

Hankyu Hanshin Holdings

INTEGRATED REPORT 2022





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.



Sustainability Declaration

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.

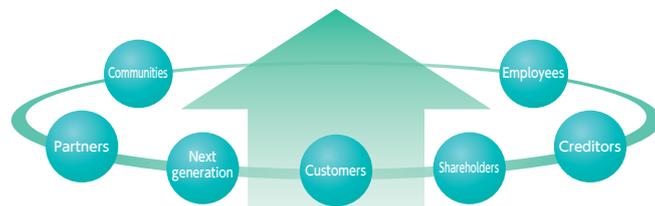
Six priority issues (materiality matrix)

See page 46 For details



Business plan framework

Contributing to a sustainable society



Sustainably enhance corporate value

Long-Term Vision
Medium-Term Management Plan

Sustainability Declaration

Group Management Philosophy

The core elements underlie our pursuit of sustainable growth

Our value to society

The vision and strategy for the Group's sustainable growth, and the specific plans for their implementation

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Editorial Policy

This integrated report, in addition to a review of fiscal 2021, 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 Nishikyo, 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 2022 (April 2021–March 2022), 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 August 2022. 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 184th 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.

Integrated Report 2022 Highlights

From page 22 Long-Term Vision: *Toward 2040*

In order to respond appropriately to the rapid changes taking place in the socioeconomic and business environments as a result of the pandemic, and further enhance our corporate value, we have updated the Long-Term Vision 2025 we formulated and published in 2017, and in May 2022 announced Long-Term Vision: *Toward 2040*.

The new Long-Term Vision outlines our long-term direction, which is focused on the latter half of the 2030s, the period in which we expect our large-scale projects to start contributing to profits. It also presents our management targets for fiscal 2031, a waymark on that path. This report introduces an overview of the Long-Term Vision, and also initiatives based on the vision's four strategies and the Hankyu Hanshin DX Project.

From page 33 onward, we also take a look at the Medium-Term Management Plan for fiscal 2023 to 2026, one of the concrete action plans to make the long-term vision a reality.



From page 37 Human Capital— Empowering Individuals

To go even further to enhance our human capital as we work toward our Long-Term Vision, we have set a personnel strategy that is linked to that vision. Also, under our management strategy, we will systematically employ and train the human resources we need, and to maximize individual performance we are setting non-financial KPIs.

In this report, we introduce details on our basic approach toward enhancing human capital and specific initiatives based on our personnel strategy.



From page 48 Task Force on Climate-related Financial Disclosures

As part of our response to the TCFD's recommendations, in order to understand the effect that particularly significant designated risks and opportunities in our railway operation and real estate businesses have on our business, we have undertaken scenario analysis. We introduce the financial impacts that we have calculated using this analysis.



From page 91 Helping to Develop Communities with Low Environmental Impacts

As a corporate group that has developed alongside the local communities in which we operate, we are forging ahead with initiatives that look to assist with carbon neutrality by reducing the environmental impact not only of our own business activities, but of communities as a whole.

This report features actual case studies of the efforts we are making to improve convenience and lessen environmental impact by expanding our public transport network, particularly our railways, and real-life examples of how initiatives in our sport business are bringing customers, local authorities, and companies together to help lower environmental damage.



From page 85 Audit & Supervisory Committee Member Tripartite Discussion

In June 2020, we became a company with an audit and supervisory committee. We held discussions between the three directors who sit on the Audit & Supervisory Committee, and they deliberated on topics such as our governance structure and sustainable management.



Reference Guidelines

This report references the International Integrated Reporting Framework set by the International Integrated Reporting Council—now part of the IFRS Foundation—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 an outline of the scope of Group businesses, and a list of Group companies.
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 for each of our railway companies (Hankyu Corporation, Hanshin Electric Railway, Kita-Osaka Kyuko Railway, and Nose Electric Railway).

*Japanese only

Sustainability Data Book

The Sustainability Data Book provides detailed information on our ESG approach, targets, initiatives, data, and other topics.

Social:

Respect human rights, ensuring business safety and reliability, contribute to local communities and society, improve employee satisfaction and create a more positive workplace, occupational safety & health and health management

Environment:

Environmental management, climate change, pollution and resources, biodiversity, and water resources

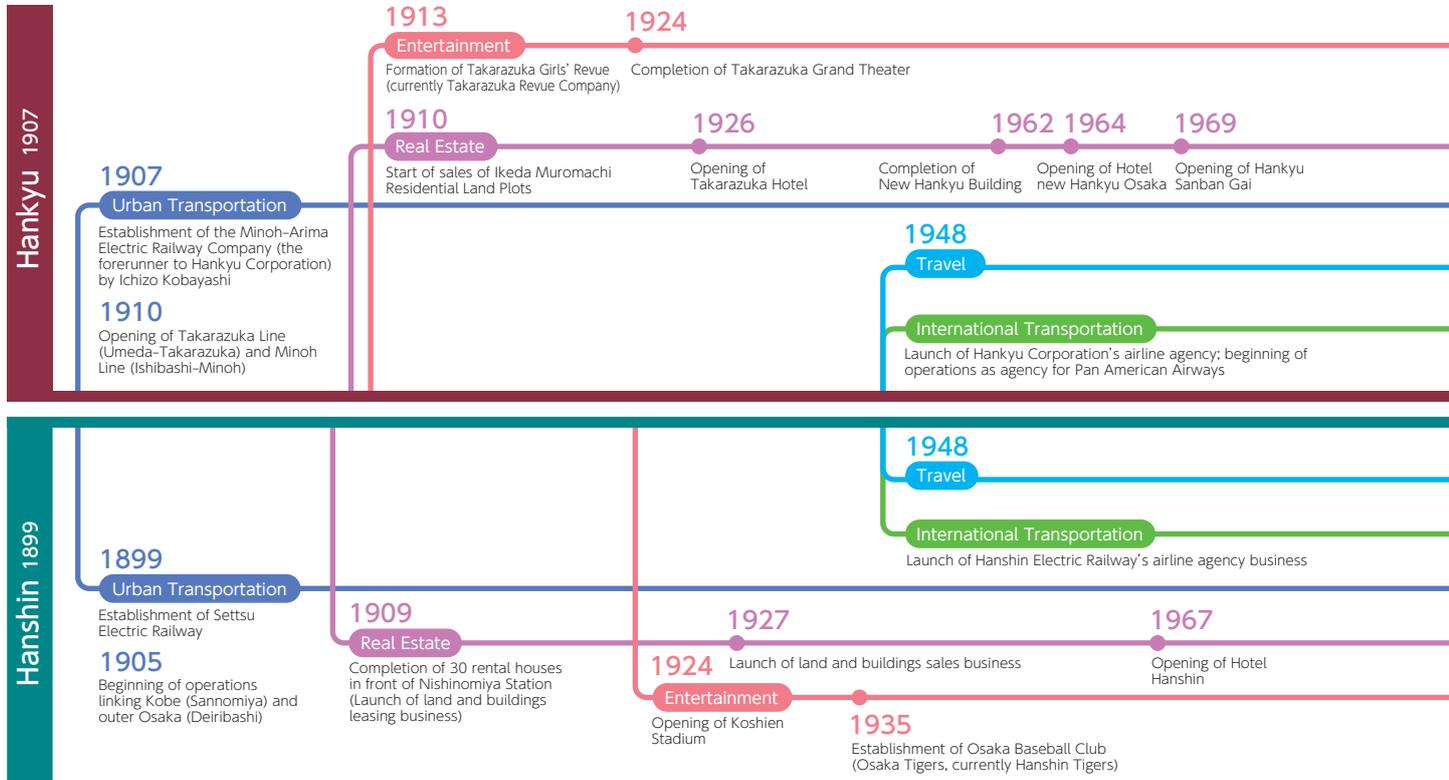
Governance:

Corporate governance, thorough compliance and corruption prevention, risk management, and taxation transparency

Value Creation Trajectory

We have provided never-before-seen services one after another in a range of fields, from the development of residential and commercial facilities to the provision of attractive entertainment, such as Hanshin Tigers games and Takarazuka Revue performances, based on our railway operation business. By doing so, we have contributed to high-quality community building, particularly in the areas along our railway lines, while also ushering in new eras for society. In these ways, we have left our mark across the more than 100 years of our history.

