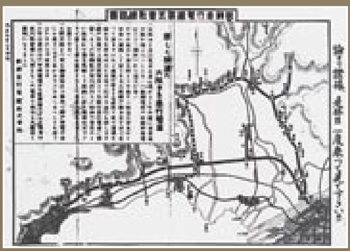
Dawn of interurban transportation, and “Hanshinkan Modernism”

Hankyu

1920

The Hankyu Kobe Line linking Kobe and Osaka directly finally opens

Operations opened on the long-awaited Hankyu direct line between Osaka and Kobe (Kami Tsutsui) and on the Itami branch line between Tsukaguchi and Itami. In November the same year, the original Hankyu Building was completed. In 1936, the extension of the Hankyu Kobe Line into Kobe city centre began operations, as did the Umeda-Kobe (Sannomiya) section.



Brochure that came out when Hankyu Kobe Line started operation

Kami Tsutsui Station at the end of the line

1924

Completion of Takarazuka Grand Theatre

The original Takarazuka Grand Theatre had a maximum capacity of 4,000. In 1927, the Takarazuka Girls Revue staged *Mon Paris*, the first revue performance in Japan.

Interior of Takarazuka Grand Theatre

©Takarazuka Revue Company

Scene from *Mon Paris*

1926

Opening of Takarazuka Hotel

1928

Launch of services between Takatsuki and Kyoto Saiin

Shin Keihan Line, predecessor of Hankyu Kyoto Line, opened for service. In 1931, it was extended as an underground line from Saiin to Kyoto (now Omiya).

The Type 100 railway cars were exceptionally high-performance vehicles, dubbed the “Best Trains of the Orient.”

Type 100 on the Shin Keihan Line

Hanshin

1922

Development of Koshien area

1924

Opening of Koshien Stadium (later Hanshin Koshien Stadium)

One of the largest stadiums of its kind in East Asia at the time of its construction, immediately after its opening, it hosted the 10th national secondary school baseball championships on 13th August (later the high school baseball championships). Since then, Koshien has been used each spring and summer for the national high school baseball championships and is known throughout Japan as the mecca of high school baseball.

Hanshin Koshien Stadium at completion

Operations start on Dempo Line (now Hanshin Namba Line) between Daimotsu and Chidoribashi

Opening of the Hanshin Mart at the Hanshin Umeda Station (later Hanshin Department Store)

The opening of the Hanshin Mart within the Hanshin Umeda Station marked Hanshin’s full-fledged entry into retailing, under its department store development concept.

Hanshin Main Line upgrades tram track sections

In June 1933, when the opening of the Kobe (Sannomiya) – Iwaya underground line enabled upgrading of the whole Hanshin Main Line to full railway tracks, operations were greatly improved in terms of both speed and service with the introduction of new expresses.

Sannomiya underground station

In 1920, Hankyu had opened its direct line between Osaka and Kobe (the Hankyu Kobe Line linking Umeda with Kobe). In 1928, the Tenjinbashi-Kyoto Saiin section, the forerunner of the Hankyu Kyoto Line, began operations. Meanwhile, to cope with still growing demand for transportation services, Hanshin Main Line express services were launched in 1921, and, in a first for the electric railway industry in Japan, two-car electric trains were run.

From the 1910s until the 1930s, partly in response to the interurban movement in urban transportation, a trend later known as "Hanshinkan Modernism" (modernism in the Osaka-Kobe belt) arose. Distinctive amusement, education and lifestyle trends emerged under the influence of Westernisation. With the full-fledged development of baseball and theatre as entertainment forms, significant fan bases built up. In 1929, Hankyu built Asia's first railway terminus department store, Hankyu Department Store, at Hankyu Umeda Station. The store proved an instant profit generator, and many other railway operating companies quickly adopted the same business model.

1929

Opening of Hankyu Department Store, Asia's first terminus department store (First phase works on original Umeda Hankyu Building completed)

The Hankyu Department Store with approximately 10,000m^2 of sales area was Japan's first terminus department store and one of the first anywhere. The age of commuting from the suburbs had dawned, and earnings grew quickly.

This was the fruit of Ichizo Kobayashi's ideas for maximising the potential of railway terminus buildings.


Original Umeda Hankyu Building: first phase completed


Sales area in Hankyu Department Store


Umeda Hankyu Building fourth phase

1934

Curtain rises at Tokyo Takarazuka Theatre

Completion of Takarazuka Theatre in Hibiya marked the full-scale arrival of the Takarazuka Girls' Revue in the capital. After that they also performed in foreign countries including Germany, Italy, Poland and the United States.

©Takarazuka Revue Company


Completion of Tokyo Takarazuka Theatre


The Takarazuka Revue goes on tour overseas

1936

Kobe Hankyu Building is completed, becoming terminus of the extension of the Kobe Line to Sannomiya (central Kobe)

The Kobe Hankyu Building helped form the foundations for the later development of the business area of Sannomiya.


Kobe Station (now Sannomiya Station) and Kobe Hankyu Building

1933

Completion of Sannomiya Hanshin Building (leased to Kobe Sogo)

Sannomiya Hanshin Building opened, a 10,000m^2 terminus building at Hanshin Sannomiya underground station, with two floors below ground and seven above. Key tenants included Kobe Sogo department store, which along with Hanshin Mart formed the beginnings of the Hanshin's department store business. In addition, completion of this office building marked the full-fledged launch of Hanshin's office building leasing business.


Sannomiya Hanshin Building

1935

Establishment of Osaka Baseball Club (Osaka Tigers, later Hanshin Tigers)

As a means of getting use out of the stadium at Koshien, a professional team was formed at the instigation of the Yomiuri newspaper, which was considering setting up a professional league. Today, the Hanshin Tigers are one of the earliest and most tradition-rich of the 12 professional baseball teams in Japan, and their fanatical following extends far beyond the Kansai area. In recent years, the team have attracted the highest number of supporters in Pennant Race games for six years on the trot. Every year, the Hanshin Tigers draw around 3 million spectators.

Poster for Osaka Tigers
©Hanshin Tigers

1939

Start of services on Hanshin Main Line extension from Osaka Station subway (Umeda-Sonezaki) (relocation of Hanshin Umeda Station)

To connect Hanshin lines with the municipal Midosuji subway line, a principal artery within Osaka, an underground track extension was built from Umeda to Sonezaki, resulting in the building of a new Umeda Station, now the Hanshin Umeda Station.


The new Hanshin Umeda Station just before completion

Part 3:

Postwar reconstruction

With the end of the Pacific War on 15th August 1945, the period of post-war recovery in Japan began. Both Hankyu and Hanshin railway facilities had suffered considerable damage from air raids, and only around 40% of Hankyu and 20% of Hanshin rolling stock remained in operation. For this reason, the first priority in the post-war recovery effort was restoration of rolling stock.

Hankyu

1943

Based on the Land Transport Control Order, Hankyu merged with Keihan Electric Railway and the company name was changed to Keihanshin Kyuko Railway Company (added to Hankyu network were the Keihan, Otsu and Shin Keihan lines).

End of the war
1945

1947

The department store and ancillary businesses were spun off, and Hankyu Department Store began business (now H_2O Retailing Co., Ltd.).

1948

Launch of services as Pan American Airways agent

Hankyu entered the international air cargo field by opening Japan's first International Air Transport Association (IATA) agency. Today, Hankyu Travel International and Hankyu Hanshin Express have built up firm positions in their respective sectors, the travel and international transportation businesses.
(Hankyu Travel International is No. 4 in the travel industry in Japan, and Hankyu Hanshin Express has the same rank in international transportation, as of 31st March 2011)

Signing of the agency agreement

1949

New "Keihanshin Kyuko Railway"

The business operations of the Keihan and Otsu lines were transferred to Keihan Electric Railway. A new railway operator, Keihanshin Kyuko Railway, was created. Hankyu's business became centred on three railways, the Kobe, Takarazuka and Kyoto lines.

Non-stop express on the Osaka-Kyoto route

Poster giving notice of timetable updates

Hanshin

1940

Hanshin Mart opens underground in front of the JNR Osaka Station

[The predecessor of the Hanshin Department Store]

In May 1940, the Hanshin Mart opened in the underground level of the current Hanshin Department Store (then the incomplete Dai Hanshin Building). This was the beginning of Hanshin Department Store, which has remained in business down to the present.

Sales areas in Hanshin Mart

1948

Launch of airline agency business

1951

Hanshin Mart renamed Hanshin Department Store

The sales area of the Umeda Hanshin Building, which only occupied the basement, was extended to the ground floor. To complete the development of the Hanshin Umeda terminus, which had been on the drawing board since before the war, Hanshin then set about expanding the Umeda Hanshin Building (currently the Dai Hanshin Building), finally realising its department store grand project.

Many popular stores opened outlets in the food floor

1953

Completion of Shin Hanshin Building

Amid the post-war recovery, the scars of war remained very visible in central Osaka, and there were almost no rental buildings of note in the Umeda area. Against this backdrop, the Shin Hanshin Building was raised in front of the JNR (now JR) Osaka Station. The white nine-storey building stood as a symbol of the resilience of Osaka.
[The Shin Hanshin Building was demolished in 1999, and HERBIS ENT was raised on the site.]

Shin Hanshin Building

Triple track line laid from Umeda to Juso

Expansion of transportation capacity became a major issue as Japan entered its economic high-growth period and development proceeded along areas served by Hankyu lines. To alleviate congestion, new tracks were built for the exclusive use of the Kyoto Line between Umeda and Juso (the area just north of central Osaka).


First triple track line on a private railway in Japan


Bridge construction work at Shin Yodogawa


Inside Hankyu Umeda Station

1959

Into the centre of Kyoto via an underground extension

By bringing the line into Kawaramachi, the central commercial district in Kyoto, the dream of creating direct lines linking Kyoto, Osaka and Kobe was realised.


A commemorative special leaves Kawaramachi Station (Kyoto)

1963

Senriyama Line (now Senri Line) reaches Senri New Town

Installation of automatic wicket and ticket collection machines at Kita-Senri terminus station, a first in Japan (1967).


Japan's first automatic wicket

1962

Shin Hankyu Building is completed

1964

Hotel new Hankyu Osaka opens

With the opening of services on the JNR (now JR) Tokaido Shinkansen line, it was expected that demand for hotel rooms in Osaka would grow rapidly. The shortage of guest rooms became serious. In addition to its convenient location right next to the JNR Osaka and Hankyu Umeda stations, the new hotel was committed from the first to the concept of low-rate, no-hassle accommodation for businessmen. In addition to businessmen and Japanese tourists, the hotel is now used by many overseas visitors, especially from Asia.


Hotel new Hankyu just after opening

Newspaper ad for the hotel

1957

Hanshin's department store operations transferred to The Hanshin Department Store, Ltd.

1958

Completion of first phase extension of Umeda Hanshin Building (now Dai Hanshin Building)

In 1958, the sales area was extended up to the eighth floor above ground, and not only consumers but also the retail industry generally reacted very positively to Hanshin's related-product grouping strategy (related products concentrated in one single sales area). Thereafter, in 1963, the new annex was completed, forming today's Dai Hanshin Building.


Completion of Dai Hanshin Building

1964

Services begin on Chidoribashi-Nishikujo section of Nishi-Osaka Line (formerly Dempo Line, now Hanshin Namba Line)

Because approximately 40% of all passengers in the busy Osaka-Kobe corridor were having to change trains at this time to get to Namba, the southern hub of Osaka, Hanshin decided to extend the short Dempo line to enable a direct connection with Namba. First it nudged the line on to Nishikujo, a station on the JNR Osaka Loop Line.

However, due to changes in the transportation industry, the Namba extension plan was shelved for several decades. But in 1997, with the need to provide better access to the West Osaka area with the opening of the Osaka Dome and other facilities becoming urgent, the extension plan was revisited. Third-sector company Nishi-Osaka Railway Co., Ltd. handled construction on the final link between Nishikujo and Namba (currently Osaka Namba) in 2001 (third-sector means Nishi-Osaka Railway built and owns the facilities, but Hanshin runs the trains).


Nishi-Osaka Line extension to Nishikujo

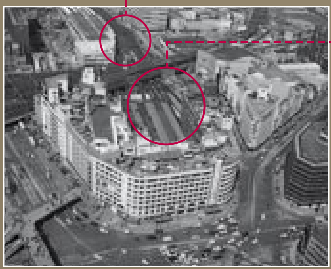
Part 4: The mass transit age

In response to burgeoning transportation demand in Japan's high growth period, capacity was increased through a range of initiatives. Also Hankyu and Hanshin developed reliable advanced safety systems such as the Automatic Train Stop (ATS) system, realising a quantum leap in operating safety.

As the number of passengers grew rapidly, the Hankyu Umeda Station was relocated and expanded, and in 1973, the largest private railway terminus in Japan was completed. Such initiatives greatly contributed to the revitalisation of the "Kita" (north) area of Osaka.

Completion of first phase extension works on Umeda Station

The idea of expanding Hankyu Umeda Station was first mooted in 1961 at a time of rapidly rising passenger numbers. From the first, the emphasis was not only on the concentration of terminus functions at the new station, but also on the redevelopment of the whole Umeda area including measures to revitalise commercial areas and add city centre amenities. In the expansion works, a new station building was raised north of the JNR elevated tracks; the old station had been south of the raised tracks and is now part of the Umeda Hankyu Building. The scale of this project was vast. The relocation and expansion works at Hankyu Umeda Station had to proceed without interrupting normal train services, and so the whole development area was broken up into four phases, with works tailored to specific lines.



Construction works at both old and new Hankyu Umeda stations (circa 1967)

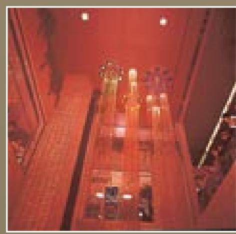

An express leaving Hankyu Umeda Station on the Kobe Line (1967)

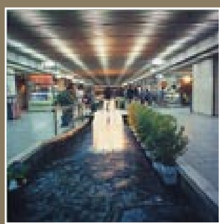

Morning rush hour at the old Umeda Station

Opening of Hankyu Sanban Gai, a large shopping centre under the new Umeda Station

At this time, the thriving part of the Umeda area was mainly that south of the JNR elevated tracks. North of the elevated tracks, the atmosphere really was "back of the station (*eki-ura*)." To change the image of the area, it was decided to include commercial facilities with customer appeal in the basement of the new Hankyu Umeda Station. In a nod to Osaka's nickname, "City of Water," an artificial river was created running through this shopping centre. This feature caused a considerable splash, so to speak, and became a tourist drawing card for Osaka.


Hankyu Sanban Gai Shopping Centre opens


With cascades town


A river town


And a replica Fontana Di Trevi

Hankyu develops Japan's first Total Traffic Control (TTC) system and installs it on all lines

Hankyu 1967 1969 1972

Hanshin 1967 1970 1971

Hotel Hanshin starts operations (completion of Nishi Hanshin Building)

Nishi Hanshin Building was established in the West Umeda area. It was the first building in Osaka to be approved in an area subject to building height restrictions, and the highest skyscraper in Kansai at the time. It was comprised hotel and offices, and The Hotel Hanshin soon became a hit with businessmen thanks to its reasonably priced rooms (from ¥1,700 per night) and convenient location (in front of the JNR Osaka Station) and connections. In addition, the rental obtained from the Dai Hanshin Building and the Nishi Hanshin Building ensured stable income, and they became pillars of the Hanshin business portfolio.

[With the development of West Umeda, Nishi Hanshin Building was demolished in 1999 and HERBIS OSAKA was raised on the site. In addition, the hotel was moved to LAXA OSAKA.]


Nishi Hanshin Building just before completion

The computer-controlled Programmed Traffic Control (PTC) system was developed, and adopted on the Sannomiya-Motomachi section in Kobe (in 1986, all the Hanshin network was converted to the new system).

Launch of air-conditioned cars on express and local trains

By the beginning of the 1970s, Hanshin was far ahead of other major private railway operators in Japan in the number of railway cars into which air-conditioning had been introduced. At the end of 1983, it became the first private railway operator in Japan to provide air-conditioning in all passenger rolling stock.


A type 7801, after modification for air-conditioning

New Hankyu Umeda Station opens, one of the largest private railway terminals in Japan

The new Hankyu Umeda Station was completed at a total cost of ¥36.5 billion, approximately eight times the capital cost envisaged when the project first came under consideration approximately 12 years earlier. The new station was capable of handling 1.2 million passengers a day, a doubling of the earlier level. At the same time, along with the grand opening of Hankyu Sanban Gai, the new station made a major contribution to the revitalisation of the Umeda area.


Hankyu Umeda Station after platform relocation and extension works


Special train to commemorate completion of Hankyu Umeda Station

Keihanshin Kyuko Railway Company becomes Hankyu Corporation

Takarazuka Revue: Premiere of *The Rose of Versailles*

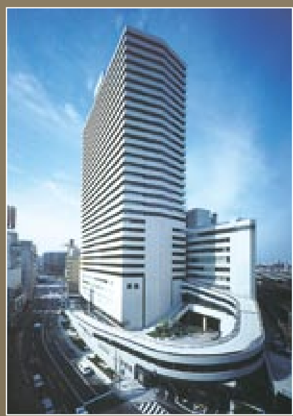
From its premiere, *The Rose of Versailles* was a sell-out hit day after day, embodying as it did the narrative strength and romance of the Takarazuka concept. In 2006, a last night "Oscar" performance of *The Rose of Versailles* was given at the Tokyo Takarazuka Theatre, and the production broke all records in the history of the stage in Japan, with 1,725 performances including revivals and repeated national tours attracting a total of 4.2 million spectators.

©Takarazuka Revue Company


Finale of *Rose of Versailles* (1974), performed by the Tsuki troupe

Completion of landmark Hankyu Grand Building

Hankyu Grand Building, a landmark 78,300m² skyscraper with 32 floors above ground and three below, opens at the heart of a cluster of Group properties, including Hankyu Umeda Station, Hankyu Terminal Building, and Umeda Hankyu Building.


Hankyu Grand Building

1973

1974

1977

1985

Permit obtained for western Umeda development (full-fledged launch of Hanshin western Umeda development project)

With the demolition of the JNR South Umeda railway container yard, a development concept of surrounding yard areas (western Umeda) was presented in 1981 by the then mayor of Osaka to JNR president. As a major landowner in the area (with 23,000m²), Hanshin expressed its intention of participating proactively in the redevelopment plan and submitted a basic blueprint for the western Umeda plan to the city of Osaka at the behest of the city and JNR.

Hanshin Tigers win Nippon Series title (top baseball team in Japan for first time)

The victory of the Hanshin Tigers drove supporters into a spending frenzy and The Sumitomo Trust & Banking Co., Ltd. estimated that "Tiger Fever" would add 0.1 percentage point to the economic growth rate of Osaka and Kobe. The importance of the Tigers brand to the Hanshin group was further underlined by not only the increase in the number of spectators at Hanshin Koshien Stadium (up 35.2% year-on-year to 2.5 million people), but also the sales for commemorative merchandise at the Hanshin Department Store, and the revenue boost from TV broadcasting rights and stadium advertising.

Part 5:

The Great Hanshin Earthquake

In the railway business, both Hankyu and Hanshin had completed their programmes to increase capacity and now focused on improving convenience. In the real estate business, Hanshin had decided on an overall concept for Hanshin western Umeda development project in February 1992, and was now fully committed to creating a modern urban hub that would be on a par with anywhere in the world and would meet the needs of the coming new century.

As all this was happening, at 5:46 am on 17th January 1995, the Great Hanshin Earthquake devastated the Hanshin area. Hankyu and Hanshin suffered severe damage in the disaster. Both companies worked day and night to restore damaged railways and stations. Thanks to the willingness of municipal officials, construction teams and local residents to support to nighttime works, both companies were able to open all railways and fully restart operations five months after the earthquake, in June 1995.

Hankyu

1992

Opening of Chayamachi Applause (Hankyu Chayamachi Building)

This multipurpose high-rise building was opened in the Chayamachi area (northeast of Umeda area). Chayamachi Applause consists of a luxury hotel (Hotel Hankyu International), two theatres (now Umeda Art Theatre), offices and other facilities.

Chayamachi Applause

1993

Opening of New Takarazuka Revue Theatre

Hankyu built Takarazuka Grand Theatre in 1924. But the building was now showing its age, and a reconstruction was planned in the 75th anniversary year of Takarazuka Revue Company, February 1989. The new theatre is reminiscent of southern European building. It contains a new rehearsal hall. The new theatre is twice the size of the old theatre, with a seating capacity of 2,550.

New Takarazuka Grand Theatre

Hanshin

1992

Overall concept of Hanshin western Umeda development project and masterplan for the first phase

In this project, Hanshin aimed to create a modern urban area that would be on a par with anywhere in the world and would meet the needs of the coming new century. In the first phase, Hanshin planned "intelligent" offices and a luxury hotel targeting the international jetsetter crowd, commercial facilities with wide variety of shops grouped by theme to support a sophisticated urban lifestyle, and multi-purpose halls for cultural and international business exchanges.

Redevelopment in the western Umeda area
How it will look after completion

1993

Opening of underground section of Hanshin Main Line between Noda and Umeda

Locating the tracks underground enabled more effective land use in the western Umeda area.

The Great Hanshin Earthquake Hankyu and Hanshin facilities suffer tremendous damage

The Great Hanshin Earthquake, measuring magnitude 7.3, was one of the worst inland earthquakes in the postwar period. It caused catastrophic damage to urban infrastructure including railways, roads, and electricity and gas supplies.

The Hankyu Kobe Line running near the epicenter was particularly severely damaged. Elevated tracks and retaining walls along the line collapsed. Among stations, Itami Station collapsed entirely with a two-car train on top of it. At Sannomiya, the station was damaged and the east building of Kobe Hankyu Building partially collapsed.

Hankyu teams worked around the clock to rebuild railways and stations. The Kobe Line was finally reopened on 12th June 1995, 147 days after the disaster. Hankyu moved Itami Station to a temporary location in order to construct a new station building. The company completed the building as a station with terminus amenities on 20th November 1998. Double track operation to Itami Station was resumed on 6th March 1999 and with this, Hankyu completed its reconstruction 4 years and 2 months after the earthquake. The cost of railway business reconstruction was ¥36.2 billion. Hankyu spent more than ¥60.0 billion repairing all its facilities.

Itami Station and train after the quake


Elevated tracks collapse


Hankyu Line reopened fully on 12th June 1995


Construction of Hankyu Itami Station Building completed on 20th November 1998

The Great Hanshin Earthquake
1995

At Hanshin, railways bore the brunt. The worst affected section was 3.1km between Mikage and Nishinada, where eight land bridges fell. Elevated tracks at Ishiyagawa marshalling yard collapsed or were damaged.

Other train depots and railway facilities also suffered serious damage, including complete and partial destruction of 126 carriages. The total amount of damage reported by Hanshin Electric Railway was ¥48.1 billion, of which its railway business accounted for ¥45.4 billion.

As a provider of transportation services, Hanshin had been working over many years with a sense of mission and pride. United in its determination to recover from the disaster, Hanshin reopened its network fully when operation between Mikage and Nishinada resumed on 26th June, 160 days after the earthquake. Restoration of all railway facilities was completed on 20th March 1996.


Damage at Ishiyagawa marshaling yard


Derailed train


Hanshin Line reopened fully on 26th June 1995

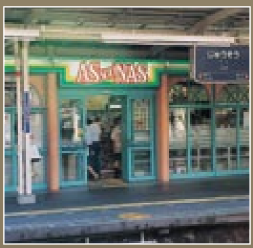
In the wake of this earthquake, Hankyu started its first Hankyu Three-Year Management Plan in 1996, prioritising independent management at each division. In the second Three-Year Management Plan, Hankyu further strengthened core businesses under each division and restructured Group operations.

Hankyu

1995

First directly-managed convenience store Opening of *asnas* at Juso Station

Hankyu opened Japan's first platform convenience store, *asnas*, at Juso Station, with the aim of creating a "fun space for shopping." Subsequently, the Group developed new businesses under the *Ekinaka* format, that is, within the premises of stations, leveraging location to attract customers. Currently *Ekinaka* businesses include the Book 1st. bookstore chain, the *asnas* convenience store chain, the COLOR FiELD cosmetics and accessories chain, and the FREDS café bakery chain.



asnas, Hankyu's first directly-managed convenience store, opened at Juso Station

Book 1st. Shibuya store (opened in 1998)
A flagship store opens in Tokyo, to raise brand awareness.
It closed in 2007 for rebuilding works.

1996

Launch of KANSAI THRU PASS, a one-card public transport pass for Kansai

The "stored-fare" system, pioneered by Hankyu, enabled customers to pass through wicket gates using a pre-paid card. It was later adopted by the Nosé Electric Railway, Hanshin Electric Railway, Kita-Osaka Kyuko Railway, and Osaka Municipal Transportation Bureau, enabling one-card usage of multiple modes of public transport. The KANSAI THRU PASS enabled freedom of movement around the whole regional network, and helped to develop it.

We have now introduced our own complete transportation network covering all Kansai (including bus services).

KANSAI THRU PASS poster

Launch of New Hankyu Three-Year Management Plan

In the new Hankyu three-year plan, the Group set itself the goal of independent management at each business division. The Group set up independent business divisions and made each a core business responsible for generating its own earnings.

1998

Opening of HEP FIVE

HEP NAVIO and HEP FIVE together formed one of the largest urban shopping malls in Japan. HEP FIVE attracted much attention for having Japan's first fully air-conditioned ferris wheel built on its rooftop.

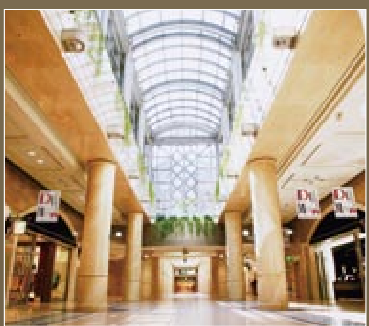
HEP FIVE

Hanshin

1995

Opening of Diamor Osaka

Diamor Osaka is an underground mall that connects the redevelopment area of western Umeda and Hanshin Department Store. Designed to attract female office workers and business people looking to upgrade their urban lifestyles, it offers high-quality and sophisticated fashion products and accessories as well as information services.



Diamor Osaka

1996

Launch of KANSAI THRU PASS

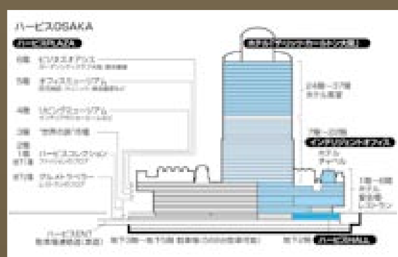
1997

Completion of HERBIS OSAKA (Phase I of Hanshin western Umeda development project)

HERBIS OSAKA

With a site area of 13,800m², a total floor area of 137,000m², five floors below ground and 40 above, as well as a penthouse floor, HERBIS OSAKA took more than three years to complete. It is a multi-purpose skyscraper, housing The Ritz-Carlton, Osaka — the heart of the building — HERBIS Plaza with its luxury brand boutiques and restaurants, suites of hi-tech offices, and multifunctional halls.

The Ritz-Carlton, Osaka



Facilities of HERBIS OSAKA

While still restoring quake-disrupted operations, Hanshin continued with its redevelopment project in western Umeda. More than 20 years had passed since the first blueprints were drawn up. HERBIS OSAKA was finally opened in 1997, followed by HERBIS ENT in November 2004.

Second phase of New Hankyu Three-Year Management Plan

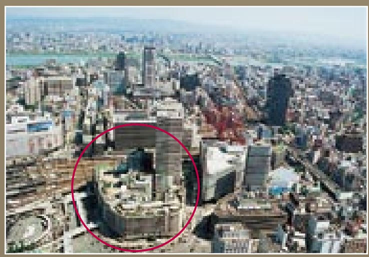
Planning the Hankyu New Century Group Vision

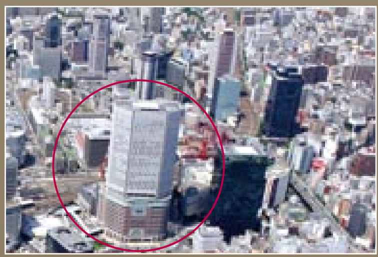
Regarding itself as a single company rather than a conglomerate, Hankyu Corporation Group developed a clear strategy of selection and concentration for its business portfolio.

Announcement of Umeda Hankyu Building rebuilding

Umeda Hankyu Building housing the Hankyu Department Store Umeda Flagship Store repeatedly added extensions for more than half a century until November 1972. The group decided to rebuild the building as structural deterioration was becoming noticeable, and the Act on Special Measures concerning Urban Regeneration implemented in June 2002 had eased floor-area ratio restrictions.

☞ Please see page 38 for an overview of this project.


Umeda Hankyu Building before rebuilding


Current Umeda Hankyu Building

Birth of Hankyu Holdings Inc.

Hankyu largely realised its strategy of business selection and concentration and completed Group restructuring, in line with the Hankyu New Century Group Vision. It then created a holding company — Hankyu Holdings — with Group management and day-to-day business management separated, as a measure to bolster Group management and competitiveness in each core business.


Birth of Hankyu Holdings

Opening of NU chayamachi

Hotel New Hankyu becomes wholly owned subsidiary

1999 2001 2004 2005

1999 2001 2004

Opening of LAXA OSAKA

The multipurpose high-rise LAXA OSAKA was opened at the site of the former Hanshin Fukushima Station in front of the JR Fukushima Station. LAXA OSAKA, containing the Hotel Hanshin, offices, restaurants and other facilities, rose on the site.


LAXA OSAKA

Establishment of Nishi-Osaka Railway Co., Ltd.

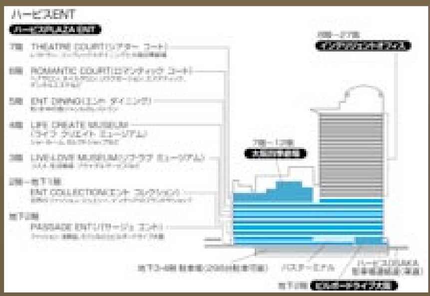
The long-shelved project to extend the Nishi-Osaka line to Namba was restarted, to give Hanshin a direct connection with the hub of southern Osaka. Today it is the Hanshin Namba Line.

Completion of HERBIS ENT (completion of Hanshin western Umeda development project)

In the Hanshin western Umeda development area, HERBIS ENT is located closest to JR Osaka Station and is considered a gateway to the city. HERBIS ENT is the fulcrum of the urban development project that the Hanshin Group had been working on in Umeda, where its department store, the Diamor Osaka mall, HERBIS OSAKA and LAXA OSAKA are also located.

HERBIS ENT is a multi-purpose skyscraper with a site area of 9,600m², a total floor area of 106,500m², four floors below ground and 28 floors above, as well as two penthouse floors. Osaka Shiki Theatre is a core facility.


HERBIS ENT


Facilities of HERBIS ENT

Part 6:

Birth of Hankyu Hanshin

Birth of Hankyu Hanshin Holdings (through management integration of Hankyu Holdings and Hanshin Electric Railway)

Hankyu Holdings and Hanshin Electric Railway integrated their managements and charted a single strategic course for sustainable growth, while respecting each other's separate history and culture dating back over 100 years. To rally all employees in the Group, Hankyu and Hanshin developed the Hankyu Hanshin Holdings Group Philosophy, including a mission ("Serenity and well-being, inspiration and dreams — by delivering these to our customers, we will create satisfaction and make a positive contribution to society") for serving customers and the public interest.

Unveiling of Hankyu Hanshin Holdings Group Philosophy

Poster announcing the management integration

Birth of Hankyu-Hanshin-Daiichi Hotel Group

Poster announcing the birth of Hankyu-Hanshin-Daiichi Hotel Group

Hankyu Hanshin Holdings Group 2007 Medium-Term Management Plan

The Hankyu Hanshin Holdings Group Philosophy involves a set of basic strategies for the Group: strengthening fundamental competitiveness and profitability business by business (building value in areas served by our lines and revitalising the Umeda area), identifying and maximising merger benefits, and improving the Group's financial position and return on assets. The 2007 Medium-Term Management Plan will end in fiscal 2013.

☞ Please see page 25 for details of the Medium-Term Management Plan.

Integration of Hankyu and Hanshin department store businesses

In October 2007, following the management integration of the Hankyu Department Stores, Inc. with The Hanshin Department Store, Ltd., a new holding company was created for joint department store operations, H_2O Retailing Corporation, which was made an equity-method affiliate of the Company.

Debut of Hankyu Hanshin Holdings Group's new STACIA credit card

Hankyu

2006

2007

2008

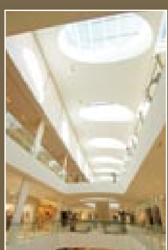
2009

Hanshin

Opening of Hankyu Nishinomiya Gardens

Hankyu Nishinomiya Gardens, one of the largest retail complex in western Japan, was opened near Hankyu Nishinomiya-Kitaguchi Station on the Hankyu Kobe Line. Hankyu Nishinomiya Gardens contains 273 retail premises including a Hankyu Department Store, a Toho Co., Ltd. and OS Co., Ltd.-operated multiplex cinema, and a general merchandise store. As befits its name, Hankyu Nishinomiya Gardens has a public garden built into its roof, while the interior relies on natural lighting from an open ceiling space, creating a feeling of greenery and spaciousness. The facility is promoted as a space for customers to relax in even when they are not shopping. As a result, Hankyu Nishinomiya Gardens has maintained strong sales since its opening.


Exterior of Hankyu Nishinomiya Gardens


Interior

Opening of the Hanshin Namba Line (Extension between Nishikujo and Osaka-Namba)

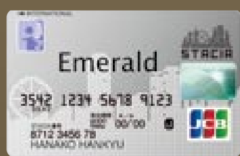
A wide-area railway network linking Kobe, Osaka and Nara was completed with the opening of the Hanshin Namba Line. Three new stations, Kujo, Dome-mae and Sakuragawa, were built and now connect into Osaka Municipal Subway and other existing lines. As a result, the railway network in Osaka has greatly improved. Reflecting customer appreciation of the enhanced convenience, the line boosted revenues from railway operations in fiscal 2011 by roughly ¥3,740 million, just shy of Hanshin's five-year target of ¥3,800 million, after only two years of operation.


Hanshin Namba Line

Opening of Phase I of Hankyu Department Store Umeda Flagship Store (Rebuilding of Umeda Hankyu Building)

Launch of STACIA point-service card, and of Hankyu Hanshin Emerald STACIA Card

H_2O Retailing Group is now partner of the STACIA point-service programme operated by the Group. As a joint card usable at both the Group and H_2O Retailing facilities, the STACIA card is now renamed the Emerald STACIA card.



Emerald STACIA card

Holdings

Hankyu Hanshin Holdings

Launch of Osaka Station North District *(Umekita)* Development Area Project

This project is intended to create a cradle of Asian industrial innovation. The development area is just north of JR Osaka Station and forms the best location in all Osaka. The area is centred on a "Knowledge Capital" and will comprise city-centre class retail outlets and offices. Hankyu Corporation is one of 12 companies involved in the development consortium.

☞ Please see page 39 for an overview of the project.

Conceptual diagram (GRAND FRONT OSAKA)

2010

Completion of Umeda Hankyu Building Office Tower

Umeda Hankyu Building Office Tower was opened in May 2010. This landmark is categorised as a Class S Building, an official mark of prestige, a rarity in Osaka. It stands in the centre of Umeda area, which boasts western Japan's biggest railway terminal.

☞ Please see page 38 for an overview of the rebuilding of Umeda Hankyu Building

Umeda Hankyu Building Office Tower

Works start on Shin Osaka Hankyu Building

This multipurpose building stands just north of JR Shin-Osaka Station, a Shinkansen terminus. A key tenant within the Shin-Osaka Hankyu Building will be our fourth REMM brand accommodation-centered hotel (that is, with very limited function facilities).

