

Hankyu Hanshin Holdings

INTEGRATED REPORT 2020

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.

Principles

How to act to uphold our values and fulfil our mission

1. We treasure encounters with people, and do our best in the position of a customer.
2. We abide by the laws and regulations, and act with a clear awareness of our social responsibilities.
3. We take pride and responsibility in our work, and carry it out promptly.
4. We are not concerned with what is just before us, but think from medium- and long-term perspectives.
5. We are not satisfied with present conditions, but fix our eyes on the future and act.
6. We have caring feelings and respect each other.
7. We communicate in a lively way and create a workplace with a positive atmosphere.
8. We cooperate with one another for the prosperity of the Group.

Editorial Policy

This integrated report, in addition to a review of fiscal 2020, also describes the management policies and ESG-related initiatives of Hankyu Hanshin Holdings, Inc. It is intended to aid all those who read it, beginning with our shareholders and investors, in gaining a deep understanding of our Company.

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 Nishikyō, out of a total of 11 wards); and Muko and Nagaokakyo cities and Oyamazaki town

Period under Review

This integrated report is based on the fiscal year 2020 (April 2019–March 2020), however it also includes information pertaining to activities before and after this period.

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 September 2020. 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 182nd 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.

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Reference Guidelines

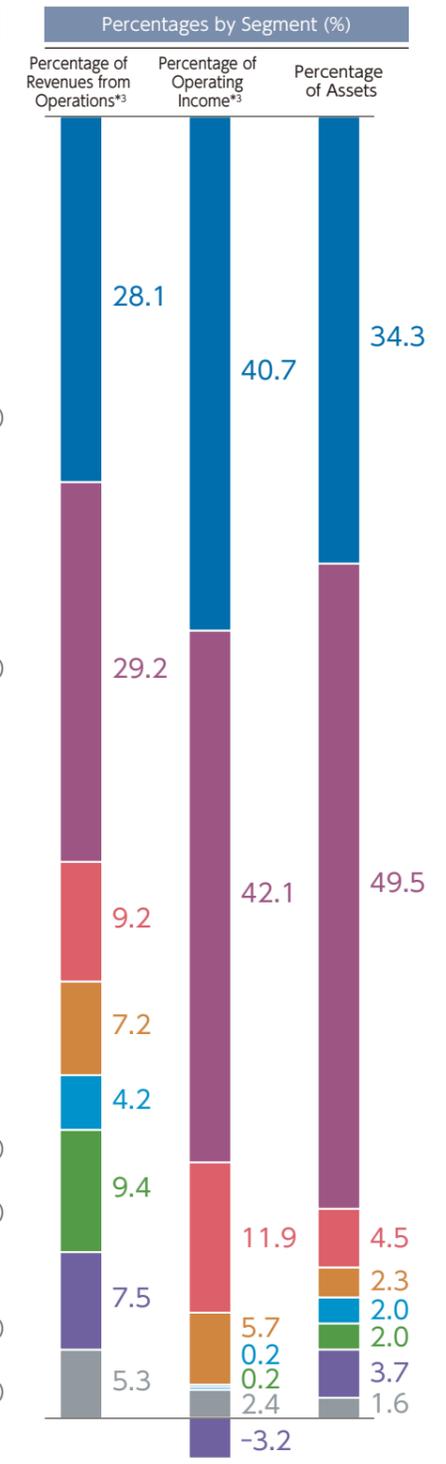
This report references the International Integrated Reporting Council's International Integrated Reporting Framework and the Ministry of Economy, Trade and Industry's Guidance for Collaborative Value Creation. It also references the Global Reporting Initiative's GRI Standards for its ESG information.

Role of Each of Our Publications

Publication	Contents
Integrated Report (this report)	Particulars as per the Contents page.
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.
Securities Report	Based upon Article 24, Paragraph 1 stipulated in the Financial Instruments and Exchange Act, this report is required to be submitted to the Kanto Local Finance Bureau. Please consult this report for detailed financial information.
Corporate Governance Report	This report is in accordance with Japan's Corporate Governance Code and is required to be submitted to the Tokyo Stock Exchange. Please consult this report for information on our Corporate Governance stance and systems.
Sustainability Data Book	This data book contains detailed information regarding our Group's ESG initiatives. Please consult this data book for particulars about our ESG strategy.
Safety Report	In observance of Article 19, Paragraph 4 of the Railway Business Act, this report is aimed at promoting a broad understanding of our efforts toward preserving transportation safety. It systematically presents information about safety on Hankyu Corporation and Hanshin Electric Railway.

Business Overview

Nature of Business		Core Companies	Fiscal 2020 Results*2																											
Urban Transportation	<p>Railway operations</p> <p>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. Hanshin Electric Railway is an operator with railway lines that directly link Kobe with Osaka's major northern and southern terminals, which are Osaka-Umeda and Osaka-Namba, respectively. The operating kilometers of Hankyu Corporation and Hanshin Electric Railway are 143.6 km* and 48.9 km,* respectively.</p> <p>*Including tier 2 railway operators</p>		<p>Revenues from operations $\text{¥} 227.2$ billion (YoY -4.8%) <small>Impact of COVID-19 -¥5.2 billion</small></p> <p>Operating income $\text{¥} 40.1$ billion (YoY -7.8%) <small>-¥4.7 billion</small></p> <p>Segment assets $\text{¥} 816.2$ billion (YoY +2.0%)</p>																											
	<p>Automobile business (bus, taxi)</p> <p>This business operates bus and taxi services, which coordinate with railway services to increase convenience in line-side areas</p> <p>Retailing business</p> <p>This business manages and operates shops mainly inside railway stations on the Hankyu and Hanshin lines.</p>			Real Estate	<p>Leasing business</p> <p>This business owns numerous office buildings and facilities, mainly in Osaka-Umeda and the lineside 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.</p>		<p>Revenues from operations $\text{¥} 236.0$ billion (YoY -0.5%)</p> <p>Operating income $\text{¥} 41.5$ billion (YoY -15.7%)</p> <p>Segment assets $\text{¥} 1,178.2$ billion (YoY +2.9%)</p>	<p>Real estate sales and other business</p> <p>This business markets condominiums, residential land lots, and detached houses, mainly in the lineside 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.</p>	Entertainment	<p>Sports business</p> <p>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).</p>		<p>Revenues from operations $\text{¥} 74.0$ billion (YoY -0.7%) <small>-¥4.4 billion</small></p> <p>Operating income $\text{¥} 11.7$ billion (YoY -13.0%) <small>-¥3.0 billion</small></p> <p>Segment assets $\text{¥} 107.6$ billion (YoY +1.3%)</p>	<p>Stage business</p> <p>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.</p>	Information and Communication Technology	<p>Information and communication technology business</p> <p>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,</p>		<p>Revenues from operations $\text{¥} 58.6$ billion (YoY +9.4%)</p> <p>Operating income $\text{¥} 5.6$ billion (YoY +6.0%)</p> <p>Segment assets $\text{¥} 55.7$ billion (YoY +4.0%)</p>	<p>internet services, and fixed telephone services; and the safety/education business, which operates ProLab robot programming classes for children, and Mimamorume, a child safety service which monitors children's journeys to and from school.</p>	Travel	<p>Travel business</p> <p>This business plans, markets, arranges, and supports travel for Japanese people in Japan and overseas and for inbound tourists. 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International Transportation	<p>International transportation business</p> <p>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. Domestic bases: 52 / Overseas bases: 134 (As of September 1, 2020)</p>		<p>Revenues from operations $\text{¥} 76.2$ billion (YoY -15.3%) <small>-¥4.9 billion</small></p> <p>Operating income $\text{¥} 0.2$ billion (YoY -92.9%) <small>-¥3.1 billion</small></p> <p>Segment assets $\text{¥} 48.4$ billion (YoY -1.0%)</p>																											
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Hotels	<p>Hotels business</p> <p>This business operates a wide range of hotel formats, from 'city hotels' through to business hotels mainly comprising guest rooms for overnight stays. Directly managed hotels: 21 Franchised hotels: 28 Total hotels: 49 (with 12,470 guest rooms) (As of September 1, 2020)</p>		<p>Revenues from operations $\text{¥} 60.3$ billion (YoY -7.2%) <small>-¥5.2 billion</small></p> <p>Operating income $\text{¥} 3.1$ billion <small>-¥3.3 billion</small></p> <p>Segment assets $\text{¥} 88.0$ billion (YoY +4.7%)</p>																											
	<p>In addition to the hotels mentioned on the left, the business manages The Ritz-Carlton Osaka, based on an alliance with the Ritz-Carlton chain of international luxury hotels.</p>																													



*1 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.

*2 Financial results for the Entertainment Business and the Information and Communication Technology Businesses for fiscal 2019 are based on reportable segment information following the segment classification change.

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

*4 Europe, the Middle East, and Africa

Service Area

Expanding the service area from Kansai, centering around Umeda and its line-side areas to the Tokyo metropolitan area and to Asia

Hankyu Corporation 143.6 km	Kobe Line (Kobe Line, Imazu Line, Itami Line, Koyo Line)	46.9 km	Takarazuka Line (Takarazuka Line, Minoh Line)	28.5 km
	Kyoto Line (Kyoto Line, Senri Line, Arashiyama Line)	65.4 km	Kobe Rapid Transit Railway Line	2.8 km
Hanshin Electric Railway 48.9 km	Hanshin Line (Hanshin Main Line, Hanshin Namba Line, Hanshin Mukogawa Line)	43.9 km		
	Kobe Rapid Transit Railway Line	5.0 km		

*See page 30 for the annual number of passengers carried.

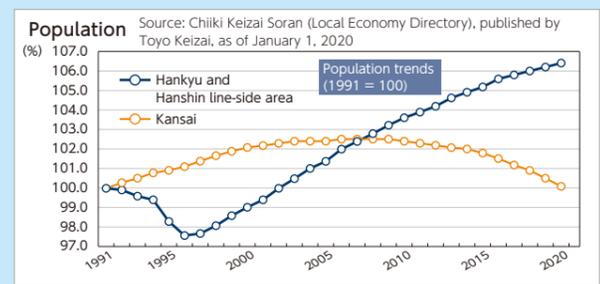
Hyogo Prefecture



Kobe Airport

Survey of Most Desirable Towns to Live in (Kansai region)
Source: Investigation conducted by MAJOR 7 (Sumitomo Realty & Development and seven other companies) (September 30, 2020)

Ranking	Station	Location	Ranking	Station	Location
1	Nishinomiya-kitaguchi	(Nishinomiya, Hyogo Pref.)	8	Kobe-Sannomiya/Sannomiya	(Kobe, Hyogo Pref.)
2	Shukugawa	(Nishinomiya, Hyogo Pref.)	9	Tennoji	(Tennoji-ku, Osaka)
3	Osaka-Umeda/Osaka	(Kita-ku, Osaka)	10	Ashiya	(Ashiya, Hyogo Pref.)
4	Okamoto	(Kobe, Hyogo Pref.)	11	Takatsuki/Takatsuki-shi	(Takatsuki, Osaka Pref.)
5	Mikage	(Kobe, Hyogo Pref.)	12	Esaka	(Suita, Osaka Pref.)
6	Ashiyagawa	(Ashiya, Hyogo Pref.)	13	Yodoyabashi	(Chuo-ku, Osaka)
7	Senri-Chuo	(Toyonaka, Osaka Pref.)	14	Takarazuka	(Takarazuka, Hyogo Pref.)
			15	Tsukaguchi	(Amagasaki, Hyogo Pref.)
			16	Sumiyoshi	(Kobe, Hyogo Pref.)
			17	Kobe	(Kobe, Hyogo Pref.)
			18	Hommachi	(Chuo-ku, Osaka)
			19	Fukushima	(Fukushima-ku, Osaka)
			20	Nakatsu	(Kita-ku, Osaka)

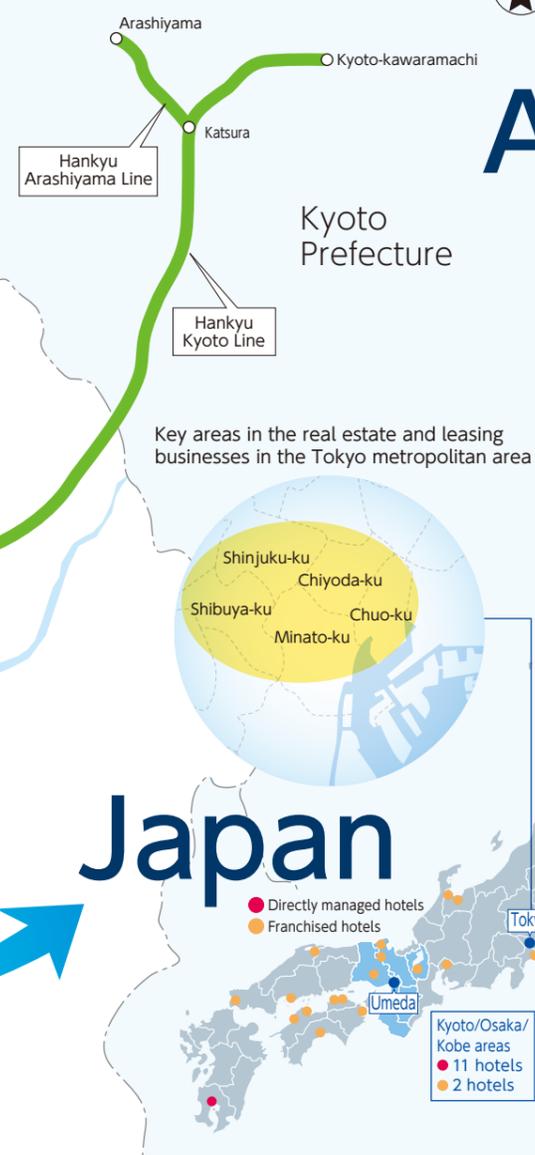


Kansai International Airport
The largest airport in western Japan, and the Kansai area's gateway to the world

■ Kansai International Airport

Kansai

Of the top 20 locations, all except three (9th-ranked Tennoji Station, 13th-ranked Yodoyabashi Station and 18th-ranked Hommachi Station) are line-side of Group stations



Japan

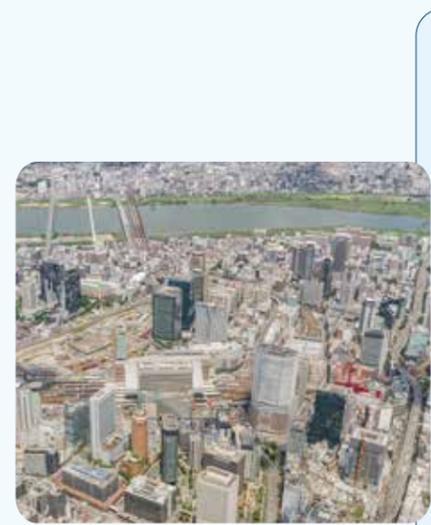
- Directly managed hotels
- Franchised hotels
- Tokyo area: 9 hotels
- Umeda: 11 hotels
- Kyoto/Osaka/Kobe areas: 2 hotels

Asia

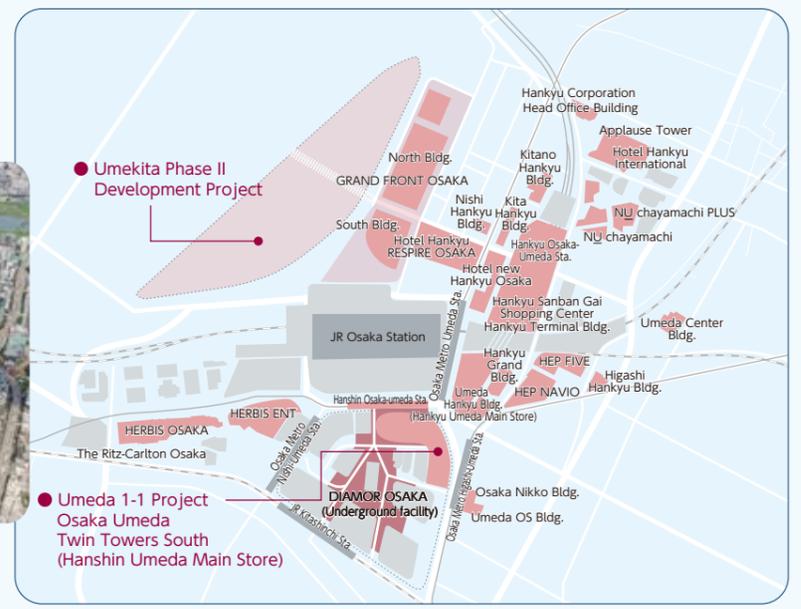


Total unit sales overseas (including those of business partners) **Approx. 30,500** (As of September 1, 2020)

	Projects	Total Units
Vietnam	5	Approx. 11,020
Thailand	14	Approx. 10,880
The Philippines	5	Approx. 4,750
Indonesia	3	Approx. 3,000
Malaysia	1	Approx. 850



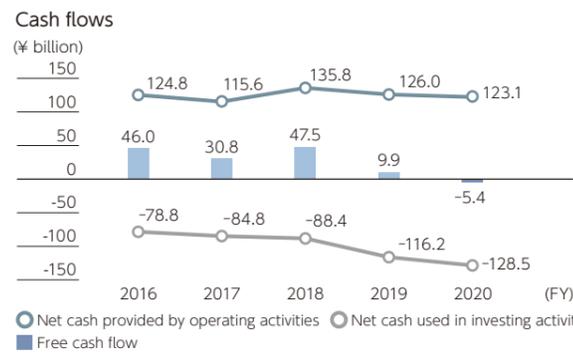
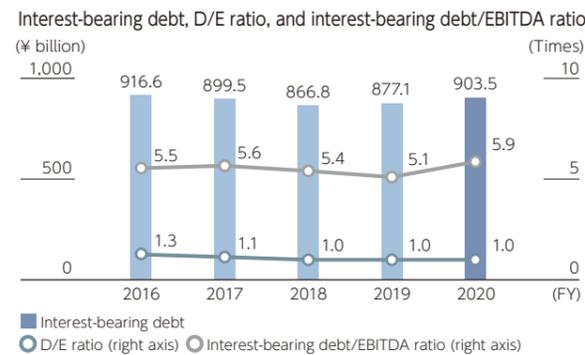
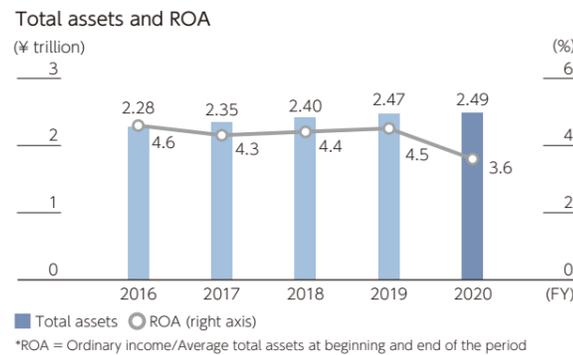
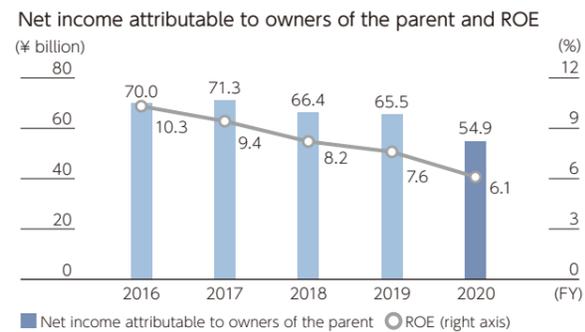
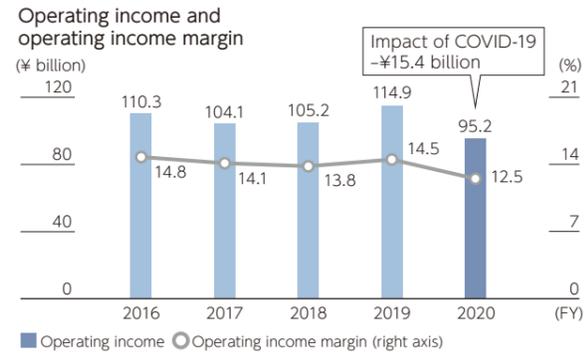
Umeda



■ Our investment properties

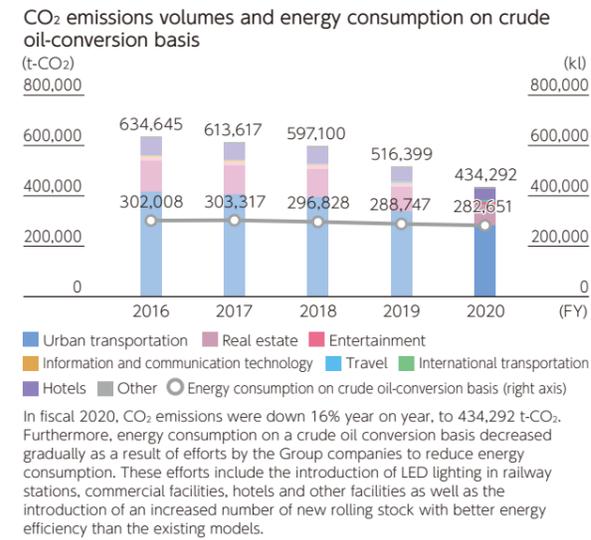
Financial Highlights

Key Financial Indicators (Graphs)



Non-Financial Highlights

Environmental Factors



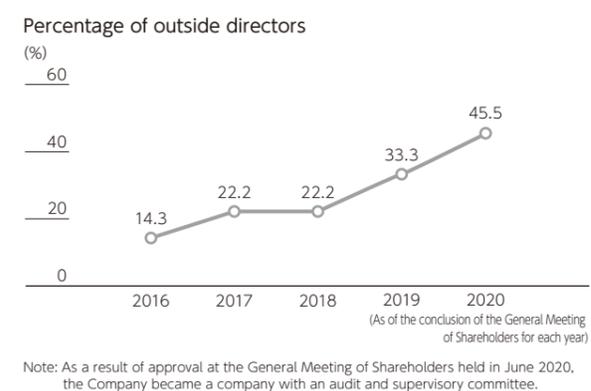
Capital investment in railway operations



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 2020, such investments totaled ¥14.4 billion at Hankyu Corporation and ¥4.8 billion at Hanshin Electric Railway. These investments were primarily used for the construction of new trains and renovation of existing ones, as well as track elevation, seismic reinforcement of elevated tracks, and constructions to further improve our stations.

Governance Factors



Note: As a result of approval at the General Meeting of Shareholders held in June 2020, the Company became a company with an audit and supervisory committee.

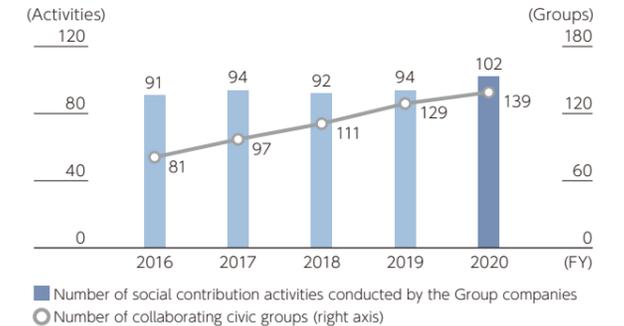
In order to strengthen its supervision and oversight and improve the quality of its decision making, the Company has appointed 11 directors, of which 5 are independent directors (including 2 females), bringing the percentage of outside directors to 45.5%.

Social Factors



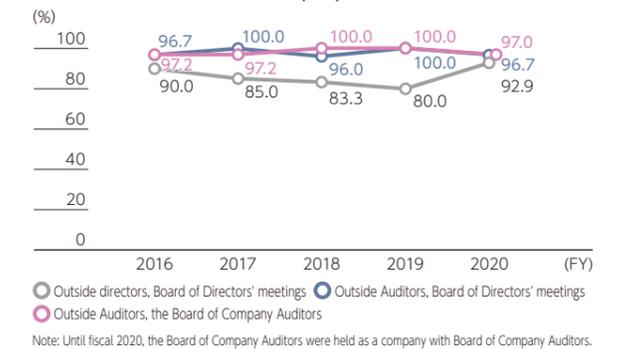
Hankyu Hanshin Holdings, Inc. and its six core companies are actively pursuing fair working environments where employees are able to fulfill their roles to the best of their abilities regardless of gender, through the active continued hiring of female employees. In fiscal 2020, the percentage of women in management positions was 4.5%, and females made up 47.8% of new hires.

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 100 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 2020 targeting line-side cities and towns found the more that customers recognize our projects and SDGs trains (p. 55), the more they have a positive image of our Group and a desire to live in our line-side areas.

Rate of attendance of outside officers at meetings of the Board of Directors and the Board of Company Auditors



Note: Until fiscal 2020, the Board of Company Auditors were held as a company with Board of Company Auditors.

With the approval obtained at the Ordinary General Meeting of Shareholders held in June 2020, Hankyu Hanshin Holdings became a company with an audit and supervisory committee. The office of the Board of Directors assists outside directors and the office of the Audit & Supervisory Committee assists outside directors who are Audit & Supervisory Committee members; in particular, the office of the Audit & Supervisory Committee is staffed with exclusive staff who provide information and liaise with relevant in-house departments. Moreover, the Corporate Governance Committee, mainly provides information about the group's businesses, finance, and organization, and the office of the Board of Directors sends out materials relating to motions to be tabled at board meetings, in principle around seven days before the meeting date.

Message from the Chairman



Kazuo Sumi
Chairman and Representative Director,
Group Chief Executive Officer

We will strive to enhance our corporate value over the medium to long term, and contribute to the realization of a sustainable society.

Allow me first to convey my sincere condolences for those who have passed away due to COVID-19, and express my sympathy to those who have contracted the virus. I would also like to express my heartfelt gratitude to all those working to prevent the spread of COVID-19, including professionals working on the front line of medical care.

The Group Will Continue to Push Forward as One to Enhance Corporate Value

The Hankyu Hanshin Holdings Group's aim is to achieve sustainable growth in a society that is undergoing and will continue to undergo change. In 2017, we announced the Hankyu Hanshin Holdings Group Long-Term Management

Vision for 2025. As a concrete action plan to fulfill this Long-Term Management Vision, we announced a Medium-Term Management Plan extending over the period from fiscal 2019 to 2022, and to date we have steadily implemented measures based on the Plan.

However, since the fourth quarter of fiscal 2020, many of our businesses, such as our Urban Transportation business, were impacted significantly by COVID-19. Consequently, during the

current term we have been working hard to prevent the virus from spreading to any Group worksite, and continue or restart our business activities as we move toward business recovery.

COVID-19 is forcing extremely rapid evolution in personal and business lifestyles, and this is impacting society as a whole. Going forward, these social changes will also impact the Group's existing business models. We will anticipate these changes as we continue our efforts to achieve medium- to long-term growth and enhance corporate value.

In Line with Our Sustainability Declaration, We Will Further Accelerate the Group's ESG Efforts

Over its history, which spans more than a century since its founding, the Company has used its railway operations as a base to extend into a wide range of businesses, from residential and commercial facility development to many enterprises offering compelling entertainment, such as the Hanshin Tigers baseball team and the Takarazuka Revue. Through these businesses, we have contributed to the creation of desirable urban environments and offered new, desirable lifestyles. As our Group mission, we seek to realize our Group Management Philosophy by delivering "Safety and Comfort" and "Dreams and Excitement," to create satisfaction among our customers and contribute to society. With our eyes on the future, we will strive to achieve sustainable growth, and work diligently with respect to the ESG (Environmental, Social, and Governance) goals that are a prerequisite for that growth.

In today's society, we face various challenges such as climate change, enhancing levels of safety and security, responding to diversifying standards of value and the accelerating pace of technological development. Achievement of the Sustainable Development Goals (SDGs) set forth by the United Nations by the target year 2030 will require private enterprise to play a progressively expanding role, and the public is focusing increasing attention on corporate efforts in this direction.

Consequently, in May 2020, we issued the Hankyu Hanshin Holdings Group Sustainability Declaration. Going forward, based on this declaration, we will accelerate the Group's ESG-related efforts, reinforce relationships of trust with stakeholders, including customers and local communities, and work to address social challenges through our business activities. We are confident that these efforts will enhance our corporate value as a group over the medium to long term and help realize a sustainable society.

We Will Continue to Enhance Our Corporate Governance

In line with the aforementioned ESG efforts, the Company will undertake to further bolster its robust corporate governance. To this end, we became a company with an Audit & Supervisory Committee in June 2020, and reduced the number of company officers by three, to a total of 11, five of whom are independent directors, including two women. This increased the proportion of independent officers on our board. Our independent directors play leading roles in finance, the academy, and legal circles, and the extensive expertise they bring will encourage more active discussion on the Board of Directors and in other settings. This will enhance the transparency of our management and further strengthen the supervision and oversight function.

We Will Contribute to the Further Development of the Kansai Area, and Work to Realize a Society that Promotes the Growth and Dreams of the Next Generation

The next world exposition, Expo 2025 Osaka, Kansai, is slated to be held in the Kansai area, where many of the Group's businesses are located. The theme of the expo is "Designing Future Society for Our Lives," with the aim of contributing to achievement of the UN's SDGs. In addition, collaboration between industry and universities in the field of medicine is under way, and creation of new industries and neighborhoods that are comfortable to live in is in progress.

At the same time, the Group is currently pushing forward with large-scale projects in the Osaka-Umeda area, the Group's strategic base, which will add significant attractiveness to the area. They include the Umeda 1-1 Project and the Umekita Phase II Development Project. These efforts will enhance the Osaka-Umeda area's potential, promote sustainable growth for the Group, and synergize with a wide range of other efforts in the Kansai region, contributing to its further overall development.

COVID-19 has made projections extremely difficult. Nevertheless, the Group will act as one to address social challenges independently, overcome this difficult situation, and contribute to the realization of a society where everyone can experience abundance and joy, and where the next generation can grow as they pursue their dreams.

Message from the President



Takehiro Sugiyama
President and Representative Director

The Hankyu Hanshin Holdings Group will realize sustainable growth as it responds to the new era

Fiscal 2020 Results

To realize the Hankyu Hanshin Holdings Group Long-Term Management Vision for 2025, we formulated a Medium-Term Management Plan for the first four years (fiscal 2019–2022), during which time we have been promoting measures in line with our Long-Term Management Vision.

As a result, the Group's results were largely in line with the Plan. When we announced our results for the third quarter of fiscal 2020, we anticipated that operating income would reach the plan goal of ¥107 billion. We also made investments for

growth and adjustments to ensure a continuing healthy balance sheet.

However, a range of factors, principally the impact of COVID-19, had a significant influence during the fourth quarter. As shown in the chart on the next page, fiscal 2020 revenue from operations, operating income, ordinary income, and net income attributable to owners of the parent, were all lower compared to the previous term.

The Hankyu Hanshin Holdings Group regards the total return ratio as a metric of shareholder return. Our basic policy is to set this ratio at 30%, and endeavor to pay dividends reliably

and acquire treasury shares. As planned, the full-year dividend payout for fiscal 2020 was set at ¥50 per share, an increase of ¥10, with ¥25 paid at mid-year and ¥25 at the end of the

term. A maximum of ¥4.3 billion was allocated for acquisition of treasury shares.

	FY2020 results	FY2019 results	YoY	
Revenues from operations	¥762.7 billion	¥791.4 billion	-¥28.8 billion	-3.6%
Operating income	¥95.2 billion	¥114.9 billion	-¥19.8 billion	-17.2%
Ordinary income	¥88.8 billion	¥110.5 billion	-¥21.7 billion	-19.7%
Net income attributable to owners of the parent	¥54.9 billion	¥65.5 billion	-¥10.6 billion	-16.2%

Fiscal 2021 Outlook and Social and Economic Recovery Scenario

As we enter fiscal 2021, the Group's operating environment will see a continuing impact from COVID-19 on many of its businesses, and first quarter results are expected to be significantly below the corresponding term a year earlier.

The outlook for fiscal 2021 as a whole is likely to depend significantly on the duration and extent of influence of COVID-19 during this fiscal year. To be more specific, most of the Group's businesses will be greatly affected by recovery from voluntary travel curtailment and the degree of social distancing as well as recovery in the global movement of people (including inbound visitors). It is currently very difficult to forecast the direction our business will take, and to calculate the impact of COVID-19 in any reasonable way. As such, our outlook for the full fiscal year must remain pending.

In calculating our dividend payout for fiscal 2021, we will maintain our policy of stable dividend payment (as we believe that the effects of the state of emergency in effect during April and May 2020 will not require us to modify this policy). As such, the full-year dividend payout for fiscal 2021 will be ¥50 per share, equal to that in fiscal 2020.

As stated, our immediate challenge is the same faced by the world as a whole: the COVID-19 pandemic. However, we believe that the progressive recovery of social and economic activities with a significant effect on the Group will take place in three major phases.

Phase 1

During phase 1, movement within Japan will gradually resume over short distances close to home, while social distancing will ease progressively. Group businesses that are relatively closely related to everyday activities—Urban Transportation, Real Estate, Entertainment and so on—will be the first to recover. Once movement within distances close to home becomes established, travel over longer distances will gradually begin, and we believe that our Travel and Hotels businesses will, at least to an extent, begin to recover as well.

Phase 2

Phase 2 will involve movement of people, not only within Japan, but all over the world. During this phase, we will see inbound visitors to Japan and Japanese traveling abroad for tourism. People's movements will become globalized, and results for Travel and Hotels businesses will recover correspondingly.

Phase 3

In phase 3, domestic and international economic activity will recover to a significant degree, and the influence of COVID-19 will have largely abated. However, due to the outbreak of the virus, the expansion of e-commerce, remote work, and other progressive changes in lifestyles and business styles have emerged, and we believe that even if the influence of COVID-19 abates, social and economic activity will certainly not return to what it was prior to the outbreak of the coronavirus. Consequently, phase 3 will call for responses to new social and economic activity.

The foregoing represents the Group's view of how social and economic activity is likely to recover. As of the end of September 2020, we believe that Japan has fully entered into phase 1, but that a certain amount of time will be required before phase 2 can begin. Based on that outlook, we expect that our results for fiscal 2021 will be correspondingly impacted. As such, the Group is striving assiduously to reduce costs and minimize nonessential investment, so as to promote recovery in both profit and cash flow.

The Basic Direction of the Long-Term Management Vision Will Not Change

The Group's Long-Term Management Vision for 2025 was formulated to achieve sustainable growth, even amid ongoing changes in society. As noted, lifestyles and business styles are changing progressively. The Long-Term Vision in fact anticipates that these changes will take place inevitably, and in that sense, the direction the Group must take is fundamentally unchanged.

However, we believe that because of COVID-19, these changes will accelerate. Going forward, we will monitor changing social conditions and trends closely to update the content and other aspects of specific measures to be implemented under the Long-Term Vision, and we believe we must promote efforts to realize the Vision even more rapidly than previously.

With respect to minimizing nonessential investment, even with the impact of the pandemic, there will be no change to the Group's aim of sustainable medium- to long-term growth. Large projects now in progress, such as the Umeda 1-1 Project and the reconstruction of the Kobe Hankyu Building, will move forward steadily and as planned. Moreover, if attractive opportunities, such as mergers and acquisitions or real estate deals, arise due to prevailing market conditions, we will of course consider them carefully, continuing our policy of emphasizing growth investments in a forward-looking manner.

Making Osaka-Umeda an Internationally Competitive Neighborhood

The Osaka-Umeda area is the Group's strategic base and has flourished as a center of commercial culture in Osaka for centuries. Until recently there was relatively little office space in the area, but with the Group's development of the

Umeda Hankyu Building and GRAND FRONT OSAKA, the supply of office space with advanced functions has increased substantially, and Umeda has gained additional stature as an office district.

Now the Group, as noted, is pushing forward strongly with the Umeda 1-1 Project, which can be viewed as a symbol of Hankyu and Hanshin management integration. The project is set for overall completion in Spring 2022, and will mark the launch of Osaka Umeda Twin Towers South. In conjunction with the Umeda Hankyu Building, which will be renamed Osaka Umeda Twin Towers North, we are confident these tower buildings will, as an Osaka landmark, contribute to enhancing the overall value of the Osaka-Umeda area.

Furthermore, at the Umekita Phase II Development Project, targeted for advance opening in 2024, we are working to create a neighborhood that will lead Japan and Asia. We plan to introduce internationally competitive, advanced urban functions and core functions in line with the project's concept of fusing greenery and innovation, and in particular, to enhance the area's international competitiveness, we are considering numerous measures to enable wide-ranging activity by businesspersons, including non-Japanese. Specifically, in addition to MICE facilities, we will establish innovation and other facilities to encourage the creation of new industries. We will also construct new hotels in three categories to meet the demand for accommodations.

In these ways, we will continue our efforts to enrich Osaka-Umeda's attractiveness and further enhance its international competitiveness, so that more people will want to visit this area of Osaka.

Toward a New Era: Discerning the Changing Needs of Society and Customers

In closing, I would like to touch on some of our efforts toward the coming era.

To some extent, the progressive changes now taking place in lifestyles and business styles are being driven by new "contactless" needs as a result of the spread of COVID-19. At the same time, progress in digital technology is driving expanding demand for online services, and we believe that offering such services will become increasingly important.

Until now, the Group has demonstrated its competitiveness in offering products and services to customers in a wide range of in-person settings, including transportation; shopping and dining in shopping centers and other locations; leisure services such as baseball games, staged entertainment, and travel; hotel accommodations and banquets, and more. Of course, honing these strengths and the value that can only be derived from in-person presence will continue to

be important, but going forward, it is also essential that we more actively offer web-based products and services that meet customer needs.

