Hankyu Hanshin Holdings

Securities code: 9042

ANNUAL REPORT 2016

Growing from the Ground Up

Contents

Key Facts

1 Group Management Philosophy
3 Corporate Social Responsibility (CSR)
4 At a Glance
6 Location of Our Business Base
8 Business Environment
10 Performance Highlights (Consolidated)
14 ESG Highlights

Business Policies and Strategies

16 **To Our Stakeholders**
24 **Special Feature: Anticipating Change, Pursuing Growth Opportunities**
29 Providing Services that Add Value to Areas
32 Capitalising on Opportunities through Overseas Businesses
36 CSR and Value Enhancement in Line-Side Areas

Core Businesses: Overview and Outlook

38 Core Business Highlights
40 Urban Transportation
44 Real Estate
48 Entertainment and Communications
50 Travel
52 International Transportation
54 Hotels

Management Organisation

56 Directors and Audit & Supervisory Board Members
58 Management Organisation
66 Principal Risks and Countermeasures
68 Safety Initiatives in the Railway Business

Financial Section and Corporate Data

73 Consolidated Six-Year Summary
74 Consolidated Financial Review
77 Business Risks
78 Consolidated Balance Sheets
80 Consolidated Statements of Income / Consolidated Statements of Comprehensive Income
81 Consolidated Statements of Changes in Net Assets
83 Consolidated Statements of Cash Flows
84 Notes to the Consolidated Financial Statements
108 Major Rental Properties / Major Sales Properties
109 Major Group Companies
110 Group History
111 Investor Information

Search Index

Group Overview
1–15, 38–39, 108–111

2016 Financial and Business Performances
10–13, 17–19, 73–76

Forecasts for Fiscal 2017 Onward
Group: 22
Urban Transportation: 41
Real Estate: 45
Entertainment and Communications: 49
Travel: 51
International Transportation: 53
Hotels: 55

Medium-Term Management Plan and Growth Strategies
20–22

Risks and Opportunities
26–27

Safety Initiatives in the Railway Business
66–67, 68–72

Financial Policy and Shareholder Returns
13, 17

Definition of the areas served by the Hankyu and Hanshin lines:
Below are lists of areas with Hankyu Corporation and Hanshin Electric Railway stations (including tier 2 railway operators).

Osaka Prefecture: Osaka City (Fukushima, Konohana, Nishi, Naniwa, Nishi-Yodogawa, Higashi-Yodogawa, Yodogawa, Kita and Chuo, out of a total of 24 wards); and Toyonaka, Ikeda, Suita, Takatsuki, Ibaraki, Minoh, Settsu cities and Shimamoto town
Hyogo Prefecture: Kobe City (Higashi-Nada, Nada, Hyogo, Nagata and Chuo, out of a total of 9 wards); and Amagasaki, Nishinomiya, Ashiya, Itami, Takarazuka and Kawanishi cities
Kyoto Prefecture: Kyoto City (Nakagyo, Shimogyo, Ukyo, Nishikyo, out of a total of 11 wards); and Muko and Nagaokakyo cities and Oyamazaki town

Forward-Looking Statements
The reader is advised that this annual 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 178th period, audited by KPMG AZSA LLC presented in a 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 2016" refers to the fiscal year ended 31st March 2016. 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.

Mission

What we try to achieve

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

Values What is important to us

Customers First

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

Sincerity

Gain customers' confidence
by always being sincere.

Foresight & Creativity

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

Respect for People

Everyone is absolutely invaluable
to the Group.

Corporate Social Responsibility (CSR)

We believe contributing to local communities and preserving the environment are social responsibilities that it is incumbent upon us to fulfil and which are essential for our medium-to-long-term development. Therefore, the two pillars of our CSR activities are social contribution activities, which develop towns and cities in partnership with local communities, and environmental preservation activities promoting environment-friendly business activities.

Social Contribution Activities

Basic Policy

We intend to promote the creation of towns and cities along our railway lines that people will truly want to live in.

Environmental Preservation Activities

Basic Concept

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

At a Glance

Urban Transportation

Major Operating Companies

- Hankyu Corporation
- Hanshin Electric Railway

Fiscal 2016 Results		
Revenues from Operations	¥239.5 billion	(YoY +2.6%)
Operating Income	¥41.3 billion	(YoY +7.0%)
Segment Assets	¥794.3 billion	(YoY +2.0%)

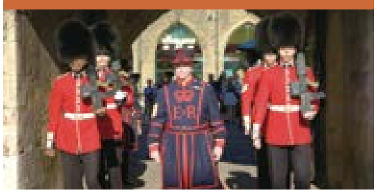
Real Estate

Fiscal 2016 Results		
Revenues from Operations	¥220.9 billion	(YoY +7.0%)
Operating Income	¥49.9 billion	(YoY +34.1%)
Segment Assets	¥1,022.6 billion	(YoY +2.9%)

Entertainment and Communications

Fiscal 2016 Results		
Revenues from Operations	¥112.5 billion	(YoY –0.1%)
Operating Income	¥15.3 billion	(YoY +2.1%)
Segment Assets	¥142.7 billion	(YoY –0.4%)

Travel



Major Operating Companies

- Hankyu Travel International

Fiscal 2016 Results		
Revenues from Operations	¥30.5 billion	(YoY –4.6%)
Operating Income	¥0.7 billion	(YoY –44.5%)
Segment Assets	¥65.2 billion	(YoY –4.1%)

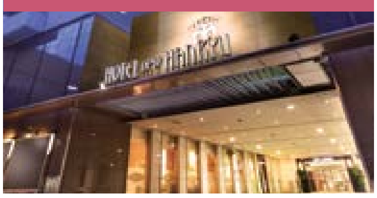
International Transportation

Major Operating Companies

- Hankyu Hanshin Express

Fiscal 2016 Results		
Revenues from Operations	¥36.7 billion	(YoY –7.0%)
Operating Income	¥1.8 billion	(YoY –41.4%)
Segment Assets	¥39.9 billion	(YoY –12.9%)

Hotels

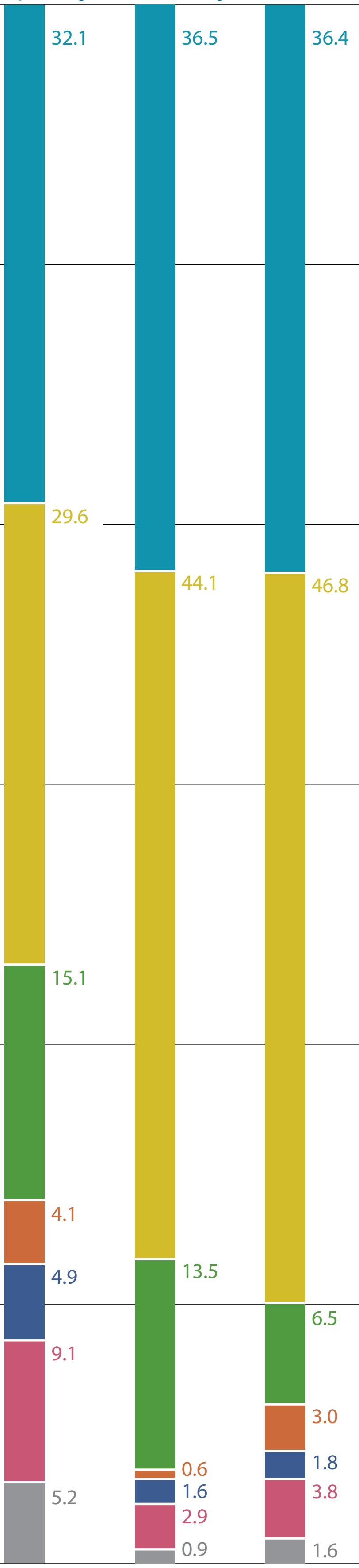


Major Operating Companies

- Hankyu Hanshin Hotels

Fiscal 2016 Results		
Revenues from Operations	¥68.0 billion	(YoY +7.9%)
Operating Income	¥3.3 billion	(YoY +171.2%)
Segment Assets	¥82.8 billion	(YoY +0.7%)

% of Revenues from Operations, Operating Income, and Segment Assets



Nature of Business

This segment comprises railway operations (with Hankyu Corporation operating the Kobe, Takarazuka, and Kyoto lines out of Osaka-Umeda and Hanshin Electric Railway lines directly linking Kobe with Osaka's major northern and southern terminals, Osaka-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: 143.6 km Hanshin Electric Railway: 48.9 km (Including tier 2 railway operators)

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 rental properties located mainly in the Umeda area and along the Group's rail lines, such as Umeda Hankyu Building, Hankyu Sanban Gai Shopping Centre, HERBIS OSAKA, HERBIS ENT, GRAND FRONT OSAKA, Hankyu Nishinomiya Gardens, and the highly regarded *Geo* condominium brand in the Kansai and Tokyo metropolitan areas. This segment is also exploring overseas markets, specifically building and owning logistics centres and developing condominiums in Southeast Asia.

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 delivers performances that move and inspire customers. In addition, this segment runs a wide range of businesses, such as the broadcast and communications business and the information services business.

Since its establishment in 1948, while meeting the diversified needs of customers through always taking their perspective, Hankyu Travel International has sold its products via various media through its five brands. They are the *Trapics* brand that provides enhanced content at a reasonable price, the *Crystal Heart* brand, the *Hanshin Aviation Friends' Tour* brand for relaxed travel, the *e-very* brand for self-planning travel, and the *Royal Collection* brand for luxurious travel. This company provides safe, comfortable travel that offer customers inspiration and dreams, ranging from package tours through to original plans for individual customers, travel to Japan, and business travel services.

In 1948, as Japan's first International Air Transport Association (IATA) certified freight agency, Hankyu Hanshin Express (Hankyu Corporation at that time) began international airline freight transportation operations. Since then, regardless of whether for imports or exports, it has been providing fast and safe door-to-door international transportation services. As a pioneer in international logistics, it utilises the track record and experience it has cultivated in developing its overseas business over many years and provides high-quality customised logistics services on a one-stop basis and offers support for its customers with optimised supply chain management.

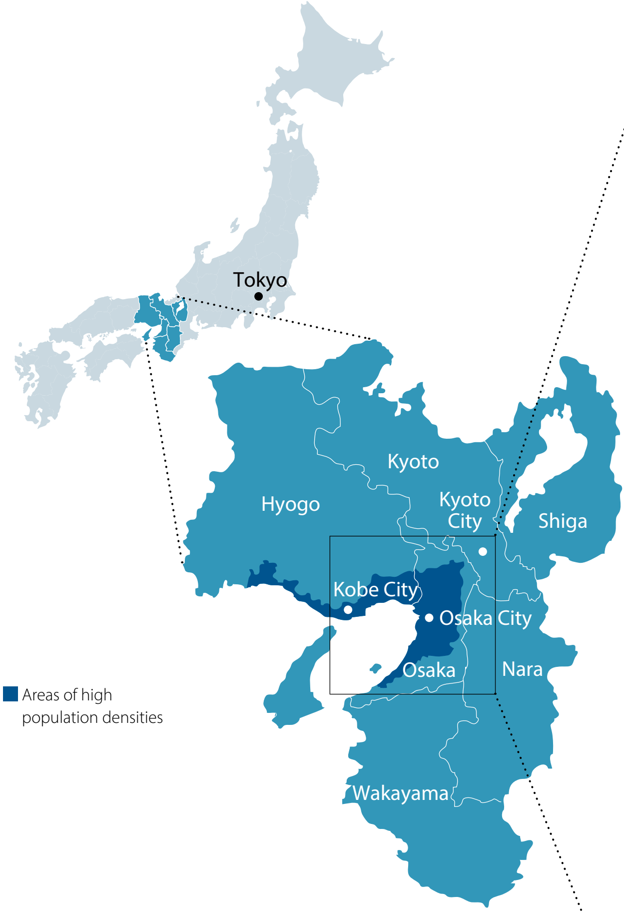
The Hankyu-Hanshin-Daiichi Hotel Group operates 45 hotels, consisting of 18 that are directly managed and 27 belonging to chains operated by franchises. The group is one of Japan's leading hotel chains with 9,948 guest rooms (as of 1st April 2016). As a hotel operator with many directly managed hotels in the Tokyo metropolitan and Kansai areas—Japan's two largest markets—the group 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.

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

Location of Our Business Base

The Hankyu Hanshin Holdings Group's business base is the Kansai area, which has a population of approximately 20 million. This is second only to the Kanto area, centred on Tokyo. Further, the Kansai area is one of Asia's economic powerhouses. According to a Cabinet Office survey,* in the fiscal year ended 31st March 2014 the Kansai area's gross production reached US$792.6 billion, surpassing the combined gross domestic product of Thailand and Malaysia.

* Cabinet Office, Report on Prefectural Accounts for the Fiscal Year Ended 31st March 2014

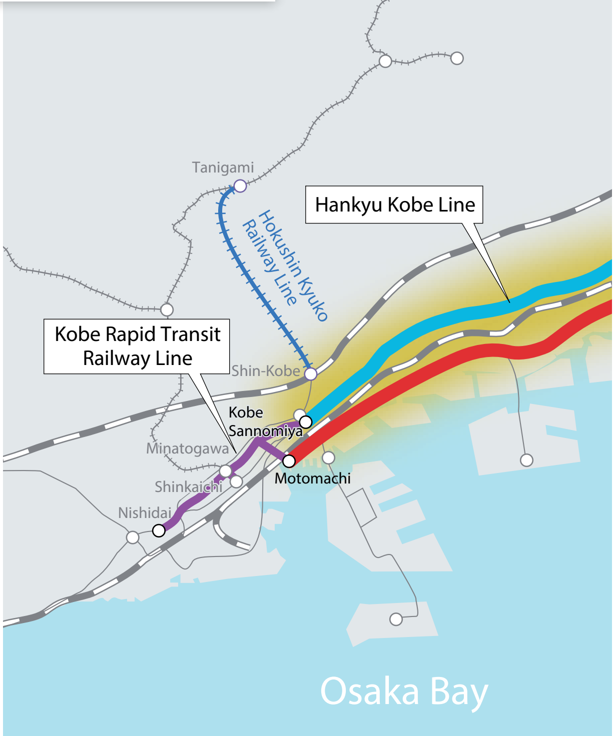


The Group's railway network links the Kansai area's major cities: Osaka-Umeda, Kobe, and Kyoto. By heightening customer satisfaction and transportation efficiency simultaneously, we have established an unshakable presence in the Kansai area. Since the earliest days of its railway operations, the Group has developed housing, entertainment facilities, and commercial facilities in the areas served by its lines. Further, thanks to efforts to attract universities, almost 50 universities and colleges are located in the areas served by our lines. Easy access to the Kansai area's major cities and plentiful infrastructure for everyday life make our line-side areas* some of the most popular places to live in the region. Consequently, in the Kansai area, high population densities differentiate these areas.

* Line-side areas refer to areas served by the Hankyu and Hanshin lines.

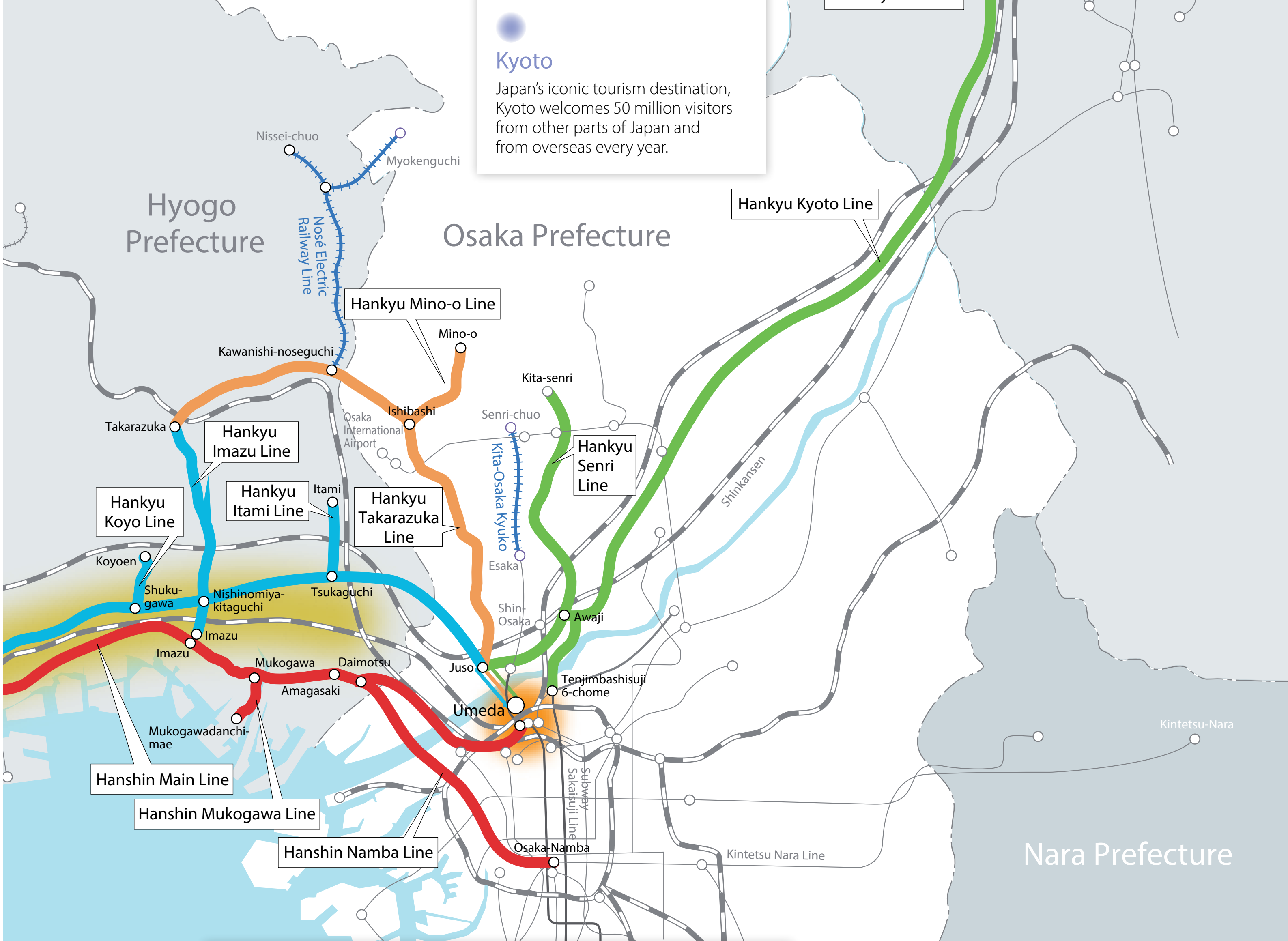
Hanshin area

Questionnaires about where local people would prefer to live rank the area as one of the most popular residential areas.



Kansai International Airport

The largest airport in western Japan, this is the Kansai area's gateway to the world.



Kyoto

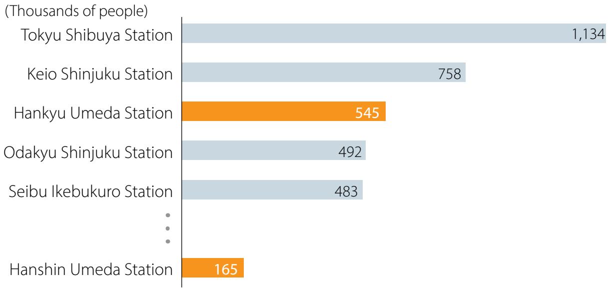
Japan's iconic tourism destination, Kyoto welcomes 50 million visitors from other parts of Japan and from overseas every year.

Umeda

The Group's most important base, the Umeda area, is the Kansai economic bloc's hub and one of Japan's world-famous shopping and entertainment districts.

Average number of passengers per day using stations of private railway operators (non-JR) in fiscal 2016

(Thousands of people)

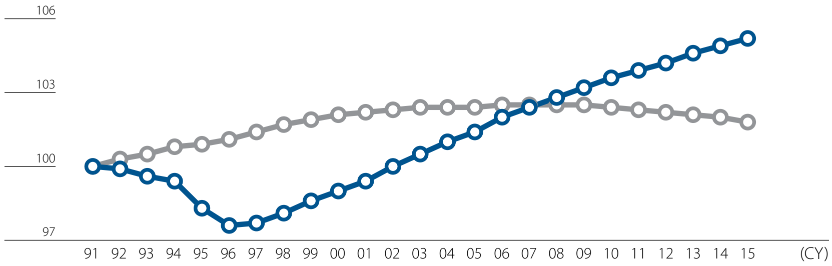


Source: Prepared by the Group based on documents released by respective companies

Hankyu Railway Network	**143.6 km**
Kobe Line (Kobe Line, Imazu Line, Itami Line, Koyo Line)	46.9 km
Takarazuka Line (Takarazuka Line, Mino-o Line)	28.5 km
Kyoto Line (Kyoto Line, Senri Line, Arashiyama Line)	65.4 km
Kobe Rapid Transit Railway Line	2.8 km
Hanshin Electric Railway Network	**48.9 km**
Hanshin Line (Hanshin Main Line, Hanshin Namba Line, Mukogawa Line)	43.9 km
Kobe Rapid Transit Railway Line	5.0 km

Business Environment

Population of areas served by the Hankyu and Hanshin lines (1991 = 100)



Areas served by the Hankyu and Hanshin lines   Kansai area

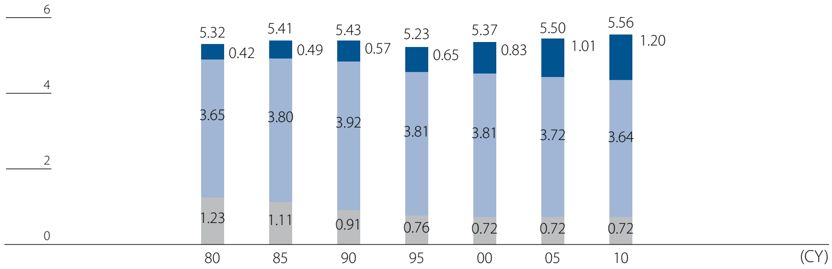
Sources: Prepared by the Company based on data from "Local Economy Directory," published by Toyo Keizai, Inc., and "Basic Resident Register," published by the Ministry of Internal Affairs and Communications.

Note: Definition of the areas served by the Hankyu and Hanshin lines is presented on the Contents page.

Due to the aging of society and a declining birth rate, the Kansai area's overall population is decreasing gradually. Meanwhile, the population is comparatively large in areas served by the Hankyu and Hanshin lines, a testament to the image branding these areas as popular places to live. In these areas, the population has been trending upward since bottoming in 1996, the year after the Great Hanshin Earthquake.

Population by age group along the Hankyu and Hanshin lines (Population Census of Japan)

(Millions of people)



Young   Working age   Elderly

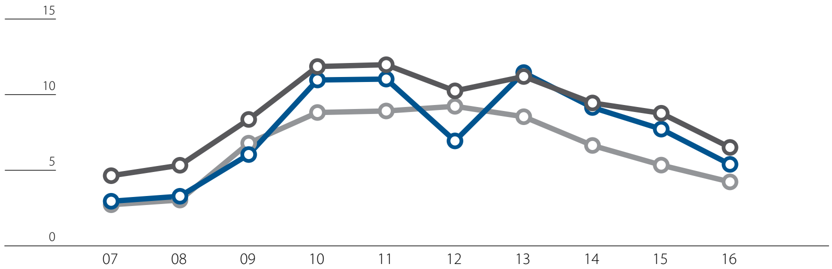
Source: Prepared by the Company based on data from "2010 Population Census of Japan," published by the Ministry of Internal Affairs and Communications.

According to the official Population Census of Japan, although the population aged below 15 remains stable, the population aged between 15 and 64 is declining. The latter group is the working-age population—the main purchasers of commuter passes.

Notes: Tallies do not add up to the total at the top for each year as the age group is not known in many cases. Unknowns account for the difference.
Definition of the areas served by the Hankyu and Hanshin lines is presented on the Contents page.

Average vacancy rates at office buildings

(%)



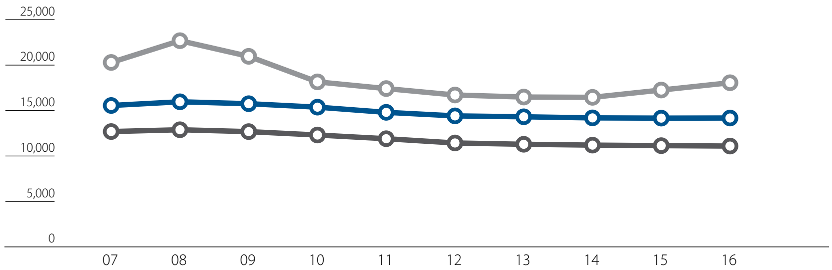
Osaka business areas (all)   Umeda area   Tokyo business areas (all)

Source: Miki Shoji, "Office Data."   (Comparison of average rents in April of respective years)

The rapid appreciation of the yen has caused increased uncertainty with regard to the outlook for corporate performance. Nevertheless, demand for office expansion and the integration of previously discrete offices remains strong. In the Umeda area, the vacancy rate on 30th April 2016 was down more than 3 percentage points from a year earlier.

Average rents at office buildings

(¥/3.3 m²)

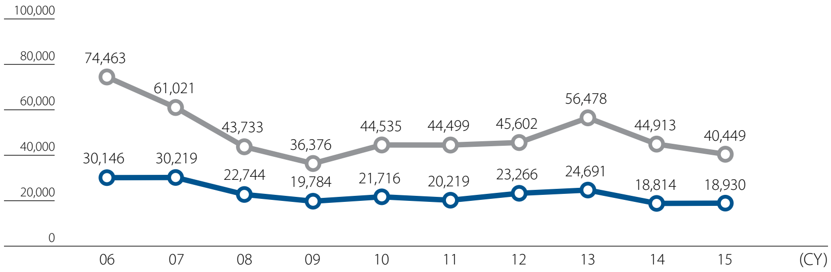


Osaka business areas (all)   Umeda area   Tokyo business areas (all)

Source: Miki Shoji, "Office Data."   (Comparison of average rents in April of respective years)

Solid demand for offices is driving an increase in office rents in Tokyo. In Osaka business areas and the Umeda area, however, rents were relatively unchanged year on year. The number of new large-scale buildings completed in Osaka City is expected to be limited up until 2018, and rents are anticipated to gradually increase going forward as a result.

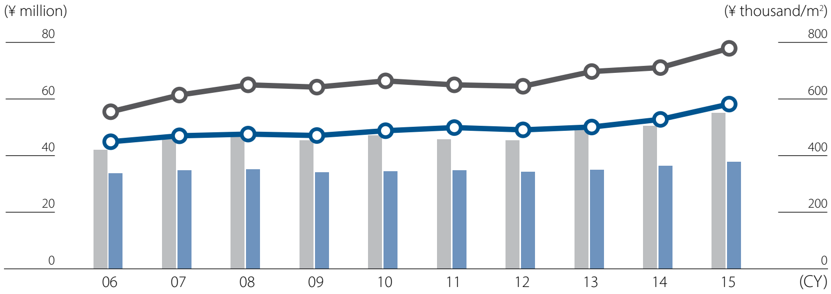
New supply of condominiums



Tokyo metropolitan area Kansai area
Source: Real Estate Economic Institute Co., Ltd., "National Condominium Market Trends."

The number of new condominiums supplied in 2015 was down by roughly 10% year on year in the Tokyo metropolitan area, although there was a slight rise in the Kansai area. In the Tokyo metropolitan area, supply was relatively unchanged year on year within Tokyo itself, while supply decreased in the surrounding areas. In the Kansai area, supply of large-scale condominiums was brisk in central Osaka.

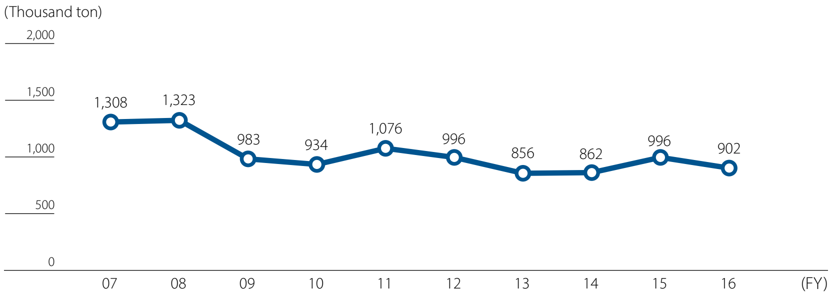
Condominium prices (Tokyo metropolitan and Kansai areas)



Tokyo metropolitan area (average) Kansai area (average)
Tokyo metropolitan area (right axis) Kansai area (right axis)
Source: Real Estate Economic Institute Co., Ltd., "National Condominium Market Trends."

In 2015, average condominium prices reached the highest level seen in the past decade in both the Tokyo metropolitan area and the Kansai area. This rise was fuelled by higher land prices as well as a spike in the cost of building materials and labour and other construction costs.

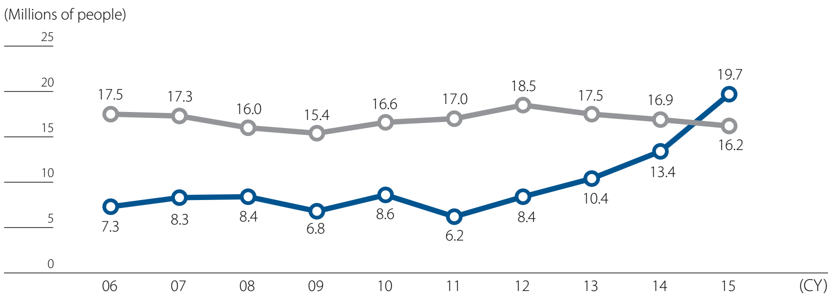
Consolidated air cargo originating in Japan



Source: Japan Aircargo Forwarders Association, "Airfreight Forwarding Results."

The deceleration of the yen depreciation trend seen in the latter half of fiscal 2015 and the sluggish growth of the Chinese economy resulted in a year-on-year decrease of approximately 10% in international air cargo originating in Japan. Nevertheless, transportation demand is expected to increase centred on Asian markets over the medium term amidst ongoing economic growth in these markets.

Overseas visitors to Japan and Japanese travellers going overseas



Overseas visitors to Japan Japanese travellers going overseas
Source: Japan National Tourism Organization (JNTO), "Visitors Arrivals, Japanese Overseas Travellers."

In 2015, the number of overseas visitors to Japan exceeded 19.7 million, surpassing the number of outbound travellers from Japan for the first time since 1970, more than 45 years ago. In the midst of this increase, in March 2016 the Japanese government announced its goal of increasing the annual number of overseas visitors to Japan to 40.0 million by 2020, which means effectively doubling the current target. In this manner, the tourism industry is becoming ever more important to economic policy.

Performance Highlights (Consolidated)

Key Financial Indicators

(¥ million)

FY		2007[1]	2008	2009	2010	2011	2012	2013
Result of Operations:								
Revenues from operations		¥ [813,613]	¥ 752,300	¥ 683,715	¥ 653,287	¥ 638,770	¥ 649,703	¥ 682,439
Operating income		[94,800]	90,724	77,823	70,126	64,743	73,809	87,921
EBITDA[2]		[146,500]	145,200	135,300	133,200	127,100	133,500	145,100
Ordinary income		74,869	74,882	57,445	50,409	46,494	65,393	74,914
Income before income taxes		65,305	26,098	34,064	33,899	32,760	43,419	62,192
Net income attributable to owners of the parent		[40,507]	627	20,550	10,793	18,068	39,252	39,702
Comprehensive income		—	—	—	12,541	14,728	44,992	54,081
Capital expenditure		53,795	134,307	109,688	132,386	68,431	55,267	59,512
Depreciation and amortisation		43,888	51,577	54,798	60,418	59,669	56,968	54,540
Cash Flows:								
Cash flows from operating activities		¥ 78,981	¥ 74,902	¥ 108,597	¥ 146,955	¥ 103,252	¥ 124,525	¥ 127,655
Cash flows from investing activities		(199,578)	(100,058)	(115,047)	(132,737)	(62,516)	(44,295)	(58,923)
Free cash flow[3]		(120,596)	(25,155)	(6,449)	14,217	40,735	80,230	68,732
Cash flows from financing activities		132,289	36,718	7,014	(24,200)	(39,544)	(78,978)	(69,195)
Financial Position:								
Total assets		¥2,366,694	¥2,348,476	¥2,307,332	¥2,337,331	¥2,314,669	¥2,274,380	¥2,281,007
Total net assets		522,286	476,639	473,878	480,633	486,947	524,801	573,154
Interest-bearing debt		1,209,382	1,271,100	1,275,620	1,282,583	1,251,665	1,183,647	1,126,633
Per Share Data (Yen):								
Net income attributable to owners of the parent	Basic	¥ 31.84	¥ 0.50	¥ 16.28	¥ 8.55	¥ 14.32	¥ 31.13	¥ 31.48
	Diluted	—	0.41	16.18	8.51	14.27	31.13	31.47
Net assets		405.35	369.25	366.96	371.70	377.17	407.01	443.63
Dividend		5.00	5.00	5.00	5.00	5.00	5.00	5.00
Ratios:								
Operating income margin (%)		[11.7]	12.1	11.4	10.7	10.1	11.4	12.9
ROA (%)[4]		3.8	3.2	2.5	2.2	2.0	2.8	3.3
ROE (%)[5]		[8.4]	0.1	4.4	2.3	3.8	7.9	7.4
Interest-bearing debt/EBITDA (Times)		8.3[9]	8.8	9.4	9.6	9.8	8.9	7.8
Equity ratio (%)		21.7	19.9	20.1	20.1	20.6	22.6	24.5
Debt/equity (D/E) ratio (Times)[6]		2.4	2.7	2.8	2.7	2.6	2.3	2.0
Stock Price Index:								
Stock price at the end of fiscal year (Yen)		¥ 713	¥ 431	¥ 447	¥ 433	¥ 384	¥ 361	¥ 569
Market capitalisation (¥ billion)		906.5	548.0	568.3	550.5	488.2	459.0	723.4
PER (Times)		22.4	862.0	27.5	50.6	26.8	11.6	18.1
PBR (Times)		1.8	1.2	1.2	1.2	1.0	0.9	1.3
Business Data:								
Hankyu Railway (Thousand)[7]		618,877	618,373	618,585	605,963	603,233	608,632	615,324
Hanshin Electric Railway (Thousand)[7]		179,871	180,906	182,997	193,620	205,202	218,560	221,133
Average vacancy rates of rental office buildings (Umeda area, Osaka; %)[8]		2.95	3.08	5.88	8.90	11.22	7.29	11.50

1. From the second quarter of fiscal 2007, consolidated results of Hanshin Electric Railway Co., Ltd., are included as a result of management integration in the scope of consolidation of the Group. Figures in [ ] are calculated assuming the management integration was executed at the beginning of the fiscal year.
2. EBITDA = operating income + depreciation expenses + amortisation of goodwill. EBITDA figures are rounded to the nearest ¥100 million.
3. Free cash flow = cash flows from operating activities + cash flows from investing activities
4. ROA = ordinary income/total assets (average of period-start and period-end totals)
5. ROE = net income attributable to owners of the parent/equity (average of period-start and period-end totals)
6. D/E ratio = interest-bearing debt/equity
7. Annual number of passengers carried
8. Average vacancy rate figures are overall rates for the Umeda city centre area at the end of March for major rental office buildings (including properties not owned by the Group) with a total floor area of at least 3,300 m^2 and are based on "Latest Trends in the Office-Building Market in Osaka," Miki Shoji, "Office Data."
9. The figure has been calculated using EBITDA, which has been calculated based on the assumption that management integration was executed at the beginning of the fiscal year.

2014	2015	2016
¥ 679,157	¥ 685,906	¥ 707,359
91,828	94,026	110,293
149,200	150,100	166,500
81,191	85,590	104,479
83,542	77,620	96,087
46,352	54,201	69,971
55,941	71,034	63,842
80,722	68,115	66,639
54,474	53,143	53,701
¥ 146,991	¥ 131,881	¥ 124,838
(45,517)	(52,529)	(78,843)
101,474	79,352	45,995
(105,079)	(81,746)	(47,278)
¥2,286,928	¥2,279,638	¥2,282,180
617,598	679,482	724,237
1,032,307	955,828	916,570
¥ 36.76	¥ 42.98	¥ 55.58
36.75	42.95	55.53
477.69	525.56	563.19
6.00	6.00	7.00
13.5	13.7	15.6
3.6	3.7	4.6
8.0	8.6	10.3
6.9	6.4	5.5
26.3	29.1	31.0
1.7	1.4	1.3
¥ 562	¥ 743	¥ 718
714.5	944.7	912.9
15.3	17.3	12.9
1.2	1.4	1.3
629,125	627,536	644,563
226,004	227,203	234,226
9.22	7.84	5.54

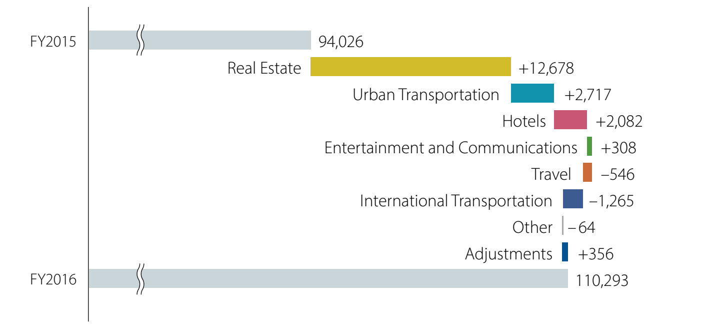
Revenues from operations: ¥707.4 billion
(up 3.1%, or ¥21.5 billion, from the previous fiscal year)

Operating income: ¥110.3 billion
(up 17.3%, or ¥16.3 billion, from the previous fiscal year)

Performance in the Urban Transportation Business and the Hotels Business benefited from the increase in the number of overseas visitors to Japan, outweighing the decrease in revenues in the International Transportation Business stemming from the sluggish Chinese economy. In addition, sales of land for facilities were recorded in the Real Estate Business. As a result, revenues from operations increased 3.1%, or ¥21.5 billion, year on year, to ¥707.4 billion, and operating income rose 17.3%, or ¥16.3 billion, to ¥110.3 billion.

Operating income: Factor analysis (YoY change)

(¥ million)



Net income attributable to owners of the parent: ¥70.0 billion
(up 29.1%, or ¥15.8 billion, from the previous fiscal year)

Net non-operating loss (total non-operating expenses net of total non-operating income) declined ¥2.6 billion, year on year, to ¥5.8 billion, due to an increase in equity in income of affiliates and a decrease in interest expense. Further, total extraordinary income net of total extraordinary loss was a loss of ¥8.4 billion, up ¥0.4 billion because losses on revaluation of investment securities was recorded, counteracting lower impairment loss.

Due to the above, net income attributable to owners of the parent increased 29.1%, or ¥15.8 billion, year on year, to ¥70.0 billion.

Net income attributable to owners of the parent: Factor analysis (YoY change)

Increase in revenues from operations	+¥21.5 billion
Decrease in total non-operating expenses	+¥1.9 billion
Increase in total non-operating income	+¥0.7 billion
Increase in selling, general and administrative expenses	–¥1.9 billion
Increase in total income taxes	–¥2.7 billion
Increase in operating expenses and costs of sales of transportation	–¥3.3 billion

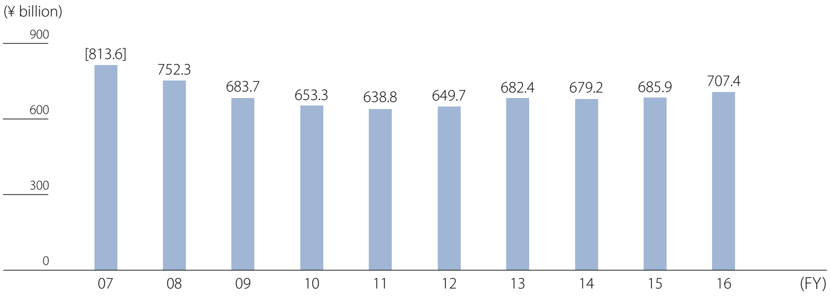
Interest-bearing debt: ¥916.6 billion
(down 4.1%, or ¥39.3 billion, from the previous fiscal year-end)

The outstanding balance of interest-bearing debt at the end of the fiscal year under review amounted to ¥916.6 billion, a decrease of 4.1%, or ¥39.3 billion, from the previous fiscal year-end. This was because net cash provided by operating activities was used to repay interest-bearing debt.

Note: Figures expressed in units of ¥1 billion are rounded to the nearest one tenth of a billion.

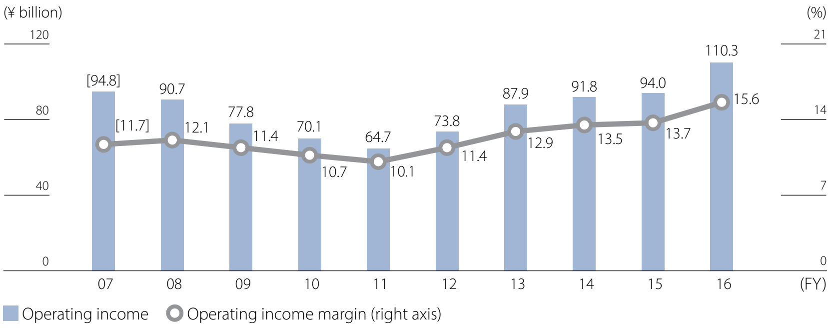
Key Financial Indicators (Graphs)

Revenues from operations



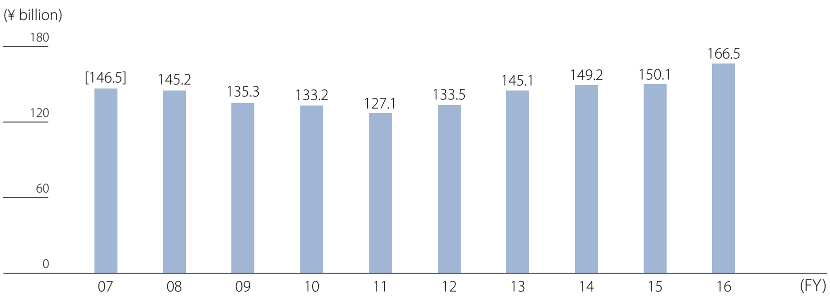
In fiscal 2016, revenues from operations increased 3.1%, or ¥21.5 billion, year on year, to ¥707.4 billion. This increase was due in part to strong performance in the Urban Transportation Business, particularly with regard to the Hankyu and Hanshin lines in railway operations, driven by a rise in the number of overseas visitors to Japan. This rise in overseas visitors also contributed to higher hotel occupancy rates and daily rates in the Hotels Business. In addition, one-time revenue from sales of land for facilities in the Real Estate Business was recorded.

Operating income and operating income margin



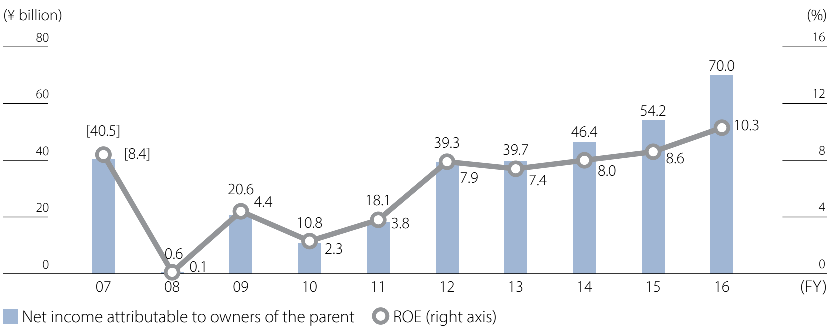
Operating income was up 17.3%, or ¥16.3 billion, year on year, to ¥110.3 billion, setting a new record for the third consecutive year primarily as a result of the aforementioned increase in revenues from operations. This increase offset decreases in income in the International Transportation Business, due to the deceleration of the Chinese economy and sluggish domestic logistics demand, as well as in the Travel Business, due to difficulty attracting customers as a result of international security concerns.

