

# Hankyu Hanshin Holdings

Securities code: 9042

## Integrated Report 2019



## Group Management Philosophy



### Mission

#### What we try to achieve

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

### Values

#### What is important to us

##### Customers First

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

##### Sincerity

Gain customers’ confidence by always being sincere.

##### Foresight & Creativity

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

##### Respect for People

Everyone is absolutely invaluable to the Group.





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Definition of the areas served by the Hankyu and Hanshin lines: Below are lists of areas with Hankyu Corporation and Hanshin Electric Railway stations (including tier 2 railway 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, and 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, and Nishikyo, out of a total of 11 wards); and Muko and Nagaokakyo cities and Oyamazaki town

### Forward-Looking Statements

The reader is advised that this integrated 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 be influenced by various business risks and uncertainties, and differ substantially from such statements.

### About the Compilation of this Integrated Report and the Auditing Company Used

The financial section of this integrated report includes a digest of information including consolidated financial statements in the Company's Securities Report for the 181st period, audited by KPMG AZSA LLC and presented in a somewhat modified 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 integrated report itself has not been audited by KPMG AZSA LLC.

### Definition

"Fiscal 2019" refers to the fiscal year ended 31st March 2019. Other fiscal years are referred to in a corresponding manner in this integrated report. Figures are basically rounded off. Sums expressed in units of ¥100 million are rounded to the nearest ¥100 million.

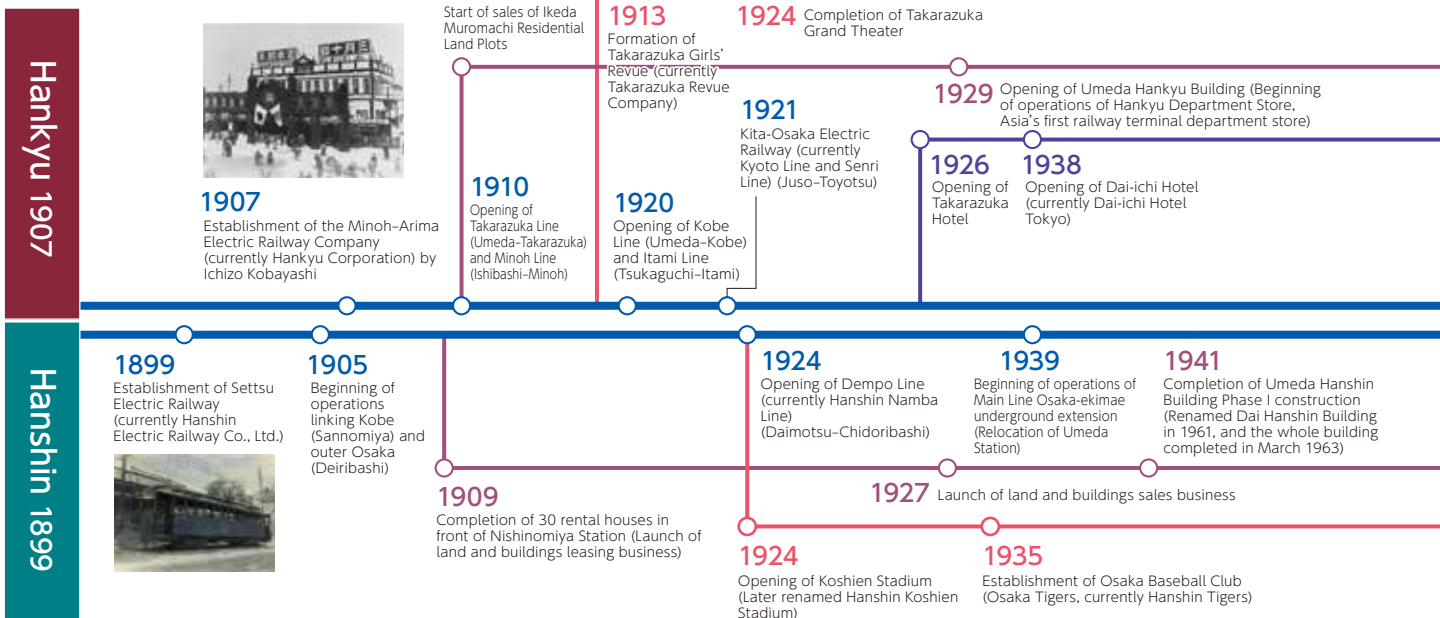


# Growth Trajectory

## Growth Post Integration



## Growth Pre Integration





- Urban Transportation
- Real Estate
- Entertainment
- Information and Communication Technology
- Travel
- International Transportation
- Hotels

## Sep. 2012

Completion of Umeda Hankyu Building (Full opening of Umeda Main Store of Hankyu Department Store in November 2012)



Total floor space:  
Approx. 18,000 m<sup>2</sup>  
Building details: 1 floor  
above ground

## Mar. 2016

Opening of a logistics center in Indonesia as a joint project of the Real Estate and the International Transportation businesses



## Apr. 2016

Commencement of S-POINT\* service

\*A loyalty points system operated in tandem with H<sub>2</sub>O Retailing Group for customers in the Kansai area

## May 2017

Announcement of the Hankyu Hanshin Holdings Group's Long-Term Management Vision for 2025

## Apr. 2013

Opening of Grand Front Osaka



## 2014

Takarazuka Revue marks 100th anniversary since its first performance in 1914



©Takarazuka Revue Company

## Apr. 2018

Completion of Umeda 1-1 Project Phase I (Building Name: Osaka Umeda Twin Towers South) (June 2018: Partial opening of Hanshin Department Store (Hanshin Umeda Main Store))



Total floor space: Approx. 260,000 m<sup>2</sup> (Phase I: 76,000 m<sup>2</sup>)  
Building details: 38 floors above ground; 3 floors below ground (Phase I: 13 floors above ground; 3 floors below ground)

## 1948

Launch of airline agency business as Hankyu Corporation's agency department Japan's first agency agreement concluded with Pan American Airways

## 1960

Hankyu Express International Co., Ltd. (currently Hankyu Travel International Co., Ltd.) was established independently of Hankyu Corporation

## 1962

Completion of New Hankyu Building

## 1969

Opening of Hankyu Sanbangai

## 1964

Opening of Hotel New Hankyu Osaka

## 1962

Absorption-type merger with Hankyu Travel International Co., Ltd. (predominantly involved in the domestic travel business)

## 1973

Opening of new Hankyu Umeda Station as one of the largest private railway terminals in Japan  
Changing of company name to Hankyu Corporation

## 1948

Launch of airline department of Hanshin Electric Railway Co., Ltd. and conclusion of agency agreement with Qantas Airways

## 1967

Opening of Hotel Hanshin

Establishment of Hankyu Hanshin Holdings, Inc. Oct. 2006

## At a Glance

Nature of Business

## Urban Transportation



## Railway operations

These operations form a network in the Kansai area that centers on the railway lines of Hankyu Corporation and Hanshin Electric Railway. Hankyu Corporation's railway lines link Osaka (Umeda) with Kobe, Takarazuka, and Kyoto. Meanwhile, Hanshin Electric Railway is the only private (non-JR) railway operator with railway lines that directly link Kobe with Osaka's major northern and southern terminals, which are Osaka-Umeda and Namba, respectively. The operating kilometers of Hankyu Corporation and Hanshin Electric Railway are 143.6 km\* and 48.9 km,\* respectively.

\*Including tier 2 railway operators

## Automobile business (bus, taxi)

This business operates bus and taxi services, which coordinate with railway services to increase convenience in line-side areas.

## Retailing business

This business manages and operates shops mainly inside railway stations on the Hankyu and Hanshin lines.

## Advertising business

This business provides advertising media that are based on digital signage inside railway stations and space inside trains.

## Real Estate



## Leasing business

This business owns numerous office buildings and facilities, mainly in Osaka-Umeda and the line-side areas of the Hankyu and Hanshin lines. In recent years, the business has been actively pursuing development of real estate in the Tokyo metropolitan area. (For a list of principal rental properties, please see page 108.)

## Real estate sales and other business

This business markets condominiums, residential land lots, and detached houses, mainly in the line-side areas of the Hankyu and Hanshin lines and the Tokyo metropolitan area. In recent years the business has entered the ASEAN region. The business is 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. (See pages 108–109 for major [domestic and overseas] sales properties.)

## Entertainment



©Takarazuka Revue Company

## Sports business

This business manages the Hanshin Tigers professional baseball team, which has a history of more than 80 years, as well as the team's home ground and high-school baseball mecca Hanshin Koshien Stadium and related businesses. The business also operates a music business (Billboard Live).

## Stage business

This business manages the performances of the Takarazuka Revue—an organization which has more than a century of history—sells related products, and manages and operates related businesses engaged in video and music distribution. Further, the business operates Umeda Arts Theater and promotes stage productions.

Core Companies<sup>1)</sup>Fiscal 2019 Results<sup>2)</sup>

Revenues from operations  
¥ **238.6** billion  
(YoY + 1.1 %)

Operating income  
¥ **43.5** billion  
(YoY + 4.5 %)

Segment assets  
¥ **800.2** billion  
(YoY + 0.1 %)

Revenues from operations  
¥ **237.3** billion  
(YoY + 6.6 %)

Operating income  
¥ **49.3** billion  
(YoY + 20.3 %)

Segment assets  
¥ **1,144.5** billion  
(YoY + 5.4 %)

Revenues from operations  
¥ **74.5** billion

Operating income  
¥ **13.4** billion

Segment assets  
¥ **106.3** billion

Percentage of  
Operating  
Income<sup>3)</sup>  
of Assets<sup>4)</sup>

28.5%

28.4%

36.5%

33.8%

<sup>1)</sup> As for our Real Estate Business, Hankyu Corporation and Hanshin Electric Railway collaborate with Hankyu Hanshin Properties to promote urban development of real estate owned by Hankyu Corporation and Hanshin Electric Railway for rent and development in cooperation with transportation networks, local governing bodies and others in Umeda and their line-side areas.

<sup>2)</sup> Figures for the Entertainment Business and Information and Communication Technology Business have been compiled for year-on-year comparisons, and may be adjusted in the future.

<sup>3)</sup> Figures for percentage of revenues from operations and operating income are calculated based on the simple aggregate amount (including intersegment transactions) of each segment.

<sup>4)</sup> Europe, the Middle East, and Africa

## Information and Communication Technology



### Information and communication technology business

This business is in charge of the information services business, which offers a range of IT-based services such as system development; the broadcasting and communications business, which provides multi-channel broadcasts, internet services, and fixed telephone services; and the safety/education business, which operates ProLab robot-programming classes for children, and Mimamoru, a child safety service which monitors children's journeys to and from school.

## Travel



### Travel business

This business plans, markets, arranges, and supports travel for Japanese people in Japan and overseas and for inbound tourists.

The business provides various travel services which include: media sales to sell packaged tours through advertisements in newspaper, internet and other media, individual tours with itineraries that can be created freely, group tours that we propose for study or as educational tours visiting enterprises or schools, counter sales at shops, tours for the recently increasing inbound international visitors and arrangements for overseas business trips.

## International Transportation



### International transportation business

As a global forwarder, this business responds to diverse distribution needs from customers all over the world through its five-region management system comprising Japan, the Americas, EMEA\*, East Asia, and ASEAN. As of August 1, 2019, the business has 51 sites in Japan and 135 overseas. By bringing together air freight, sea freight, land freight, warehousing/logistics, and customs clearance services, the business provides a comprehensive, one-stop logistics solution that can respond to diverse customer needs. As global businesses become more advanced, the international transportation business provides the ideal solution.

## Hotels



### Hotels business

This business operates a wide range of hotel formats, from "city hotels" through to business hotels mainly comprising guest rooms for overnight stays. The business operates 47 hotels, consisting of 20 directly managed hotels and 27 franchise hotels, with 11,012 guest rooms as of August 1, 2019.

In addition to the above hotels, the business manages The Ritz-Carlton, Osaka, based on an alliance with the Ritz-Carlton chain of international luxury hotels. (See page 110 for more information on the Hankyu Hanshin Hotels Group.)



Hanshin Electric Railway



心に届く旅

阪急交通社

Direct to your heart

Hankyu Travel International



Hankyu Hanshin Express



阪急阪神ホテルズ

Hankyu Hanshin Hotels

Revenues from operations

¥ 53.5 billion

Operating income

¥ 5.3 billion

Segment assets

¥ 53.5 billion

Revenues from operations

¥ 35.5 billion  
(YoY + 4.4 %)

Operating income

¥ 1.8 billion  
(YoY - 14.2 %)

Segment assets

¥ 91.6 billion  
(YoY + 7.1 %)

Revenues from operations

¥ 90.0 billion  
(YoY + 7.5 %)

Operating income

¥ 2.4 billion  
(YoY - 13.9 %)

Segment assets

¥ 48.9 billion  
(YoY - 6.7 %)

Revenues from operations

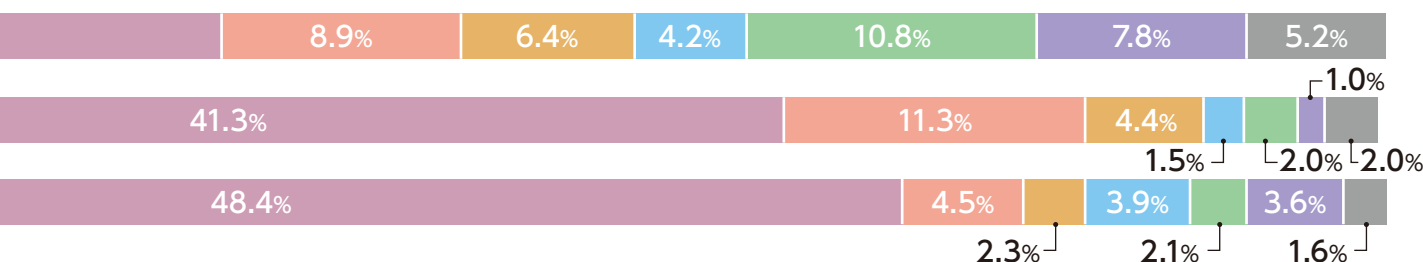
¥ 64.9 billion  
(YoY - 3.5 %)

Operating income

¥ 1.2 billion  
(YoY - 45.2 %)

Segment assets

¥ 84.1 billion  
(YoY + 0.5 %)









# Asia

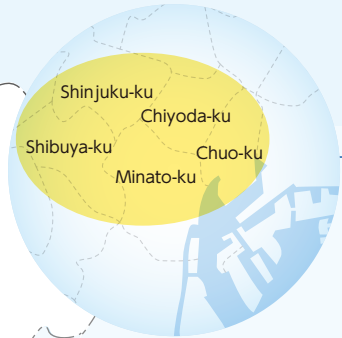


Profile

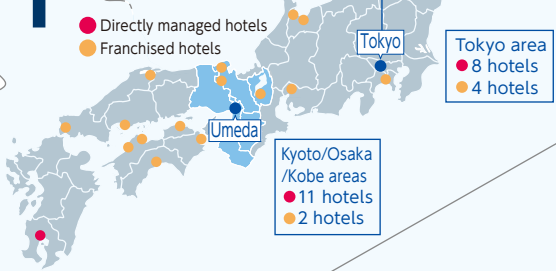
- Overseas real estate sales business
- Overseas real estate leasing business

## Kyoto Prefecture

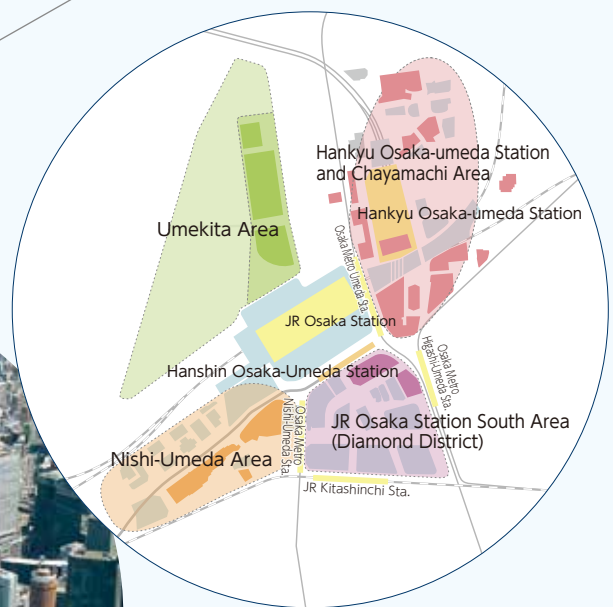
Key areas in the real estate and leasing businesses in the Tokyo metropolitan area



# Japan



## Umeda



# Group Characteristics

## Group Business Foundations

### Kansai Area

The Kansai area\* is home to approximately 20 million people, and is the second most highly populated region outside of the Tokyo metropolitan area. Moreover, the GRDP of the Kansai area accounts for 15.2% of Japan's total.

The number of inbound visitors to the area continues to increase, and of the 31 million that visited Japan in 2018, almost 40% of those (12 more than million) visited the Kansai area.

Second largest economy in Japan

Kansai area population Approx. **21** million (as of October 1, 2018)

Kansai area GRDP **15.2** % of Japan's total (FY2016)

No. of inbound tourists Approx. **31** million (2018)  
 ↓ Approx. 40% of the above

No. of inbound tourists visiting Kansai Approx. **12** million (2018)

\*Kansai area: Osaka, Hyogo, Kyoto, Shiga, Nara, and Wakayama prefectures  
 (Source: Population Statistics, Ministry of Internal Affairs and Communications; material from the Kansai Bureau of Economy, Trade and Industry; and material from the Japan Tourism Agency)

### Umeda Area

The Umeda area is home to the Osaka-Umeda stations of both the Hankyu and Hanshin train lines, as well as stations run by JR West and the Osaka Metro. It is one of Japan's foremost shopping districts with huge numbers of people passing through each day.

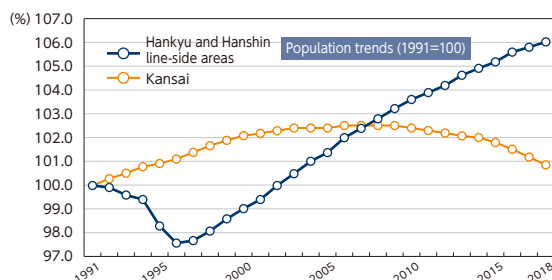
Average no. of passengers per day in FY2019

Hankyu Osaka-umeda Station **508,000**

Hanshin Osaka-Umeda Station **167,000**

### Hankyu and Hanshin Line-side Areas

Although the overall population of Kansai is decreasing as a result of Japan's low birthrate and aging society, the population of line-side areas is increasing due in part to outstanding infrastructure and the areas' high popularity as a convenient place to live. Since the low of 1996, following the Great Hanshin Earthquake of 1995, line-side populations have continued to grow.



## Business Developments Utilizing Our Business Foundations

In addition to connecting the Osaka, Kobe, and Kyoto areas—Kansai's main economic hubs—by railway, we have also been advancing urban development in Umeda and other line-side areas. In recent years, we have been providing various services and products to meet diversifying customer needs through our seven core businesses.

### Urban Development Centered on Our Urban Transportation Business



### Responding to Diversifying Needs



### Driving Growth through Seven Core Businesses

- Urban Transportation
- Real Estate
- Entertainment
- Information and Communication Technology
- Travel
- International Transportation
- Hotels

### Expanding Scope of Business

We are expanding our business from Kansai to the Tokyo Metropolitan area, and further into Asia.





## Urban Transportation (FY2019)

Annual number of passengers carried

Hankyu Corporation

**655,936,000**

Hanshin Electric Railway

**245,366,000**

Note: Sum of tier 1 and tier 2 railway operators for both Hankyu and Hanshin. Totals of less than one thousand have been rounded down.

## Real Estate (FY2019)

Leasable area (as of the end of FY2019)

Approx. **1,870,000** m<sup>2</sup>

Leasable area in Umeda (as of the end of FY2019)

Approx. **770,000** m<sup>2</sup>

Number of condominium units sold

**1,114**

International business operated

in **5** countries

## Entertainment (FY2019)

Sports business

Total attendance at Hanshin Tigers home games (during 2018 season)

**2,899,000**

Stage business

Annual total attendance at Takarazuka Revue (Takarazuka Grand Theater: 1,210,000; Tokyo Takarazuka Theater: 990,000)

Approx. **2,800,000**

## Top-class Profitability and Financial Soundness Among Major Private Railway Companies

(FY2019)

Operating income

**¥114.9 billion**

EBITDA

**¥171.4 billion**

Ratio of interest-bearing debt to EBITDA

**5.1**

Utilizing the strengths of our seven core businesses, we will enhance the competitiveness of our individual businesses, and aim for further growth by demonstrating the comprehensive strength of our Group.

## Information and Communication Technology (FY2019)

Number of households subscribing to cable TV

Approx. **625,000**

(Baycom: 513,000; Himeji Cable TV: 112,000)

## Travel (FY2019)

Total turnover

**¥ 369.9 billion** (5th highest in the industry)

Overseas travel turnover

**¥ 229.8 billion** (3rd highest in the industry)

Domestic travel turnover

**¥ 136.6 billion** (6th highest in the industry)

Note: Totals of less than one hundred million have been rounded down.

## Hotels (as of August 1, 2019)

Total number of hotels

**47** (Directly managed **20**, Other **27**)

Total number of guestrooms

**11,012\***

\*291 rooms of the Ritz-Carlton, Osaka (Kita-ku, Osaka), are not included.

## International Transportation (as of August 1, 2019)

Number of overseas bases

**135**

Number of domestic bases

**51**

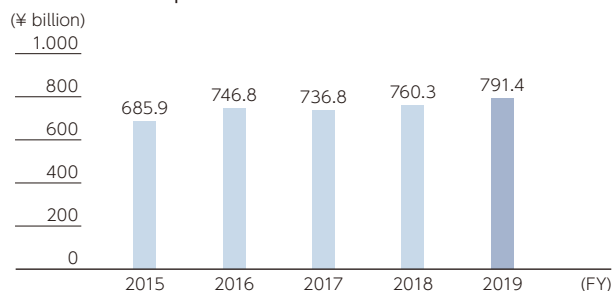
## ESG

Environment, Society, and Governance

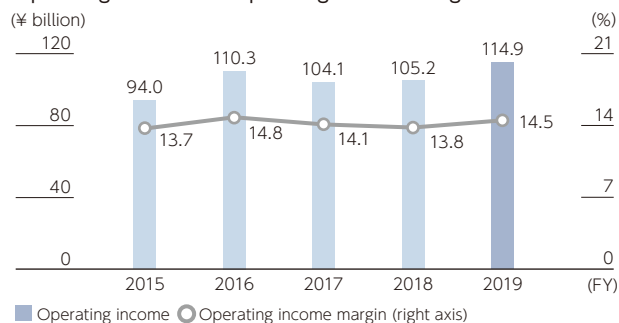
# Financial Highlights

## Key Financial Indicators (Graphs)

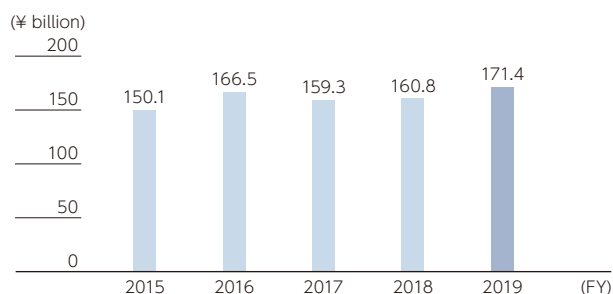
### Revenues from operations



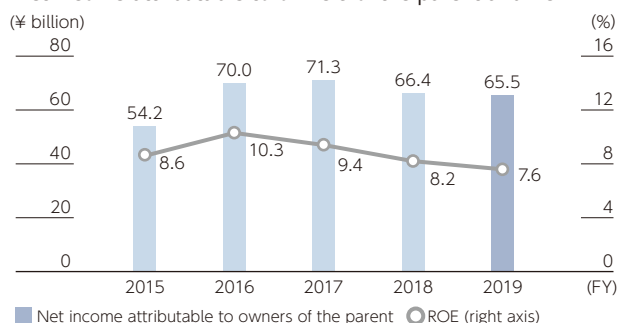
### Operating income and operating income margin



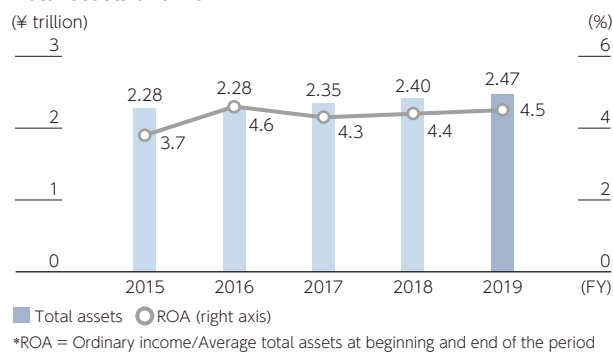
### EBITDA



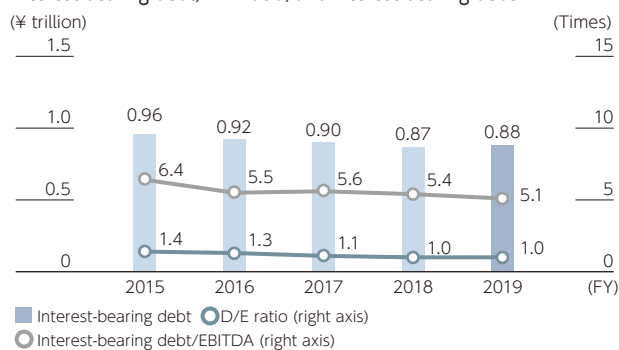
### Net income attributable to owners of the parent and ROE



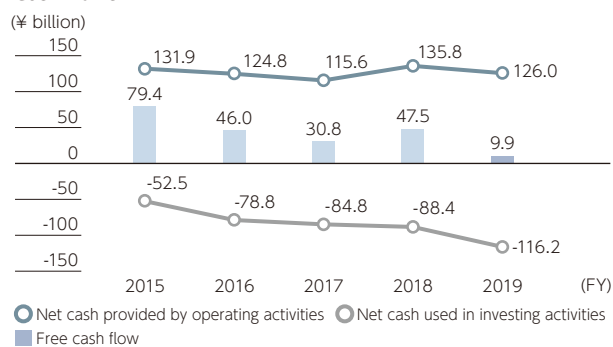
### Total assets and ROA



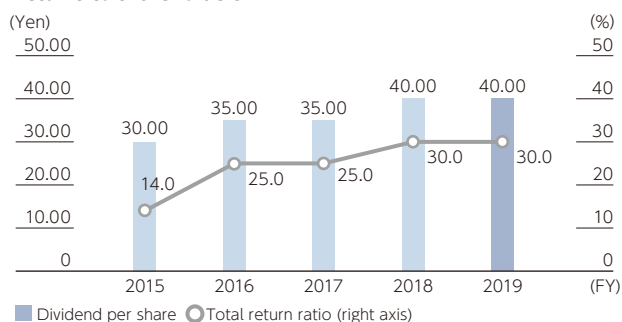
### Interest-bearing debt, D/E ratio, and interest-bearing debt/EBITDA



### Cash flows



### Returns to shareholders

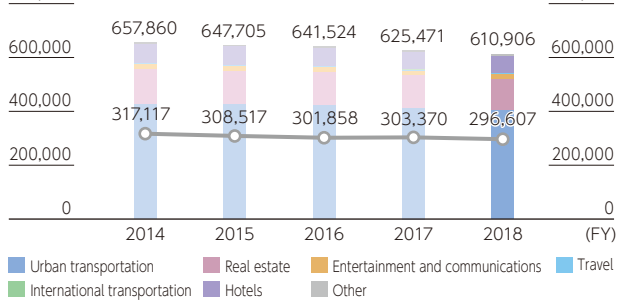


Note: On the effective date of August 1, 2016, stock shares were consolidated on a five-to-one basis. Annual dividends per share of or before 2015 are values that factor in the consolidation of shares.

# Non-Financial Highlights

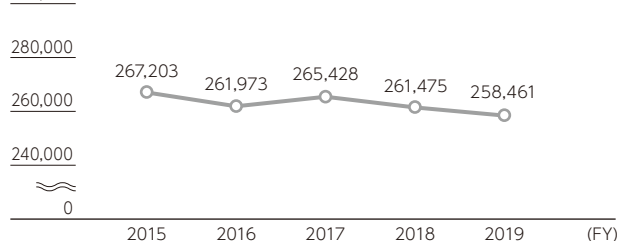
## Environmental Factors

CO<sub>2</sub> emissions volumes and energy consumption on crude oil-conversion basis  
(t-CO<sub>2</sub>) (kl)



In fiscal 2018, CO<sub>2</sub> emissions were down 2.3% year on year, to 610,906 t-CO<sub>2</sub>. Furthermore, energy consumption on a crude oil conversion basis decreased gradually as a result of efforts by the Group companies to reduce energy consumption. These efforts include the introduction of LED lighting in railway stations, theaters, buildings and other facilities as well as the introduction of an increased number of new rolling stock with better energy efficiency than the existing models.

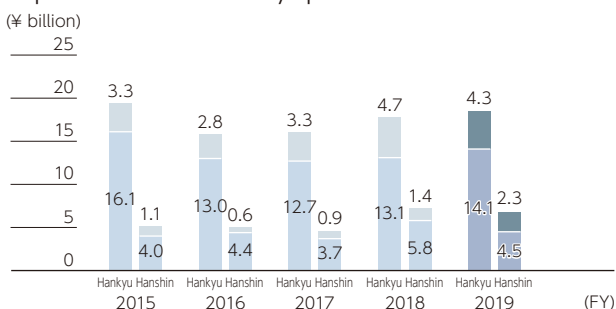
Electricity consumption during summer months (July–September)  
(Thousand kWh)



The Group has been endeavoring to lower electricity consumption over the peak usage months from July to September. As a result, total electricity consumption from July to September 2018 was 258,461,000 kWh, down approx. 16% from the equivalent period in 2010, before the Great East Japan Earthquake.

## Social Factors

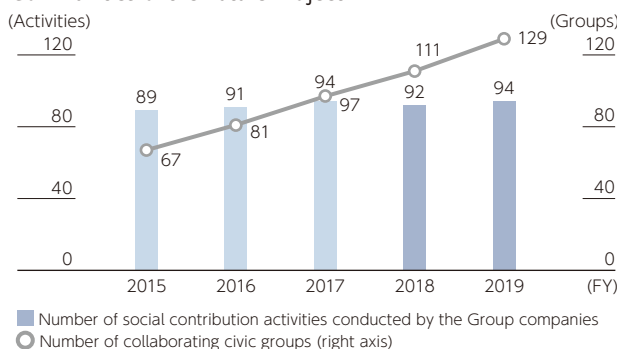
Capital investment in railway operations



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

As a railway operator, the Group provides a form of public infrastructure. We therefore make giving priority to the safety of our customers a fundamental policy of management, and conduct ongoing safety-related capital investments in our railway operations accordingly. In fiscal 2019, such investments totaled ¥14.1 billion at Hankyu Corporation and ¥4.5 billion at Hanshin Electric Railway. These investments were primarily used to conduct station upgrades, including track elevation, seismic reinforcement of elevated tracks, expansion of platforms, and measures for making stations barrier-free.

Social contribution activities: Hankyu Hanshin Dreams and Communities of the Future Project



In accordance with a basic policy of creating towns and cities that people will truly want to live in, the Group companies are engaged in roughly 90 social contribution activities every year to realize the policy. As a partner to make better communities, the Group companies also support civic groups in their railway line-side areas, in terms of financing and advertisement, and make joint efforts with the civic groups. A survey conducted in fiscal 2016 targeting line-side cities and towns found the more that customers recognize our projects, the more they have a positive image of our Group and a desire to live in our line-side areas.

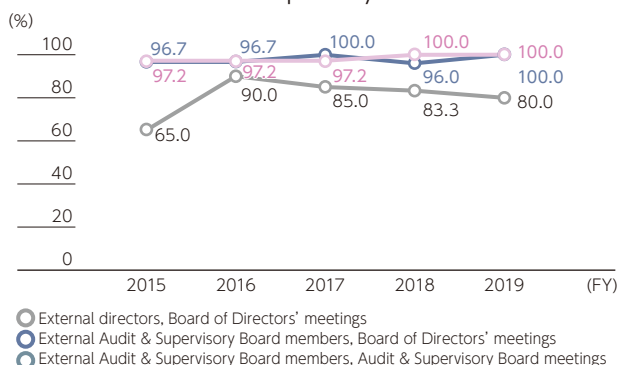
## Governance Factors

Membership of the Board of Directors



The General Meeting of Shareholders held in June 2019 approved the appointment of one female external director, thereby increasing the proportion of external directors to one third. Four directors of the Company concurrently serve as directors of Group companies to ensure that business management reflects viewpoints from the Group's operations. In addition, two of the Company's part-time directors have been appointed from H<sub>2</sub>O Retailing Corporation and Toho Co., Ltd., with the aim of strengthening coordination with other companies in the Hankyu Hanshin Toho Group.

Rate of attendance of external directors and external Audit & Supervisory Board members at meetings of the Board of Directors and the Audit & Supervisory Board



To support external directors and external Audit & Supervisory Board members, the Company has established secretariats for the Board of Directors and the Audit & Supervisory Board. In particular, the Company has appointed to the secretariat of the Audit & Supervisory Board dedicated personnel who provide information to Board members and liaise with relevant in-house departments and divisions. The Company provides external directors and external Audit & Supervisory Board members with information about the Company's businesses, financial position, and organizations mainly at meetings of the Corporate Governance Committee. Also, the secretariat of the Board of Directors sends Board members documents detailing agenda items for submission to the Board of Directors, in principle, seven days prior to the dates of meetings.



## Message from the Chairman



We are working for overall  
Group growth by maximizing  
our opportunities in the  
Kansai area.

Kazuo Sumi

Chairman and Representative Director,  
Group Chief Executive Officer

## To Realize Our Long-Term Management Vision, We Will Steadily Advance Our Medium-Term Management Plan

The Hankyu Hanshin Holdings Group's management environment is expected to undergo significant change, driven by declining population in line-side communities, due in part to Japan's low birthrate. Additional change is expected in the lifestyle and living environment as new technologies emerge. Our aim is to achieve sustained growth, even amid these shifting conditions, and in 2017 we announced the Hankyu Hanshin Holdings Group Long-Term Management Vision for 2025.

Furthermore, in 2018, we announced our Medium-Term Management Plan. This is a concrete action plan, extending over the period from fiscal 2019 to 2022, to fulfill the Long-Term Management Vision. We are now in the process of steadily implementing measures based on the Plan, and going forward, we will focus these diverse efforts toward step-by-step realization of our Long-Term Management Vision.

## The Rapidly Expanding Kansai Area

The Kansai area, which is the Group's core business base, is hosting a succession of international events, from the G20 Osaka Summit and the Rugby World Cup in 2019 to the World Masters Games in 2021 and Expo 2025, and thus we expect the number of inbound tourists to gradually increase.

In parallel to this trend, a number of new railway lines are under construction or being considered. Once they come into service, mobility within the Kansai area will be even more convenient and enjoyable, and we expect this to further boost the region's potential.

The Group's railway routes confer significant competitive advantage, with close connections between JR Shin-Osaka Station, the rail hub of the Kansai area, and Osaka International Airport (Itami Airport) and Kobe Airport, the air gateways to the region.

With this favorable positioning, the Group is preparing for the November 2019 opening of Hotel Hankyu RESPIRE OSAKA, a major hotel with over 1,000 rooms in Umeda, the Group's strategic base. At the same time, the Umeda 1-1 Project, a comprehensive reconstruction of the Dai Hanshin and Shin Hankyu Buildings, is on track for completion in the spring of 2022. Phase I of the project was completed in 2018, and new

construction as part of Phase II is currently under way. In addition, work on the Umekita Phase II Development Project, for which a consortium that includes the Group was selected as builder, is now underway in earnest, with harmony between green spaces and innovation as the project credo and policy. Advance opening of the development is targeted for the summer 2024 timeframe.


These are just a few of the ways in which the Hankyu Hanshin Holdings Group is promoting measures to enhance the convenience and attractiveness of its line-side areas in the rapidly growing Kansai region, beginning with the Osaka Umeda area.

## While Satisfying Expectations from Stakeholders, the Entire Group Endeavors to Grow

The Group is working to enhance its medium- and long-term corporate value, and will continue to promote its social contribution activities and environmentally friendly business activities. We will also make a unified effort to strengthen our corporate administration, with special emphasis on compliance, to fulfill our social responsibilities as an enterprise.

Going forward, in accordance with our Group Management Philosophy, we will reinforce relationships of trust with stakeholders and local communities, and work as one to meet their expectations as we drive overall Group growth.

## Message from the President



We will make steady  
advances with our Medium-  
Term Management Plan  
to achieve our Long-Term  
Management Vision.

Takehiro Sugiyama  
President and Representative Director



## Fiscal 2019 Results

In fiscal 2019, the Hankyu Hanshin Holdings Group recorded revenues from operations of ¥791.4 billion. Operating income totaled ¥114.9 billion, while ordinary income reached ¥110.5 billion. All of these totals represent historic highs, achieved despite the negative influence of successive natural disasters. In our Real Estate business, we sold land for commercial facilities in the eastern section of Saito International Culture Park (Ibaraki, Osaka Prefecture), while our Urban Transportation, Entertainment and Communications businesses all posted strong performances.

However, net income attributable to owners of the parent (¥65.5 billion) decreased slightly over the previous fiscal year, due to an extraordinary loss that we recorded on an asset transfer relating to Hokushin Kyuko Line.

The balance of interest-bearing debt increased relative to the previous term. While we carried out appropriate investments to drive growth, other factors, including increased cash flow, resulted in a ratio of interest-bearing debt to EBITDA of 5.1, an improvement over the previous fiscal year. As a result, we continued to maintain our financial soundness.

|   | FY2019 results  | FY2018 results  | YoY              |       |
|---|-----------------|-----------------|------------------|-------|
| Revenues from operations                        | ¥ 791.4 billion | ¥ 760.3 billion | + ¥ 31.2 billion | +4.1% |
| Operating income                                | ¥ 114.9 billion | ¥ 105.2 billion | + ¥ 9.7 billion  | +9.2% |
| Ordinary income                                 | ¥ 110.5 billion | ¥ 103.8 billion | + ¥ 6.8 billion  | +6.5% |
| Net income attributable to owners of the parent | ¥ 65.5 billion  | ¥ 66.4 billion  | - ¥ 0.9 billion  | -1.3% |
| EBITDA*   | ¥ 171.4 billion | ¥ 160.8 billion | + ¥ 10.6 billion | +6.6% |
| Interest-bearing debt                           | ¥ 877.1 billion | ¥ 866.8 billion | + ¥ 10.3 billion | +1.2% |
| Interest-bearing debt/EBITDA ratio              | 5.1 times       | 5.4 times       | -0.3 pt          |       |

\*EBITDA: operating income + depreciation expenses + amortisation of goodwill

## Summary of Long-Term Management Vision

In 2017, to promote our growth as a corporate Group even as society evolves toward the future, we established the Hankyu Hanshin Holdings Group Long-Term Management Vision for 2025.

The Vision encompasses four strategies under the slogan, “Enhancing line-side areas and expanding fields,” on the basis of two key business areas and models (stock businesses\*1 and flow businesses\*2). We will endeavor to enhance sustainable corporate value through these strategies.

\*1 Businesses that own or use stock such as property and other fixed assets (including the railway business, real estate leasing business, broadcast and communications business, and Hotels Business)

\*2 Businesses that, instead of owning large-scale stock, use business know-how, human resources, brand assets, and other intangible assets (including the real estate sales business and other businesses, sports business, stage business, information services business, Travel Business, and International Transportation Business)

## Slogan Enhancing line-side areas and expanding fields

### Sustainably enhance corporate value



Specifically, we will promote the implementation of the four strategies of the Vision to become a corporate group capable of maintaining minimum operating income at the current level of ¥100 billion, even in or around 2040, by which time our environment will be affected significantly by changing population

dynamics, and we will aim to achieve the figures outlined in the table below in fiscal 2026.

By achieving such aims, we will maintain our top-level position among the major private railway companies, with all metrics indicating profitability and financial soundness.

|                     | Management Indicators              | Vision of corporate form in fiscal 2026 |
|---------------------|------------------------------------|---|
| Profitability       | Operating income                   | ¥120 billion                            |
|                     | EBITDA                             | ¥200 billion                            |
| Financial soundness | Interest-bearing debt/EBITDA ratio | Between 5 and 6 times                   |

## Medium-Term Management Plan for Fulfillment of Long-Term Management Vision

### Basic Way of Thinking about the Medium-Term Management Plan

In 2018, we established the Medium-Term Management Plan, covering the term from fiscal 2019 to fiscal 2022, as our first concrete action plan to fulfill our Long-Term Management Vision.

Prior to inauguration of the Plan, annual operating income was approximately ¥100 billion (excluding extraordinary income,

such as income from the sale of sites for large-scale facilities). Taking this level of operating income as a base, the Long-Term Management Vision targets operating income of ¥120 billion in fiscal 2026. As a first step, the goal for the Medium-Term Management Plan is for the Group to achieve a stable level of operating income totaling ¥110 billion in fiscal 2022. To this end, we are promoting measures in line with the four strategies of the Long-Term Management Vision.

Financially, we will focus on growth investments in line with the four key strategies and distribute funds accordingly, while placing particular emphasis on our ratio of interest-bearing debt to EBITDA, to maintain a sound financial structure.

#### Four strategies in Medium-Term Management Plan (Based on Long-Term Management Vision)

##### Strategy 1 Further strengthen stock businesses in Umeda and line-side areas

Enhancing the value of the Umeda area; Activating the main line-side areas; Improving the traffic networks (infrastructures) with new railway lines; Satisfying the demand from inbound tourists.

##### Strategy 2 Accumulate stock in the Tokyo metropolitan area and overseas markets

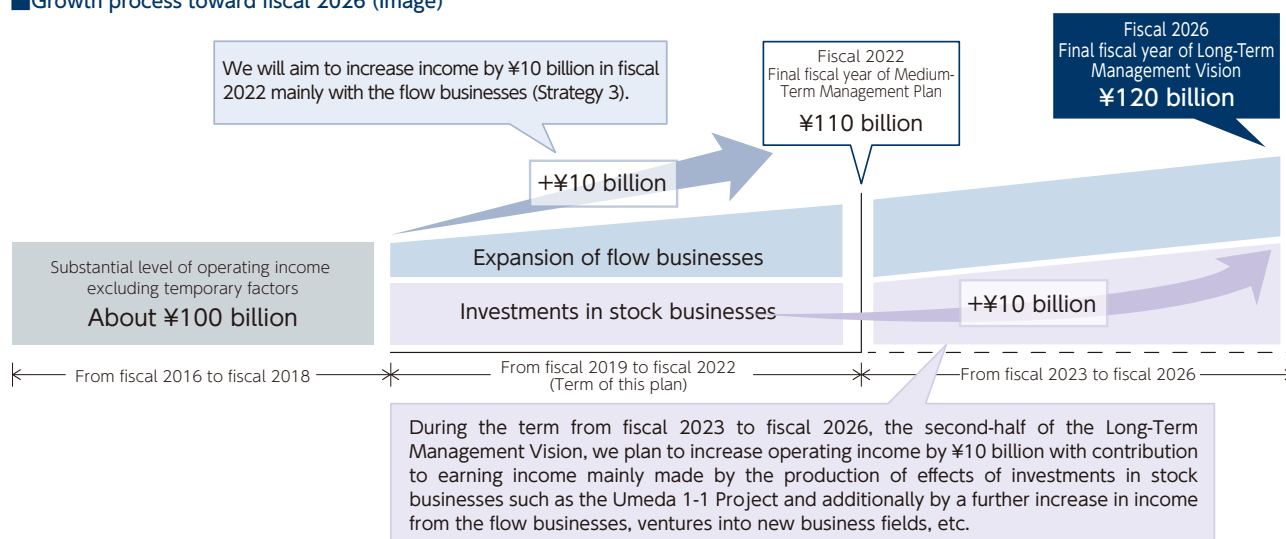
Accumulating stocks in the center of the Tokyo metropolitan area; Opening a new hotel in the Tokyo metropolitan area; Studying acquisition of overseas stocks (real properties).

##### Strategy 3 Strengthen competitiveness of flow businesses

Expanding the scale of the condominium businesses including those overseas; Growing the information services business; Increasing income from the travel business; Increasing the volume of cargoes handled by the international transportation business.

##### Strategy 4 Make greater use of the Group's collective strength and venture into new business fields

## ■ Growth process toward fiscal 2026 (Image)



## ■ Advances in Fiscal 2019

During fiscal 2019, each of the four strategies moved ahead steadily, particularly Strategy 3. In addition, we were able to grow actual operating income to a suitable level of over ¥100 billion. Moreover, as stated, we maintained our financial condition in a

healthy state, with a ratio of interest-bearing debt to EBITDA of 5.1. As such, we believe that the Group is making steady progress toward the goals of the Plan.

In addition, we updated the Medium-Term Management Plan (Current Plan) in view of the progress listed below and changes in our business environment.

