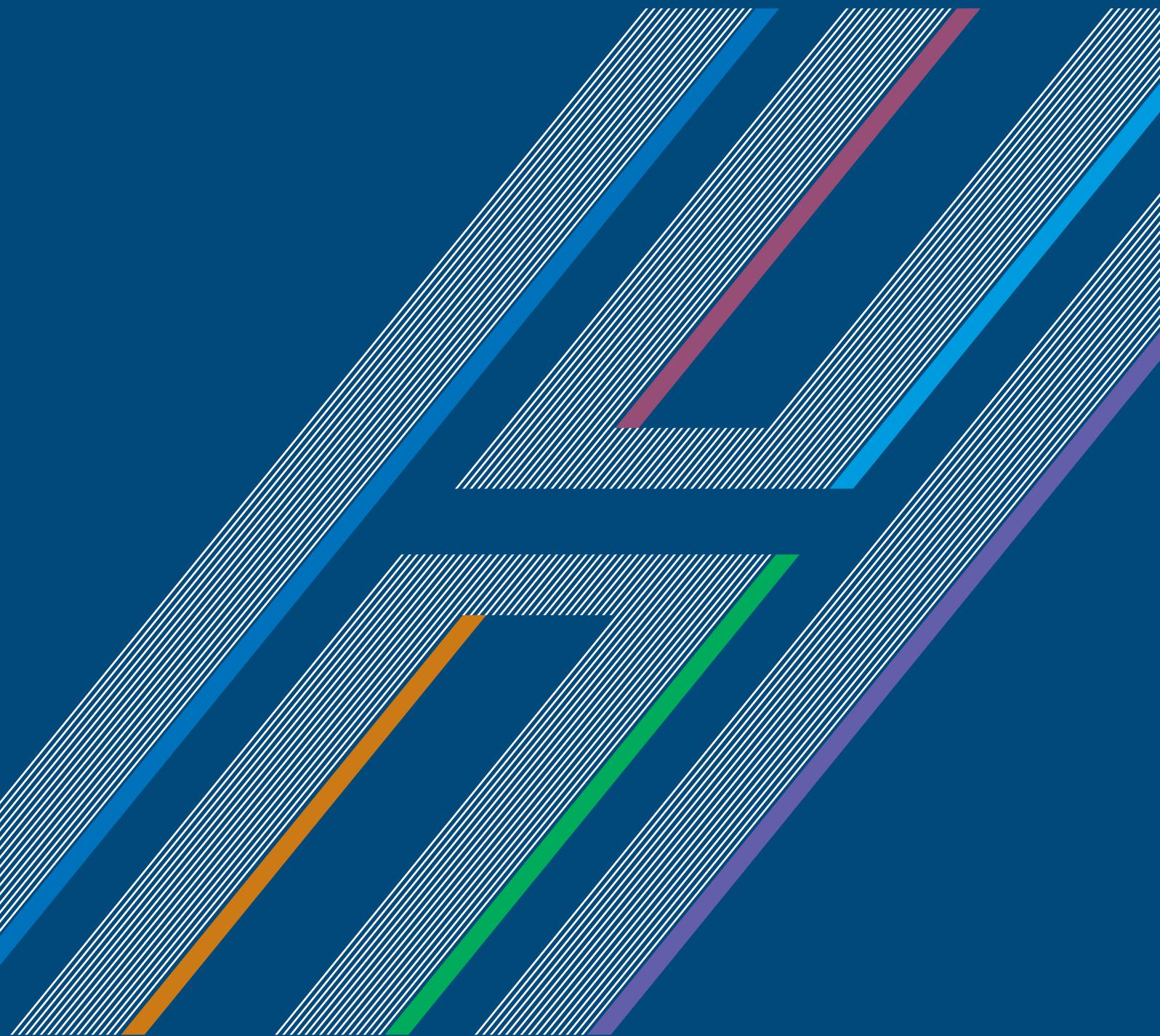


Hankyu Hanshin Holdings

Securities code: 9042

ANNUAL REPORT
2018





Mission

What we try to achieve

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

Values

What is important to us

Customers First

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

Sincerity

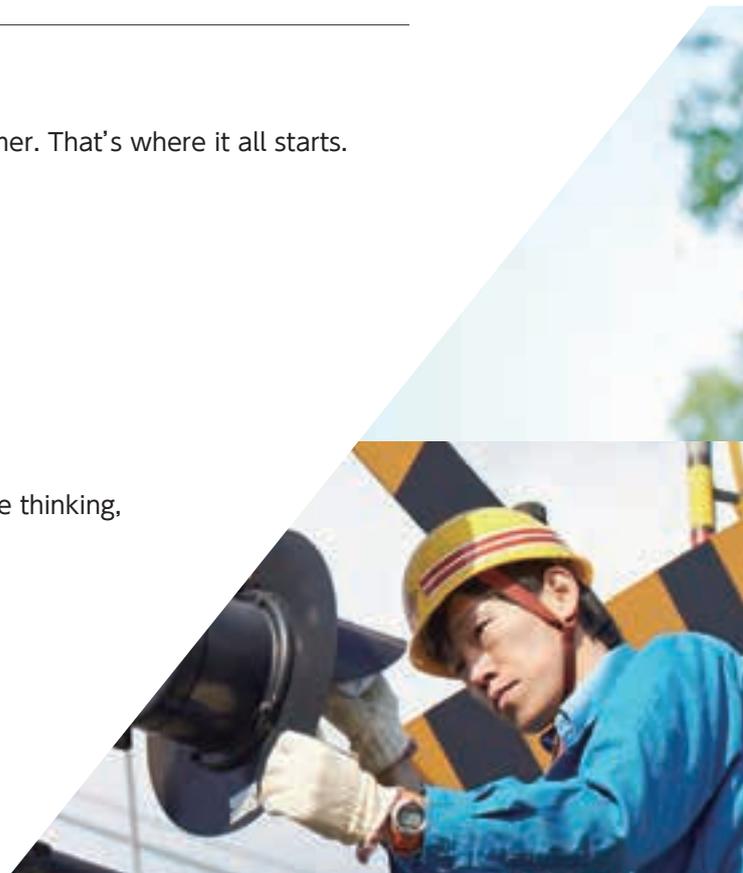
Gain customers’ confidence by always being sincere.

Foresight & Creativity

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

Respect for People

Everyone is absolutely invaluable to the Group.





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

Osaka Prefecture: Osaka City (Fukushima, Konohana, Nishi, Naniwa, Nishi-Yodogawa, Higashi-Yodogawa, Yodogawa, Kita, and Chuo, out of a total of 24 wards); and Toyonaka, Ikeda, Suita, Takatsuki, Ibaraki, Minoh, and 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, and Nishikyo, out of a total of 11 wards); and Muko and Nagaokakyo cities and Oyamazaki town

Forward-Looking Statements

The reader is advised that this annual report contains forward-looking statements regarding the future plans, strategies, and earnings performance of Hankyu Hanshin Holdings, Inc., which are not statements of historical fact but constitute estimates or projections based on facts known to the Company's management as of the time of writing. Actual results may therefore differ substantially from such statements.

About the Compilation of this Annual Report and the Auditing Company Used

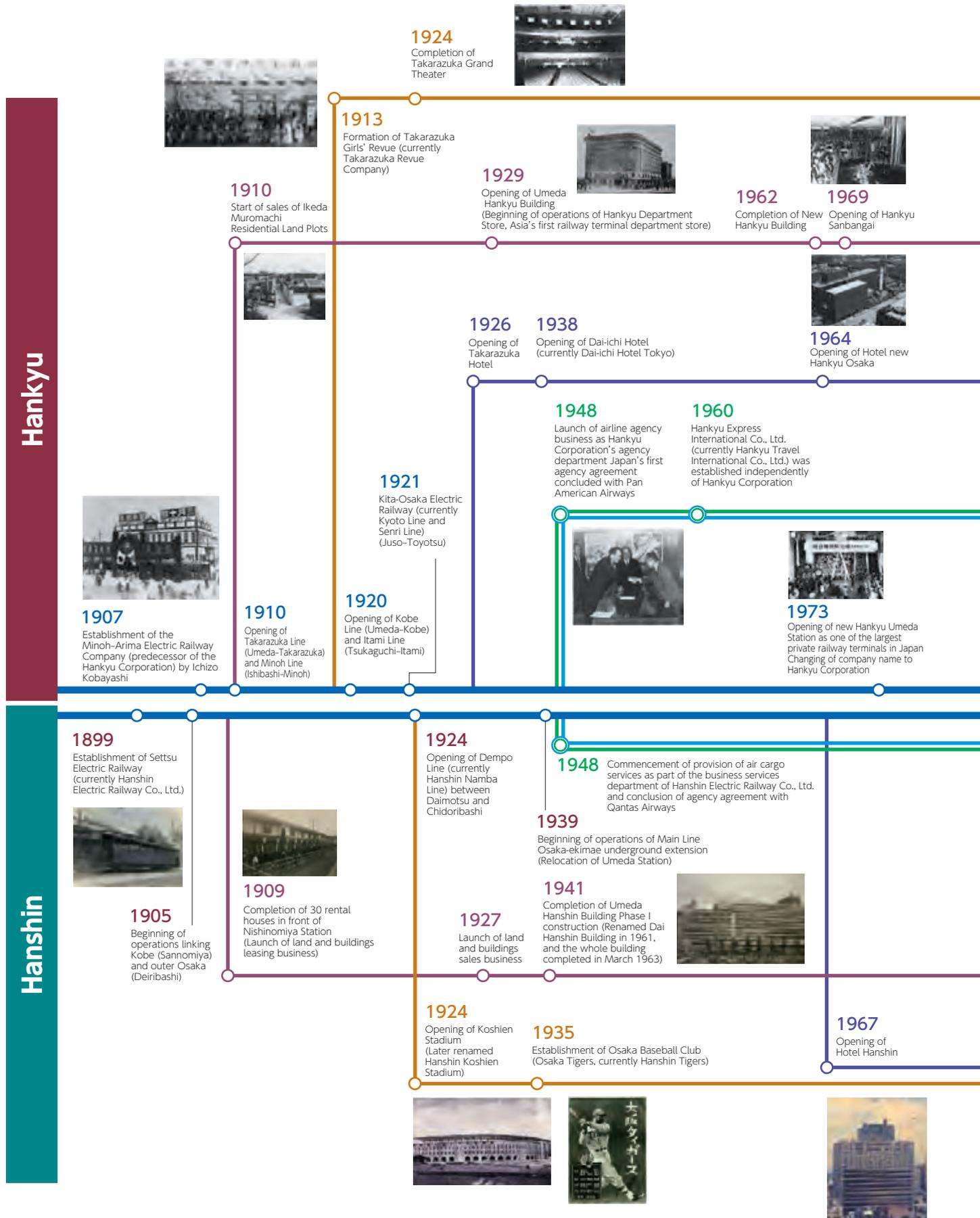
The financial section of this annual report includes a digest of information including consolidated financial statements in the Company's Securities Report for the 180th period, audited by KPMG AZSA LLC and presented in a somewhat modified format. We have presented this information in such a way as to ensure that there is no discrepancy with the data presented in the annual securities report. However, the annual report itself has not been audited by KPMG AZSA LLC.

Definition

"Fiscal 2018" refers to the fiscal year ended 31st March 2018. Other fiscal years are referred to in a corresponding manner in this annual report. Figures are basically rounded off. Sums expressed in units of ¥100 million are rounded to the nearest ¥100 million.

History of the Hankyu Hanshin Holdings Group

By suggesting an innovative lifestyle to the people, mainly in the Kansai area, we have created prosperous communities and steadily expanded our business.



- Urban Transportation
- Real Estate
- Entertainment and Communications
- Travel
- International Transportation
- Hotels

Nov 2008

Opening of Hankyu Nishinomiya Gardens



Sep 2012

Completion of Umeda Hankyu Building (Full opening of Umeda Main Store of Hankyu Department Store in November 2012)



Sep 2009

Opening of Hankyu Department Store Umeda Main Store Phase I Building, Umeda Hankyu Building

May 2010

Opening of Umeda Hankyu Building Office Tower



2014

Takarazuka Revue marks 100th anniversary since its first performance in 1914



©Takarazuka Revue Company

Oct 2006

Establishment of Hankyu Hanshin Holdings, Inc.

Mar 2016

Opening of a logistics center in Indonesia as a joint project of the real estate business and the international transportation business



Mar 2010

Completion of the renovations of Hanshin Koshien Stadium



Mar 2009

Beginning of operations of Hanshin Namba Line (between Nishikujo and Osaka-Namba)



Apr 2018

Completion of Umeda 1-1 Project Phase I Building



May 2017

Announcement of the Hankyu Hanshin Holdings Group's Long-Term Management Vision for 2025

At a Glance

Nature of Business

Major Operating Companies*

Fiscal 2018 Results

Percentage of Revenues from Operations²
Percentage of Operating Income²
Percentage of Assets

Urban Transportation



Railway operations

These operations form a network in the Kansai area that centers on the railway lines of Hankyu Corporation and Hanshin Electric Railway. Hankyu Corporation's railway lines link Osaka-Umeda with Kobe, Takarazuka, and Kyoto. Meanwhile, Hanshin Electric Railway is the only private (non-JR) railway operator with railway lines that directly link Kobe with Osaka's major northern and southern terminals, which are Osaka-Umeda and Namba, respectively. The operating kilometers of Hankyu Corporation and Hanshin Electric Railway are 143.6 km* and 48.9 km*, respectively.

* Including tier 2 railway operators

Automobile business (bus, taxi)

This business manages and operates bus and taxi services, which coordinate with railway services to increase convenience in line-side areas.

Retailing business

This business manages and operates convenience stores and other shops mainly inside railway stations on the Hankyu and Hanshin lines.

Advertising business

This business provides advertising media that are based on digital signage inside railway stations and space inside trains.

Real Estate



Real estate leasing business

This business owns numerous office buildings and facilities, mainly in Osaka-Umeda and the line-side areas of the Hankyu and Hanshin lines. In recent years, the business has been actively pursuing development of real estate in the Tokyo metropolitan area. (For a list of principal rental properties, please see page 100.)

Real estate sales and other business

This business markets condominiums, residential land lots, and detached houses, mainly in the line-side areas of the Hankyu and Hanshin lines and the Tokyo metropolitan area. In recent years the business has entered the ASEAN region. The business is engaged in property management, building maintenance, and other building operation and management services as well as real estate fund management, including private placement funds and J-REIT businesses. (See pages 100-101 for major [domestic and overseas] sales properties.)

Entertainment and Communications



©Takarazuka Revue Company

Sports business

This business manages the Hanshin Tigers professional baseball team, which has a history of more than 80 years, as well as the team's home ground and high-school baseball mecca Hanshin Koshien Stadium and manages related businesses. The business also operates a music business (Billboard Live).

Stage business

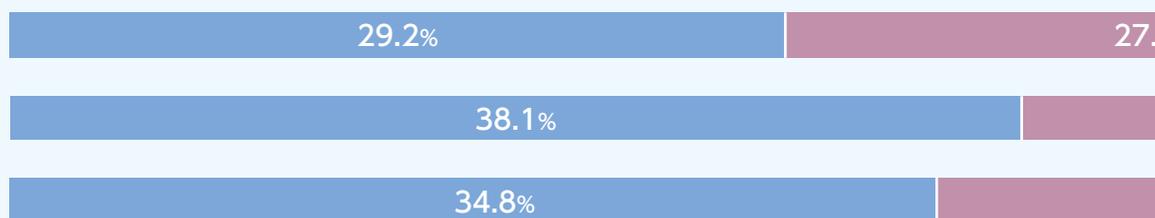
This business manages the performances of the Takarazuka Revue—an organization which has more than a century of history—sells related products, and manages and operates related businesses engaged in video and music distribution. Further, the business operates Umeda Arts Theater and promotes stage productions.

Communication and media business

This business operates a broadcast and communications business, which provides cable television services (including multichannel broadcasts, Internet, and fixed telephone line services), and an information services business, which provides a variety of services based on system development and other IT.

 阪急電鉄 Hankyu Corporation 阪神電気鉄道 Hanshin Electric Railway	 阪急阪神不動産 Hankyu Hanshin Properties Corp.	 阪急電鉄 Hankyu Corporation 阪神電気鉄道 Hanshin Electric Railway
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	Urban Transportation	Real Estate	Entertainment and Communications
Revenues from operations	¥ 236.0 billion (YoY - 0.5%)	¥ 222.6 billion (YoY + 3.2%)	¥ 121.1 billion (YoY + 5.1%)
Operating income	¥ 41.6 billion (YoY - 1.5%)	¥ 41.0 billion (YoY - 2.4%)	¥ 17.8 billion (YoY + 13.4%)
Segment assets	¥ 799.5 billion (YoY - 0.3%)	¥ 1,087.2 billion (YoY + 2.9%)	¥ 150.9 billion (YoY + 2.5%)



*1 As for our real estate business, Hankyu Corporation and Hanshin Electric Railway collaborate with Hankyu Hanshin Properties to promote urban development of real estate owned by Hankyu Corporation and Hanshin Electric Railway for rent and development in cooperation with transportation networks, local governing bodies and others in Umeda and their line-side areas.
*2 Figures for percentage of revenues from operations and operating income are calculated based on the simple aggregate amount (including intersegment transactions) of each segment.

Travel



Travel business

This business plans, markets, arranges, and supports travel for Japanese people in Japan and overseas and for non-Japanese visitors in Japan.

The business provides various travel services which include: media sales to sell packaged tours through advertisements in newspaper, internet and other media, individual tours with itinerary that can be created freely, group tours that we propose for study or as educational tours visiting enterprises or schools, counter sales at shops, tours for the recently increasing inbound international visitors and arrangements for overseas business trips.

International Transportation



International transportation business

This business operates air freight, sea freight, and logistics businesses as well as a comprehensive portfolio of businesses that are ancillary or related to these operations. The business has 49 bases in Japan and 128 bases overseas as of August 1, 2018.

Hotels



Hotels business

This business operates a wide range of hotel formats, from "city hotels" through to business hotels mainly comprising guest rooms for overnight stays.

The business operated 46 hotels, consisting of 18 directly managed hotels and 28 franchise hotels, with 10,424 guest rooms as of April 1, 2018. In addition to the above hotels, the business manages The Ritz-Carlton, Osaka, based on an alliance with the Ritz-Carlton chain of international luxury hotels.



Hankyu Travel International



Hankyu Hanshin Express



Hankyu Hanshin Hotels

Revenues from operations

¥ **34.0** billion
(YoY + 13.6%)

Operating income

¥ **2.1** billion
(YoY + 222.6%)

Segment assets

¥ **85.6** billion
(YoY + 15.7%)

Revenues from operations

¥ **83.7** billion
(YoY + 16.8%)

Operating income

¥ **2.8** billion
(YoY + 75.0%)

Segment assets

¥ **52.5** billion
(YoY + 35.7%)

Revenues from operations

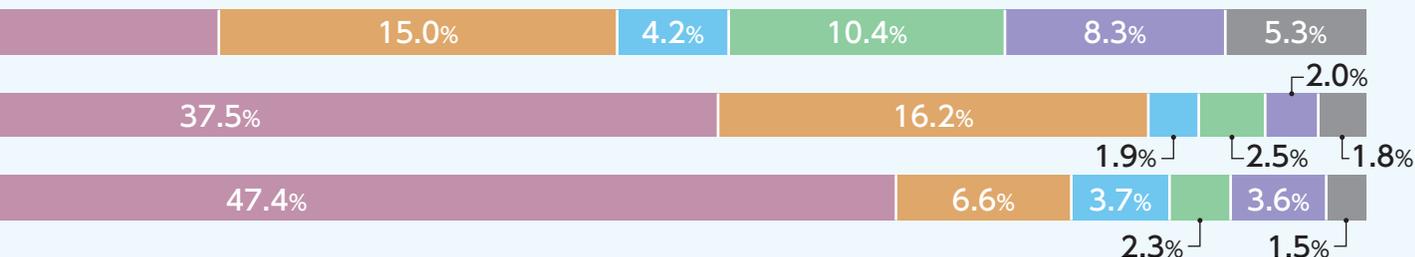
¥ **67.2** billion
(YoY + 2.4%)

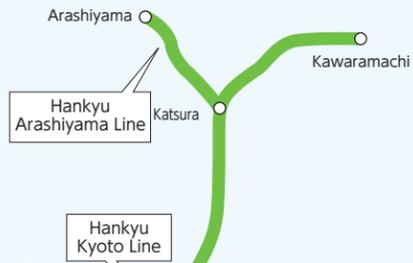
Operating income

¥ **2.2** billion
(YoY - 20.7%)

Segment assets

¥ **83.7** billion
(YoY + 1.3%)





Urban Transportation » page 31

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

Annual number of passengers carried Hankyu Corporation: **654,945,000** persons (FY2018)

Annual number of passengers carried Hanshin Electric Railway: **241,641,000** persons (FY2018)

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

Real Estate » page 33

Leasable area (as of FY2018)
Approx. 1,740,000 m²

Of which, Umeda area (as of FY2018)
Approx. 790,000 m²

Number of condominium units sold (FY2018): **1,159 units**

Overseas sales business operated: **in 5 countries**

Travel (FY2018) » page 37

Total turnover: **¥ 345.5 billion** (6th place in the industry)

Overseas travel turnover: **¥ 206.6 billion** (3th place in the industry)

Domestic travel turnover: **¥ 136.1 billion** (6th place in the industry)

Business development in the Tokyo Metropolitan area



Japan



Asia

Overseas business area



Entertainment and Communications » page 35

Sports business
Total attendance at Hanshin Tigers home games (during 2018 season): **3,035,000** persons

Stage business
Annual total attendance at Takarazuka revues (FY2018): **Approx. 2.80 million** persons

Communications business - other
Number of households subscribing to cable TV (FY2018): **Approx. 604,000** households

©Takarazuka Revue Company

(Of which, Takarazuka Grand Theater: approx. 1.19 million persons, Tokyo Takarazuka Theater: approx. 990,000 persons)

(Of which, Baycom: approx. 499,000 households, Himeji Cable TV: approx. 105,000 households)

Hotels (As of April 1, 2018) » page 41

Total number of hotels: **46** hotels
(Directly managed: **18** hotels, Other: **28** hotels)

Total number of guest rooms: **10,424** rooms*

*291 rooms of the Ritz-Carlton, Osaka (Kita-ku, Osaka) are not included.

International Transportation (As of August 1, 2018) » page 39

Number of overseas bases: **28** countries, **128** locations

Number of domestic bases: **49** locations

Financial Highlights

Key Financial Indicators (Graphs)

Revenues from operations



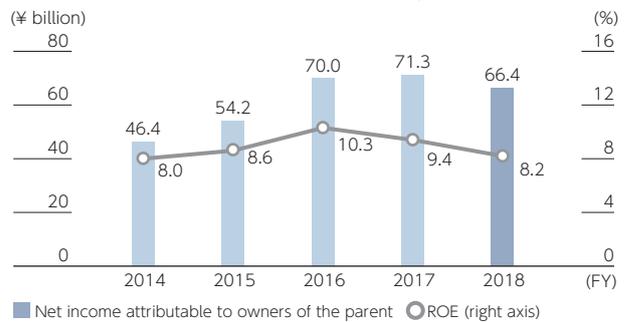
Operating income and operating income margin



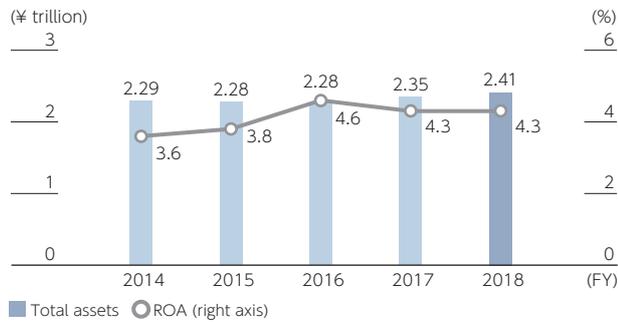
EBITDA



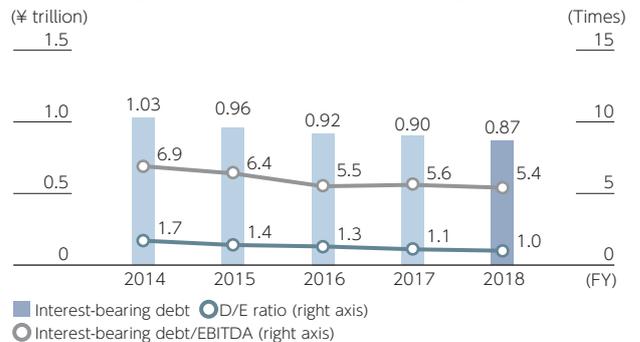
Net income attributable to owners of the parent and ROE



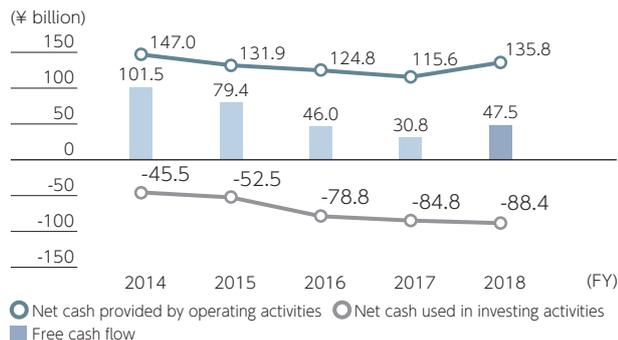
Total assets and ROA



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



Cash flows



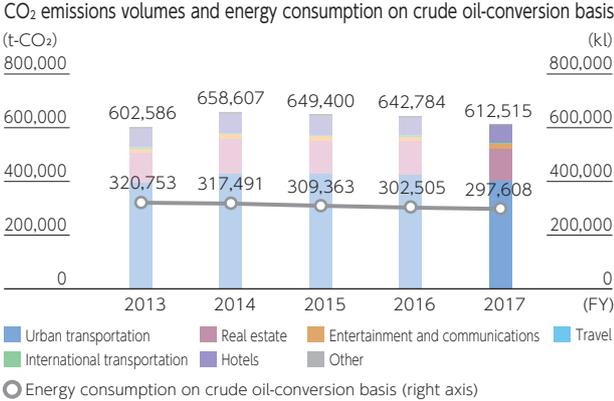
Returns to shareholders



Note: On the effective date of August 1, 2016, stock shares were consolidated on a five-to-one basis. Annual dividends per share of or before 2015 are values that factor in the consolidation of shares.

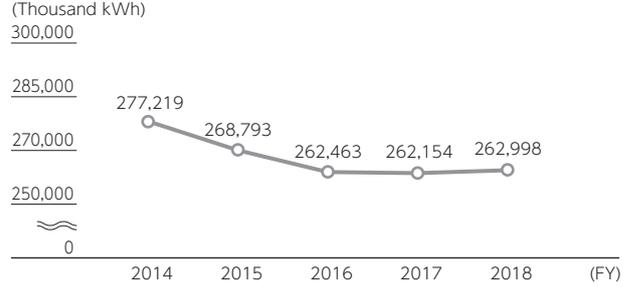
Non-Financial Highlights

Environmental Factors



In fiscal 2017, CO₂ emissions were down 4.7% year on year, to 612,515 t-CO₂. Furthermore, energy consumption on a crude oil conversion basis decreased gradually as a result of efforts by the Group companies to reduce energy consumption. These efforts include the introduction of LED lighting in railway stations, theaters, buildings and other facilities as well as the introduction of an increased number of new rolling stock with better energy efficiency than the existing models.

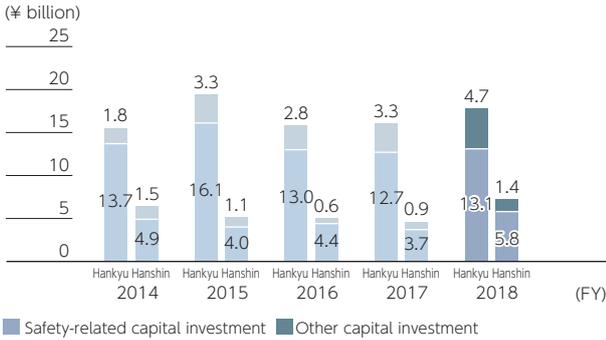
Electricity consumption during summer months (July-September)



The Group has been endeavoring to lower electricity consumption over the peak usage months from July to September. As a result, total electricity consumption from July to September 2017 was 262,998 kWh, down approx. 15% from the equivalent period in 2010, before the Great East Japan Earthquake).

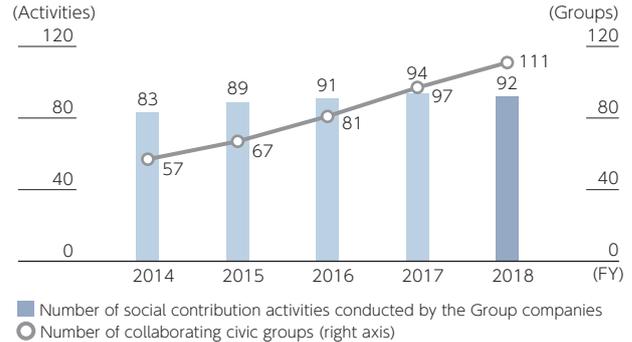
Social Factors

Capital investment in railway operations



As a railway operator, the Group provides a form of public infrastructure. We therefore make giving priority to the safety of our customers a fundamental policy of management, and conduct ongoing safety-related capital investments in our railway operations accordingly. In fiscal 2018, such investments totaled ¥13.1 billion at Hankyu Corporation and ¥5.8 billion at Hanshin Electric Railway. These investments were primarily used to conduct station upgrades, including track elevation, seismic reinforcement of elevated tracks, expansion of platforms, and measures for making stations barrier-free.

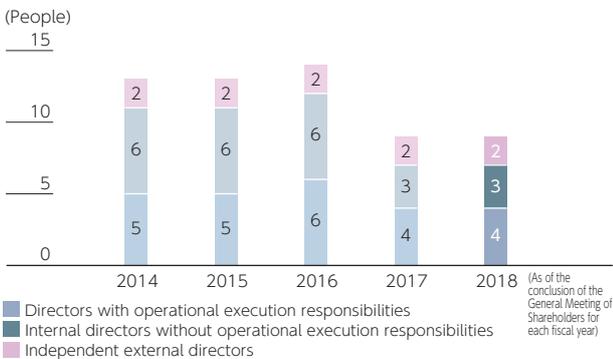
Social contribution activities: Hankyu Hanshin Dreams and Communities of the Future Project Number of activities



In accordance with a basic policy of creating towns and cities that people will truly want to live in, the Group companies are engaged in roughly 90 social contribution activities every year to realize the policy. As a partner to make better communities, the Group companies also support civic groups in its railway line-side areas, in terms of financing and advertisement, and make joint efforts with the civic groups. A survey conducted in fiscal 2016 targeting customers in the line-side cities and towns found the tendency for customers that recognize our project to show goodwill toward the Group as well as intention to live in the line-side area.

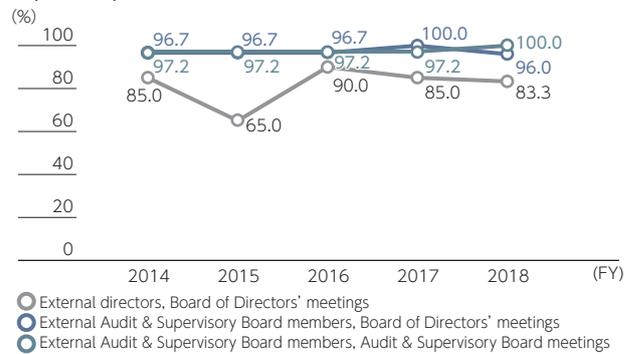
Governance Factors

Membership of the Board of Directors



The General Meeting of Shareholders held in June 2017 approved a reduction in the number of directors from 14 to nine, thereby increasing the proportion of external directors. Two directors of the Company concurrently serve as directors of Group companies to ensure that business management reflects viewpoints from the Group's operations. In addition, two of the Company's part-time directors have been appointed from H2O Retailing Corporation and Toho Co., Ltd., with the aim of strengthening coordination with other companies in the Hankyu Hanshin Toho Group.

Rate of attendance of external directors and external Audit & Supervisory Board members at meetings of the Audit & Supervisory Board and the Board of Directors



To support external directors and external Audit & Supervisory Board members, the Company has established secretariats for the Board of Directors and the Audit & Supervisory Board. In particular, the Company has appointed to the secretariat of the Audit & Supervisory Board dedicated personnel who provide information to Board members and liaise with relevant in-house departments and divisions. The Company provides external directors and external Audit & Supervisory Board members with information about the Company's businesses, financial position, and organizations mainly at meetings of the Corporate Governance Committee. Also, the secretariat of the Board of Directors sends Board members documents detailing agenda items for submission to the Board of Directors, in principle, seven days prior to the dates of meetings.

Message from Chairman

A photograph of Kazuo Sumi, Chairman and Representative Director, Group Chief Executive Officer, sitting in a patterned armchair. He is wearing a dark suit, a light blue shirt, and a red patterned tie. He is smiling and gesturing with his right hand. In the background, there is a wooden desk with a lamp that has a white shade and a gold base.

We will aim at sustainable growth with concerted efforts of the entire Group.

Kazuo Sumi

Chairman and Representative Director,
Group Chief Executive Officer

Establishment of “Medium-Term Management Plan” Aiming at Fulfillment of Long-Term Management Vision

Since the formation of the Group in 2006, the member companies of the Group have improved the competitiveness of each business with their concerted efforts, attempted to improve the profitability of the entire Group and increase its profits by making the best use of its collective strength and endeavored to improve its financial position at the same time. Thus it has obtained results steadily.

However, when we foresee our business environment in the future from the medium and long-term viewpoint, the lifestyles and the living environments are expected to change significantly as a result of the advancement of technical innovations etc. in addition to the expected decrease in the line-side population as an impact of the declining birthrate etc. Therefore, in order to become a corporate group aiming for growth under such circumstances, the Group publicly announced the “Hankyu Hanshin Holdings Group Long-Term Management Vision for 2025” last year as a vision showing what it wants to be in the long term and the course to be taken and the strategy to be implemented for fulfilling that vision. Then we newly established the Medium-Term Management Plan in May this year for fulfilling our long-term management vision. We will endeavor to continuously enhance the corporate value by steadily implementing policies and measures under this plan.

“Enhancing Line-Side Areas and Expanding Fields”

In the “Hankyu Hanshin Holdings Group Long-Term Management Vision for 2025,” we have adopted the slogan of “Enhancing Line-Side Areas and Expanding Fields.”

In the Kansai area as the most important business base of the Group, the integrated operation of the three airports consisting of Kansai International Airport, Osaka International Airport and Kobe Airport has been started. In addition, new railway lines relating to the Group are being planned. Thus the improvement in the traffic infrastructure is steadily progressing. In addition, the health-and-medicine-related businesses are concentrated in that area. The efforts to create new businesses capable of leading the world are underway through the cooperation among industries, government and universities such as the progressing research and development of the most advanced medicine including regenerative medicine. In addition, the number of inbound tourists has increased rapidly in recent years mainly in Osaka and Kyoto. Since this number is expected to steadily increase in the future through holding the Rugby World Cup 2019, the World Masters Games 2021, etc., Kansai is highly expected to become an area attracting more and more attention in the world.

The line-side areas of the Group are located very near to the Shin-Osaka Station of JR, the gateway of the Kansai area belonging to the national land axis, and also very near the Osaka International Airport and Kobe Airport among the air gateways. Therefore, we consider these line-side areas to be located

relatively advantageously in the Kansai area. In addition, Umeda, the most important base of the Group, is still the busiest and most attractive town in the Kansai area. We are going to start the long-expected development of “Osaka Station North District (Umekita) Phase II Development Area*” in Umeda as the biggest and final large-scale business site. Since the consortium including the Group has been selected as its developer, the Group plans to engage in creating the town leading Kansai and then Asia in “Umekita.” * See page 24.

On the other hand, when taking the future change in the population dynamics etc. into consideration it is indispensable for the Group to expand its fields to the Tokyo metropolitan area with large-scale markets and foreign countries where growth is expected in order for it to sustainably grow. We consider the Group to have sufficient chances to make good use of its advantages and know-how for its businesses accumulated and enhanced by it for many years in the line-side areas.

In promoting them one by one, we think that the role to be played by the real estate business is especially big among the businesses run by the Group. Therefore, in order to make the best use of the collective strength of the real estate business of the Group, we integrated and reorganized the Real Estate Division of Hankyu Corporation, that of Hanshin Electric Railway Co., Ltd. and Hankyu Reality Co., Ltd. in April this year to newly establish Hankyu Hanshin Properties Corp. as the core company for the real estate business.

From now on, Hankyu Hanshin Properties Corp. will lead not only the creation of towns in Umeda and line-side areas but also the building of the stable revenue base while possessing real properties in the Tokyo metropolitan area and overseas. In addition, it will concentrate its energies on the expansion of the scale of the real estate sales business and accelerate its efforts further to grow the real estate business.

While Satisfying Expectations from Stakeholders, the Entire Group Endeavors to Grow.

In order to enhance the medium and long-term corporate value, the Group will continue to concentrate its concerted efforts on the promotion of its social contribution activities and environment-friendly business activities, the attachment of importance to compliance, the thorough implementation of risk management, etc. and fulfill its corporate social responsibility. And in order to implement the Group Management Philosophy, we will promote the growth of the entire Group while building reliable relationships with stakeholders and endeavor to satisfy expectations from persons concerned with concerted efforts of the entire Group.

Message from President

We will drastically change our course to the growth-oriented one and actively and resolutely attempt to achieve sustainable growth.

Takehiro Sugiyama
President and Representative Director



The Revenues from Operations in Fiscal 2018 Hit an All-Time High.

As the business results of the Group in fiscal 2018, the revenues from operations were ¥760.3 billion, hitting an all-time high because of the strong performance of the sports business, the stage business and communication and media business in the entertainment and communications businesses, an increase in the number of customers traveling to Europe in the travel business, the prosperous international transportation business mainly with air transportation and so on. In addition, the

operating income (¥105.2 billion) and the ordinary income (¥103.8 billion) increased over the previous fiscal year. However, the net income attributable to owners of the parent (¥66.4 billion) decreased over the previous fiscal year because of the worsened extraordinary income/loss etc. in addition to an increase in tax expenses.

