Performance Highlights (Consolidated)

Key Financial Indicators

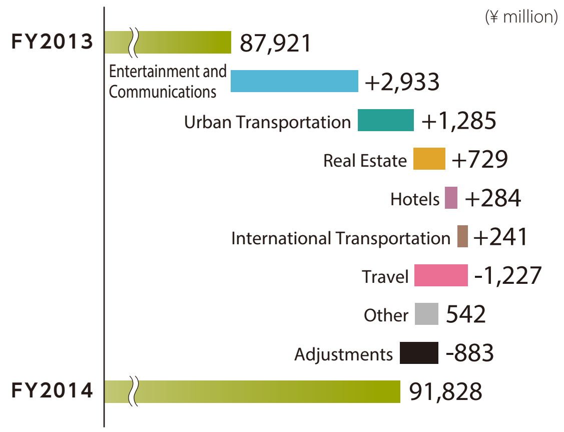
FY		(¥ million) 2009	2010	2011	2012	2013	2014	($ thousand) ❶ 2014
Result of Operations:								
Revenues from operations		¥ 683,715	¥ 653,287	¥ 638,770	¥ 649,703	¥ 682,439	¥ 679,157	$ 6,593,757
Operating income		77,823	70,126	64,743	73,809	87,921	91,828	891,534
EBITDA ❷		135,300	133,200	127,100	133,500	145,100	149,200	1,448,544
Income before income taxes and minority interests		34,064	33,899	32,760	43,419	62,192	83,542	811,087
Net income		20,550	10,793	18,068	39,252	39,702	46,352	450,019
Comprehensive income		—	12,541	14,728	44,992	54,081	55,941	543,117
Capital expenditure		109,688	132,386	68,431	55,267	59,512	80,722	783,709
Depreciation and amortisation		54,798	60,418	59,669	56,968	54,540	54,474	528,874
Cash Flows:								
Cash flows from operating activities		¥ 108,597	¥ 146,955	¥ 103,252	¥ 124,525	¥ 127,655	¥ 146,991	$ 1,427,097
Cash flows from investing activities		(115,047)	(132,737)	(62,516)	(44,295)	(58,923)	(45,517)	(441,913)
Free cash flow ❸		(6,449)	14,217	40,735	80,230	68,732	101,474	985,184
Cash flows from financing activities		7,014	(24,200)	(39,544)	(78,978)	(69,195)	(105,079)	(1,020,184)
Financial Position:								
Total assets		¥2,307,332	¥2,337,331	¥2,314,669	¥2,274,380	¥2,281,007	¥2,286,928	$22,203,184
Total net assets		473,878	480,633	486,947	524,801	573,154	617,598	5,996,097
Interest-bearing debt		1,275,620	1,282,583	1,251,665	1,183,647	1,126,633	1,032,307	10,022,398
Per Share Data (yen and U.S. dollars):								
Net income	Basic	¥ 16.28	¥ 8.55	¥ 14.32	¥ 31.13	¥ 31.48	¥ 36.76	$ 0.36
	Diluted	16.18	8.51	14.27	31.13	31.47	36.75	0.36
Net assets		366.96	371.70	377.17	407.01	443.63	477.69	4.64
Dividend		5.00	5.00	5.00	5.00	5.00	6.00	0.06
Ratios:								
Operating income margin (%)		11.4	10.7	10.1	11.4	12.9	13.5	—
ROA (%) ❹		2.5	2.2	2.0	2.8	3.3	3.6	—
ROE (%) ❺		4.4	2.3	3.8	7.9	7.4	8.0	—
Interest-bearing debt/EBITDA (times)		9.4	9.6	9.8	8.9	7.8	6.9	—
Equity ratio (%)		20.1	20.1	20.6	22.6	24.5	26.3	—
Debt/equity (D/E) ratio (times) ❻		2.8	2.7	2.6	2.3	2.0	1.7	—
Stock Price Index:								
Stock price at the end of fiscal year (yen and U.S. dollars)		¥ 447	¥ 433	¥ 384	¥ 361	¥ 569	¥ 562	$ 5.46
Market capitalisation (¥ billion, $ million)		568.3	550.5	488.2	459.0	723.4	714.5	69,369
PER (times)		27.5	50.6	26.8	11.6	18.1	15.3	—
PBR (times)		1.2	1.2	1.0	0.9	1.3	1.2	—
Business Data:								
Hankyu Railway (thousand) ❽		618,585	605,963	603,233	608,632	615,324	629,125	—
Hanshin Electric Railway (thousand) ❽		182,997	193,620	205,202	218,560	221,133	226,004	—
Average vacancy rates of rental office buildings (Umeda area, Osaka; %) ❼		5.88	8.90	11.22	7.29	11.50	9.22	—