EBITDA



Operating income rose 17.3%, or ¥16.3 billion, year on year, to ¥110.3 billion; depreciation and amortisation increased 1.0%, or ¥0.6 billion, to ¥53.7 billion; and amortisation of goodwill declined 13.7%, to ¥2.5 billion. As a result, EBITDA reached a new record high of ¥166.5 billion.

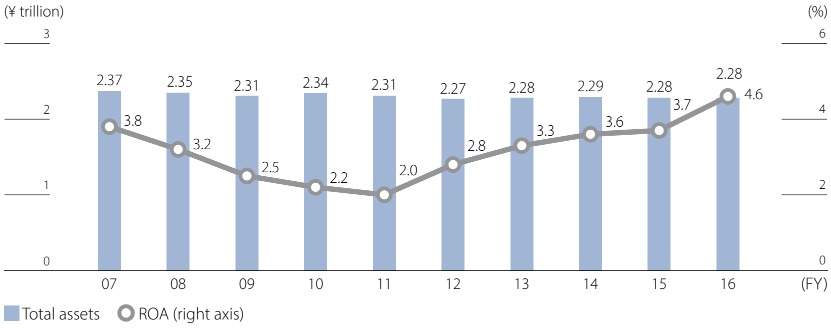
Net income attributable to owners of the parent and ROE



Note: From the second quarter of fiscal 2007, consolidated results of Hanshin Electric Railway Co., Ltd., are included as a result of management integration in the scope of consolidation of the Group. Figures in [ ] are calculated assuming the management integration was executed at the beginning of the fiscal year.

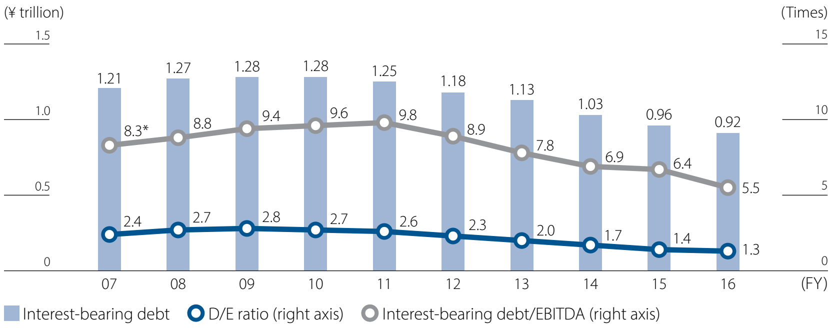
Total income taxes were up from fiscal 2015, but higher income before income taxes caused net income attributable to owners of the parent to increase 29.1%, or ¥15.8 billion, year on year, breaking the previous record for the fifth consecutive year. As a result, ROE increased 1.7 percentage points, to 10.3%, exceeding 10% for the first time since the Company's founding.

Total assets and ROA



Total assets rose ¥2.5 billion, from the previous fiscal year-end, to ¥2,282.1 billion, due to an increase in land and buildings. ROA edged up 0.9 percentage point, to 4.6%, reflecting our fourth consecutive year of record-breaking ordinary income.

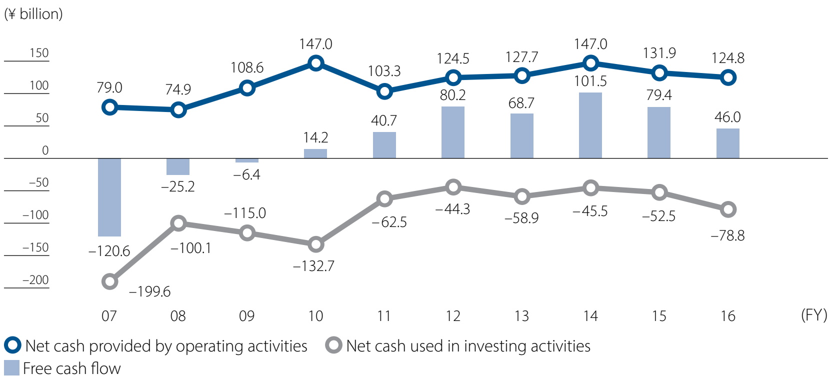
Interest-bearing debt, D/E ratio, and interest-bearing debt/EBITDA



* The figure has been calculated using EBITDA, which has been calculated based on the assumption that management integration was executed at the beginning of the fiscal year.

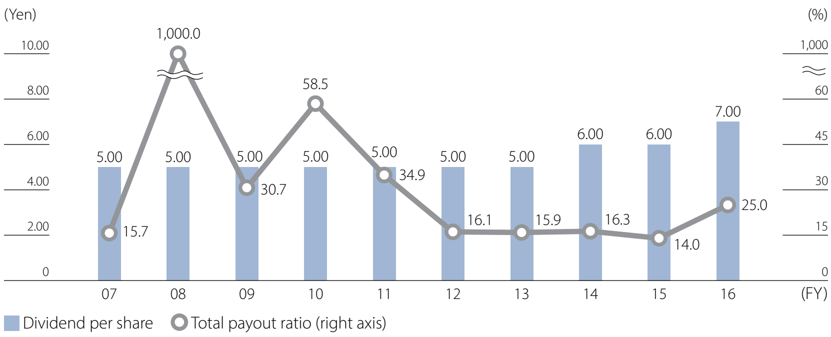
The outstanding balance of interest-bearing debt was down 4.1%, or ¥39.3 billion, from the previous fiscal year-end, to ¥916.6 billion. Consequently, the D/E ratio decreased to 1.3 times. Also, the interest-bearing debt/EBITDA ratio declined to 5.5 times, falling below 6 times for the first time since the Company's founding. We will continue to improve our financial position in order to hedge risks of future interest increases and secure funding capacity over the medium-to-long term.

Cash flows



Net cash provided by operating activities was ¥124.8 billion, reflecting income before income taxes, depreciation and amortisation, and income taxes paid. Net cash used in investing activities was ¥78.8 billion due to purchases of noncurrent assets. Net cash used in financing activities was ¥47.3 billion as a result of a net decrease in short-term borrowings.

Returns to shareholders



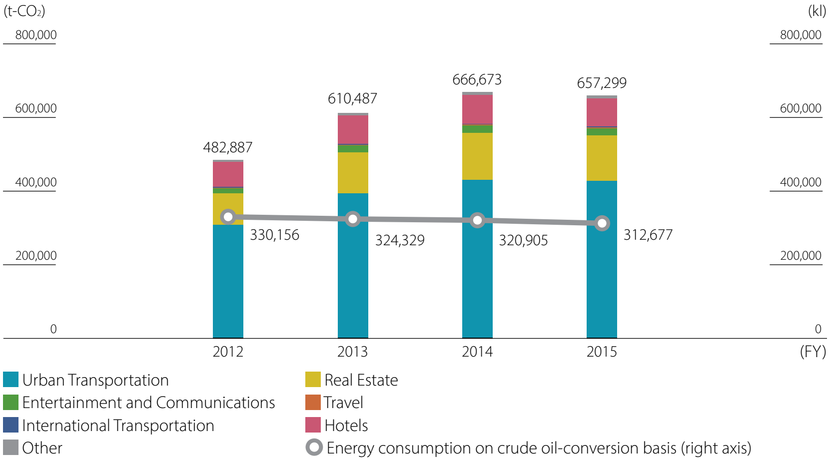
Notes: The total payout ratio for fiscal 2016 includes purchase of treasury stock (amounting to ¥8.7 billion).
The Company conducted a 1-for-5 reverse stock split with an effective date of 1st August 2016. The figures for dividend per share above are prior to the reverse stock split.

Based on the move to a new management stage in pursuit of medium-to-long-term growth and the progress of financial position improvements, dividend payments from profits in fiscal 2016 were raised ¥1 per share, to ¥7 per share. In addition, the Company conducted treasury stock purchases in fiscal 2016 after setting a target of 25% for the total payout ratio, which represents the combined total of purchases of treasury stock and the total annual dividend as a percentage of net income attributable to owners of the parent.

ESG Highlights

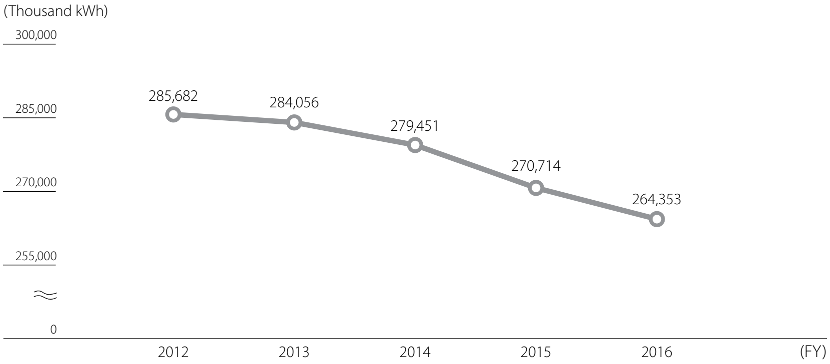
Environment

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



In fiscal 2015, we pursued reductions in CO_2 emissions in the six business segments, and overall emissions were down 1.4% year on year, to 657,299 t-CO_2, as a result. Approximately 65% of CO_2 emissions can be attributed to the Urban Transportation Business. We strove to cut back on energy consumption in this business by introducing new rolling stock and switching to light-emitting diode (LED) lighting in stations. Groupwide efforts to lower environmental impacts and energy costs have led to a gradual decrease in energy consumption that has continued for four consecutive years. While CO_2 emissions jumped in fiscal 2013, this rise was a result of an increase in the portion of electricity supplied from thermal power generation after the halt in operations of nuclear power plants following the March 2011 Great East Japan Earthquake.

Electricity consumption during summer months (July–September)

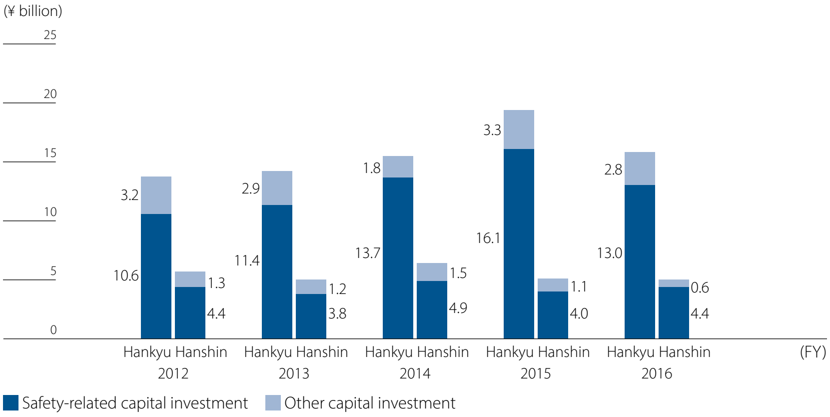


Note: Figures above are for Hankyu Hanshin Holdings, Inc., and its domestic consolidated subsidiaries, but exclude certain business sites for which electricity consumption is difficult to track.

After the March 2011 Great East Japan Earthquake, the Japanese government issued a request that companies conserve electricity in order to help alleviate the tight balance between supply and demand for electricity. In response to the request, the Group has been endeavouring to decrease its electricity consumption over the peak usage months from July to September. As a result, total electricity consumption from July to September 2015 was 264,353,000 kWh, down 15% from the equivalent period in 2010. We are also committed to fulfilling our obligation to work toward an average annual reduction of more than 1% over the medium-to-long term in unit energy consumption or unit energy consumption after adjustment for usage fluctuations as set forth by the Japanese government. The Urban Transportation Business has been implementing ongoing measures to reduce unit energy consumption accordingly. Due to these measures, the average annual reduction in unit energy consumption over the five-year period from fiscal 2011 to fiscal 2015 was 1.6% for Hankyu Corporation and 1.3% for Hanshin Electric Railway.

Social

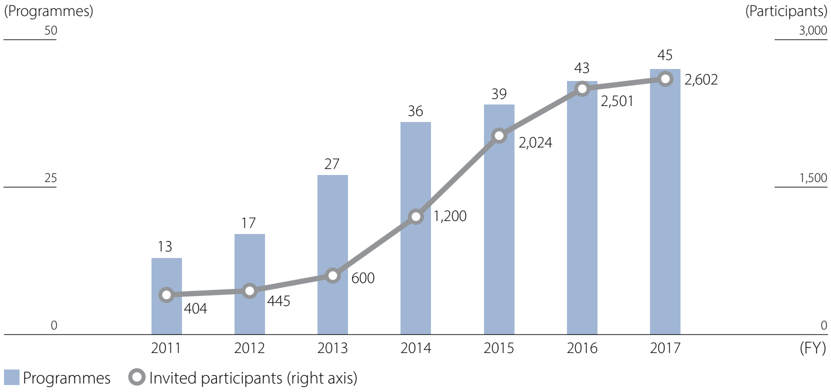
Capital investment in railway operations



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

As a railway operator, the Group provides a form of public infrastructure. We therefore make prioritizing the safety of our customers a fundamental policy of management, and conduct ongoing safety-related capital investments in our railway operations accordingly. In fiscal 2016, such investments totalled ¥13.0 billion at Hankyu Corporation and ¥4.4 billion at Hanshin Electric Railway. These investments were primarily used to conduct station upgrades, including track elevation, seismic reinforcement of elevated tracks, expansion of platforms, and measures for making stations barrier-free. At Hankyu Corporation, emergency stop buttons were installed at all stations that can be pressed to automatically stop trains as a safety measure for use if a customer falls on the tracks.

Number of programmes and participants of the Hankyu Hanshin Dreams and Communities Challenge Troop

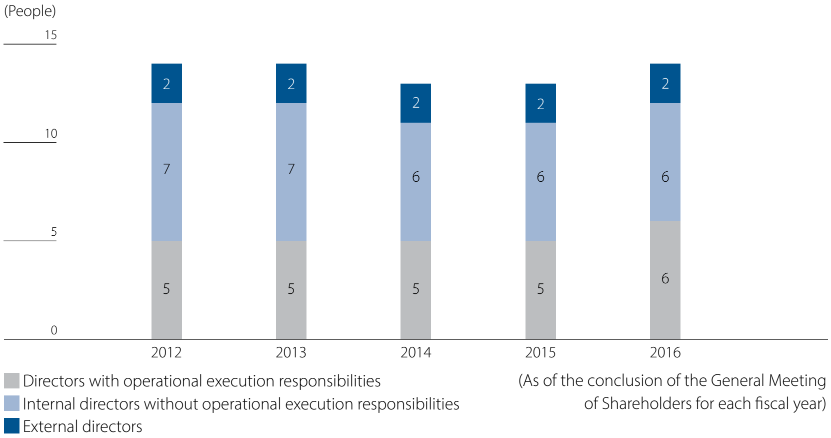


As part of Hankyu Hanshin Dreams and Communities of the Future Project social contribution activity, we hold experience-based learning programmes for primary school students during summer vacation. These programmes take advantage of the unique business expertise of Group companies to provide students with a diverse range of learning opportunities. Since we began the initiative in 2010, we have invited 9,776 students to participate in programmes from an aggregate total of roughly 70,000 applications. Moreover, a survey conducted by the Company in September 2015 found that 46% of customers using the Hankyu or Hanshin lines more than four days a week were aware of the Hankyu Hanshin Dreams and Communities of the Future Project.* This survey also discovered that those customers who are aware of the programme held highly positive opinions of the Group and were inclined to live alongside our lines.

* The survey was conducted among a random sampling of 1,000 customers of both genders that were between the ages of 18 and 69 and living in the 23 towns and cities in the Kyoto, Osaka, and Kobe area.

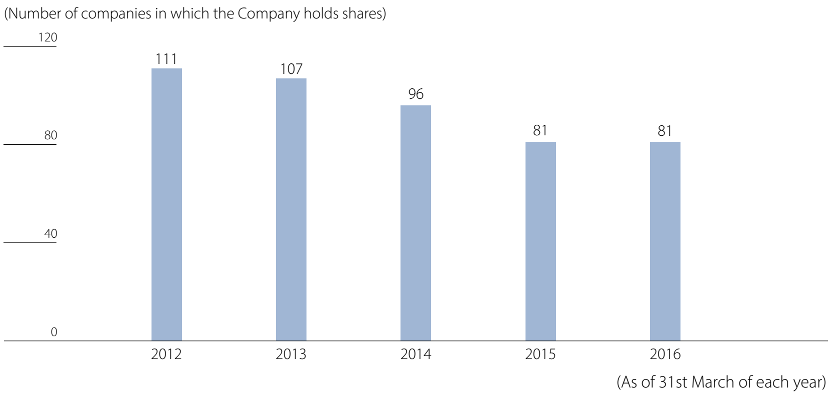
Governance

Membership of the Board of Directors



The Board of Directors of the Company is comprised of directors with operational execution responsibilities that are well-versed on the Group's business as well as part-time directors that represent major Group companies in order to reflect the perspectives of the six core businesses into management. In addition, part-time directors have been appointed from H_2O Retailing Corporation and Toho Co., Ltd., with the aim of strengthening coordination with other companies in the Hankyu Hanshin Toho Group. Further, two external directors that are independent of the Company and have abundant experience and expertise in corporate management have been selected to raise the standard of decision making and strengthen oversight functions for Group management.

Cross-shareholdings



The Company acquires and holds shares of stock for the purposes of strengthening business relationships and increasing coordination with partner companies as well as maintaining relationships with local communities. The ultimate goal of these holdings is to build trust with our various stakeholders and improve corporate value from a medium-to-long-term perspective. We are progressively selling holdings that are no longer meaningful. On 31st March 2016, the Company held stocks in 81 companies for such purposes. On a market value basis, these stocks were worth approximately ¥38.0 billion and accounted for 1.7% of total assets.

To Our Stakeholders

Kazuo Sumi
President and
Representative Director

At the Hankyu Hanshin Holdings Group, we appreciate the importance of advancing far-sighted initiatives to offer services that reflect society's emerging needs. Also, we understand the importance of continued investment in sources of value creation to achieve growth that enhances long-term corporate value. Therefore, we aim to sustain growth by increasing the value of line-side areas and acquiring business opportunities in new markets.

In fiscal 2016, the year ended 31st March 2016, we posted records in operating income for the third consecutive year, in ordinary income for the fourth consecutive year, and in net income attributable to owners of the parent for the fifth consecutive year. Our achievement of operating income and ordinary income above ¥100 billion for the first time was particularly noteworthy. As I shall explain later, this increase in earnings was partly attributable to one-time factors in the fiscal year under review. Nonetheless, business results in the first fiscal year of the Group's new management stage were favourable. It gives me great pleasure to have met the expectations of shareholders and investors. Further, I can report that during fiscal 2016 we made steady progress in laying foundations for medium-to-long-term growth. For example, we decided multiple new investee projects for growth investment, and we expanded services that create value in line-side areas.

Fiscal 2016 Business Results

In fiscal 2016, revenues from operations were up 3.1%, or ¥21.5 billion, year on year, to ¥707.4 billion. This increase resulted from robust performances by the Urban Transportation and Hotels businesses and the sale of land for facilities by the Real Estate Business. Thanks to contributions from these three business segments as well as from the Entertainment and Communications Business, the Group recorded a significant 17.3%, or ¥16.3 billion, year-on-year rise in operating income, to ¥110.3 billion. Due to an improvement in net non-operating loss, we realised year-on-year increases of 22.1%, or ¥18.9 billion, in ordinary income, to ¥104.5 billion, and 29.1%, or ¥15.8 billion, in net income attributable to owners of the parent, to ¥70.0 billion.

The Real Estate Business benefited from the sale of land for facilities, which was a one-time factor. However, I believe the railway business performed well as a result of steady efforts to enhance the value of line-side areas. Also, the Hotels Business achieved solid business results by taking advantage of the increase in overseas visitors to Japan to capture related demand effectively. Taking such progress into consideration, I feel we have gained the strength to generate operating income at around the ¥90.0 billion level stably. We intend to continue focusing on sustaining growth and the creation of corporate value by implementing the current medium-term management plan steadily.

Fiscal 2016 business results overview

(¥ billion)

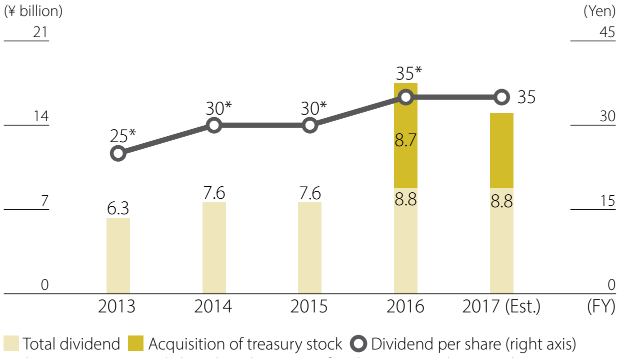
	FY2015 results	FY2016 results	YoY	
			(Increase)	(%)
Revenues from operations	685.9	707.4	21.5	3.1
Operating income	94.0	110.3	16.3	17.3
Ordinary income	85.6	104.5	18.9	22.1
Net income attributable to owners of the parent	54.2	70.0	15.8	29.1

Returns to Shareholders

Taking into account improvement in our financial standing, we increased the dividend by ¥1 per share, to ¥6 per share in fiscal 2014. In fiscal 2016, we made another ¥1 per share increase, giving a dividend of ¥7 per share. We have established continued payment of stable annual dividends as a policy. Moreover, we have set a total payout ratio of 25% as an indicator. With this benchmark in mind, we acquired ¥8.7 billion of treasury stock to provide further returns to shareholders in fiscal 2016.

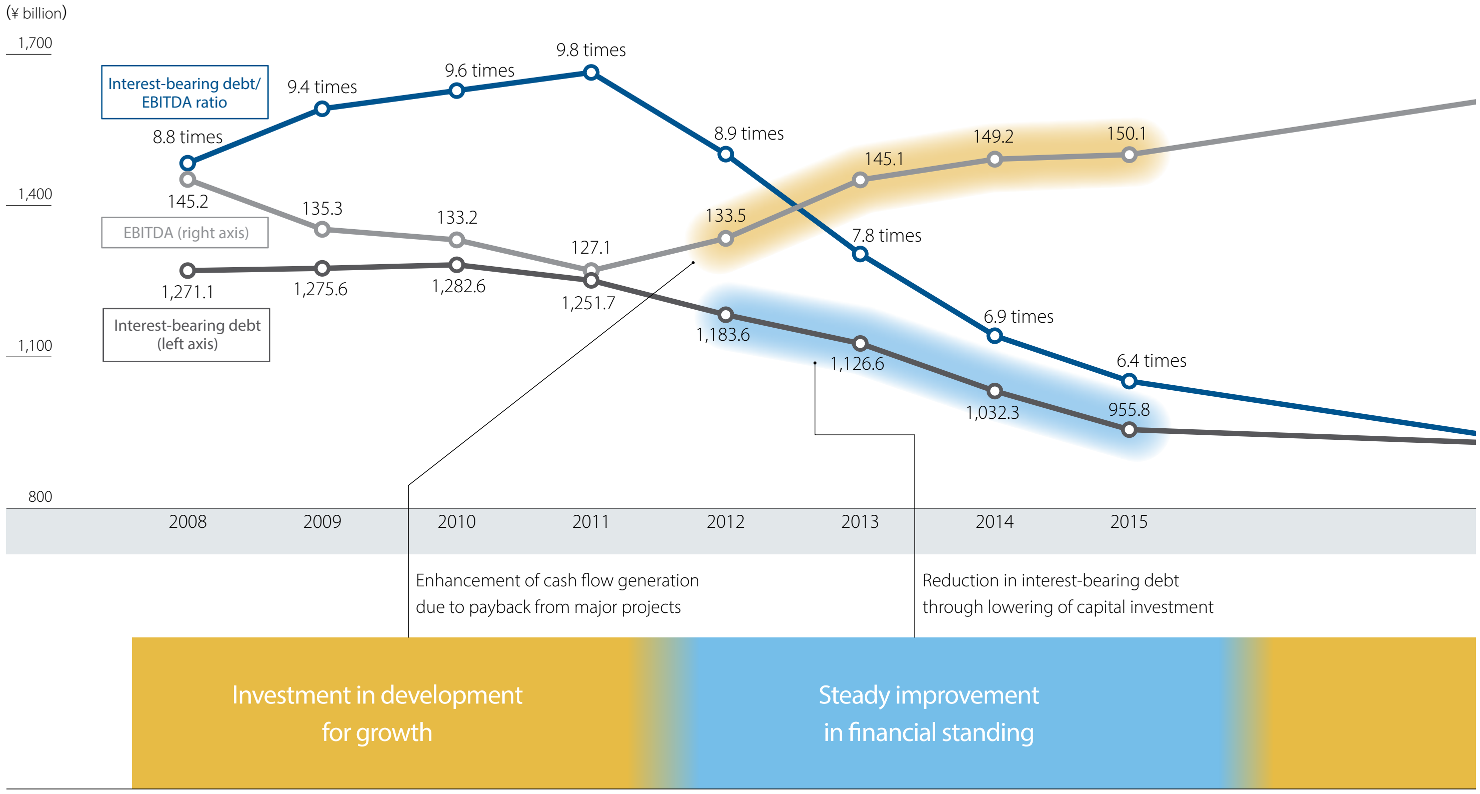
In the near term, we will pay stable annual dividends and acquire treasury stock in accordance with the abovementioned policy and indicator. However, I believe that we should continue examining how we provide returns to shareholders in light of our management situation and the need to achieve a balance with growth investment.

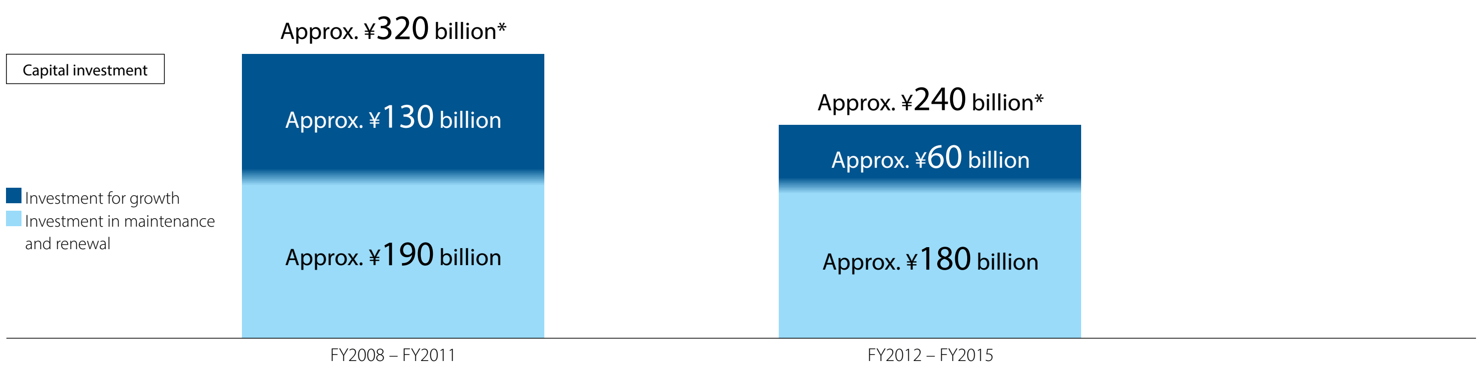
Returns to shareholders



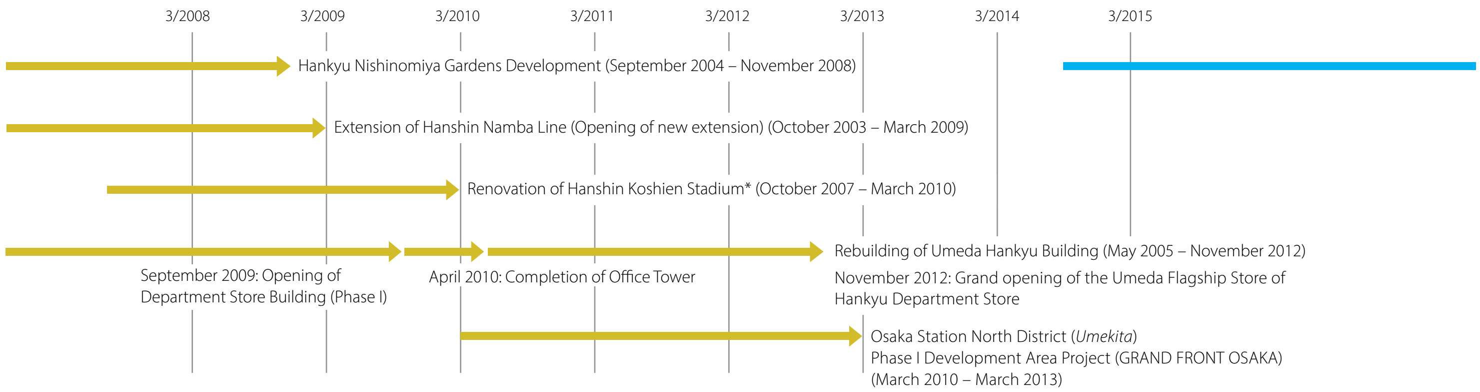
* Shares were consolidated at the ratio of 5 shares to 1 share with 1st August 2016 as the effective date.
Annual dividends for fiscal 2016 and earlier are converted based on this share consolidation.

Note: Billions of yen figures are rounded to one decimal place.



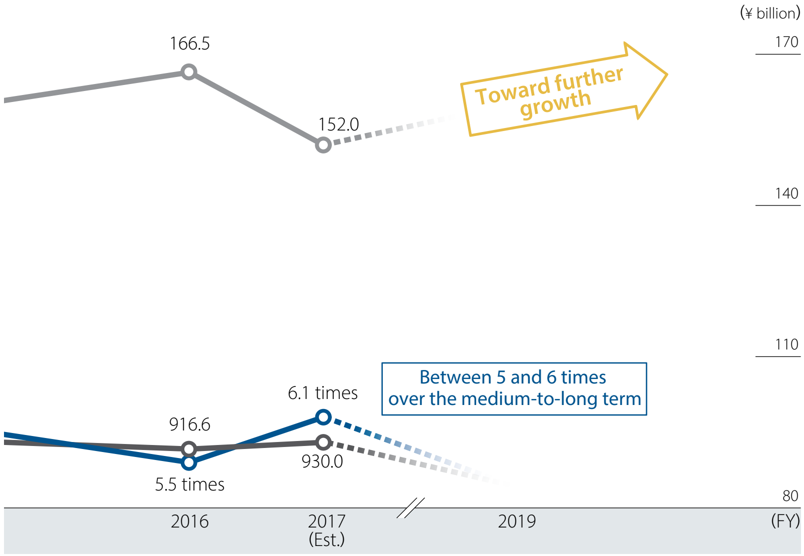


* Excluding capital investment related to the repurchase of securitised assets and the exchange of the assets with Hankyu REIT Asset Management, Inc.

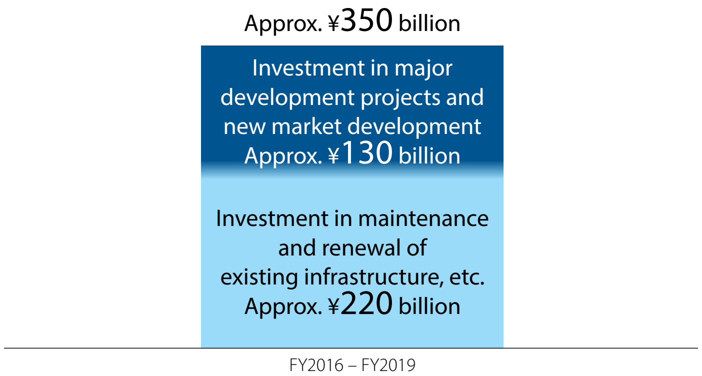


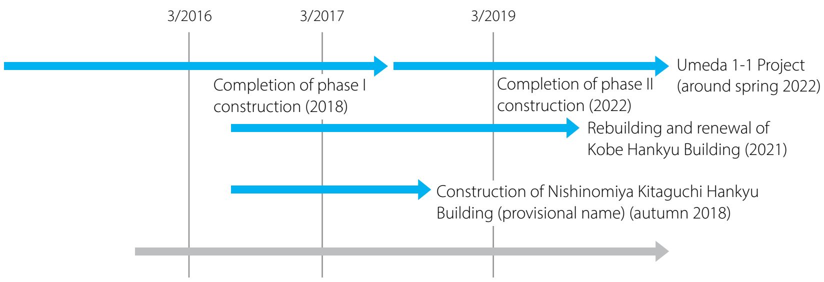
* Renovation work conducted during three off-seasons.

Note: Project start times are as of works commencement. Also, finish times are project completion dates (completion of A and B blocks for Osaka Station North District (*Umekita*) Phase I Development Area Project).



Development of foundations for medium-to-long-term growth





Other projects

- Ebie 1-Chome Development Plan
- Kita-Osaka Kyuko Railway Line Extension Project (around spring 2021)
- REMM Roppongi (around spring 2017)
- Sale of condominiums in Vietnam (2017 – 2018)
- Logistics centre in Singapore (around spring 2017)
- Redevelopment Project for Area in Front of JR Yotsuya Station (around autumn 2019)

Progress since Management Integration

Almost a decade has passed since the management integration of Hankyu Holdings, Inc., and Hanshin Electric Railway Co., Ltd., in October 2006, that established Hankyu Hanshin Holdings, Inc. Broadly speaking, the Hankyu Hanshin Holdings Group has proceeded through three management stages in the past 10 years. At each stage, we set out clear management themes and tackled issues earnestly. These efforts have enabled the Group to realise its collective strength and laid the foundations of our position today. Therefore, I would like to summarise our initiatives over the past decade.

Directly after management integration, we advanced large-scale projects with a view to future growth. While we recognised the need to improve our financial standing, we felt that advancing development projects was the priority management task. Accordingly, we continued projects begun before management integration, such as the rebuilding of Umeda Hankyu Building; the development of a multipurpose commercial facility, Hankyu Nishinomiya Gardens; and the implementation of plans for a new railway line, the Hanshin Namba Line. Initiatives begun after management integration included refurbishment of the Hanshin Koshien Stadium and the Osaka Station North District (*Umekita*) Phase I Development Area Project, now GRAND FRONT OSAKA. Meanwhile, as a result of investment in the above development projects interest-bearing debt reached the ¥1,280 billion level for a time. Coinciding with a worsening of business conditions resulting from the global recession, this period of development saw the interest-bearing debt/EBITDA ratio deteriorate to 9.8 times.

In response, around 2011, after the level of investment in the large-scale projects had peaked, we made improving our financial standing the first priority and focused on allocating funds to the reduction of interest-bearing debt. By the end of fiscal 2015, we had lowered interest-bearing debt to the ¥950 billion level. During this stage, the abovementioned large-scale projects began to contribute steadily to cash flow growth, boosting EBITDA to around ¥150 billion. Consequently, the interest-bearing debt/EBITDA ratio improved significantly to 6.4 times.

Given that the above measures had enabled us to repay debt to some extent, we decided to begin a new management stage. Thus, under the current medium-term management plan, we are once again focusing on the development of foundations for medium-to-long-term growth.

Framework of the Current Medium-Term Management Plan

Positioning the four fiscal years from fiscal 2016 as a period of developing foundations for medium-to-long-term growth, the current medium-term management plan calls on the Group to (1) enhance value of the Umeda area and other line-side areas, and (2) develop new markets for medium-to-long-term growth. Moreover, as we pursue these business strategies we aim to capture burgeoning demand from non-Japanese tourists. Further, we will allocate funds in a balanced manner to realise returns to shareholders and continuous strengthening of our financial standing. At the same time, we will prepare for the future by investing in major development projects and developing new markets. The Group will also steadily invest in the maintenance and renewal of existing infrastructure.

Many of the projects that the Group tackles take a long time to bear fruit. As a result, periods arise when we do not anticipate near-term earnings growth. Over the medium-to-long term, however, I am confident that our projects will produce benefits steadily.

For overviews of specific projects and their progress, please see the special feature and the "Core Businesses: Overview and Outlook" section of this report. At this point, I would like to explain the thinking behind the two business strategies mentioned above.

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 long term 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 | Allocate funds in a balanced manner on forward-looking investment, continuous strengthening of financial standing, and returns to shareholders

Forward-looking investment

Give priority in fund allocation, mainly focus on initiatives reflecting business strategies 1 and 2

Continuous strengthening of financial standing

Mitigate risk of future interest rate rises and secure funding capacity over the medium-to-long term

Returns to shareholders

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

Business strategy 1 Enhance value of the Umeda area and other line-side areas

It is essential to continue investment aimed at bolstering the urban functions of the Umeda area, which is synonymous with the Kansai area and the Group's most important base. The Umeda area is known for having Japan's highest concentration of commercial facilities. This strong focus on the Umeda area is the result of continuous development aimed at increasing the area's appeal spanning several eras. Just as these past development efforts have created today's prosperity, we will take far-sighted measures to evolve and create new value in the Umeda area going forward. For example, we will develop multipurpose buildings with leading-edge disaster prevention capabilities and environmental performance. And, we will foster the entrepreneurs that may become the future tenants of such buildings.

Similarly, line-side areas other than the Umeda area need to evolve. However, I believe that, as well as the development of such infrastructure as railways and properties for lease, we need to create shared value in line-side areas with local communities. Although the population of the Group's line-side areas is rising, Japan's demographics mean that the time will come when it begins declining. Given this outlook, we believe contributing to the quality of residents' lives is key because this will ensure people continue to choose our line-side areas as the places they want to live in, remain in long term, or keep visiting. Based on this belief, we are creating value through the provision of new services in five areas: fostering of the next generation; health and seniors; community and culture; development of safe, secure towns; and industry creation.

A conceptual illustration of the Umeda 1-1 Project upon completion

Business strategy 2 Develop new markets for medium-to-long-term growth

Expanding businesses in the Tokyo metropolitan area and developing businesses overseas will allow the Group to capitalise on its accumulated expertise in new markets.

As one of Asia's most famous cities, Tokyo is an appealing market that is likely to maintain its importance in and links with the international economy even in an era of population decline. In preparation for the Tokyo 2020 Olympic and Paralympic Games, real estate development is moving up a gear in the centre of Tokyo. Against this backdrop, the Group is stepping up business development in the city. As well as steadily increasing the development and sale of condominiums, we plan to open a hotel mainly comprising guest rooms for overnight stays, REMM Roppongi, in March 2017. Other initiatives in Tokyo include our participation with business partners in a redevelopment project for the area in front of JR Yotsuya Station. In the above projects, we will take advantage of expertise garnered in the development of the Umeda area and other line-side areas. Further, we aim to use the projects as bridgeheads for expanding businesses in the Tokyo metropolitan area.

Overseas, in April 2016 we opened a logistics centre in Indonesia, which has begun handling such products as automotive components, medical equipment, and electronic components. In addition, plans call for the completion of a large logistics centre in Singapore in spring 2017. The International Transportation and the Real Estate businesses are working together closely to advance these projects and realise synergies within the Group.

A conceptual illustration of the Singapore logistics centre upon completion

Management Indicators through to Fiscal 2019

The management indicators that we are targeting and our approach to them are shown in the table below. In light of current business results, we have revised numerical targets for profitability and capital efficiency. Regarding profitability benchmarks, we have upwardly revised numerical targets for operating income and net income attributable to owners of the parent during the medium-term management plan by ¥10 billion each versus the numerical targets initially announced in fiscal 2016. Also, the likelihood of reaching benchmarks for capital efficiency (ROE) and financial soundness (interest-bearing debt) has been increasing steadily.

Further, we will maintain financial soundness over the medium-to-long term by keeping the interest-bearing debt/EBITDA ratio between 5 and 6 times and the D/E ratio around 1 time. In tandem with this policy, we want to allocate surplus funds to investment in growth and enhancement of returns to shareholders.

Numerical targets		
Profitability	Keep operating income at **¥90 billion** level and keep net income at **¥50 billion** level (Each up ¥10 billion versus previous target)	While focusing efforts on developing foundations for medium-to-long-term growth, we will maintain a certain level of operating income. Further, given that the risk of incurring significant extraordinary losses has lessened, we expect stable net income attributable to owners of the parent.
Capital efficiency	Realise ROE of at least **6%**	Through stable net income attributable to owners of the parent and the acquisition of treasury stock, we aim to realise ROE of at least 6% on a consistent basis.
Financial soundness	Reduce interest-bearing debt to **less than ¥900 billion** by the end of fiscal 2019	We will continue steadily strengthening our financial standing to mitigate the risk of interest rate rises and ensure our ability to secure surplus funds over the medium-to-long term.

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**

Fiscal 2017 Business Results Outlook

In fiscal 2017, the year ending 31st March 2017, we expect revenues from operations to increase 7.4%, or ¥52.6 billion, year on year, to ¥760.0 billion, and year-on-year decreases of 13.9%, or ¥15.3 billion, in operating income, to ¥95.0 billion, and 14.3%, or ¥10.0 billion, in net income attributable to owners of the parent, to ¥60.0 billion. We are projecting lower earnings due to the absence of the sale of land for facilities that the Real Estate Business recorded in fiscal 2016 and an expected increase in depreciation and amortisation in the Urban Transportation Business. However, we will raise the underlying level of earnings by continuing to lift the basic performance level of each business.

Fiscal 2017 management indicators outlook

	FY2016 result	FY2017 estimate
Revenues from operations[1]	¥707.4 billion	¥760.0 billion
Operating income	¥110.3 billion	¥95.0 billion
EBITDA	¥166.5 billion	¥152.0 billion
Interest-bearing debt	¥916.6 billion	¥930.0 billion
Interest-bearing debt/EBITDA ratio	5.5 times	6.1 times
D/E ratio	1.3 times	1.2 times
Net income attributable to owners of the parent	¥70.0 billion	¥60.0 billion
ROE	10.3%	8.0%
(Reference)		
Net interest-bearing debt[2]	¥892.3 billion	¥905.0 billion
Net interest-bearing debt/EBITDA ratio	5.4 times	6.0 times

1. As of fiscal 2017, the presentation of revenues from operations of the International Transportation Business has changed from net to gross amounts.
2. Amount of interest-bearing debt less cash and deposits

Line-Side Value Enhancement and Intangible Assets—Our Business Model's Core

In Japan, the Hankyu Hanshin Holdings Group and other private railway operators manage railways linking city centres and suburbs. Further, many of these railway operators have histories of developing their line-side areas to attract more passengers. No exception to this tendency, the Group has been developing line-side areas for over a century.

While we refer to "line-side value" as if it has a fixed meaning, what we identify as having value differs in each era. For this reason, efforts to enhance value are unending. Adeptly responding to changes in society's needs and sense of value in each era, our predecessors developed houses, commercial facilities, and hotels; managed a theatre group and a professional baseball team; and entered the related areas of theatre and baseball stadium management. Such progressive initiatives have cultivated line-side value to which residents have become strongly attached. As a result, compared with the operations of other railway companies, our railway business has superior operating efficiency, and we have a more balanced business portfolio.

Considering the significance of the tangible and intangible management capital that our successors built reminds me of the importance of passing on our enterprising DNA, analysing likely needs in the coming era, and continuing to create new value. For example, by 2025 society's aging will have advanced, with the entire baby-boom generation having reached 75 years of age or older. Also, in 10 years' time the pace of change in society—including technological innovation and deregulation—is likely to be dramatically faster, which in turn will transform the Group's business conditions. Therefore, we have begun focusing on the corporate profile we should have a decade from now. We are mulling how to exploit the abovementioned changes as opportunities to develop new services and markets and thereby realise further growth in the next era.

While mapping the way to further growth in this way, I want us to continue addressing a range of social issues through our businesses so that we remain a corporate group that society trusts. To this end, I intend to encourage each officer and employee to pursue self-growth and to make meeting society's expectations their mission and the basis of their judgement and conduct.

Our greatest assets are relationships of trust with customers, other stakeholders, and society in general. While we continue strengthening these relationships, we will remain aware of the crucial role such non-financial assets as organisational culture and personnel capabilities play in supporting the relationships. With this mindset, I intend to pursue business management that is focused on sustaining growth and creating corporate value over the medium-to-long term.