☞ Please see page 40 for an overview of the project

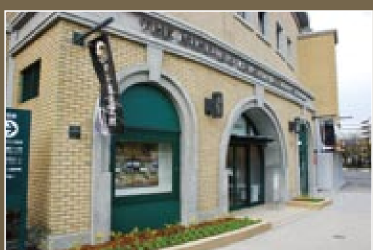
Conceptual diagram (Shin Osaka Hankyu Building)

Renovation of Hanshin Koshien Stadium completed
Opening of the Museum of Hanshin Koshien Stadium

Hanshin Koshien Stadium, home of the Hanshin Tigers, was built more than 80 years ago. Following discovery of structural deterioration, Hanshin renovated the whole building during three off-seasons from fiscal 2008 to fiscal 2010. Through these works, the company enhanced customer safety with reconstruction of decrepit sections and seismic strengthening, while respecting the stadium's history and traditions. In addition, comfort standards were raised by improvement of infield and outfield seating arrangements, and upgrading of food, drink and merchandising outlets, as well as provision of luxury ("Royal Suite") seating.

The museum of Hanshin Koshien Stadium showcases the stadium, the Hanshin Tigers, high school baseball, and the college-level American Football competitions also held at Koshien, and ensures the tradition is handed down to future generations. In its first year, fiscal 2011, the number of visitors was 157,000, more than expected.

Hanshin Koshien Stadium



The Museum of Hanshin Koshien Stadium

Creating Value for Our Network Area

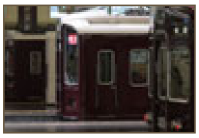
Looking ahead to the next 100 years
of delivering peace of mind and convenience,
and the thrills and dreams of entertainment,
to the people of Kansai

Annual Report 2011

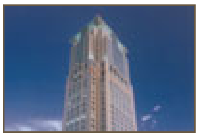
Contents

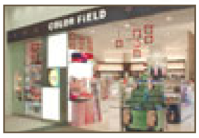
Our Business

Interview with the President



©Takarazuka Revue Company





Core Business:
Overview and Outlook

Management Organisation

Safety Management System
Directors and Corporate Auditors
Corporate Social Responsibility

Financial Section

Search Index

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 173rd 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 2011" refers to the fiscal year ended 31st March 2011. 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.

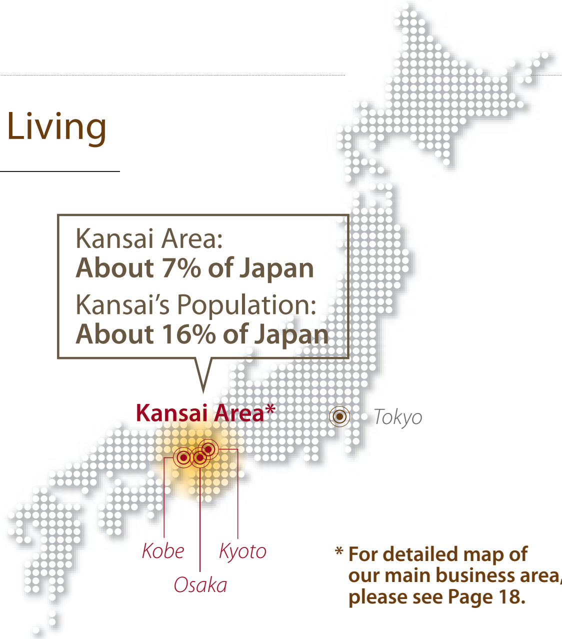
Our Business

Supporting, Brightening and Enriching Daily Living

Centred on the Kansai district of Japan, the holding company Hankyu Hanshin Holdings Group operates six core businesses—Urban Transportation, Real Estate, Entertainment and Communications, Travel and International Transportation, Hotels, and Retailing.

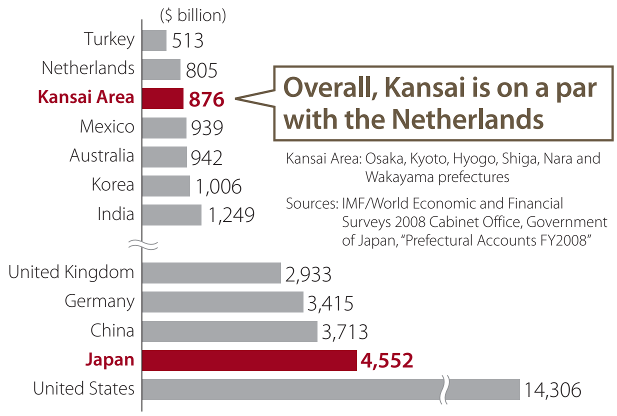
The Group's business is founded on railway operations, which have as their mission the provision of safe, comfortable, high-speed and high-capacity transportation services in the Kansai district comprising Osaka, Kobe and Kyoto. By connecting these cities, and, within each of them, linking downtown areas with the suburbs, we have greatly increased inter-regional mobility and enhanced the lifestyles of local people. In areas served by our stations, we also provide services that were not available before, in fields such as housing and commercial facilities, and through attractions such as the Hanshin Tigers professional baseball team and the Takarazuka Revue. In this way, we are enriching people's lifestyles and are contributing to the community-building process in areas served by our stations. By developing these areas, we generate benefits of synergy by increasing passenger volumes on our railways and building up other businesses.

While leveraging the know-how and brand recognition we have built up in community-building over the more than 100 years since our founding, we will unite as a Group to provide the best possible services and grow our business by increasing value along Group railway lines.



* For detailed map of our main business area, please see Page 18.

Kansai's GDP Compared with Selected Countries



Our Revenue Structure: Earnings Drivers are the Urban Transportation and Real Estate Businesses

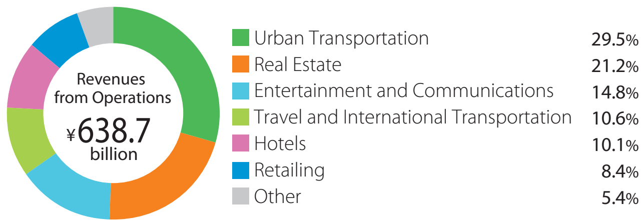
The Urban Transportation and Real Estate businesses are the main drivers of Group earnings, together accounting for approximately 50% of revenues from operations and 80% of operating income.

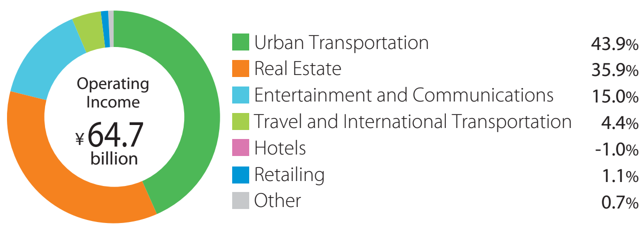
In the Urban Transportation segment, railways account for most earnings, and the same is true of leasing operations in the Real Estate business. This ensures stable cash flow in both segments.

Our Entertainment and Communications business contributes about 10% of operating income, on a stable basis. This is the business that gives the Group much of its distinct identity.

Composition Ratio by Core Business

(Fiscal Year ended March 2011)





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

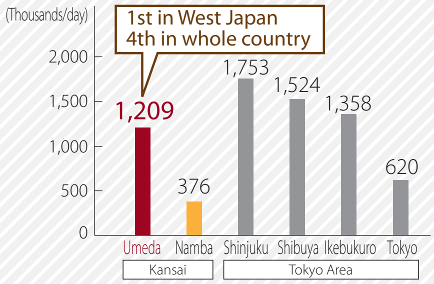
Sources of Competitiveness for the Group

1. High potential of areas served by our stations

The Umeda area of Osaka, the strategic cornerstone of Group operations, 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 this area, the Group operates railway terminals serving both the Hankyu and Hanshin networks, and also runs key commercial facility, office building and hotel businesses (**For more information, please see Page 18, Major Group Facilities**).

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

Number of Passengers of Major Stations



Umeda (Osaka): Osaka Municipal Transportation Bureau, JR West, Hankyu, Hanshin
Namba: Kintetsu, Nankai, Osaka Municipal Transportation Bureau
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
Tokyo: JR East, Tokyo Metro

Source: Urban Transportation Report 2009 Edition (Institution for Transport Policy Studies)

2. Ability to create value along areas served by our stations

The Group creates new demand in the areas served by our stations 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 services that we deliver to our customers change over time. However, our focus is on the longer term. While valuing the relationships of trust that we build up with people living in areas served by our stations, we remain committed to an unchanged basic policy of community-building aimed at raising the residential appeal of the overall area.

Currently, the areas served by our stations are among the more popular in Kansai. It is a strength of the Group that we can create value along our lines, through the real estate development and other businesses.

Survey of Preferred Residential Areas (Kansai Region)

Areas along Hankyu and Hanshin lines topped the rankings overall (exception:15th-ranked Tennoji)

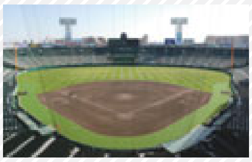
Rank	Place	Location	Rank	Place	Location
1	Ashiya	Ashiya, Hyogo	11	Takarazuka	Takarazuka, Hyogo
2	Nishinomiya	Nishinomiya, Hyogo	12	Mikage	Kobe, Hyogo
3	Kobe	Kobe, Hyogo	13	Takatsuki	Takatsuki, Osaka
4	Shukugawa	Nishinomiya, Hyogo	14	Mino-o	Mino-o, Osaka
5	Okamoto	Kobe, Hyogo	15	Tennoji	Osaka
6	Senri-chuo	Toyonaka, Osaka	15	Namba	Osaka
7	Umeda	Osaka	17	Suita	Suita, Osaka
8	Ibaraki	Ibaraki, Osaka	18	Toyonaka	Toyonaka, Osaka
9	Kyoto	Kyoto	19	Kurakuen	Nishinomiya, Hyogo
10	Sannomiya	Kobe, Hyogo	19	Motomachi	Kobe, Hyogo

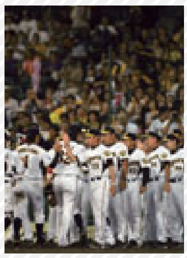
Source: Survey by Sumitomo Realty & Development and 7 other major real estate firms (6th September 2010)

3. 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 unique assets are popular and enthusiastically supported not only in Kansai but throughout Japan.

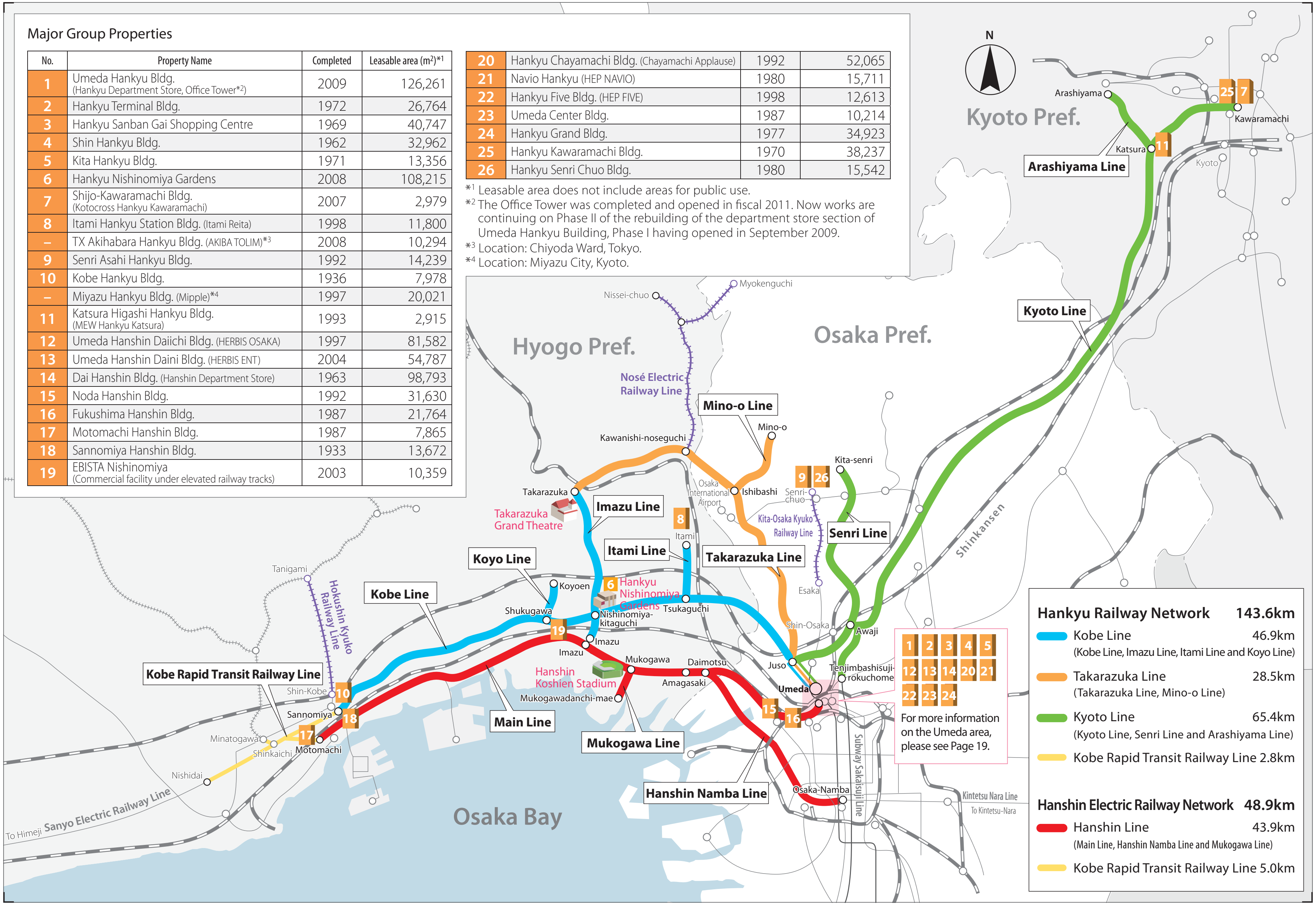
These two powerful attractions are assets that none of our rivals have. They create economic ripple effects by increasing passenger numbers in the areas served by our stations when there is a show or a game on, and by enabling multiple use of content. This contributes greatly to increased brand recognition for us.


Hanshin Koshien Stadium


©Hanshin Tigers


©Takarazuka Revue Company

Major Group Facilities (as of 31st March 2011)



Major Group Properties

No.	Property Name	Completed	Leasable area (m²)*1
1	Umeda Hankyu Bldg. (Hankyu Department Store, Office Tower*2)	2009	126,261
2	Hankyu Terminal Bldg.	1972	26,764
3	Hankyu Sanban Gai Shopping Centre	1969	40,747
4	Shin Hankyu Bldg.	1962	32,962
5	Kita Hankyu Bldg.	1971	13,356
6	Hankyu Nishinomiya Gardens	2008	108,215
7	Shijo-Kawaramachi Bldg. (Kotocross Hankyu Kawaramachi)	2007	2,979
8	Itami Hankyu Station Bldg. (Itami Reita)	1998	11,800
–	TX Akihabara Hankyu Bldg. (AKIBA TOLIM)*3	2008	10,294
9	Senri Asahi Hankyu Bldg.	1992	14,239
10	Kobe Hankyu Bldg.	1936	7,978
–	Miyazu Hankyu Bldg. (Mipple)*4	1997	20,021
11	Katsura Higashi Hankyu Bldg. (MEW Hankyu Katsura)	1993	2,915
12	Umeda Hanshin Daiichi Bldg. (HERBIS OSAKA)	1997	81,582
13	Umeda Hanshin Daini Bldg. (HERBIS ENT)	2004	54,787
14	Dai Hanshin Bldg. (Hanshin Department Store)	1963	98,793
15	Noda Hanshin Bldg.	1992	31,630
16	Fukushima Hanshin Bldg.	1987	21,764
17	Motomachi Hanshin Bldg.	1987	7,865
18	Sannomiya Hanshin Bldg.	1933	13,672
19	EBISTA Nishinomiya (Commercial facility under elevated railway tracks)	2003	10,359
20	Hankyu Chayamachi Bldg. (Chayamachi Applause)	1992	52,065
21	Navio Hankyu (HEP NAVIO)	1980	15,711
22	Hankyu Five Bldg. (HEP FIVE)	1998	12,613
23	Umeda Center Bldg.	1987	10,214
24	Hankyu Grand Bldg.	1977	34,923
25	Hankyu Kawaramachi Bldg.	1970	38,237
26	Hankyu Senri Chuo Bldg.	1980	15,542

*1 Leasable area does not include areas for public use.
*2 The Office Tower was completed and opened in fiscal 2011. Now works are continuing on Phase II of the rebuilding of the department store section of Umeda Hankyu Building, Phase I having opened in September 2009.
*3 Location: Chiyoda Ward, Tokyo.
*4 Location: Miyazu City, Kyoto.

Features of Our Facilities

Hankyu Railway Network

Hankyu Corporation is one of Japan's 16 leading private railway operators, operating the Kobe, Takarazuka, and Kyoto lines as well as a number of branch lines. Offering interurban services linking Osaka, Kobe and Kyoto, three of Japan's leading cities, the network has the highest transportation efficiency level among private railway operators in the Kansai district. In March 2010, we began operations at Settsu-shi Station on the Kyoto Line — the first railway station in Japan with zero net CO_2 emissions.

Total length of lines operated	143.6km
Number of stations	89
Annual number of passengers carried	603,233 thousand

* Sum of tier 1 and tier 2 operators.

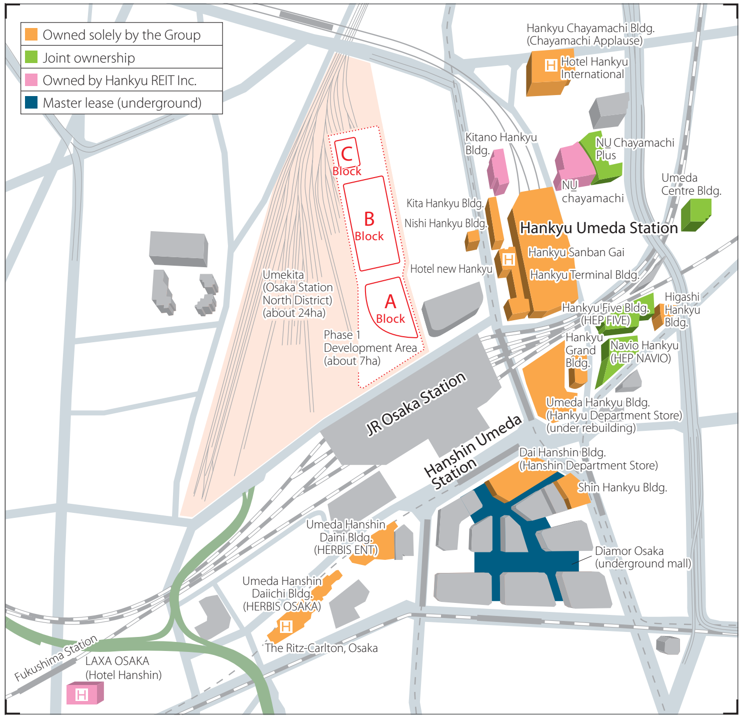
Hanshin Electric Railway Network

Hanshin Electric Railway Co., Ltd. is one of Japan's 16 leading private railway operators. In March 2009, it began operations of the Hanshin Namba Line, enabling the first single-line link between Namba and Kobe. By sharing lines with Kintetsu Line (Kintetsu Corporation), we have also completed a wide-area railway network linking Kobe, Osaka and Nara. In future, we expect further revenue growth on the Hanshin Electric Railway Lines, the only through-route serving the Kobe and both the two major railway terminals in Osaka, Umeda and Namba.

Total length of lines operated	48.9km
Number of stations	51
Annual number of passengers carried	205,202 thousand

* Sum of tier 1 operator and tier 2 operator.

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 2011)

Hankyu Nishinomiya Gardens

Hankyu Nishinomiya Gardens, which opened in November 2008 at the former site of Hankyu Nishinomiya Stadium adjacent to Nishinomiya-Kitaguchi Station on the Kobe Line (Hankyu), is one of the largest shopping centres in western Japan. It comprises 268 stores, centred on the Hankyu Department Store, a cinema complex (TOHO CINEMAS Nishinomiya OS), and a large general merchandising store. As befits its name, Hankyu Nishinomiya Gardens has a public garden built into its roof, and some of the outer walling has been greened, while the interior relies on natural lighting from an open ceiling space, creating a feeling of greenery and spaciousness.

Number of visitors (fiscal 2011)	18.28 million (YoY + 1.46 million)
Sales (fiscal 2011)	¥69.3 billion (YoY + ¥5.3 billion)

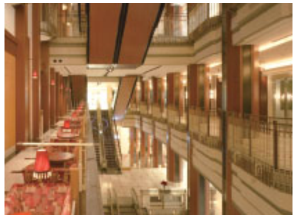
Hanshin Koshien Stadium

⇒Please see Pages 2, 13.

Takarazuka Grand Theatre

⇒Please see Pages 2, 8.

HERBIS OSAKA/ HERBIS ENT (Osaka-West Umeda area development)



The main tenant at HERBIS OSAKA, which opened in 1997, is The Ritz-Carlton, Osaka. At HERBIS ENT (opened in 2004), the key tenant is the renowned Osaka Shiki Theatre. With commercial facilities that have attracted a number of overseas luxury brands, and "intelligent offices" in a multifunctional tower, the HERBIS OSAKA and HERBIS ENT skyscraper complex forms a gateway fitting for the international city of Osaka.

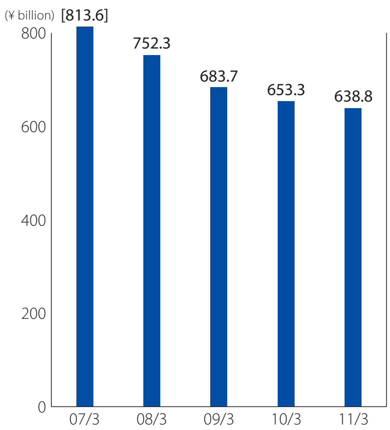
Umeda Hankyu Building

⇒Please see Page 38.

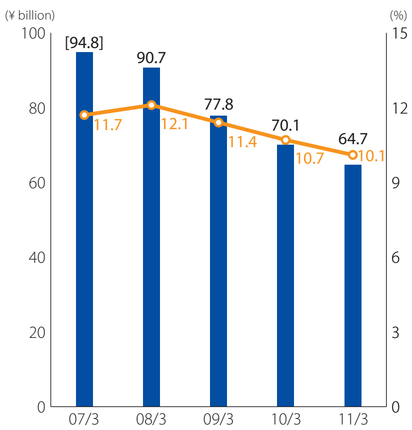
Consolidated Financial Highlights

		(Millions of yen)					(Thousands of U.S. dollars)[1]
		2007/3[2]	2008/3	2009/3	2010/3	2011/3	2011/3
Result of Operations:							
Revenues from operations		¥[813,613]	¥752,300	¥683,715	¥653,287	**¥638,770**	**$7,696,024**
Operating income		[94,800]	90,724	77,823	70,126	**64,743**	**780,036**
EBITDA[3]		[146,500]	145,200	135,300	133,200	**127,100**	**1,531,325**
Income before income taxes and minority interests		65,305	26,098	34,064	33,899	**32,760**	**394,699**
Net income		[40,507]	627	20,550	10,793	**18,068**	**217,687**
Comprehensive income		—	—	—	12,541	**14,728**	**177,446**
Capital expenditure		53,795	134,307	109,688	132,386	**68,431**	**824,470**
Depreciation and amortisation		43,888	51,577	54,798	60,418	**59,669**	**718,904**
Cash Flows:							
Cash flows from operating activities		¥ 78,981	¥ 74,902	¥108,597	¥146,955	**¥103,252**	**$1,244,000**
Cash flows from investing activities		(199,578)	(100,058)	(115,047)	(132,737)	**(62,516)**	**(753,205)**
Free cash flow[4]		(120,596)	(25,155)	(6,449)	14,217	**40,735**	**490,783**
Cash flows from financing activities		132,289	36,718	7,014	(24,200)	**(39,544)**	**(476,434)**
Financial Position:							
Total assets		¥2,366,694	¥2,348,476	¥2,307,332	¥2,337,331	**¥2,314,669**	**$27,887,578**
Total net assets		522,286	476,639	473,878	480,633	**486,947**	**5,866,831**
Interest-bearing debt		1,209,382	1,271,100	1,275,620	1,282,583	**1,251,665**	**15,080,301**
Per Share Data (yen and U.S. dollars):							
Net income	Basic	¥ 31.84	¥ 0.50	¥ 16.28	¥ 8.55	**¥ 14.32**	**$0.17**
	Diluted	—	0.41	16.18	8.51	**14.27**	**0.17**
Net assets		405.35	369.25	366.96	371.70	**377.17**	**4.54**
Dividend		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**	—
ROA (%)[5]		4.4	3.8	3.3	3.0	**2.8**	—
ROE (%)[6]		8.4	0.1	4.4	2.3	**3.8**	—
Interest-bearing debt/EBITDA (times)		8.3[8]	8.8	9.4	9.6	**9.8**	—
Equity ratio (%)		21.7	19.9	20.1	20.1	**20.6**	—
Debt/equity (D/E) ratio (times)[7]		2.4	2.7	2.8	2.7	**2.6**	—

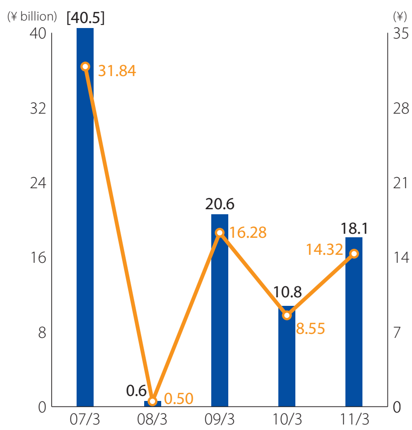
Revenues from Operations*



Operating Income*
Operating Income Margin



Net Income*
Net Income per Share



* For the period ended 31st March 2007, figures were calculated assuming the management integration had entered effect from the beginning of the term.

Revenues from operations

Revenues from operations during the year under review decreased year-on-year by ¥14,517 million (2.2%) to ¥638,770 million. Despite a corrective increase following the H1N1 flu scare and the global economic slowdown of the previous fiscal year, sales performance was dragged down by a substantial decline in condominium unit sales in the Real Estate Business (a reaction to the surge in major-project completions and deliveries in the previous term), and the impact of the Great East Japan Earthquake on operations mainly in the Travel and International Transportation, Entertainment and Communications, and Hotels businesses.

Operating income

Operating income decreased ¥5,383 million (7.7%) to ¥64,743 million, partly on increased property and equipment disposal costs in the Urban Transportation business, which outweighed the gains from cost-cutting drives across core businesses.

Net income

Net income increased by ¥7,275 million (67.4%) to ¥18,068 million, due mainly to a corrective reduction in extraordinary losses recorded in the previous fiscal year for a lump sum amortisation of goodwill equivalent amount under the equity method.

Comprehensive income

Comprehensive income increased by ¥2,186 million (17.4%) to ¥14,728 million, due to a significant increase in income before minority interests, despite a year-on-year fall in other comprehensive income due to decline in the valuation difference on available-for-sale securities and an equivalent amount of valuation difference on available-for-sale securities relating to affiliates under the equity method, reflecting the weak performance of the stock market.

Interest-bearing debt

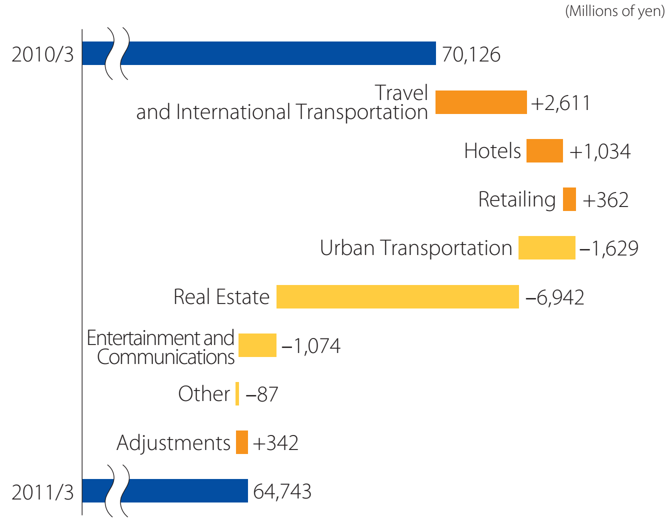
The outstanding balance of interest-bearing debt (consolidated basis) decreased by ¥30,917 million (2.4%) from the previous term to ¥1,251,665 million, with net cash from operating activities outweighing the capital expenditure associated with the rebuilding of the Umeda Hankyu Building and other projects.

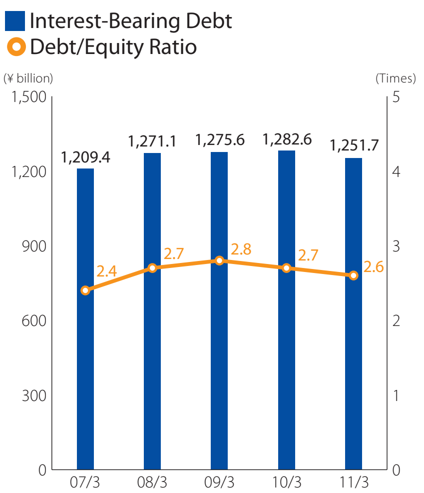
Notes:

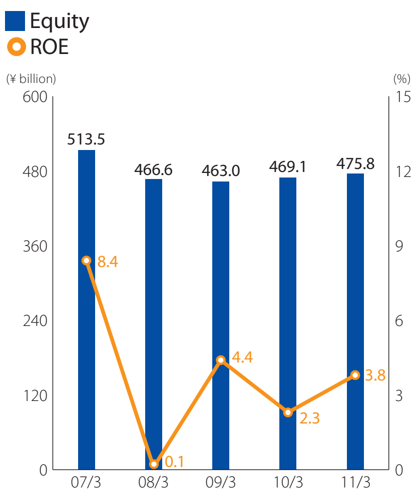
1. The U.S. dollar amounts have been translated, for convenience only, at ¥83 = $1, the prevailing exchange rate on the Tokyo Foreign Exchange Market at 31st March 2011.
2. From the second quarter of the fiscal year ended 31st March 2007, consolidated results of Hanshin Electric Railway Co., Ltd. are included as a result of management integration, in the scope of consolidation of the Group.
   Figures in [ ] were calculated assuming the management integration had entered effect from the beginning of the term.
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.
4. Free cash flow = Cash flows from operating activities + Cash flows from investing activities
5. ROA = operating income/total assets (average of period-start and period-end totals)
6. ROE = net income/equity (average of period-start and period-end totals)
7. D/E ratio = interest-bearing debt/equity
8. EBITDA is calculated assuming the management integration at the beginning of the term.

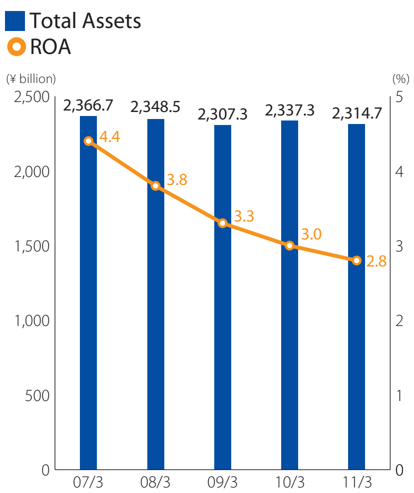
Operating Income by Segment, Year-on-Year Comparison

(Millions of yen)









Interview with the President

Firstly I would like to offer my sincerest sympathies
to all those affected by the Great East Japan Earthquake,
and my fervent hopes for a rapid recovery in the affected areas.

The Group offered support through direct contributions from the Company and donations from individual employees and executives. It was also involved in various recovery support initiatives through its business activities.

Under its six-year Medium-Term Management Plan ending in fiscal 2013 (ending 31st March 2013), the Group is engaged in multiple prestige projects aimed at building up enterprise value over the longer term.

Our business environment is now going through a time of dramatic, unprecedented change, typified by the global financial crisis and the Great East Japan Earthquake. However, we will continue to grow as a Group, while striking an appropriate balance between ensuring sustainable growth and improving financial health.

I trust our shareholders will continue to extend their understanding and support in these endeavours.

Kazuo Sumi

Kazuo Sumi
President

☞ For more details about financial strategy and shareholder return policy, please see Page 67.

Business Environment and Financial Results

Q Looking back at the year ended in March 2011, what comments do you have on the business environment and the Company's overall earnings performance?

A Operating income declined for various reasons, including the impact of the Great East Japan Earthquake and special factors leading to increased expenses, but net income was up significantly, in a correction from the extraordinary loss of the previous fiscal year.

Prospects for the Japanese economy remained uncertain in the fiscal year ended 31st March 2011, held back by persistent employment concerns and other worries. The impact of the Great East Japan Earthquake and tsunami drowned out signs of recovery in private capital investment and consumer spending.

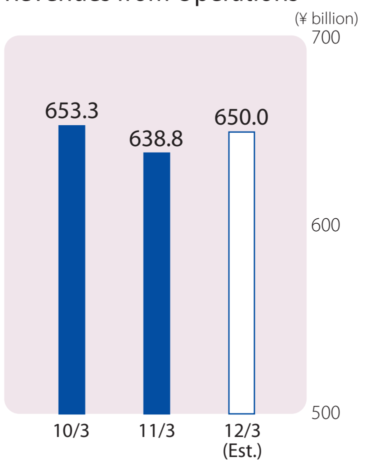
Against this backdrop, revenues from operations in the Travel and International Transportation business increased, partly as a correction following the impact of the H1N1 outbreak and the global economic slowdown in the previous fiscal year. But on a consolidated basis, revenues declined due to the absence of major large-scale condominium projects of the kind that lifted the Real Estate Business in the previous fiscal year. The earthquake disaster additionally affected all businesses.

Operating income fell in line with weakening revenues from operations, and the Group also booked depreciation expenses and had various tax exposures in the Real Estate Business following completion of Phase I of the rebuilding of the department store section of the Umeda Hankyu Building. Another negative was an increase in property and equipment disposal expenses in the Urban Transportation segment, due to the Yodogawa Hokugan street underpass works now being carried out by Hankyu Corporation. However, if these special factors are stripped out, operating income would have been in line with the previous fiscal year.

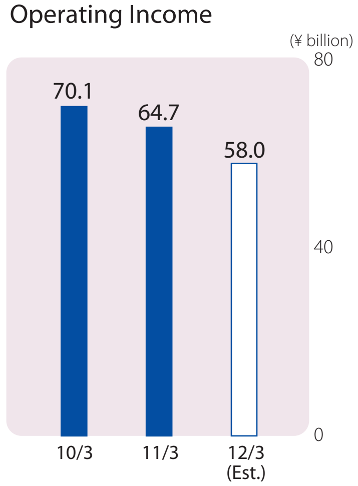
Net income for the term, meanwhile, rose significantly due to the absence of last year's booking of extraordinary loss for lump-sum amortisation of goodwill related to shares of an equity-method affiliate.

The Great East Japan Earthquake wiped ¥4.1 billion off revenues from operations and ¥3.4 billion from operating income in the term under review. The Travel, Entertainment and Communications and Hotels businesses were particularly badly affected.

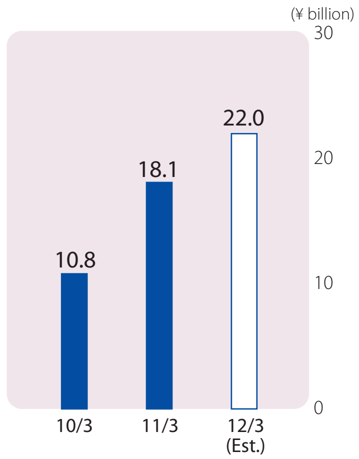
Revenues from Operations



Operating Income



Net Income



Outlook for the Year Ending 31st March 2012

Q How do you see the year ending 31st March 2012 shaping up?

A We expect another drop in operating income as we expect the damage bill following the earthquake disaster to further increase, but we forecast higher net income due partly to reduced extraordinary losses.

Compared with our results for the fiscal year ended 31st March 2011, we expect the earthquake disaster of March to hit revenues in the Hotels, Travel and Entertainment and Communications businesses particularly badly. However, we anticipate increased revenues from operations overall on the back of a significant increase in the number of condominiums sold and higher tenant occupancy rates in the Umeda Hankyu Building Office Tower (Real Estate Business).

