ANNUAL REPORT 2013

Making Steady Progress

Hankyu Hanshin Holdings

Securities code: 9042

Making Steady Progress

Hankyu Hanshin Holdings Group is one of the primary private-sector railways operators in Japan, coming into being in October 2006 through the management integration of Hankyu Holdings, Inc. and Hanshin Electric Railway Co., Ltd. Positioning the six business domains—Urban Transportation, Real Estate, Entertainment and Communications, Travel, International Transportation, and Hotels—as core businesses,*1 we aim to foster organic growth across the entire Group.

The Kansai area*2—the main base of our operations—has played an important role as a key economic and logistical base nationwide since ancient times and has been developing as an urban industrial area since the 19th century. Accounting for approximately 16% of Japan's GDP, the Kansai area currently is the second-largest economic area in the country and is home to various industries that play a major role in the Japanese economy. The Group operates railway networks linking Osaka, Kobe and Kyoto that substantially expand people's lifestyle possibilities. At the same time, the Group engages in a wide range of secondary businesses in areas served by our stations ranging from housing and shopping centres to the Hanshin Tigers professional baseball team and Takarazuka Revue. By providing services that did not exist previously, the Group offers more fulfilling lifestyles and contributes to community-building in areas served by its lines. In pursuing future growth, the Group will work to increase value along Group railway lines over the medium to long term while leveraging its know-how in community-building and its brand power.

The theme of the 2013 Annual Report is "Making Steady Progress." Through it, the Group aims to give stakeholders an overall understanding of our business operations, including the steady progress we have made in the improvement of financial standing and the redevelopment of Umeda to position us for the next stage of growth.

*1 Certain core businesses will be restructured in fiscal 2014. For more details, please see pages 22 and 60.
*2 Kansai area: Osaka, Kyoto, Hyogo, Nara, Shiga and Wakayama prefectures

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Forward-looking Statements

The reader is advised that this 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.

Contents

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 175th period, audited by KPMG AZSA LLC presented in somewhat changed 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.

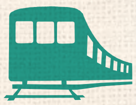
Definition

"Fiscal 2013" refers to the fiscal year ended 31st March 2013. 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.

Our Business

Business Summary

Operating wide-ranging businesses centred in the Kansai area



Urban Transportation

Forming a mega network in the Kansai area that provides various urban transportation services linking Group railways, buses and taxis

Real Estate

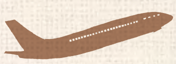
Develop and manage high-quality housing, commercial facilities and offices in the areas served by our lines

Entertainment and Communications

Expand businesses of high brand value such as Hanshin Tigers professional baseball team, Hanshin Koshien Stadium and Takarazuka Revue

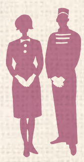
Travel

Offer a wide range of travel agency services through our mainstay Trapics brand



International Transportation

Offer high-quality global logistics services mainly through Hankyu Hanshin Express



Hotels

Operate Japan's major hotel groups under the Hankyu-Hanshin-Daiichi Hotel Group, and manage The Ritz-Carlton, Osaka

< Revising Core Business Structure >

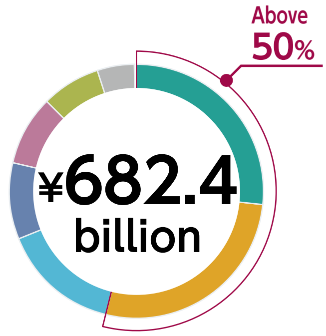
Certain core businesses have changed from fiscal 2014 onward. The business segments listed above are the new classifications. For more details, please see pages 22 and 60.

Fiscal 2013 Core Business Operating Results

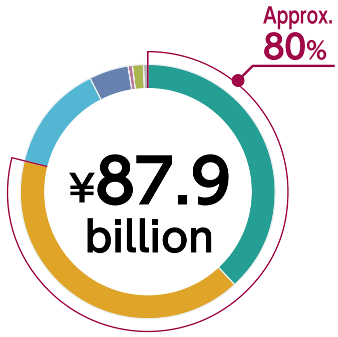
The Urban Transportation and Real Estate Businesses are generating stable cash flows

In the Urban Transportation Business, railways account for most revenues and earnings, and the same is true of leasing operations in the Real Estate Business. This ensures the generation of stable cash flow in both businesses. The Group's railway operations connect the central cities of the Kansai economic zone—Osaka, Kobe, and Kyoto—and they display high transportation efficiency. The most distinctive feature of our real estate leasing operations is the large number of properties we own in prime locations near our railway terminuses, principally in Umeda (Osaka) area.

Revenues from Operations



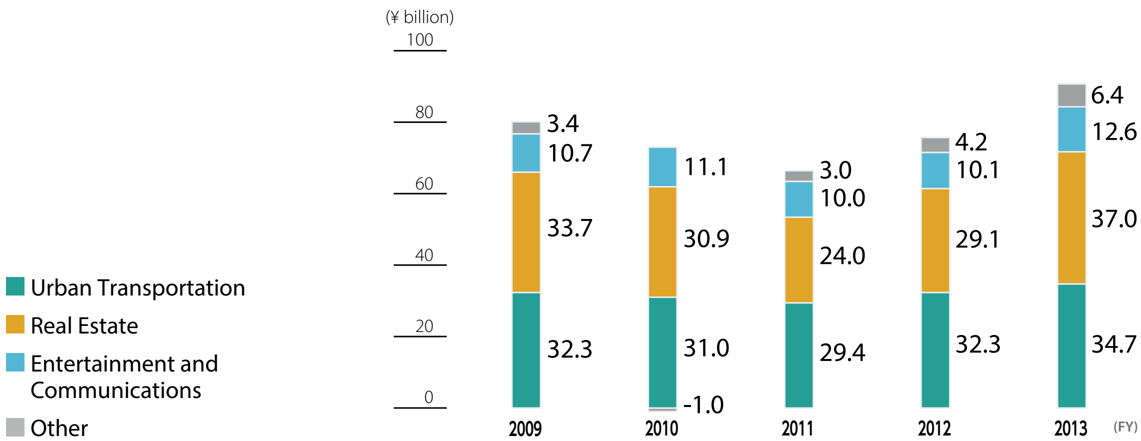
Operating Income



	Revenues from Operations	Operating Income
Urban Transportation	26.8%	38.2%
Real Estate	27.2%	40.7%
Entertainment and Communications	15.0%	13.8%
Travel and International Transportation	9.8%	4.9%
Hotels	8.9%	0.6%
Retailing	7.4%	1.5%
Other	5.0%	0.3%

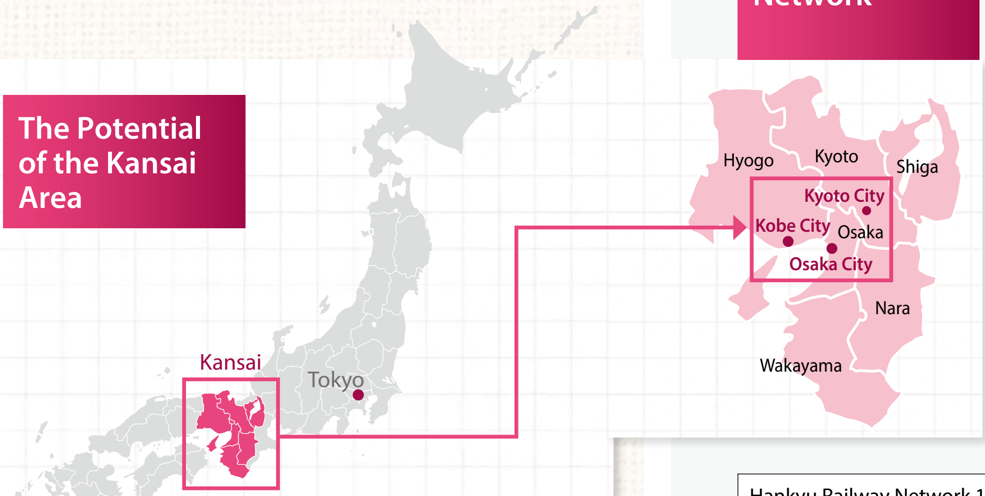
*Figures for % of revenues from operations are calculated based on the simple aggregate amount (including intersegment transactions) of each segment.

Operating Income by Core Business



Our Strength

The Potential of the Kansai Area



The Kansai area, the main base of our operations, accounts for approximately 16% of Japan's GDP, making it the second-largest economic area in Japan.

Area:

About **7**% of Japan

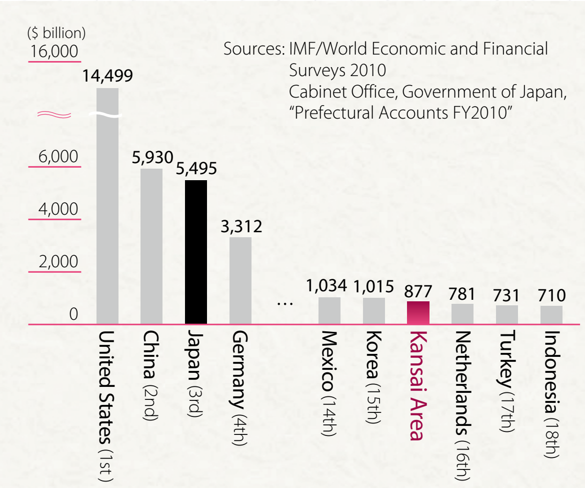
Population:

About **16**% of Japan

GRP*:

Overall, Kansai is on par with the Netherlands (16th in the world)

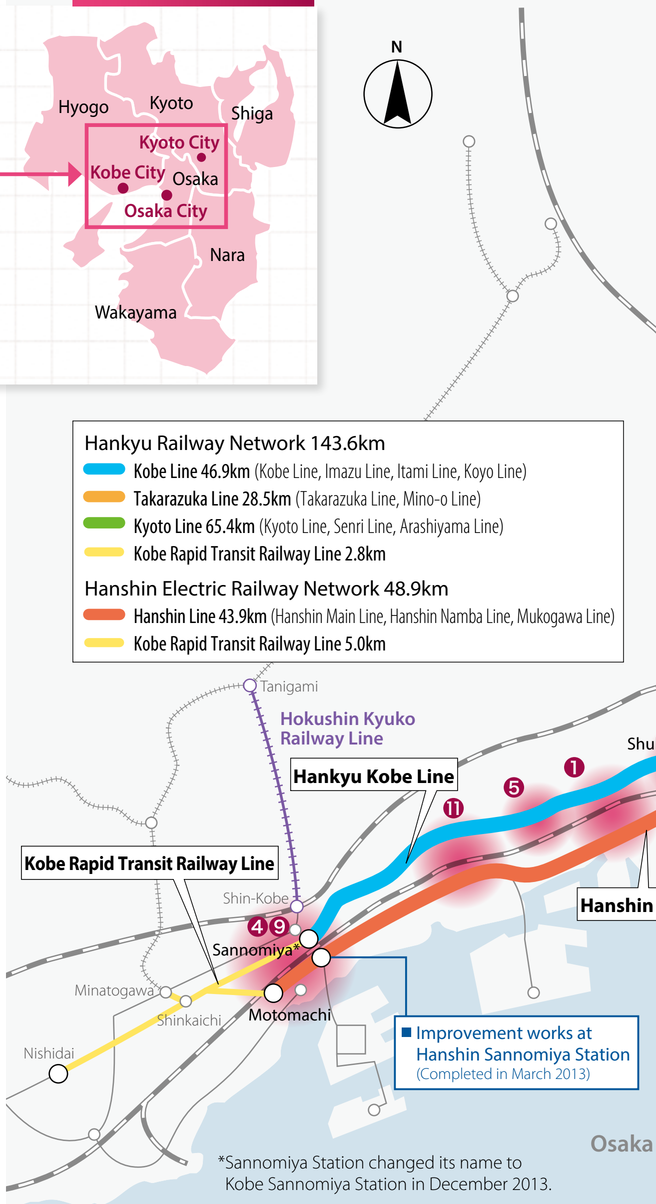
* Gross Regional Product



Sources: IMF/World Economic and Financial Surveys 2010
Cabinet Office, Government of Japan, "Prefectural Accounts FY2010"

Our Railway Network

The Group's railway netwo
communities constituting
served by our stations have

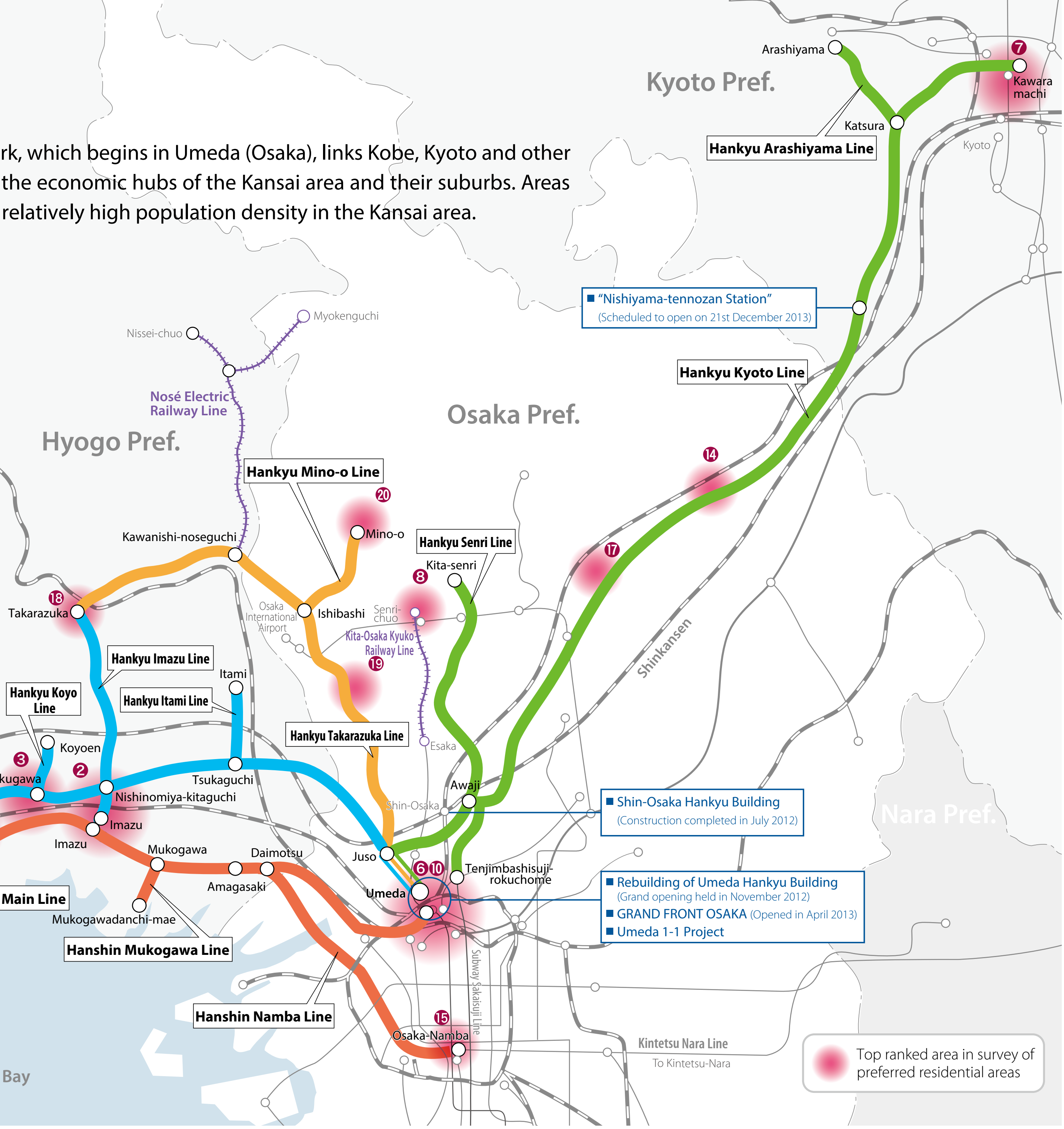


Strength 1

Ability to crea
in areas served by o

The Group creates new demand in the areas served by our lines by fo
housing and commercial facilities right from the start. In addition,
cultural institutions by building amusement facilities as well as
these areas. Through these activities, we are working with local peo
The Group has earned an excellent reputation thanks to our long-
of the communities served by our lines, and the areas along the
higher popularity levels than other parts of the Kansai area. As seen fr
value in areas served by Group stations is one of the Group's strength

rk, which begins in Umeda (Osaka), links Kobe, Kyoto and other the economic hubs of the Kansai area and their suburbs. Areas relatively high population density in the Kansai area.



te value
ur stations

cusing on developing high-class we establish and develop local attracting schools and colleges to ple to develop local communities. term efforts to enhance the value Group's railway lines now enjoy rom the above activities, creating s.

Source: Survey by Sumitomo Realty & Development and six other major real estate firms (27th September 2012)

Survey of Preferred Residential Areas (Kansai Area)

Areas along Hankyu and Hanshin lines topped the rankings overall (exception:16th-ranked Tennoji)

Rank	Place	Location
1	Ashiya	Ashiya, Hyogo
2	Nishinomiya	Nishinomiya, Hyogo
3	Shukugawa	Nishinomiya, Hyogo
4	Kobe	Kobe, Hyogo (Chuo-ku)
5	Okamoto	Kobe, Hyogo (Higashi-nada-ku)
6	Umeda	Osaka (Kita-ku)
7	Kyoto	Kyoto
8	Senri-chuo	Toyonaka, Osaka
9	Sannomiya	Kobe, Hyogo (Chuo-ku)
10	Osaka	Osaka (Kita-ku)

Rank	Place	Location
11	Mikage	Kobe, Hyogo (Higashi-nada-ku)
12	Downtown Osaka	Osaka
13	Downtown Kobe	Kobe
14	Takatsuki	Takatsuki, Osaka
15	Namba	Osaka (Chuo-ku)
16	Tennoji	Osaka (Tennoji-ku)
17	Ibaraki	Ibaraki, Osaka
18	Takarazuka	Takarazuka, Hyogo
19	Toyonaka	Toyonaka, Osaka
20	Minoh	Minoh, Osaka

Strength

2 Leveraging our strong presence in Umeda, Kansai's economic centre

The Umeda area of Osaka, the Group's most important base, is one of the most famous shopping and entertainment districts of Japan, served by the Umeda stations of the Hankyu and Hanshin lines and the Osaka Municipal Subway as well as JR Osaka Station. It is Kansai's economic centre. In the Umeda area, the Group operates railway terminuses serving both the Hankyu and Hanshin networks, and also runs key commercial facility, office building, hotel, theatre and other businesses.

⇒ P.31 Umeda Area in Detail ⇒ P.49 Major Rental Properties ⇒ P.30 Special Feature: Our Investment for Growth

Aerial Photo of the Umeda Area

The Group owns and manages commercial facilities, multipurpose buildings and numerous other properties concentrated in the Group's terminal (consisting of Hankyu Umeda and Hanshin Umeda stations) located in the Umeda area, western Japan's largest shopping and entertainment area.

■ Owned solely by the Group ■ Joint ownership ■ Owned by Hankyu REIT Inc.

*HEP FIVE is jointly owned with Hankyu REIT Inc.

Strength 3

Ownership of original content with strong brand value

The Group delivers inspiration and dreams through the Hanshin Tigers professional baseball team/Hanshin Koshien Stadium and the Takarazuka Revue, both of which are unique assets that are popular and enthusiastically supported not only in Kansai but throughout Japan. These two powerful attractions are assets that none of our rivals have. They help increase passenger numbers in the areas served by our stations when there is a show or a game on. They also contribute greatly to increased brand recognition for the Group.

©Hanshin Tigers

Hanshin Tigers/
Hanshin Koshien Stadium

Takarazuka Revue

©Takarazuka Revue Company

Business Portfolio

Developing a Balanced Business Portfolio Capable of Sustainable Growth

Urban Transportation

⇒P.40

Core Companies:
Hankyu Corporation, Hanshin Electric Railway

Total length of lines operated	Hankyu Railway	143.6km
	Hanshin Electric Railway	48.9km
Annual number of passengers carried (FY2013)	Hankyu Railway	615 million
	Hanshin Electric Railway	221 million

Focusing on its Railway Business, the Group is working to enhance the value of the areas served by its stations by expanding organic links primarily between the Real Estate Business and the Entertainment and Communications Business. In addition, we will realise a stable and balanced business portfolio by building on the unique strengths of each business.

Looking ahead, the comprehensive strength of the entire Group will be redoubled in such areas as bolstering competitiveness in each core business, aiming to be a No.1 and only one company, and generating Groupwide synergies that transcend barriers between businesses.

Real Estate

⇒P.44

Core Companies:
Hankyu Corporation, Hanshin Electric Railway

Leasable area*1	Approx. 1.7 million m^2 (Of this total, approximately 800,000m^2 are concentrated in the Umeda area)
Number of condominiums sold *2 for FY2013	1,548

*1 As of the end of March 2013
*2 Number of deliveries

Entertainment and Communications

⇒P.50

Core Companies: Hankyu Corporation, Hanshin Electric Railway

Total attendances (FY2013*)		
	Hanshin Tigers (Home games)	Approx. 2.7 million
	Takarazuka Revue (Including nationwide stage productions)	Approx. 2.5 million

*Total attendance at Hanshin Tigers home games during the 2012 season

©Hanshin Tigers

International Transportation

⇒P.53

Core Company: Hankyu Hanshin Express

Sales* (FY2013)	
	¥74.2 billion
	Japan outbound export handling volume: 4th in the industry
	Japan inbound import handling volume: 4th in the industry

*Includes the equivalent amount of initial export freight charges

Travel

⇒P.53

Core Company: Hankyu Travel International

Total travel billings (FY2013)	**¥387.5 billion** Total travel billings: No.2 in the industry Overseas travel billings: No.3 in the industry

Hotels

⇒P.56

Core Company: Hankyu Hanshin Hotels

Group hotels*	**50**
Number of rooms*	**10,445**

* As of 1st April 2013

Performance Highlights (Consolidated)

Key Financial Indicators

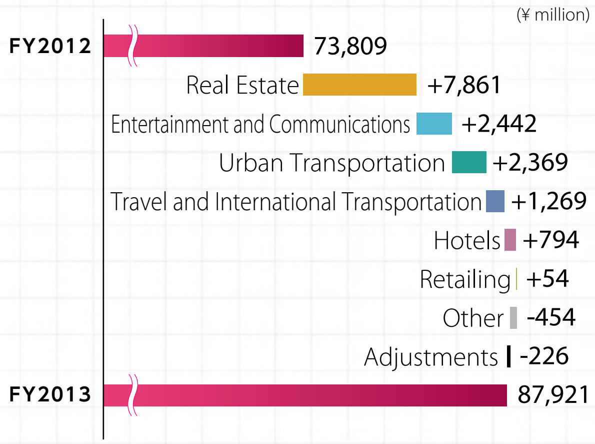
FY		(¥ million) 2008	2009	2010	2011	2012	2013	($ thousand) ❶ 2013
Result of Operations:								
Revenues from operations		¥752,300	¥683,715	¥653,287	¥638,770	¥649,703	¥682,439	$7,259,989
Operating income		90,724	77,823	70,126	64,743	73,809	87,921	935,330
EBITDA ❷		145,200	135,300	133,200	127,100	133,500	145,100	1,543,617
Income before income taxes and minority interests		26,098	34,064	33,899	32,760	43,419	62,192	661,617
Net income		627	20,550	10,793	18,068	39,252	39,702	422,362
Comprehensive income		—	—	12,541	14,728	44,992	54,081	575,330
Capital expenditure		134,307	109,688	132,386	68,431	55,267	59,512	633,106
Depreciation and amortisation		51,577	54,798	60,418	59,669	56,968	54,540	580,213
Cash Flows:								
Cash flows from operating activities		¥ 74,902	¥108,597	¥146,955	¥103,252	¥124,525	¥127,655	$1,358,032
Cash flows from investing activities		(100,058)	(115,047)	(132,737)	(62,516)	(44,295)	(58,923)	(626,840)
Free cash flow ❸		(25,155)	(6,449)	14,217	40,735	80,230	68,732	731,191
Cash flows from financing activities		36,718	7,014	(24,200)	(39,544)	(78,978)	(69,195)	(736,117)
Financial Position:								
Total assets		¥2,348,476	¥2,307,332	¥2,337,331	¥2,314,669	¥2,274,380	¥2,281,007	$24,266,032
Total net assets		476,639	473,878	480,633	486,947	524,801	573,154	6,097,383
Interest-bearing debt		1,271,100	1,275,620	1,282,583	1,251,665	1,183,647	1,126,633	11,985,457
Per Share Data (yen and U.S. dollars):								
Net income	Basic	¥ 0.50	¥ 16.28	¥ 8.55	¥ 14.32	¥ 31.13	¥ 31.48	$0.33
	Diluted	0.41	16.18	8.51	14.27	31.13	31.47	0.33
Net assets		369.25	366.96	371.70	377.17	407.01	443.63	4.72
Dividend		5.00	5.00	5.00	5.00	5.00	5.00	0.05
Ratios:								
Operating income margin (%)		12.1	11.4	10.7	10.1	11.4	12.9	—
ROA (%) ❹		3.2	2.5	2.2	2.0	2.8	3.3	—
ROE (%) ❺		0.1	4.4	2.3	3.8	7.9	7.4	—
Interest-bearing debt/EBITDA (times)		8.8	9.4	9.6	9.8	8.9	7.8	—
Equity ratio (%)		19.9	20.1	20.1	20.6	22.6	24.5	—
Debt/equity (D/E) ratio (times) ❻		2.7	2.8	2.7	2.6	2.3	2.0	—
Stock Price Index:								
Stock price at the end of fiscal year (yen and U.S. dollars)		¥ 431	¥ 447	¥ 433	¥ 384	¥ 361	¥ 569	$ 6.05
Market capitalisation (¥ billion, $ million)		548.0	568.3	550.5	488.2	459.0	723.4	76,957
PER (times)		862.0	27.5	50.6	26.8	11.6	18.1	—
PBR (times)		1.2	1.2	1.2	1.0	0.9	1.3	—
Business Data:								
Hankyu Railway (thousand) ❽		618,373	618,585	605,963	603,233	608,632	615,324	—
Hanshin Electric Railway (thousand) ❽		180,906	182,997	193,620	205,202	218,560	221,133	—
Average vacancy rates of rental office buildings (Umeda area, Osaka; %) ❼		3.08	5.88	8.90	11.22	7.29	11.50	—

Notes:
❶ The U.S. dollar amounts have been translated, for convenience only, at ¥94 = $1, the prevailing exchange rate on the Tokyo Foreign Exchange Market at 31st March 2013.
❷ EBITDA = operating income + depreciation expenses + amortisation of goodwill attendant on the management integration of Hankyu and Hanshin. EBITDA figures are rounded to the nearest ¥100 million.
❸ Free cash flow = cash flows from operating activities + cash flows from investing activities
❹ ROA = ordinary income/total assets (average of period-start and period-end totals)
❺ ROE = net income/equity (average of period-start and period-end totals)
❻ D/E ratio = interest-bearing debt/equity
❼ Average vacancy rate figures are overall rates for the Umeda downtown area at the end of March for major rental office buildings (including properties not owned by the Group) with a total floor area of at least 3,300m². Based on *Latest trends in the office-building market in Osaka*, Miki Shoji.
❽ Annual number of passengers carried

Revenues from operations: ¥682.4 billion
(up ¥32.7 billion or 5.0% from the previous fiscal year)
Operating income: ¥87.9 billion
(up ¥14.1 billion or 19.1% from the previous fiscal year)

Revenues from operations increased by 5.0%, or ¥32,735 million, to ¥682,439 million, due to a year-on-year increase in condominium unit sales in the Real Estate Business and the subsiding impact of the Great East Japan Earthquake primarily on the Travel and Hotels businesses. In line with this growth, operating income increased 19.1%, or ¥14,111 million, to ¥87,921 million.

■ Operating income: Factor analysis (YoY change)



Net income: ¥39.7 billion (up ¥0.5 billion or 1.1% from the previous fiscal year)

Net non-operating expenses deteriorated 35.3%, or ¥4,590 million, year on year to ¥13,006 million mainly due to a decline in non-operating income accompanying a rise in equity in income of affiliates from an increase in our stake in the equity affiliate H_2O Retailing Corporation in the previous fiscal year.

Net extraordinary loss improved 72.7%, or ¥9,251 million, year on year to ¥12,721 million partly due to recognition of impairment losses on land used for major development projects during the previous fiscal year. This result occurred despite posting a provision for loss on removal of property and equipment related to the rebuilding of Dai Hanshin Building and Shin Hankyu Building.

At the same time, income tax payments surged 559.6%, or ¥18,015 million, year on year to ¥21,234 million due to an increase in income taxes-deferred accompanying the cessation of reforms to the tax system in Japan that had brought down corporate tax rates until the previous fiscal year.

The above factors and the increase in operating income pushed net income up by ¥450 million year on year to ¥39,702 million.

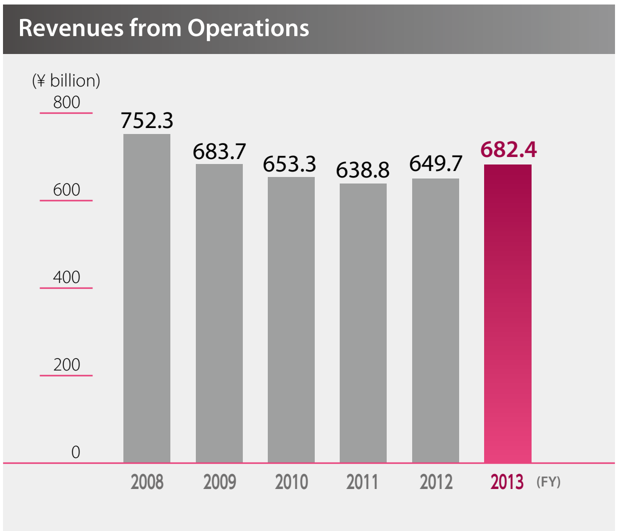
■ Net income: Factor analysis (YoY change)

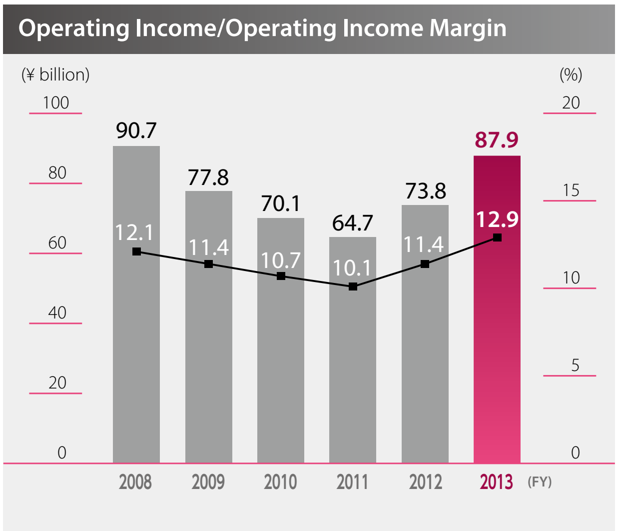
Increase in revenues from operations	+¥32.7 billion
Decrease in extraordinary loss (chiefly decrease in loss on impairment of fixed assets)	+¥14.1 billion
Decrease in non-operating expenses (primarily a decrease in interest expenses)	+¥2.3 billion
Increase in operating expenses and cost of sales of transportation	-¥17.5 billion
Increase in selling, general and administrative expenses	-¥1.1 billion
Decrease in non-operating income (primarily decrease in equity in income of affiliates)	-¥6.9 billion
Decrease in extraordinary income (primarily due to a decrease in gain on contributions for construction)	-¥4.9 billion
Increase in income taxes (including income taxes-deferred)	-¥18.0 billion
Increase in minority interests in income	-¥0.3 billion

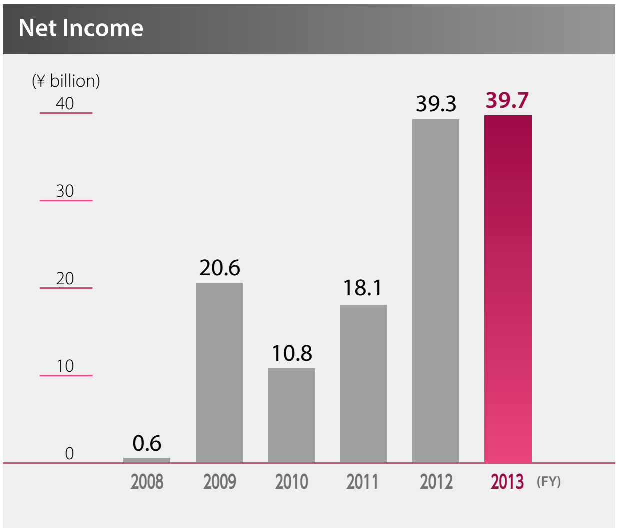
Interest-bearing debt: ¥1,126.6 billion (down 4.8% or ¥57.0 billion from the previous fiscal year)

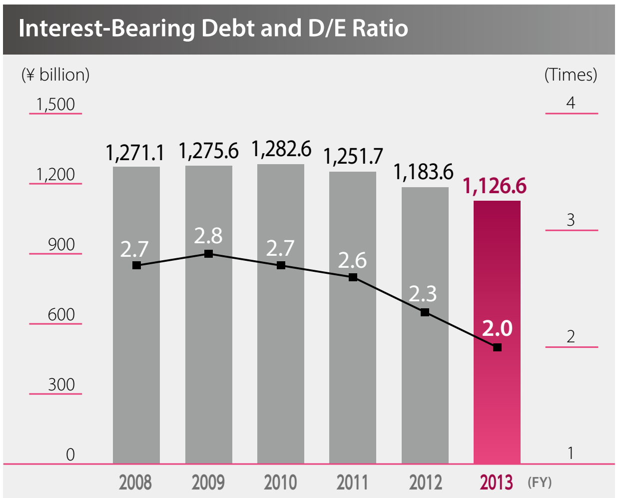
The balance of interest-bearing debt decreased by 4.8%, or ¥57,014 million, year on year to ¥1,126,633 million due to net cash from operating activities surpassing capital investment outlays for rebuilding of Umeda Hankyu Building and other works.

Key Financial Indicators (Graphs)

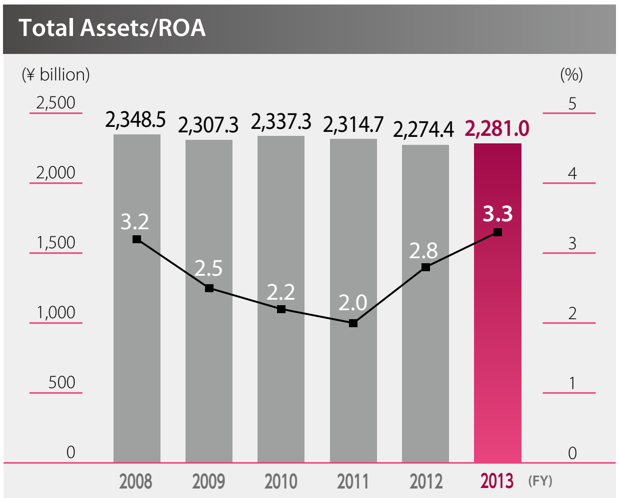




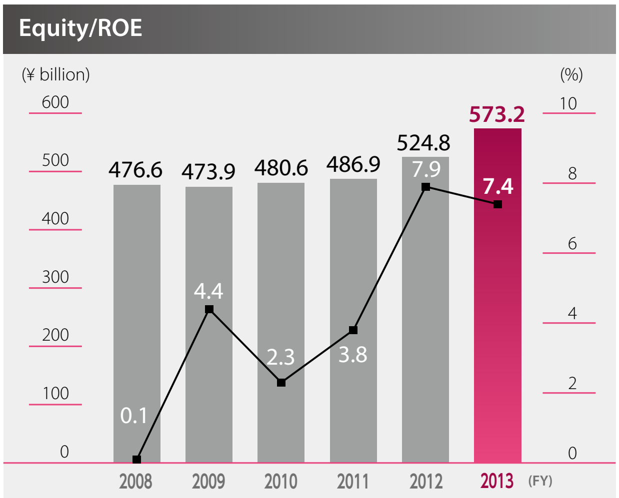




* D/E ratio = interest-bearing debt/equity



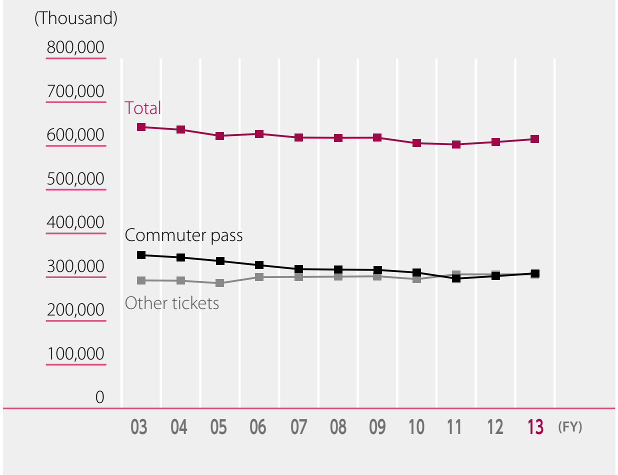
* ROA = ordinary income/total assets (average of period-start and period-end totals)



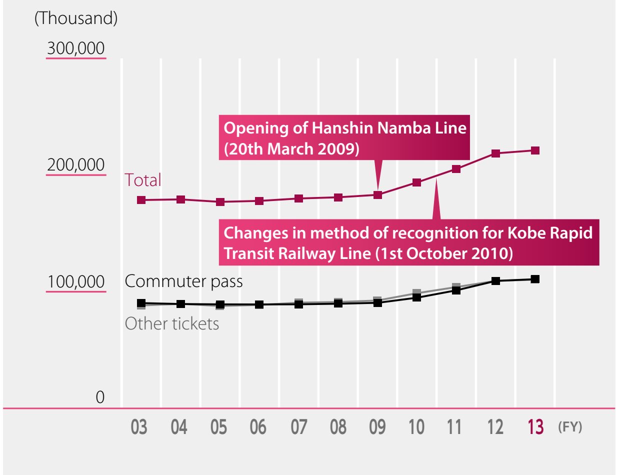
* ROE = net income/equity (average of period-start and period-end totals)

Operating and Business Environmental Data

Annual Number of Passengers Carried/Hankyu Railway

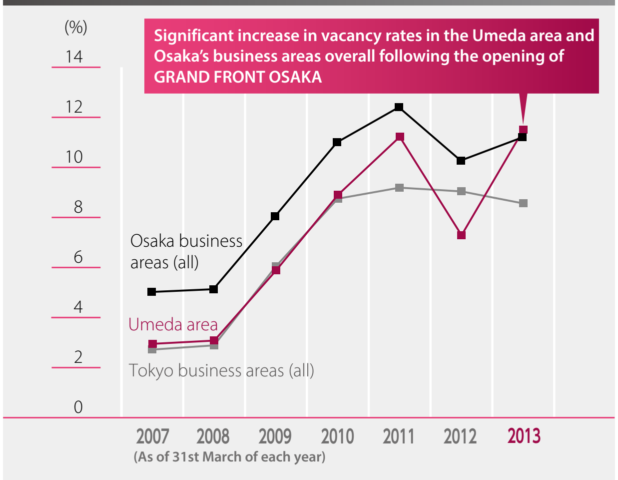


Annual Number of Passengers Carried/Hanshin Electric Railway



* Sum of tier 1 and tier 2 operators for both Hankyu and Hanshin
* Among tier 2 operators, we have modified our method of recognising Kobe Rapid Transit Railway Line's passenger volumes following changes to its management organisation, effective October 2010 (for both Hankyu and Hanshin-operated stretches of the line)

Average Vacancy Rates of Rental Office Buildings (Tokyo/Osaka Business Area)



Source: Miki Shoji, *Latest trends in the office-building market*

Source: Compiled by the Group based on data from Toyo Keizai, Inc.'s *Local Economy Directory* and the Ministry of Internal Affairs and Communications *Basic Resident Register*

* **Areas served by Hankyu and Hanshin lines:**

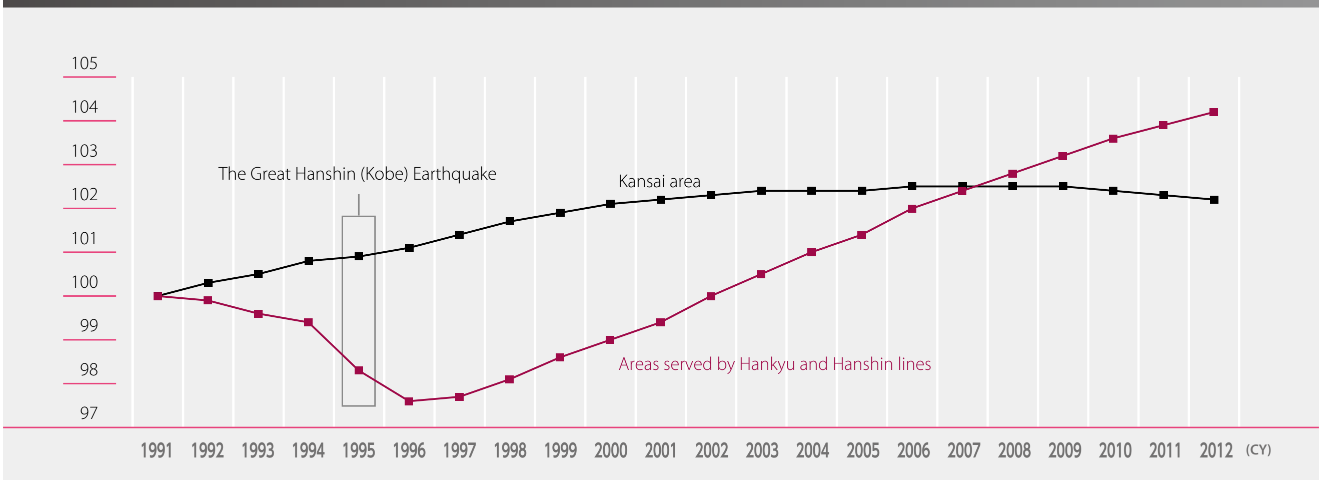
Below are lists of areas with Hankyu Corporation and Hanshin Electric Railway stations (including tier 2 operators).

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, Settsu cities and Shimamoto town

Hyogo Prefecture: Kobe City (Higashi-Nada, Nada, Hyogo, Nagata and Chuo, out of a total of 9 wards); and Amagasaki, Nishinomiya, Ashiya, Itami, Takarazuka and Kawanishi cities

Kyoto Prefecture: Kyoto City (Nakagyo, Shimogyo, Ukyo, Nishikyo, out of a total of 11 wards); and Muko and Nagaokakyo cities and Oyamazaki town

Population Trends in Areas Served by Hankyu and Hanshin Lines (1991=100)



To Our Stakeholders

Kazuo Sumi
President and Representative Director

“Completing a series of major projects, we aim to reach our management goals ahead of schedule and are poised to embark on a new growth stage.”

Under the Hankyu Hanshin Holdings Group’s Medium-Term Management Plan, we have been focusing on strengthening the operating fundamentals of the Group for future growth by building enterprise value through major projects and using the cash flow generated as a result to reduce interest-bearing debt.

Among these achievements, we completed the rebuilding of the Umeda Hankyu Building in November 2012 after seven and half years of work and celebrated the opening of GRAND FRONT OSAKA in April 2013. These projects have significantly transformed the Umeda area.

At the same time, these steady investments in growth are paying off in terms of performance. In fiscal 2013, ordinary income and net income hit record highs, and we made solid progress concerning the outstanding issue of improving our financial standing.

From the standpoint of achieving the management goal of bringing down the interest-bearing debt/EBITDA ratio to around seven times, the time is rapidly approaching to formulate strategies for the next growth stage. Looking ahead, the Group will come together in a concerted effort to leap forward to this new growth stage.

August 2013

Kazuo Sumi

Kazuo Sumi
President and Representative Director

Interview with the President

Fiscal 2013 Performance

The steady performance of each Group business has led to a substantial increase in operating income, while ordinary income and net income reached record highs. In addition, we are steadily building a base to reach the next growth stage underpinned by the progress being made towards improving our financial standing, which has been one of our outstanding issues.

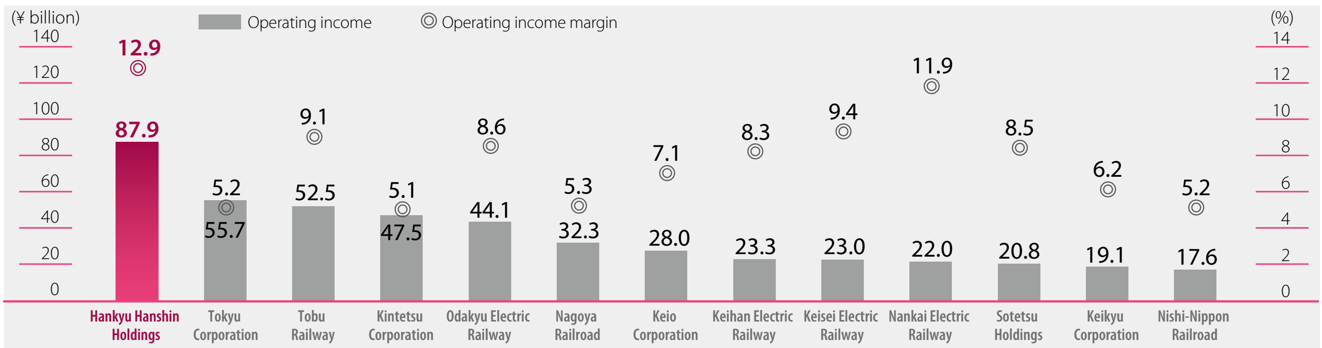
In fiscal 2013, conditions were uncertain mainly due to power supply problems following the Great East Japan Earthquake and concerns over a global economic recession amid prolonged European debt issues. Nevertheless, signs of an economic recovery were seen in some sectors primarily on the back of an ongoing weakening of yen rates until the end of the fiscal year and higher stock prices. Under these circumstances, the Real Estate Business recorded a significant year-on-year jump in condominium unit sales and a steady rise in occupancy rates for the Umeda Hankyu Building Office Tower. In the railway business, the Hankyu and Hanshin rail lines both performed steadily*[1] thanks to the grand opening of the Umeda Flagship Store of the Hankyu Department Store. In addition, we saw a recovery primarily in the Travel and Hotels businesses from the negative impact of the Great East Japan Earthquake during the previous fiscal year. Strong sales in the Travel Business were recorded for overseas travel mainly to Europe. In the Entertainment and Communications business, the stage business experienced a year-on-year increase in ticket sales. As a result of the overall firm performance of each business, revenues from operations increased 5%, or ¥32.7 billion, year on year to ¥682.4 billion, operating income rose 19.1%, or ¥14.1 billion, to ¥87.9 billion, ordinary income grew 14.6%, or ¥9.5 billion, to ¥74.9 billion, and net income improved 1.1%, or ¥0.45 billion, to ¥39.7 billion. Among these increases, ordinary income and net income reached record highs, while operating income and operating income margin (12.9%) were at the highest levels of any major listed private railway operator group.*[2]

An extraordinary loss of ¥12.7 billion was recorded in the fiscal 2013 account settlement. Nevertheless, this amount provides for future losses due mainly to the posting of estimated demobilization costs on fixed assets (provision for loss on removal of property and equipment: approximately ¥4.4 billion) generated by the Umeda 1-1 Project (Dai Hanshin Building and Shin Hankyu Building rebuilding projects) as well as the recording of a loss from the transfer of the Hotel New Hankyu Kochi (restructuring costs: approximately ¥2.2 billion), the final stage of our restructuring of the Hotels Business.