September 2016

Kazuo Sumi
President and Representative Director

Special Feature: Anticipating Change, Pursuing Growth Opportunities

The Hankyu Hanshin Holdings Group's Evolution

Since their establishment as railway operators around the turn of the twentieth century, the Hankyu Hanshin Holdings Group's mainstay companies, Hankyu Corporation and Hanshin Electric Railway Co., Ltd., have primarily provided railway services and developed real estate. In step with the extension of railway networks, the companies have developed land and housing in new regions. Combining railway services and real estate development creates synergy benefits by encouraging the growth of the resident population in suburbs while increasing commuters between suburbs and city centres. This combination of businesses not only became the basis of our business model, it significantly affected Japan's private (non-JR) railway operators as a whole.

Further, both companies have exploited new business opportunities by being well attuned to trends and potential demand. For example, in the sale of land and housing we successfully tapped demand among the middle classes by adopting a long-term monthly installment payment method—revolutionary at the time. Also, from the 1910s to the 1930s, we opened a theatre and a baseball stadium and formed a theatre company and a professional baseball team. Other initiatives included developing and managing commercial facilities in areas around terminal railway stations. Catering to new lifestyles and the burgeoning demand for entertainment that accompanied economic growth, the abovementioned businesses played a major role in heightening the appeal of line-side areas.

Our predecessors' open mindedness encouraged progressiveness and an appetite for challenges—attributes that have become integral components of our corporate culture.

Creating business opportunities from the outset

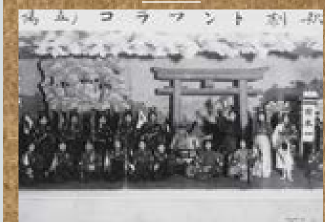
1909

Completed 30 rental homes in front of Nishinomiya Station

1910

Began selling land and housing (Ikeda Muromachi)

1913



Formed the Takarazuka Girls' Revue (currently the Takarazuka Revue Company)

1924

Completed the Koshien Stadium (currently the Hanshin Koshien Stadium) and the Takarazuka Grand Theatre

1929

Opened Asia's first railway terminus department store, Hankyu Department Store

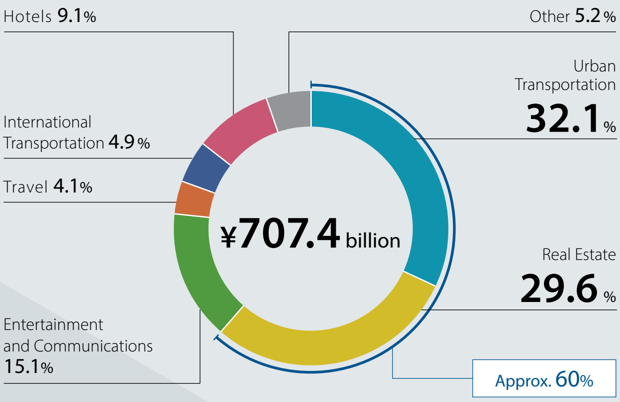
1935

Established Osaka Baseball Club (currently the Hanshin Tigers)

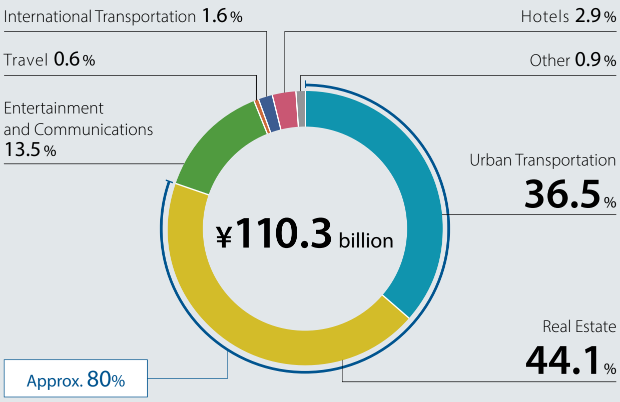
Business Portfolio and the Value of Line-Side Areas

As a result of venturing into business areas strongly related to the development of railways and real estate, the Group has established and realised synergies among six core businesses. In addition to the Urban Transportation and Real Estate businesses, our business portfolio comprises the Entertainment and Communications, Travel, International Transportation, and Hotels businesses. The Urban Transportation and Real Estate businesses generate stable cash flows and account for approximately 65% of revenues from operations and 83% of operating income. Moreover, revenues from operations and operating income per operating kilometre are high. In other words, the high asset efficiency of our railway services is a feature of our operations. Another feature of the Hankyu Hanshin Holdings Group is that the Entertainment and Communications Business makes a larger contribution to business results than industry peers' equivalent business segments.

Revenues from operations breakdown



Operating income breakdown



Note: Calculations of the breakdowns for revenues from operations and operating income are based on each business segment's simple totals, which include intersegment transactions.

As well as developing railway infrastructure and surrounding real estate, the Group has created value in line-side areas by improving services that add to the convenience or appeal of line-side areas for those that live, work, or study in them. In particular, the Group and local residents have formed communities that have developed unique local cultures and contribute to line-side areas' brand value. As a result, areas served by the Hankyu and Hanshin lines are some of the most sought after residential zones. For example, a survey of 957 prospective condominium purchasers asking where they would like to live in the Kansai area revealed that areas centred on the Group's railway stations accounted for all of the most popular areas. Sumitomo Realty & Development Co., Ltd., and six other real estate developers conducted the survey in July 2016.

Survey of prospective condominium purchasers regarding their preferred Kansai residential area, conducted in fiscal 2017

Ranking	Station	Points	Area
1	Nishinomiya-kitaguchi	253	Nishinomiya, Hyogo Pref.
2	Shukugawa	230	Nishinomiya, Hyogo Pref.
3	Okamoto	174	Kobe, Hyogo Pref.
4	Umeda	135	Osaka, Osaka Pref.
5	Takarazuka	122	Takarazuka, Hyogo Pref.
6	Ashiyagawa	115	Ashiya, Hyogo Pref.
7	Mikage	107	Kobe, Hyogo Pref.
8	Senri-Chuo	106	Toyonaka, Osaka Pref.
9	Toyonaka	95	Toyonaka, Osaka Pref.
10	Ashiya	91	Ashiya, Hyogo Pref.

Source: A survey of prospective condominium purchasers regarding their preferred residential area, conducted by seven major real estate developers (Sumitomo Realty & Development Co., Ltd., Daikyo Incorporated, Tokyu Land Corporation, Tokyo Tatemono Co., Ltd., Nomura Real Estate Development Co., Ltd., Mitsui Fudosan Residential Co., Ltd., and Mitsubishi Jisho Residence Co., Ltd.) and included in a press release dated 29th September 2016

Reasons respondents preferred residential areas

Nishinomiya-kitaguchi Station (n=49)	
1	It's convenient for commuting.
2	It has a lot of commercial facilities.
3	It's convenient for daily life.

Shukugawa Station (n=43)	
1	It's quiet.
2	It feels affluent.
3	It's attractive.

Okamoto Station (n=39)	
1	It's quiet.
2	It's convenient for commuting.
3	It's chic.

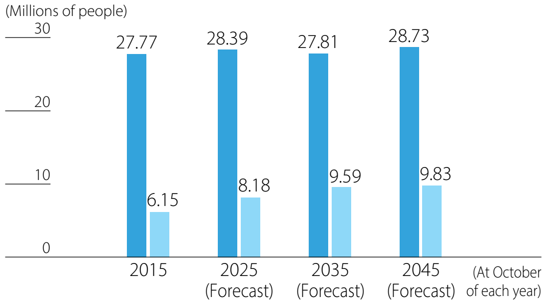
Emerging Needs and Social Trends

For more than a century, the Group has been heightening the value of line-side areas by anticipating the demand for easy commutes, quiet residential areas, and entertainment that can be enjoyed in the suburbs. As a leader in line-side area town development, we are analysing emerging needs and taking far-sighted measures in preparation for social change.

Increase in active elderly people

By 2025, those aged 65 or older will account for roughly 30% of Japan's population. Therefore, demand for health maintenance and nursing care services for elderly people is set to rise.

Estimated number of elderly people who will be active or require nursing care

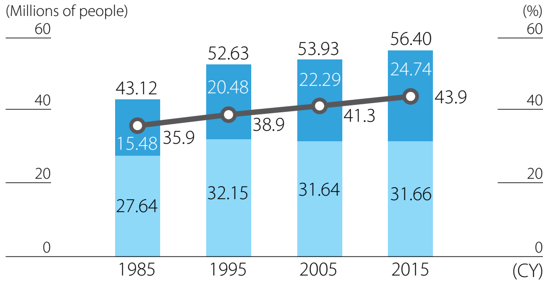


Source: *Consumption Forecast in Relation to Seniors: After 2020 Households Aged 50 or Older to Account for More than 70% of Consumption*, estimates by YOMIKO ADVERTISING INC. and Research and Development, Inc.

Rise in the number of women in employment

Given the increase in the number of women in employment as well as the decrease in population, society as a whole needs to create conditions that are more conducive to bringing up children.

Number of people in employment by gender and women as a percentage of total



Source: *Labour Force Survey*, Ministry of Internal Affairs and Communications

Expansion of the middle classes in Asia

In the 10 countries that comprise ASEAN, the middle classes are accounting for a larger share of the population, and their purchasing power is increasing as a consequence. Demand is expected to grow in the ASEAN region over the medium-to-long term.

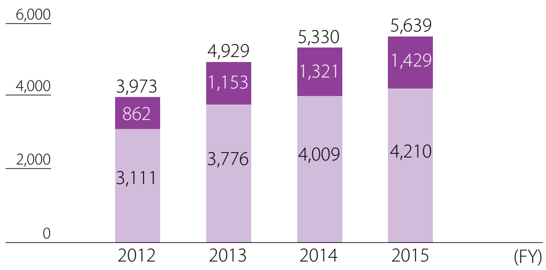
Breakdown of the population of six ASEAN member countries by income bracket

Source: *White Paper on International Economy and Trade 2011*, Ministry of Economy, Trade and Industry

More Japanese companies establishing operations in Asia

Many Japanese companies—particularly manufacturers of cars, motorbikes, electronic components, and food—are establishing manufacturing bases in the ASEAN region due to its growing economy and working-age population.

Number of Japanese subsidiaries in Asia



Source: *Summary of Basic Survey on Overseas Business Activities*, Ministry of Economy, Trade and Industry

The Effect of Social Changes on the Group

Demographic change in Japan

Risks

- Natural decline in the working-age population (those aged between 15 and 65), the main purchasers of train and bus commuter passes
- Outflow of residents seeking conditions conducive to bringing up children and a corresponding decline in the working-age population

Opportunities

- Maintain or increase population through town development catering to a range of needs, including those of disabled and elderly people
- Develop new earnings sources and create value by developing and providing services related to safety and peace of mind, health, and bringing up children

Economic growth in Asia

Risks

- Loss of growth opportunities due to delay in or curbing of overseas business development
- Loss of existing customers to competitors with enhanced logistics services in Japan and overseas
- Increase in volatility of business results due to fluctuations in the economy, interest rates, or exchange rates

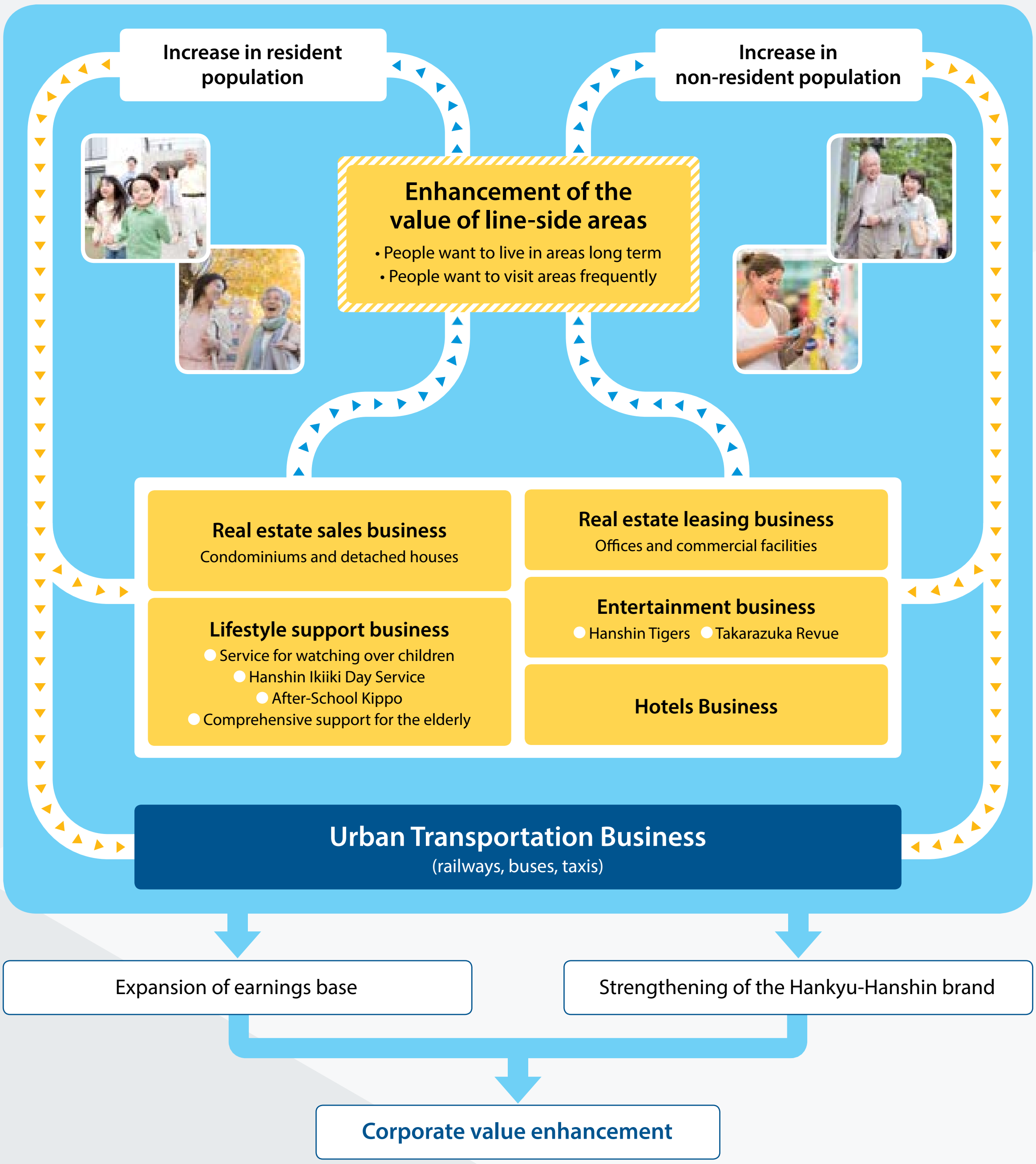
Opportunities

- Tap into demand in growth markets by participating in the real estate businesses that target middle classes
- Enhance overseas logistics services even further to develop business with existing customers and acquire new customers
- Disperse business risk by establishing presence in multiple countries

Building the Value of Line-Side Areas and Raising Corporate Value

With the railway business as its founding business, the Hankyu Hanshin Holdings Group has forged relationships of trust with the residents of line-side areas and developed businesses through the provision of safe, reliable products and services. Further, far-sightedness and creativity has enabled us to anticipate and address society's emerging needs and issues. This approach is consistent with our Mission, which states "By delivering 'Safety and Comfort' and 'Dreams and Excitement,' we create satisfaction among our customers and contribute to society."

Creating line-side areas that people want to live in long term or visit frequently—in other words, enhancing the value of line-side areas—will remain a key strategy for the Group. By continuing to heighten the appeal of line-side areas through an array of different businesses, we will strengthen the Hankyu-Hanshin brand while increasing resident and non-resident populations. These efforts will broaden our earnings base and raise corporate value over the medium-to-long term.



Providing Services that Add Value to Areas

How can a company realise business growth in a country with an aging society and a declining population? Enhancing the value of line-side areas is one of the Hankyu Hanshin Holdings Group's answers to this conundrum. Aiming to take advantage of social change to increase our business opportunities, we are providing services that cater to society's current and emerging needs.

Demographic Change and Enhancing the Value of Line-Side Areas

The population of line-side areas is the largest external factor affecting the Group's businesses. It impacts the business results and potential of the Urban Transportation and the Real Estate businesses, which represent the Group's earnings base. Stable population growth in line-side areas leads directly to growth in the number of passengers using our railway-centred urban transportation services as well as in demand for housing and commercial facilities in the areas.

As of 2016, the population of the Group's line-side areas continues to rise. (Please see page 8.) In light of Japan's demographics, however, the eventual decline of this population is unavoidable. Against this backdrop, to keep the population at a level that can support stable revenues and earnings, the Group needs to ensure that line-side areas served by the Hankyu and Hanshin lines motivate as many people as possible to live in them long term. Therefore, we have to consider the type of areas people want to live in long term as well as the type of line-side areas that will have value in the coming era.

New Businesses Fostered by an In-House Business Creation Support System

A support system for in-house business creation that Hanshin Electric Railway established in 2009 has fostered businesses that are helping enhance the value of line-side areas under the themes of developing safe, secure towns and providing services related to health and the elderly.

The first business we created under the system's auspices was a location-based service for watching over children going to and returning from school. The manager of the business, Mitsuhiko Kozaka, recalls how development of the service began: "With the media sometimes reporting on crimes in which the victims were children, I often heard parents say that they worried about their children being alone after school. This made me think it would good if there was a system to relieve such anxiety." The idea led to the development of a service that notifies parents by e-mail when their child passes through the school gates on their way to and out of school. In June 2016, five years after its launch, the service accounted for approximately 160,000 customers, clearly testifying to the fact that it is catering to local residents' need for peace of mind.

Our second new business was a service related to health and the elderly, the Hanshin Ikiiki Day Service, which began in 2013. In line-side areas, the business operates day-care facilities that specialise in providing half-day rehabilitation programmes for the elderly. The manager of the business, Satoshi Miura, explains that he established it to create a service that would be indispensable in an aging society. "In line-side areas, the elderly population will increase by about 40% over the next 15 years. We gave a lot of thought to what type of service would help the elderly live better lives."

Mitsuhiko Kozaka

Manager, New Business Development Dept.
Hanshin Electric Railway Co., Ltd.

Parents who use our service for watching over children often send letters of thanks saying that receiving notification when children arrive at and leave school gives them peace of mind. Currently, we are extending the service beyond line-side areas. The positive response we have received from customers underpins the success of the service.

Mr. Kozaka and Mr. Miura both say that using the support system for in-house business creation encouraged them to consider the Group's advantages and features in a new light. Mr. Miura recalls the situation three years ago. "The Group was calling on us to submit new ideas and create businesses without fear of failure. After giving the matter some thought, I decided that I wanted to use the Group's management resources to create a unique service."

The Unique Management Resources and Know-How of a Local Business

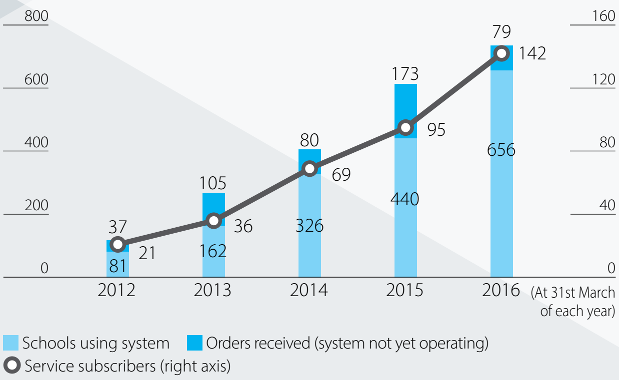
Mr. Miura points out that the trust and the brand that existing businesses had established were major assets in providing a new service. "The Group not only operates the area's railway services but also owns a sports business that manages the Hanshin Tigers baseball team, which is based in the area and has won many local fans over the years. Local residents strongly associate Hanshin with sports, which is one of the reasons why we decided to create a day-care service specialising in rehabilitation. Many companies offer day-care services. However, I believe Hanshin Ikiiki Day Service has succeeded because a focus on becoming healthy through rehabilitation sets it apart from other providers."

Having opened its 10th centre on 1st July 2016, Hanshin Ikiiki Day Service is growing its network of centres and membership steadily. Mr. Miura is upbeat about the future. "In an aging society, the value of being able to live healthily in a familiar area is sure to rise. Currently, we are thinking about our next steps. We are considering how to provide services that cater flexibly to the needs of each client as well as how to use and monetise the know-how we have garnered in relation to rehabilitation and day-care services for elderly."

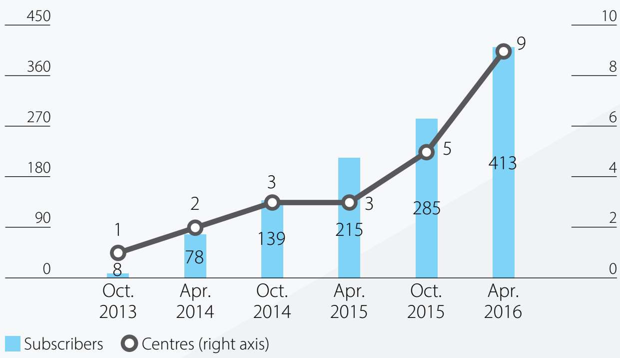
Expanding Businesses to Create Additional Value

Mr. Kozaka also stresses that existing businesses serve as foundations for new businesses. "We have been doing business in this area for more than a century. We are thoroughly familiar with the area, and this enables us to pick up on residents' latent needs. The service for watching over children has grown to a size that is enabling it to benefit from first-mover advantage. In 2011, however, before a service like this offering peace of mind existed, we had to acquire contracts by patiently conducting

Subscribers to service for watching over children



Hanshin Ikiiki Day Service: Subscribers and centres



Satoshi Miura

Representative, Hanshin Ikiiki Day Service
Hanshin Electric Railway Co., Ltd.

Becoming involved in the day-care service business has given me a real sense of the culture that the Group and local communities have created together as well as the extent of the Group's presence in local communities. Aiming to establish its own unique identify, Hanshin Ikiiki Day Service will expand its network of centres.

sales activities targeting elementary schools in line-side areas. We were able to establish a new business thanks to existing solid business foundations in line-side areas."

Aiming to create even more value, Hankyu Hanshin Holdings launched a Safety and Peace of Mind Network business, which is compatible with the service for watching over children, as a public–private initiative with the city of Itami, Hyogo Prefecture, in April 2016. This initiative will install 1,000 cameras and wireless receivers throughout Itami to establish a network that provides family members and parents with location information through the use of receivers to pick up radio signals from transmitters carried by elderly people with dementia who are at risk of wandering and children. We intend to increase the scale of this business in collaboration with Itami—which has a population of 200,000 and 17 elementary schools—and as part of a campaign that is mobilising local volunteers to make the area safer and give residents greater peace of mind. Mr. Kozaka explains his commitment to developing the business going forward. "We will establish and grow the new service as infrastructure that provides safety and peace of mind. In this way, we will help create areas that people want to live in long term."

E-mail notification service for watching over children going to and returning from school

Rehabilitation at a Hanshin Ikiiki Day Service centre

Other initiatives to enhance the value of line-side areas

Initiative	Details
After-School Kippo	To help parents bringing up children in areas served by our lines, we are developing private after-school day-care centres for elementary school students. We have established two centres as of September 2016.
Stajimo Line-Side Community Bases	In April 2015, we began establishing bases to cultivate links between communities in line-side areas and the Group's businesses.

Capitalising on Opportunities through Overseas Businesses

Based on its medium-term management plan, the Hankyu Hanshin Holdings Group will develop new markets over the medium-to-long term. To advance this strategy, we are establishing bridgeheads for overseas businesses by simultaneously conducting four projects in three countries.

Establishing New Businesses in the ASEAN Region in Anticipation of Strong Internal Growth

The aggregate GDP of the 10 countries comprising the Association of Southeast Asian Nations (ASEAN) was more than US$2.5 trillion in 2014, and has continued to grow gradually since then.* The region is likely to see economic growth continue over the medium-to-long term due to its large population of approximately 622 million, a young median age, and stronger internal demand accompanying expansion of the middle classes. Further economic integration of ASEAN also promises to drive growth. In Southeast Asia, we embarked upon the full-fledged launch of a real estate development business in March 2015.

Hankyu Hanshin Express, which is responsible for the International Transportation Business, and Hankyu Corporation and Hanshin Electric Railway, which are responsible for the Real Estate Business, are developing logistics centres in Indonesia and Singapore. This is a new type of collaboration between our businesses, through which we aim to realise synergies. The International Transportation Business has been building an overseas network since 1961, and the Real Estate Business has successfully completed many large-scale real estate development projects in Japan. Kazuhiro Sakai of Hankyu Hanshin Properties Singapore Pte. Ltd. explains the Group's advantages. "The development of logistics centres calls for the know-how of a real estate developer in land acquisition and building construction as well as the insight of a logistics centre operator. Given our diverse business portfolio, we believe we can bring strengths to bear." Following on from our completion of a logistics centre in Indonesia at the end of November 2015, in Singapore we are building a logistics centre due for completion in spring 2017.

Acquiring Tangible and Intangible Assets that Will Drive Growth

Takehiko Kadoya of Hankyu Hanshin Express Southeast Asia Pte. Ltd., which was established as the Group's ASEAN headquarters in fiscal 2016, stresses the significance of developing logistics centres for the logistics businesses. "Until now we have used leased facilities to conduct logistics centre operations. However, owning logistics centres has enabled us to participate in third-party logistics in earnest." Today's logistics services no longer means the simple transportation of goods. Rather, we must offer "total solutions," which are able to improve the overall efficiency of client companies' supply chains. Mr. Kadoya is confident of being able to meet such needs. "In addition to the forwarding services that we have previously provided, we are now able to offer high-value-added logistics services that include collection and delivery, sorting, and inventory control and product inspection. Our ASEAN headquarters will help us to accumulate and share know-how throughout the Group."

The 10 ASEAN countries and locations of the Group's projects

Our logistics centre in Indonesia

Takehiko Kadoya

Logistics Manager
Hankyu Hanshin Express Southeast Asia Pte. Ltd.

We are in the process of establishing a business model for the ASEAN region. Accordingly, as well as operating the logistics centre, we are focusing on securing and developing capable personnel, realising stable profitability in logistics centre operations, and coordinating with forwarding services.

Kazuhiro Sakai

Managing Director
Hankyu Hanshin Properties Singapore Pte. Ltd.

The Group's varied business portfolio reflects a corporate culture that welcomes new challenges. Overseas, we will continue developing progressive initiatives to realise growth.

Satoshi Suzuki

Senior Manager
Hankyu Hanshin Properties Singapore Pte. Ltd.

Working with local experts who have in-depth knowledge and a strong sense of professionalism motivates me to take pride in myself as a Japanese businessman and work hard so that we can have discussions on an equal footing.

Similarly, Mr. Sakai points out that benefits of the Group's efforts in Southeast Asia extend beyond the mere establishment of logistics infrastructure. "When we were developing the logistics centre in Indonesia, we set aside our preconceptions of how real estate development ought to be conducted and did our best to absorb knowledge of local laws, regulations, and business practices as well as expertise in advancing real estate development projects. The Group used its own capital to develop the logistics centre and from the outset undertook decision making and solved problems, at all stages. This approach has given us knowledge and experience that will be a major asset as we develop real estate overseas." Satoshi Suzuki of Hankyu Hanshin Properties Singapore agrees. "Singapore has established a system for developing real estate based on collaboration among accountants, lawyers, and other outside professionals with expertise and extensive experience in specific fields. We learned a great deal about methods of real estate development and risk management."

A rendering of our logistics centre in Singapore upon completion

Overview of the logistics centre in Indonesia

Location	Bekasi 17520, West Java, Indonesia
Site area	18,210 square metres
Total floor space	11,855 square metres (reinforced concrete structure, single-story building)
Main goods handled	Automotive components, medical equipment, electronic components, daily goods

Overview of the logistics centre in Singapore

Location	38 Jalan Buroh, Singapore
Site area	19,200 square metres
Total floor space	48,000 square metres (reinforced concrete structure, 9 floors)

Developing Businesses Rapidly through Partnerships with a Local Company

At the same time as developing logistics centres in Indonesia and Singapore, we are advancing a project in Vietnam. With partners Nishi-Nippon Railroad Co., Ltd., and Nam Long Investment Corporation, which is based in southern Vietnam and one of the area's major housing developers, Hankyu Realty Co., Ltd., is undertaking a project for the development and sale of condominiums in Ho Chi Minh City. The response of local customers has been encouraging as Keiji Okamoto of Hankyu Realty explains. "Ho Chi Minh City has a population of more than 8 million, and young middle-income earners are increasingly eager to buy homes. Also, many consumers feel an affinity with Japan and favour its technology and quality. Our first project has sold all 500 of the units that it completed at the end of June 2016."

Mr. Okamoto says the advantages of having Nam Long Investment as a partner are its brand power in the housing area and the company's ability to negotiate with banks and other financial institutions. "We are playing a complementary role. We provide know-how accumulated in Japan, such as capabilities in relation to questionnaire surveys of purchasers and other types of market research as well as proposals for the improvement of site layout plans for buildings and basic plans."

In April 2016, we launched a second project with the same partners, testifying to the speed at which the three-company partnership is creating benefits. At approximately ¥6.5 billion, the second project's total costs will be more than double those of the first project. As well as developing condominiums for sale, the project will develop detached houses. As such, Hankyu Realty's expertise in town development and effective site utilisation is likely to be even more important.

A rendering of *Fuji Residence* condominiums and detached houses upon completion, our second housing sales project overseas

Keiji Okamoto

Manager
Overseas Project Sec., Corporate Planning Dept.
Hankyu Realty Co., Ltd.

We are in an unknown business area, and the process of self-reform through learning as well as learning from each other as we exchange opinions with partner companies is extremely stimulating.

Continued Commitment Builds Trust, and Trust Leads to New Business Opportunities

Mr. Sakai, Mr. Suzuki, and Mr. Okamoto agree that simultaneously developing housing in Vietnam and logistics centres in Indonesia and Singapore effectively demonstrates to local professionals and partner companies the Group's level of commitment. Mr. Suzuki points out that when a company does not have a track record in a particular field, its level of commitment can be questioned. "The Hankyu Hanshin Holdings Group is well-known in Japan but unknown within the ASEAN region. Continuing involvement in development forms the basis of a real estate developer's reputation and trustworthiness. If a developer builds a good reputation and trust, it will receive information that leads to further businesses opportunities." Aiming to *develop new markets for medium-to-long-term growth* in accordance with the business strategy set out in its the medium-term management plan, the Group will continue tackling ambitious projects in Asia's market.

* "Near-term moderate growth in ASEAN," *Update on the Economic Outlook for Southeast Asia, China and India 2016*
http://www.oecd.org/dev/asia-pacific/economic-outlook-southeastasia-china-india-2016-press-release.htm
(As of August 2016)

Taking On a New Business

Introducing the *S-POINT* Common Point Service for the Kansai Area

In April 2016, the Hankyu Hanshin Holdings Group and the H_2O Retailing Group launched a common point service for both groups in the Kansai area, *S-POINT*. Previously, the companies of each group issued their own credit cards or cash point cards and awarded points. Thanks to the introduction of the *S-POINT* common point service, customers can use points at any facility that the groups' companies operate in the Kansai area if they have an *S-POINT* compatible card issued by one of the groups' companies. This new system makes it easier for customers to save and use points.

Including old cards due to be changed over, we had issued approximately 7.5 million *S-POINT* compatible cards as of July 2016, and we expect to award 7 billion points per year. The launch of a common point service will enable us to leverage our strengths in the Kansai area as a provider of many different types of services and as an operator of numerous facilities, which include supermarkets, shopping centres, and department stores as well as theatres and a baseball stadium. Further, we plan to pursue tie-ups with outside companies and increase the number of affiliated stores.

https://www.s-pt.jp/
(Available only in Japanese)

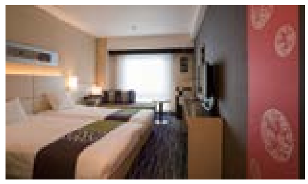
S-POINT

Capturing Demand from Non-Japanese Tourists

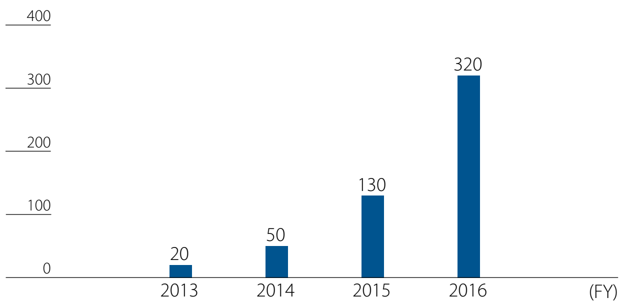
The number of non-Japanese tourists visiting the Kansai area is rising due to an increase in the number of flights that low-cost carriers operate as well as Kansai's proximity to Asia's mainland. Between January and December 2015, the number of non-Japanese people entering the country through Kansai International Airport rose 59% year on year to surpass 10 million. Aiming to tap this demand from non-Japanese tourists, the Hankyu Hanshin Holdings Group is developing a range of initiatives.

For example, the Urban Transportation Business is encouraging non-Japanese tourists to visit line-side areas by offering the *Hankyu Tourist Pass* and the *Hanshin Tourist Pass*, which are travel passes for non-Japanese tourists that cover all of the Hankyu and Hanshin lines. In fiscal 2016, we sold 320,000 such passes, up 150% year on year. Also, we are improving our ability to cater to non-Japanese tourists by establishing tourist information centres and centres providing services for travellers and offering free Wi-Fi in line-side areas.

In addition, Hankyu Hanshin Hotels Co., Ltd., has increased the number of guest rooms that reflect the preferences of non-Japanese tourists as well as refurbished guest rooms to reflect a Japanese aesthetic. Moreover, the Travel Business is focusing efforts on participating in travel expos and business meetings overseas and hosting inspection tours for non-Japanese travel agencies.



Sales of travel passes for tourists
(Thousands of tickets)



CSR and Value Enhancement in Line-Side Areas

Based on its Group Management Philosophy, the Hankyu Hanshin Holdings Group aims to create corporate value continuously by providing value to local communities and society that helps their development. Therefore, CSR activities are an important part of the Group's business activities. Our CSR activities come under two categories: social contribution activities, in which we work with customers, citizens' groups, Group companies, employees, and other stakeholders to develop towns and cities, and environmental preservation activities, which promote environment-friendly business activities.

Social Contribution Activities

Mainly through its Urban Transportation and Real Estate businesses, the Group develops businesses that are rooted in local communities. Efforts to invigorate line-side areas and thereby maintain and increase their population will underpin the growth of our businesses over the medium-to-long term. With this in mind, we conduct social contribution activities under the Hankyu Hanshin Dreams and Communities of the Future Project, which collaborates with such stakeholders as customers, citizens' groups, Group companies, and employees to advance a variety of activities that are mainly aimed at enhancing line-side areas. Our continuous activities in local communities have earned favourable third-party evaluations[1] and are helping strengthen the Group and its line-side areas as a brand. (Please see page 15.)

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。

1. The Hankyu Hanshin Holdings Group came in sixth in a CSR evaluation ranking—under the category recognising corporate contributions to society and local communities—which Nikkei Business Publications, Inc., announced in the *Nikkei Ecology* magazine in August 2016.

Basic Policy	We intend to promote the creation of towns and cities along our railway lines that people will truly want to live in.

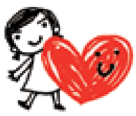
Priority Areas Our social contribution activities focus on two priority areas: environment-friendly development, which improves the environment in towns and cities, and human capital development, aimed at fostering the generation that will be responsible for the future of communities.

Environment-Friendly Development

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

Human Capital Development

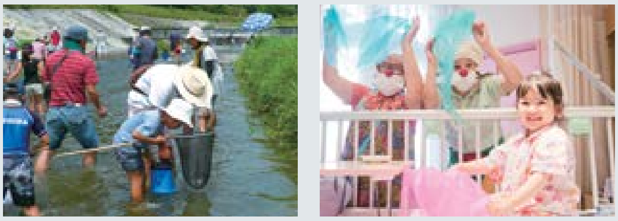
We are creating opportunities for the healthy development of ambitious children, upon whose shoulders the task of building the communities of the future rests.



Example Initiative — Collaborating with Citizens' Groups to Develop Towns

The Hankyu Hanshin Dreams and Communities of the Future Fund comprises contributions collected from Group employees and matching contributions from the Group. From among the applications that it receives from citizens' groups conducting activities in areas served by the Hankyu and Hanshin lines that correspond with the Hankyu Hanshin Dreams and Communities of the Future Project's policies and priority fields, the foundation selects projects and provides them with grants. In fiscal 2016, we provided a total of ¥6 million in grants to 10 groups, including a group that protects farmland and conducts environmental education and a group engaged in translating children's books into Braille and lending them nationwide free of charge.

As well as providing funds through the Hankyu Hanshin Dreams and Communities of the Future Fund, we help grant recipients with publicity efforts. Citizens' groups have welcomed this assistance because their publicity-related budgets and know-how are often limited. Specifically, we undertake collections and provide publicity when grant recipients target customers in areas served by the Hankyu and Hanshin lines and conduct campaigns aimed at raising awareness of social problems or organise programmes that encourage volunteer work.



Grant recipients Akutagawa Club (left) and Japan CliniClowns Association (right)

The Hankyu Hanshin Holdings Group conducts a wide range of other social contribution activities. For details about these activities, please visit the Group's website.

http://www.hankyu-hanshin.co.jp/yume-machi/top.html
(Available only in Japanese)

Environmental Preservation Activities

The Group has established a Basic Environmental Philosophy and Basic Environmental Policies, which guide its environmental preservation activities. Further, to advance such activities Groupwide, the Group has established the Environment Committee, chaired by the president and representative director of Hankyu Hanshin Holdings, Inc., which exercises control over all environmental preservation activities that Group companies implement within each core business.

Basic Concept

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

Example Initiative — Reducing Environmental Burden through Business Activities

The Group is continuously developing measures to reduce the environmental burden of its business activities. For example, the Urban Transportation Business is introducing new-model rolling stock that consume less energy. (Please see page 43.)

Another example of efforts to reduce environmental burden through business activities is the Umeda 1-1 Project, a development project that Hanshin Electric Railway and Hankyu Corporation are currently advancing. In December 2015, the Ministry of Land, Infrastructure, Transport and Tourism recognised the Umeda 1-1 Project as a pilot project for the construction of sustainable buildings that reduce CO_2. Aiming to spread and heighten awareness of pioneering technology related to energy saving and CO_2 reduction, the Ministry seeks applications from the initiators of projects tasked with constructing housing and buildings that will establish precedents. Our project earned a favourable evaluation for seeking to build an energy system incorporating leading-edge heat source equipment that uses electricity and gas in a multipurpose building that will comprise a department store and offices. Also, we have received DBJ Green Building Certification[2] from Development Bank of Japan Inc. for the measures taking into account the environment and society of the Umeda 1-1 Project Building (provisional name) as well as for efforts to reduce environmental burden in the commercial facility operations of existing buildings Hankyu Nishinomiya Gardens and HEP FIVE.

2. Under this system, the Development Bank of Japan certifies buildings based on such criteria as outstanding environmental performance as well as consideration for tenants' comfort, the surrounding environment, disaster prevention, and local communities.

HEP FIVE

Hankyu Nishinomiya Gardens

Example Initiative — Developing Communities and Heightening Environmental Awareness

The Council for Collaboration in the Management of the Umeda Area plays a central role in organising the Umeda Yukata Festival, which is themed on Japanese culture and the environment. To heighten interest in environmental problems among festival goers in the Umeda area, the council decided to encourage them to participate in the symbolic sprinkling of water around the area.

Further, we participated in an event that prompts people to think about living sustainably by turning off the lights in towns and lighting candles, the "1 Million People Candle Night@Osaka City" event. Hankyu Corporation took part in the Chayamachi area, while Hanshin Electric Railway contributed to the effort in the Umeda area.

The Hankyu Hanshin Holdings Group conducts a wide range of other environmental preservation activities. For details about these activities, please visit the website below.

http://www.hankyu-hanshin.co.jp/csr/eco/
(Available only in Japanese)

Core Business Highlights

Main Business Lines

Urban Transportation
P. 40

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

Retailing business:
Hankyu Corporation, Eki Retail Service Hankyu Hanshin, Hankyu Style Labels

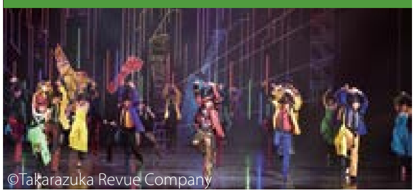
Advertising business:
Hankyu Corporation, Hankyu Advertising Agency

Real Estate
P. 44

Real estate leasing business:
Extensive property holdings, mainly in the Umeda area and along the Hankyu and Hanshin lines (For details of major properties, please see page 108.)
Major companies: Hankyu Corporation, Hanshin Electric Railway, Hankyu Realty

Real estate sales and other business:
We market condominiums, residential land lots, and detached houses, mainly alongside the Hankyu and Hanshin lines in the Kansai area. In recent years we have also focused on the Tokyo metropolitan area. We are engaged in property management, building maintenance, and other building operation and management services, as well as real estate fund management, including private placement funds, and J-REIT businesses.
Major companies: Hankyu Corporation, Hanshin Electric Railway, Hankyu Realty, Hankyu Hanshin Building Management, Hankyu Investment Partners, Hankyu REIT Asset Management

Entertainment and Communications
P. 48


©Takarazuka Revue Company

Sports business:
Professional baseball business (the Hanshin Tigers) and management and operation of Hanshin Koshien Stadium, and related businesses; music business (Billboard Live)

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

Communication and media business:
Information services business, broadcast and communications business

Leisure business:
Management of Mt. Rokko business

Travel
P. 50

Travel business:
Hankyu Travel International, Hankyu Hanshin Business Travel, Hankyu Travel Support

International Transportation
P. 52

International transportation business:
Hankyu Hanshin Express, Hankyu Hanshin Logipartners, 25 overseas subsidiaries of Hankyu Hanshin Express

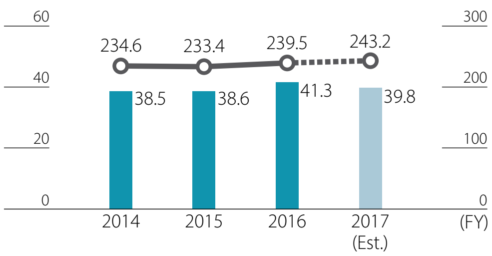
Hotels
P. 54

Principal directly operated hotels:
Hotel Hankyu International
Hotel new Hankyu Osaka
Dai-ichi Hotel Tokyo
The Ritz-Carlton, Osaka*

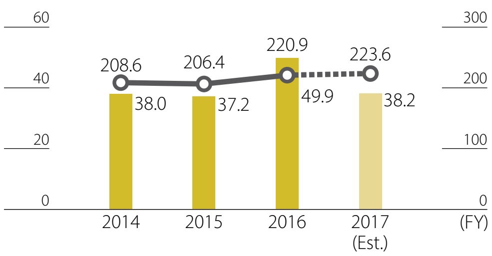
* The Ritz-Carlton, Osaka is operated by the Ritz-Carlton hotel chain under the management of Hanshin Hotel Systems.

Revenues from Operations (¥ billion) (right axis) and Operating Income (¥ billion)

Market Conditions

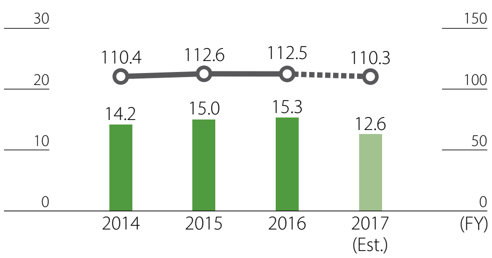


In the Kansai area, the population has been declining in recent years as society ages. The decrease is particularly pronounced in the group aged between 15 and 64. Consequently, the Urban Transportation Business faces challenging business conditions. Areas served by the Group's railway lines, however, are comparatively popular. As a result, in these areas the population has been trending upward since bottoming in 1996, the year after the Great Hanshin Earthquake.