Notes:
❶ The U.S. dollar amounts have been translated, for convenience only, at ¥103 = $1, the prevailing exchange rate on the Tokyo Foreign Exchange Market at 31st March 2014.
❷ EBITDA = operating income + depreciation expenses + amortisation of goodwill. EBITDA figures are rounded to the nearest ¥100 million.
❸ Free cash flow = cash flows from operating activities + cash flows from investing activities
❹ ROA = ordinary income/total assets (average of period-start and period-end totals)
❺ ROE = net income/equity (average of period-start and period-end totals)
❻ D/E ratio = interest-bearing debt/equity
❼ Average vacancy rate figures are overall rates for the Umeda downtown area at the end of March for major rental office buildings (including properties not owned by the Group) with a total floor area of at least 3,300m^2. Based on *Latest trends in the office-building market in Osaka*, Miki Shoji.
❽ Annual number of passengers carried

Revenues from operations: ¥679.2 billion
(down ¥3.3 billion or 0.5% from the previous fiscal year)
Operating income: ¥91.8 billion
(up ¥3.9 billion or 4.4% from the previous fiscal year)

Despite the impact of the sale of the bookstore business to an outside company in the Urban Transportation Business, the full-year operation of the Umeda Flagship Store of the Hankyu Department Store in the Umeda Hankyu Building, favourable sales in the sports business of the Entertainment and Communications Business, and other factors resulted in a decline in revenues from operations of 0.5%, or ¥3,281 million, year on year to ¥679,157 million. Operating income increased 4.4%, or ¥3,907 million to ¥91,828 million due to aforementioned positive earnings factors in the Entertainment and Communications Business and so on.

■ Operating income: Factor analysis (YoY change)



Net income: ¥46.4 billion (up ¥6.6 billion or 16.7% from the previous fiscal year)

Net non-operating loss improved 18.2%, or ¥2,370 million year on year, for a non-operating loss of ¥10,636 million due to a decrease in interest expenses.

Net extraordinary gain of ¥2,350 million was recorded, an improvement of ¥15,072 million, year on year. This was mainly attributable to a gain on sales of noncurrent assets owing to the partial sale of equity in Hankyu Nishinomiya Gardens.

In addition to the increase in operating income, net income climbed 16.7%, or ¥6,649 million, to ¥46,352 million due to the above-mentioned factors.

■ Net income: Factor analysis (YoY change)

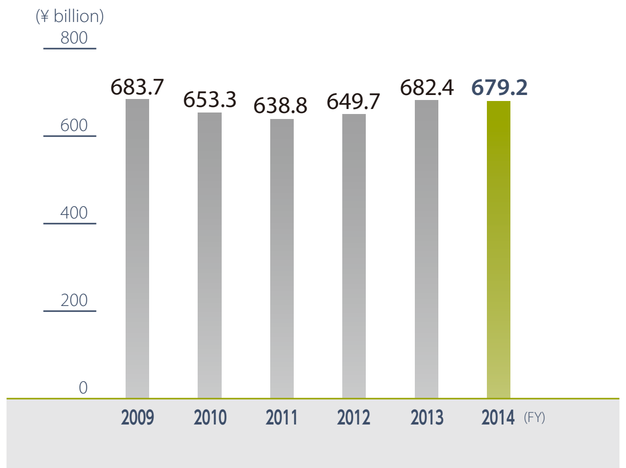
Decrease in operating expenses and cost of sales of transportation	+¥3.8 billion
Decrease in selling, general and administrative expenses	+¥3.4 billion
Decrease in non-operating expenses (primarily a decrease in interest expenses)	+¥2.4 billion
Increase in extraordinary income (primarily due to an increase in gain on sales of noncurrent assets)	+¥3.5 billion
Decrease in extraordinary loss (primarily a decrease in loss on impairment of fixed assets)	+¥11.5 billion
Decrease in revenues from operations	-¥3.3 billion
Decrease in non-operating income (primarily a decrease of equity in income of affiliates)	-¥0.1 billion
Increase in income taxes (including income taxes-deferred)	-¥14.4 billion
Increase in minority interests in income	-¥0.3 billion

Interest-bearing debt: ¥1,032.3 billion (down 8.4% or ¥94.3 billion from the previous fiscal year)

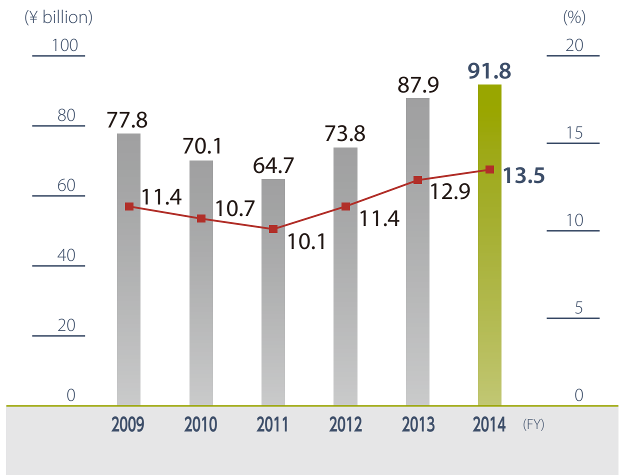
Despite capital investments in the partial acquisition of equity in HEP FIVE and the acquisition of NU chayamachi, as well as building new rolling stock, the outstanding balance of interest-bearing debt came to ¥1,032,307 million, a substantial decrease of 8.4%, or ¥94,325 million, year on year.

