

Hankyu Hanshin Holdings Group Results Briefing Materials for Fiscal 2018 (fiscal year ended 31st March 2018)

May 23, 2018

Hankyu Hanshin Holdings, Inc.

9042 <http://www.hankyu-hanshin.co.jp/en/>

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Business forecasts and other projections herein are based on information available at present and logical assessments and do not represent any promise by the Company. The actual results may differ significantly from these projections due to various factors.

Key Points

- FY2018
 - Income and revenue increased following strong performance in Entertainment and Communications Business, Travel Business, and International Transportation Business segments.
 - Revenues from operations reached an all-time high, while operating income and ordinary income rose to its second-highest level ever.
- Medium-term management plan (–FY2022)
 - As part of our Long-Term Vision unveiled in May 2017, we have established the Medium-Term Management Plan (FY2019–FY2022).
 - The Group will pursue the four strategies outlined in the Long-Term Vision with a view to achieving a stable operating income level of ¥110 billion by fiscal 2022.
 - For the period of the plan, we envisage capital expenditure level of ¥610 billion (including lending), which is ¥220 billion more than in the previous medium-term plan.

I . Performance Highlights for Fiscal 2018 (fiscal year ended 31st March 2018)

Consolidated Statements of Income(Summary)

	FY2018 Results	FY2017 Results	Change
Consolidated Subsidiaries	92 companies	93 companies	-1(2 companies increase, 3 companies decrease)
Equity-Method Affiliates	11 companies	11 companies	±0
Total	103 companies	104 companies	-1(2 companies increase, 3 companies decrease)

(¥ million)	FY2018 Results	FY2017 Results	Change	Remarks
Revenues from operations	760,252	736,763	+23,489(+3.2%)	For details, please see next page
Operating income	105,211	104,058	+1,153(+1.1%)	
Non-operating income	12,791	11,789	+1,002	Equity in income of affiliates +601
Non-operating expenses	14,228	15,240	-1,012	Interest expense -1,107
Ordinary income	103,774	100,607	+3,167(+3.1%)	
Extraordinary income	35,168	4,255	+30,913	Gain on contributions for construction +30,369
Extraordinary loss	37,533	4,057	+33,476	Loss on reduction of noncurrent assets +31,522
Net income attributable to owners of the parent	66,361	71,302	-4,941(-6.9%)	Tax expense +5,431

(Reference)	FY2018 Results	FY2017 Results	Change
Depreciation and amortisation	53,276	52,800	+476
Financial balance ① - ②	-8,728	-10,074	+1,346
Interest and dividend income①	1,331	1,092	+239
Interest expense②	10,059	11,166	-1,107

Consolidated Statements of Income (Breakdown for each business segment)

[Key results in current period]

Income and revenue increased across the segments. The Entertainment and Communications Business segment reported strong results in its sports business, stage business, and communication and media business; the Travel Business segment benefitted from increased demand for travel to Europe; the International Transportation Business segment saw strong results particularly in air transport.

(¥ million)	Revenues from operations		
	FY2018 Results	FY2017 Results	Change
Urban Transportation	235,967	237,136	-1,169
Real Estate	222,586	215,709	+6,876
Entertainment and Communications	121,078	115,193	+5,884
Travel	34,022	29,938	+4,083
International Transportation	83,707	71,670	+12,037
Hotels	67,248	65,640	+1,608
Other	42,811	42,646	+164
Adjustment	-47,169	-41,172	-5,997
Total	760,252	736,763	+23,489

Segment income		
FY2018 Results	FY2017 Results	Change
41,586	42,237	-651
40,954	41,970	-1,016
17,750	15,655	+2,094
2,055	637	+1,418
2,777	1,587	+1,189
2,216	2,795	-579
1,929	1,340	+588
-4,058	-2,167	-1,890
105,211	104,058	+1,153

Urban Transportation results

[Railway]

The Hankyu and Hanshin lines performed well, contributing to a boost in revenues from operations; however, operating income was down due to higher depreciation and amortisation and power costs.

[Automobile]

Revenues from operations declined after Nippon Rent-A-Car Hankyu was excluded from the scope of consolidation in March 2017. Operating income declined too because of higher fuel costs and depreciation and amortisation.

(¥ million)	FY2018 Results	FY2017 Results	Change	%
Revenues from operations	235,967	237,136	-1,169	-0.5%
Operating income	41,586	42,237	-651	-1.5%

[Breakdown by type of business]

(¥ billion)	FY2018 Results	Y on Y
Revenues from operations		
Railway	152.2	+2.3
Automobile	48.0	-1.0
Retailing	30.6	-2.4
Advertising	8.7	+0.2
Others	8.7	-0.4

• Impact of excluding Nippon Rent-A-Car Hankyu from the scope of consolidation.
(About ¥-1.3billion)

• 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 ¥-0.9 billion)

*Not including head office expenses /adjustments.

[Urban Transportation] Railway Performance results

Hankyu Corporation

	Fare revenues (¥ million)*			Passenger volumes (Thousands)*		
	FY2018 Results	FY2017 Results	Change	FY2018 Results	FY2017 Results	Change
Commuter pass	33,198	32,628	+570(+1.7%)	335,005	329,305	+5,700(+1.7%)
Workers	28,690	28,138	+552(+2.0%)	234,816	230,010	+4,806(+2.1%)
Students	4,507	4,489	+18(+0.4%)	100,189	99,295	+894(+0.9%)
Other tickets	63,137	62,720	+417(+0.7%)	319,939	318,064	+1,875(+0.6%)
Total	96,335	95,348	+987(+1.0%)	654,945	647,369	+7,576(+1.2%)

Hanshin Electric Railway

	Fare revenues (¥ million)*			Passenger volumes (Thousands)*		
	FY2018 Results	FY2017 Results	Change	FY2018 Results	FY2017 Results	Change
Commuter pass	11,797	11,563	+234(+2.0%)	122,073	119,768	+2,305(+1.9%)
Workers	10,576	10,356	+220(+2.1%)	96,401	94,479	+1,922(+2.0%)
Students	1,221	1,206	+14(+1.2%)	25,672	25,289	+383(+1.5%)
Other tickets	21,638	21,136	+501(+2.4%)	119,567	116,998	+2,569(+2.2%)
Total	33,436	32,699	+736(+2.3%)	241,641	236,766	+4,875(+2.1%)

* 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 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	3Q	4Q	Total
FY2018 Results	24,532	23,901	24,313	23,588	96,335
FY2017 Results	24,194	23,656	24,097	23,399	95,348
Change	+338	+244	+215	+188	+987
(%)	+1.4%	+1.0%	+0.9%	+0.8%	+1.0%

《Hanshin Electric Railway》

Transportation revenue (tier 1 + tier 2)

(¥ million)

Totals for commuter passes and other tickets	1Q	2Q	3Q	4Q	Total
FY2018 Results	8,474	8,687	8,200	8,073	33,436
FY2017 Results	8,284	8,440	8,004	7,970	32,699
Change	+190	+246	+195	+103	+736
(%)	+2.3%	+2.9%	+2.4%	+1.3%	+2.3%

Factors of YoY Change (estimated)

- Cherry-blossom season surge(April, 2017・March, 2018) +¥105million
- Golden Week holiday surge +¥50million
- Autumn foliage surge +¥29million
- Other factors (e.g. increase in line-side areas populations, and increase in inbound demand) +¥804million

Factors of YoY Change (estimated)

- Increase in visitors to Koshien Stadium (professional baseball games) +¥98million
- Increase in visitors to Kyocera Dome (events, professional baseball games) +¥34million
- Other factors (e.g. the strong performance of the Hanshin Namba Line, increase in line-side areas populations, and increase in inbound demand) +¥604million

Real Estate results

[Real estate leasing]

Revenues from operations increased, with rental buildings in the Umeda area performing well; however, operating income declined due to higher expenditures for performing repairs and revamping commercial facilities.

[Real estate sales and Others]

A rise in the total number of units contributed to an increase in revenues from operations, but operating income was down due to higher sales expenses.

【Reference】 Condominium sales : +72 (1,159 units; previous year 1,087 units)

*Figures include units in shared buildings that the Group partly owns.

(¥ million)	FY2018 Results	FY2017 Results	Change	%
Revenues from operations	222,586	215,709	+6,876	+3.2%
Operating income	40,954	41,970	-1,016	-2.4%

[Breakdown by type of business]

(¥ billion)	FY2018 Results	Y on Y
Revenues from operations		
Real estate leasing	106.7	+2.7
Real estate sales and Others	133.5	+4.8

*Not including head office expenses/adjustments.

Entertainment and Communications results

[Sports]

Income and revenue increased due a number of factors: Hanshin Tigers Baseball Club's advanced to the Climax Series, admissions for Hanshin Tigers' regular season games increased, and food, drink, and merchandise sales were strong.

[Stage]

Income and revenue increased, with the stage business benefitting from the popularity of shows such as Snow Troupe's *A Passage Through The Light: Maximilien Robespierre, the Revolutionary* + *Super Voyager!* and Flower Troupe's *Family of Poe*.

[Communication, media and Others]

Income and revenue increased, with the information services business performing well in e-commerce website construction and maintenance services, and the broadcast and communications business increasing cable TV subscriptions.

(¥ million)	FY2018 Results	FY2017 Results	Change	%
Revenues from operations	121,078	115,193	+5,884	+5.1%
Operating income	17,750	15,655	+2,094	+13.4%

[Breakdown by type of business]

(¥ billion) Revenues from operations	FY2018 Results	Y on Y
Sports	36.8	+2.9
Stage	34.0	+1.2
Communication, media and Others	51.4	+2.1

Travel results

Income and revenue increased, with the overseas travel business seeing higher numbers of visitors to destinations in Europe and China and the domestic travel business also achieving strong visitor numbers.

(¥ million)	FY2018 Results	FY2017 Results	Change	%
Revenues from operations	34,022	29,938	+4,083	+13.6%
Operating income	2,055	637	+1,418	+222.5%

[Performance Highlights for Fiscal 2018]

- ◆ **Overseas travel billings : Ranking 3(※)**
Billings : ¥ 206.6billion (Y on Y +10.5%)
- ◆ **Domestic travel billings : Ranking 6(※)**
Billings : ¥ 136.1billion (Y on Y +5.5%)
- ◆ **Total travel billings : Ranking 6(※)**
Billings : ¥ 345.5billion (Y on Y +8.4%)

※ The above figures indicate the aggregated results for Hankyu Travel International, Hankyu Hanshin Business Travel, and Hanshin Travel International (intercompany transactions offset)

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

※ Source: Japan Tourism Agency, 'Bulletin on Sales Volumes among the Major Travel Agents' (Shuyō ryokō-gyōsha no ryokō toriatsukai jōkyō sokuho)

【Overseas travel】

Sales volume was higher than the level of the previous year. The number of visitors to European destinations recovered from the impact of terrorist incidents, and sales for destinations in China and elsewhere in Asia grew.

【Domestic travel】

Shikoku destinations experienced a reactionary decline from the previous year, when it benefitted from the popularity of the Shikoku pilgrimage in the reverse order ("Gyaku-uchi"). Other domestic destinations fared better, particularly those in Hokkaido and Kanto, and sales volume surpassed the previous year's level.

International Transportation results

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

(¥ million)	FY2018 Results	FY2017 Results	Change	%
Revenues from operations	83,707	71,670	+12,037	+16.8%
Operating income	2,777	1,587	+1,189	+74.9%

【 Performance Highlights for Fiscal 2018】

- In Japan, both air and ocean transport performed well.
- In America, Asia-origin imports performed well, as did logistics.
- Europe and East Asia saw strong results, particularly in air exports of automobile components.
- As for the ASEAN region, both air and ocean transport performed well, but operating income was lower than in the previous year because of logistics centre-related expenses.

Hotels results

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

(¥ million)	FY2018 Results	FY2017 Results	Change	%
Revenues from operations	67,248	65,640	+1,608	+2.5%
Operating income	2,216	2,795	-579	-20.7%

[Performance Highlights for Fiscal 2018]

Occupancy rates of Hankyu Hanshin Hotels

Total 92.7%(+0.1 points from previous year)
 Kansai area 95.4%(+1.1 points from previous year)
 Tokyo metropolitan area 88.7%(-2.1 points from previous year)

Average daily rates (ADR) of Hankyu Hanshin Hotels

Total ¥13,832 (-¥616 from previous year)
 Kansai area ¥13,549 (-¥591 from previous year)
 Tokyo metropolitan area ¥15,449 (-¥1,216 from previous year)

(reference) Not including remm ROPPONGI (opened March 2017)

Occupancy rates of Hankyu Hanshin Hotels

Total 93.5% (+0.9 points from previous year)
 Tokyo metropolitan area 90.2%
 (-0.6 points from previous year)

Average daily rates (ADR) of Hankyu Hanshin Hotels

Total ¥13,956 (-¥492 from previous year)
 Tokyo metropolitan area ¥16,417
 (-¥254 from previous year)

【Hotels business】

• While the hotels maintained high occupancy rates, average daily rates (ADR) was negatively affected by the vacation rentals and new hotels. In the Tokyo metropolitan area, however, the decline in ADR was less than in the previous year when the full-year contribution of remm ROPPONGI is discounted.

【Parties business and Restaurants business】

• Revenue from the restaurants business was lower compared to the previous year, reflecting the closure of an outside restaurant. On the other hand, revenue from the parties business was up from the previous year; the business achieved strong results with corporate bookings and events.

Consolidated Statements of Income

(Non-operating profit and loss)

(¥ million)	FY2018 Results	FY2017 Results	Change
Operating income	105,211	104,058	+1,153
Non-operating income	12,791	11,789	+1,002
Equity in income of affiliates	9,232	8,630	+601
Non-operating expenses	14,228	15,240	-1,012
Interest expenses	10,059	11,166	-1,107
Ordinary income	103,774	100,607	+3,167

Consolidated Statements of Income

(Extraordinary profit and loss)

(¥ million)	FY2018 Results	FY2017 Results	Change
Extraordinary profit and loss	-2,364	197	-2,562
Extraordinary income	35,168	4,255	+30,913
Gain on contributions for construction	32,483	2,114	+30,369
Other	2,685	2,140	+544
Extraordinary loss	37,533	4,057	+33,476
Loss on reduction of noncurrent assets	33,702	2,180	+31,522
Other	3,831	1,877	+1,953

Consolidated Statements of Income

(Net income attributable to owners of the parent)

(¥ million)	FY2018 Results	FY2017 Results	Change
Income before income taxes	101,410	100,805	+605
Total income taxes	33,362	27,931	+5,431
Income taxes—current	28,389	26,081	+2,308
Income taxes—deferred	4,972	1,850	+3,122
Net income	68,047	72,873	-4,825
Net income attributable to non-controlling interests	1,685	1,570	+115
Net income attributable to owners of the parent	66,361	71,302	-4,941

Consolidated Balance Sheets

(¥ million)		FY2018 Results	FY2017 Results	Change	Remarks
Assets	Current assets	296,487	269,992	+26,495	Trade receivables: +9,126 Land and buildings for sale : +8,942
	Noncurrent assets	2,113,617	2,079,839	+33,778	Investment securities: +17,974 Property and equipment and intangible assets: +12,759
	Total assets	2,410,105	2,349,831	+60,273	
Liabilities	Current liabilities	406,911	419,291	-12,380	
	Long-term liabilities	1,136,681	1,125,879	+10,801	
	Total liabilities	1,543,592	1,545,171	-1,578	
					Debt
					Bonds
					Lease obligations
					Interest-bearing debt
					Accounts payable : +10,942 Advances received : +8,789 Trade payables : +6,804
Net assets	Shareholders' equity	804,764	759,875	+44,888	Net income attributable to owners of the parent: +66,361 Less treasury stock, at cost: -10,709 Payment dividend: -9,360
	Accumulated other comprehensive income	32,961	27,074	+5,887	Valuation difference on available-for-sale securities: +4,601
	Subscription rights to shares	—	496	-496	
	Non-controlling interests	28,786	17,213	+11,572	Gain on receipt of deposits for subscriptions to shares among consolidated subsidiaries
	Total net assets	866,512	804,659	+61,852	

Consolidated Statements of Cash Flows

(¥ million)

	FY2018 Results	FY2017 Results
Cash flows from operating activities	135,821	115,633
Depreciation and amortisation	53,276	52,800
Income taxes (paid) refunded	-26,005	-22,714
Cash flows from investing activities	-88,351	-84,845
Purchases of noncurrent assets	-102,863	-92,767
Receipt of contributions for construction	21,222	13,973
Cash flows from financing activities	-43,242	-30,595
Purchase of treasury stock	-10,689	-5,271
Dividends paid	-9,360	-8,803
Decrease (increase) in interest-bearing debt	-32,764	-17,046
Effect of exchange rate changes on cash and cash equivalents	360	-673
Increase (decrease) in cash and cash equivalents	4,588	-480
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	27,501	22,530

《Reference》 Consolidated Statements of Income

(¥ billion) [Upper table] Revenues from operations [Lower table] Operating income	FY2018 Results ①	FY2018 forecasts (As of Nov.) ②	Change ①-②	FY2018 Forecasts (As of May) ③	Change ①-③	FY2017 Results ④	Change ①-④
Total	760.3	765.0	-4.7	750.0	+10.3	736.8	+23.5
	105.2	104.0	+1.2	96.0	+9.2	104.1	+1.2
(Breakdown for each business segment)							
Urban Transportation	236.0	236.2	-0.2	234.5	+1.5	237.1	-1.2
	41.6	41.2	+0.4	39.6	+2.0	42.2	-0.7
Real Estate	222.6	232.7	-10.1	225.5	-2.9	215.7	+6.9
	41.0	41.2	-0.2	38.1	+2.9	42.0	-1.0
Entertainment and Communications	121.1	118.6	+2.5	115.3	+5.8	115.2	+5.9
	17.8	16.2	+1.6	14.5	+3.3	15.7	+2.1
Travel	34.0	33.7	+0.3	32.3	+1.7	29.9	+4.1
	2.1	1.2	+0.9	0.5	+1.6	0.6	+1.4
International Transportation	83.7	78.3	+5.4	73.1	+10.6	71.7	+12.0
	2.8	2.0	+0.8	1.7	+1.1	1.6	+1.2
Hotels	67.2	66.9	+0.3	67.9	-0.7	65.6	+1.6
	2.2	2.4	-0.2	2.6	-0.4	2.8	-0.6

《Reference》 Consolidated Statements of capital expenditure

(¥ billion)	FY2018 Results ①	FY2018 forecasts (As of Nov.) ②	Change ①-②	FY2018 Forecasts (As of May) ③	Change ①-③	FY2017 Results ④	Change ①-④
Total capital expenditure	86.4	94.0	-7.6	94.0	-7.6	86.2	+0.2

(Breakdown for each business segment)

Urban Transportation	35.0	38.5	-3.5	38.5	-3.5	31.2	+3.8
Real Estate	39.9	44.1	-4.2	44.1	-4.2	43.1	-3.2
Entertainment and Communications	7.6	9.8	-2.2	9.8	-2.2	7.4	+0.2
Travel	0.5	0.9	-0.4	0.9	-0.4	0.5	+0.0
International Transportation	0.7	0.7	+0.0	0.7	+0.0	0.4	+0.3
Hotels	2.3	3.1	-0.8	3.1	-0.8	3.2	-0.9

《Reference》 Consolidated Statements of Depreciation and amortisation, EBITDA

(¥ billion)	FY2018 Results ①	FY2018 forecasts (As of Nov.) ②	Change ①-②	FY2018 Forecasts (As of May) ③	Change ①-③	FY2017 Results ④	Change ①-④
Total Depreciation and amortisation	53.3	53.7	-0.4	53.9	-0.6	52.8	+0.5
(Breakdown for each business segment)							
Urban Transportation	26.7	27.0	-0.3	26.9	-0.2	25.9	+0.7
Real Estate	16.5	16.5	+0.0	16.7	-0.2	16.8	-0.3
Entertainment and Communications	6.8	7.0	-0.2	7.2	-0.4	6.7	+0.1
Travel	0.7	0.7	-0.0	0.7	-0.0	0.7	-0.0
International Transportation	0.7	0.7	-0.0	0.8	-0.1	0.7	-0.0
Hotels	2.1	2.1	-0.0	2.1	-0.0	1.9	+0.2
Total EBITDA	160.8	160.0	+0.8	152.0	+8.8	159.3	+1.5
(Breakdown for each business segment)							
Urban Transportation	68.2	68.2	+0.0	66.6	+1.6	68.2	+0.1
Real Estate	57.5	57.7	-0.2	54.8	+2.7	58.8	-1.3
Entertainment and Communications	24.6	23.3	+1.3	21.8	+2.8	22.6	+2.1
Travel	2.7	1.9	+0.8	1.2	+1.5	1.4	+1.4
International Transportation	3.4	2.7	+0.7	2.5	+0.9	2.3	+1.2
Hotels	4.3	4.5	-0.2	4.7	-0.4	4.7	-0.4

Ⅱ. Summary of the Medium-Term Management Plan

Long-Term Vision (Overall vision)

The slogan for the Hankyu Hanshin Holdings Group's Long-Term 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

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)

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

Long-Term Vision (Four strategies)

Umeda・Line-side
areas

Umeda and line-side areas x stock businesses

Make our railway the absolute best among the Kansai networks.

Strategy①

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.

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

Our property portfolio is currently concentrated in Umeda 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.

Stock (Use assets)

Group-wide initiatives, new business fields, etc.

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

Strategy④

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.

Flow business

Strengthen competitiveness by thoroughly pursuing brand optimisation and differentiation.

Strategy③

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.