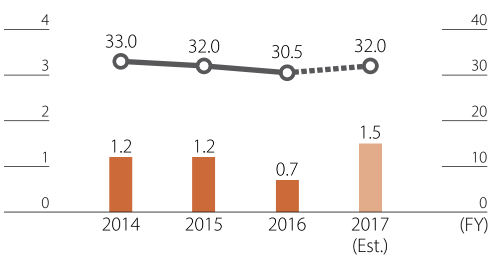


In the Umeda area, the market for rentable office space is seeing vacancy rates trend toward gradual improvement due to the end of a growth period in the supply of new office floor space and a steady trend toward small and medium-sized tenants relocating to larger premises or seeking additional floor space in existing buildings.

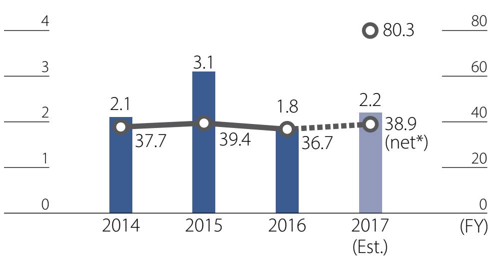
As for conditions in the housing market, sales have been steady in the Tokyo metropolitan area and the Kansai area because lower interest rates for home loans are counteracting an upward trend in sales prices stemming from land acquisition costs and construction costs that are rising and remaining high. As a result, the sales inventory is at a low level.



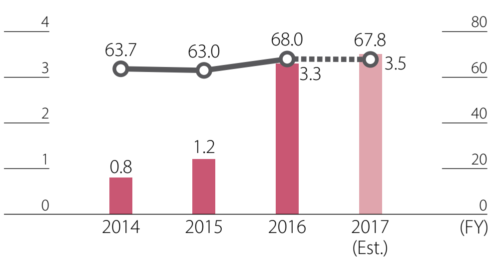
According to the Ministry of Internal Affairs and Communications Statistics Bureau's Family Income and Expenditure Survey, consumption expenditure of total households in 2015 decreased 2.7% year on year. Further, recreational service expenditure of total households declined 4.0% year on year, down for the second consecutive year. Nonetheless, the Hanshin Tigers and Takarazuka Revue continue to enjoy strong customer-drawing power.



External factors, including economic trends, currency fluctuations, social conditions, and earthquakes and other natural disasters, affect the business conditions of the Travel Business. Currently, the number of Japanese overseas travellers is stagnant due to uncertainty over the international situation. Meanwhile, the number of overseas visitors to Japan has been rising steadily over the past three years, and demand from overseas visitors promises to continue growing.

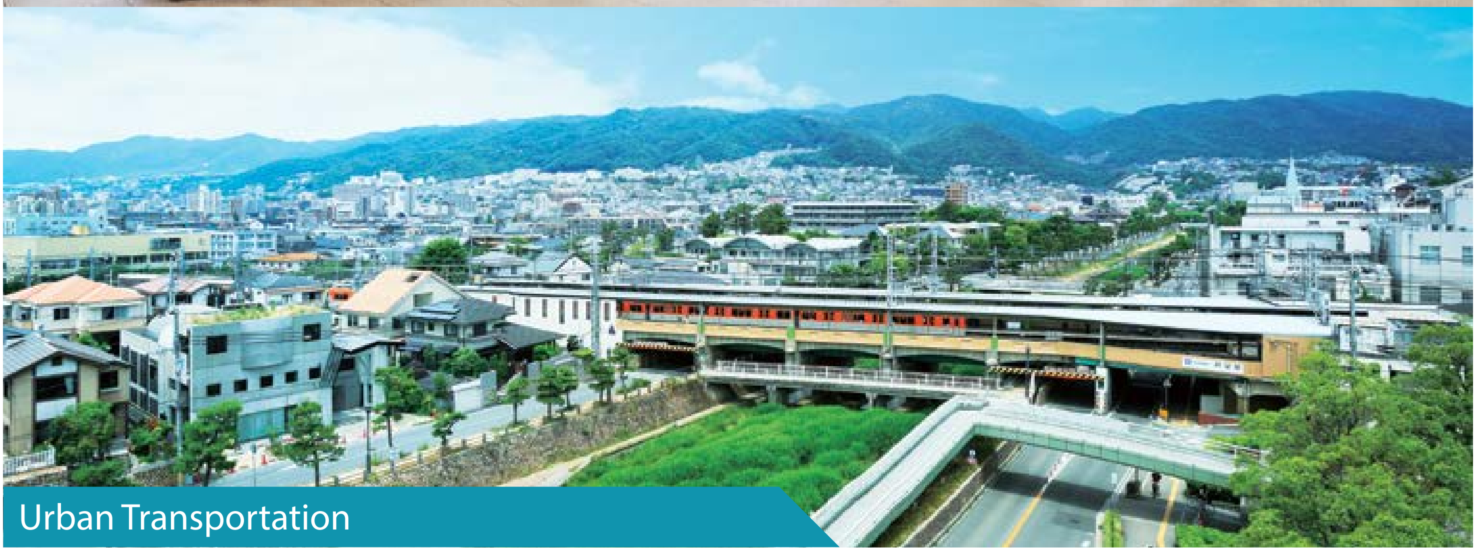


Although air freight exports have been declining in recent years due to the transfer of manufacturing overseas, worldwide logistics demand promises to grow steadily centred on Asia. Further, as the manufacturing industry and other industries globalise their business activities, supply chains extending from raw material procurement through to the delivery of products to consumers are becoming more complex, which is heightening demand for forwarders able to provide comprehensive solutions.



According to the "White Paper on Leisure 2016," hotel revenues rose 6.9% year on year and reached a new record thanks to three consecutive years of growth. The main driver of this growth has been a surge in the number of overseas visitors to Japan. In 2016, the rate of increase in the number of overseas visitors to Japan surpassed that of the previous year, and the overseas visitors market is likely to expand further. The rapid increase in overseas visitors and a shortage of accommodation for the Tokyo 2020 Olympic and Paralympic Games has led to stepped-up building of new hotels and renovation of existing hotels.

* As of fiscal 2017, revenues from operations will be presented on a gross basis rather than a net basis (total transactions net of freight costs).



Urban Transportation

Priority Tasks

1 Provide quality urban transportation services and other related services

- Develop personnel
- Strengthen Group collaboration
- Enhance services and convenience
- Enhance value of line-side areas and publicise them
- Enhance appeal of railway stations

2 Increase convenience of existing infrastructure and expand railway network

- Develop railway stations and construct continuous grade separations
- Expand and strengthen railway network

3 Ensure reliable transportation and peace of mind

- Enhance security
- Develop rolling stock

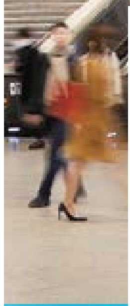
4 Expand feeder transportation and extend catchment areas of railway lines and stations

- Introduce common sales measures to the bus business
- Participate in community transportation in the taxi business
- Enhance bicycle parking areas at railway stations and bicycle rental services
- Collaborate with line-side area municipal authorities, chambers of commerce and industry, and companies

Basic Strategy

The Urban Transportation Business will grow by strengthening the operational foundations that enable safe, reliable, and comfortable services while creating advanced urban transportation services in an environmentally and socially responsible manner. Specifically, we will strengthen coordination with connecting transportation services and feeder transportation services and extend their coverages areas.

Also, we will increase and improve railway stations' ability to provide services and information. Such efforts will expand the Group's businesses in line-side areas, attract outside companies to the areas, strengthen lifestyle services and economic functions, and heighten line-side value.



Fiscal 2016 Review of Operations

In the Urban Transportation Business, railway operation revenue increased due to favourable performances by the Hankyu and Hanshin lines, which resulted from increases in line-side area populations and overseas visitors to Japan as well as a recovery from the effect of the previous fiscal year's consumption tax increase. Also, in the automobile business, airport routes performed well. As a result of the above, the business segment posted year-on-year increases of 2.6%, or ¥6,124 million, in revenues from operations, to ¥239,544 million, and 7.0%, or ¥2,717 million, in operating income, to ¥41,270 million.

The railway business increased the safety and comfort of customers and reduced its environmental burden. As part of these efforts, Hankyu Corporation introduced five 1000 series trains, which makes less noise and consumes less energy than older rolling stock, and completed the change to an elevated railway track between Katsura and Higashi-muko stations in a project to construct continuous grade separations near Rakusaiguchi Station on the Kyoto Line. Further, Hanshin Electric Railway introduced one new 5700 series train to local services, which realises outstanding energy-saving and includes buttons that allow customers to open and close doors to maintain the cabin temperature. In addition, we changed to an elevated railway track between Uozaki and Ashiya stations in a project to construct continuous grade separations on the outbound line between Sumiyoshi and Ashiya stations.

The automobile business heightened customer convenience by beginning mutual usage of *hanica* commuter passes for the services of Hankyu Bus Co., Ltd. and Hanshin Bus Co., Ltd. Also, in March 2016 Hanshin Bus expanded by assuming all municipal bus routes of Amagasaki Municipal Transportation Bureau and extending the route network to all areas of Amagasaki.

The retailing business developed and sold original products and held a stamp rally at line-side area convenience stores to mark the 20th anniversary of the opening of the inaugural *asnas* convenience store. Moreover, we integrated sales campaigns linking products available at stores with transportation advertising media and promotional activities at event spaces.

Hankyu Corporation and Hanshin Electric Railway: Performance results

		Fare revenues (¥ million)*				Passenger volumes (Thousands)*			
		FY2016	FY2015	Change	%	FY2016	FY2015	Change	%
Hankyu	Other tickets	62,920	60,910	2,009	3.3	319,023	308,843	10,179	3.3
	Commuter pass	32,272	31,549	722	2.3	325,540	318,692	6,847	2.1
	Total	95,192	92,459	2,732	3.0	644,563	627,536	17,027	2.7
Hanshin	Other tickets	21,035	20,286	748	3.7	116,440	112,000	4,439	4.0
	Commuter pass	11,372	11,107	264	2.4	117,786	115,203	2,582	2.2
	Total	32,407	31,394	1,013	3.2	234,226	227,203	7,022	3.1

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

Fiscal 2017 Outlook

In the railway business, railway operation revenue is likely to grow as increases in line-side area populations and overseas visitors to Japan offset the absence of the rush demand had been anticipated prior to a consumption tax rise that was previously scheduled for April 2017. Consequently, we anticipate a 1.5%, or ¥3.7 billion, year-on-year increase in revenues from operations, to ¥243.2 billion. However, mainly due to construction costs of elevated railway tracks and higher depreciation and amortisation accompanying investment in the manufacture of rolling stock, we expect operating income to decline 3.6%, or ¥1.5 billion, year on year, to ¥39.8 billion.

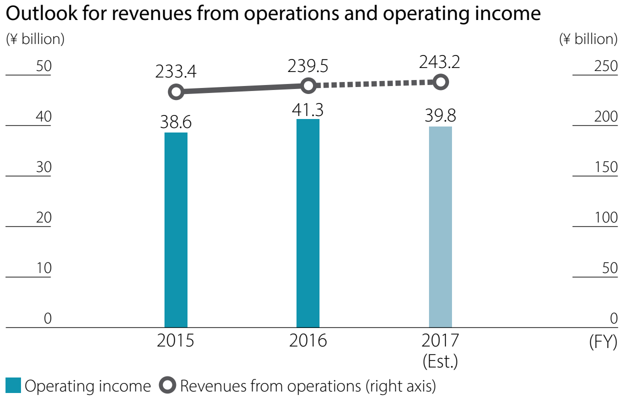
Hankyu Corporation and Hanshin Electric Railway: Performance forecasts (fiscal 2017)

	Fare revenues (¥ million)*			
	FY2017	FY2016	Change	%
Hankyu	96,586	95,192	1,393	1.5
Hanshin	32,774	32,407	366	1.1

	Passenger volumes (Thousands)*			
	FY2017	FY2016	Change	%
Hankyu	654,981	644,563	10,417	1.6
Hanshin	237,013	234,226	2,786	1.2

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

Urban Transportation Business: Outlook for revenues from operations and operating income



Medium-Term Management Plan: Ongoing Project

Kita-Osaka Kyuko Railway Line Extension and Improvement Project

The Osaka Prefectural Government, Minoh City, Kita-Osaka Kyuko Railway Co., Ltd., and Hankyu Corporation explored the possibility of extending the Kita-Osaka Kyuko Railway Line from Senri-Chuo Station to Shin-Mino-o Station (provisional name). The aims of these deliberations were to strengthen Osaka's north–south axis, reduce traffic congestion on National Highway No. 423 (Shin-Midosuji), and improve the convenience of public transportation in northern Osaka. In December 2015, a "license of Type I Railway Business" and a "charter for railway track operations" was obtained from the Ministry of Land, Infrastructure, Transport and Tourism. Further, in March 2016 the four parties involved in the project concluded a basic contract concerning the objectives of the line extension and the sharing of development costs. Plans call for beginning construction in fiscal 2017 and opening the extension in fiscal 2021.

Development plan summary

● Extension distance:	2.5 km, from Senri-Chuo Station to Shin-Mino-o Station (provisional name)
● New stations:	Mino-o-Semba Station (provisional name) and Shin-Mino-o Station (provisional name)
● Estimated project cost:	¥65.0 billion
● Demand:	42,000 people per day

Renovation of Hanshin Umeda Station Begins

On 3rd March 2015, Hanshin Electric Railway began construction work to upgrade Hanshin Umeda Station in Kita-ku, Osaka. Currently, the company is working with Hankyu Corporation to rebuild the Dai Hanshin Building, which Hanshin Department Store's Umeda Flagship Store occupies, and upgrading surrounding public facilities under the Umeda 1-1 Project. In conjunction with this work, on the north side of Hanshin Umeda Station we have begun widening and upgrading an east–west underpass (the urban development project's passageway No. 1 in front of Osaka Station). Further, while implementing this widening work, we plan to construct an integrated structure on the floor directly beneath the underpass to create additional space in the railway station, thereby enabling the widening of platforms. Also, we plan to install automatic platform gates and make the west ticket gate exit area barrier-free. This construction work to upgrade Hanshin Umeda Station will transform it into a station customers can use even more comfortably and with greater peace of mind.

A conceptual illustration of the renovated Hanshin Umeda Station

Fiscal 2016 Initiatives

Assumption of Amagasaki Municipal Bus Business

Hanshin Bus Co., Ltd., assumed the Amagasaki municipal bus business on 20th March 2016. Competition among the general bus services of Amagasaki Municipal Bus, Hanshin Bus Co., Ltd., and Hankyu Bus Co., Ltd., has established an extensive route network in the Amagasaki area in Hyogo Prefecture. Aiming to heighten convenience further, Hanshin Bus and Hankyu Bus will provide bus services in the Amagasaki area jointly and realise cohesive management that takes advantage of the companies' common IC card, *hanica*.

Integration of Transportation Advertising and Retailing Businesses

Hankyu Corporation integrated the management of transportation advertising and retailing businesses under the Station Retail and Advertising Department, which is creating synergies between the businesses. By exploiting the contacts with customers and manufacturers of the retailing business and the information distribution capabilities of the transportation advertising business, we will integrate sales campaigns linking products available at stores with transportation advertising media and promotional activities at event spaces. These initiatives will create synergies, which will help increase profitability and invigorate line-side areas.

Introduction of New Rolling Stock that Offers Comfortable Cabins While Saving Energy

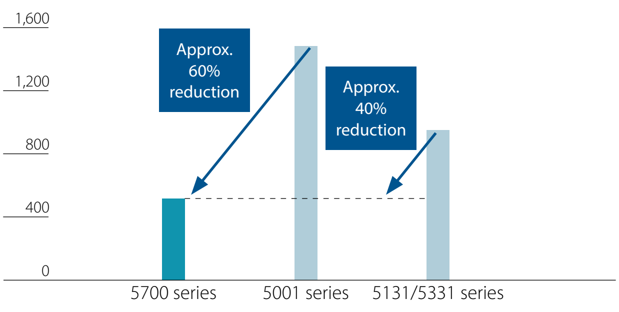
Since fiscal 2014, Hankyu Corporation has been steadily introducing 1000 series and 1300 series rolling stock to all of its railway lines. As well as more comfortable cabins, the new rolling stock features dramatically improved environmental performance. Further, in the summer of 2015, Hanshin Electric Railway introduced to local services new 5700 series rolling stock that benefits passengers and the environment. As a company responsible for urban transportation infrastructure, after confirming safety and reliability, we will incorporate leading-edge technology and advance the development of new rolling stock that realises comfortable cabins and energy-saving performance simultaneously.

Hankyu Corporation 1000 Series and 1300 Series Rolling Stock

Hankyu Corporation's new 1000 series and 1300 series rolling stock reduces noise within trains, making them more comfortable for passengers, and saves energy. Specifically, we adopted an adjustable voltage adjustable frequency (AVAF) inverter controller and, for the 1000 series, a totally enclosed, self-cooling-type permanent magnet synchronous motor. In addition, we introduced light-emitting diode (LED) lighting throughout, including cabin lighting, headlights, tail lights, and marker lights. As a result, the new rolling stock consumes approximately 50% less energy than the existing 5000 series rolling stock and about 20% less than the previous 9000 series and 9300 series rolling stock.

Hankyu Corporation 1000 series rolling stock

Comparison of annual power consumption



Hanshin Electric Railway 5700 Series Rolling Stock

On 24th August 2015, Hanshin Electric Railway began operating Jet Silver 5700 series rolling stock on local services to ensure worry-free, comfortable conditions inside trains and to save energy. Incorporating the latest technology, this new rolling stock has inherited many of the basic features of Jet Car rolling stock, including advanced acceleration and deceleration performance. The design of the new rolling stock reflects feedback from customers. We have arranged the seating partitions in a generous manner so that those sitting or standing are comfortable, included buttons for opening and closing doors to maintain a comfortable cabin temperature when trains are stationary, and introduced liquid crystal displays inside trains showing journey information. Further, we have reduced energy consumption roughly 60% versus standard local service rolling stock, which uses resistance control, by introducing the main circuit system that we adopted for Hankyu Corporation 1000 series rolling stock and by introducing LED lighting. The rolling stock has been very well-received, winning the Japan Railfan Club's 2016 Blue Ribbon Prize.

Hanshin Electric Railway 5700 series rolling stock


Seating partitions are arranged so that those sitting or standing are comfortable

Real Estate

Priority Tasks

1 Enhance appeal of and revitalise Umeda area and other areas served by our lines

- Promote Umeda 1-1 Project steadily (Dai Hanshin Building and Shin Hankyu Building rebuilding project)
- Enhance value of the Umeda area and other areas served by the Hankyu and Hanshin lines by planning and advancing new development projects and implementing plans for renewal of commercial facilities

2 Respond flexibly in anticipation of changes in business conditions for real estate sales business

- Plan and develop condominiums matching customer needs and advance business and sales in anticipation of changes in market conditions
- Develop detached houses in towns while marketing residential land lots steadily (Yamatedai, Nakajima, and Saito)
- Develop supply network and acquire business opportunities in Tokyo metropolitan area and increase brand recognition of *Geo* condominiums and *Hapia* detached houses

3 Grow the Group's Real Estate Business further through stable management of real estate funds and REIT businesses

- Pursue external growth of the Real Estate Business through linkage with Hankyu REIT Asset Management
- Increase fee-based revenues from asset and property management

4 Strengthen business in the Tokyo metropolitan area and develop businesses overseas

- Increase rental revenue over medium-to-long term by acquiring revenue-generating properties and participating in redevelopment projects in the Tokyo metropolitan area
- Accumulate business expertise by developing and owning logistics warehouses and participating in condominium businesses overseas

Basic Strategy

The Umeda area is the Hankyu Hanshin Holdings Group's most important business base. Centred on this area, the Real Estate Business will strengthen its management and operation of the real estate leasing business and maintain or improve the vacancy rates of owned properties. At the same time, we will enhance the entire area's appeal and ability to attract customers. Further, through the real estate sales business we will heighten the value of areas served by the Hankyu and Hanshin lines. Moreover, we are developing a presence in such new markets as the Tokyo metropolitan area and overseas markets to broaden earnings foundations.

Fiscal 2016 Review of Operations

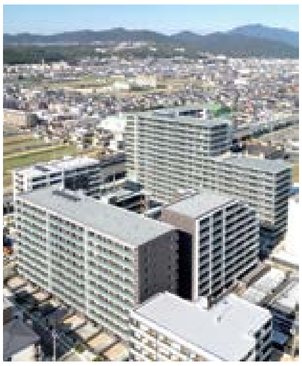
The Real Estate Business recorded year-on-year increases of 7.0%, or ¥14,479 million, in revenues from operations, to ¥220,923 million, and 34.1%, or ¥12,678 million, in operating income, to ¥49,851 million, due to the sale of land for facilities in the centre of Saito (Ibaraki, Osaka Prefecture).

Amid challenging business conditions, the real estate leasing business took a range of measures to increase the competitiveness of commercial facilities and office buildings and to maintain and raise their occupancy rates. For example, we began a new service based on a common cash point card, Hankyu Hanshin *Odekake* Card, which can be used in the Group's main shopping centres. Also, the business launched a website, Hankyu Hanshin Workers' Web, to provide information about various special offers and events aimed at those working in the main office buildings that the Group manages and operates. Further, in HERBIS Plaza, in Kita-ku, Osaka, we unveiled International Medical Square, an urban clinic mall that gives peace of mind to non-Japanese people who want to consult a doctor by offering services in English and Chinese as well as Japanese. In the Umeda area, in the centre of Osaka, we are proceeding with a large-scale development project, the Umeda 1-1 Project (Dai Hanshin Building and Shin Hankyu Building rebuilding projects) with a view to completing all construction in spring 2022. In July 2015, we began the new construction work of phase I.

In the real estate sales business, sales of condominiums* included *Geo* Hankyu Rakusaiguchi *North Residence / South Residence* (Muko, Kyoto), *Geo Tower* Minamihorie (Nishi-ku, Osaka), *Geo* Seishin Chuo (Nishi-ku, Kobe), and *Geo* Akasaka Tango-cho (Minato-ku, Tokyo). As for sales of residential land lots and detached houses, we sold Hankyu Takarazuka Yamatedai *Skyle* (Takarazuka, Hyogo Prefecture), Hankyu *Saito Garden Front* (Minoh, Osaka Prefecture), Osaka Nakajima Koen Toshi *Hapia Garden* (Nishi-Yodogawa-ku, Osaka), *Hapia Garden* Tarumi Kasumigaoka (Tarumi-ku, Kobe), and *Hapia Garden* Yokohama Yamate (Naka-ku, Yokohama).

* Condominium unit sales in the previous fiscal year (fiscal 2015) were 1,374 units. Condominium unit sales in the fiscal year under review (fiscal 2016) were 1,302 units. The number of condominiums sold (number of deliveries) includes units in shared buildings in which the Group only owns a portion of the units.

International Medical Square



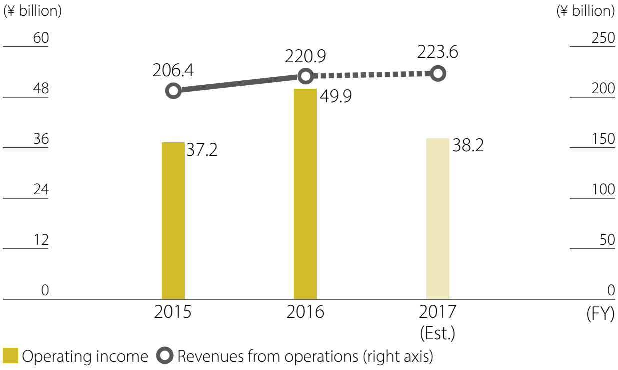
Geo Hankyu Rakusaiguchi *North Residence / South Residence*

Hankyu *Saito Garden Front*

Fiscal 2017 Outlook

We expect revenues from operations to grow 1.2%, or ¥2.7 billion, year on year, to ¥223.6 billion, as a result of higher earnings from sales of condominiums. However, we anticipate a 23.4%, or ¥11.7 billion, year-on-year decrease in operating income, to ¥38.2 billion, due to the absence of fiscal 2016's one-time factor: the sale of land for facilities in the centre of Saito (Ibaraki, Osaka Prefecture).

Real Estate Business: Outlook for revenues from operations and operating income



Development Projects of the Real Estate Leasing Business

Umeda 1-1 Project (Dai Hanshin Building and Shin Hankyu Building Rebuilding Project)

In accordance with the Medium-Term Management Plan, the Hankyu Hanshin Holdings Group is implementing a business strategy that will *enhance value of the Umeda area and other line-side areas.* A large-scale development project, the Umeda 1-1 Project, is a major pillar of this strategy. Aiming to complete the construction work of phase I in spring 2018 and all construction in spring 2022, we will rebuild the Dai Hanshin Building while continuing operations of Hanshin Department Store's Umeda Flagship Store, which occupies the building.

Even by the Umeda area's high standards, the Umeda 1-1 area has outstanding accessibility. Therefore, we plan to exploit the advantages of this location not only to build multipurpose buildings for commercial premises and offices but also to establish a conference zone that will invigorate businesses in the area by providing a venue for business-related information distribution, personnel development, and exchanges. Also, to improve pedestrian access to the area surrounding the location, we will strengthen the network of pedestrian routes on three levels—an aboveground level, an underground level, and a deck level.

Project summary

Location	1-1 Umeda, Kita-ku, Osaka
Site area	Approx. 12,200 square metres*
Total floor space	Approx. 260,000 square metres
Size	38 floors above ground and 3 below ground
Purpose	Department store, offices, halls, etc.
Planned total investment	¥89.7 billion
Construction completion	Around spring 2022

* Including 750 square metres of road between Dai Hanshin Building and Shin Hankyu Building

A rendering of the Umeda 1-1 Project upon completion

Kobe Hankyu Building, East Building Rebuilding Project and Nishinomiya Kitaguchi Hankyu Building (Provisional Name) Construction Project

The Group is rebuilding Kobe Hankyu Building, East Building and constructing Nishinomiya Kitaguchi Hankyu Building (provisional name) to enhance the appeal of line-side areas.

Kobe Hankyu Building, East Building is in Sannomiya, a railway hub in central Kobe. In the building, we plan to include commercial facilities, offices, and a REMM hotel. Under this brand, Hankyu Hanshin Hotels operates hotels that mainly comprise guest rooms for overnight stays. Further, we intend to establish an observation area at the top of the building, on the 29th floor, that will give visitors a breathtaking view of Kobe and its port. Also, for the office floors we plan to attract a centre for exchanges between industry and academia as a tenant. We are proceeding with this development plan to establish a landmark befitting central Kobe.

Kobe Hankyu Building, East Building Rebuilding Project summary

Location	4-2-1, Kanocho, Chuo-ku, Kobe
Purpose	Offices, hotel, commercial facilities, railway station
Site area	Approx. 7,100 square metres (including area under elevated railway tracks)
Total floor space	Approx. 29,000 square metres
Leasable area	Approx. 17,600 square metres
Number of floors	29 floors above ground and 3 below ground
Total investment	Approx. ¥23.2 billion
Scheduled opening	Spring 2021

A rendering of the Kobe Hankyu Building, East Building exterior upon completion

Nishinomiya Kitaguchi Hankyu Building (provisional name) gives direct access to the platforms of Nishinomiya-kitaguchi Station and is located at the exit providing access from the railway station to Hankyu Nishinomiya Gardens, one of the Group's multipurpose commercial facilities. We plan to leverage the outstanding convenience of this location to attract such tenants as restaurants, stores, financial institutions, and providers of educational or childcare services. Further, we will create a sense of unity by coordinating store management with Hankyu Nishinomiya Gardens and establishing in the new building a passage linking the railway station and Hankyu Nishinomiya Gardens. Through this development project, we aim to further invigorate the area around the railway station and create a city that people of all generations, including those bringing up children, want to live in long term.

Business Forays Overseas

In collaboration with the International Transportation Business, we develop and own logistics centres and sell condominiums and detached houses overseas. (For details, please see pages 32 to 34.)

Nishinomiya Kitaguchi Hankyu Building (provisional name) Project summary

Location	536, Takamatsucho, Nishinomiya
Purpose	Commercial facilities, facilities for service providers, passage
Site area	Approx. 3,800 square metres
Total floor space	Approx. 12,000 square metres (including approx. 460 square metres of floor space of facilities under elevated railway tracks)
Number of floors	10 floors above ground and 1 below ground
Total investment	Approx. ¥4.5 billion
Scheduled opening	Autumn 2018

A rendering of the Nishinomiya Kitaguchi Hankyu Building (provisional name) exterior upon completion

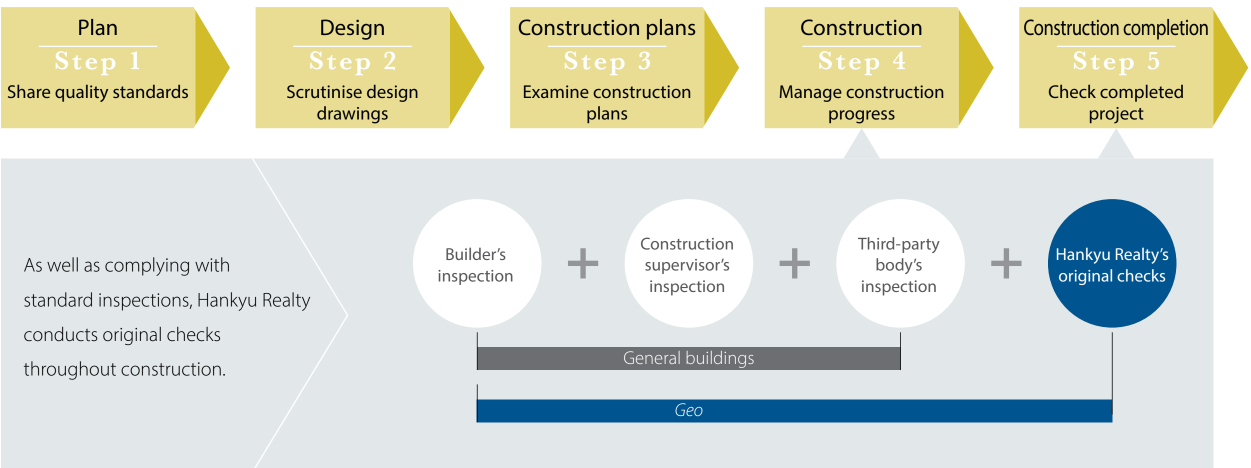
Real Estate Sales Business (Condominiums, Residential Land Lots, Detached Houses)

The real estate sales business sells condominiums, residential land lots, and detached houses.

The condominium business markets condominiums under the *Geo* brand. Involved in all aspects of operations, from development through to sales and management, we provide high-value-added condominiums in excellent locations mainly in areas served by the Hankyu and Hanshin lines but also in other parts of the Kansai area and in the Tokyo metropolitan area. For six consecutive years, *Geo* condominiums have received a Good Design Award from the Japan Institute of Design Promotion. Moreover, the results of questionnaires show the favourable reputation that the brand has established. In July 2016, we renewed the brand's advertising copy, and we are stepping up marketing aimed at reinforcement of the brand's high-end image. Further, we are forging ahead in accordance with the Group's growth strategy focused on developing a presence in new markets. For example, in April 2016 we reorganised to expand the condominium business in the Tokyo metropolitan area to integrate production, sales, and management.

A brand in the detached house sales field, *Hapia* has an impressive track record in the Kinki region and the Tokyo metropolitan area. We create comfortable homes through a system that integrates land acquisition, business advancement, and quality control.

Our quality control system's 5 steps



Entertainment and Communications

©Takarazuka Revue Company

Priority Tasks

1 Maximise value of Hanshin Tigers and Koshien brands and Takarazuka brand

- Improve appeal of live events (create superior attractions, train and acquire star talent, and increase appeal of live-event venues)
- Broaden fan base and improve customer retention (introduce customer relationship management and establish plan–do–check–act (PDCA) cycles, develop sales by taking maximum advantage of content appeal, and strengthen promotions through external media)
- Create value chain for live events, media, and secondary contents (enhance appeal of established media, broaden range of media channels)

2 Sustain growth of communications media

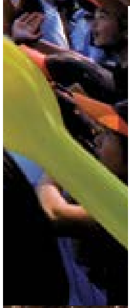
- Establish competitive advantage and retain customers in broadcast and communications business through marketing rooted in local communities and strengthening of the communication and media businesses
- Concentrate efforts on growth areas, expand in the Tokyo metropolitan area, and advance business growth through M&A in information services business

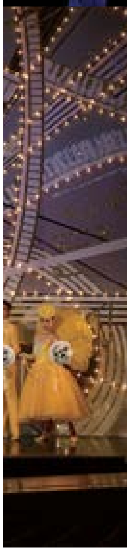
3 Use leisure resources effectively

- Make maximum use of Mt. Rokko's potential as a management resource

Basic Strategy

With loyal fans and fame not only in the Kansai area but also nationwide, the Hanshin Tigers and the Hanshin Koshien Stadium and the Takarazuka Revue contribute significantly to the enhancement of the Hankyu Hanshin Holdings Group's brand value as unique strengths that other companies in the industry do not possess. By continuing to develop powerful brands and high-quality performances that inspire and excite customers, we will enhance customer loyalty and maximise brand value.





Fiscal 2016 Review of Operations

In the Entertainment and Communications Business, revenues from operations edged down 0.1%, or ¥142 million, year on year, to ¥112,490 million, while operating income increased 2.1%, or ¥308 million, year on year, to ¥15,301 million. Although revenues declined due to the effect of divesting part of the publishing business on 1st October 2014, earnings rose thanks to the high capacity utilisation that respective performances in the stage businesses maintained following the 100th anniversary of the Takarazuka Revue in fiscal 2015 as well as a favourable performance by the communication and media businesses, which reflected more orders for systems development in the information services business.

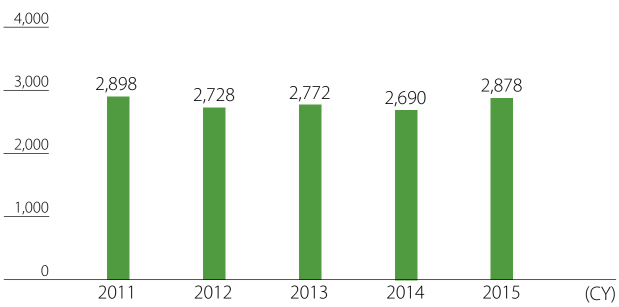
In the sports business, the Hanshin Tigers competed at the top of the league until the end of the regular season. Also, we marked the 80th anniversary of the team's establishment through the Yellow Magic Project, which held a range of different events that incorporated the team colours symbolically and proved popular. Further, on consecutive days large crowds of spectators flocked to the Hanshin Koshien Stadium, which celebrated the summer high school baseball tournament's centenary.

As for the stage businesses, all performances of the stage revue business were well-received. And, for the second time and for the first time in two years, we held performances in Taiwan, which were again a resounding success. Meanwhile, the theatre business produced a range of performances that attracted strong public interest. For example, we invited celebrated actors and associated personnel from Broadway to perform *Prince of Broadway*.

In the communication and media businesses, amid intense competition the broadcast and communications business sought to increase subscriber numbers by stepping up the marketing of discount plans for long-term cable television contracts and mobile phone set-menu contracts. Further, we obtained a license for local broadband wireless access services, established base stations and other infrastructure, and began providing services.

As for the leisure business, in the Mt. Rokko area, we attracted more customers through promotions integrating diverse content with the natural beauty of Mt. Rokko. These included a Midsummer Snow Festival and Rokko Meets Art Walk 2015.

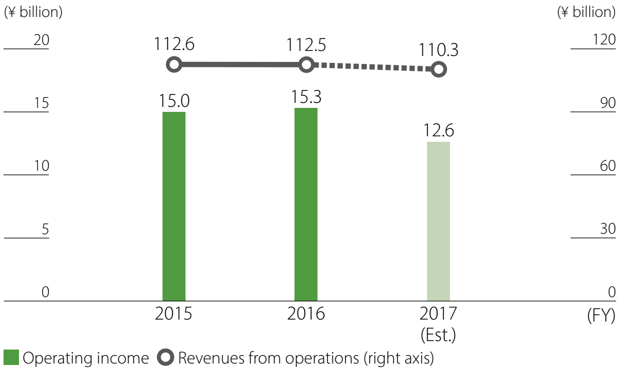
Total attendances at Hanshin Tigers home games



Fiscal 2017 Outlook

In the stage businesses, we expect the high level of capacity utilisation that has continued since the Takarazuka Revue's centenary to edge down and a decline in sales of related products. Also, we anticipate fewer performances because of work to renew the Tokyo Takarazuka Theatre's stage machinery. Regarding the sports business, earnings are likely to decline because the Hanshin Tigers will play fewer official games. As a result of the above, in fiscal 2017, ending 31st March 2017, the Entertainment and Communications Business is forecast to record year-on-year decreases of 2.0%, or ¥2.2 billion, in revenues from operations, to ¥110.3 billion, and 17.5%, or ¥2.7 billion, in operating income, to ¥12.6 billion.

Entertainment and Communications Business: Outlook for revenues from operations and operating income



Travel

Priority Tasks

1 Strengthen product planning

- Expand product lineup centred on original range of core brand travel packages
- Create products customers support, incorporate diversified marketing methods, and manage quality rigorously

2 Establish foundations of stable earnings

- Improve structure of back-office departments, strengthen marketing to groups, strengthen focus on tourists from overseas, and manage risk rigorously

3 Invest for the future

- Roll out products for individuals, strengthen bases of overseas subsidiaries, and develop diverse personnel for the future

Basic Strategy

In the Travel Business, the mainstay operating company is Hankyu Travel International, which promotes the *Trapics* brand and has earned customer endorsement for many years. As well as marketing travel packages through such traditional media as newspapers, the company has also been focusing efforts on mail-order sales and online sales in recent years. Through dynamic, high-paced marketing and product roll-outs that exploit the characteristics of mail-order sales and online sales, we are developing an extensive lineup of travel products that cater to diversifying travel demand.

Never resting on our laurels, we will continue to embrace change and improve our products even further to create travel products that reflect customer feedback and ensure we are a company society needs.

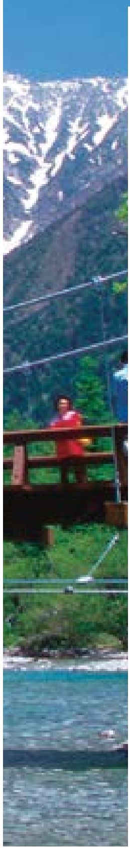
行きたい旅、見つかる。 trapics

見つけた！私だけの旅 e-very

旅、あなたにふさわしく Crystal heart

ともに、感動。深まる。 阪神航空 フレンドツアー

人生の一番いい時だから RC ロイヤルコレクション



Fiscal 2016 Review of Operations

Due to the significant effect of lower revenues from overseas travel products, the Travel Business recorded year-on-year decreases of 4.6%, or ¥1,462 million, in revenues from operations, to ¥30,502 million, and 44.5%, or ¥546 million, in operating income, to ¥680 million.

Demand for travel to North America remained steady. However, demand for travel to Europe declined amid challenging conditions stemming from yen depreciation and security concerns, exacerbated by the November 2015 terrorist attacks in Paris.

In domestic travel, demand for travel to the Hokushinetsu region strengthened thanks to extensive media coverage of the opening of the Hokuriku Shinkansen Line and related developments. Also, travel products planned and marketed through the use of regional revitalisation grants were well-received.

Further, for travel products for visitors to Japan, we steadily grew the number of overseas visitors to Japan using our travel products by stepping up marketing activities to tap demand as it continued to increase.

Total travel billings (FY2016)

Rank	Company name	¥ billion
1	JTB	1,583.3
2	KNT-CT Holdings	509.3
3	Rakuten Travel	488.5
4	HIS	428.5
5	Nippon Travel Agency	427.7
6	Hankyu Travel International*	335.8
7	JTB World Vacations	220.6
8	ANA Sales	205.0
9	JALPAK	179.5
10	Tobu Top Tour	148.1

Overseas travel billings (FY2016)

Rank	Company name	¥ billion
1	JTB	433.6
2	HIS	345.1
3	JTB World Vacations	220.6
4	Hankyu Travel International*	201.1
5	KNT-CT Holdings	144.1
6	Nippon Travel Agency	120.6
7	JTB Business Travel Solutions	57.1
8	JALPAK	56.3
9	Travel Plaza International	46.3
10	DeNA Travel	44.3

Domestic travel billings (FY2016)

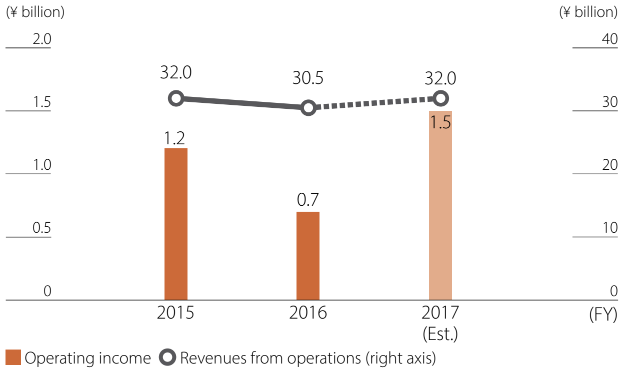
Rank	Company name	¥ billion
1	JTB	1,074.7
2	Rakuten Travel	465.2
3	KNT-CT Holdings	349.8
4	Nippon Travel Agency	276.1
5	ANA Sales	180.7
6	Hankyu Travel International*	132.5
7	JALPAK	123.2
8	Tobu Top Tour	108.1
9	JR TOKAI TOURS	97.0
10	Meitetsu World Travel	74.9

Source: Japan Tourism Agency Bulletin: Business Volume for Major Travel Agents (April 2015 to March 2016)
Note: Billings are rounded to the nearest ¥100 million.
* The total of Hankyu Travel International Co., Ltd., Hankyu Hanshin Business Travel Co., Ltd., and Hanshin Travel International Co., Ltd.

Fiscal 2017 Outlook

We expect higher demand for travel to various overseas regions with the exception of Europe. Also, we intend to leverage topical tourist resources to boost sales of domestic travel products. Consequently, we anticipate year-on-year increases of 4.9%, or ¥1.5 billion, in revenues from operations, to ¥32.0 billion, and 114.3%, or ¥0.8 billion, in operating income, to ¥1.5 billion.

Travel Business:
Outlook for revenues from operations and operating income



International Transportation

Priority Tasks

1 Reform to establish a balanced business portfolio

- Strengthen logistics and ocean transportation businesses
- Promote customer-focused marketing
- Expand into new markets
- Advance localisation

2 Develop and implement optimal measures for profit growth

- Japan: Enhance productivity and improve profit margin by reforming operational systems
- Overseas: Increase earnings through sales growth that matches market growth and through cost reductions
- Develop and market high-value-added services

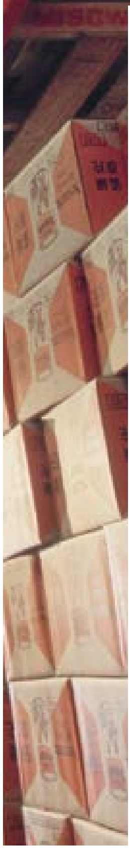
3 Ensure robust global governance

- Develop network of overseas bases further and advance capabilities for overall management
- Streamline operational functions and optimise headquarters in Japan
- Enhance personnel utilisation and motivation
- Build capabilities for overall global management
- Grasp and evaluate business results properly and reflect them in activities going forward

Basic Strategy

The Hankyu Hanshin Holdings Group's International Transportation Business began in 1948, when it became Japan's first International Air Transport Association (IATA) certified freight agency. The business developed a logistics business that offers services including air freight, sea freight, and product management. Since establishing a representative office in New York in 1961, the International Transportation Business has built a global network comprising 116 bases and spanning 26 countries and regions.

We aim to be an innovative logistics provider that offers progressive high-value-added services worldwide centred on Asia. Further, the International Transportation Business uses the global perspective and expertise that it has developed over many years to assist the Group's development of businesses overseas.

Fiscal 2016 Review of Operations

Due to lower revenues from subsidiaries in Japan, the International Transportation Business recorded year-on-year declines of 7.0%, or ¥2,760 million, in revenues from operations, to ¥36,658 million, and 41.4%, or ¥1,265 million, in operating income, to ¥1,788 million.