Business Changes and Growth Trajectory



1900-

Giving form to our operational area from the starting point of Osaka-Umeda and creating all sorts of value that ties in to people's lifestyles

1960-

Promoting community building in the Osaka-Umeda area

In 1907, Ichizo Kobayashi founded the Minoh-Arima Electric Railway Company, which would later become the Hankyu Corporation. With a unique business model that combined residential area development, Kobayashi was an early leader in private railway management. Going back eight years earlier, 1899 saw the establishment of Settsu Electric Railway by the railway's first president, Shuzo Toyama. With the company, Toyama laid the foundations for Hanshin Electric Railway as a pioneer of intercity electric railway.



Ichizo Kobayashi upon the founding of the railway business



Shuzo Toyama, Hanshin Electric Railway's first president



A Hankyu train crosses the Inagawa Bridge (circa 1910)

Both Hankyu Corporation and Hanshin Electric Railway have focused their energies on developing their operational areas as their railway networks spread outward from Osaka-Umeda.

As well as providing homes in the line-side area, they offer new ways of living in the city suburbs. They have also opened businesses like their respective department stores, sited at the railway terminal, and hotels—again contributing to community building.

Through unique forms of entertainment, the companies have brought new types of amusement and culture to people, still charming them in their thousands with the Takarazuka Revue (formed 1913), Hanshin Koshien Stadium (opened 1924), and Hanshin Tigers baseball team (established 1935).



Performance of Mon Paris by Takarazuka Girls' Revue (1927)



Osaka Tigers (now Hanshin Tigers) poster

Beginning in the 1960s, focused on the Osaka-Umeda district, as well as the construction of sites such as the New Hankyu Building and the Dai Hanshin Building, development of facilities progressed, including the Hotel new Hankyu Osaka and Hotel Hanshin.

From 1966, Hankyu Corporation began the comprehensive development of Hankyu-Umeda Station. The station was moved and expanded to cater to the growing numbers of users, transforming it into a safer, more comfortable hub. At the same time, Hankyu Sanban Gai was opened underneath the new station. Following up on the station, the company soon after developed the directly connected Hankyu Terminal Building and a number of office buildings and commercial facilities, including the Hankyu Grand Building. All of these projects catapulted the value of Osaka-Umeda as a business base that brings people to the area.

While we are progressing with the development of Osaka-Umeda, we have also been active in developing communities along our railway lines. Alongside the Osaka Expo held in 1970, we helped to develop the Senri area, including by opening the Kita-Osaka Kyuko Railway Line, and opened commercial and other facilities, particularly at major bases around our lines. Since 1990, we have developed the area around Hankyu Nishinomiya-Kitaguchi Station, creating a community that has garnered praise as a desirable, line-side place to live.



Umeda at the completion of the Hankyu Grand Building (1977)

2006

Establishment of Hankyu Hanshin Holdings, Inc.

Nov. 2008

Opening of the Hankyu Nishinomiya Gardens Main Building



Sep. 2009

Opening of Umeda Hankyu Building (Hankyu Department Store Umeda Main Store, Phase I Building)

May 2010

Opening of Umeda Hankyu Building Office Tower



Apr. 2011

Launch of Mimamoru safety monitoring service

Sep. 2012

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

2014

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



Feb. 2022

Completion of Osaka Umeda Twin Towers South whole building in February 2022 (grand opening of the Hanshin Department Store, Hanshin Umeda Main Store in April 2022, alongside renaming of the Umeda Hankyu Building as Osaka Umeda Twin Towers North)

Mar. 2009

Beginning of operations of Hanshin Namba Line (between Nishikujo-Osaka-Namba)



Mar. 2010

Completion of the renovations of Hanshin Koshien Stadium



Apr. 2013

Opening of GRAND FRONT OSAKA



May 2017

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

May 2022

Announcement of Long-Term Vision: Toward 2040



2000-

Strengthening each business' competitiveness through management integration

2010-

Pushing forward further operational area development focused on Osaka-Umeda

2020-

Utilizing expertise to achieve sustainable growth

In 2006, Hankyu Corporation and Hanshin Electric Railway integrated their businesses and Hankyu Hanshin Holdings Group was born.

In the Group, the two companies were able 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, so as to enhance competitive ability throughout their portfolio and boost corporate value.



Hankyu Series 9000 train Hanshin Series 8000 train

Post-integration, developments included the Hankyu Nishinomiya Gardens Main Building, the renovation of Hanshin Koshien Stadium, the Umeda Hankyu Building, and GRAND FRONT OSAKA. These initiatives by the Hankyu Hanshin Holdings Group managed to progress and deepen community building in these areas.

Furthermore, in 2009, the Hanshin Namba Line opened, completing an expansive network spanning Kobe, Osaka, and Nara.

By merging, Hankyu and Hanshin have been able to harness the ample synergies inherent in their various operations in their quest to further enhance corporate value.



Umeda Hankyu Building (now Osaka Umeda Twin Towers North) concourse

Currently, the Group is studying track placement, for instance by extending the Kita-Osaka Kyuko Railway Line and building the Naniwasuji Connection Line and Shin-Osaka Connection Line, to further enhance the railway network.

As well as Osaka Umeda Twin Towers South, which was completed in February 2022, the Group is firmly promoting large-scale development projects in the Osaka-Umeda area, including the Osaka Station North District (Umekita) Phase II Development and the Shibata 1 Project.

The Group is using the community building abilities it has accrued to continuously provide people and society with new value, particularly in the Osaka-Umeda and other operational areas, and will connect this to its future sustainable growth.



Osaka Umeda Twin Towers South

Business Overview

The Hankyu Hanshin Holdings Group has core businesses in six business domains: Urban Transportation, Real Estate, Entertainment, Information and Communication Technology, Travel, and International Transportation. Further, under the direction of the Company, which supervises the Group's management, these businesses are operated by five core companies:



Urban Transportation

Railway operation business

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.

*Including tier 2 railway operators

Automobile business (bus, taxi)

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

Retailing business

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



Real Estate

Leasing business

This business owns numerous office buildings and facilities, mainly in the Osaka-Umeda area and the line-side areas of the Hankyu and Hanshin lines. In recent years, the business has been actively pursuing development of real estate in the Tokyo metropolitan area, including in the short-term-return (fix-and-flip) business.

Real estate sales and other business

This business markets condominiums, residential land lots, and detached houses, mainly in the line-side areas of the Hankyu and Hanshin lines, and the Tokyo metropolitan area. In recent years, it has used its track record in Japan to start develop residential sales and leasing businesses abroad, particularly in 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.

Hotel business

This business operates a wide range of hotel formats, from "city hotels" in urban locations like Tokyo or Osaka through to no-frills hotels, which mainly comprise guest rooms for overnight stays. In addition to the hotels mentioned above, the business manages The Ritz-Carlton Osaka, based on an alliance with the Ritz-Carlton chain of international luxury hotels.



Entertainment

Sports business

This business manages the Hanshin Tigers professional baseball team, which has a history of nearly 90 years, as well as the team's home ground and high-school baseball mecca Hanshin Koshien Stadium and related businesses. The business also operates a music business (Billboard Live).