Flow (non-assets)

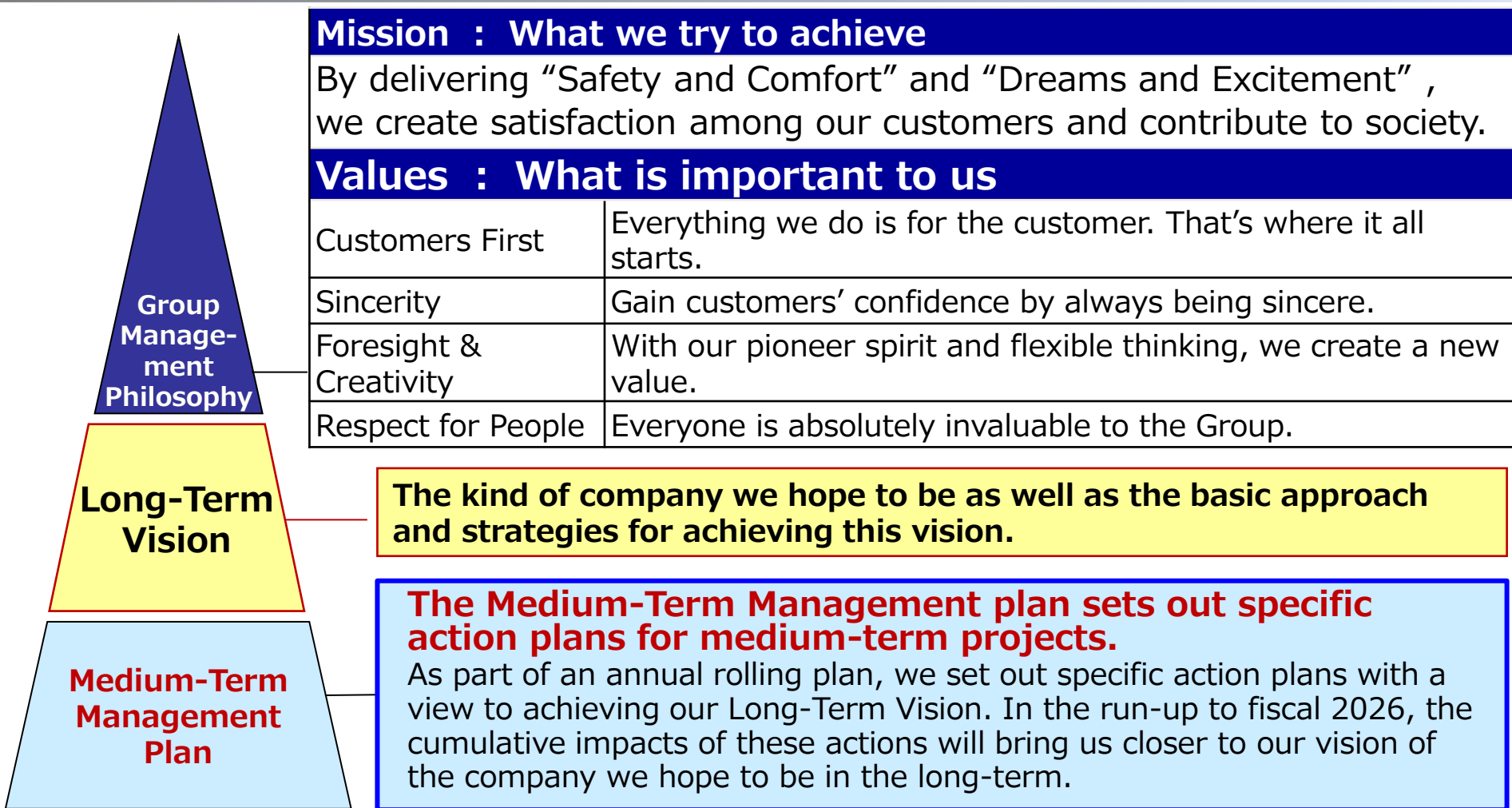
Long-Term Vision (Management Indicators)

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.

Placement of Medium-Term Management Plan

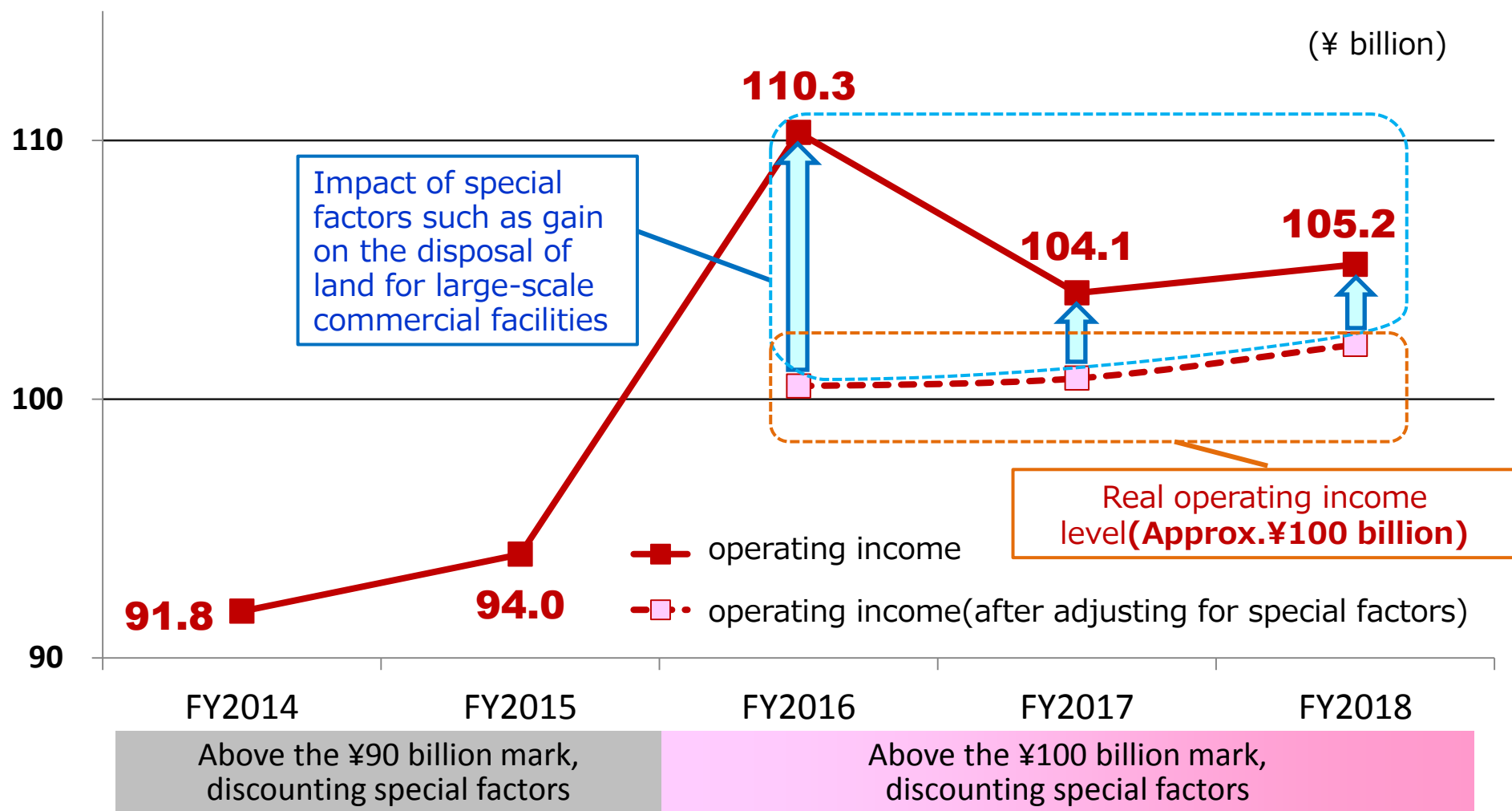


The current Medium-Term Management Plan is the first action plan following the unveiling of our Long-Term Vision.

The plan defines fiscal 2022 as an interim target year or ‘milestone’ on the path to our Long-Term Vision, and the period from fiscal 2019 to fiscal 2022 will be an action plan period during which we will draw up a detailed roadmap and start putting policies into action.

Current operating income levels

- From fiscal 2016 through fiscal 2018, operating income trended **a little above the ¥100 billion mark in real terms**, discounting special factors such as gain on the disposal of land for large-scale commercial facilities.



Framework of the Medium-Term Management Plan ①

- Under the current plan, we aim to raise the current operating income level from ¥100 billion to ¥120 billion by fiscal 2026. To this end, we will pursue actions in line with our four strategies, and in allocating our capital resources, **we will focus on growth investments** linked to the four strategies.
- Additionally, **we will aim to raise operating income to ¥110 billion (the midway point of the ¥100–120 billion region)** by the interim/milestone year of fiscal 2022.

Four strategies ~Business strategies related to the Long-Term Vision~

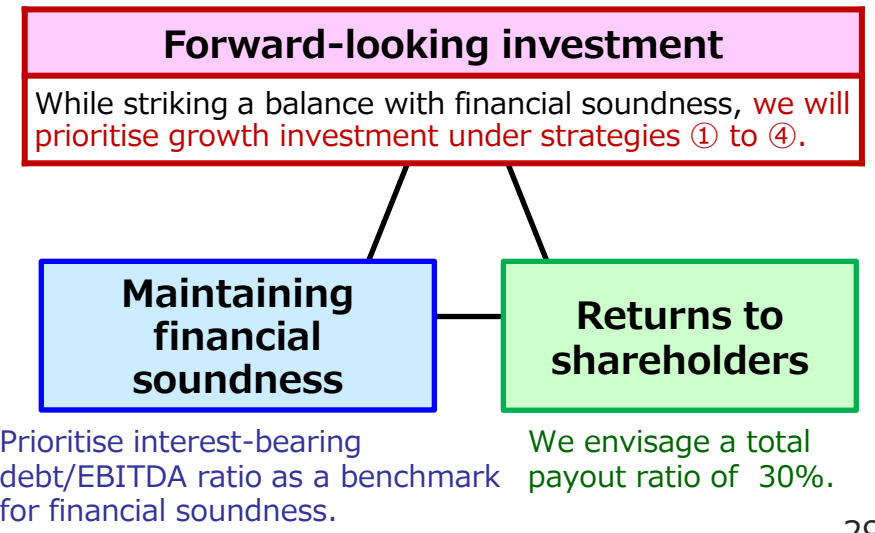
①Further strengthen the stock businesses in the Umeda and line-side areas (e.g. railways, real estate leasing, media and communications, hotels)

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

- Financial policy**
- As part of our efforts to achieve our Long-Term Vision, **we will focus on growth investments linked to the four strategies** while aiming to further increase operating income and EBITDA.
 - We will continue to maintain our financial soundness. (Interest-bearing debt/EBITDA ratio will be prioritised over interest-bearing debt as a benchmark for financial soundness.)
 - As for returns to shareholders, we envisage an annual dividend per share of ¥40 and a total payout ratio of 30%.



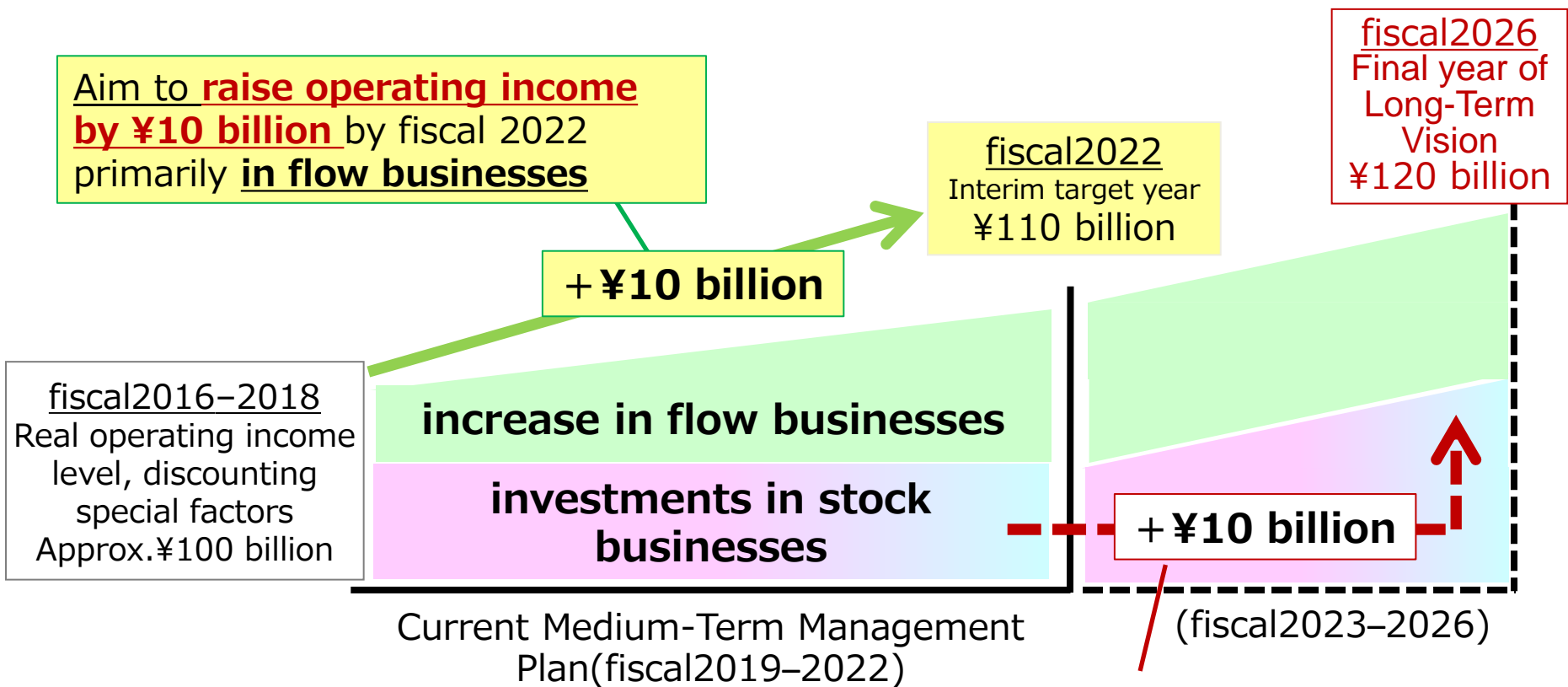
Framework of the Medium-Term Management Plan ②

- Investments under the Strategies ① and ② (which involve stock businesses), excluding those for acquiring functioning property, will take some time to yield returns. Likewise, when it comes to investments under the fourth strategy (for developing new business fields), it will take considerable time to establish new businesses.
⇒We expect that investments under Strategies ①, ②, and ④ will start contributing to operating income mainly in the second half of the Long-Term Vision (fiscal 2023–2026).
- Therefore, **for the current Medium-Term Management Plan (the first half of the Long-Term Vision—fiscal 2019–2022), we will aim to raise operating income by ¥10 billion primarily through investments under Strategy ③ (which involves flow businesses).**

〈Four strategies〉

Strategy①	Further strengthen the stock business in the Umeda and line-side areas
Capture inbound demand/ Increase the value of our assets in the Umeda area/ Invigorate key line-side bases/ Construct new rail links to improve the transport network	
Strategy②	Accumulate stock in the Tokyo metropolitan area and overseas markets
Acquire more stock in the Tokyo metropolitan area / Open more hotels in the Tokyo metropolitan area/ Develop plans for acquiring stock (real-estate) overseas	
Strategy③	Increase competitiveness of flow business (real estate sales, sports, travel, and international transportation)
Expand the condominium business in Japan and overseas / Develop the information services business/ Raise the profitability of the Travel Business segment / Increase handling volume in the International Transportation Business segment	
Strategy④	Make greater use of Group's collective energies and venture into new business fields

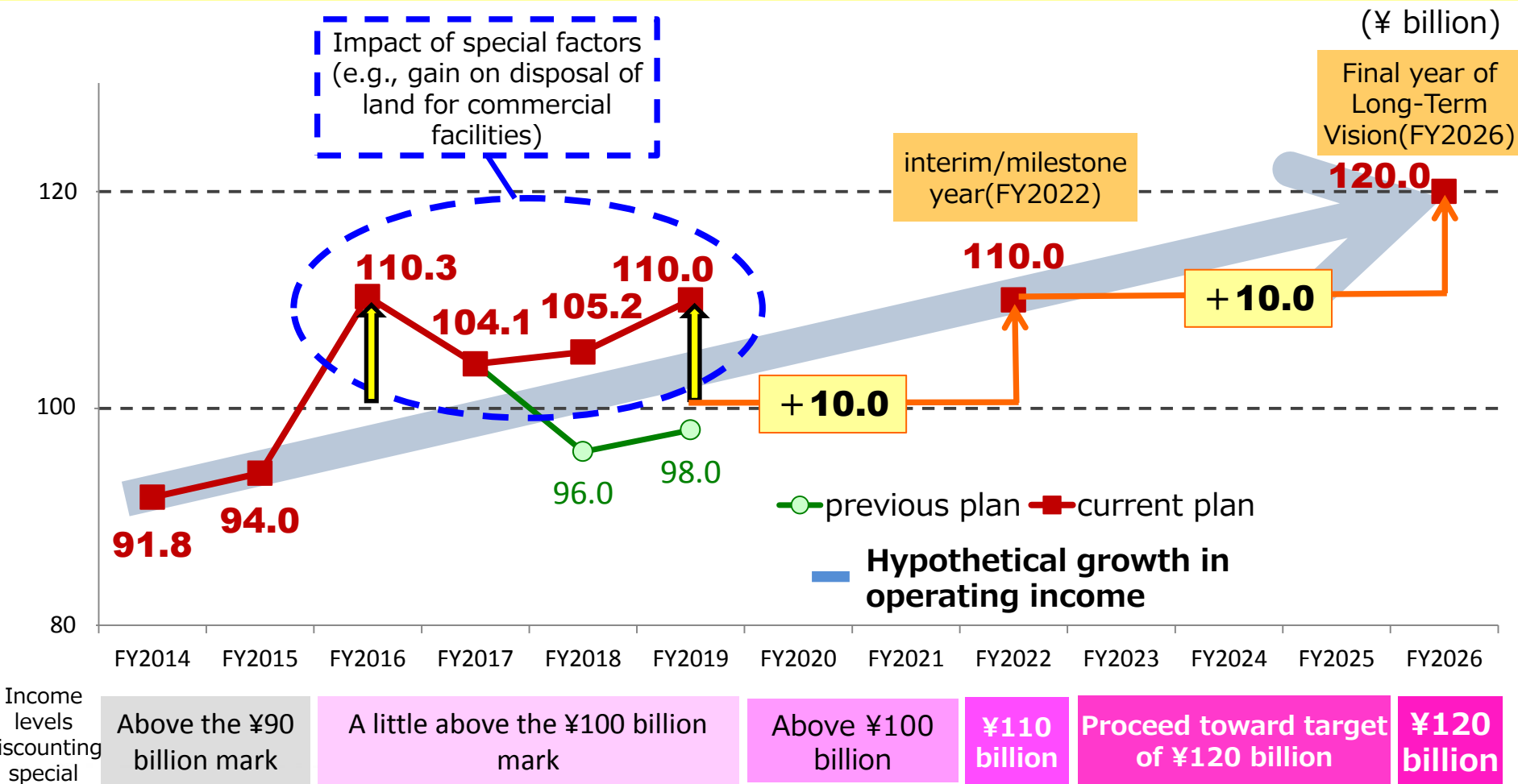
Growth process in run-up to fiscal 2026 (hypothetical)



Over the second half of the Long-Term Vision (fiscal 2023-2026), **we expect to see a further rise of ¥10 billion in operating income.** This increase will be driven **primarily by the returns on investments in stock businesses** (e.g., Umeda 1-1 Project). Other factors will include a further operating income increase in flow businesses and contributions from the new business fields we will develop.

Operating income trends in current plan

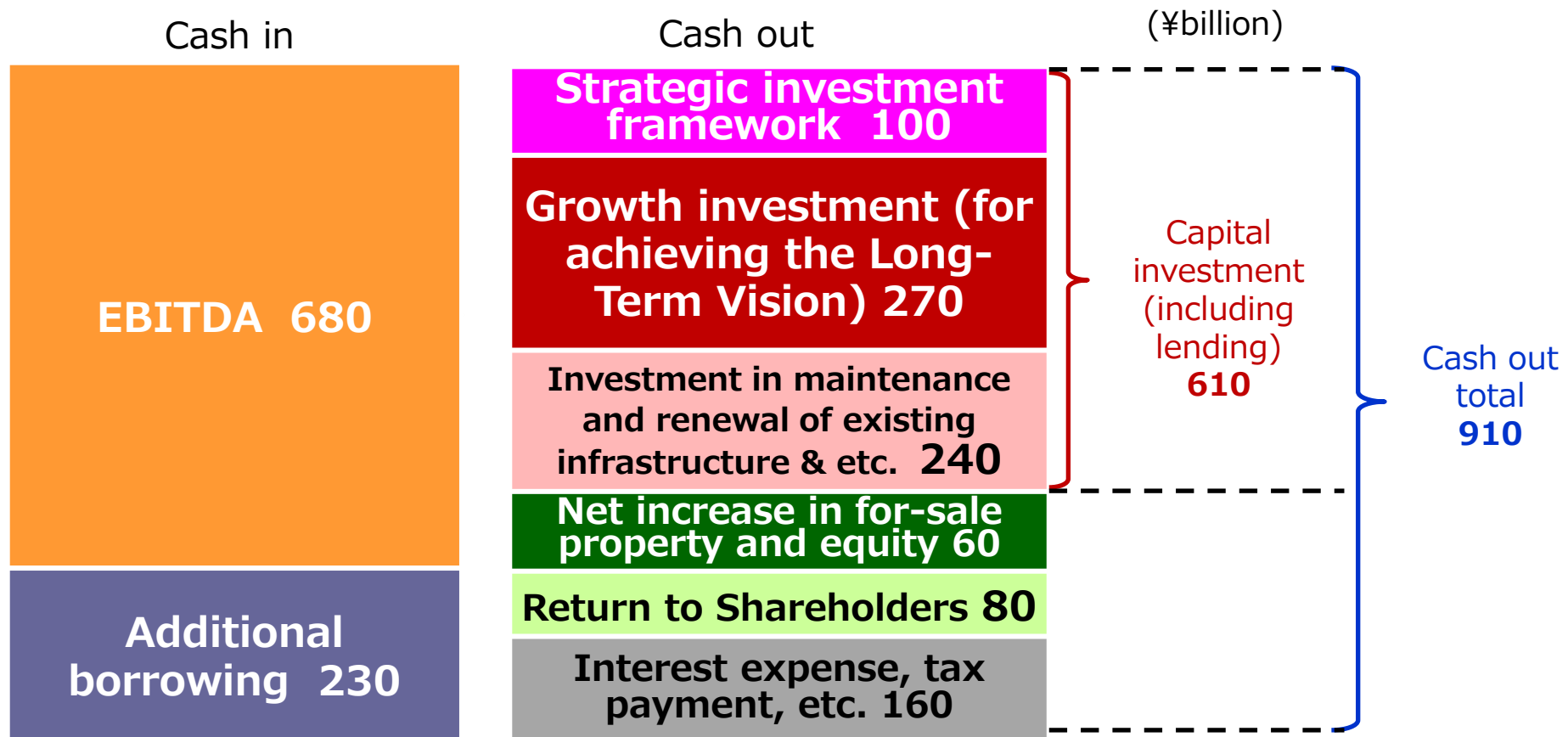
- As part of our effort to achieve the operating income target of ¥120 billion by fiscal 2026, we will aim to make the Group capable of steadily reaching **an operating income level of ¥110 billion by fiscal 2022**.
- Operating income is expected to reach ¥110 billion** in fiscal 2019 because of gain on disposal of land for large-scale commercial facilities and other special factors.



