Hankyu Hanshin Holdings Group Results Briefing Materials for Fiscal 2017 (fiscal year ended 31st March 2017)

May 19, 2017

Hankyu Hanshin Holdings, Inc.
9042 http://www.hankyu-hanshin.co.jp/en/

Contents

Key Points

- **FY2017**
  - While the Company met its profit targets, income and revenue declined overall. This was because the Real Estate Business segment sold off its commercial-use land in the previous fiscal year. Also, yen-equivalent value reduced following exchange fluctuations, negatively affecting the International Transportation Business segment.
  - On the other hand, **operating income and ordinary income were second only to the previous fiscal year**, while **net income attributable to owners of parent exceeded all past records**.

- **Long-term management vision**
  - We outlined the kind of company we hope to be, as well as the strategic approach necessary for achieving this vision, in a document titled 'Hankyu Hanshin Holdings Group's Long-term Vision for 2025 (fiscal 2026)'.
  - The Company has established four business strategies for pursuing sustainable growth. These strategies are based on the twin perspectives of business area and business model.

- **Medium-term management plan（～FY2019）**
  - In view of its current management condition, the progress of its projects, and other factors, **the Company has increased profit projections**.
  - In view of its basic approach for its long-term management vision, the Company has raised the level of strategic investment (cumulative figure for FY2016-2019) from the level of the previous plan.
  - From fiscal 2018 onward, **the Company will raise the amount of annual dividend to ¥40 per share, and the total payout ratio to 30%.**

Ⅰ. Performance Highlights for fiscal 2017
(fiscal year ending 31st March 2017)

Consolidated Statements of Income(Summary)

	FY2017 Results	FY2016 Results	Change
Consolidated Subsidiaries	93 companies	93 companies	±0(2 companies increase, 2 companies decrease)
Equity-Method Affiliates	11 companies	10 companies	+1(1 company increase)
Total	104 companies	103 companies	+1(2 companies increase, 1 company decrease)

(¥ million)	FY2017 Results	FY2016 Results	Change	Remarks
Revenues from operations※	736,763	746,792	-10,029(-1.3%)	For details, please see next page
Operating income	104,058	110,293	-6,234(-5.7%)	
Non-operating income	11,789	9,158	+2,630	Equity in income of affiliates +2,881
Non-operating expenses	15,240	14,972	+268	
Ordinary income	100,607	104,479	-3,872(-3.7%)	
Extraordinary income	4,255	38,802	-34,547	Gain on contributions for construction -35,705
Extraordinary loss	4,057	47,194	-43,137	Loss on reduction of noncurrent assets -35,638
Net income attributable to owners of the parent Record	71,302	69,971	+1,331(+1.9%)	

※As of fiscal 2017, the presentation of revenues from operations of the International Transportation Business has changed from net to gross amounts. This change does not affect operating income.

(Reference)	FY2017 Results	FY2016 Results	Change
Depreciation and amortisation	52,800	53,701	-901
Financial balance ① - ②	-10,074	-11,381	+1,307
Interest and dividend income①	1,092	1,124	-32
Interest expense②	11,166	12,506	-1,339

Consolidated Statements of Income (Breakdown for each business segment)

[Key results in current period]
While the Company met its profit targets, income and revenue declined overall. This was because the Real Estate Business segment sold off its commercial-use land in the previous fiscal year. Also, yen-equivalent value reduced following exchange fluctuations, negatively affecting the International Transportation Business segment

(¥ million)	Revenues from operations			Segment income		
	FY2017 Results	FY2016 Results	Change	FY2017 Results	FY2016 Results	Change
Urban Transportation	237,136	239,544	-2,407	42,237	41,270	+967
Real Estate	215,709	220,923	-5,213	41,970	49,851	-7,881
Entertainment and Communications	115,193	112,490	+2,703	15,655	15,301	+354
Travel	29,938	30,502	-563	637	680	-43
International Transportation	71,670	76,092	-4,422	1,587	1,788	-200
Hotels	65,640	68,042	-2,401	2,795	3,298	-502
Other	42,646	38,859	+3,787	1,340	967	+372
Adjustment	-41,172	-39,660	-1,512	-2,167	-2,866	+698
Total	736,763	746,792	-10,029	104,058	110,293	-6,234

※As of fiscal 2017, the presentation of revenues from operations of the International Transportation Business has changed from net to gross amounts. This change does not affect operating income.

Urban Transportation results

[Railway]
Income and profits increased, with the Hankyu and Hanshin lines performing well and benefitting from a decrease in power costs.

[Automobile]
Hanshin Bus achieved an increase in revenues from operations after assuming all municipal bus routes from the Amagasaki Municipal Transportation Bureau in March 2016. Operating income was at the level of the previous fiscal year.

(¥ million)	FY2017 Results	FY2016 Results	Change	%
Revenues from operations	237,136	239,544	-2,407	-1.0%
Operating income	42,237	41,270	+967	+2.3%

[Breakdown by type of business]

(¥ billion) Revenues from operations	FY2017 Results	Y on Y
Railway	149.9	+0.4
Automobile	48.9	+1.9
Retailing	32.9	-4.6
Advertising	8.5	-0.1
Others	9.1	+1.0

*Includes head office expenses /adjustments.

It is the influence that Iina dining Co.,Ltd. presenting Home-meal replacement business became the equity-method affiliate from the consolidated subsidiary.(About ¥-3.0 billion)

[Urban Transportation] Railway Performance results

Hankyu Corporation

	Fare revenues (¥ million)*			Passenger volumes (Thousands)*		
	FY2017 Results	FY2016 Results	Change	FY2017 Results	FY2016 Results	Change
Commuter pass	32,628	32,272	+355(+1.1%)	329,305	325,540	+3,764(+1.2%)
Workers	28,138	27,790	+347(+1.2%)	230,010	226,852	+3,157(+1.4%)
Students	4,489	4,481	+8(+0.2%)	99,295	98,688	+606(+0.6%)
Other tickets	62,720	62,920	-199(-0.3%)	318,064	319,023	-958(-0.3%)
Total	95,348	95,192	+156(+0.2%)	647,369	644,563	+2,805(+0.4%)

Hanshin Electric Railway

	Fare revenues (¥ million)*			Passenger volumes (Thousands)*		
	FY2017 Results	FY2016 Results	Change	FY2017 Results	FY2016 Results	Change
Commuter pass	11,563	11,372	+190(+1.7%)	119,768	117,786	+1,982(+1.7%)
Workers	10,356	10,193	+163(+1.6%)	94,479	93,131	+1,348(+1.4%)
Students	1,206	1,179	+26(+2.3%)	25,289	24,655	+634(+2.6%)
Other tickets	21,136	21,035	+101(+0.5%)	116,998	116,440	+557(+0.5%)
Total	32,699	32,407	+291(+0.9%)	236,766	234,226	+2,540(+1.1%)

＊ Revenue amounts less than one million yen, and numbers of passengers less than one thousand, are omitted.
For Hankyu Railway, “other ticket revenue/ridership” includes revenue/ridership associated with the PiTaPa usage sections.
Sum of tier 1 and tier 2 railway operators for both Hankyu and Hanshin

[Urban Transportation] Transportation revenue (Factors of YoY Change)

《Hankyu Corporation》

Transportation revenue (tier 1 + tier 2)

(¥ million)

Totals for commuter passes and other tickets	1Q	2Q	3Q	4Q	Total
FY2017 Results	24,194	23,656	24,097	23,399	95,348
FY2016 Results	24,011	23,748	24,066	23,366	95,192
Change	+183	-92	+31	+33	+156
(%)	+0.8%	-0.4%	+0.1%	+0.1%	+0.2%

Factors of YoY Change (estimated)

・Reactionary drop from the surge in visitors following the opening of *Expocity* last year -¥83million

・Reactionary drop from last year's leap year-related surge -¥144million

・Other factors (e.g. increase in line-side areas populations, and increase in inbound demand) +¥383million

《Hanshin Electric Railway》

Transportation revenue (tier 1 + tier 2)

(¥ million)

Totals for commuter passes and other tickets	1Q	2Q	3Q	4Q	Total
FY2017 Results	8,284	8,440	8,004	7,970	32,699
FY2016 Results	8,153	8,460	7,933	7,861	32,407
Change	+131	-19	+70	+109	+291
(%)	+1.6%	-0.2%	+0.9%	+1.4%	+0.9%

Factors of YoY Change (estimated)

・Increase in visitors to USJ +¥71million

・Reactionary drop from last year's leap year-related surge -¥51million

・Other factors (e.g. the strong performance of the Hanshin Namba Line, increase in line-side areas populations, and increase in inbound demand) +¥272million

Real Estate results

[Real estate leasing]
Income and revenue increased, with rental buildings in the Umeda area performing well.

[Real estate sales and Others]
In the condominium business, despite lower unit sales, operating income and ordinary income remained at the same level as the previous fiscal year. On the other hand, revenues from operations and operating income declined due to factors such as the selloff in the previous period of the segment's commercial-use land in the central area of International Culture Park 'Saito' (Ibaraki City, Osaka Prefecture).

(¥ million)	FY2017 Results	FY2016 Results	Change	%
Revenues from operations	215,709	220,923	-5,213	-2.4%
Operating income	41,970	49,851	-7,881	-15.8%

[Breakdown by type of business]

(¥ billion) Revenues from operations	FY2017 Results	Y on Y
Real estate leasing	104.1	+1.1
Real estate sales and Others	128.7	-5.8

*Includes head office expenses /adjustments.

Condominium sales: down 215 (1,087 units; previous year = 1,302 units)
*Figures include units in shared buildings that the Group partly owns.

Entertainment and Communications results

[Sports]
Income and revenue increased thanks to strong food, drink, and merchandise sales in *Hanshin Koshien Stadium*, and also because the segment commenced a live sports streaming

[Stage]
Income and revenue increased with the stage business benefitting from the popularity of shows such as *Cosmos Troup's 'Elisabeth'* and the musical '*Biohazard: Voice of Gaia*'

[Communication, media and Others]
The information services business reported higher revenue after achieving strong orders for system development and performing well in e-commerce website construction and maintenance services. However, profit remained the same.

(¥ million)	FY2017 Results	FY2016 Results	Change	%
Revenues from operations	115,193	112,490	+2,703	+2.4%
Operating income	15,655	15,301	+354	+2.3%

[Breakdown by type of business] (¥ billion) Revenues from operations	FY2017 Results	Y on Y
Sports	33.9	+0.6
Stage	32.9	+0.3
Comunication, media and Others	49.3	+1.9

Includes head office expenses /adjustments.

Travel results

Profits and revenue declined. The overseas travel business performed less well than last year because of a decrease in the number of overseas visitors, particularly to Europe, reflecting the deteriorating international situation. As for the domestic travel business, there was strong turnout for topical tourist activities, such as going on the Shikoku pilgrimage in the reverse order, but the effect was offset by a decline in visitors to Kyushu following the Kumamoto Earthquake of 2016.

(¥ million)	FY2017 Results	FY2016 Results	Change	%
Revenues from operations	29,938	30,502	-563	-1.8%
Operating income	637	680	-43	-6.4%

[Performance Highlights for Fiscal 2017]

◆**Overseas travel billings : Ranking 3**(※)
Billings : ¥186.9billion (Y on Y -7.1%)

◆**Domestic travel billings : Ranking 6**(※)
Billings : ¥129.0billion (Y on Y -2.7%)

◆**Total travel billings : Ranking 6**(※)
Billings : ¥318.7billion (Y on Y -5.1%)

Source: Sales volume indicates the aggregated volume for April to March. The values for industry ranking are based on aggregated results from April to January.
Source: Japan Tourism Agency, 'Bulletin on Sales Volumes among the Major Travel Agents' (Shuyō ryokō-sha no ryokō toriatsukai jōkyō sokuhō)
※ The above figures indicate the aggregated results for Hankyu Travel International, Hankyu Hanshin Business Travel, and Hanshin Travel International (intercompany transactions offset)

【Overseas travel】
Sales volume was lower than the level of the previous fiscal year. While the numbers of visitors to Oceania and Asia remained high, a spate of terrorist incidents in Europe prompted a significant decline in the number of visitors to Europe.

【Domestic travel】
The number of visitors to the Shikoku area was high, with many people doing the Shikoku pilgrimage in the reverse order ("*Gyaku-uchi*") because of the traditional belief that doing so during a leap year offers greater profits. However, the Kumamoto Earthquake of April 2016 resulted in a significant drop in visitors to Kyushu. Despite efforts to mitigate the loss by offering 'reconstruction discounts', sales volume declined YoY.

International Transportation results

While air and ocean transport businesses in East Asia and ASEAN countries performed well, overseas businesses generally experienced lower income and revenue due to a reduction in yen-equivalent value following exchange fluctuations, and a slump in air transport in the United States and Europe.

(¥ million)	FY2017 Results	FY2016 Results	Change	%
Revenues from operations	71,670	76,092	-4,422	-5.8%
Operating income	1,587	1,788	-200	-11.2%

※As of fiscal 2017, the presentation of revenues from operations of the International Transportation Business has changed from net to gross amounts. As of fiscal 2017, the presentation of revenues from the export cargo-related operations of the International Transportation Business has changed from net to gross amounts. This change does not affect operating income.

【 Performance Highlights for Fiscal 2017 】

【Japan】

・Ocean exports were strong, reflecting increased sales volume and reduced costs.
・Air exports performed less well compared to the previous fiscal year owing to a decline in profitability, which offset an increase sales volume.
・Imports were sluggish due to the continued slump in the air and ocean transport markets.

【Overseas】

・Transport businesses in Europe and America performed less well compared to the previous fiscal year due to factors such as an increase in personnel expenses and other expenses.
・Transport businesses in East Asia performed better than the previous fiscal year, with the Hong Kong business achieving particularly strong results. However, ASEAN-based businesses performed less well owing to the Singapore business performing poorly and also because of a general rise in expenses.
・Income and revenue among overseas businesses as a whole declined YoY owing to a reduction in yen-equivalent value following exchange fluctuations.

Hotels results

Income and revenue declined. This result is attributable to the segment’s withdrawal from the management of certain non-hotel restaurants, and a YoY decline in sales among the Hotels Business segment and parties business.

(¥ million)	FY2017 Results	FY2016 Results	Change	%
Revenues from operations	65,640	68,042	-2,401	-3.5%
Operating income	2,795	3,298	-502	-15.2%

[Performance Highlights for Fiscal 2017]

Occupancy rates of Hankyu Hanshin Hotels

Total 92.6%(+0.4 points from previous year, +2.2 points from year before previous year)

Kansai area 94.3%(+0.4 points from previous year, +2.1 points from year before previous year)

Tokyo metropolitan area 90.8%(+0.3 points from previous year, +2.2 points from year before previous year)

Average daily rates (ADR) of Hankyu Hanshin Hotels

Total ¥14,448 (-¥473 from previous year, +¥1,945 from year before previous year)

Kansai area ¥14,140 (-¥479 from previous year, +¥2,524 from year before previous year)

Tokyo metropolitan area ¥16,665 (-¥556 from previous year, +¥812 from year before previous year)

【Hotels business】

・While the hotels maintained high occupancy rates, ADR was down compared to the previous fiscal year, which saw a surge in inbound demand.

【Parties business and Restaurants business】

・While the restaurants maintained the revenue level of the previous fiscal year, the parties business reported a decline in revenue following a contraction in the wedding business in some areas.

【Others】

・The withdrawal from the management of certain non-hotel restaurants resulted in significantly lower revenue compared to the previous fiscal year.

Consolidated Statements of Income

(Non-operating profit and loss)

(¥ million)	FY2017 Results	FY2016 Results	Change
Operating income	104,058	110,293	-6,234
Non-operating income	11,789	9,158	+2,630
Equity in income of affiliates	8,630	5,748	+2,881
Non-operating expenses	15,240	14,972	+268
Interest expenses	11,166	12,506	-1,339
Ordinary income	100,607	104,479	-3,872

Consolidated Statements of Income (Extraordinary profit and loss)

(¥ million)	FY2017 Results	FY2016 Results	Change
Extraordinary profit and loss	197	-8,391	+8,589
Extraordinary income	4,255	38,802	-34,547
Gain on contributions for construction	2,114	37,820	-35,705
Gain on sales of noncurrent assets	453	126	+326
Gain on valuation of investment securities	872	33	+838
Other	815	822	-6
Extraordinary loss:	4,057	47,194	-43,137
Loss on reduction of noncurrent assets	2,180	37,818	-35,638
Loss on retirement of noncurrent assets	546	951	-404
Loss on impairment of fixed assets	901	2,692	-1,791
Other	429	5,732	-5,302

Consolidated Statements of Income (Net income attributable to owners of the parent)

(¥ million)	FY2017 Results	FY2016 Results	Change
Income before income taxes	100,805	96,087	+4,717
Total income taxes	27,931	24,538	+3,392
Income taxes—current	26,081	20,495	+5,585
Income taxes—deferred	1,850	4,043	-2,192
Net income	72,873	71,549	+1,324
Net income attributable to non-controlling interests	1,570	1,577	-7
Net income attributable to owners of the parent	71,302	69,971	+1,331

Consolidated Balance Sheets

	(¥ million)	FY2017 Results	FY2016 Results	Change	Remarks
Assets	Current assets	269,992	255,535	+14,456	
	Noncurrent assets	2,079,839	2,026,644	+53,194	property and equipment and intangible assets:+34,408 Investment securities:+19,882
	Total assets	2,349,831	2,282,180	+67,650	
Liabilities	Current liabilities	419,291	456,134	-36,843	
	Long-term liabilities	1,125,879	1,101,807	+24,071	
	Total liabilities	1,545,171	1,557,942	-12,771	
Net assets	Shareholders' equity	759,875	686,695	+73,180	Net income attributable to owners of the parent:+71,302 Impact of changes in accounting policy:+15,281 Payment dividend:-8,803 Less treasury stock, at cost:-5,247 etc.
	Accumulated other comprehensive income	27,074	20,639	+6,434	Valuation difference on available-for-sale securities:+4,861
	Subscription rights to shares	496	424	+72	
	Non-controlling interests	17,213	16,478	+735	
	Total net assets	804,659	724,237	+80,422	

	FY2017 Results	FY2016 Results	Change
Debt	788,931	795,010	-6,078
Bonds	102,000	112,000	-10,000
Lease obligations	8,591	9,559	-968
Interest-bearing debt	899,523	916,570	-17,046

Consolidated Statements of Cash Flows

(¥ million)	FY2017 Results	FY2016 Results
Cash flows from operating activities	115,633	124,838
Depreciation and amortisation	52,800	53,701
Income taxes (paid) refunded	-22,714	-29,656
Cash flows from investing activities	-84,845	-78,843
Purchases of noncurrent assets	-92,767	-92,686
Proceeds from sales of noncurrent assets	2,186	5,064
Purchases of investment securities	-11,527	-14,228
Receipt of contributions for construction	13,973	20,623
Cash flows from financing activities	-30,595	-47,278
Purchase of treasury stock	-5,271	-3,779
Dividends paid	-8,803	-8,227
Decrease (increase) in interest-bearing debt	-17,046	-39,258
Effect of exchange rate changes on cash and cash equivalents	-673	-694
Increase (decrease) in cash and cash equivalents	-480	-1,978

Cash and cash equivalents at beginning of year	22,363	23,497
Increase in cash and cash equivalents from newly consolidated subsidiary	648	844
Cash and cash equivalents at end of year	22,530	22,363

《Reference》 Consolidated Statements of Income

(¥ billion) [Upper table] Revenues from operations [Lower table] Operating income	FY2017 Results ①	FY2017 forecasts (As of Oct.) ②	Change ①-②	FY2017 Forecasts (As of May.) ③	Change ①-③	FY2016 Results ④	Change ①-④
Total	736.8	740.0	-3.2	760.0	-23.2	746.8	-10.0
	104.1	97.0	+7.1	95.0	+9.1	110.3	-6.2
(Breakdown for each business segment)							
Urban Transportation	237.1	237.9	-0.8	243.2	-6.1	239.5	-2.4
	42.2	40.4	+1.8	39.8	+2.4	41.3	+1.0
Real Estate	215.7	220.2	-4.5	223.6	-7.9	220.9	-5.2
	42.0	39.2	+2.8	38.2	+3.8	49.9	-7.9
Entertainment and Communications	115.2	113.3	+1.9	110.3	+4.9	112.5	+2.7
	15.7	13.4	+2.3	12.6	+3.1	15.3	+0.4
Travel	29.9	30.1	-0.2	32.0	-2.1	30.5	-0.6
	0.6	0.5	+0.1	1.5	-0.9	0.7	-0.0
International Transportation	71.7	71.7	-0.0	80.3	-8.6	76.1	-4.4
	1.6	1.8	-0.2	2.2	-0.6	1.8	-0.2
Hotels	65.6	66.4	-0.8	67.8	-2.2	68.0	-2.4
	2.8	3.0	-0.2	3.5	-0.7	3.3	-0.5

《Reference》 Consolidated Statements of capital expenditure

(¥ billion)	FY2017 Results ①	FY2017 forecasts (As of Oct.) ②	Change ①-②	FY2017 Forecasts (As of May.) ③	Change ①-③	FY2016 Results ④	Change ①-④
Total capital expenditure	86.2	95.0	-8.8	83.1	+3.1	66.6	+19.6

(Breakdown for each business segment)

Urban Transportation	31.2	35.6	-4.4	39.8	-8.6	28.0	+3.2
Real Estate	43.1	47.2	-4.1	31.0	+12.1	28.3	+14.9
Entertainment and Communications	7.4	9.9	-2.5	10.0	-2.6	5.9	+1.5
Travel	0.5	0.5	+0.0	0.8	-0.3	0.5	+0.0
International Transportation	0.4	0.4	-0.0	0.6	-0.2	1.0	-0.7
Hotels	3.2	3.4	-0.2	3.5	-0.3	2.2	+0.9

《Reference》 Consolidated Statements of Depreciation and amortisation, EBITDA

(¥ billion)	FY2017 Results ①	FY2017 forecasts (As of Oct.) ②	Change ①-②	FY2017 Forecasts (As of May.) ③	Change ①-③	FY2016 Results ④	Change ①-④
Total Depreciation and amortisation	52.8	53.7	-0.9	54.6	-1.8	53.7	-0.9
(Breakdown for each business segment)							
Urban Transportation	25.9	26.6	-0.7	27.6	-1.7	25.7	+0.2
Real Estate	16.8	17.0	-0.2	17.0	-0.2	17.9	-1.1
Entertainment and Communications	6.7	6.9	-0.2	7.1	-0.4	6.7	+0.1
Travel	0.7	0.8	-0.1	0.7	+0.0	0.8	-0.0
International Transportation	0.7	0.7	-0.0	0.7	-0.0	0.7	-0.0
Hotels	1.9	1.9	-0.0	1.9	-0.0	1.8	+0.0
Total EBITDA	159.3	153.0	+6.3	152.0	+7.3	166.5	-7.2
(Breakdown for each business segment)							
Urban Transportation	68.2	67.0	+1.2	67.4	+0.8	67.0	+1.2
Real Estate	58.8	56.2	+2.6	55.2	+3.6	67.8	-9.0
Entertainment and Communications	22.6	20.4	+2.2	19.9	+2.7	22.2	+0.4
Travel	1.4	1.3	+0.1	2.2	-0.8	1.5	-0.1
International Transportation	2.3	2.5	-0.2	2.9	-0.6	2.5	-0.3
Hotels	4.7	4.9	-0.2	5.4	-0.7	5.1	-0.5

Ⅱ. Long-term management vision for 2025 (fiscal 2026)

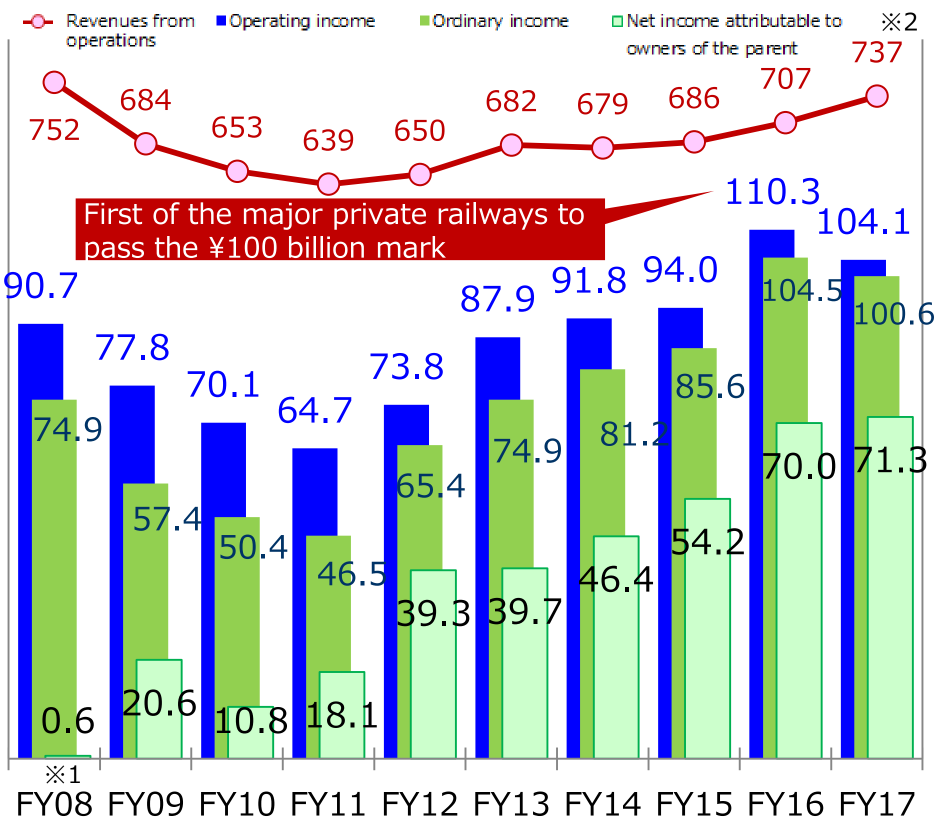
Summary of Hankyu Hanshin Holdings' First 10 Years

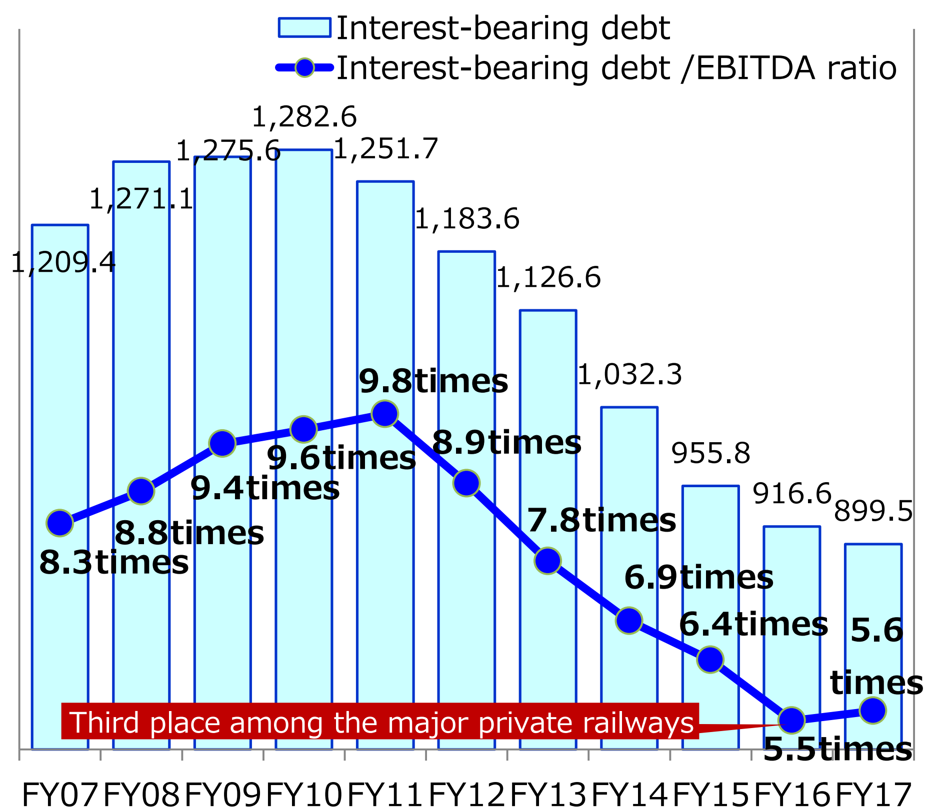
- Since commencing operations 10 years ago, we have pooled the energies of Hankyu and Hanshin to increase the competitiveness of our businesses, and channelled investment into large scale projects to increase the Group's overall revenue and profits.
- Alongside these efforts, the Company has cut back its interest-bearing liabilities and steadily strengthened its financial standing.