Stage business

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

Nature of Business

Core Companies

Fiscal 2022 Results*2



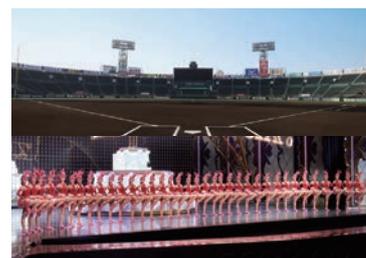
Revenues from operations	¥ 161.6 billion
Operating income	¥ 5.6 billion



Revenues from operations	¥ 246.6 billion
Operating income	¥ 19.4 billion



Revenues from operations	¥ 62.9 billion
Operating income	¥ 9.3 billion



*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 Osaka-Umeda and their line-side areas.

*2 In fiscal 2023, we undertook a partial review of our core business system, and in order to unify the real estate and hotel businesses, we have merged the hotel business into the real estate business (see page 36). As such, our fiscal 2022 results have been created based on the new, post-change reporting segments.

Hankyu Corporation, Hanshin Electric Railway Co., Ltd., Hankyu Hanshin Properties Corp., Hankyu Travel International Co., Ltd., and Hankyu Hanshin Express Co., Ltd. Through these core businesses and companies, we will foster organic growth across the entire Group.



Information and Communication Technology

Information and communication technology business

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



Hanshin Electric Railway

¥ 59.2 billion

¥ 5.9 billion



Travel

Travel business

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

The business provides various travel services which include: media sales to sell packaged tours through advertisements in newspaper, internet and other media, individual tours with itineraries that can be created freely, group tours that we propose for study or as educational tours visiting enterprises or schools, counter sales at shops, tours for the inbound international visitors and arrangements for overseas business trips. Also, as well as providing contracted call center services, the business provides solutions for a variety of contracted tasks for national and local authorities.



Hankyu Travel International

¥ 60.4 billion

– ¥ 5.7 billion



International Transportation

International transportation business

As a global forwarder, we have established bases in regions all over the world and developed a comprehensive international logistics business. As the global business diversifies, we provide a one-stop logistics solution that is optimized to our customers' diverse needs by bringing together air freight, sea freight, and logistics services as a logistics consultant. Domestic bases: 47 / Overseas bases: 144 (As of September 1, 2022)



Hankyu Hanshin Express

¥ 143.3 billion

¥ 8.0 billion



Service Area

As well as enhancing the various businesses and development of thriving communities that we provide in the areas alongside our railway lines, we are utilizing the expertise and facets of community development we have accumulated doing so to areas away from our lines, both inside and outside Japan. By doing so, we aim to achieve sustainable growth.

Kansai (Umeda and line-side areas)

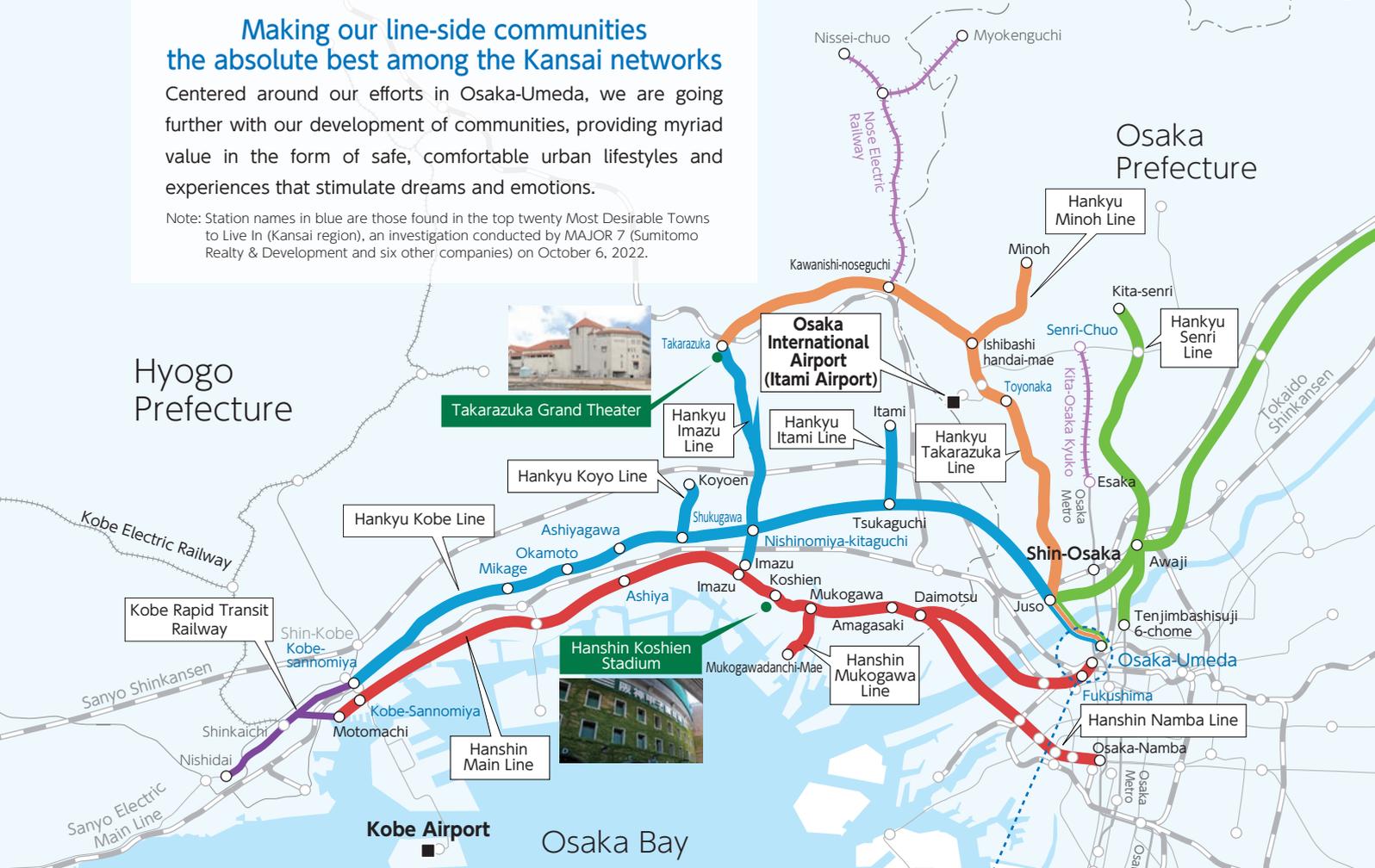
Making our line-side communities the absolute best among the Kansai networks

Centered around our efforts in Osaka-Umeda, we are going further with our development of communities, providing myriad value in the form of safe, comfortable urban lifestyles and experiences that stimulate dreams and emotions.

Note: Station names in blue are those found in the top twenty Most Desirable Towns to Live In (Kansai region), an investigation conducted by MAJOR 7 (Sumitomo Realty & Development and six other companies) on October 6, 2022.

Hyogo Prefecture

Osaka Prefecture



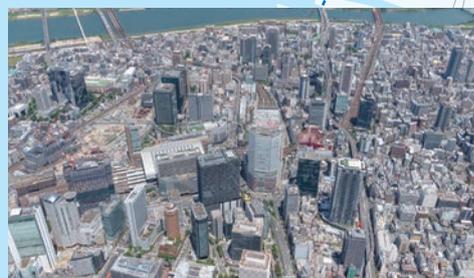
Hankyu Corporation's railway lines link Osaka-Umeda with Kobe, Takarazuka, and Kyoto. Hanshin Electric Railway is an operator with railway lines that directly link Kobe with Osaka's major northern and southern terminals, which are Osaka-Umeda and Osaka-Namba, respectively.