Turning to the improvement our financial standing, the investment in growth undertaken during the current Medium-Term Management Plan has paid off, with EBITDA steadily increasing ¥11.6 billion year on year to ¥145.1 billion, and interest-bearing debt shrinking significantly from ¥1,183.6 billion in fiscal 2012 to ¥1,126.6 billion in fiscal 2013 mainly due to a detailed review of capital investment. As a result, the interest-bearing debt/EBITDA ratio, the Group's most important performance indicator, improved greatly from 8.9 times in fiscal 2012 to 7.8 times in fiscal 2013, enabling the Group to steadily build a base to reach the next growth stage.

*1 Railway operation revenue Hankyu +1.1% Hanshin +1.2%
*2 Private railway operators excluding the Japan Railway Group

■ Major Private Railway Groups Operating Income and Operating Income Margin (Fiscal 2013)



Source: Account settlements of each company

Performance Outlook for Fiscal 2014

Although operating income is expected to decrease slightly due largely to hikes in electricity rates, net income is forecast to rise year on year mainly because of improvements in extraordinary income.

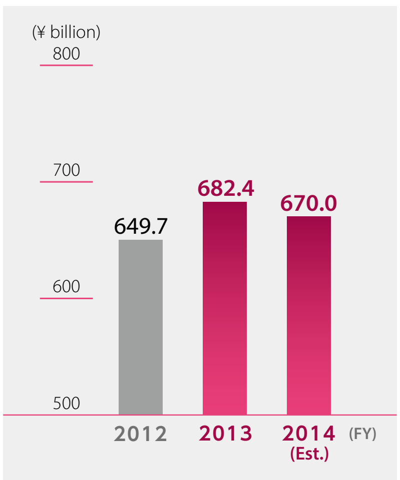
Regarding performance in fiscal 2014, revenues from operations is expected to decline 1.8%, or ¥12.4 billion, year on year to ¥670.0 billion primarily due to the sale of the bookstore business to an outside company. This forecast has been made despite the projected full-year occupancy of Umeda Hankyu Building Phase II and anticipated increases in tenant occupancy rates for the Office Tower. Operating income is projected to fall 4.5%, or ¥3.9 billion, year on year to ¥84.0 billion chiefly because of the aforementioned drop in revenues and higher electricity rates.* Ordinary income is forecast to decrease 3.9%, or ¥2.9 billion, to ¥72.0 billion in line with an improvement in the Group's financial account balance.

In contrast, net income is anticipated to increase 5.8%, or ¥2.3 billion, year on year to ¥42.0 billion. This is primarily attributable to a decline in extraordinary loss accounted for by demobilization costs on fixed assets posted by the Umeda 1-1 Project during the previous fiscal year.

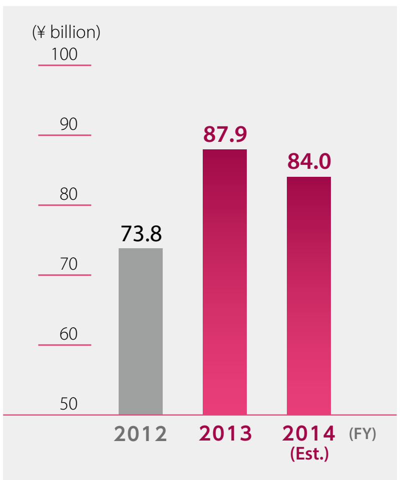
Undertaking measures to mitigate overall financial risk, we will establish a base for stable net income of over ¥40.0 billion since almost all unprofitable projects have been eliminated—such as one that posted a significant extraordinary loss during previous fiscal years.

* The impact of lower income from hikes in electricity rates is forecast to be approximately ¥1.9 billion (consolidated) primarily in the railway business.
(Railway Business: Approx. -¥1.4 billion
Others: Approx. -¥0.5 billion)

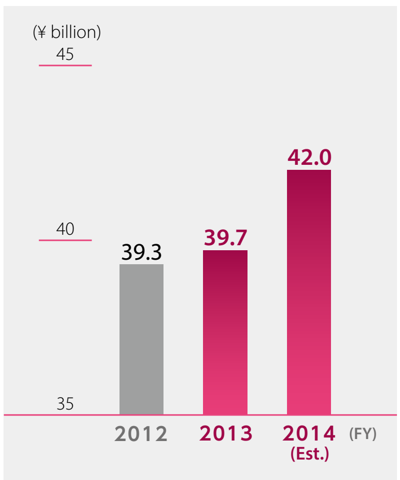
■ Revenues from Operations



■ Operating Income



■ Net Income



Progress of the Medium-Term Management Plan

Making steady progress to reach our management goals ahead of schedule

The concept behind the Medium-Term Management Plan

On the occasion of the management integration of Hankyu and Hanshin, the Group formulated and announced the six-year Hankyu Hanshin Holdings Group 2007 Medium-Term Management Plan (fiscal 2008–fiscal 2013), for which we established yearly adjusted estimates and implemented initiatives to achieve the plan's targets. This plan was intended to clarify the Group's vision for improving its enterprise value across the board in fiscal 2013, during which the Group completed such major projects as the rebuilding of the Umeda Hankyu Building.

Following the plan's implementation, however, the operating environment deteriorated in the wake of Lehman Brothers' collapse. This delayed improvements in the Group's financial standing and has unfortunately made it impossible to reach the initial goal of bringing down the interest-bearing debt/EBITDA ratio to around seven times during the period of the plan.

Nevertheless, in order to increase value along Group railway lines and shore up its financial standing—which is indispensable for maintaining sustainable growth—we decided in May 2012 to extend the Medium-Term Management Plan to fiscal 2016. This decision was made with the idea that despite initial targets being behind schedule, we must remain firm to the direction initially established by the plan. Based on this, we announced our renewed commitment to achieving the initial goal of improving the interest-bearing debt/EBITDA ratio to around seven times and, in turn, are diligently working to carry forward this plan.

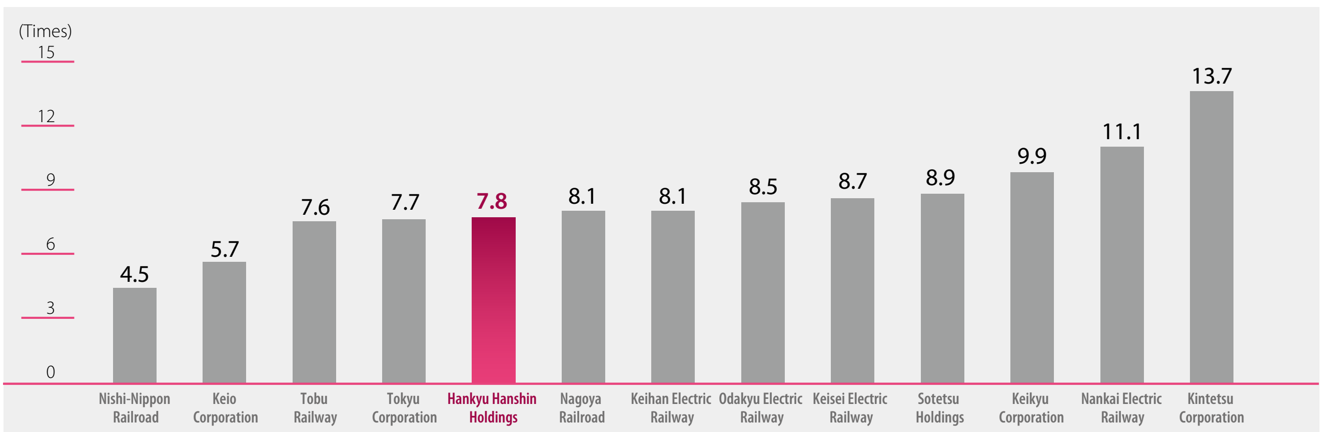
Why has the Group set the goal of improving the interest-bearing debt/EBITDA ratio to around seven times?

To answer this question, I will once again explain the management indicators that the Group is aiming for.

The Group's mainstay railway and real estate leasing businesses generate stable cash flows. Yet, these businesses are characterized by the need to own large amounts of fixed assets, which saddles the Group with a commensurate amount of interest-bearing debt. It is extremely difficult to pinpoint in a general way the ideal interest-bearing debt/ EBITDA ratio within the private railway sector in Japan.

However, in light of the current outstanding balance of interest-bearing debt exceeding ¥1 trillion, our business must have firm financial foundations that make it resistant to interest-rate fluctuation and other risks. One very basic benchmark in setting this ratio is to improve the interest-bearing debt/EBITDA ratio to a minimum level among other major private railway operating companies. As you can see from the figures below, this is how we arrived at a target of around seven times.

■ Interest-Bearing Debt/EBITDA Ratios for Major Listed Private Railway Operators (Fiscal 2013)



* Interest-bearing debt/EBITDA for each company has been calculated by Hankyu Hanshin Holdings Group.

Estimates adjusted from the Medium-Term Management Plan: fiscal 2016 forecast

Current estimates indicate that we will achieve our goals slightly ahead of schedule and forecasts have been adjusted accordingly.

Operating income for the fiscal 2016 target year is forecast to surpass the previous plan (¥83.0 billion) by ¥2.0 billion to ¥85.0 billion, reflecting currently robust railway operation revenue and higher rental income mainly from the Umeda Hankyu Building. In addition, interest-bearing debt is projected to shrink ¥20.0 billion compared with the previous plan (¥1 trillion) to ¥980.0 billion primarily thanks to a detailed review of investment amounts and periods intended to further upgrade our financial standing, extend operating cash flows and improve the financial account balance. As a result, the interest-bearing debt/EBITDA ratio in fiscal 2016 is expected to exceed the previous plan's target of 7.0 times to 6.8 times. We are steadily taking steps to reach these management goals as early as possible.

⇒ For further details of the Medium-Term Management Plan, please see **page 26**.

Over six years have passed since the management integration of Hankyu Holdings, Inc. and Hanshin Electric Railway Co., Ltd. in 2006. In light of changes in the environment in which each core business operates, certain core businesses have been restructured from fiscal 2014 onward.

⇒ For further details of the revising of certain core businesses, please see **page 22**.

■ Consolidated Performance and Key Performance Indicators during the Medium-Term Management Plan Period

(¥ billion)

(FY)	2008 Results*1	2009 Results	2010 Results	2011 Results	2012 Results	2013 Results*4	2014 Estimate	2016 Plan*4
Operating income	90.7	77.8	70.1	64.7	73.8	87.9 [78.0]	84.0	85.0 [83.0]
EBITDA	145.2 <143.2>*2	135.3	133.2	127.1	133.5	145.1 [137.0]	142.0	143.0 [142.0]
Effects of integration*3	2.2	4.6	7.1	7.9	8.8	9.7 [9.7]	—	—
Interest-bearing debt/EBITDA	8.8 times	9.4 times	9.6 times	9.8 times	8.9 times	7.8 times [8.5 times]	7.7 times	6.8 times [7.0 times]
Interest-bearing debt	1,271.1	1,275.6	1,282.6	1,251.7	1,183.6	1,126.6 [1,160.0]	1,100.0	980.0 [1,000.0]
Debt/equity ratio	2.7 times	2.8 times	2.7 times	2.6 times	2.3 times	2.0 times [2.2 times]	1.9 times	1.5 times [1.6 times]
ROE	0.1%	4.4%	2.3%	3.8%	7.9%	7.4% [6.0%]	7.5%	7.2% [6.5%]

*1 The department store business (The Hanshin Department Store, Ltd. (currently Hankyu Hanshin Department Stores, Inc.) and its four subsidiaries ("Hanshin Department Store Group")) was treated as a consolidated subsidiary up to the first half of fiscal 2008.

*2 Figures in < > exclude those of the department store business (the former Hanshin Department Store Group)

*3 Calculations based on EBITDA. As some time has passed since the management integration between the former Hankyu Holdings Group and Hanshin Electric Railway Group, the integration boost effect is factored in only up to fiscal 2013.

*4 Figures in [ ] are those announced in May 2012 for the previous plan.

Revising of Certain Core Businesses

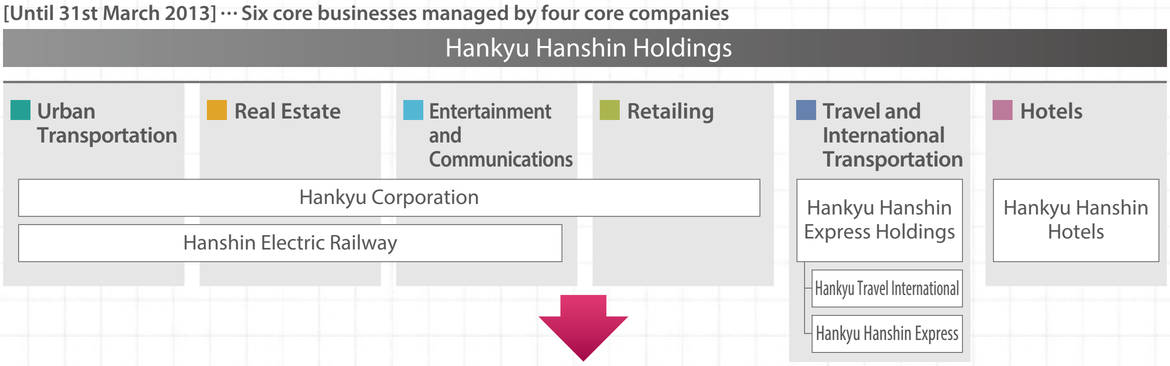
Until fiscal 2013, the Group was comprised six core businesses: "Urban Transportation," "Real Estate," "Entertainment and Communications," "Travel and International Transportation," "Hotels" and "Retailing." The businesses are operated by four core companies: Hankyu Corporation, Hanshin Electric Railway Co., Ltd., Hankyu Hanshin Express Holdings Corporation and Hankyu Hanshin Hotels Co., Ltd., under the leadership of the Company, which manages the Group.

Over six years have passed since the management integration of Hankyu Holdings, Inc. and Hanshin Electric Railway Co., Ltd. in 2006. In light of changes in the environment in which each core business operates, certain core businesses have been restructured from fiscal 2014 onward. This restructuring is intended to further improve growth in all six core businesses and enhance enterprise value throughout the Group. Details are as follows.

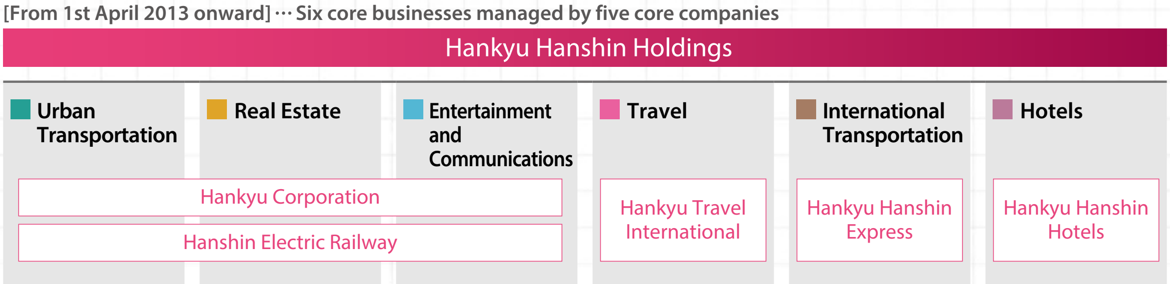
- Regarding Travel and International Transportation, we established the intermediate holding company, Hankyu Hanshin Express Holdings Corporation, to smoothly integrate the travel and international transportation businesses of both the Hankyu and Hanshin groups. Having achieved this goal, however, we abolished this system and positioned Hankyu Travel International Co., Ltd. and Hankyu Hanshin Express Co., Ltd. as new core companies to formulate further growth strategies. In addition, we have separated the Travel Business and International Transportation Business into independent core businesses to strengthen competitiveness and increase earnings.
- The core Retailing Business segment* has been eliminated, and its operations have been transferred to the Urban Transportation Business. Through this integration, we will continue building on current achievements (which include revitalising and improving the attractiveness of railways by retaining consumption along rail lines within the Group and operating a variety of stores). In addition, this restructuring will enhance the competitiveness and attractiveness of station interiors and surrounding areas in line with the progressive development of the Umeda area.
- Regarding Hankyu Corporation's advertising operations* (which forms part of the Entertainment and Communications Business), we will promote the more effective use and management of transportation advertising based on the integrated operations of the Urban Transportation Business.

* A portion of the Retailing Business segment and Hankyu Corporation's advertising operations have been transferred to the Real Estate Business.

[Until 31st March 2013] ··· Six core businesses managed by four core companies



[From 1st April 2013 onward] ··· Six core businesses managed by five core companies



⇒ For further details of business transfers and forecasts under the new classifications, please see page 60.

The Group's direction and medium- to long-term management strategies

In light of forecasts that Japan will enter a period of population decline, we are working to maintain future growth by formulating management strategies for the next stage that factor in the following 10 to 20 years.

As mentioned previously, the current Medium-Term Management Plan (until fiscal 2016) has established a vision for the Group that we are steadily progressing toward in an effort to achieve the management goal of improving interesting-bearing debt/EBITDA ratio at around seven times by fiscal 2016. Fiscal 2014 has therefore been positioned as a year for making a vigorous push to realise this management goal and marks the beginning of an investigation into the formulation of a new medium-term management plan set to be implemented in fiscal 2017.

To date, a pillar of the Group's management strategy has been: "build good rail lines, build good communities." Since our foundation, we have been operating real estate and leisure-oriented businesses along our railway lines. Having received high ratings for increases in value along our railway lines as a result of these synergies, the population living along these lines is steadily growing (for more details see page 41). Accordingly, the Group is working to maintain continuous growth by first improving value along its railway line—the Group's most important operating fundamental—and then by enhancing the attractiveness of the Umeda area, a vital initiative for this growth-driving area that I will discuss later.

In light of Japan's lower birth-rate and aging population, however, we are fully aware that the number of people living along our rail lines is likely to decrease and the Kansai economy is expected to contract over the medium- to long-term. Given these severe operating forecasts, we will work to maintain steady growth well into the future by increasing value along our rail-ways as well as expanding businesses in areas beyond those served by our lines. For example, one of the options available to us is expanding businesses in the Tokyo metropolitan area, a large market, as well as Asia and other overseas regions that are growing at a significant rate. Based on this perspective, we will fully examine new management directions for the next 10 to 20 years. A summary of this investigation will form the basis of the next medium-term management plan and, in turn, our policy for continuous growth in the years ahead.

Osaka's Umeda area, driving the Group's growth

The Umeda Hankyu Building and GRAND FRONT OSAKA have been completed at last. The Umeda 1-1 Project has made significant progress, which is intended to further enhance the attractiveness of the Umeda area.

Among the major projects undertaken under the Medium-Term Management Plan, we finally completed the rebuilding of the Umeda Hankyu Building, which is anticipated to generate significant earnings in the future. Despite spanning seven and half years, this project was completed without incident, which I personally find deeply satisfying. The new Umeda Hankyu Building benefits from the extra capacity made possible by the Act on Special Measures concerning Urban Reconstruction, with the specified floor-area ratio significantly eased from 1,000% to 1,800%. This extra capacity has transformed it into a multipurpose building that features an approximately 150,000m^2 department store along with an approximately 100,000m^2 office complex. I am proud to say that the Umeda Hankyu Building is not only the No. 1 building in Umeda, but in the entire Kansai area. With the building's occupancy rate rising to nearly 90% (including informal tenancy commitments), the subsequent rental income has begun to contribute to overall earnings. Since the grand opening of the refurbished Hankyu Department Store's Umeda Flagship Store, it has been attracting numerous people daily and thereby contributing to increases* in the number of passengers using our railway lines.

Another major development project, GRAND FRONT OSAKA, commenced operations in April 2013. In conjunction with the opening of the Umeda Flagship Store, GRAND FRONT OSAKA is making a substantial contribution to the revitalisation of the Umeda area. In particular, GRAND FRONT OSAKA attracted over 300,000 customers on each day of the Golden Week spring holiday.

There are those who believe that the addition of these new commercial facilities will create an oversaturated retail market in

the Umeda area. On the contrary, we believe that building retail spaces that enhance the attractiveness of Umeda on the whole will expand this market and draw more customers than ever before.

Through these efforts, Umeda is undergoing a significant transformation. Looking ahead, however, we must further evolve Umeda into a highly competitive area on the international stage that gathers together and fosters exchanges among people, commodities and currencies not only from Kansai and Japan, but Asia and numerous other overseas regions. One initiative to achieve this is the Umeda 1-1 Project, which involves rebuilding the Dai Hanshin Building (in which the Umeda Flagship Store is located) and the adjacent office building, Shin Hankyu Building, into an integrated complex. Thanks to a city plan proposal decided upon on 19th April 2013 that establishes a special urban renaissance district, the Umeda 1-1 Project has made significant headway towards commencing commercial operations. This city plan proposal eases the specified floor-area ratio under the Act on Special Measures concerning Urban Reconstruction from 1000% to 2000% (the largest in Japan at the time the proposal was decided upon). We will also undertake this rebuilding project using the space above the road separating the Dai Hanshin Building and Shin Hankyu Building. This is the first time that an "area specified for urgent urban regeneration work" in accordance with the Act on Special Measures concerning Urban Regeneration is being used to ease regulations on aboveground construction. In addition, we will promote the development of a comfortable, superior-quality community by undertaking this project in conjunction with upgrades to surrounding public facilities.

The Umeda area is the Group's most important business base. Accordingly, we are keenly aware of the role we play in this area. Looking ahead, we will work in tandem with the government and business partners as we further revitalise and improve the attractiveness of the Umeda area in all areas to create a community that meets today's needs.

* Compared with the number of passengers in the previous fiscal year following the grand opening of the Umeda Hankyu Building (until 31st March 2013)
(Hankyu Umeda Station passengers: +2.5%; Hanshin Umeda Station passengers: +1.3%)

⇒ For further details of progress and achievement in growth investment as well as the competitive advantages of the Umeda area, please see **page 30**.

Returns to shareholders

We will recommence interim dividends to return profits to shareholders in a timelier manner. In addition, when we are certain that our goal of improving the interest-bearing debt/EBITDA ratio to around seven times is in reach, we will once again consider ways to ensure adequate shareholder returns.

Because the improvement of financial standing is our priority issue, we have decided to use free cash flow to meet funding demand to strengthen our competitiveness in all segments, and to enhance our financial standing. For this reason, our basic policy will be to maintain a stable annual dividend of at least ¥5 per share for the time being.

As stated above, we will recommence interim dividends (¥2.5 per share) from fiscal 2014 onward in order to return profits to shareholders in a timelier manner by maintaining a level of operational soundness that generates profits with greater stability than before.

Provided that there is no dramatic deterioration in the economy, we forecast net income to reach ¥45.0 billion during the final fiscal year of the current Medium-Term Management Plan. Since net income per share is also expected to rise above current levels, we recognise that increasing shareholder returns is something we need to be thinking about.

Although we will focus on the Group's financial standing as a top priority issue for the foreseeable future, we will once again consider ways to ensure adequate shareholder returns when we are certain that our target of improving the interest-bearing debt/EBITDA ratio to around seven times is in reach. At the same time, we will further build up enterprise value to underpin our share price and will work unstintingly to meet the expectations of all our shareholders.

Medium-Term Management Plan

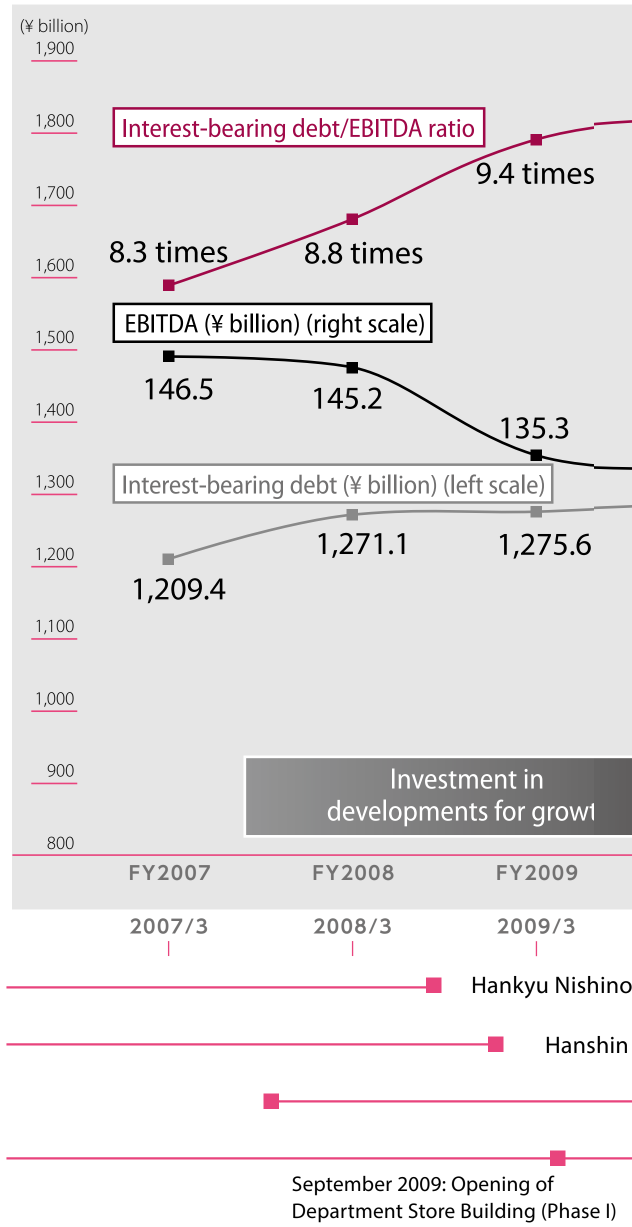
The Group's Medium-Term Vision

Improving our financial position, we aim to reduce interest-bearing debt to below ¥1 trillion and bring down the interest-bearing debt/EBITDA ratio to around seven times as soon as possible

The Group is building enterprise value through major projects such as the rebuilding of Umeda Hankyu Building and the Hanshin Namba Line, as well as following a basic policy of improving Group financial standing through effective use of returns from these major projects. As part of this endeavour, we initially set a target of improving the interest-bearing debt/EBITDA ratio to around seven times by fiscal 2013 in the Medium-Term Management Plan announced in 2007.

However, amid deteriorating operating conditions accompanying the economic recession that occurred during the period of this plan, forecasts indicated that this target could not be reached by fiscal 2013. Consequently, we announced in May 2012 that we would extend the previous plan to fiscal 2016. Accordingly, we positioned the three years between fiscal 2014 and fiscal 2016 as a period to steadily improve our financial position and once again take steps to achieve our initial target.

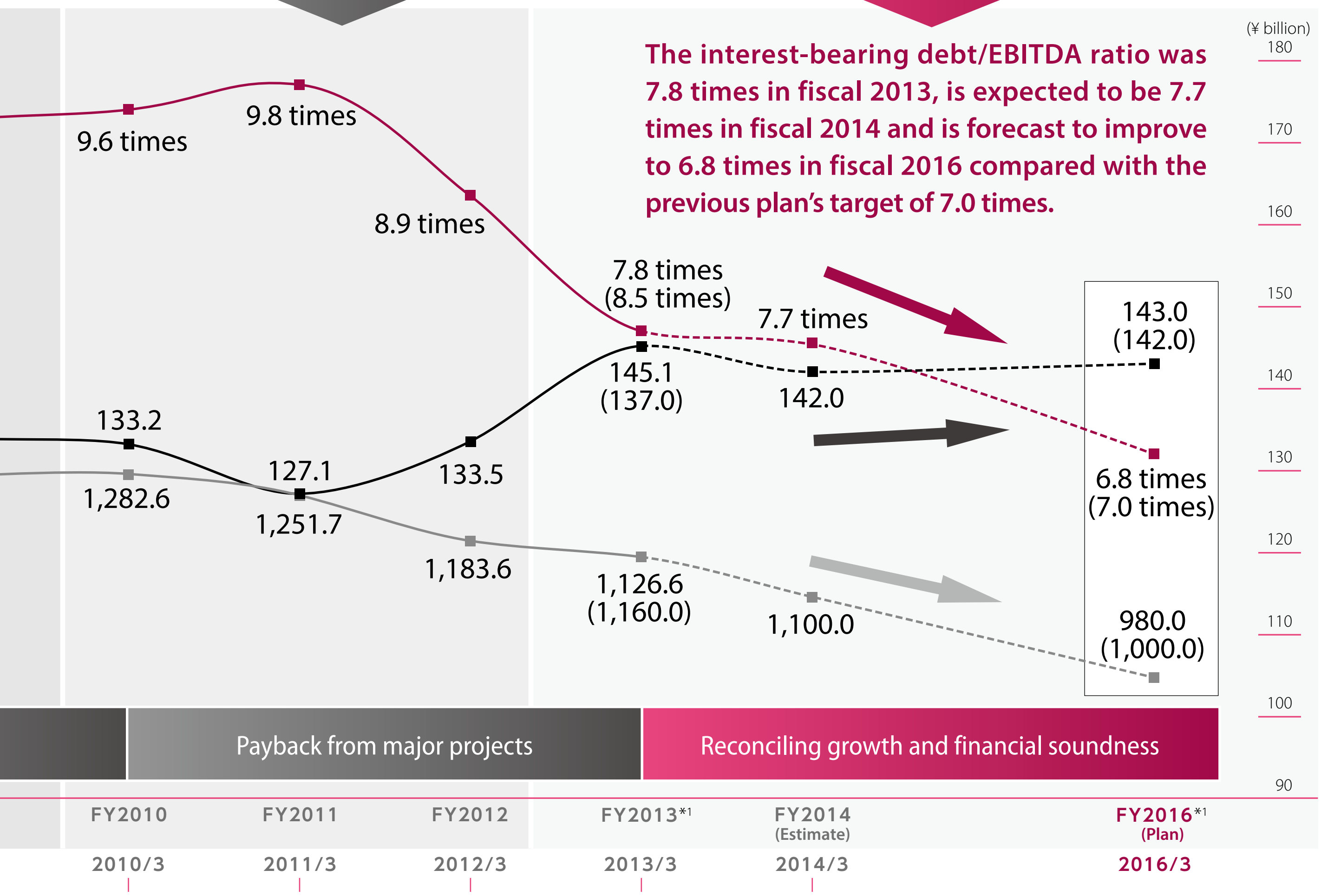
Based on current estimates, we have set the policy of achieving the previous plan's initial target (improve interest-bearing debt/EBITDA ratio to around seven times) as soon as possible between fiscal 2014 and fiscal 2016.



* Project start times are as of works commencement. Also, finish times are project completion dates (completion of A and B blocks for Osaka Station North District (*Umekita*) Phase I Development Area).

Improve cash flow generation through earnings from major projects such as Hankyu Nishinomiya Gardens, Hanshin Namba Line, the Hanshin Koshien Stadium refurbishment and Umeda Hankyu Building (Office Tower)

Leveraging cash flow generation through large-scale projects, reduce total interest-bearing debt and steadily improve our financial position so that total capital investment is roughly equivalent to depreciation and amortisation costs, excluding special factors*1**(see page 29)****, even while maintaining a certain level of strategic capital outlays**



*1 The figures shown in ( ) are for the previous plan announced in May 2012.

miya Gardens Development (September 2004 – November 2008)

Namba Line (opening of new extension) (October 2003 – March 2009)

Renovation of Hanshin Koshien Stadium*2 (October 2007 – March 2010) *2 Renovation work conducted during three off-seasons.

Rebuilding of Umeda Hankyu Building (May 2005 – November 2012)

April 2010: Completion of Office Tower

November 2012: Grand opening of the Umeda Flagship Store of Hankyu Department Store

Shin-Osaka Hankyu Building Development (May 2010 – July 2012)

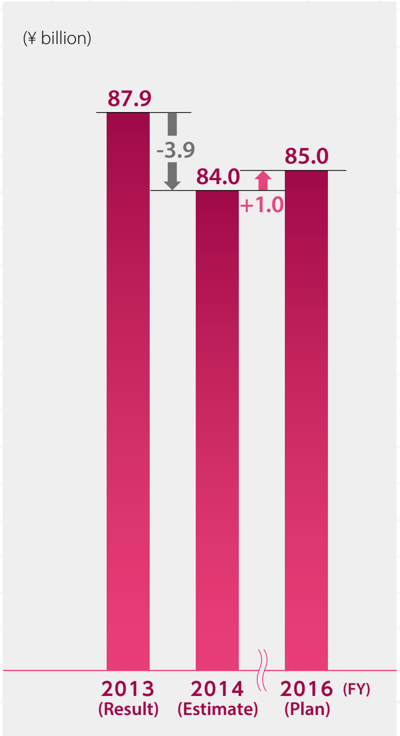
Osaka Station North District (*Umekita*) Phase I Development Area Project (March 2010 – March 2013)

Key Points of the Current Plan's Estmates

Operating income

Hikes in electricity rates are projected to drive down operating income by approximately ¥1.9 billion in fiscal 2014 and ¥2.5 billion in fiscal 2016. In addition, there are concerns over worsening consumer attitudes in light of an increase in the consumption tax. Nevertheless, overall operating income in fiscal 2014 is forecast to be ¥84.0 billion, only a slight decrease compared with ¥87.9 billion in fiscal 2013, and then increase to ¥85.0 billion in fiscal 2016, up ¥2.0 billion over the previous plan's target of ¥83.0 billion. This mainly reflects revisions to transportation revenue based on current conditions and an increase in rental income from the Umeda Hankyu Building.

Fiscal 2013 ⇒ 2014 ⇒ 2016 Operating Income



Fiscal 2013 (Result) ⇒ Fiscal 2014 (Estimate) -¥3.9 billion

[Major factors for changes in operating income]

- Increase in costs in each business due to higher electricity rates
- Increase in maintenance costs in the railway business
- Impact of intensifying competition on existing rental facilities
- Decrease in the number of performances in the theatre business other than the Takarazuka Grand and Tokyo Takarazuka theatres and increase in costs associated with the Takarazuka Revue's centennial (performance and advertising costs)
- Increase in office occupancy rates in Umeda Hankyu Building and department store full-year occupancy

Fiscal 2014 (Estimate) ⇒ Fiscal 2016 (Plan) +¥1.0 billion

[Major factors for changes in operating income]

- Consolidate and improve earnings capability by strengthening real estate leasing management models and promoting cost efficiency
- Boost the occupancy rate of office buildings including Umeda Hankyu Building
- Expand the cable television business and information technology services
- Increase in depreciation and amortisation costs in the railway business
- Decrease in earnings in the condominium subdivision business (although high income levels are forecast for fiscal 2014, profitability is expected to decline in fiscal 2016 due largely to a rise in the consumption tax rate)
- Fall in rental income (reduced leasable area) accompanying the commencement of the Umeda 1-1 Project

Improve our financial position

In order to improve our financial position, we will, as mentioned previously, maintain operating cash flows at certain levels; curb capital investment to be roughly equivalent to depreciation and amortisation costs, excluding special factors*1; factor in improvements in the financial account balance; and appropriately reduce interest-bearing debt by using surplus funds. Through these measures, we forecast interest-bearing debt of ¥1,100.0 billion in fiscal 2014, which is then expected to decrease to ¥980.0 billion in fiscal 2016, ¥20.0 billion below the previous plan's target of ¥1 trillion.

As a result, interest-bearing debt/EBITDA ratio is projected to be 7.7 times in fiscal 2014 and steadily improve to 6.8 times in fiscal 2016 compared with the previous plan's target of 7.0 times.

■ Capital Investment and Depreciation and Amortisation

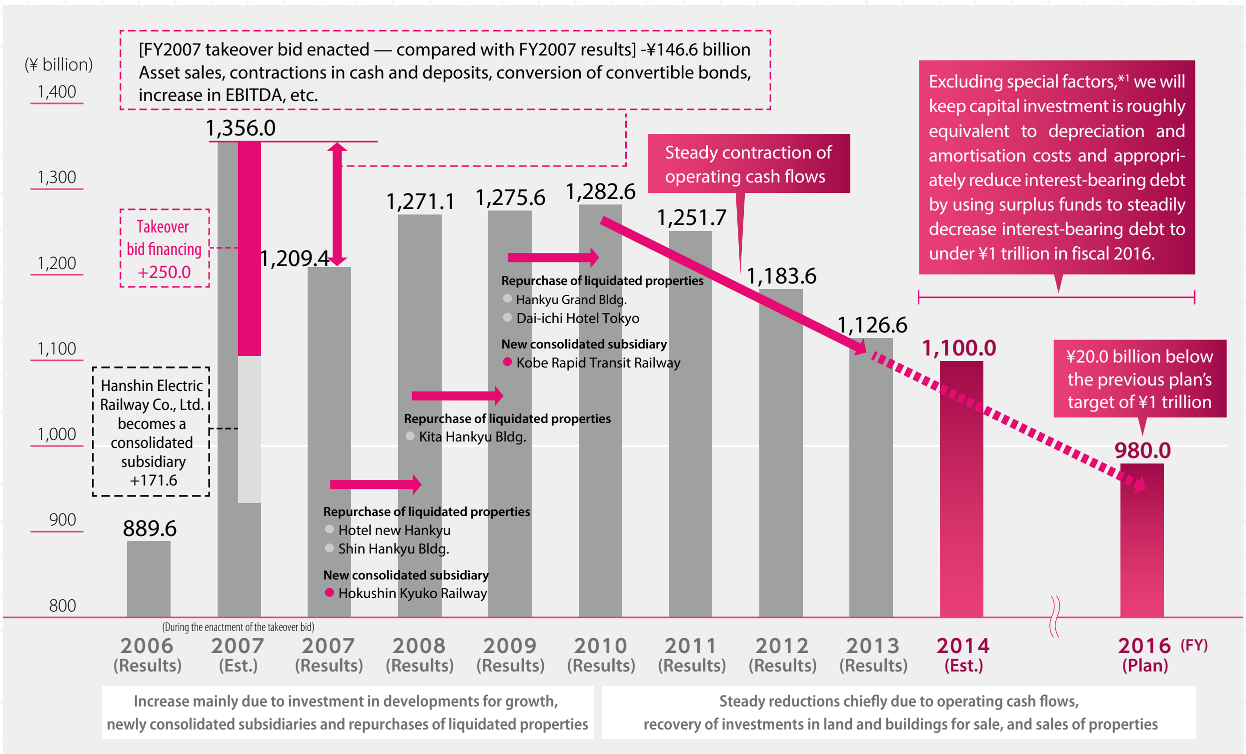
(¥ billion)

Capital investment	FY2008-2010 Results	FY2011-2013 Results	FY2014-2016 Plan
Three-year total	380.0	183.0	196.0
Annual average	127.0	61.0	65.0

Depreciation and amortisation	FY2008-2010 Results	FY2011-2013 Results	FY2014-2016 Plan
Three-year total	167.0	171.0	166.0
Annual average	55.7	57.0	55.3

*1 Capital investment between fiscal 2014 and fiscal 2016 (three-year total) includes property swaps with Hankyu REIT Inc. Excluding the impact of this, total investment is expected to be approximately ¥165.0 billion, roughly equivalent to depreciation and amortisation costs.
In addition, capital investment in fiscal 2014 is expected to total ¥30.8 billion (acquisition of assets held by Hankyu REIT) due to asset swaps undertaken with Hankyu REIT. However, the Group's real debt burden from asset swaps is forecast to be held to approximately ¥8.0 billion primarily because of asset sales accompanying asset swaps of ¥18.3 billion and the transfer of deposits for acquired assets.

Outstanding Balance of Interest-Bearing Debt (Until Fiscal 2016)



Special Feature: Our Investment for Growth

Progress and achievement in growth investment to create value along Group railway lines

The Group's Medium-Term Management Plan views the railway and real estate leasing businesses as stable cash flow generators and focuses on strengthening the Group's operating fundamentals to ensure future growth. This includes prioritising real estate development investment in our most important base of operations, the central Umeda area.

The Umeda Hankyu Building and GRAND FRONT OSAKA development projects were completed between 2012 and 2013 with the goal of creating interest in the Umeda area. These projects are beginning to realise an early increase in value along Group railway lines, particularly a rise in train passengers. We are also undertaking the new large-scale Umeda 1-1 Project to improve the competitiveness of Umeda in the years ahead. We will report on the progress and achievements of our growth investment for each project as well as explain the potential of the Umeda area and our development policy.

Project 1

Rebuilding of Umeda Hankyu Building Project

- Total investment: Approx. ¥60 billion
- Major uses: Department stores, offices
- Height: Approx. 187m
- Total floor area: Approx. 254,000m^2
- Foor-area ratio: 1800%

Project 2

GRAND FRONT OSAKA
(Osaka Station North District (*Umekita*) Phase I Development Area Project)

- Total investment: Approx. ¥51 billion
  *Our Group's share only
  (Facility investment only. Excludes investments in land and buildings for sale)
- Major uses: Offices, commercial facilities, hotels, Knowledge Capital, condominiums for sale
- Height: Approx. 154m–180m
- Total floor area: Approx. 556,700m^2
- Floor-area ratio: South Building 1600%, North Building, Owner's Tower 1150%

Project 3

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

- Total investment: Yet to be determined
- Major uses: Department stores, offices, convention halls
- Height: Approx. 190m (planned)
- Total floor area: Approx. 257,000m^2 (planned)
- Floor-area ratio: 2000% (planned)

Development Schedule

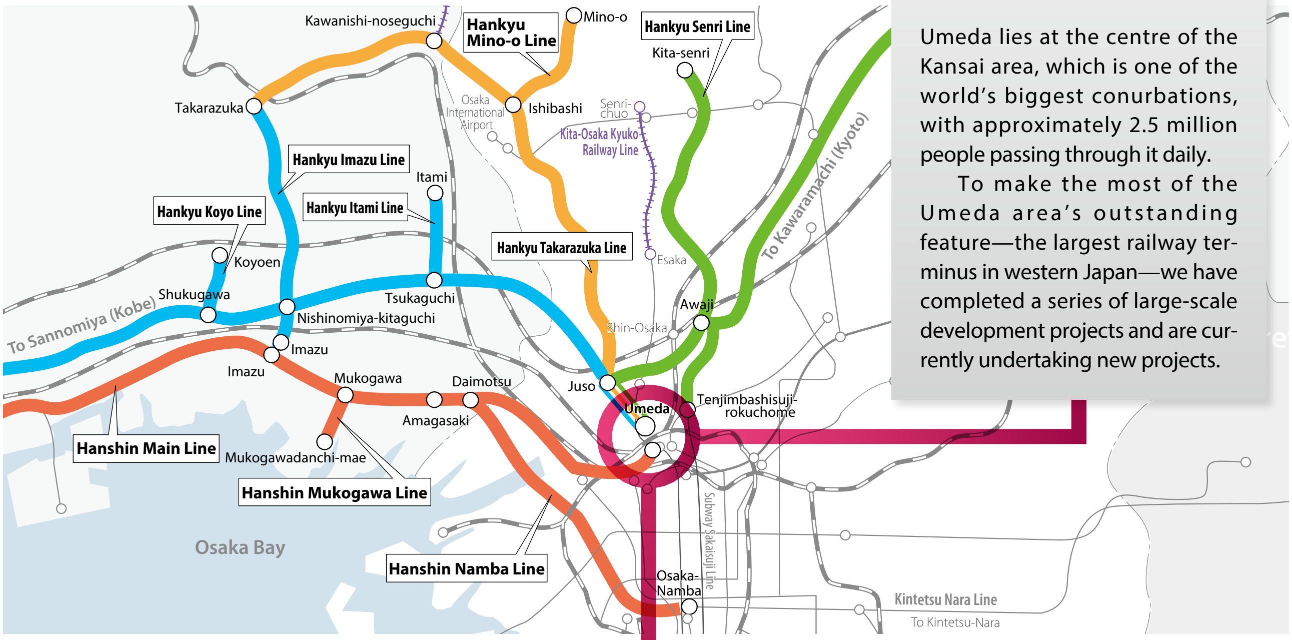
2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 ~ 2024 (FY)

Project 1 — Rebuilding of Umeda Hankyu Building Project
- Grand opening in November 2012
- Department Store Building (Phase I) opened in September 2009
- Office Tower opened in May 2010
- Department Store Building (Phase II) opened in October 2012

Project 2 — GRAND FRONT OSAKA (Osaka Station North District (*Umekita*) Phase I Development Area Project)
- Opened in April 2013

Project 3 — Umeda 1-1 Project (Dai Hanshin Building and Shin Hankyu Building Rebuilding Projects)
- Completed in 2023 (planned)

Areas Served by Group Lines (Expanded)

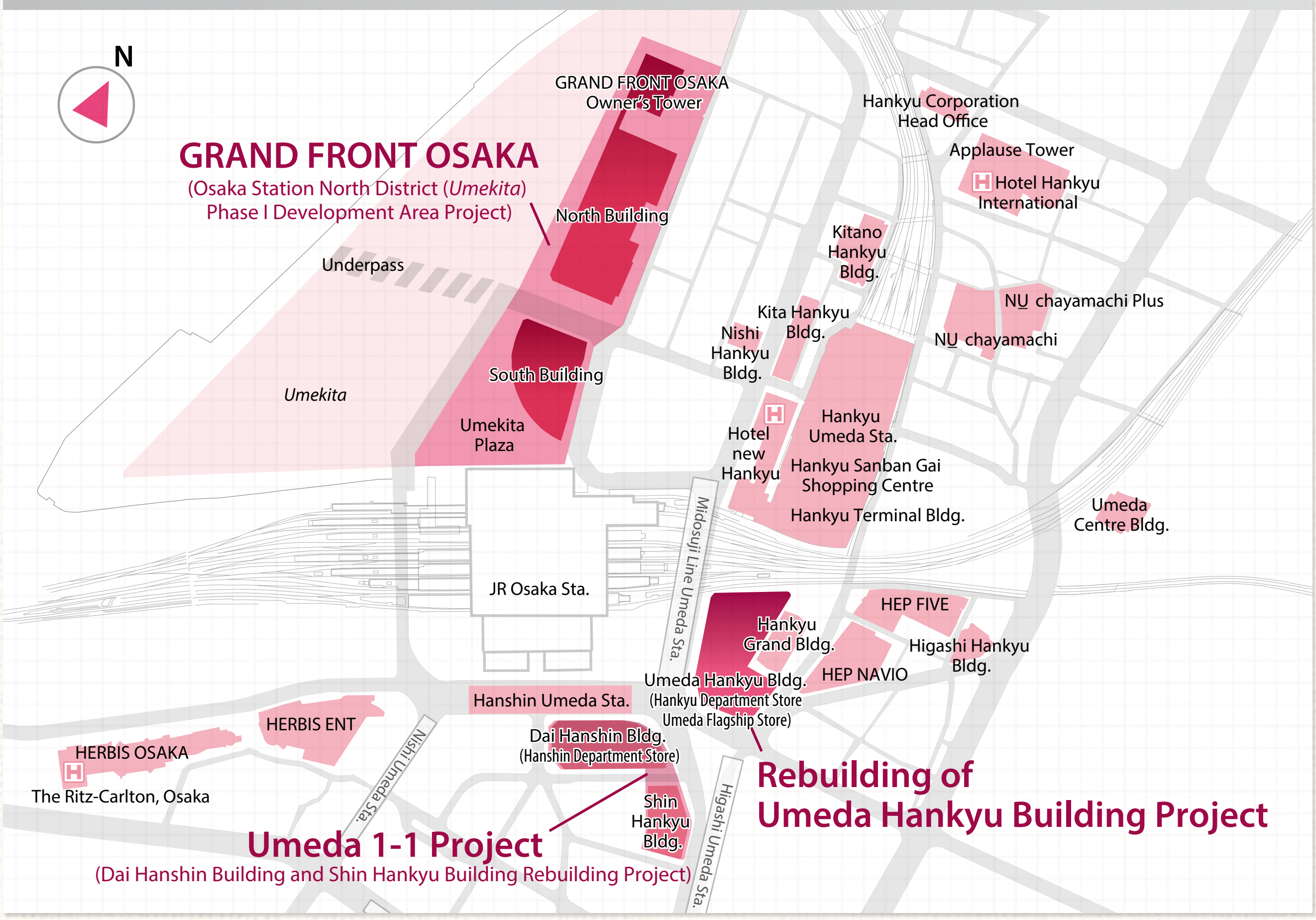


"Umeda"

Umeda lies at the centre of the Kansai area, which is one of the world's biggest conurbations, with approximately 2.5 million people passing through it daily.