【Major large-scale projects】Hankyu Nishinomiya Gardens Development, Rebuilding of Umeda Hankyu Building, Extension of Hanshin Namba Line, Renovation of Hanshin Koshien Stadium etc.

Trends in Management Indicators

(¥billion)

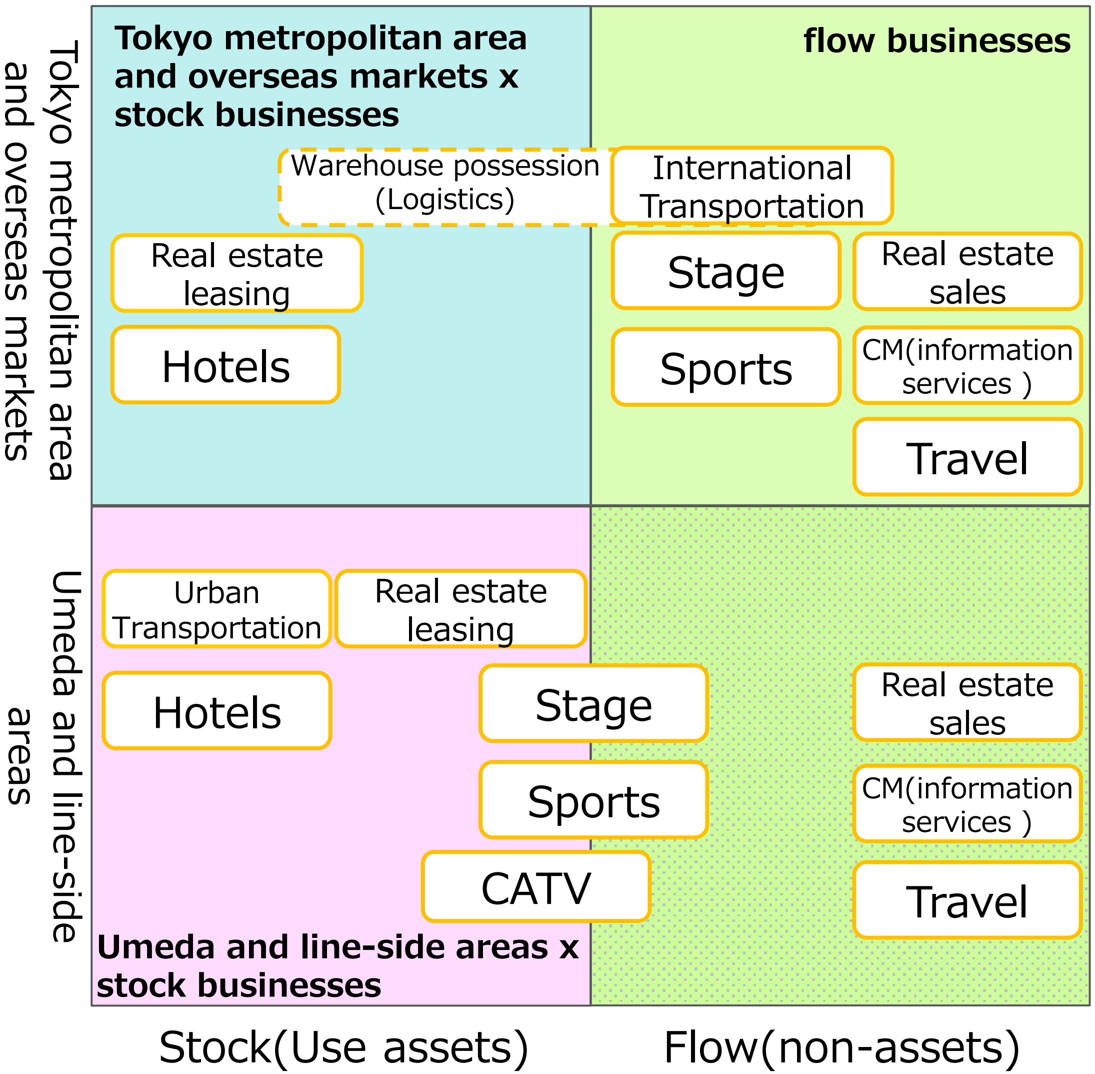




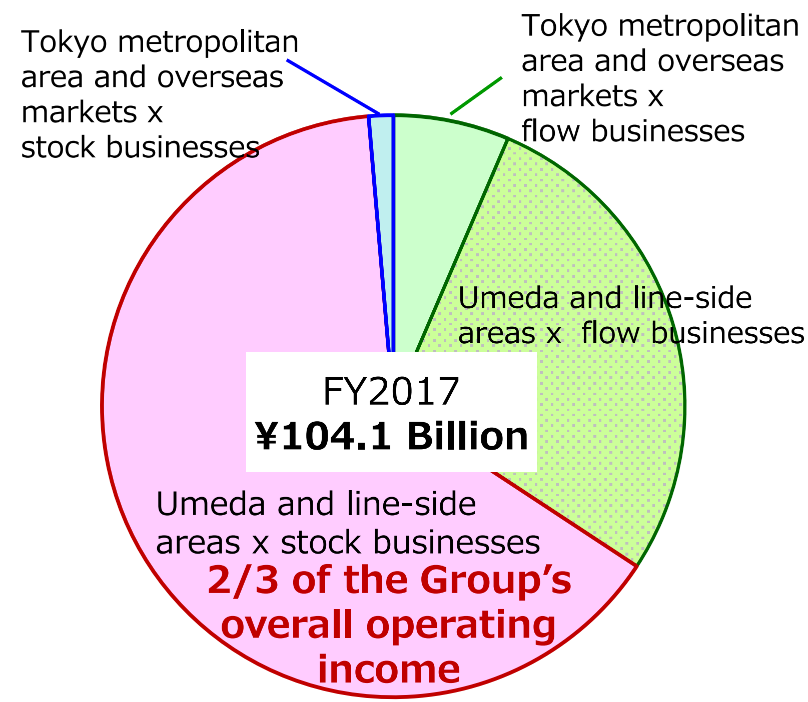
※1 Includes Department Store Business (consolidated up to the first half of fiscal 2008).
※2 As of fiscal 2017, the presentation of revenues from operations of the International Transportation Business has changed from net to gross amounts

Breakdown by Business Area and Business Model

Umeda and line-side stock businesses make up 2/3 of the Group's overall operating income. When combined with flow businesses, they make up around 90%.



【Breakdown of operating income by business area and business model】



【stock businesses】

Businesses that hold or use stock (property and other fixed assets)

【flow businesses】

Businesses that, instead of holding large-scale stock, use business know-how, human resources, brand assets, and other intangible assets

Anticipated Changes in the External Environment (threats)

Japan's population is set to decline rapidly, particularly from 2025, and population aging will continue apace for the next 25 years.

Population Projections for 2025 and 2040 (as compared to 2015)

National Institute of Population and Social Security Research, 'Regional Population Projection for Japan' [*Nihon no chi'iki betsu shōrai suikei jinkō*]
Based on middle trends of 'Population Estimates (2012)'

	Kansai area※1		Tokyo metropolitan area※2		Japan	
(year)	2025	**2040**	2025	2040	2025	2040
Total population	-5%	**-16%**	-2%	-10%	-5%	-15%
Working-age population (age 15 to 64)	-7%	**-25%**	-4%	-21%	-8%	-25%
people over 65 years old	+6%	**+13%**	+10%	+29%	+8%	+14%

The population level will decline from its present level of over 18 million to around 15 million.

※1:Comprises the prefectures of Osaka, Kyoto, Hyogo, and Nara
※2:Comprises the Tokyo metropolitan area and the prefectures of Kanagawa, Saitama, and Chiba

- There will be fewer consumers of the Group's products and services (shrinking market).
- With more women and elderly people working, there will be shorter consumption times (leisure times).

→ Decline in sales

- The tightening labour market will make it harder to secure a workforce.

→ Increase in costs

The Group's various businesses will not escape the impacts of these changes.

Anticipated Changes in the External Environment (opportunities)

Potential of line-side areas	Our line-side areas are in a relatively advantageous position compared to other line-side areas in Kansai as they are relatively close to Shin-Osaka Station and the international gateways (Kansai International Airport, Osaka International Airport, and Kobe Airport). Also, new rail links are being planned and motorways are being developed.
Greater inbound demand	The government aims to attract 40 million foreign visitors a year by 2020, and 60 million a year by 2030, with the hope that they will spend ¥15 trillion annually by 2030 (four times the figure for 2015).
Concentration of population into urban areas	Tokyo's five central business districts (Chiyoda, Chuo, Minato, Shinjuku, and Shibuya) are projected to retain their population levels as far into the future as the 2040s.
Growth in Asia	In ASEAN countries, population growth and high economic development are projected to continue.
Technological innovation	There will be large leaps forward in artificial intelligence (AI), the Internet of Things (IoT), and other technologies, all of which have the possibility to significantly transform society.

These changes present new business opportunities

- There are new opportunities for line-side areas and Umeda in particular. Until now, Umeda has been regarded as the centre of Kansai. With the growth of ASEAN countries, Umeda has the potential to become the centre of Asia.
- There are opportunities for the Tokyo metropolitan area and overseas markets. The Company can further strengthen the line-side businesses it has built up over many years and develop its know-how.
- By proactively utilizing AI, IoT, and other new technologies in its businesses, we can control costs, resolve personnel shortages, and replace existing business models, leading to new growth opportunities.

The Company's Long-term Management Vision

Group Management Philosophy

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.

Long-term Vision (Newly formulated)

To clarify the kind of company we hope to be as well as the basic approach and strategies for achieving this vision, we have formulated a vision for 2025 (fiscal 2026).
This is the year when stable operations are set to commence in the Umeda 1-1 Project (construction to be completed in spring 2022), a project that we are pursuing as a symbol of management integration. The vision also includes an outlook for the 2040s, when demographic changes will have had a major impact on business.

Medium-Term Management Plan

The medium-term management plan sets out specific action plans for medium-term projects.
(Please see pages 42 to 49 for details on the new medium-term management plan)

The company we hope to be in the long-term (overall vision)

The slogan for the Hankyu Hanshin Holdings Group's Long-term Management Vision for 2025 (fiscal 2026) is:

'Enhancing line-side areas and expanding fields'

Sustainably enhance corporate value

Enhance daily life (customer) value
Regarding these sociocultural changes as business opportunities, we will provide innovative products and services through our business operations.

Enhance social value
Build relationships of trust with various stakeholders, meet their expectations, and contribute to society.

Enhance economic value
We will strive to maintain and improve our profitability and financial soundness as a top-class private railways operator.

Umeda and line-side areas x stock businesses
Make our railway the absolute best among the Kansai networks.
Strategy①

Tokyo metropolitan area and overseas markets x stock businesses
Construct a stable revenue base in the Tokyo metropolitan area and overseas markets.
(diversify the portfolio, which is currently concentrated in Umeda and line-side areas).
Strategy②

flow businesses
Strengthen competitiveness by thoroughly pursuing brand optimisation and differentiation.
Strategy③

Groupwide initiatives, new business fields, etc.
Make greater use of the Group's collective strength and develop new business fields.
Strategy④

The coming age of full-scale population decline

Declining birth rate and aging population

Crumbling infrastructure

Tightening of labour market

Further technological advances (AI, IoT, etc.)

Economic growth in Asia

Growing numbers of overseas visitors

Improvements to public transport infrastructure (airports, rail and motorway networks)

Concentration of population into urban areas

Opportunity for Kansai to develop its position as gateway for Asia and the wider world

The company we hope to be in the long-term
(Umeda and line-side areas x stock businesses)

The company we hope to be
Make our railway the absolute best among the Kansai networks.

Strategy ①

We aim to increase the resident and non-resident population of line-side areas. To this end, we will channel into these areas the dynamism of the Tokyo-Nagoya-Osaka axis and the power of Asia and other regions of the world, attract new industries and cutting-edge technologies ahead of other companies, and support efforts to develop thriving local communities.

Business environment analysis

- **Umeda and line-side areas will remain the Group's most important revenue base.**
- Given that the numbers of overseas visitors are set to rise, there is an urgent need to channel the dynamism of the Tokyo-Nagoya-Osaka axis and the power of overseas regions into the line-side areas.
- There are medical and industrial clusters with potential to develop, including KOBE Biomedical Innovation Cluster, *Umekita Phase II* Development Project, and *Nakanoshima* (hub for globalising regenerative medicine).

Measures the Company will pursue

- We want Umeda to become an area that capitalises on the economic growth of ASEAN countries and inbound demand, attracts new industries, and connects to and from the Tokyo-Nagoya-Osaka axis and international airports. To this end, we will pursue plans for rail links (including a Shin-Osaka rail link) and strategic rebuilding projects in the area (including the Umeda 1-1 Project).
- Focusing on the compact city concept, we will leverage innovative technology and the know-how of our partners to introduce highly convenient services into line-side areas, making these areas attractive places to live in. We will also help develop communities that are safe, secure, and have thriving educational and cultural facilities. In connection with these efforts, we will also redevelop and renovate our key line-side bases.

The company we hope to be in the long-term
(Umeda and line-side areas x stock businesses)

Umeda 1-1 Project

Redevelop existing properties

Priority policy
Improve the value of the Umeda area

Hotel strategy for the Umeda area

- Establish market dominance in the Umeda area

Strengthen tourism business

- Accumulate content, convert stalls into tourist information centres

World Expo 2025 bid and integrated resort plan Improvements to public transport infrastructure (airports, rail and motorway networks)

- Capitalise on the dynamism of the Tokyo-Nagoya-Osaka axis and the power of overseas regions
- Contribute to new industrial development by linking Kobe, *Umekita*, *Nakanoshima*, and *Keihanna Research-Complex*

Make our railway the absolute best among the Kansai networks.

Priority policy
Construct new rail links to improve the transport network

Construct Shin-Osaka rail link

Extend Kita-Osaka Kyuko Railway Line

World Expo 2025 bid and integrated resort plan Improvements to public transport infrastructure (airports, rail and motorway networks)

Priority policy
Redevelop and renovate key line-side bases

Develop new stations

Pursue station-centred community development

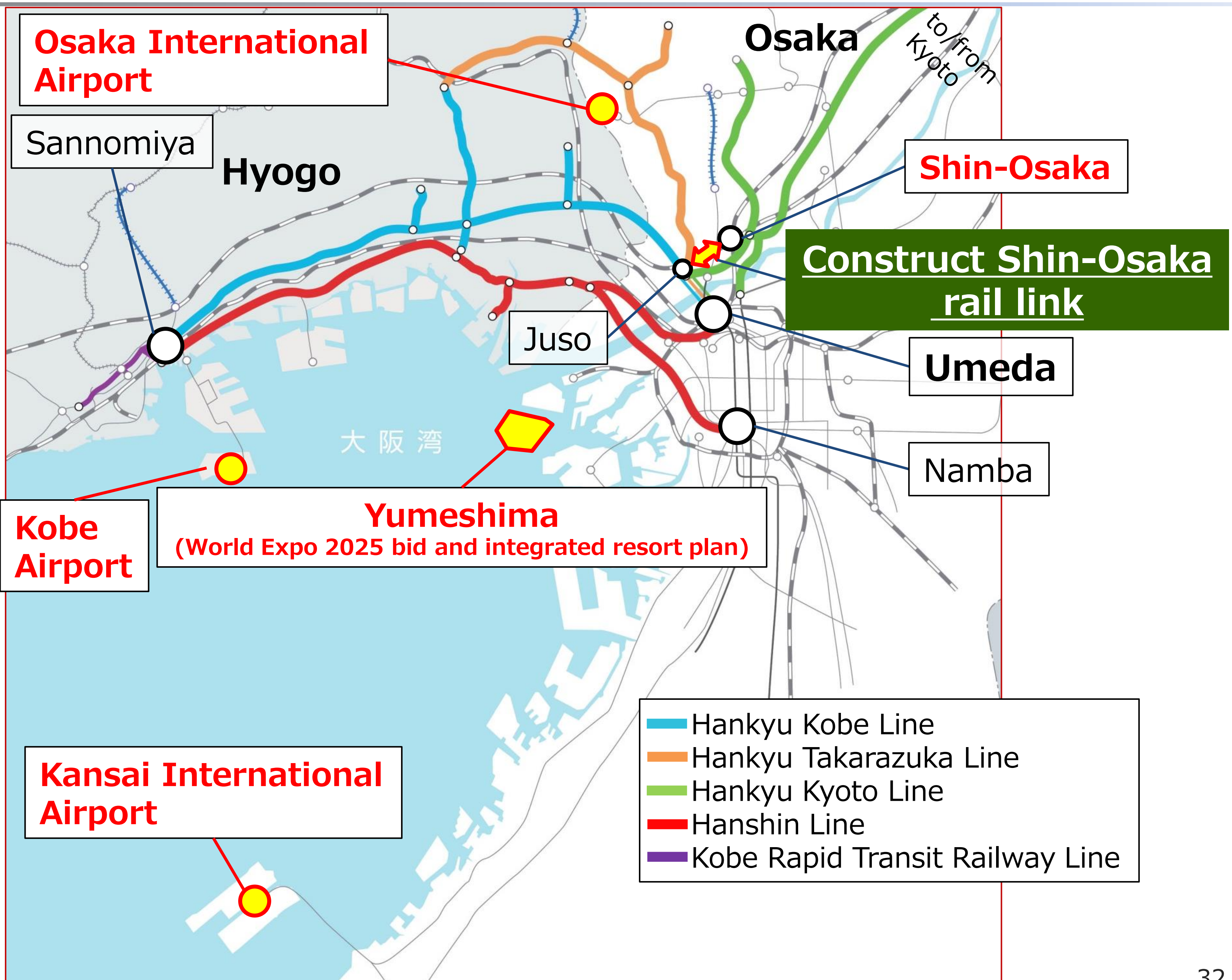
- Follow the compact city concept

Redevelop key line-side bases

- *Sannomiya*
- *Hanshin Nishinomiya*
- *Noda*, etc.

The company we hope to be in the long-term
(Umeda and line-side areas x stock businesses)

Kansai area

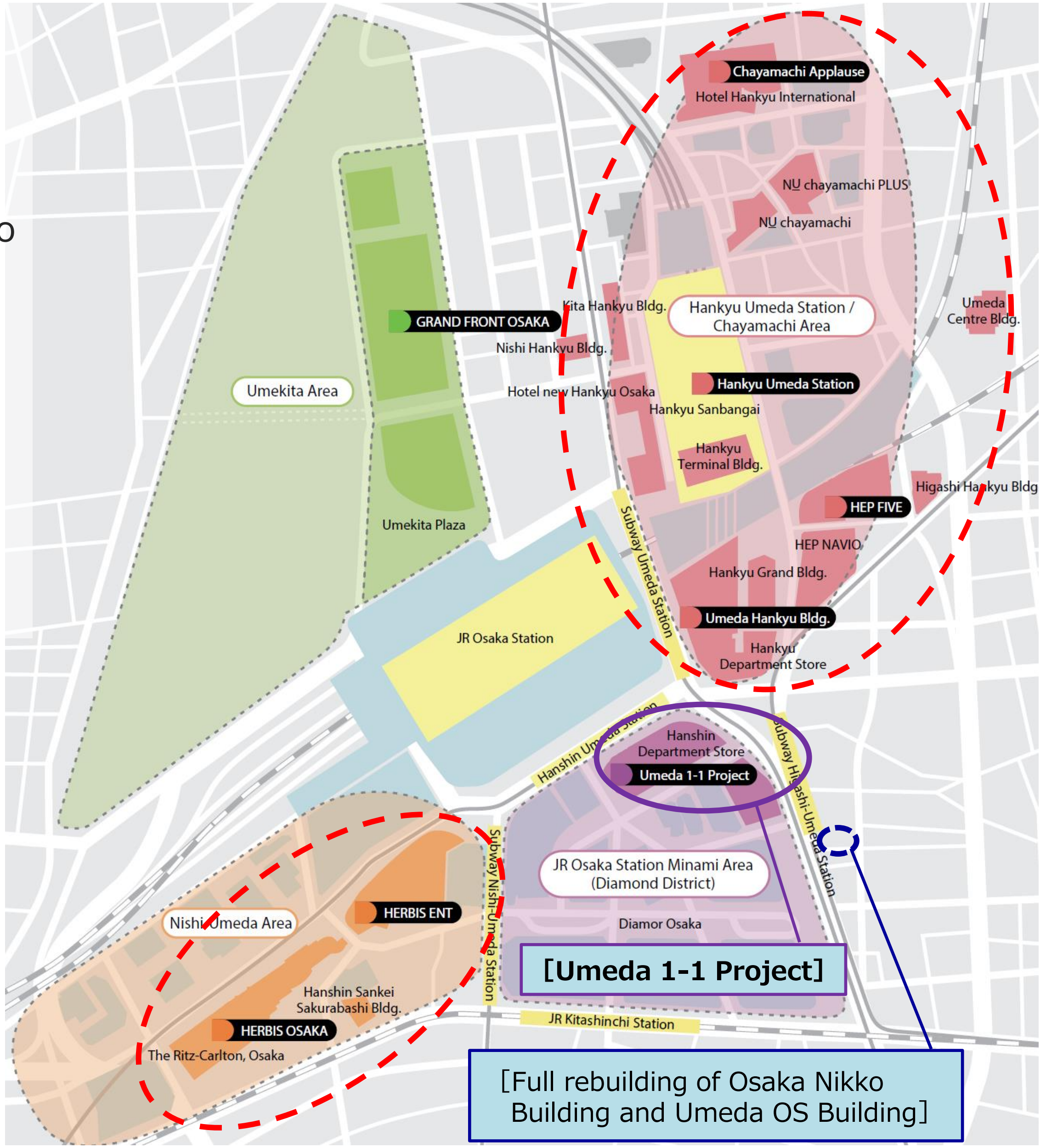


- Main initiatives for enhancing Umeda's value
  - Keeping in mind the useful economic lifespan of large buildings, we will conduct long-term rebuilding projects to increase the value of our assets.
  - To increase the value of the area as a whole, we will conduct area management activities, contribute to city promotion efforts, and develop and operate bases for creating new industries.

<The leasable area of the Group's properties in the Umeda area>

End of fiscal 2017
Approx. 800 thousand m²

Projection for 2025 (fiscal 2026)
Approx. 950 thousand m²



The company we hope to be in the long-term

(Tokyo metropolitan area and overseas markets x stock businesses)

The company we hope to be

Construct a stable revenue base in the Tokyo metropolitan area and overseas markets (diversify the portfolio, which is currently concentrated in Umeda and line-side areas).

Strategy ②

Our property portfolio is currently concentrated in Umea and line-side areas. To compensate for downsizing in the Kansai area, we will diversify our property profile by acquiring additional assets including rental property in Tokyo's large market and in overseas markets that are set to grow.

Business environment analysis

- Currently, our stock is primarily in the Umeda and line-side areas. Given the potential for demographic fluctuations, we must duly consider the risks associated with such a concentrated portfolio.
- Tokyo's five central business districts will remain largely unaffected by the population decline as far into the future as the 2040s.
- The world population is expected to increase significantly, particularly in Asia.

Measures the Company will pursue

- ➢ In the Tokyo metropolitan area, we will steadily accumulate stock in the centre of the capital (generally speaking, the five central business districts) while monitoring market conditions. (Target: Real estate leasing business to acquire an asset size of approximately ¥200 billion)
- ➢ Regarding overseas stock (real estate), our basic policy is to capitalise on economic growth in ASEAN countries. Accordingly, we will focus primarily on developing logistics centres in ASEAN. At the same time, we will develop commercial facilities on a trial basis and ascertain the potential for accumulating stock.

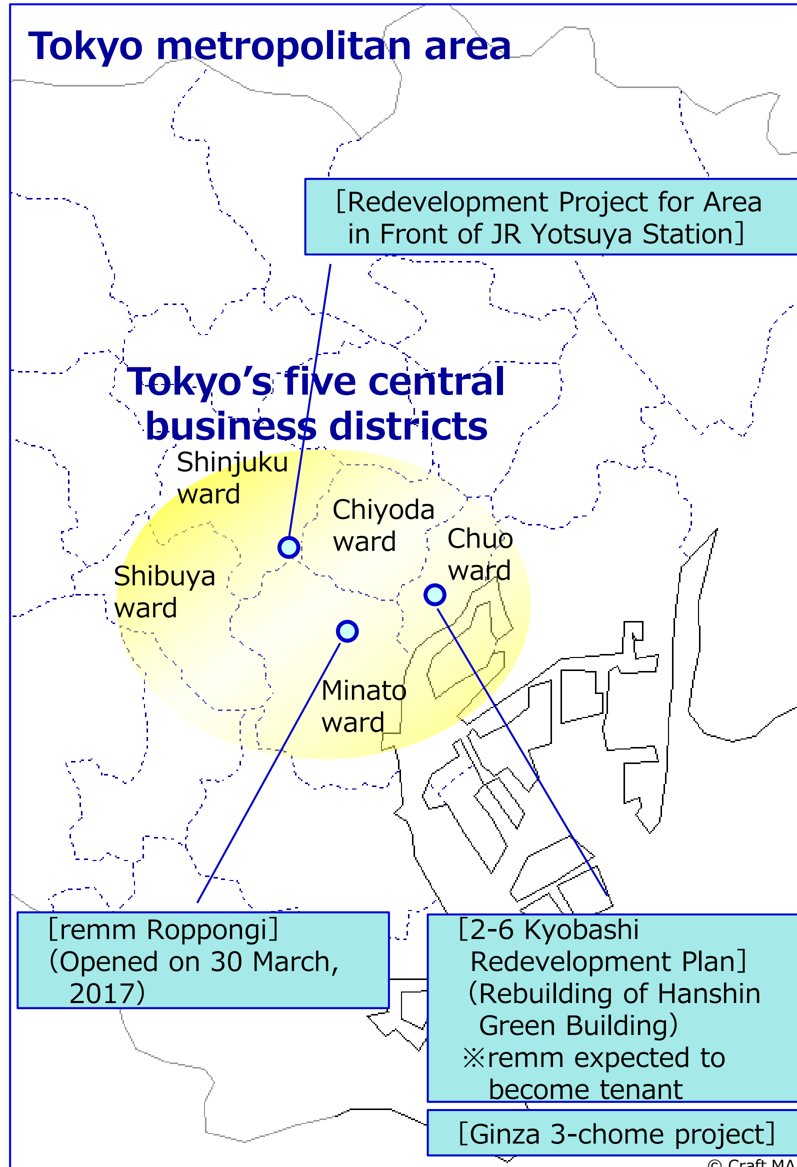
The company we hope to be in the long-term
(Tokyo metropolitan area and overseas markets x stock businesses)

- Initiatives for expanding business scale in the Tokyo metropolitan area
  - In the Tokyo metropolitan area, we will steadily accumulate stock in the five central business districts while monitoring market conditions. We will aim for the real estate leasing business to acquire an asset size of approximately ¥200 billion.

