

Group Management Philosophy



Mission

What we try to achieve

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

Values

What is important to us



Customers First

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

Sincerity

Gain customers' confidence
by always being sincere.



Foresight & Creativity

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

Respect for People

Everyone is absolutely invaluable
to the Group.



Corporate Social Responsibility (CSR)

We believe contributing to local communities and preserving the environment are social responsibilities that it is incumbent upon us to fulfil and which are essential for our medium-to-long-term development. Therefore, the two pillars of our CSR activities are social contribution activities, which develop towns and cities in partnership with local communities, and environmental preservation activities promoting environment-friendly business activities.

Social Contribution Activities



Basic Policy

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

Environmental Preservation Activities



Basic Concept

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

At a Glance

Major Operating Companies

Fiscal 2016 Results

Urban Transportation



Hankyu Corporation



Hanshin Electric Railway

Revenues from Operations ¥239.5 billion (YoY +2.6%)

Operating Income ¥41.3 billion (YoY +7.0%)

Segment Assets ¥794.3 billion (YoY +2.0%)

Real Estate



Revenues from Operations ¥220.9 billion (YoY +7.0%)

Operating Income ¥49.9 billion (YoY +34.1%)

Segment Assets ¥1,022.6 billion (YoY +2.9%)

Entertainment and Communications



Revenues from Operations ¥112.5 billion (YoY -0.1%)

Operating Income ¥15.3 billion (YoY +2.1%)

Segment Assets ¥142.7 billion (YoY -0.4%)

Travel



Hankyu Travel International

Revenues from Operations ¥30.5 billion (YoY -4.6%)

Operating Income ¥0.7 billion (YoY -44.5%)

Segment Assets ¥65.2 billion (YoY -4.1%)

International Transportation



Hankyu Hanshin Express

Revenues from Operations ¥36.7 billion (YoY -7.0%)

Operating Income ¥1.8 billion (YoY -41.4%)

Segment Assets ¥39.9 billion (YoY -12.9%)

Hotels



Hankyu Hanshin Hotels

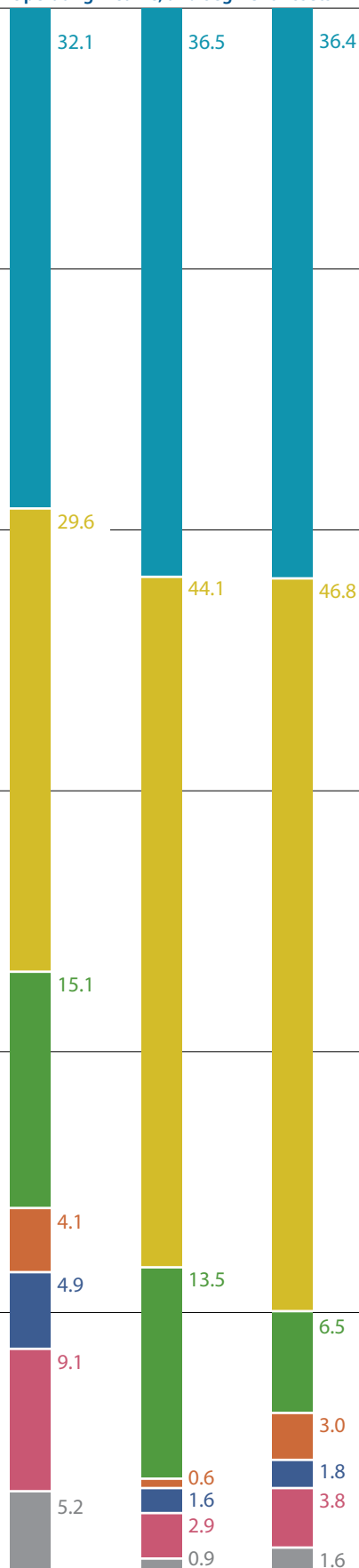
Revenues from Operations ¥68.0 billion (YoY +7.9%)

Operating Income ¥3.3 billion (YoY +171.2%)

Segment Assets ¥82.8 billion (YoY +0.7%)

% of Revenues from Operations, Operating Income, and Segment Assets

Nature of Business



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

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

The Real Estate segment derives its core revenue from leasing and management of commercial facilities and office buildings and its condominium business. Its attractive business portfolio includes rental properties located mainly in the Umeda area and along the Group’s rail lines, such as Umeda Hankyu Building, Hankyu Sanban Gai Shopping Centre, HERBIS OSAKA, HERBIS ENT, GRAND FRONT OSAKA, Hankyu Nishinomiya Gardens, and the highly regarded *Geo* condominium brand in the Kansai and Tokyo metropolitan areas. This segment is also exploring overseas markets, specifically building and owning logistics centres and developing condominiums in Southeast Asia.

This segment offers a wide variety of live entertainment, centred on the sports business—the nationally popular and famous Hanshin Tigers professional baseball team and their home ground and high-school baseball mecca, Hanshin Koshien Stadium—and the stage revue business, based on the hugely popular Takarazuka Revue, which delivers performances that move and inspire customers. In addition, this segment runs a wide range of businesses, such as the broadcast and communications business and the information services business.

Since its establishment in 1948, while meeting the diversified needs of customers through always taking their perspective, Hankyu Travel International has sold its products via various media through its five brands. They are the *Trapics* brand that provides enhanced content at a reasonable price, the *Crystal Heart* brand, the *Hanshin Aviation Friends’ Tour* brand for relaxed travel, the *e-very* brand for self-planning travel, and the *Royal Collection* brand for luxurious travel. This company provides safe, comfortable travel that offer customers inspiration and dreams, ranging from package tours through to original plans for individual customers, travel to Japan, and business travel services.

In 1948, as Japan’s first International Air Transport Association (IATA) certified freight agency, Hankyu Hanshin Express (Hankyu Corporation at that time) began international airline freight transportation operations. Since then, regardless of whether for imports or exports, it has been providing fast and safe door-to-door international transportation services. As a pioneer in international logistics, it utilises the track record and experience it has cultivated in developing its overseas business over many years and provides high-quality customised logistics services on a one-stop basis and offers support for its customers with optimised supply chain management.

The Hankyu-Hanshin-Daiichi Hotel Group operates 45 hotels, consisting of 18 that are directly managed and 27 belonging to chains operated by franchises. The group is one of Japan’s leading hotel chains with 9,948 guest rooms (as of 1st April 2016). As a hotel operator with many directly managed hotels in the Tokyo metropolitan and Kansai areas—Japan’s two largest markets—the group offers a wide range of hotel formats, from general-purpose “city hotels” to new style hotels (with very limited function facilities). In addition to chain operations, it also manages The Ritz-Carlton, Osaka, a venerable international luxury brand with which it has formed an alliance.

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

Location of Our Business Base

The Hankyu Hanshin Holdings Group's business base is the Kansai area, which has a population of approximately 20 million. This is second only to the Kanto area, centred on Tokyo. Further, the Kansai area is one of Asia's economic powerhouses. According to a Cabinet Office survey,* in the fiscal year ended 31st March 2014 the Kansai area's gross production reached US\$792.6 billion, surpassing the combined gross domestic product of Thailand and Malaysia.

* Cabinet Office, Report on Prefectural Accounts for the Fiscal Year Ended 31st March 2014



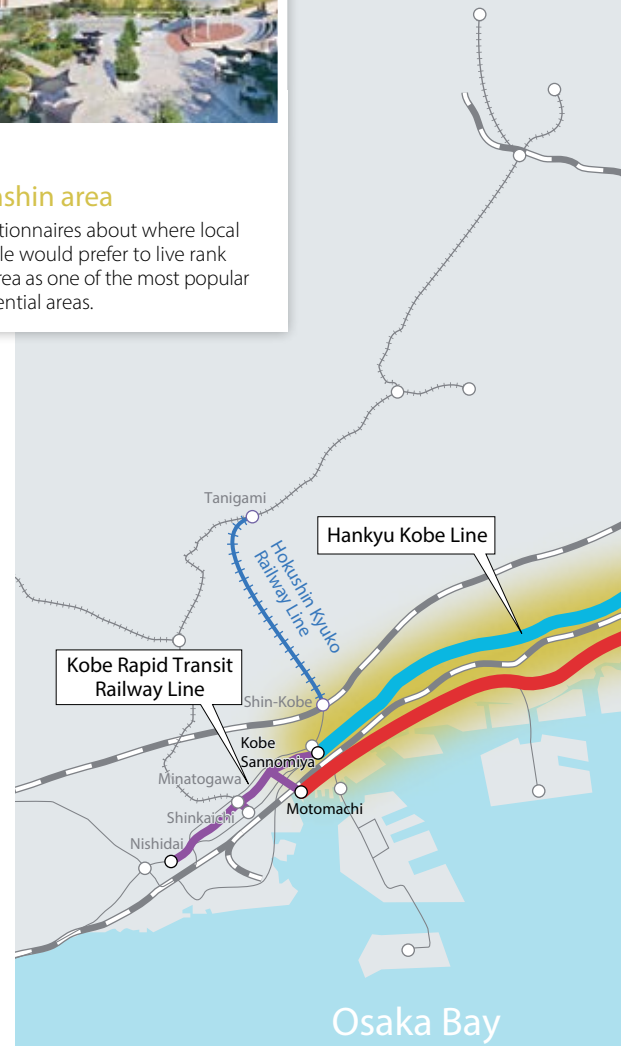
The Group's railway network links the Kansai area's major cities: Osaka-Umeda, Kobe, and Kyoto. By heightening customer satisfaction and transportation efficiency simultaneously, we have established an unshakable presence in the Kansai area. Since the earliest days of its railway operations, the Group has developed housing, entertainment facilities, and commercial facilities in the areas served by its lines. Further, thanks to efforts to attract universities, almost 50 universities and colleges are located in the areas served by our lines. Easy access to the Kansai area's major cities and plentiful infrastructure for everyday life make our line-side areas* some of the most popular places to live in the region. Consequently, in the Kansai area, high population densities differentiate these areas.

