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 m² 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.

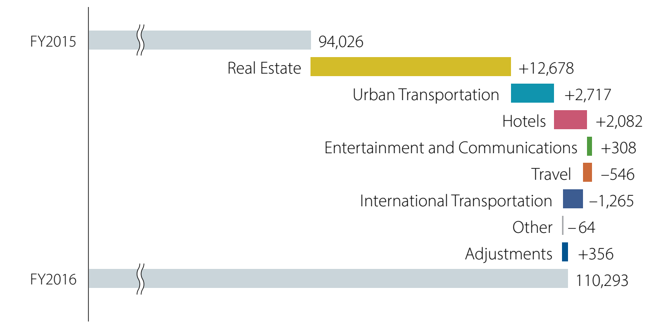
2014	2015	2016
¥ 679,157	¥ 685,906	¥ 707,359
91,828	94,026	110,293
149,200	150,100	166,500
81,191	85,590	104,479
83,542	77,620	96,087
46,352	54,201	69,971
55,941	71,034	63,842
80,722	68,115	66,639
54,474	53,143	53,701
¥ 146,991	¥ 131,881	¥ 124,838
(45,517)	(52,529)	(78,843)
101,474	79,352	45,995
(105,079)	(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

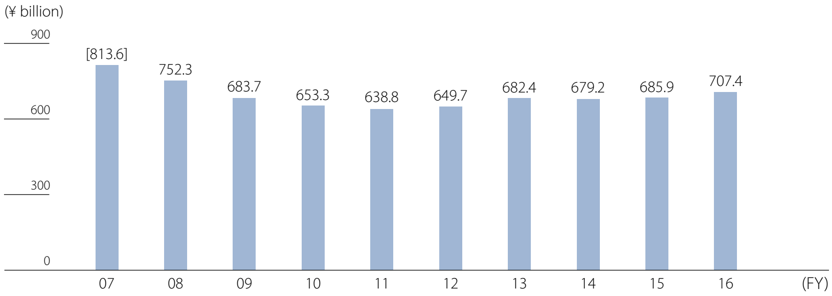
Interest-bearing debt: ¥916.6 billion (down 4.1%, or ¥39.3 billion, from the previous fiscal year-end)

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.

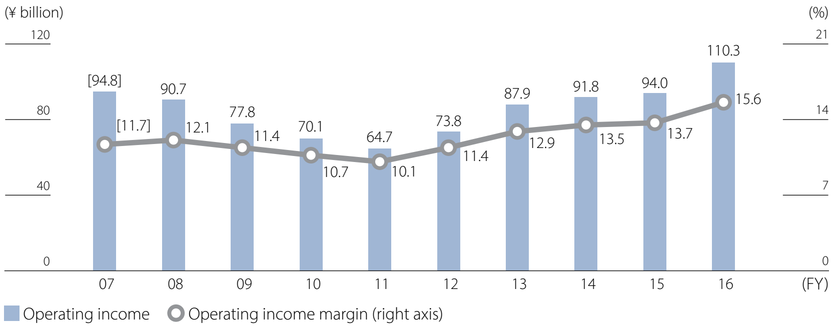
Key Financial Indicators (Graphs)

Revenues from operations



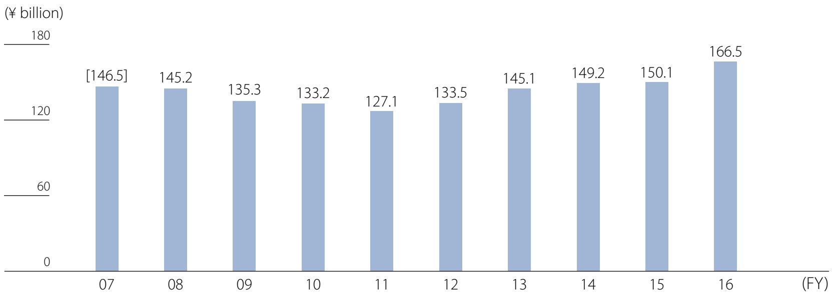
In fiscal 2016, revenues from operations increased 3.1%, or ¥21.5 billion, year on year, to ¥707.4 billion. This increase was due in part to strong performance in the Urban Transportation Business, particularly with regard to the Hankyu and Hanshin lines in railway operations, driven by a rise in the 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