Cash flows during current plan (estimates)

During the current plan, we expect EBITDA-measured cash flows of **¥680 billion**. On the other hand, we expect outgoing cash flows of **¥910 billion** as a result of actively investing toward future growth. This will leave a shortfall of **¥230 billion**; we will cover this shortfall with additional borrowing.

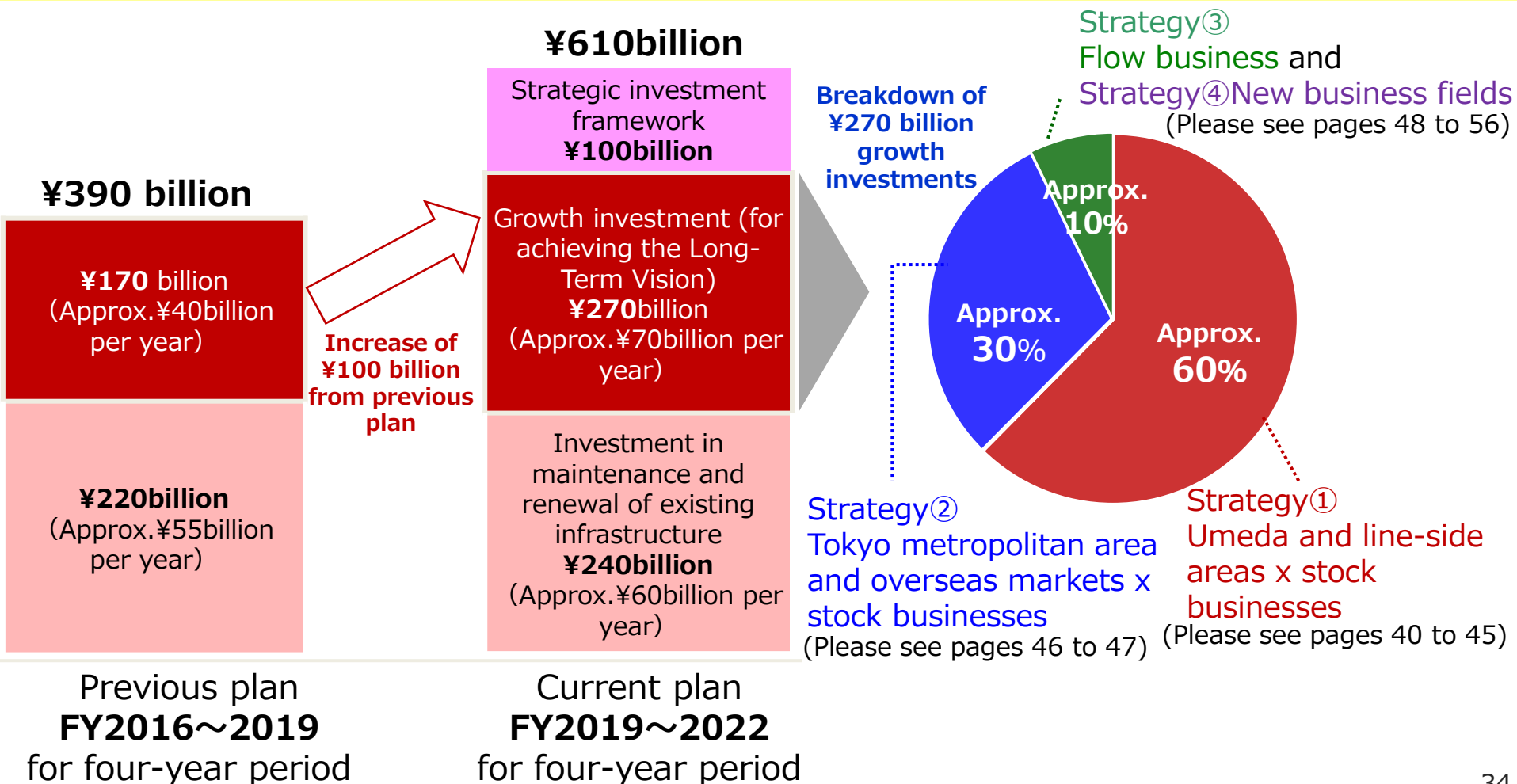
【FY2019~2022 Hypothetical cumulative cash flow for four-year period】



Capital investment (including lending) in fiscal 2019-2022

Capital investment (including lending) in fiscal 2019-2022 is expected to total approx. ¥610 billion (up ¥220 billion compared to the previous plan)

- Growth investment (for achieving the Long-Term Vision) will be ¥100 billion up from the previous plan.
- We will devote ¥100 billion for a new strategic investment framework (large-scale projects, M&A activities, etc.)
- We will maintain the same level of investment in maintaining or renewing existing infrastructure while ensuring that we invest the resources necessary to maintain safety.



Returns to Shareholders

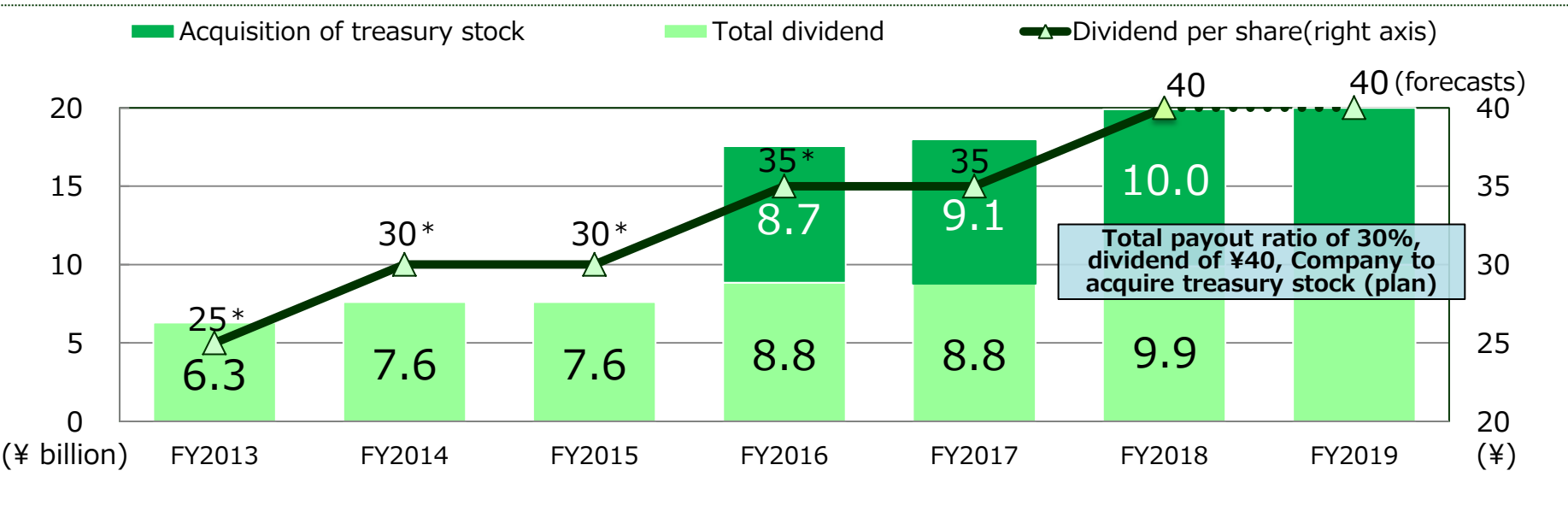
■ Shareholder Return Policy

Pay stable annual dividends and acquire treasury stock

- **Regarding dividends of surplus for fiscal 2018, we plan to increase the annual dividend per share from ¥35 to ¥40 (the total annual dividend will be ¥9.9 billion) and increase the total payout ratio from 25% to 30%. Accordingly, we will acquire treasury stock (the total acquisition will be ¥10 billion).**
- **For fiscal 2019, the total payout ratio will be 30%, the annual dividend per share will be ¥40, and we will acquire treasury stock.**

<Reference> Formula for calculating total payout ratio

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



* 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 2026 management indicators outlook

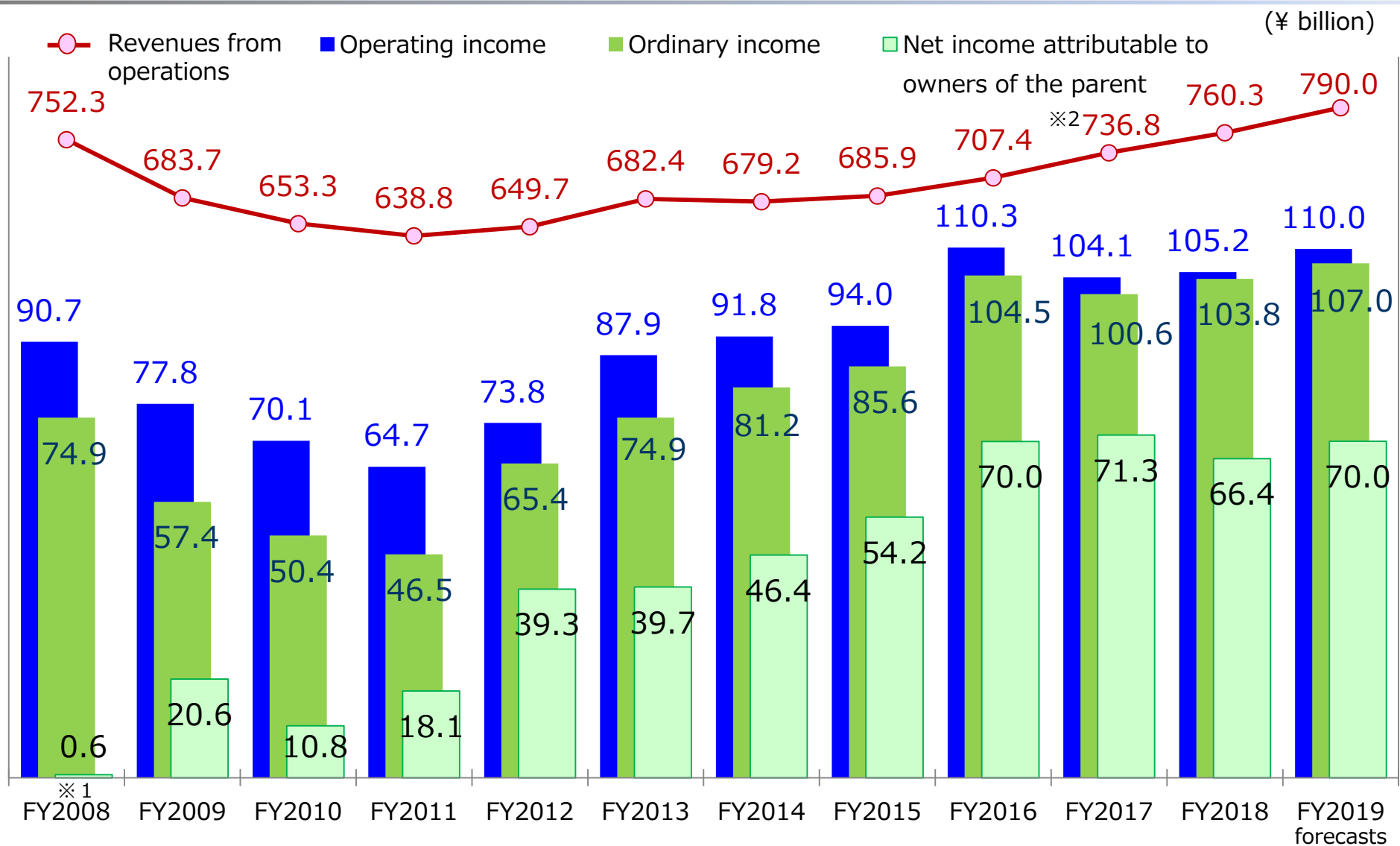
	FY2018 Results	FY2019 Forecasts	FY2022 Forecasts	FY2026 (The company we hope to be)
Operating income	¥105.2billion	¥110.0billion	¥110.0billion	¥120.0billion
EBITDA※1	¥160.8billion	¥168.0billion	¥180.0billion	¥200.0billion
Interest-bearing debt	¥866.8billion	¥900.0billion	¥1,070.0billion	—
Interest-bearing debt /EBITDA ratio	5.4times	5.4times	5.9times	between 5 and 6times
D/E ratio※2	1.0times	1.0times	1.0times	—
Net income attributable to owners of the parent	¥66.4billion	¥70.0billion	¥70.0billion	—
ROE	8.2%	8.1%	7%	—
(Reference)				
Net interest-bearing debt※3	¥837.9billion	¥875.0billion	¥1,045.0billion	—
Net interest-bearing debt/EBITDA ratio	5.2times	5.2times	5.8times	—

※1 EBITDA=operating income + depreciation expenses + amortisation of goodwill

※2 D/E ratio=interest-bearing debt / equity

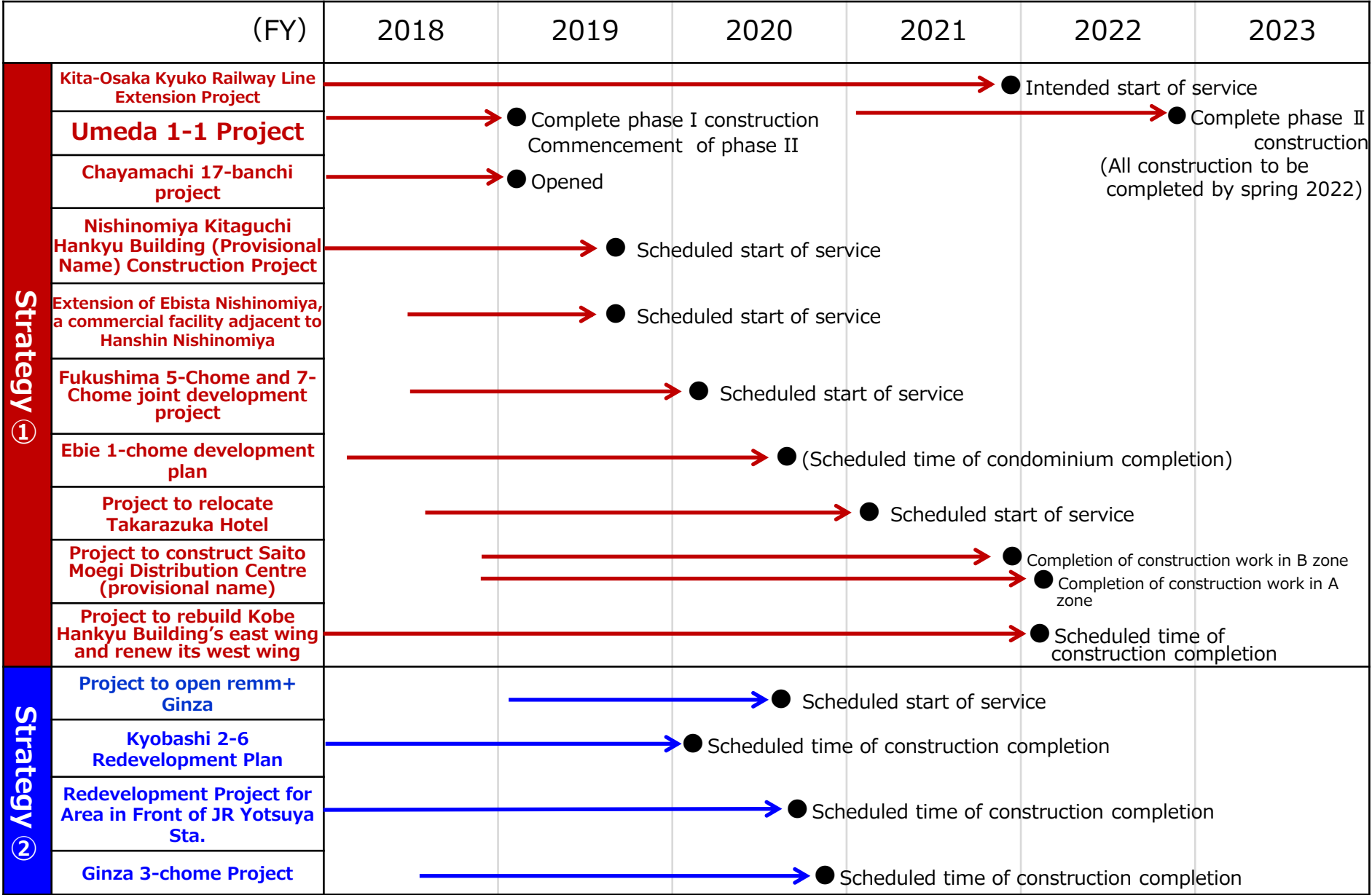
※3 Net interest-bearing debt=interest-bearing debt - cash and deposits

《Reference》 Trends in operating revenues and operating income



Ⅲ. Specific Projects

Schedule for the Main Projects of the Business Strategies① and ②



Kita-Osaka Kyuko Railway Line Extension Project

【Development plan summary】

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

【Business scheme】

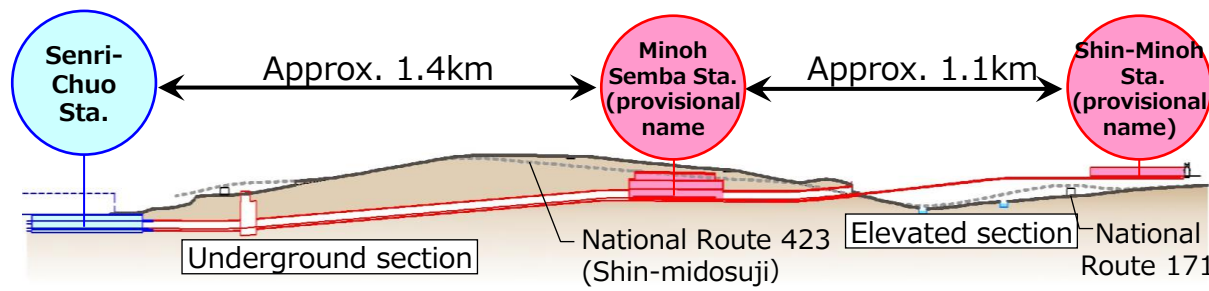
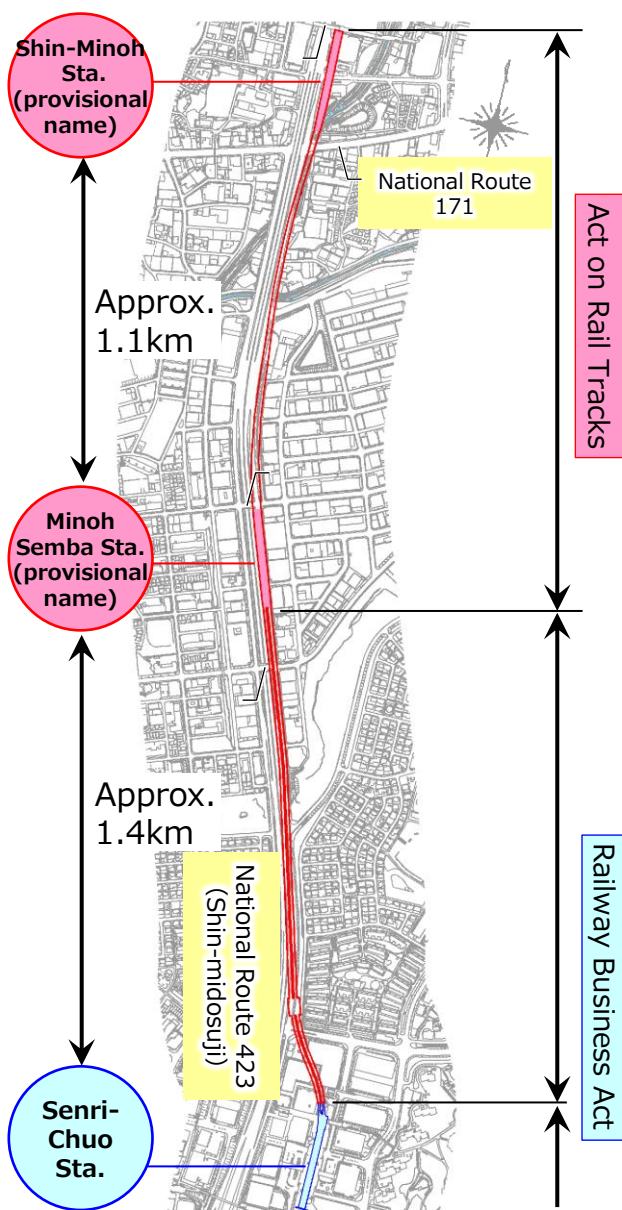
- Developer:
Kita-Osaka Kyuko Railway Co., Ltd. and Minoh City (development of infrastructural components between *Minoh-Semba Sta.* and *Shin-Minoh Sta.*)
- Operator: Kita-Osaka Kyuko Railway Co., Ltd.
- Funding programme: Social capital development grant
- Portion to be borne by Kita-Osaka Kyuko Railway 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

End of FY2021: Intended start of service



Umeda 1-1 Project (Name of the building : Osaka Umeda Twin Towers South)

【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	Spring 2022

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

【Schedule】

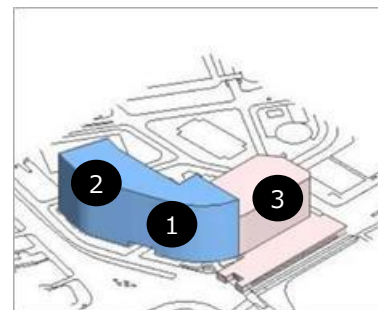
July 2015	Begin phase I construction
April 2018	Complete phase I construction* (Shin Hankyu Building and Dai Hanshin Building East Wing)
June 2018	Partial opening of new department store. Phase II (west wing of Dai Hanshin Building): Start demolition work
Spring 2019	Phase II (begin phase II construction)
Autumn 2021	Complete phase II construction (new department store part) and fully open new department store
Spring 2022	Complete all construction and open offices

* The project is scheduled to be completed in spring 2022. In that year, Umeda Hankyu Building, which houses Hankyu Department Store (Hankyu Umeda Main Store), will be renamed 'Osaka Umeda Twin Towers North', and the two adjacent buildings will be christened the 'Osaka Umeda Twin Towers'.

