Hankyu Hanshin Holdings

Annual Report 2010

Towards a Brighter Future

Hankyu Hanshin Holdings Group
—Yesterday, Today and Tomorrow—

Hankyu

1910 Opening of Mino-Arima Electric Railway (Takarazuka and Mino-o lines)
First sales of line-side residential subdivisions

1914 First performance by Takarazuka Girls' Revue (now Takarazuka Revue)

1920 Operations begin on Kobe and Itami lines

1924 Opening of Takarazuka Grand Theatre

1926 Opening of Takarazuka Hotel

1929 Opening of Umeda Hankyu Building (first department store directly connected to a terminal station in the Orient)

1943 Merger with Keihan Electric Railway Co., Ltd.; company name changed to Keihanshin Railway Co., Ltd.

1944 Completion of works means that Shin Keihan Line (now Kyoto, Senri and Arashiyama lines) is linked to Umeda Station

1947 Spin-off of department store and related businesses, launch of operations of Hankyu Department Stores, Inc. (now H_2O Retailing Corporation)

1948 Launch of airline agency business

1949 Establishment of and transfer of some businesses to Keihan Electric Railway Co., Ltd.

Hanshin

1905 Opening of Hanshin Electric Railway (linking Kobe and Osaka)

1924 Opening of Koshien Stadium (later renamed Hanshin Koshien Stadium)

1935 Establishment of Osaka Tigers professional baseball team (later renamed Hanshin Tigers professional baseball team)

1940 Opening of Hanshin Mart (underground, in front of Osaka Station)

1948 Launch of airline agency business

1951 Hanshin Mart expanded and renamed Hanshin Department Store

Koshien Stadium just after its opening

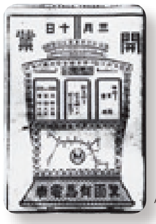
Dai Hanshin Bldg. at completion

©Hanshin Tigers

Opening of HERBIS ENT
(9th November 2004)

Opening of HERBIS OSAKA
(19th March 1997)

Hankyu Umeda Station on opening day
(10th March 1910)



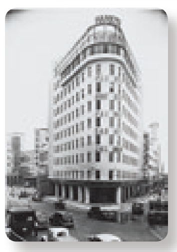
Advert for opening of Hankyu line

Hankyu's first residential
development project
(Ikeda Muromachi)

©Takarazuka Revue Company

First performance (*Donburako*) by Takarazuka Girls' Revue
(1st April 1914)

Completion of Umeda Hankyu Bldg.,
opening of department store
(28th March 1929)



Completion of extension
to Hankyu Koku Bldg.
(10th August 1951)

Hotel new Hankyu Osaka
(August 1964)

Opening of Japan's first platform
convenience store (*asnas*),
at Juso Station (20th April 1995)

1964 Opening of Hotel new Hankyu Osaka

1969 Opening of Hankyu Sanban Gai Shopping Centre

1973 Name changed to Hankyu Corporation
Completion of Umeda Station relocation and expansion project

1995 Opening of Japan's first platform convenience store
(Juso Station)

2001 Dai-ichi Hotel Co., Ltd. becomes a wholly owned subsidiary

2005 Shift to pure holding company structure,
launch of Hankyu Holdings, Inc.

1963 Completion of Dai Hanshin Bldg. in Osaka

1967
Opening of Hotel Hanshin

1997
Opening of HERBIS OSAKA

2004
Opening of HERBIS ENT

Oct. 2006
Management integration
of Hankyu Holdings and
Hanshin Electric Railway

Nov. 2008
Opening of Hankyu
Nishinomiya Gardens

Mar. 2009
Opening of Hanshin
Namba Line

Sep. 2009
Opening of Department
Store (Phase I) at new
Umeda Hankyu Bldg.

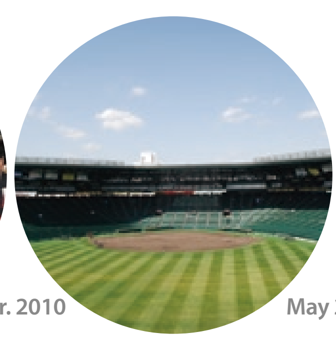
Mar. 2010
Completion of renovation of
Hanshin Koshien Stadium

May 2010
Opening of Office
Tower at new Umeda
Hankyu Bldg.

Hankyu Hanshin

Nov. 2008

Mar. 2009



Mar. 2010

May 2010

Dedicated to Serving Our Customers

In all our businesses—urban transportation, real estate, entertainment and communications, travel and international transportation, hotels, and retailing—we always work with the customer.

How can we raise satisfaction levels still higher?
By listening to the customer.

Serenity

Always by the Customer's Side

Laying lines and building communities.
Bringing smiles to customers' faces by delivering quality entertainment.

From the day of our establishment, our Group has continually innovated new services.
We plan to keep right on doing that into the future.

©Hanshin Tigers

©Takarazuka Revue Company

Inspiration

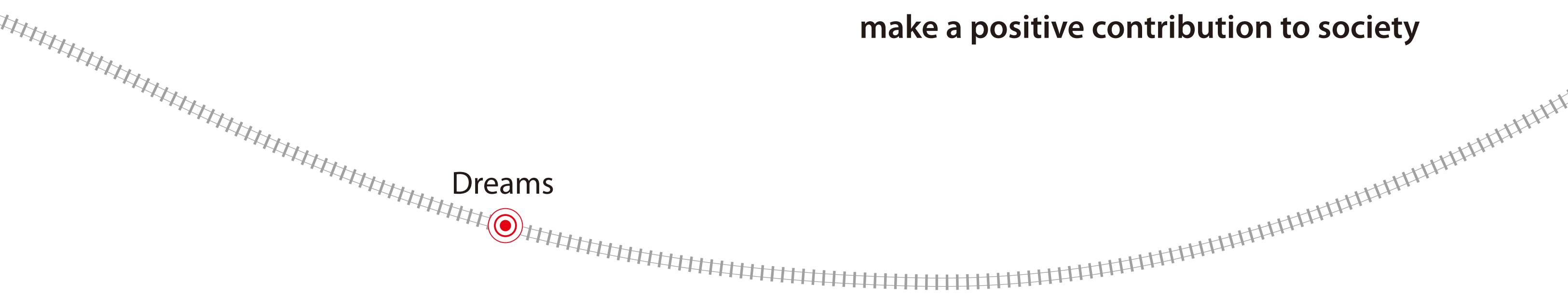
Creating New Ways to Inspire and Satisfy

Group Management Philosophy

Mission

What we are trying to achieve

Serenity and well-being,
inspiration and dreams—
by delivering these to our customers,
we will create satisfaction and
make a positive contribution to society



Values

What is important to us

Customers Come First

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

Integrity

Build trust by always acting with integrity.

Foresight & Creativity

With our progressive spirit and flexible thinking,
we can create a new sense of value.

Respect for People

Each of our employees is an invaluable resource.

Message from the Management

First, we would like to begin by expressing our utmost appreciation to all our shareholders for their continued support and cooperation.

The operating environment remained challenging during fiscal 2010, ended 31st March 2010. Despite signs of a recovery in some economic indicators, capital expenditure declined and the employment and income environments deteriorated amid weak corporate earnings. The Kansai region, our operating base, saw Japan's first case of H1N1 flu in May 2009, and the subsequent outbreak had a large negative impact on the revenues of the Hankyu Hanshin Holdings Group.

In this challenging environment, we twice announced downward revisions to our earnings forecasts in fiscal 2010, first in July, then again in October. However, by implementing cost reductions and other measures, operating income and ordinary income both exceeded our initial forecasts, albeit only slightly, and our profits ranked amongst the highest of major private railway groups. Nevertheless, net income for the year under review declined 47.5% year on year to ¥10,793 million, owing to the booking of extraordinary loss for the lump sum amortisation of goodwill related to shares of an equity-method affiliate.

In November 2009, the government declared for the first time in three and a half years that the economy was in a moderate deflationary phase, and with the supply-demand gap negative by a wide margin, we expect the operating environment to remain challenging. Accordingly, based on our current outlook, we unfortunately think it will prove difficult to attain all the numerical targets* in our current Medium-Term Management Plan, which ends in fiscal 2013. If this situation does not improve, we will have to factor in longer-term trends (in fiscal 2014 and beyond) in the next revision of estimates in the Medium-Term Management Plan, to clarify the future directions the Group must take.

However, our fundamental strategy remains unchanged: attracting people to areas along our railway lines by working across the Group to offer high-quality, appealing services and entertainment that boost the appeal of our facilities. In this annual report, we look back at the more than 100 years of history since the company was founded—a period when we have worked to develop livable communities based on our core railway business—and explain again our corporate philosophy in order to deepen understanding about our ability to build value along our railway lines, which is the source of our competitiveness.

We expect the new Umeda Hankyu Building, the most important growth factor in our current Medium-Term Management Plan, to begin fully contributing to earnings from fiscal 2012. By achieving sound profit growth, we aim to enhance enterprise value in a sustained manner and meet the expectations of shareholders and other investors. We hope we can count on your continued support and understanding in these endeavours.

* Numerical targets for fiscal year ended March 2013 (consolidated basis)
Operating income: ¥100 billion;
EBITDA: ¥160 billion or greater;
Effects of integration: EBITDA of ¥5 billion or greater;
Interest-bearing debt/EBITDA ratio: around 7 times;
Total interest-bearing debt: ¥1,130 billion or less;
D/E ratio: less than two-fold; ROE: 6.0% or greater.

Kazuo Sumi

Kazuo Sumi
President and Representative Director

Shinya Sakai

Shinya Sakai
Representative Director

Contents

Hankyu Hanshin Holdings

Annual Report 2010

Search Index

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.

Definition

"Fiscal 2010" refers to the fiscal year ended 31st March 2010. Other fiscal years are referred to in a corresponding manner in this Annual Report.
Figures are basically rounded off, but sums expressed in units of ¥100 million are rounded to the nearest ¥100 million.

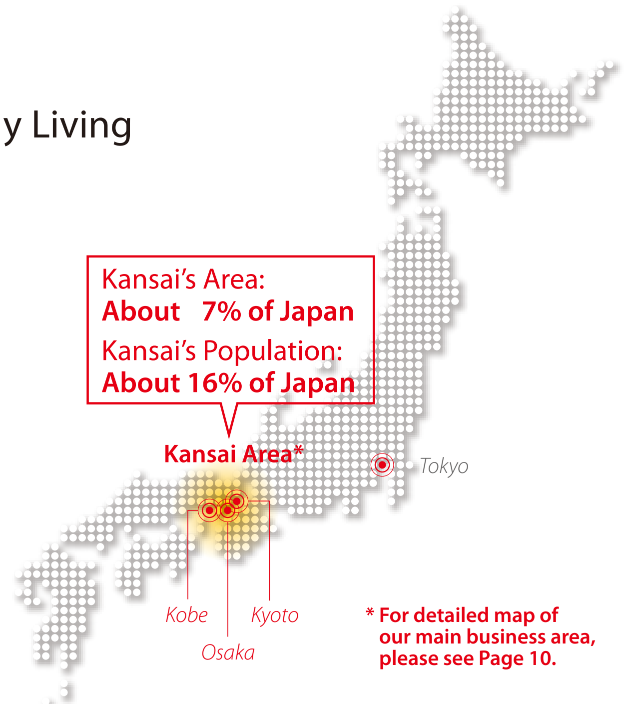
Our Business

Supporting, Brightening and Enriching Daily Living

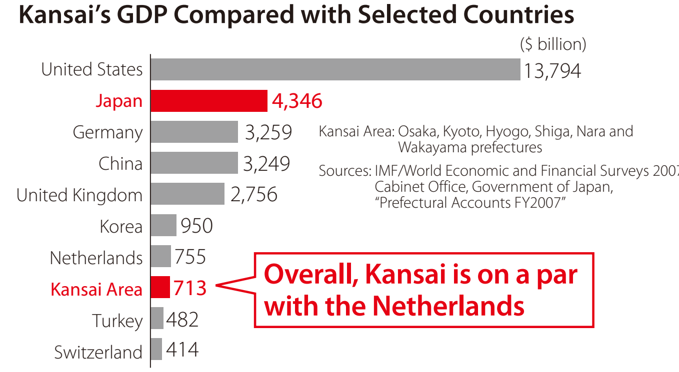
Centred on the Kansai district of Japan, the holding company Hankyu Hanshin Holdings Group operates six core businesses—Urban Transportation, Real Estate, Entertainment and Communications, Travel and International Transportation, Hotels, and Retailing.

The Group's business is founded on railway operations, which have as their mission the provision of safe, comfortable, high-speed and high-capacity transportation services in the Kansai district comprising Osaka, Kobe and Kyoto. By connecting these cities, and, within each of them, linking downtown areas with the suburbs, we have greatly increased inter-regional mobility and enhanced the lifestyles of local people. In areas served by our stations, we also provide services that were not available before, in fields such as housing and commercial facilities, and through attractions such as the Hanshin Tigers professional baseball team and the Takarazuka Revue. In this way, we are enriching people's lifestyles and are contributing to the community-building process in areas served by our stations. By developing these areas, we generate benefits of synergy by increasing passenger volumes on our railways and building up other businesses.

While leveraging the know-how and brand recognition we have built up in community-building over the more than 100 years since our founding, we will unite as a Group to provide the best possible services and grow our business by increasing value along Group railway lines.



Kansai's GDP Compared with Selected Countries



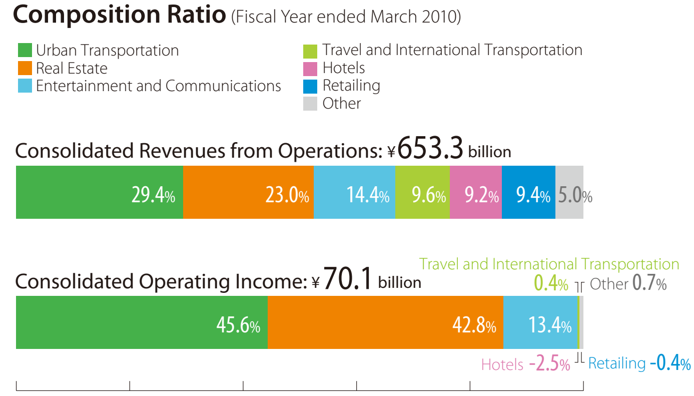
Our Revenue Structure: Earnings Drivers are the Urban Transportation and Real Estate Businesses

The Urban Transportation and Real Estate businesses are the main drivers of Group earnings, together accounting for approximately 50% of revenues from operations and 90% of operating income.

In the Urban Transportation segment, railways account for most earnings, and the same is true of leasing operations in the Real Estate business. This ensures stable cash flow in both segments.

Our Entertainment and Communications business contributes about 10% of operating income, on a stable basis. This is the business that gives the Group much of its distinct identity.

Composition Ratio (Fiscal Year ended March 2010)



* Revenues from operations refer to such revenues generated from external customers, while operating income represents amounts prior to consolidation adjustments.

Sources of Competitiveness for the Group

1. High potential of areas served by our stations

The Umeda area of Osaka, the strategic cornerstone of Group operations, is one of the most famous shopping and entertainment districts of Japan, served by JR Osaka Station and the Umeda stations of the Hankyu and Hanshin lines and the Osaka Municipal Subway. It is at the heart of the Kansai economy (For more information, please see Page 22). In this area, the Group operates railway terminals serving both the Hankyu and Hanshin networks, and also runs key commercial facility, office building and hotel businesses (For more information, please see Page 10, Major Group Facilities, and Page 22, Special Feature).

The Group's railway network also links Umeda (Osaka) with Kobe and Kyoto and other towns forming the economic hubs of the Kansai district. Areas served by our stations have relatively high population density in the Kansai district.

2. Ability to create value along areas served by our stations

The Group creates new demand in the areas served by our stations by developing and managing high-class housing and commercial/amusement facilities, and attracting schools and colleges to these areas. By playing a clear role in establishing and developing local cultural institutions, we are working with local people to develop local communities.

The services that we deliver to our customers change over time. However, our focus is on the longer term. While valuing the relationships of trust that we build up with people living in areas served by our stations, we remain committed to an unchanged basic policy of community-building aimed at raising the residential appeal of the overall area.

Currently, the areas served by our stations are among the more popular in Kansai. It is a strength of the Group that we can create value along our lines, through the real estate development and other businesses.

Survey of Preferred Residential Areas (Kansai Region)

Areas along Hankyu and Hanshin lines topped the rankings overall

Rank	Place	Location	Rank	Place	Location
1	Ashiya	Ashiya, Hyogo	11	Takarazuka	Takarazuka, Hyogo
2	Nishinomiya	Nishinomiya, Hyogo	12	Kurakuen	Nishinomiya, Hyogo
3	Syukugawa	Nishinomiya, Hyogo	13	Takatsuki	Takatsuki, Osaka
4	Kobe	Kobe, Hyogo	14	Ibaraki	Ibaraki, Osaka
5	Okamoto	Kobe, Hyogo	14	Toyonaka	Toyonaka, Osaka
6	Kyoto	Kyoto, Kyoto	16	Sumiyoshi	Kobe, Hyogo
7	Umeda	Osaka, Osaka	17	Rokko	Kobe, Hyogo
8	Mikage	Kobe, Hyogo	18	Suita	Suita, Osaka
9	Sannomiya	Kobe, Hyogo	19	Mino-o	Mino-o, Osaka
10	Senri-chuo	Toyonaka, Osaka	19	Osaka	Osaka, Osaka

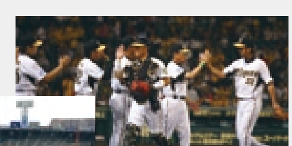
Source: Survey by Sumitomo Realty & Development and 7 other major real estate firms (28th September 2009)

3. Ownership of 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 unique assets 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 create economic ripple effects by increasing passenger numbers in the areas served by our stations when there is a show or a game on, and by enabling multiple use of content. This contributes greatly to increased brand recognition for us.

(For more details on the Hanshin Tigers, Hanshin Koshien Stadium, and Takarazuka Revue, please see Page 39-40)



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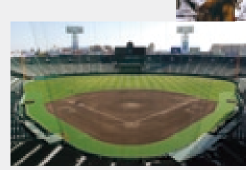


Hanshin Koshien Stadium

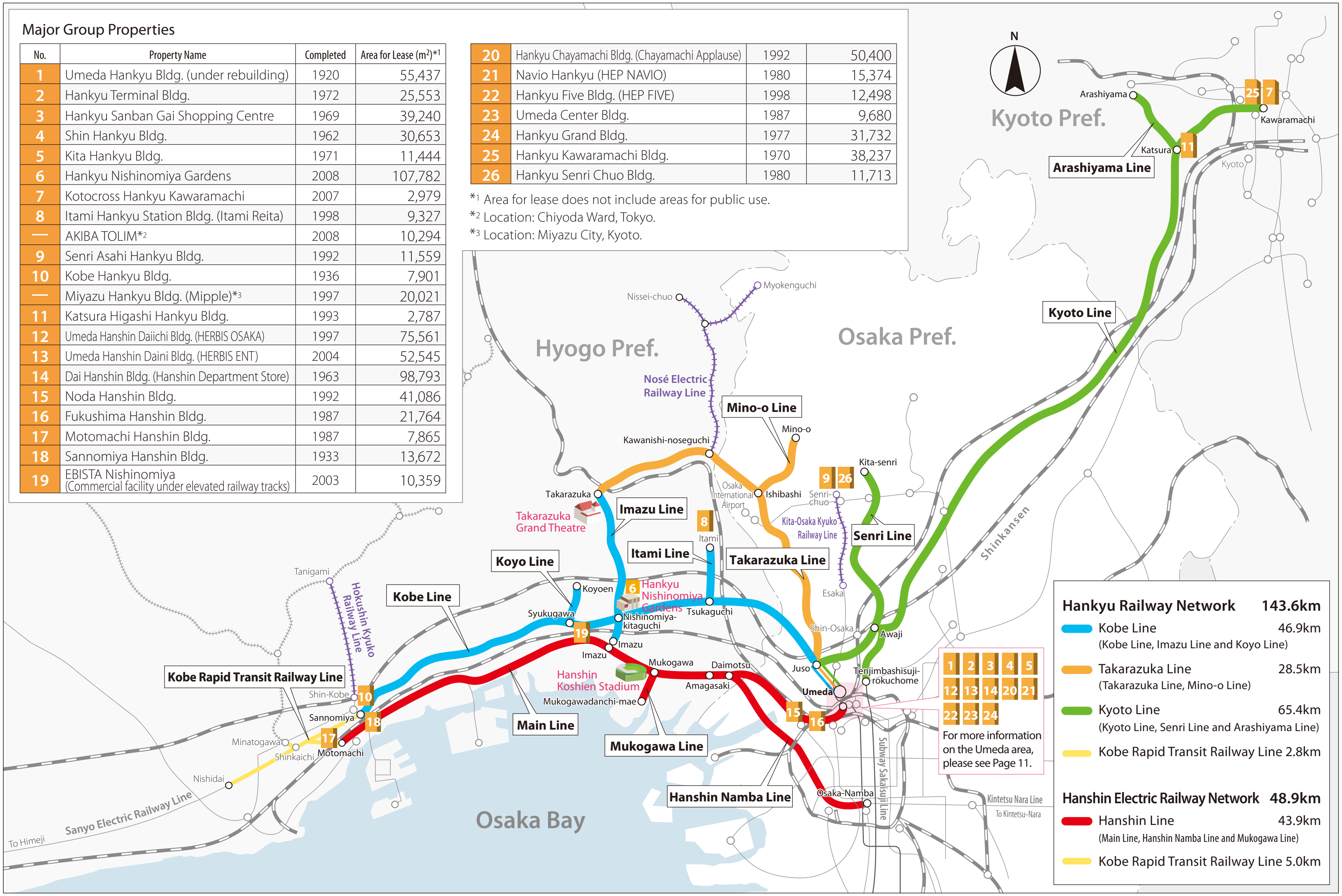
©Takarazuka Revue Company

Major Group Facilities (as of 31st March 2010)

Major Group Properties

No.	Property Name	Completed	Area for Lease (m^2)*1
1	Umeda Hankyu Bldg. (under rebuilding)	1920	55,437
2	Hankyu Terminal Bldg.	1972	25,553
3	Hankyu Sanban Gai Shopping Centre	1969	39,240
4	Shin Hankyu Bldg.	1962	30,653
5	Kita Hankyu Bldg.	1971	11,444
6	Hankyu Nishinomiya Gardens	2008	107,782
7	Kotocross Hankyu Kawaramachi	2007	2,979
8	Itami Hankyu Station Bldg. (Itami Reita)	1998	9,327
—	AKIBA TOLIM*2	2008	10,294
9	Senri Asahi Hankyu Bldg.	1992	11,559
10	Kobe Hankyu Bldg.	1936	7,901
—	Miyazu Hankyu Bldg. (Mipple)*3	1997	20,021
11	Katsura Higashi Hankyu Bldg.	1993	2,787
12	Umeda Hanshin Daiichi Bldg. (HERBIS OSAKA)	1997	75,561
13	Umeda Hanshin Daini Bldg. (HERBIS ENT)	2004	52,545
14	Dai Hanshin Bldg. (Hanshin Department Store)	1963	98,793
15	Noda Hanshin Bldg.	1992	41,086
16	Fukushima Hanshin Bldg.	1987	21,764
17	Motomachi Hanshin Bldg.	1987	7,865
18	Sannomiya Hanshin Bldg.	1933	13,672
19	EBISTA Nishinomiya (Commercial facility under elevated railway tracks)	2003	10,359
20	Hankyu Chayamachi Bldg. (Chayamachi Applause)	1992	50,400
21	Navio Hankyu (HEP NAVIO)	1980	15,374
22	Hankyu Five Bldg. (HEP FIVE)	1998	12,498
23	Umeda Center Bldg.	1987	9,680
24	Hankyu Grand Bldg.	1977	31,732
25	Hankyu Kawaramachi Bldg.	1970	38,237
26	Hankyu Senri Chuo Bldg.	1980	11,713

*1 Area for lease does not include areas for public use.
*2 Location: Chiyoda Ward, Tokyo.
*3 Location: Miyazu City, Kyoto.



Features of Our Facilities

■ Hankyu Railway Network

Hankyu Corporation is one of Japan's 16 leading private railway operators, operating the Kobe, Takarazuka, and Kyoto lines as well as a number of branch lines. Offering interurban services linking Osaka, Kobe and Kyoto, three of Japan's leading cities, the network has the highest transportation efficiency level among private railway operators in the Kansai district. In March 2010, we began operations at Settsu-shi Station on the Kyoto Line — the first railway station in Japan with zero net CO_2 emissions.

Total length of lines operated	143.6km
Number of stations	88
Annual number of passengers carried	605,963 thousand

* Sum of tier 1 operator and tier 2 operator.

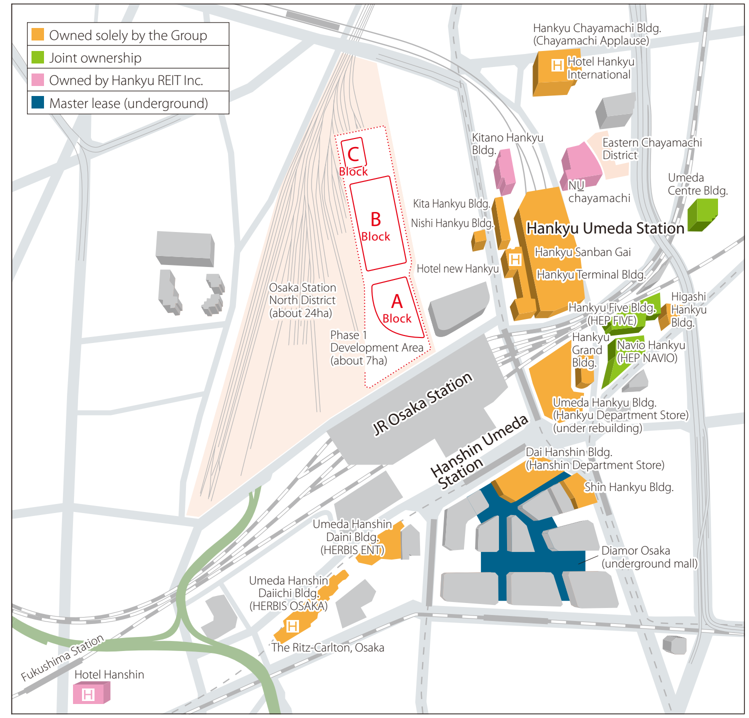
■ Hanshin Electric Railway Network

Hanshin Electric Railway Co., Ltd. is one of Japan's 16 leading private railway operators. In March 2009, it began operations of the Hanshin Namba Line, enabling the first single-line link between Namba and Kobe. By sharing lines with Kintetsu Line (Kintetsu Corporation), we have also completed a wide-area railway network linking Kobe, Osaka and Nara. In future, we expect further revenue growth on the Hanshin Electric Railway Lines, the only through-route serving the Kobe and both the two major railway terminals in Osaka, Umeda and Namba.

Total length of lines operated	48.9km
Number of stations	51
Annual number of passengers carried	193,620 thousand

* Sum of tier 1 operator and tier 2 operator.

Umeda Area in Detail



* HEP FIVE is jointly owned with Hankyu REIT Inc.
* Hotel Hanshin is operated by Hankyu Hanshin Hotels

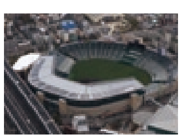
(As of the end of March 2010)

■ Hankyu Nishinomiya Gardens

Hankyu Nishinomiya Gardens, which opened in November 2008 at the former site of Hankyu Nishinomiya Stadium adjacent to Nishinomiya-Kitaguchi Station on the Kobe Line (Hankyu), is the largest shopping centre in western Japan. It comprises 268 stores, centred on the Hankyu Department Store, a cinema complex (TOHO CINEMAS Nishinomiya OS), and a large general merchandising store. As befits its name, Hankyu Nishinomiya Gardens has a public garden built into its roof, and some of the outer walling has been greened, while the interior relies on natural lighting from an open ceiling space, creating a feeling of greenery and spaciousness.

Number of visitors in the first year of operation (Nov. 2008-Nov. 2009)	17.6 million
Sales in the first year of operation (Nov. 2008-Nov. 2009)	¥65.9 billion

■ Hanshin Koshien Stadium

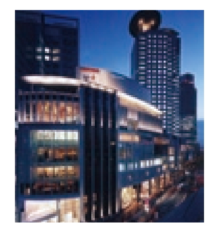


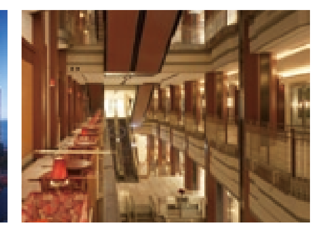
⇒Please see Page 39.

■ Takarazuka Grand Theatre

⇒Please see Page 39.

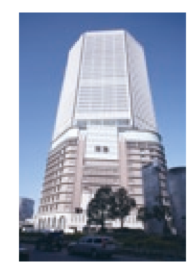
■ HERBIS OSAKA/ HERBIS ENT (Osaka-West Umeda area development)





The main tenant at HERBIS OSAKA, which opened in 1997, is The Ritz-Carlton, Osaka. At HERBIS ENT, (opened in 2004), the key tenant is the renowned Osaka Shiki Theatre. With commercial facilities that have attracted a number of overseas luxury brands, and "intelligent offices" in a multifunctional tower, the HERBIS OSAKA and HERBIS ENT skyscraper complex forms a gateway fitting for the international city of Osaka.

■ Umeda Hankyu Building



⇒Please see Page 25.

Consolidated Financial Highlights

	Hankyu Holdings (upper figure) Hanshin Electric Railway (lower figure)		Hankyu Hanshin Holdings				
	(Millions of yen)						(Thousands of U.S. dollars)*1
	2005/3	2006/3	2007/3*2	2008/3	2009/3	2010/3	2010/3
Result of Operations:							
Revenues from operations	¥476,623 299,011	¥486,154 313,242	¥743,376 [813,613]	¥752,300	¥683,715	**¥653,287**	**$7,024,591**
Operating income	58,768 21,065	64,841 25,288	87,003 [94,800]	90,724	77,823	**70,126**	**754,043**
EBITDA*3	88,700 38,200	94,500 43,100	[146,500]	145,200	135,300	**133,200**	**1,432,505**
Income before income taxes and minority interests	36,042 11,849	43,216 14,175	65,305	26,098	34,064	**33,899**	**364,505**
Net income	26,078 4,983	25,326 6,404	36,619 [40,507]	627	20,550	**10,793**	**116,054**
Capital expenditure	27,488 20,718	52,090 10,900	53,795	134,307	109,688	**132,386**	**1,423,505**
Depreciation and amortisation	29,974 17,139	29,611 17,827	43,888	51,577	54,798	**60,418**	**649,656**
Cash Flows:							
Cash flows from operating activities	¥67,650 26,461	¥80,229 35,489	¥ 78,981	¥ 74,902	¥108,597	**¥146,955**	**$1,580,161**
Cash flows from investing activities	24,175 (23,978)	(43,199) (21,533)	(199,578)	(100,058)	(115,047)	**(132,737)**	**(1,427,280)**
Cash flows from financing activities	(75,473) (5,304)	(61,960) (20,514)	132,289	36,718	7,014	**(24,200)**	**(260,215)**
Financial Position:							
Total assets	¥1,670,911 519,691	¥1,609,116 532,700	¥2,366,694	¥2,348,476	¥2,307,332	**¥2,337,331**	**$25,132,591**
Total net assets	277,393 111,286	360,221 166,197	522,286	476,639	473,878	**480,633**	**5,168,097**
Interest-bearing debt	988,111 240,782	889,615 200,986	1,209,382	1,271,100	1,275,620	**1,282,583**	**13,791,215**
Per Share Data (yen and U.S. dollars):							
Net income—Basic	¥ 28.11 14.32	¥ 25.36 16.38	¥ 31.84	¥ 0.50	¥ 16.28	**¥ 8.55**	**$0.09**
Net income—Diluted	27.70 13.09	25.22 15.57	—	0.41	16.18	**8.51**	**0.09**
Net assets	299.48 324.61	343.45 395.39	405.35	369.25	366.96	**371.70**	**4.00**
Dividend	3.00 6.00	5.00 5.00	5.00	5.00	5.00	**5.00**	**0.05**
Ratios:							
Operating income margin (%)	12.3 7.0	13.3 8.1	11.7	12.1	11.4	**10.7**	—
ROA (%)*4	3.5 4.0	4.0 4.8	4.4	3.8	3.3	**3.0**	—
ROE (%)*5	9.9 4.5	7.9 4.6	8.4	0.1	4.4	**2.3**	—
Interest-bearing debt/EBITDA (times)	11.1 6.3	9.4 4.7	8.3*7	8.8	9.4	**9.6**	—
Equity ratio (%)	16.6 21.4	22.4 31.2	21.7	19.9	20.1	**20.1**	—
Debt/equity (D/E) ratio (times)*6	3.6 2.2	2.5 1.2	2.4	2.7	2.8	**2.7**	—

*1 The U.S. dollar amounts have been translated, for convenience only, at ¥93 = $1, the prevailing exchange rate on the Tokyo Foreign Exchange Market as of 31st March 2010.
*2 From the second quarter of the fiscal year ended 31st March 2007, consolidated results of Hanshin Electric Railway Co., Ltd. are included as a result of management integration, in the scope of consolidation of the Group.
Figures in [ ] were calculated assuming the management integration had entered effect from the beginning of the term.
*3 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.
*4 ROA = operating income/total assets (average of period-start and period-end totals)
*5 ROE = net income/equity (average of period-start and period-end totals)
*6 D/E ratio = interest-bearing debt/equity
*7 EBITDA is calculated assuming management integration at the beginning of the term.

Revenues from operations

Revenues from operations declined ¥30,427 million (4.5%) year-on-year to ¥653,287 million. All core businesses except for Entertainment and Communications were badly hit by the economic slowdown and the impact of H1N1 flu on business activity.

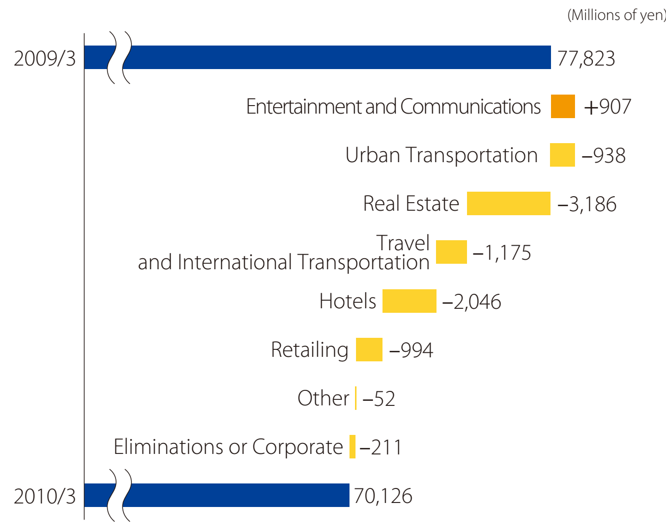
Operating income

Operating income fell ¥7,696 million (9.9%) year-on-year to ¥70,126 million, due mainly to the impact of reduced revenues from operations combined with an increase in depreciation and amortisation costs, which outweighed the effects of cost-cutting in our core businesses.

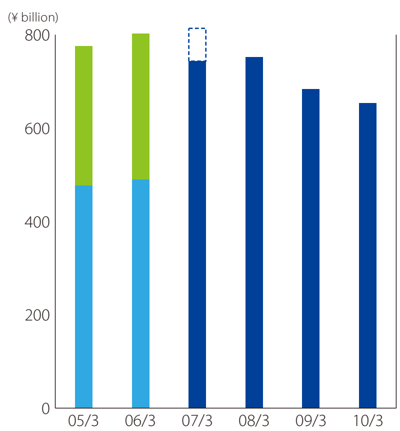
Net income

Net income declined by ¥9,757 million (47.5%) year-on-year to ¥10,793 million, due in part to a one-time amortisation of goodwill following recognition of an affiliate under the equity method, leading to an extraordinary loss.

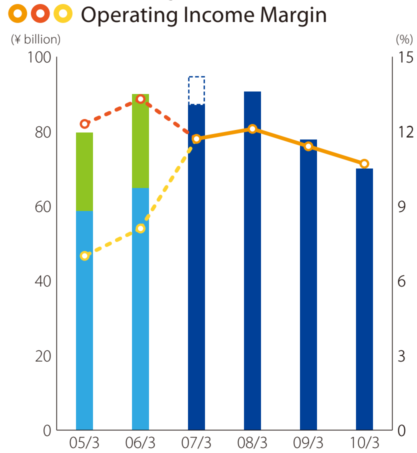
Operating Income by Segment, Year-on-Year Comparison



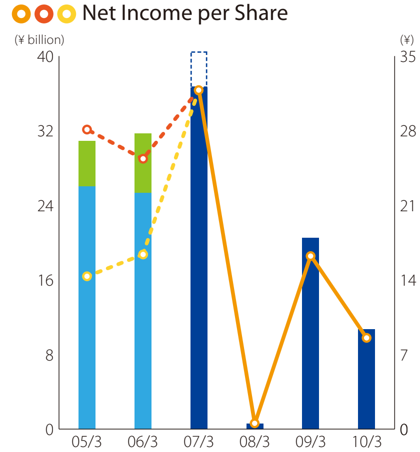
Revenues from Operations*



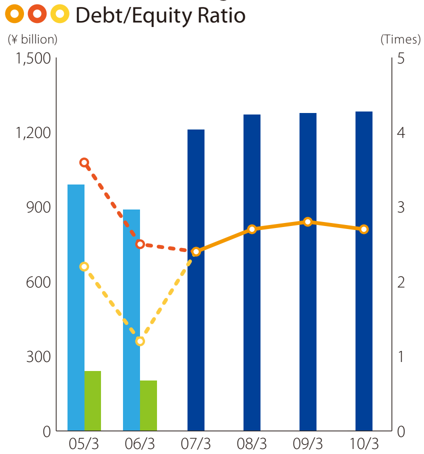
Operating Income*
Operating Income Margin



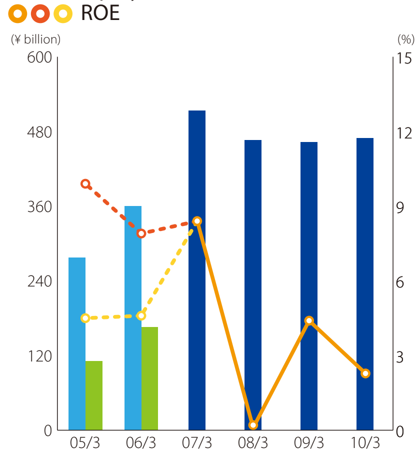
Net Income*
Net Income per Share



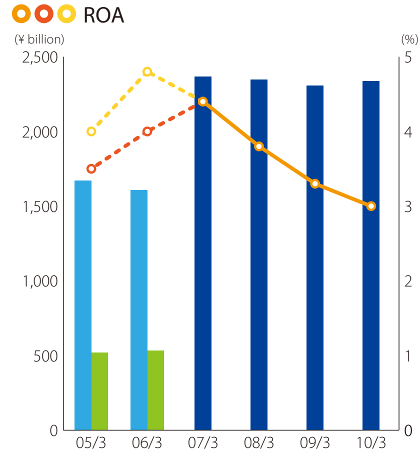
Interest-Bearing Debt
Debt/Equity Ratio



Equity
ROE



Total Assets
ROA



Hankyu Hanshin Holdings
Hankyu Holdings Hanshin Electric Railway

* In the years ended March, 2005 and 2006, consolidated figures for Hankyu Holdings, Inc. and Hanshin Electric Railway Co., Ltd. are simple additions.
From the second quarter of the year ended March, 2007, calculations for Hanshin Electric Railway Co., Ltd. (consolidated basis) are included in Group consolidated figures.
Figures with dotted lines assume that the management integration had occurred at the beginning of the term.

By making large-scale projects fully operational and strengthening the competitiveness of each core business, we will aim for sound profit growth and enhanced enterprise value.

President **Kazuo Sumi**

Business Environment and Assessment of Financial Results

Q Can you provide an overview of the business environment and Company performance in the fiscal year ended March 2010?

A Both operating income and net income deteriorated, dragged down by the ongoing economic malaise and spectre of H1N1 flu. However, the large-scale development projects completed under the current Medium-Term Management Plan are yielding excellent results despite the slump in consumer spending, by capitalising on the Group's fundamental strength.

In fiscal 2010, the Japanese economy continued to experience harsh times, dragged down by ongoing global economic malaise. The deterioration of the employment and income environment severely impacted the Group, which mainly operates domestic demand-associated businesses. This, combined with the fact that people refrained from going out due to the H1N1 flu epidemic*[1], pushed down revenues and income in all of our core businesses except for Entertainment and Communications.

Furthermore, in the first quarter, the market price of equity method affiliate shares held in the Company tumbled more than 30% compared with book value. In the nonconsolidated statements of income, this valuation loss was booked as an extraordinary loss (losses on revaluation of investment securities) at cost or market (whichever is lower). In our consolidated statements of income, based on accounting standards, it was recorded as an extraordinary loss (lump sum amortisation

*[1] It is difficult to calculate the monetary effect of H1N1 flu precisely. However, when Japan's first ever H1N1 flu outbreak was confirmed in the Kansai region from May through June 2009, there was a marked decline in the number of passengers carried compared with before the outbreak, and the travel business was plagued by cancellations. Therefore, we estimate that the impact of reduced revenue amounted to at least ¥2.4 billion in the first quarter alone.

of goodwill equivalent amount under the equity method), because it was necessary to book lump sum amortisation of goodwill equivalent amount under the equity method for an affiliate under the equity method. As tax effect accounting was not applied, the tax burden increased from the previous term, causing net income to decline significantly.

On the other hand, in the current Medium-Term Management Plan (fiscal 2008-2013), the following large-scale development projects which were designated for generating future growth have already been completed. All of these projects are currently yielding excellent results.

Hankyu Nishinomiya Gardens (operations commenced on 26th November 2008):

Sales during the first year of operations (November 2008-November 2009) stood at ¥65.9 billion, exceeding expected levels (¥60 billion) by more than 10%. I think that our customers have really embraced the concept of a space where they can come and relax, which we have provided by establishing an approximately 9,000m^2 rooftop garden terrace, for example. In the second year, Hankyu Nishinomiya Gardens performed strongly both in terms of sales and the number of visitors, despite the correction after the novelty boost from the opening of the facility. In particular, the sales of one of our core tenants, Nishinomiya Hankyu Department Store, exceeded those of the previous year, when it benefited as a result of the commencement of operations.

Hanshin Namba Line (operations commenced on 20th March 2009):

In fiscal 2010, the first year of full operations, the boost to revenues from the opening of the Hanshin Namba Line[*2] was approximately ¥3.45 billion, exceeding the initially assumed level of ¥3 billion by more than 10%. With each and every railway operator in the Kansai region experiencing reduced year-on-year revenues due to the effects of the economic malaise and H1N1 flu, Hanshin Electric Railway managed to increase revenues above expected levels. I believe that this is the result of the recognition of the significance of the line, which forms part of an expansive network linking Kobe, Namba (Osaka) and Nara.