In response, the Group has embarked on offering a wide range of web-based services to meet customer needs, such as paid live streaming of Takarazuka Review performances, condominium tours, and content that enables customers to experience the pleasures of travel from the comfort of home.

In the future, in-person and remote presence will coexist in society than ever before. To maintain and strengthen the competitiveness of each of the Group's businesses in this environment, we will seek to continually monitor and identify evolving customer needs, so that we can offer appropriate product content and services in both the in-person and online society.

Over more than a century since we entered the railway business, the Group has maintained a flexible view that looks to the future and is not bound by precedent. Based on this view, we have offered products and services that meet the needs of society and our customers, and numerous times, we have overcome the challenges of wrenching change.

Today, as we face another such challenge, we will persevere in deploying products and services that are appropriate for the new era, and by doing so, contribute to realizing continued sustainable growth for the entire Hankyu Hanshin Holdings Group. We thank you for your continuous support.



Artist's impression of completed Umekita Phase II Development Project
Note: Proposed as of May 2018, subject to change

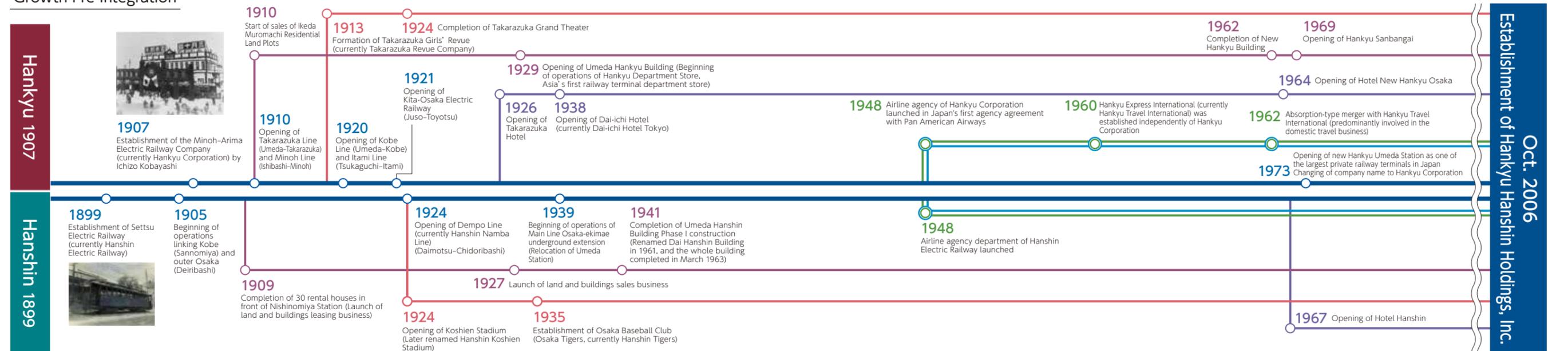
Growth Trajectory

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

Growth Post Integration



Growth Pre Integration



Carefully Nurtured Strengths

1907

Pioneering the Railway Industry with a Unique Business Model

Hankyu Corporation began as the Minoh-Arima Electric Railway Company, founded in 1907 by Ichizo Kobayashi (1873-1957). The inaugural train ran between Umeda and Takarazuka on the Takarazuka Line, which opened in 1910. But Ichizo Kobayashi had a radical idea: his company would not simply run trains; it would also develop residential neighborhoods along the routes. This proved to be a masterstroke and generated considerable momentum. Thus, from out-of-the-box thinking a new business model was born, and it influenced private sector railway operators and other business proprietors far and wide.



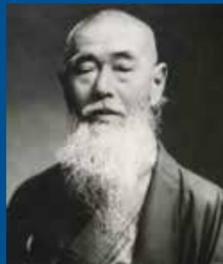
Ichizo Kobayashi upon the founding of the railway business

1899

Japan's First High-Speed, Broad Gauge, Intercity Electric Railway, Inspired by the Latest Overseas Insights

In 1899, some eight years prior to Hankyu's inauguration, the Settsu Electric Railway (which would later be renamed Hanshin Electric Railway) was established with Shuzo Toyama (1842-1916) as its inaugural president. In 1905, after lengthy preparations, the company began the first intercity electric railway service, running between Sannomiya in Kobe and Deiribashi in Osaka.

Hanshin, an eager adopter of the latest expertise from overseas, bestrode the age as a pioneer of intercity electric railway, and its constantly growing—and ever swifter—fleet thronged with an increasing number of passengers.



Shuzo Toyama, Hanshin Electric Railway's first president



Osaka Umeda Twin Towers South (scheduled for completion in spring 2022) This project entails rebuilding two Hankyu-Hanshin buildings into a single complex to underscore the integration of the two companies.

Hankyu Hanshin Holdings: Focused on Progress

2006

Harnessing Synergies to Create New Values

In October 2006, after having served the corridor between Osaka and Kobe faithfully for close to a century, Hankyu Corporation and Hanshin Electric Railway integrated their businesses, combining their strengths in a common strategic quest for sustained growth and progress. Joining forces as Hankyu Hanshin Holdings enabled the groups to pool their know-how, talent, and other assets in a cohesive team effort across various business domains, such as the Urban Transportation and Real Estate Businesses, thus enhancing competitive ability throughout their portfolio and boosting corporate value.

Sharing Value Assets along Routes Raises Potential for Business Expansion

Hankyu Corporation's development of residential neighborhoods along its routes, and its attraction and creation of tourist and cultural facilities, in addition to its mainstay railway business has grown the local resident population and ridership. Moreover, the company's urban development efforts, chiefly in the Umeda precinct, has created a natural flow of people into the area. Meanwhile, Hanshin Electric Railway has been the bedrock of the local transportation infrastructure for more than a century, has worked tirelessly to develop its routes, centered in Umeda, and has invested in its leisure business, headlined by the iconic Hanshin Tigers baseball team.

By merging, Hankyu and Hanshin seek to harness the ample synergies inherent in their various operations in an ongoing quest to further enhance corporate value.

The Three Strengths that Underpin Our Seven Core Businesses

The merger resulted in the creation of the Hankyu Hanshin Holdings Group, with Hankyu Corporation, Hanshin Electric Railway, Hankyu Travel International, and Hankyu Hotel Management (since renamed Hankyu Hanshin Hotels) as its four core companies.

Today, the Hankyu Hanshin Holdings Group has grown to

incorporate six core companies—now including Hankyu Hanshin Express and Hankyu Hanshin Properties—and approximately 100 group companies that span seven core businesses: Urban Transportation, Real Estate, Entertainment, Information and Communication Technology, Travel, International Transportation, and Hotels.

Today, our operations are propelled by three "strengths" we have nurtured carefully since the very origins of our businesses: high potential of areas served by our stations; community building ability; and ownership of content with strong brand value.



01

Our communities are hubs for the movement of people and goods.

Leading the Kansai Region with High-Potential Areas Served by Our Stations

Shaping Routes Centered on Osaka Umeda

In the early days of Hankyu Corporation and Hanshin Electric Railway, the population explosion that followed the rapid industrialization of the early 1900s caused a deterioration of the residential environment that subsequently led to increased demand for more comfortable living conditions.

Before the inauguration of his railway, Ichizo Kobayashi, founder of Hankyu Corporation, walked along the planned route between Ikeda and Umeda. Seeing the idyllic landscape, Kobayashi thought it would make the ideal residential neighborhood. With images in his mind of the cramped housing environment of Osaka City caused by the population increase of the time, he alit on the concept of managing residential land alongside his railway routes as a means of boosting transportation demand. This is the origin of the model that underpins the privately-owned railway business: build new residential neighborhoods in the suburbs and provide a railway to carry residents to and from home.

Meanwhile, Hanshin Electric Railway published *Shigaikyoju-no-Susume* ("Try Living in the Suburbs") in 1908 to promote the benefits of neighborhoods along Hanshin's routes. The company's focus on the communities along its routes remains a core part of its stance today.



A Hankyu train crosses the Inagawa Bridge (circa 1910)

Expanding Routes throughout the Greater Kyoto-Osaka-Kobe Region

Hankyu Corporation sought to expand its network to areas beyond Minoh and Takarazuka. In 1920, it launched the Kobe Line between Umeda and Kobe, and the Itami Line between Tsukaguchi and Itami. In 1931, the old Shin Keihan Line opened, connecting Osaka and Kyoto and further expanding the rail network.

Hanshin Electric Railway, too, opened a new line in 1924: the Dempo Line between Daimotsu and Dempo. In the 1930s, tunneling enabled Hanshin to boost its network, such as by extending its lines from Osaka to central Kobe.

Today, that network expansion continues. In 2009, the Hanshin Namba Line opened, thus completing a network spanning Kobe, Osaka, and Nara. Elsewhere, the Hankyu Hanshin Holdings Group is working to further enhance our network, for instance by extending the Kita-Osaka Kyuko Railway and building the Naniwasuji Connection Line.



A special train commemorates 10 years of the Hanshin Namba Line in 2019

02 | Our community-building expertise helps increase value.

Creating New Value with Our Community Building Ability

Predicting Demand and Delivering Value

In developing residential neighborhoods and leisure facilities along railway routes to drive demand for train transportation, Ichizo Kobayashi laid the foundation for the privately-owned railway business model. Prior to the inauguration of his railways, he bought some 825,000 square meters of land along the routes. In 1910, the Ikeda Muromachi Residential Land Plots were the company's first residential sales; they offered a high-grade living environment for the time, including paved, tree-lined roads and street lighting, and suggested the latest lifestyles amid the natural landscape of the suburbs. Home sales were offered on credit—a revolutionary idea at the time in Japan—and a forerunner to today's home loans. Other developments included suburban leisure facilities such as the Takarazuka Girls' Revue, later to become the Takarazuka Revue Company, and the completion of Takarazuka Grand Theater, as well as Hankyu Department Store. In this way, the company pursued a policy of community building along its routes.



First phase of the original Umeda Hankyu Building (completed in 1929)

Providing New Value by Developing Thriving Local Communities

Hankyu's and Hanshin's community building ability was proven in a variety of forms along their routes. Koshien Stadium (later Hanshin Koshien Stadium) opened in 1924, the Takarazuka Hotel opened in 1926, and Hankyu Nishinomiya Stadium, home of the Hankyu Braves, opened in 1937. Beginning in the 1960s, development of facilities progressed, mainly in Umeda, including the New Hankyu Building, the Dai Hanshin Building, Hotel new Hankyu Osaka, and Hotel Hanshin. In 1966 began the comprehensive development of the Umeda stations, the main feature of which was the relocation and expansion of Hankyu Umeda Station. Under the new station was Hankyu Sanbangai, which was followed by the development of numerous office buildings and commercial facilities, including building complexes with direct access to the station such as the Hankyu Terminal Building and Hankyu Grand Building. Other developments continued up to the 2000s, including the Chayamachi area and Nishi-Umeda area.



Umeda Hankyu Building

Leveraging Community-Building Know-How for Further Growth

Community-building initiatives have progressed and deepened even further since the two groups' integration, including the opening of Hankyu Nishinomiya Gardens, the renovation of Hanshin Koshien Stadium, the completion of the Umeda Hankyu Building, and the opening of GRAND FRONT OSAKA.

As illustrated by the development of Osaka Umeda Twin Towers South (Umeda 1-1 Project), Phase I of which is already complete, and the Osaka Station North District (Umekita) Phase II Development, we will continue to utilize our community-building abilities to provide new value in a broad scale, including our routes, which are centered on the Osaka Umeda area, and the Tokyo metropolitan area, and link this to the group's growth.



Hankyu Nishinomiya Gardens



PILOT Hankyu Hanshin Green Building

03 | We have a variety of popular, attractive content.

Fulfilling Dreams and Offering Excitement through Our Content

Winning Many Fans through Unique Cultures and Entertainment

Entertainment that provides people with healthy and cultured living environments plays an important role in the Hankyu Hanshin Holdings Group's creation of value.

The Takarazuka Revue began as a 20-girl choral troupe putting on an operatic performance in a theater made by converting an indoor swimming pool. The company, whose motto is "Modesty, fairness, and grace," reached its centenary in 2014, and continues to be loved throughout Japan and around the world.



Debut performance of Dom-Brako by Takarazuka Girls' Revue

The Hanshin Tigers were established in 1935 as the Osaka Baseball Club (Osaka Tigers). Since then, over a long, 85-year history, the club and its home ground, Hanshin Koshien Stadium, have been supported by a broad range of fans.



An Osaka Tigers poster

Utilizing Content and Brand Strength to Develop Diverse Businesses

The Hankyu Hanshin Holdings Group's Travel and International Transportation Businesses began when Hankyu Corporation established a Pan American Airways agency in 1948. In 1960, airline agency operations were spun off from Hankyu Corporation into a new company, Hankyu Express International. This later became Hankyu Travel International, which handles the group's Travel Business today. The company later merged with Hanshin Travel Service, which was spun off from Hanshin Electric Railway when Hankyu and Hanshin integrated, and today focuses its efforts on creating a variety of travel solutions to meet diverse needs. Its core offering is Tropics tours, which celebrated 30 years in 2019. Meanwhile, Hankyu Hanshin Express, which handles the group's International Transportation Business, was formed by the merger of Hankyu Express, which inherited the international transportation operations of Hankyu Travel International, with Hanshin Air Cargo. These companies provide high-quality services and optimized logistics on a global scale.

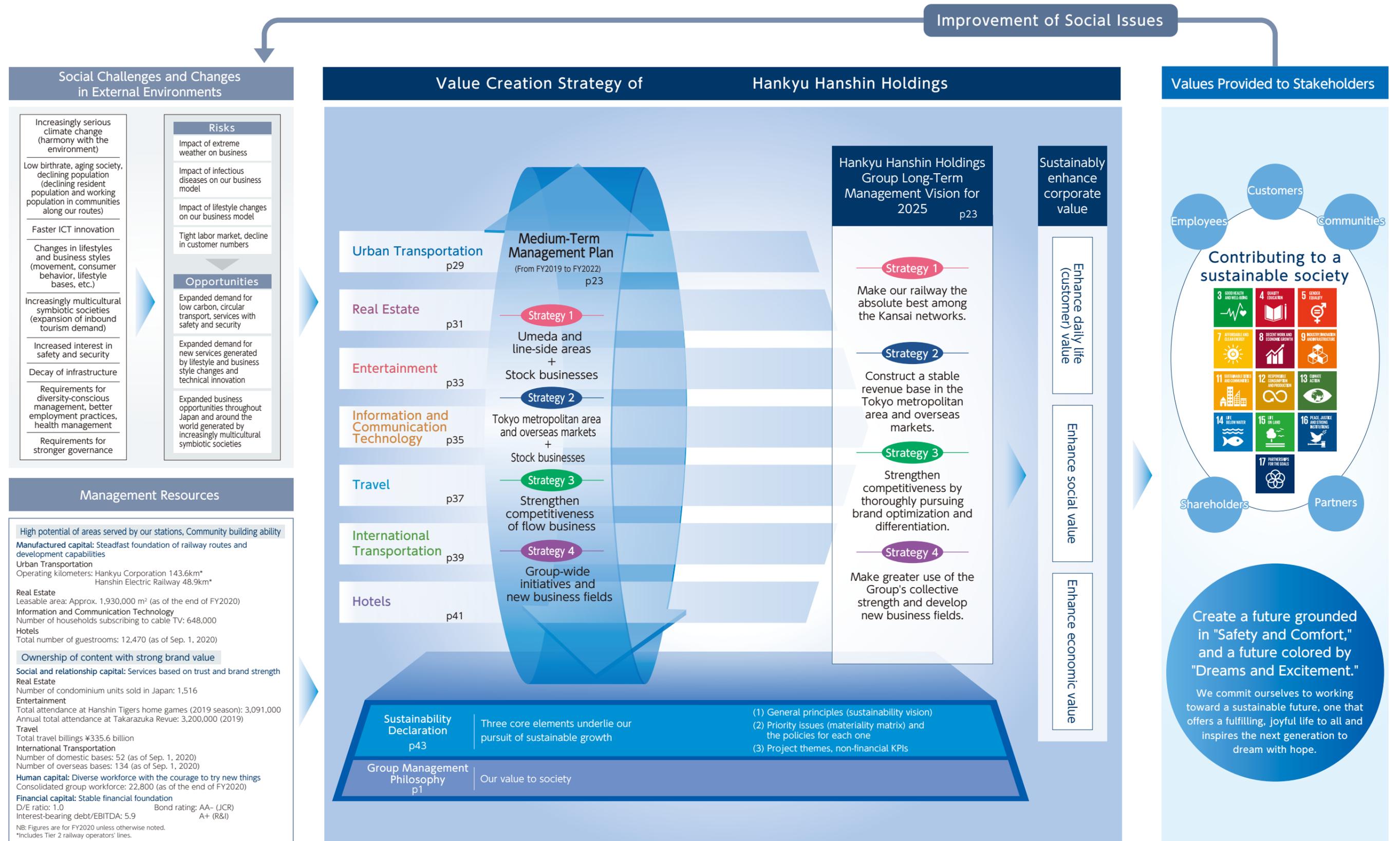
In addition, the Hankyu Hanshin Holdings Group has been involved in systems development and the cable TV business since the early days of IT in the 1980s, and have developed while responding to the changes of the times. Since fiscal 2020, our information and communication technology business has sought to help the group grow by investing its efforts into the information services business, broadcasting and communications business, and safety and education business.



Top: Hanshin Koshien Stadium
Bottom: Takarazuka Revue (©Takarazuka Revue Company)

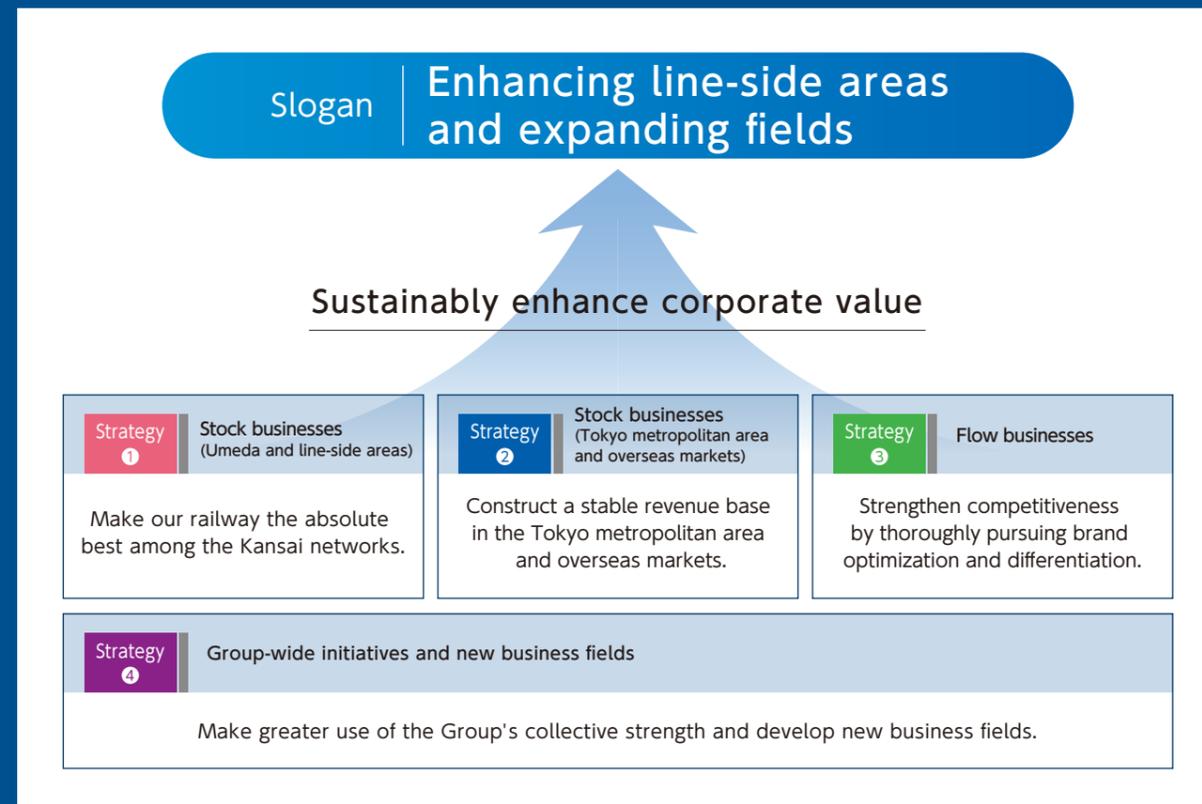
Value Creation Process of Hankyu Hanshin Holdings

At the Hankyu Hanshin Holdings Group, we hold a diverse range of management resources, which we deploy in order to further our strategy of value creation so as to provide value to stakeholders.



Summary of Long-Term Management Vision and Medium-Term Management Plan

Hankyu Hanshin Holdings Group Long-Term Management Vision for 2025



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.

Specifically, we will promote the implementation of the four strategies of the Vision to become a corporate group capable of maintaining minimum operating income of ¥100 billion,

even in or around 2040, by which time our environment will be affected significantly by changing population dynamics.

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.

We believe that COVID-19 will result in a significant acceleration of the social change presumed in our Long-Term Management Vision, so we will pursue initiatives based on our various strategies with a greater sense of urgency.

*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, sports business, stage business, information services business, travel business, international transportation business and other businesses)

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 concrete action plan to fulfill our Long-Term Management Vision.

In this plan, 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.

As COVID-19 has made it difficult to predict the impact of the upcoming economic situation on our management fiscal 2022, we will revise our Medium-Term Management Plan as necessary in light of our progress in achieving the plan's targets.

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



Project Progress

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

Total completion in spring 2022

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 the office zone with rental floor space of approx. 3,500 m² (11F-38F), as well as the conference zone, which will comprise one large and one small hall. 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	Size	38 floors above ground and 3 below ground
Site area	Approx. 12,200 m ² *	Purpose	Department store, offices, halls, etc.
Total floor space	Approx. 260,000 m ²	Construction completion	Spring 2022

*Includes road between Dai Hanshin Building and New Hankyu Building.

PROJECT | Reconstruction of Kobe Hankyu East Bldg. and renewal of West Bldg.

Completion in spring 2021

This plan is for the establishment, in an integrated way, of a station that provides improved transfer to the Kobe Municipal Subway (Seishin-Yamate and Hokushin lines) and creates public space. The new building, which is scheduled for completion in spring 2021, will contain a hotel, offices, and commercial facilities, and the hotel will be a "remm plus" hotel mainly comprising guest rooms for overnight stays operated by Hankyu Hanshin Hotels, thus meeting the demand of visitors to Kobe.

Project summary

Location	4-chome Kanocho, Chuo-ku, Kobe (Direct access to Hankyu Kobe-sannomiya Station)
Site area	Approx. 7,100 m ²
Total floor space	Approx. 33,300 m ²
Size	East wing: 29 floors above ground and 3 below ground West wing: 1 floor under railway station (some sections with 2 floors above ground/basement level)
Purpose	Hotel (scheduled as the second "remm plus" brand hotel), offices, commercial facilities, station facilities
Construction completion	Spring 2021



Artist's impression of completed building

PROJECT | Osaka Station North District (Umekita) Phase II Development Plan

Initial opening around summer 2024



Artist's impression of completed building

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 fiscal 2028)

Project summary

Private-sector Zone Specifications

Zone	North zone	South zone
Site area	Approx. 15,720 m ²	Approx. 30,430 m ²
Total floor space	Approx. 154,200 m ²	Approx. 413,000 m ²
Main purposes	Core function,* hotel, residence, etc.	MICE facilities, offices, hotels, commercial facilities, residences, etc.

*We will establish platform facilities conducive to life design innovation (approx. 10,000 m²) and innovation facilities (approx. 20,000 m²: MICE facilities, co-working space, SOHOs, etc.), and collaborate with Knowledge Capital, the intellectual creation hub of GRAND FRONT OSAKA and other such functions to pursue the creation of life design innovation.

Urban Open Space Specifications

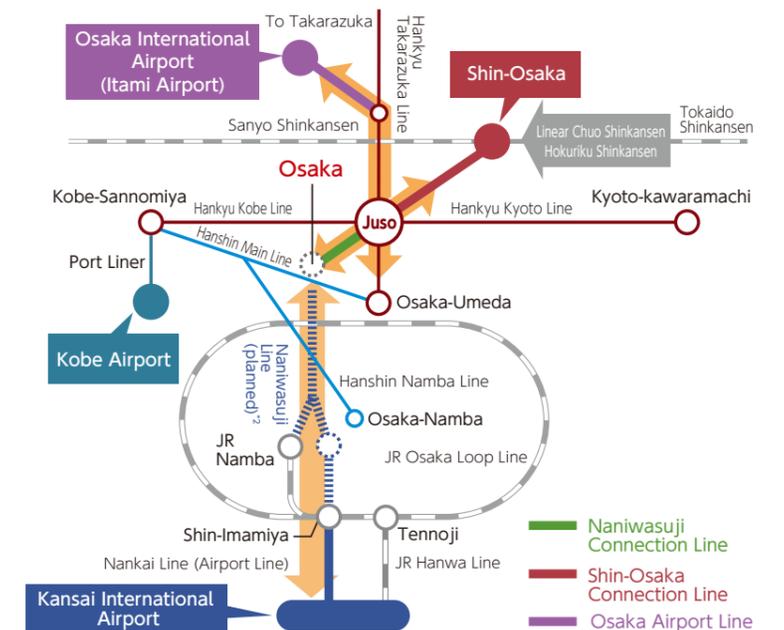
Site area	45,000 m ²
Total facility floor space	12,500 m ²
Main purposes	Museum, experiential learning facilities, roofed open spaces, restaurants, shops, etc.

NB: Specifications for private-sector zones are those finalized under the town plan (April 2020); specifications for urban open spaces are those included in the initial proposal (May 2018).

PROJECT | 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 planned to serve as a station on 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 Osaka 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



COVID-19: Its Impact and Our Response

Impact of COVID-19 on Business Operations

The Group's operations—including Urban Transportation, Entertainment, Travel, Hotels, and Real Estate—were severely affected by COVID-19 in the first quarter of fiscal 2021. Revenues and income both decreased in this period (see our website for details regarding 1Q accounts).

Accordingly, the forecast for the Group's full-year financial performance is bleak. This, however, will not compromise our

Segment-Specific Performance in FY2021 1Q

	Urban Transportation	Real Estate	Entertainment	Information and Communication Technology	Travel	International Transportation	Hotels	Other	Adjustment	Consolidated
Revenues from operations	Impact of COVID-19 -24.7	-11.0	-20.1		-12.9		-14.9			-87.5
FY2021 1Q	31.5	42.3	3.5	12.5	0.1	18.8	2.1	9.0	-8.6	111.3
FY2020 1Q	60.1	48.7	23.0	11.2	11.0	19.1	16.2	6.7	-9.0	187.2
YoY difference	-28.6	-6.4	-19.5	+1.2	-10.9	-0.3	-14.1	+2.3	+0.3	-75.9
Operating income	-19.6	-3.4	-10.7		-7.4		-5.0			-46.5
FY2021 1Q	-7.2	7.9	-2.6	0.8	-4.9	0.01	-5.2	-0.2	-1.8	-13.2
FY2020 1Q	12.9	8.1	7.9	0.5	2.1	-0.2	0.3	0.2	-0.8	30.9
YoY difference	-20.1	-0.2	-10.5	+0.3	-7.0	+0.2	-5.5	-0.4	-1.0	-44.1

Impact of COVID-19 on Profits and Loss

	Consolidated total	Urban Transportation	Real Estate	Entertainment	Travel	Hotels
Revenues from operations	-87.5	-24.7	-11.0	-20.1	-12.9	-14.9
Operating income	-46.5	-19.6	-3.4	-10.7	-7.4	-5.0
Ordinary income	-46.6	-19.6	-3.4	-10.7	-7.4	-5.1
Extraordinary income	0	0	-	0	0	-
Extraordinary loss*	10.1	0.6	2.2	3.1	2.2	2.6
Income before income taxes	-56.7	-20.2	-5.6	-13.8	-9.5	-7.7

*In accordance with the Audit Considerations related to COVID-19 (Part 4) issued by the Japanese Institute of Certified Public Accountants on April 22, 2020, and in response to demand from national and local governments, if business operations are suspended or events are cancelled, the fixed costs that arise during the period of suspension and the direct costs incurred in preparing for and cancelling those events are to be listed in accounts as extraordinary losses.

ongoing efforts to ensure customer safety, and we will continue to seek cost savings.

FY2021 1Q Results

	FY2021 1Q	FY2020 1Q	YoY difference
Revenues from operations	111.3	187.2	-75.9 -40.5%
Operating income	-13.2	30.9	-44.1 -
Ordinary income	-15.4	32.2	-47.6 -
Net income attributable to owners of the parent	-18.9	21.4	-40.3 -

Major Examples of Impact of COVID-19 on Business Operations

Urban Transportation	Stay-home trends following the government's state of emergency declaration and the evaporation of inbound tourism resulted in a decrease in revenues.
Real Estate	Revenues from leasing and sales of condominiums decreased as a result of closures and reduced operating hours at leased facilities and suspension of domestic condominium sales.
Entertainment	The postponement of the start of the NPB baseball season and suspension of Takarazuka Revue performances resulted in a decrease in revenues.
Travel	Suspension of international and domestic tours resulted in a decrease in revenues.
Hotels	The evaporation of inbound tourism demand, and a drop-off in domestic travel (business and leisure) and banquet demand resulted in a decrease in revenues.

Containing the Virus's Spread and Planning for the Post-COVID Era

Urban Transportation

Hankyu Corporation

To help stop the spread of COVID-19 and maintain an on-board environment that lets passengers ride with peace of mind, all Hankyu trains are disinfected regularly, and windows are kept open for thorough ventilation. All train seats, straps, handrails, and windows are treated with antiviral, antibacterial agents, and passengers are reminded to play their part, such as by commuting at off-peak times and observing cough etiquette.

Stations also play a major role in our efforts to maximize passenger safety and comfort, for instance through improved sanitary facilities including Western-style, multifunction toilets with seat disinfectant dispensers.

Hanshin Electric Railway

Hanshin's broad-ranging initiatives to halt the virus's spread include regular disinfecting of ticket machines, staircase handrails, and other places of regular contact, as well as see-through plastic curtains at ticket gate staff booths to prevent transmission by airborne droplets. As with the Hankyu Railway, all Hanshin train seats, straps, handrails, and windows are treated with antiviral, antibacterial agents, and passengers are reminded to play their part, such as by commuting at off-peak times and observing cough etiquette.



Real Estate

Containing the Virus's Spread and Planning for the Post-COVID Era at Commercial Facilities

In order that our customers can use our commercial facilities with confidence in their safety, we have a range of measures in place, including stricter ventilation, cleaning, and disinfecting, as well as monitoring the physical condition of our staff. Moreover, some of our facilities are used for educating the greater public on COVID-19 issues, such as digital signage and color-coded external lighting of the Umeda Hankyu Building to remind people of the current status as part of the "Osaka Model" for action on COVID-19. To prepare for the "new era," we have adopted online tools so that, for instance, potential condominium buyers can consult our sales staff in complete safety and comfort.

Entertainment

Preventing Infections at Hanshin Koshien Stadium and the Tigers' New TV Shout-Out for Fans

Various measures have been instituted in accordance with guidelines from national and local governments as well as the NBP organization. In addition to in-stadium anti-infection measures, various other initiatives were put in place for ticket sales and events, services, and performances in and around the stadium.

Hanshin Electric Railway is also working proactively to develop fresh ways of enjoying sports in the post-COVID era. For instance, the company is collaborating with Juwwa, a start-up web-based community service provider, to come up with new perspectives for delivering sport and entertainment content. One outcome of this project was the experimental "Hanshin Tigers Fans TV Shout-Out," a chat-based function that let fans roar their support during the Tigers vs. Giants games played without spectators in July 2020. Allowing fans to post their comments and views via the web is a new way of amplifying team spirit among fans watching on TV.



Takarazuka Revue: Theater Reopening and New Initiatives

The Takarazuka Revue Company initially suspended performances to minimize opportunities for COVID-19 to spread. Since then, doors have reopened, and the company's facilities are subjected to strict anti-infection measures in accordance with national and local government guidelines, including antiviral, antibacterial treatments throughout the theater. Having our own theater rather than renting someone else's gives us the flexibility to schedule shows and sell tickets as appropriate to incorporate these safety measures. Shows may have been suspended, but our stars remained busy, connecting with fans on social networking services and putting on "Takarazuka at Home" limited-time free online performances. Even now, after shows resumed, we remain eager to find new ways for people to enjoy Takarazuka Revues, including live viewing events at movie theaters, full broadcast of some shows via the web, and Takarazuka-themed face masks.

Takarazuka Revue stars connected with fans via SNS while shows were suspended.



©Takarazuka Revue Company

Information and Communication Technology

AI Tech for Easier Body Temperature Measurement

We have released a new, compact, AI-based device that combines facial recognition and body temperature measurement functions as part of the *Mimamorume* line, a core facet of our safety and education businesses. Currently, when staff at various facilities take customers' temperatures, they have to do so in close personal proximity, thus causing queues to form and raising the risk of infection. The new AI-based *Mimamorume* device uses thermography and AI-based facial recognition to offer a contactless way of taking body temperature that avoids the likelihood of queuing. This is just one example of how we strive to find ways of making all areas of society safer.



Travel

Hankyu Travel International's Online Tours

Hankyu Travel International has begun selling online tours, in which "travelers" participate via the Zoom videoconferencing system. As people continue to stay home amid the spread of COVID-19, online tours are a way to enjoy the thrills of travel—complete with tour conductor—from the comfort of home. These tours are a fully interactive form of entertainment, and participants are connected to a live feed from the tour destination, and can ask questions via the chat function. We look forward to developing a strong lineup of online tour content and providing attractive new products to meet the new needs of a new age.



International Transportation

Keeping Goods Moving Worldwide

Centered on Hankyu Hanshin Express as its focal point, our International Transportation Business comprises 52 locations in Japan and 134 around the world. Despite the global spread of COVID-19, we arranged charter flights for air cargo, and we are determined to perform our many roles in ensuring distribution infrastructure is up and running, forwarding agent, customs broker, warehouse and many more. By operating a thorough regime to prevent infections among our workforce, we are determined to keep the flow of goods moving without compromising customer and consumer safety.



Hotels

Opening of Relocated Takarazuka Hotel Delayed

Given the circumstances surrounding the spread of COVID-19, we decided to delay the opening of the Takarazuka Hotel in its new location to protect the safety of guests, employees, and others. The hotel's doors eventually opened on June 21, 2020. In order that people can use the hotel with complete confidence in its safety, stringent anti-infection measures are in place. In keeping with the hotel's concept—"your everlasting dream"—guests are treated to facilities and service of such quality that feels like an extension of the dreamworld portrayed in Takarazuka Revue performances. As an icon of Takarazuka, we look forward to welcoming new and familiar guests to an everlasting dream long into the future.

Urban Transportation

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



Yoshifumi Nomura
Senior Managing Director,
Hankyu Corporation

Yusuke Kusu
Senior Managing Director,
Hanshin Electric Railway
Co., Ltd.



Hankyu Series 1000 train



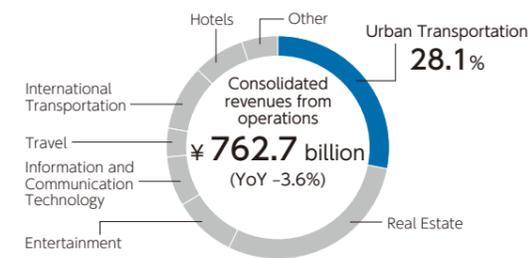
Hanshin Series 5700 train

1 Basic Policies

- 1 Provide quality urban transportation services and other related services**
Develop personnel/Strengthen Group collaboration/Enhance services and convenience/Expand communication/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

2 Revenues

Fiscal 2020 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.



Impact of COVID-19 Revenues from operations -¥5.2 billion
Operating income -¥4.7 billion

3 Fiscal 2020 Review of Operations

Revenues from operations decreased in comparison with the previous fiscal year, impacted by the outsourcing of convenience store and station-based store operations. Operating income was solid at both Hankyu and Hanshin, but ended slightly down from the previous fiscal year due to the impact of COVID-19 in the fourth quarter.

Railway Business

At Saiin Station on the Hankyu Kyoto Line and Hanakuma Station on the Kobe Rapid Transit Railway Line, construction and relocation of ticket gates and revising the layout of facilities, and work designed to secure lines of passenger movement resulted in the installation of elevators and other equipment, thus further promoting universal design of our stations.

A revision of timetables at Hanshin Electric Railway was undertaken in March 2020 with the aim of improving convenience and smoothing out some congestion peaks, resulting in 8-car trains being operated over a broader time span in the weekend timetable for rapid express services as well as an adjustment of the sections served by, and rolling stock used in, some express services. The ongoing elevation of tracks between Hanshin Sumiyoshi and Ashiya has been completed between Uozaki Station and Ashiya Station for both Osaka-bound and Kobe-bound trains, and Osaka-bound trains have begun operating on elevated tracks in this section.

Automobile Business

We have a number of initiatives in place to implement universal design and offer our customers greater convenience, including the introduction of buses with wheelchair lifts by Hanshin Bus and Osaka Airport Transport.

Retailing Business

The Phase II area of TauT Hankyu Rakusaiguchi opened, a grade-separated facility in the space created by elevating the tracks of the Hankyu Kyoto line near Hankyu Rakusaiguchi Station.

