



## Fiscal 2017 Business Results

In fiscal 2017, the year ended 31st March 2017, although we achieved our earnings targets, revenues from operations, operating income, and ordinary income declined year on year. These declines resulted from the sale of land for facilities in the Real Estate Business in the previous fiscal year as well as the lower yen-equivalent value of revenues and earnings of overseas subsidiaries in the International Transportation Business, which accompanied exchange rate fluctuations. However, reflecting an

improvement in total extraordinary income net of total extraordinary loss, net income attributable to owners of the parent reached a record high for the sixth consecutive fiscal year. Further, despite steady investment for growth, we reduced interest-bearing debt to less than ¥900 billion ahead of the previous medium-term management plan's schedule, which envisaged achieving this by the end of fiscal 2019. As a result, the interest-bearing debt/EBITDA ratio was below 6 times for the second fiscal year in a row.

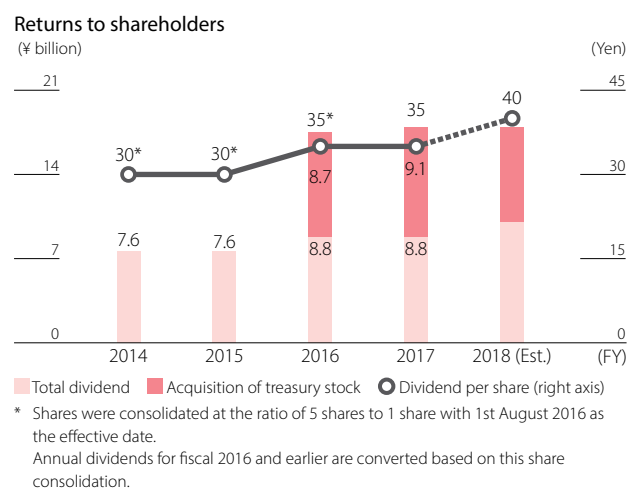
### Fiscal 2017 business results overview

	(Billions of yen)			
	FY2017 results	FY2016 results	YoY	
			Increase / Decrease	(%)
Revenues from operations	736.8	746.8	-10.0	-1.3
Operating income	104.1	110.3	-6.2	-5.7
Ordinary income	100.6	104.5	-3.9	-3.7
Net income attributable to owners of the parent	71.3	70.0	1.3	1.9
Interest-bearing debt	899.5	916.6	-17.0	-1.9
Interest-bearing debt/EBITDA ratio (Times)	5.6	5.5	0.1 pt	

## Returns to Shareholders

In fiscal 2017, in accordance with the Group's policy, annual dividend payments from profits were ¥35 per share, representing total annual dividend payments of approximately ¥8.8 billion. In addition, based on a target of 25% for the total payout ratio, total treasury stock purchases amounted to roughly ¥9.1 billion.

In light of stable performance trends recently and steady improvement in our financial position, we intend to enhance returns to shareholders even further. In fiscal 2018, the year ending 31st March 2018, we plan to increase annual dividend payments from profits from ¥35 per share to ¥40 per share and to raise our target total payout ratio from 25% to 30%.



## Corporate Governance

With a view to increasing the transparency of the Board of Directors, we increased the proportion of external directors by reducing the number of directors from 14 to nine while continuing to appoint two external directors. Meanwhile, we introduced an executive officer system to enhance the execution of duties. Further, external Audit & Supervisory Board members continue to account for three of our five Audit & Supervisory Board members.

As a result, five of the 14 directors and Audit & Supervisory Board members that attend meetings of the Board of Directors are external directors or external Audit & Supervisory Board members who are independent of the Company.

Also, given that we currently do not have senior advisors, we took the opportunity that this presents to abolish the senior advisor system, which was stipulated in the articles of incorporation.

Note: Billions of yen figures are rounded to one decimal place.

# Directors and Audit & Supervisory Board Members

(As of 13th June 2017)

## Directors



**Kazuo Sumi**  
Chairman and Representative Director,  
Group Chief Executive Officer

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



**Takehiro Sugiyama**  
President and Representative Director

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



**Masao Shin**  
Executive Vice President and Representative Director

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



**Takaoki Fujiwara**  
Representative Director

1975 Joined Hanshin Electric Railway  
2005 Director, Hanshin Electric Railway  
2007 Managing Director, Hanshin Electric Railway  
2011 President, Hanshin Electric Railway  
2011 Director, Hankyu Hanshin Holdings  
2015 Chairman, Hanshin Hotel Systems (Current position)  
2017 Chairman, Hanshin Electric Railway (Current position)  
2017 Director, Hankyu Hanshin Holdings (Current position)