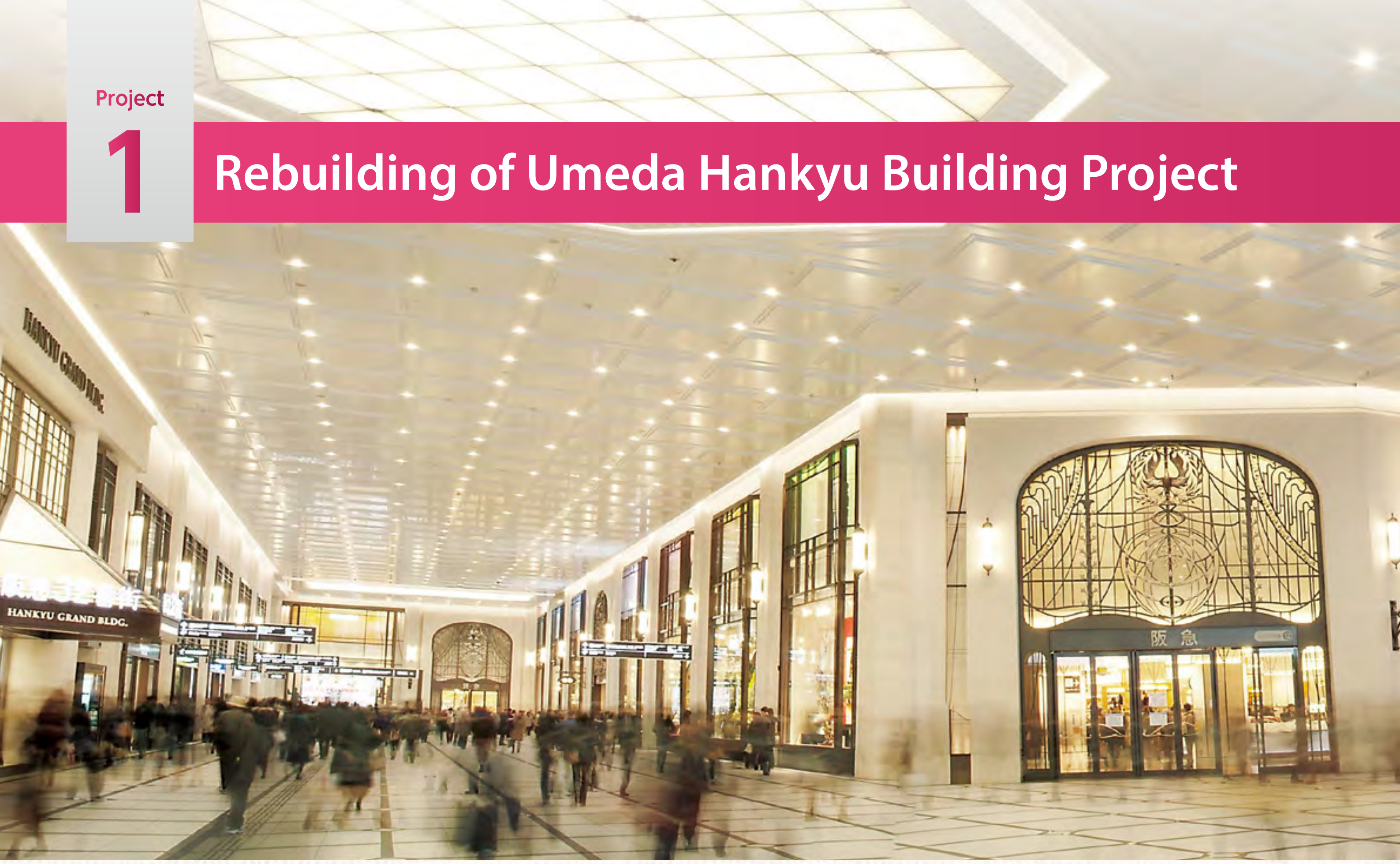
To make the most of the Umeda area's outstanding feature—the largest railway terminus in western Japan—we have completed a series of large-scale development projects and are currently undertaking new projects.

Umeda Area in Detail



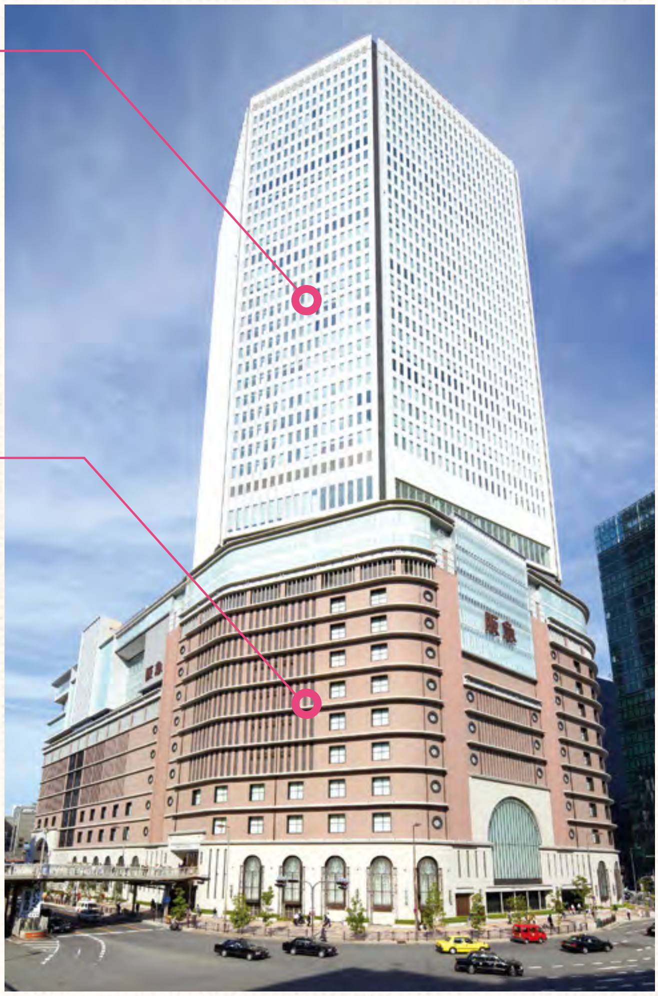
Project 1

Rebuilding of Umeda Hankyu Building Project



Umeda Hankyu Building concourse

Overview of the Umeda Hankyu Building



Office Tower

Floors: 15 to 41
Leasable area: Approx. 70,000m²

This office building features Kansai's largest standard per-floor leasable area of approximately 2,800m² and a high level of competitiveness that combines environmental performance with comfort. These features are based on Umeda Hankyu Building's convenient location, which provides easy access to Hankyu, Hanshin and other rail lines servicing Umeda Station.

Introduced Japan's largest elevator, capable of holding 80 people

Umeda Flagship Store of Hankyu Department Store

Floors: 13 floors above ground and 2 below
Leasable area: Approx. 80,000m²

The Umeda Flagship Store is western Japan's largest department store. The store's highly innovative design creates a "theatrical atmosphere" that is comprised largely of the large open area, Shukusai Plaza, and a total of 24 event spaces at which Coto Coto Stage can be held on each floor to allow customers to experience first-hand the value of various products in daily life.

The Shukusai Plaza is bustling with events

■ The Building

Height	Approx. 187m
Floors	41 floors above ground and 2 below
Total floor area	Approx. 254,000m²

Total investment Approx. ¥60 billion

- ▶ September 2009 Department Store Building (Phase I) opens
- ▶ May 2010 Office tower opens
- ▶ October 2012 Department Store Building (Phase II) opens
- ▶ November 2012 Grand opening

The Group's key project is finally complete!

The Umeda Hankyu Building was completely transformed into a large multipurpose building in the autumn of 2012, following seven and half years of construction work. Making a fitting landmark for the Umeda area, this building consists of an approximately 150,000m² department store that coexists with an approximately 100,000m² office building. Maximising its advantageous position in Umeda, the Umeda Hankyu Building will significantly contribute to the Group's real estate leasing business income.

Umeda Flagship Store of the Hankyu Department Store transformed into a "Lifestyle Theatre"

Occupying a prime location at the north end of Midosuji, Osaka's main street, the Umeda Hankyu Building is less than a five-minute walk from each of the Hankyu, Hanshin, JR and subway stations as well as contains the Umeda Flagship Store. Rebuilding work on the Umeda Hankyu Building was undertaken without closing its tenant department store, even temporarily. Because of this, the work was divided into two phases. The Umeda Flagship Store held its grand opening on 21st November 2012 following the completion of the Department Store Building (Phase II) project last autumn.

As result of this construction work, the Umeda Flagship Store boasts a sales area of approximately 80,000m², the largest in western Japan. Rather than displaying products in a conventional manner, the Umeda Flagship Store promotes unique attractions to stay abreast of new lifestyle trends under the concept of being an exciting "theatrical department store." This includes Shukusai Plaza—a large open area that conveys lifestyle and cultural information—and Coto Coto Stages.

The newly designed concourses improves convenience and freedom of movement to achieve a barrier-free facility

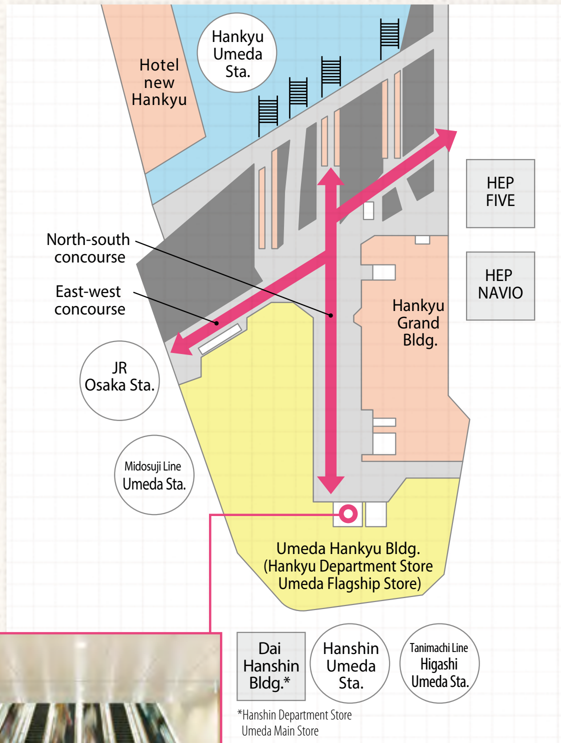
Umeda Flagship Store's east-west and north-south concourses connect to Hankyu and Hanshin Umeda stations, the Osaka Municipal Subway (Umeda and Higashi-Umeda stations) and JR Osaka Station. Umeda is a major hub through which around 20,000 commuters pass every hour during the morning rush. The reconstruction of this building resulted in the removal of the pillars in the central section of the old north-south concourse and the installation of a nine meter-high ceiling to create an open space. In addition, we enhanced convenience and freedom of movement for pedestrians by installing elevators and escalators that connect to the first basement floor with the above ground floors as well as open spaces. Through these actions, we are working to create more bustling areas.

In particular, the southern-end of the north-south concourse, which connects to Hankyu and Hanshin Umeda stations as well as Umeda and Higashi-Umeda Osaka Municipal Subway stations, has been installed with six parallel escalators, a first in Japan. This enables around 30,000 commuters to pass through each hour, 1.5 times that of the previous structure, and creates an environment that can accommodate larger numbers of visitors to Umeda.

Office tower built in Umeda's prime business location

The rebuilding construction of the Umeda Hankyu Building not only renovated the department store, but also added new office floors that take full advantage of the extra capacity made possible by the Act on Special Measures concerning Urban Reconstruction (significantly easing the specified floor-area ratio from 1000% to 1800%). The substantial leasable area of the new office floors is approximately 70,000m², and its rental income will contribute to Group earnings.

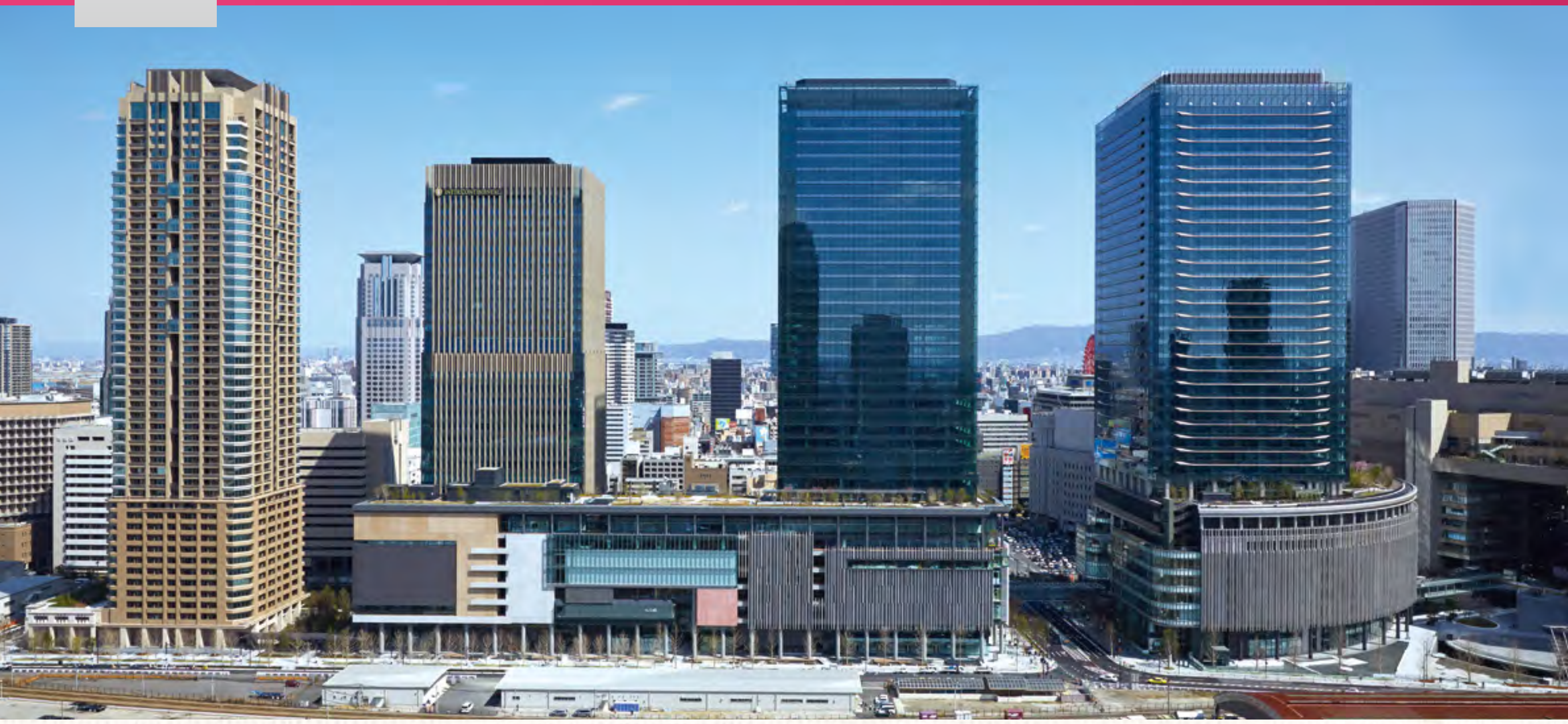
■ Concourse Map



Japan's first six parallel escalators

Project 2

GRAND FRONT OSAKA (Osaka Station North District (*Umekita*) Phase I Development Area Project)



GRAND FRONT OSAKA (April 2013)

Overview of GRAND FRONT OSAKA

GRAND FRONT OSAKA Owner's Tower

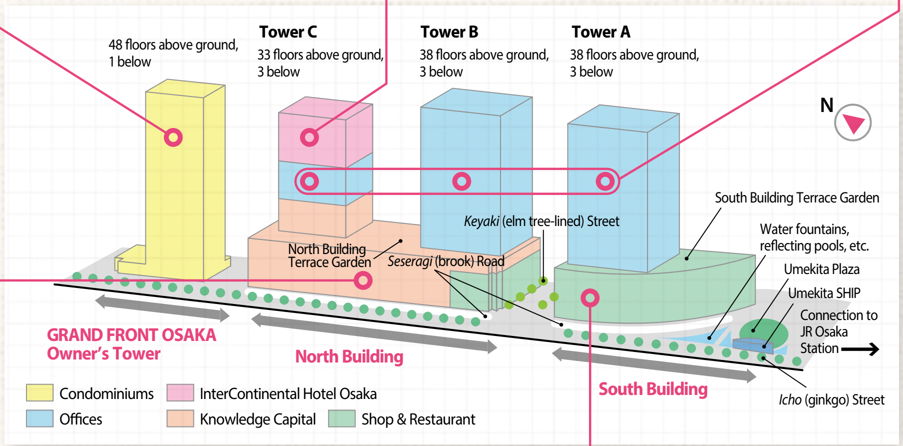
This 48-floor condominium complex realises the atmosphere of a real first-class hotel based on a concept known as "The Hotel." The tower features a uniquely attractive atmosphere thanks to a seven-meter high open reception area referred to as "The Reception," and a relaxing lounge area installed with fireplaces known as "The Living."

InterContinental Hotel Osaka

Fully equipped with 272 guest rooms, five restaurants and bars, reception halls, pool and other amenities, the InterContinental is a new-style luxury hotel that offers guests an unforgettable experience found only in Osaka.

Offices

Our top-flight Flagship Office facilities are Kansai's largest, boasting approximately 150,000m^2 of leasable space within three buildings. In addition to its elegant lobby space, these facilities realise a comfortable and safe office environment thanks to the installation of a natural ventilation system and other advanced technologies.



Knowledge Capital

This concept involves constructing a cluster of urban facilities that create and transmit new value. These facilities feature the Future Life Showroom and The Lab., which allow visitors to experience advanced technologies for themselves, as well as the multi-purpose Knowledge Theatre, a convention centre and other facilities. These facilities also include the members-only interactive Knowledge Salon and small rentable office spaces called COLLABO OFFICE, all of which provide various places and opportunities to pursue knowledge in such areas as industrial development, cultural promotion, international exchange and human resource cultivation.

Shops & Restaurants

Located in the Osaka's central terminal, this commercial facility is one of Japan's largest, bringing together 266 retail outlets in a store area measuring approximately 44,000m^2. Under the key phrase, "Umeda-originated, Umeda-produced, Umeda-perfected," this facility consists of a comprehensive array of stores that encompass all lifestyle areas, including clothing, food, living and knowledge.

Total investment Approx. ¥51 billion (Our Group's share)
*Facility investment only. Excludes investments in land and buildings for sale

- March 2010 Construction commences
- April 2013 GRAND FRONT OSAKA opens
- June 2013 Hotel opens
- July 2013 Condominiums delivery starts

Birth of a new community at the gateway to Osaka

In the redevelopment area immediately adjacent to Osaka Station to the north—Osaka's last prime location—GRAND FRONT OSAKA was a large-scale project undertaken by a consortium of 12 companies, including Hankyu Corporation. Completed in April 2013 after three years of construction work, the time to open GRAND FRONT OSAKA finally arrived. Attracting over 10 million visitors in the first three months since its opening, GRAND FRONT OSAKA has garnered high expectations and interest in various areas as a driver of the Kansai economy.

Emergence of an attractive community at the gateway of Osaka

Osaka Station North District (*Umekita*) Development Area Project (approximately 24ha) is the last favourable location in central Osaka. Within this project, a consortium of 12 companies, including Hankyu Corporation, developed the Phase I Development Area (approximately 7ha), in which the GRAND FRONT OSAKA multipurpose complex (combining mainly commercial facilities, condominiums and offices) was completed in April 2013 and is currently in operation.

Under the development vision of "creating a community where a diverse array of people can gather for new encounters and inspiration that generate a fresh new energy," this 154m to 180m high, four high-rise complex brings together a cluster of important urban functions, including salons, showrooms, a convention centre and other facilities focused on providing a "Knowledge Capital" hub, as well as shops and restaurants, Flagship Offices, hotels, serviced residences, the InterContinental Hotel Osaka and GRAND FRONT OSAKA Owner's Tower condominiums.

Visitor numbers and sales on track since the opening

Within this aforementioned complex, the Group is deeply involved in the development and operation of commercial facilities that have been attracting impressive numbers of customers since opening. In the month immediately following its opening, GRAND FRONT OSAKA on the whole attracted 7.61 million visitors, and sales at its commercial facilities reached ¥5 billion. Accordingly, we are well on our way to reaching initial fiscal year targets of 25 million visitors and net sales of ¥40 billion for these commercial facilities. In condominiums, all 525 units were sold prior to opening, despite mainly being high-priced properties.

In addition to being very conveniently located, our superior-grade offices have been rated highly and are gradually being rented thanks to boasting the largest floor area in Kansai as well as being equipped with the latest natural ventilation systems and seismic resistance capabilities.

Creating a community enjoyable for pedestrians

The consortium of 12 companies, including Hankyu Corporation, not only developed this project, but is also heavily involved in its operation.

In May 2012, Town Management Organisation (TMO) was formed, which is undertaking various forward-looking initiatives to create a vibrant community.

One such initiative is the establishment of open-air cafes that make full use of widened public sidewalks. Although cafes are normally not permitted along public sidewalks, TMO used the special permission clause under the Act on Special Measures concerning Urban Reconstruction to obtain a permit from the City of Osaka.

In addition, TMO commenced *UMEGLE*, a new transportation service that combines an area loop-line bus, rental bicycles and existing parking lots. These efforts will reduce vehicle traffic in the *Umekita* district, leading to greater revitalisation of and freedom of movement in the entire area.

Along this Japanese *Keyaki* (elm tree-lined) street, fashionable open-air cafes add a degree of sophistication to the area.

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

Commence projects symbolic of the integration of Hankyu and Hanshin

This project involves rebuilding the Dai Hanshin Building (in which the Hanshin Department Store's Umeda Flagship Store is located) and the adjacent Shin Hankyu Building into an integrated complex. A new high-rise building approximately 190m high will be built on a prime location facing Umeda (Osaka) Station. A city plan proposal was decided upon on 19th April 2013 that establishes a special urban renaissance district. As such, the Umeda 1-1 Project has made significant headway towards commencing commercial operations.

Overview of Umeda 1-1 Project

We will undertake this rebuilding project using the space above the road separating the Dai Hanshin Building and Shin Hankyu Building. This is the first time that an "area specified for urgent urban regeneration work" in accordance with the Act on Special Measures concerning Urban Regeneration is being used to ease regulations on aboveground construction. In addition, we will promote the development of a comfortable, superior-quality community by undertaking this project in conjunction with upgrades to surrounding public facilities. Looking ahead, we aim to complete this project by 2023 through the ongoing cooperation of the government and business partners.

Overview of Umeda 1-1 Project Building (provisional name)

Office Zone

Featuring advanced equipment, a high-rise section (11th–38th floors) is planned to have western Japan's largest* floor space per office of approximately 4,500m^2.

*Covering office buildings built after 2000

Conference Zone

Taking advantage of the large space made possible by building above roads, we plan to construct an approximately 3,000m^2 conference zone on the 11th floor that will contribute to revitalised business activities in the Umeda area. During disasters, these facilities function as temporary shelters for those unable to return home.

Department Store Zone

The total floor space of the newly refurbished Hanshin Department Store Umeda Main Store at present is approximately 100,000m^2 and is planned to encompass 11 floors (9 floors above ground and 2 below). In addition, the store is scheduled to remain open during rebuilding work.

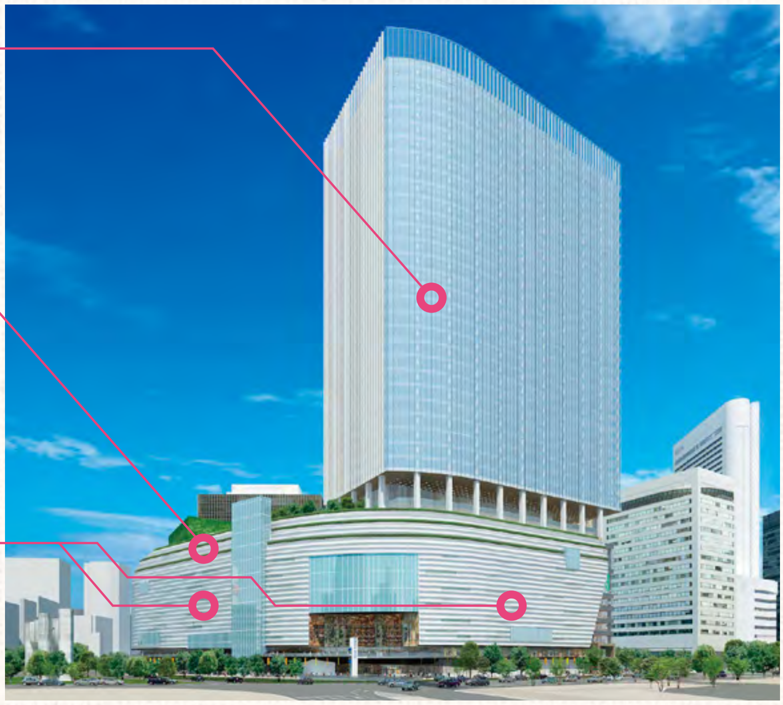


Image of the completed building

■ The Planned Building

Location	1-1 Umeda, Kita-ku, Osaka
Site area	Approx. 12,100m^2 (includes the space used above the road separating the two sites)
Specified floor-area ratio	2000%
Total floor area	Approx. 257,000m^2
Floors	38 above ground and 4 below
Height	Approx. 190m

Facility composition	• Department store zone (9 floors above ground and 2 below) Total floor space approx. 100,000m^2 • Office zone (11th to 38th floors above ground) Total floor space approx. 133,000m^2 • Conference zone (11th floor above ground) Total floor space approx. 3,000m^2 • Other (parking lot, passageways, etc.) Total floor space approx. 21,000m^2
Construction completion	2023 (planned)

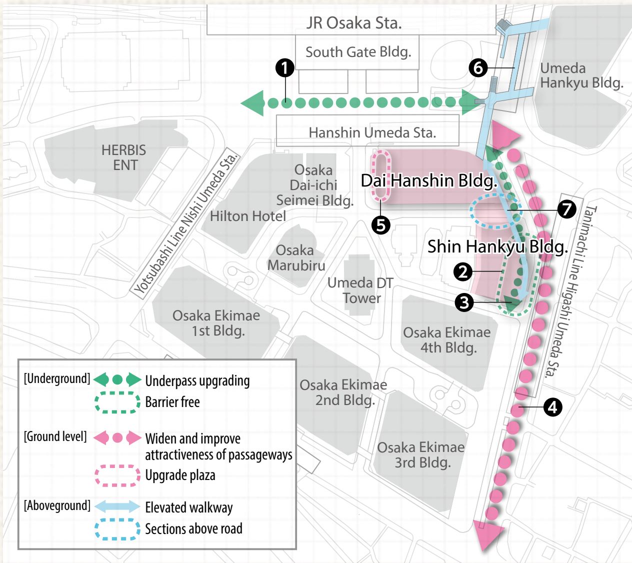
▶ April 2013	Urban development project decided
▶ 2023	Completion of construction (planned)

Overview of Main Upgraded Public Facilities Located Nearby

The vicinity of the Dai Hanshin Building and Shin Hankyu Building features an upgraded three-level (underground, ground level, deck level) pedestrian network that improves the comfort and conveniences of pedestrian spaces and, in turn, contributes to the revitalisation of the immediate area and the rest of Osaka city.

Underground	❶ Widen and perform regular maintenance of east-west underpass (the urban development project's passageway No.1 in front of Osaka Station) ❷ Make surrounding sites barrier free ❸ Upgrade underpasses at surrounding sites
Ground level	❹ Widen, perform regular maintenance and improve attractiveness of Midosuji passageway ❺ Upgrade the on-site plazas on the planned west side
Deck level (aboveground)	❻ Improve decorations and seismic resistance of the new Umeda elevated walkway ❼ Upgrade on-site passageways (2nd floor of the planned building)

Diagram of Upgraded Area



COLUMN:

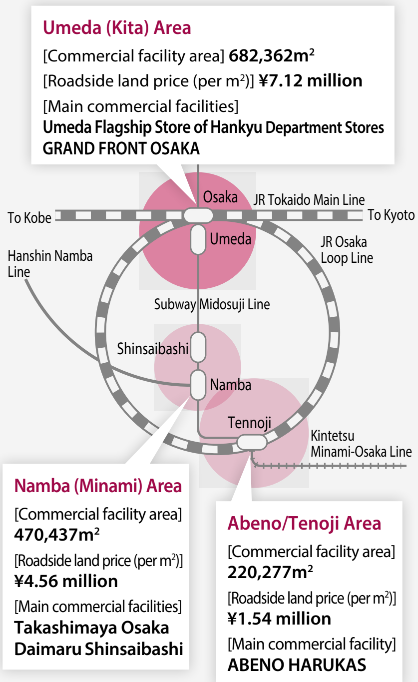
Competitive advantages of the Umeda area

In recent years, the urban functions of the Umeda area and other key areas of Osaka have been progressively updated and built up thanks to large redevelopment projects. The Umeda area (which has seen the opening of a series of large office buildings and commercial facilities, particularly Umeda Hankyu Building and GRAND FRONT OSAKA) and the Abeno/Tenoji district (in which the department store section of ABENO HARUKAS opened in advance in June 2013) were both redeveloped to enhance their attractiveness and dynamism, helping to significantly raise their value. While these major redevelopments were taking place, intensifying competition among key areas has given rise to issues regarding how to attract large numbers of people and capital.

Comparison of Concentration of Commercial Facilities by Region (Store Area) (m^2)

Commercial district (official designation)	June 2008	June 2013
Umeda (Kita-ku, Osaka)	480,148	682,362
Namba, Shinsaibashi (Chuo-ku, Osaka)*	438,856	470,437
Tennoji (Abeno-ku, Osaka)	127,577	220,277
Shibuya, Omotesando (Shibuya-ku, Tokyo)	419,226	427,513
Shinjuku (Shinjuku-ku, Tokyo)	424,994	438,979
Ikebukuro (Toshima-ku, Tokyo)	389,093	381,588
Ginza, Nihonbashi (Chuo-ku, Tokyo)	347,969	320,277
Marunouchi, Yutakucho (Chiyoda-ku, Tokyo)	364,588	342,709

Source: Toyo Keizai, Inc. "*List of Large-Scale Retail Outlets 2014*"
Store area calculated on basis of official designation in the above table.
Stores surveyed are those with areas in excess of 1,000m^2, as of June 2013, based on data on large-scale stores registered with prefectural governments under the Large-Scale Retail Stores Location Law.
*Including 54,042m^2 for Namba Parks (Naniwa-ku, Osaka)



Under these circumstances, the Umeda area, the Group's most important business base, is western Japan's biggest railway terminal and currently contains Japan's highest concentration of large-scale commercial facilities, attracting people from both inside and outside the Kansai area. Thanks to redevelopment in recent years, Umeda has also garnered high ratings as an office district. Umeda was not only the first among all of Osaka's business districts to benefit early from office expansion and relocation as well as new demand, but maintains the highest leasing rates in Osaka, making it a highly competitive area.

Moreover, one section of the area surrounding Osaka Station has been designated as a Kansai Innovation International Strategic Comprehensive Special Zone, raising expectations of future business expansion in environmental, medical and other fields centred on GRAND FRONT OSAKA's "Knowledge Capital." Along with this, the Umeda area is developing into an attractive destination for businesses and human resources not only from Japan, but also Asia and the rest of the world, due to the upgrading of functions that is organically transforming Umeda into a central hub. Accordingly, we expect the Umeda area to become even more competitive on the international stage, which will drive growth nationwide as the central urban core of Osaka.

Core Business Highlights

Revenues from Operations (¥ billion)

Urban Transportation

P. 40

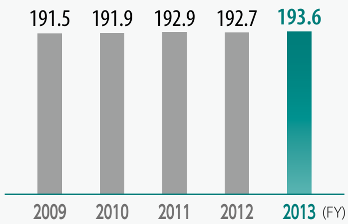
% of Revenues from Operations

26.8%

Revenues from Operations ¥193.6 billion (YoY +0.5%)

Operating Income Margin 17.9%

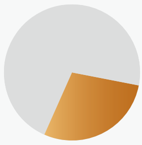
Segment Assets ¥741.2 billion (YoY +0.3%)



Real Estate

P. 44

% of Revenues from Operations

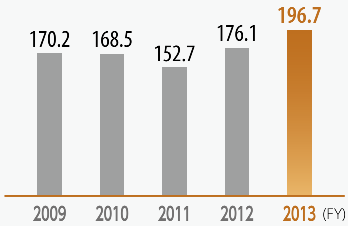


27.2%

Revenues from Operations ¥196.7 billion (YoY +11.7%)

Operating Income Margin 18.8%

Segment Assets ¥1,016.2 billion (YoY +0.7%)



Entertainment and Communications

P. 50

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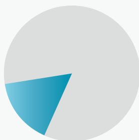
% of Revenues from Operations

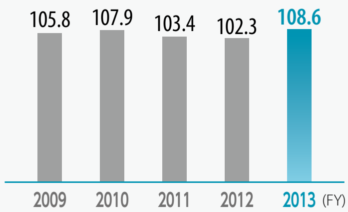


15.0%

Revenues from Operations ¥108.6 billion (YoY +6.2%)

Operating Income Margin 11.6%

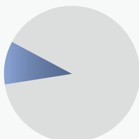
Segment Assets ¥143.9 billion (YoY +2.3%)



Travel and International Transportation

P. 53

% of Revenues from Operations

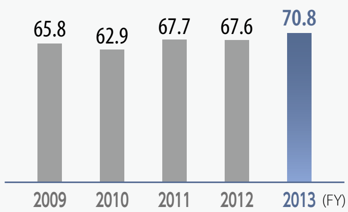


9.8%

Revenues from Operations ¥70.8 billion (YoY +4.8%)

Operating Income Margin 6.3%

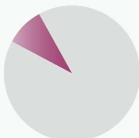
Segment Assets ¥112.1 billion (YoY +11.5%)



Hotels

P. 56

% of Revenues from Operations

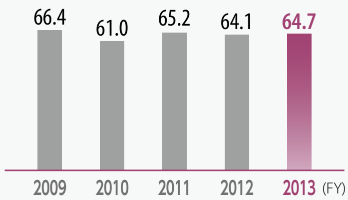


8.9%

Revenues from Operations ¥64.7 billion (YoY +0.9%)

Operating Income Margin 0.8%

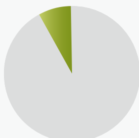
Segment Assets ¥87.2 billion (YoY -1.0%)



Retailing

P. 58

% of Revenues from Operations

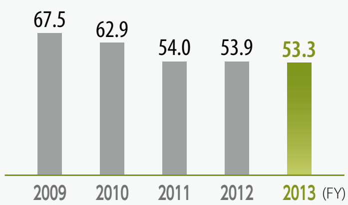


7.4%

Revenues from Operations ¥53.3 billion (YoY -1.1%)

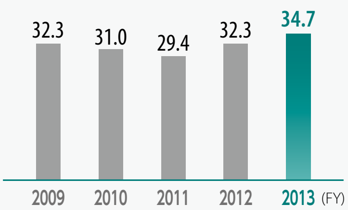
Operating Income Margin 2.6%

Segment Assets ¥17.5 billion (YoY -2.2%)



Notes: 1. Figures for % of revenues from operations are calculated based on the simple aggregate amount (including intersegment transactions) of each segment (fiscal 2013 results).
2. Revenues from operations in other businesses accounted for 5.0%.

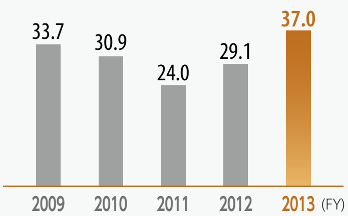
Operating Income (¥ billion) | Nature of Business



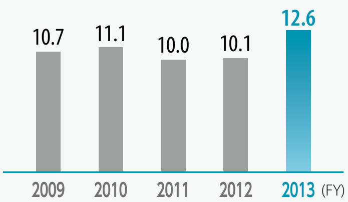
This segment comprises railway operations (with Hankyu Corporation operating the Kobe, Takarazuka and Kyoto lines out of Umeda (Osaka) and Hanshin Electric Railway lines directly linking Kobe with Osaka's major northern and southern terminals, Umeda and Namba). Together, the Hankyu and Hanshin network, combined with other lines, and bus, taxi and other urban transportation services, form a single large-scale network in the Kansai area, centred on the cities of Kyoto, Osaka and Kobe.

Total length of lines operated:

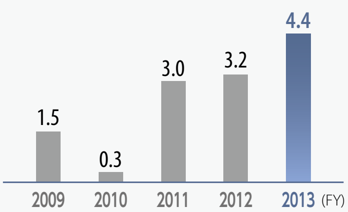
Hankyu Corporation: 143.6km Hanshin Electric Railway: 48.9km
(Including tier 2 railway operator)



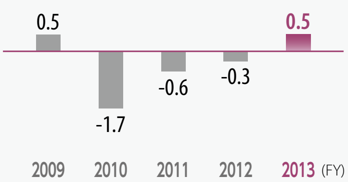
The Real Estate segment derives its core revenue from leasing and management of commercial facilities and office buildings and its condominium business. Its attractive business portfolio includes rental properties located mainly in the Umeda area and along the Group's rail lines, such as Umeda Hankyu Building, Hankyu Sanban Gai shopping centre, HERBIS OSAKA, HERBIS ENT, GRAND FRONT OSAKA, Hankyu Nishinomiya Gardens and the highly regarded Geo condominium brand in the Kyoto-Osaka-Kobe area and Tokyo metropolitan area.



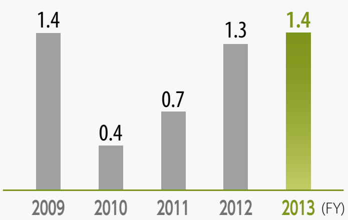
This segment offers a wide variety of live entertainment, centred on the sports business — the nationally popular and famous Hanshin Tigers professional baseball team and their home ground and high-school baseball mecca, Hanshin Koshien Stadium — and the stage revue business, based on the hugely popular Takarazuka Revue, which will celebrate its 100th anniversary in 2014. In addition, this segment runs wide range business such as cable television business and the information technology services.



Our Travel and International Transportation Business originally started as an International Air Transport Association (IATA) agency business in 1948, when we signed Japan's first agency contract. In the travel business, centred on Hankyu Travel International, we offer an original product range featuring the comprehensive and varied Trapics core brand of travel packages as well as business travel services. In the international transportation business, Hankyu Hanshin Express International uses a range of advanced information and communication technologies and global networks to provide high-quality logistics services efficiently combining a wide variety of transportation modes.



The Hankyu-Hanshin-Daiichi Hotel Group operates 50 hotels, consisting of 17 that are directly managed and 33 belonging to chains operated by franchises. It is one of Japan's leading hotel chains with 10,445 guest rooms (as of 1st April 2013). As a hotel operator with many directly managed hotels in the Tokyo and Kansai areas, Japan's two largest markets, it offers a wide range of hotel formats, from general-purpose "city hotels" to new style hotels (with very limited function facilities). In addition to chain operations, it also manages The Ritz-Carlton, Osaka, a venerable international luxury brand with which it has formed an alliance.



This segment group comprises "Ekinaka" retail outlets operated mainly within the premises of stations along our lines, the Lagare shop station kiosk chain, the Book 1st. bookstore chain*, the *asnas* convenience store chain, the COLOR FiELD cosmetics and accessories chain, the DOUBLEDAY furniture and daily accessories chain and other sale-of-goods outlets. In addition to our retail outlets in areas served by the Hankyu and Hanshin lines, we have also opened Book 1st. stores in the Tokyo area, and DOUBLEDAY outlets in the Tokyo area and Fukuoka Prefecture. Drawing on our long experience in developing businesses in our home area, we are building our competitive strength in markets beyond the Hankyu and Hanshin networks.

* Bookstore chain business was sold to an outside company on 1st April 2013.

Urban Transportation

Major Businesses

☐ Railway operations:
Hankyu Corporation, Hanshin Electric Railway, Nosé Electric Railway, Kita-Osaka Kyuko Railway, Hokushin Kyuko Railway, Kobe Rapid Transit Railway

☐ Automobile business (bus, taxi):
Hankyu Bus, Hanshin Bus, Hankyu Kanko Bus, Osaka Airport Transport, Hankyu Denen Bus, Hankyu Taxi, Hanshin Taxi

Snapshot

Performance in FY2013

Revenues from Operations
¥193.6 billion (+0.5%)

Operating Income
¥34.7 billion (+7.3%)

Priority Issues

1 Provide high-value customer services (increase value along Group railway lines)

- Improve the appeal of our transportation services and products
- Expand our networks and catchment areas
- Offer convenience and comfort through services at stations and stores as well as improve customer communication

2 Ensure low-cost operations (pool and improve technology and know-how)

3 Provide safe, high-quality transportation services that fully justify public trust

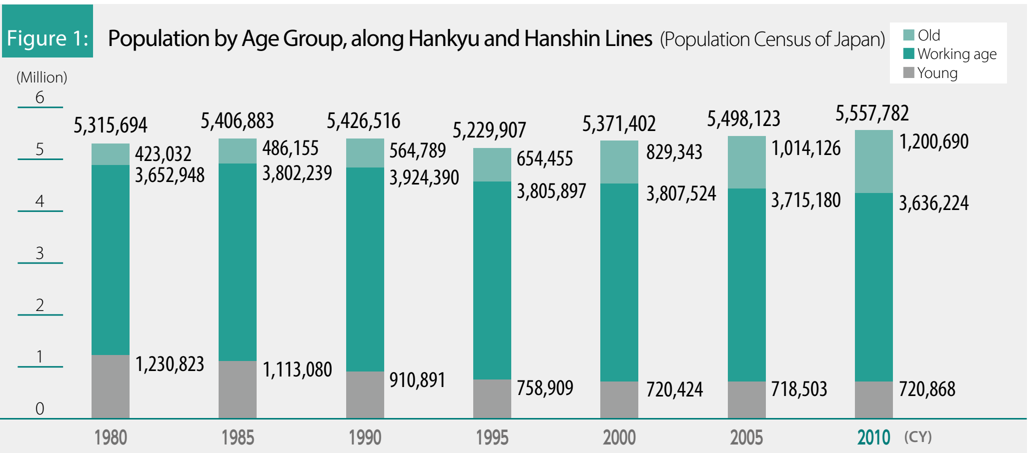
- With ongoing major projects and grade separation (track elevation) works underway, as well as barrier removal at stations, this segment is committed to providing safe transportation services

Population growth continues in areas served by our lines

In recent years, the population of the Kansai area has been in decline, with a falling birth-rate and a rising proportion of elderly people. The official Population Census of Japan shows that the population between the ages of 15 and 64—the working-age generations—has already begun to decline (please see Figure 1).

Despite this severe external environment surrounding the Urban Transportation Business, areas served by our lines are popular and populations here have maintained gradual growth momentum since the trough of 1996, the year after the Great Hanshin (Kobe) Earthquake (please see Figure 2).

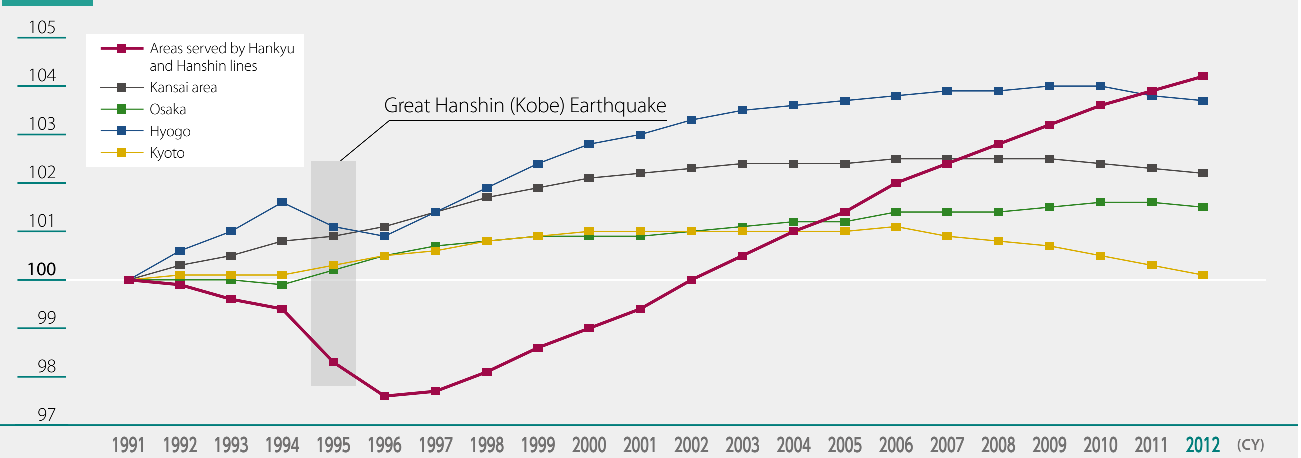
Figure 1: Population by Age Group, along Hankyu and Hanshin Lines (Population Census of Japan)



Source: Compiled by the Group, based on data from *2010 Population Census of Japan*, issued by the Ministry of Internal Affairs and Communications.