Operating income, by contrast, is likely to decline again on a consolidated basis. Despite positives such as improved earnings in the Real Estate Business and a correction in the Urban Transportation Business following the rise in property and equipment disposal expenses in the previous year, the impact of the earthquake was severe. We expect also an increase in various expenses in the Urban Transportation Business.

We see ordinarily income falling as well, but net income is expected to increase as a correction following the booking of an extraordinary loss in the previous term.

We estimate the impact of the earthquake disaster at ¥16.0 billion on revenue from operations and ¥8.0 billion on operating income (both being absolute figures, and not comparisons with the previous fiscal term).

Changes to the Medium-Term Management Plan

Q In discussing the previous Medium-Term Management Plan, you said that it will be difficult to meet the numerical targets for 31st March 2013, and added: "If this situation does not improve, we will have to factor in longer-term trends (in fiscal 2014 and beyond) in the next revision of estimates in the new Medium-Term Management Plan, to clarify the future directions the Group must take." In the event, you have made no public announcement regarding the Medium-Term Business Plan, and have only made public your forecasts for the year ending 31st March 2012. What is going on?

A We decided to restrict forecasting to the year ending 31st March 2012, because the impact of the earthquake disaster has made it extremely difficult to make performance predictions. We remain committed to our basic plan of taking measures to improve our financial position in the fiscal years ending 31st March 2012 and 2013.

To position ourselves to improve Group enterprise value by the year ending March 2013, when the large-scale projects that we see as future earnings drivers such as the rebuilding of the Umeda Hankyu Building (currently in progress) will complete, we unveiled a six-year

business plan on 26th March 2007 for the period between 31st March 2008 and 31st March 2013. We called it the Hankyu Hanshin Holdings Group 2007 Medium-Term Management Plan. While reviewing progress on an annual basis, we have revised the plan in light of changes in the business environment.

In this fiscal year, we had made preparations for the announcement of a revised Medium-Term Management Plan in line with this policy, but, given the severe uncertainties that have arisen following the Great East Japan Earthquake of 11th March 2011, we decided to publish forecasts with specific numerical targets for the year ending 31st March 2012 only, with the impact of the earthquake factored in as best we could.

Specifically, the ratio of consolidated interest-bearing debt to EBITDA rose to 9.8 times in the year ended 31st March 2011, and we forecast it to rise to 10.3 times in the year ending 31st March 2012. That is a deterioration from 9.6 times in the year ended 31st March 2010, but in both forecasts we have factored in the impact of the earthquake. However, we estimate the ratio would remain unchanged at 9.6 times in both years ending 31st March 2011 and 2012, if earthquake damage is stripped out. We will continue to take measures to improve our financial position ahead of the plan target year ending 31st March 2013.

Reference: The Hankyu Hanshin Holdings Group 2007 Medium-Term Management Plan

Numerical Targets (Consolidated-Basis Management Indicators, First Announced 3rd April 2008)

Major indicators	Indicator of	FY2013 (estimate)	FY2011 (results)
Operating income	Earnings from core businesses	¥100 billion	¥64.7 billion
EBITDA	Generation of cash flows	¥160 billion	¥127.1 billion
Effects of integration	Quantitative effects	¥5 billion or more (EBITDA; every year after FY2010)	¥7.9 billion (EBITDA)
Interest-bearing debt/ EBITDA	Financial soundness	Around 7 times	9.8 times
Total interest-bearing debt	Full repayment of TOB funding	(Note) ¥1,130 billion or less	¥1,251.7 billion
Debt/equity (D/E) ratio	Financial soundness	Less than 2 times	2.6 times
ROE	Capital efficiency	At least 6.0%	3.8%

(Note) On 26th March 2007, the Hankyu Hanshin Holdings Group 2007 Medium-Term Management Plan was announced.
In view of the outlook for fiscal 2008 and other factors, we revised our target for EBITDA on 3rd April 2008. The total interest-bearing debt target sum was revised on the assumption of progress in placing securitised properties on the balance sheet.
* EBITDA = operating income + depreciation expenses + amortisation of goodwill attendant on the management integration of Hankyu and Hanshin
* D/E ratio = interest-bearing debt/equity

Because of the harsh economic environment facing Japan due to the global financial crisis triggered by the collapse of Lehman Brothers in September 2008, we announced in our review of the Medium-Term Management Plan in May 2010 that it would be difficult for us to meet numerical targets in the year ending 31st March 2013.

Medium-term Vision for the Group

Q In the most recent Medium-Term Management Plan review, you have decided to postpone public announcements of progress in the plan, and of plans for the period from the year ending 31st March 2014. Is there any significant change in the medium-term vision for the Group that Hankyu Hanshin Holdings Group had previously unveiled?

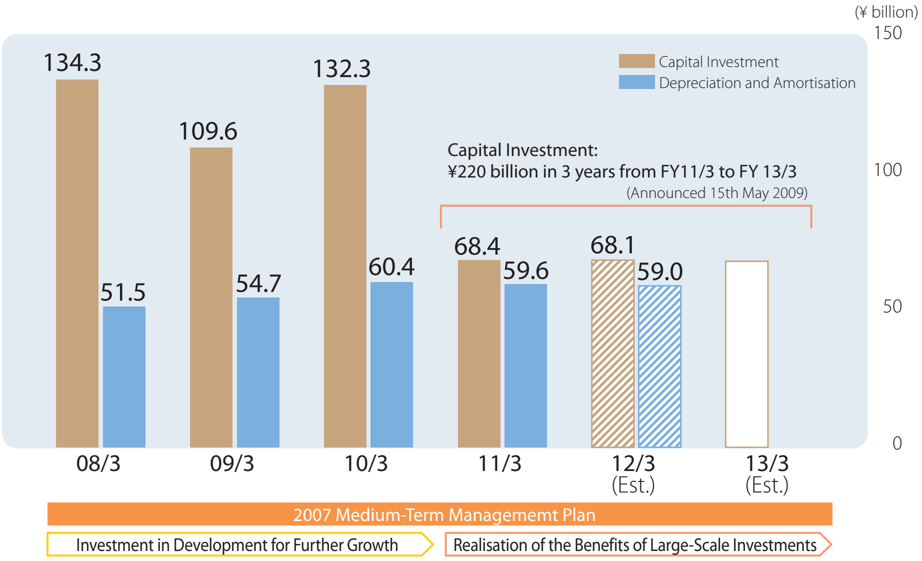
A We plan to proceed with the compilation of the next medium-term business plan, but there is no change to our approach of growing as a business while striking a good balance between sustainable growth and improvement of our financial position.

Due to the extreme uncertainty regarding future economic prospects caused by the Great East Japan Earthquake, we are still thrashing out the next medium-term business plan, for the period beginning April 2013. As things stand, we cannot give any details including specific numerical targets, but there is no change to our approach of striking the right balance between ensuring sustainable growth and improving our financial position.

In the current medium-term business plan (years ending 31st March 2008-2013), we are simultaneously working on multiple large-scale development projects, emphasising improvement of medium-term enterprise value, which has inevitably bumped up the balance of interest-bearing debt on a consolidated basis. However, in the next medium-term plan, the focus will be on improving our financial position, and we plan to rein in capital expenditure on a yearly basis.

Turning to capital investment, we plan to draw a line under major projects in the year ending 31st March 2013, this being the deadline for completion of the rebuilding of the Umeda Hankyu Building. After that time, our basic approach will be one of investing for growth while improving our financial position by keeping capital investment totals within the scope of depreciation and amortisation expenses for the time being.

Capital Investment, Depreciation and Amortisation



EBITDA Outlook

Q One of the keys to improving the financial position of the Group will be expanding the cash flows it depends on — in other words, on growing EBITDA. Which businesses show good prospects for EBITDA growth?

A **Growth prospects for EBITDA stand out in the Real Estate Business, with the Umeda Hankyu Building rebuilding project being the prime driver. We also expect growth in EBITDA in the Entertainment and Communications, Travel and International Transportation businesses.**

Looking ahead, the main business expecting to significantly expand EBITDA is the Real Estate Business. The driver is the rebuilding of the Umeda Hankyu Building, which is currently underway. When the project is completed, total floor area will more than double from 112,600m^2 (old building) to 252,000m^2. At the end of March 2011, we had shifted Phase I of the department store to the new building (south side) and now we are working on Phase II (north side). Since the launch of operations at the office tower in May 2010, we have steadily increased occupancy, and we expect rental income to continue to increase as a result. In the third quarter of the fiscal year ending 31st March 2013 (October-December 2012), we plan to complete Phase II of the department store project, and expect to increase rental income thereafter from the department store.

It is true that a lot of large-scale office buildings are expected to become available in the period 2010-2013 in the area around Umeda district, raising concerns of a glut of office space. However, the Umeda Hankyu Building is one of only 15*1 (0.5%*2 of all rental office buildings in the area) "S class" buildings*3 in Osaka's major business districts, and in addition we believe its ideal location makes potential demand for the office tower huge. Within the Kansai district, the centripetal pull of the Umeda area is steadily strengthening, with not only the Umeda Hankyu Building coming onstream but also the Osaka Station City project (renovation of the JR Osaka Station, opened May 2011) and the Grand Front Osaka (a preliminary project in the development of northern Umeda, scheduled to open in March 2013). As a result, we are seeing cases of tenants in established office areas around the periphery of Umeda moving in and setting up their operations in the centre of the area. So we are convinced that we can steadily improve the occupancy ratio at any given time of the office tower at the Umeda Hankyu Building.

We also expect to see EBITDA grow at Entertainment and Communications, on the back of Bay Communications Inc.'s cable TV business and IT service businesses such as iTEC Hankyu Hanshin Co., Ltd.

In the Travel and International Transportation business, we see great growth potential on a rising tide of globalisation in international transportation. We expect to further consolidate our position as one of Japan's leading freight forwarders.

*1 Based on figures from CB Richard Ellis Group, Inc.'s Japan unit (As of June 2011).
*2 Based on interviews with CB Richard Ellis Group, Inc.'s Japan unit.
*3 As designated by CB Richard Ellis. This general grade is applied to properties in Osaka that are 5 minutes' walk from the nearest station (from the wickets), have a total floor space of 33,058m^2 or more, a standard floor area of 990m^2 or more, were completed within the last 11 years, and have excellent facilities, functionality and local landmark status.

Progress in Rebuilding of Umeda Hankyu Building

Q Following the launch of operations at Phase I (department store) at the Umeda Hankyu Building rebuilding project in September 2009, you completed the office tower in April 2010 (with operational launch in May 2010). All that now remains is completion of Phase II of the department store. What level of occupancy do you have at the office tower at the moment, and how are construction works proceeding on Phase II?

A At the office tower we have worked hard to attract tenants, and at the moment occupancy including informal tenancy commitments has reached approximately 70% of available leasable area (as of July 2011). With regard to Phase II of the department store, we plan to complete works during the third quarter of the fiscal year ending 31st March 2013.

To repeat, the reconstructed Umeda Hankyu Building is likely to be the most important generator of future earnings among the projects initiated during the Medium-Term Management Plan. In particular, we expect to see a net increase in earnings at the Office Tower, which opened in May 2010 with added floorspace, in response to the Act on Special Measures concerning Urban Regeneration, which eased floor-area restrictions.

Despite a difficult environment for the real estate market, we have increased tenant contracts and informal tenancy commitments in the office tower to approximately 70% of available leasable area, as a result of proactive solicitation, as of 31st July 2011. The Umeda Hankyu Building is not only ideally located in the heart of Umeda area, but is also extremely competitive with a very high rate of standard area per floor at 2,800m^2, with good security and flexible facilities, and high recognition and credibility among tenants in occupancy as it is a symbol of the district. In addition, office rents there are likely to become benchmarks for the whole Umeda area. As a result, rather than push to increase occupancy to the point where we risk lowering rents, we plan to steadily build up occupancy by responding when necessary to the trends in the broader economy, the state of the rental market, and trends at properties we are competing with. The total leasable area of the office tower is very great, at approximately 70,000m^2. From the earliest stage of planning, before the collapse of Lehman Brothers, we assumed that it would take some three years to be operating the building with all premises filled. Therefore, the rate of tenant contracting and commitment to contracting is proceeding in line with expectations overall.

We are planning to complete Phase II of the department store in the spring of 2012. However, works have been obstructed by the uncleared remains of the old Hankyu Umeda Station coming to light underground. So we have decided to reschedule completion to the third quarter of the fiscal year ending 31st March 2013 (October-December 2012) in light of this and the need to proceed more carefully than expected with the works to minimise impact on the adjacent subway lines.

☞ For more information on the Umeda Hankyu Building, please see Page 38.

Disaster Prevention Measures in the Railway Business

Q The tsunami following the Great East Japan Earthquake caused catastrophic damage in parts of the northeast of Japan. What measures has the Company taken to protect the railway business against the effects of earthquakes and tsunami?

A Measures have included continued upgrading of seismic resistance through reinforcement works and creation of earthquake response measures using emergency warning services from Japan Meteorological Agency. In view of the March disaster, we are checking current tsunami and earthquake precautions, and plan further reviews.

In the Great Hanshin (Kobe) Earthquake of January 1995, Hankyu Corporation and Hanshin Electric Railway sustained massive damage to their railway businesses. In light of this experience, we have continued to improve the seismic resistance of our railway facilities, through measures such as systematically reinforcing supporting pillars for elevated tracks.

In addition, if emergency warnings from the Japan Meteorological Agency indicate that an earthquake of seismic intensity 4 or higher (under the Japanese 0-7 grade system) is likely along our lines, or the same prediction is received from our own seismic sensors developed in-house, all moving trains of both companies are automatically brought to a halt wirelessly by our traffic control centre.

For tsunami, we have measures in place based on our previous experience with flooding events, but in light of the March disaster, we will take the necessary measures after checking and revising procedures in line with changes made by administrative authorities to hazard maps.

In addition, the Union of Kansai Governments comprising Osaka, Kyoto, Hyogo and four other local prefectures (headed by Toshizo Ido, Governor of Hyogo Prefecture) has assumed the use of elevated railway stations as tsunami evacuation points in their framework wide-area plan for disaster prevention and planning in Kansai, which they are currently working on. In future, as private railway operators determined to do what we can, we will offer any cooperation requested by this alliance, and will consult and coordinate with the authorities regarding details and likely issues in that connection.

☞ For more details of safety management measures, please see Page 57.

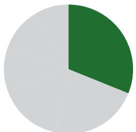
Core Businesses: Overview and Outlook

At a glance

Revenues from Operations (¥ billion)

Urban Transportation P. 32

% of Revenues from Operations



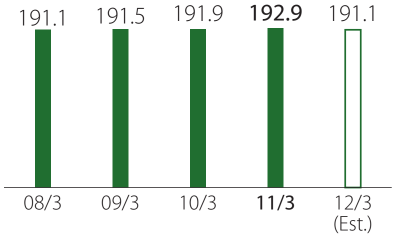
29.5%

Revenues from Operations

¥192.9 billion
(YoY +0.6%)

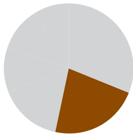
Operating Income Margin

15.2%



Real Estate P. 36

% of Revenues from Operations



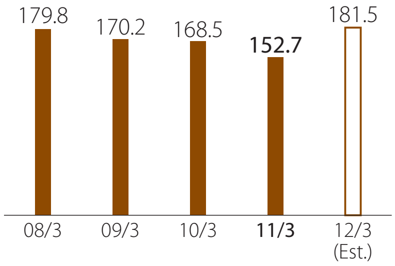
21.2%

Revenues from Operations

¥152.7 billion
(YoY -9.3%)

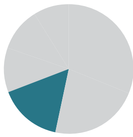
Operating Income Margin

15.7%



Entertainment and Communications P. 42

% of Revenues from Operations



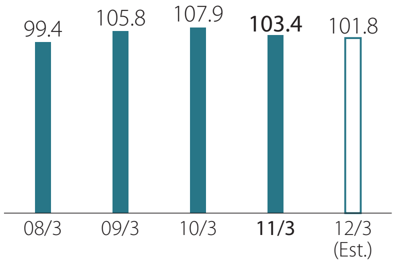
14.8%

Revenues from Operations

¥103.4 billion
(YoY -4.1%)

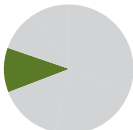
Operating Income Margin

9.7%



Travel and International Transportation P. 44

% of Revenues from Operations



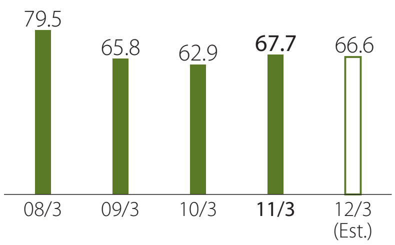
10.6%

Revenues from Operations

¥67.7 billion
(YoY +7.7%)

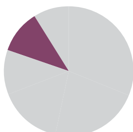
Operating Income Margin

4.4%



Hotels P. 47

% of Revenues from Operations



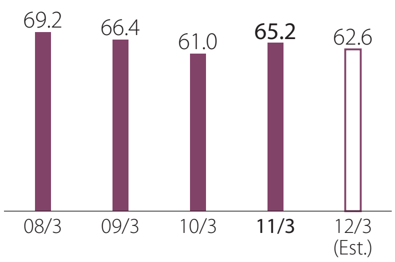
10.1%

Revenues from Operations

¥65.2 billion
(YoY +7.0%)

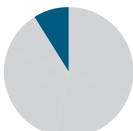
Operating Income Margin

—



Retailing P. 49

% of Revenues from Operations



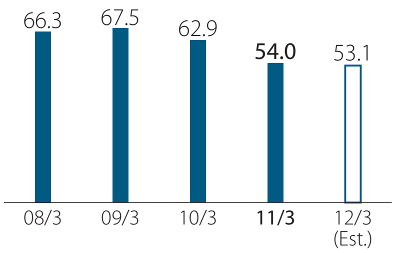
8.4%

Revenues from Operations

¥54.0 billion
(YoY -14.1%)

Operating Income Margin

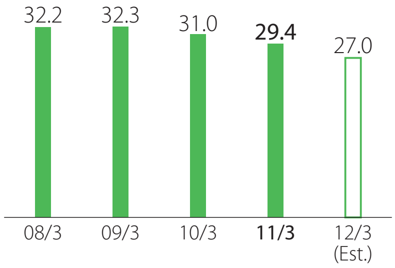
1.3%



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 2011).
2. Revenues from operations in other businesses accounted for 5.4%.

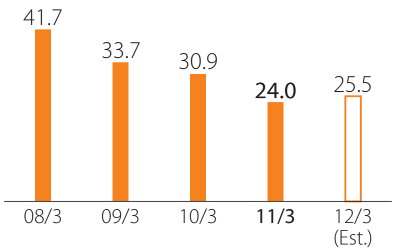
* Retailing business's sales and operating income exclude those of the department store business (the former Hanshin Department Store group, which was a consolidated subsidiary up to first half of the year ended 31st March 2008).

Operating Income (¥ billion)	Nature of Business

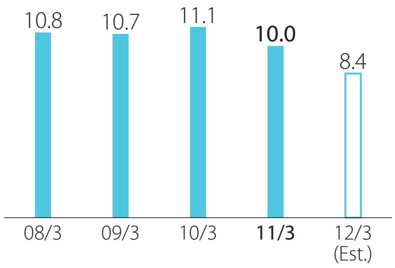


This segment comprises railway operations (with Hankyu Corporation operating the Kobe, Takarazuka and Kyoto lines out of Umeda (Osaka), and Hanshin Electric Railway lines directly linking Kobe with Osaka's major northern and southern terminals, Umeda and Namba). Together, the Hankyu and Hanshin network, 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.

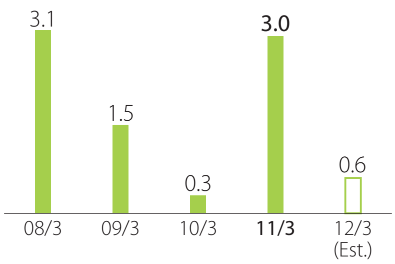
Total length of lines operated:
Hankyu Corporation: 143.6km Hanshin Electric Railway: 48.9km
(Including tier 2 railway operator)



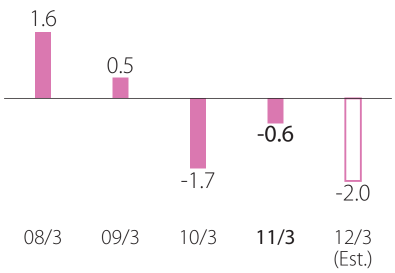
The Real Estate segment derives its core revenue from leasing and management of commercial facilities and office buildings, and its condominium business. Its attractive business portfolio includes commercial facilities such as Hankyu Sanban Gai shopping centre, HERBIS OSAKA, HERBIS ENT, Hankyu Nishinomiya 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.



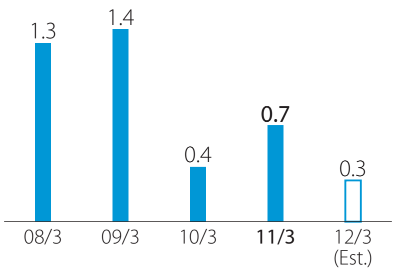
This segment offers a wide variety of live entertainment, centred on the sports business — the nationally popular and famous Hanshin Tigers professional baseball team and their home ground and high-school baseball mecca, Hanshin Koshien Stadium — and the stage revue business, based on the hugely popular 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 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 45 hotels, consisting of 19 that are directly managed and 26 belonging to chains operated by franchise. It is one of Japan's leading hotel chains with 9,160 guest rooms (as of 31st July 2011). 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.

Urban Transportation


Hankyu Railway

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

Basic Information and Business Environment

Dealing with demographic change and expanding the network

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 stations are popular and populations here have maintained growth momentum since the trough of 1996, the year after the Great Hanshin (Kobe) Earthquake (Please see page 34 for more information).

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 — in other words, the population of working age — has already begun to decline, meaning a decline in people living in areas served by our lines is inevitable (please see Figure 2, 3 on Page 34). Compounding this will be continuing competition with the private car.

The Group is pursuing three basic strategies in the Urban Transportation Business to deal with these new challenges.

(1) Providing safe, high-quality transportation services that fully justify public trust

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

(3) Providing high-value customer services (better business policies and network upgrades)

First, with regard to strategy (1) (providing safe, high-quality transportation services that fully justify public trust) as a public service operator, a prerequisite of our business operations is that every company in the Group gives maximum priority to safety of transportation services. In over 25 years, Hankyu and Hanshin have not been responsible for a single railway accident leading to the death or injury of a passenger (in other words, there has been no such incident due to negligence or error on the part of Hankyu or Hanshin).*1 Looking ahead, we will continue to invest in improved safety and meticulously instruct and train staff (for details of safety management systems, please see Page 57). In measures to deal with demographic change, we are making those of our stations with at least 3,000 people passing through each day barrier-free, with the support of government subsidies (except for certain stations where technical obstacles make such installations difficult). To further meet our commitment to providing safe and convenient services for railway passengers, we are working on the improvement of customer services and railway facilities. For example, Hankyu Corporation set up the Hankyu Railway Traffic Information Centre, a call centre through which fare, timetable and train-related queries have been centralised. Hankyu Corporation is also upgrading station facilities through measures such as installation of glass-walled service counters next to the ticket gates at major stations so staff can see what is going on in the concourse, as well as installing train information displays that keep passengers informed of delays and other matters at all stations. Hanshin Electric Railway also took measures to make station facilities more convenient and safer, through measures such as large-scale improvement works at Sannomiya Station, addition of new wickets and concourse spaces, and installation of smoke expulsion systems and elevators. In autumn 2011, Hanshin is also scheduled to start improvement works at Koshien Station, which, as the closest station to the Hanshin Koshien Stadium,


Hankyu Railway Traffic Information Centre


Information counter (Hankyu Railway station)


Artist's impression of Hanshin's improvement works at Koshien Station

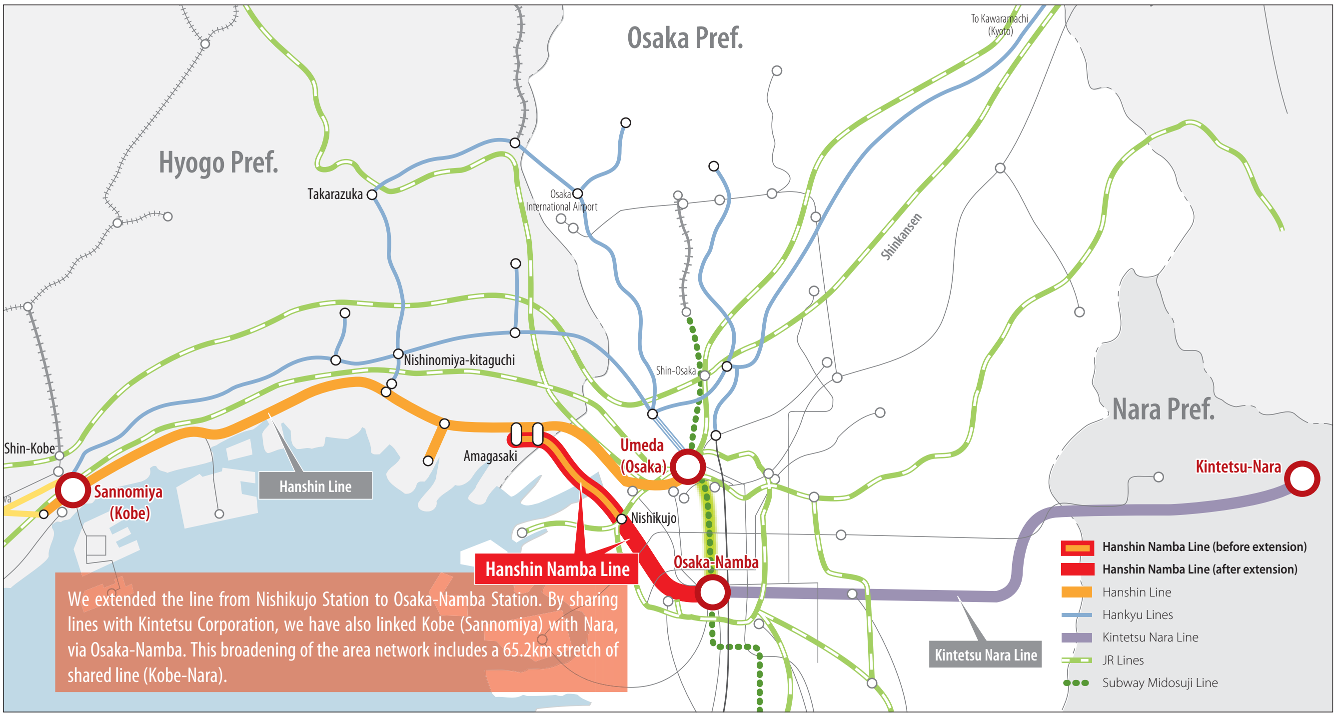
needs to be able to smoothly handle around 100,000 people on baseball game days.

To ensure safe, high-quality transportation services that fully justify public trust, the Group is taking every measure to (2) achieve low-cost operations, for example by pooling the technology and know-how of both Hankyu and Hanshin, deploying personnel more efficiently, while ensuring an acceptable level of earnings and continuously investing in better safety.

At the same time, by (3) providing high-value customer services, the Group aims to win over more customers and become the public transportation provider of choice in the Kansai area. As part of that endeavour, the Group is cultivating "demand for new mobility" by upgrading stations and transport networks.

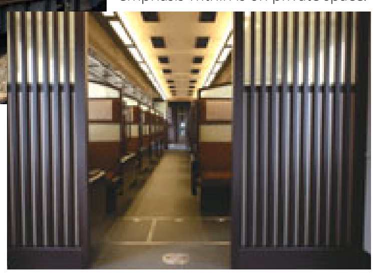
In this endeavour, the highlight has been the success of the Hanshin Namba Line (Nishikujo to Osaka-Namba), opened in March 2009. Before the opening of this line, there was no direct connection between Kobe and the Namba area of south Osaka, two of the economic hubs of the Kansai district. This was the missing link in the whole regional network. Today, the opening of the Hanshin Namba Line has directly connected Kobe and the Kobe-Osaka corridor with Namba, and has also opened up direct links to Nara in the east of Kansai using the Kintetsu network. By linking eastern Osaka with the Nara area, we are helping to create wide-area mobility. As a result, the Hanshin Namba Line has generated significant new demand for transportation. We have been able to meet our five-year revenue target for this line after only two years of operation. (Please see Page 35 for more details of performance of the line during the period under review.)

Role of the Hanshin Namba Line in Kansai Rail Networks



As part of its ridership expansion campaign, Hankyu is also working to attract tourists to Arashiyama in Kyoto, a beauty spot that has been one of the leading tourist attractions in Japan since ancient times. In October 2010, Hankyu renovated the station building and forecourt area at Hankyu Arashiyama Station, the gateway to the beauty spot. In March 2011, it began operating the Kyo-Train, a special tourist service with carriage interiors designed to fuse ancient and modern Japanese traditions, and using images of traditional buildings in the old *Machiya* style in Kyoto.

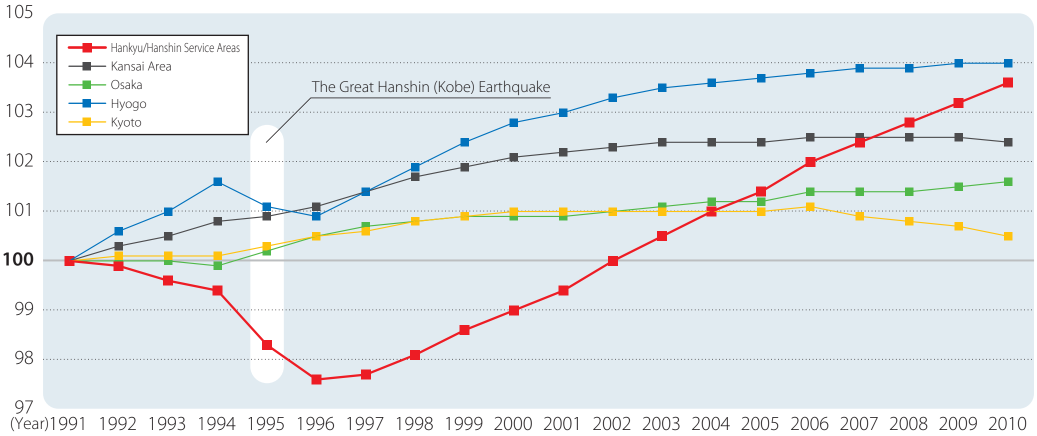
"The Kyo-Train"
To attract passengers, coaches are "wrapped" (covered all over) in a Kyoto fan design.



Evoking Kyoto's old *Machiya* style (coaches 3 and 4)
Compartments are entered through latticework partitions, and the emphasis within is on private space.

[*1] Hankyu has had zero accidents in which the company bears responsibility in more than 33 years, and Hanshin likewise in more than 26 years (as of the end of July 2011). Both companies have a safety management target of zero operator accidents.

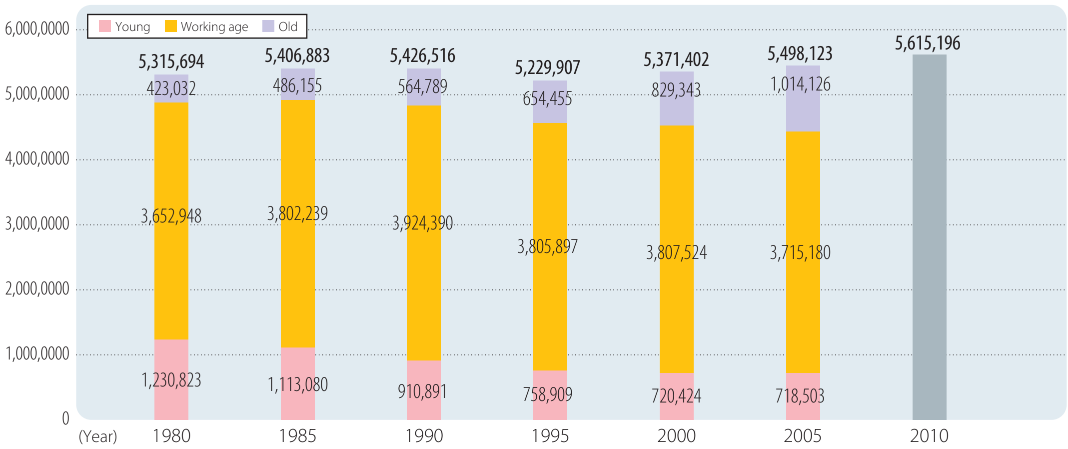
Figure 1: Population Trends in Areas Served by Hankyu and Hanshin Lines (1991=100)



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

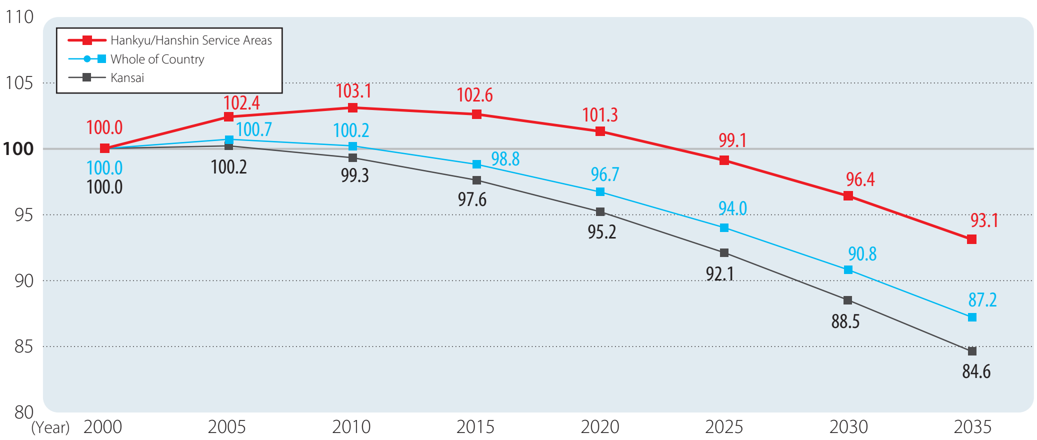
Hankyu/Hanshin Service Areas:
Following areas with stations of Hankyu Corporation, Hanshin Electric Railway (including tier 2 railway operator)
Osaka:
Osaka City (Fukushima, Konohana, Nishi, Naniwa, Nishi-Yodogawa, Higashi-Yodogawa, Yodogawa, Kita, Chuo Wards out of 24 wards), Toyonaka, Ikeda, Suita, Takatsuki, Ibaraki, Minoh, and Settsu cities, Shimamoto town
Hyogo:
Kobe City (Higashi-Nada, Nada, Hyogo, Nagata, Chuo Wards out of 9 wards), Amagasaki, Nishinomiya, Ashiya, Itami, Takarazuka, and Kawanishi cities
Kyoto:
Kyoto City (Nakagyo, Shimogyo, Ukyo, Nishikyo Wards out of 11 wards), Muko and Nagaokakyo cities, Oyamazaki Town

Figure 2: Population by Age Group along Hankyu and Hanshin Lines (Population Census of Japan)



* Compiled by the Group, based on data from preliminary 2010 Population Census of Japan (Ministry of Internal Affairs and Communications).
* Age group breakdowns are not given in the preliminary 2010 Population Census of Japan.
* 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.

Figure 3: Estimated Changes in Population (2000=100)



* Figures for 2000 and 2005 are based on statistics in the Population Census, issued by the Ministry of Internal Affairs and Communications. Estimates for 2010 onwards are based on Population Projections for Japan (as of December 2008), compiled by the National Institute of Population and Social Security Research using the 2005 National Census.

Basic Strategies

Please see Page 32, Basic Information and Business Environment.

Performance for the Fiscal Year ended March 2011

Revenues rose on the success of the Hanshin Namba Line and on streamlining of operations in the bus and taxi businesses, but increased property and equipment disposal expenses dragged operating income down

In the railway business, the Hanshin Namba Line, which has operated successfully since its opening in March 2009, added ¥3,742 million to segment revenues. This means that we have already met our five-year revenue target of ¥3,800 million per year from the Hanshin Namba Line, based on initial demand forecasting.*1 This performance was due to a steady increase in the number of passengers using commuter passes on the line. In addition, there was a steady increase in entertainment- related demand in connection with festivals commemorating the relocation of Japan's capital to Heijokyo 1,300 years ago.