**Noriyuki Inoue**  
Director (External\*)

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



**Shosuke Mori**  
Director (External\*)

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



**Yoshishige Shimatani**  
Director (Part-time)

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



**Naoya Araki**  
Director (Part-time)

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



**Yoshihiro Nakagawa**  
Director (Part-time)

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

## Audit &amp; Supervisory Board Members



**Masayoshi Ishibashi**  
Standing Audit & Supervisory Board Member

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



**Koichi Kobayashi**  
Standing Audit & Supervisory Board Member

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



**Haruo Sakaguchi**  
Audit & Supervisory Board Member (External\*2)

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



**Junzo Ishii**  
Audit & Supervisory Board Member (External\*2)

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



**Michiari Komiyama**  
Audit & Supervisory Board Member (External\*2)

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

\*1 Mr. Noriyuki Inoue and Mr. Shosuke Mori satisfy the qualifications of external directors as provided in Article 2, Paragraph 15 of the Corporate Law.

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

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

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

# A Message from an External Director

## From Management Integration to the Present Day

**I think the Group has done well to overcome a range of difficulties and realise a highly successful management integration.**

Since becoming an external director of the Hankyu Corporation in 2003, I have seen many different phases of business management, including the management integration of Hankyu Holdings and Hanshin Electric Railway.

At the time of my appointment, Hankyu Corporation and the Group it subsequently became part of were in a phase of balanced contraction. Consequently, many of the agenda items submitted to meetings of the Board of Directors concerned business reorganisation or disposal of the Group's negative legacy. However, this process was essential to ensure the Group's sustainability and growth potential. In my view, correct decisions that the management team made in this period to dispose of nonperforming assets and withdraw from unprofitable businesses enabled the current recovery in performance.

In addition, the 2006 management integration became a major driver of the significant advances that the Group subsequently made. Since management integration, both companies have respected each other's values while increasing integration and heightening employees' sense of belonging to the Group. Further, the management team reorganised similar businesses to build a structure that shared

strengths while reinforcing areas of weaknesses. At the same time, the Group steadily advanced large-scale projects, which have become an important part of the Group's earnings foundations. Thanks to the cumulative effect of the above efforts, business results have seen a V-shaped turnaround over the past several years. Moreover, the Group has paved the way for improvement of its financial position, which was an issue. As a result, returns to shareholders have been rising steadily, and shareholders' evaluation of the Group has become increasingly positive. Thinking back to the time of the Group's inception, I believe the decision to pursue management integration was bold and far-sighted.

Recently, agenda items related to business expansion in the Tokyo metropolitan area and overseas forays are more prevalent at meetings of the Board of Directors. This change in topics underscores business management's entry into a new phase and suggests further growth going forward.

## Current Corporate Governance

**The Group is seeking approaches to corporate governance that will continuously enhance corporate value.**

In 2016, the Group established the Corporate Governance Committee, which comprises the president and representative director, external directors, standing Audit & Supervisory Board members, and external Audit & Supervisory Board members. In addition to providing consultation in relation to the appointment and compensation of executives, the committee enables external directors to coordinate and share information. Further, the Group's steady bolstering of corporate governance to make it more visible to outsiders is commendable. As part of these efforts, in 2017 the Group reduced the number of directors to increase the ratio of external directors to directors and abolished its senior advisor system.

However, companies cannot achieve truly effective corporate governance just by satisfying formal requirements. Therefore, I believe that it is important for companies to establish their own unique approaches to governance that will contribute to continuous enhancement of corporate value. For example, Hankyu Hanshin Holdings, Inc., is a pure holding company, which means that, in

principle, Group companies under the management of the Company are responsible for operational implementation, while the Company monitors and supervises the Group as a whole. In this way, oversight and execution are separated. The above system enables prompt, appropriate operational implementation, and as such I think it is effective for the Group, which encompasses a wide variety of businesses. Meanwhile, the Group's Board of Directors receives the information about businesses that it needs, enabling it to reach important management decisions without impediment.

As an external director, naturally I perform monitoring and oversight functions. I think another important role entails using my expertise to help raise the level of the Group's business management. I intend to fulfill this role by encouraging decision making that enhances corporate value.

**I will reflect the viewpoints of stakeholders, particularly those of shareholders, in conducting monitoring and supervising of business management. At the same time, by making proposals based on my corporate management experience, I intend to support the Group as it takes on challenges to sustain growth.**

Noriyuki Inoue

External Director



### Toward Realisation of the Long-Term Vision

**I will support the Group as it takes on challenges to sustain growth.**

Since its establishment, the Hankyu Hanshin Holdings Group has built a firm position based on the business model established by Hankyu Corporation's founder, Ichizo Kobayashi. Specifically, the Group is centred on the Urban Transportation Business, develops real estate in Umeda and line-side areas, and heightens the value of line-side areas and brand power through the leisure business, the Hotels Business, and other operations. Looking ahead, however, there is no doubt that society will become increasingly aged. This means that the Group's existing business model, premised on population growth, is at a crossroads. Against this backdrop, I think that the management team's decisions based on the Long-Term Management Vision for 2025 are appropriate. In other words, I endorse the Group's efforts to enhance the stability of earnings foundations and heighten the value of line-side areas while developing businesses in the Tokyo metropolitan area and overseas with a view to the future.