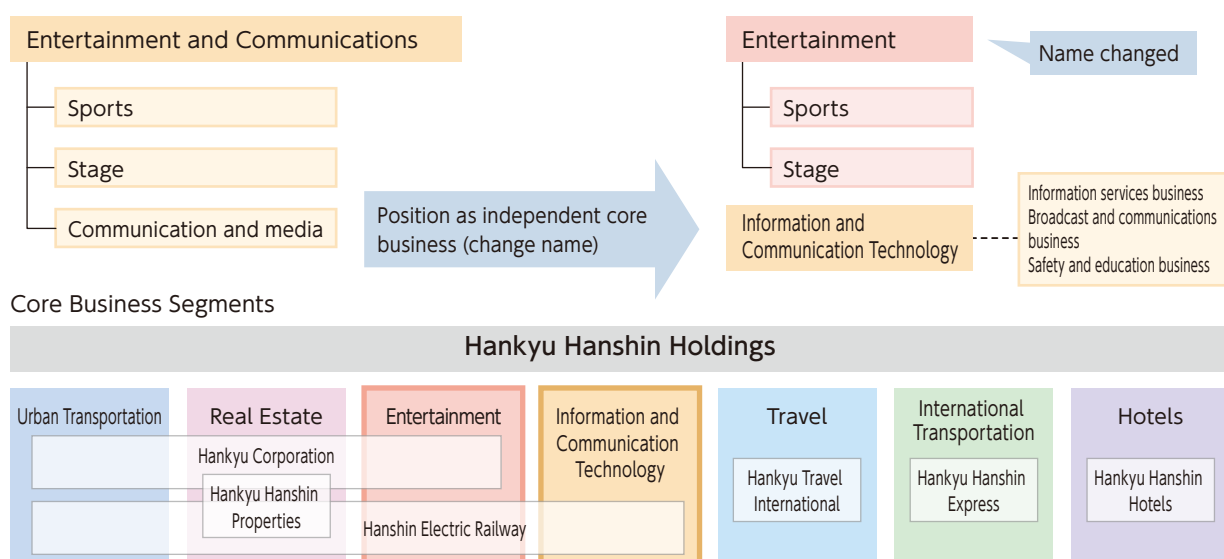
|   |   |
|---|---|
| ① | <ul style="list-style-type: none"> <li>• Ongoing projects remain on track, enhancing the attractiveness of Umeda and line-side communities<br/>Umeda 1-1 Project Phase I completed/Expansion and renovation of Ebista Nishinomiya/Hankyu Nishinomiya Gardens Gate Building opens</li> </ul> |
|   | <ul style="list-style-type: none"> <li>• New projects to drive future growth are greenlit<br/>Participation in Umekita Phase II Development Project/Hotel Hankyu RESPIRE OSAKA opens</li> </ul>   |
|   | <ul style="list-style-type: none"> <li>• Inbound demand response measures (free Wi-Fi, introduction of tourist trains, etc.)</li> </ul>   |
| ② | <ul style="list-style-type: none"> <li>• PILOT Hankyu Hanshin Green Building (Kyobashi 2-6 Redevelopment Project) completed</li> </ul>  |
|   | <ul style="list-style-type: none"> <li>• Acquisition of rental real estate in Indonesia (Jakarta)</li> </ul>  |
| ③ | <ul style="list-style-type: none"> <li>• <b>Real estate sales:</b> Rapid expansion of participation in ASEAN-based projects (participation in 26,000+ residences, mainly in Thailand and Vietnam)</li> </ul>  |
|   | <ul style="list-style-type: none"> <li>• <b>Information services:</b> Received large order in the area of transportation systems/Acquired Nihon Protec Co., Ltd.</li> </ul>   |
|   | <ul style="list-style-type: none"> <li>• <b>Travel:</b> Structural reform promotion (expand use of broadcast television on top of newspaper and Internet for acquiring new customers, strengthen day-return bus tour business with additional acquired buses, etc.)</li> </ul>              |
|   | <ul style="list-style-type: none"> <li>• <b>International transportation:</b> Strengthened logistics business (open warehouses in India, the US and elsewhere)/Increased air cargo volume</li> </ul>  |
| ④ | <ul style="list-style-type: none"> <li>• 7-Eleven (May 2018, Kansai Area) and Kansai Super chain of supermarkets (November 2018) adopt S-POINT, the Hankyu Hanshin Group's loyalty points system for the Kansai Area</li> </ul>   |
|   | <ul style="list-style-type: none"> <li>• Entry into agriculture business</li> </ul>   |

## Key Elements of our Current Plan

### Revise the Structures of Our Core Entertainment and Communications Business

All three communication and media businesses (information services, broadcast and communications, and safety and education), which form part of our Entertainment and Communications Business, are demonstrating increasing competitiveness. As a result, operating income has grown significantly in the 12 years since fiscal 2008.

Under the Current Plan, the communication and media business as a whole, including the information services business, is driving growth of our flow businesses as outlined in Strategy 3. To further expand revenue and profitability growth in the communication and media business, these businesses will be positioned as an independent core businesses starting in fiscal 2020, and to make the content of these businesses easier to understand, we renamed the business Information and Communication Technology.



As of fiscal 2020, the Group has established the above six enterprises as core companies, and will drive growth through its core businesses in seven business domains: Urban

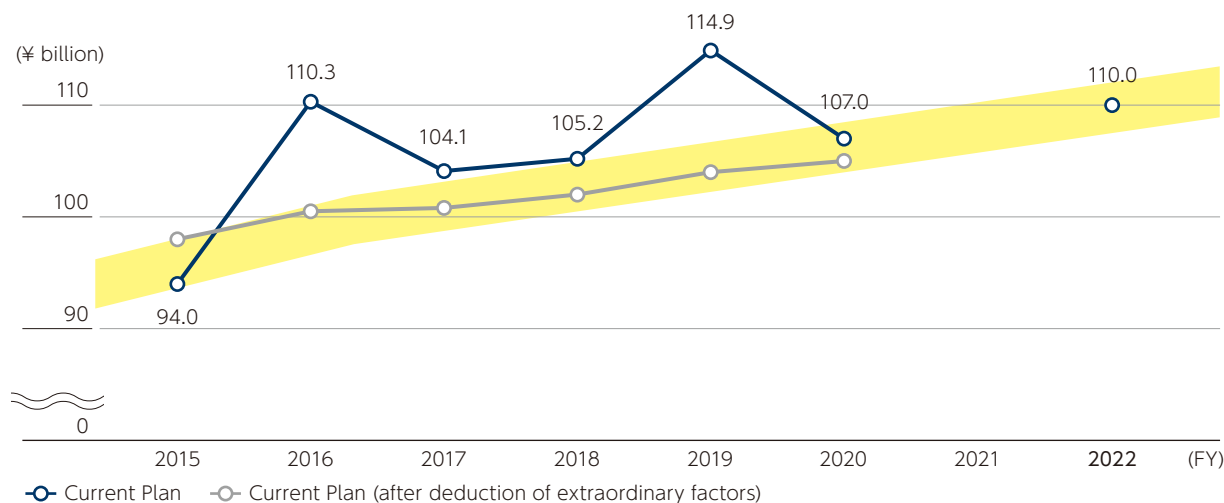
Transportation, Real Estate, Entertainment, Information and Communication Technology, Travel, International Transportation, and Hotels.



### Changes in Operating Income During Our Current Plan

The graph below tracks the Group's operating income since 2014. Our base operating income, excluding time-limited, extraordinary factors such as major land sales and the influence of natural disasters, is growing steadily, and in fiscal 2019 exceeded ¥100 billion.

In future fiscal years, we will continue to grow our operating income steadily, with a goal of reaching ¥120 billion by fiscal 2026. Prior to that, our goal is for the Group to post ¥110 billion in stable operating profit by fiscal 2022.



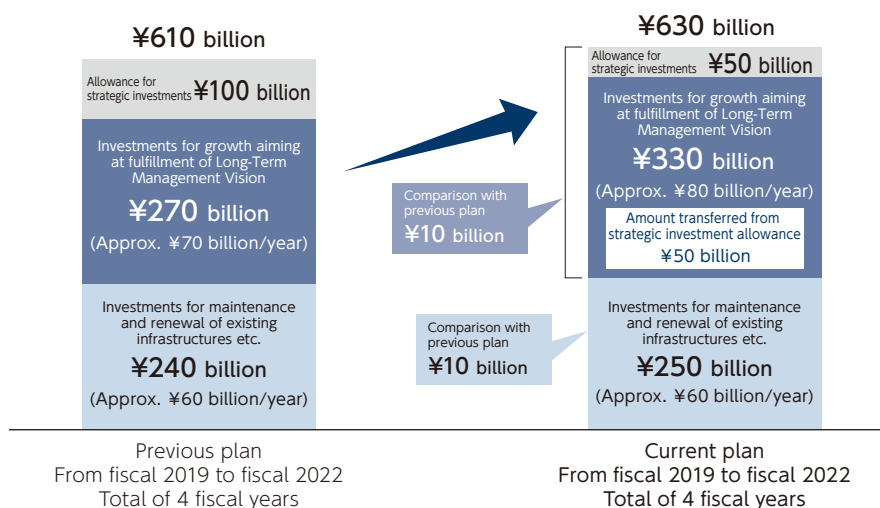
### Fiscal 2019–Fiscal 2022 Capital Investments (including lending)

Under this plan, we shall endeavor to further expand operating income and EBITDA to fulfill the Long-Term Management Vision. Consequently, we will prioritize growth investments in allotting funds in accordance with Strategies 1 to 4 as outlined above.

Specifically, capital investment for fiscal 2019 to 2022 (including lending) under the Current Plan is projected to be ¥630 billion, an increase of ¥20 billion over the ¥610 billion figure in the Previous Plan.\*

Major changes from the Previous Plan include the transfer, from the ¥100 billion allocated for large-scale projects, acquisitions, and other strategic investments, of ¥50 billion to actual growth investments aimed at realizing the Long-Term Management Vision. In addition, we have augmented the growth investment allocation by ¥10 billion. We also plan to augment maintenance and renovation investment for existing infrastructure by ¥10 billion, in response to rising social expectations for safety and peace of mind.

\*The plan announced on May 23, 2018



## Returns to Shareholders

The Group considers the total return ratio to be an indicator of returns to shareholders. As such, while continuously working to reinforce our business foundations, our basic policy is to set the total return ratio at 30%, and endeavor to pay dividends reliably and acquire treasury shares.

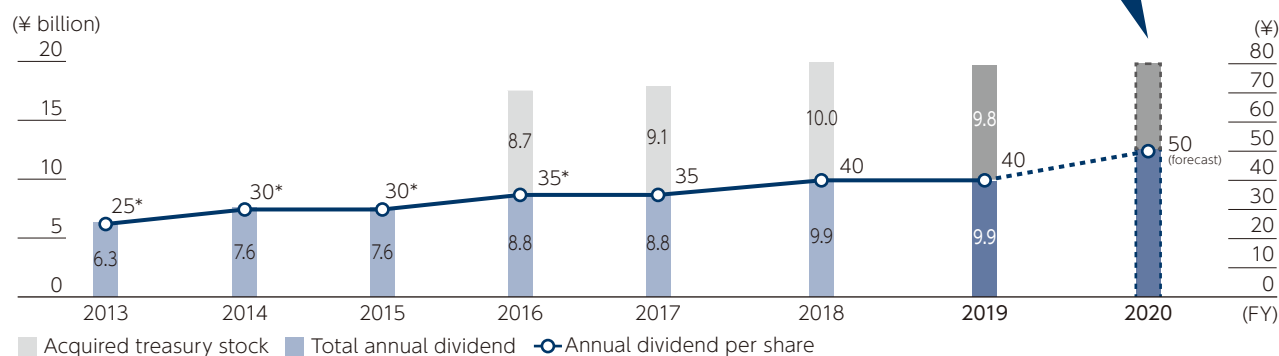
In line with this policy, the full-year dividend payout for fiscal 2019 has been set at ¥40 per share, and a maximum of ¥9.8 billion has been allocated for acquisition of treasury shares.

Going forward, in view of the recent stable trend of the Group's business performance, and the steady implementation of the Medium-Term Management Plan, we are planning to raise the dividend payout from ¥40 per share to ¥50 in fiscal 2020. The upper limit for treasury share holdings will be set at 5% of shares issued. If this limit is exceeded, we will cancel the appropriate amount of treasury stock.

Through these efforts, we will undertake to further enhance our returns to shareholders.

(Reference) Total return ratio calculation method

$$\text{Total return ratio of FY [n]} = \frac{(\text{Total dividend of FY [n]} + (\text{Acquisition of treasury stock in FY [n+1]})}{\text{Net income attributable to owners of parent in FY [n]}} \times 100 (\%)$$



\*On the effective date of August 1, 2016, stock shares were consolidated on a five-to-one basis. Annual dividends per share of or before 2016 are values that factor in the consolidation of shares.

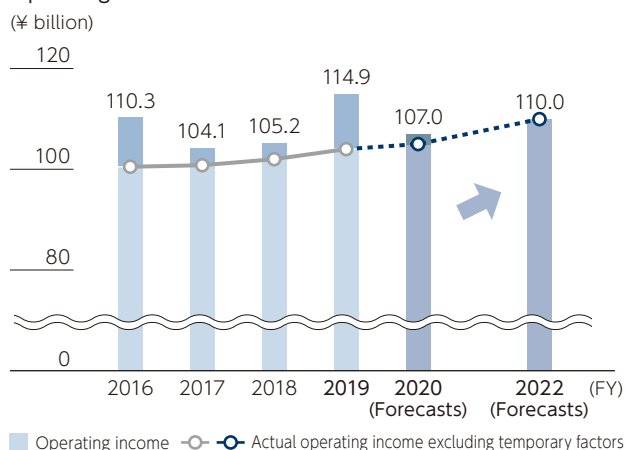
## Management Indicators in Fiscal 2022

In line with the above indicators of our Current Plan, we will aim at stably recording operating income of ¥110 billion and EBITDA of ¥180 billion in fiscal 2022 while achieving a ratio of interest-

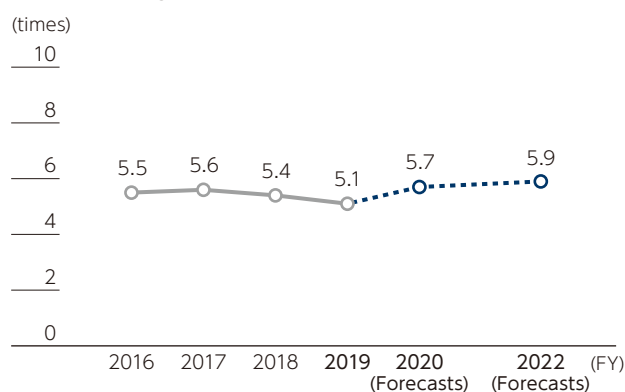
bearing debt to EBITDA of 5.9.

In fiscal 2020 we foresee operating income of ¥107 billion and a ratio of interest-bearing debt to EBITDA of 5.7 due to the sale of sites for large-scale facilities in the previous fiscal year.

### Operating income



### Interest-bearing debt/EBITDA ratio



## Focus on ESG Efforts for Sustainable Growth

ESG activities are paramount for the Group to achieve sustainable growth. The Hankyu Hanshin Holdings Group is thus engaged in various Environmental (E), Social (S), and Governance (G) initiatives.

With respect to corporate governance, in addition to the existing Corporate Governance Committee\*, we recently established a Compensation Committee to make concrete decisions regarding director compensation according to objective, transparent procedures. We also carried out a review of our compensation system, in part to create incentives to enhance shareholder value. To ensure the diversity of our Board of Directors and further strengthen its oversight functions, we carried out a review of its composition, appointing a female external director and raising the proportion of independent external directors to one-third of board membership.

Going forward, we will continue to carry out active ESG-related efforts that meet the highest standards.

\*Corporate Governance Committee: Held to achieve such objectives as transparent appointment and dismissal of directors, coordination among external directors, etc.

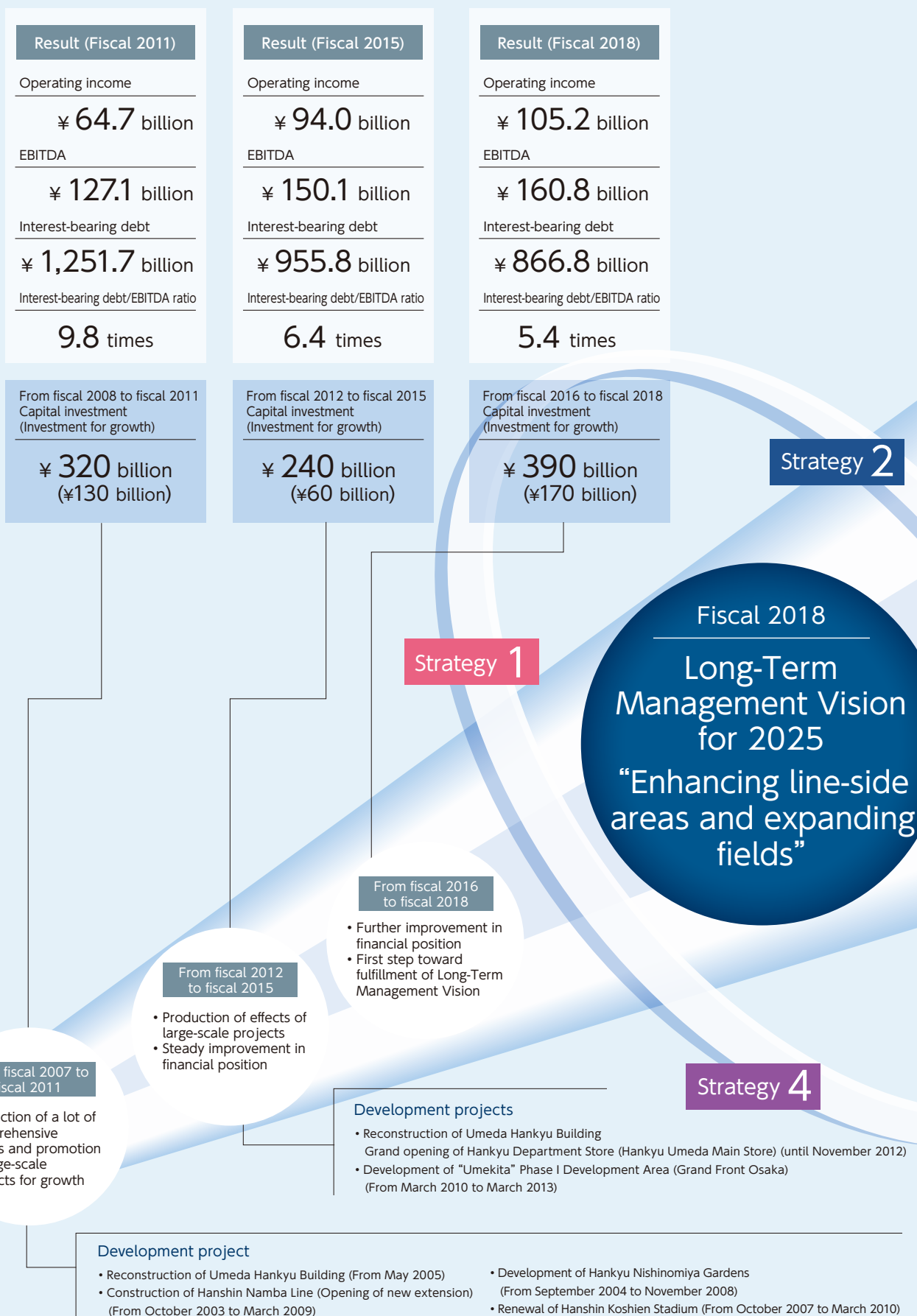
## Achieving Our Long-Term Management Vision

To firmly satisfy expectations from stakeholders, the Group will make steady advances with its Medium-Term Management Plan to achieve its Long-Term Management Vision.

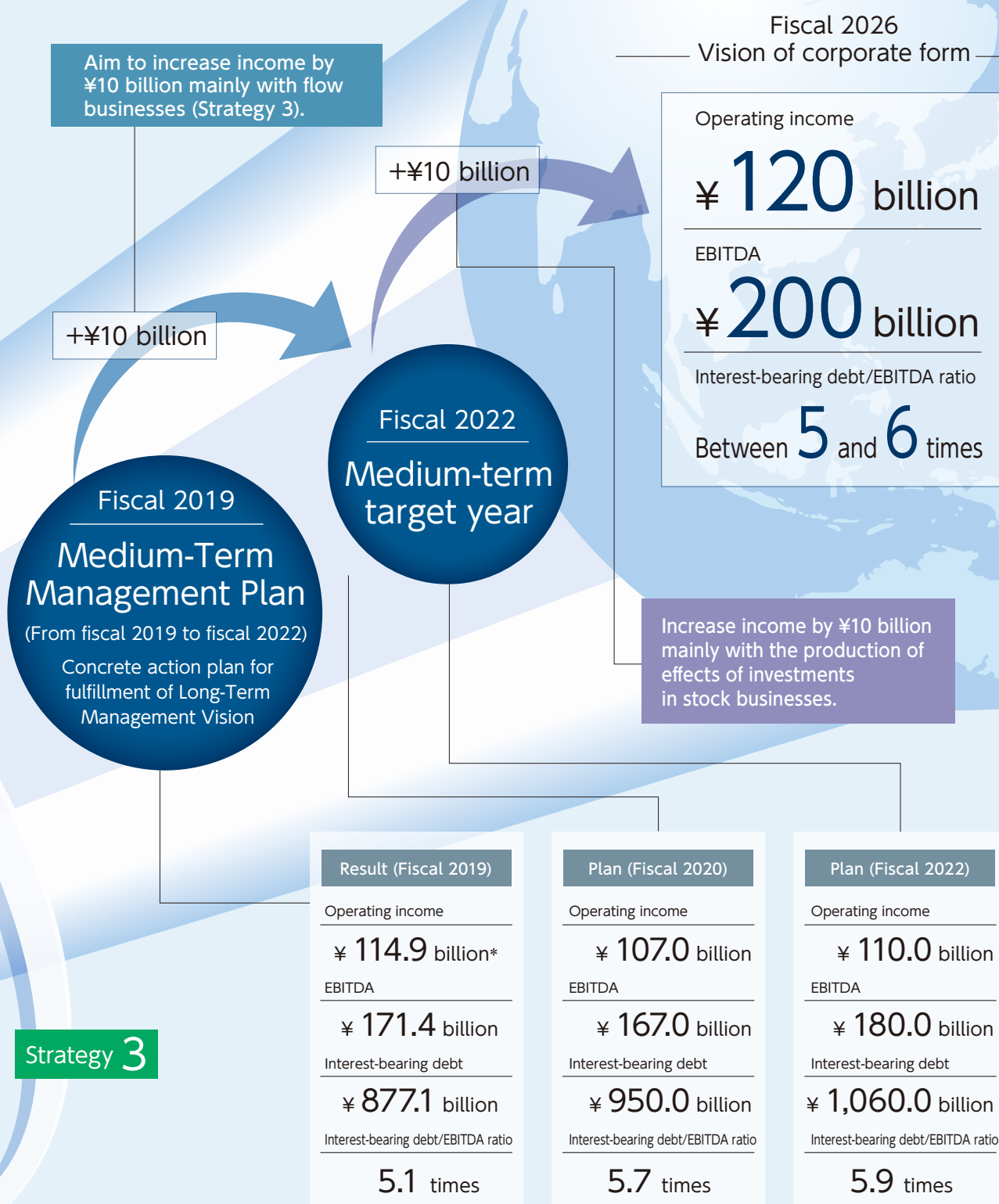
It will also aim actively and resolutely at enhancing sustainable corporate value through the concerted efforts of the Group.



# Summary of Long-Term Management Vision for 2025 and Medium-Term Management Plan







\* Operating income for fiscal 2019 includes temporary (extraordinary) factors such as the sale of sites for large scale facilities.

Capital investment  
(From fiscal 2019 to fiscal 2022)

¥ **630** billion

Allowance for strategic investments ¥ 50 billion

Investment for growth for fulfillment of Long-Term Management Vision ¥ 330 billion

Investments for maintenance and renewal of existing infrastructure etc. ¥ 250 billion

## Umeda and line-side areas & stock businesses

## Further strengthen stock businesses in Umeda and line-side areas

We aim to increase the resident and non-resident population of line-side areas. To this end, we will channel into these areas the dynamism of the Tokyo-Nagoya-Osaka axis and the power of Asia and other regions of the world, attract new industries and cutting-edge technologies ahead of other companies, and support efforts to develop thriving local communities.

We will systematically reconstruct and develop buildings in the Umeda area from the long-term viewpoint and enhance the value of the area.

[illegible]

In order to bring vitality to the Umeda area and maintain and



UMEDA FOOD HALL, opened March 2018

improve the appeals of its commercial facilities, we are continuously working to revamp existing facilities in the area.



chayamachi arco, opened March 2018

## Umeda 1-1 Project (Building Name: Osaka Umeda Twin Towers South)

We have carried out the comprehensive reconstruction of the Dai Hanshin Building and the Shin Hankyu Building since October 2014. The first phase building was completed in April 2018, and the Hanshin Department Store (Hanshin Umeda Main Store) was partially opened in June.

In June 2019, we began the second phase of the new construction work, with the full opening of the department store zone scheduled for autumn of 2021. In spring 2022, we expect to open up West Japan's largest rental floor space in the office zone (approx. 3,500 m<sup>2</sup>;

11F–38F), as well as the conference zone, which will comprise one large and one small hall. Moving forward, we will continue reconstruction work and improvement of nearby public facilities in an integrated manner, seeking to create comfortable, high-quality areas that will enhance international competitiveness. Specifically, we will upgrade city functions, enhance disaster preparedness, create new public spaces, and form attractive townscapes.



Artist's impression of completed building

### Project summary

|                         |   |
|-------------------------|---|
| Location                | 1-1 Umeda, Kita-ku, Osaka                 |
| Site area               | Approx. 12,200 m <sup>2</sup> *           |
| Total floor space       | Approx. 260,000 m <sup>2</sup>            |
| Size                    | 38 floors above ground and 3 below ground |
| Purpose                 | Department store, offices, halls, etc.    |
| Construction completion | Around spring 2022                        |

\*Including overlapping areas

### Outline of Osaka Umeda Twin Towers South

#### Office zone

Equipped with the latest facilities, the expansive 11th to 38th floors will offer the largest rental office space per floor in West Japan\*<sup>1</sup> (approx. 3,500 m<sup>2</sup>) and 2.9-meter high ceilings.

The three key concepts of the office zone are "Center of the convenient Umeda area," "A building with outstanding services," and "A space for well-being."<sup>2</sup> In addition to providing comfortable office environments for each tenant, on the 12th floor we will create a dedicated space for workers known as WELLCO.

WELLCO is a space that promotes thorough rest, productive work, and fruitful learning. Through the provision of comfortable rest areas and spaces for interaction between workers, WELLCO will contribute to a healthy body and mind, increased motivation, and in turn highly creative work.

\*1 Among office buildings completed since 2000.

\*2 In the World Health Organization's definition of health, outlined in their 1946 constitution, well-being is described as a state of physical, mental, and social health in which the individual's human rights are guaranteed, and in which the individual can realize his or her own capabilities.

#### Conference zone

Using the large space constructed above the road, we will build the Umeda South Hall in the conference zone on the 11th floor.

The space will act as a hub for business-related information, a space to cultivate active, internationally minded personnel, and a space for diverse personnel to interact. We hope this will invigorate business in the Umeda area, and contribute to its international competitiveness. Moreover, the space will also contribute to the building's disaster preparedness functions as a location for people to stay in temporarily when unable to return home.



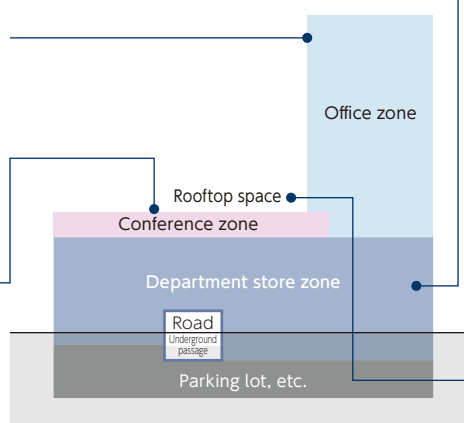
Café



Lounge and work space



Wellness zone



Note: Building uses at time of completion

#### Department store zone (partial opening June 1, 2018; complete opening scheduled for autumn 2021)

At the time of the total opening of the store around the autumn of 2021, the area will become almost the same as that before the reconstruction (total floor area of approx. 100,000 m<sup>2</sup>), and 11 floors (B2F–9F) are expected to be occupied by the department store.

The department store will boast a wide-ranging selection of products and an improved sales floor environment. Through these enhancements and an array of different events, the store will propose new ways of living for its customers, creating a commercial facility ideally suited to a top-class location with a substantial presence and competitiveness.

#### Rooftop space

The lower rooftop plaza will be revamped to create a spot for bustling interaction, while the amount of greenery will be increased to improve the urban environment. In this way, we will create a comfortable, charming environment for office workers and visitors. The space can also be used as a temporary evacuation area during disasters.



## Osaka Station North District (Umekita) Phase II Development Plan

A joint venture of nine developers (including Hankyu Corporation; led by Mitsubishi Estate Co., Ltd.) formed a consortium with six design and operating companies (including Hankyu Hanshin Properties) to submit an application to develop the Osaka Station North District (Umekita) Phase II Development area. As a result, the consortium was selected by the Urban Renaissance Agency to lead development of the area.

In line with the project's concept of fusing greenery and innovation, and utilizing our track record in the Grand Front Osaka development project, we will work to ensure the Umekita area is a leading example of urban development in Kansai and across Asia. (Initial opening scheduled for summer 2024; complete opening in summer 2027)



Whole view of Osaka Station North District (Umekita) Phase II Development Area (artist's impression)

## Hotel Hankyu RESPIRE OSAKA

In November 2019, we will open Hotel Hankyu RESPIRE OSAKA in the Yodobashi Umeda Tower, which is operated by Yodobashi Holdings, Inc. Built to accommodate mainly inbound tourists, the hotel will comprise more than 1,000 Japanese-influenced rooms, predominantly made up of twin rooms, triple rooms, and other rooms for large numbers of people.



Artist's impression



Hotel lobby



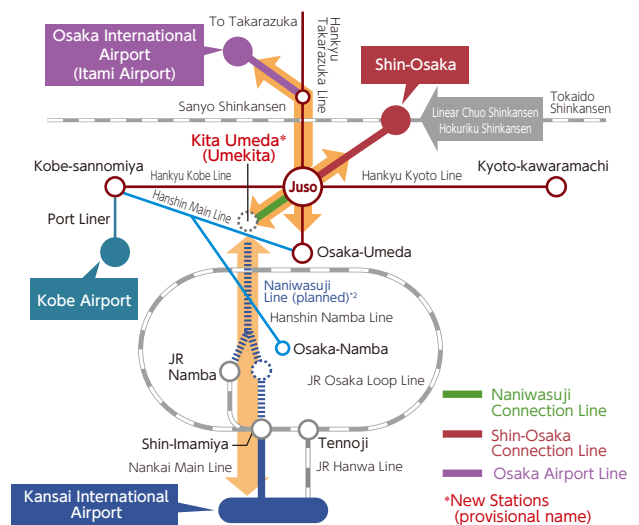
Guestroom

## Concrete Effort ②

## Improvement in Traffic Networks (Infrastructures) with New Railway Lines

### New lines planned by Hankyu Corporation

Hankyu Corporation is studying three new line projects\*1 in order to reinforce the connection between the line-side areas including Umeda and the gateways of Kansai consisting of Kansai International Airport and Osaka International Airport (Itami Airport) as air gateways and Shin-Osaka Station which is being planned to serve as a station of the Linear Chuo Shinkansen Line. By improving these new lines, we will reinforce the railway networks and aim at creating the line-side areas capable of being continuously selected by many customers in the future.



\*1 Naniwasuji Connection Line: The line to connect Juso Station with Kita Umeda Station to be newly constructed in the Osaka Station North District (Umekita) Phase II Development Area.

Shin-Osaka Connection Line: The line to connect Juso Station with Shin-Osaka Station.

Osaka Airport Line: The line to diverge from the Takarazuka Line and be connected to Osaka International Airport.

\*2 License acquired on July 10, 2019; Scheduled for opening in spring 2031

## Concrete Effort ③

## Satisfaction of Demand from Inbound Tourists

We are improving systems to accommodate inbound tourists and implementing various policies and measures to increase revenues from inbound tourism.

### Kyo-train Garaku sightseeing train

Replacing the existing Kyo-train sightseeing train that runs on the Kyoto Line, Hankyu Corporation began operation of the second edition, Kyo-train Garaku, in March 2019.



Kyo-train Garaku sightseeing train



## Strategy 2

# Tokyo metropolitan area and international markets & stock businesses

## Accumulate stock in the Tokyo metropolitan area and international markets

**Construct a stable revenue base in the Tokyo metropolitan area and international markets.  
(Diversify the portfolio, which is currently concentrated in Umeda and line-side areas.)**

Our property portfolio is currently concentrated in Umeda and line-side areas. We will diversify our property profile by acquiring additional assets including rental property in the Tokyo metropolitan area's large market and in international markets that are set to grow.

### Concrete Effort ①

#### Accumulation of Stocks in Center of Tokyo Metropolitan Area

##### PILOT Hankyu Hanshin Green Building (Kyobashi 2-6 Redevelopment Area)

Redevelopment of the Kyobashi 2-6 area, which includes the former Han-shin Green Building, was completed as scheduled, and the multipurpose PILOT Hankyu Hanshin Green Building, with hotel and office space, was completed in February 2019. In April, the remm Tokyo Kyobashi hotel opened on the upper floors (7F-14F) of the building.



##### CO•MO•RE YOTSUYA

##### (Yotsuya Station District Redevelopment Project)

Aiming for completion in early 2020, we are participating in the Type 1 Urban Redevelopment Project for the District in Front of Yotsuya Station. The project is led by the Urban Renaissance Agency (UR Urban Agency), and we are participating with other business operators as "specific business participants."



Artist's impression

##### Hankyu Hanshin Ginza 3-chome Project

We will develop a commercial facility serving as the flagship in Ginza, one of the most popular commercial areas in Japan, with the aim of its completion in the spring of 2020.



Artist's impression

### Concrete Effort ②

#### Acquisition of International Stocks (Real Estate)

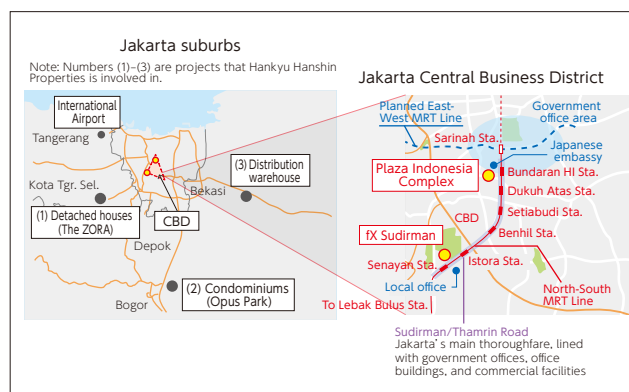
We have invested in an Indonesian entity that owns and operates the Plaza Indonesia Complex and the fx Sudirman, marking our full-scale entry into the running and management of overseas multipurpose complexes. The Plaza Indonesia Complex is located along the main thoroughfare of Jakarta's Central Business District, and comprises a commercial facility, offices, and a hotel, while the fx Sudirman is a commercial complex home to the JKT48 theater, a movie theater, and more.



Plaza Indonesia Complex



fx Sudirman



## Strategy 3

## Flow businesses

## Strengthen competitiveness of flow businesses

**Strengthen competitiveness by thoroughly pursuing brand optimization and differentiation.**

Thoroughly optimize the Hankyu Hanshin brand value and differentiate the products and services from the competition so as to strengthen competitive edge and achieve further business expansion.

## Concrete Effort ①

**Expansion of Scale of Condominium Businesses including those Overseas****Domestic real estate sales businesses**

The condominium business among the real estate sales business steadily promotes its business in the Kinki area and aims at expanding its business in the Tokyo metropolitan area to the same level of the number of units (the level of approx. 800 units per year) as that in the Kinki area.



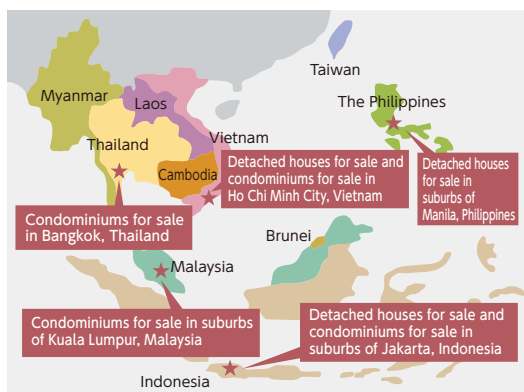
Artist's impression of completed Geo Fukushima Noda The Marks

**International real estate sales business**

By making good use of our experiences in Japan, we participate in the house sales business in Vietnam, Thailand, the Philippines, Indonesia and Malaysia. As of June 30, 2019, we have had a hand in over 26,000 units in these areas.

We will aim at expanding the scale of the international real estate sales business by further accelerating our efforts in the ASEAN countries, etc.

Total units  
sales overseas  
**More than 26,000**  
(including those of business partners)



As of June 30, 2019

|             | No. of projects | Total no. of units |
|-------------|-----------------|--------------------|
| Vietnam     | 5               | Approx. 10,800     |
| Thailand    | 13              | Approx. 10,300     |
| Philippines | 3               | Approx. 3,100      |
| Indonesia   | 2               | Approx. 1,800      |
| Malaysia    | 1               | Approx. 850        |



Niche Pride Taopoon-Interchange  
Artist's impression of completed condominium for sale in Bangkok, Thailand

## Concrete Effort ②

**Growth of Information Services Business**

Our ability to handle multiple vendors<sup>\*1</sup> is a major advantage, as is our ability to offer one-stop service.<sup>\*2</sup> By maximizing these and other advantages, we will accelerate our progression, and market share growth in promising growth areas including building management, transportation-related systems, the Internet, and medical services. In addition, we will leverage our successes to date in the Kansai region to expand into the Kanto and Chubu areas. We will apply such advanced technologies as AI and IoT to promote new businesses.

<sup>\*1</sup> The capacity to package products from a wide range of vendors and build highly efficient systems

<sup>\*2</sup> A unified service from system configuration to operation, monitoring, and maintenance

**Successful project: Bus Management System at Busta Shinjuku (Introduced in April 2016)**



**Successful project: On-board Security Cameras**

As criminal offences on board trains increase, and in order to strengthen security ahead of the 2020 Tokyo Olympics and Paralympics, there is increased demand from domestic railway companies for on-board security cameras.

## Concrete Effort ③

## Increase in Income from Travel Business

While continuing to provide travel packages to Europe, one of our strengths, we will work to enhance the competitiveness of our other travel packages by enhancing our specialized products, such as cruises and hiking tours, as well as our high-quality/luxury products and our products for individuals. In addition, we will promote structural reforms to establish a second pillar of our business.



Our 18-seater luxury bus: Crystal Cruiser Smile

## Concrete Effort ④

## Increase in Volume of Cargoes Handled by International Transportation Business

Originally an air forwarding business, air freight is a particular strength of our International Transportation Business, and we will continue to increase the volume of cargo we handle. Moreover, as a comprehensive distribution company, we will strive to further expand our sea freight and logistics services, and seek to create a well-balanced business portfolio.

Although we already have bases in major countries and regions overseas, we will actively seek to expand into growth regions, and make investments in logistics facilities, new products, and other elements that can drive the growth of the business.

## Strategy 4

## Group-wide initiatives and new business fields

## Make greater use of the Group's collective strength and develop into new business fields

In addition to pursuing Group-wide initiatives, we will introduce cutting-edge technologies into existing businesses, venture into new business fields, and thereby provide culturally enriched and innovative lifestyle options.

## Concrete Effort ①

## Expanding and Improving Our S-POINT Service

We started the S-POINT service available in the Kansai area in cooperation with H2O Retailing Group in April 2016. Since then, we have endeavored to acquire new S-POINT members and increased the number of facilities (S-POINT member stores) where the S-POINT service is available one by one inside and outside the Group.



The S-POINT service has expanded and is now available in approximately 5,000 stores. Since May 2018, the service has been made available in around 2,800 7-Eleven stores in six prefectures<sup>\*1</sup> in the Kansai area, while shops in Hankyu and Hanshin line stations and the Kansai Super<sup>\*2</sup> chain of supermarkets began offering the service in June and November respectively. We will continue working to provide a system in which it is easy to collect and use these loyalty points.

<sup>\*1</sup> Osaka Prefecture, Kyoto Prefecture, Hyogo Prefecture, Shiga Prefecture, Nara Prefecture and Wakayama Prefecture

<sup>\*2</sup> In November 2018, the service was made available at 27 stores in Hyogo Prefecture, and in April 2019, 36 stores in Osaka Prefecture and one store in Nara Prefecture

## Concrete Effort ②

## Ventures into New Business Fields

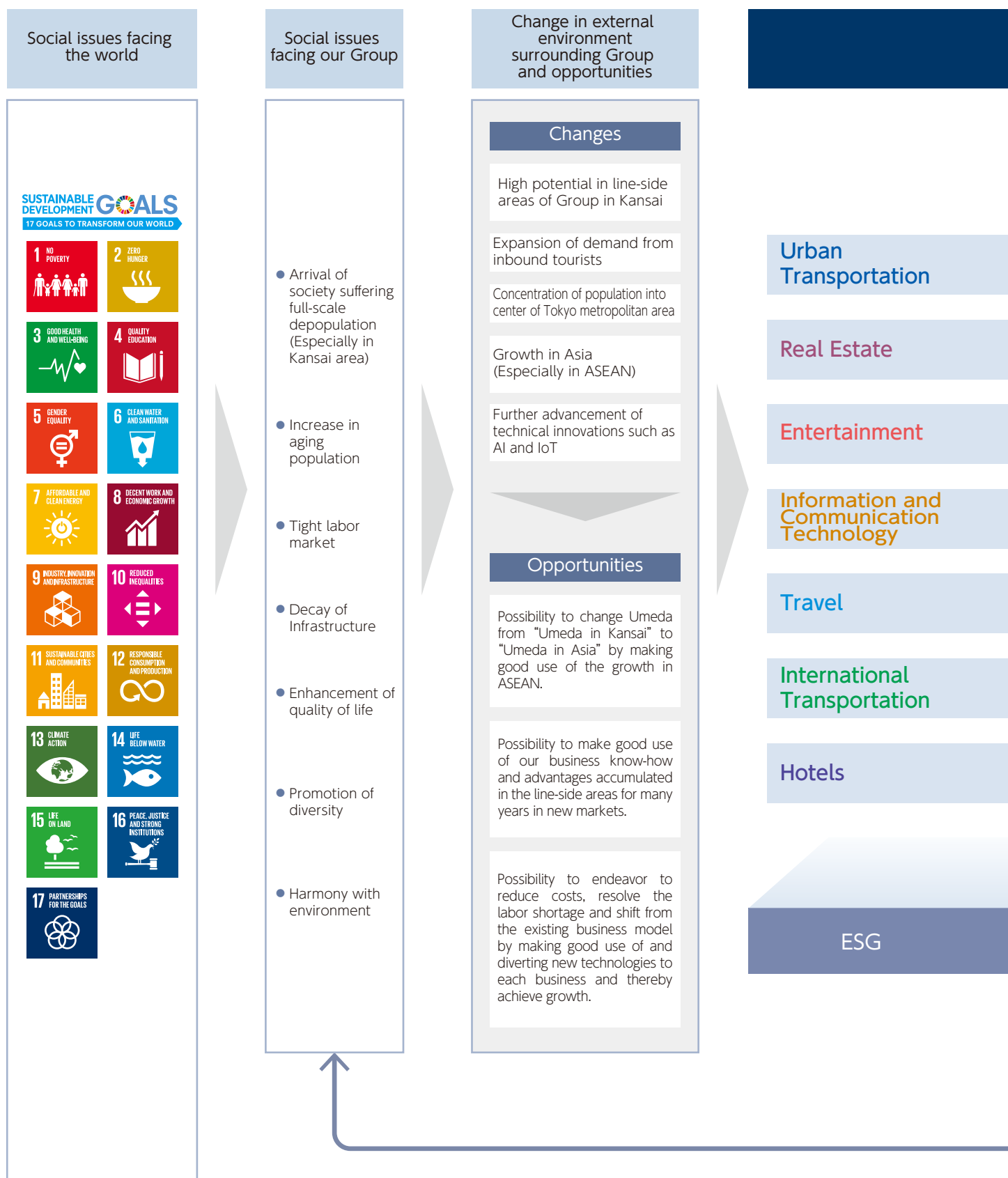
## Entering the Agriculture Business

Further growth is expected in the agriculture industry, and in the long term, we expect the agriculture business to complement and add value to our existing businesses. We therefore decided to take a step into agriculture, beginning with the production and sales of highly popular cherry tomatoes with high sugar content.



Artist's impression

# Value Creation Process of Hankyu Hanshin Holdings





# Hankyu Hanshin Holdings Group Long-Term Management Vision for 2025

Slogan: Enhancing line-side areas and expanding fields

## Medium-Term Management Plan (From fiscal 2019 to fiscal 2022)

**Strategy 1**  
Umeda and line-side areas  
+  
Stock businesses

**Strategy 2**  
Tokyo metropolitan area  
and overseas markets  
+  
Stock businesses

**Strategy 3**  
Flow businesses

**Strategy 4**  
Group-wide initiatives  
and  
new business fields

## Vision of corporate form

**Strategy 1**  
Make our railway the absolute best among the Kansai networks.

**Strategy 2**  
Construct a stable revenue base in the Tokyo metropolitan area and overseas markets.

**Strategy 3**  
Strengthen competitiveness by thoroughly pursuing brand optimization and differentiation.

**Strategy 4**  
Make greater use of the Group's collective strength and develop new business fields.

## Sustainably enhance corporate value

Enhance daily life  
(customer) value

Enhance social value

Enhance economic value

## Values provided to stakeholders

### Customers

Provision of advanced goods and services based on needs of customers

### Shareholders and investors

Return of profits with sustainable growth  
Enhancement of value of share

### Employees

Upbringing of various types of human resources and increase in motivation

### Suppliers

Fair and reasonable transactions

### Local communities

Enhancement of value of line-side areas

### Global environment

Protection of environmental resources

## SDGs the Group is working to achieve



(Environment, society and corporate governance)

Improvement of social issues

1

Strategy for Enhancement of Corporate Value

# Urban Transportation

We remain focused on enhancing the value of our railways by providing safe and comfortable transportation services.