<Asset size of the real estate leasing business in the Tokyo metropolitan area>

End of FY2017
Approx.
¥45 billion

Targeted figure for the end of FY2026
Approx.
¥200 billion



The company we hope to be in the long-term
(flow businesses)

The company we hope to be
Strengthen competitiveness by thoroughly pursuing brand optimisation and differentiation.

Strategy ③ Thoroughly optimise the Hankyu Hanshin brand value and differentiate the products and services from the competition so as to strengthen competitive edge and achieve further business expansion.

Business environment analysis

- The entertainment businesses (sports and stage) have content that is unique to the Group and high brand value.
- Flow businesses such as real estate sales, communication and media (information services), travel, and international transportation are exposed to competition because the barriers to entry are low.

Measures the Company will pursue

- ➢ In the highly competitive entertainment businesses, we will engage in new challenges and initiatives with a view to further refining and elevating brand value.
- ➢ In the real estate sales business, we will gradually expand operations in the Tokyo metropolitan area and overseas markets.
  (we aim to raise condominium and detached house sales in the Tokyo metropolitan area to the level of those in the Kinki area [condominiums: approximately 800 units a year; detached houses: approximately 100 units a year].)
- ➢ In flow businesses such as communication and media (information services), travel, and international transportation, we will monitor competitiveness and strengthen business operations with a view to differentiating ourselves from the competition (this may entail expanding business scale or revising the business portfolio or model, etc.)

The company we hope to be in the long-term
(flow businesses)

entertainment businesses [Sports･Stage]	• Optimise (further refine and elevate) the Hanshin Tigers and Takarazuka Revue brands
Flow-type real estate businesses [for-profit real estate]	• Expand scale of real estate sales business in the Tokyo metropolitan area and overseas markets • Explore potential of a short-term returns real estate business <Condominium sales> FY2017 **1,087 units** → Targeted figure for FY2026 **Approx. 1,600 units** (Kinki area Approx.800 units, Tokyo metropolitan area Approx.800 units)
communication and media [information services]	• Expand share in key markets, including building maintenance, transport services, Internet, etc. • Use technological innovations as an opportunity to expand business field
Travel	• Strengthen competitiveness of core brand travel packages • Establish a second pillar
International Transportation	• Shift toward a more balanced business portfolio (strengthen ocean transportation and logistics operations) • Promote Asia-centred business development (shift away from the focus on Japan as origin/destination for shipments) • Expand investments in growing markets (e.g. Africa)

The company we hope to be in the long-term

(Group-wide initiatives, new business fields, etc.)

The company we hope to be

Make greater use of the Group's collective strength and develop new business fields.

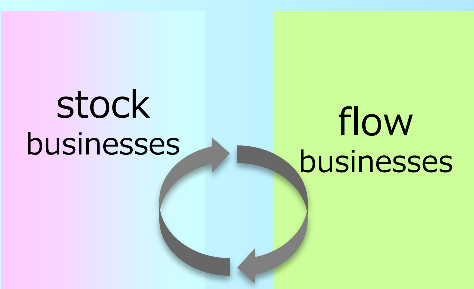
Strategy ④

In addition to pursuing Group-wide initiatives, we will introduce cutting-edge technologies into existing businesses, venture into new business fields, and thereby provide culturally enriched and innovative lifestyle options.

- In this increasingly competitive business environment, we cannot beat the competition and achieve growth without leveraging the Group's collective strength.
- Amid the changing social environment, we must seize the opportunities for developing new business fields.

Changes in the social environment

(demographic change, technological innovation, lifestyle changes, diversification of values, etc.)



(1) Use existing resources to pursue Groupwide initiatives

[e.g. credit and point card measures, development of overseas logistic centres by International Transportation and Real Estate core companies]

(2) Rejuvenate Group assets and utilise human resources

[develop the domestic logistics and real estate businesses in tandem with the development of public transport infrastructure, introduce the proposal systems for new businesses into the Group as a whole]

(3) Explore the potential for utilising cutting-edge technologies throughout the Group

[use IoT sensor technology to save labour in site inspection processes]

The company we hope to be in the long-term
(Management Indicators)

We will pursue the four strategies with a view to achieving the following targets as of 2025 (fiscal 2026). Achieving these targets will keep us on course for maintaining at least the current levels of operating income in the 2040s, when demographic changes will have had a major impact on business.

	Management Indicators	Targeted figure for 2025 (FY2026)
Profitability	operating income	¥120 billion
	EBITDA	¥200 billion
Financial soundness	Interest-bearing debt /EBITDA ratio	Between 5 and 6 times

<Reference> Results and Medium－Term Management Plan		
FY2017 (Results)	FY2018 (Forecasts)	FY2019 (Forecasts)
¥104.1 billion	¥96.0 billion	¥98.0 billion
¥159.3 billion	¥152.0 billion	¥157.0 billion
5.6 times	6.0 times	5.9 times

・Ensure that we will be one of the most profitable private railway operators in 2025 (fiscal 2026).
・While accelerating growth investment, ensure that we remain one of the most financially sound private railways operators.

Organisational Improvements for Achieving the Long-term Vision

We will implement the following organisational improvements to help the Group pursue the strategies and measures necessary for achieving our long-term vision.

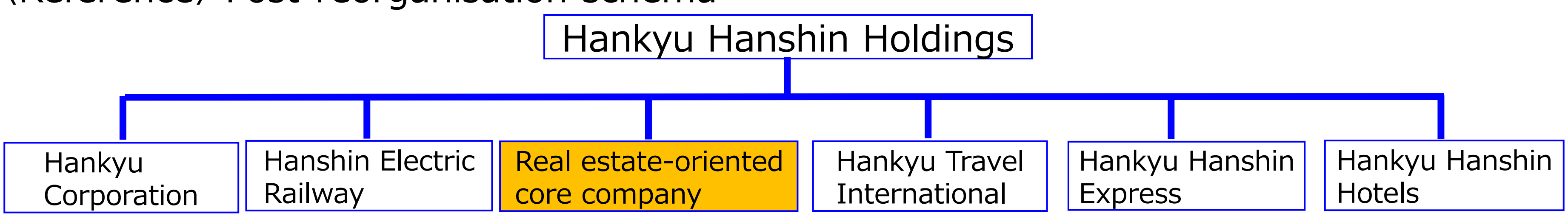
①Integrate Hankyu Corporation (HC) and Hanshin Electric Railway (HER)'s business-field exploration efforts into the Group as a whole (to be implemented in April 2017)

- As part of our long-term vision, we aim to make greater use of the Group's collective strength and develop new business fields. To this end, we will develop a harmonised framework for planning new business ventures on a Groupwide basis so as to streamline the process of developing new businesses.

②Consolidate HC and HER's real estate business divisions with a view to establishing a real estate-oriented core company (April 2018 is tentatively proposed as the date for implementation)

- As part of our long-term vision, we aim to strengthen and expand the real estate leasing business in all areas and thoroughly differentiate the real estate sales businesses and other businesses. To this end, we will consolidate the Real Estate core business (including HC & HER's real estate divisions) into a new real estate core company, capitalise on the Group's collective real estate prowess, and pursue growth-oriented initiatives faster and more effectively.

〈Reference〉 Post-reorganisation schema



Ⅲ. Revision of the medium-term management plan

Framework of the Medium-term Management Plan (business strategies)

Previous plan

Define the period from fiscal 2017-2019 as a 'period for developing foundations for medium-to-long-term growth'.

business strategies

The following two strategies will take time to bear fruit. Instead of chasing after quick results, we will implement the strategies steadily over the next 10 or 20 years.

Strategy①
Enhance the value of the Umeda area and line-side areas

Strategy②
Develop new markets with a view to achieving medium-to-long term growth

Combine business strategies① and ②
Capture burgeoning demand from non-Japanese tourists

Current plan

In addition to developing foundations for medium-to-long-term growth, **use the period to take the first steps toward achieving the long-term vision**.

business strategies ～Business strategies related to the long-term vision～

①Further strengthen the stock businesses in the Umeda and line-side areas (e.g. railways, real estate leasing, media and communications, hotels)

②Accumulate stock in the Tokyo metropolitan area and overseas markets

③Increase competitiveness of flow businesses (real estate sales, sports, stage, information services, travel, and international transportation)

④Make greater use of the Group's collective energies and venture into new business fields

Framework of the Medium-term Management Plan (financial policy)

Previous plan

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

Forward-looking investment

Continuous strengthening of financial standing

Returns to shareholders total payout ratio of 25%

【By the end of fiscal 2019】 Reduce interest-bearing debt to less than ¥900 billion
【Financial soundness targeted over the medium-to-long term】
Keep interest-bearing debt/EBITDA ratio between 5 and 6 times and D/E ratio around 1 time

Current plan

To achieve the long-term vision, we will prioritise growth investments under strategies 1 to 4 with a view to further increasing operating income and EBITDA.

・However, the financial standing will not be neglected; we will aim to maintain our financial soundness.

(Regarding financial soundness benchmarks, as of the end of fiscal 2017 we achieved the previous plan's interest-bearing debt target (reduce interest-bearing debt to less than ¥900 billion by the end of fiscal 2019) ahead of time. Since we will pursue growth investment under the four long-term strategies, we will in the future prioritise interest-bearing debt/EBITDA ratio over interest-bearing debt as a benchmark for financial soundness.)

・Regarding returns to shareholders, owing to the reasons stated on page 47, we plan to increase the annual dividend per share for fiscal 2018 onward from ¥35 to ¥40 (tentative), and increase the total payout ratio from 25% to 30%.

Forward-looking investment

While striking a balance with financial soundness, we will prioritise growth investment under strategies 1 to 4.

Maintaining financial soundness

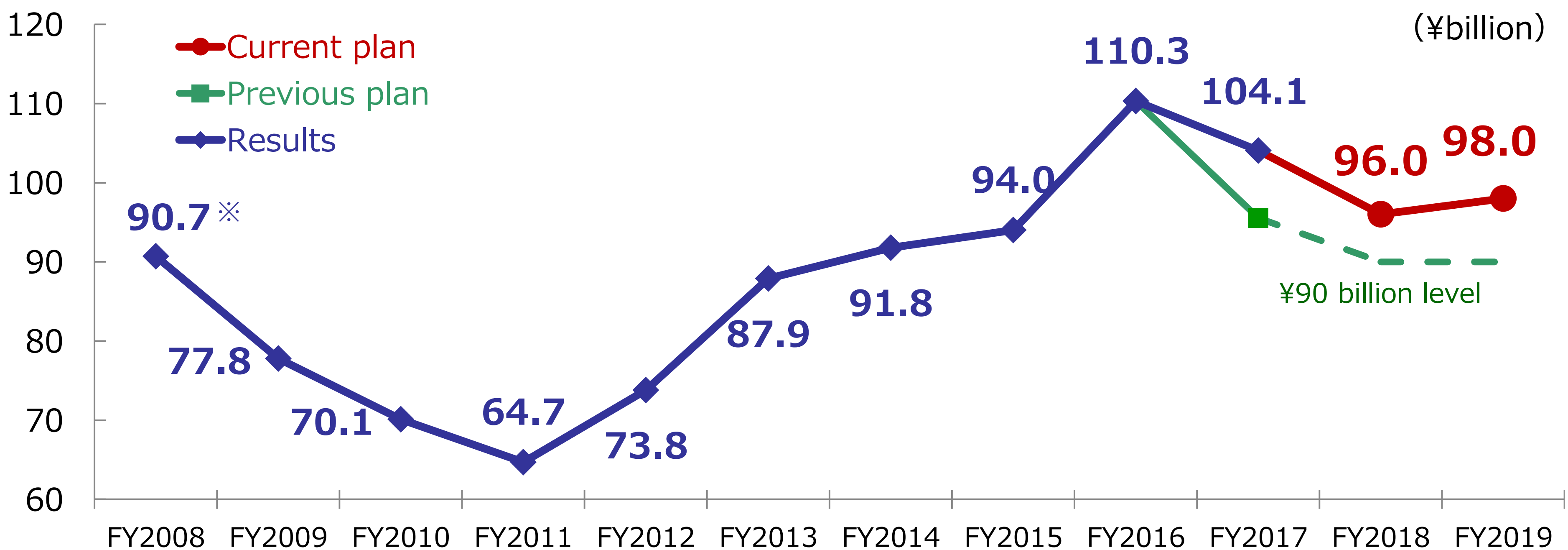
Prioritise interest-bearing debt/EBITDA ratio over interest-bearing debt as a benchmark for financial soundness.

Returns to shareholders

For the period of the plan, we envisage a total payout ratio of 25% for fiscal 2017, and 30% for fiscal 2018 and onward.

Trends in Management Indicators under the Current Plan

While the results for fiscal 2017 exceeded projections in the previous plan, the future outlook is highly uncertain. Given that business conditions are becoming harsher with intensifying competition, we will aim to keep operating income at the ¥90 billion level as in the previous plan. We will also strive to lift the basic performance level of each business with a view to achieving the targets for each fiscal year as shown below.



※Includes Department Store Business (consolidated up to the first half of fiscal 2008).

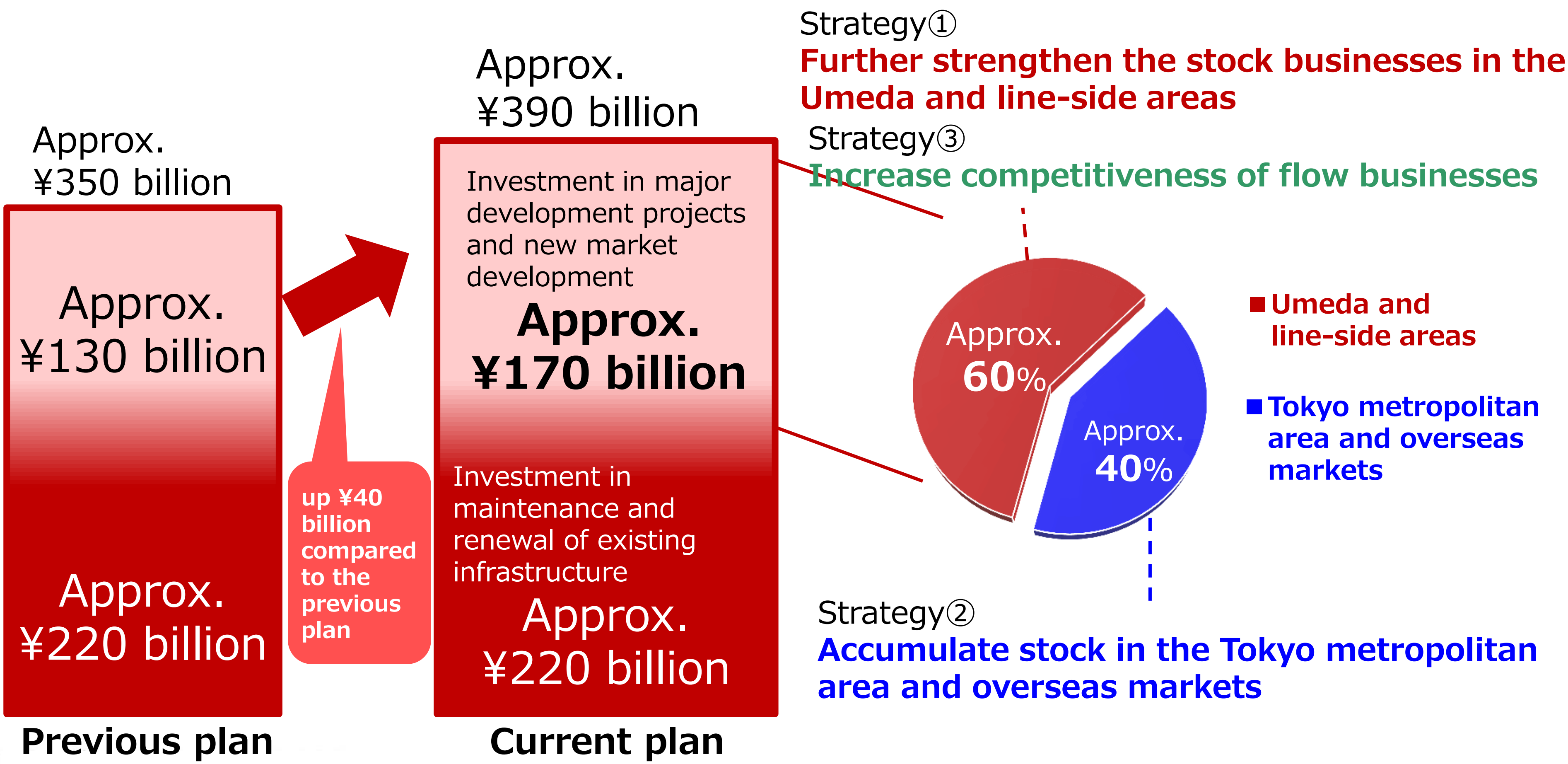
Time-series comparison

- Significantly lower earnings are projected for fiscal 2018 owing to an expected increase of sales expenses in the condominium businesses and an expected increase in depreciation and amortisation in the Urban Transportation Business segment.
- Fiscal 2019 should see higher earnings due to proceeds from the sale of some of the land for commercial facilities.

Capital investment (including lending) in fiscal 2016-2019

Capital investment (including lending) in fiscal 2016-2019 is expected to total approx. ¥390 billion (up ¥40 billion compared to the previous plan)

- In line with the basic approach for our long-term vision, the new plan will include increased investment in Tokyo and other areas. Accordingly, we project that investment in major development projects and new market development will increase by ¥40 billion.
- Although we will invest in platform doors and similar safety measures, we will generally keep investment in maintenance and renewal of existing infrastructure at the levels of the previous plan.



Returns to Shareholders

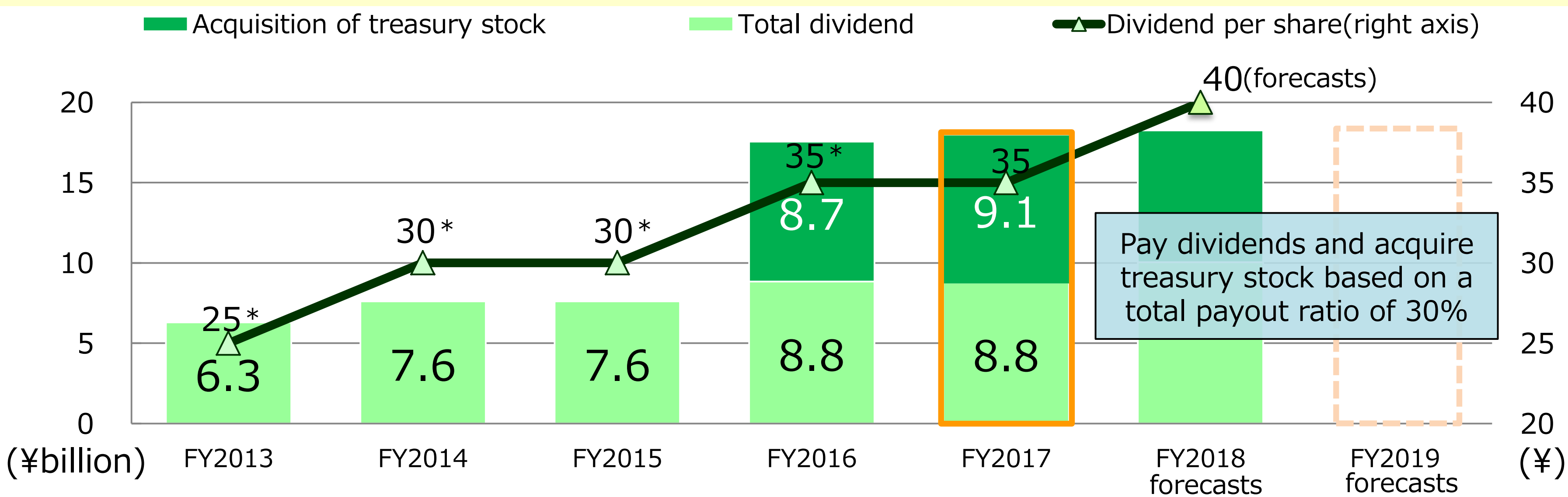
■ Shareholder Return Policy

Pay stable annual dividends and acquire treasury stock

- For fiscal 2017, as with fiscal 2016, we will pay an annual dividend of ¥35 per share (total annual dividend: ¥8.8 billion) and acquire treasury stock based on a total payout ratio of 25% (total acquisition: ¥9.1 billion).
- The Group's performance has been stable recently, and we have met our benchmark for financial soundness over the medium-to-long term (interest-bearing debt/EBITDA ratio between 5 and 6 times) for two years running. Accordingly, from fiscal 2018 onwards we plan to raise the annual fiscal dividend from ¥35 to ¥40 per share. Alongside this change, we aim to further enhance returns to shareholders by increasing the total payout ratio from 25% to 30%.

<Reference> Formula for calculating total payout ratio

$$\text{※Total payout ratio of FY[N](\%)} = \frac{\text{(Total dividend of FY[N])+(Acquisition of treasury stock in FY[N+1])}}{\text{(Net income attributable to owners of parent in FY[N])}} \times 100$$



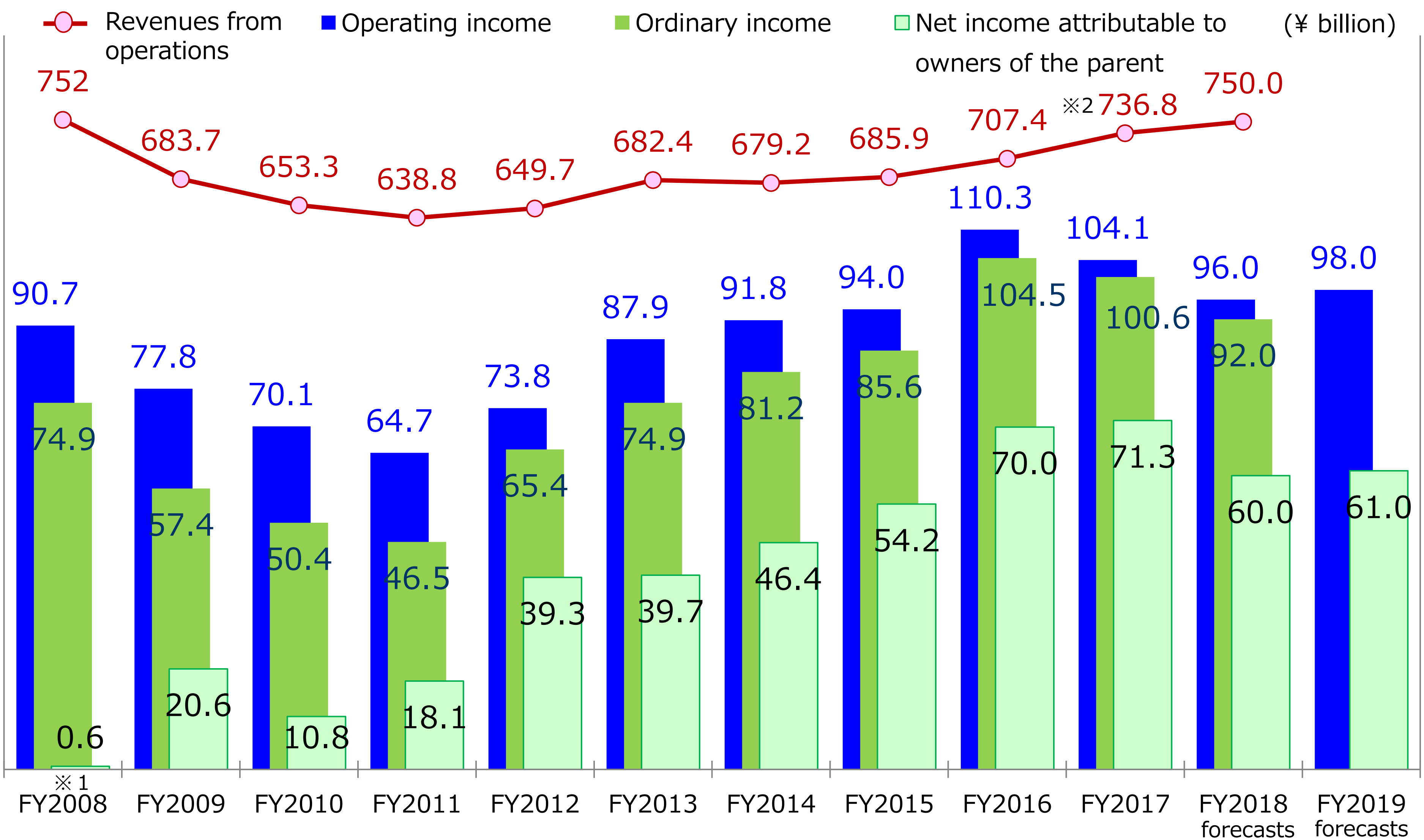
* The Company conducted a 1-for-5 reverse stock split with an effective date of 1st August 2016. The per-share annual dividends for fiscal years up to and including fiscal 2016 reflect the stock split.

Fiscal 2019 management indicators outlook

	FY2016 Results	FY2017 Results	FY2018 Forecasts	FY2019 Forecasts
Operating income	¥110.3billion	¥104.1billion	¥96.0billion	¥98.0billion
EBITDA※1	¥166.5billion	¥159.3billion	¥152.0billion	¥157.0billion
Interest-bearing debt	¥916.6billion	¥899.5billion	¥910.0billion	¥920.0billion
Interest-bearing debt /EBITDA ratio	5.5times	5.6times	6.0times	5.9times
D/E ratio※2	1.3times	1.1times	1.1times	1.1times
Net income attributable to owners of the parent	¥70.0billion	¥71.3billion	¥60.0billion	¥61.0billion
ROE	10.3%	9.4%	7.5%	7.2%
(Reference)				
Net interest-bearing debt※3	¥892.3billion	¥875.3billion	¥885.0billion	¥895.0billion
Net interest-bearing debt/EBITDA ratio	5.4times	5.5times	5.8times	5.7times

※1 EBITDA=operating income + depreciation expenses + amortisation of goodwill
※2 D/E ratio = interest-bearing debt / equity
※3 Net interest-bearing debt=interest-bearing debt - cash and deposits

《Reference》 Trends in operating revenues and operating income



※1 Includes Department Store Business (consolidated up to the first half of fiscal 2008).

