

Hankyu Hanshin Holdings Group Results Briefing Materials for Second Quarter of Fiscal 2018 (Ended September 30, 2017)

November 14th, 2017

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

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This document contains forward-looking statements such as business performance forecasts. These statements are based on currently available information and what we believe to be reasonable assumptions; they do not, however, represent guarantees of future performance. Actual results or developments may differ materially from those in the forward-looking statements as a result of various factors.

I . Performance Highlights for the Second Quarter of Fiscal 2018 (fiscal year ending 31st March 2018)

Consolidated Statements of Income(Summary)

	1H FY2018 Results	FY2017 Results	Change
Consolidated Subsidiaries	93 companies	93 companies	±0 (2 companies increase, 2 companies decrease)
Equity-Method Affiliates	11 companies	11 companies	
Total	104 companies	104 companies	±0 (2 companies increase, 2 companies decrease)

(¥ million)	1H FY2018 Results	1H FY2017 Results	Change	Remarks
Revenues from operations	361,906	359,950	+1,955(+0.5%)	For details, please see next page
Operating income	62,661	58,348	+4,313(+7.4%)	
Non-operating income	6,524	5,409	+1,114	Equity in income of affiliates +1,000
Non-operating expenses	6,334	7,061	-727	
Ordinary income	62,852	56,696	+6,155(+10.9%)	
Extraordinary income	9,294	1,514	+7,780	Gain on contributions for construction +8,041
Extraordinary loss	9,569	1,785	+7,784	Loss on reduction of noncurrent assets +7,926
Net income attributable to owners of the parent	41,649	38,587	+3,061(+7.9%)	

(Reference)	1H FY2018 Results	1H FY2017 Results	Change
Depreciation and amortisation	25,940	25,813	+127
Financial balance ① - ②	-4,323	-5,215	+892
Interest and dividend income①	792	587	+204
Interest expense②	5,115	5,802	-687

Consolidated Statements of Income (Breakdown for each business segment)

[Key results in current period]

The Travel Business segment saw rising numbers of visitors to European destinations, the Entertainment and Communications Business segment benefitted from strong performance in its sports business, and the International Transportation Business reported strong performance, particularly in air transport. As a result, operating income and revenue increased.

(¥ million)	Revenues from operations			Segment income		
	1H FY2018 Results	1H FY2017 Results	Change	1H FY2018 Results	1H FY2017 Results	Change
Urban Transportation	118,127	119,628	-1,501	24,134	23,645	+489
Real Estate	89,448	95,233	-5,785	19,245	19,018	+226
Entertainment and Communications	64,960	63,025	+1,934	15,781	14,511	+1,269
Travel	18,377	15,403	+2,973	2,463	410	+2,053
International Transportation	40,163	34,978	+5,185	1,609	568	+1,040
Hotels	32,338	31,898	+439	492	985	-492
Other	17,500	18,343	-843	522	610	-88
Adjustment	-19,009	-18,561	-447	-1,587	-1,402	-185
Total	361,906	359,950	+1,955	62,661	58,348	+4,313

Urban Transportation Results

[Railway]

Income and profits increased, with the Hankyu and Hanshin lines performing well.

[Automobile]

Operating revenue declined partly because of the impact of excluding Nippon Rent-A-Car Hankyu from the scope of consolidation in March 2017. Operating income declined amid higher fuel costs and other factors.

(¥ million)	1H FY2018 Results	1H FY2017 Results	Change	%
Revenues from operations	118,127	119,628	-1,501	-1.3%
Operating income	24,134	23,645	+489	+2.1%

[Breakdown by type of business]

(¥ billion)	1H FY2018 Results	Y on Y
Revenues from operations		
Railway	76.3	+1.4
Automobile	24.1	-0.7
Retailing	15.4	-1.9
Advertising	4.0	-0.1
Others	3.1	-0.5

Impact of excluding Nippon Rent-A-Car Hankyu from the scope of consolidation.
(About ¥-0.6 billion)

It is the influence that Iina dining Co.,Ltd. presenting Home-meal replacement business became the equity-method affiliate from the consolidated subsidiary. (About ¥-1.1 billion)
Impact of excluding Hankyu Style Labels' apparel business from the scope of consolidation .
(About ¥-0.5 billion)

*Not including head office expenses /adjustments.

[Urban Transportation] Railway Performance Results

Hankyu Corporation

	Fare revenues (¥ million)*			Passenger volumes (Thousands)*		
	1H FY2018 Results	1H FY2017 Results	Change	1H FY2018 Results	1H FY2017 Results	Change
Commuter pass	16,902	16,621	+280(+1.7%)	172,347	169,666	+2,680(+1.6%)
Workers	14,481	14,206	+275(+1.9%)	118,620	116,275	+2,344(+2.0%)
Students	2,420	2,415	+4(+0.2%)	53,726	53,390	+336(+0.6%)
Other tickets	31,532	31,229	+302(+1.0%)	159,933	158,615	+1,318(+0.8%)
Total	48,434	47,851	+583(+1.2%)	332,280	328,281	+3,999(+1.2%)

Hanshin Electric Railway

	Fare revenues (¥ million)*			Passenger volumes (Thousands)*		
	1H FY2018 Results	1H FY2017 Results	Change	1H FY2018 Results	1H FY2017 Results	Change
Commuter pass	5,975	5,857	+118(+2.0%)	62,036	60,936	+1,100(+1.8%)
Workers	5,338	5,226	+112(+2.1%)	48,645	47,730	+915(+1.9%)
Students	637	630	+6(+1.1%)	13,390	13,205	+184(+1.4%)
Other tickets	11,186	10,867	+318(+2.9%)	61,411	59,864	+1,547(+2.6%)
Total	17,161	16,724	+437(+2.6%)	123,448	120,800	+2,647(+2.2%)

* 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 Corporation and Hanshin Electric Railway

[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	First half total
FY2018 Results	24,532	23,901	48,434
FY2017 Results	24,194	23,656	47,851
Change	+338	+244	+583
(%)	+1.4%	+1.0%	+1.2%

Factors of YoY Change (estimated)

- Surge in travellers during Golden Week holiday
+¥50million
- Cherry-blossom season surge (blooming time was longer than last year)
+¥45million
- Other factors (e.g. increase in line-side areas populations, and increase in inbound demand)
+¥488million

《Hanshin Electric Railway》

Transportation revenue (tier 1 + tier 2)

(¥ million)

Totals for commuter passes and other tickets	1Q	2Q	First half total
FY2018 Results	8,474	8,687	17,161
FY2017 Results	8,284	8,440	16,724
Change	+190	+246	+437
(%)	+2.3%	+2.9%	+2.6%

Factors of YoY Change (estimated)

- Increase in visitors to Koshien Stadium (professional baseball games)
+¥52million
- Increase in visitors to Kyocera Dome (events, professional baseball games)
+¥46million
- Other factors (e.g. the strong performance of the Hanshin Namba Line, increase in line-side areas populations, and increase in inbound demand)
+¥339million

[Urban Transportation] Referential Information

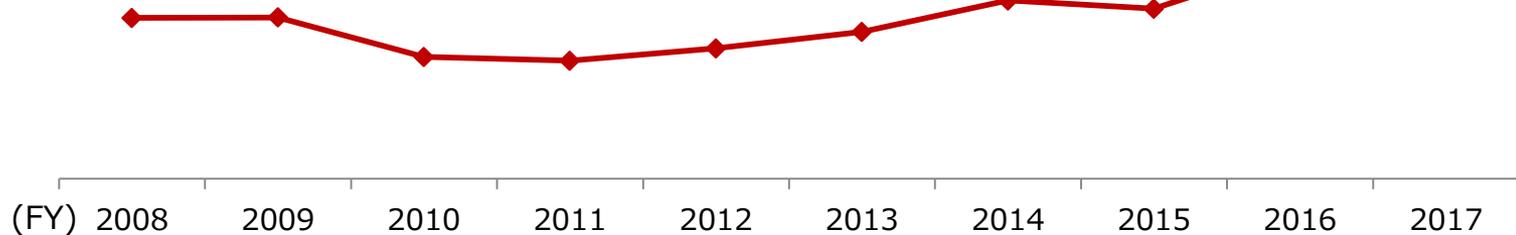
Hankyu Line: Transportation revenue (tier 1 + tier 2)

(¥ million)

	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	1H FY2018
Commuter passes	31,922	31,880	31,126	29,484	29,922	30,391	31,299	31,549	32,272	32,628	16,902
Other tickets	60,010	60,087	58,582	60,000	60,268	60,749	61,630	60,910	62,920	62,720	31,532
Total	91,932	91,967	89,708	89,485	90,191	91,141	92,929	92,459	95,192	95,348	48,434

FY2008 = 100%

104%



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

	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	1H FY2018
Commuter passes	8,783	8,913	9,642	10,126	10,623	10,740	11,008	11,107	11,372	11,563	5,975
Other tickets	16,095	16,316	18,396	18,899	19,422	19,669	20,260	20,286	21,035	21,136	11,186
Total	24,878	25,230	28,038	29,025	30,045	30,410	31,269	31,394	32,407	32,699	17,161

FY2008 = 100%

131%



★ Opening of Hanshin Namba Line(March, 2009)

Real Estate Results

[Real estate leasing]

Income and revenue increased, with rental buildings in the Umeda area performing well.

[Real estate sales and Others]

Operating revenue declined, partly because the total number of condominium units sold was low compared to the previous fiscal year. Operating income, however, was on par with last year's level due in part to the sale of commercial-use land.

(¥ million)	1H FY2018 Results	1H FY2017 Results	Change	%
Revenues from operations	89,448	95,233	-5,785	-6.1%
Operating income	19,245	19,018	+226	+1.2%

[Breakdown by type of business]

(¥ billion)	1H FY2018 Results	Y on Y
Real estate leasing	52.7	+1.0
Real estate sales and Others	44.8	-6.7

*Not including head office expenses /adjustments.

Condominium sales: down 97 (183 units; previous year = 280 units)

* The total number of condominium units sold over the full-year is expected to be around 1,200 (compared to 1,087 in the previous year).

[Real Estate] Referential Information

Total number of condominium units sold

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

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

Major properties sold in fiscal 2018 (including projected sales)^{※2}

- Geo Tenroku Twin Towers (Kita-ku, Osaka) 358 units
- Geo Fukagawa Sumiyoshi (Koto-ku, Tokyo) 190units
- Geo Yotsuya Araki-cho (Shinjuku-ku, Tokyo) 131 units
- Geo Yotsuya Sanei-cho (Shinjuku-ku, Tokyo) 61 units
- Geo Utsukushigaoka 2-chome Hills (Yokohama, Kanagawa) 52 units

※2 : Figures indicate total number of units.



[Geo Fukagawa Sumiyoshi]
(Scheduled to be sold in March 2018)



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

Entertainment and Communications Results

[Sports]

Operating income and revenue increased due to factors like a rise in admissions for Hanshin Tigers' regular season games and strong sales of food, drink, and merchandise.

[Stage]

Operating income and revenue increased thanks to the popularity of shows such as Snow Troupe's "The Sun in the Last Days of the Shogunate / Dramatic 'S'!" and Cosmos Troupe's 'Land of the Gods -The Twilight of the Romanovs- / Classical Bijoux'.

[Communication, media and Others]

Operating income and revenue increased with the broadcast and communications increasing its subscriber numbers.

(¥ million)	1H FY2018 Results	1H FY2017 Results	Change	%
Revenues from operations	64,960	63,025	+1,934	+3.1%
Operating income	15,781	14,511	+1,269	+8.8%

[Breakdown by type of business]

(¥ billion)	1H FY2018 Results	Y on Y
Revenues from operations		
Sports	26.4	+1.1
Stage	17.1	+0.3
Communication, media and Others	21.9	+0.7

*Not including head office expenses /adjustments.