**Yoshifumi Nomura**  
Senior Managing Director,  
Hankyu Corporation

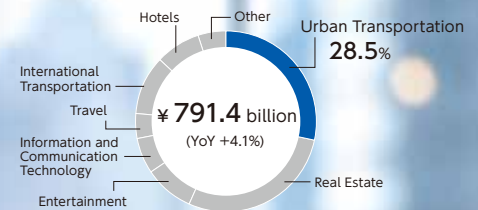


**Hiroshi Sasaki**  
Managing Director,  
Hanshin Electric  
Railway Co., Ltd.

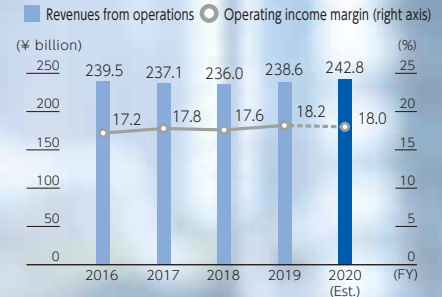


Fiscal 2019

Breakdown of revenues from operations



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



## Basic Policies

- 1 Provide quality urban transportation services and other related services**  
Develop personnel/Strengthen Group collaboration/Enhance services and convenience/Enhance appeal of railway stations
- 2 Increase convenience and reliability of infrastructure and expand railway network**  
Develop railway stations and lines/Expand and strengthen railway network
- 3 Ensure reliable transportation**  
Enhance security/Develop rolling stock
- 4 Expand feeder services and extend catchment areas of railway lines and stations**  
Advance line-side measures in the bus and taxi businesses/Enhance bicycle parking areas at railway stations and bicycle rental services/Collaborate with line-side area municipal authorities, chambers of commerce and industry, and companies

## Business Environment

### Increasing line-side populations and tourism-based demand present new business opportunities

- While the population of the entire Kansai area remains on a downward trend, Umeda and other line-side areas of our Group continue to enjoy high popularity, with the local populations trending upward.
- Moreover, the number of international visitors to the Kansai region of Japan is increasing annually, so we anticipate an increase in business opportunities in the medium term.

## Fiscal 2019 Review of Operations

### Healthy demand for our railway businesses resulted in higher revenue and income

Despite the impact of natural disasters, an increase in the number of consolidated subsidiaries, steady growth in Hankyu and Hanshin line services and other factors saw revenues from operations in our Urban Transportation Business increase by ¥2,594 million (1.1%) compared to the preceding fiscal year, to ¥238,562 million. Operating income rose ¥1,869 million (4.5%),

to ¥43,455 million.

The negative impact of natural disasters on revenues from operations amounted to ¥1,200 million, and on operating income of ¥1,100 million.

## Railway Business

- Despite the impact of natural disasters, there was steady demand for our Hankyu and Hanshin Line railway businesses, and due to such additional factors as a decline in electric power costs, revenue and income rose.
- To further enhance safety levels for its customers, Hankyu Corporation equipped automated platform gates in some parts of Juso Station. Hanshin Electric Railway began reconstruction work on the Yodogawa Bridge, situated on the Hanshin Namba Line, to ensure safety in the event of flooding and storm surges.
- To motivate more passengers to use its railway services, Hankyu Corporation began operating Kyo-train GARAKU, the second version of its rapid limited express for tourism. To celebrate ten years of operation of the Hanshin Namba Line, Hanshin Electric Railway began operating specially decorated trains, and held a wide range of commemorative initiatives and events.

## Automotive Business

- Despite an increase in the number of consolidated subsidiaries, which led to increased revenue, the influence of natural disasters and other factors, including increased fuel costs, resulted in a drop in income.
- As a measure to enhance convenience for inbound tourists, Hankyu Bus upgraded its multi-language information services at Osaka Umeda and other bus terminals. Hanshin Bus and Osaka Airport Transport introduced complementary wireless LAN service in their airport limousine buses.

## Retailing Business

- As part of our efforts to activate station areas, we opened the Phase I Area of TauT Hankyu Rakusaiguchi. This area, near Hankyu Rakusaiguchi Station, is a grade-separated facility in the space created by elevating the tracks of the Hankyu Kyoto line.



## ■ Hankyu Corporation and Hanshin Electric Railway: Performance results

| Fare revenues (Millions of yen) |               |        |        |        | Passenger volumes (Thousands) |         |         |        |       |
|---------------------------------|---------------|--------|--------|--------|-------------------------------|---------|---------|--------|-------|
|                                 |               | FY2019 | FY2018 | Change | %                             | FY2019  | FY2018  | Change | %     |
| Hankyu                          | Other tickets | 63,059 | 63,137 | -78    | -0.1%                         | 318,158 | 319,939 | -1,781 | -0.6% |
|                                 | Commuter pass | 33,456 | 33,198 | +258   | +0.8%                         | 337,778 | 335,005 | +2,772 | +0.8% |
|                                 | Total         | 96,516 | 96,335 | +180   | +0.2%                         | 655,936 | 654,945 | +991   | +0.2% |
| Hanshin                         | Other tickets | 22,030 | 21,638 | +392   | +1.8%                         | 121,012 | 119,567 | +1,444 | +1.2% |
|                                 | Commuter pass | 12,024 | 11,797 | +226   | +1.9%                         | 124,353 | 122,073 | +2,279 | +1.9% |
|                                 | Total         | 34,054 | 33,436 | +618   | +1.9%                         | 245,366 | 241,641 | +3,724 | +1.5% |

1. Revenues of less than one million yen have been rounded down; personnel totals of less than one thousand people have been rounded down.  
2. Fare revenues and passenger volumes from other tickets for Hankyu include revenues and personnel applicable to PiTaPa zone-specified discount fares.  
3. Sum of tier 1 and tier 2 railway operators for both Hankyu and Hanshin

## Overview of Our Medium-Term Management Plan

### ■ Responding to society's demands for increased safety and security

- Our Urban Transportation Business is promoting initiatives intended to enhance the value of our line-side areas with the goal of ensuring safe and stable transportation and public confidence while making our railway the absolute best among the Kansai network.
- As an example of our safety and security efforts, in response to rising demand, as a Group we have already installed automated platform gates at four of our stations. Moving forward, we are scheduled to complete installation of automated platform gates at Kobe-Sannomiya Station on both the Hankyu and Hanshin lines by spring of 2021. In addition, Hanshin Electric Railway is conducting improvement work at Osaka-Umeda Station and plans to complete this renovation project by 2022.
- To better service inbound demand, we introduced new trains for tourists and offered Hankyu Tourist Pass and Hanshin Tourist Pass tickets for inbound visitors. In addition, to encourage tourism from and to Taiwan, the Hanshin Electric Railway concluded a cooperative agreement with Taipei's Taoyuan Metro. Initiatives under the agreement include operating decorated trains and sale of special tickets spanning the

Hanshin Line and Taoyuan Metro.

We will also offer free Wi-Fi service, create information kiosks certified by the Japan National Tourism Organization (JNTO), and expand multi-language information services in stations, trains, and vehicles. Through these and other measures, we will create a more welcoming environment for foreign visitors.

## Fiscal 2020 Outlook

### ■ Expanded revenue and income projected despite higher depreciation expenses, thanks in part to higher investment in new rolling stock

- Having recovered from the effects of the natural disasters of fiscal 2019, and in line with growing line-side populations and increasing tourism-based demand, revenue from railway operations is expected to increase
- Regarding costs, depreciation expenses are expected to increase in the wake of new investment in rolling stock and renewed investment in station equipment.
- As a result, revenues from operations in our Urban Transportation Business in fiscal 2020 is expected to increase by ¥4.2 billion, to ¥242.8 billion, while operating income is expected to reach ¥43.8 billion, an increase of ¥0.3 billion year-on-year.

## ■ Hankyu Corporation and Hanshin Electric Railway: Performance forecasts (Fiscal 2020)

| Fare revenues (Millions of yen) |        |        |        |       | Passenger volumes (Thousands) |         |         |       |
|---------------------------------|--------|--------|--------|-------|-------------------------------|---------|---------|-------|
|                                 | FY2020 | FY2019 | Change | %     | FY2020                        | FY2019  | Change  | %     |
| Hankyu                          | 98,384 | 96,516 | +1,867 | +1.9% | 668,181                       | 655,936 | +12,244 | +1.9% |
| Hanshin                         | 34,695 | 34,054 | +641   | +1.9% | 249,913                       | 245,366 | +4,546  | +1.9% |

1. Revenues of less than one million yen have been rounded down; personnel totals of less than one thousand people have been rounded down.  
2. Fare revenues and passenger volumes from other tickets for Hankyu include revenues and personnel applicable to PiTaPa zone-specified discount fares.  
3. Sum of tier 1 and tier 2 railway operators for both Hankyu and Hanshin



# Real Estate

Our goal is to support attractive urban development while offering the choice of an affluent lifestyle.

**Tsuneo Wakabayashi**  
President and Representative  
Director,  
Hankyu Hanshin  
Properties Corporation

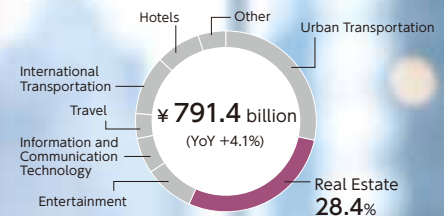


**Yusuke Kusu**  
Executive Vice President  
and Representative Director,  
Hankyu Hanshin  
Properties Corporation

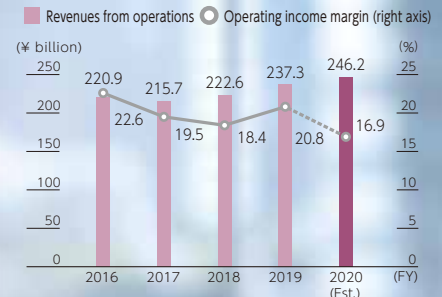


Fiscal 2019

Breakdown of revenues from operations



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



## Basic Policies

### Real estate leasing business

- 1 Enhance appeal of and revitalize Umeda area and other areas served by our lines
  - Consideration and promote systematic building reconstruction in the Umeda area
  - Develop major line-side bases from a long-term perspective
- 2 Strengthen business in the Tokyo Metropolitan area
  - Steadily acquire rental assets in the Tokyo Metropolitan area
  - Diversify methods for acquiring properties and land
- 3 Formulate and establish policies for the distribution facility real estate
  - Promote joint distribution facility development in the eastern area of Saito (Sanroku Line area)
  - Consider and establish business development policies and specific approaches

### Real estate sales business and others

- 4 Maintain real estate sales business income and strengthen businesses in the Tokyo Metropolitan area and elsewhere
  - Participate in medium- and long-term projects (urban redevelopment, building reconstruction, etc.)
  - Expand business portfolio to include development and sales of rental properties for income
  - Expand business area (extend to Nagoya area and major regional cities)
- 5 Strengthen and expand non-asset business
  - Expand scope of real estate funds and REIT business
  - Diversify methods and routes for acquiring properties and asset types
- 6 Accelerate and expand the scale of international businesses
  - Expand the scale of residential business in ASEAN nations
  - Acquire non-residential assets

## Business Environment

### Favorable demand for office space

#### Real Estate Leasing Business

- In line with increased demand for office space, predominantly in the Umeda area, vacancy rates are falling and rental prices are rising.

- In addition, due to the growing number of foreign visitors to Japan, we anticipate that our real estate leasing business will continue to show steady growth, not only through offices but commercial facilities, too.

### Intensifying competition for land acquisition

#### Real Estate Sales Business and Others

- In our real estate sales business, although the population of Kansai as a whole is trending downward, Umeda and other line-side areas continue to enjoy high popularity, and thus we expect growth to continue. We also expect demand to grow in the Tokyo Metropolitan area, where population density continues to rise, as well as in ASEAN and other emerging markets.
- Moreover, as competition to acquire land for condominiums intensifies, we will continue to closely monitor our operating environment.

## Fiscal 2019 Review of Operations

### Revenue and income increased thanks to strengthened competitiveness of our office buildings and other real estate

While condominium sales declined, other factors led to expanded operating revenue and income, including sales of land for large-scale facilities in the eastern area of Saito (Ibaraki, Osaka Prefecture), steady growth in office rentals in a healthy real estate market environment, and receipt of tenant construction deposits for Phase I of the Umeda 1-1 Project. Revenues from operations increased ¥14,689 million (6.6%) over the previous fiscal year, to ¥237,276 million, while operating income rose ¥8,295 million (20.3%), to ¥49,250 million.

#### Real Estate Leasing Business

- Revenue and income grew, benefitting from an increase in the competitive strength of our commercial facilities and office building, as well as efforts to maintain and enhance our occupancy rates. Hankyu Nishinomiya Gardens Gate Building,



with direct access from Hankyu Nishinomiya-kitaguchi Station (Nishinomiya, Hyogo Prefecture), was one of the facilities that opened during the term, and a section of the area under the elevated tracks on the north side of Hankyu Osaka-umeda Station (Kita-ku, Osaka) was renovated and reopened as chayamachi arco.

- In addition, the consortium that includes the Group was selected to handle the Umekita Development Plan (Osaka Station North Side) Phase II. We are moving forward with this large-scale project, with the goal of first openings around summer 2024.

### Real Estate Sales Business and Others

- The term saw numerous sales of condominiums, residential land lots, and detached residences in the Kansai and Tokyo Metropolitan areas as we endeavored to expand the scope of the business.
- In our international real estate business, we worked to expand our business scope, including sales of condominiums and detached residences in such ASEAN nations as Vietnam and Thailand.
- In addition to these efforts, we sold land for facilities in the eastern area of Saito (Ibaraki, Osaka Prefecture).

## Overview of Our Medium-Term Management Plan

### Condominium business expansion through stringent site selection, an augmented business portfolio, and other measures

- For the three years until fiscal 2022, the final year of our medium-term management plan, we intend to increase operating income with a focus on flow businesses, while in our Real Estate Business we aim to expand the scale of condominium unit sales.
- We will keep such factors as the consumption tax increase implemented in October 2019, persistently high construction costs, and shortages of personnel fully in mind as we pursue our business activities. In addition, we will respond to the increasingly tough competitive environment for land acquisition by applying

stringent standards to our land acquisition, and steadily promote the growth of our business through such strategies as participation in medium- and long-term projects (including urban redevelopment projects and building reconstructions), development and sale of rental condominiums for income, and expansion of our business portfolio. We will also aim to expand our business, not only in the Kansai area where we enjoy extremely strong brand recognition, but in the Tokyo Metropolitan area and international markets.

- Additionally, in order to enhance the value of the Umeda area and our line-side areas, the core business foundation of our Group, we will make steady progress with the Umeda 1-1 Project and other development projects, strengthen the competitiveness of our commercial facilities and office buildings, and maintain and increase their occupancy rates. In this way, we will seek to achieve medium- to long-term growth in our leasing business.

## Fiscal 2020 Outlook

### Lower revenue is projected compared to the previous fiscal year, which was boosted by sale of land for large-scale facilities

- In our real estate leasing business, we will endeavor to revise office rental rates upward while maintaining occupancy rates. In addition, we will undertake to enhance the attractiveness of our commercial facilities through shop replacement and renovation in our commercial facilities. Through these and other strategies, we will work to expand operating revenue. At the same time, due to rising costs associated with the Umeda 1-1 Project, and other factors, we are projecting lower income for the term.
- In real estate sales business and others, we expect an increase in gross margins on condominium sales, but without the income boost from the sale of land in the eastern area of Saito during the previous fiscal year and the effects of other factors, we anticipate a decline in operating income.
- As a result, we expect revenues from operations in our Real Estate Business to increase in fiscal 2020 by ¥8.9 billion, to ¥246.2 billion, while operating income will decrease by ¥7.7 billion, to ¥41.6 billion, year-on-year.



# Entertainment

We will continue to fulfill dreams and offer excitement through our content.

Tomotsugu Ogawa  
Managing Director,  
Hankyu Corporation

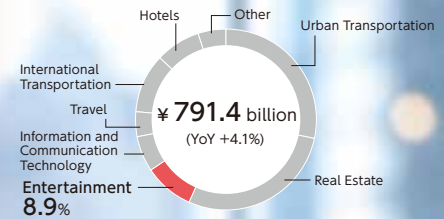


Koji Momokita  
Managing Director,  
Hanshin Electric  
Railway Co., Ltd.



## Fiscal 2019

### Breakdown of revenues from operations



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



Note: In line with the launch of the Information and Communication Technology business, figures post-FY2018 do not include these business segments.

## Basic Policies

- 1 Maximize value of the Hanshin Tigers and Koshien brands**  
Forge a team that contends for the championship on a regular basis/Increase the appeal of Koshien Stadium and expand the stadium business
- 2 Maximize value of the Takarazuka brand**  
Maintain the high capacity utilization and financial performance of the Takarazuka Revue/Develop content business actively/Increase international business
- 3 Advance growth of other entertainment businesses and the leisure business**  
Expand the music business and Mt. Rokko businesses

## Business Environment

### Broad-based fan support is a competitive asset

#### Sports Business

- The Hanshin Tigers baseball team and Koshien Stadium enjoy broad recognition not only in the Kansai region but across Japan. The support we enjoy from Tigers and Koshien fans is a unique competitive asset that others can't match.

#### Stage Business

- The Takarazuka Revue boasts over a century of history, and as a globally unique theatrical company composed entirely of women, it continues to appeal to many fans and make major contributions toward enhancing our corporate value.

## Fiscal 2019 Review of Operations

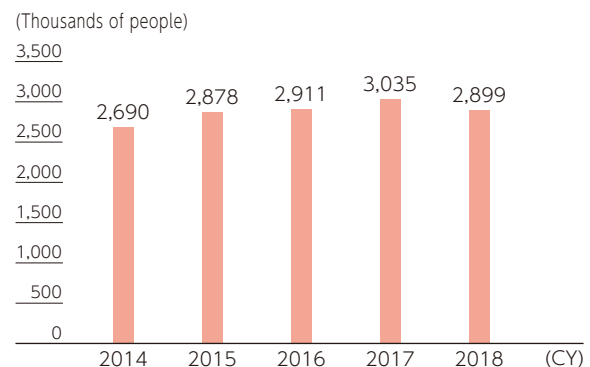
### Sports business income declined

Operating income from our sports business rose during the term, thanks partly to an increase in revenue from our billboard-related business.<sup>\*1</sup> The Hanshin Tigers competed strongly throughout the season, exciting their fans and drawing broad support, but they did not progress to the Climax Series, which led to a drop in operating income.

In our stage business, all of our musical presentations received strongly positive audience evaluations. The Takarazuka Grand Theater enjoyed the highest admissions figure since its opening in 1993. Revenue from Revue-related goods, live viewing and other businesses was strong, and the Takarazuka Revue gave its third performance in Taiwan, the first in three years. As a result, operating revenue rose, but due to increased production costs and other factors, operating income was flat compared to the previous fiscal year.

<sup>\*1</sup> Billboard-related business: Billboard-licensed music business that includes Billboard Live Tokyo (Roppongi) and Billboard Live Osaka (Umeda)

### Total attendance at Hanshin Tigers home games







## Overview of Our Medium-Term Management Plan

### Actively promoting measures to increase fan base

- In our sports business, we are committed to making the Hanshin Tigers a team that remains competitive while enhancing the facilities and services offered at Koshien Stadium.
- In the stage business, we will continue to combine production and marketing to provide a steady stream of high-quality performances at the Takarazuka Revue, which boasts more than a century of history.
- While striving to maximize the brand value of both businesses, we will actively promote strategies to cultivate new fans as we seek to maintain and improve profit levels.

## Fiscal 2020 Outlook

### Operating revenue and income is projected to be slightly lower compared to the previous fiscal year

- In our sports business, we anticipate that the Hanshin Tigers will attract roughly the same number of fans as in fiscal 2018, a favorable year for the team, and we assume that profits will remain stable.
- In the stage business, we are likely to experience a decline from the rather strong performances posted in previous years with a concomitant decrease in sales of related products. Thus, we expect that profits will decrease from the level we achieved in fiscal 2019.
- As a result, revenues from operations in our Entertainment Business in fiscal 2020 is expected to decrease by ¥1.4 billion, to ¥73.1 billion, year-on-year, while operating profit is forecast to decline by ¥0.2 billion, to ¥13.2 billion.





# Information and Communication Technology

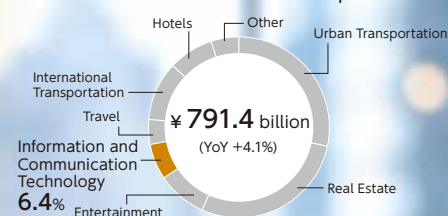
Contributing to the development of society through information and communications technology.

Takashi Mizobuchi  
Managing Director  
Hanshin Electric Railway  
Co., Ltd.

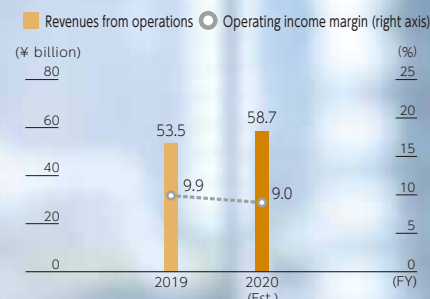


Fiscal 2019

Breakdown of revenues from operations



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



## Basic Policies

- 1 Grow income continuously in the information services business by increasing income in target growth markets, developing businesses outside the Group with a focus on the Kanto and Chubu areas, and catering to new IT markets
- 2 Achieve stable income in the broadcast and communications business by expanding and improving regionally based products and services, acquiring customers mainly through communications services, and retaining customers through the introduction and development of lifestyle services
- 3 Expand our safety and education business further in response to programming education becoming a compulsory school subject, and increasing needs for peace of mind and safety

## Business Environment

### Technological innovation sparks market expansion

- The market for system solutions and Internet-based sales, etc., is expanding against a background of huge advances in information and communications (ICT) technology, and our information services business is benefitting from steady growth in systems development commissions, e-commerce site construction and maintenance, and related areas, despite increasingly heated competition. Going forward, we anticipate continued steady market growth.
- As the number of Internet users rises, our broadcast and communications business will expand its CATV services, centering on Internet services. In addition, we see further opportunities as telecommunications technology progresses and the number of data centers increases.
- We anticipate that the market for our safety and education business will continue to expand, in part due to increasing demand from guardians who want to confirm child safety through monitoring services. Another factor driving this expansion is programming education, which will become a compulsory subject in elementary schools starting in fiscal 2021.

## Fiscal 2019 Review of Operations

### Operating revenue and income expanded due to an increase in projects for our information services business, and an increase in the number of consolidated subsidiaries

In our information services business, we saw more orders for railway car security camera systems and other equipment. Cable TV companies also saw steady subscriber growth, and along with such other factors as an increase in the number of consolidated subsidiaries, operating revenue and income both increased.

## Overview of Our Medium-Term Management Plan

### We will maximally leverage our accumulated strengths and uniqueness, and focus on promising growth areas

- In our information services business, we fully leverage our well-honed multi-vendor solutions<sup>1</sup> and one-stop services<sup>2</sup>. By maximizing these and other advantages, we will accelerate our progression and market share growth in promising growth areas including building management, transportation, the Internet, and medical services. In addition, we will leverage our successes to date in the Kansai region to expand into the Kanto and Chubu areas. We will apply such advanced technologies as AI and IoT<sup>3</sup> to promote new businesses.
- In our broadcast and communications business, we will aim for stable growth and increased income, for example by promoting new responses to innovation, acquiring customers mainly through communications services, and retaining customers through the introduction and development of lifestyle services. In addition, we will undertake to grow the overall scale of our electronic communications construction business, and expand our stock businesses, including optical fiber leasing and regional broadband wireless access (BWA<sup>4</sup>) businesses, growing them into mainstay income sources.
- In our safety and education business, we will reinforce sales activities for our Mimamorume service in the Tokyo Metropolitan



area. In addition, we will expand the scope of the business by extending the service beyond the Kansai and Tokyo Metropolitan areas.

In addition, we will undertake to increase the number of ProLab franchises and expand the curriculum beyond programming.

- \*1 The capacity to package products from a wide range of vendors and build highly efficient systems
- \*2 A unified service from system configuration to operation, monitoring, and maintenance
- \*3 Networked sensors and devices embedded in a variety of everyday objects and people, with the ability to use the resulting data to create new value
- \*4 2.5 GHz-band (2,575 to 2,595 MHz) wireless service aimed at eliminating the digital divide and contributing to enhanced public welfare

## Fiscal 2020 Outlook

### Higher operating revenue is expected, thanks to large orders for our information services business

- In our information services business, we are projecting increased revenues from operations due to such factors as

large-scale orders for transportation-related systems and business expansion centering on promising growth categories. At the same time, we anticipate that expenses will grow along with business scale, with higher prices and personnel expenses.

- In our broadcast and communications business, we will offer new, high-quality services, including 4K and 8K broadcasting services via Fiber to the Home (FTTH<sup>\*5</sup>) and higher-speed Internet services. We anticipate that these efforts will expand our user base and further anchor our existing clients, resulting in steady income expansion.
- In our safety and education business, we anticipate steady growth through the expansion of existing services such as Mimamorume.
- As a result, we are projecting an increase in fiscal 2020 revenues from operation in our Information and Communications Business of ¥5.2 billion, to ¥58.7 billion, and operating income of ¥5.3 billion, equal to the previous fiscal year.

\*5 Extension of fiber optic data transmission cables to residences, enabling high-speed data communications services.



Bay communications (Cable TV store)



Mimamorume (School route email notification service)

# Travel

Creating travel itineraries that reflect customers' desires.

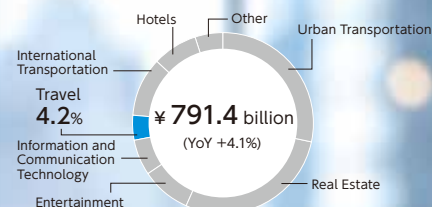
Seiji Matsuda

President and  
Representative Director,  
Hankyu Travel International  
Co., Ltd.

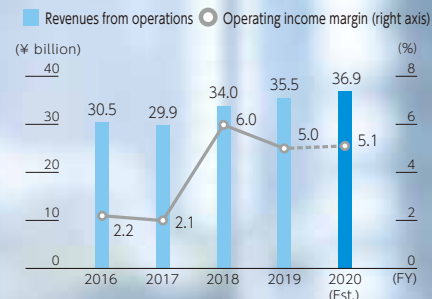


## Fiscal 2019

## Breakdown of revenues from operations



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



## Basic Policies

### ① Strengthen competitiveness of travel packages

Strengthen areas outside Europe/Strengthen specialized products/  
Expand customer base among new demographics/Revise cost  
structure for advertising expenses, etc.

### ② Establish a second pillar

Strengthen initiatives for non-Japanese tourists/Expand group and  
business travel services and create stable source of revenues

Meanwhile, an increasing number of unmarried individuals, heightened demand from inbound tourists, and other societal changes are transforming travel requirements. We are therefore making efforts to restructure our business without being bound by convention. Specifically, we are expanding our range of travel packages for individuals and enhancing our capability to accommodate inbound tourists.

## Fiscal 2019 Review of Operations

### ■ Operating income rose, due in part to the popularity of new European travel packages as well as steady increases in Asian travel demand

While domestic tourism was affected by natural disasters during the term, we worked to achieve recovery with the planning and sale of products utilizing Recovery Discounts. In addition, travel demand was healthy, particularly to Europe and Asia. Thanks to these and other factors, revenues from operations increased by ¥1,506 million (4.4%) year-on-year, to ¥35,528 million. However, operating income decreased by ¥291 million (14.2%) to ¥1,764 million, due partly to an increase in advertising, promotion and other expenses.

## Business Environment

### ■ We must respond to new travel needs arising from the changing times

- Recent geopolitical instability, frequent natural disasters, deterioration in the purchasing environment for airline tickets and the like accompanying the increase in foreign visitors to Japan, and other factors have had a significant effect on the business environment.
- In addition, with the emergence of online travel agents, we anticipate increased changes in travel industry markets as well as more intense competition.

## ■ Travel billings ranked

### Total travel billings (Fiscal 2019)

| Rank | Company name                | ¥ billion |
|------|-----------------------------|-----------|
| 1    | JTB                         | 16,932    |
| 2    | HIS                         | 5,524     |
| 3    | KNT-CT Holdings             | 4,954     |
| 4    | Nippon Travel Agency        | 4,498     |
| 5    | Hankyu Travel International | 3,699     |
| 6    | JALPAK                      | 1,907     |
| 7    | ANA Sales                   | 1,807     |
| 8    | Tobu Top Tours              | 1,353     |
| 9    | Evolable Asia               | 1,174     |
| 10   | JR TOKAI TOURS              | 970       |

### Overseas travel billings (Fiscal 2019)

| Rank | Company name                | ¥ billion |
|------|-----------------------------|-----------|
| 1    | JTB                         | 5,934     |
| 2    | HIS                         | 4,438     |
| 3    | Hankyu Travel International | 2,298     |
| 4    | KNT-CT Holdings             | 1,632     |
| 5    | Nippon Travel Agency        | 1,269     |
| 6    | JALPAK                      | 525       |
| 7    | Evolable Asia               | 524       |
| 8    | Nissin Travel Service       | 490       |
| 9    | M.O.Tourist                 | 386       |
| 10   | NOE                         | 332       |

### Domestic travel billings (Fiscal 2019)

| Rank | Company name                | ¥ billion |
|------|-----------------------------|-----------|
| 1    | JTB                         | 10,073    |
| 2    | KNT-CT Holdings             | 3,083     |
| 3    | Nippon Travel Agency        | 2,781     |
| 4    | ANA Sales                   | 1,573     |
| 5    | JALPAK                      | 1,381     |
| 6    | Hankyu Travel International | 1,366     |
| 7    | Tobu Top Tours              | 952       |
| 8    | JR TOKAI TOURS              | 935       |
| 9    | Meitetsu World Travel       | 740       |
| 10   | Evolable Asia               | 646       |

Source: Japan Tourism Agency Bulletin, "Business Volume for Major Travel Agents (April 2018 to March 2019)"

Note: 1. Billings are rounded down to the nearest ¥100 million.

2. The total of Hankyu Travel International Co., Ltd., Hankyu Hanshin Business Travel Co., Ltd., and Hanshin Travel International Co., Ltd.





## Overview of Our Medium-Term Management Plan

### Strengthening the competitiveness of our travel packages and establishing a second pillar

- The basic policy of our travel business is to become an enterprise needed by society by creating travel itineraries that reflect customers' desires. Under the policy, we established the three years from fiscal 2018 to 2020 as a period of structural reform, during which we will boost the competitiveness of our travel packages and establish a second business pillar.

#### (1) Boosting the competitiveness of our travel packages

- We will bolster non-European travel while maintaining our strengths in Europe-bound travel. Specifically, to cope with the shortage of airline seats and the steep rise in prices for travel to Taiwan, we will secure the needed seats through bulk buying. At the same time, we are reinforcing our encouragement for efforts to create new travel packages in Vietnam and Cambodia. In addition, in our domestic bus tour business we will introduce original exclusive luxury buses and strengthen our offerings of day-trip bus tours in the Tokyo Metropolitan area by increasing the number of dedicated buses.
- We will work to strengthen our specialized travel packages, such as cruises and hiking tours. Moreover, in addition to using television shopping channels and commercials to expand our customer base, we will seek to enhance travel packages for individuals through the launch of TABICORDE, a new booking website intended for personalized travel planning.

#### (2) Establishing a second pillar

- As it expands, we will strengthen our efforts to exploit inbound demand.
- Expanding the scale of our group and business travel, and establishing it as a stable source of income, is an important challenge. Consequently, we will buttress our presence in the Tokyo Metropolitan area and augment our sales force. In addition, to capture more business travel demand, we will invest in personnel, including cultivating international personnel;

strengthen our use of information and communications technology (ICT); and bolster our presence in the Tokyo Metropolitan area.

- Through our efforts to reinforce the competitiveness of our group travel packages, establish a second pillar, and implement other measures, we aim to transform our business by capturing a stable and consistent level of profitability even in the face of such external factors as terrorism and natural disasters.

## Fiscal 2020 Outlook

### Higher revenue anticipated due to stronger travel demand to non-European destinations

- In fiscal 2020, we anticipate that due to recovery from the natural disasters of the previous year, further strengthening of demand for European travel, and increases in demand for travel to other destinations, revenues from operations will increase. Nevertheless, investments in structural reform are projected to maintain operating income at roughly the same level as during the previous fiscal year.
- As a result of these efforts, in our Travel Business we expect ¥36.9 billion in revenues from operations in fiscal 2020, which represents an increase of ¥1.4 billion compared with the preceding fiscal year, while operating income is expected to be ¥1.9 billion, an increase of ¥0.1 billion.



# International Transportation

As a comprehensive distribution enterprise, we are aiming to become an Innovative Logistics Provider capable of offering creative value-added services to customers on a global basis.

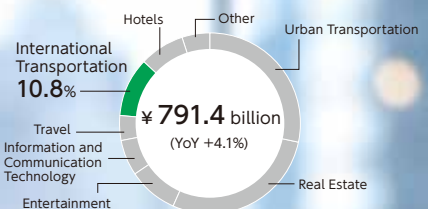
**Seisaku Okafuji**  
Chairman & Chief  
Executive Officer,  
Hankyu Hanshin  
Express Co., Ltd.

**Kazuhiro Tanimura**  
President & Chief  
Operating Officer,  
Hankyu Hanshin  
Express Co., Ltd.

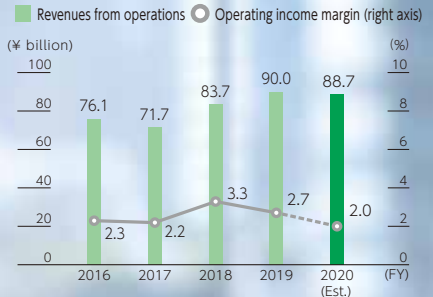


## Fiscal 2019

### Breakdown of revenues from operations



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



## Basic Policies

- 1 Reform to establish a balanced business portfolio**  
Strengthen air freight, sea freight, and logistics services businesses globally/Increase investment in growing markets
- 2 Develop and implement optimal measures for profit growth**  
Strengthen sales capabilities globally/Maximize group synergy
- 3 Ensure robust global governance**

## Business Environment

### Global logistics is a long-term growth market

- Global population is projected to trend upward, while manufacturing and consumption locations will continue to disperse and diversify. The role of global forwarders providing mainly procurement rather than pure shipping services is expected to expand, and the importance of Japanese forwarders in providing high-quality, high value-added integrated logistics services will increase.
- In particular, while logistics services demand is anticipated to level off in Japan, North America, and Europe, Asian demand is poised to grow.

## Fiscal 2019 Review of Operations

### Our air freight business enjoyed steady demand, while our sea freight and logistics service businesses also grew

Demand for our air freight services grew steadily in Japan. Thanks to this and other factors, the revenues from operations increased ¥6,283 million (7.5%) to ¥89,990 million. However, operating income fell by ¥384 million (13.9%) compared to the previous fiscal year, to ¥2,392 million, due to the loss of special demand in East Asia and EMEA region from the previous fiscal year.

## Overview of Our Medium-Term Management Plan

### Moving forward with reform to establish a balanced business portfolio

- We will continue efforts to ensure sustainable growth in our air freight business, while further expanding our sea freight business and logistics services business.
- Moreover, we will continue to enlarge our global network and expand our handling of incoming and outgoing international cargo by developing our business mainly in Asia, and seek a well-balanced business portfolio with varying freight modes in multiple regions.
- We will offer customers more convenient logistics services at our Narita Global Logistics Center, which opened in 2019, by utilizing the cross docking terminal. In addition, we will work to strengthen our warehouse logistics business.
- Through the planning period, we will actively promote these efforts along with plans to secure increased profitability in fiscal 2022.



Narita Global Logistics Center (photo provided by Seino Transportation Co., Ltd.)





## Fiscal 2020 Outlook

### Working to increase revenues for our sea freight and logistics businesses

- During fiscal 2020, we will pursue efforts in line with the Basic Policy and work to increase the volume of business for our sea freight and logistics businesses. However, we anticipate that in view of the projected influence of global economic trends, and uncertainty regarding short-term freight volume, revenue and income is likely to fall below that recorded during the previous fiscal year.
- As a result, we anticipate revenues from operations for fiscal 2020 in our International Transportation Business will be ¥88.7 billion, down ¥1.3 billion year-on-year, while operating income will decrease ¥0.6 billion year-on-year to ¥1.8 billion.



### Expanding our global network and enhancing our logistics business

#### Expanding our business in America

Alongside our opening of a new base in Miami, the gateway to South America, we opened and expanded warehouses in New Jersey, Dallas, and other areas, underpinning our logistics business.



#### Strengthening business development in Africa

In April 2018, we acquired Intraspaced South Africa (Pty) Ltd., a freight forwarder, as a subsidiary; we also acquired Intra-speed's two companies in Kenya and Uganda as subsidiaries. We remain committed to ongoing development in Africa.

#### Opening new bases and strengthening our logistics business in Asia

In addition to new warehouses in Indonesia (2016) and Singapore (2017), we have opened new warehouses in India in Chennai, Ahmadabad, and Delhi to further enhance our logistics structure. We are also opening bases in Coimbatore in India and Da Nang in Vietnam as we work to strengthen our global network.

# Hotels

Japan's leading hotel chain operator.

Yoshihiro Nakagawa

Chairman and  
Representative Director,  
Hankyu Hanshin Hotels  
Co., Ltd.



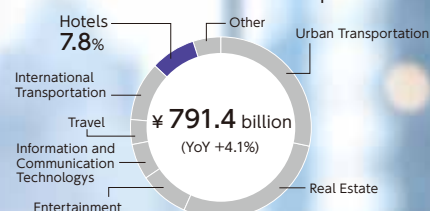
Kazuhide Fujimoto

President and  
Representative Director,  
Hankyu Hanshin Hotels  
Co., Ltd.

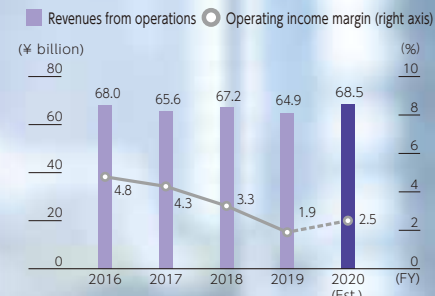


## Fiscal 2019

### Breakdown of revenues from operations



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



## Basic Policies

### ① Improve profitability of existing hotels

Maintain and enhance product value through appropriate investment

### ② Expand network by opening new hotels

Implement plan to open new hotels, which mainly comprise guest rooms for overnight stays

### ③ Establish our market leadership in the Umeda area

Clarify our long-term management policy for our most important foothold, the Umeda area

influence of natural disasters caused a decline in occupancy and average daily rates. In addition, our management contract for Rokkusan Hotel expired in December 2017, lowering revenue and income.

As a result, revenues from operations decreased by ¥2,324 million (3.5%) year-on-year to ¥64,923 million, while operating income declined by ¥1,001 million (45.2%), to ¥1,214 million.

Natural disasters contributed to a ¥1,000 million loss in revenues from operations and a ¥700 million loss in operating income.

## Business Environment

### As hotels continue to open, competition to acquire guests heats up

- In the domestic hotel market competition for guests has been fierce due to the opening of numerous new hotels and the use of online travel agents. Because of the natural disasters of FY2019 (and the ensuing closure of Kansai Airport), the growth of inbound tourism has slowed, and we believe this will impact our hotel business.
- At the same time, numerous international events are scheduled in major cities including Osaka over the medium to long term. This points to an increase in inbound tourism, and we therefore anticipate an increase in demand for hotel accommodations.

## Fiscal 2019 Review of Operations

### Lower operating revenue and income due to the influence of natural disasters

In the Tokyo Metropolitan area, hotel occupancy rates and average daily rates were high, thanks to guest room renovation at the Dai-ichi Hotel Tokyo and the March 2017 opening of remm Roppongi. At the same time, in the Kinki area, factors such as the

## Overview of Our Medium-Term Management Plan

### Opening new hotels in carefully selected locations offering the greatest convenience

- In our Hotels Business this year, we opened two hotels that mainly comprise guest rooms for overnight stays: in April, remm Tokyo Kyobashi, and in May, Hotel Hanshin Annex Osaka.
- In November of this year, we are scheduled to open one of the largest hotels (about 1,000 rooms) in the Umeda area, Hotel Hankyu RESPIRE OSAKA, in Yodobashi Umeda Tower, and in December, we are set to open remm plus Ginza, the first of our new brand of remm hotels.
- In the spring of 2021, we are scheduled to open a hotel in Sannomiya, Kobe, that will offer mainly guest rooms for overnight stays.
- Going forward, we intend to expand revenues mainly in the accommodation sector by capturing the steady growth in demand from visitors to Japan. We will accomplish this by opening new hotels focused on accommodations in carefully selected locations offering the greatest convenience.
- In addition, we are targeting revenue growth in fiscal 2022 through stringent revenue management and facility renewal while improving the profitability of existing hotels.



## Fiscal 2020 Outlook

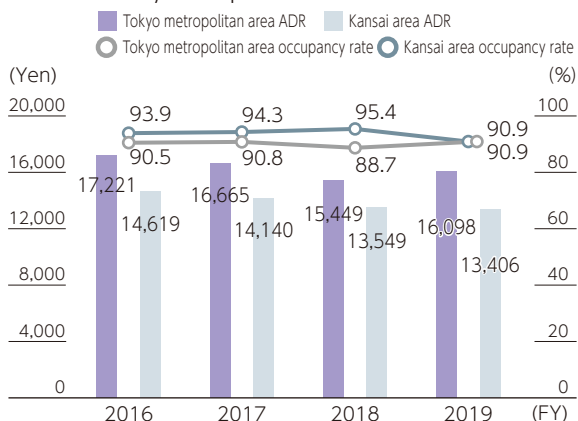
### Higher revenue and income anticipated due to such factors as new hotel openings

- Revenue from operations in our hotel business is projected to grow, as four new hotels open their doors to guests. We also expect that recovery from the natural disasters of fiscal 2019, as well as other factors, will drive revenue and income.
- At the same time, we expect expenses to increase due to opening costs for the new hotels, as well as higher depreciation charges.
- As a result of these efforts, we forecast revenues from operations in fiscal 2020 to reach ¥68.5 billion, representing a year-on-year increase of ¥3.6 billion, while operating income is expected to increase by ¥0.5 billion, to ¥1.7 billion.

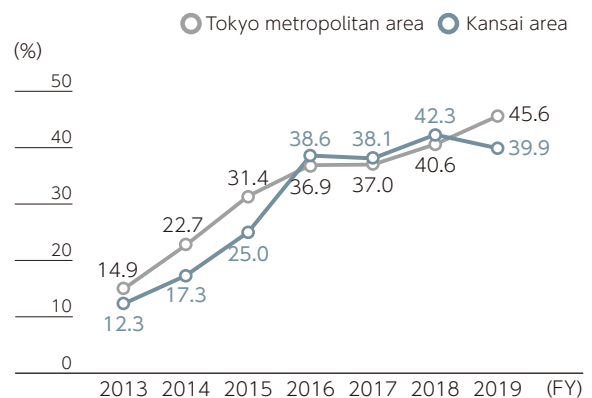


Guestroom at remm plus Ginza

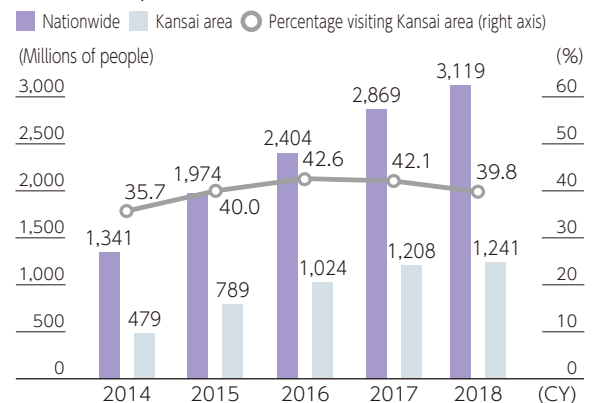
### Average daily rates (ADR) and occupancy rates of Hankyu Hanshin Hotels in the Tokyo metropolitan area and Kansai area



### Non-Japanese guests as a percentage of overnight-stay guests



### Visitors to Japan



Source: "Trend in Visitor Arrivals to Japan and Japanese Overseas Travelers," Japan National Tourism Organization (JNTO), "Consumption Trend Survey for Foreigners Visiting Japan," Japan Tourism Agency



# Directors and Audit & Supervisory Board Members

As of June 13, 2019

## Directors



**Kazuo Sumi**

Chairman and Representative Director,  
Group Chief Executive Officer

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



**Takehiro Sugiyama**

President and Representative Director

1982 Joined Hankyu Corporation  
2005 Director, Hankyu Corporation  
2006 Director, Hankyu Holdings  
2006 Director, Hankyu Hanshin Holdings  
2007 Managing Director, Hankyu Corporation  
2016 Executive Vice President, Hankyu Corporation  
2016 Executive Vice President, Hankyu Hanshin Holdings  
2016 Director, Hanshin Electric Railway (Current position)  
2016 Director, Hankyu Travel International (Current position)  
2016 Director, Hankyu Hanshin Express (Current position)  
2017 President, Hankyu Corporation (Current position)  
2017 President, Hankyu Hanshin Holdings (Current position)  
2018 Director, Hankyu Hanshin Properties Corporation (Current position)  
2019 Director, Hankyu Hanshin Hotels Co., Ltd. (Current position)



**Masao Shin**

Executive Vice President and Representative Director

1981 Joined Hanshin Electric Railway  
2006 Director, Hanshin Electric Railway  
2006 Director, Hankyu Hanshin Holdings  
2008 Managing Director, Hanshin Electric Railway  
2014 Senior Managing Director, Hanshin Electric Railway  
2016 Director, Hankyu Corporation (Current position)  
2017 President, Hanshin Electric Railway (Current position)  
2017 Executive Vice President, Hankyu Hanshin Holdings (Current position)  
2018 Director, Hankyu Hanshin Properties Corporation (Current position)



**Takaoki Fujiwara**

Representative Director

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



**Noriyuki Inoue**

Director (External<sup>1)</sup>)

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<sup>1)</sup>)

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



**Noriko Endo**

Director (External<sup>1)</sup>)

1994 Joined Diamond  
2013 Visiting Researcher, Policy Alternatives Research Institute, the University of Tokyo  
2015 Project Professor, Graduate School of Media and Governance, Keio University (Current position)  
2019 Director, Hankyu Hanshin Holdings (Current position)



**Yoshishige Shimatani**

Director (Part-time)

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



**Naoya Araki**

Director (Part-time)

1981 Joined Hankyu Department Store  
2012 President, Hankyu Hanshin Department Stores (Current position)  
2012 Representative Director, H2O Retailing (Current position)  
2017 Director, Hankyu Hanshin Holdings (Current position)

## Audit & Supervisory Board Members



**Masayoshi Ishibashi**

Standing Audit & Supervisory Board Member

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



**Koichi Kobayashi**

Standing Audit & Supervisory Board Member

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



**Haruo Sakaguchi**

Audit & Supervisory Board Member (External<sup>\*2</sup>)

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



**Junzo Ishii**

Audit & Supervisory Board Member (External<sup>\*2</sup>)

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



**Michiari Komiyama**

Audit & Supervisory Board Member (External<sup>\*2</sup>)

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

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

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

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

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

## A Conversation with the External Audit & Supervisory Board Members

# As a corporate group providing social infrastructure, the Group should be ready to meet the social challenges of tomorrow

By bringing their respective specialist expertise to the auditing of the Group's management, external Audit & Supervisory Board members contribute to enhancing medium- and long-term corporate value. We asked three external Audit & Supervisory Board members to come together to exchange opinions regarding their role, the current situation and challenges facing the Group's governance and management structures, and the future of the Group.