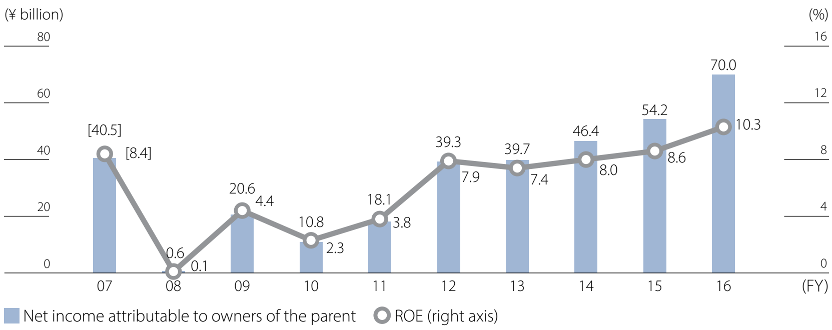
Operating income was up 17.3%, or ¥16.3 billion, year on year, to ¥110.3 billion, setting a new record for the third consecutive year primarily as a result of the aforementioned increase in revenues from operations. This increase offset decreases in income in the International Transportation Business, 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.

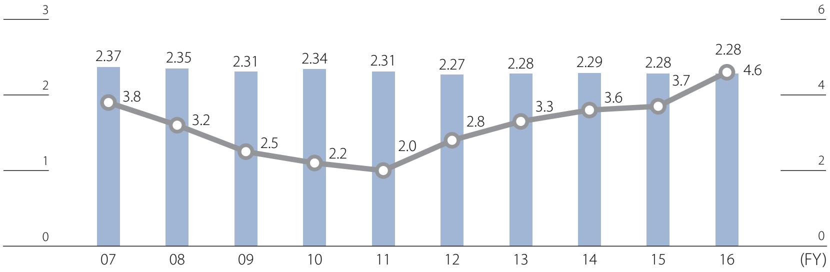
Net income attributable to owners of the parent and ROE



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.

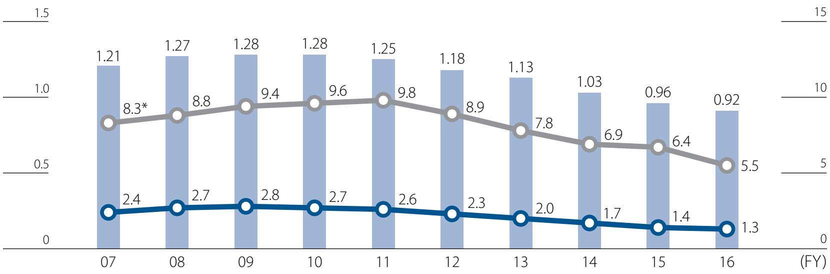
Total income taxes were up from fiscal 2015, but higher income before income taxes caused net income attributable to owners of the parent to increase 29.1%, or ¥15.8 billion, year on year, breaking the previous record for the fifth consecutive year. As a result, ROE increased 1.7 percentage points, to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

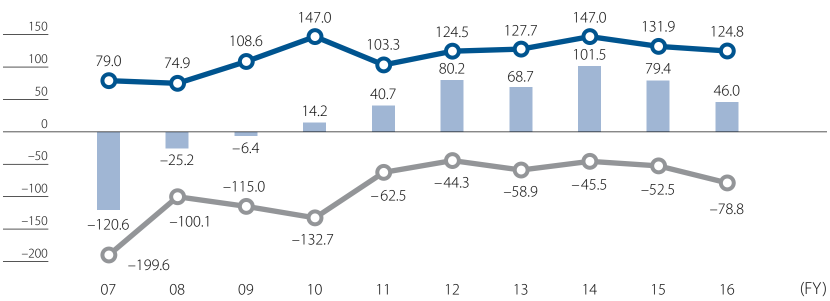
Interest-bearing debt, D/E ratio, and interest-bearing debt/EBITDA



* 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.