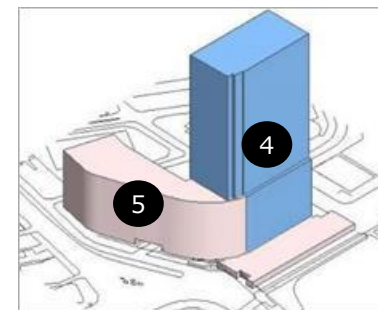
【Conceptual illustration of the building exterior】



【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)

After Phase I is over, the rentable area will be smaller than the present area (west wing of Dai Hanshin Building).

Revamped commercial facilities in Umeda and line-side areas

【Outline】

- The Group has been strategically revamping and reopening its commercial facilities to maintain or enhance their appeal. In fiscal 2018, we reopened three facilities in Umeda: Hankyu Sanban Gai Shopping Centre, HERBIS Plaza, and HERBIS Plaza ENT.
- We will continue revamping our existing commercial facilities to economically invigorate the Umeda and line-side areas.

【The new restaurant zone: UMEDA FOOD HALL】

(We revamped and reopened the dining zone on the second basement level of the north wing of Hankyu Sanban Gai Shopping Centre.)

<Re-opening date>

March 28, 2018

<Outline of facility>

Area : Approximately 2,300㎡

Capacity: Approximately 1,000 seats, Outlets:18

<Concept>

- The newly revamped UMEDA FOOD HALL will cater to visitors with diverse gastronomic needs by providing self-service dining solutions in a tasteful and refined space.
- The food hall consists of five zones, each devoted to a different dining scene: bar, stylish dining, light refreshment, energy-boosting food, and sweets.
- Visitors can select food, drink, or desserts according to their mood and purpose on the day and consume it in the zone they choose.

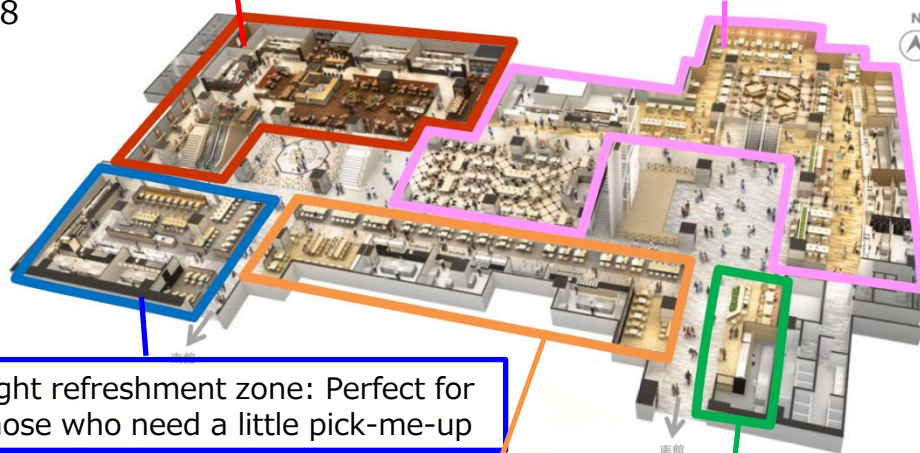
Bar zone: A chic and modern space to enjoy drinks and bar food

Stylish dining zone: This zone caters to young women, couples, and meet-ups for mothers. The selection of food is as visually stylish as it is delicious.




Light refreshment zone: Perfect for those who need a little pick-me-up

Energy-boosting food zone: A selection of high energy foods




Sweets zone: Offers relaxation and refreshment



Strategy①: Further strengthen the stock businesses in the Umeda and line-side areas④

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	Wajocho, Tanakacho, Nishinomiya, Hyogo Pref
Site area	Approx. 440m ²	Approx. 3,000 m ²	Approx. 5,700m 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 CHAYAMACHI」)	Kwansei Gakuin University Law School, commercial facilities etc.	Commercial facilities
Scheduled opening	April 2018	Around autumn 2018	Around autumn 2018

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

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	5-chome Fukushima, Fukushima-ku, Osaka	1-chome Ebie, Fukushima-ku, Osaka	1-chome Sakaemachi, Takarazuka, Hyogo Pref
Site area	Approx. 2,600m ² (※)	Approx. 27,900m ² (※)	Approx. 12,300m ²
Total floor space	Approx. 11,000m ² (※)	Approx. 52,200m ² (※) (condominium)	Approx. 23,000m ²
Number of floors	12 floors above ground and 1 below ground	20 floors above ground (condominium) Number of units: 566 units(※)	5 floors above ground and 1 below ground
Purpose	hotel (expected to be Hankyu Hanshin Hotels-operated hotel), supermarket (expected to be Hankyu Oasis)	condominium (Geo Fukushima Noda The Marks), commercial facilities (land to let)	rooms (Approx. 200 rooms) party hall (4 halls) restaurant (4 facilities)
Scheduled opening	Around spring 2019	Around autumn 2019 (Scheduled time of condominium completion)	Around spring 2020

Strategy①: Further strengthen the stock businesses in the Umeda and line-side areas⑥

In order of opening date	Project to construct Saito Moegi Distribution Centre (provisional name)	Project to rebuild Kobe Hankyu Building's east wing and renew its west wing
Location	In the Sanroku Line area of the eastern section of Ibaraki City's International Culture Park 'Saito'	4-chome 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. 33,300m ²
Number of floors	A zone : 6 floors above ground B zone : 4 floors above ground	East wing : 29 floors above ground and 3 below ground West wing : 1 floor under railway station (some sections with 2 floors above ground / basement level)
Purpose	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])	hotel(expected to be Hankyu Hanshin Hotels-operated hotel), offices, commercial facilities, railway station
Scheduled opening	A zone : FY2022(scheduled completion) B zone : FY2021(scheduled completion)	Around spring 2021 (scheduled completion)

Project to open remm+ Ginza

【Project Outline】

· In winter 2019, remm will open the first of its new brand of hotels, 'remm+', in Ginza, Tokyo.

remm+ (remm+) Building on remm's existing brand concept, remm+ offers an extra level of comfort and class.

- ◆Room size: 18 m² double room (standard remm: 15 m² single room)
- ◆Bed width: 1,600 mm (standard remm: 1,400 mm) ◆Furnishings: Upgraded



【Outline of facility】

Location	8-5-4 Ginza, Chuo-ku, Tokyo
Site area	Hotel portion:Approx. 8,200㎡
Floor composition	Hotel portion 1st floor: lobby, 2nd ~15th floor: guest rooms
Number of rooms	238rooms (double : 154rooms , twin : 84 rooms)




【Location】



【Plan for opening new-style business hotel location】

- Around spring, 2019 :
Kyobashi, Tokyo
[Please see page 47]
- Around spring, 2019 :
Fukushima, Osaka
[Please see page 44]
- Around spring, 2021 :
Kobe, Sannomiya
[Please see page 45]

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

In order of opening date	Kyobashi 2-6 Redevelopment Plan	Yotsuya Station District Redevelopment Project	Ginza 3-chome Project
			
Location	2-chome Kyobashi, Chuo-ku, Tokyo	1-chome Yotsuya, Shinjuku-ku, Tokyo	3-chome Ginza, Chuo-ku, Tokyo
Site area	Approx. 1,450m ² (※)	Approx. 17,900m ² (※)	Approx. 310m ²
Total floor space	Approx. 17,000m ² (※)	Approx. 139,600m ² (※)	Approx. 2,900m ²
Number of floors	14 floors above ground and 1 below ground	31 floors above ground and 3 below ground	11 floors above ground and 1 below ground
Purpose	hotel(expected to be Hankyu Hanshin Hotels-operated hotel), office, commercial facilities	office, commercial facilities, residence, educational services, publicgood, parking	commercial facilities
Scheduled opening	Around spring 2019 (scheduled completion)	Around early 2020 (scheduled completion)	Around spring 2020 (scheduled completion)

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
Shinjuku Nakaochiai】**

(Houses on sale from October 2017)

**【Hapia Garden
Mukogawa Soleil】**

(Scheduled to be Sold in March, 2019)

【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).

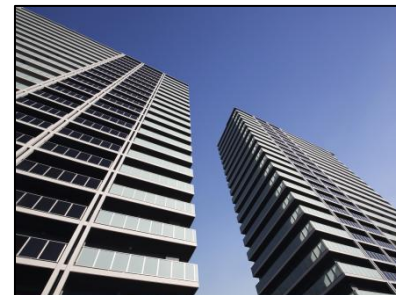
<u>Total number of units</u>	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019 forecasts
Number of units ^{※1}	916	1,064	680	1,210	1,548	1,356	1,374	1,302	1,087	1,159	Approx. 1,150

Major properties sold in fiscal 2018^{※2}

- Geo Tenroku Twin Towers (Kita-ku, Osaka) 358units
- Geo Fukagawasumiyoshi (Koutou-ku, Tokyo) 190units
- Geo Yotsuya-arakicho (Shinjuku-ku, Tokyo) 131units

Major properties to be sold in fiscal 2019^{※2}

- Geo Hankyu Minase Heart square (Mishima-gun, Osaka) 315units
- Geo Kyoto Katsuragawa (Minami-ku, Kyoto) 98units
- Geo Shinjuku-wakamatsucho (Shinjuku-ku, Tokyo) 123units



【Geo Tenroku Twin Towers】
(Condominiums on sale from March 2018)



【Geo Shinjuku-wakamatsucho】
(Scheduled to be sold in May 2018)

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

※2 : Figures indicate total number of units.

Strategy③: Increase competitiveness of flow businesses②

Real estate sales business in overseas markets

- To help our real estate sales business achieve a certain level of profitability in overseas markets as early as possible, we will accelerate efforts to promote our residential real estate sales business in ASEAN states.

[Thailand]

- Joint project by SENA Development Public Co.
 - Niche Mono Sukhumvit
(condominium:Total 1,275 units)
 - Niche Pride Taopoon Interchange
(condominium:Total 742 units)
 - Ekamai project (provisional name)
(condominium:Total approx. 870 units)

[Malaysia]

- Joint project by Ireka Co.
 - RIMBUN KASIA project (provisional name)
(condominium:Total approx. 850 units)

[Indonesia]

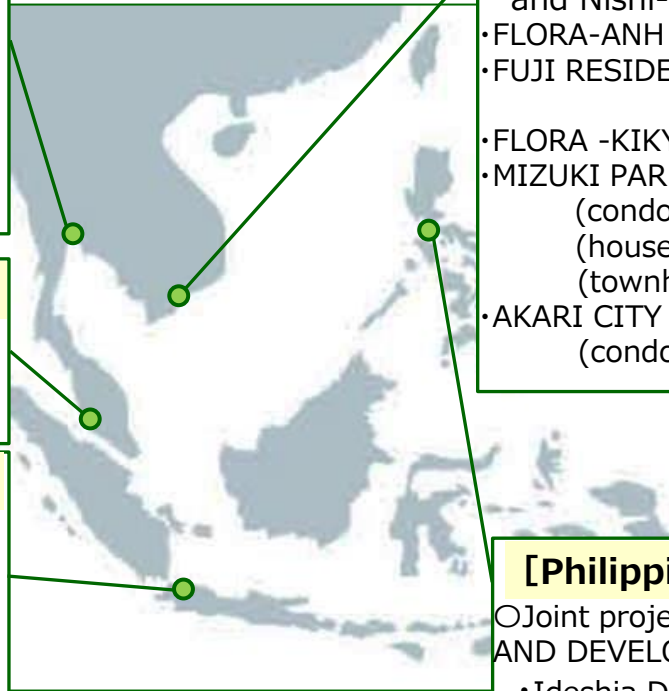
- Joint project by Sinarmas Land Ltd. and others
 - Bumi Serpong Damai residential land lot project
(house, business loft :Total approx. 700 units)
- Joint project by Sumitomo Corporation Co. and PT Sentul City Tbk.
 - Sentul project(provisional name)
(condominium:Total 1,095units)

[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 approx. 4,670 units)
(house:Total approx. 100 units)
(townhouse:Total approx. 60 units)
 - AKARI CITY
(condominium:Total approx. 4,620 units)

[Philippines]

- Joint project by P.A. ALVAREZ PROPERTIES AND DEVELOPMENT Co.
 - Ideshia Dasmariñas
(house:Total 456 units)
(townhouse:Total 463 units)



Strategy③: Increase competitiveness of flow businesses③

Information services business

· The market for the information services business is expected to expand significantly. Accordingly, to help the business grow, we will make maximal use of our expertise and unique model to expand our market share and develop new business fields.

① Focus on promising fields

- Fully leveraging our well-honed multi-vendor solutions※1 and one-stop services※2, we will accelerate efforts to develop business in promising fields, such as building maintenance, transport systems, and Internet solutions, and thus increase our market share.

※1: This refers to our ability to combine products from different companies to create efficient systems.

※2: This refers to our spectrum of services from system development to operation/monitoring.

② Extend business operations in Kanto and Chubu area

- Building on our track record of providing solutions in the Kansai area, we will step up efforts to expand business in the Kanto area (a larger market) while also making inroads in the Chubu area.

③ Use cutting-edge technology to promote new businesses

- Regarding pioneering technologies like AI and IoT as opportunities, we will actively incorporate technologies from outside (such as by partnering with venture businesses) where we lack the necessary technologies ourselves, and use the technologies to develop new solutions services.

Strategy③: Increase competitiveness of flow businesses④

Travel business

- 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.
- Accordingly, starting in fiscal 2018, we are reforming the business structure with the intention of further strengthening our core brand travel packages and establishing alongside this a second pillar—future-oriented business—as early as possible.

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, overseas and domestic hiking tour, etc.)
- **Expand customer base among new demographics**
 - Strengthen individual-oriented products
- **Revise cost structure for advertising expenses, etc.**
 - Overhaul advertising expenditure rates

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
 - : Invest in human resources (train global workforce) and Strengthen digitization

International transportation business

【 Basic strategy for achieving growth 】

- 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)

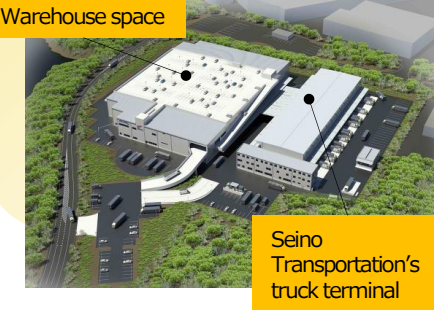
Capital tie-up / joint venture with Seino Holdings (April 2018)

Under the joint venture, the two companies will augment each other’s operations in and out of Japan and thus provide new distribution services to customers.

- ① Under the joint venture, Seino Holdings’ domestic distribution network and logistics capacity will be combined with Hankyu Hanshin Express (HEX)’s global distribution network digital, and the two companies will work together in digital information initiatives. In this way, the venture will help deliver supply chain management solutions tailored to each customer’s needs.
- ② It will also help develop and deliver new logistics services (customer agency services related to ordering and trade settlement, temperature-controlled transport, etc.)

【Specific Initiative】

HEX will take out a lease on a warehouse space within Seino Transportation’s new logistics centre nearby Narita International Airport, and move there from its present location in Hankyu Hanshin’s Narita Cargo Terminal (Shibayama, Sanbu District, Chiba Prefecture) in the early summer of 2019. Because the new logistics centre adjoins Seino Transportation’s truck terminal, it will help HEX provide logistics services with reduced lead times for cargo shipments and greater convenience. HEX will use the first floor of the warehouse space to strengthen its logistics services.



Location	Sanrizuka Narita Chiba
Warehouse space specifications (Total floor space)	Ground floor : Cargo handling area, Refrigerator, Freezer (approx. 14,200㎡) First floor : Logistics warehouse (approx. 12,400㎡)

※ The ground floor will serve as a cross-docking area (i.e., for unloading materials from incoming vehicles and loading them onto outbound vehicles). The first floor will be used in part as a logistics centre.

Investment in freight forwarder, Intraspeed South Africa (Proprietary) Limited, and its acquisition as a subsidiary (April 2018)

To capitalize on the long-term growth expected in Africa, we intend to accelerate business in the continent and secure a strong operating base there.

- The acquisition will serve as a bridgehead in the African market from which we will aim to:
 - ① Expand our African networks
 - ② Offer solutions to Japanese companies with African logistics needs while simultaneously expanding sales channels among Intraspeed’s main clients (non-Japanese companies); this will produce a synergistic effect

【Outline of investee】

Company name	Intraspeed South Africa (Proprietary) Limited
Location	Johannesburg, South Africa
Establishment	February 1999

※ Following the investment, we acquired two other African companies (one in Kenya and one in Uganda) owned by Intraspeed.

Strategy④: Make greater use of the Group's collective energies and venture into new business fields①

Credit and point card strategy

Develop S-POINT (a common point service for the Kansai area)

- In April 2016, the Group teamed up with H2O Retailing Corporation to launch S-POINT^{※1}, a common point service for the Kansai area. Since then, we have worked to expand S-POINT's trading volume. Specifically, we are working to build S-POINT's membership while expanding the number of S-POINT member facilities—i.e., the number of Group and non-Group facilities that accept S-POINT.

※1 The main cards compatible with S-POINT are STACIA cards, which come with optional credit card function and PiTaPa function, and various point cards.



Now

Membership :
Approx. 7.5 million members



Future target

Membership :
Approx. 10million members

【S-POINT service now accepted at 7-Eleven stores】

※2 The six prefectures of Kansai are Osaka, Kyoto, Hyogo, Shiga, Nara, and Wakayama.

- On May 14, 2018, S-POINT started being accepted among the roughly 2,700 7-Eleven convenience stores in the six prefectures of Kansai^{※2}.

→Capitalizing on this development, we will further develop S-POINT until it becomes indispensable to Kansai residents.

【STACIA card strategy】

<Ongoing measures to develop STACIA card>

Card to become the foremost card in line-side areas

Get the card established as in-house card

- Increase the card's use amount to the top level in the area
- Increase card's rate of usage among the Group

Strategy④:Make greater use of the Group’s collective energies and venture into new business fields②

Initiatives of new business fields

【Safety initiatives(Mimamorume) 】 (End of March,2018)

Since its launch, the service has steadily increased subscriptions and it now has around 200 thousand subscribers. This success is partly because of the high demand for child safety. Another reason is that parents find it reassuring to know that, as a group involved in public transportation, we are very community-minded.



School commute app (an email is automatically sent when the student passes the school gate)

Number of schools that ordered app : 1,088 Membership : 201,479
Kindergarten attendance app (used to manage children’s safety and manage number of hours in kindergarten)

Number of kindergartens that ordered app : 113
Safety monitoring app (the app uses a network of cameras, sensors, and parents/carers to track the location of children or elderly people)

We launched the service in Itami and have now introduced it in three more municipalities: Nagaokakyo, Daito, and Kakogawa. We plan to launch it in Kobe.

【Education initiatives (ProgLab) 】

In April 2016, we launched an educational programme for robot programming (for seniors down to junior high school students). We have started franchising the programme in the Tokyo metropolitan area.

Total number of students : approx. 2,100 (End of March,2018)

Directly run classes	12
In-school classes	6
Franchised classes	5



Initiatives of raises line-side value

【Private after-school day care centre】

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*. Open three branches: in Toyonaka, Nishinomiya-Kitaguchi (relocate in December 2018), and Ikeda

～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

(We provide a diverse range of activities that utilise the Group's network)



【Comprehensive support for the elderly】

Open members-only community centres for active seniors in Takarazuka, Shukugawa, and Minoh to help increase the healthy life expectancy of elderly residents in line-side areas.

● Principle

Help elderly residents enjoy their 'second life' with vigour, health, and peace of mind.

● Contents

The centre provides a lively space for elderly residents, and it also acts as a one-stop shop※ delivering comfort and convenience in daily life.

※ The centre hosts cultural classes and events, and as a consultation facility, it can connect members with housecleaning services and caregivers, etc.