Key Financial Indicators (Graphs)

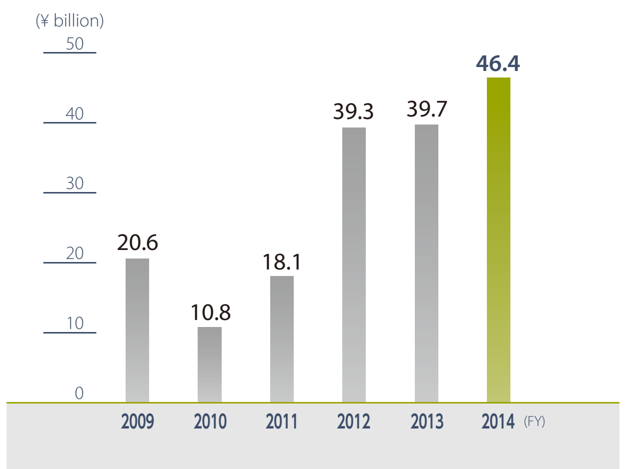
Revenues from Operations



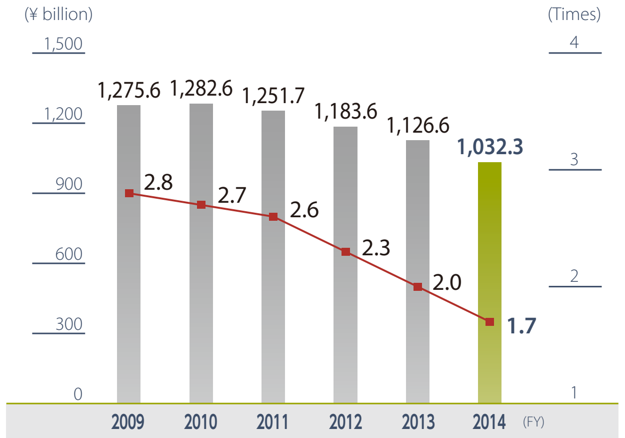
Operating Income/Operating Income Margin



Net Income

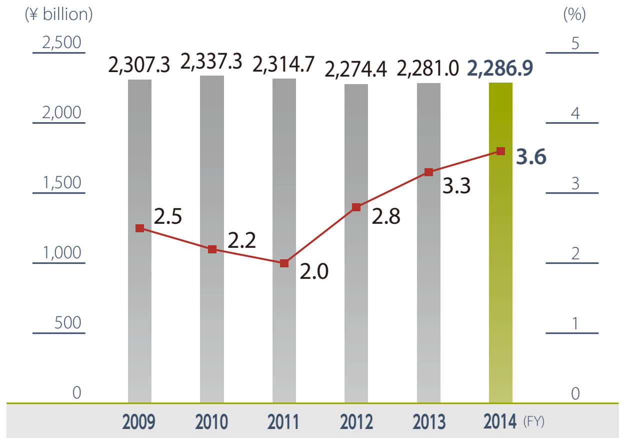


Interest-Bearing Debt and D/E Ratio



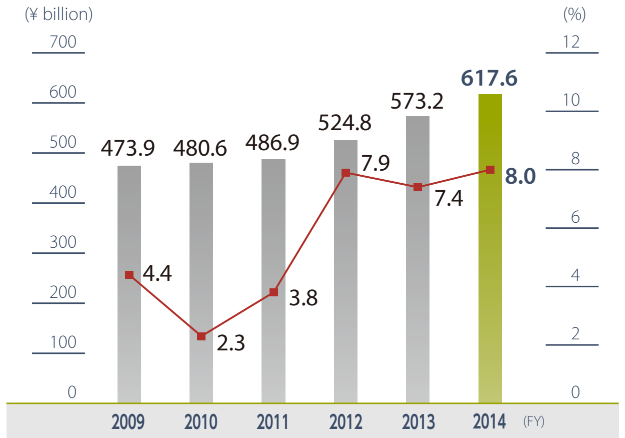
* D/E ratio = interest-bearing debt/equity