However, revenues from operations in the railway business were more or less unchanged year-on-year (down 0.0%) at ¥143,747 million, held back by a year-on-year decline in transportation revenues amid depressed demand following the Great East Japan Earthquake as well as in light of the anemic economy and summer heatwaves, which were severe enough to discourage travel.

In addition, measures were taken to streamline the bus and taxi businesses, including integration of vehicle maintenance operations of both Hankyu Bus Co., Ltd. and Hanshin Bus Co., Ltd. Operating revenues in the bus and taxi businesses increased by ¥589 million (1.2%) during the year to ¥48,042 million. This reflected the conversion of Hanshin Motor Dock Co., Ltd. into a wholly-owned subsidiary through the above-mentioned integration, and a correction from the impact of the H1N1 flu scare in the previous fiscal period, which more than offset the effects of a decline in demand for airport buses due to the earthquake disaster as well as its generally dampening effect on travel plans.

Revenues from operations in the Urban Transportation segment including other businesses increased by ¥1,075 million (0.6%) year-on-year to ¥192,947 million. However, operating income declined by ¥1,629 million (5.3%) to ¥29,378 million, due in part to the Yodogawa Hokugan street underpass works being carried out by Hankyu Corporation, which caused a surge in property and equipment disposal expenses, and to barrier-removal works at stations.

*1 The revenue boost from the Hanshin Namba Line cannot be compared with figures for the previous fiscal year, but only with total forecast revenues from all other Hanshin lines (that is, except the Hanshin Namba Line).

Reference: Hankyu and Hanshin Performance of Compared

		Revenues (¥ million)*2				Passengers (Thousand)*2			
		2011/3	2010/3	Difference	YoY	2011/3	2010/3	Difference	YoY
Hankyu	Non-commuter pass	60,000	58,582	1,417	2.4%	306,481	295,522	10,959	3.7%
	Commuter pass	29,484	31,126	-1,641	-5.3%	296,751	310,441	-13,690	-4.4%
	Total*3	89,485	89,708	-223	-0.2%	603,233	605,963	-2,730	-0.5%
Hanshin	Non-commuter pass	18,899	18,396	502	2.7%	103,991	98,735	5,255	5.3%
	Commuter pass	10,126	9,642	484	5.0%	101,211	94,884	6,326	6.7%
	Total*3	29,025	28,038	986	3.5%	205,202	193,620	11,582	6.0%

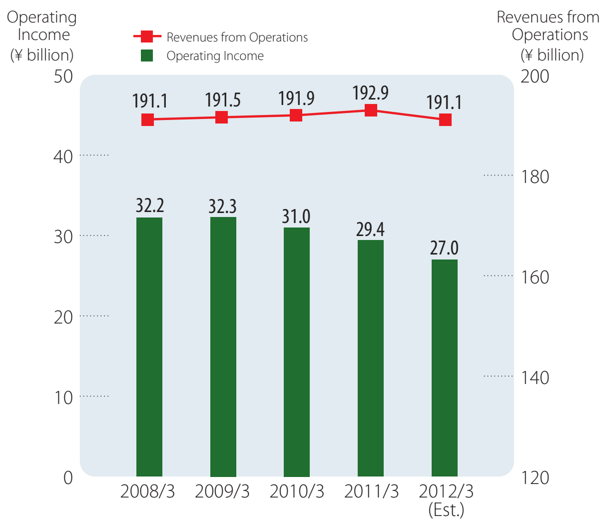
*2 Sum of tier 1 and tier 2 operators for both Hankyu and Hanshin

*3 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 new method of calculation are as follows.
(Hankyu) Total transportation revenues: down ¥176 million (0.2%), total passengers carried: down 4,102 thousand people (0.7%)
(Hanshin) Total transportation revenues: ¥324 million (1.1%), total passengers carried: 2,843 thousand people (1.4%)

Forecasts for Fiscal 2012 Onward

The Group forecasts lower revenues from operations and lower operating income, due to the impact of the Great East Japan Earthquake and increased expenses

In the year ending March 2012, we forecast revenues from operations to decline year-on-year by ¥1,847 million (1.0%) to ¥191,100 million, and operating income to decrease ¥2,378 million (8.1%) to ¥27,000 million. We expect the benefits of the absence of the property and equipment disposal burden in the fiscal year under review to be outweighed by a decline in demand for airport bus services due to the earthquake, as well as rising fuel and motive power costs (crude oil and electricity) and higher maintenance bills.



Real Estate

Major Businesses

☐ Real estate leasing:

Extensive property-holdings, mainly along Hankyu and Hanshin lines (For details of major properties, please see Page 18)

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

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

Basic Information and Business Environment

Recovery in leasing market still some way off

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 18). Overall rentable area operated by the Group was approximately 1,400,000m^2 (as of 31st March 2011). 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 refer to Page 19 for detailed map of the Umeda area).

Due to the uncertainty of economic prospects in Japan, there have been no clear signs of a rebound in demand in the office leasing market in central Osaka business areas. Oversupply has continued as newly built properties flood the market in Umeda between 2010 and 2013. In this situation, average vacancy rates have continued to rise since bottoming in October 2007, and average rents continue to shrink, albeit moderately. Vacancy rates remain high at the moment although there has been an uptick in contract signings as companies combine and consolidate their office premises.*1

Looking ahead, we expect the supply of leasable properties to slowly become tighter as the economy rebounds, but we see high average vacancy rates continuing for the moment as new large properties come on the market up to 2013 or thereabouts.

At the same time, at our commercial facilities, we expect tenant sales to continue to drift downwards in the wake of the economic slowdown that began in the second half of fiscal 2009. But the rate of decline is now easing in the Umeda area, and sales of tenants in major shopping centres in areas served by our lines (excluding the Umeda area) held up fairly well. In particular, since the opening of Hankyu Nishinomiya Gardens in November 2008, tenants sales here have continued to grow, bucking the consumption slowdown, and were up 8% year-on-year in fiscal 2011 to around ¥69.3 billion.

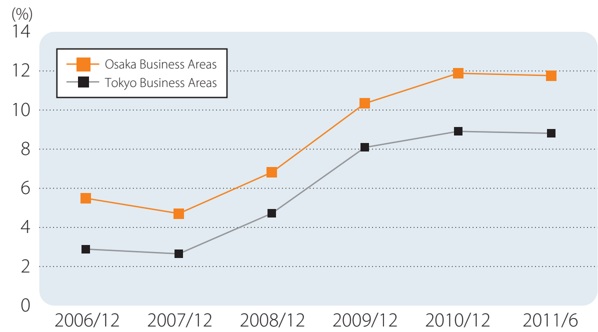
As mentioned above, the business environment surrounding the real estate leasing market remains challenging. However, the very competitive locations of our major rental office buildings close to the Hankyu and Hanshin Umeda stations in central Umeda means that even under such conditions, we can expect relatively stable earnings on the back of steady demand and rent levels. We likewise expect only limited impact on earnings from the decline in tenant sales at our commercial facilities, due to the relatively high proportion of rental income that is accounted for by fixed-rent leases.

Looking ahead, in the Umeda area, the highest priority for the Group, we expect a new supply of major large-scale developments to trigger intensified competition in the office building and commercial facility markets. However, as market leader in this district, we are taking steps to improve vacancy rates at our properties and enhance the appeal and customer drawing power of the entire area, while leveraging our strong relationships with our tenants. (Please refer to Page 38 for more details on the Umeda Hankyu Building.)

*1 Source: Miki Shoji, Latest trends in the Office-building market in Osaka (August 2011)

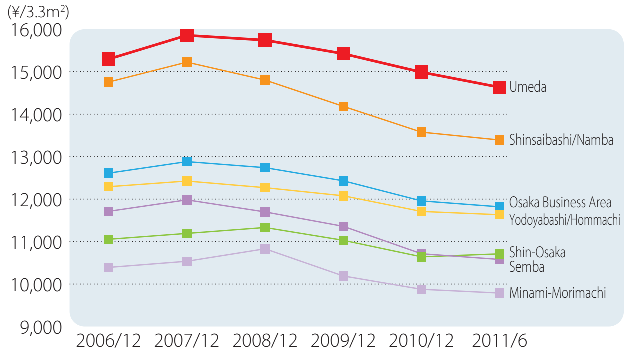
Average Vacancy Rates for Office Buildings

(Tokyo and 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

Condominium sales show recovery momentum

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.

The condominium marketing business is showing signs of recovery momentum at the moment. Although nationwide sales in 2010 fell below 100,000 units for the third consecutive year, to 84,701 units, the market overall expanded by 6.4% year-on-year. By region, significant year-on-year increases were seen in the Tokyo and Kansai areas, with units sold totalling 44,535 in the capital (up 22.4% year-on-year) and 21,716 units in Kansai (up 9.8%). Furthermore, average sales prices increased by 4.0% year-on-year (3.4% per m²) in the Tokyo area. The corresponding figures for Kansai were 1.2% (3.6% per m²). As the market recovers, average prices are turning upwards again for the first time in 24 months, while per m² prices have risen for five years on the trot.

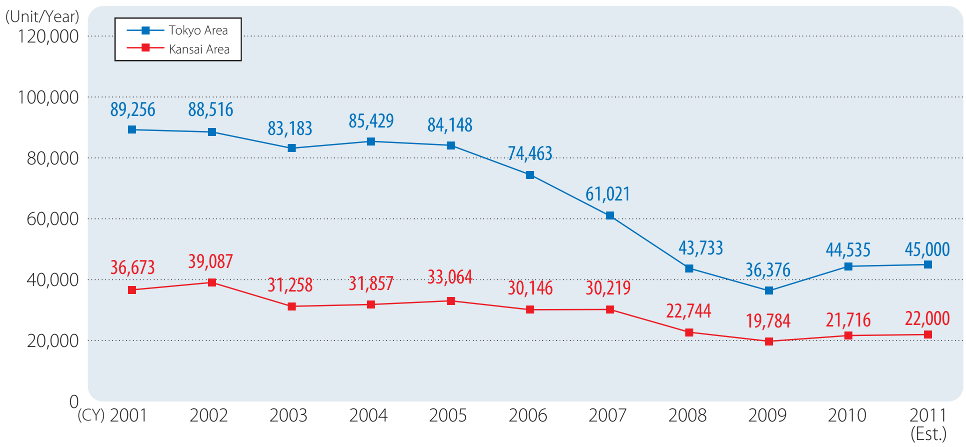
In 2011, supply in the condominium market dropped by around 10% year-on-year in the first half as sellers held back from a weak market and new development marketing plans were revised in light of the Great East Japan Earthquake and other factors. However, demand has remained firm, due to (1) fears of tight supplies as inventory slips below desired levels, (2) values of properties acquired after the Lehman Brothers collapse becoming more reasonable, and (3) ongoing home purchase support policies such as tax breaks for housing loans. Given these positives, the supply of condominium units is expected to be in line with previous-year levels at 45,000 units for the Tokyo area, and 22,000 units for the Kansai area.

The above suggests that despite concerns raised by the Great East Japan Earthquake, the condominium market continues to show recovery momentum from the previous year, and sales will hold up for the time being.

Note: The above figures and forecasts are based on research by the Real Estate Economic Institute Co., Ltd.

New Supply of Condominiums

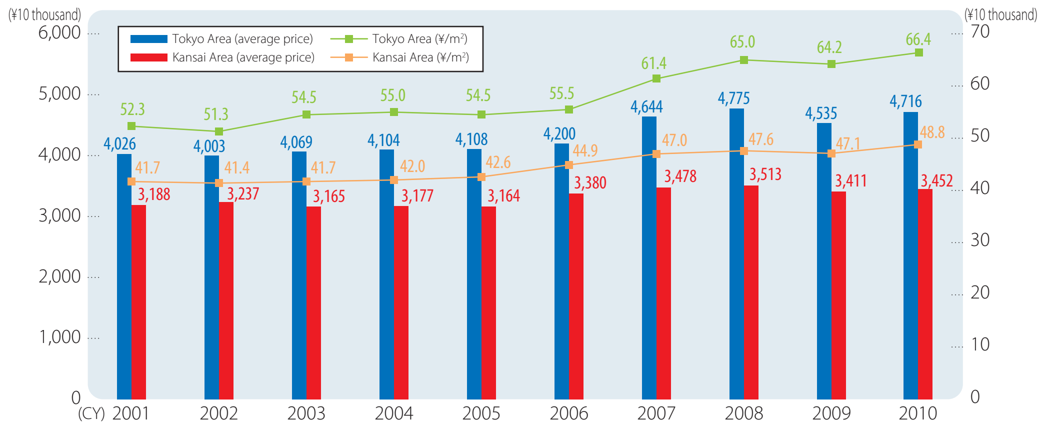
(Tokyo and Kansai Areas)



Source: Real Estate Economic Institute Co., Ltd.: National Condominium Market Trends 2010, Condominium Supply Forecasts in the Tokyo Metropolitan and Kansai Areas 2011

Condominium Prices

(Tokyo and Kansai Areas)



Source: Real Estate Economic Institute Co., Ltd.: National Condominium Market Trends 2010

Our Business
Interview with the President
Core Business: Overview and Outlook
Management Organisation
Safety Management System
Directors and Corporate Auditors
Corporate Social Responsibility
Financial Section

Basic Strategies

We are taking the following measures as a matter of priority to further capitalise on our potential, which is underpinned by our strong brand image and sound reputation in the Kyoto-Osaka-Kobe area, and our project planning capabilities in commercial facility development, mainly in the Umeda area, and the *Geo* brand-led condominium business.

(1) By leveraging our expertise in community building, provide safe and convenient basic infrastructure and provide services that support community lifestyles

- Revitalise property assets to build value along our railway lines
- Supply condominiums and promote urban single-family housing along the Hankyu and Hanshin lines

(2) Enhance enterprise value and optimise cash flow by striking an appropriate balance between investments and returns

(3) Strengthen Umeda's profile, through renovations of our properties and other measures

- Development projects, such as the rebuilding of Umeda Hankyu Building, and *Umekita* (Osaka Station North District) Phase I Development Area Project

Development projects

Rebuilding of Umeda Hankyu Building

Increasing Umeda's competitiveness as a business area, and powering the leasing business

Artist's impression of completed building

Umeda Hankyu Building today
(As of August 2011)

Project overview

- ○ Multiple-use building on a scale that will make it a landmark in the Umeda area of Osaka, one of the hubs of the Japanese economy
- ○ Make all underground entrances and sales floors barrier-free, facilitating smooth pedestrian flow and improving overall accessibility from surrounding rail lines and shopping mall facilities
- ○ Outshine nearby competitor properties through seismic strengthening and increased earnings power
- ○ Leverage easing of building-related regulations under the Urban Renaissance Special Measures Law, build one of the largest department stores and high-rise office towers in Japan

The building

	New Building	Old Building
Total floor area (excluding parking, basement, stairways, etc.)	Approx. 252,000m² Department Store: Approx. 140,000m² Concourse etc.: Approx. 10,000m² Office Tower: Approx. 102,000m²	Approx. 112,600m²
Floors	41 floors above ground and 2 below (14th and 16th floors house equipment) Department store: 13 floors above ground and 2 below Office tower: Floors 15 to 41(Sky Lobby: 15th floor)	2 floors below and 12 floors above ground
Height	Approx. 187m	Approx. 45m
Major uses	Department store and offices	Department store

Schedule

3rd September 2009:
Opening of Department Store Phase I

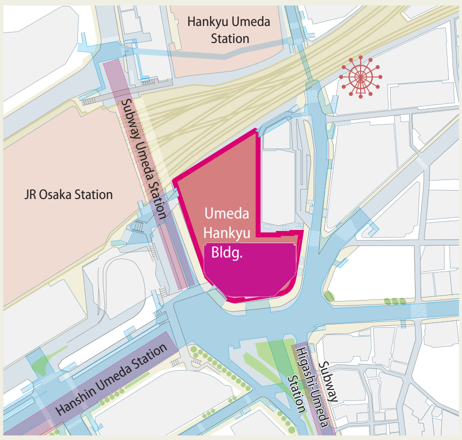
1st April 2010 (opening: 6th May, 2010):
Completion of Office Tower

October-December 2012 (planned):
Completion of Department Store Phase II

Planned investment

Total: ¥60 billion

Surrounded by JR lines, the Osaka and Umeda stations of the Hankyu and Hanshin lines, and the Midosuji and Tanimachi subway lines, the building can be reached in five minutes by underground walkways that make it accessible in all weathers.



Umekita (Osaka Station North District) Phase I Development

Completion in March 2013 (planned),
by 12-company consortium in prime Osaka location

Artist's impression of GRAND FRONT OSAKA

Site of GRAND FRONT OSAKA today (as of August 2011)

Project overview

Development concept: "Palace of creativity" (Generate a rich future lifestyle through the cycle of knowledge)

- Create a multi-functional "city" on seven hectares comprising integrated offices, commercial facilities, hotel facilities, serviced apartments and condominiums, based on the "Knowledge Capital" concept
- Establish a management organisation for the "Knowledge Capital" facilities (KMO Knowledge Capital Management), which will arrange events and conferences with partners from industry, academia and government, to create a "space" for building intellectual value
- Establish an area planning group (which we call a "Town Management Organisation"), and build up the area brand in alliance with public and private sector bodies and local organisations
- Consortium members: 12 companies including Hankyu Corporation, Mitsubishi Estate Co., Ltd., and Orix Real Estate Corporation

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. 10,571m²	Approx. 22,680m²		Approx. 4,666m²
Total floor area	Approx. 187,800m²	Approx. 295,100m²		Approx. 73,800m²
Major uses	Offices, commercial facilities	Offices, "Knowledge Capital," commercial facilities, hotel, serviced apartments, convention		Residential subdivisions for sale

Schedule

June 2007: Handover of land

February 2008: Designation as area for "Urban Renaissance Special Measures"

31st March 2010: Construction start

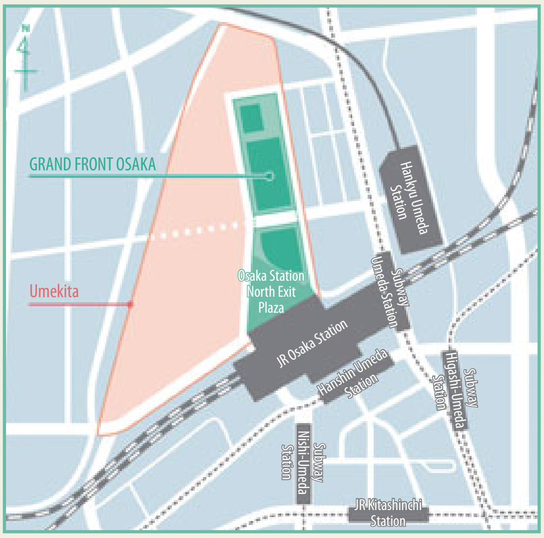
April 2011: Umekita selected as name of Osaka Station North District Phase I Development (GRAND FRONT OSAKA)

March 2013: Completion (planned)

Planned investment (Group share only)

Total: ¥51 billion

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



Map

Shin-Osaka Hankyu Building

Multipurpose building conveniently located just north of JR Shin-Osaka Station (for Shinkansen), acting as a gateway to Osaka


Artist's impression of Shin-Osaka Hankyu Building

Project overview

- Multipurpose building on Company-owned land just north of JR Shin-Osaka Station, with offices, a hotel and commercial facilities
- Convenient location connecting directly to JR Shin-Osaka Station and Shin-Osaka Station on the Midosuji subway line
- Facilitate pedestrian flow to improve access from surrounding areas and help make area barrier-free

The building

Site area	Approx. 4,150m²		
Total floor area	Approx. 35,600m²		
Floors	17 floors above ground	12–17	REMM Shin-Osaka (Hankyu Hanshin Hotels, 296 rooms)
		3–11	Offices (floor space for rent: Approx. 15,800m²)
		2–3	Commercial facilities (floor space for rent: Approx. 1,000m²)
		1	Bus terminal

Schedule

May 2010: Construction start

Autumn 2012: Opening (planned)

Planned investment

Total: ¥10 billion

Chayamachi Eastern District Redevelopment Plan

Construction of new multipurpose complex in eastern district of the Umeda Chayamachi area following the NU chayamachi commercial facility opened in the western district


Exterior view (NU chayamachi plus and *Geo* GRANDE Umeda)

Project overview (Group's assigned works)

- Multiple landowners are involved in this consortium-led Primary Urban Redevelopment Project
- In the tower part, the Group will operate floors 1-3 of the commercial facility NU chayamachi plus (approx. 3,000m²) and sell condominiums in *Geo* GRANDE Umeda (floors 4-31, 174 units)
- The condominium business will obtain and develop residential space in the development from the consortium

Schedule

September 2007: Approval granted by Governor of Osaka for conversions of land rights for project

December 2008: Construction start

April 2011: NU chayamachi plus completed and opened

July 2011: *Geo* GRANDE Umeda handed over

Performance for the Fiscal Year ended March 2011

Lower revenues and earnings in correction from high number of condominium units sold in previous fiscal year

In the condominium business, revenues from operations fell ¥12,596 million or 22.7% year-on-year to ¥42,969 million. This was due to a significant decline in the number of condominiums sold*1, as the year under review saw many completions and handovers of large-scale apartment buildings contracted in the previous fiscal year. This factor outweighed the contribution of sales of residential units at *Geo* Saito Ibuki no Mori (Minoh, Osaka Prefecture), The Senri Residence (Toyonaka, Osaka Prefecture), Todoroki Branz *Geo* (Setagaya, Tokyo), and sales of plots at Hankyu Takarazuka Yamatedai (Takarazuka, Hyogo Prefecture) and Osaka Nakajima Koen Toshi (Hapir Garden Shiki-no-Machi) (Nishiyodogawa, Osaka).

In the leasing business of the Real Estate segment, revenues from operations fell ¥1,467 million (1.7%) to ¥84,244 million, in reaction to the economic slowdown and other factors, despite our measures to support occupancy.

In other businesses in the Real Estate segment, including development projects, Umeda Hankyu Building Office Tower opened for business in May 2010, following the completion and opening in September 2009 of Phase I of the Department Store section that will house Hankyu Department Store. Construction works are proceeding at Phase II of the Hankyu Department Store project but because of the inevitable curtailing of space available for rent since the previous fiscal year, revenues from operations in other businesses in the Real Estate segment fell ¥768 million (1.9%) to ¥39,245 million.

As a result of this, revenues from operations in the Real Estate business overall declined ¥15,721 million (9.3%) to ¥152,730 million. Likewise, operating income fell by ¥6,942 million (22.4%) to ¥23,996 million. Other factors were an increase in depreciation expenses following completion of the Department Store (Phase I) and the Office Tower at the Umeda Hankyu Building, and increased costs from exposure to real estate taxes (affecting Phase I of the Department Store).

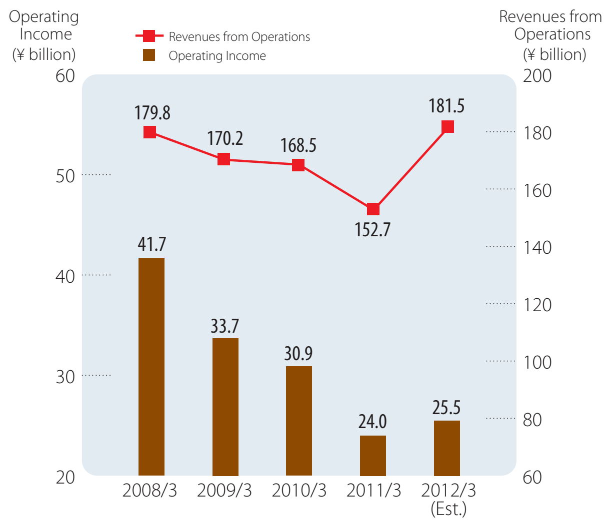
*1 Number of units sold in the condominium business
Year ended March 2010: 1,064
Year ended March 2011: 680

Forecasts for Fiscal 2012 Onward

Higher revenues and earnings due to increased number of units sold in the condominium subdivision business

In the year ending March 2012, we expect weak conditions to persist in the real estate rental and leasing market in Japan, leading to lower rental income from established properties for lease. However, in the subdivision business, we plan to greatly expand the number of condominium units sold from fiscal 2011*2 and steadily build up rental revenues from the Office Tower of the Umeda Hankyu Building. On this basis, we forecast revenues from operations to increase by ¥28,770 million (18.8%) to ¥181,500 million, and operating income to increase ¥1,504 million (6.3%) to ¥25,500 million.

*2 Number of condominiums to be sold in fiscal 2012 (estimate): 1,200



Entertainment and Communications

©Takarazuka Revue Company

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

Basic Information and Business Environment

Strong fan base keeps the crowds coming

According to the Ministry of Internal Affairs and Communications Statistics Bureau's Family Income and Expenditure Survey, total household consumption expenditure, excluding price fluctuation (real terms) edged up 0.3% year-on-year in 2010. But recreational service expenditure posted a (real-terms) decline of 1.0%, attributable to the prolonged economic slowdown making itself felt in the live entertainment industry.

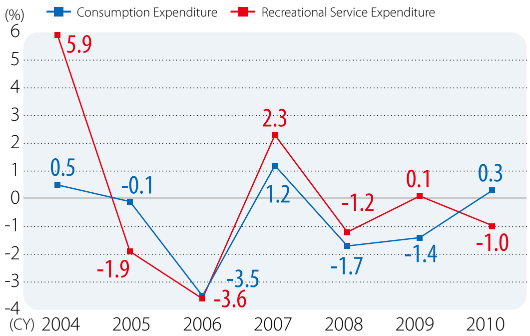
Despite these negatives, the Hanshin Tigers and Takarazuka Revue continued to enjoy high levels of popularity, not only in Kansai but also throughout Japan, thanks to their passionate fan bases.

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

Over 450 performances are given by the Takarazuka Revue at each of its two main venues, the Takarazuka Grand Theatre (Hyogo Prefecture, 2,550 seats) and the Tokyo Takarazuka Theatre (2,069 seats). The Revue, comprising over 400 performers, is divided into five troupes (Hana (Flower), Tsuki (Moon), Yuki (Snow), Hoshi (Star), and Sora (Cosmos), that perform in rotation. In 2010, a total of 2.5 million people came to see the Takarazuka Revue at performances given all over Japan.

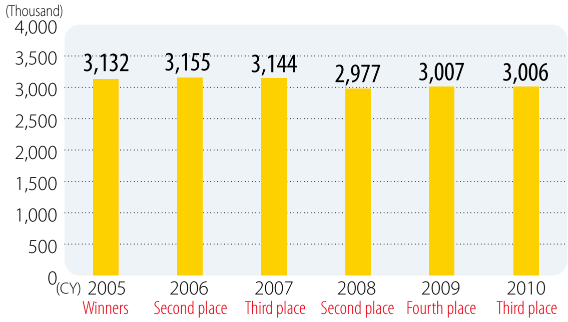
Inspiration and dreams — we will continue to deliver these to our increasingly discerning customers, and maximise the brand value of the Hanshin Tigers team and Hanshin Koshien Stadium, and the Takarazuka Revue.

Consumption Expenditure and Recreational Service Expenditure (total households, real change, %)



Source: Family Income and Expenditure Survey of the Ministry of Internal Affairs and Communications

Total Attendances at Hanshin Tigers Host Games



* Capacity at the Hanshin Koshien Stadium declined from 2008 following a renovation programme.

Basic Strategies

As a group committed to offering inspiration and dreams, we plan to further enhance the appeal of our unique attractions: the Hanshin Tigers, Hanshin Koshien Stadium, and Takarazuka Revue. We will also work to upgrade our media operations so that we can offer this content to fans through a variety of channels. Therefore, we will strengthen our revenue base, enhance the aura of the Group and build brand strength and greater value along our lines. Under this basic policy, we will take following steps:

(1) Maximise the value of the Hanshin Tigers, Koshien and Takarazuka brands

- Increase the appeal of live events (create superior attractions, and foster or acquire star talent (players), and increase the appeal of live-event venues)
- Upgrade and expand media use (enhance the appeal of existing media, broaden the range of media channels, and use next-generation networked media)

(2) Establish a communication and media business base

- Boost the value of media operations in areas served by our lines
- Develop information technology service solutions both 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

Performance for the Fiscal Year ended March 2011

Revenues and earnings down, due to correction from strong previous year in the stage business and impact of the Great East Japan Earthquake

In the sports business, the Hanshin Tigers garnered a lot of support for putting up a good fight over the season and getting to the Climax Series. However, the earthquake disaster caused a delay in the start of the 2011 season, so that revenues from operations fell ¥695 million (2.8%) year-on-year to ¥23,863 million.

In the revue side of the stage business, highlights were *The Scarlet Pimpernel* (Tsuki (Moon) troupe), a hit since it was first performed in 2008, and the musical *Romeo and Juliet* (Yuki (Snow) troupe) premiered in France in 2001. In the theatre business, at Umeda Arts Theatre the Hoshi (Star) troupe performed *Romeo and Juliet*, and other talked-about musical revues such as *Phantom* were staged. However, revenues from operations slipped by ¥2,743 million (9.5%) year-on-year to ¥26,079 million due to corrections following the success of previous year productions such as *Elisabeth* and strong merchandise sales after the final shows of several leading talents prior to their retirement. Another negative was suspension of performances at Tokyo Takarazuka Theatre following the earthquake disaster.

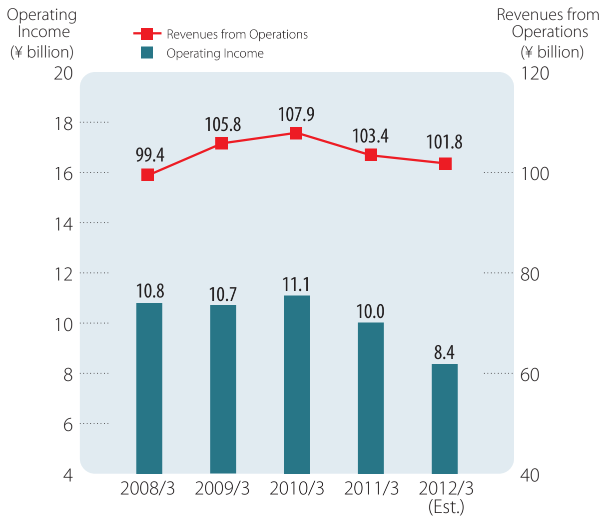
In the cable television business of the communication and media businesses, subscriber numbers grew steadily for our triple-play packages of multichannel cable TV, cable internet, and Cable-Plus Phone services following focused marketing efforts.

As a result of the above, overall revenues from operations in the Entertainment and Communications business fell ¥4,445 million (4.1%) from the previous year to ¥103,407 million, and operating income dropped by ¥1,074 million (9.7%) to ¥9,994 million.

Forecasts for Fiscal 2012 Onward

Earnings likely to fall after factoring in the impact of the Great East Japan Earthquake and a correction following the Hanshin Tigers' good attendances in the previous fiscal year

We forecast revenues from operations to fall ¥1,607 million (1.6%) to ¥101,800 million and operating income to slump by ¥1,594 million (15.9%) to ¥8,400 million, with the Great East Japan Earthquake depressing consumer confidence and ad revenues in all businesses, compounded by a correction following the Tigers' crowd-pulling successes in 2010, which will impact ticket sales, and lower broadcasting right revenues.



Travel and International Transportation

HANKYU HANSHIN EXPRESS (SINGAPORE) PTE LTD.

Major Businesses

☐ Travel Business:
Hankyu Travel International Group (7 companies)
Total billings: ¥348.3 billion (No. 4 in the industry)
Overseas Travel: ¥222.8 billion (No. 3 in the industry)
Domestic Travel: ¥124.3 billion (No. 7 in the industry)

* Total billings are Hankyu Travel International (nonconsolidated) figures for fiscal year ended March 2011.

☐ International Transportation Business:
Hankyu Hanshin Express Group (25 companies)
Sales: ¥80.1 billion
Air exports from Japan (Weight): 66,766 tons (No. 4 in the industry)
Air imports to Japan (Number of customs clearances):
236,279 (No. 4 in the industry)

* Sales are total of Hankyu Hanshin Express Group figures for fiscal year ended March 2011.

Basic Information and Business Environment

Travel

Aiming to achieve the highest customer approval ratings in the industry

Since the 1990s, the Hankyu Hanshin Holdings Group's Travel business has focused on using newspapers and other media (mail-order and online sales) to market travel packages such as its Trapics brand. This business is especially strong in overseas operations, placing third in the sector in terms of overseas billings in fiscal 2011. The Group has also risen to seventh position in the domestic travel segment, and is now ranked fourth in the Japanese travel industry based on overall billings.

Despite the risks posed by external factors such as the H1N1 flu scare and the Great East Japan Earthquake, an aggressive approach to travel package development is generating steady growth in the travel business both in Japan and overseas, with marketing undertaken using newspapers and other media.

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 security, safety and providing inspiration and dreams. By providing high-quality services and travel packages with strong appeal, the Group will work as one to win the support of even more customers.

Total Travel Billings (Fiscal 2011)

Rank	Company name	¥ billion
1	JTB Group (14 companies)	1,124.4
2	Kinki Nippon Tourist	387.2
3	Nippon Travel Agency	376.2
4	Hankyu Travel International	348.3
5	HIS	320.0
6	Rakuten Travel	253.5
7	JTB Traveland	235.5
8	JTB World Vacations	211.1
9	ANA Sales	203.7
10	Club Tourism International	141.4

Overseas Travel Billings (Fiscal 2011)

Rank	Company name	¥ billion
1	JTB Group (14 companies)	384.6
2	HIS	303.3
3	Hankyu Travel International	222.8
4	JTB World Vacations	211.1
5	Kinki Nippon Tourist	143.6
6	Nippon Travel Agency	131.9
7	JALPAK	65.3
8	Nippon Express	63.5
9	JTB Traveland	61.9
10	Club Tourism International	53.7

Domestic Travel Billings (Fiscal 2011)

Rank	Company name	¥ billion
1	JTB Group (14 companies)	709.2
2	Rakuten Travel	237.9
3	Nippon Travel Agency	234.8
4	Kinki Nippon Tourist	234.6
5	ANA Sales	179.0
6	JTB Traveland	170.1
7	Hankyu Travel International	124.3
8	JAL Tours	110.1
9	Club Tourism International	87.6
10	Top Tour	79.3

* Source: Hankyu Hanshin Holdings, based on Japan Tourism Agency Bulletin (online): Business Volume for Major Travel Agents (April 2010 to March 2011)
Billings are rounded down to the nearest ¥100 million.

International Transportation

A global logistics provider using advanced IT to lead the market

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 outpaced rivals in marine transportation and logistics in creating a framework that optimises our customers' supply chain management. The efficient combination of multiple transportation modes worldwide forms an infrastructure that allows us to respond to the complex logistics needs of our customers as a total logistics provider with an advanced distribution management system.

Business performance has been improving on gradual recovery in the global economy following the crisis triggered by the collapse of Lehman Brothers in autumn 2008.

With the global logistics market continuing to expand, we plan to open new bases in growth markets and increase the Group's brand value overseas as a powerful company capable of supporting customers' logistics strategies with high-quality services and systems.

Overseas Network

22 subsidiaries, 81 locations / Number of employees: 2,019

Basic Strategies

Travel

(1) Raise customer satisfaction levels

- Consistent quality management; comprehensive risk management

(2) Strengthen sales capacity

- Strengthen lineup of pre-planned package tours; expanded sales channels

(3) Create foundation for consistent profits

- Improve process efficiencies in back office/administrative departments

International Transportation

(1) Strengthen marketing capabilities

- Target global opportunities
- Strengthen the marine transportation business
- Expand the logistics business
- Strengthen sales of transportation equipment

(2) Expand networks in promising markets

- Accelerate expansion in India and upgrade bases in China
- Enter other emerging markets

Performance for the Fiscal Year ended March 2011

Revenues and earnings bounce back after the H1N1 flu scare (affecting Travel) and the global economic downturn (International Transportation)

Despite a steady performance by the Travel business both in Japan and overseas packages, especially to Europe, business conditions worsened after January 2011 due to the political uncertainty in the Middle East Asia and the impact of the Great East Japan Earthquake. However, revenues from operations increased ¥1,472 million or 4.9% year-on-year to ¥31,306 million, in a correction from the slump caused by the H1N1 flu scare in the previous fiscal year.