[*2] The boost to revenues from the opening of the Hanshin Namba Line is not a year-on-year calculation. Rather, it is based on a comparison with estimated revenues from all Hanshin Electric Railway lines excluding the Hanshin Namba Line.

Hanshin Koshien Stadium (renovation of the stadium was completed in March 2010)

Through renovation works at Hanshin Koshien Stadium, we have enhanced the comfort and safety of our customers while respecting the 85-year history and traditions of Japan's hallowed Mecca of baseball. We have improved the spectator environment by increasing the space in front of and behind seats, expanding food, drink and merchandising outlets, and adding new advertising and media facilities, leading to higher earnings. Revenues from sports operations in fiscal 2010 exceeded those of the previous term by ¥2 billion.

In view of the depressed state of consumer sentiment, which the government even sees as evidence of mild deflation, the fact that these projects are performing strongly is proof that we have managed to capitalise on the fundamental strength of the Group, which has provided its customers with high-quality services for many years.

Consolidated Performance Trends

(¥ billion)

	2009/3	2010/3	YoY
Revenues from operations	683.7	653.3	-30.4 (-4.5%)
Operating income	77.8	70.1	-7.7 (-9.9%)
Net income	20.6	10.8	-9.8 (-47.5%)

Progress in Medium-Term Management Plan

Q Looking back on the first three years of the Medium-Term Management Plan (fiscal 2008-2010), please describe how the plan has progressed.

A The first three years of the plan were designated for "Investment in Development for Further Growth." Therefore, the priority has been to focus our efforts on capital investment for future growth, business realignment and operational collaboration, to capitalise on the benefits of integration.

Management integration provided an impetus for formulating the 2007 Medium-Term Management Plan, a six-year management plan from fiscal 2008 until fiscal 2013. Ever since the plan was announced in March 2007, the whole Group has been working as one to achieve its objectives.

When this plan was formulated, interest-bearing debt had reached exorbitant levels under the former Hankyu Holdings Group, and the cost of the management integration was covered by borrowings. Therefore, efforts to scale back interest-bearing debt and improve our financial standing were major Group management issues.

On the other hand, during the first three years of the Medium-Term Management Plan, large-scale projects that will lead to future Group expansion were underway. These include investment projects that we expect to generate high returns through better use of existing and as yet untapped land resources (rebuilding of Umeda Hankyu Building and Hankyu Nishinomiya Gardens), as well as social infrastructure investment projects such as the Hanshin Namba Line and Hanshin Koshien Stadium, which are expected to grow in the medium term. I believe that prioritising these investments in the medium term will lead to the enhancement of our enterprise value. Therefore, the three years until fiscal 2010, the first half of the plan, were earmarked for "Investment in Development for Further Growth." We have been sowing the seeds for future expansion*1.

At the same time, the businesses of the Hotels segment and Travel and International Transportation segment have been realigned and business operations coordinated in a number of areas in an effort to capitalise on the benefits of integration.

Unfavourable business conditions have persisted since autumn 2008, largely due to the deterioration of business activity and the real estate market. Increased depreciation and amortisation expenses, which go hand-in-hand with capital investment, have compounded the situation. Consequently, consolidated

*1 Capital investments and depreciation and amortisation (three-year totals)

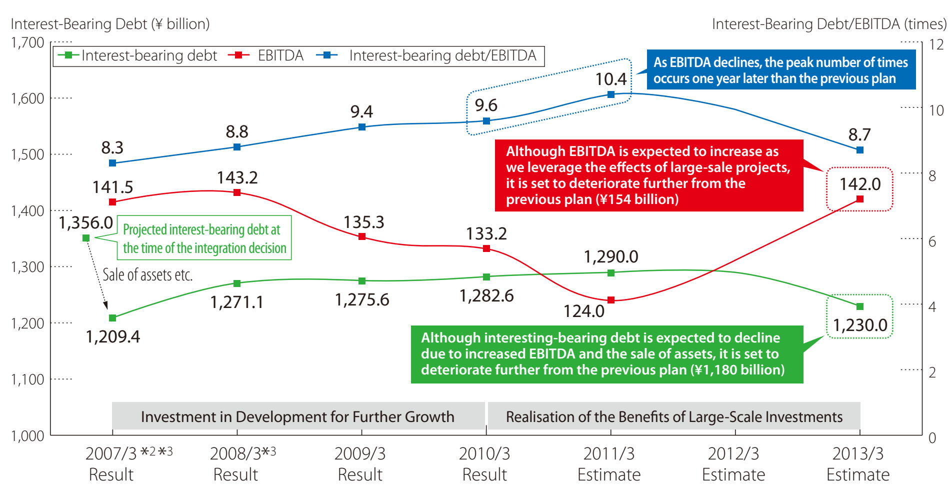
(¥ billion)

Fiscal years	2008-2010	2011-2013 (Est.)
Capital investments	376.4	222.0
Depreciation and amortisation	166.8	181.0

* In line with a change of accounting standards for leases, finance leases are included in capital expenditure plans for fiscal 2009 and beyond.

* Capital investments for fiscal 2008-2010 include repurchases of securitised property (at maturity) during the three-year period.

Interest-Bearing Debt and EBITDA Trends (Consolidated)



*2 Fiscal 2007 consolidated performance has been calculated based on the assumption that the former Hankyu Holdings, Inc. and Hanshin Electric Railway Co., Ltd. were integrated at the beginning of the fiscal year.

*3 Prepared based on performance excluding the department store business (The Hanshin Department Stores Group, now a subsidiary of H_2O Retailing Corporation following a share exchange), which was in the scope of the consolidation until the first half year of fiscal 2008.

*4 Department Store Phase 1 Building, which opened in September 2009, performed strongly (please see Page 18)

operating income is declining. However, as I mentioned earlier, the Group's large-scale development projects (Hankyu Nishinomiya Gardens, Hanshin Namba Line, renovation of Hanshin Koshien Stadium and the rebuilding of Umeda Hankyu Building*4) are all performing strongly. Furthermore, the business realignment which was expected to take place in short and medium-term phases is also doing well, and we are capitalising on the integration synergy outcomes which will exceed initial targets.

Medium-Term Management Plan Revision

Q In the Medium-Term Management Plan, estimates have again been revised down. Please describe the background to these changes and the points which have been revised.

A Estimates for fiscal 2013, which had been revised the previous year, were again revised downward, in response to the sudden and dramatic deterioration in the economic situation. Profitability in the Group's core businesses, railways and real estate leasing, is declining. Therefore, we do not expect to be able to meet Medium-Term Management Plan goals by fiscal 2013.

Each year, the Group revises the estimates in the Medium-Term Management Plan in light of progress and changes in the business environment. On this occasion, the following two points are key.

Firstly, operating income is expected to fall during the plan period. The economic recovery of the Kansai region, which is the heart of the Group's business activities, has been slow paced, while even the railway and real estate leasing segments, which represent the Group's core profits, are generally being impacted by the deterioration of the business climate later than other businesses. We expect these harsh business conditions to continue for all of our businesses for some time yet, and so we are concentrating as much as possible on additional profit-boosting and cost-cutting strategies. Nevertheless, Groupwide consolidated operating income, which was downwardly revised previously, is now unlikely to meet even this new estimates.

The second point is the fact that the pace of reduction in interest-bearing debt is expected to slow even more than previously estimated. In view of these conditions, we are striving to reduce interest-bearing debt by closely monitoring the value and timing of investments. However, EBITDA is projected to be dragged down by the deterioration of the business environment, and it has been difficult to sell off assets as initially intended due to the slump in land prices. As a result, the pace of reduction in interest-bearing debt has slowed. Therefore, at the end of fiscal 2013, total consolidated interest-bearing debt is expected to surpass levels estimated previously.

Therefore, we regret to announce that we are unlikely to achieve the following targets (consolidated) set for fiscal 2013: operating income of ¥100 billion, EBITDA of ¥160 billion or greater, interest-bearing debt of ¥1,130 billion or less, and an interest-bearing debt/EBITDA ratio of around 7 times.

If this situation does not improve, we will have to factor in longer-term trends (in fiscal 2014 and beyond) in the next revision of estimates in the Medium-Term Management Plan, to clarify the future direction the Group must take.

Outlook for Consolidated Performance

(¥ billion)

	2008/3* Result	2009/3 Result	2010/3 Result	2011/3 Estimate	2013/3 Estimate
Revenues from operations	752.3	683.7	653.3	651.0	710.0
Operating income	90.7	77.8	70.1	61.0	80.0
Ordinary income	74.9	57.4	50.4	40.0	60.0
Net income	0.6	20.6	10.8	20.0	30.0

* Until the first half of fiscal 2008, the department store business (The Hanshin Department Stores Group) was included.

Performance Outlook for the Fiscal Year Ending March 2011

Q How do you see the outlook for Company performance during the fiscal year ending March 2011?

A **In the Travel and International Transportation and the Hotels segments, a recovery from the H1N1 flu scare of the previous term is expected. However, in the Urban Transportation and Real Estate segments, special factors are expected to push down revenues from operations and operating income. On the other hand, the special factors that affected net income in the previous term are expected to disappear. Therefore, a significant recovery is expected in net income.**

The following factors have been incorporated into full-year performance projections.

Revenues from operations in the Travel and International Transportation and the Hotels segments are expected to rise on the back of the recovery from the H1N1 flu scare, which broke out in May 2009. Nevertheless, in our Real Estate segment condominium business, the sales target has been downwardly revised in accordance with earlier market conditions. Therefore, revenues are expected to fall due to the fact that the number of condominiums sold (number of deliveries) in fiscal 2011 is expected to decline temporarily, and the rebuilding of the department store section of the Umeda Hankyu Building entered Phase II in September 2009, reducing the space available for rent.

Operating income is expected to decline. This is due to revenue-decreasing factors and also special factors, which include the following: 1) sales expenses for condominiums which are to be delivered after fiscal 2012 will be incurred in advance, 2) taxes and increased depreciation and amortisation expenses will accompany the completion of the Umeda Hankyu Building Phase I Department Store Building and the Office Tower, and 3) in the Urban Transportation segment, the Yodogawa Hokugan line work* by Hankyu Corporation and other works will cause property and equipment disposal expenses to increase.

However, if the impact of these special factors is excluded, we predict that we will be able to secure similar operating income to the previous fiscal term.

On the other hand, as we expect to complete the lump sum amortisation of goodwill equivalent amount under the equity method, extraordinary loss will decrease and net income is likely to increase significantly compared to the previous term.

* As the Yodogawa Hokugan line works were consigned to the Group by national and municipal governments, we received contributions for these works and these were recorded as extraordinary income in the same year. For this reason, the impact on net income was limited.

Progress in Rebuilding of Umeda Hankyu Building

Q With regard to the rebuilding of Umeda Hankyu Building, the Department Store Phase I Building commenced operations in September 2009 and construction of the Office Tower was completed in April 2010 (operations commenced in May 2010). How are things progressing with the Department Store Phase I Building and the leasing of the Office Tower?

A **Ever since the Department Store Phase I Building commenced operations on 3rd September, it has performed strongly. Owing to the lacklustre performance of the rental office market, we are currently experiencing difficult conditions in finding office tower tenants; however, we are working diligently to increase occupancy.**

Of the projects under the Medium-Term Management Plan, the one which is expected to make the greatest future profit contribution is the rebuilding of the Umeda Hankyu Building. Fortunately, this project is progressing well. The Department Store Phase I Building, which opened in September 2009, is performing strongly despite the slump in consumer spending brought on by the economic recession.

In terms of leasing the Office Tower, which commenced operations in May 2010, we are experiencing difficult conditions* due to the lacklustre performance of the rental office market; however, we are working diligently to increase occupancy. Umeda Hankyu Building is situated in a highly convenient location right next to the Umeda station terminal. This is a highly competitive building, boasting a standard floor area of 2,800m^2 per floor, a high level of security, freely adaptable facilities and well-known, reliable tenants who have decided to call it home due to its local landmark status. The property is sets a benchmark for office rents in the Umeda area, enhancing tenants' recognition and reputation. Therefore, our strategies are to increase occupancy gradually, while keeping a close eye on economic conditions, the leasing situation and trends at competing properties (rather than simply reducing the rent as a means of increasing occupancy) and to build up occupancy over the next three years or thereabouts. Given the lack of clarity in the market outlook, our rent forecasts in the Medium-Term Management Plan reflect a rather conservative approach, and we believe that the key to achieving the goals in the plan will be whether or not occupancy rates develop as expected.

* Please see Page 33 for more details of average vacancy rates

For more details on the Umeda Hankyu Building project

Page 25

Special Feature

Medium-Term Directions

Q You mentioned that in the next revision of the Medium-Term Management Plan, you would like to point out future directions for the Hankyu Hanshin Holdings Group. What specific policies and ideas do you have?

A In the plan that will begin in fiscal 2014, I would like to see the Group pursuing sustainable growth and improved financial standing in a well-balanced manner.

As the formulation of the next Medium-Term Management Plan is a job for the future, it is not possible to go into details at this stage. However, I would like the Group to pursue sustainable growth and improved financial standing in a well-balanced manner as its policy.

In the second half of the Medium-Term Management Plan, from fiscal 2011-2013, we have decided to push ahead with reduction of interest-bearing debt by finding ways to squeeze more profit out of large-scale projects and further expand them. As I have stated earlier, given the deterioration in our operating environment, and the poor prospects for speeding up the pace of debt reduction, I recognise that cutting the balance of interest-bearing debt is a management priority.

However, after the launch of the next Medium-Term Management Plan in fiscal 2014 (beginning April 2013), we can expect steady earnings growth from higher occupancy rates at the Office Tower at Umeda Hankyu Building and from the grand opening*[1] of the completed project. Based on current performance, we may expect a steady earnings contribution from large-scale projects that are already operational, such as Hankyu Nishinomiya Gardens, Hanshin Namba Line, and the Hanshin Koshien Stadium renovation. At the same time, our operating income will be lifted as depreciation expenses connected with these projects gradually fade away*[2].

In the years after fiscal 2014, I believe we can improve our financial standing on the strength of earnings from the above projects, and, in terms of long-term enhancement of value in the areas served

*[1] Phase II works (Department Store Phase II) will be completed in spring of 2012, for the grand opening of an all-new Umeda Hankyu Building

*[2] Hankyu Nishinomiya Gardens: Opened on 26th November 2008

Hanshin Namba Line: Began operations on 20th March 2009

Hanshin Koshien Stadium: Renovation completed in March 2010

Umeda Hankyu Building: Completion of Office Tower on 1st April 2010; Grand opening scheduled for spring 2012 by our stations, for example by making depreciation expenses one of our benchmarks for investment, I believe we can position ourselves to invest steadily for sustainable growth.

Business Portfolio Strategy

Q Please describe your views on the future business portfolio strategy of the Hankyu Hanshin Holdings Group.

A **In our quest to increase value in areas served by our stations and strengthen the Hankyu-Hanshin brand, in each of our core businesses, we are not only committed to being the leader in each industry, or being unique, but also to unlocking Group synergies across different businesses. At this point in time, we intend to retain our current six-core business structure.**

The Group is striving to enhance value in areas served by our stations by organically linking and expanding the real estate and entertainment and communications businesses, and so on, with the railway business at the centre. Ever since the management integration in October 2006, we have been implementing initiatives aimed at increasing value in areas served by our stations and strengthening the Hankyu-Hanshin brand, while simultaneously strengthening our foundations by realigning our businesses, increasing the efficiency of our internal divisions and withdrawing from unprofitable businesses. The basic strategy behind these initiatives is to strengthen the competitiveness of each business and enhance profit levels, thoroughly pursue and capitalise on integration synergy outcomes and improve our financial standing and enhance returns on assets. Success in these areas, I believe, will mean that we have all but completed the framework that will guide the business realignment that should take place in the medium term.

In the future, our policy is to leverage the Group's comprehensive capabilities by further boosting the competitiveness of its core businesses. We will achieve this objective by working as one to capitalise on the synergistic effects across the different businesses of the Group, and winning new clients by exploiting the Hanshin Tigers/Hanshin Koshien Stadium and Takarazuka Revue brands.

Therefore, at this point in time, we intend to retain our current six-core business structure.

How "Community-Building" should Function

Q Please describe your ideas on how "community-building" should function.

A **I think that the goal should be to build communities under the concept of "compact cities"—environmentally-friendly communities where urban functions are concentrated in certain areas so that local residents can find all they need in their daily lives close at hand.**

For over 100 years, the companies under the Hankyu Hanshin Holdings Group have operated their businesses and built up relationships of trust in the areas served by the Hankyu and Hanshin lines, while establishing symbiotic relationships between their communities. To fulfil our role as a member of the local community in the future, we will strive to create an enjoyable living environment in their local communities.

The whole fabric of suburbs and cities has changed to respond to the increased use of automobiles. At the same time, commercial facilities have spread out into suburban areas due to soaring inner-city land prices, and consequently, car-dependent lifestyles have become the norm. However, if urban functions continue to be dispersed in this way, CO_2 emissions will increase.

I think that we should be aiming to build communities that are functional, resident-friendly and environmentally friendly based on the "compact cities" concept, rather than on urban models that presuppose the use of cars, in order to build communities that leave few carbon footprints. This should be done by concentrating government, commercial, cultural, medical and educational facilities around train stations within certain areas, so that people can find all they need in their daily lives close at hand.

Community-building such as this not only reduces our carbon footprints, but also counters the impact of a rapidly aging society. The Group is pioneering the installation of barrier-free facilities in each station, train and bus in the areas served by the Hankyu and Hanshin lines. Our aim is to develop facilities that are more than mere embarkation/disembarkation points, but which can serve as interchange points for customers in transit.

Shareholder Returns Policy

Q Finally, please tell us more about Company policies regarding returns to shareholders.

A Under our basic policy of stable dividends, we aim to pay out a minimum annual dividend of ¥5 per share. We will review our shareholder returns policies, including our dividend policy, when we are confident of more firmly underpinned earnings stability and improved financial standing, after the full-fledged operational launch of the rebuilt Umeda Hankyu Building and other large-scale projects.

By fiscal 2013, which is the final year of our current Medium-Term Management Plan, major projects now under construction will have reached full operational status. Therefore, funds including profits being generated from these projects as well as cash flows from core businesses such as Urban Transportation and Real Estate will be used in reducing interest-bearing debt for the improvement of our financial soundness. We are pursuing a basic policy of stable dividends that sets a minimum annual dividend of ¥5 per share while we strive to improve our financial strength and management foundation. For fiscal 2010, we declared an annual dividend of ¥5 per share as in the previous fiscal term, which is the same dividend level that we plan for fiscal 2011.

We will take another look at our subsequent dividend and shareholder returns policy, when we are confident of more firmly underpinned earnings stability and improved financial standing, after the full-fledged operational launch of the rebuilt Umeda Hankyu Building and other large-scale projects. From here on, in accordance with the Management Plan, by enhancing profit levels and reducing interest-bearing debt, we will focus on fulfilling the expectations of our shareholders by further enhancing the Group's corporate value and supporting our share price.

Special Feature:

The Evolution of the Umeda District —Now and in the Future

Umeda Station was first opened over a century ago, in 1906. Over the years since then the forerunner companies of the Hankyu Hanshin Holdings Group have met the needs of the times through a large number of urban development projects centred on Osaka's Umeda district. Umeda has grown from being the No.1 shopping and entertainment district in Western Japan to the country's gateway to Asia and the rest of the world. Umeda is still changing, and as it changes, it is becoming a focus of interest for people all over Japan. In this special feature, we would like to introduce the evolution of the Umeda District—Now and in the Future.

The Hankyu Hanshin Holdings Group and the Development of Umeda

Umeda is a district in Osaka's Kita-ku, centred on Osaka Station, which is the largest railway terminal in western Japan, directly linking the three major cities of Osaka, Kyoto, and Kobe. The station is a terminal for trains operated by Hankyu Corporation, Hanshin Electric Railway, and JR West. Osaka Station was opened in 1874 as the main railway station in Osaka of JR West (under the former Japanese National Railways (JNR)). In 1906 Hanshin Electric Railway opened a station in Umeda, immediately adjacent to Osaka Station, and in 1910 the forerunner of Hankyu Corporation (Mino-Arima Electric Railway) followed suit. At around this time, the City of Osaka was developing a traffic network running north-south, with Umeda at its northern end, connecting the city's main entertainment and shopping districts. As a result, Umeda—popularly known as *Kita* (North)—enjoyed tremendous growth.

Hankyu was quick to exploit the crowd-pulling possibilities of a railway terminal. In 1929 the company opened a department store directly connected to Umeda Station, the first such store in the Orient.

In August 1951 the Hankyu Group completed construction of the Hankyu Koku Building (located in Kakuda-cho, Kita-ku; currently the site of the HEP NAVIO), which was said to be the most modern building in Japan at the time. Then, January 1962 saw the completion of the Shin Hankyu Building at 1-chome, Umeda in Kita-ku. The construction of these two buildings sparked a boom in the construction of large buildings in Umeda and surrounding areas, including commercial facilities (including department stores), office buildings, hotels, cinemas and theatres. This raised the profile of the Umeda district alongside Osaka's traditional shopping and entertainment district of Namba, which is popularly known as *Minami* (South).

Another trigger of the subsequent development boom in Umeda was the work that took place during the 1960s to relocate and expand Hankyu Umeda Station. The sixties saw tremendous growth in the residential areas that had grown up alongside the railway lines, and rail passenger demand increased at a rapid pace. The old Umeda Station was unable to cope with this growth in demand, and Hankyu Corporation decided to move the station's location from south of the elevated tracks operated by JNR to north of the tracks, simultaneously expanding the station's capacity. According to the Umeda Station relocation-and-expansion plan selected by Hankyu, the new station would not simply serve as a terminal for the railway lines, but the plan would also be designated as the Umeda area redevelopment project to create a commercial centre and hub for city-centre amenities. It took the company 12 years from initial conception to completion of the project, at a massive total cost of ¥36.5 billion, or over eight times the company's capital (¥4.48 billion) when the project was first proposed. The new Umeda Station—which the company hailed as "the Face of Umeda"—was finally unveiled in November 1973. In 1969, ahead of the completion of the new station, a large-scale underground shopping centre—the Hankyu Sanban Gai Shopping Centre—was opened below the site of the station. As befits Osaka's nickname of "The City of Water" (because of its many rivers and canals), the Hankyu Sanban Gai Shopping Centre was constructed with an artificial river running through it (2.8 metres wide and 90 metres long). This was a world first, drawing considerable attention throughout Japan, and it soon took its place as one of Umeda's famous attractions.

The Umeda area in around 1962

Prior to the completion of the new Umeda Station, only the part of

Opening of Hankyu Sanban Gai Shopping Centre

Umeda to the south of the JNR elevated tracks attracted large numbers of visitors. After the end of World War II, the area north of the elevated tracks consisted of a clutter of old houses and decrepit buildings which escaped war damage. This area was known as "behind the station," and generally fitted the dingy image conjured up by that phrase. The construction of the new Umeda Station and the Hankyu Sanban Gai Shopping Centre swept this unfashionable image from people's minds, injecting a much-needed dose of vitality into the whole Umeda district.

Meanwhile, the Hanshin Group built a new terminus building, Umeda Hanshin building (1-chome Umeda, in Kita-ku, currently part of the Dai-Hanshin Building) at Umeda Station. In this building, Hanshin Mart, the forerunner of Hanshin Department Store, began operations.

Later, after multiple refurbishments the Umeda Hanshin building became the current Dai-Hanshin Building in 1963. The Hanshin Department Store likewise underwent multiple expansions of floor space, until reaching its current dimensions. (As a part of Group restructuring, The Hanshin Department Store, Ltd. was folded into the H2O Retailing Group, an equity affiliate.)

In addition to the Dai-Hanshin Building, renovations were also completed at the Shin Hanshin building in 1953 and the Nishi Hanshin building in 1967 (both in 2-chome, Umeda in Kita-ku, currently occupied by HERBIS ENT). In this way, the business infrastructure of Hanshin in the Umeda area was laid.

From 1992 the Hanshin Group commenced an urban redevelopment project in the western Umeda area (to the west of the Osaka Station) employing the Group's entire resources. In this project, the Hanshin Group aimed to create a modern urban area that would be on a par with anywhere in the world and would meet the needs of the coming new century. The first phase of the project saw the completion of the HERBIS OSAKA (a commercial complex opened in March 1997), whose principal tenant was the hotel the Ritz-Carlton, Osaka, while the second phase consisted of HERBIS ENT (a commercial complex opened in November 2004), whose principal tenant is the Osaka Shiki Theatre, which is dedicated to performances by Shiki Theatre Company. In addition to these key tenants, both commercial complexes comprise a wide variety of retail facilities as well as offices boasting high-tech, "intelligent design" features. Both buildings feature interior finishings of the very highest quality, while tenants of the commercial facilities include many world-famous luxury brand retailers. Through this development project, the Hanshin Group succeeded in transforming Umeda into an attractive town that truly deserves the appellation "the Gateway to Osaka."

Hankyu Hanshin Holdings Group, created by the October 2006 management integration of Hankyu Holdings, Inc. and Hanshin Electric Railway Co., Ltd., have made a significant contribution to the development and revitalisation of Umeda. As a result, the Group's holdings include many commercial facilities and office buildings in the area surrounding the Hankyu and Hanshin Umeda stations, which is the heart of Umeda (please see map of Umeda and its environs on Page 11, and an aerial photo of the area on Page 22). These properties constitute an important element in the Group's business base. From here onward, as an integrated organisation, we plan to leverage the expertise we have built up over many years to tackle the further development of Umeda.

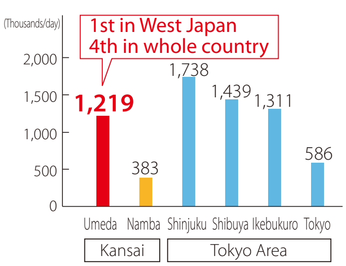
Umeda's Role, Now and in the Future

Umeda's greatest assets are its excellent accessibility via public transportation, its concentration of a large number of Japan's largest commercial facilities, and its large number of office buildings. The completion of the many development projects now ongoing will enhance these assets still further, and we can look forward to the area's growth as an international hub that will play a leading role in the rejuvenation of the Kansai region.

Excellent transport access

Umeda serves as an important hub giving direct access to all major cities in the Kansai region, and, via Kansai International Airport, to the principal cities of Asia.

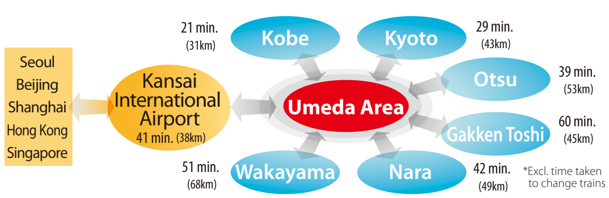
■ Number of Passengers of Major Stations



Umeda: (Osaka) Osaka Municipal Transportation Bureau, JR West, Hankyu, Hanshin
Namba: Kintetsu, Nankai, Osaka Municipal Transportation Bureau
Shinjuku: JR East, Keio, Odakyu, Bureau of Transportation Tokyo Metropolitan Government, Tokyo Metro, Seibu
Shibuya: Tokyu, JR East, Tokyo Metro, Keio
Ikebukuro: JR East, Tobu, Seibu, Tokyo Metro
Tokyo: JR East, Tokyo Metro

Source: Urban Transportation Report 2007 Edition (Institution for Transport Policy Studies)

■ Ease of Access to Umeda



Source: Compiled on the basis of information provided on the City of Osaka's website aimed at attracting business enterprises and institutes of higher education to the city, at: http://www.osaka-saisei.jp/

Highest Concentration of Commercial Facilities in Japan

With all the ongoing and planned projects, Umeda is on the way to being the No. 1 urban centre in Japan for commercial facilities, with the highest land values among Kansai commercial districts.

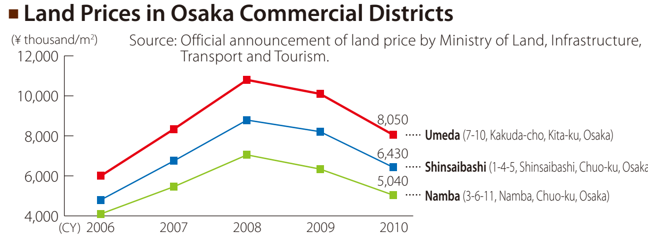
■ Comparison of Store Floor Space among Japan's Famous Shopping Districts

(Thousand m²)

	Now	Incl. current plans		Now	Incl. current plans
Umeda	**424**	**631**	Shinjuku	379	394
Shinsaibashi/Namba	377	399	Shibuya	238	238
Abeno	151	241	Ginza/Nihonbashi	492	510
Kobe	351	351	Ikebukuro	325	325
Kyoto	229	313			

Source: Excerpted from "Proposals for a grand design for Umeda: Creating an environment-friendly city center that encourages alliances and partnerships" (Kansai Economic Federation, published July 2008). Floor space figures were calculated by the Federation as a total for department stores and other major retailers, based on Comprehensive List of Large-Scale Retailers in Japan in 2008 (Toyo Keizai, Inc.) and Comprehensive List of Commercial Facility Construction Plans for 2008 (Sangyo Times, Inc.)

■ Land Prices in Osaka Commercial Districts



Source: Official announcement of land price by Ministry of Land, Infrastructure, Transport and Tourism.

Umeda's High Status as a Business District

With its superior business environment, the area continues to command the highest rents in the Kansai area (please see Page 33 for more detail on average rents).

Special Feature: The Evolution of the Umeda District
—Now and in the Future

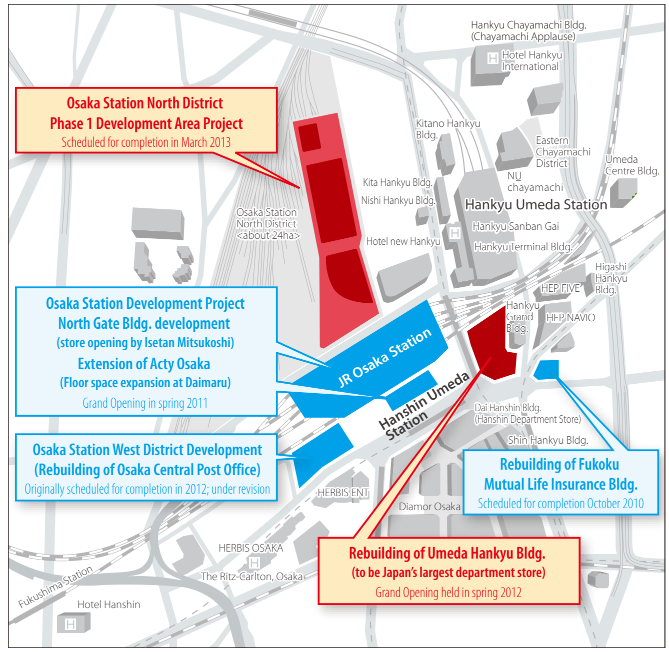
Umeda makes progress in redevelopment thanks to designation as “urban district for application of emergency revitalisation measures”

Umeda has been designated as an “urban district for application of emergency revitalisation measures,” under the Urban Renaissance Special Measures Law, which went into force on 1st June 2002. Urban redevelopment projects in such areas that have been approved by the authorities benefit from more relaxed regulations on such matters as floor-area ratios and building heights, as well as special tax treatment.

Therefore, in Umeda, a number of large-scale private-sector development projects have been planned, started and in some cases already completed, most notably the Umeda Hankyu Building Rebuilding Project and the Osaka Station North District Phase 1 Development Area Project, both being undertaken by the Hankyu Hanshin Holdings Group. In addition, on 18th June 2010 the Japanese Cabinet approved a new growth strategy and established the “Comprehensive System of Special International Strategy Districts,” which includes comprehensive provisions for special support measures, including relaxation of regulations and support from the taxation, fiscal and monetary aspects. In Osaka City, the government has positioned Umeda (the area around Osaka Station) as a “Knowledge Capital” zone, and has proposed to the Japanese Cabinet adoption of a range of policies using the special district system, with the goal nurturing it into an “Asian innovation centre.”

Through collaboration between the public and private sectors, Umeda will become a major urban centre boasting advanced urban amenities and a concentration of talented individuals. It will not only play a leading role in the economy of the Kansai region, but will also become a significant presence in Japan as a whole.

■ **Large-Scale Projects Currently Underway in Umeda Area**



(As of the end of July 2010)

Enhancing the appeal of the entire Umeda area

We aim to refine the role of Umeda as a commercial district centred on department stores and introduce new roles (tourism and promotion of innovation) to generate greater diversity. To achieve this, we believe it will be important to us to treat Umeda as a wide area.

Up to now, the district of Umeda has been expanded by the development projects of the three railway companies Hankyu, Hanshin, and JR West, each expanding out from its own terminal station. As a result, there has been an undoubted lack of public spaces, and access from one part of the district to another has not been very easy for shoppers. Through this revitalisation of the city-centre roles of the Umeda area, we believe it is necessary to create in our development projects spaces where there are few obstructions to movement, so that people can just enjoy strolling around for its own sake, without any particular destination. For example, because different parts of the Umeda Hankyu Building were constructed at different times, there are a number of floor-level differences at entrances to and exits from the underground shopping complexes that connect the building with public transport or with other commercial facilities nearby. We aim to take advantage of the rebuilding work to eliminate these obstacles and make all underground entrances barrier-free, thereby facilitating smooth pedestrian flow and improving overall accessibility.

Furthermore, in our community-building endeavours, we believe it is essential to address not only the nuts-and-bolts aspects of creating public spaces, but also step up the intangible measures needed to encourage flows of people, such as finding ways of drawing in people who have different objectives, and providing information, events, and other attractions for people just visiting. For this reason, we believe we need to proactively undertake “area management activities,” to draw together all the small contributions from individual residents and community activists. With our initiatives pump-priming neighbourhood development, the Group is committed to creating new value in Umeda in alliance with local governments, universities, residents and businesses.

Ryuichi Morotomi

Director
(Deputy General Manager of Real Estate Business Headquarters and Manager of Real Estate Development Department)
Hankyu Corporation

The Group’s Ongoing Large-Scale Projects in the Umeda Area

A number of projects are ongoing in Umeda. The Group is in charge of two of them, both large-scale. Below, we provide up-to-date information on these projects.

Rebuilding of Umeda Hankyu Building (Page 22, aerial photo 6)

Phase I Section of Department Store Opened in September 2009; the Office Tower opened in May 2010

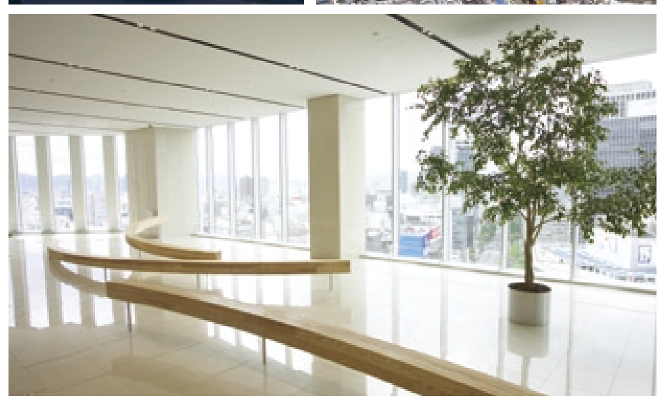
Steady progress is being made on the rebuilding work on the Umeda Hankyu Building, which contains the Umeda Main Store of Hankyu Department Stores that boasts the largest sales in Western Japan. On 3rd September 2009 Phase I of the department store was opened, and the Umeda Hankyu Building Office Tower was completed on 1st April 2010 and opened on 6th May.

The rebuilding work is divided into north and south sections and into two phases. With the completion of the Phase I of the department store and the Office Tower, Phase I (south-side) construction has been completed. Work continues on Phase II (north-side) construction ahead of the scheduled Grand Opening in the spring of 2012.

The ideal location for a new landmark building

The Group’s Future Growth Drivers

The rebuilding work will increase the sales floor space of the Hankyu Department Store, and the construction of the new Office Tower will greatly expand the amount of rental floor space. The Group can thus look forward to a considerable increase in rental income in the medium term. The provisions of the Urban Renaissance Special Measures Law relating to the relaxation of regulations on floor-area ratios have been applied to the Office Tower rebuilding work, giving it a net increase in rental area compared with before the rebuilding. This will have a significant positive impact on the Group’s revenues, and will become a major growth driver in the future. The building’s location is one of the best even within the Umeda area, which boasts Western Japan’s biggest railway terminal, and it features eco-friendly design and offers a pleasant working environment. We intend to leverage the building’s strong competitiveness to raise occupancy rates.



In the Sky Lobby on the 15th floor, which is open to the general public, you can enjoy wonderful views. It also functions as a “second lobby area” for the Office Tower, where office workers can find facilities like stores and coffee shops.

Osaka Station North District Phase 1 Development Area Project (Page 22, aerial photo 10)

Construction Started in March 2010

This is a large-scale project to develop the Phase 1 Development Area Project (7 hectares) in the Osaka Station North District (“Umeda North Yard”; 24 hectares), on the north side of Osaka Station, and is being undertaken by a consortium of 12 companies including Hankyu Corporation. Construction began on 31st March 2010, with completion scheduled for March 2013.

The Phase 1 Development Area is divided into Blocks A, B, and C and includes the construction of offices, commercial facilities, hotels, service apartment, and condominiums to create a “Knowledge Capital” zone that will incorporate all the essential elements of a city-centre area. The aim of the project is to realise a neighbourhood truly worthy of being the new gateway to Osaka.

Project Conceptual Diagram

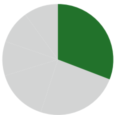
Core Businesses: Overview and Outlook

At a glance

Revenues from Operations (¥ billion)

Urban Transportation P. 28

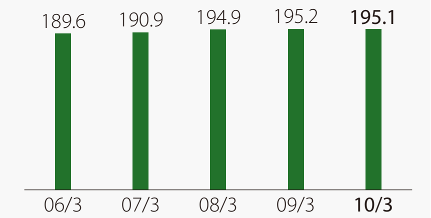
% of Revenues from Operations



29.4%

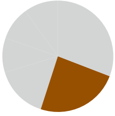
Revenues from Operations
¥195.1 billion
(YoY **-0.1%**)

Operating Income Margin
16.2%



Real Estate P. 33

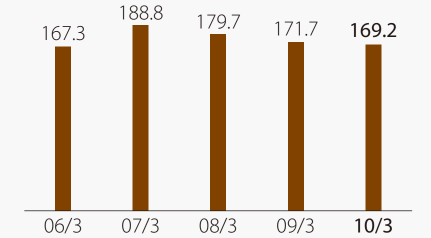
% of Revenues from Operations



23.0%

Revenues from Operations
¥169.2 billion
(YoY **-1.4%**)

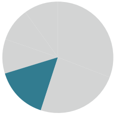
Operating Income Margin
17.5%



Entertainment and Communications P. 38

©Takarazuka Revue Company

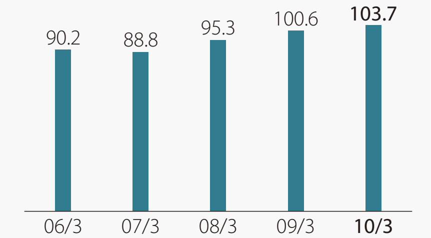
% of Revenues from Operations



14.4%

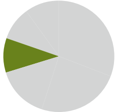
Revenues from Operations
¥103.7 billion
(YoY **+3.1%**)

Operating Income Margin
9.0%



Travel and International Transportation P. 42

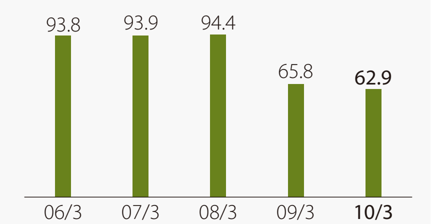
% of Revenues from Operations



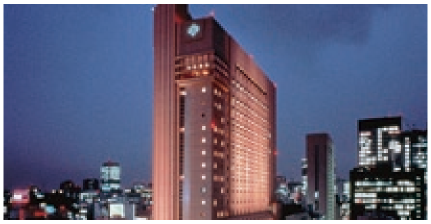
9.6%

Revenues from Operations
¥62.9 billion
(YoY **-4.5%**)

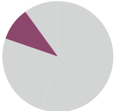
Operating Income Margin
0.4%



Hotels P. 46



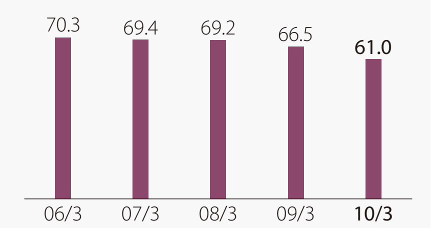
% of Revenues from Operations



9.2%

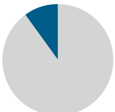
Revenues from Operations
¥61.0 billion
(YoY **-8.2%**)

Operating Income Margin
—



Retailing P. 49

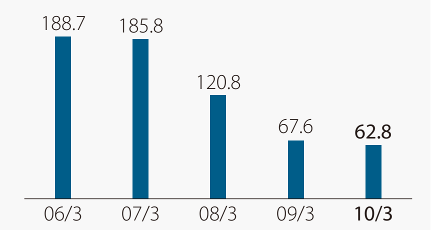
% of Revenues from Operations



9.4%

Revenues from Operations
¥62.8 billion
(YoY **-7.1%**)

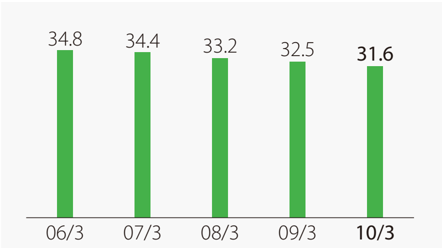
Operating Income Margin
—



Notes: 1. Segment results are on a financial accounting basis (including intersegment revenues from operations and transactions).
2. Figures for segment revenues from operations as a percentage of Group totals are calculated on the basis of sales to external customers (as of 31st March 2010).
3. Revenues from operations in other businesses accounted for 5.0%.

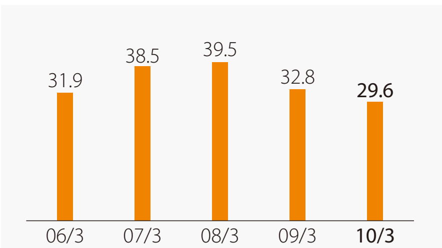
* In the year ended March 2006, consolidated figures for Hankyu Holdings, Inc. and Hanshin Electric Railway Co., Ltd. are simple additions. For the year ended March 2007, it is assumed the management integration had entered effect from the beginning of the term. Up to first half of the year ended March, 2008, Retailing business sales include those of the department store business (the former Hanshin Department Store group).