* Tallies do not add up to the total at the top for each year as age group is not known in many cases. Unknowns account for the difference.
* Areas served by Hankyu and Hanshin lines are as defined in Figure 2.

Figure 2: Population Trends in Areas Served by Hankyu and Hanshin Lines (1991=100)



Source: Compiled by the Group based on data from Toyo Keizai, Inc.'s *Local Economy Directory* and the Ministry of Internal Affairs and Communications *Basic Resident Register*

Areas served by Hankyu and Hanshin lines:

Below are lists of areas with Hankyu Corporation and Hanshin Electric Railway stations (including tier 2 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, Settsu cities and Shimamoto town

Hyogo Prefecture: Kobe City (Higashi-Nada, Nada, Hyogo, Nagata and Chuo, out of a total of 9 wards); and Amagasaki, Nishinomiya, Ashiya, Itami, Takarazuka and Kawanishi cities

Kyoto Prefecture: Kyoto City (Nakagyo, Shimogyo, Ukyo, Nishikyo, out of a total of 11 wards); and Muko and Nagaokakyo cities and Oyamazaki town

Measures to increase the appeal of areas along our lines

In order to achieve continual growth under these severe operating conditions, the Group is encouraging greater public transport use by upgrading station facilities and expanding networks. Looking ahead, we will continue to improve standards of convenience for customers and make our railway lines more appealing by expanding and improving all our general transportation services.

▶ Improvement of Hankyu Umeda Station facilities: Ongoing modernising works at Hankyu Umeda Station, one of Japan's largest private railway terminals

About 40 years have passed since completion in November 1973 of the relocation of the Hankyu Umeda Station away from its site near the current Umeda Hankyu Building. Hankyu Corporation has been undertaking modernising works at Hankyu Umeda Station since fiscal 2013, with completion scheduled for the end of fiscal 2015. The aim is to give the station a completely new, integrated, more upmarket look and make it the "face" of the Umeda area of Osaka, where developments are underway such as the rebuilding of the Umeda Hankyu Building and the Phase I Development at Osaka Station North District (*Umekita*).

The modernising works will involve the creation of five spaces at Hankyu Umeda Station, titled "Approach," "Gate," "Lobby," "Stage," and "Galleria," with the use of theatre lighting to achieve a sense of drama. The aim is to create a distinctive theatre-like atmosphere.

Upper right: Artist's impression of "Gate"
Lower left: Artist's impression of "Stage"

▶ Renovations complete at Hanshin Sannomiya Station, with new "*Ekinaka*" in-station stores open

Major renovations at Hanshin Sannomiya Station that began in 2007 were completed five and half years later in March 2013.

The station was opened as an underground station in 1933. But because there was only one wicket on the western side, it tended to get crowded during rush-hour. The station also lacked fire-prevention and barrier-free facilities and had long suffered from clumsy connections between lines within the station.

Major improvement works at Hanshin Sannomiya Station were launched in October 2007, using subsidies for projects that enhance urban railway convenience. The aim was to improve user convenience and enhance its hub function ahead of the March 2009 launch of direct Hanshin Electric Railway and Kintetsu Corporation shared-line services from Sannomiya to Nara, using the Hanshin Namba Line.

In the improvement works, we built new eastern wickets that enable access to Port Liner, JR lines, and the peripheral commercial facility M-INT Kobe. In addition, we remodeled the existing western wicket, redid the wiring throughout the structure, widened the platforms, and built new elevators and escalators, which improved connection convenience and realised a barrier-free facility. We also enhanced station information conveyance capabilities by installing the Hanshin Train Service Centre as well as completely remodeled the Kobe's Sannomia Station gateway with the opening of the new SCRA Sannomia commercial facility at the western wicket inside the station.

The western wickets of Hanshin Sannomiya Station

Performance for the Fiscal 2013

Achieved rises in revenue and earnings thanks mainly to a recovery from the Great East Japan Earthquake; the grand opening of the Hankyu Department Store's Umeda Flagship Store; and steady transportation revenue supported by increases in the population living along Hankyu and Hanshin lines

In the railway business, the Hankyu Corporation is continually working to upgrade and improve the attractiveness of its railway facilities. These include the aforementioned renovations at the Hankyu Umeda and Hanshin Sannomiya stations, the upgraded central wicket of the Hankyu Kawaramachi Station in March 2013 and the opening of the Hankyu Tourist Information Center, KYOTO. In addition, Hankyu Corporation began selling to overseas customers the HANKYU TOURIST PASS for all Hankyu rail lines and Hanshin Electric Railway started marketing the Hanshin-Kintetsu IC Commuter Pass jointly with Kintetsu Corporation. At the same time, the Group undertook various initiatives to attract customers along its rail lines. Revenues from operations in the railway business overall increased 0.7%, or ¥969 million, year on year to ¥145,927 million despite a decrease in the number of business days caused by 2012 being a leap year. This result was mainly attributable to a recovery from a business downturn in the previous fiscal year as customers refrained from going out following the Great East Japan Earthquake; the grand opening of the Hankyu Department Store's Umeda Flagship Store; and steady transportation revenue supported by increases in the population living along Hankyu and Hanshin lines.

Furthermore, measures were taken to improve customer convenience in the bus and taxi business, including commencing the *hanica* IC card, which can be used for all regular routes operated by Hankyu Bus, Hanshin Bus and Hankyu Denen Bus. However, revenues from operations decreased 1.1%, or ¥503 million, year on year to ¥46,979 million.

As a result of the above, revenues from operations in the Urban Transportation Business overall improved 0.5%, or ¥913 million, year on year to ¥193,631 million. Moreover, operating income increased 7.3%, or ¥2,369 million, to ¥34,711 million primarily due to decreases in depreciation and amortisation expenses.

⇒ Please refer to **page 61** for details on forecasts for fiscal 2014 onward.

Hankyu Corporation and Hanshin Electric Railway: Performance Results

		Fare revenues (¥ million)*				Passenger volumes (thousands)*			
		FY2013	FY2012	Change	%	FY2013	FY2012	Change	%
Hankyu	Other tickets	60,749	60,268	481	0.8%	308,716	306,349	2,366	0.8%
	Commuter pass	30,391	29,922	469	1.6%	306,607	302,282	4,324	1.4%
	Total	91,141	90,191	950	1.1%	615,324	608,632	6,691	1.1%
Hanshin	Other tickets	19,669	19,422	247	1.3%	110,385	109,284	1,100	1.0%
	Commuter pass	10,740	10,623	117	1.1%	110,748	109,275	1,472	1.3%
	Total	30,410	30,045	364	1.2%	221,133	218,560	2,573	1.2%

* Sum of tier 1 and tier 2 operators for both Hankyu and Hanshin

Real Estate

Major Businesses

☐ Real estate leasing and development*:
Extensive property-holdings, mainly along Hankyu and Hanshin lines (for details of major properties, please see page 49)
Major companies: Hankyu Corporation, Hanshin Electric Railway, Hankyu Realty

☐ Real estate sales:
Subdivision and sale of residential land lots and sale of condominiums and single-family housing, mainly along Hankyu and Hanshin lines. In recent years, also focused on the sale of condominiums in the Tokyo area.
Major companies: Hankyu Corporation, Hanshin Electric Railway, Hankyu Realty

☐ Other real estate businesses:
Promote property management, building maintenance and other building operation and management services as well as real estate fund and REIT businesses
Major company: Hankyu Corporation, Hanshin Electric Railway, Hankyu Hanshin Building Management, Hankyu REIT Asset Management

* Classification changes in major businesses
Included in other real estate businesses until fiscal 2013, the real estate development business was combined with the real estate leasing business to form the real estate leasing and development business from fiscal 2014 onward.

Snapshot

Performance in FY2013

Revenues from Operations
¥196.7 billion (+11.7%)

Operating Income
¥37.0 billion (+27.0%)

Priority Issues

1 Enhance the appeal of and revitalise Umeda and other areas served by our lines

- Steadily promote the Umeda 1-1 Project (Dai Hanshin Building and Shin Hankyu Building rebuilding projects)
- Formulate and advance new development projects and systematically implement facility reconstruction along rail lines to enhance the value of Hankyu and Hanshin lines

2 Undertake measures to strengthen organisations and expand operations in the real estate leasing business

- Improve the profitability of the Umeda Hankyu Building and GRAND FRONT OSAKA
- Consolidate and improve profitability by strengthening management models while optimising costs

3 Agile responses attuned to changes in the subdivision business environment

- Planning and development of condominiums tailored to customer needs
- Business promotion and sales focusing on the impact of raising consumption tax rates
- Develop communities of detached single-family town houses and steadily market residential land-lots (Yamatedai, Nakajima and Saito)
- Maintain supply network and aggressively obtain business opportunities in the Tokyo area while increasing recognition of *Geo* brand condominiums and Hapia single family housing

4 Further expand the Group's Real Estate Business through the stable operation of real estate funding and REIT businesses

- Pursue external growth of the Real Estate Business through linkage with Hankyu REIT
- Expand fee-based revenues that include asset and property management

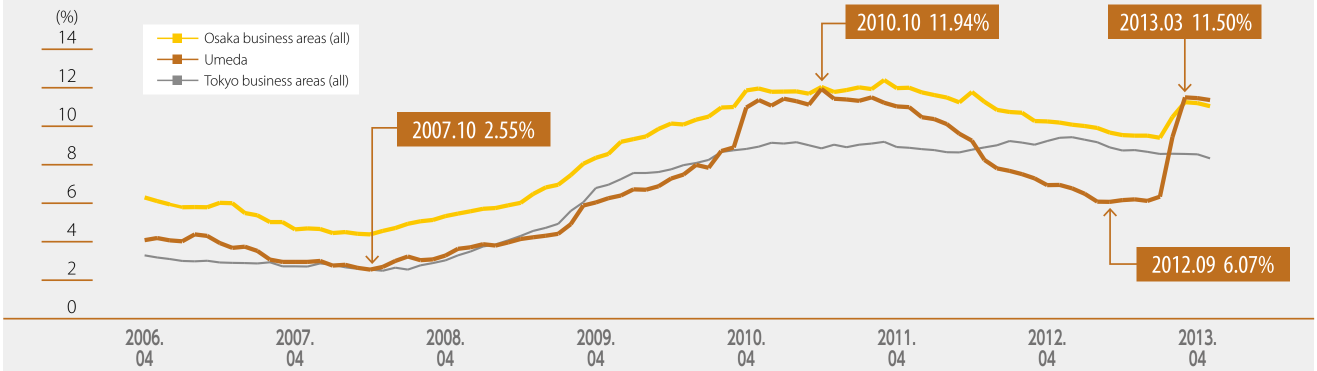
Key Facts and Business Environment

Recovery in the leasing market will take time

Most revenues and operating income in the Group's Real Estate Business are generated by the real estate leasing business, which contributes to stable cash flow. The Group has one of the largest rental real estate portfolios of any private rail company, with many properties located near Hankyu and Hanshin lines (for details, please see page 49). Overall rentable area operated by the Group was approximately 1.7 million m^2 (as of 31st March 2013). Of this total, approximately one half, or 800,000m^2 (70% being commercial facilities and the rest office facilities) are concentrated in the Umeda area, the heart of the Kansai economy, where the Group has a large number of very competitively located rental properties (near the Umeda stations of both Hankyu and Hanshin lines as well as JR Osaka Station (please see page 31 for detailed map of the Umeda area)).

Looking at the current market for rentable office space in the Umeda area, average vacancy rates for office buildings bottomed out in October 2007 but are still trending at a high level. This reflects the release onto the market of large numbers of new buildings in the Umeda area between 2010 and 2013. Nevertheless, vacancy rates have showed signs of improvement from October 2010 onward as tenants relocated from other districts, as well as large-scale business relocations accompanying mergers and corporate consolidations. Looking at the current situation, however, a return to full-fledged improvement is expected to take time as the vacancy rate has risen once again. This reflects ongoing vacancies in the GRAND FRONT OSAKA following its construction (see Figures 1 and 2 for average vacancy rates and average rent levels).

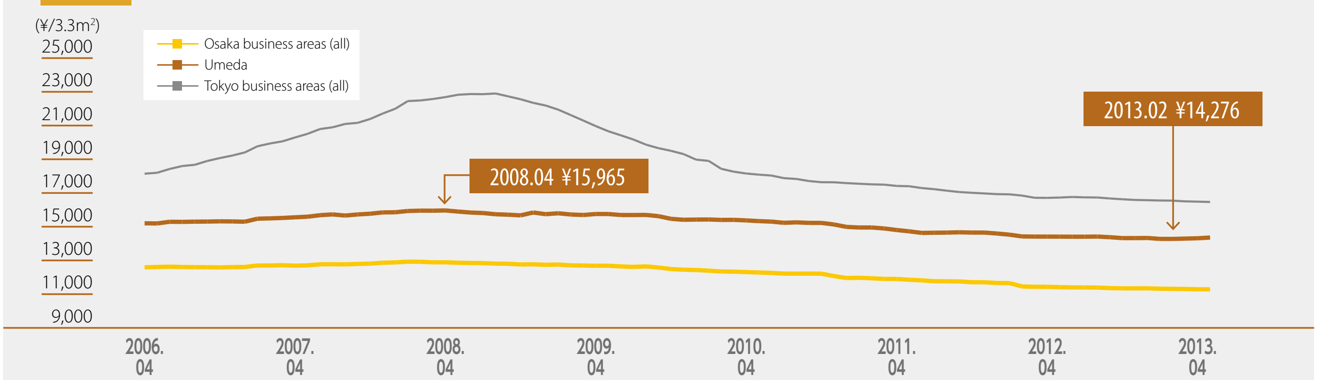
Figure 1: Average Vacancy Rates at Office Buildings (Osaka and Tokyo business areas)



Source: Miki Shoji, *Latest trends in the Office-building market*

* The main factor for the significant increases in vacancy rates in the Umeda area and Osaka's business districts overall from December 2012 to April 2013 is the opening of GRAND FRONT OSAKA.

Figure 2: Average Rents at Office Buildings (Osaka and Tokyo business areas)



Source: Miki Shoji, *Latest trends in the Office-building market*

Section 3 Core Businesses: Overview and Outlook

Accordingly, the environment surrounding the office leasing business remains severe and the future is uncertain. As explained earlier, the business environment surrounding the real estate leasing market remains challenging. However, thanks to the very competitive locations of our major rental office buildings close to the Hankyu and Hanshin Umeda stations in central Umeda, we can expect relatively stable earnings on the back of steady demand and rent levels even under such difficult conditions. Regarding commercial facilities, we forecast competition to become increasingly severe as major commercial facilities continue opening in the Umeda area. However, Group commercial facility-related sales currently remain on par with the previous fiscal year. This is attributable to renovation and major store reshuffling in fiscal 2013 at key Group facilities (Hankyu Sanban Gai Shopping Centre, HEP FIVE, Hankyu 32Ban Gai (restaurant floor of Hankyu Grand Building) and HERBIS PLAZA) as well as a rise in the number of visitors to the Umeda area on the whole.

Looking ahead, in the Umeda area, the Group's most important business base, competition in the fields of office buildings and commercial facilities is likely to intensify as major new properties come on the market. However, we will enhance profitability and optimise costs by strengthening management systems in the real estate leasing business and improve tenant relations. As the market leader of the Umeda area, we will also increase the competitiveness of the properties we own and take measures to improve the appeal and customer-drawing power of the entire district.

Promote new large-scale development projects

The completion of the Umeda Hankyu Building and GRAND FRONT OSAKA undertaken during the Group's Medium-Term Management Plan has drastically transformed the Umeda area.

Planning to further expand the real estate leasing business as well as enhance the attractiveness of and revitalise the Umeda area, we will commence the new large-scale development project, Umeda 1-1 Project. This project involves the rebuilding of the Dai Hanshin Building (in which the Hanshin Department Store Umeda Flagship Store is located) and the adjacent office building, Shin Hankyu Building, as an integrated complex. We will undertake this project with the aim of completing it by 2023.

For details of the following major projects, please see the Special Feature section from page 30 onward).

- **Rebuilding of Umeda Hankyu Building Project**
- **GRAND FRONT OSAKA**
  (Osaka Station North District (*Umekita*) Phase I Development Area Project)
- **Umeda 1-1 Project**
  (Dai Hanshin Building and Shin Hankyu Building Rebuilding Project)

GRAND FRONT OSAKA

Umeda Hankyu Building

Subdivision business continues to enjoy robust sales

In the subdivision business, we market condominiums, residential land lots, and single family houses. The core business is *Geo*-branded condominiums, supplied as high value-added properties situated in excellent locations, mainly in areas along Hankyu and Hanshin lines and in the Kansai and Tokyo areas. With *Geo*-branded condominiums, the focus is on quality and functionality, and quality management is strict. We use an integrated framework spanning development, sales, and management. The *Geo* marque rates highly in market research into condominium brand image.

The number of individual condominium units supplied in 2012 stood at 45,602 in the Tokyo area (up 2.5% year on year). This minimal increase is attributable to a loss of momentum in market recovery at the beginning of autumn in spite of an expected rebound following the Great East Japan Earthquake. In the Kansai area, however, the number of individual condominium units supplied in 2012 was 23,266 (up 15.1% year on year), a significant jump over the previous fiscal year, because of the ongoing supply of large-scale condominiums. Under these circumstances, the combined number of units supplied by the Group in the Tokyo and Kansai areas was 1,590, ranking 12th (3rd in the Kansai area) in nationwide condominium supply rankings.

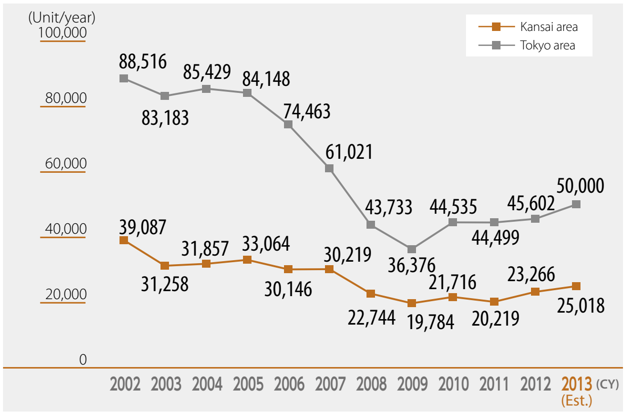
The number of condominium units forecast to be supplied to the market in 2013 is 50,000 in the Tokyo area (up 9.6% year on year) and 25,000 in the Kansai area (up 7.5% year on year). Factors behind these significant year-on-year upward projections include the government's continued measures to encourage home buying, including reduced tax rates on mortgage loans, and a growing supply of units to meet anticipated rush demand ahead of the hike in the consumption tax.

In the first half of 2013, the average rate of conclusion of a sales contract in the first month after a condominium comes on the market was 78.8% in the Tokyo area and 80.4% in the Kansai area, both above the generally employed benchmark level of 70% for condominium sales. This indicates that the condominium market is continuing to experience firm sales.

Looking ahead, we expect new home-purchase incentives and other measures to continue generating firm demand despite concerns over lower consumer confidence arising from higher consumption taxes. Against this backdrop, the Group is expected to enjoy robust sales for the foreseeable future, with customers appreciating its supply of high-quality properties situated in excellent locations.

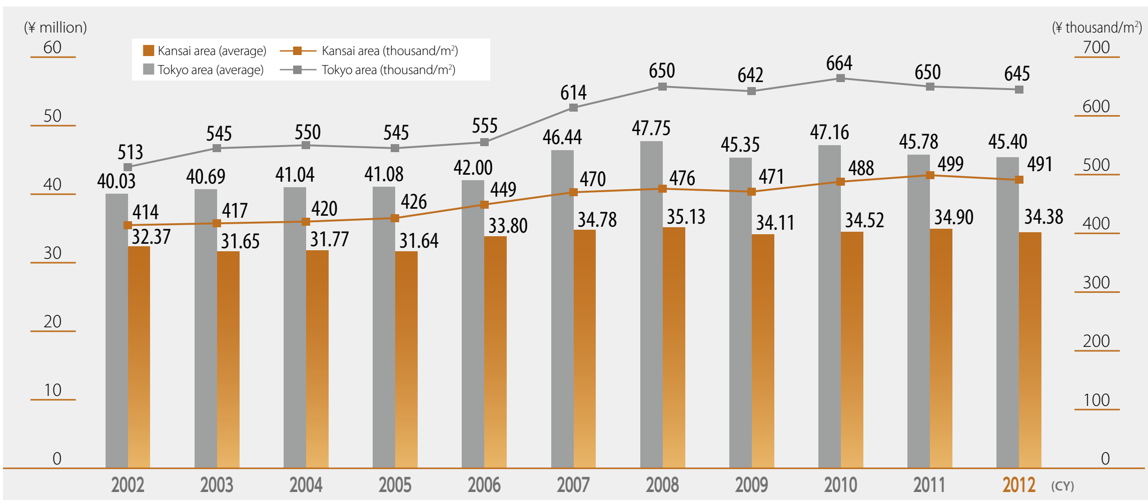
Note: The above figures are based on research by Real Estate Economic Institute Co., Ltd. Reference was made to *National Condominium Market Trends 2012*, *Condominium Supply Forecasts in the Tokyo Metropolitan and Kansai Areas 2013*, and *Condominium Market Forecasts in the Tokyo Metropolitan and Kansai Areas in the First Half of 2013.*

New Supply of Condominiums (Tokyo and Kansai areas)



Source: Real Estate Economic Institute Co., Ltd.'s *National Condominium Market Trends 2012*, and *Condominium Market Forecasts in the Tokyo Metropolitan and Kansai Areas in the First Half of 2013*

Condominium Prices (Tokyo and Kansai areas)



Source: Real Estate Economic Institute Co., Ltd.'s *National Condominium Market Trends 2012*

Revenues and earnings rose mainly due to higher condominium sales and occupancy at Umeda Hankyu Building Office Tower and the opening of Department Store Building (Phase II)

In the real estate leasing business, revenues from operations decreased 0.5%, or ¥441 million, year on year to ¥81,389 million, reflecting severe operating conditions. This result occurred despite efforts to boost the competitiveness and maintain occupancy rates of commercial facilities and office buildings held by each Group company in the Umeda area, including re-launching of certain sections of Hankyu Sanban Gai Shopping Centre and HERBIS PLAZA.

Condominium sales in the subdivision business in the Kansai area included units of the *Geo* Tower Takatsuki Muse Front (Takatsuki City, Osaka), *Geo* Branz Saito Hidamarinooka (Minoh City, Osaka) and *Geo* Grande Teramachi Oike (Nakagyou-ku, Kyoto); and in the Tokyo area, *Geo* Nishi Shinjuku Twin Residence (Shinjuku-ku, Tokyo) and *Geo* Suginami Takaido (Suginami-ku, Tokyo).

In residential land-lot subdivisions, we marketed units including Hankyu Takarazuka Yamatedai (Takarazuka, Hyogo Prefecture), Saito/Minoh Garden Terrace (Minoh City, Osaka), HAPIA Garden Itayado/Kobe Yamanote (Nagata-ku, Kobe) and HAPIA Garden Denenchofu (Ota-ku, Tokyo). As a result, condominium unit sales increased* significantly and, in turn, revenues from operations in the condominium subdivision business rose by 23.8%, or ¥15,661 million, year on year to ¥81,574 million.

In the other real estate businesses including development projects, revenues from operations increased 13.8%, or ¥5,857 million, year on year to ¥48,154 million. This was mainly due to the completion of the Rebuilding of Umeda Hankyu Building Project, the grand opening of the Hankyu Department Store Umeda Flagship Store in November 2012 and the opening in August 2012 of the Shin-Osaka Hankyu Building (Yodogawa-ku, Osaka), which is directly connected to Shin-Osaka Station.

As a result, revenues from operations in the real estate business overall increased 11.7%, or ¥20,597 million, year on year to ¥196,711 million, and operating income rose 27.0%, or ¥7,861 million, to ¥36,994 million.

*Condominium unit sales in previous year (fiscal 2012): 1,210
Condominium unit sales in year under review (fiscal 2013): 1,548
Note: Number of condominiums sold (number of deliveries) includes units in shared buildings in which only a portion of the units are subdivisions for sale.

⇒ Please refer to page 61 for details on forecasts for fiscal 2014 onward.

Shin-Osaka Hankyu Building

Geo Tower Takatsuki Muse Front

HAPIA Garden Itayado/Kobe Yamanote

■ Major Rental Properties

Property Name	Location	Completed	Leasable Area* (m^2)	Use
Umeda Hankyu Bldg.	Kita-ku, Osaka	2012	213,147	Department stores (Hankyu Department Store), Offices
Dai Hanshin Bldg.	Kita-ku, Osaka	1963	98,578	Department stores (Hanshin Department Store)
Umeda Hanshin Daiichi Bldg. (HERBIS OSAKA)	Kita-ku, Osaka	1997	81,634	Commercial facilities, Multifunctional convention hall, Offices, Hotels (The Ritz-Carlton, Osaka)
Umeda Hanshin Daini Bldg. (HERBIS ENT)	Kita-ku, Osaka	2004	54,787	Commercial facilities, Offices, Theatre (Osaka Shiki Theatre)
Hankyu Chayamachi Bldg. (Applause Tower)	Kita-ku, Osaka	1992	52,074	Offices, Commercial facilities, Hotel (Hotel Hankyu International)
Hankyu Sanban Gai Shopping Centre	Kita-ku, Osaka	1969	40,982	Commercial facilities
Hankyu Grand Bldg.	Kita-ku, Osaka	1977	36,023	Offices, Commercial facilities
Shin Hankyu Bldg.	Kita-ku, Osaka	1962	32,962	Offices, Commercial facilities
Hankyu Terminal Bldg.	Kita-ku, Osaka	1972	26,615	Offices, Commercial facilities
Navio Hankyu (HEP NAVIO)	Kita-ku, Osaka	1980	15,711	Commercial facilities
Kita Hankyu Bldg.	Kita-ku, Osaka	1971	13,356	Offices, Commercial facilities
Hankyu Five Bldg. (HEP FIVE)	Kita-ku, Osaka	1998	12,613	Commercial facilities
Umeda Centre Bldg.	Kita-ku, Osaka	1987	10,191	Offices, Commercial facilities
NU chayamachi PLUS	Kita-ku, Osaka	2011	3,021	Commercial facilities
Noda Hanshin Bldg. (WISTE)	Fukushima-ku, Osaka	1992	31,630	Commercial facilities, Offices
Fukushima Hanshin Bldg.	Fukushima-ku, Osaka	1987	21,764	Offices
Shin-Osaka Hankyu Bldg.	Yodogawa-ku, Osaka	2012	24,240	Hotel (REMM Shin-Osaka), Offices, Commercial facilities
Sannomiya Hanshin Bldg.	Chuo-ku, Kobe	1933	13,672	Department stores (SOGO)
Motomachi Hanshin Bldg.	Chuo-ku, Kobe	1987	7,865	Outside horse-racing ticket booth
Kobe Hankyu Bldg.	Chuo-ku, Kobe	1936	7,658	Commercial facilities
Hankyu Nishinomiya Gardens	Nishino miya, Hyogo	2008	108,215	Department stores (Hankyu Department Store), Commercial facilities
EBISTA Nishinomiya (Commercial facility under elevated railway tracks)	Nishinomiya, Hyogo	2003	10,359	Commercial facilities
Itami Hankyu Station Bldg. (Itami Reita)	Itami, Hyogo	1998	11,800	Commercial facilities
Hankyu Kawaramachi Bldg.	Shimogyo-ku, Kyoto	1974	38,237	Department stores (Takashimaya)
Kotocross Hankyu Kawaramachi	Shimogyo-ku, Kyoto	2007	2,979	Commercial facilities
Katsura Higashi Hankyu Bldg. (MEW Hankyu Katsura)	Nishigyo-ku, Kyoto	1993	2,915	Commercial facilities
TX Akihabara Hankyu Bldg. (AKIBA TOLIM)	Chiyoda-ku, Tokyo	2008	10,297	Hotel (REMM Akihabara), Commercial facilities

* Leasable area does not include areas for public use.

Entertainment and Communications

Major Businesses

☐ Sports business:
Professional baseball business (the Hanshin Tigers) and Hanshin Koshien Stadium, and related businesses

☐ Stage businesses:
Takarazuka Revue and related businesses, operation of Umeda Arts Theatre and promotion of stage productions

☐ Communication and media businesses:
Cable television business, information technology services, etc.

☐ Leisure businesses:
Facilities on top of Mt. Rokko, and other leisure businesses

Snapshot

Performance in FY2013	Revenues from Operations	Operating Income
	¥108.6 billion (+6.2%)	¥12.6 billion (+24.1%)

Priority Issues

1 Maximise the value of the Hanshin Tigers, Koshien and Takarazuka brands

- Improve the appeal of live events
(create superior attractions, train and acquire star talent, and increase the appeal of our live-event venues)
- Broaden the fan base and improve customer retention
(leverage Customer Relationship Management, strengthen promotion through external media, undertake initiatives based on the Takarazuka Revue's centennial in 2014)
- Create value chain of live events, media, and secondary contents
(enhance the appeal of established media, broaden the range of media channels)

2 Stable growth of the communication and media business

- In the cable television business, enhance community-based services and gain customers by boosting product competitiveness
- In information technology businesses, focus on promising long-term growth areas and expand businesses in the Tokyo metropolitan market

3 Leverage our leisure facilities (facilities on top of Mt. Rokko)

- Enhance the attractiveness of Mt. Rokko and its customer-drawing power by taking advantage of facilities that bring together its natural, scenic and various other attractive features

Key Facts and Business Environment

Two attractions enhancing Group brand value

According to the Ministry of Internal Affairs and Communications Statistics Bureau's Family Income and Expenditure Survey, recreational service expenditure of total household in 2012 (real terms) rose 2.7% year on year, the first increase in three years.

Despite being seen as recession proof given its relatively weak correlation with economic trends, it is more apparent than ever that the live entertainment industry has become polarised due to a greater interest in only a few attractions and fierce competition in other areas.

Despite these headwinds, our unique Hanshin Tigers and the Hanshin Koshien Stadium, and Takarazuka Revue brands retain their popularity and passionate fan bases all over Japan, and the games and shows continue to draw crowds. These two powerful brands are assets that none of our rivals can match and form a proprietary core strength of the Group, contributing significantly to Group brand value.

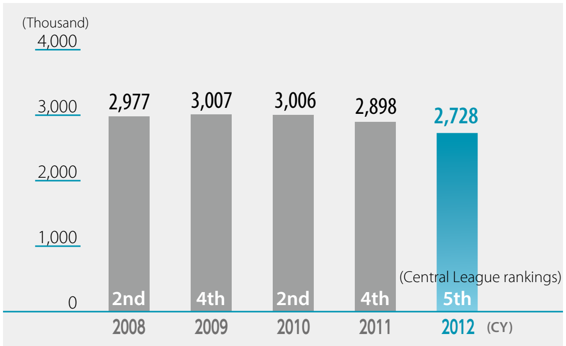
We will work to maximise the Group's brand value by pursuing high-quality performances that deliver inspiration and dreams to our customers.

Hanshin Tigers and the Hanshin Koshien Stadium

Of the professional baseball leagues in Japan, the Hanshin Tigers has both one of the longest histories and a bedrock of fans not only in their home area, Kansai, but also across Japan. Attendances at home games in the Pennant Race have been the largest in Japan for seven consecutive years until 2011. The Hanshin Tigers were the only one of the 12 professional baseball teams in Japan to register total attendances of over 3 million people in the 2005-2007, 2009 and 2010 seasons.

Opened in 1924, the Hanshin Koshien Stadium is a sports venue of considerable historical value. Known as the home ground of the Hanshin Tigers and also the home of the spring and summer high school baseball championships, it now also hosts major events such as the Koshien Bowl (annual American college football final) and open-air concerts.

■ Total Attendances at Hanshin Tigers Home Games



In the spring of 2010 we completed a renovation of the Stadium, which had been undertaken in three phases starting in autumn 2007. The works included seismic reinforcement, replacement of the "silver umbrella" roof cover and floodlighting, installation of new seating and refurbishment of food and drink outlets, resulting in a more safe and comfortable spectator space that generates improved earnings.

Takarazuka Revue

Performances are given all over Japan by the Takarazuka Revue, which is based at two main venues, the Takarazuka Grand Theatre (Hyogo Prefecture, 2,550 seats) and the Tokyo Takarazuka Theatre (2,069 seats). Repertoires span a wide range of Japanese and western material, including overseas musicals. Takarazuka Revue has made a name for itself for major individual musical and show productions that are performed throughout the year. In 2012, the troupes gave over 450 performances at both its main theatres, in front of a total of approximately 2.5 million people during the year, including troupe tours of venues nationwide.

Takarazuka Revue performs in Taiwan for the first time

In April 2013, the Takarazuka Revue performed in Taiwan. Although it boasts an overseas track record of 17 countries spanning back before World War II, this marks the first time ever that the Takarazuka Revue has performed in Taiwan. To date, overseas performances were by government invitation to promote friendly relations. Expanding beyond this, the Taiwan performance enabled the Takarazuka Revue to accumulate the knowhow required to perform in new regions, taking it upon themselves to secure a venue, sell tickets and engage in marketing activities that include television commercials. Accordingly, the Taiwan performance was positioned as a preliminary step to further expand the Takarazuka Revue's activities throughout Asia. With approximately 18,000 people in attendance, the Taiwan performance was sold out throughout its nine-day, 12-show run, coming to a close as an overwhelming success.

Musical entitled *Chu Liuxiang*, based on a popular Taiwanese mystery novel

Performance for the Fiscal 2013

Revenues and earnings increased mainly due to steady performance in the sports and stage businesses as well as the contribution from consolidation of Himeji Cable Television Co., Ltd.

In the sports business, decreases in Hanshin Tigers regular season home games (from 74 in fiscal 2012 to 70 in fiscal 2013), lower attendance figures and other factors caused revenues from operations to fall 4.6%, or ¥1,076 million, year on year to ¥22,374 million. This result occurred, despite the Tigers' fan base and our measures to make the most of the Hanshin Koshien Stadium by leveraging food, drink and merchandising outlets and fan-oriented services through special event programmes as well as the favourable ratings we have received for our newly developed food and drink menu.

In the stage business, the stage revue business had notable successes with productions at the Takarazuka Grand Theatre and Tokyo Takarazuka Theatre of *Versailles no Bara — Oscar to Andre* (La Rose de Versailles — Oscar and Andre), performed by the Tsuki (Moon) troupe, and the Yuki (Snow) troupe's farewell performance of *JIN* and *GOLD SPARK!*. These productions commemorate the Takarazuka Revue's centennial year, which extends throughout 2013 and 2014. In the theatre business, we put on a variety of highly topical productions that received favourable reviews, including *Elizabeth Special Gala Concert* at Osaka's Umeda Arts Theatre and Tokyo's Tokyu Theatre Orb, and features the previous cast of the Takarazuka Revue's *Elizabeth*. As a result, revenues from operations in the stage business increased 9.5%, or ¥2,442 million, year on year to ¥28,235 million.

The communication and media and other businesses in this segment began offering as part of their information technology services high-speed public wireless LAN services at retail facilities located along rail lines, including Hankyu Sanban Gai and HEP FIVE, as well as all stations at Hanshin Electric Railway, Nosé Electric Railway and Kita-Osaka Kyuko Railway. This service has also been gradually expanded to stations operated by the Hankyu Corporation. In the cable television business, subscriber numbers steadily grew mainly thanks to expanding mobile phone set menus and introducing discount plans for long-term contracts. In addition, Himeji Cable Television Co., Ltd. and YMIRLINK Inc. were added to the scope of consolidation. Consequently, revenues from operations in these businesses increased 8.7%, or ¥5,068 million, year on year to ¥63,407 million.

As a result, revenues from operations in the Entertainment and Communications Business overall improved 6.2%, or ¥6,294 million, year on year to ¥108,608 million, and operating income increased 24.1%, or ¥2,442 million, to ¥12,584 million.

⇒ Please refer to page 62 for details on forecasts for fiscal 2014 onward.

Travel and International Transportation

Major Businesses

☐ Travel Business:

Hankyu Travel International Group (7 companies) Total billings: ¥387.5 billion (No.2 in the industry)

* Total billings are Hankyu Travel International (non-consolidated) figures for fiscal 2013.

☐ International Transportation Business:

Hankyu Hanshin Express Group (24 companies) Sales: ¥74.2 billion

* Sales are total of Hankyu Hanshin Express Group figures for fiscal 2013.

Snapshot

Performance in FY2013

Revenues from Operations
¥70.8 billion (+4.8%)

Operating Income
¥4.4 billion (+40.0%)

Priority Issues

Travel Business

1 Improve sales capabilities
- Strengthen product lineup, step up operations in Tokyo area, expand sales channels and promote cross-media strategies

2 Raise customer satisfaction levels
- Rigorous quality and risk management

3 Create fundamentals for stable earnings and enhance management resources
- Improve process efficiencies in back office/administrative departments
- Develop diverse human resources

International Transportation Business

1 Strengthen our marketing capabilities
- Further promote global sales, deepen involvement in the marine cargo/logistics business, effectively utilise marketing and investigate expanding services into new areas

2 Expand networks in promising markets
- Expand networks in emerging markets

3 Promote global management
- Develop diverse human resources and strengthen governance and risk management systems

Travel

Aim to achieve the highest customer approval ratings in the industry

Since the 1990s, the Group's travel businesses have focused on using newspapers and other media (mail-order and online sales) to market packages, which are organised under a stable of brands spearheaded by the mainstay Trapics marque. Billings for overseas travel, a particular strength, were the third-highest in Japan in fiscal 2013, and our position in the domestic travel sector is sixth. This business is growing steadily. We now place second overall in total billings in the travel sector in Japan.

The business environment is characterised by external factors such as economic and social trends, earthquakes and other natural disasters, risks to which the travel industry is particularly susceptible. Despite this, our travel business is working to maintain steady growth in both international and domestic operations by developing and quickly bringing to market products that leverage advertising-driven sales, a particular strength of Hankyu Travel International.

Looking ahead, we plan to broaden our lineup to satisfy increasingly diverse demands, aiming ultimately to achieve the highest customer approval ratings in the sector through a constant focus on safety, comfort and providing inspiration and dreams. We aim to attract still more customers by working together to provide high-quality travel services that truly meet customer wishes.

■ Total Travel Billings (FY2013)

Rank	Company name	¥ billion
1	JTB	1,446.7
2	Hankyu Travel International	387.5
3	Nippon Travel Agency	387.0
4	HIS	378.4
5	Kinki Nippon Tourist	327.8
6	Rakuten Travel	327.5
7	JTB World Vacations	247.8
8	ANA Sales	203.5
9	JALPAK	169.0
10	Club Tourism International	153.0

■ Overseas Travel Billings (FY2013)

Rank	Company name	¥ billion
1	JTB	507.4
2	HIS	348.6
3	Hankyu Travel International	257.6
4	JTB World Vacations	247.8
5	Nippon Travel Agency	138.6
6	Kinki Nippon Tourist	117.3
7	JALPAK	68.7
8	Club Tourism International	52.4
9	NIPPON EXPRESS TRAVEL	49.1
10	Travel Plaza International	45.3

■ Domestic Travel Billings (FY2013)

Rank	Company name	¥ billion
1	JTB	907.4
2	Rakuten Travel	309.3
3	Nippon Travel Agency	237.2
4	Kinki Nippon Tourist	201.1
5	ANA Sales	179.4
6	Hankyu Travel International	129.5
7	Club Tourism International	100.5
8	JALPAK	100.4
9	JR TOKAI TOURS	81.5
10	Top Tour	78.3

Source: Japan Tourism Agency Bulletin : Business Volume for Major Travel Agents (April 2012 to March 2013)
* Billings are rounded down to the nearest ¥100 million.

International Transportation

Aim to be an innovative logistics provider by consistently offering original value worldwide

Even compared with other Japanese freight forwarding companies, which are strong players in the global distribution sector, the Hankyu Hanshin Group's international transportation business has led rivals in marine transportation and logistics to create a framework that optimises our customers' supply chain management. We are a total provider of logistics management systems, capable of handling multiple transportation modes from bases all over the world. By using advanced information technologies, we have built up an infrastructure capable of meeting the increasingly sophisticated logistics needs of our customers.

We are currently confronted by strong demands to rapidly adapt to changing and diversifying business conditions, including the rise of globalisation and emerging markets. At the same time, we are entering a new phase in which we must answer the key questions: how do we prevail over global competition and what can be done to maintain continuous growth while contributing to society?

Under these circumstances, we will build a system for consistently providing total solutions. To this end, we are positioning fiscal 2014 as the first year of our innovation initiatives, promoting global management, optimising our business portfolios, strengthening our business foundation and meeting the diverse needs of customers.

■ Number of offices: 34 domestic/96 overseas; Number of employees: 1,953 (as of 1st April 2013)

NORTH AMERICA
CHICAGO
ATLANTA
CINCINNATI
DALLAS
DETROIT
HOUSTON
LOS ANGELES
McALLEN
MEXICO CITY
NASHVILLE
NEW YORK
SAN DIEGO
SAN FRANCISCO
SAO PAULO
SEATTLE
TORONTO

EUROPE & MIDDLE EAST
FRANKFURT
DUSSELDORF
PRAGUE
LONDON
AMSTERDAM
ROTTERDAM
BRUSSELS
PARIS
MILAN
VIENNA
DUBAI
MOSCOW

EAST ASIA
BEIJING
SHANGHAI
GUANGZHOU
CHENGDU
CHONGQING
DALIAN
DONGGUAN
FUZHOU
HANGZHOU
NANJING
NINGBO
QINGDAO
SHENYANG
SHENZHEN
SUZHOU
TANGSHAN
TIANJIN
WUHAN
WUXI
XIAMEN
YANTAI
ZHENGZHOU
HONG KONG
TSING YI
TAIPEI
KAOHSIUNG
TAICHUNG

ASEAN
BANGKOK
CHIANG MAI
LAEM CHABANG
KUALA LUMPUR
BUTTERWORTH
JOHOR BAHRU
PASIR GUDANG
PENANG
PORT KLANG
SINGAPORE
MANILA
CEBU
JAKARTA
HANOI
BINH DUONG
HAI PHONG
HO CHI MINH
DELHI
BANGALORE
CHENNAI
MUMBAI

JAPAN & KOREA
SEOUL
BUCHEON
INCHEON
PUSAN
TOKYO
OSAKA
AICHI
CHIBA
FUKUOKA
GUNMA
HYOGO
ISHIKAWA
KAGAWA
KANAGAWA
KUMAMOTO
KYOTO
MIYAGI
NIGATA
OKAYAMA
SAITAMA
SHIGA
SHIMANE
SHIZUOKA

Performance for the Fiscal 2013

Although international transportation experienced sluggish logistics demand, the travel business recorded higher revenues and earnings thanks mainly to robust performance from Europe-bound tourists

Regarding our travel business, despite decreases in the numbers of tourists visiting China and South Korea beginning in early autumn, overseas travel operations experienced robust performance centred on Europe-bound tourists thanks to the creation of attractive vacation packages and aggressive marketing drives. In addition, domestic travel operations have been steadily recovering from the major impact of the Great East Japan Earthquake, which continued throughout the previous fiscal year. This was primarily attributable to the opening of the new tower, TOKYO SKYTREE, the impact of which drove up the number of tourists visiting the Kanto region. As a result of the above, revenues from operations in the travel business were up 14.3%, or ¥4,265 million, year on year to ¥34,086 million.

The international transportation business worked to strengthen systems able to provide high quality services to customers, including establishing new offices in Vietnam, Central and South America and other regions as well as enhancing its global network. Nevertheless, operating conditions remained severe due to weakness seen in worldwide logistics demand in light of the European economic recession, stagnant growth in China and other factors. Consequently, revenues from operations in our international transportation business decreased by 2.7%, or ¥1,013 million, year on year to ¥36,745 million.

As a result of the above, revenues from operations in the Travel and International Transportation Business increased by 4.8%, or ¥3,269 million, year on year to ¥70,840 million, and operating income rose 40.0%, or ¥1,269 million, to ¥4,441 million.

⇒ Please refer to pages 62-63 for details on forecasts for fiscal 2014 onward.

Hotels

Major Businesses

☐ Principal directly operated hotels:

Hotel Hankyu International [Number of rooms: 168; total capacity: 316]
Hotel new Hankyu Osaka [Number of rooms: 922; total capacity: 1,304]
Dai-ichi Hotel Tokyo [Number of rooms: 277; total capacity: 554]
The Ritz-Carlton, Osaka* [Number of rooms: 292; total capacity: 584]

* The Ritz-Carlton, Osaka is operated by the Ritz-Carlton hotel chain under the management of Hanshin Hotel Systems.

Snapshot

Performance in FY2013

Revenues from Operations
¥64.7 billion (+0.9%)

Operating Income
¥0.5 billion (previous fiscal year: -¥0.3 billion)

Priority Issues

1 Improve profitability of established hotels
- Improve appropriateness of management resource allotment and established growth strategies
- Invest appropriately in product value improvement
- Improve sales and productivity

2 Expand chain by opening new directly managed hotels
- Further develop the REMM brand
- Increase profit margins by focusing more on hotels specialising in lodging services

3 Expand businesses operated under franchise/management contracts
- Grow earnings at established hotels run under franchise, with chain headquarters providing operational services
- Run more hotels through franchises, leveraging chain operational know-how and brand image

Key Facts and Business Environment

One of the leading hotel groups in Japan

Since the opening of the Takarazuka Hotel in 1926, the Hankyu-Hanshin-Daiichi Hotel Group has been engaging in the management of various types of hotels as one of the leading hotel groups in Japan, with a total of 50 hotels and 10,445 guest rooms (as of 1st April 2013).

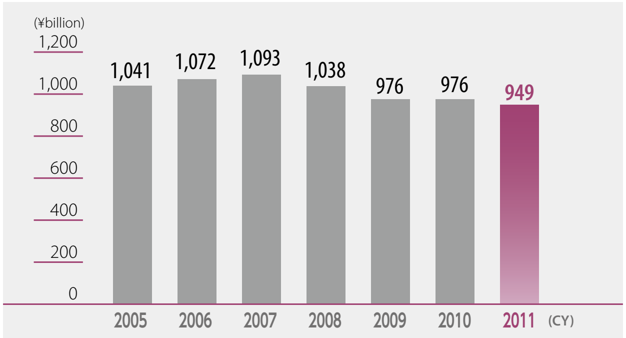
Conditions in the hotel market and our response

According to estimates by Japan Productivity Center*, Japan's hotel market continued to expand from 2003 through 2007 (based on sales). However, in 2009 and 2010, room demand slumped and the scale of the hotel market fell back to ¥976 billion, 10% below its peak in 2007. This was due to a decline in numbers of business-people visiting Japan after the global economic crisis following the collapse of Lehman Brothers in the autumn of 2008 and to weak leisure spending owing to the H1N1 flu scare in 2009. In 2011, the size of the market contracted further to ¥949 billion due to sluggish demand in the aftermath of the Great East Japan Earthquake and subsequent nuclear accident.