On the other hand, we could decrease the interest-bearing debts over the balance at the end of the previous fiscal year because of expansion of cash flow etc. although we suitably made investments for growth. As a result, the interest-bearing debt/EBITDA ratio was 5.4 times, an improvement over the previous fiscal year.

	FY2018 results	FY2017 results	YoY	
Revenues from operations	¥ 760.3 billion	¥ 736.8 billion	+ ¥ 23.5 billion	+3.2%
Operating income	¥ 105.2 billion	¥ 104.1 billion	+ ¥ 1.1 billion	+1.1%
Ordinary income	¥ 103.8 billion	¥ 100.6 billion	+ ¥ 3.2 billion	+3.1%
Net income attributable to owners of the parent	¥ 66.4 billion	¥ 71.3 billion	- ¥ 4.9 billion	-6.9%
EBITDA	¥ 160.8 billion	¥ 159.3 billion	+ ¥ 1.5 billion	+0.9%
Interest-bearing debt	¥ 866.8 billion	¥ 899.5 billion	- ¥ 32.7 billion	-3.6%
Interest-bearing debt/EBITDA ratio	5.4 times	5.6 times	-0.2 pt	

Summary of Long-Term Management Vision

In order to become a corporate group aiming for growth even in the society changing in the future, the Group established the "Hankyu Hanshin Holdings Group Long-Term Management Vision for 2025" last year. In this Long-Term Management Vision, by making fiscal 2026 marking the twentieth anniversary of the

integration of the managements of Hankyu and Hanshin the target year, we have established the following four strategies under the slogan of "enhancing line-side areas and expanding fields" on the basis of two key points consisting of the business areas and the business models (stock businesses*1 or flow businesses*2). We have determined to endeavor to enhance the sustainable corporate value through these strategies.

*1 Businesses that own or use such stock as property and other fixed assets (including the railway business, real estate leasing business, broadcast and communications business, and Hotels Business)

*2 Businesses that, instead of owning large-scale stock, use business know-how, human resources, brand assets, and other intangible assets (including the real estate sales business and other businesses, sports business, stage business, information services business, Travel Business, and International Transportation Business)

Slogan Enhancing line-side areas and expanding fields

Sustainably enhance corporate value



Specifically, we will promote the implementation of Strategies 1 to 4 so that we can become a corporate group capable of earning operating income at the current level of ¥100 billion at the minimum even in or around 2040 which will be affected significantly by the change in population dynamics and thereby aim at the operating income of ¥120 billion, the EBITDA of ¥200

billion and the Interest-Bearing Debt/EBITDA Ratio of between 5 and 6 times in fiscal 2026.

By achieving such aims, we will continue to secure the top-level position among the major private railway companies for all indicators showing profitability and financial soundness.

■ Management indicators aimed at in fiscal 2026



Establishment of Medium-Term Management Plan for Fulfilment of Long-Term Management Vision

We have recently established the medium-term management plan covering the term from fiscal 2019 to fiscal 2022 as a concrete action plan for the first time to fulfill the long-term management vision.

In this plan, we aim at becoming a corporate group capable of stably recording the operating income of ¥110 billion in fiscal 2022 as the midterm target year so that we can reach the target of the operating income of ¥120 billion in fiscal 2026 by promoting policies and measures as follows in accordance with the four strategies as set forth in the long-term management vision.

■ Four strategies in Medium-Term Management Plan (Based on Long-Term Management Vision)

- Strategy ① Further strengthen stock businesses in Umeda and line-side areas**

Enhancing the value of the Umeda area; Activating the main line-side areas; Improving the traffic networks (infrastructures) with new railway lines; Satisfying the demand from inbound tourists.
- Strategy ② Accumulate stock in the Tokyo metropolitan area and overseas markets**

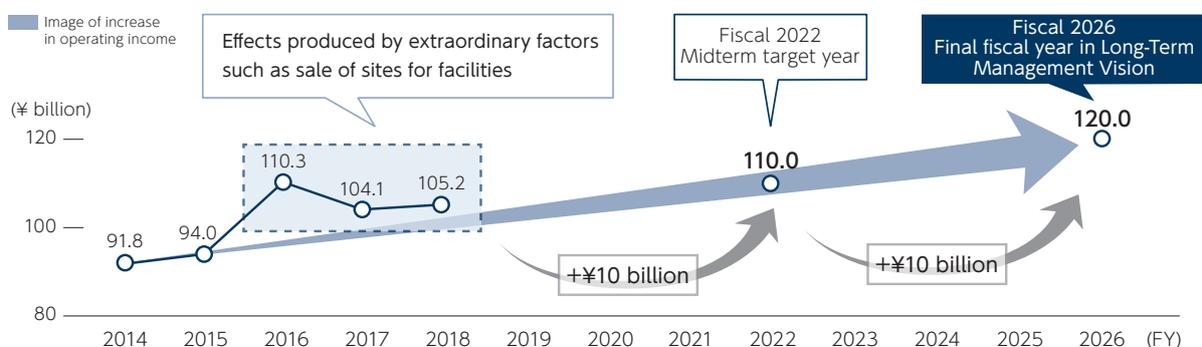
Accumulating stocks in the center of the Tokyo metropolitan area; Opening a new hotel in the Tokyo metropolitan area; Studying acquisition of overseas stocks (real properties).
- Strategy ③ Strengthen competitiveness of flow businesses**

Expanding the scale of the condominium businesses including those overseas; Growing the information services business; Increasing income from the travel business; Increasing the volume of cargoes handled by the international transportation business.
- Strategy ④ Make greater use of the Group's collective strength and venture into new business fields**

Basic Way of Thinking about Medium-Term Management Plan

The operating income recorded by the Group in these three fiscal years has continued to be on the level of ¥100 billion/year excluding extraordinary income such as that from the sale of sites for large-scale facilities. In this plan, in order to increase the basic income level from ¥100 billion to ¥120 billion by fiscal 2026, we have determined to allot funds by attaching importance to investments for growth in accordance with the abovementioned Strategies 1 to 4 and then aim at recording the operating income of ¥110 billion as the mean amount between ¥100 billion and ¥120 billion in fiscal 2022 as the midterm target year.

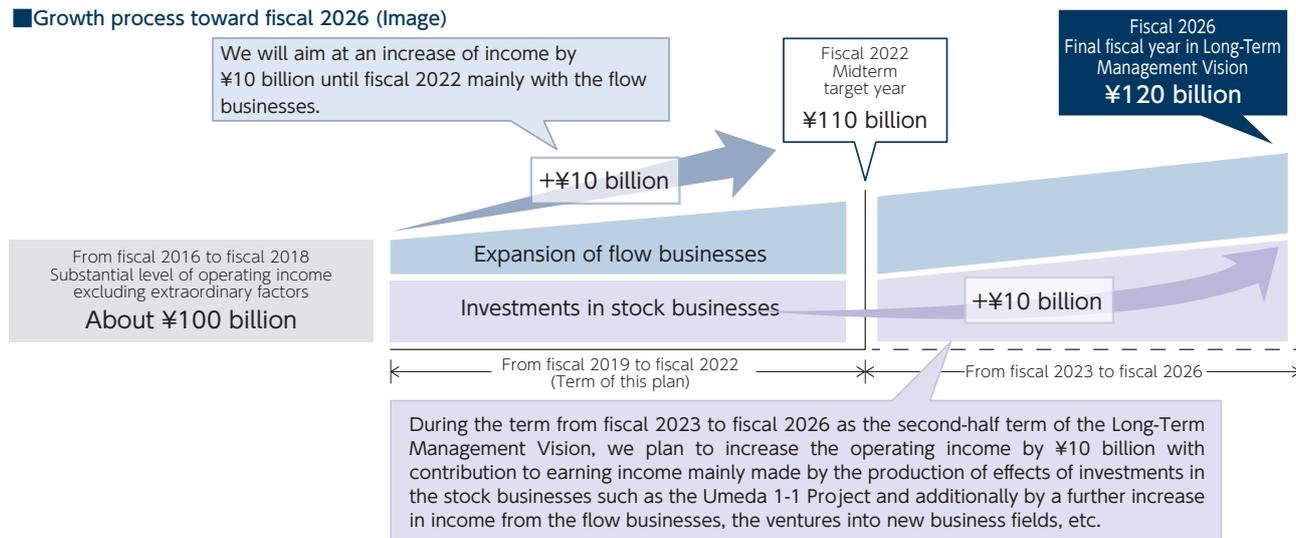
However, Strategies 1 and 2 (stock businesses) among the abovementioned four strategies require considerable periods of time from making of investments until contributing to earning income. Also, Strategy 4 (ventures into new business fields) requires considerable periods of time before such ventures can stand on their own feet as independent businesses. Therefore, we will aim at increasing the operating income by ¥10 billion mainly with efforts in accordance with Strategy 3, that is, with the flow businesses, such as the condominium businesses including those overseas, the information services business, the travel business and the international transportation business, during the term of this plan (from fiscal 2019 to fiscal 2022 as the first-half term of the Long-Term Management Vision).



On the other hand during the term from fiscal 2023 to fiscal 2026 as the second-half term of the Long-Term Management Vision, we plan to increase the operating income by ¥10 billion with contribution to earning income mainly made by the production of effects of investments in the stock businesses such as the Umeda 1-1 Project (See page 24) and additionally by a further increase in

income from the flow businesses, the ventures into new business fields, etc. We will thereby reach the target of the operating income of ¥120 billion in fiscal 2026.

Growth process toward fiscal 2026 (Image)

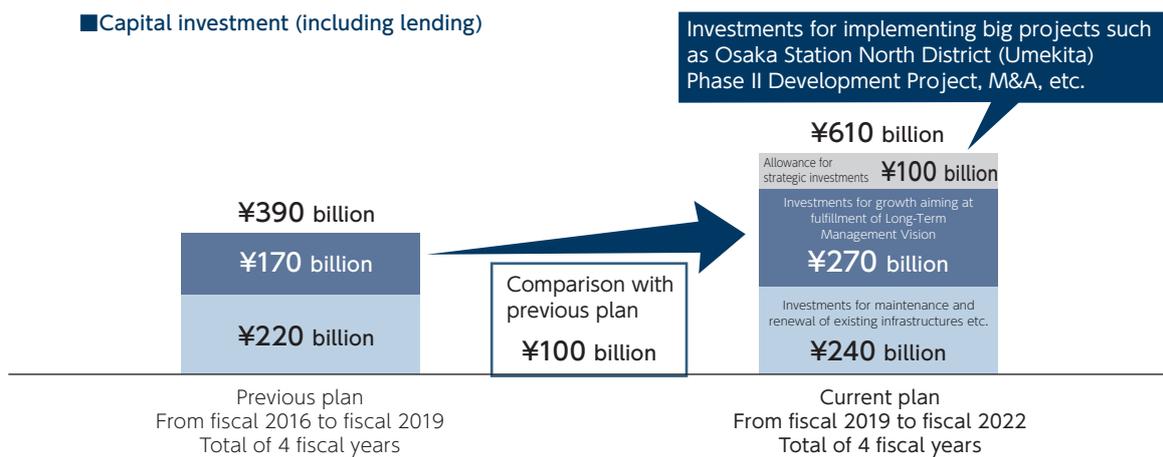


Financial Policy

In this plan, by considering that we shall endeavor to increase the operating income and the EBITDA further in order to fulfill the long-term management vision, we will attach importance to investments for the growth in allotting funds in accordance with Strategies 1 to 4 mentioned above.

Specifically, the amount of investments for the growth that was

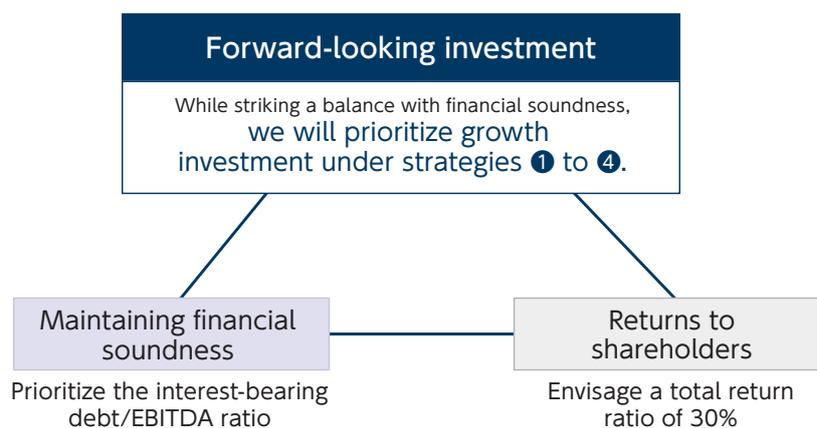
¥170 billion in the previous plan (the total of those during 4 years from fiscal 2016 to fiscal 2019) will be increased to ¥270 billion by ¥100 billion for the current plan (the total of those during the 4 years from fiscal 2019 to fiscal 2022). In addition, we will newly allot ¥100 billion as the allowance for strategic investments (investments for implementing large-scale projects, M&A, etc.).



On the other hand, we will attach importance to the “interest-bearing debt /EBITDA ratio” as an indicator showing the financial soundness and thus continue to keep the soundness of our financial position.

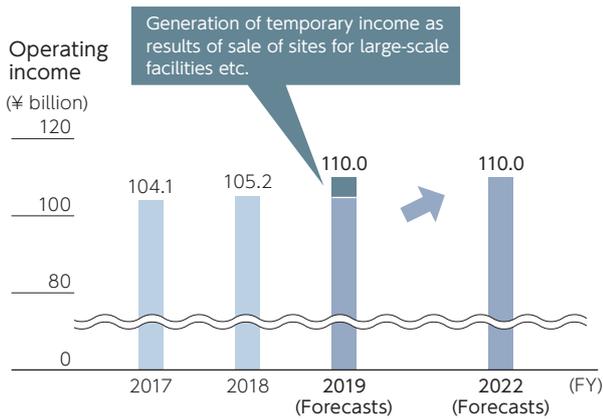
Regarding the returns to shareholders, we consider the total

return ratio to be an indicator of the returns to shareholders, and our basic policy is to endeavor to stably pay dividends and acquire treasury shares. The total return ratio is planned to be 30% in this plan.

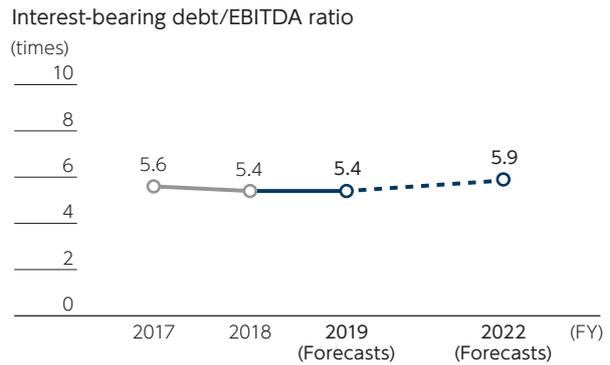


Management Indicators in Fiscal 2022

By promoting the abovementioned efforts and policies, we will aim at stably recording the operating income of ¥110 billion and the EBITDA of ¥180 billion in fiscal 2022 and making interest-bearing debt/EBITDA ratio 5.9 times.



We foresee that the operating income and the interest-bearing debt/EBITDA ratio will be ¥110 billion and 5.4 times, respectively in fiscal 2019 since the income from sale of sites for large-scale facilities etc. is generated temporarily.



Concentration of Energies Also on Efforts Relating to ESG for Sustainable Growth

One of the bases for the Group in aiming at sustainable growth is the effort for ESG meaning "Environment," "Society" and "Governance." The Group continuously promotes various policies and measures for these three areas.

Among other things, the Group declares in its management philosophy that "By delivering 'Safety and Comfort' and 'Dreams and Excitement,' we create satisfaction among our customers

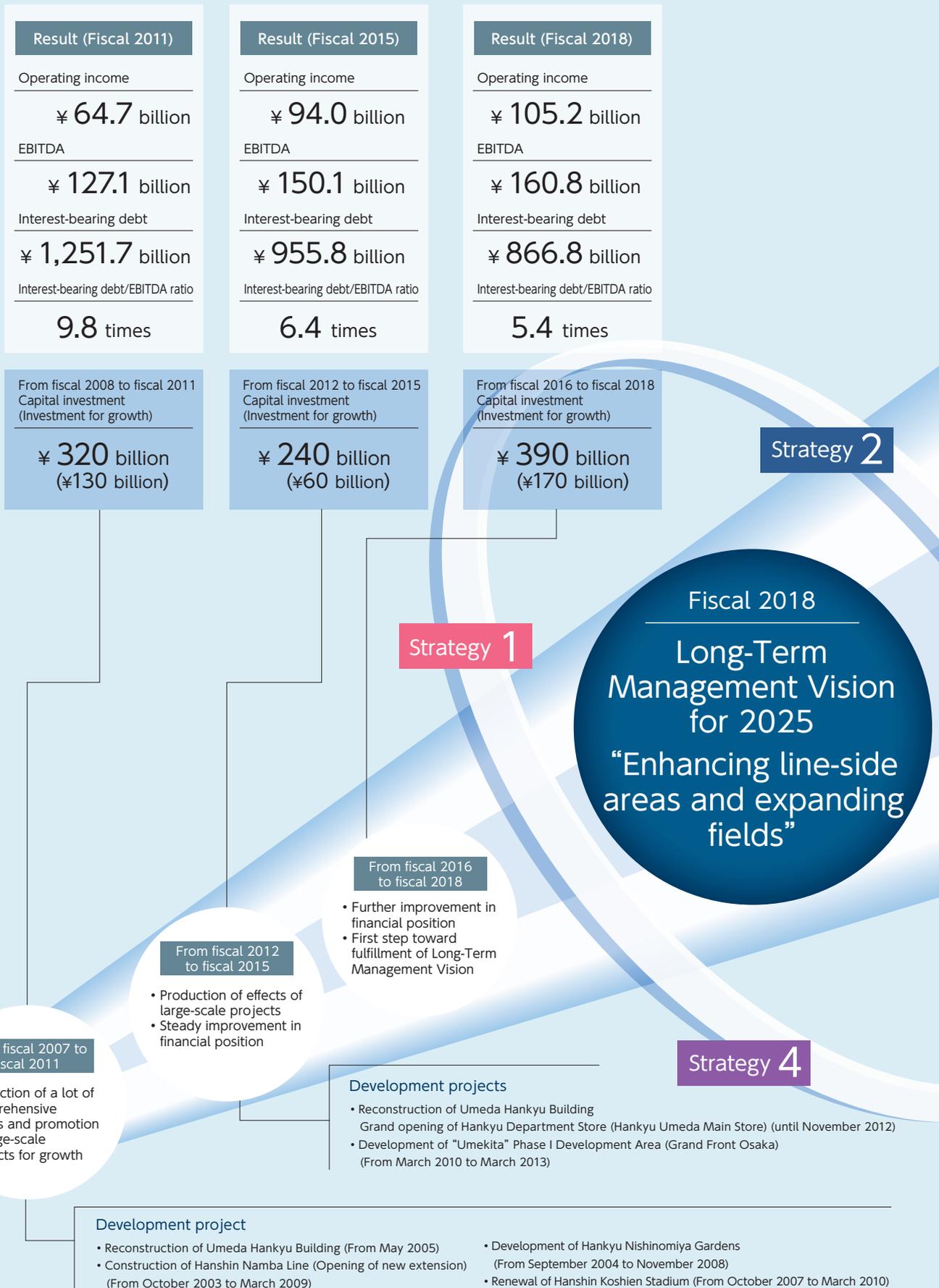
and contribute to society." Therefore, the Group is very highly esteemed in society since it has been actively engaging in its social contribution activity named "Hankyu Hanshin Dreams and Communities of the Future Project" etc. For example, it was awarded the prize (grand prize) of the "8th Career Education Award" by the Minister of Economy, Trade and Industry in fiscal 2018.

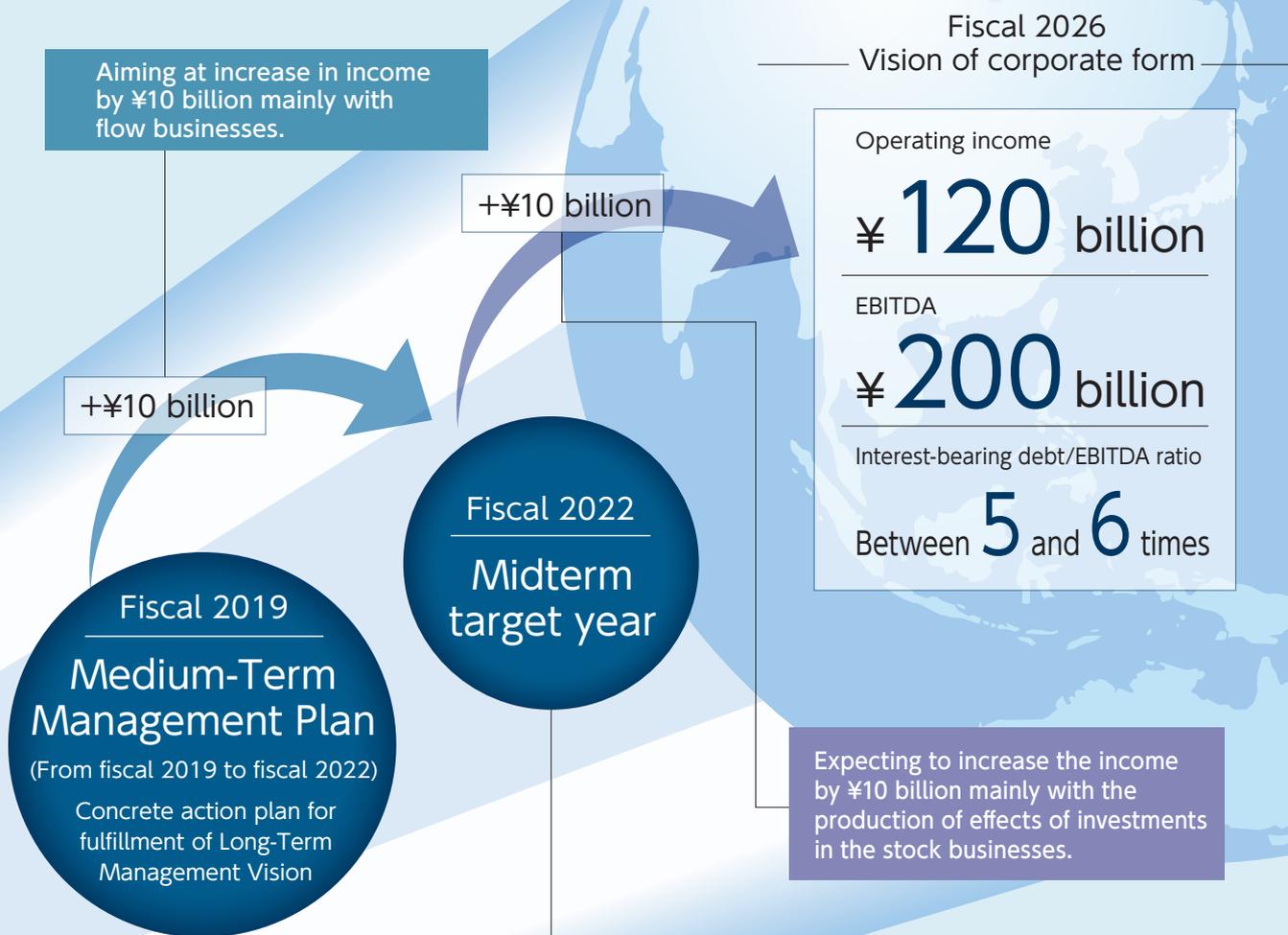
The Group currently concentrates its energies on the "Reform in Way of Working" as one of the contributions to "Society." It will newly promote the "Health-Oriented Management." We will aim at enhancing the corporate value further from the medium and long-term viewpoint through these activities.

Strenuously Enhancing Sustainable Corporate Value

In order to firmly satisfy expectations from stakeholders, the Group intends to steadily implement the medium-term management plan established recently in order to fulfill the Long-Term Management Vision for 2025. It will also actively and resolutely aim at enhancing sustainable corporate value with the concerted efforts of the Group.

Summary of Long-Term Management Vision for 2025 and Medium-Term Management Plan





Strategy 3

FY2019 forecasts
Operating income
¥ 110.0 billion*
EBITDA
¥ 168.0 billion
Interest-bearing debt
¥ 900.0 billion
Interest-bearing debt/EBITDA ratio
5.4 times

FY2022 forecasts
Operating income
¥ 110.0 billion*
EBITDA
¥ 180.0 billion
Interest-bearing debt
¥ 1,070.0 billion
Interest-bearing debt/EBITDA ratio
5.9 times

* The operating income in fiscal 2019 is expected to be ¥110 billion because of the temporary generation of income from sale of sites for large-scale facilities etc.

Capital investment (From fiscal 2019 to fiscal 2022)
¥ 610 billion
Allowance for strategic investments
¥ 100 billion
Investment for growth for fulfillment of Long-Term Management Vision
¥ 270 billion
Investments for maintenance and renewal of existing infrastructure etc.
¥ 240 billion

Four Strategies for Medium-Term Management Plan

Strategy 1 Umeda and line-side areas + Stock businesses

Further strengthen stock businesses in Umeda and line-side areas

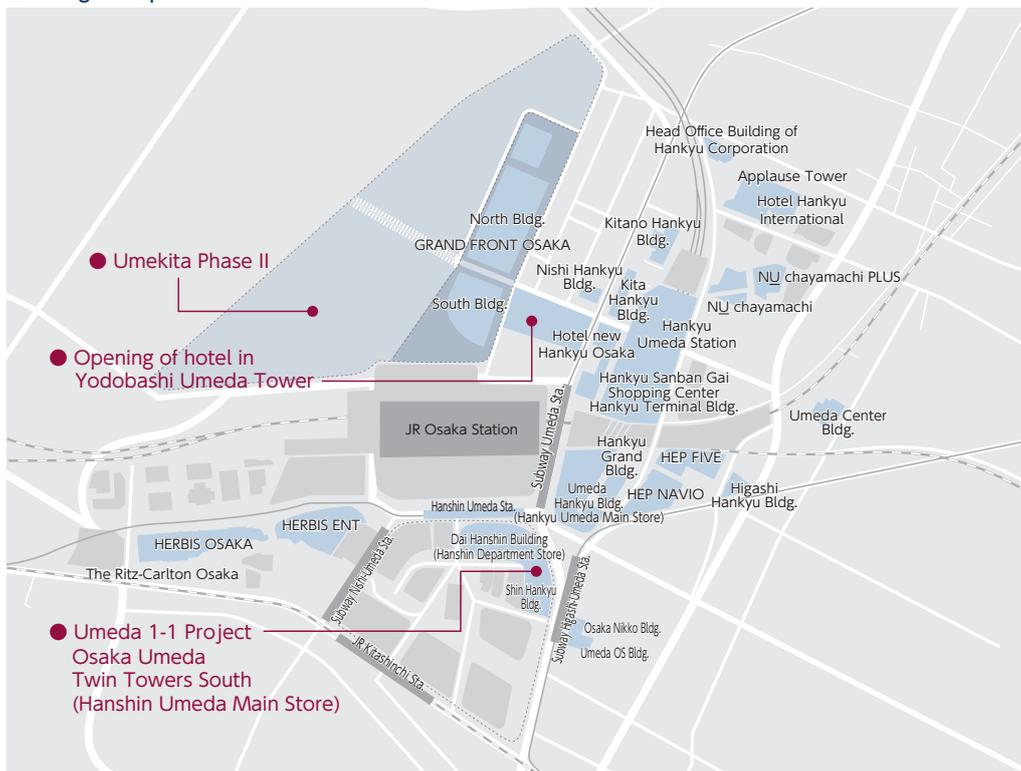
Make our railway the absolute best among the Kansai networks.

We aim to increase the resident and non-resident population of lineside 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.

Concrete Effort ① Enhancement of Value of Umeda Area

We will systematically reconstruct (enhance the value of) the buildings in the Umeda area from the long-term viewpoint and enhance the values of the assets possessed by us.

Enlarged map of Umeda area



In order to enhance the value of the entire Umeda area, we will engage in the area management activities, urban promotion,

etc. In addition, we will concentrate our energies on establishing a mechanism etc. to create new industries.



Umeda Snowman Festival



Membership office "GVH#5"

Umeda 1-1 Project (Building Name: Osaka Umeda Twin Towers South)

According to this plan, we have carried out the comprehensive reconstruction of the Dai Hanshin Building and the Shin Hankyu Building since October 2014. The first phase building was completed in April 2018 as scheduled. Hanshin Department Store (Hanshin Umeda Main Store) was partially opened in the first phase building in June, and the second phase construction was started in June.

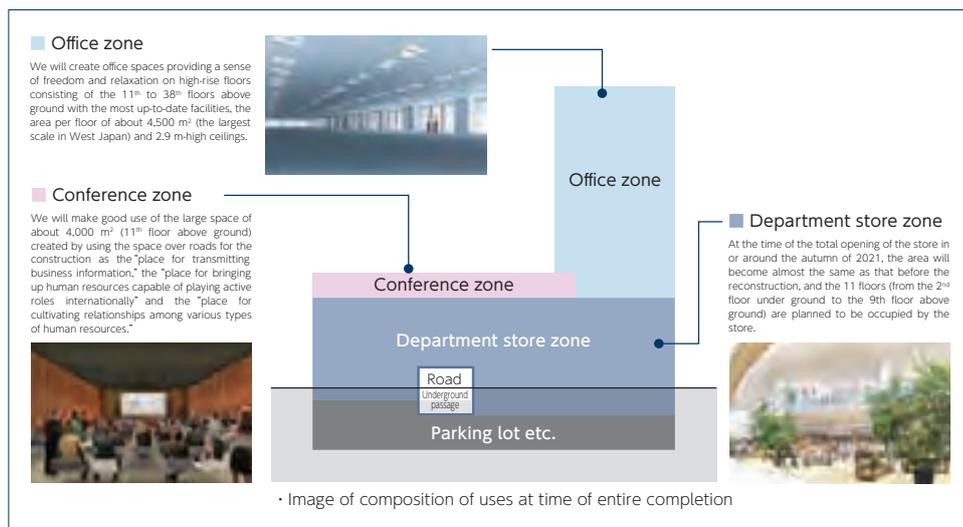
By continuing the reconstruction and the improvement in the surrounding public facilities comprehensively, we will endeavor to advance the urban functions, reinforce the disaster-preventive functions, create public spaces, form good views and so on in order to create the comfortable and high-quality town contributing to the reinforcement of international competitiveness.

The name of the building under this plan is "Osaka Umeda Twin Towers South." In the spring of 2022 when all work under this plan is completed, the Umeda Hankyu Building, where Hankyu Department Store (Hankyu Umeda Main Store) is located, will be renamed "Osaka Umeda Twin Towers North" as planned, and both buildings will be collectively named "Osaka Umeda Twin Towers" as planned.



Image after completion

Outline of "Osaka Umeda Twin Towers South"



Project summary

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

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

Osaka Station North District (Umekita) Phase II Development Area Project

Nine member companies of the joint venture including Hankyu Corporation and six designing and business operating companies including Hankyu Hanshin Properties Corporation formed the consortium and tendered for the "Invitation of Developers for Osaka Station North District (Umekita) Phase II Development Area (Urban District proposed by Private Sector)." The consortium was selected as the developer by the Urban Renaissance Agency recently.

We will engage in creating the town leading Kansai and then Asia in the "Osaka Station North District (Umekita) Phase II Development Area" under the philosophy and policy of "harmony between green and innovation" for creating a town by making good use of the experience in developing the advanced development district "Grand Front Osaka" Project.

(Advanced opening of town in or around summer of 2024)



Whole view of Osaka Station North District (Umekita) Phase II Development Area (Expected image after completion)

Concrete Effort ② Activation of Main Line-Side Areas

We will engage in keeping and enhancing attractions of the line-side areas by promoting the development projects in main line-side bases such as “Kobe Hankyu Building, Rebuilding of East Building and Renewal of West Building Project” and “Ebie 1-Chome Development Plan” and renewing facilities for rent under elevated railway tracks in the line-side areas.

Main Projects Planned to Start Businesses in Fiscal 2019

Hankyu Nishinomiya Gardens Gate Building

We will construct a new building for rent serving as the gate of the Hankyu Nishinomiya Gardens at the site in the east of the platform for the line bound for Imazu at Hankyu Nishinomiya Kitaguchi Station. In addition, we will construct a facility for supporting upbringing of children under the elevated railway track at the platform for the line bound for Imazu. They are planned to be opened in or around the autumn of 2018.



Expansion of area of “Ebisuta Nishinomiya,” commercial facility at Hanshin Nishinomiya Station

We will construct a new building (with three floors above ground) connected to existing Ebisuta Nishinomiya in the square in front of the north side of Hanshin Nishinomiya Station. It will significantly expand the area of Ebisuta Nishinomiya, and the area of the store space and the number of stores will be increased by about 1.7 times and about 2.5 times, respectively. It is planned to be opened in October 2018.

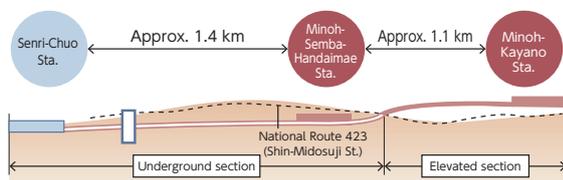


Image after completion

Concrete Effort ③ Improvement in Traffic Networks (Infrastructures) with New Railway Lines

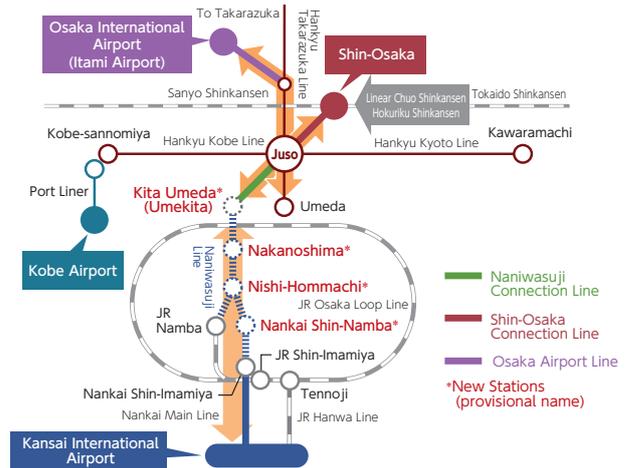
Elongation and improvement of Kita-Osaka Kyuko Line

This is the project to elongate the line to the north by approximately 2.5 km from the current terminal Senri-Chuo Station of Kita-Osaka Kyuko Railway Co., Ltd. We are carrying out the work with the aim of opening it at the end of fiscal 2021. We endeavor to improve the usefulness of the public transportation by this elongation and expand the coming and going population by strengthening the south-north axis in Osaka.



New lines planned by Hankyu Corporation

Hankyu Corporation is studying three new line projects* in order to reinforce the connection between the line-side areas including Umeda and the gateways of Kansai consisting of Kansai International Airport and Osaka International Airport (Itami Airport) as air gateways and Shin-Osaka Station which is being planned to serve as a station of the Linear Chuo Shinkansen Line. By improving these new lines, we will reinforce the railway networks and aim at creating the line-side areas capable of being continuously selected by many customers in the future.



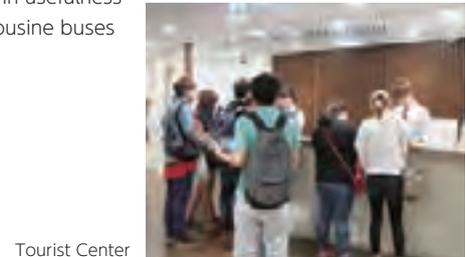
* Naniwasuji Connection Line: The line to connect Juso Station with Kita Umeda Station to be newly constructed in the Osaka Station North District (Umekita) Phase II Development Area.
 Shin-Osaka Connection Line: The line to connect Juso Station with Shin-Osaka Station.
 Osaka Airport Line: The line to diverge from the Takarazuka Line and be connected to Osaka International Airport.

Concrete Effort ④ Satisfaction of Demand from Inbound Tourists

We improve the system for receiving inbound tourists and also implement various policies and measures for increasing revenues from satisfying the demand from inbound tourists.

Improvement in receiving system

- Improvement in guiding system (Station numbering; Multilingual displays of guiding signs; Installation of information centers for foreigners visiting Japan; etc.)
- Improvement in free Wi-Fi
- Improvement in settlement service
- Improvement in usefulness of airport limousine buses



Tourist Center

Measures for increasing revenues

- Selling of Hankyu and Hanshin Tourist Passes
- Planning and selling of One-Day Bus Tours for inbound tourists
- Opening of new hotels
- Measures for increase in overnight stays of inbound tourists (Such as increase in number of guest rooms capable of accommodating not less than 2 guests)

Strategy 2 Tokyo metropolitan area and overseas markets + Stock businesses

Accumulate stock in the Tokyo metropolitan area and overseas markets

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

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

Concrete Effort ① Accumulation of Stocks in Center of Tokyo Metropolitan Area

Main Projects

Kyobashi 2-6 Redevelopment Plan

We are carrying out the redevelopment of the entire urban district where the Hanshin Green Building was located so that it can be opened in the spring of 2019. Specifically, we will construct a new multi-purpose building consisting of a hotel, offices, etc. The high-rise portion will be occupied by the mainly-accommodation-oriented hotel "Remm."



Image after completion

Yotsuya Station District Redevelopment Project

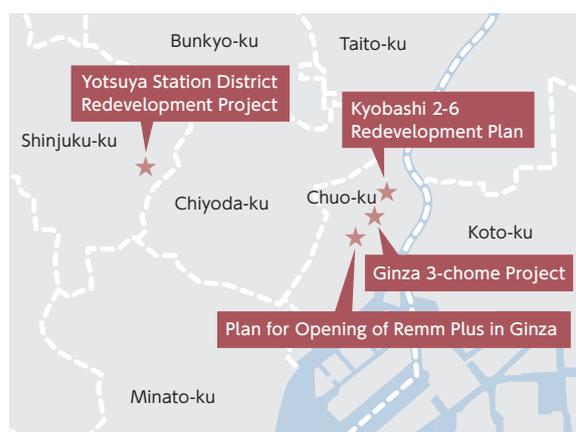
We will participate in the "Type 1 Urban Redevelopment Project for the District in Front of Yotsuya Station" implemented by the Urban Renaissance Agency (UR Urban Agency) as the specific-business participant with other business operators with the aim of its completion at the beginning of 2020.