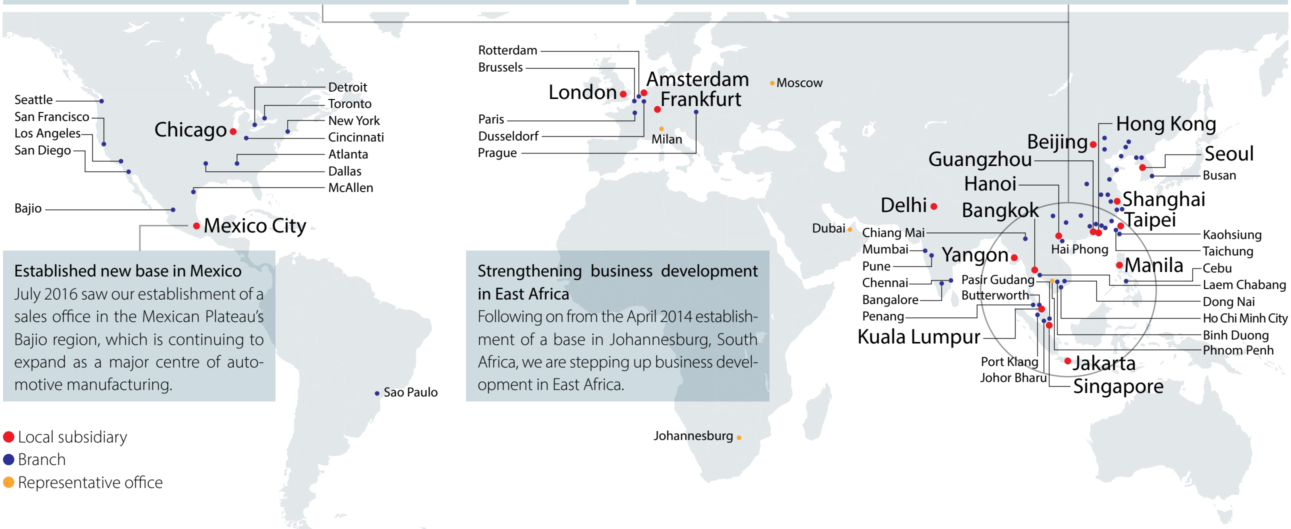
Subsidiaries in the Americas and Europe posted solid results, mainly supported by air transportation demand. However, the performances of subsidiaries in East Asia and the ASEAN region flagged as China's economy decelerated. Similarly, subsidiaries in Japan faced challenging business conditions amid a continued slump in demand for logistics services.

In response to these conditions, we expanded operations in East Asia and the ASEAN region, which promise growth, by opening a sales office in Pune, western India, and a representative office in Phnom Penh, Cambodia. Further, in Indonesia a Group company completed a logistics centre and began offering logistics and warehousing services in March 2016. The Group company was established through a joint investment by Hankyu Corporation, Hanshin Electric Railway Co., Ltd., and Hankyu Hanshin Express Co., Ltd. Related initiatives include a collaboration between the International Transportation and Real Estate businesses to build a logistics centre in Singapore. Upon completion, this logistics centre will be the Group's largest such facility and exploit the significant advantages that Singapore affords as an international logistics hub. Focusing on Asia, we will continue expanding our global network and strengthening logistics businesses. (For details about our logistics centres in Indonesia and Singapore, please see pages 32 and 33.)

Network of bases: 116 overseas bases (as of 1st July 2016)

Established new base in Cambodia
In July 2015, we opened a representative office in Phnom Penh, where many Japanese manufacturers are beginning to open overseas bases. Working with our subsidiaries in Thailand and Vietnam, the new office will conduct a market survey.

Construction of new logistics centres in the ASEAN region
Having completed the construction of a logistics centre in Indonesia's fast-growing market, we held a ribbon-cutting ceremony in April 2016. Also, we are building a large logistics centre in Singapore, Asia's logistics and information hub.



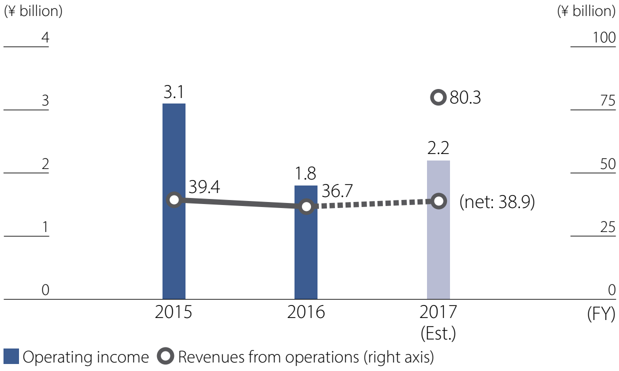
Established new base in Mexico
July 2016 saw our establishment of a sales office in the Mexican Plateau's Bajio region, which is continuing to expand as a major centre of automotive manufacturing.

Strengthening business development in East Africa
Following on from the April 2014 establishment of a base in Johannesburg, South Africa, we are stepping up business development in East Africa.

Fiscal 2017 Outlook

Given our expectation that subsidiaries in Japan will increase handling volume and improve profitability while overseas subsidiaries develop businesses in promising markets and capture further demand for logistics services in Asia, we anticipate revenues from operations of ¥80.3 billion (a year-on-year increase of 6.0%, or ¥2.2 billion, on a net basis). We also anticipate an increase of 22.2%, or ¥0.4 billion, in operating income, to ¥2.2 billion.

International Transportation Business: Outlook for revenues from operations and operating income



Note: As of fiscal 2017, revenues from operations will be presented on a gross basis rather than a net basis (total transactions net of freight costs).

Hotels

Priority Tasks

1 **Improve profitability of existing hotels**

- Maintain and enhance product value through appropriate investment

2 **Expand network by opening new hotels**

- Implement plan to open new REMM hotels centred on Tokyo metropolitan area

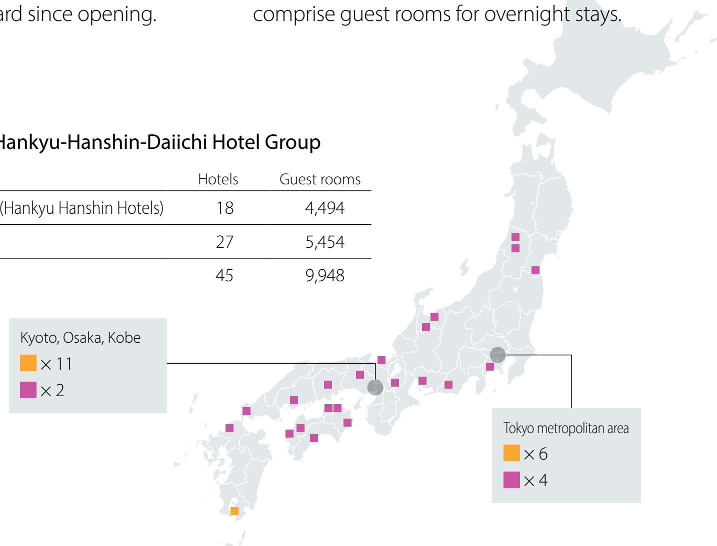
Basic Strategy

The Hankyu-Hanshin-Daiichi Hotel Group traces its origins to the opening of the Takarazuka Hotel in 1926. Today, we are one of Japan's leading hotel groups and manage many different types of hotels. Our chain comprises 45 hotels with 9,948 guest rooms as of 1st April 2016. In addition to above-mentioned hotels, The Ritz-Carlton, Osaka, which we manage through an alliance with a chain of luxury international hotels, has been held in high regard since opening.

The Hotels Business maximises the earnings of existing hotels by refurbishing guest rooms to maintain and enhance their product value, developing new sales channels in Japan and overseas, and implementing appropriate revenue management. At the same time, focusing on the Tokyo metropolitan area, the business is taking advantage of an increase in business opportunities by opening more REMM hotels, which mainly comprise guest rooms for overnight stays.

Hotel network of the Hankyu-Hanshin-Daiichi Hotel Group

	Hotels	Guest rooms
Directly managed hotels (Hankyu Hanshin Hotels)	18	4,494
Other (franchises, etc.)	27	5,454
Total	45	9,948

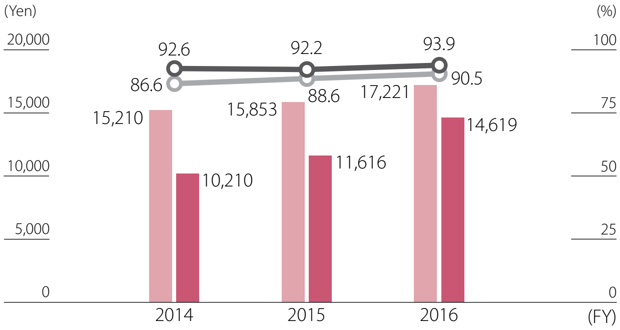


Fiscal 2016 Review of Operations

An increase in overseas visitors to Japan and solid domestic demand led to favourable business results, primarily in the accommodation and restaurant areas. Consequently, the Hotels Business achieved year-on-year growth of 7.9%, or ¥5,010 million, in revenues from operations, to ¥68,042 million, and 171.2%, or ¥2,082 million, in operating income, to ¥3,298 million.

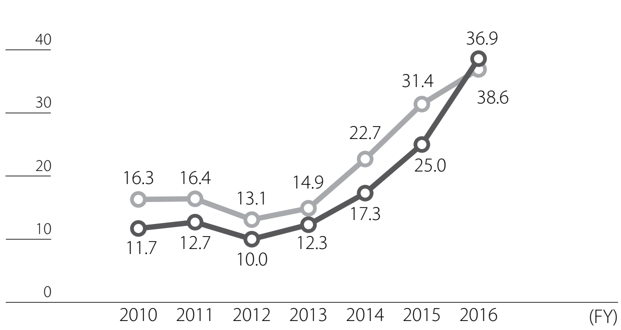
In fiscal 2016, we catered to diversifying customer needs by increasing twin-type guest rooms in Hotel Hanshin and other hotels. Further, we took various measures to strengthen the competitiveness of our hotels. For example, we refurbished guest rooms of Hotel new Hankyu Kyoto with the traditional charm of Kyoto and Japan as a motif. Also, we renewed restaurants in stages, including *La Paranza* of Dai-ichi Hotel Annex, *Grand Hakurakuten* and *Rainbow* of Hotel new Hankyu Osaka, *Nen* of Hotel Hanshin, and *Hanagatami* of The Ritz-Carlton, Osaka, as well as renewed the banquet halls of such hotels as Kichijoji Dai-ichi Hotel.

Average daily rates (ADR) and occupancy rates of Hankyu Hanshin Hotels in the Tokyo metropolitan area[1] and Kansai area[2]



Tokyo metropolitan area ADR ■ Kansai area ADR
○ Tokyo metropolitan area occupancy rate (right axis)
○ Kansai area occupancy rate (right axis)
1. Hotels in Tokyo metropolitan area excluding Hotel new Hankyu Tsukiji
2. Hotels in Kansai area including REMM Shin-Osaka, which opened in September 2012

Non-Japanese guests as a percentage of overnight-stay guests

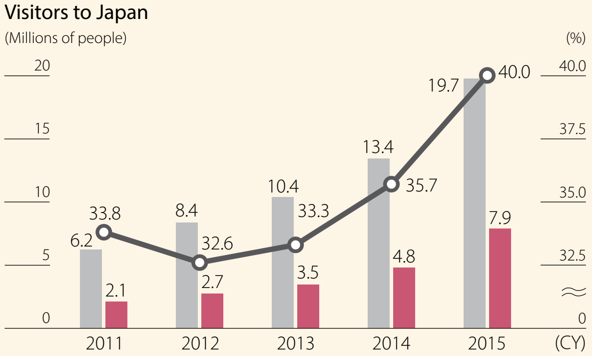


○ Tokyo metropolitan area ○ Kansai area

Fiscal 2017 Outlook

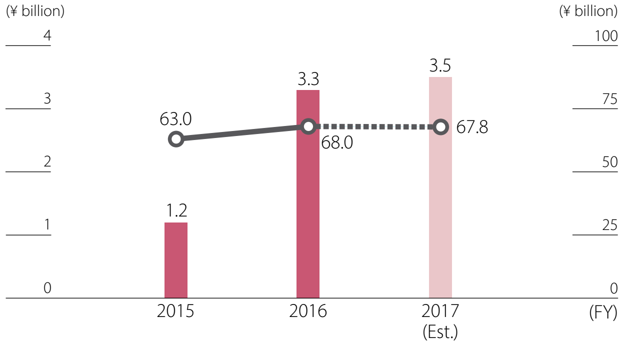
Although we envisage continued favourable trends in the accommodation area, we expect that withdrawal from the management of certain non-hotel restaurants will cause revenues from operations to edge down 0.3%, or ¥0.2 billion, year on year, to ¥67.8 billion. However, we anticipate a 6.0%, or ¥0.2 billion, year-on-year rise in operating income, to ¥3.5 billion, because more overseas visitors to Japan and firm domestic demand are likely to counteract costs and depreciation and amortisation arising from the opening of REMM Roppongi.

Visitors to Japan



■ Nationwide ■ Kansai area ○ Percentage visiting Kansai area (right axis)
Source: "Consumption Trend Survey for Foreigners Visiting Japan," Japan National Tourism Organization (JNTO), Japan Tourism Agency

Hotel Business:
Outlook for revenues from operations and operating income



■ Operating income ○ Revenues from operations (right axis)

Directors and Audit & Supervisory Board Members

(As of 30th June 2016)

Directors

Kazuo Sumi
President and Representative Director

1973 Joined Hankyu Corporation
2000 Director, Hankyu Corporation
2002 Managing Director, Hankyu Corporation
2003 President, Hankyu Corporation
2005 President, Hankyu Holdings
2006 President, Hankyu Hanshin Holdings (Current position)
2008 Director, Hankyu Hanshin Hotels (Current position)
2013 Director, Hankyu Travel International (Current position)
2013 Director, Hankyu Hanshin Express (Current position)
2014 Chairman, Hankyu Corporation (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)

Takehiro Sugiyama
Executive Vice President and Representative Director

1982 Joined Hankyu Corporation
2005 Director, Hankyu Corporation
2006 Director, Hankyu Holdings
2006 Director, Hankyu Hanshin Holdings
2007 Managing Director, Hankyu Corporation
2013 President, Kobe Electric Railway Co., Ltd.
2016 Executive Vice President, Hankyu Hanshin Holdings (Current position)
2016 Executive Vice President, Hankyu Corporation (Current position)
2016 Director, Hanshin Electric Railway (Current position)

Noriyuki Inoue
Director (External*)

1957 Joined Daikin Industries
1994 President, Daikin Industries
2002 Chairman and CEO, Daikin Industries
2003 Director, Hankyu Corporation
2005 Director, Hankyu Holdings
2006 Director, Hankyu Hanshin Holdings (Current position)
2014 Chairman of Daikin Industries and Chief Global Group Officer (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
2016 Senior Advisor, Kansai Electric Power (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
2008 Director, Hankyu Hanshin Hotels (Current position)
2008 Chairman, Hankyu Hanshin Department Stores
2015 Director and Senior Corporate Advisor, H_2O Retailing (Current position)
2015 Director and Senior Corporate Advisor, Hankyu Hanshin Department Stores (Current position)

Yoshishige Shimatani
Director (Part-time)

1975 Joined Toho
2011 President, Toho (Current position)
2015 Director, Hankyu Hanshin Holdings (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)
2015 Chairman, Hanshin Hotel Systems (Current position)

Yoshihiro Nakagawa
Director (Part-time)

1976 Joined Hankyu Corporation
2005 Director, Hankyu Corporation
2007 Managing Director, Hankyu Corporation
2013 Representative and Senior Managing Director, Hankyu Corporation
2014 President, Hankyu Corporation (Current position)
2014 Director, Hankyu Hanshin Holdings (Current position)

Ichiro Namai
Director (Part-time)

1971 Joined Hankyu Express International
2000 Director, Hankyu Express International
2008 Vice President, Hankyu Travel International
2008 Audit & Supervisory Board Member, Hankyu Hanshin Hotels (Current position)
2010 President, Hankyu Travel International
2013 Director, Hankyu Hanshin Holdings (Current position)
2014 Chairman, Hankyu Travel International (Current position)

Seisaku Okafuji
Director (Part-time)

1974 Joined Hankyu Express International
2005 Director, Hankyu Express International
2008 Director, Hankyu Express International
2009 Director, Hankyu Hanshin Express International
2010 President, Hankyu Hanshin Express International (Current position)
2013 Director, Hankyu Hanshin Holdings (Current position)

Mitsuo Nozaki
Director
In charge of Personnel and General Affairs Div.

1981 Joined Hankyu Corporation
2005 Director, Hankyu Corporation
2006 Director, Hankyu Holdings
2006 Director, Hankyu Hanshin Holdings (Current position)
2007 Managing Director, Hankyu Corporation
2013 Senior Managing Director, Hankyu Corporation (Current position)
2013 Chairman, Hankyu Hanshin Hotels (Current position)

Masao Shin
Director
In charge of Group Planning Div.
(Group Management Planning)

1981 Joined Hanshin Electric Railway
2006 Director, Hanshin Electric Railway
2006 Director, Hankyu Hanshin Holdings (Current position)
2008 Managing Director, Hanshin Electric Railway
2013 Audit & Supervisory Board Member, Hankyu Hanshin Hotels (Current position)
2014 Senior Managing Director, Hanshin Electric Railway (Current position)
2016 Director, Hankyu Corporation (Current position)

Naohisa Nogami
Director
In charge of Group Planning Div.
(Group Business Planning)

1982 Joined Hankyu Corporation
2007 Director, Hankyu Corporation
2013 Managing Director, Hankyu Corporation
2014 Senior Managing Director, Hankyu Corporation (Current position)
2014 Audit & Supervisory Board Member, Hankyu Travel International (Current position)
2014 Audit & Supervisory Board Member, Hankyu Hanshin Express (Current position)
2014 Director, Hankyu Hanshin Holdings (Current position)

Audit & Supervisory Board Members

Masayoshi Ishibashi
Standing Audit & Supervisory Board Member

1979 Joined Hanshin Electric Railway
2008 President and Representative Director, Hanshin Contents Link Corporation
2013 Standing Audit & Supervisory Board Member, Hankyu Hanshin Holdings (Current position)
2013 Standing Audit & Supervisory Board Member, Hanshin Electric Railway (Current position)

Koichi Kobayashi
Standing Audit & Supervisory Board Member

1982 Joined Hankyu Corporation
2005 Director, Hankyu Holdings
2006 Director, Hankyu Hanshin Holdings
2013 Director, Hankyu Corporation
2015 Managing Director, Hankyu Corporation
2016 Standing Audit & Supervisory Board Member, Hankyu Corporation (Current position)
2016 Standing Audit & Supervisory Board Member, Hankyu Hanshin Holdings (Current position)

Takaharu Dohi
Audit & Supervisory Board Member
(External**)

1958 Prosecutor
1996 Prosecutor-General (until 1998)
1998 Lawyer (Current position)
2002 Audit & Supervisory Board Member, Hankyu Corporation (Current position)
2005 Audit & Supervisory Board Member, Hankyu Holdings
2006 Audit & Supervisory Board Member, Hankyu Hanshin Holdings (Current position)

Haruo Sakaguchi
Audit & Supervisory Board Member (External**)

1958 Lawyer (Current position)
1989 Vice Chairman, Japan Federation of Bar Associations
2006 Audit & Supervisory Board Member, Hankyu Holdings
2006 Audit & Supervisory Board Member, Hankyu Corporation (Current position)
2006 Audit & Supervisory Board Member, Hankyu Hanshin Holdings (Current position)
2013 Audit & Supervisory Board Member, Hankyu Hanshin Hotels (Current position)

Junzo Ishii
Audit & Supervisory Board Member (External**)

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

** Mr. Takaharu Dohi, Mr. Haruo Sakaguchi, and Mr. Junzo Ishii satisfy the qualifications of external Audit & Supervisory Board Members 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) Audit & Supervisory Board members.

Management Organisation

Corporate Governance

X-X Figures in boxes correspond to the principles of Japan's Corporate Governance Code.

Basic Approach to Corporate Governance

Principles 2-1 2-2 3-1

Based on the Group mission and values set out in its Group Management Philosophy, the Company aims to remain a company that customers and other stakeholders trust. To this end, the Company is strengthening and increasing corporate governance by heightening the transparency and soundness of business management and ensuring appropriate, timely disclosure.

Reflecting this basic approach, the Company has established the policies below with a view to sustaining growth and enhancing corporate value over the medium-to-long term.

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

Corporate Governance System

Principles 4-1 4-10

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

Through this system, the Company realises supervision and oversight and enhances the overall governance of the Group by:

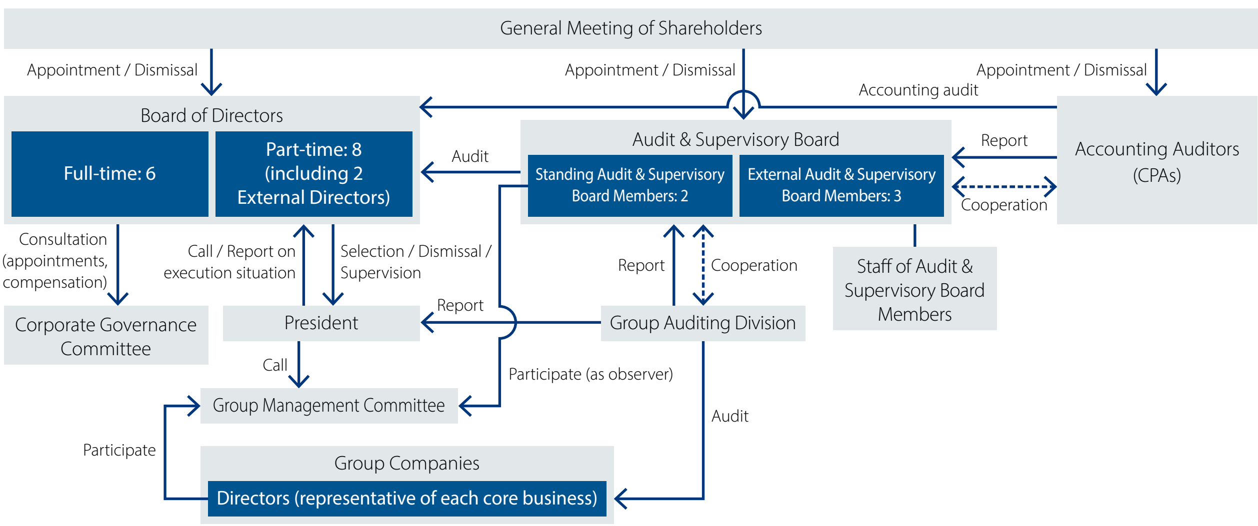
- **Making decisions regarding the Group's management policies and strategies,**
- **Deciding on the approval of the medium-term or annual management plans of all core businesses,**
- **Requiring timely submission of progress reports by operating companies, and**
- **Requiring Group companies to obtain approval before taking actions that affect the Group's management significantly (for example, investments above a certain threshold).**

With regard to the above matters, the Board of Directors, which includes external directors, makes approval decisions and receives reports. Moreover, to undertake preliminary reviews the Company has established a Group Management Committee, which includes representatives of the Group's core businesses.

Further, to ensure transparency in the appointment and compensation of the Company's directors and to facilitate coordination among external directors, the Group has established the Corporate Governance Committee, which comprises external directors and external Audit & Supervisory Board members who are independent of the Company; the president and representative director; and standing Audit & Supervisory Board members.

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

Corporate Governance System



Management Organisation

(1) Board of Directors and Directors

Principles 4-1 4-2 4-6 4-11

The Board of Directors enhances governance of the entire Group and oversight of respective companies by deciding on matters pursuant to statutory laws and regulations and the articles of incorporation based on regulations and standards that the Board of Directors has established, by deciding on the approval of management policies and strategies of the Company and the Group as well as the management plans of core businesses, and by requiring timely reporting from operating companies about Group companies' significant investments.

Further, the Company has raised the standard of decision making and strengthened oversight by appointing eight of its 14 directors as part-time directors, including two external directors who are independent of the Company and have abundant experience in corporate management.

Also, investigative interviews were conducted concerning the fiscal 2016 management of the Board of Directors, particularly with respect to the accountability and appropriateness of the conduct of meetings. As a result, the Board of Directors was found to be appropriately managed and effective overall. However, recommendations included increasing the provision of information about the individual management issues of Group companies. In light of this evaluation, the Company will enhance the Board of Directors' oversight and decision making even further.

Notes:

1. Number of members of the Board of Directors
   The articles of incorporation of the Company stipulate that the number of members of the Company's Board of Directors shall be three or more.
2. Requirements for the election of directors
   The articles of incorporation of the Company stipulate that the approval of resolutions for the election of directors shall require the attendance of shareholders that have at least one-third of the voting rights of shareholders for which voting rights can be exercised and shall require a majority of these voting rights. Further, the articles of incorporation stipulate that such resolutions shall not be approved through cumulative voting.

(2) Audit & Supervisory Board and Audit & Supervisory Board Members

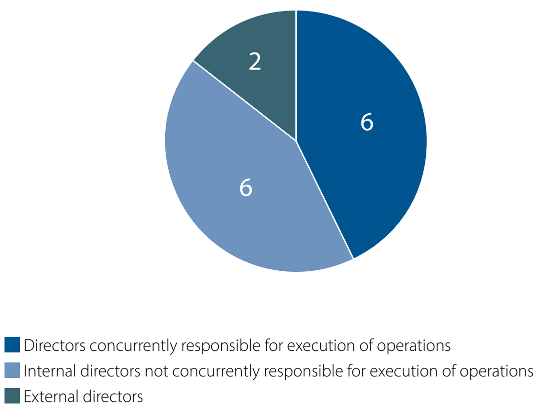
Principles 4-4

The Company adopts the Audit & Supervisory Board system to ensure adequate management oversight. We have five Audit & Supervisory Board members, who monitor the business operations and financial position of the Company and its subsidiaries, and audit the performance of duties by the directors. Three of the five Audit & Supervisory Board members 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 Audit & Supervisory Board members, for example by involving them in the Group Management Committee and other meetings within the Group. The Audit & Supervisory Board meets once a month, in principle, to discuss and pass resolutions on important matters.

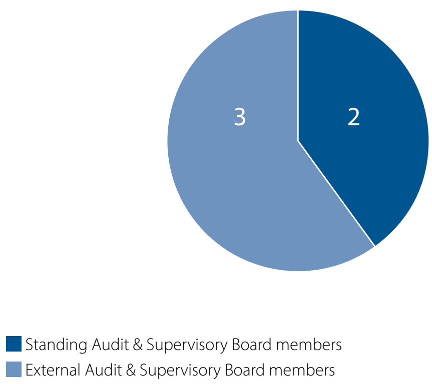
In addition, as part of the auditing of the Group's business operations, the Audit & Supervisory Board members peruse when appropriate auditing plans and results of audits of the Group Auditing Division, composed of internal audit staff. The Audit & Supervisory Board members also receive from the Group Auditing Division 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, the Audit & Supervisory Board members receive regular status reports from the accounting auditors (CPAs), and take part in on-site audits by the accounting auditors including those of Group companies.

Breakdown of the Board of Directors
(As of 14th June 2016)



Breakdown of the Audit & Supervisory Board
(As of 14th June 2016)



(3) Roles and Functions of External Directors and External Audit & Supervisory Board Members

Principles 4-7 4-9

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

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

Further, to ensure that it assesses the independence of external directors and external Audit & Supervisory Board members objectively, in light of the Tokyo Stock Exchange's independence requirements, the Company has established the Independence Criteria below.

Independence Criteria

To be deemed independent, external directors and external Audit & Supervisory Board members must not belong to any of the following categories.

1. Executing persons[1] of the Company's major shareholders (shareholders owning 10% or more of the Company's total voting rights)
2. Executing persons of entities for which the Company is a major business partner[2] or executing persons of the Company's major business partners
3. Consultants, accounting experts, or legal experts receiving significant amounts of money or property[3] from the Company that are other than executive compensation (or if a company, union, or other organisation receives the said property, this refers to persons belonging to the said organisation)
4. Persons[4] who have recently belonged to any of the categories (a) through (d) below
   (a) Persons stated in 1, 2, or 3 above
   (b) Executing persons of the Company's parent company or directors of the Company's parent company who are not executing persons
   (c) Audit & Supervisory Board members of the Company's parent company (This item applies when external Audit & Supervisory Board members are to be appointed as independent external Audit & Supervisory Board members.)
   (d) Executing persons of the Company's fellow subsidiaries
5. Close relatives (within the second degree of kinship) of any of the persons stated in (a) through (h) below (excluding persons who are not significant)
   (a) Persons stated in 1, 2, 3, or 4 above
   (b) Accounting advisors of the Company (This includes employees conducting required duties if the said accounting advisor is a company. Same hereinafter.) (This item applies when external Audit & Supervisory Board members are to be appointed as independent external Audit & Supervisory Board members.)
   (c) Executing persons of the Company's subsidiaries
   (d) Accounting advisors of the Company's subsidiaries or directors of the Company's subsidiaries who are not executing persons (This item applies when external Audit & Supervisory Board members are to be appointed as independent external Audit & Supervisory Board members.)
   (e) Executing persons of the Company's parent company or directors of the Company's parent company who are not executing persons
   (f) Audit & Supervisory Board members of the Company's parent company (This item applies when external Audit & Supervisory Board members are to be appointed as independent external Audit & Supervisory Board members.)
   (g) Executing persons of the Company's fellow subsidiaries
   (h) Persons who have recently belonged to the categories (b) through (d) above or who have been executing persons of the Company (This includes directors who are not executing persons when external Audit & Supervisory Board members are to be appointed as independent external Audit & Supervisory Board members.)
6. Executing persons of the Hankyu Hanshin Toho Group

1. Executing persons refers to executive directors, executive officers, corporate officers, managers, and other employees.
2. Major business partners refers to entities belonging to any of the following categories.
   (1) Entities that in their most recent fiscal year have received payments equivalent to 2% or more of total annual consolidated sales from the Company or its core companies (Hankyu Corporation, Hanshin Electric Railway Co., Ltd., Hankyu Travel International Co., Ltd., Hankyu Hanshin Express Co., Ltd., Hankyu Hanshin Hotels Co., Ltd.)
   (2) Entities that in the Company's most recent fiscal year have made payments to the Company or its core companies equivalent to 2% or more of total annual consolidated sales
   (3) Regardless of (1) and (2) above, entities that, in relation to financial institutions from which the Company borrows funds, are indispensable in fund-raising of the Company and upon which it is reliant to the extent that there are no substitutes for the said entities
3. Significant amounts of money or property refers to money or property equivalent to an average of ¥10 million or more per year over the previous three fiscal years.
4. "Persons who have recently belonged to any of the categories (a) through (d) below" refers to persons who can be deemed equivalent to persons who at present materially belong to any of the categories (a) through (d). For example, this includes persons who belong to any of the categories (a) through (d) when the General Meeting of Shareholders approves resolutions appointing the said independent Board members as external directors or external Audit & Supervisory Board members.

(4) Policies and Procedures for the Appointment of Directors and Audit & Supervisory Board Members

Principles 3-1

Policy for the Appointment of Directors

As well as appointing executive directors who are thoroughly familiar with the Group's businesses, the Company appoints as directors the representatives of each core company to reflect the viewpoints of each core business in business management. Further, to strengthen collaboration in the Hankyu Hanshin Toho Group, the Company appoints directors from H_2O Retailing Corporation and Toho Co., Ltd. In addition, to raise the standard of decision making and strengthen oversight, the Company appoints independent external directors who have abundant experience and expertise.

Policy for the Appointment of Audit & Supervisory Board Members

To ensure Audit & Supervisory Board members conduct audits effectively and efficiently, the Company has established the Audit & Supervisory Board and appoints internal standing Audit & Supervisory Board members and external Audit & Supervisory Board members. The Company appoints internal Audit & Supervisory Board members who have appropriate expertise in finance, accounting, or law and abundant experience in business fields. Also, the Company appoints external Audit & Supervisory Board members who are independent of the Company and have abundant experience and expertise.

Appointment Procedure

Following consultation with the Corporate Governance Committee, the Board of Directors decides on the appointment of candidates for the positions of Audit & Supervisory Board member and director based on the abovementioned appointment policies.

Positions Held Concurrently by Audit & Supervisory Board Members and Directors

Principles 4-11

Name	Positions held concurrently at other listed companies
Kazuo Sumi	Director, H_2O Retailing Corporation External director (Audit & Supervisory Board member, etc.), Toho Co., Ltd. External director, Tokyo Rakutenchi Co., Ltd.
Shinya Sakai	External director, Asahi Broadcasting Corporation External director, Sanyo Electric Railway Co., Ltd.
Noriyuki Inoue	Chairman and Chief Global Group Officer, Daikin Industries, Ltd. External director, Kansai Electric Power Co., Inc.
Shosuke Mori	Senior advisor, Kansai Electric Power Co., Inc. External director, ANA HOLDINGS INC. External director, The Royal Hotel, Ltd.
Shunichi Sugioka	Director and senior advisor, H_2O Retailing Corporation
Yoshishige Shimatani	President and representative director, Toho Co., Ltd. External director, Tokyo Rakutenchi Co., Ltd.
Takaoki Fujiwara	External director, Shinki Bus Co., Ltd.
Naohisa Nogami	External director (Audit & Supervisory Board member, etc.), OS Co., Ltd. External Audit & Supervisory Board member, Tokyo Rakutenchi Co., Ltd.
Takaharu Dohi	External Audit & Supervisory Board member, etc., Sekisui House, Ltd. External Audit & Supervisory Board member, etc., Kansai Electric Power Co., Inc.
Junzo Ishii	External Audit & Supervisory Board member, etc., Rengo Co., Ltd.

Relations with External Directors

Principles 3-1

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

Relations with External Audit & Supervisory Board Members

Principles 3-1

Name	Reasons for appointment
Takaharu Dohi (Independent Board Member)	Former prosecutor-general, currently a lawyer. Appointed to advise on more compliance-based management and for his ability to provide independent input.
Haruo Sakaguchi (Independent Board Member)	Currently a lawyer. Appointed to advise on more compliance-based management and for his ability to provide independent input.
Junzo Ishii (Independent Board Member)	Former Professor of Business Administration within the Graduate School of Kobe University and former President of the University of Marketing and Distribution Sciences. Appointed for his ability to express useful opinions based on his high-level specialist expertise in business administration and for his ability to provide independent input.

Attendance at Meetings of the Board of Directors and the Audit & Supervisory Board (Figures for Fiscal 2016)

External Directors

Name	Attendance at meetings of the Board of Directors
Noriyuki Inoue	Attended 8 of 10 meetings
Shosuke Mori	Attended all 10 meetings

External Audit & Supervisory Board Members

Name	Attendance at meetings of the Board of Directors	Attendance at meetings of the Audit & Supervisory Board
Takaharu Dohi	Attended all 10 meetings	Attended all 12 meetings
Haruo Sakaguchi	Attended all 10 meetings	Attended all 12 meetings
Junzo Ishii	Attended 9 of 10 meetings	Attended 11 of 12 meetings

Other Deliberative Bodies

(1) Group Management Committee

The Group Management Committee comprises full-time directors—the president, representative directors, the head of the Personnel and General Affairs Division, and the head of the Group Planning Division—and representatives of each core business. The committee convenes to deliberate and decide on the approval of resolutions of the Board of Directors; the management strategies and business plans of Group companies; systems and rules for maintenance of the holding company system; and significant Group management matters, such as investments above a certain threshold and reorganisation.

(2) Core Business Strategy Councils

Each core business has a Core Business Strategy Council, comprising the Company's president, representative directors, and the director in charge of the Group Planning Division as well as representatives of each core business. In relation to respective core businesses, the councils deliberate significant matters concerning future business development as well as the preparation and progress management (performance evaluation) of business plans.

(3) The Group Presidents' Meeting—Initiatives to Foster Solidarity within the Group

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

Number of Meetings of Deliberative Bodies Held (Figures for Fiscal 2016)

Group Management Committee	15 meetings
Core Business Strategy Councils	2 meetings
The Group Presidents' Meeting	2 meetings

Compensation of Directors

Principles 3-1

(1) Policy

The Company's compensation system for directors motivates them to enhance the Company's enterprise value and business performance. Compensation comprises two elements: basic monetary compensation paid according to position and compensation linked to business performance.

However, the compensation of external directors and other part-time directors only comprises monetary compensation paid based on the type of duties positions entail.

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

Further, stock options are granted to directors who concurrently serve as directors of Hankyu Corporation and Hanshin Electric Railway Co., Ltd., as part of compensation from the Company. Thus, as with other shareholders, directors who concurrently serve as directors of these two core companies of the Group benefit if share prices rise but incur losses if they decline. The intention of the system is to motivate directors to improve companies' business performances and thereby enhance the enterprise value of the entire Group over the medium-to-long term.

(2) Procedure

Following consultation with the Corporate Governance Committee with respect to the compensation system and content of compensation, the Board of Directors decides on compensation based on the abovementioned policy.

(3) Compensation Paid to Directors and Audit & Supervisory Board Members

Category	No. of recipients	Total paid out in fiscal 2016 (Millions of yen)
Directors (external)	14 (2)	118 (18)
Audit & Supervisory Board Members (external)	5 (3)	17 (6)
Total (external)	19 (5)	135 (24)

Notes

1. Recipients of compensation in fiscal 2016 include one director who retired at the conclusion of the General Meeting of Shareholders held on 16th June 2015.
2. In addition to the above, compensation received by external directors and external Audit & Supervisory Board members from subsidiaries of the Company for their duties as directors and Audit & Supervisory Board members amounted to ¥27 million for fiscal 2016.
3. Of the Company's full-time directors and Audit & Supervisory Board members, directors Kazuo Sumi, Mitsuo Nozaki, and Naohisa Nogami and Audit & Supervisory Board member Tsunenori Kawashima are also senior officers of the Company's subsidiary Hankyu Corporation. Directors Shinya Sakai and Masao Shin and Audit & Supervisory Board member Masayoshi Ishibashi are also senior officers of the Company's subsidiary Hanshin Electric Railway Co., Ltd. The abovementioned persons received additional compensation from the abovementioned companies.

Shares Held for Strategic Reasons

Principles 1-4

The Company acquires shares held for strategic reasons with a view to building relationships of trust with various stakeholders and enhancing corporate value over the medium-to-long term by maintaining business relationships or strengthening collaborations with partner companies and maintaining relationships with regional companies. In exercising voting rights associated with the shares, the Company's criterion is whether proposals will contribute to the enhancement of the investee's corporate value over the medium-to-long term. Further, from fiscal 2017 onward the Board of Directors will verify the economic rationality and aims of owning shares held for strategic reasons.

Introduction of Measures to Prevent Takeovers

Principles 1-5

The Company aims to secure and further enhance its enterprise value and the common interests of its shareholders. To this end, conducting business operations from a medium-to-long-term perspective, building and maintaining a relationship of trust with local government institutions and residents in the areas served by the Company's railway lines, and conducting business management that is focused on strengthening cohesion and collaboration within the Group to enhance its collective strength are indispensable. For this reason, we have introduced measures to prevent a takeover of the Company. In the event of the appearance of a potential buyer of the Company that wishes to raise their stake to 20% or more of the Company's outstanding shares, to confirm the potential buyer's intention, new share subscription rights will be granted to shareholders who are de facto shareholders other than the potential buyer. The General Meeting of Shareholders held on 16th June 2015 approved this system, which will remain in effect for three years.

For more details about the Company's basic policies regarding governance of joint-stock companies, which include the abovementioned measures to prevent takeovers, please see: http://www.hankyu-hanshin.co.jp/ir/library/others/data/bouei.pdf (Available only in Japanese).

Dialogue with Shareholders and Investors

Measures to Enhance the Effectiveness of the Company's General Meeting of Shareholders and Facilitate the Exercise of Voting Rights

Principles 1-2

	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, the Company sends out notices of convocation at the earliest possible date. For the General Meeting of Shareholders held in June 2016, the Company sent out notices of convocation on 24th May 2016, 21 days before the meeting.
Avoidance of the "busiest day" for shareholder meetings	To enable as many shareholders as possible to attend its General Meeting of Shareholders, the Company held its 2016 General Meeting of Shareholders on 14th June 2016, 15 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 the Company's General Meeting of Shareholders to exercise their voting rights and to make voting more convenient, the Company accepts votes exercised via the Internet. Also, the Company participates in the electronic voting platform operated by ICJ Inc.
Other	On its website, the Company posts notices of convocation of the General Meeting of Shareholders and notices of resolutions passed at the meeting in Japanese and English.

Investor Relations Activities

Principles 5-1

The director in charge of the Group Planning Division is responsible for and exercises overall control of general investor relations activities. The Group Planning Division has an investor relations manager and promotes cohesive investor relations activities by sharing information regularly with divisions responsible for finance and accounting, general and legal affairs, and public relations.

As a rule, twice a year in Japan the Company holds briefings on earnings results for analysts and institutional investors, in which the president explains earnings results and business plans.

The Company is increasing and improving disclosure via its website (http://www.hankyu-hanshin.co.jp/ir/) by posting a range of documents that aid investment decisions, such as earnings results, securities reports, timely disclosure documents, and documents from briefings on earnings results. (Most of these documents are in Japanese.) Also, for individual investors the website includes an overview of the Group and its competitive advantages.

In addition, as required, the Company organises interviews with shareholders and institutional investors that are primarily themed on the enhancement of corporate value over the medium-to-long term. In principle, the investor relations manager participates in these interviews. However, in light of the number of shares that shareholders own or their areas of interest, directors responsible for other areas of the Company participate as required. Further, the investor relations manager prepares reports, as required, that are based on feedback from the interviews, including opinions stated or summaries of questions and answers, and submits them to the senior management team.

Number of interviews in fiscal 2016: 148

Internal Control System

Principles 2-1 2-2 4-3

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

- A Group Management Philosophy was compiled following the management integration of Hankyu Holdings, Inc., and Hanshin Electric Railway Co., Ltd., along with a Group mission (what we are trying to achieve), statement of values (what we consider important), and a code of conduct (what actions to take to realise them). We ensure that all employees from executive down understand them.
- We ensure compliance-focused management by compiling and distributing a Compliance Manual, and have established a dedicated whistle-blowing system. (For further information on the Company's compliance activities, please refer to the following section.)
- We have established the Group Auditing Division, 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 the Hankyu Hanshin Holdings Group and all its operating companies.
- To create a structure for ensuring appropriate operations, the Group vests Audit & Supervisory Board members of each Group company with authority not only in accounting but also in operational audits, and at the same time provides guidance to smaller Group companies on Board of Directors' resolutions for the creation of an internal control system.
- Audit & Supervisory Board members and the Group Auditing Division 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 divisions.
- 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.

Compliance

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

Compliance Manual and Training Programmes

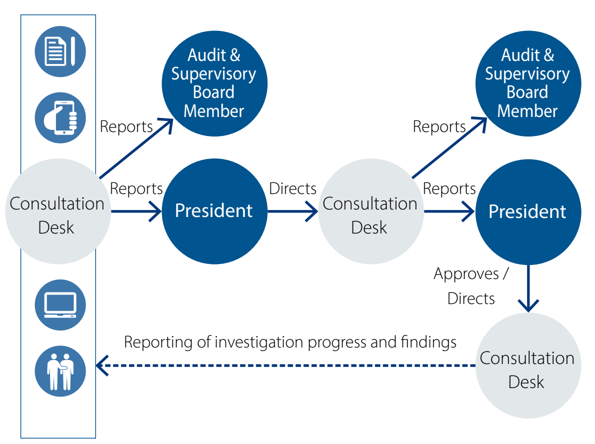
The Company's Compliance Manual and Compliance Card express the determination of the Company not to tolerate violation of laws or social norms or betrayal of customer trust by any of its Group companies' approximately 22 thousand officers and employees. It also aims to raise awareness by pointing out cases where compliance errors can easily be made. The Company provides intensive compliance training on a Groupwide basis for new employees, mid-career hires, and newly appointed executives. In addition, all Group companies arrange their own training programmes tailored to job grade and function, with the aim of further increasing compliance awareness.