Operating Income* (¥ billion) | **Nature of Business**

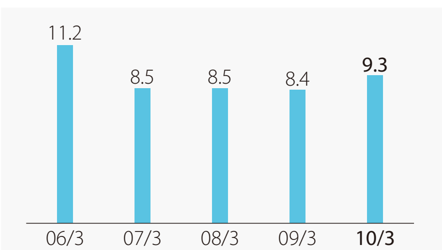


Centred on Hankyu Corporation and Hanshin Electric Railway, this segment operates railway, bus and taxi services forming an extensive transportation network throughout the Kansai district. With the opening in March 2009 of the Hanshin Namba Line, we have created a wide-area railway network linking Kobe, Osaka and Nara, while serving Osaka's two major northern and southern terminals, Umeda and Namba. This line plays a key role in further revitalising areas served by our stations. With ongoing grade separation (track elevation) projects and works to make facilities barrier-free, this segment is committed to providing safe, convenient and appealing transit services in the Kyoto-Osaka-Kobe area.

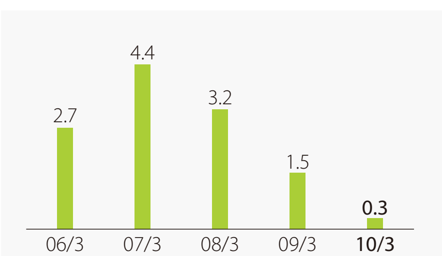
Total length of lines operated: Hankyu Corporation: 143.6km
Hanshin Electric Railway: 48.9km (Including tier 2 railway operator)



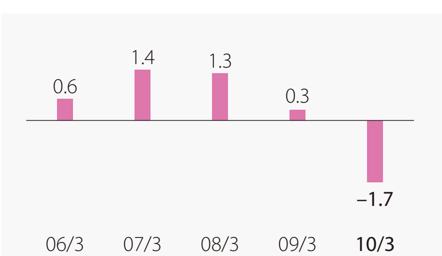
Consisting of real estate leasing, selling and management businesses, the Real Estate segment derives its revenue base from property leasing and management (commercial facilities and offices) and its condominium business. It boasts a varied and attractive business portfolio including commercial facilities such as Hankyu Nishinomiya Gardens, Hankyu Sanban Gai and HERBIS OSAKA/ENT, and the highly regarded *Geo* condominium brand in the Kyoto-Osaka-Kobe area. It is also involved in attractive, large-scale developments that are revitalising areas served by our stations. Examples include the Umeda Hankyu Building. With the opening of the department store (Phase I) in September 2009 and the Office Tower in May 2010, this complex has become a new landmark in Umeda, and can be expected to further contribute to the revitalisation of the Umeda area.



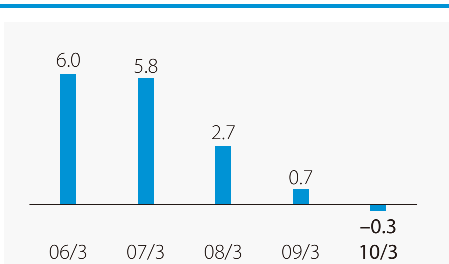
This segment offers a wide variety of live entertainment, centred on the sports business—the nationally popular Hanshin Tigers professional baseball team and their home ground and high-school baseball mecca, Hanshin Koshien Stadium—and the stage revue business, based on the hugely popular, globally renowned and original Takarazuka Revue. Other businesses include our advertising business, which uses advertising spaces on railways and other public transport; our cable TV business serving areas along Hanshin lines; and publishing (magazines and books). With this rich and broad media portfolio, the Entertainment and Communications segment aims to deliver inspiration and dreams to customers all over Japan.



An intermediary holding company, Hankyu Hanshin Express Holdings, now operates the Travel and International Transportation segment, after its two component businesses were reorganised in April 2010 and October 2009 respectively. The restructuring was aimed at building a platform for further strengthening competitiveness. In the travel business, Hankyu Travel International offers an original product range featuring the comprehensive and varied Trapics core brand and the Hanshin Travel Friend Tour line of package tours, with a focus on European destinations. Additionally, Hankyu Hanshin Business Travel offers high-quality business travel services. In international transportation, quality logistics services are provided through Hankyu Hanshin Express.



The Hankyu-Hanshin-Daiichi Hotel Group operates 44 hotels, consisting of 19 that are directly managed and 25 belonging to chains operated by franchise. It is one of Japan's most eminent hotel chains, with 8,461 guest rooms, as of 31st July 2010. The segment offers a wide range of hotel formats, from general-purpose "city hotels" to new style hotels (with very limited function facilities), and is particularly strong as a hotel operator with many directly-managed hotels in the Tokyo and Kansai areas, Japan's two major markets. In addition to chain operations, it also manages The Ritz-Carlton, Osaka, an international luxury brand with which it has formed an alliance.



This segment group comprises retail outlets operated mainly within the premises of stations along our lines (the "Ekinaka"), the Book 1st. bookstore chain, the *asnas* convenience store chain, the COLOR FiELD cosmetics and accessories chains, the DOUBLEDAY furniture and daily accessories chain and other sale-of-goods outlets. In addition to its extensive presence along the Hankyu and Hanshin lines, we have also opened Book 1st., COLOR FiELD and DOUBLEDAY stores beyond areas along our lines, drawing on our long experience in developing businesses to strengthen our competitive edge in our market.

Urban Transportation


Hanshin Electric Railway

Major Businesses

- Railway operations:
  Hankyu Corporation, Hanshin Electric Railway, Nosé Electric Railway, Kita-Osaka Kyuko Railway, Hokushin Kyuko Railway, Kobe Rapid Transit Railway
- Bus operations:
  Hankyu Bus, Hanshin Bus, Hankyu Kanko Bus, Osaka Airport Transport, Hankyu Denen Bus
- Taxi operations:
  Hankyu Taxi, Hanshin Taxi

Basic Information and Business Environment

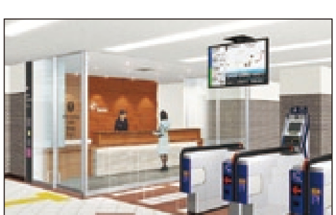
Population trends in areas served by our stations and initiatives to upgrade the transport network

In recent years, the population of the Kansai area has been in decline, with a low birth-rate and a rising proportion of elderly people. However, areas served by our stations are popular and populations here have maintained growth momentum since the trough of 1996, the year after the Great Hanshin-Awaji earthquake (please see Figure 1).

Furthermore, Umeda, the main hub of the Hankyu and Hanshin network, contains one of the largest concentration of retail premises in Japan. Including lines operated by other companies, approximately 2.4 million people use Umeda (Osaka) Station each day, making it the busiest station in western Japan. It also has the fourth-largest service catchment area*[1] of any station in Japan, after the three Tokyo terminals of Shinjuku, Shibuya and Ikebukuro*[2].

However, amid Japan's declining population, the number of people living in areas served by our stations is anticipated to fall over the long term, and other factors such as ongoing competition with private car ownership means the operating environment in the Urban Transportation Business is challenging (please see Figure 2).

In response to these conditions, the Group is taking every measure to ensure low-cost operations, for example by pooling the technology and know-how of the Hankyu and Hanshin, deploying personnel more efficiently (for example by having staff of both companies fill in for each other on major projects), and increasing the convenience of public transportation by upgrading stations and transport networks.


Ticket gates with a glass-walled information counter at Hankyu Railway stations

Hankyu and Hanshin remain committed to creating barrier-free station facilities. For example, at Hankyu Corporation stations, recording-enabled security cameras and passenger information displays have been installed, and major stations now have ticket gates with a glass-walled information counter. In this way we are committed to creating safe, secure and comfortable stations. Hanshin Electric Railway has also carried out extensive improvements to Sannomiya Station, including wicket and concourse improvements and installation of smoke expulsion systems and elevators.

One example of upgrading transport networks approach is the Hanshin Namba Line, opened in March 2009. This new line connects the business and tourist areas of Kobe, Osaka-Namba, and Nara without the need for transfers. Because many stations on it connect directly with networks operated by other rail companies, the line enhances connectivity within the Osaka-Kobe area and between south and east Osaka. These and other steps have generated new rail service demand. As a result, the Hanshin Namba Line has achieved all its revenue targets since the first fiscal year it was opened*[3], illustrating the importance of upgrading our network and the strong potential of our lines (please see Page 30).

Also, in April 2009, we made Kobe Rapid Transit Railway Co, Ltd. a consolidated subsidiary. This company's lines link up with those of four railway operators servicing Kobe City (Hankyu Corporation, Hanshin Electric Railway, Sanyo Electric Railway, and Kobe Electric Railway). Having full control over Kobe Rapid Transit Railway will pave the way for further enhancements to our railway network, including customer convenience.

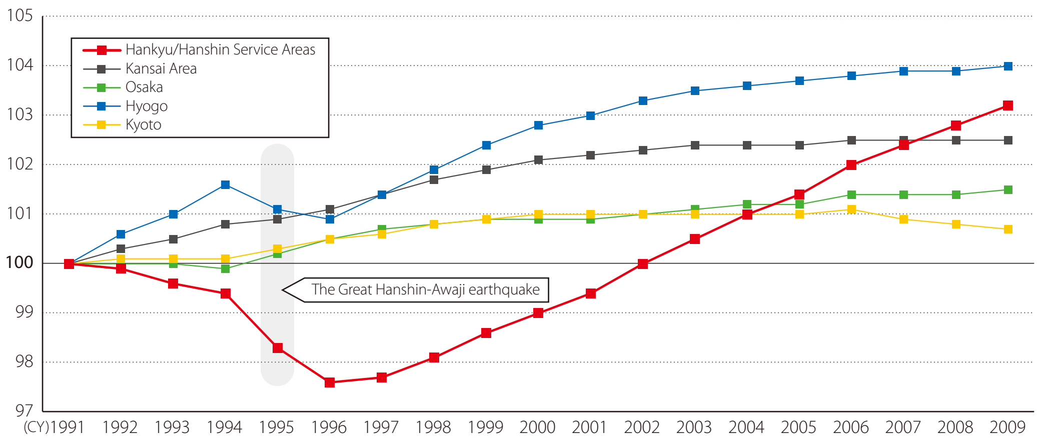
With only one-ninth of their CO_2 emission levels, railways have a far smaller environmental footprint than cars. Amid growing public concern over environmental issues, we are working to encourage even greater use of public transport by using a variety of approaches to communicate the eco advantages of railways to customers.

*1 Service catchment area of stations: Area around stations from which customers using the stations are drawn, including people residing, working, studying, etc. in the area. Bus routes bringing people in can also be counted as being in a catchment area.

*2 Source: Urban Transportation Report 2008 Edition (Institution for Transport Policy Studies). Figures are for 2007.

*3 We estimate that the opening of the Hanshin Namba Line will boost overall annual revenues at Hanshin Electric Railway by ¥3.8 billion under normal operating conditions. We targeted revenues in the first fiscal year of operation (fiscal year ended March 2010) at 80% of this figure, but with growing awareness of the line, we estimate revenues will expand at five percentage points annually, reaching our assumption for revenues under normal conditions in fiscal year ending March 2014.

Figure 1: Population Trends in Areas Served by Hankyu and Hanshin Lines (1991=100)



* Based on data in the Basic Resident Register, issued by the Ministry of Internal Affairs and Communications.

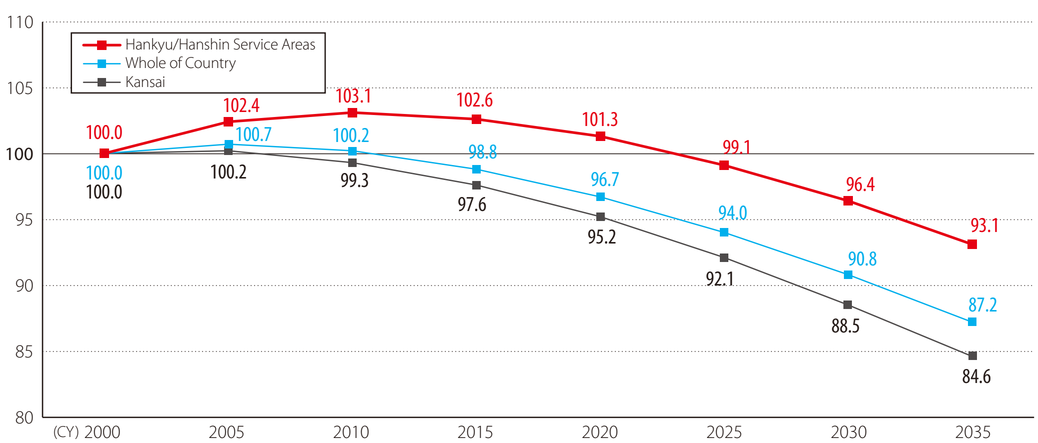
Hankyu/Hanshin Service Areas:
Following areas with stations of Hankyu Corporation, Hanshin Electric Railway (including tier 2 railway operator)

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

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

Kyoto:
Kyoto City (Nakagyo, Shimogyo, Ukyo, Nishikyo Wards out of 11 wards), Muko and Nagaokakyo cities, Oyamazaki Town

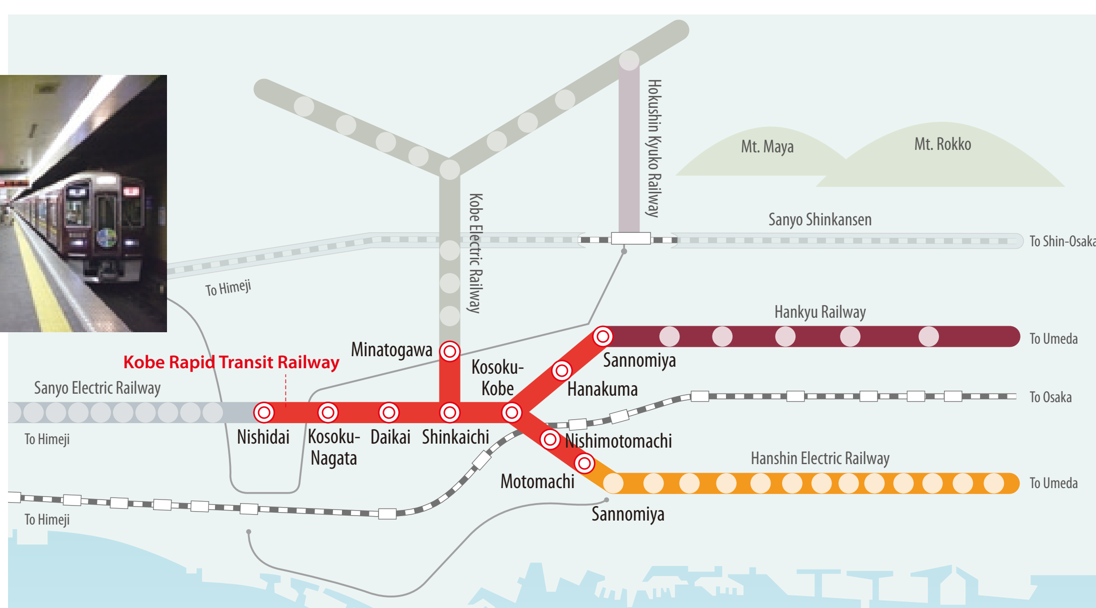
Figure 2: Estimated Changes in Population (2000=100)



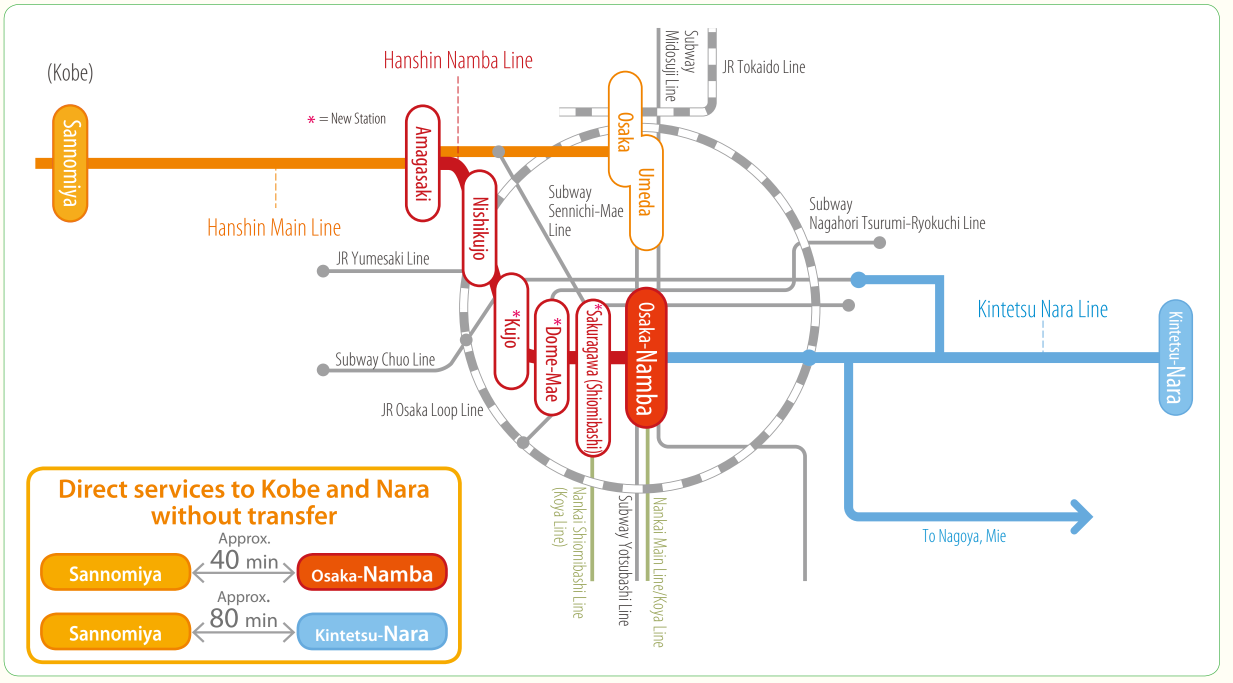
* Figures for 2000 and 2005 are based on statistics in the Population Census, issued by the Ministry of Internal Affairs and Communications. Estimates for 2010 onwards are based on Population Projections for Japan (as of December 2008), compiled by the National Institute of Population and Social Security Research using the 2005 National Census.

Kobe Rapid Transit Railway Line Route Map

Kosoku-Kobe Station



Focus: Expansion of rail network by opening the Hanshin Namba Line



Prior to the opening of the Hanshin Namba Line, there was no single-line connection between Kobe and Osaka-Namba—the so-called missing link in the transport network. However, with the opening of the Hanshin Namba Line in March 2009, this problem was resolved. Thanks to direct access under a trackage rights agreement with the Kintetsu Line, wide-area customer flow was realised between the Osaka-Kobe belt zone, and Osaka-Namba, eastern Osaka, and the Nara area. The Hanshin Namba Line also offers convenient transfers with other lines, enhancing connections in the Hanshin area and in central and southern Osaka. Customers can transfer onto the Subway Chuo Line at Kujo Station, Subway Nagahori Tsurumi-Ryokuchi Line at Dome-Mae Station, Subway Sennichi-Mae Line and Nankai Shiomibashi Line at Sakuragawa Station, and Subway Midosuji Line, Yotsubashi Line, and Nankai Main Line/Nankai Koya Line at Osaka-Namba Station.

With the opening of the Hanshin Namba Line, Hanshin Electric Railway is directly connected to Osaka-Namba station, the second-largest railway hub in Kansai. Meanwhile, the construction of three new interchange stations (Kujo, Dome-Mae, and Sakuragawa) that enable connection to existing lines has significantly enhanced the railway network in central Osaka. Also, direct access under a trackage rights agreement with the Kintetsu Line means that for the first time customers can travel between Kobe, Osaka-Namba and Nara without changing, realising wide-area customer flow for commuting to work or school, or for shopping and sightseeing. The new line allows direct transfers between Osaka's two main terminals, Umeda and Namba, via the Hanshin Line, significantly boosting convenience for travellers in the Kobe city and Hanshin areas.

The new line's contribution to revitalising the Kansai area and enhancing convenience has been recognised. In October 2009, the committee running Japan's annual Railway Day awarded Hanshin Electric Railway the 8th Japan Railway Award, and in February 2010, it received the Kansai Financial Seminar Prize 2010 from the Kansai Economic Federation and the Kansai Association of Corporate Executives. Going forward, we plan to enhance convenience and offer safe and convenient rail services on the Hanshin Namba Line, given its important role in increasing the potential of our railway network.

Performance for the Fiscal Year ended March 2010

Strong start by the Hanshin Namba Line, but earnings weak owing to impact of economic slowdown and H1N1 flu outbreak

In the year under review, the Hanshin Namba Line, which opened in March 2009, got off to a solid start. The line boosted revenues*[1] from railway operations on Hanshin lines by roughly ¥3,454 million, beating the original plan by approximately 14%.

However, owing to deterioration in employment conditions and weak consumer sentiment amid the slowdown in the economy, as well as the impact of the H1N1 flu outbreak*[2], revenues from railway operations*[3] declined ¥2,258 million, or 2.5%, year-on-year to ¥89,708 million (-2.4% for commuter passes, -2.5% for other tickets) at Hankyu Corporation, but rose ¥2,807 million, or 11.1%, to ¥28,038 million (+8.2% for commuter passes, +12.7% for other tickets) on Hanshin Electric Railway.

The opening of the Hanshin Namba Line, however, resulted in tier 2 railway operator*[4] line usage fees for the new section of the line, and an increase in depreciation related to new carriages and upgrades to station operating equipment. Revenues from operations were also affected by a decline in advertising revenues and a significant impact from the slowdown in the economy and the H1N1 flu outbreak, which was also felt by other railway and bus companies.

As a result of the above, revenues from operations in the Urban Transportation Business declined ¥129 million or 0.1% year-on-year to ¥195,114 million and operating income dropped ¥938 million or 2.9% to ¥31,552 million.

*1 The boost to revenues from the opening of the Hanshin Namba Line is not a year-on-year calculation. Rather, it is based on a comparison with estimated revenues from all Hanshin Electric Railway lines excluding the Hanshin Namba Line.

*2 In May 2009, the Kansai region experienced Japan's first major outbreak of H1N1 flu. The resulting panic reaction and decision by many to stay at home had a sharp impact on our transport businesses. A spike in H1N1 flu from autumn later in the same year also led to people staying at home.

*3 Total revenues from tier 1 and tier 2 railway operations at both Hankyu Corporation and Hanshin Electric Railway.

*4 Tier 2 railway operators are defined as companies that operate passenger and freight transport services using railway lines other than those under their ownership. In the case of the Hanshin Namba Line, the tracks, station and other assets on the new 3.8km section of line between Nishikujo Station and Osaka-Namba Station are owned by third-sector company Nishi-Osaka Railway Co., Ltd., and Hanshin Electric Railway, as a tier 2 railway operator, carries out actual operation of the line under the top-and-bottom (ownership/operation) separation method.

Forecasts for Fiscal 2011 Onward (Estimates Adjusted from 2007 Medium-Term Management Plan)

* Figures for each period are after application of "management approach" accounting.

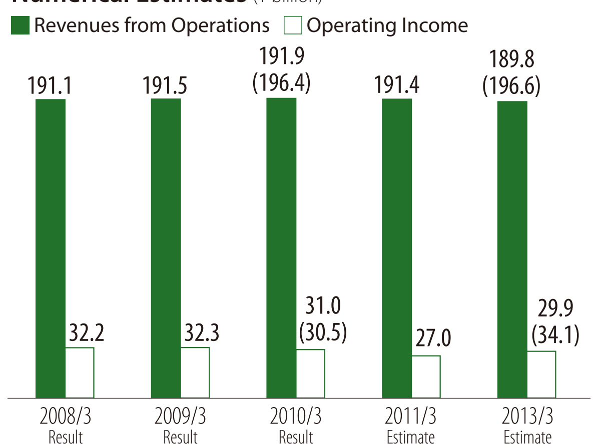
In light of current operating conditions, including a decline in revenues from commuter passes owing to deteriorating employment conditions, we have revised our projections for trends in revenues from operations. Based on these new assumptions, we have revised down our estimates announced on 15th May 2009 when we adjusted the estimates from our previous Medium-Term Management Plan.

For fiscal year ending March 2011, we estimate operating income will decline ¥4.0 billion or 12.9% year-on-year to ¥27.0 billion, reflecting a decline in revenues from operations amid weakness in the economy and special factors such as an increase in losses on disposal of fixed assets expenses related to underpass construction work on the Hankyu Line.

For the fiscal year ending March 2013, the final year of our current Medium-Term Management Plan, we project operating income growth of ¥2.9 billion or 10.7% versus our estimates for the fiscal year ending March 2011, to ¥29.9 billion. This outlook reflects our assumption of a rise in passengers on the Hanshin Namba Line and a corrective decline in the above losses on disposal of fixed assets as well as lower Hanshin Namba Line depreciation expenses.

* Please refer to note *[3] on Page 28.

Numerical Estimates (¥ billion)



* Estimates and results for each period are after application of "management approach" accounting (before 31st March 2010 figures are likewise adjusted for "management approach" accounting). Figures may differ from those given in "Performance for the Fiscal Year ended March 2010."

* Figures in brackets ( ) are previously adjusted estimates ("management approach"-adjusted for May 2009)

Basic Strategic Outlook

In the long term, while addressing the issues of declining population and intensifying competition with private transportation, and responding to calls for greater social responsibility (including creating barrier-free facilities) and other structural change in demand and markets, we will build competitiveness for sustainable growth and increase value along Group railway lines, through the following policies.

(1) Provide services of real value to our customers (various marketing policies and network development projects)

- Marketing initiatives to increase passenger numbers on the Hanshin Namba Line
- Integrated management including the Kobe Rapid Transit Railway

(2) Rigorously commit to low-cost operation (sharing and upgrading technologies and know-how)

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

- Safe transportation, steady progress in large-scale projects, grade separation work, and installation of barrier-free facilities

Message from Heads of Urban Transportation Business

Tsuneo Wakabayashi

Managing Director
Head of Urban Transportation Business
Hankyu Corporation

Takaoki Fujiwara

Managing Director
Head of Urban Transportation Business
Hanshin Electric Railway

On 10th March 2010 Hankyu Corporation marked the 100th anniversary of the commencement of business operations. We would like to take this opportunity to express our gratitude to all the customers who have used our services over the years, as well as to our business partners.

We are now ready to take on new challenges of the next 100 years, while continuing to uphold "safety" as the concept at the heart of all our business operations.

The first priority is reducing the environmental burden. Last year we operated our "Eco-train: Dreams and Communities of the Future" to raise public awareness of environment issues. This was very well-received by the travelling public, and was followed by the opening in March 2010 of Japan's first carbon neutral railway station at Settsu City (Settsu-Shi Station), which was achieved through the installation of energy conservation equipment and the use of carbon offsets to bring CO_2 emissions effectively down to zero.

The second priority is our commitment to providing safe and convenient services. In July, we set up the Hankyu Railway Traffic Information Centre as a central unit to handle all telephone inquiries relating to us. We also carried out renovation work to enhance customer convenience, including making ticket gates in all major stations fully visible to ticket office staff for more user-friendly service, and installing security cameras, multifunctional intercom systems, and up-to-date information display boards. In addition to these measures, we plan to cooperate with our customers and local governments to create communities served by our railway lines that more and more people will want to visit and even reside in.

I am pleased to say that our new Hanshin Namba Line, which opened in 2009 to directly link Kobe, Osaka, and Nara, is being used by many customers. The number of office and school commuters is also rising steadily, indicating that the line is playing an increasingly important role in the region. We plan to continue implementing measures that boost convenience and generate new demand on our line, in an effort to attract even more travellers to areas served by Hanshin lines and stations.

Also during the year under review, the Hankyu Hanshin Holdings Group is scheduled to take over management control of the Kobe Rapid Transit Railway Line in October 2010. Drawing on the Group's expertise, we intend to upgrade equipment and enhance customer service to reinvigorate the company and raise operational efficiency.

As an urban transportation business operator, safety is our primary concern, and we plan a number of steps to boost safety further, such as constructing underpasses and elevated tracks and upgrading railway safety equipment. We will also work to improve services for customers by making carriages, elevators, and multi-function toilet facilities barrier-free, while pushing ahead with the upgrades of Sannomiya and Mikage Stations.

Real Estate

Major Businesses

- **Real estate leasing:**
  Extensive property-holdings, mainly along Hankyu and Hanshin lines
  (For details of major properties, please see Page 10)
  Major companies: Hankyu Corporation, Hanshin Electric Railway
- **Real estate sales:**
  Subdivision and sale of residential land lots and sale of condominiums and single-family housing, mainly along Hankyu and Hanshin lines
  Major companies: Hankyu Corporation, Hanshin Electric Railway, Hankyu Realty
- **Real estate management:**
  Operation and management of buildings of various formats in the Kyoto-Osaka-Kobe and Tokyo areas, including buildings owned by the Group
  Major company: Hankyu Hanshin Building Management

Basic Information and Business Environment

Keeping our edge as the real estate leasing market weakens

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 (please see Page 10 for a list of our major properties). Overall rentable area operated by the Group was approximately 1,350,000m^2 (as of 31st March 2010). Half of this amount (approximately 650,000m^2, 60% commercial facilities and the rest office buildings) was 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 refer to Page 11 for detailed map of the Umeda area).

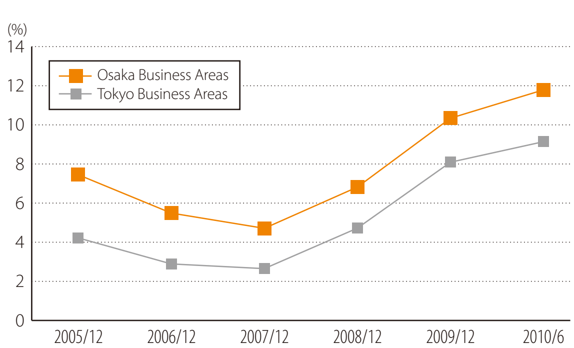
In the central Osaka business district, competition to attract tenants intensified as companies moved to cut costs through office integration and relocation. At the same time, a number of new buildings came onto the market, boosting supply. As a result, average vacancy rates have been on the rise from a low in October 2007, and average rents also continue to decline moderately. While the rise in the average vacancy rate halted in June 2010, and there are positive signs emerging, with some tenants seeking larger premises or additional office space within their existing sites*, but conditions remain difficult owning to an uncertain outlook.

Over the medium-term, demand for office space is likely to gradually increase as the economy recovers, but with a number of large-scale rental properties set to boost supply from 2010 through 2014, we expect the average vacancy rate to remain stubbornly high for the time being.

Additionally, in line with the cooling of consumer sentiment and the uncertain employment picture, commercial facilities can be expected to face declining tenant sales notably in city-centre locations, as buyers seek out lower-priced properties or opt out of the market for the moment.

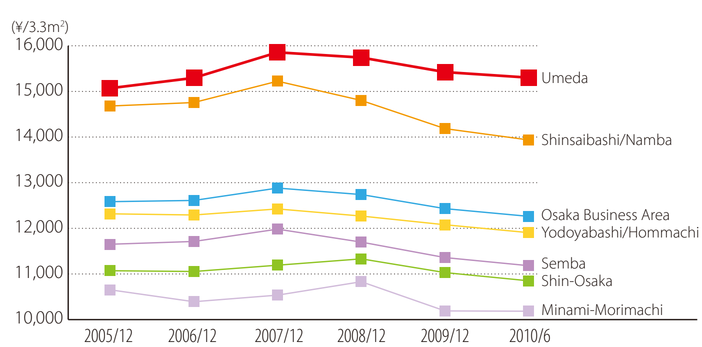
As the above suggests, the business environment surrounding the real estate leasing market is very challenging. However, the very competitive locations of our major rental office buildings close to the Hankyu and Hanshin Umeda stations means that even under such conditions, we can expect relatively stable earnings on the back of steady demand and rent levels. We likewise expect only limited impact on earnings from the decline in tenant sales at our commercial facilities, due to the relatively high proportion of rental income that is accounted for by fixed-rent leases. Moreover, we are seeing relatively stable tenant sales at commercial facilities which

Average Vacancy Rates for Office Buildings (Tokyo and Osaka Business Areas)



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

Average Rents for Office Buildings (Osaka Business Area)



Source: Miki Shoji, Latest trends in the office-building market depend on communities around stations served by our lines, due to strong demand for foodstuffs and daily essentials. In particular, Hankyu Nishinomiya Gardens, which has just celebrated its second anniversary, saw monthly sales performance improve year-on-year.

Looking ahead, in the Umeda area, a strategic priority for the Group, we expect new supply of major large-scale developments to trigger intensified competition in the office building and commercial facility markets. However, as market leader in this district, we are taking steps to improve vacancy rates at our properties and enhance the appeal and customer drawing power of the entire area, while leveraging our strong relationships with our tenants.

(Please refer to Page 25 for more details on the Umeda Hankyu Building.)

* Source: Miki Shoji, Latest trends in the Office-building market in Osaka (July 2010)

Major New Office Buildings Planned for the Osaka Business Area (2010–14)

Building name	Completion date	Total office space	Standard floor rental space	Project developer
Office Tower of Umeda Hankyu Building (excluding department store and other sections)	April 2010	Approx. 103,000m²	Approx. 2,800m²	Our Group (Hankyu Corporation)
Osaka Fukoku Mutual Life Insurance Building	October 2010	Approx. 68,500m²	Approx. 1,500m²	Fukoku Mutual Life Insurance Company
North Gate Building Office Tower	Spring 2011 (planned)	Approx. 40,000m²	Approx. 1,500m²	West Japan Railway Company (JR West)
Nakanoshima Festival Tower	Autumn 2012 (planned)	Unclear	2,644m²	The Asahi Shimbun Company, Asahi Building Co., Ltd.
Osaka Station North District Phase 1 Development Area Project	March 2013 (planned)	Approx. 236,800m²	Undecided	12 companies* including our Group (Hankyu Corporation)
Nakanoshima Daibiru West (provisional name)	Spring 2013 (planned)	Approx. 48,000m²	Approx. 1,300m², etc.	DAIBIRU Corporation
New Shin Daibiru (provisional name)	Spring 2014 (planned)	Approx. 76,000m²	Unclear	DAIBIRU Corporation

* The 12 companies participating in the Osaka Station North District Phase 1 Development Area Project are NTT Urban Development Corporation, Obayashi Corporation, Orix Real Estate Corporation, Kanden Fudosan Co., Ltd., Nippon Steel City Produce, Inc., The Sumitomo Trust and Banking Co., Ltd., Sekisui House, Ltd., Takenaka Corporation, Tokyo Tatemono Co., Ltd., Nippon Tochi-Tatemono Co., Ltd., Hankyu Corporation, and Mitsubishi Estate Co., Ltd.

Source: data from company websites, etc.

Signs of an upturn in sales in the condominium business

In the subdivision business, we market condominiums, single family houses, and residential land lots. The core business is *Geo* branded condominiums, supplied as high value-added properties sited in excellent locations, mainly in areas along Hankyu and Hanshin lines as well as in the Tokyo area. With *Geo* branded condominiums, the focus is on quality and functionality, and quality management is strict. Our goal is to provide long-term housing, using an integrated framework spanning land purchase, project planning and sales, and after-sales support. These efforts have been recognised by the public, with *Geo* receiving high evaluation marks in many categories in a survey on condominium brands run by the Osaka edition of the Nikkei newspaper (August 2009). Survey respondents gave *Geo* condominiums high scores for their refined design and desirability.

In 2009, condominium markets in the Tokyo and Kansai areas dropped sharply. The number of units supplied declined 16.8% year-on-year to 36,376 in Tokyo and 13.0% to 19,784 in Kansai. The number of units supplied nationwide totalled 79,595, falling below the 80,000 mark for the first time in 17 years.

Average sales prices fell 5.0% year-on-year (-1.2% per m^2) in the Tokyo area and 2.9% (-1.1% per m^2) in the Kansai area, with the rises of the past few years coming to an end. However, prices are gradually correcting to a more affordable level for first-time homebuyers, who primarily comprise children of the baby boomer generation.

In the remainder of 2010, we expect prices to continue correcting and property inventories to settle at a more appropriate level. We have also begun to see condominiums built on land developers have acquired since the financial crisis triggered by the collapse of Lehman Brothers commanding more reasonable prices. Also, amid an improvement in consumer sentiment supported by low interest rates and government policies such as increased tax breaks for the gift tax. Against these backdrops, we forecast an increase of more than 10% in supplies of condominium units, rising to 43,000 units in the Tokyo area and 22,000 units in the Kansai area. In addition, the monthly contract rate* for the period October 2009 to July 2010 has shown basic year-on-year growth momentum is in the Tokyo and Kinki areas. From May 2010 to July 2010, new supply of condominiums was higher year-on-year in both the Tokyo and Kansai areas.

Although uncertainties remain about the economic outlook, we see signs of an upturn in sales, centred on attractive properties in good locations.

Meanwhile, after a string of bankruptcies at newer developers following the collapse of Lehman Brothers, banks have remained cautious about lending to small and mid-size developers. As such, we expect real estate companies like ourselves, with strong brands and powerful financial backing from railway or trading company corporate groups, or specialist real estate company majors, to provide the bulk of condominium supplies.

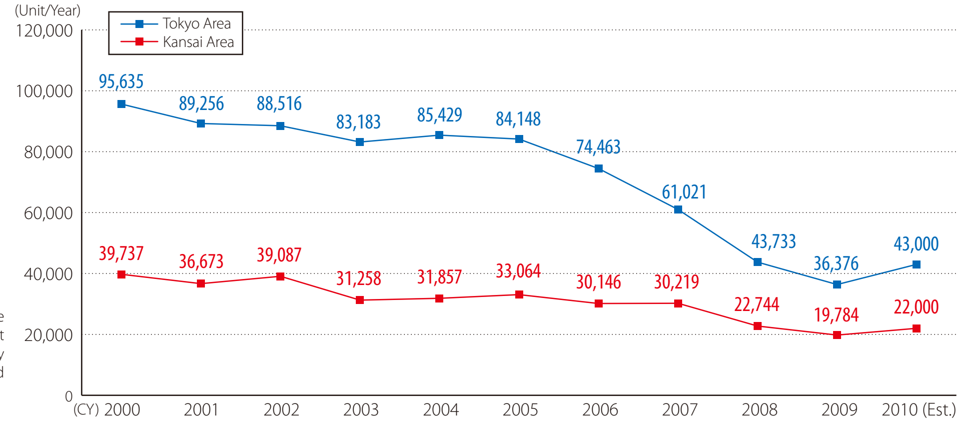
* The monthly contract rate is the proportion of newly released condominiums that are contracted for sale.

Note: The above figures and forecasts are based on research by the Real Estate Economic Institute Co., Ltd.

New Supply of Condominiums

(Tokyo and Kansai Areas)

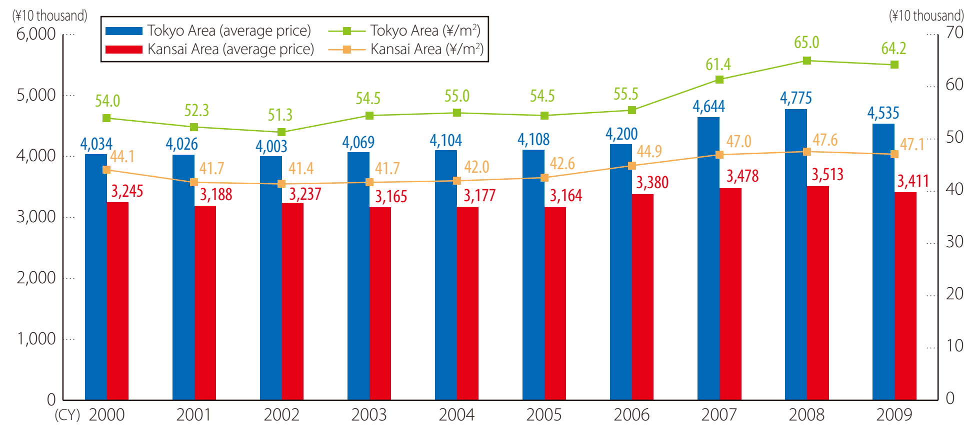
Source: Real Estate Economic Institute Co., Ltd.: National Condominium Market Trends 2009, Condominium Supply Forecasts in the Tokyo Metropolitan and Kansai Areas 2010



Condominium Prices

(Tokyo and Kansai Areas)

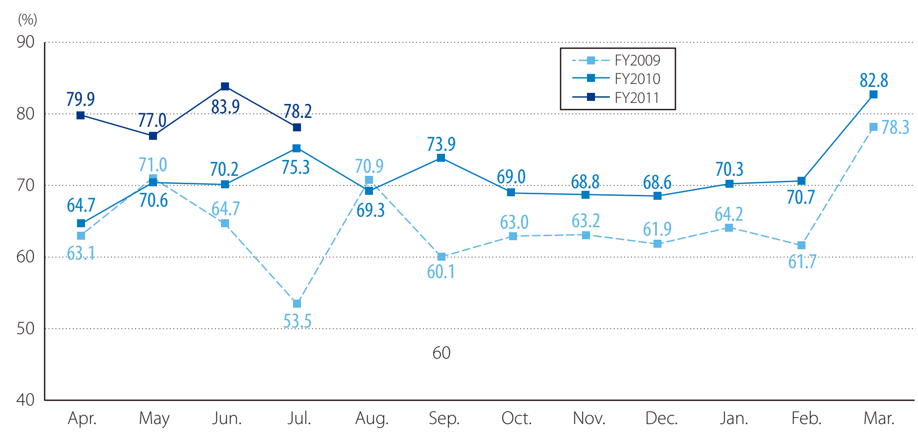
Source: Real Estate Economic Institute Co., Ltd.: National Condominium Market Trends 2009



Monthly Contract Rate

(Tokyo Area)

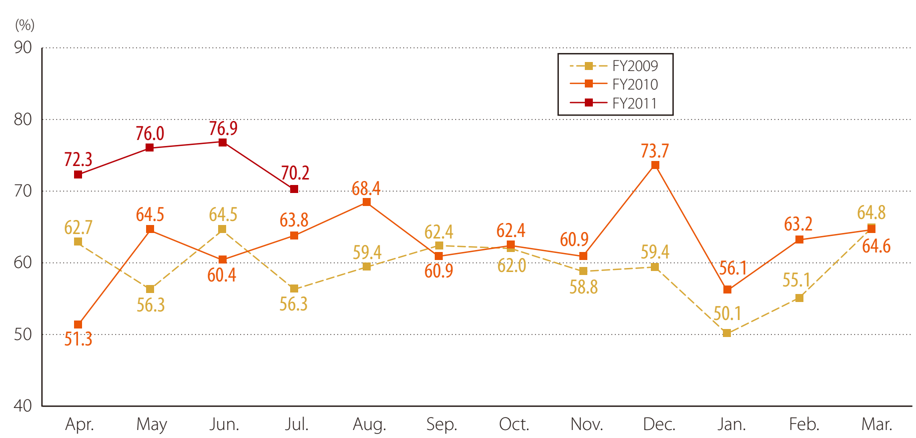
Source: Based on Condominium and Ready-built Housing Market Trends in the Tokyo Metropolitan Area, July 2010, compiled by the Real Estate Economic Institute Co., Ltd.



Monthly Contract Rate

(Kansai Area)

Source: Based on Condominium Market Trends in the Kansai Area, July 2010, compiled by the Real Estate Economic Institute Co., Ltd.