Strategy④: Make greater use of the Group's collective energies and venture into new business fields④

Initiatives of raises line-side value

【Hanshin Ikiiki Day Service】

● Contents

Day service (half-day recuperative service) run by Iki-Iki Life Hankyu Hanshin (founded in August 2017; succeeded business from Hanshin Electric Railway in November 2017)

● Principle

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

● Locations (April 1, 2018)

14 along the Hankyu and Hanshin lines (approximately 1,000 individuals have signed up for the service). New location scheduled to open in fiscal 2019 in multipurpose facility in Higashiyodogawa-ku (Awaji)



【Health and Elderly】

Health education, preventive healthcare services

○Quarterly health journal deposited in stations 「Well TOKK」

○WEB site「Hankyu Hanshin line Wellness plus」

Publish information about health promotion events and medical screenings in line-side areas (26 municipalities across 3 prefectures)

○Work with the Research Complex※ to promote efforts to help prevent lifestyle-related diseases or prevent them worsening

※The Research Complex is a Japan Science and Technology Agency-funded project (November, 2015-March, 2020)
Project members: Approximately 100 institutes, including Riken, Kobe City, Hyogo Prefecture, Kyoto University, Kobe University, Hankyu Hanshin Holdings, and SMBC



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 Hanshin Ikiiki Day Service. There will also be a health centre and café to help stimulate community activities. (construction to be completed in autumn 2018)



Initiatives of ESG(Environment, Social, Governance)①

Environment

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

Upholding 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.

- ① Survey to check compliance with environmental laws
→ To check whether group companies are upholding environmental laws, we conduct annual questionnaire surveys with each company.
- ② Separate surveys
→ For each survey, we identify major issues. For example, we check the company's progress in disposing of PCB waste, which has a legally mandated time limit for disposal.

Mitigating burden on environment

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

<Progress in reducing Group-wide energy consumption>

With fiscal 2013 scaled at 100%

FY2014	FY2015	FY2016	FY2017
99.0%	96.4%	94.3%	92.8%

Raising awareness among employees

To promote awareness about environmental preservation, we convey to our employees the facts they need to promote environmental preservation and inform them about social trends in relation to environmental activism.

→ Organise seminars for checking compliance with environmental laws, establish a month for stepping up environmental efforts, raise awareness through Group publications

Environmental management

Outside PR

Each group company uses various advertising strategies to raise public awareness about their environmental preservation activities.
→ In-train posters, company website, booth at Lohas Festa

< In-train posters >



Initiatives of ESG(Environment, Social, Governance)②

Environment

【Examples of the Group's initiatives to reduce burden on environment】

〈Urban Transportation〉

○Carbon-neutral station: Settsu-shi Station

- Opened on 14 March 2010 on the Hankyu Kyoto Line, Settsu-shi Station is Japan's first carbon-neutral (net zero carbon footprint) station.
- The station uses solar panels, LED lighting, and other eco-friendly measures to reduce its carbon emissions to around half that of regular stations. It offsets the remaining carbon emissions by purchasing forest carbon offset.



〈Real Estate〉

○Environmental / energy-saving initiatives in commercial facilities

(Umeda Hankyu Building)

- To control lighting load, the building uses LED high-efficiency lighting and controls light levels with brightness sensors. To save energy further, it also uses high-efficiency heat sources and inverter-controlled devices.
- The building achieved S-rank—the highest rank in CASBEE Osaka (Osaka City's system for rating the environmental performance of buildings and the built environment).



(Umeda 1-1 Project)

- Under the Ministry of Land, Infrastructure, Transport and Tourism's programme for promoting 'pioneering projects for sustainable buildings (carbon-cutting)', the project was selected in December 2015 in recognition of how it raises awareness of pioneering technologies for saving energy and cutting carbon emissions.



〈Entertainment and Communications〉

○Solar power

- Solar cells were installed on Hanshin Koshien Stadium's Ginsan roof and put into operation in March 2010.
- In fiscal 2018, the solar cells generated enough energy to supply a year's worth of floodlighting for night matches.



Initiatives of ESG(Environment, Social, Governance)③

Social

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



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。

• To **build customer loyalty** and **enhance value over the long-term**, we are working on collaborative projects with group companies, citizen groups, and group employee in accordance with the following policy.

【Policy】 Promote the creation of towns and cities along our railway lines that people will truly want to live in.

【Priority areas】 Environmentally friendly development that enhances the appeal of line-side communities—the most important foundation of our businesses
Human capital development aimed at fostering the next generation of customers

<Progress of collaborative projects (as of fiscal 2018)>

① Collaboration with group companies
Promote charity in Group using certification system

Hankyu Hanshin Holdings (HHHD) uses advertising, co-sponsorship, and an employee matching gift programme to promote charity among group companies

■ Certified charitable activities as of fiscal 2018: 92 activities
Reference<Number of activities>

FY2014:83, FY2015:89, FY2016:91, FY2017:94

■ Elementary student-oriented programme 'Challenge Corps' accommodated a record 2,628 kids

■ As many as 90 certified activities in fiscal 2019 (more to be certified during period)

② Collaboration with citizen groups
「Hankyu Hanshin Community Future Fund」

HHHD's matching gift programme supports the work of citizen groups along our lines

■ In fiscal 2018, we provided a total of ¥8.8 million to 16 of the 66 groups that applied.

■ We encourage employees to sign up for charitable payroll deductions through promotional campaigns and by issuing requests during training

Number signed up: 69 companies 1,352 employees (YoY +41)

※ At the end of December, 2017

Total amount raised: 97 groups ¥49.5million

③ Collaboration with group employees
Charity point system

We encourage current and former employees to participate in charitable fundraising by granting points for their participation

■ Charity points system's results

Number signed up: 71 companies 2,253 employees (YoY +181)

Points granted: 15,281points ※ January–December 2017

■ Amount that employees raised for the charitable organisations: ¥1 million for 43 organisations

Initiatives of ESG(Environment, Social, Governance)④

Social

<Hankyu Hanshin Holdings wins the METI Minister's Award (Grand Prix)※ at the Eighth Career Education Awards>

At the Eighth Career Education Awards, we won the METI Minister's Award (Grand Prix) for two of our educational programmes for elementary students: the summer programme 'Hankyu Hanshin Yume Machi Challenge Corps' and extra-curricular programme 'Yume Machi Waku-Waku Work Programme'.

※The Grand Prix is the highest of the awards. We are the first railway enterprise to win it.



Hankyu Hanshin Yume Machi Challenge Corps

- In this summer programme, children encounter our Group's business operations and facilities, and interact with the staff. In this way, they experience many different types of work conducted across the Group.
- Started in fiscal 2011, the programme has accommodated a cumulative total of over 12 thousand children in cumulative 265 programmes as of fiscal 2018.

Yume Machi Waku-Waku Work Programme

- To contribute to career education, managers from Hankyu Corporation (HC) visit elementary schools and deliver a lesson.
- Since fiscal 2017, managers have delivered lessons about the community-building initiatives of HC's founder, Ichizo Kobayashi, and the various work the company does in the community. The programme has so far prompted approximately 6,000 children in 72 schools to think about their future careers.



We will continue to play our part in educating the next generation.

Initiatives of ESG(Environment, Social, Governance)⑤

Social

【Employee health management】

■ Formulate and announce the Hankyu Hanshin Holdings Group's Declaration on Employee Health Management (April 26,2018)

- Respect for people is a cornerstone of the Group's corporate philosophy. The health of our employees and their families is fundamental to achieving an abundant future for the Group. The declaration on health management expresses our view of employee health management—whereby we safeguard and promote the health and safety of employees and their families. It also underscores our commitment to making each employee more health-conscious and promoting a healthy workplace.
- Health management applies across the Group; from now on, each group company will take steps to promote the health of employees and their families pursuant to the declaration.

“the Hankyu Hanshin Holdings Group's Declaration on Employee Health Management”

We understand the importance of the physical and mental health of our employees and their families. It is the source of their wellbeing, and it is fundamental to achieving an abundant future for the Group. To deliver safety and comfort while also offering dreams and excitement, it is paramount that our employees are healthy and that they can be their authentic selves and make the most of their abilities.

To this end, employees themselves must raise their health-consciousness and promote the health of each other and their family members.

Under the Hankyu Hanshin Wellness Challenge slogan, we hereby commit ourselves to safeguarding and promoting the health and well-being of all employees and to developing a healthy and motivated workplace environment.

April,2018

Takehiro Sugiyama

President & Representative Director, Officer in Charge of Health Management
Hankyu Hanshin Holdings, Inc.

Initiatives of ESG(Environment, Social, Governance)⑥

Governance

【Group-wide initiatives for improving governance】

■ Established the Corporate Governance President Committee (fiscal 2016 ~)

- Meets twice a year to discuss matters such as ensuring transparency in executive appointments and remuneration, communicating with outside directors, etc.

■ Started evaluating the effectiveness of the Board of Directors (fiscal 2017~)

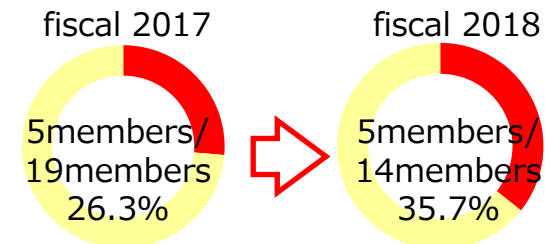
- The management of the Board of Directors is reviewed once a year; directors are interviewed about whether there is sufficient board accountability, whether board proceedings are appropriate, etc.

⇒The reviews have found the management to be generally appropriate. However, the reviews also suggest that directors should provide more information about business issues, so we are taking steps accordingly.

■ Overhauled board composition (fiscal 2018)

- With the aim of strengthening the board's monitoring function, we reduced the number of directors so as to increase the proportion of outside directors.
 - ✓ Directors reduced from 14 to 9
 - ✓ Appointed 2 outside directors with extensive business experience
- Audit & Supervisory Board (5 members) now include 3 members with in-depth professional expertise.
- Introduced an executive committee system to streamline business execution.

<Proportion of outside members to total members
(Board of Directors and Audit & Supervisory Board)>



■ Scrapped the corporate adviser system (fiscal 2018)

- We removed stipulations on selecting corporate advisers to increase corporate transparency and thus strengthen corporate governance (also because we have in effect stopped selecting them)

■ Resolved to discontinue anti-takeover measures (fiscal 2019)

- The existing anti-takeover measures will expire upon the close of the 2018 General Meeting of Shareholders. We resolved against renewing the measures in view of changes in the business climate.

IV. Forecast for fiscal 2019 (fiscal year ending 31st March 2019) and outlook for each business segment

Consolidated Statements of Income (Summary)

(¥ billion)	FY2019 Forecasts	FY2018 Results	Change	Remarks
Revenues from operations	790.0	760.3	+29.7(+3.9%)	Earnings will increase with the railway business's transportation revenue from Hankyu and Hanshin lines and the real estate business's sale of land for commercial facilities
Operating income	110.0	105.2	+4.8(+4.6%)	
Ordinary income	107.0	103.8	+3.2(+3.1%)	
Net income attributable to owners of the parent	70.0	66.4	+3.6(+5.5%)	
(Reference)				
Depreciation and amortisation	55.8	53.3	+2.5	
Financial balance ① - ②	-8.7	-8.7	+0.0	
Interest and dividend income①	1.3	1.3	-0.0	
Interest expense②	10.0	10.1	-0.1	

Consolidated Statements of Income (Breakdown for each business segment)

(¥ billion) [Upper table] Revenues from operations [Lower table] Operating income	FY2019 Forecasts	FY2018 Results	Change	Remarks
Total	790.0	760.3	+29.7	
	110.0	105.2	+4.8	

(Breakdown for each business segment)

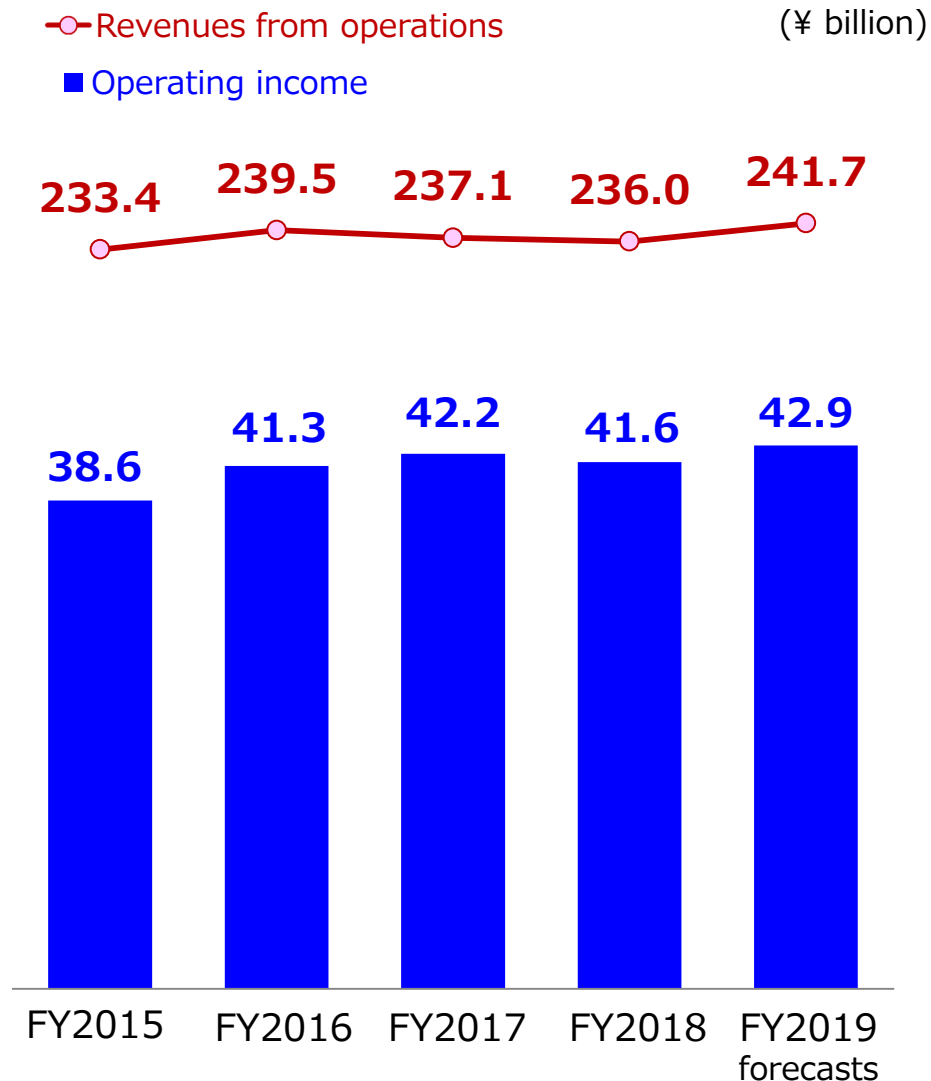
Urban Transportation	241.7	236.0	+5.7	Earnings will increase with transportation revenue from Hankyu and Hanshin lines, which will offset an increase in depreciation and amortisation related to investment in rolling stock.
	42.9	41.6	+1.3	
Real Estate	236.2	222.6	+13.6	Earnings will increase with the sale of land for commercial facilities and strong performance of rental buildings in the Umeda area and elsewhere.
	48.0	41.0	+7.0	
Entertainment and Communications	124.5	121.1	+3.4	Despite higher revenue from the communications and media business, earnings will decline because the Takarazuka Revue's performance falls short of the high level it achieved in fiscal 2018.
	16.7	17.8	-1.1	
Travel	34.8	34.0	+0.8	Earnings will decline due to a rise in various expenses, which will offset the expected increase in overseas and domestic tourists.
	1.3	2.1	-0.8	
International Transportation	83.6	83.7	-0.1	Earnings will decline because, despite higher handling volume in ocean transport, performance will fall short of the level in fiscal 2018, which saw strong air transport. Expenses will be another factor.
	2.2	2.8	-0.6	
Hotels	66.4	67.2	-0.8	Earnings will be negatively affected by the termination of a hotel management contract in fiscal 2018 and increased repair expenditure, but will stay at the level of fiscal 2018 because of a higher ADR.
	2.1	2.2	-0.1	

Urban Transportation

Blue : Factors of increase Red : Factors of decrease

Main factors in the change in operating income from FY2018 to FY2019

- Higher railway operation revenue accompanying an increase in line-side population
 - Lower power costs
 - Higher depreciation and amortisation accompanying investment in the manufacture of rolling stock
- We anticipate that railway operation revenue will rise as a result of an increase in line-side population and inbound demand.
 - As for expenses, while power costs are lower, we anticipate higher depreciation and amortisation reflecting the investment in rolling stock and station apparatus.
 - As a result of the above, in fiscal 2019, the core business as a whole is projected to record an increase in operating income.
 - Regarding the outlook for fiscal 2022, while depreciation and amortisation is set to rise significantly, we expect that railway operation revenue will benefit from higher inbound demand. Therefore, operating income in fiscal 2022 is projected to surpass the fiscal 2018 level.



[Urban Transportation] Railway Performance results

Hankyu Corporation

	Fare revenues (¥ million)*			Passenger volumes (Thousands)*		
	FY2019 Forecasts	FY2018 Results	Change	FY2019 Forecasts	FY2018 Results	Change
Commuter pass	33,743	33,198	+545(+1.6%)	339,360	335,005	+4,355(+1.3%)
Workers	29,230	28,690	+540(+1.9%)	239,111	234,816	+4,294(+1.8%)
Students	4,512	4,507	+4(+0.1%)	100,249	100,189	+60(+0.1%)
Other tickets	63,930	63,137	+792(+1.3%)	324,150	319,939	+4,210(+1.3%)
Total	97,673	96,335	+1,337(+1.4%)	663,511	654,945	+8,565(+1.3%)

Hanshin Electric Railway

	Fare revenues (¥ million)*			Passenger volumes (Thousands)*		
	FY2019 Forecasts	FY2018 Results	Change	FY2019 Forecasts	FY2018 Results	Change
Commuter pass	12,041	11,797	+243(+2.1%)	124,417	122,073	+2,343(+1.9%)
Workers	10,807	10,576	+230(+2.2%)	98,444	96,401	+2,042(+2.1%)
Students	1,234	1,221	+13(+1.1%)	25,973	25,672	+300(+1.2%)
Other tickets	22,130	21,638	+492(+2.3%)	122,369	119,567	+2,801(+2.3%)
Total	34,172	33,436	+736(+2.2%)	246,786	241,641	+5,144(+2.1%)

* 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 Corporation and Hanshin Electric Railway.

[Urban Transportation] Referential information

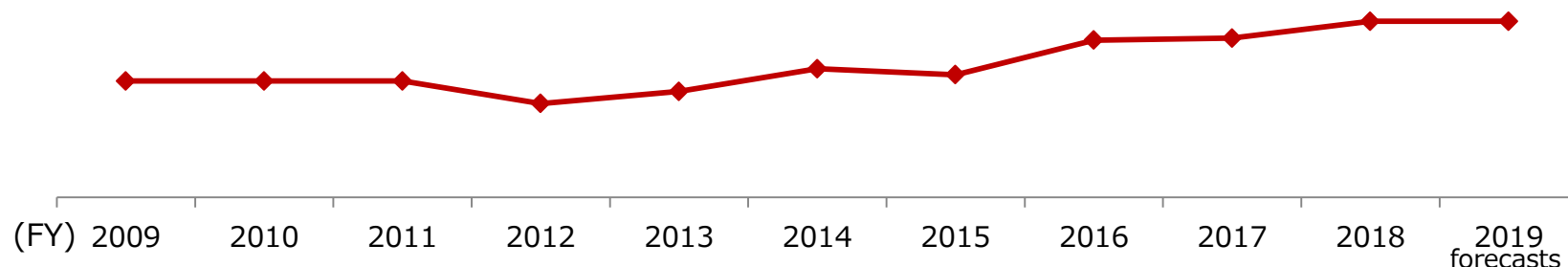
Hankyu Line: Transportation revenue (tier 1 + tier 2)

(¥ million)

	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019 forecasts
Commuter passes	31,880	31,126	29,484	29,922	30,391	31,299	31,549	32,272	32,628	33,198	33,743
Other tickets	60,087	58,582	60,000	60,268	60,749	61,630	60,910	62,920	62,720	63,137	63,930
Total	91,967	89,708	89,485	90,191	91,141	92,929	92,459	95,192	95,348	96,335	97,673

FY2009 = 100%

106%

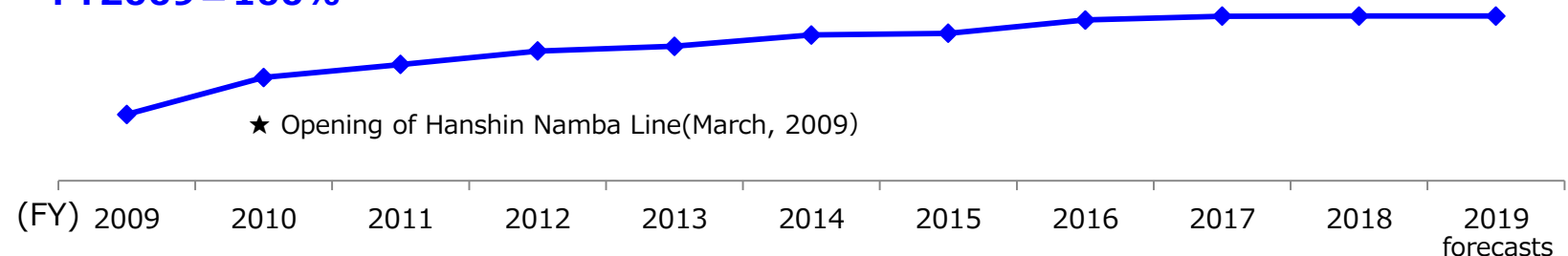


Hanshin Line: Transportation revenue (tier 1 + tier 2)

	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019 forecasts
Commuter passes	8,913	9,642	10,126	10,623	10,740	11,008	11,107	11,372	11,563	11,797	12,041
Other tickets	16,316	18,396	18,899	19,422	19,669	20,260	20,286	21,035	21,136	21,638	22,130
Total	25,230	28,038	29,025	30,045	30,410	31,269	31,394	32,407	32,699	33,436	34,172