* Line-side areas refer to areas served by the Hankyu and Hanshin lines.



Hanshin area

Questionnaires about where local people would prefer to live rank the area as one of the most popular residential areas.



Kansai International Airport

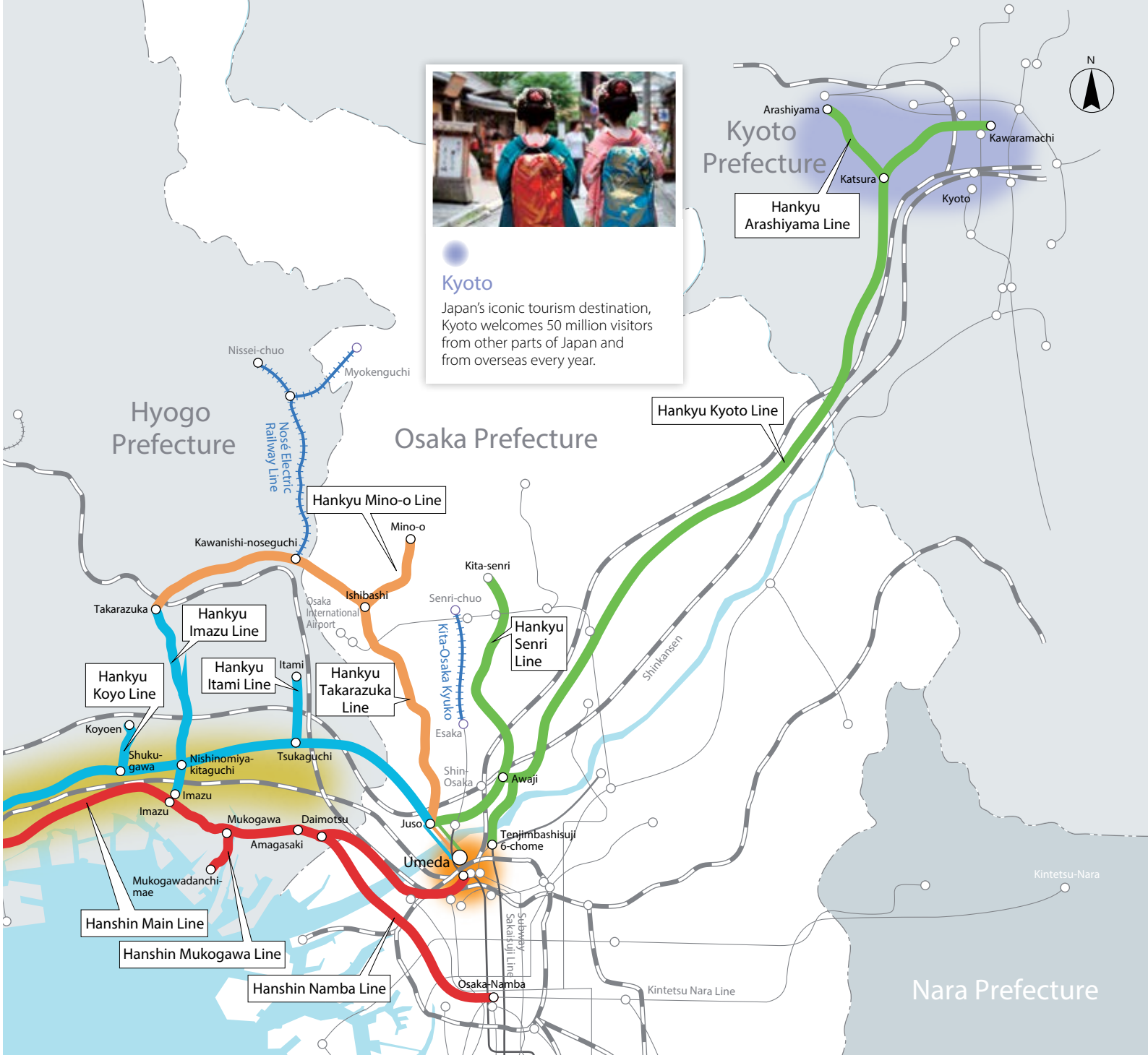
The largest airport in western Japan, this is the Kansai area's gateway to the world.

Kansai International Airport



Kyoto

Japan's iconic tourism destination, Kyoto welcomes 50 million visitors from other parts of Japan and from overseas every year.

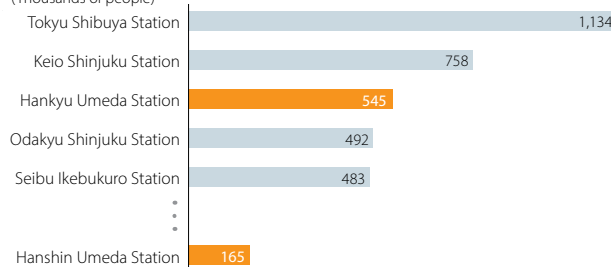


Umeda

The Group's most important base, the Umeda area, is the Kansai economic bloc's hub and one of Japan's world-famous shopping and entertainment districts.

Average number of passengers per day using stations of private railway operators (non-JR) in fiscal 2016

(Thousands of people)



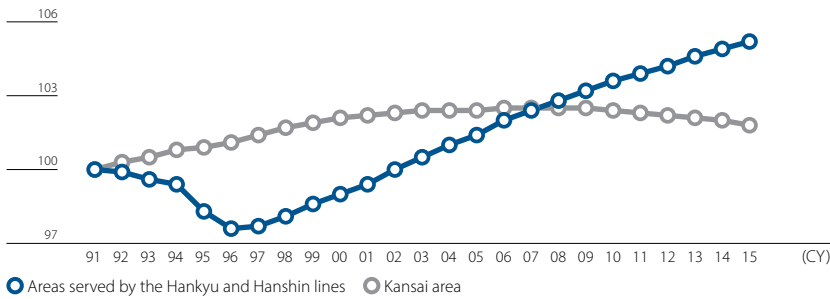
Source: Prepared by the Group based on documents released by respective companies

Hankyu Railway Network	143.6 km
<ul style="list-style-type: none"> Kobe Line (Kobe Line, Imazu Line, Itami Line, Koyo Line) 	46.9 km
<ul style="list-style-type: none"> Takarazuka Line (Takarazuka Line, Mino-o Line) 	28.5 km
<ul style="list-style-type: none"> Kyoto Line (Kyoto Line, Senri Line, Arashiyama Line) 	65.4 km
<ul style="list-style-type: none"> Kobe Rapid Transit Railway Line 	2.8 km
Hanshin Electric Railway Network	48.9 km
<ul style="list-style-type: none"> Hanshin Line (Hanshin Main Line, Hanshin Namba Line, Mukogawa Line) 	43.9 km
<ul style="list-style-type: none"> Kobe Rapid Transit Railway Line 	5.0 km

5 km

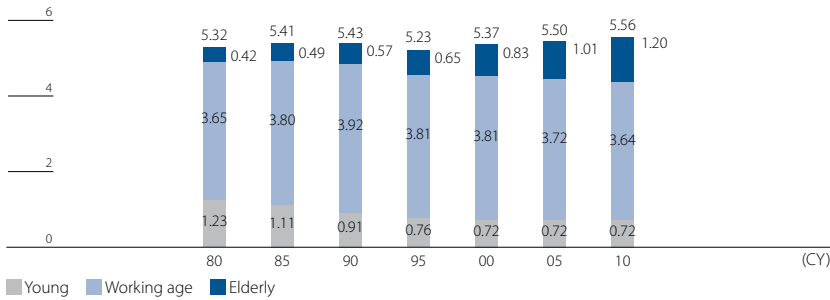
Business Environment

Population of areas served by the Hankyu and Hanshin lines (1991 = 100)



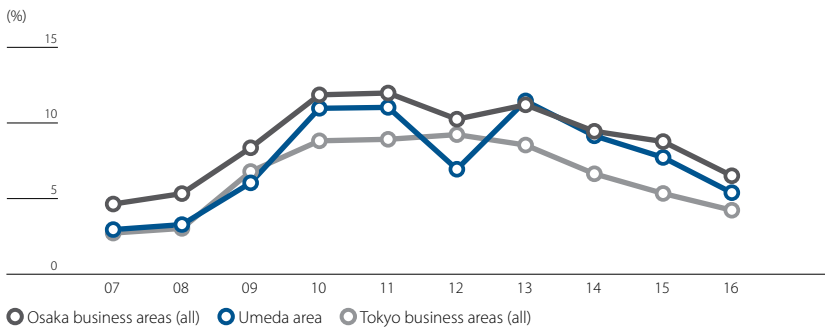
Legend: ● Areas served by the Hankyu and Hanshin lines ○ Kansai area
 Sources: Prepared by the Company based on data from "Local Economy Directory," published by Toyo Keizai, Inc., and "Basic Resident Register," published by the Ministry of Internal Affairs and Communications.
 Note: Definition of the areas served by the Hankyu and Hanshin lines is presented on the Contents page.