To respond to this challenging environment, we undertook renovation focusing on Hotel Hankyu International and Kichijoji Dai-Ichi Hotel to meet customer needs. In addition, we are implementing various measures to boost competitiveness, including selecting locations and eliminating unprofitable hotels.

* White Paper on Leisure, fiscal 2013 edition, published by Japan Productivity Center

■ Size of the Hotel Market in Japan



Performance for the Fiscal 2013

Revenues increased and returned to profitability mainly due to a recovery in demand, which had been impacted in fiscal 2012 following the Great East Japan Earthquake

In the Hotels Business, demand steadily recovered despite being sluggish during fiscal 2012 in the aftermath of the Great East Japan Earthquake. Under these circumstances, we opened the fourth REMM hotel, REMM Shin-Osaka, in September 2012—which prioritises a good night's sleep over other services—as a new business base. In addition, we undertook measures to maintain and increase earnings. These include the Takarazuka Hotel opening a restaurant in *Bimi Shunsai* Dining and Bar on the 12th floor of the Umeda Flagship Store of Hankyu Department Store, newly opened in November 2012, as well as undertaking renovations concentrating on the Kichijoji Dai-Ichi Hotel's lobby and guest rooms. We have also embarked on an aggressive marketing drive that included selling various commemorative plans to mark the 15th anniversary of the opening of The Ritz-Carlton, Osaka in May 2012 and the 20th anniversary of the Hotel Hankyu International in November 2012.

As a result, revenues from operations in the Hotels Business increased 0.9%, or ¥607 million, year on year to ¥64,697 million, while operating income improved by ¥794 million from an operating loss recorded in the previous fiscal year to ¥525 million.

⇒ Please refer to page 63 for details on forecasts for fiscal 2014 onward.

Retailing

Major Businesses

☐ Retail: Hankyu Retails Corporation, Book 1st. Corporation

Convenience store chain *asnas*, station kiosk chain Lagare shop, high-end supermarket chain Seijo Ishii*, cosmetics chain COLOR FiELD, the furniture and daily accessories chain DOUBLEDAY, the Cleduple cosmetics and accessories store with powder rooms, the general accessory store a.d.r.e.s., bookstore chain Book 1st., etc.

* Seijo Ishii is operated under a franchise agreement with Seijo Ishii Co., Ltd.

Snapshot

Performance in FY2013

Revenues from Operations
¥53.3 billion (-1.1%)

Operating Income
¥1.4 billion (+4.1%)

Priority Issues

1 Strengthen the competitiveness of each retail format

- Deepen the specialisation and build up the brand of each retail format
- Consolidate and improve current earnings levels at established stores and expand the business through store openings and refurbishments

2 Develop formats to drive future business growth

3 Create a more efficient operating model for back-office administration

Key Facts and Business Environment

Retailing formats located inside and near stations

The Group's Retailing Business is mainly focused on stores inside and near station buildings (*Ekinaka, Ekichika*). Outlets and operators include station kiosks such as Lagare shop, the convenience store chain *asnas*, and formats run with partners. We also operate the general merchandise formats COLOR FiELD and DOUBLEDAY. We are extending these businesses beyond areas served by our lines and boosting their brand power and competitiveness.

An *asnas* convenience store in Umeda Hankyu Building

Expand Urban Transportation as an integrated business

Many of the retail formats and stores run by the Group's Retailing Business can expect comparatively stable sales revenues, thanks to their location within stations and their wide range of businesses. These have been strengths of the Group's operations. However, our station-based retailing operations will continue to face difficult conditions. A long-term increase in train use is unlikely amid with rising numbers of senior citizens and a lower birth rate. In addition, the number of in-station shops at other railway operators is on the rise, forcing our partner companies to be more rigorous in site evaluation.

Against this backdrop, the Group is taking measures to strengthen competitiveness and improve business efficiency in each retail format. In order to make our stations pleasanter places for customers to frequent, we are also improving the appeal of our stations and retail outlets mainly through major renovations of in-station stores at the Hankyu Umeda Station, Hankyu Corporation's largest terminal.

From fiscal 2014 onward, we will eliminate the core Retailing Business and transfer its operations to the core Urban Transportation Business in order to strengthen stores inside and near station buildings as well as further increase the value of Group railway lines. Promoting the expansion of Urban Transportation as an integrated business, we will continue building on our previous initiatives (including the retention of consumption along Group railway lines and offering a diverse array of stores to reinvigorate and improve the attractiveness of our railway lines). In addition, we will enhance the attractiveness and competitiveness of facilities inside and near stations, starting with the continually developing Umeda area.

The Book 1st. bookstore chain was sold to an outside company on 1st April 2013.

Performance for the Fiscal 2013

Increased earnings based on cost reductions, despite decreased revenues mainly due to business restructuring in certain areas

In store strategy, we undertook renovation work to boost the competitiveness of existing stores. In addition, we continued actively working to enhance our store network, including opening a new *asnas* convenience store on the first basement floor of the Hankyu Sanban Gai shopping centre (Kita-ku, Osaka) and two Cook Deli Gozen shops (which sell delicatessen items), one at Suminodo (Daito City, Osaka Prefecture) and one at Kishiwada CanCan (Kishiwada City, Osaka Prefecture).

As a result, revenues from operations in the Retailing Business decreased 1.1%, or ¥600 million, year on year to ¥53,253 million. However, operating income increased 4.1%, or ¥54 million, to ¥1,387 million primarily thanks to efforts to curb costs.

Forecasts for Fiscal 2014 Onward

(Numerical Targets for Each Core Business in the New Segment Classification)

In order to facilitate further growth in each core business while improving enterprise value Groupwide, certain core businesses shown below were restructured in April 2013. The numerical targets for each core business on the following pages list figures based on the previous core business segments used until fiscal 2013 and the new core business segments for fiscal 2014 and fiscal 2016.

Core Business Restructuring (From 1st April 2013)

Previous

- Urban Transportation
- Real Estate
- Entertainment and Communications
  - Sports
  - Stage
  - Communication and media and other businesses
    - Advertising business of Hankyu Corporation
    - Hankyu Communications
    - Hanshin Contents Link
    - Itec Hankyu Hanshin and Bay Communications, etc.
- Travel and International Transportation
- Hotels
- Retailing
  - Bookstore chain business (Book 1st.)
- Other/Group adjustment

Eliminate intermediate holding company system

Sold to an outside company

From fiscal 2014 onward

- Urban Transportation
  - Railway operations
  - Automobile
  - Retailing
  - Advertising
  - Other
- Real Estate
  - Real estate leasing
  - Real estate sales and other business
- Entertainment and Communications
  - Sports
  - Stage
  - Communication and media and other businesses
    - Itec Hankyu Hanshin and Bay Communications, etc.
- Travel
- International Transportation
- Hotels
- Other/Group adjustment

Operating Income by Core Business (comparison of previous and new segments)

Prior to Core Business Restructuring (Previous Segments)

(¥ billion)

	FY2013 Results	FY2014 Est.	Compared with FY2013	FY2016 Plan	Compared with FY2014
Urban Transportation	34.7	32.6	-2.1	31.7	-0.9
Real Estate	37.0	36.0	-1.0	34.9	-1.1
Entertainment and Communications	12.6	11.2	-1.4	12.7	+1.5
Travel and International Transportation	4.4	4.5	+0.1	5.1	+0.6
Hotels	0.5	0.9	+0.4	1.4	+0.5
Retailing	1.4	1.2	-0.2	1.2	0
Total of six core businesses	90.6	86.4	-4.2	87.1	+0.7
Total operating income	**87.9**	**84.0**	**-3.9**	**85.0**	**+1.0**

After Core Business Restructuring (New Segments)

(¥ billion)

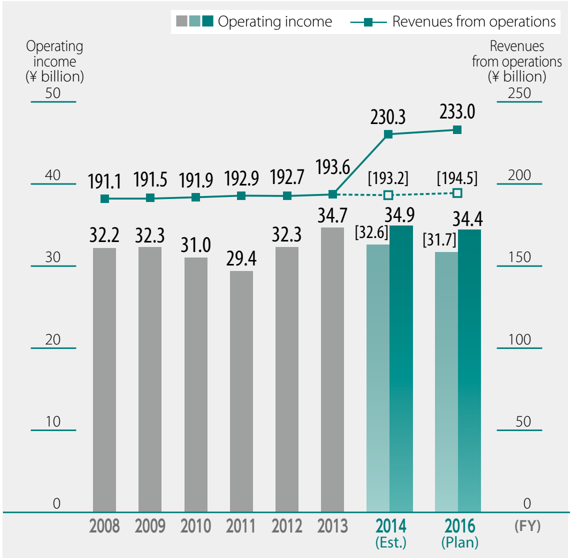
	FY2014 Est.	Compared with previous segments	FY2016 Plan	Compared with FY2014
Urban Transportation	34.9	+2.3*	34.4	-0.5
Real Estate	36.3	+0.3	35.2	-1.1
Entertainment and Communications	9.9	-1.3	10.9	+1.0
Travel	2.5	—	2.6	+0.1
International Transportation	2.0	—	2.5	+0.5
Hotels	0.9	—	1.4	+0.5
Total of six core businesses	86.4	—	87.1	+0.7
Total operating income	**84.0**	**—**	**85.0**	**+1.0**

* The ¥2.3 billion increase recorded by Urban Transportation includes the transfer of the Retailing Business and advertising operations.

Urban Transportation

In fiscal 2014, we forecast revenues from operations to increase 18.9%, or ¥36.7 billion, year on year to ¥230.3 billion. Despite revenue levels in the railway and bus and taxi businesses expected to remain on par with the previous fiscal year, this forecast takes into account the transfer of advertising operations and the Retailing Business accompanying the restructure of core businesses. We forecast operating income to edge up 0.4%, or ¥0.2 billion, to ¥34.9 billion because of the transfer of the abovementioned businesses, despite expected hikes in power and fuel costs caused by higher electricity rates as well as a forecasted increase in repair expenses.

For fiscal 2016, we project revenue levels in the railway and bus and taxi businesses to be nearly on par with fiscal 2014, while in advertising operations, we anticipate new revenue-generating media to be available following the completion of modernising works at Hankyu Umeda Station. As a result of these and other factors, we project revenues from operations to increase a 1.2%, or ¥2.7 billion, to ¥233.0 billion compared with our forecasts for fiscal 2014. However, we project operating income to be almost on par with fiscal 2014 at ¥34.4 billion due largely to depreciation and amortisation expenses accompanying capital expenditure in new rolling stock construction in the railway business, despite an expected increase in revenue.



* Figures in the brackets refer to core businesses prior to restructuring.

Hankyu Corporation and Hanshin Electric Railway: Performance Forecasts (Fiscal 2014)

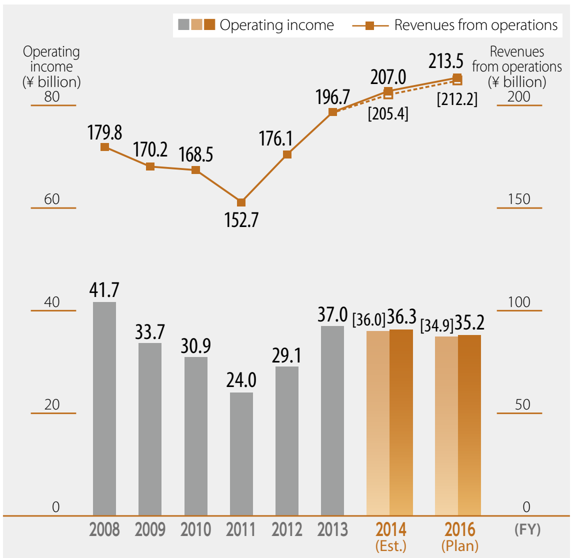
		Fare revenues (¥ million)*				Passenger volumes (thousands)*			
		FY2014	FY2013	Change	%	FY2014	FY2013	Change	%
Hankyu	Total	91,617	91,141	476	0.5%	618,139	615,324	2,814	0.5%
Hanshin	Total	30,188	30,410	-221	-0.7%	220,672	221,133	-461	-0.2%

* Sum of tier 1 and tier 2 operators for both Hankyu and Hanshin

Real Estate

In fiscal 2014, we forecast revenues from operations to increase 5.2%, or ¥10.3 billion, to ¥207.0 billion, which factors in full-year rental income for the Umeda Flagship Store of Hankyu Department Stores within Umeda Hankyu Building as well as improved occupancy rates at the Umeda Hankyu Building Office Tower. However, operating income is forecast to decrease 1.9%, or ¥0.7 billion, to ¥36.3 billion because of the projected impact of intensifying competition on existing rental facilities.

For fiscal 2016, we project revenues from operations to rise 3.1%, or ¥6.5 billion, to ¥213.5 billion compared with our forecasts for fiscal 2014. This mainly assumes that the Umeda Hankyu Building and other development properties will enter a stable rental income phase as well as higher earnings capability by strengthening real estate leasing management models and cost effectiveness. However, we project operating income to decrease 3.0%, or ¥1.1 billion, to ¥35.2 billion compared with our forecasts for fiscal 2014. In spite of high income levels anticipated in fiscal 2014 for the condominium subdivision business, this plan mainly reflects the projected impact of consumption tax rate hikes in fiscal 2016 and lower rental income following the commencement of the Umeda 1-1 Project.

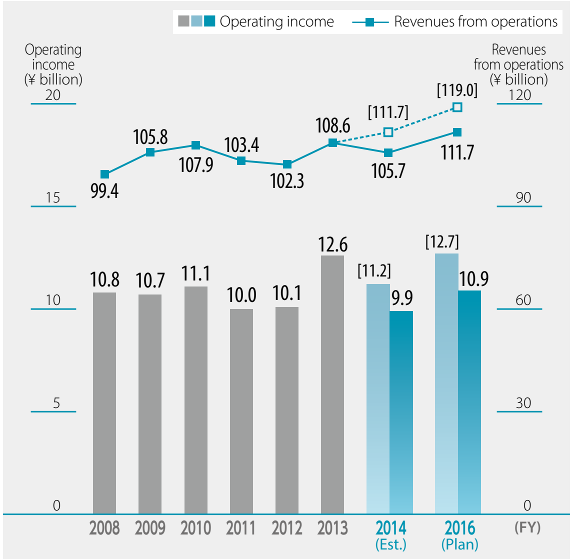


* Figures in the brackets refer to core businesses prior to restructuring.

Entertainment and Communications

In fiscal 2014, we forecast revenues from operations to decrease 2.7%, or ¥2.9 billion, year on year to ¥105.7 billion. In spite of an anticipated increase in revenue from broadcasting rights fees caused by a rise in the number of Hanshin Tigers home games, this forecast is mainly based on the transfer of advertising operations to the Urban Transportation Business and an expected decline in the number of theatrical performances other than those held at the Takarazuka Grand Theatre and the Tokyo Takarazuka Theatre in the stage business. Operating income is forecast to fall 21.4%, or ¥2.7 billion, year on year to ¥9.9 billion primarily due to the abovementioned decrease in revenue as well as the stage business' efforts to expand advertising to promote the centennial of the Takarazuka Revue in 2014.

For fiscal 2016, we project revenues from operations to climb 5.7%, or ¥6.0 billion, to ¥111.7 billion, and operating income to rise 10.1%, or ¥1.0 billion, to ¥10.9 billion from our forecasts for fiscal 2014. These plans mainly assume growth in the cable television business and information technology services along with lower expenses after expanded advertising to promote the centennial of the Takarazuka Review runs its course in fiscal 2014.

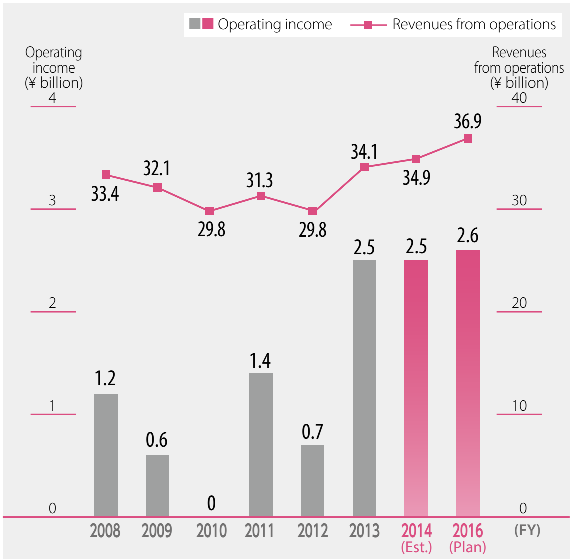


* Figures in the brackets refer to core businesses prior to restructuring.
* From fiscal 2014 onward, Hankyu Railway's transportation and advertising operations will be transferred to the Urban Transportation Business.

Travel

In fiscal 2014, we forecast revenues from operations to increase 2.3%, or ¥0.8 billion, year on year to ¥34.9 billion and operating income of ¥2.5 billion, on par with favourable performance in fiscal 2013. Although tourist numbers for such countries as China and South Korea are expected to decline, these forecasts assume robust sales of mainstay European travel packages as well as destinations including North and South America.

For fiscal 2016, we project revenues from operations to rise 5.7%, or ¥2.0 billion, to ¥36.9 billion, and operating income to increase 4.0%, or ¥0.1 billion, to ¥2.6 billion compared with our forecasts for fiscal 2014. These plans assume continuous growth based on expansions in product lineups and sales channels, including upgrades in the reservation environment.

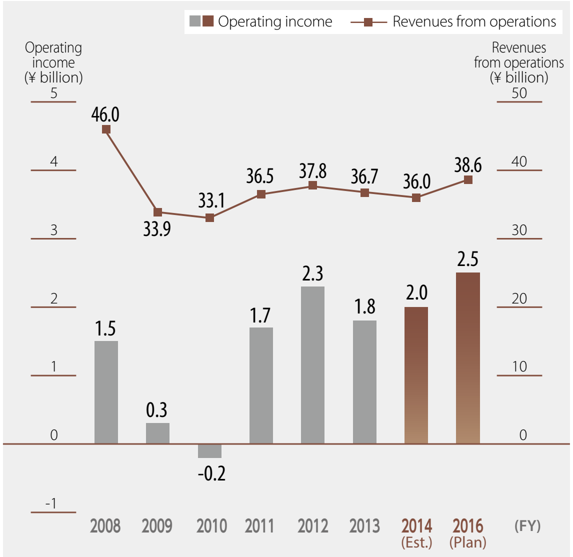


* Due to the restructuring of core businesses, the Travel Business and International Transportation Business have been separated into independent core businesses from fiscal 2014 onward. Consequently, between fiscal 2008 and fiscal 2013, actual figures for the Travel Business are shown separately from those for the core Travel and International Transportation Business and exclude expenses shared by both businesses, such as corporate expenses.

International Transportation

In fiscal 2014, we forecast revenues from operations to decline 1.9%, or ¥0.7 billion, year on year to ¥36.0 billion due to a steady fall in revenue expected mainly in the first half amid continually severe operating conditions. However, operating income is forecast to improve 11.1%, or ¥0.2 billion, to ¥2.0 billion primarily because of a gradual rebound in demand expected throughout the year mainly in the ASEAN region and East Asia as well as efforts to cut costs by improving operational efficiency.

For fiscal 2016, we project revenues from operations to rise 7.2%, or ¥2.6 billion, to ¥38.6 billion and operating income to grow 25.0%, or ¥0.5 billion, to ¥2.5 billion from our forecasts for fiscal 2014. These plans assume ongoing growth amid economic expansion in emerging markets centred in Asia.

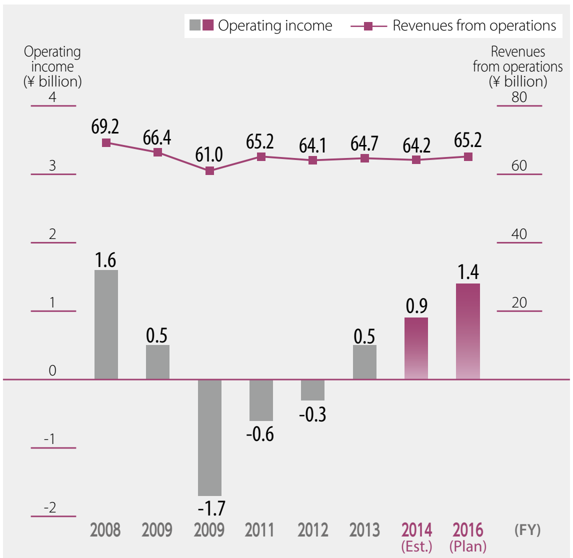


* Due to the restructuring of core businesses, the Travel Business and International Transportation Business have been separated into independent core businesses from fiscal 2014 onward. Consequently, between fiscal 2008 and fiscal 2013, actual figures for the International Transportation Business are shown separately from those for the core Travel and International Transportation Business and exclude expenses shared by both businesses, such as corporate expenses.

Hotels

In fiscal 2014, we forecast operating income to jump 80.0%, or ¥0.4 billion, year on year to ¥0.9 billion. Despite higher electricity rates, this forecast mainly reflects an improvement in profit and loss following the elimination of unprofitable hotels during the previous fiscal year as well as the contribution of full-year earnings from REMM Shin-Osaka, which opened in the previous fiscal year.

For fiscal 2016, we project operating income to increase 55.6%, or ¥0.5 billion compared with our forecasts for fiscal 2014 to ¥1.4 billion mainly because of efforts to increase revenues of existing hotels and cost-cutting measures based on structural reforms.



* Food and drink businesses operated by the Retailing Business segment have been transferred to the Hotel Business segment, as of fiscal 2011.

Message from the President

By applying the Group's organisational strengths to risk management, we will meet the expectations of stakeholders as "a corporate group trusted by society."

August 2013

Kazuo Sumi
President and Representative Director

For over 100 years, the Hankyu Hanshin Holdings Group has grown with the local community, primarily in areas along its railway lines, and built up relations of mutual trust. The mutual trust we have fostered with the local community is a priceless asset that is essential in our efforts to be "a corporate group trusted by society" and, in turn, achieve our goal of further growth.

What it means to be "trusted by society" is best expressed by meeting the expectations of all stakeholders, beginning with customers. For instance, although the importance of risk management in business goes without saying, the implementation of risk management requires ceaseless dedication. Each Group company and segment works tirelessly to reduce and manage every conceivable risk by undertaking consistent identification and analysis. To this end, we examine multifaceted measures to counter risk and repeatedly revise them to reflect changing conditions. In particular, we thoroughly manage safety risks given the general public's reliance on the services offered by the Urban Transportation Business and other segments.

Despite society's expectations, we cannot completely eliminate unforeseen risks no matter how much we reduce and manage risk. This fact was once again made clear to us in the aftermath of the Great East Japan Earthquake. In an unexpected emergency, existing plans and countermeasures often do not function as expected, requiring rapid and precise actions based on a calm assessment of the situation at hand. Under these circumstances, it is essential for the president, executives and employees to communicate, make quick decisions and act with a strong sense of mission rooted in values that "satisfy the expectations of society." This is the only way to apply the Group's organisational strengths to risk management. To achieve this, it is indispensable to encourage regular communication throughout the Group that creates mutual understanding, promotes shared values and cultivates this strong sense of mission.

To what extent society trusts the Group is clearly dependent on how it responds to emergencies. Furthermore, the degree to which we are judged by society is directly proportional to the scope of an emergency. By cohesively preparing for and overcoming unforeseen emergencies, we will solidify our position as "a corporate group trusted by society," one of the operating fundamentals essential for achieving continuous growth.

Management Organisation

Corporate Governance

Our Corporate Governance System

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

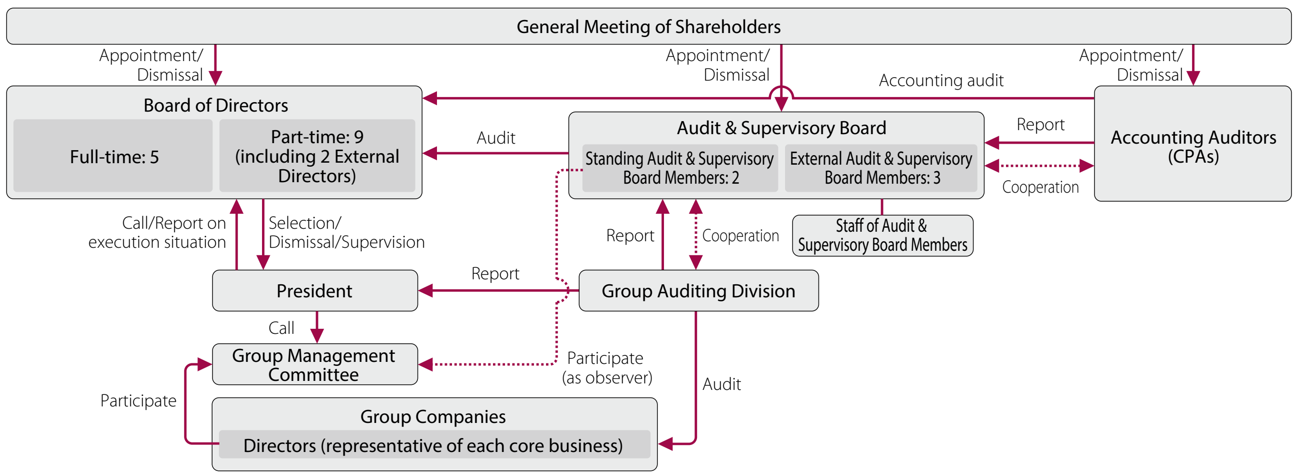
- Makes decisions regarding Group management policy and strategy;
- Approves the medium-term and annual management plans of all core businesses;
- Requests reports on progress in management plans from time to time from the "operating companies" (that is, those that actually run the businesses); and
- Grants approval in cases where a Group company takes actions that significantly affect Group management (for example, when investments rise above a certain threshold).

In this way, the Company aims to improve its supervision and oversight of all Group companies, and raise overall Group governance standards.

In further governance measures, our Board of Directors, which includes external directors, receives reports with regard to the above matters, and approves management decisions. The Company has set up a Group Management Committee including representatives of core businesses of the Group to undertake preliminary reviews.

In addition to these initiatives, and as part of our efforts to strengthen the Group's overall capabilities, the Group is also strengthening governance with regard to fund procurement. Measures include centralising funding under the Company, and ensuring that necessary funds are distributed to the operating companies within specific parameters laid down in their business plans approved by the Company.

Corporate Governance System



Management Organisation

(1) Board of Directors and Directors

1. Board of Directors

The Board of Directors of Hankyu Hanshin Holdings, Inc. works to realise improved corporate governance for the entire Group by the means detailed in the above section "Our Corporate Governance System."

In fiscal 2013, the Board gave its approval to the Group's budget and accounts settlement, to various management plans, including a revised current Medium-Term Management Plan. In addition, the Board of Directors reported to the operating companies on building new rolling stock, real estate development plans, and business restructuring within the Group.

The Board also received reports concerning the progress being made in creating a fully functioning internal control system. Meetings of the Board of Directors were held 9 times during fiscal 2013. The rate of attendance at these meetings was 83% for the external directors and 96% for the external Audit & Supervisory Board members.

2. Directors

Our Board of Directors has 14 members, and has an emphasis on strengthening the flexibility of management and supervisory functions. Nine of these are part-time directors, including two external directors, who are independent of the Company and bring to the table a wealth of experience in corporate management. Our aim is to strengthen our supervisory and oversight function and raise the standard of decision-making. The term of office of directors is set at one year, to clarify management responsibilities following the introduction of anti-takeover measures (prevention of large-scale Company share purchases).

(2) Audit & Supervisory Board, Audit & Supervisory Board Members, and Ensuring Effectiveness of Auditing

The Company adopts 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, they 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.

Please note that specialist staff members are appointed to assist the Audit & Supervisory Board members in the performance of their duties. To ensure the independence of these staff members, prior discussions are held with the Audit & Supervisory Board members over matters such as personnel changes and evaluations.

Besides, the President of the Company holds regular meetings with the Audit & Supervisory Board members to exchange opinions, and ratify decisions regarding issues facing the Company, risks to which the Company is exposed, progress in improving the environment for auditing and major issues encountered by the Audit & Supervisory Board members in the performance of their duties. Management must also hold preliminary discussions with the Audit & Supervisory Board members for amendment or deletion of any regulations pertaining to the function of the Audit & Supervisory Board members, such as matters involving corporate ethics.

(3) External Directors and External Audit & Supervisory Board Members

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.

When selecting candidate external directors and external Audit & Supervisory Board members for appointment, we employ the criteria laid down by the Tokyo Stock Exchange in evaluating the independence of the candidates. By the use of these selection criteria, we ensure that the appointment of external directors and external Audit & Supervisory Board members does not constitute a problem of any kind, and that their appointment poses no risk of conflict of interest with general shareholders.

Relations with External Directors

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. Appointed for his wealth of management experience, perspective from top business circles, opinions from the viewpoint of corporate social responsibility, and ability to provide independent input.

Relations with External Audit & Supervisory Board Members

Name	Reasons for Appointment
Takaharu Dohi (Independent Board Member)	Former prosecutor-general, currently a lawyer. Appointed to advise on more compliance-based management and for his ability to provide independent input.
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 Business Administration within the Graduate School of Kobe University, currently 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.

Attendance at Meetings of the Board of Directors and Other Important Meetings
(Figures for Fiscal 2013)

External Directors

Name	Attendance at meetings of the Board of Directors
Noriyuki Inoue	Attended 7 of 9 meetings
Shosuke Mori	Attended 8 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
Takaharu Dohi	Attended 8 of 9 meetings	Attended 11 of 12 meetings
Haruo Sakaguchi	Attended all 9 meetings	Attended all 12 meetings
Junzo Ishii	Attended all 9 meetings	Attended all 12 meetings

Other Deliberative Bodies

(1) Group Management Committee

The Group Management Committee, comprising full-time Directors (President, representative directors, head of Personnel and General Affairs Division and head of Group Planning Division) and representatives of each core business, meets to discuss resolutions of the Board of Directors, Group company management strategy and business planning and systems and rules for maintenance of the holding company system, and major Group management matters, such as investments beyond set parameters and reorganisations.

(2) Core Business Strategy Councils

Each core business has a Core Business Strategy Council, comprising the President, representative directors, the director in charge of the Group Planning Division of the Company and executives of each core business. The councils deliberate future business development for each core business and discuss business plans and progress management (performance evaluation).

(3) 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 whole organisation. The Group Presidents' Meeting aims to encourage a joint sense of commitment to the Medium-Term Management Plan. Awards are made to companies that boost earnings or individuals and groups that successfully launch initiatives or make significant contributions at their units

Number of Meetings of Deliberative Bodies Held
(Figures for Fiscal 2013)

Group Management Committee	13 meetings
Core Business Strategy Councils	3 meetings
The Group Presidents' Meeting	2 meetings

Compensation for Directors and Audit & Supervisory Board Members

Our system for determining compensation for directors is designed to incentivise contributions that enhance the Group's enterprise value and business performance. In this system, compensation comprises two elements: a basic portion determined according to the post held by the director, and a bonus-type element linked to business performance.

Half of the performance-linked compensation is paid into a fund used for the acquisition of shares in the Company (except in cases in which stock option-based compensation is the same amount or greater than was given by the Company or its subsidiaries).

However, the compensation paid to part-time directors, including external directors, and to Audit & Supervisory Board members, comprises only the portion determined by post held, in light of the nature of their duties.

The total compensation paid to directors and Audit & Supervisory Board members is kept within the total compensation amount approved by the Company's shareholders at the General Meeting of Shareholders. Compensation for individual directors is determined by resolution of the Board of Directors, while compensation for individual Audit & Supervisory Board members is determined by deliberation of Audit & Supervisory Board members.

Note: The payment of retirement benefits to directors and Audit & Supervisory Board members was discontinued in April 2004 in the interests of greater transparency in the compensation system.

Please note that the Company does not offer stock options to its directors.

However, the Board of Directors of the Company has passed a resolution to issue warrants as a form of stock option-based compensation to the full-time directors (excluding directors concurrently serving as employees of Hanshin Electric Railway Co., Ltd.) of its subsidiaries, Hankyu Corporation and Hanshin Electric Railway Co., Ltd. This measure has been taken to ensure that the directors of these two companies, which are core members of the Group, share equally with the shareholders both the possibility of gain in the event of a rise in their company's share price and the risk of loss in the event that the share price falls, and that, therefore, they will be further motivated to pursue the improvement of their company's business performance and the enhancement of its enterprise value over the medium-to-long term.

Compensation Paid to Directors and Audit & Supervisory Board Members

	No. of recipients	Total paid out in fiscal 2013 (Millions of yen)
Directors (external)	15 (2)	118 (16)
Audit & Supervisory Board Members (external)	6 (3)	17 (6)
Total (external)	21 (5)	136 (22)

*1 Recipients of compensation include one director and one Audit & Supervisory Board member who retired at the conclusion of the General Meeting of Shareholders held on 14th June 2012.

*2 In addition to the above, compensation received by external directors and Audit & Supervisory Board members from subsidiaries of the Company for their duties as directors and Audit & Supervisory Board members amounted to ¥22 million for the fiscal 2013.

Of the Company's full-time Directors and Audit & Supervisory Board members, directors Kazuo Sumi, Mitsuo Nozaki and Tsuneo Wakabayashi, and Audit & Supervisory Board member Tsunenori Kawashima are also senior executives at the Company's subsidiary Hankyu Corporation. Director Shinya Sakai, Masao Shin, and Audit & Supervisory Board member Masayoshi Ishibashi, are also senior executives at the Company's subsidiary Hanshin Electric Railway Co., Ltd. They have received additional compensation from each company.

Dialogue with Shareholders and Investors

Measures taken to enhance the effectiveness of the Company's General Meeting of Shareholders and to facilitate the exercise of voting rights

	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, we endeavor to send out the notices of convocation at the earliest possible date. We sent out such notices on 24th May 2013, 21 days before the General Meeting of Shareholders.
Avoiding the "busiest day" for shareholder meetings	To enable as many shareholders as possible to attend our general meeting of shareholders, we held our 2013 General Meeting of Shareholders on 14th June, 13 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 our general shareholders' meetings to nevertheless exercise their voting rights, as well as to make voting more convenient, we accept votes made via the internet, and we also participate in the electronic voting platform operated by ICJ Inc.
Other	Notices of convocation of general shareholders' meetings and of resolutions passed at the meetings are posted on the Company's website. We also post translations of the notices of convocation into English.

Investor Relations Activities

As a rule, the Company arranges results meetings for analysts and institutional investors in Japan after earnings announcements twice a year. Earnings results and business plans are discussed by senior management representatives.

Our website (http://holdings.hankyu-hanshin.co.jp/ir/) includes (mostly Japanese-language) materials necessary for investment judgements (earnings reports, securities reports, due disclosure materials, and summaries of results meetings). The website also carries a profile of the Group and its competitive strengths, mainly for individual investors.

Internal Control System

Overview

Recognising 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 characterised as follows.

- A Group Management Philosophy was compiled following the management integration of Hankyu Holdings, Inc. and Hanshin Electric Railway Co., Ltd., along with a Group mission (our goals), statement of values (what we consider important) and a code of conduct (what actions to take to realise 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 Groupwide business activities. It carries out internal audits into 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 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.

Measures for Avoidance of Contact with Antisocial Elements

To ensure compliance and protect the interests of the Company, we have a basic policy of avoiding all contact with antisocial elements that pose a threat to public order and safety, such as criminal gangs and companies associated with them, and *sokaiya racketeers* who disrupt shareholder meetings, and of never yielding to extortion. These policies are basic policies in our internal control system and are clearly stated in the Hankyu Hanshin Holdings Group Compliance Manual distributed among executives and employees of Group companies.

Specific measures include routinely strengthening communications with external organisations such as lawyers and the police, and introducing into all contracts signed by Group companies' clauses that forbid contact with antisocial elements.

In addition to working to raise awareness of this issue through information exchange and a range of employee training courses, we are aggressively involved in regional activities and gatherings aimed at rooting out antisocial elements.

When an incident does occur, we respond as a single organisation, rallying round the division in charge, and work in partnership with outside experts.

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 Programmes

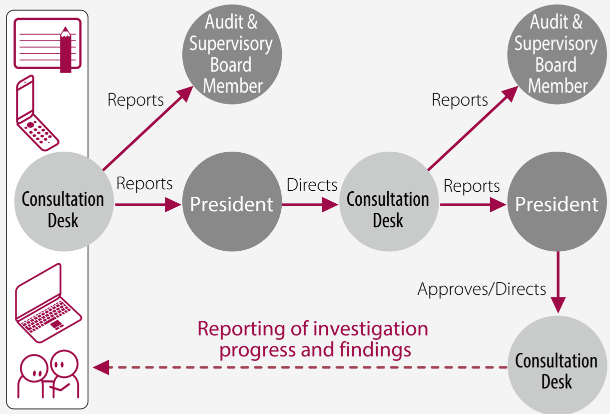
The Company's Compliance Manual and Compliance Card express the Company's determination not to tolerate violation of laws or social norms or betrayal of customer trust, by any Group employee from executives down. It also aims to raise awareness by pointing out cases where compliance errors can easily be made.

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

Corporate Ethics Consultation Desk (internal whistleblower procedures)

We have set up a dedicated whistleblower hotline enabling all employees to discuss or quickly bring to management's notice 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.

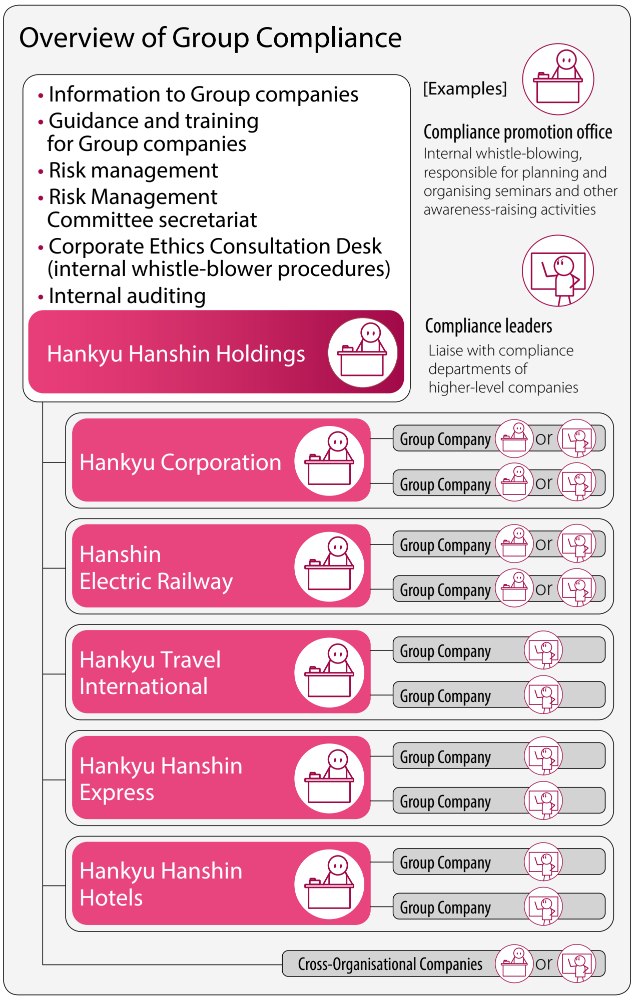
Corporate Ethics Consultation Desk



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 Co., Ltd., Hankyu Hanshin Express Holdings Corp. and Hankyu Hanshin Hotels Co., Ltd. At other companies we are appointing "compliance leaders," to ensure our response is on a Groupwide basis.



Measures to Prevent Takeovers

To secure and further enhance the enterprise value of the Company, and therefore the common interests of its shareholders, we believe that it is imperative to conduct business operations from a medium- to long-term perspective, to build and maintain a relationship of trust with local government institutions and residents in the areas served by our railway lines, and to place the highest management priority on strengthening cohesion and collaboration within the Group, so as to enhance the Group's comprehensive power.

For this reason, we have introduced a system to prevent a takeover of the Company whereby, in the event of the appearance of a potential buyer of the Company that wishes to raise their stake above 20% or more of the Company's outstanding shares, new share subscription rights are granted to shareholders who are, de facto, shareholders other than the potential buyer, to confirm a potential buyer's intention. This system was approved at the General Meeting of Shareholders held on 14th June 2012, and remains in effect for three years.

For more details (in Japanese) of the Company's basic policies regarding governance of joint-stock companies including these takeover prevention measures, please see:
http://holdings.hankyu-hanshin.co.jp/ir/library/others/data/bouei.pdf

Risk Management

At the Company, risks to which many different divisions are exposed are managed by the Risk Management Office, while risks arising in the business operations of individual divisions are managed by risk management units within the divisions themselves. In both cases, risks are identified and analysed, and risk management systems are overhauled from time to time. We evaluate the likelihood of materialisation of each risk and its frequency, as well as the extent of impact in the event of materialisation and its importance. On that basis, we draw up measures to prevent the materialisation of risk or to mitigate its impact ("risk mitigation measures"). These measures are documented in the form of risk management manuals, and the results of risk analysis and how such a risk is being handled when a risk arises are, reported, as appropriate, to the Board of Directors.

We have also established a liaison system enabling the effective transmission of information in the event of unforeseen circumstances. Under this system, in the event of materialisation of a risk, executives and employees immediately take risk-mitigation measures as specified in the above-mentioned documentation and other measures to prevent the further spread of the impact. They also submit reports to pre-appointed risk management liaison personnel.

The Company provides supervision to all companies in the Group so that the same system is operated by them all, and has set up a system enabling the transmission to the Company of accurate information in the event of an unforeseen development.

A particular area of importance in this regard is the Company's core railway business, which entails direct risk to people's lives through accidents. Even in the event of a minor mistakes and problems where no individual responsibility arises, it is important to make every effort to bring the number of problems and mistakes that could cause an accident as close to zero as possible, by continuing to meticulously railway business staff, and share and analyse data. Such painstaking efforts to forestall even one human error are one of the foundation stones on which the Company ensures safety of operations and meets public expectations.

In the following pages, readers will find a summary of the safety management systems at Hankyu Corporation and Hanshin Electric Railway, both of which are our major private sector railway operators.

Safety Management System

Basic Safety Policy and Objectives

Hankyu Corporation and Hanshin Electric Railway put the highest priority on ensuring safe operations in our business activities. As described below, we have formulated a basic policy on safety and are doing whatever we can to prevent accidents, based on the goal of maintaining zero accidents for which we bear responsibility.

Hankyu Corporation Safety Policy (Code of Conduct)

The president and directors of the Company are required to establish a framework that ensures all business activities place the highest priority on safety. Utilising the Company's civil engineering facilities, electrical facilities, rolling stock, and the expertise of its employees, the Company's basic policy for ensuring safety in transport and other operations shall be determined in accordance with the following.

Code of Conduct for Safe Transport Operations*

- Ensure safe transport
- Comply with all relevant laws and regulations
- Be fully aware of operating conditions and ensure equipment is safe
- Enforce check procedures and put the highest priority on safety
- Place priority on human life
- Provide information accurately and rapidly
- Continue making improvements and reforms

* Only titles for Code of Conduct items have been shown due to space restrictions. The full Code of Conduct provides detailed explanations for each item.

Hanshin Electric Railway Safety Policy

Maximum priority on safety

The president, directors and employees shall do whatever they can 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

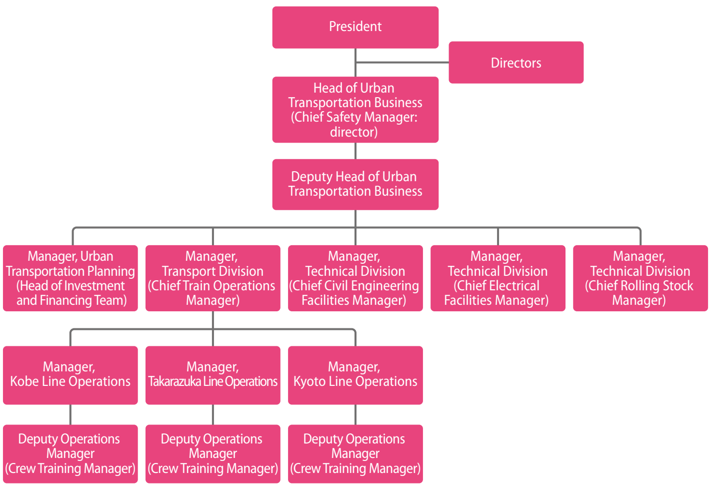
The Company shall comply with all laws and regulations related to safety and apply them rigorously and sincerely in its operations.

Maintenance of safety management systems

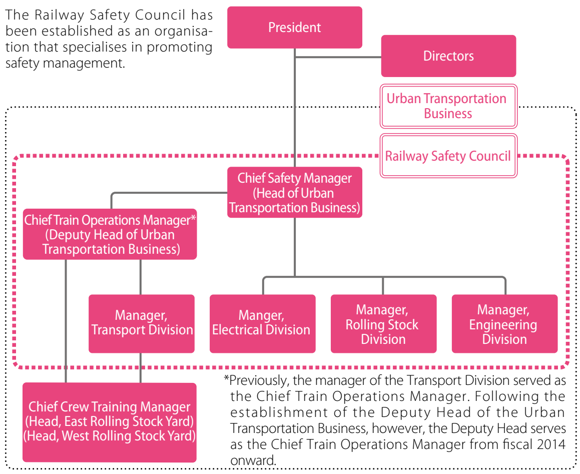
The Company shall implement continuous verification procedures to ensure safety management systems are operating appropriately.