Corporate Ethics Consultation Desk (Internal Whistle-Blower Procedures)

Principles 2-5

We have set up a dedicated whistle-blower 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.

Corporate Ethics Consultation Desk

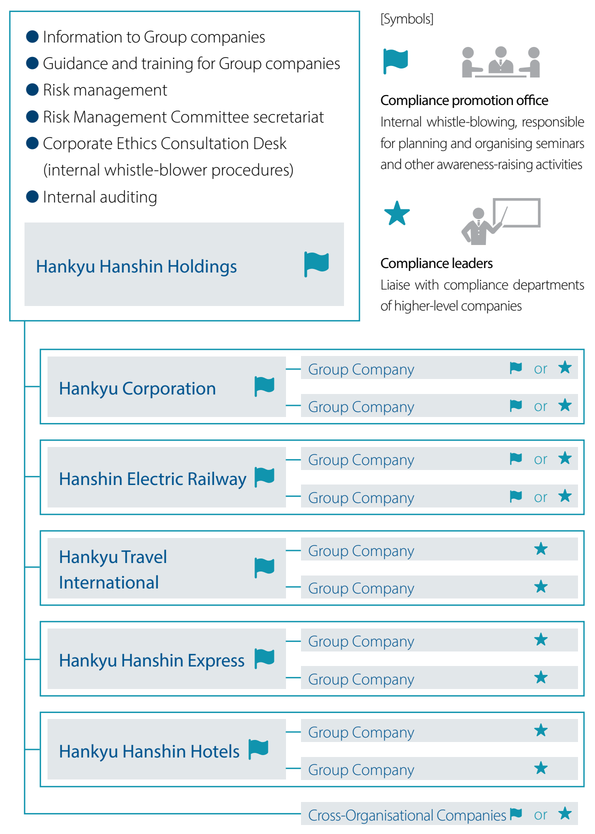


Establishment of Risk Management Committees

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 Travel International Co., Ltd., Hankyu Hanshin Express Co., Ltd., and Hankyu Hanshin Hotels Co., Ltd. At other companies we are appointing "compliance leaders," to ensure our response is on a Groupwide basis.

Overview of Group Compliance



Risk Management

Principles 4-3

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 abovementioned 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 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 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 railway business staff, and share and analyse data. Such painstaking efforts to forestall even one human error are one of the building blocks on which the Company ensures safety of operations and meets public expectations.

Pages 68 to 72 explain measures to ensure the safety of the railway business of Hankyu Corporation and Hanshin Electric Railway Co., Ltd.

Principal Risks and Countermeasures

The Hankyu Hanshin Holdings Group's approaches to risks related to businesses and other risks that may be of concern to investors are stated below.

Further, forward-looking statements in this report reflect the Group's assessments as of 31st March 2016. Moreover, these statements do not negate the possibility of the said risks affecting the Group's business results or financial position.

Principal risks	The Group's countermeasures
Risks related to economic conditions	
■ Borrowing rates could increase due to changes in financial markets or fund-raising from markets could become difficult. ■ Sudden changes in financial markets could affect the Group's business results or financial position.	■ The Group limits exposure to the risk of interest rate increases by giving priority to the undertaking of long-term loans with fixed interest rates. ■ The Group secures financing by establishing backup lines of credit based on commitment lines set up with correspondent financial institutions.
■ Changes in the economic climate could cause exchange rate volatility. ■ Greater-than-expected volatility could affect the Group's business results or financial position.	■ The Group uses forward exchange contracts, currency swap contracts, and currency option contracts to mitigate exchange rate fluctuation risk associated with certain foreign currency-denominated monetary payables and receivables. Further, the Group's overseas sales were less than 10% of consolidated revenues from operations as of 31st March 2016.
Risks related to businesses	
■ The further aging of society is expected to increase capital investment for safety countermeasures and construction to make facilities barrier-free. ■ Due to population decline resulting from lower birthrates, the Group's railways, buses, and taxis could see demand for passenger transportation decrease. Also, demand could decrease in other business.	■ Through continuous initiatives to heighten the value of the Umeda area and other areas served by the Hankyu and Hanshin lines, the Group creates line-side areas in which people want to live in long term or visit frequently. ■ The Group has set its sights on growing by developing such new markets as the Tokyo metropolitan area market and overseas markets. For details about business strategies for medium-to-long-term growth, please see pages 18 to 21.
■ An accident in the railway business could cause customers great suffering.	■ The Group is keenly aware that being entrusted with passengers' lives is a serious responsibility. Therefore, placing first priority on ensuring the safety of customers is the basis of its business management. ■ Based on its strong commitment to putting customers first and giving the highest priority to safety, the Group is implementing a wide range of measures to upgrade tangible and intangible infrastructure and provide customers with improved safety. For details about safety measures in the Urban Transportation Business, please see pages 68 to 72.
■ Power supply shortages could disrupt train operations and other services. Also, higher electric utility rates could increase power and other costs.	■ The Group is steadily introducing energy-saving equipment to curb power consumption as much as possible. ■ The Group takes rigorous measures to ensure employees are aware of the importance of cost reductions. For details about the introduction of energy-saving rolling stock in the Urban Transportation Business, please see page 43.

Principal risks	The Group's countermeasures
■ A loss of trust in the quality and safety of products and services that the Group sells and offers or in the information it provides about them could lower revenues and lead to a deterioration in business results.	■ The Group ensures the quality and safety of its products and services and the appropriateness of the information it provides about them by confirming compliance with relevant laws and regulations and checking quality and hygiene management and food labelling.
■ Natural disasters, such as earthquakes, typhoons, or floods, or acts of terrorism could significantly damage the Group's businesses or transportation network infrastructure.	■ In the areas alongside their railway lines, Hankyu Corporation and Hanshin Electric Railway have installed water meters for rivers and rain and wind gauges for collecting observation data. Also, they use real-time information from meteorological observatories to ensure safe train operations. ■ If seismographs detect an earthquake with a seismic intensity of four or above, or if earthquake early warning systems forecast an earthquake of the same seismic intensity, the Group immediately begins procedures for the emergency suspension of the operations of all trains on line segments in earthquake zones. ■ If the Group recognises that continued vigilance is required with respect to acts of terrorism or other acts, or if suspicious items or persons are discovered or damage is incurred, it conducts crisis management appropriate to the threat level. ■ The Group has established emergency response systems for minimising the effect on society in the unlikely event of an incident that causes a long disruption to transportation services or results in a large number of casualties.
■ An outbreak or epidemic of an infectious disease such as severe acute respiratory syndrome (SARS) or a new strain of influenza could restrict economic activities or discourage customers from going out.	■ In preparation for the spread of an infectious disease, such as a new strain of influenza, the Group's core companies have directed the establishment of business continuity plans for each business division. During the outbreak of a new strain of influenza in 2009 and 2010, the Group minimised the effect on its businesses by determining the level of risk through ongoing surveys of each business division in relation to infection rates among employees and their families. ■ In the railway business, which provides a particularly important part of society's transportation infrastructure, the Group has established specific response plans in advance. For example, it has prepared multiple timetables based on scenarios envisaging shortages of transportation personnel due to the sudden spread of an infectious disease.

For further information on risks related to businesses and other risks, please see page 77.

Safety Initiatives in the Railway Business

Safety Policy and Safety Objective

The shared mission of Hankyu Corporation and Hanshin Electric Railway is to ensure the absolute safety of railway transportation. All day-to-day safety enhancement measures as well as measures to ensure safety in emergencies reflect the safety policy and safety objective below.

Hankyu Corporation

Safety Objective

• Maintaining the elimination of accidents for which we bear responsibility

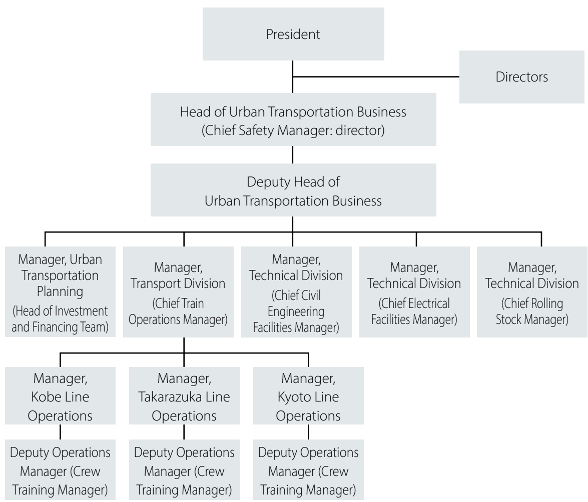
For the fiscal years from fiscal 2016 onward, we again set *elimination of accidents for which we bear responsibility* as our safety objective. This has been our safety objective since 2006, and we will continue to do our utmost to achieve it.

Safety Policy and Safety Priority Measures

Provide safe, high-quality transportation services that fully justify public trust—Hankyu Corporation: *Safety and comfort*

1. Promote awareness to prevent accidents caused by customers
2. Prevent accidents by using accident precursor information and accident examples
3. Upgrade and introduce equipment and facilities to realise even safer railways
4. Identify risks that threaten business continuity and prepare and implement countermeasures
5. Conduct highly effective training to realise rapid, reliable emergency responses
6. Facilitate transition to new Total Traffic Control (TTC) system and enhance emergency responses that are compatible with the new system
7. Conduct training to heighten employees' safety awareness even further
8. Continue training aimed at ensuring personnel development and the passing on of skills
9. Establish workplaces with an open atmosphere

Safety Management System



The Safety Management Promotion Committees

Positions and Roles

◎ President

The President determines the implementation, management organisation, and rules of the railway business. In addition, when formulating the Medium-Term Management Plan, which includes facilities and transportation, personnel, investment, and budget, the President verifies and ascertains the situation from the perspectives of safety and feasibility and instructs on improvements.

◎ Chief Safety Manager

In order to prioritise securing the safety of railway facilities and rolling stock and the handling of operations, and to control and manage transportation operations in each division, the Chief Safety Manager works to disseminate safety management regulations and to ensure compliance with related laws and ordinances; to increase awareness of safety as the Group's most important priority; to confirm the implementation of transportation operations, management conditions, and the progress made in implementing the safety improvement measures stipulated in the Medium-Term Management Plan; and to implement improvement measures.

◎ Chief Train Operations Manager

The Chief Train Operations Manager manages operations-related duties, including utilising the employees involved in operations, railway facilities, and rolling stock; setting and revising the operations plan; managing train crews, the operations of rolling stock, and train operations; and providing training for train crews and maintaining their capabilities.

◎ Chief Crew Training Manager

Based on the instructions and orders of the Chief Train Operations Manager, the Chief Crew Training Manager maintains and manages the capabilities of train crews and periodically confirms and submits reports on the progress being made in improving their capabilities.

◎ Other Managers and Responsible Persons

In each division, other managers and responsible persons maintain and manage the facilities they are responsible for in order to ensure there are no obstacles to realising safe transportation.

Safety Management Promotion Committee

The Safety Management Promotion Committee discusses, investigates, and reports on a variety of proposals for transportation safety. This committee includes the Group Safety Management Promotion Committee, on which the President serves as chairperson; the Business Division Safety Management Promotion Committee, on which the Chief Safety Manager serves as chairperson; and the divisional safety management promotion committees.

Hanshin Electric Railway

Safety Objective

• Maintaining the elimination of accidents for which we bear responsibility

We have maintained *elimination of accidents for which we bear responsibility* as our safety objective since April 1985.

Safety Policy

Maximum priority on safety

- The President, directors, and employees shall do everything possible to ensure safety of operations, based on the understanding that putting the highest priority on ensuring safety is the mission of railway businesses.

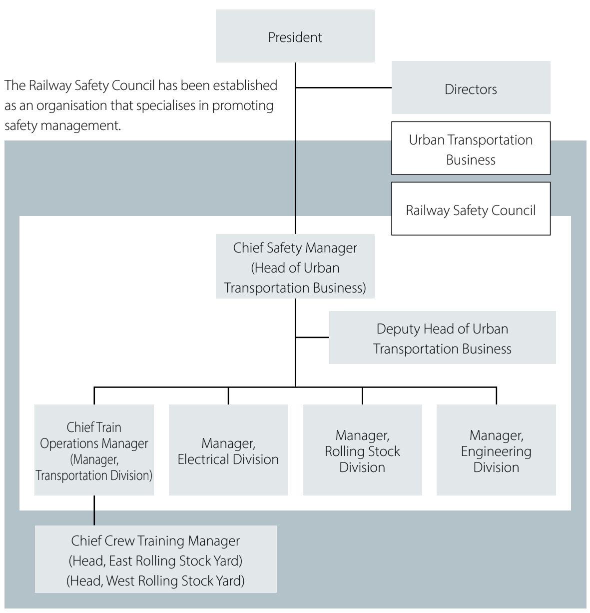
Compliance with laws and regulations

- 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 that safety management systems are operating appropriately.

Safety Management System



Positions and Roles

◎ President

The President has the ultimate responsibility for ensuring transport safety.

◎ Chief Safety Manager (Head of Urban Transportation Business)

The Chief Safety Manager is responsible for overseeing all activities related to ensuring transport safety.

◎ Chief Train Operations Manager (Transportation Division Manager)

Under the direction of the Chief Safety Manager, the Chief Train Operations Manager is responsible for operations including train operations, maintaining the capabilities of train crews, and other related operations.

◎ Chief Crew Training Manager (the Heads of the East Rolling Stock Yard and the West Rolling Stock Yard)

Under the direction of the Chief Train Operations Manager, the Chief Crew Training Manager is responsible for ensuring all crew are properly qualified.

◎ Electrical Division Manager

Under the direction of the Chief Safety Manager, the Electrical Division Manager has overall control of items relating to electrical facilities.

◎ Rolling Stock Division Manager

Under the direction of the Chief Safety Manager, the Rolling Stock Division Manager has overall control of items relating to rolling stock.

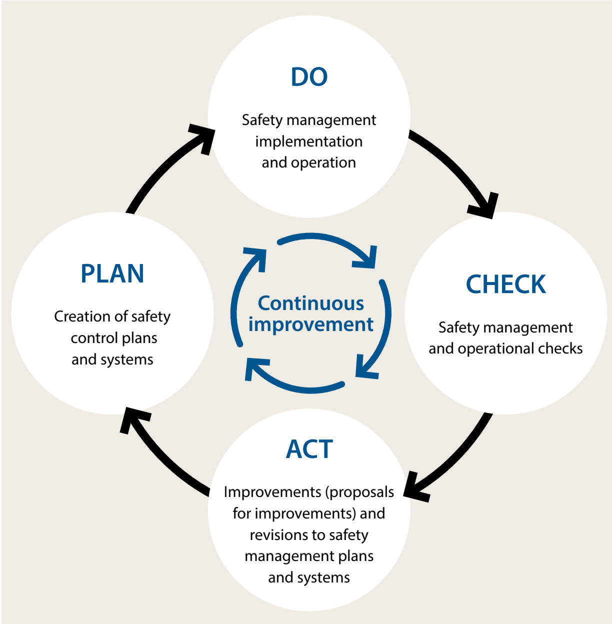
◎ Engineering Division Manager

Under the direction of the Chief Safety Manager, the Engineering Division Manager has overall control of items relating to track, civil engineering, and construction facilities.

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

By applying our safety management system (the 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 Law in October 2006 required railway companies to create new safety management systems dedicated to transport safety. Under our new safety management system, we are realising even higher levels of safety by applying the plan–do–check–act (PDCA) cycle, ensuring compliance with all related laws and regulations, conducting operations that place the highest priority on safety, and fostering greater awareness of safety issues among employees from directors down.



Safety Enhancement Initiatives

To ensure the safety of customers, we are proactively taking personnel-related measures to enhance education and training as well as infrastructure-related measures to improve equipment and facilities.

1. Training and Education

At government designated in-house training centres, Hankyu Corporation and Hanshin Electric Railway foster train drivers and train conductors. During the training period, trainees receive education on academic subjects and practical skills in accordance with a national curriculum. Also, experienced drivers and train conductors act as instructors and provide rigorous one-on-one, on-site training. Even after personnel have passed certification exams, we maintain and heighten the skills, awareness, and qualifications of drivers, conductors, and operations personnel by holding safety workshops and seminars and by conducting training based on a range of scenarios.

Renewal of the Total Traffic Control System

Hankyu Corporation is renewing its control centre with a view to beginning full-fledged operations at the end of fiscal 2017. The main aim of the renewal of the operations control centre—which controls train operations, signals, the provision of information on train services, and a range of other functions—is to introduce the latest Total Traffic Control (TTC) system to Hankyu Corporation's Kobe, Takarazuka, and Kyoto lines.

In renewing the TTC system, we undertook development aimed at (1) improving control capabilities, (2) improving the provision of information on train services to passengers, and (3) strengthening monitoring capabilities. For example, the new system will enable train controllers to organise train services rapidly when accidents or other events disrupt timetabled train services. Also, when timetabled train services are disrupted, the new system will provide passengers with more information on train services than the current system. In addition, the system will contribute to the safety of train operations by enabling the control centre to monitor the status of railway crossings and platforms.

We intend to continue improving services with safe transportation as our first priority.

2. Initiatives for Natural Disasters

1. Responding to rain storms

During rain storms, we direct trains to reduce speed or suspend operations based on information obtained from the rain gauges, wind gauges, and water meters installed alongside our railway lines and meteorological information from the Japan Meteorological Agency.

2. Responding to earthquakes

If earthquake early warning systems forecast an earthquake with a seismic intensity of four or above, or if seismographs that we have installed alongside our railway lines detect an earthquake of the same seismic intensity, we immediately begin procedures for the emergency suspension of operations of trains on line segments in earthquake zones.

3. Responding to actions of third parties, such as acts of terrorism

If there is a warning that the actions of third parties, such as acts of terrorism, could cause serious incidents with extremely significant effects on society, or if such a warning calls for continued vigilance, or if suspicious items or persons are discovered or damage is incurred, we take measures appropriate to the threat level.

Further, we have installed security cameras in railway stations and station concourses to prevent crime.

3. Maintenance Work: Indispensable for Safe, Comfortable Operations

1. Inspecting electrical equipment

We have many different types of electrical equipment, including signal safety equipment, secure communication equipment, railway crossing safety equipment, power equipment, railway track equipment, and substation equipment, which we inspect regularly based on prescribed inspection schedules.


Scheduled inspection of a signal


Scheduled inspection of secure communication equipment


Abrasion measurement by an overhead-wire inspection vehicle


Inspection of substation equipment

2. Inspecting railway tracks

Inspection of railway tracks is indispensable to ensuring the safe operation of trains. Further, we implement corrective grinding of slightly uneven parts of rail surfaces to improve ride comfort and implement corrections to reduce noise and vibration.


Railway track inspection vehicle


Vehicle for the corrective grinding of rails

3. Inspecting structures

We inspect elevated tracks, bridges, tunnels, and other railway civil engineering structures regularly.


A structure inspection


A scheduled inspection of a tunnel

4. Inspecting rolling stock

We conduct inspections at our plants and train depots to maintain the safety of rolling stock. Regular inspections include train inspections, monthly status and function inspections, main component inspections, and overall inspections. In addition, we conduct unscheduled inspections as required.


A monthly status and function inspection


An overall inspection

Consolidated Six-Year Summary

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2016
Result of Operations (millions of yen and thousands of U.S. dollars)[1]:							
Revenues from operations	¥ 638,770	¥ 649,703	¥ 682,439	¥ 679,157	¥ 685,906	¥ 707,359	$ 6,259,814
Operating income	64,743	73,809	87,921	91,828	94,026	110,293	976,044
EBITDA[2]	127,100	133,500	145,100	149,200	150,100	166,500	1,473,451
Ordinary income	46,494	65,393	74,914	81,191	85,590	104,479	924,593
Income before income taxes	32,760	43,419	62,192	83,542	77,620	96,087	850,327
Net income attributable to owners of the parent	18,068	39,252	39,702	46,352	54,201	69,971	619,212
Comprehensive income	14,728	44,992	54,081	55,941	71,034	63,842	564,973
Capital expenditure	68,431	55,267	59,512	80,722	68,115	66,639	589,726
Depreciation and amortisation	59,669	56,968	54,540	54,474	53,143	53,701	475,230
Cash Flows (millions of yen and thousands of U.S. dollars):							
Cash flows from operating activities	¥ 103,252	¥ 124,525	¥ 127,655	¥ 146,991	¥ 131,881	¥ 124,838	$ 1,104,761
Cash flows from investing activities	(62,516)	(44,295)	(58,923)	(45,517)	(52,529)	(78,843)	(697,726)
Cash flows from financing activities	(39,544)	(78,978)	(69,195)	(105,079)	(81,746)	(47,278)	(418,389)
Increase (decrease) in cash and cash equivalents	474	767	817	(1,840)	(1,125)	(1,978)	(17,504)
Cash and cash equivalents at end of year	22,592	23,572	25,581	24,497	23,497	22,363	197,903
Financial Position (millions of yen and thousands of U.S. dollars):							
Total assets	¥2,314,669	¥2,274,380	¥2,281,007	¥2,286,928	¥2,279,638	¥2,282,180	$20,196,283
Total net assets	486,947	524,801	573,154	617,598	679,482	724,237	6,409,177
Interest-bearing debt	1,251,665	1,183,647	1,126,633	1,032,307	955,828	916,570	8,111,239
Per Share Data (yen and U.S. dollars):							
Net income attributable to owners of the parent—Basic	¥ 14.32	¥ 31.13	¥ 31.48	¥ 36.76	¥ 42.98	¥ 55.58	$ 0.49
Net income attributable to owners of the parent—Diluted	14.27	31.13	31.47	36.75	42.95	55.53	0.49
Net assets	377.17	407.01	443.63	477.69	525.56	563.19	4.98
Dividend	5.00	5.00	5.00	6.00	6.00	7.00	0.06
Ratios:							
Operating income margin (%)	10.1	11.4	12.9	13.5	13.7	15.6	—
ROA (%)[3]	2.0	2.8	3.3	3.6	3.7	4.6	—
ROE (%)[4]	3.8	7.9	7.4	8.0	8.6	10.3	—
Interest-bearing debt/EBITDA (Times)	9.8	8.9	7.8	6.9	6.4	5.5	—
Equity ratio (%)	20.6	22.6	24.5	26.3	29.1	31.0	—
Debt/equity (D/E) ratio (Times)[5]	2.6	2.3	2.0	1.7	1.4	1.3	—
Interest coverage ratio (Times)[6]	4.6	6.0	6.7	8.8	9.2	9.9	—
Others:							
Number of outstanding shares (Thousands)	1,271,406	1,271,406	1,271,406	1,271,406	1,271,406	1,271,406	—
Number of employees	21,302	20,811	20,751	20,913	21,037	21,607	—

1. The U.S. dollar amounts have been translated, for convenience only, at ¥113 = $1, the prevailing exchange rate on the Tokyo Foreign Exchange Market as of 31st March 2016.
2. EBITDA = operating income + depreciation expenses + amortisation of goodwill
   EBITDA figures are rounded to the nearest ¥100 million.
3. ROA = ordinary income/total assets (average of period-start and period-end totals)
4. ROE = net income attributable to owners of the parent/equity (average of period-start and period-end totals)
5. D/E ratio = interest-bearing debt/equity
6. Interest coverage ratio = cash flows from operating activities/interest expense

Consolidated Financial Review

Analysis of Operating Results for Fiscal 2016 (year ended 31st March 2016)

Revenues from operations increased 3.1%, or ¥21,452 million, year on year, to ¥707,359 million. This rise reflected favourable performances by the Urban Transportation Business and the Hotels Business and the sale of land for facilities by the Real Estate Business.

Operating income rose 17.3%, or ¥16,266 million, year on year, to ¥110,293 million, thanks to the abovementioned increase in revenues from operations and the curbing of expenses in each business segment.

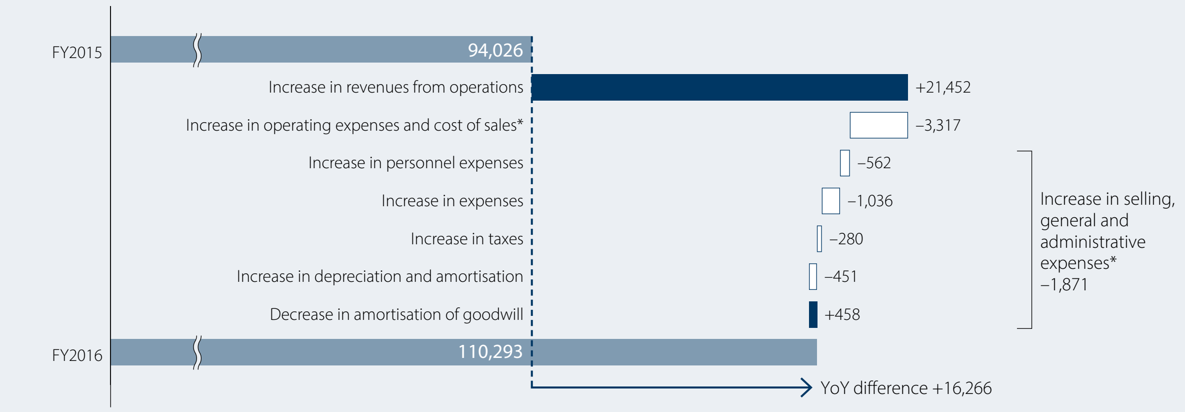
Further, ordinary income was up 22.1%, or ¥18,889 million, year on year, to ¥104,479 million, because of higher equity in income of affiliates and a decrease in interest expense accompanying lower interest-bearing debt.

Net income attributable to owners of the parent grew 29.1%, or ¥15,769 million, year on year, to ¥69,971 million, due to a revision of the tax system and other factors.

Note: For a summary of consolidated business results, please also see To Our Stakeholders on pages 16 to 17.

Analysis of operating income

(¥ million)



* Retirement benefit expenses are included in cost of revenues from operations, with the change being −377.

Segment Information

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

(¥ million)

	Urban Transportation	Real Estate	Entertainment and Communications	Travel	International Transportation	Hotels	Other	Adjustment	Consolidated
Revenues from operations									
FY2016	239,544	220,923	112,490	30,502	36,658	68,042	38,859	(39,660)	707,359
FY2015	233,419	206,444	112,632	31,965	39,419	63,031	41,678	(42,684)	685,906
YoY difference	+6,124	+14,479	−142	−1,462	−2,760	+5,010	−2,819	+3,024	+21,452
Operating income									
FY2016	41,270	49,851	15,301	680	1,788	3,298	967	(2,866)	110,293
FY2015	38,553	37,173	14,993	1,227	3,053	1,216	1,032	(3,223)	94,026
YoY difference	+2,717	+12,678	+308	−546	−1,265	+2,082	−64	+356	+16,266
Reference page	P.41	P.45	P.49	P.51	P.53	P.55	—	—	—

Review of Financial Position

1. Assets, Liabilities, and Net Assets

Total assets at the end of the fiscal year under review stood at ¥2,282,180 million, a rise of ¥2,542 million from the previous fiscal year-end. This mainly stemmed from increases in land and buildings for sale and investment securities, which counteracted a decrease in trade receivables.

Total liabilities decreased ¥42,213 million from the previous fiscal year-end, to ¥1,557,942 million, due partly to a reduction in interest-bearing debt.

Net assets increased ¥44,755 million from the previous fiscal year-end, to ¥724,237 million, due mainly to higher retained earnings.

As a result, the equity ratio stood at 31.0%, and ROE was 10.3%.

2. Cash Flows

Cash and cash equivalents decreased ¥1,134 million from the previous fiscal year-end, to ¥22,363 million.

(1) Cash Flows from Operating Activities

Net cash provided by operating activities was ¥124,838 million (down 5.3% year on year). The main factors were income before income taxes of ¥96,087 million, depreciation and amortisation of ¥53,701 million, and income taxes paid of ¥29,656 million.

(2) Cash Flows from Investing Activities

Net cash used in investing activities was ¥78,843 million (up 50.1% year on year). This primarily reflected purchases of non-current assets of ¥92,686 million, purchases of investment securities of ¥14,228 million, and receipt of contributions for construction of ¥20,623 million.

(3) Cash Flows from Financing Activities

Net cash used in financing activities was ¥47,278 million (down 42.2% year on year). This was due partly to a net decrease in borrowings of ¥32,368 million, dividends paid of ¥8,227 million, and purchase of treasury stock of ¥3,779 million.

Trends in cash flow indicators

	FY2012	FY2013	FY2014	FY2015	**FY2016**
Equity ratio (%)	22.6	24.5	26.3	29.1	**31.0**
Equity ratio (%) (Market value basis)	20.0	31.5	31.0	41.1	**39.5**
Cash flows/interest-bearing debt ratio (Times)	9.5	8.8	7.0	7.2	**7.3**
Interest coverage ratio (Times)	6.0	6.7	8.8	9.2	**9.9**

Notes: Equity ratio = equity/total assets
Equity ratio (market value basis) = market capitalisation/total assets
Cash flows/interest-bearing debt ratio = interest-bearing debt/cash flows from operating activities
Interest coverage ratio = cash flows from operating activities/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 × total shares issued at year-end (after deduction of treasury stock).

3. Fund Procurement

The outstanding balance of consolidated interest-bearing debt at the end of the fiscal year under review amounted to ¥916,570 million, a decrease of ¥39,258 million from the previous fiscal year-end. This was because net cash provided by operating activities more than compensated for capital expenditure for the Umeda 1-1 Project and the building of new rolling stock.

The ratio of consolidated interest-bearing debt/EBITDA (operating income + depreciation expenses + amortisation of goodwill), which is the benchmark the Company uses for assessing the soundness of its financial position, stood at 5.5 times (compared with 6.4 times in the previous fiscal year).

Consolidated Capital Expenditure and Depreciation and Amortisation

Capital expenditure in the fiscal year under review (consolidated basis; including intangible assets) decreased ¥1,476 million (2.2%) year on year, to ¥66,639 million.

The following is a breakdown for each business segment.

	FY2016	YoY
Urban Transportation	27,977 millions of yen	–12.8%
Real Estate	28,287	9.5
Entertainment and Communications	5,919	–2.8
Travel	507	–23.1
International Transportation	1,049	120.4
Hotels	2,233	49.2
Other	717	–25.3
Total	66,691	–1.3
Adjustment	(52)	–109.9
Consolidated	66,639	–2.2

Urban Transportation

The railway business carried out capital investment with a focus on safety and service improvement, built new rolling stock, and improved existing rolling stock.

Real Estate

The Real Estate Business implemented the Umeda 1-1 Project.

Entertainment and Communications

The Entertainment and Communications Business renewed the transmission lines of main lines.

Travel

In the Travel Business, Hankyu Travel International stepped-up Internet sales and invested in systems for in-house operations.

International Transportation

In the International Transportation Business, Hankyu Hanshin Express invested in systems to establish global IT-enabled alliances.

Hotels

In the Hotels Business, Hankyu Hanshin Hotels refurbished the guest rooms of its hotels.

Depreciation and amortisation increased ¥558 million (1.0%) from the previous year (consolidated basis), to ¥53,701 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 annual report was determined by the Group to be current as of 31st March 2016.

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 MLIT'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 the Hankyu and Hanshin lines. To raise its asset effectiveness, the Group is pursuing the following initiatives: The Umeda 1-1 Project (rebuilding of the Dai Hanshin Building and the Shin Hankyu Building) 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 steadily complete them. 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 2016, on a consolidated basis, was ¥916,570 million. As a result of the acquisition of shares in Hanshin Electric Railway through a successful public tender offer (takeover bid) on 27th June 2006, Hanshin Electric Railway has become a consolidated subsidiary of Hankyu Holdings. This acquisition has resulted in an increase in the balance of interest-bearing debt of the Group. On the other hand, management integration between the Hankyu Holdings Group and Hanshin Electric Railway Group has increased cash flows, so the Group is not expected to have any significant difficulty in repaying its debts.

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

Affiliated Companies

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

In September 2007, Kobe Electric Railway Co., Ltd. (an equity-method affiliate), temporarily suspended support for the rehabilitation of Hokushin Kyuko Railway. To uphold the rehabilitation project, additional financing was extended to Hokushin Kyuko Railway by Hankyu Corporation. We will continue to provide assistance to ensure that Hokushin Kyuko Railway can conduct smooth and efficient operations as a tier 2 railway operator. However, the business performance and financial position of the Group could be affected by changes in this plan.

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

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

Natural Disasters

Operating as it does across an extremely wide range of businesses in its Urban Transportation, Real Estate, Entertainment and Communications, Travel, International Transportation, and Hotels segments, the Group has a correspondingly large assortment of facilities necessary for the 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.

Consolidated Balance Sheets

As of 31st March 2015 and 2016

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Assets:			
Current assets:			
Cash and deposits	¥ 25,614	¥ 24,225	$ 214,381
Trade receivables	80,673	73,141	647,265
Land and buildings for sale	97,587	103,060	912,035
Finished products and merchandise	2,300	2,605	23,053
Work in progress	4,440	4,656	41,204
Materials and supplies	4,321	4,466	39,522
Deferred tax assets	6,195	6,427	56,876
Other	33,347	37,188	329,097
Allowance for doubtful receivables	(291)	(234)	(2,071)
Total current assets	254,188	255,535	2,261,372
Noncurrent assets:			
Property and equipment:			
Buildings and structures—net [NOTE 6 ③]	580,155	572,227	5,063,956
Machinery, equipment and vehicles—net [NOTE 6 ③]	49,576	53,529	473,708
Land [NOTES 6 ③ and ⑤]	919,147	931,355	8,242,080
Construction in progress	119,077	120,589	1,067,159
Other—net [NOTE 6 ③]	18,806	19,369	171,407
Total property and equipment [NOTES 6 ① and ②]	1,686,763	1,697,070	15,018,319
Intangible assets:			
Goodwill	30,845	23,295	206,150
Other [NOTES 6 ② and ③]	16,720	17,211	152,310
Total intangible assets	47,565	40,507	358,469
Investments and other assets:			
Investment securities [NOTES 6 ③ and ④]	244,626	248,097	2,195,549
Deferred tax assets	4,245	4,323	38,257
Net defined benefit asset	8,709	5,947	52,628
Other [NOTE 6 ③]	33,871	31,046	274,743
Allowance for doubtful receivables	(332)	(347)	(3,071)
Total investments and other assets	291,120	289,066	2,558,106
Total noncurrent assets	2,025,449	2,026,644	17,934,903
Total assets	2,279,638	2,282,180	20,196,283

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Liabilities:			
Current liabilities:			
Trade payables	¥ 42,429	¥ 37,480	$ 331,681
Accrued expenses	18,938	18,199	161,053
Short-term borrowings [NOTE 6 ③]	239,566	205,909	1,822,204
Current portion of bonds	—	30,000	265,487
Lease obligations	1,831	1,794	15,876
Income taxes payable	15,220	6,188	54,761
Provision for bonuses	4,148	4,638	41,044
Other [NOTE 6 ③]	149,639	151,924	1,344,460
Total current liabilities	471,774	456,134	4,036,584
Long-term liabilities:			
Long-term debt [NOTE 6 ③]	594,047	589,100	5,213,274
Bonds	112,000	82,000	725,664
Lease obligations	8,382	7,765	68,717
Deferred tax liabilities	189,698	189,812	1,679,752
Deferred tax liabilities related to land revaluation [NOTE 6 ⑤]	5,277	5,152	45,593
Net defined benefit liability	56,950	61,839	547,248
Long-term deferred contribution for construction	44,941	54,614	483,310
Other	117,082	111,521	986,912
Total long-term liabilities	1,128,381	1,101,807	9,750,504
Total liabilities	1,600,155	1,557,942	13,787,097
Net assets:			
Shareholders' equity:			
Common stock	99,474	99,474	880,301
Capital surplus	150,027	145,974	1,291,805
Retained earnings	389,511	449,535	3,978,186
Less treasury stock, at cost	(4,534)	(8,289)	(73,354)
Total shareholders' equity	634,479	686,695	6,076,947
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	18,052	17,684	156,496
Deferred gains or losses on hedges	(143)	(896)	(7,929)
Revaluation reserve for land [NOTE 6 ⑤]	5,417	5,598	49,540
Foreign currency translation adjustments	1,756	1,072	9,487
Cumulative adjustments related to retirement benefit plans	3,033	(2,818)	(24,938)
Total accumulated other comprehensive income	28,116	20,639	182,646
Subscription rights to shares	318	424	3,752
Non-controlling interests [NOTE 6 ⑤]	16,566	16,478	145,823
Total net assets	679,482	724,237	6,409,177
Total liabilities and net assets	2,279,638	2,282,180	20,196,283

Consolidated Statements of Income

Years ended 31st March 2015 and 2016

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Revenues from operations	¥685,906	¥707,359	$6,259,814
Costs of revenues from operations:			
Operating expenses and cost of sales of transportation [NOTE 7 ①]	562,762	566,079	5,009,549
Selling, general and administrative expenses [NOTE 7 ②]	29,116	30,987	274,221
Total costs of revenues from operations [NOTE 7 ③]	591,879	597,066	5,283,770
Operating income	94,026	110,293	976,044
Non-operating income:			
Interest income	124	106	938
Dividend income	1,399	1,017	9,000
Equity in income of affiliates	4,543	5,748	50,867
Miscellaneous income	2,358	2,285	20,221
Total non-operating income	8,425	9,158	81,044
Non-operating expenses:			
Interest expenses	14,013	12,506	110,673
Miscellaneous expenses	2,848	2,465	21,814
Total non-operating expenses	16,862	14,972	132,496
Ordinary income	85,590	104,479	924,593
Extraordinary income:			
Gain on contributions for construction	4,557	37,820	334,690
Other	4,692	982	8,690
Total extraordinary income	9,249	38,802	343,381
Extraordinary loss:			
Loss on reduction of noncurrent assets	4,408	37,818	334,673
Loss on valuation of investment securities	12	4,979	44,062
Other	12,728	4,397	38,912
Total extraordinary loss	17,219	47,194	417,646
Income before income taxes	77,620	96,087	850,327
Income taxes—current	25,095	20,495	181,372
Income taxes—deferred	(3,246)	4,043	35,779
Total income taxes	21,848	24,538	217,150
Net income	55,772	71,549	633,177
Net income attributable to non-controlling interests	1,570	1,577	13,956
Net income attributable to owners of the parent	54,201	69,971	619,212

Consolidated Statements of Comprehensive Income

Years ended 31st March 2015 and 2016

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Net income	¥55,772	¥71,549	$633,177
Other comprehensive income:			
Valuation difference on available-for-sale securities	5,920	598	5,292
Deferred gains or losses on hedges	(627)	(786)	(6,956)
Revaluation reserve for land	279	124	1,097
Foreign currency translation adjustments	1,564	(855)	(7,566)
Remeasurements of defined benefit plans	4,594	(6,336)	(56,071)
Share of other comprehensive income of associates accounted for using equity method	3,531	(451)	(3,991)
Total other comprehensive income [NOTE 8 ①]	15,262	(7,706)	(68,195)
Comprehensive income	71,034	63,842	564,973
Comprehensive income attributable to:			
Owners of the parent	69,299	62,494	553,044
Non-controlling interests	1,735	1,348	11,929

Consolidated Statements of Changes in Net Assets

Years ended 31st March 2015 and 2016

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Less treasury stock, at cost	Total shareholders' equity
Balance as of 31st March 2014	¥99,474	¥150,027	¥344,020	¥(4,553)	¥588,969
Cumulative effect of changes in accounting policies			(398)		(398)
Balance at beginning of the current fiscal year reflecting changes in accounting policies	99,474	150,027	343,622	(4,553)	588,570
Changes of items during the period:					
Dividends from surplus			(8,229)		(8,229)
Net income attributable to owners of the parent			54,201		54,201
Reversal of revaluation reserve for land			0		0
Purchase of treasury stock				(169)	(169)
Disposal of treasury stock		0		2	2
Change in treasury stock of parent arising from transactions with non-controlling interest shareholders					—
Change in scope of consolidation			(83)		(83)
Changes in equity in affiliates accounted for by equity-method treasury stock				186	186
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	0	45,889	19	45,908
Balance as of 31st March 2015	99,474	150,027	389,511	(4,534)	634,479
Cumulative effect of changes in accounting policies		(4,500)	(527)		(5,027)
Balance at beginning of the current fiscal year reflecting changes in accounting policies	99,474	145,527	388,984	(4,534)	629,452
Changes of items during the period:					
Dividends from surplus			(8,227)		(8,227)
Net income attributable to owners of the parent			69,971		69,971
Reversal of revaluation reserve for land			0		0
Purchase of treasury stock				(3,779)	(3,779)
Disposal of treasury stock		(0)	(0)	24	23
Change in treasury stock of parent arising from transactions with non-controlling interest shareholders		447			447
Change in scope of consolidation			(1,192)		(1,192)
Changes in equity in affiliates accounted for by equity-method treasury stock					—
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	447	60,550	(3,755)	57,242
Balance as of 31st March 2016	99,474	145,974	449,535	(8,289)	686,695

	Millions of yen								
	Accumulated other comprehensive income								
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Cumulative adjustments related to retirement benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets
Balance as of 31st March 2014	¥ 8,885	¥ 480	¥5,060	¥ 366	¥(1,712)	¥13,081	¥208	¥15,338	¥617,598
Cumulative effect of changes in accounting policies						—		(30)	(429)
Balance at beginning of the current fiscal year reflecting changes in accounting policies	8,885	480	5,060	366	(1,712)	13,081	208	15,307	617,168
Changes of items during the period:									
Dividends from surplus									(8,229)
Net income attributable to owners of the parent									54,201
Reversal of revaluation reserve for land									0
Purchase of treasury stock									(169)
Disposal of treasury stock									2
Change in treasury stock of parent arising from transactions with non-controlling interest shareholders									—
Change in scope of consolidation									(83)
Changes in equity in affiliates accounted for by equity-method treasury stock									186
Net changes of items other than shareholders' equity	9,166	(624)	357	1,389	4,745	15,035	109	1,259	16,404
Total changes of items during the period	9,166	(624)	357	1,389	4,745	15,035	109	1,259	62,313
Balance as of 31st March 2015	18,052	(143)	5,417	1,756	3,033	28,116	318	16,566	679,482
Cumulative effect of changes in accounting policies						—			(5,027)
Balance at beginning of the current fiscal year reflecting changes in accounting policies	18,052	(143)	5,417	1,756	3,033	28,116	318	16,566	674,454
Changes of items during the period:									
Dividends from surplus									(8,227)
Net income attributable to owners of the parent									69,971
Reversal of revaluation reserve for land									0
Purchase of treasury stock									(3,779)
Disposal of treasury stock									23
Change in treasury stock of parent arising from transactions with non-controlling interest shareholders									447
Change in scope of consolidation									(1,192)
Changes in equity in affiliates accounted for by equity-method treasury stock									—
Net changes of items other than shareholders' equity	(368)	(752)	180	(684)	(5,851)	(7,476)	105	(88)	(7,459)
Total changes of items during the period	(368)	(752)	180	(684)	(5,851)	(7,476)	105	(88)	49,783
Balance as of 31st March 2016	17,684	(896)	5,598	1,072	(2,818)	20,639	424	16,478	724,237

Consolidated Statements of Changes in Net Assets

	Thousands of U.S. dollars				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Less treasury stock, at cost	Total shareholders' equity
Balance as of 31st March 2015	$880,301	$1,327,673	$3,447,000	$(40,124)	$5,614,858
Cumulative effect of changes in accounting policies		(39,823)	(4,664)		(44,487)
Balance at beginning of the current fiscal year reflecting changes in accounting policies	880,301	1,287,850	3,442,336	(40,124)	5,570,372
Changes of items during the period:					
Dividends from surplus			(72,805)		(72,805)
Net income attributable to owners of the parent			619,212		619,212
Reversal of revaluation reserve for land			0		0
Purchase of treasury stock				(33,442)	(33,442)
Disposal of treasury stock		(0)	(0)	212	204
Change in treasury stock of parent arising from transactions with non-controlling interest shareholders		3,956			3,956
Change in scope of consolidation			(10,549)		(10,549)
Changes in equity in affiliates accounted for by equity-method treasury stock					—
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	3,956	535,841	(33,230)	506,566
Balance as of 31st March 2016	880,301	1,291,805	3,978,186	(73,354)	6,076,947

	Thousands of U.S. dollars								
	Accumulated other comprehensive income								
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Cumulative adjustments related to retirement benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets
Balance as of 31st March 2015	$159,752	$(1,265)	$47,938	$15,540	$26,841	$248,814	$2,814	$146,602	$6,013,115
Cumulative effect of changes in accounting policies						—			(44,487)
Balance at beginning of the current fiscal year review reflecting changes in accounting policies	159,752	(1,265)	47,938	15,540	26,841	248,814	2,814	146,602	5,968,619
Changes of items during the period:									
Dividends from surplus									(72,805)
Net income attributable to owners of the parent									619,212
Reversal of revaluation reserve for land									0
Purchase of treasury stock									(33,442)
Disposal of treasury stock									204
Change in treasury stock of parent arising from transactions with non-controlling interest shareholders									3,956
Change in scope of consolidation									(10,549)
Changes in equity in affiliates accounted for by equity-method treasury stock									—
Net changes of items other than shareholders' equity	(3,257)	(6,655)	1,593	(6,053)	(51,779)	(66,159)	929	(779)	(66,009)
Total changes of items during the period	(3,257)	(6,655)	1,593	(6,053)	(51,779)	(66,159)	929	(779)	440,558
Balance as of 31st March 2016	156,496	(7,929)	49,540	9,487	(24,938)	182,646	3,752	145,823	6,409,177

Consolidated Statements of Cash Flows

Years ended 31st March 2015 and 2016

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Cash flows from operating activities:			
Income before income taxes	¥ 77,620	¥ 96,087	$ 850,327
Depreciation and amortisation	53,143	53,701	475,230
Amortisation of goodwill	2,929	2,471	21,867
Equity in (income) losses of affiliates	(4,543)	(5,748)	(50,867)
Increase (decrease) in net defined benefit liability	(4,485)	(2,077)	(18,381)
Increase (decrease) in allowance for doubtful receivables	(137)	(42)	(372)
Interest and dividend income	(1,523)	(1,124)	(9,947)
Interest expense	14,013	12,506	110,673
Loss on reduction of noncurrent assets	4,408	37,818	334,673
Gain on contributions for construction	(4,557)	(37,820)	(334,690)
Loss (gain) on valuation of investment securities	12	4,979	44,062
Decrease (increase) in trade receivables	(216)	6,129	54,239
Decrease (increase) in inventories	8,362	(1,174)	(10,389)
Increase (decrease) in trade payables	(48)	(5,028)	(44,496)
Other	9,227	3,252	28,779
Subtotal	154,204	163,930	1,450,708
Interest and dividends received	2,876	3,156	27,929
Interest paid	(14,363)	(12,591)	(111,425)
Income taxes (paid) refunded	(10,836)	(29,656)	(262,442)
Net cash provided by operating activities	131,881	124,838	1,104,761
Cash flows from investing activities:			
Purchases of noncurrent assets	(86,970)	(92,686)	(820,230)
Proceeds from sales of noncurrent assets	5,588	5,064	44,814
Purchases of investment securities	(10,353)	(14,228)	(125,912)
Proceeds from sale of investment securities	19,747	618	5,469
Receipt of contributions for construction	21,098	20,623	182,504
Other	(1,640)	1,765	15,619
Net cash used in investing activities	(52,529)	(78,843)	(697,726)
Cash flows from financing activities:			
Net increase (decrease) in short-term borrowings	2,363	(21,628)	(191,398)
Proceeds from long-term debt	90,100	65,830	582,566
Repayment of long-term debt	(153,170)	(76,570)	(677,611)
Proceeds from new bonds issued	9,930	—	—
Redemption of bonds	(20,000)	—	—
Purchase of treasury stock	(169)	(3,779)	(33,442)
Dividends paid	(8,229)	(8,227)	(72,805)
Dividends paid to non-controlling shareholders of consolidated subsidiaries	(485)	(331)	(2,929)
Other	(2,085)	(2,571)	(22,752)
Net cash used in financing activities	(81,746)	(47,278)	(418,389)
Effect of exchange rate changes on cash and cash equivalents	1,270	(694)	(6,142)
Increase (decrease) in cash and cash equivalents	(1,125)	(1,978)	(17,504)
Cash and cash equivalents at beginning of year	24,497	23,497	207,938
Increase in cash and cash equivalents from newly consolidated subsidiary	125	844	7,469
Cash and cash equivalents at end of year	23,497	22,363	197,903

Notes to the Consolidated Financial Statements

1 Framework for Preparing Consolidated Financial Statements

① Method of preparation for consolidated financial statements

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

② Audit verification

The Company's consolidated financial statements for the current fiscal year (1st April 2015 to 31st March 2016) were audited by KPMG AZSA LLC, as per Article 193-2 (1) of the Financial Instruments and Exchange Act.