### The external Audit & Supervisory Board member's mission is to indicate society's point of view frankly to management

#### — What do you regard as most important in your activities as external Audit & Supervisory Board members?

**Sakaguchi** The most important aspect of the external Audit & Supervisory Board member's role is to confirm that the Group compliance structure is fully functioning, and to view its management from society's point of view, to ensure that management does not lose touch with social norms.

In a large organization, it may become difficult for people to report their opinions frankly to those who are more senior, including top management. If an improper management decision is made, indicating that fact frankly to top management is the external Audit & Supervisory Board member's mission. Keeping this mission front and center is critical.

**Ishii** I feel that in recent years, the auditor's importance is further increasing. From my standpoint as an auditor, I hope to help the company achieve more appropriate management

judgments and business execution.

Since my specialty is business administration, I look forward to leveraging my academic experience to provide advice from a different perspective from that of executives or legal specialists.

**Komiyama** I have been an auditor for the company for just two years so far. I am making an effort to leverage my knowledge as a legal professional to monitor the company's legal and regulatory compliance from a comparatively fresh standpoint.

My task is to monitor the direction of management and indicate frankly anything that seems out of the ordinary. The Group comprises around 180 companies, and I have made an effort to inquire actively when anything was not clear, and to grasp the situation.

It is essential to view management through society's eyes, to ensure that it does not lose touch with social norms.

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Haruo Sakaguchi  
External Audit & Supervisory Board Member



It is important not to simply pursue immediate profit, but to build a stable management foundation through sustained long-term growth.

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Junzo Ishii  
External Audit & Supervisory Board Member



I hope to see the Group continue to preserve and protect natural areas along its railway lines, while undertaking to enhance its line-side value.

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Michiari Komiyama  
External Audit & Supervisory Board Member





## A Conversation with the External Audit & Supervisory Board Members

### A structure focusing on the medium and long term is a distinctive Group characteristic

#### — How do you evaluate our governance and management structures?

**Sakaguchi** I believe the Group's governance structure is functioning appropriately. While the scope of business is extremely broad, I don't see any concerns under current conditions.

**Komiyama** As a corporate group providing social infrastructure, I believe the Group's social mission is being shared firmly across the organization as a whole. As an auditor, I would say that the current situation is positive, but I intend to fulfill my responsibilities without relaxing my vigilance.

**Ishii** As an enterprise engaged in providing a broad range of social infrastructure, including railways, one distinctive characteristic of the Group is its focus on the medium and long term. A symbolic example of this is the lack of hasty management decisions, which one often sees when companies merge to achieve synergy, after the 2006 management integration of Hankyu Holdings and Hanshin Electric Railway.

Another notable aspect of the Group is the way its management prioritizes not only profitability and growth, but also contributions to local communities, particularly those along its railway lines. Corporate management usually targets financial metrics such as return on equity (ROE) or return on assets (ROA), but simply reaching those goals is insufficient. In recent years we have seen more attention paid to environment, society, and governance (ESG) management, and efforts to achieve Sustainable Development Goals (SDGs). There is increasing demand for management that is not only commercially viable, but socially beneficial. This is something that the Hankyu Hanshin Holdings Group has been focused on from the beginning.

Moreover, I am struck by the high level of awareness of corporate ethics within the Group, and I hope this corporate culture will be maintained resolutely into the future.

### The importance of weighing businesses not only in terms of their commercial viability, but their social benefits

#### — What challenges do you see for the Group and for yourselves as external Audit & Supervisory Board members?

**Komiyama** As an auditor, I hope to deepen my understanding of the Group's situation, heighten my awareness of issues affecting it, and pose questions and make indications to management in a forthright way.

**Sakaguchi** The Group is endeavoring to contribute to society in a variety of ways, including its Hankyu Hanshin Dreams and Communities of the Future Project. The Group's focus is on businesses with deep roots in local communities, such as urban transportation, and I hope management will continue to emphasize businesses that are not only commercially viable, but also socially beneficial. This will further enhance the Group's corporate value.

**Ishii** Many individual shareholders attended this year's General Meeting of Shareholders, another indication of the Group's strong ties to society.

The Group's business activities are many and varied, as are its brands. These include the Hanshin Tigers and the Takarazuka Revue in the Group's Entertainment business, its condominium business, which includes the Geo series of apartment buildings, its remm series of hotels in its Hotels business, and more, and its brands have accumulated many fans. I think that actively leveraging the value of these brands will not only offer new value to customers, it will heighten Group employee pride in the brands and enhance their enthusiasm for their work.

## The Hankyu Hanshin Holdings Group should achieve synergy between its wide range of socially important businesses and demonstrate its strengths

— What do you regard as the Hankyu Hanshin Holdings Group's strengths, and how do you see its future?

**Sakaguchi** I think the Group's strength is the way its Urban Transportation and Real Estate businesses create value through synergy with so many other business areas. Take for example Hankyu Nishinomiya Gardens, a compound commercial facility next to Hankyu Nishinomiya-kitaguchi Station in Nishinomiya, Hyogo Prefecture. Since it opened its doors in 2008, the facility has become popular with an extremely large number of customers.

Promoting neighborhood creation while coordinating with regional government and residents is something the Hankyu Hanshin Holdings Group is uniquely qualified to undertake, and I think there is much more that the Group is capable of achieving.

**Komiyama** The Hankyu Hanshin Holdings Group realized a

major effect from its 2006 management integration. The Umeda 1-1 Project, which is in progress, is a typical example of this effect. I think the Group's visibility has been further enhanced thanks to the management integration of Hankyu Holdings and Hanshin Electric Railway.

In addition, there are wonderful, natural areas along the Group's railway lines, such as the Rokko mountains. I hope to see the Group continue to preserve and protect these natural areas, while undertaking to enhance its line-side value.

**Ishii** The Hankyu Hanshin Holdings Group is developing a broad range of businesses that are deeply connected to society. One can certainly say that the Group is an enterprise people look to to meet the challenges Japanese society will face in the future. To meet those expectations, it will be essential not to simply pursue immediate profit, but to build a stable management foundation through sustained long-term growth.

The Group does not consider only financial metrics such as ROE and ROA. In recent years, alternative metrics including ESG and SDGs have attracted attention, and the Group has emphasized these metrics from early on. As such, though balancing commercial viability and social benefits is certainly not simple, I hope to see the Group maintain its unique capabilities firmly, and work actively to address such social challenges as neighborhood creation.



# Sustainable Business Management

Together with our stakeholders, we create communities that people will truly want to live in.

## Our Sustainable Business Management Philosophy

At the Hankyu Hanshin Holdings Group, our basic philosophy is to provide safety and comfort, dreams and excitement. In this way, we work with our stakeholders to create communities that people will truly want to live in.

## Harnessing Our Long-Standing Strengths for Better ESG

For more than 100 years since the early 20th century, we have used our core business of Urban Transportation as a launchpad for a broad range of new endeavors in fields as diverse as real estate and entertainment. Through these, we have always sought to create prosperous communities that make people happy by offering innovative lifestyle options and solutions to real community needs. Indeed, our early determination to turn community needs into customer satisfaction anticipated the ESG (environment, society, and corporate governance) demands that companies face today.

Moving forward, we will leverage our many business activities to create sustainable communities with ever-smaller impact on the environment, and will continue to support our communities in a combined effort to promote good citizenship. We are also determined to pursue diversity, and to encourage healthy lifestyles among our workforce and their families. In other words, we consider good corporate governance the bedrock of our business and key to our efforts to achieve sustainable, high levels of corporate value.

## Sustainable Development Goals

Sustainable Development Goals are an important challenge facing global society today, and our sustainable business management demands we work hard to help achieve them. SDGs are a set of 17 goals and 169 targets to achieve by the year 2030 relating to problems such as poverty, the environment, education, welfare, and community building; they were adopted at the UN summit in 2015, and apply to the whole world.

At the Hankyu Hanshin Holdings Group, we believe a concerted effort to help achieve the SDGs is another way in which we can make our customers happy. To that end, we have identified seven of the SDGs' 17 goals where our wide variety of business activities can make a difference.

- 11. Sustainable cities and communities
- 4. Quality education
- 7. Affordable and clean energy
- 9. Industry, innovation, and infrastructure
- 12. Responsible consumption and production
- 13. Climate action
- 17. Partnerships for the goals





# Enhancing Management Transparency and Fulfilling Our Social Responsibility



## Corporate Governance

**x-x** Figures in boxes correspond to the principles of Japan's Corporate Governance Code.

### Basic Approach to Corporate Governance

**Principle** 2-1 2-2 3-1

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

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

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

### Corporate Governance System

**Principle** 4-1 4-10

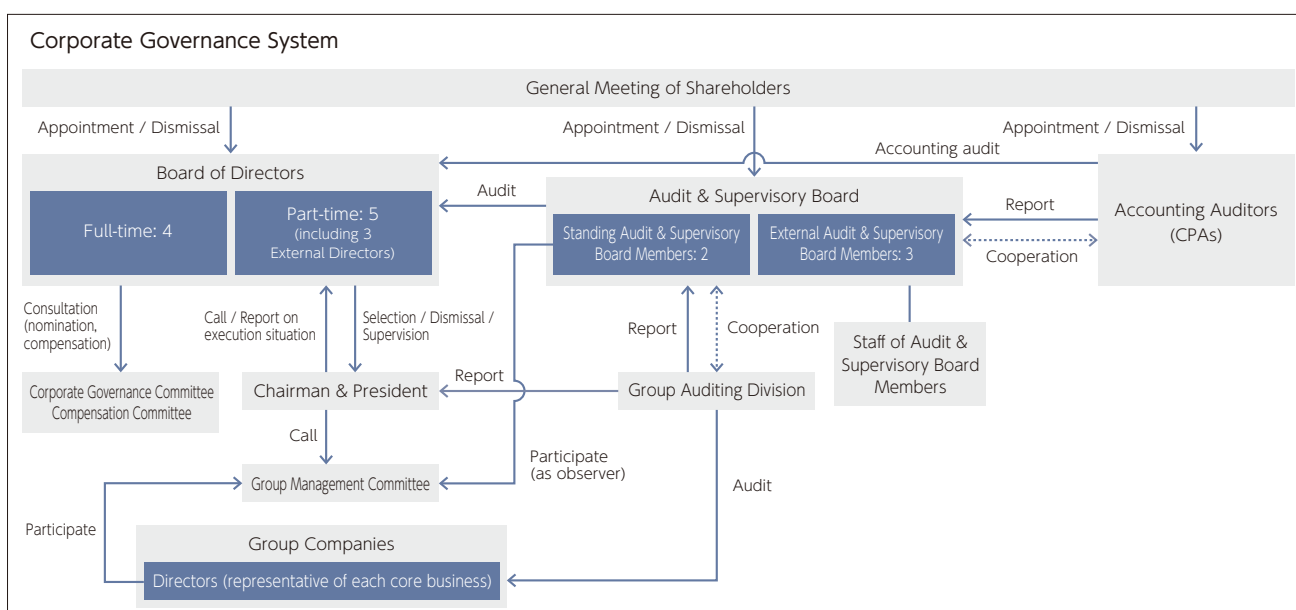
Hankyu Hanshin Holdings, Inc. (the Company), is a pure holding company, and the conduct of operations is basically the responsibility of Group member companies. Hankyu Hanshin Holdings' principal role is supervision and oversight of the entire Group—meaning that these functions are separate from the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

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

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

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

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





decisions regarding the amount of director compensation, which are the responsibility of the Board of Directors, are made based on objective and transparent procedures, the Company has established a Compensation Committee comprising the chairman (or the president, in the chairman's absence or unavailability) and external directors and external Audit & Supervisory Board members who are independent of the Company.

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

### I Management Organization

#### (1) Board of Directors and Directors

##### Principle 4-1 4-2 4-6 4-11

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

To ensure the diversity of the Board of Directors and strengthen its supervisory functions, it was agreed at the General Meeting of Shareholders held in June 2019 to increase the number of external directors from two to three, including one female director, ensuring one-third of directors on the nine-member board are directors independent of the Company.

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

##### Principle 4-4

The Company has adopted the Audit & Supervisory Board system to ensure adequate management oversight. We have five Audit & Supervisory Board members, who monitor the business operations and financial position of the Company and its subsidiaries, and audit the performance of duties by the directors.

Three of the five Audit & Supervisory Board members are external, to provide an independent viewpoint and ensure a high degree of professionalism in Group auditing. In this way, we are working to further ensure sound decision making in the conduct of operations. We provide full backup to Audit & Supervisory Board members, for example by involving them in the Group Management Committee and other meetings within the Group. The Audit & Supervisory Board meets once a month, in principle, to discuss and pass resolutions on important matters.

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

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

#### (3) Corporate Governance Committee

To ensure transparency in the appointment and dismissal of directors and coordination between external directors, a Corporate Governance Committee has been established, made up of four representative directors, three external directors, two standing Audit & Supervisory Board members, and three external Audit & Supervisory Board members.

In addition to selecting director candidates and providing advice relating to the dismissal of directors, the Committee serves as a context to provide information in such areas as the Group's business, finances, and organization to external directors.

#### (4) Compensation Committee

To ensure that concrete decisions regarding the amount of director compensation, which are the responsibility of the Board of Directors, are made based on objective and transparent procedures, the Company has established a Compensation Committee comprising the chairman (or the president, in the chairman's absence or unavailability), three external directors and three external Audit & Supervisory Board members, to provide advice relating to the Company's compensation system and its content.

#### (5) Roles and functions of External Directors and External Audit & Supervisory Board Members

##### Principle 4-7 4-9

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

The external directors appointed to the Board are selected from among persons with extensive experience in corporate management or with extensive experience acquired through research into public governance, with the aim of strengthening the management oversight function of the Board of Directors with respect to the Group as a whole. Similarly, the external Audit & Supervisory Board members whom we appoint are selected from among persons possessing high-level specialist expertise in the fields of compliance and business administration.

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

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

### Principle 3-1

#### Policy for the appointment and dismissal of Directors

The Company appoints personnel who are well acquainted with the businesses of the Hankyu Hanshin Holdings Group as directors as well as appointing personnel from H2O Retailing Corporation and Toho Co., Ltd., as directors to strengthen collaborative relationships with the Hankyu Hanshin Toho Group.

Moreover, directors shall be dismissed if the execution of their duties involves impropriety, serious legal violations, violations of the company's articles of incorporation, or other improper conduct.

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

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

#### Appointment procedure

Following consultation with the Corporate Governance Committee, the Board of Directors decides on the appointment of candidates for the positions of Audit & Supervisory Board member and director based on the abovementioned appointment policies. Resolutions regarding candidates for the position of Audit & Supervisory Board member will be made by the Audit & Supervisory Board in advance.

#### Reasons for election of external director

### Principle 3-1

| Name                                     | Reasons for appointment  |
|--|--|
| Noriyuki Inoue<br>(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<br>(Independent Director)   | Representative director for many years at Kansai Electric Power Co., Inc., a company whose operations, like those of the Hankyu Hanshin Holdings Group, are closely bound up with the public good. Also served as chairman of Kansai Economic Federation for many years. Appointed for his wealth of management experience, perspective from top business circles, opinions from the viewpoint of CSR, and ability to provide independent input. |
| Noriko Endo<br>(Independent Director)    | To obtain input based on her extensive expertise acquired through research into public governance, she was appointed as an external and independent director.  |

#### Reasons for election of external Audit & Supervisory Board members

### Principle 3-1

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

## Compensation of Directors

### Principle 3-1

#### (1) Policy

The Company's compensation system for directors further motivates them to enhance the Company's enterprise value and business performance, as well as to enhance shareholder value. Compensation comprises two elements: basic monetary compensation paid according to position and stock-based, performance-linked compensation paid in trust to individuals in the posts of chairman and president.

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

#### (2) Procedure

Based on the foregoing policies, to ensure that concrete decisions regarding the amount of director compensation, which are the responsibility of the Board of Directors, are made based on objective and transparent procedures, the Company has established a Compensation Committee comprising the chairman (or the president, in the chairman's absence or unavailability), three external directors and three external Audit & Supervisory Board members, to provide advice relating to the Company's compensation system and its content.

The Board of Directors makes compensation decisions after consultation with the Compensation Committee concerning the compensation system and content of compensation.

## Other Deliberative Bodies

#### (1) Group Management Committee

The members of the Group Management Committee include fulltime directors, specifically the chairman and representative director, the president and representative director, the executive vice president and representative director, and the representative director; executive officers; and representatives of each of the Group's core businesses. The committee convenes to deliberate and decide on the approval of resolutions of the Board of Directors; the management strategies and business plans of Group companies; systems and rules for maintenance of the

holding company system; and significant Group management matters, such as investments above a certain threshold and reorganization.

## (2) Core Business Strategy Councils

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

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

The Hankyu Hanshin Holdings Group comprises over 180 Group companies. The Group Presidents' Meeting, held twice a year, brings together presidents of those Group subsidiaries and affiliates. It is designed to foster a deeper sense of solidarity within the Group and ensure that the Group philosophy and management policies permeate the entire organization. The Group Presidents' Meeting aims to encourage a joint sense of commitment to the Medium-Term Management Plan. Awards are given to companies that boost earnings or individuals and groups that successfully launch initiatives or make significant contributions at their units.

### Number of meetings of deliberative bodies held

|                                |             |                                 |            |
|--------------------------------|-------------|---------------------------------|------------|
| Corporate Governance Committee | 2 meetings  | Core Business Strategy Councils | 2 meetings |
| Compensation Committee         | 1 meeting   | The Group Presidents' Meeting   | 2 meetings |
| Group Management Committee     | 14 meetings |                                 |            |

## I Efforts to Strengthen Governance

### (1) Position regarding shares held for strategic reasons

#### Principle 1-4

The Company acquires shares held for strategic reasons with a view to building relationships of trust with various stakeholders and enhancing corporate value over the medium to long term by maintaining business relationships or strengthening collaborations with partner companies and maintaining relationships with regional communities.

Individual strategic shareholdings are reviewed for appropriateness each year by the Board of Directors, taking into account economic rationales such as dividend income. Where a given holding is deemed no longer appropriate, it is sold progressively, with comprehensive consideration of factors such as the Company's financial circumstances and the influence of stock sales on market conditions.

### (2) Abolition of anti-takeover measures

After considering recent trends related to such measures and changes in the business environment, the Company has decided to abolish anti-takeover measures that have already been set to expire at the conclusion of the General Meeting of Shareholders held in 2018.

### (3) Abolition of senior advisors system

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

## I Ensuring Effectiveness of the Board of Directors and the Audit & Supervisory Board

### Principle 4-11

#### (1) Attendance at meetings of the Board of Directors and the Audit & Supervisory Board

##### External Directors

| Name           | Attendance at meetings of the Board of Directors |
|----------------|--|
| Noriyuki Inoue | Attended 8 of 10 meetings                        |
| Shosuke Mori   | Attended 8 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 |
|-----------------|--|---|
| Haruo Sakaguchi | Attended all 10 meetings                         | Attended all 10 meetings                                |
| Junzo Ishii     | Attended all 10 meetings                         | Attended all 10 meetings                                |
| Michiari Komiya | Attended all 10 meetings                         | Attended all 10 meetings                                |

### (2) Evaluation of the Board of Directors' effectiveness

A summary of the process, items, and results of an evaluation of the effectiveness of the Board of Directors conducted in fiscal 2019 is as shown below.

#### 1. Evaluation process

A survey was carried out to assess the management by the Board of Directors in fiscal 2019, including the sufficiency of its explanations and the appropriateness of its handling of its proceedings.

#### 2. Evaluation items

The results of investigative interviews indicated that conduct of meetings of the Board of Directors was adequate, explanations of the status of business management were appropriate, and the Board of Directors was effective and generally administered appropriately in fiscal 2019.

At the same time, suggestions were offered relating to such matters as disclosure by key subsidiaries of details of actual transactions made based on the Company's management plan, and on-site observation tours by external directors to afford them an opportunity to understand the Company's businesses.

## Internal Control System

### Principle 4-3

Recognizing 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 characterized as follows:

- 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 Group-wide business activities. It carries out internal audits into the Hankyu Hanshin Holdings Group and all its operating companies.
- To create a structure for ensuring appropriate operations, the Group vests Audit & Supervisory Board members of each Group company with authority not only in accounting but also in operational audits, and at the same time provides guidance to smaller Group companies on Board of Directors' resolutions for the creation of an internal control system.
- Audit & Supervisory Board members and the Group Auditing Division receive regular reports from the Risk Management Office with regard to creation and operation of internal controls at the Company and its subsidiaries (including implementation status for risk management and promotion of compliance-based management measures). Through such measures, they deepen their links with, and strengthen the role of, internal control divisions.
- With regard to systems for "Management Assessment and Audit Concerning Internal Control Over Financial Reporting," a section of the Financial Instruments and Exchange Act, the Company responds appropriately by carrying out management evaluations on a consolidated basis, in line with in-house rules.

## Corruption Prevention and 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 Programs

The issuance of the Compliance Manual and Compliance Card makes clear to the approximately 22,000 Group company directors and employees that violations of law or social norms, or actions that betray customer trust, are prohibited, and that healthy relations with partners and government must be maintained. It also aims to raise awareness by pointing out cases

#### Compliance Manual Content

|  |  |
|--|--|
| <b>Compliance in the service of customers</b> <ul style="list-style-type: none"> <li>Customer safety first</li> <li>Sincere dealings with customers</li> <li>Strict rule compliance</li> <li>Appropriate handling of personal data</li> <li>Appropriate disclosure</li> <li>Prudent, socially responsible behavior</li> <li>Appropriate use of social media</li> </ul> | <b>Compliance in the service of shareholders</b> <ul style="list-style-type: none"> <li>Prohibition of improper accounting procedures</li> <li>Prohibition of insider transactions</li> </ul>                                  |
| <b>Compliance in the service of vendors</b> <ul style="list-style-type: none"> <li>Sincere dealings</li> <li>Appropriate handling of intellectual property</li> <li>Prohibition of involvement with anti-social forces</li> <li>Prohibition of bribes and excessive entertainment</li> </ul>   | <b>Compliance as a social entity</b> <ul style="list-style-type: none"> <li>Efforts to solve environmental problems</li> <li>Efforts to contribute to society</li> <li>Respect for human rights</li> </ul>                     |
|  | <b>Compliance in the workplace</b> <ul style="list-style-type: none"> <li>Creation of appropriate work environments</li> <li>Distinction between public and private</li> <li>Respect for decision-making procedures</li> </ul> |

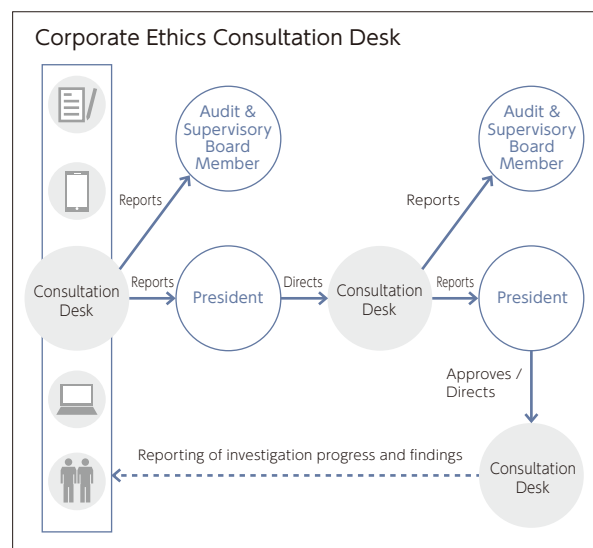
where compliance errors can easily occur.

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

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

#### Principle 2-5

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

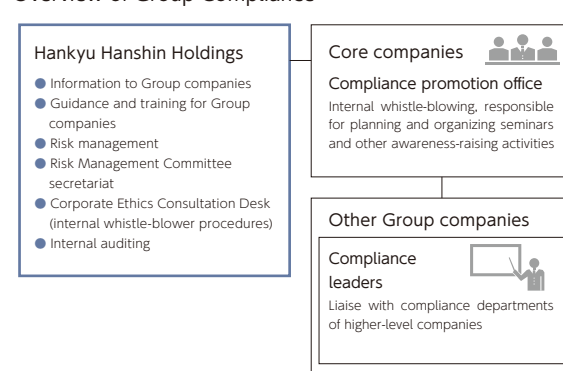


### Establishment of Risk Management Committees

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

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

#### Overview of Group Compliance





S

Social

## Continuing to Be a Corporate Group Trusted by Society



| Safety



### Safety Policy and Safety Objective

The shared mission of Hankyu Corporation and Hanshin Electric Railway is to ensure the absolute safety of railway transportation. Toward this end, we strictly observe all safety policies, focus on achieving our safety objectives, and strive daily to improve safety measures and ensure safety during emergencies by devising solutions employing aspects of both "hardware" and "software."

#### Hankyu Corporation

#### Safety Objective

##### ■ Elimination of Accidents for Which We Bear Responsibility

#### Safety Policy and Safety Priority Measures

Provide safe, high-quality transportation services that fully justify public trust  
—Hankyu Corporation: Safety and comfort

##### ■ 1. Strive to prevent accidents for which we bear responsibility

- Enforce stringent policies and comply with work procedures
- Promote measures to prevent accidents on the platform for which we bear responsibility
- Promote measures to prevent accidents at grade crossings for which we bear responsibility
- Promote measures to maintain facilities and improve the standard of safety operations
- Promote measures to accelerate accident prevention

##### ■ 2. Strive to prevent recurrence of accidents for which we bear responsibility

- Prevent the recurrence of previous accidents and incidents
- Formulate and implement solid countermeasures by convening the Investigative Committee for Measures to Prevent Accidents

##### ■ 3. Address risks to business continuity

- Reduce risks from natural disasters and implement preventive measures

- Promote anti-terrorism and other measures for the Expo 2025 Osaka, Kansai
- Strengthen information networks, such as for inbound tourists in emergency situations
- Analyze risks relating to accidents for which we may bear responsibility, and share resulting information

#### Positions and Roles

##### ◎ President

The President determines the implementation, management organization, and rules of the railway business. In addition, when formulating the Medium-Term Management Plan, which includes facilities and transportation, personnel, 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 prioritize 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 regulations; 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 utilizing 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 instructions and orders of the Chief Train Operations Manager, the Chief Crew Training Manager maintains and manages the capabilities of train crews and periodically confirms and submits reports on the progress being made in improving their capabilities.

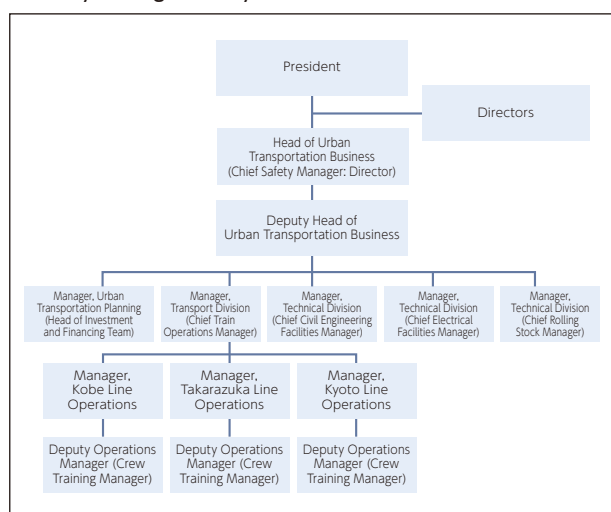
##### ◎ Other Managers and Responsible Persons

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 realizing safe transportation.

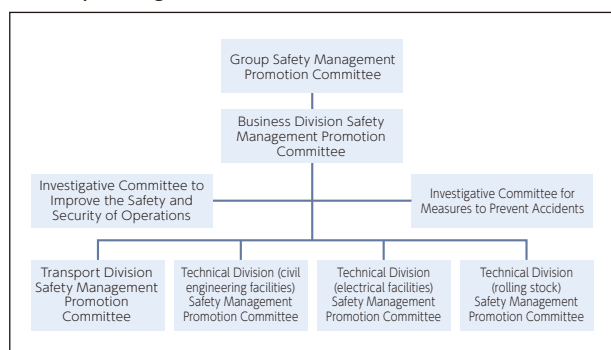
## Safety Management Promotion Committees

Safety Management Promotion Committees discuss, investigate, and report on a variety of proposals for transportation safety. These 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.

### ■ Safety Management System



### ■ Safety Management Promotion Committees



## Hanshin Electric Railway

### Safety Objective

#### ■ Elimination of Accidents for Which We Bear Responsibility

In 2019, we again achieved our annual goal for workplace safety: zero accidents for which we bear responsibility. It has been 33 years and 11 months since we last had such an accident, and we received an award from director of the Ministry of Land, Infrastructure, Transport and Tourism's Kinki District Transport Bureau. We look forward to extending our accident-free record in fiscal 2020.

## Safety Policy

### ■ Maximum priority on safety

The President, directors, and employees shall do everything possible 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 that safety management systems are operating appropriately.

## Positions and Roles

### ◎ President

The President has the ultimate responsibility for ensuring transport safety.

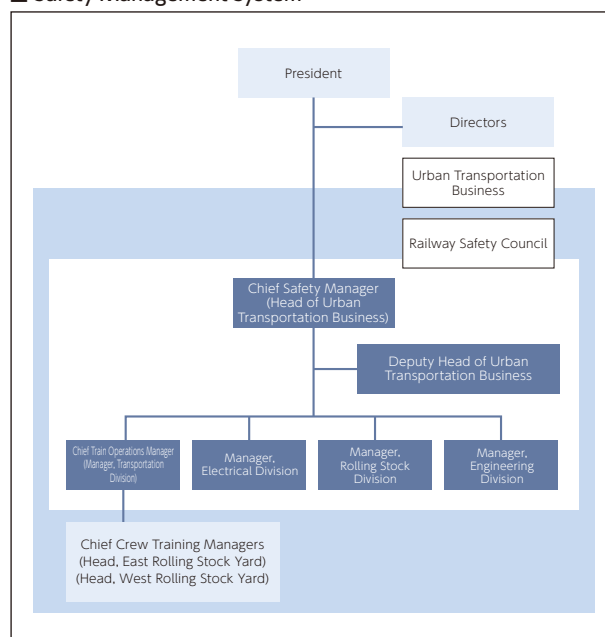
### ◎ Chief Safety Manager (Head of Urban Transportation Business)

The Chief Safety Manager is responsible for overseeing all activities related to ensuring transport safety.

### ◎ Chief Train Operations Manager (Transportation Division Manager)

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.

### ■ Safety Management System



◎ Chief Crew Training Managers (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 Managers are 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 tracks, civil engineering, and construction facilities.

## Safety Enhancement Initiatives

To ensure the safety of customers, we are proactively taking personnel-related measures to enhance education and training as well as infrastructure-related measures to improve equipment and facilities.

### 1. Training and Education

At government-designated in-house training centers, Hankyu Corporation and Hanshin Electric Railway foster train drivers and train conductors. During the training period, trainees receive education on academic subjects and practical skills in accordance with a national curriculum. Also, experienced drivers and train conductors act as instructors and provide rigorous one-on-one, onsite training.

Even after personnel have passed certification exams, we maintain and heighten the skills, awareness, and qualifications of drivers, conductors, and operations personnel by holding safety workshops and seminars and by conducting training based on a range of scenarios.

### 2. Initiatives for Natural Disasters

#### 1. Responding to rain storms

During rain storms, we direct trains to reduce speed or suspend operations based on information obtained from the rain gauges, wind gauges, and water meters installed alongside our railway lines and meteorological information from the Japan Meteorological Agency.

#### 2. Responding to earthquakes

If earthquake early warning systems forecast an earthquake with a seismic intensity of four or above, or if seismographs that we have installed alongside our railway lines detect an earthquake of the same seismic intensity, we immediately begin procedures for

the emergency suspension of operations of trains on line segments in earthquake zones.

#### 3. Responding to actions of third parties, such as acts of terrorism

If there is a warning that the actions of third parties, such as acts of terrorism, could cause serious incidents with extremely significant effects on society, or if such a warning calls for continued vigilance, or if suspicious items or persons are discovered or damage is incurred, we take measures appropriate to the threat level.

Further, we are advancing the installation of security cameras on station platforms and in station concourses to prevent crime.

## 3. Maintenance Work: Indispensable for Safe, Comfortable Operations

### 1. Inspecting electrical equipment

We have many different types of electrical equipment, including signal safety equipment, secure communications equipment, railway crossing safety equipment, power equipment, railway track equipment, and substation equipment, which we inspect regularly based on prescribed inspection schedules.

### 2. Inspecting railway tracks

We regularly inspect railway tracks, rails, ties, and other components to ensure the safe operation of trains.

### 3. Inspecting structures

We inspect elevated tracks, bridges, tunnels, and other railway civil engineering structures regularly.

### 4. Inspecting rolling stock

We conduct inspections at our plants and train depots to maintain the safety of rolling stock. Regular inspections include train inspections, status and function inspections, main component inspections, and overall inspections. In addition, we conduct unscheduled inspections as required.

## Examples of Initiatives Undertaken in Fiscal 2019

### Hankyu Corporation

#### Improving the Safety of Infrastructure

In fiscal 2019, as part of its ongoing quest to prevent accidents, Hankyu Corporation got its first automatic platform gates on platforms 3, 4, and 5 of Juso Station.

Similarly, we are engaged in various measures to prevent accidents caused by old and damaged facilities. These include the seismic reinforcement of stations and elevated tracks, and the repair and maintenance of tunnels and overbridges.



Automatic platform gates



Earthquake-proofing work on elevated tracks

## Improving the Safety of Personnel

On November 20 (Tue), 2018, we held a training session at the Katsura Yard on the Hankyu Kyoto Line to bring everyone up to speed on how to react in emergency situations. This session assumed a washout of tracks due to heavy rain, and covered activation of emergency stop devices, cooperating with the operation center, and evacuating passengers.

Also covered were techniques for restoring equipment damaged due to heavy rain.



Training on how to safely evacuate passengers



Staff learn how to make repairs

## Hanshin Electric Railway

### Improving the Safety of Infrastructure

The rebuilding and raising of the Yodo River bridge on the Hanshin Namba Line began in 2018 as a permanent fix for a long-standing issue. Specifically, the tracks are currently lower than the nearby levee, meaning the tide gates have to be closed every high tide. In addition, work began in December 2018 on raising approximately 2.4 kilometers of tracks either end of the bridge, which will eliminate five level crossings.



Hanshin Electric Railway's current bridge over the Yodo River



Artist's impression of how the raised bridge will look

Meanwhile, we have been changing the direction of some seats on platforms since 2016 so that people sit side-on to the tracks as this helps prevent people from falling onto the tracks.



Platform seats are arranged side-on to the tracks

## Improving the Safety of Personnel

We continued our employee training and education and focused on technology succession and improving safety awareness. For instance, fiscal 2019 saw a continuation of our training for all Urban Transportation Business Division employees, which encourages them to look out for, and call out to, customers at stations and other company facilities who may need assistance, such as blind passengers.



Employee training



## Social Contribution



### Social Contribution Policy

#### Hankyu Hanshin Dreams and Communities of the Future Project

For more than 100 years, our Group has enjoyed the support of the communities that have emerged around the Hankyu Hanshin line-side areas, thus engendering a relationship of mutual trust. Today, through policies under our Group Management Philosophy that are intended to provide “safety and comfort” as well as “dreams and excitement,” we seek to satisfy our customers and contribute to society. The Hankyu Hanshin Dreams and Communities of the Future Project reflects this commitment.

#### Basic Policy

We intend to promote the creation of towns and cities along our line-side areas that people will truly want to live in.

#### Priority Areas

##### Our links to the future: Environment-Friendly Development and Human Capital Development

To realize “towns and cities that people will truly want to live in,” we are promoting actions in two priority areas: “environment-friendly community development,” which enhances the sustainability of communities; and “human capital development,” which shoulders the task of building communities for future generations.

##### Hankyu Hanshin Dreams and Communities of the Future Project



#### Concept Behind Our Symbols

To demonstrate our commitment to the development of local communities, our symbols depict a young girl with a heart or

greenery and a railway that extends toward the future, reflecting the dreams of children and communities rich in natural blessings.



### 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.

#### Themes of specific initiatives

1. Creating a safe, comfortable, and environmentally aware local community
2. Contributing to the preservation of biodiversity and the natural environment
3. Promoting sustainable lifestyles
4. Preserving, utilizing, and developing local history and cultural resources
5. Prevention of global warming
6. Contributing to the emergence of a society committed to recycling and waste reduction



### 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.

#### Themes of specific initiatives

1. Enabling children to experience and learn about nature and ecology
2. Fostering mental enrichment in children through cultural and artistic activities
3. Supporting the healthy development of children through sports
4. Enabling children to gain a deeper understanding of society and their communities
5. Cultivating in children a sense of compassion and acknowledgement of diversity
6. Instilling in children the wisdom of their parents and grandparents
7. Supporting children with disabilities, children orphaned by traffic accidents or disasters, children in single-parent families, and children confined to social welfare facilities





## Celebrating 10 years of the Hankyu Hanshin Dreams and Communities of the Future Project Dreams and Communities of the Future SDGs Trains



As part of the Hankyu Hanshin Holdings Group's commitment to creating communities that people will truly want to live in, we have operated the Hankyu Hanshin Dreams and Communities of the Future Project since 2009. The project, which focuses chiefly on fostering better environments and people, is one of our efforts aimed at helping meet the SDGs.

To commemorate a decade of project initiatives, we launched the Dreams and Communities of the Future SDGs Trains. By operating these special trains, we hope to educate people about SDGs in cooperation with the government and the municipalities our trains serve, as well as businesses and civic groups that are serious about SDGs. The trains' first run was on May 27, 2019, and they will operate until the end of May 2020. We hope that the Dreams and Communities of the Future SDGs Trains will lead more people to think about how to achieve better communities and a better society.

We look forward to leveraging the Hankyu Hanshin Dreams and Communities of the Future Project as a vehicle for addressing local challenges, fostering new generations of long-term supporters of the Hankyu Hanshin Holdings Group, and improving brand value.



SDGs Trains on the Hankyu Railway (left) and the Hanshin Railway (right)

The front and rear cars of the SDGs Trains are wrapped in original illustrations and badged to commemorate the 10th year of the project. Inside, all advertising space is occupied with posters displaying SDGs and their explanations, as well as the Hankyu Hanshin Holdings Group's SDG-related initiatives along with those of the government, municipalities, and cooperating businesses.

### Train door-side stickers



### Interior posters



## Group Social Contribution Initiatives in Fiscal 2019

### ● Collaboration with Group companies

Certification and promotion system for the social contribution initiatives of each Group company

We promote the initiatives of our Group companies through public relations, sponsorships, and additional contributions. In fiscal 2019, 94 initiatives were certified (89 in fiscal 2015, 91 in fiscal 2016, 94 in fiscal 2017, and 92 in fiscal 2018). Of these, the Hankyu Hanshin Dreams and Communities Challenge Troop, a career development program for elementary school students was particularly successful, attracting a best-ever 2,640 kids.

By the beginning of fiscal 2020, 100 projects had already been certified.

### ● Collaboration with civil society

Dreams and Communities of the Future Fund etc.

We subsidize citizen's groups in the Hankyu Hanshin service area

through donations raised by our employees and additional contributions from the company. In fiscal 2019, 18 of the 102 institutions submitting applications received a total of ¥11.79 million. (Cumulative total: 129 institutions, ¥70.29 million)

Similarly, we ran a campaign (promoted through training sessions) encouraging employees to make donations directly deducted from their salaries. By the end of December 2018, there were 1,452 participants (up 100 from the previous year) in the scheme across 69 companies.

### ● Collaboration with Group employees

Social Contribution Point System

We encourage current and past employees to engage in community activities voluntarily by assigning points. In fiscal 2019, some 2,478 people (up 225 from the previous year) across 71 companies received points.

We also donated ¥1.17 million to 39 groups where our employees engage in volunteer activities.

## Major Social Contribution Activities

### ● Hankyu Hanshin Dreams and Communities Challenge Troop

Our businesses, facilities, and workforce are the ideal framework for elementary school students to experience a variety of real work during their summer vacation. We have hosted more than 15,000 children across 322 programs so far.

We were proud to receive the Kids Design Award\* in 2018 for the Hankyu Hanshin Dreams and Communities Challenge Troop initiative.



\*A system, operated by the Kids Design Association, to reward initiatives and designs that address social challenges related to children and child raising.

### ● Hankyu Hanshin Dreams and Communities Exciting Work Program

Hankyu Corporation management staff conduct classes at local elementary schools about Hankyu founder Ichizo Kobayashi's community building initiatives and the wide-ranging work that goes into supporting communities. To date, we have brought these opportunities to think about future occupations to around 11,000 children at 134 schools.

### ● Reusing towels and sheets to increase donations to environmental action groups

When guests staying multiple nights at our hotels use the same sheets and towels instead of having them replaced every day, it reduces the volume of laundry wastewater.

We encourage this practice by donating some of the money saved on laundry to environmental action groups.



Hankyu Hanshin Dreams and Communities Challenge Troop



Hankyu Hanshin Dreams and Communities Exciting Work Program



Using the same sheets and towels on multi-night hotel stays helps fund good causes.



## Diversity



"Respect for others" is one of our stated corporate values, and in keeping with this, our workplaces and in-house frameworks are geared toward enabling our workforce to make maximum use of their skills.

### Flexible Working Systems

We are introducing working systems and programs that allow for flexibility as suits the various characteristics of each group company.

#### Our initiatives

##### ● Flextime

Employees can choose their clock-on and clock-off times between 7:00 and 22:00, thus allowing for more convenient arrangement of work and personal needs.

##### ● Annual paid leave in half-day increments

Allowing employees to take paid leave in half-day increments (up to ten times a year) encourages them to take leave owing to them and supports more flexible working systems.

##### ● "No overtime" days twice a week

This initiative improves work efficiency and encourages better work-life balance.

### Childcare and Nursing Care Support

We have a range of options for employees to choose in order to maintain their working careers while raising children or providing nursing care for family members.

#### Our initiatives

##### ● Expanded support programs

Our support systems for pregnant employees and those raising children exceeds those required by law, and we provide options for those who provide nursing care for family members. These include using an optional "pool" of unused annual paid leave days and subsidies for those using babysitters.

##### ● Expanded support for those on childcare leave

Employees on childcare leave receive regular information about what's going on in their workplace and company, and we hold "back on board" seminars full of information on balancing childcare and work to ensure a smooth and stress-free return.

##### ● Handbooks for leave-takers and their managers

These provide managers and staff not only with information on systems and policies, but also with hints for workplace communication and effective management, thus helping maintain a stress-free workplace environment.

### Career Opportunities for Female Employees

We have targets and plans to expand career opportunities for women in accordance with the Act on Promotion of Women's Participation and Advancement in the Workplace.

#### Our initiatives

We have a range of initiatives aimed at meeting two goals\*: Increase female employment by recruiting females for a minimum of 30% of general career-track positions, and steadily increase the percentage of female workers in managerial positions. (Aiming for more than 5% by fiscal 2023.)

\*Set jointly by Hankyu Hanshin Holdings, Hankyu Corporation, and Hanshin Electric Railway.

##### ● Proactive hiring of women (e.g., more prominent highlighting of woman's careers for female jobseekers)

##### ● Increasing the percentage of females in management positions (e.g., "back on board" support for those returning from childcare leave)



### Workforce Composition

|  |             | Hankyu Hanshin Holdings | Hankyu Corporation | Hanshin Electric Railway | Hankyu Hanshin Properties | Hankyu Travel International | Hankyu Hanshin Express | Hankyu Hanshin Hotels | Total   |
|--|-------------|-------------------------|--------------------|--------------------------|---------------------------|-----------------------------|------------------------|-----------------------|---------|
| Employees*<br>(as of Mar. 31, 2019)            | Male        | 103                     | 2,863              | 1,215                    | 494                       | 746                         | 539                    | 1,225                 | 7,185   |
|  | Female      | 65                      | 210                | 85                       | 143                       | 770                         | 229                    | 774                   | 2,276   |
|  | Female %age | 38.7%                   | 6.8%               | 6.5%                     | 22.4%                     | 50.8%                       | 29.8%                  | 38.7%                 | 24.1%   |
| Management employees*<br>(as of Mar. 31, 2019) | Male        | 56                      | 88                 | 77                       | 160                       | 202                         | 205                    | 273                   | 1,061   |
|  | Female      | 9                       | 2                  | 4                        | 7                         | 17                          | 5                      | 21                    | 65      |
|  | Female %age | 13.8%                   | 2.2%               | 4.9%                     | 4.2%                      | 7.8%                        | 2.4%                   | 7.1%                  | 5.8%    |
| New recruits*2<br>(in FY2019)                  | Male        | 23(0)                   | 89(2)              | 31(1)                    | 17(10)                    | 31(4)                       | 6(1)                   | 107(40)               | 304(58) |
|  | Female      | 16(0)                   | 19(6)              | 6(3)                     | 14(9)                     | 38(1)                       | 23(12)                 | 128(33)               | 244(64) |
|  | Female %age | 41.0%                   | 17.6%              | 16.2%                    | 45.2%                     | 55.1%                       | 79.3%                  | 54.5%                 | 44.5%   |
| Avg. term of service<br>(as of Mar. 31, 2019)  | Male        | 20.0                    | 22.7               | 20.7                     | 14.8                      | 19.6                        | 18.9                   | 16.2                  | 20.2    |
|  | Female      | 9.4                     | 13.4               | 16.9                     | 11.9                      | 11.4                        | 7.6                    | 7.5                   | 10.2    |
|  | 男女差         | 10.6                    | 9.3                | 3.8                      | 2.9                       | 8.2                         | 11.3                   | 8.7                   | 10.1    |

\*1 Excludes those on secondment elsewhere; includes those seconded to us.  
\*2 Parentheses denote portion of total number hired mid-career.