These operations form a network that acts as a type of major society-supporting infrastructure in the Kansai area.

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

*See page 52 for the annual number of passengers carried.

Osaka-Umeda



Kansai International Airport

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

■ Kansai International Airport



Non-service areas (Tokyo metropolitan area and overseas)

Creating richer lifestyles beyond our railway lines

We are expanding the type of thriving community development and business models that we have created along our lines to the Tokyo metropolitan area and overseas, particularly in the ASEAN region.

Initiatives in Tokyo

In the Tokyo metropolitan area, we are focusing our energies on flow businesses, such as businesses with short-term-return (fix-and-flip) and residential sales.

Furthermore, to bring about our Long-Term Vision, we are steadily pressing ahead with real estate development projects currently underway, and looking into how we can incorporate hotels and entertainment in community development.

Hotel Grand Palace Site Effective Use Development

(In September 2021, we signed a basic understanding with relevant partners toward the effective use of the site where the hotel once stood.)

H-Cube Minamiaoyama

(Sold in December 2021)



Yaesu 2 Naka Redevelopment

(Scheduled to be completed in FY2029)



Tokyo Takarazuka Theater

Dai-ichi Hotel Tokyo

PILOT Hankyu Hanshin Green Building

(Completed in February 2019)



Hankyu Hanshin Ginza Building

(Completed in March 2020)

Real estate business development overseas

Initiatives in the ASEAN region

Thailand
(condominiums, houses, and townhouses*)



The Philippines
(houses and townhouses*)

Malaysia
(condominiums)

Vietnam
(condominiums, houses, townhouses,* and logistics facilities)



Indonesia
(real estate leasing, houses, townhouses,* condominiums, and logistics facilities)



Singapore
(logistics facilities)

*Terraced housing

We have concentrated on our residential sales business in the ASEAN region in particular, but going forward we will do more: working on our real estate business and short-term-return (fix-and-flip) business to quickly expand and grow the scale of our earnings and profits in our real estate business overseas.

Total unit sales overseas

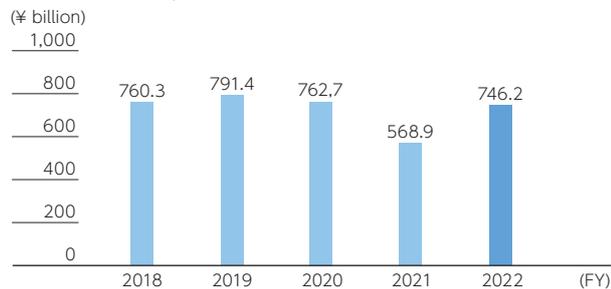
(including those of business partners) (As of September 1, 2022)

Overseas markets	Projects	Total units
Thailand	30	Approx. 24,820
Vietnam	6	Approx. 13,990
The Philippines	5	Approx. 4,340
Indonesia	3	Approx. 3,020
Malaysia	1	Approx. 850
Total	45	Approx. 47,020

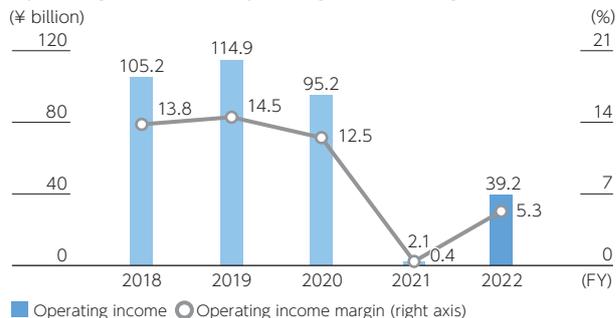
Financial Highlights

Key Financial Indicators (Graphs)

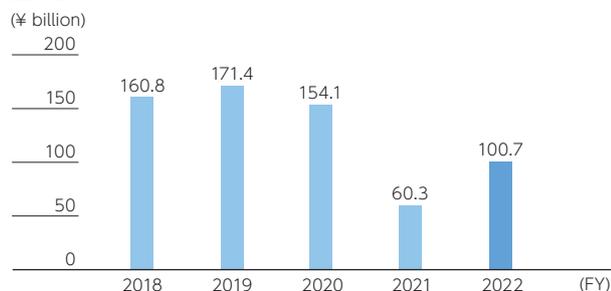
Revenues from operations



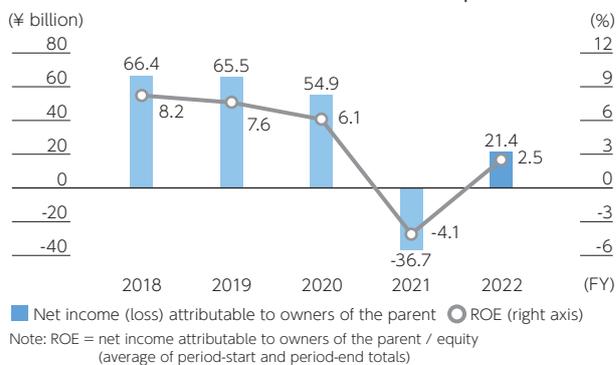
Operating income and operating income margin



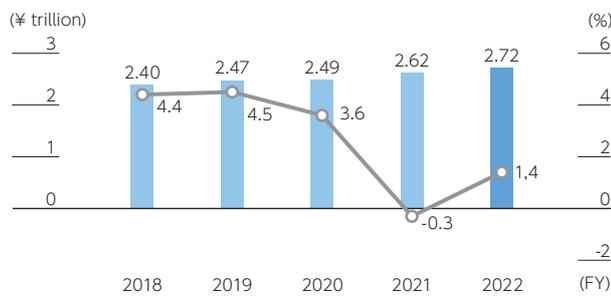
EBITDA



Net income (loss) attributable to owners of the parent and ROE

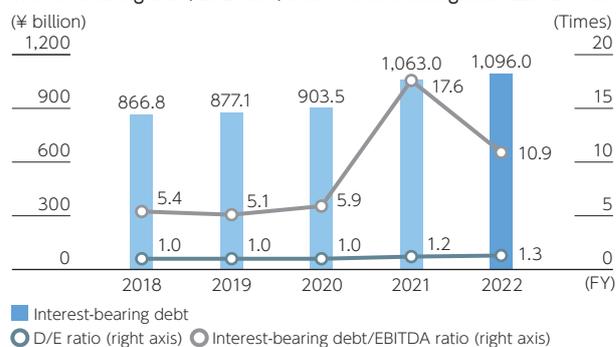


Total assets and ROA

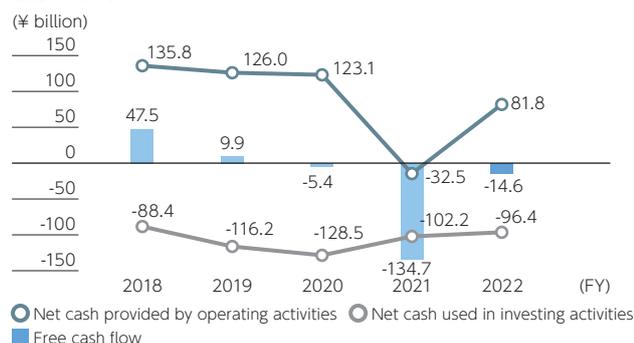


Note: ROA = Ordinary income / Average total assets at beginning and end of the period

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



Cash flows



Returns to shareholders

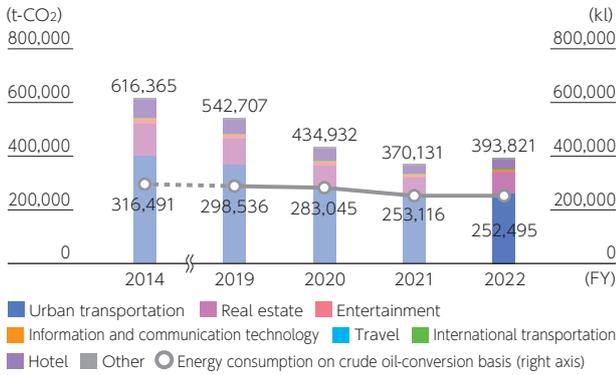


Note: The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and other standards have been applied from the beginning of fiscal 2022. The key management indicators for fiscal 2022 presented here have been calculated to reflect these changes.