Population by age group along the Hankyu and Hanshin lines (Population Census of Japan) (Millions of people)



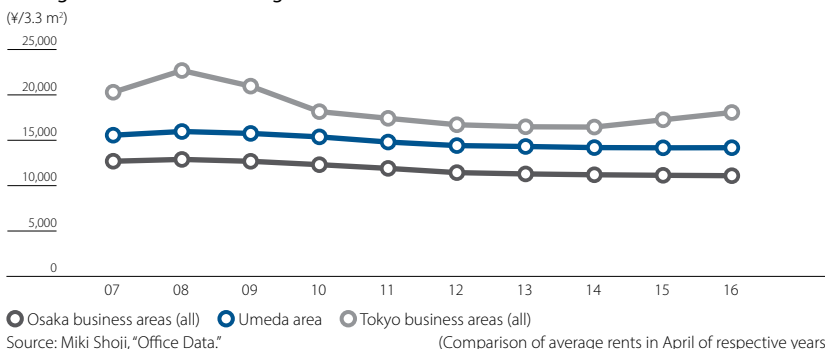
Legend: ■ Young ■ Working age ■ Elderly
 Source: Prepared by the Company based on data from "2010 Population Census of Japan," published by the Ministry of Internal Affairs and Communications.

Average vacancy rates at office buildings (%)



Legend: ● Osaka business areas (all) ● Umeda area ● Tokyo business areas (all)
 Source: Miki Shoji, "Office Data." (Comparison of average rents in April of respective years)

Average rents at office buildings (¥/3.3 m²)



Legend: ● Osaka business areas (all) ● Umeda area ● Tokyo business areas (all)
 Source: Miki Shoji, "Office Data." (Comparison of average rents in April of respective years)

Due to the aging of society and a declining birth rate, the Kansai area's overall population is decreasing gradually. Meanwhile, the population is comparatively large in areas served by the Hankyu and Hanshin lines, a testament to the image branding these areas as popular places to live. In these areas, the population has been trending upward since bottoming in 1996, the year after the Great Hanshin Earthquake.

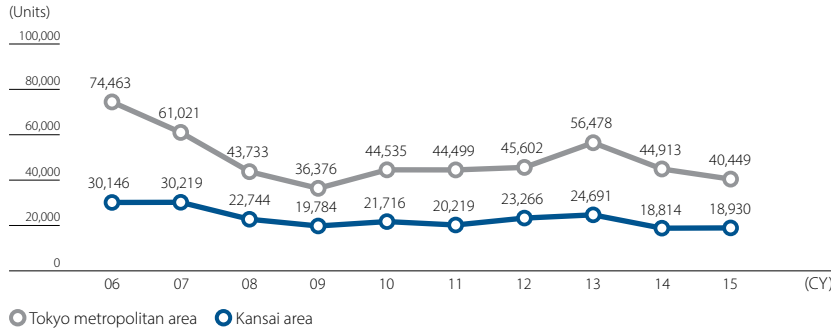
According to the official Population Census of Japan, although the population aged below 15 remains stable, the population aged between 15 and 64 is declining. The latter group is the working-age population—the main purchasers of commuter passes.

Notes: Tallies do not add up to the total at the top for each year as the age group is not known in many cases. Unknowns account for the difference. Definition of the areas served by the Hankyu and Hanshin lines is presented on the Contents page.

The rapid appreciation of the yen has caused increased uncertainty with regard to the outlook for corporate performance. Nevertheless, demand for office expansion and the integration of previously discrete offices remains strong. In the Umeda area, the vacancy rate on 30th April 2016 was down more than 3 percentage points from a year earlier.

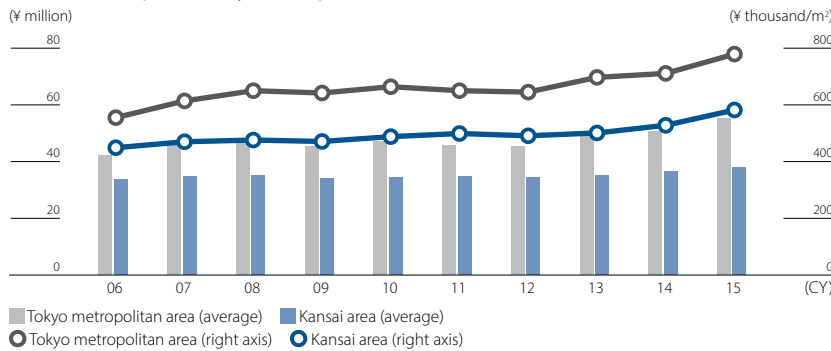
Solid demand for offices is driving an increase in office rents in Tokyo. In Osaka business areas and the Umeda area, however, rents were relatively unchanged year on year. The number of new large-scale buildings completed in Osaka City is expected to be limited up until 2018, and rents are anticipated to gradually increase going forward as a result.

New supply of condominiums



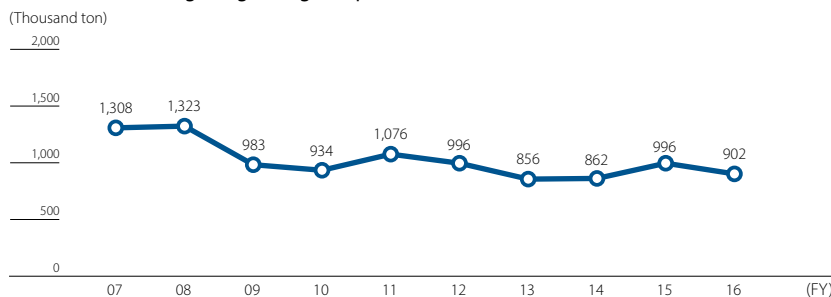
Source: Real Estate Economic Institute Co., Ltd., "National Condominium Market Trends."

Condominium prices (Tokyo metropolitan and Kansai areas)



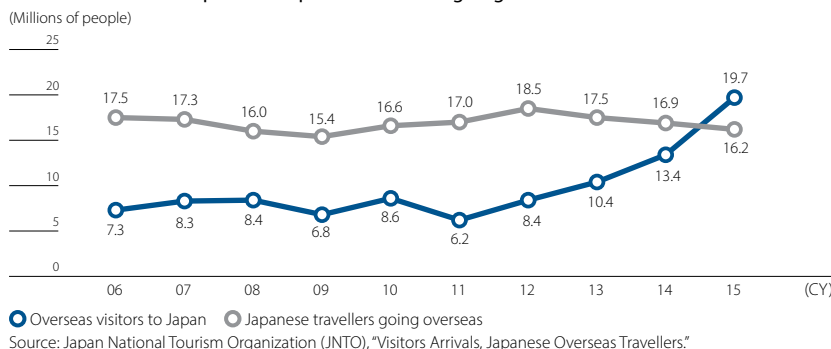
Source: Real Estate Economic Institute Co., Ltd., "National Condominium Market Trends."

Consolidated air cargo originating in Japan



Source: Japan Aircargo Forwarders Association, "Airfreight Forwarding Results."

Overseas visitors to Japan and Japanese travellers going overseas



Source: Japan National Tourism Organization (JNTO), "Visitors Arrivals, Japanese Overseas Travellers."

The number of new condominiums supplied in 2015 was down by roughly 10% year on year in the Tokyo metropolitan area, although there was a slight rise in the Kansai area. In the Tokyo metropolitan area, supply was relatively unchanged year on year within Tokyo itself, while supply decreased in the surrounding areas. In the Kansai area, supply of large-scale condominiums was brisk in central Osaka.