Image after completion

Ginza 3-chome Project

We will develop a commercial facility serving as the flagship in "Ginza," one of the most popular commercial areas in Japan, with the aim of its completion in the spring of 2020.



Concrete Effort ② Opening of New Hotel in Tokyo Metropolitan Area

Opening of Remm+ (Remm Plus) in Ginza in Winter of 2019
Remm Plus will provide interior decorations full of a sense of high quality and wider guest rooms and beds with one-rank higher brands with improved comfort while inheriting the concept of "Remm" Hotel.



Image of outward appearance

Concrete Effort ③ Studying Acquisition of Overseas Stocks (Real Properties)

We make logistic warehouses operated in Indonesia and Singapore through cooperation and joint work between the real estate business and the international transportation business. We will find whether the accumulation of stocks is possible or not by advancing the study for the development of commercial facilities by taking trials into consideration etc.

Strategy 3 Flow businesses

Strengthen competitiveness of flow businesses

Strengthen competitiveness by thoroughly pursuing brand optimization and differentiation.
 Thoroughly optimize 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.

Concrete Effort ① Expansion of Scale of Condominium Businesses including those Overseas

Domestic real estate sales businesses

The condominium business among the real estate sales business steadily promotes its business in the Kinki area and aims at expanding its business in the Tokyo metropolitan area to the same level of the number of properties (the level of 800 properties per year) as that in the Kinki area.



Geo Shinjuku Wakamatsucho

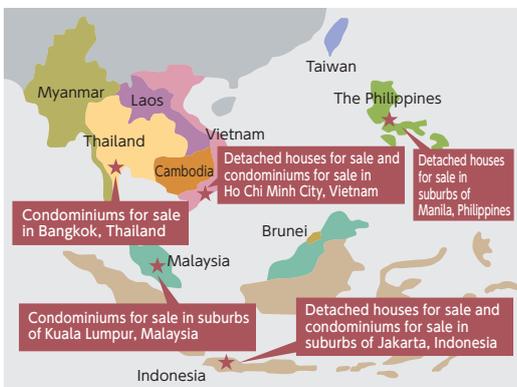
Overseas real estate sales business

By making good use of our experiences in Japan, we participate in the house sales business in Vietnam, Thailand, the Philippines, Indonesia and Malaysia.

We will aim at expanding the scale of the overseas real estate sales business by accelerating our efforts in the ASEAN countries etc.



Image of Akari City (Ho Chi Minh City, Vietnam) after completion



Concrete Effort ② Growth of Information Services Business

By making the best use of our advantages such as the ability to handle multiple vendors*1 and the ability to provide one-stop

services*2, we will accelerate our efforts to promote the businesses mainly in the fields expected to grow such as building management, the traffic-related system and the Internet and thus attempt to increase our market shares. In addition, while making good use of our experiences of introductions to the Kansai areas, we will expand the contents of our businesses also in the Kanto area and the Chubu area and thus endeavor to promote new businesses making good use of the advanced technologies such as AI and IoT.

*1 The ability to build efficient systems by combining products manufactured by various companies.

*2 The integrated service from building to operation, monitoring and maintenance of systems.

Concrete Effort ③ Increase in Income from Travel Business

We have organized mainly planned and advertised tours to Europe until now. However, we will improve our competitiveness of the planned and advertised tours by taking such measures as increasing tours to areas other than Europe and specialized tours including cruise and hiking tours. In addition, we will promote the structural reforms of our business in order to early establish the pillar (second pillar) of our business following the planned and advertised tours.



Concrete Effort ④ Increase in Volume of Cargoes Handled by International Transportation Business

While the percentage of the air freight business in the international transportation businesses is high, we will aim at changing the business portfolio to the balanced one by taking such measures as reinforcing the sea freight business and expanding the logistic business. We will also actively enter growing markets such as those in Africa in addition to shifting the center of departures and arrivals from Japan to Asia.

In addition, by making good use of the capital and business tie-up agreement executed with Seino Holdings Co., Ltd. in April, we will endeavor to promote the finding of new customers, the development of the logistic business, etc.

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

Make greater use of the Group's collective strength and develop new business fields.
 In addition to pursuing Group-wide initiatives, we will introduce cutting-edge technologies into existing businesses, venture into new business fields, and thereby provide culturally enriched and innovative lifestyle options.

Concrete Effort ① Expanding and Improving Service with "S-POINT" Commonly Available in this area

We started the service with commonly available "S-POINT" in the Kansai area in cooperation with H2O Retailing Group in April 2016. Since then, we have endeavored to acquire new members for the S-POINT and increased the number of facilities one by one inside and outside the Group where the S-POINT are available (member stores of S-POINT).

Since May 2018, the S-POINT service has been introduced to about 2,700 "7-Eleven" convenience stores operated in six prefectures* in the Kansai area as one of these efforts. We will endeavor to make the S-POINT service the most competitive point service in Kansai.

* Osaka Prefecture, Kyoto Prefecture, Hyogo Prefecture, Shiga Prefecture, Nara Prefecture and Wakayama Prefecture



Concrete Effort ② Ventures into New Business Fields

Security business (Mimamorume—Watching eyes)
 Since the start of the provision of the service, we have steadily increased the number of members. About 230,000 members used the service at the end of August 2018.



Education business (ProgLab—Programming Laboratory)

We started the robot programming education business in 2016. The number of students was as many as about 2,300 at the end of August 2018 including those of franchised schools operated in the Tokyo metropolitan area.



Concrete Effort ③ Concrete Effort for Creation of Line-Side Value

Afterschool (Private pupils-care service)

In order to create the line-side areas where childcare is easy, we operate three pupils-care facilities "Afterschool Kippo" at Hankyu Toyonaka Station building, near Hankyu Nishinomiya Kitaguchi Station and at Hankyu Ikeda Station building.

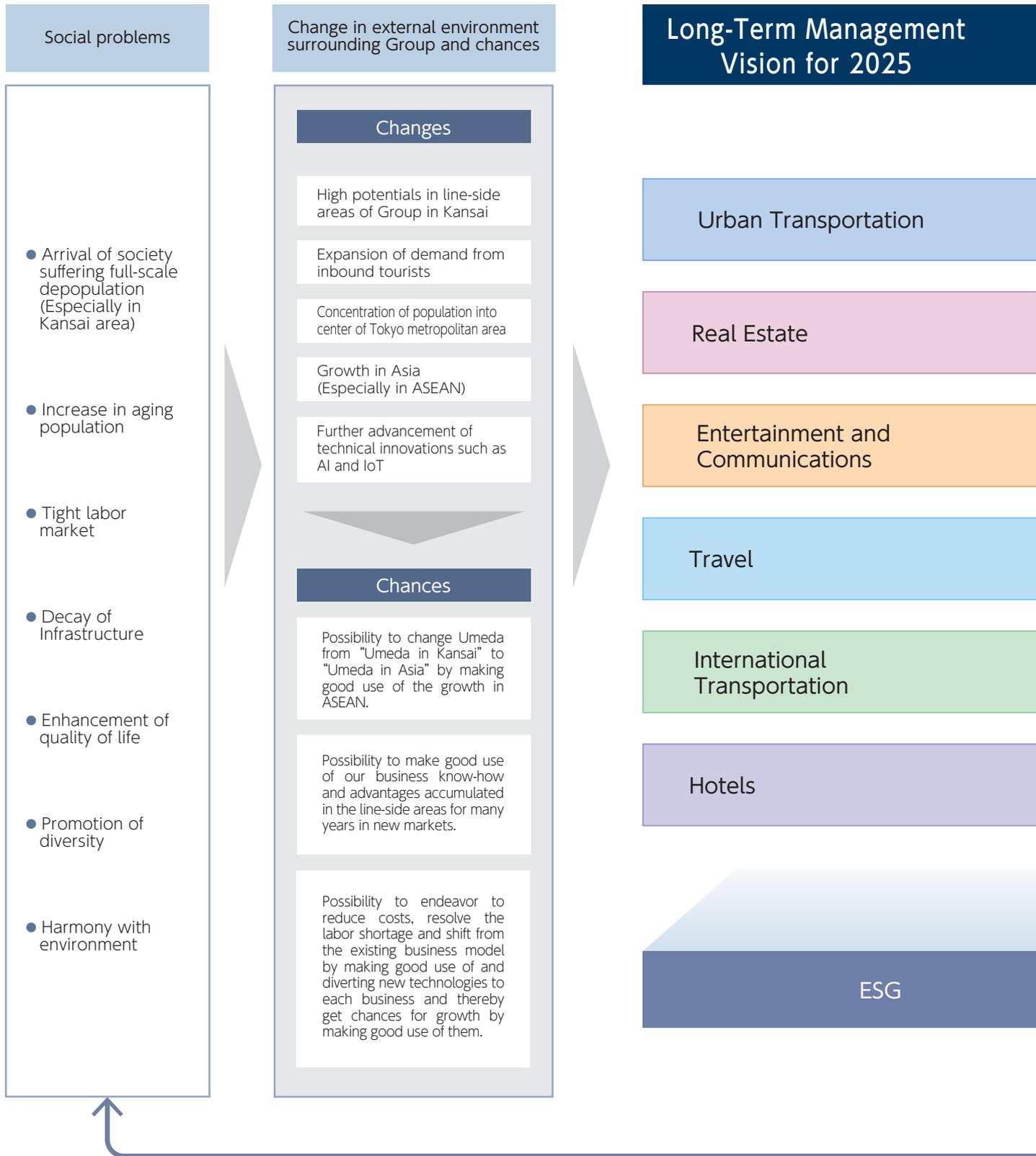


Hanshin Ikiiki Day Service

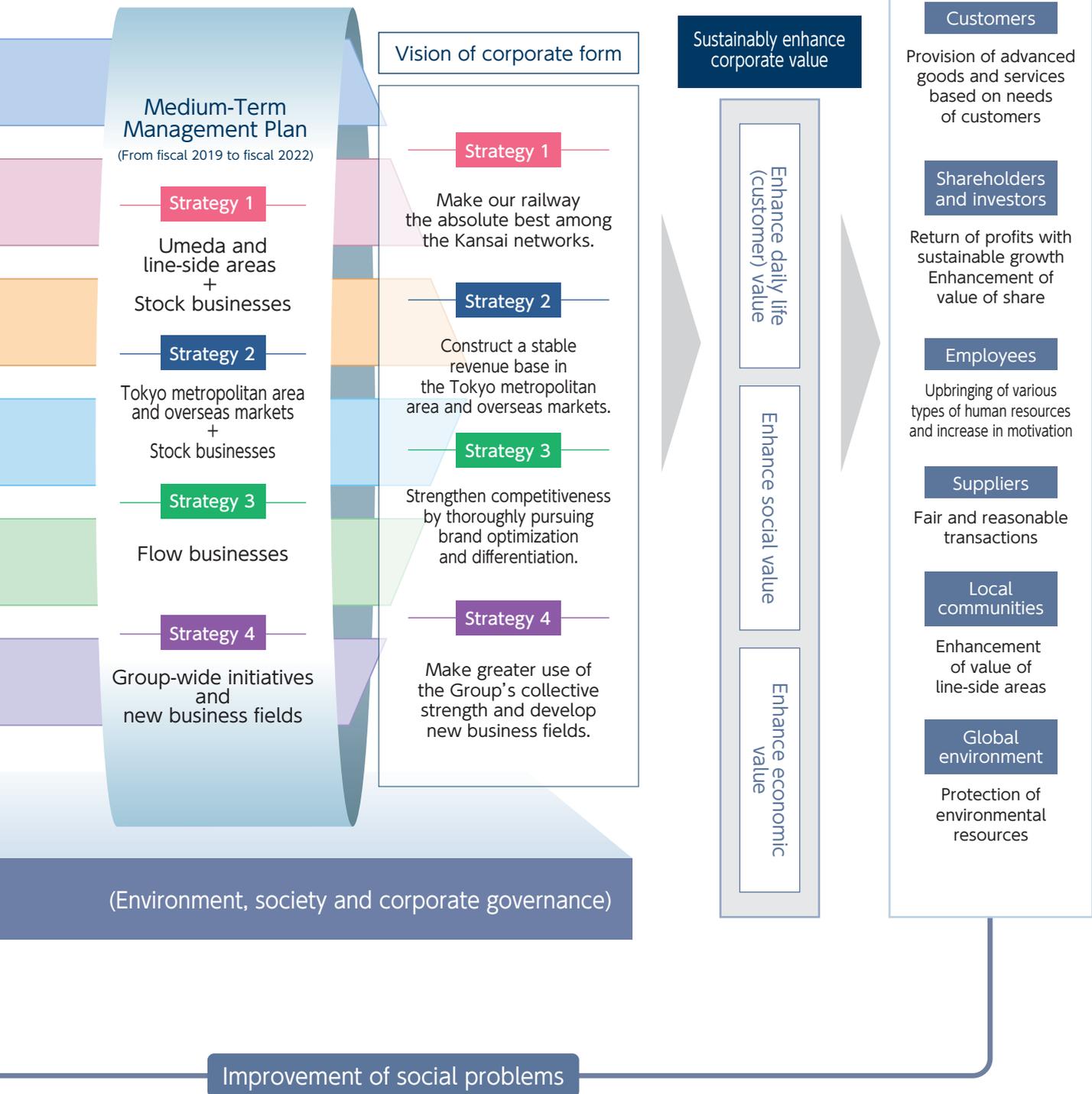
In order to enable users to enjoy lively lives in towns where they are accustomed to living, we provide rehabilitation-specific half-day services in the line-side areas of Hankyu and Hanshin (14 locations).



Value Creation Process of Hankyu Hanshin Holdings



Slogan
“Enhancing line-side areas and expanding fields”



Urban Transportation

We remain focused on enhancing the value of our railways by providing safe and comfortable transportation services.



Yoshifumi Nomura
Senior Managing Director,
Hankyu Corporation



Hiroshi Sasaki
Managing Director,
Hanshin Electric Railway Co., Ltd.

Basic Policies

1 Provide quality urban transportation services and other related services

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

2 Increase convenience and reliability of existing infrastructure and expand railway network

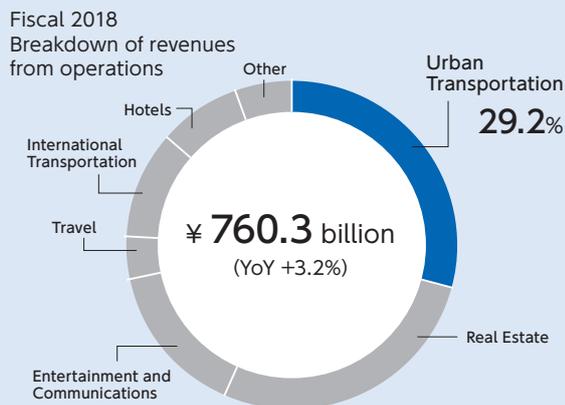
- Develop railway stations and lines
- Expand and strengthen railway network

3 Ensure reliable transportation

- Enhance security
- Develop rolling stock

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

- Advance sales measures in the bus and taxi businesses
- Enhance bicycle parking areas at railway stations and bicycle rental services
- Collaborate with line-side area municipal authorities, chambers of commerce and industry, and companies



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



Business Environment

While the population of the entire Kansai area remains on a downward trend, Umeda and other line-side areas of our Group represent 17 of the top 20 railway stations according to the "Survey of preferred Kansai residential areas"* conducted by Major7. These areas clearly continue to enjoy high popularity,

with the local populations trending upward. Moreover, the number of international visitors to the Kansai region of Japan is increasing annually, so we anticipate an increase in business opportunities in the medium term as we take advantage of this favorable situation.

* Survey of condominium operators of Sumitomo Realty & Development and seven other companies (September 2018)

Fiscal 2018 Review of Operations

Our Urban Transportation Business introduced four new models of rolling stock for Hankyu Corporation, renovated the local train cars on the Hanshin Electric Railway, and endeavored to enhance customer comfort by expanding the barrier-free facilities inside our rail cars. We also installed mobile fences at Senri-Chuo Station, Momoyamadai Station, and Ryokuchi-Koen Station in order to improve safety and security on the Kita-Osaka Kyuko Railway. Similarly, in an effort to enhance passenger information services provided via smartphone, we introduced a service that provides information on train schedules, locations of trains in transit, and train destination guides at each station. This service is provided through the TOKK App available for download from Hankyu Railway website, while the similar Hanshin App can be downloaded from the Hanshin Electric Railway website.

Our automobile business took steps to provide identical services

along all routes of both companies. These included expanding the coverage area for bus location services and enabling customers to use smartphones to check the status of bus services and expected arrival times for routes managed by Hankyu Bus Co., Ltd., adding to the Hanshin Bus Co., Ltd. routes already offering bus location services.

Our retailing business sought to heighten the appeal of railway stations through initiatives such as opening Nescafé Stands in some railway stations along the Hankyu line under a new business format. New Nescafé Stands were also opened in selected railway stations along the Hanshin Electric Railway.

As a result, although Hankyu Corporation and Hanshin Electric Railway posted stable performance in the railway business, revenues from operations declined by ¥1,169 million from the previous fiscal year to ¥235,967 million due to a decrease in consolidated subsidiaries. Operating income declined by ¥651 million year-on-year to ¥41,586 million, resulting in a decline in both revenues and profits.

■ Hankyu Corporation and Hanshin Electric Railway: Performance results

	Fare revenues (Millions of yen)				Passenger volumes (Thousands)				
	FY2018	FY2017	Change	%	FY2018	FY2017	Change	%	
Hankyu	Other tickets	63,137	62,720	+417	+0.7%	319,939	318,064	+1,875	+0.6%
	Commuter pass	33,198	32,628	+570	+1.7%	335,005	329,305	+5,700	+1.7%
	Total	96,335	95,348	+987	+1.0%	654,945	647,369	+7,576	+1.2%
Hanshin	Other tickets	21,638	21,136	+501	+2.4%	119,567	116,998	+2,569	+2.2%
	Commuter pass	11,797	11,563	+234	+2.0%	122,073	119,768	+2,305	+1.9%
	Total	33,436	32,699	+736	+2.3%	241,641	236,766	+4,875	+2.1%

1. Revenues of less than one million yen have been rounded down; personnel totals of less than one thousand people have been rounded down.

2. Fare revenues and passenger volumes from other tickets for Hankyu include revenues and personnel applicable to PiTaPa zone-specified discount fares.

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

Initiatives Implemented Under Our Medium-Term Management Plan

Our Urban Transportation Business is promoting initiatives intended to enhance the value of our line-side areas with the goal of ensuring safe and stable transportation and public confidence while making ours the most outstanding railway in the Kansai network.

As an example of our safety and security efforts, Hankyu Corporation is proceeding with the construction of platform doors at Juso Station in response to rising demand for movable platform

barriers. Hanshin Electric Railway is conducting improvement work at Umeda Station and plans to complete this renovation project by the end of fiscal 2023.

Regarding efforts to capture inbound demand, we are also working on sales strategies that include developing more appealing promotions for Taiwan and selling in-bound tickets, specifically our Hankyu Tourist Pass and Hanshin Tourist Pass. In addition, we are developing policies to attract foreign visitors to Japan through the creation of a more welcoming environment by expanding services at stations and in vehicles by providing free Wi-Fi, modern washroom facilities, and new trains for tourists.

Fiscal 2019 Outlook

Regarding revenues from railway operations, we expect that both Hankyu Corporation and Hanshin Electric Railway will record increased revenues as a result of population growth in rail-side areas and increased demand from visitors to Japan. On the cost

side, although costs will decrease, depreciation expenses are expected to increase in the wake of new investment in rolling stock and renewed investment in station equipment.

As a result of these initiatives, revenues from our Urban Transportation Business in fiscal 2019 are expected to increase by ¥5.7 billion, to ¥241.7 billion, while operating income is expected to reach ¥42.9 billion, an increase of ¥1.3 billion year-on-year.

■ Hankyu Corporation and Hanshin Electric Railway: Performance forecasts (Fiscal 2019)

	Fare revenues (Millions of yen)				Passenger volumes (Thousands)			
	FY2019	FY2018	Change	%	FY2019	FY2018	Change	%
Hankyu	97,673	96,335	+1,337	+1.4%	663,511	654,945	+8,565	+1.3%
Hanshin	34,172	33,436	+736	+2.2%	246,786	241,641	+5,144	+2.1%

1. Revenues of less than one million yen have been rounded down; personnel totals of less than one thousand people have been rounded down.

2. Fare revenues and passenger volumes from other tickets for Hankyu include revenues and personnel applicable to PiTaPa zone-specified discount fares.

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

Real Estate | Our goal is to support attractive urban development while offering the choice of an affluent lifestyle.



Tsuneo Wakabayashi
President and Representative Director,
Hankyu Hanshin Properties Corporation



Yusuke Kusu
Executive Vice President and Representative Director,
Hankyu Hanshin Properties Corporation

Basic Policies

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

- Promote Umeda 1-1 Project (Osaka Umeda Twin Towers South) and Phase II of Umekita Development Plan and other development projects.
- Step up efforts to foster intangible assets that heighten the Umeda area's appeal
- Enhance value of the Umeda area and other areas served by the Hankyu and Hanshin lines by planning and advancing new development projects and implementing plans for renewal of commercial facilities

2 Maintain and heighten earnings level of the real estate sales business

- Plan and develop condominiums matching customer needs and advance business and sales in anticipation of changes in market conditions
- Develop detached houses in towns while marketing residential land lots steadily (Yamatedai and Saito)

- Develop supply network and acquire business opportunities in the Tokyo metropolitan area
- Ensure stable revenues from the real estate sales business by increasing efforts focused on medium-to-long-term projects

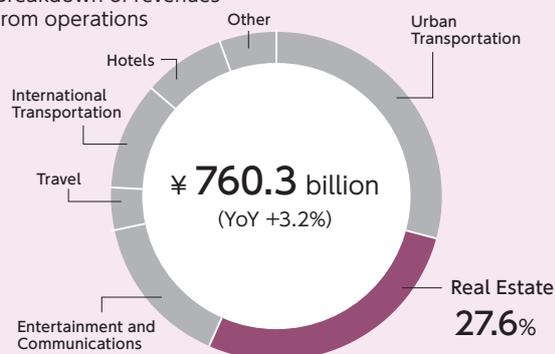
3 Strengthen and grow real estate funds and REIT businesses

- Pursue external growth of the Real Estate Business through linkage with Hankyu Hanshin REIT, Inc.
- Increase fee-based revenues from asset and property management

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

- Expand business over the medium-to-long term by acquiring revenue-generating properties and participating in redevelopment projects in the Tokyo metropolitan area
- Develop and own logistics warehouses and participate in condominium businesses overseas to accumulate business expertise and gather information with a view to further business expansion

Fiscal 2018
Breakdown of revenues from operations



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



Business Environment

We anticipate that our real estate leasing business will maintain its steady pace into the future in light of the recent growth trend in foreign visitors to Japan in addition to increasing demand, primarily in Umeda, for office space. It is also likely that business opportunities will increase as redevelopment progresses in Umeda and in line-side areas.

Looking to the real estate sales business, we assume that the entire Kansai region will continue to be affected by the population decline over the medium and long terms. The Umeda area and our line-side areas, however, remain relatively popular, so we expect correspondingly steady growth. Furthermore, continued growth in demand is expected in the Tokyo Metropolitan Area, where population concentration is accelerating, and international markets such as the ASEAN region, which is undergoing remarkable growth.

Fiscal 2018 Review of Operations

During the period under review, our Real Estate Business refocused on two priorities: strengthening the competitiveness of our commercial facilities and office buildings; and maintaining or increasing their occupancy rates.

In our real estate leasing business, profit declined due to increased repair expenses and expenses targeted at renovation and improving the appeal of our commercial facilities despite increased revenue arising from steady performance of our rental buildings in the Umeda area and elsewhere.

With regard to real estate sales and other business, profit declined due to increased selling costs, although sales rose due to increased sales of condominium units.

As a result, revenue from operations increased by ¥6,876 million relative to the preceding fiscal year to ¥222,586 million. Operating income decreased by ¥1,016 million year-on-year to ¥40,954 million.

Initiatives Implemented Under Our Medium-Term Management Plan

For the period from fiscal 2019 to fiscal 2022 of this management plan, we intend to increase operating income with a focus on flow businesses, while in our Real Estate Business we aim to expand the scale of condominium unit sales. We are committed to continued land acquisition with careful selection of candidate properties; at the same time, we will closely monitor the effects of increases in the consumption tax as well as rising construction costs. We will also seek to expand the scale of our business, not only in the Kansai region where our brands have achieved penetration, but also in the Tokyo metropolitan area and locations outside Japan.

Additionally, in order to enhance the value of the Umeda area and our line-side areas, the core business foundation of our Group, we will seek the medium- and long-term growth of our leasing business by improving and revitalizing the appeal of our commercial facilities. In parallel with this, we will develop new areas and businesses to drive future growth.

Fiscal 2019 Outlook

In fiscal 2019, despite the fact that depreciation expenses will increase with the progress of the Umeda 1-1 Project, we expect that our leasing business will post an increase in office revenue while maintaining a high occupancy rate and improve its appeal by replacing stores and renovating commercial facilities. We therefore project increased profit as a result of such measures.

In the residential property sales business, although we anticipate a decline in gross profit in our condominium business and an increase in selling expenses, we expect profit to increase from the sale of land for facilities.

As a result of these efforts, we expect revenue from our Real Estate Business to increase in fiscal 2019 by ¥13.6 billion, to ¥236.2 billion, while operating income will increase by ¥7 billion, to ¥48 billion, year-on-year.



Entertainment and Communications

With original content and outstanding services, we offer dreams as well as excitement.

Koji Momokita
Director,
Hanshin Electric Railway Co., Ltd.

Junichi Otsuka
Managing Director,
Hankyu Corporation

Takashi Mizobuchi
Director,
Hanshin Electric Railway Co., Ltd.

Basic Policies

1 Maximize value of the Hanshin Tigers and Koshien brands

- Forge a team that contends for the championship on a regular basis
- Increase the appeal of Koshien Stadium and expand the stadium business

2 Maximize value of the Takarazuka brand

- Maintain the high capacity utilization and financial performance of the Takarazuka Revue
- Develop content business actively
- Increase overseas business

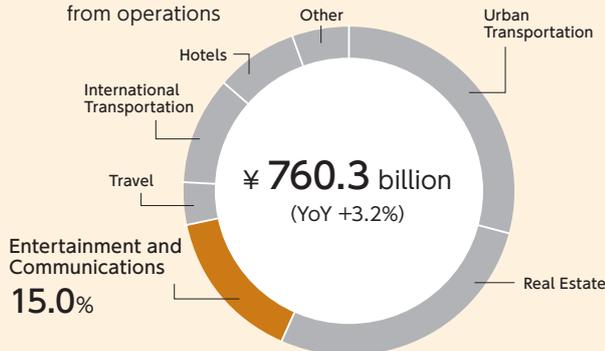
3 Sustain growth of the communication and media businesses

- Grow earnings in the information services business continuously by increasing earnings in target growth markets, developing businesses outside the Group with focus on the Kanto and Chubu areas, and catering to new IT markets
- Achieve stable earnings in the broadcast and communications business by expanding and improving regionally based products and services, acquiring customers mainly through communications services, and retaining customers through the introduction and development of lifestyle services

4 Advance growth of other entertainment businesses and the leisure business

- Expand the music business and Mt. Rokko businesses

Fiscal 2018
Breakdown of revenues
from operations



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

Revenues from operations
Operating income margin (right axis)



Business Environment

The sports business encompassing the Hanshin Tigers professional baseball team and Hanshin Koshien Stadium as well as the Takarazuka Revue stage presentation all enjoy loyal support and renown not only in the Kansai area but also across the country. So they are not in other companies in the same

industry and we have our own strengths. By continuing to provide such high-quality content, we seek to further strengthen customer loyalty and maximize brand value.

Our communication and media business, meanwhile, is expected to post steady market growth in the field of information services, particularly in the contracting of system development and in the construction and maintenance of e-commerce websites.

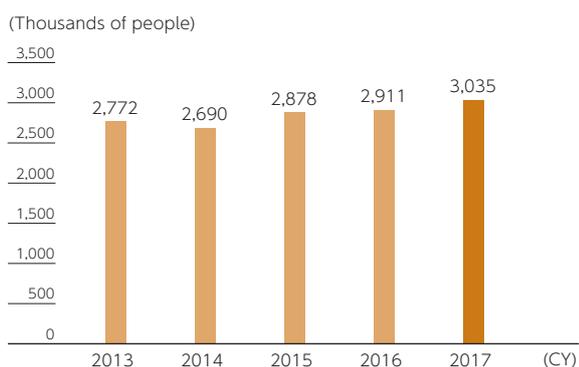
Fiscal 2018 Review of Operations

In our sports business, sales and profits increased as a result of the Hanshin Tigers' success in reaching the Climax Series playoff games, the rising number of fans attending regular season games, and strong growth in sales at concessions for merchandise and food. As for our stage business, all performances of the stage revue business were well-received and brought in higher revenue and earnings, including the Snow Troupe's performances of "A Passage Through the Light — Maximilien Robespierre, the Revolutionary" and "Super Voyager! — To the Ocean of Hope."

In the information services business, sales and profits increased as a result of two factors: strong sales of construction and maintenance services for e-commerce websites; and an increase in cable television subscribers in the broadcast and communications business.

As a result, revenue from operations in the entertainment and communications business increased by ¥5,884 million to ¥121,078 million, operating profit increased by ¥2,094 million from the previous year to ¥17,750 million, resulted in higher revenue and earnings.

Total attendance at Hanshin Tigers home games



Initiatives Implemented Under Our Medium-Term Management Plan

Our sports business is focused on the Hanshin Tigers; we are committed to creating a team that remains competitive while enhancing the facilities and services offered at Koshien Stadium. In our stage business, we have dedicated ourselves to providing a steady stream of high-quality productions at the Takarazuka Revue. While striving to maximize the brand value of both businesses, we will actively promote strategies to cultivate new fans as we seek to maintain and improve profit levels.

In the communications and media businesses, we will utilize multi-vendor response capabilities while providing one-stop service, as these represent our strengths in the information services business. We will also focus on growth sectors by emphasizing building management, transportation-related systems, and the Internet. In so doing, we will expand our market share in the Kanto and Chubu areas, going beyond our traditional territory in the Kansai area.

Fiscal 2019 Outlook

In our sports business, we anticipate that the Hanshin Tigers will attract roughly the same number of fans as in fiscal 2018, and we assume that profits will remain stable.

In the stage business, we are likely to experience a decline from the rather strong performance posted in the preceding year with a concomitant decrease in sales of related products. Thus, we expect that profits will decrease from the level we achieved in fiscal 2018.

In the communications and media businesses, we will focus on the sustainable growth of our information services business and promotion of the regional broadband wireless access (BWA) business.

As a result, revenue from operations in our Entertainment and Communications Business in fiscal 2019 is expected to increase by ¥3.4 billion, to ¥124.5 billion, year-on-year, while operating profit is forecast to decline by ¥1.1 billion, to ¥16.7 billion.



©Takarazuka Revue Company

Travel | We offer a travel experience that responds to customer desires while seeking to establish a revenue base that can secure a certain level of profitability.



Seiji Matsuda
President and Representative Director,
Hankyu Travel International Co., Ltd.

Basic Policies

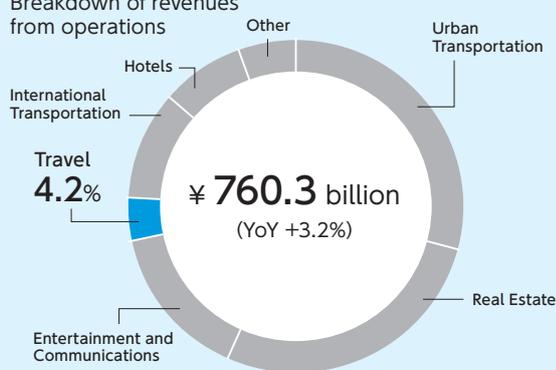
① Strengthen competitiveness of travel packages

- Strengthen areas outside Europe
- Strengthen specialized products
- Expand customer base among new demographics
- Revise cost structure for advertising expenses, etc.

② Establish a second pillar

- Strengthen initiatives for non-Japanese tourists
- Expand group and business travel services and create stable source of revenues

Fiscal 2018
Breakdown of revenues
from operations



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

■ Revenues from operations
○ Operating income margin (right axis)



Business Environment

Our Travel Business has traditionally secured steady profits from our travel packages, focused mainly on Europe, that represent our mainstay business. However, recent geopolitical instability, frequent natural disasters, deterioration in the purchasing environment for airline tickets and the like accompanying the

increase in foreign visitors to Japan, and other factors have had a significant effect on the business environment.

In addition, with the emergence of online travel agents, we anticipate increased changes in travel industry markets as well as more intense competition, so we are taking responsibility for restructuring the business without being bound by conventional stereotypes.

Fiscal 2018 Review of Operations

In fiscal 2018, overseas travel performed strongly as a result of the European economy's recovery from the influence of terrorist attacks and other factors as well as growth in visitors from China and other Asian nations. Looking to domestic travel products, while travel demand in Shikoku retreated from the growth evident in the preceding fiscal year, the overall volume of transactions increased

■ Travel billings ranked

Total travel billings (Fiscal 2018)

Rank	Company name	¥ billion
1	JTB	1,715.1
2	Rakuten	610.1
3	KNT-CT Holdings	490.8
4	HIS	487.6
5	Nippon Travel Agency	433.8
6	Hankyu Travel International*	345.5
7	ANA Sales	191.2
8	JALPAK	183.2
9	Tobu Top Tours	139.2
10	JR TOKAI TOURS	98.9

Overseas travel billings (Fiscal 2018)

Rank	Company name	¥ billion
1	JTB	595.5
2	HIS	392.1
3	Hankyu Travel International*	206.6
4	KNT-CT Holdings	154.5
5	Nippon Travel Agency	120.4
6	JALPAK	54.9
7	DeNA Travel	49.0
8	Nissin Travel Service	48.5
9	Rakuten	40.6
10	M.O. TOURIST	39.5

Domestic travel billings (Fiscal 2018)

Rank	Company name	¥ billion
1	JTB	1,032.1
2	Rakuten	557.5
3	KNT-CT Holdings	315.3
4	Nippon Travel Agency	273.3
5	ANA Sales	167.4
6	Hankyu Travel International*	136.1
7	JALPAK	128.2
8	Tobu Top Tours	100.9
9	JR TOKAI TOURS	96.2
10	Meitetsu World Travel	77.0

Source: Japan Tourism Agency Bulletin, "Business Volume for Major Travel Agents (April 2017 to March 2018)"

Note: Billings are rounded down to the nearest ¥100 million.

* The total of Hankyu Travel International Co., Ltd., Hankyu Hanshin Business Travel Co., Ltd., and Hanshin Travel International Co., Ltd.

year-on-year due to the strong performance of Hokkaido, Kanto, and other regions of Japan.

We tapped into the ongoing growth in overseas demand by proactively marketing travel products for visitors to Japan. Proactive marketing efforts helped to increase the number of visitors from Europe.

As a result, revenue from operations increased by ¥4,083 million year-on-year, to ¥34,022 million, while operating income increased by ¥1,418 million to ¥2,055 million.

Initiatives Implemented Under Our Medium-Term Management Plan

For our Travel Business, we have identified the period of fiscal 2018 to 2020 as a time to address structural reforms intended to strengthen the competitiveness of our mainstay travel packages and to promptly establish a "second pillar" as an adjunct to our mainstay business. Hence, we are actively pursuing measures to reform our business structure.

Specifically, we will focus on strengthening the competitiveness of our travel packages outside of Europe (including domestic travel packages), and the planning of specialized packages such as cruises and hiking adventures. We are also working to strengthen our personal travel products by launching Travel Coordination, our new booking website intended for personalized travel planning.

In order to establish this second pillar, we are taking steps to strengthen our ability to take advantage of demand from foreign tourists and expand the scale of group and business travel services, thus establishing a stable source of revenue.

Through these efforts, we aim to transform our business by capturing a stable and consistent level of profitability even in the face of external variables such as terrorism and natural disasters.

Fiscal 2019 Outlook

Regarding international travel, although we anticipate an increase in demand for travel outside Europe in fiscal 2019, we also expect a decline in profitability due to an increase in expenses arising from our structural reforms.

As a result of these efforts, in our Travel Business we expect ¥34.8 billion in revenues from operations in fiscal 2019, which represents an increase of ¥0.8 billion compared with the preceding fiscal year, while operating income is expected to be ¥1.3 billion, a decrease of ¥0.8 billion.



International Transportation

We aim to transition toward a balanced portfolio and build on our core air freight business by further strengthening our sea freight and logistics services businesses.



Seisaku Okafuji
Chairman & Chief Executive Officer,
Hankyu Hanshin Express Co., Ltd.



Kazuhiro Tanimura
President & Chief Operating Officer,
Hankyu Hanshin Express Co., Ltd.

Basic Policies

① Reform to establish a balanced business portfolio

- Strengthen air freight, sea freight, and logistics services businesses globally
- Invest management resources in growing markets

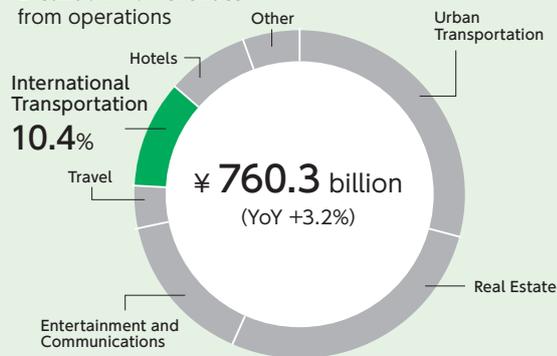
② Develop and implement optimal measures for profit growth

- Strengthen sales capabilities globally
- Increase handling volume

③ Ensure robust global governance

- Optimize business management capabilities by enhancing risk management and compliance awareness

Fiscal 2018
Breakdown of revenues
from operations



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

■ Revenues from operations
● Operating income margin (right axis)



Note: As of fiscal 2016, revenues from operations will be presented on a gross basis rather than a net basis (total transactions net of freight costs).