4 Fiscal 2021 First Quarter Results

Revenues from operations and operating income both decreased significantly from the same period in the previous fiscal year due to the impact of COVID-19 on the railway and automobile businesses—passenger numbers were down sharply—and the outsourcing of convenience store and station-based store operations in August 2019.

YoY comparison of railway performance results

		Impact of COVID-19		Impact of natural disasters	
		FY2020	FY2019	Change	%
Fare revenues (Millions of yen)	Other tickets	61,887	63,059	-1,171	-1.9
	Commuter pass	34,119	33,456	+662	+2.0
	Workers	29,623	28,962	+660	+2.3
	Students	4,496	4,494	+1	+0.0
	Total	96,007	96,516	-508	-0.5
Passenger volumes (Thousands)	Other tickets	310,525	318,158	-7,632	-2.4
	Commuter pass	344,604	337,778	+6,825	+2.0
	Workers	243,854	237,542	+6,311	+2.7
	Students	100,750	100,235	+514	+0.5
	Total	655,129	655,936	-806	-0.1

		Impact of COVID-19		Impact of natural disasters	
		FY2020	FY2019	Change	%
Fare revenues (Millions of yen)	Other tickets	21,665	22,030	-364	-1.7
	Commuter pass	12,327	12,024	+303	+2.5
	Workers	11,080	10,790	+290	+2.7
	Students	1,246	1,233	+12	+1.0
	Total	33,993	34,054	-61	-0.2
Passenger volumes (Thousands)	Other tickets	118,559	121,012	-2,452	-2.0
	Commuter pass	127,652	124,353	+3,298	+2.7
	Workers	101,243	98,310	+2,932	+3.0
	Students	26,409	26,043	+366	+1.4
	Total	246,212	245,366	+845	+0.3

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

Transportation revenue

Hankyu Corporation transportation revenue (tier 1 + tier 2)

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Other tickets	58,582	60,000	60,268	60,749	61,630	60,910	62,920	62,720	63,137	63,059	61,887
Commuter pass	31,126	29,484	29,922	30,391	31,299	31,549	32,272	32,628	33,198	33,456	34,119
Total	89,708	89,485	90,191	91,141	92,929	92,459	95,192	95,348	96,335	96,516	96,007



Hanshin Electric Railway transportation revenue (tier 1 + tier 2)

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Other tickets	18,396	18,899	19,422	19,669	20,260	20,286	21,035	21,136	21,638	22,030	21,665
Commuter pass	9,642	10,126	10,623	10,740	11,008	11,107	11,372	11,563	11,797	12,024	12,327
Total	28,038	29,025	30,045	30,410	31,269	31,394	32,407	32,699	33,436	34,054	33,993



Real Estate

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



Ryuichi Morotomi
President and Representative Director, Hankyu Hanshin Properties Corp.

Satoru Nishino
Executive Vice President and Representative Director, Hankyu Hanshin Properties Corp.



Osaka Umeda Twin Towers South



CO-MO-RE YOTSUYA

1 Basic Policies

Real estate leasing business

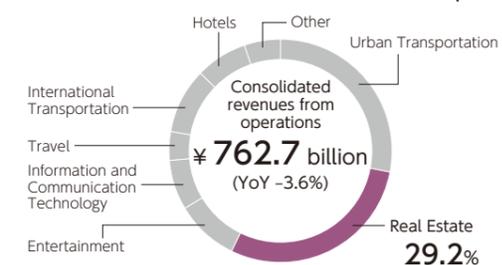
- ① Enhance appeal of and revitalize Umeda area and other areas served by our lines
 - Consideration and promote systematic building reconstruction in the Umeda area
 - Develop major line-side bases from a long-term perspective
 - Strengthen competitive ability of existing lease properties
- ② Strengthen business foundation, etc., in Tokyo metropolitan area
- ③ Strengthen the distribution facility real estate

Real estate sales business and others

- ④ Secure stable profits in the real estate sales business and expand scale of operations
 - Participate in medium- and long-term projects (urban redevelopment, building reconstruction, etc.)
 - Expand business portfolio (rental condominiums for income, etc.)
 - Start expanding business area (extend to Nagoya area and major regional cities)
- ⑤ Expand and further accelerate the scale of international businesses
 - Expand the scale of residential business in ASEAN nations
 - Acquire non-residential assets such as commercial facilities and offices
- ⑥ Strengthen and expand non-asset business
 - Expand scope of real estate funds and REIT business

2 Revenues

■ Fiscal 2020 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.



3 Fiscal 2020 Review of Operations

Revenues from operations and operating income decreased in comparison with the previous fiscal year due to a reactionary decline from the sale of commercial-use land in the eastern area of Saito (Ibaraki, Osaka) and an increase in costs such as taxes and depreciation/amortization in the real estate leasing business.

Real Estate Leasing Business

Joint projects with other companies opened:

- Kyobashi 2-6 Redevelopment Project (Chuo-ku, Tokyo);
- Fukushima 5-Chome and 7-Chome Joint Development Project (Fukushima-ku, Osaka);
- Yotsuya Station District Redevelopment Project (CO-MO-RE YOTSUYA) (Shinjuku-ku, Tokyo).

In addition, the Hankyu Hanshin Ginza Building (Chuo-ku, Tokyo), the Hankyu Hanshin Holdings Group's first commercial facility in the Ginza area of the Tokyo metropolitan area, was completed. We also worked to boost the competitiveness and maintain and improve the occupancy rate of existing commercial facilities and office buildings.

As part of the Umeda 1-1 Project, our large-scale development in the Umeda area, we are on track for project completion in spring 2022, with construction of the Phase II area beginning on schedule in June 2019. Also, the Umekita Phase II Development Project is progressing steadily toward its advance openings, which are slated for summer 2024. Elsewhere, progress was also made on a number of other projects, including the East Building Reconstruction Project and West Building Renewal Project at the Kobe Hankyu Building, which is due for completion in spring 2021 (Chuo-ku, Kobe), and the Project to construct Saito Moegi Distribution Center (Ibaraki, Osaka).

Real Estate Sales Business and Others

In the condominium sales business, sales of a number of properties were made, including Geo Fukushima Noda The

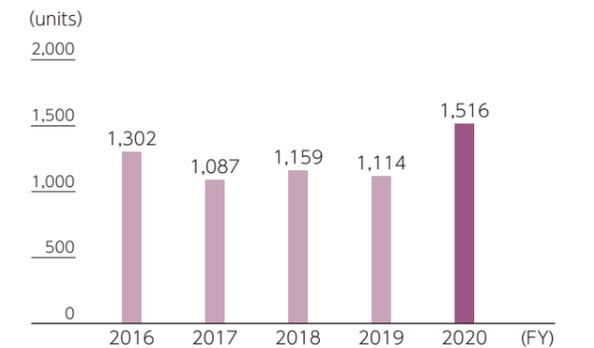
Marks (Fukushima-ku, Osaka), Geo Kobe Nakayamate-dori (Chuo-ku, Kobe), Geo Shinjuku Hyakunin-cho (Shinjuku-ku, Tokyo), and Geo Kashiwanoha Campus (Kashiwa, Chiba).

Outside Japan, we participated in residential sales projects in Thailand, Vietnam, the Philippines, Indonesia, and Malaysia; overall we have been involved with some 30,000 residences (cumulative, as of the end of fiscal 2020), a large increase over the preceding year. We have invested in an Indonesian entity that owns, operates, and manages two of the country's most prominent complexes, Plaza Indonesia Complex and fX Sudirman, which comprise commercial facilities, offices, and hotels. In this way, the company has established a solid foothold in the leasing business overseas.

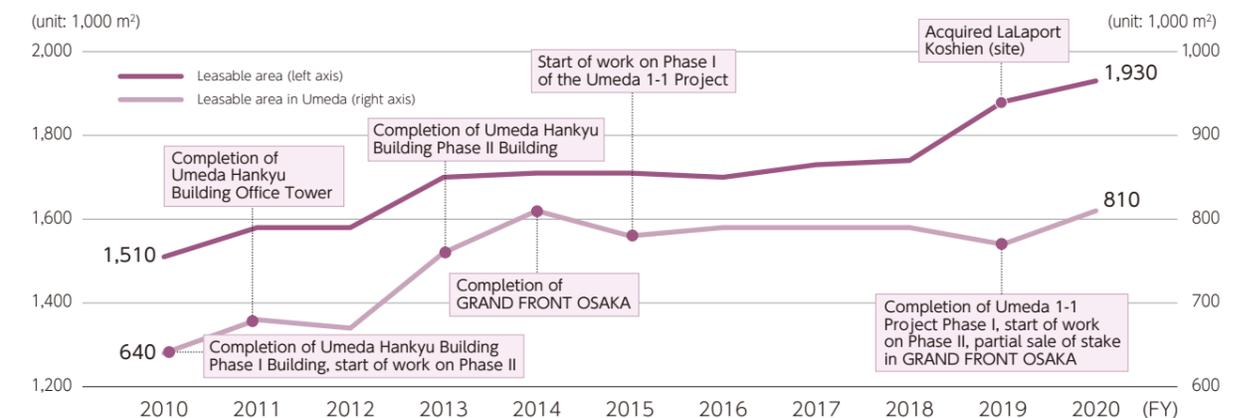
4 Fiscal 2021 First Quarter Results

In the real estate leasing business, revenues from operations decreased from the same period in the previous fiscal year due to closures and reduced operating hours by commercial facilities in the Umeda area and elsewhere as a result of COVID-19. Despite this, sales of condominiums in higher price ranges ensured the decline in operating income from the same period in the previous fiscal year was minimal.

■ Domestic condominium units sold



■ Leasable area (at end of fiscal 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.



Hanshin Koshien Stadium



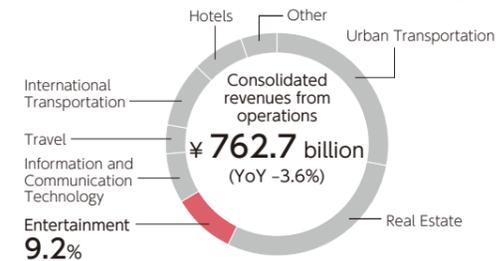
Takarazuka Grand Theater (Entrance)

1 Basic Policies

- ❶ 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
- ❷ Maximize value of the Takarazuka brand
Maintain the high capacity utilization and financial performance of the Takarazuka Revue/Expand the content business/Increase international business
- ❸ Advance growth of other entertainment businesses and the leisure business
Expand the music business and Mt. Rokko businesses

2 Revenue

■ Fiscal 2020 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.



Impact of COVID-19 Revenues from operations -¥4.4 billion
Operating income -¥3.0 billion

Note: In line with the launch of the Information and Communication Technology business, figures post-FY2019 do not include these business segments.

3 Fiscal 2020 Review of Operations

In the sports business, revenue from ticket sales and from sales of food, drink, and merchandise were solid, but revenues from operations ended at a similar level to the previous fiscal year and operating income decreased from the previous fiscal year due to the impact of COVID-19 in the fourth quarter.

In the stage business, shows were well received and merchandise sold well, but revenues from operations and operating income decreased from the previous fiscal year due to the impact of COVID-19 in the fourth quarter.

Sports Business

The Hanshin Tigers, supported by their many fans, were part of a hot contest for the upper places in the league through the latter stages of the season, and succeeded in progressing to the Climax Series.

At Hanshin Koshien Stadium, food, drink, and player-related merchandise were well received, and we pursued a variety of initiatives to make facilities even more enjoyable for customers, including expanded food and drink menus.

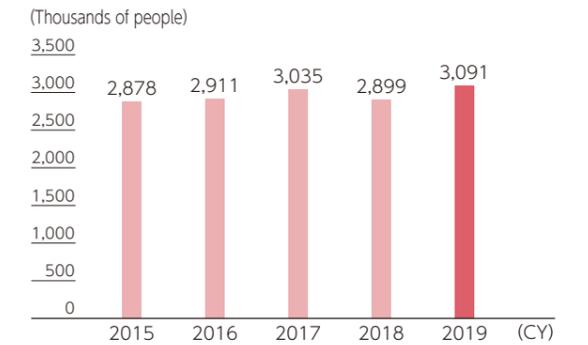
Stage Business

Performances proved popular, including Star Troupe performances "GOD OF STARS" (the final show of one of the troupe's top stars) and "Éclair Brillant," and Flower Troupe performances "A Fairy Tale -The Spirit of the Blue Rose" and "Charme!"

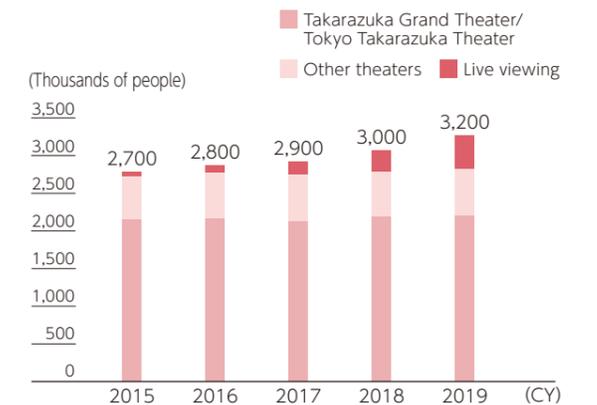
4 Fiscal 2021 First Quarter Results

Revenues from operations and operating income decreased sharply from the same period in the previous fiscal year due to the impact of COVID-19—e.g., in the sports business, Hanshin Tigers' games were suspended, and in the stage business, Takarazuka Revue performances were cancelled.

■ Total attendance at Hanshin Tigers home games (by season)



■ Takarazuka Revue Annual total attendance at Takarazuka Revue



Note: Live viewing refers to live streaming of shows at movie theaters nationwide for paying audiences.



©Takarazuka Revue Company

Information and Communication Technology

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



Robotics Programming Training at ProgLab



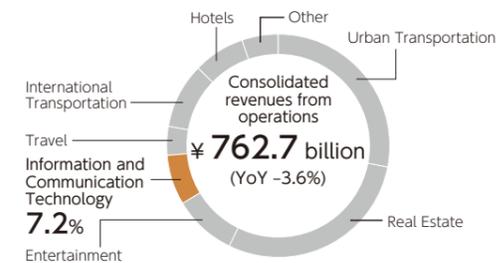
Takashi Mizobuchi
Managing Director,
Hanshin Electric Railway Co., Ltd.

1 Basic Policies

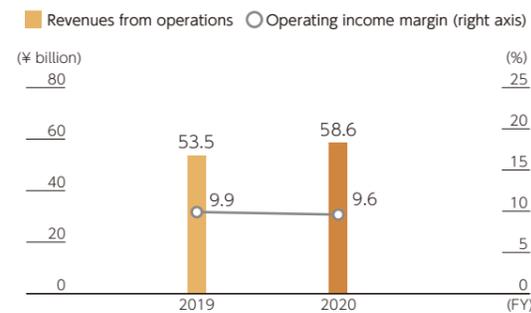
- 1 Grow income continuously in the information services business by increasing income in target growth markets, developing businesses outside the Group with a focus on the Kanto and Chubu areas, and catering to new IT markets
- 2 Achieve stable income in the broadcasting and communications business 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

2 Revenue

■ Fiscal 2020 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.



3 Fiscal 2020 Review of Operations

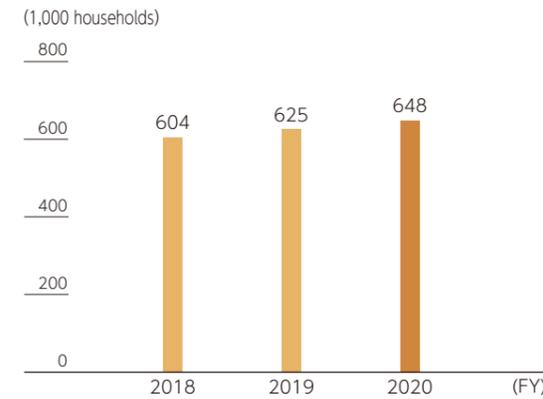
In the information services business, we received large orders for transport systems, and business was solid in the building management systems segment as well as internet services, an area in which we have high expectations for growth.

The broadcasting and communications business achieved solid growth by providing products that fulfilled customer needs, such as expanding fiber-to-the-home (FTTH) services for multi-dwelling residences.

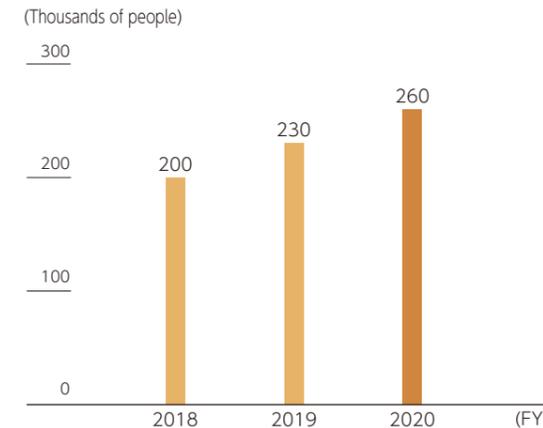
In the safety and education businesses, an increase in needs relating to safety and security drove a steady increase in subscribers to the Mimamorume school route email notification service.

As a result of all the above, revenues from operations and operating income increased in fiscal 2020 over the previous fiscal year.

■ Number of households subscribing to cable TV



■ Mimamorume (school route email notification service) subscribers



4 Fiscal 2021 First Quarter Results

Revenues from operations and operating income increased over the same period in the previous fiscal year due to large orders for transport systems in the information services business and an increase in internet service subscribers in the broadcasting and communications business.



On-board cameras (Information services business)



Bay communications (Cable TV store)



Mimamorume (School route email notification service)

Travel

Creating travel itineraries that reflect customers' desires.



Seiji Matsuda
Representative Director and Chairman, Hankyu Travel International Co., Ltd.

Atsushi Sakai
Representative Director, President, Hankyu Travel International Co., Ltd.

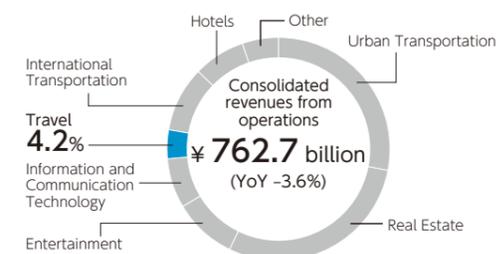


1 Basic Policies

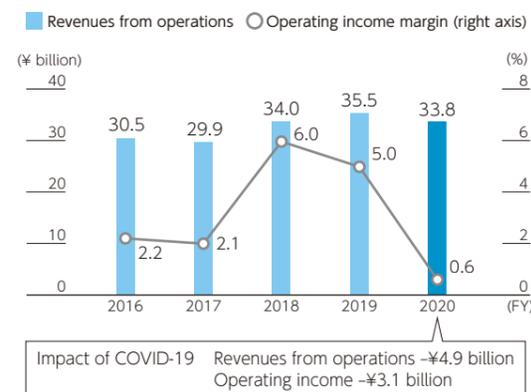
- ① **Strengthen competitiveness of travel packages**
Strengthen areas outside Europe/Strengthen specialized products/Expand customer base among new demographics/Revise cost structure for advertising expenses, etc.
- ② **Establish a second pillar**
Strengthen initiatives for non-Japanese tourists/Expand group and business travel services and create stable source of revenues

2 Revenue

■ Fiscal 2020 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.



3 Fiscal 2020 Review of Operations

The travel segment benefitted from a longer-than-usual Golden Week holiday period, with strong numbers to European and domestic destinations. In the inbound travel segment, proactive marketing activity as part of our ongoing efforts to capture inbound tourism demand resulted in strong numbers from Europe. In the end, however, revenues from operations and operating income decreased from the previous fiscal year due to the impact of COVID-19 in the fourth quarter.

4 Fiscal 2021 First Quarter Results

The effects of COVID-19 caused the cancellation of international and domestic tours throughout the quarter, resulting in large year-on-year decreases in operating revenue and income.

■ Travel billing ranked

Total travel billings (FY2020)

Rank	Company name	¥ billion
1	JTB	1,577.1
2	H.I.S.	494.0
3	KNT-CT Holdings	459.2
4	Nippon Travel Agency	424.9
5	Hankyu Travel International	335.6
6	JALPAK	178.2
7	ANA Sales	173.7
8	Tobu Top Tours	122.5
9	AirTrip	118.5
10	Meitetsu World Travel	87.3

Overseas travel billings (FY2020)

Rank	Company name	¥ billion
1	JTB	544.8
2	H.I.S.	404.5
3	Hankyu Travel International	203.3
4	KNT-CT Holdings	153.7
5	Nippon Travel Agency	109.6
6	AirTrip	56.3
7	JALPAK	44.8
8	Nissin Travel Service	41.2
9	M.O.TOURIST	33.2
10	TABIKOB	31.2

Domestic travel billings (FY2020)

Rank	Company name	¥ billion
1	JTB	934.4
2	KNT-CT Holdings HIS	280.7
3	Nippon Travel Agency	267.7
4	ANA Sales	149.9
5	JALPAK	133.3
6	Hankyu Travel International	128.6
7	Tobu Top Tours	86.7
8	JR TOKAI TOURS	77.6
9	Meitetsu World Travel	69.9
10	AirTrip	62.2

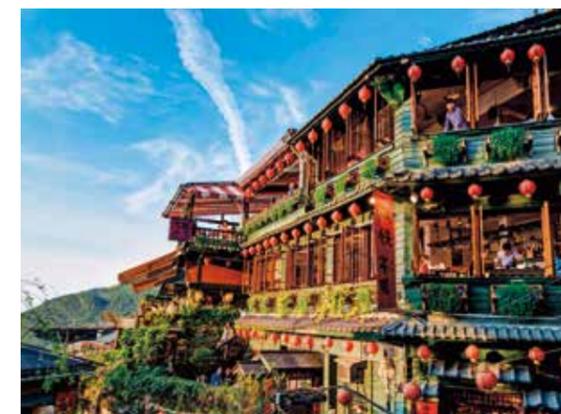
Compiled by Hankyu Hanshin Holdings based on Japan Tourism Agency Bulletin, "Business Volume for Major Travel Agents (April 2019 to March 2020)" and figures published by major travel companies.

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.



The five product brands offered by Hankyu Travel International.



International Transportation

As a comprehensive distribution enterprise, we are 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.

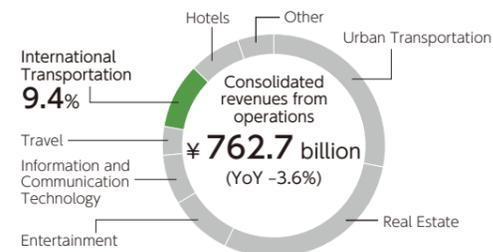


1 Basic Policies

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

2 Revenue

Fiscal 2020 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.



3 Fiscal 2020 Review of Operations

Revenues from operations and operating income decreased from the previous fiscal year amid a severe business environment as trade friction between the USA and China caused a drop-off in air freight volumes mainly in Japan and East Asia.

Despite this, we are harnessing our capital and operational tie-up with Seino Holdings to establish a framework for providing logistics services that combine international transportation, logistics, and domestic transportation, as illustrated by the opening of the Narita Global Logistics Center near Narita International Airport and our collaboration with Seino's truck terminal, which sits adjacent to the center. In addition, we have worked to

expand our global network and boost the competitiveness of our logistics business, for instance by opening a logistics center in India.

4 Fiscal 2021 First Quarter Results

Revenues from operations decreased from the same period in the previous fiscal year due to a decline in air freight volumes, which was caused by COVID-19, in addition to the US-China trade friction, which has been ongoing since 2018. Despite this, operating income increased over the previous fiscal year due to an increase in trade in the logistics business and ongoing efforts—in which customers' business continuity is top priority—to keep the flow of goods moving.

Expansion of our global network, strengthening of our logistics business

Narita Global Logistics Center commences operations

The former Hankyu Hanshin Narita Cargo Terminal was relocated to the warehouse built by Seino Transportation* adjacent to Narita International Airport. By cooperating with the Seino Transportation truck terminal, we have established a logistics hub that combines international transportation, logistics, and domestic transportation, and allows us to offer a comprehensive range of seamless transportation services. Since the facility's opening, we have acquired new clients and the volume of goods handled is steadily growing.

*A company of the Seino Holdings Group, which entered into a capital and operational tie-up with Hankyu Hanshin Express in 2018.



Strengthening business development in Africa

In April 2018, we acquired Intraspeed South Africa (Pty) Ltd., a freight forwarder, as a subsidiary; we also acquired Intraspeed's two companies in Kenya and Uganda as subsidiaries. Today, we continue to reinforce our operations in Africa.

Expansion of our Asian network, rollout of logistics centers

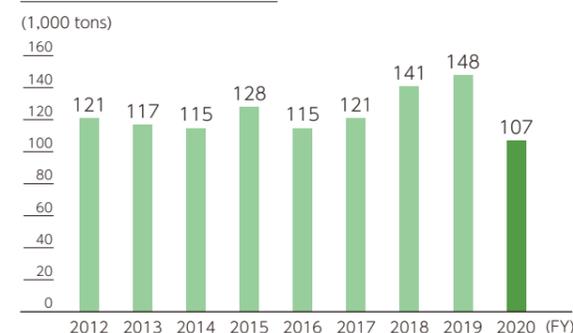
In addition to new warehouses in Indonesia (2016) and Singapore (2017), we have opened new warehouses in India, Vietnam and Myanmar to further enhance our logistics structure. We will continue to expand our global network in growth markets, including establishing new locations.

Strengthening our business in North and Central America

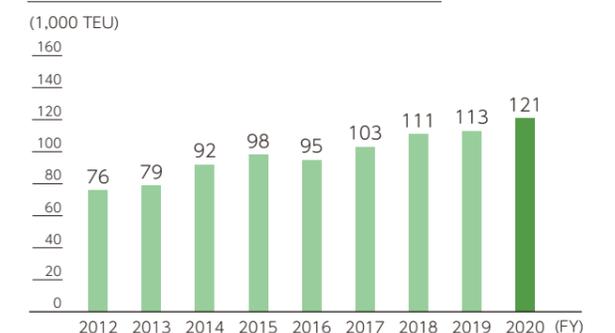
In addition to expanding our locations in Mexico, we are increasing and expanding our warehouses in the USA. Our policy is to strengthen our logistics services in Central and South America from our base in Miami.

Air and sea freight volumes (total handled by Japanese and overseas companies in the International Transportation Business)

Air Export Freight Weight



TEU*-Measured Overseas Export Volume



*TEU: Twenty-foot equivalent unit, a unit of cargo capacity based on the volume of a 20-foot-long container.

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.

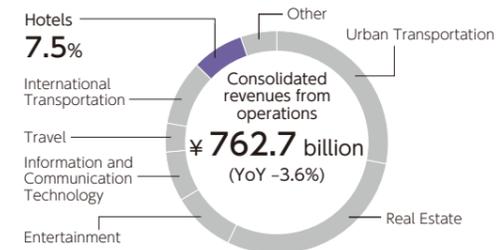


1 Basic Policies

- ❶ **Improve profitability of existing hotels**
Maintain and enhance product value through appropriate investment
- ❷ **Expand network by opening new hotels**
Make solid progress on current plans for opening new hotels which mainly comprise guest rooms for overnight stays
- ❸ **Establish our market leadership in the Umeda area**
Clarify our long-term management policy for our most important foothold, the Umeda area

2 Revenue

■ Fiscal 2020 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.



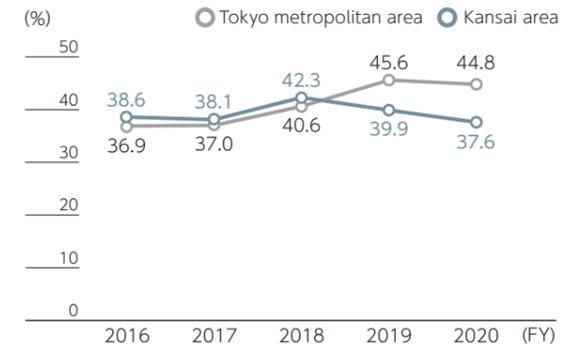
Impact of COVID-19
Revenues from operations -¥5.2 billion
Operating income -¥3.3 billion

3 Fiscal 2020 Review of Operations

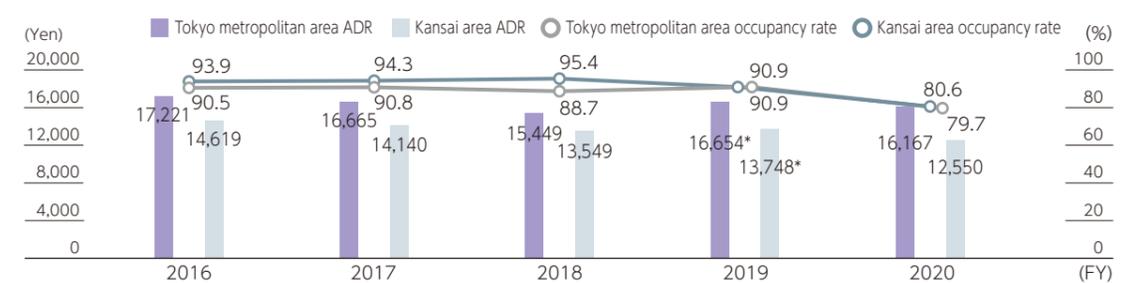
Despite the severe business environment amid increasingly fierce competition among hotels in the Kansai area, we added momentum to our business expansion and boosted competitive ability with the opening of four hotels: Hotel Hankyu RESPIRE (one of our new hotel brands) in Osaka Umeda; remm Plus (another new brand) in Ginza, Tokyo; preceded by remm Tokyo Kyobashi in Tokyo and Hotel Hanshin Annex Osaka.

These openings contributed positively to earnings, but this was offset by the impact of COVID-19 in the fourth quarter that has decimated the hotel business in the Kansai region, and our accommodation operations were sluggish over that period, resulting in year-on-year decreases in operating revenue and income.

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



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



*Starting in fiscal 2020, we report the earnings of overseas online travel agents on a gross basis, rather than on a net basis as before. The new method (gross basis) has been applied retroactively to the previous fiscal year.



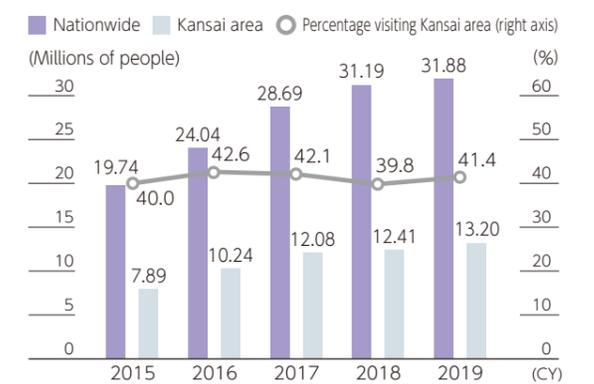
The Takarazuka Hotel

4 Fiscal 2021 First Quarter Results

The effects of COVID-19 caused the temporary suspension of operations at some hotels and sharp declines in customer numbers in both the accommodation and food and beverage segments, resulting in large year-on-year decreases in operating revenue and income.

Despite these challenges, we succeeded in reopening the Takarazuka Hotel in its new location in June.

■ Visitors to Japan



Source: "Visitor Arrivals, Japanese Overseas Travelers 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



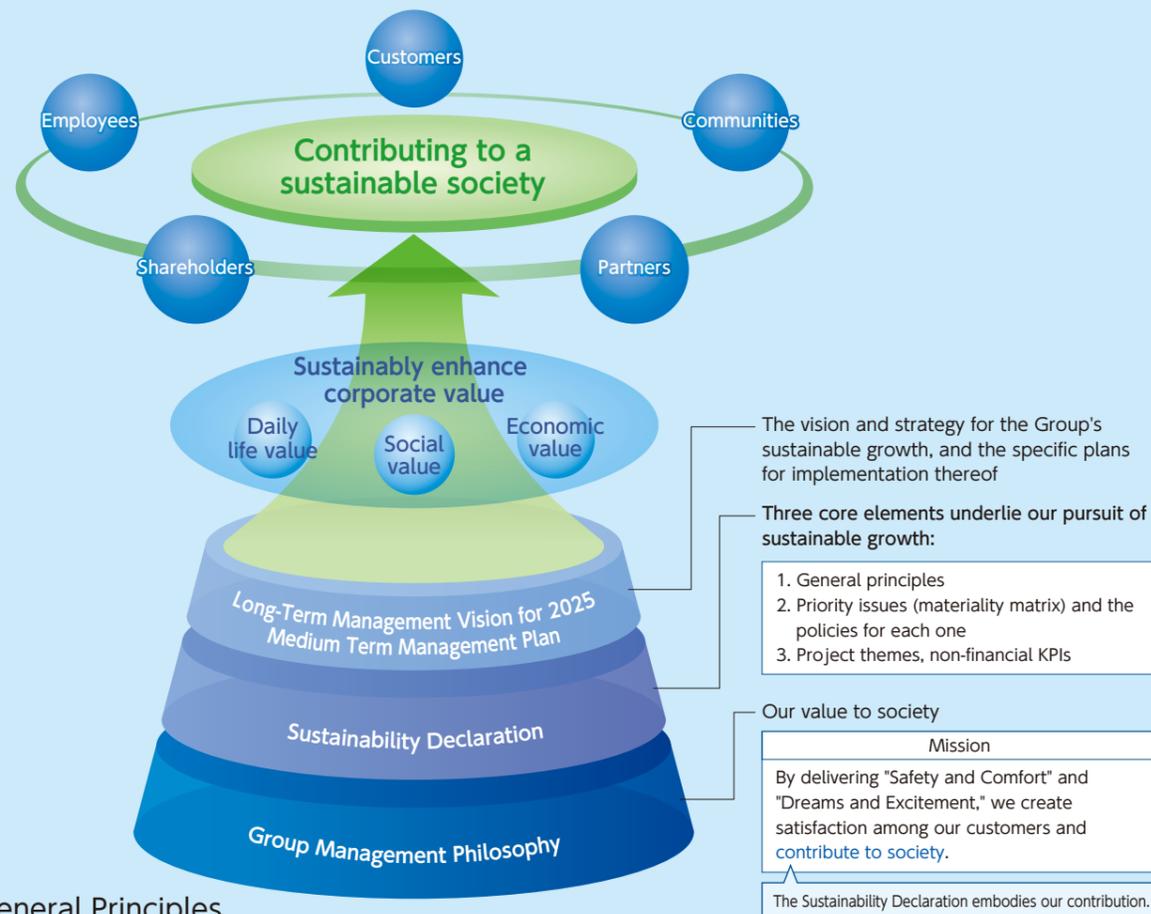
Inside the Takarazuka Hotel lobby

Sustainability Declaration — General principles and priority issues (materiality matrix)

Under our management philosophy of creating satisfaction among our customers and contributing to society by delivering "Safety and Comfort" and "Dreams and Excitement," we in the Hankyu Hanshin Holdings Group have been seeking sustainable growth and promoting a wide variety of efforts towards ESG (Environmental, Social, and Governance), a foundation for sustainable growth.

Society is now facing various challenges, ranging from response to climate change to growing concern over safety and security, diversifying senses of value, and further advancement of technological innovations. With regard to the UN's Sustainable Development Goals (SDGs), which UN member countries are intended to achieve by 2030, companies are expected to play increasingly significant roles.

Under these circumstances, the Hankyu Hanshin Holdings Group released the Sustainability Declaration in May 2020, which outlines the Group's commitment to addressing various challenges in order to help realize a sustainable society.

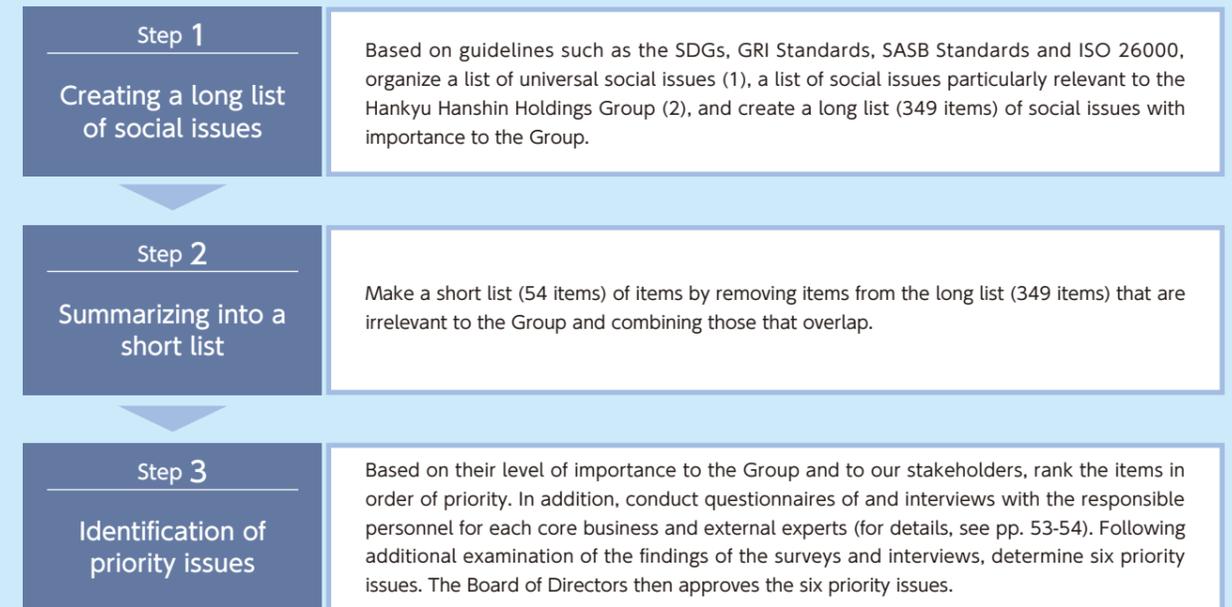


General Principles

Create a future grounded in "Safety and Comfort," and a future colored by "Dreams and Excitement."

