ANNUAL REPORT 2014

Hankyu Hanshin Holdings

Securities code: 9042

Linking to the Next Stage

Group Management Philosophy

Mission

What we are trying to achieve

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

Values

What is important to us

- **Customers Come First**
  Everything we do is for the customer. That's where it all starts.
- **Integrity**
  Build trust by always acting with integrity.
- **Foresight & Creativity**
  With our progressive spirit and flexible thinking, we can create a new sense of value.
- **Respect for People**
  Each of our employees is an invaluable resource.

ANNUAL REPORT 2014

Contents

Search Index

Forward-looking Statements

The reader is advised that this report contains forward-looking statements regarding the future plans, strategies, and earnings performance of Hankyu Hanshin Holdings, Inc., which are not statements of historical fact but constitute estimates or projections based on facts known to the Company's management as of the time of writing. Actual results may therefore differ substantially from such statements.

About the compilation of this Annual Report and the auditing company used

The financial section of this Annual Report includes a digest of information including consolidated financial statements in the Company's Securities Report for the 176th period, audited by KPMG AZSA LLC presented in somewhat changed format. We have presented this information in such a way as to ensure that there is no discrepancy with the data presented in the Annual Securities Report. However, the Annual Report itself has not been audited by KPMG AZSA LLC.

Definition

"Fiscal 2014" refers to the fiscal year ended 31st March 2014. Other fiscal years are referred to in a corresponding manner in this Annual Report. Figures are basically rounded off. Sums expressed in units of ¥100 million are rounded to the nearest ¥100 million.

Our Business

Hankyu Hanshin Holdings

The Group comprises six core businesses: Urban Transportation, Real Estate, Entertainment and Communications, Travel, International Transportation and Hotels. The businesses are operated by five core companies: Hankyu Corporation, Hanshin Electric Railway Co., Ltd., Hankyu Travel International Co., Ltd., Hankyu Hanshin Express Co., Ltd., and Hankyu Hanshin Hotels Co., Ltd., with the aim of the organic growth of the entire Group.

P.38

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

P.48

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

宝塚歌劇

P.54

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

Urban Transportation	Real Estate	Entertainment and Communications	Travel	International Transportation	Hotels
Hankyu Corporation	Hankyu Corporation	Hankyu Corporation	Hankyu Travel International	Hankyu Hanshin Express	Hankyu Hanshin Hotels
Hanshin Electric Railway	Hanshin Electric Railway	Hanshin Electric Railway			

P.42

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

P.51

Expanding sales, focusing on our mainstay Trapics brand with its extensive travel packages, through various media including newspaper advertising, member magazines, and the Web.

P.57

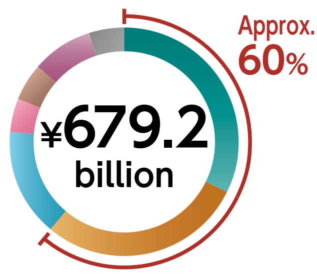
Operate Japan's major hotel groups under the Hankyu-Hanshin-Daiichi Hotel Group, and manage The Ritz-Carlton, Osaka

Fiscal 2014 Core Business Operating Results

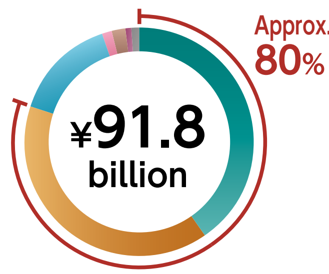
The Urban Transportation and Real Estate Businesses drive income and contribute to generating a stable cash flow.

The major revenue pillars for the Group are the Urban Transportation Business and Real Estate Business, with both holding about 60% of revenues from operations and roughly 80% of operating income. Among these, the Urban Transportation Business' railway business and the Real Estate Business' leasing business account for more than half of Group profits, and generate a stable cash flow. A major characteristic of the Group is also that the Entertainment and Communications Business stably records about 10% of the Group's total operating income.

Revenues from Operations



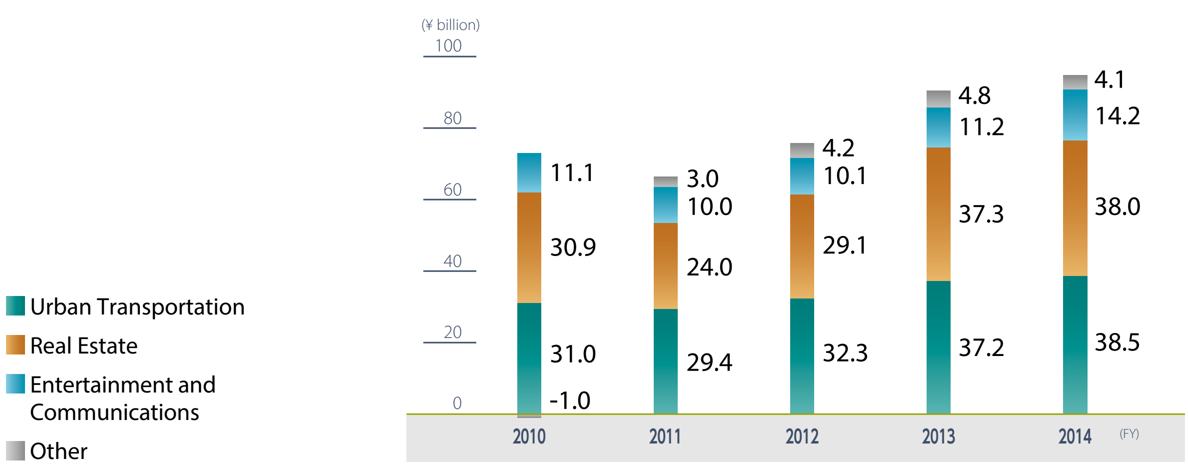
Operating Income



	Revenues from Operations	Operating Income
Urban Transportation	32.5%	40.3%
Real Estate	28.9%	39.8%
Entertainment and Communications	15.3%	14.8%
Travel	4.6%	1.3%
International Transportation	5.2%	2.1%
Hotels	8.8%	0.8%
Other	4.8%	0.9%

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

Operating Income by Core Business



Developing a Balanced Business Portfolio Capable of Sustainable Growth

Urban Transportation

Core Companies: Hankyu Corporation, Hanshin Electric Railway

Annual number of passengers carried (FY2014)

Hankyu Railway

630 million

Total length of lines operated **143.6km**

Hanshin Electric Railway

230 million

Total length of lines operated **48.9km**

Real Estate

Core Companies: Hankyu Corporation, Hanshin Electric Railway

Leasable area (As of the end of March 2014)

Approx. 1.7 million m²

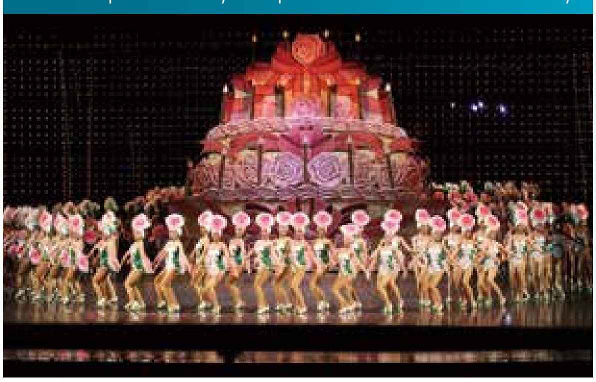
Of this total, approximately 800,000m² are concentrated in the Umeda area

Number of condominiums sold for FY2014

1,356

Entertainment and Communications

Core Companies: Hankyu Corporation, Hanshin Electric Railway



Total attendances (FY2014*)

Hanshin Tigers (Home games)

Approx. 2.77 million

* Total attendance at Hanshin Tigers home games during the 2013 season

Takarazuka Revue (Including nationwide stage productions)

Approx. 2.50 million

Focusing on its Railway Business, the Group is working to enhance the value of the areas served by its stations by expanding organic links primarily between the Real Estate Business and the Entertainment and Communications Business. In addition, we will realise a stable and balanced business portfolio by building on the unique strengths of each business. Looking ahead, the comprehensive strength of the entire Group will be redoubled in such areas as bolstering competitiveness in each core business, aiming to be a No.1 and only one company, and generating Groupwide synergies that transcend barriers between businesses.

Travel

Core Company: Hankyu Travel International

Total travel billings: No. 5 in the industry

Overseas travel billings: No. 3 in the industry

Total travel billings* (FY2014)

¥408.7 billion

* The total of both Hankyu Travel International and Hankyu Hanshin Business Travel

International Transportation

Core Company: Hankyu Hanshin Express

Japan outbound export handling volume: No. 4 in the industry

Japan inbound import handling volume: No. 4 in the industry

Sales* (FY2014)

¥78.5 billion

* Includes the equivalent amount of initial export freight charges

Hotels

Core Company: Hankyu Hanshin Hotels

Number of rooms* 10,326

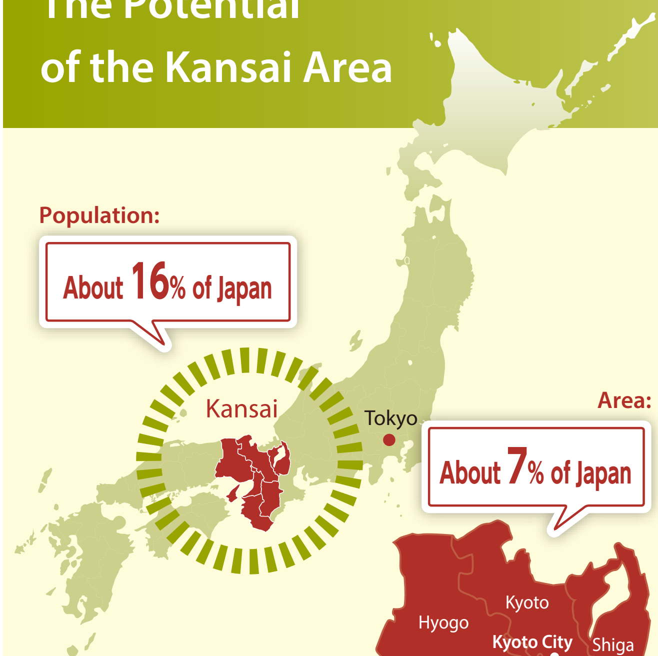
Group hotels*

48

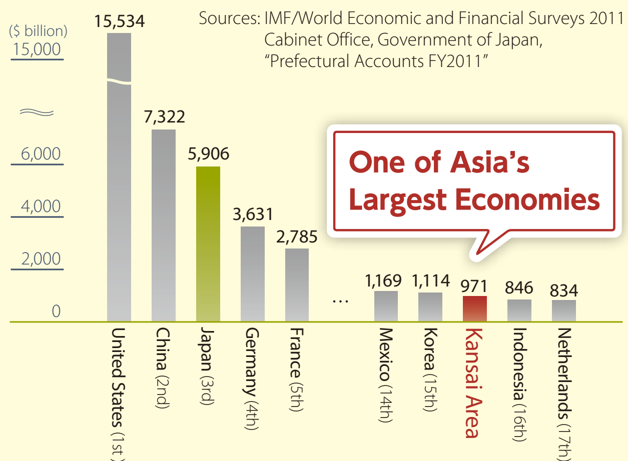
* As of 31st March 2014

Our Strength

The Potential of the Kansai Area



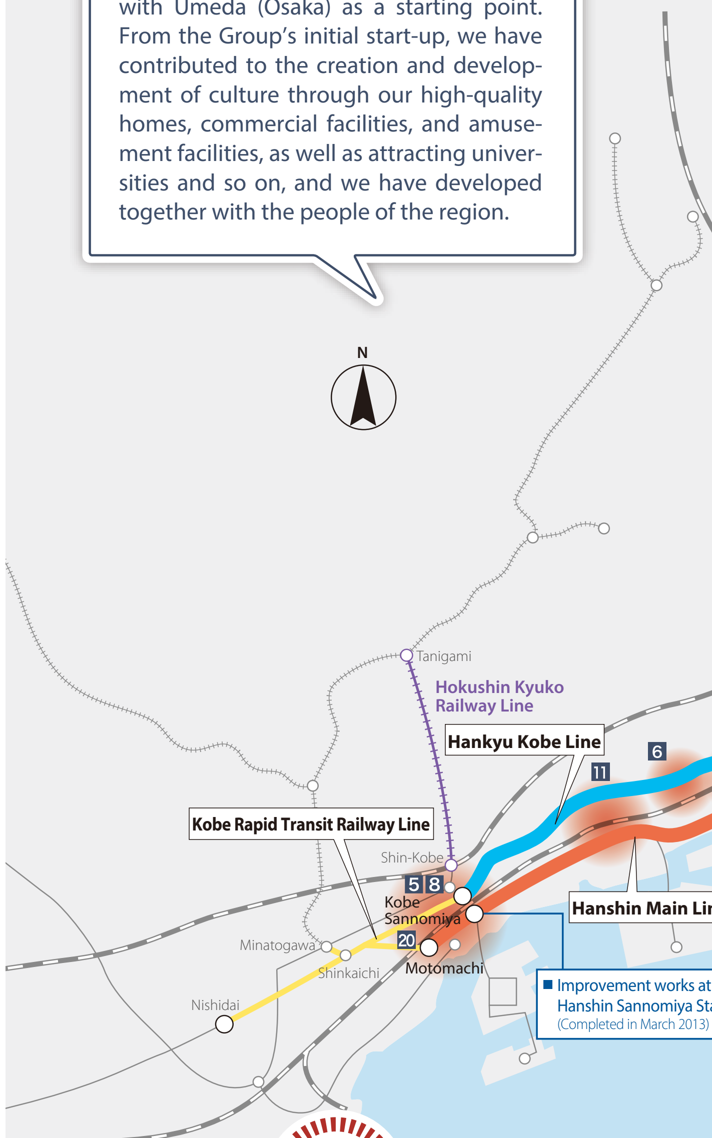
The Kansai area, the Group's business base, has a population of about 20 million, making it the second largest populated area in Japan. The economic scale of the Kansai area, on the basis of GDP, is approximately $971.0 billion, boasting one of Asia's largest economies.



Sources: IMF/World Economic and Financial Surveys 2011
Cabinet Office, Government of Japan, "Prefectural Accounts FY2011"

Our Railway Network

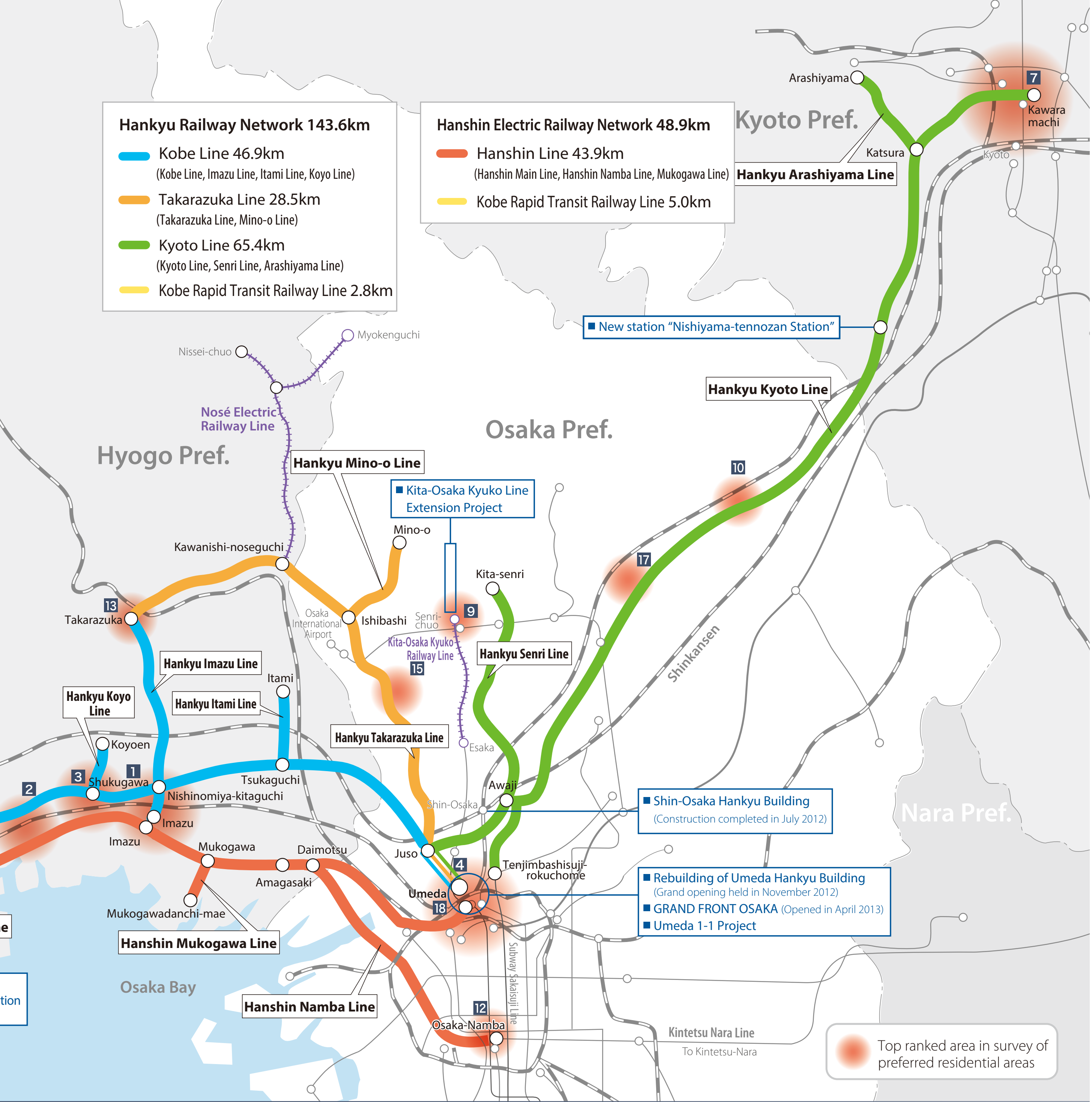
The Group's railway network connects the Kansai economy's main urban area, Kobe and Kyoto, and neighbouring cities with Umeda (Osaka) as a starting point. From the Group's initial start-up, we have contributed to the creation and development of culture through our high-quality homes, commercial facilities, and amusement facilities, as well as attracting universities and so on, and we have developed together with the people of the region.



Strength 1

Ability to create value in areas served by our stations

As a result of valuing the relationships of trust with residents living along the railway line, our long-term efforts to enhance the value of the areas served by our stations have been well received. At present, the area along the Group's rail lines has, on the whole, become highly popular within the Kansai area. This creative ability for enhancing the area along our rail lines is one of the strengths of our Group.



Survey of Preferred Residential Areas (Kansai Area)

Rank	Place	Location
1	Nishinomiya	Nishinomiya, Hyogo
2	Ashiya	Ashiya, Hyogo
3	Shukugawa	Nishinomiya, Hyogo
4	Umeda	Osaka (Kita-ku)
5	Kobe	Kobe, Hyogo (Chuo-ku)
6	Okamoto	Kobe, Hyogo (Higashi-nada-ku)
7	Kyoto	Kyoto
8	Sannomiya	Kobe, Hyogo (Chuo-ku)
9	Senri-chuo	Toyonaka, Osaka
10	Takatsuki	Takatsuki, Osaka
11	Mikage	Kobe, Hyogo (Higashi-nada-ku)
12	Namba	Osaka (Chuo-ku)
13	Takarazuka	Takarazuka, Hyogo
14	Tennoji	Osaka (Tennoji-ku)
15	Toyonaka	Toyonaka, Osaka
16	Downtown Kobe	Kobe
17	Ibaraki	Ibaraki, Osaka
18	Fukushima	Osaka (Fukushima-ku)
19	Abeno	Osaka (Abeno-ku)
20	Motomachi	Kobe, Hyogo (Chuo-ku)

Source: Survey by Sumitomo Realty & Development and six other major real estate firms (26th September 2013)

Strength 2

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

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

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

1 HERBIS OSAKA
2 HERBIS ENT
3 Dai Hanshin Bldg./Hanshin Umeda Sta.
4 Shin Hankyu Bldg.
5 Umeda Hankyu Bldg.
6 Hankyu Grand Bldg.
7 Hankyu Umeda Sta./Hankyu Sanban Gai Shopping Centre/Hankyu Terminal Bldg.
8 HEP NAVIO
9 HEP FIVE
10 Higashi Hankyu Bldg.
11 Umeda Centre Bldg.
12 NU chayamachi
13 NU chayamachi Plus
14 Applause Tower
15 Hankyu Corporation Head Office
16 Kitano Hankyu Bldg.
17 Kita Hankyu Bldg.
18 Nishi Hankyu Bldg.
19 Hotel new Hankyu Osaka
20 GRAND FRONT OSAKA

* HEP FIVE is jointly owned with Hankyu REIT Inc.

Strength 3

Ownership of content with strong brand value

The Group delivers inspiration and dreams through the Hanshin Tigers professional baseball team/Hanshin Koshien Stadium and the Takarazuka Revue, both of which are unique assets that are popular and enthusiastically supported not only in Kansai area but throughout Japan. These two powerful attractions are assets that none of our rivals have.

They help increase passenger numbers in the areas served by our stations when there is a show or a game on. They also contribute greatly to increased brand recognition for the Group.

©Takarazuka Revue Company

©Hanshin Tigers

Performance Highlights (Consolidated)

Key Financial Indicators

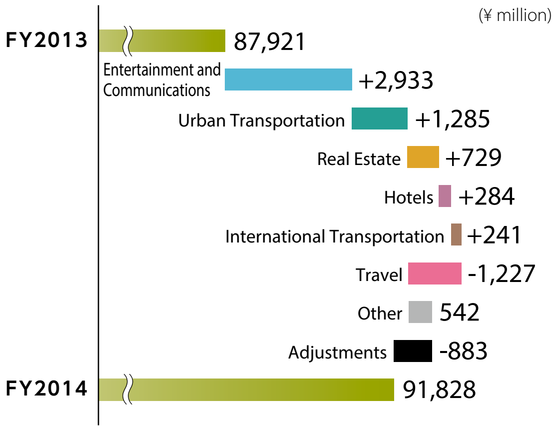
	(¥ million)						($ thousand) ❶
FY	2009	2010	2011	2012	2013	2014	2014
Result of Operations:							
Revenues from operations	¥ 683,715	¥ 653,287	¥ 638,770	¥ 649,703	¥ 682,439	¥ 679,157	$ 6,593,757
Operating income	77,823	70,126	64,743	73,809	87,921	91,828	891,534
EBITDA ❷	135,300	133,200	127,100	133,500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

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

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

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

■ Operating income: Factor analysis (YoY change)



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

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

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

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

■ Net income: Factor analysis (YoY change)

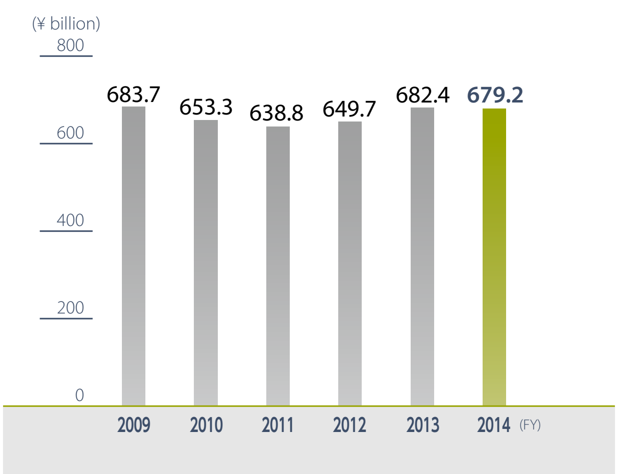
Decrease in operating expenses and cost of sales of transportation	+¥3.8 billion
Decrease in selling, general and administrative expenses	+¥3.4 billion
Decrease in non-operating expenses (primarily a decrease in interest expenses)	+¥2.4 billion
Increase in extraordinary income (primarily due to an increase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

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

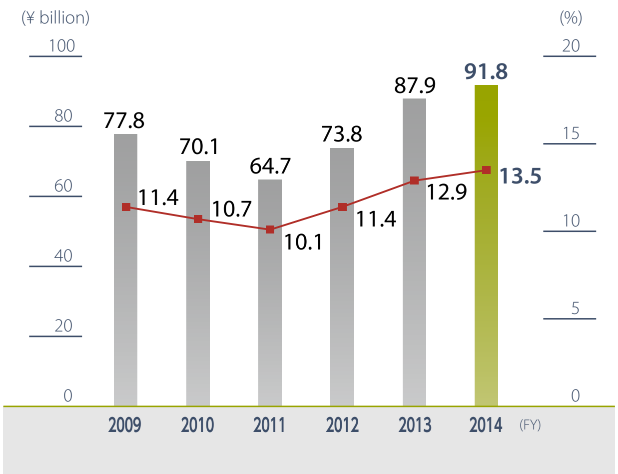
Despite capital investments in the partial acquisition of equity in HEP FIVE and the acquisition of NU chayamachi, as well as building new rolling stock, the outstanding balance of interest-bearing debt came to ¥1,032,307 million, a substantial decrease of 8.4%, or ¥94,325 million, year on year.

Key Financial Indicators (Graphs)

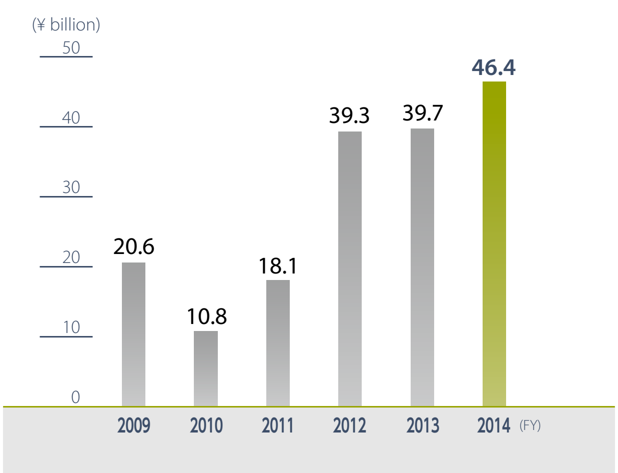
Revenues from Operations



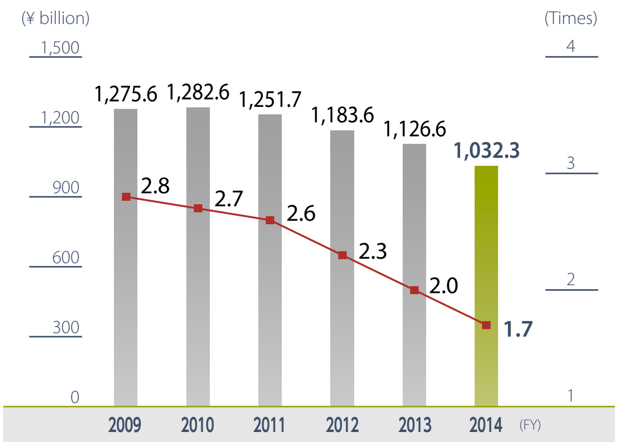
Operating Income/Operating Income Margin



Net Income

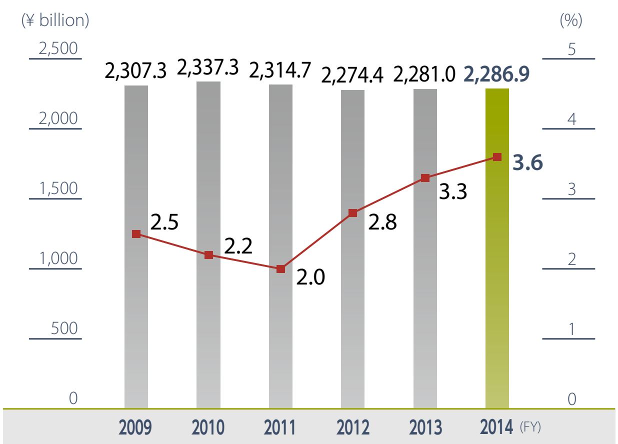


Interest-Bearing Debt and D/E Ratio



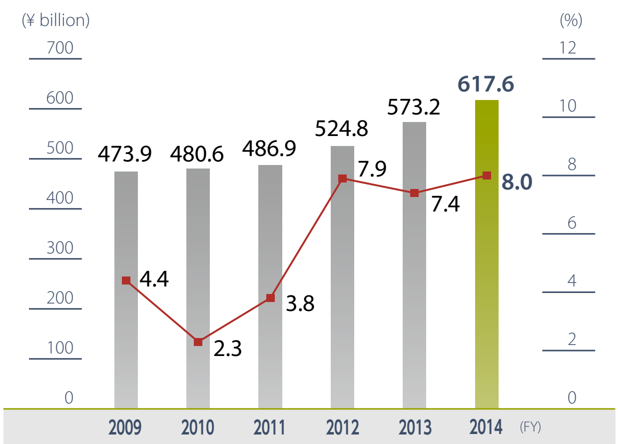
* D/E ratio = interest-bearing debt/equity

Total Assets/ROA



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

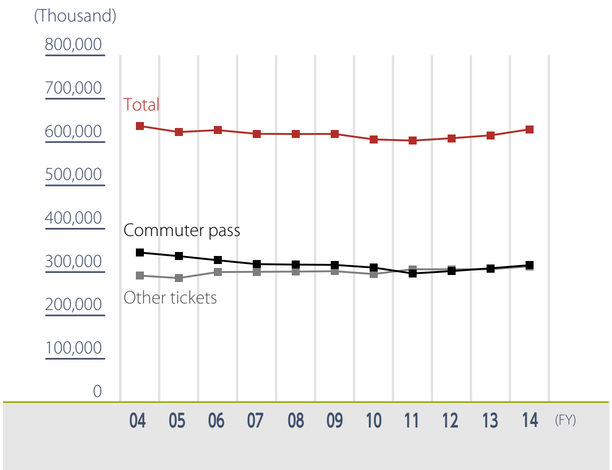
Total Net Assets/ROE



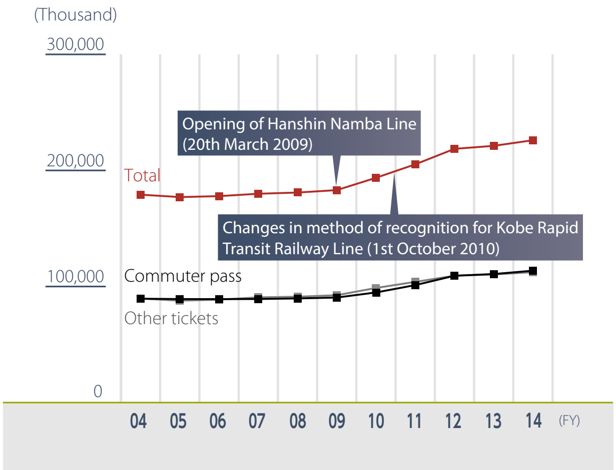
* ROE = net income/equity (average of period-start and period-end totals)

Operating and Business Environmental Data

Annual Number of Passengers Carried/Hankyu Railway

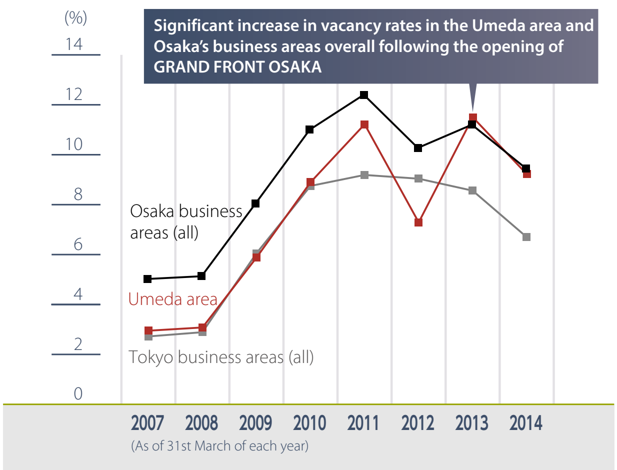


Annual Number of Passengers Carried/Hanshin Electric Railway



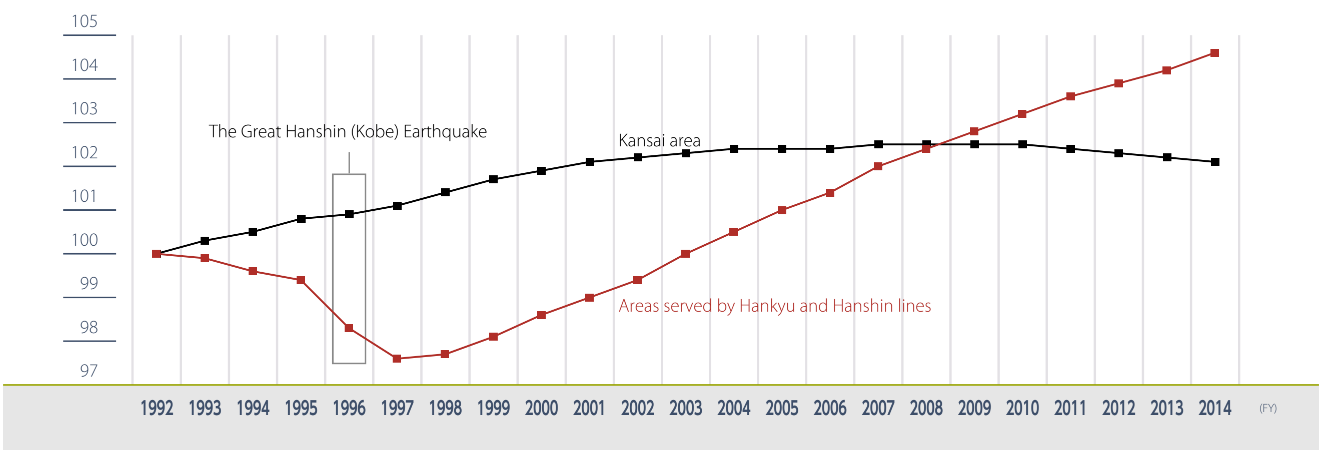
* Sum of tier 1 and tier 2 operators for both Hankyu and Hanshin
* Among tier 2 operators, we have modified our method of recognising Kobe Rapid Transit Railway Line's passenger volumes following changes to its management organisation, effective October 2010 (for both Hankyu and Hanshin-operated stretches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

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



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

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



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

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

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

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

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

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

To Our Stakeholders

We achieved an interest-bearing debt/EBITDA ratio of around seven times, our most important management target, and are now heading to a new stage.

The Group has built enterprise value through major projects, such as the reconstruction of the Umeda Hankyu Building and the extension of the Hanshin Namba Line, and used the resulting cash flow generated to lower interest-bearing debt and improve its financial position. As a result, in fiscal 2014, operating, ordinary, and net income hit record highs, and the Group's management goal of interest-bearing debt/EBITDA ratio being around seven times was achieved. We will continuously strengthen our financial position and work together as a group to raise enterprise value over the medium to long term by allocating funds for investment in future growth.

August 2014

Message from the President

Fiscal 2014 Performance

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

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

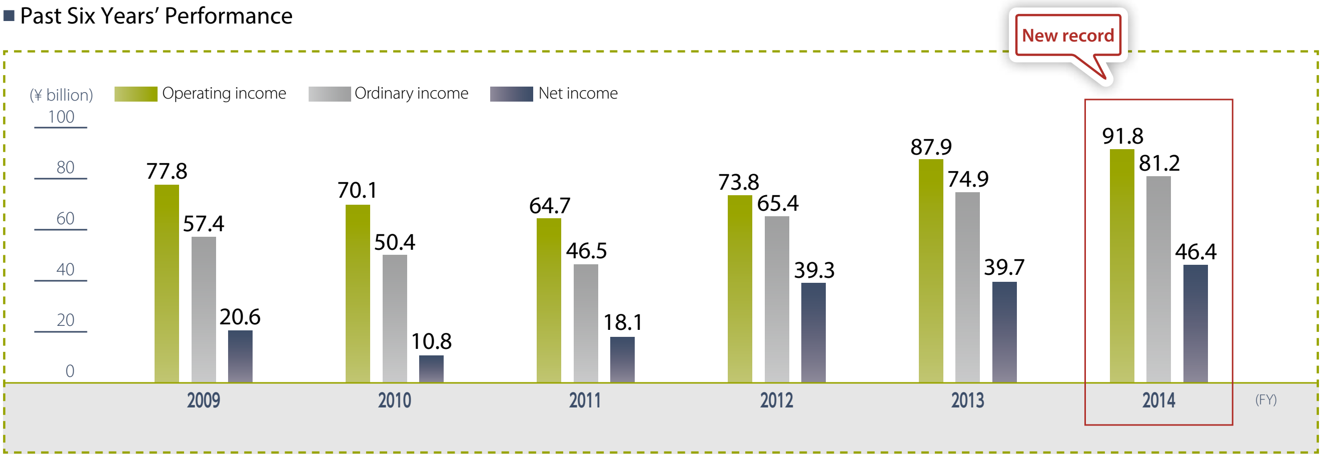
Under these circumstances, in the Real Estate Business, the Umeda Flagship Store of the Hankyu Department Store in the Umeda Hankyu Building was in full operation throughout the year, while in the Railway Business, the Hankyu and Hanshin lines both performed steadily thanks to higher revenue due to the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

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

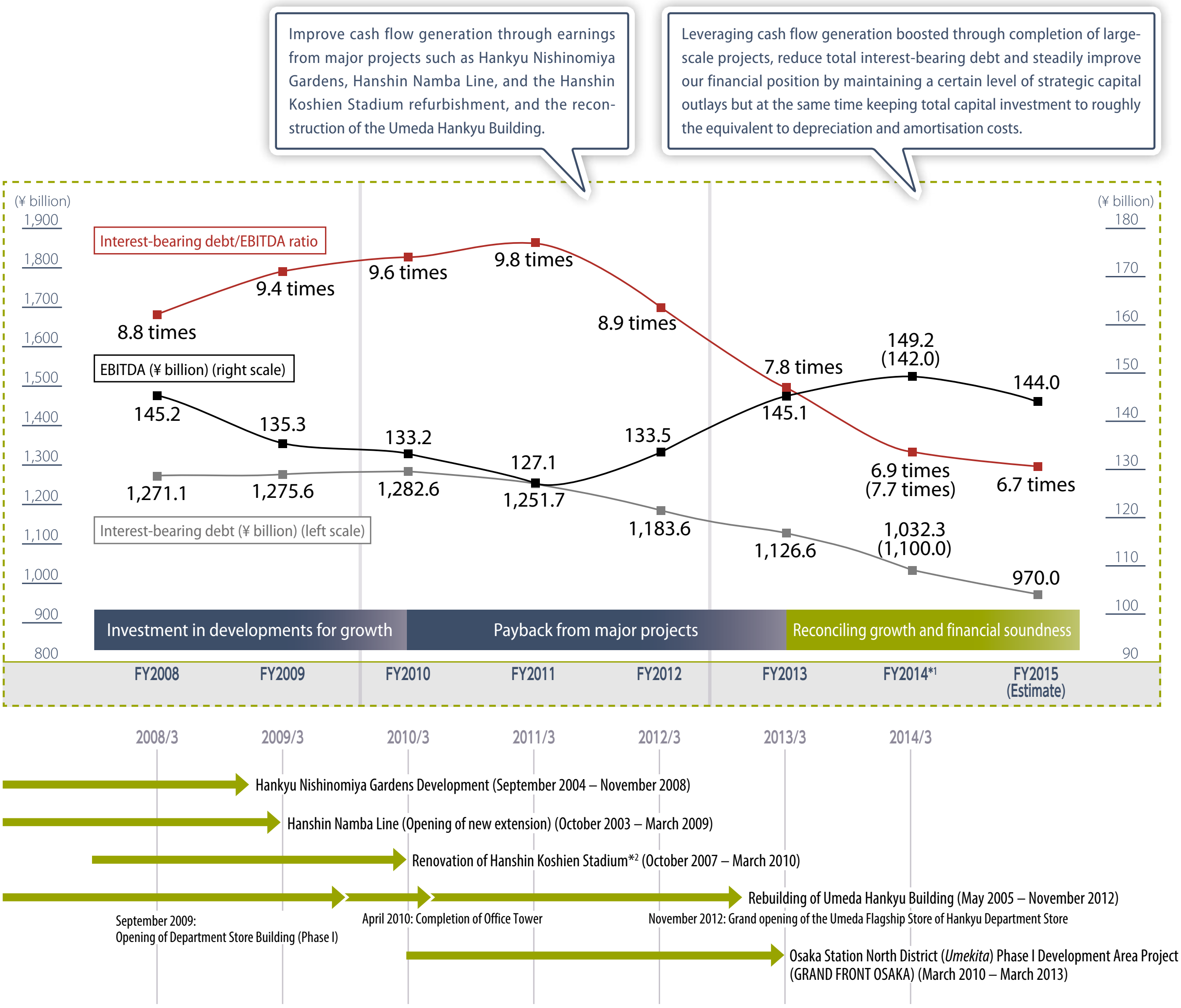
As for the improvement of our financial position, a management issue that we have been addressing, our investments in growth have paid off, with EBITDA steadily increasing ¥4.1 billion year on year to ¥149.2 billion, and interest-bearing debt shrinking significantly from ¥1,126.6 billion in the end of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

This target was initially contained in the Hankyu Hanshin Holdings Group 2007 Medium-Term Management Plan, with

■ Past Six Years' Performance



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



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

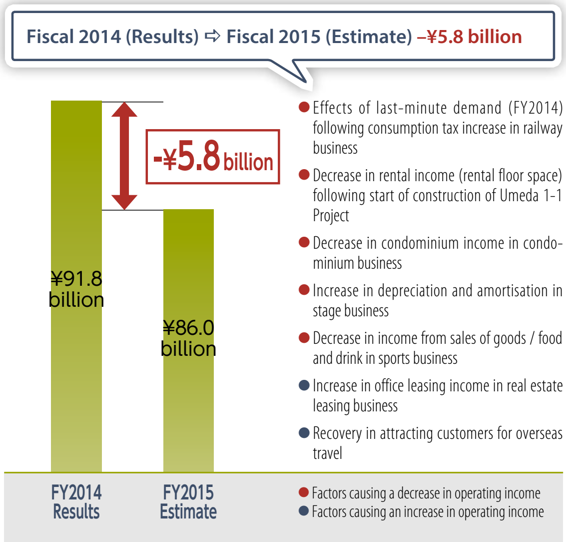
Performance Outlook for Fiscal 2015

Revenues from operations and operating income are both expected to decrease slightly due to the start of construction of the Umeda 1-1 Project. However, through ongoing effort to improve our financial position, we expect to achieve an interest-bearing debt/EBITDA ratio of 6.8 times, our fiscal 2016 plan value announced in May 2013, one year ahead of schedule.