Performance for the Fiscal Year ended March 2010

The subdivision business performed well, but the leasing business saw profits decline owing to the economic slowdown and the impact of one-off factors

In the subdivision business, we rolled out new condominium developments mainly in areas near stations on the Hankyu and Hanshin lines, including *Geo* GRANDE Ibaraki Higashi-chujo Sakuradori (Ibaraki, Osaka Prefecture), The Senri Tower (Toyonaka, Osaka Prefecture), and *Geo* Koshienguchi 1-chome (Nishinomiya, Hyogo Prefecture). We also launched new projects in central Tokyo and its outlying suburbs. As a result, the number of properties sold rose by 148 units year-on-year to 1,064, supporting an increase in revenues and profits.

Residential land-lot sales centred on the Minoh Onohara Residence (Minoh, Osaka Prefecture), Takarazuka Yamatedai Residence (Takarazuka, Hyogo Prefecture), and Hapia Garden Higashi-kakogawa (Kakogawa, Osaka Prefecture).

In the leasing business, Hankyu Nishinomiya Gardens, opened in November 2008, performed strongly throughout the fiscal year. The Umeda Hankyu Building is currently being reconstructed, and the department store section (Phase I), which houses the Hankyu Department Store, was completed and opened in September 2009. The completion of this led to an increase in depreciation expenses, and floor space in the building was reduced from the second half of the fiscal year as the reconstruction project moved to Phase II of the department store. Also, the repurchase of the Hankyu Grand Building, which had been securitised, led to an increase in the tax burden due to higher real estate acquisition taxes. On top of these one-off factors, the vacancy rate at existing office buildings increased owing to the impact of the economic slowdown, and sales at tenants in retail facilities declined. Consequently, the leasing business reported year-on-year declines in revenues and profits.

As a result of the above, revenues from operations in the Real Estate Business declined ¥2,480 million or 1.4% year-on-year, to ¥169,205 million and operating income dropped ¥3,186 million or 9.7%, to ¥29,629 million.

Geo GRANDE Ibaraki Higashi-chujo Sakuradori

The Senri Tower

Geo Koshienguchi 1-chome

Forecasts for Fiscal 2011 Onward (Estimates Adjusted from 2007 Medium-Term Management Plan)

* Figures for each period are after application of "management approach" accounting.

In light of recent weakness in the real estate market, we have revised down our estimates announced on 15th May 2009 when we adjusted the estimates from our previous Medium-Term Management Plan.

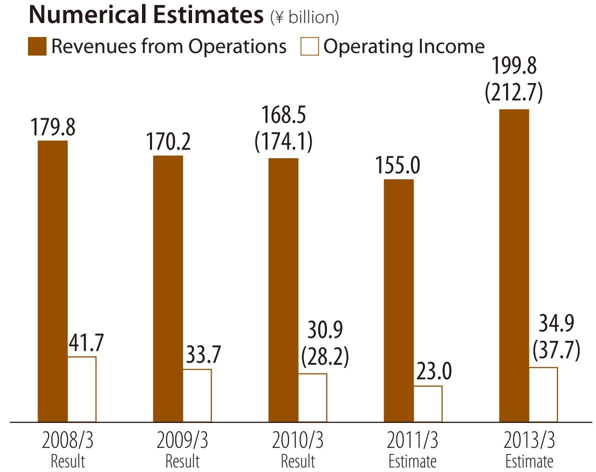
For fiscal year ending March 2011, we estimate operating income will decline ¥7.9 billion year-on-year or 25.6%, to ¥23.0 billion. This reflects an anticipated temporary drop in condominium units owing to the timing of new unit supplies, a full-year impact from reduced floor space at the Umeda Hankyu Building (connected to the shift in reconstruction work to Phase II of the department store), and a projected rise in taxes and depreciation expenses following the completion of Phase I in the Hankyu Building reconstruction project*1 and the Office Tower of Umeda Hankyu Building*2.

For fiscal year ending March 2013, we project operating income growth of ¥11.9 billion or 51.7% versus our estimates for fiscal year ending March 2011, to ¥34.9 billion. This is based on our assumption that condominium unit sales will increase and occupancy rates in the Office Tower of Umeda Hankyu Building will rise, as well as the completion of Phase II of the department store in the Umeda Hankyu Building and grand opening scheduled for spring of 2012.

*1 Opened 3rd September 2009

*2 Completed 1st April 2010, opened 6th May 2010

Numerical Estimates (¥ billion)



* Estimates and results for each period are after application of "management approach" accounting (before 31st March 2010 figures are likewise adjusted for "management approach" accounting). Figures may differ from those given in "Performance for the Fiscal Year ended March 2010."

* Figures in brackets ( ) are previously adjusted estimates ("management approach"-adjusted for May 2009)

Basic Strategic Outlook

We are taking the following measures as a matter of priority to further capitalise on our ability to create value along railway lines, which is underpinned by our strong brand image and sound reputation in the Kyoto-Osaka-Kobe area, and our project planning capabilities in commercial facility development, mainly in the Umeda area, and the *Geo* brand-led condominium business.

(1) By leveraging our expertise in community building, provide safe and convenient basic infrastructure and provide services that support community lifestyles

- Revitalise property assets to build value along our railway lines
- Supply condominiums and promote urban single-family housing along the Hankyu and Hanshin lines

(2) Enhance enterprise value and optimise cash flow by striking an appropriate balance between investments and returns

(3) Raise our profile in the Umeda area, through renovations of our properties

- Rebuilding of Umeda Hankyu Building, Chayamachi Redevelopment (Eastern District), and Osaka Station North District Phase 1 Development Area Project

Message from Heads of Real Estate Business

Takehiro Sugiyama

Managing Director
Head of Real Estate Business
Hankyu Corporation

Based on leasing operations, the Real Estate business works to increase the appeal of the Umeda area and other areas served by stations along Hankyu and Hanshin lines, and to maximise the asset value of the Group. Key businesses include commercial facilities and office buildings (the Umeda Hankyu Building and Hankyu Nishinomiya Gardens) and its condominium business (the *Geo* series).

As is well known, the operating environment surrounding the real estate business soured dramatically following the collapse of Lehman Brothers in autumn 2008, with the collapse in land prices and office demand and weak personal spending causing havoc in the market. Despite these difficult operating conditions, we continue to focus on the long term, and will invest in development projects that contribute to the development and the revitalisation of our region—creating communities along our lines that people find attractive to live in and visit—without overburdening our balance sheet. We believe that this policy will increase the value of areas served by our stations and enhance our own corporate value, fuelling growth for the entire Group.

Looking ahead, we will continue to make steady progress in ongoing development projects centred on the Umeda area, such as the rebuilding of Umeda Hankyu Building, and the Osaka Station North District Phase 1 Development Area Project. In this way, we aim to ensure sustainable growth for the Real Estate business, and contribute to the local community.

Yoshihiro Iwase

Senior Managing Director
(Representative Director)
Head of Real Estate Business
Hanshin Electric Railway

In contrast to specialist real estate companies that focus on expanding business scale, the real estate division of a railway company is also expected to help encourage greater use of the railways. We see our mission as building the sort of communities along our lines that will attract a growing number of residents, and providing the amenities they will need.

In this endeavour, the Umeda area is a strategic hub for both Hankyu and Hanshin, and we will continue working to raise the profile of the area. In addition to the ongoing rebuilding of the Umeda Hankyu Building, we are committed to the development of a "greater Umeda area" including West Umeda, where we are also involved in various projects. We regard this as an important future mission for the Hankyu Hanshin Holdings Group.

We are also engaged in single-family house building operations. By providing themed housing, we create beautiful townscapes that harmonise human habitations with the natural environment, and pleasantly spacious homes that feature extensive use of high ceilings, open stairwells and other multifunctional spaces. In these ways, we create and market attractive residential areas, helping raise the value of land along the Hankyu and Hanshin lines.

Entertainment and Communications

Major Businesses

- Sports business:
  Professional baseball business (the Hanshin Tigers) and Hanshin Koshien Stadium, and related businesses
- Revue and theatre business (stage business):
  Takarazuka Revue and related businesses; operation of Umeda Arts Theatre and promotion of stage productions
- Advertising, publishing/broadcasting, musical entertainment ("Billboard Live" club and restaurant chain), information technology services, and other leisure business

Basic Information and Business Environment

Strong fan base keeps the crowds coming

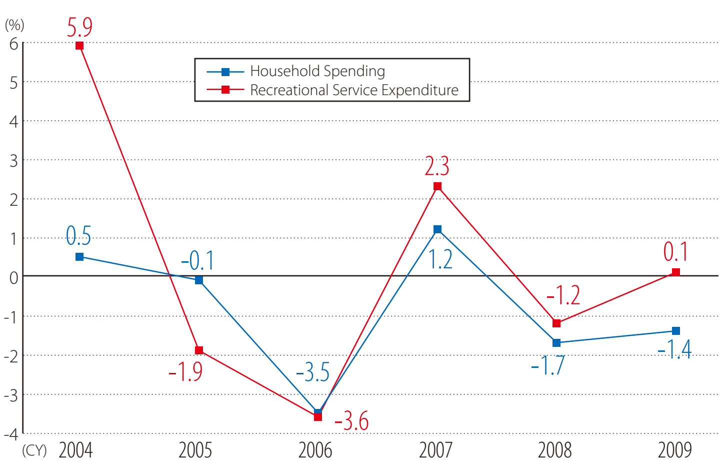
According to the Statistics Bureau's Family Income and Expenditure Survey, total household consumption expenditure in 2009 (real terms) excluding price fluctuation fell 1.4% year-on-year. However, recreational service expenditures posted real growth of 0.1% (though they fell 1.7% in nominal terms)

The live entertainment industry correlates relatively weakly with broader economic trends, and is widely seen as recession-proof. Consumers tend to choose live entertainment in genres with relatively low ticket prices, such as movies and sports, in place of other leisure activities, and the ailing economy is providing a boost to these categories*[1]. However, live entertainment has not been completely immune to the prolonged economic downturn. Consumers are being increasingly selective about the live entertainment they choose to watch and market polarisation has become more pronounced, with some types of entertainment attracting a high level of popularity while the rest struggle*[2].

The Hanshin Tigers and Takarazuka Revue continue to enjoy high levels of popularity, not only in Kansai but also throughout Japan, thanks to their passionate fan bases. We will continue to further increase customer drawing power by enhancing these powerful brands and ensuring consistently high levels of performance.

*1 *2 Source: "White Paper on Live Entertainment 2009," published by PIA Research Institute

Consumption Expenditure and Recreational Service Expenditure (total households, real change, %)



Source: Family Income and Expenditure Survey of the Ministry of Internal Affairs and Communications

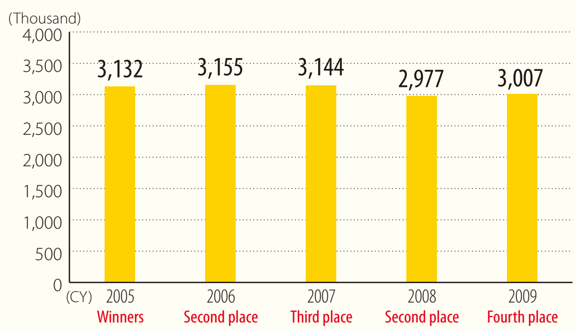
Focus: Killer attractions that deliver inspiration and dreams

The Group delivers inspiration and dreams through 'the Hanshin Tigers professional baseball team/Hanshin Koshien Stadium' and 'the Takarazuka Revue,' both of which are popular and enthusiastically supported not only in Kansai but throughout Japan, giving them unique brand recognition. In this feature, we give a brief overview of two of our unique strengths—attractions that significantly enhance the Group's brand value.

The Hanshin Tigers professional baseball team and Hanshin Koshien Stadium

The Hanshin Tigers have one of the longest histories among Japan's 12 professional baseball teams. They are also a highly popular team supported by a large and passionate fan base in their home area of Kansai, as well as in the rest of Japan. Attendances at host games in the pennant race have been the largest in Japan for the past five years, and the Hanshin Tigers was the only professional baseball team to register total attendances over 3 million in 2005-2007 and 2009.

Total Attendances at Hanshin Tigers Host Games



* Capacity at the Hanshin Koshien Stadium declined from 2008 following a renovation programme.

Opened in 1924, the Hanshin Koshien Stadium is steeped in history. The Hanshin Tigers have used the stadium as their home ground for more than 75 years since they were founded. The stadium also hosts Japan's national high school baseball championships, held in spring and summer each year, and is known nationwide as high school baseball's hallowed ground.

The third phase of a renovation project, which added the Museum of Hanshin Koshien Stadium and upgraded the exterior structure, ended in March 2010. This completed the stadium's renovation, which was carried out in three stages from 2007.

The Museum of Hanshin Koshien Stadium

Following the completion of the Hanshin Koshien Stadium renovation project in March 2010, the ground now houses the Museum of Hanshin Koshien Stadium under the outfield stand, where visitors can take in the history of the Hanshin Tigers, high school baseball and its stadium at a single location.

As the stage for spring and summer high school baseball and the Hanshin Tigers' home ground, as well as the venue for other major events such as college student American football competitions, the stadium has hosted many dramatic sports events since it was opened in 1924. Displays featuring memorable videos, photos, uniforms and other treasured exhibits take visitors on an 85-year journey through the history of high school baseball and the Hanshin Tigers, introducing famous victories, scenes and players from the past.

Museum guides also take visitors on stadium tours as part of the historical experience.

The Takarazuka Revue

Performances were given by the Takarazuka Revue all over Japan, based on its two main venues, the Takarazuka Grand Theatre (Hyogo Prefecture) (2,550 seats) and the Tokyo Takarazuka Theatre (2,069 seats). The Takarazuka Revue specialises in a wide range of western and Japanese-style stage productions including overseas musicals, as well as major musicals and shows performed throughout the year. In 2009, the troupe gave a total of 450 performances at both its theatres, and performed in front of a total of 2.5 million people during the year, including troupe tours of venues nationwide.

All-women cast open doors to a world of magic

The Takarazuka Revue Company is the only theatrical revue troupe in the world in which all of the performers are women. The male roles are portrayed so well and with so much sensitivity specifically because they are portrayed by women, fascinating and charming the female audience. This is because they are played by those who know a woman's feelings best. This is what holds women in thrall to the beautiful and graceful world of Takarazuka.

©Takarazuka Revue Company

Gorgeous costumes that bring the stage to life

Spectacular costumes play a large role in the splendour of the Takarazuka Revue. The Revue's exclusive costume staff manages all of its costumes, which use a variety of contrivances to add glitter to the stars.

©Takarazuka Revue Company

Five troupes and superior members

From 1933, The Takarazuka Revue comprised four troupes, called *Hana* (Flower), *Tsuki* (Moon), *Yuki* (Snow), and *Hoshi* (Star). On 1st January 1998, the *Sora* (Cosmos) troupe was added. Each troupe has its own stars in both the *Otokoyaku* (male role) and *Musumeyaku* (female role). In addition there are the *Senka* (superior members), who are not affiliated with any single troupe but instead work for each troupe as needed. These are the jewels of the Takarazuka Revue, deployed to bring perfection to performances.

Performance for the Fiscal Year ended March 2010

Both the sports and stage revue operations posted strong results, with the Entertainment and Communications Business the only segment to report sales and profit growth

In sports business, the Hanshin Tigers battled right to the end of the season for a place in the Climax Series playoff stage, cheered on by thousands of fans. An increase in the number of host games (six more than last year), as well as the renovation of Hanshin Koshien Stadium, which led to introduction of "Royal Suite" seating, improved food and beverage concessions, and an expansion in advertising space, all supported an increase in revenues in the sports operation.

In stage revue business (the Takarazuka Revue), shows were well attended, helping to drive revenue growth. *Elizabeth* performed by the *Tsukigumi* (Moon troupe) and performances to mark the departure of top stars from the *Tsukigumi* proved particularly popular during the year under review. In theatre business, the Umeda Arts Theatre put on a number of much-talked about performances, including the musicals *AIDA* and *Musashi*.

In the cable television business, we focused on our triple-play services, which offer discounted rates when users subscribe to a package of multichannel cable TV, cable internet, and Cable-Plus Phone services. Subscriber numbers grew steadily, partly on the popularity of our DVD *Raku Tori* easy-to-use TV recording service* launched in June 2009.

As a result of the above, revenues from operations in the Entertainment and Communications Business rose by ¥3,106 million or 3.1% year-on-year, to ¥103,667 million and operating income increased by ¥907 million or 10.8%, to ¥9,292 million.

* This service allows users to easily record high-definition TV programmes using a leased HDD/DVD set-top box.

Forecasts for Fiscal 2011 Onward (Estimates Adjusted from 2007 Medium-Term Management Plan)

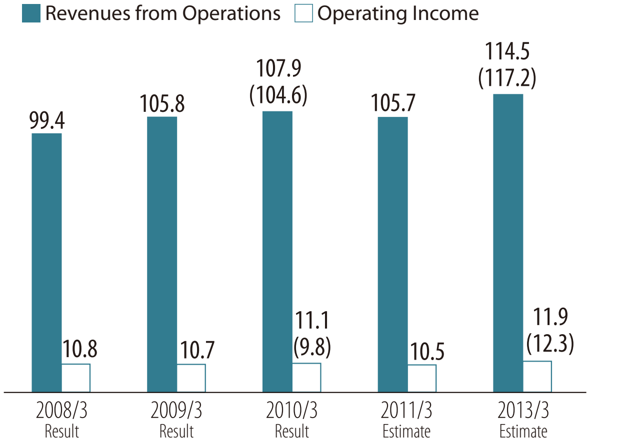
* Figures for each period are after application of "management approach" accounting.

In light of a decline in advertising demand amid persistent weakness in the economy, we have revised down our estimates announced on 15th May 2009 when we adjusted the estimates from our previous Medium-Term Management Plan.

For fiscal year ending March 2011, we estimate operating income will decline ¥0.6 billion or 5.4% year-on-year, to ¥10.5 billion, reflecting a decline in Hanshin Tigers host games, a drop in the number of performances at the Tokyo Takarazuka Theatre, as well as a decline in advertising demand due to continuing weakness in the economy.

For fiscal year ending March 2013, we project operating income growth of ¥1.4 billion or 13.3% versus our estimates for fiscal year ending March 2011, to ¥11.9 billion. This outlook reflects our assumption for growth in the cable television and information technology service businesses and a recovery in advertising demand as the economy turns up.

Numerical Estimates (¥ billion)



* Estimates and results for each period are after application of "management approach" accounting (before 31st March 2010 figures are likewise adjusted for "management approach" accounting). Figures may differ from those given in "Performance for the Fiscal Year ended March 2010."
* Figures in brackets ( ) are previously adjusted estimates ("management approach"-adjusted for May 2009)

Basic Strategic Outlook

As a group committed to offering inspiration and dreams, we plan to further enhance the appeal of our unique attractions: the Hanshin Tigers, Hanshin Koshien Stadium, and Takarazuka Revue. We will also work to upgrade our media operations so that we can offer this content to fans through a variety of channels. Therefore, we will strengthen our revenue base, enhance the aura of the Group and build brand strength and greater value along our lines. Based on this basic policy, we will target the following issues:

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

- Increasing the appeal of live events (create superior attractions, and foster or acquire star talent (player), increase the appeal of live-event venues, and use membership schemes)
- Upgrading and expansion of media use (enhance the appeal of existing media, broaden the range of media channels, develop a better media mix, and strengthen online publicity)

(2) Establish a communication and media business base

- Boost the value of media operations in areas served by our stations
- Develop information technology service solutions both inside and outside the Group

(3) Leverage our leisure facilities (facilities on top of Mt. Rokko, Takarazuka Garden Fields, etc.)

- Enhance synergies between customer-oriented facilities and enhance joint promotions
- Boost the appeal of the Mt. Rokko viewing area with the opening of the Rokko-Shidare observatory.

Message from Heads of Entertainment and Communications Business

Eiji Igata

Senior Managing Director
(Representative Director)
Head of EC Business
Hankyu Corporation

Every year, the Takarazuka Revue attracts 2.5 million spectators annually—over one-tenth of the total stage show market in Japan, which is said to be worth around ¥160 billion. Particularly noteworthy is the popularity of the Tokyo Takarazuka Theatre, which has been booked out for every performance since re-opening in 2001.

The spread of digital technology is making its presence felt in the world of stage shows, and we are adapting our business model in response. We are working to further expand our exploitation of a wide range of media so as to deliver the Takarazuka Revue experience to a wider audience. These new formats include the Takarazuka Sky Stage communication satellite broadcasting service, and the Takarazuka Channel (the Takarazuka Revue's official mobile phone site). We believe that this is possible precisely because of the superior quality of the shows put on by the Takarazuka Revue—the only stage shows in Japan that are brimful of originality—which deliver inspiration and dreams to our audiences.

In 2014, the Takarazuka Revue celebrates its 100th anniversary. The troupes' productions now have a long and proud history, and have developed their own unique traditions. The inimitable Takarazuka style has been nurtured by the consistent and continuous concentration in the city of Takarazuka of all the performers, support staff, and facilities such as practice rooms. This is the solid foundation that has enabled the creation of high-quality stage productions. We aim to enhance the earning power of the Revue through further advances in the troupe's artistic attainments, so as to make its live shows even more popular.

Yoji Kido

Managing Director
Head of EC Business
Hanshin Electric Railway

In our baseball business we continue to raise the brand image of our proprietary Hanshin Tigers professional baseball team so as to deliver inspiration and dreams. In the spring of 2010 we completed a three-year renovation of the Hanshin Koshien Stadium, which is famous throughout Japan, and are now able to offer all spectators a comfortable and thoroughly enjoyable viewing environment. Through the recently completed renovation project, we have made great strides in boosting the stadium's earning power. New features include the introduction of "Royal Suite" seating, and installation of the "Liner Vision" video display board, which functions as a medium for both boosting spectator morale and for advertising. We also completely revamped the stadium's bars and restaurants to offer new, appealing menus. In addition, we have created the Museum of Hanshin Koshien Stadium, through which we hope to widen our fan base over the medium term.

Regarding business operations other than baseball, in our cable television business we not only provide a wide range of attractive and varied TV channels, but are also expanding our operations through our "triple-play service" package (cable television, high-speed internet connection and IP phone services). Meanwhile, at our facilities on Mt. Rokko, which is one of the most popular tourist spots in the Kansai region, this summer we opened the Rokko-Shidare observatory, a viewing platform that is expected to be a big crowd-puller. In all our Entertainment and Communications businesses, we aim to raise customer satisfaction and further strengthen our earnings.

Travel and International Transportation

HANKYU HANSHIN EXPRESS (NETHERLANDS) B.V.

Major Businesses

Travel Business:
Hankyu Travel International Group (7 companies)
Total billings: ¥381.8 billion (No. 2 in the Industry)
Overseas Travel: ¥245.2 billion (No. 3 in the Industry)
Domestic Travel: ¥135.4 billion (No. 6 in the Industry)
* Total billings are based on fiscal year ended March 2010 actual results; total of Hankyu Travel International and Hanshin Travel Service.

International Transportation Business:
Hankyu Hanshin Express Group (25 companies)
Sales: ¥127.3 billion
Air exports from Japan (Weight): 66,219 tons (No. 4 in the Industry)
Air imports to Japan (Number of customs clearances): 218,473 (No. 4 in the Industry)
* Sales are actual figures for fiscal year ended March 2010; total of Hankyu Hanshin Express Group.

Basic Information and Business Environment

Travel

Aiming to achieve the highest customer approval ratings in the industry

The Hankyu Hanshin Holdings Group's travel business is especially strong in overseas operations, placing third in the sector in terms of overseas billings in fiscal 2010. The Group has also risen to sixth position in the domestic travel segment, and is now ranked second in the travel industry based on overall billings.

Since the 1990s, Hankyu Travel International has focused on using newspapers and other media (mail-order and online sales) to market its travel packages, which are organised under five brands: Trapics, the company's mainstay brand; Crystal Heart, offering a high level of support and comfort to repeat customers; Royal Collection, the ultimate in travel quality; *e-very*, offering flexible packages to experienced travellers; and Hanshin Travel Friend Tour, a line of package tours.

Despite a challenging operating environment in fiscal year ended March 2010 owing to persistent weakness in the economy and the impact of the H1N1 flu outbreak, active marketing efforts supported share market gains for the travel business both in Japan and overseas (please see the graph below).

Looking ahead, we plan to boost the added value and quality of our travel products, and also 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 security, safety and providing inspiration and dreams. Based on this approach, the Group will work as one to win the support of even more customers.

Total Travel Billings (Fiscal 2010)

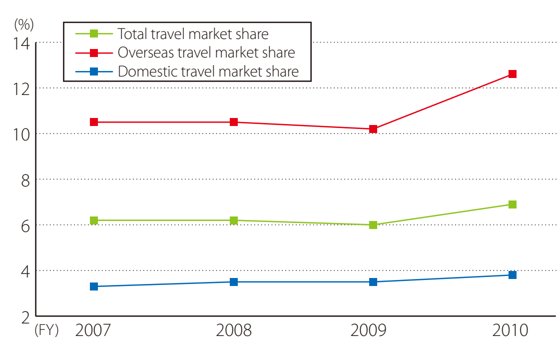
Rank	Company name	¥ billion
1	JTB Group (14 companies)	1,078.2
2	Hankyu Travel International + Hanshin Travel Service	381.8
3	Kinki Nippon Tourist	380.3
4	Nippon Travel Agency	347.4
5	HIS	280.0
6	JTB Traveland	223.9
7	ANA Sales	204.4
8	JTB World Vacations	191.9
9	Club Tourism International	133.8
10	JAL Tours	122.7

Overseas Travel Billings (Fiscal 2010)

Rank	Company name	¥ billion
1	JTB Group (14 companies)	338.3
2	HIS	262.8
3	Hankyu Travel International + Hanshin Travel Service	245.2
4	JTB World Vacations	191.9
5	Kinki Nippon Tourist	122.6
6	Nippon Travel Agency	102.7
7	JALPAK	67.1
8	Nippon Express	58.9
9	JTB Traveland	56.0
10	Club Tourism International	45.3

* Source: Hankyu Hanshin Holdings, based on Japan Tourism Agency Bulletin (online): Business Volume for Major Travel Agents (April 2009 to March 2010)

Travel Business Market Share



* Source: Hankyu Hanshin Holdings, based on Japan Tourism Agency Bulletin (online): Business Volume for Major Travel Agents

International Transportation

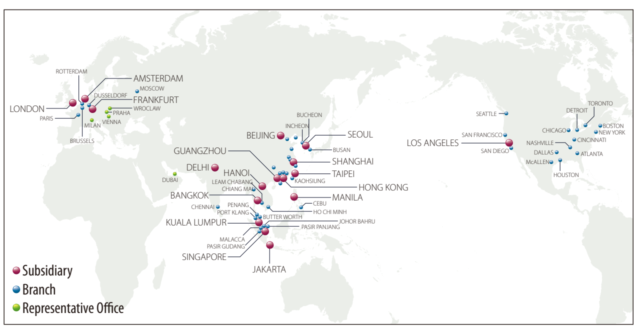
An advanced logistics provider using IT to lead the global market

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. The efficient combination of multiple transportation modes worldwide forms an infrastructure that allows us to respond to the complex logistics needs of our customers as an advanced logistics provider with an advanced distribution management system.

The business environment in fiscal year ended March 2010 remained tough owing to the prolonged economic downturn since the financial crisis of autumn 2008. However, active marketing activities are boosting the international transportation business' share in both the freight import and export markets (please see the graph below).

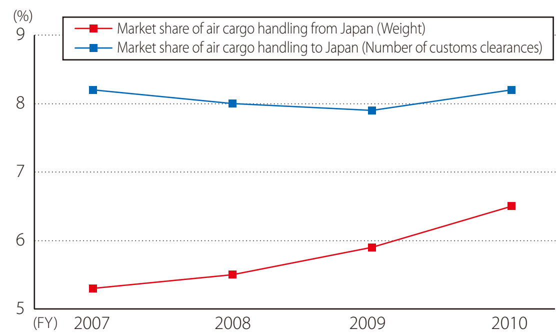
With the global distribution market continuing to expand, we plan to open new sites in growth markets and increase the Group's brand value overseas as a powerful company capable of supporting customers' logistics strategies with high-quality services and systems.

Overseas Network (22 Companies, 88 Locations)



Number of locations: 58 in Japan, 88 overseas
Number of employees: 889 in Japan, 1,817 overseas

International Transportation Business Market Share



* Source: Hankyu Hanshin Holdings estimates, based on data from the Japan Aircargo Forwarders Association and company websites

Focus: Hankyu Hanshin's expanding global reach

In May 2009, the Chinese government relaxed its regulations on foreign travel agencies operating in China. In April 2010, taking advantage of this development, Hankyu Hanshin became the first foreign travel company to open a branch office in the country. The new office has been opened in Shanghai as a subsidiary of Hankyu International China Co., Ltd. (Beijing). We have positioned China as our second key overseas market after Europe and we plan to enhance travel quality and security management systems going forward.

The international transportation business has actively been expanding its reach, primarily into growth markets. It opened offices in Mumbai (local Indian subsidiary) in July 2010 and in Nanjing (local Chinese subsidiary) the following month. In China, the company has now largely completed its network in coastal areas centred on the major cities, and it next plans to strengthen its presence in inland areas. With India expected to play an increasingly important role in the world's economy, the international transportation business will open more sites in the country and actively implement other steps in this promising logistics market that are in step with the dynamic developments in the global economy.

Our Units in China (International Transportation Business)

Performance for the Fiscal Year ended March 2010

The travel business was hit by a flood of cancellations, mainly for overseas trips, owing to the H1N1 flu outbreak. The business subsequently saw greater success in attracting customers by actively launching new strategic products and rolling out other sales initiatives. Nevertheless, these efforts failed to fully offset the impact of H1N1 flu.

In the international transportation business, there was an easing in the sharp contraction in demand triggered by the rapid deterioration in the global economy from autumn 2008. While there were signs of a recovery, mainly in Asia, cargo shipments originating in Europe and the US remained weak and business overall was challenging.

As a result of the above, revenues from operations in the Travel and International Transportation Business declined ¥2,951 million or 4.5% year-on-year to, ¥62,854 million and operating income dropped ¥1,175 million or 81.0%, to ¥276 million.

Forecasts for Fiscal 2011 Onward (Estimates Adjusted from 2007 Medium-Term Management Plan)

* Figures for each period are after application of "management approach" accounting.

In our adjusted estimates for the travel business, we have factored in the impact of a drop in commissions on sales of domestic airline tickets and sluggish sales prices owing to continued weak consumer spending.

We project steady growth in profits through the fiscal year ending March 2013 on the back of recovery after the H1N1 flu outbreak, expanded overseas and strengthened domestic travel marketing, and cost reductions, leading to a better revenue-expense balance.

We also expect steady growth in earnings in the year ending March 2013 through marketing initiatives in all categories, buoyed by a pickup in the national economy.

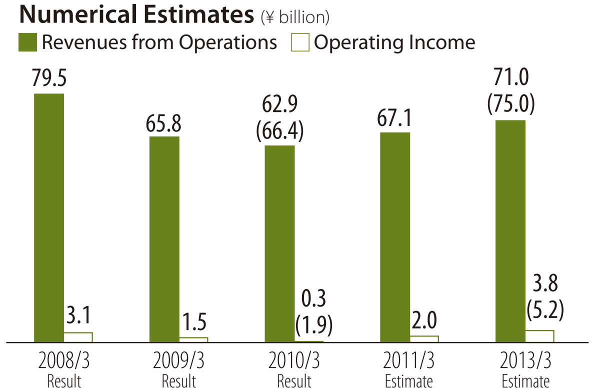
However, in the international transportation business, our adjusted estimates have factored in slowdowns and persistent weakness in the global economy that is likely to damage near-term profitability.

We expect a better balance of revenue and expenses in the year ending March 2011, on the back of moderate recovery in demand as the global economy recovers. Other factors include a strengthening of fundamentals through expansion of bases in promising overseas markets and a focus on next-generation growth sectors, as well as creation of economies of scale through integration of businesses in Japan and overseas, and service upgrades.

In the year ending March 2013, we expect to post growth in earnings on continuing recovery in the global economy as well as through the above-mentioned sales campaigns coupled with realisation of synergies from integration of domestic and overseas units.

As a result, for the businesses combined, we estimate that operating income will rise ¥1.7 billion year-on-year to ¥2.0 billion in the fiscal year ending March 2011, from a trough in the fiscal year ended March 2010. We project further growth of ¥1.8 billion verses our estimates for the fiscal year ending March 2011, to ¥3.8 billion.

Numerical Estimates (¥ billion)



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* Figures in brackets ( ) are previously adjusted estimates ("management approach"-adjusted for May 2009)

Basic Strategic Outlook

Travel

Under a basic strategy calling for "delivering inspiration and dreams" through the development of feature-rich products, we are aiming to shift away from competition on price to focus more on offering customers added value. The objective is to win over the genuine support of customers, secure stable earnings, and achieve improvement in the following areas.

(1) Raise customer satisfaction levels

• Consistent quality management; comprehensive risk management

(2) Stronger sales capacity

• Stronger lineup of pre-planned package tours ; expanded sales channels; stronger corporate client sales

(3) Foundation for consistent profits

• Stronger, more efficient purchasing department; improved process efficiencies in back office/administrative departments

International Transportation

We are pursuing a basic strategy that calls for "delivering reliable services and well-being" through an advanced logistics systems network. Expanding our global network and delivering higher quality services in this area will lead to stability and growth, driven by improvements in the following areas.

(1) Strengthen our earnings base and marketing capabilities

- Target opportunities in next-generation growth industries and global business
- Expand involvement in the marine cargo/logistics business
- Reinforce presence in Asian import market in North America and distribution market within Asia

(2) Expand network in promising markets

(3) Pursue low-cost operations

- Boost efficiency of consolidated cargo operations, integrate workflow processes, and renovate computer systems

Message from Heads of Travel and International Transportation Business

Travel

Ichiro Namai

President
Hankyu Travel International

Hankyu Travel International was originally established as an airline agency business in 1948, when it signed Japan's first agency contract with Pan American World Airways of the US. This year, 62 years on, Hankyu Travel International took over the Friend Tour business from Hanshin Travel Service Co., Ltd. and is currently working to expand its travel business as a newly regenerated company.

Since the early 1990s, we have focused on using newspapers and other media to market our travel packages, sold under the mainstay Trapics brand. Our basic strategy is to shift away from competing on price to offering more value to consumers. Guided by our customer-first approach, we work on a daily basis to offer value such as quality and security from the perspective of the customer. Even in customised group package tours, we have won praise from customers for our constant efforts to turn their demands into a reality.

Going forward, we will continue to boost the added value and quality of our travel products and also broaden our lineup to satisfy increasingly diverse demands in the travel market. By further developing our already strong presence in multi-channel marketing, customised group tours and other areas, and by enhancing our online sales, the whole business will work as one to help as many people as possible experience the fun of travel.

International Transportation

Seisaku Okafuji

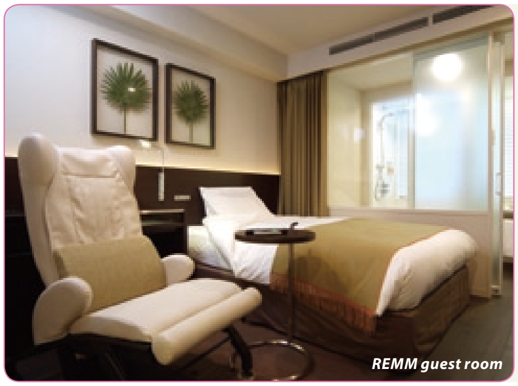
President
Hankyu Hanshin Express

Hankyu Hanshin Express was formed as a new international logistics company on 1st October 2009 through the merger of Hankyu Express International and Hanshin Air Cargo. With the integration of overseas subsidiaries now complete, we aim to combine the experience and expertise of operations in both Japan and overseas to become a comprehensive logistics company that is one step ahead of the competition.

Since moving into the international air cargo business as Japan's first IATA cargo agent in 1948, the company has provided the whole range of distribution services—from marine freight transport and customs clearance through logistics and distribution consulting services. Leveraging our 50-year track record and expertise, the services we offer that help customers optimise their logistic operations have won a high level of trust in the market.

To support our future growth, we will focus on enhancing our logistics network spanning five regions worldwide—Japan/Korea, the Americas, Europe, rest of Asia, and ASEAN—and on strengthening training programs to cultivate the professional human resources we need. By tapping the strengths of the Group and providing high-quality services, we will work to boost the value of the Hankyu Hanshin brand amid ongoing expansion in the global logistics market.

Hotels



REMM guest room

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.

Basic Information and Business Environment

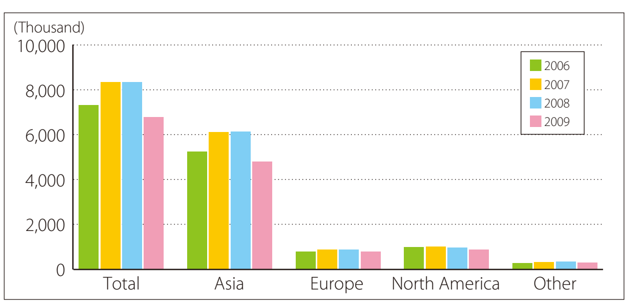
Conditions in the hotel market

According to estimates by the Japan Productivity Center*1, Japan's hotel market continued to expand from 2003 through to 2007, when it was worth ¥1,093 billion. However, conditions in Japan, together with the global hotel market, slowed rapidly amid the dramatic deterioration in the global economy triggered by the collapse of Lehman Brothers in autumn 2008. The value of the domestic market contracted to ¥1,038 billion. Based on statistics compiled by the Japan Tourism Agency*2, hotel room demand slumped in 2009 in both the domestic tourist and business travel categories.

In addition, the Japan Tourism Agency, which was set up in October 2009, is aiming to attract 10 million overseas (inbound) visitors to Japan by 2010 under its Tourism Nation Promotion Basic Plan. However, according to the Japan National Tourism Organization (JNTO), overseas visitors in 2009 declined by a sharp 18.7% year-on-year, to 6.79 million, with visitors from Asia registering a particularly large drop of 21.8% (including declines of 33.4% for South Korea and 26.3% for Taiwan). Our hotels in the Kansai region had seen success in attracting visitors from Asia, so were hit hard by the drop in Asian visitors*3.

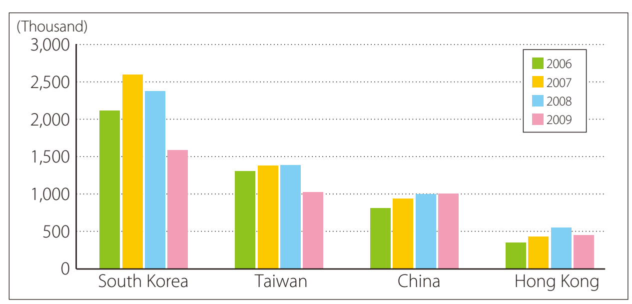
*1 White Paper on Leisure, fiscal 2010 edition, published by the Japan Productivity Center
*2 Travel Accommodation Statistics, Japan Tourism Agency
*3 Statistics of foreign tourists visiting Japan, Japan National Tourism Organization (JNTO)

Numbers of Overseas Visitors to Japan



* Source: Hankyu Hanshin Holdings Group, based on Statistics of foreign tourists visiting Japan, Japan National Tourism Organization (JNTO)

Numbers of Overseas Visitors to Japan (Main Asian Countries)



* Source: Hankyu Hanshin Holdings Group, based on Statistics of foreign tourists visiting Japan, Japan National Tourism Organization (JNTO)

Efforts to attract inbound visitors to our hotels

In July 2009, the JNTO relaxed visa requirements for private visitors from China and is currently taking other steps to encourage more people from China to visit Japan. In response to these moves, we created a Chinese language version of the Hankyu Hanshin Hotels website, began accepting payments with Chinese credit card China UnionPay at our hotels REMM Hibiya and REMM Akihabara, and worked to tap demand among Chinese visitors for shopping trips to Ginza and Akihabara. Looking ahead, we plan to launch a Korean-language website in December 2010 and boost the entire Hankyu-Hanshin-Daiichi Hotel Group's information provision for the Asian market to attract even more hotel reservations from Asian visitors.

This website for the Hotels group is translated into simplified Chinese.

Focus: New REMM hotel brand gains ground among customers and boosts brand visibility

Our new hotel brand REMM (a format featuring specially designed guest rooms ensuring "a good night's sleep," including custom-made beds) has proved popular with many customers since the opening of REMM Hibiya in November 2007 and REMM Akihabara in April 2008, with both hotels performing well amid stiff competition in a weak economy. In its 20th May 2010 edition, the weekly magazine *Shukan Bunshun* published a list ranking the Tokyo hotels people would most likely to stay at during a business trip. Both our REMM hotels did well, with REMM Hibiya coming top and REMM Akihabara placing eighth.

In order to further raise the visibility of the REMM brand, which is at the centre of efforts to develop our hotel chain, and build a stronger business base using high-margin, recession-proof formats (focused on lodging services), we plan to open new REMM hotels in Kagoshima in October 2011 and near Shin-Osaka Station in autumn 2012.

Occupancy Rates at Major Hotels

(%)

	2008/3	2009/3	2010/3
Hotel new Hankyu Osaka	92.7	89.3	87.4
Hotel Hankyu International	87.2	81.4	70.8
Dai-ichi Hotel Tokyo	82.9	79.5	79.6
Senri Hankyu Hotel	89.2	86.4	85.2
The Hotel Hanshin	87.2	87.4	84.7
Dai-ichi Hotel Tokyo Seafort	85.8	84.8	83.5
REMM Hibiya	72.7	80.3	82.5
REMM Akihabara	—	75.5	81.9

Performance for the Fiscal Year ended March 2010

Hotels Business hit by economic slowdown and H1N1 flu outbreak

Amid weak demand from individuals and business travellers owing to the weak economy, Hankyu Hanshin Hotels established an online business promotion division, in October 2009. This division supports our online strategy by enhancing the functionality of our hotel reservation portals and adding English- and Chinese-language sites. We have also strengthened our membership card strategy. Specifically, we worked to attract new customers with a promotional campaign for our subscription-based club card and enhanced links with other cards issued by the Group. Our customers can now convert credit card points into hotel products and services such as overnight stays and restaurant vouchers. Also, we further enhanced business operations by overhauling work processes. Despite these efforts, our hotels, particularly in the Kansai area, continued to face challenging operating conditions which were exacerbated by the H1N1 flu outbreak.

As a result of the above, revenues from operations in the Hotels Business declined ¥5,480 million or 8.2% year-on-year, to ¥60,977 million. We posted an operating loss of ¥1,705 million, compared with income of ¥341 million in the previous year.

Forecasts for Fiscal 2011 Onward (Estimates Adjusted from 2007 Medium-Term Management Plan)

* Figures for each period are after application of "management approach" accounting.