Business Environment

As Japanese-affiliated companies continue to establish production bases around the globe, freight volumes to and from Japan have been shrinking; meanwhile, air freight and sea freight volumes across the entire global logistics market have been on a long-term

uptrend, despite a temporarily setback following the credit crisis of 2008. Regarding the amount of international air freight handled by the various regions, major airports in Asia—including Hong Kong, Incheon, and Shanghai—have risen to the top of international cargo-handling rankings. In addition, while the volume of maritime container cargo has remained unchanged in North America and Europe, it has continued to grow in Asia and other regions.

Fiscal 2018 Review of Operations

In fiscal 2018, sales remained strong in Japan, East Asia, and Europe, particularly in air freight. This circumstance prompted us to open new bases in Nairobi, Kenya; Bawal, India; and Monterrey, Mexico. Moreover, as part of our initiative to further expand our global network, we opened logistics warehouses in western Singapore as well as in the U.S.A. and Vietnam. These steps reflected our focus on strengthening our logistics business and expanding our warehouses.

Network of overseas bases

● Establishment of a new base and logistics facilities in India

In April 2018, we established a warehouse in Chennai and a sales office within the automobile industry cluster in Ahmedabad. In August, we established a sales office in the textile industry cluster in Coimbatore. Our goal is to use our expansion in India as a springboard for further business growth.

● Expanding our business in North America

In December 2017, we opened a sales office in Monterrey as a gateway for U.S.A.-Mexico logistics focused on the automobile industry in northern Mexico. In the U.S.A., we promoted continued growth by opening sales offices in Boston and Miami and expanding our warehouses in Chicago, Atlanta, and Dallas.



● Strengthening business development in Africa

In April 2018, we acquired Intraspeed South Africa (Pty) Ltd., a freight forwarder, as a subsidiary; we also acquired Intraspeed's two companies in Kenya and Uganda as subsidiaries. We remain committed to ongoing development in Africa.

● Underpinning our logistics business and network in the ASEAN region

In addition to launching logistics operations in December 2017 at the logistics center we opened in Ho Chi Minh City, Vietnam, we opened an office in Danang, Vietnam's economic capital, in July 2018.

Initiatives Implemented Under Our Medium-Term Management Plan

Our International Transportation Business seeks to achieve sustainable growth in its mainstay air freight business while further expanding our sea freight business and logistics services business in order to realize the third strategy of our medium-term management plan, "strengthening the competitiveness of our flow business." Moreover, we will continue to enlarge our global network and expand our handling of incoming and outgoing international cargo by developing our business mainly in Asia, in addition to transporting to and from Japan, as part of our transition to a more balanced business portfolio. Additionally, through capital and business alliances with Seino Holdings Co., Ltd., we aim to achieve a synergistic effect and steadily grow by providing new logistics services to our customers by fulfilling mutually complementary functions both inside and outside Japan. Through the planning period, we will actively promote these efforts along with plans to secure increased profitability in fiscal 2022.

Fiscal 2019 Outlook

Although we expect to increase our sea freight business and logistics services business in fiscal 2019, earnings are likely to decline due to reduced handling volume in our air freight business, which handled large volumes in the preceding fiscal year.

As a result of these efforts, we anticipate revenue from operations for fiscal 2019 will be ¥83.6 billion, down ¥ 0.1 billion year-on-year, while operating income will decrease ¥0.6 billion year-on-year to ¥2.2 billion.



Hotels

We will continue to open new hotels and improve the profitability of existing locations while providing genuine hospitality and renowned service.



Yoshihiro Nakagawa
Chairman and Representative Director,
Hankyu Hanshin Hotels Co., Ltd.



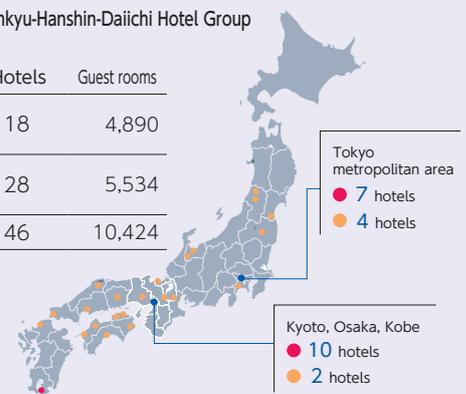
Kazuhide Fujimoto
President and Representative Director,
Hankyu Hanshin Hotels Co., Ltd.

Basic Policies

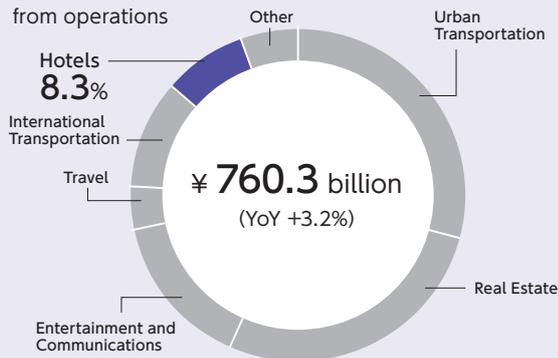
- 1 Improve profitability of existing hotels
 - Maintain and enhance product value through appropriate investment
- 2 Expand network by opening new hotels
 - Implement plan to open new hotels, which mainly comprise guest rooms for overnight stays
- 3 Establish our market leadership in the Umeda area
 - Clarify our long-term management policy for our most important foothold, the Umeda area

■ Locations of hotels in the Hankyu-Hanshin-Daiichi Hotel Group
(As of April 1, 2018)

	Hotels	Guest rooms
● Directly managed hotels (Hankyu Hanshin Hotels)	18	4,890
● Other (franchises etc.)	28	5,534
Total	46	10,424



Fiscal 2018
Breakdown of revenues
from operations



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

■ Revenues from operations
● Operating income margin (right axis)



Business Environment

In the domestic hotel market, both in Kansai and the Tokyo Metropolitan Area, the ratio of foreign guests has been on a significant uptrend with the increase in inbound travel. Meanwhile, in addition to the overheated competition for guests due to the opening rush of new hotels and the use of online travel agents, we believe that the

sharp increase in the number of accommodations being offered in private residences will have a corresponding effect on our hotel business.

Furthermore, the supply of hotel rooms is increasing, especially in major cities, to provide lodging for the visitors expected at the Tokyo Olympics and Paralympic Games in 2020. Clearly, ongoing improvements in the quality of our functions and services are essential in order to increase the competitiveness of our hotel business.

Fiscal 2018 Review of Operations

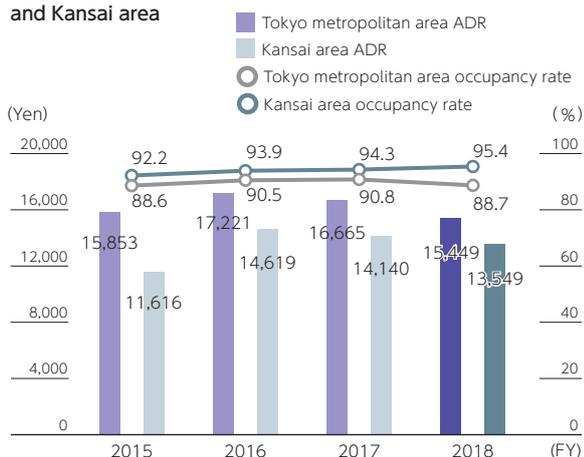
Despite an increase in revenue accruing from the opening of REMM Roppongi in March 2017, our Hotels Business registered a year-on-year decline in profit due to higher expenses and reduced overnight stays at existing hotels.

Looking to the accommodation division, although the room occupancy rate remained high, the average room rate declined in comparison with the preceding fiscal year due to the impact of competition from private accommodations and the opening of new hotels.

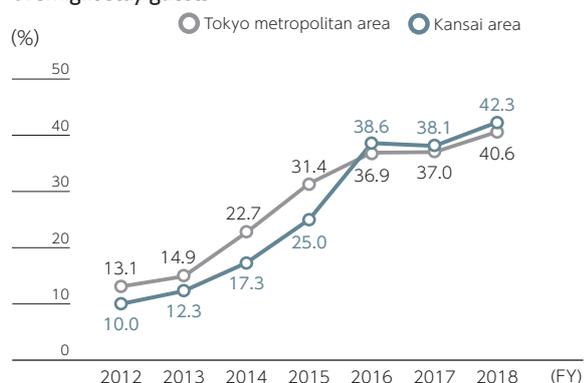
Revenue in the restaurant division was also lower than that of the preceding fiscal year due to the closure of non-hotel restaurants; however, the banquet division posted higher year-on-year revenues as a result of the favorable performance of its businesses, which included corporate and event sales.

As a result, revenues from operations increased by ¥1,608 million year-on-year to ¥67,248 million, while operating income declined by ¥579 million, to ¥2,216 million.

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



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



Initiatives Implemented Under Our Medium-Term Management Plan

In our Hotels Business, Kyobashi, Tokyo as well as Fukushima, Osaka, will be the locations of hotels we plan to open around the spring of 2019 that will mainly comprise guest rooms for overnight

stays; moreover, REMM Plus No. 1, which represents our new REMM brand, is expected to open in Ginza, Tokyo in the winter of 2019. In early spring 2020, we plan to open one of the largest hotels (about 1,000 rooms) in Yodobashi Umeda Tower in the Umeda area. In the spring of 2021, we are scheduled to open a hotel in Sannomiya, Kobe that will offer mainly guest rooms for overnight stays. Going forward, we intend to expand earnings mainly in the accommodation sector by capturing the steady growth in demand from visitors to Japan. We will accomplish this by opening new hotels focused on accommodations in carefully selected locations offering the greatest convenience.

In addition, we are targeting earnings growth in fiscal 2022 through stringent revenue management and facility renewal while improving the profitability of existing hotels.

Fiscal 2019 Outlook

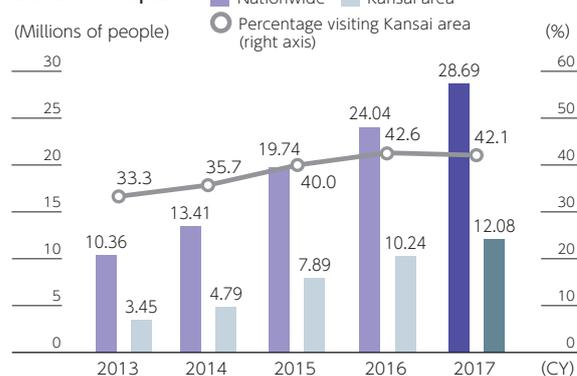
In fiscal 2019, we expect a decline in revenue from operations arising from the closure of some hotels and the termination of a contract to manage the Rokko Mountain Hotel in fiscal 2018.

Looking to costs, outsourcing expenses are expected to increase due to a review of unit prices for cleaning in addition to repair costs arising from renovations of facilities.

Meanwhile, we anticipate operating income in fiscal 2019 to be comparable to that of the previous fiscal year as a result of anticipated increases in average room rates at existing hotels.

As a result of these efforts, we forecast revenues from operations in fiscal 2019 to reach ¥66.4 billion, representing a year-on-year decline of ¥0.8 billion, while operating income is expected to decline by ¥0.1 billion, to ¥2.1 billion.

Visitors to Japan



Source: "Trend in Visitor Arrivals to Japan and Japanese Overseas Travelers," Japan National Tourism Organization (JNTO), "Consumption Trend Survey for Foreigners Visiting Japan," Japan Tourism Agency

Illustration of Yodobashi Umeda Tower



Directors and Audit & Supervisory Board Members

(As of June 13, 2018)

Directors



Kazuo Sumi

Chairman and Representative Director,
Group Chief Executive Officer

1973 Joined Hankyu Corporation
2000 Director, Hankyu Corporation
2002 Managing Director, Hankyu Corporation
2003 President, Hankyu Corporation
2005 President, Hankyu Holdings
2006 President, Hankyu Hanshin Holdings
2008 Director, Hankyu Hanshin Hotels (Current position)
2014 Chairman, Hankyu Corporation (Current position)
2017 Chairman, Hankyu Hanshin Holdings (Current position)



Takehiro Sugiyama

President and Representative Director

1982 Joined Hankyu Corporation
2005 Director, Hankyu Corporation
2006 Director, Hankyu Holdings
2006 Director, Hankyu Hanshin Holdings
2007 Managing Director, Hankyu Corporation
2016 Executive Vice President, Hankyu Corporation
2016 Executive Vice President, Hankyu Hanshin Holdings
2016 Director, Hanshin Electric Railway (Current position)
2016 Director, Hankyu Travel International (Current position)
2016 Director, Hankyu Hanshin Express (Current position)
2017 President, Hankyu Corporation (Current position)
2017 President, Hankyu Hanshin Holdings (Current position)
2018 Director, Hankyu Hanshin Properties Corporation (Current position)



Masao Shin

Executive Vice President and Representative Director

1981 Joined Hanshin Electric Railway
2006 Director, Hanshin Electric Railway
2006 Director, Hankyu Hanshin Holdings
2008 Managing Director, Hanshin Electric Railway
2014 Senior Managing Director, Hanshin Electric Railway
2016 Director, Hankyu Corporation (Current position)
2017 President, Hanshin Electric Railway (Current position)
2017 Executive Vice President, Hankyu Hanshin Holdings (Current position)
2018 Director, Hankyu Hanshin Properties Corporation (Current position)



Takaoki Fujiwara

Representative Director

1975 Joined Hanshin Electric Railway
2005 Director, Hanshin Electric Railway
2007 Managing Director, Hanshin Electric Railway
2011 President, Hanshin Electric Railway
2011 Director, Hankyu Hanshin Holdings
2017 Chairman, Hanshin Electric Railway (Current position)
2017 Director, Hankyu Hanshin Holdings (Current position)



Noriyuki Inoue

Director (External¹⁾)

1957 Joined Daikin Industries
1994 President, Daikin Industries
2002 Chairman and CEO, Daikin Industries
2003 Director, Hankyu Corporation
2005 Director, Hankyu Holdings
2006 Director, Hankyu Hanshin Holdings (Current position)
2014 Chairman of Daikin Industries and Chief Global Group Officer (Current position)



Shosuke Mori

Director (External¹⁾)

1963 Joined Kansai Electric Power
2005 President, Kansai Electric Power
2010 Director, Hankyu Hanshin Holdings (Current position)
2010 Chairman, Kansai Electric Power
2016 Senior Advisor, Kansai Electric Power (Current position)



Yoshishige Shimatani

Director (Part-time)

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



Naoya Araki

Director (Part-time)

1981 Joined Hankyu Department Store
2012 President, Hankyu Hanshin Department Stores (Current position)
2012 Representative Director, H₂O Retailing (Current position)
2017 Director, Hankyu Hanshin Holdings (Current position)



Yoshihiro Nakagawa

Director (Part-time)

1976 Joined Hankyu Corporation
2005 Director, Hankyu Corporation
2007 Managing Director, Hankyu Corporation
2013 Representative and Senior Managing Director, Hankyu Corporation
2014 President, Hankyu Corporation
2014 Director, Hankyu Hanshin Holdings (Current position)
2017 Chairman, Hankyu Hanshin Hotels (Current position)

Audit & Supervisory Board Members



Masayoshi Ishibashi

Standing Audit & Supervisory Board Member

1979 Joined Hanshin Electric Railway
2013 Standing Audit & Supervisory Board Member, Hanshin Electric Railway (Current position)
2013 Standing Audit & Supervisory Board Member, Hankyu Hanshin Holdings (Current position)



Koichi Kobayashi

Standing Audit & Supervisory Board Member

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



Haruo Sakaguchi

Audit & Supervisory Board Member (External^{*2})

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



Junzo Ishii

Audit & Supervisory Board Member (External^{*2})

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



Michiari Komiyama

Audit & Supervisory Board Member (External^{*2})

1971 Prosecutor
1999 Prosecutor, Supreme Public Prosecutor's Office
1999 Chief Prosecutor, Saga District Public Prosecutor's Office
2002 Chief Prosecutor, Kobe District Public Prosecutor's Office
2003 Notary, Osaka Legal Affairs Bureau
2013 Lawyer (Current position)
2017 Audit & Supervisory Board Member, Hankyu Hanshin Holdings (Current position)
2017 Audit & Supervisory Board Member, Hankyu Corporation (Current position)

*1 Mr. Noriyuki Inoue and Mr. Shosuke Mori satisfy the qualifications of external directors as provided in Article 2, Paragraph 15 of the Corporate Law. The Company has submitted notifications to the stock exchanges on which its shares are listed, naming Mr. Inoue and Mr. Mori as external (independent) directors.

*2 Mr. Haruo Sakaguchi, Mr. Junzo Ishii, and Mr. Michiari Komiyama satisfy the qualifications of external Audit & Supervisory Board members as provided in Article 2, Paragraph 16 of the Corporate Law.

The Company has submitted notifications to the stock exchanges on which its shares are listed, naming Mr. Sakaguchi, Mr. Ishii, and Mr. Komiyama as external (independent) Audit & Supervisory Board members.

An Interview with an External Director



As we continue to enhance our corporate governance, we are engaging in active discussions intended to advance our Long-Term Management Vision for 2025.

Shosuke Mori
External Director

On the Evolution of Corporate Governance

Q You were appointed as an external director in 2010. Considering the Board of Directors' management oversight and decision-making responsibilities, what are your thoughts on how the Board's effectiveness has evolved?

At the time of my appointment as an external director, the prospects for improvement of our financial situation and other issues such as the Group's restructuring showed promise. Since then, in order for the company to maintain the trust of our stakeholders and customers, our Group has been working to improve transparency and soundness of management, comply with laws and regulations, and ensure appropriate and timely information disclosure. I believe our Group has been diligent in steadily underpinning our corporate governance.

In the preceding fiscal year, the number of directors was reduced from 14 to nine in an effort to strengthen the supervisory function of the Board of Directors and ensure management transparency.

To realize such efforts, I feel that we have engaged in constructive discussions, such as inviting opinions from various perspectives, including even our own external directors.

In light of recent trends in governance reform, the Board of Directors has narrowed down the number of measures and reports in the interests of urgency; moreover, regarding the administrative aspects of the Board of Directors, we explain them in brief yet to a greater extent than before, and we take sufficient time to discuss them. So, I feel the effectiveness of the Board of Directors has been growing.

If I were to offer a comment, of course it is essential that we strengthen corporate governance, but rather than simply accept the values inherent in Western-style management as they are, I would prefer that our management emphasize the outstanding business ethics that Japanese companies have been cultivating for many years. This can be encapsulated in the phrase, *sanpo yoshi*, which emphasizes the success of three stakeholders—the vendor, the customer, and society.

I also intend to continue engaging in active discussions of corporate governance with the Board of Directors, in recognition of the reality that we are a corporate citizen responsible for our social mission.

On Achieving Our Long-Term Management Vision

Q What Management issues do you think are key to bringing the Group's Long-Term Management Vision for 2025 to fruition?

When we review the details of our Long-term Vision, which sets out four business strategies based on two categories summarized under the slogan "enhancing line-side areas and expanding fields," it is clear how we are focused on distinct business territories—which comprise Umeda and line-side areas as well as the Tokyo metropolitan area and territories outside Japan—as well as our business model, which addresses "stock" businesses and "flow" businesses. I think that emphasizing our goal of sustainably enhanced corporate value has given us great motivation.

Meanwhile, of course, we must address the various environmental changes and risks we are likely to encounter along the path to achieving our vision, including Japan's waning birth rate and population decline and the increasing occurrence of natural disasters in the Kansai area. Therefore, it is essential that we deal with these challenges in a proactive manner.

Moreover, in order to steadily implement our four strategies, it is important that all employees of the Group buy into the intent and approach incorporated in the strategy and fulfill their duties with a strong sense of mission in their respective positions.

For that reason, it is crucial to involve all our employees who are active in the front lines and to ensure they interact with one another on a daily basis so that our strategy is instilled in everyone throughout our Group.

Of course, it goes without saying that the basis of our management approach is to emphasize two priorities without fail: "safety first" and "meeting our corporate social responsibilities."

As a corporate Group that, through the railway business, supports social infrastructure—much like the electric company where I serve as a counselor—these two priorities are the lifeline of management. Regarding safety measures in particular, I urge all to consider being proactive in assigning management resources to this issue in the future. In addition to keeping the management team itself at the forefront of these initiatives, I ask our entire Group to take a twin-pronged approach involving both a "hardware" and "software" approach, in other words by researching and adopting the latest safety technologies, disseminating messages to employees on an ongoing basis, and providing training opportunities. I think I might have the opportunity to offer some advice in light of my own experience in this regard.

visit frequently, despite the overall decline in population. Line-side areas are the foundations, so to speak, of many local communities, as various value-added services do indeed further increase the value of these territories, as a result leading to the further prosperity of our Group.

Meanwhile, various projects are under way that, in addition to attracting a growing stream of visitors to the Kansai region of Japan, will spark the further development of the Kansai economy. The Umekita Phase II Development Project is one such example.

In view of these trends, I believe that, by building on the value of the Group, we will further enhance the appeal of the Kansai region, attract people throughout Kansai, and boost employment. In that respect, it is essential that we raise awareness among people in Japan and around the world regarding the charms of the region, including the Takarazuka Revue Company and the Hanshin Tigers professional baseball team.

In the same vein, I believe it is important to promote measures supporting the development of the Kansai region under the unified "All Kansai" system calling for collaboration among industry, government, and academia.

Certainly, our Group has amassed considerable experience and expertise concerning Umeda and our line-side areas. We are confident that we can play a central role in the "All Kansai" regime while fully utilizing our strengths to address major social challenges such as revitalization of the community and the creation of new industries. I remain dedicated to fulfilling my responsibilities as an external director in order to make these objectives a reality.

On Contributing to the Development of Kansai

Q Considering the likelihood of population decline in the Kansai region over the long term, what role should Hankyu Hanshin Holdings play in terms of promoting future development?

For more than 100 years, the businesses comprising our Group have been enhancing the value of our line-side areas in addition to providing urban transportation and operating real estate businesses mainly in Umeda and across these line-side areas. Fortunately, I feel that many who live in these line-side areas take great pride in the region and have high hopes for the future.

In that sense, our Group recognizes that further vitalization of Umeda and these line-side areas stands as our greatest mission; in fact, our Long-Term Management Vision for 2025 explicitly identifies this very goal: making our line-side areas "the absolute best among the Kansai networks."

By steadily promoting this strategy, I strongly believe that we will attract people to Umeda and these line-side areas, thus leading to growth in both the resident and non-resident populations. This will help to support the development of towns that many people will either desire to live in for years to come or



Management Organization

Corporate Governance

XX Figures in boxes correspond to the principles of Japan's Corporate Governance Code.
(Descriptions refer to the code in effect prior to the revisions adopted in June 2018.)

Basic Approach to Corporate Governance

Principles 2-1 2-2 3-1

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

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

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

Corporate Governance System

Principles 4-1 4-10

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

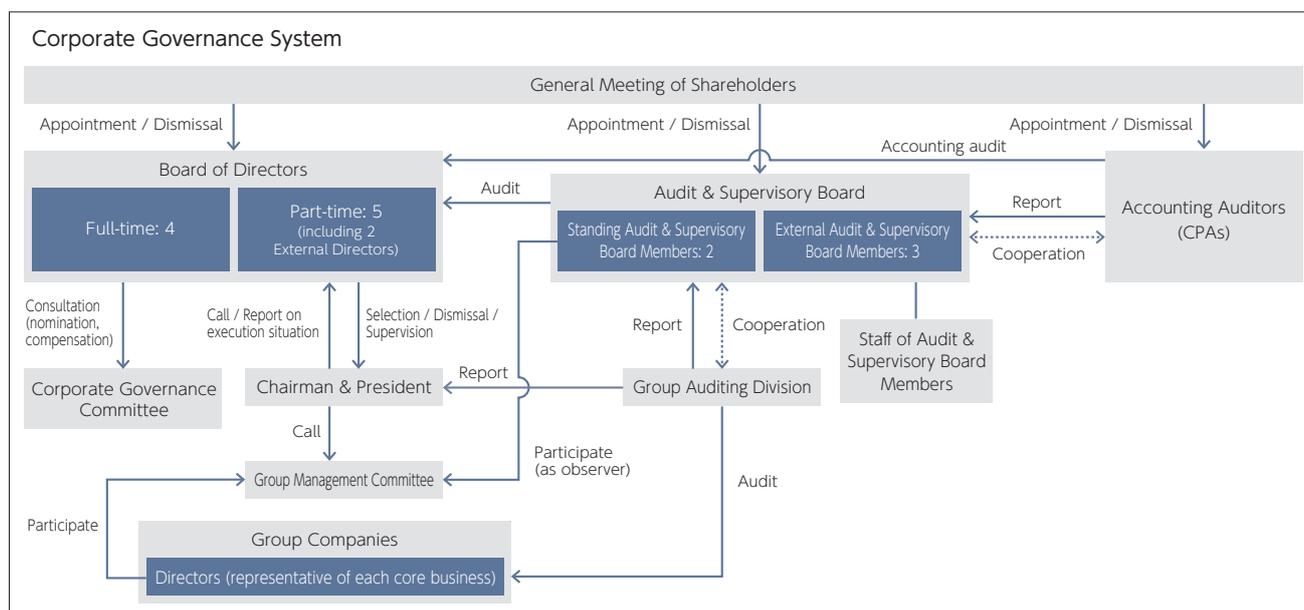
Through this system, the Company realizes supervision and oversight and enhances the overall governance of the Group by:

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

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

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

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



I Management Organization

(1) Board of Directors and Directors

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

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

Aiming to strengthen the management oversight of the Board of Directors and ensure the transparency of business management by increasing the proportion of external directors, the Company reduced the number of directors from 14 to nine at the General Meeting of Shareholders held in June 2017. Under the new system, the Company is strengthening monitoring and oversight and raising the standard of decision making by appointing five of its nine directors as part-time directors, including two external directors who are independent of the Company and have abundant experience in corporate management.

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

Principle 4-4

The Company has adopted the Audit & Supervisory Board system to ensure adequate management oversight. We have five Audit & Supervisory Board members, who monitor the business operations and financial position of the Company and its subsidiaries, and audit the performance of duties by the directors.

Three of the five Audit & Supervisory Board members are external, to provide an independent viewpoint and ensure a high degree of professionalism in Group auditing. In this way, we are working to further ensure sound decision making in the conduct of operations. We provide full backup to Audit & Supervisory Board members, for example by involving them in the Group Management Committee and other meetings within the Group. The Audit & Supervisory Board meets once a month, in principle, to discuss and pass resolutions on important matters.

In addition, as part of the auditing of the Group's business operations, the Audit & Supervisory Board members peruse when appropriate auditing plans and results of audits of the Group Auditing Division, composed of internal audit staff. The Audit & Supervisory Board members also receive from the Group Auditing Division regular reports (and ad hoc reports when required) on internal audits at the Company and its subsidiaries, including on the state of operation of the whistle-blowing system.

At the same time, the Audit & Supervisory Board members receive regular status reports from the accounting auditors (CPAs) and take part in on-site audits by the accounting auditors including those of Group companies.

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

Principles 4-7 4-9

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

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

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

Independence criteria

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

1. Executing persons¹ of the Company's major shareholders (shareholders owning 10% or more of the Company's total voting rights)
2. Executing persons of entities for which the Company is a major business partner² or executing persons of the Company's major business partners
3. Consultants, accounting experts, or legal experts receiving significant amounts of money or property³ from the Company that are other than executive compensation (or if a company, union, or other organization receives the said property, this refers to persons belonging to the said organization)
4. Persons⁴ who have recently belonged to any of the categories (a) through (d) below
 - (a) Persons stated in 1, 2, or 3 above
 - (b) Executing persons of the Company's parent company or directors of the Company's parent company who are not executing persons
 - (c) Audit & Supervisory Board members of the Company's parent company (This item applies when external Audit & Supervisory Board members are to be appointed as independent external Audit & Supervisory Board members.)
 - (d) Executing persons of the Company's fellow subsidiaries
5. Close relatives (within the second degree of kinship) of any of the persons stated in (a) through (h) below (excluding persons who are not significant)
 - (a) Persons stated in 1, 2, 3, or 4 above
 - (b) Accounting advisors of the Company (This includes employees conducting required duties if the said accounting advisor is a company. Same hereinafter.) (This item applies when external Audit & Supervisory Board members are to be appointed as independent external Audit & Supervisory Board members.)
 - (c) Executing persons of the Company's subsidiaries
 - (d) Accounting advisors of the Company's subsidiaries or directors of the Company's subsidiaries who are not executing persons (This item applies when external Audit & Supervisory Board members are to be appointed as independent external Audit & Supervisory Board members.)
 - (e) Executing persons of the Company's parent company or directors of the Company's parent company who are not executing persons
 - (f) Audit & Supervisory Board members of the Company's parent company (This item applies when external Audit & Supervisory

Board members are to be appointed as independent external Audit & Supervisory Board members.)

- (g) Executing persons of the Company's fellow subsidiaries
- (h) Persons who have recently belonged to the categories (b) through (d) above or who have been executing persons of the Company (This includes directors who are not executing persons when external Audit & Supervisory Board members are to be appointed as independent external Audit & Supervisory Board members.)

6. Executing persons of the Hankyu Hanshin Toho Group

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

I Policies and Procedures for the Appointment of Directors and Audit & Supervisory Board Members
Principle 3-1

Policy for the appointment of Directors

The Company appoints personnel who are well acquainted with the businesses of the Hankyu Hanshin Holdings Group as directors as well as appointing personnel from H₂O Retailing Corporation and Toho Co., Ltd., as directors to strengthen collaborative relationships with the Hankyu Hanshin Toho Group.

In addition, to raise the standard of decision making and strengthen oversight, the Company appoints independent external directors who have abundant experience and expertise.

Policy for the appointment of Audit & Supervisory Board Members

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

Appointment procedure

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

Reasons for election of outside director Principle 3-1

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

Reasons for election of outside corporate auditor Principle 3-1

Name	Reasons for appointment
Haruo Sakaguchi (Independent Board Member)	Currently a lawyer. Appointed to advise on more compliance-based management and for his ability to provide independent input.
Junzo Ishii (Independent Board Member)	Former Professor of Faculty of Business Administration within the Graduate School of Kobe University and former President of the University of Marketing and Distribution Sciences. Appointed for his ability to express useful opinions based on his high-level specialist expertise in business administration and for his ability to provide independent input.
Michiari Komiyama (Independent Board Member)	A member of the legal profession who has served in important positions, including chief prosecutor of the Kobe District Public Prosecutor's Office, and who is currently active as a lawyer. Appointed because, given his experience, he is expected to provide valuable opinions, particularly about ensuring compliance in business management.

I Compensation of Directors
Principle 3-1

(1) Policy

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

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

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

Further, stock-based compensation is paid through a trust to directors who concurrently serve as directors of Hankyu Corporation and Hanshin Electric Railway as part of compensation from the Company. Thus, as with other shareholders, directors who concurrently serve as directors of these two core companies of the Group benefit if share prices rise but incur losses if they decline. The

intention of the system is to motivate directors to improve companies' business performances and thereby enhance the enterprise value of the entire Group over the medium-to-long term.

(2) Procedure

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

Other Deliberative Bodies

(1) Corporate Governance Committee

With a view to ensuring the transparency of executive appointments and compensation and enabling coordination among external directors and external Audit & Supervisory Board members, the Company has established the Corporate Governance Committee, which comprises four representative directors, two external directors, two standing Audit & Supervisory Board members, and three external Audit & Supervisory Board members. The committee acts in an advisory capacity with respect to the appointment of candidates to the position of director and the details of the compensation system for directors. Also, the committee provides external directors with information in relation to the Group's businesses, financial status, and organization.

(2) Group Management Committee

The members of the Group Management Committee include fulltime directors, specifically the chairman and representative director, the president and representative director, the executive vice president and representative director, and the representative director; executive officers; and representatives of each of the Group's core businesses. The committee convenes to deliberate and decide on the approval of resolutions of the Board of Directors; the management strategies and business plans of Group companies; systems and rules for maintenance of the holding company system; and significant Group management matters, such as investments above a certain threshold and reorganization.

(3) Core Business Strategy Councils

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

(4) The Group Presidents' Meeting—Initiatives to foster solidarity within the Group

The Hankyu Hanshin Holdings Group comprises over 150 Group companies. The Group Presidents' Meeting, held twice a year, brings together presidents of those Group subsidiaries and affiliates. It is designed to foster a deeper sense of solidarity within the Group and ensure that the Group philosophy and management policies permeate the entire organization. The Group Presidents' Meeting aims to encourage a joint sense of commitment to the Medium-Term Management Plan. Awards are given to companies that boost

earnings or individuals and groups that successfully launch initiatives or make significant contributions at their units.

Shares Held for Strategic Reasons

Principle 1-4

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

Abolition of Anti-Takeover Measures

After considering recent trends related to such measures and changes in the business environment, the Company has decided to abolish anti-takeover measures that have already been set to expire at the conclusion of the General Meeting of Shareholders held in 2018.

Abolition of Senior Advisors System

To strengthen corporate governance and heighten the transparency of business management and given that it has not elected senior advisors at present, the Company received approval from the General Meeting of Shareholders held on June 13, 2017 to abolish a provision of the articles of incorporation concerning the election of senior advisors.

Attendance at Meetings of the Board of Directors and the Audit & Supervisory Board

External Directors

Name	Attendance at meetings of the Board of Directors
Noriyuki Inoue	Attended 8 of 9 meetings
Shosuke Mori	Attended 7 of 9 meetings

External Audit & Supervisory Board Members

Name	Attendance at meetings of the Board of Directors	Attendance at meetings of the Audit & Supervisory Board
Haruo Sakaguchi	Attended all 9 meetings	Attended all 11 Meetings
Junzo Ishii	Attended 8 of 9 meetings	Attended all 11 Meetings
Michiari Komiyama	Attended all 7 meetings	Attended all 9 Meetings

Evaluation of the Board of Directors' effectiveness

A summary of the process, items, and results of an evaluation of the effectiveness of the Board of Directors conducted in fiscal 2019 is as shown below.

1. Evaluation process

At a meeting of the Board of Directors held on April 2018, all directors were interviewed with respect to the administration of the Board of Directors in fiscal 2018.

2. Evaluation items

Accountability	Content of handouts, content and method of explanations at meetings of the Board of Directors, etc.
Appropriateness of conduct of meetings	Duration, questions and answers, etc.
Other	Other points about overall administration of the Board of Directors

3. Evaluation results

The results of investigative interviews indicated that conduct of meetings of the Board of Directors was adequate, explanations of the status of business management were appropriate, and the Board of Directors was effective and generally administered appropriately in fiscal 2018.

Further, results of an evaluation in fiscal 2017 included requests to establish a discussion forum during formulation of the management plan. In response, the Company held briefings on policy formulation for the medium-term management plan at the Board of Directors' meeting held in November 2017.

Number of Meetings of Deliberative Bodies Held

Corporate Governance Committee	2 meetings
Group Management Committee	13 meetings
Core Business Strategy Councils	2 meetings
The Group Presidents' Meeting	2 meetings

I Dialogue with Shareholders and Investors

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

Principle 1-2

	Remarks
Early dispatch of notices of convocation	To allow shareholders sufficient time to examine the items for resolution at the shareholders' meeting before exercising their voting rights, the Company sends out notices of convocation at the earliest possible date. For the General Meeting of Shareholders held in June 2018, the Company sent out notices of convocation on May 23, 2018, 21 days before the meeting.
Avoidance of the "busiest day" for shareholder meetings	To enable as many shareholders as possible to attend its General Meeting of Shareholders, the Company held its 2018 General Meeting of Shareholders on June 13, 2018, 15 days before the "busiest day" on which a large proportion of Japanese companies hold their general shareholders' meetings.
Online and electronic voting	To enable shareholders who cannot attend the Company's General Meeting of Shareholders to exercise their voting rights and to make voting more convenient, the Company accepts votes exercised via the Internet. Also, the Company participates in the electronic voting platform operated by ICJ Inc.
Other	On its website, the Company posts notices of convocation of the General Meeting of Shareholders and notices of resolutions passed at the meeting in Japanese and English.

Internal Control System

Principles 2-1 2-2 4-3

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

- A Group Management Philosophy was compiled following the management integration of Hankyu Holdings and Hanshin Electric Railway, along with a Group mission (what we try to achieve), a statement of values (what is important to us), and a code of conduct (what actions to take to realize them). We ensure that all employees from executive down understand them.
- We ensure compliance-focused management by compiling and distributing a Compliance Manual, and have established a dedicated whistle-blowing system. (For further information on the Company's compliance activities, please refer to the following section.)
- We have established the Group Auditing Division, composed of internal audit staff under the direct control of the president, for independent monitoring of Group-wide business activities. It carries out internal audits into the Hankyu Hanshin Holdings Group and all its operating companies.
- To create a structure for ensuring appropriate operations, the Group vests Audit & Supervisory Board members of each Group company with authority not only in accounting but also in operational audits, and at the same time provides guidance to smaller Group companies on Board of Directors' resolutions for the creation of an internal control system.
- Audit & Supervisory Board members and the Group Auditing Division receive regular reports from the Risk Management Office with regard to creation and operation of internal controls at the Company and its subsidiaries (including implementation status for risk management and promotion of compliance-based management measures). Through such measures, they deepen their links with, and strengthen the role of, internal control divisions.
- With regard to systems for "Management Assessment and Audit Concerning Internal Control Over Financial Reporting," a section of the Financial Instruments and Exchange Act, the Company responds appropriately by carrying out management evaluations on a consolidated basis, in line with in-house rules.

Compliance

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

Compliance Manual and Training Programs

The Company's Compliance Manual and Compliance Card express the determination of the Company not to tolerate violation of laws or social norms or betrayal of customer trust by any of its Group companies' approximately 22,000 officers and employees. It also aims to raise awareness by pointing out cases where compliance errors can easily be made.

The Company provides intensive compliance training on a Group-wide basis for new employees, midcareer hires, and newly appointed executives. In addition, all Group companies arrange their own training programs tailored to job grade and function, with the aim of further increasing compliance awareness.