③ Special measures to ensure the appropriateness of consolidated financial statements and other reports

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

④ Translation into U.S. dollars

The U.S. dollar amounts have been translated, for convenience only, at ¥113 = $1, the prevailing exchange rate on the Tokyo Foreign Exchange Market as of 31st March 2016.

2 Basis of Preparation of Consolidated Financial Statements

① Scope of consolidation

(a) Number and names of consolidated subsidiaries

Number of consolidated subsidiaries—93.

Names of primary consolidated subsidiaries are listed on page 109.

HANKYU HANSHIN EXPRESS SOUTHEAST ASIA PTE. LTD. has been included in the scope of consolidation due to its establishment.

Hankyu Style Labels CO., Ltd. and another company have been included in the scope of consolidation due to its increased significance.

KYOEIKOSAN Co., LTD. has been excluded from the scope of consolidation as its liquidation was completed.

(b) Names of major nonconsolidated subsidiaries

Hankyu Mediax Co., Ltd.

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

② Items related to application of equity-method accounting

(a) Number and names of affiliates for which equity method is applied

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

Names of the major affiliates for which equity method is applied are listed on page 109.

(b) Names of nonconsolidated subsidiaries and affiliates for which equity method is not applied

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

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

The account closing date for Hankyu Hanshin Express (USA) Inc., Hankyu Hanshin Express (Deutschland) GMBH and 20 other consolidated subsidiaries is 31st December. The consolidated financial statements have been prepared using the financial statements based on the closing date of each company, and major transactions conducted between the individual closing dates and the consolidated closing date have been adjusted for as necessary for the consolidation.

④ Accounting policies

(a) Valuation standards and method for major assets

I. Securities

Available-for-sale securities

Available-for-sale securities with fair market values:

The market value method is applied based on the market price, etc., at the fiscal year-end. (Related valuation differences are directly included under net assets and the cost of securities sold is determined by the moving average method.)

Available-for-sale securities without fair market values:

The moving average cost method is applied.

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

II. Derivatives

The market value method is applied.

III. Inventories

Land and buildings for sale:

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

Other inventories:

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

(b) Depreciation methods for major depreciable assets

I. Property and equipment (excluding leased assets)

Replacement assets of railway operations:

Replacement method (mainly declining-balance method) is applied.

Other property and equipment:

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.

II. Intangible assets (excluding leased assets)

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

Internal-use software is amortised by the straight-line method over its useful life (mainly 5 years).

III. Lease assets

Lease assets are depreciated using the straight-line method with the lease term as the useful life and the residual value as zero.

(c) Accounting standards for significant transactions

I. Allowance for doubtful receivables

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

II. Provision for bonuses

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

(d) Accounting methods for retirement benefits

When calculating retirement benefit obligations, the benefit formula method is used to distribute the estimated amount of retirement benefits into the period up to the end of the current fiscal year.

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

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

(e) Basis for converting significant assets and liabilities in foreign currency into Japanese yen

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

(f) Significant hedge accounting methods

I. Method of hedge accounting

Deferred hedge accounting is applied.

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

Designation accounting applies to foreign currency denominated receivables and payables with foreign exchange forward contracts.

II. Hedging instruments and hedged items

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

III. 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.

IV. 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.

V. Other risk management methods concerning hedge accounting

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

(g) Method and period of amortisation of goodwill

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

(h) 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.

(i) Other significant matters for preparing consolidated financial statements

I. Accounting for contributions for construction in railway operations

The Company accepts contributions for construction from local governments and other organisations that cover a portion of construction expenses arising from the construction of continuous grade separations in railway operations. When construction is completed, noncurrent assets acquired as a result of accepting these contributions for construction are recognised at acquisition cost after deducting the amounts equivalent to the said contributions for construction.

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

II. Accounting for consumption tax

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

III. Adoption of consolidated tax payment system

A consolidated tax payment system has been adopted.

3 Changes in Accounting Policies

① Application of Accounting Standard for Business Combinations

The Company has adopted "Revised Accounting Standard for Business Combinations" (ASBJ Statement No. 21, 13th September 2013 (hereinafter, "Statement No. 21")), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, 13th September 2013 (hereinafter, "Statement No. 22")) and "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, 13th September 2013 (hereinafter, "Statement No. 7")) (together, the "Business Combination Accounting Standards") from the current fiscal year. As a result, the Company changed its accounting policies to recognise in capital surplus the differences arising from changes in the Company's ownership interest of subsidiaries over which the Company continues to maintain control and to record acquisition related costs as expenses in the fiscal year in which the costs are incurred. In addition, the Company changed its accounting policy for the reallocation of acquisition costs due to the completion following provisional accounting to reflect such reallocation in the consolidated financial statements for the fiscal year in which the business combination took place. The Company also changed the presentation of net income and of the term "non-controlling interests" is used instead of "minority interests". Certain amounts in the prior year comparative information were reclassified to conform to such changes in the current year presentation.

In the consolidated statement of cash flows, cash flows from acquisition or disposal of shares of subsidiaries with no changes in the scope of consolidation are included in "Cash flows from financing activities" and cash flows from acquisition related costs for shares of subsidiaries with changes in the scope of consolidation or costs related to acquisition or disposal of shares of subsidiaries with no changes in the scope of consolidation are included in "Cash flows from operating activities."

With regard to the application of the Business Combination Accounting Standards, the Company followed the provisional treatments in article 58-2 (3) of Statement No. 21, article 44-5 (3) of Statement No. 22 and article 57-4 (3) of Statement No. 7 and recognised in capital surplus or retained earnings the cumulative effect as of the beginning of the current fiscal year that resulted from the retrospective application of the new accounting policies for all of the previous fiscal years.

As a result, goodwill decreased by ¥5,027 million ($44,487 thousand), capital surplus decreased by ¥4,500 million ($39,823 thousand), and retained earnings decreased by ¥527 million ($4,664 thousand) as of the beginning of the current fiscal year. Operating income and ordinary income for the current fiscal year increased by ¥439 million ($3,885 thousand), respectively, and income before income taxes for the current fiscal year decreased by ¥8 million ($71 thousand).

Since the cumulative effect is reflected in net assets as of the beginning of the current fiscal year, the beginning balance of capital surplus decreased by ¥4,500 million ($39,823 thousand), and retained earnings decreased by ¥527 million ($4,664 thousand) in the consolidated statement of changes in net assets.

The effects on earnings per share are negligible.

4 Accounting Standard Not Applied as Yet

"Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, 28th March 2016 (hereinafter, "Guidance No. 26")

(a) Overview

Following the framework in Auditing Committee Report No. 66 "Audit Treatment regarding the Judgment of Recoverability of Deferred Tax Assets", which prescribes estimation of deferred tax assets according to the classification of the entity by one of five types, the following treatments were changed as necessary:

1. Treatment for an entity that does not meet any of the criteria in types 1 to 5;
2. Criteria for types 2 and 3;
3. Treatment for deductible temporary differences which an entity classified as type 2 is unable to schedule;
4. Treatment for the period which an entity classified as type 3 is able to reasonably estimate with respect to future taxable income before consideration of taxable or deductible temporary differences that exist at the end of the current fiscal year; and
5. Treatment when an entity classified as type 4 also meets the criteria for types 2 or 3.

(b) Effective date

Effective from the beginning of the fiscal year ending 31st March 2017.

(c) Effects of application of the Guidance

The Company is currently evaluating the effect of application of the Guidance on consolidated financial statements.

5 Changes in Presentation

① Consolidated Statements of Income

"Gain on sales of noncurrent assets" and "Gain on sales of investment securities" in extraordinary income and "Loss on impairment of fixed assets" and "Loss on sales of investment securities" in extraordinary loss were classified separately in the previous fiscal year.

In the current year, they are included in "Other" in extraordinary income and extraordinary loss respectively because the significance was negligible.

"Gain on sales of noncurrent assets" of ¥973 million ($8,611 thousand) "Gain on sales of investment securities" of ¥3,436 million ($30,407 thousand) were included in "Other" in extraordinary income, and "Loss on impairment of fixed assets" of ¥5,125 million ($45,354 thousand) and "Loss on sales of investment securities" of ¥4,886 million ($43,239 thousand) were included in "Other" in extraordinary loss.

6 Consolidated Balance Sheets

① Accumulated depreciation of property and equipment

Millions of yen		Thousands of U.S. dollars
2015	2016	2016
¥1,066,829	¥1,097,585	$9,713,142

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

Millions of yen		Thousands of U.S. dollars
2015	2016	2016
¥377,460	¥413,614	$3,660,301

③ Pledged assets and secured liabilities

The following table shows the assets pledged as collateral.

	Millions of yen				Thousands of U.S. dollars	
	2015		2016		2016	
Property and equipment:						
Buildings and structures	¥209,800	[¥209,800]	¥211,110	[¥211,110]	$1,868,230	[$1,868,230]
Machinery, equipment and vehicles	39,320	[39,320]	42,841	[42,841]	379,124	[379,124]
Land	255,956	[255,956]	255,924	[255,924]	2,264,814	[2,264,814]
Other	1,564	[1,564]	2,297	[2,297]	20,327	[20,327]
Intangible assets:						
Other	128	[128]	128	[128]	1,133	[1,133]
Investment and other assets:						
Investment securities	9,287	[—]	3,033	[—]	26,841	[—]
Other	24	[—]	24	[—]	212	[—]
Total	516,082	[506,770]	515,360	[512,302]	4,560,708	[4,533,646]

In addition to the above, the Company pledged investment securities (previous fiscal year: ¥0 million, curremt fiscal year: ¥800 million ($7,080 thousand)) as collateral for loans of third parties.

The following table shows the secured liabilities.

	Millions of yen				Thousands of U.S. dollars	
	2015		2016		2016	
Current liabilities:						
Short-term borrowings	¥ 14,270	[¥ 8,159]	¥ 11,118	[¥ 9,108]	$ 98,389	[$ 80,602]
Other	77	[—]	75	[—]	664	[—]
Long-term liabilities:						
Long-term debt	111,846	[109,143]	110,598	[110,065]	978,743	[974,027]
Total	126,194	[117,303]	121,793	[119,173]	1,077,814	[1,054,628]

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

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

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Investment securities	¥184,730	¥197,131	$1,744,522

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 attributable to non-controlling interests shareholders as "non-controlling interests." The amount remaining after subtracting these was recorded in the net assets section as "Revaluation reserve for land." The equity-method affiliate recorded the amount corresponding to its equity in the valuation difference (after subtracting taxes) in the net assets section as "Revaluation reserve for land."

• Revaluation method

The revaluation amounts were determined based on the revaluated value of noncurrent assets provided for in Article 2, Paragraph 3 of the Enforcement Ordinance for the Law Concerning Land Revaluation (Ordinance No. 119, promulgated on 31st March 1998).

• Date of revaluation: 31st March 2002

• The difference between the market value of the land and the book value after revaluation at the end of the previous fiscal year and current fiscal year:

Millions of yen		Thousands of U.S. dollars
2015	2016	2016
¥(6,515)	¥(6,069)	$(53,708)

⑥ Contingent liabilities

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

Fiscal year ended 31st March 2015

	Millions of yen
Nishi-Osaka Railway Co., Ltd.	¥21,067
Borrowers on loans for purchase of land and buildings	2,115
Other (one company)	40
Total	23,223

Fiscal year ended 31st March 2016

	Millions of yen	Thousands of U.S. dollars
Nishi-Osaka Railway Co., Ltd.	¥20,376	$180,319
Borrowers on loans for purchase of land and buildings	14,039	124,239
Other (two companies)	67	593
Total	34,483	305,159

7 Consolidated Statements of Income

① Closing inventory is the amount after write-down of book value due to a decline in profitability. As a result, valuation loss of inventory included in operating expenses and cost of sales were as follows:

Millions of yen		Thousands of U.S. dollars
2015	2016	2016
¥4,454	¥8,856	$78,372

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

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Personnel expenses	¥15,121	¥15,683	$138,788
Expenses	9,933	10,969	97,071
Taxes	628	908	8,035
Depreciation and amortisation	503	954	8,442
Amortisation of goodwill	2,929	2,471	21,867
Total	29,116	30,987	274,221

③ The retirement benefit expenses and the main expense items and monetary amounts within the amounts of allowance and provision included in the costs of revenues from operations are shown below.

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Retirement benefit expenses	¥6,746	¥6,369	$56,363
Provision for bonuses	4,250	4,694	41,540

8 Consolidated Statements of Comprehensive Income

① Reclassification adjustments and tax effects related to other comprehensive income

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Valuation difference on available-for-sale securities:			
Increase (decrease) during the year	¥ 6,399	¥(4,997)	$(44,221)
Reclassification adjustments	1,443	5,069	44,858
Subtotal, before tax	7,843	72	637
Tax (expense) or benefit	(1,923)	526	4,655
Valuation difference on available-for-sale securities	5,920	598	5,292
Deferred gains or losses on hedges:			
Increase (decrease) during the year	(1,143)	(1,272)	(11,257)
Reclassification adjustments	147	72	637
Subtotal, before tax	(996)	(1,199)	(10,611)
Tax (expense) or benefit	368	413	3,655
Deferred gains or losses on hedges	(627)	(786)	(6,956)
Revaluation reserve for land:			
Increase (decrease) during the year	—	—	—
Reclassification adjustments	—	—	—
Subtotal, before tax	—	—	—
Tax (expense) or benefit	279	124	1,097
Revaluation reserve for land	279	124	1,097
Foreign currency translation adjustments:			
Increase (decrease) during the year	1,456	(855)	(7,566)
Reclassification adjustments	107	—	—
Subtotal, before tax	1,564	(855)	(7,566)
Tax (expense) or benefit	—	—	—
Foreign currency translation adjustments	1,564	(855)	(7,566)
Remeasurements of defined benefit plans:			
Increase (decrease) during the year	7,467	(8,528)	(75,469)
Reclassification adjustments	(425)	(1,104)	(9,770)
Subtotal, before tax	7,041	(9,633)	(85,248)
Tax (expense) or benefit	(2,447)	3,296	29,168
Remeasurements of defined benefit plans	4,594	(6,336)	(56,071)
Share of other comprehensive income of associates accounted for using equity method:			
Increase (decrease) during the year	3,469	(1,576)	(13,947)
Reclassification adjustments	62	1,125	9,956
Share of other comprehensive income of associates accounted for using equity method	3,531	(451)	(3,991)
Total other comprehensive income	15,262	(7,706)	(68,195)

9 Consolidated Statements of Changes in Net Assets

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

Fiscal year ended 31st March 2015

(Thousands of shares)

	No. of shares as of 1st April 2014	Increase in number of shares	Decrease in number of shares	No. of shares as of 31st March 2015
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)	11,057	266	661	10,663
Total	11,057	266	661	10,663

(Overview of reasons for fluctuations)

Notes:

1. The increase of 266 thousand shares of treasury stock was due to the purchase of odd-lot shares.
2. The decrease of 661 thousand shares of treasury stock was due to a decrease of 656 thousand shares due to the change of interest for equity-method affiliates and a decrease of 4 thousand shares due to the sale of odd-lot shares.

Fiscal year ended 31st March 2016

(Thousands of shares)

	No. of shares as of 1st April 2015	Increase in number of shares	Decrease in number of shares	No. of shares as of 31st March 2016
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)	10,663	4,846	42	15,466
Total	10,663	4,846	42	15,466

(Overview of reasons for fluctuations)

Notes:

1. The increase of 4,846 thousand shares of treasury stock was due to the purchase of 4,608 thousand shares of treasury stock based on a resolution of the Board of Directors and the purchase of 238 thousand odd-lot shares.
2. The decrease of 42 thousand shares of treasury stock was due to a decrease of 38 thousand shares due to the exercise of stock option rights and a decrease of 4 thousand shares due to the sale of odd-lot shares.

② Items related to subscription rights to shares

Fiscal year ended 31st March 2015

Classification	Breakdown of new share subscription rights	Type of shares subject to share subscription rights	Number of shares subject to share subscription rights				Balance as of 31st March 2015 (Millions of yen)
			As of 1st April 2014	Increase	Decrease	As of 31st March 2015	
The Company (Parent company)	Subscription rights as stock options	—	—	—	—	—	¥318
Total		—	—	—	—	—	318

Fiscal year ended 31st March 2016

Classification	Breakdown of new share subscription rights	Type of shares subject to share subscription rights	Number of shares subject to share subscription rights				Balance as of 31st March 2016	
			As of 1st April 2015	Increase	Decrease	As of 31st March 2016	(Millions of yen)	(Thousands of U.S. dollars)
The Company (Parent company)	Subscription rights as stock options	—	—	—	—	—	¥424	$3,752
Total		—	—	—	—	—	424	3,752

③ Items related to dividends

Fiscal year ended 31st March 2015

(a) Dividends paid

(Resolution)	Type of shares	Dividends paid (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
13th June 2014 General meeting of shareholders	Common stock	¥4,431	¥3.5	31st March 2014	16th June 2014
29th October 2014 Board of Directors	Common stock	3,797	3	30th September 2014	1st December 2014

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

(Resolution)	Type of shares	Dividends paid (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
16th June 2015 General meeting of shareholders	Common stock	¥3,797	Retained earnings	¥3	31st March 2015	17th June 2015

Fiscal year ended 31st March 2016

(a) Dividends paid

(Resolution)	Type of shares	Dividends paid		Dividend per share		Record date	Effective date
		(Millions of yen)	(Thousands of U.S. dollars)	(Yen)	(U.S. dollars)		
16th June 2015 General meeting of shareholders	Common stock	¥3,797	$33,602	¥3	$0.03	31st March 2015	17th June 2015
30th October 2015 Board of Directors	Common stock	¥4,430	$39,204	¥3.5	$0.03	30th September 2015	1st December 2015

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

(Resolution)	Type of shares	Dividends paid		Source of dividends	Dividend per share		Record date	Effective date
		(Millions of yen)	(Thousands of U.S. dollars)		(Yen)	(U.S. dollars)		
14th June 2016 General meeting of shareholders	Common stock	¥4,413	$39,053	Retained earnings	¥3.5	$0.03	31st March 2016	15th June 2015

10 Consolidated Statements of Cash Flows

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
	2015	2016	2016
Cash and deposits in the consolidated balance sheets	¥25,614	¥24,225	$214,381
Deposits with maturities over 3 months	(2,117)	(1,862)	(16,478)
Cash and cash equivalents in the cash flow statements	23,497	22,363	197,903

11 Lease Transactions

<As lessee>

Future lease payments for non-cancellable leases in connection with operating lease transactions

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Due within one year	¥ 3,992	¥ 4,211	$ 37,265
Due after one year	12,813	10,341	91,513
Total	16,806	14,552	128,779

<As lessor>

Future lease receivables for non-cancellable leases in connection with operating lease transactions

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Due within one year	¥ 606	¥ 606	$ 5,363
Due after one year	6,459	5,853	51,796
Total	7,065	6,459	57,159

12 Financial Instruments

1 Matters regarding financial instruments

(a) Policy on financial instruments

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

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

Trade receivables, namely note receivables and trade account receivables, are exposed to the credit risk of customers. The Group limits its exposure to this credit risk by controlling due dates and balances by customer and by making periodical checks of the credit conditions of major customers pursuant to the internal regulations of each company.

Investment securities consist mainly of stocks and bonds and are exposed to market price fluctuation risk. However, fair values and the financial condition of the issuers are checked periodically, and the risk management system is confirmed.

Almost all trade payables, namely note payables and trade account payables, have a payment date that falls within one year. Some assets and liabilities denominated in foreign currency are exposed to exchange rate fluctuation risk (market risk), which is limited through forward exchange contracts.

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

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

More information regarding the means and objectives of hedging, hedging policy and the method of evaluating the effectiveness of hedges related to hedge accounting for derivative transactions, is described in "④ Notes on Accounting Policies" "(f) Significant hedge accounting methods" outlined in "2 Basis of Preparation of Consolidated Financial Statements."

② Matters regarding fair values of financial instruments

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

	Millions of yen						Thousands of U.S. dollars		
	2015			2016			2016		
	Book value	Fair value	Difference	Book value	Fair value	Difference	Book value	Fair value	Difference
Assets									
(a) Cash and deposits	¥ 25,614	¥ 25,614	¥ —	¥ 24,225	¥ 24,225	¥ —	$ 214,381	$ 214,381	$ —
(b) Trade receivables	80,673	80,673	—	73,141	73,141	—	647,265	647,265	—
(c) Investment securities	43,876	43,876	0	38,916	38,916	0	344,389	344,389	$0
Liabilities									
(d) Trade payables	42,429	42,429	—	37,480	37,480	—	331,681	331,681	—
(e) Short-term borrowings (*1)	156,950	156,950	—	135,322	135,322	—	1,197,540	1,197,540	—
(f) Bonds (*2)	112,000	116,270	4,270	112,000	116,753	4,753	991,150	1,033,212	42,062
(g) Long-term debt (*1)	676,663	706,764	30,100	659,687	685,991	26,304	5,837,938	6,070,717	232,779
(h) Derivative transactions	—	(10,531)	—	—	(16,240)	—	—	(143,717)	—

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

Notes:

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

(a) Cash and deposits, (b) Trade receivables

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

(c) Investment securities

The fair values of investment securities are based on prices quoted by stock exchanges, and the fair values of bonds are based on prices quoted by stock exchanges or prices presented by trading financial institutions. Securities categorised by the purpose for which they are held are described in "13 Securities."

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

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

(f) Bonds

The fair values of bonds are based on market prices.

(g) Long-term debt

The fair value of fixed-rate long-term debt is 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 value of floating-rate long-term debt is based on the book value because the fair value of floating-rate long-term debt reflects market interest rates within a short period of time and closely approximates the book values.

(h) Derivative transactions

Described in "14 Derivatives."

2. The book value of financial instruments whose fair value is extremely difficult to ascertain

	Millions of yen		Thousands of U.S. dollars
Classification	2015	2016	2016
Non-listed equity securities and bonds	¥4,873	¥5,823	$51,531
Investments in limited liability investment partnerships and similar investments	2,333	3,682	32,584
Negotiable certificates of deposit	8,813	2,543	22,504

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

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

4. Supplementary explanation regarding fair value of financial instruments
The fair value of financial instruments is based on market price. If market prices are not available, the fair value of financial instruments is reasonably calculated. Certain assumptions are used to calculate the value. As a result, if different assumptions are used, the values may differ. For derivative contracts, the amount of the contract which is indicated in "14 Derivatives" does not indicate the market risk involved in derivative transactions themselves.

5. Redemption and repayment schedule of monetary claims and investment securities with maturities

Fiscal year ended 31st March 2015

	Millions of yen			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	¥ 25,614	¥ —	¥ —	¥—
Trade receivables	80,673	—	—	—
Investment securities:				
Held-to-maturity debt securities (government bonds, etc.)	—	9	—	—
Available-for-sale securities with maturities (government bonds, etc.)	—	185	288	—
Total	106,287	195	288	—

Fiscal year ended 31st March 2016

	Millions of yen				Thousands of U.S. dollars			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	¥24,225	¥ —	¥ —	¥ —	$214,381	$ —	$ —	$ —
Trade receivables	73,141	—	—	—	647,265	—	—	—
Investment securities:								
Held-to-maturity debt securities (government bonds, etc.)	—	9	—	—	—	80	—	—
Available-for-sale securities with maturities (government bonds, etc.)	10	237	242	300	88	2,097	2,142	2,655
Total	97,376	247	242	300	861,735	2,186	2,142	2,655

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

Fiscal year ended 31st March 2015

	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	¥ —	¥ 60,000	¥ 42,000	¥ 10,000
Long-term debt	82,615	187,687	236,116	170,244
Total	82,615	247,687	278,116	180,244

Fiscal year ended 31st March 2016

	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	¥ 30,000	¥ 55,000	¥ 17,000	¥ 10,000	$265,487	$ 486,726	$ 150,442	$ 88,496
Long-term debt	70,586	151,945	255,164	181,990	624,655	1,344,646	2,258,088	1,610,531
Total	100,586	206,945	272,164	191,990	890,142	1,831,372	2,408,531	1,699,027

13 Securities

① Held-to-maturity debt securities

	Millions of yen						Thousands of U.S. dollars		
	2015			2016			2016		
Classification	Book value	Fair value	Difference	Book value	Fair value	Difference	Book value	Fair value	Difference
Securities with fair value exceeding book value	¥9	¥9	¥0	¥9	¥10	¥0	$80	$88	$0

② Available-for-sale securities

		Millions of yen						Thousands of U.S. dollars		
		2015			2016			2016		
Classification		Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference
Securities with book value exceeding acquisition cost:	(a) Equity securities	¥34,791	¥19,792	¥14,998	¥31,140	¥19,089	¥12,051	$275,575	$168,929	$106,646
	(b) Bonds	459	439	19	490	464	25	4,336	4,106	221
	Subtotal	35,250	20,232	15,018	31,630	19,554	12,076	279,912	173,044	106,867
Securities with book value not exceeding acquisition cost:	(a) Equity securities	8,600	12,749	(4,149)	7,275	8,420	(1,144)	64,381	74,513	(10,124)
	(b) Bonds	15	15	(0)	—	—	—	—	—	—
	Subtotal	8,615	12,764	(4,149)	7,275	8,420	(1,144)	64,381	74,513	(10,124)
Total		43,866	32,997	10,868	38,906	27,974	10,931	344,301	247,558	96,735

Note: Unlisted equity securities and others (previous fiscal year: ¥16,020 million, current fiscal year: ¥12,049 million ($106,628 thousand)) are not included in the above table due to the fact that establishing their fair values is extremely difficult because they do not have market values, and estimating future cash flows is not possible.

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

Fiscal year ended 31st March 2015

	Millions of yen		
Classification	Amount sold	Total gains on sale	Total losses on sale
Equity securities	¥19,681	¥3,436	¥4,879

Fiscal year ended 31st March 2016

Omitted as the significance was negligible.

④ Impairment of securities

Fiscal year ended 31st March 2015

Omitted as the significance is negligible.

Fiscal year ended 31st March 2016

Impairment loss on investment securities (other securities) of ¥4,979 million ($44,062 thousand) was recognised.

14 Derivatives

① Derivative transactions for which hedge accounting has not been applied

(a) Currency

Fiscal year ended 31st March 2015

No items

Fiscal year ended 31st March 2016

Classification	Type	Millions of yen: Contract amount	Millions of yen: Portion of contract amount exceeding one year	Millions of yen: Fair value (Note)	Thousands of U.S. dollars: Contract amount	Thousands of U.S. dollars: Portion of contract amount exceeding one year	Thousands of U.S. dollars: Fair value (Note)
Transactions other than market transactions	Forward exchange contracts						
	Buy contract						
	U.S. dollar	¥1,846	¥ —	¥ 2	$16,336	$ —	$ 18
	Currency swap contracts						
	Receive yen, pay U.S. dollars	598	598	(47)	5,292	5,292	(416)
Total		2,444	598	(45)	21,628	5,292	(398)

Notes:

1. Fair value calculation
   Fair value is based mainly on prices quoted from counterparty financial institutions.
2. The above currency swap contracts are hedged monetary receivables and payables arising from transactions among consolidated subsidiaries, and designated accounting is applied in non-consolidated financial statements.

② Derivative transactions for which hedge accounting has been applied

(a) Currency

Fiscal year ended 31st March 2015

Classification	Type	Main hedged items	Millions of yen: Contract amount	Millions of yen: Portion of contract amount exceeding one year	Millions of yen: Fair value (Note)
Designation of forward exchange contracts, etc.	Forward exchange contracts				
	Sell contract	Trade receivables			
	U.S. dollar		¥ 840	¥—	¥ (0)
	Japanese yen		23	—	(0)
	Buy contract	Trade payables			
	Euro		16,057	—	(896)
	U.S. dollar		7,839	—	779
	Pound sterling		21	—	(0)
	Swiss franc		1,757	—	156
	Canadian dollar		1,198	—	(34)
	New Zealand dollar		150	—	9
	Australian dollar		308	—	(7)
	Hong Kong dollar		67	—	(0)
	Singapore dollar		236	—	(9)
	Thai baht		80	—	0
	Japanese yen		889	—	(13)
Total			29,471	—	(17)

Fiscal year ended 31st March 2016

Classification	Type	Main hedged items	Millions of yen: Contract amount	Millions of yen: Portion of contract amount exceeding one year	Millions of yen: Fair value (Note)	Thousands of U.S. dollars: Contract amount	Thousands of U.S. dollars: Portion of contract amount exceeding one year	Thousands of U.S. dollars: Fair value (Note)
Designation of forward exchange contracts, etc.	Forward exchange contracts							
	Sell contract	Trade receivables						
	U.S. dollar		¥ 194	¥—	¥ 1	$ 1,717	$—	$ 9
	Japanese yen		8	—	0	71	—	0
	Buy contract	Trade payables						
	Euro		13,525	—	(564)	119,690	—	(4,991)
	U.S. dollar		8,476	—	(543)	75,009	—	(4,805)
	Pound sterling		17	—	0	150	—	0
	Swiss franc		1,726	—	(87)	15,274	—	(770)
	Canadian dollar		1,201	—	(65)	10,628	—	(575)
	New Zealand dollar		220	—	(12)	1,947	—	(106)
	Australian dollar		291	—	(1)	2,575	—	(9)
	Hong Kong dollar		77	—	(0)	681	—	(0)
	Singapore dollar		3,330	—	(170)	29,469	—	(1,504)
	Thai baht		79	—	(0)	699	—	(0)
	Japanese yen		1,227	—	5	10,858	—	44
	Total		30,378	—	(1,438)	268,832	—	(12,726)

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

(b) Interest rate

Fiscal year ended 31st March 2015

Classification	Type	Main hedged items	Millions of yen: Contract amount	Millions of yen: Portion of contract amount exceeding one year	Millions of yen: Fair value (Note)
Deferral hedge accounting and exceptional accounting of interest rate swaps	Interest rate swap contracts Pay fixed rate/ Receive floating rate	Long-term debt	¥255,235	¥226,437	¥(10,514)
	Total		255,235	226,437	(10,514)

Fiscal year ended 31st March 2016

Classification	Type	Main hedged items	Millions of yen: Contract amount	Millions of yen: Portion of contract amount exceeding one year	Millions of yen: Fair value (Note)	Thousands of U.S. dollars: Contract amount	Thousands of U.S. dollars: Portion of contract amount exceeding one year	Thousands of U.S. dollars: Fair value (Note)
Exceptional accounting of interest rate swaps	Interest rate swap contracts Pay fixed rate/ Receive floating rate	Long-term debt	¥222,592	¥201,188	¥(14,757)	$1,969,841	$1,780,425	$(130,593)
	Total		222,592	201,188	(14,757)	1,969,841	1,780,425	(130,593)

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

15 Retirement Benefits

① Overview of retirement benefit plans

Some consolidated subsidiaries of the Company provide a defined benefit plan (defined benefit pension plan and lump-sum payment plan) or a defined contribution plan. Hankyu Corporation has also established a retirement benefits trust.

In addition, some consolidated subsidiaries subscribe to the employees' pension funds plan in the multi-employer plan. Among them, the Company has used the same accounting treatment as it used for defined contribution plans when the amount of plan assets corresponding to contributions by the Company cannot be rationally calculated.

② Defined benefit plan

(a) Movement in retirement benefit obligations

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Balance at beginning of the year	¥126,263	¥125,490	$1,110,531
Cumulative effect of changes in accounting policies	(625)	—	—
Balance at beginning of the year reflecting changes in accounting policies	125,638	125,490	1,110,531
Service cost	7,342	7,231	63,991
Interest cost	1,048	1,046	9,257
Actuarial loss (gain)	105	7,607	67,319
Retirement benefits paid	(7,999)	(8,300)	(73,451)
Loss (gain) in prior service cost	—	3	27
Other	(645)	95	841
Balance at end of the year	125,490	133,174	1,178,531

Note: Amounts in the table include the retirement benefit obligations of consolidated subsidiaries using simplified methods.

(b) Movements in plan assets

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Balance at beginning of the year	¥68,565	¥77,249	$683,619
Expected return on plan assets	1,244	929	8,221
Actuarial loss (gain)	7,573	(917)	(8,115)
Contribution paid by the employer	4,805	4,802	42,496
Retirement benefits paid	(4,519)	(4,783)	(42,327)
Other	(419)	(0)	(0)
Balance at end of the year	77,249	77,281	683,903

Note: Amounts in the table include the plan assets of consolidated subsidiaries using simplified methods.

(c) At the end of the year, reconciliation from retirement benefit obligations and plan assets to net defined benefit liability (asset) recorded in the consolidated balance sheets

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Funded retirement benefit obligations	¥ 66,970	¥ 71,030	$ 628,584
Plan assets	(77,249)	(77,281)	(683,903)
	(10,278)	(6,251)	(55,319)
Unfunded retirement benefit obligations	58,520	62,143	549,938
Total net defined benefit liability and asset	48,241	55,892	494,619
Net defined benefit liability	56,950	61,839	547,248
Net defined benefit asset	(8,709)	(5,947)	(52,628)
Total net defined benefit liability and asset	48,241	55,892	494,619

Note: Amounts in the table include the retirement benefit obligations and plan assets of consolidated subsidiaries using simplified methods.

(d) The breakdown of retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Service cost	¥ 7,342	¥7,231	$63,991
Interest cost	1,048	1,046	9,257
Expected return on plan assets	(1,244)	(929)	(8,221)
Amortisation of actuarial differences	403	(192)	(1,699)
Amortisation of prior service cost	(900)	(912)	(8,071)
Other	141	76	673
Retirement benefit expenses	6,790	6,319	55,920

Notes:
1. Amounts in the table include the retirement benefit expenses of consolidated subsidiaries using simplified methods.
2. In addition to the retirement benefit expenses shown above, the Company made extra retirement payments of ¥52 million in the previous fiscal year and ¥9 million ($80 thousand) in the current fiscal year, which it recorded as costs of revenues from operations and extraordinary loss.

(e) Remeasurements of defined benefit plans

The breakdown of items related to remeasurements of defined benefit plans (prior to the deduction of the tax effect) is as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Prior service cost	¥ (900)	¥ (916)	$ (8,106)
Actuarial differences	7,870	(8,717)	(77,142)
Other	71	—	—
Total	7,041	(9,633)	(85,248)

(f) Cumulative adjustments of retirement benefit plans

The breakdown of items related to cumulative adjustments of retirement benefit plans (prior to the deduction of the tax effect) is as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Unrecognised prior service cost	¥(1,534)	¥ (618)	$ (5,469)
Unrecognised actuarial differences	(4,405)	4,311	38,150
Total	(5,940)	3,692	32,673

Note: The above relates to consolidated subsidiaries. In addition to the above items, the remeasurements of defined benefit plans include unrecognised items (the amount corresponding to equity) of equity-method affiliates.

(g) Items related to plan assets

I. Breakdown of major plan assets

The ratios of the major types of assets to total plan assets were as follows:

	%	
	2015	2016
Bonds	33	35
Equity securities	36	33
Cash and deposits	3	3
General accounts of life insurance	28	28
Other	1	1
Total	100	100

Note: The retirement benefits trust established for the Company's pension plan constituted 10% of total plan assets in the previous fiscal year and 10% of total plan assets in the current fiscal year.

II. Method of determining the long-term expected rate of return on plan assets

Current and target asset allocations and historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return on plan assets.

(h) Items related to actuarial assumptions

The major actuarial assumptions at the end of the fiscal year

	2015	2016
Discount rate	Mainly 1.0%	Mainly 0.0%
Long-term expected rate of return on plan assets	Mainly 2.0%	Mainly 2.0%
Expected rate of salary increase	Mainly 2.5%	Mainly 2.5%

③ Defined contribution plan

The required contribution for the consolidated subsidiaries' defined contribution plan (including employees' pension funds plan in the multi-employer plan to which the same accounting method is applied as for the defined contribution plan) was ¥48 million for the previous fiscal year and ¥49 million ($434 thousand) for the current fiscal year.

16 Stock Options, etc.

① Cost amount and account associated with stock options

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Operating expenses and cost of sales of transportation and cost of sales	¥109	¥124	$1,097

② Details and size of stock options and changes therein

(a) Details of stock options

Resolution date	16th June 2011
Classification and number of eligible persons	10 directors of subsidiaries
Class and number of shares (Note)	104,000 shares of common stock
Grant date	25th July 2011
Vesting conditions	Not defined
Service period	Not defined
Exercise period	From 26th July 2011 to 25th July 2041

Resolution date	29th March 2012
Classification and number of eligible persons	11 directors of subsidiaries
Class and number of shares (Note)	112,000 shares of common stock
Grant date	25th April 2012
Vesting conditions	Not defined
Service period	Not defined
Exercise period	From 26th April 2012 to 25th April 2042

Resolution date	14th June 2012
Classification and number of eligible persons	8 directors of subsidiaries
Class and number of shares (Note)	102,000 shares of common stock
Grant date	25th July 2012
Vesting conditions	Not defined
Service period	Not defined
Exercise period	From 26th July 2012 to 25th July 2042

Resolution date	29th March 2013
Classification and number of eligible persons	18 directors of subsidiaries
Class and number of shares (Note)	192,000 shares of common stock
Grant date	25th April 2013
Vesting conditions	Not defined
Service period	Not defined
Exercise period	From 26th April 2013 to 25th April 2043

Resolution date	27th March 2014
Classification and number of eligible persons	20 directors of subsidiaries
Class and number of shares (Note)	203,000 shares of common stock
Grant date	25th April 2014
Vesting conditions	Not defined
Service period	Not defined
Exercise period	From 26th April 2014 to 25th April 2044

Resolution date	27th March 2015
Classification and number of eligible persons	22 directors of subsidiaries
Class and number of shares (Note)	174,000 shares of common stock
Grant date	24th April 2015
Vesting conditions	Not defined
Service period	Not defined
Exercise period	From 25th April 2015 to 24th April 2045

Note: Indicated in the equivalent number of shares.

(b) Size of stock options and changes therein

The covered stock options are those which existed during the fiscal year ended 31st March 2016, the number of which is indicated in the equivalent number of shares.

I. Number of stock options

Resolution date	16th June 2011	29th March 2012	14th June 2012	29th March 2013	27th March 2014	27th March 2015
Before vested (shares)						
At the end of the previous fiscal year	—	—	—	—	—	—
Granted	—	—	—	—	—	174,000
Expired	—	—	—	—	—	—
Vested	—	—	—	—	—	174,000
Unvested	—	—	—	—	—	—
After vested (shares)						
At the end of the previous fiscal year	72,000	80,000	102,000	192,000	203,000	—
Vested	—	—	—	—	—	174,000
Exercised	—	—	14,000	13,000	11,000	—
Expired	—	—	—	—	—	—
Unexercised	72,000	80,000	88,000	179,000	192,000	174,000

II. Unit price information

Resolution date	16th June 2011	29th March 2012	14th June 2012	29th March 2013	27th March 2014	27th March 2015
Exercise price	¥1	¥1	¥1	¥1	¥1	¥1 [US$0.01]
Average stock price at exercise	¥—	¥—	¥—	¥—	¥—	¥— [US$—]
Fair value unit price at the grant date	¥311	¥361	¥387	¥615	¥541	¥718 [US$6.35]

③ Estimation method for fair value unit price of stock options

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

(a) Valuation method used: Black–Scholes model

(b) Major basic data and estimation method

Resolution date	27th March 2015
Volatility of stock price (Note 1)	22.40%
Expected life (Note 2)	2.481 years
Expected dividends (Note 3)	¥6 [US$0.05] / share
Risk-free interest rate (Note 4)	0.001%

Notes:
1. Volatility of stock price is based on the closing prices in regular transactions for the Company's common stock on individual transaction dates during the period of 2.481 years (from 30th October 2012 to 24th April 2015).
2. Expected life is based on the actual length of service of eligible directors of subsidiaries who had resigned in the past, and on the actual length of service of eligible persons as of the grant date.
3. Expected dividends are based on the actual dividends paid for the fiscal year ended 31st March 2014.
4. Risk-free interest rate is the yield of government bonds for the period corresponding to the expected life.