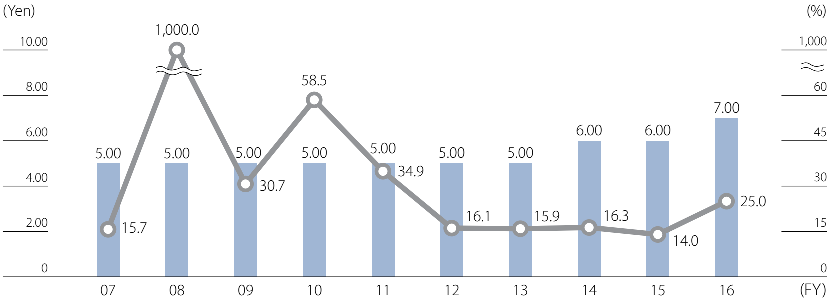
The outstanding balance of interest-bearing debt was down 4.1%, or ¥39.3 billion, from the previous fiscal year-end, to ¥916.6 billion. Consequently, the D/E ratio decreased to 1.3 times. Also, the interest-bearing debt/EBITDA ratio declined to 5.5 times, falling below 6 times for the first time since 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.

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)

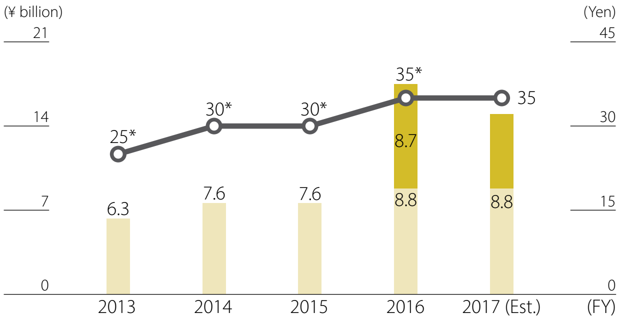
	FY2015 results	FY2016 results	YoY	
			(Increase)	(%)
Revenues from operations	685.9	707.4	21.5	3.1
Operating income	94.0	110.3	16.3	17.3
Ordinary income	85.6	104.5	18.9	22.1
Net income attributable to owners of the parent	54.2	70.0	15.8	29.1

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.