Travel Results

Operating income and revenue increased. This was the result of the overseas travel business seeing higher numbers of visitors to European destinations and the domestic travel business benefitting from a resurgence in the number of visitors to Kyushu, which had been adversely affected by the Kumamoto Earthquake of 2016.

(¥ million)	1H FY2018 Results	1H FY2017 Results	Change	%
Revenues from operations	18,377	15,403	+2,973	+19.3%
Operating income	2,463	410	+2,053	+500.7%

[Performance Highlights for the Second Quarter of Fiscal 2018]

- ◆ **Overseas travel billings : Ranking 3(※)**
Billings : ¥105.9billion (Y on Y +11.1%)
- ◆ **Domestic travel billings : Ranking 6(※)**
Billings : ¥70.4billion (Y on Y +7.0%)
- ◆ **Total travel billings : Ranking 6(※)**
Billings : ¥177.8billion (Y on Y +9.4%)

Source: Sales volume indicates the aggregated volume for April to September.
The values for industry ranking are based on aggregated results from April to July.

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】

In addition to Europe, other overseas destinations (such as Asian countries and Hawaii) also proved popular this year, resulting in sales volume exceeded last year's level.

【Domestic travel】

Kyushu, which appears to have recovered from the impact of the Kumamoto Earthquake of 2016, saw strong visitor numbers as did other domestic destinations. The exception was Shikoku, which benefitted from the popularity of the Shikoku pilgrimage in the reverse order ("Gyaku-uchi") in the previous year. Consequently, sales volume exceeded last year's level.

International Transportation Results

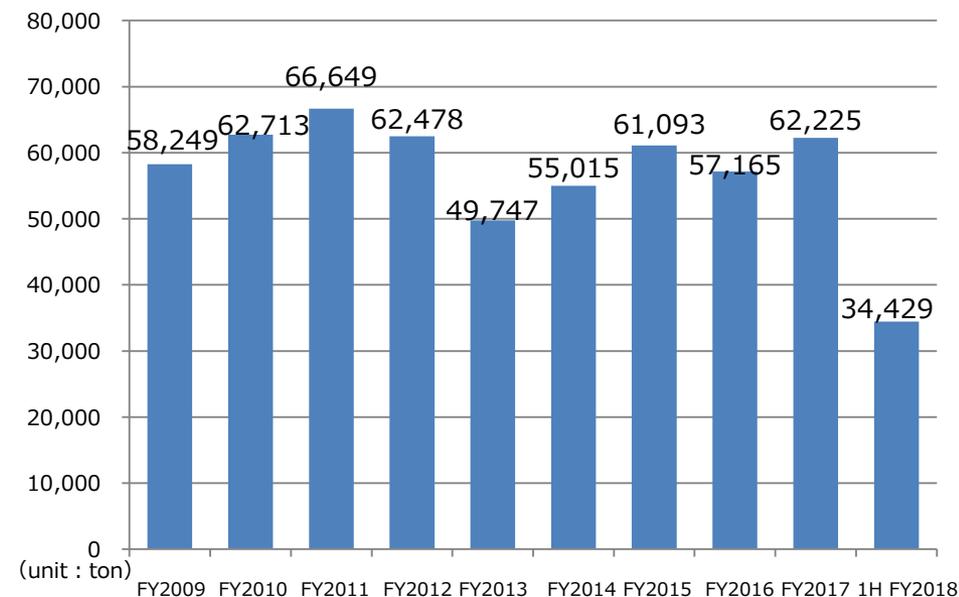
Operating income and revenue increased, with subsidiaries in Japan and those in East Asia and Europe performing well, particularly in air transport.

(¥ million)	1H FY2018 Results	1H FY2017 Results	Change	%
Revenues from operations	40,163	34,978	+5,185	+14.8%
Operating income	1,609	568	+1,040	+182.8%

[Performance Highlights for the Second Quarter of Fiscal 2018]

- The Japan Section performed well, particularly in air transport, in which it primarily handled automotive components and electronic components.
- The America Section performed well, particularly in Asia-origin air transport.
- The Europe and East Asia Sections performed well, particularly in air exports of automobile components and other goods.
- Exchange rate fluctuations resulted in a slight increase in yen-equivalent value compared to last year, but this had no major impact.

Air export consolidated freight weight (from Japan)

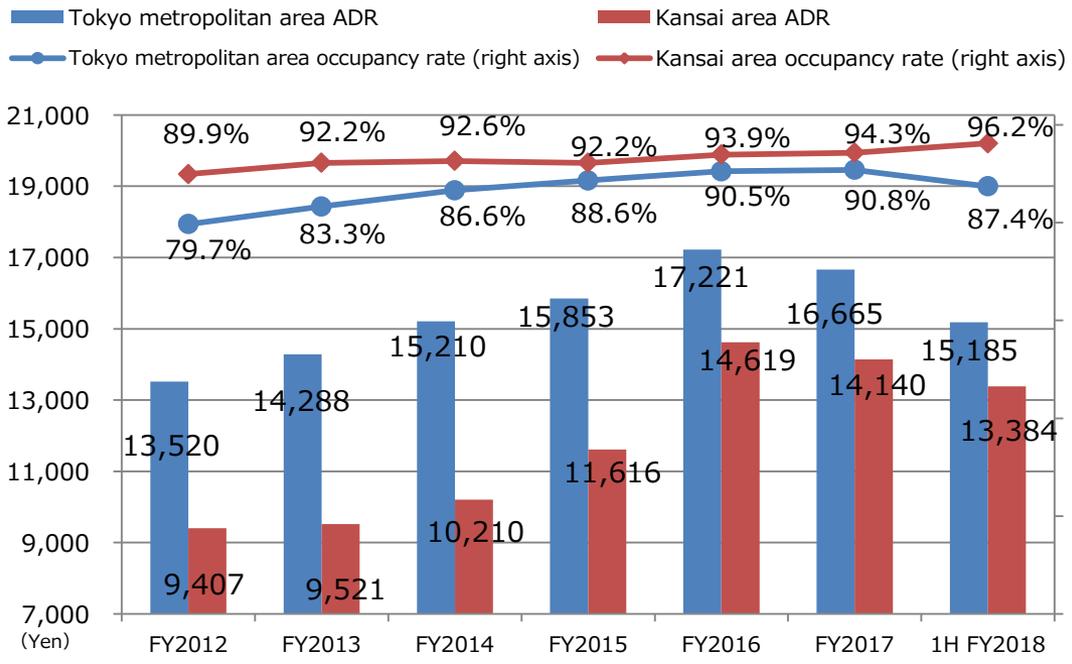


Hotels Results

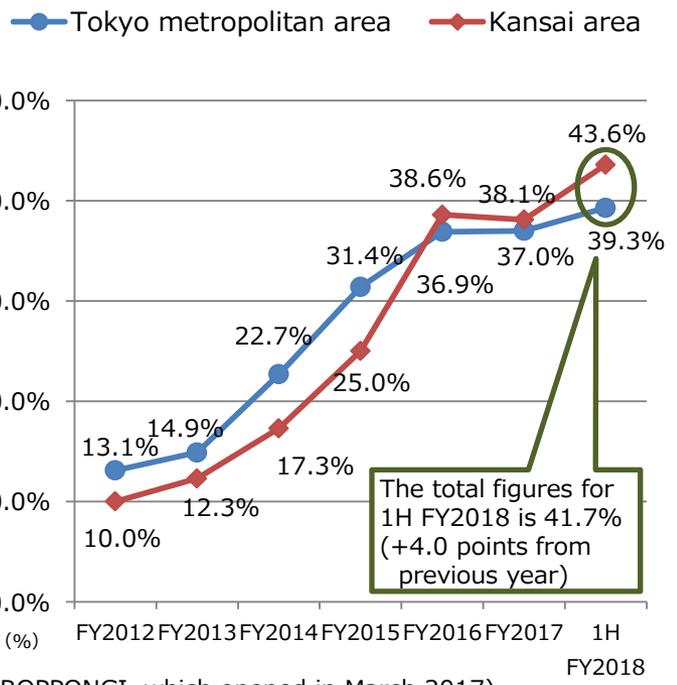
Operating revenue increased thanks in part to the opening of remm ROPPONGI in March 2017, but operating income decreased as a result of YoY decline in sales among existing hotels and an increase in expenses, including those associated with the opening of remm ROPPONGI.

(¥ million)	1H FY2018 Results	1H FY2017 Results	Change	%
Revenues from operations	32,338	31,898	+439	+1.4%
Operating income	492	985	-492	-50.0%

Average daily rates (ADR) and occupancy rates of Hankyu Hanshin Hotels in the Tokyo metropolitan area¹ and Kansai area²



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



1. Directly managed Hanshin Hankyu hotels, hotels in the Tokyo metropolitan area (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, not including hotels managed under contract)

Consolidated Statements of Income

(Non-operating profit and loss)

(¥ million)	1H FY2018 Results	1H FY2017 Results	Change
Operating income	62,661	58,348	+4,313
Non-operating income	6,524	5,409	+1,114
Equity in income of affiliates	5,082	4,082	+1,000
Non-operating expenses	6,334	7,061	-727
Interest expenses	5,115	5,802	-687
Ordinary income	62,852	56,696	+6,155

Consolidated Statements of Income

(Extraordinary profit and loss)

(¥ million)	1H FY2018 Results	1H FY2017 Results	Change
Extraordinary profit and loss	-274	-270	-3
Extraordinary income	9,294	1,514	+7,780
Gain on contributions for construction	8,567	525	+8,041
Other	727	988	-261
Extraordinary loss:	9,569	1,785	+7,784
Loss on reduction of noncurrent assets	8,451	524	+7,926
Loss on valuation of investment securities	0	1,033	-1,033
Other	1,118	227	+890

Consolidated Statements of Income

(Net income attributable to owners of the parent)

(¥ million)	1H FY2018 Results	1H FY2017 Results	Change
Income before income taxes	62,577	56,426	+6,151
Total income taxes	20,100	17,130	+2,970
Income taxes—current	17,958	15,648	+2,309
Income taxes—deferred	2,142	1,481	+660
Net income	42,476	39,295	+3,180
Net income attributable to non-controlling interests	827	708	+119
Net income attributable to owners of the parent	41,649	38,587	+3,061

Consolidated Balance Sheets

(¥ million)		1H FY2018 Results	FY2017 Results	Change	Remarks																															
Assets	Current assets	286,470	269,992	+16,478	Land and buildings for sale:+20,146																															
	Noncurrent assets	2,095,024	2,079,839	+15,185	Investment securities:+12,016																															
	Total assets	2,381,495	2,349,831	+31,664																																
Liabilities	Current liabilities	420,124	419,291	+833																																
	Long-term liabilities	1,124,746	1,125,879	-1,132																																
	Total liabilities	1,544,871	1,545,171	-299																																
					<table border="1"> <thead> <tr> <th></th> <th>1H FY2018 Results</th> <th>FY2017 Results</th> <th>Change</th> </tr> </thead> <tbody> <tr> <td>Debt</td> <td>785,582</td> <td>788,931</td> <td>-3,349</td> </tr> <tr> <td>Bonds</td> <td>102,000</td> <td>102,000</td> <td>-</td> </tr> <tr> <td>Commercial paper</td> <td>20,000</td> <td>-</td> <td>+20,000</td> </tr> <tr> <td>Lease obligations</td> <td>7,978</td> <td>8,591</td> <td>-613</td> </tr> <tr> <td>Interest-bearing debt</td> <td>915,560</td> <td>899,523</td> <td>+16,037</td> </tr> <tr> <td>Accounts payable</td> <td></td> <td></td> <td>-27,638</td> </tr> <tr> <td>Long-term deferred contribution for construction</td> <td></td> <td></td> <td>+8,111</td> </tr> </tbody> </table>		1H FY2018 Results	FY2017 Results	Change	Debt	785,582	788,931	-3,349	Bonds	102,000	102,000	-	Commercial paper	20,000	-	+20,000	Lease obligations	7,978	8,591	-613	Interest-bearing debt	915,560	899,523	+16,037	Accounts payable			-27,638	Long-term deferred contribution for construction		
	1H FY2018 Results	FY2017 Results	Change																																	
Debt	785,582	788,931	-3,349																																	
Bonds	102,000	102,000	-																																	
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Interest-bearing debt	915,560	899,523	+16,037																																	
Accounts payable			-27,638																																	
Long-term deferred contribution for construction			+8,111																																	
Net assets	Shareholders' equity	786,534	759,875	+26,658	Net income attributable to owners of the parent:+41,649 Less treasury stock, at cost:-10,743 Payment dividend:-4,389 etc.																															
	Accumulated other comprehensive income	32,336	27,074	+5,262	Valuation difference on available-for-sale securities:+4,792																															
	Subscription rights to shares	-	496	-496																																
	Non-controlling interests	17,753	17,213	+539																																
	Total net assets	836,623	804,659	+31,963																																