Oversea units of the International Transportation business have shown signs of a recovery after the demand decrease triggered by the rapid deterioration in the global economy from autumn 2008. Exports by domestic companies have recovered to levels seen before the collapse of Lehman Brothers in autumn 2008, and imports too are picking up again.

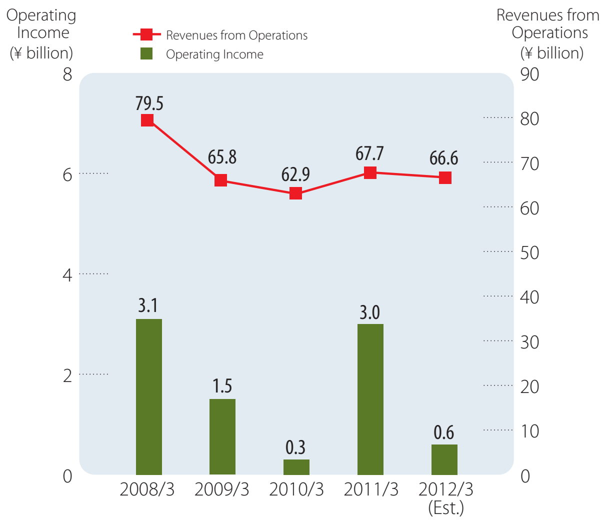
As a result, revenues from operations in the International Transportation business increased ¥3,402 million or 10.3% year-on-year to ¥36,494 million.

Revenues from operations for both Travel and International Transportation businesses increased ¥4,856 million or 7.7% year-on-year to ¥67,710 million, and operating income increased ¥2,611 million or 766.2% year-on-year to ¥2,952 million.

Forecasts for Fiscal 2012 Onward

The segment will see declining revenues and earnings, due to the impact of the Great East Japan Earthquake on Travel operations

We expect sustainable growth especially in Asia in the International Transportation business, but domestic travel will be affected by the earthquake, with fewer customer bookings. We forecast overall revenues from operations to decrease ¥1,110 million or 1.6% year-on-year to ¥66,600 million, and operating income to slump ¥2,352 million or 79.7% to ¥600 million.



Hotels


Hotel Hankyu International

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.

Basic Information and Business Environment

One of Japan's Major Hotel Chains

Hankyu-Hanshin-Daiichi Hotel Group, which started business in 1926 as Takarazuka Hotel, is now one of Japan's foremost hotel chains, operating and managing 45 hotels with 9,160 guest rooms (as of the end of July 2011).

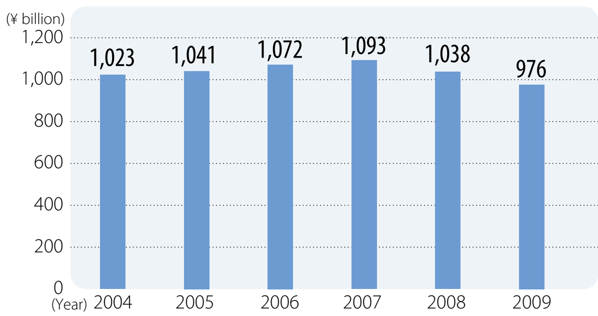
Conditions in the hotel market and our response

According to estimates by the Japan Productivity Center*[1], Japan's hotel market continued to expand from 2003 through 2007 (based on sales). However, in 2009, 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 businesspeople 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 response to these difficult conditions, we have commenced a three-year renovation programme at Hotel new Hankyu Osaka, one of our most important hotels. To strengthen our marketing and competitiveness, we overhauled the Hotels group portal site along with individual websites for 45 hotels.

*[1] White Paper on Leisure, fiscal 2010 edition, published by the Japan Productivity Center

Size of the Hotel market in Japan



Column New REMM hotel to open in Kagoshima

In October 2011, we expect to open our new REMM brand hotel (with guest rooms designed for "a good night's sleep," including custom-made beds) in Kagoshima in Kyushu island. We currently operate REMM brand hotels in Hibiya and Akihabara in Tokyo. REMM Kagoshima, the third hotel in this chain, is conveniently located at the centre of the Tenmonkan district, the largest shopping and entertainment district in southern Kyushu, with easy access to Kagoshima Airport and Kagoshima Chuo Station. The opening will follow and benefit from the start of full operation of the Kyushu Shinkansen from Kagoshima to Osaka in March 2011, which is projected to greatly stimulate business activity in the Kyushu region. We expect the new hotel to attract both tourists and businesspeople.


REMM Kagoshima

Basic Strategies

(1) Create infrastructure for hotel chain operation

- Strengthen platforms for supporting hotel chain marketing and management
- Establish a framework for developing the new REMM hotel format

(2) Strengthen the earnings structure through business reform

- Boost productivity by rebuilding work processes
- Maintain and enhance the competitiveness of our hotels based on an appropriate level of investment

(3) Strengthen the earnings base by overhauling the business portfolio

- Develop hotels using franchise or management contracts, based on operational capabilities and brand strength

Performance for the Fiscal Year ended March 2011

Although operating income increased due to a business takeover, operating conditions remain difficult

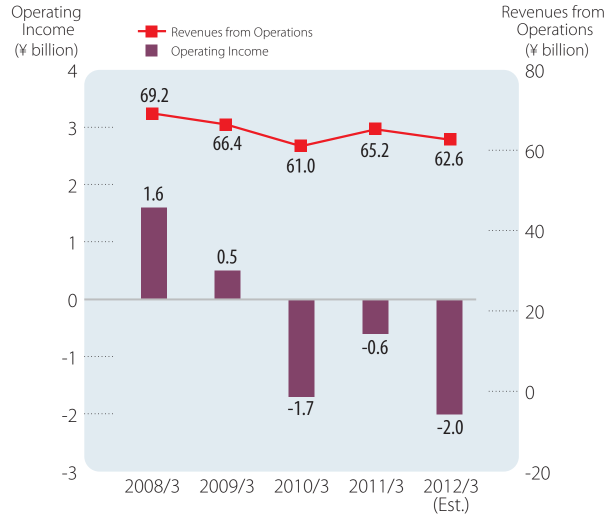
In the Hotels Business, we strengthened our competitiveness through such initiatives as opening directly-managed restaurants in Hotel new Hankyu Osaka, Dai-ichi Hotel Tokyo and Hotel Hanshin, and renovation of lobby and banquet halls in Hotel new Hankyu Osaka, the first phase of a three-year renovation project. We also implemented measures such as renewing the Hankyu-Hanshin-Daiichi Hotel Group website and adding reservation pages in Korean and Chinese. However, demand for rooms and banquets declined as a result of the prolonged weak economy and the Great East Japan Earthquake.

Against this background, revenues from operations increased ¥4,243 million or 7.0% year-on-year to ¥65,220 million, due partly to the transfer of food and drink businesses, and the operating loss shrank to ¥639 million, a ¥1,034 million year-on-year improvement.

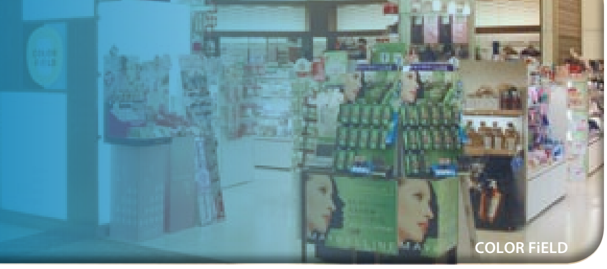
Forecasts for Fiscal 2012 Onward

The impact of the Great East Japan Earthquake will reduce revenues and profits

We expect hotel room demand from corporate and inbound customers and demand for banquets to slump due to the impact of the Great East Japan Earthquake. We will continue to cut expenses; however, we estimate that revenues from operation will decline ¥2,620 million, or 4.0%, year-on-year to ¥62,600 million, with the operating loss increasing ¥1,361 million or 213.0% year-on-year to ¥2,000 million.



Retailing


COLOR FiELD

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 and accessories chain COLOR FiELD, Furniture and daily accessories chain DOUBLEDAY, etc.

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

Basic Information and Business Environment

Retailing formats primarily located inside and near stations

The Group's Retailing Business is mainly focused on stores inside and near station buildings (the "Ekinaka" and "Ekichika" formats). Outlets and operators include station kiosks such as Lagare, the convenience store chain *asnas*, and formats run with partners. We also run the bookstore chain Book 1st. and the general merchandise formats COLOR FiELD and DOUBLEDAY, and we are extending their operations 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 the strengths of the Group's retailing operations. However, our station-based retailing operations continue to face difficult conditions. Train use has declined 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.

In response, we are working to boost the competitiveness and operating efficiency of our formats, while at the same time enhancing the overall appeal of our station retail areas. One example is the launch of extensive renovation works at in-station shops in Hankyu Umeda Station, the largest terminal in the Hankyu network, to enable customers to get more out of their time at our stations.

Book 1st.


asnas


Lagare shop


Seijo Ishii

COLOR FiELD


DOUBLEDAY

Basic Strategies

The Retailing Business will improve and enhance business infrastructure (in terms of product merchandising capacity, human resources, IT environment, organisation, and logistics), and also achieve sustainable growth in each business. In pursuit of this strategy, it will be making improvements in the following important areas.

(1) Reinforce the earnings base by withdrawing from unprofitable or poorly performing stores and by rebuilding the store network

(2) Boost the competitiveness and operating efficiency of our formats

- Create new retail demand in stations through renovation of in-station stores, and follow a more dynamic store-opening policy
- Strengthen our brand in areas beyond those served by our lines (reinforce and overhaul the bookstore and general merchandise businesses)
- Identify businesses with strong competitiveness and develop businesses that will contribute to growth

Performance for the Fiscal Year ended March 2011

Business expansion through new store openings, but performance hurt by weak consumer spending

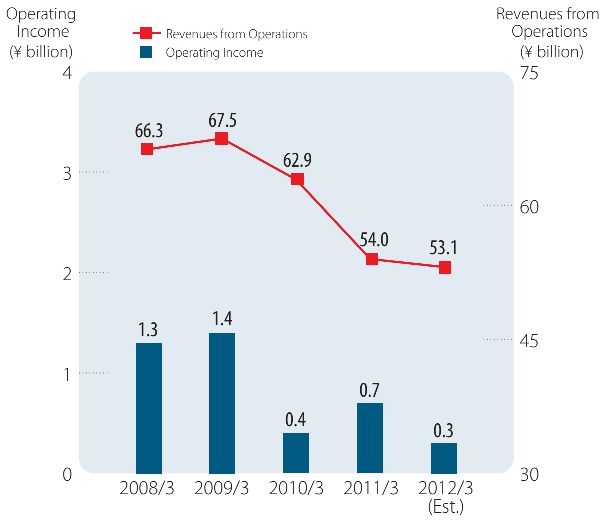
The Retailing Business opened a number of new stores in areas served by our lines, including the *asnas* Umeda Hankyu Building store, an *asnas* convenience store in the office tower at Umeda Hankyu Building, the Cook Deli Gozen Katsura delicatessen at Hankyu Katsura Station, as well as the Book 1st. atre Kichijoji Higashi store and the DOUBLEDAY Tamaplaza-Terrace, a furniture and daily accessories store in Tokyo. It also developed retail formats in areas away our station catchment areas. In addition, it focused on strengthening competitiveness and improving profitability through renovation of established stores and withdrawal from unprofitable stores.

As of 1st April 2010, revenues from operations in this segment declined ¥8,865 million or 14.1% year-on-year, to ¥54,008 million, mainly due to transfer of the food and drink businesses operated by Creative Hankyu Co., Ltd. to the Hotels segment. The segment posted operating income of ¥713 million, up ¥362 million or 103.2% year-on-year, due partly to improved profitability at established stores.

Forecasts for Fiscal 2012 Onward

The impact of the Great East Japan Earthquake and temporary business closures for renovation will reduce revenue and earnings

Owing to weak consumer spending and shortening of business hours following the earthquake disaster, as well as business closures for renovation of in-station stores for greater growth, we forecast revenues from operations of ¥53,100 million, down ¥908 million or 1.7% year-on-year, and operating income of ¥300 million, down ¥ 413 million or 57.9%.



Protecting Customer Trust, a Priceless Asset

Last year, a series of scandals was discovered at multiple railway companies in Japan. To avoid paying fares when travelling on their own and other companies' railways, certain railway employees abused their professional authority in their processing of their own electronic tickets.

This scandal was covered extensively in the Japanese media because of the highly public role of railways. Regardless of what Group business they belong to, we sought to impress upon our employees that the wrongful conduct of certain individuals can in one instant destroy customer trust that we have spent years building up.

In recent years, when a scandal has broken out, it has underlined the importance of compliance. The word "compliance" is usually translated into Japanese as "observance of laws," but it goes without saying that this is not simply a matter of avoiding legal infringement. Compliance does not simply mean "following the law," but also "acting in response." Accordingly, we consider compliance-focused management to be management which fundamentally believes that trust is created by responding to the expectations of all stakeholders including customers, business partners, shareholders, regional communities, and employees.

To put this more precisely: this means, for example, setting in-house standards that are stricter than the legal standards, or making judgements strictly based on an organisational ethic, even when there is no legal infringement. This kind of attitude is precisely what compliance demands in these times, and what our stakeholders also expect.

There are no goals in our commitment to compliance. By realising their commitment to the concept of sincerity, one of the core values of the Group, in their work, each employee from executive downwards will seek to pass on to their successors the trust of our customers — that priceless asset that our predecessors built up so painstakingly.

August 2011

Kazuo Sumi

President and Representative Director

Corporate Governance

Our Corporate Governance System

Hankyu Hanshin Holdings, Inc. 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:

Takes decisions regarding Group management policy and strategy;

Approves the medium-term and annual business planning 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

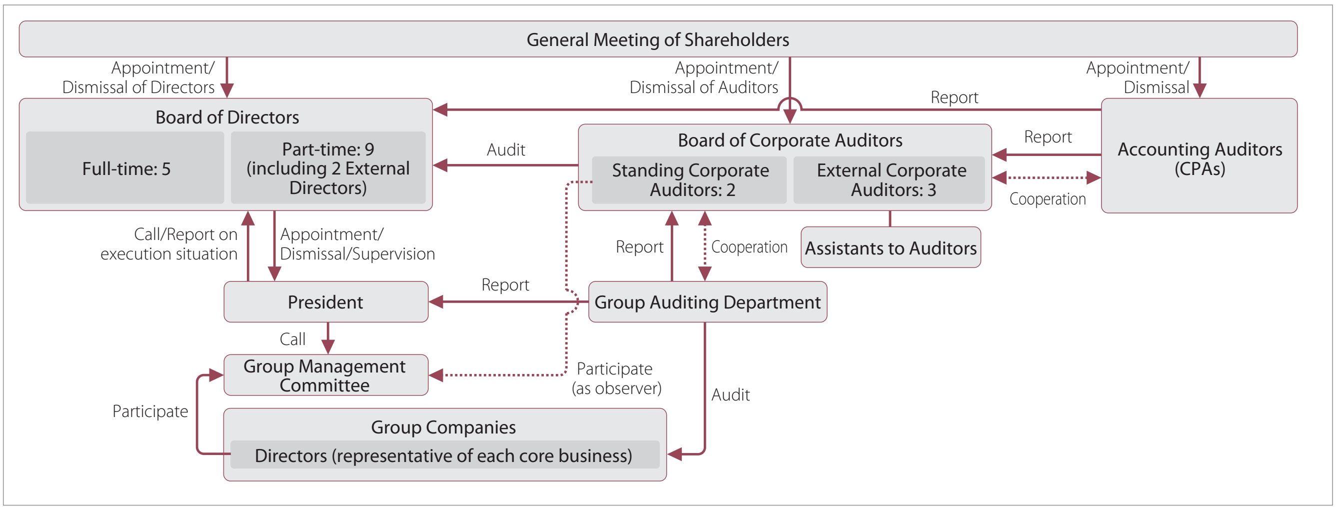
Grants approval in cases where a Group company takes actions that significantly affect Group management (for example, when investments rise above a certain threshold).

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 holding company, and ensuring that necessary funds are distributed within specific parameters laid down in the business plans of the operating companies, as approved by the Company.

Corporate Governance System



Board of Directors and Board of Corporate Auditors

(including matters involving external executives)

(1) Board of Directors

In fiscal year ended March 2011, the Board dealt with management planning issues such as the amendment of the Medium-Term Management Plan, and reviewed and gave approval for business reorganisations, including of Hankyu Hanshin Card Co., Ltd. It also issued reports regarding reforms to Group company management, changes to train timetabling at Hankyu Corporation and investment in station upgrades and large-scale developments.

It approved decisions for basic policy amendments to the internal control system and issued progress reports.

The Board of Directors met eight times in the fiscal year under review, with average attendance at 94% for Directors and 93% for Corporate Auditors.

(2) Directors etc.

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 bring to the table a wealth of independent experience in corporate management. Our aim is to strengthen our supervisory and oversight standards and raise the standard of decision-making.

By a decision of the General Meeting of Shareholders in June 2006, the term of office of directors was reduced to one year, to clarify management responsibilities following the introduction of anti-takeover measures (prevention of large-scale Company share purchases).

(3) Board of Corporate Auditors

The Company employs 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 the 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.

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.

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 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.

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 at Group companies.

Relations with External Directors

Name	Reasons for appointment and possible conflicts of interest
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. Meets criteria for exercise of independent judgement stipulated by the stock exchanges, and there is no probability of a conflict of interest with general shareholders.
Shosuke Mori (Independent Director)	Representative director of 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, and ability to provide independent input. Meets criteria for exercise of independent judgement stipulated by the stock exchanges, and there is no probability of a conflict of interest with general shareholders.

* Mr. Noriyuki Inoue attended six out of the eight meetings of the Board of Directors held in fiscal year ended March 2011. He is able to provide the Company with pertinent and useful opinions, including at meetings of the Board of Directors, based on his perspective as a business manager with extensive experience.

Mr. Shosuke Mori was appointed as an external director at the General Meeting of Shareholders held on 16th June 2010. He attended four out of the six meetings of the Board of Directors held in fiscal year ended March 2011. He is able to provide the Company with pertinent and useful opinions, including at meetings of the Board of Directors, based on his perspective as a business manager with extensive experience.

Relations with External Auditors

Name	Reasons for appointment and possible conflicts of interest
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. Meets criteria for exercise of independent judgement stipulated by the stock exchanges, and there is no probability of a conflict of interest with general shareholders.
Haruo Sakaguchi (Independent Auditor)	Currently a lawyer. Appointed to advise on more compliance-based management and for his ability to provide independent input. Meets criteria for exercise of independent judgement stipulated by the stock exchanges, and there is no probability of a conflict of interest with general shareholders.
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. Meets criteria for exercise of independent judgement stipulated by the stock exchanges, and there is no probability of a conflict of interest with general shareholders.

* Mr. Takaharu Dohi attended seven out of the eight meetings of the Board of Directors held in fiscal year ended March 2011 and eleven out of the twelve meetings of the Board of Corporate Auditors. He is able to provide the Company with pertinent and useful opinions, including at meetings of the Board of Directors and of the Board of Corporate Auditors, principally in relation to compliance matters.

Mr. Haruo Sakaguchi attended eight out of the eight meetings of the Board of Directors held in fiscal year ended March 2011 and eleven out of the twelve meetings of the Board of Corporate Auditors. He is able to provide the Company with pertinent and useful opinions, including at meetings of the Board of Directors and of the Board of Corporate Auditors, principally in relation to compliance matters.

Mr. Junzo Ishii was appointed as an external auditor at the General Meeting of Shareholders held on 16th June 2010. He attended five out of the six meetings of the Board of Directors held in fiscal year ended March 2011 and eight out of the nine meetings of the Board of Corporate Auditors. He is able to provide the Company with pertinent and useful opinions, including at meetings of the Board of Directors and of the Board of Corporate Auditors, from his perspective as an expert in management.

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. During the year under review, the Group Management Committee met 14 times.

(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). Each Core Business Strategy Council met three times in the year under review.

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

The Group Presidents' Meeting, held twice a year, brings together presidents of over 150 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. Bringing together subsidiary and affiliate presidents under one roof two times every year, the Group Presidents' Meeting aims to encourage a joint sense of commitment to the Medium-Term Management Plan. Awards are made to subsidiaries that boost earnings or individuals and Groups that successfully launch initiatives or make significant contributions at their units.

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.

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, stock options are offered to directors at subsidiary Hankyu Corporation. At a meeting of the Board of Directors, on 16th June 2011, the Company approved the issue of new share subscription rights (stock options for compensation purchases) for directors of Hankyu Corporation with the aim of further incentivising executives to work to improve business results over the longer term and raise enterprise value, by allowing directors of subsidiary Hankyu Corporation (excluding part-time directors) to benefit from rising share prices while also sharing the same risk exposure from falling share prices as our shareholders.

Compensation Paid to Directors and Corporate Auditors (Fiscal Year Ended March 2011)

	No. of recipients	Total paid out (Millions of yen)
Directors (external)	15 (3)	116 (16)
Corporate Auditors (external)	6 (4)	17 (6)
Total (external)	21 (7)	133 (23)

*1 Recipients of compensation include one director and one corporate auditor who retired at the conclusion of the General Meeting of Shareholders held on 16th June 2010.

*2 In addition to the above, compensation received by external directors and auditors from subsidiaries of the Company for their duties as directors and auditors, etc. amounted to ¥23 million for fiscal year ended March 2011.

Of the Company's full-time Directors and Auditors, directors Kazuo Sumi and Mitsuo Nozaki, and corporate auditor Hidekazu Sugisawa are also senior executives at the Company's subsidiary Hankyu Corporation. Directors Shinya Sakai, Masao Shin and Toru Nakashima, 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 endeavour to send out the notices of convocation at the earliest possible date. We sent out such notices on 27th May 2011, 20 days before the Regular 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 2011 Regular General Meeting of Shareholders on the 16th June, 13 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 advisable.

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.
- 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 powers of operational audit not only in its accounting auditors but also in corporate auditors of each Group company, 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.

(1) 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.

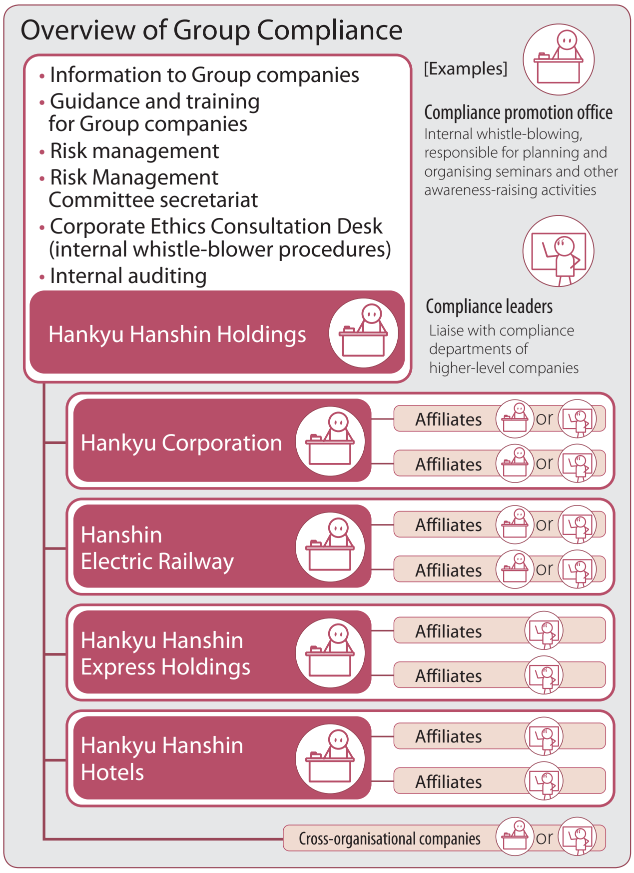
(2) Corporate Ethics Consultation Desk (internal whistleblower procedures)

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.

(3) 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.



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 17th June 2009, 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 takeover prevention measures, please see: http://holdings.hankyu-hanshin.co.jp/ir/topics/data/KS200906173N3.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 train staff, and share and analyse data. Such painstaking efforts to forestall even one human error is 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 our major private sector railway operators.

□ 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

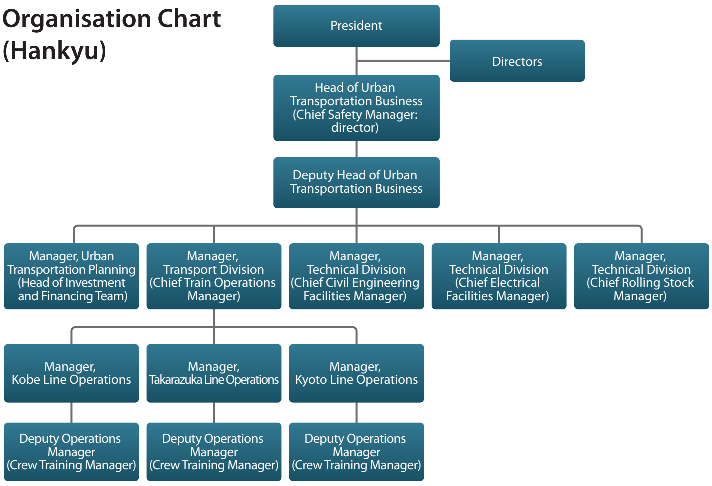
The Company shall comply with all laws and regulations related to safety and apply them rigorously and sincerely in its operations.

■ Maintenance of safety management systems

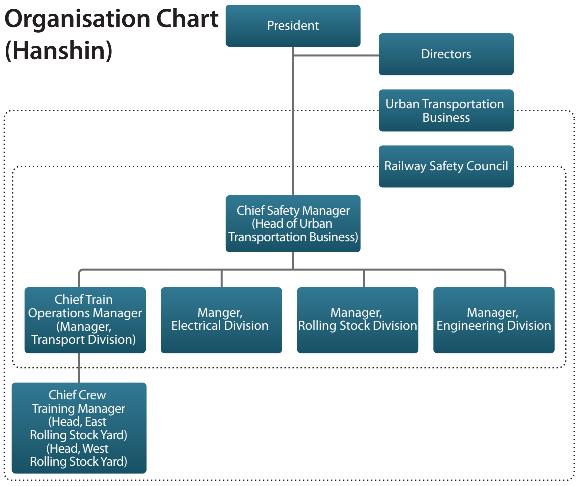
The Company shall implement continuous verification procedures to ensure safety management systems are operating appropriately.

□ Transport Safety Organizations

Organisation Chart (Hankyu)



Organisation Chart (Hanshin)

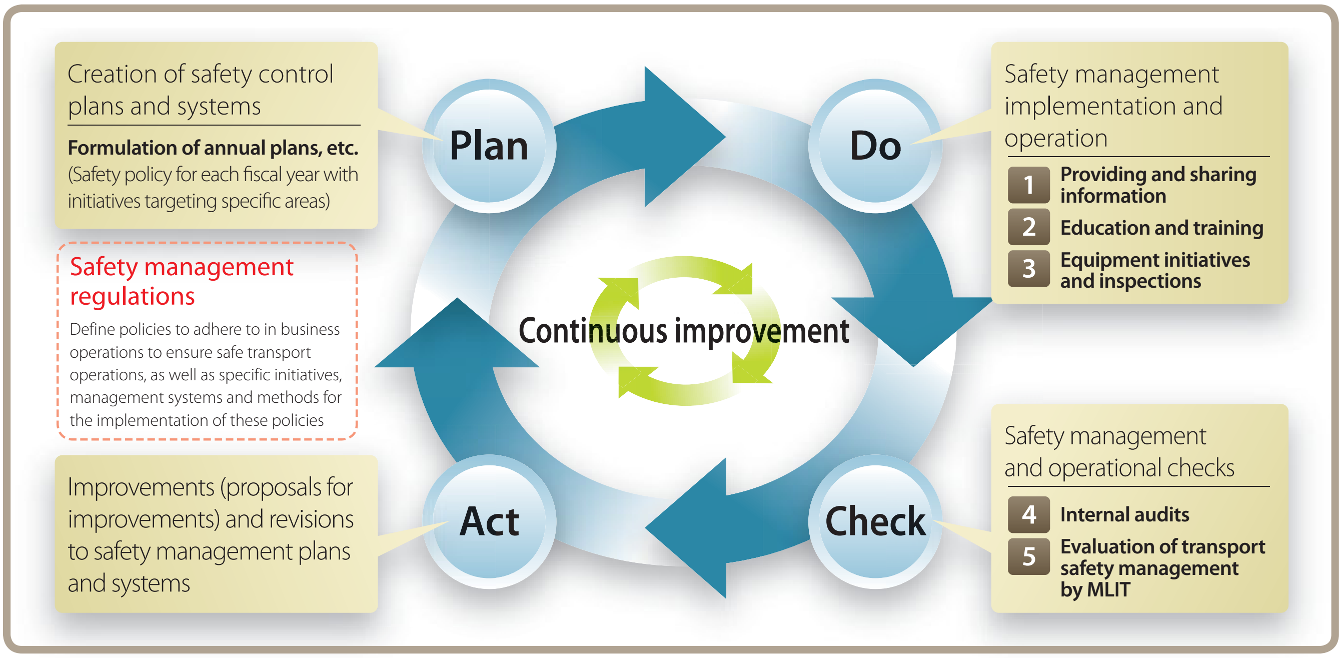


Position	Role
President	Ultimate responsibility for ensuring transport safety
Chief Safety Manager (Head of Urban Transportation Business)	Responsible for overseeing all activities related to ensuring transport safety
Chief Train Operations Manager (Manager, Transport Division*)	Responsible for managing all aspects of safety related to 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 oversight 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.



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 our employees.

Below, we explain in more detail points 1 – 5 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 operations in each division is vital to maintaining and improving workplace safety, we began holding "management area meetings" from the year ended March 2011 to improve communication and information sharing between front-line personnel in divisions responsible for train operations, civil engineering facilities, electrical facilities and rolling stock.

Hanshin Electric Railway

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 misses, and shares information about these reports. It analyses the causes of these accidents, safety incidents, and potential accidents and near misses. 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 misses 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.

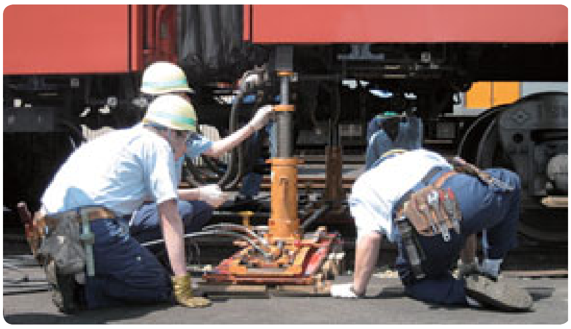
2 Education and Training

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. Hankyu Corporation also conducts joint drills for emergencies where cooperation across business divisions is required.

Joint Drills: Hankyu Corporation

* In 2010, drills were conducted to prepare for a possible terrorist attack on the rail network. These drills included joint exercises with police and fire services to improve information sharing, and evacuation and emergency life-saving drills.

Emergency Drills: Hanshin Electric Railway



An exercise to return a derailed train to the tracks

An exercise to repair overhead power cables

In May 2009, Hankyu Corporation opened a safety awareness room at its driver and conductor training facility. This initiative was part of efforts to ensure lessons learnt from past accidents are not forgotten. The booth can give employees the opportunity to learn about safety through case studies of past accidents, including those that occurred at other companies, and the development of safety devices and regulations in the rail industry. Visits by all employees and Group company employees involved in transport safety have already been made, and we plan to continue making effective use of these facilities in the future.

Safety awareness room
(Hankyu Corporation)

Safety awareness room
(Hankyu Corporation)

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. This work to raise the tracks has led to a marked drop in the number of level-crossing accidents.

Controlling rail traffic with automatic signal, point and signage systems

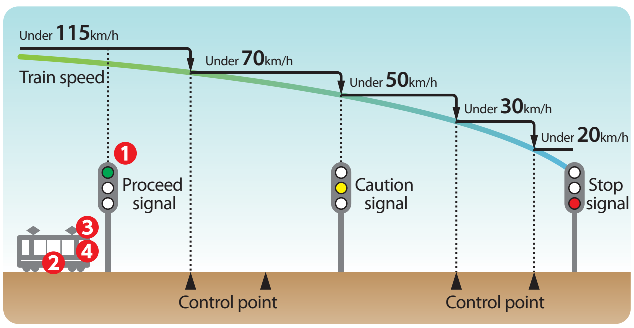
Both companies utilise computer-based systems to control rail traffic. Hankyu Corporation uses the Total Traffic Control (TTC) system, while Hanshin Electric Railway uses the Programmed Traffic Control (PTC) system. The companies' TTC and PTC centres automatically control signals, points, and platform signs and announcements based on pre-programmed 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

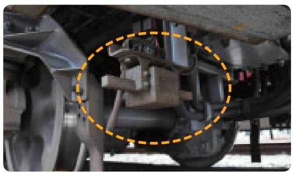
Automatic Train Stop (ATS) equipment automatically slows down or stops trains when drivers fail to notice or respond to, or misinterpret, signals or signaled speed limits. Hankyu Corporation and Hanshin Electric Railway both use continuous control ATS systems on all their lines*, including branch lines,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

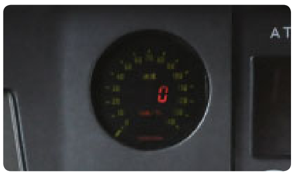


❶ Obstruction signal



❷ ATS pickup

❸ ATS indicator in driver's cab



❹ Speedometer in driver's cab

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 excessive speed through 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.

Hanshin Electric Railway is working to prevent trains from failing to stop at designated stations. Information from equipment that identifies train types is used to trigger RED sign as trains which are supposed to stop approach the station, while ATS equipment automatically slows down the train if its speed exceeds the limit set for entry into the station.

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.

Initiatives to improve level crossing safety

Hankyu Corporation and Hanshin Electric Railway have installed obstacle detection systems at all vehicular level crossings to prevent accidents. The system's optical or laser sensors detect any vehicle that becomes stuck on a level crossing ahead of a train and automatically triggers a stop signal, thereby warning the train driver of a problem ahead.

Initiatives to improve platform safety

Hankyu Corporation and Hanshin Electric Railway have both adopted a range of measures in the event that passengers fall onto or enter the line from the platform. These include emergency train stop buttons on the platform, mats that detect obstacles that have fallen onto the line, spaces under the platform to allow people to move out of the way of approaching trains, and steps that lead back up to the platform.

When the emergency stop buttons are activated or the mats detect an obstacle, warning lights and sirens on the platform are triggered and trains are stopped, ensuring safety. Since fiscal 2010, Hankyu Corporation has also been installing platform emergency stop buttons that work in tandem with ATS systems in an effort to further improve platform safety.

4 Internal Audits

In order to reinforce their safety management systems, Hankyu Corporation and Hanshin Electric Railway conduct internal audits to verify the status of safety management measures.

Both companies conduct internal audits of their train operation, civil engineering (workshop) facility, electrical facility, and rolling stock divisions in accordance with guidelines set out by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT). The results of these audits are reflected in annual action plans, and if improvements are required, each division formulates and implements remedial measures.

Hankyu Corporation takes an even more rigorous approach to ensure its safety management system appropriates properly, with personnel including the President or current Chief Safety Managers (from Head of the Urban Transportation Business down) undergoing interviews conducted by officers with experience as Chief Safety Managers.

Meanwhile, Hanshin Electric Railway has created check sheets to verify the effectiveness of these internal audits in order to assess auditors' understanding of the audits. This process has shown that the audits are being conducted in an effective manner.

The skills of personnel who conduct the audits are key to the success of the internal audit process. We therefore conduct an ongoing training program for these personnel to improve the accuracy of internal audits.

5 Evaluation of Transport Safety Management by MLIT

MLIT assess the status of safety management systems at Hankyu Corporation and Hanshin Electric Railway through their evaluation of transport safety management.

Under this process, MLIT check whether transport businesses have put in place appropriate safety management systems and evaluate the operational status of these systems in accordance with predetermined guidelines. Inspectors from MLIT conduct interviews with senior managers, safety officers and other individuals that have important roles in the safety management system. Based on these interviews and supporting documentation, MLIT verifies and evaluates the performance of the systems and issues directions on any necessary improvements.