## Hiring People with Disabilities

In addition to hiring people with disabilities at Hankyu Hanshin Holdings Group companies, we have also established a special subsidiary company (that meets the criteria for special dispensation under relevant laws) to expand employment opportunities.

### Our initiatives

We will endeavor to maintain a rewarding work environment for people of all abilities, and to proactively create employment opportunities for people with disabilities.

As part of this, we have established Assist Hankyu Hanshin, a special subsidiary company aimed at promoting employment of people with disabilities.

Assist Hankyu Hanshin has approximately 140 people with disabilities working in a variety of departments, including cleaning, assistant work (e.g., printing, special correspondence, café operations), and healthcare (e.g., office massage). Here, each employee can develop skills and enjoy rewarding work.



## Health Management



## Formulation of the Hankyu Hanshin Holdings Group's Declaration on Employee Health Management

As part of our core values, which include respect for others, we believe that healthy employees and employees' families are the foundation for a brighter future. To that end, we pursue "health management."

In February 2019, four group companies were recognized

under the Japanese government's Certified Health & Productivity Management Outstanding Organizations Recognition Program. Hankyu Corporation, Hanshin Electric Railway, and Itec Hankyu Hanshin received awards in the large enterprise category, and Hankyu Hanshin Insurance Service in the SME category.



## The Hankyu Hanshin Holdings Group's Declaration on Employee Health Management

The Hankyu Hanshin Holdings Group believes that the mental and physical wellbeing of employees and their families remains the source of happiness and the cornerstone of the Group's prosperous future. In addition, in order to provide our customers with safety and comfort as well as dreams and excitement, it is paramount that we enable everyone to fully demonstrate their diverse personalities and abilities in good health.

To achieve this goal, we must maintain high awareness of our own wellbeing and work to promote good health among our colleagues in the workplace and their families.

The Hankyu Hanshin Holdings Group declares its active support of the wellbeing of each individual. Under the Hankyu Hanshin Wellness Challenge, we will strive to create a workplace environment in which all can live and work in good health and with motivation.

Takehiro Sugiyama

President and Representative Director  
Officer in charge of Health Management  
Hankyu Hanshin Holdings, Inc.  
April 2018

### Priorities of the Hankyu Hanshin Wellness Challenge

#### ① Physical Health

- Improving individual awareness of good health
- Improving exercise level, eating habits, and other lifestyle issues
- Encouraging employees and their family members to undergo thorough periodic medical checkups
- Prevention of lifestyle-related diseases and provision of specific health guidance
- Provision of thorough medical examinations for those in need and continuation of treatment
- Prevention of infectious diseases
- Early cancer detection
- Promotion of smoking cessation

#### ② Mental Health

- Provision of stress checks
- Provision of mental health education
- Prevention of mental health disorders
- Improving the system of mental health leave and work resumption

#### ③ Workplace Health

- Promoting work-life balance by optimizing work hours
- Creating a workplace with a sense of vitality and fellowship
- Implementing measure against second-hand smoke inhalation

# E

Environment

## Building an Environmentally Friendly, Sustainable Society



### Environmental Preservation Activities

#### Our Basic Approach to ESG

As part of our efforts to address issues related to ESG (Environment, Society, Governance), our Group has formulated a Basic Environmental Philosophy and Basic Environmental Policies in addition to proactively implementing our own environmental preservation initiatives. In the interests of preventing global warming, we have promoted energy-efficiency programs throughout our Group and have focused on reducing CO<sub>2</sub> emissions. In addition to promoting resource conservation, we are developing initiatives that meet the needs of local communities regarding environmental preservation.

Through a wide range of environmental preservation efforts, we continue to promote initiatives aimed at achieving the following sustainable development goals (SDGs) adopted at the United Nations Summit: “7. Affordable and Clean Energy”; “11. Sustainable Cities and Communities”; “13. Climate Action”; and “15. Life on Land.”

#### Basic Environmental Philosophy

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

#### Preventing Global Warming and Promoting Energy Efficiency

##### Adoption of additional energy-efficient rolling stock

As part of our efforts to prevent global warming, we are planning to increase our use of energy-efficient rolling stock at Hankyu Corporation, Hanshin Electric Railway, Kita-Osaka Kyuko Railway, Nose Electric Railway, and Hokushin Kyuko Railway.

Energy-efficient rolling stock has enabled Hankyu Corporation to cut energy use by 6.7 percent in fiscal 2019 compared with fiscal 2015, and Hanshin Electric Railway by 2.5%.



Hankyu Corporation Series 1000 train



Hanshin Electric Railway Series 5700 train

##### Settsu-shi station, a carbon-neutral railway station

In 2010, Hankyu Corporation opened Japan’s first railway station designed to achieve zero CO<sub>2</sub> emissions. Settsu-shi Station on the Kyoto Line incorporates a variety of environmental measures such as photovoltaic panels and LED lighting. As a result, CO<sub>2</sub> emissions have been reduced to about half the level emitted by a conventional railway station; the remaining CO<sub>2</sub> is offset by forest conservation credits, so the practical effect is zero emissions.



Hankyu Settsu-shi Station

##### Introduction of energy-efficient equipment

In recognition of their excellent environmental performance, Umeda 1-1 Project, Hankyu Nishinomiyama Gardens, and HEP Five have all been awarded the DBJ Green Building Certification from the Development Bank of Japan Inc.

The DBJ Green Building Certification system rates real estate based on its consideration for the environment and society, thus helping to connect business owners, financial institutions, and investors. Buildings are rated not only on their environmental credentials, but on their ability to meet the broad social needs of a variety of stakeholders, and the award therefore reflects the exceptional state of our buildings.

Five Stars: Top-Class Eco-Friendly and Socio-Friendly Buildings



Umeda 1-1 Project  
Award recipients: Hanshin Electric Railway and Hankyu Corporation



Hankyu Nishinomiya Gardens  
Award recipients: Hankyu Corporation and Hankyu Hanshin REIT



Four stars: Superior Eco-Friendly and Socio-Friendly Buildings



HEP Five  
Award recipients: Hankyu Hanshin Properties and Hankyu Hanshin REIT



Raising environmental awareness

In order to heighten awareness of the issue of global warming, Hankyu Corporation and Hanshin Electric Railway have taken the initiative to encourage customers visiting the Umeda Yukata Festival to participate in *uchimizu*—the practice of sprinkling the streets with water to cool down the neighborhood. This event creates an opportunity for all to consider many aspects of sustainable living. In addition, Candle Night for One Million People, an event in which some Osaka neighborhoods extinguish their lights, is held regularly to bring the use of candles to the forefront.



Uchimizu event in Umeda



Candle Night for One Million People

Installation of photovoltaic panels

Solar power generation facilities have been installed in each of our Group facilities including Hankyu Settsu-shi Station, Hanshin Oishi Station, and the Silver Umbrella of Hanshin Koshien Stadium.



Hanshin Koshien Stadium

Efforts to Preserve the Natural Environment

Preserving community forests

We are involved in a range of greening activities, including rooftop and wall green environments on group facilities. In another example, Nose Electric Railway employees volunteer to help local civic groups thin local bush land to promote a healthy forest environment.



Maintaining our precious forest



Hankyu Nishinomiya Gardens

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## Consolidated Six-Year Summary

|   | 2014       | 2015       | 2016 <sup>6</sup> | 2017       | 2018 <sup>8</sup> | 2019       | 2019         |         |
|---|------------|------------|-------------------|------------|-------------------|------------|--------------|---------|
| Result of Operations (Millions of yen and thousands of U.S. dollars) <sup>1</sup> : |            |            |                   |            |                   |            |              |         |
| Revenues from operations  | ¥ 679,157  | ¥ 685,906  | ¥ 746,792         | ¥ 736,763  | ¥ 760,252         | ¥ 791,427  | \$ 7,129,973 |         |
| Operating income  | 91,828     | 94,026     | 110,293           | 104,058    | 105,211           | 114,937    | 1,035,468    |         |
| EBITDA <sup>2</sup>   | 149,200    | 150,100    | 166,500           | 159,300    | 160,800           | 171,400    | 1,544,144    |         |
| Ordinary income   | 81,191     | 85,590     | 104,479           | 100,607    | 103,774           | 110,543    | 995,883      |         |
| Income before income taxes  | 83,542     | 77,620     | 96,087            | 100,805    | 101,410           | 88,562     | 797,856      |         |
| Net income attributable to owners of the parent                                     | 46,352     | 54,201     | 69,971            | 71,302     | 66,361            | 65,476     | 589,874      |         |
| Comprehensive income  | 55,941     | 71,034     | 63,842            | 79,288     | 73,991            | 66,565     | 599,685      |         |
| Capital expenditure   | 80,722     | 68,115     | 66,639            | 86,212     | 86,404            | 114,368    | 1,030,342    |         |
| Depreciation and amortisation   | 54,474     | 53,143     | 53,701            | 52,800     | 53,276            | 54,172     | 488,036      |         |
| Cash Flows (Millions of yen and thousands of U.S. dollars):                         |            |            |                   |            |                   |            |              |         |
| Cash flows from operating activities  | ¥ 146,991  | ¥ 131,881  | ¥ 124,838         | ¥ 115,633  | ¥ 135,821         | ¥ 126,035  | \$ 1,135,450 |         |
| Cash flows from investing activities  | (45,517)   | (52,529)   | (78,843)          | (84,845)   | (88,351)          | (116,160)  | (1,046,486)  |         |
| Cash flows from financing activities  | (105,079)  | (81,746)   | (47,278)          | (30,595)   | (43,242)          | (11,171)   | (100,640)    |         |
| Increase (decrease) in cash and cash equivalents                                    | (1,840)    | (1,125)    | (1,978)           | (480)      | 4,588             | (1,848)    | (16,649)     |         |
| Cash and cash equivalents at end of year  | 24,497     | 23,497     | 22,363            | 22,530     | 27,501            | 27,589     | 248,550      |         |
| Financial Position (Millions of yen and thousands of U.S. dollars):                 |            |            |                   |            |                   |            |              |         |
| Total assets  | ¥2,286,928 | ¥2,279,638 | ¥2,282,180        | ¥2,349,831 | ¥2,404,926        | ¥2,466,223 | \$22,218,225 |         |
| Total net assets  | 617,598    | 679,482    | 724,237           | 804,659    | 866,512           | 915,381    | 8,246,676    |         |
| Interest-bearing debt   | 1,032,307  | 955,828    | 916,570           | 899,523    | 866,758           | 877,055    | 7,901,396    |         |
| Per Share Data (Yen and U.S. dollars):  |            |            |                   |            |                   |            |              |         |
| Net income attributable to owners of the parent                                     | Basic      | ¥ 36.76    | ¥ 42.98           | ¥ 277.88   | ¥ 285.11          | ¥ 267.91   | ¥ 266.86     | \$ 2.40 |
|   | Diluted    | 36.75      | 42.95             | 277.67     | 284.86            | 267.81     | 266.86       | 2.40    |
| Net assets  | 477.69     | 525.56     | 2,815.96          | 3,150.67   | 3,391.35          | 3,615.52   | 32.572       |         |
| Dividend  | 6.00       | 6.00       | 35.00             | 35.00      | 40.00             | 40.00      | 0.36         |         |
| Ratios:   |            |            |                   |            |                   |            |              |         |
| Operating income margin (%)   | 13.5       | 13.7       | 14.8              | 14.1       | 13.8              | 14.5       | —            |         |
| ROA (%) <sup>3</sup>  | 3.6        | 3.7        | 4.6               | 4.3        | 4.4               | 4.5        | —            |         |
| ROE (%) <sup>4</sup>  | 8.0        | 8.6        | 10.3              | 9.4        | 8.2               | 7.6        | —            |         |
| Interest-bearing debt/EBITDA (Times)  | 6.9        | 6.4        | 5.5               | 5.6        | 5.4               | 5.1        | —            |         |
| Equity ratio (%)  | 26.3       | 29.1       | 31.0              | 33.5       | 34.8              | 35.9       | —            |         |
| Debt/equity (D/E) ratio (Times) <sup>5</sup>  | 1.7        | 1.4        | 1.3               | 1.1        | 1.0               | 1.0        | —            |         |
| Others:   |            |            |                   |            |                   |            |              |         |
| Number of outstanding shares (Thousands)  | 1,271,406  | 1,271,406  | 254,281           | 254,281    | 254,281           | 254,281    | —            |         |
| Number of employees   | 20,913     | 21,037     | 21,607            | 21,860     | 22,152            | 22,654     | —            |         |

1. The U.S. dollar amounts have been translated, for convenience only, at ¥111 = US\$1, the prevailing exchange rate on the Tokyo Foreign Exchange Market as of March 31, 2019.

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 attributable to owners of the parent / equity (average of period-start and period-end totals)

5. D/E ratio = interest-bearing debt / equity

6. Regarding transactions related to such items as the export of mixed cargo of the International Transportation Business, the Company has changed the recognition of revenues from operations from net presentation to gross presentation as of fiscal 2017. As a result of this change, the amount of revenues from operations for fiscal 2016 is the amount after retrospective application (gross presentation).

Further, the Company consolidated shares at the ratio of 5 shares to 1 share with an effective date of August 1, 2016. Net income per share, diluted net income attributable to owners of the parent per share, net assets per share, dividend per share, and number of outstanding shares have been calculated based on the assumption that the said reverse stock split was executed on April 1, 2015.

7. Hankyu Corporation and Hanshin Electric Railway Co., Ltd. (since fiscal 2018) and Hankyu Hanshin Properties Corp. (since fiscal 2019), our subsidiary companies, have operated the Board Incentive Plan Trust, and the shares of the Company held by such trust are recorded as treasury shares in the consolidated financial statements. Therefore, when net assets per share and net income per share vesting in the shareholders of the Parent Company and net income per share vesting in them after dilution are calculated, the number of such shares is included in the treasury shares to be deducted.

8. The partially amended "Tax Effect Accounting" standards (ASBJ Guidance No. 28, February 16, 2018) have been applied since the start of fiscal 2019, and the consolidated financial indicators of fiscal 2018 are those after retrospective application of the relevant accounting standards.

# Consolidated Financial Review

## Analysis of Operating Results for Fiscal 2019

(Year ended March 31, 2019)

Despite the effects of natural disasters and other factors, the revenues from operations were ¥791,427 million, an increase of ¥31,174 million (4.1%) over the previous consolidated fiscal year due to the sale of building land in the Real Estate Business, and sound growth in the Urban Transportation Business and the Entertainment and Communications Business.

Natural disasters<sup>1</sup> were the cause of a ¥2,200 million yen decrease in revenues from operations, and a ¥2,000 million decrease in operating income.

As a result, operating income was ¥114,937 million, an increase of ¥9,726 million (9.2%) over the previous consolidated fiscal year.

Ordinary income also increased to ¥110,543 million, an increase of ¥6,768 million (6.5%) over the previous consolidated

fiscal year, despite a decrease in income from investments accounted for with the equity method, due to a decrease in payment of interest as a result of a reduction of consolidated interest-bearing debts and other factors as well as the abovementioned increase in income.

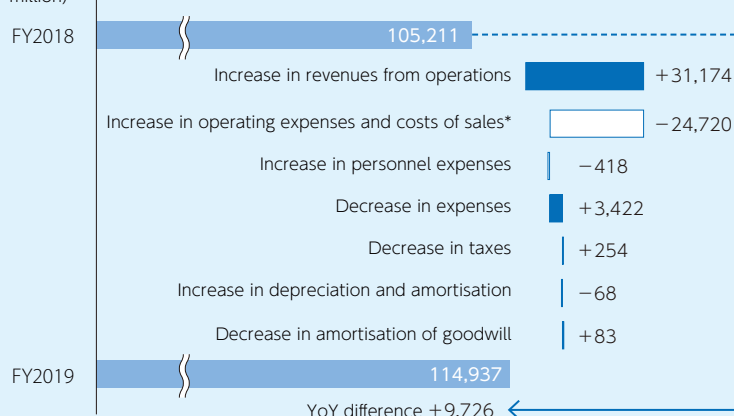
As a result of the above, revenues from operations, operating income, and ordinary income all increased, with each achieving record highs.

Extraordinary income/loss saw a ¥19,616 million decrease due to the extraordinary loss recorded from an agreement<sup>2</sup> to transfer railway assets related to the Hokushin Kyuko Electric Railway.

Net income vesting in the shareholders of the Parent Company was ¥65,476 million, a decrease of ¥885 million (1.3%), despite a decrease in tax expenses, which were brought about by deferred tax assets for impairment losses related to the Hokushin Kyuko Electric Railway.

### Analysis of operating income

(¥ million)



\* Included in cost of revenues from operations, retirement benefit expenses increased -688.

1. Effects from the 2018 Osaka earthquake, torrential rains of July 2018, Typhoon Jebi, Typhoon Trami, and the 2018 Hokkaido Eastern Iburi earthquake.
2. In order to reduce train fares, the Kobe City Government approached our subsidiary Hankyu Corporation and proposed the commencement of discussions regarding the unification of operation of the Hokushin Kyuko Electric Railway (Shin-Kobe Station-Tanigami Station) under the Kobe City Transportation Bureau. Hankyu Corporation came to the conclusion that such efforts would contribute to the stimulation of the Kobe Sannomiya area, a key business location for our Group, and entered into the discussion. As a result, it was decided that the Group would aim to transfer railway assets related to the Hokushin Kyuko Electric Railway to the Kobe City Transportation Bureau in the first half of fiscal 2021. A basic agreement was concluded on March 29, 2019.

## Segment Information

The following table shows business performance for each core business segment. For more on these results, see the respective pages referenced at the bottom of the columns in the table below.

|                                 | (Millions of yen)                    |             |                                  |        |                              |         |        |            |              |
|---------------------------------|--------------------------------------|-------------|----------------------------------|--------|------------------------------|---------|--------|------------|--------------|
|                                 | Urban Transportation                 | Real Estate | Entertainment and Communications | Travel | International Transportation | Hotels  | Other  | Adjustment | Consolidated |
| <b>Revenues from operations</b> | Effects of natural disasters: -1,200 |             |                                  |        |                              | -1,000  |        |            | -2,200       |
| FY2019                          | 238,562                              | 237,276     | 126,531                          | 35,528 | 89,990                       | 64,923  | 43,417 | (44,803)   | 791,427      |
| FY2018                          | 235,967                              | 222,586     | 121,078                          | 34,022 | 83,707                       | 67,248  | 42,811 | (47,169)   | 760,252      |
| YoY difference                  | +2,594                               | +14,689     | +5,453                           | +1,506 | +6,283                       | (2,324) | +605   | +2,366     | +31,174      |
| <b>Operating income</b>         | -1,100                               |             |                                  |        |                              | -700    |        |            | -2,000       |
| FY2019                          | 43,455                               | 49,250      | 18,759                           | 1,764  | 2,392                        | 1,214   | 2,333  | (4,231)    | 114,937      |
| FY2018                          | 41,586                               | 40,954      | 17,750                           | 2,055  | 2,777                        | 2,216   | 1,929  | (4,058)    | 105,211      |
| YoY difference                  | +1,869                               | +8,295      | +1,008                           | (291)  | (384)                        | (1,001) | +404   | (173)      | +9,726       |
| Reference page                  | P. 33                                | P. 35       | P. 37                            | P. 41  | P. 43                        | P. 45   | —      | —          | —            |

## Review of Financial Position

### 1. Assets, Liabilities and Net Assets

Total assets at the end of the consolidated fiscal year under review were ¥2,466,223 million, an increase of ¥61,297 million over the end of the previous consolidated fiscal year, because of an increase in property and equipment and investment securities etc.

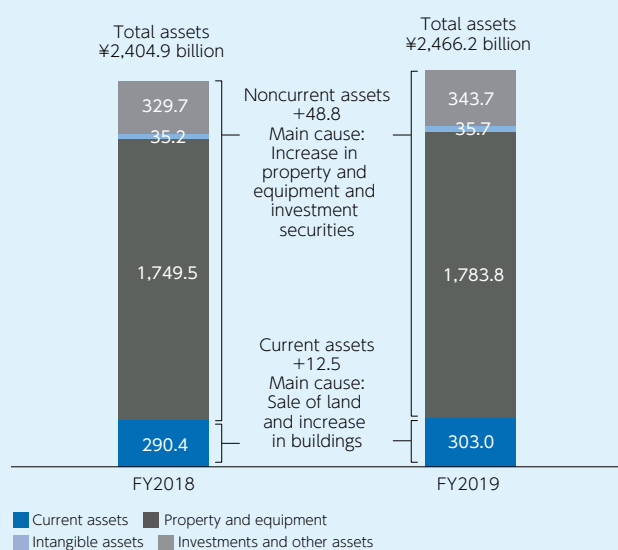
Total liabilities were ¥1,550,842 million, an increase of ¥12,429 million over the end of the previous consolidated fiscal year, because of an increase in long-term deferred contribution for construction and interest-bearing debts etc., despite a decrease in the amount in accounts payable etc.

Total net assets were ¥915,381 million, an increase of ¥48,868 million over the end of the previous consolidated fiscal year, because of an increase in retained earnings etc.

As a result, the equity ratio was 35.9%, and the ROE was 7.6%.

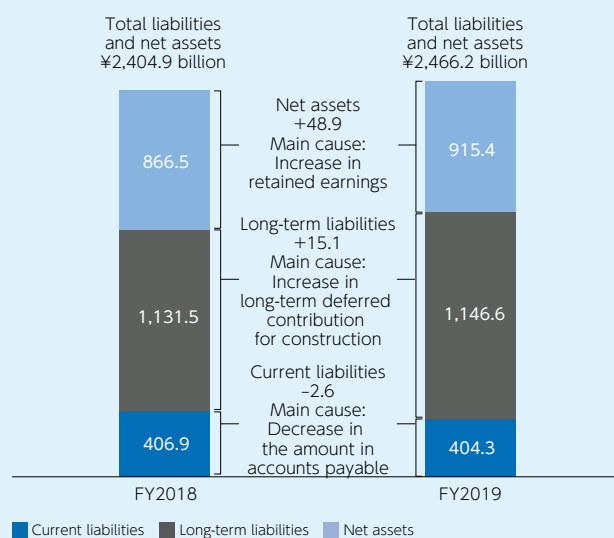
### Assets

(¥ billion)



### Liabilities and net assets

(¥ billion)



## 2. Cash Flows

Total cash and cash equivalents at the end of the consolidated fiscal year were ¥27,589 million, an increase of ¥87 million over the end of the previous consolidated fiscal year.

### (1) Cash Flows from Operating Activities

Net cash provided in operating activities was ¥126,035 million, an decrease of 7.2% year-on-year, because of income before income taxes of ¥88,562 million, depreciation and amortization of ¥54,172 million, paid corporation and other taxes of ¥30,542 million, etc.

### (2) Cash Flows from Investing Activities

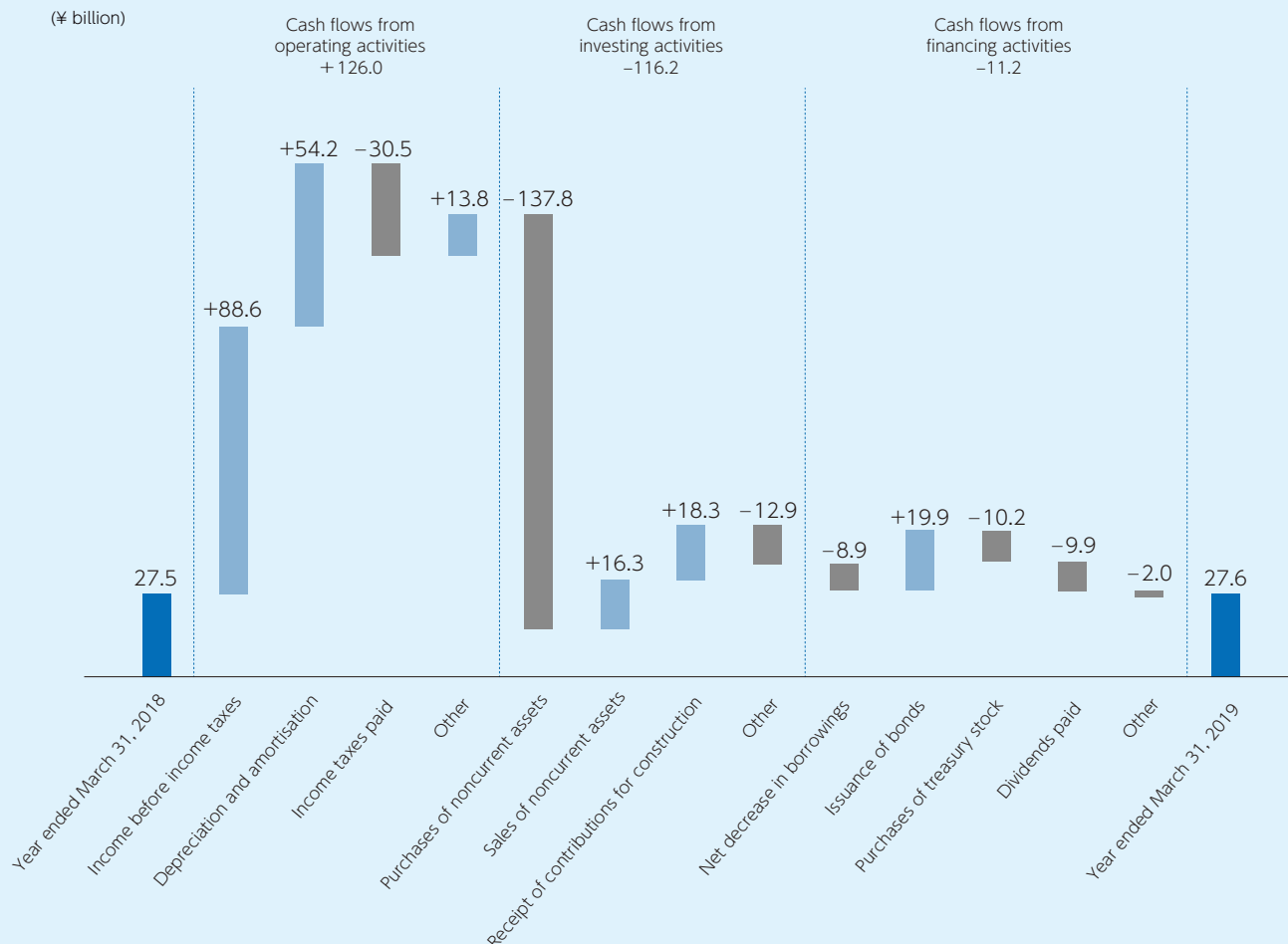
Net cash used in investing activities was ¥116,160 million, an increase of 31.5% year-on-year, because of purchases of noncurrent assets of ¥137,809 million, receipt of contributions for construction of ¥18,252 million, etc.

### (3) Cash Flows from Financing Activities

Net cash used in financing activities was ¥11,171 million, a decrease of 74.2% year-on-year, because of a net decrease in borrowings of ¥8,879 million, the issue of bonds of ¥19,866 million, purchases of treasury stock of ¥10,199 million, dividends paid of ¥9,896 million, etc.

## Cash flows

(¥ billion)



## 3. Fund Procurement

The outstanding balance of interest-bearing debt at the end of the consolidated fiscal year was ¥877,055 million, an increase of ¥10,297 million over the end of the previous consolidated fiscal year, as expenditure of funds for investments in facilities and equipment such as the Umeda 1-1 Project and payment of income tax etc., exceeded receipt of funds from EBITDA (operating income + depreciation expenses + amortisation of goodwill) etc.

The ratio of interest-bearing debt/EBITDA, which is the benchmark the Company uses for assessing the soundness of its financial position, stood at 5.1 times at the end of the fiscal year compared with 5.4 times at the end of the previous fiscal year.



## Consolidated Capital Expenditure and Depreciation and Amortisation

The amount of capital expenditures (including those for intangible assets) in the consolidated fiscal year under review was ¥114,368 million, recording an increase of ¥27,964 million (32.4%) over the previous consolidated fiscal year.

The following is a breakdown for each business segment.

|                                  | (Millions of yen) | (%)   |
|----------------------------------|-------------------|-------|
|                                  | FY2019            | YoY   |
| Urban Transportation             | 33,791            | -3.5  |
| Real Estate                      | 62,448            | 56.4  |
| Entertainment and Communications | 7,923             | 4.8   |
| Travel                           | 831               | 54.5  |
| International Transportation     | 678               | -7.4  |
| Hotels                           | 1,961             | -14.7 |
| Other                            | 1,452             | 118.3 |
| Total                            | 109,087           | 25.8  |
| Adjustment                       | 5,280             | —     |
| Consolidated                     | 114,368           | 32.4  |

### Urban Transportation

The railway business carried out capital investment with a focus on safety and service improvement, building of new rolling stock, and improved existing rolling stock.

### Real Estate

The Real Estate Business carried out capital investment for the Umeda 1-1 Project and acquired Lalaport Koshien (land).

### Entertainment and Communications

The Entertainment and Communications Business renewed the transmission lines of main lines.

### Travel

In the Travel Business, Hankyu Travel International introduced luxury buses and invested in IT systems for online reservations.

### International Transportation

In the International Transportation Business, Hankyu Hanshin Express invested in IT systems for in-house operations.

### Hotels

In the Hotels Business, Hankyu Hanshin Hotels refurbished the guest rooms of its hotels.

Depreciation and amortisation in the consolidated fiscal year under review was ¥54,172 million, recording an increase of ¥896 million (1.7%) over the previous consolidated fiscal year.

# 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 annual report was determined by the Group to be current as of March 31, 2019.

## 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 MLIT's administration of these regulations.

## Interest-Bearing Debt

The balance of interest-bearing debt held by the Group as of the end of March 2019, on a consolidated basis, was ¥877,055 million.

As a result of the acquisition of shares in Hanshin Electric Railway through a successful public tender offer (takeover bid) on June 27, 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.

## 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.

## Declining Birth Rate

In the Group's mainstay Kyoto-Osaka-Kobe area, demographic changes accompanying the declining birth rate are expected to lower demand for railway, bus, and taxi services and other types of passenger transportation and to lower demand in other business areas. In addition, securing personnel is likely to become difficult as an imbalance between supply and demand develops in the labour market. Such contingencies could affect the business performance and financial position of the Group.

## Natural Disasters

Operating as it does across an extremely 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 the conduct of business, such as railway installations and buildings and retail outlets for rent. In the event of earthquakes or other major disasters, large-scale accidents, or acts of terrorism, the business performance and financial position of the Group could be adversely affected by damage to these facilities, its customers, and/or limitations placed on its business operations.

# Consolidated Balance Sheets

As of March 31, 2018 and 2019

|  | Millions of yen |           | Thousands of U.S. dollars |
|--|-----------------|-----------|---------------------------|
|  | 2018            | 2019      | 2019                      |
| Assets   |                 |           |                           |
| Current assets:                                  |                 |           |                           |
| Cash and deposits                                | ¥ 28,836        | ¥ 28,856  | \$ 259,964                |
| Trade receivables                                | 92,619          | 93,154    | 839,225                   |
| Land and buildings for sale                      | 116,177         | 119,918   | 1,080,342                 |
| Finished products and merchandise                | 2,609           | 2,568     | 23,135                    |
| Work in progress                                 | 3,364           | 3,864     | 34,811                    |
| Materials and supplies                           | 4,644           | 4,762     | 42,901                    |
| Other  | 42,435          | 50,095    | 451,306                   |
| Allowance for doubtful receivables               | (239)           | (254)     | (2,288)                   |
| Total current assets                             | 290,448         | 302,963   | 2,729,396                 |
| Noncurrent assets:                               |                 |           |                           |
| Property and equipment:                          |                 |           |                           |
| Buildings and structures-net (Note 6.3)          | 565,783         | 572,410   | 5,156,847                 |
| Machinery, equipment and vehicles-net (Note 6.3) | 64,081          | 65,672    | 591,640                   |
| Land (Notes 6.3 and 6.5)                         | 940,894         | 955,012   | 8,603,712                 |
| Construction in progress                         | 160,931         | 171,336   | 1,543,568                 |
| Other-net (Note 6.3)                             | 17,840          | 19,358    | 174,396                   |
| Total property and equipment (Notes 6.1 and 6.2) | 1,749,531       | 1,783,789 | 16,070,171                |
| Intangible assets:                               |                 |           |                           |
| Goodwill   | 18,457          | 16,214    | 146,072                   |
| Other (Notes 6.2 and 6.3)                        | 16,756          | 19,520    | 175,856                   |
| Total intangible assets                          | 35,214          | 35,734    | 321,928                   |
| Investments and other assets:                    |                 |           |                           |
| Investment securities (Notes 6.3 and 6.4)        | 285,953         | 291,771   | 2,628,568                 |
| Deferred tax assets                              | 5,038           | 6,965     | 62,748                    |
| Net defined benefit asset                        | 10,061          | 14,595    | 131,486                   |
| Other (Note 6.3)                                 | 28,894          | 30,610    | 275,766                   |
| Allowance for doubtful receivables               | (217)           | (208)     | (1,874)                   |
| Total investments and other assets               | 329,731         | 343,735   | 3,096,712                 |
| Total noncurrent assets                          | 2,114,477       | 2,163,259 | 19,488,820                |
| Total assets                                     | 2,404,926       | 2,466,223 | 22,218,225                |

|   | Millions of yen |           | Thousands of U.S. dollars |
|---|-----------------|-----------|---------------------------|
|   | 2018            | 2019      | 2019                      |
| Liabilities:  |                 |           |                           |
| Current liabilities:  |                 |           |                           |
| Trade payables  | ¥ 46,891        | ¥ 48,054  | \$ 432,919                |
| Accrued expenses  | 21,032          | 21,380    | 192,613                   |
| Short-term borrowings (Note 6.3)                                | 142,091         | 137,036   | 1,234,559                 |
| Current portion of bonds  | —               | 20,000    | 180,180                   |
| Lease obligations   | 1,493           | 1,567     | 14,117                    |
| Income taxes payable  | 11,811          | 4,576     | 41,225                    |
| Provision for bonuses   | 4,405           | 4,345     | 39,144                    |
| Other (Note 6.3)  | 179,183         | 167,324   | 1,507,423                 |
| Total current liabilities                                       | 406,909         | 404,286   | 3,642,216                 |
| Long-term liabilities:  |                 |           |                           |
| Long-term debt (Note 6.3)                                       | 625,340         | 621,375   | 5,597,973                 |
| Bonds   | 92,000          | 92,000    | 828,829                   |
| Lease obligations   | 5,832           | 5,076     | 45,730                    |
| Deferred tax liabilities  | 179,375         | 183,167   | 1,650,153                 |
| Deferred tax liabilities related to land revaluation (Note 6.5) | 5,152           | 5,152     | 46,414                    |
| Net defined benefit liability                                   | 61,654          | 62,209    | 560,441                   |
| Long-term deferred contribution for construction                | 52,586          | 63,375    | 570,946                   |
| Other   | 109,561         | 114,198   | 1,028,811                 |
| Total long-term liabilities                                     | 1,131,503       | 1,146,555 | 10,329,324                |
| Total liabilities   | 1,538,413       | 1,550,842 | 13,971,550                |
| Net assets:   |                 |           |                           |
| Shareholders' equity:   |                 |           |                           |
| Common stock  | 99,474          | 99,474    | 896,162                   |
| Capital surplus   | 146,053         | 146,591   | 1,320,640                 |
| Retained earnings   | 583,482         | 641,731   | 5,781,360                 |
| Less treasury stock, at cost                                    | (24,247)        | (34,400)  | (309,910)                 |
| Total shareholders' equity                                      | 804,764         | 853,397   | 7,688,261                 |
| Accumulated other comprehensive income:                         |                 |           |                           |
| Valuation difference on available-for-sale securities           | 27,146          | 24,144    | 217,514                   |
| Deferred gains or losses on hedges                              | (494)           | (325)     | (2,928)                   |
| Revaluation reserve for land (Note 6.5)                         | 5,575           | 5,523     | 49,757                    |
| Foreign currency translation adjustments                        | 607             | (163)     | (1,468)                   |
| Cumulative adjustments related to retirement benefit plans      | 125             | 2,287     | 20,604                    |
| Total accumulated other comprehensive income                    | 32,961          | 31,465    | 283,468                   |
| Non-controlling interests (Note 6.5)                            | 28,786          | 30,517    | 274,928                   |
| Total net assets  | 866,512         | 915,381   | 8,246,676                 |
| Total liabilities and net assets                                | 2,404,926       | 2,466,223 | 22,218,225                |



## Consolidated Statements of Income

Years ended March 31, 2018 and 2019

|   | Millions of yen |           | Thousands of U.S. dollars |
|---|-----------------|-----------|---------------------------|
|   | 2018            | 2019      | 2019                      |
| Revenues from operations                                | ¥ 760,252       | ¥ 791,427 | \$ 7,129,973              |
| Costs of revenues from operations:                      |                 |           |                           |
| Operating expenses and cost of sales of transportation  | 625,407         | 650,127   | 5,857,000                 |
| Selling, general and administrative expenses (Note 7.1) | 29,633          | 26,361    | 237,486                   |
| Total costs of revenues from operations (Note 7.2)      | 655,041         | 676,489   | 6,094,495                 |
| Operating income  | 105,211         | 114,937   | 1,035,468                 |
| Non-operating income:                                   |                 |           |                           |
| Interest income   | 119             | 123       | 1,108                     |
| Dividend income   | 1,212           | 1,372     | 12,360                    |
| Equity in income of affiliates                          | 9,232           | 4,962     | 44,703                    |
| Miscellaneous income                                    | 2,227           | 2,918     | 26,288                    |
| Total non-operating income                              | 12,791          | 9,377     | 84,477                    |
| Non-operating expenses:                                 |                 |           |                           |
| Interest expenses                                       | 10,059          | 9,615     | 86,622                    |
| Loss on retirement of noncurrent assets                 | 1,825           | 1,756     | 15,820                    |
| Miscellaneous expenses                                  | 2,342           | 2,399     | 21,613                    |
| Total non-operating expenses                            | 14,228          | 13,771    | 124,063                   |
| Ordinary income   | 103,774         | 110,543   | 995,883                   |
| Extraordinary income:                                   |                 |           |                           |
| Gain on contributions for construction                  | 32,483          | 3,657     | 32,946                    |
| Income on sales of noncurrent assets                    | 1,276           | 2,758     | 24,847                    |
| Other   | 1,408           | 806       | 7,261                     |
| Total extraordinary income                              | 35,168          | 7,221     | 65,054                    |
| Extraordinary loss:                                     |                 |           |                           |
| Loss on reduction of noncurrent assets                  | 33,702          | 4,042     | 36,414                    |
| Impairment loss (Note 7.3)                              | 819             | 19,262    | 173,532                   |
| Other   | 3,011           | 5,897     | 53,126                    |
| Total extraordinary loss                                | 37,533          | 29,202    | 263,081                   |
| Income before income taxes                              | 101,410         | 88,562    | 797,856                   |
| Income taxes – current                                  | 28,389          | 19,104    | 172,108                   |
| Income taxes – deferred                                 | 4,972           | 1,420     | 12,793                    |
| Total income taxes                                      | 33,362          | 20,525    | 184,910                   |
| Net income  | 68,047          | 68,036    | 612,937                   |
| Net income attributable to non-controlling interests    | 1,685           | 2,560     | 23,063                    |
| Net income attributable to owners of the parent         | 66,361          | 65,476    | 589,874                   |

## Consolidated Statements of Comprehensive Income

Years ended March 31, 2018 and 2019

|   | Millions of yen |          | Thousands of U.S. dollars |
|---|-----------------|----------|---------------------------|
|   | 2018            | 2019     | 2019                      |
| Net income  | ¥ 68,047        | ¥ 68,036 | \$ 612,937                |
| Other comprehensive income:   |                 |          |                           |
| Valuation difference on available-for-sale securities                               | 1,766           | (2,635)  | (23,739)                  |
| Deferred gains or losses on hedges  | (984)           | 158      | 1,423                     |
| Revaluation reserve for land  | 5               | —        | —                         |
| Foreign currency translation adjustments  | 519             | (670)    | (6,036)                   |
| Remeasurements of defined benefit plans   | 1,625           | 2,945    | 26,532                    |
| Share of other comprehensive income of associates accounted for using equity method | 3,009           | (1,268)  | (11,423)                  |
| Total other comprehensive income (Note 8.1)   | 5,944           | (1,471)  | (13,252)                  |
| Comprehensive income  | 73,991          | 66,565   | 599,685                   |
| Comprehensive income attributable to:   |                 |          |                           |
| Owners of the parent  | 72,225          | 64,287   | 579,162                   |
| Non-controlling interests   | 1,766           | 2,277    | 20,514                    |

# Consolidated Statements of Changes in Net Assets

Years ended March 31, 2018 and 2019

|   | Millions of yen      |                 |                   |                              |                            |
|---|----------------------|-----------------|-------------------|------------------------------|----------------------------|
|   | Shareholders' equity |                 |                   |                              |                            |
|   | Common stock         | Capital surplus | Retained earnings | Less treasury stock, at cost | Total shareholders' equity |
| Balance as of March 31, 2017  | ¥99,474              | ¥146,053        | ¥527,884          | ¥(13,537)                    | ¥759,875                   |
| Changes of items during the period:   |                      |                 |                   |                              |                            |
| Dividends from surplus  |                      |                 | (9,360)           |                              | (9,360)                    |
| Net income attributable to owners of the parent   |                      |                 | 66,361            |                              | 66,361                     |
| Reversal of revaluation reserve for land  |                      |                 | (24)              |                              | (24)                       |
| Purchase of treasury stock  |                      |                 |                   | (10,689)                     | (10,689)                   |
| Disposal of treasury stock  |                      |                 | (10)              | 129                          | 119                        |
| Change in treasury stock of parent arising from transactions with non-controlling interest shareholders         |                      |                 |                   |                              | —                          |
| Change in scope of consolidation  |                      |                 | 165               |                              | 165                        |
| Increase or decrease by corporate division  |                      |                 | (1,534)           |                              | (1,534)                    |
| Changes in equity in affiliates accounted for by equity-method treasury stock                                   |                      |                 |                   | (2)                          | (2)                        |
| Increase or decrease caused by organization restructuring of companies to which the equity method is applicable |                      |                 |                   | (146)                        | (146)                      |
| Net changes of items other than shareholders' equity  |                      |                 |                   |                              |                            |
| Total changes of items during the period  | —                    | —               | 55,598            | (10,709)                     | 44,888                     |
| Balance as of March 31, 2018  | 99,474               | 146,053         | 583,482           | (24,247)                     | 804,764                    |
| Changes of items during the period:   |                      |                 |                   |                              |                            |
| Dividends from surplus  |                      |                 | (9,896)           |                              | (9,896)                    |
| Net income attributable to owners of the parent   |                      |                 | 65,476            |                              | 65,476                     |
| Reversal of revaluation reserve for land  |                      |                 | 2                 |                              | 2                          |
| Purchase of treasury stock  |                      |                 |                   | (10,199)                     | (10,199)                   |
| Disposal of treasury stock  |                      | 0               |                   | 45                           | 45                         |
| Change in treasury stock of parent arising from transactions with non-controlling interest shareholders         |                      | 537             |                   |                              | 537                        |
| Change in scope of consolidation  |                      |                 | 2,666             |                              | 2,666                      |
| Increase or decrease by corporate division  |                      |                 |                   |                              | —                          |
| Changes in equity in affiliates accounted for by equity-method treasury stock                                   |                      |                 |                   | 0                            | 0                          |
| Increase or decrease caused by organization restructuring of companies to which the equity method is applicable |                      |                 |                   |                              | —                          |
| Net changes of items other than shareholders' equity  |                      |                 |                   |                              |                            |
| Total changes of items during the period  | —                    | 537             | 58,248            | (10,153)                     | 48,633                     |
| Balance as of March 31, 2019  | 99,474               | 146,591         | 641,731           | (34,400)                     | 853,397                    |

|   | Millions of yen                                       |                                    |                              |  |  |  |                               |                           |                  |
|---|---|------------------------------------|------------------------------|--|--|--|-------------------------------|---------------------------|------------------|
|   | Accumulated other comprehensive income                |                                    |                              |  |  |  | Subscription rights to shares | Non-controlling interests | Total net assets |
|   | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Revaluation reserve for land | Foreign currency translation adjustments | Cumulative adjustments related to retirement benefit plans | Total accumulated other comprehensive income |                               |                           |                  |
| Balance as of March 31, 2017  | ¥22,545   | ¥472                               | ¥5,546                       | ¥100                                     | ¥(1,591)   | ¥27,074                                      | ¥496                          | ¥17,213                   | ¥804,659         |
| Changes of items during the period:   |   |                                    |                              |  |  |  |                               |                           |                  |
| Dividends from surplus  |   |                                    |                              |  |  |  |                               |                           | (9,360)          |
| Net income attributable to owners of the parent   |   |                                    |                              |  |  |  |                               |                           | 66,361           |
| Reversal of revaluation reserve for land  |   |                                    |                              |  |  |  |                               |                           | (24)             |
| Purchase of treasury stock  |   |                                    |                              |  |  |  |                               |                           | (10,689)         |
| Disposal of treasury stock  |   |                                    |                              |  |  |  |                               |                           | 119              |
| Change in treasury stock of parent arising from transactions with non-controlling interest shareholders         |   |                                    |                              |  |  |  |                               |                           | —                |
| Change in scope of consolidation  |   |                                    |                              |  |  |  |                               |                           | 165              |
| Increase or decrease by corporate division  |   |                                    |                              |  |  |  |                               |                           | (1,534)          |
| Changes in equity in affiliates accounted for by equity-method treasury stock                                   |   |                                    |                              |  |  |  |                               |                           | (2)              |
| Increase or decrease caused by organization restructuring of companies to which the equity method is applicable |   |                                    |                              |  |  |  |                               |                           | (146)            |
| Net changes of items other than shareholders' equity  | 4,601   | (966)                              | 29                           | 507                                      | 1,716  | 5,887  | (496)                         | 11,572                    | 16,963           |
| Total changes of items during the period  | 4,601   | (966)                              | 29                           | 507                                      | 1,716  | 5,887  | (496)                         | 11,572                    | 61,852           |
| Balance as of March 31, 2018  | 27,146  | (494)                              | 5,575                        | 607                                      | 125  | 32,961                                       | —                             | 28,786                    | 866,512          |
| Changes of items during the period:   |   |                                    |                              |  |  |  |                               |                           |                  |
| Dividends from surplus  |   |                                    |                              |  |  |  |                               |                           | (9,896)          |
| Net income attributable to owners of the parent   |   |                                    |                              |  |  |  |                               |                           | 65,476           |
| Reversal of revaluation reserve for land  |   |                                    |                              |  |  |  |                               |                           | 2                |
| Purchase of treasury stock  |   |                                    |                              |  |  |  |                               |                           | (10,199)         |
| Disposal of treasury stock  |   |                                    |                              |  |  |  |                               |                           | 45               |
| Change in treasury stock of parent arising from transactions with non-controlling interest shareholders         |   |                                    |                              |  |  |  |                               |                           | 537              |
| Change in scope of consolidation  |   |                                    |                              |  |  |  |                               |                           | 2,666            |
| Increase or decrease by corporate division  |   |                                    |                              |  |  |  |                               |                           | —                |
| Changes in equity in affiliates accounted for by equity-method treasury stock                                   |   |                                    |                              |  |  |  |                               |                           | 0                |
| Increase or decrease caused by organization restructuring of companies to which the equity method is applicable |   |                                    |                              |  |  |  |                               |                           | —                |
| Net changes of items other than shareholders' equity  | (3,001)   | 168                                | (52)                         | (771)                                    | 2,161  | (1,496)                                      | —                             | 1,731                     | 235              |
| Total changes of items during the period  | (3,001)   | 168                                | (52)                         | (771)                                    | 2,161  | (1,496)                                      | —                             | 1,731                     | 48,868           |
| Balance as of March 31, 2019  | 24,144  | (325)                              | 5,523                        | (163)                                    | 2,287  | 31,465                                       | —                             | 30,517                    | 915,381          |