In fiscal 2015, revenues from operations are expected to decline 1.3%, or ¥9.2 billion, year on year, to ¥670.0 billion and operating income to drop 6.3%, or ¥5.8 billion, to ¥86.0 billion. The reasons for the projected decline include a downturn in railway operation revenue caused by last-minute demand for commuter passes following the consumption tax hike in the previous fiscal year and a decrease in rental income (rental floor space) due to the start of construction of the Umeda 1-1 Project (Dai Hanshin Building and Shin Hankyu Building rebuilding projects). Further, ordinary income declined 5.2%, or ¥4.2 billion, to ¥77.0 billion and net income dipped 2.9%, or ¥1.4 billion, to ¥45.0 billion, largely due to an improvement in the financial account balance resulting from a decrease in interest expenses.

Meanwhile, we plan to continue reducing interest-bearing debt from the previous fiscal year through an ongoing detailed review of capital investments, and anticipate interest-bearing debt of ¥970.0 billion at the end of fiscal 2015. As a result, an interest-bearing debt/EBITDA ratio of 6.7 times is projected and we expect to achieve the ratio of 6.8 times, our fiscal 2016 plan value announced in May 2013, one year ahead of schedule.

Operating Income (Fiscal 2014 ⇨ Fiscal 2015)



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

(FY)	2008	2009	2010	2011	2012	2013	2014 (Results)	2015 (Est.)	2016 (Plan)
Operating income (¥ billion)	90.7	77.8	70.1	64.7	73.8	87.9	91.8 (84.0)	86.0	82.0 (85.0)
EBITDA (¥ billion)	145.2	135.3	133.2	127.1	133.5	145.1	149.2 (142.0)	144.0	141.0 (143.0)
Interest-bearing debt (¥ billion)	1,271.1	1,275.6	1,282.6	1,251.7	1,183.6	1,126.6	1,032.3 (1,100.0)	970.0	950.0 (980.0)
Interest-bearing debt/ EBITDA (times)	8.8	9.4	9.6	9.8	8.9	7.8	6.9 (7.7)	6.7	6.7 (6.8)
ROE (%)	0.1	4.4	2.3	3.8	7.9	7.4	8.0 (7.5)	7.2	6.8 (7.2)
Debt/equity ratio (times)	2.7	2.8	2.7	2.6	2.3	2.0	1.7 (1.9)	1.5	1.4 (1.5)

Notes: 1. Includes department store business (Hanshin Department Store Group) (treated as a consolidated subsidiary up to the first half of fiscal 2008)
2. Due to a change in the accounting method, consolidated interest-bearing debt from fiscal 2009 and after includes lease obligations
3. EBITDA = operating income + depreciation + amortisation of goodwill
4. Figures shown in parentheses are for the plan announced in May 2013.

Management and Strategic Direction

We will enhance enterprise value over the medium- to long-term, even in the new management phase from fiscal 2016 and beyond.

Since the management integration of October 2006, the Group has operated under the three basic policies of (1) strengthening the competitiveness of each business and raising profitability, (2) rigorously pursuing and developing integration effects, and (3) improving financial position and obtaining a higher return on assets. In particular, in recent years our primary focus has been to improve our financial position, an urgent task, and in fiscal 2014 we achieved our initial target of an interest-bearing debt/EBITDA ratio of around seven times thanks to a detailed review of capital investments. In addition, in our fiscal 2015 forecast, we expect to achieve a consolidated interest-bearing debt/EBITDA ratio of 6.8 times, our fiscal 2016 plan announced in May 2013, one year ahead of schedule.

In light of these circumstances, we will move to the next management phase in fiscal 2016 and after, and not only focus on improving our financial position, but establish new business strategies and financial policies for future growth, and raise enterprise value over the medium- to long-term while building relationships of trust with various stakeholders.

Specifically, we have positioned the period between fiscal 2016 and fiscal 2019 as a time for developing the infrastructure for medium- to long-term growth and will address, as a new management direction, the financial policy of flexibly allocating funds on a well-balanced basis for the two business strategies of “enhancing value along rail lines including the Umeda area” and “developing new markets (Tokyo area, overseas, etc.) for medium- to long-term growth,” and the three themes of “forward-looking investments,” “continuous strengthening of our financial standing,” and “returns to shareholders.”

Taking on the challenge of a new management phase.

Business Strategy 1

Enhance value along rail lines including the Umeda area

To date, a pillar of the Group's management strategy has been to "build good rail lines, build good communities." Since our foundation, centring on railway operation business, we have also been operating real estate and leisure oriented businesses along our railway lines. Having received high ratings for increases in value along our railway lines as a result of these synergies, the population living along these lines is still now steadily growing (see page 13 for details on the population along the lines). Accordingly, in order for the Group to maintain sustainable growth for the future, it first needs to continuously improve value of the areas along its railway lines, its most important operating foundation.

Therefore, we will build an area along our railway lines that makes people think how fortunate they are to live there, and is an area where they will want to go to have fun time and again.

In the Umeda area, the Group's most important base, the Umeda 1-1 Project is about to begin, which involves rebuilding both the Dai Hanshin Building (in which the Hanshin Department Store Umeda Flagship Store is located) and the adjacent Shin Hankyu Building in an integrating way. The Group is scheduled to begin demolition work on the Shin Hankyu Building around the autumn of 2014 and will steadily press ahead to final completion around the spring of 2022. Further, we will revitalise and improve the attractiveness of the Umeda area in all areas to create a community that meets today's needs.

We are considering the revitalisation of major bases, even along other Hankyu and Hanshin lines, and will systematically implement facility reconstruction along existing rail lines, thereby making the areas along those lines more attractive.

In addition, the Urban Transportation Business provides safe and high-quality transportation services that are socially trusted and the Group is encouraging greater use by upgrading station facilities and expanding networks. We will continue to improve standards of convenience for customers and make our railway lines more safe, secure and appealing by expanding our general transportation services, especially our rail lines. Moreover, the project to extend the Kita-Osaka Kyuko Line (see page 34 for details) will continue to collaborate with municipalities.

The Group's unique Hanshin Tigers and Hanshin Koshien Stadium, and Takarazuka Revue brands retain their passionate fans not only in the Kansai area, but all over Japan. We will work to maximise brand value by pursuing high-quality performances that deliver inspiration and dreams to our customers.

Business Strategy 2

Developing new markets (Tokyo area, overseas, etc.) for the medium- to long-term growth

As previously stated, the population living along the Group's rail lines is now increasing, but when seen from a medium- to long-term timeline against a backdrop of declining birth rates and an aging population, a decline in the population living along the Group's rail lines and shrinking of the Kansai economy are also sufficiently possible. With the expected arrival of such a harsh business environment, we must have our sights set on growth by enhancing value along our rail lines and developing new markets in order to achieve sustained growth into the future. Based on this concept, we will begin to strengthen businesses outside of the Hankyu and Hanshin lines including the Tokyo metropolitan area, a large market, and overseas markets that are growing at a significant rate.

With respect to business expansion in the Tokyo area, the costs for construction and acquisition of sites for holding the 2020 Tokyo Olympics and building the Linear Chuo Shinkansen will likely remain high for some time, but we will take steps to increase earnings while closely monitoring market trends.

First, the real estate sales business is emphasising operating margins while keeping a watchful eye on market trends, aggressively capturing business opportunities, especially in the Jonan, Josai, and Yokohama areas, and will continue to raise its visibility in the Tokyo area. The residential land-lot subdivisions business, in light of its sales record and the business environment in the Tokyo area, will expand the scale of its business and strengthen its foundation by aggressively capturing business opportunities, mainly in areas where it has a clear shot at high price range sales.

In the real estate leasing business, we will ensure medium- to long-term earnings in the leasing business in the Tokyo area and try to establish a business foundation. We will consider various policies and measures such as acquiring properties for development and management, while carefully monitoring market conditions. To that end, we will collaborate more closely with other business operators, gather information, and create business opportunities for future development projects by acquiring and reconstructing old buildings and participating in the urban redevelopment business.

In the Travel Business, we will pursue cross-media strategies and raise our visibility with the aim of strengthening business

in the Tokyo area. Further, in the REMM, a hotel that prioritises a good night's sleep over other services, and information services business field, we will expand our business base in the Tokyo area.

Overseas, in the International Transportation Business, we will further expand our global network centred on Asia while providing a high value-added comprehensive logistics service for customers and increase the scale of our business. As one part of this, in the ASEAN region, where growth in logistics demand is expected, we are considering the purchase of a logistics warehouse through collaboration and cooperation with the Real Estate Business. In the Travel Business, we reinforced purchasing of travel products and raised quality by setting up a business base overseas, and we would like to get involved in travel to various countries outside of Japan over the medium- to long-term.

The Takarazuka Revue's performance in Taiwan in April 2013, which was well received, is preparing for its second performance scheduled for August 2015.

Financial Policy

Because the improvement of the Group's financial position had been its greatest management challenge, it has kept total capital investment to roughly the equivalent of depreciation and amortisation, and preferentially allocated surplus funds for the repayment of interest-bearing debt. However, we reviewed that policy for fiscal 2016 and beyond and will allocate surplus funds in a well-balanced manner between "forward-looking investments," "continuous strengthening of our financial standing," and "returns to shareholders."

First, with regard to "forward-looking investments," we have decided to allocate funds mainly for the aforementioned Strategies 1 and 2 without regard to past levels of roughly the equivalent of depreciation and amortisation. During the four-year period from fiscal 2016 through 2019, we anticipate capital investments and loans of around ¥300.0 billion. Of this amount, around ¥150.0 billion is projected for investment in maintaining and upgrading existing infrastructure (investments in railway safety, and renovation pertaining to the real estate leasing business) and ¥100.0 billion for investment in large-scale development and new market development.

Meanwhile, to "continuous strengthening our financial standing," we will constantly reduce interest-bearing debt, yet at a slower pace than before. This is because we have, to deal with risk associated with interest rate increases and ensure a medium- to long-term surplus.

Although "returns to shareholders" will be discussed in detail later, starting in fiscal 2014 (dividend payment in June 2014), in order to enhance profit returns to shareholders, the annual dividend per share was raised from ¥5 to ¥6. We will work to maintain a stable dividend while balancing forward-looking investments with the need to strengthen our financial standing. At the same time, our approach to shareholder returns will be continuously reviewed.

Targeted Management Indicators (through fiscal 2019)

Based on the business strategies and financial policies outlined above, we have set operating income and the balance of interest-bearing debt as our management indicators for the period from fiscal 2016 to fiscal 2019.

First, despite declining profit levels due to lower rental income (rental area) associated with progress on the Umeda 1-1 Project, we will seek to maintain operating income at the ¥80.0 billion mark from fiscal 2016 and beyond. In order to increase future earnings, it is inevitable that profits will fall to a certain level. However, we want to strengthen the competitiveness of each business and ensure this level.

On the other hand, despite forward-looking investments, we will continuously strengthen our financial standing with the aim of steadily reducing interest-bearing debt to under ¥900.0 billion by the end of fiscal 2019.

In addition to these two goals, aiming for a longer term perspective with the idea of providing the highest level of financial soundness for a private railway operator group line, we established, as guidelines, an interest-bearing debt/EBITDA ratio over the medium- to long-term of five times level and a D/E ratio over the medium- to long-term of one time.

Returns to Shareholders

To enhance profit returns to shareholders, the annual dividend per share was raised from ¥5 to ¥6.
We will work for the stable and continuous enhancement of shareholder returns.

The expansion of shareholder returns had been a subject to be reviewed when the achievement of an interest-bearing debt/EBITDA ratio of around seven times, which had been positioned as a priority management issue, appeared to be within reach, and the achievement of that target was nearly within reach during fiscal 2014. Moreover, we believe that the foundation has been set for posting net income of around ¥40.0 billion on a stable basis. Therefore, as a result of reconsidering the enhancement of shareholder returns, in February 2014, we changed our dividend policy so as to raise our annual dividend for fiscal 2014 by ¥1, from ¥5 to ¥6, and implement a stable dividend set at a minimum of ¥6 per share annually.

This level of dividend corresponds to a dividend payout ratio of around 17% against net income of ¥45.0 billion in fiscal 2015. However, since this can by no means be considered a high payout ratio, we must carefully consider from various angles our approach to shareholder returns.

In order to become a corporate group that is capable of sustaining growth into the future, we must steadily carry out our two aforementioned business strategies from a medium- to long-term perspective and strengthen our financial standing, which is the basis for achieving those strategies. As already presented in Financial Policy, we will enhance shareholder returns while balancing forward-looking investments with the strengthening of our financial standing, based on assessment of changes in the business environment. Under this concept, we seek to further raise the Group's enterprise value and meet the expectations of shareholders.

Medium-Term Management Plan

In March 2007, the Group announced its first Medium-Term Management Plan since the management integration. Since then, we have worked together as a team to achieve the plan's targets while making yearly adjusted estimates. The target of an interest-bearing debt/EBITDA ratio of around seven times, viewed as our top management target, was reached in fiscal 2014.

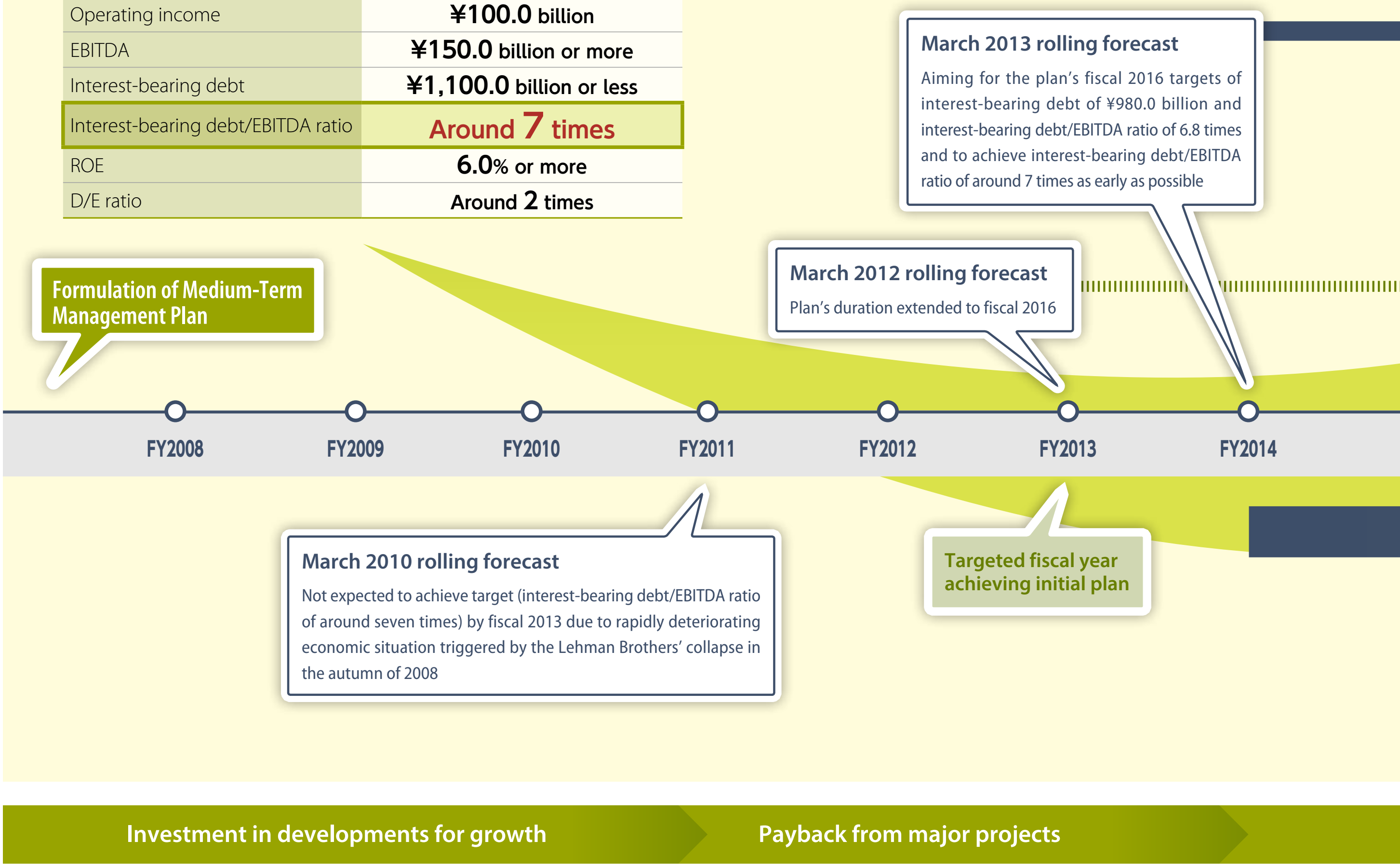
In the forecast for fiscal 2015, we are expected to achieve the previous target figures for fiscal 2016 (announced in May 2013) one year ahead of schedule. Therefore, from fiscal 2016 and after, we will move to a new management phase and enhance enterprise value over the medium- to long-term.

Looking Back on the 2007 Medium-Term Management Plan

March 2007 Formulation of Medium-Term Management Plan

After the management integration, we drew up our first Medium-Term Management Plan and set a target of achieving an interest-bearing debt/EBITDA ratio of around seven times in fiscal 2013 by balancing EBITDA expansion with interest-bearing debt reduction.

Operating income	¥100.0 billion
EBITDA	¥150.0 billion or more
Interest-bearing debt	¥1,100.0 billion or less
Interest-bearing debt/EBITDA ratio	Around 7 times
ROE	6.0% or more
D/E ratio	Around 2 times



New Management Phase (fiscal 2016 through fiscal 2019)

Targeted Management Indicators (through fiscal 2019)

Operating income: Maintain ¥80.0 billion level

Interest-bearing debt: Steadily reduce to under ¥900.0 billion by end of fiscal 2019

Achieve one year ahead of schedule

Expected outstanding balance of interest-bearing debt at end of fiscal 2015 is ¥970.0 billion, and interest-bearing debt/EBITDA ratio is 6.7 times, and fiscal 2016 targets (announced in May 2013) are scheduled to be achieved one year ahead of schedule

Fiscal 2015 Outlook

Outstanding balance of interest-bearing debt: ¥970.0 billion (forecast)

Interest-bearing debt/EBITDA ratio 6.7 times

Duration of initial plan extended

FY2015 FY2016 FY2017 FY2018

Fiscal 2014 Status

Revenues from operations: Initial forecast ¥670.0 billion → Results ¥679.2 billion

Operating income: Initial forecast ¥84.0 billion → Results ¥91.8 billion

Both revenues from operations and operating income are substantially above initial targets

Interest-bearing debt/EBITDA ratio 6.9 times

Achieve the target of interest-bearing debt/EBITDA ratio of around seven times, the top management target, at the end of fiscal 2014

Improvement of financial standing

Create foundation for medium- to long-term growth

Future Management Direction (fiscal 2016 through fiscal 2019)

Positioned as a time for developing the infrastructure for medium- to long-term growth

The period up to fiscal 2019 is positioned as a time for developing the infrastructure for medium- to long-term growth, during which we will address the two business strategies and the financial policies as basic strategies and policies.

Business Strategy

1 Enhance value along rail lines including the Umeda area

Build areas along rail lines where people will want to live for many years to come and will want to go to have fun time and again

<Umeda 1-1 Project>
Construction on the Umeda 1-1 Project, which involves rebuilding the Dai Hanshin Building in which the Hanshin Department Store (Hanshin Umeda Flagship Store) is located, and the adjacent Shin Hankyu Building into an integrated complex, began in the autumn of 2014 and is targeted for completion in 2022.
☞See pages 32–33 for details.

<Extension of Kita-Osaka Kyuko Line>
The Kita-Osaka Kyuko Line, a shared-line service with the Osaka Municipal Transportation Bureau's Midosuji Line, is scheduled to be extended 2.5km from Senrichuo Station to the north.
☞See pages 34–35 for details.

<Acquisition of Amagasaki Municipal Bus Business>
The acquisition of the bus line of Amagasaki City, a key area of the bus business, is under discussion for 2016 for integrated operation by the Group.

2 Development of new markets (Tokyo area, overseas, etc.) for medium- to long-term growth

Begin to expand business in Tokyo area and develop new business overseas

Tokyo area

<Residential Business>
Emphasising profitability while keeping a watchful eye on market trends, we will aggressively obtain business opportunities, especially in the Jonan, Josai, and Yokohama areas, and further increase recognition of *Geo* brand condominiums in the Tokyo area.

<Leasing Business/Development Business>
Purchase properties depending on market conditions and participate in future development projects. Collaborate on an ongoing basis with the Hotels Business for joint development of REMM.

<Travel Business>
Promote cross-media strategy and increase recognition of Trapics with the aim of strengthening business in the Tokyo area.

Overseas

<Acquisition of overseas logistics warehouse>
In the International Transportation Business, we will further expand our global network centred on Asia and, collaborating with the Real Estate Business, we will purchase a logistics warehouse in the ASEAN region.

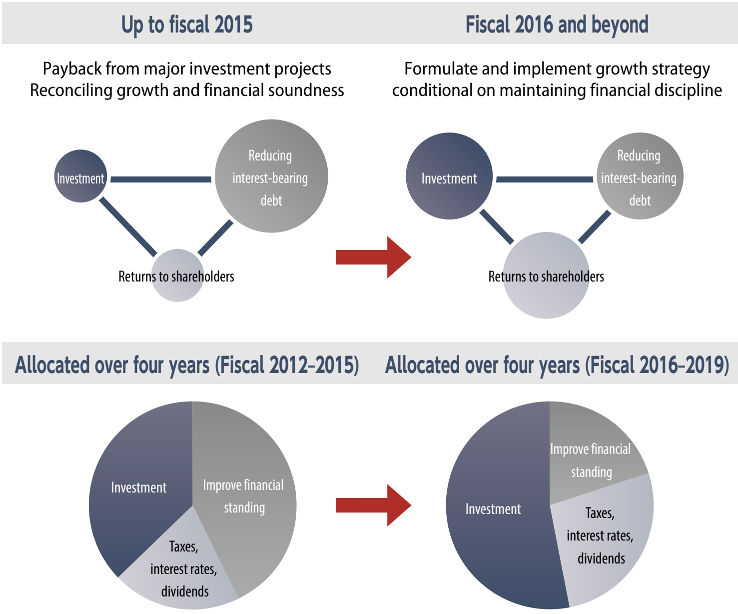
<Overseas Performance of Takarazuka Revue>
The Takarazuka Revue is eagerly preparing for its second performance in Taiwan scheduled for August 2015.

<Establishment of Overseas Subsidiary (Travel Business)>
Established Singapore subsidiary (April 2014). Reinforce purchasing of travel products and improve quality with aim of gaining inbound customers in the future.

Financial Policy

Distribute cash flow in a balanced and flexible manner

To date, we had improved our financial standing by keeping total capital investment to roughly the equivalent of depreciation and amortisation and preferentially allocating surplus funds to reduce interest-bearing debt. However, from fiscal 2016 and after, we will allocate funds in a well-balanced manner between (1) forward-looking investments, (2) continuous strengthening of our financial standing, and (3) returns to shareholders.



(1) Forward-looking investments

We will allocate funds for forward-looking investments without regard to past levels (equivalent to depreciation and amortisation expenses), focusing on efforts based on the aforementioned strategies 1 and 2.

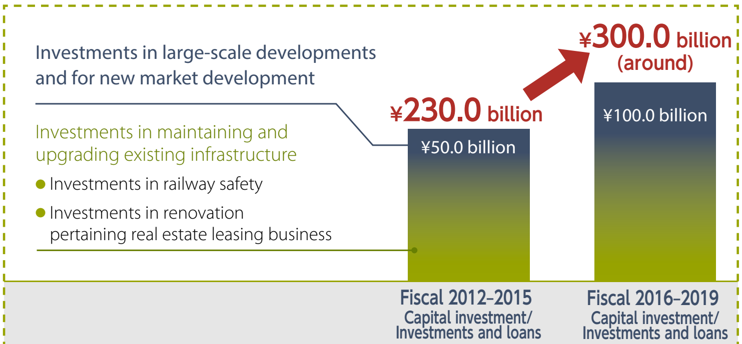
(2) Continuous strengthening of our financial standing

To deal with risk associated with interest rate increases and ensure a medium- to long-term surplus, we will continue to strengthen our financial standing, even after achieving our previous management target (interest-bearing debt/EBITDA ratio of seven times). Specifically, we will steadily aim for an outstanding balance of interest-bearing debt of under ¥900.0 billion by the end of fiscal 2019.

(3) Returns to shareholders

From fiscal 2014, we changed our dividend policy so as to implement a stable dividend set at a minimum of ¥6 per share annually. Thereafter, we will work to pay a stable dividend while balancing forward-looking investments with the strengthening of our financial standing.

■ Investment Funds



Management Indicators based on Business Strategies and Financial Policies

Targeted Management Indicators (through fiscal 2019)

Operating income:
Maintain ¥80.0 billion level

Interest-bearing debt:
Steadily reduce to under ¥900.0 billion by end of fiscal 2019

Target levels at a longer term perspective

Interest-bearing debt/EBITDA ratio:
over 5.0 times

D/E ratio: **around 1 time**

Special Feature

Enhance value along rail lines including the Umeda area

- **Umeda 1-1 Project:** Dai Hanshin Building and Shin Hankyu Building Rebuilding Projects
- Extension and Improvement Project for the Kita-Osaka Kyuko Railway Line

In order to achieve sustainable growth in the future as the Group moves into a new management phase, it is necessary to further improve value along Group railway lines, which are the Group's most important operating fundamental, by making efforts to create attractive railway lines and communities where people want to live for many years to come and visit many times. In this special feature, while looking at the potential of the Umeda area as the Group's core strategic base, we will introduce the Umeda 1-1 Project and the Extension and Improvement Project for the Kita-Osaka Kyuko Railway Line enhance value along rail lines including the Umeda area that are put forth as a new business strategy in the Medium-Term Management Plan.

The current state and future of the Umeda area as the Group's core strategic base

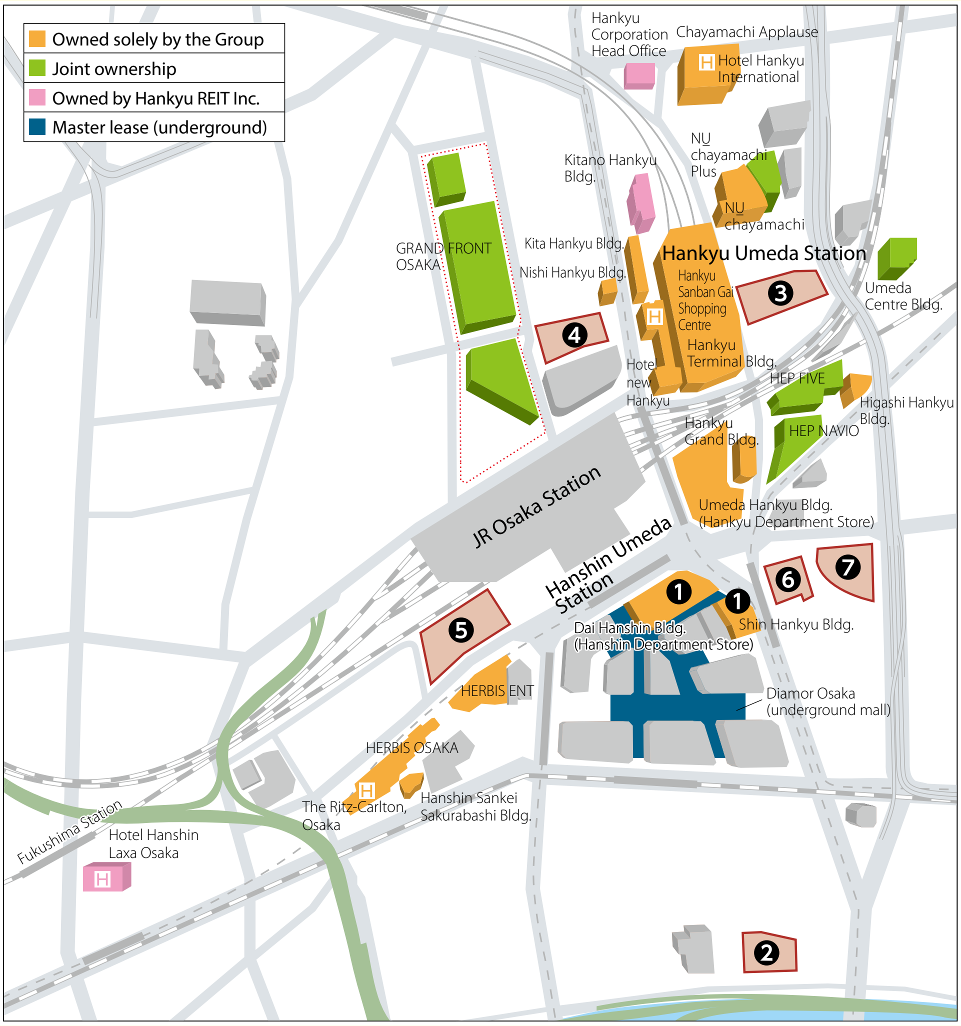
As the gateway of Osaka, Umeda (the area surrounding Osaka Station) serves as a hub for the Hankyu, Hanshin, JR, and Osaka Municipal Subway lines with approximately 1.2 million passengers per day. It is has largest rail terminal in western Japan, and nation-wide it has the fourth highest number of passengers, following only Shinjuku Station, Shibuya Station, and Ikebukuro Station.

In addition, with the area's easy access from Kansai International Airport, Osaka International Airport, and the shinkansen (bullet train) via Shin-Osaka Station, it also serves as not only a domestic transport hub, but also as an international transport hub that connects people from Asia and other places all over the world.

Furthermore, multiple department stores including the Hankyu Department Store, Hanshin Department Store, Daimaru, and Mitsukoshi Isetan and major commercial facilities with their own individual special characteristics in the Umeda area form one of Japan's largest concentration of commercial facilities. With the organic connection of a myriad of attractive facilities including offices, hotels, convention halls, theatres, and stations through connecting decks and one of Japan's largest underground shopping centres, the Umeda area has been developed into one of Kansai's customer-drawing and information distribution hubs.

A series of large multipurpose building development projects composed of commercial facilities and offices have been completed over the past few years, including the Umeda Hankyu Building and GRAND FRONT OSAKA that were projects developed by the Group, as well as Osaka Station City. Furthermore, various projects including the Umeda 1-1 Project (see page 32), the Osaka Station North District (*Umekita*) Phase 2 Development Area Project, JR Tokaido Branch Line Underground Relocation Project, and the Umeda 3 Project (provisional name) are planned in the future, through which the Group will further demonstrate the potential of the Umeda area.

■ Umeda area detailed map



(As of the end of March 2014)

Development trends in the Umeda area

Red characters = Development the Group is involved with

❶ Umeda 1-1 Project

❷ New Dai Building
Daibiru Corporation

❸ Osaka-shi Chayamachi Area Land Development Project
Yanmar Co., Ltd.
Josho Gakuen Educational Foundation

❹ Yodobashi Umeda Phase 2 Plan
Yodobashi Camera Co., Ltd.

❺ Umeda 3 Project (provisional name)
Japan Post Co., Ltd.
Osaka Terminal Building Co., Ltd.

❻ Seiwa Umeda Building
Seiwa Sogo Tatemono Co., Ltd.

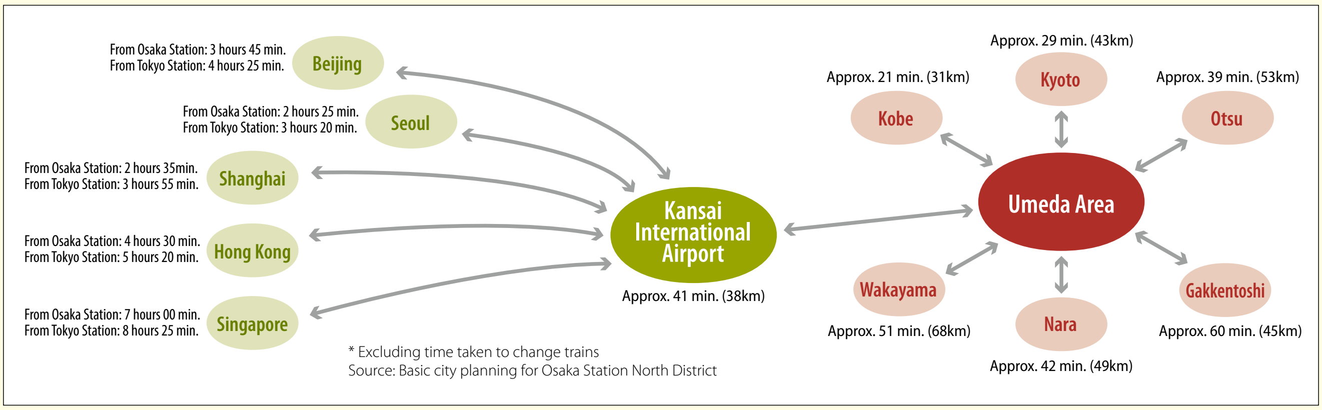
❼ Sonezaki Link City (provisional name)
Sumitomo Realty & Development Co., Ltd.

Potential of the Umeda area: 1 Transportation access and an international tourism hub

The Umeda area not only serves as a transport hub linking major cities in Kansai, but it is also directly linked with the major cities of Asia through Kansai International Airport, serving as the gateway from Asia to Japan.

Furthermore, there has been a successive increase in LCC flights serving Kansai International Airport, which provides a 24-hour service, and as result increased use by tourists from both Japan and overseas can be expected. As a result of these factors, the area is expected to develop even further as a gateway for the continually growing major cities of Asia.

■ The Umeda area's transportation potential



* Excluding time taken to change trains
Source: Basic city planning for Osaka Station North District

Potential of the Umeda area: 2 One of Japan's largest concentration of commercial facilities

When comparing the official land values of the main commercial areas of Osaka, one can see that land prices are highest in Umeda, and that the increase in land prices has been the most stable in this area, even during the period since 2011 when land prices underwent a recovery phase.

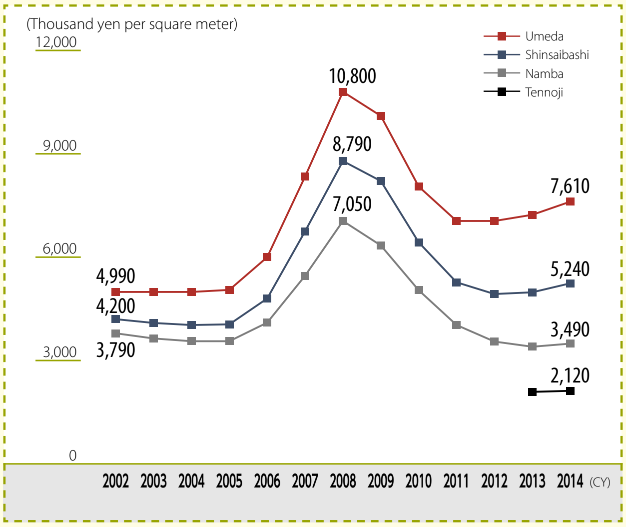
Furthermore, because the Umeda area now contains Japan's highest concentration of large-scale commercial facilities, exceeding Shinjuku in Tokyo, the area's presence within Japan is growing even more.

■ Comparison of Concentration of Commercial Facilities by Region (Store Area) (m²)

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

Source: Toyo Keizai, Inc. "*List of Large-Scale Retail Outlets 2014*"
Store area calculated on basis of official designation in the above table.
Stores surveyed are those with areas in excess of 1,000m², as of June 2013, based on data on large-scale stores registered with prefectural governments under the Large-Scale Retail Stores Location Law.
* Including 54,042m² for Namba Parks (Naniwa-ku, Osaka)

■ Land price trends in Osaka's main commercial areas



Potential of the Umeda area: 3 Improving reputation as a business district

With the advance of office concentration accompanying the completion of the large multipurpose buildings described previously and the great convenience of having the largest rail terminal in western Japan, the area's reputation as a business district has improved dramatically over the past few years. Furthermore, efforts are being made to even further improve the attraction of GRAND FRONT OSAKA as a business centre, including the introduction of "Knowledge Capital" as a facility for creating new value and supporting human resource exchanges.