FY2009 = 100%

135%



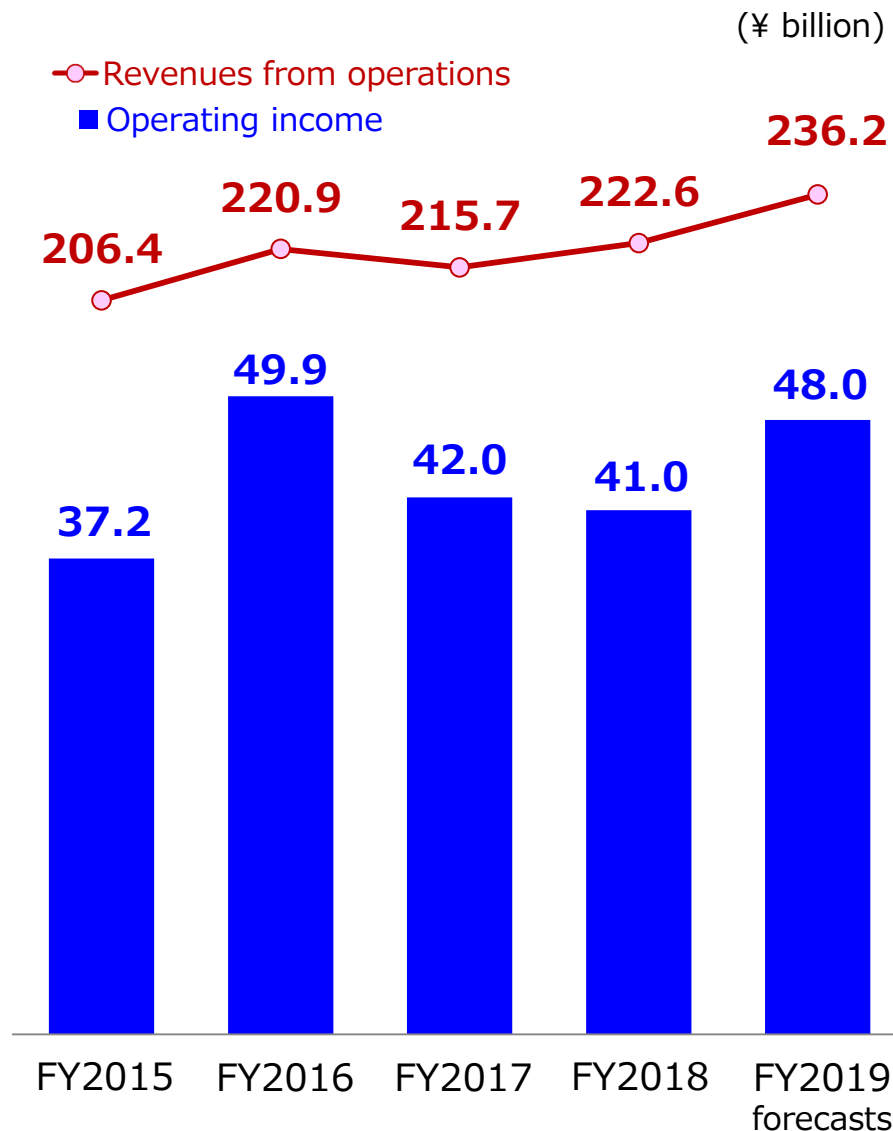
Real Estate

Blue : Factors of increase Red : Factors of decrease

Main factors in the change in operating income from FY2018 to FY2019

- Sale of land for commercial facilities in the eastern section of International Culture Park 'Saito'
- Lower gross profit and higher sales expenses in condominium business

- In the leasing business, depreciation and amortisation is set to rise as we proceed with the Umeda 1-1 Project. However, earnings are expected to increase with higher fare revenues and ongoing high occupancy rates. Earnings will also benefit from efforts to improve the appeal of commercial facilities by attracting new tenants and revamping the facilities.
- The real estate sales business will be negatively affected by lower gross profit and higher sales expenses in the condominium business, but earnings will increase because of the sale of land for commercial property.
- As a result of the above, in fiscal 2019, the core business as a whole is projected to record an increase in operating income.
- Regarding the outlook for fiscal 2022, with increased earnings from real estate leasing and real estate sales, operating income is projected to surpass the fiscal 2018 level.



Entertainment and Communications

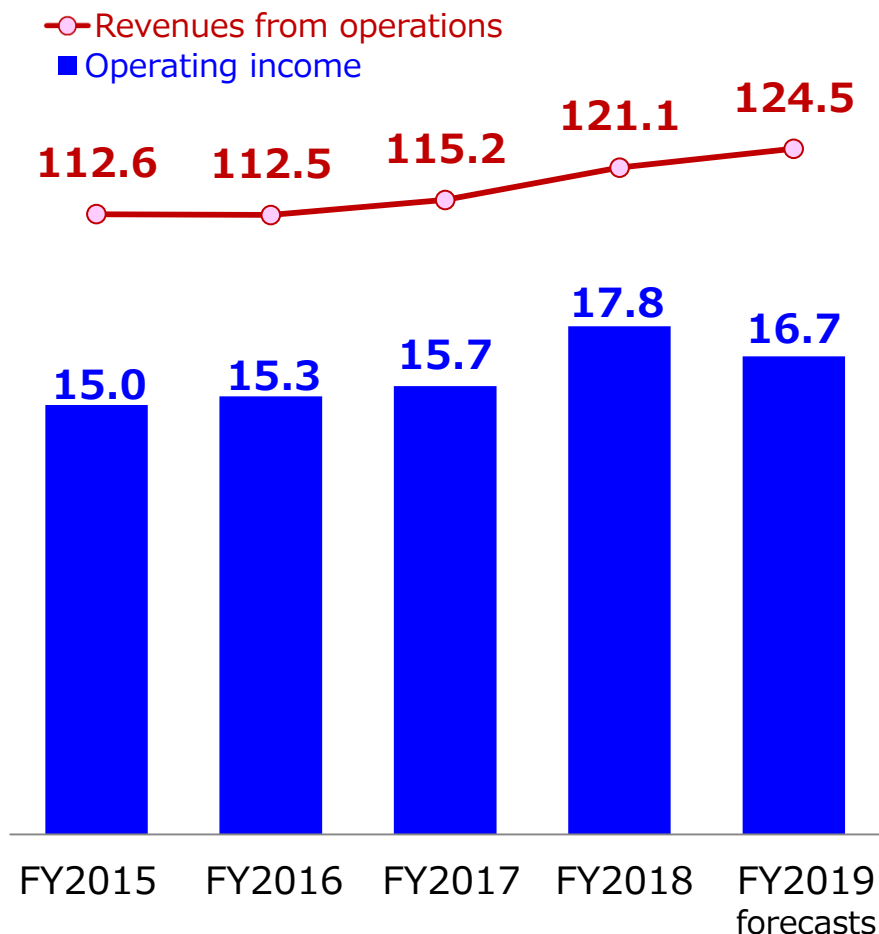
Blue : Factors of increase Red : Factors of decrease

(¥ billion)

Main factors in the change in operating income from FY2018 to FY2019

• Decline in the stage's level of capacity utilisation

- In the sports business, Hanshin Tigers Baseball Club's efforts to maintain the audience levels of fiscal 2018 are expected to yield to stable earnings.
- In the stage business, the stage's capacity utilisation will decline from its high level, and there will be lower sales of related merchandise. Therefore, we anticipate that earnings will decline from the fiscal 2018 level.
- The communication and media business will benefit from efforts to sustainably develop the information services business and promote local broadband wireless access.
- As a result of the above, in fiscal 2019, the core business as a whole is projected to record a decrease in operating income.
- Regarding the outlook for fiscal 2022, with increased earnings from information services business, the core business as a whole will aim for the same level of operating income as in fiscal 2018, both of sports and stage business achieved high level of earnings.

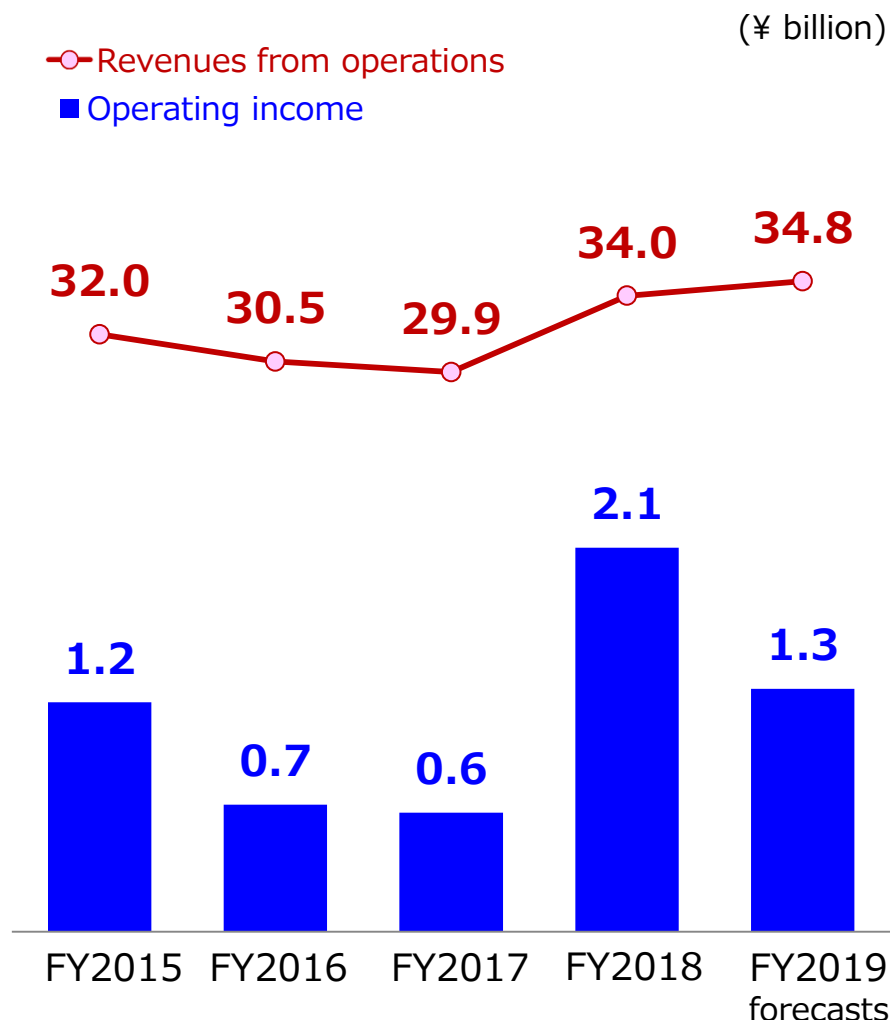


Travel

Blue : Factors of increase Red : Factors of decrease

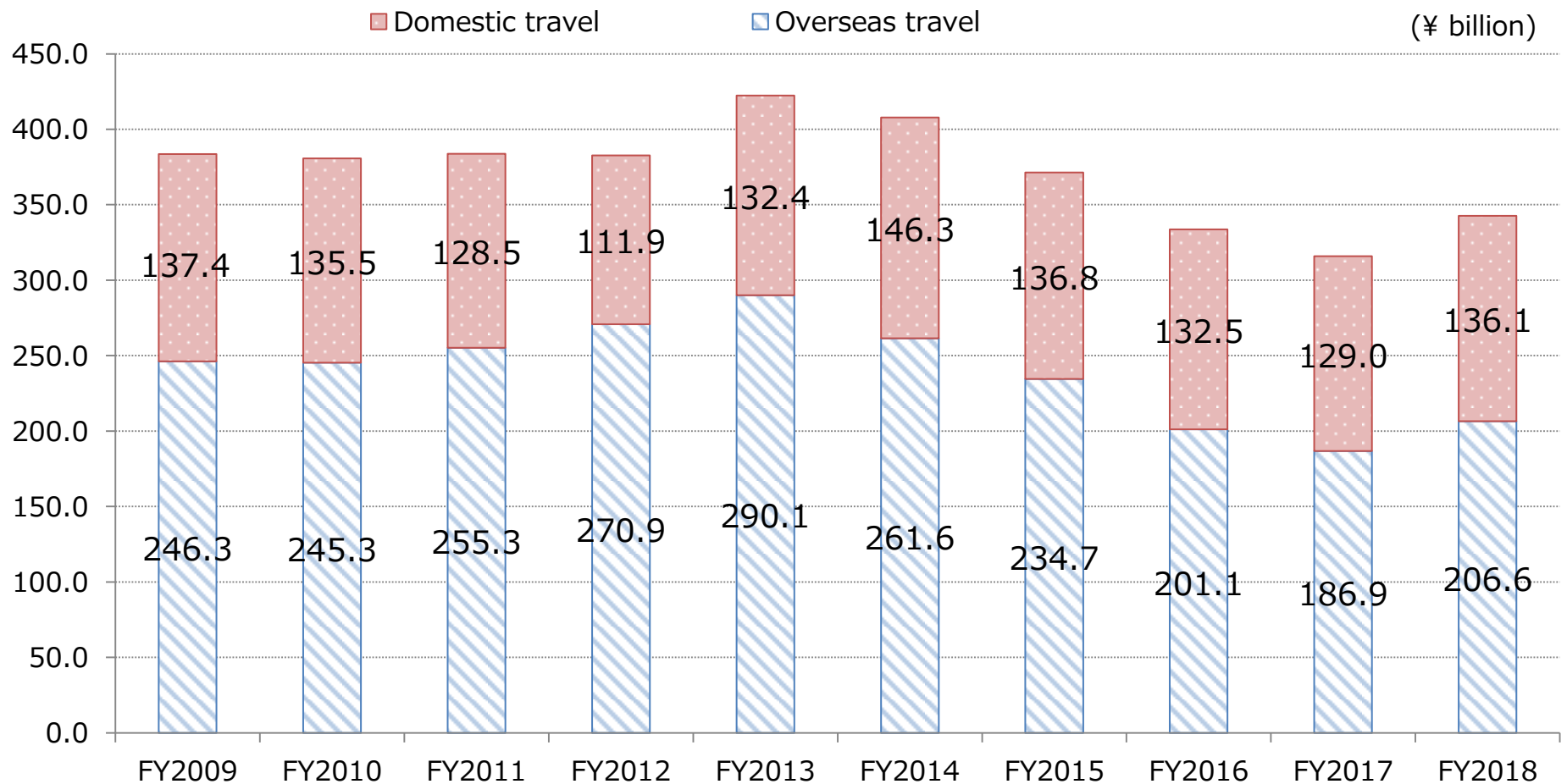
Main factors in the change in operating income from FY2018 to FY2019

- **Higher costs associated with structural reform**
- **Higher demand for travel to overseas regions other than Europe**
- In fiscal 2019, the overseas travel business will benefit from an expected increase in tourism in areas outside Europe, but earnings will decrease because of expenses.
- Regarding the outlook for fiscal 2022, over the period of the plan, we will strengthen the competitiveness of core brand travel packages while establishing a second pillar (see p.51).
- As a result of these efforts, in fiscal 2022, operating income is projected to be at the same level of operating income as in fiscal 2018.



[Travel] Referential information

Billings



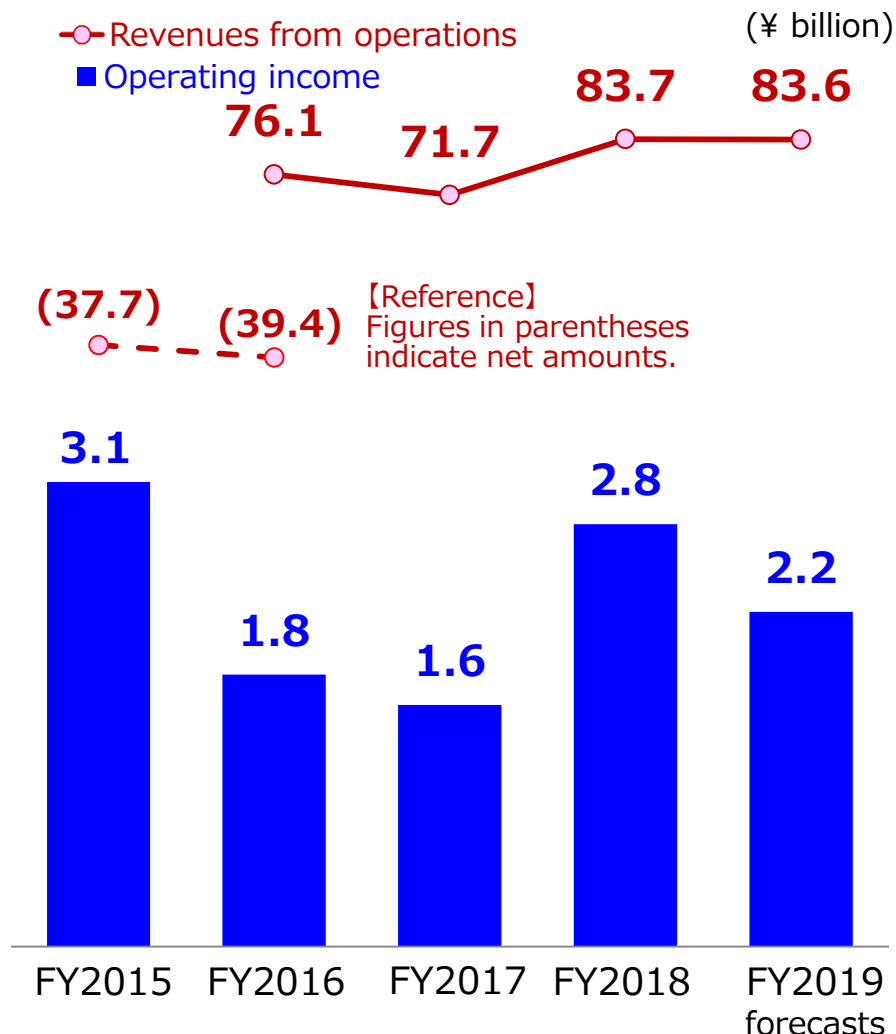
※Figures for fiscal 2009 to fiscal 2015 represent the simple aggregate amounts from Hankyu Travel International and Hankyu Hanshin Business Travel.
The figures from fiscal 2016 and onwards represent the aggregate amounts from the two companies as well as from Hanshin Travel International (offsetting intercompany transactions).

International Transportation

Blue : Factors of increase Red : Factors of decrease

Main factors in the change in operating income from FY2018 to FY2019

- Decline in air transport handling volume from the previous year's high level
- Higher handling volume in ocean transport and logistics
- Fiscal 2019 will see higher handling volume in ocean transport and logistics, but earnings will decrease because of a decline in air transport handling volume from the previous year's high level coupled with higher expenses.
- Regarding the outlook for fiscal 2022, the core business will aim for steady growth over the period of the plan by developing the air transport, ocean transport, and logistics businesses in a well-balanced manner as well as by producing a synergistic effect with Seino Holdings.
- As a result of these efforts, in fiscal 2022, operating income is projected to surpass the fiscal 2018 level.



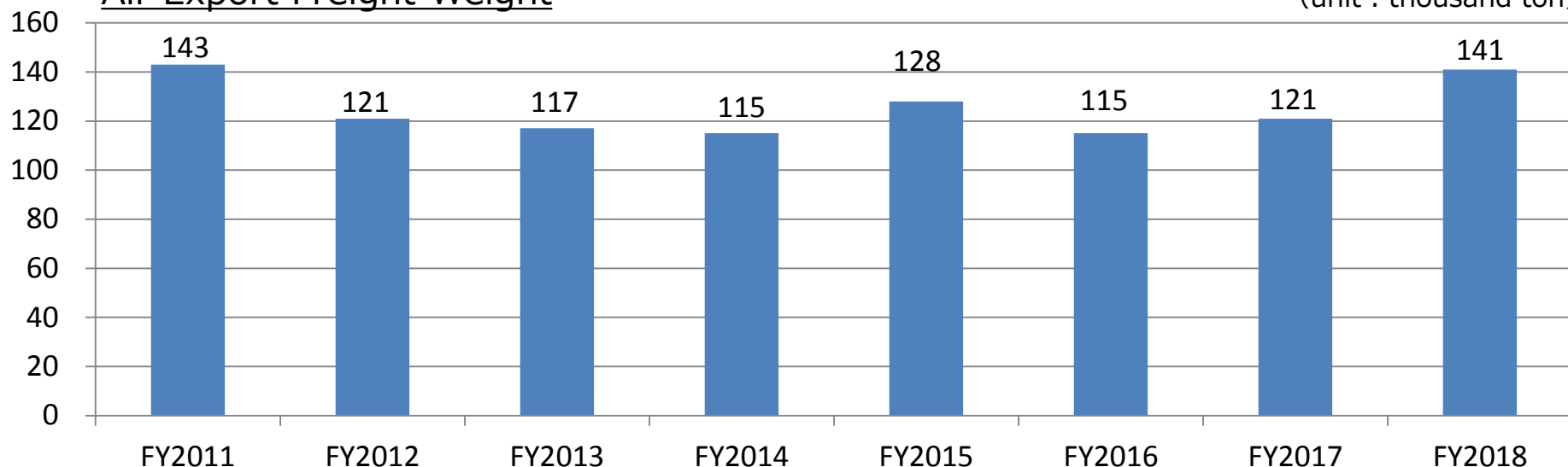
* As of fiscal 2017, the presentation of revenues from operations of the International Transportation Business has changed from net to gross amounts.