## Consolidated Statements of Changes in Net Assets

|   | Thousands of U.S. dollars |                 |                   |                              |                            |
|---|---------------------------|-----------------|-------------------|------------------------------|----------------------------|
|   | Shareholders' equity      |                 |                   |                              |                            |
|   | Common stock              | Capital surplus | Retained earnings | Less treasury stock, at cost | Total shareholders' equity |
| Balance as of March 31, 2018  | \$896,162                 | \$1,315,793     | \$5,256,595       | \$(218,441)                  | \$7,250,126                |
| Changes of items during the period:   |                           |                 |                   |                              |                            |
| Dividends from surplus  |                           |                 | (89,153)          |                              | (89,153)                   |
| Net income attributable to owners of the parent   |                           |                 | 589,874           |                              | 589,874                    |
| Reversal of revaluation reserve for land  |                           |                 | 18                |                              | 18                         |
| Purchase of treasury stock  |                           |                 |                   | (91,883)                     | (91,883)                   |
| Disposal of treasury stock  |                           | 0               |                   | 405                          | 405                        |
| Change in treasury stock of parent arising from transactions with non-controlling interest shareholders         |                           | 4,838           |                   |                              | 4,838                      |
| Change in scope of consolidation  |                           |                 | 24,018            |                              | 24,018                     |
| Increase or decrease by corporate division  |                           |                 |                   |                              | —                          |
| Changes in equity in affiliates accounted for by equity-method treasury stock                                   |                           |                 |                   | 0                            | 0                          |
| Increase or decrease caused by organization restructuring of companies to which the equity method is applicable |                           |                 |                   |                              | —                          |
| Net changes of items other than shareholders' equity  |                           |                 |                   |                              |                            |
| Total changes of items during the period  | —                         | 4,838           | 524,757           | (91,468)                     | 438,135                    |
| Balance as of March 31, 2019  | 896,162                   | 1,320,640       | 5,781,360         | (309,910)                    | 7,688,261                  |

|   | Thousands of U.S. dollars                             |                                    |                              |  |  |  |                               |                           |                  |
|---|---|------------------------------------|------------------------------|--|--|--|-------------------------------|---------------------------|------------------|
|   | Accumulated other comprehensive income                |                                    |                              |  |  |  | Subscription rights to shares | Non-controlling interests | Total net assets |
|   | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Revaluation reserve for land | Foreign currency translation adjustments | Cumulative adjustments related to retirement benefit plans | Total accumulated other comprehensive income |                               |                           |                  |
| Balance as of March 31, 2018  | \$244,559   | \$ (4,450)                         | \$50,225                     | \$5,468                                  | \$1,126  | \$296,946                                    | —                             | \$259,333                 | \$7,806,414      |
| Changes of items during the period:   |   |                                    |                              |  |  |  |                               |                           |                  |
| Dividends from surplus  |   |                                    |                              |  |  |  |                               |                           | (89,153)         |
| Net income attributable to owners of the parent   |   |                                    |                              |  |  |  |                               |                           | 589,874          |
| Reversal of revaluation reserve for land  |   |                                    |                              |  |  |  |                               |                           | 18               |
| Purchase of treasury stock  |   |                                    |                              |  |  |  |                               |                           | (91,883)         |
| Disposal of treasury stock  |   |                                    |                              |  |  |  |                               |                           | 405              |
| Change in treasury stock of parent arising from transactions with non-controlling interest shareholders         |   |                                    |                              |  |  |  |                               |                           | 4,838            |
| Change in scope of consolidation  |   |                                    |                              |  |  |  |                               |                           | 24,018           |
| Increase or decrease by corporate division  |   |                                    |                              |  |  |  |                               |                           | —                |
| Changes in equity in affiliates accounted for by equity-method treasury stock                                   |   |                                    |                              |  |  |  |                               |                           | 0                |
| Increase or decrease caused by organization restructuring of companies to which the equity method is applicable |   |                                    |                              |  |  |  |                               |                           | —                |
| Net changes of items other than shareholders' equity  | (27,036)  | 1,514                              | (468)                        | (6,946)                                  | 19,468   | (13,477)                                     | —                             | 15,595                    | 2,117            |
| Total changes of items during the period  | (27,036)  | 1,514                              | (468)                        | (6,946)                                  | 19,468   | (13,477)                                     | —                             | 15,595                    | 440,252          |
| Balance as of March 31, 2019  | 217,514   | (2,928)                            | 49,757                       | (1,468)                                  | 20,604   | 283,468                                      | —                             | 274,928                   | 8,246,676        |

# Consolidated Statements of Cash Flows

Years ended March 31, 2018 and 2019

|   | Millions of yen |           | Thousands of U.S. dollars |
|---|-----------------|-----------|---------------------------|
|   | 2018            | 2019      | 2019                      |
| Cash flows from operating activities:                                       |                 |           |                           |
| Income before income taxes  | ¥ 101,410       | ¥ 88,562  | \$ 797,856                |
| Depreciation and amortisation   | 53,276          | 54,172    | 488,036                   |
| Impairment loss   | 819             | 19,262    | 173,532                   |
| Amortisation of goodwill  | 2,323           | 2,240     | 20,180                    |
| Equity in (income) losses of affiliates                                     | (9,232)         | (4,962)   | (44,703)                  |
| Increase (decrease) in net defined benefit liability                        | (323)           | 464       | 4,180                     |
| Increase (decrease) in allowance for doubtful receivables                   | (52)            | 9         | 81                        |
| Interest and dividend income  | (1,331)         | (1,496)   | (13,477)                  |
| Interest expenses   | 10,059          | 9,615     | 86,622                    |
| Loss on reduction of noncurrent assets                                      | 33,702          | 4,042     | 36,414                    |
| Loss on retirement of noncurrent assets                                     | 1,825           | 1,756     | 15,820                    |
| (Income) losses on sales of noncurrent assets                               | (1,046)         | (2,746)   | (24,739)                  |
| Gain on contributions for construction                                      | (32,483)        | (3,657)   | (32,946)                  |
| Decrease (increase) in trade receivables                                    | (8,806)         | (718)     | (6,468)                   |
| Decrease (increase) in inventories  | (9,254)         | (4,003)   | (36,063)                  |
| Increase (decrease) in trade payables                                       | 6,525           | 1,094     | 9,856                     |
| Other   | 20,412          | (1,965)   | (17,703)                  |
| Subtotal  | 167,824         | 161,672   | 1,456,505                 |
| Interest and dividends received   | 4,155           | 4,533     | 40,838                    |
| Interest paid   | (10,154)        | (9,627)   | (86,730)                  |
| Income taxes (paid) refunded  | (26,005)        | (30,542)  | (275,153)                 |
| Net cash provided by operating activities                                   | 135,821         | 126,035   | 1,135,450                 |
| Cash flows from investing activities:                                       |                 |           |                           |
| Purchases of noncurrent assets  | (102,863)       | (137,809) | (1,241,523)               |
| Proceeds from sales of noncurrent assets                                    | 2,010           | 16,310    | 146,937                   |
| Purchases of investment securities  | (7,807)         | (11,744)  | (105,802)                 |
| Receipt of contributions for construction                                   | 21,222          | 18,252    | 164,432                   |
| Other   | (914)           | (1,169)   | (10,532)                  |
| Net cash used in investing activities                                       | (88,351)        | (116,160) | (1,046,486)               |
| Cash flows from financing activities:                                       |                 |           |                           |
| Net increase (decrease) in short-term borrowings                            | (33,954)        | 1,949     | 17,559                    |
| Proceeds from long-term debt  | 56,140          | 30,450    | 274,324                   |
| Repayment of long-term debt   | (43,293)        | (41,278)  | (371,874)                 |
| Proceeds from new bonds issued  | —               | 19,866    | 178,973                   |
| Redemption of bonds   | (10,000)        | —         | —                         |
| Purchases of treasury stock   | (10,689)        | (10,199)  | (91,883)                  |
| Dividends paid  | (9,360)         | (9,896)   | (89,153)                  |
| Dividends paid to non-controlling shareholders of consolidated subsidiaries | (363)           | (378)     | (3,405)                   |
| Proceeds from share issuance to non-controlling shareholders                | 10,115          | 18        | 162                       |
| Other   | (1,836)         | (1,703)   | (15,342)                  |
| Net cash used in financing activities                                       | (43,242)        | (11,171)  | (100,640)                 |
| Effect of exchange rate changes on cash and cash equivalents                | 360             | (551)     | (4,964)                   |
| Increase (decrease) in cash and cash equivalents                            | 4,588           | (1,848)   | (16,649)                  |
| Cash and cash equivalents at beginning of year                              | 22,530          | 27,501    | 247,757                   |
| Increase in cash and cash equivalents from newly consolidated subsidiary    | 383             | 1,935     | 17,432                    |
| Cash and cash equivalents at end of year                                    | 27,501          | 27,589    | 248,550                   |



# Notes to the Consolidated Financial Statements

## 1. Framework for Preparing Consolidated Financial Statements

### 1.1 Method of preparation for consolidated financial statements

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

### 1.2 Audit verification

The Company's consolidated financial statements for the fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019) were audited by KPMG AZSA LLC, as per Article 193-2 (1) of Japan's Financial Instruments and Exchange Act.

### 1.3 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 Groupwide basis, and arranges training courses for accounting staff at affiliates.

### 1.4 Translation into U.S. dollars

The U.S. dollar amounts have been translated, for convenience only, at ¥111 = US\$1, the prevailing exchange rate on the Tokyo Foreign Exchange Market as of March 31, 2019.

## 2. Basis of Preparation of Consolidated Financial Statements

### 2.1 Scope of consolidation

#### 2.1.1 Number and names of consolidated subsidiaries

Number of consolidated subsidiaries—94.

Names of primary consolidated subsidiaries are listed on page 111.

Further, as from the fiscal year ended March 31, 2019, Mimamorum Co. Ltd. and two other companies have been included in the scope of consolidation due to their increased significance.

Also, Hanshin Truck Co. Ltd. has been excluded from the scope of consolidation due to the transfer of shares.

#### 2.1.2 Names of major nonconsolidated subsidiaries

Hankyu Mediac 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.

### 2.2 Items related to application of equity-method accounting

#### 2.2.1 Number and names of affiliates for which equity method is applied

Number of affiliates for which equity method is applied—11.

Names of primary companies are listed on page 111.

#### 2.2.2 Names of nonconsolidated subsidiaries and affiliates for which equity method is not applied

The nonconsolidated subsidiaries (Hankyu Mediac Co., Ltd., etc.) and affiliates (OS Co., Ltd., etc.) to which the equity method does not apply 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.

### 2.3 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 19 other consolidated subsidiaries is December 31. 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.

### 2.4 Accounting policies

#### 2.4.1 Valuation standards and method for major assets

##### I. Securities

Available-for-sale securities:

##### a. 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.)

##### b. Available-for-sale securities without fair market values:

The moving average cost method is 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

##### a. 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.)

##### b. Other inventories:

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

## 2.4.2 Depreciation methods for major depreciable assets

## I. Property and equipment (excluding leased assets)

## a. Replacement assets of railway operations:

Replacement method (mainly the declining-balance method) is applied.

## b. Other property and equipment:

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.

However, regarding the abovementioned "Replacement assets of railway operations" and "Other property and equipment," depreciation of buildings acquired on or after April 1, 1998 (excluding facilities attached to buildings) and depreciation of facilities and structures that are attached to buildings and which were acquired on or after April 1, 2016 are calculated using the straight-line method.

## II. Intangible assets (excluding leased assets)

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

Internal-use software is amortised by the straight-line method over its useful 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.

## 2.4.3 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

The Company recognises as provision for bonuses the amount expected to be paid to employees as bonuses for the fiscal year.

## 2.4.4 Accounting methods for retirement benefits

In calculating the amount of retirement benefit obligations, the benefit formula method is used to distribute the estimated amount of retirement benefit into the period up to March 31, 2019.

Past service cost is 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.

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.

## 2.4.5 Basis for converting significant assets and liabilities in foreign currencies into Japanese yen

The assets and liabilities of overseas subsidiaries are converted into yen based on the spot exchange rate on the balance sheet date, and income and expenses of overseas subsidiaries are converted into yen based on the average exchange rate during the relevant period. Differences in conversion are included in foreign currency translation adjustments and non-controlling interests in the net assets section.

## 2.4.6 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 receivables and payables that have forward exchange contracts and which satisfy the requirements for designation accounting.

## II. Hedging instruments and hedged items

Main hedging instruments and hedged items are as follows:

## a. Hedging instruments: Forward exchange contracts, currency swap contracts, currency option contracts

Hedged items: Foreign currency receivables and payables and future foreign currency transactions

## b. Hedging instruments: Interest rate swap contracts, interest rate option contracts

Hedged items: Loans payable and bonds

## 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.

## 2.4.7 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 March 31, 2007 is being amortised in equal amounts over 20 years.

## 2.4.8 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.

## Notes to the Consolidated Financial Statements

### 2.4.9 Other significant matters for preparing consolidated financial statements

#### I. Accounting for contributions for construction in railway operations

The Company accepts contributions for construction from local governments and other organisations that cover a portion of construction expenses arising from the construction of continuous grade separations in railway operations. When construction is completed, noncurrent assets acquired as a result of accepting these contributions for construction are recognised at acquisition cost after deducting the amounts equivalent to the said contributions for construction.

In the consolidated statements of income, gain on contributions for construction is recognised in extraordinary income, and the acquisition

cost of noncurrent assets, after deducting the amounts equivalent to the contributions for construction, is recognised in extraordinary loss as loss on reduction of noncurrent assets.

#### II. Accounting for consumption tax

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

#### III. Adoption of consolidated tax payment system

A consolidated tax payment system has been adopted.

## 3. Standards and Guidance Not Yet Adopted

(Accounting Standard for Revenue Recognition)

The following standard and guidance were issued but not yet adopted.

- "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 30, 2018)
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 30, 2018)

#### (1) Outline

The International Accounting Standard Board ("IASB") and the Financial Accounting Standard Board ("FASB") jointly developed comprehensive accounting standard for revenue recognition and the Revenue from Contracts with Customers was issued in May 2014 (IFRS No. 15 by IASB, and Topic 606 by FASB).

IFRS No. 15 was applied for annual reporting periods beginning on or after January 2018, Topic 606 was also applied from annual reporting periods beginning December 15, 2017. Based on such a situation, the ASBJ developed the comprehensive accounting standard for revenue recognition/ the implementation guidance and issued them together.

On the ASBJ's basic policy for development of accounting standard for revenue recognition, the basic principles of IFRS No. 15 were incorporated into the ASBJ Statement No. 29 as starting points, the Statement was set out, from the viewpoint of comparability among financial statements which is one of merits for consistency with IFRS No. 15. If there are any items which should be considered in current practices in Japan, alternative treatments would be added to the extent of not losing the comparability.

#### (2) Effective date

Effective from the beginning of the fiscal year ended March 31, 2022.

#### (3) Effects of the 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.

## 4. Change in Method of Indication

(Changes due to the partial reform of "The Accounting Standards for Tax Effect Accounting")

The method has been changed so that deferred tax assets are reported separately from investment and other assets, and deferred tax liabilities are reported under noncurrent liabilities as a result of application of the partial reform of "The Accounting Standards for Tax Effect Accounting" (ASBJ No. 28, February 16, 2018) from the outset of the fiscal year ended March 31, 2019.

As a result, 6,038 million yen of "deferred tax assets" are reported under current assets, 5,038 million yen of "deferred tax assets" are reported under investment and miscellaneous assets, and 1 million yen of "deferred tax liabilities," which were previously part of "miscellaneous" current liabilities are now reported under noncurrent "deferred tax liabilities."

Further, "total assets" and "total liabilities" declined respectively by 5,179 million yen as a result of offsetting the "deferred tax assets" against the "deferred tax liabilities."

Also, we have added the content outlined by "The Accounting Standards for Tax Effect Accounting" Comment 8 (excluding the total amounts for valuation allowance) and Comment 9 as stipulated by Clause 3 to Clause 5 of the partial reform of "The Accounting Standards for Tax Effect Accounting." However, we did not list the content that draws on the fiscal year ended March 31, 2018, following the transitional measures outlined under Clause 7 of the partial reform of "The Accounting Standards for Tax Effect Accounting."

(Consolidated statements of income)

"Income on sales of noncurrent assets," having been reported in "Other" of extraordinary income until the fiscal year ended March 31, 2018, is reported separately from fiscal year ended March 31, 2019 due to its increased significance.

As a result, in the consolidated statements of income for the fiscal year ended March 31, 2018, "Other" of 2,685 million yen in extraordinary income is reported as "Income on sales of noncurrent assets" of 1,276 million yen and "Other" of 1,408 million yen.

## 5. Additional Information

### (Performance-based stock compensation plan for directors, etc., of the Company's subsidiaries)

#### 5.1 Outline of transaction

The Company has not adopted any stock compensation plan using a trust for its directors, employees or others.

However for the purpose of enhancing consciousness to contribute to the improvement in medium-and-long term performance and to increase corporate value by clarifying the linkage between performance and corporate value of the Group, Hankyu corporation, Hanshin Electric Railway Co., Ltd., and Hankyu-Hanshin Real Estate Co. Ltd. have adopted a performance based stock compensation plan using a trust of shares in the company (hereinafter referred to as the "System") for full-time directors and corporate officers, excluding outside directors and nonresidents of Japan and employees of other companies on loan to Hankyu-Hanshin Real Estate Co. Ltd. from other companies.

The System uses an officer compensation BIP (Board Incentive Plan) trust, under which shares in the company will be provided to, and money equivalent to exchange value of shares in the company will be paid to, directors and others based on performance and position.

The System will be effective for three years from the fiscal year ended March 31, 2018 to the fiscal year ended March 31, 2020.

#### 5.2 Shares in the Company remaining under the trust

Shares in the Company remaining under the trust were listed as treasury stock in the net assets section on a book value basis for trust (excluding ancillary expenses). The book value of, and the number of shares of the treasury stock at the end of the fiscal year ended March 31, 2018 were 1,430 million yen and 357,968 shares, and at the year ended March 31, 2019, are 1,519 million yen and 377,008 shares respectively.



## 6. Consolidated Balance Sheets

### 6.1 Accumulated depreciation of property and equipment

| Millions of yen |            | Thousands of U.S. dollars |
|-----------------|------------|---------------------------|
| 2018            | 2019       | 2019                      |
| ¥1,144,599      | ¥1,150,595 | \$10,365,721              |

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

| Millions of yen |          | Thousands of U.S. dollars |
|-----------------|----------|---------------------------|
| 2018            | 2019     | 2019                      |
| ¥443,713        | ¥445,997 | \$4,017,991               |

### 6.3 Pledged assets and secured liabilities

The following table shows the assets pledged as collateral. Amounts in parentheses ( ) indicate those related to a railway foundation.

|                                   | Millions of yen |            |          |            | Thousands of U.S. dollars |               |
|-----------------------------------|-----------------|------------|----------|------------|---------------------------|---------------|
|                                   | 2018            |            | 2019     |            | 2019                      |               |
| Property and equipment:           |                 |            |          |            |                           |               |
| Buildings and structures          | ¥201,129        | (¥201,129) | ¥200,392 | (¥200,392) | \$1,805,333               | (\$1,805,333) |
| Machinery, equipment and vehicles | 49,401          | (49,401)   | 50,614   | (50,614)   | 455,982                   | (455,982)     |
| Land                              | 242,231         | (242,231)  | 242,100  | (242,100)  | 2,181,081                 | (2,181,081)   |
| Other                             | 2,139           | (2,139)    | 3,018    | (3,018)    | 27,189                    | (27,189)      |
| Intangible assets:                |                 |            |          |            |                           |               |
| Other                             | 118             | (118)      | 118      | (118)      | 1,063                     | (1,063)       |
| Investments and other assets:     |                 |            |          |            |                           |               |
| Investment securities             | 532             | (—)        | 438      | (—)        | 3,946                     | (—)           |
| Other                             | 120             | (—)        | 176      | (—)        | 1,586                     | (—)           |
| Total                             | 495,674         | (495,021)  | 496,859  | (496,244)  | 4,476,207                 | (4,470,667)   |

In addition to the above, the Company pledged investment securities (fiscal year ended March 31, 2018: 800 million yen, fiscal year ended March 31, 2019: 800 million yen) as collateral for loans of third parties.

The following table shows the secured liabilities. Amounts in parentheses ( ) indicate those related to a railway foundation.

|                        | Millions of yen |           |         |           | Thousands of U.S. dollars |             |
|------------------------|-----------------|-----------|---------|-----------|---------------------------|-------------|
|                        | 2018            |           | 2019    |           | 2019                      |             |
| Current liabilities:   |                 |           |         |           |                           |             |
| Short-term borrowings  | ¥9,354          | (¥9,263)  | ¥9,446  | (¥9,446)  | \$85,099                  | (\$85,099)  |
| Other                  | 92              | (—)       | 90      | (—)       | 811                       | (—)         |
| Long-term liabilities: |                 |           |         |           |                           |             |
| Long-term debt         | 112,823         | (112,823) | 113,477 | (113,477) | 1,022,315                 | (1,022,315) |
| Total                  | 122,270         | (122,086) | 123,014 | (122,923) | 1,108,234                 | (1,107,414) |

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

|                       | Millions of yen |          | Thousands of U.S. dollars |
|-----------------------|-----------------|----------|---------------------------|
|                       | 2018            | 2019     | 2019                      |
| Investment securities | ¥229,209        | ¥239,486 | \$2,157,532               |

6.5 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 March 31, 1998) and the Law to Partially Modify the Law Concerning Revaluations of Land (Law No. 19, promulgated on March 31, 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 attributable to minority shareholders as "non-controlling interests." The amount remaining after subtracting these was recorded in the net assets section as "Revaluation reserve for land." The equity-method affiliate 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 March 31, 1998).

- Date of revaluation: March 31, 2002

|  | Millions of yen |          | Thousands of U.S. dollars |
|--|-----------------|----------|---------------------------|
|  | 2018            | 2019     | 2019                      |
| Difference between the market value as of March 31, 2019 of the lands for which reevaluation was made and the book value of after reevaluation | ¥(6,343)        | ¥(6,137) | \$(55,288)                |

## 6.6 Contingent liabilities

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

### Fiscal year ended March 31, 2018

|   | Millions of yen |
|---|-----------------|
| Borrowers on loans for purchase of land and buildings | ¥20,633         |
| Nishi-Osaka Railway Co., Ltd.                         | 18,931          |
| PT IZUMI SENTUL REALTY                                | 848             |
| NNH MIZUKI JOINT STOCK COMPANY                        | 401             |
| Other (two companies)                                 | 54              |
| Total   | 40,868          |

### Fiscal year ended March 31, 2019

|   | Millions of yen | Thousands of U.S. dollars |
|---|-----------------|---------------------------|
| Nishi-Osaka Railway Co., Ltd.                         | ¥ 18,204        | \$ 164,000                |
| Borrowers on loans for purchase of land and buildings | 12,724          | 114,631                   |
| PT IZUMI SENTUL REALTY                                | 1,515           | 13,649                    |
| SENA HHP 7 Company Limited                            | 1,431           | 12,892                    |
| NNH MIZUKI JOINT STOCK COMPANY                        | 480             | 4,324                     |
| Intraspeed Arcpro Kenya Limited                       | 110             | 991                       |
| Other (four companies)                                | 178             | 1,604                     |
| Total   | 34,644          | 312,108                   |

In addition to the above, the Company submitted a letter of awareness for management guidance (fiscal year ended March 31, 2018: 1,655 million yen, fiscal year ended March 31, 2019: 1,957 million yen) in connection with the fund procurement of affiliates.

## 7. Consolidated Statements of Income

### 7.1 The breakdown of selling, general and administrative expenses is shown below

|                               | Millions of yen |         | Thousands of U.S. dollars |
|-------------------------------|-----------------|---------|---------------------------|
|                               | 2018            | 2019    | 2019                      |
| Personnel expenses            | ¥14,334         | ¥14,752 | \$132,901                 |
| Expenses                      | 11,108          | 7,686   | 69,243                    |
| Taxes                         | 1,000           | 746     | 6,721                     |
| Depreciation and amortisation | 866             | 934     | 8,414                     |
| Amortisation of goodwill      | 2,323           | 2,240   | 20,180                    |
| Total                         | 29,633          | 26,361  | 237,486                   |

### 7.2 The retirement benefit expenses and the main expense items and monetary amounts within the amounts of allowance and provision included in the costs of revenues from operations are shown below.

|                             | Millions of yen |        | Thousands of U.S. dollars |
|-----------------------------|-----------------|--------|---------------------------|
|                             | 2018            | 2019   | 2019                      |
| Retirement benefit expenses | ¥8,485          | ¥7,797 | \$70,243                  |
| Provision for bonuses       | 4,582           | 4,546  | 40,955                    |

### 7.3 Loss on impairment

Fiscal year ended March 31, 2018

Our Group recorded loss on impairment on the following asset groups.

| Millions of yen                                |                                |             |        |
|--|--------------------------------|-------------|--------|
| Use  | Type                           | Region      | Amount |
| Rental Real Estate Assets (1 item)             | Other intangible assets, etc.  | Osaka       | ¥ 407  |
| International Transportation Assets (14 items) | Buildings and Structures, etc. | Chiba, etc. | 411    |

(Method of asset grouping)

Our Group includes each business or property as group assets for account management purposes.

(Circumstances causing loss on impairment)

Under non-operational losses we listed as loss on impairment (819 million yen), the decline in value from book value to the amount recoverable on noncurrent asset groups that continuously listed operational losses with little likelihood to return to profitability, and noncurrent asset groups, etc. where the decision was made to move or evict in order to restore the property.

(Breakdown of loss on impairment)

| Millions of yen                |       |
|--------------------------------|-------|
| Other intangible assets, etc.  | ¥ 698 |
| Buildings and Structures, etc. | 121   |
| Total                          | 819   |

(Method of calculation of the recoverable value)

We determined the recoverable value from the net liquidation value.

We used a value determined by the expected liquidation value or residual value with regard to net liquidation value.

Fiscal year ended March 31, 2019

Our Group listed loss on impairment on the following asset groups.

|   |                                | Millions of yen |         | Thousands of U.S. dollars |
|---|--------------------------------|-----------------|---------|---------------------------|
| Use   | Type                           | Region          | Amount  |                           |
| Railway Operational Assets (1 item) (Note 1)        | Buildings and Structures, etc. | Hyogo           | ¥19,163 | \$172,640                 |
| Retailing Business Assets, etc. (20 items) (Note 2) | Buildings and Structures, etc. | Osaka, etc.     | 99      | 892                       |

(Method of asset grouping)

Our Group includes each business or property as group assets for account management purposes.

Note:

- In order to reduce train fares, the Kobe City Government approached our subsidiary Hankyu Corporation and proposed the commencement of discussions regarding the unification of operation of the Hokushin Kyuko Electric Railway (Shin-Kobe Station-Tanigami Station) under the Kobe City Transportation Bureau. Hankyu Corporation came to the conclusion that such efforts would contribute to the stimulation of the Kobe Sannomiya area, a key business location for our Group, and entered into the discussion. As a result, it was decided that the Group would aim to transfer railway assets related to the Hokushin Kyuko Electric Railway to the Kobe City Transportation Bureau in the first half of fiscal 2021. A basic agreement was concluded on March 29, 2019. As a result, under extraordinary loss we recorded as loss on impairment (19,163 million yen) (\$172,640 thousand), the decline in value from book value of the railway operational assets to the amount recoverable.
- Under extraordinary loss we recorded as loss on impairment the amount of (99 million yen) (\$892 thousand), the decline in value from book value to the amount recoverable for noncurrent assets for which it was decided that operations would be closed or dismantled.

(Breakdown of loss on impairment)

|                          | Millions of yen | Thousands of U.S. dollars |
|--------------------------|-----------------|---------------------------|
| Buildings and Structures | ¥ 15,954        | \$143,730                 |
| Land, etc.               | 3,308           | 29,802                    |
| Total                    | 19,262          | 173,532                   |

(Method of calculation of the recoverable value)

We determined the recoverable value from the net liquidation value.

We used a value determined by the expected liquidation value or residual value with regard to net liquidation value.

## 8. Consolidated Statements of Comprehensive Income

### 8.1 Reclassification adjustments and tax effects related to other comprehensive income

|  | Millions of yen | Thousands of U.S. dollars |
|--|-----------------|---------------------------|
|  | 2018            | 2019                      |
| Valuation difference on available-for-sale securities:                               |                 |                           |
| Increase (decrease) during the year  | ¥2,559          | ¥(4,193)                  |
| Reclassification adjustments   | (7)             | 365                       |
| Subtotal, before tax   | 2,552           | (3,827)                   |
| Tax (expense) or benefit   | (785)           | 1,192                     |
| Valuation difference on available-for-sale securities                                | 1,766           | (2,635)                   |
| Deferred gains or losses on hedges:  |                 |                           |
| Increase (decrease) during the year  | (1,504)         | 240                       |
| Reclassification adjustments   | —               | —                         |
| Subtotal, before tax   | (1,504)         | 240                       |
| Tax (expense) or benefit   | 520             | (82)                      |
| Deferred gains or losses on hedges   | (984)           | 158                       |
| Revaluation reserve for land:  |                 |                           |
| Increase (decrease) during the year  | —               | —                         |
| Reclassification adjustments   | —               | —                         |
| Subtotal, before tax   | —               | —                         |
| Tax (expense) or benefit   | 5               | —                         |
| Revaluation reserve for land   | 5               | —                         |
| Foreign currency translation adjustments:  |                 |                           |
| Increase (decrease) during the year  | 468             | (670)                     |
| Reclassification adjustments   | 51              | —                         |
| Subtotal, before tax   | 519             | (670)                     |
| Tax (expense) or benefit   | —               | —                         |
| Foreign currency translation adjustments   | 519             | (670)                     |
| Remeasurements of defined benefit plans:   |                 |                           |
| Increase (decrease) during the year  | 1,462           | 3,919                     |
| Reclassification adjustments   | 948             | 594                       |
| Subtotal, before tax   | 2,411           | 4,513                     |
| Tax (expense) or benefit   | (785)           | (1,568)                   |
| Remeasurements of defined benefit plans  | 1,625           | 2,945                     |
| Share of other comprehensive income of associates accounted for using equity method: |                 |                           |
| Increase (decrease) during the year  | 3,023           | (1,294)                   |
| Reclassification adjustments   | (14)            | 26                        |
| Share of other comprehensive income of associates accounted for using equity method  | 3,009           | (1,268)                   |
| Total other comprehensive income   | 5,944           | (1,471)                   |

## 9. Consolidated Statements of Changes in Net Assets

Fiscal year ended March 31, 2018

### 9.1 Matters concerning types and total number of outstanding shares, and types and number of outstanding treasury stock

(Thousands of shares)

|                                 | Number of shares as of April 1, 2017 | Increase in number of shares | Decrease in number of shares | Number of shares as of March 31, 2018 |
|---------------------------------|--------------------------------------|------------------------------|------------------------------|---------------------------------------|
| Number of shares issued:        |                                      |                              |                              |                                       |
| Common stock                    | 254,281                              | —                            | —                            | 254,281                               |
| Total                           | 254,281                              | —                            | —                            | 254,281                               |
| Treasury stock, at cost:        |                                      |                              |                              |                                       |
| Common stock (Notes 1, 2 and 3) | 4,508                                | 2,788                        | 34                           | 7,262                                 |
| Total                           | 4,508                                | 2,788                        | 34                           | 7,262                                 |

Notes:

- The number of treasury stock at the end of the fiscal year ended March 31, 2018 includes 357,968 shares in the Company owned by the officer's compensation BIP trust.
- (Overview of reasons for fluctuations)
- The increment of 2,788 thousand treasury ordinary stock consists of: the increment of 2,268 thousand treasury stock acquired under the resolution of the Board of Directors' meeting; the increment of 376 thousand treasury stock (shares in the Company) acquired by the officer's compensation BIP trust; the increment of 121 thousand treasury stock (shares in the Company) caused by organization restructuring of affiliates to which the equity method is applicable; the increment of 20 thousand treasury stock caused by purchase of odd-lot shares; and the increment of 1 thousand treasury stock (shares in the Company) caused by change in equity ratio against affiliates to which the equity method is applicable.
- The decrement of 34 thousand treasury ordinary stock consists of: the decrement of 18 thousand treasury stock (shares in the Company) delivered by the officer's compensation BIP trust; the decrement of 15 thousand shares caused by execution of stock option; and the decrement of 0 thousand shares caused by selling of odd-lot shares.



## Notes to the Consolidated Financial Statements

## 9.2 Items concerning stock acquisition right

There is no relevant item.

## 9.3 Items related to dividends

Fiscal year ended March 31, 2018

## 9.3.1 Dividends paid

| (Resolution)   | Type of shares | Dividends paid<br>(Millions of yen) | Dividend per share<br>(Yen) | Record date        | Effective date   |
|--|----------------|-------------------------------------|-----------------------------|--------------------|------------------|
| June 13, 2017<br>Annual General Meeting<br>of Shareholders | Common stock   | ¥4,389                              | ¥17.5                       | March 31, 2017     | June 14, 2017    |
| November 2, 2017<br>Board of Directors                     | Common stock   | 4,970                               | 20                          | September 30, 2017 | December 1, 2017 |

Note: For the lower figure (the portion approved by a resolution of the Board of Directors on November 2, 2017), the total amount of dividend includes 7 million yen of dividend for the shares in the Company owned by the officer's compensation BIP trust.

## 9.3.2 Dividends whose effective date falls in the fiscal year following the fiscal year of the record date

| (Resolution)   | Type of shares | Dividends paid<br>(Millions of yen) | Source of dividends | Dividend per share<br>(Yen) | Record date    | Effective date |
|--|----------------|-------------------------------------|---------------------|-----------------------------|----------------|----------------|
| June 13, 2018<br>Annual General Meeting<br>of Shareholders | Common stock   | ¥4,970                              | Retained earnings   | ¥20                         | March 31, 2018 | June 14, 2018  |

Note: The total amount of dividend includes 7 million yen of dividend for the shares in the Company owned by the officer's compensation BIP trust.

Fiscal year ended March 31, 2019

## 9.4 Matters concerning types and total number of outstanding shares, and types and number of outstanding treasury stock

(Thousands of shares)

|                                 | Number of shares as of April 1, 2018 | Increase in number of shares | Decrease in number of shares | Number of shares as of March 31, 2019 |
|---------------------------------|--------------------------------------|------------------------------|------------------------------|---------------------------------------|
| Number of shares issued:        |                                      |                              |                              |                                       |
| Common stock                    | 254,281                              | —                            | —                            | 254,281                               |
| Total                           | 254,281                              | —                            | —                            | 254,281                               |
| Treasury stock, at cost:        |                                      |                              |                              |                                       |
| Common stock (Notes 1, 2 and 3) | 7,262                                | 2,290                        | 11                           | 9,541                                 |
| Total                           | 7,262                                | 2,290                        | 11                           | 9,541                                 |

Notes:

1. The number of treasury stock at the end of the fiscal year ended March 31, 2019 includes 377,008 shares in the Company owned by the officer's compensation BIP trust.

(Overview of reasons for fluctuations)

2. The increment of 2,290 thousand treasury ordinary stock consists of: the increment of 2,244 thousand treasury stock acquired under the resolution of the Board of Directors' meeting; the increment of 30 thousand treasury stock (shares in the Company) acquired by the officer's compensation BIP trust; and the increment of 16 thousand treasury stock caused by the purchase of odd-lot shares.
3. The decrement of 11 thousand treasury ordinary stock consists of: the decrement of 10 thousand treasury stock (shares in the Company) delivered by the officer's compensation BIP trust; the decrement of 0 thousand treasury stock due the sale of odd-lot shares; and the decrement of 0 thousand treasury stock (shares in the Company) caused by change in equity ratio against affiliates to which the equity method is applicable.

## 9.5 Items concerning stock acquisition right

There is no relevant item.

## 9.6 Items related to dividends

Fiscal year ended March 31, 2019

### 9.6.1 Dividends paid

| (Resolution)   | Type of shares | Dividends paid    |                             | Dividend per share |                | Record date        | Effective date   |
|--|----------------|-------------------|-----------------------------|--------------------|----------------|--------------------|------------------|
|  |                | (Millions of yen) | (Thousands of U.S. dollars) | (Yen)              | (U.S. dollars) |                    |                  |
| June 13, 2018<br>Annual General Meeting<br>of Shareholders | Common stock   | ¥4,970            | \$44,775                    | ¥20                | \$0.18         | March 31, 2018     | June 14, 2018    |
| November 1, 2018<br>Board of Directors                     | Common stock   | 4,925             | 44,369                      | 20                 | 0.18           | September 30, 2018 | December 3, 2018 |

Note:

- For the upper figure (the portion approved by a resolution at the annual General Meeting of Shareholders on June 13, 2018), the total amount of dividend includes 7 million yen of dividend for the shares in the Company owned by the officer's compensation BIP trust.
- For the lower figure (the portion approved by a resolution of the Board of Directors on November 1, 2018), the total amount of dividend includes 7 million yen of dividend for the shares in the Company owned by the officer's compensation BIP trust.

### 9.6.2 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) |                |                |
| June 13, 2019<br>Annual General Meeting<br>of Shareholders | Common stock   | ¥4,925            | \$44,369                    | Retained earnings   | ¥20                | \$0.18         | March 31, 2019 | June 14, 2019  |

Note: The total amount of dividend includes 7 million yen of dividend for the shares in the Company owned by the officer's compensation BIP trust.

## 10. Consolidated Statements of Cash Flows

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 |
|---|-----------------|---------|---------------------------|
|   | 2018            | 2019    | 2019                      |
| Cash and deposits in the consolidated balance sheets  | ¥28,836         | ¥28,856 | \$259,964                 |
| Deposits with maturities over 3 months                | (1,334)         | (1,444) | (13,009)                  |
| Securities  | —               | 177     | 1,595                     |
| Cash and cash equivalents in the cash flow statements | 27,501          | 27,589  | 248,550                   |

## 11. Lease Transactions

<As lessee>

Future lease payments for non-cancellable leases in connection with operating lease transactions

|                     | Millions of yen |         | Thousands of U.S. dollars |
|---------------------|-----------------|---------|---------------------------|
|                     | 2018            | 2019    | 2019                      |
| Due within one year | ¥ 3,585         | ¥ 5,187 | \$ 46,730                 |
| Due after one year  | 20,426          | 22,683  | 204,351                   |
| Total               | 24,012          | 27,870  | 251,081                   |

<As lessor>

Future lease receivables for non-cancellable leases in connection with operating lease transactions

|                     | Millions of yen |         | Thousands of U.S. dollars |
|---------------------|-----------------|---------|---------------------------|
|                     | 2018            | 2019    | 2019                      |
| Due within one year | ¥ 1,494         | ¥ 2,436 | \$ 21,946                 |
| Due after one year  | 18,481          | 22,740  | 204,865                   |
| Total               | 19,975          | 25,177  | 226,820                   |

## 12. Financial Instruments

### 12.1 Matters regarding financial instruments

#### 12.1.1 Policy on financial instruments

It is the Group's policy to limit the investment of its funds to short-term deposits which are highly secure, and the Group 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.

#### 12.1.2 Details of the financial instruments used, the risk involved and the risk management system

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 due dates and balances by customer and by making periodical checks of the credit conditions of major customers pursuant to the internal regulations of each company.

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.

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 in foreign currencies are exposed to exchange rate fluctuation risk (market risk), which is limited through forward exchange contracts.

Short-term borrowings and commercial paper are used mainly to raise short-term funds for working capital, and long-term debt and bonds are used mainly to raise the long-term funds necessary for capital investment plans. Some floating-rate debt

is exposed to interest rate fluctuation risk (market risk), which is limited by fixing interest rates through interest rate swap transactions. In addition, liquidity risk—the risk that payment will not be made by the due date—is limited by the timely preparation of financing plans and proper fund management. Also, surplus funds of the Group companies are concentrated and used effectively through centralisation of Group funds by using a cash management system. The immediate raising of funds 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 diversifies the raising of funds by using multiple financial institutions, thus securing liquidity.

Regarding the use of derivative transactions, internal regulations pre-scribe the division of duties and transaction limits. Forward exchange contracts are used to hedge exchange rate fluctuation risk involved in a portion of foreign currency-denominated assets and liabilities. The purpose of interest rate swap transactions is to hedge the interest rate fluctuation risk of certain loans. These derivative transactions involve credit risk because if the other party to a transaction defaults under the terms of contract or becomes bankrupt then the benefit that would have been obtained in the future if the transaction had continued will not be received. However, credit risk is limited by carrying out transactions only with financial institutions with high credit 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 Note 2.4, "Accounting policies," and Note 2.4.6, "Significant hedge accounting methods," outlined in Note 2, "Basis of Preparation of Consolidated Financial Statements."

### 12.2 Matters regarding fair values of financial instruments

Book value recorded in the consolidated balance sheet, fair value and differences between them are as shown below.

|                                  | Millions of yen |            |            |            |            |            | Thousands of U.S. dollars |            |            |
|----------------------------------|-----------------|------------|------------|------------|------------|------------|---------------------------|------------|------------|
|                                  | 2018            |            |            | 2019       |            |            | 2019                      |            |            |
|                                  | Book value      | Fair value | Difference | Book value | Fair value | Difference | Book value                | Fair value | Difference |
| <b>Assets</b>                    |                 |            |            |            |            |            |                           |            |            |
| (1) Cash and deposits            | ¥ 28,836        | ¥ 28,836   | ¥ —        | ¥ 28,856   | ¥ 28,856   | ¥ —        | \$ 259,964                | \$ 259,964 | \$ —       |
| (2) Trade receivables            | 92,619          | 92,619     | —          | 93,154     | 93,154     | —          | 839,225                   | 839,225    | —          |
| (3) Investment securities        | 46,609          | 46,609     | 0          | 42,402     | 42,402     | —          | 382,000                   | 382,000    | —          |
| <b>Liabilities</b>               |                 |            |            |            |            |            |                           |            |            |
| (4) Trade payables               | 46,891          | 46,891     | —          | 48,054     | 48,054     | —          | 432,919                   | 432,919    | —          |
| (5) Short-term borrowings (*1)   | 100,721         | 100,721    | —          | 102,670    | 102,670    | —          | 924,955                   | 924,955    | —          |
| (6) Bonds (*2)                   | 92,000          | 94,984     | 2,984      | 112,000    | 115,136    | 3,136      | 1,009,009                 | 1,037,261  | 28,252     |
| (7) Long-term debt (*1)          | 666,710         | 690,457    | 23,747     | 655,740    | 676,259    | 20,518     | 5,907,568                 | 6,092,423  | 184,847    |
| (8) Derivative transactions (*3) | (806)           | (806)      | —          | (514)      | (514)      | —          | (4,631)                   | (4,631)    | —          |

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

(\*2) Current portion of bonds is included.

(\*3) The net receivables/liabilities incurred as a result of derivative transactions are shown in net figures, net liabilities are shown in parenthesis.

#### Notes:

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

(1) Cash and deposits and (2) Trade receivables

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

(3) Investment securities

The fair values of investment securities 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 Note 13, "Securities."

(4) Trade payables, (5) Short-term borrowings

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

(6) Bonds

The fair values of bonds are based on market prices.