Directors and Corporate Auditors (As of 16th June 2011)

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

Hidekazu Sugisawa
Standing Corporate Auditor

1971 Joined Keihanshin Railway
2001 Standing Corporate Auditor, Hankyu Corporation (Current position)
2005 Standing Corporate Auditor, Hankyu Holdings
2006 Standing Corporate Auditor, Hankyu Hanshin Holdings (Current position)

Chikashi Suehara
Standing Corporate Auditor

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

Tomokazu Yamazawa
Director (Part-time)

1971 Joined Keihanshin Railway
2000 Director, Hankyu Corporation
2002 President, Dai-ichi Hankyu Hotels
2005 President, Hankyu Hotel Management
2007 Director, Hankyu Hanshin Holdings (Current position)
2008 President, Hankyu Hanshin Hotels (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.

□ Social Contribution Activities

Promoting the Hankyu Hanshin Dreams and Communities of the Future project

To contribute more effectively to the public interest and local community as a Group, we launched the Hankyu Hanshin Dreams and Communities of the Future project in April 2009. Through this initiative, we help build local communities that are a joy to live in.

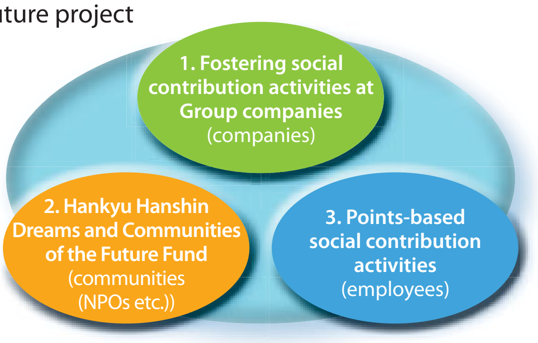
私たちは、未来へつなぐ
「環境づくり」と「人づくり」に貢献します。

[Basic Policy]
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, 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**, and realise a Groupwide commitment to corporate social responsibility.

Priority area: Environmental and human capital development that will be of future benefit

In our view, "communities" depend on two things: the local environment and people — that is, human capital. To bring about a better local environment, we are committed to sustainable community-building with environment-friendly developments that provide local residents with security, peace of mind and cultural enrichment. With regard to people, we are creating opportunities for the healthy development of ambitious children, upon whose shoulders the task of building the communities of the future rests. Based on these basic policies and priority areas, we operate the following three programmes for partnership among stakeholders (companies, communities and employees).

The Hankyu Hanshin Dreams and Communities of the Future project



(1) Fostering social contribution activities at Group companies

Among the social contribution activities by Group companies, activities tying in with the above basic policy are identified as Dreams and Communities of the Future project activities, to be pursued by the whole Group on an ongoing basis, with Hankyu Hanshin Holdings Inc. providing support with PR and sponsorship.

Initiative: Storytelling sessions for kids

To develop young minds for the next generation and introduce them to the joy of picturebooks, Hankyu Retails holds storytelling sessions for kids at Book 1st. book stores in Umeda and other locations.

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

To foster cooperation with citizens' groups in the areas served by our lines, contributions collected from employees are added to the Fund, and grants are distributed to citizens' groups once a year. Hankyu Hanshin Holdings matches employee donations by an equal amount and transfers the donations to the citizens' groups. In fiscal 2011, the second year of the project, a selection panel awarded ¥500,000 to each of the ten groups.

Initiative: Sponsoring NPO Kyoto Green Fund (Kyoto City) (natural energy promotion and environmental education)

Funded by donations from ordinary citizens, Kyoto Green Fund installs "Ohisama Hatsudensho" solar power units in kindergartens and similar facilities, and organises climate change prevention events and environmental study for children based on these units. At the same time, the Fund helps spread awareness of natural energy and works for a sustainable society.

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

This programme grants points for volunteering activities by individual or former employees and participation in social contribution-themed seminars. Points can be exchanged for Fair Trade products or plantation seedlings, or translated into donations to citizens' groups.

For more detailed information on the Hankyu Hanshin Dreams and Communities of the Future project, please visit this (Japanese-language) website:

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

□ Environment Protection

[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) Measures to help prevent global warming — Carbon neutral Settsu-Shi Station

We opened Japan's first carbon neutral station, the Settsu-Shi Station on the Hankyu Kyoto Line, on March 2010. The station features solar panels, LED lighting and other environmental equipment that results in roughly half the CO_2 emissions of a typical station. The remaining CO_2 emissions are offset through emission credits earned by planting forests in Hyogo Prefecture. This initiative has received many awards including the Japan Railway Awards (Special Prize) and the Osaka Environmental Awards (Grand Prize).

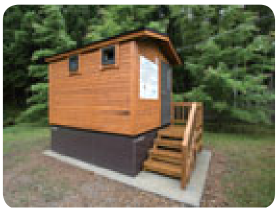
(2) Measures to help prevent global warming — Installation of solar panels at Hanshin Koshien Stadium

In March 2010, Hanshin Koshien Stadium switched on the solar panels installed on its "silver umbrella" roof cover. Their output in fiscal 2011 was around 220,000kWh, enough to keep the lights on during night games for one year at the stadium. This and other initiatives in Hyogo earned the Group the prefecture's 11th Aozora Award.

(3) Measures to reduce waste and encourage resource recycling — Biodiesel buses

As of September 2011, Hankyu Bus Co., Ltd. ran four of its buses purely on biodiesel fuels refined from used edible oils. The oil is collected from Group hotels and elementary schools in Ikeda City.

(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, that use bacterial techniques to break down human waste, to the Japanese 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 Group employees at four locations around Japan.

(5) Measures to help protect the natural environment — Greening activities

In developing commercial facilities, we proactively introduce rooftop- and wall-greening. The public garden built into the roof of Hankyu Nishinomiya Gardens was selected to go on the list of "100 Corporate Greenspaces Helping to Preserve Biodiversity," organised by a Japanese green space foundation.

Meanwhile, Hankyu Hanshin Hotels is a member of the Yellow River Forest Green Network, an accredited Japanese non-profit organization which aims to promote greening and protect the environment. It is involved in the greening support activities in the barren Huangtu (yellow earth) Plateau in China.

For more detailed information on the environmental activities of the Hankyu Hanshin Holdings Group, please visit this (Japanese-language) website:

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

Consolidated Six-Year Summary Six years ended 31st March

	(Millions of yen)						(Thousands of U.S. dollars)*1
	2006/3	2007/3*2	2008/3	2009/3	2010/3	2011/3	2011/3
Result of Operations:							
Revenues from operations	¥486,154	¥743,376	¥752,300	¥683,715	¥653,287	¥638,770	$7,696,024
Operating income	64,841	87,003	90,724	77,823	70,126	64,743	780,036
EBITDA*3	94,500	146,500	145,200	135,300	133,200	127,100	1,531,325
Income before income taxes and minority interests	43,216	65,305	26,098	34,064	33,899	32,760	394,699
Net income	25,326	36,619	627	20,550	10,793	18,068	217,687
Comprehensive income	—	—	—	—	12,541	14,728	177,446
Capital expenditure	52,090	53,795	134,307	109,688	132,386	68,431	824,470
Depreciation and amortisation	29,611	43,888	51,577	54,798	60,418	59,669	718,904
Cash Flows:							
Cash flows from operating activities	¥80,229	¥ 78,981	¥ 74,902	¥108,597	¥146,955	¥103,252	$1,244,000
Cash flows from investing activities	(43,199)	(199,578)	(100,058)	(115,047)	(132,737)	(62,516)	(753,205)
Cash flows from financing activities	(61,960)	132,289	36,718	7,014	(24,200)	(39,544)	(476,434)
Increase (decrease) in cash and cash equivalents	(24,484)	11,791	11,403	(2,174)	(9,680)	474	5,711
Cash and cash equivalents at end of year	28,375	40,166	31,166	30,690	21,440	22,592	272,193
Financial Position:							
Total assets	¥1,609,116	¥2,366,694	¥2,348,476	¥2,307,332	¥2,337,331	¥2,314,669	$27,887,578
Total net assets	360,221	522,286	476,639	473,878	480,633	486,947	5,866,831
Interest-bearing debt	889,615	1,209,382	1,271,100	1,275,620	1,282,583	1,251,665	15,080,301
Per Share Data (yen and U.S. dollars):							
Net income—Basic	¥ 25.36	¥ 31.84	¥ 0.50	¥ 16.28	¥ 8.55	¥ 14.32	$0.17
Net income—Diluted	25.22	—	0.41	16.18	8.51	14.27	0.17
Net assets	343.45	405.35	369.25	366.96	371.70	377.17	4.54
Dividend	5.00	5.00	5.00	5.00	5.00	5.00	0.06
Ratios:							
Operating income margin (%)	13.3	11.7	12.1	11.4	10.7	10.1	—
ROA (%)*4	4.0	4.4	3.8	3.3	3.0	2.8	—
ROE (%)*5	7.9	8.4	0.1	4.4	2.3	3.8	—
Interest-bearing debt/EBITDA (times)	9.4	8.3*8	8.8	9.4	9.6	9.8	—
Equity ratio (%)	22.4	21.7	19.9	20.1	20.1	20.6	—
Debt/equity (D/E) ratio (times)*6	2.5	2.4	2.7	2.8	2.7	2.6	—
Interest coverage ratio (times)*7	4.4	4.5	4.0	3.4	3.0	3.0	—
Others:							
Number of outstanding shares (thousands)	1,049,538	1,271,406	1,271,406	1,271,406	1,271,406	1,271,406	—
Number of employees	13,319	20,498	19,892	20,805	20,938	21,302	—

*1 The U.S. dollar amounts have been translated, for convenience only, at ¥83 = $1, the prevailing exchange rate on the Tokyo Foreign Exchange Market as of 31st March 2011.
*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 = operating 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.

Message from the Management and Accounting Executive Team

Masao Shin
Director

Tsuneo Wakabayashi
Director

Financial Policy

Strategy for high shareholder value: Reinforcing our financial position and improving capital efficiency, to boost our ability to generate cash flow through large-scale projects.

In the 2007 Medium-Term Management Plan covering the fiscal years 2008-2013, the Group has set itself three basic strategy tasks: strengthening competitiveness and raising profitability across all businesses, rigorously pursuing and realising the benefits of integration, and improving our financial standing and return on assets.

During the first three years of the plan (fiscal 2008-2010), we are focusing investments on large-scale projects that will secure the future of the Group. These include projects expected to generate high returns through better use of existing land resources (rebuilding of Umeda Hankyu Building and Hankyu Nishinomiya Gardens), as well as social infrastructure projects like the Hanshin Namba Line and the Hanshin Koshien Stadium which are expected to show medium-term growth. These investments, aimed at improving competitive strength and profitability across all our businesses, are happening concurrently, and have accordingly increased our interest-bearing debt on a consolidated basis.

By contrast, in the second three years of the plan (fiscal years 2011-2013), we expect to see some improvement in our financial standing as these large-scale projects begin to contribute to profitability and strengthened cash flow, from which we will reduce the interest-bearing debt burden. Accordingly, we expect interest-bearing debt on a consolidated basis to peak at the end of fiscal 2010, at ¥1,282.6 billion.

Since the collapse of Lehman Brothers in the autumn of 2008, cash flow (consolidated EBITDA) has fallen short of forecasts in the 2007 Medium-Term Management Plan, due mainly to the slow pace of economic recovery in the Kansai region so central to the Group's business activities. That means it will likely be difficult to achieve the fiscal 2013 targets in the plan of a consolidated interest-bearing debt/EBITDA ratio of seven times and a consolidated return on equity of at least 6%. However, we have made no change to our financial plans with regard to improving our financial standing and capital efficiency for higher shareholder value, in light of the expectation of increased cash flow from the above-mentioned major projects in and beyond fiscal 2014.

Returning profits to shareholders

The Group regards return of profits to shareholders as an important management priority. However, in light of the above-mentioned efforts to improve our current financial standing, we are currently following a basic policy of paying out a stable minimum annual dividend of ¥5 per share. Other free cash flow will be used to meet potential funding requirements for improvement of competitiveness in our core businesses, and to improve our financial standing.

Accordingly, the dividend for the fiscal year ended 31st March 2011 was kept at ¥5 per share as in the previous fiscal year, and the same payout is planned for the coming fiscal year ending 31st March 2012.

We will review our shareholder returns policies including the dividend policy when we are more confident of earnings stability and improved financial standing, firmly underpinned by the full-fledged launch of the rebuilt Umeda Hankyu Building and other large-scale projects.

Consolidated Financial Review

Analysis of Operating Results for the Year Ended 31st March 2011

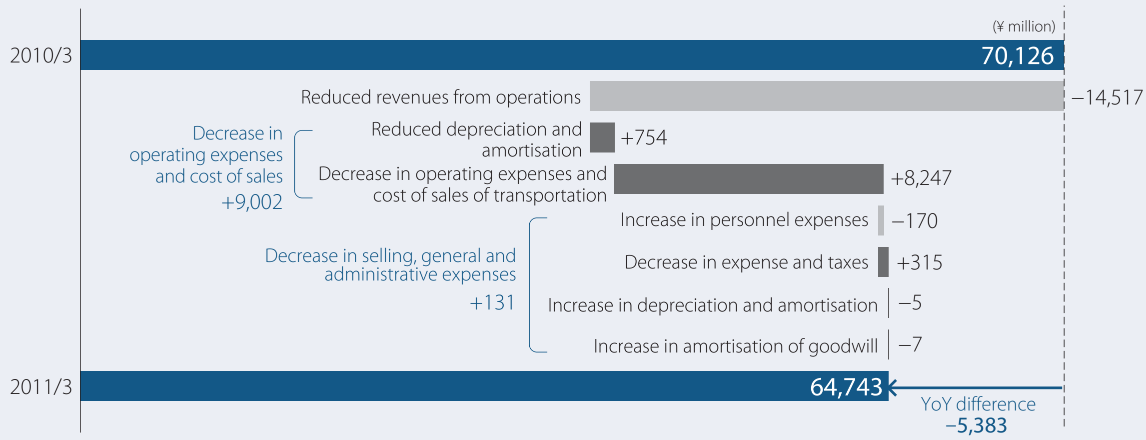
Revenues from operations during the year under review decreased year-on-year by ¥14,517 million (2.2%) to ¥638,770 million. Despite a corrective increase following the H1N1 flu scare and the global economic slowdown of the previous fiscal year, sales performance was dragged down by a substantial decline in condominium unit sales in the Real Estate business (a reaction to the surge in major-project completions and deliveries in the previous term), and the impact of the Great East Japan Earthquake on operations particularly in the Travel, Entertainment and Communications, and Hotels businesses. The impact of the earthquake is estimated at ¥4.1 billion on revenues from operations and ¥3.4 billion on operating income.

Operating income declined by ¥5,383 million (7.7%) to ¥64,743 million, partly on increased property and equipment disposal costs in the Urban Transportation business, which outweighed the gains from cost-cutting drives across core businesses.

Net income jumped by ¥7,275 million (67.4%) to ¥18,068 million, owing mainly to a reduction in extraordinary losses, a correction from the extraordinary losses recorded in the previous fiscal year for one-time amortisation of the amount equivalent to goodwill of an affiliate under the equity method.

Summary of consolidated business results: please also see Interview with the President (Business Environment and Results) on Page 23.

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									
2011/3	192,947	152,730	103,407	67,710	65,220	54,008	43,910	−41,164	638,770
2010/3	191,872	168,451	107,852	62,854	60,977	62,874	39,594	−41,189	653,287
Difference	1,075	−15,721	−4,445	4,856	4,243	−8,865	4,315	25	−14,517
YoY (%)	0.6%	−9.3%	−4.1%	7.7%	7.0%	−14.1%	10.9%	0.1%	−2.2%
Operating income									
2011/3	29,378	23,996	9,994	2,952	−639	713	450	−2,103	64,743
2010/3	31,008	30,938	11,068	340	−1,674	351	538	−2,445	70,126
Difference	−1,629	−6,942	−1,074	2,611	1,034	362	−87	342	−5,383
YoY (%)	−5.3%	−22.4%	−9.7%	766.2%	61.8%	103.2%	−16.3%	14.0%	−7.7%
Reference page	P. 35	P. 41	P. 43	P. 46	P. 48	P. 50	*	—	—

* Revenues rose in Hotels and fell in Retailing due to changes in segmentation.

* Revenues in Other rose from the addition of newly consolidated subsidiaries Hankyu Hanshin Card Co., Ltd. and Hankyu Hanshin Insurance Services Co., Ltd., but fell at Hankyu Hanshin Card due to increased costs for increasing STACIA card holder numbers.

Review of Financial Position

1. Assets, Liabilities and Net Assets

Total assets at the end of the fiscal year under review decreased by ¥22,662 million from the previous term-end to ¥2,314,669 million due partly to a net decrease in trade receivables. Liabilities decreased by ¥28,975 million from the previous term-end to ¥1,827,722 million, due partly to a reduction in interest-bearing debt. Net assets increased ¥6,313 million from the previous term-end to ¥486,947 million on an increase in retained earnings. As a result, the equity ratio stood at 20.6% and ROE at 3.8%.

2. Cash Flows

Cash and cash equivalents increased ¥1,152 million from the previous term-end to ¥22,592 million. Net cash provided by operating activities totalled ¥103,252 million, net cash used in investing activities totalled ¥62,516 million and net cash used in financing activities totalled ¥39,544 million. Increased funding expenses for capital investment were outweighed by net cash from operating activities. An analysis of year-on-year changes in each cash flow category follows.

(1) Cash Flows from Operating Activities

Net cash provided by operating activities decreased by ¥43,702 million from the previous fiscal year, due chiefly to an increase in inventories and a correction affecting deposits following an increase in the previous fiscal year.

(2) Cash Flows from Investing Activities

Net cash used in investing activities declined by ¥70,220 million, due partly to a reduction in outlays for acquisition of property and equipment.

(3) Cash Flows from Financing Activities

Net cash used in financing activities increased by ¥15,343 million, due partly to increased expenditures for repayment of long-term loans.

Trends in Cash Flow Indicators

	2007/3	2008/3	2009/3	2010/3	2011/3
Equity ratio (%)	21.7	19.9	20.1	20.1	**20.6**
Equity ratio (%) (market value basis)	38.2	23.2	24.4	23.4	**20.9**
Cash flows/interest-bearing debt ratio (times)	15.3	17.0	11.7	8.7	**12.1**
Interest coverage ratio (times)	4.5	4.0	3.4	3.0	**3.0**

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 ¥30,917 million to ¥1,251,665 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 9.8 times.

Capital Expenditure and Depreciation and Amortisation

Capital expenditure in the fiscal year under review (consolidated basis; including intangible assets) decreased by ¥64,114 million (48.4%) year-on-year to ¥68,431 million.

The following is a breakdown for each business segment.

	2011/3 (Millions of yen)	YoY (%)
Urban Transportation	28,823	0.7
Real Estate	28,126	–60.6
Entertainment and Communications	5,110	–19.8
Travel and International Transportation	3,139	106.1
Hotels	1,069	–95.2
Retailing	793	–57.7
Other	902	46.8
Total	67,966	–48.7
Adjustments	464	—
Consolidated	68,431	–48.4

<Urban Transportation>

With a focus on safety and service improvement, the railway business is investing 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. This business is also replacing vehicles.

<Real Estate >

In the real estate leasing business, Hankyu Corporation continued the rebuilding works at Umeda Hankyu Building and acquired a central car park in Senri. Investments were also made in improvements at office buildings for rent managed 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.) and in the stage revue business (Takarazuka Revue), Hankyu Corporation financed improvement and renewal of current facilities at the Takarazuka Grand Theatre.

<Travel and International Transportation>

In this business, Hankyu Hanshin Express Holdings Corporation built the KHD Tokyo Bldg. in Minato Ward.

<Hotels>

In the Hotels segment, member companies of Hankyu Hanshin Hotels Co., Ltd. all over Japan focused capital investment on refurbishment of banqueting, wedding and other function facilities.

<Retailing>

Capital investment in the Retailing business was mainly focused on the daily accessories chain DOUBLEDAY AMU PLAZA store in Hakata and the DOUBLEDAY store in Tama Plaza Terrace, both stores being directly operated by Hankyu Retails Corporation.

<Other>

In our domestic logistics business, Sanyo Jidosha Unso Co., Ltd. invested in new branches.

Depreciation and amortisation decreased by ¥749 million (1.2%) from the previous term (consolidated basis) to ¥59,669 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 2011.

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 Chayamachi area of the Umeda district; the "Umekita" (Osaka Station North District) Phase 1 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 2011, on a consolidated basis, was ¥1,251,665 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). 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 2011 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 sharply and 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 railroads, 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.

(For more information about our strategies for promoting utilisation in our Urban Transportation business, please refer to Page 32.)

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 57.)

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 IFRS application could adversely affect the Group's financial position and earnings performance due to the necessity of including additional accounting items such as retroactive restatement and the shift from amortisation to impairment of goodwill.

Currently, we are studying the likely effect on our financial position of application of the new accounting standards and preparing for the systemic changes. In particular, we are setting up an in-house task force in preparation for compulsory IFRS adoption. Working closely with our independent auditor KPMG AZSA LLC, we are positioning ourselves to deal with issues that may arise in that connection.

* 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, 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 2010 and 2011

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Assets:			
Current assets:			
Cash and deposits (Note 3)	¥ 23,792	¥ 23,947	$ 288,518
Trade receivables	78,969	71,281	858,807
Land and buildings for sale	126,316	131,782	1,587,735
Finished products and merchandise	8,138	7,949	95,771
Work in progress	5,445	4,668	56,241
Materials and supplies	3,791	3,949	47,578
Deferred tax assets	14,623	13,160	158,554
Other	33,967	29,422	354,482
Allowance for doubtful receivables	(2,023)	(322)	(3,880)
Total current assets	293,021	285,837	3,443,819
Noncurrent assets:			
Property and equipment			
Buildings and structures—net (Note 3)	606,498	602,710	7,261,566
Machinery, equipment and vehicles—net (Note 3)	58,372	53,242	641,470
Land (Notes 3 and 5)	888,431	896,085	10,796,205
Construction in progress	134,215	132,243	1,593,289
Other—net (Note 3)	15,251	15,939	192,036
Total property and equipment (Notes 1 and 2)	1,702,769	1,700,220	20,484,578
Intangible assets			
Goodwill	43,966	41,248	496,964
Other (Notes 2 and 3)	17,989	17,671	212,904
Total intangible assets	61,955	58,919	709,867
Investments and other assets			
Investment securities (Notes 3 and 4)	227,826	221,004	2,662,699
Deferred tax assets	4,996	4,170	50,241
Other	54,556	45,848	552,386
Allowance for doubtful receivables	(7,793)	(1,332)	(16,048)
Total investments and other assets	279,585	269,691	3,249,289
Total noncurrent assets	2,044,310	2,028,832	24,443,759
Total assets	¥2,337,331	¥2,314,669	$27,887,578

See the accompanying notes to the consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Liabilities:			
Current liabilities:			
Trade payables	¥ 46,726	¥ 40,404	$ 486,795
Short-term borrowings (Note 3)	287,346	297,464	3,583,904
Current portion of bonds	25,000	40,000	481,928
Income taxes payable	4,008	3,865	46,566
Accrued expenses	17,386	18,908	227,807
Provision for bonuses	3,986	3,960	47,711
Other (Note 3)	139,417	142,621	1,718,325
Total current liabilities	523,872	547,227	6,593,096
Long-term liabilities:			
Bonds	135,000	127,000	1,530,120
Long-term debt (Note 3)	832,018	780,908	9,408,530
Deferred tax liabilities	151,804	157,577	1,898,518
Deferred tax liabilities related to land revaluation (Note 5)	6,839	6,667	80,325
Provision for retirement benefits	58,487	58,770	708,072
Provision for directors' retirement benefits	755	767	9,241
Reserve for investment loss	6,486	6,050	72,892
Long-term deferred contribution for construction	15,639	15,862	191,108
Other	125,794	126,888	1,528,771
Total long-term liabilities	1,332,825	1,280,495	15,427,651
Total liabilities	1,856,698	1,827,722	22,020,747
Net assets:			
Shareholders' equity:			
Common stock	99,474	99,474	1,198,482
Capital surplus	150,027	150,027	1,807,554
Retained earnings	232,135	243,264	2,930,892
Less treasury stock, at cost	(3,808)	(4,036)	(48,627)
Total shareholders' equity	477,829	488,729	5,888,301
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	(8,075)	(11,936)	(143,807)
Deferred gains or losses on hedges	(845)	(232)	(2,795)
Revaluation reserve for land (Note 5)	1,956	1,706	20,554
Foreign currency translation adjustments	(1,736)	(2,464)	(29,687)
Total accumulated other comprehensive income	(8,700)	(12,927)	(155,747)
Minority interests (Note 5)	11,505	11,144	134,265
Total net assets	480,633	486,947	5,866,831
Total liabilities and net assets	¥2,337,331	¥2,314,669	$27,887,578

Consolidated Statements of Income Years ended 31st March 2010 and 2011

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Revenues from operations	¥653,287	¥638,770	$7,696,024
Costs of revenues from operations:			
Operating expenses and cost of sales of transportation (Note 1)	550,476	541,473	6,523,771
Selling, general and administrative expenses (Note 2)	32,684	32,552	392,193
Total costs of revenues from operations (Note 3)	583,160	574,026	6,915,976
Operating income	70,126	64,743	780,036
Non-operating income:			
Interest income	168	92	1,108
Dividends income	933	1,082	13,036
Amortisation of negative goodwill	13	—	—
Equity in income of affiliates	3,455	3,309	39,867
Miscellaneous income	2,397	2,487	29,964
Total non-operating income	6,968	6,972	84,000
Non-operating expenses:			
Interest expenses	23,627	22,222	267,735
Miscellaneous expenses	3,058	2,999	36,133
Total non-operating expenses	26,685	25,222	303,880
Ordinary income	50,409	46,494	560,169
Extraordinary income:			
Gain on sale of property and equipment (Note 4)	394	354	4,265
Gain on contributions for construction	3,222	12,089	145,651
Gain on sale of securities (Note 5)	1,624	—	—
Gain on investments in silent partnerships	8,241	—	—
Other	2,384	1,059	12,759
Total extraordinary income	15,868	13,504	162,699
Extraordinary loss:			
Loss on sale of property and equipment (Note 6)	325	502	6,048
Loss on reduction of property and equipment	3,044	11,175	134,639
Loss on disposal of property and equipment (Note 7)	6,262	1,232	14,843
Loss on impairment of fixed assets (Note 8)	4,751	4,261	51,337
Non-recurring depreciation on noncurrent assets (Note 9)	—	3,083	37,145
Special allowance for doubtful receivables	1,064	16	193
Special reserve for investment loss	126	78	940
Provision for loss on business liquidation	—	2,780	33,494
Lump sum amortisation of goodwill equivalent amount under the equity method (Note 10)	10,264	—	—
Other	6,538	4,106	49,470
Total extraordinary loss	32,377	27,237	328,157
Income before income taxes and minority interests	33,899	32,760	394,699
Income taxes—current	7,226	6,054	72,940
Income taxes—deferred	15,357	7,975	96,084
Total income taxes	22,583	14,030	169,036
Income before minority interests	—	18,730	225,663
Minority interests in income	523	661	7,964
Net income	¥ 10,793	¥ 18,068	$ 217,687

Consolidated Statements of Comprehensive Income Years ended 31st March 2010 and 2011

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Income before minority interests	¥—	¥18,730	$225,663
Other comprehensive income			
Valuation difference on available-for-sale securities	—	(2,455)	(29,578)
Deferred gains or losses on hedges	—	611	7,361
Foreign currency translation adjustments	—	(721)	(8,687)
Share of other comprehensive income of associates accounted for using equity method	—	(1,435)	(17,289)
Total other comprehensive income (Note 2)	—	(4,002)	(48,217)
Comprehensive income (Note 1)	¥—	¥14,728	$177,446
(Details)			
Comprehensive income attributable to owners of the parent	—	14,092	169,783
Comprehensive income attributable to minority interests	—	635	7,651

See the accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Net Assets Years ended 31st March 2010 and 2011

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Shareholders' equity:			
Common stock:			
Balance at beginning of year	¥ 99,474	¥ 99,474	$1,198,482
Changes of items during the period:			
Total changes of items during the period	—	—	—
Balance at end of year	¥ 99,474	¥ 99,474	$1,198,482
Capital surplus:			
Balance at beginning of year	¥150,134	¥150,027	$1,807,554
Changes of items during the period:			
Disposal of treasury stock	(107)	—	—
Total changes of items during the period	(107)	—	—
Balance at end of year	¥150,027	¥150,027	$1,807,554
Retained earnings:			
Balance at beginning of year	¥227,338	¥232,135	$2,796,807
Changes of items during the period:			
Dividends from surplus	(6,335)	(6,337)	(76,349)
Net income	10,793	18,068	217,687
Reversal of revaluation reserve for land	21	250	3,012
Disposal of treasury stock	(20)	(13)	(157)
Change in scope of consolidation	337	(838)	(10,096)
Total changes of items during the period	4,797	11,129	134,084
Balance at end of year	¥232,135	¥243,264	$2,930,892
Less treasury stock, at cost:			
Balance at beginning of year	¥ (4,143)	¥ (3,808)	$ (45,880)
Changes of items during the period:			
Purchase of treasury stock	(137)	(270)	(3,253)
Disposal of treasury stock	472	41	494
Total changes of items during the period	335	(228)	(2,747)
Balance at end of year	¥ (3,808)	¥ (4,036)	$ (48,627)
Total shareholders' equity:			
Balance at beginning of year	¥472,803	¥477,829	$5,756,976
Changes of items during the period:			
Dividends from surplus	(6,335)	(6,337)	(76,349)
Net income	10,793	18,068	217,687
Reversal of revaluation reserve for land	21	250	3,012
Purchase of treasury stock	(137)	(270)	(3,253)
Disposal of treasury stock	344	28	337
Change in scope of consolidation	337	(838)	(10,096)
Total changes of items during the period	5,025	10,900	131,325
Balance at end of year	¥477,829	¥488,729	$5,888,301

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities:			
Balance at beginning of year	¥ (9,253)	¥ (8,075)	$ (97,289)
Changes of items during the period:			
Net changes of items other than shareholders' equity	1,177	(3,860)	(46,506)
Total changes of items during the period	1,177	(3,860)	(46,506)
Balance at end of year	¥ (8,075)	¥ (11,936)	$ (143,807)
Deferred gains or losses on hedges:			
Balance at beginning of year	¥ (681)	¥ (845)	$ (10,181)
Changes of items during the period:			
Net changes of items other than shareholders' equity	(163)	612	7,373
Total changes of items during the period	(163)	612	7,373
Balance at end of year	¥ (845)	¥ (232)	$ (2,795)
Revaluation reserve for land:			
Balance at beginning of year	¥ 1,978	¥ 1,956	$ 23,566
Changes of items during the period:			
Net changes of items other than shareholders' equity	(21)	(250)	(3,012)
Total changes of items during the period	(21)	(250)	(3,012)
Balance at end of year	¥ 1,956	¥ 1,706	$ 20,554
Foreign currency translation adjustments:			
Balance at beginning of year	¥ (1,874)	¥ (1,736)	$ (20,916)
Changes of items during the period:			
Net changes of items other than shareholders' equity	137	(727)	(8,759)
Total changes of items during the period	137	(727)	(8,759)
Balance at end of year	¥ (1,736)	¥ (2,464)	$ (29,687)
Total accumulated other comprehensive income:			
Balance at beginning of year	¥ (9,831)	¥ (8,700)	$ (104,819)
Changes of items during the period:			
Net changes of items other than shareholders' equity	1,130	(4,226)	(50,916)
Total changes of items during the period	1,130	(4,226)	(50,916)
Balance at end of year	¥ (8,700)	¥ (12,927)	$ (155,747)
Minority interests:			
Balance at beginning of year	¥ 10,906	¥ 11,505	$ 138,614
Changes of items during the period:			
Net changes of items other than shareholders' equity	598	(360)	(4,337)
Total changes of items during the period	598	(360)	(4,337)
Balance at end of year	¥ 11,505	¥ 11,144	$ 134,265
Total net assets:			
Balance at beginning of year	¥473,878	¥480,633	$5,790,759
Changes of items during the period:			
Dividends from surplus	(6,335)	(6,337)	(76,349)
Net income	10,793	18,068	217,687
Reversal of revaluation reserve for land	21	250	3,012
Purchase of treasury stock	(137)	(270)	(3,253)
Disposal of treasury stock	344	28	337
Change in scope of consolidation	337	(838)	(10,096)
Net changes of items other than shareholders' equity	1,729	(4,586)	(55,253)
Total changes of items during the period	6,754	6,313	76,060
Balance at end of year	¥480,633	¥486,947	$5,866,831

See the accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows Years ended 31st March 2010 and 2011

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 33,899	¥ 32,760	$ 394,699
Depreciation and amortisation	60,418	59,669	718,904
Loss on impairment of fixed assets	4,751	4,261	51,337
Non-recurring depreciation on noncurrent assets	—	3,083	37,145
Amortisation of goodwill	2,677	2,684	32,337
Amortisation of negative goodwill	(13)	—	—
Equity in (income) losses of affiliates	(3,455)	(3,309)	(39,867)
Increase (decrease) in provision for retirement benefits	1,647	1,021	12,301
Increase (decrease) in allowance for doubtful receivables	792	(1,667)	(20,084)
Increase (decrease) in provision for loss on business liquidation	—	2,780	33,494
Increase (decrease) in reserve for investment loss	—	(435)	(5,241)
Interest and dividend income	(1,102)	(1,174)	(14,145)
Interest expense	23,627	22,222	267,735
Loss (gain) on sale of property and equipment	(68)	147	1,771
Loss on reduction of property and equipment	3,044	11,175	134,639
Loss on disposal of property and equipment	6,262	1,232	14,843
Loss (gain) on sale of marketable and investment securities	(1,278)	—	—
Gain on contributions for construction	(3,222)	(12,089)	(145,651)
Loss (gain) on investments in silent partnerships	(8,241)	—	—
Lump sum amortisation of goodwill equivalent amount under the equity method	10,264	—	—
Decrease (increase) in trade receivables	19,750	9,460	113,976
Decrease (increase) in inventories	9,361	(3,242)	(39,060)
Increase (decrease) in trade payables	2,559	(6,511)	(78,446)
Increase (decrease) in other liabilities	(9,712)	(3,522)	(42,434)
Other	24,048	9,622	115,928
Subtotal	176,010	128,170	1,544,217
Interest and dividends received	2,502	2,578	31,060
Interest paid	(23,512)	(22,446)	(270,434)
Income taxes (paid) refunded	(6,496)	(5,051)	(60,855)
Extra retirement payment	(1,549)	—	—
Net cash provided by operating activities	146,955	103,252	1,244,000
Cash flows from investing activities:			
Purchases of property and equipment	(161,078)	(79,398)	(956,602)
Proceeds from sale of property and equipment	2,758	4,578	55,157
Purchases of investment securities	(4,142)	(4,749)	(57,217)
Proceeds from sale of investment securities	3,628	331	3,988
Purchases of investments in consolidated subsidiaries affecting scope of consolidation	1,813	—	—
Net decrease (increase) in short-term loans receivable	250	29	349
Long-term loans advanced	(748)	(127)	(1,530)
Proceeds from collection of long-term loans receivable	363	81	976
Receipt of contributions for construction	11,865	17,220	207,470
Receipt of repayment of investments in silent partnerships	10,541	—	—
Other	2,010	(482)	(5,807)
Net cash used in investing activities	(132,737)	(62,516)	(753,205)
Cash flows from financing activities:			
Net increase (decrease) in short-term borrowings	(28,685)	(9,016)	(108,627)
Proceeds from long-term debt	54,100	76,731	924,470
Repayment of long-term debt	(62,066)	(106,059)	(1,277,819)
Proceeds from new bonds issued	39,773	31,795	383,072
Redemption of bonds	(20,000)	(25,000)	(301,205)
Dividends paid	(6,335)	(6,337)	(76,349)
Dividends paid to minority shareholders of consolidated subsidiaries	(249)	(319)	(3,843)
Other	(737)	(1,337)	(16,108)
Net cash used in financing activities	(24,200)	(39,544)	(476,434)
Effect of exchange rate changes on cash and cash equivalents	302	(715)	(8,614)
Increase (decrease) in cash and cash equivalents	(9,680)	474	5,711
Cash and cash equivalents at beginning of year	30,690	21,440	258,313
Increase in cash and cash equivalents from newly consolidated subsidiary	430	677	8,157
Cash and cash equivalents at end of year	¥ 21,440	¥ 22,592	$ 272,193

See the accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

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; the "Consolidated Financial Statement Regulations").