Non-Financial Highlights

Environmental Factors

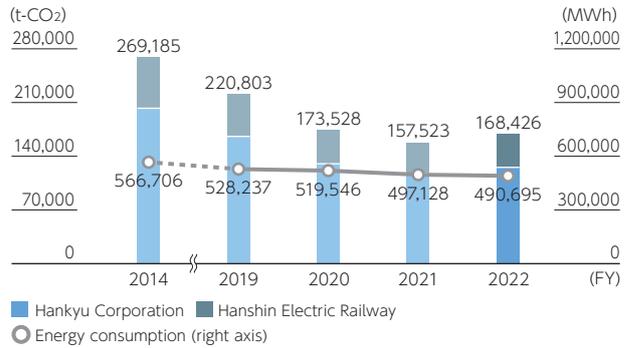
CO₂ emissions volumes and energy consumption on crude oil-conversion basis



Note: Business-specific data has been calculated based on the core business structure in place at the end of fiscal 2022.

CO₂ emissions for fiscal 2022 totaled 393,821 t-CO₂, up 6.4% year on year but down 36.1% from fiscal 2014 levels. Energy consumption on a crude oil conversion basis decreased 0.2% to 252,495 kl.

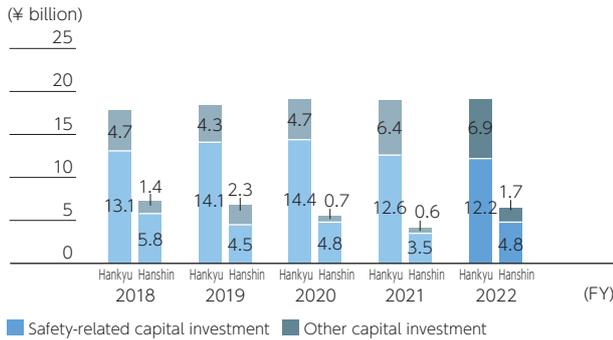
CO₂ emissions produced by Hankyu Corporation and Hanshin Electric Railway during railway operations/energy consumption



In fiscal 2022, CO₂ emissions associated with railway operation business energy consumption by Hankyu Corporation and Hanshin Electric Railway totaled 168,426 t-CO₂, up 6.9% year on year but down 37.4% from fiscal 2014 levels. Energy consumption totaled 490,695 MWh, down 1.3% year on year.

Social Factors

Capital investment in railway operation business



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 operation business accordingly. Safety-related capital investments in fiscal 2022 totaled ¥12.2 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 for installing platform screen doors, further improving stations, and seismically reinforcing elevated tracks.

Percentage of women in management positions and women among new hires (Target: Hankyu Hanshin Holdings and its six major companies*)

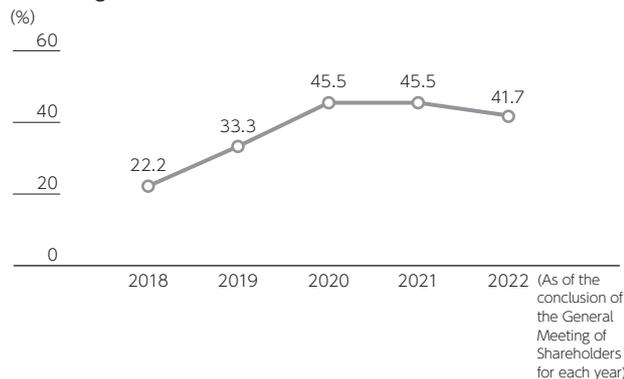


*Hankyu Corporation, Hanshin Electric Railway, Hankyu Hanshin Properties, Hankyu Travel International, Hankyu Hanshin Express, and Hankyu Hanshin Hotels

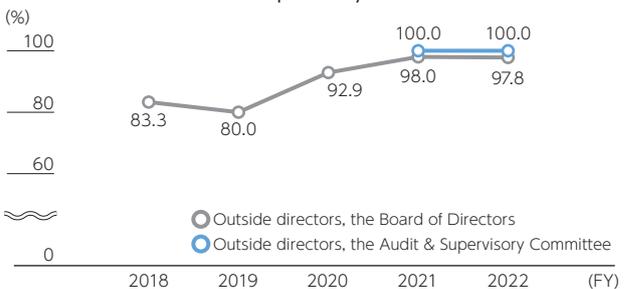
Hankyu Hanshin Holdings and its six major companies are actively continuing to hire female employees and also pursuing fair working environments where employees are able to fulfill their roles to the best of their abilities, regardless of gender, by supporting them by providing diverse career experiences and helping them to balance their work and private lives. In fiscal 2022, the percentage of women in management positions was 5.1% and females made up 36.8% of new hires.

Governance Factors

Percentage of outside directors



Rate of attendance of outside officers at meetings of the Board of Directors and Audit & Supervisory Committee



Note: 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.

01

Creating Real Value: Our Story

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Human Capital
— Empowering Individuals