※2 As of fiscal 2017, the presentation of revenues from operations of the International Transportation Business has changed from net to gross amounts.

Ⅳ. Specific Projects

Strategy① Further strengthen the stock businesses in the Umeda and line-side areas

Strategy② Accumulate stock in the Tokyo metropolitan area and overseas markets

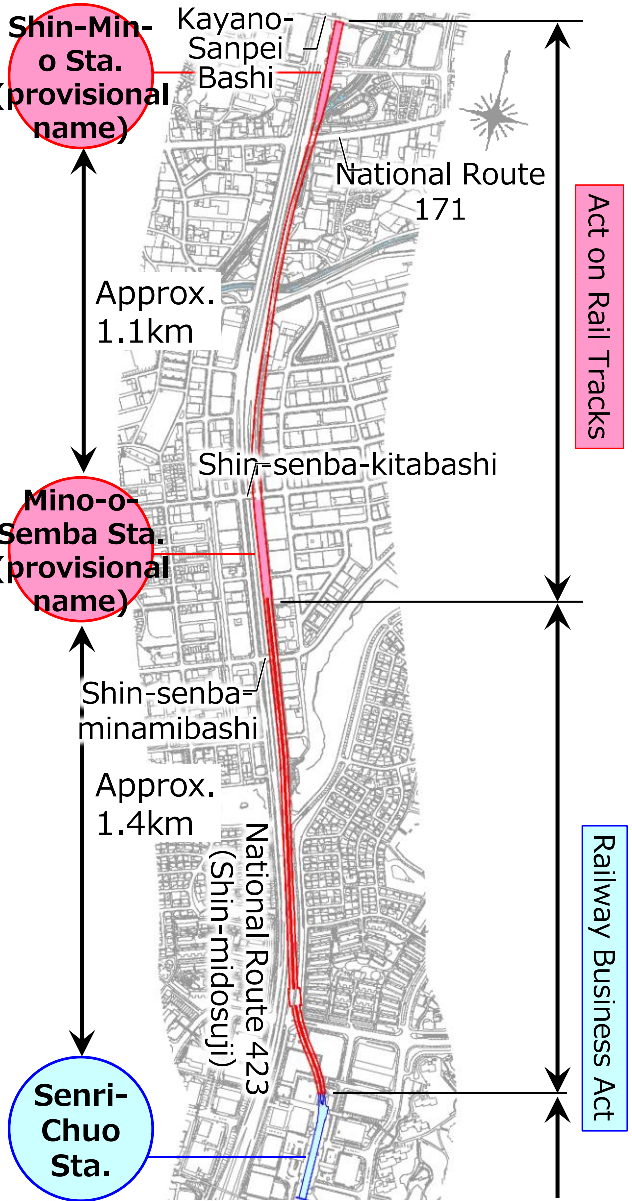
Strategy③ Increase competitiveness of flow businesses

Strategy④ Make greater use of the Group's collective energies and venture into new business fields

Schedule for the Main Projects of the Business Strategies

	(FY)	2017 – 2023
Strategy①	Kita-Osaka Kyuko Railway Line Extension Project	Intended start of service
Strategy①	Umeda 1-1 Project	Complete phase I construction / Commencement of phase II; Complete phase II construction (all construction to be completed by spring 2022)
Strategy①	Fukushima 5-Chome and 7-Chome joint development project	Scheduled start of service
Strategy①	Chayamachi 17-banchi project	Scheduled start of service
Strategy①	Project to rebuild Kobe Hankyu Building's east wing and renew its west wing	Scheduled start of service
Strategy①	Nishinomiya Kitaguchi Hankyu Building (Provisional Name) Construction Project	Scheduled start of service
Strategy①	Ebie 1-chome development plan	(Scheduled time of condominium completion)
Strategy①	Project to relocate Takarazuka Hotel	Scheduled start of service
Strategy①	Project for a logistics facilities in the eastern section of 'Saito'	Completion of construction work in B zone; Completion of construction work in A zone
Strategy②	Redevelopment Project for Area in Front of JR Yotsuya Sta.	Scheduled time of construction completion
Strategy②	2-6 Kyobashi Redevelopment Plan	Scheduled start of service
Strategy②	Ginza 3-chome Project	Scheduled time of construction completion
Strategy②	Initiatives in Singapore	Scheduled start of service
Strategy②	remm ROPPONGI	Opened in March 2017

Kita-Osaka Kyuko Railway Line Extension Project



【Development plan summary】

・Extension distance:
2.5 km, from *Senri-Chuo* Sta. to *Shin-Mino-o* Sta. (provisional name)

・New stations:
Mino-o-Semba Sta. (provisional name), *Shin-Min-o* Sta. (provisional name)

・Estimated project cost: ¥65.0 billion

・Demand: 45,000 people per day

【Business scheme】

・Developer:
Kita-Osaka Kyuko Railway Co., Ltd. and Minoh City (development of infrastructural components between *Mino-o-Semba* Sta. and *Shin-Mino-o* Sta.)

・Operator: Kita-Osaka Kyuko Railway Co., Ltd.

・Funding programme: Social capital development grant

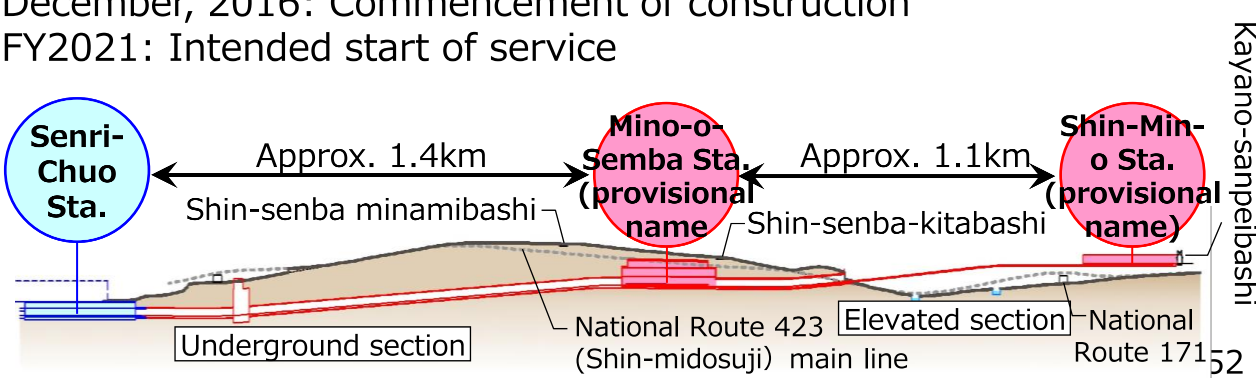
・Portion to be borne by Kita-Osaka Kyuko Railway Co., Ltd:
¥11.0 billion; Amount commensurate with profits
(including the increase in demand associated with related community development)

【Schedule】

December, 2015: We have obtained a license for railway business and a charter for railway track operations

December, 2016: Commencement of construction

FY2021: Intended start of service



Strategy①:Further strengthen the stock businesses in the Umeda and line-side areas②

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

【Project summary】

Location	1-1 Umeda, Kita-ku, Osaka
Site area	Approx. 12,200 ㎡*
Total floor space	Approx. 260,000 ㎡
Number of floors	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

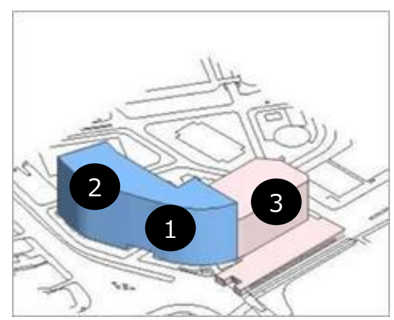
* Including 750㎡ of road between Dai Hanshin Building and Shin Hankyu Building

【Schedule】

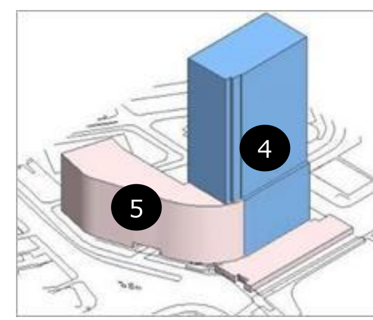
July 2015	begin phase I construction
Around spring 2018	Complete phase I construction (Shin Hankyu Building and Dai Hanshin Building East Wing) and partially open new department store
Around spring 2018	phase Ⅱ (Begin Dai Hanshin Building West Wing demolition)
Around spring 2019	Phase Ⅱ (begin phase Ⅱ construction)
Around autumn 2021	Complete phase II construction (new department store part) and fully open new department store
Around spring 2022	Complete all construction and open offices

【Conceptual illustration of the building exterior】

【Phase Ⅰ】



【Phase Ⅱ】



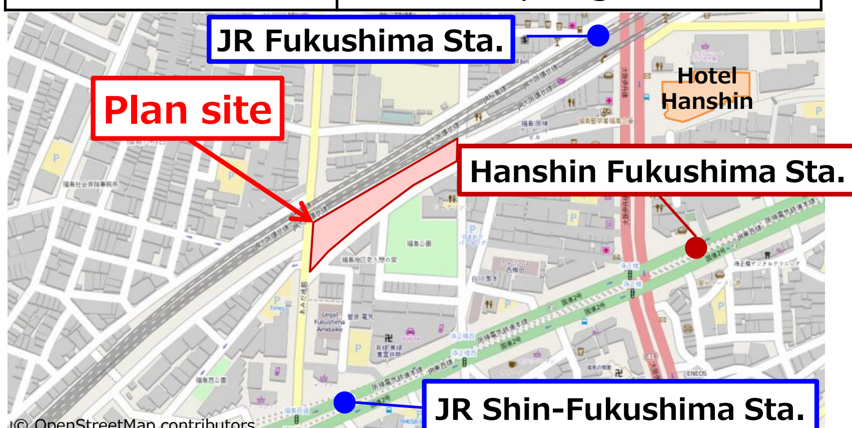
①Dai Hanshin Building East Wing(under construction)
②Shin Hankyu Building(under construction)
③Dai Hanshin Building West Wing(businesses operating)
④Dai Hanshin Building West Wing(under construction)
⑤Phase I (businesses operating)

Fukushima 5-Chome and 7-Chome joint development project

【Project summary】

- Develop multipurpose facility housing hotel and supermarket by integrating the property with the adjacent land owned by West Japan Railway Company.
- The operator of the hotel facility (which will be a new-style business hotel) is expected to be Hankyu Hanshin Hotels, and operator of the supermarket is expected to be Hankyu Oasis.

Location	5-52-1 Fukushima,Fukusima-ku, Osaka
Site area	Approx. 2,600㎡ (The Company own 1,800㎡)
Total floor space	Approx. 11,000㎡
Number of floors	12 floors above ground
Purpose	hotel, supermarket
Scheduled opening	Around spring 2019



【Conceptual illustration of the building exterior】

Re-opening of Hankyu Sanban Gai Shopping Centre

【Project summary】

- Re-opening of the north wing and part of the south wing (73 stores opening, 36 of which are new stores)
- New attractions opening at the same time: *Hankyu Brick Museum* and *Umecha Koji*

Location	1-1-3 Shibata, Kita-ku, Osaka
Total floor space	Approx. 101,300m^2
Number of stores	253stores (after the re-opening)
Date of re-opening	April 27, 2017

【Floor image after the re-opening】

(North Wing 1F)

(HANKYU BRICK MUSEUM)

(Umecha Koji)

Chayamachi 17-banchi project

【Project summary】

- Regenerate the aged building as a commercial facility to enable high-level use
- Improve pedestrian access to the *Hankyu Sanban Gai* Shopping Centre, *NU chayamachi*, and other commercial facilities owned by the Group, create a greater buzz in the Hankyu Umeda and *Chayamach*i area as a whole, and thus enhance the value of the Umeda area.

Location	17-1 Chayamachi, Kita-ku, Osaka
Site area	Approx. 440m^2
Total floor space	Approx. 2,800m^2
Number of floors	8 floors above ground and 1 below ground
Purpose	Commercial facilities (Mizuno Osaka, a store with a wide range of sports goods)
Scheduled opening	Around spring 2018

【Conceptual illustration of the building exterior】

Strategy①:Further strengthen the stock businesses in the Umeda and line-side areas⑤

Project to rebuild Kobe Hankyu Building's east wing and renew its west wing

【Project summary】

Location	4-2-1 Kanocho, Chuo-ku, Kobe
Site area	Approx. 7,100㎡ (including area under elevated railway tracks)
Total floor space	Approx. 32,900㎡ (East wing＋West wing)
Number of floors	29 floors above ground and 3 below ground
Purpose	Offices, hotel, commercial facilities, railway station
Scheduled opening	Around spring 2021

【Conceptual illustration of the building exterior】

Build a new and attractive Kobe landmark while retaining the look of the former Kobe Hankyu Building's east wing

Nishinomiya Kitaguchi Hankyu Building (Provisional Name) Construction Project

【Project summary】

Location	536 Takamatsucho, Nishinomiya
Site area	Approx. 3,000 ㎡
Total floor space	Approx. 11,600 ㎡
Number of floors	10 floors above ground and 1 below ground
Purpose	floors1～4: Restaurants, stores, financial institutions, etc. floors5～10: Providers of educational services
Scheduled opening	Around autumn 2018

【Conceptual illustration of the building exterior】

Ebie 1-Chome Development Plan

【Project summary】

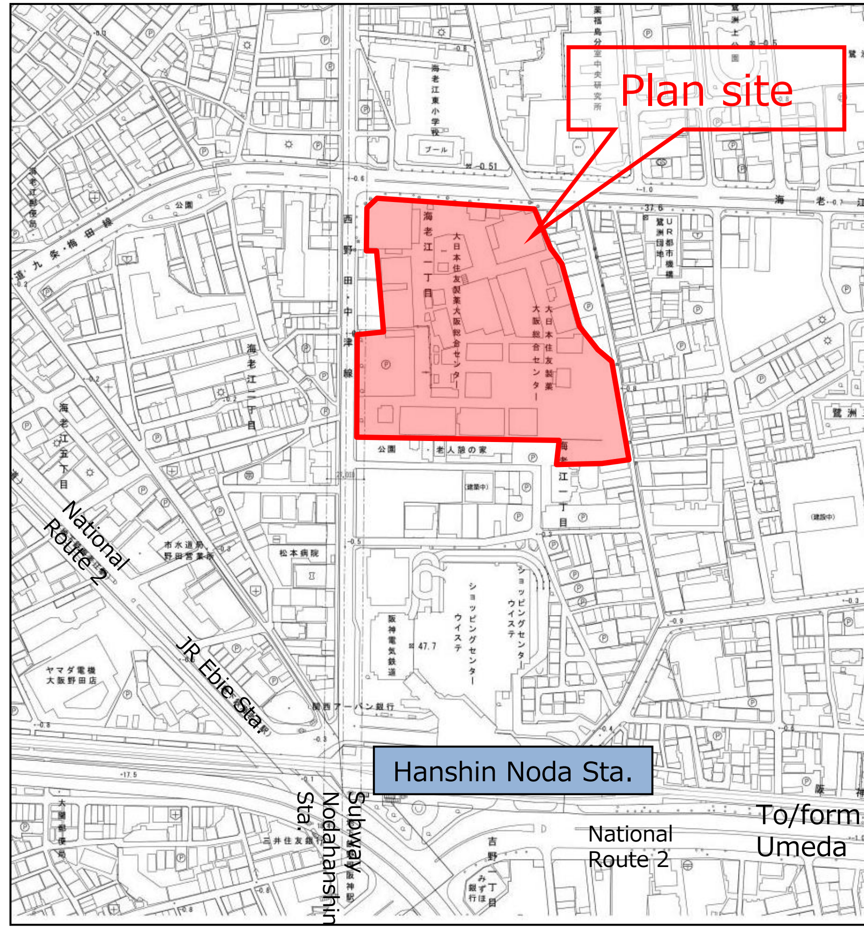
- In fiscal 2015, we acquired a large parcel of land for development on the north side *Hanshin Noda* Station, a station at which express trains stop.
- The plan is to facilitate mixed use of the land by leasing it to commercial facilities and condominium businesses.

【Schedule】

- Around summer 2017
  Commencement of condominium construction
- Around autumn 2019
  Scheduled time of condominium completion

Location	1-1-9 Ebie, Fukushima-ku, Osaka 1-1-30 Ebie, Fukushima-ku, Osaka
Site area	Approx. 27,900㎡

【Map】



Project to relocate Takarazuka Hotel

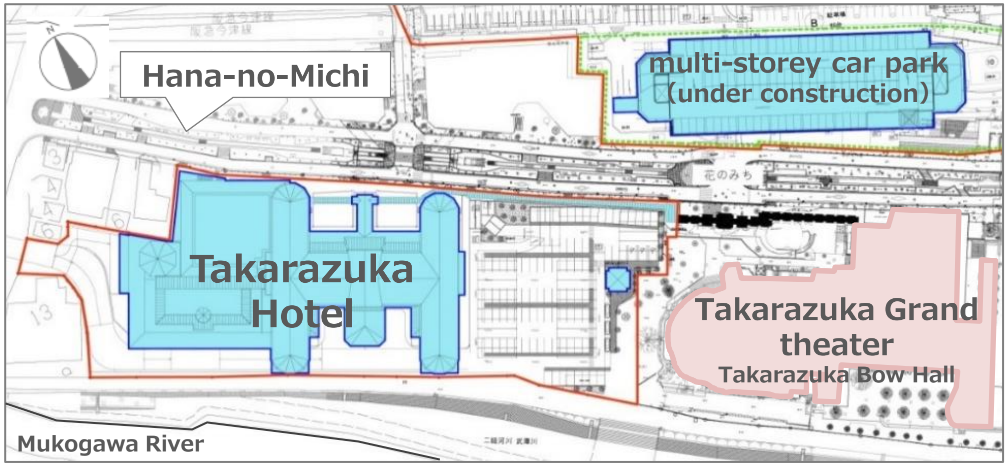
【Project summary】

- To help ensure that Takarazuka Hotel continues to enjoy patronage for the next 100 years, we will relocate Takarazuka Hotel to the west flank of the Takarazuka Grand Theatre.
- The relocated hotel will retain the existing hotel's look with a classical and warm-hearted design, while also blending well into the scenic views from *Hana no Michi* and *Mukogawa*.

Location	1-chome Sakaemachi, Takarazuka
Site area	Approx. 12,300㎡
Total floor space	Approx. 23,000㎡
Number of floors	5 floors above ground and 1 below ground
Purpose	Rooms (Approx. 200rooms) Party hall (4 halls) Restaurant (4 facilities)
Scheduled opening	Around spring 2020

【Conceptual illustration of the building exterior】

【Map】



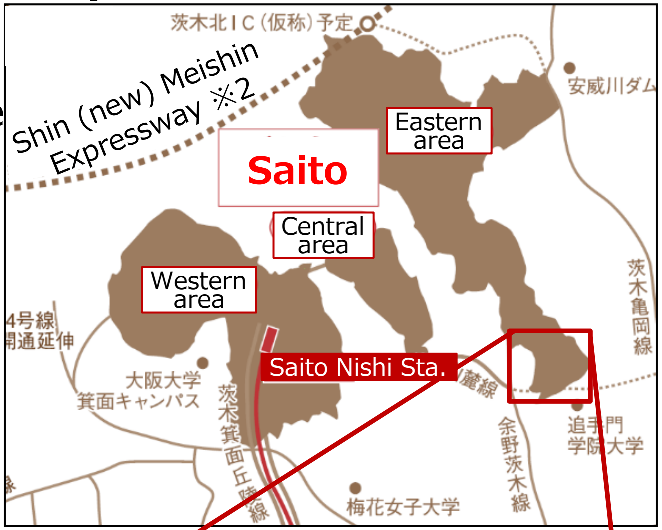
Project for a logistics facilities in the Sanroku Line area of the eastern section of International Culture Park '*Saito*'

【Project summary】

· In collaboration with Mitsubishi Estate, we will develop and operate logistics facilities in the facilities deployment zone (*Sanroku Line* area of the eastern section) of International Culture Park '*Saito*'.

FY2020	Completion of land forming work, commencement of construction of main body of building
FY2021	Completion of construction work in B zone (BTS※ logistics facility)
FY2022	Completion of construction work in A zone (multitenant logistics facility)

【Map】



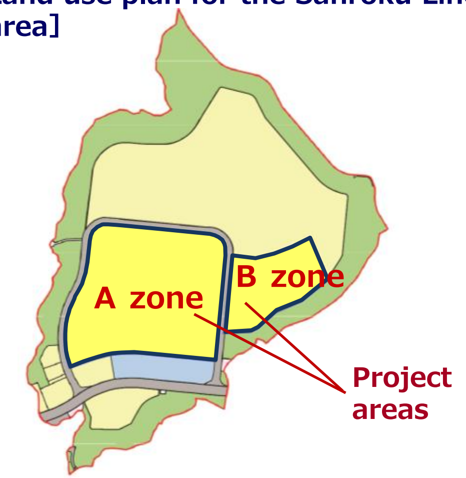
※2 The section between Takatsuki junction and Kobe junction is scheduled to open in fiscal 2019. The full opening is scheduled for fiscal 2024.

【Conceptual illustration of the building exterior】

	Type	Total floor space	Site area
A zone	Multitenant	Approx. 125,000㎡	Approx. 51,000㎡
B zone	BTS※	Approx. 32,000㎡	Approx. 16,000㎡

※A BTS (build to suit) facility is a facility built to suit the tenant's specifications.

[Land use plan for the Sanroku Line area]



Strategy①:Further strengthen the stock businesses in the Umeda and line-side areas⑨

Local broadband wireless access※1 services

※1:high-speed wireless data transmission

Local broadband wireless access : A wireless telecommunications system that enables operation on the 2500 MHz band so as to narrow the digital divide between urban and rural areas and facilitate local public welfare services.

【Project summary】

・With the reform of the radio wave system, general operators can now access Long-Term Evolution (LTE), a broadly used form of communication for mobile phones.
・With the demand for high-speed wireless communication set to rise, we identified a business opportunity, swiftly obtained a wireless license, and constructed a communications infrastructure.

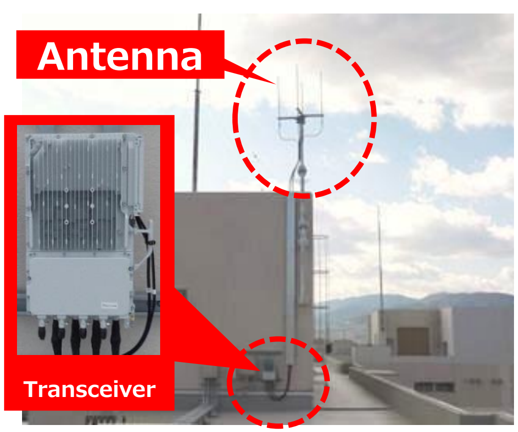
【Present situation】 (Please see below figure)

①We developed a high-speed wireless internet service for personal use, and we have progressively opened base stations※2 (approximately 70 completed as of the end of fiscal 2017).
②We have opened communications centres※3 for leasing to telecommunications carriers (e.g. local cable tv providers) across Japan.
③We have developed services for local governments. Itami City is now using the services as the communications backbone for its security cameras.

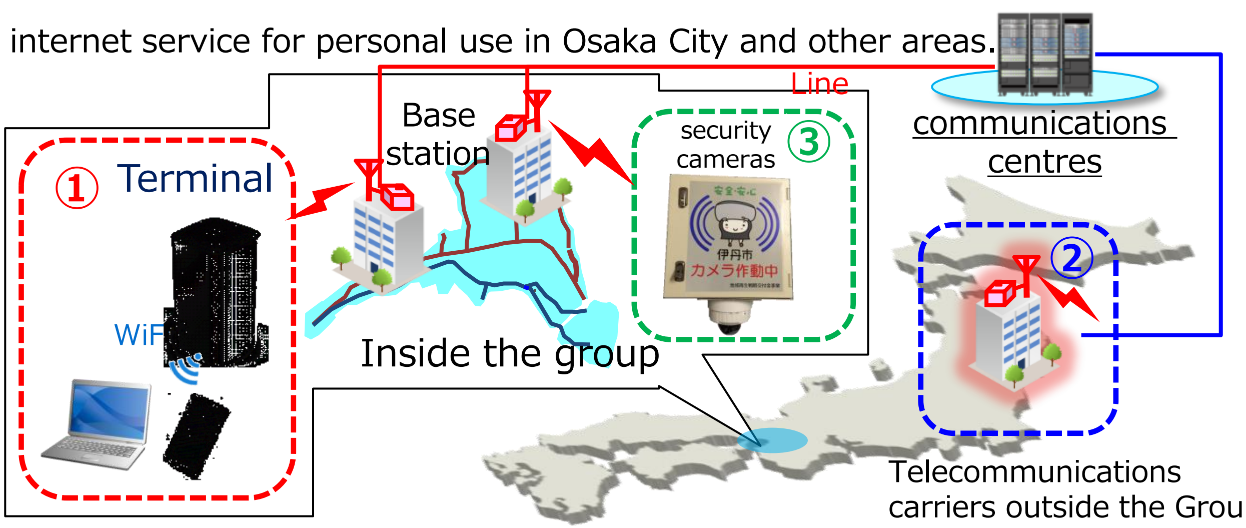
※2 Facilities that are responsible for terminals and wireless transmissions.
※3 Facilities that are responsible for controlling communications to and from terminals.

【Future plans】

・Further expand the communications centre leasing operations.
・Develop solutions services that play to the advantages of local broadband wireless access services (wireless, high-speed, flexible service).
・Expand sales of high-speed wireless internet service for personal use in Osaka City and other areas.



Base station



Redevelopment Project for area in front of JR Yotsuya Sta.

【Project summary】

・Participate with Mitsubishi Estate and Taiyo Life Insurance Company as designated constructors in the Urban Renaissance Agency's type 1 redevelopment project for the area in front of JR Yotsuya Sta.
(HC is participating by investing in a special purpose company)

Type 1 redevelopment project for area in front of JR Yotsuya Sta.