Corporate Ethics Consultation Desk (Internal Whistle-Blower Procedures)

Principle 2-5

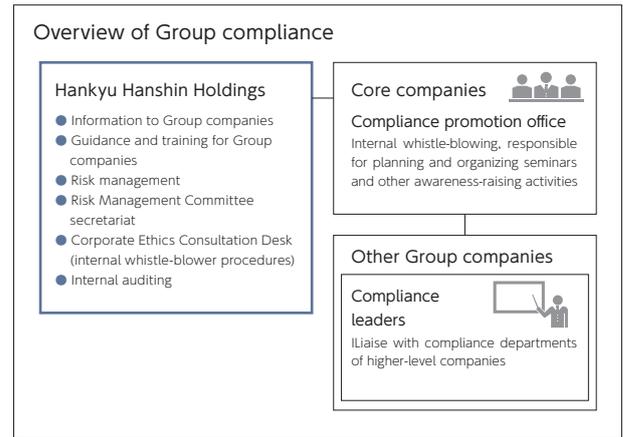
We have set up a dedicated whistle-blower hotline enabling all employees to discuss or quickly bring to management's attention suspected or known legal violations and unethical conduct. Business partners are also welcome to use this consultation and notification facility, and when necessary we will use lawyers and other outside specialists to improve its effectiveness.



Establishment of Risk Management Committees

In the case of identification of a major compliance issue during the course of an Ethics Consultation, a risk management committee is convened as soon as possible to discuss and decide on appropriate responses.

In addition, we are setting up compliance promotion offices at major Group companies such as Hankyu Corporation, Hanshin Electric Railway, Hankyu Travel International, Hankyu Hanshin Express, and Hankyu Hanshin Hotels. At other companies we are appointing "compliance leaders," to ensure our response is on a Group-wide basis.



Safety Initiatives in the Railway Business



Safety Policy and Safety Objective

The shared mission of Hankyu Corporation and Hanshin Electric Railway is to ensure the absolute safety of railway transportation. Toward this end, we strictly observe all safety policies, focus on achieving our safety objectives, and strive daily to improve safety measures and ensure safety during emergencies by devising solutions employing aspects of both “hardware” and “software.”

Hankyu Corporation

Safety Objective

■ Maintaining the Elimination of Accidents for Which We Bear Responsibility

Safety Policy and Safety Priority Measures

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

■ 1. Strive to prevent accidents for which we bear responsibility.

- a. Enforce stringent policies and comply with work procedures
- b. Promote measures to prevent accidents for which we bear responsibility
- c. Promote measures to prevent accidents at grade crossings for which we bear responsibility
- d. Promote measures to maintain facilities and improve the standard of safety operations
- e. Promote measures to accelerate accident prevention

■ 2. Strive to prevent recurrence of accidents for which we bear responsibility

- a. Prevent the recurrence of previous accidents and incidents
- b. Formulate and implement countermeasures by convening the Investigative Committee for Measures to Prevent Accidents

■ 3. Address risks to business continuity

- a. Reduce risks from natural disasters and implement preventive measures
- b. Conduct risk assessments in order to analyze, identify, and share risks

Positions and Roles

◎ President

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

◎ Chief Safety Manager

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

◎ Chief Train Operations Manager

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

◎ Chief Crew Training Manager

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

◎ Other Managers and Responsible Persons

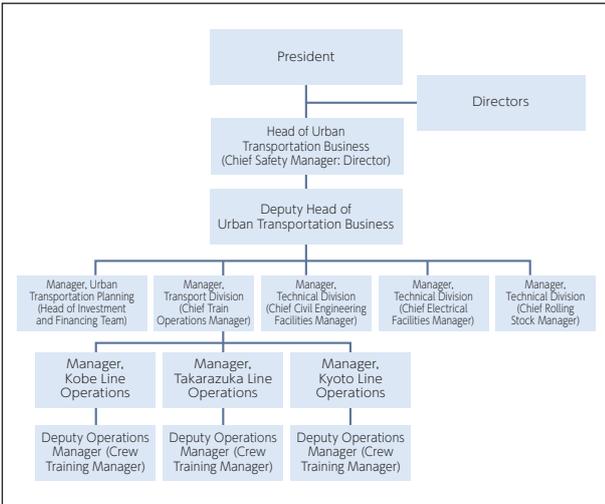
In each division, other managers and responsible persons maintain and manage the facilities they are responsible for in order to ensure there are no obstacles to realizing safe transportation.

Safety Management Promotion Committees

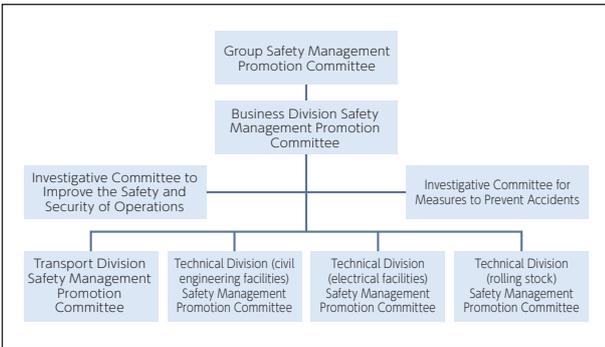
◎ President

Safety Management Promotion Committees discuss, investigate, and report on a variety of proposals for transportation safety. These committees include the Group Safety Management Promotion Committee, on which the President serves as chairperson; the Business Division Safety Management Promotion Committee, on which the Chief Safety Manager serves as chairperson; and the divisional safety management promotion committees.

■ Safety management system



■ Safety Management Promotion Committees



Hanshin Electric Railway

Safety Objective

■ Maintaining the Elimination of Accidents for Which We Bear Responsibility

In fiscal 2018, we again achieved the safety objective of “maintaining the elimination of accidents for which we bear responsibility,” receiving an award from the director of the Kinki Transportation Bureau of the Ministry of Land, Infrastructure, Transport and Tourism for maintaining this achievement for a period of 32 years and 11 months. We remain committed to ensuring continued safety in fiscal 2019 as well.

Safety Policy

■ Maximum Priority on Safety

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

■ Compliance with Laws and Regulations

The Company shall comply with all laws and regulations related

to safety and apply them rigorously and sincerely in its operations.

■ Maintenance of Safety Management Systems

The Company shall implement continuous verification procedures to ensure that safety management systems are operating appropriately.

Positions and Roles

◎ President

The President has the ultimate responsibility for ensuring transport safety.

◎ Chief Safety Manager (Head of Urban Transportation Business)

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

◎ Chief Train Operations Manager (Transportation Division Manager)

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

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

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

◎ Electrical Division Manager

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

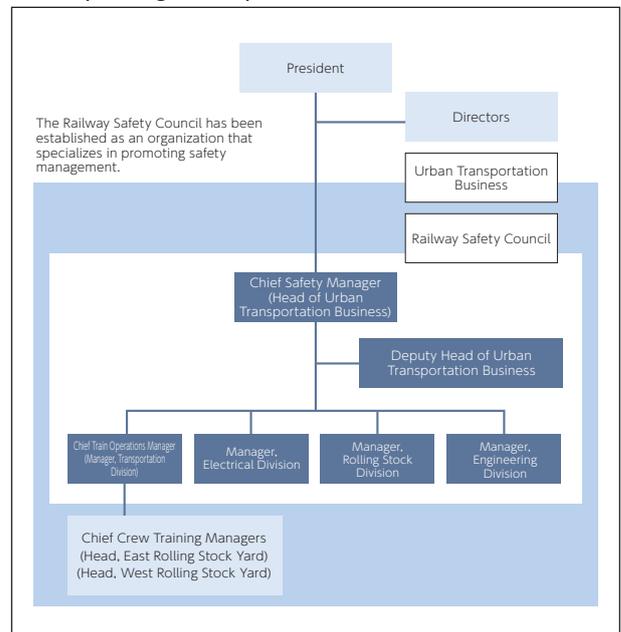
◎ Rolling Stock Division Manager

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

◎ Engineering Division Manager

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

■ Safety management system



Safety Enhancement Initiatives

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

1. Training and Education

At government-designated in-house training centers, Hankyu Corporation and Hanshin Electric Railway foster train drivers and train conductors. During the training period, trainees receive education on academic subjects and practical skills in accordance with a national curriculum. Also, experienced drivers and train conductors act as instructors and provide rigorous one-on-one, on-site training.

Even after personnel have passed certification exams, we maintain and heighten the skills, awareness, and qualifications of drivers, conductors, and operations personnel by holding safety workshops and seminars and by conducting training based on a range of scenarios.

2. Initiatives for Natural Disasters

1. Responding to rain storms

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

2. Responding to earthquakes

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

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

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

Further, we are advancing the installation of security cameras on station platforms and in station concourses to prevent crime.

3. Maintenance Work: Indispensable for Safe, Comfortable Operations

1. Inspecting electrical equipment

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

2. Inspecting railway tracks

We regularly inspect railway tracks, rails, ties, and other components to ensure the safe operation of trains.

3. Inspecting structures

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

4. Inspecting rolling stock

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

Examples of Initiatives Undertaken in Fiscal 2018

Hankyu Corporation

Improving the Safety of Infrastructure

In order to enhance the safety of station platforms in fiscal 2018, we made steady progress with construction of the Hankyu Line's first movable fencing for platforms. We installed a series of fixed fences at the end of platforms at terminal stations.

Moreover, to enhance security at grade crossings, we continued to install grade crossing warning systems and barrier-failure detection systems. We completed the installation of these systems at all our grade crossings (262 in total).



Fixed fencing installed at end of platform

Improving the Safety of Personnel

We focused on improving the safety of station platforms with effective measures to ensure that employees were able to hear and observe customers who might require assistance.

We also worked to improve employee response capabilities and qualifications through evacuation drills for a potential Nankai Trough Earthquake accompanied by a tsunami; we also conducted unscheduled emergency response drills.

In addition, to eliminate human error leading to accidents and incidents, we have focused on fostering a workplace culture that instills basic behaviors and strict adherence to work procedures. We have emphasized personnel training in order to develop employees with a strong commitment to accident elimination.



Evacuation drill for a potential Nankai Trough Earthquake



Disaster response drill for a potential Nankai Trough Earthquake

Hanshin Electric Railway

Improving the Safety of Infrastructure

We have been working to improve operational safety by implementing improvements at Koshien Station and Umeda Station as well as track elevation projects to eliminate grade crossings in the city of Kobe. Notably, Koshien Station, the gateway to Hanshin Koshien Stadium, can become quite crowded during professional baseball games. In order to improve the safety and convenience of those using this station, we undertook a construction project to create a barrier-free station by widening the platform and installing an elevator. Construction of these station facilities was completed in September 2017.

In addition to these efforts, we implemented tangible improvements by installing fixed fencing at the end of the station platform; in addition we provided caution markings on the floor at the edge of the platform on a trial basis.



Railway elevation project between Sumiyoshi and Ashiya



Improving Koshien Station



Fixed fencing installed at the head of the platform



Floor caution markings along the platform edge

Improving the Safety of Personnel

We continued our employee training and education and focused on technology succession and improving safety awareness. We emphasized collaboration between departments through various training and education efforts and utilized a safety suggestion box system to identify and share hidden risks in the field while raising awareness among employees in the course of their duties. We continued to promote transportation safety.

Moreover, in order to improve safety in stations, we continued to implement educational and awareness-raising measures requiring personnel to proactively call out and monitor for visually handicapped customers.



Emergency response drill



Technical Department study meeting concerning "calling out and monitoring" for customer safety



Social Contribution Initiatives



Social Contribution Policy

Hankyu Hanshin Dreams and Communities of the Future Project

For more than 100 years, our Group has enjoyed the support of the communities that have emerged around the Hankyu Hanshin line-side areas, thus engendering a relationship of mutual trust. Today, through policies under our Group Management Philosophy that are intended to provide “safety and comfort” as well as “dreams and excitement,” we seek to satisfy our customers and contribute to society. The Hankyu Hanshin Dreams and Communities of the Future Project reflects this commitment.

Basic Policy

We intend to promote the creation of towns and cities along our line-side areas that people will truly want to live in.

Priority Areas

Our links to the future: Environment-Friendly Development and Human Capital Development

To realize “towns and cities that people will truly want to live in,” we are promoting actions in two priority areas: “environment-friendly community development,” which enriches communities both socially and culturally; and “human capital development,” which shoulders the task of building communities for future generations.

Hankyu Hanshin Dreams and Communities of the Future Project



Concept Behind Our Symbols

To demonstrate our commitment to the development of local communities, our symbols depict a young girl with hearts or

greenery and a railway that extends towards the future, reflecting the dreams of children and communities rich in natural blessings.



Environment-Friendly Development

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

Themes of specific initiatives

1. Creating a safe, comfortable, and environmentally aware local community
2. Contributing to the preservation of biodiversity and the natural environment
3. Promoting sustainable lifestyles
4. Preserving, utilizing, and developing local history and cultural resources
5. Prevention of global warming
6. Contributing to the emergence of a society committed to recycling and waste reduction



Human Capital Development

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

Themes of specific initiatives

1. Enabling children to experience and learn about nature and ecology
2. Fostering mental enrichment in children through cultural and artistic activities
3. Supporting the healthy development of children through sports
4. Enabling children to gain a deeper understanding of society and their communities
5. Cultivating in children a sense of compassion and acknowledgement of diversity
6. Instilling in children the wisdom of their parents and grandparents
7. Supporting children with disabilities, children orphaned by traffic accidents or disasters, children in single-parent families, and children confined to social welfare facilities

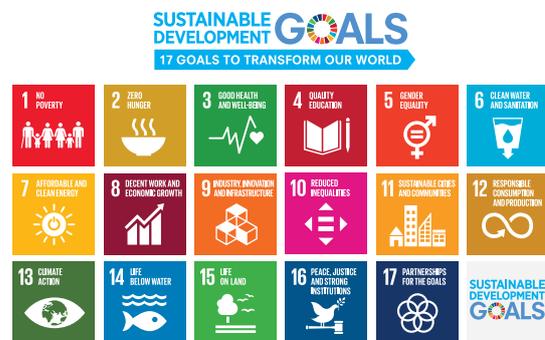


Contributing to SDGs

Social Contribution Initiatives and SDGs

The sustainable development goals (SDGs) adopted by the United Nations in 2015 encompass 17 common goals intended to address poverty, health, education, the environment, and a variety of other social issues. While the various governments of the world are committed to working together to implement solutions to these issues, this effort also calls for the active involvement of private enterprises and individuals.

Through the Hankyu Hanshin Dreams and Communities of the Future Project, our social contribution initiative, our Group is promoting initiatives that help to resolve social issues identified in the SDGs. We believe it is essential to contribute to local development in the interests of happy and vibrant communities.



Addressing SDGs through Social Contribution Initiatives

Under the Hankyu Hanshin Dreams and Communities of the Future Project, we are developing initiatives closely focused on helping to meet the SDGs.

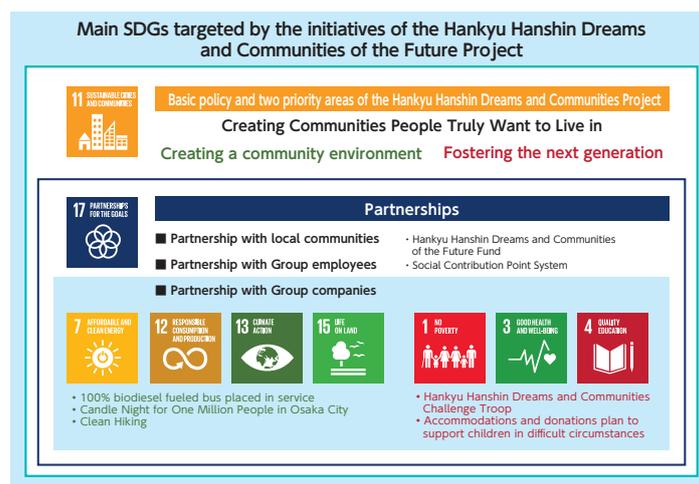
Our 100% biodiesel fuel bus, for example, which is part of our Urban Transportation Business, is reducing carbon dioxide emissions and utilizing resources efficiently in support of two of the 17 goals identified under the SDGs: “7. Affordable and Clean Energy” and “13. Climate Action.”

Similarly, as part of our commitment to fair education for all, our efforts directed toward elementary school students include

classes offered by the Hankyu Hanshin Dreams and Communities Challenge Troop as well as an experiential learning program for career education called the Dreams and Communities Exciting Work Program. These address two SDGs, “1. No Poverty” and “4. Quality Education.”

In addition, the Hankyu Hanshin Dreams and Communities of the Future Project addresses “17. Partnerships to Achieve the Goals,” which is one of the most important points in promoting such initiatives. It reflects the basis of all efforts by Group companies and employees to collaborate with customers, citizens’ groups, and others in our local communities.

Going forward, our Group will continue to accelerate efforts to achieve the SDGs.



Group Social Contribution Initiatives in Fiscal 2018

1. Partnership with Group companies

Establishing a certification and promotion system for the social contribution initiatives of each Group company

We promote the initiatives of our Group companies through public relations, sponsorships, and additional contributions.

- In fiscal 2018, 92 initiatives were certified (compared with 83 in fiscal 2014, 89 in fiscal 2015, 91 in fiscal 2016, and 94 in fiscal 2017).
- The Challenge Troop welcomed 2,628 elementary school students, a record high.
- A total of 90 initiatives were certified at the beginning of fiscal 2019 (additional submissions were received during the term).

2. Partnership with citizens' groups

Hankyu Hanshin Dreams and Communities of the Future Fund (Grant Program to Citizens' Groups)

We subsidize citizens' groups in the Hankyu Hanshin service area through donations raised by our employees and additional contributions from the company.

- In fiscal 2018, 14 of the 86 institutions submitting applications received a total of ¥9 million.
- Initiatives providing not only financial support but also public relations support were undertaken. We also held partnership events with other entities at stations, commercial facilities, and elsewhere.

Participating employees: 1,352 employees at 69 companies (an increase of 41 employees as of December 31, 2017)

Cumulative total: ¥58.5 million to 111 groups

3. Partnership with Group employees

Social Contribution Point System

We award points to individual employees and retirees who engage in volunteer initiatives and promote such volunteer opportunities and related information.

- Achievements awarded points

Participating employees: 2,253 employees at 71 companies (for a year-on-year increase of 181 employees)

Points awarded: 15,281 points (January to December 2017)

- Funds supporting organizations where employees are engaged as volunteers (Supporting a total of 43 organizations with ¥1 million)

Winner of the Economy, Trade and Industry Minister's Grand Prix at the Eighth Career Education Awards

In January of this year, two initiatives under the Hankyu Hanshin Dreams and Communities of the Future Project—the Hankyu Hanshin Dreams and Communities Challenge Troop for elementary school students; and the Dreams and Communities Exciting Work Program providing elementary school students with class visits from businesspeople—were awarded the Economy, Trade and Industry Minister's Grand Prix at the Eighth Career Education Awards presented by the Ministry of Economy, Trade and Industry.

The Career Education Awards were established to encourage and publicize the educational support efforts of companies and economic organizations. The Ministry of Economy, Trade and Industry presents these awards for initiatives it views as outstanding in each division. In addition, the Economy, Trade and Industry Minister's Grand Prix is presented for the best comprehensive effort among all recipients.

Outline of Hankyu Hanshin Dreams and Communities Challenge Troop

This experiential learning program provides elementary school students with a variety of work experiences and learning opportunities in the business world during their summer vacation period. The Group's businesses, facilities, and personnel all play a role in this project. From its launch in fiscal 2011 to fiscal 2018, this initiative welcomed more than 12,000 children to a total of 265 programs.



Outline of Hankyu Hanshin Dreams and Communities Exciting Work Program

Through this program, employees of Hankyu Corporation visit elementary schools to present lectures on the various kinds of careers available locally as well as the town development initiatives of Hankyu Corporation's founder, Ichizo Kobayashi. As of the end of the preceding fiscal year, this program—implemented in fiscal 2017—provided about 6,000 children from 72 schools with an opportunity to learn about future career opportunities.



Environmental Initiatives



Environmental Preservation Activities

Our Basic Approach to ESG

As part of our efforts to address issues related to ESG (Environment, Society, Governance), our Group has formulated a Basic Environmental Philosophy and Basic Environmental Policies in addition to proactively implementing our own environmental preservation initiatives. In the interests of preventing global warming, we have promoted energy-efficiency programs throughout our Group and have focused on reducing CO₂ emissions. In addition to promoting resource conservation, we are developing initiatives that meet the needs of local communities regarding environmental preservation.

Through a wide range of environmental preservation efforts, we continue to promote initiatives aimed at achieving the following

sustainable development goals (SDGs) adopted at the United Nations Summit: “7. Affordable and Clean Energy”; “11. Sustainable Cities and Communities”; “13. Climate Action”; and “15. Life on Land.”



Basic Environmental Philosophy

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

Preventing Global Warming and Promoting Energy Efficiency

Settsu-shi Station, a Carbon-Neutral Railway Station

In 2010, the Hankyu Kyoto Line opened Japan’s first railway station designed to achieve zero CO₂ emissions. Settsu-shi Station incorporates a variety of environmental measures such as photovoltaic panels and LED lighting. As result, CO₂ emissions have been reduced to about half the level emitted by a conventional railway station; the remaining CO₂ is offset by forest conservation credits, so the practical effect is zero emissions.



Hankyu Settsu-shi Station

Adoption of Additional Energy-Efficient Rolling Stock

As part of our efforts to prevent global warming, we are planning to increase our use of energy-efficient rolling stock at Hankyu Corporation, Hanshin Electric Railway, Kita-Osaka Kyuko Railway,

Nose Electric Railway, and Hokushin Kyuko Railway.

For example, in cars equipped with regenerative braking systems, the braking force produced when the brakes are activated is applied to the motor in the form of rotational force to generate power. A total of 30% to 50% of this electric power is transmitted through the overhead wires as an additional source of power for use by other accelerating trains.

In addition, Hankyu Electric Railway is promoting the introduction of aluminum railway cars, which are about 10% lighter than conventional steel cars. Because of this weight reduction, aluminum cars require less electric power to drive them; likewise, the required braking effort is also reduced. We are committed to increasing the number of energy-efficient railway cars in use at each of our companies.



Hanshin Electric Railway Series 5700 train

Introduction of Energy-efficient Equipment

In recognition of their excellent environmental performance, Osaka Umeda Twin Towers South, Hankyu Nishinomiya Gardens, and HEP Five have all been awarded the DBJ Green Building Certification from the Development Bank of Japan Inc.

In addition, we are introducing LED lighting at our railway stations and at other facilities of our Group companies.

Raising Environmental Awareness

In order to heighten awareness of the issue of global warming, Hankyu Corporation and Hanshin Electric Railway have taken the initiative to encourage customers visiting the Umeda Yukata Festival to participate in *uchimizu*—the practice of sprinkling the streets with water to cool down the neighborhood. This event creates an opportunity for all to consider many aspects of sustainable living. In addition, “Candle Night for One Million People,” an event in which some Osaka neighborhoods extinguish their lights, is held regularly to bring the use of candles to the forefront.



Uchimizu event in Umeda



Candle Night for One Million People

Installation of Photovoltaic Panels

Solar power generation facilities have been installed in each of our Group facilities including Hankyu Settsu-shi Station, Hanshin Oishi Station, and the Silver Umbrella of Hanshin Koshien Stadium.

The photovoltaic panels installed in Hanshin Koshien Stadium generate about 221,000 kWh annually (as of 2010), which is equivalent to the electric energy consumed in one year to illuminate night games played in the same stadium.



Hanshin Koshien Stadium

Efforts to Preserve the Natural Environment

Preserving Community Forests

Some of our employees volunteered to undertake forest maintenance work in a community forest known as “Japan’s Top Satoyama” that is located along the Nose Electric Railway in the Kurokawa district. They carried out this work from January to March 2011 in collaboration with the Kawanishi Satoyama Club, a local forest volunteer organization.

We are also engaged in preserving this forest by promoting “satoyama hiking” and marketing the “Nose Myoken-Satoyama Gurutto Tour Pass” in addition to other efforts to publicize this community forest.



Maintaining our precious forest

Promoting Greening of Our Offices and Facilities

Some of the offices in our Group companies have chosen to adopt “green walls” and “green roofs” on their buildings. As for wall greening, Hankyu Settsu-shi Station and the Nishiyama-tennozan Station as well as the commercial facilities of NU Chayamachi Plus and Hanshin Koshien Stadium have implemented this innovation. Meanwhile, NU Chayamachi and Hankyu Nishinomiya Gardens are two of our commercial facilities that have chosen to implement rooftop greening projects.

In 2010, the Organization for Landscape and Urban Green Infrastructure selected Hankyu Nishinomiya Gardens as one of the “100 Green Companies Contributing to the Conservation of Biodiversity.” Moreover, Settsu-shi Station received the 4th Osaka Prefectural Governor’s Award for Excellence in Greening in 2011.



Hankyu Nishinomiya Gardens

Health Management and Initiatives to Promote Women



Supporting Health Management



Adoption of the Hankyu Hanshin Holdings Group's Declaration on Employee Health Management

Our Group holds "respect for others" as one of its most important values and believes that the health of employees and their families is the cornerstone of our company's future. For this reason, health

management is one of our priorities.

In April 2018, we adopted the Hankyu Hanshin Holdings Group's Declaration on Employee Health Management, a policy that clarifies the need for employees and their families to expand their health awareness in the interests of good health management. In this way, we are working to raise the health awareness of each individual as we take steps to create worker-friendly workplaces.

Having implemented the Hankyu Hanshin Wellness Challenge as our way forward, we intend to actively promote the health of each individual as we strive to create work environments that enable all to live and work in good health.

The Hankyu Hanshin Holdings Group's Declaration on Employee Health Management

The Hankyu Hanshin Holdings Group believes that the mental and physical wellbeing of employees and their families remains the source of happiness and the cornerstone of the Group's prosperous future. In addition, in order to provide our customers with safety and comfort as well as dreams and excitement, it is paramount that we enable everyone to fully demonstrate their diverse personalities and abilities in good health.

To achieve this goal, we must maintain high awareness of our own wellbeing and work to promote good health among our colleagues in the workplace and their families.

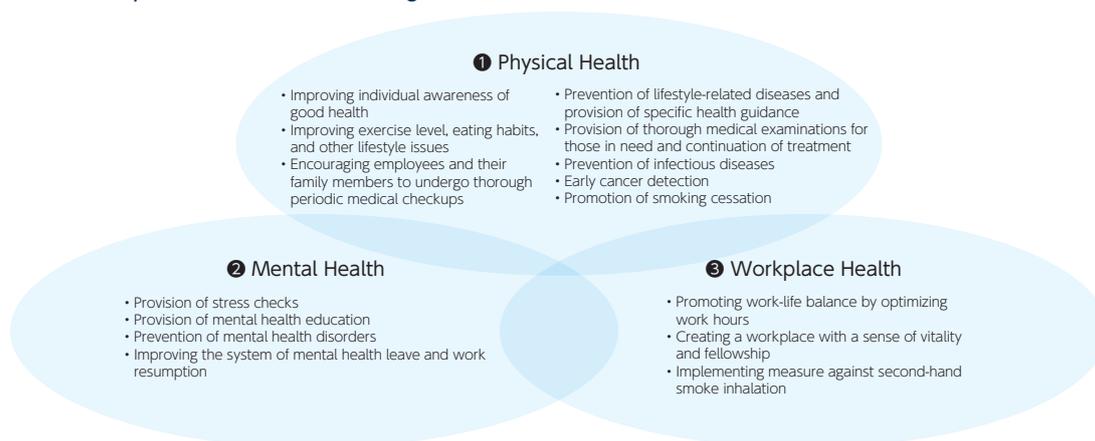
The Hankyu Hanshin Holdings Group declares its active support of the wellbeing of each individual. Under the Hankyu Hanshin Wellness Challenge, we will strive to create a workplace environment in which all can live and work in good health and with motivation.

Takehiro Sugiyama

President and Representative Director
Officer in charge of Health Management
Hankyu Hanshin Holdings, Inc.

April 2018

■ Priorities of the Hankyu Hanshin Wellness Challenge



Extending a Healthy Lifespan

Our Group wishes a long, healthy, and prosperous life to all who live in our line-side areas; toward this end, we aim to realize our goal of line-side areas where residents can enjoy extended and healthy lives. As one of our initiatives, we created the Hankyu Hanshin Line-Side Areas Wellness Plus website to support the health of all living in Hankyu Hanshin line-side areas. Provided in collaboration with line-side local governments, medical institutions, universities, and private enterprises, this website provides information of use to those interested in maintaining their health.

As one example, Hanshin Electric Railway, in collaboration with Hyogo Medical University Hospital located near Mukogawa Station, presents the Hanshin Line-side Areas Health Lecture six times annually. At each presentation, a doctor from the hospital is invited to deliver a lecture on health and medical care, the latest available treatments, or a related subject.

Promoting Female Participation in the Workforce



Development of the Action Plan for Women's Active Participation in the Workforce

In April this year, in keeping with The Act on Promotion of Women's Active Participation and Advancement in the Workplace, our Group formulated the Action Plan for Women's Active Participation in the Workforce for implementation by Hankyu Hanshin Holdings, Hankyu Corporation, and Hanshin Electric Railway.

Through the implementation of this action plan, we will steadily create an organization in which both men and women can play an active role in the interests of providing higher quality services to provide attractive line-side areas and preferred residential areas.

Action Plan for Women's Active Participation in the Workforce

(Hankyu Hanshin Holdings, Hankyu Corporation, Hanshin Electric Railway)

1. Plan Period

April 1, 2018–March 31, 2023

2. Issues

The percentage of female workers in managerial positions is low.

- Publication of information on the current status of female participation
 - Percentage of general career-track positions filled by female employees: 41.0%
(Hired as of fiscal 2019)
 - Percentage of managerial positions filled by female employees: 4.4%
(As of April 1, 2018)

3. Goals

We will actively increase female employment by recruiting females for a minimum of 30% of general career-track positions.

We will steadily increase the percentage of female workers in managerial positions.

(Aiming for more than 5% by fiscal 2023.)

4. Details of initiatives

All initiatives were implemented as of April 2018.

- Proactive hiring of women
 - Enhancement of information on each corporate website introducing systems related to childcare support
 - When recruiting recent graduates (through websites and other media), enhancement of the introductory information regarding active roles for female workers
- Increasing the percentage of females in managerial positions
 - Expansion of measures to support a balance between work and childcare
(Publishing of pamphlets to increase understanding and support among supervisory personnel and publicizing of company systems and procedures, etc.)
 - Support to facilitate the return to work of those on childcare leave
(Regular provision of information to workers on leave, implementation of work resumption support seminars, etc.)



Work Resumption Support Seminar

Financial Section and Corporate Data

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Consolidated Six-Year Summary

	2013	2014	2015	2016 ⁶	2017	2018	2018	
Result of Operations (Millions of yen and thousands of U.S. dollars)¹:								
Revenues from operations	¥ 682,439	¥ 679,157	¥ 685,906	¥ 746,792	¥ 736,763	¥ 760,252	\$ 7,172,189	
Operating income	87,921	91,828	94,026	110,293	104,058	105,211	992,557	
EBITDA ²	145,100	149,200	150,100	166,500	159,300	160,800	1,516,981	
Ordinary income	74,914	81,191	85,590	104,479	100,607	103,774	979,000	
Income before income taxes	62,192	83,542	77,620	96,087	100,805	101,410	956,698	
Net income attributable to owners of the parent	39,702	46,352	54,201	69,971	71,302	66,361	626,047	
Comprehensive income	54,081	55,941	71,034	63,842	79,288	73,991	698,028	
Capital expenditure	59,512	80,722	68,115	66,639	86,212	86,404	815,132	
Depreciation and amortisation	54,540	54,474	53,143	53,701	52,800	53,276	502,604	
Cash Flows (Millions of yen and thousands of U.S. dollars):								
Cash flows from operating activities	¥ 127,655	¥ 146,991	¥ 131,881	¥ 124,838	¥ 115,633	¥ 135,821	\$ 1,281,330	
Cash flows from investing activities	(58,923)	(45,517)	(52,529)	(78,843)	(84,845)	(88,351)	(833,500)	
Cash flows from financing activities	(69,195)	(105,079)	(81,746)	(47,278)	(30,595)	(43,242)	(407,943)	
Increase (decrease) in cash and cash equivalents	817	(1,840)	(1,125)	(1,978)	(480)	4,588	43,283	
Cash and cash equivalents at end of year	25,581	24,497	23,497	22,363	22,530	27,501	259,443	
Financial Position (Millions of yen and thousands of U.S. dollars):								
Total assets	¥2,281,007	¥2,286,928	¥2,279,638	¥2,282,180	¥2,349,831	¥2,410,105	\$22,736,840	
Total net assets	573,154	617,598	679,482	724,237	804,659	866,512	8,174,642	
Interest-bearing debt	1,126,633	1,032,307	955,828	916,570	899,523	866,758	8,176,962	
Per Share Data (Yen and U.S. dollars):								
Net income attributable to owners of the parent	Basic	¥ 31.48	¥ 36.76	¥ 42.98	¥ 277.88	¥ 285.11	¥ 267.91	\$ 2.53
	Diluted	31.47	36.75	42.95	277.67	284.86	267.81	2.53
Net assets		443.63	477.69	525.56	2,815.96	3,150.67	3,391.35	31.99
Dividend		5.00	6.00	6.00	35.00	35.00	40.00	0.38
Ratios:								
Operating income margin (%)		12.9	13.5	13.7	14.8	14.1	13.8	—
ROA (%) ³		3.3	3.6	3.7	4.6	4.3	4.4	—
ROE (%) ⁴		7.4	8.0	8.6	10.3	9.4	8.2	—
Interest-bearing debt/EBITDA (Times)		7.8	6.9	6.4	5.5	5.6	5.4	—
Equity ratio (%)		24.5	26.3	29.1	31.0	33.5	34.8	—
Debt/equity (D/E) ratio (Times) ⁵		2.0	1.7	1.4	1.3	1.1	1.0	—
Others:								
Number of outstanding shares (Thousands)		1,271,406	1,271,406	1,271,406	254,281	254,281	254,281	—
Number of employees		20,751	20,913	21,037	21,607	21,860	22,152	—

1. The U.S. dollar amounts have been translated, for convenience only, at ¥106 = US\$1, the prevailing exchange rate on the Tokyo Foreign Exchange Market as of March 31, 2018.

2. EBITDA = operating income + depreciation expenses + amortisation of goodwill
EBITDA figures are rounded to the nearest ¥100 million.

3. ROA = ordinary income / total assets (average of period-start and period-end totals)

4. ROE = net income attributable to owners of the parent / equity (average of period-start and period-end totals)

5. D/E ratio = interest-bearing debt / equity

6. Regarding transactions related to such items as the export of mixed cargo of the International Transportation Business, the Company has changed the recognition of revenues from operations from net presentation to gross presentation as of fiscal 2017. As a result of this change, the amount of revenues from operations for fiscal 2016 is the amount after retrospective application (gross presentation).

Further, the Company consolidated shares at the ratio of 5 shares to 1 share with an effective date of August 1, 2016. Net income per share, diluted net income attributable to owners of the parent per share, net assets per share, dividend per share, and number of outstanding shares have been calculated based on the assumption that the said reverse stock split was executed on April 1, 2015.

7. Since fiscal 2018, Hankyu Corporation and Hanshin Electric Railway Co., Ltd., our subsidiary companies, have operated the Board Incentive Plan Trust, and the shares of the Company held by such trust are recorded as treasury shares in the consolidated financial statements.

Therefore, when net assets per share and net income per share vesting in the shareholders of the Parent Company and net income per share vesting in them after dilution are calculated, the number of such shares is included in the treasury shares to be deducted.

Consolidated Financial Review

Analysis of Operating Results for Fiscal 2018

(Year ended March 31, 2018)

The revenues from operations were ¥760,252 million, an increase of ¥23,489 million (3.2%) over the previous consolidated fiscal year, because of the strong performance in the Sports Business, Stage Business and Communication and Media Business in the Entertainment and Communications Business, an increase in the number of customers in the Travel Business, especially those traveling to Europe, the prosperous International Transportation Business mainly with air transportation and so on.

As a result, operating income was ¥105,211 million, an increase of ¥1,153 million (1.1%) over the previous consolidated fiscal year.

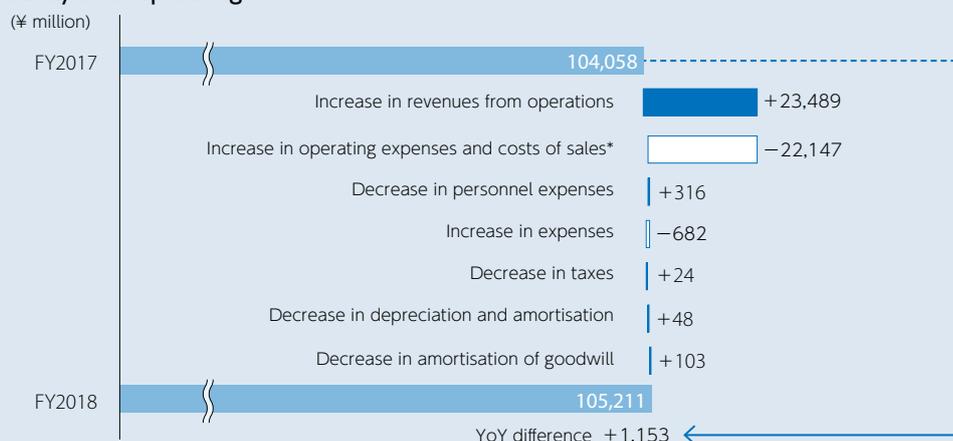
Ordinary income also increased to ¥103,774 million, an

increase of ¥3,167 million (3.1%) over the previous consolidated fiscal year, because of an increase in income from investments accounted for with the equity method, a decrease in payment of interest as a result of a reduction of consolidated interest-bearing debts and other factors as well as the abovementioned increase in income.

Extraordinary income/loss worsened, however, by ¥2,562 million. The amount received as user's share of construction costs etc. as extraordinary income and the loss from advanced depreciation of fixed assets etc. as an extraordinary loss were recorded.

