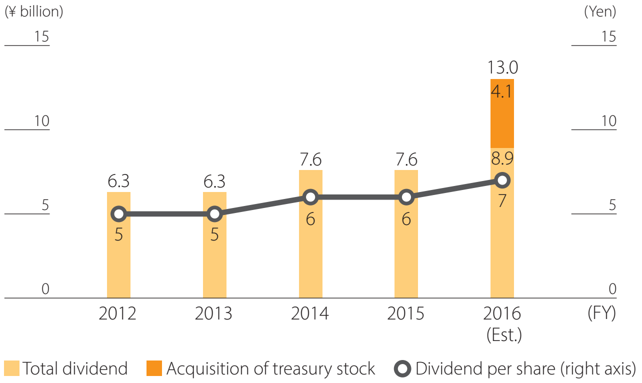
Policy on Returns to Shareholders

Regarding returns to shareholders, given the achievement of an interest-bearing debt/EBITDA ratio of around seven times, which was our most important management target, we changed our dividend policy by increasing the annual dividend by ¥1 per share for fiscal 2014 and endeavouring to pay stable annual dividends going forward with ¥6 per share as a lower limit. Since then, our financial position has improved further, and we have deemed that we can maintain net income at the ¥40 billion level. Therefore, we have introduced a new approach to returns to shareholders by setting a total return ratio* of 25% as an indicator. Aiming for returns to shareholders based on this indicator, for fiscal 2016's profit distribution, we plan to increase the annual dividend by ¥1 per share to ¥7 per share and acquire treasury stock so that we realise a total return ratio of 25%.

While strengthening returns to shareholders, I believe that we should also meet the expectations of shareholders and investors by sustaining growth. As we advance into a new management phase, we are committed to taking maximum advantage of our inherent progressiveness to enhance corporate value.

* The aggregate of the total annual dividend and purchases of treasury stock as a percentage of consolidated net income

Returns to shareholders



Targeted Management Indicators (for the period through to fiscal 2019)

In light of the aforementioned, for the period from fiscal 2016 through to fiscal 2019, we have established three management indicators that measure profitability, capital efficiency, and financial soundness.

Firstly, in relation to profitability, earnings levels are expected to decrease due to higher depreciation and amortisation associated with the advancement of the Umeda 1-1 Project and the manufacture of rolling stock. However, by focusing efforts on developing foundations with a view to medium-to-long-term growth, we will maintain operating income at the ¥80 billion level. Further, we will realise stable net income at the ¥40 billion level.

Secondly, with regard to capital efficiency, while strengthening our financial position, we will achieve stable net income and acquire treasury stock to maintain ROE at around 6%.

Lastly, to reinforce financial soundness, we will mitigate the risk of interest rate increases and ensure fund-raising capabilities through the steady reduction of interest-bearing debt and the lowering of it to less than ¥900 billion by the end of fiscal 2019. Further, we will manage businesses mindful of the medium-to-long-term targets for financial soundness—keeping the interest-bearing debt/EBITDA ratio between five and six times and the D/E ratio around one time—although we have not specified fiscal years for reaching these targets.

Numerical targets (for the period through to fiscal 2019)

Profitability	Keep operating income at ¥80 billion level and keep net income at ¥40 billion level
Capital efficiency	Keep ROE at 6% level while strengthening financial standing
Financial soundness	Reduce interest-bearing debt to less than ¥900 billion by end of fiscal 2019
Financial soundness targeted over medium-to-long term	Keep interest-bearing debt/EBITDA ratio between 5 and 6 times and D/E ratio around 1 time

Overview of the Hankyu Hanshin Holdings Group's Medium-Term Management Plan (Fiscal 2016–Fiscal 2019)

The Hankyu Hanshin Holdings Group's Medium-Term Management Plan calls for the development of foundations for medium-to-long-term growth in the period through to fiscal 2019. In accordance with this new management direction, we are advancing measures with a view to future growth.

Medium-Term Management Plan (fiscal 2016–fiscal 2019)

Period of developing foundations for medium-to-long-term growth

Business strategies Implementing two business strategies with a view to medium-to-long-term growth

Business strategy 1

Enhance value of the Umeda area and other line-side areas

Create line-side areas people want to live in permanently or visit frequently

Develop line-side areas ⇄ Enhancing line-side area value ⇄ Develop additional value in line-side areas

Business strategy 2

Develop new markets for medium-to-long-term growth

Expand businesses in Tokyo metropolitan area and begin developing new businesses overseas

Tokyo metropolitan area

Overseas

Combine business strategies 1 and 2

Capture burgeoning demand from non-Japanese tourists

Offset Japan's sluggish consumer market and step up efforts to capture rapidly growing demand from visitors to Japan

Financial strategy Focus on *forward-looking investment*, while distributing cash flows in a flexible, balanced manner to realise *continuous strengthening of financial standing* and *returns to shareholders*

Forward-looking investment

Follow business strategies 1 and 2 and give priority to funding investment regardless of previous investment levels

Returns to shareholders

Endeavour to increase them while maintaining balance with investment and strengthening of financial standing

Continuous strengthening of financial standing

Continue strengthening financial standing to mitigate risk of future interest rate rises and secure funding capacity over medium-to-long term

Numerical targets

Profitability	Keep operating income at **¥80 billion** level and keep net income at **¥40 billion** level	While focusing efforts on developing foundations for medium-to-long-term growth, we will maintain operating income at a certain level and achieve stable net income.
Capital efficiency	Keep ROE at **6%** level	Given that we expect to achieve stable net income while strengthening our financial standing, we will maintain ROE at a certain level.
Financial soundness	Reduce interest-bearing debt to **less than ¥900 billion** by end of fiscal 2019	We will continue steadily strengthening our financial standing as a provision for the risk of interest rate rises.

Financial soundness targeted over medium-to-long term	Keep interest-bearing debt/EBITDA ratio **between 5 and 6 times** and D/E ratio **around 1 time**