Location	1-chome Yotsuya, Shinjuku, Tokyo
Site area	Approx. 17,900㎡
Total floor space	Approx. 139,600㎡
Number of floors	31 floors above ground and 3 below ground
Purpose	office, commercial facilities, residence, educational services, public good, parking
Executor	Urban Renaissance Agency
Construction partners (designated constructors)	Mitsubishi Estate,Fifth MEC Special Purpose Company for Urban Development※ ※contributors: Mitsubishi Estate, Hankyu Corporation, Taiyo Life Insurance Company

【Schedule】

September 2016	Commencement of construction
Around winter 2019	Scheduled time of construction completion

【Conceptual illustration of the building exterior※】

※September 2016
Urban Renaissance Agency present

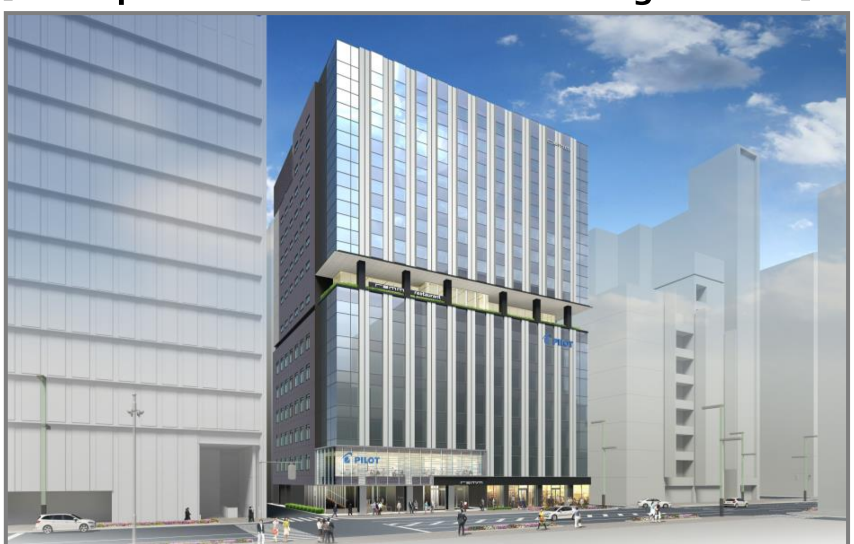
Strategy②:Accumulate stock in the Tokyo metropolitan area and overseas markets②

2-6 Kyobashi Redevelopment Plan

【Project summary】

Location	2-6 Kyobashi, Chuo-ku, Tokyo
Site area	Approx. 1,450㎡
Total floor space	Approx. 17,000㎡
Number of floors	14 floors above ground and 1 below ground
Purpose	Hotel(remm expected to become tenant), office, commercial facilities
Scheduled opening	Around spring 2019

【Conceptual illustration of the building exterior】



Ginza 3-chome Project

【Project summary】

Location	3-3-13 Ginza, Chuo-ku, Tokyo
Site area	Approx. 310㎡
Purpose	commercial facilities
nearest station	Subway ・*Marunouchi Line* 1min. walk from Ginza Sta. ・*Ginza Line, Hibiya Line* 2min. walk from Ginza Sta.

【Purpose of acquiring commercial-use land】

- In accordance with the Group's business strategies, we acquired in August 2016 new commercial-use land in Ginza, one of Japan's foremost commercial areas, to help expand our real estate leasing business.
- Going forward, we will develop a flagship commercial facility and lease and operate it over the long-term.

Acquire new functioning property in the Tokyo metropolitan area

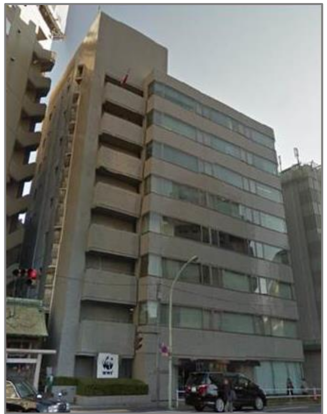
【Strategy for acquire property】

- Expand business primarily among areas in front of key stations in central Tokyo based on a threefold approach: 1. Acquire functioning property; 2. Rebuild held assets; and 3. Acquire old buildings as a foothold for new development and participate in redevelopment projects.

【Acquire new functioning property】

[Nihonseimei-Akabanebashi Bldg.]

Location	3-48-39 Shiba, Minato-ku, Tokyo
Site area	Approx. 900㎡
Total floor space	Approx. 5,000㎡
Number of floors	9 floors above ground and 1 below ground
Purpose	Office
Date of acquisition	March, 2017



[M-Bldg. Jingumae I]

Location	6-15-5 Jingumae, Shibuya-ku, Tokyo
Site area	Approx. 60㎡
Total floor space	Approx. 110㎡
Number of floors	3 floors above ground
Purpose	Commercial facilities
Date of acquisition	April, 2017

[Kita-aoyama OFJ Bidg.』

Location	3-47-9 Kita-aoyama, Minato-ku, Tokyo
Site area	Approx. 250㎡
Total floor space	Approx. 400㎡
Number of floors	3 floors above ground and 1 below ground
Purpose	Commercial facilities
Date of acquisition	April, 2017

Overseas logistics centre businesses

- Explore business possibilities primarily in the countries that Hankyu Hanshin Express (HEX) has targeted for expansion. To this end, hire survey firms to pinpoint the areas for expansion, consider the method for expansion, and gather customer information.

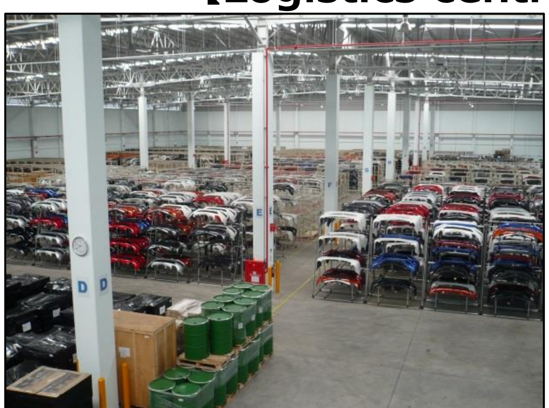
【Initiatives in Indonesia】

- Logistics centre holder and operator, Hankyu Hanshin Logistics Indonesia, was established in August 2014 through a joint investment by Hankyu Corporation (HC), Hanshin Electric Railway (HER), and HEX.
- Construction was completed in November 2015 and operations commenced in April 2016. Hankyu Hanshin Logistics Indonesia is currently operating together with an existing local forwarder with a view to further improving the logistics network and providing high-quality logistics services.

【 Initiatives in Singapore】

- HC and HER jointly established logistics centre holder, Hankyu Hanshin Properties Singapore Pte. Ltd., in Singapore, which is one of the foremost hubs in the international logistics network.
- Construction was completed in May 2017 and the opening ceremony will be held in June. Hankyu Hanshin Express Singapore Pte. Ltd. will rent part of the logistics centre and provide high value-added logistics services focusing on goods related to Singapore's key industries, including electronic components, medical equipment, and pharmaceutical products.

【Logistics centre in Indonesia】



【Logistics centre in Singapore】

Strategy②:Accumulate stock in the Tokyo metropolitan area and overseas markets⑤

Remm Roppongi opened and future plans for introducing new-style business hotels

【Project summary】

- On 30th March 2017, remm opened its fifth new-style business hotel chain in Roppongi

Location	7-14-4 Roppongi, Minato-ku, Tokyo (Approximately 50 m from Roppongi Intersection and Roppongi Station)
Rental area	Hotel area : 11,081.52 ㎡ Restaurant : 376.68 ㎡
Number of floors	20 floors above ground and 1 below ground (Floors 1-3: Dining facilities, floors 4-20: hotel) ※remm will take up floors 4-20
Number of rooms	400 rooms (Single : 320 rooms, twin : 80 rooms)
Scheduled opening	30 March, 2017

The premises are owned by a special purpose company (SPC) whose parent is Kenedix, Inc.

【Rendering of a room and view of hotel from outside】

<Reference> Existing remm hotels

	remm Hibiya	remm Akihabara	remm Kagoshima	remm Shin-Osaka
Number of rooms	255 rooms	260 rooms	251 rooms	255 rooms
Opening day	November, 2007	April, 2008	October, 2011	September, 2012

【Future plans for introducing new-style business hotels】

- Around spring 2019
  Kyobashi, Tokyo [Please see pages 62]
- Around spring 2019
  Fukushima, Osaka [Please see pages 54]
- Around spring 2021
  Sannomiya, Kobe [Please see pages 56]

Strategy③:Increase competitiveness of flow businesses①

Real estate sales business in domestic markets

【Real estate sales[lands and housing] 】

- Continue to develop and strengthen the urban detached house business as a pillar of the residential real estate sales business.
- In addition to sales performance, make efforts to enable steady business expansion in the Tokyo metropolitan area.
- Focus long-term residential development efforts on *Takarazuka Yamatedai* district and International Culture Park '*Saito*'.

[Hapia Garden Tsukaguchi Tomatsucho]
(Houses on sale from March 2017)

[Hapia Garden Izumi Tamagawa]
(Scheduled to be Sold in March, 2018)

【 Real estate sales[condominium] 】

- Continue to use strict criteria for selecting properties to acquire. Advance business steadily while carefully monitoring the impacts of the consumption tax hike and the high level of construction expenses.
- In the Tokyo metropolitan area, strengthen the system for acquiring land and gradually expand business, bringing the number detached house sales to the level of those in the Kinki area (approximately 800 units a year).
- Leveraging existing planning and proposal capacities, engage additionally in medium-to-long term large-scale projects (such as urban redevelopment projects).

Total number of units	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018 forecasts
Number of units※1	1,141	916	1,064	680	1,210	1,548	1,356	1,374	1,302	1,087	Approx. 1,200

※1 : Figures include units in shared buildings that the Group partly owns.

Major properties sold in fiscal 2017 (including projected sales)※2
- Geo Takatsuki Muse Resis（Takatsuki, Osaka）244 units
- Geo Senri Chuo The Residence（Toyonaka, Osaka）218units
- Geo Tama Center（Tama, Tokyo）300 units

Major properties to be sold in fiscal 2018 (including projected sales)※2
- Geo Tenroku Twin Towers (Kita-ku, Osaka）358units
- Geo Fukagawasumiyoshi (Koutou-ku, Tokyo)190units
- Geo Yotsuya-arakicho (Shinjuku-ku, Tokyo)131units

※2 : Figures indicate total number of units.

[Geo Tama Center]
(Condominiums on sale from March 2017)

[Geo Tenroku Twin Towers]
(Scheduled to be sold in March 2018)

Real estate sales business in overseas markets

- We completed and sold all units in FLORA -ANH DAO-, a Ho Chi Minh City-based business project in which we participated. FUJI RESIDENCE and FLORA -KIKYO- are performing well, and in MIZUKI PARK, we have started developing a large residential plot, the total development area of which is 26ha.
- Regarding the Bumi Serpong Damai residential land lot project in Jakarta, Indonesia, in which we are participating, the sale and development work is scheduled to commence in fiscal 2018.
- We also got the go-ahead to participate in project in Bangkok, Thailand.
- In addition to the above initiatives, we are exploring the potential for expanding into a number of countries (such as Philippines and Malaysia) over a number of years. We will continue to gather information, ascertain local conditions, and accumulate business knowhow with respect to residential developments in ASEAN countries.

[Thailand: condominium]
・Joint project by Sena Co.
(Total Approx. 800 units)

[Indonesia: house]
・Bumi Serpong Damai residential land lot project
(house): Total 900 units
(business loft: Total 150 units)

[Vietnam: condominium and house]
・FLORA -ANH DAO-(condominium): Total 500 units
・FUJI RESIDENCE (condominium): Total 789units
(house): Total 84 units
・FLORA -KIKYO- (condominium): Total 234 units
・MIZUKI PARK (condominium): Total 4,670 units over
(house): Total 100 units over
(Townhouse): Total 60 units over

Initiatives for travel business's growth

- In the Travel Business segment, we have until now achieved steady earnings with a lineup centred on core brand travel packages. However, recent changes in the environment (e.g. global instability, natural disasters, and the deterioration in the travel product procurement environment associated with the rising numbers of overseas visitors to Japan) are having a significant impact on business, and we expect that competition will intensify in the years ahead.
- Therefore, we will reform the business structure with the intention to establish as early as possible a second pillar—future-oriented business—alongside the first pillar of core brand travel packages.

Principle **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.**

Strengthen competitiveness of core brand travel packages

○Strengthen areas outside Europe
- Taiwan, America, Canada, Latin America, Domestic bus tours

○Strengthen Specialised products
- Tours specialise in specific purpose (cruise, oversea and domestic hiking tour, etc.)

○Expand customer base among new demographics
- Strengthen individual-oriented products

○Revise cost structure for advertising expenses, etc.

Establish a second pillar

○Strengthen approach to non-Japanese tourists

○Expand group and business travel services and create stable source of revenue
- Group travel services
  : Strengthen services in the Tokyo metropolitan area and increase the number of sales representatives
- Business travel services
  : Strengthen business among group customers, increase number of group customers overseas, etc.

Credit and point card strategy

Current state of *S-POINT* Common Point Service for the Kansai Area

- Build a member base for S-POINT and expand the number of Group and non-Group facilities that accept the card

STACIA point membership
(End of FY2016)
Approx. 2 billion point
Approx. 1 million member

Medium-term projection for *S-POINT* membership
Approx. 12 billion point
Approx. 7.5 million member
(includes members who switched to an S-POINT-supporting card from a Group point card)

S-POINT

【*S-POINT* strategy】

1. Expand numbers of *S-POINT*-supporting stores in Group and non-Group companies

2. Improve appeal and added-value

・Work with local communities to introduce a point system for community activities (volunteer activities, healthcare, etc.)

【*STACIA* card strategy 】

1. Card to become the foremost card in line-side areas and to gain status as an in-house card

・Increase the card's use amount to the top level in the area, and increase its rate of usage among the Group

2. Achieve sustainable growth as credit and point card enterprise

・Gain earnings through expanded card use, rationalise expenses, and strengthen customer relations management based on a PDCA cycle.

Initiatives of raises line-side value

【Theme】The source of our brand and our greatest revenue base is the line-side value. We will raise line-side value by providing services in the following five areas.

- Fostering of the next generation
- Health and Elderly
- Community and Culture
- Development of safe, secure towns
- Industrial creation

【Fostering of the next generation : *After-school Kippo*

To help parents who are bringing up children in areas served by our lines, we opened a private after-school day care centre called *After-school Kippo*. Having already opened an *After-school Kippo* in Toyonaka and Nishinomiya Kitaguchi, we opened third centre in Ikeda in April 2017.

～After-school Kippo provides another safe and fun place for kids after school～

●Principle

After-school Kippo is a place of full of 'safety and comfort' as well as 'dreams and excitement'. It supports children who are taking their first steps and their parents.

●Contents : Private after-school day care centre

・Safe school pickup service (covering 5 to 7 schools around the station)
・Located in the station basement making access convenient for parents on their return from work　・Facilities available to use until 21:00
・A diverse range of activities that utilise the Group's network

●Number of centres and registered members

(End of April, 2017)	membership
Toyonaka (Opened in April 2015)	58
Nishinomiya-kitaguchi (Opened in April 2016)	51
Ikeda (Opened in April 2017)	62

Initiatives of raises line-side value

【Health and Elderly】

Health promotion and disease prevention services

- Quarterly health journal deposited stations「Well TOKK」
- WEB site 「Hankyu Hanshin line Wellness plus」
- Workshop in healthy cafe *Root Cafe*
- Walking and health checkups
- Services commissioned by the Ministry of Economy, Trade and Industry

  Health promotion project (offer monitors exercise and health improvement options and encourage attitudinal and behavioural changes) aimed at achieving the vision of ‘line areas that extend health life spans’

Develop multipurpose facilities that function as fee-based elderly care homes and facilities for local residents

Using the idle land in the Awaji area of Higashiyodogawa-ku, we will lease a building to Charm Care Corporation. The tenant facilities for local residents will include a home-visit nursing station and Hanshin Ikiiki Day Service. There will also be community services as a public health centre.
(construction to be completed in autumn 2018)

【Rendering of construction upon completion 】

【Community and Culture : line-side area communities base ‘*Stajimo*’】

沿線コミュニティベース
Stajimo
NISHINOMIYA

Operated in the Hankyu Nishinomiya Gallery on the fifth floor of Hankyu Nishinomiya Gardens, Stajimo is a place for organising activities for line-side communities and for interfacing with various businesses of the Group.

parent and child(Art)

regional vitalization

Woman(Hand made)

Elderly

Initiatives of new business

【Safety and education initiatives】

●Principle behind safety and education initiatives:

'Continue providing the community with safe services that offer a little something extra'

We have developed a school commute app (an email is automatically sent when the student passes the school gate), a kindergarten attendance app (used to manage number of hours in kindergarten), and a GPS tracking service (for children and elderly). The school commute app covers 900 schools and has gained a user base of 170,000.

●New initiatives

①Safety monitoring network in Itami City

Itec Hankyu Hanshin developed a smartphone app for monitoring the safety of children and elderly people. When children or elderly people who carry a transmitter pass certain points in the town, their location is transmitted to their parent or carer. We have set up 1,000 receivers in Itami which detect the presence of transmitters. The system launched in April 2016.

②ProgLab

In April 2016, Hanshin Electric Railway started an educational programme for robot programming in collaboration with Yomiuri Telecasting Corporation. As of the start of fiscal 2018, the programme has expanded to a cumulative total of 13 schools. Approximately 900 students have been taking part.

【Hanshin Ikiiki Day Service】

●Summary A rehabilitation-oriented half-day care service run by Hanshin Electric Railway

●Concept Focusing on both the body and the mind, we help residents to continue living healthy and vibrant lives in the places to which they are accustomed

●Number of centres (End of April, 2017)

The service has expanded to a cumulative total of 12 locations, including Nishinomiya and Noda, Osaka (approximately 600 individuals have signed up for the service).

Initiatives of ESG(Environment, Social, Governance)①

Basic approach to Group management

Build relationships of trust with various stakeholders and enhance corporate value over the medium-to-long term

If we expand the ESG initiatives and proactively fulfil the social responsibilities of the Group, for whom line-side areas constitute an important revenue base, it will strengthen trust with stakeholders leading to better corporate value over the medium-to-long term.

Environment

In line with our Basic Environmental Policy, we have constructed an environmental system to mitigate environmental risks and promote each group company's environmental preservation activities, thereby spreading awareness among our stakeholders.

■Environmental management

①Upholding environmental laws

We conduct various surveys on environmental laws to minimise the risk of legal oversights and to raise the level of compliance with environmental laws across the Group.

②Mitigating burden on environment

In accordance with the Energy Saving Act, we strive to rationalise energy use throughout the Group.

③Raising awareness among employees

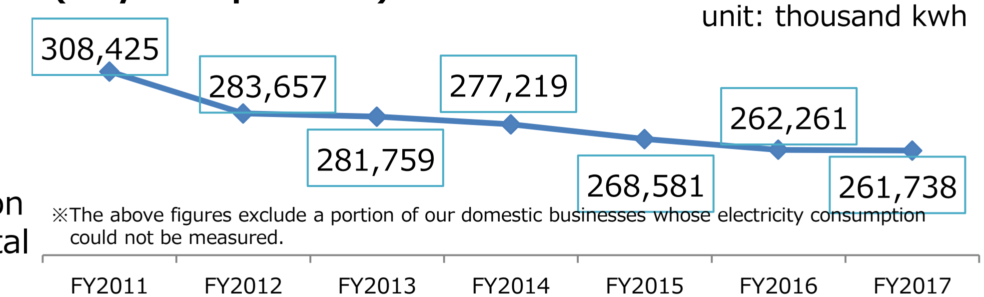
We equip our employees with the knowledge and social stance necessary for promoting environmental preservation plans, and deepen their understanding about environmental preservation.

■Outside PR

Each group company uses various advertising strategies, including in-train posters, to raise public awareness about their environmental preservation activities.

Electricity consumption during summer season (July to September)

unit: thousand kwh



※The above figures exclude a portion of our domestic businesses whose electricity consumption could not be measured.

Initiatives of ESG(Environment, Social, Governance)②

Social

Group-wide social contribution activity: Hankyu Hanshin Dreams and Communities of the Future Project (since fiscal 2010)

■**Purpose :** To build customer loyalty and enhance value over the long-term, we will promote the creation of towns and cities along our railway lines that people will truly want to live in.

■**Priority areas :** Working with stakeholders (group companies, employees, civic organisations), focus on two priority areas: 1. Environmentally friendly development that enhances the appeal of line-side communities, and 2. human capital development aimed at fostering the next generation of customers.

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。

Example of activity: Hankyu Hanshin Dreams and Communities Challenge Troop (since fiscal 2011)

・Summer educational programmes that gives elementary school students an experience of working in a group company.

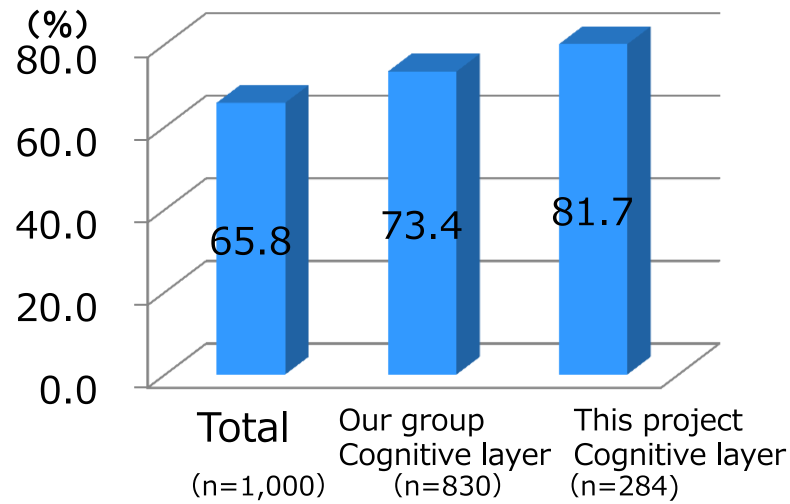
・By fiscal 2017, 220 programmes were conducted, with a total of 9,776 children taking part.

・In the 2016 MEXT awards for recognising companies that conduct experiential activities for young people, we received the special recognition prize.

popularity rating for our company

Customers who are aware of our Dreams and Communities project hold higher positive opinions of the Group.

Total number of respondents who answered that they hold a positive opinion or a fairly positive opinion of the Group.



Respondents : 1,000 male and female residents aged between 18 and 69 who live in one of the 23 municipalities in line-side areas of Kyoto, Osaka, and Kobe.
Survey method : Online survey conducted among the above individuals (randomised sample)
Survey period : September 4th to 6th , 2015

Initiatives of ESG(Environment, Social, Governance)③

Governance

■New Initiatives that the Company Has Outlined

(extract from the June 2016 version of the Corporate Governance Report)

Evaluating the effectiveness of the Board of Directors【Principles 4-1 1-3】

・Investigative reviews 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, it was concluded at a meeting of the Board of Directors in April 2016 that the Board of Directors was appropriately managed and effective overall. However, recommendations included increasing the provision of information about the management of core business segments. Accordingly, the Board of Directors organised opportunities for providing such information at its meetings held in November and December 2016.

・In light of the above evaluation, the Company will explore ways of further enhancing the Board of Directors' oversight and decision-making function.

《Reference》

■Basic Approach to Corporate Governance

・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.

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

Ⅴ. Forecast for fiscal 2018 (fiscal year ending 31st March2018) and outlook for each business segment

Consolidated Statements of Income (Summary)

(¥ billion)	FY2018 Forecasts	FY2017 Results	Change	Remarks
Revenues from operations	750.0	736.8	+13.2(+1.8%)	The condominium business will see higher unit sales, but also higher sales expenses. Also, the Urban Transport Business segment will see an increase in depreciation and amortisation. Consequently, revenues from operations will increase, but operating income will decline.
Operating income	96.0	104.1	-8.1(-7.7%)	
Ordinary income	92.0	100.6	-8.6(-8.6%)	
Net income attributable to owners of the parent	60.0	71.3	-11.3(-15.9%)	

(Reference)

Depreciation and amortisation	53.9	52.8	+1.1	
Financial balance ① - ②	-9.5	-10.1	+0.6	
Interest and dividend income①	1.1	1.1	+0.0	
Interest expense②	10.6	11.2	-0.6	

Consolidated Statements of Income (Breakdown for each business segment)

(¥ billion) [Upper table] Revenues from operations [Lower table] Operating income	FY2018 Forecasts	FY2017 Results	Change	Remarks
Total	750.0	736.8	+13.2	
	96.0	104.1	-8.1	

(Breakdown for each business segment)

(Fiscal 2017) The impact of Iina Dining Co., Ltd. shifting its status from consolidated subsidiary to equity-method affiliate.

Urban Transportation	234.5	237.1	-2.6	Earnings will decline due to increased depreciation and amortisation in the railway business and higher fuel costs in the automobile business.
	39.6	42.2	-2.6	
Real Estate	225.5	215.7	+9.8	Earnings will decline because of higher sales expenses in the condominium business, which will offset its expected increase in unit sales.
	38.1	42.0	-3.9	
Entertainment and Communications	115.3	115.2	+0.1	Earnings will decline because, despite increasing revenue from operations, the communication and media business will fail to perform as well as in fiscal 2017, a period in which the Takarazuka Revue had a high level of capacity utilisation.
	14.5	15.7	-1.2	
Travel	32.3	29.9	+2.4	Earnings will decline due to a rise in various expenses, which will offset the expected increase in overseas and domestic tourists.
	0.5	0.6	-0.1	
International Transportation	73.1	71.7	+1.4	Operating income and revenue will increase owing to a recovery in international logistics demand and increased handling volume.
	1.7	1.6	+0.1	
Hotels	67.9	65.6	+2.3	Earnings will decline because of the increase in expenses associated with opening hotels, which will offset higher accommodation sales following the opening of remm Roppongi.
	2.6	2.8	-0.2	

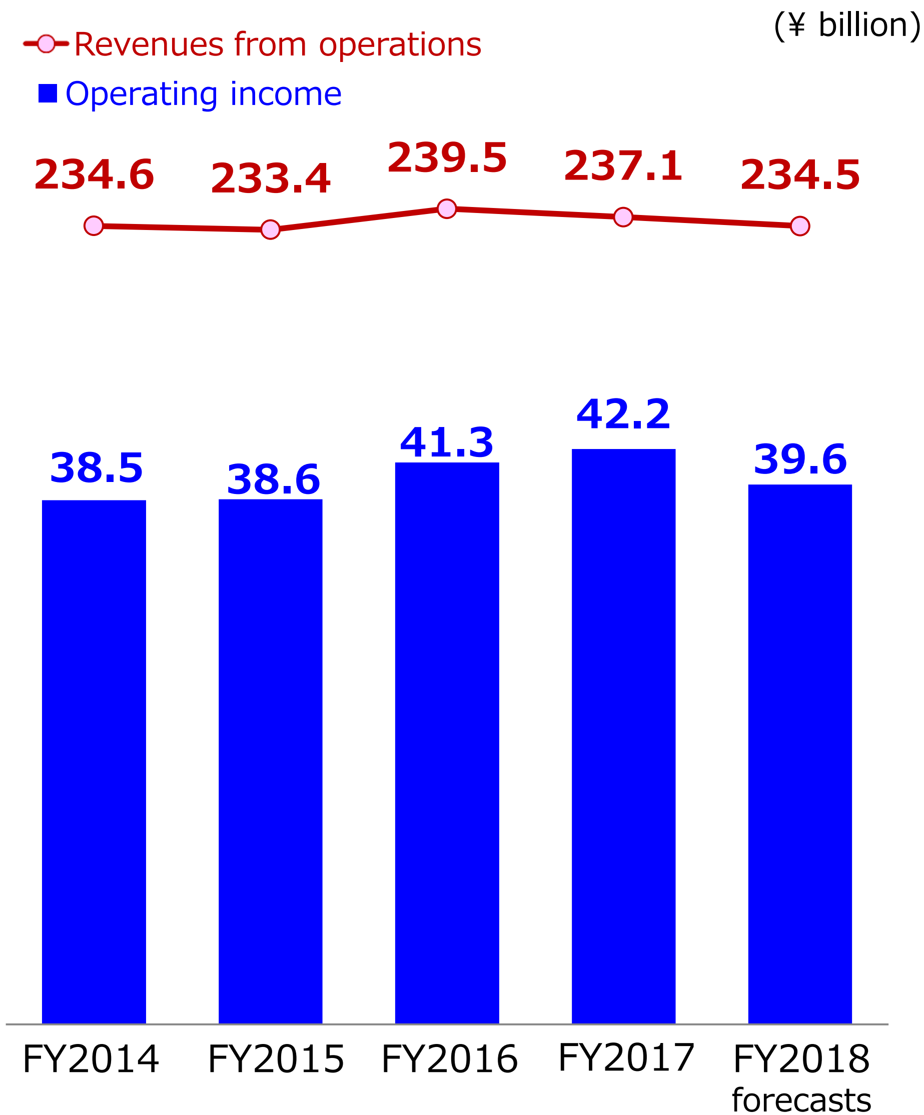
Urban Transportation

Blue : Factors of increase　Red : Factors of decrease

Main factors in the change in operating income from FY2017 to FY2018

- Higher depreciation and amortisation accompanying investment in the manufacture of rolling stock
- Higher railway operation revenue accompanying an increase in line-side population

- We anticipate that railway operation revenue will rise as a result of an increase in line-side population and other factors.
- As for expenses, we anticipate higher depreciation and amortisation reflecting the investment in rolling stock and station apparatus.
- As a result of the above, in fiscal 2018, the core business as a whole is forecast to record a decline in operating income.
- Regarding the outlook for fiscal 2019, we expect that railway operation revenue will continue at the same level reflecting the impact of the declining birth rate and aging population. At the same time, expenses such as depreciation and amortisation will rise. Therefore, the core business is forecast to record a further decline in operating income.