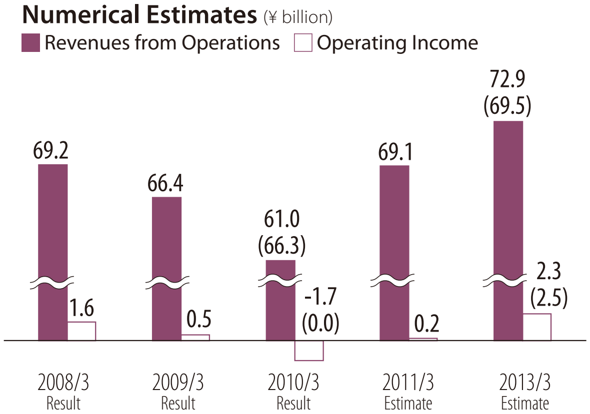
Factoring in a decline in room rates and lower orders for banquets and wedding receptions, we have revised down our estimates announced on 15th May 2009 when we adjusted the estimates from our previous Medium-Term Management Plan.

For fiscal year ending March 2011, we expect to return to profit, posting operating income of ¥0.2 billion, a ¥1.9 billion improvement, reflecting a decline in rental costs following the repurchase of the Dai-ichi Hotel Tokyo's land and buildings*, a recovery at hotels particularly in the Kansai region after the H1N1 flu outbreak in the previous fiscal year, and benefits from upgrades to existing hotels.

For fiscal year ending March 2013, meanwhile, we project operating income will rise ¥2.1 billion versus our estimates for fiscal year ending March 2011, to ¥2.3 billion, as we expect revenues to recover (feeding through to profits) on the back of an upturn in the economy, and cost reductions from efficiency gains driven by an overhaul of work processes.

* We repurchased the land and buildings of the Dai-ichi Hotel Tokyo following the end of a real estate securitisation contract.

Numerical Estimates (¥ billion)



* Estimates and results for each period are after application of "management approach" accounting (before 31st March 2010 figures are likewise adjusted for "management approach" accounting) Figures may differ from those given in "Performance for the Fiscal Year ended March 2010."

* Figures in brackets ( ) are previously adjusted estimates ("management approach"-adjusted for May 2009)

Basic Strategic Outlook

We are undertaking the following priority policies to consolidate our management base centred on Hankyu Hanshin Hotels, enabling us to develop our fundamental strengths as a hotel chain operator.

(1) Create infrastructure for hotel chain operation

- Strengthen platforms for supporting hotel chain marketing and management
- Establish a framework for developing the new REMM hotel format

(2) Strengthen the earnings structure through business reform

- Boost productivity by rebuilding work processes
- Maintain and enhance the competitiveness of our hotels based on an appropriate level of investment

(3) Strengthen the earnings base by overhauling the business portfolio

- Develop hotels using franchise or management contracts, based on operational capabilities and brand strength

Message from Head of Hotels Business

Tomokazu Yamazawa

President
Hankyu Hanshin Hotels

Our new REMM-brand hotels, with the theme of offering "a good night's sleep," have been well-received, scoring a high ranking in hotel surveys conducted by weekly magazines. We currently operate two of these hotels, at Hibiya and Akihabara in Tokyo. The third hotel in this chain is scheduled to open in the city of Kagoshima in October 2011. The hotel is located at the centre of the Tenmonkan district of Kagoshima, the largest shopping and entertainment district in southern Kyushu. The opening is set to take advantage of the start of operations on the full length of the Kyushu Shinkansen (linking with Kagoshima and Osaka) in March 2011, which is projected to greatly stimulate business activity in the region. We expect the new hotel to attract both tourists and businesspeople. We have also decided to open our fourth REMM brand hotel in the autumn of 2012 within the Shin-Osaka Hankyu Building, which is being developed by Hankyu Corporation in an area adjacent to JR Shin-Osaka Station, with the goal of further strengthening the chain's brand recognition. We intend to broaden our earnings base in the hotel business through an aggressive strategy of opening new REMM-brand hotels at promising locations after carefully assessing the business risks involved.

At the Hotel new Hankyu Osaka, in May 2010 we commenced a three-year project for the renovation of the entire hotel to capitalise on the redevelopment of the Umeda area, including Osaka Station North District Phase 1 Development Area Project. This aimed at making effective investments in our existing facilities, and is also a first step toward drawing up a strategy to take advantage of the Chinese market, which is expected to grow still further in the coming years, thus enhancing the profitability of the Group's business operations. Through the steady pursuit of these measures, we aim to contribute to the continuous growth of the Hankyu-Hanshin-Daiichi Hotel Group as one of Japan's leading hotel chain operators, the goal which we set out in our Management Vision.

Retailing

COLOR FiELD

Major Businesses

- Retail: Hankyu Retails Corporation
  Bookstore chain Book 1st.,
  Convenience store chain *asnas*,
  Station kiosk chain Lagare shop,
  Cosmetics and accessories chain COLOR FiELD,
  Furniture and daily accessories chain DOUBLEDAY,
  High-end supermarket chain Seijo Ishii*, etc.

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

Basic Information and Business Environment

Retailing formats primarily located inside and near stations

The Group's Retailing Business does not include a department store (setting us apart from other private railway operators) and is mainly focused on stores inside and near station buildings (the "Ekinaka" and "Ekichika" format). Outlets and operators include station kiosks such as Lagare shop, the convenience store chain *asnas*, and formats run with partners, such as PLUM CUBE. We also run the bookstore chain Book 1st. and the general merchandise formats COLOR FiELD and DOUBLEDAY, and we are extending their operations beyond areas served by our stations and boosting their brand power and competitiveness.

* The department store business is not operated directly by the Company but by our equity affiliate H_2O Retailing Corporation, which shares the Hankyu and Hanshin brands with us and works to develop a highly specialised business.

Enhancing the appeal of our station-based retailing formats

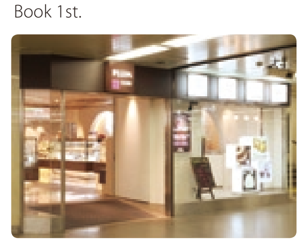
Many of the retail formats and stores run by the Group's Retailing Business can expect comparatively stable sales revenues, thanks to their location within stations and their wide range of businesses. These have been the strengths of the Group's retailing operations. However, our retailing operations continue to face difficult conditions. Changing lifestyle trends have eroded revenues from kiosk and convenience store sales drivers such as cigarettes, newspapers and magazines, and train use has declined amid a worsening employment situation and demographic change, 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.

In response, we are working to boost the competitiveness and operating efficiency of our formats, while at the same time enhancing the overall appeal of our station retail areas based on the idea that our stations are a single retail facility. We are running sales campaigns tailored to customer needs. One example of this approach can be seen at Hankyu Umeda Station, where we rolled out a new cake and confectionery format called PLUM CUBE from June 2009. In the PLUM CUBE corner at the station, to give exposure to a wide range of businesses, operators of four shops are rotated for a limited time. The PLUM CUBE corner is situated inside the ticket gate area, making it easy for passengers to buy a cake while they are waiting for their train. This together with the fact that PLUM CUBE regularly changes the store operator to introduce the latest hit products, has made the format popular with customers in areas served by our stations and beyond.


asnas


Book 1st.

Book 1st.


PLUM CUBE

Performance for the Fiscal Year ended March 2010

Active efforts to expand business through new store openings, but performance hurt by weak consumer spending

Amid a difficult operating environment due to weak consumer spending, the Retailing Business opened a number of new stores at our stations during fiscal year ended March 2010. These included an outlet of bookstore chain Book 1st. Noda Apla at Hanshin Noda Station and COLOR FiELD Senri-Chuo, a cosmetics and accessories store, at Senri-Chuo Station on the Kita-Osaka Railway. We also actively developed our retail formats in areas away from those served by our stations too, including the opening of DOUBLEDAY Fukuoka PARCO, a furniture and daily accessories store, inside the PARCO department store in Fukuoka. Other developments during fiscal year ended March 2010 included the integration of the separate Hankyu and Hanshin convenience store businesses from April 2009. The stores were combined under the *asnas* brand. Efforts were made to integrate systems and reduce product disposal losses by introducing a shared point-of-sale system, to boost earnings. The Retailing Business continued to struggle despite new store openings and store overhauls, combined with the impact of H1N1 flu and other unforeseen factors.

Also, owing to the integration of the convenience store businesses, one consolidated subsidiary that was included in the Retail Business in the previous fiscal year has been reclassified under the Urban Transportation Business. As a result of the above factors, revenues from operations declined ¥4,792 million or 7.1% year-on-year, to ¥62,788 million and we posted an operating loss of ¥297 million, compared with income of ¥696 million in the previous year.

Forecasts for Fiscal 2011 Onward (Estimates Adjusted from 2007 Medium-Term Management Plan)

* Figures for each period are after application of "management approach" accounting.

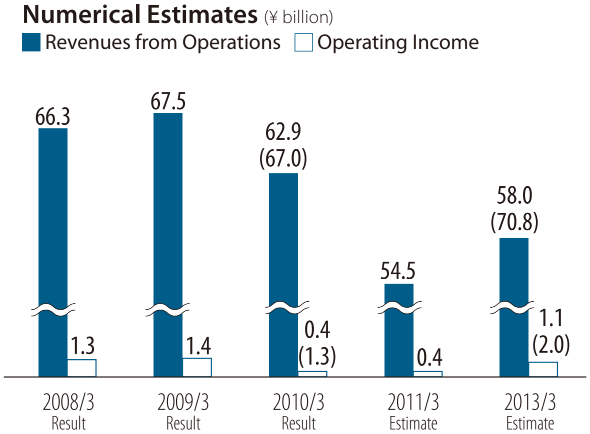
Reflecting changes in the operating environment such as ongoing weakness in the economy, we have revised down our estimates announced on 15th May 2009 when we adjusted the estimates from our previous Medium-Term Management Plan.

For fiscal year ending March 2011, we estimate an operating income of ¥0.4 billion, almost flat from the previous year, owing to sluggish consumer spending amid continued weakness in the economy.

For fiscal year ending March 2013, the final year of the current Medium-Term Management Plan, we project operating income will rise ¥0.7 billion or 175% versus our estimates for fiscal year ending March 2011, to ¥1.1 billion, as we expect growth in the bookstore chain business (Book 1st.) and general merchandise business (COLOR FiELD, DOUBLEDAY).

In our estimates for the year ending March 2011, we have factored in the transfer of (1) the food and drink businesses operated by Creative Hankyu Co., Ltd. to the Hotels segment, and (2) Creative Hankyu's other businesses except landscape gardening to other segments.

Numerical Estimates (¥ billion)



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* Figures in brackets ( ) are previously adjusted estimates ("management approach"-adjusted for May 2009)

Basic Strategic Outlook

The Retailing Business will contribute to increased value along Group railway lines by developing stations and locations adjacent to railway lines through improved and enhanced business infrastructure (in terms of product merchandising capacity, human resources, IT environment, organisation, and logistics). Concurrently, it will achieve sustainable growth by developing services with a focus on security, safety and providing inspiration and dreams, including for those who live outside the areas adjacent to our railway lines. In pursuit of this strategy, it will be implementing improvement in the following important areas.

(1) Reinforce and rebuild the operating frameworks for the bookstore chain business and general merchandise business

- Further boost competitiveness by rolling out marketing initiatives and overhauling merchandise policy
- Reinforce the earnings base by withdrawing from unprofitable or poorly performing stores and by rebuilding the store network

(2) Increase earnings in the station-based retailing business

- Implement joint sales promotion activities for the whole station-based retailing marketing
- Continue the scrap & build program for both stores and formats, to enable sustainable growth
- Create new station retail demand and open stores more dynamically

Message from Head of Retailing Business

Yoshihiro Nakagawa

Managing Director
Head of Retailing Business
Hankyu Corporation

Fifteen years have already passed since we started the *asnas* chain of convenience stores on the platform of Juso Station operated by Hankyu Corporation. This was the first platform-type convenience store in Japan, and since that time we have increased the number of stores and expanded our operations into many different retail formats, including bookstores, general merchandise stores, and ready-cooked meals outlets. We have also expanded our area of operations outside the Kansai region to the Tokyo area in the east and Kyushu in the west. Our Retailing Business has now grown to encompass 320 retail outlets generating annual sales of ¥56 billion.

When we first set up the Retailing Business, our main strategy was to open retail outlets in locations inside and just outside our railway stations, which had been relatively under-used up to that time. Since then, however, particularly with respect to our bookstore operations, we have expanded our business scale by opening new outlets, including large stores in the Tokyo area. In the course of this growth and development, we have also acquired considerable know-how in store-opening and retail business operation, and have built up significant capabilities in merchandising and price negotiation.

Currently, we are focusing our efforts not only on this kind of business scale expansion, but also on steadily strengthening our operational base by restructuring our organisational system. In the fiscal year ended March 2010, we integrated the hitherto separate Hankyu and Hanshin convenience store brands, took direct control of station kiosk operations at Hankyu Railways stations and integrated our general merchandise store operations. On 1st April 2010 we restructured our restaurant and gardening goods operations. Through this sort of selection and focus strategy, we are working to refashion our efficient retail business portfolio to make the Retailing Business into an operation centred on the sale of goods.

From here onward we will make further efforts to raise the earnings capability of our stores inside and just outside our railway stations, which are the true source of our competitiveness, and will pursue strategies to increase value along Group railway lines by developing stations and locations adjacent to railway lines. At the same time, we aim to set the stage for strong growth, through a variety of initiatives to expand our operations in the area, not served by the Group's railway network (Tokyo area, etc.).

Through the measures described above, we hope to take the Retailing Business to a new level of efficiency and profitability, thereby enhancing the Group's brand value and helping establish the market presence of the Hankyu Hanshin Group as a business conglomerate fully capable of meeting the expectations of all its stakeholders.

Creating Satisfaction and Making a Positive Contribution to Society

We, the Hankyu Hanshin Holdings Group, have a century of history. Nurtured by the people living in the areas served by the Hankyu and Hanshin lines, we have built strong relationships of trust with the community. We are strongly committed to engaging in businesses that support our customers in their daily lives. We feel pride in our role, and will continue to provide high-quality services across a wide spectrum of fields.

In line with this business philosophy, at the time of the creation of the Group in October 2006, we drew up a management philosophy that is summed up in our corporate creed: "Serenity and well-being, inspiration and dreams—by delivering these to our customers, we will create satisfaction and make a positive contribution to society."

When drawing up the Group's management philosophy, I placed the greatest emphasis on always being sincere. Our most invaluable asset is the relationship of trust we have built with all our stakeholders over the years. Many cases of corporate misconduct have been brought to light over the past few years and have led to major scandals, but a company that loses the trust of society through dishonest actions does not pay for this only in terms of immediate losses: in many cases the company's very existence is imperilled. Learning a lesson from such cases, we constantly exhort our executives and employees to behave with sincerity toward all our stakeholders, particularly our customers and business partners, so as to forge new bonds of trust.

To this end, we are committed to upholding a high standard of corporate ethics with respect to such issues as legal compliance, creation of an internal control system, the provision of a fair and pleasant working environment, and the implementation of ethical hiring practices. We also actively engage in public and investor relations activities and other forms of disclosure of corporate information, so as to raise the level of transparency of our management.

A company is also a member of the local community in the region where it operates. If it fails to understand the needs and concerns of the local community, or makes an insufficient contribution to the life of that community, or does not pay careful attention to environmental issues, it will not survive or prosper. Because the Hankyu Hanshin Holdings Group has constantly grown in parallel with the areas served by its railway lines, we feel very strongly that we have a duty to repay the people who live in these areas through our business operations and social contribution activities. To ensure that the Group will continue to exist and prosper over the next century as a member of the local community, we intend to promote the creation of towns and cities in all the areas where we operate—principally in the areas served by our railway lines—in which people will truly want to live. In this way, we will form strong ties of trust with our stakeholders.

August 2010
Kazuo Sumi
President and Representative Director

Corporate Governance

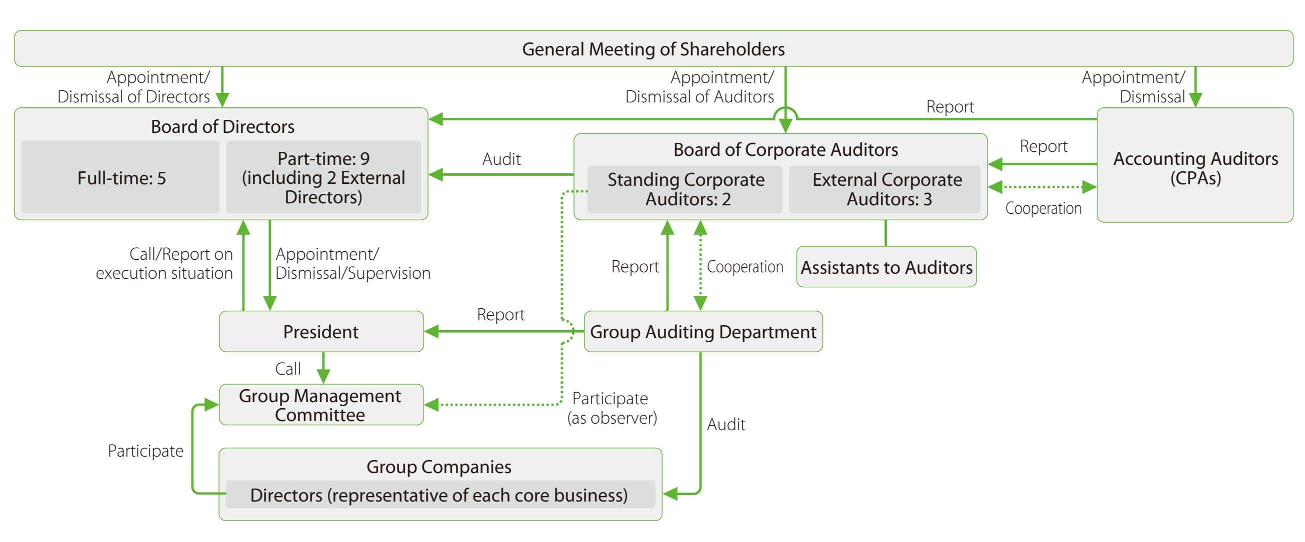
Our Corporate Governance System

Hankyu Hanshin Holdings, Inc. is a pure holding company that is responsible for the overall management of the Group, and its governance system is based on a system of appointed corporate auditors. As a pure holding company, the Company possesses the authority to approve management policies, matters relating to management strategy, or business plans drawn up for the Company and other Group companies. In addition, the Company receives timely reports from the operating companies in the Group on investment plans and projects. In these ways, the Company monitors and supervises the activities of the managements of all Group companies, and works to further enhance the Group's governance system.

Our Board of Directors, which includes external directors, receives reports with respect to the above matters, and approves management decisions. The Group Management Committee, whose members include representatives with responsibility for core business operations at each Group company, has been set up to make preliminary reviews and decisions regarding material matters of business execution prior to sending them to the Board of Directors, which gives them due consideration. With Corporate Auditors attending these meetings, we take care to provide a favourable environment for auditing. In addition, a Core Business Strategy Council has been set up within each core business, allowing discussions between executives of the Company and of each core business regarding the state of progress of business plans. In this way, as a pure holding company, the Company supervises the execution of business matters by all the operating companies in the Group.

As Hankyu Hanshin Holdings is a pure holding company, the actual execution of business is carried out by the operating companies under the Company's umbrella. The Company is principally responsible for supervision and oversight of the activities of Group companies. In this way, the Group's business execution and supervisory functions are separated, thereby creating an effective system of corporate governance.

Corporate Governance System



Board of Directors and Board of Corporate Auditors

(1) Board of Directors

The Board of Directors has powers of approval over management policy, strategy and planning of the Company and the Group as a whole, and also over medium-term and annual management planning of core businesses. It also supervises each core business under the Group governance rules requiring reporting of major investments and reorganisations by Group companies.

In fiscal year ended March 2010, the Board dealt with management planning issues such as the amendment of the Medium-Term Management Plan, and reviewed and gave approval for business reorganisations, including of the international transportation business, as well as measures to strengthen the Group's internal system for the prevention of insider trading. The Board also reviewed the report on changes in the systems under which a Group Company manages railway stations, and issued reports on changes in the Group's railway timetables, major redevelopment projects and other investment projects, as well as progress in the creation of an internal control system.

The Board of Directors met 10 times in the fiscal year under review, with average attendance at 94% for Directors and 94% for Corporate Auditors.

(2) Directors etc.

Our Board of Directors has 14 members, with an emphasis on strengthening the flexibility of management and supervisory functions. Two of these directors, Noriyuki Inoue and Shosuke Mori, are external directors who bring with them a wealth of experience in corporate management. They contribute to the Company by invigorating deliberations of the Board of Directors with outside viewpoints and bring greater objectivity to management judgement, thus reinforcing the Board's oversight functions.

The term of office of directors was reduced to one year at the general meeting of shareholders in June 2006, to clarify management responsibilities following the introduction of anti-takeover measures (prevention of large-scale Company share purchases).

(3) Board of Corporate Auditors

The Company employs the corporate auditor system to ensure adequate management oversight. We have five Corporate Auditors, who monitor the business operations and financial position of the Company and its subsidiaries, and audit the performance of the duties by the directors. Three of the corporate auditors are the external auditors Takaharu Dohi, Haruo Sakaguchi, and Junzo Ishii, who have been appointed in consideration of their high-level expertise in business administration and extensive knowledge of compliance issues. The appointment of external auditors ensures more objective oversight of the Group's management.

The Board of Corporate Auditors meets once a month, in principle, to discuss and pass resolutions on important matters.

Specialist staff members are appointed to assist the Corporate Auditors in the performance of their duties. To ensure the independence of these staff members, prior discussions are held with the corporate auditors with respect to personnel changes, evaluations, and so on.

The President of the Company holds regular meetings with the Corporate Auditors to promote dialogue and a common understanding through discussions of issues facing the Company, risks to which the Company is exposed, measures to develop a favourable auditing environment, and major issues encountered by the Corporate Auditors in the performance of their audits. The management of the Company also hold discussions with the Corporate Auditors prior to amending or deleting any regulations pertaining to the functions of the Corporate Auditors, such as matters involving corporate ethics.

As part of the auditing of the Group's business operations, the Group Auditing Department, composed of internal audit staff, carries out internal audits, and the Corporate Auditors peruse the Department's audit plans and reports. The Corporate Auditors also receive from the Group Auditing Department regular reports (and ad hoc reports when required) on internal audits at the Company and its subsidiaries, including on the state of operation of the whistle-blowing system. At the same time, the Corporate Auditors receive regular reports on the audit situation from the accounting auditors (CPAs), and also act as observers at on-site audits of the Company or its subsidiaries by the accounting auditor.

The Standing Corporate Auditors also attend the Group Management Committee meetings as observers, peruse documents (internal memos, etc.) relating to decision-making and other important documents, and receive reports on any matter relating to the execution of business that they deem necessary. This system enhances the effectiveness of the auditors' supervision of business execution.

(4) External Directors and External Corporate Auditors

The secretariats of the Company's Board of Directors and Board of Corporate Auditors provide assistance to the external directors and external corporate auditors, respectively. The secretariat to the Board of Directors also sends materials relating to any proposals on the agenda for discussion at a meeting of the Board to the external directors and auditors, in principle seven days prior to the date of the meeting, in order to enhance the effectiveness of the management oversight exercised by the external directors and auditors.

Relations with External Directors

Name	Reason for appointment, and potential conflict of interest with the Company
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. Meets criteria for exercise of independent judgement stipulated by the stock exchanges, and there is no probability of a conflict of interest with the Company.
Shosuke Mori (Independent Director)	Representative director of 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 vice-chairman of Kansai Economic Federation. Appointed for his wealth of management experience, perspective from top business circles, and ability to provide independent input. Meets criteria for exercise of independent judgement stipulated by the stock exchanges, and there is no probability of a conflict of interest with the Company.

* Mr. Noriyuki Inoue attended eight out of the ten meetings of the Board of Directors held in fiscal year ended March 2010. He is able to provide the Company with useful opinions—at meetings of the Board of Directors among other occasions—from his perspective as a business manager with extensive experience.
Mr. Shosuke Mori was appointed as an external director at the General Meeting of Shareholders held on 16th June 2010.

Relations with External Auditors

Name	Reason for appointment, and potential conflict of interest with the Company
Takaharu Dohi (Independent Auditor)	Former prosecutor-general, currently a lawyer. Appointed to advise on more compliance-based management and for his ability to provide independent input. Meets criteria for exercise of independent judgement stipulated by the stock exchanges, and there is no probability of a conflict of interest with the Company.
Haruo Sakaguchi (Independent Auditor)	Currently a lawyer. Appointed to advise on more compliance-based management and for his ability to provide independent input. Meets criteria for exercise of independent judgement stipulated by the stock exchanges, and there is no probability of a conflict of interest with the Company.
Junzo Ishii (Independent Auditor)	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. Meets criteria for exercise of independent judgement stipulated by the stock exchanges, and there is no probability of a conflict of interest with the Company.

* Mr. Takaharu Dohi attended eight out of the ten meetings of the Board of Directors held in fiscal year ended March 2010 and ten out of the eleven meetings of the Board of Corporate Auditors. He is able to provide the Company with useful opinions—at meetings of the Board of Directors and Auditors among other occasions—principally in relation to compliance matters.
Mr. Haruo Sakaguchi attended nine out of the ten meetings of the Board of Directors held in fiscal year ended March 2010 and ten out of the eleven meetings of the Board of Corporate Auditors. He is able to provide the Company with useful opinions—at meetings of the Board of Directors and Auditors among other occasions—principally in relation to compliance matters.
Mr. Junzo Ishii was appointed as an external auditor at the General Meeting of Shareholders held on 16th June 2010.

Other Deliberative Bodies

(1) Group Management Committee

The Group Management Committee, comprising full-time Directors (President, representative directors, head of Personnel and General Affairs Dept. and head of Corporate Planning Dept.) and representatives of each core business, meets to discuss resolutions of the Board of Directors, systems and rules for Group company management strategy and business planning and maintenance of the holding company system, and major Group management matters, such as investments beyond set parameters and reorganisations. During the year under review, the Group Management Committee met 16 times.

(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 Corporate Planning Dept. 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). Each Core Business Strategy Council met three times in the year under review.

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

The Group Presidents' Meeting, held twice a year, brings together presidents of over 150 Group subsidiaries and affiliates. It is designed to foster a deeper sense of solidarity within the Group and ensure that the Group philosophy and management policies permeate the entire organisation. This meeting ensures a joint sense of commitment to the Medium-Term Management Plan, and awards are made to subsidiaries that boost earnings or individuals and groups that successfully launch initiatives or make significant contributions at their units.

Policies Relating to the Determination of Method for Calculating Compensation for Directors and Corporate Auditors

We have adopted a system of determining compensation for directors that provides an incentive to contribute to enhancing the Group's enterprise value and business performance. In this system, compensation comprises two portions: a basic portion that is determined according to the post held by the director, and a bonus-type compensation that is linked to business performance.

Half of the performance-linked compensation is paid into a fund employed for the acquisition of shares in the Company.

However, the compensation paid to part-time directors, including external directors, and to corporate auditors, comprises only the portion determined by post held.

The total compensation paid to directors and corporate auditors 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 corporate auditors is determined by deliberation of Corporate Auditors.

Note: The payment of retirement benefits to directors and corporate auditors was discontinued in April 2004 in order to realise a more transparent compensation system.

Compensation Paid to Directors and Corporate Auditors (Fiscal Year Ended March 2010)

	Number of recipients	Amount paid (Millions of yen)
Directors (External directors)	15 (3)	¥117 (¥19)
Corporate auditors (External auditors)	6 (3)	¥17 (¥6)
Total (External directors and auditors)	21 (6)	¥134 (¥25)

*1 Recipients of compensation include one director and one corporate auditor who retired at the conclusion of the General Meeting of Shareholders held on the 17th June 2009.
*2 In addition to the above, compensation received by external directors and auditors from subsidiaries of the Company for their duties as directors and auditors, etc. amounted to ¥26 million.

Of the Company's full-time Directors and Auditors, directors Kazuo Sumi and Mitsuo Nozaki, and corporate auditor Hidekazu Sugisawa also hold the same posts at the Company's subsidiary Hankyu Corporation. Compensation paid by Hankyu Corporation, including the three persons already mentioned, was as shown below.

	Number of recipients	Amount paid (Millions of yen)
Directors	13	¥307
Corporate auditors (External auditors)	4 (2)	¥64 (¥17)
Total (External directors and auditors)	17 (2)	¥371 (¥17)

Of the Company's full-time Directors and Auditors, directors Shinya Sakai, Masao Shin and Toru Nakashima, and corporate auditor Chikashi Suehara also hold the same posts at the Company's subsidiary Hanshin Electric Railway Co., Ltd. Compensation paid by Hanshin Electric Railway, including the four persons mentioned, was as shown below.

	Number of recipients	Amount paid (Millions of yen)
Directors (External directors)	15 (2)	¥289 (¥10)
Corporate auditors (External auditors)	5 (3)	¥69 (¥16)
Total (External directors and auditors)	20 (5)	¥359 (¥27)

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

	Remarks
Early forwarding of notice of convocation of general meeting of shareholders	To allow shareholders sufficient time to examine the items for resolution at the shareholders' meeting before exercising their voting rights, we endeavour to send out the notices of convocation at the earliest possible date. For the Regular General Meeting of Shareholders held on 16th June 2010, we sent out the notices 20 days ahead of the meeting date (27th May 2010).
Moving date of shareholders' meeting to avoid overlapping with other companies' meetings	To enable as many shareholders as possible to attend our general meeting of shareholders, we held our 2010 general shareholders' meeting on the 16th June, 13 days before the "busiest day" on which a large proportion of Japanese companies hold their general shareholders' meetings.
Exercise of voting rights by electronic means (online 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 measures	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.

Internal Control System

Compliance

Recognising the importance of ensuring that the business operations of the Company are conducted in an appropriate manner, we believe it is necessary for us to establish an internal control system for the entire Group, and to revise the system when that is deemed advisable.

In particular, as a system to ensure compliance-focused management, we have set up a dedicated compliance office, and are working to raise awareness of compliance issues among our executives and employees by means of the measures detailed below.

(1) Our 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 concentrated compliance training on a Group-wide basis for new employees, midcareer hires and newly appointed executives. In addition, all Group companies arrange their own training programmes tailored to job grade and function, with the aim of further increasing compliance awareness.

(2) Corporate Ethics Consultation Desk (internal whistle-blower 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.

Risk Management

At the Company, risks to which many different divisions are exposed are managed by the Risk Management Office, while risks involved 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 (hereinafter referred to as "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.

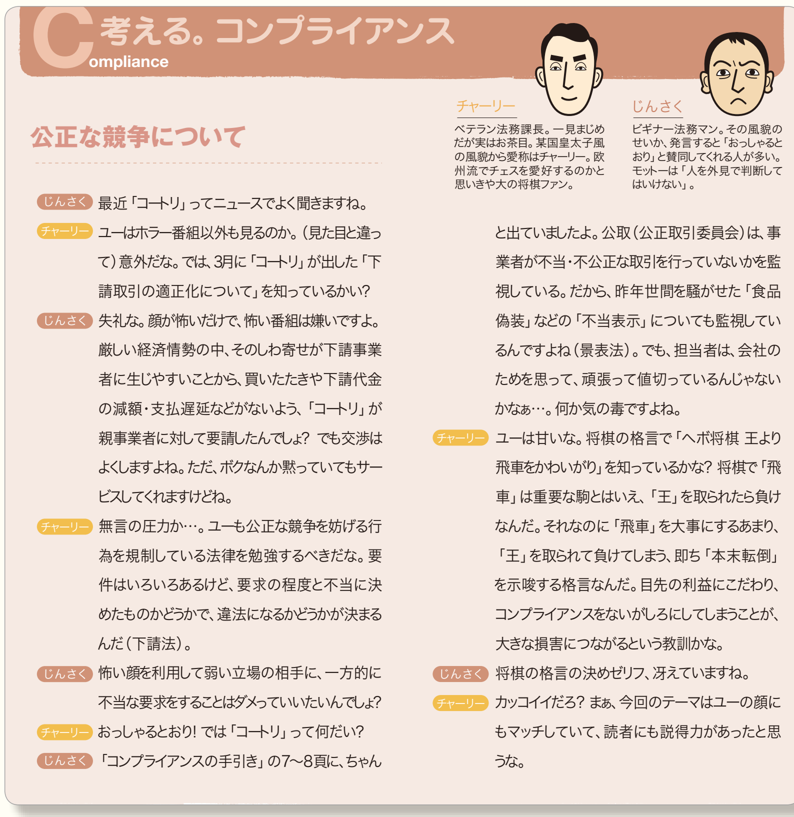
We have also established a system enabling the effective transmission of information in the event of unforeseen circumstances. Under this system, in the event of materialisation of a risk, executives and employees immediately take risk-mitigation measures as specified in the above-mentioned documentation and other measures to prevent the further spread of the impact. They also communicate their actions to the management. In the event of the materialisation of a serious risk, a crisis management headquarters is set up, headed by the President, to limit the spread of damage to the minimum extent feasible.

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.

It is especially vital for the companies in the Group that are engaged in the public transportation business, such as the operation of railways, to create a system that places the highest priority on safety, including drawing up emergency response regulations, a train-car operator's handbook, a list of persons with responsibility in the event of accidents or disasters, and the compilation of detailed measures to be taken in response, in the form of a manual. We take great care to ensure that all employees, from executives down, are thoroughly familiar with such regulations and manuals.

Focus: *Charlie & Jinsaku*—A compliance-related column in the Group's public relations magazine

The Group's public relations magazine, normally published monthly, carries a page devoted to compliance issues. To improve readability for our employees, compliance issues are presented in an easy-to-understand way, interspersed with humour. (The characters Charlie and Jinsaku are based on actual employees in our Legal Department.)



Compliance 考える。コンプライアンス

公正な競争について

チャーリー
ベテラン法務課長。一見まじめだが実はお茶目。某国皇太子風の風貌から愛称はチャーリー。欧州流でチェスを愛好するのかと思いきや大の将棋ファン。

じんさく
ビギナー法務マン。その風貌のせいか、発言すると「おっしゃるとおり」と賛同してくれる人が多い。モットーは「人を外見で判断してはいけない」。

じんさく　最近「コートリ」ってニュースでよく聞きますね。

チャーリー　ユーはホラー番組以外も見るのか。（見た目と違って）意外だな。では、3月に「コートリ」が出した「下請取引の適正化について」を知っているかい？

じんさく　失礼な。顔が怖いだけで、怖い番組は嫌いですよ。厳しい経済情勢の中、そのしわ寄せが下請事業者に生じやすいことから、買いたたきや下請代金の減額・支払遅延などがないよう、「コートリ」が親事業者に対して要請したんでしょ？ でも交渉はよくしますよね。ただ、ボクなんか黙っていてもサービスしてくれますけどね。

チャーリー　無言の圧力か…。ユーも公正な競争を妨げる行為を規制している法律を勉強するべきだな。要件はいろいろあるけど、要求の程度と不当に決めたものかどうかで、違法になるかどうかが決まるんだ（下請法）。

じんさく　怖い顔を利用して弱い立場の相手に、一方的に不当な要求をすることはダメっていいたいんでしょ？

チャーリー　おっしゃるとおり！ では「コートリ」って何だい？

じんさく　「コンプライアンスの手引き」の7〜8頁に、ちゃんと出ていましたよ。公取（公正取引委員会）は、事業者が不当・不公正な取引を行っていないかを監視している。だから、昨年世間を騒がせた「食品偽装」などの「不当表示」についても監視しているんですよね（景表法）。でも、担当者は、会社のためを思って、頑張って値切っているんじゃないかなぁ…。何か気の毒ですよね。

チャーリー　ユーは甘いな。将棋の格言で「ヘボ将棋 王より飛車をかわいがり」を知っているかな？ 将棋で「飛車」は重要な駒とはいえ、「王」を取られたら負けなんだ。それなのに「飛車」を大事にするあまり、「王」を取られて負けてしまう、即ち「本末転倒」を示唆する格言なんだ。目先の利益にこだわり、コンプライアンスをないがしろにしてしまうことが、大きな損害につながるという教訓かな。

じんさく　将棋の格言の決めゼリフ、冴えていますね。

チャーリー　カッコイイだろ？ まぁ、今回のテーマはユーの顔にもマッチしていて、読者にも説得力があったと思うな。

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 17th June 2009, and remains in effect for three years.

These measures to prevent a takeover are in conformity with the "Three Principles" set out by METI and the Ministry of Justice in their "Principles relating to measures for the prevention of takeovers in order to secure the enterprise value of a company and the common interests of its shareholders." The Three Principles are: "securing and/or further enhancing the enterprise value of a company and the common interests of its shareholders," "requirement to give prior notice and respect the wishes of shareholders," and "the measures must be necessary and appropriate."

For further details on the Company's basic policies regarding the governance of joint-stock companies, including the takeover prevention measures described above, please see the news release (in Japanese) dated 17th June 2009 on our website at:
http://holdings.hankyu-hanshin.co.jp/ir/news/2009.html
(Japanese version only)

Directors and Corporate Auditors (As of 16th June 2010)

Directors

Kazuo Sumi
President and Representative Director

President, Hankyu Corporation

Shinya Sakai
Representative Director

President, Hanshin Electric Railway Co., Ltd.

* 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.

Noriyuki Inoue
Director (External)*

Chairman and CEO, Daikin Industries, Ltd.

Shosuke Mori
Director (External)*

President, the Kansai Electric Power Co., Inc.

Isao Matsuoka
Director (Part-time)

Honorary Chairman, Toho Co., Ltd.

Shunichi Sugioka
Director (Part-time)

Chairman and CEO, H_2O Retailing Corporation
Chairman, Hankyu Hanshin Department Stores, Inc.

Hiroshi Ojima
Director (Part-time)

Chairman, Hankyu Hanshin Express Holdings Corporation

Tomokazu Yamazawa
Director (Part-time)

President, Hankyu Hanshin Hotels Co., Ltd.

Tadashi Sano
Director (Part-time)

President, Bay Communications Inc.

Nobuo Minami
Director (Part-time)

President, Hanshin Tigers Baseball Club, Ltd.

Koichi Kobayashi
Director (Part-time)

Chairman, Takarazuka Revue Company

Mitsuo Nozaki
Director

Head of Corporate Planning Dept. and Personnel and General Affairs Dept.

Masao Shin
Director

Head of Personnel and General Affairs Dept.

Toru Nakashima
Director

Head of Corporate Planning Dept.

Corporate Auditors

Hidekazu Sugisawa
Standing Corporate Auditor

Standing Corporate Auditor, Hankyu Corporation

Chikashi Suehara
Standing Corporate Auditor

Standing Corporate Auditor, Hanshin Electric Railway Co., Ltd.

Takaharu Dohi
Corporate Auditor (External)*

Lawyer and Corporate Auditor, Hankyu Corporation (External)

Haruo Sakaguchi
Corporate Auditor (External)*

Lawyer and Corporate Auditor, Hankyu Corporation (External)

Junzo Ishii
Corporate Auditor (External)*

President of the University of Marketing and Distribution Sciences, and Corporate Auditor of Hanshin Electric Railway Co., Ltd. (External)

* Mr. Takaharu Dohi, Mr. Haruo Sakaguchi, and Mr. Junzo Ishii satisfy the qualifications of external corporate auditors 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) auditors.

Message from the Standing Corporate Auditor

The Board of Corporate Auditors of Hankyu Hanshin Holdings comprises three independent, external corporate auditors and two standing corporate auditors who were employees of Group companies. In addition to attending regular meetings of the Board of Corporate Auditors, held in principle once each month, at which the auditors hold discussions and make resolutions, the corporate auditors also attend meetings four times a year with the Company's two representative directors to exchange opinions. Through this and other forums, the corporate auditors work to ensure clear communication with the representative directors.

The duties of the corporate auditors with respect to the Company's internal control system, including internal controls on financial reporting, as stipulated in the Corporate Law, are to monitor and confirm the basic policies of this internal control system as revealed in the Board of Directors' resolutions and the creation and operation of the system by the Company's directors in line with the aforesaid resolutions. In addition, the corporate auditors also have the important duty of monitoring and confirming the performance of duties by the Company's directors through collaboration with the Group's corporate auditors, internal audit departments and the accounting auditors, and so on.

We, the standing corporate auditors, also hold meetings of the Board of Group Corporate Auditors, consisting of the standing corporate auditors of the Company and the core companies in the Group, where we exchange opinions on management issues facing the Group and other issues that surface in the course of our auditing work.

The Hankyu Hanshin Holdings Group has introduced a system by which employees of the internal audit department etc. of the Company or one of the core Group companies may be appointed as an auditor at a plural number of Group companies, where they carry out auditing activities as "quasi-full-time corporate auditors." We, the standing corporate auditors, maintain liaison with the quasi-full-time corporate auditors at Group companies on an individual basis, and hold meetings of an "information exchange committee" consisting of standing corporate auditors of the Company and its subsidiaries, quasi-full-time corporate auditors, assistants to corporate auditors, and the staff of Group companies' internal audit departments. By so doing, we further enhance the effectiveness of the auditing activities of the Group's corporate auditors.

It is my hope that by monitoring the directors' performance of their duties in this way, we will help ensure the continued growth of the Company and the Group on a basis of financial soundness, maintain the reputation for trustworthiness enjoyed by the Company and the Group among society at large, and establish an even higher-quality system of corporate governance.

Hidekazu Sugisawa
Standing Corporate Auditor

Corporate Social Responsibility—Social Contribution & Environmental Protection Activities

Continuing with our efforts over the next century as well, the Hankyu Hanshin Holdings Group intends to fulfil its responsibility to society through the implementation of a range of CSR measures in order to remain an indispensable part of the community. Specifically, we will work to ensure safety—the very foundation of our business, thoroughly implement compliance activities, upgrade risk management systems, and work across the Group to contribute to society and protect the environment, primarily in areas along our railway lines.

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。

Promoting the Hankyu Hanshin Dreams and Communities of the Future project

To ensure we continue to play a responsible role in local communities over the next century, we launched the Hankyu Hanshin Dreams and Communities of the Future project in April 2009. Through this initiative, we plan to contribute to society by engaging in environmental and human capital development that will be of future benefit.

A better environment

As a business tied to a particular locality, 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

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

Three Core Aspects of the Project

1. Programme for approving and fostering social contribution activities at Group companies

This programme aims to ensure that the grass roots social contribution activities carried out by Group companies in a wide range of fields follow the above Group-wide plan. As of the end of August 2010, 83 projects have been approved.

Focus: Example initiative by Hankyu Hanshin Hotels–donating the Takarazuka Hotel's famous "hard donuts"

From an article about the Hankyu Hanshin Dreams and Communities of the Future project that featured on our website in May 2010.

Giving more people the opportunity to experience the traditional flavours of the Takarazuka Hotel

The Takarazuka Hotel's popular hard donuts are famed for their great flavour, well-balanced sweetness, and fresh cinnamon fragrance. In 2009, Hankyu Hanshin Hotels, which runs the Takarazuka Hotel, began donating the donuts to facilities near our railway lines that care for children with disabilities. The programme, which involves the delivery of donuts several times each month to four facilities, mainly in Nishinomiya and Ashiya cities in Hyogo Prefecture, was launched on the initiative of people working in the hotel.