The Group's entry into new business fields is of course accompanied by corresponding amounts of risk. Conversely, without risk there are no opportunities. Also, risk has the added benefit of increasing companies' resilience. In addition, given the dizzying speed of change in business conditions that technological innovation has spurred in recent years, there is no guarantee that approaches that have succeeded in the past will continue to do so. Companies whose decisions are not timely can lose growth opportunities. Therefore, I feel that the ability to objectively weigh the significance and profit potential of projects against their attendant risks and arrive at bold decisions promptly will be more important than ever in business management going forward. As an external director, I also want to incorporate this sense of urgency and support the Group as it takes on challenges to sustain growth.

If I may digress slightly, at Daikin Industries, Ltd., where I serve as chairman, we believe that the potential of each person is limitless and that companies only prosper when individual employees grow. Accordingly, we have pursued employee-oriented business management. Our overseas sales have grown significantly and now account for 75% of net sales. I think we have achieved this because in countries worldwide we have proactively developed and utilised personnel, and their realisation of diverse capabilities has benefited the company. At present, the Hankyu Hanshin Holdings Group has moved into a phase of actively pursuing overseas development. Therefore, its development and promotion of critical personnel has just begun. With this in mind, I expect that there will be opportunities for me to offer advice about personnel and other matters based on my experience.

The slogan of the recently announced long-term vision is "enhancing line-side areas and expanding fields," which I think clearly states the direction in which the Group is traveling. The Group will take maximum advantage of the collective strength and brand power it has accumulated through diverse businesses to rigorously pursue its eternal mission of enhancing the value of line-side areas. In addition, the Group will discover new geographical areas and business fields for its activities. Each employee should be made fully aware that these are the two overriding strategies through which the Group aims to sustain growth. I am confident that all employees will drive the Group toward realisation of the long-term vision by leveraging their collective strength and demonstrating commitment to and pride in the Group's future.

# Management Organisation

## Corporate Governance

xx Figures in boxes correspond to the principles of Japan's Corporate Governance Code.

### Basic Approach to Corporate Governance

Principles 2-1 2-2 3-1

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

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

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

### Corporate Governance System

Principles 4-1 4-10

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

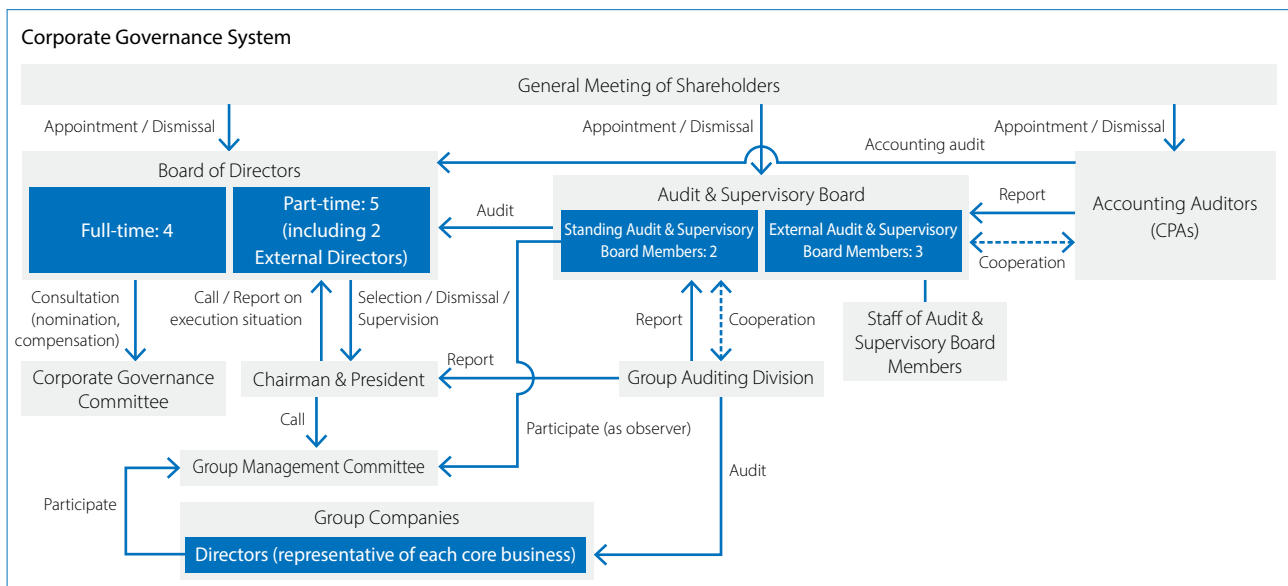
Through this system, the Company realises supervision and oversight and enhances the overall governance of the Group by:

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

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

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

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



System reflecting the business management viewpoints of operating companies in the holding Company's governance

Hankyu Hanshin Holdings			Core companies		
	Name	Position	Name of company	Position	
Board of Directors	Kazuo Sumi	Chairman and Representative Director, Group CEO	Hankyu Corporation	Chairman	
	Takehiro Sugiyama	President and Representative Director	Hankyu Hanshin Hotels	Director (Part-time)	
	Masao Shin	Executive Vice President and Representative Director	Hankyu Corporation	President	
	Takaoki Fujiwara	Representative Director	Hanshin Electric Railway	Director (Part-time)	
	Noriyuki Inoue	Director (External)	Hankyu Travel International	Director (Part-time)	
	Shosuke Mori	Director (External)	Hankyu Hanshin Express	Director (Part-time)	
	Yoshishige Shimatani	Director (Part-time)	Hankyu Corporation	Director (Part-time)	
	Naoya Araki	Director (Part-time)	Hanshin Electric Railway	President	
	Yoshihiro Nakagawa	Director (Part-time)	Hanshin Electric Railway	Chairman	
Audit & Supervisory Board	Masayoshi Ishibashi	Standing Audit & Supervisory Board Member	Hankyu Hanshin Hotels	Chairman	
	Koichi Kobayashi	Standing Audit & Supervisory Board Member	Hanshin Electric Railway	Standing Audit & Supervisory Board Member	
	Haruo Sakaguchi	Audit & Supervisory Board Member (External)	Hankyu Corporation	Standing Audit & Supervisory Board Member	
	Junzo Ishii	Audit & Supervisory Board Member (External)	Hankyu Corporation	Audit & Supervisory Board Member	
	Michiari Komiyama	Audit & Supervisory Board Member (External)	Hankyu Hanshin Hotels	Audit & Supervisory Board Member	
			Hanshin Electric Railway	Audit & Supervisory Board Member	
			Hankyu Corporation	Audit & Supervisory Board Member	

## Management Organisation

### (1) Board of Directors and Directors

Principles [4-1](#) [4-2](#) [4-6](#) [4-11](#)

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

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

Notes:

- Number of members of the Board of Directors  
The articles of incorporation of the Company stipulate that the number of members of the Company's Board of Directors shall be three or more.
- Requirements for the election of directors  
The articles of incorporation of the Company stipulate that the approval of resolutions for the election of directors shall require the attendance of shareholders that have at least one-third of the voting rights of shareholders for which voting rights can be exercised and shall require a majority of these voting rights. Further, the articles of incorporation stipulate that such resolutions shall not be approved through cumulative voting.

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

Principle [4-4](#)

The Company has adopted the Audit & Supervisory Board system to ensure adequate management oversight. We have five Audit & Supervisory Board members, who monitor the business operations and financial position of the Company and its subsidiaries, and audit the performance of duties by the directors. Three of the five Audit & Supervisory Board members are external, to provide an independent viewpoint and ensure a high degree of professionalism in Group auditing. In this way, we are working to further ensure sound decision making in the conduct of operations. We provide full backup to Audit & Supervisory Board members, for example by involving them in the Group Management Committee and other meetings within the Group. The Audit & Supervisory Board meets once a month, in principle, to discuss and pass resolutions on important matters.

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

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



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

#### Principles 4-7 4-9

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

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

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

#### Independence Criteria

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

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

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

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

#### 6. Executing persons of the Hankyu Hanshin Toho Group

\*1. Executing persons refers to executive directors, executive officers, corporate officers, managers, and other employees.

\*2. Major business partners refers to entities belonging to any of the following categories.

- (1) Entities that in their most recent fiscal year have received payments equivalent to 2% or more of total annual consolidated sales from the Company or its core companies (Hankyu Corporation, Hanshin Electric Railway, Hankyu Travel International, Hankyu Hanshin Express, and Hankyu Hanshin Hotels)
- (2) Entities that in the Company's most recent fiscal year have made payments to the Company or its core companies equivalent to 2% or more of total annual consolidated sales
- (3) Regardless of (1) and (2) above, entities that, in relation to financial institutions from which the Company borrows funds, are indispensable in fund-raising of the Company and upon which it is reliant to the extent that there are no substitutes for the said entities

\*3. Significant amounts of money or property refers to money or property equivalent to an average of ¥10 million or more per year over the previous three fiscal years.