[Urban Transportation] Railway Performance results

Hankyu Corporation

	Fare revenues (¥ million)*			Passenger volumes (Thousands)*		
	FY2018 forecasts	FY2017 Results	Change	FY2018 forecasts	FY2017 Results	Change
Commuter pass	33,006	32,628	+377(+1.2%)	332,324	329,305	+3,019(+0.9%)
Workers	28,494	28,138	+355(+1.3%)	232,713	230,010	+2,703(+1.2%)
Students	4,512	4,489	+22(+0.5%)	99,610	99,295	+315(+0.3%)
Other tickets	62,643	62,720	-76(-0.1%)	317,787	318,064	-276(-0.1%)
Total	95,649	95,348	+300(+0.3%)	650,112	647,369	+2,742(+0.4%)

Hanshin Electric Railway

	Fare revenues (¥ million)*			Passenger volumes (Thousands)*		
	FY2018 forecasts	FY2017 Results	Change	FY2018 forecasts	FY2017 Results	Change
Commuter pass	11,690	11,563	+127(+1.1%)	121,028	119,768	+1,259(+1.1%)
Workers	10,468	10,356	+111(+1.1%)	95,387	94,479	+907(+1.0%)
Students	1,222	1,206	+15(+1.3%)	25,641	25,289	+351(+1.4%)
Other tickets	21,016	21,136	-120(-0.6%)	116,588	116,998	-410(-0.4%)
Total	32,707	32,699	+7(+0.0%)	237,616	236,766	+849(+0.4%)

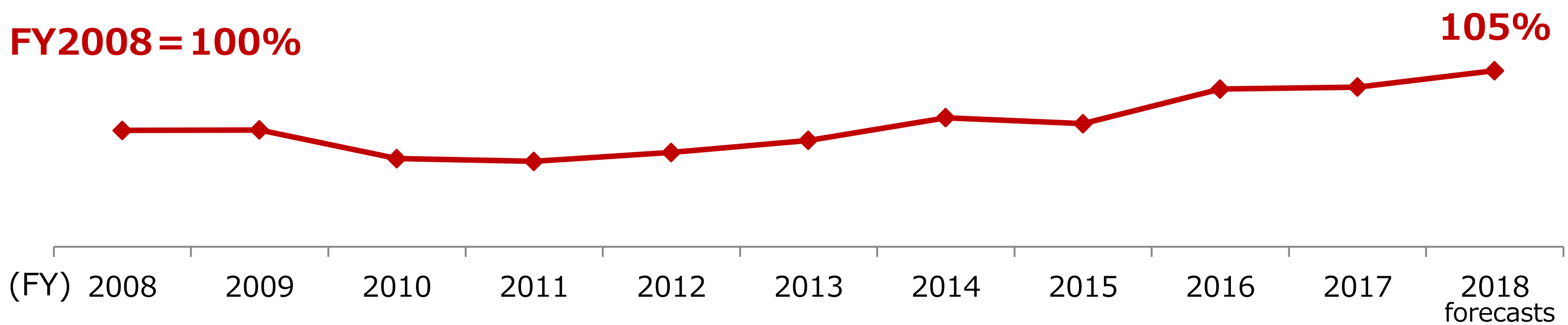
* Revenue amounts less than one million yen, and numbers of passengers less than one thousand, are omitted.
For Hankyu Railway, “other ticket revenue/ridership” includes revenue/ridership associated with the PiTaPa usage sections.
Sum of tier 1 and tier 2 railway operators for both Hankyu and Hanshin

[Urban Transportation] Referential information

Hankyu Line: Transportation revenue (tier 1 + tier 2)

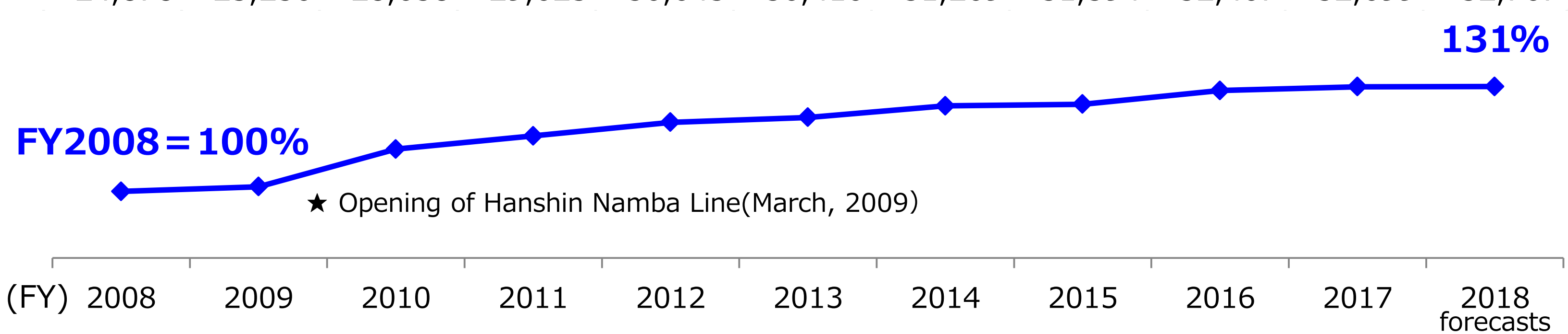
(¥ million)

	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018 forecasts
Commuter passes	31,922	31,880	31,126	29,484	29,922	30,391	31,299	31,549	32,272	32,628	33,006
Other tickets	60,010	60,087	58,582	60,000	60,268	60,749	61,630	60,910	62,920	62,720	62,643
Total	91,932	91,967	89,708	89,485	90,191	91,141	92,929	92,459	95,192	95,348	96,649



Hanshin Line: Transportation revenue (tier 1 + tier 2)

	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018 forecasts
Commuter passes	8,783	8,913	9,642	10,126	10,623	10,740	11,008	11,107	11,372	11,563	11,690
Other tickets	16,095	16,316	18,396	18,899	19,422	19,669	20,260	20,286	21,035	21,136	21,016
Total	24,878	25,230	28,038	29,025	30,045	30,410	31,269	31,394	32,407	32,699	32,707



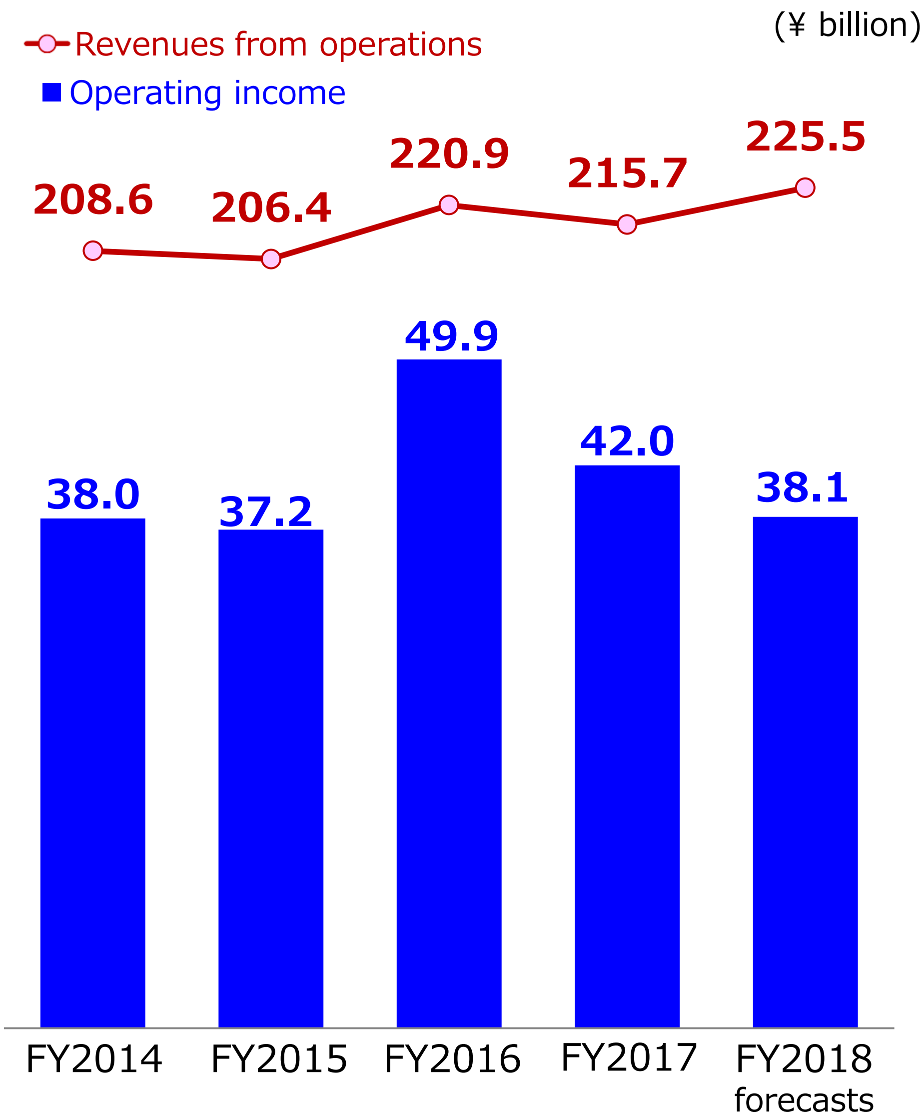
Real Estate

Red：Factors of decrease

Main factors in the change in operating income from FY2017 to FY2018

・Higher sales expenses in the condominium business

- In the leasing business, we expect that continued high operating levels in offices coupled with efforts to improve commercial facilities by attracting new tenants and renewing the facilities will result in higher revenue. However, given the higher expenses accompanying repair and renewal work, we anticipate lower earnings.
- In the real estate sales business, we expect higher unit sales, but also higher sales expenses; therefore, we anticipate lower earnings.
- As a result of the above, in fiscal 2018, the core business as a whole is forecast to record a decline in operating income.
- Regarding the outlook for fiscal 2019, while the condominium business will achieve even lower earnings owing to declining profitability, we expect that the core business as a whole will increase its earnings after accounting for the sell-off of some of the commercial-use land.



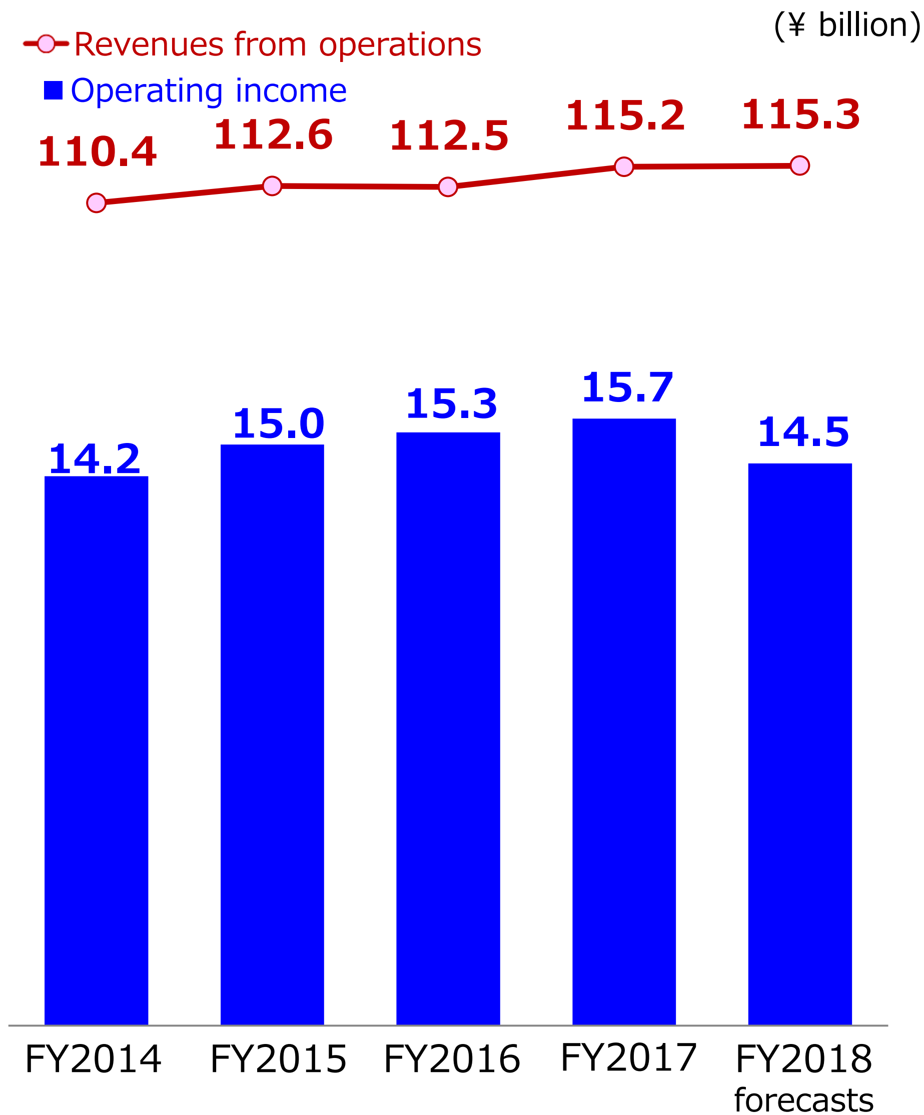
Entertainment and Communications

Red：Factors of decrease

Main factors in the change in operating income from FY2017 to FY2018

・Decline in the stage's level of capacity utilisation and lower sales of related merchandise

- In the sports business, we expect that sales promotion measures and other efforts will continue to attract strong audiences resulting in income on the same level as the previous year.
- In the stage business, the high level of the stage's capacity utilisation will decline from its high level. Also, there will be lower sales of related merchandise, including DVD and blu-ray discs. Therefore, we anticipate that income will edge down from its current level.
- In the communication and media business, despite efforts to sustainably develop information services and promote local broadband wireless access, we expect that income will largely remain at the previous year's level owing to the rising costs accompanying business expansion.
- As a result of the above, in fiscal 2018, the core business as a whole is forecast to record a decline in operating income.
- Regarding the outlook for fiscal 2019, the core business is expected to record the same level of operating income as in fiscal 2018.



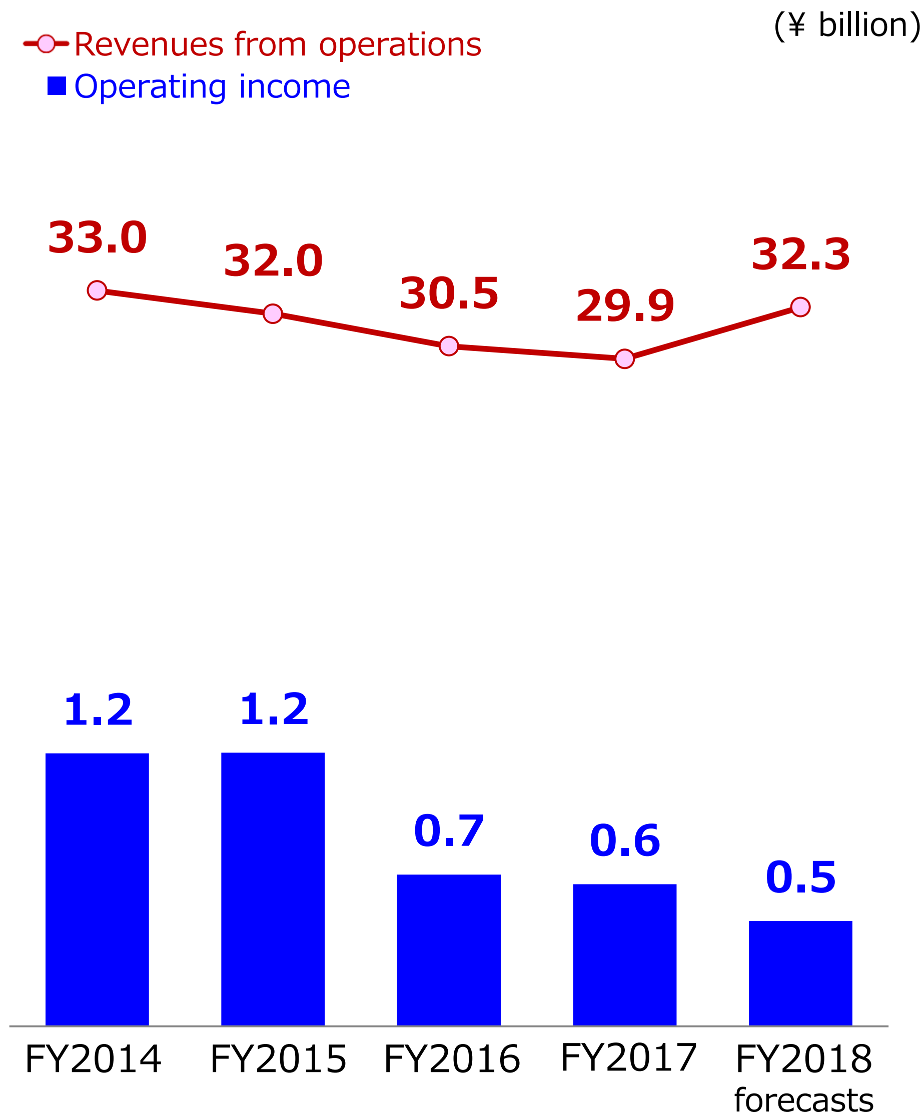
Travel

Blue : Factors of increase　Red : Factors of decrease

Main factors in the change in operating income from FY2017 to FY2018

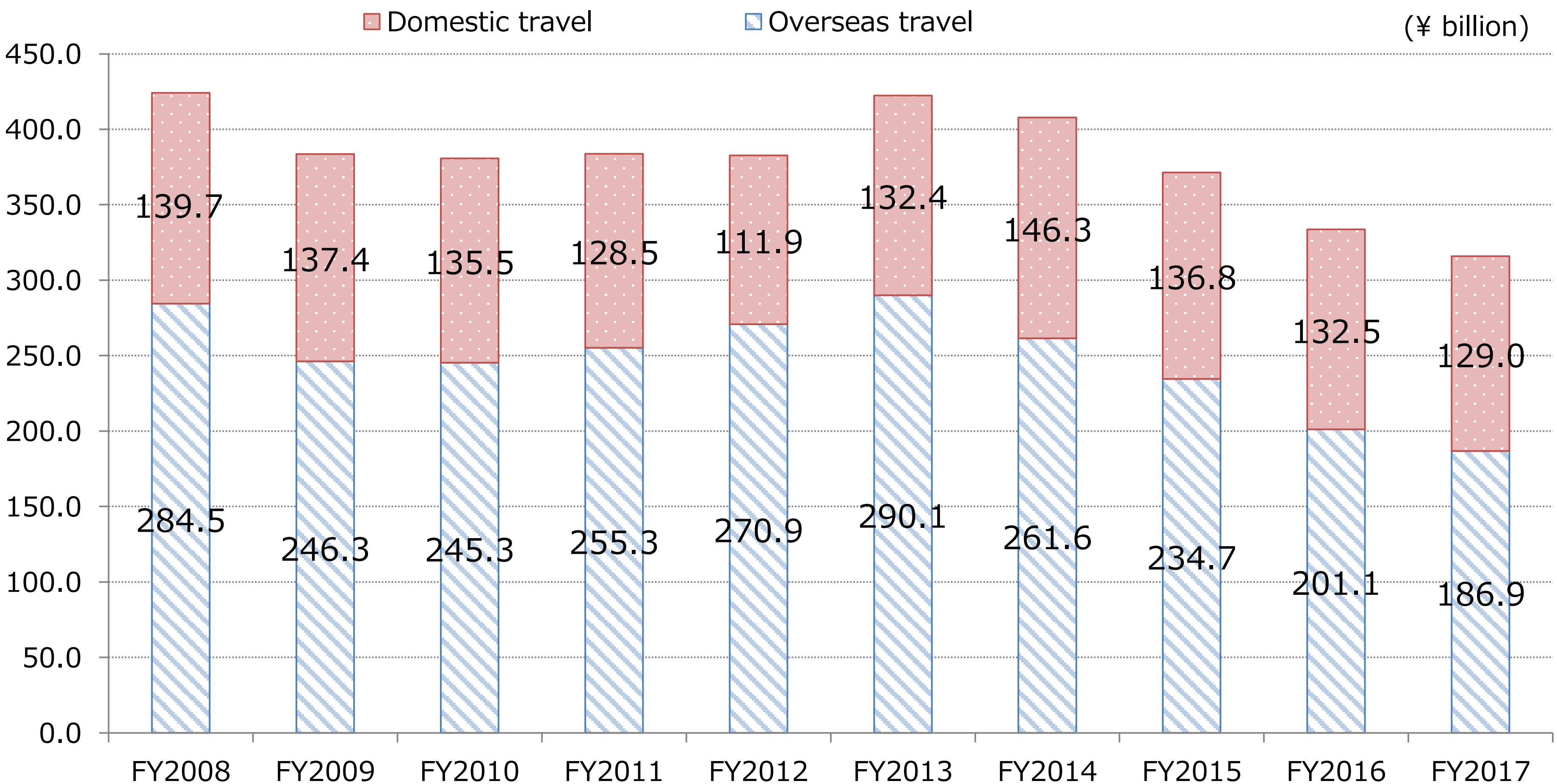
- Higher costs associated with structural reform
- Higher demand for travel to overseas regions other than Europe

- Considering that demand for travel to Europe is expected to recover to some extent, and given the efforts to promote tourism in areas outside Europe (including inside Japan) and strengthen specialised products and individual-oriented products, we expect that revenues from operations will increase.
- On the other hand, we expect higher costs associated with the structural reforms that the business is pursuing to prepare for the future.
- As a result of the above, in fiscal 2018, the core business as a whole is forecast to record the same level of operating income as in fiscal 2017.
- Regarding the outlook for fiscal 2019, the core business is expected to record the same level of operating income as in fiscal 2018.



[Travel] Referential information

Billings



※Figures for 2007 to 2014 (fiscal 2008 to fiscal 2015) represent the simple aggregate amounts from Hankyu Travel International and Hankyu Hanshin Business Travel.
The figures from fiscal 2016 and onwards represent the aggregate amounts from the two companies as well as from Hanshin Travel International (offsetting intercompany transactions).