(7) Long-term debt

The fair value of fixed-rate long-term debt is 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 value of floating-rate long-term debt is based on the book value because the fair value of floating-rate long-term debt reflects market interest rates within a short period of time and closely approximates the book values.

(8) Derivative transactions

Please see Note 14, "Derivatives."

## 2. The book value of financial instruments whose fair value is extremely difficult to ascertain

| Classification   | Millions of yen |         | Thousands of U.S. dollars |
|--|-----------------|---------|---------------------------|
|  | 2018            | 2019    | 2019                      |
| Non-listed equity securities and bonds   | ¥ 5,994         | ¥ 6,327 | \$ 57,000                 |
| Investments in limited liability investment partnerships and similar investments | 4,049           | 3,555   | 32,027                    |
| Negotiable certificates of deposit   | 90              | —       | —                         |

It is extremely difficult to ascertain the fair value of these financial instruments because market prices are not available and future cash flows cannot be estimated. As a result, they are not included in (3) Investment securities.

## 3. The securities of nonconsolidated subsidiaries and affiliated companies are not included in (3) Investment securities.

## 4. Supplementary explanation regarding fair value of financial instruments

The fair value of financial instruments is based on market price. If market prices are not available, the fair value of financial instruments is reasonably calculated. Certain assumptions are used to calculate the value. As a result, if different assumptions are used, the values may differ. For derivative contracts, the amount of the contract which is indicated in Note 14, "Derivatives" does not indicate the market risk involved in derivative transactions themselves.

## 5. Redemption and repayment schedule of monetary claims and investment securities with maturities

Fiscal year ended March 31, 2018

|  | 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  | ¥ 28,836            | ¥ —                                   | ¥ —                                    | ¥ —                 |
| Trade receivables  | 92,619              | —                                     | —                                      | —                   |
| Investment securities:   |                     |                                       |  |                     |
| Held-to-maturity debt securities (government bonds, etc.)              | —                   | 9                                     | —                                      | —                   |
| Available-for-sale securities with maturities (government bonds, etc.) | —                   | 345                                   | 96                                     | 300                 |
| Total  | 121,456             | 355                                   | 96                                     | 300                 |

Fiscal year ended March 31, 2019

|  | 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  | ¥ 28,856            | ¥ —                                   | ¥ —                                    | ¥ —                 | \$ 259,964                | \$ —                                  | \$ —                                   | \$ —                |
| Trade receivables  | 93,154              | —                                     | —                                      | —                   | 839,225                   | —                                     | —                                      | —                   |
| Investment securities:   |                     |                                       |  |                     |                           |                                       |  |                     |
| Held-to-maturity debt securities (government bonds, etc.)              | —                   | —                                     | —                                      | —                   | —                         | —                                     | —                                      | —                   |
| Available-for-sale securities with maturities (government bonds, etc.) | 141                 | 261                                   | 34                                     | 300                 | 1,270                     | 2,351                                 | 306                                    | 2,703               |
| Total  | 122,152             | 261                                   | 34                                     | 300                 | 1,100,468                 | 2,351                                 | 306                                    | 2,703               |

## 6. Amount of planned redemption and repayment of bonds and long-term debt after the consolidated closing date

Fiscal year ended March 31, 2018

|                | 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          | ¥ —                 | ¥ 62,000                              | ¥ 10,000                               | ¥ 20,000            |
| Long-term debt | 41,369              | 165,820                               | 298,099                                | 161,420             |
| Total          | 41,369              | 227,820                               | 308,099                                | 181,420             |

Fiscal year ended March 31, 2019

|                | 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            | ¥ 52,000                              | ¥ 10,000                               | ¥ 30,000            | \$ 180,180                | \$ 468,468                            | \$ 90,090                              | \$ 270,270          |
| Long-term debt | 34,365              | 222,245                               | 275,383                                | 123,745             | 309,595                   | 2,002,207                             | 2,480,928                              | 1,114,820           |
| Total          | 54,365              | 274,245                               | 285,383                                | 153,745             | 489,775                   | 2,470,676                             | 2,571,018                              | 1,385,090           |



### 13. Securities

#### 13.1 Held-to-maturity debt securities

| Classification                                  | Millions of yen |            |            |            |            |            | Thousands of U.S. dollars |            |            |
|---|-----------------|------------|------------|------------|------------|------------|---------------------------|------------|------------|
|   | 2018            |            |            | 2019       |            |            | 2019                      |            |            |
|   | Book value      | Fair value | Difference | Book value | Fair value | Difference | Book value                | Fair value | Difference |
| Securities with fair value exceeding book value | ¥9              | ¥10        | ¥0         | ¥—         | ¥—         | ¥—         | \$—                       | \$—        | \$—        |

#### 13.2 Available-for-sale securities

| Classification  |                       | Millions of yen |                  |            |            |                  |            | Thousands of U.S. dollars |                  |            |
|---|-----------------------|-----------------|------------------|------------|------------|------------------|------------|---------------------------|------------------|------------|
|   |                       | 2018            |                  |            | 2019       |                  |            | 2019                      |                  |            |
|   |                       | Book value      | Acquisition cost | Difference | Book value | Acquisition cost | Difference | Book value                | Acquisition cost | Difference |
| Securities with book value exceeding acquisition cost     | (1) Equity securities | ¥ 42,627        | ¥ 24,154         | ¥ 18,472   | ¥ 38,684   | ¥ 24,122         | ¥ 14,562   | \$ 348,505                | \$ 217,315       | \$ 131,189 |
|   | (2) Bonds             | 441             | 428              | 13         | 438        | 428              | 9          | 3,946                     | 3,856            | 81         |
|   | Subtotal              | 43,069          | 24,583           | 18,485     | 39,122     | 24,550           | 14,571     | 352,450                   | 221,171          | 131,270    |
| Securities with book value not exceeding acquisition cost | Equity securities     | 3,530           | 3,979            | (449)      | 3,280      | 3,582            | (302)      | 29,550                    | 32,270           | (2,721)    |
|   | Subtotal              | 3,530           | 3,979            | (449)      | 3,280      | 3,582            | (302)      | 29,550                    | 32,270           | (2,721)    |
| Total   |                       | 46,599          | 28,562           | 18,036     | 42,402     | 28,133           | 14,269     | 382,000                   | 253,450          | 128,550    |

Notes: Unlisted equity securities and others (fiscal year ended March 31, 2018: 10,135 million yen, fiscal year ended March 31, 2019: 9,883 million yen) are not included in the above table because it is extremely difficult to determine their market value as there are no market price therefor and future cash flows cannot be reasonably estimated.

### 14. Derivatives

#### 14.1 Derivative transactions for which hedge accounting has not been applied

Currency

Fiscal year ended March 31, 2018

| Classification                              | Type                        | Millions of yen |   |                   |                     |
|---|-----------------------------|-----------------|---|-------------------|---------------------|
|   |                             | Contract amount | Portion of contract amount exceeding one year | Fair value (Note) | Valuation gain/loss |
| Transactions other than market transactions | Forward exchange contracts: |                 |   |                   |                     |
|   | Buy contract                |                 |   |                   |                     |
|   | Indian rupee                | ¥ 3             | ¥ —   | ¥ (0)             | ¥ (0)               |
|   | Currency swap contracts:    |                 |   |                   |                     |
|   | Receive yen, pay US dollar  | 598             | 598   | (81)              | (81)                |
| Total                                       |                             | 601             | 598   | (81)              | (81)                |

Fiscal year ended March 31, 2019

| Classification                              | Type                        | Millions of yen |   |                   |                     | Thousands of U.S. dollars |   |                   |                     |
|---|-----------------------------|-----------------|---|-------------------|---------------------|---------------------------|---|-------------------|---------------------|
|   |                             | Contract amount | Portion of contract amount exceeding one year | Fair value (Note) | Valuation gain/loss | Contract amount           | Portion of contract amount exceeding one year | Fair value (Note) | Valuation gain/loss |
| Transactions other than market transactions | Forward exchange contracts: |                 |   |                   |                     |                           |   |                   |                     |
|   | Currency swap contracts:    |                 |   |                   |                     |                           |   |                   |                     |
|   | Receive yen, pay US dollar  | ¥ 598           | ¥ 598   | ¥ (49)            | ¥ (49)              | \$ 5,387                  | \$ 5,387                                      | \$ (441)          | \$ (441)            |
| Total                                       |                             | 598             | 598   | (49)              | (49)                | 5,387                     | 5,387   | (441)             | (441)               |

Notes:

1. Fair value calculation

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

2. Regarding the above currency swap contracts, in nonconsolidated financial statements hedge accounting is applied for monetary payables and receivables related to transactions between consolidated subsidiaries. In consolidated financial statements, however, hedge accounting is not applied because the said hedged items are eliminated.

## 14.2 Derivative transactions for which hedge accounting has been applied

## 14.2.1 Currency

Fiscal year ended March 31, 2018

| Fiscal year ended March 31, 2018                |                            |  | Millions of yen |   |                   |
|---|----------------------------|--|-----------------|---|-------------------|
| Classification                                  | Type                       | Main hedged items                      | Contract amount | Portion of contract amount exceeding one year | Fair value (Note) |
| Primary method                                  | Forward exchange contracts |  |                 |   |                   |
|   | Sell contract              | Trade receivables                      |                 |   |                   |
|   | US dollar                  |  | ¥ 111           | ¥ —   | ¥ (0)             |
|   | Japanese yen               |  | 18              | —   | 0                 |
|   | Buy contract               | Trade payables                         |                 |   |                   |
|   | Japanese yen               |  | 746             | —   | (5)               |
|   | US dollar                  |  | 13              | —   | (0)               |
|   | Singapore dollar           |  | 0               | —   | (0)               |
|   | Thai baht                  |  | 0               | —   | (0)               |
| Designation of forward exchange contracts, etc. | Forward exchange contracts |  |                 |   |                   |
|   | Buy contract               | Trade payables (forecast transactions) |                 |   |                   |
|   | Euro                       |  | 10,655          | —   | (189)             |
|   | US dollar                  |  | 6,416           | —   | (374)             |
|   | Canadian dollar            |  | 1,103           | —   | (72)              |
|   | Swiss franc                |  | 1,044           | —   | (28)              |
|   | Australian dollar          |  | 537             | —   | (33)              |
|   | Singapore dollar           |  | 327             | —   | (9)               |
|   | Pound sterling             |  | 301             | —   | (1)               |
|   | Indian rupee               |  | 135             | —   | (7)               |
|   | New Zealand dollar         |  | 124             | —   | (2)               |
|   | Forward exchange contracts |  |                 |   |                   |
|   | Sell contract              | Trade receivables                      |                 |   |                   |
|   | US dollar                  |  | 39              | —   |                   |
|   | Buy contract               | Trade payables                         |                 |   |                   |
|   | US dollar                  |  | 1,398           | —   |                   |
|   | Euro                       |  | 839             | —   |                   |
|   | Thai baht                  |  | 140             | —   |                   |
|   | Singapore dollar           |  | 66              | —   |                   |
|   | Hong Kong dollar           |  | 62              | —   | (Note 2)          |
| Australian dollar                               |                            | 49                                     | —               |   |                   |
| New Zealand dollar                              |                            | 37                                     | —               |   |                   |
| Pound sterling                                  |                            | 12                                     | —               |   |                   |
| Canadian dollar                                 |                            | 8                                      | —               |   |                   |
| Indian rupee                                    |                            | 7                                      | —               |   |                   |
|   | Swiss franc                |  | 2               | —   |                   |
| Total   |                            |  | 24,200          | —   | (725)             |

## Fiscal year ended March 31, 2019

| Classification                                  | Type                       | Main hedged items       | Millions of yen |   |                   | Thousands of U.S. dollars |   |                   |
|---|----------------------------|-------------------------|-----------------|---|-------------------|---------------------------|---|-------------------|
|   |                            |                         | Contract amount | Portion of contract amount exceeding one year | Fair value (Note) | Contract amount           | Portion of contract amount exceeding one year | Fair value (Note) |
| Primary method                                  | Forward exchange contracts |                         |                 |   |                   |                           |   |                   |
|   | Sell contract              | Trade receivables       |                 |   |                   |                           |   |                   |
|   | Japanese yen               |                         | ¥ 8             | ¥ —   | ¥ 0               | \$ 72                     | \$ —  | \$ 0              |
|   | US dollar                  |                         | 5               | —   | 0                 | 45                        | —   | 0                 |
|   | Pound sterling             |                         | 1               | —   | 0                 | 9                         | —   | 0                 |
|   | Buy contract               | Trade payables          |                 |   |                   |                           |   |                   |
|   | Japanese yen               |                         | 803             | —   | 13                | 7,234                     | —   | 117               |
|   | US dollar                  |                         | 17              | —   | (0)               | 153                       | —   | (0)               |
| Designation of forward exchange contracts, etc. | Singapore dollar           |                         | 0               | —   | (0)               | 0                         | —   | (0)               |
|   | Euro                       |                         | 0               | —   | (0)               | 0                         | —   | (0)               |
|   | Forward exchange contracts |                         |                 |   |                   |                           |   |                   |
|   | Buy contract               | Trade payables          |                 |   |                   |                           |   |                   |
|   | Euro                       | (forecast transactions) | 13,311          | —   | (400)             | 119,919                   | —   | (3,604)           |
|   | US dollar                  |                         | 6,910           | —   | (29)              | 62,252                    | —   | (261)             |
|   | Canadian dollar            |                         | 1,096           | —   | (31)              | 9,874                     | —   | (279)             |
|   | Swiss franc                |                         | 1,000           | —   | (11)              | 9,009                     | —   | (99)              |
|   | Australian dollar          |                         | 617             | —   | (10)              | 5,559                     | —   | (90)              |
|   | Singapore dollar           |                         | 427             | —   | 2                 | 3,847                     | —   | 18                |
|   | New Zealand dollar         |                         | 102             | —   | 1                 | 919                       | —   | 9                 |
|   | South African rand         |                         | 10              | —   | 0                 | 90                        | —   | 0                 |
|   | Forward exchange contracts |                         |                 |   |                   |                           |   |                   |
|   | Sell contract              | Trade receivables       |                 |   |                   |                           |   |                   |
|   | US dollar                  |                         | 143             | —   |                   | 1,288                     | —   |                   |
|   | Buy contract               | Trade payables          |                 |   |                   |                           |   |                   |
|   | US dollar                  |                         | 1,329           | —   |                   | 11,973                    | —   |                   |
|   | Euro                       |                         | 1,283           | —   |                   | 11,559                    | —   |                   |
|   | Australian dollar          |                         | 112             | —   | (Note 2)          | 1,009                     | —   | (Note 2)          |
|   | Singapore dollar           |                         | 100             | —   |                   | 901                       | —   |                   |
|   | Hong Kong dollar           |                         | 59              | —   |                   | 532                       | —   |                   |
|   | New Zealand dollar         |                         | 58              | —   |                   | 523                       | —   |                   |
|   | Thai baht                  |                         | 50              | —   |                   | 450                       | —   |                   |
|   | Pound sterling             |                         | 13              | —   |                   | 117                       | —   |                   |
|   | Canadian dollar            |                         | 10              | —   |                   | 90                        | —   |                   |
|   | South African rand         |                         | 4               | —   |                   | 36                        | —   |                   |
|   | Swiss franc                |                         | 1               | —   |                   | 9                         | —   |                   |
| Total   |                            |                         | 27,487          | —   | (465)             | 247,631                   | —   | (4,189)           |

Note:

1. Fair value is based mainly on prices quoted from counterparty financial institutions.

2. Designation of forward exchange contracts, etc., are treated together with trade receivables and trade payables that are subject to hedging; therefore, their market values are recorded together with those of trade receivables and trade payables.

## 14.2.2 Interest rate

Fiscal year ended March 31, 2018

| Classification                                | Type  | Main hedged items | Millions of yen |   |                   |
|---|---|-------------------|-----------------|---|-------------------|
|   |   |                   | Contract amount | Portion of contract amount exceeding one year | Fair value (Note) |
| Exceptional accounting of interest rate swaps | Interest rate swap contracts:<br>Pay fixed rate/<br>Receive floating rate | Long-term debt    | ¥ 174,130       | ¥ 172,005                                     | ¥ (9,991)         |
| Total   |   |                   | 174,130         | 172,005                                       | (9,991)           |

Fiscal year ended March 31, 2019

| Classification                                | Type  | Main hedged items | Millions of yen |   |                   | Thousands of U.S. dollars |   |                   |
|---|---|-------------------|-----------------|---|-------------------|---------------------------|---|-------------------|
|   |   |                   | Contract amount | Portion of contract amount exceeding one year | Fair value (Note) | Contract amount           | Portion of contract amount exceeding one year | Fair value (Note) |
| Exceptional accounting of interest rate swaps | Interest rate swap contracts:<br>Pay fixed rate/<br>Receive floating rate | Long-term debt    | ¥ 167,551       | ¥ 159,801                                     | ¥ (10,329)        | \$ 1,509,468              | \$ 1,439,649                                  | \$ (93,054)       |
| Total   |   |                   | 167,551         | 159,801                                       | (10,329)          | \$ 1,509,468              | \$ 1,439,649                                  | \$ (93,054)       |

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

## 15. Retirement Benefits

## 15.1 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 set up the retirement benefit trust.

In addition, some consolidated subsidiaries subscribe to the employees' pension funds plan in the multi-employer plan. Among them, the Company has used the same accounting treatment as it used for defined contribution plans when the amount of plan assets corresponding to contributions by the Company cannot be rationally calculated.

## 15.2 Defined benefit plan

## 15.2.1 Table of movement in retirement benefit obligations

|                                  | Millions of yen |           | Thousands of U.S. dollars |
|----------------------------------|-----------------|-----------|---------------------------|
|                                  | 2018            | 2019      | 2019                      |
| Balance at beginning of the year | ¥132,471        | ¥ 133,360 | \$ 1,201,441              |
| Service cost                     | 7,739           | 8,020     | 72,252                    |
| Interest cost                    | 300             | 297       | 2,676                     |
| Actuarial loss (gain)            | 253             | (418)     | (3,766)                   |
| Retirement benefits paid         | (7,466)         | (6,613)   | (59,577)                  |
| Past service cost                | —               | (877)     | (7,901)                   |
| Other                            | 62              | (18)      | (162)                     |
| Balance at end of the year       | 133,360         | 133,751   | 1,204,964                 |

Note: Amounts in the table above include the retirement benefit obligations of consolidated subsidiaries using simplified methods.

## 15.2.2 Table of movement in plan assets

|                                   | Millions of yen |          | Thousands of U.S. dollars |
|-----------------------------------|-----------------|----------|---------------------------|
|                                   | 2018            | 2019     | 2019                      |
| Balance at beginning of the year  | ¥ 78,206        | ¥ 81,767 | \$ 736,640                |
| Expected return on plan assets    | 1,143           | 1,131    | 10,189                    |
| Actuarial loss (gain)             | 1,716           | 2,622    | 23,622                    |
| Contribution paid by the employer | 4,738           | 4,173    | 37,595                    |
| Retirement benefits paid          | (4,037)         | (3,470)  | (31,261)                  |
| Other                             | —               | (88)     | (793)                     |
| Balance at end of the year        | 81,767          | 86,137   | 776,009                   |

Note: Amounts in the table above include the plan assets of consolidated subsidiaries using simplified methods.

## 15.2.3 Table of reconciliation between the balance of retirement benefit obligations and of plan assets, and the liabilities for retirement benefit and assets for retirement benefit recorded in the consolidated balance sheet, as of the end of fiscal year

|   | Millions of yen |          | Thousands of U.S. dollars |
|---|-----------------|----------|---------------------------|
|   | 2018            | 2019     | 2019                      |
| Funded retirement benefit obligations         | ¥ 72,696        | ¥ 72,458 | \$ 652,775                |
| Plan assets                                   | (81,767)        | (86,137) | (776,009)                 |
|   | (9,071)         | (13,678) | (123,225)                 |
| Unfunded retirement benefit obligations       | 60,664          | 61,292   | 552,180                   |
| Total net defined benefit liability and asset | 51,593          | 47,614   | 428,955                   |
| Net defined benefit liability                 | 61,654          | 62,209   | 560,441                   |
| Net defined benefit asset                     | (10,061)        | (14,595) | (131,486)                 |
| Total net defined benefit liability and asset | 51,593          | 47,614   | 428,955                   |

Note: Amounts in the table above include the retirement benefit obligations and plan assets of consolidated subsidiaries using simplified methods.



## Notes to the Consolidated Financial Statements

## 15.2.4 The breakdown of retirement benefit expenses

|                                       | Millions of yen |         | Thousands of U.S. dollars |
|---------------------------------------|-----------------|---------|---------------------------|
|                                       | 2018            | 2019    | 2019                      |
| Service cost                          | ¥ 7,739         | ¥ 8,020 | \$ 72,252                 |
| Interest cost                         | 300             | 297     | 2,676                     |
| Expected return on plan assets        | (1,143)         | (1,131) | (10,189)                  |
| Amortisation of actuarial differences | 1,005           | 732     | 6,595                     |
| Amortisation of past service cost     | (57)            | (138)   | (1,243)                   |
| Other                                 | 59              | 58      | 523                       |
| Retirement benefit expenses           | 7,904           | 7,838   | 70,613                    |

Notes:

1. Amounts in the table above 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 6 million yen in the fiscal year ended March 31, 2018, and 0 million yen in the fiscal year ended March 31, 2019. Both are recorded as costs of revenues from operations.

## 15.2.5 Remeasurements of defined benefit plans

The breakdown of items related to remeasurements of defined benefit plans (prior to the deduction of the tax effect) is as follows:

|                       | Millions of yen |       | Thousands of U.S. dollars |
|-----------------------|-----------------|-------|---------------------------|
|                       | 2018            | 2019  | 2019                      |
| Past service cost     | ¥ (57)          | ¥ 739 | \$ 6,658                  |
| Actuarial differences | 2,468           | 3,774 | 34,000                    |
| Total                 | 2,411           | 4,513 | 40,658                    |

## 15.2.6 Cumulative adjustments of retirement benefit plans

The breakdown of items related to cumulative adjustments of retirement benefit plans (prior to the deduction of the tax effect) is as follows:

|                                    | Millions of yen |           | Thousands of U.S. dollars |
|------------------------------------|-----------------|-----------|---------------------------|
|                                    | 2018            | 2019      | 2019                      |
| Unrecognized past service cost     | ¥ (303)         | ¥ (1,042) | \$ (9,387)                |
| Unrecognized actuarial differences | 239             | (3,534)   | (31,838)                  |
| Total                              | (63)            | (4,576)   | (41,225)                  |

Note: The above relates to consolidated subsidiaries. In addition to the above items, the remeasurements of defined benefit plans include unrecognized items (the amount corresponding to equity) of equity-method affiliates.

## 15.2.7 Items relating to plan assets

## (I) Breakdown of major plan assets

Ratio of the major types of assets to total assets are as follows:

|                                    | 2018 | 2019 |
|------------------------------------|------|------|
| Bonds                              | 35%  | 34%  |
| Equity securities                  | 32   | 34   |
| Cash and deposits                  | 3    | 2    |
| General accounts of life insurance | 28   | 27   |
| Other                              | 2    | 3    |
| Total                              | 100  | 100  |

Note: The retirement benefits trust established for the Company's pension plan constituted 9% of total plan assets in the previous fiscal year and 12% of total plan assets in the current fiscal year.

## (II) Method of determining the long-term expected rate of return on plan assets

Current and target asset allocations and 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.

## 15.2.8 Items relating to actuarial assumptions

## Major actuarial assumptions

|  | 2018        | 2019        |
|--|-------------|-------------|
| Discount rate                                    | Mainly 0.0% | Mainly 0.0% |
| Long-term expected rate of return on plan assets | Mainly 2.0% | Mainly 2.0% |
| Expected rate of salary increase                 | Mainly 2.0% | Mainly 2.0% |

## 15.3 Defined contribution plan

The amount of 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) was 39 million yen in the fiscal year ended March 31, 2018 and 49 million yen in the fiscal year ended March 31, 2019.

## 16. Deferred Tax

### 16.1 Significant components of the Company's deferred tax assets and liabilities

|   | Millions of yen |           | Thousands of U.S. dollars |
|---|-----------------|-----------|---------------------------|
|   | 2018            | 2019      | 2019                      |
| Deferred tax assets:  |                 |           |                           |
| Gain on donation by related companies for tax purposes.                       | ¥ —             | ¥ 55,122  | \$ 496,595                |
| Net defined benefit liability   | 16,900          | 15,326    | 138,072                   |
| Loss on impairment of fixed assets  | 9,417           | 12,985    | 116,982                   |
| Temporary difference related to investments in subsidiaries                   | —               | 11,021    | 99,288                    |
| Loss on revaluation of real estate for sale                                   | 23,718          | 9,271     | 83,523                    |
| Tax loss carryforwards (Note 2)   | 10,298          | 8,349     | 75,216                    |
| Loss on adjustment of transferred profit and loss                             | 2,572           | 5,844     | 52,649                    |
| Unrealized profit from assets   | 4,877           | 5,118     | 46,108                    |
| Provision for bonuses   | 1,878           | 1,809     | 16,297                    |
| Enterprise taxes and business office taxes                                    | 1,285           | 836       | 7,532                     |
| Losses on revaluation of investment securities                                | 965             | 728       | 6,559                     |
| Other   | 10,910          | 9,053     | 81,559                    |
| Subtotal of deferred tax assets   | 82,825          | 135,468   | 1,220,432                 |
| Valuation allowance from tax loss carryforwards (Note 2)                      | —               | (2,872)   | (25,874)                  |
| Valuation allowance from the total of future deductible temporary differences | —               | (77,312)  | (696,505)                 |
| Subtotal of valuation allowance (Note 1)                                      | (24,227)        | (80,185)  | (722,387)                 |
| Less amounts offset against deferred tax liabilities                          | (53,559)        | (48,317)  | (435,288)                 |
| Total deferred tax assets   | 5,038           | 6,965     | 62,748                    |
| Deferred tax liabilities:   |                 |           |                           |
| Gain on reversal of difference from land revaluation (Note 3)                 | (130,447)       | (130,553) | (1,176,153)               |
| Revaluation of assets on consolidation  | (79,074)        | (78,653)  | (708,586)                 |
| Net unrealized holding gains on securities                                    | (15,954)        | (14,760)  | (132,973)                 |
| Gain on valuation of properties of business reorganization                    | (1,796)         | (1,769)   | (15,937)                  |
| Other   | (5,662)         | (5,747)   | (51,775)                  |
| Subtotal of deferred tax liabilities  | (232,935)       | (231,485) | (2,085,450)               |
| Less amounts offset against deferred tax assets                               | 53,559          | 48,317    | 435,288                   |
| Total deferred tax liabilities  | (179,375)       | (183,167) | (1,650,153)               |
| Net deferred tax liabilities  | (174,336)       | (176,201) | (1,587,396)               |

Note:

- The 55,957 million yen increase in valuation allowance is predominantly due to the 55,122 yen gain in valuation allowance from receipt of shares in an affiliated company for tax purposes.
- The expiration of tax loss carryforwards, the related valuation allowance and the resulting net deferred tax assets as of the fiscal year ended March 31, 2019 were as follows:

|                             | Millions of yen |                            |                               |                                |                               |                 |         |
|-----------------------------|-----------------|----------------------------|-------------------------------|--------------------------------|-------------------------------|-----------------|---------|
|                             | Within one year | Over one year to two years | Over two years to three years | Over three years to four years | Over four years to five years | Over five years | Total   |
| Tax loss carryforwards (*1) | ¥ 800           | ¥ 631                      | ¥ 876                         | ¥ 5,413                        | ¥ 81                          | ¥ 545           | ¥ 8,349 |
| Valuation allowance         | (795)           | (575)                      | (867)                         | (179)                          | (67)                          | (386)           | (2,872) |
| Deferred tax assets         | 4               | 55                         | 9                             | 5,233                          | 14                            | 158             | 5,476*2 |

|                             | Thousands of U.S. dollars |                            |                               |                                |                               |                 |           |
|-----------------------------|---------------------------|----------------------------|-------------------------------|--------------------------------|-------------------------------|-----------------|-----------|
|                             | Within one year           | Over one year to two years | Over two years to three years | Over three years to four years | Over four years to five years | Over five years | Total     |
| Tax loss carryforwards (*1) | \$ 7,207                  | \$ 5,685                   | \$ 7,892                      | \$ 48,766                      | \$ 730                        | \$ 4,910        | \$ 75,216 |
| Valuation allowance         | (7,162)                   | (5,180)                    | (7,811)                       | (1,613)                        | (604)                         | (3,477)         | (25,874)  |
| Deferred tax assets         | 36                        | 495                        | 81                            | 47,144                         | 126                           | 1,423           | 49,333*2  |

\*1. Tax loss carryforwards were calculated based on the statutory tax rate.

\*2. Of the total tax loss carryforwards of 8,349 million yen, 5,476 million yen were deferred tax assets. This 5,476 million yen of deferred tax assets comprised mainly 4,854 million yen of deferred tax assets of Hankyu Corporation, which is a member of the consolidated tax group to which the Company is the consolidated parent corporation. The deferred tax assets were made when for tax purposes a valuation loss on properties for sale was recorded at Hankyu Corporation in the fiscal year ended March 31, 2014. Of the deferred tax assets, the losses carried for tax purposes have been determined to be recoverable from taxable income we expect in the future.

Note:

- The Company reversed "Surplus from land revaluation" when, as a result of a (physical) absorption-type corporate split on April 1, 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 related to land revaluation" has been recorded as "Deferred tax liabilities" starting from the fiscal year ended March 31, 2006.

## Notes to the Consolidated Financial Statements

**16.2 Reconciliation of the significant differences between the statutory tax rate and the effective tax rate reflected in the accompanying consolidated statements of income**

|   | 2018   | 2019   |
|---|--------|--------|
| Statutory tax rate  | 30.8%  | 30.6%  |
| (Adjustment)  |        |        |
| Elimination of dividends received from consolidated subsidiary companies etc. | 15.3   | 17.9   |
| Difference of tax rates from Parent Company                                   | 2.4    | 2.4    |
| Valuation allowance   | 0.5    | 2.0    |
| Amortisation of goodwill  | 0.7    | 0.8    |
| Per capita portion of inhabitant tax  | 0.4    | 0.5    |
| Nondeductible expenses  | 0.5    | 0.4    |
| Nontaxable income   | (15.6) | (17.8) |
| Temporary difference related to investments in subsidiaries                   | —      | (12.2) |
| Profit or loss from investments with equity method affiliates                 | (2.8)  | (1.7)  |
| Other   | 0.7    | 0.3    |
| Effective tax rate  | 32.9   | 23.2   |

**17. Asset Retirement Obligations**

Omitted as the significance was negligible.

**18. 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 profit and loss related to such rental property in the fiscal year ended March 31, 2018 was 30,563 million yen (major rental revenues are recorded in revenues from operations and major rental expenses are recorded in costs of revenues from operations). Rental profit and loss related to such rental property in the fiscal year ended March 31, 2019 was 32,434 million yen (major rental revenues are recorded in revenues from operations and major rental expenses are recorded in costs of revenues from operations). Income on sales of noncurrent assets was 2,289 million yen (recorded as extraordinary profit).

Book value recorded in the consolidated balance sheet, increase/decrease during the fiscal year and market value for such rental property are as follows:

|  | Millions of yen |           | Thousands of U.S. dollars |
|--|-----------------|-----------|---------------------------|
|  | 2018            | 2019      | 2019                      |
| Book value (Note 1):                   |                 |           |                           |
| Balance at beginning of the year       | ¥ 616,481       | ¥ 623,463 | \$ 5,616,784              |
| Increase/decrease (Note 2)             | 6,982           | 16,193    | 145,883                   |
| Balance at end of the year             | 623,463         | 639,657   | 5,762,676                 |
| Fair value at end of the year (Note 3) | 853,278         | 894,928   | 8,062,414                 |

Notes:

1. Book value is acquisition cost less accumulated depreciation.
2. For increase/decrease during the fiscal year ended March 31, 2018, main increase was acquisitions of real estate of 18,514 million yen, and main decrease were depreciation of 12,555 million yen. For increase/decrease during the fiscal year ended March 31, 2019, main increase was acquisitions of real estate of 42,062 million yen, and main decrease was sales of real estate of 13,437 million yen and depreciation of 12,450 million yen.
3. Fair value as of the 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.
4. Properties under development are not included in the above table because it is difficult to determine the market value under development. Furthermore, properties under development recorded in the consolidated balance sheet for the fiscal year ended March 31, 2018 and for the fiscal year ended March 31, 2019 were 137,722 million yen and 156,605 million yen, respectively.

**19. Segment Information****19.1 Segment information****19.1.1 Summary of reportable segments**

The Group's reportable segments, which make financial information for units of the Group available, are regularly reviewed by the Board of Directors to determine the allocation of management resources and evaluate business results.

The Group, centering on six core companies of Hankyu Corporation, Hanshin Electric Railway Co., Ltd., Hankyu Hanshin Properties Corp., Hankyu Travel International Co., Ltd., Hankyu Hanshin Express Co., Ltd. and Hankyu Hanshin Hotels Co., Ltd., is running a business centering around six business areas of urban transportation, real estate, entertainment and communications, travel, international transportation, and hotels, under the leadership of the Company in charge of management of 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

## 19.1.2 Method used to calculate revenues from operations, income (or loss), assets and other items for each reportable segment

The accounting treatment for each reportable business segment is based on the methods described in the "Basis of Preparation of Consolidated Financial Statements," including Internal transactions (lease transactions of lands and buildings, etc.) that are calculated through management accounting at companies with businesses covering multiple segments.

Income (or loss) for each reportable segment refers to a figure based on operating income (or loss).

Intersegment revenues from operations and transfers are mainly based on similar data as those of general conditions for transaction.

## 19.1.3 Information regarding totals for revenues from operations, income (loss), assets and other items by reportable segment

Fiscal year ended March 31, 2018

|  | Reportable segment      |                |  |          |                                 |          |           | Other<br>(Note 1) | Total     | Adjustment<br>(Note 2) | Amounts appearing in<br>the consolidated<br>financial statements<br>(Note 3) |
|--|-------------------------|----------------|--|----------|---------------------------------|----------|-----------|-------------------|-----------|------------------------|--|
|  | Urban<br>Transportation | Real<br>Estate | Entertainment<br>and<br>Communications | Travel   | International<br>Transportation | Hotels   | Subtotal  |                   |           |                        |  |
| Revenues from operations:                                |                         |                |  |          |                                 |          |           |                   |           |                        |  |
| I. Customers   | ¥231,048                | ¥ 204,879      | ¥112,006                               | ¥ 34,008 | ¥ 83,630                        | ¥ 65,973 | ¥ 731,547 | ¥ 28,270          | ¥ 759,818 | ¥ 434                  | ¥ 760,252  |
| II. Intersegment   | 4,919                   | 17,706         | 9,071                                  | 13       | 76                              | 1,274    | 33,063    | 14,540            | 47,603    | (47,603)               | —  |
| Total  | 235,967                 | 222,586        | 121,078                                | 34,022   | 83,707                          | 67,248   | 764,610   | 42,811            | 807,422   | (47,169)               | 760,252  |
| Segment income (loss)                                    | 41,586                  | 40,954         | 17,750                                 | 2,055    | 2,777                           | 2,216    | 107,340   | 1,929             | 109,269   | (4,058)                | 105,211  |
| Segment assets   | 799,345                 | 1,086,146      | 150,931                                | 85,570   | 52,460                          | 83,652   | 2,258,107 | 35,364            | 2,293,471 | 111,454                | 2,404,926  |
| Other items:   |                         |                |  |          |                                 |          |           |                   |           |                        |  |
| Depreciation and amortisation                            | 26,661                  | 16,536         | 6,792                                  | 680      | 662                             | 2,099    | 53,434    | 411               | 53,846    | (569)                  | 53,276   |
| Increase in property and equipment and intangible assets | 35,001                  | 39,928         | 7,559                                  | 538      | 732                             | 2,298    | 86,060    | 665               | 86,725    | (321)                  | 86,404   |

1. The "Other" segment refers to a business segment not included in reportable segments, and includes construction business, etc.

2. The main item in the adjusted amount of the segment income or loss for the fiscal year was amortisation of goodwill of (2,238) million yen (amortisation of goodwill mainly having originated from management integration with Hanshin Electric Railway Co., Ltd. in fiscal 2007).

In addition to the balance of unamortised goodwill of 18,335 million yen (amortisation of goodwill mainly having originated from management integration with Hanshin Electric Railway Co., Ltd. in fiscal 2007), the adjusted amount for segment assets includes, surplus working capital (cash and deposits), long-term investment funds (investment securities), unallocated assets such as lands, and intersegment eliminations, at the Company, Hankyu Corporation and Hanshin Electric Railway Co., Ltd.

3. Segment profit and loss is adjusted with operating income in the consolidated statement of income.

4. The "partial reform of 'The Accounting Standards for Tax Effect Accounting'" (ASBJ No. 28, February 16, 2018), etc., has been applied from the outset of the fiscal year ended March 31, 2019, and with regard to the segment assets of the fiscal year ended March 31, 2018, the accounting standard has been retroactively applied.

## Fiscal year ended March 31, 2019

|  | Reportable segment      |                |  |          |                                 |          |           | Other<br>(Note 1) | Total     | Adjustment<br>(Note 2) | Amounts appearing in<br>the consolidated<br>financial statements<br>(Note 3) |
|--|-------------------------|----------------|--|----------|---------------------------------|----------|-----------|-------------------|-----------|------------------------|--|
|  | Urban<br>Transportation | Real<br>Estate | Entertainment<br>and<br>Communications | Travel   | International<br>Transportation | Hotels   | Subtotal  |                   |           |                        |  |
| Revenues from operations:                                |                         |                |  |          |                                 |          |           |                   |           |                        |  |
| I. Customers   | ¥ 233,622               | ¥ 219,828      | ¥ 117,815                              | ¥ 35,518 | ¥ 89,924                        | ¥ 63,707 | ¥ 760,417 | ¥ 30,632          | ¥ 791,049 | ¥ 377                  | ¥ 791,427  |
| II. Intersegment   | 4,939                   | 17,447         | 8,716                                  | 9        | 66                              | 1,216    | 32,395    | 12,784            | 45,180    | (45,180)               | —  |
| Total  | 238,562                 | 237,276        | 126,531                                | 35,528   | 89,990                          | 64,923   | 792,813   | 43,417            | 836,230   | (44,803)               | 791,427  |
| Segment income (loss)                                    | 43,455                  | 49,250         | 18,759                                 | 1,764    | 2,392                           | 1,214    | 116,836   | 2,333             | 119,169   | (4,231)                | 114,937  |
| Segment assets   | 800,209                 | 1,144,513      | 158,555                                | 91,603   | 48,925                          | 84,071   | 2,327,879 | 37,520            | 2,365,400 | 100,823                | 2,466,223  |
| Other items:   |                         |                |  |          |                                 |          |           |                   |           |                        |  |
| Depreciation and amortisation                            | 27,354                  | 16,640         | 7,037                                  | 653      | 619                             | 2,140    | 54,446    | 360               | 54,806    | (634)                  | 54,172   |
| Increase in property and equipment and intangible assets | 33,791                  | 62,448         | 7,923                                  | 831      | 678                             | 1,961    | 107,635   | 1,452             | 109,087   | 5,280                  | 114,368  |

|  | Reportable segment      |                |  |            |                                 |            |              | Other<br>(Note 1) | Total        | Adjustment<br>(Note 2) | Amounts appearing in<br>the consolidated<br>financial statements<br>(Note 3) |
|--|-------------------------|----------------|--|------------|---------------------------------|------------|--------------|-------------------|--------------|------------------------|--|
|  | Urban<br>Transportation | Real<br>Estate | Entertainment<br>and<br>Communications | Travel     | International<br>Transportation | Hotels     | Subtotal     |                   |              |                        |  |
| Revenues from operations:                                |                         |                |  |            |                                 |            |              |                   |              |                        |  |
| I. Customers   | \$ 2,104,703            | \$ 1,980,432   | \$ 1,061,396                           | \$ 319,982 | \$ 810,126                      | \$ 573,937 | \$ 6,850,604 | \$ 275,964        | \$ 7,126,568 | \$ 3,396               | \$ 7,129,973   |
| II. Intersegment   | 44,495                  | 157,180        | 78,523                                 | 81         | 595                             | 10,955     | 291,847      | 115,171           | 407,027      | (407,027)              | —  |
| Total  | 2,149,207               | 2,137,622      | 1,139,919                              | 320,072    | 810,721                         | 584,892    | 7,142,459    | 391,144           | 7,533,604    | (403,631)              | 7,129,973  |
| Segment income (loss)                                    | 391,486                 | 443,694        | 169,000                                | 15,892     | 21,550                          | 10,937     | 1,052,577    | 21,018            | 1,073,595    | (38,117)               | 1,035,468  |
| Segment assets   | 7,209,090               | 10,310,928     | 1,428,423                              | 825,252    | 440,766                         | 757,396    | 20,971,883   | 338,018           | 21,309,910   | 908,315                | 22,218,225   |
| Other items:   |                         |                |  |            |                                 |            |              |                   |              |                        |  |
| Depreciation and amortisation                            | 246,432                 | 149,910        | 63,396                                 | 5,883      | 5,577                           | 19,279     | 490,505      | 3,243             | 493,748      | (5,712)                | 488,036  |
| Increase in property and equipment and intangible assets | 304,423                 | 562,595        | 71,378                                 | 7,486      | 6,108                           | 17,667     | 969,685      | 13,081            | 982,766      | 47,568                 | 1,030,342  |

## Notes to the Consolidated Financial Statements

## Notes

1. The "Other" segment refers to a business segment not included in reportable segments, and includes construction business, etc.
2. The main item in the adjusted amount of the segment income or loss for the fiscal year was amortisation of goodwill of (2,238) million yen (amortisation of goodwill mainly having originated from management integration with Hanshin Electric Railway Co., Ltd. in fiscal 2007).

In addition to the balance of unamortised goodwill of 16,174 million yen (amortisation of goodwill mainly having originated from management integration with Hanshin Electric Railway Co., Ltd. in fiscal 2007), the adjusted amount for segment assets includes, surplus working capital (cash and deposits), long-term investment funds (investment securities), unallocated assets such as lands, and intersegment eliminations, at the Company, Hankyu Corporation and Hanshin Electric Railway Co., Ltd.

3. Segment profit and loss is adjusted with operating income in the consolidated statement of income.

**19.2 Related information**Fiscal years ended March 31, 2018 and 2019

## 19.2.1 Information by product and service

Information about product and service categories is the same as that described in Note 19.1.3, "Information regarding totals for revenues from operations, income (loss), assets and other items by reportable segment."

## 19.2.2 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 breakdown by region 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.

## 19.2.3 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.

**19.3 Information regarding impairment loss on noncurrent assets for each reported segment**Fiscal year ended March 31, 2018

|                    | Reportable segment   |             |                                  |        |                              |        |          | Other | Total | Adjustment | Amounts appearing in the consolidated financial statements |
|--------------------|----------------------|-------------|----------------------------------|--------|------------------------------|--------|----------|-------|-------|------------|--|
|                    | Urban Transportation | Real Estate | Entertainment and Communications | Travel | International Transportation | Hotels | Subtotal |       |       |            |  |
| Loss on impairment | ¥ 44                 | ¥ 407       | ¥ —                              | ¥ 5    | ¥ 259                        | ¥ 101  | ¥ 819    | ¥ —   | ¥ 819 | ¥ —        | ¥ 819  |

Fiscal year ended March 31, 2019

|                    | Reportable segment   |             |                                  |        |                              |        |          | Other | Total    | Adjustment | Amounts appearing in the consolidated financial statements |
|--------------------|----------------------|-------------|----------------------------------|--------|------------------------------|--------|----------|-------|----------|------------|--|
|                    | Urban Transportation | Real Estate | Entertainment and Communications | Travel | International Transportation | Hotels | Subtotal |       |          |            |  |
| Loss on impairment | ¥ 19,227             | ¥ —         | ¥ —                              | ¥ —    | ¥ 15                         | ¥ 20   | ¥ 19,262 | ¥ —   | ¥ 19,262 | ¥ —        | ¥ 19,262   |

|                    | Reportable segment   |             |                                  |        |                              |        |           | Other | Total     | Adjustment | Amounts appearing in the consolidated financial statements |
|--------------------|----------------------|-------------|----------------------------------|--------|------------------------------|--------|-----------|-------|-----------|------------|--|
|                    | Urban Transportation | Real Estate | Entertainment and Communications | Travel | International Transportation | Hotels | Subtotal  |       |           |            |  |
| Loss on impairment | \$173,216            | \$ —        | \$ —                             | \$ —   | \$ 135                       | \$ 180 | \$173,532 | \$ —  | \$173,532 | \$ —       | \$173,532  |

**19.4 Information regarding amortisation of goodwill and the balance of unamortised goodwill by reportable segment**

Omitted as the significance was negligible.

**19.5 Information regarding gains from negative goodwill by reportable segment**

Omitted as the significance was negligible.



## 20. Related-Party Transactions

### 20.1 Related-party transactions

20.1.1 Transactions between the company submitting the consolidated financial statements and related parties

No items

20.1.2 Transactions between consolidated subsidiaries of the company submitting the consolidated financial statements and related parties

20.1.2.1 Non-consolidated subsidiary or related company of the company that submitted the financial statements.

Fiscal year ended March 31, 2018

No items

Fiscal year ended March 31, 2019

| Type                          | Name of Company, etc.                  | Address             | Amount of capital (Millions of yen) | Business                  | Voting interest | Relationship with related party | Details of transaction | Transaction amounts |                             | Item    | Balance as of March 31, 2019 |                             |
|-------------------------------|--|---------------------|-------------------------------------|---------------------------|-----------------|---------------------------------|------------------------|---------------------|-----------------------------|---------|------------------------------|-----------------------------|
|                               |  |                     |                                     |                           |                 |                                 |                        | (Millions of yen)   | (Thousands of U.S. dollars) |         | (Millions of yen)            | (Thousands of U.S. dollars) |
| Subsidiary of Related Company | Hankyu Hanshin Department Stores, Inc. | Kita-ku, Osaka City | ¥ 200                               | Department store business | None            | Lease of real estate            | acceptance of deposits | ¥ 3,294             | \$29,676                    | Deposit | ¥27,099                      | \$244,135                   |

Notes:

1. The transaction amount and the balance as of the end of the fiscal year do not include any consumption tax.
2. The terms and conditions for transaction and policies for determining terms and conditions for transaction  
Terms and conditions for deposits are determined in the same way as general transactions.