\*4. \*Persons who have recently belonged to any of the categories (a) through (d) below\* refers to persons who can be deemed equivalent to persons who at present materially belong to any of the categories (a) through (d). For example, this includes persons who belong to any of the categories (a) through (d) when the General Meeting of Shareholders approves resolutions appointing the said independent Board members as external directors or external Audit & Supervisory Board members.

### (4) Policies and Procedures for the Appointment of Directors and Audit & Supervisory Board Members

#### Principle 3-1

#### Policy for the Appointment of Directors

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

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

### Policy for the Appointment of Audit & Supervisory Board Members

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

### Appointment Procedure

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

### Positions Held Concurrently by Audit & Supervisory Board Members and Directors

#### Principle 4-11

Name	Positions held concurrently at other listed companies
Kazuo Sumi	Director, H:O Retailing Corporation External director (Audit & Supervisory Board member, etc.), Toho Co., Ltd. External director, Tokyo Rakutenchi Co., Ltd.
Takaoki Fujiwara	External director, Sanyo Electric Railway Co., Ltd.
Noriyuki Inoue	Chairman and Chief Global Group Officer, Daikin Industries, Ltd. External director, Kansai Electric Power Co., Inc.
Shosuke Mori	Senior advisor, Kansai Electric Power Co., Inc. External director, ANA HOLDINGS INC. External director, The Royal Hotel, Ltd.
Yoshishige Shimatani	President and representative director, Toho Co., Ltd. External director, Tokyo Rakutenchi Co., Ltd. External director, Fuji Media Holdings, Inc.
Naoya Araki	Representative Director, H:O Retailing Corporation
Junzo Ishii	External Audit & Supervisory Board member, Rengo Co., Ltd.

### Relations with External Directors

#### Principle 3-1

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

### Relations with External Audit & Supervisory Board Members

#### Principle 3-1

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

### Other Deliberative Bodies

#### (1) Corporate Governance Committee

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

#### (2) Group Management Committee

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

### (3) Core Business Strategy Councils

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

### (4) The Group Presidents' Meeting—Initiatives to Foster Solidarity within the Group

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

## Compensation of Directors

### Principle 3-1

#### (1) Policy

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

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

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

Further, stock-based compensation is paid through a trust to directors who concurrently serve as directors of Hankyu Corporation and Hanshin Electric Railway as part of compensation from the Company. Thus, as with other shareholders, directors who concurrently serve as directors of these two core companies of the Group benefit if share prices rise but incur losses if they decline. The intention of the system is to motivate directors to improve companies' business performances and thereby enhance the enterprise value of the entire Group over the medium-to-long term.

#### (2) Procedure

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

## Shares Held for Strategic Reasons

### Principle 1-4

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

## Introduction of Measures to Prevent Takeovers

### Principle 1-5

The Company aims to secure and further enhance its enterprise value and the common interests of its shareholders. To this end, conducting business operations from a medium-to-long-term perspective, building and maintaining a relationship of trust with local government institutions and residents in the areas served by the Company's railway lines, and conducting business management that is focused on strengthening cohesion and collaboration within the Group to enhance its collective strength are indispensable. For this reason, we have introduced measures to prevent a takeover of the Company. In the event of the appearance of a potential buyer of the Company that wishes to raise their stake to 20% or more of the Company's outstanding shares, to confirm the potential buyer's intention, new share subscription rights will be granted to shareholders who are de facto shareholders other than the potential buyer. The General Meeting of Shareholders held on 16th June 2015 approved this system, which will remain in effect for three years.

For more details about the Company's basic policies regarding governance of joint-stock companies, which include the abovementioned measures to prevent takeovers, please see:

<http://www.hankyu-hanshin.co.jp/ir/library/others/data/bouei.pdf> (Available only in Japanese).

## Abolition of Senior Advisors System

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

## Dialogue with Shareholders and Investors

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

**Principle 1-2**

	Remarks
Early dispatch of notices of convocation	To allow shareholders sufficient time to examine the items for resolution at the shareholders' meeting before exercising their voting rights, the Company sends out notices of convocation at the earliest possible date. For the General Meeting of Shareholders held in June 2017, the Company sent out notices of convocation on 23rd May 2017, 21 days before the meeting.
Avoidance of the "busiest day" for shareholder meetings	To enable as many shareholders as possible to attend its General Meeting of Shareholders, the Company held its 2016 General Meeting of Shareholders on 13th June 2017, 15 days before the "busiest day" on which a large proportion of Japanese companies hold their general shareholders' meetings.
Online and electronic voting	To enable shareholders who cannot attend the Company's General Meeting of Shareholders to exercise their voting rights and to make voting more convenient, the Company accepts votes exercised via the Internet. Also, the Company participates in the electronic voting platform operated by ICJ Inc.
Other	On its website, the Company posts notices of convocation of the General Meeting of Shareholders and notices of resolutions passed at the meeting in Japanese and English.