The consolidated financial statements for the previous fiscal year (1st April 2009 to 31st March 2010) were prepared in accordance with the Consolidated Financial Statement Regulations prior to their revision, and the consolidated financial statements for the fiscal year under review (1st April 2010 to 31st March 2011) were prepared in accordance with the revised Consolidated Financial Statement Regulations.

AUDIT VERIFICATION

The Company's consolidated financial statements for the previous fiscal year (1st April 2009 to 31st March 2010) were audited by KPMG AZSA & Co., and the Company's consolidated financial statements for the fiscal year under review (1st April 2010 to 31st March 2011) were audited by KPMG AZSA LLC, as per Article 193-2 (1) of the Financial Instruments and Exchange Act.

KPMG AZSA & Co. has changed its corporate structure, becoming KPMG AZSA LLC on 1st July 2010.

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.

BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

1. Scope of consolidation

Fiscal year ended 31st March 2010

(a) Number of consolidated subsidiaries—99.

Names of primary consolidated subsidiaries—Please refer to Page 105.

Kobe Rapid Transit Railway Co., Ltd., due to stock acquisition, and Hankyu Hanshin Clean Service Co., Ltd. and three other companies, due to their increased significance, have been included in the scope of consolidation.

In addition, Hankyu Express Co., Ltd. and two other companies, due to a merger, and Hankyu Airlines Co., Ltd., due to the completion of its liquidation, have been excluded from the scope of consolidation.

(b) 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 low, and the effect on the consolidated financial statements as a whole is negligible.

(c) 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 "Special purpose entities."

Fiscal year ended 31st March 2011

(a) Number of consolidated subsidiaries—103.

Names of primary consolidated subsidiaries—Please refer to Page 105.

Hankyu Hanshin Restaurants Co., Ltd. and four other companies, due to their increased significance, have been included in the scope of consolidation.

In addition, HANKYU INTERNATIONAL TRANSPORT (UK) LTD., due to the completion of its liquidation, has been excluded from the scope of consolidation.

(b) Unchanged from previous fiscal year

(c) Unchanged from previous fiscal year

2. Items related to application of equity-method accounting

Fiscal year ended 31st March 2010

(a) Number of affiliates for which equity method is applied—8.

(Names of major equity-method affiliates)

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

(b) 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 low, and the effect on the consolidated financial statements as a whole is negligible.

(c) The differences in the amounts invested resulting from the equity method calculation are amortised in equal amounts over five years from the date upon which each difference arises.

The entire unamortised balance of the difference in the investment amount concerning H_2O Retailing Corporation that arose during the period ended 31st March 2008 has been completely amortised in the fiscal year ended 31st March 2010 because an impairment loss from the stocks of H_2O Retailing has been reported in the Company's individual financial statements due to a decline in the market price of H_2O Retailing's stocks held by the Company.

Fiscal year ended 31st March 2011

(a) Number of affiliates for which equity method is applied—9.

(Names of major equity-method affiliates)

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

Hankyu Hanshin Point, which took over the point business of Group subsidiary Hankyu Hanshin Card, became an equity method affiliate of the Group following a partial share transfer, from the fiscal year under review.

(b) Unchanged from the fiscal year ended 31st March 2010

(Changes in accounting policies)

From the fiscal year under review, the Company is applying the "Revised Accounting Standard for Equity Method of Accounting for Investments" (Accounting Standards Board of Japan ("ASBJ") Statement No. 16, issued on 10th March 2008), and "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method" (Practical Issues Task Force No. 24, 10th March 2008).

There is no material impact on earnings from these changes.

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

Fiscal year ended 31st March 2010

The account closing date for Hankyu Hanshin Express (Netherlands) B.V., Hankyu Hanshin Express (Deutschland) GmbH and 17 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.

Fiscal year ended 31st March 2011

The account closing date for Hankyu Hanshin Express (Netherlands) B.V., Hankyu Hanshin Express (Deutschland) GmbH and 18 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) Inventories

Land and buildings for sale comprising the major part of the inventories are assessed using the identified cost method (with balance sheet values calculated by writing down book values based on decreased profitability). Finished products and merchandise, work in progress, and materials and supplies are assessed mainly using the moving average cost method (with balance sheet values calculated by writing down book values based on decreased profitability).

Fiscal year ended 31st March 2011

(Changes in accounting policies)

From the fiscal year under review, the Company is applying the "Accounting Standard for Valuation of Inventories" (ASBJ Statement No. 9, issued on 26th September 2008).

There is no material impact on earnings from these changes.

(b) Among available-for-sale securities, those with available fair market values are assessed using the market value method based on the market price, etc., as of the fiscal year-end (with the entire amount of valuation differences directly included under net assets, and the cost of sales calculated using the moving average method). Those without available fair market values are assessed in most cases using the moving average cost method.

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

(c) Derivatives are assessed using the market value method.

(2) Depreciation methods for major depreciable assets

(a) 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) Method of depreciation and amortisation of intangible assets (excluding leased assets)

Fiscal year ended 31st March 2010

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

Software (used by the Company), however, is depreciated by the straight-line method over the internal available life (one to six years).

Fiscal year ended 31st March 2011

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

Software (used by the Company), however, is depreciated by the straight-line method over the internal available life (two to six years).

(c) 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 assumption that the lease term is the useful life and the residual value as zero.

Finance leases that commenced prior to 31st March 2008 are accounted for over the 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 property and equipment at the acquisition cost, after deducting the amounts corresponding to the contributions.

The amounts received for construction, including such contributions, and 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 property and equipment in the consolidated statements of income.

(4) Accounting standards for significant transactions

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

(b) 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.

(c) 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.

(d) 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.

(e) Reserve for investment loss is provided for possible losses in excess of investment and loans to affiliates based on an evaluation of their assets and other factors.

(5) 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 division 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.

(6) The assets and liabilities and income and expenses of overseas subsidiaries are converted to yen based on the spot exchange rate on the settlement date. Differences in conversion are included in translation adjustments and minority interests in the net assets section.

Fiscal year ended 31st March 2011
(7) Method and period of amortisation of goodwill
Goodwill are amortised, in general, in equal amounts over five years. The goodwill resulting from the management integration with Hanshin Electric Railway Co., Ltd. in the period ended 31st March 2007 is being amortised in equal amounts over 20 years.

Fiscal year ended 31st March 2011
(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) 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.

(10) A consolidated tax payment system has been adopted.

Fiscal year ended 31st March 2010
5. Items related to the valuation of assets and liabilities at consolidated subsidiaries
Fair value valuation is used for the valuation of all assets and liabilities of consolidated subsidiaries.

Fiscal year ended 31st March 2010
6. Amortisation of goodwill and negative goodwill
Goodwill and negative goodwill are amortised, in general, in equal amounts over five years. The goodwill resulting from the management integration with Hanshin Electric Railway Co., Ltd. in the period ended 31st March 2007 is being amortised in equal amounts over 20 years.

Fiscal year ended 31st March 2010
7. 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.

CHANGES IN ACCOUNTING POLICIES

Fiscal year ended 31st March 2010
("Accounting Standards for Construction Contracts" etc.)
From the fiscal year ended 31st March 2010, the Company is applying the "Accounting Standards for Construction Contracts" (ASBJ Statement No. 15, issued on 27th December 2007) and "Implementation Guidance on Accounting Standards for Construction Contracts" (ASBJ Guidance No. 18, issued on 27th December 2007). The percentage-of-completion method applies to construction projects whose contracts are initiated during the fiscal year and which have measurable progress at the end of the fiscal year (the proportion-of-cost method is mainly used to estimate the progress of such construction projects). The completed-contract method applies to other construction projects.

This change has resulted in an increase of ¥1,311 million in revenues from operations and ¥66 million each in operating income, ordinary income, and income before income taxes and minority interests, from the amounts that would have been reported with the previous method.

The effect on the segment information is described in the segment information section.

(Partial amendment to "Accounting Standards for Retirement Benefits" (Part 3))
From the fiscal year ended 31st March 2011, the Company is applying the "Partial Amendment to the Accounting Standards for Retirement Benefits (Part 3)" (ASBJ Statement No. 19, issued on 31st July 2008). The effects of this change on operating income, ordinary income, income before income taxes and minority interests and projected benefit obligation are negligible.

Fiscal year ended 31st March 2011
(Accounting Standard for Asset Retirement Obligations)
From the fiscal year under review, the Company is applying the "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18, issued on 31st March 2008) and the "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, issued

on 31st March 2008).

The effect of this change is negligible.

(Accounting standards for business combinations, etc.)

From the fiscal year under review, the Company is applying "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, issued on 26th December 2008), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, issued on 26th December 2008), Partial Amendments to "Accounting Standard for Research and Development Costs" (ASBJ Statement No. 23, issued on 26th December 2008), "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, issued on 26th December 2008), "Revised Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16, issued on 26th December 2008), and "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, issued on 26th December 2008).

CHANGES IN PRESENTATION

(Consolidated Balance Sheets)

Fiscal year ended 31st March 2010

Because the amount of long-term loans receivable (¥6,415 million in the fiscal year ended 31st March 2010) categorised under investments and other assets in the previous fiscal year was insignificant, it is included in "other" for the fiscal year ended 31st March 2010.

(Consolidated Statements of Income)

Fiscal year ended 31st March 2011

1. Because the amount of "gain on sale of securities" (¥44 million ($530 thousand) in the fiscal year under review) categorised under extraordinary income in the previous fiscal year was insignificant, it is included in "other" for the fiscal year under review.

2. From the fiscal year under review, the Company is presenting "income before minority interests," after application of "Cabinet Office Ordinance Partially Revising Regulation on Terminology, Forms and Preparation of Financial Statements" (Cabinet Office Ordinance No. 5, issued on March 24th 2009), based on "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, issued on 26th December 2008).

(Consolidated Statements of Cash Flows)

Fiscal year ended 31st March 2011

1. Because the monetary significance of the "increase (decrease) in reserve for investment loss" included in "other" under cash flows from operating activities in the previous fiscal year has increased, it is categorised separately in the fiscal year under review. The amount of the "decrease in reserve for investment loss" included in "other" in the previous fiscal year is ¥12 million.

2. Because the amount of "gain on sale of marketable and investment securities" (¥89 million ($1,072 thousand) in the fiscal year under review) categorised under cash flows from operating activities in the previous fiscal year was insignificant, it is included in "other" for the fiscal year under review.

ADDITIONAL INFORMATION

Fiscal year ended 31st March 2011

From the fiscal year under review, the Company is applying the "Accounting Standards for Presentation of Comprehensive Income" (ASBJ Statement No. 25, issued on 30th June 2010). However, the previous fiscal year amounts for "accumulated gains from revaluation and translation adjustments" and "total accumulated gains from revaluation and translation adjustments" are recorded under "accumulated other comprehensive income" and "total accumulated other comprehensive income."

NOTES

(Consolidated Balance Sheets)

***1. Accumulated depreciation of property and equipment**

Millions of yen		Thousands of U.S. dollars
2010	2011	2011
¥920,215	¥964,847	$11,624,663

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

Millions of yen		Thousands of U.S. dollars
2010	2011	2011
¥348,741	¥359,050	$4,325,904

***3. Pledged assets and secured liabilities**

The following table shows the assets pledged as collateral.

	Millions of yen				Thousands of U.S. dollars	
	2010		2011		2011	
Current assets:						
Cash and deposits	¥ 140	[¥ —]	¥ 140	[¥ —]	$ 1,687	[$ —]
Property and equipment:						
Buildings and structures	235,852	[230,129]	225,327	[219,992]	2,714,783	[2,650,506]
Machinery, equipment and vehicles	46,456	[46,454]	41,808	[41,808]	503,711	[503,711]
Land	272,412	[259,244]	268,730	[255,562]	3,237,711	[3,079,060]
Other	4,116	[4,116]	2,669	[2,669]	32,157	[32,157]
Intangible assets:						
Other	1,466	[1,466]	129	[129]	1,554	[1,554]
Investment and other assets:						
Investment securities	17,044	[—]	14,953	[—]	180,157	[—]
Total	¥577,489	[¥541,410]	¥553,759	[¥520,162]	$6,671,795	[$6,267,012]

The following table shows the secured liabilities.

	Millions of yen				Thousands of U.S. dollars	
	2010		2011		2011	
Current liabilities:						
Short-term borrowings	¥ 10,979	[¥ 9,572]	¥ 10,469	[¥ 9,317]	$ 126,133	[$ 112,253]
Other	59	[—]	55	[—]	663	[—]
Long-term liabilities:						
Long-term debt	94,464	[76,652]	100,700	[85,560]	1,213,253	[1,030,843]
Total	¥105,503	[¥86,225]	¥111,225	[¥94,878]	¥1,340,060	[$1,143,108]

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

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

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Investment securities (stocks)	¥151,052	¥152,106	$1,832,602

***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 amount remaining after subtracting these was recorded in the net assets section as "surplus from land revaluation." The equity method affiliates recorded the amount corresponding to its equity in the valuation difference (after subtracting taxes) in the net assets section as "surplus from land revaluation."

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. 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
2010	2011	2011
¥(4,866)	¥(5,602)	$(67,494)

6. Contingent liabilities

(A) The Company provides a liability guarantee for loans of the Companies, etc. listed below.

<u>Fiscal year ended 31st March 2010</u>

	Millions of yen
Nishi-Osaka Railway Co., Ltd.	¥24,610
Borrowers on loans for purchase of land and buildings	5,780
Cassiopeia Ltd.	2,625
Other (five companies)	139
Total	¥33,155

<u>Fiscal year ended 31st March 2011</u>

	Millions of yen	Thousands of U.S. dollars
Nishi-Osaka Railway Co., Ltd.	¥24,135	$290,783
Borrowers on loans for purchase of land and buildings	6,339	76,373
Other (three companies)	79	952
Total	¥30,554	$368,120

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

(B) The Company guarantees the loans of Senchu Parking by reserving the right of purchasing real property held by Senchu Parking.

Millions of yen		Thousands of U.S. dollars
2010	2011	2011
¥7,007	¥—	$—

(Consolidated Statements of Income)

***1. Year-end inventory balance**

<u>Fiscal year ended 31st March 2011</u>

The year-end inventory balance is the amount after write-down due to decreased profitability, and the following write-down of inventories is included in operating expenses and cost of sales.

Millions of yen	Thousands of U.S. dollars
2011	2011
¥2,881	$34,711

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

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Personnel expenses	¥16,083	¥16,254	$195,831
Expenses	11,988	11,471	138,205
Taxes	505	706	8,506
Depreciation and amortisation	1,429	1,434	17,277
Amortisation of goodwill	2,677	2,684	32,337
Total	¥32,684	¥32,552	$392,193

*3. The amounts of allowance and reserves included in the costs of revenues from operations are shown below.

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Special allowance for doubtful receivables	¥ 159	¥ 125	$ 1,506
Provision for bonuses	4,413	4,260	51,325
Retirement benefit expenses	10,027	9,440	113,735
Provision for directors' retirement benefits	136	139	1,675

*4. The gain on sale of property and equipment resulted from the transfer of land and other property.

*5. The gain on sale of securities

Fiscal year ended 31st March 2010

The gain on sale of securities resulted from the sale of investment securities.

*6. The loss on sale of property and equipment resulted from the transfer of land and other property. The breakdown is shown below.

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Land	¥309	¥287	$3,458
Machinery, equipment and vehicles, etc.	16	—	—
Construction in progress	—	214	2,578

*7. Loss on disposal of property and equipment

The loss on disposal of property and equipment resulted mainly from the rebuilding of the Umeda Hankyu Building of Hankyu Corporation. The breakdown is shown below.

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Book value upon removal	¥4,613	¥482	$5,807
(Breakdown)			
Buildings and structures	4,446	325	3,916
Tools, furniture and fixtures, etc.	166	—	—
Intangible assets	—	157	1,892
Cost of removal work	1,649	750	9,036

*8. Loss on impairment of fixed assets

Fiscal year ended 31st March 2010

The loss on impairment of fixed assets was calculated by grouping the assets based on the smallest unit that creates 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 25 noncurrent 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 (¥4,751 million) under extraordinary loss in the fiscal year ended 31st March 2010.

Region	Use	Type of assets	Millions of yen
Osaka	Idle assets, etc. Total: 11	Construction in progress, etc.	¥4,576
Kyoto	Retailing stores Total: 2	Buildings and structures, etc.	112
Hyogo, etc.	Retailing stores, etc. Total: 12	Buildings and structures, etc.	61

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	¥ 132
	Land	8
	Construction in progress	4,407
	Other	15
	Intangible assets	12
Kyoto	Buildings and structures	94
	Other	18
	Intangible assets	0
Hyogo, etc.	Buildings and structures	38
	Machinery, equipment and vehicles	2
	Land	12
	Construction in progress	0
	Other	8

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

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.

Fiscal year ended 31st March 2011

The loss on impairment of fixed assets was calculated by grouping the assets based on the smallest unit that creates 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 noncurrent 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 ($51,337 thousand)) under extraordinary loss in the fiscal year under review.

Region	Use	Type of assets	Millions of yen	Thousands of U.S. dollars
Osaka	Property for rent, etc. Total: 14	Buildings and structures, etc.	¥3,071	$37,000
Tokyo	Hotel, etc. Total: 3	Buildings and structures, etc.	945	11,386
Hyogo, etc.	Idle assets, etc. Total: 13	Land, etc.	245	2,952

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	¥2,924	$35,229
	Machinery, equipment and vehicles	13	157
	Land	103	1,241
	Other	24	289
	Intangible assets	4	48
Tokyo	Buildings and structures	816	9,831
	Machinery, equipment and vehicles	3	36
	Other	116	1,398
	Intangible assets	8	96
Hyogo, etc.	Buildings and structures	43	518
	Machinery, equipment and vehicles	2	24
	Land	136	1,639
	Construction in progress	55	663
	Other	4	48
	Intangible assets	3	36

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 noncurrent asset tax assessment values. When the value in use is used for the calculation, the future cash flow is discounted by 4.0%.

*9. Non-recurring depreciation on noncurrent assets

Fiscal year ended 31st March 2011

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

*10. Lump sum amortisation of goodwill equivalent amount under the equity method

Fiscal year ended 31st March 2010

The lump sum amortisation of goodwill equivalent amount under the equity method refers to the process by which the entire unamortised balance of the "goodwill equivalent amount" recognised when the shares of H_2O Retailing Corporation, an equity method affiliate of the Company, were acquired through the exchange of shares in the consolidated settlement because an impairment loss from the stock of H_2O Retailing has been reported in the Company's individual financial statements due to a decline in the market price of H_2O Retailing's stock held by the Company.

(Statements of comprehensive income)

Fiscal year ended 31st March 2011

*1. Comprehensive income in the fiscal year ended 31st March 2010

	Millions of yen 2010
Comprehensive income attributable to owners of the parent	¥11,945
Comprehensive income attributable to minority interests	595
Total	¥12,541

*2. Other comprehensive income in the fiscal year ended 31st March 2010

	Millions of yen 2010
Valuation difference on available-for-sale securities	¥ (871)
Deferred gains or losses on hedges	(165)
Foreign currency translation adjustments	187
Share of other comprehensive income of associates accounted for using equity method	2,074
Total	¥1,225

(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 2010

(Thousands of shares)

	No. of shares as of 31st March 2009	Increase in number of shares	Decrease in number of shares	No. of shares as of 31st March 2010
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)	9,761	311	794	9,278
Total	9,761	311	794	9,278

(Overview of reasons for fluctuations)

Notes:

1. The increase of 311 thousand shares of common stock of the Company represents the increase from the purchase of odd lot shares.
2. The decrease of 794 thousand shares of common stock of the Company includes a decrease of 731 thousand shares as a result of an exchange of shares (three-way exchange of shares) using the treasury stock (the Company's own shares) of consolidated subsidiaries and a decrease of 63 thousand shares due to the sale of odd lot shares.

Fiscal year ended 31st March 2011

(Thousands of shares)

	No. of shares as of 31st March 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 common stock of the Company comprises 470 thousand shares purchased from owners of unknown whereabouts, and 220 thousand shares purchased of odd lot shares.
2. The decrease of 71 thousand shares of common stock of the Company includes the sale of odd lot shares.

2. Items related to subscription rights for shares and own share options

No items

3. Items related to dividends

Fiscal year ended 31st March 2010

(1) Dividends paid

(Resolution)	Type of shares	Dividends paid (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
17th June 2009 General meeting of shareholders	Common stock	¥6,335	¥5	31st March 2009	18th June 2009

(2) 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 2010 General meeting of shareholders	Common stock	¥6,337	Retained earnings	¥5	31st March 2010	17th June 2010

Fiscal year ended 31st March 2011

(1) Dividends paid

(Resolution)	Type of shares	Dividends paid		Dividend per share		Record date	Effective date
		(Millions of yen)	(Thousands of U.S. dollars)	(Yen)	(U.S. dollars)		
16th June 2010 General meeting of shareholders	Common stock	¥6,337	$76,349	¥5	$0.06	31st March 2010	17th June 2010

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

(Resolution)	Type of shares	Dividends paid		Source of dividends	Dividend per share		Record date	Effective date
		(Millions of yen)	(Thousands of U.S. dollars)		(Yen)	(U.S. dollars)		
16th June 2011 General meeting of shareholders	Common stock	¥6,334	$76,313	Retained earnings	¥5	$0.06	31st March 2011	17th June 2011

(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
	2010	2011	2011
Cash and deposits in the consolidated balance sheets	¥23,792	¥23,947	$288,518
Deposits with maturities over 3 months	(2,351)	(1,354)	(16,313)
Cash and cash equivalents in the cash flow statements	¥21,440	¥22,592	$272,193

2. Major breakdown of assets and liabilities of subsidiaries added to scope of consolidation via acquisition of shares

Fiscal year ended 31st March 2010

Kobe Rapid Transit Railway Co., Ltd.	Millions of yen
Current assets	¥ 6,681
Noncurrent assets	55,374
Current liabilities	(12,377)
Long-term liabilities	(49,213)

(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

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

	Millions of yen						Thousands of U.S. dollars		
	2010			2011			2011		
	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	¥ 5	¥ 1	¥ 7	¥ 7	¥ 0	$ 84	$ 84	$ 0
Machinery, equipment and vehicles	4,440	2,716	1,723	4,139	2,815	1,324	49,867	33,916	15,952
Other	4,670	3,272	1,397	3,070	2,526	544	36,988	30,434	6,554
Total	¥9,117	¥5,994	¥3,123	¥7,217	¥5,348	¥1,868	$86,952	$64,434	$22,506

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

(2) Amount equivalent to future lease payments

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Due within one year	¥1,210	¥ 768	$ 9,253
Due after one year	1,912	1,100	13,253
Total	¥3,123	¥1,868	$22,506

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.

(3) Lease payments and amount equivalent to depreciation expenses

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Lease payments	¥1,496	¥1,161	$13,988
Amount equivalent to depreciation expenses	1,496	1,161	13,988

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

The straight-line method using the term of the lease as useful life with residual value of zero is used to calculate the amount equivalent to depreciation expense.

2. Operating lease transactions

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Future lease payments			
Due within one year	¥ 3,320	¥ 2,634	$ 31,735
Due after one year	12,153	10,608	127,807
Total	¥15,473	¥13,242	$159,542

<As lessor>

1. Operating lease transactions

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Future lease payments receivables			
Due within one year	¥ 81	¥ 381	$ 4,590
Due after one year	979	4,972	59,904
Total	¥1,060	¥5,354	$64,506

(Financial Instruments)

(Additional information)

Fiscal year ended 31st March 2010

From the fiscal year ended 31st March 2010, the Company is applying the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, issued on 10th March 2008) and the "Implementation Guidance for the Disclosure of Fair Value, etc. of Financial Instruments" (ASBJ Guidance No. 19, issued on 10th March 2008).

1. Matters regarding the conditions of financial instruments

(1) Policy on financial instruments

It is the Group's policy to limit the investment of its funds to short-term deposits, which are highly secure, and the Group raises funds mainly through loans from financial institutions, bonds and commercial paper. Derivative transactions are used to avoid risk, as discussed later, and it is our policy to refrain from speculative transactions.

(2) 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 foreign currency denominated assets and liabilities are exposed to exchange rate fluctuation risk (market risk), which was hedged through forward exchange contracts, currency swap transactions and currency option transactions.

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 and interest rate option 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 its fund raising 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 and interest rate option transactions is to hedge the interest rate fluctuation risk involved in certain loans and bonds. Forward exchange contracts, currency swap transactions and currency option transactions 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.

For more information regarding the means and objectives of hedging, hedging policy, and the method of evaluating the effectiveness of hedges relating to hedge accounting for derivative transactions, refer to "significant hedge accounting methods" outlined in "BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS" above.

(3) 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 the note on "derivative transactions," does not indicate the market risk involved in derivative transactions themselves.

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		
	2010			2011			2011		
	Book value	Fair value	Difference	Book value	Fair value	Difference	Book value	Fair value	Difference
(1) Cash and deposits	¥ 23,792	¥ 23,792	¥ —	¥ 23,947	¥ 23,947	¥ —	$ 288,518	$ 288,518	$ —
(2) Trade receivables	78,969	78,969	—	71,281	71,281	—	858,807	858,807	—
(3) Securities	46,107	46,107	(0)	41,132	41,132	0	495,566	495,566	0
Total assets	148,869	148,868	(0)	136,361	136,361	0	1,642,904	1,642,904	0
(4) Trade payables	46,726	46,726	—	40,404	40,404	—	486,795	486,795	—
(5) Short-term borrowings (*1)	182,087	182,087	—	172,478	172,478	—	2,078,048	2,078,048	—
(6) Bonds (*2)	160,000	163,078	3,078	167,000	169,552	2,552	2,012,048	2,042,795	30,747
(7) Long-term debt (*1)	937,277	944,593	7,315	905,894	916,367	10,473	10,914,386	11,040,566	126,181
Total liabilities	1,326,091	1,336,484	10,393	1,285,778	1,298,804	13,025	15,491,301	15,648,241	156,928
(8) Derivative transactions	—	(21,119)	—	—	(18,335)	—	—	(220,904)	—

(*1) Current portion of long-term debt is included in (7) 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

(1) Cash and deposits, (2) Trade receivables

The fair values of these are almost equal to their book values because they will be settled within a short period of time. As a result, their fair values are based on their book values.

(3) 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. With respect to securities categorised by the purpose for which they are held, refer to note on "Securities."

(4) Trade payables, (5) 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.

(6) 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.
(7) 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.
(8) Derivative transactions
Refer to notes on "Derivatives."

(Note 2) Financial instruments whose fair value is extremely difficult to ascertain

	Millions of yen		Thousands of U.S. dollars
	Book value		Book value
Classification	2010	2011	2011
Available-for-sale securities			
Non-listed equity securities	¥ 4,833	¥ 5,028	$ 60,578
Investments in limited liability investment partnerships and similar investments	8,850	7,845	94,518
Negotiable certificates of deposit	16,988	14,896	179,470
Total	¥30,672	¥27,770	$334,578

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 (3) Securities.

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

(Note 4) Redemption and repayment schedule of monetary claims and securities with maturities

Fiscal year ended 31st March 2010

	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	¥ 23,792	¥—	¥ —	¥—
Trade receivables	78,969	—	—	—
Securities				
Held-to-maturity debt securities (government bonds, etc.)	5	9	—	—
Available-for-sale securities with maturities (government bonds, etc.)	2	18	176	—
Total	¥102,768	¥28	¥176	¥—

Fiscal year ended 31st March 2011

	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	¥23,947	¥—	¥ —	¥—	$ 288,518	$ —	$ —	$—
Trade receivables	71,281	—	—	—	858,807	—	—	—
Securities								
Held-to-maturity debt securities (government bonds, etc.)	5	9	—	—	60	108	—	—
Available-for-sale securities with maturities (government bonds, etc.)	—	18	231	—	—	217	2,783	—
Total	¥95,234	¥28	¥231	¥—	$1,147,398	$337	$2,783	$—

(Note 5) Amount of planned redemption and repayment of bonds and long-term debt after the consolidated closing date

Fiscal year ended 31st March 2010

	Millions of yen			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Bonds	¥ 25,000	¥105,000	¥ 30,000	¥ —
Long-term debt	105,258	590,774	198,151	43,091
Total	¥130,258	¥695,774	¥228,151	¥43,091

Fiscal year ended 31st March 2011

	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	¥ 40,000	¥ 65,000	¥ 55,000	¥ 7,000	$ 481,928	$ 783,133	$ 662,651	$ 84,337
Long-term debt	124,986	556,163	175,285	49,459	1,505,855	6,700,759	2,111,867	595,892
Total	¥164,986	¥621,163	¥230,285	¥56,459	$1,987,783	$7,483,892	$2,774,518	$680,229

(Securities)

(Additional information)

Fiscal year ended 31st March 2010

From the fiscal year ended 31st March 2010, the Company is applying the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, issued on 10th March 2008) and the "Implementation Guidance for the Disclosure of Fair Value, etc. of Financial Instruments" (ASBJ Guidance No. 19, issued on 10th March 2008).

1. Held-to-maturity debt securities

	Millions of yen						Thousands of U.S. dollars		
	2010			2011			2011		
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	$108	$108	$ 0
Securities with fair value not exceeding book value	14	14	(0)	5	5	—	60	60	—

2. Available-for-sale securities

	Millions of yen						Thousands of U.S. dollars		
	2010			2011			2011		
Classification	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference
Securities with book value exceeding acquisition cost:									
1) Equity securities	¥20,545	¥ 9,509	¥ 11,036	¥16,579	¥ 8,570	¥ 8,009	$199,747	$103,253	$ 96,494
2) Bonds	57	55	1	249	244	4	3,000	2,940	48
3) Other	4	3	1	3	3	0	36	36	0
Subtotal	20,607	9,568	11,039	16,832	8,817	8,014	202,795	106,229	96,554
Securities with book value not exceeding acquisition cost:									
1) Equity securities	25,343	47,715	(22,371)	24,281	47,765	(23,483)	292,542	575,482	(282,928)
2) Bonds	139	140	(1)	0	0	(0)	0	0	(0)
3) Other	2	2	(0)	2	2	(0)	24	24	(0)
Subtotal	25,485	47,857	(22,372)	24,284	47,768	(23,483)	292,578	575,518	(282,928)
Total	¥46,092	¥57,426	¥(11,333)	¥41,117	¥56,586	¥(15,468)	$495,386	$681,759	$(186,361)

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

	Millions of yen						Thousands of U.S. dollars		
	2010			2011			2011		
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	¥3,386	¥1,508	¥395	¥7	¥0	¥0	$84	$0	$0

(Derivatives)

(Additional information)

Fiscal year ended 31st March 2010

From the fiscal year ended 31st March 2010, the Company is applying the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, issued on 10th March 2008) and the "Implementation Guidance for the Disclosure of Fair Value, etc. of Financial Instruments" (ASBJ Guidance No. 19, issued on 10th March 2008).

1. Derivative transactions for which hedge accounting has not been applied

No items

2. Derivative transactions for which hedge accounting has been applied

(1) Currency

Fiscal year ended 31st March 2010

			Millions of yen		
Classification	Type	Main hedged items	Contract amount	Portion of contract amount exceeding one year	Fair value
Deferral hedge accounting and designation of forward exchange contracts, etc.	Forward exchange contracts	Trade receivables			
	Buy contract				
	Euro		¥13,066	¥—	¥(559)
	US dollar		4,742	—	106
	Pound sterling		18	—	0
	Swiss franc		953	—	(2)
	Canadian dollar		530	—	33
	New Zealand dollar		188	—	2
	Australian dollar		219	—	13
	Hong Kong dollar		127	—	2
	Singapore dollar		18	—	0
	Thai baht		52	—	1
	Japanese yen		678	—	(16)
	Total		¥20,595	¥—	¥(417)

Fiscal year ended 31st March 2011

			Millions of yen			Thousands of U.S. dollars		
Classification	Type	Main hedged items	Contract amount	Portion of contract amount exceeding one year	Fair value	Contract amount	Portion of contract amount exceeding one year	Fair value
Deferral hedge accounting and designation of forward exchange contracts, etc.	Forward exchange contracts	Trade receivables						
	Buy contract							
	Euro		¥10,190	¥—	¥460	$122,771	$—	$5,542
	US dollar		5,001	—	56	60,253	—	675
	Pound sterling		17	—	0	205	—	0
	Swiss franc		920	—	67	11,084	—	807
	Canadian dollar		848	—	41	10,217	—	494
	New Zealand dollar		97	—	3	1,169	—	36
	Australian dollar		244	—	20	2,940	—	241
	Hong Kong dollar		261	—	3	3,145	—	36
	Singapore dollar		14	—	0	169	—	0
	Thai baht		41	—	0	494	—	0
	Japanese yen		667	—	14	8,036	—	169
	Total		¥18,304	¥—	¥668	$220,530	$—	$8,048

Note: Fair value calculation

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

(2) Interest rate

Fiscal year ended 31st March 2010

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	¥683,092	¥643,495	¥(20,750)
	Receivable fixed rate/ Payable floating rate		5,097	—	49
	Total		¥688,190	¥643,495	¥(20,701)

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	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
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)	$7,222,229	$6,712,747	$(228,952)
	Total		¥599,445	¥557,158	¥(19,003)	$7,222,229	$6,712,747	$(228,952)

Note: Fair value calculation

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

(Retirement Benefits)

1. Overview of retirement benefit plan

Consolidated subsidiaries provide three types of defined benefit plans, tax qualified pension 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 2010	Millions of yen 2011	Thousands of U.S. dollars 2011
1) Projected benefit obligation	¥(128,065)	¥(123,821)	$(1,491,819)
2) Plan assets	66,243	61,690	743,253
3) Unfunded projected benefit obligation (1+2)	(61,821)	(62,131)	(748,566)
4) Unrecognised actuarial differences	5,881	5,020	60,482
5) Unrecognised prior service costs	166	262	$3,157
6) Book value (net) (3+4+5)	(55,772)	(56,848)	(684,916)
7) Prepaid pension costs	2,714	1,922	$23,157
8) Provision for retirement benefits (6-7)	¥ (58,487)	¥ (58,770)	$ (708,072)

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

3. Items related to retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars
	2010 (Note 1)	2011 (Note 2)	2011 (Note 2)
1) Service cost (Note 3)	¥ 6,119	¥6,334	$ 76,313
2) Interest cost on projected benefit obligation	2,686	2,590	31,205
3) Expected return on plan assets	(1,123)	(1,132)	(13,639)
4) Amortisation of actuarial differences	2,434	1,561	18,807
5) Amortisation of prior service costs	1	87	1,048
6) Retirement benefit expenses (1+2+3+4+5)	¥10,118	¥9,440	$113,735

Notes:

1. In the fiscal year ended 31st March 2010, in addition to the retirement benefit expenses shown above, the Company made extra retirement payments of ¥239 million, which are mainly recorded as extraordinary loss.
2. In the fiscal year ended 31st March 2011, in addition to the retirement benefit expenses shown above, the Company made extra retirement payments of ¥31 million ($373 thousand), which are mainly recorded as costs of revenues from operations.
3. Retirement benefit expenses of consolidated subsidiaries that use a simplified method are recorded in 1) Service cost.