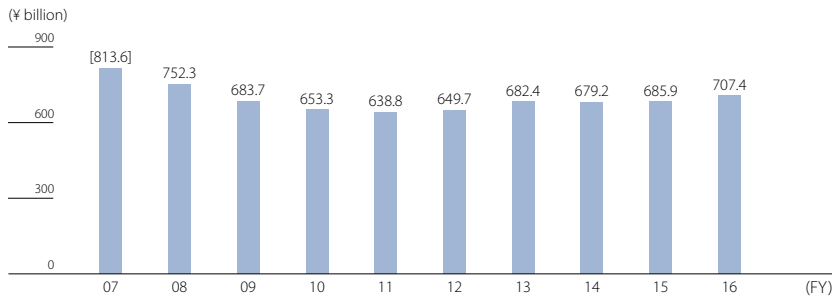
In 2015, average condominium prices reached the highest level seen in the past decade in both the Tokyo metropolitan area and the Kansai area. This rise was fuelled by higher land prices as well as a spike in the cost of building materials and labour and other construction costs.

The deceleration of the yen depreciation trend seen in the latter half of fiscal 2015 and the sluggish growth of the Chinese economy resulted in a year-on-year decrease of approximately 10% in international air cargo originating in Japan. Nevertheless, transportation demand is expected to increase centred on Asian markets over the medium term amidst ongoing economic growth in these markets.

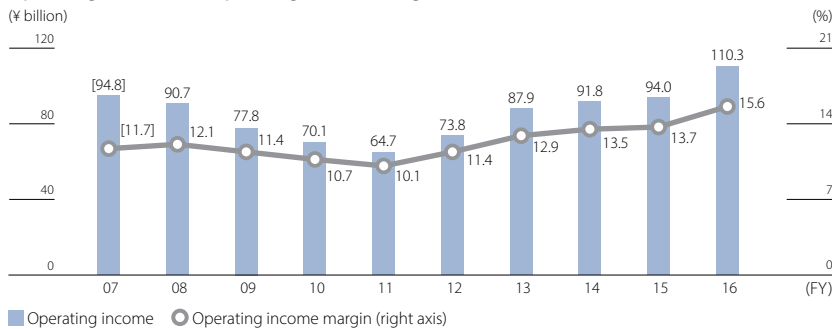
In 2015, the number of overseas visitors to Japan exceeded 19.7 million, surpassing the number of outbound travellers from Japan for the first time since 1970, more than 45 years ago. In the midst of this increase, in March 2016 the Japanese government announced its goal of increasing the annual number of overseas visitors to Japan to 40.0 million by 2020, which means effectively doubling the current target. In this manner, the tourism industry is becoming ever more important to economic policy.

Key Financial Indicators (Graphs)

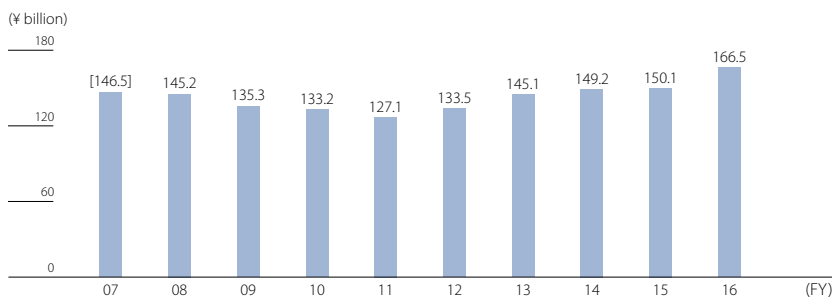
Revenues from operations



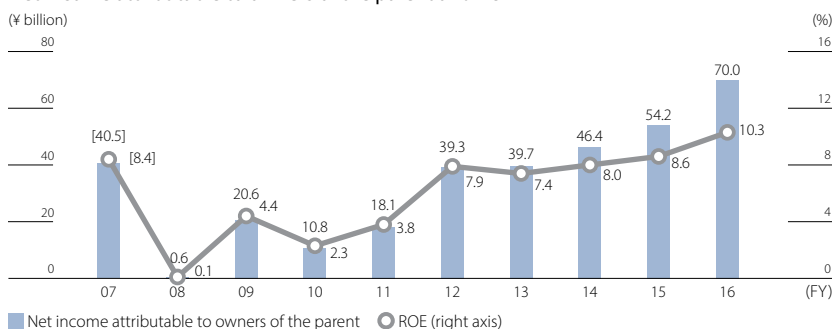
Operating income and operating income margin



EBITDA



Net income attributable to owners of the parent and ROE



Note: From the second quarter of fiscal 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 [] are calculated assuming the management integration was executed at the beginning of the fiscal year.

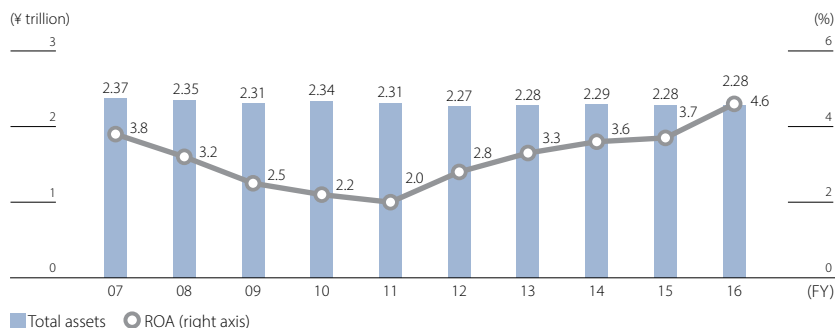
In fiscal 2016, revenues from operations increased 3.1%, or ¥21.5 billion, year on year, to ¥707.4 billion. This increase was due in part to strong performance in the Urban Transportation Business, particularly with regard to the Hankyu and Hanshin lines in railway operations, driven by a rise in the number of overseas visitors to Japan. This rise in overseas visitors also contributed to higher hotel occupancy rates and daily rates in the Hotels Business. In addition, one-time revenue from sales of land for facilities in the Real Estate Business was recorded.

Operating income was up 17.3%, or ¥16.3 billion, year on year, to ¥110.3 billion, setting a new record for the third consecutive year primarily as a result of the aforementioned increase in revenues from operations. This increase offset decreases in income in the International Transportation Business, due to the deceleration of the Chinese economy and sluggish domestic logistics demand, as well as in the Travel Business, due to difficulty attracting customers as a result of international security concerns.

Operating income rose 17.3%, or ¥16.3 billion, year on year, to ¥110.3 billion; depreciation and amortisation increased 1.0%, or ¥0.6 billion, to ¥53.7 billion; and amortisation of goodwill declined 13.7%, to ¥2.5 billion. As a result, EBITDA reached a new record high of ¥166.5 billion.

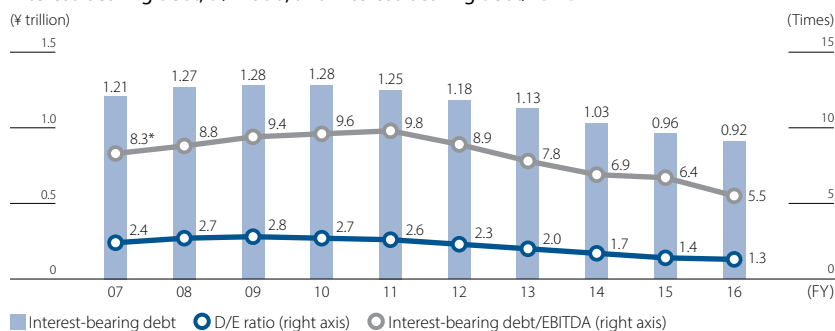
Total income taxes were up from fiscal 2015, but higher income before income taxes caused net income attributable to owners of the parent to increase 29.1%, or ¥15.8 billion, year on year, breaking the previous record for the fifth consecutive year. As a result, ROE increased 1.7 percentage points, to 10.3%, exceeding 10% for the first time since the Company's founding.

Total assets and ROA



Total assets rose ¥2.5 billion, from the previous fiscal year-end, to ¥2,282.1 billion, due to an increase in land and buildings. ROA edged up 0.9 percentage point, to 4.6%, reflecting our fourth consecutive year of record-breaking ordinary income.

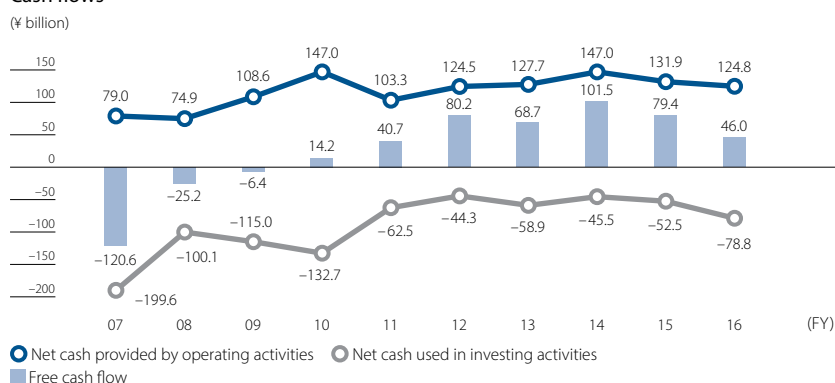
Interest-bearing debt, D/E ratio, and interest-bearing debt/EBITDA



*The figure has been calculated using EBITDA, which has been calculated based on the assumption that management integration was executed at the beginning of the fiscal year.