For over a hundred years, we have sought to cultivate communities and enrich lives. Leveraging this experience, we commit ourselves to addressing social and environmental challenges and working toward a sustainable future, one that offers a fulfilling, joyful life to all and inspires the next generation to dream with hope.

Steps to Determine Priority Issues (materiality matrix)



Priority Issues (materiality matrix)



Sustainability Declaration — Priority issues, policies, project themes and major non-financial KPIs

In advancing its sustainable management, the Hankyu Hanshin Holdings Group has established six important priority issues, as well as policies, project themes and major non-financial KPIs as follows. Based on the Declaration, we will accelerate the Group's ESG projects while working to solve social issues through our business activities with the aim of raising our sustainable business value and thereby helping to realize a sustainable society.

Major non-financial KPIs

- Zero culpable incidents in our railway business
 - Employee satisfaction: Always better than in previous survey^{*1}
 - Women in management positions: Around 10% in FY2031
 - Women among new hires: Always more than 30%
 - Rate of CO₂ emissions cuts (target for FY2031 compared to FY2014)
 - Cut emissions by **26%**^{*2} at Hankyu Hanshin Holdings and subsidiaries' Japanese worksites
 - Cut railway energy consumption of Hankyu's and Hanshin's railways by **40%**
- *1 The survey is conducted biennially.
*2 The same level as the target value set by the Japanese government as a national greenhouse gas reduction goal based on the Paris Agreement

	Priority issues and policies	Project themes	Related fields*
	<p>1  Safe, reliable infrastructure Provide railways and other infrastructure that are safe and disaster resilient. Ensure that anyone can safely access our facilities and services.</p>	<p>(1) Eliminate accidents and improve safety at railways and commercial facilities (2) Promote actions to prevent/reduce accidents and respond promptly and properly to accidents if they occur (3) Establish safe and comfortable facilities and services that satisfy the needs of a diversity of people</p>	<p>   Social</p>
	<p>2  Thriving communities Help build sustainable communities with rich natural and cultural heritage, making great places to live in, work in, and visit.</p>	<p>(1) Develop a good living environment (providing good residences, creating green spaces and public spaces, establishing cultural and educational facilities, etc.) (2) Develop and expand commercial/business areas where people communicate with each other (3) Create a line-side environment that makes it easier for women to work and raise children (4) Promote measures to extend the healthy lifespan of the elderly (5) Offer services that satisfy the needs of foreign visitors/residents (6) Enhance collaboration and partnerships with universities, research institutions, ventures, local communities, etc.</p>	<p>    Social</p>
	<p>3  Life designs for tomorrow Promote refined and inspired lifestyle solutions for a better tomorrow.</p>	<p>(1) Propose products/services that help realize a lifestyle in harmony with nature (2) Propose products/services that lead to revitalization and promotion of local communities and cultures (3) Propose products/services that respond to diverse values and create comfort and excitement (4) Propose products/services for young people who will lead the next generation (5) Create and disseminate cultures through sports and entertainments (6) Improve existing services and create new businesses by utilizing ICT innovation</p>	<p>   Social</p>
	<p>4  Empowering individuals Provide an inclusive workplace that values diversity and taps into individual talent. Cultivate tomorrow's leaders for society.</p>	<p>(1) Improve employee satisfaction and create a more positive workplace (2) Promote health and productivity management (3) Promote diversity (4) Respect human rights and prevent harassment (5) Cultivate tomorrow's leaders</p>	<p>    Social</p>
	<p>5  Environmental protection Contribute toward a low carbon, circular economy.</p>	<p>(1) Cut greenhouse gas (CO₂) emissions (2) Improve energy efficiency (promote energy saving) (3) Use more renewable energy (e.g. solar) (4) Aim for more eco-friendly buildings (green buildings) (5) Produce less waste and recycle more</p>	<p>   Environmental</p>
	<p>6  Robust governance Act honestly and in good faith, as stakeholders expect us to do.</p>	<p>(1) Promote effective and transparent corporate governance (2) Ensure compliance and prevent corruption (3) Enhance risk management, including climate change (4) Pay attention to opinions of stakeholders in doing business</p>	<p>  Governance</p>

*The SDG icon that is placed first is the most relevant to each priority issue.

Special Discussion



Ability to Spread the Word about Initiatives is Vital in the VUCA Era

Our Role is to Inspire a New Generation of Community Builders

Ms. Mari Yoshitaka

Principal Sustainability Strategist & Deputy General Manager of Corporate Planning, Mitsubishi UFJ Research and Consulting, Co., Ltd.
Part-time lecturer, Graduate School of Media and Governance, Keio University



Kazuo Sumi

Chairman and Representative Director
Group Chief Executive Officer
Hankyu Hanshin Holdings, Inc.

The Aspiration and Passion Behind the Hankyu Hanshin Holdings Group Sustainability Declaration

In May 2020, the Hankyu Hanshin Holdings Group unveiled its Sustainability Declaration. Group CEO Kazuo Sumi spoke to ESG investment expert Mari Yoshitaka about the declaration's deep foundations, including the development of the Kansai region and the Group's long history of social contribution, as well as its determination to help achieve sustainable business management.

How Will COVID-19 Shape the Kansai Economy?

Sumi Today, we face a crisis like none before in COVID-19. I look forward to hearing your opinions on how companies

should act in times like these, and what they should be doing in terms of ESG.

Yoshitaka Let me start by asking you your view on the outlook for the Kansai economy in the wake of COVID-19.

Sumi I cannot recall any time in my long career—I joined Hankyu Corporation in 1973, right after Expo 1970 in Osaka—when the Kansai economy boomed as strongly as it has these past few years. I believed that a resurgent Kansai economy would naturally alleviate the problem of over concentration of business in Tokyo, and we thought Osaka's winning the hosting rights for Expo 2025 Osaka, Kansai, Japan would add further momentum to the Kansai economy.

Yoshitaka Hosting Expo 2025 is a big deal, isn't it? My grandparents lived in Senri New Town; I was excited to have Expo 1970 nearby and went virtually every day.

Sumi Expo 1970 in Osaka was not a one-off event. It had a lasting effect, and when Senri New Town was developed, they left the expo site, monuments, and green space to commemorate it. Similarly, community building on the Yumeshima Island site after Expo 2025 will be just as important. Because it is an island, I think it is the ideal setting for a "smart city" concept. The Umekita Phase II Development Project will be completed in 2024, and we dreamed of harnessing this project to boost the Kansai economy in tandem with Yumeshima—until COVID-19 came along.

Yoshitaka We all hope for a swift end to the COVID-19 carnage.

Sumi That won't happen immediately, but we still have four years until the Umekita Phase II Development Project is completed and another year after that until Expo 2025 in Osaka. I hope and pray that COVID-19 will end before then.

Sustainability Declaration Provides Further Momentum to ESG Efforts

Sumi Our business has long been founded on a core platform of railway operations, and we have striven to offer services and community building solutions help neighborhoods along our routes develop. Perhaps the defining project of our social contribution activities is the Hankyu Hanshin Dreams and Communities of the Future Project, through which we seek to protect environments and nurture younger generations. The project has been going for more than ten years now. More recently, in May 2020 we unveiled the Hankyu Hanshin Sustainability Declaration, which consolidates and adds momentum to our ongoing ESG-related activities. The declaration is a core facet of our quest for sustainable growth across the whole group, and fits between our Management Philosophy and Long-Term Management Vision.

Yoshitaka In general, Japanese corporations tend to be reticent about showing off their initiatives, but your announcement of the Sustainability Declaration was an excellent way to communicate your values inside and outside the group.

Sumi We, too, used to think that these kinds of things were not worth splashing over the front pages. Now, though, there is strong interest from investors in these issues, and that's why we decided to collate our current and historical efforts into a single declaration.

Yoshitaka It's affecting the job market, too. For instance, more and more jobseekers consider things like approach to SDGs



Sumi In many countries, most railway companies receive injections of public funds. From an overseas investor's perspective, Japan is just about the only place they can invest in a purely private railway, so I am keenly aware that proactive dissemination of information—including our ESG initiatives—is vital to ensure we are prominent on investors' radars.

Yoshitaka I believe that railways are more than just a mode of transportation with low environmental impact, and that the value of railway businesses will be widely recognized around the world as airlines continue to struggle amid the COVID-19 chaos. And if the Sustainability Declaration succeeds in drawing attention to your ESG initiatives, I think the Hankyu Hanshin Holdings Group will become the focus of much hope and expectation in the community.

Consideration for Employees' Health and Happiness Leads to Increased Corporate Value

Yoshitaka Overseas investors tend to believe that Japan is lagging when it comes to female participation in the workforce and gender balance among management-level employees.

Sumi We opened up career-track positions to women back in 1988, not long after the government passed the Equal Employment Opportunity Act. We have worked hard to boost female participation in our workforce because they have such a large role to play, particularly when it comes to the ways in which our services are relevant to daily life. Take our Real Estate Business for instance: when a family is thinking of buying a

condominium, it's often the woman who has the final say, and a woman's perspective is absolutely vital in determining the balance of tenants in shopping complexes. The same goes for the Entertainment, Travel, and Hotel businesses, too. In many cases, business proceeds much smoother when we have female employees directly in charge. It might take a little longer to get more women into management positions, but we recognize this is a long-term issue that needs attention now. Indeed, we are working on it, such as by hiring more women and investing more effort in their development.

Yoshitaka So you've been working to develop the female workforce for around 30 years.

Sumi We have KPIs not only for female participation but also for satisfaction across our whole workforce. Although we are already ranked quite highly on a national scale, I am more interested to know whether we are continually improving every year. I give detailed feedback to group management regarding our performance in the hope that it will nudge them to improve awareness and action so that we can constantly energize our organization.

Yoshitaka That information—i.e., regarding your using feedback to management as a means for driving improvement—is the kind of insight that investors in particular rate highly. It's relatively simple for a company to release concrete information regarding the E in ESG (Environmental) because carbon dioxide emissions and water consumption figures are easily quantified. But when it comes to the S (Social), quantitative targets are much harder. Many Japanese companies tend to make vague efforts without a defined goal in mind, so telling the narrative of how ESG initiatives are reflected in management practices and how they evolve is an important way of reaching investors.

Sumi Talking of numerical targets, we are working to institute a new one: regarding the percentage of employees who smoke. I know from first-hand experience how important it is to maintain our health; it is the key to our ability to work well and live a rewarding life. A workforce satisfaction score is no use if your employees are prone to illness.

Yoshitaka A company that makes employee health a core tenet of its management approach improves corporate value through increased motivation and productivity. What's more, when top executives talk about their regard for their people and seek to build engagement, that sends a powerful message to investors.

How We Respond to the Many Environmental and Social Risks We Face in the Modern Age

Yoshitaka The Sustainability Declaration mentions the pursuit of safe, reliable infrastructure. Do you focus on that because of your position as a railway company?

Sumi Naturally. Safe, reliable infrastructure is the overriding concern of any railway business, and it is a vital factor in our sustainable business practices. For example, one of our non-financial KPIs is zero culpable incidents in our railway business.

Yoshitaka What are some of the specific focus areas of those initiatives?

Sumi Firstly, we base our thinking on the fact that people are only human and are bound to make mistakes. Human error cannot be completely eliminated, so we need safety systems that can provide solidity in the areas of uncertainty that inevitably arise in human operations. For instance, I served as a train driver for a year or so when I first joined the company, and that experience taught me that we need to do more than just exhort people to stay alert and make no mistakes. Only with back-up systems designed from objective viewpoints can we ensure safety and protect our employees.

Yoshitaka I feel that climate change is more than just an environmental challenge; it is also a new risk factor that railways must take into account. We live in an unpredictable age, so it is important for companies to communicate their resilience and flexibility of management. What is your thinking regarding investment in this area?

Sumi Providing safe and disaster-resilient infrastructure is one of our top priorities. Take flood risk for example: As you say, global warming is causing a huge increase in sudden, heavy, localized rain storms but, traditionally, town planning designs have not assumed such huge volumes of rainwater. It is not possible to revamp an entire infrastructure, so we railway operators have to make careful plans to make do as best we can until the urban infrastructure catches up. Then there's the impact of COVID-19 to consider. The virus has made teleworking a permanent fixture of the employment landscape, and it's possible that commuter numbers will not return to pre-COVID levels. Ageing and declining populations also mean we must look conservatively at passenger numbers. I believe that railway operators can only improve productivity to overcome these risks. For instance, we are considering introducing more varied, flexible working styles for full-time and part-time employees. Doing so will enable us to harness more efficiently the strengths of older people and those who want to work shorter hours.

Yoshitaka A company can boost diversity as well as productivity by providing pathways for older people or those who can't work full-time hours to make a meaningful contribution. Not many corporate leaders in Japan can talk much about resilience, yet identifying risks and making projections is a good way of finding new business opportunities. This is another topic that investors would benefit from hearing about.



Unhindered Communication between Workers and the Boardroom Bolsters Governance

Yoshitaka We've discussed your group's E and S; now let's hear about your G (Governance).

Sumi One feature of our governance framework is how we ensure the effectiveness of our whistle-blowing system. Employees can voice their concerns directly to top management without having to go through HR or general affairs departments. Back when I was running Hankyu Corporation, I made a point of encouraging our new recruits to use the whistle-blowing system if they ever found something they thought was wrong.

Yoshitaka When new employees can speak their minds to those at the very top, that's the kind of unhindered communication that promotes good governance.

Sumi The Dreams and Communities of the Future SDGs Trains, which we've operated since May 2019, came about because a section chief reached out directly to me with pertinent information. We were the first railway operator to introduce rolling stock wrapping that conveyed an SDG-conscious message, and it was pleasing to see a bottom-up initiative come to fruition.



The Dreams and Communities of the Future SDGs Trains
Photo: SDGs trains that have been in operation since September 2020.





Osaka Umeda: The Main Hub of the Hankyu Hanshin Holdings Group

Yoshitaka So, those governance systems not only underpin sustainable business practices, but they also contribute to a more open company culture. Those old "siloed" corporate cultures tend to kill off new ideas and challenges before they see the light of day, but the SDGs Trains are a good example of how a proper grasp of the importance of ESG by management can lead to progress.

Bringing a Century-long Perspective to Community Building

Yoshitaka Japanese companies, perhaps being overly conscientious, tend to avoid making clear statements about the future. More so now amid the chaos of COVID-19. But from an investor's viewpoint, those circumstances are all the more reason to want to know about companies' visions for the future, and to understand what their leaders are doing and why. What message can you offer your group's stakeholders?

Sumi Our railway business is still the solid bedrock of our endeavors, and our mission is to transport people safely and develop better communities along our routes. I remember when Hankyu and Hanshin merged: the media worked themselves into a frenzy of speculation about whether the erstwhile rivals could be effective. But if you consider that what really matters in the railway business is each station's catchment area, then Hankyu and Hanshin were not true competitors; our real rival is car traffic. In that sense, I look forward to Hankyu and Hanshin working as partners to build better communities along our routes.

Yoshitaka So, you're taking a broad view of the entire Kansai region.

Sumi The Takarazuka Revue Company provides a good example of our approach. For a century, their top stars have worked hard not only to provide new value, but also to nurture subsequent generation of performers who can sustain their quest. Our *raison d'être* is to preserve environments and build communities along our routes, and to pass the baton to subsequent generations who can carry on that work in the future.

Yoshitaka "Passing the baton," that's a nice way to put it.

Sumi When the Hankyu Corporation's founder, Ichizo Kobayashi, first set up his railway in Ikeda, he decided not only to generate the electricity needed to run the trains, but also to power the houses in local neighborhoods and the streetlights. In that way, he sought to keep communities safe and free from crime. Our company has always endeavored to carry on that legacy of community building, and today we contribute not only to local safety, but also to the furtherance of education and culture. Secure communities are not just about crime reduction initiatives; nurturing residents' love for their neighborhood is vitally important, too. The community whose people feel a sense of belonging will naturally become safer.

Yoshitaka That echoes Goal 11 of the SDGs: sustainable cities and communities. It is a keen reminder of the proximity of Hankyu Hanshin's mission to the company's SDGs narrative.

Sumi Another indispensable component of livable communities is health. Kansai is the focal point of multiple private-public initiatives in the R&D, new industry development, and social implementation arenas, aimed at making the region a top runner in advanced medicine and healthcare worldwide. We at the Hankyu Hanshin Holdings Group are proud to be a part of that.

Yoshitaka That's interesting because the medical industry is attracting attention as a new sustainable business.

Sumi Given our history, as a corporate group focused firmly on the future, we have always sought to carry on our legacy by building communities along our routes with particular attention to education, culture, and safety. COVID-19 has brought about changes in lifestyles and working practices, and I believe we must take those developments into account as we consider how best to build and maintain communities over the long term, and we must communicate our message as an integral player in these neighborhoods.

Yoshitaka The fine balance you've achieved in devotion to keeping your legacy alive and flexibility to respond changes is an attractive combination. I appreciate your willingness to talk about your vision for the future from a broad perspective at a time when the outlook is unclear. From a long-term investor's perspective, it has been very reassuring. Thank you very much.

Afterthoughts

The essence of corporate branding can be found in Hankyu Hanshin's long history

I meet many corporate executives in my line of work. Mr. Sumi impressed me because he frequently spoke not only of his own group, but from the broader perspective of the Kansai economy as a whole. It was also very clear that the Sustainability Declaration is the backbone that upholds the group's posture toward sustainability, and is a true reflection of the group's long years of hard work in community building along its routes. Seen through the lens of a conversation about SDGs, the approach to governance and social contribution of a group for whom these have always been part of the corporate fabric further highlights the solid footing that underpins them.

Purpose is a vital, and much discussed, concept when considering ESG. In addition to its obvious significance

regarding a company's reasons for pursuing ESG, it also speaks to the company's very *raison d'être*. When speaking to Mr. Sumi, I was struck by the clear sense of purpose in everything he said. For instance, his passionate talk of railway's position in civic society and the long-term significance of transport for members of the community are clear indicators of purpose, not to mention valuable non-financial information. Mr. Sumi naturally draws you in to his conversation, and talking with him was as enjoyable as it was meaningful.

Ms. Mari Yoshitaka

After working in IT and a U.S. investment banking, helped establish Japan's first eco-fund at the Technology and Environment Dept. of the World Bank Group's International Finance Corporation. Master's degree from the University of Michigan School of Natural Resources and Environment. Joined Tokyo-Mitsubishi Securities in 2000 (now Mitsubishi UFJ Morgan Stanley Securities) as Chief consultant for the Clean Energy Finance Division. Has consulted for institutional investors, governmental organizations, businesses, providing research, advice, and lectures on ESG investing and SDG business. Currently principal sustainability strategist & deputy manager of Corporate Planning at Mitsubishi UFJ Research & Consulting; and part-time lecturer at the Graduate School of Media and Governance, Keio University. Temporary member of the Global Environment Committee, Central Environment Council, Ministry of the Environment.



Sustainability Declaration

Comments by external experts in determining priority issues (materiality matrix)

*Titles and positions are as of November 2019.

I hope the Group will demonstrate the importance of SDGs actions

When working to achieve SDGs, it is important to first set targets to be reached in the future and then think about what should be done now. When targets are set and the progress toward the targets is seen, the awareness within the Group may change and various ideas will emerge from both inside and outside the Group. Some SDGs actions may generate collateral effects. Efforts to address climate change, for example, may lead to ideas for new lifestyles. The Hankyu Hanshin Holdings Group has infrastructure for community building, as well as the urban transportation business and the entertainment business, which have a significant public impact. The SDGs-themed rail livery, solar power generation and recycling of plastic drink containers at Hanshin Koshien Stadium and Takarazuka Revue Company's carbon offset performance have great appeal for many people. I think these are very effective means to demonstrate the importance of SDGs actions, which should be actively employed. The next step is to set targets that are unique to the Hankyu Hanshin Holdings Group, balancing the Group's values and SDGs. By doing so, I believe that the actions will be more sophisticated.



Norichika Kanie
Professor, Graduate School of Media and Governance, Keio University

The Hankyu Hanshin Dreams and Communities for the Future Project is a unique, pioneering project

Today, companies are required to show not only the vision of what they hope to be but also the vision that society will aim at and how they will contribute to realizing that vision. The Hankyu Hanshin Holdings Group, mainly in its railway and real estate businesses, creates communities. It is necessary to first draw an image of the community to be aimed at for 2030 and then show how the Group will contribute to building such a community. The Kansai Area has a higher percentage of foreign residents than other areas in Japan. Therefore, community building in this area should consider the needs of foreigners, including foreign visitors. Measures for people with disabilities, such as promoting employment of people with disabilities and installing platform doors, should also be further enhanced. The Hankyu Hanshin Dreams and Communities for the Future Project and other collaborative initiatives with local communities are very unique and pioneering. We will soon enter a new era when customers will demand systems and services in which they can play active roles. It will then be important to collaborate with NPOs working on local issues as partners in community building.



Noboru Hayase
Chief Executive Officer of Osaka Voluntary Action Center
Chairperson of Japan NPO Center
Visiting Professor, School of Human Sciences, Osaka University



Michiyo Morisawa
Head (Japan), PRI
Director, CDP Japan

Group-wide commitment to sustainable community building

The strength of the Hankyu Hanshin Holdings Group is its capability for sustainable community building within the Group as it covers railway, real estate, and entertainment as its core businesses. If the Group develops a model community adapted to climate change, it will be a community of choice from a global perspective, attracting foreign companies and encouraging relocation of corporate bases. Environmental actions should not be a list of individual measures but have a comprehensive story that covers all of them. The Hankyu Hanshin Holdings Group's community building initiative, for example, will be highly appreciated if it can be combined with the development of a carbon-neutral community by 2050 declared in the government's program toward the realization of a decarbonized society (announced by the Government in June 2019). I hope that the Group will make effective use of this change as a business chance. Railway, which is powered by electricity, is a business segment in which the Group can strongly demonstrate its efforts to cut greenhouse gas emissions. I expect the Group to take positive actions in this field, such as cooperating with electric power companies for the spread of renewable energy.



Emi Onozuka
Head of Stewardship Responsibility Group, Goldman Sachs Asset Management Japan

Top management should talk about sustainability

The "era of CSR" focusing on the responsibility of companies has shifted to the "era of ESG," where improved corporate value should improve shareholder value. Now we are moving toward the "era of sustainable finance," which encourages activities that contribute to building a sustainable society. ESG actions will be evaluated from the perspective of future finance, and investors are paying greater attention to non-financial information that is related to future finance. Top management is required to talk about sustainability, namely, how they enhance their corporate resilience (to changes) by addressing sustainability issues and how they continue or change their business models in response to changes in society. The Board of Directors is also required to monitor whether management resources are optimally allocated from an ESG perspective, focusing not only on short-term profits but also on a long-term perspective. Investors evaluate companies based on both EPS (earnings per share), indicating short-term performance, and PER (price-earnings ratio), indicating the degree of expectation in the medium to long run. Sustainability actions are effective in improving PER, which should also be explained to investors.

Workstyle reform from a "gender equality" perspective

When women ease their burden of work to raise their children by taking long childcare leave or working shorter hours, it will reinforce traditional roles of men and women: men for work and women for family. From the perspective of gender equality, both men and women should be able to balance their working life and family life. To this end, workstyle reform of men is necessary. It is important to prevent the roles of men and women from being fixed by correcting long working hours and introducing flexible workstyles in terms of working place and time. The Hankyu Hanshin Holdings Group's community building initiative can play an important role in workstyle reform. If the Group proactively places its satellite offices and supports other companies in promoting flexible workstyles, it will raise the value of those areas as attractive to live in or work in. Also, the Hankyu Hanshin Dreams and Communities for the Future Project is a wonderful Group-wide project that is effective in making the Group employees interested in SDGs and contributes to revitalization of local communities. Through collaborating with local governments and other companies, employees may encounter different values, which will raise their motivation for work and promote innovation.



Toko Shirakawa
Journalist on declining birthrates, author
Visiting professor at Sagami Women's University
Private sector member of the Cabinet Secretariat's Council for the Realization of Work Style Reform

Artist's impression of completed Umekita Phase II Development Project
Note: Proposed as of May 2018, subject to change



Working with Industry, Government, and Communities SDGs Train 2020

— Sending Diverse Messages Aimed at Achieving SDGs with Trains Powered by 100% Renewable Energy —

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.

Last year, 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. In addition, this year we are teaming up with the Tokyu Group for SDGs Train 2020, a series of trains run in cooperation with national and local governments, businesses, and community organizations. These trains comprise the latest energy-efficient rolling stock of Hankyu Corporation, Hanshin Electric Railway, and Tokyu Railways, and the energy used to run the trains is sourced entirely (effectively 100%) from renewable sources.

The front and rear cars of all three companies' SDGs Trains are wrapped in original illustrations and badged with a common design. 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. 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.



Advertising space is being used for SDGs messaging



The shared SDGs Train 2020 badge and interior poster used by Hankyu, Hanshin, and Tokyu.



The Hankyu Hanshin Holdings Group supports SDGs.

Governance

Priority Issue 6 |

Robust governance



Policies

Act honestly and in good faith, as stakeholders expect us to do.

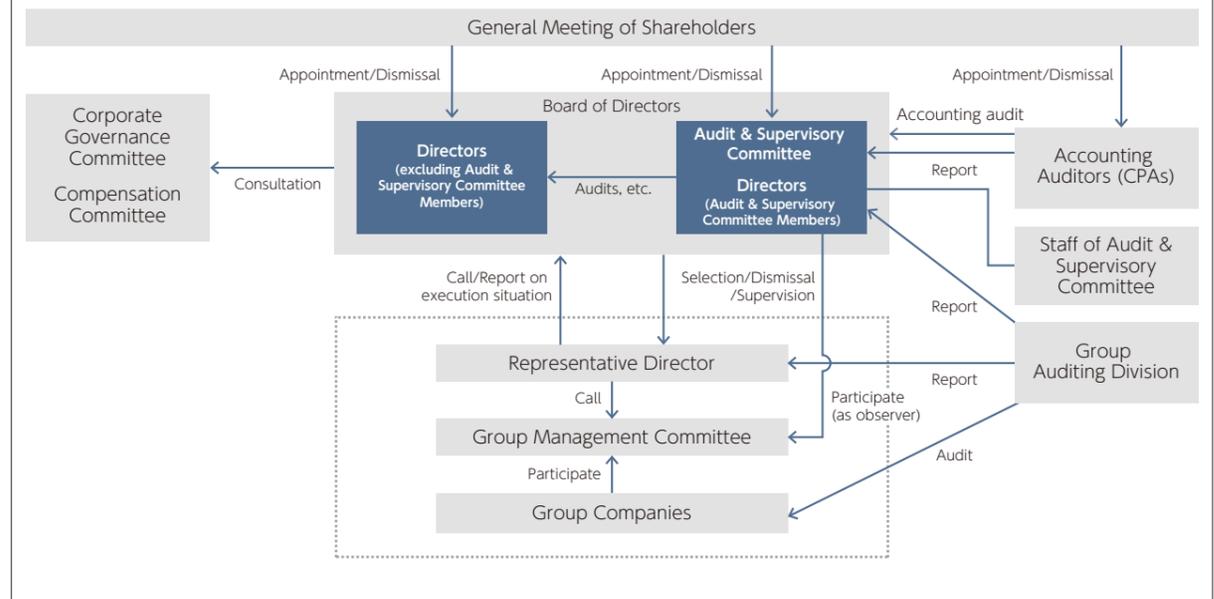
Basic Approach

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 our Corporate Governance Code, sustaining growth, and enhancing corporate value over the medium to long term.

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

Corporate Governance System



*The Hankyu Hanshin Holdings Group takes practical steps to enact all of the principles stipulated in the Corporate Governance Code. For examples of specific action and other items relating to corporate governance, please refer to the Corporate Governance Report in the sustainability section of the group's website.

Robust governance

Governance Structure

Overview of Hankyu Hanshin Holdings' and the Group's Corporate Governance Structure

Hankyu Hanshin Holdings, Inc. 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: retaining the authority to approve the Company's and the Group's management policies and strategies, and 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 from Hankyu Hanshin Holdings 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 outside 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 with outside directors, the Group has established the Corporate Governance Committee, which comprises standing Audit & Supervisory Committee members, and outside directors who are independent of the Company, and representative directors. Moreover, to ensure that concrete decisions regarding the amount of director compensation (excluding that of members of the Audit & Supervisory Committee) under 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 outside directors 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.

Timeline of Initiatives for More Effective and Transparent Corporate Governance

FY2016	Corporate Governance Committee established • Charged with ensuring transparency of corporate director appointments and dismissals and facilitating coordination with outside officers. Committee meets twice a year, and comprises the representative directors, standing auditors (currently standing Audit & Supervisory Committee members), and outside officers.
FY2017	Evaluation of the Board of Directors' effectiveness • A survey was carried out to assess the management by the Board of Directors, including the sufficiency of its explanations and the appropriateness of its handling of its proceedings. Starting in fiscal 2020, interviews are preceded by questionnaires for more effective assessment.
FY2018	Abolition of senior advisors system
FY2019	Abolition of anti-takeover measures Compensation Committee established • Charged with ensuring that the objectivity and transparency of procedures relating to decisions regarding board members' remuneration, including amounts. Committee meets once a year, and comprises the chairman and outside officers.
FY2020	Review of compensation system • Stock-based, performance-linked stock compensation system (paid into trust) introduced for the chairman and president in order to further motivate them to enhance the Company's corporate value and business performance, as well as to enhance shareholder value.
FY2021	Change in legal status regarding audit function (June 17) • Became a "Company with an Audit & Supervisory Committee" as part of efforts to bolster the Board of Directors' oversight function and enhance corporate governance. • Upon that change, the number of company officers was reduced to 11 and the number of independent directors was made five (including two women) in order to increase the proportion of independent officers.

More Effective and Transparent Corporate Governance

Management Organization for Decision Making, Execution, and Oversight of Matters Related to Company Management

Board of Directors and Directors

The Board of Directors enhances governance of the entire Group and oversight of respective companies by: retaining the authority to approve decisions regarding the Company and the Group's management policies and strategies, and the medium-term or annual management plans of all core businesses; and requiring timely reporting by operating companies about Group companies' significant investments.

In order to reinforce governance and oversight capabilities and boost decision-making quality, the Board of Directors is composed of 11 directors, five of whom are independent directors, including two women. Moreover, the 11 directors include all three members of the Audit & Supervisory Committee.^{*1,2}

The Company's compensation system for directors (excluding Audit & Supervisory Committee members) further motivates them to enhance the Company's corporate 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 stock compensation paid in trust to individuals in the posts of chairman and president.

Membership of the Board of Directors, etc.

Maximum number of directors stipulated in articles of incorporation	No upper limit stipulated.
Term of office stipulated in articles of incorporation	1 year (2 years in the case of Audit & Supervisory Committee members)
Chairman of the board	Chairman
Number of directors	11
Appointment of outside directors	Appointed.
Number of outside directors	5
Among outside directors, number of independent directors	5

*1. Quorum of directors: The Company's articles of incorporation stipulate that a quorum shall be reached with at least four directors and at least three Audit & Supervisory Committee members.

*2. Criteria for appointment of directors: Criteria for appointment of directors are stipulated in the Company's articles of incorporation as follows:

- (1) Directors shall be appointed at shareholders' meetings into two distinct categories: Audit & Supervisory Committee members and others.
- (2) Resolutions on the appointment of directors shall be passed with a majority of voting rights held by shareholders in attendance, provided that those in attendance constitute no less than one third of all shareholders with voting rights.
- (3) Resolutions on the appointment of directors shall not be conducted by cumulative vote.

Audit & Supervisory Committee and Its Members

Of the Audit & Supervisory Committee's three members, two are independent directors. By selecting committee members who are independent from the Company and have a high level of specialist expertise, the Company endeavors to further ensure sound decision making. We provide full backup to enable the Audit & Supervisory Committee members to perform their governance and oversight functions, for example by involving them in the Group Management Committee and other meetings within the Group.

Membership of the Audit & Supervisory Committee

	Audit & Supervisory Committee
Total committee members	3
Full-time committee members	1
Internal directors	1
Outside directors	2
Committee chairperson	The internal director
Directors and employees assigned to aid the duties of Audit & Supervisory Committee members	Staff assigned exclusively to this position

Corporate Governance Committee

To ensure transparency in the appointment and dismissal of directors and coordination with outside officers, a Corporate Governance Committee has been established, made up of three representative directors, one full-time Audit & Supervisory Committee member, and five independent directors.

In addition to selecting director candidates and providing advice relating to the dismissal of directors (excluding Audit & Supervisory Committee members), the Corporate Governance Committee serves as a forum to provide information in such areas as the Group's finances to outside officers.

Compensation Committee

To ensure that concrete decisions regarding the amount of compensation paid to directors (excluding Audit & Supervisory Committee members), 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 and five independent directors.

The committee provides advice relating to the Company's compensation system and its content.

Group Management Committee

The members of the Group Management Committee include full-time directors and executive officers of the Company, and representatives of each of the Group's core businesses. The committee meets to deliberate and decide on the approval of resolutions of the Board of Directors; the Group's management strategies and business plans; Group companies' significant investments; and significant Group management matters.

Robust governance

Ensuring Effectiveness of the Board of Directors and the Board of Company Auditors

Attendance at meetings of the Board of Directors and the Board of Company Auditors (FY2020)

Outside Directors

Name	Attendance at meetings of the Board of Directors
Noriyuki Inoue	Attended 8 of 10 meetings
Shosuke Mori	Attended all 10 meetings
Noriko Endo	Attended all 8 meetings

Outside Auditors

Name	Attendance at meetings of the Board of Directors	Attendance at meetings of the Board of Company Auditors
Haruo Sakaguchi	Attended all 10 meetings	Attended all 11 meetings
Junzo Ishii	Attended 9 of 10 meetings	Attended 10 of 11 meetings
Michiari Komiyama	Attended all 10 meetings	Attended all 11 meetings

*Fiscal 2020 meetings were technically meetings of the Board of Company Auditors as the company was categorized at that time as a Company with Board of Company Auditors under law.

Evaluation of the Board of Directors' effectiveness

The Company conducts evaluations of the board's effectiveness at the board meeting held in April every year.

A summary of the process, items, and results of an evaluation of the effectiveness of the Board of Directors conducted in fiscal 2020 is as shown below.

1. Evaluation process

In fiscal 2020, the board's effectiveness was evaluated by conducting a questionnaire survey regarding the adequacy of the board's composition and operations, followed by interviews with board members based on the questionnaire's results.

2. Evaluation items

As a result of the questionnaire and interviews, the board's composition and operations in fiscal 2020 were deemed to be adequate, and the evaluation concluded that the board was effective and generally administered appropriately.

Conversely, it was suggested that the board's deliberations on the Medium-Term Management Plan and other matters tabled at board meetings could be more energetic.

Reasons for Adoption of Current Corporate Governance System

As described in the Overview of Hankyu Hanshin Holdings' and the Group's Corporate Governance Structure on page 57, Hankyu Hanshin Holdings, Inc. 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.

In addition to this, the Company shifted to an Audit &

Supervisory Committee set-up in order to reinforce that corporate governance structure and further enhance corporate value. The shift was approved by a resolution at the 182nd annual General Meeting of Shareholders on June 17, 2020.

Compensation System

Compensation of Directors

Policy

The Company's compensation system for directors (excluding Audit & Supervisory Committee members) further motivates them to enhance the Company's corporate 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 stock compensation paid in trust to individuals in the posts of chairman and president.

*The group's stock-based, performance-linked stock compensation system includes a malus clause, under which rights to receive stock-based compensation may be withheld from any person eligible for this system who commits an egregious breach of duty prior to finalization of such rights, or if any other grounds for withholding such rights arise.

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

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

Other Efforts to Strengthen Governance

Position regarding strategic shareholdings

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.

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 June 2018.

Internal Control System

Basic Approach to Internal Control System and the Progress of System Development

Recognizing the importance of ensuring that the business operations of the Company are conducted in an appropriate manner, we believe it is vital to have an internal control system for the entire Group, and to revise it when deemed necessary.

In particular, the Group has a robust structure for compliance-focused management, including a dedicated compliance office, a Compliance Manual, and compliance training, all aimed at raising awareness of compliance issues throughout the entire Group.

As part of our whistleblower system, we have a Corporate Ethics Consultation Desk for quickly bringing to our attention any incident that may threaten our compliance-focused management. If a serious incident occurs, we promptly set up a risk management committee to determine how to respond.

We also have a Group Auditing Division, which has its own dedicated staff and operates under the direct control of the president. This division establishes regulations and conducts internal audits of Hankyu Hanshin Holdings and its Group companies.

To create a structure for ensuring appropriate operations, the Group vests auditors 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.

With regard to systems for "Evaluation and Auditing of Internal Controls over Financial Reports," 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.

Basic Approach to Eliminating Anti-social Forces and the Progress of its Development

We have a clear policy of thorough rejection of any involvement with organized crime groups, companies connected with organized crime groups, *sokaiya* racketeers, or other "antisocial forces" that threaten the order and safety of civic society, and firm refusal of their unreasonable demands.