20.1.2.2 Directors and principal shareholders (only individual shareholders) of the company submitting the consolidated financial statements

Fiscal year ended March 31, 2018

| 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 March 31, 2018 (Millions of yen) |
|---|---------------------------|-------------------|-------------------------------------|------------------------|-----------------|--|------------------------|---------------------------------------|---------|--|
| Audit & Supervisory Board Member  | Haruo Sakaguchi           | —                 | ¥ —                                 | Auditor of the Company | Directly 0.0%   | Lease of real estate                           | Lease of real estate   | ¥ 53                                  | Deposit | ¥ 40   |
| Company in which director or close family thereof holds majority of voting rights | Tateishi Sangyo Co., Ltd. | Ikeda City, Osaka | 100                                 | Real estate business   | Directly 0.1%   | Sale of real estate Concurrent post (director) | Sale of real estate    | 1,995                                 | Deposit | 20   |

Fiscal year ended March 31, 2019

| Type                             | Name of related party | Address | Amount of capital |                             | Business               | Voting interest | Relationship with related party | Details of transaction | Transaction amounts |                             | Item    | Balance as of March 31, 2019 |                             |
|----------------------------------|-----------------------|---------|-------------------|-----------------------------|------------------------|-----------------|---------------------------------|------------------------|---------------------|-----------------------------|---------|------------------------------|-----------------------------|
|                                  |                       |         | (Millions of yen) | (Thousands of U.S. dollars) |                        |                 |                                 |                        | (Millions of yen)   | (Thousands of U.S. dollars) |         | (Millions of yen)            | (Thousands of U.S. dollars) |
| Audit & Supervisory Board Member | Haruo Sakaguchi       | —       | ¥ —               | \$ —                        | Auditor of the Company | Directly 0.0%   | Lease of real estate            | Lease of real estate   | ¥ 53                | \$ 477                      | Deposit | ¥ 40                         | \$360                       |

Notes

1. The transaction amount and the balance as of the end of the fiscal year do not include any consumption tax.
2. Terms and conditions for transaction, and policies for determining terms and conditions for transaction  
Terms and conditions for lease and for sales are determined by referencing to similar transaction cases in the neighboring area.
3. Koichi Kobayashi, an Auditor of the Company, and his close family own 77% of the voting rights in Tateishi Sangyo Co., Ltd.

### 20.2 Notes about parent company and major affiliated companies

No items

## 21. Per Share Information

Net assets per share, net income per share and diluted net income per share for the fiscal year, and the basis for their respective calculations are as shown below.

|  | 2018      | 2019       | 2019         |
|--|-----------|------------|--------------|
| (1) Net assets per share (Yen / U.S. dollars)  | ¥3,391.35 | ¥ 3,615.52 | \$ 32.57     |
| (Basis for the calculation)  |           |            |              |
| Total net assets (Millions of yen / Thousands of U.S. dollars)   | ¥866,512  | ¥ 915,381  | \$ 8,246,676 |
| Amount to be deducted from total net assets<br>(Millions of yen / Thousands of U.S. dollars)   | ¥28,786   | ¥ 30,517   | \$ 274,928   |
| (Of the amount, non-controlling interests)   | ¥[28,786] | ¥ [30,517] | \$ [274,928] |
| Net assets at the end of the fiscal year related to common shares<br>(Millions of yen / Thousands of U.S. dollars)                         | ¥837,726  | ¥ 884,863  | \$ 7,971,739 |
| Common shares issued (Thousands of shares)   | 254,281   | 254,281    |              |
| Treasury stock shares (Thousands of shares)  | 6,103     | 8,381      |              |
| Common shares held by consolidated subsidiaries and equity-method affiliates<br>(Thousands of shares)                                      | 1,159     | 1,159      |              |
| Common shares used to calculate net assets per share (Thousands of shares)   | 247,018   | 244,740    |              |
| (2) Net income per share (Yen / U.S. dollars)  | ¥267.91   | ¥ 266.86   | \$ 2.40      |
| (Basis for the calculation)  |           |            |              |
| Net income attributable to owners of the parent<br>(Millions of yen / Thousands of U.S. dollars)   | ¥66,361   | ¥ 65,476   | \$ 589,874   |
| Amount not belonging to common stockholders<br>(Millions of yen / Thousands of U.S. dollars)   | ¥ —       | ¥ —        | \$ —         |
| Net income attributable to owners of the parent related to common shares<br>(Millions of yen / Thousands of U.S. dollars)                  | ¥66,361   | ¥ 65,476   | \$ 589,874   |
| Average number of common shares during term (Thousands of shares)  | 247,700   | 245,353    |              |
| (3) Net income per share—diluted (Yen / U.S. dollars)  | ¥267.81   | ¥ 266.86   | \$ 2.40      |
| (Basis for the calculation)  |           |            |              |
| Adjustment to net income attributable to owners of the parent<br>(Millions of yen / Thousands of U.S. dollars)                             | ¥(17)     | ¥ (0)      | \$ (0)       |
| (Equity in income of affiliates)   | ¥[(17)]   | ¥ [(0)]    | \$ [(0)]     |
| Increase in number of common shares (Thousands of shares)  | 26        | —          |              |
| (Of the amount, subscription rights to shares)   | [26]      | [—]        |              |
| Summary of potential shares that were not included in the calculation of diluted<br>income per share because their effect was not dilutive | —         | —          | —            |

Note:

In calculating net assets per share, the number of the shares in the Company owned by the officer's compensation BIP trust are included in that of treasury stock shares to be excluded from the total number of outstanding shares at the end of the fiscal year. Furthermore, in calculating net income per share and diluted net income per share for the current fiscal year, the number of the shares in the Company owned by the officer's compensation BIP trust are included in that of treasury stock shares to be excluded in calculating the average number of the shares during the current fiscal year. The number of such treasury stock shares deducted in calculating net assets per share and diluted net income per share for the fiscal year ended March 31, 2018 was 357,968, and for the fiscal year ended March 31, 2019 is 377,008, and the average number of treasury stock shares deducted in calculating net income per share and diluted net income per share for the fiscal year ended March 31, 2018, was 288,051, and for the fiscal year ended March 31, 2019, is 375,143.

## 22. Subsequent Events

### 22.1 Acquisition of treasury stock

Pursuant to Article 156 of the Companies Act of Japan as applied mutatis mutandis under Article 165, paragraph 3 of the same act, a meeting of the Board of Directors convened on May 15, 2019 decided the following items in relation to the acquisition of treasury stock.

#### 22.1.1 Reason for acquisition of treasury stock

To enhance shareholder returns and enhance capital efficiency

#### 22.1.2 Details of items related to acquisition

- (1) Type of shares acquired: Shares of common stock of the Company
- (2) Total number of shares available for acquisition: 3,000,000 shares (upper limit)  
(1.22% of total number of outstanding shares (excluding treasury stock))
- (3) Total amount of acquisition: 9,800,000,000 yen (upper limit)
- (4) Period of acquisition: From May 23, 2019 to September 20, 2019

## 23. Consolidated Supplementary Statements

### 23.1 Corporate bond statements

| Company                       | Name                                | Issue date   | Millions of yen             |                              | Thousands of U.S. dollars    | Interest rate | Security | Redemption date |
|-------------------------------|-------------------------------------|--------------|-----------------------------|------------------------------|------------------------------|---------------|----------|-----------------|
|                               |                                     |              | Balance as of April 1, 2018 | Balance as of March 31, 2019 | Balance as of March 31, 2019 |               |          |                 |
| Hankyu Hanshin Holdings, Inc. | Series 38 unsecured corporate bonds | Oct 23, 2009 | ¥10,000                     | ¥10,000 (10,000)             | \$ 90,090 (90,090)           | 1.87%         | None     | Oct 23, 2019    |
| Hankyu Hanshin Holdings, Inc. | Series 40 unsecured corporate bonds | Sep 22, 2010 | 15,000                      | 15,000                       | 135,135                      | 1.43          | None     | Sep 18, 2020    |
| Hankyu Hanshin Holdings, Inc. | Series 41 unsecured corporate bonds | Sep 22, 2010 | 7,000                       | 7,000                        | 63,063                       | 1.72          | None     | Sep 22, 2022    |
| Hankyu Hanshin Holdings, Inc. | Series 42 unsecured corporate bonds | Mar 17, 2011 | 10,000                      | 10,000                       | 90,090                       | 1.54          | None     | Mar 17, 2021    |
| Hankyu Hanshin Holdings, Inc. | Series 45 unsecured corporate bonds | Mar 14, 2013 | 10,000                      | 10,000 (10,000)              | 90,090 (90,090)              | 0.589         | None     | Mar 13, 2020    |
| Hankyu Hanshin Holdings, Inc. | Series 46 unsecured corporate bonds | Oct 25, 2013 | 10,000                      | 10,000                       | 90,090                       | 0.819         | None     | Oct 25, 2023    |
| Hankyu Hanshin Holdings, Inc. | Series 47 unsecured corporate bonds | Jul 18, 2014 | 10,000                      | 10,000                       | 90,090                       | 1.202         | None     | Jul 18, 2029    |
| Hankyu Hanshin Holdings, Inc. | Series 48 unsecured corporate bonds | Dec 15, 2016 | 10,000                      | 10,000                       | 90,090                       | 0.120         | None     | Dec 15, 2021    |
| Hankyu Hanshin Holdings, Inc. | Series 49 unsecured corporate bonds | Dec 15, 2016 | 10,000                      | 10,000                       | 90,090                       | 0.817         | None     | Dec 15, 2036    |
| Hankyu Hanshin Holdings, Inc. | Series 50 unsecured corporate bonds | Sep 13, 2018 | —                           | 10,000                       | 90,090                       | 0.345         | None     | Sep 13, 2028    |
| Hankyu Hanshin Holdings, Inc. | Series 51 unsecured corporate bonds | Sep 13, 2018 | —                           | 10,000                       | 90,090                       | 0.789         | None     | Sep 13, 2038    |
| Total                         | —                                   | —            | 92,000                      | 112,000 (20,000)             | 1,009,009 (180,180)          | —             | —        | —               |

Notes:

- The figures in parenthesis for the balance as of March 31, 2019 are the amount payable within one year of the total outstanding, and are listed as current liabilities under the consolidated balance sheet.
- The amount of bonds scheduled to be redeemed within five years subsequent to March 31, 2019 are as follows.

|  | Millions of yen | Thousands of U.S. dollars |
|--|-----------------|---------------------------|
| Due within one year                      | ¥ 20,000        | \$ 180,180                |
| Due after one year through two years     | 25,000          | 225,225                   |
| Due after two years through three years  | 10,000          | 90,090                    |
| Due after three years through four years | 7,000           | 63,063                    |
| Due after four years through five years  | 10,000          | 90,090                    |

### 23.2 Statements of loans payable

| Item  | Millions of yen             |                              | Thousands of U.S. dollars    | Average interest | Repayment deadline rate |
|---|-----------------------------|------------------------------|------------------------------|------------------|-------------------------|
|   | Balance as of April 1, 2018 | Balance as of March 31, 2019 | Balance as of March 31, 2019 |                  |                         |
| Short-term borrowings                         | ¥100,721                    | ¥ 102,670                    | \$ 924,955                   | 0.446%           | —                       |
| Current portion of long-term debt             | 41,369                      | 34,365                       | 309,595                      | 0.995            | —                       |
| Current portion of lease obligations          | 1,493                       | 1,567                        | 14,117                       | —                | —                       |
| Long-term debt (excluding current portion)    | 625,340                     | 621,375                      | 5,597,973                    | 0.880            | 2020 - 2039             |
| Lease obligations (excluding current portion) | 5,832                       | 5,076                        | 45,730                       | —                | 2020 - 2027             |
| Other interest-bearing debt                   | —                           | —                            | —                            | —                | —                       |
| Total   | 774,758                     | 765,055                      | 6,892,387                    | —                | —                       |

Notes:

- The balances refer to those after the elimination of transactions between companies in the consolidation group.
- "Average interest rate" of loans payable refers to the weighted average interest rate for outstanding loans as of the end of the fiscal year ended March 31, 2019.
- For lease obligations, "average interest rate" is not shown because the Company mainly uses the method that includes the amount of interest in total lease obligations and that spreads the total amount of interest equally over each fiscal year of the lease period.
- Repayment schedule of long-term debts and lease obligations (excluding those scheduled to be repaid within one year) within five years subsequent to March 31, 2019 are as follows.

| Long-term debt                           | Millions of yen | Thousands of U.S. dollars |
|--|-----------------|---------------------------|
| Due after one year through two years     | ¥41,726         | \$ 375,910                |
| Due after two years through three years  | 44,823          | 403,811                   |
| Due after three years through four years | 46,253          | 416,694                   |
| Due after four years through five years  | 89,442          | 805,784                   |

| Lease obligations                        | Millions of yen | Thousands of U.S. dollars |
|--|-----------------|---------------------------|
| Due after one year through two years     | ¥1,374          | \$ 12,378                 |
| Due after two years through three years  | 1,183           | 10,658                    |
| Due after three years through four years | 1,002           | 9,027                     |
| Due after four years through five years  | 843             | 7,595                     |

## Notes to the Consolidated Financial Statements

## 23.3 Schedule of asset retirement obligations

Omitted as the significance was negligible.

## 24. Others

Quarterly financial information in fiscal year ended March 31, 2019

| Cumulative period  | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter |
|--|-------------|-------------|-------------|-------------|
| Revenues from operations (Millions of yen)                                       | ¥ 192,429   | ¥ 374,792   | ¥ 576,457   | ¥ 791,427   |
| Income before income taxes (Millions of yen)                                     | 30,032      | 52,921      | 90,329      | 88,562      |
| Net income attributable to owners of the parent (Millions of yen)                | 19,197      | 33,853      | 58,782      | 65,476      |
| Net income per share for quarter (of the fiscal year ended March 31, 2019) (yen) | 77.82       | 137.68      | 239.40      | 266.86      |

| Cumulative period   | 1st Quarter  | 2nd Quarter  | 3rd Quarter  | 4th Quarter  |
|---|--------------|--------------|--------------|--------------|
| Revenues from operations (Thousands of U.S. dollars)                                      | \$ 1,733,595 | \$ 3,376,505 | \$ 5,193,306 | \$ 7,129,973 |
| Income before income taxes (Thousands of U.S. dollars)                                    | 270,559      | 476,766      | 813,775      | 797,856      |
| Net income attributable to owners of the parent (Thousands of U.S. dollars)               | 172,946      | 304,982      | 529,568      | 589,874      |
| Net income per share for quarter (of the fiscal year ended March 31, 2019) (U.S. dollars) | 0.70         | 1.24         | 2.16         | 2.40         |

| Accounting period   | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter |
|---|-------------|-------------|-------------|-------------|
| Net income per share for quarter of the fiscal year (Yen) | ¥ 77.82     | ¥ 59.80     | ¥ 101.86    | ¥ 27.35     |

| Accounting period  | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter |
|--|-------------|-------------|-------------|-------------|
| Net income per share for quarter of the fiscal year (U.S. dollars) | \$ 0.70     | \$ 0.54     | \$ 0.92     | \$ 0.25     |

# List of Major Domestic Rental and Sales Properties

## Major rental properties

As of March 31, 2019

| Property name                              | Location            | Completed | Leasable area <sup>*1</sup><br>(1,000 m <sup>2</sup> ) | Use   |
|--|---------------------|-----------|--|---|
| Umeda Hankyu Bldg.                         | Kita-ku, Osaka      | 2012      | 213  | Department stores (Hankyu Department Store), Offices  |
| Umeda Hanshin Daiichi Bldg. (HERBIS OSAKA) | Kita-ku, Osaka      | 1997      | 82   | Hotels (The Ritz-Carlton, Osaka), Offices, Commercial facilities, Multifunctional convention hall |
| Osaka Umeda Twin Towers South              | Kita-ku, Osaka      | 2018      | 58 <sup>*2</sup>                                       | Department store (Hanshin Department Store)   |
| Umeda Hanshin Daini Bldg. (HERBIS ENT)     | Kita-ku, Osaka      | 2004      | 55   | Offices, Commercial facilities, Theater (Osaka Shiki Theater)                                     |
| Hankyu Chayamachi Bldg. (Applause Tower)   | Kita-ku, Osaka      | 1992      | 52   | Hotel (Hotel Hankyu International), Offices, Commercial facilities                                |
| Hankyu Sanban Gai Shopping Centre          | Kita-ku, Osaka      | 1969      | 39   | Commercial facilities   |
| Hankyu Grand Bldg.                         | Kita-ku, Osaka      | 1977      | 36   | Offices, Commercial facilities  |
| GRAND FRONT OSAKA                          | Kita-ku, Osaka      | 2013      | 14   | Offices, Commercial facilities, Knowledge Capital, Hotel (InterContinental Hotel Osaka)           |
| Hankyu Terminal Bldg.                      | Kita-ku, Osaka      | 1972      | 27   | Offices, Commercial facilities  |
| Hankyu Five Bldg. (HEP FIVE)               | Kita-ku, Osaka      | 1998      | 20   | Commercial facilities   |
| Navio Hankyu (HEP NAVIO)                   | Kita-ku, Osaka      | 1980      | 16   | Commercial facilities   |
| Kita Hankyu Bldg.                          | Kita-ku, Osaka      | 1971      | 13   | Offices, Commercial facilities  |
| NU chayamachi                              | Kita-ku, Osaka      | 2005      | 12   | Commercial facilities   |
| Noda Hanshin Bldg. (WISTE)                 | Fukushima-ku, Osaka | 1992      | 32   | Commercial facilities, Offices  |
| Shin-Osaka Hankyu Bldg.                    | Yodogawa-ku, Osaka  | 2012      | 24   | Offices, Hotel (remm Shin-Osaka), Commercial facilities   |
| Hankyu Nishinomiya Gardens                 | Nishinomiya, Hyogo  | 2008      | 117  | Commercial facilities, Department stores (Hankyu Department Store)                                |
| Hankyu Kawaramachi Bldg.                   | Shimogyo-ku, Kyoto  | 1974      | 38   | Department stores (Takashimaya)   |

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

\*2 Phase I

## Major properties sold in fiscal 2019

| Property name                            | Location                          | Total units |
|--|-----------------------------------|-------------|
| <b>Condominium</b>                       |                                   |             |
| Geo Hankyu Minase Heart Square           | Shimamoto-cho, Mishima-gun, Osaka | 315         |
| Wellith Ibaraki <sup>*3</sup>            | Ibaraki, Osaka                    | 216         |
| Geo Kyoto Katsuragawa                    | Minami-ku, Kyoto                  | 98          |
| Cielia Saito <sup>*3</sup>               | Ibaraki, Osaka                    | 98          |
| Geo Takarazuka Minamiguchi               | Takarazuka, Hyogo                 | 64          |
| Geo Nishinomiya Kitaguchi The Clair      | Nishinomiya, Hyogo                | 51          |
| Geo Itami Chuo                           | Itami, Hyogo                      | 43          |
| Geo Nishinomiya Kitaguchi Nagata-cho     | Nishinomiya, Hyogo                | 29          |
| Geo Kobe Motoyama Nakamachi              | Higashinada-ku, Kobe              | 20          |
| Lefond Geo Ikeda <sup>*3</sup>           | Ikeda, Osaka                      | 77          |
| Geo Shinjuku Wakamatsu-cho <sup>*3</sup> | Shinjuku-ku, Tokyo                | 123         |
| Geo Nishikasai Seishin-cho               | Edogawa-ku, Tokyo                 | 55          |
| Geo Chiyoda Otemachi <sup>*3</sup>       | Chiyoda-ku, Tokyo                 | 56          |

|                                 |                    |    |
|---------------------------------|--------------------|----|
| <b>Detached house</b>           |                    |    |
| Hapia Garden Yao Akegawa-Minami | Yao, Osaka         | 30 |
| Hapia Garden Kobe Takamaru      | Kobe, Hyogo        | 24 |
| Hapia Garden Mukogawa Sorail    | Amagasaki, Hyogo   | 20 |
| Hapia Garden Tamagawagakuen-mae | Machida, Tokyo     | 17 |
| Hapia Garden Koyama 3-chome     | Nerima-ku, Tokyo   | 6  |
| Hapia Garden Hamadayama         | Suginami-ku, Tokyo | 4  |

\*3 Joint-venture properties

## Major properties sold in fiscal 2020

| Property name  | Location             | Total units |
|--|----------------------|-------------|
| <b>Condominium</b>                                   |                      |             |
| Geo Fukushima Noda The Marks <sup>*3</sup>           | Fukushima-ku, Osaka  | 566         |
| Geo Kobe Nakayamate-dori <sup>*3</sup>               | Chuo-ku, Kobe        | 256         |
| The Residence Osaka Suminodo <sup>*3</sup>           | Daito, Osaka         | 191         |
| Scenes Tsukaguchi <sup>*3</sup>                      | Amagasaki, Hyogo     | 166         |
| Geo Mukonosono                                       | Amagasaki, Hyogo     | 104         |
| Geo Takatsuki Ohata-cho                              | Takatsuki, Osaka     | 55          |
| Geo Kyoto Oike-Aburanokoji The Terrace <sup>*3</sup> | Nakakyo-ku, Kyoto    | 49          |
| Geo Ibaraki Nishichujyo                              | Ibaraki, Osaka       | 47          |
| Geo Kashiwanoha Campus <sup>*3</sup>                 | Kashiwa, Chiba       | 226         |
| Geo Shinjuku Hyakunin-cho                            | Shinjuku-ku, Tokyo   | 79          |
| Geo Miyamaedaira                                     | Miyamae-ku, Kawasaki | 45          |
| Geo Nerima Kitamachi                                 | Nerima-ku, Tokyo     | 45          |
| Geo Bunkyo Sengoku                                   | Bunkyo-ku, Tokyo     | 45          |

|  |                      |    |
|--|----------------------|----|
| <b>Detached house</b>                              |                      |    |
| Hapia Garden Ibaraki                               | Ibaraki, Osaka       | 57 |
| Amagasaki-shi, Oshonishimachi 4-chome              | Amagasaki, Hyogo     | 41 |
| Hapia Garden Itami Koyanosato                      | Itami, Hyogo         | 12 |
| Hapia Avenue Mitaka Jindaiji <sup>*3</sup>         | Mitaka, Tokyo        | 26 |
| Hapia Avenue Southan Beach Chigasaki <sup>*3</sup> | Chigasaki, Kanagawa  | 16 |
| Sagamihara-shi, Minami-ku, Kamitsurumohoncho       | Sagamihara, Kanagawa | 11 |



## List of Overseas Sales Properties (As of June 30, 2019)

| Country         | Property Name                     | Residence Type                 | Total Units   | Business Partner  | Completion                   |
|-----------------|-----------------------------------|--------------------------------|---------------|---|------------------------------|
| Vietnam         | FLORA-ANH DAO-                    | Condominium                    | 500           | Nam Long Investment Corporation,<br>Nishi-Nippon Railroad Co., Ltd. | Completed in 2016            |
|                 | FUJI RESIDENCE                    | Condominium                    | 789           | Nam Long Investment Corporation,<br>Nishi-Nippon Railroad Co., Ltd. | Completed in 2017            |
|                 |                                   | Detached house                 | 84            |   | 2017 or later                |
|                 | FLORA-KIKYO-                      | Condominium                    | 234           | Nam Long Investment Corporation,<br>Nishi-Nippon Railroad Co., Ltd. | Completed in 2018            |
|                 | MIZUKI PARK                       | Condominium                    | Approx. 3,760 | Nam Long Investment Corporation,<br>Nishi-Nippon Railroad Co., Ltd. | 2019 or later<br>(scheduled) |
|                 |                                   | Detached house                 | Approx. 100   |   |                              |
|                 |                                   | Townhouse<br>(Terraced houses) | Approx. 60    |   |                              |
|                 | AKARI CITY                        | Condominium                    | Approx. 5,230 | Nam Long Investment Corporation,<br>Nishi-Nippon Railroad Co., Ltd. | Unscheduled                  |
| Thailand        | Niche Mono Sukhumvit-Bearing      | Condominium                    | 1,275         | SENA Development  | 2019 (scheduled)             |
|                 | Niche Pride Taopoon-Interchange   | Condominium                    | 742           | SENA Development  | 2020 (scheduled)             |
|                 | PITI Ekkamai                      | Condominium                    | 879           | SENA Development  | 2022 (scheduled)             |
|                 | Niche Mono Mega Space Bangna      | Condominium                    | 795           | SENA Development  | 2020 (scheduled)             |
|                 | Niche Mono Charoen Nakorn         | Condominium                    | 537           | SENA Development  | 2020 (scheduled)             |
|                 | PITI Sukhumvit 101                | Condominium                    | Approx. 170   | SENA Development  | 2021 (scheduled)             |
|                 | Niche Mono Ramkhamhaeng           | Condominium                    | 1,698         | SENA Development  | 2022 (scheduled)             |
|                 | Niche Pride Sathorn-Thapra        | Condominium                    | Approx. 820   | SENA Development  | 2022 (scheduled)             |
|                 | SENA-Azu Rama 9                   | Condominium                    | Approx. 570   | SENA Development  | 2021 (scheduled)             |
|                 | Niche Pride Somdet Chaopraya      | Condominium                    | Approx. 210   | SENA Development  | 2021 (scheduled)             |
|                 | Niche Mono Chaeng Watthana        | Condominium                    | Approx. 1,930 | SENA Development  | 2021 (scheduled)             |
|                 | Bang Pho Project (Tentative name) | Condominium                    | Approx. 430   | SENA Development  | 2022 (scheduled)             |
|                 | Niche Mono Itsaraphap             | Condominium                    | Approx. 260   | SENA Development  | 2021 (scheduled)             |
| The Philippines | Idesia Dasmariñas                 | Detached house                 | 456           | PA Alvarez Properties   | 2019 or later<br>(scheduled) |
|                 |                                   | Townhouse<br>(Terraced houses) | 463           |   |                              |
|                 | Idesia Dasmariñas Phase 2         | Detached house                 | Approx. 710   | PA Alvarez Properties   | 2021 or later<br>(scheduled) |
|                 |                                   | Townhouse<br>(Terraced houses) | Approx. 290   |   |                              |
| Indonesia       | The ZORA                          | Detached house                 | 543           | Sinar Mas Land and others   | 2019 or later<br>(scheduled) |
|                 |                                   | Residence with shops           | 158           |   |                              |
|                 | Opus Park                         | Condominium                    | 1,077         | Sumitomo Corporation, Sentul City                                   | 2019 (scheduled)             |
|                 | RIMBUN KASIA                      | Condominium                    | Approx. 850   | Ireka Corporation Berhad  | 2020 or later<br>(scheduled) |

\*The above information includes that which is correct as of the time of our involvement.

# List of Hankyu-Hanshin-Daiichi Hotels (As of August 1, 2019)

## List of hotels

|   | Hotels | Guest rooms |
|---|--------|-------------|
| ● Directly managed hotels (Hankyu Hanshin Hotels) | 20     | 5,419       |
| ● Other (franchises etc.)                         | 27     | 5,593       |
| Total   | 47     | 11,012      |

The above figures do not include The Ritz-Carlton, Osaka (Kita-ku, Osaka; 291 rooms)

| Directly managed hotels      |             |                              |             |
|------------------------------|-------------|------------------------------|-------------|
| Name                         | Guest rooms | Name                         | Guest rooms |
| Dai-ichi Hotel Tokyo         | 278         | Hotel new Hankyu Osaka Annex | 302         |
| Dai-ichi Hotel Annex         | 180         | Osaka Umeda OS hotel*        | 283         |
| Dai-ichi Hotel Tokyo Seafort | 132         | Hotel Hanshin Osaka          | 290         |
| Kichijoji Dai-ichi Hotel     | 81          | Hotel Hanshin Annex Osaka    | 254         |
| remm Hibiya                  | 255         | remm Shin-Osaka              | 296         |
| remm Akihabara               | 260         | Senri Hankyu Hotel Osaka     | 203         |
| remm Roppongi                | 400         | Hotel Hankyu Expo Park Osaka | 99          |
| remm Tokyo Kyobashi          | 272         | Takarazuka Hotel             | 129         |
| Hotel Hankyu International   | 168         | Hotel new Hankyu Kyoto       | 325         |
| Hotel new Hankyu Osaka       | 961         | remm Kagoshima               | 251         |

\*Hankyu Hanshin Hotels is entrusted with management

| Other                               |             |                                   |             |
|-------------------------------------|-------------|-----------------------------------|-------------|
| Name                                | Guest rooms | Name                              | Guest rooms |
| Tokyo Dai-ichi Hotel Iwanuma Resort | 52          | Amano Hashidate Hotel             | 52          |
| Tokyo Dai-ichi Hotel Tsuruoka       | 123         | Osaka Dai-ichi Hotel              | 460         |
| Tokyo Dai-ichi Hotel Yonezawa       | 62          | Hotel Bay Gulls                   | 240         |
| Tokyo Dai-ichi Hotel Shin-Shirakawa | 163         | Arima Kirari Hotel                | 54          |
| Ginza Creston                       | 93          | Hotel Ichibata                    | 143         |
| Ours Inn Hankyu                     | 1,388       | Kure Hankyu Hotel                 | 70          |
| Dai-ichi Hotel Ryogoku              | 334         | Tokyo Dai-ichi Hotel Shimonoseki  | 77          |
| Dai-ichi Inn Ikebukuro              | 139         | Takamatsu Kokusai Hotel           | 101         |
| Dai-ichi Inn Shonan                 | 108         | JR Hotel Clement Takamatsu        | 300         |
| Toyama Dai-ichi Hotel               | 110         | JR Hotel Clement Tokushima        | 250         |
| Dai-ichi Inn Shinminato             | 36          | The Crown Palais New Hankyu Kochi | 242         |
| Tokyo Dai-ichi Hotel Nishiki        | 233         | Tokyo Dai-ichi Hotel Matsuyama    | 122         |
| Hotel Boston Plaza Kusatsu          | 216         | Imabari Kokusai Hotel             | 355         |
| Hotel Royal Hill Fukuchiyama & Spa  | 70          |                                   |             |

## Location ● Directly managed hotels ● Hotel chain ● Hotels scheduled to open



Hotel Hanshin Annex Osaka

Opened May 15, 2019  
(254 rooms)



Hotel Hankyu RESPIRE OSAKA

Scheduled opening November 27, 2019  
(1,030 rooms [planned])



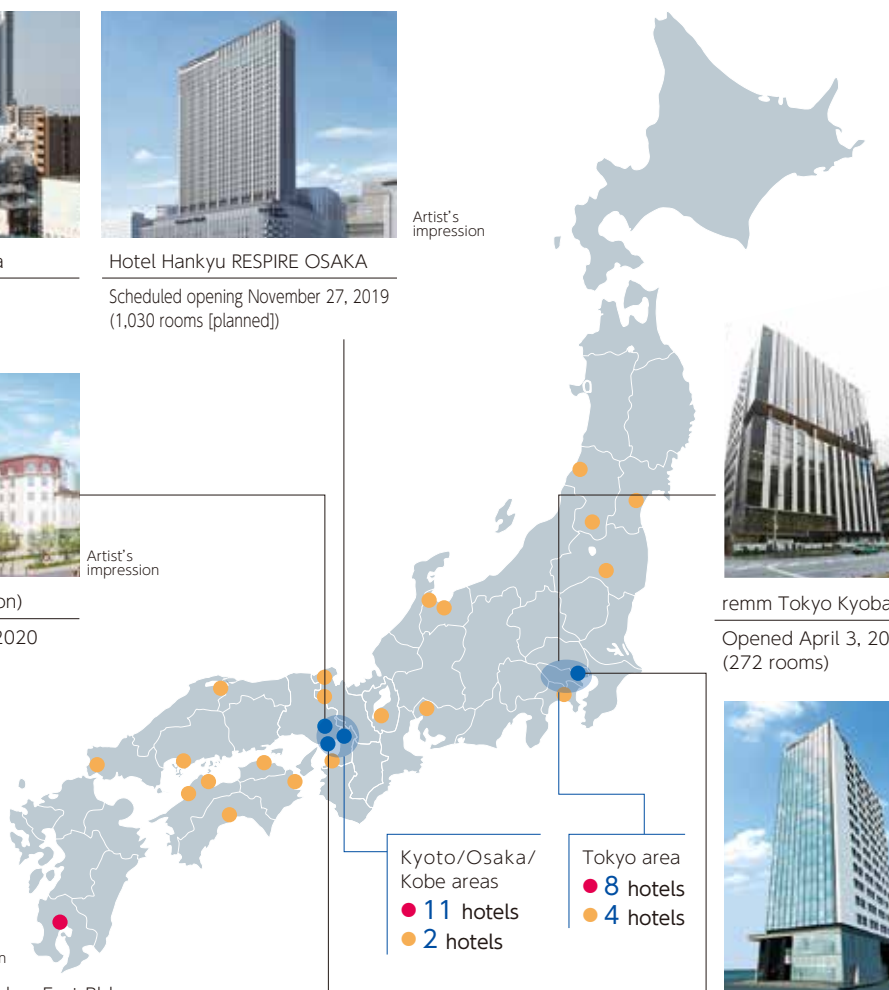
Takarazuka Hotel (Relocation)

Scheduled opening spring 2020  
(200 rooms)



Reconstruction of Kobe Hankyu East Bldg.;  
Planned renewal of West Bldg.

Scheduled completion spring 2021



remm Tokyo Kyobashi

Opened April 3, 2019  
(272 rooms)



remm plus Ginza

Scheduled opening December 24, 2019  
(238 rooms)

# Major Group Companies (As of April 1, 2019)

## Consolidated Subsidiaries

### Urban Transportation

|                           | Name of company   |
|---------------------------|---|
| <b>Railway operations</b> | Hankyu Corporation<br>Hanshin Electric Railway Co., Ltd.<br>Nose Electric Railway Co., Ltd.<br>Kita-Osaka Kyuko Railway Co., Ltd.<br>Hokushin Kyuko Railway Co., Ltd.<br>Kobe Rapid Transit Railway Co., Ltd. |
| <b>Automobile</b>         | Hankyu Bus Co., Ltd.<br>Hanshin Bus Co., Ltd.<br>Hankyu Taxi Inc.<br>Hanshin Taxi Co., Ltd.   |
| <b>Retailing</b>          | Hankyu Corporation<br>Eki Retail Service Hankyu Hanshin Co., Ltd.<br>Hankyu Style Labels Co., Ltd.  |
| <b>Advertising</b>        | Hankyu Corporation<br>Hankyu Advertising Agency Inc.  |
| <b>Other</b>              | Alna Sharyo Co., Ltd.<br>Hankyu Sekkei Consultant<br>Hanshin Station Net Co., Ltd.  |

### Real Estate

|   | Name of company  |
|---|--|
| <b>Real estate leasing</b>                  | Hankyu Corporation<br>Hanshin Electric Railway Co., Ltd.<br>Hankyu Hanshin Properties Corp.  |
| <b>Real estate sales and other business</b> | Hankyu Corporation<br>Hanshin Electric Railway Co., Ltd.<br>Hankyu Hanshin Properties Corp.<br>Hankyu Hanshin Building Management Co., Ltd.<br>Hankyu Hanshin High Security Service Co., Ltd.<br>Hankyu Hanshin Clean Service Co., Ltd.<br>Hankyu Hanshin REIT Asset Management, Inc.<br>Hankyu Hanshin Housing Support Ltd. |

### Entertainment

|               | Name of company  |
|---------------|--|
| <b>Sports</b> | Hanshin Electric Railway Co., Ltd.<br>Hanshin Tigers Baseball Club, Ltd.<br>Hanshin Contents Link Corporation<br>Mt. Rokko Cable Car & Tourism Co. |
| <b>Stage</b>  | Hankyu Corporation<br>Takarazuka Creative Arts Co., Ltd.<br>Umeda Arts Theater Co., Ltd.   |

### Information and Communication Technology

|   | Name of company  |
|---|--|
| <b>Information and Communication Technology</b> | Itec Hankyu Hanshin Co., Ltd.<br>Bay Communications Inc. |

### Travel

|                      | Name of company  |
|----------------------|--|
| <b>Travel agency</b> | Hankyu Travel International Co., Ltd.<br>Hankyu Travel Support Co., Ltd. |

### International Transportation

|                                     | Name of company  |
|-------------------------------------|--|
| <b>International transportation</b> | Hankyu Hanshin Express Co., Ltd.<br>Hankyu Hanshin Logipartners Co., Ltd.<br>HHE (USA) Inc.<br>HHE (Deutschland) GmbH<br>HHE (HK) Limited<br>HHE Southeast Asia Pte. Ltd.<br>HHE: Hankyu Hanshin Express |

### Hotels

|                         | Name of company  |
|-------------------------|--|
| <b>Hotel management</b> | Hankyu Hanshin Hotels Co., Ltd.<br>Hanshin Hotel Systems Co., Ltd.<br>Hankyu Hanshin Restaurants Co., Ltd.<br>Arima View Hotel Co., Ltd. |

### Other

|   | Name of company                                       |
|---|---|
| <b>Construction</b>   | Hanshin Kensetsu Co., Ltd.<br>Chuo Densetsu Co., Ltd. |
| <b>Outsourcing services for personnel and accounting services</b> | Hankyu Hanshin Business Associate Co., Ltd.           |
| <b>Credit and point card</b>                                      | Hankyu Hanshin Card Co., Ltd.                         |
| <b>Group finance</b>  | Hankyu Hanshin Financial Support Co., Ltd.            |

## Equity-Method Affiliates

| Main business                  | Name of company   |
|--------------------------------|---|
| <b>Department store</b>        | H2O Retailing Corporation<br>(Securities code: 8242)  |
| <b>Railway operations</b>      | Nishi-Osaka Railway Co., Ltd.<br>Kobe Electric Railway Co., Ltd.<br>(Securities code: 9046) |
| <b>Motion picture business</b> | Toho Co., Ltd. (Securities code: 9602)  |
| <b>Real estate leasing</b>     | Tokyo Rakutenchi Co., Ltd.<br>(Securities code: 8842)                                       |
| <b>Commercial broadcasting</b> | Kansai Television Co., Ltd.   |

## Investor Information (As of March 31, 2019)

### Hankyu Hanshin Holdings, Inc.

#### Head Office

1-16-1, Shibata, Kita-ku, Osaka 530-0012, Japan

Phone: +81-6-6373-5001

(Group Planning Div., IR Office)

Fax: +81-6-6373-5042

#### Tokyo Office (Personnel and General Affairs Div.)

Toho Twin Tower Bldg.,

1-5-2, Yurakucho, Chiyoda-ku, Tokyo 100-0006, Japan

Phone: +81-3-3503-1568

Fax: +81-3-3508-0249

#### Paid-in Capital

¥99,474 million

#### Fiscal Year-End

March 31

#### Number of Employees

22,654 (consolidated)

#### Authorised Shares

640,000,000

#### Issued Shares

254,281,385

#### Number of Shareholders

77,451

#### Unit of Trading

100 shares

#### Stock Exchange Listing

Tokyo

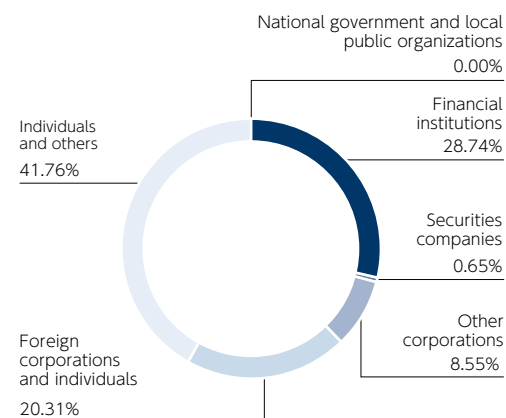
#### Transfer Agent

Mitsubishi UFJ Trust and Banking Corporation

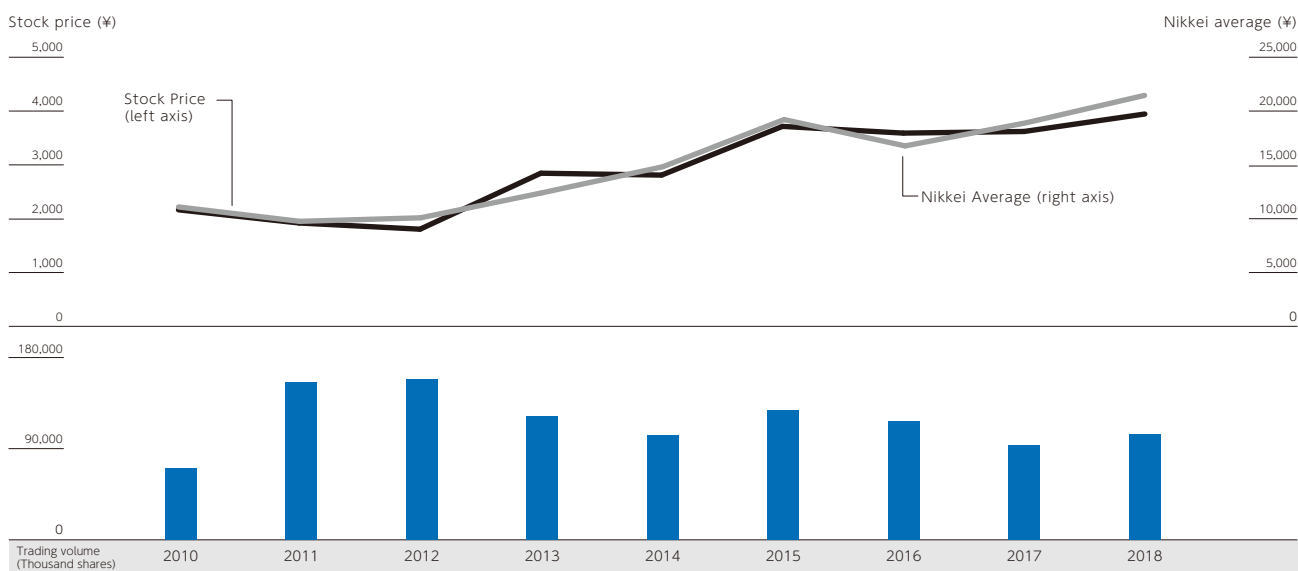
#### Principal Shareholders

| Name   | Number of shares<br>(Thousands) | Percentage<br>(%) |
|--|---------------------------------|-------------------|
| Japan Trustee Services Bank, Ltd. (Trust account)  | 13,151                          | 5.34              |
| The Master Trust Bank of Japan, Ltd. (Trust account)   | 12,843                          | 5.22              |
| Nippon Life Insurance Company<br>(Standing Proxy: The Master Trust Bank of Japan, Ltd.)                                    | 5,224                           | 2.12              |
| Japan Trustee Services Bank, Ltd. (Trust account 5)  | 4,955                           | 2.01              |
| H2O Retailing Corporation  | 4,207                           | 1.71              |
| State Street Bank West Client-Treaty 505234 (Standing Proxy:<br>Mizuho Bank, Ltd. Settlement & Clearing Services Division) | 4,095                           | 1.66              |
| Sumitomo Mitsui Banking Corporation  | 3,581                           | 1.45              |
| JP MORGAN CHASE BANK 385151 Mizuho Bank, Ltd.<br>Settlement & Clearing Services Division)                                  | 3,485                           | 1.42              |
| Japan Trustee Services Bank, Ltd. (Trust account 1)  | 3,304                           | 1.34              |
| Japan Trustee Services Bank, Ltd. (Trust account 9)  | 3,257                           | 1.32              |

#### Ownership Breakdown



#### Stock Price and Annual Trading Volume (Tokyo Stock Exchange)



#### Notes:

1. The stock prices are as of March 31, of each year. The trading volumes are for years ended March 31.
2. The data takes into account the reverse stock split and the change of trading unit conducted with an effective date of August 1, 2016.

## Website Information



### Corporate Website of Hankyu Hanshin Holdings

The corporate website of Hankyu Hanshin Holdings presents an outline of the Group, news releases, and details of CSR initiatives in addition to providing governance information. It also publishes up-to-date information on each business as well as a message from management.

<https://www.hankyu-hanshin.co.jp/>



### Information for Shareholders and Other Investors

The Group's investor relations website provides presentation materials on corporate financial results as well as a Q&A section. In addition, it provides statutory disclosure documents such as financial statements and securities reports. It also includes the business strategies and financial policies comprising the Long-Term Management Vision and Medium-Term Management Plan.

<https://www.hankyu-hanshin.co.jp/ir/>



### Group Guide

We compile an annual Group Guide to aid in understanding of the Group outline. This Group Guide includes a message from management, a list of Group companies, and an outline of the scope of Group businesses. It is published in both English-language and Japanese-language editions.

[https://www.hankyu-hanshin.co.jp/file\\_sys/irRelatedInfoEn/242\\_6de97dc5180211eddf1c84567e91fa018f09889.pdf](https://www.hankyu-hanshin.co.jp/file_sys/irRelatedInfoEn/242_6de97dc5180211eddf1c84567e91fa018f09889.pdf)



### CSR Initiatives ▶ Environmental Preservation

The Group implements a variety of initiatives intended to reduce the environmental impacts of each of its businesses. This website includes examples of initiatives as well as external evaluations.

<https://www.hankyu-hanshin.co.jp/csr/eco/>



### CSR Initiatives ▶ Social Contribution

Our Group engages in a variety of social contribution initiatives in order to implement the Group Management Philosophy. This website includes a video outlining these initiatives and provides a report detailing their content.

<https://www.hankyu-hanshin.co.jp/yume-machi/>





# Hankyu Hanshin Holdings, Inc.

1-16-1, Shibata, Kita-ku, Osaka 530-0012, Japan

Phone: +81-6-6373-5001 Fax: +81-6-6373-5042

<http://www.hankyu-hanshin.co.jp/en/>

## Hankyu Hanshin Toho Group