[International Transportation] Referential information

【Total handling volume for Japanese and non-Japanese companies in the International Transportation Business segment】

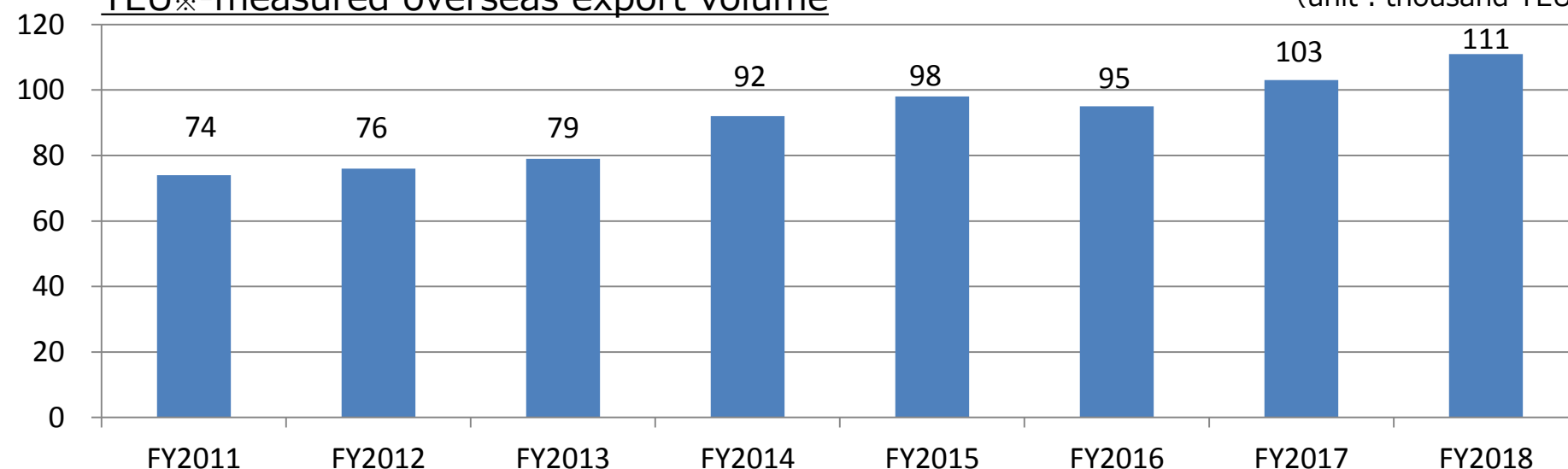
Air Export Freight Weight

(unit : thousand ton)



TEU※-measured overseas export volume

(unit : thousand TEU)

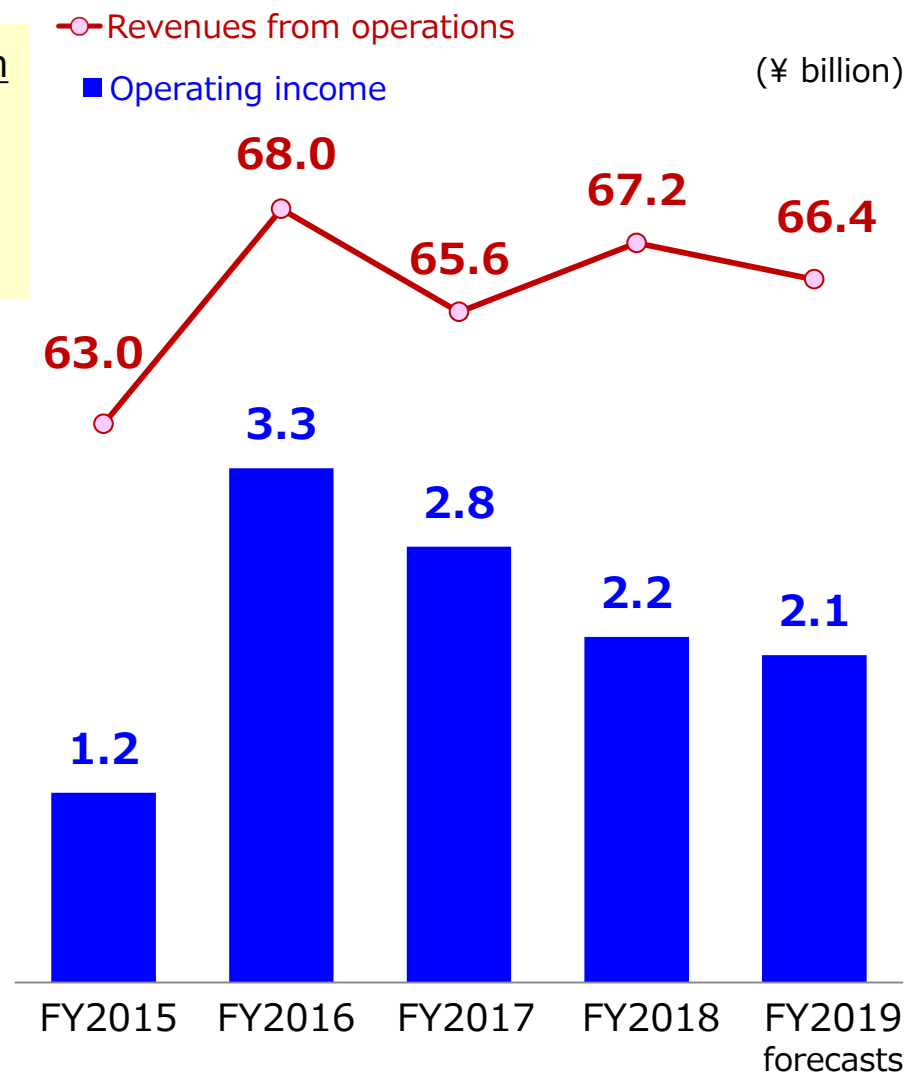


Hotels

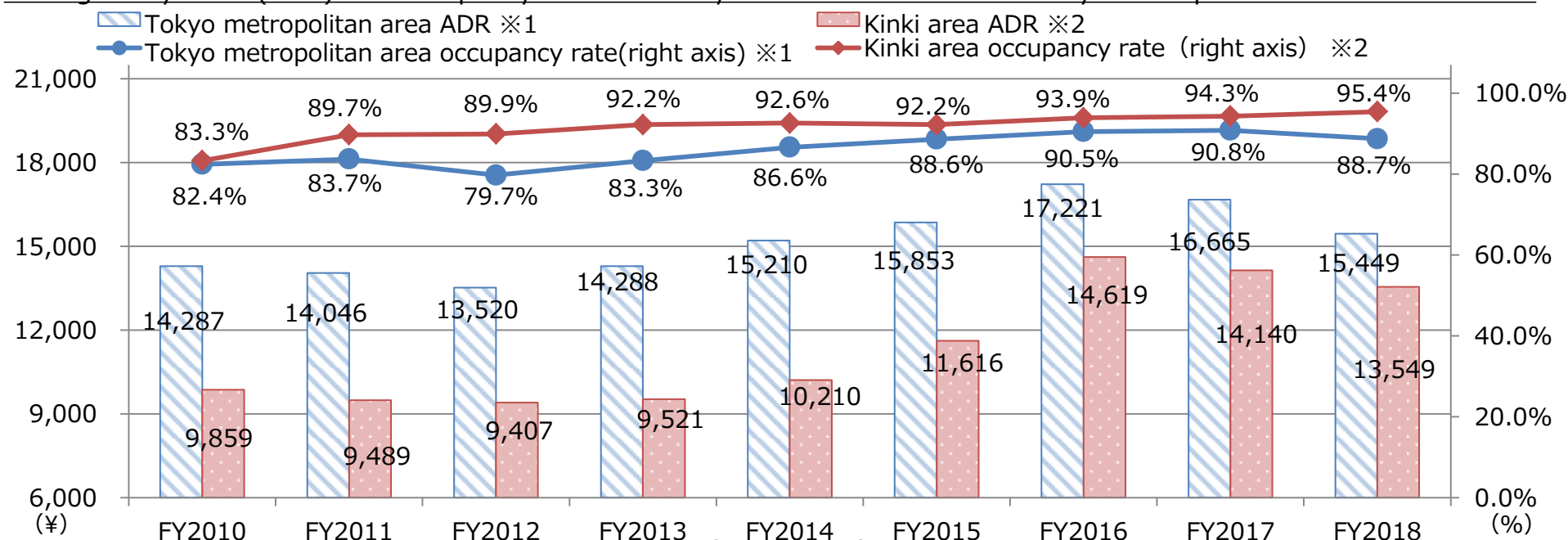
Blue : Factors of increase Red : Factors of decrease

Main factors in the change in operating income from FY2018 to FY2019

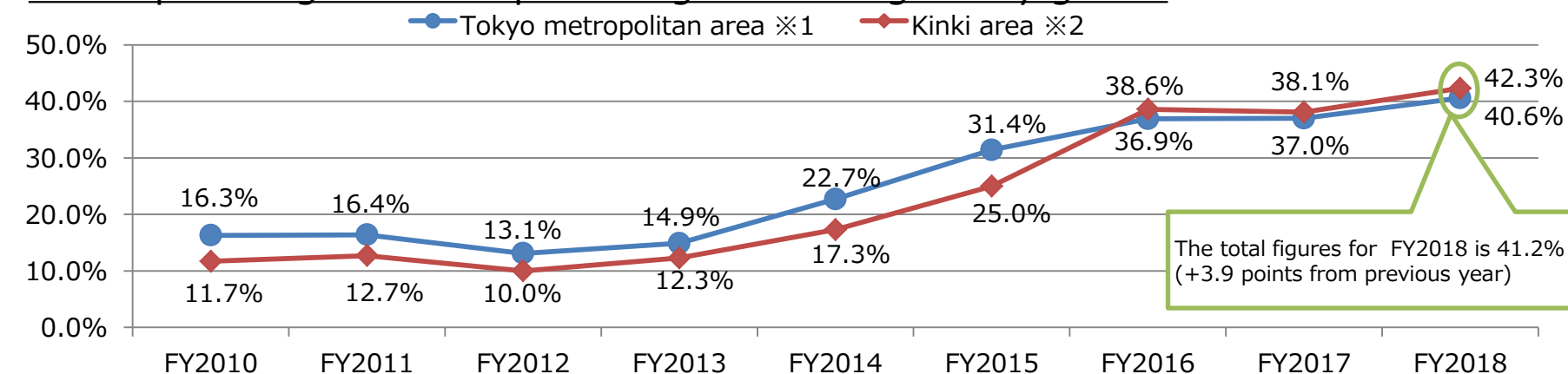
- Higher revenue among existing hotels, primarily from accommodation operations
- Higher repair expenses accompanying renovation
- Revenues from operations is set to decline following the termination of the Rokkosan Hotel management contract in fiscal 2018 and a number of hotel closures in fiscal 2019.
- We also anticipate higher repair expenses accompanying facility renovations and higher outsourcing costs following an overhaul of cleaning prices.
- Operating income, on the other hand, will remain at the same level in fiscal 2019 in view of higher ADR.
- Regarding the outlook for fiscal 2022, with the impact of opening new hotels and higher ADR among existing hotels, operating income is projected to surpass the fiscal 2018 level.



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)	FY2019 Forecasts ①	Remarks	FY2018 Results ②	Remarks	Change ①-②
Total capital expenditure	108.7		86.4		+22.3
(Breakdown for each business segment)					
Urban Transportation	39.3	Building of new rolling stock and improvement of existing rolling stock, Renewal of station apparatus, upgrade of Hanshin Umeda Station, Installation of mobile platform edge doors	35.0	Building of new rolling stock and improvement of existing rolling stock, upgrade of Hanshin Umeda Station, Installation of mobile platform edge doors	+4.3
Real Estate	47.3	Umeda 1-1 Project, Project to relocate Takarazuka Hotel, Nishinomiya Kitaguchi Hankyu Building (Provisional Name) Construction Project, Kyobashi 2-6 Redevelopment Plan, Project to rebuild Kobe Hankyu Building's east wing	39.9	Umeda 1-1 Project, Renewal of Hankyu Sanban Gai Shopping Centre, Kyobashi 2-6 Redevelopment Plan, Project to rebuild Kobe Hankyu Building's east wing	+7.4
Entertainment and Communications	9.9	Broadcast and communications, renewal of transition lines of main lines, Increase base stations for local broadband wireless access	7.6	Broadcast and communications, renewal of transition lines of main lines	+2.3
Travel	1.2		0.5		+0.7
International Transportation	1.5		0.7		+0.8
Hotels	2.5		2.3		+0.2

《Reference》 Consolidated Statements of Depreciation and amortisation, EBITDA

(¥ billion)	FY2019 forecasts ①	FY2018 results ②	Change ①-②
Total Depreciation and amortisation	55.8	53.3	+2.5
(Breakdown for each business segment)			
Urban Transportation	28.5	26.7	+1.8
Real Estate	17.1	16.5	+0.6
Entertainment and Communications	7.3	6.8	+0.5
Travel	0.7	0.7	+0.0
International Transportation	0.6	0.7	-0.1
Hotels	2.2	2.1	+0.1
Total EBITDA	168.0	160.8	+7.2
(Breakdown for each business segment)			
Urban Transportation	71.4	68.2	+3.2
Real Estate	65.1	57.5	+7.6
Entertainment and Communications	24.0	24.6	-0.6
Travel	2.0	2.7	-0.7
International Transportation	2.8	3.4	-0.6
Hotels	4.3	4.3	-0.0

V. Referential Materials

Consolidated Subsidiaries

(As of April 1, 2018)

Urban Transportation	
Railway operations	Hankyu Corporation Hanshin Electric Railway Nose 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 Hankyu Denen Bus Osaka Airport Transport 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 Hanshin Properties Hankyu Corporation Hanshin Electric Railway Hankyu Hanshin Estate Service Osaka Diamond Chikagai
Other	Hankyu Hanshin Building Management Hankyu Hanshin High Security Service Hankyu Hanshin Clean Service Hankyu Hanshin REIT Asset Management Hankyu Hanshin Real Estate Investment Advisors Hankyu Hanshin Housing Support Kyokuto
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]

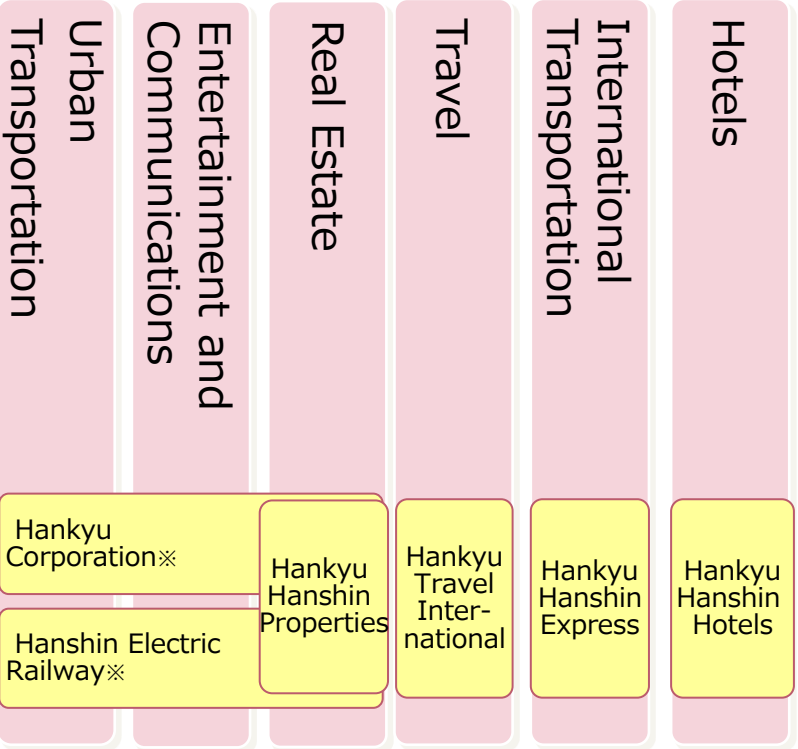
Name of segment	
Name of sub-segment	Name of consolidated subsidiary (Only listed companies that are managed as segment)

Revenues from Operations and operating income as a FY2018

management composition

(As of April 1, 2018)

Hankyu Hanshin Holdings

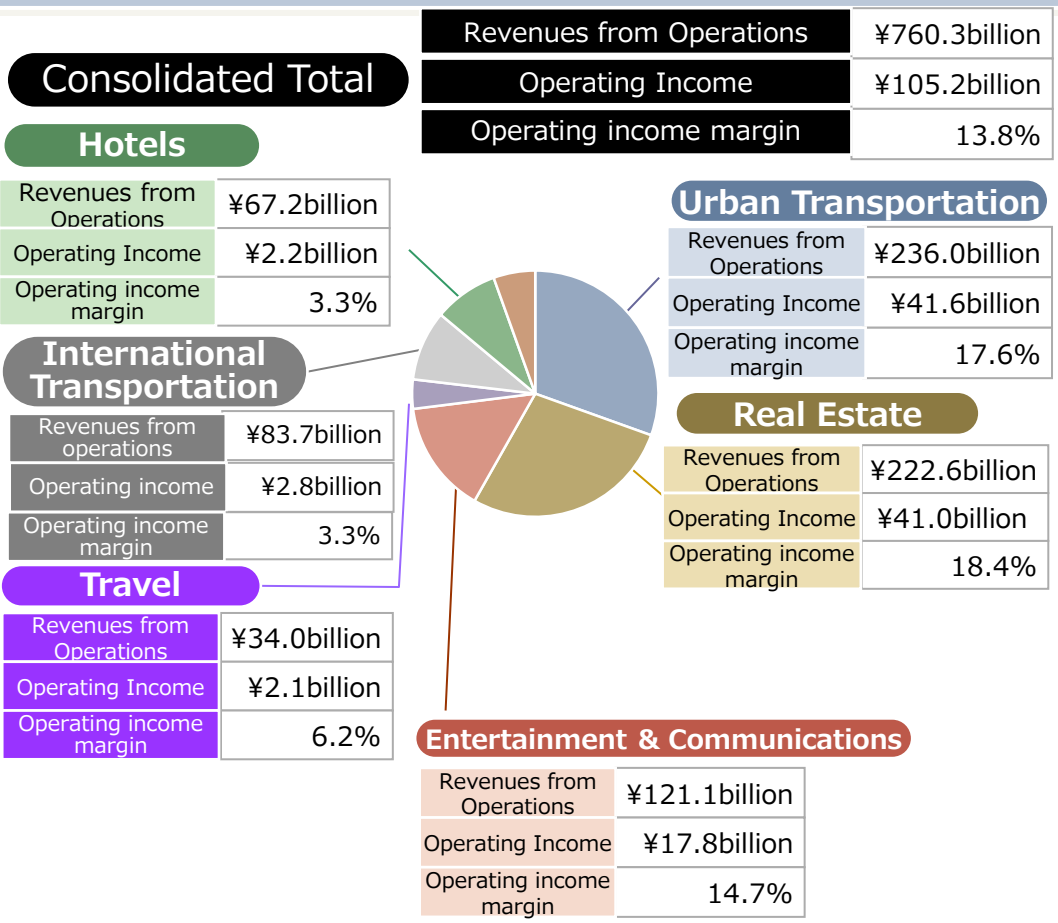


※ In the Umeda and line-side areas, Hankyu Corporation and Hanshin Electric Railway will retain their real estate for leasing and developing and work with Hankyu Hanshin Properties to promote community building efforts in connection with public transport networks and local governments.

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(FY2018)



Areas served by the Hankyu and Hanshin lines①

Definition of the areas served by the Hankyu and Hanshin lines

Osaka Prefecture:

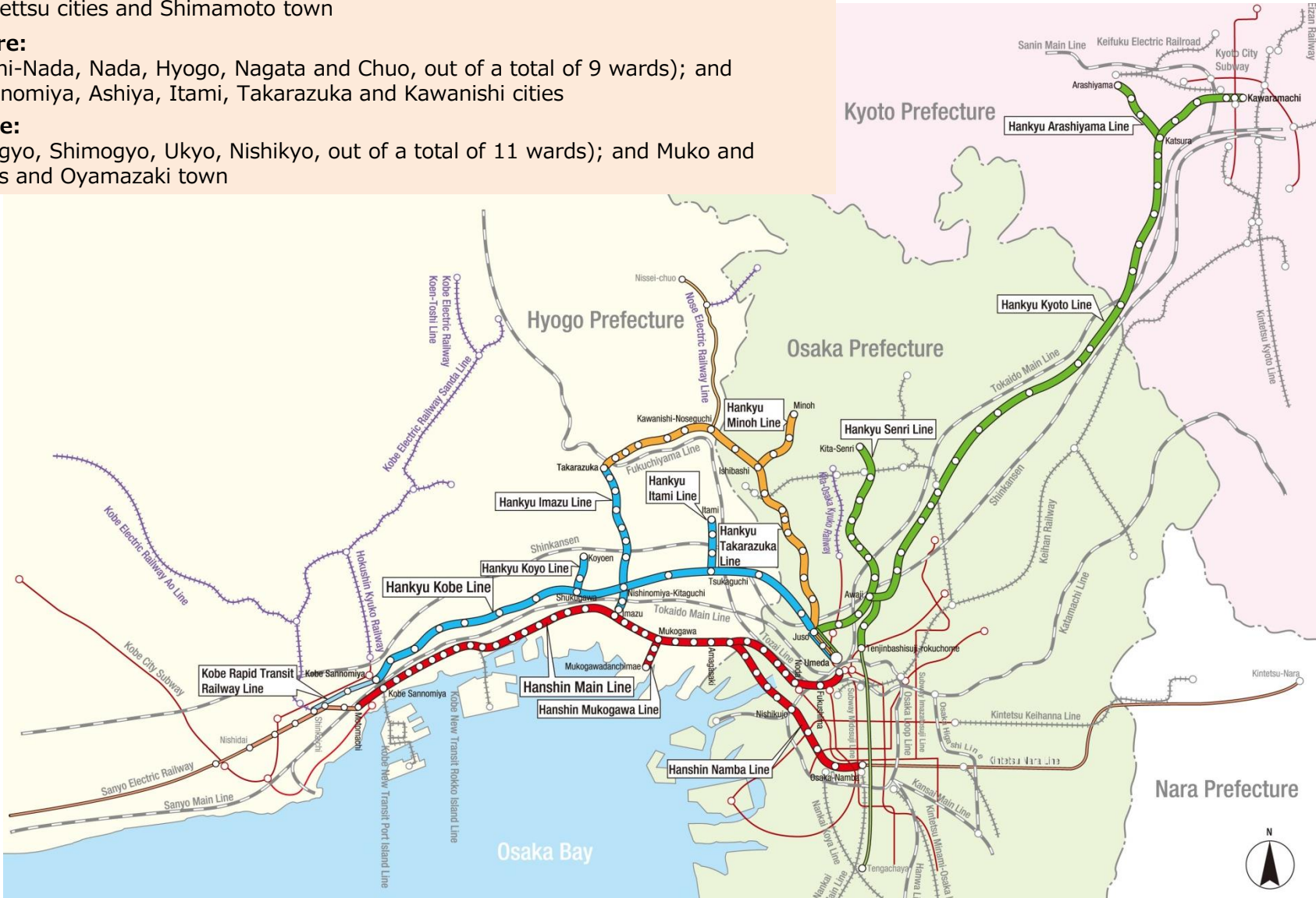
Osaka City (Fukushima, Konohana, Nishi, Naniwa, Nishi-Yodogawa, Higashi-Yodogawa, Yodogawa, Kita and Chuo, out of a total of 24 wards); and Toyonaka, Ikeda, Suita, Takatsuki, Ibaraki, Minoh, Settsu cities and Shimamoto town