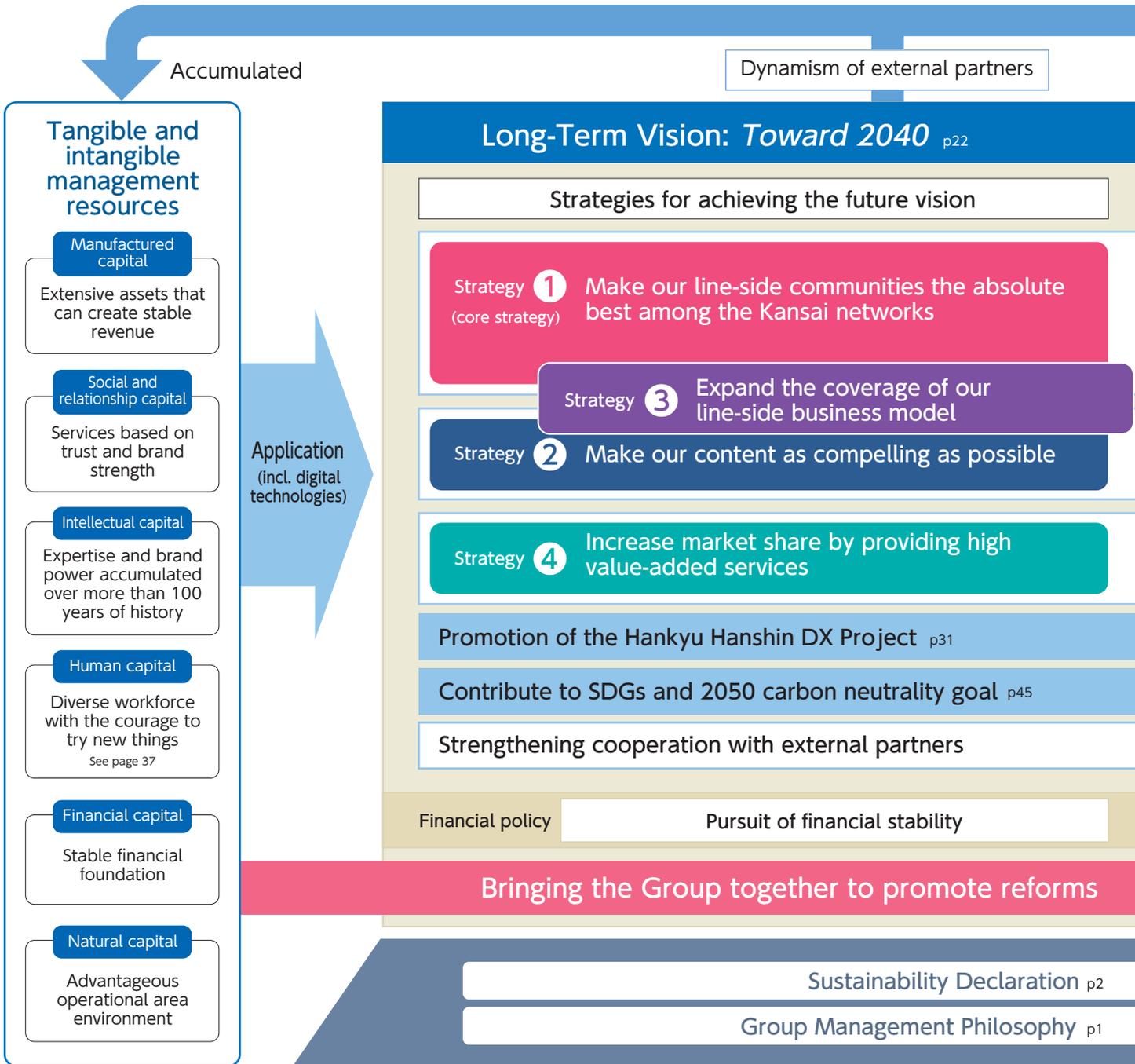




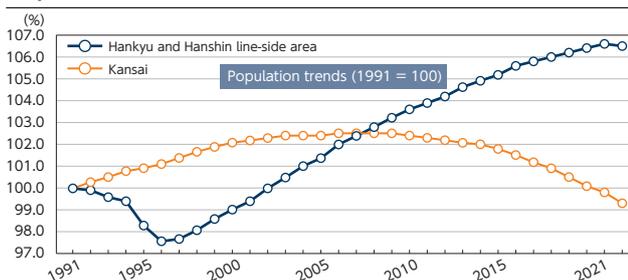
Osaka-Umeda area

Value Creation Process (Overall Long-Term Vision)

By working toward achieving our Long-Term Vision, we will bring the Group together and push forward with reforms, while also further enhancing the appeal of our operational area and the products and services—the content—that we offer. Moreover, we will expand our business fields, pursue financial stability, and ensure that a style of management that is more conscious of capital costs takes hold. By doing so, we will aim to be a corporate group that can grow alongside the Kansai region.



Population

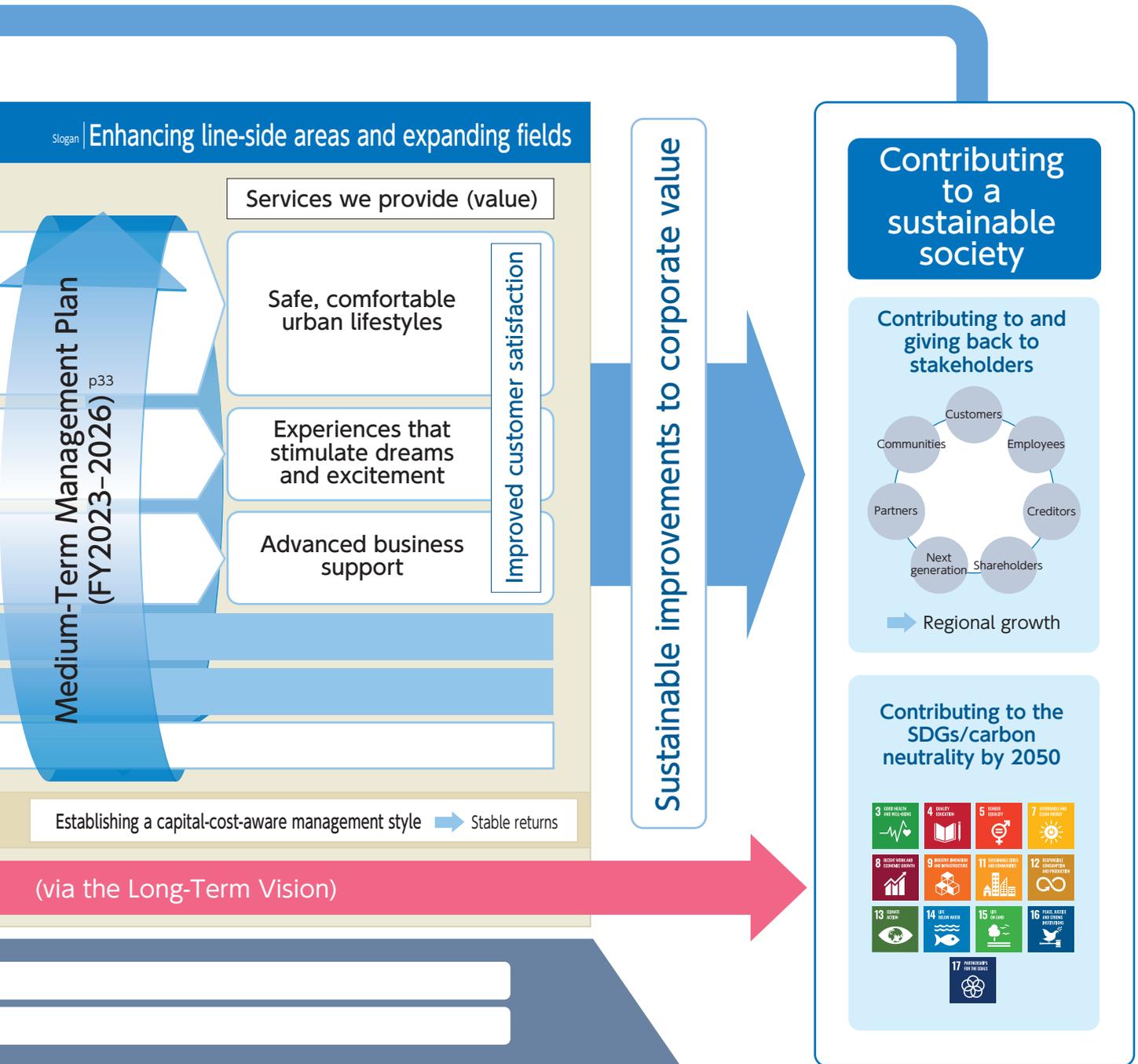


Sources: Chiki Keizai Soran (Local Economy Directory), published by Toyo Keizai and the Ministry of Internal Affairs and Communications' Annual Report on Internal Migration in Japan Derived from the Basic Resident Registration (as of January 1, 2022)

JCSI*

Industry	Company/brand	FY2019 survey	FY2020 survey	FY2021 survey	FY2022 survey
Suburban railway	Hankyu Corporation	1st (out of 23)	1st (out of 23)	1st (out of 23)	1st (out of 18)
Entertainment	Takarazuka Revue	1st (out of 6)	2nd (out of 6)	Canceled	1st (out of 5)

*Japanese Customer Satisfaction Index
This survey is Japan's largest survey of customer satisfaction and is conducted by the Japan Productivity Center's Service Productivity & Innovation for Growth. The survey uses statistical methods to analyze answers from more than 120,000 respondents to evaluate companies and brands.