Total Assets/ROA



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

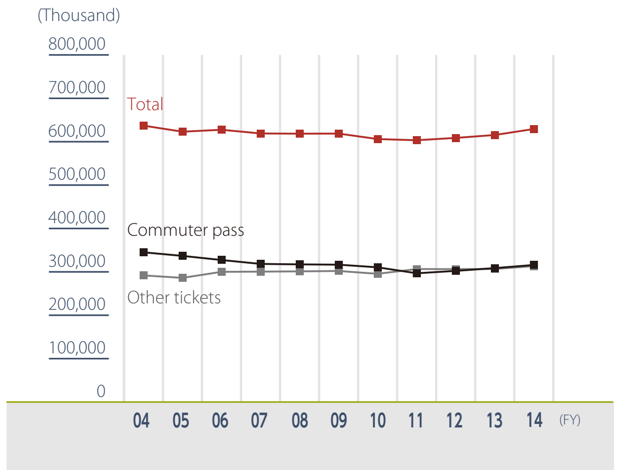
Total Net Assets/ROE



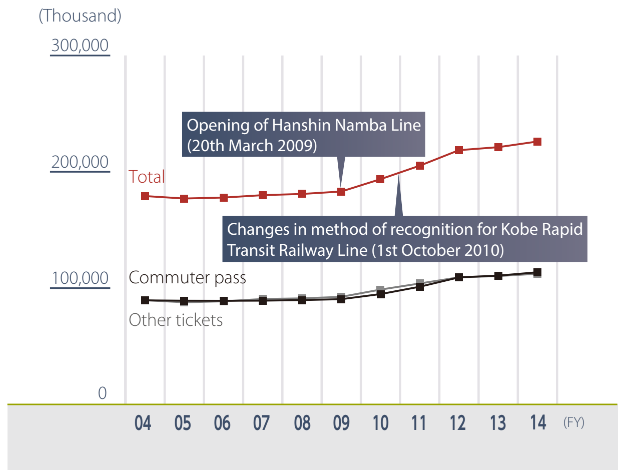
* ROE = net income/equity (average of period-start and period-end totals)

Operating and Business Environmental Data

Annual Number of Passengers Carried/Hankyu Railway



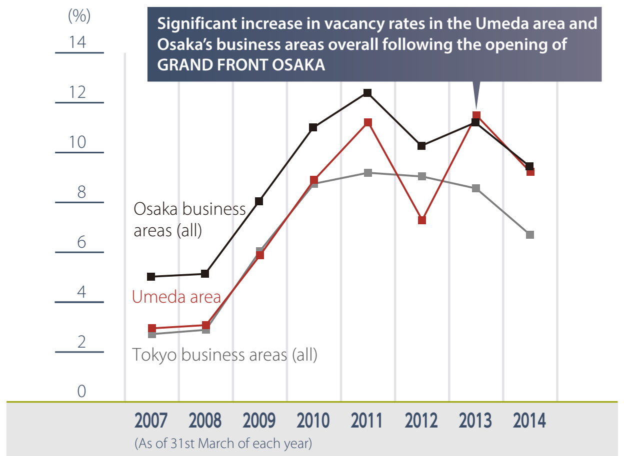
Annual Number of Passengers Carried/Hanshin Electric Railway



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

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

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



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

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

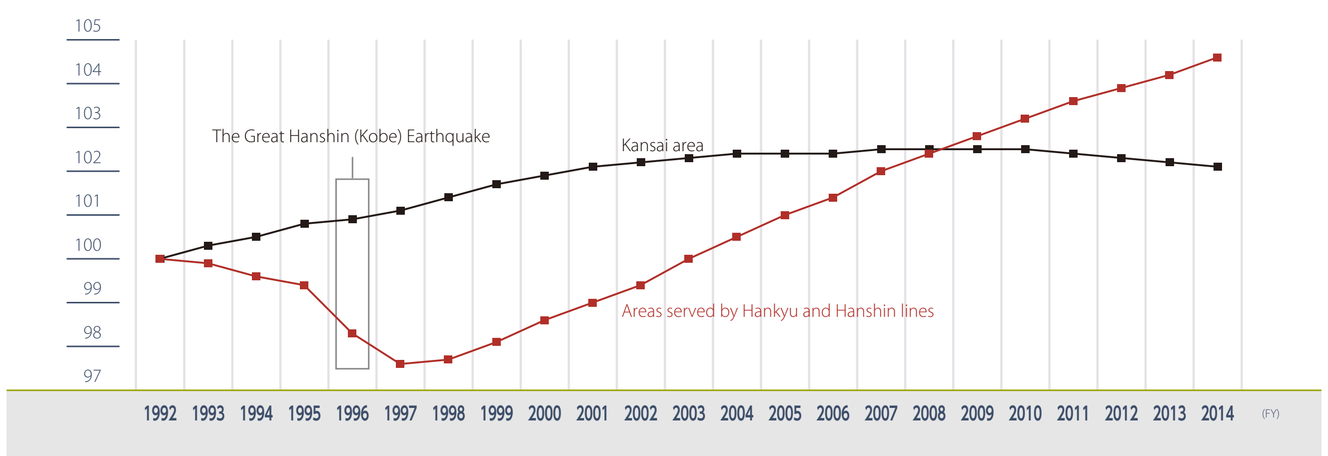
Below are lists of areas with Hankyu Corporation and Hanshin Electric Railway stations (including tier 2 operators).

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

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

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

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



Message from the President

Fiscal 2014 Performance

**Railway operation revenue increased and the sports business was strong.
Operating income, ordinary income, and net income reached new record highs, and
we achieved our most important management target — an interest-bearing debt/EBITDA ratio of around seven times.**

In fiscal 2014, despite concerns of an overseas economic recession following the economic slowdown in China and other emerging countries, the Japanese economy staged a modest recovery on improved corporate earnings as the high yen depreciated and stock prices rose, and consumer spending increased. As a result, earnings at all Group businesses were solid.