Transport Safety Organisations

Organisation Chart (Hankyu)



Organisation Chart (Hanshin)



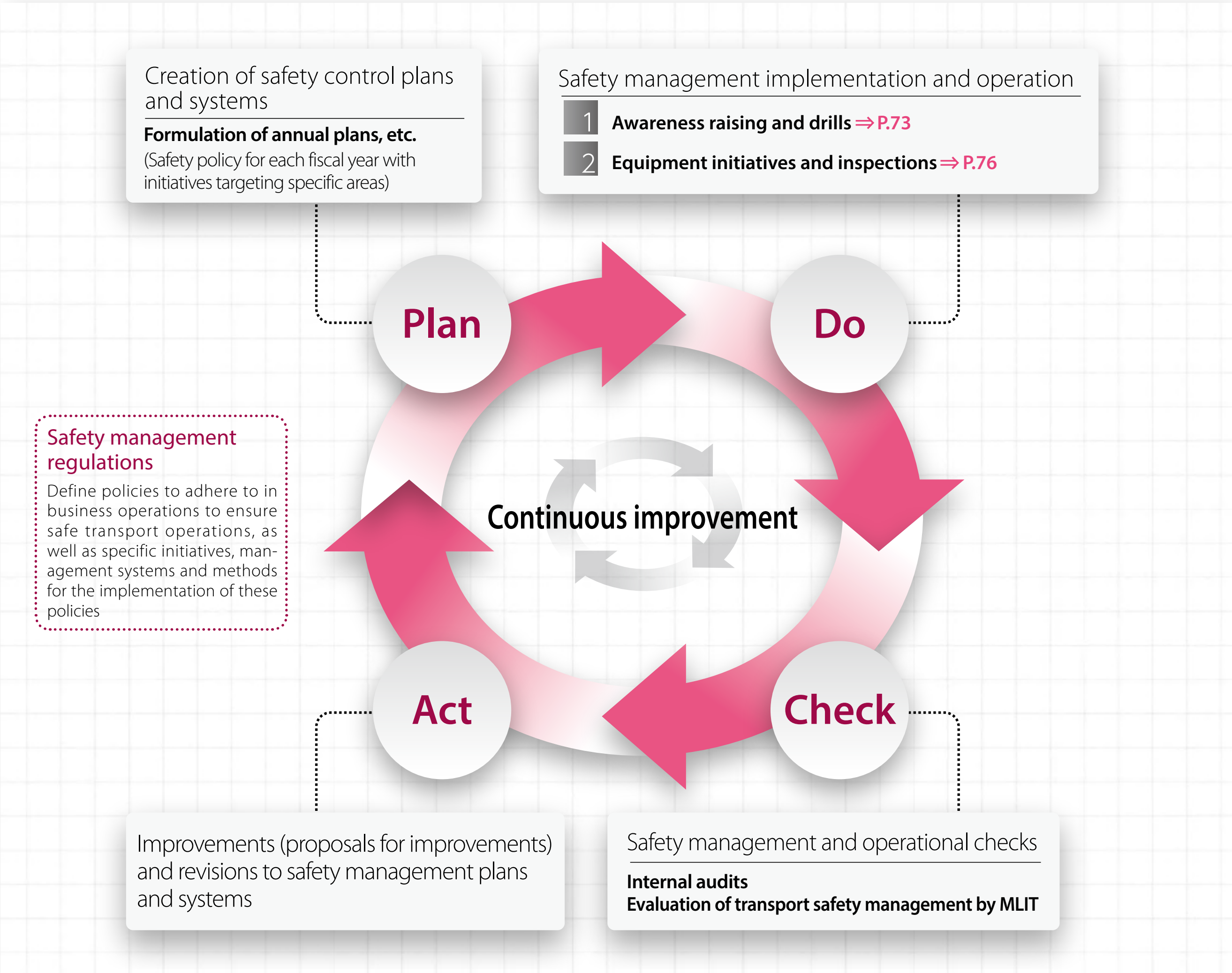
Position	Role
President	Ultimate responsibility for ensuring transport safety
Chief Safety Manager (Head of Urban Transportation Business)	Responsible for overseeing all activities related to ensuring transport safety
Chief Train Operations Manager (Deputy Head of Urban Transportation Business*)	Responsible for managing all aspects of train operations, under the direction of the Chief Safety Manager
Manager, Transport Division	Assists in train operations under the direction of the Chief Train Operations Manager
Chief Crew Training Manager (Hankyu: Deputy Operations Managers of each line; Hanshin: Heads of East and West Rolling Stock Yards)	Responsible for ensuring all crew are properly qualified (appropriate qualifications, knowledge and skills), under the direction of the Chief Train Operations Manager
Other Safety Managers	Individuals in each division responsible for ensuring facilities under their management do not act as an obstacle to transport safety, under the direction of the Chief Safety Manager

* In the case of Hankyu Corporation, this role is filled by the Manager or Deputy Manager of the Transport Division.

Initiatives to Reinforce the Safety Management System (Using the PDCA Cycle)

By applying our safety management system (PDCA cycle) to a range of safety initiatives, we are aiming to create a virtuous cycle of improvement based on even higher safety goals.

Outline of Safety Management System



Revisions to the Railway Business Law in October 2006 required railway companies to create new safety management systems dedicated to transport safety. Under our new safety management system, we are targeting even higher levels of safety by applying the PDCA cycle, ensuring compliance with all related laws and regulations, conducting operations that place the highest priority on safety, and fostering greater awareness of safety issues among employees from directors down.

From page 73 to 77, we explain in more detail points 1 — 2 of "Do = safety management implementation and operation" in the above diagram.

1 Awareness Raising and Drills

Activities to Raise Safety Awareness in Hankyu Corporation

On-site Inspections Undertaken by the President and Chief Safety Manager

On-site inspections undertaken by the President and Chief Safety Manager (Head of Urban Transportation Business) verified actual conditions and deepened communication through direct dialog with front-line employees.




Management Area Meetings

Communication and cooperation among divisions regarding current operations are indispensable for maintaining and improving the safety of railway operations on site. For this reason, we held management area meetings that gather front-line personnel working at train operations, civil engineering facilities, electrical facilities and rolling stock at Nishiomiya, Jyuso and Shojaku (which are integrated railway facilities) to exchange opinions and share information on safety.


Safety Lectures and Seminars

We work to improve employee safety awareness by inviting outside lecturers to hold lectures and seminars on transportation safety.

Main content

Safety lecture: A lecture on methods for analysing the causes of accident given by the Railway Technical Research Institute


Activities to Raise Safety Awareness at Hanshin Electric Railway

Create a Corporate Culture That Prioritises Safety and Rigorously Ensure Compliance

Inspections, lectures and visits by the President, Chief Safety Manager (Head of Urban Transportation Business) and managers further improve employee safety awareness. We are also rigorously ensuring compliance.

Information Sharing through the Railway Safety Council

In principle, Hanshin Electric Railway holds meetings of its Railway Safety Council twice every month. The Council is chaired by the head of the Urban Transportation Business, and its members are made up of other managers from within this business. The Council hears reports from relevant managers regarding accidents, safety incidents, and potential accidents and near accidents, and shares information about these reports. It analyses the causes of these accidents, safety incidents, and potential accidents and near accidents. Based on the results of this analysis, it formulates countermeasures to prevent reoccurrence, and issues instructions to the Railway Safety Liaison Team* and related divisions.

* Railway Safety Liaison Team: Comprising managers from each railway business division, this team is responsible for sharing information about operations, accidents, and issues in each division, and discusses and reviews causes and measures to prevent recurrence.

Ensuring the Information Sharing System Continues to Function Properly

Hanshin Electric Railway endeavours to ensure active communication with employees on a daily basis, with details fed back to the front lines when the causes of accidents, safety incidents, and potential accidents and near accidents are identified and countermeasures developed.

For incidents that were caused by human error, each division and the Railway Safety Liaison Team assess the effectiveness of measures to prevent any recurrence and report where necessary to the Railway Safety Council. This approach has given the Company a greater capability to assess the effectiveness of countermeasures.

Presentation and award received at the Train Operation Research Presentation

At the 33rd Train Operation Research Presentation hosted by the Japan Train Operation Association in November 2012, we announced our initiative entitled: "Safety Ethos for Locking and Unlocking Operations and the Recording of 468 Days without an Accident." At this presentation, we announced and received an incentive award for initiatives to identify methods to eliminate human error when attaching and detaching rolling stock at Amagasaki Station along with examples of successful preventive measures.

The Content of Drills Undertaken by Hankyu Corporation and Hanshin Electric Railway

Hankyu Corporation and Hanshin Electric Railway both conduct specific training programmes in their train operation, civil engineering (workshop) facility, electrical facility, and rolling stock divisions, as well as exercises to prepare for specific emergency situations. Both networks also hold their own independent joint drills for emergencies where cooperation across business divisions is required.

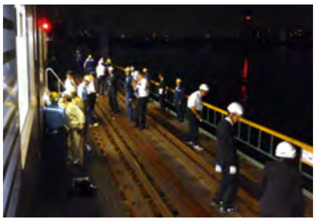
Joint Drills: Hankyu Corporation


Schematic exercise (held August 2012)
Communication drills assuming the occurrence of an earthquake and tsunami originating in the Nankai Trough


Practical emergency drill (held December 2012)
Emergency evacuation guidance and restoration drill assuming a train fire and track flooding on a Kyoto subway line

Held Tsunami Drill

In May and December 2012, Hanshin Electric Railway held tsunami drills using actual rolling stock in conjunction with each division of the Urban Transportation Business on the Hanshin Namba Line's Shinyodogawa River Bridge. Before undertaking tsunami countermeasures in May, we conducted drills to verify passenger exit methods from trains, the safety of the evacuation route and the time required to evacuate. Upon completing tsunami countermeasures in December that included installing emergency ladders on bridges, we held tsunami evacuation drills assuming evacuation guidance is given to passengers exiting a train stopped on one of those bridges.



Verification drills (held May 2012)

Tsunami evacuation drill (held December 2012)

Distance marker

Exit ladder

Held Joint Drills at the Daimotsu Training Centre

In October 2012, Hanshin Electric Railway conducted drills jointly with the Electrical and Transport divisions assuming that an occupational accident has occurred. The Daimotsu Training Centre was opened in fiscal 2010 as a general-purpose technical training facility that was upgraded in fiscal 2012 to improve expertise and skills regarding electric power facilities and track maintenance and transfer those skills to subordinates. The Daimotsu Training Centre conducted drills on providing first aid to accident victims and accident-related notifications by Electrical Division and on-board staff assuming a train collision has occurred during a train crossing inspection being performed by an Electrical Division staff.


2 Equipment Initiatives and Inspections

Hankyu Corporation and Hanshin Electric Railway both take a wide range of steps to improve safety using equipment and infrastructure. Below, we explain some of the main initiatives.

Overpass and Underground Construction Work

Both companies are pushing ahead with the construction of multiple rail overpasses to reduce the number of level crossings and improve traffic flow near train lines. Elevated or underground sections now account for large portions of Hanshin Electric Railway's Hanshin Main Line (87%) and its Hanshin Namba Line (90%), including the new extension from Nishikujo Station to Osaka-Namba Station. All of Kobe Rapid Transit Railway Line is in underground. This work to raise the tracks has led to a marked drop in the number of level-crossing accidents.

Grade separation (track elevation) works are currently under way on the Hankyu Kyoto Line near Awaji and Rakusaiguchi stations, and on the Hanshin Main Line between Sumiyoshi and Ashiya and between Koshien and Mukogawa.

Viaduct construction site

Controlling Rail Traffic with Automatic Signal, Point and Signage Systems

Both companies utilise computer-based systems to control rail traffic. Hankyu Corporation uses the Total Traffic Control (TTC) system, while Hanshin Electric Railway uses the Programmed Traffic Control (PTC) system. The companies' TTC and PTC centres automatically control signals, points, and platform signs and announcements based on preprogrammed information for all trains and stations (such as departure times, line numbers, destinations, and train types). The computers at the heart of these systems (central control systems, PTC computers) are systemised with multiple backups and inbuilt redundancy to ensure a high level of reliability in the event of a problem.

Upgrading Automatic Train Stopping Equipment

Automatic Train Stop (ATS) equipment automatically slows down or stops trains when drivers fail to notice or respond to, or misinterpret signals or signalled speed limits. Hankyu Corporation and Hanshin Electric Railway both use continuous speed-checking type ATS systems on all their lines*, including branch lines, ensuring a high level of safety.

* Between Sakuragawa and Osaka-Namba stations on the Hanshin Namba Line, Hanshin Electric Railway relies on an onboard control-point continuous speed-checking type ATS system that Kintetsu Corporation employs.

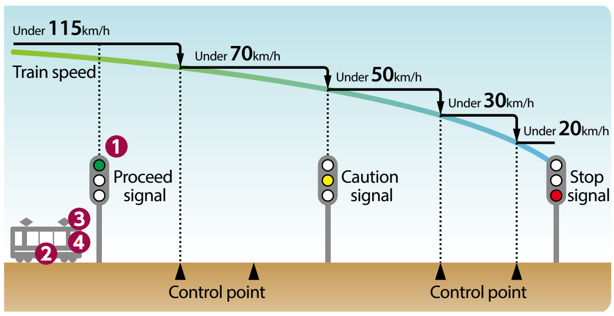
In an effort to further improve safety, Hankyu Corporation has been adding a new pattern control system to its existing ATS equipment. This new control system is aimed at preventing overrun into level crossings, failure to stop at designated stations, and collisions in which a train runs into the end block of lines. This system is already in operation on rail lines.

Both companies are also working to improve safety by installing ATS equipment on sharp curves and branches in lines to prevent derailments caused by excessive speed.

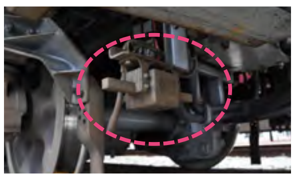
In March 2011, Hankyu Corporation finished compilation of independent safety standards stricter than those of the Ministry of Land, Infrastructure, Transport and Tourism. In May 2011, Hanshin Electric Railway completed installation of Automatic Train Stop (ATS) facilities at all 28 junctions on its network.

Hankyu Corporation is planning to introduce a safety system

Continuous speed-checking type ATS system:
Hankyu Corporation's continuous speed-checking ATS system



1 Obstruction signal



2 ATS pickup

3 ATS indicator in driver's cab

4 Speedometer in driver's cab

enabling automatic braking of rolling stock using ATS, even if the driver misses a 'stop' shunting signal in a train depot. This measure is intended to avoid damage to points if a train jumps a 'stop' light, as happened at Nishinomiya depot on the Kobe Line in November 2011 and June 2012. This system is already being used at the Nishinomiya depot and installation work is currently underway at the Shojaku and Katsura depots.

Initiatives to Improve Platform Safety

At Hankyu Corporation and Hanshin Electric Railway, the following measures prevent objects and people falling onto the track from the platform, and forestall accidents:

(1) Installation of yellow warning-line tiles on platform

To stop visually-impaired and other passengers from falling off the platform, we have installed yellow warning-line tiles next to the tactile tiles (with bumps that can be felt through shoe soles) so that a blind passenger can tell which side of the yellow warning-line he or she is.

Both Hankyu Corporation and Hanshin Electric Railway have already completed the installation of yellow warning-line tiles at all stations in fiscal 2013.

Yellow warning-line tile attached to a platform that conforms to standards established by the Japan Industrial Standards Committee

(2) Platform widening

At Mukogawa Station on the Hanshin Main Line (up-line to Osaka), we have broadened the platform by about 1.5m to alleviate rush-hour crowding and enhance safety.

Mukogawa Station up-line platform

(3) Installation of emergency alert devices

When somebody or something falls onto the track, the event is detected by special mats under the platform edge, or an emergency stop button on the platform can be pressed. These set off alarm indicators and an emergency buzzer for crews and station staff, preventing serious accidents. On Hanshin lines, we have completed installation of emergency stop buttons at all stations.

We are currently taking measures to further improve safety on Hankyu lines through the installation of platform emergency stop buttons that work in tandem with the ATS system installed at all stations.

Emergency stop buttons (Hanshin)

In addition, both companies installed shelters below platforms and steps to climb back onto platforms.

Platform evacuation steps
(The dotted line to left shows a bar-type step and the one on the right indicates a ladder-type step)

Corporate Social Responsibility
— Social Contribution & Environmental Protection Activities

Social Contribution Activities

私たちは、未来へつなぐ
「環境づくり」と「人づくり」に貢献します。

Moving forward with our customers over the next century

Promoting the Hankyu Hanshin Dreams and Communities of the Future Project

For over 100 years, the Hankyu Hanshin Holdings Group has grown with the local community, primarily in areas along its railway lines, and built up relations of mutual trust. To ensure that the Group will continue to exist and prosper over the next century as a member of the local community, in April 2009 we launched the Hankyu Hanshin Dreams and Communities of the Future project as a community contribution initiative.

Basic Policy We intend to promote the creation of towns and cities along our railway lines that people will truly want to live in.

Priority Areas

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.

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.

Social contribution activities of each Group company

— In fiscal 2013, 82 activities were undertaken

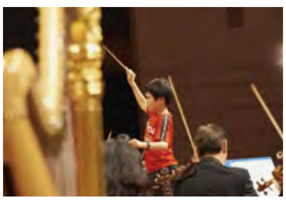
Holding the Million Person Candle Night in Osaka City

Hanshin Electric Railway, Hankyu Corporation

We run a range of events in Umeda during both summer and winter, including candle art exhibitions and seminars on the environment. The lighting of the candles is aimed at encouraging people to think more deeply about sustainable living.

Charity concert for parents and children in the Hankyu Dreams and Communities programme

Hankyu Corporation



We hold concerts with full orchestras at the Umeda Arts Theater's approximately 1,900-seat main hall with the purpose of presenting musical instruments to children. All proceeds from the ticket sales are donated to Ashinaga Scholarship Fund.

Hankyu Hanshin Dreams and Communities Challenge Troop

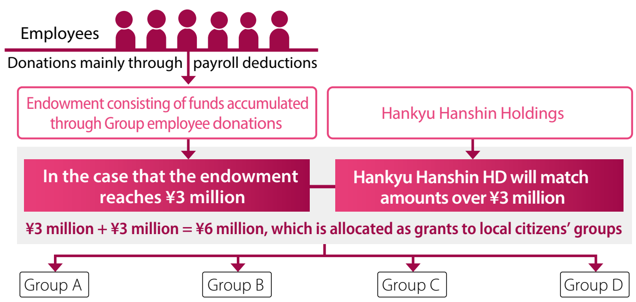
Group companies

We hold summer hands-on learning programmes for elementary school students. As a member of the local community, the Group provides a multitude of "experience" and "learning" opportunities that contribute to the healthy development of children, who are the future, by leveraging our long-standing businesses, various facilities and personnel.

Hankyu Hanshin Dreams and Communities of the Future Fund for support of citizens' activities

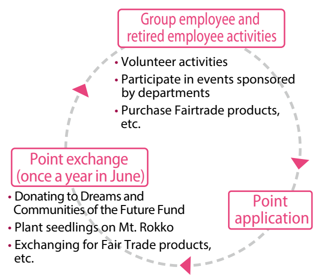
This grant programme is exclusively for citizens' groups located along Hankyu Hanshin lines. We provide grants to citizens' groups that contribute to the creation of desirable local living environment and development of the next generation by matching funds accumulated from Group employee donations. Over the past four years, we have donated at total of ¥19.5 million to 42 organisations.

■ Dreams and Communities of the Future Fund structure



Social contribution point system

We support regional and social contribution activities by establishing a system that grants points to Group employees and retired employees for related volunteer activities.



For more detailed information, please visit this (Japanese-language) website:
http://www.hankyu-hanshin.co.jp/yume-machi/

Improving local communities and living environments for our children

The Group has compiled environmental basic concepts and policies and pursues environmental protection activities. Earlier measures to save energy in light of the need to curb global warming have been stepped up since the Great East Japan Earthquake, as strengthened measures to save electricity have become a pressing public need.

Basic Concept

Mindful that global environmental protection 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.

Curb global warming and save energy

"Setsu-1" Grand Prix held

Between June and September 2012, we held participatory events to encourage power-saving by employees in their homes. Owing to the participation of about 2,000 employees from 74 Group companies, over 100,000kWh of electricity were reduced, or 14.1%, compared with fiscal 2012.

Installing LED lighting

We are progressively installing LED lighting at stations and Group facilities along Hankyu and Hanshin lines. LED lighting reduces electricity consumption, while its long lifespan contributes to waste reduction.

For instance, the installation of LED lighting at underground sections along the Hankyu Kyoto Line, from Saiin Station to Kawaramachi Station, has been selected by the Ministry of Environment as a model project. By installing LED lighting in 4,261 light fixtures and signs, we have reduced a significant amount of CO_2.


An underground section of the Hankyu Kyoto Line


Takarazuka Grand Theatre

For more detailed information, please visit this (Japanese-language) website:
http://holdings.hankyu-hanshin.co.jp/eco/

Renewable energy

Installation of solar panels

We have installed solar panels capable of generating a total of 325kW at seven Group-company facilities, including Settsu-Shi Station and the "Silver Umbrella" roof of the Hanshin Koshien Stadium. The electricity generated is used at these facilities.

Reducing waste and encourage resource recycling

100% biodiesel buses

Hankyu Bus operates four of its buses purely on biodiesel fuels refined from used edible oils. The oil is collected primarily from Group hotels and food factories as well as in cooperation with residents of Hankyu Realty's *Geo*-branded condominiums.

Protect the natural environment

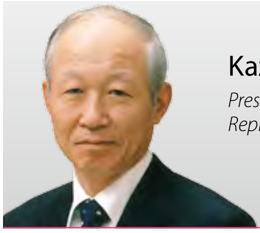
Donation of environmentally-friendly toilets, and forestry protection

Hankyu Travel International has donated environmentally-friendly toilets, which use bacterial techniques to break down human waste, to such tourist areas as Yakushima Island (World Heritage). In addition, Hankyu Travel International employees volunteer in tree thinning activities.

Directors and Audit & Supervisory Board Members

(As of 14th June 2013)

Directors



Kazuo Sumi
President and Representative Director

1973 Joined Hankyu Corporation
2000 Director, Hankyu Corporation
2002 Managing Director, Hankyu Corporation
2003 President, Hankyu Corporation (Current position)
2005 President, Hankyu Holdings
2006 President, Hankyu Hanshin Holdings (Current position)

Shinya Sakai
Representative Director

1970 Joined Hanshin Electric Railway
2002 Director, Hanshin Electric Railway
2005 Managing Director, Hanshin Electric Railway
2006 President, Hanshin Electric Railway
2006 Representative Director, Hankyu Hanshin Holdings (Current position)
2008 Chairman, Hanshin Tigers Baseball Club (Current position)
2011 Chairman, Hanshin Electric Railway (Current position)

Noriyuki Inoue
Director (External)*

1957 Joined Daikin Industries
1994 President, Daikin Industries
2002 Chairman and CEO, Daikin Industries (Current position)
2003 Director, Hankyu Corporation
2005 Director, Hankyu Holdings
2006 Director, Hankyu Hanshin Holdings (Current position)

Shosuke Mori
Director (External)*

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

Isao Matsuoka
Director (Part-time)

1957 Joined Toho
1977 President, Toho
1985 Director, Hankyu Corporation
1995 Chairman, Toho
2005 Director, Hankyu Holdings
2006 Director, Hankyu Hanshin Holdings (Current position)
2009 Honorary Chairman, Toho (Current position)

Shunichi Sugioka
Director (Part-time)

1964 Joined Hankyu Department Store
2000 President, Hankyu Department Store
2000 Director, Hankyu Corporation
2005 Chairman, Hankyu Department Store
2005 Director, Hankyu Holdings
2006 Director, Hankyu Hanshin Holdings (Current position)
2007 Chairman and CEO, H_2O Retailing (Current position)
2008 Chairman, Hankyu Hanshin Department Stores (Current position)

Takaoki Fujiwara
Director (Part-time)

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

Ichiro Namai
Director (Part-time)

1971 Joined Hankyu Express International
2000 Director, Hankyu Express International
2008 Vice president, Hankyu Travel International
2010 President, Hankyu Travel International (Current position)
2013 Director, Hankyu Hanshin Holdings (Current position)

Audit & Supervisory Board Members

Tsunenori Kawashima
Standing Audit & Supervisory Board Member

1977 Joined Hankyu Corporation
2002 Director, Hankyu Corporation
2005 Director, Hankyu Holdings
2005 Managing Director, Hankyu Corporation
2006 Representative Director, Hankyu Holdings
2006 Representative and Managing Director, Hankyu Corporation
2006 Representative Director, Hankyu Hanshin Holdings
2009 Standing Audit & Supervisory Board Member, Hankyu Corporation (Current position)
2012 Standing Audit & Supervisory Board Member, Hankyu Hanshin Holdings (Current position)

Masayoshi Ishibashi
Standing Audit & Supervisory Board Member

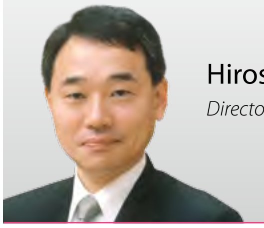
1979 Joined Hanshin Electric Railway
2008 President and Representative Director, Hanshin Contents Link Corporation
2013 Standing Audit & Supervisory Board Member, Hankyu Hanshin Holdings (Current position)
2013 Standing Audit & Supervisory Board Member, Hanshin Electric Railway (Current position)

Takaharu Dohi
Audit & Supervisory Board Member (External)*

1958 Prosecutor
1996 Prosecutor-General (until 1998)
1998 Lawyer (Current position)
2002 Audit & Supervisory Board Member, Hankyu Corporation (Current position)
2005 Audit & Supervisory Board Member, Hankyu Holdings
2006 Audit & Supervisory Board Member, Hankyu Hanshin Holdings (Current position)

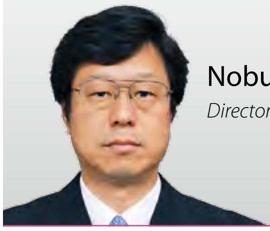
Seisaku Okafuji
Director (Part-time)

1974 Joined Hankyu Express International
2005 Director, Hankyu Express International
2008 Director, Hankyu Express International
2009 Director, Hankyu Hanshin Express International
2010 President, Hankyu Hanshin Express International (Current position)
2013 Director, Hankyu Hanshin Holdings (Current position)



Hiroshi Desaki
Director (Part-time)

1980 Joined Hankyu Corporation
2007 Director, Hankyu Corporation
2011 Managing Director, Hankyu Corporation
2012 President, Hankyu Hanshin Hotels (Current position)
2012 Director, Hankyu Hanshin Holdings (Current position)



Nobuo Minami
Director (Part-time)

1977 Joined Hanshin Electric Railway
2007 President, Hanshin Tigers Baseball Club (Current position)
2008 Director, Hankyu Hanshin Holdings (Current position)
2008 Director, Hanshin Electric Railway (Current position)

Mitsuo Nozaki
Director

In charge of Personnel and General Affairs Div.

1981 Joined Hankyu Corporation
2005 Director, Hankyu Corporation
2006 Director, Hankyu Holdings
2006 Director, Hankyu Hanshin Holdings (Current position)
2007 Managing Director, Hankyu Corporation
2013 Senior Managing Director, Hankyu Corporation (Current position)

Masao Shin
Director

In charge of Group Planning Div. (Group Management Planning)

1981 Joined Hanshin Electric Railway
2006 Director, Hanshin Electric Railway
2006 Director, Hankyu Hanshin Holdings (Current position)
2008 Managing Director, Hanshin Electric Railway (Current position)

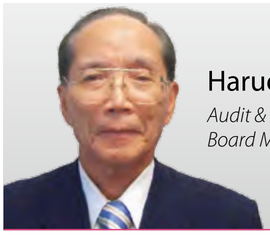
Tsuneo Wakabayashi
Director

In charge of Group Planning Div. (Group Business Planning)

1983 Joined Hankyu Corporation
2007 Director, Hankyu Corporation
2009 Managing Director, Hankyu Corporation
2011 Director, Hankyu Hanshin Holdings (Current position)
2013 Senior Managing Director, Hankyu Corporation (Current position)

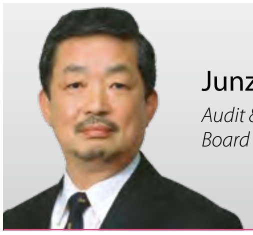
* Mr. Noriyuki Inoue and Mr. Shosuke Mori satisfy the qualifications of external directors as provided in Article 2, Paragraph 15 of the Corporate Law.

The Company has submitted notifications to the stock exchanges on which its shares are listed, naming Mr. Noriyuki Inoue and Mr. Shosuke Mori as external (independent) directors.



Haruo Sakaguchi
Audit & Supervisory Board Member (External)*

1958 Lawyer (Current position)
1989 Vice Chairman, Japan Federation of Bar Association
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)



Junzo Ishii
Audit & Supervisory Board Member (External)*

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

* Mr. Takaharu Dohi, Mr. Haruo Sakaguchi, and Mr. Junzo Ishii 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. Takaharu Dohi, Mr. Haruo Sakaguchi, and Mr. Junzo Ishii as external (independent) Audit & Supervisory Board members.

Section 5 Financial Section and Corporate Data

Consolidated Six-Year Summary

	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2013
Result of Operations (millions of yen and thousands of U.S. dollars): *1							
Revenues from operations	¥752,300	¥683,715	¥653,287	¥638,770	¥649,703	¥682,439	$7,259,989
Operating income	90,724	77,823	70,126	64,743	73,809	87,921	935,330
EBITDA*2	145,200	135,300	133,200	127,100	133,500	145,100	1,543,617
Income before income taxes and minority interests	26,098	34,064	33,899	32,760	43,419	62,192	661,617
Net income	627	20,550	10,793	18,068	39,252	39,702	422,362
Comprehensive income	—	—	12,541	14,728	44,992	54,081	575,330
Capital expenditure	134,307	109,688	132,386	68,431	55,267	59,512	633,106
Depreciation and amortisation	51,577	54,798	60,418	59,669	56,968	54,540	580,213
Cash Flows (millions of yen and thousands of U.S. dollars):							
Cash flows from operating activities	¥ 74,902	¥108,597	¥146,955	¥103,252	¥124,525	¥127,655	$1,358,032
Cash flows from investing activities	(100,058)	(115,047)	(132,737)	(62,516)	(44,295)	(58,923)	(626,840)
Cash flows from financing activities	36,718	7,014	(24,200)	(39,544)	(78,978)	(69,195)	(736,117)
Increase (decrease) in cash and cash equivalents	11,403	(2,174)	(9,680)	474	767	817	8,691
Cash and cash equivalents at end of year	31,166	30,690	21,440	22,592	23,572	25,581	272,138
Financial Position (millions of yen and thousands of U.S. dollars):							
Total assets	¥2,348,476	¥2,307,332	¥2,337,331	¥2,314,669	¥2,274,380	¥2,281,007	$24,266,032
Total net assets	476,639	473,878	480,633	486,947	524,801	573,154	6,097,383
Interest-bearing debt	1,271,100	1,275,620	1,282,583	1,251,665	1,183,647	1,126,633	11,985,457
Per Share Data (yen and U.S. dollars):							
Net income—Basic	¥ 0.50	¥ 16.28	¥ 8.55	¥ 14.32	¥ 31.13	¥ 31.48	$0.33
Net income—Diluted	0.41	16.18	8.51	14.27	31.13	31.47	0.33
Net assets	369.25	366.96	371.70	377.17	407.01	443.63	4.72
Dividend	5.00	5.00	5.00	5.00	5.00	5.00	0.05
Ratios:							
Operating income margin (%)	12.1	11.4	10.7	10.1	11.4	12.9	—
ROA (%)*3	3.2	2.5	2.2	2.0	2.8	3.3	—
ROE (%)*4	0.1	4.4	2.3	3.8	7.9	7.4	—
Interest-bearing debt/EBITDA (times)	8.8	9.4	9.6	9.8	8.9	7.8	—
Equity ratio (%)	19.9	20.1	20.1	20.6	22.6	24.5	—
Debt/equity (D/E) ratio (times)*5	2.7	2.8	2.7	2.6	2.3	2.0	—
Interest coverage ratio (times)*6	4.0	3.4	3.0	3.0	3.7	4.8	—
Others:							
Number of outstanding shares (thousands)	1,271,406	1,271,406	1,271,406	1,271,406	1,271,406	1,271,406	—
Number of employees	19,892	20,805	20,938	21,302	20,811	20,751	—

*1 The U.S. dollar amounts have been translated, for convenience only, at ¥94 = $1, the prevailing exchange rate on the Tokyo Foreign Exchange Market as of 31st March 2013.
*2 EBITDA = operating income + depreciation expenses + amortisation of goodwill attendant on the management integration of Hankyu and Hanshin
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/equity (average of period-start and period-end totals)
*5 D/E ratio = interest-bearing debt/equity
*6 Interest coverage ratio = (operating income + interest and dividend income)/interest expense

Consolidated Financial Review

Analysis of Operating Results for fiscal 2013 (fiscal year ended March 2013)

Revenues from operations for the year under review increased by ¥32,735 million (5.0%) year on year to ¥682,439 million. This was mainly due to a year-on-year increase in condominium sales in the Real Estate Business as well as a recovery centered on the Travel and Hotels businesses from the impact of the Great East Japan Earthquake during the previous fiscal year. In addition, the Travel Business benefited from robust performance in overseas travel. In the Entertainment and Communications Business, revenues in the stage revue business were firm, and Himeji Cable Television Co., Ltd. along with other companies were added to the scope consolidation.

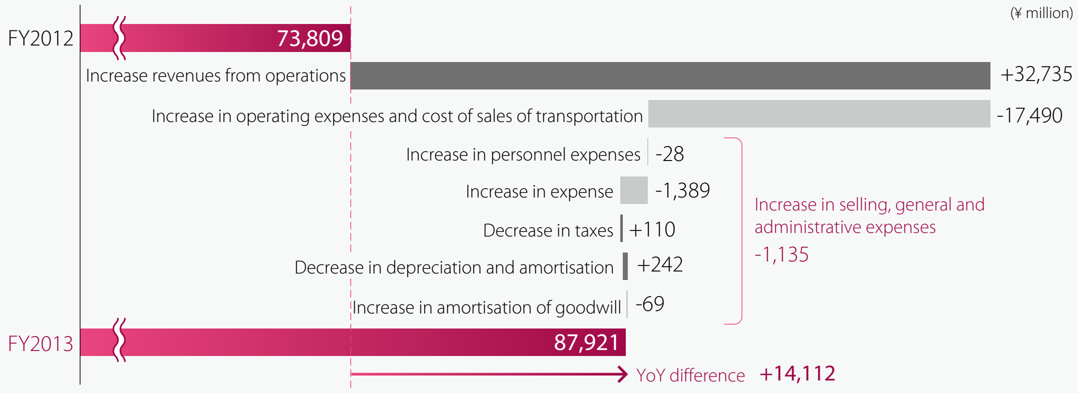
Operating income posted a year-on-year increase of ¥14,111 million (19.1%) to ¥87,921 million thanks to the aforementioned rise in revenues as well as successful cost-cutting initiatives by all of the Group's core businesses.

Ordinary income grew ¥9,520 million (14.6%) year on year to ¥74,914 million mainly due to a decrease in interest expenses in line with lower interest-bearing debt (consolidated basis). This result occurred despite a decline in non-operating income caused by the absence of a rise in equity in income of affiliates, which was recorded in the previous fiscal year following an increase in the Company's equity stake in H_2O Retailing Corporation (an affiliated company under the equity method).

Net income increased by ¥450 million (1.1%) year on year to ¥39,702 million primarily due to an improvement in net extraordinary loss. This result occurred despite a year-on-year rise in income taxes, which had been deferred in the previous fiscal year as a result of a revision of the taxation system, including a reduction in the corporate income tax rate.

Summary of consolidated business results: please also see Interview with the President (Fiscal 2013 Performance) on page 18.

Analysis of Operating Income



Segment Information

The following table shows business performance for each core segment. For a review of these results, please refer to the page indicated at the foot of the table.

(¥ million)

	Urban Transportation	Real Estate	Entertainment and Communications	Travel and International Transportation	Hotels	Retailing	Other	Adjustments	Consolidated
Revenues from operations									
FY2013	193,631	196,711	108,608	70,840	64,697	53,253	36,045	-41,348	682,439
FY2012	192,718	176,114	102,313	67,571	64,090	53,853	31,334	-38,293	649,703
Difference	+913	+20,597	+6,294	+3,269	+607	-600	+4,710	-3,055	+32,735
YoY (%)	0.5%	11.7%	6.2%	4.8%	0.9%	-1.1%	15.0%	-8.0%	5.0%
Operating income/loss									
FY2013	34,711	36,994	12,584	4,441	525	1,387	307	-3,031	87,921
FY2012	32,342	29,133	10,141	3,171	-269	1,333	761	-2,804	73,809
Difference	+2,369	+7,861	+2,442	+1,269	+794	+54	-454	-226	+14,111
YoY (%)	7.3%	27.0%	24.1%	40.0%	—	4.1%	-59.7%	-8.1%	19.1%
Reference page	P.43	P.48	P.52	P.55	P.57	P.59	*	—	—

*Regarding other businesses, in spite of higher construction revenues, earnings fell mainly due to an upswing in advertising expenses in the card business.

Review of Financial Position

1. Assets, Liabilities and Net Assets

Total assets at the end of the fiscal year under review increased by ¥6,627 million from the previous term-end to ¥2,281,007 million. This was mainly the result of an increase in the market value of investment securities accompanying an upswing in stock prices extending until the end of the fiscal year under review.

Total liabilities decreased by ¥41,725 million from the previous term-end to ¥1,707,853 million, due partly to a reduction in interest-bearing debt.

Net assets increased ¥48,352 million from the previous term-end to ¥573,154 million on an increase in retained earnings.

Equity came to ¥559,399 million, an increase of ¥46,106 million over the previous fiscal year-end. This was the result of an increase in retained earnings mainly due to the posting of net income as well as a rise in valuation difference on available-for-sale securities that primarily reflected higher stock prices.

As a result, the equity ratio stood at 24.5%, and ROE was 7.4%.

2. Cash Flows

Cash and cash equivalents increased by ¥2,008 million from the previous term-end to ¥25,581 million.

Net cash provided by operating activities amounted to ¥127,655 million, net cash used in investing activities totaled ¥58,923 million, and net cash used in financing activities was ¥69,195 million.

The following is an analysis of year-on-year changes in each cash flow category.

(1) Cash Flows from Operating Activities

Net cash provided by operating activities increased by ¥3,129 million from the previous fiscal year. This was largely due to an increase in operating income that offset a decrease in inventories.

(2) Cash Flows from Investing Activities

Net cash used in investing activities increased by ¥14,627 million. This was chiefly due to a rise in expenditures for the purchases of property and equipment.

(3) Cash Flows from Financing Activities

Net cash used in financing activities decreased by ¥9,783 million. This was due partly to a decline in short-term borrowings.

Trends in Cash Flow Indicators

	FY2009	FY2010	FY2011	FY2012	FY2013
Equity ratio (%)	20.1	20.1	20.6	22.6	**24.5**
Equity ratio (%) (market value basis)	24.4	23.4	20.9	20.0	**31.5**
Cash flows/interest-bearing debt ratio (times)	11.7	8.7	12.1	9.5	**8.8**
Interest coverage ratio (times)	3.4	3.0	3.0	3.7	**4.8**

Notes:
Equity ratio = equity/total assets
Equity ratio (market value basis) = market capitalisation/total assets
Cash flows/interest-bearing debt ratio = interest-bearing debt/operating cash flows
Interest coverage ratio = (operating income + interest and dividend income)/interest expense
* Each index has been calculated in accordance with financial indicators on a consolidated basis.
* Market capitalisation has been calculated as follows: year-end closing stock price X total shares issued at year-end (after deduction of treasury stock).

3. Fund Procurement

During the fiscal year under review the outstanding balance of interest-bearing debt (consolidated basis) declined by ¥57,014 million to ¥1,126,633 million at the end of the fiscal period. This reflected the fact that total net cash provided by operating activities outweighed capital expenditure outlays, including for the rebuilding of the Umeda Hankyu Building. The ratio of consolidated interest-bearing debt divided by EBITDA (operating income before amortisation), the benchmark we use for assessing the soundness of our financial position, stood at 7.8 times (8.9 times in the previous fiscal year).

Consolidated Capital Expenditure and Depreciation and Amortisation

Capital expenditure in the fiscal year under review (consolidated basis; including intangible assets) increased by ¥4,245 million (7.7%) year on year to ¥59,512 million.

The following is a breakdown for each business segment.

	FY2013		YoY	
Urban Transportation	25,441	(Millions of yen)	25.1	%
Real Estate	25,235		-7.8	
Entertainment and Communications	4,265		-3.8	
Travel and International Transportation	1,663		67.1	
Hotels	1,931		48.0	
Retailing	702		-3.0	
Other	401		23.7	
Total	59,642		7.5	
Adjustments	-129		—	
Consolidated	59,512		7.7	

Urban Transportation

With a focus on safety and service improvement, the railway business invested in elevated tracks (to allow lines to cross over roads without the need for level crossings) and general facility improvements as well as in rebuilding and improving existing rolling stock. In bus and taxi businesses, vehicles were upgraded.

Real Estate

In the real estate leasing business, Hankyu Corporation completed the rebuilding works at Umeda Hankyu Building and the construction of the Shin-Osaka Hankyu Building, as well as renovation and repair work on rental buildings operated by Hankyu Corporation, Hanshin Electric Railway Co., Ltd., and Hankyu Realty Co., Ltd.

Entertainment and Communications

In the communication and media business, Itec Hankyu Hanshin Co., Ltd. undertook construction to install public wireless LAN, while investments targeted acquisition of cable TV terminal equipment (Bay Communications Inc.). In addition, in the stage revue business, Hankyu Corporation financed improvement and renewal of the Takarazuka Grand Theatre.

Travel and International Transportation

In the Travel and International Transportation Business, Hankyu Travel International Co., Ltd. upgraded core systems in the travel business.

Hotels

In the Hotels Business, Hankyu Hanshin Hotels Co., Ltd. newly constructed the REMM Shin-Osaka hotel and carried out interior refurbishing work on other hotels.

Retailing

In the Retailing Business, Hankyu Retails Corporation constructed new directly operated outlets, including the *asnas* convenience store in Hankyu Sanban Gai shopping centre.

Depreciation and amortisation decreased by ¥2,428 million (4.3%) from the previous year (consolidated basis) to ¥54,540 million.

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 report was determined by the Group to be current as of 31st March 2013.

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 Ministry's administration of these regulations.

Progress in Large-Scale Development Projects

The Group seeks to utilise its working assets more effectively to facilitate the development of areas served by Hankyu and Hanshin lines. To raise its asset effectiveness, the Group is pursuing the following initiatives: "Umeda 1-1 Project" (rebuilding of the Dai Hanshin Bldg. and the Shin Hankyu Bldg.) and further development of the International Culture Park "Saito" (a new town). These projects are all seen as key to the Group's future growth, and management will be working to complete them as soon as possible. However, in the event of rapid and major changes in the business environment, affecting land prices or urban development plans, the business performance and financial position of the Group could be adversely affected.

Interest-Bearing Debt

The balance of interest-bearing debt held by the Group as of the end of March 2013, on a consolidated basis, was ¥1,126,633 million.

As a result of the acquisition of shares in Hanshin Electric Railway Co., Ltd. through a successful public tender offer (takeover bid) on 27th June 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 Co., Ltd.), Hankyu Corporation (a consolidated subsidiary) has agreed to a plan transferring railway facilities held by Hokushin Kyuko Railway to Kobe Rapid Transit Railway Co., Ltd. (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 Co., Ltd. (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.

Natural Disasters

Operating as it does a very 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 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.

Other Risks and Countermeasures

The following is the Group's perspective provided in response to questions received from our investors in relation to the risks attendant on our business. Information about future events that appears in this report was determined by the Group to be current as of 31st March 2013 and is not intended to negate the possibility of these risks impacting the business performance, financial position and other aspects of operations of the Group.

Economic Environment-related Risks

Changes in the Financial Market

Despite increases in the interest rate set by the Bank of Japan and the difficulties associated with market-based financing accompanying changes in financial markets, the Group limits its exposure to risk associated with interest rate increases by prioritising the undertaking of long-term loans with fixed interest rates. In addition, the Group secures financing by working to establish back-up lines based on commitment lines set up with correspondent financial institutions.

Nevertheless, in the event that financial markets were to change dramatically, the business performance and financial position of the Group could be adversely affected.

Foreign Currency Market Fluctuations

The Group assumes that sudden fluctuations in foreign currency markets will occur as economic conditions change. However, foreign exchange rate contracts, currency swap contracts and currency option contracts are employed to avoid the exchange rate fluctuation risks attendant on some foreign currency-denominated assets and liabilities.

Nevertheless, although foreign currency market fluctuation risk is mitigated through the use of foreign currency exchange-related derivative transactions, in the event that sudden fluctuations exceed assumptions, the business performance and financial position of the Group could be adversely affected.

The Group's overseas sales constitute less than 10% of its consolidated operating revenues.

Business-related Risks

Demographic Change

Due to the aging population, it is expected that capital expenditure on safety measures and construction aimed at making facilities barrier-free will increase. At the same time, due to future population decline caused by the falling birth rate, it is possible that transportation demand (for the Group's railways, buses and taxis) will recede, and that demand in other businesses may also decline.

In order to respond to this challenge, the Group is working with government and educational institutions on community-building initiatives with a focus on peace of mind, education and cultural enrichment. By doing so, we are working to enhance the appeal of the areas served by our stations so as to ensure that our railway lines enjoy the patronage of large numbers of people.

Safety Management

In the Group's core railway business, our passengers would suffer greatly if an accident were to occur. We are keenly aware of the responsibility entrusted to us for our passengers' lives. Therefore, the cornerstone of our business is placing the utmost priority on ensuring the safety of customers.

Accordingly, the Group has upgraded all aspects of its safety capabilities in the conviction that putting passengers first and prioritising safety come above all else. We are engaged in a wide variety of endeavours for ensuring that we go one step further to offer our passengers even safer transportation. (For safety measures in our railway business, please refer to Page 71.)

Risks Associated with Power Supply Shortages and Electric Utility Rates

In the event of a shortage of power supply, train and other services may be disrupted. In addition, increases in electric utility rates are a factor driving up power and other costs. In order to curb power usage to the maximum extent possible while minimising its impact on earnings and expenses, the Group is undertaking such measures as gradually introducing energy-saving equipment and strengthening cost reduction awareness among employees.

Natural Disasters and Acts of Terrorism

The Group's businesses and transportation network infrastructure could be significantly damaged by natural disasters such as earthquakes, typhoons and floods or acts of terrorism.

Hankyu Corporation and Hanshin Electric Railway Co., Ltd. have installed rain, wind and river water gauges in the areas along our railway lines for collecting observation data. We also use real-time information provided by meteorological observatories to ensure the safe operation of our trains. If an earthquake of JMA seismic intensity 4 or above is detected by a seismograph or predicted by an earthquake early warning system, all trains that operate in the zone in question will immediately prepare for emergency stopping. For possible acts of terrorism, or where suspicious items or persons are identified or damage has occurred, we have risk-graded management response systems.

We have also developed emergency response systems for minimising the social impact in the unlikely event of an incident which causes long-term disruption to transit services or results in a great number of casualties.

Infectious Disease Outbreaks and Epidemics

Group businesses could be significantly affected if economic activities were restricted or customers refrained from going out due to an outbreak or epidemic of an infectious disease such as SARS (Severe Acute Respiratory System) or H1N1 flu.

In response to the spread of infectious diseases such as H1N1 flu, the Group has developed a Business Continuity Plan (BCP) for each division, under the direction of core companies. During the H1N1 outbreak in 2009 and 2010, ongoing surveys into infection rates among employees and their families in each division gave us a good idea of the scale of risk, minimising the impact of H1N1 on our business. Also, in the railway business, which is a particularly important part of the social infrastructure, we drew up plans in advance to minimise the impact of any explosive spread of the disease, including multiple schedules assuming a shortage of railway staff.