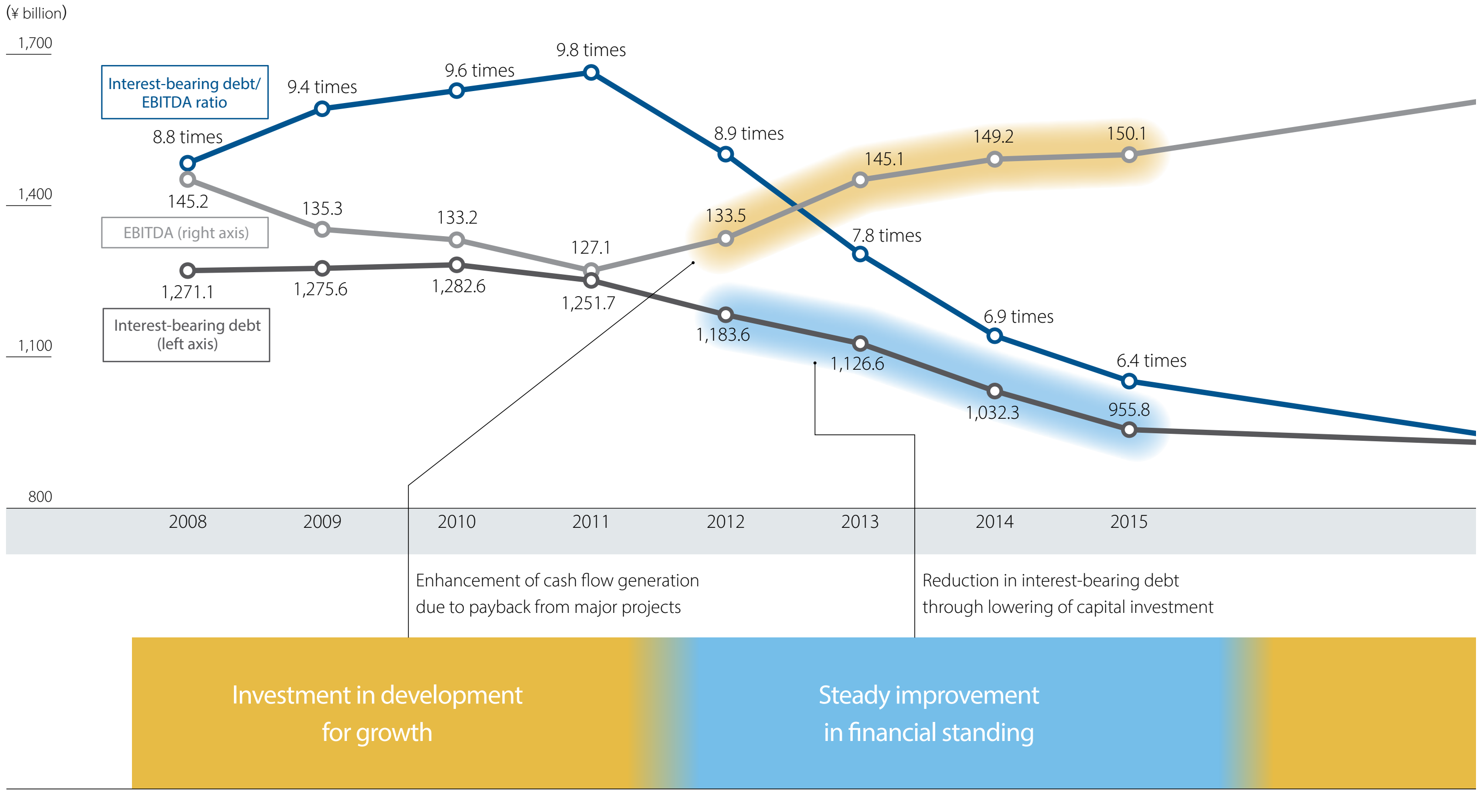
In the near term, we will pay stable annual dividends and acquire treasury stock in accordance with the abovementioned policy and indicator. However, I believe that we should continue examining how we provide returns to shareholders in light of our management situation and the need to achieve a balance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