International Transportation

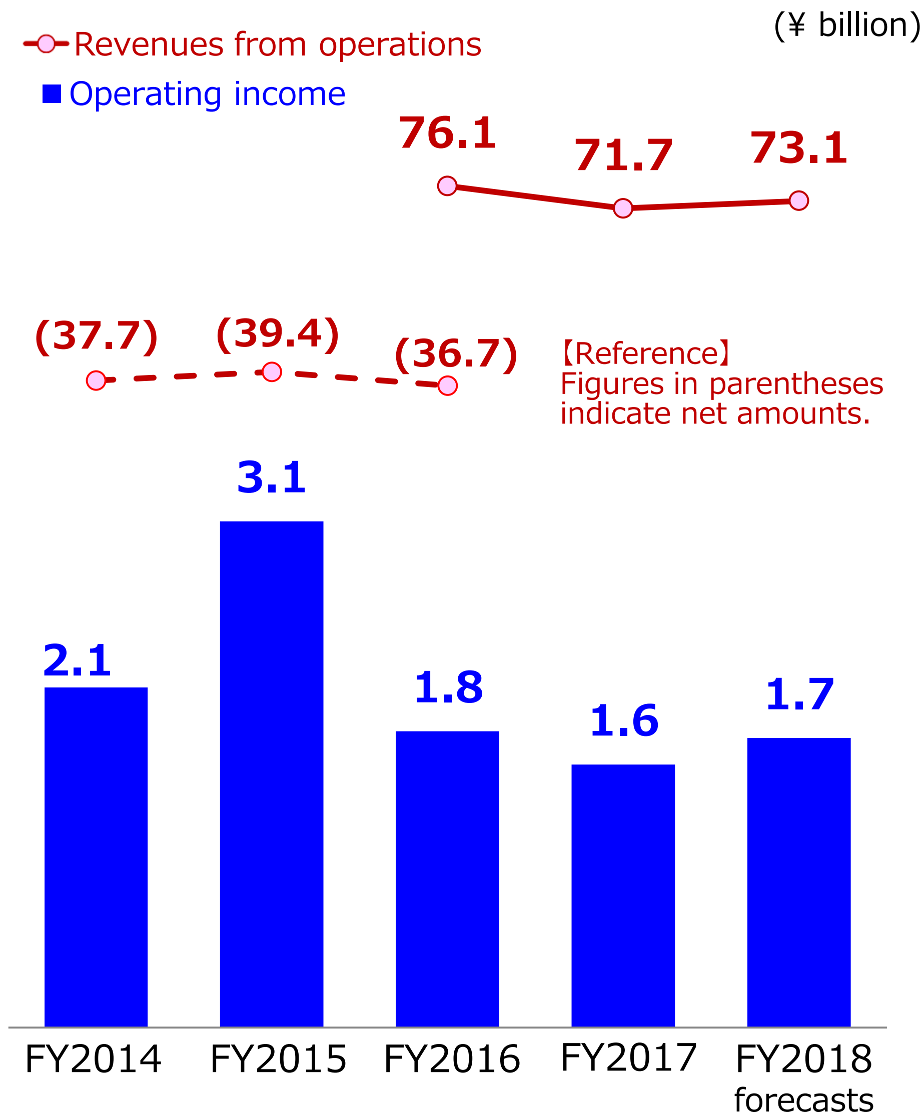
Blue：Factors of increase　Red：Factors of decrease

Main factors in the change in operating income from FY2017 to FY2018

・Higher handling volume among subsidiaries in Japan

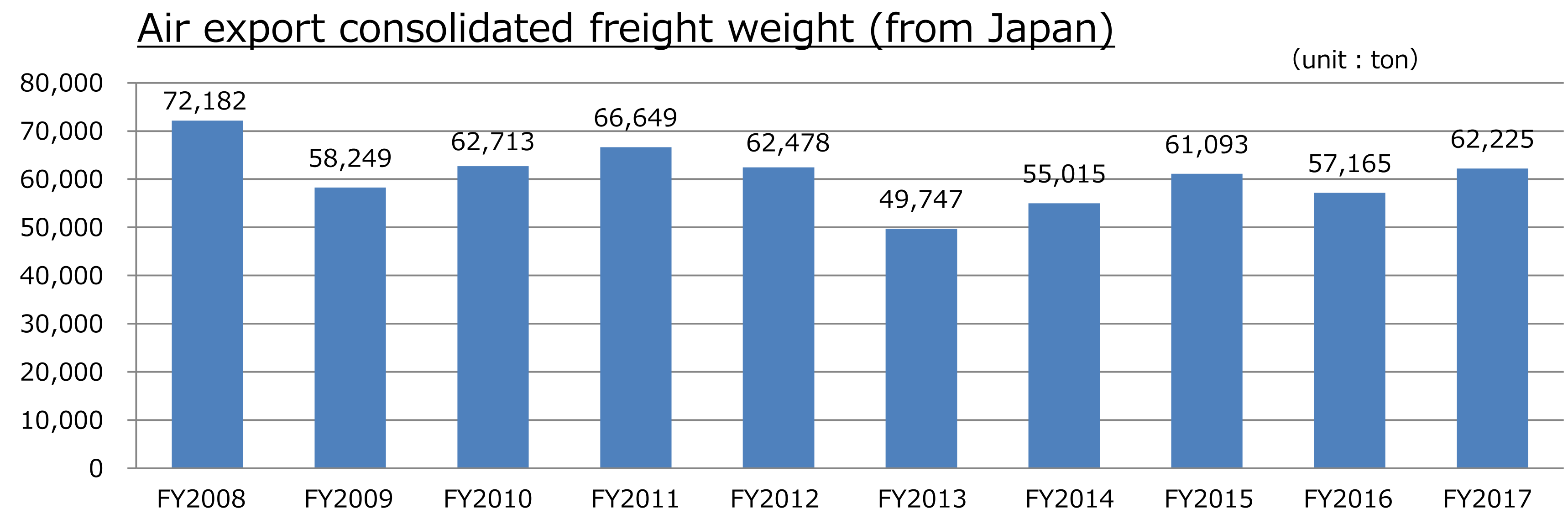
・Higher costs in the Singapore subsidiary accompanying the opening of a new logistics centre

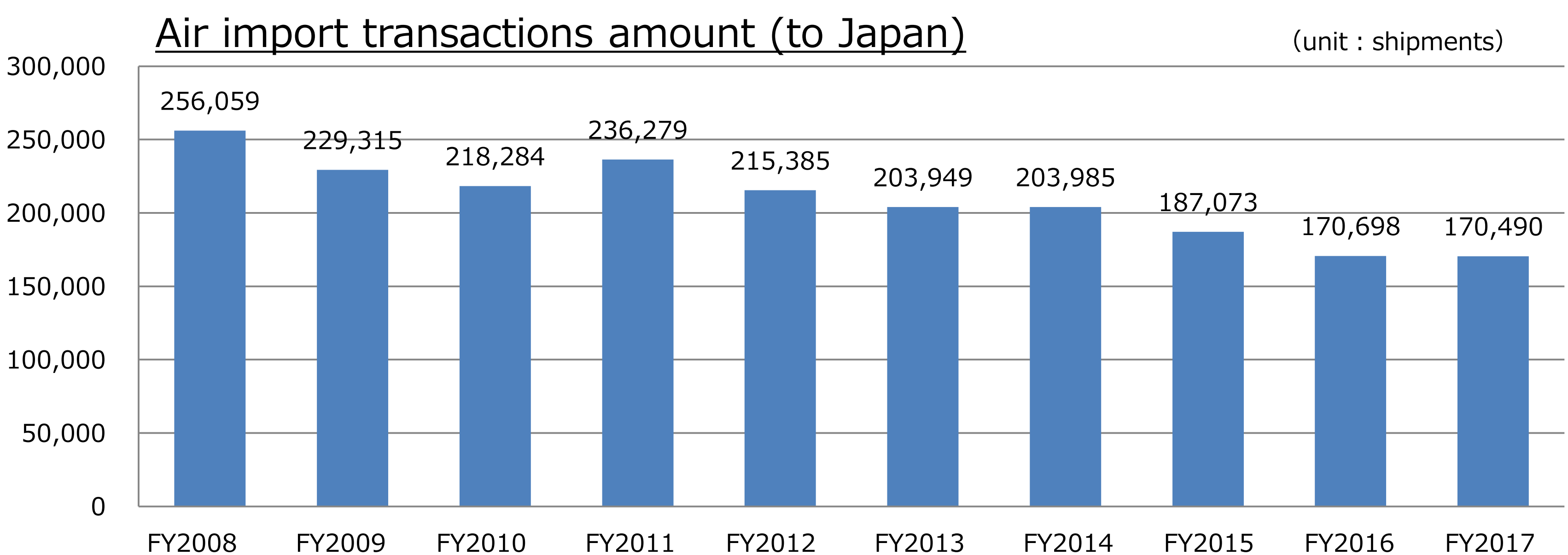
- Among subsidiaries in Japan, we expect that efforts to achieve a balanced business portfolio will lead to improved revenues from operations, particularly among ocean transportation and logistics operations.
- As for overseas subsidiaries, while efforts are being made to increase income in Asia, we anticipate a temporary increase in expenses associated with long-term growth investments.
- As a result of the above, in fiscal 2018, the core business as a whole is forecast to record the same level of operating income as in fiscal 2017.
- Regarding the outlook for fiscal 2019, considering the efforts to expand handling volume both in exports and imports, we project an increase in operating income.



＊ As of fiscal 2017, the presentation of revenues from operations of the International Transportation Business has changed from net to gross amounts.

[International Transportation] Referential information





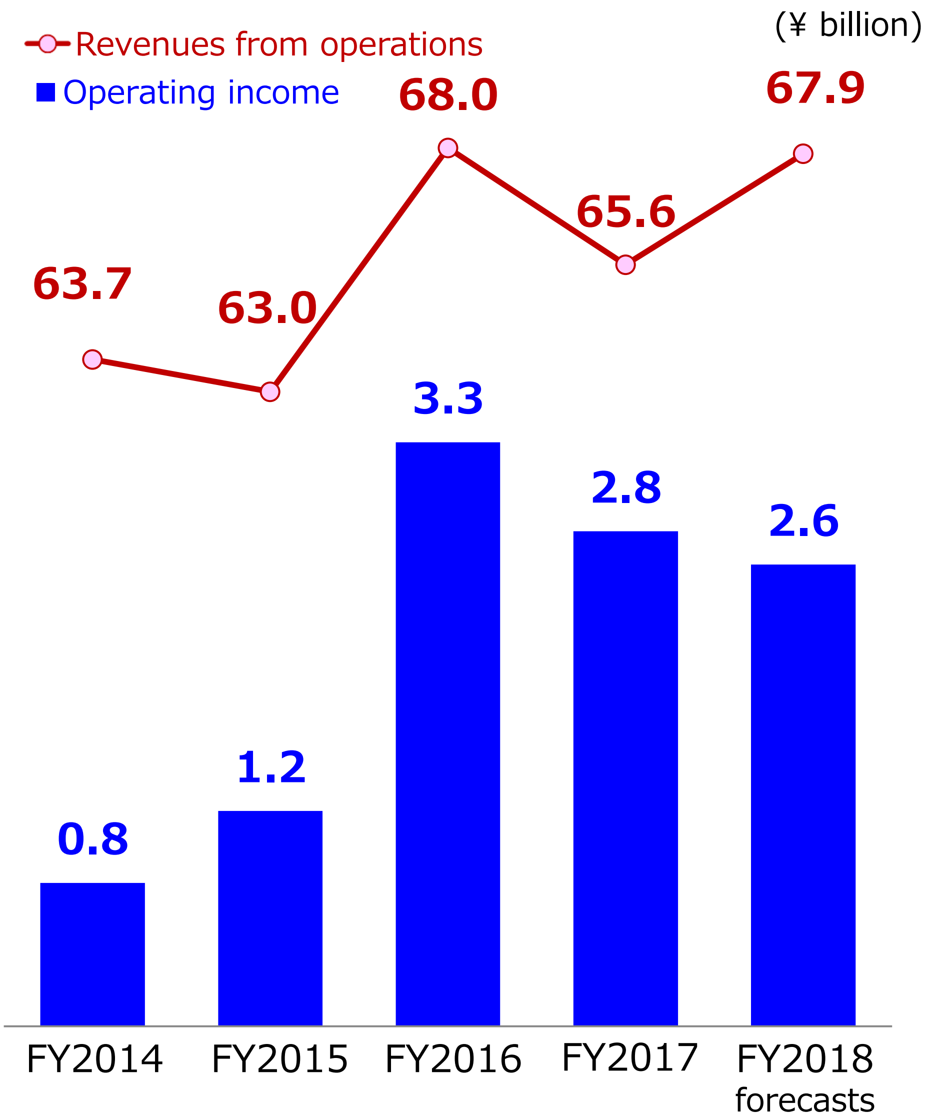
Hotels

Blue : Factors of increase Red : Factors of decrease

Main factors in the change in operating income from FY2017 to FY2018

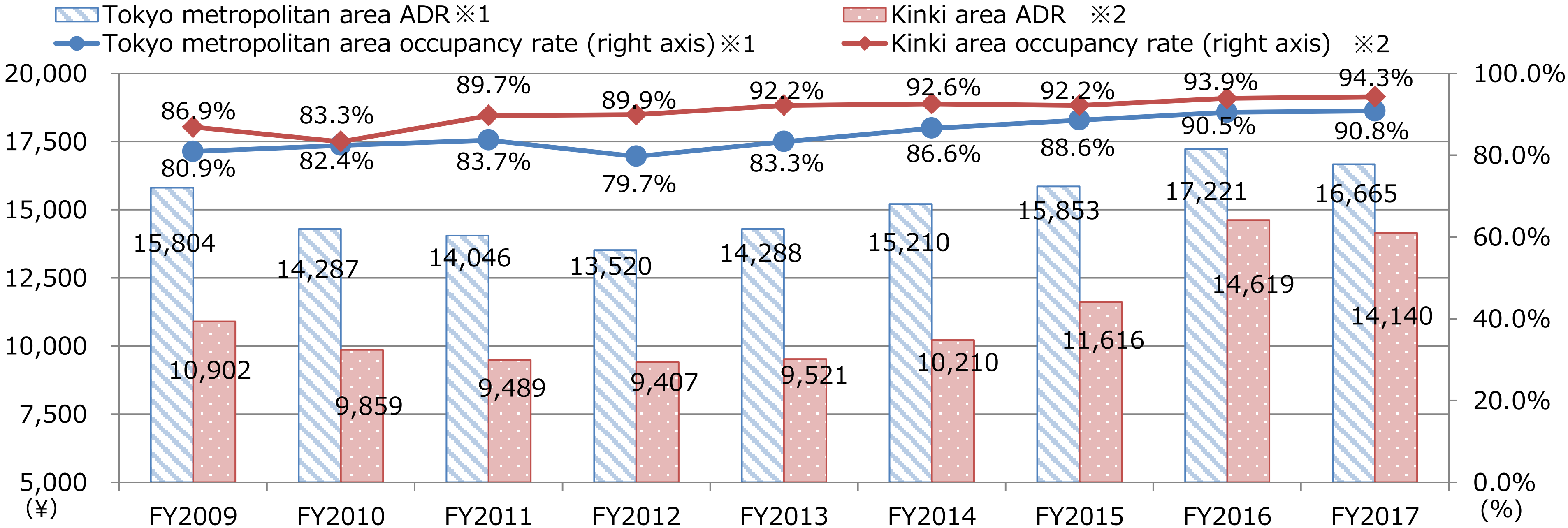
- Higher revenue among existing hotels, primarily from accommodation operations
- Higher outsourcing expenses accompanying increase in cleaning prices
- Higher repair expenses accompanying renovation and maintenance work
- Higher amortisation burden associated with remm Roppongi

- We anticipate higher revenues, particularly from accommodation operations, owing to the impact of the opening of remm Roppongi and the renovation of guest rooms in the Ritz-Carlton, Osaka, as well as efforts to steadily capture the growing inbound demand.
- On the other hand, we also anticipate rising expenses, including depreciation and amortisation accompanying the renovation of guest rooms and the opening of remm Roppongi, and rising personnel and outsourcing costs.
- As a result of the above, in fiscal 2018, the core business as a whole is forecast to record a decline in operating income.
- Regarding the outlook for fiscal 2019, the core business is expected to record the same level of operating income as in fiscal 2018.

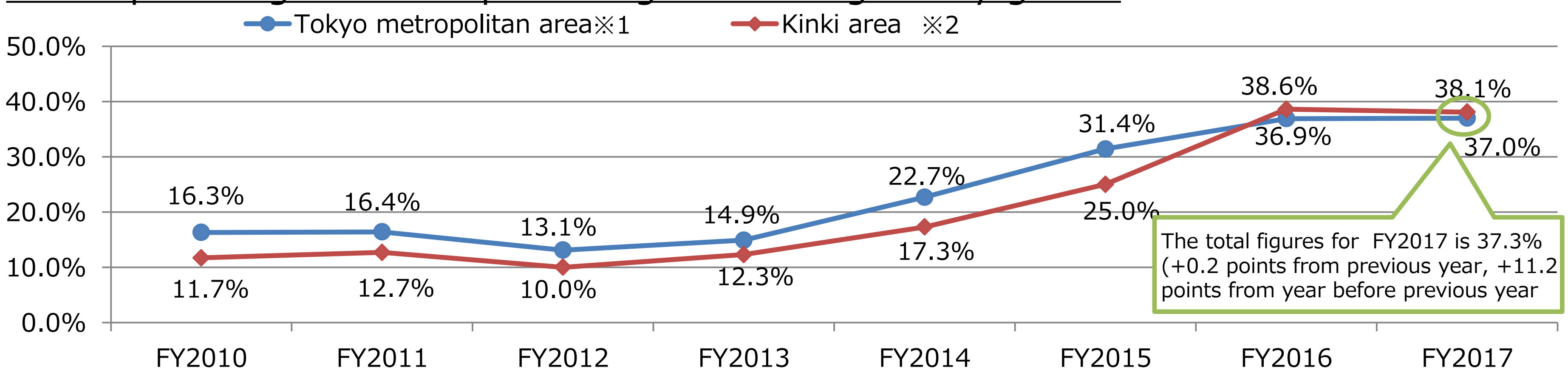


[Hotels] Referential information

Average daily rates (ADR) and occupancy rates of Hankyu Hanshin Hotels in the Tokyo metropolitan area and Kinki area



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



※1 Directly managed Hanshin Hankyu hotels, hotels in the Tokyo area (excluding HOTEL new HANKYU TOKYO,. including remm Roppongi, which opened in March 2017)

※2 Directly managed Hanshin Hankyu hotels, hotels in the Kinki area (including remm Shin-Osaka, which opened in September 2012)

《Reference》 Consolidated Statements of capital expenditure

(¥ billion)	FY2018 Forecasts ①	Remarks	FY2017 Results ②	Remarks	Change ①-②
Total capital expenditure	94.0		86.2		+7.8
(Breakdown for each business segment)					
Urban Transportation	38.5	Building of new rolling stock and improvement of existing rolling stock, upgrade of Hanshin Umeda Station, installation of platform doors	31.2	Building of new rolling stock and improvement of existing rolling stock, upgrade of Hanshin Umeda Station	+7.3
Real Estate	44.1	Umeda 1-1 Project, Project to rebuild Kobe Hankyu Building's east wing and renew its west wing, 2-6 Kyobashi Redevelopment Plan	43.1	Ginza 3-chome Project, Umeda 1-1 Project	+1.0
Entertainment and Communications	9.8	Broadcast and communications, renewal of transition lines of main lines, construction of a multi-storey carpark on the north side of Takarazuka Grand Theatre	7.4	Broadcast and communications, renewal of transition lines of main lines, renewal of the Tokyo Takarazuka Theatre's stage machinery	+2.4
Travel	0.9		0.5		+0.4
International Transportation	0.7		0.4		+0.3
Hotels	3.1		3.2		-0.1

《Reference》 Consolidated Statements of Depreciation and amortisation, EBITDA

(¥ billion)	FY2018 forecasts ①	FY2017 results ②	Change ①-②
Total Depreciation and amortisation	53.9	52.8	+1.1
(Breakdown for each business segment)			
Urban Transportation	26.9	25.9	+1.0
Real Estate	16.7	16.8	-0.1
Entertainment and Communications	7.2	6.7	+0.5
Travel	0.7	0.7	-0.0
International Transportation	0.8	0.7	+0.1
Hotels	2.1	1.9	+0.2

(¥ billion)	FY2018 forecasts ①	FY2017 results ②	Change ①-②
Total EBITDA	152.0	159.3	-7.3
(Breakdown for each business segment)			
Urban Transportation	66.6	68.2	-1.6
Real Estate	54.8	58.8	-4.0
Entertainment and Communications	21.8	22.6	-0.8
Travel	1.2	1.4	-0.2
International Transportation	2.5	2.3	+0.2
Hotels	4.7	4.7	+0.0

Ⅵ. Referential Materials

Consolidated Subsidiaries

(As of March 31, 2017)

Urban Transportation	
Railway operations	Hankyu Corporation Hanshin Electric Railway Nosé Electric Railway Kita-Osaka Kyuko Railway Hokushin Kyuko Railway Kobe Rapid Transit Railway Hankyu Hanshin Railway Technology Hankyu Hanshin Electric System Hankyu Railway Service
Automobile	Hankyu Bus Hanshin Bus Hankyu Kanko Bus Osaka Airport Transport Hankyu Denen Bus Hankyu Taxi Hanshin Taxi Osaka Hanshin Taxi Hankyu Hanshin Motor Technology Hankyu Driving School Hattori Ryokuchi Haks Hanshin
Retailing	Eki Retail Service Hankyu Hanshin Hankyu Style Labels
Advertising	Hankyu Advertising Agency
Other	Alna Sharyo Hankyu Sekkei Consultant Hanshin Station Net Hanshin Sharyo Maintenance

Real Estate	
Real estate leasing and sales	Hankyu Corporation Hanshin Electric Railway Hankyu Realty Hanshin Real Estate Osaka Diamond Chikagai
Other	Hankyu Hanshin Building Management Hankyu Hanshin High Security Service Hankyu Hanshin Clean Service Hankyu REIT Asset Management Hankyu Investment Partners Hankyu Housing Support

Entertainment and Communications	
Sports	Hanshin Electric Railway Hanshin Tigers Baseball Club Hanshin Contents Link Corporation Wellness Hanshin P & P Hamamatsu
Stage	Hankyu Corporation Takarazuka Creative Arts Takarazuka Stage Umeda Arts Theater
Communication and media Leisure, etc.	Bay Communications Himeji Cable Television Itec Hankyu Hanshin System Giken Mt. Rokko Cable Car & Tourism YMIRLINK Himeji Cable Television Rworks

Travel	
Travel agency	Hankyu Travel International Hankyu Hanshin Business Travel Hankyu Travel Support

International Transportation	
International transportation	Hankyu Hanshin Express Hankyu Hanshin Logipartners HANKYU HANSHIN EXPRESS (USA, UK, NETHERLANDS, SINGAPORE DEUTSCHLAND,HONG KONG, THAILAND,PHILIPPINES, MALAYSIA, VIETNAM,SHANGHAI,GUANGZHOU, BEIJING,TAIWAN, KOREA,INDIA, INDONESIA, Southeast Asia, HANKYU INTERNATIONAL LOGISTICS SHANGHAI, :19Companies)

Hotels	
Hotel management	Hankyu Hanshin Hotels Hanshin Hotel Systems Hankyu Hanshin Restaurants Arima View Hotel Amanohashidate Hotel Kure Hankyu Hotel

【Legend】

Name of segment	
Name of sub-segment	Name of consolidated subsidiary (Only listed companies that are managed as segment)

Revenues from Operations and Operating income as a FY2017

management composition

(As of March 31, 2017)

Hankyu Hanshin Holdings

Urban Transportation	Real Estate	Entertainment and Communications	Travel	International Transportation	Hotels
Hankyu Corporation Hanshin Electric Railway			Hankyu Travel International	Hankyu Hanshin Express	Hankyu Hanshin Hotels

earnings structure

- The Urban Transportation and Real Estate businesses generate stable cash flows and account for approximately 60% of revenues from operations and 80% of operating income.

Revenues from operations breakdown(FY2017)

Consolidated Total

Revenues from Operations	¥736.8billion
Operating Income	¥104.1billion
Operating income margin	14.1%

Hotels

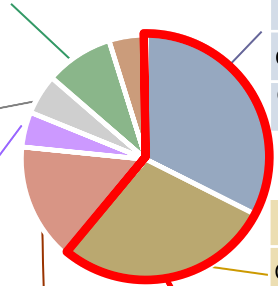
Revenues from Operations	¥65.6billion
Operating Income	¥2.8billion
Operating income margin	4.3%

International Transportation

Revenues from operations	¥71.7billion
Operating income	¥1.6billion
Operating income margin	2.2%

Travel

Revenues from Operations	¥29.9billion
Operating Income	¥0.6billion
Operating income margin	2.0%



Urban Transportation

Revenues from Operations	¥237.1billion
Operating Income	¥42.2billion
Operating income margin	17.8%

Real Estate

Revenues from Operations	¥215.7billion
Operating Income	¥42.0billion
Operating income margin	19.5%

approximately 60%

Entertainment & Communications

Revenues from Operations	¥115.2billion
Operating Income	¥15.7billion
Operating income margin	13.6%

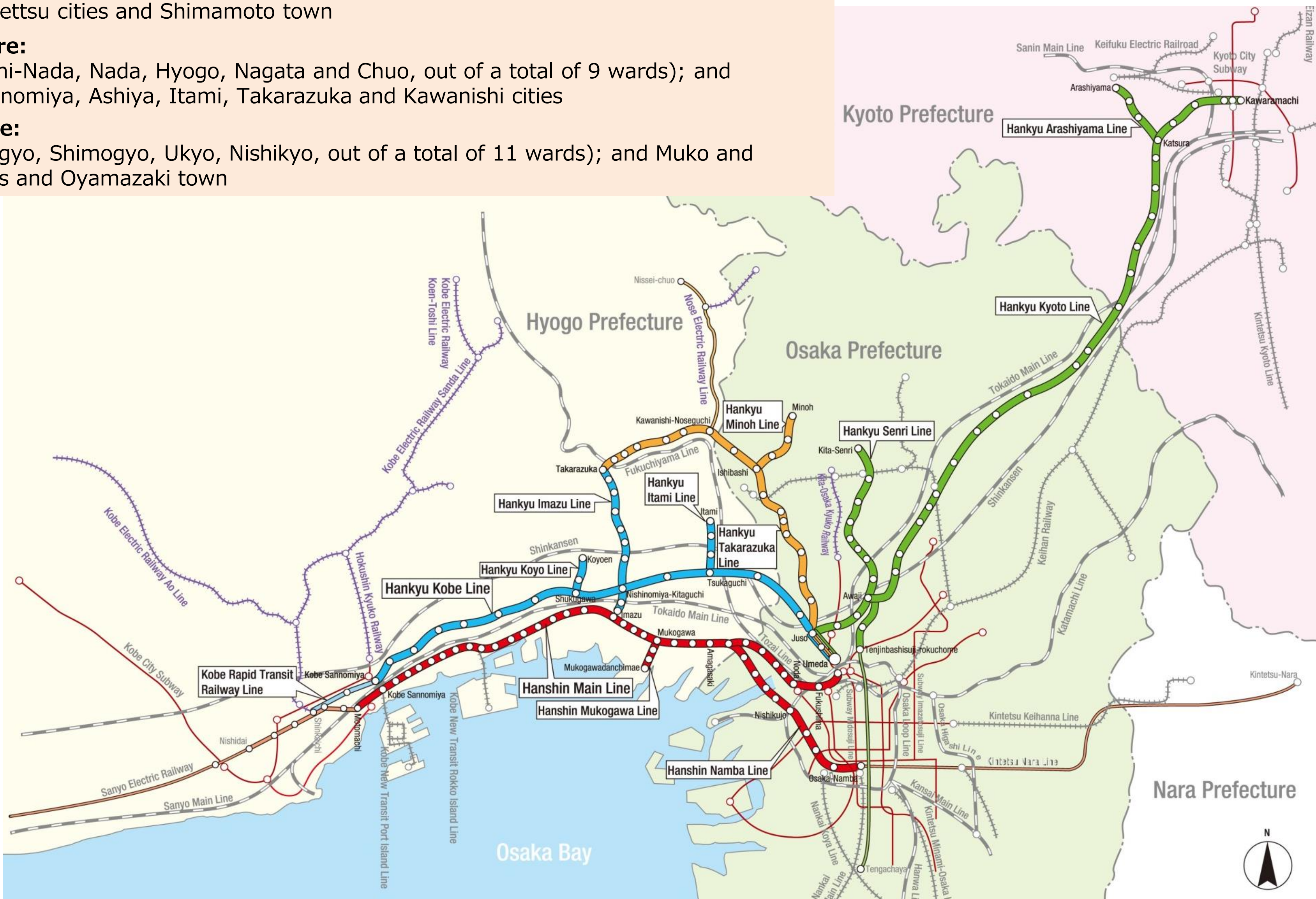
Areas served by the Hankyu and Hanshin lines①

Definition of the areas served by the Hankyu and Hanshin lines

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



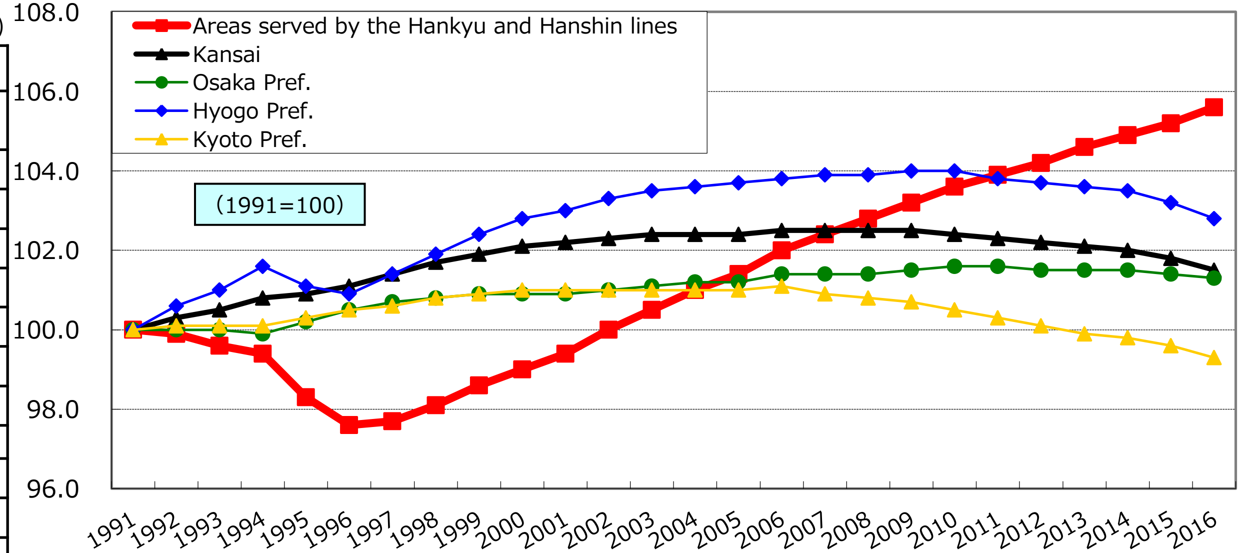
Areas served by the Hankyu and Hanshin lines②

Population Trends

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.