Consolidated Statements of Cash Flows

(¥ million)

	1H FY2018 Results	1H FY2017 Results
Cash flows from operating activities	39,168	35,036
Depreciation and amortisation	25,940	25,813
Decrease (increase) in inventories	-23,145	-12,343
Income taxes (paid) refunded	-18,332	-15,980
Cash flows from investing activities	-39,930	-40,048
Purchases of noncurrent assets	-53,682	-51,778
Receipt of contributions for construction	16,267	12,925
Cash flows from financing activities	510	4,637
Purchase of treasury stock	-10,651	-5,216
Dividends paid	-4,389	-4,413
[Reference] Decrease (increase) in interest-bearing debt	16,037	13,828
Effect of exchange rate changes on cash and cash equivalents	-69	-1,709
Increase (decrease) in cash and cash equivalents	-320	-2,084
Cash and cash equivalents at beginning of year	22,530	22,363
Increase in cash and cash equivalents from newly consolidated subsidiary	383	648
Cash and cash equivalents at end of year	22,592	20,927

**II . Forecasts for fiscal 2018
(fiscal year ending 31st March2018)
[Change from May forecasts]**

Consolidated Statements of Income (Summary)

(¥ billion)	FY2018 Forecasts (As of Nov.) ①	FY2018 Forecasts (As of May) ②	Change ①-②	Remarks	FY2017 Results ③	Change ①-③
Revenues from operations	765.0	750.0	+15.0 (+2.0%)	Rise in the total number of condominium units sold and the sale of commercial-use land (Real Estate Business), strong performance of sports and stage businesses (Entertainment and Communications Business), strong performance among the Hankyu and Hanshin lines (Railway Business)	736.8	+28.2
Operating income	104.0	96.0	+8.0 (+8.3%)		104.1	-0.1
Ordinary income	101.0	92.0	+9.0 (+9.8%)	The increase in operating income shown above coupled with a rise in equity in income of affiliates	100.6	+0.4
Net income attributable to owners of the parent	66.0	60.0	+6.0 (+10.0%)		71.3	-5.3
(Reference)						
Depreciation and amortisation	53.7	53.9	-0.2		52.8	+0.9
Financial balance ①-②	-8.9	-9.5	+0.6		-10.1	+1.2
Interest and dividend income①	1.3	1.1	+0.2		1.1	+0.2
Interest expense②	10.2	10.6	-0.4		11.2	-1.0
Capital expenditure	94.0	94.0	-		86.2	+7.8

Consolidated Statements of Income (Breakdown for each business segment)

(¥ billion) [Upper table] Revenues from operations [Lower table] Operating income	FY2018 Forecasts (As of Nov.) ①	FY2018 Forecasts (As of May) ②	Change ①-②	Remarks	FY2017 Results ③	Change ①-③
Total	765.0	750.0	+15.0		736.8	+28.2
	104.0	96.0	+8.0		104.1	-0.1

(Breakdown for each business segment)

Urban Transportation	236.2	234.5	+1.7	Strong performance among the Hankyu and Hanshin lines (railway business)	237.1	-0.9
	41.2	39.6	+1.6		42.2	-1.0
Real Estate	232.7	225.5	+7.2	A rise in the total number of condominium units sold and sale of commercial-use land	215.7	+17.0
	41.2	38.1	+3.1		42.0	-0.8
Entertainment and Communications	118.6	115.3	+3.3	Strong performance in the sports and stage businesses	115.2	+3.4
	16.2	14.5	+1.7		15.7	+0.5
Travel	33.7	32.3	+1.4	A rise in the number of visitors to European destinations	29.9	+3.8
	1.2	0.5	+0.7		0.6	+0.6
International Transportation	78.3	73.1	+5.2	Strong performance, particularly in air transport, among subsidiaries in Japan and those in East Asia and Europe	71.7	+6.6
	2.0	1.7	+0.3		1.6	+0.4
Hotels	66.9	67.9	-1.0	Average daily rates fell short of the initial projection	65.6	+1.3
	2.4	2.6	-0.2		2.8	-0.4

[Urban Transportation] Railway Performance Forecasts

Hankyu Corporation

	Fare revenues (¥ million)*			Passenger volumes (Thousands)*		
	FY2018 Forecasts (As of Nov.)	FY2017 Results	Change	FY2018 Forecasts (As of Nov.)	FY2017 Results	Change
Commuter pass	33,125	32,628	+497(+1.5%)	333,604	329,305	+4,299(+1.3%)
Workers	28,632	28,138	+493(+1.8%)	234,045	230,010	+4,035(+1.8%)
Students	4,492	4,489	+3(+0.1%)	99,559	99,295	+264(+0.3%)
Other tickets	63,168	62,720	+447(+0.7%)	320,251	318,064	+2,187(+0.7%)
Total	96,293	95,348	+944(+1.0%)	653,855	647,369	+6,486(+1.0%)

Hanshin Electric Railway

	Fare revenues (¥ million)*			Passenger volumes (Thousands)*		
	FY2018 Forecasts (As of Nov.)	FY2017 Results	Change	FY2018 Forecasts (As of Nov.)	FY2017 Results	Change
Commuter pass	11,784	11,563	+221(+1.9%)	121,796	119,768	+2,027(+1.7%)
Workers	10,568	10,356	+211(+2.0%)	96,269	94,479	+1,789(+1.9%)
Students	1,216	1,206	+10(+0.9%)	25,527	25,289	+237(+0.9%)
Other tickets	21,468	21,136	+332(+1.6%)	118,575	116,998	+1,576(+1.3%)
Total	33,253	32,699	+553(+1.7%)	240,371	236,766	+3,604(+1.5%)

* 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 Corporation and Hanshin Electric Railway

Fiscal 2018 Management Indicators Outlook

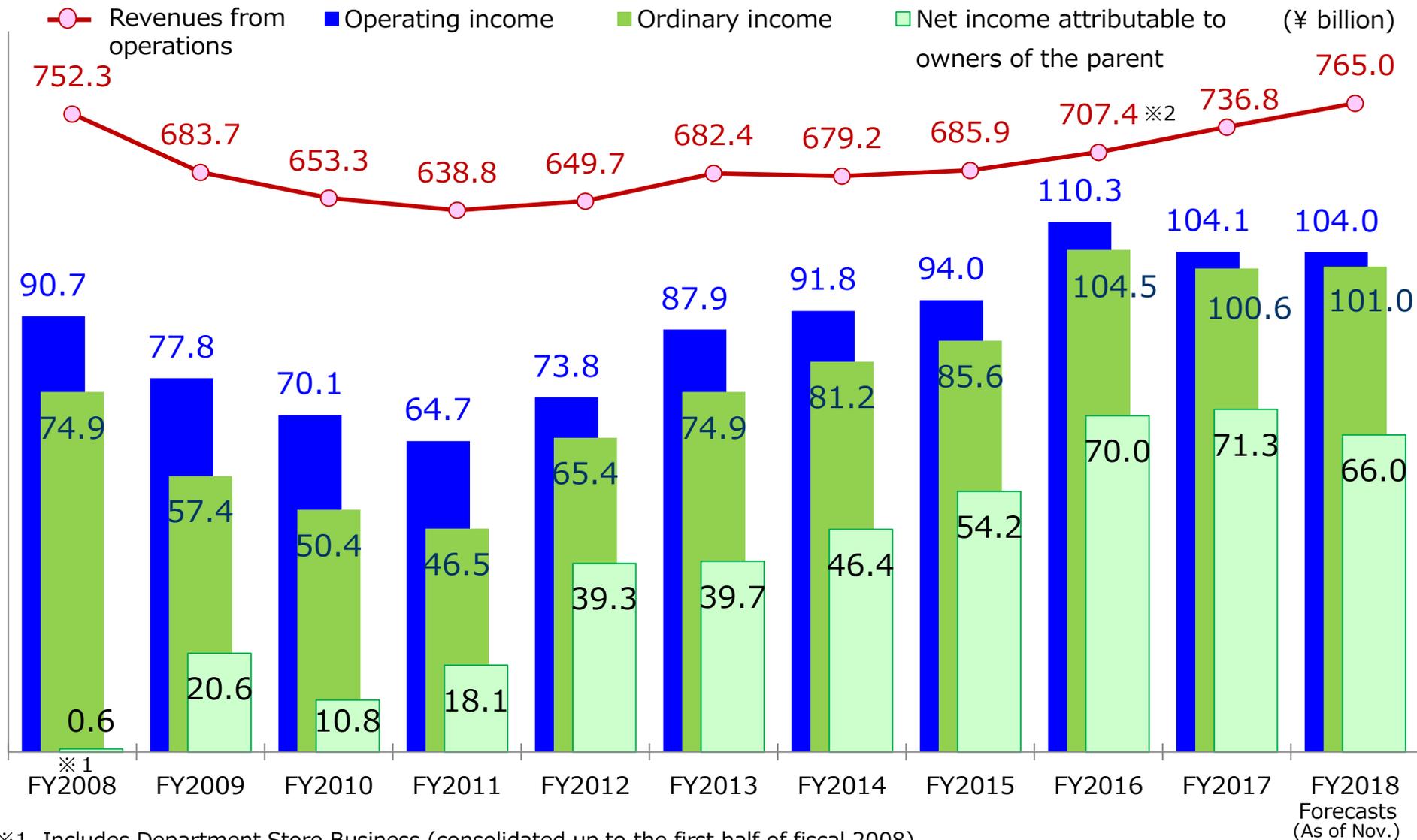
	FY2017 Results	FY2018 Forecasts (As of May)	FY2018 Forecasts (As of Nov.)
Operating income	¥104.1billion	¥96.0billion	¥104.0billion
EBITDA ^{※1}	¥159.3billion	¥152.0billion	¥160.0billion
Interest-bearing debt	¥899.5billion	¥910.0billion	¥900.0billion
Interest-bearing debt / EBITDA ratio	5.6times	6.0times	5.6times
D/E ratio ^{※2}	1.1times	1.1times	1.1times
Net income attributable to owners of the parent	¥71.3billion	¥60.0billion	¥66.0billion
ROE	9.4%	7.5%	8.1%
(Reference)			
Net interest-bearing debt ^{※3}	¥875.3billion	¥885.0billion	¥875.0billion
Net interest-bearing debt/EBITDA ratio	5.5times	5.8times	5.5times

※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.