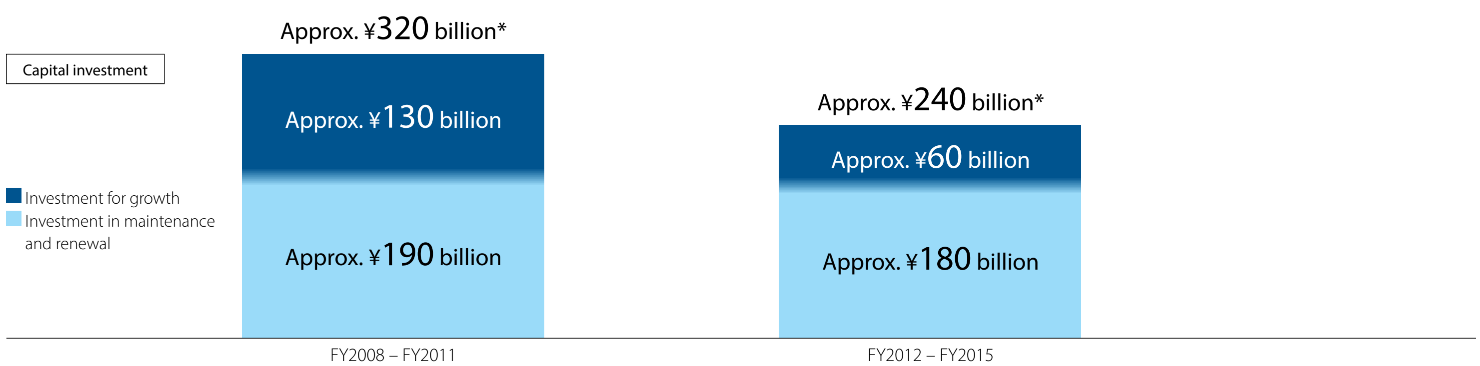
Returns to shareholders



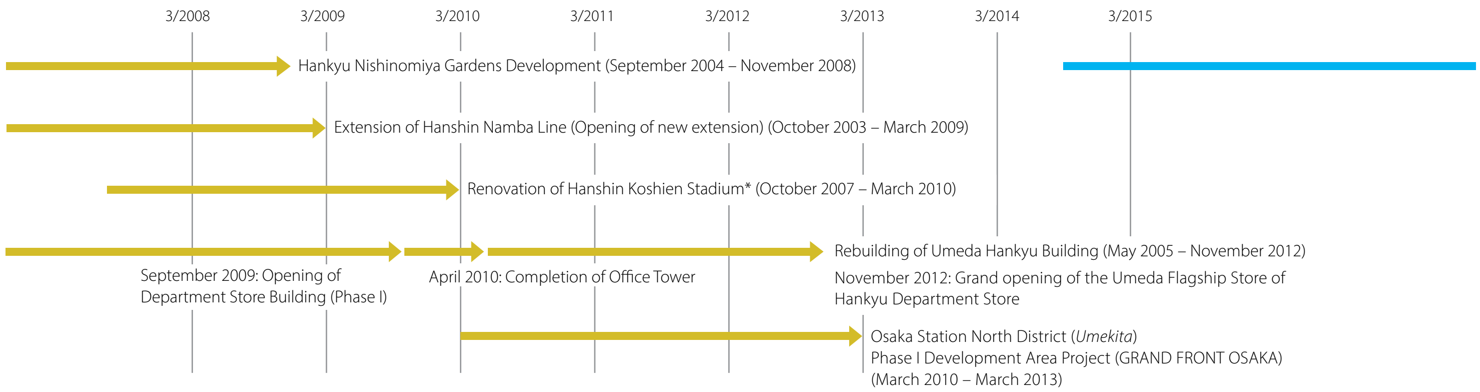
* Shares were consolidated at the ratio of 5 shares to 1 share with 1st August 2016 as the effective date.
Annual dividends for fiscal 2016 and earlier are converted based on this share consolidation.

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



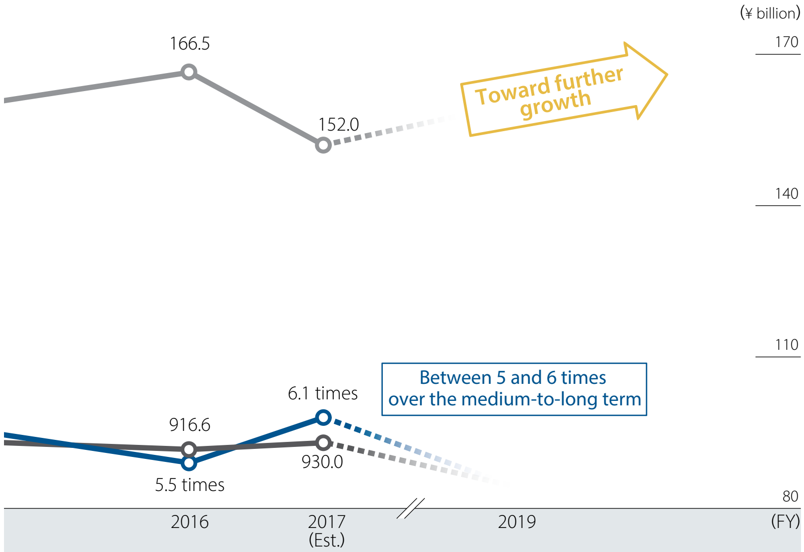


* Excluding capital investment related to the repurchase of securitised assets and the exchange of the assets with Hankyu REIT Asset Management, Inc.