Management targets for FY2031 (Financial and non-financial KPIs)

Category	Metric	Target
Financial KPI targets	Profitability	Operating income: ¥130.0 billion plus something extra
	Financial soundness	Interest-bearing-debt/EBITDA ratio: Between 5 and 6
	Capital efficiency	ROE: 7% range in the medium to long term
Non-financial KPI targets	Rate of CO ₂ emissions cuts	46% down from FY2014 level
	Zero culpable incidents	Zero culpable incidents in our railway operation business
	Employee satisfaction	Continued improvement in employee satisfaction
	Percentage of women in management positions	Around 10%
	Percentage of women among new hires	Always more than 30%

Message from the Chairman



Kazuo Sumi

Chairman and Representative Director,
Group Chief Executive Officer

As we grow together with our local communities in the Kansai region, our corporate group is adopting a new Long-Term Vision that demonstrates our resolve to support the emergence of a society committed to sustainability.

Updating Our Long-Term Vision in Response to Rapid Changes in the Socioeconomic Environment

In May 2020, the Hankyu Hanshin Holdings Group adopted its Sustainability Declaration, which springs from the Group Management Philosophy of delivering safety and comfort as well as dreams and excitement to create customer satisfaction and contributing to society. Since then, we have been actively promoting environmental, social, and corporate governance (ESG) initiatives, which serve as the foundation of our dedication to sustainable growth. In order to respond appropriately to rapid changes in the socioeconomic and business environments and further enhance our corporate value, we have updated the Hankyu Hanshin Holdings Long-Term Vision 2025, which we formulated and adopted in fiscal 2018. Moreover, in May of this year we announced another initiative, Long-Term Vision: *Toward 2040*.

Growing as a Corporate Group Committed to Thriving Alongside the Kansai Region

The details of our new Long-Term Vision will be introduced in a separate article, which sets our four strategies to realize the objectives of this Group vision. Our primary strategy is to make our line-side communities the absolute best among the Kansai networks. I believe the key to achieving this strategy is to first revitalize the Kansai region as a whole. Clearly, the Group's most important business hub, the Umeda district of Osaka, will play a leading role in this initiative.

At the moment, the Kansai region and Osaka-Umeda are benefitting from a wealth of opportunities for growth well into the future. In March 2022, the Global Financial City Osaka Strategy was announced as a collaboration between the public and private sectors. Further, in April 2022, Osaka City was designated a national Super City based on the National Strategic Special Zone system. Looking further ahead, the Osaka-Kansai Expo is scheduled to take place in 2025, while the Osaka IR Initiative is planned to open in 2029. The region has a great opportunity to demonstrate its potential as an international city.

In terms of transportation infrastructure development, plans are under way for construction of the Naniwasuji Line connecting Kansai International Airport with Osaka-Umeda Station and Shin-Osaka Station. Likewise, our Group is studying plans for the Naniwasuji Connection Line and Shin-Osaka Connection Line. Once these important links have been completed, access to Osaka-Umeda from air and land gateways will be dramatically improved.

As for the Super City Initiative of Osaka Prefecture and Osaka City, it is notable that the Umekita Phase II District was selected as one of the priorities. The Umekita Phase II District is expected to become a central location for the development of new industries that will lead to the resolution of societal issues, such as the development of a society with a healthy life expectancy in which people can live a life of ease through collaboration among industry, government, and academia. Expectations are high that the Osaka-Umeda area will take the lead in compiling intelligence from Japan and abroad to address such pressing societal issues.

Against this backdrop, Osaka-Umeda is likely to grow as part of an international city in the future. In light of these developments, our Group will play a leading role in helping Osaka-Umeda emerge as an internationally competitive urban center by making full use of our achievements to date as well as our expertise in urban development projects.

By adopting various measures in accord with the strategies of our recently updated Long-Term Vision as well as the initiatives described above, our Group will continue to increase its corporate value as we aim to become a corporate enterprise that thrives together with our local region of Kansai.

Addressing Societal Issues as We Further Accelerate Our Transition to a Sustainable Management Model

As mentioned above, our Group has been accelerating its ESG initiatives since we first adopted our Sustainability Declaration. Looking ahead to fiscal 2031—which is the target year of the management objectives set out in our Long-Term Vision as well as that of the UN's sustainable development goals (SDGs)—we have established the non-financial indicators shown in the table below, and we are working as a team to achieve them.

Rate of CO ₂ emissions cuts: 46% down from FY2014 level	Continued improvement in employee satisfaction
	Percentage of women in management positions: Around 10%
Zero culpable incidents in our railway operation business	Percentage of women among new hires: Always more than 30%

Promoting Environmental Conservation Initiatives

Among the above indicators, in order to achieve the 1.5°C reduction scenario that is the target of the Paris Agreement, in May of this year we increased the Group's CO₂ emissions reduction target for fiscal 2031 from 26% to 46% and adopted a new target of achieving net zero (carbon neutrality) by fiscal 2051.

In order to attain this objective, we will begin by emphasizing a reduction in our energy consumption and steadily implementing energy-efficiency efforts while assessing financial soundness and efficiency of investments. While monitoring trends in technological innovation and business profitability, we will consider energy generation initiatives such as introducing renewable power generation facilities and the like.

Furthermore, in response to the Task Force on Climate-related Financial Disclosures (TCFD), for which we announced our support in May 2021, we have identified risks and opportunities in the railway operation and real estate businesses, conducted scenario analyses, and estimated financial impacts. Going forward, we will use these results to gradually implement our response to climate change issues, including efforts to enhance measures to reduce financial impacts.

Empowering Individuals

We recognize that it is essential to continuously increase the satisfaction of our employees, who are responsible for all the work we accomplish, in order to increase customer satisfaction. Our Group has therefore identified the active participation of each individual as an essential theme in our Sustainability Declaration. We are now promoting a variety of initiatives toward this end.

In our recently updated Long-Term Vision, we adopted the following three important non-financial indicators (targets for fiscal 2031): continued improvement in employee satisfaction; about 10% of women in management positions; and maintaining women among new hires at more than 30%. We will strive to improve job satisfaction among our employees and improve the working environment while maintaining an awareness of the need for greater diversity and inclusion. We will foster a corporate culture in which each individual can fully develop and demonstrate his or her unique individuality and abilities. In addition to actively promoting health and productivity management on an ongoing basis, we will continue to enhance our human capital by promoting human resources strategies that are consistent with our updated Long-Term Vision.

Demonstrating a Commitment to Excellence in Corporate Governance

In order to further strengthen our corporate governance, we established an Audit and Supervisory Committee in June 2020. In addition, we appointed an independent outside director as the chair of our Corporate Governance Committee and Compensation Committee. In addition, two new independent outside directors were appointed in June of this year.

To date, we have appointed five independent outside directors, three of whom are female. We intend to further improve management transparency and enhance monitoring and supervisory functions by utilizing their abundant experience and specialized knowledge to ensure more lively discussions among the Board of Directors.

As I have described above, our Group is actively promoting ESG initiatives. In recognition of these efforts, we have been named to the MSCI Japan ESG Select Leaders Index* for the fifth consecutive year and have obtained a AAA rating, the highest of MSCI's ESG ratings, which is the basis for the addition of stocks to this index.

Promoting ESG initiatives is a natural responsibility that we should take on as a company. With this in mind, our Group will continue to address various societal issues and contribute to the emergence of a society committed to sustainability by further accelerating our efforts to practice sustainable management.

*An index comprising companies with a relatively high commitment to ESG initiatives within their respective industries

Message from the President



Takehiro Sugiyama
President and Representative Director

We will collaborate as a unified group to effect an early recovery in our business performance and realize our Long-Term Vision.