To ensure full awareness of this policy throughout the entire Group, it is instituted in the Basic Policy on the Establishment of the Internal Control System and clearly set forth in the Hankyu Hanshin Holdings Group Compliance Handbook distributed to all Group directors and employees.

In practice, we cooperate closely with lawyers, police, and other organizations, and all Hankyu Hanshin Holdings Group

contracts contain clauses banning involvement with antisocial forces.

We also share relevant information between Group companies, maintain high awareness of issues through employee training, and participate proactively in community meetings and activities pertaining to the elimination of organized crime and other antisocial forces.

If an incident occurs, we take a pan-organization approach in response, bringing in the relevant in-house departments and teaming up with outside experts.

Corruption Prevention and Compliance

We at the Hankyu Hanshin Holdings Group are constantly striving to live up to the stakeholders' expectations and become a good, trustworthy organization. Our strong focus on compliance is one of the pillars underpinning our efforts in this area.

Organizational Initiatives for Better Compliance

We have established a dedicated compliance office in the Personnel and General Affairs Division to help bolster compliance groupwide by pursuing three main initiatives as set forth below.

Moreover, the Board of Directors conducts periodic reviews to monitor compliance with the Code of Conduct, mainly involving questionnaire surveys of employees.

1. Compliance Handbook

The Compliance Handbook makes clear to all the Group's directors and employees that violations of law or social norms, or actions that betray customer trust, are prohibited, and provides handy examples of likely scenarios. In this way, the manual is part of our effort to raise awareness of the importance of compliance.

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

Robust governance

2. Corporate Ethics Consultation Desk (Internal Whistle-Blower Procedures)

The Corporate Ethics Consultation Desk comprises an in-house section and an external section, which is staffed by outside lawyers. It enables all Hankyu Hanshin Holdings Group officers and employees, as well as the group's business partners, to report—anonously—behavior that violates (or may violate) laws or regulations, or is otherwise unethical.

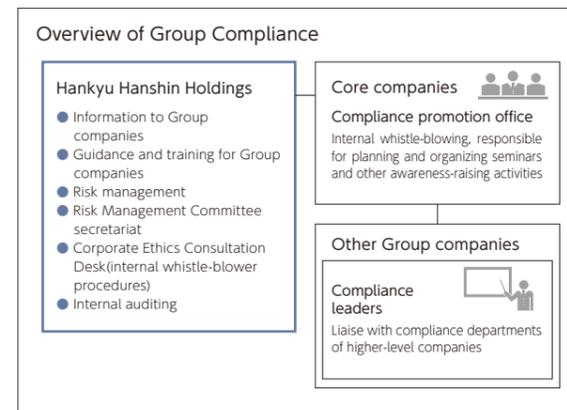
Sixty-two reports were received in fiscal 2020 from throughout the whole Group.



3. Other Initiatives

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 and appointing "compliance leaders" at other companies to ensure our response is on a Group-wide basis.



Raising Awareness Among All Officers and Employees

We seek to raise awareness among all Group officers and employees regarding compliance issues through a variety of training activities and communication as described below.

1. Training

- New recruit training, training upon promotion
- Training upon first appointment to director or auditor position at a Group affiliate
- Collective training for Group companies' compliance officers
- On-site training at Group companies

2. Communication

- Compliance-related serials in Group magazines
- Compliance-related e-mail newsletter featuring case studies and updates regarding laws and regulations
- Compliance-related information posted on the Group intranet

Risk Management Structure

We have established a risk management structure to help maintain the health of the Group's management by preventing risks from becoming reality, and at minimizing the damage if they do. Annual assessments are performed for all of the Group's companies to identify potential risks relating to natural disasters, public health incidents, accidents, legal compliance, and organizational operation, and to institute appropriate responses to different scenarios in order to ensure business continuity in any contingency.

To manage risk across the whole group, we have a dedicated risk management office focused on broader, pan-organizational issues, while individual departments and group companies conduct planning and analysis regarding potential issues within their own domains. This set-up is designed to enable the correct dissemination of information if an unforeseen incident occurs.

If a serious risk situation materializes, a Crisis Response Team, headed by the president, is formed to contain the damage spreading and minimize the fallout.

These principles and actions are prescribed in our Risk Management Regulations, and a report on risk analyses and responses is, in principle, tabled for the annual general meeting of shareholders every July.

Reflecting Stakeholder Sentiment in Operations

At the Hankyu Hanshin Holdings Group, we believe that the views of our stakeholders—including customers, local communities, shareholders, trading partners, and employees—have an important place in our business operations.

Shareholder and Investor Relations

We have adopted a variety of initiatives to make shareholder meetings more rigorous and make it easier for shareholders to exercise their voting rights. These include timing meetings to avoid scheduling clashes with other companies, using online voting platforms, and improving the voting experience for institutional investors.

Moreover, we engage with investors in a variety of ways, including briefings—attended by the president—for analysts and institutional investors regarding the mid-year and year-end results, and dedicated investor relations staff in the Group Planning Division to respond to investors' inquiries. The feedback we get from investors is shared in-house and reflected in business management.

Respecting Stakeholders' Positions

Realizing our mission to create satisfaction among our customers and contribute to society by delivering safety, comfort, dreams, and excitement involves the ongoing pursuit of sustained growth underpinned by an active commitment to ESG.

In May 2020, we launched the Hankyu Hanshin Holdings Group Sustainability Declaration (see page 43), a clear indication of how we intend to contribute to more sustainable use of resources across society. The declaration sets forth our determination to ramp up ESG initiatives, to further solidify the relationship of trust we enjoy with customers, local communities, shareholders, trading partners, employees, and other stakeholders, and to use the Hankyu Hanshin Holdings Group's businesses as a vehicle for overcoming the challenges we all face as a society.

Our social contribution activities, such as environmental and community action, have benefited from the institution of a clear Group policy and the establishment of a dedicated department within the Personnel and General Affairs Division, and our efforts in this area are guided by the Sustainability Declaration.

See the Hankyu Hanshin Holdings website for details.

Acting on Feedback from Customers

We value feedback from customers, which we receive in via multiple channels, including our Listening Center and forums for dialogue with residents' groups from communities along our railway routes. This structure is designed so that customer feedback is routinely shared in-house and reflected in our business.

The Hankyu Railway's incorporates its Transit Information Center and the Listening Center into its framework for collecting and acting on customer feedback.

For its part, the Hanshin Electric Railway seeks to act on feedback collected by its public relations office and at its various facilities, as well as through its website and the efforts of its communications staff.

Opinions, questions, and other feedback is routed to the pertinent department, which investigates and responds as appropriate, and the case is subsequently used in our quest for ongoing improvement in our businesses.

Acting on Feedback from Experts

The priority issues relating to sustainable business practices set forth in the Materiality Matrix (see page 45) reflect the diverse views provided by a broad variety of experts, including professors, civic groups, and investors (see page 53).

Directors and Audit & Supervisory Committee Members

As of June 17, 2020

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, Inc.
2006 President, Hankyu Hanshin Holdings, Inc.
2014 Chairman, Hankyu Corporation (Current position)
2017 Chairman, Group CEO, Hankyu Hanshin Holdings, Inc. (Current position)



Takehiro Sugiyama
President and Representative Director

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



Masao Shin
Executive Vice President and
Representative Director

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

Directors, Audit & Supervisory Committee Members



Masayoshi Ishibashi
Director, Audit & Supervisory Committee
Member (Full-time)

1979 Joined Hanshin Electric Railway Co., Ltd.
2013 Standing auditor, Hanshin Electric Railway Co., Ltd. (Current position)
2013 Standing auditor, Hankyu Hanshin Holdings, Inc.
2020 Director, Audit & Supervisory Committee Member (Full-time), Hankyu Hanshin Holdings, Inc. (Current position)



Junzo Ishii
Director, Audit & Supervisory Committee
Member (Outside director*)

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 Auditor, Hankyu Hanshin Holdings, Inc.
2010 Auditor, Hanshin Electric Railway Co., Ltd. (Current position)
2016 Director, Distribution Science Research Center
2020 Director, Audit & Supervisory Committee Member, Hankyu Hanshin Holdings, Inc. (Current position)



Michiari Komiya
Director, Audit & Supervisory Committee
Member (Outside director*)

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 Attorney at law (Current position)
2017 Auditor, Hankyu Hanshin Holdings, Inc.
2017 Auditor, Hankyu Corporation (Current position)
2020 Director, Audit & Supervisory Committee Member, Hankyu Hanshin Holdings, Inc. (Current position)

*Mr. Noriyuki Inoue, Ms. Noriko Endo, Ms. Yuki Tsuru, Mr. Junzo Ishii and Mr. Michiari Komiya satisfy the qualifications of outside directors as provided in Article 2, Paragraph 15 of the Companies Act. The Company has submitted notifications to the stock exchanges on which its shares are listed, naming Mr. Inoue, Ms. Endo, Ms. Tsuru, Mr. Ishii and Mr. Komiya as independent officers.



Noriyuki Inoue
Director (Outside director*)

1957 Joined DAIKIN INDUSTRIES, LTD.
1994 President, DAIKIN INDUSTRIES, LTD.
2002 Chairman and CEO, DAIKIN INDUSTRIES, LTD.
2003 Director, Hankyu Corporation
2005 Director, Hankyu Holdings, Inc.
2006 Director, Hankyu Hanshin Holdings, Inc. (Current position)
2014 Chairman and Chief Global Group Officer, DAIKIN INDUSTRIES, LTD. (Current position)



Noriko Endo
Director (Outside director*)

1994 Joined DIAMOND, Inc.
2013 Visiting Researcher, Policy Alternatives Research Institute, the University of Tokyo
2015 Project Professor, Graduate School of Media and Governance, Keio University
2019 Director, Hankyu Hanshin Holdings, Inc. (Current position)
2020 Project professor at the Keio University Global Research Institute (Current position)



Yuki Tsuru
Director (Outside director*)

2000 Attorney at law (Current position)
2016 Auditor of Hitotsubashi University
2020 Director, Hankyu Hanshin Holdings, Inc. (Current position)



Yoshishige Shimatani
Director (Part-time)

1975 Joined TOHO CO., LTD.
2011 President, TOHO CO., LTD. (Current position)
2015 Director, Hankyu Hanshin Holdings, Inc. (Current position)



Naoya Araki
Director (Part-time)

1981 Joined Hankyu Department Store, Inc.
2012 President, Hankyu Hanshin Department Stores, Inc.
2012 Representative Director, H:O RETAILING CORPORATION
2017 Director, Hankyu Hanshin Holdings, Inc. (Current position)
2020 President and Representative Director, H:O RETAILING CORPORATION (Current position)
2020 Chairman, Hankyu Hanshin Department Stores, Inc. (Current position)

Reasons for election of outside directors

Name	Audit & Supervisory Committee Member	Independent officers	Reasons for appointment
Noriyuki Inoue		○	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. Further, his appointment presents no issues with regard to the Independence Criteria established by the company in light of the Tokyo Stock Exchange's independence requirements, and there is no risk of any conflict of interest with general shareholders.
Noriko Endo		○	To obtain input based on her extensive expertise acquired through research into public governance, she was appointed for her ability to provide independent input. Further, her appointment presents no issues with regard to the Independence Criteria established by the company in light of the Tokyo Stock Exchange's independence requirements, and there is no risk of any conflict of interest with general shareholders.
Yuki Tsuru		○	Currently an attorney at law. Appointed to advise on more compliance-based management and for her ability to provide independent input. Further, her appointment presents no issues with regard to the Independence Criteria established by the company in light of the Tokyo Stock Exchange's independence requirements, and there is no risk of any conflict of interest with general shareholders.
Junzo Ishii	○	○	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. Further, his appointment presents no issues with regard to the Independence Criteria established by the company in light of the Tokyo Stock Exchange's independence requirements, and there is no risk of any conflict of interest with general shareholders.
Michiari Komiya	○	○	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 an attorney at law. Appointed because, given his experience, he is expected to provide valuable opinions, particularly about ensuring compliance in business management. Further, his appointment presents no issues with regard to the Independence Criteria established by the company in light of the Tokyo Stock Exchange's independence requirements, and there is no risk of any conflict of interest with general shareholders.

Safe, reliable infrastructure



Policies

Provide railways and other infrastructure that are safe and disaster-resilient. Ensure that anyone can safely access our facilities and services.

Non-Financial KPIs

Zero culpable railway incidents (Hankyu Corporation, Hanshin Electric Railway, Kita-Osaka Kyuko Railway, Nose Electric Railway)

Eliminating Railway Accidents through Good Policy

In order to carry out their mission of providing safe transportation services, our railway companies observe strict safety policies, work toward safety-related targets, and endeavor to maintain resilience and readiness to implement day-to-day safety measures and ensure safety in emergency situations.

*Safety reports are available on each company's website.

Company-Specific Safety Policies

Hankyu Corporation

Safety Slogan

All in for safety, all in for customer satisfaction

Main Points of the Code of Conduct for Safe Transportation

- Ensure safety
- Comply with laws and regulations
- Be aware of operational conditions, ensure equipment safety
- Perform checks, prioritize safety above all else
- Respect for human life
- Swift and accurate communication
- Continual improvement and advancement

Hanshin Electric Railway

Maximum Priority on Safety

The president, officers, 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 primary mission of a railway business.

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.

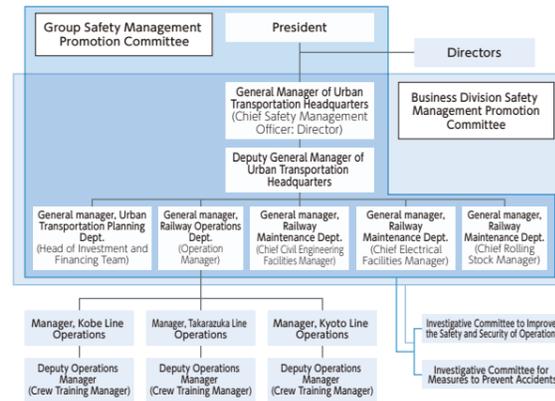
Maintenance of Safety Management Systems

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

Safety Management System

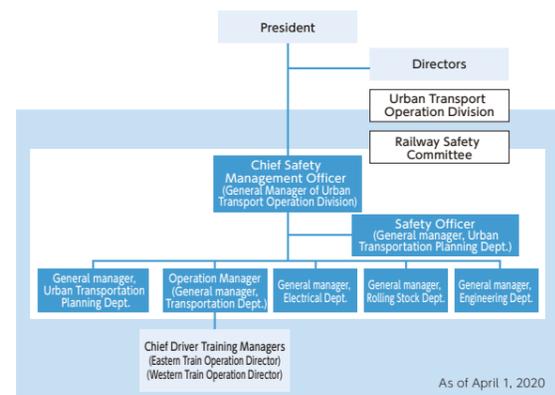
Hankyu Corporation

With Safety Management Regulations in place, we use the system shown below to run the PDCA (plan, do, check, act) cycle as a means of seeking ongoing improvements in our quest for transportation safety.



Hanshin Electric Railway

We seek to achieve a higher level of safety by putting our many safety initiatives into practice through rigorous application of the PDCA cycle and constantly seeking improvements.



As of April 1, 2020

Project Themes (1)

Eliminate accidents and improve safety at railways and commercial facilities

Platform safety

Our systems are geared for swift response if a person should ever fall into the tracks. These include special detection mats on track areas and emergency train stop buttons mounted on platforms to alert train drivers and automatically engage the Automatic Train Stop (ATS) system. At the same time, flashing lights and alarms on the platform alert train crew and station staff to the emergency.

Hankyu Corporation

Stations with fall detection mats: 4 stations with sharply curved platforms

Stations with emergency train stop buttons: All stations



An emergency train stop button



A sign for an emergency train stop button

Hanshin Electric Railway

Stations with fall detection mats: 5 stations (Kuisse, Mikage, Nishikujo, Kujo, and Dome-Mae)

Stations with emergency alarm buttons: All stations

Preventing platform falls

Hankyu Corporation installed screen doors on platforms 3, 4, and 5 of Juso Station in fiscal 2019, and is currently working to install them at Kobe-sannomiya Station with a view to full operation in the spring of 2021 (partial operation will begin in October 2020). Hanshin Electric Railway has plans to install platform screen doors at Kobe-Sannomiya Station in the spring 2022, and Osaka-Umeda Station by the end of fiscal 2024.

In addition, both Hankyu and Hanshin have protective barriers on the platform ends (where trains do not stop) to prevent people from accidentally falling onto the tracks.



Platform screen doors at Hankyu Juso Station



Protective barriers at Hanshin Kobe-Sannomiya Station

Further protection is afforded by outer diaphragms covering the gangway connections between cars on Hankyu and Hanshin trains. The diaphragms prevent people from accidentally falling from platforms onto the tracks through the gaps between cars.

Safety on trains and at railway crossings

Hankyu Corporation

All our trains are equipped with emergency call units that allow on-board passengers to report emergencies to the train crew. 1000-series and 1300-series trains have larger partitions on seat ends and vertical handrails to help prevent people from falling and colliding when trains brake suddenly.



An emergency call unit



Expanded partitions and horizontal handrails

Hanshin Electric Railway

All trains are equipped with driver's safety devices so that if a driver becomes incapacitated while the train is moving, the emergency brake is automatically activated as soon as the switch is released.

All level crossings accessible to road traffic are fitted with obstacle detection systems to sense when the tracks are blocked, and crossings on all our routes have emergency buttons, thus alerting oncoming trains to potential danger.



A cab fitted with a driver's safety device



The light signal send and receive units of a level crossing obstacle detection system

Fostering a Culture that Puts Safety First

Hankyu Corporation

Our train driver and conductor training facility has a Safety Awareness Room, where trainees learn about—and from—past incidents. In November 2017, the room was completely rearranged around the concept of completely eliminating culpable accidents.

Hanshin Electric Railway

At 5:46 a.m. on January 17, 2020, we commemorated the passing of 25 years since the Great Hanshin Earthquake with a prayer at the Ishiyagawa Marshaling Yard, which was damaged in the disaster. At this service, we reaffirmed our determination to pass on the lessons gleaned from the experience to subsequent generations, and our commitment to every railway company's overriding care: ensuring safety.



The president leads the prayer at the memorial service

Safe, reliable infrastructure

Project Themes (2)

Promote actions to prevent/reduce accidents and respond promptly and properly to accidents if they occur

Hankyu Corporation

Earthquakes

When our earthquake early warning system forecasts an earthquake likely to register 4 or more on the Japanese *shindo* scale of seismic intensity, or if an earthquake of that scale is detected by our seismographs, trains are automatically signaled to stop immediately. We added four more seismographs in fiscal 2020, bringing the total to seven, and have adopted an earthquake information distribution system for railways.

Extreme Wind and Rain

We endeavor to ensure safety during typhoons and severe rain storms by directing trains to reduce speed or stop as appropriate based on information obtained from the rain gauges, wind gauges, and water meters installed along our routes, as well as weather information from the Japan Meteorological Agency. Since fiscal 2014, we have used meteorological data provided by a private-sector company to be better equipped to deal as well as possible with sudden, extremely localized rainstorms.

Natural Disasters of Extreme Severity: Minimizing Risks and Responding Faster

As part of our efforts to minimize the risks inherent in natural disasters, we undertook a program of works in eight locations between fiscal 2018 and fiscal 2020. These included improvements to prevent landslides, removal of block walls, and earthquake-proofing overbridges and stations. Risk-reduction is also a part of our operations, and can be seen in initiatives such as pre-emptive suspension of train services when typhoons are approaching.

We are also working to achieve swifter response in disaster situations, such as quicker evacuation of passengers from trains stranded between stations.



A trackside embankment is strengthened to prevent landslides

Hanshin Electric Railway

Meteorological Information System

A meteorological information system installed in the wake of the Great Hanshin Earthquake enables us to collate a variety of data relating to weather along our routes, which we use to make train operations safer in extreme weather events.

The weather information terminals in our Operations Center are designed to offer maximum support to staff. For instance, they are programmed to automatically suggest operational restrictions when weather data exceeds acceptable parameters, and can display route maps designed to provide an intuitive overview of the affected areas.



The feed from a camera monitoring river levels

Earthquake Early Warning System

Complementing the meteorological information system is a system, built and launched in August 2007, to receive earthquake early warnings distributed by the Japan Meteorological Agency. If the earthquake early warning system detects an earthquake likely to register 4 or more on the Japanese *shindo* scale of seismic intensity, or if an earthquake of that scale is detected by our seismographs, trains are automatically alerted, thus allowing them to avoid danger by immediately stopping or decelerating, and thereby minimizing damage.

In October 2018, the system was upgraded to make it compatible with "propagation of local undamped motion" (PLUM), a new, more precise method of seismic wavefield estimation.



An earthquake early warning system terminal

Major Earthquakes and Tsunami

To prepare—and help others prepare—for a major earthquake and tsunami, we have posted the locations of local evacuation points at all our stations. And if a train on the Hanshin Namba Line ever needs to make an emergency stop on the Shinyodogawa Bridge, evacuation of passengers will be made smoother with ladders for alighting from the train, as well as markers on the bridge indicating direction and remaining distance.



A station local area map



A marker on the Shinyodogawa Bridge

Natural Disasters of Extreme Severity

When a natural disaster occurs, swift resumption of services after the all-clear is vitally important. We are reviewing our system for resuming services after an earthquake or similar event. For instance, more seismographs along our routes provides greater precision so service suspensions can be applied in more tightly focused sections. Meanwhile, expanding level crossing safety inspection training to include technical staff enables us to dispatch inspectors more efficiently and thereby speed up the resumption of services.

Elsewhere, we have an official Twitter account dedicated to train operating status information that allows us to provide up-to-date information if, for example, trains are delayed. And in March 2019, we introduced a system for automated on-board announcements in multiple languages—including some emergency situation announcements—beginning with the Hanshin Namba Line.

Improved Disaster-Resilience of Commercial Facilities

Umeda Bo-sai Scrum

Umeda Bo-sai Scrum is the disaster preparedness unit of the Umeda Area Management Alliance comprising Hankyu Corporation, Hanshin Electric Railway, JR West, and GRAND FRONT OSAKA TMO.

The "scrum" seeks to foster teamwork between people, businesses, and areas—such as by disseminating information through digital signage and holding disaster training seminars for Umeda-area office workers—in order to encourage people to help each other in times of strife.



Tsunami Preparedness: Commercial Facilities as Designated Evacuation Sites

We have entered into an agreement with Osaka City to allow some of our commercial facilities to be designated as temporary evacuation sites in a tsunami or flood situation.



The Noda Hanshin Building (i.e., the Wiste shopping complex) has been designated a tsunami evacuation site

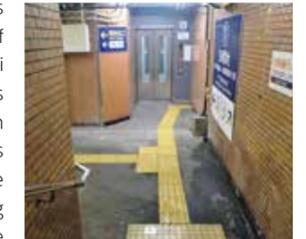
Project Themes (3)

Establish safe and comfortable facilities and services that satisfy the needs of a diversity of people

Better Accessibility to Stations and Commercial Facilities

Hankyu Corporation and Hanshin Electric Railway both have improvement programs in place to ensure people of different needs and abilities can use stations and trains comfortably. We aim to establish our stations as local hubs for the movement of people, to which end stations are being upgraded for universal accessibility based on the Act on Promotion of Smooth Transportation, etc. of Elderly Persons, Disabled Persons, etc. and the policies of local governments along our routes.

The Hankyu Hanshin Holdings Group was an early adopter of universal design. Hankyu Itami Station, for instance, which was destroyed in the Great Hanshin Earthquake of 1995, was rebuilt with facilities that were considered groundbreaking then, including audio guidance for blind people.



A new elevator installed in Hankyu Hanakuma Station as part of its universal design upgrade

*For details on Hankyu's and Hanshin's initiatives regarding accessibility, see their respective websites for their Plan on Initiatives for Improved Mobility compiled under the Basic Act for Persons with Disabilities.

Staff and Crew Qualify as Service Care-Fitters

Hankyu Corporation is enhancing not only its facilities but also its intangible features regarding accessibility. It offers a broad array of training and encourages staff to develop their knowledge and skills pertaining to caring for people with different needs by qualifying as Service Care-Fitters.

Hanshin Electric Railway, too, has made Service Care-Fitter qualified railway staff a focal part of its efforts to improve customer satisfaction since 2013, and now, all station staff and train crew have obtained Service Care-Fitter qualifications. We will continue to strive for ever-higher levels of customer comfort.

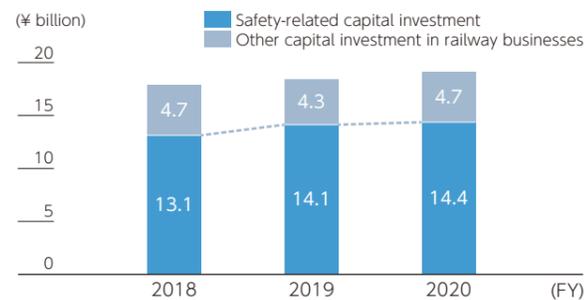
Women-Only Train Cars

We have designated women-only train cars to enable female passengers to travel in comfort and security.

Hankyu Corporation: Kyoto Line, Takarazuka Line, Kobe Line
Hanshin Electric Railway: Main Line limited express train between Mikage and Osaka-Umeda stations

Safety-Related Capital Investment over the Past Three Years

Hankyu Corporation



Hanshin Electric Railway



Thriving communities



Policies

Help build sustainable communities with rich natural and cultural heritage, making great places to live in, work in, and visit.

Project Themes (1)

Develop a good living environment (providing good residences, creating green spaces and public spaces, establishing cultural and educational facilities, etc.)

Community Building Near Nishinomiya-kitaguchi Station
Hankyu Nishinomiya Gardens opened adjacent to Nishinomiya-kitaguchi Station in 2008. The nearby learning facilities (Konan University, the Kwansei Gakuin University Law School, etc.) and the Hyogo Performing Arts Center adds cultural and academic enrichment to the area.

Nishinomiya-kitaguchi has ranked top in the Most Desirable Neighborhood in Kansai survey* for five years in a row.

*The Most Desirable Neighborhood survey is a questionnaire of prospective condominium buyers conducted by the "Major 7": Sumitomo Realty & Development, Daikyo, Tokyu Land, Tokyo Tatemono, Nomura Real Estate Development, Mitsui Fudosan Residential, and Mitsubishi Estate Residence.

Offering Better Quality Lifestyle Solutions through Geofit+

Geofit+ is a residential planning and development project designed to better equip Geo-brand condominiums to fit the cycle of life, such as by reflecting customers' views in our offerings. To that end, Geofit+ is based around four main concepts: Stage, in which fixtures and fittings are designed with progress through different life stages in mind; Days, which focuses on living comfort; Eco, for better consideration of the natural environment; and Sonae, for disaster preparation and resilience.

The Geofit+ Stage initiative for condominiums developed jointly by Hankyu Hanshin Properties and Sena Development of Thailand won the Gold Award in the Housing and Architecture category of the International Association for Universal Design's 2019 International Design Awards.

Our expertise in creating high quality living environments, demonstrated here by the Geofit+ system of incorporating local people's views to offer residences that meet real needs were recognized.



Saito: A Shining Example of Our Ever-Evolving Community Building Prowess

Saito (International Culture Park) is a private-public partnership new town construction project on the hills straddling Ibaraki and Minoh cities in Osaka Prefecture. The Hankyu Hanshin

Holdings Group has been a core player in the project since its beginning, with significant land holdings. Saito has many noteworthy features that make it a place to live in safety and comfort: a learning environment typified by a combined elementary and junior high school noted for its small class sizes; an exclusive patrol service for added security; and high-grade disaster preparations.

Another advantage of Saito is that solid town planning has ensured an attractive environment, including broad footpaths, ample greenspace and parks, and underground cables (no overhead power lines). Indeed, Saito has been recognized for its environmentally considerate design on multiple occasions, including selection as a "model neighborhood design for countering global warming and 'heat island' effect" as part of the government's Urban Renewal Project for 2005.



Townscape of Saito, designed to maintain an attractive view

Project Themes (2)

Develop and expand commercial/business areas where people communicate with each other

Designing Offices Conducive to Communication and Interaction

We endeavor to provide people working at offices owned or operated by the Hankyu Hanshin Holdings Group in the Umeda area more opportunities to interact beyond their own companies' borders through Hankyu Hanshin Workers' Service, with initiatives such as a variety of events, and even an SNS app, TSUNAGU for Hankyu Hanshin workers.

When its construction is completed, Osaka Umeda Twin Towers South will feature WELLCO, a floor dedicated to the office worker wellness.



An event for interaction among office workers

Project Themes (3)

Create a line-side environment that makes it easier for women to work and raise children

Helping Women Fulfil Their Potential

Hanshin Electric Railway is serious about helping women who live along its routes fulfil their potential. The company has initiated a project for that purpose, which includes the Cheer*full Cafe website. The site presents interviews with fabulous women living and working along Hanshin routes, articles about interesting local finds, and a park guide that allows searches with parameters for playground equipment and station names. Hanshin also holds family-friendly events to promote interaction and communication.



The Cheer*full Parent-and-Child Café event for families

Project Themes (4)

Promote measures to extend the healthy lifespan of the elderly

A healthy body and healthy mind make for a happier life

Ikiiki Life Hankyu Hanshin operates Hanshin Ikiiki Day Service, an adult day care center specializing in half-day physical rehabilitation services for the elderly. Supported and guided by trained staff, customers use exercise machines to maintain and build up their strength to manage the different physical movements of day-to-day life. In this way, we seek to enable seniors to lead active, rewarding lives in the communities they know and love.



A customer does physical rehabilitation exercises

Disseminating information through Well TOKK and Hankyu Hanshin Wellness Plus

Since April 2016, we have published Well TOKK, a quarterly magazine full of health-related information for residents of communities along Hankyu and Hanshin routes and, of course, other passengers. Well TOKK is available for free at all Hankyu stations and major Hanshin Stations.

We also operate Wellness Plus, a website through which we provide handy information—in partnership with local governments, medical institutions, universities, and businesses along our routes—to help people build and maintain their health.



Well TOKK magazine

Project Themes (5)

Offer services that satisfy the needs of foreign visitors/residents

Multilingual Information Display, Free Wi-Fi, and Other Services Aimed at the Foreign Community

The companies of our Urban Transportation Business are working to improve service quality for non-Japanese people, including multilingual signs and other information at stations and facilities.

Elsewhere, both Hankyu and Hanshin use portable devices to translate when assisting customers in other languages. All Hankyu stations have portable devices with translation software, while Hanshin uses app-based translation services in its devices, which are available at 11 stations.

To help tourists stay connected, not only do we offer Hankyu Hanshin Welcome Wi-Fi, a public network, along Hankyu and Hanshin routes, but we also work in partnership with other providers to ensure the utmost convenience.



A station staff member uses a portable device to assist a customer in another language.



The Hankyu Hanshin Welcome Wi-Fi logo

Project Themes (6)

Enhance collaboration and partnerships with universities, research institutions, ventures, local communities, etc.

Support for Start-Ups

The Hankyu Hanshin Holdings Group is a steadfast supporter of new business ventures. One example is GVH#5, a membership-based facility we established in 2014, offering 24-hour access to office and meeting space just two minutes' walk from Hankyu Osaka-umeda Station.

Since 2019, we have organized Startupbootcamp Scale Osaka, the local edition of Startupbootcamp, one of Europe's largest acceleration program, as part of a conglomerate of seven Japanese companies including Hankyu Corporation (represented in this program by Hankyu Hanshin Properties).



Participants in Startupbootcamp Scale Osaka

Life designs for tomorrow



Policies

Promote refined and inspired lifestyle solutions for a better tomorrow.

Project Themes (1)

Propose products/services that help realize a lifestyle in harmony with nature

Green Tourism and Volunteer Tours

Since 2011, Hankyu Travel International has organized volunteer tours, in which employees travel to picturesque destinations and help clean up the local area and protect the local environment. These tours were opened to the public in 2018, and have already proved very popular among participants.

Past tours include: Clean-up at Mt. Fuji (Shizuoka Pref., since 2015); clean-up at Miho no Matsubara pine grove (Shizuoka Pref., 2019); clean-up at Amanohashidate (Kyoto Pref., 2011 and since 2018); clean-up at Ryozenji Temple, first stop on the 88-temple pilgrimage route of Shikoku Island (Tokushima Pref., 2019); clean-up along the Minami Aso Railway (Kumamoto Pref., since 2017)



Clean-up tour participants at Mt. Fuji

Geo Condominiums Become Even More Environmentally Considerate

Since 2011, Hankyu Hanshin Properties' Geo condominiums have featured laminated low-emissivity ("low-E") glass, LED lights, facilities for harvesting and selling excess electricity from electric vehicles, solar power generation, and Ene-Farm home electricity generation fuel cell systems. Geo complexes also have used cooking oil collection sites so that residents can donate their old (vegetable-based) cooking oil for recycling into bio-diesel to power Hankyu buses—an initiative that won a Good Design Award in fiscal 2013. We will continue to make improvements to the quality and the environmental credentials of Geo condominiums.



A bus running on bio-diesel

Getting a Feel for the Great Outdoors at Mt. Rokko

The cool climate atop Mt. Rokko, some 850 meters above sea level, makes Rokkosan Country House and other leisure facilities the ideal place for outdoor activities like strawberry picking in the summer.

Eco-Friendly Toilets to Protect World Heritage Sites and Other Tourist Destinations

As part of its quest to protect world natural and cultural heritage sites and other tourist destinations, Hankyu Travel International has donated eco-friendly toilets, which use special microorganisms inside sawdust to biodegrade waste, for installation in six locations (some donations made jointly with others).

Eco-friendly toilet sites:

Yakushima Island, Kumano Kodo Pilgrimage Route, Shiretoko Peninsula, Rebun Island, Ogasawara Islands, Kushiro Marshland



A block of eco-friendly toilets

Project Themes (2)

Propose products/services that lead to revitalization and promotion of local communities and cultures

Planning Tours Together with Local Governments

Hankyu Travel International works in close cooperation with local governments to uncover new tourism assets and parlay them into products and destinations that help invigorate local communities. For instance, in addition to an existing partnership agreement with the Nagashima town council in Kagoshima and the Nemuro area in Hokkaido, the company also entered into a deal with Tsuruoka City, Yamagata, in July 2019 to incorporate local agriculture into tourism initiatives to support the development of a thriving local community.

Elsewhere, we participate in private-public-academic projects to develop local communities through tourism a topic for university fieldwork, help invigorate local communities by promoting long-term residence, and endeavor to develop new tourist attractions.



University students undertake fieldwork aimed at developing local communities

Rediscovering Delights along Hankyu Routes through Walking Tours

Hankyu Walking Tours are popular events for people to discover or rediscover the delights of areas along Hankyu routes. The tours are held in conjunction with local associations and volunteer tour guides. Since April 2020, a special walking app has offered customers a new enjoyable way of participating.

Project Themes (3)

Propose products/services that respond to diverse values and create comfort and excitement

"Stay-and-donate" accommodation plans

Hankyu Hanshin Hotels offers "Stay-and-donate" plans that include a contribution to a facility that supports children in need. One example of our multiple plans is the Child Chemo House Support Plan, which includes a donation to a facility supporting children with cancer. In 2019, 902 rooms were reserved using this plan at 11 of our directly-owned hotels.



Our hotels offer "Stay-and-donate" accommodation plans

Project Themes (4)

Propose products/services for young people who will lead the next generation

Robotics Programming Training at ProgLab

Starting in fiscal 2021, programming is now a compulsory subject in Japan's elementary school education. ITC educators ProgLab offer an original curriculum of robotics programming at locations nationwide, as well as classes at elementary and junior high schools. By teaching SDG-conscious programming aimed at solving society's various challenges—e.g., how to make robots to clean up marine trash—ProgLab seeks to arm today's kids with the skills they need to build their own better future.



A ProgLab class in progress

Project Themes (5)

Create and disseminate cultures through sports and entertainments

Takarazuka Revue, the Theatrical Culture Evangelists

In addition to regular year-round performances at Takarazuka Grand Theater and Tokyo Takarazuka Theater, the Takarazuka Revue Company also tours the nation, holding stage performances and cinema-based live viewings in around 20 cities every year. The company also undertakes overseas tours on occasion.

Specially prominent are the company's exclusive performances and events for 150 schools and other youth audiences, which result in an annual youth audience of around 30,000. Taking the Takarazuka Revue to the people creates opportunities for audiences of diverse ages in many different regions and countries to encounter and enjoy performing arts.



A live viewing at a movie theater

Tigers Academy

The Hanshin Tigers endeavor to use professional baseball as a form of good, healthy entertainment inspiring not just joy but also an emotional connection. The Tigers Academy was established in 2018, incorporating a baseball school and a dance school for children up to and including elementary school age. The academy seeks to promote baseball by showing kids just how wonderful baseball and sport in general can be.



A child at baseball school

Project Themes (6)

Improve existing services and create new businesses by utilizing ICT innovation

Mimamorume: Hankyu Hanshin's Safety Tracking Service

Mimamorume harness the strengths of ICT for better protection. Applications include a school safety tracking system, where IC chips are inserted into pupils' schoolbags and sensors mounted on school gates enable tracking of their comings and goings via a phone app. Units last for at least six years—no battery recharging or fiddly operations are required. As of March 2020, some 1,300 schools and pre-schools have adopted Mimamorume.

A questionnaire of Mimamorume users revealed that 94.6% felt assured by the system, while some guardians commented that receiving emails confirming their child's arrival at and departure from school was not only reassuring but also nurtured parent-child bonds.