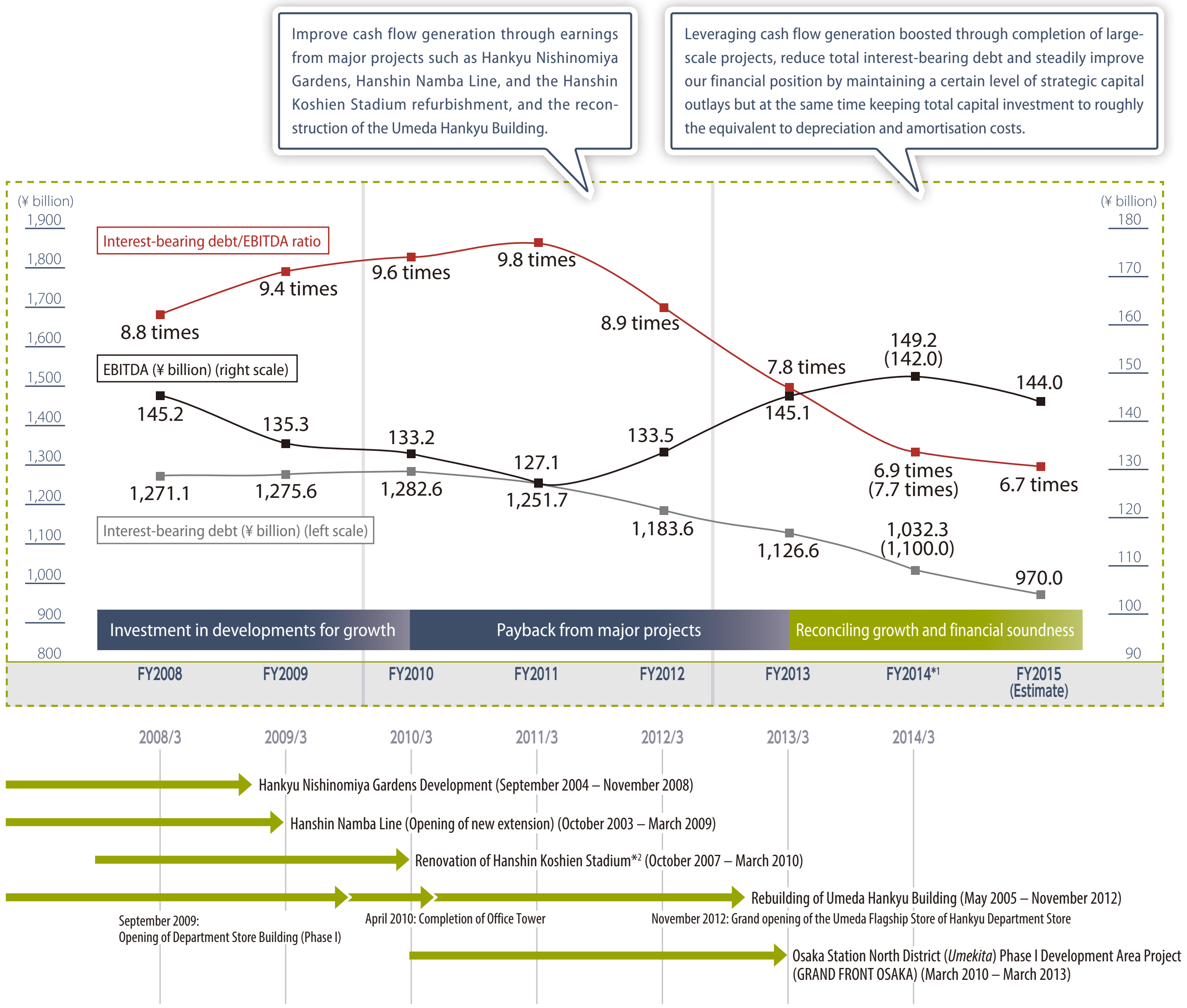
Under these circumstances, in the Real Estate Business, the Umeda Flagship Store of the Hankyu Department Store in the Umeda Hankyu Building was in full operation throughout the year, while in the Railway Business, the Hankyu and Hanshin lines both performed steadily thanks to higher revenue due to the grand opening of the Umeda Flagship Store of the Hankyu Department Store and the GRAND FRONT OSAKA, as well as the impact of last-minute demand for commuter passes prior to the consumption tax increase. Moreover, despite higher revenue due to favourable sales in the Sports Business of the Entertainment and Communications Business, the bookstore business was sold to an outside company and travellers to China and South Korea decreased in the Travel Business. As a result, revenues from operations on a consolidated basis declined ¥3.3 billion (down 0.5%) to ¥679.2 billion. However, if we exclude the effects (about a ¥19.0 billion decline) of the sale of the bookstore business to an outside company, revenues increased in real terms.