"Hankyu Hanshin Hotels ships 300,000 donuts every month, and the manufacturing process sometime results in donuts that are too small or irregular in shape," says Mr. Kazuhiko Ishida of the food division at Hankyu Hanshin Hotels. "Naturally, this doesn't affect the taste or quality of the donuts, but we don't put them on sale because they don't suit the Takarazuka Hotel brand image," he adds. "The start of the Hankyu Hanshin Dreams and Communities of the Future project gave us the idea of donating the donuts to local facilities caring for children with disabilities." To date, Hankyu Hanshin Hotels has provided donuts to a total of 5,400 people.

Kazuhiko Ishida
Hankyu Hanshin Hotels

Positive reaction from local people

"Knowing that the people at the care facilities appreciate the donuts makes me very happy," says Mr. Kozo Sendai, a chef working in Hankyu Hanshin Hotels' food division. "I usually don't have much direct contact with customers, so it was great to have had this opportunity (as part of the process for creating the website article) to see everybody in the facility enjoying the donuts," he says. "We display the letters of appreciation in the office and they give all the employees a lift."

Kozo Sendai
Hankyu Hanshin Hotels

Bonds created from social contribution

Mr. Takano
Head of Sandaya Academy

As part of research for the article, we visited the Sandaya Academy in Ashiya City which cares for children with mental disabilities, and is one of the facilities that receives donut donations from Hankyu Hanshin Hotels. On the day of the visit, we handed out donuts to the roughly 40 children staying in the facility. Mr. Takano, who heads Sandaya Academy, says "group-living means our residents have to follow many rules, and this can sometimes be monotonous for them." He adds, "Meal times and playing are small but important ways of adding variety to everyday life here. Nowadays, with easy access to all types of food, donuts are not unusual, but the children often ask me when the donuts are coming." "The monthly donations have given a bit more enjoyment to the kids at the facility," he says. Mr. Takano provided further encouragement saying, "It's great to see new bonds created from this kind of social contribution. This project has led to the start of a new relationship with Hankyu Hanshin Hotels. I hope you continue to support all the different types of facilities along your railway lines through these kinds of activities."

A spin-off from the donut donations has been Hankyu Hanshin Hotels' decision to employ two disabled people to work in its food division processing factory from April 2010.

Other Major Initiatives by Group Companies

A better environment

Holding the Million Person Candle Night in Osaka City

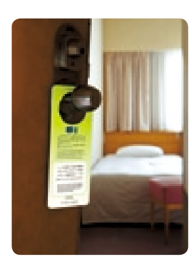
Hanshin Electric Railway, Hankyu Corporation

In partnership with local companies, Hanshin Electric Railway and Hankyu Corporation run a range of events in Umeda during both summer and winter, including candle art exhibitions and seminars on the environment. With the candle night events, lighting and neon signs on surrounding buildings are turned off, and the experience of walking through Umeda illuminated solely by candle light, is aimed at encouraging people to think more deeply about the global environment and sustainable living in urban environments.

Reusing linen and donating the laundry costs we save

Hankyu Hanshin Hotels

Hankyu Hanshin Hotels is working to reduce the volume of dirty water produced by its laundry processes by calling on guests staying in hotels longer than one night to reuse their linen. Money saved by reducing the amount of linen washed is donated to the Lake Biwa-Yodo River Water Quality Preservation Organization, an environmental group working to protect the Yodo River system.



Human capital

Hankyu Railway Festival

Hankyu Corporation, other companies

Hankyu Corporation's Shojaku plant opens its doors every spring and autumn for a railway festival. Visitors can enjoy a variety of train and bus related events, including a demonstration of a train-lifting crane and a ride on a miniature Hankyu Railway train. The event gives children the opportunity to see how we work behind the scenes to keep our network running safely and is designed to make public transport more familiar.

Sports clinics for children

Hankyu Travel International

Hankyu Travel International, in a tie-up with professional sports teams, holds basic skills sports clinics led by professional sportsmen and women. By giving children the chance to play with soccer and basketball players, the clinics aim to promote a passion for sport and encourage teamwork and fair play.

2. Hankyu Hanshin Dreams and Communities of the Future Fund

Employees of the Group are encouraged to contribute to this fund, with the collected proceeds distributed as grants to citizens' groups involved with the above plan in the areas served by the Hankyu and Hanshin lines. Hankyu Hanshin Holdings matches employee donations by an equal amount and transfers the donations to the citizens' groups.

In fiscal 2010, the first year of the project, a selection panel awarded ¥500,000 to each of the following four groups.

A better environment

NPO Food Bank Kansai

(Free distribution of food donated by companies)

Osaka, Kobe, Amagasaki, Nishinomiya, and Ashiya cities, etc.

Team Omaehama/Koroenhama—Satohama Zukuri

(Protecting and revitalising the Omaehama and Koroenhama beach environments)

Nishinomiya City

Human capital

NPO Childs

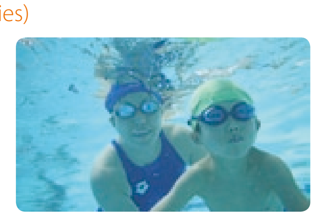
(Support for children with learning difficulties and their caregivers)

Osaka City

NPO Pool Volunteer

(Swimming instruction given at public pools for children with disabilities)

Osaka, Toyonaka, Ikeda, Suita, and Takatsuki cities, etc.



3. Points-based social contribution activities

This programme enables employees and former employees of the Group to support social contributions through voluntary activities and contribution of points. The accumulated points can be translated into donations in to non-government Groups or to a project to plant seedlings on Mt. Rokko, or exchanged for Fair Trade products.

For more detailed information on the Hankyu Hanshin Dreams and Communities of the Future project, please visit the following website.
http://www.hankyu-hanshin.co.jp/yume-machi/ (Japanese version only)

Environmental Protection Activities

Basic Environmental Philosophy

Aiming to improve the living environment for future generations, the Hankyu Hanshin Holdings Group, based on the understanding that protecting the global environment is a shared theme for all of humanity, is promoting environmentally friendly business activities and contributing to the realisation of a sustainable society.

Basic Environmental Policy

In accordance with the following policies, we are implementing and improving on an ongoing basis a range of initiatives to protect the environment.

(1) Identifying and reducing the environmental impact of our business activities

(2) Accurately interpreting and complying with environmental laws and regulations and related societal demands

(3) Working to raise employee awareness of environmental issues so that they will give due consideration to the environment in their activities

Based on our Group Basic Environmental Philosophy and Basic Environmental Policy, each Group company is promoting environmental protection activities in line with its own philosophy and policy, tailored where necessary to the specific characteristics of its business.

Focus: Eco-Train wins Environment Minister's Green Purchasing Award (6th November 2009)

Hankyu Railway's Eco-Trains, which carried environmental messages from December 2008 through July 2009, were awarded the Environment Minister's 11th Green Purchasing Award, sponsored by the Green Purchasing Network (GNP). The Eco-Trains were a cross-sector partnership project designed to promote awareness of environmental issues.

Using the entire train carriage as the promotional medium, the Eco-Trains communicated their environmental messages to numerous people during their eight months of operation. The project was planned and directed by the Citizens Environmental Foundation (CEF) in corporation with our Group, as well as local governments, companies, and citizen groups located near our railway network. The award recognised the cross-sector nature of the partnership and its efforts to raise awareness of the impact of global warming and a wide range of other environmental issues using imaginative approaches such as a painting competition for children.

Other Major Initiatives by Group Companies

Settsu-Shi Station, Japan's first carbon neutral station, opened on the Hankyu Kyoto Line

Hankyu Corporation, Hankyu Retails, Hankyu Hanshin Holdings

We opened Japan's first carbon neutral station, the Settsu-Shi Station on the Hankyu Kyoto Line, on 14th March 2010. The station features solar panels, LED lighting and other environmental equipment that results in roughly half the carbon dioxide emissions of a typical station. The remaining carbon dioxide emissions are offset through emission credits earned by planting forests in Hyogo Prefecture.

Installation of solar panels at the Hanshin Koshien Stadium

Hanshin Electric Railway

The famous silver roof of the Hanshin Koshien Stadium now features solar panels, which were first turned on in March 2010. Estimated power output is roughly 193,000kWh annually, equivalent to the power needed to light all the night games at the stadium in one year, or approximately 5.3% of the stadium's total annual power consumption. Hanshin Electric Railway is also planning to reduce the stadium's water usage by using rain and well water.

Financial Section

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 172nd period, audited by KPMG AZSA & Co., 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 & Co.

Consolidated Six-Year Summary Six years ended 31st March

	(Millions of yen)						(Thousands of U.S. dollars)*1
	2005/3	2006/3	2007/3*2	2008/3	2009/3	2010/3	2010/3
Result of Operations:							
Revenues from operations	¥476,623	¥486,154	¥743,376	¥752,300	¥683,715	¥653,287	$7,024,591
Operating income	58,768	64,841	87,003	90,724	77,823	70,126	754,043
EBITDA*3	88,700	94,500	146,500	145,200	135,300	133,200	1,432,505
Income before income taxes and minority interests	36,042	43,216	65,305	26,098	34,064	33,899	364,505
Net income	26,078	25,326	36,619	627	20,550	10,793	116,054
Capital expenditure	27,488	52,090	53,795	134,307	109,688	132,386	1,423,505
Depreciation and amortisation	29,974	29,611	43,888	51,577	54,798	60,418	649,656
Cash Flows:							
Cash flows from operating activities	¥67,650	¥80,229	¥ 78,981	¥ 74,902	¥108,597	¥146,955	$1,580,161
Cash flows from investing activities	24,175	(43,199)	(199,578)	(100,058)	(115,047)	(132,737)	(1,427,280)
Cash flows from financing activities	(75,473)	(61,960)	132,289	36,718	7,014	(24,200)	(260,215)
Increase (decrease) in cash and cash equivalents	16,338	(24,484)	11,791	11,403	(2,174)	(9,680)	(104,086)
Cash and cash equivalents at end of year	52,370	28,375	40,166	31,166	30,690	21,440	230,538
Financial Position:							
Total assets	¥1,670,911	¥1,609,116	¥2,366,694	¥2,348,476	¥2,307,332	¥2,337,331	$25,132,591
Total net assets	277,393	360,221	522,286	476,639	473,878	480,633	5,168,097
Interest-bearing debt	988,111	889,615	1,209,382	1,271,100	1,275,620	1,282,583	13,791,215
Per Share Data (yen and U.S. dollars):							
Net income—Basic	¥ 28.11	¥ 25.36	¥ 31.84	¥ 0.50	¥ 16.28	¥ 8.55	$0.09
Net income—Diluted	27.70	25.22	—	0.41	16.18	8.51	0.09
Net assets	299.48	343.45	405.35	369.25	366.96	371.70	4.00
Dividend	3.00	5.00	5.00	5.00	5.00	5.00	0.05
Ratios:							
Operating income margin (%)	12.3	13.3	11.7	12.1	11.4	10.7	—
ROA (%)*4	3.5	4.0	4.4	3.8	3.3	3.0	—
ROE (%)*5	9.9	7.9	8.4	0.1	4.4	2.3	—
Interest-bearing debt/EBITDA (times)	11.1	9.4	8.3*8	8.8	9.4	9.6	—
Equity ratio (%)	16.6	22.4	21.7	19.9	20.1	20.1	—
Debt/equity (D/E) ratio (times)*6	3.6	2.5	2.4	2.7	2.8	2.7	—
Interest coverage ratio (times)*7	3.7	4.4	4.5	4.0	3.4	3.0	—
Others:							
Number of outstanding shares (thousands)	927,867	1,049,538	1,271,406	1,271,406	1,271,406	1,271,406	—
Number of employees	13,732	13,319	20,498	19,892	20,805	20,938	—

*1 The U.S. dollar amounts have been translated, for convenience only, at ¥93 = $1, the prevailing exchange rate on the Tokyo Foreign Exchange Market as of 31st March 2010.
*2 From the second quarter of the fiscal year ended 31st March 2007, consolidated results of Hanshin Electric Railway Co., Ltd. are included as a result of management integration, in the scope of consolidation of the Group.
*3 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.
Figures in 2007/3 were calculated assuming the management integration had entered effect from the beginning of the term.
*4 ROA = operating income/total assets (average of period-start and period-end totals)
*5 ROE = net income/equity (average of period-start and period-end totals)
*6 D/E ratio = interest-bearing debt/equity
*7 Interest coverage ratio = (operating income + interest and dividend income)/interest expense
*8 EBITDA is calculated assuming management integration at the beginning of the term.

Consolidated Financial Review

Review of Business Performance

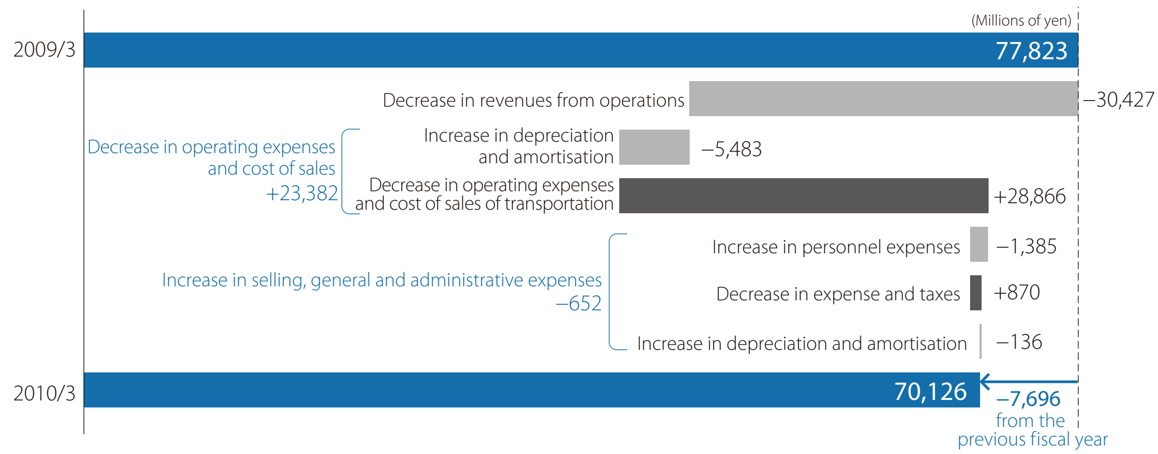
With the exception of Entertainment and Communications, each of our core segments experienced harsh economic times owing to the ongoing economic malaise and the spectre of H1N1 flu. Consequently, revenues from operations declined by ¥30,427 million (4.5%) year-on-year to ¥653,287 million.

Despite the cost-cutting efforts at each core business, operating income decreased by ¥7,696 million (9.9%) year-on-year to ¥70,126 million, due to increased depreciation expenses as well as the adverse impact of reduced revenues.

Due to extraordinary losses that resulted from recording of a lump sum amortisation of goodwill under the equity method, previously recorded in shares of an equity method affiliate, net income stood at ¥10,793 million, for a decline of ¥9,757 million (47.5%) compared to the previous fiscal year.

For an overview of consolidated business performance, please refer to the Interview with the President (Business Environment and Assessment of Financial Results) on Page 14.

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.

(Millions of yen)

	Urban Transportation	Real Estate	Entertainment and Communications	Travel and International Transportation	Hotels	Retailing	Other	Total	Eliminations or Corporate	Consolidated
Revenues from operations										
2010/3	195,114	169,205	103,667	62,854	60,977	62,788	39,591	694,199	−40,911	653,287
2009/3	195,244	171,685	100,561	65,805	66,457	67,581	60,534	727,870	−44,155	683,715
Difference	−129	−2,480	3,106	−2,951	−5,480	−4,792	−20,942	−33,671	3,244	−30,427
YoY (%)	−0.1%	−1.4%	3.1%	−4.5%	−8.2%	−7.1%	−34.6%	−4.6%	—	−4.5%
Operating income										
2010/3	31,552	29,629	9,292	276	−1,705	−297	516	69,263	863	70,126
2009/3	32,490	32,815	8,384	1,451	341	696	568	76,748	1,075	77,823
Difference	−938	−3,186	907	−1,175	−2,046	−994	−52	−7,485	−211	−7,696
YoY (%)	−2.9%	−9.7%	10.8%	−81.0%	—	—	−9.2%	−9.8%	—	−9.9%
Reference page	P. 31	P. 36	P. 40	P. 44	P. 47	P. 50	*	—	—	P. 13

* Other segments recorded reduced revenues and profits as the decline in revenues resulting mainly from Station Finance Inc.'s secession from the Group after the February 2009 sell-off and from construction orders received during the previous year by the Construction Business in connection with the construction of the Hanshin Namba Line.

Review of Financial Position

1. Assets, Liabilities and Net Assets

At the end of the fiscal year under review, trade receivables declined, while total assets increased by ¥29,999 million year-on-year to stand at ¥2,337,331 million, owing to an increase in net property and equipment due to higher capital expenditure and the conversion of Kobe Rapid Transit Railway Co., Ltd. into a consolidated subsidiary.

Although capital expenditure-related payables declined, interest-bearing debt increased. As a result, liabilities totalled ¥1,856,698 million for an increase of ¥23,244 million on the previous year-end.

Due to an increase in retained earnings, net assets totalled ¥480,633 million for an increase of ¥6,754 million on the previous year-end.

Equity stood at ¥469,128 million, an increase of ¥6,155 million on the previous year-end. This was mainly the result of an increase in retained earnings due to the recorded net profit.

As a result, the equity ratio stood at 20.1%, and ROE (return on equity) stood at 2.3%.

2. Cash Flows

Cash and cash equivalents (hereafter referred to as "Cash") during the fiscal year under review declined by ¥9,249 million compared to the previous term end to stand at ¥21,440 million.

Net cash provided by operating activities stood at ¥146,955 million, while net cash used in investing activities and financing activities stood at ¥132,737 million and ¥24,200 million, respectively. Although the capital outlay for investing activities increased, this was addressed with capital from operating activities.

The following are the factors responsible for the variations in each type of cash flow from the previous year.

(1) Cash Flows from Operating Activities

Net cash provided by operating activities increased by ¥38,357 million (35.3%) year-on-year. This was because although operating income declined, inventories decreased and deposits increased.

(2) Cash Flow from Investing Activities

Net cash used in operating activities increased by ¥17,689 million (15.4%) year-on-year. This was because expenditure on purchases of property and equipment increased.

(3) Cash Flow from Financing Activities

Net cash used in financing activities increased by ¥31,215 million year-on-year. This was because of a net decline in short-term borrowings.

Trends of Cash Flow Indicators

	2006/3	2007/3	2008/3	2009/3	2010/3
Equity ratio (%)	22.4	21.7	19.9	20.1	20.1
Equity ratio (%) (market value basis)	44.4	38.2	23.2	24.4	23.4
Cash flows/interest-bearing debt ratio (times)	11.1	15.3	17.0	11.7	8.7
Interest coverage ratio (times)	4.4	4.5	4.0	3.4	3.0

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

Interest-bearing debt increased during the fiscal year under review due to capital expenditure in operating subsidiaries and the fact that the Kobe Rapid Transit Railway Co., Ltd. became a consolidated subsidiary. However, the Group was helped by the collection of trade receivables and cash flows from operating activities, so that as the end of the reporting term, consolidated interest-bearing debt increased only ¥6,962 million from the previous year-end, to stand at ¥1,282,583 million.

Capital Expenditure and Depreciation & Amortisation

Capital expenditure (including intangible assets) during the fiscal year under review increased by ¥22,698 million (20.7%) year-on-year to stand at ¥132,386 million.

The following is a breakdown for each business segment.

	2009/3 (Millions of yen)	2010/3 (Millions of yen)	YoY (%)
Urban Transportation	30,408	29,099	−4.3
Real Estate	58,106	71,517	23.1
Entertainment and Communications	15,149	6,461	−57.3
Travel and International Transportation	1,521	1,523	0.1
Hotels	1,964	22,257	1,033.3
Retailing	2,295	1,875	−18.3
Other	1,005	533	−46.9
Total	110,450	133,269	20.7
Eliminations or Corporate	−762	−883	—
Consolidated	109,688	132,386	20.7

<Urban Transportation Segment>

In the railway business, we took measures to enhance safety and services by spending capital on the construction of overpasses, the enhancement of facilities, the construction of new barrier-free facilities and the manufacture and improvement of new rolling stock.

We also updated rolling stock in our bus and taxi business.

<Real Estate Segment>

In the real estate leasing business, Hankyu Corporation rebuilt the Umeda Hankyu Building, demolishing part of the premises in the process. Hankyu Realty Co., Ltd. acquired the Hankyu Grand Building* and part of the Hankyu Five Building.

Hankyu Corporation, Hanshin Electric Railway Co., Ltd. and Hankyu Realty Co., Ltd. spent capital on the renovation of rental buildings.

* Hankyu Grand Building was acquired by repurchase from a special-purpose company following completion of the property's securitisation.

<Entertainment and Communications Segment>

In the sports business, Hanshin Electric Railway Co., Ltd. conducted a renovation of Hanshin Koshien Stadium. In the revue business, Hankyu Corporation renovated and updated existing facilities such as Takarazuka Grand Theatre.

<Travel and International Transportation Segment>

In the travel and international transportation business, Hankyu Travel International Co., Ltd. constructed new interior facilities, in line with consolidation of its eastern Japan headquarters' operations.

<Hotels Segment>

In the hotels business, Hankyu Hanshin Hotels Co., Ltd acquired "Dai-ichi Hotel Tokyo"* and simultaneously spent capital on the refurbishment of its guest rooms.

* Dai-ichi Hotel Tokyo was acquired by repurchase from a special-purpose company following completion of the property's securitisation.

<Retailing Segment>

In the retail business, Hankyu Retails Corporation developed a new personnel schedule management system and opened new directly owned stores such as Book 1st. Lumine Kitasenju.

<Other Segment>

In the freight forwarding business, Sanyo Jidosha Unso Co., Ltd. updated its rolling stock.

In the fiscal year under review, depreciation and amortisation increased by ¥5,620 million (10.3%) year-on-year to ¥60,418 million.

This was due to various factors in the previous year, including large-scale capital expenditure for the completion of the Hankyu Nishinomiya Gardens (November 2008), the purchase of rolling stock with the opening of the Hanshin Namba Line (March 2009), the completion of Phase II renovation work on the Hanshin Koshien Stadium (March 2009), and the Kobe Rapid Transit Railway Co., Ltd. becoming a consolidated subsidiary.

Dividends Policy

For information about the Group's stance on shareholder returns, please refer to the Interview with the President (Shareholder Returns Policy) on Page 21.

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 the date of submission of the Securities Report.

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, 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: reconstruction of the Umeda Hankyu Building; development of the Chayamachi area of the Umeda district; Osaka Station North District Phase 1 Development Area Project; 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 2010, on a consolidated basis, was ¥1,282,583 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 Hanshin Electric Railway Group and the Hankyu Holdings 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). To facilitate the plan, in fiscal 2003 (ended March 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.

Q&A on Business Risks

The following is the Group's perspective which has been 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 the date of submission of the Securities Report 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

Interest Rate Fluctuations

Long-term debt and corporate bonds are comprised mainly of long-term financing needed for capital expenditure programs, while short-term borrowings and commercial paper are comprised mainly of financing that is associated with short-term operating capital. Some floating exchange rate borrowings and corporate bonds are exposed to interest rate fluctuation risk (market risk); however, we lock in interest rates by concluding interest rate swap and option contracts to avoid the risks attendant upon interest rate fluctuations.

Nevertheless, in the unlikely event that interest rates were to rise sharply and dramatically, the business performance and financial position of the Group could be adversely affected.

Changes in the Financing Environment

Cash-flow management plans are made in a timely manner for the purpose of appropriately managing funds. By doing so, we avoid liquidity risks which could render the Group incapable of meeting payment deadlines. Additionally, the centralisation of Group funds through the use of cash pool systems and other mechanisms facilitates the consolidation and efficient usage of surplus funds by Group companies, while the establishment of back-up lines such as commitment lines enables the Group to obtain finance from financial institutions at a moment's notice. We also disperse our transaction partners over several financial institutions to maintain an appropriate balance of direct and indirect financing. Thus, we ensure liquidity by diversifying the methods we use for obtaining finance.

Foreign Currency Market Fluctuations

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. Although these derivative transactions involve some credit risk, such as the risk of being no longer able to enjoy the fruits of ongoing trading due to a transaction partner failing to meet its obligations under the terms and conditions of the contract or going bankrupt, we avoid such risk by engaging in transactions only with highly rated institutions.

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

Business-related Risks

Declining Birth-Rate and Aging Population

Due to the declining birth-rate and 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, it is possible that transportation demand (for the Group's railroads, 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.

(Please refer to Page 20 for the Interview with the President on "Community-Building." For more information about our strategies for promoting utilisation in our Urban Transportation Segment, please refer to Page 28.)

Safety Measures

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 ensuring that accidents do not occur due to negligence on our part.

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.

We meet this commitment through hardware solutions and through good practice. One example of the latter is an initiative at Hankyu Corporation, which has adopted the safety slogan "Everything we do is for our passengers, everything we do is for their safety" and instituted a code of conduct on ensuring safe transportation. The code of conduct is displayed on notice boards at all of our stations and given to all of our staff to carry around with them wherever they go, so that they can be reminded of it anywhere and at any time. We have also developed safety management systems and convene regular meetings of our Safety Management and Promotion Committee. Through these efforts, we are striving to ensure the safety of passengers. We have developed a system for rewarding employees for meritorious service. We do this to encourage employees to take the initiative in making proposals for improving safety. As a result, we have received a great many proposals which will contribute to improving the way our employees perform their duties. In May 2009, Hankyu Corporation established the "Safety Observation Room" within its Training Centre, which is a facility that provides training to train drivers and conductors. The Safety Observation Room studies past accidents that occurred both within our businesses and at other operators. By doing so, our crews can learn about the background behind the development of various systems and regulations on safe train operation.

In hardware initiatives, we are currently improving our ATS (Automatic Train-Stopping) system preventing trains from overrunning at railway crossings, mistakenly passing through stations without stopping, or colliding with other trains at terminal areas. We are also adopting train operation monitoring systems and constructing overpasses.

Natural Disaster Mitigation 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 fact, the Group was significantly impacted by customers refraining from going out during the fiscal 2010 H1N1 flu epidemic. The main businesses affected at this time were Urban Transportation, Travel and Hotels.

Other Risks

Changes to Accounting Standards

In line with ongoing revisions to accounting standards in Japan to achieve convergence with International Financial Reporting Standards (IFRS), the government of Japan is considering requiring listed companies to apply IFRS in their consolidated financial statements*.

In the future, changes to accounting standards and IFRS application could adversely affect the Group's financial position and earnings performance due to the necessity of including additional accounting items such as presentation changes to the statement of comprehensive income, retroactive restatement and the shift from amortisation to impairment of goodwill.

Currently, we are studying the likely effect on our financial position of application of the new accounting standards and preparing for the systemic changes. In particular, we are setting up an in-house task force in preparation for compulsory IFRS adoption. Working closely with our independent auditor KPMG AZSA & Co., we are positioning ourselves to deal with issues that may arise in that connection.

* According to materials published by the Financial Services Agency, a decision on whether or not to require companies to adopt IFRS will be made by 2012; if the Agency decides on their adoption, application is expected to begin in 2015 or 2016.

Consolidated Balance Sheets As of 31st March 2009 and 2010

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Assets:			
Current assets:			
Cash and deposits (Note 3)	¥ 31,973	¥ 23,792	$ 255,828
Trade receivables	95,703	78,969	849,129
Land and buildings for sale	134,830	126,316	1,358,237
Finished products and merchandise	7,104	8,138	87,505
Work in progress	7,156	5,445	58,548
Materials and supplies	3,430	3,791	40,763
Deferred tax assets	16,063	14,623	157,237
Other	43,816	33,967	365,237
Allowance for doubtful receivables	(2,765)	(2,023)	(21,753)
Total current assets	337,315	293,021	3,150,763
Noncurrent assets:			
Property and equipment			
Buildings and structures—net (Note 3)	555,809	606,498	6,521,484
Machinery, equipment and vehicles—net (Note 3)	60,171	58,372	627,656
Land (Notes 3 and 5)	819,898	888,431	9,553,022
Construction in progress	131,666	134,215	1,443,172
Other—net (Note 3)	15,833	15,251	163,989
Total property and equipment (Notes 1 and 2)	1,583,379	1,702,769	18,309,344
Intangible assets			
Goodwill	46,335	43,966	472,753
Other (Notes 2 and 3)	18,603	17,989	193,430
Total intangible assets	64,938	61,955	666,183
Investments and other assets			
Investment securities (Notes 3 and 4)	239,567	227,826	2,449,742
Long-term loans receivable	23,753	—	—
Deferred tax assets	5,293	4,996	53,720
Other	60,397	54,556	586,624
Allowance for doubtful receivables	(7,313)	(7,793)	(83,796)
Total investments and other assets	321,698	279,585	3,006,290
Total noncurrent assets	1,970,016	2,044,310	21,981,828
Total assets	¥2,307,332	¥2,337,331	$25,132,591

See the accompanying notes to the consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Liabilities:			
Current liabilities:			
Trade payables	¥ 43,885	¥ 46,726	$ 502,430
Short-term borrowings (Note 3)	266,906	287,346	3,089,742
Current portion of bonds	20,000	25,000	268,817
Income taxes payable	3,489	4,008	43,097
Accrued expenses	18,551	17,386	186,946
Provision for bonuses	4,186	3,986	42,860
Other (Note 3)	156,635	139,417	1,499,108
Total current liabilities	513,656	523,872	5,633,032
Long-term liabilities:			
Bonds	120,000	135,000	1,451,613
Long-term debt (Note 3)	866,717	832,018	8,946,430
Deferred tax liabilities	138,764	151,804	1,632,301
Deferred tax liabilities related to land revaluation (Note 5)	6,861	6,839	73,538
Provision for retirement benefits	57,067	58,487	628,892
Provision for directors' retirement benefits	700	755	8,118
Reserve for investment losses	6,498	6,486	69,742
Long-term deferred contribution for construction	8,513	15,639	168,161
Other	114,672	125,794	1,352,624
Total long-term liabilities	1,319,796	1,332,825	14,331,452
Total liabilities	1,833,453	1,856,698	19,964,495
Net assets:			
Shareholders' equity:			
Common stock	99,474	99,474	1,069,613
Capital surplus	150,134	150,027	1,613,194
Retained earnings	227,338	232,135	2,496,075
Less treasury stock, at cost	(4,143)	(3,808)	(40,946)
Total shareholders' equity	472,803	477,829	5,137,946
Accumulated gains from revaluation and translation adjustments:			
Net unrealised holding gains on securities	(9,253)	(8,075)	(86,828)
Net unrealised gains on hedging derivatives	(681)	(845)	(9,086)
Surplus from land revaluation (Note 5)	1,978	1,956	21,032
Foreign currency translation adjustments	(1,874)	(1,736)	(18,667)
Total accumulated gains from revaluation and translation	(9,831)	(8,700)	(93,548)
Minority interests (Note 5)	10,906	11,505	123,710
Total net assets	473,878	480,633	5,168,097
Total liabilities and net assets	¥2,307,332	¥2,337,331	$25,132,591

Consolidated Statements of Income Years ended 31st March 2009 and 2010

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Revenues from operations	¥683,715	¥653,287	$7,024,591
Costs of revenues from operations:			
Operating expenses and cost of sales of transportation (Note 1)	573,858	550,476	5,919,097
Selling, general and administrative expenses (Note 2)	32,032	32,684	351,441
Total costs of revenues from operations (Note 3)	605,891	583,160	6,270,538
Operating income	77,823	70,126	754,043
Non-operating income:			
Interest income	486	168	1,806
Dividends income	1,569	933	10,032
Amortisation of negative goodwill	739	13	140
Equity in income of affiliates	886	3,455	37,151
Miscellaneous income	2,872	2,397	25,774
Total non-operating income	6,553	6,968	74,925
Non-operating expenses:			
Interest expenses	23,703	23,627	254,054
Miscellaneous expenses	3,229	3,058	32,882
Total non-operating expenses	26,932	26,685	286,935
Ordinary income	57,445	50,409	542,032
Extraordinary income:			
Gain on sale of property and equipment (Note 4)	243	394	4,237
Gain on contributions for construction works	7,043	3,222	34,645
Gain on sale of securities (Note 5)	785	1,624	17,462
Gain on investments in silent partnerships	8,531	8,241	88,613
Other	2,239	2,384	25,634
Total extraordinary income	18,843	15,868	170,624
Extraordinary loss:			
Loss on sale of property and equipment (Note 6)	123	325	3,495
Loss on reduction of property and equipment	6,927	3,044	32,731
Loss on disposal of property and equipment (Note 7)	3,972	6,262	67,333
Loss on impairment of fixed assets (Note 8)	3,447	4,751	51,086
Special allowance for doubtful receivables	457	1,064	11,441
Special reserve for investment losses	1,644	126	1,355
Restructuring costs (Note 9)	18,431	—	—
Lump sum amortisation of goodwill equivalent amount under the equity method (Note 10)	—	10,264	110,366
Other	7,219	6,538	70,301
Total extraordinary loss	42,224	32,377	348,140
Income before income taxes and minority interests	34,064	33,899	364,505
Income taxes—current	6,814	7,226	77,699
Income taxes—deferred	6,070	15,357	165,129
Total income taxes	12,884	22,583	242,828
Minority interests in income	628	523	5,624
Net income	¥ 20,550	¥ 10,793	$ 116,054

See the accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Net Assets
Years ended 31st March 2009 and 2010

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Shareholders' equity:			
Common stock:			
Balance at beginning of year	¥ 99,474	¥ 99,474	$1,069,613
Changes of items during the period:			
Total changes of items during the period	—	—	—
Balance at end of year	¥ 99,474	¥ 99,474	$1,069,613
Capital surplus:			
Balance at beginning of year	¥150,134	¥150,134	$1,614,344
Changes of items during the period:			
Dividends from surplus	—	(107)	(1,151)
Total changes of items during the period	—	(107)	(1,151)
Balance at end of year	¥150,134	¥150,027	$1,613,194
Retained earnings:			
Balance at beginning of year	¥211,758	¥227,338	$2,444,495
Changes of items during the period:			
Dividends from surplus	(6,339)	(6,335)	(68,118)
Net income	20,550	10,793	116,054
Reversal of revaluation reserve for land	212	21	226
Disposal of treasury stock	—	(20)	(215)
Change in scope of consolidation	1,155	337	3,624
Total changes of items during the period	15,579	4,797	51,581
Balance at end of year	¥227,338	¥232,135	$2,496,075
Less treasury stock, at cost:			
Balance at beginning of year	¥ (3,266)	¥ (4,143)	$ (44,548)
Changes of items during the period:			
Purchase of treasury stock	(876)	(137)	(1,473)
Disposal of treasury stock	0	472	5,075
Total changes of items during the period	(876)	335	3,602
Balance at end of year	¥ (4,143)	¥ (3,808)	$ (40,946)
Total shareholders' equity:			
Balance at beginning of year	¥458,100	¥472,803	$5,083,903
Changes of items during the period:			
Dividends from surplus	(6,339)	(6,335)	(68,118)
Net income	20,550	10,793	116,054
Reversal of revaluation reserve for land	212	21	226
Purchase of treasury stock	(876)	(137)	(1,473)
Disposal of treasury stock	0	344	3,699
Change in scope of consolidation	1,155	337	3,624
Total changes of items during the period	14,703	5,025	54,032
Balance at end of year	¥472,803	¥477,829	$5,137,946

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Valuation and translation adjustments:			
Valuation difference on available-for-sale securities:			
Balance at beginning of year	¥ 6,621	¥ (9,253)	$ (99,495)
Changes of items during the period:			
Net changes of items other than shareholders' equity	(15,874)	1,177	12,656
Total changes of items during the period	(15,874)	1,177	12,656
Balance at end of year	¥ (9,253)	¥ (8,075)	$ (86,828)
Deferred gains or losses on hedges:			
Balance at beginning of year	¥ (557)	¥ (681)	$(7,323)
Changes of items during the period:			
Net changes of items other than shareholders' equity	(124)	(163)	(1,753)
Total changes of items during the period	(124)	(163)	(1,753)
Balance at end of year	¥ (681)	¥ (845)	$(9,086)
Revaluation reserve for land:			
Balance at beginning of year	¥ 2,192	¥ 1,978	$ 21,269
Changes of items during the period:			
Net changes of items other than shareholders' equity	(214)	(21)	(226)
Total changes of items during the period	(214)	(21)	(226)
Balance at end of year	¥ 1,978	¥ 1,956	$ 21,032
Foreign currency translation adjustment:			
Balance at beginning of year	¥ 212	¥ (1,874)	$ (20,151)
Changes of items during the period:			
Net changes of items other than shareholders' equity	(2,087)	137	1,473
Total changes of items during the period	(2,087)	137	1,473
Balance at end of year	¥ (1,874)	¥ (1,736)	$ (18,667)
Total valuation and translation adjustments:			
Balance at beginning of year	¥ 8,468	¥ (9,831)	$ (105,710)
Changes of items during the period:			
Net changes of items other than shareholders' equity	(18,300)	1,130	12,151
Total changes of items during the period	(18,300)	1,130	12,151
Balance at end of year	¥ (9,831)	¥ (8,700)	$ (93,548)
Minority interests:			
Balance at beginning of year	¥ 10,069	¥ 10,906	$ 117,269
Changes of items during the period:			
Net changes of items other than shareholders' equity	836	598	6,430
Total changes of items during the period	836	598	6,430
Balance at end of year	¥ 10,906	¥ 11,505	$ 123,710
Total net assets:			
Balance at beginning of year	¥476,639	¥473,878	$5,095,462
Changes of items during the period:			
Dividends from surplus	(6,339)	(6,335)	(68,118)
Net income	20,550	10,793	116,054
Reversal of revaluation reserve for land	212	21	226
Purchase of treasury stock	(876)	(137)	(1,473)
Disposal of treasury stock	0	344	3,699
Change in scope of consolidation	1,155	337	3,624
Net changes of items other than shareholders' equity	(17,463)	1,729	18,591
Total changes of items during the period	(2,760)	6,754	72,624
Balance at end of year	¥473,878	¥480,633	$5,168,097

See the accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows Years ended 31st March 2009 and 2010

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 34,064	¥ 33,899	$ 364,505
Depreciation and amortisation	54,798	60,418	649,656
Loss on impairment of fixed assets	3,447	4,751	51,086
Amortisation of goodwill	2,677	2,677	28,785
Amortisation of negative goodwill	(739)	(13)	(140)
Equity in (income) losses of affiliates	(886)	(3,455)	(37,151)
Increase (decrease) in provision for retirement benefits	(1,184)	1,647	17,710
Increase (decrease) in allowance for doubtful receivables	749	792	8,516
Restructuring costs	18,431	—	—
Interest and dividend income	(2,055)	(1,102)	(11,849)
Interest expense	23,703	23,627	254,054
Loss (gain) on sale of property and equipment	(119)	(68)	(731)
Loss on reduction of property and equipment	6,927	3,044	32,731
Loss on disposal of property and equipment	3,972	6,262	67,333
Loss (gain) on sale of marketable and investment securities	(772)	(1,278)	(13,742)
Gain on contributions for construction works	(7,043)	(3,222)	(34,645)
Loss (gain) on investments in silent partnerships	(8,531)	(8,241)	(88,613)
Lump sum amortisation of goodwill equivalent amount under the equity method	—	10,264	110,366
Decrease (increase) in trade receivables	22,206	19,750	212,366
Decrease (increase) in inventories	643	9,361	100,656
(Increase) decrease in trade payables	(7,423)	2,559	27,516
Increase (decrease) in other liabilities	(11,376)	(9,712)	(104,430)
Other	2,527	24,048	258,581
Subtotal	134,016	176,010	1,892,581
Interest and dividends received	3,008	2,502	26,903
Interest paid	(23,328)	(23,512)	(252,817)
Income taxes (paid) refunded	(4,907)	(6,496)	(69,849)
Extra retirement payment	(191)	(1,549)	(16,656)
Net cash provided by operating activities	108,597	146,955	1,580,161
Cash flows from investing activities:			
Purchases of property and equipment	(120,346)	(161,078)	(1,732,022)
Proceeds from sale of property and equipment	1,066	2,758	29,656
Purchases of investment securities	(8,340)	(4,142)	(44,538)
Proceeds from sale of investment securities	1,940	3,628	39,011
Purchases of investments in consolidated subsidiaries affecting scope of consolidation	—	1,813	19,495
Proceeds from sale of investments in consolidated subsidiaries affecting scope of consolidation	(1,777)	—	—
Net decrease (increase) in short-term loans receivable	(2,463)	250	2,688
Long-term loans advanced	(11,900)	(748)	(8,043)
Proceeds from collection of long-term loans receivable	5,614	363	3,903
Receipt of contributions for construction works	12,899	11,865	127,581
Receipt of repayment of investments in silent partnerships	9,181	10,541	113,344
Other	(921)	2,010	21,613
Net cash used in investing activities	(115,047)	(132,737)	(1,427,280)
Cash flows from financing activities:			
Net increase (decrease) in short-term borrowings	12,982	(28,685)	(308,441)
Proceeds from long-term borrowings	118,523	54,100	581,720
Repayment of long-term debt	(111,979)	(62,066)	(667,376)
Proceeds from new bonds issued	19,909	39,773	427,667
Redemption of bonds	(25,200)	(20,000)	(215,054)
Dividends paid	(6,339)	(6,335)	(68,118)
Dividends paid to minority shareholders of consolidated subsidiaries	(267)	(249)	(2,677)
Other	(614)	(737)	(7,925)
Net cash provided by (used in) financing activities	7,014	(24,200)	(260,215)
Effect of exchange rate changes on cash and cash equivalents	(2,739)	302	3,247
Increase (decrease) in cash and cash equivalents	(2,174)	(9,680)	(104,086)
Cash and cash equivalents at beginning of year	31,166	30,690	330,000
Increase in cash and cash equivalents from newly consolidated subsidiary	1,692	430	4,624
Increase in cash and cash equivalents resulting from merger with nonconsolidated subsidiary	5	—	—
Cash and cash equivalents at end of year	¥ 30,690	¥ 21,440	$ 230,538

See the accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

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; the "Consolidated Financial Statement Regulations").

The consolidated financial statements for the previous fiscal year (1st April 2008 to 31st March 2009) were prepared according to the Consolidated Financial Statement Regulations prior to their revision, and the consolidated financial statements for the fiscal year under review (1st April 2009 to 31st March 2010) were prepared according to the revised Consolidated Financial Statement Regulations.

AUDIT VERIFICATION

The Company's consolidated financial statements for the previous fiscal year (1st April 2008 to 31st March 2009) and for the fiscal year under review (1st April 2009 to 31st March 2010) were audited by KPMG AZSA & Co., as per Article 193, Section 2.1 of the Financial Instruments and Exchange Act.

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. More specifically, the Company 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.

BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

1. Scope of consolidation

Fiscal year ended 31st March 2009

(a) Number of consolidated subsidiaries—98.

Names of primary consolidated subsidiaries—Please refer to Page 101.