《Reference》 Consolidated Statements of Capital Expenditure

(¥ billion)	FY2018 Forecasts (As of Nov.) ①	FY2018 Forecasts (As of May) ②	Change ①-②	FY2017 Results ③	Change ①-③
Total capital expenditure	94.0	94.0	-	86.2	+7.8

(Breakdown for each business segment)

Urban Transportation	38.5	38.5	-	31.2	+7.3
Real Estate	44.1	44.1	-	43.1	+1.0
Entertainment and Communications	9.8	9.8	-	7.4	+2.4
Travel	0.9	0.9	-	0.5	+0.4
International Transportation	0.7	0.7	-	0.4	+0.3
Hotels	3.1	3.1	-	3.2	-0.1

《Reference》 Consolidated Statements of Depreciation and Amortisation, EBITDA

(¥ billion)	FY2018 Forecasts (As of Nov.) ①	FY2018 Forecasts (As of May) ②	Change ①-②	FY2017 Results ③	Change ①-③
Total Depreciation and amortisation	53.7	53.9	-0.2	52.8	+0.9
(Breakdown for each business segment)					
Urban Transportation	27.0	26.9	+0.1	25.9	+1.1
Real Estate	16.5	16.7	-0.2	16.8	-0.3
Entertainment and Communications	7.0	7.2	-0.2	6.7	+0.3
Travel	0.7	0.7	-	0.7	-0.0
International Transportation	0.7	0.8	-0.1	0.7	+0.0
Hotels	2.1	2.1	-	1.9	+0.2
Total EBITDA	160.0	152.0	+8.0	159.3	+0.7
(Breakdown for each business segment)					
Urban Transportation	68.2	66.6	+1.6	68.2	+0.0
Real Estate	57.7	54.8	+2.9	58.8	-1.1
Entertainment and Communications	23.3	21.8	+1.5	22.6	+0.7
Travel	1.9	1.2	+0.7	1.4	+0.5
International Transportation	2.7	2.5	+0.2	2.3	+0.4
Hotels	4.5	4.7	-0.2	4.7	-0.2

III. Referential Materials

Consolidated Subsidiaries

(As of September 30th, 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 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 Kyokuto
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 Hanshin Cable Engineering 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 Hanshin Travel International
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】

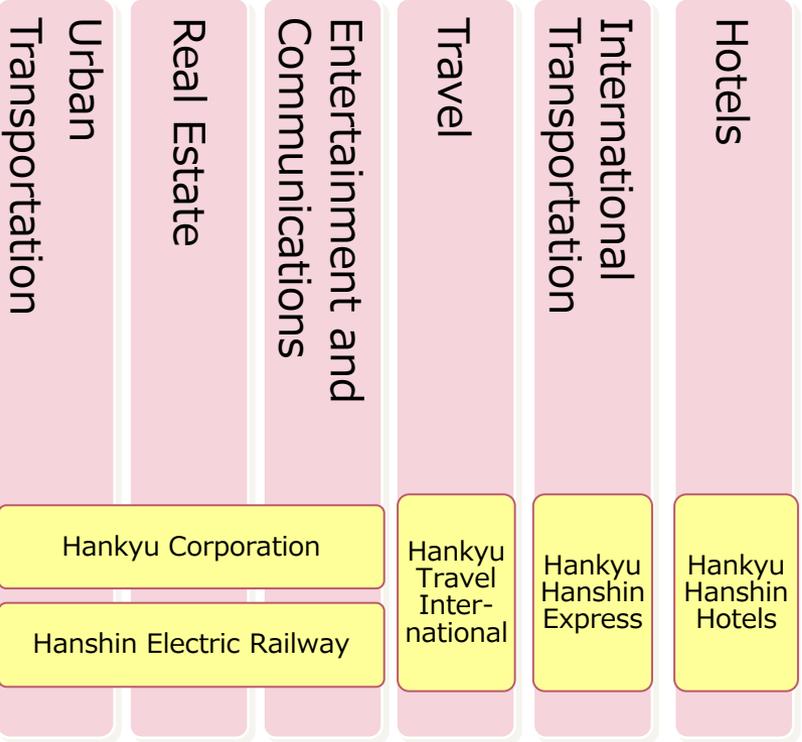
Name of segment	
Name of sub-segment	Name of consolidated subsidiary (Only listed companies that are managed as segment)

Revenues from Operations and Operating Income as a FY2017

management composition

(As of September 30th, 2017)

Hankyu Hanshin Holdings



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.

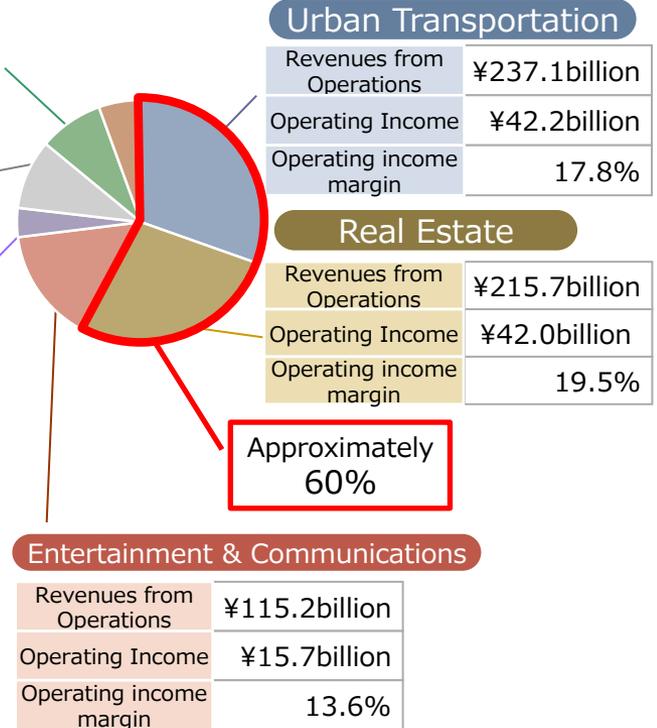
Revenues from operations breakdown(FY2017)

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%



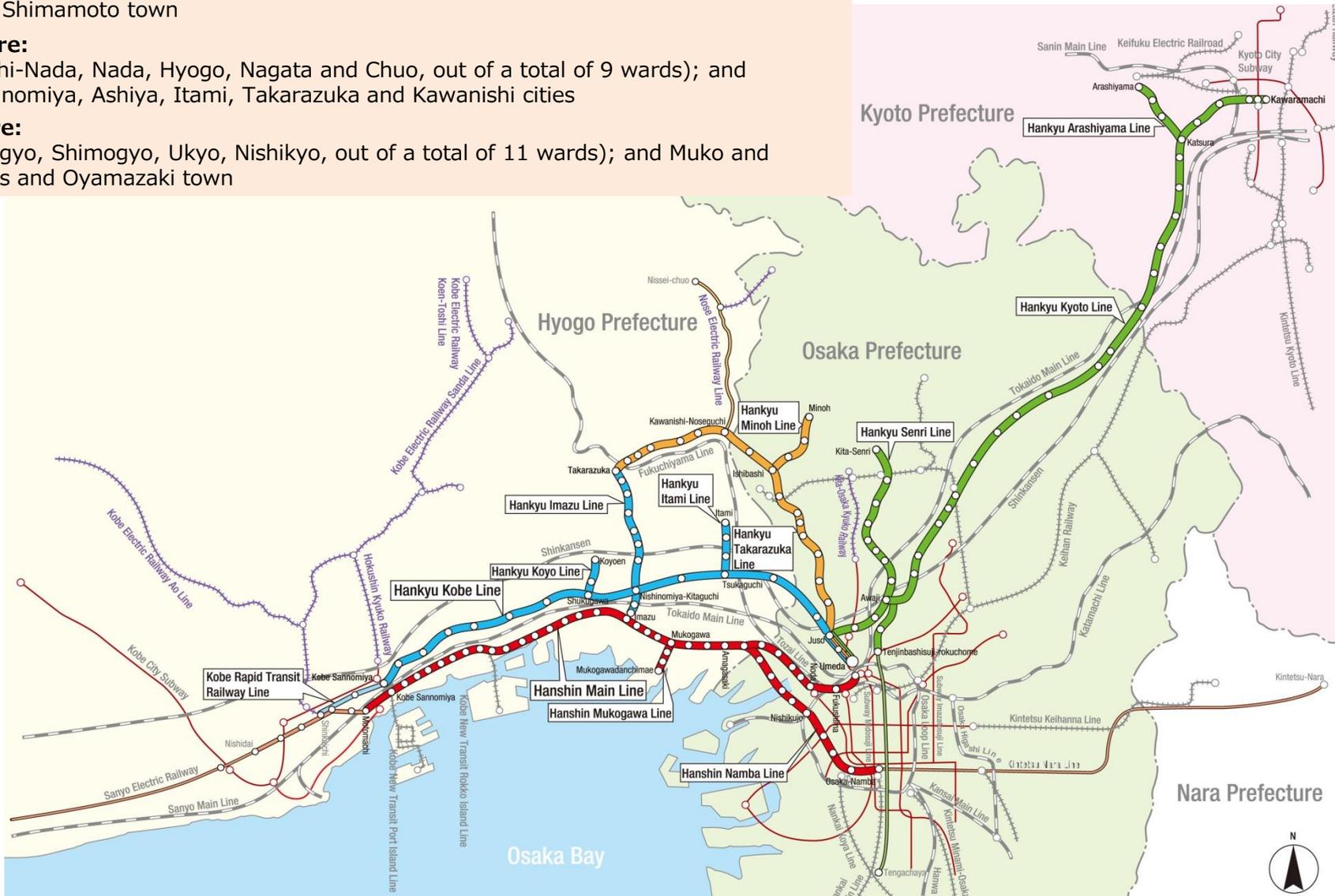
Areas Served by the Hankyu and Hanshin lines①

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

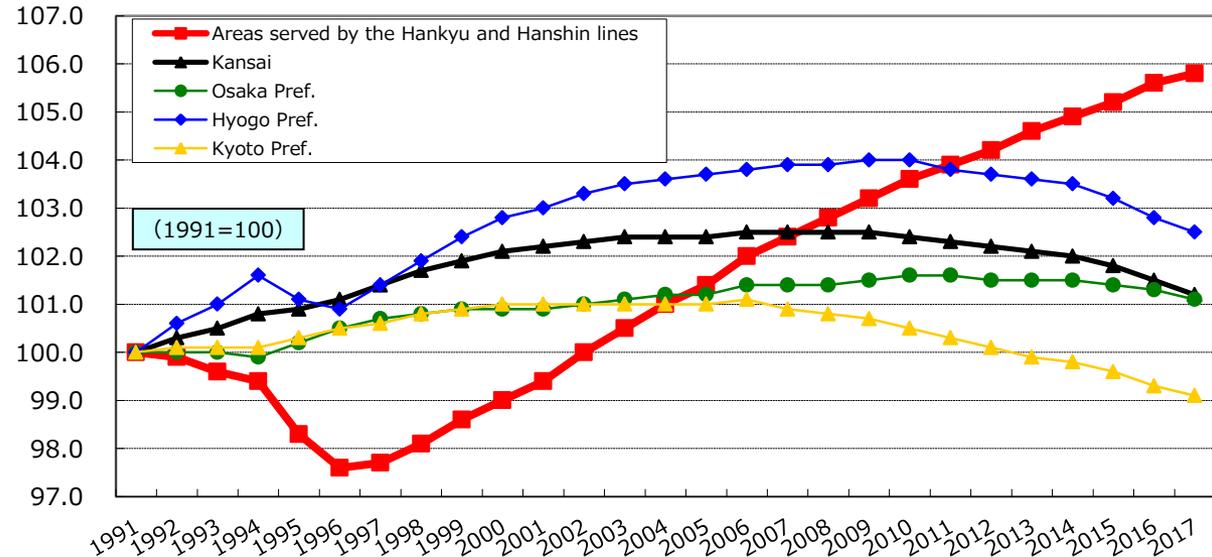


Areas Served by the Hankyu and Hanshin lines②

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.