In terms of the recent market conditions for rental office buildings, although there were concerns that the balance of supply and demand would deteriorate with the large-scale supply provided by facilities such as GRAND FRONT OSAKA, this large supply has been gradually absorbed recently, and the average vacancy rates for office buildings are undergoing a gentle recovery. Accordingly, we believe that demand will continue to expand steadily in the future.
(☞See page 43 for the average vacancy rates and average rent levels for office buildings.)

The Group's Initiatives Going Forward

Up until now the Group has contributed greatly to the appeal of the Umeda area through a large number of real estate development projects in the area. As part of initiatives going forward, the Group will implement the new large-scale Umeda 1-1 Project in an effort to improve the competitiveness and ability of the Umeda area to attract customers, as well as improve its appeal as a region (see page 32). In addition, Council for collaboration in the Management of the Umeda Area* has been established to commence area management aimed at improving the value of the entire Umeda area through events taking advantage of public spaces and other initiatives that also give consideration to addressing environmental issues and disaster prevention and mitigation.

Through these initiatives, the Group aims to further improve the attractiveness of the Umeda area while developing it as a sustainable community.

In addition, for the Kita-Osaka Kyuko Railway Line Extension and Improvement Project is planned as a new project aimed at achieving sustainable growth for the Group areas adjacent to railway line outside of the Umeda area as well (see page 34).

* Established by four companies: JR West, Hankyu Corporation, Hanshin Electric Railway, and GRAND FRONT OSAKA TMO

Umeda Yukata Festival

Umeda Snowman Festival (Chayamachi Area Marching Band)

Special Feature

Enhance value along rail lines including the Umeda area

Umeda 1-1 Project

Dai Hanshin Building and Shin Hankyu Building Rebuilding Projects

Implementation of projects symbolic of the integration of Hankyu and Hanshin

This project involves rebuilding the Dai Hanshin Building (in which the Hanshin Department Store's Umeda Flagship Store is located) and the opposite Shin Hankyu Building into an integrated complex. A new high-rise building approximately 190m high will be built on a prime location facing Umeda (Osaka) Station.

Overview of Umeda 1-1 Project

We will undertake this rebuilding project using the space above the road separating the Dai Hanshin Building and Shin Hankyu Building. This is the first time that an area specified for urgent urban regeneration work in accordance with the Act on Special Measures concerning Urban Regeneration is being used to ease regulations on aboveground construction. In addition, we will promote the development of a comfortable, superior-quality community by undertaking this project in conjunction with upgrades to surrounding public facilities. Looking ahead, we aim to complete this project by 2022 through the ongoing cooperation of the government and business partners.

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

- Start of construction: Around autumn 2014
- Date of completion: Around spring 2022
- Total investment: Approx. ¥90 billion

■ The Planned Building

Office Zone

Featuring advanced equipment, a high-rise section (11th–38th floors) is planned to have western Japan's largest* floor space per storey of approximately 4,500m².

* Covering office buildings built after 2000

Conference Zone

Taking advantage of the large space made possible by building above roads, we plan to construct an approximately 4,000m² conference zone on the 11th floor that will contribute to revitalised business activities in the Umeda area. During disasters, these facilities function as temporary shelters for those unable to return home.

Department Store Zone

The total floor space of the newly refurbished Hanshin Department Store Umeda Flagship Store at present is approximately 100,000m² and is planned to encompass 11 floors (9 floors above ground and 2 below). In addition, the store is scheduled to remain open during rebuilding work.

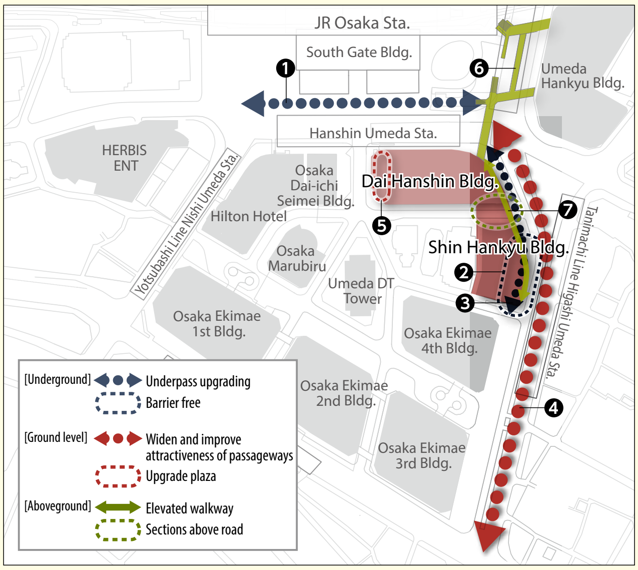
<table>
<tr><th colspan="4">Umeda 1-1 Project Building (provisional name)</th></tr>
<tr><td>Location</td><td>1-1 Umeda, Kita-ku, Osaka</td><td rowspan="9">Facility composition</td><td rowspan="2">Department store zone
9 floors above ground and 2 below
Total floor space approx. 100,000m²</td></tr>
<tr><td>Site area</td><td>Approx. 12,200m² (includes the space used above the road separating the two sites)</td></tr>
<tr><td>Specified floor-area ratio</td><td>2,000%</td><td rowspan="3">Office zone
11th to 38th floors above ground
Total floor space approx. 140,000m²</td></tr>
<tr><td>Total floor area</td><td>Approx. 257,000m²</td></tr>
<tr><td>Floors</td><td>38 above ground and 3 below</td></tr>
<tr><td>Height</td><td>Approx. 190m</td><td rowspan="2">Conference zone
11th floor above ground
Total floor space approx. 4,000m²</td></tr>
<tr><td>Major uses</td><td>Department store, office, hall, etc.</td></tr>
<tr><td>Structure</td><td>Steel constructions (portion below ground: steel framed reinforced concrete)</td><td rowspan="2">Other (parking lot, passageways, etc.)
Total floor space approx. 13,000m²</td></tr>
<tr><td>Construction completion</td><td>2022 (planned)</td></tr>
</table>

Overview of Main Upgraded Public Facilities Located Nearby

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

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

■ Diagram of Upgraded Area



Overview of Construction Plan

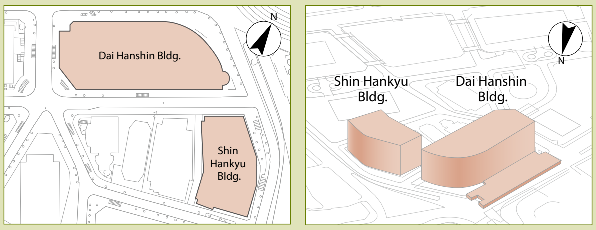
Construction Phase I

1. Commencement of Shin Hankyu Building demolition work
Around autumn 2014
2. Commencement of East Wing of Dai Hanshin Building demolition work
Around spring 2015
3. Umeda 1-1 Project Building (provisional name) Commencement of construction of Phase I portion
Around autumn 2015
4. Completion of Phase I construction (Shin Hankyu Building, East Wing of Dai Hanshin Building)
Around spring 2018
* Partial opening of new department store

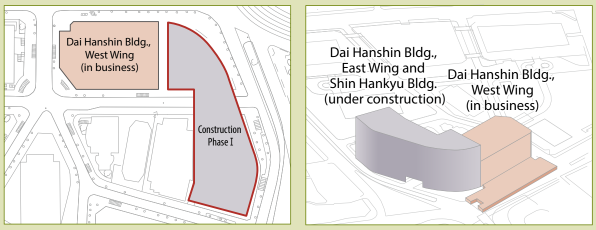
Construction Phase II

5. Commencement of Dai Hanshin Building West Wing demolition work
Around spring 2018
6. Umeda 1-1 Project Building (provisional name) Commencement of construction of Phase II portion
Around spring 2019
7. Completion of Phase II construction (new department store)
Around autumn 2021
* Full opening of new department store
8. Full completion of construction
Around spring 2022
* Opening of office portion

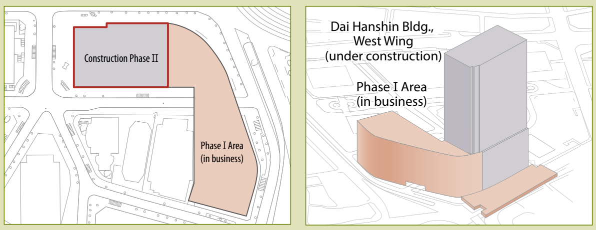
Current state



Construction Phase I



Construction Phase II



Special Feature

Enhance value along rail lines including the Umeda area

Extension and Improvement Project for the Kita-Osaka Kyuko Railway Line

- Extension distance: 2.5 km
- Stations to be established: Mino-o-Semba Station (provisional name) and Shin-Mino-o Station (provisional name)
- Developing bodies: Minoh City, Kita-Osaka Kyuko Railway Co., Ltd.
- Operating body: Kita-Osaka Kyuko Railway Co., Ltd.
- Demand: 42,000 people per day
- Expected development costs: Approximately ¥65 billion (¥8.0 billion to be covered by Kita-Osaka Kyuko Railway Co., Ltd.)

About Kita-Osaka Kyuko Railway Co., Ltd.

Kita-Osaka Kyuko Railway Co., Ltd. ("Kita-Osaka Kyuko Railway") was established in order to access the 1970 Osaka World Exposition, which was the first such exposition held in Asia. Following the completion of the exposition, the railway was operated for 5.9 km through four stations from Senri-Chuo Station to Esaka Station for the purpose of transport for everyday life.

As a result of the mutual use of each other's tracks with the Midosuji Line of the Osaka Municipal Subway, it has been used by many people as the main transportation artery connecting the Hokusetsu district centred around Senri New Town with Osaka City.

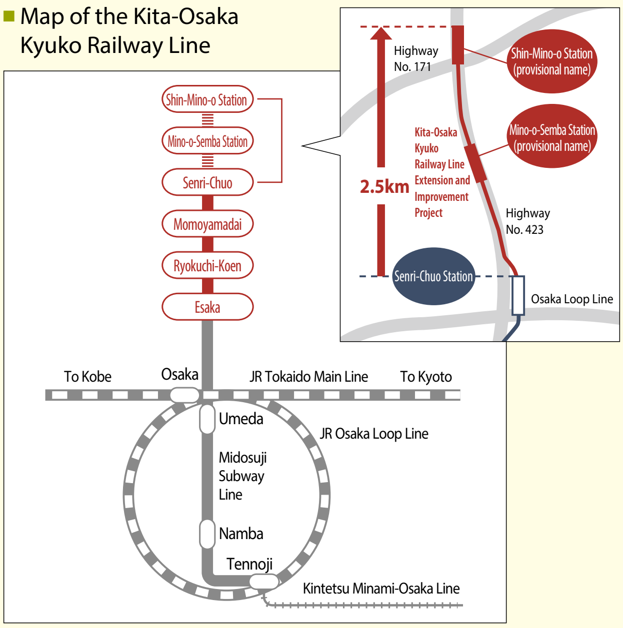
Basic Agreement on the Extension

For purposes including the strengthening of Osaka's north-south axis, reducing traffic congestion on National Highway No. 423 (Shin-Midosuji), and improving the convenience of public transportation in northern Osaka, the Osaka Prefectural Government, Minoh City, Kita-Osaka Kyuko Railway, and Hankyu Corporation conducted studies on extending the Kita-Osaka Kyuko Railway Line (from Senri-Chuo Station to Shin-Mino-o Station (provisional name)), and on 31st March, 2014 a basic agreement was reached between the four parties concerning the overview of the line and the cost burden ratio.

In the future, the legal procedures required for the commercialisation of the project will be advanced via city planning decisions and the acquisition of railway project licenses and permits, and following the conclusion of a basic contract, the project will be commenced.

Furthermore, in order to maximise the effect of the project, the four parties are currently studying specific measures for community building in the areas around the railway line.

■ Map of the Kita-Osaka Kyuko Railway Line



Overview of the Extension and Improvement Project

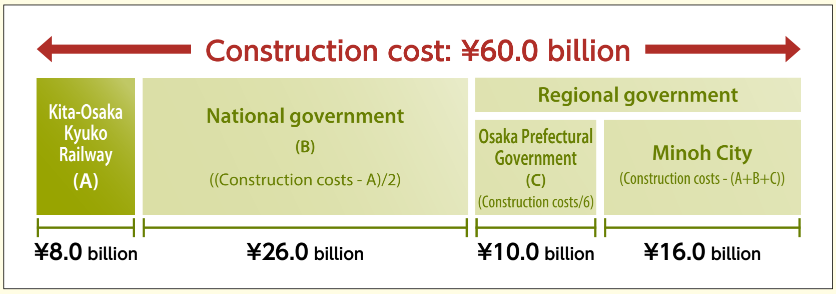
1 Extension area and new stations

This extension project will extend the line approximately 2.5 km north from Senri-Chuo Station and establish two stations named Shin-Mino-o Station (provisional name) and Mino-o-Semba Station (provisional name) in the strategic transportation hub where the National Highway No. 171 and National Highway No. 423 intersect.

2 Estimated project costs and the cost burden ratio

As of the point when the basic agreement was reached in March 2014, total project costs are expected to be ¥65.0 billion, with ¥60.0 billion consisting of construction costs and ¥5.0 billion consisting of vehicle costs.

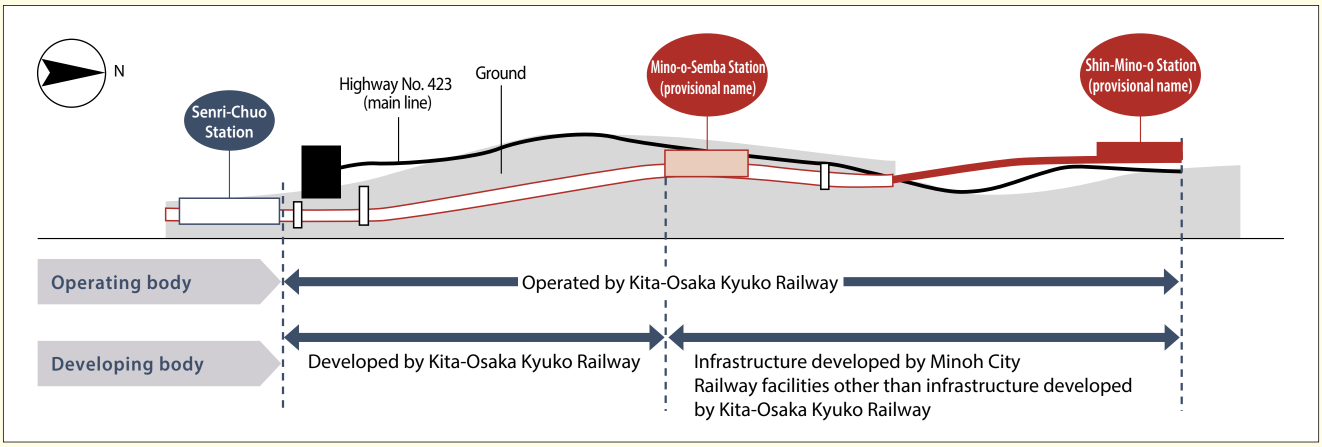
The construction costs will be borne by the national government, the Osaka Prefectural Government, Minoh City, Kita-Osaka Kyuko Railway as shown in the diagram to the right, while the vehicle costs will be split 50-50 by the national government and Minoh City.



3 The developing bodies and operating body

For this extension project, social capital development general subsidies from the national government will be used for developing the railway extension.

For this reason, Kita-Osaka Kyuko Railway will conduct development on the section from Senri-Chuo Station up to Mino-o-Semba Station (provisional name). For the remaining section, Minoh City will conduct infrastructure development and Kita-Osaka Kyuko Railway will develop railway facilities other than infrastructure. While each developing body will own the facilities and equipment after development, Kita-Osaka Kyuko Railway shall be responsible for the operation of the railway.



Demand Forecast

While the current demand forecast 42,000 people per day, this estimate was calculated in consideration of various elements including population within a certain range of the new stations and the number of buses to stations.

Note that these demand forecasts have not incorporated potential increases in demand from community building initiatives in the areas around the railway line and that demand could exceed initial forecasts depending on development trends in the future.

Core Business Highlights

Revenues from Operations (¥ billion)

Urban Transportation P.38

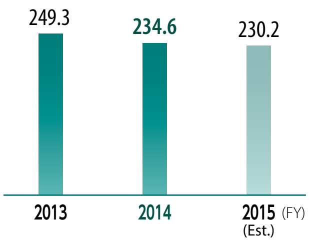
% of Revenues from Operations

32.5%

Revenues from Operations ¥234.6 billion (YoY −5.9%)

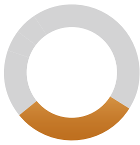
Operating Income Margin 16.4%

Segment Assets ¥764.1 billion (YoY +0.5%)



Real Estate P.42

% of Revenues from Operations

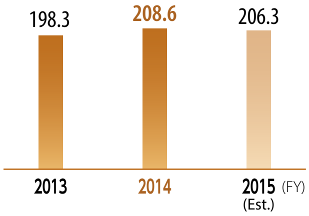


28.9%

Revenues from Operations ¥208.6 billion (YoY +5.2%)

Operating Income Margin 18.2%

Segment Assets ¥1,009.4 billion (YoY −0.7%)



Entertainment and Communications P.48

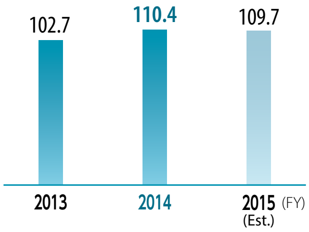
% of Revenues from Operations

15.3%

Revenues from Operations ¥110.4 billion (YoY +7.5%)

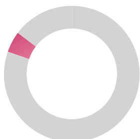
Operating Income Margin 12.8%

Segment Assets ¥142.8 billion (YoY +0.9%)



Travel P.51

% of Revenues from Operations

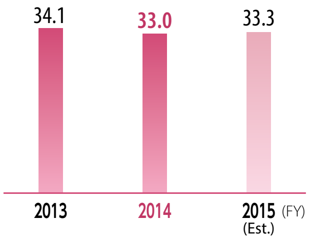


4.6%

Revenues from Operations ¥33.0 billion (YoY −3.2%)

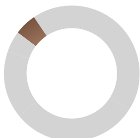
Operating Income Margin 3.7%

Segment Assets ¥74.5 billion (YoY +3.7%)



International Transportation P.54

% of Revenues from Operations

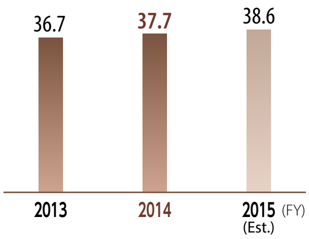


5.2%

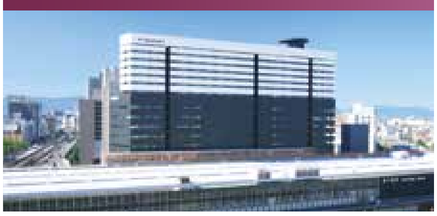
Revenues from Operations ¥37.7 billion (YoY +2.6%)

Operating Income Margin 5.4%

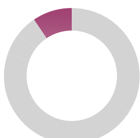
Segment Assets ¥39.8 billion (YoY +21.8%)



Hotels P.57



% of Revenues from Operations

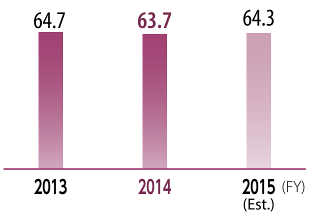


8.8%

Revenues from Operations ¥63.7 billion (YoY −1.5%)

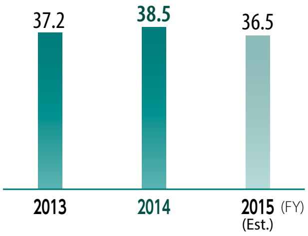
Operating Income Margin 1.3%

Segment Assets ¥85.7 billion (YoY −1.7%)



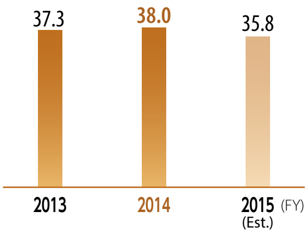
Notes: 1. Figures for % of revenues from operations are calculated based on the simple aggregate amount (including intersegment transactions) of each segment (fiscal 2014 results).
2. Revenues from operations in other businesses accounted for 4.8%.

Operating Income (¥ billion)	Nature of Business

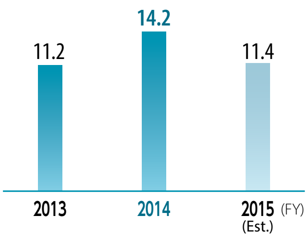


This segment comprises railway operations (with Hankyu Corporation operating the Kobe, Takarazuka and Kyoto lines out of Umeda (Osaka) and Hanshin Electric Railway lines directly linking Kobe with Osaka's major northern and southern terminals, Umeda and Namba). Together, the Hankyu and Hanshin network,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

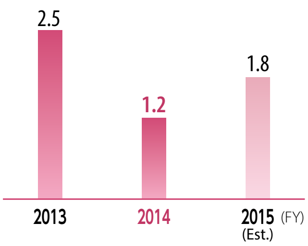
Total length of lines operated:
Hankyu Corporation: 143.6km Hanshin Electric Railway: 48.9km
(Including tier 2 railway operator)



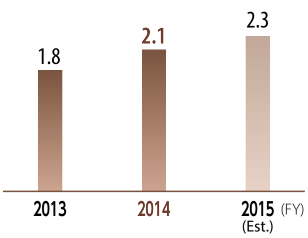
The Real Estate segment derives its core revenue from leasing and management of commercial facilities and office buildings and its condominium business. Its attractive business portfolio includes rental properties located mainly in the Umeda area and along the Group's rail lines, such as Umeda Hankyu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



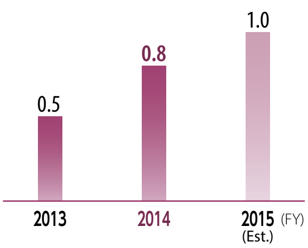
This segment offers a wide variety of live entertainment, centred on the sports business — the nationally popular and famous Hanshin Tigers professional baseball team and their home ground and high-school baseball mecca, Hanshin Koshien Stadium — and the stage revue business, based on the hugely popular Takarazuka Revue, which celebrated its 100th anniversary in 2014. In addition, this segment runs wide range of businesses such as 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 provide 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. It provides safe, comfortable travel for 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 logistic services and support for its customers with optimised supply chain management.



The Hankyu-Hanshin-Daiichi Hotel Group operates 48 hotels, consisting of 17 that are directly managed and 31 belonging to chains operated by franchises. It is one of Japan's leading hotel chains with 10,326 guest rooms (as of 31st March 2014). As a hotel operator with many directly managed hotels in the Tokyo and Kansai areas, Japan's two largest markets, it offers a wide range of hotel formats, from general-purpose "city hotels" to new style hotels (with very limited function facilities). In addition to chain operations, it also manages The Ritz-Carlton, Osaka, a venerable international luxury brand with which it has formed an alliance.

Urban Transportation

Major Businesses

- ☐ Railway operations: Hankyu Corporation, Hanshin Electric Railway, Nosé Electric Railway, Kita-Osaka Kyuko Railway, Hokushin Kyuko Railway, Kobe Rapid Transit Railway
- ☐ Automobile business (bus, taxi): Hankyu Bus, Hanshin Bus, Hankyu Kanko Bus, Osaka Airport Transport, Hankyu Denen Bus, Hankyu Taxi, Hanshin Taxi
- ☐ Retailing business: Eki Retail Service Hankyu Hanshin, Iina Dining
- ☐ Advertising business: Hankyu Corporation, Hankyu Advertising Agency

Snapshot

Performance in FY2014

Revenues from Operations

¥**234.6** billion (–5.9%)

Operating Income

¥**38.5** billion (+3.5%)

Priority Issues

1 Provide high-value customer services

- Improve the appeal of our transportation services and products
- Expand our networks and catchment areas

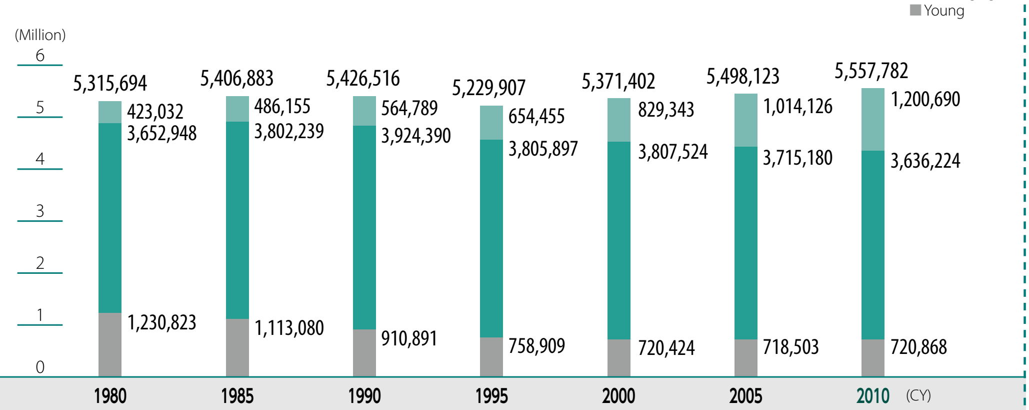
2 Ensure low-cost operations (pool and improve technology and know-how)

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

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

Population growth continues in areas served by our lines

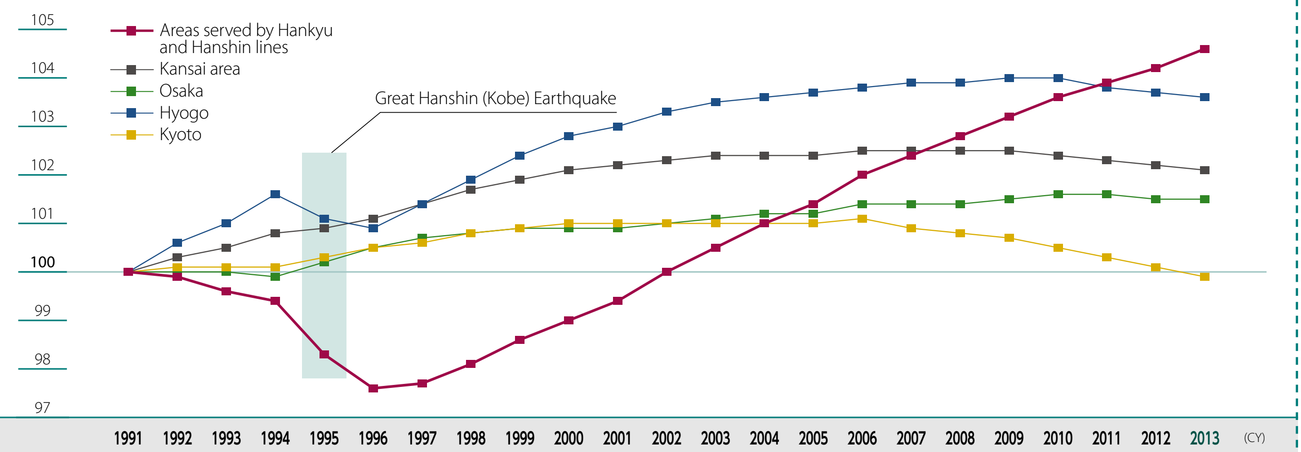
Figure 1: Population by Age Group, along Hankyu and Hanshin Lines (Population Census of Japan)



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

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

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



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

Areas served by Hankyu and Hanshin lines:

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

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

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

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

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

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

Measures to increase the appeal of areas along our lines

In order to respond to this kind of operating environment, the Group aims to thoroughly achieve low-cost operations through sharing Hankyu's and Hanshin's human resources and expertise. At the same time, it is encouraging greater public transport use by upgrading station facilities and expanding networks. Looking ahead, we will continue to improve standards of convenience for customers and make our railway lines more appealing by expanding and improving all our general transportation services.

▶Opening of Nishiyama-tennozan Station adjacent to the Nagaokakyo Interchange on the Kyoto-Jukan Expressway

On 21st December 2013, Hankyu Corporation opened a new station between Oyamazaki Station and Nagaokatenjin Station on the Hankyu Kyoto Line. In addition to improving the convenience of the traffic network in the surrounding area, the new Nishiyama-tennozan Station directly connects the railway with the expressway, which up until then had been separately constructed traffic networks. At its high-speed bus stop, passengers can transfer from a train to a high-speed bus that runs along the Meishin Expressway, Keiji Bypass, and Kyoto-Jukan Expressway. They can also use the newly established Park & Ride parking lot, which greatly improves the connection between private and public transportation. The station will dramatically improve convenience not just for people living next to the Hankyu line, but also for those who travel across a wide area. It is also expected to reduce the impact on the environment by encouraging people to use more public transportation. Please refer to the Train Line Map on page 6 and 7.

Nishiyama-tennozan Station

▶Start of operation of a temporary direct train service for groups from Hanshin Kobe Sannomiya Station using Kintetsu Limited Express rolling stock to tourist sites along the Kintetsu Line

On 22nd March 2014, Hanshin Electric Railway and Kintetsu Corporation launched a temporary train service for groups that uses Kintetsu Limited Express rolling stock to directly connect the Hanshin lines, alongside which are numerous exotic street scenes and venues such as Hanshin Koshien Stadium, with the Kintetsu lines, besides which are some of the nation's most famous tourist spots, such as Ise-Shima and the ancient capital Nara. This temporary service is for passengers travelling in groups, including on travel packages offered to the general public or school trip packages, and it runs on a special schedule, primarily on weekends and holidays. It is offered between various line sections, such as for passengers visiting Ise-Shima or Nara from Hanshin lines, or passengers visiting Kobe from Kintetsu lines. Please refer to the Train Line Map on page 6 and 7.

Departure ceremony of the temporary direct train service

Performance for the Fiscal 2014

While the sale of the bookstore business to an outside company decreased earnings, this was offset by the effects of the opening of commercial facilities in the area around Umeda Station, which is the terminal station for the Hankyu and Hanshin lines, and also the effects of the increase in demand prior to the hike of the consumption tax rate.

In the Railway Business, as was previously stated in December 2013, Hankyu Corporation opened Nishiyama-Tennozan Station. Moreover, with the aim of making station names easier to understand for customers, the names of four stations were changed, including changing Sannomiya Station to Kobe Sannomiya Station. In addition, station numbering was introduced for all stations. Elsewhere, we started operations of the new rolling stock 1000 series and 1300 series in order to reduce noise within trains and to realize energy-saving performance. With the approach of the 5th anniversary of the opening of the Hanshin Namba Line, Hanshin Electric Railway implemented various initiatives to further attract passengers, including launching a temporary train service for groups that directly connects Hanshin Kobe Sannomiya Station and Kintetsu Kashikojima Station. Elsewhere, the new elevator on the west wicket side of Koshien Station was opened for use in October 2013, while we have been working to further improve customer satisfaction through enhancing both facilities and services. These include having employees at every station acquire service care-fitters qualifications. In terms of revenues, the effects of the grand opening of the Umeda Flagship Store of Hankyu Department Store and the GRAND FRONT OSAKA, the increase in population in areas alongside lines, and the demand for commuter passes and other products prior to the hike in the consumption tax rate resulted in increases in revenues on both the Hankyu and Hanshin lines. Consequently, revenues from operations in the Railway Business as a whole increased 1.4%, or ¥2,001 million year on year, to ¥146,436 million.

In the Automobile Business, Hankyu Bus began services of the UMEGLE-BUS that operates around the Umeda area. Also, after a break of three years, Hanshin Bus restarted the Hanshin Koshien to Namba direct bus that runs after the end of night games at Hanshin Koshien Stadium. Hankyu Taxi has been striving to improve convenience for customers, including by accepting PiTaPa electronic money and starting a loyalty point payment service to enable passengers to pay their fair directly with STACIA points. In addition to these factors, the increase in use of the airport routes had a positive effect, and revenues from operations increased 1.2%, or ¥577 million year on year, to ¥47,557 million.

In the Retailing Business, the increase in revenues from measures to improve the appeal of facilities Ekinaka, such as the opening of an event shop within Hankyu Umeda Station, was offset by the decrease from the sale of the bookstore business to a company outside of the Group. Consequently, revenues from operations decreased 36.2%, or ¥18,716 million year on year, to ¥33,032 million.

As a result of the above, in Urban Transportation as a whole, revenues from operations decreased 5.9% or ¥14,787 million year on year, to ¥234,555 million. However, mainly due to the decrease in retirement benefit expenses and also the above-described factors in the Railway Business and Automobile Business, operating income increased 3.5%, or ¥1,285 million year on year, to ¥38,494 million.

Hankyu Corporation and Hanshin Electric Railway: Performance Results

		Fare revenues (¥ million)*			
		FY2014	FY2013	Change	%
Hankyu	Other tickets	61,630	60,749	880	1.4%
	Commuter pass	31,299	30,391	908	3.0%
	Total	92,929	91,141	1,788	2.0%
Hanshin	Other tickets	20,260	19,669	590	3.0%
	Commuter pass	11,008	10,740	268	2.5%
	Total	31,269	30,410	859	2.8%

		Passenger volumes (thousands)*			
		FY2014	FY2013	Change	%
Hankyu	Other tickets	313,241	308,716	4,524	1.5%
	Commuter pass	315,884	306,607	9,277	3.0%
	Total	629,125	615,324	13,801	2.2%
Hanshin	Other tickets	112,360	110,385	1,974	1.8%
	Commuter pass	113,644	110,748	2,896	2.6%
	Total	226,004	221,133	4,870	2.2%

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

Section 3
Core Businesses: Overview and Outlook

Forecasts for Fiscal 2015

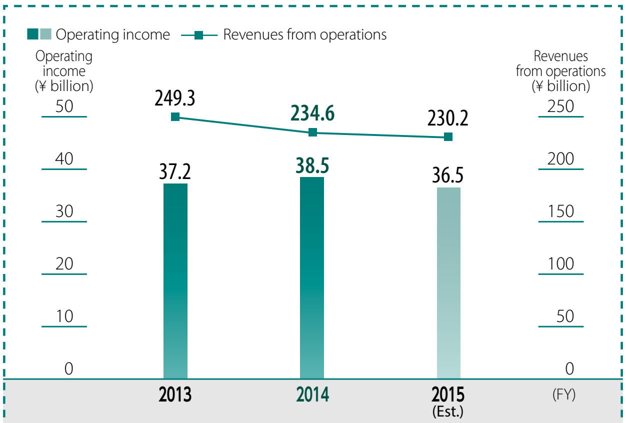
In the Railway Business, because of the extra demand that was generated in the previous fiscal year in advance of the hike in the consumption tax rate and also the decline in passenger numbers in the Automobile Business, we forecast that revenues from operations will decline 1.9%, or ¥4,400 million year on year, to ¥230,200 million. In addition to the factors that will cause revenues to decline, depreciation and amortisation expenses and power-related expenses are expected to rise. Therefore, we forecast operating income will decrease 5.2%, or ¥2,000 million year on year, to ¥36,500 million.

Hankyu Corporation and Hanshin Electric Railway: Performance Forecasts (Fiscal 2015)

	Fare revenues (¥ million)*			
	FY2015	FY2014	Change	%
Hankyu	91,717	92,929	−1,212	−1.3%
Hanshin	30,981	31,269	−287	−0.9%

	Passenger volumes (thousands)*			
	FY2015	FY2014	Change	%
Hankyu	621,260	629,125	−7,865	−1.3%
Hanshin	223,679	226,004	−2,325	−1.0%

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



Real Estate

Major Businesses

- ☐ Real estate leasing business: Extensive property-holdings, mainly in the Umeda area and along Hankyu and Hanshin lines (for details of major properties, please see page 47)
  Promote development business including the Umeda 1-1 Project
  Major companies: Hankyu Corporation, Hanshin Electric Railway, Hankyu Realty
- ☐ Real estate sales and other business: We market condominiums, residential land lots, and single family houses, mainly alongside the Hankyu and Hanshin lines in the Kansai area. In recent years we have also focused on the Tokyo 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 company: Hankyu Corporation, Hanshin Electric Railway, Hankyu Realty, Hankyu Hanshin Building Management, Hankyu REIT Asset Management

Snapshot

Performance in FY2014

Revenues from Operations

¥208.6 billion (+5.2%)

Operating Income

¥38.0 billion (+2.0%)

Priority Issues

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

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

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

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

3 Agile responses attuned to changes in the real estate sales business environment

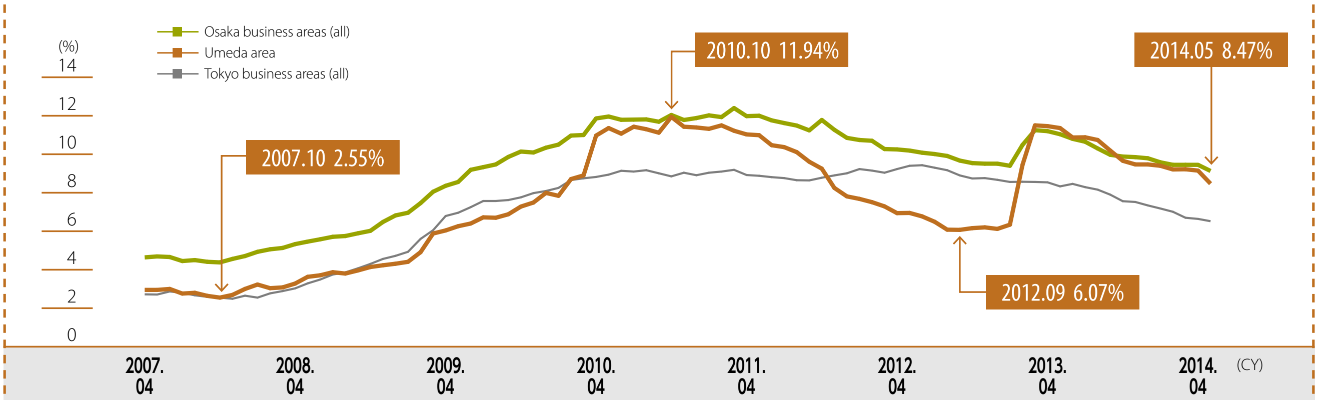
- Planning and development of condominiums tailored to customer needs and promoting business and sales focused on changing market conditions (such as the effects of the consumption tax rate hike).
- Develop communities of detached single-family town houses and steadily market residential land-lots (Yamatedai, Nakajima and Saito)
- Maintain supply network and aggressively obtain business opportunities in the Tokyo area while increasing recognition of *Geo*-brand condominiums and Hapia single family housing

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

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

A moderate improvement in vacancy rates

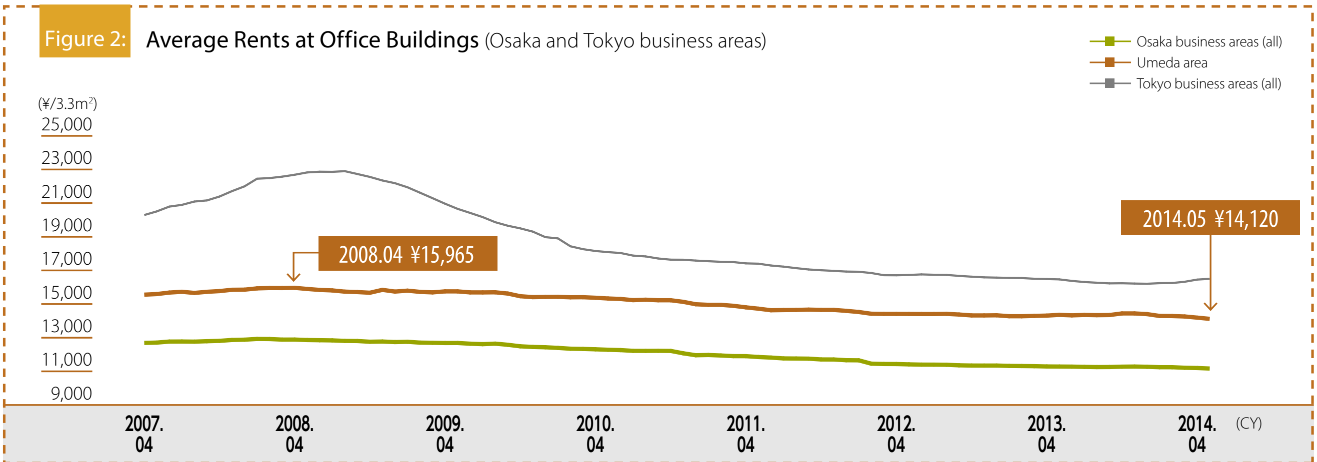
Figure 1: Average Vacancy Rates at Office Buildings (Osaka and Tokyo business areas)



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

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

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



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

Most operating income in the Group's Real Estate Business is generated by the real estate leasing business, which contributes to a stable cash flow. The Group has one of the largest rental real estate portfolios of any private rail company, with many properties located near the Hankyu and Hanshin lines (☞ for details, please see 'Major Rental Properties' on page 47). Overall rentable area operated by the Group was approximately 1.7 million m^2 (as of 31st March, 2014). Of this total, approximately one half, or 800,000 m^2 (70% being commercial facilities and the rest office facilities) are concentrated in the Umeda area, the heart of the Kansai economy, where the Group has a large number of very competitively located rental properties (near the Umeda stations of both Hankyu and Hanshin lines as well as JR Osaka Station (☞ please see page 29 for detailed map of the Umeda area).