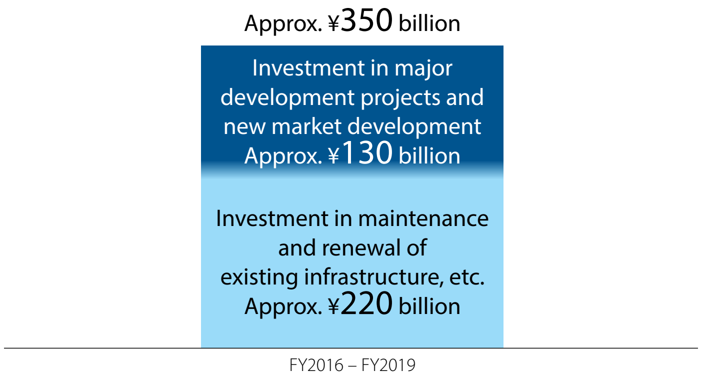


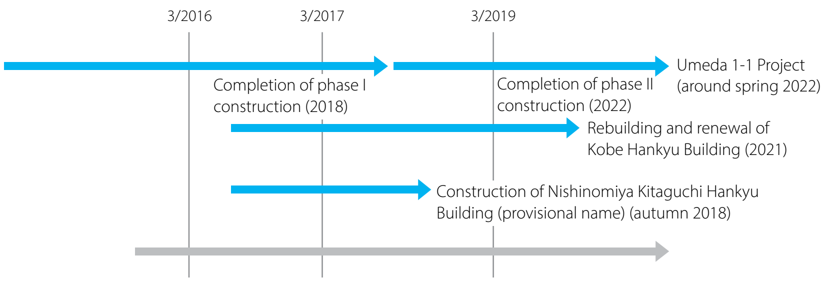
* Renovation work conducted during three off-seasons.

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.

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.

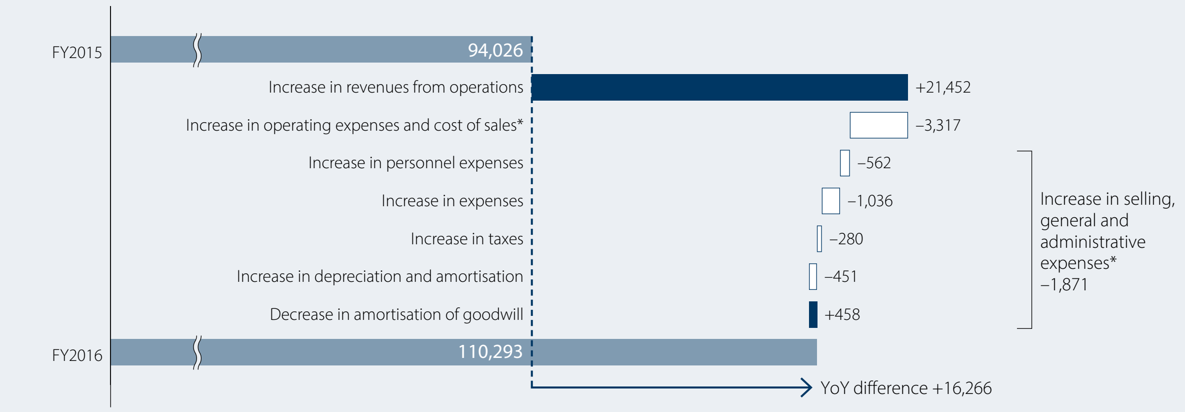
Further, ordinary income was up 22.1%, or ¥18,889 million, year on year, to ¥104,479 million, because of higher equity in income of affiliates and a decrease in interest expense accompanying lower interest-bearing debt.

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.