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

1) Periodic distribution method for estimated amount of retirement benefits

Allocated equally to each service year using the estimated number of total service years

2) Discount rate

Fiscal year ended 31st March 2010: mainly 2.5%

Fiscal year ended 31st March 2011: mainly 2.0%

3) Expected rate of return on plan assets

mainly 2.5%

4) 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 life of active employees)

5) 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 life of active employees and recognised in expenses starting from the following fiscal year)

(Deferred Tax)

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

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Deferred tax assets:			
Loss on revaluation of real estate for sale	¥ 60,440	¥ 36,031	$ 434,108
Loss on impairment of fixed assets	31,382	32,853	395,819
Tax loss carryforwards	13,336	26,618	320,699
Provision for retirement benefits	22,946	23,517	283,337
Losses on revaluation of investment securities	8,750	8,504	102,458
Revaluation of assets on consolidation	7,354	7,397	89,120
Loss on adjustment of transferred profit and loss	4,897	7,026	84,651
Unrealised profit from assets	6,891	6,195	74,639
Special reserve for investment loss	8,727	5,048	60,819
Loss on valuation of properties of business reorganisation	4,823	4,756	57,301
Provision for bonuses	1,969	1,950	23,494
Provision for loss on business liquidation	—	1,169	14,084
Allowance for doubtful receivables	3,244	1,006	12,120
Enterprise taxes and business office taxes	756	729	8,783
Depreciation and amortisation	373	373	4,494
Provision for directors' retirement benefits	284	319	3,843
Other	13,558	15,711	189,289
Subtotal of deferred tax assets	189,736	179,210	2,159,157
Valuation allowance	(57,779)	(54,740)	(659,518)
Less amounts offset against deferred tax liabilities	(112,336)	(107,139)	(1,290,831)
Total deferred tax assets	19,620	17,331	208,807
Deferred tax liabilities:			
Gain on reversal of difference from land revaluation	(136,142)	(139,291)	(1,678,205)
Revaluation of assets on consolidation	(102,964)	(102,435)	(1,234,157)
Net unrealised holding gains on securities	(18,464)	(16,717)	(201,410)
Gain on valuation of properties of business reorganisation	(2,983)	(2,908)	(35,036)
Other	(3,589)	(3,367)	(40,566)
Subtotal of deferred tax liabilities	(264,144)	(264,720)	(3,189,398)
Less amounts offset against deferred tax assets	112,336	107,139	1,290,831
Total deferred tax liabilities	(151,807)	(157,580)	(1,898,554)
Net deferred tax liabilities	¥(132,187)	¥(140,249)	$(1,689,747)

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" are recorded as deferred tax liabilities starting from the fiscal year ending 31st March 2006.

2. A reconciliation of the 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 2010

The normal effective statutory tax rate	40.6%
(Adjustment)	
Elimination of dividends from consolidated subsidiaries	20.2
Lump sum amortisation of goodwill equivalent amount under the equity method	12.3
Valuation allowance	7.1
Amortisation of goodwill	3.2
Nondeductible expenses	2.2
Per capita amount of inhabitants tax	1.4
Non taxable income	(19.7)
Equity in (income) losses of affiliates	(4.1)
Other	3.4
The effective tax rate	66.6%

Fiscal year ended 31st March 2011

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.

(Asset retirement obligations)

Fiscal year ended 31st March 2011

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

(1) Asset retirement obligations relating 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.

(2) Retirement obligations relating 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.

(Rental Property)

Fiscal year ended 31st March 2010

(Additional information)

From the fiscal year ended 31st March 2010, the Company is applying the "Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (ASBJ Statement No. 20, issued on 28th November 2008) and the "Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (ASBJ Guidance No. 23, issued on 28th November 2008).

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 2010 is ¥24,598 million (significant rental revenues are recorded in revenues from operations and significant rental expenditures are recorded in costs of revenues from operations).

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

Millions of yen

Book value			
Balance as of 31st March 2009	Increase/Decrease	Balance as of 31st March 2010	Fair value as of 31st March 2010
¥524,634	¥45,695	¥570,329	¥647,511

Notes:
1. Book value is acquisition cost less accumulated depreciation and loss on impairment of fixed assets.
2. The increase/decrease this fiscal year mainly reflects an increase due to the acquisition of real estate (¥58,178 million) and a decrease due to depreciation and amortisation (¥12,395 million).
3. Fair value as of end of the fiscal year ended 31st March 2010 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 (Book value ¥136,564 million) is not included in the above table, as it is still in the development stage, making it difficult to determine fair value.

Fiscal year ended 31st March 2011

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 under review is ¥26,892 million ($324,000 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 ¥2,699 million ($32,518 thousand) were recorded as extraordinary loss, as was non-recurring depreciation on noncurrent assets totalling ¥3,069 million ($36,976 thousand).

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

Millions of yen

Book value			
Balance as of 31st March 2010	Increase/Decrease	Balance as of 31st March 2011	Fair value as of 31st March 2011
¥570,329	¥(3,904)	¥566,424	¥620,263

Thousands of U.S. dollars

Book value			
Balance as of 31st March 2010	Increase/Decrease	Balance as of 31st March 2011	Fair value as of 31st March 2011
$6,871,434	$(47,036)	$6,824,386	$7,473,048

Notes:
1. Book value is acquisition cost less accumulated depreciation and loss on impairment of fixed assets.

2. The increase/decrease this fiscal year mainly reflects an increase due to acquisitions of real estate totalling ¥12,635 million ($152,229 thousand) and a decrease due to depreciation and amortisation of ¥11,851 million ($142,783 thousand), impairment losses totalling ¥2,699 million ($32,518 thousand) and non-recurring depreciation on noncurrent assets of ¥3,069 million ($36,976 thousand).
3. Fair value as of end of the fiscal year under review 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 (Book value ¥141,609 million ($1,706,133 thousand) is not included in the above table, as it is still in the development stage, making it difficult to determine fair value.

(Segment Information)

[Segment information by business category]

Fiscal year ended 31st March 2010

	Millions of yen									
	Urban Transportation	Real Estate	Entertainment & Communications	Travel & International Transportation	Hotels	Retailing	Other	Total	Eliminations or Corporate	Consolidated
I Revenues from operations and operating income										
Revenues from operations:										
(1) Customers	¥191,799	¥ 150,037	¥ 94,253	¥62,626	¥60,364	¥61,273	¥ 32,933	¥ 653,287	¥ —	¥ 653,287
(2) Intersegment	3,315	19,167	9,413	228	612	1,515	6,658	40,911	(40,911)	—
Total	195,114	169,205	103,667	62,854	60,977	62,788	39,591	694,199	(40,911)	653,287
Costs of revenues from operations	163,562	139,575	94,375	62,578	62,682	63,086	39,075	624,936	(41,775)	583,160
Operating income (losses)	¥ 31,552	¥ 29,629	¥ 9,292	¥ 276	¥ (1,705)	¥ (297)	¥ 516	¥ 69,263	¥ 863	¥ 70,126
II Assets, depreciation and amortisation, loss on impairment of fixed assets and capital expenditures										
Assets	¥806,499	¥1,071,745	¥148,055	¥96,006	¥95,611	¥24,294	¥166,310	¥2,408,524	¥(71,192)	¥2,337,331
Depreciation and amortisation	30,953	16,645	7,083	1,359	3,067	1,106	822	61,037	(618)	60,418
Loss on impairment of fixed assets	20	4,418	—	—	—	312	—	4,751	—	4,751
Capital expenditures	28,322	69,957	6,430	1,523	22,257	1,870	533	130,895	(883)	130,012

Notes:
1. Businesses segments represent classifications used for management and administration purposes in order to accurately reflect the diversification of the Group's operations.
2. The principal lines of business of each segment are as follows:
   Urban Transportation: railways, buses and taxis, and the manufacture of rolling stock
   Real Estate: the renting of real estate, purchase and sale of real estate and property management services
   Entertainment and Communications: sports-related businesses, revue business, advertising, information services and publishing businesses
   Travel and International Transportation: travel and international cargo services
   Hotels: hotel ownership and management businesses
   Retailing: retail sales, food and drink sales
   Other: construction, domestic logistics services and outsourcing services for personnel and accounting services
3. Significant corporate assets included in corporate or eliminations include the surplus working capital (cash and deposits) and long-term investment capital (investment securities) of Hankyu Corporation and Hanshin Electric Railway Co., Ltd.
   Fiscal year ended 31st March 2009 ¥57,877 million
   Fiscal year ended 31st March 2010 ¥54,659 million
4. Change of segment
   Starting from the first quarter of the fiscal year ended 31st March 2010, Hanshin Station Net Co., Ltd. has been transferred from the Retailing Segment to the Urban Transportation Segment following a review of the classifications used for management and administration purposes as a result of business restructuring effective 1st April 2009.
   In the Retailing Segment, this had the effect of reducing revenues from operations by ¥3,251 million, costs of revenues from operations by ¥3,065 million, operating income by ¥186 million, assets by ¥2,660 million, and depreciation and amortisation by ¥7 million and increasing capital expenditures by ¥228 million compared with the amounts that would have been recorded without the segment change, while in the Urban Transportation Segment, this had the effect of increasing revenues from operations by ¥2,748 million, costs of revenues from operations by ¥2,594 million, operating income by ¥154 million, assets by ¥2,566 million, depreciation and amortisation by ¥40 million and capital expenditures by ¥78 million.
5. Change in accounting policies
   (Application of Accounting Standard for Construction Contracts)
   As stated in "Changes in accounting policies," effective from the fiscal year ended 31st March 2010, the Company is applying the "Accounting Standard for Construction Contracts" (ASBJ Statement No. 15, issued on 27th December 2007) and the "Implementation Guidance on Accounting Standards for Construction Contracts" (ASBJ Guidance No. 18, issued on 27th December 2007).
   This had the effect of increasing revenues from operations of the Entertainment & Communications Segment for the fiscal year ended 31st March 2010 by ¥273 million and operating income by ¥48 million and reducing the revenues from operations of the Others Segment by ¥1,543 million and operating income by ¥75 million compared with the amounts that would have been recorded with the previous method.

[Geographic segment information]

Fiscal year ended 31st March 2010

Geographic segment information is not disclosed as Japan accounts for more than 90% of both the total revenues from operations of all segments and the total assets of all segments.

[Revenues from foreign customers]

Fiscal year ended 31st March 2010

Revenues from foreign customers are not disclosed as they account for less than 10% of consolidated revenues from operations.

[Segment information]

1. 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

2. 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 "BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS." International 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.

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

Fiscal year ended 31st March 2010

	Millions of yen										
	Reportable segment										Amounts appearing in the consolidated financial statements
	Urban Transportation	Real Estate	Entertainment & Communications	Travel & International Transportation	Hotels	Retailing	Subtotal	Other (Note 1)	Total	Adjustment	
Revenues from operations:											
(1) Customers	¥187,122	¥ 149,725	¥ 98,739	¥62,626	¥60,364	¥61,351	¥ 619,930	¥32,932	¥ 652,862	¥ 424	¥ 653,287
(2) Intersegment	4,749	18,726	9,112	228	612	1,522	34,952	6,662	41,614	(41,614)	—
Total	191,872	168,451	107,852	62,854	60,977	62,874	654,882	39,594	694,477	(41,189)	653,287
Segment income (loss) (Note 2)	31,008	30,938	11,068	340	(1,674)	351	72,033	538	72,572	(2,445)	70,126
Segment assets	745,660	1,038,002	141,594	94,785	94,883	22,216	2,137,142	49,856	2,186,998	150,333	2,337,331
Other items											
Depreciation and amortisation	30,506	16,812	7,228	1,359	3,067	1,152	60,127	822	60,949	(530)	60,418
Increase in property and equipment and intangible assets	27,743	69,720	6,330	1,523	22,257	1,867	129,443	614	130,058	(46)	130,012

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 1)	Total	Adjustment	Amounts appearing in the consolidated financial statements
Revenues from operations:											
(1) Customers	¥188,002	¥ 135,011	¥ 94,727	¥67,565	¥64,613	¥53,326	¥ 603,246	¥35,094	¥ 638,341	¥ 429	¥ 638,770
(2) 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) (Note 2)	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	17,160	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

	Thousands of U.S. dollars										
	Reportable segment										
	Urban Transportation	Real Estate	Entertainment & Communications	Travel & International Transportation	Hotels	Retailing	Subtotal	Other (Note 1)	Total	Adjustment	Amounts appearing in the consolidated financial statements
Revenues from operations:											
(1) Customers	$2,265,084	$ 1,626,639	$1,141,289	$814,036	$ 778,470	$642,482	$ 7,268,024	$422,819	$ 7,690,855	$ 5,169	$ 7,696,024
(2) Intersegment	59,578	213,470	104,566	1,747	7,301	8,217	394,916	106,205	501,120	(501,120)	—
Total	2,324,663	1,840,120	1,245,867	815,783	785,783	650,699	7,662,952	529,036	8,191,988	(495,952)	7,696,024
Segment income (loss) (Note 2)	353,952	289,108	120,410	35,566	(7,699)	8,590	799,952	5,422	805,386	(25,337)	780,036
Segment assets	8,950,470	12,597,072	1,695,542	973,590	1,114,084	223,651	25,554,434	588,133	26,142,566	1,745,000	27,887,578
Other items											
Depreciation and amortisation	350,723	206,747	87,012	16,843	36,880	11,048	714,723	10,446	725,181	(6,265)	718,904
Increase in property and equipment and intangible assets	347,265	338,867	61,566	37,819	12,880	9,554	807,988	10,867	818,867	5,590	824,470

Notes:
1. The "Other" category comprises business such as construction and domestic logistics services not included in reportable segments.
2. Income (loss) for each reportable segment refers to operating income (loss).

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

Revenues from operations:	Millions of yen 2010	Millions of yen 2011	Thousands of U.S. dollars 2011
Total reportable segment revenues	¥654,882	¥636,025	$7,662,952
Revenues from operations classified under "Other"	39,594	43,910	529,036
Revenues from operations from external customers classified as "Adjustment"	424	429	5,169
Revenues from operations from intersegment transactions and transfers	(41,614)	(41,593)	(501,120)
Revenues from operations in the consolidated financial statements	653,287	638,770	7,696,024

Income	Millions of yen 2010	Millions of yen 2011	Thousands of U.S. dollars 2011
Total reportable segment income (loss)	¥72,033	¥66,396	$799,952
Income (loss) classified under "Other"	538	450	5,422
Amortisation of goodwill (Note)	(2,677)	(2,684)	(32,337)
Other	231	581	7,000
Operating income in the consolidated financial statements	70,126	64,743	780,036

Note: Refers mainly to the amortisation of goodwill arising from the management integration with Hanshin Electric Railway Co., Ltd. in fiscal 2006.

Asset	Millions of yen 2010	Millions of yen 2011	Thousands of U.S. dollars 2011
Total reportable segment assets	¥2,137,142	¥2,121,018	$25,554,434
Assets classified under "Other"	49,856	48,815	588,133
Balance of unamortised goodwill (Note 1)	43,957	41,172	496,048
Other (Note 2)	106,375	103,663	1,248,952
Total assets in the consolidated financial statements	2,337,331	2,314,669	27,887,578

Notes:
1. Refers mainly to the balance of unamortised goodwill arising from the management integration with Hanshin Electric Railway Co., Ltd. in fiscal 2006.
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 2010

Other items	Millions of yen: Total reportable segment	Other	Adjustment	Amounts appearing in the consolidated financial statements
Depreciation and amortisation	¥ 60,127	¥822	¥(530)	¥ 60,418
Increase in property and equipment and in intangible assets	129,443	614	(46)	130,012

Fiscal year ended 31st March 2011

Other items	Millions of yen: Total reportable segment	Other	Adjustment	Amounts appearing in the consolidated financial statements	Thousands of U.S. dollars: Total reportable segment	Other	Adjustment	Amounts appearing in the consolidated financial statements
Depreciation and amortisation	¥59,322	¥867	¥(520)	¥59,669	$714,723	$10,446	$(6,265)	$718,904
Increase in property and equipment and in intangible assets	67,063	902	464	68,431	807,988	10,867	5,590	824,470

(Changes to affiliated segments)

Food and drink businesses operated by Creative Hankyu Co., Ltd. and another company that were formerly classified as Retailing have been transferred to the Hotels segment as of 1st April 2010, and the segment to which Creative Hankyu Co., Ltd. belongs has changed from Retailing to Other after a reorganization.

As a result, there were decreases in the amount of ¥5,897 million for revenues from operations, ¥97 million for segment income, ¥2,604 million for segment assets, ¥134 million in depreciation and amortisation and ¥78 million for property and equipment and intangible assets compared to the amounts that would have been recorded in the Retailing business in the fiscal year under review without the change.

At the same time, in the Hotels segment, revenues from operations increased ¥5,279 million, the segment loss narrowed by ¥95 million, with segment assets rising by ¥1,753 million, depreciation and amortisation increasing by ¥134 million, and property and equipment and intangible assets rising by ¥75 million. In Other, revenues from operations classified increased by ¥876 million, segment income increased by ¥3 million, segment assets rose by ¥494 million, depreciation and amortization increased by ¥0 million, and property and equipment and intangible assets went up by ¥3 million.

[Related Information]

Fiscal year ended 31st March 2011

1. Information about product and service categories

Information about product and service categories is the same as that described in "Segment information: 3. Information regarding revenues from operations, income (loss), assets and other items by reportable segment.

2. Information by region

(1) Revenues from operations

Because revenues from operations originating with external customers in Japan account for more than 90% of revenues from operations recorded in the consolidated income statements, a description of regional breakdowns is omitted.

(2) 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.

3. Information about important customers

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

[Information regarding impairment losses on property and equipment, by reportable segment]

Fiscal year ended 31st March 2011

	Millions of yen										
	Reportable segment										Amounts appearing in the consolidated financial statements
	Urban Transportation	Real Estate	Entertainment & Communications	Travel & International Transportation	Hotels	Retailing	Subtotal	Other	Total	Adjustment	
Loss on impairment of fixed assets	¥13	¥2,699	¥—	¥36	¥697	¥508	¥3,955	¥117	¥4,072	¥189	¥4,261

	Thousands of U.S. dollars										
	Reportable segment										Amounts appearing in the consolidated financial statements
	Urban Transportation	Real Estate	Entertainment & Communications	Travel & International Transportation	Hotels	Retailing	Subtotal	Other	Total	Adjustment	
Loss on impairment of fixed assets	$157	$32,518	$—	$434	$8,398	$6,120	$47,651	$1,410	$49,060	$2,277	$51,337

[Information regarding amortisation of goodwill and the balance of unamortised goodwill, by reportable segment]

Fiscal year ended 31st March 2011

Omitted as the significance is negligible

[Information regarding gains from negative goodwill, by reportable segment]

Fiscal year ended 31st March 2011

Omitted as the significance is negligible

(Additional information)

From the fiscal year under review, the Company is applying "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17, issued on 27th March 2009), and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20, issued on 21st March 2008).

(Related Party Transactions)

1. Related party transactions

Fiscal year ended 31st March 2010

(1) Transactions between the company submitting the consolidated financial statements and related parties

No items

(2) 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

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 2010 (Millions of yen)
Director	Takehiro Sugiyama	—	¥ —	Director of the Company	Directly 0.01%	Sale of condominiums	Sale of condominiums	¥44	—	¥—
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
   (1) The terms and conditions of the sale of the condominium were determined with reference to similar transactions in the neighbouring area.
   (2) 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 2011

(1) Transactions between the company submitting the consolidated financial statements and related parties

No items

(2) 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

Type	Name of related party	Address	Amount of capital		Business	Voting interest	Relationship with related party	Details of transaction	Transaction amounts		Item	Balance as of 31st March 2011	
			(Millions of yen)	(Thousands of U.S. dollars)					(Millions of yen)	(Thousands of U.S. dollars)		(Millions of yen)	(Thousands of U.S. dollars)
Company in which director or close family thereof holds majority of voting rights	Tateishi Sangyo Co., Ltd.	Ikeda City, Osaka	¥100	$1,205	Real estate business	None	Lease of real estate Concurrent post (director)	Rent income	¥16	$193	Deposit	¥30	$361

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
   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.

2. Notes about Parent Company and Major Affiliated Companies

No items

(Special Purpose Entities)

Fiscal year ended 31st March 2010

1. Purpose of establishment: Diversity and stability of financing

Some consolidated subsidiaries invested in two special purpose entities (in form of a special limited liability company or a special purpose entity under the SPC Law) established for the purpose of real estate securitisation, but, by the end of the fiscal year ended 31st March 2010, the special purpose entities had sold the securitised properties and completed the securitisation. In this securitisation, the consolidated subsidiaries transferred real estate (trust beneficiary rights) to the special purpose entities and, using the transferred assets as backing, the special purpose entities received capital raised through nonrecourse loans, etc. from financial institutions as sale proceeds and leased (leaseback) the transferred real estate. The consolidated subsidiaries did not own equity with voting rights in any of the special purposes entities nor do they dispatch directors or employees to them.

Amounts and other details of transactions with special purpose entities in the fiscal year ended 31st March 2010 are as follows.

	Significant transaction amounts or balances as of 31st March 2010 (Millions of yen)	Significant income and expenditure Item	(Millions of yen)
Real estate purchased	¥74,620		
Investments in silent partnerships (Notes 1 and 2)	343	Distributed income (Note 3)	¥9,819
Receivable amount of dividends (Note 1)	70		
Lease (leaseback) transactions	—	Lease payments (Note 3)	3,207
Management business	—	Management fees (Note 4)	9

Notes:
1. Investments in silent partnerships and receivable amount of dividends are expected to be recovered upon completion of liquidation proceedings.
2. In the fiscal year ended 31st March 2010, the company recorded a loss on devaluation of assets as a result of completion of securitisation (¥748 million).
   Investments in silent partnerships are recorded as investment securities.
3. Distributed income includes distributed income on the liquidation of special purpose entities of ¥8,241 million, which is presented in extraordinary income. The residual amount of distributed income is presented in costs of revenues from operations after offsetting lease payments.
4. Management fees are presented in revenues from operations.

2. Purpose of establishment: development and increase value of assets

Some consolidated subsidiaries invested in nine special purpose entities (in the form of special limited liability companies, joint ventures, etc.). 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 (see note 1), 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. As of the most recent balance sheet date of these special purpose entities, total assets were ¥87,704 million and total liabilities were ¥57,895 million. These are simple totals regardless of the investment ratio.

Amounts and other details of transactions with special purpose entities in the fiscal year ended 31st March 2010 are as follows.

	Significant transaction amounts or balance as of 31st March 2010 (Millions of yen)	Significant income and expenditure Item	(Millions of yen)
Investments in silent partnerships (Notes 1 and 2)	¥8,357	Distributed income (Note 3)	¥523
Receivable amount of dividends (Note 4)	716		
Management business	—	Management fees (Note 5)	463

Notes:
1. Accrued future loss from valuation of investments in the aggregate amount of ¥580 million for the year ended 31st March 2010 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.
4. The receivable amount of dividends is equal to the suspended payments of dividends.
5. Management fees are presented in revenues from operations in the consolidated statements of income.

Fiscal year ended 31st March 2011

Some consolidated subsidiaries invested in eight special purpose entities (in the form of special limited liability companies, joint ventures, etc.) aimed at development and increase value of assets. The special purpose companies 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 (see note 1), 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. As of the most recent balance sheet date of these special purpose entities, total assets were ¥71,118 million ($856,843 thousand) and total liabilities were ¥46,787 million ($563,699 thousand). These are simple totals regardless of the investment ratio.

Amounts and other details of transactions with special purpose entities in the fiscal year ended 31st March 2011 are as follows.

	Significant transaction amounts or balance as of 31st March 2011 (Millions of yen)	Significant income and expenditure Item	(Millions of yen)
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

	Significant transaction amounts or balance as of 31st March 2011 (Thousands of U.S. dollars)	Significant income and expenditure Item	(Thousands of U.S. dollars)
Real estate purchased	$114,783		
Investments in silent partnerships (Notes 1 and 2)	94,205	Distributed income (Note 3)	$3,855
Receivable amount of dividends (Note 4)	9,783	Distributed loss (Note 5)	566
Management business	—	Management fees (Note 6)	4,928

Notes:
1. Accrued future loss from valuation of investments in the aggregate amount of ¥1,878 million ($22,627 thousand) for the fiscal year under review 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.

(Per Share Information)

	Yen		U.S. dollars
	2010	2011	2011
Net assets per share	¥371.70	¥377.17	$4.54
Net income per share	8.55	14.32	0.17
Net income per share—diluted	8.51	14.27	0.17

Note: Basis for the calculation

1. Net assets per share

	Millions of yen		Thousands of U.S. dollars
Item	2010	2011	2011
Total net assets on consolidated balance sheets	¥ 480,633	¥ 486,947	$5,866,831
Net assets related to common shares	¥ 469,128	¥ 475,802	$5,732,554
Major causes of difference			
Minority interests	¥ 11,505	¥ 11,144	$ 134,265
Common shares issued (Thousands of shares)	1,271,406	1,271,406	
Treasury stock shares (Thousands of shares)	3,829	4,448	
Common shares held by consolidated subsidiaries and equity method affiliates (Thousands of shares)	5,449	5,449	
Common shares used to calculate net assets per share (Thousands of shares)	1,262,128	1,261,509	

2. Net income per share and diluted net income per share

	Millions of yen		Thousands of U.S. dollars
Item	2010	2011	2011
Net income per share			
Net income	¥ 10,793	¥ 18,068	$217,687
Amount not belonging to common stockholders	¥ —	¥ —	$ —
Net income related to common shares	¥ 10,793	¥ 18,068	$217,687
Average number of common shares during term (Thousands of shares)	1,261,824	1,261,993	
Net income per share—diluted			
Adjustment to net income	¥ (56)	¥ (61)	$ (735)
(Equity in income of affiliates)	¥ (56)	¥ (61)	$ (735)
Increase in number of common shares	—	—	
Summary of potential shares that were not included in the calculation of diluted income per share because their effect was not dilutive.	—	—	

CONSOLIDATED SUPPLEMENTARY STATEMENTS

(Corporate Bond Statements)

Company	Name	Issue date	Balance as of 31st March 2010 (Millions of yen)	Balance as of 31st March 2011 (Millions of yen)	Balance as of 31st March 2011 (Thousands of U.S. dollars)	Interest rate (%)	Security	Redemption date
Hankyu Hanshin Holdings, Inc.	Series 19 unsecured corporate bonds	18th Sept. 1998	¥ 10,000	¥ —	$ —	2.46%	None	17th Sept. 2010
Hankyu Hanshin Holdings, Inc.	Series 27 unsecured corporate bonds	28th Sept. 2000	15,000	—	—	(See Note 2)	None	30th Sept. 2010
Hankyu Hanshin Holdings, Inc.	Series 28 unsecured corporate bonds	28th June 2001	10,000	10,000 (10,000)	120,482 (120,482)	(See Note 3)	None	28th June 2011
Hankyu Hanshin Holdings, Inc.	Series 33 unsecured corporate bonds	18th July 2007	20,000	20,000	240,964	1.85	None	18th July 2012
Hankyu Hanshin Holdings, Inc.	Series 34 unsecured corporate bonds	14th Nov. 2007	10,000	10,000 (10,000)	120,482 (120,482)	1.39	None	14th Nov. 2011
Hankyu Hanshin Holdings, Inc.	Series 35 unsecured corporate bonds	14th Nov. 2007	10,000	10,000	120,482	1.66	None	14th Nov. 2013
Hankyu Hanshin Holdings, Inc.	Series 36 unsecured corporate bonds	30th July 2008	20,000	20,000 (20,000)	240,964 (240,964)	1.46	None	29th July 2011
Hankyu Hanshin Holdings, Inc.	Series 37 unsecured corporate bonds	23rd Oct. 2009	10,000	10,000	120,482	1.10	None	23rd Oct. 2014
Hankyu Hanshin Holdings, Inc.	Series 38 unsecured corporate bonds	23rd Oct. 2009	10,000	10,000	120,482	1.87	None	23rd Oct. 2019
Hankyu Hanshin Holdings, Inc.	Series 39 unsecured corporate bonds	28th Jan. 2010	20,000	20,000	240,964	1.25	None	27th Jan. 2017
Hankyu Hanshin Holdings, Inc.	Series 40 unsecured corporate bonds	22nd Sept. 2010	—	15,000	180,723	1.43	None	18th Sept. 2020
Hankyu Hanshin Holdings, Inc.	Series 41 unsecured corporate bonds	22nd Sept. 2010	—	7,000	84,337	1.72	None	22nd Sept. 2022
Hankyu Hanshin Holdings, Inc.	Series 42 unsecured corporate bonds	17th Mar. 2011	—	10,000	120,482	1.54	None	17th Mar. 2021
Hanshin Electric Railway Co., Ltd.	Series 12 unsecured corporate bonds	25th June 1997	15,000	15,000	180,723	3.525	None	25th June 2012
Hanshin Electric Railway Co., Ltd.	Series 14 unsecured corporate bonds	23rd June 2004	10,000	10,000	120,482	2.22	None	23rd June 2014
Total	—	—	¥160,000	¥167,000 (40,000)	$2,012,048 (481,928)	—	—	—

Notes:
1. The amount in parenthesis in the "Balance as of 31st March 2011" 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 September 2000 to 30th September 2001
      3.00% annualised
   2) From the day after 30th September 2001
      The floating rate was then the 20-year swap rate minus the 2-year swap rate plus 0.95% from 1st October 2001. (If the result of this calculation was below 0, the rate would be 0%)
3.
   1) From the day after 28th June 2001 to 28th June 2004
      1.30% annualised
   2) From the day after 28th June 2004
      The floating rate was then the 20-year swap rate minus the 2-year swap rate plus 0.15% from 29th June 2004. (If the result of this calculation was below 0, the rate would be 0%)

4. Redemption schedule of bonds for five years subsequent to 31st March 2011.

	Millions of yen	Thousands of U.S. dollars
Due within one year	¥40,000	$481,928
Due after one year through two years	35,000	421,687
Due after two years through three years	10,000	120,482
Due after three years through four years	20,000	240,964
Due after four years through five years	—	—

(Statements of Loans Payable)

Item	Balance as of 31st March 2010 (Millions of yen)	Balance as of 31st March 2011 (Millions of yen)	Balance as of 31st March 2011 (Thousands of U.S. dollars)	Average interest rate (%)	Repayment deadline
Short-term borrowings	¥ 182,087	¥ 172,478	$ 2,078,048	0.791%	—
Current portion of long-term debt	105,258	124,986	1,505,855	1.150	—
Current portion of lease obligations	835	1,380	16,627	—	—
Long-term debt (excluding current portion)	832,018	780,908	9,408,530	1.233	2012-2031
Lease obligations (excluding current portion)	2,383	4,911	59,169	—	2012-2024
Other interest-bearing debt	—	—	—	—	—
Total	¥1,122,583	¥1,084,665	$13,068,253	—	—

Notes:
1 Corporate and eliminations are not shown.
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 2011.

Long-term debt	Millions of yen	Thousands of U.S. dollars
Due after one year through two years	¥139,175	$1,676,807
Due after two years through three years	184,653	2,224,735
Due after three years through four years	155,134	1,869,084
Due after four years through five years	77,199	930,108

Lease obligations	Millions of yen	Thousands of U.S. dollars
Due after one year through two years	¥1,283	$15,458
Due after two years through three years	990	11,928
Due after three years through four years	655	7,892
Due after four years through five years	414	4,988

(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.

OTHERS

Quarterly revenues from operations, etc. in fiscal year ended 31st March 2011

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Revenues from operations (Millions of yen)	¥155,495	¥158,575	¥154,774	¥169,925
Income before income taxes and minority interests (Millions of yen)	17,037	15,073	12,804	(12,154)
Net income (Millions of yen)	10,742	7,571	7,313	(7,558)
Net income per share (Yen)	8.51	6.00	5.79	(6)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Revenues from operations (Thousands of U.S. dollars)	$1,873,434	$1,910,542	$1,864,747	$2,047,289
Income before income taxes and minority interests (Thousands of U.S. dollars)	205,265	181,602	154,265	(146,434)
Net income (Thousands of U.S. dollars)	129,422	91,217	88,108	(91,060)
Net income per share (U.S. dollars)	0.10	0.07	0.07	(0)

Major Group Companies (As of 31st March 2011)

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.
	Railway Technology Co., Ltd.
	Globaltech 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.
	Dai-ichi Hotel Kyushu Co., Ltd.
	Hotel New Hankyu Kochi Co., Ltd.
	Arima View Hotel Co., Ltd.
	Amanohashidate Hotel Co., Ltd.
	Hankyu Hanshin Restaurants 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.
Domestic Logistics	Sanyo Jidosha Unso 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.
	Toho Co., Ltd. [Securities code: 9602]
Commercial Broadcasting	Kansai Telecasting Corporation

Investor Information (As of 31st March 2011)

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.):
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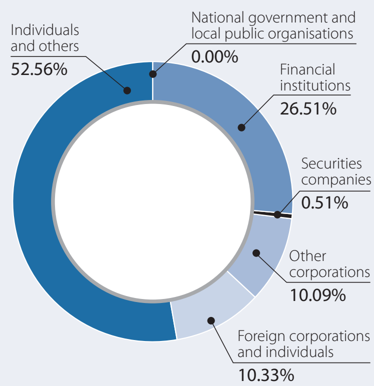
1-5-2, Yurakucho, Chiyoda-ku, Tokyo 100-0006, Japan
Phone: +81-3-3503-1568
Fax: +81-3-3508-0249

Paid-in Capital:	¥99,474 million
Fiscal Year-End:	31st March
Number of Employees:	21,302 (consolidated basis)
Authorised Shares:	3,200,000,000
Issued Shares:	1,271,406,928
Number of Shareholders:	130,688
Unit of Trading:	1,000 shares
Stock Exchange Listing:	Tokyo, Osaka
Transfer Agent:	Mitsubishi UFJ Trust and Banking Corporation

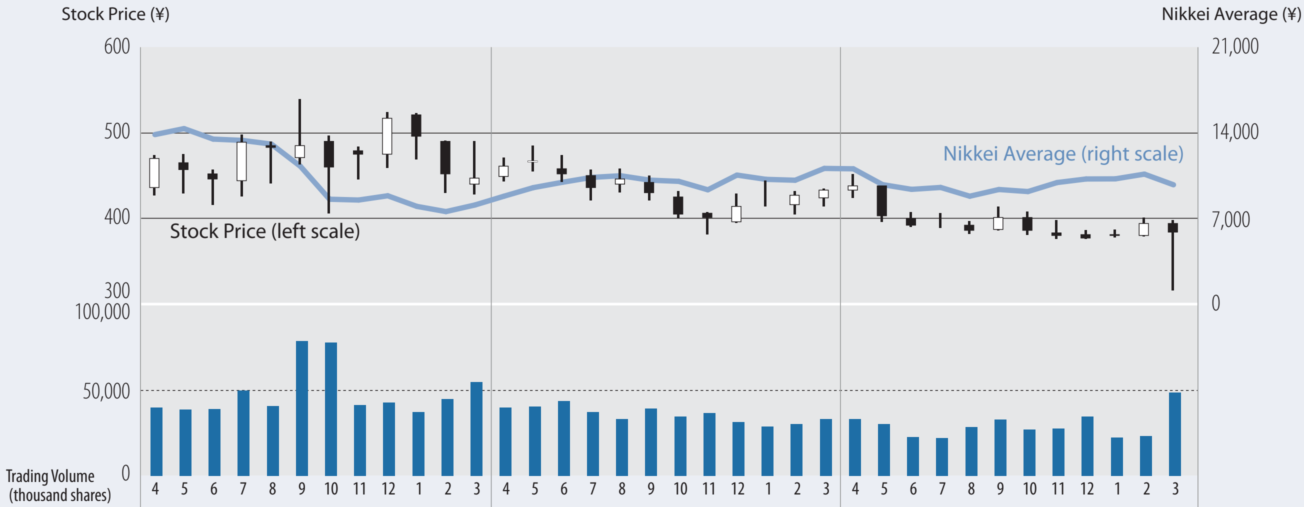
Principal Shareholders:

Name	Number of shares (thousands)	Percentage (%)
Japan Trustee Services Bank, Ltd. (Trust account)	56,832	4.47
Nippon Life Insurance Company	42,680	3.35
The Master Trust Bank of Japan, Ltd. (Trust account)	31,488	2.47
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
SSBT OD05 OMNIBUS ACCOUNT — TREATY CLIENTS (Standing Agent: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	10,477	0.82
State Street Bank West Client Treaty (Standing Agent: Mizuho Corporate Bank, Ltd.)	10,361	0.81
Japan Trustee Services Bank, Ltd. (Trust account 1)	9,788	0.76

Ownership Breakdown:



Stock Price Range and Trading Volume (Tokyo Stock Exchange):



	Fiscal year ended March 2009	Fiscal year ended March 2010	Fiscal year ended March 2011
High	539	485	452
Low	406	381	316
At year-end	447	433	384

Hankyu Hanshin Holdings, Inc.
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Hankyu Hanshin Toho Group

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