Looking at the current market for rentable office space in the Umeda area, the opening of the GRAND FRONT OSAKA Office Tower building in April 2013 had a negative impact as it supplied a large volume of new office space, and vacancy rates worsened temporarily. However, thanks to tenants relocating from other districts, as well as large-scale business relocations accompanying mergers and corporate consolidations, vacancy rates have been gradually improving up to the present time (☞ see Figure 1 and 2 for average vacancy rates and average rent levels).

Accordingly, while there have been moderate improvements in the vacancy rates, they still have not recovered to the previous level (the levels in 2012), and the environment surrounding the office leasing business remains severe and the future uncertain. However, as explained earlier, thanks to the very competitive locations of our major rental office buildings which lie close to the Hankyu and Hanshin Umeda stations in central Umeda, we can expect relatively stable earnings on the back of steady demand and rent levels, even under the current conditions.

On the other hand, while the market environment for commercial facilities has changed in the Umeda area with the opening of GRAND FRONT OSAKA, the Group's commercial facility-related sales currently remain on par with the previous fiscal year. This is attributable to renovations and a major tenant reshuffling at key Group facilities, as well as a rise in the number of visitors to the Umeda area on the whole. Moreover, in March 2014, Hankyu Nishinomiya Gardens, which is one of our leading commercial facilities alongside our lines, implemented its largest ever refurbishment since its opening and is performing strongly both in terms of sales and visitor numbers.

While the tough business environment is expected to continue for a while, in addition to utilizing our strong relationships with our tenants, we are aiming to optimize costs through strengthening our leasing business management model. We are working to raise occupancy rates at the properties that we own and also improve the appeal and tourist potential of both the Umeda area and the areas alongside our lines as a whole.

We have achieved our initial targets for both visitor numbers and sales for GRAND FRONT OSAKA, and moreover are on course to achieve our target for leasing to office tenants

On 26th April 2014, GRAND FRONT OSAKA celebrated its first anniversary, and including for visitors to "Knowledge Capital" and "Shops & Restaurants," visitors to the entire facility exceeded the target for the year (36.5 million people), with in excess of 53 million people visiting it. Moreover, sales from the "Shops & Restaurants" commercial facilities that are managed by Hankyu Corporation and Hankyu Hanshin Building Management reached ¥43.6 billion for the approximately 11 months up to 31st March 2014, surpassing the initial fiscal year sales target of ¥40.0 billion.

In leasing to office tenants, the occupancy and informal tenancy commitment rates in July 2014 were around 60%, meaning the present leasing performance is on course to achieve its target.

Since the opening of the Office Tower, we have received requests from many companies and corporations wishing to come and view the office space and we are still receiving these requests today. Therefore, all of the 12 operators including Hankyu Corporation that form a consortium for Knowledge Capital Management will continue to work together and leverage their collective strength to attract office tenants.


GRAND FRONT OSAKA


Shops & Restaurants

Knowledge Capital (The Lab. A laboratory for the world)

The real estate sales business continues to enjoy robust sales

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

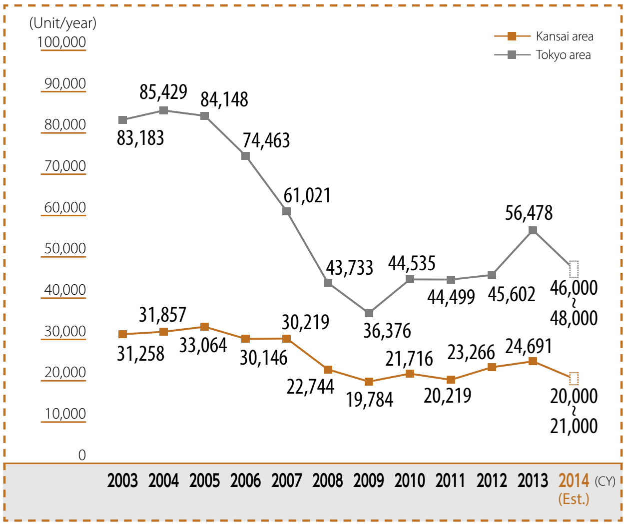
The number of individual condominium units supplied in 2013 stood at 56,478 in the Tokyo area, up 23.8% year on year, as customers are increasingly interested in purchasing in popular areas where prices are expected to rise in the future, particularly in the Tokyo wards. In the Kansai area, the number of individual condominium units supplied in 2013 was 24,691, up 6.1% year on year, as with the exception of Osaka Prefecture, where the supply was basically unchanged, sales increased in both Kyoto Prefecture and Hyogo Prefecture. The combined number of units supplied by the Group in the Tokyo and Kansai areas was 1,408, placing it 18th (3rd in the Kansai area) in the nationwide condominium supply rankings.

Looking at current conditions, in the first half of 2014 the average rate of conclusion of a sales contract in the first month after a condominium came on the market was 78.4% in the Tokyo area and 77.3% in the Kansai area, both above the generally employed benchmark level of 70% for condominium sales. But on the other hand, the number of condominium units forecast to be supplied to the market in 2014 is 46,000 to 48,000 in the Tokyo area and 20,000 to 21,000 in the Kansai area, both down around 20% year on year. The factors behind these significant year-on-year downward projections is, in addition to a decline in demand as a reaction to the surge in demand in the previous period in advance of the hike in the consumption tax rate, that increases in the prices of land and construction materials, and also labour costs, has resulted in a trend spreading among developers of holding back from sales.

Due to the impact of these kinds of market changes, the business environment is expected to become even more severe in the future. However, the Group is striving to secure the feasibility of this business by keeping a close watch on market trends and carefully selecting land for purchases, and moreover it is working to reduce costs without sacrificing functionality or quality.

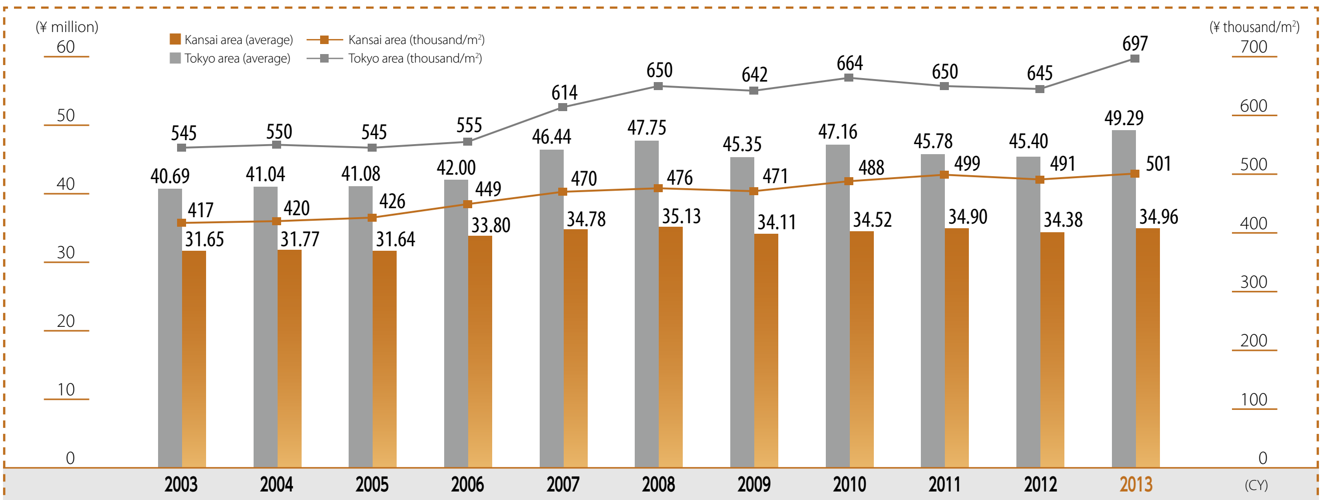
Note: The above figures are based on research by Real Estate Economic Institute Co., Ltd. Reference was made to *National Condominium Market Trends 2013*, and *Condominium Market Forecasts in the Tokyo Metropolitan and Kansai Areas in the First Half of 2014*.

New Supply of Condominiums (Tokyo and Kansai areas)



Source: Prepared by the company based on *National Condominium Market Trends 2013*, published by the Real Estate Economic Institute Co., Ltd.

Condominium Prices (Tokyo and Kansai areas)



Source: Prepared by the company based on *National Condominium Market Trends 2013*, published by the Real Estate Economic Institute Co., Ltd.

Performance for the Fiscal 2014

Increases in revenues and earnings from the full-year operations of the Umeda Flagship Store of Hankyu Department Store in Umeda Hankyu Building

In the real estate leasing business, as was previously described, GRAND FRONT OSAKA opened in April 2013. It received many visitors over the course of the year and sales from the "Shops & Restaurants" commercial facilities achieved the initial fiscal year target. In addition, the same month saw the grand opening of the AMASTA AMASEN (formerly AMASEN) commercial facility in Hanshin Amagasaki Station, while in March 2014, Hankyu Nishinomiya Gardens implemented a large-scale refurbishment. In addition to such measures, each company in the Group worked to strengthen the competitiveness and maintain the occupancy rates of the commercial facilities and office buildings that it owns, despite the tough business environment. Thanks to these efforts and also the contribution from the full-year of operations of the Umeda Flagship Store of Hankyu Department Store, revenues from operations increased 8.7%, or ¥8,125 million year on year, to ¥101,309 million.

In real estate sales business, sales of condominiums in the Kansai area were made for *Geo* Tower Tenroku (Kita Ward, Osaka City), *Geo* Takatsuki Muse EX (Takatsuki City, Osaka Prefecture), and *Geo* Grande Shukugawa Aioi Town, (Nishinomiya City, Hyogo Prefecture), and in the Tokyo area, at *Geo* Monzennakacho Fuyuki (Koto Ward, Tokyo). In residential land-lot and single-family housing subdivisions, we marketed units including Hankyu Takarazuka Yamatedai Cleas/View-Uno (Takarazuka City, Hyogo Prefecture), Saito/Minoh Garden Terrace (Minoh City, Osaka), HAPIA Garden Neyagawa City Ekinote Koen Dori no Machi (Neyagawa City, Osaka Prefecture), and HAPIA Garden Oji Sky Hills (Oji Town, Kitakatsuragi District, Nara Prefecture). As a result, revenues from operations in the real estate sales business rose by 4.6%, or ¥5,477 million, to ¥123,876 million.

Also, through the acquisition in April 2013 of part of the equity of HEP FIVE that was owned by Hankyu REIT Inc., and of NU chayamachi, the Group is taking the initiative to increase the value of commercial facilities and aiming to further revitalise the Umeda area. In addition, it has sold some of the equity it held in Hankyu Nishinomiya Gardens to the same corporation.

As a result of these factors, revenues from operations in the Real Estate Business overall increased by 5.2%, or ¥10,267 million, to ¥208,610 million, and operating income rose 2.0%, or ¥729 million, to ¥38,008 million.

* Condominium unit sales in previous year (fiscal 2013): 1,548
Condominium unit sales in year under review (fiscal 2014): 1,356
Note: Number of condominiums sold (number of deliveries) includes units in shared buildings in which only a portion of the units are subdivisions for sale.


Umeda Hankyu Building


Geo Tower Tenroku

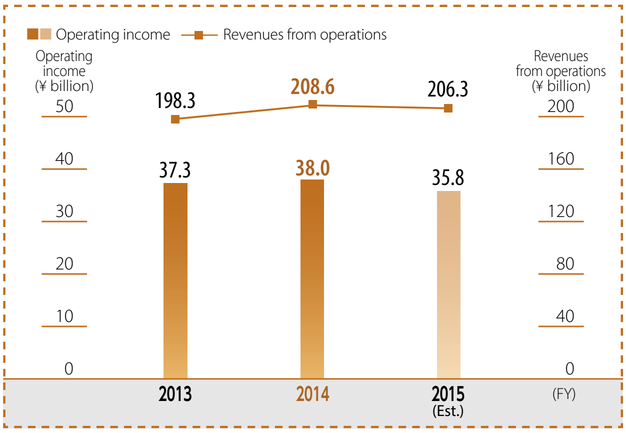

HAPIA Garden Neyagawa City Ekinote Koen Dori no Machi


Hankyu Nishinomiya Gardens

Forecasts for Fiscal 2015

In the real estate leasing business, while we expect an increase in office rental income, we also anticipate that there will be a decline in rental income (from the reduced rental area) due to the start of construction work of the Umeda 1-1 Project (the rebuilding of the Dai Hanshin Building and the Shin Hankyu Building), and also a reduction in earnings from sales of condominiums within real estate sales business. Consequently, we forecast revenues from operations will decline 1.1%, or ¥2,300 million year on year, to ¥206,300 million, and operating income will fall 5.8%, or ¥2,200 million, to ¥35,800 million.

* Please refer to P.32 for details of the Umeda 1-1 Project.



Major Rental Properties (as of the end of March, 2014)

Property Name	Location	Completed	Leasable Area* (m²)	Use
Umeda Hankyu Bldg.	Kita-ku, Osaka	2012	213,147	Department stores (Hankyu Department Store), Offices
Dai Hanshin Bldg.	Kita-ku, Osaka	1963	98,578	Department stores (Hanshin Department Store)
Umeda Hanshin Daiichi Bldg. (HERBIS OSAKA)	Kita-ku, Osaka	1997	81,631	Hotels (The Ritz-Carlton, Osaka), Offices, Commercial facilities, Multifunctional convention hall
Umeda Hanshin Daini Bldg. (HERBIS ENT)	Kita-ku, Osaka	2004	54,799	Offices, Commercial facilities, Theatre (Osaka Shiki Theatre)
Hankyu Chayamachi Bldg. (Applause Tower)	Kita-ku, Osaka	1992	52,099	Hotel (Hotel Hankyu International), Offices, Commercial facilities
Hankyu Sanban Gai Shopping Centre	Kita-ku, Osaka	1969	41,043	Commercial facilities
Hankyu Grand Bldg.	Kita-ku, Osaka	1977	36,054	Offices, Commercial facilities
Shin Hankyu Bldg.	Kita-ku, Osaka	1962	32,962	Offices, Commercial facilities
GRAND FRONT OSAKA	Kita-ku, Osaka	2013	28,125	Offices, Commercial facilities, Knowledge Capital, Hotel (InterContinental Hotel Osaka)
Hankyu Terminal Bldg.	Kita-ku, Osaka	1972	26,491	Offices, Commercial facilities
Hankyu Five Bldg. (HEP FIVE)	Kita-ku, Osaka	1998	19,738	Commercial facilities
Navio Hankyu (HEP NAVIO)	Kita-ku, Osaka	1980	15,711	Commercial facilities
Kita Hankyu Bldg.	Kita-ku, Osaka	1971	13,356	Offices, Commercial facilities
NU chayamachi	Kita-ku, Osaka	2005	11,895	Commercial facilities
Umeda Centre Bldg.	Kita-ku, Osaka	1987	10,214	Offices, Commercial facilities
NU chayamachi PLUS	Kita-ku, Osaka	2011	3,021	Commercial facilities
Noda Hanshin Bldg. (WISTE)	Fukushima-ku, Osaka	1992	31,630	Commercial facilities, Offices
Fukushima Hanshin Bldg.	Fukushima-ku, Osaka	1987	21,764	Offices
Shin-Osaka Hankyu Bldg.	Yodogawa-ku, Osaka	2012	24,240	Offices, Hotel (REMM Shin-Osaka), Commercial facilities
Sannomiya Hanshin Bldg.	Chuo-ku, Kobe	1933	13,672	Department stores (SOGO)
Motomachi Hanshin Bldg.	Chuo-ku, Kobe	1987	7,865	Outside horse-racing ticket booth
Kobe Hankyu Bldg.	Chuo-ku, Kobe	1936	7,657	Commercial facilities
Hankyu Nishinomiya Gardens	Nishinomiya, Hyogo	2008	108,240	Commercial facilities, Department stores (Hankyu Department Store)
EBISTA Nishinomiya (Commercial facility under elevated railway tracks)	Nishinomiya, Hyogo	2003	10,359	Department stores (Hanshin Department Store), Commercial facilities
Itami Hankyu Station Bldg. (Itami Reita)	Itami, Hyogo	1998	11,800	Commercial facilities
Hankyu Kawaramachi Bldg.	Shimogyo-ku, Kyoto	1974	38,237	Department stores (Takashimaya)
Shijo Kawaramachi Bldg. (Kotocross Hankyu Kawaramachi)	Shimogyo-ku, Kyoto	2007	2,979	Commercial facilities
Katsura Higashi Hankyu Bldg. (MEW Hankyu Katsura)	Nishikyo-ku, Kyoto	1993	2,874	Commercial facilities
TX Akihabara Hankyu Bldg.	Chiyoda-ku, Tokyo	2008	10,297	Hotel (REMM Akihabara), Commercial facilities

* Leasable area does not include areas for public use.

Entertainment and Communications

Major Businesses

- ☐ Sports business: Professional baseball business (the Hanshin Tigers) and Hanshin Koshien Stadium, and related businesses
- ☐ Stage businesses: Takarazuka Revue and related businesses, operation of Umeda Arts Theatre and promotion of stage productions
- ☐ Communication and media businesses: Information services business, broadcast and communications business
- ☐ Leisure businesses: Facilities on top of Mt. Rokko, and other leisure businesses

Snapshot

Performance in FY2014

Revenues from Operations

¥110.4 billion (+7.5%)

Operating Income

¥14.2 billion (+26.1%)

Priority Issues

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

- Improve the appeal of live events
  (create superior attractions, train and acquire star talent, and increase the appeal of our live-event venues)
- Broaden the fan base and improve customer retention
  (developing sales by actively using CRM and by leveraging to the maximum extent the appeal of contents, and strengthening promotions through external media)
- Create value chain of live events, media, and secondary contents
  (enhance the appeal of established media, broaden the range of media channels)

2 Establish the business foundations for communications media

- Raise the value of mediums as media alongside lines and deepen communication with local customers
- In the information service business, develop the solution business both inside and outside of the Group

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

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

Two attractions enhancing Group brand value

According to the Ministry of Internal Affairs and Communications Statistics Bureau's Family Income and Expenditure Survey, recreational service expenditure of total household in 2013 (real terms) rose 3.7% year on year, the second consecutive year of increase. Personal consumption spending was strong, but the polarisation trend continued in the live entertainment industry, with demand focused only on some popular contents and the rest struggling.

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

Going forward, we will work to improve customer loyalty and maximise the Group's brand value by pursuing high-quality performances that deliver inspiration and dreams to our customers.

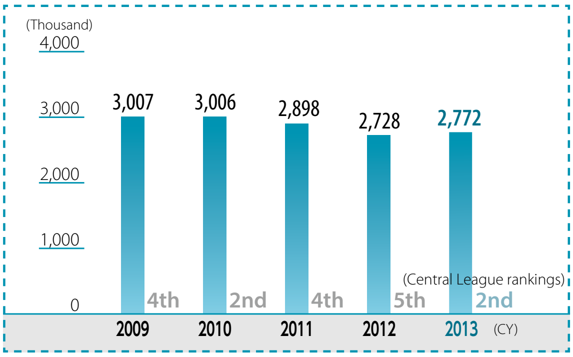
▶Hanshin Tigers and the Hanshin Koshien Stadium

Of the professional baseball leagues in Japan, the Hanshin Tigers has both one of the longest histories and a bedrock of fans not only in their home area, Kansai, but also across Japan. Attendances at home games in the Pennant Race have each year been at the highest level among the 12 professional baseball teams in both the Central and Pacific Leagues in Japan.

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

From the autumn of 2007, refurbishment work began on the theme of passing down its history and tradition while offering improved safety and comfort, and in March 2010 the work was completed and the stadium was reborn with its new appearance. This year marks the 90th anniversary of its opening, and while continuing to evolve as a temple of baseball culture in Japan, it is aiming to be a stadium loved by all even more than before.

■ Total Attendances at Hanshin Tigers Home Games



▶Takarazuka Revue

Takarazuka Revue is one of the few theatrical companies in the world composed of only women, and from the stage the performers invite the inspiration and dreams of the audience. It gives performances throughout the year at its two main venues, the Takarazuka Grand Theatre in Hyogo Prefecture (2,550 seats) and the Tokyo Takarazuka Theatre (2,069 seats), and also gives performances nationwide. Up to the present time, it has also given 25 performances overseas in 18 countries and regions and has established a wonderful reputation throughout the world. It is also utilising media in a number of fields to distribute video and music, including through the specialist Takarazuka Revue channel TAKARAZUKA SKY STAGE and over Internet. In 2013, the troupes gave over 450 performances, reaching a total of approximately 2.5 million people during the year, at both its main theatres and also on troupe tours of venues nationwide.

This year marks the Takarazuka Revue's centennial anniversary and from here on, based on its philosophy of "Modesty, Fairness and Grace" it will continue to make its history while also aiming to take a leap forward. As following on from its performances in Taiwan in April 2013, it intends to expand into Asia and capture new fans from all across the region.

▶ Communication and media business that delivers inspiration and dreams to customers' homes through diverse contents

In the broadcast and communications business, we provide services that can meet customers' diverse needs in order to enhance convenience for their use of cable television, the Internet, and the telephone. Also, in our information services business, we are providing optimised solutions in each of the areas of e-commerce, webpage production, railway- and building-related systems development, and the construction of public wireless LAN infrastructures at Group facilities. In this way, we are providing a wide range of support for homes and businesses.

Performance for the Fiscal 2014

Revenues and earnings increased, as in the sports business the Hanshin Tigers was able to go all the way to the Climax Series, while both the stage business and information services business performed steadily

In the sports business, the number of Hanshin Tigers regular season home games increased (from 70 in fiscal 2013 to 72 in fiscal 2014). Moreover, supported by their many fans, the team was able to go all the way to the Climax Series, finishing in second place.

At Hanshin Koshien Stadium, we implemented various projects for merchandising, food and drink, and fan services, and we strove to manage the facility in order to maximise its appeal to fans. Merchandise launched for players who had newly joined the team was well received, as were the eating and drinking establishments that were newly attracted to the stadium. As a result, revenues from operations increased 10.0%, or ¥2,817 million year on year, to ¥30,910 million.

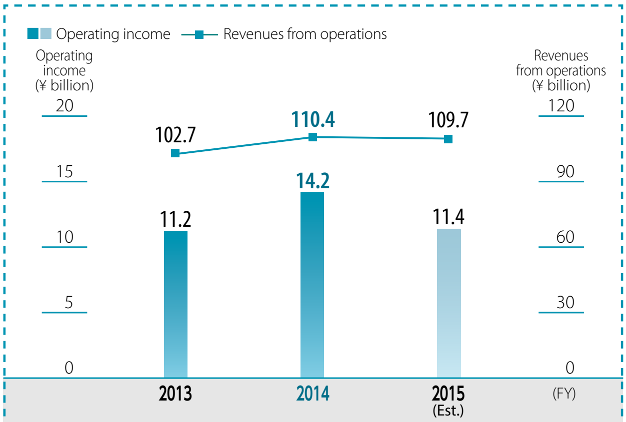
In the stage business, the stage revue business had notable successes with productions at the Takarazuka Grand Theatre and Tokyo Takarazuka Theatre. The Yuki (Snow) troupe's performance of *Versailles no Bara — Felsen ed.* — (La Rose de Versailles — Felsen ed. —) featured its top stars, while the Hoshi (Star) troupe celebrated the Revue's centennial year by performing *L'Homme sans sommeil: Napoléon ~Au-delà de l'Amour et de la Gloire* — (Napoléon, the Man Who Never Sleeps —At the End of His Love and Glory). In addition, the Revue performed overseas for the first time in eight years and its performance in Taiwan was a great success. Moreover, as part of the celebrations in 2014 of the Takarazuka Revue's centennial anniversary, refurbishment work at the Takarazuka Grand Theatre was carried out, including to its main front gate. In the theatre business we put on a variety of highly topical productions that received favourable reviews, including *DREAM, A DREAM*, which featured stars of successive generations of the Takarazuka Revue, at Osaka's Umeda Arts Theatre and Tokyo's Tokyu Theatre Orb, and the independently produced *4 Stars*, in which famous stars from overseas were invited to perform. As a result, revenues from operations in these businesses increased 3.2%, or ¥1,057 million year on year, to ¥33,747 million.

Elsewhere in the communication and media business, within the information services business Hankyu Corporation followed on from Hanshin Electric Railway and installed high-speed public wireless LAN services at all its stations. In the broadcast and communications business, subscriber numbers steadily grew in the cable television business, mainly thanks to sales from discount plans for long-term contracts and mobile phone set menus. In addition, Rworks, Inc. was added to the scope of consolidation. Consequently, revenues from operations in the communication and media business increased 8.7%, or ¥3,732 million year on year, to ¥46,474 million.

As a result of the above, revenues from operations in the Entertainment and Communications Business overall improved 7.5%, or ¥7,654 million year on year, to ¥110,350 million, while operating income rose 26.1%, or ¥2,933 million, to ¥14,172 million.

Forecasts for Fiscal 2015

In the sports business, we expect a decline in revenues from sales of Hanshin Tigers merchandise and food and drink, as they performed particularly strongly in the previous year, and therefore forecast that revenues from operations will decline 0.6%, or ¥700 million year on year, to ¥109,700 million. Also, in addition to the above factors causing decreases, we expect an increase in depreciation and amortisation expenses in the stage business in conjunction with the theatre refurbishment work, and so are forecasting that operating income will fall 19.6%, or ¥2,800 million, to ¥11,400 million.



Travel

Major Businesses

☐ Travel Business: Hankyu Travel International, Hankyu Hanshin Business Travel, Hankyu Travel Support
Total travel billings: ¥408.7 billion

* Total travel billings is the fiscal 2014 total of two companies, Hankyu Travel International and Hankyu Hanshin Business Travel

Snapshot

Performance in FY2014

Revenues from Operations

¥33.0 billion (–3.2%)

Operating Income

¥1.2 billion (–50.1%)

Priority Issues

1 Raise customer satisfaction levels

- Rigorous quality and risk management

2 Strengthening of Product Planning

- Create products supported by customers and expand the lineup of products we offer, centred on our original product range of core brand travel packages

3 Create the fundamentals for stable earnings

- Improve the structure of the back office/administrative departments, carry out direct purchasing for the main overseas hotels

4 Enhance management resources

- Develop diverse human resources on which the future of the Group depends, effectively utilise these human resources, improve levels of employee satisfaction, and strengthen inbound demand by developing the overseas business

©Austrian Tourism Board

Aim to achieve the highest customer approval ratings in the industry

Since the 1990s, the Group's Travel Businesses have focused on using newspapers and other media (mail-order and online sales) to market packages, which are organised under a stable of brands spearheaded by the mainstay Trapics brand, which has constantly maintained a top position in the industry. We have won the support of countless customers over many years to the extent that in 2014, the Trapics brand celebrates its 25th anniversary.

The business environment is characterised by external factors such as economic and social trends, earthquakes and other natural disasters, and the numbers of Japanese traveling overseas has been sluggish. But in contrast, in recent years there has been a steady increase in the number of overseas visitors to Japan.

In this environment, we have been developing sales activities with a sense of speed characterised by media sales, which is one of the strengths of Hankyu Travel International, and have also been proactively developing our product lineup. As a result of these efforts, we are achieving steady growth in both overseas travel and domestic travel. We are also actively working on new businesses so that our customers continue to choose our services. For example we are striving to provide products that provide value to customers and that also reflect our ability to read the trends of the times, while also focusing our energies into our inbound business.

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

■ The Hankyu Travel International travel brand

■ Total Travel Billings (FY2014)

Rank	Company name	¥ billion
1	JTB	1,494.4
2	KNT-CT Holdings	525.4
3	Nippon Travel Agency	411.7
4	HIS	410.8
5	*Hankyu Travel International	408.7
6	Rakuten Travel	364.5
7	JTB World Vacations	253.6
8	ANA Sales	213.1
9	JALPAK	175.7
10	Top Tour	112.3

■ Overseas Travel Billings (FY2014)

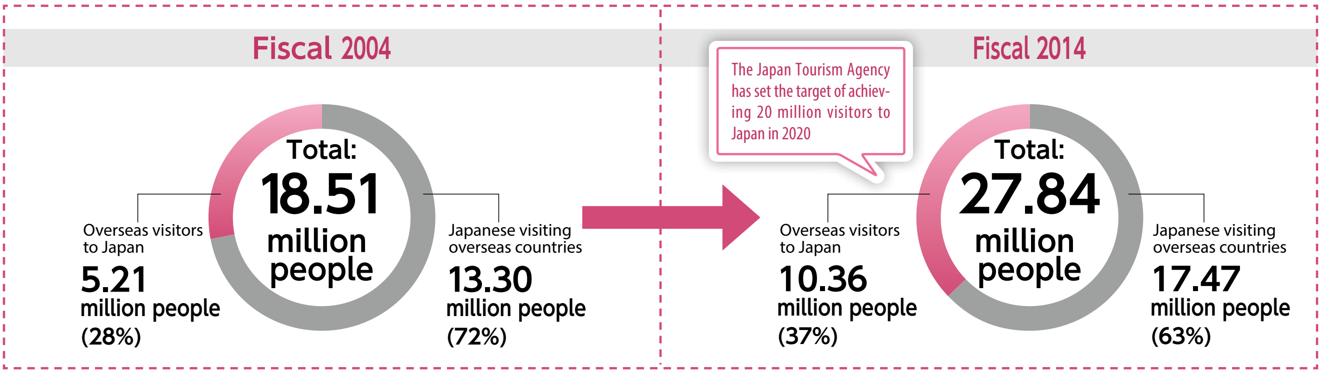
Rank	Company name	¥ billion
1	JTB	496.6
2	HIS	364.9
3	*Hankyu Travel International	261.6
4	JTB World Vacations	253.6
5	KNT-CT Holdings	170.1
6	Nippon Travel Agency	144.5
7	JALPAK	67.9
8	JTB Business Travel Solutions	50.4
9	Travel Plaza International	48.8
10	Nissin Travel Service	43.0

■ Domestic Travel Billings (FY2014)

Rank	Company name	¥ billion
1	JTB	958.0
2	KNT-CT Holdings	345.8
3	Rakuten Travel	344.9
4	Nippon Travel Agency	251.6
5	ANA Sales	187.6
6	*Hankyu Travel International	146.3
7	JALPAK	107.7
8	JR TOKAI TOURS	89.4
9	Top Tour	78.6
10	Meitetsu World Travel	74.0

Source: Japan Tourism Agency Bulletin: Business Volume for Major Travel Agents (April 2013 to March 2014)
Note: Billings are rounded down to the nearest ¥100 million.
* The total of both Hankyu Travel International and Hankyu Hanshin Business Travel

■ Number of Japanese visiting overseas countries and overseas visitors to Japan



Source: prepared by the Company based on statistical data of the Japan National Tourist Organization (JNTO)

Performance for the Fiscal 2014

Decreases in revenues and earnings in overseas travel from the decline in tourists visiting China and South Korea

In overseas travel, no recovery was seen to the decline in the number of tourists visiting China and South Korea from early autumn in the previous fiscal year, and the sluggish performance continued. The number of tourists visiting the Middle East also fell due to its unstable political situation, and there was no change to the tough business environment.

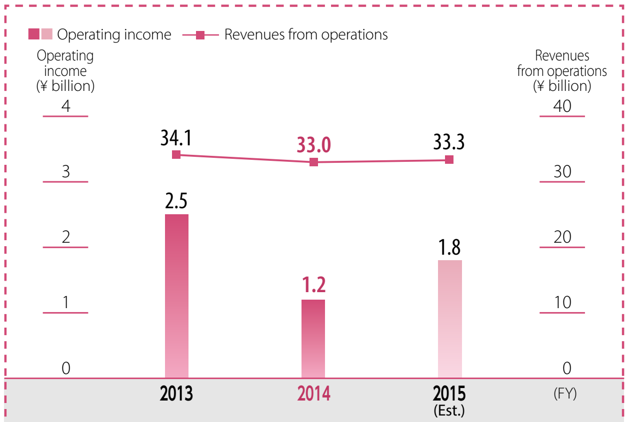
In domestic travel, sales were strong for tourists visiting Hokkaido, Tohoku, and Okinawa. In addition, we aimed to enhance our lineup of products that take advantage of specific events, such as the ceremonies to move the shrines at Ise Jingu Shrine and the Grand Shrine of Izumo, and in such ways worked hard to attract more customers.

Elsewhere, we have been continuously developing products that are highly appealing to customers. These included plans for a charter cruise to celebrate the 25th anniversary of the Trapics brand, and plans for overseas and domestic tours to celebrate the 65th anniversary of the establishment of Hankyu Travel International.

Despite these efforts, the tough business environment meant that revenues from operations were down 3.2%, or ¥1,079 million year on year, to ¥33,006 million, while operating income decreased 50.1%, or ¥1,227 million, to ¥1,224 million.

Forecasts for Fiscal 2015

Although we expect a year-on-year decline in domestic travel, we also anticipate a recovery in overseas travel for tourists visiting Taiwan, Turkey, and Egypt. So we forecast revenues from operations will increase 0.9%, or ¥300 million year on year, to ¥33,300 million, and operating income will rise 47.1%, or ¥600 million, to ¥1,800 million.



International Transportation

Major Businesses

☐ International Transportation Business: Hankyu Hanshin Express Group 22 companies
Sales: ¥78.5 billion

* Sales are total of Hankyu Hanshin Express Group figures for fiscal 2014.

Snapshot

Performance in FY2014

Revenues from Operations

¥37.7 billion (+2.6%)

Operating Income

¥2.1 billion (+13.4%)

Priority Issues

1 Build a global governance system

- Controlling functions for each of the five poles

2 Provide total solutions to growth industries

- Promote investment to expand the logistics business and increase sales for growth industries

3 Construct a sales system that meets customer needs

- Conduct sales that prioritise the customer and expand sales, including for non-Japanese companies

4 Build a system for creating high-value-added services

- Advance BPR and WSI and reform product development and existing services

5 Expand the network for promising markets and strengthen existing bases

- Further expand into newly developing countries in Africa, South and Central America, and ASEAN

6 Control information, knowledge and finances, and employ and train human resources

- Disseminate to employees the Hankyu Hanshin Express Way, employ and train human resources, and promote ERM

7 Expand into new business areas

- Strengthen the logistics and marine transportation businesses and create new businesses

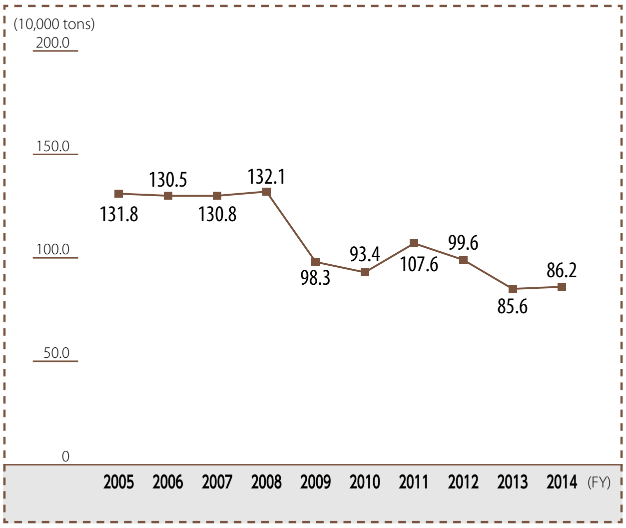
Five poles: North America, Europe, East Asia, ASEAN, South Korea and Japan
BPR: Business Process Re-Engineering
WSI: Working Style Innovation
ERM: Enterprise Risk Management

Utilising advanced ICT to be an innovative logistics provider that is the leader in international logistics

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

In terms of the business environment, in recent years there has been a decline in airlines exporting freight from Japan due to Japan's manufacturing industry moving its plants overseas. In order to be a winner in the global competition in this harsh business environment, while of course always concentrating on quality, we are also aiming to construct bases to service newly developing markets and to strengthen the foundations of our logistics business and marine transportation business in order to realise a system that can provide total solutions. Therefore, we have set fiscal 2016 as the time period for our structural reforms and we are putting in place the business infrastructure that is necessary to steadily tackle our priority issues.

■ Weight of freight exports of mixed cargo carried by airlines from Japan



■ Our network of overseas bases

Number of bases: domestically, 32 / internationally, 96 (as of 31st March 2014)

Performance for the Fiscal 2014

Revenues and earnings increased due to the moderate recovery in freight demand, particularly from Europe, the United States, and Asia, and also the effects of the exchange rate fluctuations since the previous fiscal year

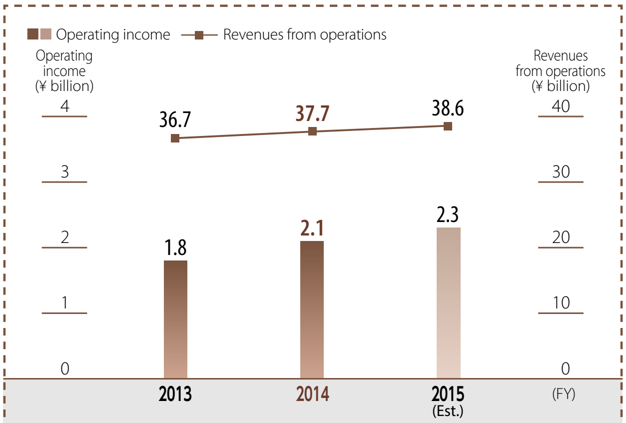
Competition in the International Transportation Business has become over fiercer and the business environment even tougher. But on the other hand, we have seen a moderate improvement in freight demand thanks to the recovery of the global economic environment.