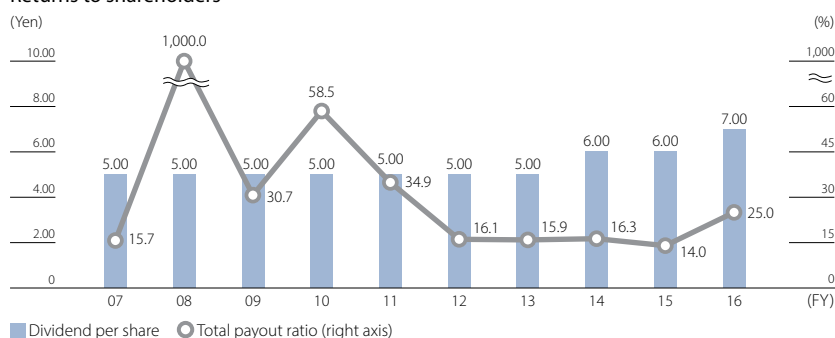
The outstanding balance of interest-bearing debt was down 4.1%, or ¥39.3 billion, from the previous fiscal year-end, to ¥916.6 billion. Consequently, the D/E ratio decreased to 1.3 times. Also, the interest-bearing debt/EBITDA ratio declined to 5.5 times, falling below 6 times for the first time since the Company's founding. We will continue to improve our financial position in order to hedge risks of future interest increases and secure funding capacity over the medium-to-long term.

Cash flows



Net cash provided by operating activities was ¥124.8 billion, reflecting income before income taxes, depreciation and amortisation, and income taxes paid. Net cash used in investing activities was ¥78.8 billion due to purchases of noncurrent assets. Net cash used in financing activities was ¥47.3 billion as a result of a net decrease in short-term borrowings.

Returns to shareholders



Notes: The total payout ratio for fiscal 2016 includes purchase of treasury stock (amounting to ¥8.7 billion).

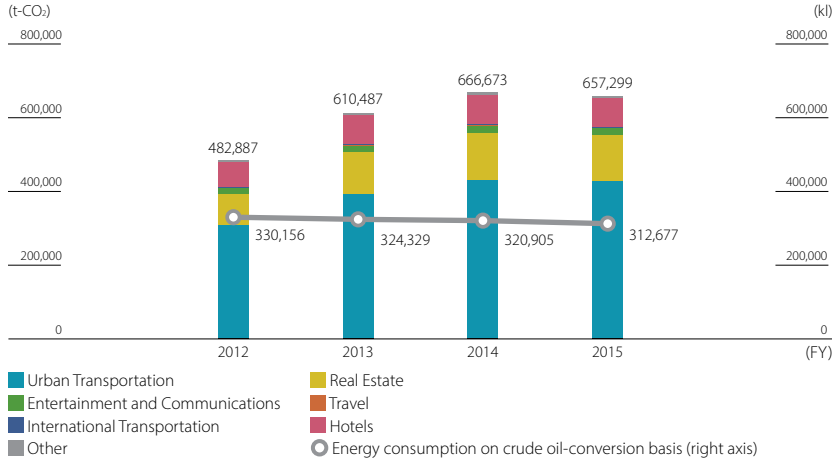
The Company conducted a 1-for-5 reverse stock split with an effective date of 1st August 2016. The figures for dividend per share above are prior to the reverse stock split.

Based on the move to a new management stage in pursuit of medium-to-long-term growth and the progress of financial position improvements, dividend payments from profits in fiscal 2016 were raised ¥1 per share, to ¥7 per share. In addition, the Company conducted treasury stock purchases in fiscal 2016 after setting a target of 25% for the total payout ratio, which represents the combined total of purchases of treasury stock and the total annual dividend as a percentage of net income attributable to owners of the parent.

ESG Highlights

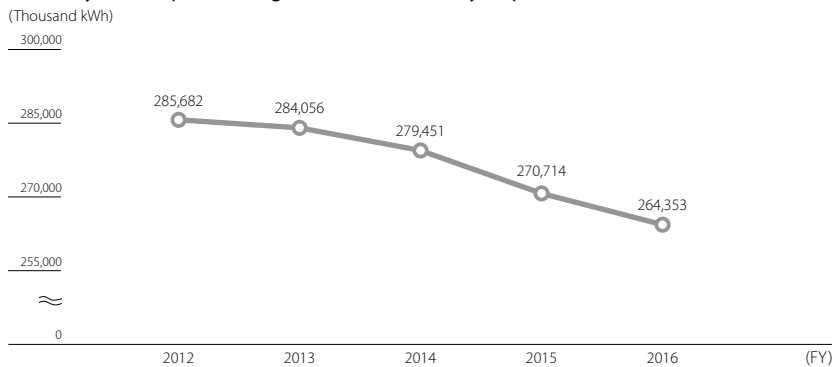
Environment

CO₂ emissions volumes and energy consumption on crude oil-conversion basis



In fiscal 2015, we pursued reductions in CO₂ emissions in the six business segments, and overall emissions were down 1.4% year on year, to 657,299 t-CO₂, as a result. Approximately 65% of CO₂ emissions can be attributed to the Urban Transportation Business. We strove to cut back on energy consumption in this business by introducing new rolling stock and switching to light-emitting diode (LED) lighting in stations. Groupwide efforts to lower environmental impacts and energy costs have led to a gradual decrease in energy consumption that has continued for four consecutive years. While CO₂ emissions jumped in fiscal 2013, this rise was a result of an increase in the portion of electricity supplied from thermal power generation after the halt in operations of nuclear power plants following the March 2011 Great East Japan Earthquake.

Electricity consumption during summer months (July–September)

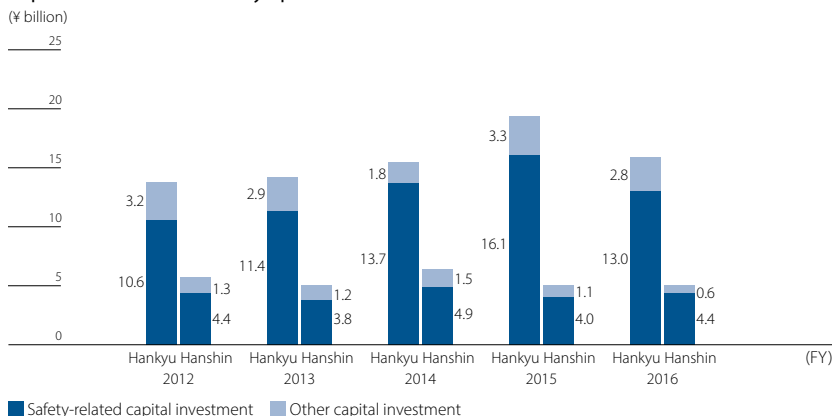


Note: Figures above are for Hankyu Hanshin Holdings, Inc., and its domestic consolidated subsidiaries, but exclude certain business sites for which electricity consumption is difficult to track.

After the March 2011 Great East Japan Earthquake, the Japanese government issued a request that companies conserve electricity in order to help alleviate the tight balance between supply and demand for electricity. In response to the request, the Group has been endeavouring to decrease its electricity consumption over the peak usage months from July to September. As a result, total electricity consumption from July to September 2015 was 264,353,000 kWh, down 15% from the equivalent period in 2010. We are also committed to fulfilling our obligation to work toward an average annual reduction of more than 1% over the medium-to-long term in unit energy consumption or unit energy consumption after adjustment for usage fluctuations as set forth by the Japanese government. The Urban Transportation Business has been implementing ongoing measures to reduce unit energy consumption accordingly. Due to these measures, the average annual reduction in unit energy consumption over the five-year period from fiscal 2011 to fiscal 2015 was 1.6% for Hankyu Corporation and 1.3% for Hanshin Electric Railway.

Social

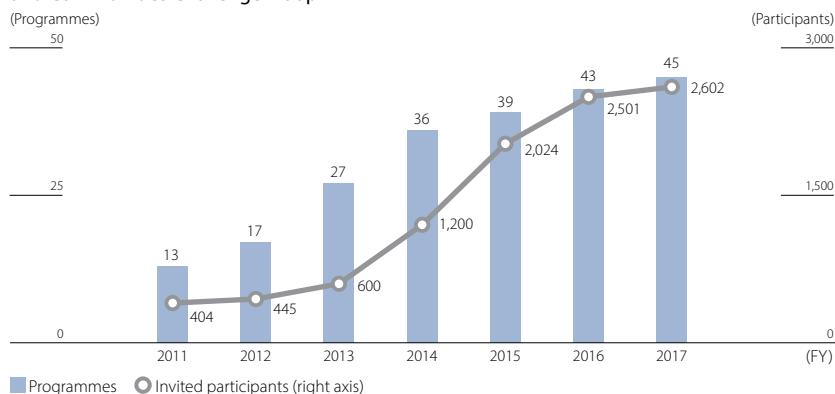
Capital investment in railway operations



Note: The total length of lines operated is 143.6 km for Hankyu Corporation and 48.9 km for Hanshin Electric Railway.