HANKYU INTERNATIONAL TRANSPORT (KOREA) CO., LTD. and six other companies were added to the scope of consolidation because of their increased importance, and Hanshin Cable Engineering Co., Ltd. was newly established and added to the scope of consolidation.

Hotel Hanshin, Ltd., due to a merger, Soei Kosan Co., Ltd., due to the completion of its liquidation, and Station Finance Inc. and one other company, due to the sale of all held stock, have been excluded from the scope of consolidation.

(b) Major nonconsolidated subsidiaries

Hankyu Mediax Co., Ltd., Hanshin Motor Dock 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, retained earnings, and other figures are low, 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 "Special purpose entities subject to disclosure."

Fiscal year ended 31st March 2010

(a) Number of consolidated subsidiaries—99.

Names of primary consolidated subsidiaries—Please refer to Page 101.

Kobe Rapid Transit Railway Co., Ltd., due to stock acquisition, and Hankyu Hanshin Clean Service Co., Ltd. and three other companies, due to their increased significance, have been included in the scope of consolidation.

In addition, Hankyu Express Co., Ltd. and two other companies, due to a merger, and Hankyu Airlines Co., Ltd., due to the completion of its liquidation, have been excluded from the scope of consolidation.

(b) 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, retained earnings, and other figures are low, and the effect on the consolidated financial statements as a whole is negligible.

(c) Special purpose entities subject to disclosure

Unchanged from previous fiscal year

2. Items related to application of equity-method accounting

Fiscal year ended 31st March 2009

(a) Number of affiliates for which equity method is applied—8.

(Names of major equity-method affiliates)

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

Nishi-Osaka Railway Co., Ltd. has been included in the scope of consolidation due to its increased significance.

(b) The nonconsolidated subsidiaries to which the equity method does not apply (Hankyu Mediax Co., Ltd., Hanshin Motor Dock Co., Ltd., etc.) and affiliates (OS Co., Ltd., Iwami Kotsu Co., Ltd., etc.) use the cost method, rather than the equity method, because the total amounts of their net income or loss, retained earnings, and other figures are low, and the effect on the consolidated financial statements as a whole is negligible.

(c) The differences in the investment amounts resulting from the equity method calculation are amortised in equal amounts over five years from the date upon which each difference arises.

The difference in the investment amount in connection with H_2O Retailing Corporation that arose during the period ended 31st March 2008 is amortised in equal amounts over 20 years.

Fiscal year ended 31st March 2010
(a) Number of affiliates for which equity method is applied—8.
(Names of major equity-method affiliates)
H_2O Retailing Corporation, Kobe Electric Railway Co., Ltd., Toho Co., Ltd., Tokyo Rakutenchi Co., Ltd.
(b) 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, retained earnings, and other figures are low, and the effect on the consolidated financial statements as a whole is negligible.
(c) The differences in the amounts invested resulting from the equity method calculation are amortised in equal amounts over five years from the date upon which each difference arises.

The entire unamortised balance of the difference in the investment amount concerning H_2O Retailing Corporation that arose during the period ended 31st March 2008 has been completely amortised in the fiscal year under review because an impairment loss from the stocks of H_2O Retailing has been reported in the Company's individual financial statements due to a decline in the market price of H_2O Retailing's stocks held by the Company.

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

Fiscal year ended 31st March 2009
The account closing date for HANKYU INTERNATIONAL TRANSPORT (NETHERLANDS) B.V., HANKYU INTERNATIONAL TRANSPORT (DEUTSCHLAND) GMBH and 16 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.

Fiscal year ended 31st March 2010
The account closing date for Hankyu Hanshin Express (Netherlands) B.V., Hankyu Hanshin Express (Deutschland) GmbH and 17 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

(1) Valuation standards and method for major assets
(a) Inventories
Fiscal year ended 31st March 2009
Land and buildings for sale, comprising the major part of the inventories, are assessed using the identified cost method (with balance sheet values calculated by writing down book values based on decreased profitability). Finished products and merchandise, work in progress, and materials and supplies are assessed primarily using the moving average cost method (with balance sheet values calculated by writing down book values based on decreased profitability).
(Changes in accounting policies)
The Accounting Standard for Valuation of Inventories (Statement No. 9 issued by the Accounting Standards Board of Japan on 5th July 2006) has been adopted.

This has resulted in a decrease of ¥3,856 million in operating and ordinary income and ¥4,856 million in income before income taxes and minority interests.

The effect of this change on the segment information is described in the segment information section.

Fiscal year ended 31st March 2010
Land and buildings for sale comprising the major part of the inventories are assessed using the identified cost method (with balance sheet values calculated by writing down book values based on decreased profitability). Finished products and merchandise, work in progress, and materials and supplies are assessed primarily using the moving average cost method (with balance sheet values calculated by writing down book values based on decreased profitability).

(b) Among available-for-sale securities, those with available fair market values are assessed using the market value method based on the market price, etc., as of the fiscal year-end (with the entire amount of valuation differences directly included under net assets, and the cost of sales calculated using the moving average method). Those without available fair market values are assessed in most cases using the moving average cost method.

For investments in limited liability investment partnerships and similar investments, however, the Company's share of assets held by such partnerships is recorded.
(c) Derivatives are assessed using the market value method.

(2) Depreciation methods for major depreciable assets
(a) 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.
(b) Intangible assets (excluding leased assets) are depreciated using the straight-line method.
Software (used by the Company), however, uses the straight-line method based on the internal available life (one to six years).
(c) 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 assumption that the lease term is the useful life and the residual value as zero.
Finance leases that commenced prior to 31st March 2008 are accounted for based on the method applied to usual lease transactions.

(3) Accounting for contributions for construction works
Fiscal year ended 31st March 2009
Hankyu Corporation and Hanshin Electric Railway Co. Ltd., consolidated subsidiaries of the Company, accept contributions for construction works 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 property and equipment at the acquisition cost, after deducting the amounts corresponding to the contributions.

The amounts received for construction works, including such contributions are recorded in extraordinary income 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 property and equipment.

Fiscal year ended 31st March 2010

Some consolidated subsidiaries of the Company accept contributions for construction works 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 property and equipment at the acquisition cost, after deducting the amounts corresponding to the contributions.

The amounts received for construction works, including such contributions, and are recorded in extraordinary income in the consolidated statements of income, and the amount directly deducted from the acquisition cost is recorded in extraordinary loss as a loss on the reduction of property and equipment.

(4) Accounting standards for significant transactions

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

(b) 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) 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 (4 to 15 years) 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.

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

(d) 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.

(e) Reserve for investment losses is provided for possible losses in excess of investments and loans to affiliates based on the evaluation of their assets and other factors.

(5) Significant hedge accounting methods

(a) 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.

(b) 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

(c) 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.

(d) 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.

(e) Other risk management methods concerning hedge accounting

The division of duties, the maximum transaction amount, and other internal rules 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.

(6) The assets and liabilities and income and expenses of overseas subsidiaries are converted to yen based on the spot exchange rate on the settlement date. Differences in conversion are included in translation adjustments and minority interests in the net assets section.

(7) 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" of investments and other assets on the consolidated balance sheets as long-term prepaid consumption tax and is amortised in equal amounts based on the provisions of the Corporation Tax Law.

(8) A consolidated tax payment system has been adopted.

5. Items related to the valuation of assets and liabilities at consolidated subsidiaries

Fair value valuation is used for the valuation of all assets and liabilities of consolidated subsidiaries.

6. Amortisation of goodwill and negative goodwill

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

7. 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.

ADDITIONAL INFORMATION

Fiscal year ended 31st March 2009

(Change of purpose of possession)

The purpose of the possession of the part of the land included in "construction in progress" under "noncurrent assets" up until the previous fiscal year has been changed in the fiscal year ended 31st March 2009. The amount transferred from "construction in progress" to "land and buildings for sale" as a result of this change is ¥6,720 million.

CHANGES IN ACCOUNTING POLICIES

Fiscal year ended 31st March 2009

(Accounting standards for lease transactions)

Finance lease transactions that do not transfer ownership rights were previously accounted for based on the method applied to ordinary lease transactions. From the fiscal year ended 31st March 2009, however, the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13, issued by the Accounting Standards Board of Japan on 17th June 1993, and revised on 30th March 2007) and the "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16, issued by the Accounting Standards Board of Japan on 18th January 1994, and revised on 30th March 2007) are applied, and these transactions are accounted for in a similar manner as ordinary sale and purchase transactions.

This change has a negligible effect on total assets and no effect on profit or loss.

(Present handling related to accounting treatment for overseas subsidiaries in the preparation of consolidated financial statements)

The "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements (ASBJ PITF No. 18, issued by the Accounting Standards Board of Japan on 17th May 2006) is applied.

The effect of this change is negligible.

Fiscal year ended 31st March 2010

("Accounting Standards for Construction Contracts" etc.)

Accounting Standards for Construction Contracts (Statement No. 15 issued by the Accounting Standards Board of Japan on 27th December 2007) and Implementation Guidance on Accounting Standards for Construction Contracts (the Financial Accounting Standard Implementation Guidance No. 18 issued by the Accounting Standards Board of Japan on 27th December 2007) have been adopted. The percentage-of-completion method applies to construction projects whose contracts are initiated during the fiscal year, and which have measurable progress at the end of the fiscal year (the proportion-of-cost method is mainly used to estimate the progress of such construction projects). The completed-contract method applies to other construction projects.

This change has resulted in an increase of ¥1,311 million (US$14,097 thousand) in revenues from operations and ¥66 million ($710 thousand) each in operating income, ordinary income, and income before income taxes and minority interests, from the amounts that would have been reported with the previous method.

The effect on the segment information is described in the segment information section.

(Partial amendment to "Accounting Standards for Retirement Benefits" (Part 3))

The partial amendment to the Accounting Standards for Retirement Benefits (Part 3) (Statement No. 19 issued by the Accounting Standards Board of Japan on 31st July 2008) has been adopted. The effects of this change on operating income, ordinary income, income before income taxes and minority interests, and projected benefit obligation are negligible.

CHANGES IN PRESENTATION

(Consolidated Balance Sheets)

Fiscal year ended 31st March 2009

1. With the enforcement of the Cabinet Ordinance to Partially Amend Rules on Financial Statements, etc. (No. 50 issued on 7th August 2008), the items categorised as "inventories" in the previous fiscal year have been divided into "land and buildings for sale," "finished products and merchandise," "work in progress," and "materials and supplies" from the fiscal year ended 31st March 2009. "Land and buildings for sale," "finished products and merchandise," "work in progress," and "materials and supplies" included in "inventories" in the previous fiscal year are ¥127,618 million, ¥7,314 million, ¥7,986 million, and ¥3,170 million, respectively.

2. Because the amount of short-term loans receivable (¥1,276 million in the fiscal year ended 31st March 2009) categorised under current assets in the previous fiscal year was insignificant, it is included in "other" for the fiscal year under review.

Fiscal year ended 31st March 2010

Because the amount of long-term loans receivable (¥6,415 million ($68,978 thousand) in the fiscal year under review) categorised under investments and other assets in the previous fiscal year was insignificant, it is included in "other" for the fiscal year under review.

(Consolidated Statements of Income)

Fiscal year ended 31st March 2009

1. Because the amount of "subsidies" (¥17 million in the fiscal year under review) categorised under extraordinary income in the previous fiscal year was insignificant, it is included in "other" for the fiscal year ended 31st March 2009.

2. Because the amount of "gain on change in equity" (¥45 million in the fiscal year ended 31st March 2009) categorised under extraordinary income in the previous fiscal year was insignificant, it is included in "other" for the fiscal year under review.

3. Because the monetary significance of the "special reserve for investment losses" included in "other" under extraordinary loss in the previous fiscal year has increased, it is categorised separately in the fiscal year ended 31st March 2009.

The amount of the "special reserve for investment losses" included in "other" in the previous fiscal year is ¥34 million.

(Consolidated Statements of Cash Flows)

Fiscal year ended 31st March 2009

1. Because the amount of "increase (decrease) in reserve for investment losses" (¥386 million in the fiscal year ended 31st March 2009) categorised under cash flows from operating activities in the previous fiscal year was insignificant, it is included in "other" for the fiscal year ended 31st March 2009.

2. "Gain on sale of property and equipment" (¥243 million in the fiscal year ended 31st March 2009) and "loss on sale of property and equipment" (¥123 million in the fiscal year ended 31st March 2009) categorised under cash flows from operating activities in the previous fiscal year are indicated as "loss (gain) on sale of property and equipment" from the fiscal year ended 31st March 2009 to improve the comparability of the consolidated financial statements due to the introduction of XBRL to EDINET.

3. "Gain on sale of marketable and investment securities" (¥819 million in the fiscal year ended 31st March 2009) categorised under cash flows from operating activities in the previous fiscal year is indicated as "loss (gain) on sale of marketable and investment securities" from the fiscal year ended 31st March 2009 to improve the comparability of the consolidated financial statements due to the introduction of XBRL to EDINET.

4. Because the amount of "gain on change in equity by management integration" (¥45 million in the fiscal year ended 31st March 2009) categorised under cash flows from operating activities in the previous fiscal year was insignificant, it is included in "other" for the fiscal year ended 31st March 2009.

NOTES

(Consolidated Balance Sheets)

***1. Accumulated depreciation of property and equipment**

Millions of yen		Thousands of U.S. dollars
2009	2010	2010
¥870,318	¥920,215	$9,894,785

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

Millions of yen		Thousands of U.S. dollars
2009	2010	2010
¥330,683	¥348,741	$3,749,903

***3. Pledged assets and secured liabilities**

The following table shows the assets pledged as collateral.

	Millions of yen				Thousands of U.S. dollars	
	2009		2010		2010	
Current assets:						
Cash and deposits	¥ 5	[¥ —]	¥ 140	[¥ —]	$ 1,505	[$ —]
Property and equipment:						
Buildings and structures	229,243	[223,065]	235,852	[230,129]	2,536,043	[2,474,505]
Machinery, equipment and vehicles	46,474	[46,470]	46,456	[46,454]	499,527	[499,505]
Land	271,669	[258,481]	272,412	[259,244]	2,929,161	[2,787,570]
Other	4,183	[4,183]	4,116	[4,116]	44,258	[44,258]
Intangible assets:						
Other	1,432	[1,432]	1,466	[1,466]	15,763	[15,763]
Investment and other assets:						
Investment securities	18,303	[—]	17,044	[—]	183,269	[—]
Total	¥571,311	[¥533,633]	¥577,489	[¥541,410]	$6,209,559	[$5,821,613]

The following table shows the secured liabilities.

	Millions of yen				Thousands of U.S. dollars	
	2009		2010		2010	
Current liabilities:						
Short-term borrowings	¥ 9,997	[¥ 8,891]	¥ 10,979	[¥ 9,572]	$ 118,054	[$102,925]
Other	67	[—]	59	[—]	634	[—]
Long-term liabilities:						
Long-term debt	95,719	[76,752]	94,464	[76,652]	1,015,742	[824,215]
Total	¥105,783	[¥85,644]	¥105,503	[¥86,225]	$1,134,441	[$927,151]

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

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

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Investment securities (stocks)	¥155,239	¥151,052	$1,624,215

***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 "surplus from land revaluation." The equity method affiliates recorded the amount corresponding to its equity in the valuation difference (after subtracting taxes) in the net assets section as "surplus from land revaluation."

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. 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 revaluated land at the end of the fiscal year under review and book value after revaluation.

Millions of yen		Thousands of U.S. dollars
2009	2010	2010
¥(5,042)	¥(4,866)	$(52,323)

6. Contingent liabilities

(A) The Company provides a liability guarantee for loans of the Companies, etc. listed below.

Fiscal year ended 31st March 2009

	Millions of yen
*Nishi-Osaka Railway Co., Ltd.	¥19,493
Borrowers on loans for purchase of land and buildings	3,229
Other (six companies)	65
Total	¥22,788

* Hanshin Electric Railway Co., Ltd. is joint and several liability for the lenders for all liabilities borne by Nishi-Osaka Railway Co., Ltd. based on the commitment line agreement and interest rate exchange agreement signed by Nishi-Osaka Railway Co., Ltd. with the lending financial institutions. The maximum contractual loan amount for this commitment line agreement is ¥13,000 million, and the balance of current borrowing, ¥8,900 million, is included in the above liability guarantee.

Fiscal year ended 31st March 2010

	Millions of yen	Thousands of U.S. dollars
Nishi-Osaka Railway Co., Ltd.	¥24,610	$264,624
Borrowers on loans for purchase of land and buildings	5,780	62,151
Cassiopeia Ltd.	2,625	28,226
Other (five companies)	139	1,495
Total	¥33,155	$356,505

(B) The Company guarantees the loans of Senchu Parking by reserving the right of purchasing real property held by Senchu Parking.

Millions of yen		Thousands of U.S. dollars
2009	2010	2010
¥8,500	¥7,007	$75,344

Note: Major partner companies included in (A) above are the Company's affiliates.

(Consolidated Statements of Income)

*1. Year-end inventory balance

Fiscal year ended 31st March 2009

The year-end inventory balance is the amount after write-down due to decreased profitability, and the following write-down of inventories is included in operating expenses and cost of sales.

¥3,856 million

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

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Personnel expenses	¥14,697	¥16,083	$172,935
Expenses	12,835	11,988	128,903
Taxes	528	505	5,430
Depreciation and amortisation	1,293	1,429	15,366
Amortisation of goodwill	2,677	2,677	28,785
Total	¥32,032	¥32,684	$351,441

*3. The amounts of allowance and reserves included in the costs of revenues from operations are shown below.

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Special allowance for doubtful receivables	¥1,133	¥ 159	$ 1,710
Provision for bonuses	4,350	4,413	47,452
Retirement benefit expenses	8,934	10,027	107,817
Provision for directors' retirement benefits	155	136	1,462

*4. The gain on sale of property and equipment resulted from the transfer of land and other property.

*5. The gain on sale of securities resulted from the sale of investment securities.

*6. The loss on sale of property and equipment resulted from the transfer of land and other property. The breakdown is shown below.

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Land	¥101	¥309	$3,323
Tools, furniture and fixtures, etc.	22	—	—
Machinery, equipment and vehicles, etc.	—	16	172

*7. Loss on disposal of property and equipment

Fiscal year ended 31st March 2009

The loss on disposal of property and equipment resulted primarily from the renovation of the Hanshin Koshien Stadium of Hanshin Electric Railway Co., Ltd. The breakdown is shown below.

	Millions of yen
Book value upon removal	¥3,431
(Breakdown)	
Buildings and structures	3,250
Tools, furniture and fixtures, etc.	181
Cost of removal work	541

Fiscal year ended 31st March 2010

The loss on disposal of property and equipment resulted primarily from the reconstruction of the Umeda Hankyu Building of Hankyu Corporation. The breakdown is shown below.

	Millions of yen	Thousands of U.S. dollars
Book value upon removal	¥4,613	$49,602
(Breakdown)		
Buildings and structures	4,446	47,806
Tools, furniture and fixtures, etc.	166	1,785
Cost of removal work	1,649	17,731

*8. Loss on impairment of fixed assets

Fiscal year ended 31st March 2009

The loss on impairment of fixed assets was calculated by grouping the assets based on the smallest unit that creates 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 ten noncurrent assets groups, whose market values have been sharply declining 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 a loss on impairment of fixed assets (¥3,447 million) under extraordinary loss in the fiscal year ended 31st March 2009.

Region	Use	Type of assets	Millions of yen
Osaka	Idle assets, etc. Total: 3	Construction in progress, etc.	¥2,090
Kochi	Hotel Total: 1	Land and buildings, etc.	1,200
Kyoto, etc.	Retailing stores, etc. Total: 6	Land and buildings, etc.	157

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

Region	Type of assets	Millions of yen
Osaka	Buildings and structures	¥ 14
	Construction in progress	2,075
	Other	1
Kochi	Land	645
	Buildings and structures	554
Kyoto, etc.	Land	69
	Buildings and structures	68
	Machinery, equipment and vehicles	1
	Other	17
	Intangible assets	0

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

The net sale value uses the amount calculated by rationally adjusting the expected sale prices, appraised values based on the Japanese Real Estate Appraisal Standards, and/or noncurrent 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 2010

The loss on impairment of fixed assets was calculated by grouping the assets based on the smallest unit that creates 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 noncurrent 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 a loss on impairment of fixed assets (¥4,751 million ($51,086 thousand)) under extraordinary loss in the fiscal year under review.

Region	Use	Type of assets	Millions of yen	Thousands of U.S. dollars
Osaka	Idle assets, etc. Total: 11	Construction in progress, etc.	¥4,576	$49,204
Kyoto	Retailing stores Total: 2	Buildings and structures, etc.	112	1,204
Hyogo, etc.	Retailing stores, etc. Total: 12	Buildings and structures, etc.	61	656

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
Osaka	Buildings and structures	¥ 132	$ 1,419
	Land	8	86
	Construction in progress	4,407	47,387
	Other	15	161
	Intangible assets	12	129
Kyoto	Buildings and structures	94	1,011
	Other	18	194
	Intangible assets	0	0
Hyogo, etc.	Buildings and structures	38	409
	Machinery, equipment and vehicles	2	22
	Land	12	129
	Construction in progress	0	0
	Other	8	86

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

The net sale value uses the amount calculated by rationally adjusting the expected sale prices, appraised values based on the Japanese Real Estate Appraisal Standards, and/or fixed asset tax assessment values.

*9. Restructuring costs

Fiscal year ended 31st March 2009

Restructuring costs related to the exclusion of Station Finance Inc. from the scope of consolidation consist of a loss of ¥537 million from the sale of the shares of the Company held by Hankyu Corporation and a loss of ¥17,893 million from the sale of receivables on financing to third parties.

*10. Amount corresponding to goodwill

Fiscal year ended 31st March 2010

The lump sum amortisation of goodwill equivalent amount under the equity method refers to the process by which the entire unamortised balance of the "goodwill equivalent amount" recognised when the shares of H_2O Retailing Corporation, an equity method affiliate of the Company, were acquired through the exchange of shares in the consolidated settlement because an impairment loss from the stock of H_2O Retailing has been reported in the Company's individual financial statements due to a decline in the market price of H_2O Retailing's stock held by the Company.

(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 2009

(Thousands of shares)

	No. of shares as of 31st March 2008	Increase in number of shares	Decrease in number of shares	No. of shares as of 31st March 2009
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)	7,857	1,903	0	9,761
Total	7,857	1,903	0	9,761

(Overview of reasons for fluctuations)

Notes:

1. The increase of 1,903 thousand shares of common stock of the Company includes 1,067 thousand shares of treasury stock (the Company's own shares) belonging to the Company among the treasury stock acquired by equity method affiliates, and an increase of 836 thousand shares from the purchase of odd lot shares.
2. The decrease of 0 thousand common shares of the Company includes 0 thousand shares as a result of a decreased equity ratio of equity method affiliates.

Fiscal year ended 31st March 2010

(Thousands of shares)

	No. of shares as of 31st March 2009	Increase in number of shares	Decrease in number of shares	No. of shares as of 31st March 2010
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)	9,761	311	794	9,278
Total	9,761	311	794	9,278

(Overview of reasons for fluctuations)

Notes:

1. The increase of 311 thousand shares of common stock of the Company represents the increase from the purchase of odd lot shares.
2. The decrease of 794 thousand shares of common stock of the Company includes a decrease of 731 thousand shares as a result of an exchange of shares (three-way exchange of shares) using the treasury stock (the Company's own shares) of consolidated subsidiaries and a decrease of 63 thousand shares due to the sale of odd lot shares.

2. Items related to subscription rights for shares and own share options

Fiscal years ended 31st March 2009 and 2010

No items

3. Items related to dividends

Fiscal year ended 31st March 2009

(1) Dividends paid

(Resolution)	Type of shares	Dividends paid (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
25th June 2008 General meeting of shareholders	Common stock	¥6,339	¥5	31st March 2008	26th June 2008

(2) Dividends whose effective date falls in the fiscal year following the fiscal year of the record date

(Resolution)	Type of shares	Dividends paid (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
17th June 2009 General meeting of shareholders	Common stock	¥6,335	Retained earnings	¥5	31st March 2009	18th June 2009

Fiscal year ended 31st March 2010

(1) Dividends paid

(Resolution)	Type of shares	Dividends paid		Dividend per share		Record date	Effective date
		(Millions of yen)	(Thousands of U.S. dollars)	(Yen)	(U.S. dollars)		
17th June 2009 General meeting of shareholders	Common stock	¥6,335	$68,118	¥5	$0.05	31st March 2009	18th June 2009

(2) Dividends whose effective date falls in the fiscal year following the fiscal year of the record date

(Resolution)	Type of shares	Dividends paid (Millions of yen)	Dividends paid (Thousands of U.S. dollars)	Source of dividends	Dividend per share (Yen)	Dividend per share (U.S. dollars)	Record date	Effective date
16th June 2010 General meeting of shareholders	Common stock	¥6,337	$68,140	Retained earnings	¥5	$0.05	31st March 2010	17th June 2010

(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
	2009	2010	2010
Cash and deposits in the consolidated balance sheets	¥31,973	¥23,792	$255,828
Deposits with maturities over 3 months	(1,283)	(2,351)	(25,280)
Cash and cash equivalents in the cash flow statements	¥30,690	¥21,440	$230,538

2. Major breakdown of assets and liabilities of subsidiaries added to scope of consolidation via acquisition of shares

Fiscal year ended 31st March 2010

Kobe Rapid Transit Railway Co., Ltd.	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 6,681	$ 71,839
Noncurrent assets	55,374	595,419
Current liabilities	(12,377)	(133,086)
Long-term liabilities	(49,213)	(529,172)

3. Major breakdown of assets and liabilities of companies that are no longer consolidated subsidiaries of the Company after the sale of their shares

Fiscal year ended 31st March 2009

Hankyu Cargo Service Co., Ltd.	Millions of yen
Current assets	¥1,965
Noncurrent assets	502
Current liabilities	(1,439)
Long-term liabilities	(619)

Station Finance Inc.	Millions of yen
Current assets	¥44,048
Noncurrent assets	2,046
Current liabilities	(10,467)
Long-term liabilities	(34,758)

(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 application of the accounting standards for lease transactions

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

	Millions of yen						Thousands of U.S. dollars		
	2009			2010			2010		
	Acquisition cost	Accumulated depreciation	Net leased property	Acquisition cost	Accumulated depreciation	Net leased property	Acquisition cost	Accumulated depreciation	Net leased property
Buildings and structures	¥ 7	¥ 4	¥ 3	¥ 7	¥ 5	¥ 1	$ 75	$ 54	$ 11
Machinery, equipment and vehicles	4,766	2,450	2,315	4,440	2,716	1,723	47,742	29,204	18,527
Other	6,420	4,104	2,316	4,670	3,272	1,397	50,215	35,183	15,022
Total	¥11,194	¥6,559	¥4,635	¥9,117	¥5,994	¥3,123	$98,032	$64,452	$33,581

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

(2) Amount equivalent to future lease payments

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Due within one year	¥1,431	¥1,210	$13,011
Due after one year	3,203	1,912	20,559
Total	¥4,635	¥3,123	$33,581

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.

(3) Lease payments, reversal of impairment loss on leased assets, and amount equivalent to depreciation expenses

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Lease payments	¥2,386	¥1,496	$16,086
Reversal of impairment loss on leased assets	7	—	—
Amount equivalent to depreciation expenses	2,386	1,496	16,086

(4) Method for calculating the amount equivalent to depreciation expenses
The straight-line method using the term of the lease as useful life with residual value of zero.

2. Operating lease transactions

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Future lease payments			
Due within one year	¥ 7,628	¥ 3,320	$ 35,699
Due after one year	19,564	12,153	130,677
Total	¥27,193	¥15,473	$166,376

<As lessor>

1. Operating lease transactions

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Future lease payments receivables			
Due within one year	¥ 81	¥ 81	$ 871
Due after one year	1,060	979	10,527
Total	¥1,142	¥1,060	$11,398

(Financial Instruments)

Fiscal year ended 31st March 2010

(Additional information)

Beginning with the fiscal year under review, the Company has adopted the "Accounting Standard for Financial Instruments" (Statement No. 10 issued by the Accounting Standards Board of Japan on 10th March 2008) and the "Implementation Guidance for the Disclosure of Fair Value, etc. of Financial Instruments" (Implementation Guidance No. 19 issued by the Accounting Standards Board of Japan on 10th March 2008).

1. Matters regarding the conditions of financial instruments

(1) Policy on financial instruments
It is the Group's policy to limit the investment of its funds to short-term deposits, which are highly secure, and the Group has raised funds chiefly through loans from financial institutions, bonds and commercial papers. Derivative transactions have been used to avoid risk, as discussed later. It is our policy to refrain from speculative transactions.

(2) Details of the financial instruments used, the risk involved, and the risk management system
Marketable and investment securities consist primarily 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 reasons for holding the securities continue to be 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 foreign currency denominated assets and liabilities are exposed to exchange rate fluctuation risk (market risk), which was hedged through forward exchange contracts, currency swap transactions and currency option transactions.

Long-term debts and bonds are used primarily to raise the long-term funds necessary for capital investment plans, and short-term borrowings and commercial papers are used primarily to raise the short-term funds for working capital. Some floating-rate debts 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 and interest rate option 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 plan and proper fund management. In addition, the 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 its fund raising 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 and interest rate option transactions is to hedge the interest rate fluctuation risk involved in certain loans and bonds. Forward exchange contracts, currency swap transactions and currency option transactions 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 was limited by carrying out transactions only with financial institutions with high ratings.

For more information regarding the means and objectives of hedging, hedging policy, and the method of evaluating the effectiveness of hedges relating to hedge accounting for derivative transactions, refer to "significant hedge accounting methods" outlined in "BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS" above.

(3) 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 the note on "derivative transactions," does not indicate the market risk involved in derivative transactions themselves.

2. Matters regarding fair values of financial instruments

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

	Millions of yen		
	Book value	Fair value	Difference
(1) Cash and deposits	¥ 23,792	¥ 23,792	¥ —
(2) Trade receivables	78,969	78,969	—
(3) Securities	46,107	46,107	(0)
Total assets	148,869	148,868	(0)
(4) Trade payables	46,726	46,726	—
(5) Short-term borrowings (*1)	182,087	182,087	—
(6) Bonds (*2)	160,000	163,078	3,078
(7) Long-term debt (*1)	937,277	944,593	7,315
Total liabilities	1,326,091	1,336,484	10,393
(8) Derivative transactions	—	(21,119)	—

	Thousands of U.S. dollars		
	Book value	Fair value	Difference
(1) Cash and deposits	$ 255,828	$ 255,828	$ —
(2) Trade receivables	849,129	849,129	—
(3) Securities	495,774	495,774	(0)
Total assets	1,600,742	1,600,731	(0)
(4) Trade payables	502,430	502,430	—
(5) Short-term borrowings (*1)	1,957,925	1,957,925	—
(6) Bonds (*2)	1,720,430	1,753,527	33,097
(7) Long-term debt (*1)	10,078,247	10,156,914	78,656
Total liabilities	14,259,043	14,370,796	111,753
(8) Derivative transactions	—	(227,086)	—

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

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

(1) Cash and deposits, (2) Trade receivables
The fair values of these are almost equal to their book values because they will be settled within a short period of time. As a result, their fair values are based on their book values.

(3) 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. With respect to securities categorised by the purpose for which they are held, refer to notes on "Securities."

(4) Trade payables, (5) Short-term borrowings
The fair values of these are almost equal to their book values because they will be settled within a short period of time. As a result, their fair values are based on their book values.

(6) Bonds
The fair values of 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.

(7) 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 debts. The fair values of floating-rate long-term debts 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.

(8) Derivative transactions
Refer to notes on "Derivatives."

(Note 2) Financial instruments whose fair value is extremely difficult to ascertain

	Millions of yen	Thousands of U.S. dollars
Category	Book value	Book value
Available-for-sale securities		
Non-listed equity securities	¥ 4,833	$ 51,968
Investments in limited liability investment partnerships and similar investments	8,850	95,161
Negotiable certificates of deposit	16,988	182,667
Total	¥30,672	$329,806

It is extremely difficult to ascertain the fair values of these because market prices are not available and future cash flow cannot be estimated. As a result, they are not included in (3) Securities.

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

(Note 4) Redemption and repayment schedule of monetary claims and securities with maturities

	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	¥ 23,792	¥—	¥ —	¥—	$ 255,828	$ —	$ —	$—
Trade receivables	78,969	—	—	—	849,129	—	—	—
Securities								
Held-to-maturity debt securities (government bonds, etc.)	5	9	—	—	54	97	—	—
Available-for-sale securities with maturities (government bonds, etc.)	2	18	176	—	22	194	1,892	—
Total	¥102,768	¥28	¥176	¥—	$1,105,032	$301	$1,892	$—

(Note 5) Amount of planned redemption and repayment of bonds and long-term debt after the consolidated closing date

	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	¥ 25,000	¥105,000	¥ 30,000	¥ —	$ 268,817	$1,129,032	$ 322,581	$ —
Long-term debt	105,258	590,774	198,151	43,091	1,131,806	6,352,409	2,130,656	463,344
Total	¥130,258	¥695,774	¥228,151	¥43,091	$1,400,624	$7,481,441	$2,453,237	$463,344

(Securities)

Fiscal year ended 31st March 2009

1. Available-for-sale securities with available fair market values

Classification	Millions of yen		
	Acquisition cost	Book value	Difference
Securities with book value exceeding acquisition cost:			
1) Equity securities	¥11,485	¥24,249	¥12,763
2) Bonds			
Government bonds, etc.	63	65	1
3) Other	47	47	0
Subtotal	11,596	24,362	12,765
Securities with book value not exceeding acquisition cost:			
1) Equity securities	48,370	25,747	(22,623)
2) Bonds			
Government bonds, etc.	2	1	(0)
3) Other	2	2	(0)
Subtotal	48,374	25,751	(22,623)
Total	¥59,971	¥50,113	¥ (9,857)

2. Available-for-sale securities that were sold during the fiscal year under review

Millions of yen		
Amount sold	Total gains on sale	Total losses on sale
¥1,266	¥737	¥39

3. Securities with no available fair values

Classification	Millions of yen
	Book value
1) Held-to-maturity debt securities:	
Discount bank debentures	¥ 4
2) Available-for-sale securities:	
Non-listed equity securities	4,827
Investments in limited liability investment partnerships and similar investments	11,148
Negotiable certificates of deposit	18,248
Total	¥34,229

4. Redemption schedule of available-for-sale securities with maturities and held-to-maturity debt securities

Classification	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				
1) Government bonds	¥ 9	¥12	¥45	¥—
2) Other	4	—	—	—
Total	¥14	¥12	¥45	¥—

Fiscal year ended 31st March 2010

(Additional information)

Beginning with the fiscal year under review, the Company has adopted the "Accounting Standard for Financial Instruments" (Statement No. 10 issued by the Accounting Standards Board of Japan on 10th March 2008) and the "Implementation Guidance for the Disclosure of Fair Value, etc. of Financial Instruments" (Implementation Guidance No. 19 issued by the Accounting Standards Board of Japan on 10th March 2008).

1. Held-to-maturity debt securities

	Millions of yen			Thousands of U.S. dollars		
Classification	Book value	Fair value	Difference	Book value	Fair value	Difference
Securities with fair value not exceeding book value	¥14	¥14	¥(0)	$151	$151	$(0)

2. Available-for-sale securities

	Millions of yen			Thousands of U.S. dollars		
Classification	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Securities with book value exceeding acquisition cost:						
1) Equity securities	¥ 9,509	¥20,545	¥ 11,036	$102,247	$220,914	$ 118,667
2) Bonds	55	57	1	591	613	11
3) Other	3	4	1	32	43	11
Subtotal	9,568	20,607	11,039	102,882	221,581	118,699
Securities with book value not exceeding acquisition cost:						
1) Equity securities	47,715	25,343	(22,371)	513,065	272,505	(240,548)
2) Bonds	140	139	(1)	1,505	1,495	(11)
3) Other	2	2	(0)	22	22	(0)
Subtotal	47,857	25,485	(22,372)	514,591	274,032	(240,559)
Total	¥57,426	¥46,092	¥(11,333)	$617,484	$495,613	$(121,860)

3. Available-for-sale securities sold during the fiscal year under review

	Millions of yen			Thousands of U.S. dollars		
Classification	Amount sold	Total gains on sale	Total losses on sale	Amount sold	Total gains on sale	Total losses on sale
Equity securities	¥3,386	¥1,508	¥395	$36,409	$16,215	$4,247

(Derivatives)

Fiscal year ended 31st March 2009

1. Items related to transactions

(1) Transaction types and purpose of transaction

The Group includes companies whose lines of business require a high degree of reliance on external debt such as bank borrowings and corporate bonds. For these companies, managing the risk of changing interest rates is necessary for stable operations. This goal is being achieved by using derivative transactions — under a certain set of conditions — as a means of cost efficient interest risk hedging. Derivative transactions employed comprise interest rate swaps and interest swaptions, which change floating and fixed interest rates, covering outstanding bonds, borrowings, and deposits.

The Group also includes companies operating in the travel, forwarding and other businesses whose financial statements are denominated in foreign currencies. For these companies, protection from the risks of currency fluctuations affecting the value of foreign currency denominated assets and liabilities is necessary for stable operations. The use of foreign exchange forward contracts as well as currency options — within certain conditions — provides an effective and cost efficient way of protecting against such risks.

(2) Policy for entering into transactions

The purpose of the derivative transactions of the Group is to avoid risk from interest rate and exchange rate fluctuations. The Group refrains from entering into complicated derivative transactions, derivative transactions with a high degree of risk and derivative transactions for speculation.

(3) Details of risks involved in transactions

In general, derivative transactions involve market risk and credit risk. Market risk arises from the possibility of a decline in the value of a transaction due to the fluctuation of interest rates or foreign exchange rates. Credit risk arises from the possibility that, if the other party to a transaction defaults, or becomes bankrupt, the benefit that would have been obtained if the transaction had continued will not be enjoyed.

The purpose of the derivative transactions used by the Group is to manage and reduce the market risk associated with the assets and liabilities on the consolidated balance sheets. General market risks involved in derivative transactions and transactions on the consolidated balance sheets will be offset and kept within a certain limit. The other parties to transactions are limited to financial institutions with high ratings, centred on the financial institutions used by the Company. Transactions are not concentrated with specific parties. As a result, the company is not exposed to significant credit risk.

(4) Risks related to transactions
Group companies that employ derivative transactions have established handling regulations that prescribe the division of duties and the transaction limits with respect to the use of derivative transactions. Derivative transactions are entered into based on these regulations. The Accounting Division of each Group company conducts and manages derivative transactions by obtaining the approval of each company's person in charge of approval. In particular, a company with a large volume of transactions has established an internal control organisation, and the internal control organisation determines whether or not the operations for entering into and cancelling agreements conform to the regulations concerned.
(5) Supplementary explanation regarding the "Items related to market value, etc., of transactions"
With respect to matters regarding the fair value of transactions, a contract amount is a nominal contract amount for derivative transactions and an assumed principal amount for the sake of calculation. The contract amount does not reflect the risk involved in derivative transactions themselves.

2. Items related to fair value, etc., of transactions
Contract amount, fair value and valuation gain and loss of derivative transactions
(1) Currency

		Millions of yen			
Classification	Type	Contract amount	Portion of contract amount exceeding one year	Fair value	Valuation gain and loss
Transactions other than market transactions	Forward exchange contracts				
	Buy contract				
	Euro	¥423	¥—	¥340	¥(82)
	US dollar	3	—	3	0
	New Zealand dollar	28	—	20	(7)
	Australian dollar	6	—	4	(1)
	Total	¥461	¥—	¥369	¥(92)

Notes:
1. With respect to foreign currency denominated assets and liabilities whose amounts in yen at the time of settlement are fixed through forward exchange contracts, those foreign currency denominated assets and liabilities whose amounts are recorded in yen on the consolidated balance sheets are not disclosed.
2. Those to which hedge accounting applies are not disclosed.
3. The transactions shown above are not transactions for the purpose of speculation.

(2) Interest rate
No items
Notes:
1. Those to which hedge accounting applies are not disclosed.
2. Interest rate swaps that qualify for special treatment are not disclosed.

Fiscal year ended 31st March 2010
(Additional information)
Beginning with the fiscal year under review, the Company has adopted the "Accounting Standard for Financial Instruments" (Statement No. 10 issued by the Accounting Standards Board of Japan on 10th March 2008) and the "Implementation Guidance for the Disclosure of Fair Value, etc. of Financial Instruments" (Implementation Guidance No. 19 issued by the Accounting Standards Board of Japan on 10th March 2008).

1. Derivative transactions for which hedge accounting has not been applied
No items

2. Derivative transactions for which hedge accounting has been applied

(1) Currency

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	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
Deferral hedge accounting and designation of forward exchange contracts, etc.	Forward exchange contracts	Trade receivables						
	Buy contract							
	Euro		¥13,066	¥—	¥(559)	$140,495	$—	$(6,011)
	US dollar		4,742	—	106	50,989	—	1,140
	Pound sterling		18	—	0	194	—	0
	Swiss franc		953	—	(2)	10,247	—	(22)
	Canadian dollar		530	—	33	5,699	—	355
	New Zealand dollar		188	—	2	2,022	—	22
	Australian dollar		219	—	13	2,355	—	140
	Hong Kong dollar		127	—	2	1,366	—	22
	Singapore dollar		18	—	0	194	—	0
	Thai baht		52	—	1	559	—	11
	Japanese yen		678	—	(16)	7,290	—	(172)
	Total		¥20,595	¥—	¥(417)	$221,452	$—	$(4,484)

Note: Fair value calculation

Fair value is determined based principally on price quotes from counterparty financial institutions.

(2) Interest rate

Classification	Type of transaction	Main hedged items	Millions of yen: Contract amount	Millions of yen: Portion of contract amount exceeding one year	Millions of yen: Fair value	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
Deferral hedge accounting and exceptional accounting of interest rate swaps	Interest rate swap contracts	Long-term debt and bonds						
	Payable fixed rate/ Receivable floating rate		¥683,092	¥643,495	¥(20,750)	$7,345,075	$6,919,301	$(223,118)
	Receivable fixed rate/ Payable floating rate		5,097	—	49	54,806	—	527
	Total		¥688,190	¥643,495	¥(20,701)	$7,399,892	$6,919,301	$(222,591)

Note: Fair value calculation

Fair value is determined based principally on prices quotes from counterparty financial institutions.