Within this trend, we have established local subsidiaries in the growth market of Mexico and also in Myanmar, into which Japanese, American, and European companies are advancing at an incredible speed. We have additionally established in office in Đồng Nai Province in the southern part of Vietnam, into which a large number of Japanese companies have already established bases. In such ways, we are aiming to enhance our global network and to strengthen our system so we can provide our customers with even higher quality services.

Thanks to these efforts, and also because of the effects of the improvement in the performances of overseas subsidiaries due to exchange rate fluctuations, revenues from operations increased 2.6%, or ¥950 million year on year, to ¥37,696 million, and operating income rose 13.4%, or ¥241 million, to ¥2,051 million.

Forecasts for Fiscal 2015

We expect a moderate recovery in logistics demand among our overseas subsidiaries, particularly those in ASEAN and East Asia. Consequently, we forecast revenues from operations will grow 2.4%, or ¥900 million year on year, to ¥38,600 million, and that operating income will increase 12.1%, or ¥200 million, to ¥2,300 million.



Hotels

Major Businesses

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

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

Snapshot

Performance in FY2014

Revenues from Operations

¥63.7 billion (–1.5%)

Operating Income

¥0.8 billion (+54.2%)

Priority Issues

1 **Improve profitability of established hotels**

2 **Develop the chain by opening new hotels; roll-out the plan to open new REMM hotels, centred on the Tokyo area**

3 **Develop the chain**

- Enhance the service functions of the chain headquarters
- Increase the number of chain franchises

One of the leading hotel groups in Japan

Since the opening of the Takarazuka Hotel in 1926, the Hankyu-Hanshin-Daiichi Hotel Group has managed various types of hotels as one of the leading hotel groups in Japan, with a total of 48 hotels and 10,326 guest rooms (as of 31st March 2014).

Conditions in the hotel market

According to estimates by the Japan Productivity Center*1, Japan's hotel market continued to expand from 2003 through 2007 (based on sales). However, in 2009 and 2010, room demand slumped and the scale of the hotel market fell back to ¥976 billion, 10% below its peak in 2007. This was due to a decline in numbers of business people visiting Japan after the global economic crisis following the collapse of Lehman Brothers in the autumn of 2008 and to weak leisure spending owing to the H1N1 flu scare in 2009. In 2011, the size of the market contracted further to ¥949 billion due to sluggish demand in the aftermath of the Great East Japan Earthquake and subsequent nuclear accident. But these effects ran their course and the number of overseas visitors to Japan (inbound) recovered and increased in 2012, and the size of the market has returned to around the same level as it was before the earthquake, of ¥979 billion.

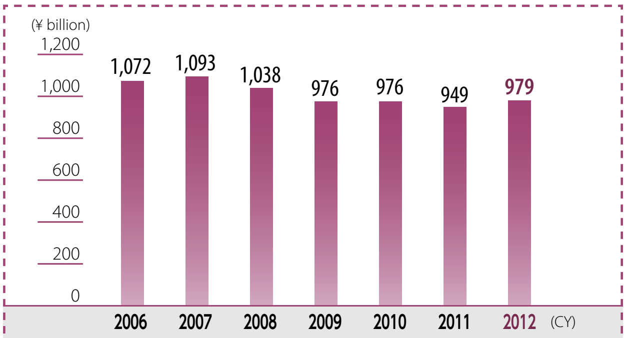
In the background to the growth in inbound demand has been the expansion of low cost carrier (LCC) airlines and the increase in the number of routes they offer. But in addition, in 2013 the rapid devaluation of the yen, one of the effects of Abenomics, also proved to be a fair wind, in that inbound visitors sense that tour fees and products purchased in Japan are comparatively inexpensive.

The trend in inbound visitors*2 traces roughly the same path as the trend in the scale of the hotel market. It fell greatly in 2009 after the Lehman Brothers' collapse and then once again increased from 2012 onwards, exceeding 10 million for the first time in 2013.

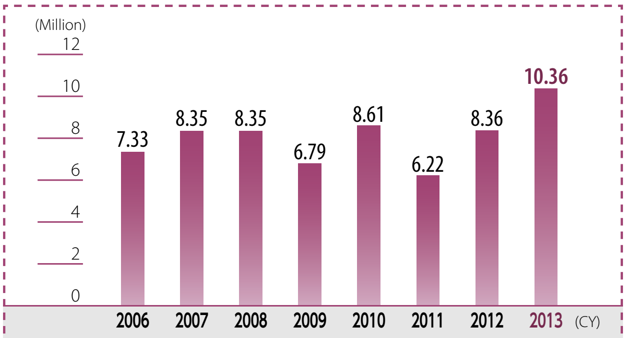
*1. White Paper on Leisure, fiscal 2013 edition, published by Japan Productivity Center

*2. From "Visitors to Japan from Overseas" by the Japan National Tourist Organization (JNTO)

■ Size of the Hotel Market in Japan



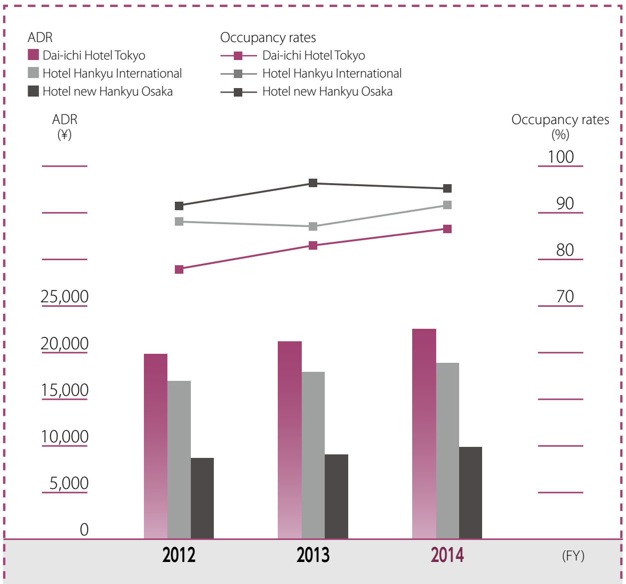
■ Trends in inbound visitors



Performance for the Fiscal 2014

A decline in revenue due to the elimination of unprofitable bases in the preceding fiscal year and the deterioration in the performances of the restaurant and banquet businesses, but an increase in profit from the recovery of demand for hotels specialising in lodging services

In our Hotels Business, we are actively developing our REMM hotels that prioritise a good night's sleep over other services. In September 2012, we opened our fourth REMM hotel, REMM Shin-Osaka, and in addition to maintaining its occupancy rates, it has benefited from an increase in the number of overseas visitors. Each of our hotels has performed strongly, especially those specialising in lodging services.



Also, April 2013 marked the 75th anniversary of the opening of Dai-ichi Hotel Tokyo. In addition to holding a variety of events to celebrate the anniversary, each hotel implemented a number of projects and sales initiatives.

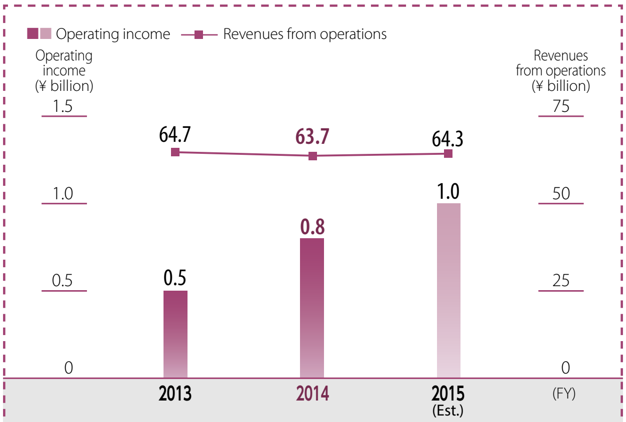
However, due to the effects of the elimination of unprofitable hotels in the previous fiscal year, and also the incident in which ingredients other than those shown on the menu were used at restaurants, the restaurant business performed poorly. Due to this and other factors, revenues from operations decreased 1.5%, or ¥1,002 million year on year, to ¥63,695 million. However, thanks to the recovery of demand for hotels specialising in lodging services, operating income increased 54.2%, or ¥284 million, to ¥809 million.


REMM Shin-Osaka


Dai-ichi Hotel Tokyo

Forecasts for Fiscal 2015

Continuing on from the previous fiscal year, we expect inbound demand to increase for hotels specialising in lodging services. Therefore, we forecast revenues from operations will increase 0.9%, or ¥600 million year on year, to ¥64,300 million. Also, in addition to the above-described factors that are expected to increase revenues, we expect that the elimination of unprofitable businesses in the previous year will contribute and so are forecasting that operating income will rise 23.6%, or ¥200 million, to ¥1,000 million.



Message from the President

Achieving "sustainable growth" is the mission of corporate management, yet we only start to realise this mission when we not only improve our profit level, but also when we fulfil our social responsibilities as a company and contribute to the development of society. One of the elements of this is carrying out compliance-based management, which we considered to mean not simply "obeying laws and ordinances," but also conducting business activities with the prerequisite that we will "meet the expectations of all our stakeholders, including our customers, business partners, shareholders, local communities, and employees." It is a particularly important theme for a Group like ours that has provided a variety of services related to urban development and the lives of people living along our railway lines and has grown together with customers and companies since its founding.

But last year, at some of the hotels operated by Hankyu Hanshin Hotels, which is one of the core members of the Group, an incident came to light in which customers were served food made with ingredients other than those indicated on the menu. Beginning with our shareholders and our customers, this incident caused considerable inconvenience and concern to everyone involved with our Group, and moreover was a betrayal of the expectations and trust that our many customers have placed in us for many years. For this, I am sincerely sorry and I feel a deep sense of shame.

After this incident was announced, many of our customers expressed harsh words including anger at us, and moreover the independent committee made up of specialists who we commissioned to investigate this incident submitted to us a damning indictment that in the background to this incident was a "decline in taking the position of the customer." In conjunction with this evaluation, as specific measures in order to secure compliance-based management, it proposed the following initiatives be taken immediately; a review of the organisation system, thoroughly providing employees with compliance education, and setting rules for displaying items on menus. Based on these proposals, we are already progressing initiatives to prevent such an incident ever happening again.

Elsewhere, each year society views companies more and more severely and within this trend, in order to have the compliance-based management take root as a corporate culture, while paying attention to trends in society we must also at all times have a keen sense of society's perception of us and constantly reflect on our own activities. Toward this, in addition to once again urging every person in the Group to raise their level of awareness about the importance of compliance, we are instructing members of the Group to enhance their systems and measures to investigate and manage risks, including on the compliance side.

Going forwards, in order to restore our stakeholders' confidence in us, executives and employees not only in the Hotels Business but throughout the Group must remember our founding spirit and strive to sincerely provide services, one after another. Through these unstinting efforts, we will fulfil our social responsibilities as a company and meet the expectations of all our stakeholders.

August 2014

Kazuo Sumi

President and Representative Director

Management Organisation

Corporate Governance

Our Corporate Governance System

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

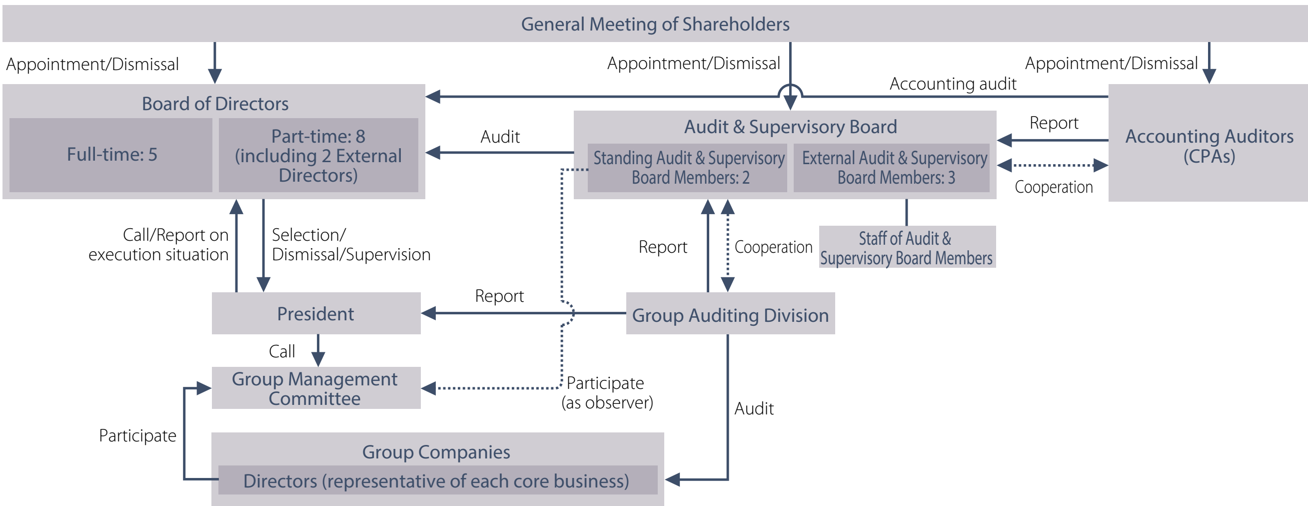
- Makes decisions regarding Group management policy and strategy;
- Approves the medium-term and annual management plans of all core businesses;
- The need for timely reporting of progress reports from operating companies;
- Grants approval in cases where a Group company takes actions that significantly affect Group management (for example, when investments rise above a certain threshold).

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

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

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

Corporate Governance System



Management Organisation

(1) Board of Directors and Directors

1. Board of Directors

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

In fiscal 2014, the Board gave its approval to the Group's budget and accounts settlement, to various management plans, including the policies in the current Medium-Term Management Plan. In addition, the Board of Directors reported to the operating companies on the status of transportation achievements and the acquisition and transfer of assets.

The Board also received reports concerning the progress being made in creating a fully functioning internal control system.

Meetings of the Board of Directors were held 10 times during fiscal 2014. The rate of attendance at these meetings was 85% for the external directors and 97% for the external Audit & Supervisory Board members.

2. Directors

Our Board of Directors has 13 members, and has an emphasis on strengthening the flexibility of management and supervisory functions. Eight of these are part-time directors, including two external directors, who are independent of the Company and bring to the table a wealth of experience in corporate management. Our aim is to strengthen our supervisory and oversight function and raise the standard of decision-making.

The term of office of directors is set at one year, to clarify management responsibilities following the introduction of anti-takeover measures (prevention of large-scale Company share purchases).

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

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

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

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

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

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

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

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

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

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

Relations with External Directors

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

Relations with External Audit & Supervisory Board Members

Name	Reasons for Appointment
Takaharu Dohi (Independent Board Member)	Former prosecutor-general, currently a lawyer. Appointed to advise on more compliance-based management and for his ability to provide independent input.
Haruo Sakaguchi (Independent Board Member)	Currently a lawyer. Appointed to advise on more compliance-based management and for his ability to provide independent input.
Junzo Ishii (Independent Board Member)	Former Professor of Business Administration within the Graduate School of Kobe University, currently President of the University of Marketing and Distribution Sciences. Appointed for his ability to express useful opinions based on his high-level specialist expertise in business administration and for his ability to provide independent input.

Attendance at Meetings of the Board of Directors and Audit & Supervisory Board (Figures for Fiscal 2014)

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 9 of 10 meetings	Attended 11 of 12 meetings
Haruo Sakaguchi	Attended all 10 meetings	Attended all 12 meetings
Junzo Ishii	Attended all 10 meetings	Attended all 12 meetings

Other Deliberative Bodies

(1) Group Management Committee

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

(2) Core Business Strategy Councils

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

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

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

Number of Meetings of Deliberative Bodies Held (Figures for Fiscal 2014)

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

Compensation for Directors and Audit & Supervisory Board Members

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

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

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

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

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

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

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

Compensation Paid to Directors and Audit & Supervisory Board Members

	No. of recipients	Total paid out in fiscal 2014 (Millions of yen)
Directors (external)	15 (2)	112 (16)
Audit & Supervisory Board Members (external)	6 (3)	17 (6)
Total (external)	21 (5)	129 (22)

*1. Recipients of compensation in fiscal 2014 include one director and one Audit & Supervisory Board member who retired at the conclusion of the General Meeting of Shareholders held on 14th June 2013, and one director who retired on 1st November 2013.

*2. In addition to the above, compensation received by external directors and Audit & Supervisory Board members from subsidiaries of the Company for their duties as directors and Audit & Supervisory Board members amounted to ¥23 million for the fiscal 2014.

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

Dialogue with Shareholders and Investors

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

	Remarks
Early dispatch of notices of convocation	To allow shareholders sufficient time to examine the items for resolution at the shareholders' meeting before exercising their voting rights, we endeavor to send out the notices of convocation at the earliest possible date. We sent out such notices on 23rd May 2014, 21 days before the General Meeting of Shareholders.
Avoiding the "busiest day" for shareholder meetings	To enable as many shareholders as possible to attend our general meeting of shareholders, we held our 2014 General Meeting of Shareholders on 13th June, 14 days before the "busiest day" on which a large proportion of Japanese companies hold their general shareholders' meetings.
Online and electronic voting	To enable shareholders who cannot attend our general shareholders' meetings to nevertheless exercise their voting rights, as well as to make voting more convenient, we accept votes made via the internet, and we also participate in the electronic voting platform operated by ICJ Inc.
Other	Notices of convocation of general shareholders' meetings and of resolutions passed at the meetings are posted on the Company's website. We also post translations of the notices of convocation into English.

Investor Relations Activities

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

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

Internal Control System

Overview

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

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

Measures for Avoidance of Contact with Antisocial Elements

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

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

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

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

Compliance

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

Compliance Manual and Training Programmes

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

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

Corporate Ethics Consultation Desk (internal whistleblower procedures)

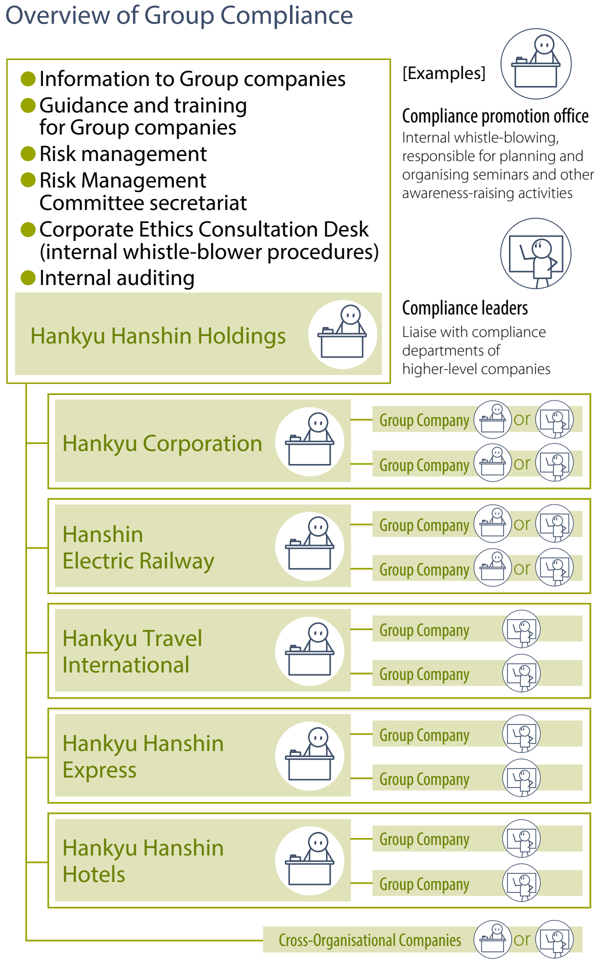
We have set up a dedicated whistleblower hotline enabling all employees to discuss or quickly bring to management's notice suspected or known legal violations and unethical conduct. Business partners are also welcome to use this consultation and notification facility, and when necessary we will use lawyers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

Establishment of Risk Management Committees

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

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

Overview of Group Compliance



Measures to Prevent Takeovers

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

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

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

Risk Management

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

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

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

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

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

Safety Initiatives

Safety policy and safety objectives

Every day, countless customers use the services of both Hankyu Corporation and Hanshin Electric Railway and for precisely this reason, our mission is to ensure their absolute safety and peace of mind. Our measures to improve safety on a day-to-day basis, and also to ensure safety when problems occur, are all consolidated in the safety policy and objectives described below.

Hankyu Corporation

[Safety Policy]

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

"Safety and comfort," Hankyu Corporation

[Priority safety measures]

(1) Increasing awareness of safety, safety measures
(2) Measures to improve safety
(3) Personnel training and technology transfer provided uniformly in all Group companies' business divisions

[Safety objectives]

Maintaining zero accidents for which we bear responsibility

In fiscal 2014, we once again set the safety objective that we have set since 2006, of "Maintaining zero accidents for which we bear responsibility," and we are working diligently to achieve this objective.

Hanshin Electric Railway

[Safety Policy]

• Maximum priority on safety

The president, directors and employees shall do whatever they can to ensure safety of operations, based on the understanding that putting the highest priority on ensuring safety is the mission of railway businesses.

• Compliance with laws and regulations

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

• Maintenance of safety management systems

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

[Safety objectives]

Maintaining zero accidents for which we bear responsibility

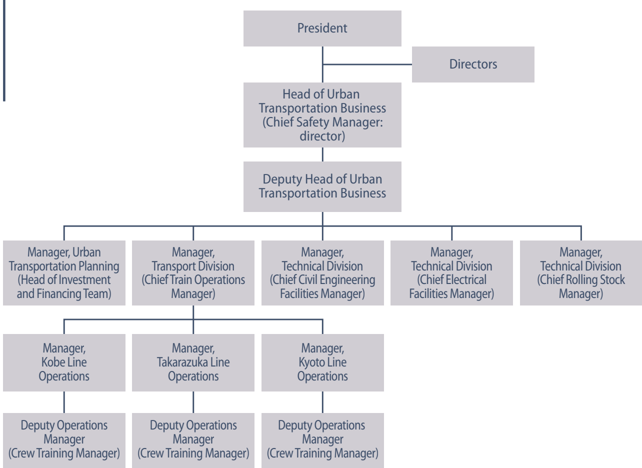
We have maintained zero accidents for which we bear responsibility since April 1985 up to the present day.

Safety Management System

We have constructed a seamless Safety Management System that enables us to share information and solve problems in an integrated manner, from senior management through to currently operational divisions. If a problem should arise, all of the divisions discuss it and work together to speedily resolve it.

Hankyu Corporation

Safety Management System



Positions and roles

○ President

The President determines the implementation, the management organisation, and the rules of the railway business and when formulating the Medium-Term Management Plan, which includes facilities and transportation, factors, investment, and budget, the President verifies and ascertains the situation from the perspectives of safety and feasibility and instructs on improvements.

○ Chief Safety Manager

In order to prioritise securing the safety of railway facilities and rolling stock and the handling of operations, and to control and manage transportation operations in each division, the Chief Safety Manager works to disseminate safety management regulations and to ensure compliance with related laws and ordinances; to increase awareness of safety as the Group's most important priority; to confirm the implementation of transportation operations, management conditions, and the progress made in implementing the safety improvement measures stipulated in the Medium-Term Management Plan; and to implement improvement measures.

○ Chief Train Operations Manager

The Chief Train Operations Manager manages operations-related duties, including utilising the employees involved in operations, railway facilities, and rolling stock; setting and revising the operations plan; managing train crews, the operations of rolling stock, and train operations; and providing training for train crews and maintaining their capabilities.

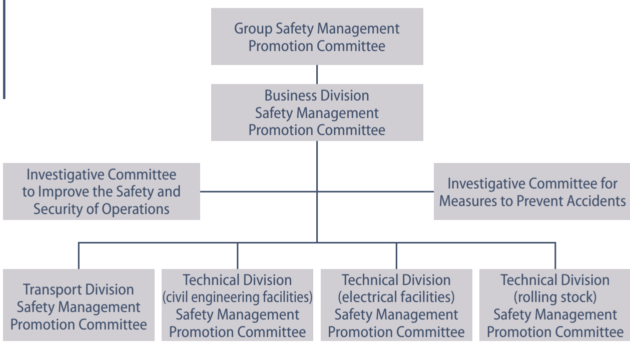
○ Chief Crew Training Manager

Based on the instruction and orders of the Chief Train Operations Manager, the Chief Crew Training Manager maintains and manages the capabilities of train crew and periodically confirms and submits reports on the progress being made in improving their capabilities.

○ Other managers and responsible persons

In each division, other managers and responsible persons maintain and manage the facilities they are responsible for in order to ensure there are no obstacles to realising safe transportation.

The Safety Management Promotion Committees

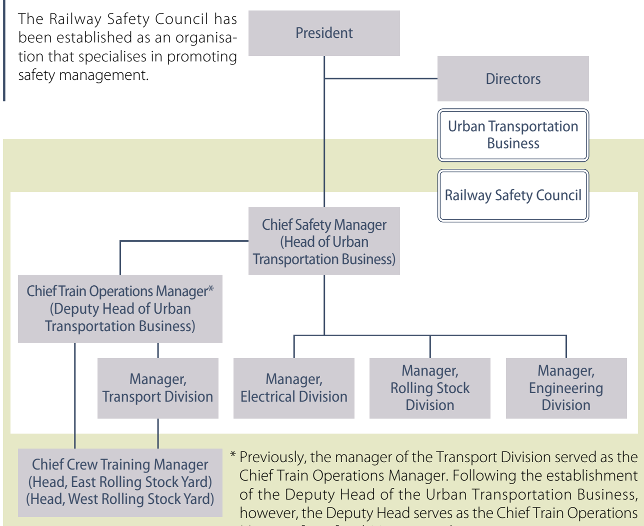


The safety management promotion committees discuss, investigate, and report on a variety of proposals for transportation safety management. The safety management promotion committees include the Group Safety Management Promotion Committee, on which the President serves as chairperson; the Business Division Safety Management Promotion Committee, on which the Chief Safety Manager serves as chairperson; and the divisional safety management promotion committees.

Hanshin Electric Railway

Safety Management System

The Railway Safety Council has been established as an organisation that specialises in promoting safety management.



* Previously, the manager of the Transport Division served as the Chief Train Operations Manager. Following the establishment of the Deputy Head of the Urban Transportation Business, however, the Deputy Head serves as the Chief Train Operations Manager from fiscal 2014 onward.

Positions and roles

○ President
The President has the ultimate responsibility for ensuring transport safety.

○ Chief Safety Manager (Head of Urban Transportation Business)
The Chief Safety Manager is responsible for overseeing all activities related to ensuring transport safety.

○ Chief Train Operations Manager (Deputy Head of Urban Transportation Business)
Under the direction of the Chief Safety Manager, the Chief Train Operations Manager is responsible for operations including train operations, maintaining the capabilities of train crews, and other related operations.

○ Transport Division Manager
Under the direction of the Chief Train Operations Manager, the Transport Division Manager assists in train operations.

○ Chief Crew Training Manager (the heads of the East Rolling Stock Yard and the West Rolling Stock Yard)
Under the direction of the Chief Train Operations Manager, the Chief Crew Training Manager is responsible for ensuring all crew are properly qualified.

○ Electrical Division Manager
Under the direction of the Chief Safety Manager, the Electrical Division Manager has overall control of items relating to electrical facilities.

○ Rolling Stock Division Manager
Under the direction of the Chief Safety Manager, the Rolling Stock Division Manager has overall control of items relating to rolling stock.

○ Engineering Division Manager
Under the direction of the Chief Safety Manager, the Engineering Division Manager has overall control of items relating to track, civil engineering and construction facilities.

COLUMN

Toward realising continuous improvements

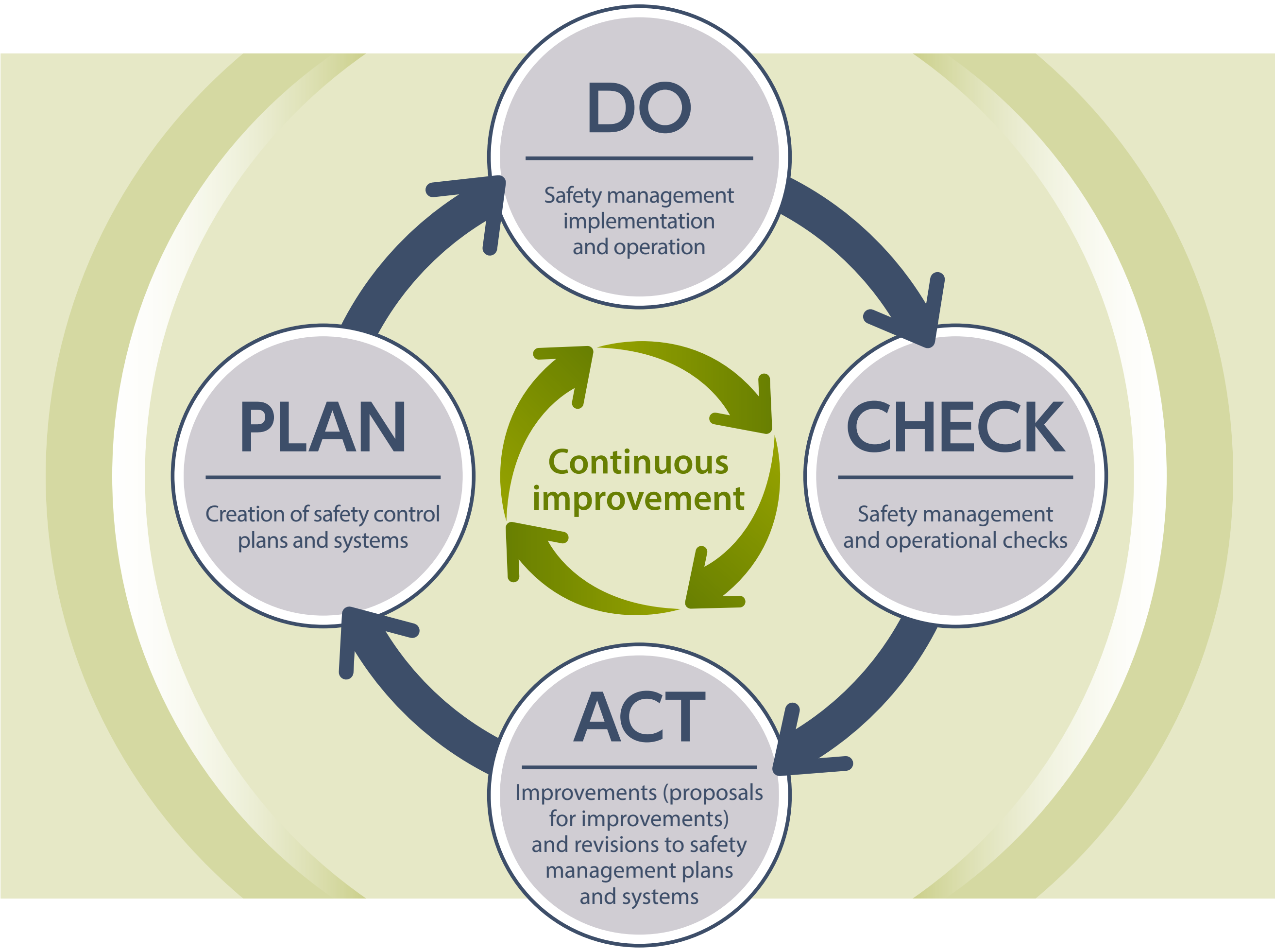
Implementation of a management review* by the President in Hanshin Electric Railway

In Hanshin Electric Railway, the Railway Safety Council is the meeting utilised for investigating, determining, and instructing on safety-related items. It is composed of senior management in the Urban Transportation Business, (below the Chief Safety Manager, the Chief Train Operations Manager, each railway division manager [Transport Division, Electrical Division, Rolling Stock Division, Engineering Division], etc.) and in principle meets twice a month. Under this system, previously, the results of the implementation of safety policy were reported to the President by the Chief Safety Manager (Head of Urban Transportation Business) in a

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

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

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



management review and a venue had not been established in which the managers of each division in the Urban Transportation Business reported to the President. But from fiscal 2013, when there is to be reporting on the results of the implementation of safety policy, the President attends the Railway Safety Council and each division manager reports directly to him. In this way, the President is provided with a detailed report on the results of the initiatives carried out by each division, and in addition, the President can communicate his instructions to each division more appropriately.

The 2013 safety policy management review*

* A management review corresponds to A in the PDCA cycle and it is an activity to appropriately manage the Safety Management System, to confirm that it is functioning effectively, and to review and improve it if necessary.

Implementation and operation of safety management

Hankyu Corporation and Hanshin Electric Railway are proactively implementing initiatives on both the infrastructure side, such as at facilities to ensure trains operate safely, and on the personnel side, including employee education and drills.

Initiatives for natural disasters

1 Responding to rain storms

Operational instructions are given based on the information obtained from the rain gauges, wind gauges, and water metres that we have installed along the railway lines of both Hankyu Corporation and Hanshin Electric Railway, and also on the meteorological information acquired from the Japan Meteorological Agency. This includes instructing trains to lower their speeds or suspend operations. Moreover, since fiscal 2014, Hankyu Corporation has been utilising information from a private-sector meteorological information company and working to respond as much as possible to heavy rainfalls that occur suddenly and over an extremely narrow range, such as the so-called guerrilla rainstorms.

2 Responding to earthquakes

To further enhance the safety of train operations when an earthquake occurs, we have installed systems for receiving earthquake early warnings from the Japan Meteorological Agency. In the event that such a warning is for an earthquake expected to be of seismic intensity of four or above, trains that operate in earthquake zones will immediately prepare for emergency stopping. In addition, the same measure is taken when an earthquake of seismic intensity of four or above is detected by the seismographs that we have independently installed alongside the railway lines of both companies.

Safety measures for rolling stock

1 Installation of emergency alert devices and emergency call devices

In case a person suddenly becomes ill or there is an emergency situation in one of the passenger cars, we have installed emergency alert devices in the rolling stock of Hankyu Corporation and Hanshin Electric Railway so that customers can notify a member of the train crew. In addition to this, we are sequentially installing emergency call devices that enable customers to talk to train crew through an interphone.

2 Equipment recording trains' operation conditions

We install data recording equipment to record data such as train speeds and brake-use conditions that would be useful in determining the causes of an accident should one involving rolling stock occur, and also in preventing such accidents from occurring again. At Hanshin Electric Railway, this equipment has been installed in all rolling stock (in the driver's cabs), and in Hankyu Corporation, work is underway to install it in all rolling stock.

Measures to improve safety on platforms

1 Measures to prevent people from falling from platforms onto tracks

■ Installing yellow warning-line tiles

Yellow warning-line tiles add bumps to the usual warning lines and they can be felt through the shoe and indicate to the person which side of the platform is safe. In fiscal 2013, Hankyu Corporation and Hanshin Electric Railway completed the installation of yellow warning-line tiles at all their stations.

■ Devices to prevent people falling in train transition areas (outside hood)

We have installed fall-prevention devices (outside hood) in the transition spaces between trains and platforms to prevent people from falling into them.

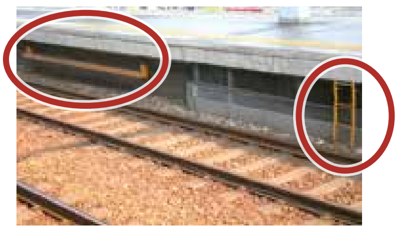
2 Measures to prevent accidents when people fall from platforms

■ Emergency alert devices

When somebody or something falls onto the track, the event is detected by special mats under the platform edge, or an emergency stop button on the platform can be pressed. These set off alarm indicators and an emergency buzzer for crews and station staff, in order to prevent serious accidents. Hanshin Electric Railway completed the installation of emergency stop buttons at all stations in fiscal 2012, while Hankyu Corporation plans to complete their installation at all stations by the end of fiscal 2016.

■ Platform evacuation steps

For when a customer falls onto the tracks and it is difficult for them to find a shelter below the platform, we have installed platform evacuation steps (ladder type and bar type) at constant intervals to enable them to climb back on to the platform.



Features of the ATS (Automatic Train Stop)

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

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

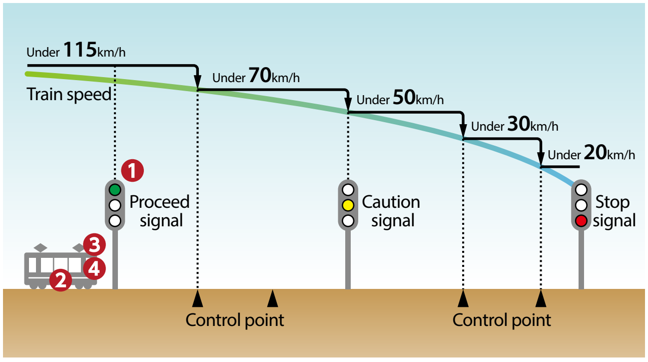
Both companies are also working to improve safety by installing ATS equipment on sharp curves and branches in lines to prevent derailments caused by excessive speed. In March 2011, Hankyu Corporation finished compilation of independent safety standards stricter than those of the Ministry of Land, Infrastructure, Transport and Tourism. In May 2011, Hanshin Electric Railway completed installation of ATS facilities at all 28 junctions on its network.

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

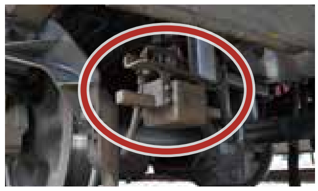
* Between Sakuragawa and Osaka-Namba stations on the Hanshin Namba Line, Hanshin Electric Railway relies on an onboard control-point continuous speed-checking type ATS system that Kintetsu Corporation employs.

Continuous speed-checking type ATS system:

Hankyu Corporation's continuous speed-checking ATS system



1 Obstruction signal



2 ATS pickup

3 ATS indicator in driver's cab

4 Speedometer in driver's cab

Inspections by senior management of field work divisions and exchanges of opinions

Senior management, including the President and the Head of Urban Transportation Business (Chief Safety Manager) inspect field work divisions, confirm and ascertain the conditions at each facility and for each work duty, and moreover talk directly to the employees at workplaces and strive to improve communication with them.

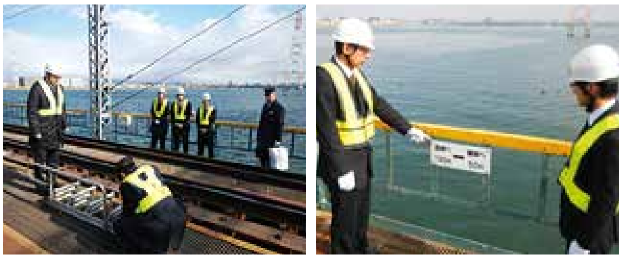
Implementation of practical drills to prepare for emergency situations

Hankyu Corporation and Hanshin Electric Railway both conduct specific drills in their train operations, civil engineering (workshop) facilities, electrical facilities, and rolling stock divisions, as well as drills to prepare for specific emergency situations. Both companies also hold joint drills for emergency situations where cooperation across business divisions is required.

Descriptions of Hankyu Corporation drills

Fiscal 2014 joint drills conducted across business divisions

Descriptions of Hanshin Electric Railway drills



Tsunami Evacuation Guidance Drills

Joint drills at the Daimotsu Training Centre

Alcohol checks

All employees that are involved in train operations, including drivers and supervisors, use an alcohol checker during the work roll-call prior to boarding trains to confirm that they are not under the influence of alcohol. Also, superintendents carry out face-to-face inspections at roll calls to confirm the health status of employees.

Training employees who value safety and comfort

Acquiring a service care-fitters qualification

Hanshin Electric Railway's goal is to cultivate in its employees at all its work sites a spirit of hospitality and for them to acquire the skills to appropriately assist the elderly and people with disabilities. Toward this, it aims for all station employees to acquire the service care-fitters qualification and to further improve the hospitality they show to customers. Qualified staff where a "service care-fitter" name tag so that customers know they possess this qualification.