Consolidated Balance Sheets

As of 31st March 2012 and 2013

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Assets:			
Current assets:			
Cash and deposits	¥ 24,280	¥ 26,602	$ 283,000
Trade receivables	73,404	75,181	799,798
Land and buildings for sale	118,415	112,192	1,193,532
Finished products and merchandise	7,219	7,024	74,723
Work in progress	4,288	3,389	36,053
Materials and supplies	3,858	3,971	42,245
Deferred tax assets	7,625	6,802	72,362
Other	36,445	39,928	424,766
Allowance for doubtful receivables	(251)	(318)	(3,383)
Total current assets	275,286	274,773	2,923,117
Noncurrent assets:			
Property and equipment:			
Buildings and structures—net [NOTES 4 ③]	578,925	594,669	6,326,266
Machinery, equipment and vehicles—net [NOTES 4 ③]	47,404	44,521	473,628
Land [NOTES 4 ③ and ⑤]	892,356	890,683	9,475,351
Construction in progress	131,434	115,722	1,231,085
Other—net [NOTES 4 ③]	18,246	20,652	219,702
Total property and equipment [NOTES 4 ① and ②]	1,668,366	1,666,249	17,726,053
Intangible assets:			
Goodwill	38,437	36,219	385,309
Other [NOTES 4 ② and ③]	17,157	17,405	185,160
Total intangible assets	55,594	53,624	570,468
Investments and other assets:			
Investment securities [NOTES 4 ③ and ④]	227,417	239,997	2,553,160
Deferred tax assets	4,002	5,224	55,574
Other	44,321	41,675	443,351
Allowance for doubtful receivables	(608)	(536)	(5,702)
Total investments and other assets	275,133	286,360	3,046,383
Total noncurrent assets	1,999,093	2,006,234	21,342,915
Total assets	2,274,380	2,281,007	24,266,032

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Liabilities:			
Current liabilities:			
Trade payables	¥ 43,410	¥ 44,110	$ 469,255
Short-term borrowings [NOTES 4 ③]	316,545	354,358	3,769,766
Current portion of bonds	35,000	10,000	106,383
Income taxes payable	4,170	8,883	94,500
Accrued expenses	21,275	20,983	223,223
Provision for bonuses	3,702	4,079	43,394
Other [NOTES 4 ③]	142,937	135,724	1,443,872
Total current liabilities	567,043	578,140	6,150,426
Long-term liabilities:			
Bonds	102,000	112,000	1,191,489
Long-term debt [NOTES 4 ③]	720,782	637,624	6,783,234
Deferred tax liabilities	147,840	160,017	1,702,309
Deferred tax liabilities related to land revaluation [NOTES 4 ⑤]	5,493	5,572	59,277
Provision for retirement benefits	59,194	59,439	632,330
Provision for directors' retirement benefits	875	724	7,702
Long-term deferred contribution for construction	21,555	28,483	303,011
Other	124,792	125,849	1,338,819
Total long-term liabilities	1,182,535	1,129,712	12,018,213
Total liabilities	1,749,578	1,707,853	18,168,649
Net assets:			
Shareholders' equity:			
Common stock	99,474	99,474	1,058,234
Capital surplus	150,027	150,027	1,596,032
Retained earnings	276,059	307,108	3,267,106
Less treasury stock, at cost	(4,140)	(4,209)	(44,777)
Total shareholders' equity	521,421	552,400	5,876,596
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	(8,044)	2,817	29,968
Deferred gains or losses on hedges	(131)	770	8,191
Revaluation reserve for land [NOTES 4 ⑤]	2,972	5,130	54,574
Foreign currency translation adjustments	(2,924)	(1,719)	(18,287)
Total accumulated other comprehensive income	(8,128)	6,999	74,457
Subscription rights to shares	32	112	1,191
Minority interests [NOTES 4 ⑤]	11,476	13,642	145,128
Total net assets	524,801	573,154	6,097,383
Total liabilities and net assets	2,274,380	2,281,007	24,266,032

Consolidated Statements of Income

Years ended 31st March 2012 and 2013

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Revenues from operations	¥649,703	¥682,439	$7,259,989
Costs of revenues from operations:			
Operating expenses and cost of sales of transportation [NOTES 5 ①]	542,653	560,143	5,958,968
Selling, general and administrative expenses [NOTES 5 ②]	33,240	34,375	365,691
Total costs of revenues from operations [NOTES 5 ③]	575,894	594,518	6,324,660
Operating income	73,809	87,921	935,330
Non-operating income:			
Interest income	94	111	1,181
Dividends income	1,184	1,186	12,617
Equity in income of affiliates	10,024	4,302	45,766
Miscellaneous income	3,501	2,294	24,404
Total non-operating income	14,805	7,895	83,989
Non-operating expenses:			
Interest expenses	20,558	18,646	198,362
Miscellaneous expenses	2,662	2,256	24,000
Total non-operating expenses	23,221	20,902	222,362
Ordinary income	65,393	74,914	796,957
Extraordinary income:			
Gain on sales of noncurrent assets [NOTES 5 ④]	619	806	8,574
Gain on contributions for construction	10,957	5,783	61,521
Gain on sale of securities	534	1,206	12,830
Other	953	397	4,223
Total extraordinary income	13,064	8,193	87,160
Extraordinary loss:			
Loss on sales of noncurrent assets [NOTES 5 ⑤]	58	211	2,245
Loss on reduction of noncurrent assets	10,962	5,717	60,819
Loss on retirement of noncurrent assets [NOTES 5 ⑥]	499	1,730	18,404
Loss on impairment of fixed assets [NOTES 5 ⑦]	20,212	5,402	57,468
Provision for loss on removal of property and equipment	—	4,391	46,713
Restructuring costs	81	2,161	22,989
Other	3,223	1,302	13,851
Total extraordinary loss	35,038	20,915	222,500
Income before income taxes and minority interests	43,419	62,192	661,617
Income taxes—current	6,074	13,701	145,755
Income taxes—deferred	(2,855)	7,532	80,128
Total income taxes	3,219	21,234	225,894
Income before minority interests	40,200	40,957	435,713
Minority interests in income	947	1,254	13,340
Net income	39,252	39,702	422,362

Consolidated Statements of Comprehensive Income

Years ended 31st March 2012 and 2013

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Income before minority interests	¥40,200	¥40,957	$435,713
Other comprehensive income:			
Valuation difference on available-for-sale securities	2,756	6,735	71,649
Deferred gains or losses on hedges	96	900	9,574
Revaluation reserve for land	1,136	—	—
Foreign currency translation adjustments	(504)	1,287	13,691
Share of other comprehensive income of associates accounted for using equity method	1,306	4,201	44,691
Total other comprehensive income [NOTES 6 ①]	4,792	13,124	139,617
Comprehensive income	44,992	54,081	575,330
(Details)			
Comprehensive income attributable to owners of the parent	44,108	52,670	560,319
Comprehensive income attributable to minority interests	884	1,411	15,011

Consolidated Statements of Changes in Net Assets

Years ended 31st March 2012 and 2013

	Millions of yen 2012	Millions of yen 2013	Thousands of U.S. dollars 2013
Shareholders' equity:			
Common stock:			
Balance at beginning of year	¥ 99,474	¥ 99,474	$1,058,234
Changes of items during the period:			
Total changes of items during the period	—	—	—
Balance at end of year	99,474	99,474	1,058,234
Capital surplus:			
Balance at beginning of year	150,027	150,027	1,596,032
Changes of items during the period:			
Total changes of items during the period	—	—	—
Balance at end of year	150,027	150,027	1,596,032
Retained earnings:			
Balance at beginning of year	243,264	276,059	2,936,798
Changes of items during the period:			
Dividends from surplus	(6,334)	(6,334)	(67,383)
Net income	39,252	39,702	422,362
Reversal of revaluation reserve for land	53	(2,160)	(22,979)
Disposal of treasury stock	(9)	(2)	(21)
Change in scope of consolidation	(166)	(157)	(1,670)
Total changes of items during the period	32,795	31,048	330,298
Balance at end of year	276,059	307,108	3,267,106
Less treasury stock, at cost:			
Balance at beginning of year	(4,036)	(4,140)	(44,043)
Changes of items during the period:			
Purchase of treasury stock	(40)	(82)	(872)
Disposal of treasury stock	21	13	138
Changes in equity in affiliates accounted for by equity method-treasury stock	(84)	—	—
Total changes of items during the period	(103)	(69)	(734)
Balance at end of year	(4,140)	(4,209)	(44,777)
Total shareholders' equity:			
Balance at beginning of year	488,729	521,421	5,547,032
Changes of items during the period:			
Dividends from surplus	(6,334)	(6,334)	(67,383)
Net income	39,252	39,702	422,362
Reversal of revaluation reserve for land	53	(2,160)	(22,979)
Purchase of treasury stock	(40)	(82)	(872)
Disposal of treasury stock	12	10	106
Change in scope of consolidation	(166)	(157)	(1,670)
Changes in equity in affiliates accounted for by equity method-treasury stock	(84)	—	—
Total changes of items during the period	32,692	30,978	329,553
Balance at end of year	521,421	552,400	5,876,596
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities:			
Balance at beginning of year	(11,936)	(8,044)	(85,574)
Changes of items during the period:			
Net changes of items other than shareholders' equity	3,891	10,862	115,553
Total changes of items during the period	3,891	10,862	115,553
Balance at end of year	(8,044)	2,817	29,968

	Millions of yen 2012	Millions of yen 2013	Thousands of U.S. dollars 2013
Deferred gains or losses on hedges:			
Balance at beginning of year	¥ (232)	¥ (131)	$ (1,394)
Changes of items during the period:			
Net changes of items other than shareholders' equity	101	901	9,585
Total changes of items during the period	101	901	9,585
Balance at end of year	(131)	770	8,191
Revaluation reserve for land:			
Balance at beginning of year	1,706	2,972	31,617
Changes of items during the period:			
Net changes of items other than shareholders' equity	1,265	2,158	22,957
Total changes of items during the period	1,265	2,158	22,957
Balance at end of year	2,972	5,130	54,574
Foreign currency translation adjustments:			
Balance at beginning of year	(2,464)	(2,924)	(31,106)
Changes of items during the period:			
Net changes of items other than shareholders' equity	(459)	1,204	12,809
Total changes of items during the period	(459)	1,204	12,809
Balance at end of year	(2,924)	(1,719)	(18,287)
Total accumulated other comprehensive income:			
Balance at beginning of year	(12,927)	(8,128)	(86,468)
Changes of items during the period:			
Net changes of items other than shareholders' equity	4,798	15,127	160,926
Total changes of items during the period	4,798	15,127	160,926
Balance at end of year	(8,128)	6,999	74,457
Subscription rights to shares:			
Balance at beginning of year	—	32	340
Changes of items during the period:			
Net changes of items other than shareholders' equity	32	79	840
Total changes of items during the period	32	79	840
Balance at end of year	32	112	1,191
Minority interests:			
Balance at beginning of year	11,144	11,476	122,085
Changes of items during the period:			
Net changes of items other than shareholders' equity	331	2,166	23,043
Total changes of items during the period	331	2,166	23,043
Balance at end of year	11,476	13,642	145,128
Total net assets:			
Balance at beginning of year	486,947	524,801	5,582,989
Changes of items during the period:			
Dividends from surplus	(6,334)	(6,334)	(67,383)
Net income	39,252	39,702	422,362
Reversal of revaluation reserve for land	53	(2,160)	(22,979)
Purchase of treasury stock	(40)	(82)	(872)
Disposal of treasury stock	12	10	106
Change in scope of consolidation	(166)	(157)	(1,670)
Change in equity in affiliates accounted for by equity method-treasury stock	(84)	—	—
Net changes of items other than shareholders' equity	5,162	17,374	184,830
Total changes of items during the period	37,854	48,352	514,383
Balance at end of year	524,801	573,154	6,097,383

Consolidated Statements of Cash Flows

Years ended 31st March 2012 and 2013

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 43,419	¥ 62,192	$ 661,617
Depreciation and amortisation	56,968	54,540	580,213
Loss on impairment of fixed assets	20,212	5,402	57,468
Amortisation of goodwill	2,806	2,875	30,585
Equity in (income) losses of affiliates	(10,024)	(4,302)	(45,766)
Increase (decrease) in provision for retirement benefits	329	(340)	(3,617)
Increase (decrease) in allowance for doubtful receivables	(635)	(24)	(255)
Increase (decrease) in provision for loss on removal of property and equipment	—	4,391	46,713
Restructuring costs	81	2,161	22,989
Interest and dividend income	(1,278)	(1,297)	(13,798)
Interest expense	20,558	18,646	198,362
Loss (gain) on sales of noncurrent assets	(567)	(594)	(6,319)
Loss on reduction of noncurrent assets	10,962	5,717	60,819
Loss on retirement of noncurrent assets	499	1,730	18,404
Loss (gain) on sale of securities	582	(1,164)	(12,383)
Gain on contributions for construction	(10,957)	(5,783)	(61,521)
Decrease (increase) in trade receivables	(5,153)	(4,058)	(43,170)
Decrease (increase) in inventories	15,316	8,516	90,596
Increase (decrease) in trade payables	3,184	659	7,011
Increase (decrease) in other liabilities	(4,328)	5,289	56,266
Other	4,402	(3,023)	(32,160)
Subtotal	146,380	151,530	1,612,021
Interest and dividends received	2,678	2,701	28,734
Interest paid	(20,815)	(19,028)	(202,426)
Income taxes (paid) refunded	(3,717)	(7,548)	(80,298)
Net cash provided by operating activities	124,525	127,655	1,358,032
Cash flows from investing activities:			
Purchases of noncurrent assets	(76,901)	(83,506)	(888,362)
Proceeds from sales of noncurrent assets	6,291	5,600	59,574
Purchases of investment securities	(3,185)	(2,353)	(25,032)
Proceeds from sale of investment securities	2,597	4,515	48,032
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	602	—	—
Net decrease (increase) in short-term loans receivable	184	21	223
Long-term loans advanced	(340)	—	—
Proceeds from collection of long-term loans receivable	1,291	389	4,138
Receipt of contributions for construction	20,530	16,134	171,638
Other	4,634	277	2,947
Net cash used in investing activities	(44,295)	(58,923)	(626,840)
Cash flows from financing activities:			
Net increase (decrease) in short-term borrowings	4,153	(8,924)	(94,936)
Proceeds from long-term debt	79,960	100,754	1,071,851
Repayment of long-term debt	(124,695)	(137,064)	(1,458,128)
Proceeds from new bonds issued	9,941	19,882	211,511
Redemption of bonds	(40,000)	(35,010)	(372,447)
Dividends paid	(6,334)	(6,334)	(67,383)
Dividends paid to minority shareholders of consolidated subsidiaries	(314)	(344)	(3,660)
Other	(1,689)	(2,154)	(22,915)
Net cash used in financing activities	(78,978)	(69,195)	(736,117)
Effect of exchange rate changes on cash and cash equivalents	(483)	1,280	13,617
Increase (decrease) in cash and cash equivalents	767	817	8,691
Cash and cash equivalents at beginning of year	22,592	23,572	250,766
Increase in cash and cash equivalents from newly consolidated subsidiary	212	1,191	12,670
Cash and cash equivalents at end of year	23,572	25,581	272,138

Notes to the Consolidated Financial Statements

1 FRAMEWORK FOR PREPARING CONSOLIDATED FINANCIAL STATEMENTS

① Method of preparation for consolidated financial statements

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

② Audit verification

The Company's consolidated financial statements for the fiscal year under review (1st April 2012 to 31st March 2013) were audited by KPMG AZSA LLC, as per Article 193-2 (1) of the Financial Instruments and Exchange Act.

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 group basis, and arranges training courses for accounting staff at affiliates.

④ Translation into U.S. dollars

The U.S. dollar amounts have been translated, for convenience only, at ¥94 = $1, the prevailing exchange rate on the Tokyo Foreign Exchange Market as of 31st March 2013.

2 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

① Scope of consolidation

(a) Number and names of consolidated subsidiaries

Number of consolidated subsidiaries—100.

Names of primary consolidated subsidiaries are listed on Page 118.

Himeji Cable Television Co., Ltd. and 4 other companies, due to their increased significance, have been included in the scope of consolidation.

Meanwhile, Creative Hankyu Co., Ltd. and 4 other companies, due to a merger, and Hotel New Hankyu Kochi Co., Ltd., due to the sale of its shares, have been excluded from the scope of consolidation.

(b) Names of major nonconsolidated subsidiaries

Hankyu Mediax 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.

(c) Special purpose entities subject to disclosure

An overview of special purpose entities subject to disclosure, an overview of transactions using special purpose entities subject to disclosure, and the monetary values and other details of transactions with special purpose entities subject to disclosure are presented in "20 SPECIAL PURPOSE ENTITIES SUBJECT TO DISCLOSURE."

② Items related to application of equity-method accounting

(a) Number and names of affiliates for which equity method is applied

Number of affiliates for which equity method is applied—10.

Names of major equity-method affiliates

H_2O Retailing Corporation, Kobe Electric Railway Co., Ltd., Toho Co., Ltd., Tokyo Rakutenchi Co., Ltd.

(b) Names of nonconsolidated subsidiaries and affiliates for which equity method is not applied

The nonconsolidated subsidiaries to which the equity method does not apply (Hankyu Mediax Co., Ltd., etc.) and affiliates (OS Co., Ltd., etc.) 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.

③ Items related to fiscal year-ends, etc. for consolidated subsidiaries

The account closing date for Hankyu Hanshin Express (Netherlands) B.V., Hankyu Hanshin Express (Deutschland) GmbH and 22 other consolidated subsidiaries is 31st December. 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.

④ Items related to accounting treatment and standards

(a) Valuation standards and method for major assets

I. Securities

Available-for-sale securities

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.)

Available-for-sale securities without fair market values:

The moving average cost method is mainly 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

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.)

Finished products and merchandise, work in progress, and materials and supplies:

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

(b) Depreciation methods for major depreciable assets

I. Property and equipment (excluding leased assets)

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.

Depreciation of buildings acquired after 1st April 1998 (excluding facilities attached to buildings) is calculated using the straight-line method.

(Changes in accounting policies that are difficult to distinguish from changes in an accounting estimate)

In accordance with a recent amendment to the Corporation Tax Law, with effect from the fiscal year, the Company and certain of its consolidated subsidiaries have changed the depreciation method applied to property, plant and equipment acquired on or after 1st April 2012.

The effect of this change on operating income, ordinary income, and income before income taxes and minority interests is negligible.

II. Intangible assets (excluding leased assets)

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

Software (used by the Company), however, is amortised by the straight-line method over the internal available life (3 to 6 years).

III. Lease assets related to finance leases other than those that transfer ownership of the lease assets

Lease assets related to finance leases other than those that transfer ownership of the lease assets are depreciated using the straight-line method with the lease term as the useful life, and the residual value is zero.

Finance leases that commenced prior to 31st March 2008 are accounted for similar method applied to operating lease transactions.

(c) Accounting for contributions for construction

Some consolidated subsidiaries of the Company accept contributions for construction from local governments and other organisations as part of the cost of construction when carrying out railroad elevations such as continuous grade separations and crossing-widening work.

The assets acquired using the contributions are recorded in noncurrent assets at the acquisition cost, after deducting the amounts corresponding to the contributions.

The amounts received for construction including such contributions are recorded in extraordinary income as "gain on contributions for construction" in the consolidated statements of income, and the amount directly deducted from the acquisition cost is recorded in extraordinary loss as "loss on reduction of noncurrent assets" in the consolidated statements of income.

(d) 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

Provision for bonuses is recorded in the amount expected to be paid by some consolidated subsidiaries as bonuses during the fiscal year.

III. Provision for retirement benefits

Provision for retirement benefits is provided based on the estimated amount of projected benefit obligation and the fair value of plan assets in preparation for retirement benefits to be paid to employees at the end of the fiscal year.

Prior service costs are recorded in expenses in equal amounts using the straight-line method over a certain number of years (3 to 15 years), which is within the average remaining years of service of the employees at the time when these costs are incurred, commencing, in general, in the fiscal year in which they arise.

Actuarial differences are recorded in expenses using the straight-line method over a certain number of years (5 to 15 years), which is within the average remaining years of service of the employees at the time when these costs are incurred, commencing in the fiscal year following the year in which they arise.

IV. Provision for directors' retirement benefits

Provision for directors' retirement benefits is provided in an amount based on the internal rules of some of the consolidated subsidiaries for the payment of retirement benefits to their directors.

(e) Basis for converting significant assets and liabilities in foreign currency into Japanese yen

The assets, liabilities, income and expenses of overseas subsidiaries are converted to yen based on the spot exchange rate on the balance sheet date. Differences in conversion are included in foreign currency translation adjustments and minority interests in the net assets section.

(f) 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 assets and liabilities with foreign exchange forward contracts.

II. Hedging instruments and hedged items

Hedging instruments	Hedged items
Foreign exchange contracts Currency swap contracts Currency option contracts	Foreign currency trade receivables and trade payables and future foreign currency transactions
Interest rate swap contracts Interest rate option contracts	Interest on bonds and loans payable

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.

(g) 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 31st March 2007 is being amortised in equal amounts over 20 years.

(h) 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.

(i) Other significant matters for preparing consolidated financial statements
I. Accounting for consumption tax
Accounting for consumption tax is based on the tax exclusion method.
The non-deductible amount of the consumption tax on assets that are not tax deductible is included in "Other" in investments and other assets on the consolidated balance sheets as long-term prepaid consumption tax and is amortised in equal amounts based on provisions of Corporation Tax Law.

II. Adoption of consolidated tax payment system
A consolidated tax payment system has been adopted.

3 ACCOUNTING STANDARDS NOT APPLIED AS YET

—Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, 17th May 2012)
—Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, 17th May 2012)

① Summary
Under the amended rule, actuarial gains and losses and past service costs that are yet to be recognised in profit or loss would be recognised within the net asset section, after adjusting for tax effects, and the deficit or surplus would be recognised as a liability or asset without any adjustments. For determining method of attributing expected benefit to periods, the Standard now allows to choose benefit formula basis, as well as straight-line basis. Method for determination of discount rate has also been amended.

② Effective dates
Effective for the end of annual periods ending on or after 31st March 2014. Amendments relating to determining method of attributing expected benefit to periods are effective from the beginning of annual periods ending on or after 31st March 2015. As transitional methods of handling these accounting standards have been laid down, they shall not be applied retroactively to financial statements for prior fiscal years.

③ Effect of application of the standard
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 CONSOLIDATED BALANCE SHEETS

① Accumulated depreciation of property and equipment

Millions of yen		Thousands of U.S. dollars
2012	2013	2013
¥994,173	¥1,019,293	$10,843,543

② Accumulated contributions for construction directly deducted from the acquisition cost of noncurrent assets

Millions of yen		Thousands of U.S. dollars
2012	2013	2013
¥368,264	¥370,073	$3,936,947

③ Pledged assets and secured liabilities
The following table shows the assets pledged as collateral.

	Millions of yen				Thousands of U.S. dollars	
	2012		2013		2013	
Property and equipment:						
Buildings and structures	¥219,391	[¥215,405]	¥219,000	[¥214,464]	$2,329,787	[$2,281,532]
Machinery, equipment and vehicles	37,374	[37,374]	34,509	[34,509]	367,117	[367,117]
Land	266,011	[255,486]	266,577	[256,052]	2,835,926	[2,723,957]
Other	2,997	[2,997]	2,221	[2,221]	23,628	[23,628]
Intangible assets:						
Other	129	[129]	129	[129]	1,372	[1,372]
Investment and other assets:						
Investment securities	14,536	[—]	14,036	[—]	149,319	[—]
Total	540,441	[511,392]	536,474	[507,377]	5,707,170	[5,397,628]

The following table shows the secured liabilities.

	Millions of yen				Thousands of U.S. dollars	
	2012		2013		2013	
Current liabilities:						
Short-term borrowings	¥ 12,283	[¥ 9,650]	¥ 11,024	[¥ 8,819]	$ 117,277	[$ 93,819]
Other	178	[—]	109	[—]	1,160	[—]
Long-term liabilities:						
Long-term debt	101,182	[88,244]	104,920	[92,651]	1,116,170	[985,649]
Total	113,644	[97,895]	116,055	[101,471]	1,234,628	[1,079,479]

The amounts in brackets are the amounts for the Railway Foundation within the total of each category.

④ The following table shows the securities of nonconsolidated subsidiaries and affiliates.

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Investment securities (stocks)	¥163,970	¥169,678	$1,805,085

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 31st March 1998) and the Law to Partially Modify the Law Concerning Revaluations of Land (Law No. 19, promulgated on 31st March 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 belonging to minority shareholders as "Minority interests." The amount remaining after subtracting these was recorded in the net assets section as "Revaluation reserve for land." The equity-method affiliates 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 31st March 1998).

Date of revaluation: 31st March 2002.

The difference between the market value of the land and the book value after revaluation at the end of previous fiscal year and fiscal year under review are as follows:

Millions of yen		Thousands of U.S. dollars
2012	2013	2013
¥(5,857)	¥(6,093)	$(64,819)

⑥ Contingent liabilities

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

Fiscal year ended 31st March 2012

	Millions of yen
Nishi-Osaka Railway Co., Ltd.	¥23,348
Borrowers on loans for purchase of land and buildings	6,112
Other (six companies)	32
Total	29,493

Fiscal year ended 31st March 2013

	Millions of yen	Thousands of U.S. dollars
Nishi-Osaka Railway Co., Ltd.	¥22,367	$237,947
Borrowers on loans for purchase of land and buildings	9,794	104,191
Other (one company)	38	404
Total	32,199	342,543

5 CONSOLIDATED STATEMENTS OF INCOME

① Closing inventory is the amount after write-down of book value due to a decline in profitability. As a result, valuation loss of inventory in the amount of ¥2,807 million is included in operating expenses and cost of sales.

② The breakdown of selling, general and administrative expenses is shown below.

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Personnel expenses	¥16,344	¥16,372	$174,170
Expenses	12,065	13,454	143,128
Taxes	761	651	6,926
Depreciation and amortisation	1,262	1,020	10,851
Amortisation of goodwill	2,806	2,875	30,585
Total	33,240	34,375	365,691

③ 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
	2012	2013	2013
Special allowance for doubtful receivables	¥ 101	¥ 140	$ 1,489
Provision for bonuses	3,750	4,116	43,787
Retirement benefit expenses	8,614	8,620	91,702
Provision for directors' retirement benefits	182	186	1,979

④ The gain on sales of noncurrent assets resulted from the transfer of land and other property.

⑤ The breakdown of the loss on sales of noncurrent assets is shown below.

Fiscal year ended 31st March 2012

	Millions of yen
Land, etc.	¥58

Fiscal year ended 31st March 2013

	Millions of yen	Thousands of U.S. dollars
Land, etc.	¥211	$2,245

⑥ The breakdown of the loss on retirement of noncurrent assets is shown below.

Fiscal year ended 31st March 2012

	Millions of yen
Book value upon removal (buildings and structures, etc.)	¥348
Cost of removal work	151

Fiscal year ended 31st March 2013

	Millions of yen	Thousands of U.S. dollars
Book value upon removal (buildings and structures, etc.)	¥ 417	$ 4,436
Cost of removal work	1,313	13,968

⑦ Loss on impairment of fixed assets

Fiscal year ended 31st March 2012

The loss on impairment of fixed assets was calculated by grouping the assets based on the minimum unit that generates a cash flow that is generally independent of the cash flow of other assets or asset groups. As a result, the book values of a total of 45 fixed assets groups, the market values of which have been declining sharply from their book values due to a continuous decrease in land value, and those that have continuously resulted in operating losses and whose profitability is unlikely to recover in the future, were reduced to the recoverable amount, and the amount of the reduction has been recorded as “loss on impairment of fixed assets” (¥20,212 million) under extraordinary loss.

Region	Use	Type of assets	Millions of yen
Osaka	Land for development, etc. Total: 17	Construction in progress, etc.	¥17,860
Hyogo	Golf business facilities, etc. Total: 11	Buildings and structures, etc.	1,257
Kyoto, etc.	Idle assets, etc. Total: 17	Land, etc.	1,094

The following table shows a breakdown of the loss on impairment of fixed assets in each region.

Region	Type of assets	Millions of yen
Osaka	Buildings and structures	¥ 322
	Machinery, equipment and vehicles	2
	Land	1,116
	Construction in progress	16,413
	Other	3
	Intangible assets	2
Hyogo	Buildings and structures	731
	Machinery, equipment and vehicles	40
	Land	392
	Construction in progress	78
	Other	8
	Intangible assets	0
	Investment and other assets	5
Kyoto, etc.	Buildings and structures	291
	Machinery, equipment and vehicles	10
	Land	763
	Other	28
	Intangible assets	1

The recoverable value of this asset group has been calculated based on the net sale value or value in use.

The net sale value is determined by rationally adjusting the expected sale prices, appraised values based on the Japanese Real Estate Appraisal Standards, and/or fixed asset tax assessment values. When the value in use is used for the calculation, the future cash flow is discounted by 4.0%.

Fiscal year ended 31st March 2013

The loss on impairment of fixed assets was calculated by grouping the assets based on the minimum unit that generates a cash flow that is generally independent of the cash flow of other assets or asset groups. As a result, the book values of a total of 25 fixed assets groups, the market values of which have been declining sharply from their book values due to a continuous decrease in land value, and those that have continuously resulted in operating losses and whose profitability is unlikely to recover in the future, were reduced to the recoverable amount, and the amount of the reduction has been recorded as “loss on impairment of fixed assets” (¥5,402 million ($57,468 thousand)) under extraordinary loss.

Region	Use	Type of assets	Millions of yen	Thousands of U.S. dollars
Hyogo	Gardens, etc. Total: 10	Buildings and structures, etc.	¥1,829	$19,457
Kyoto	Property for rent Total: 1	Land	1,470	15,638
Tokyo, etc.	Working assets Total: 14	Land, etc.	2,102	22,362

The following table shows a breakdown of the loss on impairment of fixed assets in each region.

Region	Type of assets	Millions of yen	Thousands of U.S. dollars
Hyogo	Buildings and structures	¥ 995	$10,585
	Machinery, equipment and vehicles	17	181
	Land	807	8,585
	Construction in progress	1	11
	Other	4	43
	Intangible assets	3	32
Kyoto	Land	1,470	15,638
Tokyo, etc.	Buildings and structures	508	5,404
	Machinery, equipment and vehicles	1	11
	Land	1,029	10,947
	Construction in progress	286	3,043
	Other	139	1,479
	Intangible assets	137	1,457

The recoverable value of this asset group has been calculated based on the net sale value or value in use.

The net sale value is determined by rationally adjusting the expected sale prices, appraised values based on the Japanese Real Estate Appraisal Standards, and/or fixed asset tax assessment values. When the value in use is used for the calculation, the future cash flow is discounted by 4.0%.

6 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

① Reclassification adjustments and tax effects relating to other comprehensive income

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Valuation difference on available-for-sale securities:			
Increase (decrease) during the year	¥ 326	¥ 10,349	$ 110,096
Reclassification adjustments	892	(959)	(10,202)
Subtotal, before tax	1,218	9,389	99,883
Tax (expense) or benefit	1,538	(2,654)	(28,234)
Valuation difference on available-for-sale securities	2,756	6,735	71,649
Deferred gains or losses on hedges:			
Increase (decrease) during the year	(144)	1,165	12,394
Reclassification adjustments	326	311	3,309
Subtotal, before tax	181	1,476	15,702
Tax (expense) or benefit	(84)	(576)	(6,128)
Deferred gains or losses on hedges	96	900	9,574
Revaluation reserve for land:			
Increase (decrease) during the year	—	—	—
Reclassification adjustments	—	—	—
Subtotal, before tax	—	—	—
Tax (expense) or benefit	1,136	—	—
Revaluation reserve for land	1,136	—	—
Foreign currency translation adjustments:			
Increase (decrease) during the year	(504)	1,287	13,691
Reclassification adjustments	—	—	—
Subtotal, before tax	(504)	1,287	13,691
Tax (expense) or benefit	—	—	—
Foreign currency translation adjustments	(504)	1,287	13,691
Share of other comprehensive income of associates accounted for using equity method:			
Increase (decrease) during the year	1,476	4,182	44,489
Reclassification adjustments	(169)	19	202
Share of other comprehensive income of associates accounted for using equity method	1,306	4,201	44,691
Total other comprehensive income	4,792	13,124	139,617

7 CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

① Items related to types and total number of shares issued and types and number of treasury stock shares

Fiscal year ended 31st March 2012

(Thousands of shares)

	No. of shares as of 1st April 2011	Increase in number of shares	Decrease in number of shares	No. of shares as of 31st March 2012
No. of shares issued				
Common stock	1,271,406	—	—	1,271,406
Total	1,271,406	—	—	1,271,406
Treasury stock, at cost				
Common stock (Notes 1 and 2)	9,897	420	39	10,279
Total	9,897	420	39	10,279

(Overview of reasons for fluctuations)

Notes:

1. The increase of 420 thousand shares of treasury stock includes an increase of 296 thousand shares due to the change of interest for equity-method affiliates, and an increase of 124 thousand shares due to the purchase of odd-lot shares.
2. The decrease of 39 thousand shares of treasury stock is due to the sale of odd-lot shares.

Fiscal year ended 31st March 2013

(Thousands of shares)

	No. of shares as of 1st April 2012	Increase in number of shares	Decrease in number of shares	No. of shares as of 31st March 2013
No. of shares issued				
Common stock	1,271,406	—	—	1,271,406
Total	1,271,406	—	—	1,271,406
Treasury stock, at cost				
Common stock (Notes 1 and 2)	10,279	186	24	10,441
Total	10,279	186	24	10,441

(Overview of reasons for fluctuations)
Notes:
1. The increase of 186 thousand shares of treasury stock is due to the purchase of odd-lot shares.
2. The decrease of 24 thousand shares of treasury stock is due to the sale of odd-lot shares.

② Items related to subscription rights to shares

Fiscal year ended 31st March 2012

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 31st March 2012 (Millions of yen)
			As of 1st April 2011	Increase	Decrease	As of 31st March 2012	
The Company (Parent company)	Subscription rights as stock options	—	—	—	—	—	¥32
Total		—	—	—	—	—	32

Fiscal year ended 31st March 2013

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 31st March 2013	
			As of 1st April 2012	Increase	Decrease	As of 31st March 2013	(Millions of yen)	(Thousands of U.S. dollars)
The Company (Parent company)	Subscription rights as stock options	—	—	—	—	—	¥112	$1,191
Total		—	—	—	—	—	112	1,191

③ Items related to dividends

Fiscal year ended 31st March 2012

(a) Dividends paid

(Resolution)	Type of shares	Dividends paid (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
16th June 2011 General meeting of shareholders	Common stock	¥6,334	¥5	31st March 2011	17th June 2011

(b) 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
14th June 2012 General meeting of shareholders	Common stock	¥6,334	Retained earnings	¥5	31st March 2012	15th June 2012

Fiscal year ended 31st March 2013

(a) 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)		
14th June 2012 General meeting of shareholders	Common stock	¥6,334	$67,383	¥5	$0.05	31st March 2012	15th June 2012

(b) 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)		
14th June 2013 General meeting of shareholders	Common stock	¥6,333	$67,372	Retained earnings	¥5	$0.05	31st March 2013	17th June 2013

8 CONSOLIDATED STATEMENTS OF CASH FLOWS

① 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
	2012	2013	2013
Cash and deposits in the consolidated balance sheets	¥24,280	¥26,602	$283,000
Deposits with maturities over 3 months	(707)	(1,020)	(10,851)
Cash and cash equivalents in the cash flow statements	23,572	25,581	272,138

② Major items of assets and liabilities of a company that has been excluded from the scope of consolidation due to the sale of its shares during the fiscal year under review

Hotel New Hankyu Kochi Co., Ltd.	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 876	$ 9,319
Noncurrent assets	3,038	32,319
Current liabilities	664	7,064
Long-term liabilities	5,385	57,287

9 LEASE TRANSACTIONS

<As lessee>

① Finance lease transactions that do not transfer ownership of the lease asset, prior to the initial year for commencement of the accounting standards for lease transactions

(a) Amount equivalent to acquisition cost, accumulated depreciation and net leased property at fiscal year-end

	Millions of yen						Thousands of U.S. dollars		
	2012			2013			2013		
	Acquisition cost	Accumulated depreciation	Net leased property	Acquisition cost	Accumulated depreciation	Net leased property	Acquisition cost	Accumulated depreciation	Net leased property
Machinery, equipment and vehicles	¥2,822	¥1,840	¥ 981	¥2,235	¥1,467	¥767	$23,777	$15,606	$8,160
Other	1,091	972	119	38	32	6	404	340	64
Total	3,913	2,812	1,100	2,274	1,500	774	24,191	15,957	8,234

Note: Acquisition cost includes interest paid due to a low percentage of future lease payments in the year-end balance of property and equipment.

(b) Amount equivalent to future lease payments

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Due within one year	¥ 319	¥158	$1,681
Due after one year	781	615	6,543
Total	1,100	774	8,234

Note: The future lease payments include interest paid due to a low percentage of future lease payments in the year-end balance of property and equipment.

(c) Lease payments and amount equivalent to depreciation expenses

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Lease payments	¥759	¥317	$3,372
Amount equivalent to depreciation expenses	759	317	3,372

(d) Method for calculating the amount equivalent to depreciation expense

The amount equivalent to depreciation expense is calculated using the straight-line method with the lease term as the useful life, and the residual value is zero.

② Operating lease transactions

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Future lease payments			
Due within one year	¥ 2,398	¥ 2,363	$ 25,138
Due after one year	12,225	11,335	120,585
Total	14,623	13,699	145,734

<As lessor>

① Operating lease transactions

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Future lease payments receivables			
Due within one year	¥ 381	¥ 441	$ 4,691
Due after one year	4,591	4,618	49,128
Total	4,972	5,060	53,830

10 FINANCIAL INSTRUMENTS

① Matters regarding the conditions of financial instruments

(a) 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.

(b) Details of the financial instruments used, the risk involved, and the risk management system

Marketable and 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.

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 the due date and balance by customer, and by making periodical checks of the credit conditions of major customers pursuant to the internal regulations of each company.

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 by foreign currency are exposed to exchange rate fluctuation risk (market risk), which was hedged through forward exchange contracts.

Long-term debt and bonds are used mainly to raise the long-term funds necessary for capital investment plans, and short-term borrowings and commercial paper are used mainly to raise short-term funds for working capital. Some floating-rate debt and floating-rate bonds are exposed to interest rate fluctuation risk (market risk). Exposure to interest rate fluctuation risk is limited by fixing interest rates through interest rate swap transactions. In addition, there is liquidity risk that payment will not be made by the due date. Liquidity risk is limited by the timely preparation of financing plans and proper fund management. In addition, surplus funds of the Group companies are concentrated and used effectively through centralisation of Group funds by using the cash pool system, etc. Immediate fund raising 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 advanced the diversification of raising funds means by using many financial institutions, thus securing liquidity.

Regarding the use of derivative transactions, internal regulations prescribe the division of duties and transaction limits. With respect to derivative transactions, the main purpose of interest rate swap transactions is to hedge the interest rate fluctuation risk involved in certain loans and bonds. Forward exchange contracts are used mainly to avoid exchange rate fluctuation risk involved in a portion of foreign currency denominated assets and liabilities. These derivative transactions involve credit risk because, if the other party to a transaction defaults on debts based on contracted conditions, or becomes bankrupt, the benefit that would have been obtained in the future if the transaction had continued will not be enjoyed. However, credit risk is limited by carrying out transactions only with financial institutions with high 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 "④ Items related to accounting treatment and standards" "(f) Significant hedge accounting methods" outlined in "2 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS."

② Matters regarding fair values of financial instruments

Book value, fair value and the differences between them as of the end of the previous fiscal year and fiscal year under review are as shown below.

	Millions of yen						Thousands of U.S. dollars		
	2012			2013			2013		
	Book value	Fair value	Difference	Book value	Fair value	Difference	Book value	Fair value	Difference
(a) Cash and deposits	¥ 24,280	¥ 24,280	¥ —	¥ 26,602	¥ 26,602	¥ —	$ 283,000	$ 283,000	$ —
(b) Trade receivables	73,404	73,404	—	75,181	75,181	—	799,798	799,798	—
(c) Securities	38,997	38,997	0	48,469	48,469	0	515,628	515,628	0
Total assets	136,682	136,682	0	150,253	150,253	0	1,598,436	1,598,436	0
(d) Trade payables	43,410	43,410	—	44,110	44,110	—	469,255	469,255	—
(e) Short-term borrowings (*1)	176,652	176,652	—	167,778	167,778	—	1,784,872	1,784,872	—
(f) Bonds (*2)	137,000	139,981	2,981	122,000	126,564	4,564	1,297,872	1,346,426	48,553
(g) Long-term debt (*1)	860,675	873,814	13,139	824,205	840,350	16,144	8,768,138	8,939,894	171,745
Total liabilities	1,217,738	1,233,859	16,120	1,158,094	1,178,803	20,709	12,320,149	12,540,457	220,309
(h) Derivative transactions	—	(15,442)	—	—	(12,129)	—	—	(129,032)	—

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

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

(a) Cash and deposits, (b) 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.

(c) Securities

The fair values of stocks 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 "11 SECURITIES."

(d) Trade payables, (e) 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.

(f) Bonds

The fair values of fixed-rate bonds issued by the Company and some of its consolidated subsidiaries are based on market prices. The fair values of floating-rate bonds are based on their book values because the fair values of floating-rate bonds reflect market interest rates within a short period of time, and closely approximate their book values.

(g) Long-term debt

The fair values of fixed-rate long-term debts are 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 values of floating-rate long-term debt are based on their book values because the fair values of floating-rate long-term debts reflect market interest rates within a short period of time and closely approximate their book values.

(h) Derivative transactions

Described in "12 DERIVATIVES."

(Note 2) The book value of financial instruments whose fair value is extremely difficult to ascertain

Classification	Millions of yen 2012	Millions of yen 2013	Thousands of U.S. dollars 2013
Available-for-sale securities:			
Non-listed equity securities	¥ 4,984	¥ 4,868	$ 51,787
Investments in limited liability investment partnerships and similar investments	5,064	3,075	32,713
Negotiable certificates of deposit	14,416	13,910	147,979
Total	24,465	21,853	232,479

It is extremely difficult to ascertain the fair values of these because market prices are not available and future cash flows cannot be estimated. As a result, they are not included in (c) Securities.

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

(Note 4) Supplementary explanation regarding fair values of financial instruments
The fair values of financial instruments include values based on market prices. If market prices are not available, the fair values of financial instruments include values that have been reasonably calculated. Certain assumptions are used to calculate the above values. As a result, if different assumptions are used, the values may differ. For derivative contracts, the amount of the contract which is indicated in "12 DERIVATIVES" does not indicate the market risk involved in derivative transactions themselves.

(Note 5) Redemption and repayment schedule of monetary claims and securities with maturities

Fiscal year ended 31st March 2012

	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	¥24,280	¥ —	¥ —	¥—
Trade receivables	73,404	—	—	—
Securities:				
Held-to-maturity debt securities (government bonds, etc.)	5	9	—	—
Available-for-sale securities with maturities (government bonds)	10	18	305	—
Total	97,699	28	305	—

Fiscal year ended 31st March 2013

	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	¥ 26,602	¥ —	¥ —	¥—	$ 283,000	$ —	$ —	$—
Trade receivables	75,181	—	—	—	799,798	—	—	—
Securities:								
Held-to-maturity debt securities (government bonds, etc.)	5	9	—	—	53	96	—	—
Available-for-sale securities with maturities (government bonds)	—	46	352	—	—	489	3,745	—
Total	101,789	56	352	—	1,082,862	596	3,745	—

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

Fiscal year ended 31st March 2012

	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	¥ 35,000	¥ 60,000	¥ 35,000	¥ 7,000
Long-term debt	139,893	486,438	154,969	79,374
Total	174,893	546,438	189,969	86,374

Fiscal year ended 31st March 2013

	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	¥ 10,000	¥ 60,000	¥ 52,000	¥ —	$ 106,383	$ 638,298	$ 553,191	$ —
Long-term debt	186,580	345,860	166,491	125,273	1,984,894	3,679,362	1,771,181	1,332,691
Total	196,580	405,860	218,491	125,273	2,091,277	4,317,660	2,324,372	1,332,691

11 SECURITIES

① Held-to-maturity debt securities

	Millions of yen						Thousands of U.S. dollars		
	2012			2013			2013		
Classification	Book value	Fair value	Difference	Book value	Fair value	Difference	Book value	Fair value	Difference
Securities with fair value exceeding book value	¥ 9	¥ 9	¥ 0	¥ 9	¥ 9	¥ 0	$ 96	$ 96	$ 0
Securities with fair value not exceeding book value	5	5	—	5	5	—	53	53	—
Total	14	14	0	14	14	0	149	149	0

② Available-for-sale securities

	Millions of yen						Thousands of U.S. dollars		
	2012			2013			2013		
Classification	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference
Securities with book value exceeding acquisition cost:									
(a) Equity securities	¥12,330	¥ 6,461	¥ 5,869	¥26,178	¥15,121	¥11,056	$278,489	$160,862	$117,617
(b) Bonds	263	253	10	398	379	19	4,234	4,032	202
(c) Other	3	3	0	4	3	1	43	32	11
Subtotal	12,598	6,718	5,880	26,581	15,503	11,077	282,777	164,926	117,840
Securities with book value not exceeding acquisition cost:									
(a) Equity securities	26,311	46,517	(20,206)	21,872	36,783	(14,910)	232,681	391,309	(158,617)
(b) Bonds	70	70	(0)	—	—	—	—	—	—
(c) Other	2	2	(0)	—	—	—	—	—	—
Subtotal	26,383	46,589	(20,206)	21,872	36,783	(14,910)	232,681	391,309	(158,617)
Total	38,982	53,307	(14,325)	48,454	52,287	(3,833)	515,468	556,245	(40,777)

③ Available-for-sale securities sold during previous fiscal year and fiscal year under review

	Millions of yen						Thousands of U.S. dollars		
	2012			2013			2013		
Classification	Amount sold	Total gains on sale	Total losses on sale	Amount sold	Total gains on sale	Total losses on sale	Amount sold	Total gains on sale	Total losses on sale
Equity securities	¥2,597	¥306	¥1,116	¥4,411	¥1,234	¥42	$46,926	$13,128	$447

12 DERIVATIVES

① Derivative transactions for which hedge accounting has not been applied

No items

② Derivative transactions for which hedge accounting has been applied

(a) Currency

Fiscal year ended 31st March 2012

Classification	Type	Main hedged items	Millions of yen: Contract amount	Millions of yen: Portion of contract amount exceeding one year	Millions of yen: Fair value (Note)
Designation of forward exchange contracts, etc.	Forward exchange contracts	Trade payables			
	Buy contract				
	Euro		¥ 8,341	¥—	¥193
	U.S. dollar		5,235	—	289
	Pound sterling		21	—	0
	Swiss franc		1,318	—	74
	Canadian dollar		521	—	40
	New Zealand dollar		129	—	8
	Australian dollar		262	—	15
	Hong Kong dollar		167	—	(1)
	Singapore dollar		14	—	(0)
	Thai baht		101	—	(1)
	Japanese yen		670	—	6
	Total		16,783	—	625

Fiscal year ended 31st March 2013

Classification	Type	Main hedged items	Millions of yen: Contract amount	Millions of yen: Portion of contract amount exceeding one year	Millions of yen: Fair value (Note)	Thousands of U.S. dollars: Contract amount	Thousands of U.S. dollars: Portion of contract amount exceeding one year	Thousands of U.S. dollars: Fair value (Note)
Designation of forward exchange contracts, etc.	Forward exchange contracts							
	Sell contract	Trade receivables						
	U.S. dollar		¥ 17	¥—	¥ 0	$ 181	$—	$ 0
	Japanese yen		3	—	0	32	—	0
	Buy contract	Trade payables						
	Euro		14,290	—	1,248	152,021	—	13,277
	U.S. dollar		7,581	—	761	80,649	—	8,096
	Pound sterling		26	—	(0)	277	—	(1)
	Swiss franc		1,677	—	155	17,840	—	1,649
	Canadian dollar		680	—	33	7,234	—	351
	New Zealand dollar		149	—	26	1,585	—	277
	Australian dollar		340	—	36	3,617	—	383
	Hong Kong dollar		81	—	(1)	862	—	(11)
	Singapore dollar		10	—	(0)	106	—	(1)
	Thai baht		42	—	(0)	447	—	(6)
	Japanese yen		540	—	(29)	5,745	—	(309)
	Total		25,442	—	2,230	270,660	—	23,723

Note: Fair value calculation

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

(b) Interest rate

Fiscal year ended 31st March 2012

Classification	Type	Main hedged items	Millions of yen: Contract amount	Millions of yen: Portion of contract amount exceeding one year	Millions of yen: Fair value
Deferral hedge accounting and exceptional accounting of interest rate swaps	Interest rate swap contracts Payable fixed rate/ Receivable floating rate	Long-term debt	¥524,964	¥489,520	¥(16,067)
	Total		524,964	489,520	(16,067)

Fiscal year ended 31st March 2013

Classification	Type	Main hedged items	Millions of yen: Contract amount	Millions of yen: Portion of contract amount exceeding one year	Millions of yen: Fair value (Note)	Thousands of U.S. dollars: Contract amount	Thousands of U.S. dollars: Portion of contract amount exceeding one year	Thousands of U.S. dollars: Fair value (Note)
Deferral hedge accounting and exceptional accounting of interest rate swaps	Interest rate swap contracts Payable fixed rate/ Receivable floating rate	Long-term debt	¥462,618	¥345,727	¥(14,359)	$4,921,468	$3,677,947	$(152,755)
	Total		462,618	345,727	(14,359)	4,921,468	3,677,947	(152,755)

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

13 RETIREMENT BENEFITS

① Overview of retirement benefit plans

Some consolidated subsidiaries of the Company provide two types of defined benefit plans, defined benefit pension plans and unfunded lump-sum payment plans. Hankyu Corporation has also established a retirement benefits trust.