	(km ²)	(thousand)
Area	2017	
Areas served by the Hankyu/Hanshin line	1,318	5,599
Osaka Pref. (service areas)	449	2,661
Hyogo Pref. (service areas)	471	2,270
Kyoto Pref. (service areas)	398	668
Non-Hankyu/Hanshin Service Areas	26,033	14,812
Osaka Pref. (non-service areas)	1,456	5,986
Hyogo Pref. (non-service areas)	7,930	3,236
Kyoto Pref. (non-service areas)	4,214	1,847
Shiga Pref.	4,017	1,395
Nara Pref.	3,691	1,369
Wakayama Pref.	4,725	979
Total	27,351	20,411



Survey of prospective condominium purchasers regarding their preferred Kansai residential area, conducted in fiscal 2018

Ranking	Station	(Area)	Ranking	Station	(Area)
1	Nishinomiya-kitaguchi	(Nishinomiya, Hyogo Pref.)	11	Ashiya	(Ashiya, Hyogo Pref.)
2	Shukugawa	(Nishinomiya, Hyogo Pref.)	12	Toyonaka	(Toyonaka, Osaka Pref.)
3	Okamoto	(Kobe, Hyogo Pref.)	13	Kuraku-enguchi	(Nishinomiya, Hyogo Pref.)
4	Umeda	(Kita-ku, Osaka)	14	Fukushima	(Fukushima-ku, Osaka)
5	Ashiyagawa	(Ashiya, Hyogo Pref.)	15	Kobe	(Kobe, Hyogo Pref.)
6	Mikage	(Kobe, Hyogo Pref.)	16	Kobe-sannomiya	(Kobe, Hyogo Pref.)
7	Takarazuka	(Takarazuka, Hyogo Pref.)	17	Esaka	(Suita, Osaka Pref.)
8	Senri-Chuo	(Toyonaka, Osaka Pref.)	18	Hommachi	(Chuo-ku, Osaka)
9	Osaka	(Kita-ku, Osaka)	19	Kitahama	(Chuo-ku, Osaka)
10	Tennoji	(Tennoji-ku, Osaka)	20	Nakatsu	(Kita-ku, Osaka)

Except for Tennoji (10), Hommachi (18), and Kitahama (19), all of the top 20 stations are on Hankyu Hanshin Holdings group lines

Source: A survey of prospective condominium purchasers regarding their preferred residential area, conducted by seven major real estate developers (Sumitomo Realty & Development Co., Ltd., Daikyo Incorporated, Tokyu Land Corporation, Tokyo Tatemono Co., Ltd., Nomura Real Estate Development Co., Ltd., Mitsui Fudosan Residential Co., Ltd., and Mitsubishi Jisho Residence Co., Ltd.) and included in a press release dated September 28th, 2017.

Overview of Umeda Area①

Major rental properties (as of October, 2017)

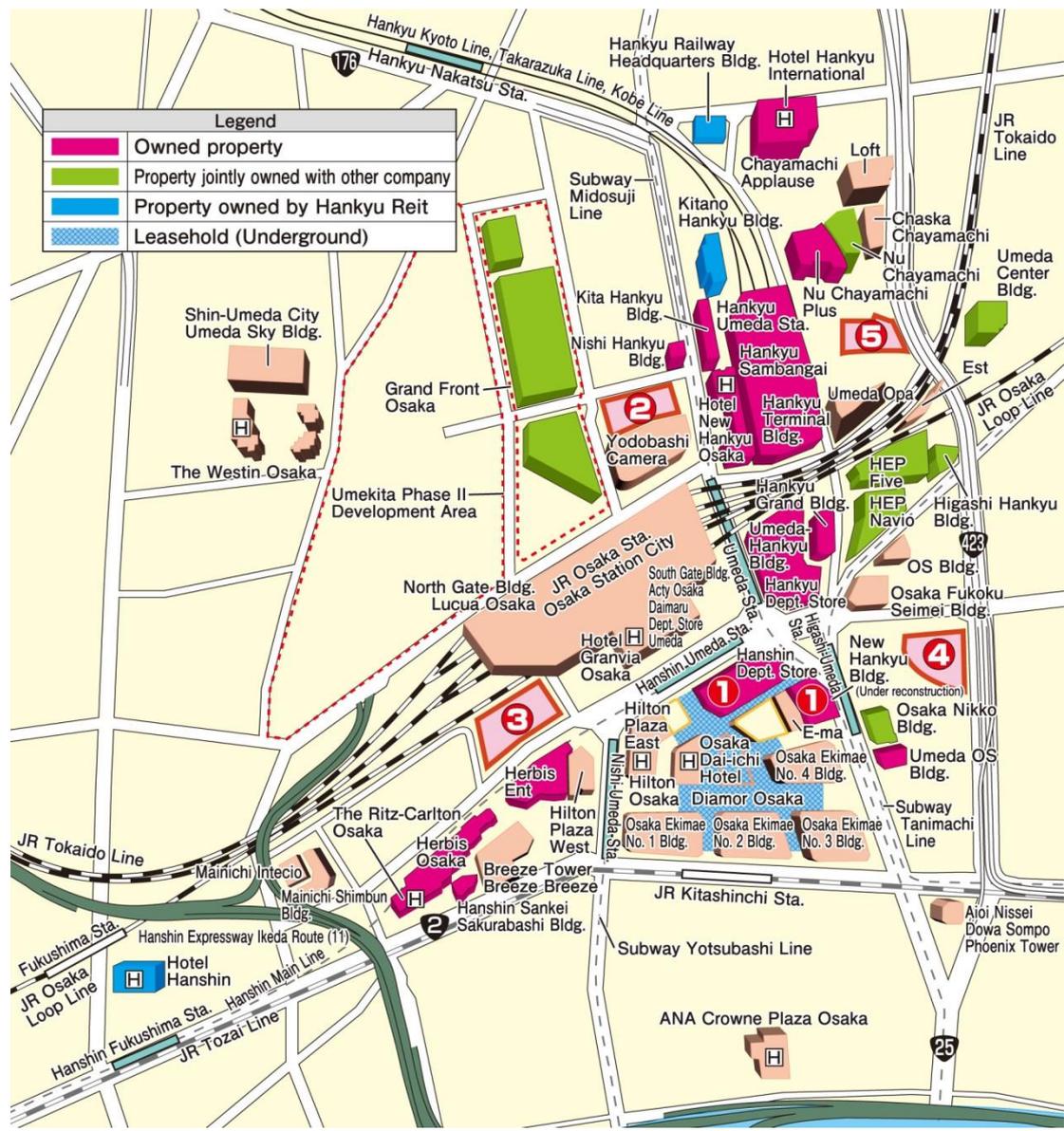
Property name	Leasable area (1,000m) ※1	Number of floors	Completed
Umeda Hankyu Bldg.	213	41 floors above ground and 2 below ground	2012
Umeda Hanshin Daiichi Bldg. (HERBIS OSAKA)	82	40 floors above ground and 5 below ground	1997
Umeda Hanshin Daini Bldg. (HERBIS ENT)	55	28 floors above ground and 4 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, Inc.

Developments in Umeda district

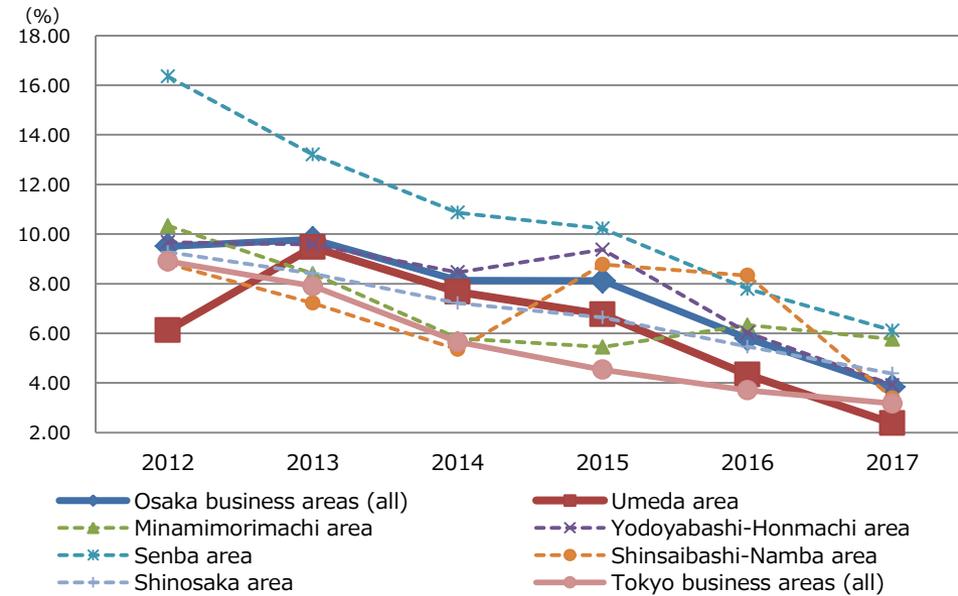
(red = Hankyu Hanshin Holdings group related Projects)

- 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 Project
 -Sumitomo Realty & development Co., Ltd.
- ⑤ Chayamachi B-2 District Redevelopment Project
 -TOKYU LAND CORPORATION Co., Ltd.