Training School and Staff Training Centre

Hankyu Corporation and Hanshin Electric Railway have established a training school (certified by the Ministry of Land, Infrastructure and Transport) to train drivers, conductors, and assistants, and in addition, Hankyu Corporation has set up a staff training centre to improve the services provided to customers by station staff.

Activities to raise awareness of safety at elementary schools along our railway lines

Hankyu Corporation employees visit the elementary schools located along its railway lines to raise the children's awareness about safety. This includes explaining to them how a railroad crossing works and the correct way to cross it, the things that they should pay attention to when they are waiting for a train on a platform, and manners in the train.

Our mission is to work with our customers and the people who live in the communities alongside our railway lines to build a better society. Going forwards, we will continue to focus our energies into measures to improve safety in cooperation with the people who live alongside our railway lines and in our local communities, including through drills with the police and fire stations and by raising awareness of safety in elementary schools.

Corporate Social Responsibility
— Social Contribution & Environmental Protection Activities

Social Contribution Activities: Moving forward with our customers over the next century

Promoting the Hankyu Hanshin Dreams and Communities of the Future Project

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

私たちは、未来へつなぐ
「環境づくり」と「人づくり」に貢献します。

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

Priority Areas

Environment-friendly development

As a Group with strong local roots, we are committed to sustainable community building with environment-friendly developments that provide local residents with security, peace of mind and cultural enrichment.

Human capital development

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

Social contribution activities of each Group company — In fiscal 2014, 83 activities were undertaken

Holding the Million Person Candle Night in Osaka City
<Hanshin Electric Railway, Hankyu Corporation>

We run a range of events in Umeda during both summer and winter, including candle art exhibitions. We turn off the buildings' lighting and neon and envelop the participants in the light of the candles, which is aimed at encouraging people to think more deeply about sustainable living.

Charity concert for parents and children in the Hankyu Dreams and Communities programme
<Hankyu Corporation, Umeda Arts Theater>

Every year, we hold a full orchestra concert at Umeda Arts Theater. The event features songs everyone is familiar with and a conductor experience and it has provided an opportunity for around 1,800 parents and children to encounter real music. All the proceeds from ticket sales are donated to Ashinaga Scholarship Fund.

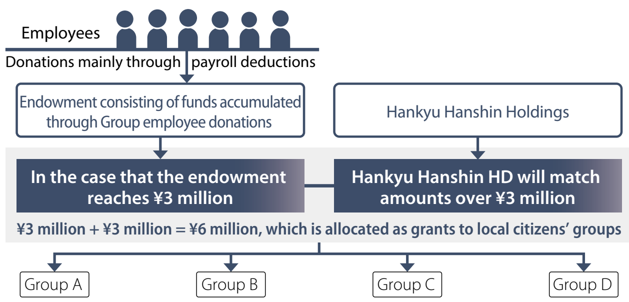
Hankyu Hanshin Dreams and Communities Challenge Troop
<Group companies>

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

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

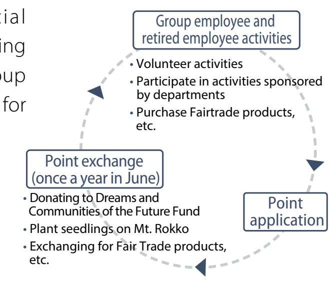
This grant programme is exclusively for citizens' groups located along Hankyu Hanshin lines. We provide grants to citizens' groups that contribute to the creation of desirable local living environment and development of the next generation by matching funds accumulated from Group employee donations. Over the past five years, we have donated at total of ¥26.3 million to 57 organisations.

■ Dreams and Communities of the Future Fund structure



Social contribution point system

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



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

"The Hankyu Hanshin Dreams and Communities of the Future Fund" Report on the group receiving financial assistance

Through the Hankyu Hanshin Dreams and Communities of the Future Fund, we not only provide groups with financial assistance, but also by cooperating with the public relations of these groups, we introduce their activities to the readers of the information magazine that we publish for people living alongside our railway lines and also of the Group's public relations magazine in order to communicate their efforts to tackle social problems to our customers and employees.

Giving courage and confidence to children who have lost their hair

The 4th group provided with financial assistance (NPO) Japan Hair Donation & Charity (JHDAC)

JHDAC makes and gives wigs made with human hair free of charge to children who have lost their hair due to illness, such as infant cancer, or due to an accident. They make the wigs from hair donations that the NPO requests from people. The three beauticians who played the central role in starting-up this NPO wanted to contribute to society through their work as beauticians. Based on this idea, they focused their attention on the hair donation charities that have been established in Europe and the United States and began to make wigs themselves. In the beginning they had a hard time finding people willing to donate their hair, but today awareness of their efforts has increased and they receive hair donations from people throughout the country. Their goal for the future is to raise funds and collaborate with more other beauty parlors in order to fulfil the wishes of children who need wigs. In the form of wigs, JHDAC is giving courage and confidence to children by reorganising that they are the same person as they were before.

Environment Protection Activities:
Improving local communities and living environments for our children.

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

Basic Concept

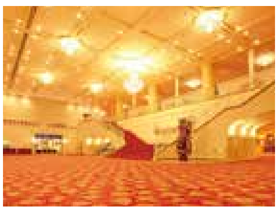
Mindful that global environmental protection is a task facing all mankind, the Hankyu Hanshin Holdings Group works for a sustainable society through environmental activities aimed at handing down a sounder global and human environment to the next generation.

Curb global warming and save energy

Installing LED lighting

We are progressively installing LED lighting at stations and Group facilities along Hankyu and Hanshin lines. LED lighting reduces electricity consumption, while its long lifespan contributes to waste reduction. For instance, the installation of LED lighting at underground sections along the Hankyu Kyoto Line, from Saiin Station to Kawaramachi Station, has been selected by the Ministry of Environment as a model project. By installing LED lighting in 4,261 light fixtures and signs, we have reduced a significant amount of CO_2.


Hankyu Kawaramachi Station platform


Takarazuka Grand Theatre


Hotel New Hankyu Osaka

Installation of solar panels

We have installed solar panels capable of generating a total of 444kW at eight Group-company facilities, including Settsu-Shi Station and the "Silver Umbrella" roof of the Hanshin Koshien Stadium. The electricity generated is used at these facilities.

Protect the natural environment

Donation of environmentally-friendly toilets, and forestry protection

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

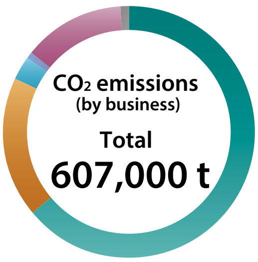
Reducing waste and encourage resource recycling

100% biodiesel buses

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

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

Disclosing information on the CO_2 emissions of the entire Group



Breakdown of CO_2 emissions in the entire Group in fiscal 2013

Urban Transportation	64%
Real Estate	18%
Entertainment and Communications	3%
Travel and International Transportation	1%
Hotels	13%
Other	1%

* The emissions included in the calculation are those by Hankyu Hanshin Holdings' 94 domestic subsidiaries. Those places of business where it is difficult to ascertain the volume of energy used were excluded from the calculation. The business divisions at the end of fiscal 2013 were used.

Commendations received and initiatives with the national government

Environmental initiative on the underground section of the Hankyu Kyoto Line

<Hankyu Corporation>

For the underground section of the Kyoto Line under Kyoto City, we received a commission from the Ministry of the Environment for its Model Project for the Concentrated Support of Low-Carbon Community Building and implemented large-scale environment initiative.

For this project, we installed LED lighting at 4,261 locations and achieved a 24% reduction in electricity usage compared to 1990 (approximately 54% if the comparison is made only with the LED lighting installed in this project).

In the Model Project for the Concentrated Support of Low-Carbon Community Building, for projects to achieve low carbon communities that can become models for other areas, the Ministry of the Environment commissions a private sector company to implement a project in order to verify its effect. Our lighting installation is the sole project in Kansai to be selected as a model project (as of March 2014).

LED lighting at Hanshin Kobe Sannomiya Station

<Hanshin Electric Railway>

All the lighting fixtures within the premises of the Hanshin Kobe Sannomiya Station have been converted to LED lighting, which has achieve a reduction in CO_2 of more than 40% compared to conventional lighting.

In terms of design also, in order to give feelings of "breadth" and "depth" on the concourse floor, we installed the lighting within the ceiling slits to utilise the ceiling's design theme of "waves" and we deliberately minimised the presence of the lighting. But on the other hand, on the platform floor, we installed lighting that is reminiscent of 1933, which is when this station was became an underground station. In such ways, we have created a station space that is suitable for this station as the gateway to Kobe.

These efforts were reorganised and this lighting installation was selected as a model of excellence in 2014 in the Ministry of the Environment's 4th Energy Efficient Lighting Design Awards.

Environmental initiative at Hanshin Koshien Stadium

<Hanshin Electric Railway, Hanshin Tigers>

At Hanshin Koshien Stadium, we installed photovoltaic power generation facilities on top of its "Silver Umbrella" roof cover, and these facilities have been operational since March 2010. In fiscal 2011, these facilities generated approximately 221,000kWh of power, which is equivalent to the power required to light all the night games at Koshien Stadium in one year, or about 4.1% of the electricity used by the entire stadium in one year.

Also, during the fiscal 2014 Ultra Tiger summer period, we achieved effectively zero CO_2 emissions at the 9 Hanshin Tigers games held at the Hanshin Koshien Stadium, thanks to a carbon offset initiative we implemented in cooperation with Osaka Gas. This initiative received the Prize of the Minister of Economy, Trade and Industry in the 3rd Carbon Offset Awards in 2014.

Directors and Audit & Supervisory Board Members

(As of 13th June 2014)

Directors

Kazuo Sumi

President and Representative Director

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 (Current position)
2008 Director, Hankyu Hanshin Hotels (Current position)
2013 Director, Hankyu Travel International (Current position)
2013 Director, Hankyu Hanshin Express (Current position)
2014 Chairman, Hankyu Corporation (Current position)

Shinya Sakai

Representative Director

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

Noriyuki Inoue

Director (External)*

1957 Joined Daikin Industries
1994 President, Daikin Industries
2002 Chairman and CEO, Daikin Industries
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 (Current position)

* Mr. Noriyuki Inoue and Mr. Shosuke Mori satisfy the qualifications of external directors as provided in Article 2, Paragraph 15 of the Corporate Law.
The Company has submitted notifications to the stock exchanges on which its shares are listed, naming Mr. Noriyuki Inoue and Mr. Shosuke Mori as external (independent) directors.

Isao Matsuoka

Director (Part-time)

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

Shunichi Sugioka

Director (Part-time)

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

Takaoki Fujiwara

Director (Part-time)

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

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)

Ichiro Namai

Director (Part-time)

1971 Joined Hankyu Express International
2000 Director, Hankyu Express International
2008 Vice president, Hankyu Travel International
2008 Audit & Supervisory Board Member, Hankyu Hanshin Hotels (Current position)
2010 President, Hankyu Travel International
2013 Director, Hankyu Hanshin Holdings (Current position)
2014 Chairman, Hankyu Travel International (Current position)

Seisaku Okafuji

Director (Part-time)

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

Mitsuo Nozaki

Director *In charge of Personnel and General Affairs Div.*

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

Masao Shin

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

1981 Joined Hanshin Electric Railway
2006 Director, Hanshin Electric Railway
2006 Director, Hankyu Hanshin Holdings (Current position)
2008 Managing Director, Hanshin Electric Railway
2013 Audit & Supervisory Board Member, Hankyu Hanshin Hotels (Current position)
2014 Senior Managing Director, Hanshin Electric Railway (Current position)

Naohisa Nogami

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

1982 Joined Hankyu Corporation
2007 Director, Hankyu Corporation
2013 Managing Director, Hankyu Corporation
2014 Senior Managing Director, Hankyu Corporation (Current position)
2014 Audit & Supervisory Board Member, Hankyu Travel International (Current position)
2014 Audit & Supervisory Board Member, Hankyu Hanshin Express (Current position)
2014 Director, Hankyu Hanshin Holdings (Current position)

Audit & Supervisory Board Members

Tsunenori Kawashima

Standing Audit & Supervisory Board Member

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

Masayoshi Ishibashi

Standing Audit & Supervisory Board Member

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

Takaharu Dohi

*Audit & Supervisory Board Member (External**)*

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

Haruo Sakaguchi

*Audit & Supervisory Board Member (External**)*

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

Junzo Ishii

*Audit & Supervisory Board Member (External**)*

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 (Current position)
2010 Audit & Supervisory Board Member, Hankyu Hanshin Holdings (Current position)
2010 Audit & Supervisory Board Member, Hanshin Electric Railway (Current position)

** Mr. Takaharu Dohi, Mr. Haruo Sakaguchi, and Mr. Junzo Ishii satisfy the qualifications of external Audit & Supervisory Board Members as provided in Article 2, Paragraph 16 of the Corporate Law.
The Company has submitted notifications to the stock exchanges on which its shares are listed, naming Mr. Takaharu Dohi, Mr. Haruo Sakaguchi, and Mr. Junzo Ishii as external (independent) Audit & Supervisory Board members.

Consolidated Six-Year Summary

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

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

Consolidated Financial Review

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

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

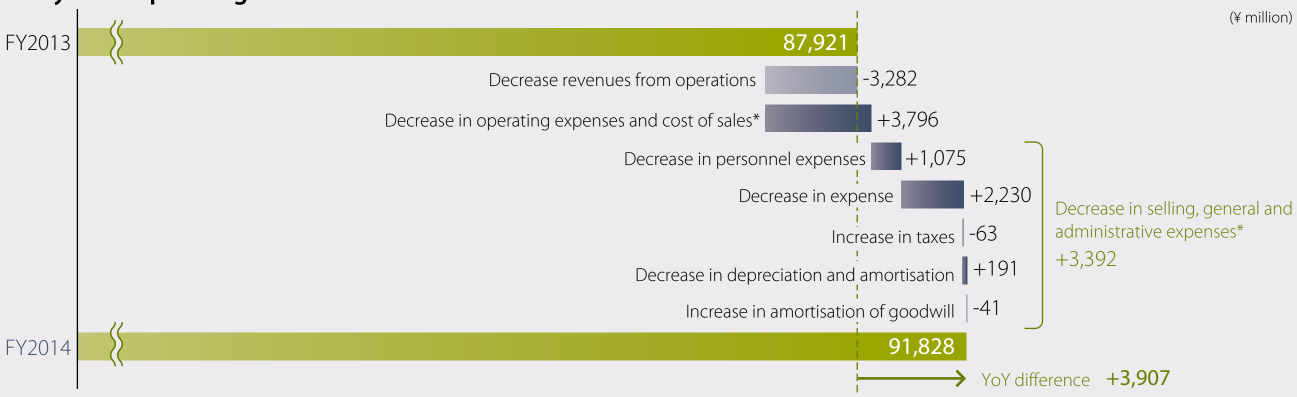
Operating income rose ¥3,907 million (4.4%) year on year, to ¥91,828 million, mainly as a result of efforts to keep down costs in each segment.

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

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

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

Analysis of Operating Income



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

Segment Information

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

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

(¥ million)

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

Review of Financial Position

1. Assets, Liabilities and Net Assets

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

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

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

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

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

2. Cash Flows

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

(1) Cash Flows from Operating Activities

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

(2) Cash Flows from Investing Activities

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

(3) Cash Flows from Financing Activities

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

Trends in Cash Flow Indicators

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

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

3. Fund Procurement

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

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

Consolidated Capital Expenditure and Depreciation and Amortisation

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

The following is a breakdown for each business segment.

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

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

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

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

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

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

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

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

Business Risks

The various categories of risk to which the business performance, stock price, financial position and other aspects of operations of the Hankyu Hanshin Holdings Group are subject are detailed below. Nevertheless, these dangers do not encompass all risks attendant on Group activities and there are risks other than those stated below which are difficult to foresee.

Information about future events that appears in this report was determined by the Group to be current as of 31st March 2014.

Legal Risk

In accordance with the stipulations of Article 3 of the Railway Business Law, the Group must obtain separate permissions, from the Ministry of Land, Infrastructure, Transport and Tourism (MLIT), for each category of railway operations on each route that it intends to operate. Moreover, under Article 16 of the Law, a railway operator must obtain the Ministry's approval for the passenger fares it intends to set and on each occasion when it wishes to change the fares. Consequently, there is a certain risk that the Group's railway operations may be constrained in some way by the Ministry's administration of these regulations.

Progress in Large-Scale Development Projects

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

Interest-Bearing Debt

The balance of interest-bearing debt held by the Group as of the end of March 2014, on a consolidated basis, was ¥1,032,307 million.

As a result of the acquisition of shares in Hanshin Electric Railway Co., Ltd. through a successful public tender offer (takeover bid) on 27th June 2006, Hanshin Electric Railway has become a consolidated subsidiary of Hankyu Holdings. This acquisition has resulted in an increase in the balance of interest-bearing debt of the Group. On the other hand, management integration between the Hankyu Holdings Group and Hanshin Electric Railway Group has increased cash flows, so the Group is not expected to have any significant difficulty in repaying its debts.

The Group will take measures to diversify its fund procurement methods to deal with an increase in interest-bearing debt resulting from the integration, and will use all possible means to minimise the negative impact of interest rate movements. But in the unlikely event that interest rates rise suddenly and in excess of our projections, this could exert an adverse effect on the business performance and financial position of the Group.

Affiliated Companies

In order to ensure greater convenience for users of the Hokushin Kyuko Railway Line (run by consolidated subsidiary Hokushin Kyuko Railway Co., Ltd.), Hankyu Corporation (a consolidated subsidiary) has agreed to a plan transferring railway facilities held by Hokushin Kyuko Railway to Kobe Rapid Transit Railway Co., Ltd. (a consolidated subsidiary) and retaining railway business as a tier 2 railway operator. To facilitate the plan, in fiscal 2003 Hankyu Corporation provided Kobe Rapid Transit Railway with financing for part of the funds necessary to purchase the facilities.

In September 2007, Kobe Electric Railway Co., Ltd. (an equity method affiliate), temporarily suspended support for the rehabilitation of Hokushin Kyuko Railway. To uphold the rehabilitation project, additional financing was extended to Hokushin Kyuko Railway by Hankyu Corporation.

We will continue to provide assistance to ensure that Hokushin Kyuko Railway can conduct smooth and efficient operations as a tier 2 railway operator. However, the business performance and financial position of the Group could be affected by changes in this plan.

Decline in the Market Value of Assets Held by Members of the Hankyu Hanshin Holdings Group

In the case of a substantial decline in the market value of inventory assets, property and equipment and intangible assets, investment securities, and other assets, the recording of impairment losses or valuation losses would likely have a negative impact on the earnings performance and financial position of the Hankyu Hanshin Holdings Group.

Natural Disasters

Operating as it does a very wide range of businesses in its Urban Transportation, Real Estate, Entertainment and Communications, Travel, International Transportation, and Hotels segments, the Group has a correspondingly large assortment of facilities necessary for conduct of business, such as railway installations and buildings and retail outlets for rent. In the event of earthquakes or other major disasters, the business performance and financial position of the Group could be adversely affected by damage to these facilities.

Other Risks and Countermeasures

The following is the Group's perspective provided in response to questions received from our investors in relation to the risks attendant on our business. Information about future events that appears in this report was determined by the Group to be current as of 31st March 2014 and is not intended to negate the possibility of these risks impacting the business performance, financial position and other aspects of operations of the Group.

Economic Environment-related Risks

Changes in the Financial Market

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

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

Foreign Currency Market Fluctuations

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

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

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

Business-related Risks

Demographic Change

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

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

Safety Management

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

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

(For safety measures in our railway business, please refer to Page 67.)

Risks Associated with Power Supply Shortages and Electric Utility Rates

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

Damage to the trust regarding the quality and safety of our products and services, as well as the displaying of them

The Group's performance may deteriorate due primarily to a decrease in revenues in the event of damage to the trust in the quality and safety of our products and services as well as the displaying of them.

The Group confirms that all relevant laws and regulations are being complied with and carries out checks of quality, sanitation management, and food labeling. It also strives to ensure the quality and safety of its products and services and that the correct information is displayed.

Natural Disasters and Acts of Terrorism

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

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

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

Infectious Disease Outbreaks and Epidemics

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

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

Consolidated Balance Sheets

As of 31st March 2013 and 2014

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Assets:			
Current assets:			
Cash and deposits	¥ 26,602	¥ 25,368	$ 246,291
Trade receivables	75,181	80,063	777,311
Land and buildings for sale	112,192	105,147	1,020,845
Finished products and merchandise	7,024	2,503	24,301
Work in progress	3,389	4,079	39,602
Materials and supplies	3,971	4,206	40,835
Deferred tax assets	6,802	5,736	55,689
Other	39,928	44,163	428,767
Allowance for doubtful receivables	(318)	(349)	(3,388)
Total current assets	274,773	270,919	2,630,282
Noncurrent assets:			
Property and equipment:			
Buildings and structures—net [NOTE 7 ③]	594,669	596,308	5,789,398
Machinery, equipment and vehicles—net [NOTE 7 ③]	44,521	44,762	434,583
Land [NOTES 7 ③ and ⑤]	890,683	921,004	8,941,786
Construction in progress	115,722	94,200	914,563
Other—net [NOTE 7 ③]	20,652	20,349	197,563
Total property and equipment [NOTES 7 ① and ②]	1,666,249	1,676,624	16,277,903
Intangible assets:			
Goodwill	36,219	33,687	327,058
Other [NOTES 7 ② and ③]	17,405	17,718	172,019
Total intangible assets	53,624	51,406	499,087
Investments and other assets:			
Investment securities [NOTES 7 ③ and ④]	239,997	246,617	2,394,340
Deferred tax assets	5,224	4,906	47,631
Net defined benefit asset	—	2,395	23,252
Other	41,675	34,532	335,262
Allowance for doubtful receivables	(536)	(473)	(4,592)
Total investments and other assets	286,360	287,978	2,795,903
Total noncurrent assets	2,006,234	2,016,009	19,572,903
Total assets	2,281,007	2,286,928	22,203,184

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Liabilities:			
Current liabilities:			
Trade payables	¥ 44,110	¥ 42,943	$ 416,922
Accrued expenses	20,983	19,373	188,087
Short-term borrowings [NOTE 7 ③]	354,358	313,305	3,041,796
Current portion of bonds	10,000	20,000	194,175
Lease obligations	2,132	2,028	19,689
Income taxes payable	8,883	5,729	55,621
Provision for bonuses	4,079	4,214	40,913
Other [NOTE 7 ③]	133,592	156,626	1,520,641
Total current liabilities	578,140	564,220	5,477,864
Long-term liabilities:			
Long-term debt [NOTE 7 ③]	637,624	585,300	5,682,524
Bonds	112,000	102,000	990,291
Lease obligations	10,516	9,673	93,913
Deferred tax liabilities	160,017	189,178	1,836,680
Deferred tax liabilities related to land revaluation [NOTE 7 ⑤]	5,572	5,557	53,951
Provision for retirement benefits	59,439	—	—
Net defined benefit liability	—	60,093	583,427
Long-term deferred contribution for construction	28,483	37,258	361,728
Other	116,057	116,047	1,126,670
Total long-term liabilities	1,129,712	1,105,109	10,729,214
Total liabilities	1,707,853	1,669,330	16,207,087
Net assets:			
Shareholders' equity:			
Common stock	99,474	99,474	965,767
Capital surplus	150,027	150,027	1,456,573
Retained earnings	307,108	344,020	3,340,000
Less treasury stock, at cost	(4,209)	(4,553)	(44,204)
Total shareholders' equity	552,400	588,969	5,718,146
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	2,817	8,885	86,262
Deferred gains or losses on hedges	770	480	4,660
Revaluation reserve for land [NOTE 7 ⑤]	5,130	5,060	49,126
Foreign currency translation adjustments	(1,719)	366	3,553
Remeasurements of defined benefit plans	—	(1,712)	(16,621)
Total accumulated other comprehensive income	6,999	13,081	127,000
Subscription rights to shares	112	208	2,019
Minority interests [NOTE 7 ⑤]	13,642	15,338	148,913
Total net assets	573,154	617,598	5,996,097
Total liabilities and net assets	2,281,007	2,286,928	22,203,184

Consolidated Statements of Income

Years ended 31st March 2013 and 2014

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Revenues from operations	¥682,439	¥679,157	$6,593,757
Costs of revenues from operations:			
Operating expenses and cost of sales of transportation [NOTE 8 ①]	560,143	556,346	5,401,417
Selling, general and administrative expenses [NOTE 8 ②]	34,375	30,983	300,806
Total costs of revenues from operations [NOTE 8 ③]	594,518	587,329	5,702,223
Operating income	87,921	91,828	891,534
Non-operating income:			
Interest income	111	130	1,262
Dividends income	1,186	1,341	13,019
Equity in income of affiliates	4,302	3,798	36,874
Miscellaneous income	2,294	2,575	25,000
Total non-operating income	7,895	7,845	76,165
Non-operating expenses:			
Interest expenses	18,646	16,235	157,621
Miscellaneous expenses	2,256	2,246	21,806
Total non-operating expenses	20,902	18,481	179,427
Ordinary income	74,914	81,191	788,262
Extraordinary income:			
Gain on contributions for construction	5,783	1,885	18,301
Gain on sales of noncurrent assets [NOTE 8 ④]	806	8,508	82,602
Other	1,604	1,324	12,854
Total extraordinary income	8,193	11,718	113,767
Extraordinary loss:			
Loss on reduction of noncurrent assets	5,717	1,910	18,544
Loss on impairment of fixed assets [NOTE 8 ⑤]	5,402	2,297	22,301
Provision for loss on removal of property and equipment	4,391	1,146	11,126
Other	5,405	4,013	38,961
Total extraordinary loss	20,915	9,367	90,942
Income before income taxes and minority interests	62,192	83,542	811,087
Income taxes—current	13,701	7,042	68,369
Income taxes—deferred	7,532	28,578	277,456
Total income taxes	21,234	35,620	345,825
Income before minority interests	40,957	47,921	465,252
Minority interests in income	1,254	1,569	15,233
Net income	39,702	46,352	450,019

Consolidated Statements of Comprehensive Income

Years ended 31st March 2013 and 2014

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Income before minority interests	¥40,957	¥47,921	$465,252
Other comprehensive income:			
Valuation difference on available-for-sale securities	6,735	4,443	43,136
Deferred gains or losses on hedges	900	(293)	(2,845)
Revaluation reserve for land	—	(15)	(146)
Foreign currency translation adjustments	1,287	2,180	21,165
Share of other comprehensive income of associates accounted for using equity method	4,201	1,704	16,544
Total other comprehensive income [NOTE 9 ①]	13,124	8,019	77,854
Comprehensive income	54,081	55,941	543,117
Comprehensive income attributable to:			
Owners of the parent	52,670	54,201	526,223
Minority interests	1,411	1,739	16,883

Consolidated Statements of Changes in Net Assets

Years ended 31st March 2013 and 2014

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Less treasury stock, at cost	Total shareholders' equity
Balance as of 1st April 2012	¥99,474	¥150,027	¥276,059	¥(4,140)	¥521,421
Changes of items during the period					
Dividends from surplus			(6,334)		(6,334)
Net income			39,702		39,702
Reversal of revaluation reserve for land			(2,160)		(2,160)
Purchase of treasury stock				(82)	(82)
Disposal of treasury stock			(2)	13	10
Change in scope of consolidation			(157)		(157)
Changes in equity in affiliates accounted for by equity method-treasury stock				—	—
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	31,048	(69)	30,978
Balance as of 31st March 2013	99,474	150,027	307,108	(4,209)	552,400
Changes of items during the period					
Dividends from surplus			(9,500)		(9,500)
Net income			46,352		46,352
Reversal of revaluation reserve for land			54		54
Purchase of treasury stock				(385)	(385)
Disposal of treasury stock			(13)	41	28
Change in scope of consolidation			19		19
Changes in equity in affiliates accounted for by equity method-treasury stock				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	36,912	(344)	36,568
Balance as of 31st March 2014	99,474	150,027	344,020	(4,553)	588,969

	Millions of yen								
	Accumulated other comprehensive income								
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Minority interests	Total net assets
Balance as of 1st April 2012	¥ (8,044)	¥(131)	¥2,972	¥(2,924)	¥ —	¥ (8,128)	¥ 32	¥11,476	¥524,801
Changes of items during the period									
Dividends from surplus									(6,334)
Net income									39,702
Reversal of revaluation reserve for land									(2,160)
Purchase of treasury stock									(82)
Disposal of treasury stock									10
Change in scope of consolidation									(157)
Changes in equity in affiliates accounted for by equity method-treasury stock									—
Net changes of items other than shareholders' equity	10,862	901	2,158	1,204	—	15,127	79	2,166	17,374
Total changes of items during the period	10,862	901	2,158	1,204	—	15,127	79	2,166	48,352
Balance as of 31st March 2013	2,817	770	5,130	(1,719)	—	6,999	112	13,642	573,154
Changes of items during the period									
Dividends from surplus									(9,500)
Net income									46,352
Reversal of revaluation reserve for land									54
Purchase of treasury stock									(385)
Disposal of treasury stock									28
Change in scope of consolidation									19
Changes in equity in affiliates accounted for by equity method-treasury stock									(0)
Net changes of items other than shareholders' equity	6,067	(289)	(70)	2,086	(1,712)	6,082	96	1,696	7,875
Total changes of items during the period	6,067	(289)	(70)	2,086	(1,712)	6,082	96	1,696	44,443
Balance as of 31st March 2014	8,885	480	5,060	366	(1,712)	¥13,081	208	15,338	617,598

	Thousands of U.S. dollars				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Less treasury stock, at cost	Total shareholders' equity
Balance as of 1st April 2013	$965,767	$1,456,573	$2,981,631	$(40,864)	$5,363,107
Changes of items during the period					
Dividends from surplus			(92,233)		(92,233)
Net income			450,019		450,019
Reversal of revaluation reserve for land			524		524
Purchase of treasury stock				(3,738)	(3,738)
Disposal of treasury stock			(126)	398	272
Change in scope of consolidation			184		184
Changes in equity in affiliates accounted for by equity method-treasury stock				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	358,369	(3,340)	355,029
Balance as of 31st March 2014	965,767	1,456,573	3,340,000	(44,204)	5,718,146

	Thousands of U.S. dollars								
	Accumulated other comprehensive income								
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Minority interests	Total net assets
Balance as of 1st April 2013	$27,350	$7,476	$49,806	$(16,689)	$ —	$ 67,951	$1,087	$132,447	$5,564,602
Changes of items during the period									
Dividends from surplus									(92,233)
Net income									450,019
Reversal of revaluation reserve for land									524
Purchase of treasury stock									(3,738)
Disposal of treasury stock									272
Change in scope of consolidation									184
Changes in equity in affiliates accounted for by equity method-treasury stock									(0)
Net changes of items other than shareholders' equity	58,903	(2,806)	(680)	20,252	(16,621)	59,049	932	16,466	76,456
Total changes of items during the period	58,903	(2,806)	(680)	20,252	(16,621)	59,049	932	16,466	431,485
Balance as of 31st March 2014	86,262	4,660	49,126	3,553	(16,621)	127,000	2,019	148,913	5,996,097

Consolidated Statements of Cash Flows

Years ended 31st March 2013 and 2014

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 62,192	¥ 83,542	$ 811,087
Depreciation and amortisation	54,540	54,474	528,874
Loss on impairment of fixed assets	5,402	2,297	22,301
Amortisation of goodwill	2,875	2,916	28,311
Equity in (income) losses of affiliates	(4,302)	(3,798)	(36,874)
Increase (decrease) in provision for retirement benefits	(340)	—	—
Increase (decrease) in net defined benefit liability	—	(726)	(7,049)
Increase (decrease) in allowance for doubtful receivables	(24)	34	330
Increase (decrease) in provision for loss on removal of property and equipment	4,391	1,146	11,126
Interest and dividend income	(1,297)	(1,471)	(14,282)
Interest expense	18,646	16,235	157,621
Loss (gain) on sales of noncurrent assets	(594)	(8,133)	(78,961)
Loss on reduction of noncurrent assets	5,717	1,910	18,544
Gain on contributions for construction	(5,783)	(1,885)	(18,301)
Decrease (increase) in trade receivables	(4,058)	(4,200)	(40,777)
Decrease (increase) in inventories	8,516	12,106	117,534
Increase (decrease) in trade payables	659	877	8,515
Other	4,993	19,441	188,748
Subtotal	151,530	174,766	1,696,757
Interest and dividends received	2,701	3,036	29,476
Interest paid	(19,028)	(16,797)	(163,078)
Income taxes (paid) refunded	(7,548)	(14,013)	(136,049)
Net cash provided by operating activities	127,655	146,991	1,427,097
Cash flows from investing activities:			
Purchases of noncurrent assets	(83,506)	(89,845)	(872,282)
Proceeds from sales of noncurrent assets	5,600	21,619	209,893
Purchases of investment securities	(2,353)	(2,438)	(23,670)
Proceeds from sale of investment securities	4,515	1,010	9,806
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	—	3,285	31,893
Net decrease (increase) in short-term loans receivable	21	2,335	22,670
Receipt of contributions for construction	16,134	14,115	137,039
Other	666	4,401	42,728
Net cash used in investing activities	(58,923)	(45,517)	(441,913)
Cash flows from financing activities:			
Net increase (decrease) in short-term borrowings	(8,924)	(13,191)	(128,068)
Proceeds from long-term debt	100,754	105,350	1,022,816
Repayment of long-term debt	(137,064)	(184,737)	(1,793,563)
Proceeds from new bonds issued	19,882	9,934	96,447
Redemption of bonds	(35,010)	(10,000)	(97,087)
Dividends paid	(6,334)	(9,500)	(92,233)
Dividends paid to minority shareholders of consolidated subsidiaries	(344)	(329)	(3,194)
Other	(2,154)	(2,606)	(25,301)
Net cash used in financing activities	(69,195)	(105,079)	(1,020,184)
Effect of exchange rate changes on cash and cash equivalents	1,280	1,765	17,136
Increase (decrease) in cash and cash equivalents	817	(1,840)	(17,864)
Cash and cash equivalents at beginning of year	23,572	25,581	248,359
Increase in cash and cash equivalents from newly consolidated subsidiary	1,191	755	7,330
Cash and cash equivalents at end of year	25,581	24,497	237,835

Notes to the Consolidated Financial Statements

1 FRAMEWORK FOR PREPARING CONSOLIDATED FINANCIAL STATEMENTS

① Method of preparation for consolidated financial statements

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

Comparative information contained in the consolidated financial statements for the consolidated current fiscal year (1st April 2013 to 31st March 2014) has been prepared based on the Regulations for Consolidated Financial Statements before the amendment, in accordance with "Cabinet Office Ordinance Partially Revising Regulation on Terminology, Forms and Preparation of Financial Statements" (Cabinet Office Ordinance No. 61, 21st September 2012), Supplementary Provisions Article 3 Paragraph 2.

② Audit verification

The Company's consolidated financial statements for the current fiscal year (1st April 2013 to 31st March 2014) were audited by KPMG AZSA LLC, as per Article 193-2 (1) of the Financial Instruments and Exchange Act.

③ Special measures to ensure the appropriateness of consolidated financial statements and other reports

The Company makes special efforts to ensure the appropriateness of its consolidated financial statements and other reports. In addition to subscribing to related publications, it has joined the Financial Accounting Standards Foundation and participates in seminars and other events held by the Foundation, audit firms and other relevant organisations to establish a system for understanding the accounting standards in detail and responding suitably to changes made to them. The Company also compiles and provides common manuals for preparing the consolidated financial information on a group basis, and arranges training courses for accounting staff at affiliates.

④ Translation into U.S. dollars

The U.S. dollar amounts have been translated, for convenience only, at ¥103 = $1, the prevailing exchange rate on the Tokyo Foreign Exchange Market as of 31st March 2014.

2 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

① Scope of consolidation

(a) Number and names of consolidated subsidiaries

Number of consolidated subsidiaries—95.

Names of primary consolidated subsidiaries are listed on Page 118.

Due to its increased significance Rworks, Inc., has been included in the scope of consolidation.

Hankyu Hanshin Express Holdings Corporation and 4 other companies have been excluded from the scope of consolidation due to a merger, and Book 1st. Corporation has been excluded because of its sale.

(b) Names of major nonconsolidated subsidiaries

Hankyu Mediax Co., Ltd.

Nonconsolidated subsidiaries have been excluded from the scope of consolidation because the total amounts of their entire assets, sales, net income or loss (amount equivalent to equity interests), retained earnings (amount equivalent to equity interests), and other figures are limited, and the effect on the consolidated financial statements as a whole is negligible.

② Items related to application of equity-method accounting

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

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

Names of major equity-method affiliates

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

From the current fiscal year, equity-method accounting is applied to Nikkei Culture Inc. due to its increased significance.

Also, in the current fiscal year, Sanyo Jidosha Unso Co., Ltd., has been excluded from the scope of equity-method accounting due to the sale of its shares.

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

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

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

The account closing date for Hankyu Hanshin Express (USA) INC., Hankyu Hanshin Express (Deutschland) GMBH and 20 other consolidated subsidiaries is 31st December. The consolidated financial statements have been prepared using the financial statements based on the closing date of each company, and major transactions conducted between the individual closing dates and the consolidated closing date have been adjusted for as necessary for the consolidation.

④ Items related to accounting treatment and standards

(a) Valuation standards and method for major assets

I. Securities

Available-for-sale securities

Available-for-sale securities with fair market values:

The market value method is applied based on the market price, etc., at the fiscal year end. (Related valuation differences are directly included under net assets and the cost of securities sold is determined by the moving average method.)

Available-for-sale securities without fair market values:

The moving average cost method is mainly applied.

For investments in limited liability investment partnerships and similar investments, however, the Company's share of assets held by such partnerships is recorded.

II. Derivatives

The market value method is applied.

III. Inventories

Land and buildings for sale:

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

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

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

(b) Depreciation methods for major depreciable assets

I. Property and equipment (excluding leased assets)

While property and equipment (excluding leased assets) are depreciated for the most part using the declining balance method, there is also some use of the straight-line method.

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

II. Intangible assets (excluding leased assets)

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

Software (used by the Company), however, is amortised by the straight-line method over the internal available life (Mainly 5 years).

III. Lease assets

Lease assets are depreciated using the straight-line method with the lease term as the useful life and the residual value as zero.

(c) Accounting for contributions for construction

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

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

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

(d) Accounting standards for significant transactions

I. Allowance for doubtful receivables

Allowance for doubtful receivables is provided based on the ratio of past loan loss experience for general accounts and individually estimated uncollectible amounts for certain individual accounts.

II. Provision for bonuses

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

(e) Accounting methods for retirement benefits

When calculating retirement benefit obligations, the straight-line attribution method is used to distribute the estimated amount of retirement benefits into the period up to the end of the current fiscal year.

Prior service costs are recorded in expenses in equal amounts using the straight-line method over a certain number of years (mainly 10 years), which is within the average remaining years of service of the employees at the time when these costs are incurred, commencing, in principle, in the fiscal year in which they arise.

Actuarial differences are recorded in expenses using the straight-line method over a certain number of years (mainly 10 years), which is within the average remaining years of service of the employees at the time when these costs are incurred, commencing, in principle, in the fiscal year following the year in which they arise.

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

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

(g) Significant hedge accounting methods

I. Method of hedge accounting

Deferred hedge accounting is applied.