## Investor Relations (IR) Activities

**Principle 5-1**

The executive officer in charge of the Group Planning Division is responsible for and exercises overall control of general IR activities. The Group Planning Division has an IR manager and promotes cohesive IR activities by sharing information regularly with divisions responsible for finance and accounting, general and legal affairs, and public relations.

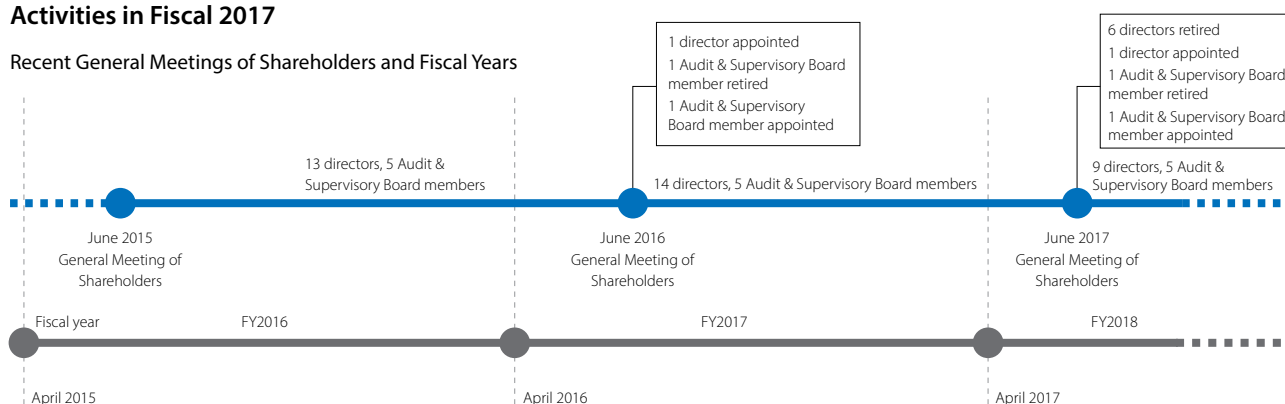
As a rule, twice a year in Japan the Company holds briefings on earnings results for analysts and institutional investors, in which the president explains earnings results and business plans.

The Company is increasing and improving disclosure via its website (<http://www.hankyu-hanshin.co.jp/en/ir/>) by posting a range of documents that aid investment decisions, such as earnings results, securities reports, timely disclosure documents, and documents from briefings on earnings results. (Most of these documents are in Japanese.) Also, for individual investors the website includes an overview of the Group and its competitive advantages.

In addition, as required, the Company organises interviews with shareholders and institutional investors that are primarily themed on the enhancement of corporate value over the medium-to-long term. In principle, the IR manager participates in these interviews. However, in light of the number of shares that shareholders own or their areas of interest, executive officers responsible for other areas of the Company participate as required. Further, the IR manager prepares reports, as required, that are based on feedback from the interviews, including opinions stated or summaries of questions and answers, and submits them to the senior management team. Number of interviews in fiscal 2017: 147

## Activities in Fiscal 2017

### Recent General Meetings of Shareholders and Fiscal Years



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

#### External Directors

Name	Attendance at meetings of the Board of Directors
Noriyuki Inoue	Attended 8 of 10 meetings
Shosuke Mori	Attended 9 of 10 meetings

#### External Audit & Supervisory Board Members

Name	Attendance at meetings of the Board of Directors	Attendance at meetings of the Audit & Supervisory Board
Takaharu Dohi	Attended all 10 meetings	Attended all 12 meetings
Haruo Sakaguchi	Attended all 10 meetings	Attended all 12 meetings
Junzo Ishii	Attended all 10 meetings	Attended 11 of 12 meetings

### Compensation Paid to Directors and Audit & Supervisory Board Members

Category	No. of recipients	Total paid out in fiscal 2017 (Millions of yen)
<b>Directors</b> (External)	14 (2)	127 (19)
<b>Audit &amp; Supervisory Board members</b> (External)	6 (3)	17 (6)
<b>Total</b> (External)	20 (5)	144 (25)