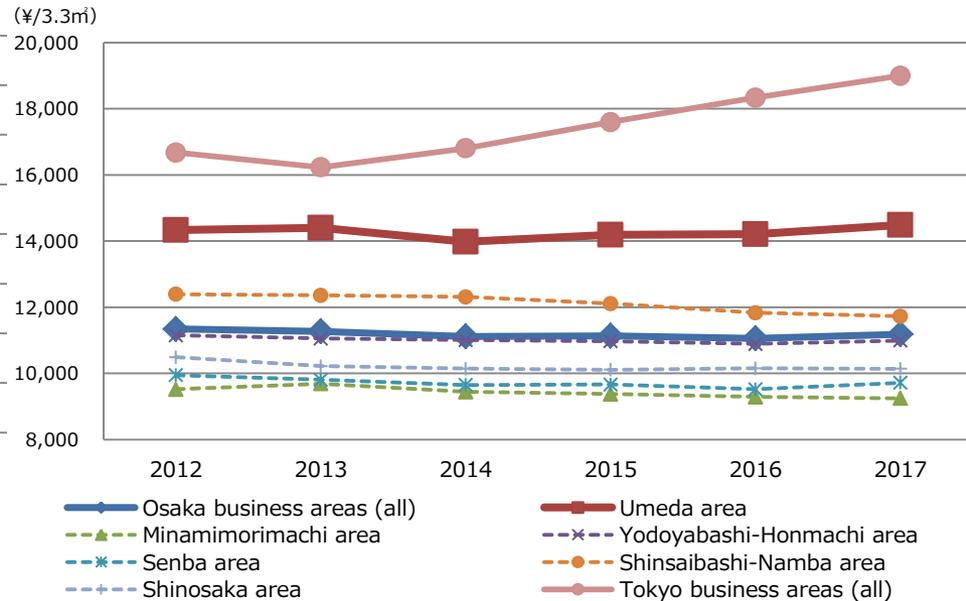


Overview of Umeda Area②

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



Trends in rent among six main business districts in Osaka



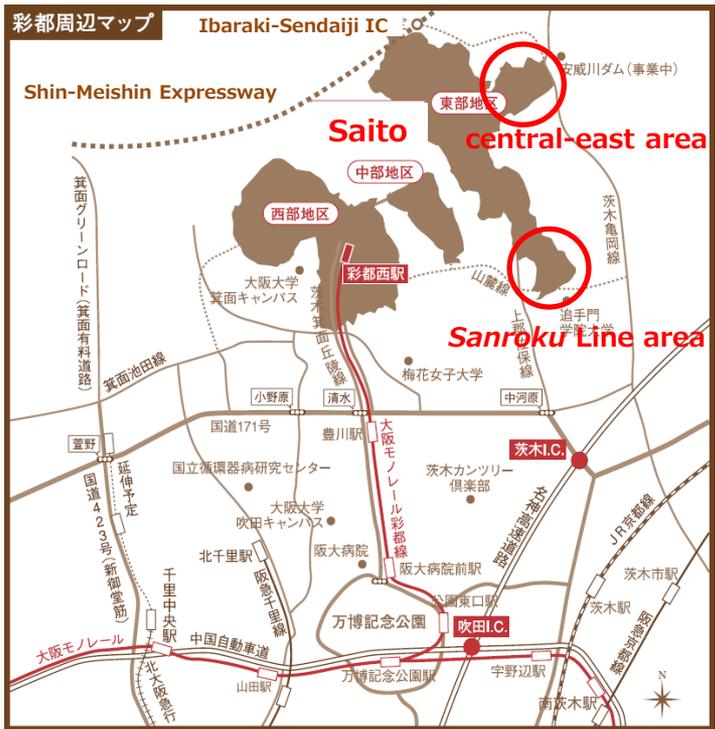
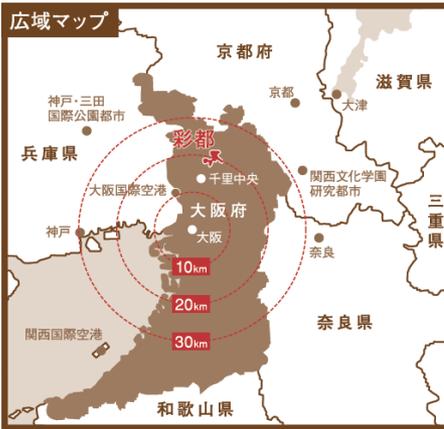
(%)	2012	2013	2014	2015	2016	2017
Osaka business areas (all)	9.51	9.79	8.14	8.12	5.79	3.83
Umeda area	6.12	9.47	7.67	6.76	4.33	2.38
Minamimorimachi area	10.33	8.40	5.79	5.45	6.33	5.77
Yodoyabashi-Honmachi area	9.67	9.58	8.46	9.37	6.02	3.91
Senba area	16.35	13.20	10.86	10.22	7.79	6.11
Shinsaibashi-Namba area	8.80	7.22	5.35	8.77	8.33	3.39
Shinosaka area	9.27	8.41	7.22	6.64	5.46	4.38
Tokyo business areas (all)	8.90	7.90	5.65	4.53	3.70	3.17

(¥/3.3m)	2012	2013	2014	2015	2016	2017
Osaka business areas (all)	11,344	11,271	11,120	11,135	11,061	11,187
Umeda area	14,332	14,402	13,977	14,189	14,210	14,487
Minamimorimachi area	9,522	9,690	9,446	9,376	9,291	9,249
Yodoyabashi-Honmachi area	11,152	11,054	11,009	10,976	10,891	10,994
Senba area	9,950	9,810	9,651	9,663	9,521	9,717
Shinsaibashi-Namba area	12,392	12,361	12,312	12,110	11,833	11,725
Shinosaka area	10,488	10,219	10,143	10,113	10,152	10,140
Tokyo business areas (all)	16,675	16,230	16,805	17,594	18,336	18,995

(Comparison of average rents in September 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 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 August, 2017)

	Minoh City	Ibaraki city	Total
Number of households	2,056	2,737	4,793
Current population	6,270	8,262	14,532
population/Number of households	3.04	3.01	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**
 - Construction of new logistics centres
 - Further expansion of the network
- **Strengthening business development in Africa**
 - Expansion of business operations through the Greater Europe Section, which includes the Johannesburg and Dubai bases

◆ Establishment of new base in India

In July 2017, we opened a sales base in the Neemrana / Bawal area, for which we used to conduct sales activities from our headquarters in Delhi. By strengthening our sales network, we aim to develop new business in the area, which has the highest concentration of Japanese companies in northern India.

Number of bases: Japan=46, Overseas=119
(as of July 1th, 2017)



◆ Construction of new logistics centres in the ASEAN region

Following on from the 2016 opening of a logistics centre in Indonesia, in May 2017 the Group opened its largest logistics centre in Singapore, which has major advantages as an international logistics hub. The new logistics centre conducts high-value-added operations, handling electronic components, medical equipment, pharmaceuticals, and other products of Singapore's priority industrial fields.

◆ Strengthening of business development in East Africa

In June 2017, the Group sent an employee to an affiliated agency in Nairobi, Kenya. In coordination with the personnel of our representative office in Johannesburg, South Africa, these employees will step up business development in East Africa—a region into which growing numbers of Japanese companies are making forays.

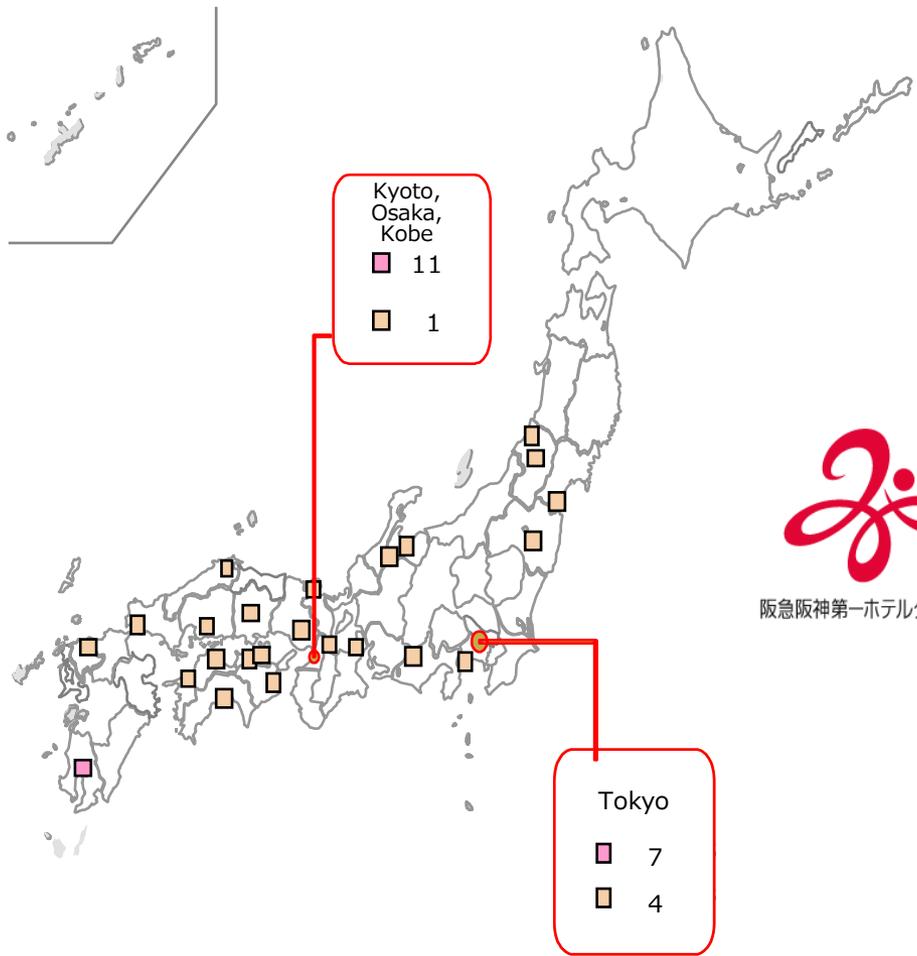
Hotel network of the Hankyu-Hanshin-Daiichi Hotel Group

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

(as of October 1th, 2017)

•The numbers of hotels and rooms do not include the Ritz-Carlton Osaka (Kita-ku, Osaka City, 291 rooms).

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



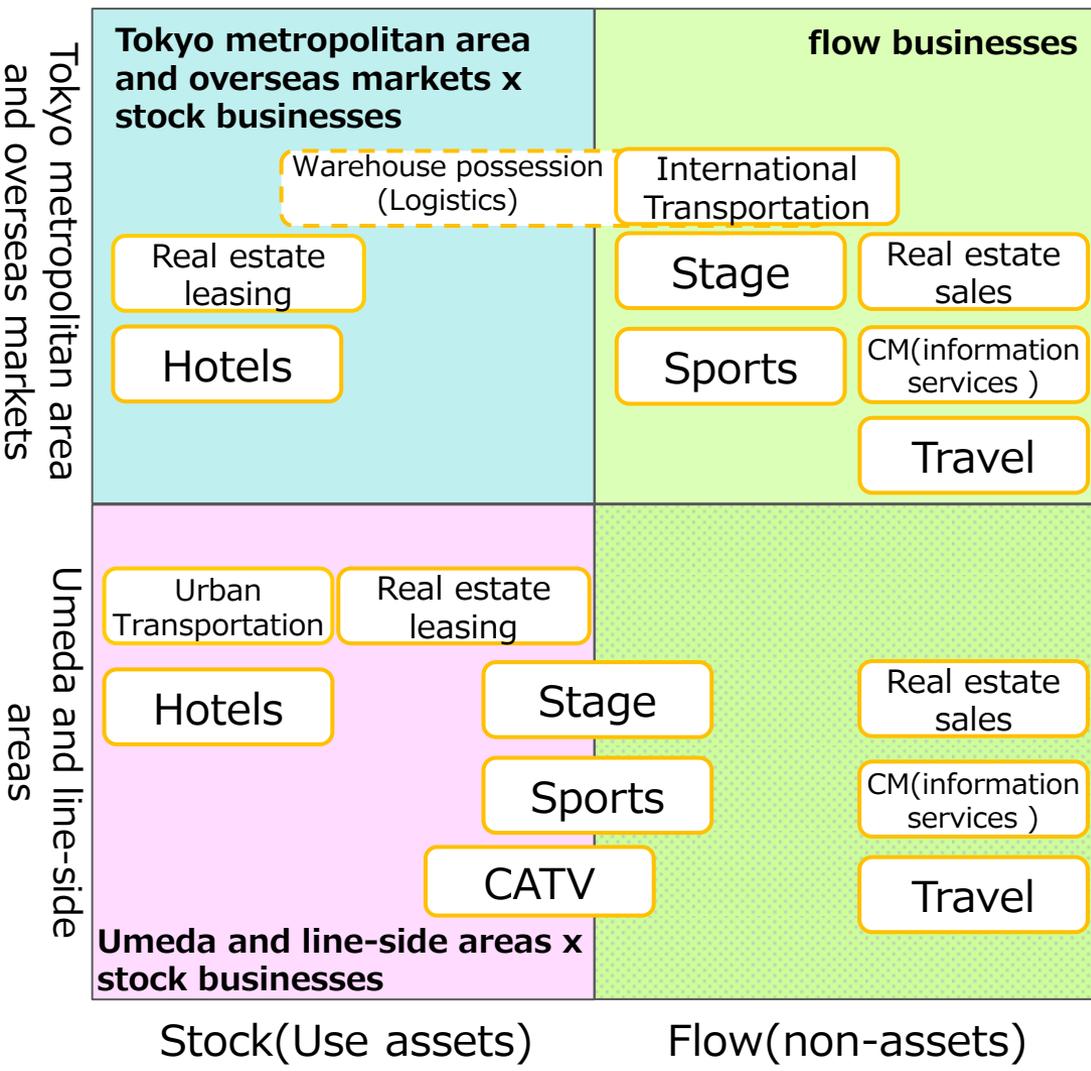
※Hankyu-Hanshin Hotels are entrusted operation

[Others]

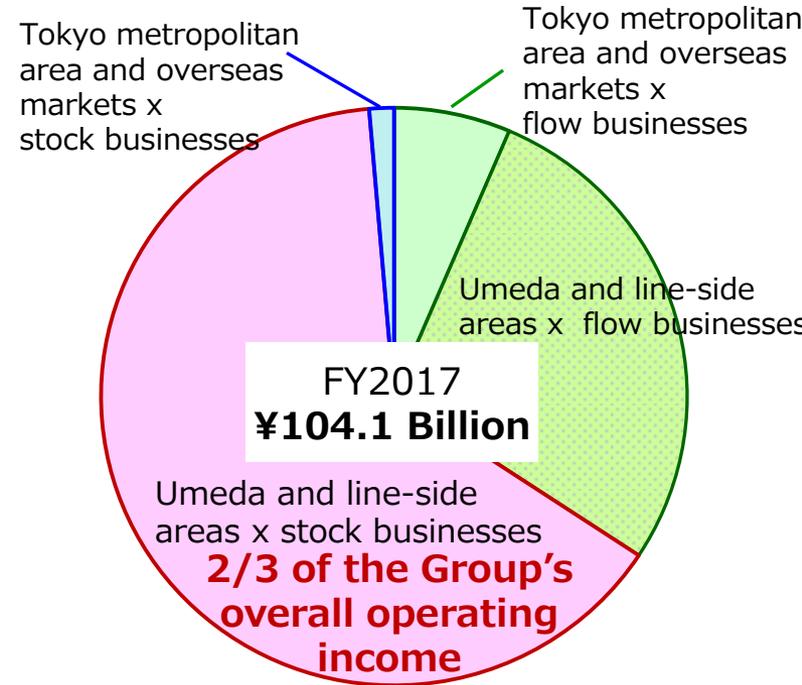
- ① Long-Term Management Vision for 2025 (Fiscal 2026) and Medium-Term Management Plan (Reproduced from the results briefing materials released in May 2017)**

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)'

(year)	Kansai area※1		Tokyo metropolitan area※2		Japan	
	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).
- The tightening labour market will make it harder to secure a workforce.