As a railway operator, the Group provides a form of public infrastructure. We therefore make prioritizing the safety of our customers a fundamental policy of management, and conduct ongoing safety-related capital investments in our railway operations accordingly. In fiscal 2016, such investments totalled ¥13.0 billion at Hankyu Corporation and ¥4.4 billion at Hanshin Electric Railway. These investments were primarily used to conduct station upgrades, including track elevation, seismic reinforcement of elevated tracks, expansion of platforms, and measures for making stations barrier-free. At Hankyu Corporation, emergency stop buttons were installed at all stations that can be pressed to automatically stop trains as a safety measure for use if a customer falls on the tracks.

Number of programmes and participants of the Hankyu Hanshin Dreams and Communities Challenge Troop



As part of Hankyu Hanshin Dreams and Communities of the Future Project social contribution activity, we hold experience-based learning programmes for primary school students during summer vacation. These programmes take advantage of the unique business expertise of Group companies to provide students with a diverse range of learning opportunities. Since we began the initiative in 2010, we have invited 9,776 students to participate in programmes from an aggregate total of roughly 70,000 applications. Moreover, a survey conducted by the Company in September 2015 found that 46% of customers using the Hankyu or Hanshin lines more than four days a week were aware of the Hankyu Hanshin Dreams and Communities of the Future Project.* This survey also discovered that those customers who are aware of the programme held highly positive opinions of the Group and were inclined to live alongside our lines.

* The survey was conducted among a random sampling of 1,000 customers of both genders that were between the ages of 18 and 69 and living in the 23 towns and cities in the Kyoto, Osaka, and Kobe area.

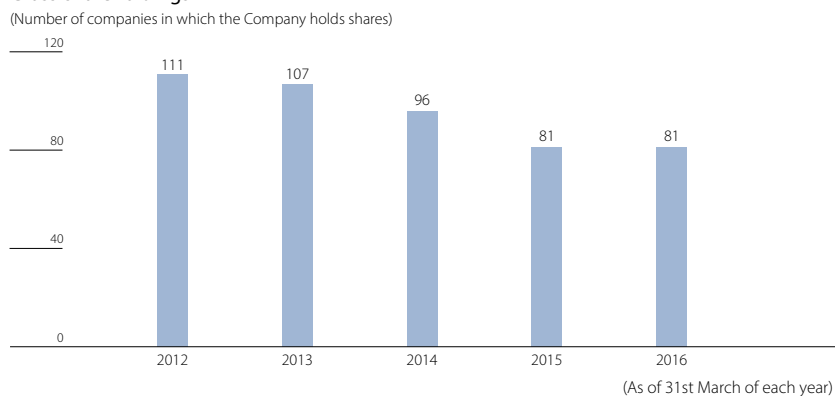
Governance

Membership of the Board of Directors



The Board of Directors of the Company is comprised of directors with operational execution responsibilities that are well-versed on the Group's business as well as part-time directors that represent major Group companies in order to reflect the perspectives of the six core businesses into management. In addition, part-time directors have been appointed from H:O Retailing Corporation and Toho Co., Ltd., with the aim of strengthening coordination with other companies in the Hankyu Hanshin Toho Group. Further, two external directors that are independent of the Company and have abundant experience and expertise in corporate management have been selected to raise the standard of decision making and strengthen oversight functions for Group management.

Cross-shareholdings



The Company acquires and holds shares of stock for the purposes of strengthening business relationships and increasing coordination with partner companies as well as maintaining relationships with local communities. The ultimate goal of these holdings is to build trust with our various stakeholders and improve corporate value from a medium-to-long-term perspective. We are progressively selling holdings that are no longer meaningful. On 31st March 2016, the Company held stocks in 81 companies for such purposes. On a market value basis, these stocks were worth approximately ¥38.0 billion and accounted for 1.7% of total assets.

Core Business Highlights

Main Business Lines

Urban Transportation

P. 40



Railway operations:

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

Automobile business (bus, taxi):

Hankyu Bus, Hanshin Bus, Hankyu Kanko Bus, Osaka Airport Transport, Hankyu Denen Bus, Hankyu Taxi, Hanshin Taxi

Retailing business:

Hankyu Corporation, Eki Retail Service Hankyu Hanshin, Hankyu Style Labels

Advertising business:

Hankyu Corporation, Hankyu Advertising Agency

Real Estate

P. 44



Real estate leasing business:

Extensive property holdings, mainly in the Umeda area and along the Hankyu and Hanshin lines (For details of major properties, please see page 108.)

Major companies: Hankyu Corporation, Hanshin Electric Railway, Hankyu Realty

Real estate sales and other business:

We market condominiums, residential land lots, and detached houses, mainly alongside the Hankyu and Hanshin lines in the Kansai area. In recent years we have also focused on the Tokyo metropolitan area. We are engaged in property management, building maintenance, and other building operation and management services, as well as real estate fund management, including private placement funds, and J-REIT businesses.

Major companies: Hankyu Corporation, Hanshin Electric Railway, Hankyu Realty, Hankyu Hanshin Building Management, Hankyu Investment Partners, Hankyu REIT Asset Management

Entertainment and Communications

P. 48



©Takarazuka Revue Company

Sports business:

Professional baseball business (the Hanshin Tigers) and management and operation of Hanshin Koshien Stadium, and related businesses; music business (Billboard Live)

Stage business:

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

Communication and media business:

Information services business, broadcast and communications business

Leisure business:

Management of Mt. Rokko business

Travel

P. 50



Travel business:

Hankyu Travel International, Hankyu Hanshin Business Travel, Hankyu Travel Support

International Transportation

P. 52



International transportation business:

Hankyu Hanshin Express, Hankyu Hanshin Logipartners, 25 overseas subsidiaries of Hankyu Hanshin Express

Hotels

P. 54

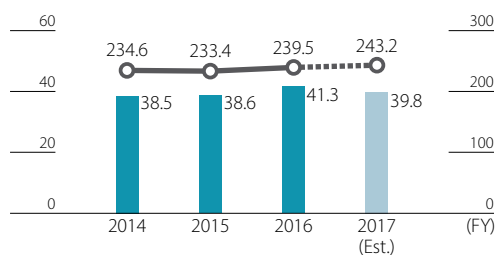


Principal directly operated hotels:

Hotel Hankyu International
Hotel new Hankyu Osaka
Dai-ichi Hotel Tokyo
The Ritz-Carlton, Osaka*

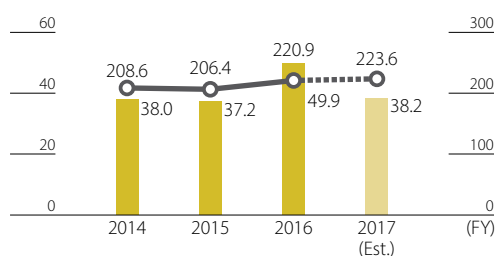
*The Ritz-Carlton, Osaka is operated by the Ritz-Carlton hotel chain under the management of Hanshin Hotel Systems.

Revenues from Operations (¥ billion) (right axis) and Operating Income (¥ billion)



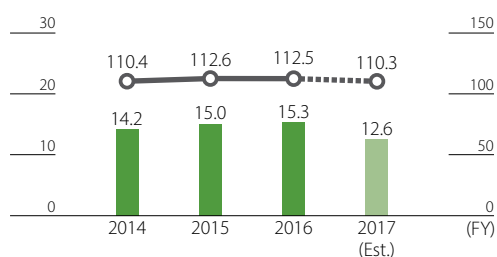
Market Conditions

In the Kansai area, the population has been declining in recent years as society ages. The decrease is particularly pronounced in the group aged between 15 and 64. Consequently, the Urban Transportation Business faces challenging business conditions. Areas served by the Group's railway lines, however, are comparatively popular. As a result, in these areas the population has been trending upward since bottoming in 1996, the year after the Great Hanshin Earthquake.

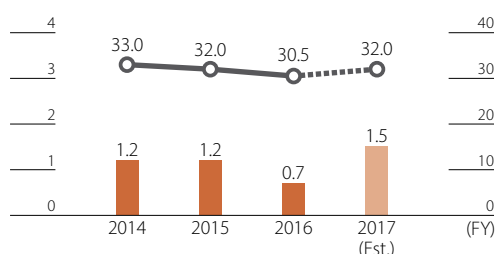


In the Umeda area, the market for rentable office space is seeing vacancy rates trend toward gradual improvement due to the end of a growth period in the supply of new office floor space and a steady trend toward small and medium-sized tenants relocating to larger premises or seeking additional floor space in existing buildings.