④ Estimation method for the number of vested stock options

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

17 Deferred Tax

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

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Deferred tax assets:			
Loss on revaluation of real estate for sale	¥ 26,923	¥ 24,497	$ 216,788
Net defined benefit liability	16,323	18,335	162,257
Tax loss carryforwards	18,964	16,482	145,858
Loss on impairment of fixed assets	10,213	10,695	94,646
Loss on adjustment of transferred profit and loss	6,667	5,451	48,239
Unrealised profit from assets	4,095	4,658	41,221
Provision for bonuses	1,783	1,979	17,513
Losses on revaluation of investment securities	1,855	1,475	13,053
Enterprise taxes and business office taxes	1,117	937	8,292
Other	12,666	11,751	103,991
Subtotal of deferred tax assets	100,609	96,264	851,894
Valuation allowance	(46,068)	(42,500)	(376,106)
Less amounts offset against deferred tax liabilities	(44,100)	(43,012)	(380,637)
Total deferred tax assets	10,440	10,750	95,133
Deferred tax liabilities:			
Gain on reversal of difference from land revaluation	(124,437)	(131,091)	(1,160,097)
Revaluation of assets on consolidation	(84,615)	(79,928)	(707,327)
Net unrealised holding gains on securities	(16,300)	(13,776)	(121,912)
Gain on valuation of properties of business reorganisation	(1,995)	(1,858)	(16,442)
Other	(6,499)	(6,181)	(54,699)
Subtotal of deferred tax liabilities	(233,849)	(232,836)	(2,060,496)
Less amounts offset against deferred tax assets	44,100	43,012	380,637
Total deferred tax liabilities	(189,748)	(189,823)	(1,679,850)
Net deferred tax liabilities	(179,307)	(179,073)	(1,584,717)

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 related to land revaluation" has been recorded as Deferred tax liabilities starting from the fiscal year ended 31st March 2006.

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

	2015	2016
Statutory tax rate	35.6%	33.0%
(Adjustment)		
Elimination of dividends from consolidated subsidiaries	14.4	11.2
Valuation allowance	1.4	0.9
Per capita amount of inhabitants' tax	0.5	0.4
Nondeductible expenses	0.6	0.4
Nontaxable income	(15.6)	(11.1)
Equity in (income) losses of affiliates	(2.1)	(2.0)
Valuation allowance	5.4	(0.4)
Downward adjustment of deferred tax assets (liabilities) at end of year due to tax rate change	(16.4)	(5.8)
Other	4.4	(1.1)
Effective tax rate	28.2	25.5

③ Amendments to the amount of deferred tax assets and liabilities due to changes to the effective tax rate

The Diet enacted the "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 15 of 2016) and the "Act for Partial Amendment of the Local Tax Act, etc." (Act No. 13 of 2016) on 29th March 2016. As a result, the income tax rate was lowered for consolidated fiscal years beginning on or after 1st April 2016. Accordingly, the effective statutory tax rate used to calculate deferred tax assets and liabilities is to be lowered from the previous fiscal year's effective statutory tax rate of 32.2% to 30.8% for the fiscal year that began on 1st April 2016 and for the fiscal year that will begin on 1st April 2017, in relation to the temporary differences that are expected to be cancelled. Further, the effective statutory tax rate will be lowered to 30.6% for fiscal years beginning on or after 1st April 2018, in relation to the temporary differences that are expected to be cancelled.

This change in tax rates resulted in decreases of ¥6,225 million ($55,088 thousand) in deferred tax liabilities (net of deferred tax assets), ¥5,530 million ($48,938 thousand) in income taxes—deferred and ¥8 million ($71 thousand) in deferred gains or losses on hedges and ¥0 million ($0 thousand) in cumulative adjustments related to retirement benefit plans and an increase of ¥704 million ($6,230 thousand) in valuation differences on available-for-sale securities.

Furthermore, deferred tax liabilities related to land revaluation decreased ¥124 million ($1,097 thousand), and revaluation reserve for land increased by the same amount.

18 Asset Retirement Obligations

Omitted as the significance was negligible.

19 Rental Property

Some consolidated subsidiaries own rental property, such as office buildings for lease and commercial facilities for lease in the Kita Ward of Osaka and other areas. Rental income related to such rental property in the fiscal year ended 31st March 2015 was ¥31,048 million (significant rental revenues are recorded in revenues from operations and significant rental expenses are recorded in costs of revenues from operations). Rental income related to such rental properties in the fiscal year ended 31st March 2016 was ¥30,194 million ($267,203 thousand) (significant rental revenues are recorded in revenues from operations and significant rental expenses are recorded in costs of revenues from operations).

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

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Book value (Note 1):			
Balance at the beginning of year	¥712,891	¥625,822	$5,538,248
Increase/decrease (Note 2)	(87,068)	(2,465)	(21,814)
Balance at the end of year	625,822	623,357	5,516,434
Fair value at the end of year (Note 3)	782,787	805,355	7,127,035

Notes:
1. Book value is acquisition cost less accumulated depreciation.
2. For changes in amounts in the fiscal year ended 31st March 2015, the main increases were acquisitions of real estate of ¥10,822 million. The main decreases were exclusion of properties for which development began of ¥78,334 million, depreciation of ¥14,111 million, and sales of real estate of ¥4,635 million. For changes in amounts in the fiscal year ended 31st March 2016, the main increase was acquisitions of real estate of ¥17,796 million ($157,487 thousand). The main decreases were depreciation of ¥13,159 million ($116,451 thousand), sales of real estate of ¥3,564 million ($31,540 thousand), and changes in reason for ownership from rental property, etc., to property for the Company's use of ¥3,127 million ($27,673 thousand).
3. Fair value as of the end of the fiscal year is the appraisal value according to an outside real estate appraiser based on Japanese Real Estate Appraisal Standards in the case of key properties and the fair value based on indicators such as the assessed value of noncurrent assets and road tax rating in the case of other properties.
4. Property under development has not been included in the above table because of the difficulty of ascertaining the market value of property that is in the process of development. Furthermore, property under development recognised in the consolidated balance sheets for the previous fiscal year and for the current fiscal year were ¥86,101 million and ¥90,367 million ($799,708 thousand), respectively.

20 Segment Information

① Segment information

(a) Summary of reportable segments

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," "International Transportation" and "Hotels." The businesses are operated by five core companies: Hankyu Corporation, Hanshin Electric Railway Co., Ltd., Hankyu Travel International Co., Ltd., Hankyu Hanshin Express Co., Ltd. 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: railway operations, automobile, retailing and advertising businesses
Real Estate: rental real estate, real estate sales and other businesses
Entertainment and Communications: sports related businesses, stage events, communications and media, and other businesses
Travel: travel services
International Transportation: international cargo services
Hotels: hotel ownership and management business

(b) Method used to calculate 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 described in "2 Basis of Preparation of Consolidated Financial Statements," and internal transactions (land and structure leases and rental transactions, etc.) that are calculated through management accounting at companies with businesses spanning multiple segments are included and recorded.

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

Intersegment revenues from operations and transfers are based mainly on similar data as those of general transaction conditions.

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

Fiscal year ended 31st March 2015

Millions of yen

	Reportable segment							Other (Note 1)	Total	Adjustment (Note 2)	Amounts appearing in the consolidated financial statements (Note 3)
	Urban Transportation	Real Estate	Entertainment and Communications	Travel	International Transportation	Hotels	Subtotal				
Revenues from operations:											
I. Customers	¥228,306	¥189,680	¥104,768	¥31,936	¥39,411	¥62,344	¥ 656,449	¥28,976	¥ 685,425	¥ 480	¥ 685,906
II. Intersegment	5,112	16,763	7,864	28	7	687	30,463	12,701	43,165	(43,165)	—
Total	233,419	206,444	112,632	31,965	39,419	63,031	686,912	41,678	728,591	(42,684)	685,906
Segment income (loss)	38,553	37,173	14,993	1,227	3,053	1,216	96,217	1,032	97,250	(3,223)	94,026
Segment assets	778,565	993,303	143,239	68,037	45,828	82,199	2,111,174	43,769	2,154,943	124,694	2,279,638
Other items											
Depreciation and amortisation	25,433	17,218	7,010	809	738	2,035	53,247	479	53,726	(582)	53,143
Increase in property and equipment and intangible assets	32,072	25,828	6,092	660	476	1,497	66,627	960	67,587	527	68,115

Fiscal year ended 31st March 2016

Millions of yen

	Reportable segment							Other (Note 1)	Total	Adjustment (Note 2)	Amounts appearing in the consolidated financial statements (Note 3)
	Urban Transportation	Real Estate	Entertainment and Communications	Travel	International Transportation	Hotels	Subtotal				
Revenues from operations:											
I. Customers	¥234,410	¥ 203,413	¥105,351	¥30,492	¥36,650	¥67,304	¥ 677,622	¥29,209	¥ 706,831	¥ 527	¥ 707,359
II. Intersegment	5,133	17,509	7,138	9	8	737	30,538	9,649	40,188	(40,188)	—
Total	239,544	220,923	112,490	30,502	36,658	68,042	708,160	38,859	747,019	(39,660)	707,359
Segment income (loss)	41,270	49,851	15,301	680	1,788	3,298	112,191	967	113,159	(2,866)	110,293
Segment assets	794,261	1,022,570	142,705	65,239	39,899	82,754	2,147,431	35,849	2,183,280	98,899	2,282,180
Other items											
Depreciation and amortisation	25,691	17,916	6,656	773	730	1,838	53,607	537	54,144	(443)	53,701
Increase in property and equipment and intangible assets	27,977	28,287	5,919	507	1,049	2,233	65,974	717	66,691	(52)	66,639

Thousands of U.S. dollars

	Reportable segment							Other (Note 1)	Total	Adjustment (Note 2)	Amounts appearing in the consolidated financial statements (Note 3)
	Urban Transportation	Real Estate	Entertainment and Communications	Travel	International Transportation	Hotels	Subtotal				
Revenues from operations:											
I. Customers	$2,074,425	$1,800,115	$ 932,310	$269,841	$324,336	$595,611	$ 5,996,655	$258,487	$ 6,255,142	$ 4,664	$ 6,259,814
II. Intersegment	45,425	154,947	63,168	80	71	6,522	270,248	85,389	355,646	(355,646)	—
Total	2,119,858	1,955,071	995,487	269,929	324,407	602,142	6,266,903	343,885	6,610,788	(350,973)	6,259,814
Segment income (loss)	365,221	441,159	135,407	6,018	15,823	29,186	992,841	8,558	1,001,407	(25,363)	976,044
Segment assets	7,028,858	9,049,292	1,262,876	577,336	353,088	732,336	19,003,814	317,248	19,321,062	875,212	20,196,283
Other items											
Depreciation and amortisation	227,354	158,549	58,903	6,841	6,460	16,265	474,398	4,752	479,150	(3,920)	475,230
Increase in property and equipment and intangible assets	247,584	250,327	52,381	4,487	9,283	19,761	583,841	6,345	590,186	(460)	589,726

Notes:

1. The "Other" segment is a business segment not included in the reportable segments and includes construction, etc.
2. The main item in the adjusted amount of segment profit and loss for the fiscal year was amortisation of goodwill (¥(2,666) million in the previous fiscal year and ¥(2,238) million ($(19,805) thousand) in the current fiscal year) (refers mainly to the amortisation of goodwill arising from the management integration with Hanshin Electric Railway Co., Ltd. in the fiscal year ended 31st March 2007).

   In addition to the balance of unamortised goodwill (refers mainly to the goodwill arising from the management integration with Hanshin Electric Railway Co., Ltd. in the fiscal year ended 31st March 2007) of ¥22,939 million ($203,000 thousand), the segment assets' adjusted amount 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.
3. Segment profit and loss is adjusted with the operating income in the Consolidated Statements of Income.

② Related information

(a) Information about product and service categories

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

(b) Information by region

I. Revenues from operations

Since over 90% of revenues from operations in the consolidated statements of income are revenues from external customers in Japan, a description of regional breakdown is omitted.

II. Property and equipment

Since over 90% of the total value of property and equipment in the consolidated balance sheets relates to property and equipment in Japan, a breakdown by region is omitted.

(c) Information about important customers

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

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

Omitted as the significance is negligible.

④ Information regarding amortisation of goodwill and the balance of unamortised goodwill by reportable segment

Omitted as the significance is negligible.

⑤ Information regarding gains from negative goodwill by reportable segment

Omitted as the significance is negligible.

21 Related Party Transactions

① Related party transactions

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

No items

(b) Transactions between consolidated subsidiaries of the company submitting the consolidated financial statements and related parties

Directors and principal shareholders (only individual shareholders) of the company submitting the consolidated financial statements

Fiscal year ended 31st March 2015

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 2015 (Millions of yen)
Audit & Supervisory Board Member	Haruo Sakaguchi	—	¥ —	Auditor of the Company	Directly 0.0%	Lease of real estate	Lease of real estate	¥47	Deposit	¥33
Company in which director or close family thereof holds majority of voting rights	Tateishi Sangyo Co., Ltd.	Ikeda City, Osaka	100	Real estate business	0.1%	Operation and management of real estate, concurrent post (director)	Operation and management of real estate	35	Accounts receivable	3

Notes:

1. The transaction amount does not include consumption tax, etc., and the balance, excluding deposit, at the end of the fiscal year does not include consumption tax, etc.
2. Transaction terms and conditions, and method of determining transaction terms and conditions, etc.
   The terms and conditions of the property lease and operation and management are determined with reference to similar transactions in the neighbouring area.
3. Director of a consolidated subsidiary of the Company, the Hankyu Corporation, Koichi Kobayashi and his close family own 77% of the voting rights in Tateishi Sangyo Co., Ltd.

Fiscal year ended 31st March 2016

Type	Name of related party	Address	Amount of capital (Millions of yen)	Amount of capital (Thousands of U.S. dollars)	Business	Voting interest	Relationship with related party	Details of transaction	Transaction amounts (Millions of yen)	Transaction amounts (Thousands of U.S. dollars)	Item	Balance as of 31st March 2016 (Millions of yen)	Balance as of 31st March 2016 (Thousands of U.S. dollars)
Audit & Supervisory Board Member	Haruo Sakaguchi	—	¥—	$—	Auditor of the Company	Directly 0.0%	Lease of real estate	Lease of real estate	¥47	$416	Deposit	¥33	$292
Company in which director or close family thereof holds majority of voting rights	Tateishi Sangyo Co., Ltd.	Ikeda City Osaka	¥100	$885	Real estate business	0.1%	Operation and management, sale, purchase, and brokerage of real estate, concurrent post (director)	Operation and management of real estate	¥34	$301	Accounts receivable	¥0	$0
								Sale of real estate	—	—	Advance	¥698	$6,177
											Deposit	¥10	$88
								Purchase of real estate	¥5,222	$46,212	—	—	—
								Real estate brokerage	¥156	$1,381	—	—	—

Notes:

1. The transaction amount does not include consumption tax, etc., and the balance, excluding deposit, at the end of the fiscal year does not include consumption tax, etc.
2. Transaction terms and conditions, and method of determining transaction terms and conditions, etc.
   The terms and conditions of the property lease and operation and management are determined with reference to similar transactions in the neighbouring area.
   The terms and conditions of the purchase of real estate are determined with reference to the appraised values of real estate appraisers.
   The terms and conditions of real estate brokerage are determined in the same manner as used for general transaction conditions.
3. Director of a consolidated subsidiary of the Company, the Hankyu Corporation, Koichi Kobayashi and his close family own 77% of the voting rights in Tateishi Sangyo Co., Ltd.

② Notes about parent company and major affiliated companies

No items

22 Per Share Information

The following tables show net assets per share, net income attributable to owners of the parent per share, diluted net income attributable to owners of the parent per share, and the basis for their respective calculations.

	2015	2016	2016
① Net assets per share (yen / U S. dollars)	¥525.56	¥563.19	$4.98
(Basis for the calculation)			
Total net assets (Millions of yen / Thousands of U.S. dollars)	¥679,482	¥724,237	$6,409,177
Amount to be deducted from total net assets (Millions of yen / Thousands of U.S. dollars)	¥16,885	¥16,902	$149,575
(Of the amount, subscription rights to shares)	¥[318]	¥[424]	$[3,752]
(Of the amount, non-controlling interests)	¥[16,566]	¥[16,478]	$[145,823]
Net assets at the end of the fiscal year related to common shares (Millions of yen / Thousands of U.S. dollars)	¥662,596	¥707,334	$6,259,593
Common shares issued (Thousands of shares)	1,271,406	1,271,406	
Treasury stock shares (Thousands of shares)	5,573	10,376	
Common shares held by consolidated subsidiaries and equity-method affiliates (Thousands of shares)	5,089	5,089	
Common shares used to calculate net assets per share (Thousands of shares)	1,260,743	1,255,940	

	2015	2016	2016
② **Net income per share (yen / U.S. dollars)**	¥42.98	**¥55.58**	**$0.49**
(Basis for the calculation)			
Net income attributable to owners of the parent (Millions of yen / Thousands of U.S. dollars)	¥54,201	**¥69,971**	**$619,212**
Amount not belonging to common stockholders (Millions of yen / Thousands of U.S. dollars)	¥—	**¥—**	**$—**
Net income attributable to owners of the parent related to common shares (Millions of yen / Thousands of U.S. dollars)	¥54,201	**¥69,971**	**$619,212**
Average number of common shares during term (Thousands of shares)	1,261,127	**1,259,005**	
③ **Net income per share—diluted (yen / U.S. dollars)**	¥42.95	**¥55.53**	**$0.49**
(Basis for the calculation)			
Adjustment to net income attributable to owners of the parent (Millions of yen / Thousands of U.S. dollars)	¥(7)	**¥(11)**	**$(97)**
(Equity in income of affiliates)	¥[(7)]	**¥[(11)]**	**$[(97)]**
Increase in number of common shares (Thousands of shares)	634	**772**	
(Of the amount, subscription rights to shares)	[634]	**[772]**	
Summary of potential shares that were not included in the calculation of diluted income per share because their effect was not dilutive	—	**—**	

23 Subsequent Events

① Acquisition of Treasury Stock

Based on Article 156 of the Companies Act of Japan, as applied *mutatis mutandis* pursuant to Paragraph 3, Article 165 of the Companies Act of Japan, a meeting of the Board of Directors convened on 13th May 2016 decided the following items in relation to the acquisition of treasury stock.

(a) Reason for acquisition of treasury stock

To enhance shareholder returns and enhance capital efficiency

(b) Details of items related to acquisition

① Type of shares acquired: Shares of common stock of the Company

② Total number of shares available for acquisition: 9,000,000 shares (upper limit) (0.71% of issued shares (excluding treasury stock))

③ Total amount of acquisition: 5,100,000,000 yen (upper limit)

④ Period of acquisition: From 16th May 2016 to 30th June 2016

② Change in Number of Shares Constituting a Trading Unit and Consolidation of Shares

A meeting of the Board of Directors convened on 13th May 2016 decided to submit to the 178th General Meeting of Shareholders, held on 14th June 2016, an agenda item concerning a change in the number of shares constituting a trading unit and a consolidation of shares, which the said Meeting of Shareholders approved.

(a) Change in Number of Shares Constituting a Trading Unit

① Reason for change

Japanese stock exchanges have announced the Action Plan for Consolidating Trading Units, which aims to standardise the trading units of domestic companies listed on Japanese stock exchanges at 100 shares of common stock by 1st October 2018. As a company listed on the Tokyo Stock Exchange, the Company shall respect this aim and change number of shares constituting a trading unit from the current 1,000 shares to 100 shares.

② Details of change

The number of shares constituting a trading unit will be changed from 1,000 shares to 100 shares as of 1st August 2016.

(Reference)

On the Tokyo Stock Exchange, the number of shares constituting a trading unit shall change to 100 shares as of 27th July 2016.

(b) Consolidation of Shares

① Reason for consolidation of shares

Given the "(a) Change in Number of Shares Constituting a Trading Unit" above, which will change the number of shares constituting a trading unit from one thousand to 100 shares, the Company will consolidate shares to adjust the investment unit to an appropriate level in light of medium-to-long-term share price trends.

② Details of consolidation of shares

a Type of shares to be consolidated: Common shares

b Method and ratio of the Consolidation of shares: On 1st August 2016, shares held by shareholders recorded in the shareholder registry as of 31st July 2016 will be consolidated at the ratio of 5 shares to 1 share.

③ Reduction in number of shares as a result of consolidation

Total number of issued shares before consolidation (as of 31st March 2016)	1,271,406,928 shares
Reduction in number of shares as a result of consolidation	1,017,125,543
Total number of issued shares after consolidation	254,281,385

Note: The "Reduction in number of shares as a result of consolidation" and "Total number of issued shares after consolidation" are theoretical values calculated based on the total number of issued shares before consolidation of shares and on the consolidation ratio.

④ Treatment of fractional shares

If any fractional shares arise as a result of the consolidation of shares, pursuant to the provisions of the Companies Act of Japan, the Company will pay shareholders that have fractional shares in proportion to their respective fractions.

(c) Schedule of Change in Number of Shares Constituting a Trading Unit and Consolidation of Shares

Date of resolution by the Board of Directors	13th May 2016
Date of resolution by the General Meeting of Shareholders	14th June 2016
Effective date of change in number of shares constituting a trading unit and consolidation of shares	1st August 2016 (plan)

(Reference)

As stated above, the effective date of change in number of shares constituting a trading unit and consolidation of shares will be 1st August 2016. However, due to procedures after the acquisition of shares, on the Tokyo Stock Exchange the trading unit of the Company's shares will change from 1,000 shares to 100 shares on 27th July 2016.

(d) Effect on per Share Information

Assuming the Company had implemented the said consolidation of shares at the beginning of the previous fiscal year, per share information for the previous fiscal year and the current fiscal year is as follows.

	Yen		U.S. dollars
	2015	2016	2016
Net assets per share	¥2,627.80	¥2,815.96	$24.92
Net income attributable to owners of the parent per share	¥ 214.89	¥ 277.88	$ 2.46
Net income attributable to owners of the parent per share—diluted	¥ 214.76	¥ 277.67	$ 2.46

24 Consolidated Supplementary Statements

① Corporate Bond Statements

Company	Name	Issue date	Millions of yen: Balance as of 1st April 2015	Millions of yen: Balance as of 31st March 2016	Thousands of U.S. dollars: Balance as of 31st March 2016	Interest rate	Security	Redemption date
Hankyu Hanshin Holdings, Inc.	Series 38 unsecured corporate bonds	23rd Oct. 2009	¥ 10,000	¥ 10,000	$ 88,496	1.87%	None	23rd Oct. 2019
Hankyu Hanshin Holdings, Inc.	Series 39 unsecured corporate bonds	28th Jan. 2010	20,000	20,000 (20,000)	176,991 (176,991)	1.25	None	27th Jan. 2017
Hankyu Hanshin Holdings, Inc.	Series 40 unsecured corporate bonds	22nd Sept. 2010	15,000	15,000	132,743	1.43	None	18th Sept. 2020
Hankyu Hanshin Holdings, Inc.	Series 41 unsecured corporate bonds	22nd Sept. 2010	7,000	7,000	61,947	1.72	None	22nd Sept. 2022
Hankyu Hanshin Holdings, Inc.	Series 42 unsecured corporate bonds	17th Mar. 2011	10,000	10,000	88,496	1.54	None	17th Mar. 2021
Hankyu Hanshin Holdings, Inc.	Series 43 unsecured corporate bonds	9th Sept. 2011	10,000	10,000 (10,000)	88,496 (88,496)	0.55	None	9th Sept. 2016
Hankyu Hanshin Holdings, Inc.	Series 44 unsecured corporate bonds	25th Oct. 2012	10,000	10,000	88,496	0.406	None	25th Oct. 2017
Hankyu Hanshin Holdings, Inc.	Series 45 unsecured corporate bonds	14th Mar. 2013	10,000	10,000	88,496	0.589	None	13th Mar. 2020
Hankyu Hanshin Holdings, Inc.	Series 46 unsecured corporate bonds	25th Oct. 2013	10,000	10,000	88,496	0.819	None	25th Oct. 2023
Hankyu Hanshin Holdings, Inc.	Series 47 unsecured corporate bonds	18th Jul. 2014	10,000	10,000	88,496	1.202	None	18th Jul. 2029
Total	—	—	112,000	112,000 (30,000)	991,150 (265,487)	—	—	—

Notes:
1. The amount in parenthesis in the "Balance as of 31st March 2016" column is the current portion of the total amount and is recorded in current liabilities in the consolidated balance sheets.
2. Redemption schedule of bonds for five years subsequent to 31st March 2016

	Millions of yen	Thousands of U.S. dollars
Due within one year	¥30,000	$265,487
Due after one year through two years	10,000	88,496
Due after two years through three years	—	—
Due after three years through four years	20,000	176,991
Due after four years through five years	25,000	221,239

② Statements of Loans Payable

Item	Millions of yen		Thousands of U.S. dollars		
	Balance as of 1st April 2015	Balance as of 31st March 2016	Balance as of 31st March 2016	Average interest rate	Repayment deadline
Short-term borrowings	¥156,950	¥135,322	$1,197,540	0.552%	—
Current portion of long-term debt	82,615	70,586	624,655	1.393	—
Current portion of lease obligations	1,831	1,794	15,876	—	—
Long-term debt (excluding current portion)	594,047	589,100	5,213,274	1.005	2017 – 2036
Lease obligations (excluding current portion)	8,382	7,765	68,717	—	2017 – 2026
Other interest-bearing debt	—	—	—	—	—
Total	843,828	804,570	7,120,088	—	—

Notes:
1. The balances are expressed after the elimination of transactions with companies in the consolidation group.
2. The "Average interest rate" of loans payable is the weighted average interest rate for outstanding loans payable as of the end of the current fiscal year.
3. The "Average interest rate" is not shown for lease obligations because the Company uses mainly the method that includes the amounts equal to interest in total capital lease obligations and that spreads 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) within five years subsequent to 31st March 2016.

Long-term debt	Millions of yen	Thousands of U.S. dollars
Due after one year through two years	¥43,720	$386,903
Due after two years through three years	41,235	364,912
Due after three years through four years	33,667	297,938
Due after four years through five years	33,321	294,876

Lease obligations	Millions of yen	Thousands of U.S. dollars
Due after one year through two years	¥1,665	$14,735
Due after two years through three years	1,169	10,345
Due after three years through four years	1,074	9,504
Due after four years through five years	903	7,991

③ Schedule of Asset Retirement Obligations

Omitted as the significance is negligible.

25 Others

Quarterly financial information in fiscal year ended 31st March 2016

Cumulative period	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Revenues from operations (Millions of yen)	¥163,730	¥335,212	¥496,238	¥707,359
Income before income taxes (Millions of yen)	27,886	52,567	75,151	96,087
Net income attributable to owners of the parent (Millions of yen)	18,552	34,361	49,209	69,971
Net income attributable to owners of the parent per share (yen)	14.72	27.26	39.06	55.58

Cumulative period	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Revenues from operations (Thousands of U.S. dollars)	$1,448,938	$2,966,478	$4,391,487	$6,259,814
Income before income taxes (Thousands of U.S. dollars)	246,779	465,195	665,053	850,327
Net income attributable to owners of the parent (Thousands of U.S. dollars)	164,177	304,080	435,478	619,212
Net income attributable to owners of the parent per share (U.S. dollars)	0.13	0.24	0.35	0.49

Accounting period	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Net income attributable to owners of the parent per share (yen)	¥14.72	¥12.54	¥11.80	¥16.53

Accounting period	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Net income attributable to owners of the parent per share (U.S. dollars)	$0.13	$0.11	$0.10	$0.15

Major Rental Properties / Major Sales Properties

Major rental properties

Property name	Location	Completed	Leasable area[1] (1,000 m²)	Use
Umeda Hankyu Bldg.	Kita-ku, Osaka	2012	213	Department stores (Hankyu Department Store), Offices
Umeda Hanshin Daiichi Bldg. (HERBIS OSAKA)	Kita-ku, Osaka	1997	82	Hotels (The Ritz-Carlton, Osaka), Offices, Commercial facilities, Multifunctional convention hall
Umeda Hanshin Daini Bldg. (HERBIS ENT)	Kita-ku, Osaka	2004	55	Offices, Commercial facilities, Theatre (Osaka Shiki Theatre)
Hankyu Chayamachi Bldg. (Applause Tower)	Kita-ku, Osaka	1992	52	Hotel (Hotel Hankyu International), Offices, Commercial facilities
Hankyu Sanban Gai Shopping Centre	Kita-ku, Osaka	1969	41	Commercial facilities
Hankyu Grand Bldg.	Kita-ku, Osaka	1977	36	Offices, Commercial facilities
GRAND FRONT OSAKA	Kita-ku, Osaka	2013	28	Offices, Commercial facilities, Knowledge Capital, Hotel (InterContinental Hotel Osaka)
Hankyu Terminal Bldg.	Kita-ku, Osaka	1972	27	Offices, Commercial facilities
Hankyu Five Bldg. (HEP FIVE)	Kita-ku, Osaka	1998	20	Commercial facilities
Navio Hankyu (HEP NAVIO)	Kita-ku, Osaka	1980	16	Commercial facilities
Kita Hankyu Bldg.	Kita-ku, Osaka	1971	13	Offices, Commercial facilities
NU chayamachi	Kita-ku, Osaka	2005	12	Commercial facilities
Noda Hanshin Bldg. (WISTE)	Fukushima-ku, Osaka	1992	32	Commercial facilities, Offices
Shin-Osaka Hankyu Bldg.	Yodogawa-ku, Osaka	2012	24	Offices, Hotel (REMM Shin-Osaka), Commercial facilities
Hankyu Nishinomiya Gardens	Nishinomiya, Hyogo	2008	108	Commercial facilities, Department stores (Hankyu Department Store)
Hankyu Kawaramachi Bldg.	Shimogyo-ku, Kyoto	1974	38	Department stores (Takashimaya)

1. Leasable area does not include areas for public use.

Major properties sold in fiscal 2016[2]

Property name	Location	Total number of units
Condominium		
Geo Senri Chuo[3]	Toyonaka, Osaka	514[4]
Geo Hankyu Rakusaiguchi *North Residence*	Muko, Kyoto	231
Geo Seishin Chuo	Nishi-ku, Kobe	205
Geo-Tower Minamihorie	Nishi-ku, Osaka	203[4]
Geo Hankyu Rakusaiguchi *South Residence*[3]	Muko, Kyoto	161
Geo Minami Kusatsu *Front Stage*	Kusatsu, Shiga	48
Geo Nishinomiya Kitaguchi Hinokuchi-cho	Nishinomiya, Hyogo	36
Geo Kobe Yamamotodori	Kobe, Hyogo	36
Geo Nishinomiya Kitaguchi *Crowns*	Nishinomiya, Hyogo	20
Tomihisa Cross Comfort Tower[3]	Shinjuku, Tokyo	1,093[4]
Le Fond Solei Funabashi Utsukushi Gakuen[3]	Funabashi, Chiba	186
Geo Todoroki	Setagaya, Tokyo	69
Geo Shin-Koiwa	Edogawa, Tokyo	38
Geo Akasaka Tango-cho	Minato, Tokyo	23
Detached house		
Osaka Nakajima Koen Toshi *Hapia Garden*	Nishi-Yodogawa-ku, Osaka	254
Hapia Garden Neyagawa-shi	Neyagawa, Osaka	62
Hapia Garden Tarumi Kasumigaoka	Tarumi-ku, Kobe	10
Hapia Garden Yokohama Yamate	Naka-ku, Yokohama	14
Hapia Garden Sakuradai 3-chome	Nerima, Tokyo	12
Hapia Garden Suginami Horinouchi	Suginami, Tokyo	11

2. Ordered by highest total number of condominium units first, with Kansai area and Tokyo metropolitan area categorised separately
3. Joint-venture properties
4. Including unsold condominium units

Major properties planned to be sold in fiscal 2017[2]

Property name	Location	Total number of units
Condominium		
Geo Takatsuki *Muse Resis*	Takatsuki, Osaka	244
G-Clef Geo Kobe Motoyama[3]	Higashinada-ku, Kobe	256
Geo Senri Chuo *The Residence*	Toyonaka, Osaka	218
Brod Takatsuki	Takatsuki, Osaka	51
Geo Kyoto Saga Arashiyama	Ukyo-ku, Kyoto	32
Geo Kyoto Arashiyama	Nisikyo-ku, Kyoto	25
Geo Sumiyoshi Honmachi	Higashinada-ku, Kobe	22[4]
Geo Grande Okamoto 1-chome	Higashinada-ku, Kobe	17[4]
Geo Tama Center	Tama, Tokyo	300
Geo Chigasaki[3]	Chigasaki, Kanagawa	136
Geo Tsudanuma	Narashino, Chiba	84
Geo Kyodo	Setagaya, Tokyo	78
Geo Gyoen Naitomachi	Shinjuku, Tokyo	63
Detached house		
Hankyu *Saito Garden Front Saito* Mino-o *Residence*	Minoh, Osaka	48
Hapia Garden Mino-o Onohara	Minoh, Osaka	20
Hapia Garden Tsukaguchi Tomatsucho	Amagasaki, Hyogo	10
Grand Forum Soshigaya-Okura *Hapia*[3]	Setagaya, Tokyo	27
Hapia Garden Shimo Shakujii	Nerima, Tokyo	13
Hapia Garden Oizumi Gakuencho	Nerima, Tokyo	8

Major Group Companies

(As of 31st March 2016)

Consolidated Subsidiaries

Urban Transportation

Main business	Name of company
Railway operations	Hankyu Corporation Hanshin Electric Railway Co., Ltd. Nosé Electric Railway Co., Ltd. Kita-Osaka Kyuko Railway Co., Ltd. Hokushin Kyuko Railway Co., Ltd. Kobe Rapid Transit Railway Co., Ltd. Hankyu Hanshin Railway Technology Co., Ltd. Hankyu Hanshin Electric System Co., Ltd.
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.
Retailing	Hankyu Corporation Eki Retail Service Hankyu Hanshin Co., Ltd. Hankyu Style Labels Co., Ltd.
Advertising	Hankyu Corporation Hankyu Advertising Agency Inc.
Other	Alna Sharyo Co., Ltd.

Real Estate

Main business	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 and other business	Hankyu Corporation Hanshin Electric Railway Co., Ltd. Hankyu Realty Co., Ltd. Hankyu Hanshin Building Management Co., Ltd. Hankyu Hanshin High Security Service Co., Ltd. Hankyu Hanshin Clean Service Co., Ltd. Hankyu REIT Asset Management, Inc.

Entertainment and Communications

Main business	Name of company
Sports	Hanshin Electric Railway Co., Ltd. Hanshin Tigers Baseball Club, Ltd. Hanshin Contents Link Corporation Wellness Hanshin Inc.
Stage	Hankyu Corporation Takarazuka Creative Arts Co., Ltd. Takarazuka Stage Co., Ltd. Umeda Arts Theater Co., Ltd.
Communication and media	Itec Hankyu Hanshin Co., Ltd. Bay Communications Inc. Himeji Cable Television Co., Ltd.
Leisure, etc.	Mt. Rokko Cable Car & Tourism Co.

Travel

Main business	Name of company
Travel agency	Hankyu Travel International Co., Ltd. Hankyu Hanshin Business Travel Co., Ltd. Hankyu Travel Support Co., Ltd.

International Transportation

Main business	Name of company
International transportation	Hankyu Hanshin Express Co., Ltd. Hankyu Hanshin Logipartners Co., Ltd. HHE (USA) Inc. HHE (Deutschland) GMBH HHE (HK) Limited HHE Southeast Asia Pte. Ltd.

HHE: Hankyu Hanshin Express

Hotels

Main business	Name of company
Hotel management	Hankyu Hanshin Hotels Co., Ltd. Hanshin Hotel Systems Co., Ltd. Amanohashidate Hotel Co., Ltd. Arima View Hotel Co., Ltd. Hankyu Hanshin Restaurants Co., Ltd.

Other

Main business	Name of company
Construction	Hanshin Kensetsu Co., Ltd. Chuo Densetsu Co., Ltd.
Credit and point card	Hankyu Hanshin Card 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]
Real estate leasing	Tokyo Rakutenchi Co., Ltd. [Securities code: 8842]
Motion picture business	Toho Co., Ltd. [Securities code: 9602]
Commercial broadcasting	Kansai Telecasting Corporation

Group History

■ Hankyu Holdings, Inc.

1907 Founding of Mino-Arima Electric Railway Company (predecessor of Hankyu Corporation) by Ichizo Kobayashi

1910 Opening of Takarazuka Line (Umeda–Takarazuka) and Mino-o Line (Ishihashi–Mino-o)

1913 Formation of Takarazuka Girls' Revue (currently Takarazuka Revue Company)

1924 Completion of Takarazuka Grand Theatre

1929 
Opening of Hankyu Department Store, Asia's first railway terminal department store

1948 Launch of services as Pan American Airways agent

1964 Opening of Hotel new Hankyu Osaka

1973 Opening of New Hankyu Umeda Station as one of the largest private railway terminals in Japan

Changing of company name from Keihanshin Kyuko Railway Company to Hankyu Corporation

■ Hanshin Electric Railway Co., Ltd.

1899 Founding of Settsu Electric Railway (renamed Hanshin Electric Railway Co., Ltd., in same year)

1905 
Beginning of operations linking Kobe (Sannomiya) and outer Osaka (Deiribashi)

1924 Opening of Koshien Stadium (currently Hanshin Koshien Stadium)

1933 Opening of Hanshin Mart at Hanshin Umeda Station (currently Hanshin Department Store)

1935 Establishment of Osaka Baseball Club (Osaka Tigers, currently Hanshin Tigers)

1948 Launch of airline agency business

1985 Hanshin Tigers win Japan Series for first time

1995 Considerable damage to transportation and business infrastructure of Hankyu and Hanshin due to Great Hanshin Earthquake

2005 Establishment of Hankyu Holdings, Inc.

2006 **Establishment of Hankyu Hanshin Holdings, Inc.**

Establishment of Hankyu-Hanshin-Daiichi Hotel Group

2007 Announcement of Hankyu Hanshin Holdings Group 2007 Medium-Term Management Plan

Management integration of Hankyu and Hanshin department store businesses

2008 
Opening of Hankyu Nishinomiya Gardens

2010 

Completion of renovation of Hanshin Koshien Stadium, opening of Museum of Hanshin Koshien Stadium

Completion of Umeda Hankyu Building Office Tower

2012 Completion of Umeda Hankyu Building, full opening of Umeda Flagship Store of Umeda Department Store

2015 Announcement of the Hankyu Hanshin Holdings Group's Medium-Term Management Plan (Fiscal 2016–Fiscal 2019)

2016 
Opening of the Group's first logistics centre in the ASEAN region in Indonesia

Investor Information

(As of 31st March 2016)

Hankyu Hanshin Holdings, Inc.

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1-16-1, Shibata, Kita-ku, Osaka 530-0012, Japan
Phone: +81-6-6373-5001
(Group Planning Div., IR Office)
Fax: +81-6-6373-5042

Tokyo Office (Personnel and General Affairs Div.):
Toho Twin Tower Bldg.,
1-5-2, Yurakucho, Chiyoda-ku, Tokyo 100-0006, Japan
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Fax: +81-3-3508-0249

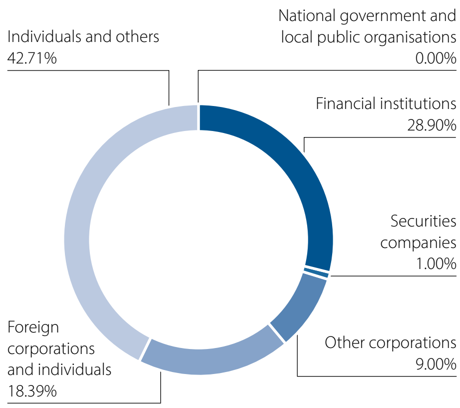
Paid-in Capital:	¥99,474 million
Fiscal Year-End:	31st March
Number of Employees:	21,607 (consolidated)
Authorised Shares:	3,200,000,000*
Issued Shares:	1,271,406,928*
Number of Shareholders:	77,664*
Unit of Trading:	1,000 shares*
Stock Exchange Listing:	Tokyo
Transfer Agent:	Mitsubishi UFJ Trust and Banking Corporation

Principal Shareholders:

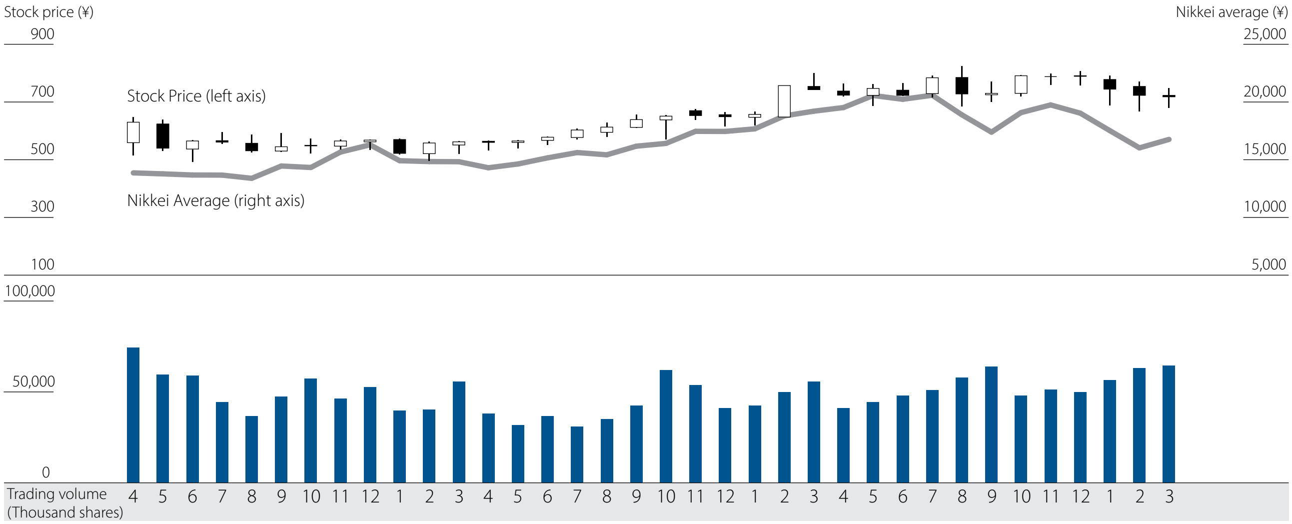
Name	Number of shares (Thousands)*	Percentage (%)
Japan Trustee Services Bank, Ltd. (Trust account)	69,190	5.44
The Master Trust Bank of Japan, Ltd. (Trust account)	45,341	3.57
Nippon Life Insurance Company	29,023	2.28
Sumitomo Mitsui Banking Corporation	21,909	1.72
H_2O Retailing Corporation	21,037	1.65
State Street Bank West Client–Treaty 505234 (Standing Proxy: Mizuho Bank, Ltd. Settlement & Clearing Services Division)	17,038	1.34
Japan Trustee Services Bank, Ltd. (Trust account 7)	16,906	1.33
Japan Trustee Services Bank, Ltd. (Trust account 6)	13,757	1.08
Japan Trustee Services Bank, Ltd. (Trust account 5)	13,752	1.08
Japan Trustee Services Bank, Ltd. (Trust account 1)	13,730	1.08

* The Company conducted a 1-for-5 reverse stock split and the change of trading unit from 1,000 shares to 100 shares with an effective date of 1st August 2016. The figures are prior to the reverse stock split and the change of trading unit.

Ownership Breakdown:



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



	FY2014	FY2015	FY2016
High	648	800	824
Low	492	533	667
At year-end	562	743	718

Hankyu Hanshin Holdings, Inc.

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Hankyu Hanshin Toho Group

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