(km²) (thousand)

	Area	2016
Areas served by the Hankyu/Hanshin line	1,318	5,584
Osaka Pref. (service areas)	449	2,648
Hyogo Pref. (service areas)	471	2,270
Kyoto Pref. (service areas)	398	667
Non-Hankyu/Hanshin Service Areas	26,033	14,881
Osaka Pref. (non-service areas)	1,456	6,010
Hyogo Pref. (non-service areas	7,930	3,254
Kyoto Pref. (non-service areas)	4,214	1,855
Shiga Pref.	4,017	1,396
Nara Pref.	3,691	1,377
Wakayama Pref.	4,725	988
Total	27,351	20,465



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

Ranking	Station	(Area)
1	Nishinomiya-kitaguchi	(Nishinomiya, Hyogo Pref.)
2	Shukugawa	(Nishinomiya, Hyogo Pref.)
3	Okamoto	(Kobe, Hyogo Pref.)
4	Umeda	(Osaka, Osaka Pref.)
5	Takarazuka	(Takarazuka, Hyogo Pref.)
6	Ashiyagawa	(Ashiya, Hyogo Pref.)
7	Mikage	(Kobe, Hyogo Pref.)
8	Senri-Chuo	(Toyonaka, Osaka Pref.)
9	Toyonaka	(Toyonaka, Osaka Pref.)
10	Ashiya	(Ashiya, Hyogo Pref.)

Ranking	Station	(Area)
11	Kobe	(Kobe, Hyogo Pref.)
12	Osaka	(Osaka, Osaka Pref.)
13	Tennoji	(Osaka, Osaka Pref.)
14	Kyoto	(Kyoto, Kyoto Pref.)
15	Esaka	(Suita, Osaka Pref.)
16	Takatsuki-shi	(Takatsuki, Osaka Pref.)
17	Kobe-sannomiya	(Kobe, Hyogo Pref.)
18	Minoh	(Minoh, Osaka Pref.)
19	Kuraku-enguchi	(Nishinomiya, Hyogo Pref.)
20	Ibaraki	(Ibaraki, Osaka Pref.)

Except for Tennoji (13), Kyoto (14), and Esaka (15), all of the top 20 stations are on Hankyu or Hanshin lines (notably, the top 10 is completely monopolized by Hankyu and Hanshin)

Source: A survey of prospective condominium purchasers regarding their preferredresidential 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.

Overview of Umeda area①

Major rental properties

(as of March, 2017)

Property name	Leasable area (1,000㎡) ※1	Number of floors	Completed
Umeda Hankyu Bldg.	213	41 floors above ground and 2 below ground	2012
Umeda Hanshin Daiichi Bldg. (HERBIS OSAKA))	82	40 floors above ground and 5 below ground	1997
Umeda Hanshin Daini Bldg. (HERBIS ENT)	55	28 floors above ground and 4 below ground	2004
Hankyu Chayamachi Bldg. (Applause Tower)	52	34 floors above ground and 3 below ground	1992
Hankyu Sanban Gai Shopping Centre	40	5 floors above ground and 2 below ground	1969
Hankyu Grand Bldg.	36	32 floors above ground and 3 below ground	1977
GRAND FRONT OSAKA	28	38 floors above ground and 3 below ground	2013
Hankyu Terminal Bldg.	27	18 floors above ground and 4 below ground	1972
Hankyu Five Bldg. (HEP FIVE) ※2	20	10 floors above ground and 3 below ground	1998
Navio Hankyu (HEP NAVIO))	16	10 floors above ground and 2 below ground	1980
NU chayamachi	12	9 floors above ground and 2 below ground	2005

※1 : Leasable area does not include areas for public use

※2 Jointly owned property with Hankyu REIT Asset Management

Developments in Umeda district

(red = Hankyu Hanshin Holdings group related Projects)

① Umeda 1-1 Project

(Dai Hanshin Building and Shin Hankyu Building Rebuilding Project)

② (Provisional Name) *Yodobashi Umeda* Tower

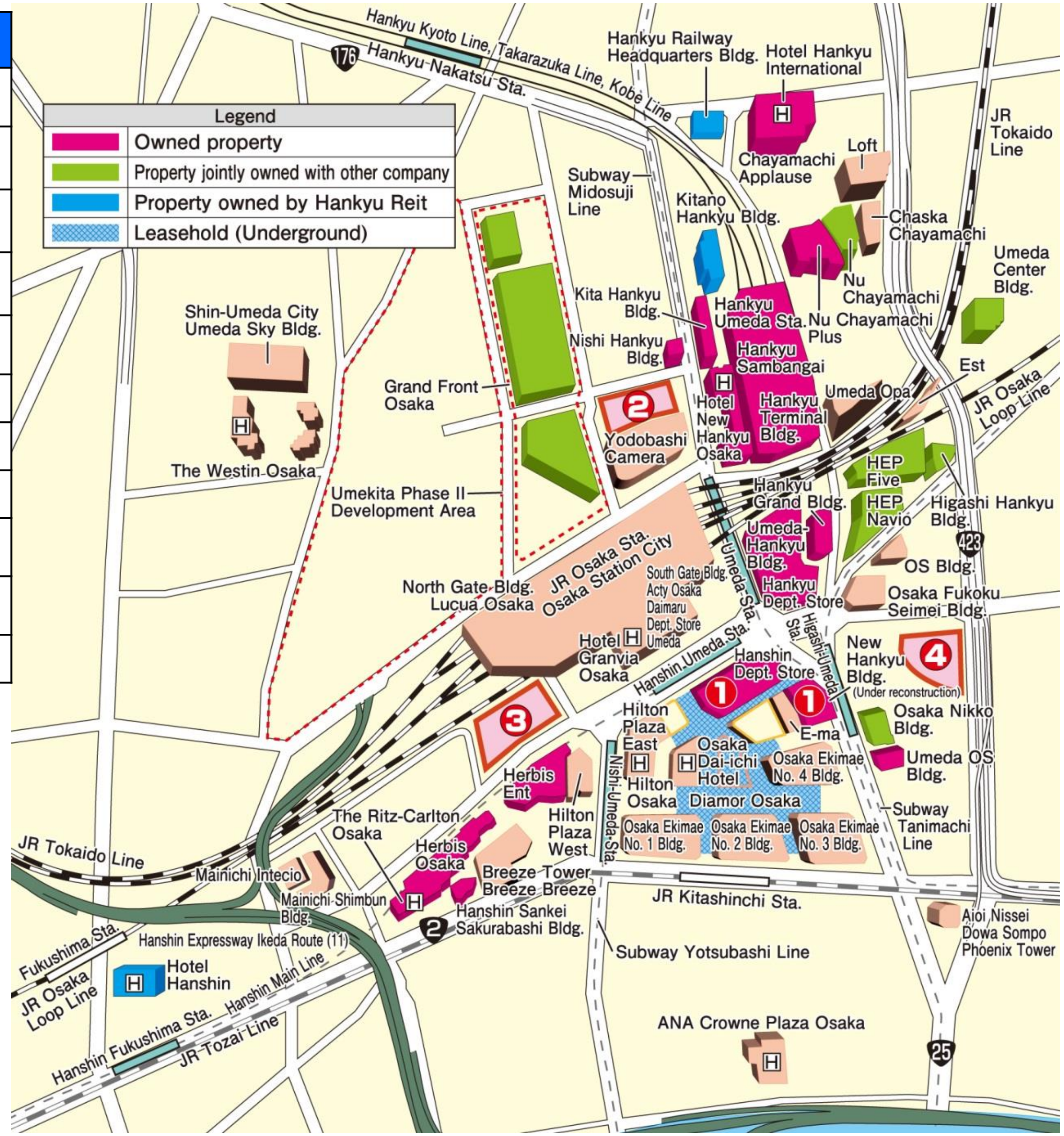
-Yodobashi Camera Co., Ltd.

③ (Provisional Name) *Umeda 3-chome* Project

- Japan Post Holdings Co. Ltd.,/Osaka Terminal Building Co., Ltd.

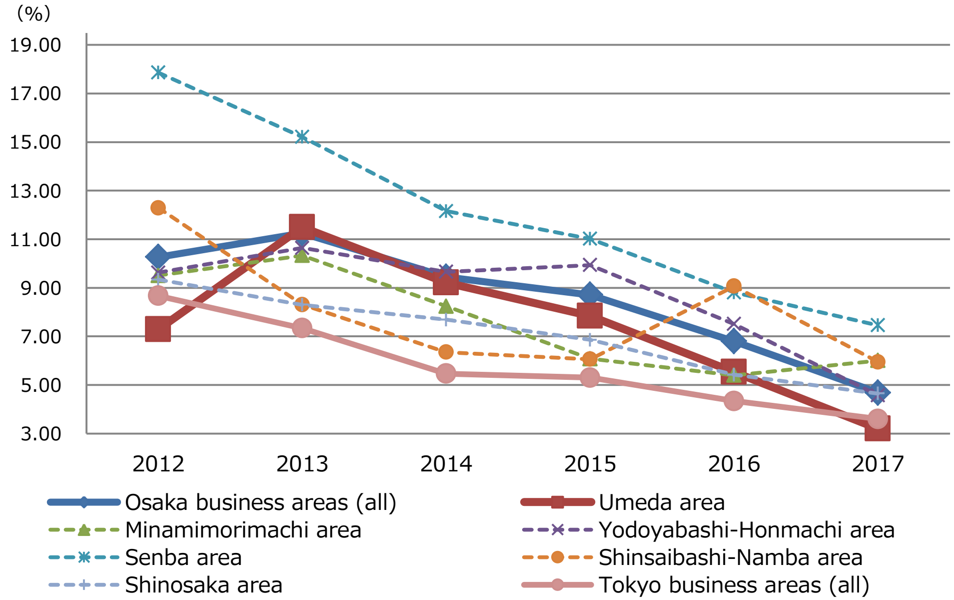
④ (Provisional Name) *Umeda Sonezaki* Projest

-Sumitomo Realty & development Co., Ltd.



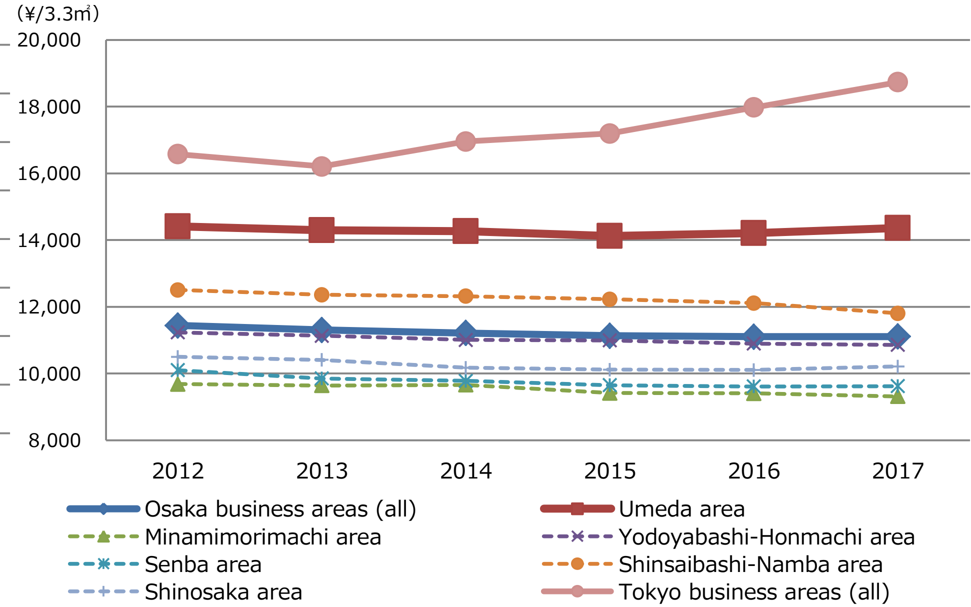
Overview of Umeda area②

Trends in average vacancy rates among six main business districts in Osaka



(%)	2012	2013	2014	2015	2016	2017
Osaka business areas (all)	10.27	11.25	9.45	8.71	6.80	4.68
Umeda area	7.29	11.50	9.22	7.84	5.54	3.20
Minamimorimachi area	9.51	10.33	8.24	6.08	5.40	6.01
Yodoyabashi-Honmachi area	9.63	10.64	9.66	9.94	7.51	4.58
Senba area	17.86	15.21	12.16	11.02	8.81	7.46
Shinsaibashi-Namba area	12.29	8.31	6.35	6.06	9.07	5.95
Shinosaka area	9.34	8.30	7.69	6.86	5.42	4.65
Tokyo business areas (all)	8.67	7.34	5.47	5.30	4.34	3.60

Trends in rent among six main business districts in Osaka

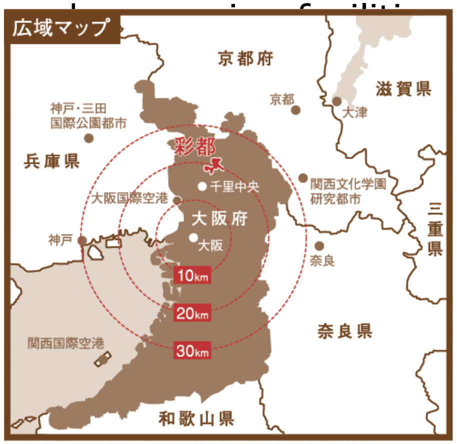


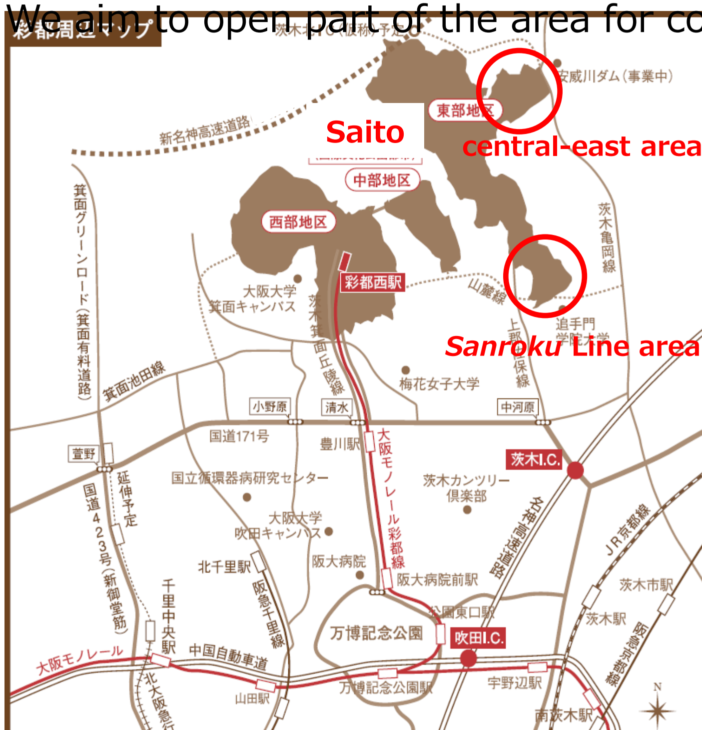
(¥/3.3㎡)	2012	2013	2014	2015	2016	2017
Osaka business areas (all)	11,437	11,307	11,213	11,132	11,101	11,107
Umeda area	14,414	14,295	14,262	14,118	14,207	14,366
Minamimorimachi area	9,686	9,642	9,658	9,414	9,408	9,314
Yodoyabashi-Honmachi area	11,234	11,132	11,005	10,993	10,898	10,861
Senba area	10,101	9,853	9,782	9,652	9,613	9,620
Shinsaibashi-Namba area	12,504	12,361	12,315	12,225	12,110	11,802
Shinosaka area	10,498	10,407	10,173	10,114	10,106	10,213
Tokyo business areas (all)	16,572	16,207	16,953	17,195	17,973	18,730

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

Progress on the Development of International Culture Park '*Saito*' (a new town)

- Since the opening of the western area of Saito in Spring 2004, progress has been made in developing residential facilities and attracting commercial tenants in the western area. *Saito* has developed into a new town, with a residential population of 14,000 and a facility population of 2,500.
- In Spring 2016, the central area was opened up for common use. There are now several large-scale logistics centres in the area, and construction operations are underway in other commercial lots.
- As for the eastern area, in February 2015, Ibaraki City altered the plan for prior areas (*Sanroku* Line area and central-east area), and in May of the same year, the Group received permission to conduct development operations. The Group soon became the leading organisation in the *Sanroku* Line area, and it commenced construction operations in November 2015. We plan to develop the land that is allocated for large-scale commercial use, envisaging lots for distribution centres, and manufacturing and processing facilities. We aim to open part of the area for common use in fiscal 2019.





Residential population in western area
(as of February,2017)

	Minoh City	Ibaraki city	Total
Number of households	1,943	2,691	4,634
Current population	5,887	8,190	14,077
population/ Number of households	3.03	3.04	3.03

Size of each area

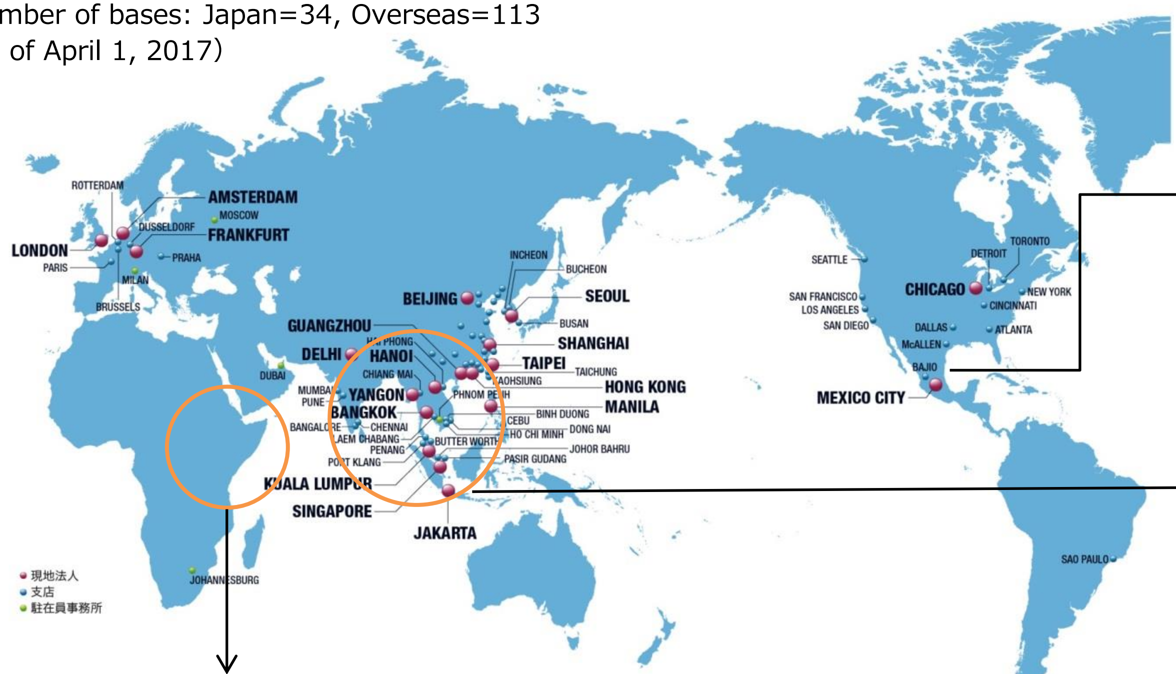
	Western area	Central area	Eastern area
Size	312.6ha	62.5ha	367.5ha

Global network（International Transportation）

【Initiatives of International Transportation Business】

- **Strengthening business in Asia**
  - We constructed new logistics centres
  - We further expanded the network
  - We advanced capabilities for global governance by establishing Asia headquarters and ASEAN headquarters
- **Strengthening business development in Africa**
  - We established a base in Johannesburg and expanded business operations through the Greater Europe Section (includes Dubai base)

Number of bases: Japan=34, Overseas=113
(as of April 1, 2017)



◆**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.
We are aiming to expand operations in Mexico.

◆**New logistics centres in the ASEAN region**

We completed the construction of a logistics centre in Indonesia's fast-growing market. It primarily handles such products as automotive components, medical equipment, and electronic components.
Continuing along this line, we are building a logistics centre in Singapore. This logistics centre will be the Group's largest such facility and exploit the significant advantages that Singapore affords as an international logistics hub.

◆**Strengthening business development in East Africa**

A growing number of Japanese companies are entering African markets such as Kenya and South Africa, and these markets are expected to grow over the medium-to-long term. Accordingly, we aim to strengthen operations in East Africa by focusing on these markets.

We were the only Japanese company to participate in the Japan Fair, a side event at the Tokyo International Conference on African Development (TICAD) held in Kenya in August 2016.
In March 2017, we attended the Business Symposium organised by Kenya's ambassador to Japan, and used the opportunity to introduce the logistics services and initiatives we are developing in Africa.

Hotel network of the Hankyu-Hanshin-Daiichi Hotel Group

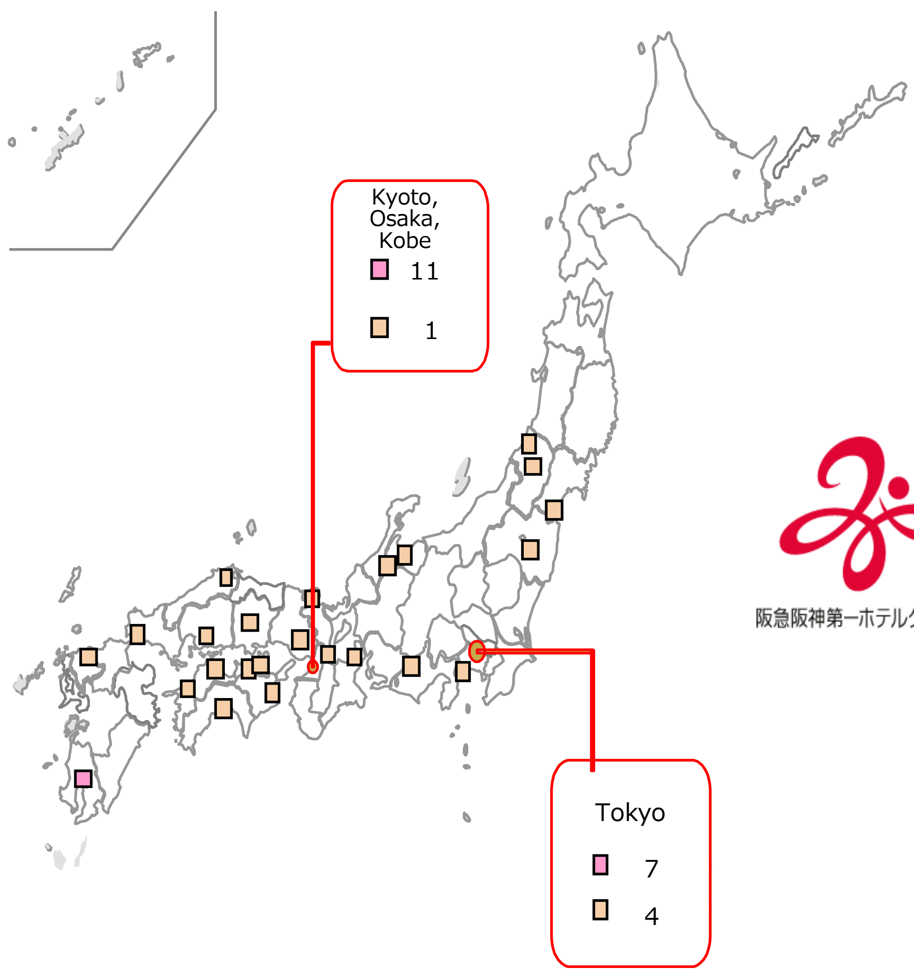
■ Directly managed hotels (Hankyu Hanshin Hotels)	19Hotels	4,933 rooms	48Hotels	10,693 rooms
■ Other (franchises, etc.)	29Hotels	5,760 rooms		

(as of April 1, 2017)

・The numbers of hotels and rooms do not include the Ritz-Carlton Osaka (Kita-ku, Osaka City, 292 rooms).

Directly managed hotels
Dai-ichi Hotel Tokyo
Dai-ichi Hotel Annex
Daiichi Hotel Tokyo Seafort
Kichijoji Dai-ichi Hotel
remm HIBIYA
remm AKIHABARA
remm ROPPONGI
Hotel Hankyu International
Hotel new Hankyu Osaka
Hotel new Hankyu Annex
Hotel Hanshin
Umeda OS hotel ※
remm SHIN-OSAKA
Senri Hankyu Hotel
Hotel Hankyu Expo Park
Takarazuka Hotel
Rokkosan Hotel ※
Hotel new Hankyu Kyoto
remm KAGOSHIMA
Other(franchises, etc.)
Tokyo Dai-ichi Hotel Iwannuma Resort
Tokyo Dai-ichi Hotel Tsuruoka
Tokyo Dai-ichi Hotel Yonezawa
Tokyo Dai-ichi Hotel Shin-Shirakawa
Ours Inn Hankyu
Ginza Creston
Dai-ichi Hotel Ryogoku
Dai-ichi Inn Ikebukuro
Dai-ichi Inn Shonan
Toyama Dai-ichi Hotel
Dai-ichi Inn Shinminato
Hotel Concorde Hamamatsu
Tokyo Dai-ichi Hotel Nishiki
Hotel Boston Plaza Kusatsu
Hotel Royal Hill Fukuchiyama
Amano Hashidate Hotel
Osaka Dai-ichi Hotel
Arima View Hotel urara
Maniwa Riverside Hotel
Kure Hankyu Hotel
Hotel Ichibata
Tokyo Dai-ichi Hotel Shimonoseki
Takamatsu Kokusai Hotel
JR Hotel Clemant Tokushima
JR Hotel Clement Takamatsu
The Crown Palais New Hankyu Kochi
Tokyo Dai-ichi Hotel Matsuyama
Imabari Kokusai Hotel
Takakura Hotel Fukuoka

※Hankyu-Hanshin Hotels are entrusted operation



阪急阪神第一ホテルグループ