Exceptional accounting applies to interest rate swaps that satisfy the requirements for exceptional accounting for interest rate swaps.

Designation accounting applies to foreign currency denominated assets and liabilities with foreign exchange forward contracts.

II. Hedging instruments and hedged items

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

III. Hedging policy

The Group is exposed to the risk of foreign exchange and interest rate fluctuations and uses derivatives as a means of hedging these risks.

IV. Method for evaluating the effectiveness of hedges

Other than when the effectiveness of hedges is obvious, hedge effectiveness is evaluated semiannually using the comparison and analysis method.

V. Other risk management methods concerning hedge accounting

Internal rules regarding the segregation of duties, maximum transaction amounts, etc., have been established for the use of derivative transactions based on which derivative transactions are used. The implementation and management of derivative transactions are carried out by the accounting department with the approval of the decision makers in each Group company. An internal control system has been developed to ensure that the contract signing and termination comply with the internal rules.

(h) Method and period of amortisation of goodwill

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

(i) Scope of cash included in consolidated statements of cash flows

In preparing the consolidated statements of cash flows, cash on hand, readily available deposits and short-term highly liquid investments without material risk of changing their value and with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

(j) Other significant matters for preparing consolidated financial statements

I. Accounting for consumption tax

Accounting for consumption tax is based on the tax exclusion method.

The non-deductible amount of the consumption tax on assets that are not tax deductible is included in "Other" in investments and other assets on the consolidated balance sheets as long-term prepaid consumption tax and is amortised in equal amounts based on provisions of Corporation Tax Law.

II. Adoption of consolidated tax payment system

A consolidated tax payment system has been adopted.

3 CHANGES IN ACCOUNTING POLICIES

① Application of the accounting standard for retirement benefits

The Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, 17th May 2012; hereinafter "retirement benefits' accounting standard") and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, 17th May 2012; hereinafter "retirement benefits' guidance" were applied at the end of the current fiscal year (excluding the provisions described in Paragraph 35 of the retirement benefits' accounting standard and in Paragraph 67 of the retirement benefits' guidance), and the method changed so that the amount after the plan assets has been deducted from the retirement benefit obligations is recorded as "Net defined benefit liability" and unrecognised actuarial differences and unrecognised prior service costs are recorded as "Net defined benefit liability."

Regarding the application of the retirement benefits' accounting standard, in accordance with the transitional methods of handling provided for in Paragraph 37 of the retirement benefits' accounting standard, at the end of the current fiscal year, the amount of financial impact from the relevant change was added or subtracted from the remeasurements of defined benefit plans under accumulated other comprehensive income.

As a result, at the end of the current fiscal year, "Net defined benefit asset" of ¥2,395 million ($23,252 thousand) and "Net defined benefit liability" of ¥60,093 million ($583,427 thousand) (in the fiscal year ended 31st March, 2013, prior to the application of the retirement benefits accounting standard, "Provision for retirement benefits" on the consolidated balance sheets was ¥59,439 million) were recorded. In addition, "Accumulated other comprehensive income" decreased ¥1,712 million ($16,621 thousand) and "Minority interests" increased ¥102 million ($990 thousand).

Net assets per share decreased ¥1.36 ($0.01).

4 ACCOUNTING STANDARDS NOT APPLIED AS YET

① Accounting Standard for Retirement Benefits

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

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

(a) Summary

The methods of processing unrecognised actuarial differences and unrecognised prior service costs, the methods of calculating retirement benefit obligations and service costs, and the expansion of disclosure were amended.

(b) Effective dates

The amendments to the methods of calculating the retirement benefit obligations and service costs shall be effective from the beginning of the fiscal period ending 31st March 2015.

As transitional methods of handling these accounting standards have been laid down, they shall not be applied retroactively to consolidated financial statements for prior fiscal years.

(c) Effect of application of the standards

The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

② Accounting standards for business combinations

—Accounting Standards for Business Combinations (ASBJ Statement No. 21 13th September, 2013)

—Accounting Standards for Consolidated Financial Statements (ASBJ Statement No. 22 13th September, 2013)

—Accounting Standard for Business Divestitures (ASBJ Statement No. 7, 13th September, 2013)

—Accounting Standard for Earnings Per Share (ASBJ Statement No. 2, 13th September, 2013)

—Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, 13th September, 2013)

—Guidance on Accounting Standard for Earnings Per Share (ASBJ Guidance No. 4, 13th September, 2013)

(a) Summary

1) Handling of changes in equity of the parent company for subsidiaries in the event that it continues to have control following purchases of additional shares in subsidiaries, etc., 2) handling of expenses related to purchases, 3) presentation of net income and changes of the presentation to non-controlling interests from minority interests, and 4) handling of provisional accounting, etc., were amended.

(b) Effective dates

The amendments will come into effect from the beginning of the fiscal period ending 31st March 2016. The handling of provisional accounting will come into effect after the beginning of the fiscal period ending March 2016 following the implementation of the business combination.

(c) Effect of application of the standards

The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

5 CHANGES TO THE METHOD OF PRESENTATION

① Consolidated balance sheets

To present the items on the consolidated balance sheets more clearly, "Lease obligations" that were included in "Other" of current liabilities and long-term liabilities up to the fiscal year ended 31st March, 2013, will be presented as separate item from the current fiscal year, and "Provision for directors' retirement benefits," which was presented as a separate item until the fiscal year ended 31st March, 2013, will be included in "Other" in long-term liabilities from the current fiscal year.

As a result, in the consolidated balance sheets in the fiscal year ended 31st March, 2013, "Other" of ¥135,724 million in current liabilities is replaced by "Lease obligations" of ¥2,132 million ($20,699 thousand) and "Other" of ¥133,592 million ($1,297,010 thousand), while in long-term liabilities, "Provision for directors' retirement benefits" of ¥724 million and "Other" of ¥125,849 million are replaced by "Lease obligations" of ¥10,516 million ($102,097 thousand) and "Other" of ¥116,057 million ($1,126,767 thousand).

② Consolidated Statements of Income

"Gain on sale of securities" in extraordinary income and "Loss on sales of noncurrent assets," "Loss on retirement of noncurrent assets," and "Restructuring costs" in extraordinary loss were presented separately in the fiscal year ended 31st March, 2013. But as the importance of these items has diminished, in the current fiscal year they are included in "Other" in extraordinary income and extraordinary loss respectively.

As a result, in the Consolidated Statements of Income for the fiscal year ended 31st March, 2013, "Gain on sale of securities" of ¥1,206 million was included in "Other" in extraordinary income, and "Loss on sales of noncurrent assets" of ¥211 million, "Loss on retirement of noncurrent assets" of ¥1,730 million, and "Restructuring costs" of ¥2,161 million were each included in "Other" in extraordinary loss.

6 ADDITIONAL INFORMATION

① Changes in the purpose of holding

Due to changes in the purpose of holding in the current fiscal year, certain land that was previously recorded in "Construction in progress" was reclassified to "Land and buildings for sale." The amount of the reclassification resulting from this change was ¥6,209 million ($60,282 thousand).

7 CONSOLIDATED BALANCE SHEETS

① Accumulated depreciation of property and equipment

Millions of yen		Thousands of U.S. dollars
2013	2014	2014
¥1,019,293	**¥1,044,359**	**$10,139,408**

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

Millions of yen		Thousands of U.S. dollars
2013	2014	2014
¥370,073	**¥373,682**	**$3,627,981**

③ Pledged assets and secured liabilities

The following table shows the assets pledged as collateral.

	Millions of yen				Thousands of U.S. dollars	
	2013		2014		2014	
Property and equipment:						
Buildings and structures	¥219,000	[¥214,464]	**¥216,551**	**[¥212,362]**	**$2,102,437**	**[$2,061,767]**
Machinery, equipment and vehicles	34,509	[34,509]	**34,633**	**[34,633]**	**336,243**	**[336,243]**
Land	266,577	[256,052]	**266,480**	**[255,955]**	**2,587,184**	**[2,485,000]**
Other	2,221	[2,221]	**1,864**	**[1,864]**	**18,097**	**[18,097]**
Intangible assets:						
Other	129	[129]	**128**	**[128]**	**1,243**	**[1,243]**
Investment and other assets:						
Investment securities	14,036	[—]	**13,236**	**[—]**	**128,505**	**[—]**
Total	536,474	[507,377]	**532,895**	**[504,944]**	**5,173,738**	**[4,902,369]**

The following table shows the secured liabilities.

	Millions of yen				Thousands of U.S. dollars	
	2013		2014		2014	
Current liabilities:						
Short-term borrowings	¥ 11,024	[¥ 8,819]	**¥ 13,805**	**[¥ 7,980]**	**$ 134,029**	**[$ 77,476]**
Other	109	[—]	**86**	**[—]**	**835**	**[—]**
Long-term liabilities:						
Long-term debt	104,920	[92,651]	**107,291**	**[99,703]**	**1,041,660**	**[967,990]**
Total	116,055	[101,471]	**121,182**	**[107,683]**	**1,176,524**	**[1,045,466]**

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

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

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Investment securities (stocks)	¥169,678	¥170,790	$1,658,155

⑤ Two consolidated subsidiaries and an equity-method affiliate revaluated land for business use based on the Law Concerning Revaluations of Land (Law No. 34, promulgated on 31st March 1998) and the Law to Partially Modify the Law Concerning Revaluations of Land (Law No. 19, promulgated on 31st March 2001). Of the valuation differences identified as a result of this, the consolidated subsidiaries recorded the amount corresponding to the taxes on the valuation difference in the liability section as "Deferred tax liabilities related to land revaluation" and the amount belonging to minority shareholders as "Minority interests." The amount remaining after subtracting these was recorded in the net assets section as "Revaluation reserve for land." The equity-method affiliates recorded the amount corresponding to its equity in the valuation difference (after subtracting taxes) in the net assets section as "Revaluation reserve for land."

Revaluation method

The revaluation amounts were determined based on the revaluated value of noncurrent assets provided for in Article 2, Paragraph 3 of the Enforcement Ordinance for the Law Concerning Land Revaluation (Ordinance No. 119, promulgated on 31st March 1998).

Date of revaluation: 31st March 2002

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

Millions of yen		Thousands of U.S. dollars
2013	2014	2014
¥(6,093)	¥(6,067)	$(58,903)

⑥ Contingent liabilities

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

Fiscal year ended 31st March 2013

	Millions of yen
Nishi-Osaka Railway Co., Ltd.	¥22,367
Borrowers on loans for purchase of land and buildings	9,794
Other (one company)	38
Total	32,199

Fiscal year ended 31st March 2014

	Millions of yen	Thousands of U.S. dollars
Nishi-Osaka Railway Co., Ltd.	¥22,054	$214,117
Borrowers on loans for purchase of land and buildings	7,373	71,583
Other (one company)	40	388
Total	29,467	286,087

8 CONSOLIDATED STATEMENTS OF INCOME

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

Millions of yen		Thousands of U.S. dollars
2013	2014	2014
¥2,807	¥3,564	$34,602

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

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Personnel expenses	¥16,372	¥15,297	$148,515
Expenses	13,454	11,224	108,971
Taxes	651	715	6,942
Depreciation and amortisation	1,020	829	8,049
Amortisation of goodwill	2,875	2,916	28,311
Total	34,375	30,983	300,806

③ The retirement benefit expenses and amounts of allowance and provision included in the costs of revenues from operations are shown below.

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Retirement benefit expenses	¥8,620	¥7,067	$68,612
Special allowance for doubtful receivables	140	94	913
Provision for bonuses	4,116	4,415	42,864

④ The breakdown of the gain on sales of noncurrent assets is as follows.

Fiscal year ended 31st March 2013

	Millions of yen
Land, etc.	¥806

Fiscal year ended 31st March 2014

	Millions of yen	Thousands of U.S. dollars
Land, etc.	¥8,508	$82,602

⑤ Loss on impairment of fixed assets

Fiscal year ended 31st March 2013

The Group recorded a loss on impairment of fixed assets for the following asset groups.

Use	Type of assets	Region	Millions of yen
Property for rent Total: 8	Land, etc.,	Kyoto, etc.	¥1,766
Gardens, etc. Total: 3	Buildings and structures, etc.	Hyogo	874
Working assets, etc. Total:14	Land, etc.,	Tokyo, etc.	2,761

(a) Method of grouping assets

The grouping of assets is based on the minimum unit that generates a cash flow that is generally independent of the cash flows of other assets or asset groups.

(b) Procedure up to the recognition of a loss on impairment of fixed assets

The book values of the fixed assets groups, the market values of which have been declining sharply from their book values due to a continuous decrease in land value, and those that have continuously resulted in operating losses and whose profitability is unlikely to recover in the future were reduced to the recoverable amount. The reduction has been recorded as "Loss on impairment of fixed assets" in the amount of ¥5,402 million under extraordinary loss.

(c) Breakdown of the loss on impairment

Type of assets	Millions of yen
Land	¥3,307
Buildings and structures	1,503
Machinery, equipment and vehicles	18
Construction in progress	287
Other	144
Intangible assets	140
Total	5,402

(d) Method of determining the recoverable value

The recoverable value is based on the net sale value or value in use.

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

Fiscal year ended 31st March 2014

The Group recorded a loss on impairment of fixed assets for the following asset groups.

Use	Type of assets	Region	Millions of yen	Thousands of U.S. dollars
Gardens, etc. Total: 2	Land, etc.	Hyogo	¥1,214	$11,786
Property for rent Total: 6	Land, etc.	Hyogo, etc.	539	5,233
Working assets, etc. Total: 24	Buildings and structures, etc.	Hyogo, etc.	542	5,262

(a) Method of grouping assets

The grouping of assets is based on the minimum unit that generates a cash flow that is generally independent of the cash flows of other assets or asset groups.

(b) Procedure up to the recognition of a loss on impairment of fixed assets

The book values of fixed assets groups for which a decision for dismantlement has been taken, those whose market values have been declining sharply from their book values due to a continuous decrease in land value, and those that have continuously resulted in operating losses and whose profitability is unlikely to recover in the future were reduced to the recoverable amount. The reduction has been recorded as "Loss on impairment of fixed assets" in the amount of ¥2,297 million ($22,301 thousand) under extraordinary loss.

(c) Breakdown of the loss on impairment

Type of assets	Millions of yen	Thousands of U.S. dollars
Land	¥1,392	$13,515
Buildings and structures	793	7,699
Machinery, equipment and vehicles	67	650
Other	39	379
Intangible assets	4	39
Total	2,297	22,301

(d) Method of determining the recoverable value

The recoverable value is based on the net sale value or value in use.

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

9 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

① Reclassification adjustments and tax effects relating to other comprehensive income

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Valuation difference on available-for-sale securities:			
Increase (decrease) during the year	¥10,349	¥6,922	$67,204
Reclassification adjustments	(959)	(72)	(699)
Subtotal, before tax	9,389	6,849	66,495
Tax (expense) or benefit	(2,654)	(2,405)	(23,350)
Valuation difference on available-for-sale securities	6,735	4,443	43,136
Deferred gains or losses on hedges:			
Increase (decrease) during the year	1,165	(755)	(7,330)
Reclassification adjustments	311	221	2,146
Subtotal, before tax	1,476	(533)	(5,175)
Tax (expense) or benefit	(576)	239	2,320
Deferred gains or losses on hedges	900	(293)	(2,845)
Revaluation reserve for land:			
Increase (decrease) during the year	—	—	—
Reclassification adjustments	—	—	—
Subtotal, before tax	—	—	—
Tax (expense) or benefit	—	(15)	(146)
Revaluation reserve for land	—	(15)	(146)
Foreign currency translation adjustments:			
Increase (decrease) during the year	1,287	2,174	21,107
Reclassification adjustments	—	6	58
Subtotal, before tax	1,287	2,180	21,165
Tax (expense) or benefit	—	—	—
Foreign currency translation adjustments	1,287	2,180	21,165
Share of other comprehensive income of associates accounted for using equity method:			
Increase (decrease) during the year	4,182	1,718	16,680
Reclassification adjustments	19	(14)	(136)
Share of other comprehensive income of associates accounted for using equity method	4,201	1,704	16,544
Total other comprehensive income	13,124	8,019	77,854

10 CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

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

Fiscal year ended 31st March 2013

(Thousands of shares)

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

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

Fiscal year ended 31st March 2014

(Thousands of shares)

	No. of shares as of 1st April 2013	Increase in number of shares	Decrease in number of shares	No. of shares as of 31st March 2013
No. of shares issued				
Common stock	1,271,406	—	—	1,271,406
Total	1,271,406	—	—	1,271,406
Treasury stock, at cost				
Common stock (Notes 1 and 2)	10,441	692	76	11,057
Total	10,441	692	76	11,057

(Overview of reasons for fluctuations)
Notes:
1. The increase of 692 thousand shares of treasury stock includes an increase of 401 thousand shares due to the purchase of shares from shareholders whose whereabouts is uncertain and an increase of 291 thousand shares due to the purchase of odd-lot shares.
2. The decrease of 76 thousand shares of treasury stock is due to a decrease of 64 thousand shares in conjunction with the exercise of stock-option rights and a decrease of 12 thousand shares due to the sale of odd-lot shares.

② Items related to subscription rights to shares

Fiscal year ended 31st March 2013

Classification	Breakdown of new share subscription rights	Type of shares subject to share subscription rights	Number of shares subject to share subscription rights				Balance as of 31st March 2013 (Millions of yen)
			As of 1st April 2012	Increase	Decrease	As of 31st March 2013	
The Company (Parent company)	Subscription rights as stock options	—	—	—	—	—	¥112
Total		—	—	—	—	—	112

Fiscal year ended 31st March 2014

Classification	Breakdown of new share subscription rights	Type of shares subject to share subscription rights	Number of shares subject to share subscription rights				Balance as of 31st March 2014	
			As of 1st April 2013	Increase	Decrease	As of 31st March 2014	(Millions of yen)	(Thousands of U.S. dollars)
The Company (Parent company)	Subscription rights as stock options	—	—	—	—	—	¥208	$2,019
Total		—	—	—	—	—	208	2,019

③ Items related to dividends

Fiscal year ended 31st March 2013

(a) Dividends paid

(Resolution)	Type of shares	Dividends paid (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
14th June 2012 General meeting of shareholders	Common stock	¥6,334	¥5	31st March 2012	15th June 2012

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

(Resolution)	Type of shares	Dividends paid (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
14th June 2013 General meeting of shareholders	Common stock	¥6,333	Retained earnings	¥5	31st March 2013	17th June 2013

Fiscal year ended 31st March 2014

(a) Dividends paid

(Resolution)	Type of shares	Dividends paid		Dividend per share		Record date	Effective date
		(Millions of yen)	(Thousands of U.S. dollars)	(Yen)	(U.S. dollars)		
14th June 2013 General meeting of shareholders	Common stock	¥6,333	$61,485	¥ 5	$0.05	31st March 2013	17th June 2013
31st October 2013 Board of Directors	Common stock	3,166	30,738	2.5	0.02	30th September 2013	3rd December 2013

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

(Resolution)	Type of shares	Dividends paid		Source of dividends	Dividend per share		Record date	Effective date
		(Millions of yen)	(Thousands of U.S. dollars)		(Yen)	(U.S. dollars)		
13th June 2014 General meeting of shareholders	Common stock	¥4,431	$43,019	Retained earnings	¥3.5	$0.03	31st March 2014	16th June 2014

11 CONSOLIDATED STATEMENTS OF CASH FLOWS

① Relationship between cash and cash equivalents at fiscal year-end and amounts shown on consolidated balance sheets

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Cash and deposits in the consolidated balance sheets	¥26,602	¥25,368	$246,291
Deposits with maturities over 3 months	(1,020)	(871)	(8,456)
Cash and cash equivalents in the cash flow statements	25,581	24,497	237,835

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

Fiscal year ended 31st March 2013

Hotel New Hankyu Kochi Co., Ltd.	Millions of yen
Current assets	¥ 876
Noncurrent assets	3,038
Current liabilities	664
Long-term liabilities	5,385

Fiscal year ended 31st March 2014

Book 1st. Corporation	Millions of yen	Thousands of U.S. dollars
Current assets	¥5,963	$57,893
Noncurrent assets	2,619	25,427
Current liabilities	4,994	48,485
Long-term liabilities	25	243

12 LEASE TRANSACTIONS

<As lessee>

① Operating lease transactions

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Future lease payments			
Due within one year	¥ 2,363	¥ 3,799	$ 36,883
Due after one year	11,335	13,787	133,854
Total	13,699	17,586	170,738

<As lessor>

① Operating lease transactions

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Future lease payments receivables			
Due within one year	¥ 441	¥ 486	$ 4,718
Due after one year	4,618	4,539	44,068
Total	5,060	5,025	48,786

13 FINANCIAL INSTRUMENTS

① Matters regarding the conditions of financial instruments

(a) Policy on financial instruments

It is the Group's policy to limit the investment of its funds to short-term deposits, which are highly secure, and the Group raises funds mainly through loans from financial institutions, bonds and commercial paper. Derivative transactions are used to avoid risk, as discussed later, and it is our policy to refrain from speculative transactions.

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

Marketable and investment securities consist mainly of stocks and bonds, and are exposed to market price fluctuation risk. However, fair values and the financial condition of the issuers are checked periodically, and the risk management system is confirmed.

Trade receivables, namely note receivables and trade account receivables, are exposed to the credit risk of customers. The Group limits its exposure to this credit risk by controlling the due date and balance by customer, and by making periodical checks of the credit conditions of major customers pursuant to the internal regulations of each company.

Almost all trade payables, namely note payables and trade account payables, have a payment date that falls within one year.

Some assets and liabilities denominated by foreign currency are exposed to exchange rate fluctuation risk (market risk), which is hedged through forward exchange contracts.

Long-term debt and bonds are used mainly to raise the long-term funds necessary for capital investment plans, and short-term borrowings and commercial paper are used mainly to raise short-term funds for working capital. Some floating-rate debt is exposed to interest rate fluctuation risk (market risk). Exposure to interest rate fluctuation risk is limited by fixing interest rates through interest rate swap transactions. In addition, there is liquidity risk that payment will not be made by the due date. Liquidity risk is limited by the timely preparation of financing plans and proper fund management. In addition, surplus funds of the Group companies are concentrated and used effectively through centralisation of Group funds by using the cash pool system, etc. Immediate fund raising from financial institutions became possible through the establishment of backup financing such as commitment lines. In addition, the Company maintained a proper balance between direct financing and indirect financing and diversified raising funds by using multiple financial institutions, thus securing liquidity.

Regarding the use of derivative transactions, internal regulations prescribe the division of duties and transaction limits. With respect to derivative transactions, the main purpose of interest rate swap transactions is to hedge the interest rate fluctuation risk involved in certain loans. Forward exchange contracts are used mainly to hedge exchange rate fluctuation risk involved in a portion of foreign currency denominated assets and liabilities. These derivative transactions involve credit risk because, if the other party to a transaction defaults on debts based on contracted conditions, or becomes bankrupt, the benefit that would have been obtained in the future if the transaction had continued will not be enjoyed. However, credit risk is limited by carrying out transactions only with financial institutions with high ratings.

More information regarding the means and objectives of hedging, hedging policy, and the method of evaluating the effectiveness of hedges related to hedge accounting for derivative transactions, is described in "④ Items related to accounting treatment and standards" "(g) Significant hedge accounting methods" outlined in "2 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS."

② Matters regarding fair values of financial instruments

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

	Millions of yen						Thousands of U.S. dollars		
	2013			2014			2014		
	Book value	Fair value	Difference	Book value	Fair value	Difference	Book value	Fair value	Difference
(a) Cash and deposits	¥ 26,602	¥ 26,602	¥ —	¥ 25,368	¥ 25,368	¥ —	$ 246,291	$ 246,291	$ —
(b) Trade receivables	75,181	75,181	—	80,063	80,063	—	777,311	777,311	—
(c) Securities	48,469	48,469	0	55,623	55,623	0	540,029	540,029	0
Total assets	150,253	150,253	0	161,055	161,055	0	1,563,641	1,563,641	0
(d) Trade payables	44,110	44,110	—	42,943	42,943	—	416,922	416,922	—
(e) Short-term borrowings (*1)	167,778	167,778	—	154,616	154,616	—	1,501,126	1,501,126	—
(f) Bonds (*2)	122,000	126,564	4,564	122,000	125,860	3,860	1,184,466	1,221,942	37,476
(g) Long-term debt (*1)	824,205	840,350	16,144	743,988	763,430	19,441	7,223,184	7,411,942	188,748
Total liabilities	1,158,094	1,178,803	20,709	1,063,549	1,086,851	23,302	10,325,718	10,551,951	226,233
(h) Derivative transactions	—	(12,129)	—	—	(8,595)	—	—	(83,447)	—

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

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

(a) Cash and deposits, (b) Trade receivables

The fair values of these are almost equal to their book values because they will be settled within a short period of time. As a result, their fair values are based on their book values.

(c) Securities

The fair values of stocks are based on prices quoted by stock exchanges, and the fair values of bonds are based on prices quoted by stock exchanges or prices presented by trading financial institutions. Securities categorised by the purpose for which they are held are described in "14 SECURITIES."

(d) Trade payables, (e) Short-term borrowings

The fair values of these are almost equal to their book values because they will be settled within a short period of time. As a result, their fair values are based on their book values.

(f) Bonds

The fair values of bonds issued by the Company and some of its consolidated subsidiaries are based on market prices.

(g) Long-term debt

The fair values of fixed-rate long-term debts are based on a method of calculation whereby the total principal and interest is discounted at an interest rate that is assumed for the introduction of similar new debt. The fair values of floating-rate long-term debt are based on their book values because the fair values of floating-rate long-term debts reflect market interest rates within a short period of time and closely approximate their book values.

(h) Derivative transactions

Described in "15 DERIVATIVES."

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

Classification	Millions of yen 2013	Millions of yen 2014	Thousands of U.S. dollars 2014
Available-for-sale securities:			
Non-listed equity securities	¥ 4,868	¥ 4,832	$ 46,913
Investments in limited liability investment partnerships and similar investments	3,075	2,265	21,990
Negotiable certificates of deposit	13,910	13,115	127,330
Total	21,853	20,213	196,243

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

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

(Note 4) Supplementary explanation regarding fair values of financial instruments

The fair value of financial instruments is based on market price. If market price are not available, the fair value of financial instruments is reasonably calculated. Certain assumptions are used to calculate the above values. As a result, if different assumptions are used, the values may differ. For derivative contracts, the amount of the contract which is indicated in "15 DERIVATIVES" does not indicate the market risk involved in derivative transactions themselves.

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

Fiscal year ended 31st March 2013

	Millions of yen			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	¥ 26,602	¥—	¥ —	¥—
Trade receivables	75,181	—	—	—
Securities:				
Held-to-maturity debt securities (government bonds, etc.)	5	9	—	—
Available-for-sale securities with maturities (government bonds)	—	46	352	—
Total	101,789	56	352	—

Fiscal year ended 31st March 2014

	Millions of yen				Thousands of U.S. dollars			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	¥ 25,368	¥—	¥ —	¥—	$ 246,291	$ —	$ —	$—
Trade receivables	80,063	—	—	—	777,311	—	—	—
Securities:								
Held-to-maturity debt securities (government bonds, etc.)	9	—	—	—	87	—	—	—
Available-for-sale securities with maturities (government bonds)	8	37	390	—	78	359	3,786	—
Total	105,449	37	390	—	1,023,777	359	3,786	—

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

Fiscal year ended 31st March 2013

	Millions of yen			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Bonds	¥ 10,000	¥ 60,000	¥ 52,000	¥ —
Long-term debt	186,580	345,860	166,491	125,273
Total	196,580	405,860	218,491	125,273

Fiscal year ended 31st March 2014

	Millions of yen				Thousands of U.S. dollars			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Bonds	¥ 20,000	¥ 40,000	¥ 62,000	¥ —	$ 194,175	$ 388,350	$ 601,942	$ —
Long-term debt	158,688	233,975	193,783	157,541	1,540,660	2,271,602	1,881,388	1,529,524
Total	178,688	273,975	255,783	157,541	1,734,835	2,659,951	2,483,330	1,529,524

14 SECURITIES

① Held-to-maturity debt securities

	Millions of yen						Thousands of U.S. dollars		
	2013			2014			2014		
Classification	Book value	Fair value	Difference	Book value	Fair value	Difference	Book value	Fair value	Difference
Securities with fair value exceeding book value	¥ 9	¥ 9	¥ 0	¥ 9	¥ 9	¥ 0	$87	$87	$ 0
Securities with fair value not exceeding book value	5	5	—	—	—	—	—	—	—
Total	14	14	0	9	9	0	87	87	0

② Available-for-sale securities

Classification	Millions of yen 2013 Book value	Acquisition cost	Difference	Millions of yen 2014 Book value	Acquisition cost	Difference	Thousands of U.S. dollars 2014 Book value	Acquisition cost	Difference
Securities with book value exceeding acquisition cost:									
(a) Equity securities	¥26,178	¥15,121	¥11,056	¥35,406	¥22,112	¥13,293	$343,748	$214,680	$129,058
(b) Bonds	398	379	19	426	409	17	4,136	3,971	165
(c) Other	4	3	1	—	—	—	—	—	—
Subtotal	26,581	15,503	11,077	35,833	22,522	13,310	347,893	218,660	129,223
Securities with book value not exceeding acquisition cost:									
(a) Equity securities	21,872	36,783	(14,910)	19,770	30,093	(10,323)	191,942	292,165	(100,223)
(b) Bonds	—	—	—	10	10	(0)	97	97	(0)
Subtotal	21,872	36,783	(14,910)	19,780	30,103	(10,323)	192,039	292,262	(100,223)
Total	48,454	52,287	(3,833)	55,613	52,625	2,987	539,932	510,922	29,000

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

Classification	Millions of yen 2013 Amount sold	Total gains on sale	Total losses on sale	Millions of yen 2014 Amount sold	Total gains on sale	Total losses on sale	Thousands of U.S. dollars 2014 Amount sold	Total gains on sale	Total losses on sale
Equity securities	¥4,411	¥1,234	¥42	¥663	¥574	¥4	$6,437	$5,573	$39

15 DERIVATIVES

① Derivative transactions for which hedge accounting has not been applied

No items

② Derivative transactions for which hedge accounting has been applied

(a) Currency

Fiscal year ended 31st March 2013

Classification	Type	Main hedged items	Millions of yen Contract amount	Portion of contract amount exceeding one year	Fair value (Note)
Designation of forward exchange contracts, etc.	Forward exchange contracts				
	Sell contract				
	U.S. dollar	Trade receivables	¥ 17	¥—	¥ 0
	Japanese yen		3	—	0
	Buy contract				
	Euro	Trade payables	14,290	—	1,248
	U.S. dollar		7,581	—	761
	Pound sterling		26	—	(0)
	Swiss franc		1,677	—	155
	Canadian dollar		680	—	33
	New Zealand dollar		149	—	26
	Australian dollar		340	—	36
	Hong Kong dollar		81	—	(1)
	Singapore dollar		10	—	(0)
	Thai baht		42	—	(0)
	Japanese yen		540	—	(29)
	Total		25,442	—	2,230

Fiscal year ended 31st March 2014

Classification	Type	Main hedged items	Millions of yen: Contract amount	Millions of yen: Portion of contract amount exceeding one year	Millions of yen: Fair value (Note)	Thousands of U.S. dollars: Contract amount	Thousands of U.S. dollars: Portion of contract amount exceeding one year	Thousands of U.S. dollars: Fair value (Note)
Designation of forward exchange contracts, etc.	Forward exchange contracts							
	Sell contract							
	U.S. dollar	Trade receivables	¥ 421	¥—	¥ 1	$ 4,087	$—	$ 10
	Japanese yen		13	—	(0)	126	—	(0)
	Buy contract							
	Euro	Trade payables	19,533	—	913	189,641	—	8,864
	U.S. dollar		10,030	—	237	97,379	—	2,301
	Pound sterling		26	—	0	252	—	0
	Swiss franc		2,057	—	114	19,971	—	1,107
	Canadian dollar		846	—	(0)	8,214	—	(0)
	New Zealand dollar		199	—	22	1,932	—	214
	Australian dollar		396	—	17	3,845	—	165
	Hong Kong dollar		90	—	0	874	—	0
	Singapore dollar		10	—	0	97	—	0
	Thai baht		89	—	(0)	864	—	(0)
	Japanese yen		690	—	(24)	6,699	—	(233)
	Total		34,405	—	1,282	334,029	—	12,447

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

(b) Interest rate

Fiscal year ended 31st March 2013

Classification	Type	Main hedged items	Millions of yen: Contract amount	Millions of yen: Portion of contract amount exceeding one year	Millions of yen: Fair value (Note)
Deferral hedge accounting and exceptional accounting of interest rate swaps	Interest rate swap contracts Payable fixed rate/ Receivable floating rate	Long-term debt	¥462,618	¥345,727	¥(14,359)
	Total		462,618	345,727	(14,359)

Fiscal year ended 31st March 2014

Classification	Type	Main hedged items	Millions of yen: Contract amount	Millions of yen: Portion of contract amount exceeding one year	Millions of yen: Fair value (Note)	Thousands of U.S. dollars: Contract amount	Thousands of U.S. dollars: Portion of contract amount exceeding one year	Thousands of U.S. dollars: Fair value (Note)
Deferral hedge accounting and exceptional accounting of interest rate swaps	Interest rate swap contracts Payable fixed rate/ Receivable floating rate	Long-term debt	¥342,802	¥264,440	¥(9,878)	$3,328,175	$2,567,379	$(95,903)
	Total		342,802	264,440	(9,878)	3,328,175	2,567,379	(95,903)

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

16 RETIREMENT BENEFITS

Fiscal year ended 31st March 2013

① Overview of retirement benefit plans

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

② Items related to retirement benefit obligations

	Millions of yen
1) Retirement benefit obligations	¥(127,240)
2) Plan assets	64,541
3) Unfunded retirement benefit obligations (1+2)	(62,699)
4) Unrecognised actuarial differences	7,251
5) Unrecognised prior service costs	(1,120)
6) Book value (net) (3+4+5)	(56,568)
7) Prepaid pension costs	2,871
8) Provision for retirement benefits (6–7)	(59,439)

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

③ Items related to retirement benefit expenses

	Millions of yen
1) Service costs (Note 1)	¥6,323
2) Interest costs on retirement benefit obligations	2,260
3) Expected return on plan assets	(910)
4) Amortisation of actuarial differences	1,453
5) Amortisation of prior service costs	(292)
6) Retirement benefit expenses (1+2+3+4+5)	8,834

Notes:
1. Retirement benefit expenses of consolidated subsidiaries that use a simplified method are recorded in 1) Service costs.
2. In addition to the retirement benefit expenses shown above, the Company made extra retirement payments of ¥139 million, mainly recorded as an extraordinary loss.

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

(a) Periodic distribution method for estimated amount of retirement benefits

Allocated equally to each service year using the estimated number of total service years

(b) Discount rate

Mainly 2.0%

(c) Expected rate of return on plan assets

Mainly 2.0%

(d) Number of years over which prior service costs are written off

Mainly 10 years (amortised using the straight-line method over a period not exceeding the average remaining service period of active employees)

(e) Number of years over which actuarial differences are written off

Mainly 10 years (amortised using the straight-line method over a period not exceeding the average remaining service period of active employees and recognised in expenses starting from the following fiscal year)

Fiscal year ended 31st March 2014

① Overview of retirement benefit plans

Some consolidated subsidiaries of the Company provide a defined benefit plan (defined benefit pension plan and lump sum payment plan) or a defined contribution plan. Hankyu Corporation has also established a retirement benefits trust.

In addition, some consolidated subsidiaries subscribe to the employees' pension funds plan in the multi-employer plan. Among them, the company recorded as same as defined contribution plan when the amount of plan assets corresponding to contributions by the company cannot be rationally calculated.

② Defined benefit plan

(a) Movement in retirement benefit obligations

	Millions of yen	Thousands of U.S. dollars
Balance at the beginning of the year	¥127,240	$1,235,340
Service costs	6,414	62,272
Interest costs	2,011	19,524
Actuarial loss (gain)	(378)	(3,670)
Retirement benefits paid	(7,460)	(72,427)
Loss (gain) in prior service costs	(2,003)	(19,447)
Other	440	4,272
Balance at the end of the year	126,263	1,225,854

Note: Amounts in the table include the retirement benefit obligations of consolidated subsidiaries using simplified methods.

(b) Movements in plan assets

	Millions of yen	Thousands of U.S. dollars
Balance at the beginning of the year	¥64,541	$626,612
Expected return on plan assets	1,330	12,913
Actuarial loss (gain)	2,831	27,485
Contribution paid by the employer	4,281	41,563
Retirement benefits paid	(4,419)	(42,903)
Balance at the end of the year	68,565	665,680

Note: Amounts in the table include the plan assets of consolidated subsidiaries using simplified methods.

(c) At the end of the year, reconciliation from retirement benefit obligations and plan assets to net defined benefit liabilities (assets) recorded on the consolidated balance sheets

	Millions of yen	Thousands of U.S. dollars
Funded retirement benefit obligations	¥64,845	$629,563
Plan assets	(68,565)	(665,680)
	(3,719)	(36,107)
Unfunded retirement benefit obligations	61,418	596,291
Total net defined benefit liability and asset	57,698	560,175
Net defined benefit liability	60,093	583,427
Net defined benefit assets	(2,395)	(23,252)
Total net defined benefit liability and asset	57,698	560,175

Note: Amounts in the table include the retirement benefit obligations and plan assets of consolidated subsidiaries using simplified methods.

(d) The breakdown of retirement benefit expenses

	Millions of yen	Thousands of U.S. dollars
Service costs	¥6,414	$62,272
Interest costs	2,011	19,524
Expected return on plan assets	(1,330)	(12,913)
Amortisation of actuarial differences	577	5,602
Amortisation of prior service costs	(689)	(6,689)
Other	288	2,796
Retirement benefit expenses	7,272	70,602

Notes:
1. Amounts in the table include the retirement benefit expenses of consolidated subsidiaries using simplified methods.
2. In addition to the retirement benefit expenses shown above, the Company made extra retirement payments of ¥26 million, mainly recorded as an extraordinary loss.

(e) Remeasurements of defined benefit plans

The breakdown of items (prior to the deduction of the tax effect) is as follows.

	Millions of yen	Thousands of U.S. dollars
Unrecognised prior service costs	¥(2,435)	$(23,641)
Unrecognised actuarial differences	3,464	33,631
Other	71	689
Total	1,101	10,689

Note: The above relates to consolidated subsidiaries, and in addition to the above items, the remeasurements of defined benefit plans include unrecognised items (the amount corresponding to equity) of equity method affiliates.

(f) Items relating to plan assets

I. Breakdown of the major plan assets

The ratios of the major types of assets to the total plan assets were as follows.

	%
Bonds	30
Equity securities	32
Cash and deposits	6
General accounts of life insurance	31
Other	1
Total	100

Note: The retirement benefits trust established for the Company's pension plan constitutes 7% of the plan assets total.

II. Method of determining the long-term expected rate of return on plan assets

Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return on plan assets.

(g) Items related to actuarial assumptions

The major actuarial assumptions the end of the current fiscal year

Discount rate: Mainly 2.0%

Long-term expected rate of return on plan assets: Mainly 2.0%

③ Defined contribution plan

The required contribution for the consolidated subsidiaries' defined contribution plan (including employees' pension funds plan in the multi-employer plan to which the same accounting method is applied as for the defined contribution plan) is ¥45 million ($437 thousand).