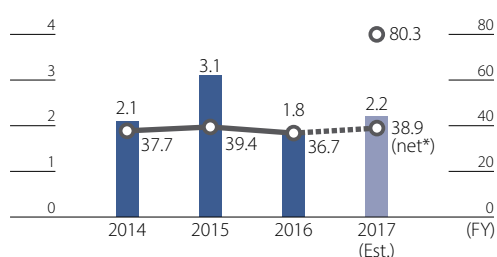
As for conditions in the housing market, sales have been steady in the Tokyo metropolitan area and the Kansai area because lower interest rates for home loans are counteracting an upward trend in sales prices stemming from land acquisition costs and construction costs that are rising and remaining high. As a result, the sales inventory is at a low level.



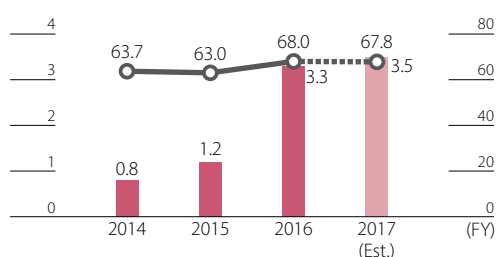
According to the Ministry of Internal Affairs and Communications Statistics Bureau's Family Income and Expenditure Survey, consumption expenditure of total households in 2015 decreased 2.7% year on year. Further, recreational service expenditure of total households declined 4.0% year on year, down for the second consecutive year. Nonetheless, the Hanshin Tigers and Takarazuka Revue continue to enjoy strong customer-drawing power.



External factors, including economic trends, currency fluctuations, social conditions, and earthquakes and other natural disasters, affect the business conditions of the Travel Business. Currently, the number of Japanese overseas travellers is stagnant due to uncertainty over the international situation. Meanwhile, the number of overseas visitors to Japan has been rising steadily over the past three years, and demand from overseas visitors promises to continue growing.



Although air freight exports have been declining in recent years due to the transfer of manufacturing overseas, worldwide logistics demand promises to grow steadily centred on Asia. Further, as the manufacturing industry and other industries globalise their business activities, supply chains extending from raw material procurement through to the delivery of products to consumers are becoming more complex, which is heightening demand for forwarders able to provide comprehensive solutions.



According to the "White Paper on Leisure 2016," hotel revenues rose 6.9% year on year and reached a new record thanks to three consecutive years of growth. The main driver of this growth has been a surge in the number of overseas visitors to Japan. In 2016, the rate of increase in the number of overseas visitors to Japan surpassed that of the previous year, and the overseas visitors market is likely to expand further. The rapid increase in overseas visitors and a shortage of accommodation for the Tokyo 2020 Olympic and Paralympic Games has led to stepped-up building of new hotels and renovation of existing hotels.

* As of fiscal 2017, revenues from operations will be presented on a gross basis rather than a net basis (total transactions net of freight costs).

Major Rental Properties / Major Sales Properties

Major rental properties

Property name	Location	Completed	Leasable area ¹ (1,000 m ²)	Use
Umeda Hankyu Bldg.	Kita-ku, Osaka	2012	213	Department stores (Hankyu Department Store), Offices
Umeda Hanshin Daiichi Bldg. (HERBIS OSAKA)	Kita-ku, Osaka	1997	82	Hotels (The Ritz-Carlton, Osaka), Offices, Commercial facilities, Multifunctional convention hall
Umeda Hanshin Daini Bldg. (HERBIS ENT)	Kita-ku, Osaka	2004	55	Offices, Commercial facilities, Theatre (Osaka Shiki Theatre)
Hankyu Chayamachi Bldg. (Applause Tower)	Kita-ku, Osaka	1992	52	Hotel (Hotel Hankyu International), Offices, Commercial facilities
Hankyu Sanban Gai Shopping Centre	Kita-ku, Osaka	1969	41	Commercial facilities
Hankyu Grand Bldg.	Kita-ku, Osaka	1977	36	Offices, Commercial facilities
GRAND FRONT OSAKA	Kita-ku, Osaka	2013	28	Offices, Commercial facilities, Knowledge Capital, Hotel (InterContinental Hotel Osaka)
Hankyu Terminal Bldg.	Kita-ku, Osaka	1972	27	Offices, Commercial facilities
Hankyu Five Bldg. (HEP FIVE)	Kita-ku, Osaka	1998	20	Commercial facilities
Navio Hankyu (HEP NAVIO)	Kita-ku, Osaka	1980	16	Commercial facilities
Kita Hankyu Bldg.	Kita-ku, Osaka	1971	13	Offices, Commercial facilities
NU chayamachi	Kita-ku, Osaka	2005	12	Commercial facilities
Noda Hanshin Bldg. (WISTE)	Fukushima-ku, Osaka	1992	32	Commercial facilities, Offices
Shin-Osaka Hankyu Bldg.	Yodogawa-ku, Osaka	2012	24	Offices, Hotel (REMM Shin-Osaka), Commercial facilities
Hankyu Nishinomiya Gardens	Nishinomiya, Hyogo	2008	108	Commercial facilities, Department stores (Hankyu Department Store)
Hankyu Kawaramachi Bldg.	Shimogyo-ku, Kyoto	1974	38	Department stores (Takashimaya)

1. Leasable area does not include areas for public use.

Major properties sold in fiscal 2016²

Property name	Location	Total number of units
Condominium		
Geo Senri Chuo ³	Toyonaka, Osaka	514 ⁴
Geo Hankyu Rakusaiguchi North Residence	Muko, Kyoto	231
Geo Seishin Chuo	Nishi-ku, Kobe	205
Geo-Tower Minamihorie	Nishi-ku, Osaka	203 ⁴
Geo Hankyu Rakusaiguchi South Residence ³	Muko, Kyoto	161
Geo Minami Kusatsu Front Stage	Kusatsu, Shiga	48
Geo Nishinomiya Kitaguchi Hinokuchi-cho	Nishinomiya, Hyogo	36
Geo Kobe Yamamoto-dori	Kobe, Hyogo	36
Geo Nishinomiya Kitaguchi Crowns	Nishinomiya, Hyogo	20
Tomihisa Cross Comfort Tower ³	Shinjuku, Tokyo	1,093 ⁴
Le Fond Solei Funabashi Utsukushi Gakuen ³	Funabashi, Chiba	186
Geo Todoroki	Setagaya, Tokyo	69
Geo Shin-Koiwa	Edogawa, Tokyo	38
Geo Akasaka Tango-cho	Minato, Tokyo	23
Detached house		
Osaka Nakajima Koen Toshi Hapia Garden	Nishi-Yodogawa-ku, Osaka	254
Hapia Garden Neyagawa-shi	Neyagawa, Osaka	62
Hapia Garden Tarumi Kasumigaoka	Tarumi-ku, Kobe	10
Hapia Garden Yokohama Yamate	Naka-ku, Yokohama	14
Hapia Garden Sakuradai 3-chome	Nerima, Tokyo	12
Hapia Garden Suginami Horinouchi	Suginami, Tokyo	11

2. Ordered by highest total number of condominium units first, with Kansai area and Tokyo metropolitan area categorised separately

3. Joint-venture properties

4. Including unsold condominium units

Major properties planned to be sold in fiscal 2017²

Property name	Location	Total number of units
Condominium		
Geo Takatsuki Muse Resis	Takatsuki, Osaka	244
G-Clef Geo Kobe Motoyama ³	Higashinada-ku, Kobe	256
Geo Senri Chuo The Residence	Toyonaka, Osaka	218
Brod Takatsuki	Takatsuki, Osaka	51
Geo Kyoto Saga Arashiyama	Ukyo-ku, Kyoto	32
Geo Kyoto Arashiyama	Nisikyoku-ku, Kyoto	25
Geo Sumiyoshi Honmachi	Higashinada-ku, Kobe	22 ⁴
Geo Grande Okamoto 1-chome	Higashinada-ku, Kobe	17 ⁴
Geo Tama Center	Tama, Tokyo	300
Geo Chigasaki ³	Chigasaki, Kanagawa	136
Geo Tsudanuma	Narashino, Chiba	84
Geo Kyodo	Setagaya, Tokyo	78
Geo Gyoen Naitomachi	Shinjuku, Tokyo	63
Detached house		
Hankyu Saito Garden Front Saito Mino-o Residence	Minoh, Osaka	48
Hapia Garden Mino-o Onohara	Minoh, Osaka	20
Hapia Garden Tsukaguchi Tomatsucho	Amagasaki, Hyogo	10
Grand Forum Soshigaya-Okura Hapia ³	Setagaya, Tokyo	27
Hapia Garden Shimo Shakujii	Nerima, Tokyo	13
Hapia Garden Oizumi Gakuencho	Nerima, Tokyo	8

Major Group Companies

(As of 31st March 2016)

Consolidated Subsidiaries

■ Urban Transportation

Main business	Name of company
Railway operations	Hankyu Corporation Hanshin Electric Railway Co., Ltd. Nosé Electric Railway Co., Ltd. Kita-Osaka Kyuko Railway Co., Ltd. Hokushin Kyuko Railway Co., Ltd. Kobe Rapid Transit Railway Co., Ltd. Hankyu Hanshin Railway Technology Co., Ltd. Hankyu Hanshin Electric System Co., Ltd.
Automobile	Hankyu Bus Co., Ltd. Hanshin Bus Co., Ltd. Hankyu Kanko Bus Co., Ltd. Osaka Airport Transport Co., Ltd. Hankyu Denen Bus Co., Ltd. Hankyu Taxi Inc. Hanshin Taxi Co., Ltd. Hankyu Hanshin Motor Technology Co., Ltd. Nippon Rent-A-Car Hankyu Inc.
Retailing	Hankyu Corporation Eki Retail Service Hankyu Hanshin Co., Ltd. Hankyu Style Labels Co., Ltd.
Advertising	Hankyu Corporation Hankyu Advertising Agency Inc.
Other	Alna Sharyo Co., Ltd.