A Mimamorume IC chip inserted into a schoolbag

Customer Feedback

Hankyu Tops Prominent Japanese CS Survey 11 Years in a Row; Takarazuka and Hankyu Travel International Place 2nd

In the fiscal 2020 edition of the Japanese Customer Satisfaction Index* (JCSI; run by the Japan Productivity Center), Hankyu Corporation was rated top in the suburban railway category. Indeed, Hankyu has placed first in this category in all 11 years the JCSI has been conducted. Elsewhere, the Takarazuka Revue Company placed second in the overall corporate and brand category and Hankyu Travel International second in the travel category. These results indicate that the Hankyu Hanshin Holdings Group's various businesses continue to earn the support of their customers.

*The JCSI is one of Japan's largest customer satisfaction surveys. Conducted by the JPC's SPRING (service productivity & innovation for growth), the JCSI collects responses from more than 130,000 users and applies statistical methods to evaluate companies and brands. The fiscal 2020 index gauged 458 companies and brands in 38 industries on six criteria—customer expectations, perceived quality, perceived value, customer satisfaction, intention to recommend, and loyalty—which were measured across six surveys held throughout the year.

Empowering individuals



Policies

Provide an inclusive workplace that values diversity and taps into individual talent. Cultivate tomorrow's leaders for society.

Non-Financial KPIs

- Employee satisfaction: Always better than previous survey* (applies to Hankyu Hanshin Holdings, Hankyu Corporation, Hanshin Electric Railway, Hankyu Hanshin Properties)
- Women in management positions: Around 10% in fiscal 2030 (applies to Hankyu Hanshin Holdings and six core group companies)
- Women among new hires: Always more than 30% (applies to Hankyu Hanshin Holdings and six core group companies)

*The survey is conducted biennially.

Project Themes (1)

Improve employee satisfaction and create a more positive workplace

Conduct employee satisfaction surveys

Hankyu Hanshin Holdings and other group companies hold regular employee satisfaction surveys as a means of obtaining honest feedback from employees on how they see their jobs, workplaces, bosses, the company, etc., and what their priorities are. The surveys provide useful information when considering initiatives for improving our working environments and making our workplaces more worker-friendly.

The group's Sustainability Declaration, unveiled in May 2020, also incorporates employee satisfaction survey KPIs for Hankyu Hanshin Holdings and other core companies,* and we are determined to work hard toward ongoing improvements in this area.

*The combined overall score achieved by Hankyu Hanshin Holdings, Hankyu Corporation, Hanshin Electric Railway, and Hankyu Hanshin Properties on the fiscal 2020 employee satisfaction survey was 3.72 out of five.

How Hankyu Corporation Uses Employee Satisfaction Surveys

Hankyu Corporation has held employee satisfaction surveys since 2007. It uses the results to inform its workplace improvement policies and gauge the effectiveness of its HR systems.

Following a survey, the results—sorted by division and accompanied by a message from divisional heads—are distributed to all employees, and a meeting with company management is held for each division to report its findings so that the company may improve organizational operations in ways designed to boost employee satisfaction.



Project Themes (2)

Promote health and productivity management

Putting the Declaration on Employee Health Management into Practice

Our Declaration on Employee Health Management expresses our dedication to improving health awareness among our workforce and making our workplaces more rewarding. Based on the declaration, Hankyu Corporation and the group's other core companies have assigned directors to be in charge of efforts in this area, with regular activity reports to be made to top management.

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 will maintain high awareness of our own well-being and work with our colleagues in the workplace and their families to promote good health.

The Hankyu Hanshin Holdings Group declares that it will actively support the well-being of each individual and strive to create a workplace environment in which all can live and work in good health and with motivation. The Group will pursue these initiatives under the slogan "Hankyu Hanshin Wellness Challenge."

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

The Hankyu Hanshin Wellness Challenge

We at the Hankyu Hanshin Holdings Group have a variety of initiatives in place to improve health across our entire workforce. These include encouraging participation in We Walk events, mental health counselling facilities at both Hankyu Corporation and Hanshin Electric Railway, free participation in online clinics aimed at helping smokers quit, and encouraging employees to undergo cancer screenings.

For the time being, our attention is focused on countering the spread of COVID-19 to ensure smooth continuity of business.

Certified "Health & Productivity Management Outstanding Organization"

In March 2020, Hankyu Corporation, Hankyu Hanshin Properties, Hankyu Travel International, and Itec Hankyu Hanshin were selected for the Ministry of Economy, Trade, and Industry's Certified Health & Productivity Management Outstanding Organizations Recognition Program for 2020,* and Hanshin Electric Railway received the "White 500," while five other group companies were certified in the program's SME category.



*Under the program, the ministry, together with the Nippon Kenko Kaigi, recognizes outstanding enterprises engaging in efforts to advance health and productivity management.

Project Themes (3)

Promote diversity

Empowering Women in the Workplace

Hankyu Hanshin Holdings and the six core group companies have established action plans based on the Act on Promotion of Women's Participation and Advancement in the Workplace, and continue to be proactive hirers of women. In addition, we strive to maintain a working environment where all employees—regardless of gender—can seek to fulfil their potential. To this end, we offer varied career experience and implement policies to help maintain a balance between work and home life.

These initiatives earned Hankyu Hanshin Holdings its first entry into the MSCI Japan Empowering Women (WIN) Select Index in July 2020. The WIN index uses data relating to a company's hiring and promotion of women as well as disclosed information regarding diversity initiatives to highlight Japan's leading companies in terms of gender diversity.

Balancing Work and Family Care Commitments

We have a range of options to help employees maintain their working careers in balance with family commitments and other major events in life.

- Expanded support programs: Work-from-home, an optional "pool" of unused annual paid leave days, and subsidies for those using babysitters, etc.
- Expanded support for those on childcare leave: regular updates about what's going on in the workplace, "back on board" seminars, etc.
- Handbooks for leave-takers and their managers



*The support initiatives described above are those of Hankyu Hanshin Holdings; other group companies have their own systems in place in accordance with the scale of their operations.

Workforce Composition of Hankyu Hanshin Holdings and the Six Core Companies (as of March 31, 2020)

Employees*1			Management employees*1				
Male	Female	Total	Female	Male	Female	Total	Female
8,226	2,204	10,430	21.1%	1,563	73	1,636	4.5%
New recruits*2 (FY2020)				Avg. term of service*1			
Male	Female	Total	Female	Male	Female	Total	Difference
345(88)	316(91)	661	47.8%	20.4	10.2	18.1	10.2

*1 Includes those on secondment elsewhere; excludes those seconded to us.
*2 Newly graduated and mid-career hires in fiscal 2020. Parentheses denote employees hired mid-career.

Employment Opportunities for People with Disabilities

Assist Hankyu Hanshin is a special subsidiary established in 2005 for the purpose of providing opportunities for people with disabilities to work within our group, providing services such as cleaning, office massage, and intragroup correspondence deliveries. This initiative was recognized by the Osaka prefectural government, which awarded us the Highly Commended Prize in its Heartful Corporate Challenge in September 2019.

Similarly, the Fuwafuwa Room is an in-house facility at Hankyu Hanshin headquarters that offers vocational support to people with disabilities who use support institutions. Between fiscal 2014 and fiscal 2020, Fuwafuwa Room offered work experience to 63 people, 18 of whom went on to employment at group companies.



At the Heartful Corporate Challenge prizegiving ceremony

Project Themes (4)

Respect human rights and prevent harassment

Basic Philosophy and Policy on Respect for Human Rights

At the Hankyu Hanshin Holdings Group, we work hard to ensure across-the-board respect for human rights. To ensure all employees understand our stance, we have compiled a written Basic Philosophy on Respect for Human Rights and Basic Policy on Respect for Human Rights.

The Hankyu Hanshin Holdings Group Basic Philosophy on Respect for Human Rights

We will contribute to the establishment of a fair and abundant society in which all people's human rights are respected and in which no person is discriminated against because of their birth, nationality, beliefs, gender, race, age, or disability.

Today, respecting the human rights of customers, trading partners, shareholders, local communities, employees, and all other people is a vital part of every company's social responsibilities.

To that end, we are determined to develop a better instinct for human rights by maintaining a deep knowledge and understanding of human rights and the surrounding issues.

We recognize that human rights are closely relevant to us all, and endeavor to make sensitivity to human rights a core part of our thoughts and our actions.

See the Basic Policy on Respect for Human Rights (Japanese only) at <https://www.hankyu-hanshin.co.jp/sustainability/materiality/human/rights/>

Preventing Harassment through Human Rights Training

All Hankyu Hanshin Holdings management-level employees and top executives of our group companies undergo human rights training once a year. Moreover, ongoing reinforcement is provided in the form of various human rights training sessions for newly appointed officers and managers, new recruits, and newly promoted employees at group companies in order to instill the importance of respect for human rights and prevent harassment.

Empowering individuals

Project Themes (5)

Cultivate tomorrow's leaders

As part of the Hankyu Hanshin Dreams and Communities for the Future Project, we provide career education programs for elementary school children. The following two programs received the Minister's Award (Grand Prix) at the 8th Career Education Awards held by the Ministry of Economy, Trade, and Industry in fiscal 2018.

Hankyu Hanshin Dreams and Communities Challenge Troop



Kids participate in the Hotel Patisserie Program

With railways, hotels, the Takarazuka Revue Company, and Hanshin Koshien Stadium among many others, 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 around 17,000 children across 389 programs so far.

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 as a means of fostering love of community and dreams for the future. To date, we have brought these opportunities to think about future occupations to around 17,000 children at 197 schools.



Children participate eagerly in an in-school program

TOPICS

Hankyu Hanshin Holdings Group Social Contribution Activity Hankyu Hanshin Dreams and Communities of the Future Project



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 as outlined in the Sustainability Declaration we unveiled in May 2020.

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

1. 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

2. 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

Group Social Contribution Initiatives in Fiscal 2020

Collaboration with Group companies

We promote the initiatives of our Group companies through public relations, sponsorships, and additional contributions. In fiscal 2020, 102 initiatives were certified (94 in fiscal 2019). Of these, the Hankyu Hanshin Dreams and Communities Challenge Troop was particularly successful, attracting a best-ever 2,707 kids.

Collaboration with local community

We subsidize citizen's groups in the Hankyu Hanshin service area through donations raised by our employees and additional contributions from the company via the Hankyu Hanshin Dreams and Communities of the Future Fund. In fiscal 2020, 15 institutions (including five ongoing projects from previous years) submitting applications received a total of ¥9.5 million. (Cumulative total: 139 institutions, ¥79.79 million)

Collaboration with Group employees

We encourage current and past employees to engage in community activities voluntarily by assigning points via the Social Contribution Point System. In fiscal 2020, some 2,733 people (up 255 from the previous year) across 70 companies received points.

Environmental

Environmental protection



Policies

Contribute toward a low-carbon, circular economy.

Non-Financial KPIs

Rate of CO₂ emissions cuts (target for FY2031 compared to FY2014)

26% (Hankyu Hanshin Holdings' and subsidiaries' Japanese worksites)

40% (relating to energy consumption in the rail operations of Hankyu Corporation and Hanshin Electric Railway)

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.

Basic Environmental Policies

1. We will monitor the environmental impact of our business activities and take action to reduce it.
2. We will accurately understand environmental laws and regulations and other social requirements and comply with them.
3. We will strive to raise employees' awareness so that every employee will be able to act in an environmentally sustainable manner.

Project Themes (1)

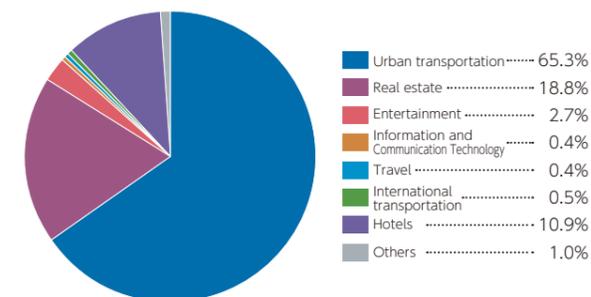
Cut greenhouse gas (CO₂) emissions

Changes in CO₂ Emissions (see page 8)

We promote energy-efficiency initiatives throughout the group and endeavor to reduce CO₂ emissions. In fiscal 2020, CO₂ emissions were down 16% year on year, to 434,292 t-CO₂. Furthermore, energy consumption on a crude oil conversion basis decreased as a result of efforts by the Group companies to reduce energy consumption. These efforts include the introduction of LED lighting in railway stations, commercial facilities, hotels and other facilities as well as the introduction of an increased number of new rolling stock with better energy efficiency.

The graph below shows a breakdown of CO₂ emissions across the whole group.

Fiscal 2020 Group-wide Segment-Specific CO₂ Emissions



*Figures pertain to 78 Hankyu Hanshin Holdings subsidiaries in Japan; some businesses, for which it is difficult to calculate energy consumption, are excluded. Segments used herein are those in effect in fiscal 2020.

Project Themes (2)

Improve energy efficiency (promote energy saving)

Upgrading to Energy-Efficient Rolling Stock

In our Urban Transportation Business, the biggest energy consumption point is the operation of transportation services. Seeking to reduce energy consumption, we are gradually upgrading our rolling stock to energy-efficient models with, for instance, regenerative braking systems that use the resistance of braking motion to drive a motor and generate electricity for use in powering other trains.

Another example is Hankyu Corporation's use of aluminum railway cars, which are approximately ten percent lighter than conventional steel models and therefore use less energy and put less burden on brakes when decelerating. Similarly, Hanshin Electric Railway is reducing its environmental impact by using stainless steel structures and doing away with external painting.

We are also gradually installing LED lights, which use less energy, last longer, and create less waste.

Upgrading to Energy-Efficient Rolling Stock (as of March 31, 2020)

Hankyu Corporation Total rolling stock: 1,299 cars

- Cars with regenerative braking: 885 (68%)
- Aluminum-body cars: 788 (61%)
- Cars with LED lights: 620 (48%)

Hanshin Electric Railway Total rolling stock: 366 cars

- Cars with regenerative braking: 326 (89%)
- Stainless steel cars: 154 (42%)
- Cars with LED lights: 212 (58%)

Energy Savings

Reduction in railway business energy consumption in FY2020 compared with FY2014

Hankyu Corporation 8.6%, **Hanshin Electric Railway** 7.6%

Environmental Protection

Upgrading to LED Lighting

We are gradually upgrading to LED lights at our group companies' facilities. LED lights can increasingly be found at Hankyu and Hanshin stations, marshaling yards, tunnels, level crossings, and other railway facilities, as well as Takarazuka Grand Theater, Tokyo Takarazuka Theater, and our commercial facilities, hotels, and distribution hubs.



1300-series Hankyu train cars are lit with LED lights



Inside Takarazuka Grand Theater



Hankyu Sanbangai shopping arcade

Hankyu Hanshin Express Gets ISO 14001 Certification

Since 2006, Hankyu Hanshin Express has had ISO 14001 certification, which certifies that a company maintains certain criteria regarding environmental management practices. Two of the company's registered business sites, Hankyu Hanshin Osaka Cargo Terminal and Narita Cargo Center, have a number of initiatives in place to help reduce their environmental impact, including regular lectures on environmental conservation attended by all staff, automated real-time monitoring of electricity consumption, and separation of paper from other waste for recycling.

Project Themes (3)

Use more renewable energy (e.g. solar)

Install Solar Power Generation Facilities to Reduce CO₂ Emissions

We are endeavoring to reduce CO₂ emissions by installing solar power generation facilities at premises groupwide, including Hankyu Settsu-shi Station, Hanshin Oishi Station, Hankyu Nishinomiya Gardens, HEP FIVE, and Hanshin Koshien Stadium.



HEP FIVE



Hanshin Koshien Stadium

Green Energy and Offset Credits

Since fiscal 2012, when we at Hankyu Hanshin Holdings hold our General Meeting of Shareholders, the energy used at the venue is offset under the Ministry of the Environment's J-VER scheme using offset credits generated by reforestation projects in Hyogo Prefecture.

In addition, Hankyu Corporation has teamed up with Osaka Gas since fiscal 2015 to hold special "carbon offset performances" of the Takarazuka Revue. All CO₂ emitted during the run is offset under the government's J-Credit scheme for offsetting greenhouse gas emissions.

Project Themes (4)

Aim for more eco-friendly buildings (green buildings)

DBJ Green Building Certification

To underpin our quest for more eco-friendly buildings, we have acquired the Development Bank of Japan's DBJ Green Building certification* for our Umeda 1-1 Project, Hankyu Nishinomiya Gardens, and HEP FIVE, and are looking to obtain certification for more of our buildings.



Umeda 1-1 Project
Certified as 5-star DBJ Green Buildings that meet Japan's highest standards for environmental and social consideration. Award recipients: Hanshin Electric Railway, Hankyu Corporation

*This 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.



Umeda Hankyu Bldg., Gets Top "S" CASBEE Osaka Ranking

The Umeda Hankyu Building is designed for energy efficiency, with features such as sensor-based lighting systems that automatically adjust output, the latest high-efficiency air-conditioning heat source devices, as well as inverter-based control systems for air conditioning, pumps, and elevators.

In 2007, the building received the top S rank under Osaka's Comprehensive Assessment System for Built Environment Efficiency (CASBEE).



Umeda Hankyu Building

Other Environmentally Considerate Buildings

NU chayamachi PLUS has "green walls" and rooftop greenery to counter the heat island effect, as well as LED lighting to help cut CO₂ emissions. The air conditioning at the HERBIS OSAKA and HERBIS ENT buildings feature one of Japan's largest (at the time of installation) single-building ice thermal storage systems, which provides for efficient night-time energy use.

Project Themes (5)

Produce less waste and recycle more

Recycling Hanshin Koshien Stadium's Plastic Drink Containers

We work with TEIJIN FRONTIER CO., LTD. to recycle the plastic drink containers used to serve beer at Hanshin Koshien Stadium. The recycled containers are made into beer cup holders and a variety of other popular novelty items. We collected 4.9 tons of used drink containers in fiscal 2020, which became 11,000 cup holders.



A beer cup recycling bin

Recycling Food Waste

We strive to reduce food waste and use resources more efficiently by repurposing food waste. For instance, scraps from the Dai-Ichi Hotel Tokyo are composted, while those from the Hotel New Hankyu Osaka are used as feed on a pig farm.

No More Plastic Straws

From the end of 2019, Hankyu Hanshin Hotels has ceased using plastic straws in the restaurants and banquet halls of its directly-operated hotels, and has replaced them with straws made from a resin derived from corn and other plant matter.

Plant-based plastics, like paper, generate little energy upon incineration, and emit no combustion gases containing hazardous substances.

Bendy straws are available for ease of use by small children and elderly people.



Straw made from plant-derived plastic

Use of Recycled Materials

Uniforms worn by staff at our urban transportation companies are made from recycled material such as plastic bottles, and passengers waiting for trains at our stations can sit on environmentally-considerate "eco-benches" made of recycled wood.



An "eco-bench"

Umbrella Sharing Scheme

In February 2020, Hanshin Electric Railway inked an agreement with Kobe City and Nature Innovation Group Co., Ltd. to introduce an umbrella sharing scheme. From this June, under the iKasa scheme, customers can take an umbrella from any of the dedicated iKasa stands in 49 locations at 39 Hanshin stations for just 70 yen a day, and return it to whichever iKasa stand is handy. Not only is this system extremely convenient for customers, it helps reduce umbrella waste.



Shared umbrellas at Hanshin Naruo Mukogawajoshidai-Mae Station

Collecting Plastic Bottle Caps

Hankyu Travel International and Hankyu Hanshin Express encourage all their employees to engage in a simple act of charity: collecting plastic bottle caps. The caps are periodically sold to recyclers and the companies donate the proceeds to the Japan Committee, Vaccines for the World's Children.

Other Environmental Initiatives

Conservation and Effective Use of Water Resources

Hankyu Hanshin Hotels encourages guests staying multiple nights to use the same sheets and towels instead of having them replaced every day. This reduces the volume of wastewater, and some of the money saved on laundry is donated to environmental action groups.

Meanwhile, Hankyu Nishiyama-tennozan Station and Hanshin Koshien Stadium are equipped with tanks to store rainwater, which is subsequently used in toilets and to water grass, and we are working to install water-efficient toilets in our other stations and facilities.

Protecting Biodiversity at the Rokko Alpine Botanical Garden

Rokko Alpine Botanical Garden is devoted to raising awareness of the importance of preserving nature. The garden has around 1,500 varieties of alpine and cold-region plants from around the world, as well as plants native to Rokko and endangered species, all of which are cultivated in near-natural conditions.

The garden has been a member of the Japan Association of Botanical Gardens since its inception in 1947, and served as a local outpost for the preservation of biodiversity.



We work hard to protect the *Hepatica nobilis var. pubescens* variety of liverwort, an endangered species.

Protecting Japan's Best "Satoyama" Forest

The *satoyama* community forest and agricultural landscape in the Kurokawa district of Kawanishi City, Hyogo, has been described as Japan's best. The Nose Electric Railway, which serves this area, and to this end, Nose employees volunteer to do maintenance work every year between January and March, and contribute to PR activities.

Consolidated Six-Year Summary

	2015	2016 ⁶	2017	2018 ⁸	2019	2020 ⁹	2020	
Result of Operations (Millions of yen and thousands of U.S. dollars)¹:								
Revenues from operations	¥ 685,906	¥ 746,792	¥ 736,763	¥ 760,252	¥ 791,427	¥ 762,650	\$ 6,996,789	
Operating income	94,026	110,293	104,058	105,211	114,937	95,170	873,119	
EBITDA ²	150,100	166,500	159,300	160,800	171,400	154,100	1,413,761	
Ordinary income	85,590	104,479	100,607	103,774	110,543	88,795	814,633	
Income before income taxes	77,620	96,087	100,805	101,410	88,562	86,746	795,835	
Net income attributable to owners of the parent	54,201	69,971	71,302	66,361	65,476	54,859	503,294	
Comprehensive income	71,034	63,842	79,288	73,991	66,565	44,292	406,349	
Capital expenditure	68,115	66,639	86,212	86,404	114,368	81,090	743,945	
Depreciation and amortisation	53,143	53,701	52,800	53,276	54,172	56,542	518,734	
Cash Flows (Millions of yen and thousands of U.S. dollars):								
Cash flows from operating activities	¥ 131,881	¥ 124,838	¥ 115,633	¥ 135,821	¥ 126,035	¥ 123,086	\$ 1,129,229	
Cash flows from investing activities	(52,529)	(78,843)	(84,845)	(88,351)	(116,160)	(128,498)	(1,178,881)	
Cash flows from financing activities	(81,746)	(47,278)	(30,595)	(43,242)	(11,171)	964	8,844	
Increase (decrease) in cash and cash equivalents	(1,125)	(1,978)	(480)	4,588	(1,848)	(4,454)	(40,862)	
Cash and cash equivalents at end of year	23,497	22,363	22,530	27,501	27,589	23,526	215,835	
Financial Position (Millions of yen and thousands of U.S. dollars):								
Total assets	¥2,279,638	¥2,282,180	¥2,349,831	¥2,404,926	¥2,466,223	¥2,489,081	\$2,835,606	
Total net assets	679,482	724,237	804,659	866,512	915,381	937,672	8,602,495	
Interest-bearing debt	955,828	916,570	899,523	866,758	877,055	903,480	8,288,807	
Per Share Data (Yen and U.S. dollars):								
Net income attributable to owners of the parent	Basic	¥ 42.98	¥ 277.88	¥ 285.11	¥ 267.91	¥ 266.86	¥ 225.69	\$ 2.07
	Diluted	42.95	277.67	284.86	267.81	266.86	—	—
Net assets		525.56	2,815.96	3,150.67	3,391.35	3,615.52	3,738.56	34,299
Dividend		6.00	35.00	35.00	40.00	40.00	50.00	0.46
Ratios:								
Operating income margin (%)		13.7	14.8	14.1	13.8	14.5	12.5	—
ROA (%) ³		3.7	4.6	4.3	4.4	4.5	3.6	—
ROE (%) ⁴		8.6	10.3	9.4	8.2	7.6	6.1	—
Interest-bearing debt/EBITDA (Times)		6.4	5.5	5.6	5.4	5.1	5.9	—
Equity ratio (%)		29.1	31.0	33.5	34.8	35.9	36.4	—
Debt/equity (D/E) ratio (Times) ⁵		1.4	1.3	1.1	1.0	1.0	1.0	—
Others:								
Number of outstanding shares (Thousands)		1,271,406	254,281	254,281	254,281	254,281	254,281	—
Number of employees		21,037	21,607	21,860	22,152	22,654	22,800	—

- The U.S. dollar amounts have been translated, for convenience only, at ¥109 = US\$1, the prevailing exchange rate on the Tokyo Foreign Exchange Market as of March 31, 2020.
- EBITDA = operating income + depreciation expenses + amortisation of goodwill
EBITDA figures are rounded to the nearest ¥100 million.
- ROA = ordinary income / total assets (average of period-start and period-end totals)
- ROE = net income attributable to owners of the parent / equity (average of period-start and period-end totals)
- D/E ratio = interest-bearing debt / equity
- 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.
- The Company (since fiscal 2020) and our subsidiary Hankyu Hanshin Properties Corp. (since fiscal 2019), as well as Hankyu Corporation and Hanshin Electric Railway Co., Ltd. (both since fiscal 2018), 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.
- 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 and similar of fiscal 2018 are those after retrospective application of the relevant accounting standards.
- As there are no potential shares with a dilutive effect, net income attributable to owners of the parent per diluted share for fiscal 2020 has been omitted.

Consolidated Financial Review

Analysis of Operating Results for Fiscal 2020
(Year ended March 31, 2020)

The revenues from operations were ¥762,650 million, a decrease of ¥28,776 million (3.6%) from the previous consolidated fiscal year due both to repercussions of the sale of land for commercial facilities in the eastern section of Saito International Culture Park (Ibaraki, Osaka Prefecture) in the Real Estate Business, and the influence of COVID-19 in the 4th quarter, which has affected several businesses.

As a result, operating income was ¥95,170 million, a decrease of ¥19,767 million (17.2%) from the previous consolidated fiscal year.

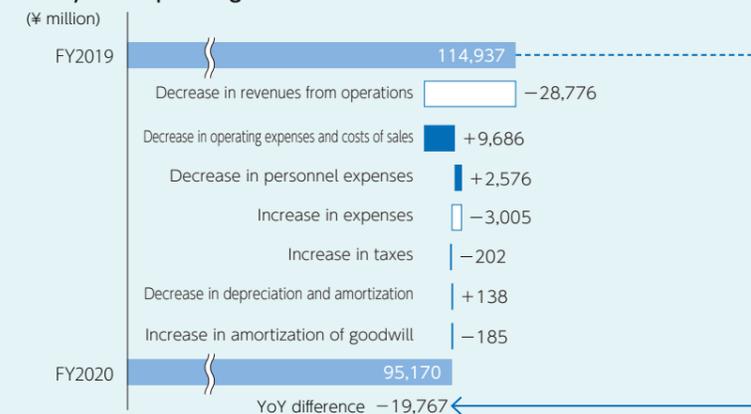
Notably, due to the effects of COVID-19, revenues from operations decreased ¥22,000 million and operating income ¥15,400 million.

Ordinary income decreased to ¥88,795 million, a decrease of ¥21,748 million (19.7%) from the previous fiscal year, due to a decrease in income from investments accounted for with the equity method, and other factors as well as the abovementioned decrease in income.

Extraordinary income/loss improved by ¥19,932 million as earnings metrics returned to normal from an impairment loss recorded from an agreement to transfer railway assets recognized in the previous consolidated fiscal year related to Hokushin Kyuko Electric Railway.

Net income attributable to owners of the parent was ¥54,859 million, reflecting a decline of ¥10,616 million (16.2%) from the previous consolidated fiscal year.

Analysis of operating income



* Included in cost of revenues from operations, retirement benefit expenses increased -1,420.

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.

	Urban Transportation	Real Estate	Entertainment	Information and Communication Technology	Travel	International Transportation	Hotels	Other	Adjustment	Consolidated
(Millions of yen)										
Revenues from operations	Effects of COVID-19: -5,200		-4,400		-4,900		-5,200		-22,000	
FY2020	227,176	236,046	74,020	58,576	33,766	76,186	60,280	42,486	(45,887)	762,650
FY2019	238,562	237,276	74,518	53,533	35,528	89,990	64,923	43,417	(46,322)	791,427
YoY difference	(11,385)	(1,229)	(498)	+5,042	(1,762)	(13,804)	(4,643)	(930)	+434	(28,776)
Operating income	-4,700		-3,000		-3,100		-3,300		-15,400	
FY2020	40,056	41,510	11,695	5,598	232	170	(3,142)	2,381	(3,332)	95,170
FY2019	43,455	49,250	13,439	5,279	1,764	2,392	1,214	2,333	(4,191)	114,937
YoY difference	(3,399)	(7,740)	(1,744)	+318	(1,531)	(2,221)	(4,356)	+47	+859	(19,767)
Reference page	P.29	P.31	P.33	P.35	P.37	P.39	P.41	—	—	—

From the consolidated fiscal year under review, the six previous reportable segments (Urban Transportation; Real Estate; Entertainment and Communications; Travel; International Transportation; and Hotels) have been changed to seven: Urban Transportation; Real Estate; Entertainment; Information and Communication Technology; Travel; International Transportation; and Hotels.

This change aims, among other things, to further increase the competitiveness of our communications and media business, which was previously included in the Entertainment and Communications segment. In addition to the name change, our information and communications business has been split off as the independent Information and Communication Technology segment, while the previous Entertainment and Communications segment has been renamed as the Entertainment segment.

Segment information for the previous consolidated fiscal year is based on these new reportable segment boundaries.

Review of Financial Position

1. Assets, Liabilities and Net Assets

Total assets at the end of the consolidated fiscal year under review were ¥2,489,081 million, an increase of ¥22,858 million from the end of the previous consolidated fiscal year, because of factors such as an increase in property and equipment, long-term loans, and investment securities, despite decreases in trade receivables, etc.

Total liabilities were ¥1,551,409 million, an increase of ¥567 million from the end of the previous consolidated fiscal year, because of factors such as an increase in interest-bearing debt, accounts payable, and long-term deferred contribution for construction, despite decreases in advances received and trade payables, etc.

Total net assets were ¥937,672 million, an increase of ¥22,291 million from the end of the previous consolidated fiscal year, because of an increase in retained earnings, etc.

As a result, the equity ratio was 36.4%, and the ROE was 6.1%.

2. Cash Flows

Total cash and cash equivalents at the end of the consolidated fiscal year were ¥23,526 million, a decrease of ¥4,063 million from the end of the previous consolidated fiscal year.

(1) Cash Flows from Operating Activities

Net cash provided by operating activities was ¥123,086 million, a decrease of 2.3% year-on-year, because of income before income taxes of ¥86,746 million, depreciation and amortization of ¥56,542 million, paid corporation and other taxes of ¥15,295 million, etc.

(2) Cash Flows from Investing Activities

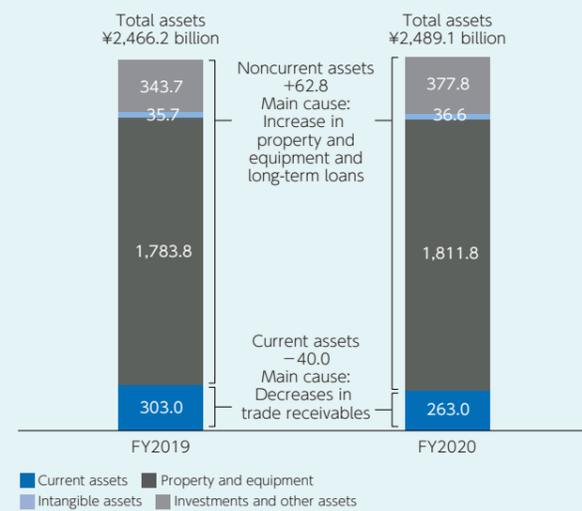
Net cash used in investing activities was ¥128,498 million, an increase of 10.6% year-on-year, because of purchases of noncurrent assets of ¥96,028 million, purchases of investment securities of ¥27,660, receipt of contributions for construction of ¥19,631 million, etc.

(3) Cash Flows from Financing Activities

Net cash from financing activities was ¥964 million, because of a net increase in borrowings of ¥15,003 million, the issue of bonds of ¥29,766 million, the redemption of bonds of ¥20,000 million, purchases of treasury stock of ¥9,960 million, dividends paid of ¥11,020 million, etc.

Assets

(¥ billion)



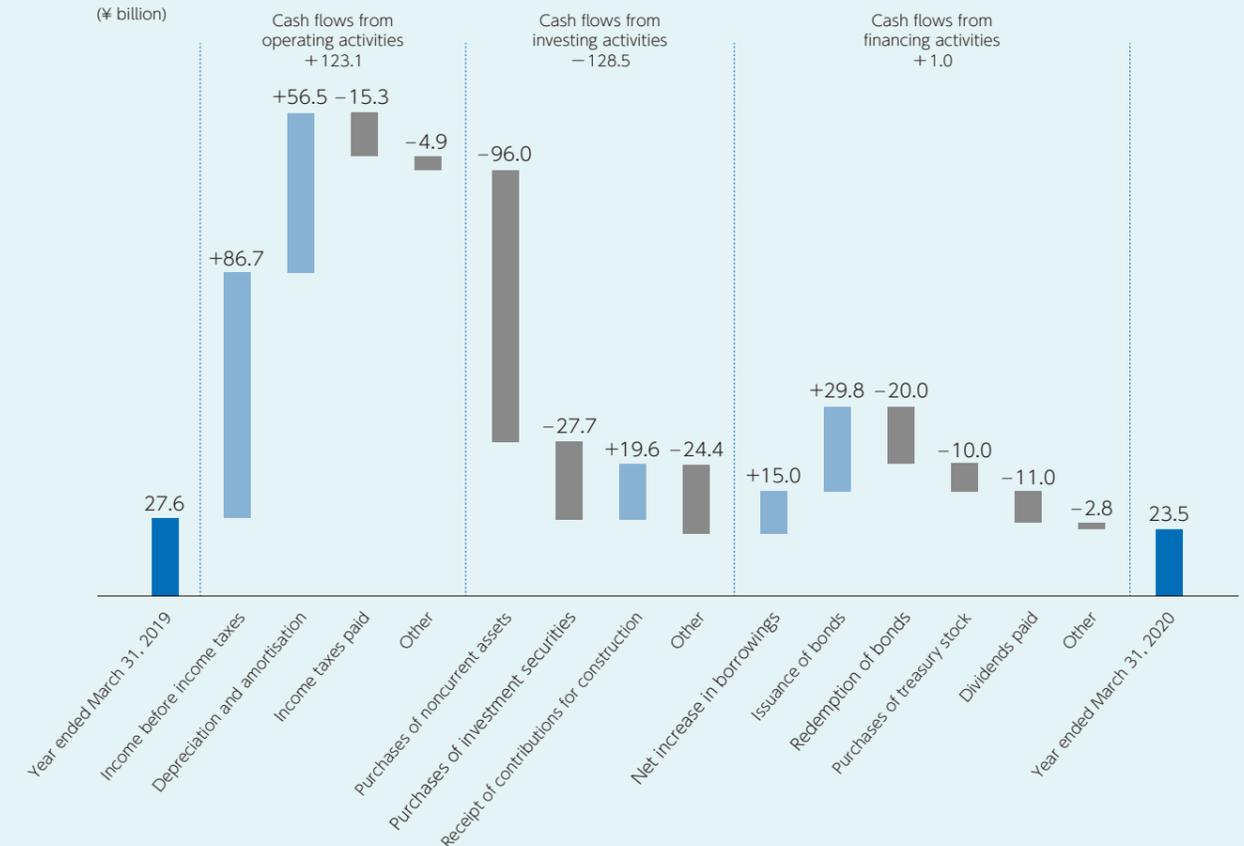
Liabilities and net assets

(¥ billion)



Cash flows

(¥ billion)



3. Fund Procurement

The outstanding balance of interest-bearing debt at the end of the consolidated fiscal year was ¥903,480 million, an increase of ¥26,424 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 acquisition of investment securities exceeded receipt of funds from EBITDA (operating income + depreciation expenses + amortization 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 5.9 times at the end of the fiscal year compared with 5.1 times at the end of the previous fiscal year.

Consolidated Capital Expenditure and Depreciation and Amortization

The amount of capital expenditures (including those for intangible assets) in the consolidated fiscal year under review was ¥81,090 million, recording a decrease of ¥33,278 million (29.1%) from the previous consolidated fiscal year.

The following is a breakdown for each business segment.

	(Millions of yen)	(%)
	FY2020	YoY
Urban Transportation	32,928	-2.6
Real Estate	32,212	-48.4
Entertainment	4,161	57.8
Information and Communication Technology	4,865	-8.3
Travel	1,244	49.7
International Transportation	1,111	63.9
Hotels	4,814	145.5
Other	198	-86.4
Adjustment	-446	—
Consolidated	81,090	-29.1

Urban Transportation

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

Real Estate

The Real Estate Business invested in the Takarazuka Hotel Relocation Project, the East Building Reconstruction Project and West Building Renewal Project at the Kobe Hankyu Building, and the Umeda 1-1 Project.

Entertainment

The Entertainment Business opened a new venue at Billboard Yokohama and carried out facility improvements, etc., at the Hanshin Koshien Stadium as well as the Takarazuka Grand Theater and the Tokyo Takarazuka Theater.

Information and Communication Technology

In the Information and Communication Technology Business, Bay Communications Inc. carried out work to extend its main lines and add service lines, among other improvements.

Travel

In the Travel Business, Hankyu Travel International invested in IT systems for online reservations.