} → Decline in sales
→ Increase in costs

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

Anticipated Changes in the External Environment (opportunities)

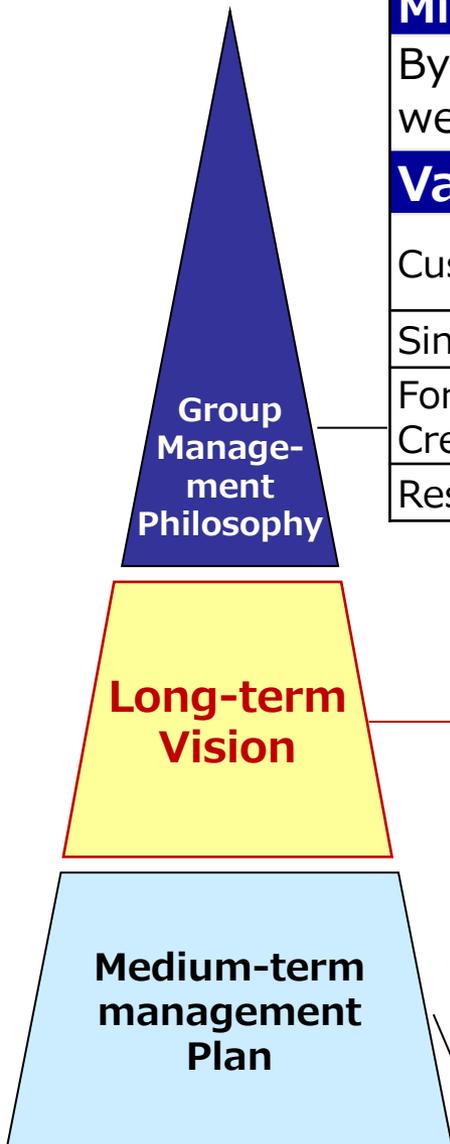
Potential of line-side areas	Our line-side areas are in a relatively advantageous position compared to other line-side areas in Kansai as they are relatively close to Shin-Osaka Station and the international gateways (Kansai International Airport, Osaka International Airport, and Kobe Airport). Also, 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



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.

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.

The medium-term management plan sets out specific action plans for medium-term projects.

(Please see pages 51 to 52 for details on the new medium-term management plan)

The Company We Hope to be in the Long-Term (overall vision)

Slogan for the Hankyu Hanshin Holdings Group 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

Further technological advances (AI, IoT, etc.)

The coming age of full-scale population decline

Economic growth in Asia

Declining birth rate and aging population

Growing numbers of overseas visitors

Crumbling infrastructure

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

Tightening of labour market

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

(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).

Our property portfolio is currently concentrated in Umeda and line-side areas.

Strategy To compensate for downsizing in the Kansai area, we will diversify our

- ② 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

(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

(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.

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.

④

- 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.)

stock
businesses

flow
businesses



(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	<u>¥120 billion</u>
	EBITDA	<u>¥200 billion</u>
Financial soundness	Interest-bearing debt /EBITDA ratio	<u>Between 5 and 6 times</u>

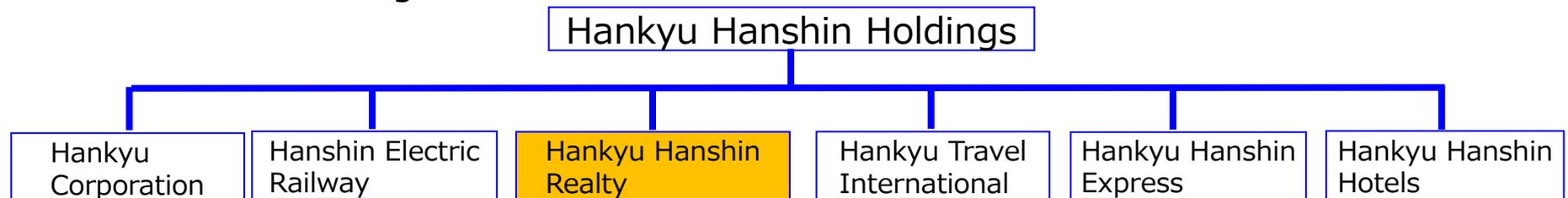
- Ensure that we will be one of the most profitable private railway operators in 2025 (fiscal 2026).
- While accelerating growth investment, ensure that we remain one of the most financially sound private railways operators.

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.

- ① Integrate 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.
 - ② Consolidate 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.
- ※See page 53 for more details on the reorganisation.

〈Reference〉 Post-reorganisation schema



Framework of the Medium-Term Management

Business strategies 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.**

- ① Further strengthen the stock businesses in the Umeda and line-side areas (e.g. railways, real estate leasing, media and communications, hotels)
- ② Accumulate stock in the Tokyo metropolitan area and overseas markets
- ③ Increase competitiveness of flow businesses (real estate sales, sports, stage, information services, travel, and international transportation)
- ④ Make greater use of the Group's collective strength and venture into new business fields

Financial policy 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, since we will pursue growth investment under the four long-term strategies, **we will in future prioritise interest-bearing debt/EBITDA ratio over interest-bearing debt** as a benchmark for financial soundness.
- Returns to shareholders, we will aim to further increase the annual dividend per share for fiscal 2018 onward. (see page 52)

Forward-looking investment

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

Maintaining financial soundness

Prioritise the interest-bearing debt/EBITDA ratio over the 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 30% for fiscal 2018 and onward.

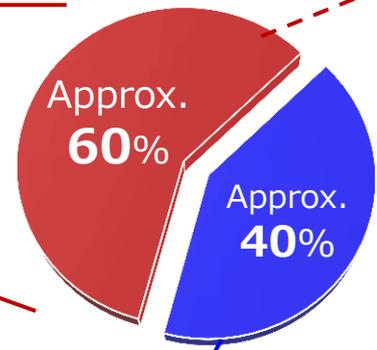
Framework of the Medium-Term Management

Capital investment (including lending) in fiscal 2016-2019

Approx. ¥390 billion

Investment in major development projects and new market development
Approx. ¥170 billion

Investment in maintenance and renewal of existing infrastructure
Approx. ¥220 billion



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

Strategy③
Increase competitiveness of flow businesses

■ Umeda and line-side areas

■ Tokyo metropolitan area and overseas markets

Strategy②
Accumulate stock in the Tokyo metropolitan area and overseas markets

Returns to Shareholders

Shareholder Return Policy: Pay stable annual dividends and acquire treasury stock

- 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

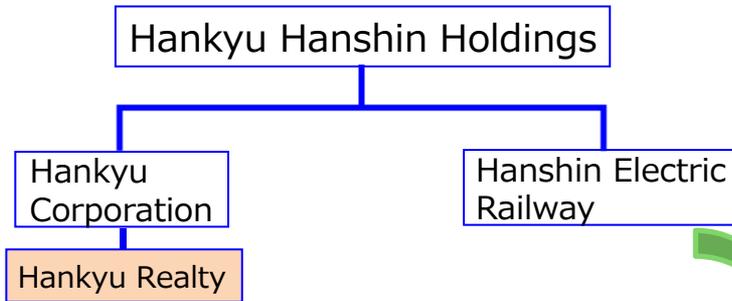
$$\text{Total payout ratio of FY[N]}(\%) = \frac{(\text{Total dividend of FY[N]}) + (\text{Acquisition of treasury stock in FY[N+1]})}{(\text{Net income attributable to owners of parent in FY[N]})} \times 100$$

《Reference》 Reorganisation of the Real Estate Business

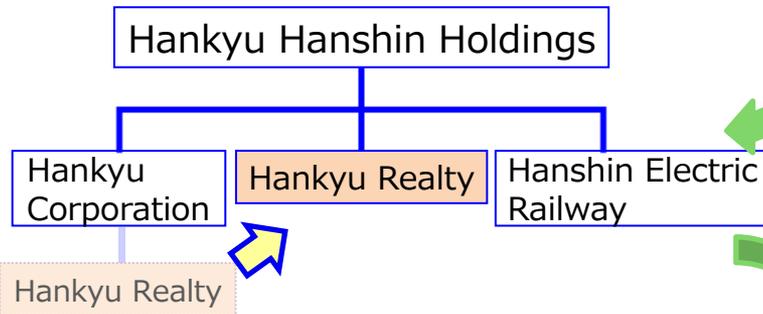
(based on notice released on 2 November 2017)

■ Outline of reorganisation

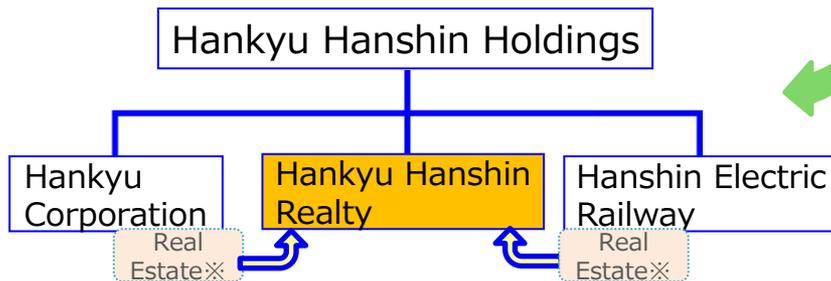
<Present structure>



<First Phase>



<Second Phase>



※1 Including the shares of the companies' subsidiaries and affiliates that engage in leasing, development, real estate sales, and funding

※2 Hankyu Corporation and Hanshin Electric Railway will retain their leasing/development-use real estate in the Umeda and line-side areas. Both companies will collaborate with Hankyu Hanshin Realty in an effort to build transport networks and develop communities with local stakeholders

【Scheduled date of implementation】

•April 1, 2018

【Details of reorganisation】

<First Phase>

•Hankyu Corporation will transfer all shares of its subsidiary Hankyu Realty to Hankyu Hanshin Holdings.

⇒Hankyu Realty will become a subsidiary of Hankyu Hanshin Holdings.

<Second Phase>

•Hankyu Corporation and Hanshin Electric Railway's real estate businesses※1 will be transferred to Hankyu Realty by means of an absorption-type company split. ※2

•Hankyu Realty will change its trading name to Hankyu Hanshin Realty.