■ Real Estate

Main business	Name of company
Real estate leasing	Hankyu Corporation Hanshin Electric Railway Co., Ltd. Hankyu Realty Co., Ltd. Osaka Diamond Chikagai Co., Ltd. Hanshin Real Estate Co., Ltd.
Real estate sales and other business	Hankyu Corporation Hanshin Electric Railway Co., Ltd. Hankyu Realty Co., Ltd. Hankyu Hanshin Building Management Co., Ltd. Hankyu Hanshin High Security Service Co., Ltd. Hankyu Hanshin Clean Service Co., Ltd. Hankyu REIT Asset Management, Inc.

■ Entertainment and Communications

Main business	Name of company
Sports	Hanshin Electric Railway Co., Ltd. Hanshin Tigers Baseball Club, Ltd. Hanshin Contents Link Corporation Wellness Hanshin Inc.
Stage	Hankyu Corporation Takarazuka Creative Arts Co., Ltd. Takarazuka Stage Co., Ltd. Umeda Arts Theater Co., Ltd.
Communication and media	Itec Hankyu Hanshin Co., Ltd. Bay Communications Inc. Himeji Cable Television Co., Ltd.
Leisure, etc.	Mt. Rokko Cable Car & Tourism Co.

■ Travel

Main business	Name of company
Travel agency	Hankyu Travel International Co., Ltd. Hankyu Hanshin Business Travel Co., Ltd. Hankyu Travel Support Co., Ltd.

■ International Transportation

Main business	Name of company
International transportation	Hankyu Hanshin Express Co., Ltd. Hankyu Hanshin Logipartners Co., Ltd. HHE (USA) Inc. HHE (Deutschland) GMBH HHE (HK) Limited HHE Southeast Asia Pte. Ltd.
	HHE: Hankyu Hanshin Express

■ Hotels

Main business	Name of company
Hotel management	Hankyu Hanshin Hotels Co., Ltd. Hanshin Hotel Systems Co., Ltd. Amanohashidate Hotel Co., Ltd. Arima View Hotel Co., Ltd. Hankyu Hanshin Restaurants Co., Ltd.

■ Other

Main business	Name of company
Construction	Hanshin Kensetsu Co., Ltd. Chuo Densetsu Co., Ltd.
Credit and point card	Hankyu Hanshin Card 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 ₂ O Retailing Corporation [Securities code: 8242]
Railway operations	Nishi-Osaka Railway Co., Ltd. Kobe Electric Railway Co., Ltd. [Securities code: 9046]
Real estate leasing	Tokyo Rakutenchi Co., Ltd. [Securities code: 8842]
Motion picture business	Toho Co., Ltd. [Securities code: 9602]
Commercial broadcasting	Kansai Telecasting Corporation

Group History

■ Hankyu Holdings, Inc.

- 1907 Founding of Mino-Arima Electric Railway Company (predecessor of Hankyu Corporation) by Ichizo Kobayashi
- 1910 Opening of Takarazuka Line (Umeda–Takarazuka) and Mino-o Line (Ishihashi–Mino-o)
- 1913 Formation of Takarazuka Girls' Revue (currently Takarazuka Revue Company)
- 1924 Completion of Takarazuka Grand Theatre
- 1929  Opening of Hankyu Department Store, Asia's first railway terminal department store
- 1948 Launch of services as Pan American Airways agent
- 1964 Opening of Hotel new Hankyu Osaka
- 1973 Opening of New Hankyu Umeda Station as one of the largest private railway terminals in Japan
Changing of company name from Keihanshin Kyuko Railway Company to Hankyu Corporation

1995 Considerable damage to transportation and business infrastructure of Hankyu and Hanshin due to Great Hanshin Earthquake

2005 Establishment of Hankyu Holdings, Inc.

■ Hanshin Electric Railway Co., Ltd.

- 1899 Founding of Settsu Electric Railway (renamed Hanshin Electric Railway Co., Ltd., in same year)
- 1905  Beginning of operations linking Kobe (Sannomiya) and outer Osaka (Deiribashi)
- 1924 Opening of Koshien Stadium (currently Hanshin Koshien Stadium)
- 1933 Opening of Hanshin Mart at Hanshin Umeda Station (currently Hanshin Department Store)
- 1935 Establishment of Osaka Baseball Club (Osaka Tigers, currently Hanshin Tigers)
- 1948 Launch of airline agency business
- 1985 Hanshin Tigers win Japan Series for first time

2006 Establishment of Hankyu Hanshin Holdings, Inc.

Establishment of Hankyu-Hanshin-Daiichi Hotel Group

2007 Announcement of Hankyu Hanshin Holdings Group 2007 Medium-Term Management Plan
Management integration of Hankyu and Hanshin department store businesses


2008  Opening of Hankyu Nishinomiya Gardens

2010   Completion of renovation of Hanshin Koshien Stadium, opening of Museum of Hanshin Koshien Stadium

Completion of Umeda Hankyu Building Office Tower

2012 Completion of Umeda Hankyu Building, full opening of Umeda Flagship Store of Umeda Department Store

2015 Announcement of the Hankyu Hanshin Holdings Group's Medium-Term Management Plan (Fiscal 2016–Fiscal 2019)

2016  Opening of the Group's first logistics centre in the ASEAN region in Indonesia



Investor Information

(As of 31st March 2016)

Hankyu Hanshin Holdings, Inc.

Head Office:

1-16-1, Shibata, Kita-ku, Osaka 530-0012, Japan
 Phone: +81-6-6373-5001
 (Group Planning Div., IR Office)
 Fax: +81-6-6373-5042

Tokyo Office (Personnel and General Affairs Div.):

Toho Twin Tower Bldg.,
 1-5-2, Yurakucho, Chiyoda-ku, Tokyo 100-0006, Japan
 Phone: +81-3-3503-1568
 Fax: +81-3-3508-0249

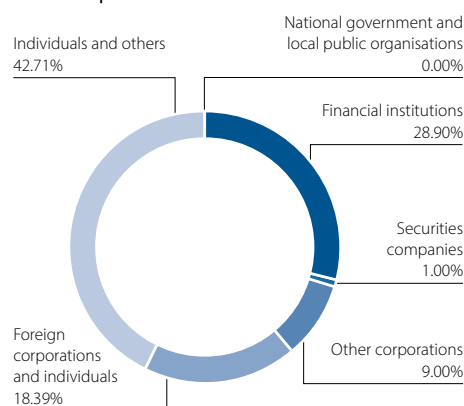
Paid-in Capital: ¥99,474 million
Fiscal Year-End: 31st March
Number of Employees: 21,607 (consolidated)
Authorised Shares: 3,200,000,000*
Issued Shares: 1,271,406,928*
Number of Shareholders: 77,664*
Unit of Trading: 1,000 shares*
Stock Exchange Listing: Tokyo
Transfer Agent: Mitsubishi UFJ Trust and Banking Corporation

Principal Shareholders:

Name	Number of shares (Thousands)*	Percentage (%)
Japan Trustee Services Bank, Ltd. (Trust account)	69,190	5.44
The Master Trust Bank of Japan, Ltd. (Trust account)	45,341	3.57
Nippon Life Insurance Company	29,023	2.28
Sumitomo Mitsui Banking Corporation	21,909	1.72
H:O Retailing Corporation	21,037	1.65
State Street Bank West Client-Treaty 505234 (Standing Proxy: Mizuho Bank, Ltd. Settlement & Clearing Services Division)	17,038	1.34
Japan Trustee Services Bank, Ltd. (Trust account 7)	16,906	1.33
Japan Trustee Services Bank, Ltd. (Trust account 6)	13,757	1.08
Japan Trustee Services Bank, Ltd. (Trust account 5)	13,752	1.08
Japan Trustee Services Bank, Ltd. (Trust account 1)	13,730	1.08

* The Company conducted a 1-for-5 reverse stock split and the change of trading unit from 1,000 shares to 100 shares with an effective date of 1st August 2016. The figures are prior to the reverse stock split and the change of trading unit.

Ownership Breakdown:



Stock Price Range and Trading Volume (Tokyo Stock Exchange):