② Items related to retirement benefit obligations

	Millions of yen 2012	Millions of yen 2013	Thousands of U.S. dollars 2013
1) Projected benefit obligation	¥(125,333)	¥(127,240)	$(1,353,617)
2) Plan assets	60,886	64,541	686,606
3) Unfunded projected benefit obligation (1+2)	(64,447)	(62,699)	(667,011)
4) Unrecognised actuarial differences	9,099	7,251	77,138
5) Unrecognised prior service costs	(1,397)	(1,120)	(11,915)
6) Book value (net) (3+4+5)	(56,745)	(56,568)	(601,787)
7) Prepaid pension costs	2,448	2,871	30,543
8) Provision for retirement benefits (6-7)	(59,194)	(59,439)	(632,330)

Note: Certain consolidated subsidiaries use simplified methods for calculating retirement benefit obligations.

③ Items related to retirement benefit expenses

	Millions of yen 2012	Millions of yen 2013	Thousands of U.S. dollars 2013
1) Service cost (Note 1)	¥6,127	¥6,323	$67,266
2) Interest cost on projected benefit obligation	2,284	2,260	24,043
3) Expected return on plan assets	(916)	(910)	(9,681)
4) Amortisation of actuarial differences	1,431	1,453	15,457
5) Amortisation of prior service costs	(292)	(292)	(3,106)
6) Retirement benefit expenses (1+2+3+4+5)	8,635	8,834	93,979

Notes:
1. Retirement benefit expenses of consolidated subsidiaries that use a simplified method are recorded in 1) Service cost.
2. In addition to the retirement benefit expenses shown above, the Company made extra retirement payments of ¥52 million mainly recorded as extraordinary loss in the fiscal year ended 31st March 2012, and ¥139 million ($1,479 thousand) mainly recorded as extraordinary loss in the fiscal year under review.

④ Items related to basis for calculating retirement benefit obligations, etc.

(a) Periodic distribution method for estimated amount of retirement benefits
Allocated equally to each service year using the estimated number of total service years
(b) Discount rate
Mainly 2.0%
(c) Expected rate of return on plan assets
Mainly 2.0%
(d) Number of years over which prior service costs are written off
3 to 15 years (amortised using the straight-line method over a period not exceeding the average remaining service period of active employees)
(e) Number of years over which actuarial differences are written off
Fiscal year ended 31st March 2012
4 to 15 years (amortised using the straight-line method over a period not exceeding the average remaining service period of active employees and recognised in expenses starting from the following fiscal year)

Fiscal year ended 31st March 2013
5 to 15 years (amortised using the straight-line method over a period not exceeding the average remaining service period of active employees and recognised in expenses starting from the following fiscal year)

14 STOCK OPTIONS, ETC.

① Cost amount and account associated with stock options

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Operating expenses and cost of sales of transportation and cost of sales	¥32	¥79	$840

② Details and size of stock options and changes therein

(a) Details of stock options

Resolution date: 16th June 2011

Classification and number of eligible personnel	10 directors of subsidiaries
Class and number of shares (Note)	104,000 shares of common stock
Grant date	25th July 2011
Vesting conditions	Not defined
Service period	Not defined
Exercise period	From 26th July 2011 to 25th July 2041

Resolution date: 29th March 2012

Classification and number of eligible personnel	11 directors of subsidiaries
Class and number of shares (Note)	112,000 shares of common stock
Grant date	25th April 2012
Vesting conditions	Not defined
Service period	Not defined
Exercise period	From 26th April 2012 to 25th April 2042

Resolution date: 14th June 2012

Classification and number of eligible personnel	8 directors of subsidiaries
Class and number of shares (Note)	102,000 shares of common stock
Grant date	25th July 2012
Vesting conditions	Not defined
Service period	Not defined
Exercise period	From 26th July 2012 to 25th July 2042

Note: Indicated in the equivalent number of shares.

(b) Size of stock options and changes therein

The covered stock options are those which existed during the consolidated fiscal year under review and the number is indicated in the equivalent number of shares.

I. Number of stock options

Resolution date	16th June 2011	29th March 2012	14th June 2012
Before vested (shares)			
At the end of the previous fiscal year	—	—	—
Granted	—	112,000	102,000
Expired	—	—	—
Vested	—	112,000	102,000
Unvested	—	—	—
After vested (shares)			
At the end of the previous fiscal year	104,000	—	—
Vested	—	112,000	102,000
Exercised	—	—	—
Expired	—	—	—
Unexercised	104,000	112,000	102,000

II. Unit price information

Resolution date	16th June 2011	29th March 2012	14th June 2012
Exercise price	¥ 1	¥ 1	¥ 1 [US$0.01]
Average stock price at exercise	¥ —	¥ —	¥ — [US$ —]
Fair value unit price at the grant date	¥311	¥361	¥387 [US$4.12]

③ Estimation method for fair value unit price of stock options

The following method was applied to fairly valuate the unit price of stock options granted during the fiscal year under review.

(a) Valuation method used: Black–Scholes model

(b) Major basic data and estimation method

Resolution date: 29th March 2012

Volatility of stock price (Note 1)	19.17%
Expected life (Note 2)	2.254 years
Expected dividends (Note 3)	¥5 [US$0.05] / share
Risk-free interest rate (Note 4)	0.115%

Notes:
1. Volatility of stock price is calculated based on the closing prices in regular transactions for the Company's common stock on individual transaction dates during the period of 2.254 years (23rd January 2010 through 25th April 2012).
2. Expected life is calculated based on the actual length of service of eligible directors of subsidiaries who had resigned in the past, as well as on the actual length of service of eligible personnel as of the grant date.
3. Expected dividends are based on the actual dividends paid for the fiscal year ended 31st March 2011.
4. Risk-free interest rate is the yield of government bonds for the period corresponding to the expected life.

Resolution date: 14th June 2012

Volatility of stock price (Note 1)	24.79%
Expected life (Note 2)	4.656 years
Expected dividends (Note 3)	¥5 [US$0.05] / share
Risk-free interest rate (Note 4)	0.159%

Notes:
1. Volatility of stock price is calculated based on the closing prices in regular transactions for the Company's common stock on individual transaction dates during the period of 4.656 years (28th November 2007 through 25th July 2012).
2. Expected life is calculated based on the actual length of service of eligible directors of subsidiaries who had resigned in the past, as well as on the actual length of service of eligible personnel as of the grant date.
3. Expected dividends are based on the actual dividends paid for the fiscal year ended 31st March 2012.
4. Risk-free interest rate is the yield of government bonds for the period corresponding to the expected life.

④ Estimation method for the number of vested stock options

Since the stock options were vested on the grant date, vested and granted stock options are the same in number.

15 DEFERRED TAX

① Significant components of the Company's deferred tax assets and liabilities

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Deferred tax assets:			
Loss on impairment of fixed assets	¥ 39,509	¥ 38,766	$ 412,404
Loss on revaluation of real estate for sale	30,879	30,055	319,734
Provision for retirement benefits	21,075	20,949	222,862
Tax loss carryforwards	19,135	14,881	158,309
Losses on revaluation of investment securities	7,589	7,549	80,309
Loss on adjustment of transferred profit and loss	8,022	6,490	69,043
Unrealised profit from assets	5,683	6,005	63,883
Provision for bonuses	1,708	1,910	20,319
Enterprise taxes and business office taxes	775	1,039	11,053
Other	20,608	17,487	186,032
Subtotal of deferred tax assets	154,988	145,135	1,543,989
Valuation allowance	(49,355)	(46,361)	(493,202)
Less amounts offset against deferred tax liabilities	(94,005)	(86,747)	(922,840)
Total deferred tax assets	11,627	12,026	127,936
Deferred tax liabilities:			
Gain on reversal of difference from land revaluation	(127,399)	(128,476)	(1,366,766)
Revaluation of assets on consolidation	(95,135)	(94,688)	(1,007,319)
Net unrealised holding gains on securities	(14,087)	(17,840)	(189,787)
Gain on valuation of properties of business reorganisation	(2,496)	(2,299)	(24,457)
Other	(2,756)	(3,469)	(36,904)
Subtotal of deferred tax liabilities	(241,874)	(246,775)	(2,625,266)
Less amounts offset against deferred tax assets	94,005	86,747	922,840
Total deferred tax liabilities	(147,869)	(160,028)	(1,702,426)
Net deferred tax liabilities	(136,241)	(148,001)	(1,574,479)

Note: The Company reversed the "Surplus from land revaluation" when, as a result of a (physical) absorption-type corporate split on 1st April 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 relating to land revaluation" have been recorded as deferred tax liabilities starting from the fiscal year ending 31st March 2006.

② A reconciliation of the significant differences between the normal effective statutory tax rate and the effective tax rate reflected in the accompanying consolidated statements of income

	2012	2013
The normal effective statutory tax rate	40.6%	38.0%
(Adjustment)		
Elimination of dividends from consolidated subsidiaries	11.4	9.7
Amortisation of goodwill	2.6	1.7
Nondeductible expenses	0.8	1.5
Per capita amount of inhabitants tax	1.1	0.7
Non taxable income	(11.0)	(10.4)
Equity in (income) losses of affiliates	(9.4)	(2.6)
Valuation allowance	22.4	(2.6)
Downward adjustment of deferred tax assets (liabilities) at the end of the year due to change in tax rate	(53.3)	—
Other	2.2	(1.9)
The effective tax rate	7.4	34.1

16 ASSET RETIREMENT OBLIGATIONS

① Asset retirement obligations recorded in the consolidated balance sheets

None of the Group's asset retirement obligations are recorded in the consolidated balance sheets.

For certain consolidated subsidiaries, instead of recording asset retirement obligations as liability, a reasonable estimate of the amount of deposits from rental properties that cannot be finally recovered is made, and the portion for that fiscal year is recorded as expenses.

② Asset retirement obligations not recorded in the consolidated balance sheets

(a) Asset retirement obligations related to the restoration of certain rental assets to their original state

For certain consolidated subsidiaries, obligations arise in connection with the restoration of offices, etc., to their original state at the end of tenancies based on the rental contract. However, the period of the rental assets involved is not stated with certainty, and there is currently no plans to transfer, etc. Accordingly, no reasonable estimate can be made of the corresponding asset retirement obligations. As a result, asset retirement obligations corresponding to these liabilities are not recorded.

(b) Retirement obligations related to structures containing asbestos

Certain consolidated subsidiaries own structures containing asbestos. However, they have mechanisms in place to prevent airborne dispersal of asbestos, and at this point in time, no definite dates have been set for the demolition of the structures in question, and no decision has been made regarding the method of demolition to be adopted. Consequently, it is not possible to reasonably estimate such asset retirement obligations. As a result, asset retirement obligations corresponding to these liabilities are not recorded.

17 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 income relating to such rental property in the fiscal year ended 31st March 2012 is ¥25,674 million (significant rental revenues are recorded in revenues from operations and significant rental expenditures are recorded in costs of revenues from operations). Impairment losses totalling ¥1,280 million were recorded as extraordinary loss. Rental income related to such rental properties in the consolidated fiscal year under review is ¥30,536 million ($324,851 thousand) (significant rental revenues are recorded in revenues from operations and significant rental expenditures are recorded in costs of revenues from operations). Impairment losses totalling ¥1,499 million ($15,947 thousand) were recorded as an extraordinary loss. "Provision for loss on removal of property and equipment" totaling ¥4,391 million ($46,713 thousand) was recorded as extraordinary loss.

Book value, increase/decrease and fair value are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Book value (Note 1):			
Balance at the beginning of year	¥566,424	¥562,677	$5,985,926
Increase/decrease (Note 2)	(3,746)	108,498	1,154,234
Balance at the end of year	562,677	671,176	7,140,170
Fair value at the end of year (Note 3)	610,764	806,114	8,575,681

Notes:

1. Book value is acquisition cost less accumulated depreciation and loss on impairment of fixed assets.
2. The increase/decrease for the fiscal year ended 31st March 2012 mainly reflects an increase due to acquisitions of real estate of ¥2,130 million, the turning of some properties into external rentals due to change in the scope of consolidation of ¥4,612 million, and completion of development properties of ¥1,786 million. The main decreases were depreciation of ¥11,421 million and impairment losses of ¥1,280 million. The main increases in the fiscal year ended 31st March 2013 are acquisitions of real estate of ¥4,808 million ($51,149 thousand), and completion of development properties of ¥121,860 million ($1,296,383 thousand). The main decreases were depreciation of ¥13,398 million ($142,532 thousand) and impairment losses of ¥1,499 million ($15,947 thousand).
3. Fair value as of 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. Property under development is not included in the above table, as it is still in the development stage, making it difficult to determine fair value. The amounts of properties under development indicated in the consolidated balance sheets for the consolidated fiscal years ended 31st March 2012 and 2013 are ¥143,444 million and ¥37,684 million ($400,894 thousand), respectively.

18 SEGMENT INFORMATION

① Segment information

(a) Summary of reportable segment

The Company's reportable segments are regularly reviewed, using the segment specific financial information available to enable the Board of Directors to determine the allocation of management resources and evaluate business results.

The Group comprises six core businesses: "Urban Transportation," "Real Estate," "Entertainment and Communications," "Travel and International Transportation," "Hotels" and "Retailing." The businesses are operated by four core companies: Hankyu Corporation, Hanshin Electric Railway Co., Ltd., Hankyu Hanshin Express Holdings Corporation and Hankyu Hanshin Hotels Co., Ltd., under the leadership of the Company, which manages the Group.

The nature of business in each reportable segment is as follows:

Urban Transportation: railways, and automobile business

Real Estate: the renting of real estate, and sale of real estate

Entertainment and Communications: sports related businesses, stages, communication and media and leisure and other businesses

Travel and International Transportation: travel and international cargo services

Hotels: hotel ownership and management businesses

Retailing: retail business

(b) Method for calculating revenues from operations, income (loss), assets and other items for each reportable segment

The accounting treatment for each reportable business segment is based on the methods detailed in "2 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS." Internal transactions (land and structure lease and rental transactions, etc.) calculated by management accounting at companies with businesses spanning multiple segments are also recorded.

Income (loss) for each reportable segment refers to operating income (loss).

Intersegment revenues from operations and transfers are based on similar arms length third-party transaction data. Where no such data exist, calculations follow certain in-house rules.

(c) Information regarding totals for revenues from operations, income (loss), assets and other items by reportable segment

Fiscal year ended 31st March 2012

Millions of yen

	Reportable segment										Amounts appearing in the consolidated financial statements
	Urban Transportation	Real Estate	Entertainment & Communications	Travel & International Transportation	Hotels	Retailing	Subtotal	Other (Note)	Total	Adjustment	
Revenues from operations:											
I. Customers	¥187,586	¥ 159,736	¥ 94,753	¥ 67,541	¥63,454	¥53,166	¥ 626,239	¥22,889	¥ 649,128	¥ 574	¥ 649,703
II. Intersegment	5,131	16,378	7,560	29	635	687	30,423	8,444	38,868	(38,868)	—
Total	192,718	176,114	102,313	67,571	64,090	53,853	656,662	31,334	687,997	(38,293)	649,703
Segment income (loss)	32,342	29,133	10,141	3,171	(269)	1,333	75,852	761	76,613	(2,804)	73,809
Segment assets	738,681	1,008,850	140,578	100,497	88,144	17,870	2,094,623	37,866	2,132,489	141,890	2,274,380
Other items											
Depreciation and amortisation	28,018	16,768	7,524	1,477	2,526	821	57,137	362	57,499	(530)	56,968
Increase in property and equipment and intangible assets	20,333	27,363	4,434	995	1,305	724	55,156	324	55,480	(213)	55,267

Fiscal year ended 31st March 2013

Millions of yen

	Reportable segment										Amounts appearing in the consolidated financial statements
	Urban Transportation	Real Estate	Entertainment & Communications	Travel & International Transportation	Hotels	Retailing	Subtotal	Other (Note)	Total	Adjustment	
Revenues from operations:											
I. Customers	¥188,696	¥ 179,450	¥100,038	¥ 70,835	¥64,054	¥52,591	¥ 655,666	¥26,145	¥ 681,812	¥ 627	¥ 682,439
II. Intersegment	4,935	17,260	8,569	5	643	661	32,076	9,899	41,975	(41,975)	—
Total	193,631	196,711	108,608	70,840	64,697	53,253	687,743	36,045	723,788	(41,348)	682,439
Segment income (loss)	34,711	36,994	12,584	4,441	525	1,387	90,644	307	90,952	(3,031)	87,921
Segment assets	741,225	1,016,188	143,933	112,136	87,232	17,478	2,118,195	45,532	2,163,727	117,280	2,281,007
Other items											
Depreciation and amortisation	26,167	16,406	7,685	1,506	2,194	765	54,726	362	55,089	(548)	54,540
Increase in property and equipment and intangible assets	25,441	25,235	4,265	1,663	1,931	702	59,240	401	59,642	(129)	59,512

Thousands of U.S. dollars

	Reportable segment										Amounts appearing in the consolidated financial statements
	Urban Transportation	Real Estate	Entertainment & Communications	Travel & International Transportation	Hotels	Retailing	Subtotal	Other (Note)	Total	Adjustment	
Revenues from operations:											
I. Customers	$2,007,404	$ 1,909,043	$1,064,234	$ 753,564	$681,426	$559,479	$ 6,975,170	$278,138	$ 7,253,319	$ 6,670	$ 7,259,989
II. Intersegment	52,500	183,617	91,160	53	6,840	7,032	341,234	105,309	446,543	(446,543)	—
Total	2,059,904	2,092,670	1,155,404	753,617	688,266	566,521	7,316,415	383,457	7,699,872	(439,872)	7,259,989
Segment income (loss)	369,266	393,553	133,872	47,245	5,585	14,755	964,298	3,266	967,574	(32,245)	935,330
Segment assets	7,885,372	10,810,511	1,531,202	1,192,936	928,000	185,936	22,533,989	484,383	23,018,372	1,247,660	24,266,032
Other items											
Depreciation and amortisation	278,372	174,532	81,755	16,021	23,340	8,138	582,191	3,851	586,053	(5,830)	580,213
Increase in property and equipment and intangible assets	270,649	268,457	45,372	17,691	20,543	7,468	630,213	4,266	634,489	(1,372)	633,106

Note: The "Other" category comprises business such as construction service not included in reportable segments.

(d) Reconciliation of differences between total amounts for reportable segments and amounts appearing in the consolidated financial statements (adjustment of difference)

Revenues from operations:	Millions of yen 2012	Millions of yen 2013	Thousands of U.S. dollars 2013
Total reportable segment revenues	¥656,662	¥687,743	$7,316,415
Revenues from operations classified under "Other"	31,334	36,045	383,457
Revenues from operations from external customers classified as "Adjustment"	574	627	6,670
Revenues from operations from intersegment transactions and transfers	(38,868)	(41,975)	(446,543)
Revenues from operations in the consolidated financial statements	649,703	682,439	7,259,989

Income	Millions of yen 2012	Millions of yen 2013	Thousands of U.S. dollars 2013
Total reportable segment income (loss)	¥75,852	¥90,644	$964,298
Income (loss) classified under "Other"	761	307	3,266
Amortisation of goodwill (Note)	(2,806)	(2,875)	(30,585)
Other	2	(155)	(1,649)
Operating income in the consolidated financial statements	73,809	87,921	935,330

Note: Refers mainly to the amortisation of goodwill arising from the management integration with Hanshin Electric Railway Co., Ltd. in the fiscal year ended 31st March 2007.

Assets	Millions of yen 2012	Millions of yen 2013	Thousands of U.S. dollars 2013
Total reportable segment assets	¥2,094,623	¥2,118,195	$22,533,989
Assets classified under "Other"	37,866	45,532	484,383
Balance of unamortised goodwill (Note 1)	38,388	35,986	382,830
Other (Note 2)	103,502	81,293	864,819
Total assets in the consolidated financial statements	2,274,380	2,281,007	24,266,032

Notes:
1. Refers mainly to the balance of unamortised goodwilll arising from the management integration with Hanshin Electric Railway Co., Ltd. in the fiscal year ended 31st March 2007.
2. Consists mainly of surplus working capital (cash and deposits), unallocated assets such as long-term investment funds (investment securities) and land, etc., and intersegment eliminations at the Company, Hankyu Corporation and Hanshin Electric Railway Co., Ltd.

Fiscal year ended 31st March 2012

Other items	Millions of yen: Total reportable segment	Other	Adjustment	Amounts appearing in the consolidated financial statements
Depreciation and amortisation	¥57,137	¥362	¥(530)	¥56,968
Increase in property and equipment and in intangible assets	55,156	324	(213)	55,267

Fiscal year ended 31st March 2013

Other items	Millions of yen: Total reportable segment	Other	Adjustment	Amounts appearing in the consolidated financial statements	Thousands of U.S. dollars: Total reportable segment	Other	Adjustment	Amounts appearing in the consolidated financial statements
Depreciation and amortisation	¥54,726	¥362	¥(548)	¥54,540	$582,191	$3,851	$(5,830)	$580,213
Increase in property and equipment and in intangible assets	59,240	401	(129)	59,512	630,213	4,266	(1,372)	633,106

② Related information

(a) Information about product and service categories

Information about product and service categories is the same as that described in "① Segment information" "(c) Information regarding totals for revenues from operations, income (loss), assets and other items by reportable segment."

(b) 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 description of regional breakdown 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.

III. Information about important customers

No single external customer accounts for more than 10% of the revenues from operations reported in the consolidated income statements.

③ Information regarding loss on impairment of fixed assets by reportable segment

Fiscal year ended 31st March 2012

	Millions of yen										
	Reportable segment										
	Urban Transportation	Real Estate	Entertainment & Communications	Travel & International Transportation	Hotels	Retailing	Subtotal	Other	Total	Adjustment (Note)	Amounts appearing in the consolidated financial statements
Loss on impairment of fixed assets	¥12	¥17,139	¥762	¥54	¥349	¥84	¥18,402	¥—	¥18,402	¥1,810	¥20,212

Fiscal year ended 31st March 2013

	Millions of yen										
	Reportable segment										
	Urban Transportation	Real Estate	Entertainment & Communications	Travel & International Transportation	Hotels	Retailing	Subtotal	Other	Total	Adjustment (Note)	Amounts appearing in the consolidated financial statements
Loss on impairment of fixed assets	¥686	¥1,711	¥1,135	¥1,147	¥404	¥18	¥5,104	¥11	¥5,115	¥286	¥5,402

	Thousands of U.S. dollars										
	Reportable segment										
	Urban Transportation	Real Estate	Entertainment & Communications	Travel & International Transportation	Hotels	Retailing	Subtotal	Other	Total	Adjustment (Note)	Amounts appearing in the consolidated financial statements
Loss on impairment of fixed assets	$7,298	$18,202	$12,074	$12,202	$4,298	$191	$54,298	$117	$54,415	$3,043	$57,468

Note: The amounts under "Adjustment" are the amounts for land etc. not allocated to business segments.

④ Information regarding amortisation of goodwill and the balance of unamortised goodwill by reportable segment

Omitted as the significance is negligible.

⑤ Information regarding gains from negative goodwill by reportable segment

Omitted as the significance is negligible.

19 RELATED PARTY TRANSACTIONS

① Related party transactions

(a) Transactions between the company submitting the consolidated financial statements and related parties

No items

(b) 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 31st March 2012

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 31st March 2012 (Millions of yen)
Director	Haruo Sakaguchi	—	¥ —	Auditor of the Company	Directly 0.0%	Lease of real estate	Rent income	¥42	Deposit	¥33
Company in which director or close family thereof holds majority of voting rights	Tateishi Sangyo Co., Ltd.	Ikeda City, Osaka	100	Real estate business	None	Operation and management of real estate Concurrent post (director)	Operation and management fee for real estate	50	Accounts receivable	2

Notes:
1. The transaction amount and the balance at the end of the fiscal year do not include consumption tax, etc.
2. Transaction terms and conditions, and method of determining transaction terms and conditions, etc.
   (1) The terms and conditions of the property lease are determined with reference to similar transactions in the neighbouring area.
   (2) Director of the Company, Koichi Kobayashi, and his close family own 77% of the voting rights in Tateishi Sangyo Co., Ltd.
   Any decisions on operation and management of real estate are made by reference to neighborhood transactions.

Fiscal year ended 31st March 2013

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 31st March 2013	
			(Millions of yen)	(Thousands of U.S. dollars)					(Millions of yen)	(Thousands of U.S. dollars)		(Millions of yen)	(Thousands of U.S. dollars)
Director	Haruo Sakaguchi	—	¥ —	$ —	Auditor of the Company	Directly 0.0%	Lease of real estate	Rent income	¥46	$489	Deposit	¥33	$351
Director	Junzo Ishii	—	—	—	Auditor of the Company	Directly 0.0%	Sale of condominiums	Sale of condominiums	27	287	—	—	—
Company in which director or close family thereof holds majority of voting rights	Tateishi Sangyo Co., Ltd.	Ikeda City, Osaka	100	1,064	Real estate business	None	Operation and management of real estate Concurrent post (director)	Operation and management fee for real estate	35	372	Accounts receivable	3	32

Notes:
1. The transaction amount and the balance at the end of the fiscal year do not include consumption tax, etc.
2. Transaction terms and conditions, and method of determining transaction terms and conditions, etc.
   (1) The terms and conditions of the property lease are determined with reference to similar transactions in the neighbouring area.
   (2) The terms and conditions of sale of the condominiums were determined with reference to similar transactions in the local area.
   (3) Director of the Company, Koichi Kobayashi, and his close family own 77% of the voting rights in Tateishi Sangyo Co., Ltd.
   Any decisions on operation and management of real estate are made by reference to neighborhood transactions.

② Notes about parent company and major affiliated companies

No items

20 SPECIAL PURPOSE ENTITIES SUBJECT TO DISCLOSURE

① Overview of special purpose entities subject to disclosure and overview of transactions using special purpose entities subject to disclosure

Some consolidated subsidiaries invested in special purpose entities (in the form of limited liability companies, etc.) aimed at development and increase in value of assets. The special purpose entities use nonrecourse loans, etc. from financial institutions to acquire real estate (trust beneficiary rights), which they plan to sell to investors upon development, management, operation, etc. The consolidated subsidiaries are expected to recover their investments in an appropriate manner upon completion of the business, and even in cases in which losses arise, the cost to the consolidated subsidiaries is limited to the amount invested. Moreover, the consolidated subsidiaries do not own equity with voting rights in any of the special purpose entities nor do they dispatch directors or employees to them.

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Number of special purpose entities	6	5	
Total assets as of the most recent closing date (simple aggregate)	¥55,266	¥50,926	$541,766
Total liabilities as of the most recent closing date (simple aggregate)	35,115	31,727	337,521

② Amount of transactions with special purpose entities subject to disclosures and others

(a) Significant transaction amounts or balance

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Investments in silent partnerships (Note 1)	¥5,043	¥2,934	$31,213
Receivable amount of dividends (Note 2)	347	503	5,351

Notes:
1. Investments in silent partnerships are recorded as investment securities in the consolidated balance sheets.
   Accrued future loss from valuation of investments in the aggregate amount of ¥1,293 million ($13,755 thousand) for the fiscal year ended 31st March 2013 was recorded.
2. The receivable amount of dividends is equal to the suspended payments of dividends.

(b) Significant income and expenditure

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Distributed income (Note 1)	¥689	¥1,188	$12,638
Distributed loss (Note 2)	42	—	—
Management fees (Note 3)	416	301	3,202

Notes:
1. Distributed income is recorded in revenues from operations in the consolidated statements of income.
2. Distributed loss is presented in costs of revenues from operations in the consolidated statements of income.
3. Management fees are presented in revenues from operations in the consolidated statements of income.

21 PER SHARE INFORMATION

The following tables show net assets per share, net income per share, diluted net income per share, and the basis for their respective calculations.

	2012	2013	2013
① Net assets per share (Yen / U.S. dollars)	¥407.01	¥443.63	$4.72
(Basis for the calculation)			
Total net assets (Millions of yen / Thousands of U.S. dollars)	¥524,801	¥573,154	$6,097,383
Amount to be deducted from total net assets (Millions of yen / Thousands of U.S. dollars)	¥11,508	¥13,754	$146,319
(Of the amount, subscription rights to shares)	¥[32]	¥[112]	$[1,191]
(Of the amount, minority interests)	¥[11,476]	¥[13,642]	$[145,128]
Net assets at the end of the fiscal year related to common shares (Millions of yen / Thousands of U.S. dollars)	¥513,292	¥559,399	$5,951,053
Common shares issued (Thousands of shares)	1,271,406	1,271,406	
Treasury stock shares (Thousands of shares)	4,533	4,696	
Common shares held by consolidated subsidiaries and equity-method affiliates (Thousands of shares)	5,745	5,745	
Common shares used to calculate net assets per share (Thousands of shares)	1,261,127	1,260,965	

	2012	2013	2013
② Net income per share (Yen / U.S. dollars)	¥31.13	¥31.48	$0.33
(Basis for the calculation)			
Net income (Millions of yen / Thousands of U.S. dollars)	¥39,252	¥39,702	$422,362
Amount not belonging to common stockholders (Millions of yen / Thousands of U.S. dollars)	¥—	¥—	$—
Net income related to common shares (Millions of yen / Thousands of U.S. dollars)	¥39,252	¥39,702	$422,362
Average number of common shares during term (Thousands of shares)	1,260,836	1,261,052	
③ Net income per share—diluted (Yen / U.S. dollars)	¥31.13	¥31.47	$0.33
(Basis for the calculation)			
Adjustment to net income (Millions of yen / Thousands of U.S. dollars)	¥—	¥(4)	$(43)
(Equity in income of affiliates)	¥[—]	¥[(4)]	$[(43)]
Increase in number of common shares (Thousands of shares)	70	277	
(Of the amount, subscription rights to shares)	[70]	[277]	
Summary of potential shares that were not included in the calculation of diluted income per share because their effect was not dilutive	—	—	

22 CONSOLIDATED SUPPLEMENTARY STATEMENTS

① Corporate Bond Statements

Company	Name	Issue date	Millions of yen: Balance as of 1st April 2012	Millions of yen: Balance as of 31st March 2013	Thousands of U.S. dollars: Balance as of 31st March 2013	Interest rate	Security	Redemption date
Hankyu Hanshin Holdings, Inc.	Series 33 unsecured corporate bonds	18th July 2007	¥ 20,000	¥ —	$ —	1.85%	None	18th July 2012
Hankyu Hanshin Holdings, Inc.	Series 35 unsecured corporate bonds	14th Nov. 2007	10,000	10,000 [10,000]	106,383 [106,383]	1.66	None	14th Nov. 2013
Hankyu Hanshin Holdings, Inc.	Series 37 unsecured corporate bonds	23rd Oct. 2009	10,000	10,000	106,383	1.10	None	23rd Oct. 2014
Hankyu Hanshin Holdings, Inc.	Series 38 unsecured corporate bonds	23rd Oct. 2009	10,000	10,000	106,383	1.87	None	23rd Oct. 2019
Hankyu Hanshin Holdings, Inc.	Series 39 unsecured corporate bonds	28th Jan. 2010	20,000	20,000	212,766	1.25	None	27th Jan. 2017
Hankyu Hanshin Holdings, Inc.	Series 40 unsecured corporate bonds	22nd Sept. 2010	15,000	15,000	159,574	1.43	None	18th Sept. 2020
Hankyu Hanshin Holdings, Inc.	Series 41 unsecured corporate bonds	22nd Sept. 2010	7,000	7,000	74,468	1.72	None	22nd Sept. 2022
Hankyu Hanshin Holdings, Inc.	Series 42 unsecured corporate bonds	17th Mar. 2011	10,000	10,000	106,383	1.54	None	17th Mar. 2021
Hankyu Hanshin Holdings, Inc.	Series 43 unsecured corporate bonds	9th Sept. 2011	10,000	10,000	106,383	0.55	None	9th Sept. 2016
Hankyu Hanshin Holdings, Inc.	Series 44 unsecured corporate bonds	25th Oct. 2012	—	10,000	106,383	0.406	None	25th Oct. 2017
Hankyu Hanshin Holdings, Inc.	Series 45 unsecured corporate bonds	14th Mar. 2013	—	10,000	106,383	0.589	None	13th Mar. 2020
Hanshin Electric Railway Co., Ltd.	Series 12 unsecured corporate bonds	25th June 1997	15,000	—	—	3.525	None	25th June 2012
Hanshin Electric Railway Co., Ltd.	Series 14 unsecured corporate bonds	23rd June 2004	10,000	10,000	106,383	2.22	None	23rd June 2014
Total	—	—	137,000	122,000 [10,000]	1,297,872 [106,383]	—	—	—

Notes:
1. The amount in parenthesis in the "Balance as of 31st March 2013" column is the current portion of the total amount and is recorded in current liabilities on the consolidated balance sheets.

2. Redemption schedule of bonds for five years subsequent to 31st March 2013

	Millions of yen	Thousands of U.S. dollars
Due within one year	¥10,000	$106,383
Due after one year through two years	20,000	212,766
Due after two years through three years	—	—
Due after three years through four years	30,000	319,149
Due after four years through five years	10,000	106,383

② Statements of Loans Payable

Item	Millions of yen: Balance as of 1st April 2012	Millions of yen: Balance as of 31st March 2013	Thousands of U.S. dollars: Balance as of 31st March 2013	Average interest rate	Repayment deadline
Short-term borrowings	¥ 176,652	¥ 167,778	$ 1,784,872	0.755%	—
Current portion of long-term debt	139,893	186,580	1,984,894	0.924	—
Current portion of lease obligations	1,774	2,134	22,702	—	—
Long-term debt (excluding current portion)	720,782	637,624	6,783,234	1.254	2014 – 2033
Lease obligations (excluding current portion)	7,544	10,515	111,862	—	2014 – 2026
Other interest-bearing debt	—	—	—	—	—
Total	1,046,647	1,004,633	10,687,585	—	—

Notes:
1. The balances are expressed after the elimination of transactions with companies in the consolidation group.
2. The "Average interest rate" of loans payable is the weighted average interest rate for outstanding loans payable as of end of the fiscal year under review.
3. The "Average Interest rate" is not shown for lease obligations because the Company mainly adopts the method of including the amounts equal to interest in total capital lease obligations and the method of spreading the total amount equal to interest equally over each fiscal year of the lease period.
4. Repayment schedule of long-term debt and lease obligations (excluding current portion) for five years subsequent to 31st March 2013.

Long-term debt	Millions of yen	Thousands of U.S. dollars
Due after one year through two years	¥157,674	$1,677,383
Due after two years through three years	79,848	849,447
Due after three years through four years	67,499	718,074
Due after four years through five years	40,837	434,436

Lease obligations	Millions of yen	Thousands of U.S. dollars
Due after one year through two years	¥1,771	$18,840
Due after two years through three years	1,483	15,777
Due after three years through four years	1,211	12,883
Due after four years through five years	1,047	11,138

③ Schedule of Asset Retirement Obligations

None

23 OTHERS

Quarterly financial information in fiscal year ended 31st March 2013

Cumulative period	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Revenues from operations (Millions of yen)	¥170,740	¥335,869	¥498,050	¥682,439
Income before income taxes and minority interests (Millions of yen)	24,152	45,334	60,772	62,192
Net income (Millions of yen)	15,305	28,173	38,866	39,702
Net income per share (Yen)	12.14	22.34	30.82	31.48

Cumulative period	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Revenues from operations (Thousands of U.S. dollars)	$1,816,383	$3,573,074	$5,298,404	$7,259,989
Income before income taxes and minority interests (Thousands of U.S. dollars)	256,936	482,277	646,511	661,617
Net income (Thousands of U.S. dollars)	162,819	299,713	413,468	422,362
Net income per share (U.S. dollars)	0.13	0.24	0.33	0.33

Accounting period	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Net income per share (Yen)	¥12.14	¥10.20	¥8.48	¥0.66

Accounting period	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Net income per share (U.S. dollars)	$0.13	$0.11	$0.09	$0.01

Major Group Companies (As of 31st March 2013)

Consolidated Subsidiaries

Urban Transportation

	Name of Company
Railway Operations	Hankyu Corporation
	Hanshin Electric Railway Co., Ltd.
	Nosé Electric Railway Co., Ltd.
	Kita-Osaka Kyuko Railway Co., Ltd.
	Hokushin Kyuko Railway Co., Ltd.
	Kobe Rapid Transit Railway Co., Ltd.
	Hankyu Hanshin Railway Technology Co., Ltd.
	Hankyu Hanshin Electric System
Automobile	Hankyu Bus Co., Ltd.
	Hanshin Bus Co., Ltd.
	Hankyu Kanko Bus Co., Ltd.
	Osaka Airport Transport Co., Ltd.
	Hankyu Denen Bus Co., Ltd.
	Hankyu Taxi Inc.
	Hanshin Taxi Co., Ltd.
	Hankyu Hanshin Motor Technology Co., Ltd.
	Nippon Rent-A-Car Hankyu Inc.
Other	Alna Sharyo Co., Ltd.

Real Estate

	Name of Company
Real Estate Leasing	Hankyu Corporation
	Hanshin Electric Railway Co., Ltd.
	Hankyu Realty Co., Ltd.
	Osaka Diamond Chikagai Co., Ltd.
	Hanshin Real Estate Co., Ltd.
Real Estate Sales	Hankyu Corporation
	Hanshin Electric Railway Co., Ltd.
	Hankyu Realty Co., Ltd.
Other	Hankyu Hanshin Building Management Co., Ltd.
	Hankyu Hanshin High Security Service Co., Ltd.
	Hankyu Hanshin Techno Service Co., Ltd.
	Hankyu Hanshin Clean Service Co., Ltd.
	Hankyu REIT Asset Management, Inc.

Entertainment and Communications

	Name of Company
Sports	Hanshin Electric Railway Co., Ltd.
	Hanshin Tigers Baseball Club, Ltd.
	Wellness Hanshin Inc.
Stage	Hankyu Corporation
	Takarazuka Creative Arts Co., Ltd.
	Takarazuka Stage Co., Ltd.
	Umeda Arts Theater Co., Ltd.
Communication and Media	Hankyu Advertising Agency Inc.
	Hanshin Contents Link Corporation
	Itec Hankyu Hanshin Co., Ltd.
	Hankyu Communications Co., Ltd.
	Bay Communications Inc.
	Himeji Cable Television Co., Ltd.
Leisure, etc.	Hanshin Electric Railway Co., Ltd.

Travel and International Transportation

	Name of Company
Travel Agency	Hankyu Travel International Co., Ltd.
	Hankyu Hanshin Business Travel Co., Ltd.
	Hankyu Travel Support Co., Ltd.
International Transportation	Hankyu Hanshin Express Co., Ltd.
Other	Hankyu Hanshin Express Holdings Corporation*

* Hankyu Hanshin Express Holdings Corporation was dissolved following a merger with Hankyu Hanshin Express Co., Ltd. on 1st April 2013.

Hotels

	Name of Company
Hotel Management	Hankyu Hanshin Hotels Co., Ltd.
	Hanshin Hotel Systems Co., Ltd.
	Amanohashidate Hotel Co., Ltd.
	Arima View Hotel Co., Ltd.
	Hankyu Hanshin Restaurants Co., Ltd.

Retailing

	Name of Company
Retailing	Hankyu Corporation
	Hankyu Retails Corporation
	Iina Dining Co., Ltd.

Other

	Name of Company
Construction	Hanshin Construction Co., Ltd.
	Chuo-Densetsu Co., Ltd.
Group Finance	Hankyu Hanshin Financial Support Co., Ltd.
Outsourcing Services for Personnel and Accounting Services	Hankyu Hanshin Business Associate Co., Ltd.

Equity-method Affiliates

Main Business	Name of Company
Department Store	H_2O Retailing Corporation [Securities code: 8242]
Railway Operations	Nishi-Osaka Railway Co., Ltd.
	Kobe Electric Railway Co., Ltd. [Securities code: 9046]
Motion Picture Business	Tokyo Rakutenchi Co., Ltd. [Securities code: 8842]
	Toho Co., Ltd. [Securities code: 9602]
Commercial Broadcasting	Kansai Telecasting Corporation

Investor Information (As of 31st March 2013)

Hankyu Hanshin Holdings, Inc.

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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

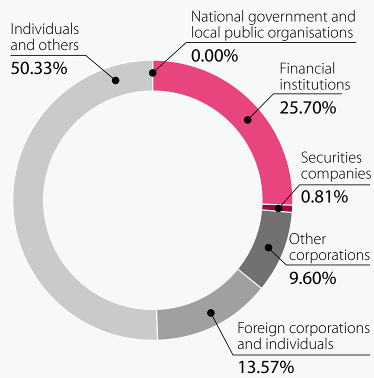
Tokyo Office (Personnel and General Affairs Div.):
Toho Twin Tower Bldg.,
1-5-2, Yurakucho, Chiyoda-ku, Tokyo 100-0006, Japan
Phone: +81-3-3503-1568
Fax: +81-3-3508-0249

Paid-in Capital:	¥99,474 million
Fiscal Year-End:	31st March
Number of Employees:	20,751 (consolidated basis)
Authorised Shares:	3,200,000,000
Issued Shares:	1,271,406,928
Number of Shareholders:	92,791
Unit of Trading:	1,000 shares
Stock Exchange Listing:	Tokyo, Osaka
Transfer Agent:	Mitsubishi UFJ Trust and Banking Corporation

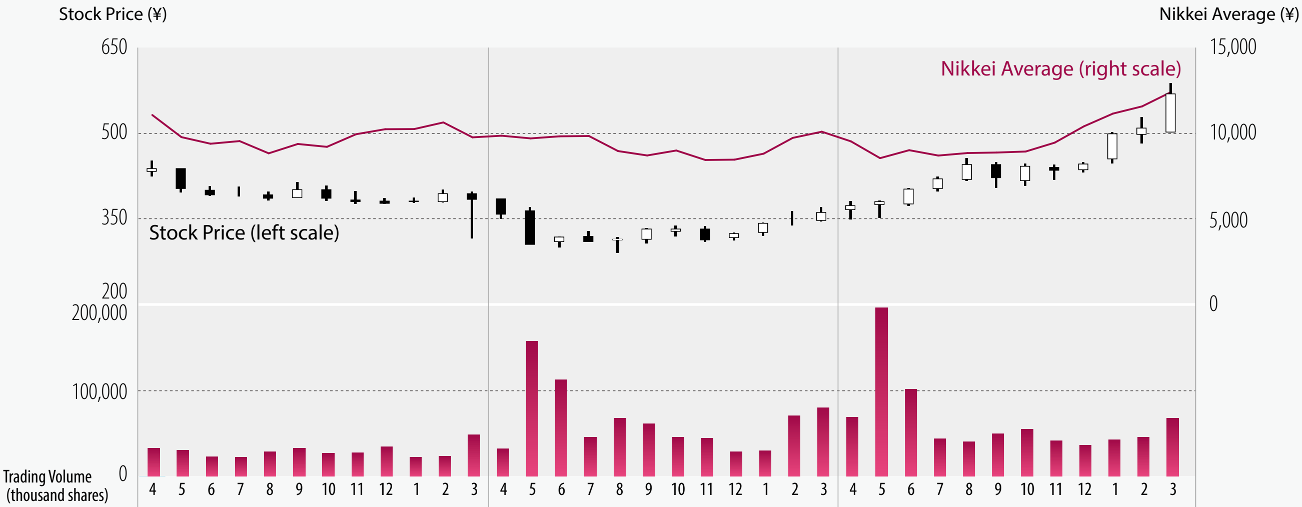
Principal Shareholders:

Name	Number of shares (thousands)	Percentage (%)
Japan Trustee Services Bank, Ltd. (Trust account)	55,404	4.35
The Master Trust Bank of Japan, Ltd. (Trust account)	37,183	2.92
Nippon Life Insurance Company	34,144	2.68
Sumitomo Mitsui Banking Corporation	26,910	2.11
H_2O Retailing Corporation	20,418	1.60
Japan Trustee Services Bank, Ltd. (The Sumitomo Trust & Banking Co., Ltd. Retirement Benefit Trust Account)	13,665	1.07
The Chase Manhattan Bank, N.A. London S.L. Omnibus Account	12,223	0.96
SSBT OD05 OMNIBUS ACCOUNT-TREATY CLIENTS	12,138	0.95
Japan Trustee Services Bank, Ltd. (Trust account 1)	11,567	0.90
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	11,190	0.88

Ownership Breakdown:



Stock Price Range and Trading Volume (Tokyo Stock Exchange):



	FY2011	FY2012	FY2013
High	452	385	588
Low	316	290	349
At year-end	384	361	569

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