International Transportation

In the International Transportation Business, Hankyu Hanshin Express invested in the opening of the Narita Global Logistics Center.

Hotels

In the Hotels Business, Hankyu Hanshin Hotels invested in the opening of new hotels, including Hotel Hankyu RESPIRE Osaka.

Depreciation and amortization in the consolidated fiscal year under review was ¥56,542 million, recording an increase of ¥2,370 million (4.4%) 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, 2020.

Risk from Epidemics

If an infectious disease becomes widespread and people's lives are in various ways restricted as they go about their daily affairs, it may materially affect the businesses of the Company. Specifically, effects may arise in the Urban Transportation Business through factors such as declining volumes of passengers on railways and other transportation; in the Real Estate Business through the temporary closure of leased facilities and the shortening of business hours; in the Entertainment Business through the cancellation of professional baseball games and performances of Takarazuka revues; in the Travel Business through increased suspensions and cancellations of overseas and domestic tours; and in the Hotel Business through falling demand from inbound tourism owing to travel bans as well as cancellations of domestic travel and business trips, and other adverse effects. At present, in the wake of the widening spread of COVID-19, the Group is impacted by effects as described above. Depending on the duration and degree of these impacts, the Group's business performance and financial position may fluctuate significantly.

In these circumstances, the Group will firstly work on recovery measures surrounding earnings and cash flow. Also, lifestyles and business styles are changing due to the impact of COVID-19. Mindful that changes of this kind in society may affect the Group's existing business model, the Group will work to mitigate risk and promote the steady enhancement of corporate value by continuing with the implementation of its "Hankyu Hanshin Holdings Group Long-Term Management Vision for 2025."

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.

Therefore, these regulations may limit the activities of the Group's railway business. Notably, no fixed periods are prescribed for these permissions and approvals by the Minister of Land, Infrastructure, Transport and Tourism.

In addition to the railway business, other businesses in which the Group engages are also subject to various laws and regulations. If these are tightened, the cost of regulatory compliance may increase, while failure to comply with regulations may limit the Group's activities and affect the Group's business performance and financial status, etc.

The Group is working to minimize any such effects by investigating and ascertaining in advance information regarding changes in existing regulations and the establishment of new regulations and their respective impact.

Interest-Bearing Debt

The balance of interest-bearing debt held by the Group as of the end of March 2020, on a consolidated basis, was ¥903,480 million.

Depending on future rises in interest rates, changes in financial markets, or downgrades of the Group's credit ratings by rating agencies, etc., the Group's interest expenses may increase, and raising additional funds on desirable terms may become difficult, including funds needed to refinance interest-bearing debt reaching maturity.

The Group will continue to diversify its funding and secure its liquidity, take steps to avoid interest rate risk through fixed-rate finance, and strive to maintain the soundness of the Group's financial position by focusing on the ratio of interest-bearing debt to EBITDA as a management indicator.

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, etc., would likely have a negative impact on the business 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 and other factors are expected to lower demand for railway, bus, 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 labor market. Such contingencies could affect the business performance and financial position, etc., of the Group.

In addition to efforts to increase the resident population in areas along the railway lines operated by the Group and to increase the influx of visitors to these areas by capturing the demand posed by foreign tourists, etc., the Group overall will promote efforts to improve productivity by introducing advanced technologies.

Natural Disasters

Operating as it does across an extremely wide range of businesses in its Urban Transportation, Real Estate, Entertainment, Information and Communication Technology, Travel, International Transportation, and Hotels segments, the Group has a correspondingly large assortment of facilities necessary for the conduct of business. In the event of earthquakes, typhoons or other climate change-related natural 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.

The Group is investing in the maintenance/renewal of existing facilities, conducting seismic reinforcement work, and working to develop systems with a priority on safety, especially at group companies engaged in the railway business and other public transportation.

International Operations

The Group's Real Estate, Travel, International Transportation and other businesses are also active overseas, and are therefore subject to various risk factors in each country, ranging from drastic changes in political and economic conditions, to incidence of conflict, dispute, or terrorism, and the outbreak of infectious diseases. The Group is working to address these risks based on risk analyses supported by the advice of lawyers, consultants, and other experts. However, in the case of an unexpected development, business performance and the financial condition of the Group may be affected.

Management of Personal Information

The Group manages databases containing customer data and other personal information in each of its businesses. Therefore, in order to strengthen its risk management, the Group has established internal regulations such as fundamental policies for the management of personal information and conducts relevant training sessions for employees. However, if information is leaked due to an unexpected incident, etc., claims for damages and loss of public credibility may affect the business performance and financial condition of the Group.

Consolidated Balance Sheets

As of March 31, 2019 and 2020

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Assets			
Current assets:			
Cash and deposits	¥ 28,856	¥ 25,023	\$ 229,569
Trade receivables	93,154	68,366	627,211
Land and buildings for sale	119,918	121,813	1,117,550
Finished products and merchandise	2,568	2,596	23,817
Work in progress	3,864	4,061	37,257
Materials and supplies	4,762	4,862	44,606
Other	50,095	36,476	334,642
Allowance for doubtful receivables	(254)	(216)	(1,982)
Total current assets	302,963	262,984	2,412,697
Noncurrent assets:			
Property and equipment:			
Buildings and structures-net (Note 5.3)	572,410	574,481	5,270,468
Machinery, equipment and vehicles-net (Note 5.3)	65,672	66,263	607,917
Land (Notes 5.3 and 5.5)	955,012	950,100	8,716,514
Construction in progress	171,336	198,838	1,824,202
Other-net (Note 5.3)	19,358	22,076	202,532
Total property and equipment (Notes 5.1 and 5.2)	1,783,789	1,811,760	16,621,651
Intangible assets:			
Goodwill	16,214	14,223	130,486
Other (Notes 5.2 and 5.3)	19,520	22,327	204,835
Total intangible assets	35,734	36,550	335,321
Investments and other assets:			
Investment securities (Notes 5.3 and 5.4)	291,771	302,951	2,779,367
Deferred tax assets	6,965	6,956	63,817
Net defined benefit asset	14,595	13,636	125,101
Other (Note 5.3)	30,610	54,436	499,413
Allowance for doubtful receivables	(208)	(195)	(1,789)
Total investments and other assets	343,735	377,786	3,465,927
Total noncurrent assets	2,163,259	2,226,097	20,422,908
Total assets	2,466,223	2,489,081	22,835,606

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Liabilities:			
Current liabilities:			
Trade payables	¥ 48,054	¥ 29,508	\$ 270,716
Accrued expenses	21,380	16,727	153,459
Short-term borrowings (Note 5.3)	137,036	158,406	1,453,266
Current portion of bonds	20,000	25,000	229,358
Lease obligations	1,567	2,404	22,055
Income taxes payable	4,576	13,683	125,532
Provision for bonuses	4,345	3,986	36,569
Other (Note 5.3)	167,324	144,917	1,329,514
Total current liabilities	404,286	394,634	3,620,495
Long-term liabilities:			
Long-term debt (Note 5.3)	621,375	615,058	5,642,734
Bonds	92,000	97,000	889,908
Lease obligations	5,076	5,609	51,459
Deferred tax liabilities	183,167	181,590	1,665,963
Deferred tax liabilities related to land revaluation (Note 5.5)	5,152	5,146	47,211
Net defined benefit liability	62,209	63,020	578,165
Long-term deferred contribution for construction	63,375	74,657	684,927
Other	114,198	114,690	1,052,202
Total long-term liabilities	1,146,555	1,156,774	10,612,606
Total liabilities	1,550,842	1,551,409	14,233,110
Net assets:			
Shareholders' equity:			
Common stock	99,474	99,474	912,606
Capital surplus	146,591	146,598	1,344,936
Retained earnings	641,731	685,087	6,285,202
Less treasury stock, at cost	(34,400)	(44,224)	(405,725)
Total shareholders' equity	853,397	886,935	8,137,018
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	24,144	13,792	126,532
Deferred gains or losses on hedges	(325)	(28)	(257)
Revaluation reserve for land (Note 5.5)	5,523	5,511	50,560
Foreign currency translation adjustments	(163)	(427)	(3,917)
Cumulative adjustments related to retirement benefit plans	2,287	(136)	(1,248)
Total accumulated other comprehensive income	31,465	18,711	171,661
Non-controlling interests (Note 5.5)	30,517	32,025	293,807
Total net assets	915,381	937,672	8,602,495
Total liabilities and net assets	2,466,223	2,489,081	22,835,606

Consolidated Statements of Income

Years ended March 31, 2019 and 2020

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Revenues from operations	¥ 791,427	¥ 762,650	\$ 6,996,789
Costs of revenues from operations:			
Operating expenses and cost of sales of transportation	650,127	640,441	5,875,606
Selling, general and administrative expenses (Note 6.1)	26,361	27,039	248,064
Total costs of revenues from operations (Note 6.2)	676,489	667,480	6,123,670
Operating income	114,937	95,170	873,119
Non-operating income:			
Interest income	123	149	1,367
Dividend income	1,372	1,399	12,835
Equity in income of affiliates	4,962	3,389	31,092
Miscellaneous income	2,918	2,393	21,954
Total non-operating income	9,377	7,331	67,257
Non-operating expenses:			
Interest expenses	9,615	9,267	85,018
Loss on retirement of noncurrent assets	1,756	1,487	13,642
Miscellaneous expenses	2,399	2,951	27,073
Total non-operating expenses	13,771	13,706	125,743
Ordinary income	110,543	88,795	814,633
Extraordinary income:			
Gain on contributions for construction	3,657	4,643	42,596
Income on sales of noncurrent assets	2,758	304	2,789
Other	806	1,090	10,000
Total extraordinary income	7,221	6,038	55,394
Extraordinary loss:			
Loss on reduction of noncurrent assets	4,042	4,636	42,532
Impairment loss (Note 6.3)	19,262	361	3,312
Loss on valuation of investment securities	399	1,356	12,440
Other	5,497	1,732	15,890
Total extraordinary loss	29,202	8,086	74,183
Income before income taxes	88,562	86,746	795,835
Income taxes - current	19,104	28,235	259,037
Income taxes - deferred	1,420	1,599	14,670
Total income taxes	20,525	29,834	273,706
Net income	68,036	56,911	522,119
Net income attributable to non-controlling interests	2,560	2,051	18,817
Net income attributable to owners of the parent	65,476	54,859	503,294

Consolidated Statements of Comprehensive Income

Years ended March 31, 2019 and 2020

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Net income	¥ 68,036	¥ 56,911	\$ 522,119
Other comprehensive income:			
Valuation difference on available-for-sale securities	(2,635)	(5,122)	(46,991)
Deferred gains or losses on hedges	158	314	2,881
Foreign currency translation adjustments	(670)	(45)	(413)
Remeasurements of defined benefit plans	2,945	(2,401)	(22,028)
Share of other comprehensive income of associates accounted for using equity method	(1,268)	(5,364)	(49,211)
Total other comprehensive income (Note 7)	(1,471)	(12,618)	(115,761)
Comprehensive income	66,565	44,292	406,349
Comprehensive income attributable to:			
Owners of the parent	64,287	42,242	387,541
Non-controlling interests	2,277	2,049	18,798

Consolidated Statements of Changes in Net Assets

Years ended March 31, 2019 and 2020

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Less treasury stock, at cost	Total shareholders' equity
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
Changes in equity in affiliates accounted for by equity-method treasury stock				0	0
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	537	58,248	(10,153)	48,633
Balance as of March 31, 2019	99,474	146,591	641,731	(34,400)	853,397
Changes of items during the period:					
Dividends from surplus			(11,020)		(11,020)
Net income attributable to owners of the parent			54,859		54,859
Reversal of revaluation reserve for land			11		11
Purchase of treasury stock				(9,960)	(9,960)
Disposal of treasury stock		(0)	(0)	136	136
Change in treasury stock of parent arising from transactions with non-controlling interest shareholders		(0)			(0)
Change in scope of consolidation		6	(495)		(489)
Changes in equity in affiliates accounted for by equity-method treasury stock				0	0
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	6	43,355	(9,824)	33,538
Balance as of March 31, 2020	99,474	146,598	685,087	(44,224)	886,935

	Millions of yen							
	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Cumulative adjustments related to retirement benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
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
Changes in equity in affiliates accounted for by equity-method treasury stock								0
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
Changes of items during the period:								
Dividends from surplus								(11,020)
Net income attributable to owners of the parent								54,859
Reversal of revaluation reserve for land								11
Purchase of treasury stock								(9,960)
Disposal of treasury stock								136
Change in treasury stock of parent arising from transactions with non-controlling interest shareholders								(0)
Change in scope of consolidation								(489)
Changes in equity in affiliates accounted for by equity-method treasury stock								0
Net changes of items other than shareholders' equity	(10,351)	296	(11)	(263)	(2,423)	(12,754)	1,507	(11,246)
Total changes of items during the period	(10,351)	296	(11)	(263)	(2,423)	(12,754)	1,507	22,291
Balance as of March 31, 2020	13,792	(28)	5,511	(427)	(136)	18,711	32,025	937,672

	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, 2019	\$912,606	\$1,344,872	\$5,887,440	\$ (315,596)	\$7,829,330
Changes of items during the period:					
Dividends from surplus			(101,101)		(101,101)
Net income attributable to owners of the parent			503,294		503,294
Reversal of revaluation reserve for land			101		101
Purchase of treasury stock				(91,376)	(91,376)
Disposal of treasury stock		(0)	(0)	1,248	1,248
Change in treasury stock of parent arising from transactions with non-controlling interest shareholders		(0)			(0)
Change in scope of consolidation		55	(4,541)		(4,486)
Changes in equity in affiliates accounted for by equity-method treasury stock				0	0
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	55	397,752	(90,128)	307,688
Balance as of March 31, 2020	912,606	1,344,936	6,285,202	(405,725)	8,137,018

	Thousands of U.S. dollars							
	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Cumulative adjustments related to retirement benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance as of March 31, 2019	\$221,505	\$(2,982)	\$50,670	\$(1,495)	\$20,982	\$288,670	\$279,972	\$8,397,991
Changes of items during the period:								
Dividends from surplus								(101,101)
Net income attributable to owners of the parent								503,294
Reversal of revaluation reserve for land								101
Purchase of treasury stock								(91,376)
Disposal of treasury stock								1,248
Change in treasury stock of parent arising from transactions with non-controlling interest shareholders								(0)
Change in scope of consolidation								(4,486)
Changes in equity in affiliates accounted for by equity-method treasury stock								0
Net changes of items other than shareholders' equity	(94,963)	2,716	(101)	(2,413)	(22,229)	(117,009)	13,826	(103,174)
Total changes of items during the period	(94,963)	2,716	(101)	(2,413)	(22,229)	(117,009)	13,826	204,505
Balance as of March 31, 2020	126,532	(257)	50,569	(3,917)	(1,248)	171,661	293,807	8,602,495

Consolidated Statements of Cash Flows

Years ended March 31, 2019 and 2020

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Cash flows from operating activities:			
Income before income taxes	¥ 88,562	¥ 86,746	\$ 795,835
Depreciation and amortisation	54,172	56,542	518,734
Impairment loss	19,262	361	3,312
Amortisation of goodwill	2,240	2,426	22,257
Equity in (income) losses of affiliates	(4,962)	(3,389)	(31,092)
Increase (decrease) in net defined benefit liability	464	(1,813)	(16,633)
Increase (decrease) in allowance for doubtful receivables	9	(49)	(450)
Interest and dividend income	(1,496)	(1,548)	(14,202)
Interest expenses	9,615	9,267	85,018
Loss on reduction of noncurrent assets	4,042	4,636	42,532
Loss on retirement of noncurrent assets	1,756	1,487	13,642
(Income) losses on sales of noncurrent assets	(2,746)	(214)	(1,963)
Gain on contributions for construction	(3,657)	(4,643)	(42,596)
Loss (gain) on valuation of investment securities	399	1,356	12,440
Decrease (increase) in trade receivables	(718)	25,035	229,679
Decrease (increase) in inventories	(4,003)	2,803	25,716
Increase (decrease) in trade payables	1,094	(17,884)	(164,073)
Other	(2,364)	(17,718)	(162,550)
Subtotal	161,672	143,400	1,315,596
Interest and dividends received	4,533	4,362	40,018
Interest paid	(9,627)	(9,381)	(86,064)
Income taxes (paid) refunded	(30,542)	(15,295)	(140,321)
Net cash provided by operating activities	126,035	123,086	1,129,229
Cash flows from investing activities:			
Purchases of noncurrent assets	(137,809)	(96,028)	(880,991)
Proceeds from sales of noncurrent assets	16,310	884	8,110
Purchases of investment securities	(11,744)	(27,660)	(253,761)
Receipt of contributions for construction	18,252	19,631	180,101
Expenditure for long-term loans receivable	(430)	(23,767)	(218,046)
Other	(739)	(1,557)	(14,284)
Net cash used in investing activities	(116,160)	(128,498)	(1,178,881)
Cash flows from financing activities:			
Net increase (decrease) in short-term borrowings	1,949	21,039	193,018
Proceeds from long-term debt	30,450	28,330	259,908
Repayment of long-term debt	(41,278)	(34,365)	(315,275)
Proceeds from new bonds issued	19,866	29,766	273,083
Redemption of bonds	—	(20,000)	(183,486)
Purchases of treasury stock	(10,199)	(9,960)	(91,376)
Dividends paid	(9,896)	(11,020)	(101,101)
Dividends paid to non-controlling shareholders of consolidated subsidiaries	(378)	(526)	(4,826)
Other	(1,684)	(2,298)	(21,083)
Net cash used in financing activities	(11,171)	964	8,844
Effect of exchange rate changes on cash and cash equivalents	(551)	(7)	(64)
Increase (decrease) in cash and cash equivalents	(1,848)	(4,454)	(40,862)
Cash and cash equivalents at beginning of year	27,501	27,589	253,110
Increase in cash and cash equivalents from newly consolidated subsidiary	1,935	391	3,587
Cash and cash equivalents at end of year	27,589	23,526	215,835

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, 2020 (April 1, 2019 to March 31, 2020) 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 ¥109 = US\$1, the prevailing exchange rate on the Tokyo Foreign Exchange Market as of March 31, 2020.

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—93.

Names of primary consolidated subsidiaries are listed on page 117.

Further, as from the fiscal year ended March 31, 2020, PT. Hankyu Hanshin Logistics Indonesia and one other company have been included in the scope of consolidation due to their increased significance.

Also, the following companies have been excluded from the scope of consolidation; Hankyu Denen Bus Co. Ltd. due to extinguishment in a merger, Hankyu Hanshin Restaurants Co. Ltd. and one other company due to liquidation.

2.1.2 Names of major nonconsolidated subsidiaries

Hankyu Mediex 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 117.

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

The nonconsolidated subsidiaries (Hankyu Mediex 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 20 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:

- Available-for-sale securities with fair market values:
The market value method is applied based on the market price, etc., at the fiscal year-end. (Related valuation differences are directly included under net assets and the cost of securities sold is determined by the moving average method.)
- Available-for-sale securities without fair market values:
The moving average cost method is applied.
For investments in limited liability investment partnerships and similar investments, however, the Company's share of assets held by such partnerships is recorded.

II. Derivatives

The market value method is applied.

III. Inventories

- Land and buildings for sale:
The identified cost method is applied. (Balance sheet values are calculated by writing down book values based on decreased profitability.)
- 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, 2020.

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 from the following year 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.

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.

IV. Application of tax effect accounting for the transition from a consolidated tax payment system to a group taxation system

With regard to paragraph 3 of "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (PITF No.39, March 31, 2020), the Company and its domestic consolidated subsidiaries did not follow paragraph 44 of "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018), but applied provisions of pre-amended tax laws when calculating the amounts of deferred tax assets and liabilities that relate to transitioning to a group taxation system and related amendments of tax laws for transitioning to a single tax payment system.

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 31, 2020)
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 31, 2020)
- "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020)

(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.

(Accounting Standard for Fair Value Measurement)

- "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019)

- "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, July 4, 2019)
- "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019)
- "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019)
- "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020)

(1) Outline

Given that the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) set out almost identical detailed guidance for the measurement of fair value (respectively IFRS No. 13 "Fair Value Measurement" under International Financial Reporting Standards (IFRS) and Accounting Standards Codification Topic 820 "Fair Value Measurement" under US-GAAP), the ASBJ released the "Accounting Standard Fair Value Measurement" etc., in an effort to establish consistency between Japan's accounting standards and international accounting standards centering on guidance and disclosure of the fair value of financial instruments.

On the ASBJ's basic policy for development of accounting standard for fair value measurement, in order to enhance the comparability of financial statements between domestic and foreign companies the standard essentially adopted the entire provisions of IFRS No. 13. Moreover, with consideration for the accounting practice in Japan to date, to the extent that the comparability of financial statements is not materially impaired, alternative accounting treatments are provided for select items.

(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.

(Accounting Standard for Disclosure of Accounting Estimates)

- "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020)

(1) Outline

The International Accounting Standards (IAS) released in 2003 by the International Accounting Standards Board (IASB) require in No. 1 paragraph 125, "Presentation of financial statements" (hereinafter referred to as "IAS 1") the disclosure of "Factors causing estimation uncertainty." Since this disclosure is regarded as highly valuable for financial statement users, upon requests also for Japan's accounting standards to include this disclosure requirement in the notes to financial statements, the ASBJ developed and released the "Accounting Standard for Disclosure of Accounting Estimates."

On the ASBJ's basic policy for development of accounting standard for disclosure of accounting estimates, rather than expanding the scope of individual notes, the ASBJ defined ground rules (disclosure objectives) with specific disclosure contents left to the judgment of the reporting entity in accordance with the disclosure objectives, thus referencing in the development of this standard the provisions of IAS 1, paragraph 125.

(2) Effective date

Effective from the end of the fiscal year ended March 31, 2021.

(Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections)

- "Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections" (ASBJ Statement No. 24, March 31, 2020)

4. Additional Information

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

(1) Outline of transaction

To further enhance motivation to improve corporate value and business performance, and to provide an incentive regarding improving shareholder value, the Company has introduced a stock compensation system (hereinafter referred to as the "System") for directors of the Company in a position of chairman or president.

Moreover, Hankyu Corporation, Hanshin Electric Railway Co. Ltd., and Hankyu-Hanshin Real Estate Co. Ltd. have adopted 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.

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.

(1) Outline

The ASBJ, having been requested to consider improvements to the information to be provided in the notes to financial statements, implemented necessary amendments to the "Principles and procedures of accounting treatments to be adopted in cases where the stipulations of the relevant accounting standards, etc., are not clear," and released the result as the "Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections."

Note that in taking steps to enhance the information to be provided in the notes to financial statements under the "Principles and procedures of accounting treatments to be adopted in cases where the stipulations of the relevant accounting standards, etc., are not clear" the standard takes over the provisions of the Notes on Business Accounting Standards (Note 1-2) to avoid upsetting current established practice in cases where the provisions of related accounting standards are clear.

(2) Effective date

Effective from the end of the fiscal year ended March 31, 2021.

(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, 2019 were 1,519 million yen and 377,008 shares, and at the year ended March 31, 2020, are 1,479 million yen and 367,308 shares respectively.

(Effects of the new coronavirus pandemic on accounting estimates)

The effects of the new coronavirus pandemic are difficult to accurately predict both with regard to duration and extent. The fiscal year ending March 2021 to date has been subject to severe restrictions, such as the government's declaration of an emergency and requests from local governments to the general public to refrain from going out. The Company therefore prepares its accounting estimates including the recoverability of deferred tax assets, etc., on the premise that these effects will continue for a certain period of time.

5. Consolidated Balance Sheets

5.1 Accumulated depreciation of property and equipment

Millions of yen		Thousands of U.S. dollars
2019	2020	2020
¥ 1,150,595	¥ 1,177,475	\$ 10,802,523

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

Millions of yen		Thousands of U.S. dollars
2019	2020	2020
¥ 445,997	¥ 449,278	\$ 4,121,817

5.3 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			
	2019	2020	2019	2020		
Property and equipment:						
Buildings and structures	¥ 200,392	¥ (200,392)	¥ 201,238	¥ (201,238)	\$ 1,846,220	\$ (1,846,220)
Machinery, equipment and vehicles	50,614	(50,614)	50,423	(50,423)	462,596	(462,596)
Land	242,100	(242,100)	241,625	(241,625)	2,216,743	(2,216,743)
Other	3,018	(3,018)	2,898	(2,898)	26,587	(26,587)
Intangible assets:						
Other	118	(118)	179	(179)	1,642	(1,642)
Investments and other assets:						
Investment securities	438	(—)	292	(—)	2,679	(—)
Other	176	(—)	372	(—)	3,413	(—)
Total	496,859	(496,244)	497,029	(496,364)	4,559,899	(4,553,798)

In addition to the above, the Company pledged investment securities (fiscal year ended March 31, 2019: 800 million yen, fiscal year ended March 31, 2020: 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			
	2019	2020	2019	2020		
Current liabilities:						
Short-term borrowings	¥ 9,446	¥ (9,446)	¥ 9,784	¥ (9,784)	\$ 89,761	\$ (89,761)
Other	90	(—)	120	(—)	1,101	(—)
Long-term liabilities:						
Long-term debt	113,477	(113,477)	114,522	(114,522)	1,050,661	(1,050,661)
Total	123,014	(122,923)	124,427	(124,307)	1,141,532	(1,140,431)

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

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Investment securities	¥ 239,486	¥ 257,644	\$ 2,363,706

5.5 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
	2019	2020	2020
Difference between the market value as of March 31, 2020 of the lands for which reevaluation was made and the book value of after reevaluation	¥ (6,137)	¥ (6,215)	\$ (57,018)

6. Consolidated Statements of Income

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

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Personnel expenses	¥ 14,752	¥ 12,175	\$ 111,697
Expenses	7,686	10,691	98,083
Taxes	746	948	8,697
Depreciation and amortisation	934	796	7,303
Amortisation of goodwill	2,240	2,426	22,257
Total	26,361	27,039	248,064

5.6 Contingent liabilities

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

Fiscal year ended March 31, 2019

	Millions of yen
Nishi-Osaka Railway Co., Ltd.	¥ 18,204
Borrowers on loans for purchase of land and buildings	12,724
Overseas subsidiaries	3,426
Other (five companies)	289
Total	34,644

Fiscal year ended March 31, 2020

	Millions of yen	Thousands of U.S. dollars
Nishi-Osaka Railway Co., Ltd.	¥ 17,266	\$ 158,404
Borrowers on loans for purchase of land and buildings	6,013	55,165
Overseas subsidiaries	5,473	50,211
Other (four companies)	259	2,376
Total	29,013	266,174

In addition to the above, overseas subsidiaries submitted letters of awareness for management guidance (fiscal year ended March 31, 2019: 1,957 million yen, fiscal year ended March 31, 2020: 4,677 million yen) in connection with the fund procurement of affiliates.

6.2 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
	2019	2020	2020
Retirement benefit expenses	¥ 7,797	¥ 6,377	\$ 58,505
Provision for bonuses	4,546	4,171	38,266

6.3 Loss on impairment

Fiscal year ended March 31, 2019

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

Use	Type	Region	Millions of yen
			Amount
Railway Operational Assets (1 item) (Note 1)	Buildings and Structures, etc.	Hyogo	¥ 19,163
Retailing Business Assets, etc. (20 items) (Note 2)	Buildings and Structures, etc.	Osaka, etc.	99

(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), 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 (99 million yen), 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
Buildings and Structures	¥ 15,954
Land, etc.	3,308
Total	19,262

(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, 2020

Omitted as the significance was negligible.

7. Consolidated Statements of Comprehensive Income

Reclassification adjustments and tax effects related to other comprehensive income

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Valuation difference on available-for-sale securities:			
Increase (decrease) during the year	¥ (4,193)	¥ (8,550)	(78,440)
Reclassification adjustments	365	1,268	11,633
Subtotal, before tax	(3,827)	(7,282)	(66,807)
Tax (expense) or benefit	1,192	2,159	19,807
Valuation difference on available-for-sale securities	(2,635)	(5,122)	(46,991)
Deferred gains or losses on hedges:			
Increase (decrease) during the year	240	328	3,009
Reclassification adjustments	—	151	1,385
Subtotal, before tax	240	480	4,404
Tax (expense) or benefit	(82)	(165)	(1,514)
Deferred gains or losses on hedges	158	314	2,881
Foreign currency translation adjustments:			
Increase (decrease) during the year	(670)	(45)	(413)
Reclassification adjustments	—	0	0
Subtotal, before tax	(670)	(45)	(413)
Tax (expense) or benefit	—	—	—
Foreign currency translation adjustments	(670)	(45)	(413)
Remeasurements of defined benefit plans:			
Increase (decrease) during the year	3,919	(2,769)	(25,404)
Reclassification adjustments	594	(819)	(7,514)
Subtotal, before tax	4,513	(3,588)	(32,917)
Tax (expense) or benefit	(1,568)	1,186	10,881
Remeasurements of defined benefit plans	2,945	(2,401)	(22,028)
Share of other comprehensive income of associates accounted for using equity method:			
Increase (decrease) during the year	(1,294)	(5,375)	(49,312)
Reclassification adjustments	26	11	101
Share of other comprehensive income of associates accounted for using equity method	(1,268)	(5,364)	(49,211)
Total other comprehensive income	(1,471)	(12,618)	(115,761)

8. Consolidated Statements of Changes in Net Assets

Fiscal year ended March 31, 2019

8.1 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, 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:

- 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)

- The increase of 2,290 thousand shares of treasury stock of common stock consists of: 2,244 thousand shares acquired upon the resolution of the Board of Directors' meeting, 30 thousand shares acquired by the officer's compensation BIP trust, and 16 thousand shares created by the purchase of odd-lot shares.
- The decrease of 11 thousand shares treasury stock of common stock consists of: 10 thousand shares delivered by the officer's compensation BIP trust, 0 thousand shares due to the sale of odd-lot shares and 0 thousand shares due to change in equity ratio against affiliates to which the equity method is applicable.

8.2 Items concerning stock acquisition right

There is no relevant item.

8.3 Items related to dividends

Fiscal year ended March 31, 2019

8.3.1 Dividends paid

(Resolution)	Type of shares	Dividends paid	Dividend per share	Record date	Effective date
		(Millions of yen)	(Yen)		
June 13, 2018 Annual General Meeting of Shareholders	Common stock	¥ 4,970	¥ 20	March 31, 2018	June 14, 2018
November 1, 2018 Board of Directors	Common stock	4,925	20	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.

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

(Resolution)	Type of shares	Dividends paid	Source of dividends	Dividend per share	Record date	Effective date
		(Millions of yen)		(Yen)		
June 13, 2019 Annual General Meeting of Shareholders	Common stock	¥ 4,925	Retained earnings	¥ 20	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.

Fiscal year ended March 31, 2020

8.4 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, 2019	Increase in number of shares	Decrease in number of shares	Number of shares as of March 31, 2020
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)	9,541	2,529	34	12,036
Total	9,541	2,529	34	12,036

Notes:

- The number of treasury stock at the end of the fiscal year ended March 31, 2020 includes 367,308 shares in the Company owned by the officer's compensation BIP trust.

(Overview of reasons for fluctuations)

- The increase of 2,529 thousand shares treasury stock of common stock consists of: 2,489 thousand shares acquired upon the resolution of the Board of Directors' meeting, 23 thousand shares acquired by the officer's compensation BIP trust, and 16 thousand shares created by the purchase of odd-lot shares.
- The decrease of 34 thousand shares treasury stock of common stock consists of: 33 thousand shares delivered by the officer's compensation BIP trust, 0 thousand shares due to the sale of odd-lot shares, and 0 thousand shares due to change in equity ratio against affiliates to which the equity method is applicable.

8.5 Items concerning stock acquisition right

There is no relevant item.

8.6 Items related to dividends

Fiscal year ended March 31, 2020

8.6.1 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, 2019 Annual General Meeting of Shareholders	Common stock	¥ 4,925	\$ 45,183	¥ 20	\$ 0.18	March 31, 2019	June 14, 2019
November 1, 2019 Board of Directors	Common stock	6,094	55,908	25	0.23	September 30, 2019	December 2, 2019

Note:

- For the upper figure (the portion approved by a resolution at the annual General Meeting of Shareholders on June 13, 2019), 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, 2019), the total amount of dividend includes 9 million yen of dividend for the shares in the Company owned by the officer's compensation BIP trust.

8.6.2 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 17, 2020 Annual General Meeting of Shareholders	Common stock	¥ 6,094	\$ 55,908	Retained earnings	¥ 25	\$ 0.23	March 31, 2020	June 18, 2020

Note: The total amount of dividend includes 9 million yen of dividend for the shares in the Company owned by the officer's compensation BIP trust.

9. 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
	2019	2020	2020
Cash and deposits in the consolidated balance sheets	¥ 28,856	¥ 25,023	\$ 229,569
Deposits with maturities over 3 months	(1,444)	(1,497)	(13,734)
Securities	177	—	—
Cash and cash equivalents in the cash flow statements	27,589	23,526	215,835

10. 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
	2019	2020	2020
Due within one year	¥ 5,187	¥ 7,583	\$ 69,569
Due after one year	22,683	63,913	586,358
Total	27,870	71,496	655,927

<As lessor>

Future lease receivables for non-cancellable leases in connection with operating lease transactions

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Due within one year	¥ 2,436	¥ 2,721	\$ 24,963
Due after one year	22,740	20,350	186,697
Total	25,177	23,071	211,661

11. Financial Instruments

11.1 Matters regarding financial instruments

11.1.1 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.

11.1.2 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 prescribe 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."

11.2 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		
	2019	2020	Difference	2019	2020	Difference
Assets	Book value	Fair value	Difference	Book value	Fair value	Difference
(1) Cash and deposits	¥ 28,856	¥ 28,856	¥ —	¥ 25,023	¥ 25,023	¥ —
(2) Trade receivables	93,154	93,154	—	68,366	68,366	—
(3) Investment securities	42,402	42,402	—	33,647	33,647	(0)
Liabilities	Book value	Fair value	Difference	Book value	Fair value	Difference
(4) Trade payables	48,054	48,054	—	29,508	29,508	—
(5) Short-term borrowings (*1)	102,670	102,670	—	123,710	123,710	—
(6) Bonds (*2)	112,000	115,136	3,136	122,000	123,633	1,633
(7) Long-term debt (*1)	655,740	676,259	20,518	649,755	665,220	15,464
(8) Derivative transactions (*3)	(514)	(514)	—	(205)	(205)	—

(*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 13, "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
	2019	2020	2020
Non-listed equity securities and bonds	¥ 6,327	¥ 6,523	\$ 59,844
Investments in limited liability investment partnerships and similar investments	3,555	5,136	47,119

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 13, "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, 2019

	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	¥ 28,856	¥ —	¥ —	¥ —
Trade receivables	93,154	—	—	—
Investment securities:				
Available-for-sale securities with maturities (government bonds, etc.)	141	261	34	300
Total	122,152	261	34	300

Fiscal year ended March 31, 2020

	Millions of yen				Thousands of U.S. dollars			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	¥ 25,023	¥ —	¥ —	¥ —	\$ 229,569	\$ —	\$ —	\$ —
Trade receivables	68,366	—	—	—	627,211	—	—	—
Investment securities:								
Available-for-sale securities with maturities (government bonds, etc.)	59	223	10	300	541	2,046	92	2,752
Total	93,449	223	10	300	857,330	2,046	92	2,752

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

Fiscal year ended March 31, 2019

	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	¥ 20,000	¥ 52,000	¥ 10,000	¥ 30,000
Long-term debt	34,365	222,245	275,383	123,745
Total	54,365	274,245	285,383	153,745

Fiscal year ended March 31, 2020

	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	¥ 25,000	¥ 27,000	¥ 30,000	¥ 40,000	\$ 229,358	\$ 247,706	\$ 275,229	\$ 366,972
Long-term debt	34,696	264,556	249,770	100,732	318,312	2,427,119	2,291,468	924,147
Total	59,696	291,556	279,770	140,732	547,670	2,674,826	2,566,697	1,291,119

12. Securities

12.1 Available-for-sale securities

Classification	Millions of yen						Thousands of U.S. dollars			
	2019			2020			2020			
	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	¥ 38,684	¥ 24,122	¥ 14,562	¥ 26,407	¥ 18,373	¥ 8,034	\$ 242,266	\$ 168,560	\$ 73,706
	(2) Bonds	438	428	9	292	287	5	2,679	2,633	46
	Subtotal	39,122	24,550	14,571	26,699	18,660	8,039	244,945	171,193	73,752
Securities with book value not exceeding acquisition cost	Equity securities	3,280	3,582	(302)	6,937	7,985	(1,048)	63,642	73,257	(9,615)
	Subtotal	3,280	3,582	(302)	6,937	7,985	(1,048)	63,642	73,257	(9,615)
Total		42,402	28,133	14,269	33,637	26,646	6,990	308,596	244,459	64,128

Notes: Unlisted equity securities and others (fiscal year ended March 31, 2019: 9,883 million yen, fiscal year ended March 31, 2020: 11,659 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.

12.2 Securities for which impairment loss has been recorded

Fiscal year ended March 31, 2019

Omitted as the significance was negligible.

Fiscal year ended March 31, 2020

Impairment loss of 1,356 million yen recorded for investment securities (shares in available-for-sale securities).