In contrast, in terms of income, negative factors such as the rising power costs due to hikes in electricity fees were more than offset by positive factors for increased income mentioned above and efforts to reduce costs. As a result, operating income climbed 4.4%, or ¥3.9 billion, year on year to ¥91.8 billion, ordinary income rose 8.4%, or ¥6.3 billion to ¥81.2 billion, and net income increased 16.7%, or ¥6.6 billion, to ¥46.4 billion, all of which hit record highs. Accordingly, the Group's operating income and operating income margin remained the highest for a major private railway operator group for the second consecutive year.

As for the improvement of our financial position, a management issue that we have been addressing, our investments in growth have paid off, with EBITDA steadily increasing ¥4.1 billion year on year to ¥149.2 billion, and interest-bearing debt shrinking significantly from ¥1,126.6 billion in the end of fiscal 2013 to ¥1,032.3 billion in the end of fiscal 2014, mainly due to a detailed review of capital investments. As a result, the consolidated interest-bearing debt/EBITDA ratio was 6.9 times, achieving management's target of an interest-bearing debt/EBITDA ratio of around seven times, the Group's top priority.

This target was initially contained in the Hankyu Hanshin Holdings Group 2007 Medium-Term Management Plan, with fiscal 2013 as the target year for achievement. However, the plan's duration was extended to fiscal 2016 because the fiscal 2013 target was viewed as unattainable as a result of the sudden deterioration of economic conditions triggered by Lehman Brothers' collapse in the autumn of 2008. Therefore, we set out anew to achieve this target. We wanted to achieve the target as early as possible prior to fiscal 2016, but achieving it at the end of fiscal 2014 fulfils our promise to the stakeholders and has laid a steady foundation for future growth.

■ Past Six Years' Performance



Note: Project start times are as of works commencement. Also, finish times are project completion dates (completion of A and B blocks for Osaka Station North District (*Umekita*) Phase I Development Area Project).
*1 Figures shown in parentheses are for the previous plan announced in May 2013.
*2 Renovation work conducted during three off-seasons.

Consolidated Six-Year Summary

	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2014
Result of Operations (millions of yen and thousands of U.S. dollars): *1							
Revenues from operations	¥683,715	¥653,287	¥638,770	¥649,703	¥682,439	¥679,157	$6,593,757
Operating income	77,823	70,126	64,743	73,809	87,921	91,828	891,534
EBITDA*2	135,300	133,200	127,100	133,500	145,100	149,200	1,448,544
Income before income taxes and minority interests	34,064	33,899	32,760	43,419	62,192	83,542	811,087
Net income	20,550	10,793	18,068	39,252	39,702	46,352	450,019
Comprehensive income	—	12,541	14,728	44,992	54,081	55,941	543,117
Capital expenditure	109,688	132,386	68,431	55,267	59,512	80,722	783,709
Depreciation and amortisation	54,798	60,418	59,669	56,968	54,540	54,474	528,874
Cash Flows (millions of yen and thousands of U.S. dollars):							
Cash flows from operating activities	¥108,597	¥146,955	¥103,252	¥124,525	¥127,655	¥146,991	$1,427,097
Cash flows from investing activities	(115,047)	(132,737)	(62,516)	(44,295)	(58,923)	(45,517)	(441,913)
Cash flows from financing activities	7,014	(24,200)	(39,544)	(78,978)	(69,195)	(105,079)	(1,020,184)
Increase (decrease) in cash and cash equivalents	(2,174)	(9,680)	474	767	817	(1,840)	(17,864)
Cash and cash equivalents at end of year	30,690	21,440	22,592	23,572	25,581	24,497	237,835
Financial Position (millions of yen and thousands of U.S. dollars):							
Total assets	¥2,307,332	¥2,337,331	¥2,314,669	¥2,274,380	¥2,281,007	¥2,286,928	$22,203,184
Total net assets	473,878	480,633	486,947	524,801	573,154	617,598	5,996,097
Interest-bearing debt	1,275,620	1,282,583	1,251,665	1,183,647	1,126,633	1,032,307	10,022,398
Per Share Data (yen and U.S. dollars):							
Net income—Basic	¥ 16.28	¥ 8.55	¥ 14.32	¥ 31.13	¥ 31.48	¥ 36.76	$0.36
Net income—Diluted	16.18	8.51	14.27	31.13	31.47	36.75	0.36
Net assets	366.96	371.70	377.17	407.01	443.63	477.69	4.64
Dividend	5.00	5.00	5.00	5.00	5.00	6.00	0.06
Ratios:							
Operating income margin (%)	11.4	10.7	10.1	11.4	12.9	13.5	—
ROA (%)*3	2.5	2.2	2.0	2.8	3.3	3.6	—
ROE (%)*4	4.4	2.3	3.8	7.9	7.4	8.0	—
Interest-bearing debt/EBITDA (times)	9.4	9.6	9.8	8.9	7.8	6.9	—
Equity ratio (%)	20.1	20.1	20.6	22.6	24.5	26.3	—
Debt/equity (D/E) ratio (times)*5	2.8	2.7	2.6	2.3	2.0	1.7	—
Interest coverage ratio (times)*6	4.7	6.3	4.6	6.0	6.7	8.8	—
Others:							
Number of outstanding shares (thousands)	1,271,406	1,271,406	1,271,406	1,271,406	1,271,406	1,271,406	—
Number of employees	20,805	20,938	21,302	20,811	20,751	20,913	—