17 STOCK OPTIONS, ETC.

① Cost amount and account associated with stock options

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Operating expenses and cost of sales of transportation and cost of sales	¥79	¥118	$1,146

② Details and size of stock options and changes therein

(a) Details of stock options

Resolution date: 16th June 2011

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

Resolution date: 29th March 2012

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

Resolution date: 14th June 2012

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

Resolution date: 29th March 2013

Classification and number of eligible personnel	18 directors of subsidiaries
Class and number of shares (Note)	192,000 shares of common stock
Grant date	25th April 2013
Vesting conditions	Not defined
Service period	Not defined
Exercise period	From 26th April 2013 to 25th April 2043

Note: Indicated in the equivalent number of shares.

(b) Size of stock options and changes therein

The covered stock options are those which existed during the fiscal year ended 31st March, 2014 the number of which is indicated in the equivalent number of shares.

I. Number of stock options

Resolution date	16th June 2011	29th March 2012	14th June 2012	29th March 2013
Before vested (shares)				
At the end of the previous fiscal year	—	—	—	—
Granted	—	—	—	192,000
Expired	—	—	—	—
Vested	—	—	—	192,000
Unvested	—	—	—	—
After vested (shares)				
At the end of the previous fiscal year	104,000	112,000	102,000	—
Vested	—	—	—	192,000
Exercised	32,000	32,000	—	—
Expired	—	—	—	—
Unexercised	72,000	80,000	102,000	192,000

II. Unit price information

Resolution date	16th June 2011	29th March 2012	14th June 2012	29th March 2013
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1 [US$0.01]
Average stock price at exercise	¥530	¥530	¥ —	¥ — [US$ —]
Fair value unit price at the grant date	¥311	¥361	¥387	¥615 [US$5.97]

③ Estimation method for fair value unit price of stock options

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

(a) Valuation method used: Black–Scholes model

(b) Major basic data and estimation method

Resolution date: 29th March 2013

Volatility of stock price (Note 1)	19.72%
Expected life (Note 2)	3.729 years
Expected dividends (Note 3)	¥5 [US$0.05] / share
Risk-free interest rate (Note 4)	0.177%

Notes:
1. Volatility of stock price is based on the closing prices in regular transactions for the Company's common stock on individual transaction dates during the period of 3.729 years (2nd August 2009 through 25th April 2013).
2. Expected life is based on the actual length of service of eligible directors of subsidiaries who had resigned in the past, as well as on the actual length of service of eligible personnel as of the grant date.
3. Expected dividends are based on the actual dividends paid for the fiscal year ended 31st March 2012.
4. Risk-free interest rate is the yield of government bonds for the period corresponding to the expected life.

④ Estimation method for the number of vested stock options

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

18 DEFERRED TAX

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

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Deferred tax assets:			
Loss on revaluation of real estate for sale	¥ 30,055	¥ 29,828	$ 289,592
Tax loss carryforwards	14,881	21,314	206,932
Provision for retirement benefits	20,949	—	—
Net defined benefit liability	—	21,008	203,961
Loss on impairment of fixed assets	38,766	11,440	111,068
Losses on revaluation of investment securities	7,549	7,065	68,592
Loss on adjustment of transferred profit and loss	6,490	5,958	57,845
Unrealised profit from assets	6,005	5,904	57,320
Provision for bonuses	1,910	1,964	19,068
Enterprise taxes and business office taxes	1,039	1,156	11,223
Other	17,487	13,663	132,650
Subtotal of deferred tax assets	145,135	119,305	1,158,301
Valuation allowance	(46,361)	(47,088)	(457,165)
Less amounts offset against deferred tax liabilities	(86,747)	(61,573)	(597,796)
Total deferred tax assets	12,026	10,643	103,330
Deferred tax liabilities:			
Gain on reversal of difference from land revaluation	(128,476)	(127,707)	(1,239,874)
Revaluation of assets on consolidation	(94,688)	(93,987)	(912,495)
Net unrealised holding gains on securities	(17,840)	(20,288)	(196,971)
Gain on valuation of properties of business reorganisation	(2,299)	(2,250)	(21,845)
Other	(3,469)	(6,550)	(63,592)
Subtotal of deferred tax liabilities	(246,775)	(250,783)	(2,434,786)
Less amounts offset against deferred tax assets	86,747	61,573	597,796
Total deferred tax liabilities	(160,028)	(189,210)	(1,836,990)
Net deferred tax liabilities	(148,001)	(178,566)	(1,733,650)

Note: The Company reversed the "Surplus from land revaluation" when, as a result of a (physical) absorption-type corporate split on 1st April 2005, it handed over all of its land to Hankyu Corporation (which changed its name from Hankyu Corporation Spin-Off Preparation Inc. to Hankyu Corporation on the same day). As a result, "Deferred tax liabilities relating to land revaluation" has been recorded as deferred tax liabilities starting from the fiscal year ended 31st March 2006.

② A reconciliation of the significant differences between statutory tax rate and the effective tax rate reflected in the accompanying consolidated statements of income

	2013	2014
Statutory tax rate	38.0%	38.0%
(Adjustment)		
Elimination of dividends from consolidated subsidiaries	9.7	9.8
Amortisation of goodwill	1.7	1.3
Valuation allowance	(2.6)	1.1
Nondeductible expenses	1.5	0.6
Per capita amount of inhabitants tax	0.7	0.5
Non taxable income	(10.4)	(11.0)
Equity in (income) losses of affiliates	(2.6)	(1.7)
Other	(1.9)	4.0
Effective tax rate	34.1	42.6

③ Amendments to the amount of deferred tax assets and liabilities due to changes to the effective tax rate

The "Act for Partial Amendment of the Income Tax Act" (Act No. 10 of 2014) was promulgated on 31st March, 2014, and the special corporate tax for reconstruction was not levied from the consolidated fiscal years beginning on or after 1st April, 2014. Also, the "Act on Local Corporation Tax" (Act No.11 of 2014) was promulgated on 31st March, 2014. Instead of the resident tax rate being reduced from the consolidated fiscal year that will begin on 1st April, 2015, the local corporation tax that is considered to be a national tax will be levied. In conjunction with this, with regards to the temporary differences that is expected to be canceled in the consolidated fiscal year that began on 1st April, 2014, the statutory tax rate used to calculate deferred tax assets and liabilities will be decreased from the previous 38.0% to 35.6%.

This change had an insignificant impact on the consolidated financial statements for the fiscal year ended 31st March, 2014.

19 ASSET RETIREMENT OBLIGATIONS

① Asset retirement obligations recorded in the consolidated balance sheets

None of the Group's asset retirement obligations are recorded in the consolidated balance sheets.

For certain consolidated subsidiaries, instead of recording asset retirement obligations as liability, a reasonable estimate of the amount of deposits from rental properties that cannot be finally recovered is made, and the portion for that fiscal year is recorded as expenses.

② Asset retirement obligations not recorded in the consolidated balance sheets

(a) Asset retirement obligations related to the restoration of certain rental assets to their original state

For certain consolidated subsidiaries, obligations arise in connection with the restoration of offices, etc., to their original state at the end of tenancies based on the rental contract. However, the period of the rental assets involved is not stated with certainty, and there is currently no plans to transfer, etc. Accordingly, no reasonable estimate can be made of the corresponding asset retirement obligations, and the asset retirement obligations corresponding to these undermined liabilities have not been recorded.

(b) Retirement obligations related to structures containing asbestos
Certain consolidated subsidiaries own structures containing asbestos. However, they have mechanisms in place to prevent airborne dispersal of asbestos. At the present time, no definite dates have been set for the demolition of the structures and no decisions have been made the manner in which any demolition would be carried out. Consequently, it is not possible to reasonably estimate the related asset retirement obligations, and the obligations corresponding to these liabilities have not been recorded.

20 RENTAL PROPERTY

Some consolidated subsidiaries own rental property, such as office buildings for lease and commercial facilities for lease in the Kita Ward of Osaka and other areas. Rental income related to such rental property in the fiscal year ended 31st March, 2013, is ¥30,536 million (significant rental revenues are recorded in revenues from operations and significant rental expenses are recorded in costs of revenues from operations). Impairment loss totaling ¥1,499 million and provision for loss on removal of property and equipment of ¥4,391 million were recorded as extraordinary loss. Rental income related to such rental properties in the fiscal year ended 31st March, 2014 is ¥30,417 million ($295,311 thousand) (significant rental revenues are recorded in revenues from operations and significant rental expenses are recorded in costs of revenues from operations). Gain on sales of noncurrent assets totaling ¥8,093 million ($78,573 thousand) was recorded as extraordinary income. Provision for loss on removal of property and equipment totaling ¥1,146 million ($11,126 thousand) was recorded as extraordinary loss.

Book value, increase/decrease and fair value are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Book value (Note 1):			
Balance at the beginning of year	¥562,677	¥671,176	$6,516,272
Increase/decrease (Note 2)	108,498	41,714	404,990
Balance at the end of year	671,176	712,891	6,921,272
Fair value at the end of year (Note 3)	806,114	855,359	8,304,456

Notes:
1. Book value is acquisition cost less accumulated depreciation and loss on impairment of fixed assets.
2. For the amounts of the fiscal year ended 31st March, 2013, the main increases were acquisitions of real estate of ¥4,808 million and completion of development properties of ¥121,860 million. The main decreases were depreciation of ¥13,398 million and impairment loss of ¥1,499 million. For the amounts of the fiscal year ended 31st March, 2014, the main increases were acquisitions of real estate of ¥35,754 million ($347,126 thousand), and completion of development properties of ¥32,553 million ($316,049 thousand). The main decreases were depreciation of ¥15,009 million ($145,718 thousand) and gain on sale of real estate of ¥10,875 million ($105,583 thousand).
3. Fair value as of end of the fiscal year is the appraisal value according to an outside real estate appraiser based on Japanese Real Estate Appraisal Standards in the case of key properties and the fair value based on indicators such as the assessed value of noncurrent assets and road tax rating in the case of other properties.

21 SEGMENT INFORMATION

① Segment information

(a) Summary of reportable segment

The Company's reportable segments are regularly reviewed, using the segment specific financial information available to enable the Board of Directors to determine the allocation of management resources and evaluate business results.

The Group comprises six core businesses: "Urban Transportation," "Real Estate," "Entertainment and Communications," "Travel," "International Transportation" and "Hotels." The businesses are operated by five core companies: Hankyu Corporation, Hanshin Electric Railway Co., Ltd., Hankyu Travel International Co., Ltd., Hankyu Hanshin Express Co., Ltd. and Hankyu Hanshin Hotels Co., Ltd., under the leadership of the Company, which manages the Group.

The nature of business in each reportable segment is as follows:

Urban Transportation: railway operations, automobile, retailing and advertising businesses
Real Estate: rental real estate, real estate sales and other businesses
Entertainment and Communications: sports related businesses, stage events, communications and media, and other businesses
Travel: travel services
International Transportation: international cargo services
Hotels: hotel ownership and management business

(b) Method for calculating revenues from operations, income (loss), assets and other items for each reportable segment

The accounting treatment for each reportable business segment is based on practically the same methods described in "2 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS." in the recent securities report (filed on 17th June, 2013) and internal transactions (land and structure lease and rental transactions, etc.) calculated by management accounting at companies with businesses spanning multiple segments are recorded.

Income (loss) for each reportable segment refers to operating income (loss).

Intersegment revenues from operations and transfers are based on similar arms length third-party transaction data. Where no such data exist, calculations follow certain in-house rules.

(c) Information regarding totals for revenues from operations, income (loss), assets and other items by reportable segment

Fiscal year ended 31st March 2013

Millions of yen

	Reportable segment: Urban Transportation	Real Estate	Entertainment & Communications	Travel	International Transportation	Hotels	Subtotal	Other (Note 1)	Total	Adjustment (Note 2)	Amounts appearing in the consolidated financial statements (Note 3)
Revenues from operations:											
I. Customers	¥244,157	¥ 180,950	¥ 95,669	¥34,022	¥36,731	¥64,054	¥ 655,584	¥26,145	¥ 681,730	¥ 709	¥ 682,439
II. Intersegment	5,185	17,392	7,025	64	14	643	30,325	9,899	40,225	(40,225)	—
Total	249,342	198,343	102,695	34,086	36,745	64,697	685,910	36,045	721,955	(39,516)	682,439
Segment income (loss)	37,208	37,278	11,238	2,451	1,809	525	90,512	307	90,819	(2,898)	87,921
Segment assets	760,596	1,016,188	141,616	71,804	32,672	87,232	2,110,110	45,532	2,155,642	125,365	2,281,007
Other items											
Depreciation and amortisation	26,948	16,424	7,607	624	673	2,194	54,474	362	54,836	(296)	54,540
Increase in property and equipment and intangible assets	26,199	25,325	4,124	1,075	533	1,931	59,190	401	59,592	(79)	59,512

Notes:

1. The "Other" segment is a business segment not included in the reportable segments and includes construction, etc.
2. The main item in the adjusted amount of segment profit and loss was amortisation of goodwill of ¥(2,875) million (refers mainly to the amortisation of goodwill arising from the management integration with Hanshin Electric Railway Co., Ltd. in the fiscal year ended 31st March, 2007).
   In addition to the balance of unamortised goodwill of ¥35,986 million (refers mainly to the goodwill arising from the management integration with Hanshin Electric Railway Co., Ltd. in the fiscal year ended 31st March, 2007), the segment assets' adjusted amount consists mainly of surplus working capital (cash and deposits); unallocated assets, such as long-term investment funds (investment securities) and land, etc.; and intersegment eliminations at the Company, Hankyu Corporation and Hanshin Electric Railway Co., Ltd.
3. Segment profit and loss is adjusted with the operating income of the Consolidated Statements of Income.

Fiscal year ended 31st March 2014

Millions of yen

	Reportable segment: Urban Transportation	Real Estate	Entertainment & Communications	Travel	International Transportation	Hotels	Subtotal	Other (Note 1)	Total	Adjustment (Note 2)	Amounts appearing in the consolidated financial statements (Note 3)
Revenues from operations:											
I. Customers	¥228,701	¥ 191,397	¥101,048	¥32,961	¥37,682	¥63,057	¥ 654,850	¥23,795	¥ 678,645	¥ 512	¥ 679,157
II. Intersegment	5,853	17,212	9,301	44	13	637	33,064	10,917	43,981	(43,981)	—
Total	234,555	208,610	110,350	33,006	37,696	63,695	687,914	34,713	722,627	(43,469)	679,157
Segment income (loss)	38,494	38,008	14,172	1,224	2,051	809	94,760	849	95,610	(3,781)	91,828
Segment assets	764,053	1,009,407	142,827	74,473	39,786	85,730	2,116,279	46,094	2,162,374	124,554	2,286,928
Other items											
Depreciation and amortisation	25,951	18,017	7,059	806	703	2,089	54,627	349	54,977	(503)	54,474
Increase in property and equipment and intangible assets	27,522	43,451	5,561	1,178	578	1,817	80,109	510	80,619	103	80,722

	Millions of yen										
	Reportable segment										Amounts appearing in the consolidated financial statements (Note 3)
	Urban Transportation	Real Estate	Entertainment & Communications	Travel	International Transportation	Hotels	Subtotal	Other (Note 1)	Total	Adjustment (Note 2)	
Revenues from operations:											
I. Customers	$2,220,398	$1,858,223	$ 981,049	$320,010	$365,845	$612,204	$ 6,357,767	$231,019	$ 6,588,786	$ 4,971	$ 6,593,757
II. Intersegment	56,825	167,107	90,301	427	126	6,184	321,010	105,990	427,000	(427,000)	—
Total	2,277,233	2,025,340	1,071,359	320,447	365,981	618,398	6,678,777	337,019	7,015,796	(422,029)	6,593,757
Segment income (loss)	373,728	369,010	137,592	11,883	19,913	7,854	920,000	8,243	928,252	(36,709)	891,534
Segment assets	7,417,990	9,800,068	1,386,670	723,039	386,272	832,330	20,546,398	447,515	20,993,922	1,209,262	22,203,184
Other items											
Depreciation and amortisation	251,951	174,922	68,534	7,825	6,825	20,282	530,359	3,388	533,757	(4,883)	528,874
Increase in property and equipment and intangible assets	267,204	421,854	53,990	11,437	5,612	17,641	777,757	4,951	782,709	1,000	783,709

Notes:
1. The "Other" segment is a business segment not included in the reportable segments and includes construction, etc.
2. The main item in the adjusted amount of segment profit and loss was amortisation of goodwill of ¥(2,916) million ($(28,311) thousand) (refers mainly to the amortisation of goodwill arising from the management integration with Hanshin Electric Railway Co., Ltd. in the fiscal year ended 31st March, 2007).
In addition to the balance of unamortised goodwill of ¥33,511 million ($325,350 thousand) (refers mainly to the goodwill arising from the management integration with Hanshin Electric Railway Co., Ltd. in the fiscal year ended 31st March, 2007), the segment assets' adjusted amount consists mainly of surplus working capital (cash and deposits); unallocated assets, such as long-term investment funds (investment securities) and land, etc.; and intersegment eliminations at the Company, Hankyu Corporation and Hanshin Electric Railway Co., Ltd.
3. Segment profit and loss is adjusted with the operating income of the Consolidated Statements of Income.

(d) Items related to changes of reportable segments

From the fiscal year ended 31st March, 2014, the previous six reportable segments of "Urban Transportation," "Real Estate," "Entertainment and Communications," "Travel and International Transportation," "Hotels" and "Retailing" have been changed to the six segments of "Urban Transportation," "Real Estate," "Entertainment and Communications," "Travel," "International Transportation" and "Hotels."

This change occurred in conjunction with the Company's revising of some of its certain core businesses on 1st April, 2013, and the travel operations and international transportation operations that were previously included in the "Travel and International Transportation" segment have each become independent reportable segments, the "Retailing" segment has been discontinued, and retailing operations have been transferred to the "Urban Transportation" segment. In addition, Hankyu Corporation's advertising operations, which were previously included in the "Entertainment and Communications" segment, have been transferred to the "Urban Transportation" segment.

Segment information for the fiscal year ended 31st March, 2013, has been prepared and presented based on the reportable segments after the above-described changes.

② Related information

(a) Information about product and service categories

Information about product and service categories is the same as that described in "① Segment information" "(c) Information regarding totals for revenues from operations, income (loss), assets and other items by reportable segment."

(b) Information by region

I. Revenues from operations

Since over 90% of revenues from operations in the consolidated statements of income are revenues from external customers in Japan, a description of regional breakdown is omitted.

II. Property and equipment

Since over 90% of the total value of property and equipment in the consolidated balance sheets relates to property and equipment in Japan, a breakdown by region is omitted.

III. Information about important customers

No single external customer accounts for more than 10% of the revenues from operations reported in the consolidated statements of income, and so a description of them has been omitted.

③ Information regarding loss on impairment of fixed assets by reportable segment

Fiscal year ended 31st March 2013

	Millions of yen										
	Reportable segment										
	Urban Transportation	Real Estate	Entertainment & Communications	Travel	International Transportation	Hotels	Subtotal	Other	Total	Adjustment (Note)	Amounts appearing in the consolidated financial statements
Loss on impairment of fixed assets	¥704	¥1,711	¥1,135	¥—	¥—	¥404	¥3,956	¥11	¥3,968	¥1,433	¥5,402

Fiscal year ended 31st March 2014

	Millions of yen										
	Reportable segment										
	Urban Transportation	Real Estate	Entertainment & Communications	Travel	International Transportation	Hotels	Subtotal	Other	Total	Adjustment (Note)	Amounts appearing in the consolidated financial statements
Loss on impairment of fixed assets	¥69	¥547	¥1,214	¥—	¥—	¥434	¥2,266	¥—	¥2,266	¥30	¥2,297

	Millions of yen										
	Reportable segment										
	Urban Transportation	Real Estate	Entertainment & Communications	Travel	International Transportation	Hotels	Subtotal	Other	Total	Adjustment (Note)	Amounts appearing in the consolidated financial statements
Loss on impairment of fixed assets	$670	$5,311	$11,786	$—	$—	$4,214	$22,000	$—	$22,000	$291	$22,301

Note: The amounts under "Adjustment" are the amounts for land etc., not allocated to business segments.

④ Information regarding amortisation of goodwill and the balance of unamortised goodwill by reportable segment

Omitted as the significance is negligible.

⑤ Information regarding gains from negative goodwill by reportable segment

Omitted as the significance is negligible.

22 RELATED PARTY TRANSACTIONS

① Related party transactions

(a) Transactions between the company submitting the consolidated financial statements and related parties

No items

(b) Transactions between consolidated subsidiaries of the company submitting the consolidated financial statements and related parties

Directors and principal shareholders (only individual shareholders) of the company submitting the consolidated financial statements

Fiscal year ended 31st March 2013

Type	Name of related party	Address	Amount of capital (Millions of yen)	Business	Voting interest	Relationship with related party	Details of transaction	Transaction amounts (Millions of yen)	Item	Balance as of 31st March 2013 (Millions of yen)
Audit& Supervisory Board Member	Haruo Sakaguchi	—	¥ —	Auditor of the Company	Directly 0.0%	Lease of real estate	Rent income	¥46	Deposit	¥33
Audit& Supervisory Board Member	Junzo Ishii	—	—	Auditor of the Company	Directly 0.0%	Sale of condominiums	Sale of condominiums	27	—	—
Company in which director or close family thereof holds majority of voting rights	Tateishi Sangyo Co., Ltd.	Ikeda City, Osaka	100	Real estate business	None	Operation and management of real estate Concurrent post (director)	Operation and management fee for real estate	35	Accounts receivable	3

Notes:
1. The transaction amount and the balance at the end of the fiscal year do not include consumption tax, etc.
2. Transaction terms and conditions, and method of determining transaction terms and conditions, etc.
   (1) The terms and conditions of the property lease are determined with reference to similar transactions in the neighbouring area.
   (2) The terms and conditions of the sale of the condominiums were determined with reference to similar transactions in the neighbouring area.
   (3) Director of the Company, Koichi Kobayashi, and his close family own 77% of the voting rights in Tateishi Sangyo Co., Ltd. Any decisions on operation and management of real estate are made by reference to neighborhood transactions.

Fiscal year ended 31st March 2014

Type	Name of related party	Address	Amount of capital (Millions of yen)	Amount of capital (Thousands of U.S. dollars)	Business	Voting interest	Relationship with related party	Details of transaction	Transaction amounts (Millions of yen)	Transaction amounts (Thousands of U.S. dollars)	Item	Balance as of 31st March 2014 (Millions of yen)	Balance as of 31st March 2014 (Thousands of U.S. dollars)
Audit& Supervisory Board Member	Haruo Sakaguchi	—	¥ —	$ —	Auditor of the Company	Directly 0.0%	Lease of real estate	Rent income	¥47	$456	Deposit	¥33	$320
Company in which director or close family thereof holds majority of voting rights	Tateishi Sangyo Co., Ltd.	Ikeda City, Osaka	100	971	Real estate business	None	Operation and management of real estate Concurrent post (director)	Operation and management fee for real estate	34	330	Accounts receivable	3	29

Notes:
1. The transaction amount and the balance at the end of the fiscal year do not include consumption tax, etc.
2. Transaction terms and conditions, and method of determining transaction terms and conditions, etc.
   (1) The terms and conditions of the property lease are determined with reference to similar transactions in the neighbouring area.
   (2) Director of the Hankyu Corporation (consolidated subsidiary), Koichi Kobayashi, and his close family own 77% of the voting rights in Tateishi Sangyo Co., Ltd. Any decisions on operation and management of real estate are made by reference to neighborhood transactions.

② Notes about parent company and major affiliated companies

No items

23 PER SHARE INFORMATION

The following tables show net assets per share, net income per share, diluted net income per share, and the basis for their respective calculations.

	2013	2014	2014
① Net assets per share (yen / U.S. dollars)	¥443.63	¥477.69	$4.64
(Basis for the calculation)			
Total net assets (Millions of yen / Thousands of U.S. dollars)	¥573,154	¥617,598	$5,996,097
Amount to be deducted from total net assets (Millions of yen / Thousands of U.S. dollars)	¥13,754	¥15,547	$150,942
(Of the amount, subscription rights to shares)	¥[112]	¥[208]	$[2,019]
(Of the amount, minority interests)	¥[13,642]	¥[15,338]	$[148,913]
Net assets at the end of the fiscal year related to common shares (Millions of yen / Thousands of U.S. dollars)	¥559,399	¥602,050	$5,845,146
Common shares issued (Thousands of shares)	1,271,406	1,271,406	
Treasury stock shares (Thousands of shares)	4,696	5,312	
Common shares held by consolidated subsidiaries and equity-method affiliates (Thousands of shares)	5,745	5,745	
Common shares used to calculate net assets per share (Thousands of shares)	1,260,965	1,260,349	

	2013	2014	2014
② Net income per share (yen / U.S. dollars)	¥31.48	¥36.76	$0.36
(Basis for the calculation)			
Net income (Millions of yen / Thousands of U.S. dollars)	¥39,702	¥46,352	$450,019
Amount not belonging to common stockholders (Millions of yen / Thousands of U.S. dollars)	¥—	¥—	$—
Net income related to common shares (Millions of yen / Thousands of U.S. dollars)	¥39,702	¥46,352	$450,019
Average number of common shares during term (Thousands of shares)	1,261,052	1,260,858	
③ Net income per share—diluted (yen / U.S. dollars)	¥31.47	¥36.75	$0.36
(Basis for the calculation)			
Adjustment to net income (Millions of yen / Thousands of U.S. dollars)	¥(4)	¥(0)	$(0)
(Equity in income of affiliates)	¥[(4)]	¥[(0)]	$[(0)]
Increase in number of common shares (Thousands of shares)	277	432	
(Of the amount, subscription rights to shares)	[277]	[432]	
Summary of potential shares that were not included in the calculation of diluted income per share because their effect was not dilutive	—	—	

24 CONSOLIDATED SUPPLEMENTARY STATEMENTS

① Corporate Bond Statements

Company	Name	Issue date	Millions of yen: Balance as of 1st April, 2013	Millions of yen: Balance as of 31st March 2014	Thousands of U.S. dollars: Balance as of 31st March 2014	Interest rate	Security	Redemption date
Hankyu Hanshin Holdings, Inc.	Series 35 unsecured corporate bonds	14th Nov. 2007	¥ 10,000	¥ —	$ —	1.66%	None	14th Nov. 2013
Hankyu Hanshin Holdings, Inc.	Series 37 unsecured corporate bonds	23rd Oct. 2009	10,000	10,000 [10,000]	97,087 [97,087]	1.10	None	23rd Oct. 2014
Hankyu Hanshin Holdings, Inc.	Series 38 unsecured corporate bonds	23rd Oct. 2009	10,000	10,000	97,087	1.87	None	23rd Oct. 2019
Hankyu Hanshin Holdings, Inc.	Series 39 unsecured corporate bonds	28th Jan. 2010	20,000	20,000	194,175	1.25	None	27th Jan. 2017
Hankyu Hanshin Holdings, Inc.	Series 40 unsecured corporate bonds	22nd Sept. 2010	15,000	15,000	145,631	1.43	None	18th Sept. 2020
Hankyu Hanshin Holdings, Inc.	Series 41 unsecured corporate bonds	22nd Sept. 2010	7,000	7,000	67,961	1.72	None	22nd Sept. 2022
Hankyu Hanshin Holdings, Inc.	Series 42 unsecured corporate bonds	17th Mar. 2011	10,000	10,000	97,087	1.54	None	17th Mar. 2021
Hankyu Hanshin Holdings, Inc.	Series 43 unsecured corporate bonds	9th Sept. 2011	10,000	10,000	97,087	0.55	None	9th Sept. 2016
Hankyu Hanshin Holdings, Inc.	Series 44 unsecured corporate bonds	25th Oct. 2012	10,000	10,000	97,087	0.406	None	25th Oct. 2017
Hankyu Hanshin Holdings, Inc.	Series 45 unsecured corporate bonds	14th Mar. 2013	10,000	10,000	97,087	0.589	None	13th Mar. 2020
Hankyu Hanshin Holdings, Inc.	Series 46 unsecured corporate bonds	25th Oct. 2013	—	10,000	97,087	0.819	None	25th Oct. 2023
Hanshin Electric Railway Co., Ltd.	Series 14 unsecured corporate bonds	23rd June 2004	10,000	10,000 [10,000]	97,087 [97,087]	2.22	None	23rd June 2014
Total	—	—	122,000	122,000 [20,000]	1,184,466 [194,175]	—	—	—

Notes:
1. The amount in parenthesis in the "Balance as of 31st March 2014" column is the current portion of the total amount and is recorded in current liabilities on the consolidated balance sheets.
2. Redemption schedule of bonds for five years subsequent to 31st March 2014

	Millions of yen	Thousands of U.S. dollars
Due within one year	¥20,000	$194,175
Due after one year through two years	—	—
Due after two years through three years	30,000	291,262
Due after three years through four years	10,000	97,087
Due after four years through five years	—	—

② Statements of Loans Payable

Item	Millions of yen: Balance as of 1st April 2013	Millions of yen: Balance as of 31st March 2014	Thousands of U.S. dollars: Balance as of 31st March 2014	Average interest rate	Repayment deadline
Short-term borrowings	¥ 167,778	¥154,616	$1,501,126	0.687%	—
Current portion of long-term debt	186,580	158,688	1,540,660	1.053	—
Current portion of lease obligations	2,134	2,028	19,689	—	—
Long-term debt (excluding current portion)	637,624	585,300	5,682,524	1.233	2015 – 2034
Lease obligations (excluding current portion)	10,515	9,673	93,913	—	2015 – 2026
Other interest-bearing debt	—	—	—	—	—
Total	1,004,633	910,307	8,837,932	—	—

Notes:
1. The balances are expressed after the elimination of transactions with companies in the consolidation group.
2. The "Average interest rate" of loans payable is the weighted average interest rate for outstanding loans payable as of end of the current fiscal year.
3. The "Average Interest rate" is not shown for lease obligations because the Company mainly uses the method that includes the amounts equal to interest in total capital lease obligations and that spreads the total amount equal to interest equally over each fiscal year of the lease period.
4. Repayment schedule of long-term debt and lease obligations (excluding current portion) for five years subsequent to 31st March 2014.

Long-term debt	Millions of yen	Thousands of U.S. dollars
Due after one year through two years	¥81,075	$787,136
Due after two years through three years	68,967	669,583
Due after three years through four years	41,728	405,126
Due after four years through five years	42,203	409,738

Lease obligations	Millions of yen	Thousands of U.S. dollars
Due after one year through two years	¥1,716	$16,660
Due after two years through three years	1,450	14,078
Due after three years through four years	1,248	12,117
Due after four years through five years	847	8,223

③ Schedule of Asset Retirement Obligations

No items

25 OTHERS

① Quarterly financial information in fiscal year ended 31st March 2014

Cumulative period	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Revenues from operations (Millions of yen)	¥160,565	¥349,566	¥510,626	¥679,157
Income before income taxes and minority interests (Millions of yen)	32,879	64,271	79,942	83,542
Net income (Millions of yen)	20,190	39,646	50,313	46,352
Net income per share (yen)	16.01	31.44	39.90	36.76

Cumulative period	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Revenues from operations (Thousands of U.S. dollars)	$1,558,883	$3,393,845	$4,957,534	$6,593,757
Income before income taxes and minority interests (Thousands of U.S. dollars)	319,214	623,990	776,136	811,087
Net income (Thousands of U.S. dollars)	196,019	384,913	488,476	450,019
Net income per share (U.S. dollars)	0.16	0.31	0.39	0.36

Accounting period	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Net income per share (yen)	¥16.01	¥15.43	¥8.46	¥(3.14)

Accounting period	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Net income per share (U.S. dollars)	$0.16	$0.15	$0.08	$(0.03)

Major Group Companies (As of 31st March 2014)

Consolidated Subsidiaries

Urban Transportation

	Name of Company
Railway Operations	Hankyu Corporation
	Hanshin Electric Railway Co., Ltd.
	Nosé Electric Railway Co., Ltd.
	Kita-Osaka Kyuko Railway Co., Ltd.
	Hokushin Kyuko Railway Co., Ltd.
	Kobe Rapid Transit Railway Co., Ltd.
	Hankyu Hanshin Railway Technology Co., Ltd.
	Hankyu Hanshin Electric System
Automobile	Hankyu Bus Co., Ltd.
	Hanshin Bus Co., Ltd.
	Hankyu Kanko Bus Co., Ltd.
	Osaka Airport Transport Co., Ltd.
	Hankyu Denen Bus Co., Ltd.
	Hankyu Taxi Inc.
	Hanshin Taxi Co., Ltd.
	Hankyu Hanshin Motor Technology Co., Ltd.
	Nippon Rent-A-Car Hankyu Inc.
Retailing	Hankyu Corporation
	Hankyu Retails Corporation
	Iina Dining Co., Ltd.
Advertising	Hankyu Corporation
	Hankyu Advertising Agency Inc.
Other	Alna Sharyo Co., Ltd.

Real Estate

	Name of Company
Real estate leasing	Hankyu Corporation
	Hanshin Electric Railway Co., Ltd.
	Hankyu Realty Co., Ltd.
	Osaka Diamond Chikagai Co., Ltd.
	Hanshin Real Estate Co., Ltd.
Real estate sales 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

	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.
	Hankyu Communications 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 Company

Travel

	Name of Company
Travel Agency	Hankyu Travel International Co., Ltd.
	Hankyu Hanshin Business Travel Co., Ltd.
	Hankyu Travel Support Co., Ltd.

International Transportation

	Name of Company
International Transportation	Hankyu Hanshin Express Co., Ltd.
	Hankyu Hanshin Logipartners Co., Ltd.
	HHE (USA) INC.
	HHE (DEUTSCHLAND) GMBH
	HHE (HK) LTD.
	HHE (SINGAPORE) PTE. LTD.

HHE: HANKYU HANSHIN EXPRESS

Hotels

	Name of Company
Hotel Management	Hankyu Hanshin Hotels Co., Ltd.
	Hanshin Hotel Systems Co., Ltd.
	Amanohashidate Hotel Co., Ltd.
	Arima View Hotel Co., Ltd.
	Hankyu Hanshin Restaurants Co., Ltd.

Other

	Name of Company
Construction	Hanshin Construction Co., Ltd.
	Chuo-Densetsu Co., Ltd.
Group Finance	Hankyu Hanshin Financial Support Co., Ltd.
Outsourcing Services for Personnel and Accounting Services	Hankyu Hanshin Business Associate Co., Ltd.

Equity-method Affiliates

Main Business	Name of Company
Department Store	H_2O Retailing Corporation [Securities code: 8242]
Railway Operations	Nishi-Osaka Railway Co., Ltd.
	Kobe Electric Railway Co., Ltd. [Securities code: 9046]
Real Estate Leasing	Tokyo Rakutenchi Co., Ltd. [Securities code: 8842]
Motion Picture Business	Toho Co., Ltd. [Securities code: 9602]
Commercial Broadcasting	Kansai Telecasting Corporation

Investor Information (As of 31st March 2014)

Hankyu Hanshin Holdings, Inc.

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

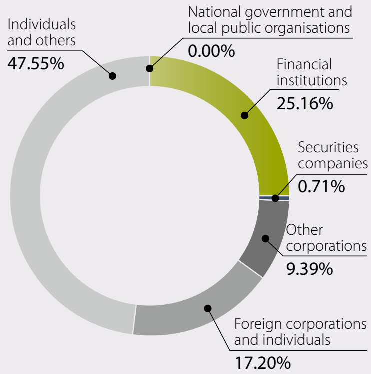
Tokyo Office (Personnel and General Affairs Div.):
Toho Twin Tower Bldg.,
1-5-2, Yurakucho, Chiyoda-ku, Tokyo 100-0006, Japan
Phone: +81-3-3503-1568
Fax: +81-3-3508-0249

Paid-in Capital:	¥99,474 million
Fiscal Year-End:	31st March
Number of Employees:	20,913 (consolidated basis)
Authorised Shares:	3,200,000,000
Issued Shares:	1,271,406,928
Number of Shareholders:	87,811
Unit of Trading:	1,000 shares
Stock Exchange Listing:	Tokyo
Transfer Agent:	Mitsubishi UFJ Trust and Banking Corporation

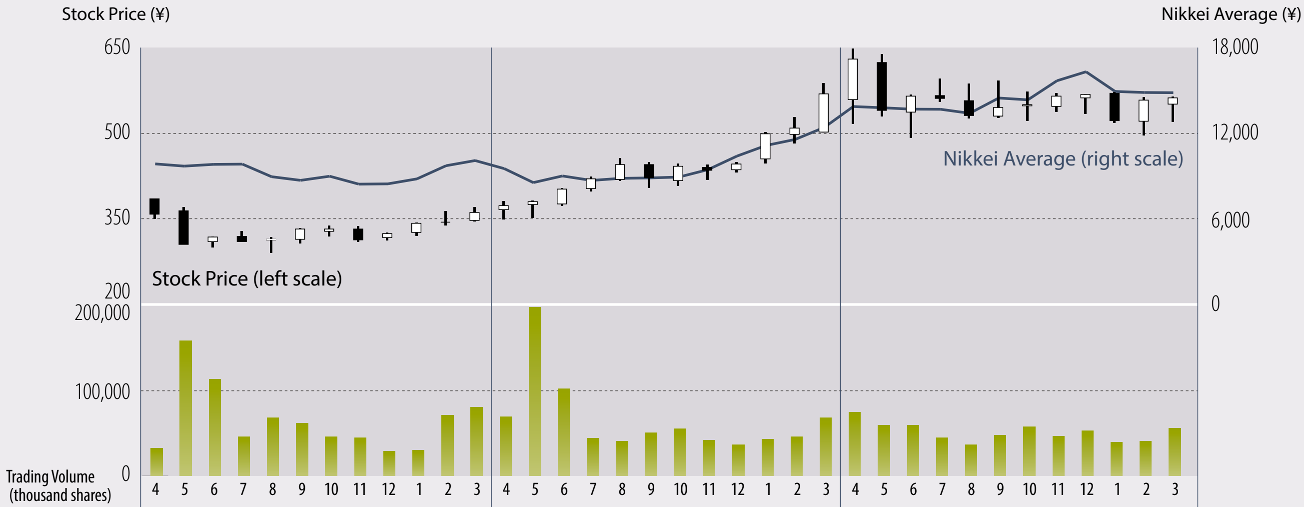
Principal Shareholders:

Name	Number of shares (thousands)	Percentage (%)
Japan Trustee Services Bank, Ltd. (Trust account)	52,780	4.15
The Master Trust Bank of Japan, Ltd. (Trust account)	35,853	2.82
Nippon Life Insurance Company	31,583	2.48
Sumitomo Mitsui Banking Corporation	21,909	1.72
H_2O Retailing Corporation	21,037	1.65
Japan Trustee Services Bank, Ltd. (The Sumitomo Mitsui Trust & Banking Co., Ltd. Retirement Benefit Trust Account)	13,665	1.07
State Street Bank West Client Treaty (Standing Proxy: Mizuho Bank, Ltd. Settlement & Clearing Services Division)	13,578	1.07
Japan Trustee Services Bank, Ltd. (Trust account 2)	13,244	1.04
Japan Trustee Services Bank, Ltd. (Trust account 3)	13,217	1.04
Japan Trustee Services Bank, Ltd. (Trust account 5)	12,925	1.02

Ownership Breakdown:



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



	FY2012	FY2013	FY2014
High	385	588	648
Low	290	349	492
At year-end	361	569	562

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