Net income vesting in the shareholders of the Parent Company was ¥66,361 million, a decrease of ¥4,941 million (6.9%) over the previous consolidated fiscal year, because of the worsened extraordinary income/loss etc. in addition to an increase in tax expenses.

Analysis of operating income



* Included in cost of revenues from operations, retirement benefit expenses increased +29.

Segment Information

The following table shows business performance for each core business segment. For more on these results, see the respective pages referenced at the bottom of the columns in the table below.

	Urban Transportation	Real Estate	Entertainment and Communications	Travel	International Transportation	Hotels	Other	Adjustment	Consolidated
(Millions of yen)									
Revenues from operations									
FY2018	235,967	222,586	121,078	34,022	83,707	67,248	42,811	(47,169)	760,252
FY2017	237,136	215,709	115,193	29,938	71,670	65,640	42,646	(41,172)	736,763
YoY difference	-1,169	+6,876	+5,884	+4,083	+12,037	+1,608	+164	-5,997	+23,489
Operating income									
FY2018	41,586	40,954	17,750	2,055	2,777	2,216	1,929	(4,058)	105,211
FY2017	42,237	41,970	15,655	637	1,587	2,795	1,340	(2,167)	104,058
YoY difference	-651	-1,016	+2,094	+1,418	+1,189	-579	+588	-1,890	+1,153
Reference page	P. 31	P. 33	P. 35	P. 37	P. 39	P. 41	—	—	—

Review of Financial Position

1. Assets, Liabilities, and Net Assets

Total assets at the end of the consolidated fiscal year under review were ¥2,410,105 million, an increase of ¥60,273 million over the end of the previous consolidated fiscal year, because of an increase in investment securities etc.

Total liabilities were ¥1,543,592 million, a decrease of

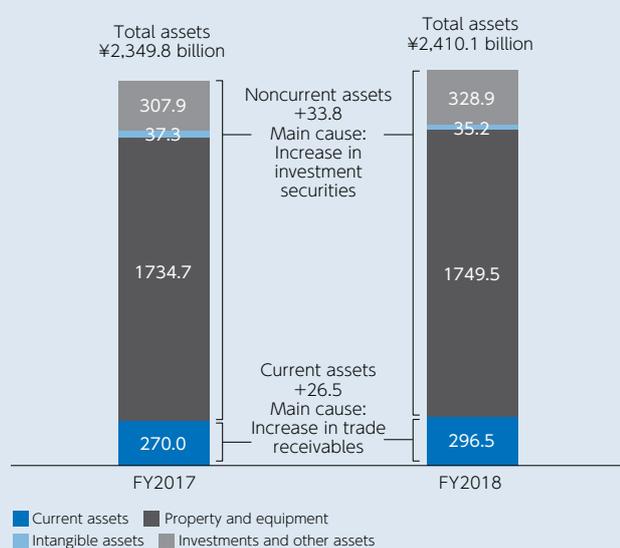
¥1,578 million over the end of the previous consolidated fiscal year, because of a decrease in interest-bearing debts etc. despite an increase in the amount in arrears etc.

Total net assets were ¥866,512 million, an increase of ¥61,852 million over the end of the previous consolidated fiscal year, because of an increase in retained earnings etc.

As a result, the equity ratio was 34.8%, and the ROE was 8.2%.

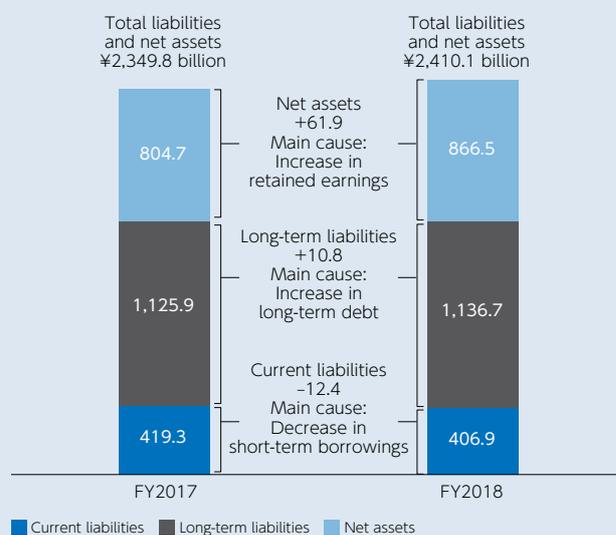
Assets

(¥ billion)



Liabilities and net assets

(¥ billion)



2. Cash Flows

Total cash and cash equivalents at the end of the consolidated fiscal year were ¥27,501 million, an increase of ¥4,971 million over the end of the previous consolidated fiscal year.

(1) Cash Flows from Operating Activities

Net cash provided in operating activities was ¥135,821 million, an increase of 17.5% year-on-year, because of income before income taxes of ¥101,410 million, depreciation and amortisation of ¥53,276 million, paid corporation and other taxes of ¥26,005 million, etc.

(2) Cash Flows from Investing Activities

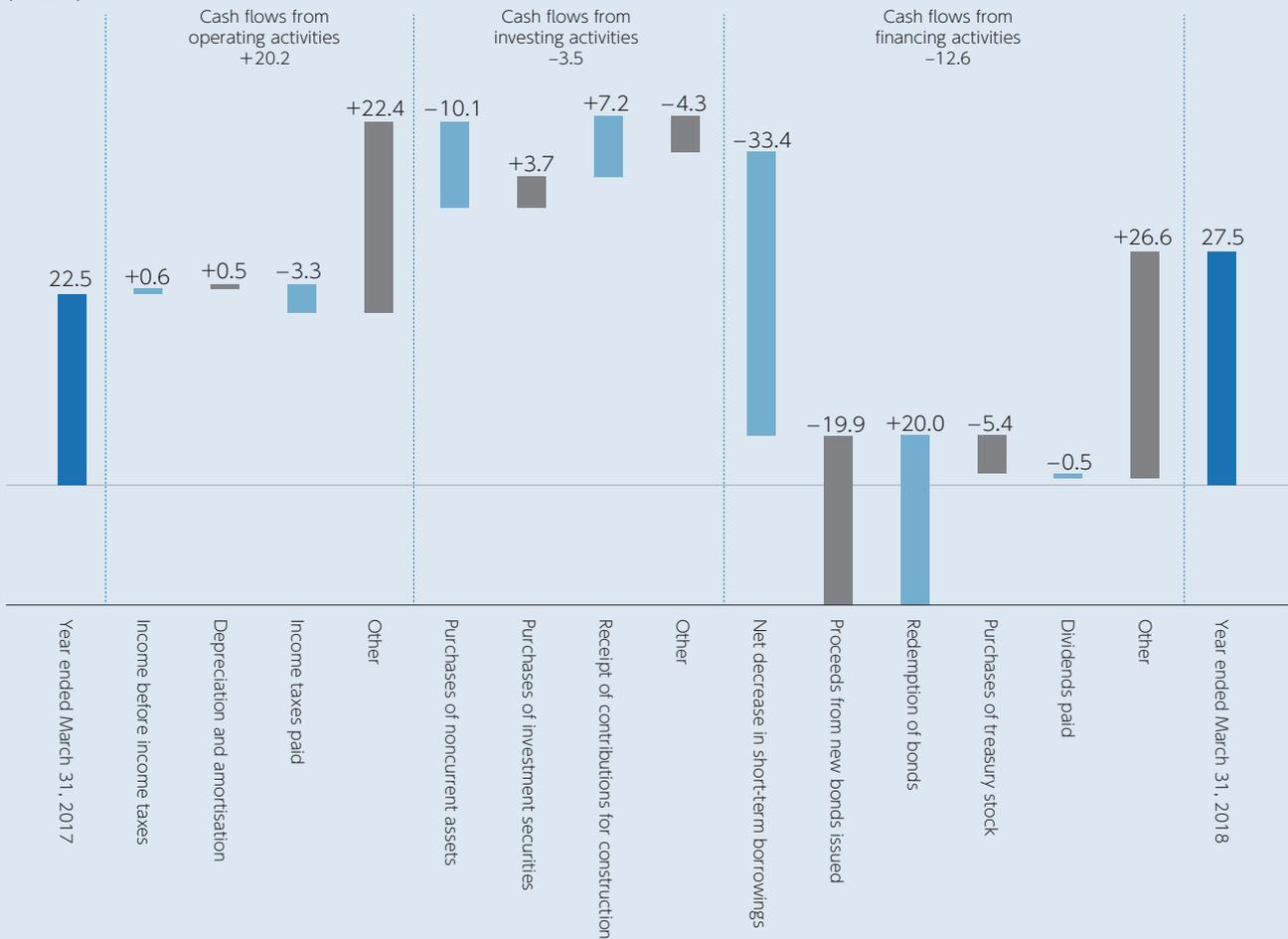
Net cash used in investing activities was ¥88,351 million, an increase of 4.1% year-on-year, because of purchases of noncurrent assets of ¥102,863 million, purchases of investment securities of ¥7,807 million, receipt of contributions for construction of ¥21,222 million, etc.

(3) Cash Flows from Financing Activities

Net cash used in financing activities was ¥43,242 million, an increase of 41.3% year-on-year, because of a net decrease in borrowings of ¥21,107 million, redemption of bonds of ¥10,000 million, purchases of treasury stock of ¥10,689 million, dividends paid of ¥9,360 million, etc.

Cash flows

(¥ billion)



3. Fund Procurement

The outstanding balance of interest-bearing debt at the end of the consolidated fiscal year was ¥866,758 million, a decrease of ¥32,764 million over the end of the previous consolidated fiscal year, because, despite making investments in facilities and equipment such as the Umeda 1-1 Project and the building of new rolling stock, the amount of cash flows from operating activities etc. exceeded the amount of such investments.

The ratio of interest-bearing debt/EBITDA (operating income + depreciation expenses + amortisation of goodwill), which is the benchmark the Company uses for assessing the soundness of its financial position, stood at 5.4 times at the end of the fiscal year compared with 5.6 times at the end of the previous fiscal year.

Consolidated Capital Expenditure and Depreciation and Amortisation

The amount of capital expenditures (including those for intangible assets) in the consolidated fiscal year under review was ¥86,404 million, recording an increase of ¥192 million (0.2%) over the previous consolidated fiscal year.

The following is a breakdown for each business segment.

	(Millions of yen)	(%)
	FY2018	YoY
Urban Transportation	35,001	12.3
Real Estate	39,928	-7.5
Entertainment and Communications	7,559	2.3
Travel	538	2.0
International Transportation	732	90.6
Hotels	2,298	-27.8
Other	665	7.6
Total	86,725	0.4
Adjustment	(321)	-65.5
Consolidated	86,404	0.2

Urban Transportation

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

Real Estate

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

Entertainment and Communications

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

Travel

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

International Transportation

In the International Transportation Business, Hankyu Hanshin Express invested in IT systems for in-house operations.

Hotels

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

Depreciation and amortisation in the consolidated fiscal year under review was ¥53,276 million, recording an increase of ¥476 million (0.9%) over the previous consolidated fiscal year.

Business Risks

The various categories of risk to which the business performance, stock price, financial position, and other aspects of operations of the Hankyu Hanshin Holdings Group are subject are detailed below. Nevertheless, these dangers do not encompass all risks attendant on Group activities and there are risks other than those stated below which are difficult to foresee.

Information about future events that appears in this annual report was determined by the Group to be current as of March 31, 2018.

Legal Risk

In accordance with the stipulations of Article 3 of the Railway Business Law, the Group must obtain separate permissions from the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) for each category of railway operations on each route that it intends to operate. Moreover, under Article 16 of the Law, a railway operator must obtain the Ministry's approval for the passenger fares it intends to set and on each occasion when it wishes to change the fares. Consequently, there is a certain risk that the Group's railway operations may be constrained in some way by the MLIT's administration of these regulations.

Interest-Bearing Debt

The balance of interest-bearing debt held by the Group as of the end of March 2018, on a consolidated basis, was ¥866,758 million. As a result of the acquisition of shares in Hanshin Electric Railway through a successful public tender offer (takeover bid) on June 27, 2006, Hanshin Electric Railway has become a consolidated subsidiary of Hankyu Holdings. This acquisition has resulted in an increase in the balance of interest-bearing debt of the Group. On the other hand, management integration between the Hankyu Holdings Group and Hanshin Electric Railway Group has increased cash flows, so the Group is not expected to have any significant difficulty in repaying its debts.

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

Affiliated Companies

In order to ensure greater convenience for users of the Hokushin Kyuko Railway Line (run by consolidated subsidiary Hokushin Kyuko Railway), Hankyu Corporation (a consolidated subsidiary) has agreed to a plan transferring railway facilities held by Hokushin Kyuko Railway to Kobe Rapid Transit Railway (a consolidated subsidiary) and retaining railway business as a tier 2 railway operator.

To facilitate the plan, in fiscal 2003 Hankyu Corporation provided Kobe Rapid Transit Railway with financing for part of the funds necessary to purchase the facilities.

In September 2007, Kobe Electric Railway (an equity-method affiliate) temporarily suspended support for the rehabilitation of Hokushin Kyuko Railway. To uphold the rehabilitation project, additional financing was extended to Hokushin Kyuko Railway by Hankyu Corporation.

We will continue to provide assistance to ensure that Hokushin Kyuko Railway can conduct smooth and efficient operations as a tier 2 railway operator. However, the business performance and financial position of the Group could be affected by changes in this plan.

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

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

Declining Birth Rate

In the Group's mainstay Kyoto-Osaka-Kobe area, demographic changes accompanying the declining birth rate are expected to lower demand for railway, bus, and taxi services and other types of passenger transportation and to lower demand in other business areas. In addition, securing personnel is likely to become difficult as an imbalance between supply and demand develops in the labour market. Such contingencies could affect the business performance and financial position of the Group.

Natural Disasters

Operating as it does across an extremely wide range of businesses in its Urban Transportation, Real Estate, Entertainment and Communications, Travel, International Transportation, and Hotels segments, the Group has a correspondingly large assortment of facilities necessary for the conduct of business, such as railway installations and buildings and retail outlets for rent. In the event of earthquakes or other major disasters, the business performance and financial position of the Group could be adversely affected by damage to these facilities.

Consolidated Balance Sheets

As of March 31, 2017 and 2018

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Assets			
Current assets:			
Cash and deposits	¥ 24,255	¥ 28,836	\$ 272,038
Trade receivables	83,492	92,619	873,764
Land and buildings for sale	107,234	116,177	1,096,009
Finished products and merchandise	2,368	2,609	24,613
Work in progress	3,724	3,364	31,736
Materials and supplies	4,524	4,644	43,811
Deferred tax assets	7,044	6,038	56,962
Other	37,606	42,435	400,330
Allowance for doubtful receivables	(260)	(239)	(2,255)
Total current assets	269,992	296,487	2,797,047
Noncurrent assets:			
Property and equipment:			
Buildings and structures-net (Note 6.3)	563,652	565,783	5,337,575
Machinery, equipment and vehicles-net (Note 6.3)	57,525	64,081	604,538
Land (Notes 6.3 and 6.5)	935,126	940,894	8,876,358
Construction in progress	158,847	160,931	1,518,217
Other-net (Note 6.3)	19,552	17,840	168,302
Total property and equipment (Notes 6.1 and 6.2)	1,734,702	1,749,531	16,505,009
Intangible assets:			
Goodwill	20,822	18,457	174,123
Other (Notes 6.2 and 6.3)	16,461	16,756	158,075
Total intangible assets	37,284	35,214	332,208
Investments and other assets:			
Investment securities (Notes 6.3 and 6.4)	267,979	285,953	2,697,670
Deferred tax assets	4,146	4,179	39,425
Net defined benefit asset	7,194	10,061	94,915
Other (Note 6.3)	28,810	28,894	272,585
Allowance for doubtful receivables	(279)	(217)	(2,047)
Total investments and other assets	307,852	328,871	3,102,557
Total noncurrent assets	2,079,839	2,113,617	19,939,783
Total assets	2,349,831	2,410,105	22,736,840

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Liabilities:			
Current liabilities:			
Trade payables	¥ 40,086	¥ 46,891	\$ 442,368
Accrued expenses	17,938	21,032	198,415
Short-term borrowings (Note 6.3)	178,408	142,091	1,340,481
Current portion of bonds	10,000	—	—
Lease obligations	1,795	1,493	14,085
Income taxes payable	9,704	11,811	111,425
Provision for bonuses	4,620	4,405	41,557
Other (Note 6.3)	156,737	179,185	1,690,425
Total current liabilities	419,291	406,911	3,838,783
Long-term liabilities:			
Long-term debt (Note 6.3)	610,523	625,340	5,899,434
Bonds	92,000	92,000	867,925
Lease obligations	6,795	5,832	55,019
Deferred tax liabilities	179,530	184,552	1,741,057
Deferred tax liabilities related to land revaluation (Note 6.5)	5,152	5,152	48,604
Net defined benefit liability	61,459	61,654	581,642
Long-term deferred contribution for construction	60,846	52,586	496,094
Other	109,571	109,561	1,033,594
Total long-term liabilities	1,125,879	1,136,681	10,723,406
Total liabilities	1,545,171	1,543,592	14,562,189
Net assets:			
Shareholders' equity:			
Common stock	99,474	99,474	938,434
Capital surplus	146,053	146,053	1,377,858
Retained earnings	527,884	583,482	5,504,547
Less treasury stock, at cost	(13,537)	(24,247)	(228,745)
Total shareholders' equity	759,875	804,764	7,592,113
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	22,545	27,146	256,094
Deferred gains or losses on hedges	472	(494)	(4,660)
Revaluation reserve for land (Note 6.5)	5,546	5,575	52,594
Foreign currency translation adjustments	100	607	5,726
Cumulative adjustments related to retirement benefit plans	(1,591)	125	1,179
Total accumulated other comprehensive income	27,074	32,961	310,953
Subscription rights to shares	496	—	—
Non-controlling interests (Note 6.5)	17,213	28,786	271,566
Total net assets	804,659	866,512	8,174,642
Total liabilities and net assets	2,349,831	2,410,105	22,736,840

Consolidated Statements of Income

Years ended March 31, 2017 and 2018

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Revenues from operations	¥ 736,763	¥ 760,252	\$ 7,172,189
Costs of revenues from operations:			
Operating expenses and cost of sales of transportation	603,260	625,407	5,900,066
Selling, general and administrative expenses (Note 7.1)	29,443	29,633	279,557
Total costs of revenues from operations (Note 7.2)	632,704	655,041	6,179,632
Operating income	104,058	105,211	992,557
Non-operating income:			
Interest income	115	119	1,123
Dividend income	976	1,212	11,434
Equity in income of affiliates	8,630	9,232	87,094
Miscellaneous income	2,066	2,227	21,009
Total non-operating income	11,789	12,791	120,670
Non-operating expenses:			
Interest expenses	11,166	10,059	94,896
Loss on retirement of noncurrent assets	1,450	1,825	17,217
Miscellaneous expenses	2,623	2,342	22,094
Total non-operating expenses	15,240	14,228	134,226
Ordinary income	100,607	103,774	979,000
Extraordinary income:			
Gain on contributions for construction	2,114	32,483	306,443
Other	2,140	2,685	25,330
Total extraordinary income	4,255	35,168	331,774
Extraordinary loss:			
Loss on reduction of noncurrent assets	2,180	33,702	317,943
Other	1,877	3,831	36,142
Total extraordinary loss	4,057	37,533	354,085
Income before income taxes	100,805	101,410	956,698
Income taxes - current	26,081	28,389	267,821
Income taxes - deferred	1,850	4,972	46,906
Total income taxes	27,931	33,362	314,736
Net income	72,873	68,047	641,953
Net income attributable to non-controlling interests	1,570	1,685	15,896
Net income attributable to owners of the parent	71,302	66,361	626,047

Consolidated Statements of Comprehensive Income

Years ended March 31, 2017 and 2018

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Net income	¥ 72,873	¥ 68,047	\$ 641,953
Other comprehensive income:			
Valuation difference on available-for-sale securities	3,213	1,766	16,660
Deferred gains or losses on hedges	1,390	(984)	(9,283)
Revaluation reserve for land	—	5	47
Foreign currency translation adjustments	(914)	519	4,896
Remeasurements of defined benefit plans	901	1,625	15,330
Share of other comprehensive income of associates accounted for using equity method	1,824	3,009	28,387
Total other comprehensive income (Note 8.1)	6,414	5,944	56,075
Comprehensive income	79,288	73,991	698,028
Comprehensive income attributable to:			
Owners of the parent	77,737	72,225	681,368
Non-controlling interests	1,551	1,766	16,660

Consolidated Statements of Changes in Net Assets

Years ended March 31, 2017 and 2018

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Less treasury stock, at cost	Total shareholders' equity
Balance as of March 31, 2016	¥99,474	¥145,974	¥449,535	¥(8,289)	¥686,695
Cumulative effect of changes in accounting policies			15,281		15,281
Balance at beginning of the current fiscal year reflecting changes in accounting policies	99,474	145,974	464,817	(8,289)	701,976
Changes of items during the period:					
Dividends from surplus			(8,803)		(8,803)
Net income attributable to owners of the parent			71,302		71,302
Reversal of revaluation reserve for land			0		0
Purchase of treasury stock				(5,271)	(5,271)
Disposal of treasury stock			(9)	53	44
Change in treasury stock of parent arising from transactions with non-controlling interest shareholders		79			79
Change in scope of consolidation			577		577
Increase or decrease by corporate division					—
Changes in equity in affiliates accounted for by equity-method treasury stock				(30)	(30)
Increase or decrease caused by organization restructuring of companies to which the equity method is applicable					—
Net changes of items other than shareholders' equity					—
Total changes of items during the period	—	79	63,067	(5,247)	57,898
Balance as of March 31, 2017	99,474	146,053	527,884	(13,537)	759,875
Cumulative effect of changes in accounting policies					—
Balance at beginning of the current fiscal year reflecting changes in accounting policies	99,474	146,053	527,884	(13,537)	759,875
Changes of items during the period:					
Dividends from surplus			(9,360)		(9,360)
Net income attributable to owners of the parent			66,361		66,361
Reversal of revaluation reserve for land			(24)		(24)
Purchase of treasury stock				(10,689)	(10,689)
Disposal of treasury stock			(10)	129	119
Change in treasury stock of parent arising from transactions with non-controlling interest shareholders					—
Change in scope of consolidation			165		165
Increase or decrease by corporate division			(1,534)		(1,534)
Changes in equity in affiliates accounted for by equity-method treasury stock				(2)	(2)
Increase or decrease caused by organization restructuring of companies to which the equity method is applicable				(146)	(146)
Net changes of items other than shareholders' equity					—
Total changes of items during the period	—	—	55,598	(10,709)	44,888
Balance as of March 31, 2018	99,474	146,053	583,482	(24,247)	804,764

	Millions of yen								
	Accumulated other comprehensive income						Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Cumulative adjustments related to retirement benefit plans	Total accumulated other comprehensive income			
Balance as of March 31, 2016	¥17,684	¥(896)	¥5,598	¥1,072	¥(2,818)	¥20,639	¥424	¥16,478	¥724,237
Cumulative effect of changes in accounting policies						—			15,281
Balance at beginning of the current fiscal year reflecting changes in accounting policies	17,684	(896)	5,598	1,072	(2,818)	20,639	424	16,478	739,519
Changes of items during the period:									
Dividends from surplus									(8,803)
Net income attributable to owners of the parent									71,302
Reversal of revaluation reserve for land									0
Purchase of treasury stock									(5,271)
Disposal of treasury stock									44
Change in treasury stock of parent arising from transactions with non-controlling interest shareholders									79
Change in scope of consolidation									577
Increase or decrease by corporate division									—
Changes in equity in affiliates accounted for by equity-method treasury stock									(30)
Increase or decrease caused by organization restructuring of companies to which the equity method is applicable									—
Net changes of items other than shareholders' equity	4,861	1,369	(52)	(971)	1,227	6,434	72	735	7,241
Total changes of items during the period	4,861	1,369	(52)	(971)	1,227	6,434	72	735	65,140
Balance as of March 31, 2017	22,545	472	5,546	100	(1,591)	27,074	496	17,213	804,659
Cumulative effect of changes in accounting policies						—			—
Balance at beginning of the current fiscal year reflecting changes in accounting policies	22,545	472	5,546	100	(1,591)	27,074	496	17,213	804,659
Changes of items during the period:									
Dividends from surplus									(9,360)
Net income attributable to owners of the parent									66,361
Reversal of revaluation reserve for land									(24)
Purchase of treasury stock									(10,689)
Disposal of treasury stock									119
Change in treasury stock of parent arising from transactions with non-controlling interest shareholders									—
Change in scope of consolidation									165
Increase or decrease by corporate division									(1,534)
Changes in equity in affiliates accounted for by equity-method treasury stock									(2)
Increase or decrease caused by organization restructuring of companies to which the equity method is applicable									(146)
Net changes of items other than shareholders' equity	4,601	(966)	29	507	1,716	5,887	(496)	11,572	16,963
Total changes of items during the period	4,601	(966)	29	507	1,716	5,887	(496)	11,572	61,852
Balance as of March 31, 2018	27,146	(494)	5,575	607	125	32,961	—	28,786	866,512

Consolidated Statements of Changes in Net Assets

	Thousands of U.S. dollars				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Less treasury stock, at cost	Total shareholders' equity
Balance as of March 31, 2017	\$938,434	\$1,377,858	\$4,980,038	\$(127,708)	\$7,168,632
Cumulative effect of changes in accounting policies					
Balance at beginning of the current fiscal year reflecting changes in accounting policies	938,434	1,377,858	4,980,038	(127,708)	7,168,632
Changes of items during the period:					
Dividends from surplus			(88,302)		(88,302)
Net income attributable to owners of the parent			626,047		626,047
Reversal of revaluation reserve for land			(226)		(226)
Purchase of treasury stock				(100,840)	(100,840)
Disposal of treasury stock			(94)	1,217	1,123
Change in treasury stock of parent arising from transactions with non-controlling interest shareholders					—
Change in scope of consolidation			1,557		1,557
Increase or decrease by corporate division			(14,472)		(14,472)
Changes in equity in affiliates accounted for by equity-method treasury stock				(19)	(19)
Increase or decrease caused by organization restructuring of companies to which the equity method is applicable				(1,377)	(1,377)
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	524,509	(101,028)	423,472
Balance as of March 31, 2018	938,434	1,377,858	5,504,547	(228,745)	7,592,113

	Thousands of U.S. dollars								
	Accumulated other comprehensive income						Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Cumulative adjustments related to retirement benefit plans	Total accumulated other comprehensive income			
Balance as of March 31, 2017	\$212,689	\$4,453	\$52,321	\$943	\$(15,009)	\$255,415	\$4,679	\$162,387	\$7,591,123
Cumulative effect of changes in accounting policies						—			—
Balance at beginning of the current fiscal year reflecting changes in accounting policies	212,689	4,453	52,321	943	(15,009)	255,415	4,679	162,387	7,591,123
Changes of items during the period:									
Dividends from surplus									(88,302)
Net income attributable to owners of the parent									626,047
Reversal of revaluation reserve for land									(226)
Purchase of treasury stock									(100,840)
Disposal of treasury stock									1,123
Change in treasury stock of parent arising from transactions with non-controlling interest shareholders									—
Change in scope of consolidation									1,557
Increase or decrease by corporate division									(14,472)
Changes in equity in affiliates accounted for by equity-method treasury stock									(19)
Increase or decrease caused by organization restructuring of companies to which the equity method is applicable									(1,377)
Net changes of items other than shareholders' equity	43,406	(9,113)	274	4,783	16,189	55,538	(4,679)	109,170	160,028
Total changes of items during the period	43,406	(9,113)	274	4,783	16,189	55,538	(4,679)	109,170	583,509
Balance as of March 31, 2018	256,094	(4,660)	52,594	5,726	1,179	310,953	—	271,566	8,174,642

Consolidated Statements of Cash Flows

Years ended March 31, 2017 and 2018

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Cash flows from operating activities:			
Income before income taxes	¥ 100,805	¥ 101,410	\$ 956,698
Depreciation and amortisation	52,800	53,276	502,604
Amortisation of goodwill	2,426	2,323	21,915
Equity in (income) losses of affiliates	(8,630)	(9,232)	(87,094)
Increase (decrease) in net defined benefit liability	(179)	(323)	(3,047)
Increase (decrease) in allowance for doubtful receivables	20	(52)	(491)
Interest and dividend income	(1,092)	(1,331)	(12,557)
Interest expenses	11,166	10,059	94,896
Loss on reduction of noncurrent assets	2,180	33,702	317,943
Loss on retirement of noncurrent assets	1,450	1,825	17,217
Gain on contributions for construction	(2,114)	(32,483)	(306,443)
Decrease (increase) in trade receivables	(10,595)	(8,806)	(83,075)
Decrease (increase) in inventories	(2,506)	(9,254)	(87,302)
Increase (decrease) in trade payables	3,083	6,525	61,557
Other	(2,393)	20,186	190,434
Subtotal	146,420	167,824	1,583,245
Interest and dividends received	3,208	4,155	39,198
Interest paid	(11,282)	(10,154)	(95,792)
Income taxes (paid) refunded	(22,714)	(26,005)	(245,330)
Net cash provided by operating activities	115,633	135,821	1,281,330
Cash flows from investing activities:			
Purchases of noncurrent assets	(92,767)	(102,863)	(970,406)
Proceeds from sales of noncurrent assets	2,186	2,010	18,962
Purchases of investment securities	(11,527)	(7,807)	(73,651)
Receipt of contributions for construction	13,973	21,222	200,208
Other	3,289	(914)	(8,623)
Net cash used in investing activities	(84,845)	(88,351)	(833,500)
Cash flows from financing activities:			
Net increase (decrease) in short-term borrowings	(546)	(33,954)	(320,321)
Proceeds from long-term debt	65,190	56,140	529,623
Repayment of long-term debt	(68,576)	(43,293)	(408,425)
Proceeds from new bonds issued	19,858	—	—
Redemption of bonds	(30,000)	(10,000)	(94,340)
Purchases of treasury stock	(5,271)	(10,689)	(100,840)
Dividends paid	(8,803)	(9,360)	(88,302)
Dividends paid to non-controlling shareholders of consolidated subsidiaries	(406)	(363)	(3,425)
Proceeds from share issuance to non-controlling shareholders	—	10,115	95,425
Other	(2,038)	(1,836)	(17,321)
Net cash used in financing activities	(30,595)	(43,242)	(407,943)
Effect of exchange rate changes on cash and cash equivalents	(673)	360	3,396
Increase (decrease) in cash and cash equivalents	(480)	4,588	43,283
Cash and cash equivalents at beginning of year	22,363	22,530	212,547
Increase in cash and cash equivalents from newly consolidated subsidiary	648	383	3,613
Cash and cash equivalents at end of year	22,530	27,501	259,443

Notes to the Consolidated Financial Statements

1. Framework for Preparing Consolidated Financial Statements

1.1 Method of preparation for consolidated financial statements and financial statements

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

1.2 Audit verification

The Company's consolidated financial statements for the fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018) were audited by KPMG AZSA LLC, as per Article 193-2 (1) of Japan's Financial Instruments and Exchange Act.

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

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

1.4 Translation into U.S. dollars

The U.S. dollar amounts have been translated, for convenience only, at ¥106 = US\$1, the prevailing exchange rate on the Tokyo Foreign Exchange Market as of March 31, 2018.

2. Basis of Preparation of Consolidated Financial Statements

2.1 Scope of consolidation

2.1.1 Number and names of consolidated subsidiaries

Number of consolidated subsidiaries—92.

Names of primary consolidated subsidiaries are listed on page 105.

Further, as from the fiscal year ended March 31, 2018, Hanshin Travel International Co., Ltd. and one other company have been included in the scope of consolidation due to their increased significance.

Also, Hankyu Hanshin Railway Technology Co., Ltd. has been excluded from the scope of consolidation because it has been dissolved due to its merger, and Hankyu Communications Co., Ltd. and one other company have been excluded from the scope of consolidation due to their completion of liquidation.

2.1.2 Names of major nonconsolidated subsidiaries

Hankyu Mediac Co., Ltd.

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

2.2 Items related to application of equity-method accounting

2.2.1 Number and names of affiliates for which equity method is applied

Number of affiliates for which equity method is applied—11.

Names of primary companies are listed on page 105.

2.2.2 Names of nonconsolidated subsidiaries and affiliates for which equity method is not applied

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

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

The account closing date for Hankyu Hanshin Express (USA) Inc., Hankyu Hanshin Express (Deutschland) GmbH and 19 other consolidated subsidiaries is December 31. The consolidated financial statements have been prepared using the financial statements based on the closing date of each company, and major transactions conducted between the individual closing dates and the consolidated closing date have been adjusted for as necessary for the consolidation.

2.4 Accounting policies

2.4.1 Valuation standards and method for major assets

I. Securities

Available-for-sale securities:

a. Available-for-sale securities with fair market values:

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

b. Available-for-sale securities without fair market values:

The moving average cost method is applied.

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

II. Derivatives

The market value method is applied.

III. Inventories

a. Land and buildings for sale:

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

b. Other inventories:

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

2.4.2 Depreciation methods for major depreciable assets

I. Property and equipment (excluding leased assets)

a. Replacement assets of railway operations:

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

b. Other property and equipment:

While property and equipment (excluding leased assets) are depreciated for the most part using the declining balance method, there is also some use of the straight-line method.

However, regarding the abovementioned "Replacement assets of railway operations" and "Other property and equipment," depreciation of buildings acquired on or after April 1, 1998 (excluding facilities attached to buildings) and depreciation of facilities and structures that are attached to buildings and which were acquired on or after April 1, 2016 are calculated using the straight-line method.

II. Intangible assets (excluding leased assets)

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

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

III. Lease assets

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

2.4.3 Accounting standards for significant transactions

I. Allowance for doubtful receivables

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

II. Provision for bonuses

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

2.4.4 Accounting methods for retirement benefits

In calculating the amount of retirement benefit obligations, the benefit formula method is used to distribute the estimated amount of retirement benefit into the period up to March 31, 2018.

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

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

2.4.5 Basis for converting significant assets and liabilities in foreign currencies into Japanese yen

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

2.4.6 Significant hedge accounting methods

I. Method of hedge accounting

Deferred hedge accounting is applied.

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

Designation accounting applies to foreign currency-denominated receivables and payables that have forward exchange contracts and which satisfy the requirements for designation accounting.

II. Hedging instruments and hedged items

Main hedging instruments and hedged items are as follows:

a. Hedging instruments: Forward exchange contracts, currency swap contracts, currency option contracts

Hedged items: Foreign currency receivables and payables and future foreign currency transactions

b. Hedging instruments: Interest rate swap contracts, interest rate option contracts

Hedged items: Loans payable and bonds

III. Hedging policy

The Group is exposed to the risk of foreign exchange and interest rate fluctuations and uses derivatives as a means of hedging these risks.

IV. Method for evaluating the effectiveness of hedges

Other than when the effectiveness of hedges is obvious, hedge effectiveness is evaluated semiannually using the comparison and analysis method.

V. Other risk management methods concerning hedge accounting

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

2.4.7 Method and period of amortisation of goodwill

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

2.4.8 Scope of cash included in consolidated statements of cash flows

In preparing the consolidated statements of cash flows, cash on hand, readily available deposits and short-term highly liquid investments without material risk of changing their value and with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

Notes to the Consolidated Financial Statements

2.4.9 Other significant matters for preparing consolidated financial statements

I. Accounting for contributions for construction in railway operations

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

In the consolidated statements of income, gain on contributions for construction is recognised in extraordinary income, and the acquisition

cost of noncurrent assets, after deducting the amounts equivalent to the contributions for construction, is recognised in extraordinary loss as loss on reduction of noncurrent assets.

II. Accounting for consumption tax

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

III. Adoption of consolidated tax payment system

A consolidated tax payment system has been adopted.

3. Standards and Guidance Not Yet Adopted

(Implementation Guidance on Tax Effect Accounting)

The following guidance were issued but not yet adopted.

- "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018 (hereinafter, "Guidance No. 28"))
- "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26 (revised 2018), February 16, 2018 (hereinafter, "Guidance No. 26"))

(1) Outline

"Implementation Guidance on Tax Effect Accounting" have been reviewed and amended at the following points deemed necessary in transferring the control over the operational guidelines for tax effect accounting from the Japanese Institute of Certified Public Accountants to the Accounting Standard Board of Japan, basically following their contents.

(Main accounting treatments which have been reviewed and amended)

- Treatments for taxable temporary differences for investments in subsidiaries within the context of non-consolidated financial statements
- Treatments in determining recoverability of deferred tax assets in a company which was categorized as 'Type1' according to the guidance

(2) Effective date

Effective from the beginning of the fiscal year ending March 31, 2019.

(3) Effects of the application of the standards

The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

(Accounting Standard for Revenue Recognition)

The following standard and guidance were issued but not yet adopted.

- "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 30, 2018)
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 30, 2018)

(1) Outline

The International Accounting Standard Board ("IASB") and the Financial Accounting Standard Board ("FASB") jointly developed comprehensive accounting standard for revenue recognition and the Revenue from Contracts with Customers was issued in May 2014 (IFRS No. 15 by IASB, and Topic 606 by FASB).

IFRS No. 15 was applied for annual reporting periods beginning on or after January 2018, Topic 606 was also applied from annual reporting periods beginning December 15, 2017. Based on such a situation, the ASBJ developed the comprehensive accounting standard for revenue recognition/ the implementation guidance and issued them together.

On the ASBJ's basic policy for development of accounting standard for revenue recognition, the basic principles of IFRS No. 15 were incorporated into the ASBJ Statement No. 29 as starting points, the Statement was set out, from the viewpoint of comparability among financial statements which is one of merits for consistency with IFRS No. 15. If there are any items which should be considered in current practices in Japan, alternative treatments would be added to the extent of not losing the comparability.

(2) Effective date

Effective from the beginning of the fiscal year ending March 31, 2022.

(3) Effects of the application of the standards

The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

4. Change in Method of Indication (Consolidated statements of income)

"Loss on retirement of noncurrent assets," having been indicated in the item "Miscellaneous expenses" of the non-operating expenses until the fiscal year ended March 31, 2017, is indicated independently as from the fiscal year ended March 31, 2018 due to its increased significance.