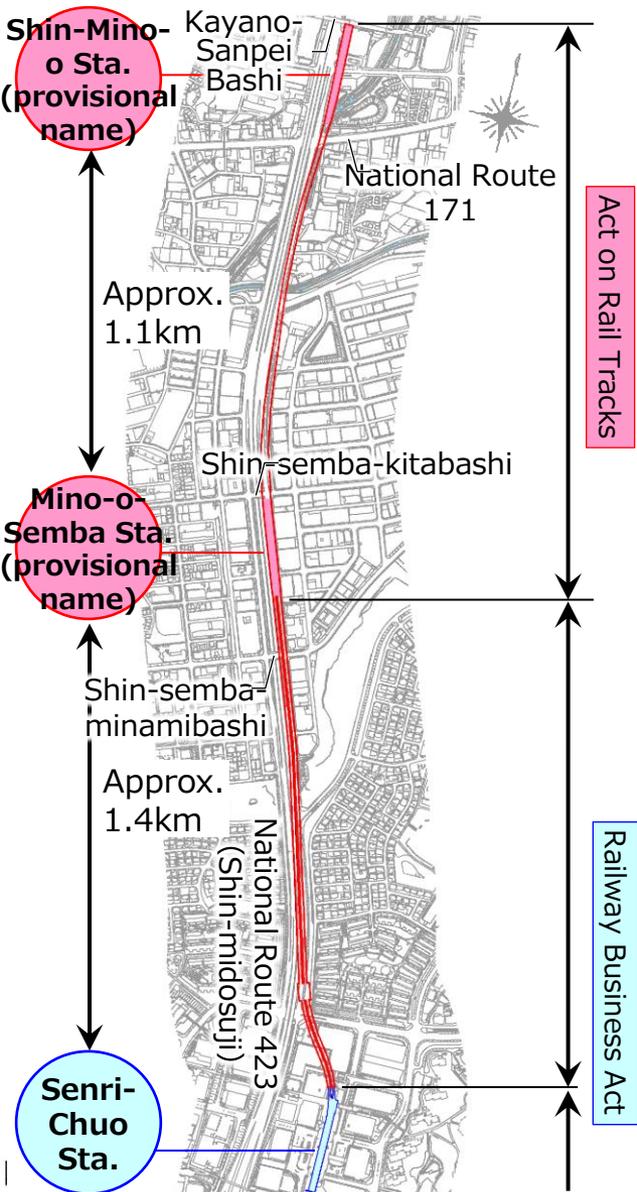
⇒**Hankyu Hanshin Realty will become the Group's core real estate company.**

[Others]

② Main Projects

[Urban Transportation] Main Projects

Kita-Osaka Kyuko Railway Line Extension Project



【Development plan summary】

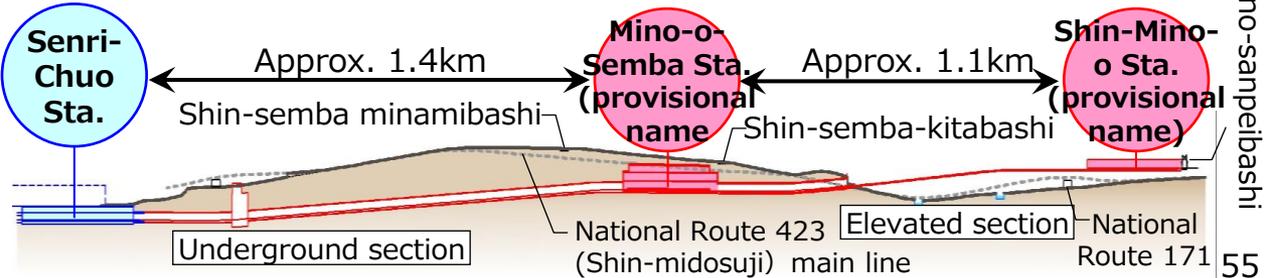
- Extension distance: 2.5 km, from *Senri-Chuo* Sta. to *Shin-Mino-o* Sta. (provisional name)
- New stations: *Mino-o-Semba* Sta. (provisional name), *Shin-Mino-o* Sta. (provisional name)
- Estimated project cost: ¥65.0 billion
- Demand: 45,000 people per day

【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



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 m ² *
Total floor space	Approx. 260,000 m ²
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 750m² of road between Dai Hanshin Building and Shin Hankyu Building

【Schedule】

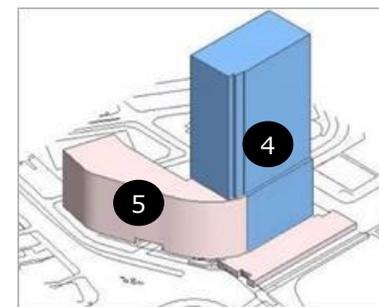
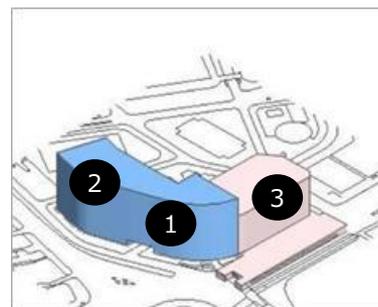
July 2015	begin phase I construction
Around spring 2018	Complete phase I construction (Shin Hankyu Building and Dai Hanshin Building East Wing) and partially open new department store
Around spring 2018	phase II (Begin Dai Hanshin Building West Wing demolition)
Around spring 2019	Phase II (begin phase 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】



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

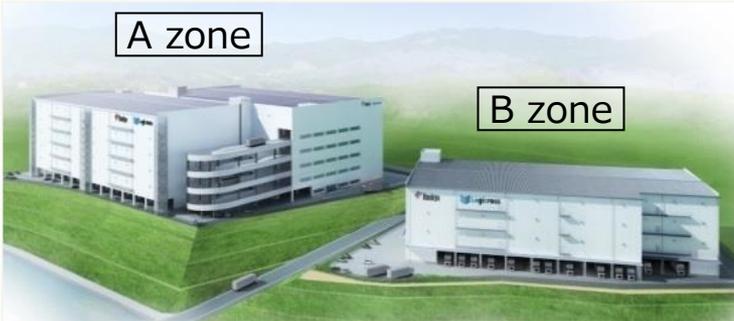
[Real Estate] Main Projects [Umeda and line-side areas] ②

In order of opening date	Chayamachi 17-banchi project 	Nishinomiya Kitaguchi Hankyu Building (Provisional Name) Construction Project 	Extension of Ebista Nishinomiya, a commercial facility adjacent to Hanshin Nishinomiya 
Location	Chayamachi, Kita-ku, Osaka	Takamatsucho, Nishinomiya, Hyogo Pref	Tanakacho, Nishinomiya, Hyogo Pref
Site area	Approx. 440m ²	Approx. 3,000 m ²	Approx. 5,300m ² (Extended area)
Total floor space	Approx. 2,800m ²	Approx. 11,600 m ²	Approx. 10,000m ² (Extended area)
Number of floors	8 floors above ground and 1 below ground	10 floors above ground and 1 below ground	3 floors above ground
Purpose	Commercial facilities (global flagship store 「MIZUNO OSAKA」)	Commercial and educational facilities	Commercial facilities
Scheduled opening	Around spring 2018	Around autumn 2018	Around autumn 2018

[Real Estate] Main Projects [Umeda and line-side areas] ③

In order of opening date	Fukushima 5-Chome and 7-Chome joint development project	Ebie 1-Chome Development Plan	Project to relocate Takarazuka Hotel
			
Location	Fukushima, Fukushima-ku, Osaka	Ebie, Fukushima-ku, Osaka	Sakaemachi, Takarazuka, Hyogo Pref
Site area	Approx. 2,600㎡ (The Company own 1,800㎡)	Approx. 27,900㎡	Approx. 12,300㎡
Total floor space	Approx. 11,000㎡	-	Approx. 23,000㎡
Number of floors	12 floors above ground	-	5 floors above ground and 1 below ground
Purpose	hotel, supermarket	condominium, commercial facilities (land to let)	rooms (Approx. 200rooms) party hall (4 halls) restaurant (4 facilities)
Scheduled opening	Around spring 2019	Around autumn 2019 (Scheduled time of condominium completion)	Around spring 2020

[Real Estate] Main Projects [Umeda and line-side areas] ④

In order of opening date	<p>Project for a logistics facilities in the Sanroku Line area of the eastern section of International Culture Park 'Saito'</p>	<p>Project to rebuild Kobe Hankyu Building's east wing and renew its west wing</p>
		
Location	In the Sanroku Line area of the eastern section of Ibaraki City's International Culture Park 'Saito'	Kanocho, Chuo-ku, Kobe
Site area	A zone : Approx. 51,000m ² B zone : Approx. 16,000m ²	Approx. 7,100m ²
Total floor space	A zone : Approx. 125,000m ² B zone : Approx. 32,000m ²	Approx. 32,900m ²
Number of floors	A zone : 6 floors above ground B zone : 4 floors above ground	29 floors above ground and 3 below ground
Purpose	<p>logistics facilities (A zone : multitenant logistics facility [High-tech facilities designed to be used by multiple tenants] 、 B zone : BTS logistics facility [Facilities built to suit a particular tenant's specifications])</p>	Offices, hotelhotel(remm expected to become tenant), commercial facilities, railway station
Scheduled opening	A zone : FY2022 B zone : FY2021	Around spring 2021

[Real Estate] Main Projects [Tokyo metropolitan area]

	Yotsuya Station District Redevelopment Project	2-6 Kyobashi Redevelopment Plan	Ginza 3-chome Project
			
Location	Yotsuya, Shinjuku-ku, Tokyo	Kyobashi, Chuo-ku, Tokyo	Ginza, Chuo-ku, Tokyo
Site area	Approx. 17,900㎡	Approx. 1,450㎡	Approx. 310㎡
Total floor space	Approx. 139,600㎡	Approx. 17,000㎡	—
Number of floors	31 floors above ground and 3 below ground	14 floors above ground and 1 below ground	—
Purpose	office, commercial facilities, residence, educational services, public good, parking	hotel(remm expected to become tenant), office, commercial facilities	commercial facilities
Scheduled opening	Around early 2020 (Scheduled time of construction completion)	Around spring 2019	—

[Overseas] Main Projects①

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 March 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.

【Logistics centre in Indonesia】



【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.
- The logistics centre was completed and put into service in May 2017. Hankyu Hanshin Express Singapore Pte. Ltd. and other companies are using the centre to provide high value-added logistics services focusing on goods related to Singapore's key industries, including electrical components, medical equipment, and pharmaceutical products.

【Logistics centre in Singapore】



[Overseas] Main Projects②

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 on the outskirts of Jakarta, Indonesia, in which we are participating, construction work is now underway, and sales are expected to commence before the end of fiscal 2018.
 - We are making headway with a condominium sales project in Bangkok, Thailand. Also, we got the go-ahead to participate in a project in Dasmariñas✳, Philippines.
- ✳Situated around 30km south of Manila's centre, Dasmariñas serves as a bed town for people who work in the Metropolitan Manila Area or its industrial suburbs.
- In addition to the above initiatives, we are exploring the potential for expanding into a number of countries (such as Malaysia) over a number of years. While building our track record, we will continue to gather information, ascertain local conditions, and accumulate business knowhow with respect to residential developments in ASEAN countries.

[Thailand]

- Joint project by SENA Development Public Co.
- Niche Mono Sukhumvit (condominium :Total 1,275 units)
- Niche Pride Taopoon Interchange (condominium :Total 777 units)

[Indonesia]

- Joint project by Sinarmas Land Ltd. and others
- Bumi Serpong Damai residential land lot project (house): Total 900 units (business loft: Total 150 units)

[Vietnam]

- Joint project by NAM LONG INVESTMENT Co. and Nishi-Nippon Railroad Co.
- 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

[Philippine]

- Joint project by P.A. ALVAREZ PROPERTIES AND DEVELOPMENT Co.
- Detached house business in Dasmariñas (house): Total 403 units (townhouse): Total 465 units