(Retirement Benefits)

1. Overview of retirement benefit plan

Consolidated subsidiaries provide three types of defined benefit plans, tax qualified pension 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		Thousands of U.S. dollars
	2009	2010	2010
1) Projected benefit obligation	¥(130,786)	¥(128,065)	$(1,377,043)
2) Plan assets	61,581	66,243	712,290
3) Unfunded projected benefit obligation (1+2)	(69,205)	(61,821)	(664,742)
4) Unrecognised actuarial differences	13,935	5,881	63,237
5) Unrecognised prior service costs	168	166	1,785
6) Book value (net) (3+4+5)	(55,101)	(55,772)	(599,699)
7) Prepaid pension costs	1,965	2,714	29,183
8) Provision for retirement benefits (6-7)	¥ (57,067)	¥ (58,487)	$ (628,892)

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

3. Items related to retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars
	2009 (Note 1)	2010 (Note 2)	2010 (Note 2)
1) Service cost (Note 3)	¥6,900	¥ 6,119	$ 65,796
2) Interest cost on projected benefit obligation	2,808	2,686	28,882
3) Expected return on plan assets	(1,444)	(1,123)	(12,075)
4) Amortisation of actuarial differences	1,269	2,434	26,172
5) Amortisation of prior service costs	(599)	1	11
6) Retirement benefit expenses (1+2+3+4+5)	¥8,934	¥10,118	$108,796

Notes:
1. In the fiscal year ended 31st March 2009, in addition to the retirement benefit expenses shown above, the Company made extra retirement payments of ¥2,362 million, which are principally recorded as extraordinary loss.
2. In the fiscal year under review, in addition to the retirement benefit expenses shown above, the Company made extra retirement payments of ¥239 million ($2,570 thousand), which are principally recorded as extraordinary loss.
3. Retirement benefit expenses of consolidated subsidiaries that use a simplified method are recorded in 1) Service cost.

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

1) Periodic distribution method for estimated amount of retirement benefits
   Allocated equally to each service year using the estimated number of total service years
2) Discount rate
   Principally 2.5%
3) Expected rate of return on plan assets
   Principally 2.5%
4) 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 life of active employees)
5) Number of years over which actuarial differences are written off
   4 to 15 years (amortised using the straight-line method over a period not exceeding the average remaining service life of active employees and recognised in expenses starting from the following fiscal year)

(Deferred Tax)

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

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Deferred tax assets:			
Loss on revaluation of real estate for sale	¥ 49,190	¥ 60,440	$ 649,892
Loss on impairment of fixed assets	4,262	31,382	337,441
Provision for retirement benefits	22,396	22,946	246,731
Tax loss carryforwards	25,762	13,336	143,398
Losses on revaluation of investment securities	7,624	8,750	94,086
Special reserve for investment losses	7,699	8,727	93,839
Revaluation of assets on consolidation	50,196	7,354	79,075
Unrealised profit from assets	7,007	6,891	74,097
Loss on adjustment of transferred profit and loss	—	4,897	52,656
Loss on valuation of properties of business reorganisation	5,034	4,823	51,860
Allowance for doubtful receivables	3,153	3,244	34,882
Provision for bonuses	2,068	1,969	21,172
Enterprise taxes and business office taxes	620	756	8,129
Depreciation and amortisation	306	373	4,011
Provision for directors' retirement benefits	289	284	3,054
Other	11,174	13,558	145,785
Subtotal of deferred tax assets	196,786	189,736	2,040,172
Valuation allowance	(53,269)	(57,779)	(621,280)
Less amounts offset against deferred tax liabilities	(122,160)	(112,336)	(1,207,914)
Total deferred tax assets	21,357	19,620	210,968
Deferred tax liabilities:			
Gain on reversal of difference from land revaluation	(132,198)	(136,142)	(1,463,892)
Revaluation of assets on consolidation	(103,421)	(102,964)	(1,107,140)
Net unrealised holding gains on securities	(19,068)	(18,464)	(198,538)
Gain on valuation of properties of business reorganisation	(3,066)	(2,983)	(32,075)
Other	(3,173)	(3,589)	(38,591)
Subtotal of deferred tax liabilities	(260,928)	(264,144)	(2,840,258)
Less amounts offset against deferred tax assets	122,160	112,336	1,207,914
Total deferred tax liabilities	(138,768)	(151,807)	(1,632,333)
Net deferred tax liabilities	¥(117,411)	¥(132,187)	$(1,421,366)

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" are recorded as deferred tax liabilities starting from the fiscal year ending 31st March 2006.

2. A reconciliation of the differences between the normal effective statutory tax rate and the effective tax rate reflected in the accompanying consolidated statements of income

	2009	2010
The normal effective statutory tax rate	40.6%	40.6%
(Adjustment)		
Elimination of dividends from consolidated subsidiaries	17.8	20.2
Lump sum amortisation of goodwill equivalent amount under the equity method	—	12.3
Valuation allowance	5.2	7.1
Amortisation of goodwill	2.3	3.2
Nondeductible expenses	2.8	2.2
Per capita amount of citizen tax	1.4	1.4
Non taxable income	(18.1)	(19.7)
Effect of Station Finance Inc.'s secession from the Group	(12.7)	—
Equity in (income) losses of affiliates	(1.1)	(4.1)
Other	(0.4)	3.4
The effective tax rate	37.8%	66.6%

(Rental Property)

Fiscal year ended 31st March 2010

(Additional information)

Effective from the fiscal year ended 31st March 2010, the Company has adopted the "Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (ASBJ Statement No. 20, 28th November 2008) and the "Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (ASBJ Guidance No. 23, 28th November 2008.)

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 2010 is ¥24,598 million ($264,495 thousand) (significant rental revenues are recorded in revenues from operations and significant rental expenditures are recorded in costs of revenues from operations).

Book value, increase/decrease this fiscal year and fair value are as follows.

Millions of yen			
Book value			
Balance as of 31st March 2009	Increase/Decrease	Balance as of 31st March 2010	Fair value as of 31st March 2010
¥524,634	¥45,695	¥570,329	¥647,511

Thousands of U.S. dollars			
Book value			
Balance as of 31st March 2009	Increase/Decrease	Balance as of 31st March 2010	Fair value as of 31st March 2010
$5,641,226	$491,344	$6,132,570	$6,962,484

Notes:
1. Book value is acquisition cost less accumulated depreciation and loss on impairment of fixed assets.
2. The increase/decrease this fiscal year principally reflects an increase due to the acquisition of real estate (¥58,178 million ($625,570 thousand)) and a decrease due to depreciation and amortisation (¥12,395 million ($133,280 thousand).
3. Fair value as of end of the fiscal year under review is the appraisal value according to an outside real estate appraiser based on the 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 (Book value ¥136,564 million,($1,468,430 thousand) is not included in the above table, as it is still in the development stage, making it difficult to determine fair value.

(Segment Information)

[Segment information by business category]

Fiscal year ended 31st March 2009

	Millions of yen									
	Urban Transportation	Real Estate	Entertainment & Communications	Travel & International Transportation	Hotels	Retailing	Other	Total	Eliminations or Corporate	Consolidated
I Revenues from operations and operating income										
Revenues from operations:										
(1) Customers	¥190,774	¥ 149,756	¥ 90,334	¥65,595	¥66,041	¥66,291	¥ 54,921	¥ 683,715	¥ —	¥ 683,715
(2) Intersegment	4,469	21,929	10,226	210	415	1,290	5,613	44,155	(44,155)	—
Total	195,244	171,685	100,561	65,805	66,457	67,581	60,534	727,870	(44,155)	683,715
Costs of revenues from operations	162,753	138,870	92,176	64,354	66,116	66,884	59,966	651,122	(45,230)	605,891
Operating income	¥ 32,490	¥ 32,815	¥ 8,384	¥ 1,451	¥ 341	¥ 696	¥ 568	¥ 76,748	¥ 1,075	¥ 77,823
II Assets, depreciation and amortisation, loss on impairment of fixed assets, and capital expenditures										
Assets	¥787,773	¥1,041,786	¥149,247	¥93,622	¥79,478	¥24,277	¥185,455	¥2,361,641	¥(54,309)	¥2,307,332
Depreciation and amortisation	28,340	14,978	5,549	1,212	3,109	1,018	1,130	55,338	(539)	54,798
Loss on impairment of fixed assets	5	2,087	—	57	1,200	98	—	3,447	—	3,447
Capital expenditures	29,813	57,979	15,060	1,521	1,964	2,289	1,005	109,634	(762)	108,871

Notes:

1. Businesses segments represent classifications used for management and administration purposes in order to accurately reflect the diversification of the Group's operations.
2. The principal lines of business of each segment are as follows.
   Urban Transportation: railways, buses and taxis, and the manufacture of rolling stock
   Real Estate: the rental of real estate, purchase and sale of real estate and property management services
   Entertainment and Communications: sports-related businesses, revue business, advertising, information services and publishing businesses
   Travel and International Transportation: travel and international cargo services
   Hotels: hotel ownership and management businesses
   Retailing: retail sales, food and drink sales
   Other: construction, domestic logistics services, consumer finance and outsourcing services for personnel and accounting services
3. Significant corporate assets included in corporate and eliminations include the surplus working capital (cash and deposits) and long-term investment capital (investment securities) of Hankyu Corporation and Hanshin Electric Railway Co., Ltd.
   Fiscal year ended 31st March 2008 ¥91,447 million
   Fiscal year ended 31st March 2009 ¥57,877 million
4. Change of segment
   Starting from the first quarter of the fiscal year ended 31st March 2009, domestic logistics services provided by Sanyo Jidosha Unso Co., Ltd. and one other company have been transferred from the Travel and International Transportation Segment to the Other segment following a review of the classifications used for management and administration purposes as a result of business restructuring effective 1st April 2008.
   In the Travel and International Transportation Segment, this had the effect of reducing revenues from operations by ¥13,721 million, costs of revenues from operations by ¥13,612 million, operating income by ¥109 million, assets by ¥6,926 million, depreciation and amortisation by ¥536 million and capital expenditures by ¥765 million compared with the amounts that would have been recorded without the segment change, while in the Other Segment this had the effect of increasing revenues from operations by ¥13,821 million, costs of revenues from operations by ¥13,711 million, operating income by ¥109 million, assets by ¥2,677 million, depreciation and amortisation by ¥536 million and capital expenditures by ¥765 million.
5. Change in accounting policies
   (Application of Accounting Standard for Measurement of Inventories)
   As stated in "Basis of Preparation of Consolidated Financial Statements," effective from the fiscal year ended 31st March 2009, the Company adopted the "Accounting Standard for Valuation of Inventories" (Statement No. 9 issued by the Accounting Standards Board of Japan on 5th July 2006).
   This has the effect of increasing costs of revenues from operations for the fiscal year ended 31st March 2009 by ¥3,820 million in the Real Estate Segment and by ¥36 million in the Entertainment & Communications Segment and reducing operating income by the same amounts compared with the amounts that would have been recorded with the previous method.

Fiscal year ended 31st March 2010

	Millions of yen									
	Urban Transportation	Real Estate	Entertainment & Communications	Travel & International Transportation	Hotels	Retailing	Other	Total	Eliminations or Corporate	Consolidated
I Revenues from operations and operating income										
Revenues from operations:										
(1) Customers	¥191,799	¥ 150,037	¥ 94,253	¥62,626	¥60,364	¥61,273	¥ 32,933	¥ 653,287	¥ —	¥ 653,287
(2) Intersegment	3,315	19,167	9,413	228	612	1,515	6,658	40,911	(40,911)	—
Total	195,114	169,205	103,667	62,854	60,977	62,788	39,591	694,199	(40,911)	653,287
Costs of revenues from operations	163,562	139,575	94,375	62,578	62,682	63,086	39,075	624,936	(41,775)	583,160
Operating income (losses)	¥ 31,552	¥ 29,629	¥ 9,292	¥ 276	¥ (1,705)	¥ (297)	¥ 516	¥ 69,263	¥ 863	¥ 70,126
II Assets, depreciation and amortisation, loss on impairment of fixed assets, and capital expenditures										
Assets	¥806,499	¥1,071,745	¥148,055	¥96,006	¥95,611	¥24,294	¥166,310	¥2,408,524	¥(71,192)	¥2,337,331
Depreciation and amortisation	30,953	16,645	7,083	1,359	3,067	1,106	822	61,037	(618)	60,418
Loss on impairment of fixed assets	20	4,418	—	—	—	312	—	4,751	—	4,751
Capital expenditures	28,322	69,957	6,430	1,523	22,257	1,870	533	130,895	(883)	130,012

	Thousands of U.S. dollars									
	Urban Transportation	Real Estate	Entertainment & Communications	Travel & International Transportation	Hotels	Retailing	Other	Total	Eliminations or Corporate	Consolidated
I Revenues from operations and operating income										
Revenues from operations:										
(1) Customers	$2,062,355	$ 1,613,301	$1,013,473	$ 673,398	$ 649,075	$658,849	$ 354,118	$ 7,024,591	$ —	$ 7,024,591
(2) Intersegment	35,645	206,097	101,215	2,452	6,581	16,290	71,591	439,903	(439,903)	—
Total	2,098,000	1,819,409	1,114,699	675,849	655,667	675,140	425,710	7,464,505	(439,903)	7,024,591
Costs of revenues from operations	1,758,731	1,500,806	1,014,785	672,882	674,000	678,344	420,161	6,719,742	(449,194)	6,270,538
Operating income (losses)	$ 339,269	$ 318,591	$ 99,914	$ 2,968	$ (18,333)	$ (3,194)	$ 5,548	$ 744,763	$ 9,280	$ 754,043
II Assets, depreciation and amortisation, loss on impairment of fixed assets, and capital expenditures										
Assets	$8,672,032	$11,524,140	$1,591,989	$1,032,323	$1,028,075	$261,226	$1,788,280	$25,898,108	$(765,505)	$25,132,591
Depreciation and amortisation	332,828	178,978	76,161	14,613	32,978	11,892	8,839	656,312	(6,645)	649,656
Loss on impairment of fixed assets	215	47,505	—	—	—	3,355	—	51,086	—	51,086
Capital expenditures	304,538	752,226	69,140	16,376	239,323	20,108	5,731	1,407,473	(9,495)	1,397,978

Notes:

1. Businesses segments represent classifications used for management and administration purposes in order to accurately reflect the diversification of the Group's operations.
2. The principal lines of business of each segment are as follows.
   Urban Transportation: railways, buses and taxis, and the manufacture of rolling stock
   Real Estate: the rental of real estate, purchase and sale of real estate and property management services
   Entertainment and Communications: sports-related businesses, revue business, advertising, information services and publishing businesses
   Travel and International Transportation: travel and international cargo services
   Hotels: hotel ownership and management businesses
   Retailing: retail sales, food and drink sales
   Other: construction, domestic logistics services and outsourcing services for personnel and accounting services
3. Significant corporate assets included in corporate and eliminations include the surplus working capital (cash and deposits) and long-term investment capital (investment securities) of Hankyu Corporation and Hanshin Electric Railway Co., Ltd.
   Fiscal year ended 31st March 2009 ¥57,877 million
   Fiscal year ended 31st March 2010 ¥54,659 million ($587,731 thousand)
4. Change of segment
   Starting from the first quarter of the fiscal year ended 31st March 2010, Hanshin Station Net Co., Ltd. has been transferred from the Retailing Segment to the Urban Transportation Segment following a review of the classifications used for management and administration purposes as a result of business restructuring effective 1st April 2009.
   In the Retailing Segment, this had the effect of reducing revenues from operations by ¥3,251 million ($34,957 thousand), costs of revenues from operations by ¥3,065 million ($32,957 thousand), operating income by ¥186 million ($2,000 thousand), assets by ¥2,660 million ($28,602 thousand), and depreciation and amortisation by ¥7 million ($75 thousand) and increasing capital expenditures by ¥228 million ($2,452 thousand) compared with the amounts that would have been recorded without the segment change, while in the Urban Transportation Segment, this had the effect of increasing revenues from operations by ¥2,748 million ($29,548 thousand), costs of revenues from operations by ¥2,594 million ($27,892 thousand), operating income by ¥154 million ($1,656 thousand), assets by ¥2,566 million ($27,591 thousand), depreciation and amortisation by ¥40 million ($430 thousand) and capital expenditures by ¥78 million ($839 thousand).
5. Change in accounting policies
   (Application of Accounting Standard for Construction Contracts)
   As stated in "Changes in accounting policies," effective from the fiscal year ended 31st March 2010, the Company adopted the "Accounting Standard for Construction Contracts" (Statement No. 15 issued by the Accounting Standards Board of Japan on 27th December 2007) and the "Implementation Guidance on Accounting Standards for Construction Contracts" (the Financial Accounting Standard Implementation Guidance No. 18 issued by the Accounting Standards Board of Japan on 27th December 2007).
   This had the effect of increasing revenues from operations of the Entertainment & Communications Segment for the fiscal year ended 31st March 2010 by ¥273 million ($2,935 thousand) and operating income by ¥48 million ($516 thousand), and reducing the revenues from operations of the Others Segment by ¥1,543 million ($16,591 thousand) and operating income by ¥75 million ($806 thousand) compared with the amounts that would have been recorded with the previous method.

[Geographic segment information]

Fiscal years ended 31st March 2009 and 2010

Geographic segment information is not disclosed as Japan accounts for more than 90% of both the total revenues from operations of all segments and the total assets of all segments.

[Revenues from foreign customers]

Fiscal years ended 31st March 2009 and 2010

Revenues from foreign customers are not disclosed as they account for less than 10% of consolidated revenues from operations.

(Related Party Transactions)

1. Related party transactions

Fiscal year ended 31st March 2009

(Additional information)

"The Accounting Standard for Related Party Disclosures" (ASBJ Statement No. 11; 17th October 2006) and the "Guidance on Accounting Standard for Related Party Disclosures" (ASBJ Guidance No. 13; 17th October 2006) are applied from the fiscal year under review.

As a result, in addition to the previous scope of disclosure, transactions between consolidated subsidiaries of the company submitting the consolidated statements and related parties have been included in the scope of disclosure.

(1) Transactions between the company submitting the consolidated financial statements and related parties

No items

(2) Transactions between the consolidated subsidiaries of the company submitting consolidated statements and related parties

Directors and principal shareholders (only individual shareholders) of company submitting the consolidated financial statements

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 2009 (Millions of yen)
Company in which director or close family thereof holds a majority of voting rights	Tateishi Sangyo Co., Ltd.	Ikeda City, Osaka	¥100	Real estate business	None	Lease of real estate Concurrent post (director)	Rent income Rent expense	¥ 16 272	Long-term lease deposited —	¥30 —

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
 Director of the Company, Koichi Kobayashi, and his close family own 58% of the voting rights.
 The terms and conditions of the property lease are determined with reference to similar transactions in the neighbouring area.

Fiscal year ended 31st March 2010

(1) Transactions between the company submitting the consolidated financial statements and related parties

No items

(2) Transactions between consolidated subsidiaries of the company submitting the consolidated financial statements and related parties

Directors and principal shareholders (only individual shareholders) of company submitting consolidated financial statements

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 2010	
			(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	Takehiro Sugiyama	—	¥ —	$ —	Director of the Company	Directly 0.01%	Sale of condominiums	Sale of condominiums	¥44	$473	—	¥—	$ —
Company in which Director or close family thereof holds majority of voting rights	Tateishi Sangyo Co., Ltd.	Ikeda City, Osaka	¥100	$1,075	Real estate business	None	Lease of real estate Concurrent post (director)	Rent income	¥16	$172	Deposit	¥30	$323

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
 (1) The terms and conditions of the sale of the condominium were determined with reference to similar transactions in the neighbouring area.
 (2) Director of the Company, Koichi Kobayashi, and his close family own 58% of voting rights in Tateishi Sangyo Co., Ltd.
 The terms and conditions of the property lease are determined with reference to similar transactions in the neighbouring area.

2. Notes about Parent Company and Major Affiliated Companies

Fiscal years ended 31st March 2009 and 2010

No items

(Special Purpose Entities)

1. Purpose of establishment: Diversity and stability of financing

Fiscal year ended 31st March 2009

Some consolidated subsidiaries invested in two special purpose entities (in the form of a special limited liability company or a special purpose entity under the SPC Law) established for the purpose of real estate securitisation. In the securitisation, the consolidated subsidiaries transfer real estate (trust beneficiary rights) to the special purpose entities and, using the transferred assets as backing, the special purpose entities receive capital raised through non-recourse loans, etc. from financial institutions as sale proceeds and lease (lease back) the transferred real estate. In cases in which such securitisation is completed, the consolidated subsidiaries are expected to recover their investments, etc. in an appropriate manner, and, 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 purposes entities nor do they dispatch directors or employees to them. As of the most recent balance sheet date of these special purpose entities, total assets were ¥72,645 million and total liabilities were ¥63,465 million. These are simple totals regardless of the investment ratio.

Amounts and other details of transactions with special purpose entities in the fiscal year ended 31st March 2009 are as follows.

	Significant transaction amounts or balance as of 31st March 2009	Significant income and expenditure	
	(Millions of yen)	Item	(Millions of yen)
Real estate purchased	¥11,300		
Investments in silent partnerships (Note 1)....	3,392	Distributed income (Note 2)	¥11,275
Receivable amount of dividends (Note 3)..........	5,717		
Lease (leaseback) transactions........................	—	Lease payments (Note 2)	5,376
Management business...	—	Management fees (Note 4)	254

Notes:
1. Investments in silent partnerships are recorded as investment securities in the consolidated balance sheets.
2. Distributed income includes distributed income on the liquidation of special purpose entities of ¥8,531 million, which is presented in extraordinary income. In the consolidated statements of income. The residual amount of distributed income is presented in costs of revenues from operations after offsetting lease payments.
3. The receivable amount of dividends includes ¥5,656 million, equivalent to the suspended payments of dividends.
4. Management fees are presented in revenues from operations in the consolidated statements of income.

Fiscal year ended 31st March 2010

Some consolidated subsidiaries invested in two special purpose entities (in form of a special limited liability company or a special purpose entity under the SPC Law) established for the purpose of real estate securitisation, but, by the end of the fiscal year ended 31st March 2010, the special purpose entities had sold the securitised properties and completed the securitisation. In this securitisation, the consolidated subsidiaries transferred real estate (trust beneficiary rights) to the special purpose entities and, using the transferred assets as backing, the special purpose entities received capital raised through non-recourse loans, etc. from financial institutions as sale proceeds and leased (lease back) the transferred real estate. The consolidated subsidiaries did not own equity with voting rights in any of the special purposes entities nor do they dispatch directors or employees to them.

Amounts and other details of transactions with special purpose entities in the fiscal year ended 31st March 2010 are as follows.

	Significant transaction amounts or balance as of 31st March 2010	Significant income and expenditure	
	(Millions of yen)	Item	(Millions of yen)
Real estate purchased	¥74,620		
Investments in silent partnerships (Notes 1 and 2)................	343	Distributed income (Note 3)	¥9,819
Receivable amount of dividends (Note 1)..........	70		
Lease (leaseback) transactions........................	—	Lease payments (Note 3)	3,207
Management business...	—	Management fees (Note 4)	9

	Significant transaction amounts or balance as of 31st March 2010	Significant income and expenditure	
	(Thousands of U.S. dollars)	Item	(Thousands of U.S. dollars)
Real estate purchased	$802,366		
Investments in silent partnerships (Notes 1 and 2)................	3,688	Distributed income (Note 3)	$105,581
Receivable amount of dividends (Note 1)..........	753		
Lease (leaseback) transactions........................	—	Lease payments (Note 3)	34,484
Management business...	—	Management fees (Note 4)	97

Notes:
1. Investments in silent partnerships and receivable amount of dividends are expected to be recovered upon completion of liquidation proceedings.
2. In the fiscal year ended 31st March 2010, the company recorded a loss on devaluation of assets as a result of completion of securitisation (¥748 million ($8,043 thousand)).
Investments in silent partnerships are recorded as investment securities.
3. Distributed income includes distributed income on the liquidation of special purpose entities of ¥8,241 million ($88,613 thousand), which is presented in extraordinary income. In the consolidated statements of income. The residual amount of distributed income is presented in costs of revenues from operations after offsetting lease payments.
4. Management fees are presented in revenues from operations in the consolidated statements of income.

2. Purpose of establishment: development and increase value of assets

Fiscal year ended 31st March 2009

Some consolidated subsidiaries invested in nine special purpose entities (in the form of special limited liability companies, joint ventures, etc.). The special purpose entities use non-recourse loans, etc. from financial institutions to acquire real estate (trust beneficiary rights), which they plan to sell to investors upon development, leasing, 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 (see Note 1), 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. As of the most recent balance sheet date of these special purpose entities, total assets were ¥81,316 million and total liabilities were ¥54,564 million. These are simple totals regardless of the investment ratio.

Amounts and other details of transactions with special purpose entities in the fiscal year ended 31st March 2009 are as follows.

	Significant transaction amounts or balance as of 31st March 2009 (Millions of yen)	Significant income and expenditure: Item	(Millions of yen)
Investments in silent partnerships (Notes 1 and 2)	¥7,741	Distributed income (Note 3)	¥1,191
Receivable amount of dividends (Note 4)	533	Distributed loss (Note 5)	17
Management business	—	Management fees (Note 6)	1,233

Notes:
1. Accrued future loss from valuation of investments in the aggregate amount of ¥2,282 million for the year ended 31st March 2009 was recorded.
2. Investments in silent partnerships are recorded as investment securities in the consolidated balance sheets.
3. Distributed income is recorded in revenues from operations.
4. The receivable amount of dividends is equal to the suspended payments of dividends.
5. Distributed loss is presented in costs of revenues from operations.
6. Management fees are presented in revenues from operations in the consolidated statements of income.

Fiscal year ended 31st March 2010

Some consolidated subsidiaries invested in nine special purpose entities (in the form of special limited liability companies, joint ventures, etc.). The special purpose companies use non-recourse loans, etc. from financial institutions to acquire real estate (trust beneficiary rights), which they plan to sell to investors upon development, leasing, 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 (see note 1), 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. As of the most recent balance sheet date of these special purpose entities, total assets were ¥87,704 million ($943,054 thousand) and total liabilities were ¥57,895 million ($622,527 thousand). These are simple totals regardless of the investment ratio.

Amounts and other details of transactions with special purpose entities in the fiscal year ended 31st March 2010 are as follows.

	Significant transaction amounts or balance as of 31st March 2010 (Millions of yen)	Significant income and expenditure: Item	(Millions of yen)
Investments in silent partnerships (Notes 1 and 2)	¥8,357	Distributed income (Note 3)	¥523
Receivable amount of dividends (Note 4)	716		
Management business	—	Management fees (Note 5)	463

	Significant transaction amounts or balance as of 31st March 2010 (Thousands of U.S. dollars)	Significant income and expenditure: Item	(Thousands of U.S. dollars)
Investments in silent partnerships (Notes 1 and 2)	$89,860	Distributed income (Note 3)	$5,624
Receivable amount of dividends (Note 4)	7,699		
Management business	—	Management fees (Note 5)	4,978

Notes:
1. Accrued future loss from valuation of investments in the aggregate amount of ¥580 million ($6,237 thousand) for the year ended 31st March 2010 was recorded.
2. Investments in silent partnerships are recorded as investment securities in the consolidated balance sheets.
3. Distributed income is recorded in revenues from operations.
4. The receivable amount of dividends are equal to the suspended payments of dividends.
5. Management fees are presented in revenues from operations in the consolidated statements of income.

(Per Share Information)

	Yen		U.S. dollars
	2009	2010	2010
Net assets per share	¥366.96	¥371.70	$4.00
Net income per share	16.28	8.55	0.09
Net income per share—diluted	16.18	8.51	0.09

Note: Basis for the calculation
1. Net assets per share

Item	Millions of yen 2009	Millions of yen 2010	Thousands of U.S. dollars 2010
Total net assets on consolidated balance sheets	¥ 473,878	¥ 480,633	$5,168,097
Net assets related to common shares	¥ 462,972	¥ 469,128	$5,044,387
Major causes of difference			
Minority interests	¥ 10,906	¥ 11,505	$ 123,710
Common shares issued (Thousands of shares)	1,271,406	1,271,406	
Treasury stock shares (Thousands of shares)	4,312	3,829	
Common shares held by consolidated subsidiaries and equity method affiliates (Thousands of shares)	5,449	5,449	
Common shares used to calculate net assets per share (Thousands of shares)	1,261,645	1,262,128	

2. Net income per share and diluted net income per share

Item	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Net income per share			
Net income	¥ 20,550	¥ 10,793	$116,054
Amount not belonging to common stockholders	¥ —	¥ —	$ —
Net income related to common shares	¥ 20,550	¥ 10,793	$116,054
Average number of common shares during term (Thousands of shares)	1,262,258	1,261,824	
Diluted net income per share			
Adjustment to net income	¥ (124)	¥ (56)	$ (602)
(Equity in income of affiliates)	¥ (124)	¥ (56)	$ (602)
Increase in number of common shares	—	—	
Summary of potential shares that were not included in the calculation of diluted income per share because their effect was not dilutive.	—	—	

CONSOLIDATED SUPPLEMENTARY STATEMENTS

(Corporate Bond Statements)

Company	Name	Issue date	Balance as of 31st March 2009 (Millions of yen)	Balance as of 31st March 2010 (Millions of yen	Balance as of 31st March 2010 (Thousands of U.S. dollars)	Interest rate (%)	Security	Redemption date
Hankyu Hanshin Holdings, Inc.	Series 19 unsecured corporate bonds	18th Sept. 1998	¥ 10,000	¥ 10,000 (10,000)	$ 107,527 (107,527)	2.46%	None	17th Sept. 2010
Hankyu Hanshin Holdings, Inc.	Series 25 unsecured corporate bonds	30th Aug. 1999	10,000	—	—	2.23	None	28th Aug. 2009
Hankyu Hanshin Holdings, Inc.	Series 26 unsecured corporate bonds	30th Aug. 1999	10,000	—	—	2.23	None	28th Aug. 2009
Hankyu Hanshin Holdings, Inc.	Series 27 unsecured corporate bonds	28th Sept. 2000	15,000	15,000 (15,000)	161,290 (161,290)	(See Note 2)	None	30th Sept. 2010
Hankyu Hanshin Holdings, Inc.	Series 28 unsecured corporate bonds	28th June 2001	10,000	10,000	107,527	(See Note 3)	None	28th June 2011
Hankyu Hanshin Holdings, Inc.	Series 33 unsecured corporate bonds	18th July 2007	20,000	20,000	215,054	1.85	None	18th July 2012
Hankyu Hanshin Holdings, Inc.	Series 34 unsecured corporate bonds	14th Nov. 2007	10,000	10,000	107,527	1.39	None	14th Nov. 2011
Hankyu Hanshin Holdings, Inc.	Series 35 unsecured corporate bonds	14th Nov. 2007	10,000	10,000	107,527	1.66	None	14th Nov. 2013
Hankyu Hanshin Holdings, Inc.	Series 36 unsecured corporate bonds	30th July 2008	20,000	20,000	215,054	1.46	None	29th July 2011
Hankyu Hanshin Holdings, Inc.	Series 37 unsecured corporate bonds	23rd Oct. 2009	—	10,000	107,527	1.10	None	23rd Oct. 2014
Hankyu Hanshin Holdings, Inc.	Series 38 unsecured corporate bonds	23rd Oct. 2009	—	10,000	107,527	1.87	None	23rd Oct. 2019
Hankyu Hanshin Holdings, Inc.	Series 39 unsecured corporate bonds	28th Jan. 2010	—	20,000	215,054	1.25	None	27th Jan. 2017
Hanshin Electric Railway Co., Ltd.	Series 12 unsecured corporate bonds	25th June 1997	15,000	15,000	161,290	3.525	None	25th June 2012
Hanshin Electric Railway Co., Ltd.	Series 14 unsecured corporate bonds	23rd June 2004	10,000	10,000	107,527	2.22	None	23rd June 2014
Total	—	—	¥140,000	¥160,000 (25,000)	$1,720,430 (268,817)	—	—	—

Notes:

1. The amount in parenthesis in the "Outstanding as of end of the fiscal year under review" column is the current portion of the total amount and is recorded in current liabilities on the consolidated balance sheets.

2.
   1) From the day after 28th September 2000 to 30th September 2001
   3.00% annualised
   2) From the day after 30th September 2001
   The floating rate was then the 20-year swap rate minus the 2-year swap rate plus 0.95% from 1st October 2001. (If the result of this calculation was below 0, the rate would be 0%)

3.
   1) From the day after 28th June 2001 to 28th June 2004
   1.30% annualised
   2) From the day after 28th June 2004
   The floating rate was then the 20-year swap rate minus the 2-year swap rate plus 0.15% from 29th June 2004. (If the result of this calculation was below 0, the rate would be 0%)

4. Redemption schedule of bonds for five years subsequent to 31st March 2010.

	Millions of yen	Thousands of U.S. dollars
Due within one year	¥25,000	$268,817
Due after one year through two years	40,000	430,108
Due after two years through three years	35,000	376,344
Due after three years through four years	10,000	107,527
Due after four years through five years	20,000	215,054

(Statements of Loans Payable)

Item	Balance as of 31st March 2009 (Millions of yen)	Balance as of 31st March 2010 (Millions of yen)	Balance as of 31st March 2010 (Thousands of U.S. dollars)	Average interest rate (%)	Repayment deadline
Short-term borrowings	¥ 210,073	¥ 182,087	$ 1,957,925	0.965%	—
Current portion of long-term debt	56,833	105,258	1,131,806	1.550	—
Current portion of lease obligations	449	835	8,978	—	—
Long-term debt (excluding current portion)	866,717	832,018	8,946,430	1.315	2011-2030
Lease obligations (excluding current portion)	1,547	2,383	25,624	—	2011-2017
Other interest-bearing debt	—	—	—	—	—
Total	¥1,135,620	¥1,122,583	$12,070,785	—	—

Notes:
1 Corporate and eliminations are not shown.
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 principally 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 2010.

Long-term debt	Millions of yen	Thousands of U.S. dollars
Due after one year through two years	¥124,442	$1,338,086
Due after two years through three years	138,139	1,485,366
Due after three years through four years	183,459	1,972,677
Due after four years through five years	144,732	1,556,258

Lease obligations	Millions of yen	Thousands of U.S. dollars
Due after one year through two years	¥849	$9,129
Due after two years through three years	741	7,968
Due after three years through four years	440	4,731
Due after four years through five years	187	2,011

OTHERS

Quarterly revenues from operations, etc. in fiscal year ended 31st March 2010

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Revenues from operations (Millions of yen)	¥157,288	¥169,025	¥151,972	¥175,001
Income before income taxes and minority interests (Millions of yen)	3,723	20,814	8,381	979
Net income (Millions of yen)	(1,971)	10,900	4,705	(2,840)
Net income per share (Yen)	(1.56)	8.64	3.73	(2.25)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Revenues from operations (Thousands of U.S. dollars)	$1,691,269	$1,817,473	$1,634,108	$1,881,731
Income before income taxes and minority interests (Thousands of U.S. dollars)	40,032	223,806	90,118	10,527
Net income (Thousands of U.S. dollars)	(21,194)	117,204	50,591	(30,538)
Net income per share (U.S. dollars)	(0.02)	0.09	0.04	(0.02)

Major Group Companies (As of 31st March 2010)

Consolidated Subsidiaries

Urban Transportation

Business Subsegments for Financial Reporting Purposes	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.
Bus Operations	Hankyu Bus Co., Ltd.
	Hankyu Kanko Bus Co., Ltd.
	Hanshin Bus Co., Ltd.
	Osaka Airport Transport Co., Ltd.
	Hankyu Denen Bus Co., Ltd.
Taxi Operations	Hankyu Taxi Inc.
	Hanshin Taxi Co., Ltd.
Other	Hankyu Railway Service Co., Ltd.
	Railway Technology Co., Ltd.
	Globaltech Co., Ltd.
	Hankyu Hanshin Electric System
	Hankyu M-TECH Corporation
	Hanshin Motor Dock Co., Ltd.
	Nippon Rent-A-Car Hankyu Inc.
	Alna Sharyo Co., Ltd.

Real Estate

Business Subsegments for Financial Reporting Purposes	Name of Company
Rental of Real Estate	Hankyu Corporation
	Hanshin Electric Railway Co., Ltd.
	Hankyu Realty Co., Ltd.
	Osaka Diamond Chikagai Co., Ltd.
	Hanshin Real Estate Co., Ltd.
Purchase and Sale of Real Estate	Hankyu Corporation
	Hanshin Electric Railway Co., Ltd.
	Hankyu Realty Co., Ltd.
Property Management	Hankyu Hanshin Building Management Co., Ltd.
	Hankyu Hanshin Security Service Co., Ltd.
	Hankyu Hanshin Techno Service Co., Ltd.
	Hankyu Hanshin Clean Service Co., Ltd.
	High Security System Co., Ltd.
REIT Operations	Hankyu REIT Asset Management, Inc.

Entertainment and Communications

Business Subsegments for Financial Reporting Purposes	Name of Company
Sports	Hanshin Electric Railway Co., Ltd.
	Hanshin Tigers Baseball Club, Ltd.
	Wellness Hanshin Inc.
Revue	Hankyu Corporation
	Takarazuka Creative Arts Co., Ltd.
	Takarazuka Stage Co., Ltd.
Theatre Operations	Umeda Arts Theater Co., Ltd.
Advertising Agency	Hankyu Advertising Agency Inc.
	Hanshin Contents Link Corporation
Information Technology Service	Itec Hankyu Hanshin Co., Ltd.
Publishing	Hankyu Communications Co., Ltd.
Cable Television	Bay Communications Inc.

Travel and International Transportation

Business Subsegments for Financial Reporting Purposes	Name of Company
Travel Agency	Hankyu Travel International Co., Ltd.
	Hanshin Travel Service Co., Ltd.
	Hankyu Travel Support Co., Ltd.
International Transportation	Hankyu Hanshin Express International Co., Ltd.
	Hankyu Hanshin Logipartners Co., Ltd.
Other	Hankyu Hanshin Express Holdings Corporation

Hotels

Business Subsegments for Financial Reporting Purposes	Name of Company
Hotel Management	Hankyu Hanshin Hotels Co., Ltd.
	Dai-ichi Hotel Kyushu Co., Ltd.
	Arima View Hotel Co., Ltd.
	Amanohashidate Hotel Co., Ltd.
	Hotel New Hankyu Kochi Co., Ltd.
	Hanshin Hotel Systems Co., Ltd.

Retailing

Business Subsegments for Financial Reporting Purposes	Name of Company
Sales of Goods	Hankyu Corporation
	Hankyu Retails Corporation
	Iina Dining Co., Ltd.
Restaurants, etc.	Creative Hankyu Co., Ltd.

Other

Business Subsegments for Financial Reporting Purposes	Name of Company
Construction	Hanshin Construction Co., Ltd.
	Chuo-Densetsu Co., Ltd.
Domestic Logistics	Sanyo Jidosha Unso 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	Toho Co., Ltd. [Securities code: 9602]
	Tokyo Rakutenchi Co., Ltd.
Commercial Broadcasting	Kansai Telecasting Corporation

Investor Information (As of 31st March 2010)

Hankyu Hanshin Holdings, Inc.

Head Office:
1-16-1, Shibata, Kita-ku, Osaka 530-0012, Japan
Phone: +81-6-6373-5001
(Corporate Planning Dept., IR Office)
Fax: +81-6-6373-5042

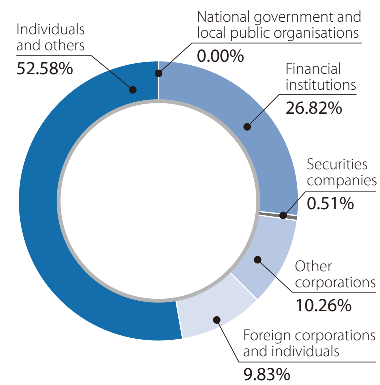
Tokyo Office (Personnel and General Affairs Dept.):
Toho Twin Tower Bldg.,
1-5-2, Yurakucho, Chiyoda-ku, Tokyo 100-0006, Japan
Phone: +81-3-3503-1568
Fax: +81-3-3508-0249

Paid-in Capital:	¥99,474 million
Fiscal Year-End:	31st March
Number of Employees:	20,938 (consolidated basis)
Authorised Shares:	3,200,000,000
Issued Shares:	1,271,406,928
Number of Shareholders:	134,473
Unit of Trading:	1,000 shares
Stock Exchange Listing:	Tokyo, Osaka
Transfer Agent:	Mitsubishi UFJ Trust and Banking Corporation

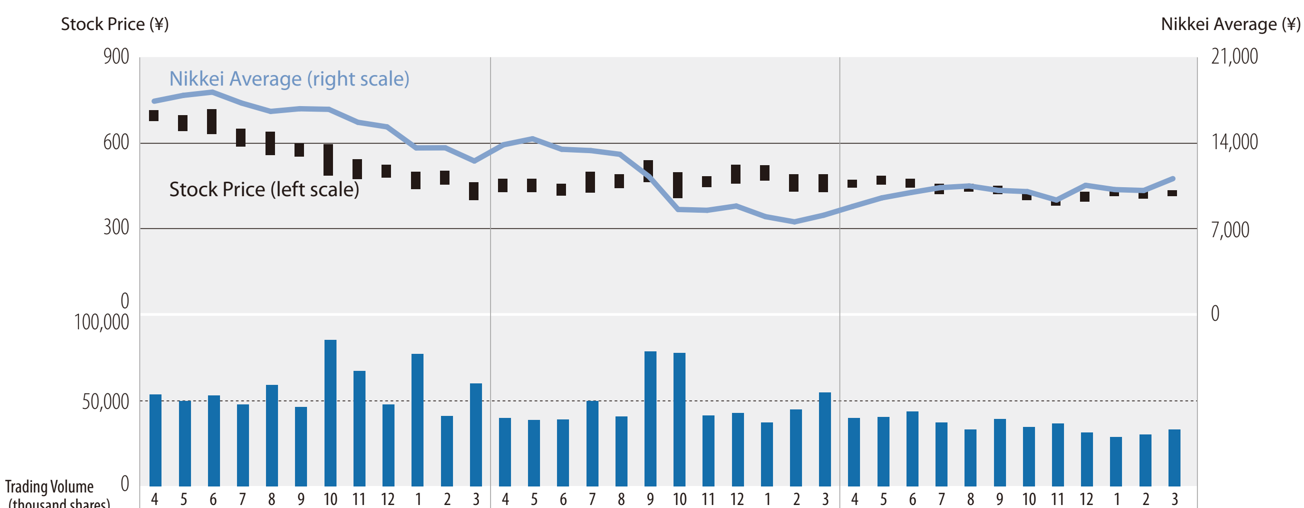
Principal Shareholders:

Name	Number of shares (thousands)	Percentage (%)
Japan Trustee Services Bank, Ltd. (Trust account)	56,512	4.44
Nippon Life Insurance Company	42,680	3.35
The Master Trust Bank of Japan, Ltd. (Trust account)	32,804	2.58
Sumitomo Mitsui Banking Corporation	30,947	2.43
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 Bank of Tokyo-Mitsubishi UFJ, Ltd.	11,190	0.88
State Street Bank West Pension Fund Clients Exempt (Standing Agent: Mizuho Corporate Bank, Ltd.)	10,067	0.79
Japan Trustee Services Bank, Ltd. (Trust account 1)	9,878	0.77
Takenaka Corporation	9,291	0.73

Ownership Breakdown:



Stock Price Range and Trading Volume (Tokyo Stock Exchange):



	Fiscal year ended March 2008	Fiscal year ended March 2009	Fiscal year ended March 2010
High	719	539	485
Low	400	406	381
At year-end	431	447	433

Creating New Ways to Inspire and Satisfy

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http://www.hankyu-hanshin.co.jp/english/

Hankyu Hanshin Toho Group