*1. The U.S. dollar amounts have been translated, for convenience only, at ¥103 = $1, the prevailing exchange rate on the Tokyo Foreign Exchange Market as of 31st March 2014.
*2. EBITDA = operating income + depreciation expenses + amortisation of goodwill
EBITDA figures are rounded to the nearest ¥100 million.
*3. ROA = ordinary income/total assets (average of period-start and period-end totals)
*4. ROE = net income/equity (average of period-start and period-end totals)
*5. D/E ratio = interest-bearing debt/equity
*6. Interest coverage ratio = cash flows from operating income / interest expense

Consolidated Financial Review

Analysis of Operating Results for fiscal 2014 (fiscal year ended March 2014)

Revenues from operations for the year under review decreased by ¥3,281 million (0.5%) year on year, to ¥679,157 million. This was primarily because the effects of the sale of the bookstore business to an outside company were offset by demand for commuter passes and other items generated in advance of the hike in the consumption tax rate in the Urban Transportation Business. Furthermore, in addition to the full-year operations of the Umeda Flagship Store of Hankyu Department Store in the Umeda Hankyu Building in the Real Estate Business, the sports business and stage business performed well in the Entertainment and Communications Business.

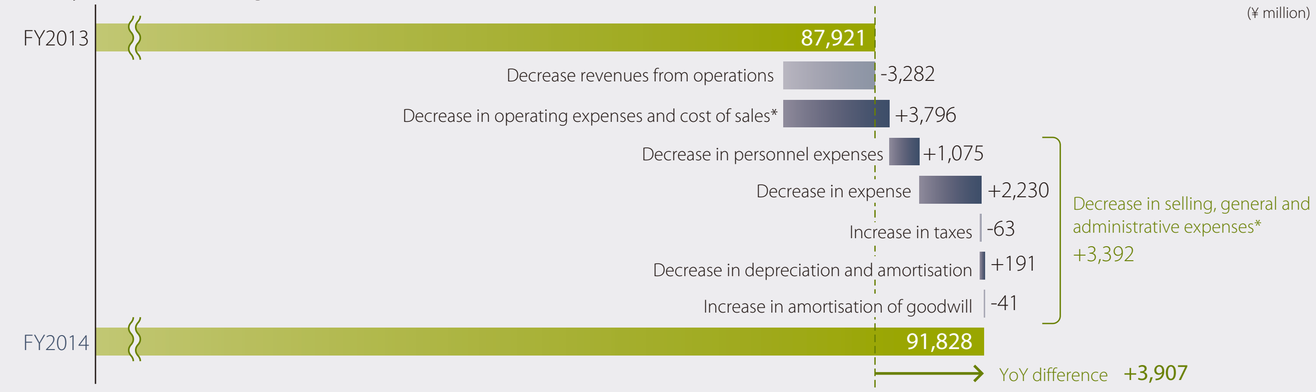
Operating income rose ¥3,907 million (4.4%) year on year, to ¥91,828 million, mainly as a result of efforts to keep down costs in each segment.

In addition, ordinary income increased ¥6,277 million (8.4%) year on year, to ¥81,191 million. This was because although equity in income of affiliates declined, interest expenses decreased in line with the lower interest-bearing debt (consolidated basis).

Net income increased ¥6,649 million (16.7%) year on year to ¥46,352 million. This was mainly due to an improvement in the net of extraordinary income and loss, resulting from a gain on sales of noncurrent assets following the sale of part of the equity held in Hankyu Nishinomiya Gardens.

Summary of consolidated business results: please also see Message from the President (Fiscal 2014 performance) on pages 16 and 17.

Analysis of Operating Income



* Retirement benefit expenses are included in each cost of revenues from operations, with the change being +1,553.

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.

From the fiscal year under review, the previous six reportable segments of "Urban Transportation," "Real Estate," "Entertainment and Communications," "Travel and International Transportation," "Hotels" and "Retailing" have been changed to the six segments of "Urban Transportation," "Real Estate," "Entertainment and Communications," "Travel," "International Transportation," and "Hotels." In order to compare fiscal periods, the fiscal 2013 segment information has been prepared based on the segments after the change.