13. Derivatives

13.1 Derivative transactions for which hedge accounting has not been applied

Currency

Fiscal year ended March 31, 2019

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	Currency swap contracts:				
	Receive yen, pay US dollar	598	598	(49)	(49)
	Total	598	598	(49)	(49)

Fiscal year ended March 31, 2020

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	Currency swap contracts:								
	Receive yen, pay US dollar	¥ 598	¥ —	¥ (53)	¥ (53)	\$ 5,486	\$ —	\$ (486)	\$ (486)
	Forward exchange contracts:								
	Buy contract								
	Euro	10,245	—	(128)	(128)	93,991	—	(1,174)	(1,174)
	US dollar	4,124	—	66	66	37,835	—	606	606
	Swiss franc	1,052	—	28	28	9,651	—	257	257
	Canadian dollar	891	—	(52)	(52)	8,174	—	(477)	(477)
	Singapore dollar	448	—	(14)	(14)	4,110	—	(128)	(128)
	Australian dollar	344	—	(38)	(38)	3,156	—	(349)	(349)
	New Zealand dollar	79	—	(5)	(5)	725	—	(46)	(46)
	South African rand	46	—	(6)	(6)	422	—	(55)	(55)
	Total	17,831	—	(204)	(204)	163,587	—	(1,872)	(1,872)

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.

13.2 Derivative transactions for which hedge accounting has been applied

13.2.1 Currency

Fiscal year ended March 31, 2019

Classification	Type	Main hedged items	Millions of yen		
			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
	US dollar		5	—	0
	Pound sterling		1	—	0
	Buy contract	Trade payables			
	Japanese yen		803	—	13
	US dollar		17	—	(0)
	Singapore dollar		0	—	(0)
	Euro		0	—	(0)
Designation of forward exchange contracts, etc.	Forward exchange contracts				
	Buy contract	Trade payables (forecast transactions)	13,311	—	(400)
	Euro		6,910	—	(29)
	US dollar		1,096	—	(31)
	Canadian dollar		1,000	—	(11)
	Swiss franc		617	—	(10)
	Australian dollar		427	—	2
	Singapore dollar		102	—	1
	New Zealand dollar		10	—	0
	South African rand				
	Forward exchange contracts				
	Sell contract	Trade receivables			
	US dollar		143	—	
	Buy contract	Trade payables			
	US dollar		1,329	—	
	Euro		1,283	—	
	Australian dollar		112	—	
	Singapore dollar		100	—	(Note 2)
	Hong Kong dollar		59	—	
	New Zealand dollar		58	—	
Thai baht		50	—		
Pound sterling		13	—		
Canadian dollar		10	—		
South African rand		4	—		
Swiss franc		1	—		
Total			27,487	—	(465)

Fiscal year ended March 31, 2020

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	¥ 16	¥ —	¥ 0	\$ 147	\$ —	\$ 0
	US dollar							
	Buy contract							
	Japanese yen	Trade payables	500	—	(3)	4,587	—	(28)
Designation of forward exchange contracts, etc.	Forward exchange contracts							
	Buy contract	Trade payables (forecast transactions)	1,295	—	3	11,881	—	28
	US dollar							
	Indian rupee		34	—	(1)	312	—	(9)
	Forward exchange contracts							
	Sell contract	Trade receivables	148	—		1,358	—	
	US dollar							
	Buy contract	Trade payables	1,064	—		9,761	—	
	US dollar		568	—		5,211	—	
	Euro		164	—		1,505	—	
Thai baht		67	—	(Note 2)	615	—	(Note 2)	
Australian dollar		36	—		330	—		
New Zealand dollar		29	—		266	—		
Singapore dollar		24	—		220	—		
Pound sterling		21	—		193	—		
Canadian dollar		12	—		110	—		
South African rand		7	—		64	—		
Swiss franc		2	—		18	—		
Total			3,994	—	(0)	36,642	—	(0)

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.

13.2.2 Interest rate

Fiscal year ended March 31, 2019

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:				
	Pay fixed rate/Receive floating rate	Long-term debt	¥ 167,551	¥ 159,801	¥ (10,329)
Total			167,551	159,801	(10,329)

Fiscal year ended March 31, 2020

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:							
	Pay fixed rate/Receive floating rate	Long-term debt	¥ 151,897	¥ 147,300	¥ (8,914)	\$ 1,393,550	\$ 1,351,376	\$ (81,780)
Total			151,897	147,300	(8,914)	\$ 1,393,550	\$ 1,351,376	\$ (81,780)

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

14. Retirement Benefits

14.1 Overview of retirement benefit plans

The Company and some consolidated subsidiaries 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.

14.2 Defined benefit plan

14.2.1 Table of movement in retirement benefit obligations

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Balance at beginning of the year	¥ 133,360	¥ 133,751	\$ 1,227,073
Service cost	8,020	7,933	72,780
Interest cost	297	254	2,330
Actuarial loss (gain)	(418)	53	486
Retirement benefits paid	(6,613)	(9,562)	(87,725)
Past service cost	(877)	—	—
Decrease resulting from the end of the retirement benefit plan system	—	(443)	(4,064)
Other	(18)	36	330
Balance at end of the year	133,751	132,022	1,211,211

Note: Amounts in the table above include the retirement benefit obligations of consolidated subsidiaries using simplified methods.

14.2.2 Table of movement in plan assets

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Balance at beginning of the year	¥ 81,767	¥ 86,137	\$ 790,248
Expected return on plan assets	1,131	1,087	9,972
Actuarial loss (gain)	2,622	(2,715)	(24,908)
Contribution paid by the employer	4,173	4,001	36,706
Retirement benefits paid	(3,470)	(5,145)	(47,202)
Decrease resulting from the end of the retirement benefit plan system	—	(737)	(6,761)
Other	(88)	10	92
Balance at end of the year	86,137	82,638	758,147

Note: Amounts in the table above include the plan assets of consolidated subsidiaries using simplified methods.

14.2.3 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
	2019	2020	2020
Funded retirement benefit obligations	¥ 72,458	¥ 70,521	\$ 646,982
Plan assets	(86,137)	(82,638)	(758,147)
Unfunded retirement benefit obligations	(13,678)	(12,116)	(111,156)
Total net defined benefit liability and asset	61,292	61,500	564,220
Net defined benefit liability	47,614	49,383	453,055
Net defined benefit asset	62,209	63,020	578,165
Total net defined benefit liability and asset	(14,595)	(13,636)	(125,101)
Total net defined benefit liability and asset	47,614	49,383	453,055

Note: Amounts in the table above include the retirement benefit obligations and plan assets of consolidated subsidiaries using simplified methods.

14.2.4 The breakdown of retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Service cost	¥ 8,020	¥ 7,933	72,780
Interest cost	297	254	2,330
Expected return on plan assets	(1,131)	(1,087)	(9,972)
Amortisation of actuarial differences	732	(680)	(6,239)
Amortisation of past service cost	(138)	(138)	(1,266)
Other	58	49	450
Retirement benefit expenses	7,838	6,329	58,064
Loss resulting from the end of the retirement benefit plan system	—	293	2,688
Total	7,838	6,623	60,761

Notes:

- Amounts in the table above include the retirement benefit expenses of consolidated subsidiaries using simplified methods.
- In addition to the retirement benefit expenses shown above, the Company made extra retirement payments of 0 million yen in the fiscal year ended March 31, 2019, which was recorded as operating expenses. In the fiscal year ended March 31, 2020 the Company made extra retirement payments of 30 million yen, which were recorded as operating expenses and extraordinary loss.
- Loss resulting from the end of the retirement benefit plan system is included in the "Other" section in extraordinary loss.

14.2.5 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
	2019	2020	2020
Past service cost	¥ 739	¥ (138)	\$ (1,266)
Actuarial differences	3,774	(3,450)	(31,651)
Total	4,513	(3,588)	(32,917)

14.2.6 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
	2019	2020	2020
Unrecognized past service cost	¥ (1,042)	¥ (903)	\$ (8,284)
Unrecognized actuarial differences	(3,534)	(84)	(771)
Total	(4,576)	(987)	(9,055)

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.

14.2.7 Items relating to plan assets

(I) Breakdown of major plan assets

Ratio of the major types of assets to total assets are as follows:

	2019	2020
Bonds	34%	37%
Equity securities	34	31
Cash and deposits	2	2
General accounts of life insurance	27	28
Other	3	2
Total	100	100

Note: The retirement benefits trust established for the Company's pension plan constituted 12% 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.

14.2.8 Items relating to actuarial assumptions

Major actuarial assumptions

	2019	2020
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%

14.3 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 49 million yen in the fiscal year ended March 31, 2019 and 43 million yen in the fiscal year ended March 31, 2020.

15. Deferred Tax

15.1 Significant components of the Company's deferred tax assets and liabilities

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Deferred tax assets:			
Gain on donation by related companies for tax purposes.	¥ 55,122	¥ 55,122	\$ 505,706
Net defined benefit liability	15,326	15,891	145,789
Loss on impairment of fixed assets	12,985	12,784	117,284
Temporary difference related to investments in subsidiaries	11,021	11,021	101,110
Loss on revaluation of real estate for sale	9,271	9,162	84,055
Tax loss carryforwards (Note 1)	8,349	5,736	52,624
Loss on adjustment of transferred profit and loss	5,844	5,614	51,505
Unrealized profit from assets	5,118	5,302	48,642
Provision for bonuses	1,809	1,648	15,119
Enterprise taxes and business office taxes	836	1,519	13,936
Losses on revaluation of investment securities	728	579	5,312
Other	9,053	9,215	84,541
Subtotal of deferred tax assets	135,468	133,598	1,225,670
Valuation allowance from tax loss carryforwards (Note 1)	(2,872)	(2,546)	(23,358)
Valuation allowance from the total of future deductible temporary differences	(77,312)	(77,364)	(709,761)
Subtotal of valuation allowance	(80,185)	(79,910)	(733,119)
Less amounts offset against deferred tax liabilities	(48,317)	(46,731)	(428,725)
Total deferred tax assets	6,965	6,956	63,817
Deferred tax liabilities:			
Gain on reversal of difference from land revaluation (Note 2)	(130,553)	(130,478)	(1,197,046)
Revaluation of assets on consolidation	(78,653)	(78,321)	(718,541)
Net unrealized holding gains on securities	(14,760)	(12,217)	(112,083)
Reserve for reduction of noncurrent assets	(3,508)	(3,449)	(31,642)
Gain on valuation of properties of business reorganization	(1,769)	(1,745)	(16,009)
Other	(2,239)	(2,110)	(19,358)
Subtotal of deferred tax liabilities	(231,485)	(228,322)	(2,094,697)
Less amounts offset against deferred tax assets	48,317	46,731	428,725
Total deferred tax liabilities	(183,167)	(181,590)	(1,665,963)
Net deferred tax liabilities	(176,201)	(174,634)	(1,602,147)

Note:

1. The expiration of tax loss carryforwards, the related valuation allowance and the resulting net deferred tax assets

Fiscal year ended March 31, 2019

	Millions of yen						Total
	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	
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}

*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.

Fiscal year ended March 31, 2020

	Millions of yen						Total
	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	
Tax loss carryforwards (*1)	¥ 449	¥ 853	¥ 3,026	¥ 88	¥ 79	¥ 1,237	¥ 5,736
Valuation allowance	(443)	(848)	(181)	(77)	(45)	(950)	(2,546)
Deferred tax assets	5	5	2,845	11	34	287	3,189 ^{*2}

	Thousands of U.S. dollars						Total
	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	
Tax loss carryforwards (*1)	\$ 4,119	\$ 7,826	\$ 27,761	\$ 807	\$ 725	\$ 11,349	\$ 52,624
Valuation allowance	(4,064)	(7,780)	(1,661)	(706)	(413)	(8,716)	(23,358)
Deferred tax assets	46	46	26,101	101	312	2,633	29,257 ^{*2}

*1. Tax loss carryforwards were calculated based on the statutory tax rate.

*2. Of the total tax loss carryforwards of 5,736 million yen, 3,189 million yen were deferred tax assets. This 3,189 million yen of deferred tax assets comprised mainly 2,520 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:

2. 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.

15.2 Reconciliation of the significant differences between the statutory tax rate and the effective tax rate reflected in the accompanying consolidated statements of income

	2019	2020
Statutory tax rate	30.6%	30.6%
(Adjustment)		
Elimination of dividends received from consolidated subsidiary companies etc.	17.9	19.7
Difference of tax rates from Parent Company	2.4	2.2
Amortisation of goodwill	0.8	0.9
Per capita portion of inhabitant tax	0.5	0.4
Nondeductible expenses	0.4	0.4
Valuation allowance	2.0	0.4
Nontaxable income	(17.8)	(19.3)
Temporary difference related to investments in subsidiaries	(12.2)	—
Profit or loss from investments with equity method affiliates	(1.7)	(1.2)
Other	0.3	0.2
Effective tax rate	23.2	34.4

16. Asset Retirement Obligations

Omitted as the significance was negligible.

17. 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, 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). Rental profit and loss related to such rental property in the fiscal year ended March 31, 2020 was 32,663 million yen (major rental revenues are recorded in revenues from operations and major rental expenses are recorded in costs of revenues from operations).

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
	2019	2020	2020
Book value (Note 1):			
Balance at beginning of the year	¥ 623,463	¥ 639,657	\$ 5,868,413
Increase/decrease (Note 2)	16,193	6,265	57,477
Balance at end of the year	639,657	645,922	5,925,890
Fair value at end of the year (Note 3)	894,928	914,359	8,388,615

Notes:

1. Book value is acquisition cost less accumulated depreciation.
2. For increase/decrease during the fiscal year ended March 31, 2019, the main increase was acquisitions of real estate of 42,062 million yen, and the main decreases were sales of real estate of 13,437 million yen and depreciation of 12,450 million yen. For increase/decrease during the fiscal year ended March 31, 2020, the main increases were the completion of buildings in development of 13,940 million yen and acquisitions of real estate of 6,235 million yen, and the main decrease was depreciation of 12,838 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, 2019 and for the fiscal year ended March 31, 2020 were 156,605 million yen and 156,001 million yen, respectively.

18. Segment Information

18.1 Segment information

18.1.1 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 the seven business areas of urban transportation, real estate, entertainment, information and communication technology, 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: Sports-related businesses and stage events
- Information and Communication Technology: Information and communication technology business
- Travel: Travel services
- International Transportation: International cargo services
- Hotels: Hotel ownership and management business

18.1.2 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.

18.1.3 Information regarding totals for revenues from operations, income (loss), assets and other items by reportable segment

Fiscal year ended March 31, 2019

	Millions of yen									
	Reportable segment							Other (Note 1)	Adjustment (Note 2)	Amounts appearing in the consolidated financial statements (Note 3)
	Urban Transportation	Real Estate	Entertainment	Information and Communication Technology	Travel	International Transportation	Hotels			
Revenues from operations:										
I. Customers	¥ 233,622	¥ 219,828	¥ 73,183	¥ 44,632	¥ 35,518	¥ 89,924	¥ 63,707	¥ 30,632	¥ 377	¥ 791,427
II. Intersegment	4,939	17,447	1,334	8,901	9	66	1,216	12,784	(46,700)	—
Total	238,562	237,276	74,518	53,533	35,528	89,990	64,923	43,417	(46,322)	791,427
Segment income (loss)	43,455	49,250	13,439	5,279	1,764	2,392	1,214	2,333	(4,191)	114,937
Segment assets	800,209	1,144,513	106,258	53,537	91,603	48,925	84,071	37,520	99,582	2,466,223
Other items:										
Depreciation and amortisation	27,354	16,640	3,684	3,414	653	619	2,140	360	(696)	54,172
Increase in property and equipment and intangible assets	33,791	62,448	2,637	5,307	831	678	1,961	1,452	5,259	114,368

Notes

- The "Other" segment refers to a business segment not included in reportable segments, and includes construction business, etc.
- 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.
- Segment profit and loss is adjusted with operating income in the consolidated statement of income.

Fiscal year ended March 31, 2020

	Millions of yen									
	Reportable segment							Other (Note 1)	Adjustment (Note 2)	Amounts appearing in the consolidated financial statements (Note 3)
	Urban Transportation	Real Estate	Entertainment	Information and Communication Technology	Travel	International Transportation	Hotels			
Revenues from operations:										
I. Customers	¥ 222,478	¥ 216,805	¥ 72,593	¥ 49,904	¥ 33,762	¥ 76,104	¥ 59,136	¥ 31,472	¥ 393	¥ 762,650
II. Intersegment	4,698	19,241	1,427	8,671	3	81	1,143	11,014	(46,281)	—
Total	227,176	236,046	74,020	58,576	33,766	76,186	60,280	42,486	(45,887)	762,650
Segment income (loss)	40,056	41,510	11,695	5,598	232	170	(3,142)	2,381	(3,332)	95,170
Segment assets	816,195	1,178,160	107,608	55,658	47,286	48,429	88,030	38,040	109,672	2,489,081
Other items:										
Depreciation and amortisation	27,621	17,150	3,751	3,752	761	1,310	2,503	381	(691)	56,542
Increase in property and equipment and intangible assets	32,928	32,212	4,161	4,865	1,244	1,111	4,814	198	(446)	81,090

	Thousands of U.S. dollars									
	Reportable segment							Other (Note 1)	Adjustment (Note 2)	Amounts appearing in the consolidated financial statements (Note 3)
	Urban Transportation	Real Estate	Entertainment	Information and Communication Technology	Travel	International Transportation	Hotels			
Revenues from operations:										
I. Customers	\$ 2,041,083	\$ 1,989,037	\$ 665,991	\$ 457,835	\$ 309,743	\$ 698,202	\$ 542,532	\$ 288,734	\$ 3,606	\$ 6,996,789
II. Intersegment	43,101	176,523	13,092	79,550	28	743	10,486	101,046	(424,596)	—
Total	2,084,183	2,165,560	679,083	537,394	309,780	698,954	553,028	389,780	(420,982)	6,996,789
Segment income (loss)	367,486	380,826	107,294	51,358	2,128	1,560	(28,826)	21,844	(30,569)	873,119
Segment assets	7,488,028	10,808,807	987,229	510,624	433,817	444,303	807,615	348,991	1,006,165	22,835,606
Other items:										
Depreciation and amortisation	253,404	157,339	34,413	34,422	6,982	12,018	22,963	3,495	(6,339)	518,734
Increase in property and equipment and intangible assets	302,092	295,523	38,174	44,633	11,413	10,193	44,165	1,817	(4,092)	743,945

Notes

- The "Other" segment refers to a business segment not included in reportable segments, and includes construction business, etc.
- 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 13,987 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.
- Segment profit and loss is adjusted with operating income in the consolidated statement of income.

18.1.4 Changes to reportable segments, etc.

From the fiscal year ended March 31, 2020 the six reportable segments (Urban Transportation, Real Estate, Entertainment and Communications, Travel, International Transportation and Hotels) have been reorganized into the following seven segments: Urban Transportation, Real Estate, Entertainment, Information and Communication Technology, Travel, International Transportation, and Hotels.

This reorganization will allow us to further strengthen our competitiveness in communications and media, which included the Entertainment and Communication business segment. Information and Communication Technology is not merely a name change, but a new independent segment, while the segment previously covered by Entertainment and Communication has been reorganized as the Entertainment business segment.

The segment information given here for the fiscal year ended March 31, 2019 corresponds to the post-reorganization segments.

18.2 Related information

Fiscal years ended March 31, 2019 and 2020

18.2.1 Information by product and service

Information about product and service categories is the same as that described in Note 18.1.3, "Information regarding totals for revenues from operations, income (loss), assets and other items by reportable segment."

18.2.2 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.

18.2.3 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.

18.3 Information regarding impairment loss on noncurrent assets for each reported segment

Fiscal year ended March 31, 2019

	Millions of yen									
	Reportable segment							Other	Adjustment	Amounts appearing in the consolidated financial statements
	Urban Transportation	Real Estate	Entertainment	Information and Communication Technology	Travel	International Transportation	Hotels			
Loss on impairment	¥ 19,227	¥ —	¥ —	¥ —	¥ —	¥ 15	¥ 20	¥ —	¥ —	¥ 19,262

Fiscal year ended March 31, 2020

Omitted as the significance was negligible.

18.4 Information regarding amortisation of goodwill and the balance of unamortised goodwill by reportable segment

Omitted as the significance was negligible.

18.5 Information regarding gains from negative goodwill by reportable segment

Omitted as the significance was negligible.

19. Related-Party Transactions

19.1 Related-party transactions

19.1.1 Transactions between the company submitting the consolidated financial statements and related parties

No items

19.1.2 Transactions between consolidated subsidiaries of the company submitting the consolidated financial statements and related parties

19.1.2.1 Non-consolidated subsidiary or related company of the company that submitted the financial statements.

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		Deposit	¥27,099	

Fiscal year ended March 31, 2020

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, 2020	
								(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	—	—	Deposit	¥27,099	\$248,615

Notes:

- The transaction amount and the balance as of the end of the fiscal year do not include any consumption tax.
- 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.

19.1.2.2 Directors and principal shareholders (only individual shareholders) of the company submitting the consolidated financial statements

Fiscal year ended March 31, 2019

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, 2019 (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

Fiscal year ended March 31, 2020

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, 2020	
			(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	\$ 486	Deposit	¥ 40	\$ 367
Director of Major Subsidiary	Tomiyuki Matsuda	—	—	—	Director at Hankyu Hanshin Properties Corp.	Directly 0.0%	Contract for renovation work	Renovation work	10	92	—	—	—

Notes:

- The transaction amount and the balance as of the end of the fiscal year do not include any consumption tax.
- 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.
Renovation work is decided rationally, based on negotiations that consider real market value.

19.2 Notes about parent company and major affiliated companies

No items

20. 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.

	2019	2020	2020
(1) Net assets per share (Yen / U.S. dollars)	¥ 3,615.52	¥ 3,738.56	\$ 34.30
(Basis for the calculation)			
Total net assets (Millions of yen / Thousands of U.S. dollars)	¥ 915,381	¥ 937,672	\$ 8,602,495
Amount to be deducted from total net assets (Millions of yen / Thousands of U.S. dollars)	¥ 30,517	¥ 32,025	\$ 293,807
(Of the amount, non-controlling interests)	¥ [30,517]	¥ [32,025]	\$ [293,807]
Net assets at the end of the fiscal year related to common shares (Millions of yen / Thousands of U.S. dollars)	¥ 884,863	¥ 905,647	\$ 8,308,688
Common shares issued (Thousands of shares)	254,281	254,281	
Treasury stock shares (Thousands of shares)	8,381	10,877	
Common shares held by consolidated subsidiaries and equity-method affiliates (Thousands of shares)	1,159	1,159	
Common shares used to calculate net assets per share (Thousands of shares)	244,740	242,245	
(2) Net income per share (Yen / U.S. dollars)	¥ 266.86	¥ 225.69	\$ 2.07
(Basis for the calculation)			
Net income attributable to owners of the parent (Millions of yen / Thousands of U.S. dollars)	¥ 65,476	¥ 54,859	\$ 503,294
Amount not belonging to common stockholders (Millions of yen / Thousands of U.S. dollars)	¥ —	¥ —	\$ —
Net income attributable to owners of the parent related to common shares (Millions of yen / Thousands of U.S. dollars)	¥ 65,476	¥ 54,859	\$ 503,294
Average number of common shares during term (Thousands of shares)	245,353	243,077	
(3) Net income per share—diluted (Yen / U.S. dollars)	¥ 266.86	¥ —	\$ —
(Basis for the calculation)			
Adjustment to net income attributable to owners of the parent (Millions of yen / Thousands of U.S. dollars)	¥ (0)	¥ —	\$ —
(Equity in income of affiliates)	¥ [(0)]	¥ [—]	\$ [—]
Increase in number of common shares (Thousands of shares)	—	—	—
Summary of potential shares that were not included in the calculation of diluted net income per share because their effect was not dilutive	—	—	—

Notes:

- 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, 2019 was 377,008, and for the fiscal year ended March 31, 2020 is 367,308, 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, 2019, was 375,143, and for the fiscal year ended March 31, 2020, is 371,785.
- As there are no dilutive shares with a dilutive effect, diluted net income per share for the fiscal year ended March 31, 2020 has been omitted.

21. Subsequent Events

21.1 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 14, 2020 decided the following items in relation to the acquisition of treasury stock.

21.1.1 Reason for acquisition of treasury stock

To enhance shareholder returns and enhance capital efficiency

21.1.2 Details of items related to acquisition

- Type of shares acquired: Shares of common stock of the Company
- Total number of shares available for acquisition: 1,500,000 shares (upper limit)
(0.62% of total number of outstanding shares (excluding treasury stock))
- Total amount of acquisition: 4,300,000,000 yen (upper limit)
- Period of acquisition: From May 20, 2020 to March 31, 2021

22. Consolidated Supplementary Statements

22.1 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, 2019	Balance as of March 31, 2020	Balance as of March 31, 2020			
Hankyu Hanshin Holdings, Inc.	Series 38 unsecured corporate bonds	Oct 23, 2009	¥10,000	¥ —	\$ —	1.87%	None	Oct 23, 2019
Hankyu Hanshin Holdings, Inc.	Series 40 unsecured corporate bonds	Sep 22, 2010	15,000	15,000 (15,000)	137,615 (137,615)	1.43	None	Sep 18, 2020
Hankyu Hanshin Holdings, Inc.	Series 41 unsecured corporate bonds	Sep 22, 2010	7,000	7,000	64,220	1.72	None	Sep 22, 2022
Hankyu Hanshin Holdings, Inc.	Series 42 unsecured corporate bonds	Mar 17, 2011	10,000	10,000 (10,000)	91,743 (91,743)	1.54	None	Mar 17, 2021
Hankyu Hanshin Holdings, Inc.	Series 45 unsecured corporate bonds	Mar 14, 2013	10,000	—	—	0.589	None	Mar 13, 2020
Hankyu Hanshin Holdings, Inc.	Series 46 unsecured corporate bonds	Oct 25, 2013	10,000	10,000	91,743	0.819	None	Oct 25, 2023
Hankyu Hanshin Holdings, Inc.	Series 47 unsecured corporate bonds	Jul 18, 2014	10,000	10,000	91,743	1.202	None	Jul 18, 2029
Hankyu Hanshin Holdings, Inc.	Series 48 unsecured corporate bonds	Dec 15, 2016	10,000	10,000	91,743	0.120	None	Dec 15, 2021
Hankyu Hanshin Holdings, Inc.	Series 49 unsecured corporate bonds	Dec 15, 2016	10,000	10,000	91,743	0.817	None	Dec 15, 2036
Hankyu Hanshin Holdings, Inc.	Series 50 unsecured corporate bonds	Sep 13, 2018	10,000	10,000	91,743	0.345	None	Sep 13, 2028
Hankyu Hanshin Holdings, Inc.	Series 51 unsecured corporate bonds	Sep 13, 2018	10,000	10,000	91,743	0.789	None	Sep 13, 2038
Hankyu Hanshin Holdings, Inc.	Series 52 unsecured corporate bonds	Nov 21, 2019	—	10,000	91,743	0.215	None	Nov 21, 2029
Hankyu Hanshin Holdings, Inc.	Series 53 unsecured corporate bonds	Nov 21, 2019	—	10,000	91,743	0.878	None	Nov 19, 2049
Hankyu Hanshin Holdings, Inc.	Series 54 unsecured corporate bonds	Feb 27, 2020	—	10,000	91,743	0.486	None	Feb 27, 2040
Total	—	—	112,000	122,000 (25,000)	1,119,266 (229,358)	—	—	—

Notes:

- The figures in parenthesis for the balance as of March 31, 2020 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, 2020 are as follows.

	Millions of yen	Thousands of U.S. dollars
Due within one year	¥ 25,000	\$ 229,358
Due after one year through two years	10,000	91,743
Due after two years through three years	7,000	64,220
Due after three years through four years	10,000	91,743
Due after four years through five years	—	—

22.2 Statements of loans payable

Item	Millions of yen		Thousands of U.S. dollars	Average interest	Repayment deadline rate
	Balance as of April 1, 2019	Balance as of March 31, 2020	Balance as of March 31, 2020		
Short-term borrowings	¥ 102,670	¥ 123,710	\$ 1,134,954	0.416%	—
Current portion of long-term debt	34,365	34,696	318,312	1.349	—
Current portion of lease obligations	1,567	2,404	22,055	—	—
Long-term debt (excluding current portion)	621,375	615,058	5,642,734	0.832	2021 - 2040
Lease obligations (excluding current portion)	5,076	5,609	51,459	—	2021 - 2028
Other interest-bearing debt	—	—	—	—	—
Total	765,055	781,480	7,169,541	—	—

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, 2020.
- 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, 2020 are as follows.

	Millions of yen	Thousands of U.S. dollars
Long-term debt		
Due after one year through two years	¥ 44,971	\$ 412,578
Due after two years through three years	53,877	494,284
Due after three years through four years	90,036	826,018
Due after four years through five years	75,670	694,220
Lease obligations		
Due after one year through two years	¥ 2,051	\$ 18,817
Due after two years through three years	1,573	14,431
Due after three years through four years	1,160	10,642
Due after four years through five years	618	5,670

22.3 Schedule of asset retirement obligations

Omitted as the significance was negligible.

23. Others

Quarterly financial information in fiscal year ended March 31, 2020

Cumulative period	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Revenues from operations (Millions of yen)	¥ 187,161	¥ 410,733	¥ 583,678	¥ 762,650
Income before income taxes (Millions of yen)	32,202	71,950	89,885	86,746
Net income attributable to owners of the parent (Millions of yen)	21,395	47,630	58,968	54,859
Net income per share for quarter (of the fiscal year ended March 31, 2020) (yen)	87.50	195.38	242.34	225.69

Cumulative period	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Revenues from operations (Thousands of U.S. dollars)	\$ 1,717,073	\$ 3,768,193	\$ 5,354,844	\$ 6,996,789
Income before income taxes (Thousands of U.S. dollars)	295,431	660,092	824,633	795,835
Net income attributable to owners of the parent (Thousands of U.S. dollars)	196,284	436,972	540,991	503,294
Net income per share for quarter (of the fiscal year ended March 31, 2020) (U.S. dollars)	0.80	1.79	2.22	2.07

Accounting period	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Net income(loss) per share for quarter of the fiscal year (Yen)	¥ 87.50	¥ 107.92	¥ 46.80	¥ (16.96)

Accounting period	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Net income(loss) per share for quarter of the fiscal year (U.S. dollars)	\$ 0.80	\$ 0.99	\$ 0.43	\$ (0.16)

Major Group Companies

Consolidated Subsidiaries (As of September 30, 2020)

Urban Transportation

	Name of company
Railway operations	Hankyu Corporation Hanshin Electric Railway Co., Ltd. Nose Electric Railway Co., Ltd. Kita-Osaka Kyuko Railway Co., Ltd. Kobe Rapid Transit Railway Co., Ltd.
Automobile	Hankyu Bus Co., Ltd. Hanshin Bus Co., Ltd. Hankyu Taxi Inc. Hanshin Taxi Co., Ltd.
Retailing	Hankyu Corporation Eki Retail Service Hankyu Hanshin Co., Ltd. Hankyu Style Labels Co., Ltd.
Other	Alna Sharyo Co., Ltd. Hankyu Sekkei Consultant Hanshin Station Net Co., Ltd.

Real Estate

	Name of company
Real estate leasing	Hankyu Corporation Hanshin Electric Railway Co., Ltd. Hankyu Hanshin Properties Corp.
Real estate sales and other business	Hankyu Corporation Hanshin Electric Railway Co., Ltd. Hankyu Hanshin Properties Corp. Hankyu Hanshin Building Management Co., Ltd. Hankyu Hanshin High Security Service Co., Ltd. Hankyu Hanshin Clean Service Co., Ltd. Hankyu Hanshin REIT Asset Management, Inc. Hankyu Hanshin Housing Support Ltd.

Entertainment

	Name of company
Sports	Hanshin Electric Railway Co., Ltd. Hanshin Tigers Baseball Club, Ltd. Hanshin Contents Link Corporation
Stage	Hankyu Corporation Takarazuka Creative Arts Co., Ltd. Umeda Arts Theater Co., Ltd.

Information and Communication Technology

	Name of company
Information and Communication Technology	Itec Hankyu Hanshin Co., Ltd. Bay Communications Inc.

Travel

	Name of company
Travel agency	Hankyu Travel International Co., Ltd. Hankyu Travel Support Co., Ltd.

International Transportation

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

Hotels

	Name of company
Hotel management	Hankyu Hanshin Hotels Co., Ltd. Hanshin Hotel Systems Co., Ltd. Arima View Hotel Co., Ltd.

Other

	Name of company
Construction	Hanshin Kensetsu Co., Ltd. Chuo Densetsu Co., Ltd.
Advertising	hankyu hanshin marketing solutions Inc.
Outsourcing services for personnel and accounting services	Hankyu Hanshin Business Associate Co., Ltd.
Credit and point card	Hankyu Hanshin Card Co., Ltd.
Group finance	Hankyu Hanshin Financial Support Co., Ltd.

Equity-Method Affiliates (As of September 30, 2020)

Main business	Name of company
Department store	H ₂ O RETAILING CORPORATION (Securities code: 8242)
Railway operations	Nishi-Osaka Railway Co., Ltd. Kobe Electric Railway Co., Ltd. (Securities code: 9046)
Motion picture business	TOHO CO., LTD. (Securities code: 9602)
Real estate leasing	TOKYO RAKUTENCHI CO., LTD. (Securities code: 8842)
Commercial broadcasting	Kansai Television Co., Ltd.

Company Overview and Investor Information

Hankyu Hanshin Holdings, Inc. (As of March 31, 2020)

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

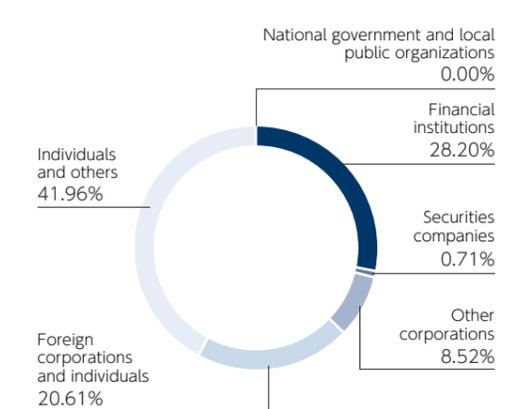
Tokyo Office (Personnel and General Affairs Div.)
17F Toho Hibiya Bldg. 1-2-2, Yurakucho, Chiyoda-ku,
Tokyo 100-0006, Japan
Phone: +81-3-3503-1568
Fax: +81-3-3508-0249

Paid-in Capital ¥99,474 million
Fiscal Year-End March 31
Number of Employees 22,800 (consolidated)
Authorised Shares 640,000,000
Issued Shares 254,281,385
Number of Shareholders 76,471
Unit of Trading 100 shares
Stock Exchange Listing Tokyo
Transfer Agent Mitsubishi UFJ Trust and Banking Corporation

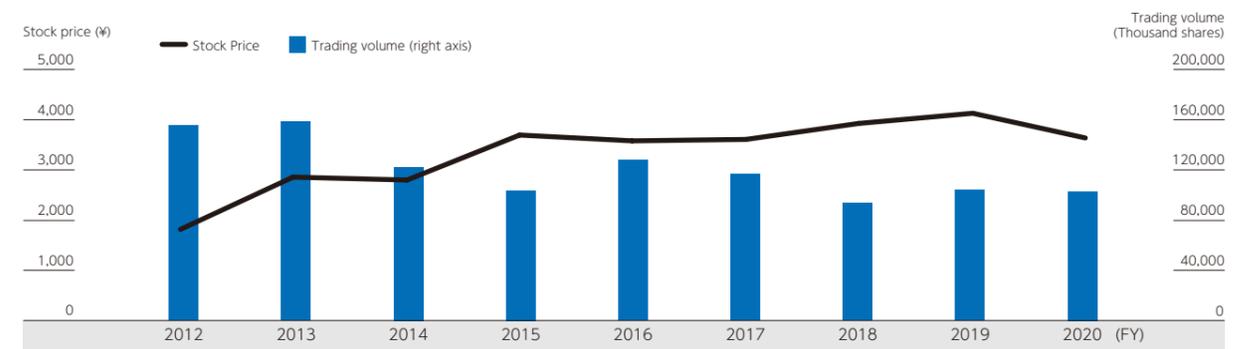
Principal Shareholders

Name	Number of shares (Thousands)	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	15,230	6.25
Japan Trustee Services Bank, Ltd. (Trust account)	12,130	4.98
Nippon Life Insurance Company (Standing Proxy: The Master Trust Bank of Japan, Ltd.)	5,224	2.14
Japan Trustee Services Bank, Ltd. (Trust account 5)	5,142	2.11
H ₂ O RETAILING CORPORATION	4,207	1.73
STATE STREET BANK WEST CLIENT-TREATY 505234 (Standing Proxy: Mizuho Bank, Ltd. Settlement & Clearing Services Division)	3,985	1.63
Japan Trustee Services Bank, Ltd. (Trust account 7)	3,911	1.60
JP MORGAN CHASE BANK 385151 Mizuho Bank, Ltd. Settlement & Clearing Services Division)	3,836	1.57
Sumitomo Mitsui Banking Corporation	3,581	1.47
GOVERNMENT OF NORWAY	3,172	1.30

Ownership Breakdown



Stock Price and Annual Trading Volume (Tokyo Stock Exchange)



Notes:

- The stock prices are as of March 31, of each year. The trading volumes are for years ended March 31.
- The data takes into account the reverse stock split and the change of trading unit conducted with an effective date of August 1, 2016.

Hankyu Hanshin Holdings, Inc.

1-16-1, Shibata, Kita-ku, Osaka 530-0012, Japan
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Hankyu Hanshin Toho Group