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

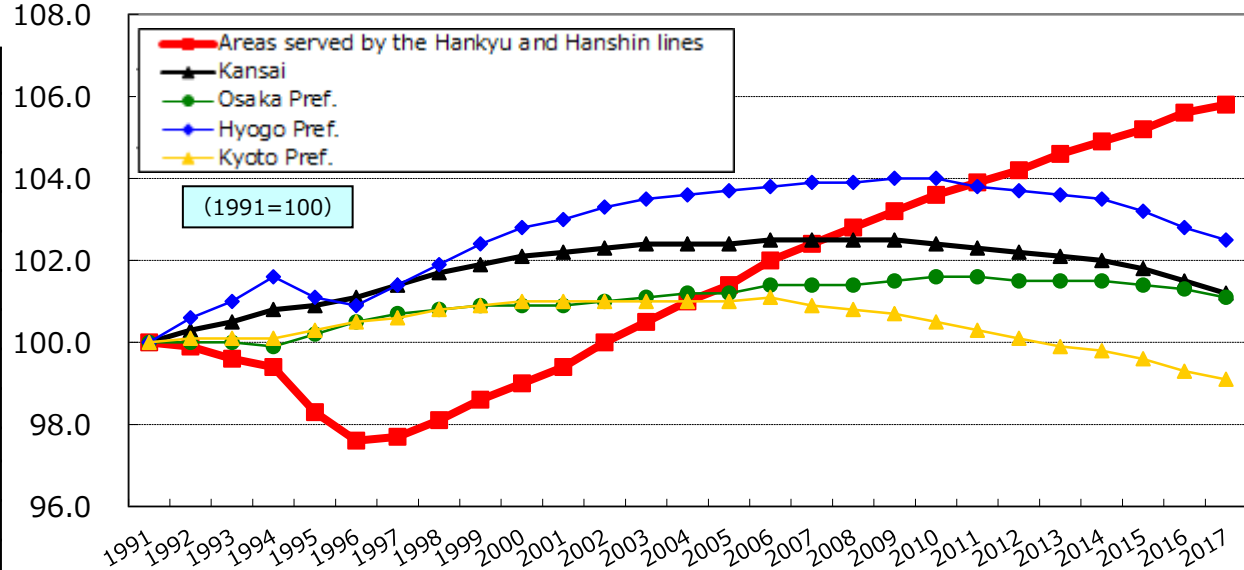


Areas served by the Hankyu and Hanshin lines②

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	Population
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

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	(Osaka, Osaka Pref.)	14	Fukushima	(Osaka, Osaka Pref.)
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	(Osaka, Osaka Pref.)
9	Osaka	(Osaka, Osaka Pref.)	19	Kitahama	(Osaka, Osaka Pref.)
10	Tennoji	(Osaka, Osaka Pref.)	20	Nakatsu	(Osaka, Osaka Pref.)

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., Daijyo 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 28, 2017.

Overview of Umeda area①

Major rental properties (as of March, 2018)

Property name	Leasable area (1,000m) ※1	Number of floors	Completed
Umeda Hankyu Bldg. (Hankyu Dept.Store-office tower)	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	39	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. ※2 (HEP FIVE)	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 Hanshin 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

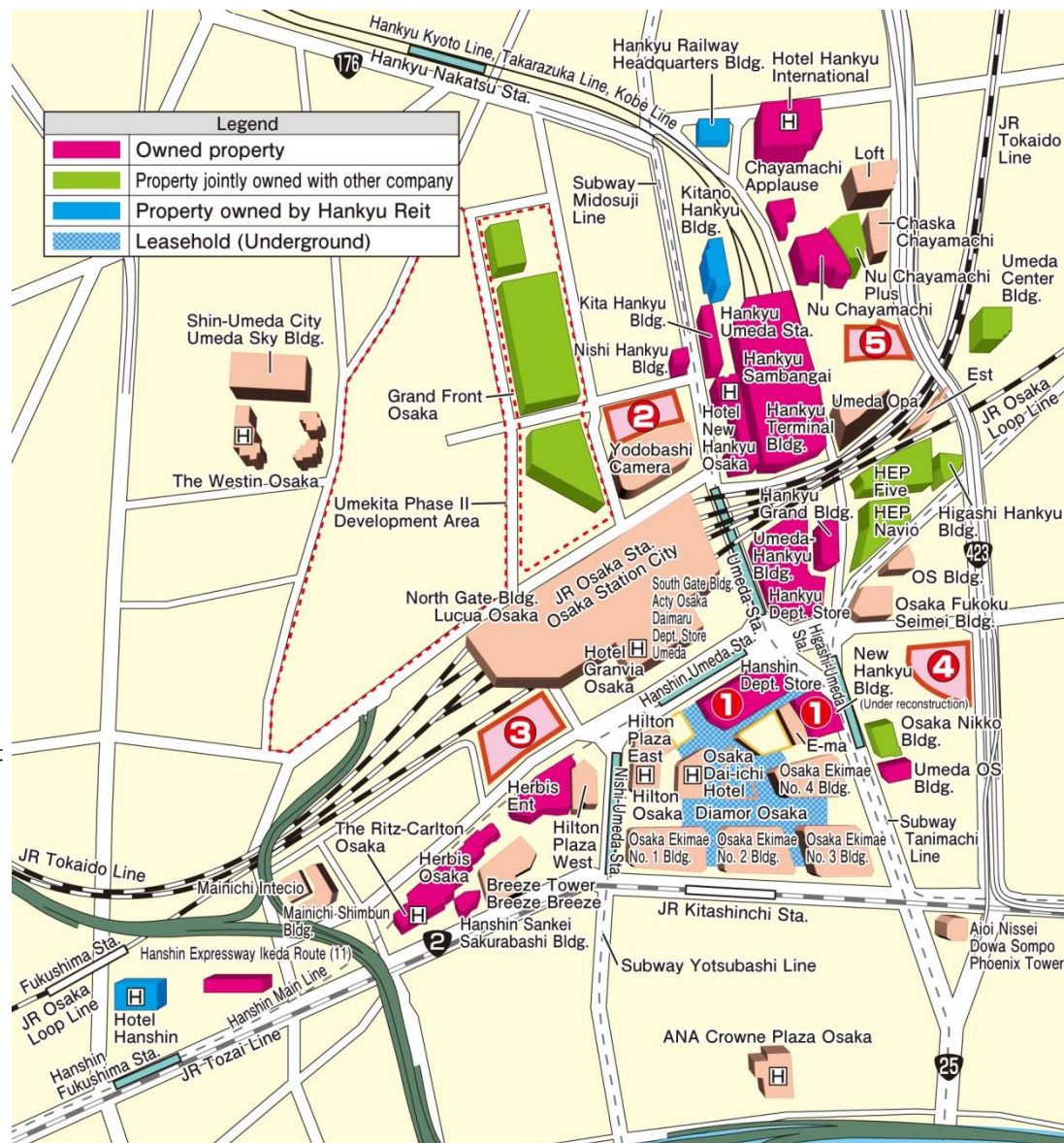
- Japan Post Holdings Co. Ltd./Osaka Terminal Building Co., Ltd.

④ (Provisional Name) Umeda Sonezaki Project

-Sumitomo Realty & development Co., Ltd.

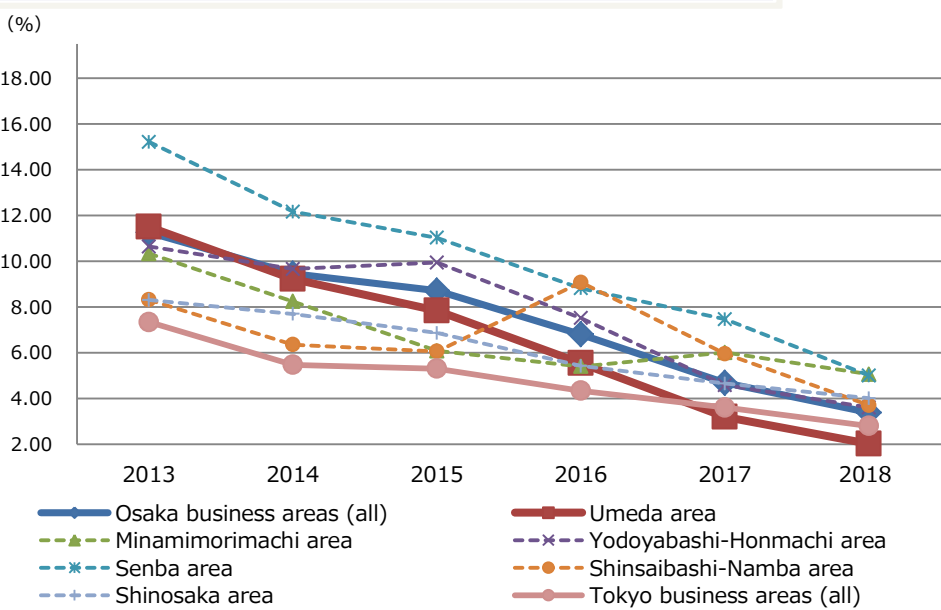
⑤ Chayamachi B-2 District Redevelopment Project

-TOKYU LAND CORPORATION Co., Ltd.



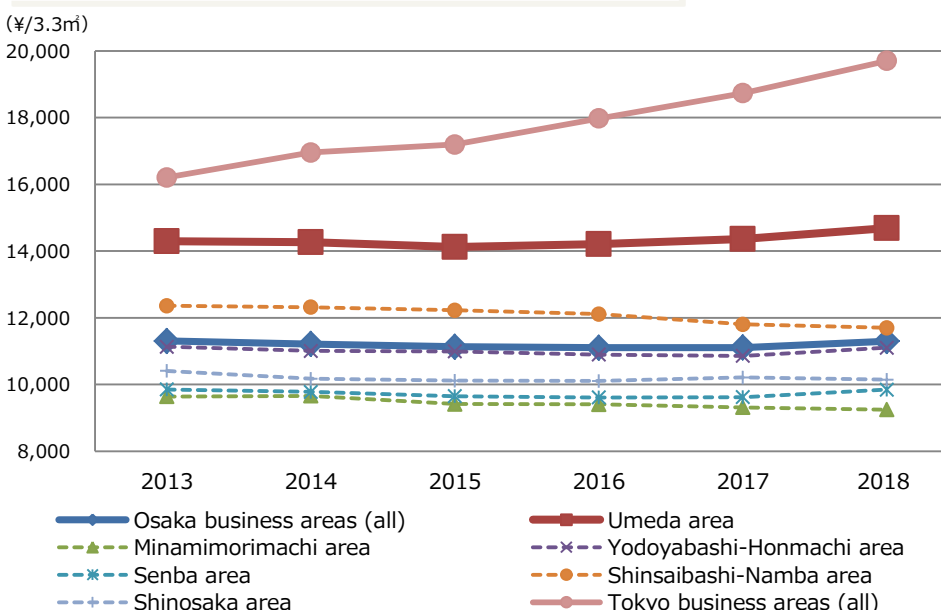
Overview of Umeda area②

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



(%)	2013	2014	2015	2016	2017	2018
Osaka business areas (all)	11.25	9.45	8.71	6.80	4.68	3.38
Umeda area	11.50	9.22	7.84	5.54	3.20	2.02
Minamimorimachi area	10.33	8.24	6.08	5.40	6.01	5.06
Yodoyabashi-Honmachi area	10.64	9.66	9.94	7.51	4.58	3.60
Senba area	15.21	12.16	11.02	8.81	7.46	5.00
Shinsaibashi-Namba area	8.31	6.35	6.06	9.07	5.95	3.70
Shinosaka area	8.30	7.69	6.86	5.42	4.65	4.01
Tokyo business areas (all)	7.34	5.47	5.30	4.34	3.60	2.80

Trends in rent among six main business districts in Osaka

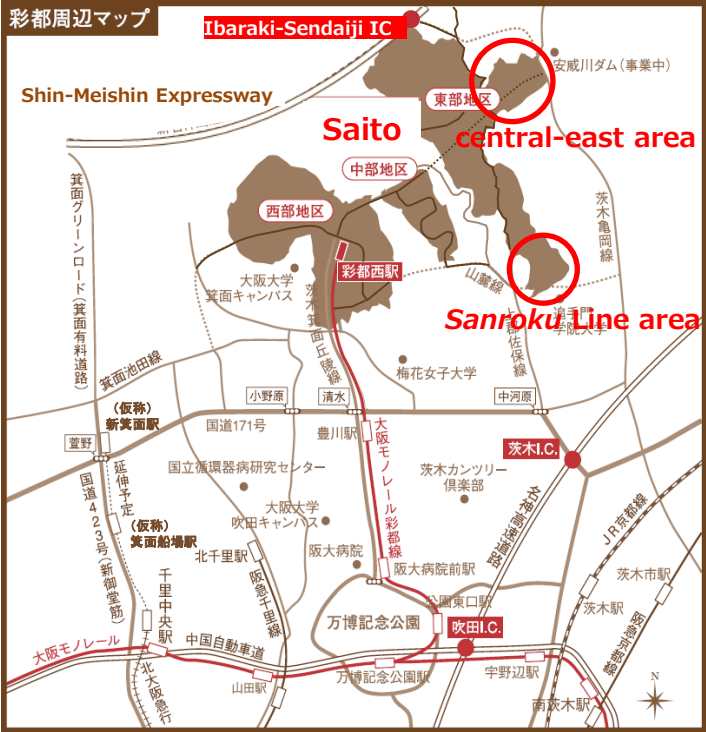
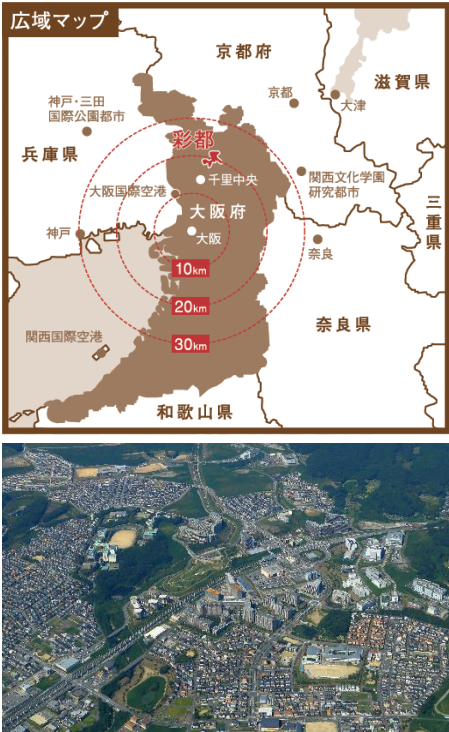


(¥/3.3㎡)	2013	2014	2015	2016	2017	2018
Osaka business areas (all)	11,307	11,213	11,132	11,101	11,107	11,302
Umeda area	14,295	14,262	14,118	14,207	14,366	14,684
Minamimorimachi area	9,642	9,658	9,414	9,408	9,314	9,249
Yodoyabashi-Honmachi area	11,132	11,005	10,993	10,898	10,861	11,105
Senba area	9,853	9,782	9,652	9,613	9,620	9,845
Shinsaibashi-Namba area	12,361	12,315	12,225	12,110	11,802	11,696
Shinosaka area	10,407	10,173	10,114	10,106	10,213	10,142
Tokyo business areas (all)	16,207	16,953	17,195	17,973	18,730	19,699

(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 15,000 and a facility population of 3,200.
- 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). In May of the same year, the Group received permission to conduct development operations in the Sanroku Line area, and it commenced operations in November. We plan to develop the land that is allocated for large-scale commercial use, envisaging lots for distribution centres as well as 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,2018)

	Minoh City	Ibaraki city	Total
Number of households	2,093	2,802	4,895
Current population	6,432	8,420	14,852
population/ Number of households	3.07	3.00	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 the logistics business

- Constructed new logistics centres
- Expanded existing logistics centres

• Expanding the network

- Invested in Africa-based agency
- Established new bases

◆ New base and logistics centre in India

We established a sales office in Neemrana (Bawal), which is home to the largest Japanese industrial zone in northern India, and another in Ahmedabad, an automobile manufacturing hub.

We also established an airport office in Delhi (where we have already made inroads) and a logistics centre in Chennai. These new facilities will help us expand business further.

Number of bases: Japan=46, Overseas=124
(as of May 1, 2018)

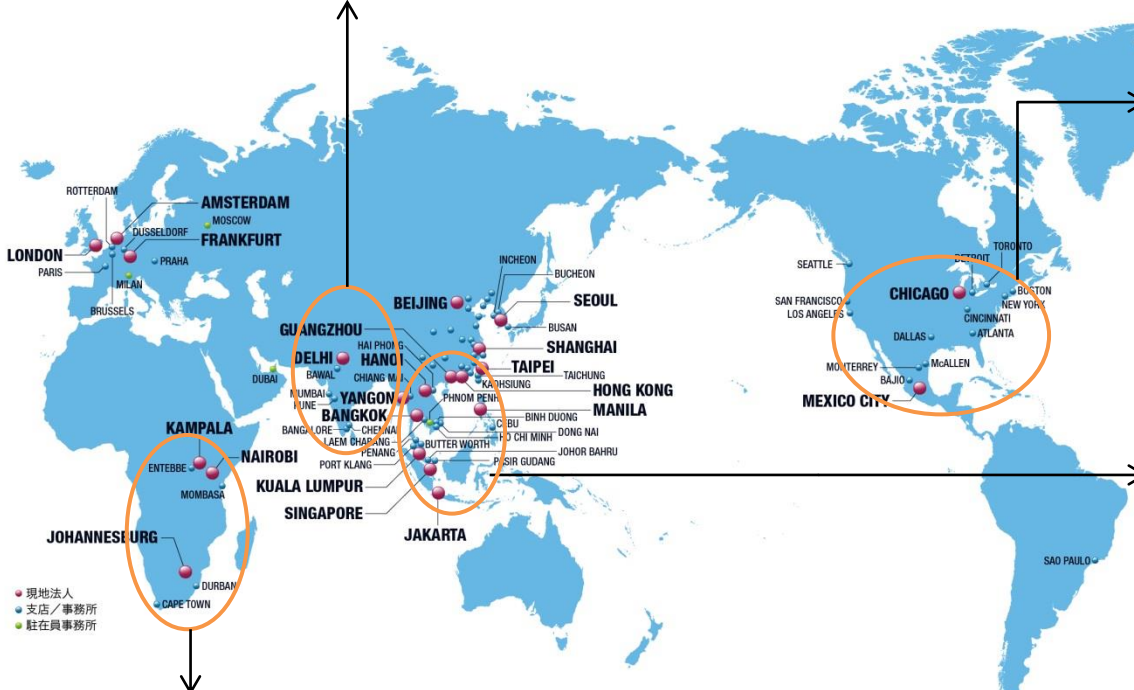
◆ Business expansion in North America

We established a sales office in Monterrey, a city in the north of Mexico which serves as a gateway into the US for automobile manufacturers.

In the US, we established sales offices in Boston and Miami and expanded our network of logistic centres to include Chicago, Atlanta, and Dallas in an effort to achieve further growth.

◆ New logistics centres in the ASEAN region

Having built a logistics centre in Indonesia in 2016, in May 2017, we opened a large logistics centre in Singapore. This logistics centre is the Group's largest such facility, and it exploits the significant advantages that Singapore affords as an international logistics hub. With this centre, we provide high value-added logistics services focusing on goods related to Singapore's key industries, including electrical components, medical equipment, and pharmaceutical products. Similarly, in Ho Chi Minh City, Vietnam, we established a Group-managed logistics centre.



◆ Strengthening business development in Africa

In April 2018, we invested in Intraspeed in South Africa and acquired the freight forwarder a subsidiary. We also acquired as subsidiaries two companies owned by Intraspeed (one company is in Kenya and the other is in Uganda). Looking ahead, we will step up our efforts to develop business in Africa.

Hotel network of the Hankyu-Hanshin-Daiichi Hotel Group

<div>Directly managed hotels (Hankyu Hanshin Hotels)</div>	18Hotels	4,890 rooms	} 46Hotels 10,424 rooms
<div>Other (franchises, etc.)</div>	28Hotels	5,534 rooms	

(as of April 1, 2018)



阪急阪神第一ホテルグループ

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	Tokyo Dai-ichi Hotel Nishiki
Hotel new Hankyu Osaka	Hotel Boston Plaza Kusatsu
Hotel new Hankyu Annex	Hotel Royal Hill Fukuchiyama
Hotel Hanshin	Amano Hashidate Hotel
Umeda OS hotel ※	Osaka Dai-ichi Hotel
remm SHIN-OSAKA	Arima View Hotel urara
Senri Hankyu Hotel	Maniwa Riverside Hotel
Hotel Hankyu Expo Park	Kure Hankyu Hotel
Takarazuka Hotel	Hotel Ichibata
Hotel new Hankyu Kyoto	Tokyo Dai-ichi Hotel Shimonoseki
remm KAGOSHIMA	Takamatsu Kokusai Hotel
Other(franchises, etc.)	
Tokyo Dai-ichi Hotel Iwanuma Resort	JR Hotel Clemant Takamatsu
Tokyo Dai-ichi Hotel Tsuruoka	JR Hotel Clement Tokushima
Tokyo Dai-ichi Hotel Yonezawa	The Crown Palais New Hankyu Kochi
Tokyo Dai-ichi Hotel Shin-Shirakawa	Tokyo Dai-ichi Hotel Matsuyama
	Imabari Kokusai Hotel
	Takakura Hotel Fukuoka

※Hankyu-Hanshin Hotels are entrusted operation