(¥ million)

	Urban Transportation	Real Estate	Entertainment and Communications	Travel	International Transportation	Hotels	Other	Adjustments	Consolidated
Revenues from operations									
FY2014	234,555	208,610	110,350	33,006	37,696	63,695	34,713	-43,469	679,157
FY2013	249,342	198,343	102,695	34,086	36,745	64,697	36,045	-39,516	682,439
Difference	-14,787	+10,267	+7,654	-1,079	950	-1,002	-1,332	-3,953	-3,282
YoY (%)	-5.9%	5.2%	7.5%	-3.2%	2.6%	-1.5%	-3.7%	10.0%	-0.5%
Operating income/loss									
FY2014	38,494	38,008	14,172	1,224	2,051	809	849	-3,781	91,828
FY2013	37,208	37,278	11,238	2,451	1,809	525	307	-2,898	87,921
Difference	+1,285	+729	+2,933	-1,227	+241	+284	+542	-883	3,907
YoY (%)	3.5%	2.0%	26.1%	-50.1%	13.4%	54.2%	176.5%	30.5%	4.4%
Reference page	P.40–41	P.46	P.50	P.53	P.56	P.59	—	—	—

Review of Financial Position

1. Assets, Liabilities and Net Assets

Total assets at the end of the fiscal year under review increased by ¥5,920 million from the previous term-end, to ¥2,286,928 million. This was mainly as the result of an increase in property and equipment following the acquisition of real estate leasing properties.

Total liabilities decreased by ¥38,523 million from the previous term-end to ¥1,669,330 million, due partly to the reduction in interest-bearing debt.

Net assets increased ¥44,443 million from the previous term-end to ¥617,598 million due to an increase in retained earnings.

Equity came to ¥602,050 million, an increase of ¥42,651 million over the previous fiscal year-end. This was the result of an increase in retained earnings mainly due to the posting of net income, as well as a rise in valuation difference on available-for-sale securities that primarily reflected higher stock prices.

As a result, the equity ratio stood at 26.3% and ROE was 8.0%.

2. Cash Flows

Cash and cash equivalents decreased by ¥1,840 million from the previous term-end to ¥24,497 million.

(1) Cash Flows from Operating Activities

Net cash provided by operating activities was ¥146,991 (up 15.1% year on year). The main factors were income before income taxes and minority interests of ¥83,542 million, depreciation and amortisation of ¥54,474 million, and income taxes paid of ¥14,013 million.

(2) Cash Flows from Investing Activities

Net cash used in investing activities was ¥45,517 million (down 22.8% year on year). This was chiefly because expenditures for the purchases of noncurrent assets of ¥89,845 million exceeded proceeds from the sale of noncurrent assets of ¥21,619 million, and proceeds from receipt of contributions for construction of ¥14,115 million.

(3) Cash Flows from Financing Activities

Net cash used in financing activities was ¥105,079 million (up 51.9% year on year). This was due partly to a net decrease in borrowings of ¥92,578 million and dividends paid of ¥9,500 million.

Trends in Cash Flow Indicators

	FY2010	FY2011	FY2012	FY2013	FY2014
Equity ratio (%)	20.1	20.6	22.6	24.5	**26.3**
Equity ratio (%) (market value basis)	23.4	20.9	20.0	31.5	**31.0**
Cash flows/interest-bearing debt ratio (times)	8.7	12.1	9.5	8.8	**7.0**
Interest coverage ratio (times)	6.3	4.6	6.0	6.7	**8.8**

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

3. Fund Procurement

During the fiscal year under review, the outstanding balance of interest-bearing debt (consolidated basis) declined by ¥94,325 million to ¥1,032,307 million at the end of the fiscal period. This was mainly because the acquisition of part of the equity in "HEP FIVE" and the acquisition of "NU chayamachi," that were as results of property swaps between the Group and Hankyu REIT Inc., and also capital investment to construct new rolling stock, was exceeded by the cash flows from operating activities.

The ratio of consolidated interest-bearing debt/EBITDA (operating income before amortisation), the benchmark we use for assessing the soundness of our financial position, stood at 6.9 times (7.8 times in the previous fiscal year).

Consolidated Capital Expenditure and Depreciation and Amortisation

Capital expenditure in the fiscal year under review (consolidated basis; including intangible assets) increased by ¥21,209 million (35.6%) year on year to ¥80,722 million.

The following is a breakdown for each business segment.

	FY2014 (Millions of yen)	YoY (%)
Urban Transportation	27,522	5.0
Real Estate	43,451	71.6
Entertainment and Communications	5,561	34.8
Travel	1,178	9.5
International Transportation	578	8.3
Hotels	1,817	-5.9
Other	510	27.1
Total	80,619	35.3
Adjustments	103	—
Consolidated	80,722	35.6

Urban Transportation

The railway business carried out capital investment with a focus on safety and service improvement, as well as implemented rebuilding and improving of the existing rolling stock.

Real Estate

The real estate leasing business acquired part of the equity of "HEP FIVE" and "NU chayamachi" both owned by Hankyu REIT Inc.

Entertainment and Communications

In the Entertainment and Communications Business, the Takarazuka Grand Theatre was repaired and refurbished and terminal equipment for cable television were purchased.

Travel

In the Travel Business, systems investment was carried out to strengthen Internet sales.

International Transportation

In the International Transportation Business, system investment was conducted to further global IT cooperation.

Hotels

In the Hotels Business, refurbishments of the guest rooms were carried out at each hotel.

Depreciation and amortisation decreased by ¥66 million (0.1%) from the previous year (consolidated basis) to ¥54,474 million.