As a result, in the consolidated statements of income for the fiscal year ended March 31, 2017, the item "Miscellaneous expenses" of 4,073 million yen in the non-operating expenses is rearranged to "Loss on retirement of noncurrent assets" of 1,450 million yen and "Miscellaneous expenses" of 2,623 million yen.

5. Additional Information (Performance-based stock compensation plan for directors, etc. of the Company's subsidiaries)

5.1 Outline of transaction

The Company has not adopted any stock compensation plan using trust for its directors, employees or others; provided, however, that, for the purpose of enhancing consciousness to contribute to the improvement in medium-and-long term performance and to the increase in corporate value by clarifying the linkage between performance of and corporate value of the Group, Hankyu Corporation, a subsidiary of the Company, has adopted a performance-based stock compensation plan using the trust of shares in the Company (hereinafter referred to as "System") for full-time directors and corporate officers (excluding outside directors and non-residents in Japan), and Hanshin Electric Railway Co., Ltd., a subsidiary of the Company, has adopted a System for full-time directors (excluding outside directors and non-residents in Japan).

The System is a system using a mechanism named an officer's compensation BIP (Board Incentive Plan) trust, under which shares in the Company will be provided to, and money equivalent to exchange value of shares in the Company will be paid to, directors or others, according to their performance and position.

The System will be effective for three years from the fiscal year ended March 31, 2018 to the fiscal year ended March 31, 2020.

5.2 Shares in the Company remaining under the trust

Shares in the Company remaining under the trust were recorded as treasury stock in the net assets section on a book value basis for trust (excluding ancillary expenses). The book value of, and the number of shares of, the treasury stock at the end of the fiscal year ended March 31, 2018 are 1,430 million yen and 357,968 shares, respectively.

6. Consolidated Balance Sheets

6.1 Accumulated depreciation of property and equipment

	Millions of yen		Thousands of U.S. dollars	
	2017	2018	2017	2018
	¥1,123,035	¥1,144,599	\$10,798,104	

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

	Millions of yen		Thousands of U.S. dollars	
	2017	2018	2017	2018
	¥413,812	¥443,713	\$4,185,972	

6.3 Pledged assets and secured liabilities

The following table shows the assets pledged as collateral. () indicates those relating to a railway foundation.

	Millions of yen				Thousands of U.S. dollars	
	2017		2018		2018	
Property and equipment:						
Buildings and structures	¥208,550	(¥208,550)	¥201,129	(¥201,129)	\$1,897,443	(\$1,897,443)
Machinery, equipment and vehicles	44,980	(44,980)	49,401	(49,401)	466,047	(466,047)
Land	255,965	(255,965)	242,231	(242,231)	2,285,198	(2,285,198)
Other	2,780	2,780	2,139	(2,139)	20,179	(20,179)
Intangible assets:						
Other	128	(128)	118	(118)	1,113	(1,113)
Investments and other assets:						
Investment securities	1,007	(—)	532	(—)	5,019	(—)
Other	76	(—)	120	(—)	1,132	(—)
Total	513,489	(512,406)	495,674	(495,021)	4,676,170	(4,670,009)

In addition to the above, the Company pledged investment securities (fiscal year ended March 31, 2017: 800 million yen, fiscal year ended March 31, 2018: 800 million yen) as collateral for loans of third parties.

The following table shows the secured liabilities. () indicates those relating to a railway foundation.

	Millions of yen				Thousands of U.S. dollars	
	2017		2018		2018	
Current liabilities:						
Short-term borrowings	¥9,748	(¥9,309)	¥9,354	(¥9,263)	\$88,245	(\$87,387)
Other	76	(—)	92	(—)	868	(—)
Long-term liabilities:						
Long-term debt	110,691	(110,596)	112,823	(112,823)	1,064,368	(1,064,368)
Total	120,516	(119,905)	122,270	(122,086)	1,153,491	(1,151,755)

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

	Millions of yen		Thousands of U.S. dollars	
	2017	2018	2017	2018
Investment securities	¥213,951	¥229,209	\$2,162,349	

6.5 Two consolidated subsidiaries and an equity-method affiliate revaluated land for business use based on the Law Concerning Revaluations of Land (Law No. 34, promulgated on March 31, 1998) and the Law to Partially Modify the Law Concerning Revaluations of Land (Law No. 19, promulgated on March 31, 2001). Of the valuation differences identified as a result of this, the consolidated subsidiaries recorded the amount corresponding to the taxes on the valuation difference in the liability section as "Deferred tax liabilities related to land revaluation" and the amount attributable to minority shareholders as "non-controlling interests." The amount remaining after subtracting these was recorded in the net assets section as "Revaluation reserve for land." The equity-method affiliate recorded the amount corresponding to its equity in the valuation difference (after subtracting taxes) in the net assets section as "Revaluation reserve for land."

- Revaluation method

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

- Date of revaluation: March 31, 2002

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Difference between the market value as of March 31, 2018 of the lands for which reevaluation was made and the book value thereof after reevaluation	¥(6,084)	¥(6,343)	\$(59,840)

6.6 Contingent liabilities

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

Fiscal year ended March 31, 2017

	Millions of yen
Nishi-Osaka Railway Co., Ltd.	¥19,781
Borrowers on loans for purchase of land and buildings	10,089
Other (two companies)	65
Total	29,936

Fiscal year ended March 31, 2018

	Millions of yen	Thousands of U.S. dollars
Borrowers on loans for purchase of land and buildings	¥20,633	\$194,651
Nishi-Osaka Railway Co., Ltd.	18,931	178,594
PT IZUMI SENTUL REALTY	848	8,000
NNH MIZUKI JOINT STOCK COMPANY	401	3,783
Other (two companies)	54	509
Total	40,868	385,547

In addition to the above, the Company submitted a letter of awareness for management guidance (fiscal year ended March 31, 2017: 1,587 million yen, fiscal year ended March 31, 2018: 1,655 million yen) in connection with the fund procurement of affiliates.

7. Consolidated Statements of Income

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

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Personnel expenses	¥14,651	¥14,334	\$135,226
Expenses	10,425	11,108	104,792
Taxes	1,025	1,000	9,434
Depreciation and amortisation	914	866	8,170
Amortisation of goodwill	2,426	2,323	21,915
Total	29,443	29,633	279,557

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

	Millions of yen			Thousands of U.S. dollars
	2017	2018	2018	
Retirement benefit expenses	¥8,457	¥8,485		\$80,047
Provision for bonuses	4,716	4,582		43,226

8. Consolidated Statements of Comprehensive Income

8.1 Reclassification adjustments and tax effects related to other comprehensive income

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Valuation difference on available-for-sale securities:			
Increase (decrease) during the year	¥5,295	¥2,559	\$24,142
Reclassification adjustments	(672)	(7)	(66)
Subtotal, before tax	4,623	2,552	24,075
Tax (expense) or benefit	(1,410)	(785)	(7,406)
Valuation difference on available-for-sale securities	3,213	1,766	16,660
Deferred gains or losses on hedges:			
Increase (decrease) during the year	2,124	(1,504)	(14,189)
Reclassification adjustments	—	—	—
Subtotal, before tax	2,124	(1,504)	(14,189)
Tax (expense) or benefit	(734)	520	4,906
Deferred gains or losses on hedges	1,390	(984)	(9,283)
Revaluation reserve for land:			
Increase (decrease) during the year	—	—	—
Reclassification adjustments	—	—	—
Subtotal, before tax	—	—	—
Tax (expense) or benefit	—	5	47
Revaluation reserve for land	—	5	47
Foreign currency translation adjustments:			
Increase (decrease) during the year	(914)	468	4,415
Reclassification adjustments	—	51	481
Subtotal, before tax	(914)	519	4,896
Tax (expense) or benefit	—	—	—
Foreign currency translation adjustments	(914)	519	4,896
Remeasurements of defined benefit plans:			
Increase (decrease) during the year	101	1,462	13,792
Reclassification adjustments	1,242	948	8,943
Subtotal, before tax	1,344	2,411	22,745
Tax (expense) or benefit	(442)	(785)	(7,406)
Remeasurements of defined benefit plans	901	1,625	15,330
Share of other comprehensive income of associates accounted for using equity method:			
Increase (decrease) during the year	1,762	3,023	28,519
Reclassification adjustments	61	(14)	(132)
Share of other comprehensive income of associates accounted for using equity method	1,824	3,009	28,387
Total other comprehensive income	6,414	5,944	56,075

9. Consolidated Statements of Changes in Net Assets

Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

9.1 Matters concerning types and total number of outstanding shares, and types and number of outstanding treasury stock

(Thousands of shares)

	Number of shares as of April 1, 2016	Increase in number of shares	Decrease in number of shares	Number of shares as of March 31, 2017
Number of shares issued:				
Common stock (Notes 1 and 2)	1,271,406	—	1,017,125	254,281
Total	1,271,406	—	1,017,125	254,281
Treasury stock, at cost:				
Common stock (Notes 1, 3 and 4)	15,466	6,930	17,887	4,508
Total	15,466	6,930	17,887	4,508

(Overview of reasons for fluctuations)

Notes:

- Hankyu Hanshin Holdings, Inc. consolidated shares at the ratio of 5 shares to 1 share with an effective date of August 1, 2016.
- The decrease of 1,017,125 thousand shares of common stock was due to a result of consolidation of shares.
- The increase of 6,930 thousand shares of treasury stock was due to the increase of 6,837 thousand shares of treasury stock by resolution of the Board of Directors (before consolidation of shares: 6,826 thousand shares, after consolidation of shares: 11 thousand shares); the purchase of 73 thousand odd-lot shares (before consolidation of shares: 46 thousand shares, after consolidation of shares: 26 thousand shares); and an increase of 19 thousand shares (after consolidation of shares) due to the change of interest for equity-method affiliates.
- The decrease of 17,887 thousand shares of treasury stock was due to a decrease of 17,807 thousand shares due to a result of consolidation of shares; a decrease of 78 thousand shares (after consolidation of shares) due to the exercise of stock option rights; and a decrease of 1 thousand shares (before consolidation of shares: 1 thousand shares, after consolidation of shares: 0 thousand shares) due to the sale of odd-lot shares.

9.2 Items related to subscription rights to shares

Fiscal year ended March 31, 2017

Classification	Breakdown of new share subscription rights	Type of shares subject to share subscription rights	Number of shares subject to share subscription rights				Balance as of March 31, 2017 (Millions of yen)
			As of April 1, 2016	Increase	Decrease	As of March 31, 2017	
The Company (Parent company)	Subscription rights as stock options	—	—	—	—	—	¥496
Total		—	—	—	—	—	496

9.3 Items related to dividends

Fiscal year ended March 31, 2017

9.3.1 Dividends paid

(Resolution)	Type of shares	Dividends paid (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
June 14, 2016 Annual General Meeting of Shareholders	Common stock	¥4,413	¥3.5	March 31, 2016	June 15, 2016
October 27, 2016 Board of Directors	Common stock	4,389	17.5	September 30, 2016	December 1, 2016

Note: The Company consolidated its shares at the rate of 5 ordinary shares into 1 ordinary share on August 1, 2016. The lower figure (the portion approved by a resolution of the Board of Directors on October 27, 2016) is dividend per share after the share consolidation. The upper figure (the portion approved by a resolution of the Annual General Meeting of Shareholders on June 14, 2016) is actual amount of dividend per share before the share consolidation.

9.3.2 Dividends whose effective date falls in the fiscal year following the fiscal year of the record date

(Resolution)	Type of shares	Dividends paid (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
June 13, 2017 Annual General Meeting of Shareholders	Common stock	¥4,389	Retained earnings	¥17.5	March 31, 2017	June 14, 2017

Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

9.4 Matters concerning types and total number of outstanding shares, and types and number of outstanding treasury stock

(Thousands of shares)

	Number of shares as of April 1, 2017	Increase in number of shares	Decrease in number of shares	Number of shares as of March 31, 2018
Number of shares issued:				
Common stock	254,281	—	—	254,281
Total	254,281	—	—	254,281
Treasury stock, at cost:				
Common stock (Notes 1, 2 and 3)	4,508	2,788	34	7,262
Total	4,508	2,788	34	7,262

Notes:

- The number of treasury stock at the end of the fiscal year ended March 31, 2018 includes 357,968 shares in the Company owned by the officer's compensation BIP trust.

(Overview of reasons for fluctuations)

- The increment of 2,788 thousand treasury ordinary stock consists of: the increment of 2,268 thousand treasury stock acquired under the resolution of the Board of Directors' meeting; the increment of 376 thousand treasury stock (shares in the Company) acquired by the officer's compensation BIP trust; the increment of 121 thousand treasury stock (shares in the Company) caused by organization restructuring of affiliates to which the equity method is applicable; the increment of 20 thousand treasury stock caused by purchase of odd-lot shares; and the increment of 1 thousand treasury stock (shares in the Company) caused by change in equity ratio against affiliates to which the equity method is applicable.
- The decrement of 34 thousand treasury ordinary stock consists of: the decrement of 18 thousand treasury stock (shares in the Company) delivered by the officer's compensation BIP trust; the decrement of 15 thousand shares caused by execution of stock option; and the decrement of 0 thousand shares caused by selling of odd-lot shares.

9.5 Items concerning stock acquisition right

There is no relevant item.

Notes to the Consolidated Financial Statements

9.6 Items related to dividends

Fiscal year ended March 31, 2017

9.6.1 Dividends paid

(Resolution)	Type of shares	Dividends paid		Dividend per share		Record date	Effective date
		(Millions of yen)	(Thousands of U.S. dollars)	(Yen)	(U.S. dollars)		
June 13, 2017 Annual General Meeting of Shareholders	Common stock	¥4,389	\$41,406	¥17.5	\$0.16	March 31, 2017	June 14, 2017
November 2, 2017 Board of Directors	Common stock	4,970	46,887	20	0.18	September 30, 2017	December 1, 2017

Note: For the lower figure (the portion approved by a resolution of the Board of Directors on November 2, 2017), the total amount of dividend includes 7 million yen of dividend for the shares in the Company owned by the officer's compensation BIP trust.

9.6.2 Dividends whose effective date falls in the fiscal year following the fiscal year of the record date

(Resolution)	Type of shares	Dividends paid		Source of dividends	Dividend per share		Record date	Effective date
		(Millions of yen)	(Thousands of U.S. dollars)		(Yen)	(U.S. dollars)		
June 13, 2018 Annual General Meeting of Shareholders	Common stock	¥4,970	\$46,887	Retained earnings	¥20	\$0.19	March 31, 2018	June 14, 2018

Note: The total amount of dividend includes 7 million yen of dividend for the shares in the Company owned by the officer's compensation BIP trust.

10. Consolidated Statements of Cash Flows

Relationship between cash and cash equivalents at fiscal year-end and amounts shown on consolidated balance sheets

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Cash and deposits in the consolidated balance sheets	¥24,255	¥28,836	\$272,038
Deposits with maturities over 3 months	(1,725)	(1,334)	(12,585)
Cash and cash equivalents in the cash flow statements	22,530	27,501	259,443

11. Lease Transactions

<As lessee>

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

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Due within one year	¥ 4,775	¥ 3,585	\$ 33,821
Due after one year	22,048	20,426	192,698
Total	26,823	24,012	226,528

<As lessor>

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

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Due within one year	¥ 965	¥ 1,494	\$ 14,094
Due after one year	10,096	18,481	174,349
Total	11,062	19,975	188,443

12. Financial Instruments

12.1 Matters regarding financial instruments

12.1.1 Policy on financial instruments

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

12.1.2 Details of the financial instruments used, the risk involved and the risk management system

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

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

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

Short-term borrowings and commercial paper are used mainly to raise short-term funds for working capital, and long-term debt and bonds are used mainly to raise the long-term funds necessary for capital investment plans. Some floating-rate debt

is exposed to interest rate fluctuation risk (market risk), which is limited by fixing interest rates through interest rate swap transactions. In addition, liquidity risk—the risk that payment will not be made by the due date—is limited by the timely preparation of financing plans and proper fund management. Also, surplus funds of the Group companies are concentrated and used effectively through centralisation of Group funds by using a cash management system. The immediate raising of funds from financial institutions became possible through the establishment of backup financing such as commitment lines. In addition, the Company maintained a proper balance between direct financing and indirect financing and diversifies the raising of funds by using multiple financial institutions, thus securing liquidity.

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

More information regarding the means and objectives of hedging, hedging policy and the method of evaluating the effectiveness of hedges related to hedge accounting for derivative transactions is described in "2.4 Accounting policies" "2.4.6 Significant hedge accounting methods" out-lined in "2. Basis of Preparation of Consolidated Financial Statements."

12.2 Matters regarding fair values of financial instruments

Book value recorded in the consolidated balance sheet, fair value and differences between them are as shown below.

	Millions of yen						Thousands of U.S. dollars		
	2017			2018			2018		
	Book value	Fair value	Difference	Book value	Fair value	Difference	Book value	Fair value	Difference
Assets									
(1) Cash and deposits	¥ 24,255	¥ 24,255	¥ —	¥ 28,836	¥ 28,836	¥ —	\$ 272,038	\$ 272,038	\$ —
(2) Trade receivables	83,492	83,492	—	92,619	92,619	—	873,764	873,764	—
(3) Investment securities	43,947	43,947	0	46,609	46,609	0	439,708	439,708	0
Liabilities									
(4) Trade payables	40,086	40,086	—	46,891	46,891	—	442,368	442,368	—
(5) Short-term borrowings (*1)	134,676	134,676	—	100,721	100,721	—	950,198	950,198	—
(6) Bonds (*2)	102,000	105,387	3,387	92,000	94,984	2,984	867,925	896,075	28,151
(7) Long-term debt (*1)	654,255	677,774	23,519	666,710	690,457	23,747	6,289,717	6,513,745	224,028
(8) Derivative transactions	—	(10,950)	—	—	(10,775)	—	—	(101,651)	—

(*1) Current portion of long-term debt is included in (7) Long-term debt.

(*2) Current portion of bonds is included.

Notes:

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

(1) Cash and deposits, (2) Trade receivables

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

(3) Investment securities

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

(4) Trade payables, (5) Short-term borrowings

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

(6) Bonds

The fair values of bonds are based on market prices.

(7) Long-term debt

The fair value of fixed-rate long-term debt is based on a method of calculation whereby the total principal and interest is discounted at an interest rate that is assumed for the introduction of similar new debt. The fair value of floating-rate long-term debt is based on the book value because the fair value of floating-rate long-term debt reflects market interest rates within a short period of time and closely approximates the book values.

(8) Derivative transactions

Please see "14. Derivatives."

Notes to the Consolidated Financial Statements

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

Classification	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Non-listed equity securities and bonds	¥ 5,810	¥ 5,994	\$ 56,547
Investments in limited liability investment partnerships and similar investments	3,735	4,049	38,198
Negotiable certificates of deposit	534	90	849

It is extremely difficult to ascertain the fair value of these financial instruments because market prices are not available and future cash flows cannot be estimated. As a result, they are not included in (3) Investment securities.

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

4. Supplementary explanation regarding fair value of financial instruments

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

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

Fiscal year ended March 31, 2017

	Millions of yen			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	¥ 24,255	¥ —	¥ —	¥ —
Trade receivables	83,492	—	—	—
Investment securities:				
Held-to-maturity debt securities (government bonds, etc.)	—	9	—	—
Available-for-sale securities with maturities (government bonds, etc.)	26	281	165	300
Total	107,755	291	165	300

Fiscal year ended March 31, 2018

	Millions of yen				Thousands of U.S. dollars			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	¥ 28,836	¥ —	¥ —	¥ —	\$ 272,038	\$ —	\$ —	\$ —
Trade receivables	92,619	—	—	—	873,764	—	—	—
Investment securities:								
Held-to-maturity debt securities (government bonds, etc.)	—	9	—	—	—	85	—	—
Available-for-sale securities with maturities (government bonds, etc.)	—	345	96	300	—	3,255	906	2,830
Total	121,456	355	96	300	1,145,811	3,349	906	2,830

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

Fiscal year ended March 31, 2017

	Millions of yen			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Bonds	¥ 10,000	¥ 55,000	¥ 17,000	¥ 20,000
Long-term debt	43,732	153,047	292,859	164,616
Total	53,732	208,047	309,859	184,616

Fiscal year ended March 31, 2018

	Millions of yen				Thousands of U.S. dollars			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Bonds	¥ —	¥ 62,000	¥ 10,000	¥ 20,000	\$ —	\$ 584,906	\$ 94,340	\$ 188,679
Long-term debt	41,369	165,820	298,099	161,420	390,274	1,564,340	2,812,255	1,522,830
Total	41,369	227,820	308,099	181,420	390,274	2,149,245	2,906,594	1,711,509

13. Securities

13.1 Held-to-maturity debt securities

Classification	Millions of yen						Thousands of U.S. dollars		
	2017			2018			2018		
	Book value	Fair value	Difference	Book value	Fair value	Difference	Book value	Fair value	Difference
Securities with fair value exceeding book value	¥9	¥10	¥0	¥9	¥10	¥0	\$85	\$94	\$0

13.2 Available-for-sale securities

Classification		Millions of yen						Thousands of U.S. dollars		
		2017			2018			2018		
		Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference
Securities with book value exceeding acquisition cost	(1) Equity securities	¥ 39,641	¥ 23,291	¥ 16,350	¥ 42,627	¥ 24,154	¥ 18,472	\$ 402,142	\$ 227,868	\$ 174,264
	(2) Bonds	473	454	18	441	428	13	4,160	4,038	123
	Subtotal	40,114	23,746	16,368	43,069	24,583	18,485	406,311	231,915	174,387
Securities with book value not exceeding acquisition cost	(1) Equity securities	3,822	4,634	(811)	3,530	3,979	(449)	33,302	37,538	(4,236)
	(2) Bonds	—	—	—	—	—	—	—	—	—
	Subtotal	3,822	4,634	(811)	3,530	3,979	(449)	33,302	37,538	(4,236)
Total		43,937	28,380	15,556	46,599	28,562	18,036	439,613	269,453	170,151

Notes: Unlisted equity securities and others (fiscal year ended March 31, 2017: 10,080 million yen, fiscal year ended March 31, 2018: 10,135 million yen) are not included in the above table because it is extremely difficult to determine their market value as there are no market price therefor and future cash flows cannot be reasonably estimated.

14. Derivatives

14.1 Derivative transactions for which hedge accounting has not been applied

Currency

Fiscal year ended March 31, 2017

Classification	Type	Millions of yen		
		Contract amount	Portion of contract amount exceeding one year	Fair value (Note)
Forward exchange contracts:				
Buy contract				
Transactions other than market transactions	Euro	¥ 76	¥ —	¥(3)
	Australian dollar	26	—	1
	Canadian dollar	8	—	(0)
	New Zealand dollar	7	—	0
Currency swap contracts:				
	Receive yen, pay US dollar	598	598	(50)
	Receive yen, pay Thai baht	495	—	(5)
	Total	1,211	598	(58)

Fiscal year ended March 31, 2018

Classification	Type	Millions of yen			Thousands of U.S. dollars		
		Contract amount	Portion of contract amount exceeding one year	Fair value (Note)	Contract amount	Portion of contract amount exceeding one year	Fair value (Note)
Forward exchange contracts:							
Buy contract							
Transactions other than market transactions	Indian rupee	¥ 3	¥ —	¥(0)	\$ 28	\$ —	\$ (0)
	Currency swap contracts:						
	Receive yen, pay US dollar	598	598	(81)	5,642	5,642	(764)
	Total	601	598	(81)	5,670	5,642	(764)

Notes:

1. Fair value calculation

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

2. Regarding the above currency swap contracts, in nonconsolidated financial statements hedge accounting is applied for monetary payables and receivables related to transactions between consolidated subsidiaries. In consolidated financial statements, however, hedge accounting is not applied because the said hedged items are eliminated.

Notes to the Consolidated Financial Statements

14.2 Derivative transactions for which hedge accounting has been applied

14.2.1 Currency

Fiscal year ended March 31, 2017

Classification	Type	Main hedged items	Millions of yen		
			Contract amount	Portion of contract amount exceeding one year	Fair value (Note)
Forward exchange contracts:					
Primary method	Sell contract	Trade receivables			
	US dollar		¥ 15	¥ —	¥ 0
	Japanese yen		10	—	0
	Buy contract	Trade payables			
	Japanese yen		553	—	(18)
	US dollar		8	—	(0)
	Singapore dollar		0	—	(0)
	Thai baht		0	—	(0)
	Euro		0	—	(0)
Forward exchange contracts:					
Designation of forward exchange contracts, etc.	Sell contract	Trade receivables			
	US dollar		47	—	0
	Buy contract	Trade payables			
	Euro		8,446	—	231
	US dollar		6,550	294	327
	Canadian dollar		854	—	66
	Swiss Franc		846	—	43
	Australian dollar		463	—	37
	Singapore dollar		351	—	20
	Sterling pound		302	—	25
	New Zealand dollar		250	—	14
	Hong Kong dollar		94	—	(0)
	Thai baht		68	—	0
	Total		18,865	294	748

Fiscal year ended March 31, 2018

Classification	Type	Main hedged items	Millions of yen			Thousands of U.S. dollars		
			Contract amount	Portion of contract amount exceeding one year	Fair value (Note)	Contract amount	Portion of contract amount exceeding one year	Fair value (Note)
Forward exchange contracts:								
Primary method	Sell contract	Trade receivables						
	US dollar		¥ 111	¥ —	¥ (0)	\$ 1,047	\$ —	\$ (0)
	Japanese yen		18	—	0	170	—	0
	Buy contract	Trade payables						
	Japanese yen		746	—	(5)	7,038	—	(47)
	US dollar		13	—	(0)	123	—	(0)
	Singapore dollar		0	—	(0)	0	—	(0)
	Thai baht		0	—	(0)	0	—	(0)
Forward exchange contracts:								
Designation of forward exchange contracts, etc.	Sell contract	Trade receivables						
	US dollar		39	—	(0)	368	—	(0)
	Buy contract	Trade payables						
	Euro		11,494	—	(140)	108,434	—	(1,321)
	US dollar		7,815	—	(402)	73,726	—	(3,792)
	Canadian dollar		1,112	—	(72)	10,491	—	(679)
	Swiss Franc		1,047	—	(28)	9,877	—	(264)
	Australian dollar		586	—	(33)	5,528	—	(311)
	Singapore dollar		394	—	(8)	3,717	—	(75)
	Sterling pound		313	—	(1)	2,953	—	(9)
	New Zealand dollar		161	—	(1)	1,519	—	(9)
	Indian rupee		142	—	(7)	1,340	—	(66)
	Thai baht		140	—	0	1,321	—	0
Hong Kong dollar		62	—	(0)	585	—	(0)	
	Total		24,200	—	(702)	228,302	—	(6,623)

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

14.2.2 Interest rate

Fiscal year ended March 31, 2017

Classification	Type	Main hedged items	Millions of yen		
			Contract amount	Portion of contract amount exceeding one year	Fair value (Note)
Exceptional accounting of interest rate swaps	Interest rate swap contracts: Pay fixed rate/ Receive floating rate	Long-term debt	¥ 188,909	¥ 183,909	¥ (11,641)
Total			188,909	183,909	(11,641)

Fiscal year ended March 31, 2018

Classification	Type	Main hedged items	Millions of yen			Thousands of U.S. dollars		
			Contract amount	Portion of contract amount exceeding one year	Fair value (Note)	Contract amount	Portion of contract amount exceeding one year	Fair value (Note)
Exceptional accounting of interest rate swaps	Interest rate swap contracts: Pay fixed rate/ Receive floating rate	Long-term debt	¥ 174,130	¥ 172,005	¥ (9,991)	\$ 1,642,736	\$ 1,622,689	\$ (94,255)
Total			174,130	172,005	(9,991)	\$ 1,642,736	\$ 1,622,689	\$ (94,255)

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

15. Retirement Benefits

15.1 Overview of retirement benefit plans

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

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

15.2 Defined benefit plan

15.2.1 Table of movement in retirement benefit obligations

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Balance at beginning of the year	¥133,174	¥132,471	\$1,249,726
Service cost	7,869	7,739	73,009
Interest cost	293	300	2,830
Actuarial loss (gain)	(110)	253	2,387
Retirement benefits paid	(8,602)	(7,466)	(70,434)
Other	(152)	62	585
Balance at end of the year	132,471	133,360	1,258,113

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

15.2.2 Table of movement in plan assets

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Balance at beginning of the year	¥ 77,281	¥ 78,206	\$ 737,792
Expected return on plan assets	1,072	1,143	10,783
Actuarial loss (gain)	(8)	1,716	16,189
Contribution paid by the employer	4,751	4,738	44,698
Retirement benefits paid	(4,841)	(4,037)	(38,085)
Other	(48)	—	—
Balance at end of the year	78,206	81,767	771,387

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

15.2.3 Table of reconciliation between the balance of retirement benefit obligations and of plan assets, and the liabilities for retirement benefit and assets for retirement benefit recorded in the consolidated balance sheet, as of the end of fiscal year

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Funded retirement benefit obligations	¥ 73,063	¥ 72,696	\$ 685,811
Plan assets	(78,206)	(81,767)	(771,387)
	(5,142)	(9,071)	(85,575)
Unfunded retirement benefit obligations	59,407	60,664	572,302
Total net defined benefit liability and asset	54,264	51,593	486,726
Net defined benefit liability	61,459	61,654	581,642
Net defined benefit asset	(7,194)	(10,061)	(94,915)
Total net defined benefit liability and asset	54,264	51,593	486,726

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

Notes to the Consolidated Financial Statements

15.2.4 The breakdown of retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Service cost	¥ 7,869	¥ 7,739	\$ 73,009
Interest cost	293	300	2,830
Expected return on plan assets	(1,072)	(1,143)	(10,783)
Amortisation of actuarial differences	1,500	1,005	9,481
Amortisation of prior service cost	(258)	(57)	(538)
Other	65	59	557
Retirement benefit expenses	8,398	7,904	74,566

Notes:

- Amounts in the table above include the retirement benefit expenses of consolidated subsidiaries using simplified methods.
- In addition to the retirement benefit expenses shown above, the Company made extra retirement payments, of 75 million yen in the fiscal year ended March 31, 2017 which is recorded as costs of revenues from operations and extraordinary loss, and of 6 million yen in the fiscal year ended March 31, 2018 which is recorded as costs of revenues from operations.

15.2.5 Remeasurements of defined benefit plans

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

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Prior service cost	¥ (258)	¥ (57)	\$ (538)
Actuarial differences	1,602	2,468	23,283
Total	1,344	2,411	22,745

15.2.6 Cumulative adjustments of retirement benefit plans

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

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Unrecognized prior service cost	¥ (360)	¥ (303)	\$ (2,858)
Unrecognized actuarial differences	2,708	239	2,255
Total	2,348	(63)	(594)

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

15.2.7 Items relating to plan assets

(I) Breakdown of major plan assets

Ratio of the major types of assets to total assets are as follows:

	2017	2018
Bonds	35%	35%
Equity securities	32	32
Cash and deposits	2	3
General accounts of life insurance	29	28
Other	2	2
Total	100	100

Note: The retirement benefits trust established for the Company's pension plan constituted 9% of total plan assets in the previous fiscal year and 9% of total plan assets in the current fiscal year.

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

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

15.2.8 Items relating to actuarial assumptions

Major actuarial assumptions

	2017	2018
Discount rate	Mainly 0.0%	Mainly 0.0%
Long-term expected rate of return on plan assets	Mainly 2.0%	Mainly 2.0%
Expected rate of salary increase	Mainly 2.5%	Mainly 2.0%

15.3 Defined contribution plan

The amount of the required contribution for the consolidated subsidiaries' defined contribution plan (including employees' pension funds plan in the multi-employer plan to which the same accounting method is applied as for the defined contribution plan) was 60 million yen in the fiscal year ended March 31, 2017 and 39 million yen in the fiscal year ended March 31, 2018.

16. Stock Options, etc.

Cost amount and account associated with stock options

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Operating expenses and cost of sales of transportation and cost of sales	¥113	¥ —	\$ —

Note: The Company had been issuing stock acquisition rights as stock-based compensation stock option to full-time directors of Hankyu Corporation and Hanshin Electric Railway Co., Ltd., subsidiaries of the Company (hereinafter referred to as "Target Subsidiaries"). However, in connection with adoption by Target Subsidiaries of a performance-based stock compensation plan using the trust of shares in the Company (hereinafter referred to as "New System") on May 17, 2017, issuance and granting of stock acquisition rights as stock-based compensation stock option were abolished concurrently, and any dormant stock acquisition rights having granted to full-time directors of Target Subsidiaries were waived by the relevant directors, etc. on May 31, 2017 and have been shifted to the New System.

17. Deferred Tax

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

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Deferred tax assets:			
Loss on revaluation of real estate for sale	¥ 24,844	¥ 23,718	\$ 223,755
Net defined benefit liability	17,762	16,900	159,434
Tax loss carryforwards	14,661	10,298	97,151
Loss on impairment of fixed assets	9,268	9,417	88,840
Unrealized profit from assets	4,376	4,877	46,009
Loss on adjustment of transferred profit and loss	2,669	2,572	24,264
Provision for bonuses	1,872	1,878	17,717
Enterprise taxes and business office taxes	1,279	1,285	12,123
Losses on revaluation of investment securities	1,147	965	9,104
Other	10,747	10,910	102,925
Subtotal of deferred tax assets	88,630	82,825	781,368
Valuation allowance	(23,631)	(24,227)	(228,557)
Less amounts offset against deferred tax liabilities	(53,807)	(48,380)	(456,415)
Total deferred tax assets	11,191	10,217	96,387
Deferred tax liabilities:			
Gain on reversal of difference from land revaluation	(130,694)	(130,447)	(1,230,632)
Revaluation of assets on consolidation	(79,481)	(79,074)	(745,981)
Net unrealized holding gains on securities	(15,170)	(15,954)	(150,509)
Gain on valuation of properties of business reorganization	(1,826)	(1,796)	(16,943)
Other	(6,166)	(5,662)	(53,415)
Subtotal of deferred tax liabilities	(233,340)	(232,935)	(2,197,500)
Less amounts offset against deferred tax assets	53,807	48,380	456,415
Total deferred tax liabilities	(179,532)	(184,554)	(1,741,075)
Net deferred tax liabilities	(168,341)	(174,336)	(1,644,679)

Note: The Company reversed "Surplus from land revaluation" when, as a result of a (physical) absorption-type corporate split on April 1, 2005, it handed over all of its land to Hankyu Corporation (which changed its name from Hankyu Corporation Spin-Off Preparation Inc. to Hankyu Corporation on the same day). As a result, "Deferred tax liabilities related to land revaluation" has been recorded as "Deferred tax liabilities" starting from the fiscal year ended March 31, 2006.

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

	2017	2018
Statutory tax rate	30.8%	30.8%
(Adjustment)		
Elimination of dividends received from consolidated subsidiary companies etc.	16.5	15.3
Difference of tax rates from Parent Company	2.2	2.4
Amortisation of goodwill	0.7	0.7
Valuation allowance	(3.9)	0.5
Nondeductible expenses	0.4	0.5
Per capita portion of inhabitant tax	0.4	0.4
Nontaxable income	(16.4)	(15.6)
Profit or loss from investments with equity method affiliates	(2.6)	(2.8)
Other	(0.5)	0.7
Effective tax rate	27.7	32.9

18. Asset Retirement Obligations

Omitted as the significance was negligible.

19. Rental Property

Some consolidated subsidiaries own rental property, such as office buildings for lease and commercial facilities for lease in the Kita Ward of Osaka and other areas. Rental profit and loss related to such rental property in the fiscal year ended March 31, 2017 was 30,911 million yen (major rental revenues are recorded in revenues from operations and major rental expenses are recorded in costs of revenues from operations). Rental profit and loss related to such rental property in the fiscal year ended March 31, 2018 was 30,563 million yen (major rental revenues are recorded in revenues from operations and major rental expenses are recorded in costs of revenues from operations).

Book value recorded in the consolidated balance sheet, increase/decrease during the fiscal year and market value for such rental property are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Book value (Note 1):			
Balance at beginning of the year	¥623,357	¥616,481	\$5,815,858
Increase/decrease (Note 2)	(6,875)	6,982	65,868
Balance at end of the year	616,481	623,463	5,881,726
Fair value at end of the year (Note 3)	811,096	853,278	8,049,792

Notes:

1. Book value is acquisition cost less accumulated depreciation.
2. For increase/decrease during the fiscal year ended March 31, 2017, main increase was acquisitions of real estate of 12,017 million yen, and main decrease were depreciation of 12,634 million yen and exclusion of properties for which development began of 6,281 million yen. For increase/decrease during the fiscal year ended March 31, 2018, main increase was acquisitions of real estate of 18,514 million yen, and main decrease was depreciation of 12,555 million yen.
3. Fair value as of the end of the fiscal year is the appraisal value according to an outside real estate appraiser based on Japanese Real Estate Appraisal Standards in the case of key properties and the fair value based on indicators such as the assessed value of noncurrent assets and road tax rating in the case of other properties.
4. Properties under development are not included in the above table because it is difficult to determine the market value under development. Furthermore, properties under development recorded in the consolidated balance sheet for the fiscal year ended March 31, 2017 and for the fiscal year ended March 31, 2018 were 121,942 million yen and 137,722 million yen, respectively.

20. Segment Information

20.1 Segment information

20.1.1 Summary of reportable segments

The Group's reportable segments, which make financial information for units of the Group available, are regularly reviewed by the Board of Directors to determine the allocation of management resources and evaluate business results.

The Group, centering on five core companies of Hankyu Corporation, Hanshin Electric Railway Co., Ltd., Hankyu Travel International Co., Ltd., Hankyu Hanshin Express Co., Ltd. and Hankyu Hanshin Hotels Co., Ltd., is running a business centering around six business areas of urban transportation, real estate, entertainment and communications, travel, international transportation, and hotels, under the leadership of the Company in charge of management of the Group.

The nature of business in each reportable segment is as follows:

Urban Transportation: Railway operations, automobile, retailing and advertising businesses

Real Estate: Rental real estate, real estate sales and other businesses

Entertainment and Communications: Sports-related businesses, stage events, communications and media, and other businesses

Travel: Travel services

International Transportation: International cargo services

Hotels: Hotel ownership and management business

* As from the fiscal year ended March 31, 2019, in addition to five core companies mentioned above, Hankyu Hanshin Properties Corp. is also expected to act as a core company for real estate business of the Group.