#### Notes

- Recipients of compensation in fiscal 2017 include one Audit & Supervisory Board member who retired at the conclusion of the General Meeting of Shareholders held on 14th June 2016.
- In addition to the above, compensation received by external directors and external Audit & Supervisory Board members from subsidiaries of the Company for their duties as directors and Audit & Supervisory Board members amounted to ¥27 million for fiscal 2017.
- Of the Company's full-time directors with terms of office lasting until the conclusion of the General Meeting of Shareholders held on 13th June 2017, Kazuo Sumi, Takehiro Sugiyama, Mitsuo Nozaki, Naohisa Nogami, and Masao Shin concurrently served as directors of the Company and as senior officers of the Company's subsidiary Hankyu Corporation. Of the Company's Audit & Supervisory Board members with terms of office lasting until the conclusion of the General Meeting of Shareholders held on 13th June 2017, Koichi Kobayashi concurrently served as a standing Audit & Supervisory Board member of the Company and as a standing Audit & Supervisory Board member of the Company's subsidiary Hankyu Corporation. Further, Shinya Sakai, Takehiro Sugiyama, and Masao Shin concurrently served as directors of the Company and as senior officers of the Company's subsidiary Hanshin Electric Railway. Also, Masayoshi Ishibashi concurrently served as an Audit & Supervisory Board member of the Company and as a senior officer of Hanshin Electric Railway. The abovementioned persons received additional compensation from the abovementioned companies.

### Support for Directors and Audit & Supervisory Board Members

With the exception of external directors and external Audit & Supervisory Board members, the Company provides directors and Audit & Supervisory Board members with the training that they require to fulfill their roles appropriately. In addition, the Company

offers directors and Audit & Supervisory Board members training opportunities by introducing and paying for various types of training and seminars. Also, such committees as the Corporate Governance Committee give external directors and external Audit & Supervisory Board members information about the Group's businesses, financial position, and organisation. Further, in fiscal 2017 the Company conducted briefings about the management tasks and initiatives of each core business at meetings of the Board of Directors held in November and December.

### Evaluation of the Board of Directors' Effectiveness

A summary of the process, items, and results of an evaluation of the effectiveness of the Board of Directors conducted in fiscal 2018 is as shown below.

#### 1. Evaluation Process

At a meeting of the Board of Directors held on April 2017, all directors were interviewed with respect to the administration of the Board of Directors in fiscal 2017.

#### 2. Evaluation Items

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

#### 3. Evaluation Results

The results of investigative interviews indicated that conduct of meetings of the Board of Directors was adequate, explanations of the status of business management were appropriate, and the Board of Directors was effective and generally administered appropriately in fiscal 2017.

Further, evaluation results for fiscal 2016 included requests for more information about the management tasks of each core business. In response, the Company conducted briefings about the management tasks and initiatives of each core business at meetings of the Board of Directors held in November and December 2016.

### Number of Meetings of Deliberative Bodies Held

Corporate Governance Committee	1 meeting
Group Management Committee	15 meetings
Core Business Strategy Councils	2 meetings
The Group Presidents' Meeting	2 meetings

## Internal Control System

### Principles 2-1 2-2 4-3

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

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

## Compliance

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

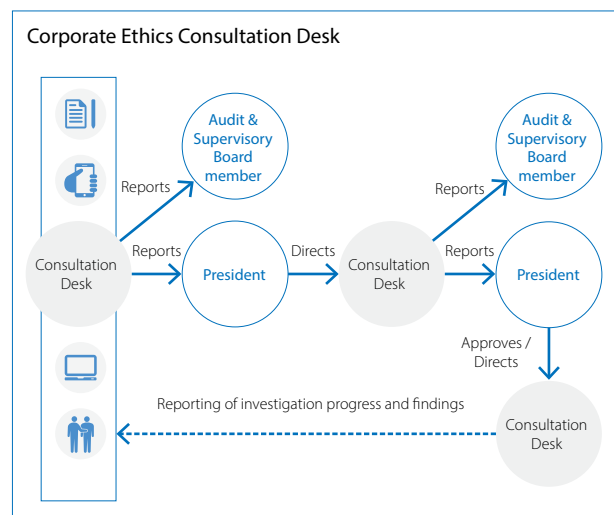
### Compliance Manual and Training Programmes

The Company's Compliance Manual and Compliance Card express the determination of the Company not to tolerate violation of laws or social norms or betrayal of customer trust by any of its Group companies' approximately 22,000 officers and employees. It also aims to raise awareness by pointing out cases where compliance errors can easily be made. The Company provides intensive compliance training on a Groupwide basis for new employees, midcareer hires, and newly appointed executives. In addition, all Group companies arrange their own training programmes tailored to job grade and function, with the aim of further increasing compliance awareness.

### Corporate Ethics Consultation Desk (Internal Whistle-Blower Procedures)

#### Principle 2-5

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

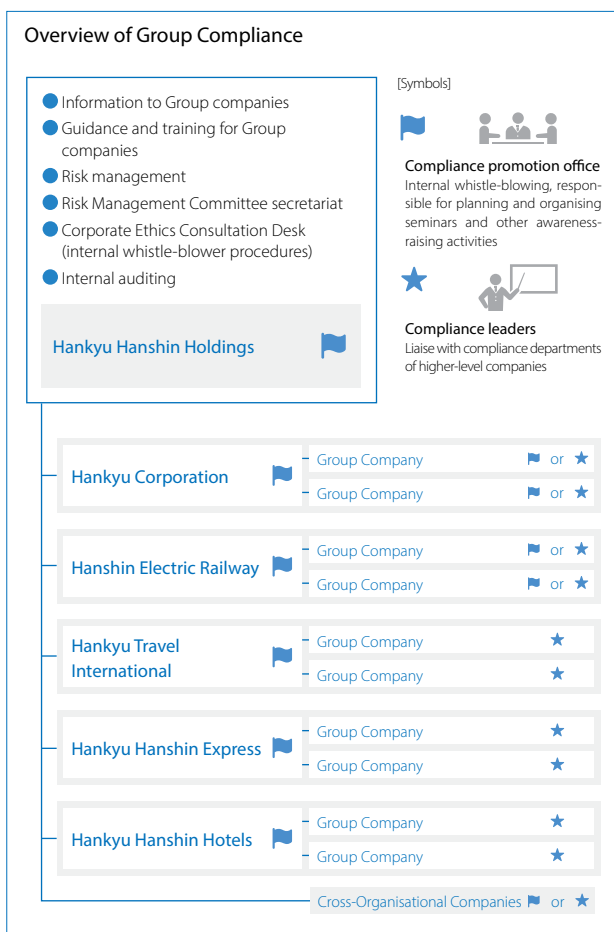




### Establishment of Risk Management Committees

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

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



## Risk Management

**Principle 4-3**

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

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

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

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

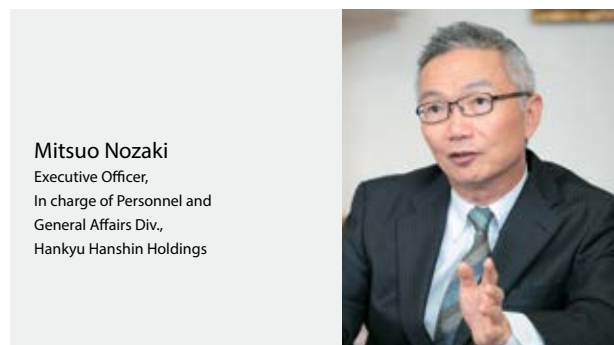
Pages 64–67 explain measures to ensure the safety of the railway business of Hankyu Corporation and Hanshin Electric Railway.

## Initiatives Aimed at Reducing the Group's Risk

### Our Current Risk Management Framework

Based on six core businesses, the Hankyu Hanshin Holdings Group conducts diverse business activities. Consequently, in a wide range of areas the Group incurs risks meriting attention. Therefore, each fiscal year the Company and its operating subsidiaries coordinate to identify and assess business risks. Specifically, from among general risk items, which the Company prepares in advance based on a Groupwide management viewpoint, operating subsidiaries select risks that should be addressed as a priority. In selecting these priority risks, the operating subsidiaries use as criteria the likelihood of risk manifestation and the effect this would have on operations. Next, the operating subsidiaries establish risk reduction measures targeting the selected priority risks, discuss the countermeasures at meetings of their boards of directors and other meetings, and then report conclusions to Hankyu Hanshin Holdings as the holding company. The Company regularly collates and reports information about the progress of operating subsidiaries' risk management measures to the Board of Directors.

As for the monitoring of risk management measures, operating subsidiaries must submit progress reports to the Company periodically. In addition, as the officer responsible for risk management, I and other risk managers conduct face-to-face interviews with members of subsidiaries' senior management teams at least once a year, checking the progress of their measures for priority risks through a plan-do-check-act (PDCA) cycle. Interviews at operating subsidiaries not only help me understand changes in the status of risks but also give me an opportunity to share management know-how about such issues as best practices within the Group.



**Mitsuo Nozaki**  
Executive Officer,  
In charge of Personnel and  
General Affairs Div.,  
Hankyu Hanshin Holdings

### Initiatives Going Forward

Looking to the future, a pressing task is to strengthen the management of risk associated with overseas businesses, which aim to expand in accordance with the Long-Term Management Vision for 2025. While leveraging the expertise and information of the International Transportation Business—which has a strong track record in overseas business development—we will address this task by establishing a management system aimed at selecting and reducing priority risks. Further, I believe we need to heighten our sensitivity to risk related to the environment, society, and governance (ESG). In particular, four years ago we began a Groupwide initiative to rigorously introduce appropriate management of working hours. As part of this ongoing initiative, we are advancing efforts to identify and address issues arising from characteristics of each operating subsidiary's business.

The Hankyu Hanshin Holdings Group's risk management has changed significantly since the Company stepped up its involvement with operating subsidiaries following a compliance incident several years ago. The Company will continue to increase risk management awareness across the Group, prevent the occurrence of risk-related events, and heighten its ability to respond to risks.

### Risk Management Framework