20.1.2 Method used to calculate revenues from operations, income (or loss), assets and other items for each reportable segment

The accounting treatment for each reportable business segment is based on the methods described in the "Basis of Preparation of Consolidated Financial Statements," including Internal transactions (lease transactions of lands and buildings, etc.) that are calculated through management accounting at companies with businesses covering multiple segments.

Income (or loss) for each reportable segment refers to a figure based on operating income (or loss).

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

20.1.3 Information regarding totals for revenues from operations, income (loss), assets and other items by reportable segment
Fiscal year ended March 31, 2017

	Millions of yen										
	Reportable segment							Other (Note 1)	Total	Adjustment (Note 2)	Amounts appearing in the consolidated financial statements (Note 3)
Urban Transportation	Real Estate	Entertainment and Communications	Travel	International Transportation	Hotels	Subtotal					
Revenues from operations:											
I. Customers	¥232,306	¥ 198,663	¥ 107,162	¥ 29,926	¥ 71,631	¥ 64,358	¥ 704,048	¥32,284	¥ 736,332	¥ 430	¥ 736,763
II. Intersegment	4,830	17,046	8,031	12	38	1,281	31,240	10,362	41,603	(41,603)	—
Total	237,136	215,709	115,193	29,938	71,670	65,640	735,288	42,646	777,935	(41,172)	736,763
Segment income (loss)	42,237	41,970	15,655	637	1,587	2,795	104,885	1,340	106,225	(2,167)	104,058
Segment assets	802,238	1,056,719	147,307	73,938	38,658	82,562	2,201,424	34,144	2,235,569	114,261	2,349,831
Other items:											
Depreciation and amortisation	25,919	16,800	6,729	726	680	1,877	52,734	546	53,280	(480)	52,800
Increase in property and equipment and intangible assets	31,158	43,144	7,388	528	384	3,182	85,787	618	86,406	(193)	86,212

Notes

- The "Other" segment refers to a business segment not included in reportable segments, and includes construction business, etc.
- The main item in the adjusted amount of the segment income or loss for the fiscal year was amortisation of goodwill of ¥(2,238) million (Amortisation of goodwill mainly having originated from management integration with Hanshin Electric Railway Co., Ltd. In the fiscal year ended March 31, 2007).
In addition to the balance of unamortised goodwill of ¥20,496 million (refers mainly to the amortisation of goodwill having originated from management integration with Hanshin Electric Railway Co., Ltd. in the fiscal year ended March 31, 2007), the adjusted amount for segment assets includes, surplus working capital (cash and deposits), long-term investment funds (investment securities), unallocated assets such as lands, and Intersegment eliminations, at the Company, Hankyu Corporation and Hanshin Electric Railway Co., Ltd.
- Segment profit and loss is adjusted with operating income in the consolidated statement of income.

Fiscal year ended March 31, 2018

	Millions of yen										
	Reportable segment							Other (Note 1)	Total	Adjustment (Note 2)	Amounts appearing in the consolidated financial statements (Note 3)
Urban Transportation	Real Estate	Entertainment and Communications	Travel	International Transportation	Hotels	Subtotal					
Revenues from operations:											
I. Customers	¥231,048	¥ 204,879	¥112,006	¥ 34,008	¥ 83,630	¥ 65,973	¥ 731,547	¥ 28,270	¥ 759,818	¥ 434	¥ 760,252
II. Intersegment	4,919	17,706	9,071	13	76	1,274	33,063	14,540	47,603	(47,603)	—
Total	235,967	222,586	121,078	34,022	83,707	67,248	764,610	42,811	807,422	(47,169)	760,252
Segment income (loss)	41,586	40,954	17,750	2,055	2,777	2,216	107,340	1,929	109,269	(4,058)	105,211
Segment assets	799,472	1,087,224	150,931	85,570	52,460	83,652	2,259,312	35,364	2,294,676	115,428	2,410,105
Other items:											
Depreciation and amortisation	26,661	16,536	6,792	680	662	2,099	53,434	411	53,846	(569)	53,276
Increase in property and equipment and intangible assets	35,001	39,928	7,559	538	732	2,298	86,060	665	86,725	(321)	86,404

	Thousands of U.S. dollars										
	Reportable segment							Other (Note 1)	Total	Adjustment (Note 2)	Amounts appearing in the consolidated financial statements (Note 3)
Urban Transportation	Real Estate	Entertainment and Communications	Travel	International Transportation	Hotels	Subtotal					
Revenues from operations:											
I. Customers	\$2,179,698	\$ 1,932,821	\$1,056,660	\$320,830	\$788,962	\$622,387	\$ 6,901,387	\$266,698	\$ 7,168,094	\$ 4,094	\$ 7,172,189
II. Intersegment	46,406	167,038	85,575	123	717	12,019	311,915	137,170	449,085	(449,085)	—
Total	2,226,104	2,099,868	1,142,245	320,962	789,689	634,415	7,213,302	403,877	7,617,189	(444,991)	7,172,189
Segment income (loss)	392,321	386,358	167,453	19,387	26,198	20,906	1,012,642	18,198	1,030,840	(38,283)	992,557
Segment assets	7,542,189	10,256,830	1,423,877	807,264	494,906	789,170	21,314,264	333,623	21,647,887	1,088,943	22,736,840
Other items:											
Depreciation and amortisation	251,519	156,000	64,075	6,415	6,245	19,802	504,094	3,877	507,981	(5,368)	502,604
Increase in property and equipment and intangible assets	330,198	376,679	71,311	5,075	6,906	21,679	811,887	6,274	818,160	(3,028)	815,132

Notes

- The "Other" segment refers to a business segment not included in reportable segments, and includes construction business, etc.
- The main item in the adjusted amount of the segment income or loss for the fiscal year was amortisation of goodwill of ¥(2,238) million (Amortisation of goodwill mainly having originated from management integration with Hanshin Electric Railway Co., Ltd. In the fiscal year ended March 31, 2007).
In addition to the balance of unamortised goodwill of ¥18,335 million (refers mainly to the amortisation of goodwill having originated from management integration with Hanshin Electric Railway Co., Ltd. in the fiscal year ended March 31, 2007), the adjusted amount for segment assets includes, surplus working capital (cash and deposits), long-term investment funds (investment securities), unallocated assets such as lands, and Intersegment eliminations, at the Company, Hankyu Corporation and Hanshin Electric Railway Co., Ltd.
- Segment profit and loss is adjusted with operating income in the consolidated statement of income.

Notes to the Consolidated Financial Statements

20.2 Related information

Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017) and fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

20.2.1 Information by product and service

Information about product and service categories is the same as that described in Note 20.1.3, "Information regarding totals for revenues from operations, income (loss), assets and other items by reportable segment."

20.2.2 Information by region

I. Revenues from operations

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

II. Property and equipment

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

20.2.3 Information about important customers

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

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

Omitted as the significance was negligible.

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

Omitted as the significance was negligible.

20.5 Information regarding gains from negative goodwill by reportable segment

Omitted as the significance was negligible.

21. Related-Party Transactions

21.1 Related-party transactions

21.1.1 Transactions between the company submitting the consolidated financial statements and related parties

No items

21.1.2 Transactions between consolidated subsidiaries of the company submitting the consolidated financial statements and related parties

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

Fiscal year ended March 31, 2017

Type	Name of related party	Address	Amount of capital (Millions of yen)	Business	Voting interest	Relationship with related party	Details of transaction	Transaction amounts (Millions of yen)	Item	Balance as of March 31, 2017 (Millions of yen)
Audit & Supervisory Board Member	Haruo Sakaguchi	—	¥ —	Auditor of the Company	Directly 0.0%	Lease of real estate	Lease of real estate	¥ 47	Deposit	¥ 40
Company in which director or close family thereof holds majority of voting rights	Tateishi Sangyo Co., Ltd.	Ikeda City, Osaka	100	Real estate business	Directly 0.1%	Sale of real estate Concurrent post (director)	Sale of real estate	1,146	Advance	205

Fiscal year ended March 31, 2018

Type	Name of related party	Address	Amount of capital		Business	Voting interest	Relationship with related party	Details of transaction	Transaction amounts		Item	Balance as of March 31, 2018	
			(Millions of yen)	(Thousands of U.S. dollars)					(Millions of yen)	(Thousands of U.S. dollars)		(Millions of yen)	(Thousands of U.S. dollars)
Audit & Supervisory Board Member	Haruo Sakaguchi	—	¥ —	\$ —	Auditor of the Company	Directly 0.0%	Lease of real estate	Lease of real estate	¥ 53	\$ 500	Deposit	¥ 40	\$377
Company in which director or close family thereof holds majority of voting rights	Tateishi Sangyo Co., Ltd.	Ikeda City, Osaka	100	943	Real estate business	Directly 0.1%	Sale of real estate Concurrent post (director)	Sale of real estate	1,995	18,821	Deposit	20	189

Notes

- The transaction amount does not include consumption tax, etc., and the balance, excluding deposits, as of the end of the fiscal year does not include any consumption tax, etc.
- Terms and conditions for transaction, and policies for determining terms and conditions for transaction
Terms and conditions for lease and for sales are determined by referencing to similar transaction cases in the neighboring area.
- Koichi Kobayashi, an Auditor of the Company, and his close family own 77% of the voting rights in Tateishi Sangyo Co., Ltd.

21.2 Notes about parent company and major affiliated companies

No items

22. Per Share Information

Net assets per share, net income per share and diluted net income per share for the fiscal year, and the basis for their respective calculations are as shown below.

	2017	2018	2018
(1) Net assets per share (Yen / U.S. dollars)	¥3,150.67	¥3,391.35	\$31.99
(Basis for the calculation)			
Total net assets (Millions of yen / Thousands of U.S. dollars)	¥804,659	¥866,512	\$8,174,642
Amount to be deducted from total net assets (Millions of yen / Thousands of U.S. dollars)	¥17,710	¥28,786	271,566
(Of the amount, subscription rights to shares)	¥[496]	¥ —	\$ —
(Of the amount, non-controlling interests)	¥[17,213]	¥[28,786]	\$[271,566]
Net assets at the end of the fiscal year related to common shares (Millions of yen / Thousands of U.S. dollars)	¥786,949	¥837,726	\$7,903,075
Common shares issued (Thousands of shares)	254,281	254,281	
Treasury stock shares (Thousands of shares)	3,471	6,103	
Common shares held by consolidated subsidiaries and equity-method affiliates (Thousands of shares)	1,036	1,159	
Common shares used to calculate net assets per share (Thousands of shares)	249,772	247,018	
(2) Net income per share (Yen / U.S. dollars)	¥285.11	¥267.91	\$2.53
(Basis for the calculation)			
Net income attributable to owners of the parent (Millions of yen / Thousands of U.S. dollars)	¥71,302	¥66,361	\$626,047
Amount not belonging to common stockholders (Millions of yen / Thousands of U.S. dollars)	¥ —	¥ —	\$ —
Net income attributable to owners of the parent related to common shares (Millions of yen / Thousands of U.S. dollars)	¥71,302	¥66,361	\$626,047
Average number of common shares during term (Thousands of shares)	250,089	247,700	
(3) Net income per share—diluted (Yen / U.S. dollars)	¥284.86	¥267.81	\$2.53
(Basis for the calculation)			
Adjustment to net income attributable to owners of the parent (Millions of yen / Thousands of U.S. dollars)	¥(14)	¥[17]	\$[160]
(Equity in income of affiliates)	¥[(14)]	¥[17]	\$[160]
Increase in number of common shares (Thousands of shares)	171	26	
(Of the amount, subscription rights to shares)	[171]	[26]	
Summary of potential shares that were not included in the calculation of diluted income per share because their effect was not dilutive	—	—	—

Notes

- In calculating net assets per share, the number of the shares in the Company owned by the officer's compensation BIP trust are included in that of treasury stock shares to be excluded from the total number of outstanding shares at the end of the fiscal year. Furthermore, in calculating net income per share and diluted net income per share for the current fiscal year, the number of the shares in the Company owned by the officer's compensation BIP trust are included in that of treasury stock shares to be excluded in calculating the average number of the shares during the current fiscal year. The number of such treasury stock shares deducted in calculating net assets per share at the end of the fiscal year ended March 31, 2018 is 357,968, and the average number of the treasury stock shares deducted in calculating net income per share and diluted net income per share for the fiscal year ended March 31, 2018 is 288,051.
- The Company consolidated its shares at the rate of 5 ordinary shares into 1 ordinary share on August 1, 2016, and the net income per share and diluted net income per share for the fiscal year ended March 31, 2017 were calculated under the assumption that said consolidation was carried out at the beginning of the fiscal year ended March 31, 2017.

23. Subsequent Events

23.1 Acquisition of treasury stock

Pursuant to Article 156 of the Companies Act of Japan as applied mutatis mutandis under Article 165, paragraph 3 of the same act, a meeting of the Board of Directors convened on May 15, 2018 decided the following items in relation to the acquisition of treasury stock.

23.1.1 Reason for acquisition of treasury stock

To enhance shareholder returns and enhance capital efficiency

23.1.2 Details of items related to acquisition

- Type of shares acquired: Shares of common stock of the Company
- Total number of shares available for acquisition: 3,000,000 shares (upper limit)
(1.21% of total number of outstanding shares (excluding treasury stock))
- Total amount of acquisition: 10,000,000,000 yen (upper limit)
- Period of acquisition: From May 24, 2018 to July 31, 2018

24. Consolidated Supplementary Statements

24.1 Corporate bond statements

Company	Name	Issue date	Millions of yen		Thousands of U.S. dollars	Interest rate	Security	Redemption date
			Balance as of April 1, 2017	Balance as of March 31, 2018	Balance as of March 31, 2018			
Hankyu Hanshin Holdings, Inc.	Series 38 unsecured corporate bonds	Oct 23, 2009	¥ 10,000	¥10,000	\$ 94,340	1.87%	None	Oct 23, 2019
Hankyu Hanshin Holdings, Inc.	Series 40 unsecured corporate bonds	Sept 22, 2010	15,000	15,000	141,509	1.43	None	Sept 18, 2020
Hankyu Hanshin Holdings, Inc.	Series 41 unsecured corporate bonds	Sept 22, 2010	7,000	7,000	66,038	1.72	None	Sept 22, 2022
Hankyu Hanshin Holdings, Inc.	Series 42 unsecured corporate bonds	Mar 17, 2011	10,000	10,000	94,340	1.54	None	Mar 17, 2021
Hankyu Hanshin Holdings, Inc.	Series 44 unsecured corporate bonds	Oct 25, 2012	10,000	—	—	0.406	None	Oct 25, 2017
Hankyu Hanshin Holdings, Inc.	Series 45 unsecured corporate bonds	Mar 14, 2013	10,000	10,000	94,340	0.589	None	Mar 13, 2020
Hankyu Hanshin Holdings, Inc.	Series 46 unsecured corporate bonds	Oct 25, 2013	10,000	10,000	94,340	0.819	None	Oct 25, 2023
Hankyu Hanshin Holdings, Inc.	Series 47 unsecured corporate bonds	Jul 18, 2014	10,000	10,000	94,340	1.202	None	Jul 18, 2029
Hankyu Hanshin Holdings, Inc.	Series 48 unsecured corporate bonds	Dec 15, 2016	10,000	10,000	94,340	0.120	None	Dec 15, 2021
Hankyu Hanshin Holdings, Inc.	Series 49 unsecured corporate bonds	Dec 15, 2016	10,000	10,000	94,340	0.817	None	Dec 15, 2036
Total	—	—	102,000	92,000	867,925	—	—	—

Note: The amount of bonds scheduled to be redeemed within five years subsequent to March 31, 2018 are as follows.

	Millions of yen	Thousands of U.S. dollars
Due within one year	¥ —	\$ —
Due after one year through two years	20,000	188,679
Due after two years through three years	25,000	235,849
Due after three years through four years	10,000	94,340
Due after four years through five years	7,000	66,038

24.2 Statements of loans payable

Item	Millions of yen		Thousands of U.S. dollars	Average interest	Repayment deadline rate
	Balance as of April 1, 2017	Balance as of March 31, 2018	Balance as of March 31, 2018		
Short-term borrowings	¥134,676	¥100,721	\$ 950,198	0.427%	—
Current portion of long-term debt	43,732	41,369	390,274	0.730	—
Current portion of lease obligations	1,795	1,493	14,085	—	—
Long-term debt (excluding current portion)	610,523	625,340	5,899,434	0.912	2019 – 2038
Lease obligations (excluding current portion)	6,795	5,832	55,019	—	2020 – 2027
Other interest-bearing debt	—	—	—	—	—
Total	797,523	774,758	7,309,038	—	—

Notes :

- The balances refer to those after the elimination of transactions between companies in the consolidation group.
- "Average interest rate" of loans payable refers to the weighted average interest rate for outstanding loans as of the end of the fiscal year ended March 31, 2018.
- For lease obligations, "average interest rate" is not shown because the Company mainly uses the method that includes the amount of interest in total lease obligations and that spreads the total amount of interest equally over each fiscal year of the lease period.
- Repayment schedule of long-term debts and lease obligations (excluding those scheduled to be repaid within one year) within five years subsequent to March 31, 2018 are as follows.

Long-term debt	Millions of yen	Thousands of U.S. dollars
Due after one year through two years	¥34,365	\$324,198
Due after two years through three years	34,456	325,057
Due after three years through four years	44,269	417,632
Due after four years through five years	52,729	497,443

Lease obligations	Millions of yen	Thousands of U.S. dollars
Due after one year through two years	¥1,389	\$13,104
Due after two years through three years	1,193	11,255
Due after three years through four years	1,002	9,453
Due after four years through five years	847	7,991

24.3 Schedule of asset retirement obligations

Omitted as the significance was negligible.

25. Others

Quarterly financial information in fiscal year ended March 31, 2018

Cumulative period	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Revenues from operations (Millions of yen)	¥180,214	¥361,906	¥541,376	¥760,252
Income before income taxes (Millions of yen)	34,326	62,577	85,147	101,410
Net income attributable to owners of the parent (Millions of yen)	23,231	41,649	57,333	66,361
Net income per share for quarter (of the fiscal year ended March 31, 2018) (yen)	93.22	167.74	231.27	267.91

Cumulative period	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Revenues from operations (Thousands of U.S. dollars)	\$1,700,132	\$3,414,208	\$5,107,321	\$7,172,189
Income before income taxes (Thousands of U.S. dollars)	323,830	590,349	803,274	956,698
Net income attributable to owners of the parent (Thousands of U.S. dollars)	219,160	392,915	540,877	626,047
Net income per share for quarter (of the fiscal year ended March 31, 2018) (U.S. dollars)	0.88	1.58	2.18	2.53

Accounting period	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Net income per share for quarter of the fiscal year (Yen)	¥93.22	¥74.47	¥63.49	¥36.55

Accounting period	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Net income per share for quarter of the fiscal year (U.S. dollars)	\$0.88	\$0.70	\$0.60	\$0.34

List of Major Domestic Rental and Sales Properties

Major rental properties

As of May 1, 2018

Property name	Location	Completed	Leasable area ^{*1} (1,000 m ²)	Use
Umeda Hankyu Bldg.	Kita-ku, Osaka	2012	213	Department stores (Hankyu Department Store), Offices
Umeda Hanshin Daiichi Bldg. (HERBIS OSAKA)	Kita-ku, Osaka	1997	82	Hotels (The Ritz-Carlton, Osaka), Offices, Commercial facilities, Multifunctional convention hall
Osaka Umeda Twin Towers South	Kita-ku, Osaka	2018	58 ^{*2}	Department store (Hanshin Department Store)
Umeda Hanshin Daini Bldg. (HERBIS ENT)	Kita-ku, Osaka	2004	55	Offices, Commercial facilities, Theater (Osaka Shiki Theater)
Hankyu Chayamachi Bldg. (Applause Tower)	Kita-ku, Osaka	1992	52	Hotel (Hotel Hankyu International), Offices, Commercial facilities
Hankyu Sanban Gai Shopping Centre	Kita-ku, Osaka	1969	40	Commercial facilities
Hankyu Grand Bldg.	Kita-ku, Osaka	1977	36	Offices, Commercial facilities
GRAND FRONT OSAKA	Kita-ku, Osaka	2013	28	Offices, Commercial facilities, Knowledge Capital, Hotel (InterContinental Hotel Osaka)
Hankyu Terminal Bldg.	Kita-ku, Osaka	1972	27	Offices, Commercial facilities
Hankyu Five Bldg. (HEP FIVE)	Kita-ku, Osaka	1998	20	Commercial facilities
Navio Hankyu (HEP NAVIO)	Kita-ku, Osaka	1980	16	Commercial facilities
Kita Hankyu Bldg.	Kita-ku, Osaka	1971	13	Offices, Commercial facilities
NU-chayamachi	Kita-ku, Osaka	2005	12	Commercial facilities
Noda Hanshin Bldg. (WISTE)	Fukushima-ku, Osaka	1992	32	Commercial facilities, Offices
Shin-Osaka Hankyu Bldg.	Yodogawa-ku, Osaka	2012	24	Offices, Hotel (REMM Shin-Osaka), Commercial facilities
Hankyu Nishinomiya Gardens	Nishinomiya, Hyogo	2008	108	Commercial facilities, Department stores (Hankyu Department Store)
Hankyu Kawaramachi Bldg.	Shimogyo-ku, Kyoto	1974	38	Department stores (Takashimaya)

*1 Leasable area does not include areas for public use.

*2 Phase I

Major properties sold in fiscal 2018

Property name	Location	Total number of units
Condominium		
Geo Tenroku Twin Towers	Kita-ku, Osaka	358
Cielia Saito (First phase) ^{*3}	Ibaraki, Osaka	208
Geo Ibaraki Togu-cho	Ibaraki, Osaka	45
Geo Nishinomiya Kitaguchi <i>The Grace</i>	Nishinomiya, Hyogo	40
Geo Nishinomiya Kitaguchi Kawarabayashi-cho	Nishinomiya, Hyogo	35
Geo Nishinomiya Kitaguchi Yakushi-cho	Nishinomiya, Hyogo	29
Geo Fukagawa Sumiyoshi	Koto-ku, Tokyo	190
Geo Yotsuya Araki-cho	Shinjuku-ku, Tokyo	131 ^{*4}
Primce Style Higashi Nihombashi ^{*3}	Chuo-ku, Tokyo	73 ^{*4}
Geo Yotsuya Sanei-cho	Shinjuku-ku, Tokyo	61
Geo Utsukushigaoka 2-chome <i>Hills</i>	Yokohama, Kanagawa	52
Geo Minamiaoyama	Minato-ku, Tokyo	25
Geo Grande Motoazabu	Minato-ku, Tokyo	19 ^{*4}

Detached house

<i>Hapia Garden</i> Ibaraki	Ibaraki, Osaka	57
Hankyu Saito <i>Garden Front</i> Saito Minoh <i>Residence</i>	Minoh, Osaka	48
<i>Hapia Garden</i> Tarumi Seiryodai	Tarumi-ku, Kobe	17
<i>Hapia Garden</i> Shimo Shakuji	Nerima-ku, Tokyo	13
<i>Hapia Garden</i> Komae Izumi Tamagawa	Komae, Tokyo	9
<i>Hapia Garden</i> Yokohama Yamate Nibangai	Naka-ku, Yokohama	7

*3 Joint-venture properties

*4 Including unsold condominium units

Major properties sold in fiscal 2019

Property name	Location	Total number of units
Condominium		
Geo Hankyu Minase <i>Heart Square</i>	Mishima-gun, Osaka	315
<i>Wellith</i> Ibaraki ^{*3}	Ibaraki, Osaka	216
Geo Kyoto Katsuragawa	Minami-ku, Kyoto	98
Cielia Saito (Second phase) ^{*3}	Ibaraki, Osaka	98
<i>Lefond Geo</i> Ikeda ^{*3}	Ikeda, Osaka	77
Geo Takarazuka Minamiguchi	Takarazuka, Hyogo	64
Geo Nishinomiya Kitaguchi <i>The Clair</i>	Nishinomiya, Hyogo	51
Geo Shinjyuku Wakamatsu-cho ^{*3}	Shinjuku-ku, Tokyo	123
Geo Chiyoda Otemachi ^{*3}	Chiyoda-ku, Tokyo	57 ^{*4}
Geo Nishikasai Seishin-cho	Edogawa-ku, Tokyo	55
Geo Setagaya Matsubara	Setagaya-ku, Tokyo	39
Geo Minamiyugigaya	Ota-ku, Tokyo	23
Geo Motoakasaka	Minato-ku, Tokyo	22

Detached house

<i>Hapia Garden</i> Yao Akegawa-Minami	Yao, Osaka	30
<i>Hapia Garden</i> Kobe Takamaru	Tarumi-ku, Kobe	24
<i>Hapia Garden</i> Mukogawa <i>Sorail</i>	Amagasaki, Hyogo	20
Machida-shi Tamagawagakuen 2-chome	Machida, Tokyo	17
<i>Hapia Garden</i> Koyama 3-chome	Nerima-ku, Tokyo	6
<i>Hapia Garden</i> Hamadayama	Suginami-ku, Tokyo	4

List of Overseas Sales Properties

Country	Property Name	Residence Type	Total Units	Business Partner	Completion
Vietnam	FLORA-ANH DAO-	Condominium	500	Nam Long Investment Corporation, Nishi-Nippon Railroad Co., Ltd.	Completed in 2016
	FUJI RESIDENCE	Condominium	789	Nam Long Investment Corporation, Nishi-Nippon Railroad Co., Ltd.	Completed in 2017 2017 or later
		Detached house	84		
	FLORA-KIKYO-	Condominium	234	Nam Long Investment Corporation, Nishi-Nippon Railroad Co., Ltd.	2018 (scheduled)
	MIZUKI PARK	Condominium	Approx. 4,670	Nam Long Investment Corporation, Nishi-Nippon Railroad Co., Ltd.	2019 or later (scheduled)
		Detached house	Approx. 100		
Townhouse		Approx. 60			
AKARI CITY	Condominium	Approx. 4,600	Nam Long Investment Corporation, Nishi-Nippon Railroad Co., Ltd.	Unscheduled	
Thailand	Niche Mono Sukhumvit-Bearing	Condominium	1,275	SENA Development	2019 (scheduled)
	Niche Pride Taopoon-Interchange	Condominium	742	SENA Development	2020 (scheduled)
	PITI Ekkamai	Condominium	879	SENA Development	2021 (scheduled)
	Niche Mono Mega Space Bangna	Condominium	Approx. 790	SENA Development	2020 (scheduled)
	Niche Mono Charoen Nakorn	Condominium	537	SENA Development	2020 (scheduled)
The Philippines	Idesia Dasmariñas	Detached house	456	PA Alvarez Properties	2019 or later (scheduled)
		Townhouse	463		
Indonesia	The Zola	Detached house	543	Sinar Mas Land and others	2019 or later (scheduled)
		Residence with shops	158		
	Opus Park	Condominium	1,095	Sumitomo Corporation, Sentul City	2019 (scheduled)
Malaysia	RIMBUN KASIA	Condominium	Approx. 850	Ireka Corporation Berhad	2020 or later (scheduled)



Major Group Companies (As of April 1, 2018)

Consolidated Subsidiaries

Urban Transportation

	Name of company
Railway operations	Hankyu Corporation
	Hanshin Electric Railway Co., Ltd.
	Nose Electric Railway Co., Ltd.
	Kita-Osaka Kyuko Railway Co., Ltd.
	Hokushin Kyuko Railway Co., Ltd.
Kobe Rapid Transit Railway Co., Ltd.	
Automobile	Hankyu Bus Co., Ltd.
	Hanshin Bus Co., Ltd.
	Hankyu Taxi Inc.
	Hanshin Taxi Co., Ltd.
Advertising	Hankyu Corporation
	Eki Retail Service Hankyu Hanshin Co., Ltd.
	Hankyu Style Labels Co., Ltd.
Retailing	Hankyu Corporation
	Hankyu Advertising Agency Inc.
Other	Alna Sharyo Co., Ltd.
	Hankyu Sekkei Consultant
	Hanshin Station Net Co., Ltd.

Real Estate

	Name of company
Real estate leasing	Hankyu Corporation
	Hanshin Electric Railway Co., Ltd.
	Hankyu Hanshin Properties Corp.
	Hankyu Hanshin Estate Service Co., Ltd.
Real estate sales and other business	Hankyu Corporation
	Hanshin Electric Railway Co., Ltd.
	Hankyu Hanshin Properties Corp.
	Hankyu Hanshin Building Management Co., Ltd.
	Hankyu Hanshin High Security Service Co., Ltd.
	Hankyu Hanshin Clean Service Co., Ltd.
	Hankyu Hanshin REIT Asset Management, Inc.
Hankyu Hanshin Housing Support Ltd.	

Entertainment and Communications

	Name of company
Sports	Hanshin Electric Railway Co., Ltd.
	Hanshin Tigers Baseball Club, Ltd.
	Hanshin Contents Link Corporation
Stage	Hankyu Corporation
	Takarazuka Creative Arts Co., Ltd.
	Umeda Arts Theater Co., Ltd.
Communication and media	Itec Hankyu Hanshin Co., Ltd.
	Bay Communications Inc.
Leisure, etc.	Mt. Rokko Cable Car & Tourism Co.

Travel

	Name of company
Travel agency	Hankyu Travel International Co., Ltd.
	Hankyu Travel Support Co., Ltd.

International Transportation

	Name of company
International transportation	Hankyu Hanshin Express Co., Ltd.
	Hankyu Hanshin Logipartners Co., Ltd.
	HHE (USA) Inc.
	HHE (Deutschland) GMBH
	HHE (HK) Limited
	HHE Southeast Asia Pte. Ltd.
HHE: Hankyu Hanshin Express	

Hotels

	Name of company
Hotel management	Hankyu Hanshin Hotels Co., Ltd.
	Hanshin Hotel Systems Co., Ltd.
	Hankyu Hanshin Restaurants Co., Ltd.
	Arima View Hotel Co., Ltd.

Other

	Name of company
Construction	Hanshin Kensetsu Co., Ltd.
	Chuo Densetsu Co., Ltd.
Outsourcing services for personnel and accounting services	Hankyu Hanshin Business Associate Co., Ltd.
Credit and point card	Hankyu Hanshin Card Co., Ltd.
Group finance	Hankyu Hanshin Financial Support Co., Ltd.

Equity-Method Affiliates

Main business	Name of company
Department store	H ₂ O Retailing Corporation (Securities code: 8242)
Railway operations	Nishi-Osaka Railway Co., Ltd. Kobe Electric Railway Co., Ltd. (Securities code: 9046)
Motion picture business	Toho Co., Ltd. (Securities code: 9602)
Real estate leasing	Tokyo Rakutenchi Co., Ltd. (Securities code: 8842)
Commercial broadcasting	Kansai Telecasting Corporation

Investor Information (As of March 31, 2018)

Hankyu Hanshin Holdings, Inc.

Head Office

1-16-1, Shibata, Kita-ku, Osaka 530-0012, Japan
 Phone: +81-6-6373-5001
 (Group Planning Div., IR Office)
 Fax: +81-6-6373-5042

Tokyo Office (Personnel and General Affairs Div.)

Toho Twin Tower Bldg.,
 1-5-2, Yurakucho, Chiyoda-ku, Tokyo 100-0006, Japan
 Phone: +81-3-3503-1568
 Fax: +81-3-3508-0249

Paid-in Capital

¥99,474 million

Fiscal Year-End

March 31

Number of Employees

22,152 (consolidated)

Authorised Shares

640,000,000

Issued Shares

254,281,385

Number of Shareholders

77,240

Unit of Trading

100 shares

Stock Exchange Listing

Tokyo

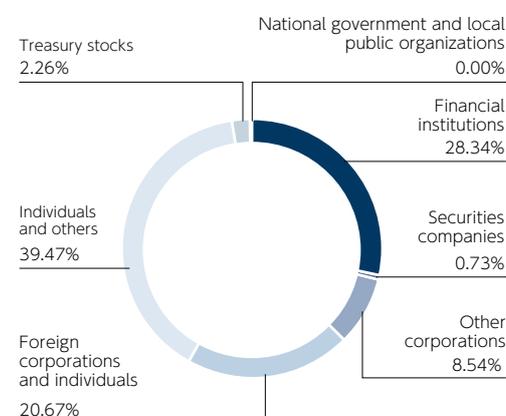
Transfer Agent

Mitsubishi UFJ Trust and Banking Corporation

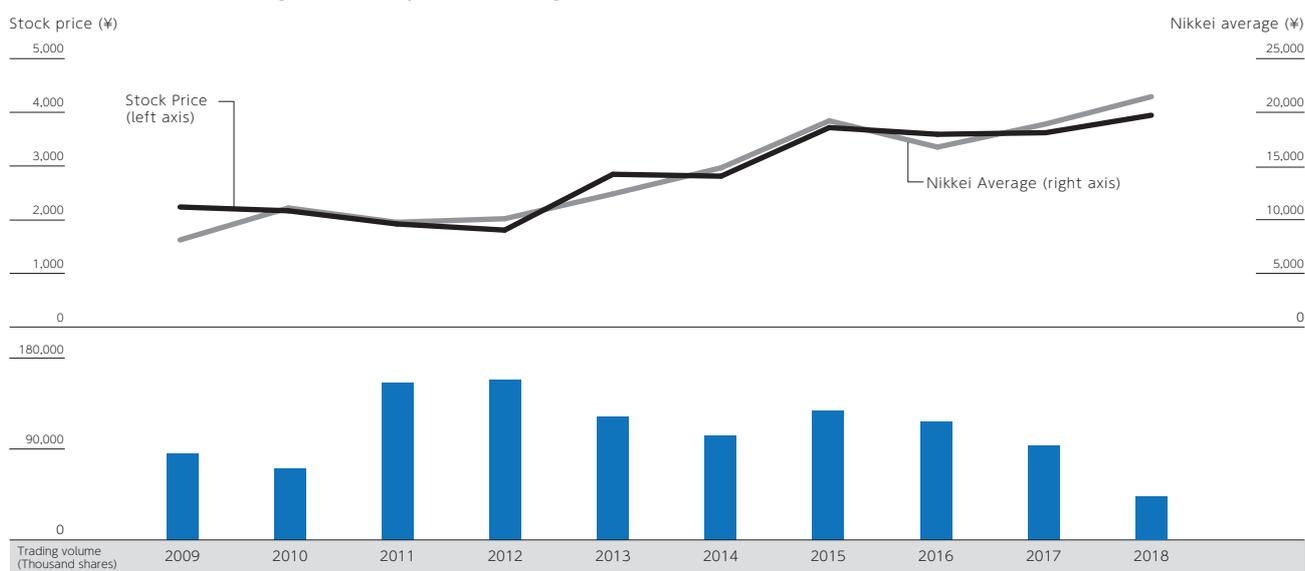
Principal Shareholders

Name	Number of shares (Thousands)	Percentage (%)
Japan Trustee Services Bank, Ltd. (Trust account)	13,116	5.28
The Master Trust Bank of Japan, Ltd. (Trust account)	10,150	4.08
Nippon Life Insurance Company (Standing Proxy: The Master Trust Bank of Japan, Ltd.)	5,224	2.10
Japan Trustee Services Bank, Ltd. (Trust account 5)	4,827	1.94
State Street Bank West Client-Treaty 505234 (Standing Proxy: Mizuho Bank, Ltd. Settlement & Clearing Services Division)	4,765	1.92
Sumitomo Mitsui Banking Corporation	4,381	1.76
H2O Retailing Corporation	4,207	1.69
Japan Trustee Services Bank, Ltd. (Trust account 1)	3,571	1.44
Japan Trustee Services Bank, Ltd. (Trust account 2)	3,535	1.42
Japan Trustee Services Bank, Ltd. (Trust account 7)	3,088	1.24

Ownership Breakdown



Stock Price and Annual Trading Volume (Tokyo Stock Exchange)



Notes:

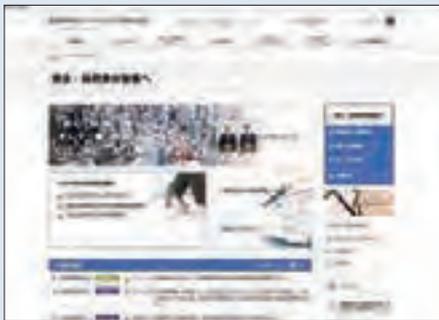
1. The stock prices are as of March 31, of each year. The trading volumes are for years ended March 31.
2. The data takes into account the reverse stock split and the change of trading unit conducted with an effective date of August 1, 2016.



Corporate Website of Hankyu Hanshin Holdings

The corporate website of Hankyu Hanshin Holdings presents an outline of the Group, news releases, and details of CSR initiatives in addition to providing governance information. It also publishes up-to-date information on each business as well as a message from management.

<https://www.hankyu-hanshin.co.jp/>



Information for Shareholders and Other Investors

The Group's investor relations website provides presentation materials on corporate financial results as well as a Q&A section. In addition, it provides statutory disclosure documents such as financial statements and securities reports. It also includes the business strategies and financial policies comprising the Long-Term Management Vision and Medium-Term Management Plan.

<https://www.hankyu-hanshin.co.jp/ir/>



Group Guide

We compile an annual Group Guide to aid in understanding of the Group outline. This Group Guide includes a message from management, a list of Group companies, and an outline of the scope of Group businesses. It is published in both English-language and Japanese-language editions.

<https://www.hankyu-hanshin.co.jp/ir/library/others/data/groupguide2018.pdf>



CSR Initiatives ▶ Environmental Preservation

The Group implements a variety of initiatives intended to reduce the environmental impacts of each of its businesses. This website includes examples of initiatives as well as external evaluations.

<https://www.hankyu-hanshin.co.jp/csr/eco/>



CSR Initiatives ▶ Social Contribution

Our Group engages in a variety of social contribution initiatives in order to implement the Group Management Philosophy. This website includes a video outlining these initiatives and provides a report detailing their content.

<https://www.hankyu-hanshin.co.jp/yume-machi/>

Hankyu Hanshin Holdings, Inc.

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Hankyu Hanshin Toho Group