In recent years, the socioeconomic and business environments in which our Group operates have been changing rapidly, as evidenced by rapid social changes triggered by the COVID-19 pandemic (such as shifting behavior, a transition in our living patterns, and acceleration of the digital transformation) and heightened awareness of the UN's sustainable development goals (SDGs) and the target of achieving carbon neutrality by 2050. In 2017, about a decade years after the corporate merger of Hankyu Holdings and Hanshin Electric Railway, the Hankyu Hanshin Group formulated and announced the Hankyu Hanshin Holdings Group Long-Term Vision 2025. In order to respond appropriately to the aforementioned changes in the corporate environment and to maintain its commitment to continuously improving corporate value, the Hankyu Hanshin Group recently updated this vision and introduced Long-Term Vision: *Toward 2040*.

The details of this new Long-Term vision are presented beginning on page 22, but I would like to discuss the background to this update and the key points of our strategy for achieving its targets.

Implementing a Review of Long-Term Vision 2025

First of all, Long-Term Vision 2025 had generally progressed as expected through our promotion of measures in accordance with the vision before the outbreak of the COVID-19 pandemic. Specifically, our profits grew steadily from our flow-oriented businesses such as the entertainment,

condominium, and information services businesses. In addition, the Umeda 1-1 Project—which can be considered a symbol of the integration of Hankyu Holdings and Hanshin Electric Railway—was completed in February of this year, and we succeeded in achieving impressive results in improving the attractiveness of our line-side areas.

However, with the outbreak of the COVID-19 pandemic, the assumed business environment on which the vision was premised shifted significantly. Unfortunately, this made it difficult to achieve the operating income target of 110 billion yen for fiscal 2022, which had been set as an interim target.

Formulating an Update to Our Long-Term Vision

In addition to the changes in the business environment mentioned above, additional medium- and long-term market shifts (such as population decline, soaring construction costs, delayed recovery of inbound tourism) can be expected to continue affecting our Group to some extent. However, we believe that an early recovery is attainable if we respond appropriately while leveraging the strengths of each individual business. As the value of experience-based attractions and content is expected to increase further in the future, we are confident that ample opportunities exist for our Group to maintain our growth trend. This expectation has formed the foundation for our recent update to our Long-Term Vision.

Key Strategies for Achieving the Goals of Our Long-Term Vision

Strategy ① **Make our line-side communities the absolute best among the Kansai networks**

Strategy ② **Make our content as compelling as possible**

Strategy ③ **Expand the coverage of our line-side business model**

Strategy ④ **Increase market share by providing high value-added services**

The cornerstone of our four key strategies for achieving our Long-Term Vision is **the first: To make our line-side communities the absolute best among the Kansai networks.** This strategy was also set forth in our previous Long-Term Vision, because our railway line-sides represent the foundation of our Group's business, and enhancing the attractiveness of these line-sides is essential to the growth of our entire Group.

Of particular importance is the Osaka-Umeda area. As stated in our recently formulated Umeda Vision, we aim to become a hub for international exchange by providing the functions that will serve as a base for the development of new industries as well as a magnet for international tourism.

In order to achieve this objective, our Group will continue to renovate the assets we own in this area, including the large-scale Shibata 1 Project, to enhance the charm of this urban space.

In addition, we will make Osaka-Umeda even more appealing by developing places and systems that spark innovation by attracting universities and startups. We will also focus on creating comfortable places and welcoming pedestrian-friendly urban neighborhoods as a means of improving mobility in the area.

As these efforts progress, the area will attract a large number of tourists and business visitors from many different places in Japan and abroad, which will serve to revitalize the entire area along the Group's railway side-lines. I am therefore confident that, in addition to increasing the influx of visitors, a population of permanent residents will increase along the Group's railway line-sides. This population may well continue to increase even as the general population of Japan contracts in the future.

The second strategy is to make our content as compelling as possible. One of the strengths of our Group is our ability to offer attractive content that other companies cannot match, such as the Hanshin Tigers professional baseball team and the Takarazuka Revue. However, as mentioned above, the value of such real experiences and content will increase in the years ahead, likely beyond previous expectations. This will enable us to offer travel-oriented products and services that had not previously been considered as "content." We intend to further enhance their appeal. In addition, by making profitable use of digital technologies, we are committed to further increasing the satisfaction of existing customers as we develop new customers.

The third strategy is to expand the coverage of our line-side business model. Large-scale projects along railway line-sides cannot be expected to contribute to profits until the latter half of the 2030s, so in order to grow steadily in the meantime, it is essential that we constantly increase profits in each business. Against this backdrop, our Group intends to focus on overseas expansion of the real estate business in particular.

Specifically, in ASEAN and other areas where economic growth is expected, we plan to expand our business to a certain scale through our housing sales business and short-term-return (fix-and-flip) business for revenue-generating real estate. We plan to utilize this as a springboard to expanding the scale of our leasing business by making full use of the real estate information network we have built.

The fourth strategy is to increase market share by providing high value-added services. This addresses our information services and international transportation businesses, which represent our B-to-B businesses. For these businesses, we will emphasize the provision of high-quality, competitive products and services; utilize M&A and other means to expand our scale and market share; and work to support our Group's business portfolio.

Financial Policy for Our Long-Term Vision

The financial policy of our new Long-Term Vision is outlined on page 24. In addition to the "maintaining financial health," a goal we have long advocated, this new vision calls for the establishment of "keeping capital costs in mind." From now on, we aim to improve our capital efficiency in order to meet the expectations of the markets we serve, as well as those of our stakeholders, to the greatest extent possible.

Specifically, in each of our businesses, we will operate with an ever-greater awareness of capital costs while utilizing return on invested capital (ROIC) and other metrics to that end. Moreover, we will organize and sell low-yield businesses

and assets as necessary to minimize the risk of developing a bloated balance sheet.

We will maintain an appropriate capital structure (debt-to-equity ratio) by maintaining stable and appropriate shareholder returns. Through these efforts, we will aim for a return on equity (ROE) in the 7% range over the medium and long terms.

The Key Points of Our Medium-Term Management Plan

In conjunction with the updating of our Long-Term Vision, our Group has formulated a Medium-Term Management Plan (fiscal 2023–2026), which entails a specific action plan.

The details of the plan are presented beginning on page 33, but the most important priority measure in the plan is **“strengthening our earnings structure,”** which we believe is a necessary and urgent initiative, especially in relation to the businesses (urban transportation, hotel, and travel) that have experienced a significant decline in revenue due to the response to the COVID-19 pandemic. For example, since railway transportation revenues are unlikely to return to pre-pandemic levels even as COVID-19 eventually subsides, we will strive to improve revenues and expenditures as soon as possible by revising rail schedules based on passenger demand, improving the efficiency of our stations and other operations, and increasing revenue by introducing paid seat services.

Accelerating the introduction of **initiatives related to the digital transformation** is also essential, and the entire Hankyu Hanshin DX Project will be implemented at an early stage. Each division will work at a high pitch to increase profits and improve productivity by utilizing digital marketing, robots, the Internet of things, and other innovations in keeping with the characteristics of each particular business.

Shareholder Returns

Finally, our Group has identified the total payout ratio as an indicator of shareholder returns. Our basic policy is to ensure stable dividends and share buybacks by setting the total payout ratio at 30% while emphasizing the further strengthening of our management foundation.

Regarding the distribution of the dividend from surplus for fiscal 2022, we decided to pay a stable dividend, with the annual dividend set at 50 yen per share, thus maintaining the same rate adopted for fiscal 2021. The annual dividend for fiscal 2023 is expected to remain at this rate.

As our Group continues to focus on meeting the expectations of all our stakeholders, we look forward your continued understanding and support in the years ahead.



Long-Term Vision

Long-Term Vision

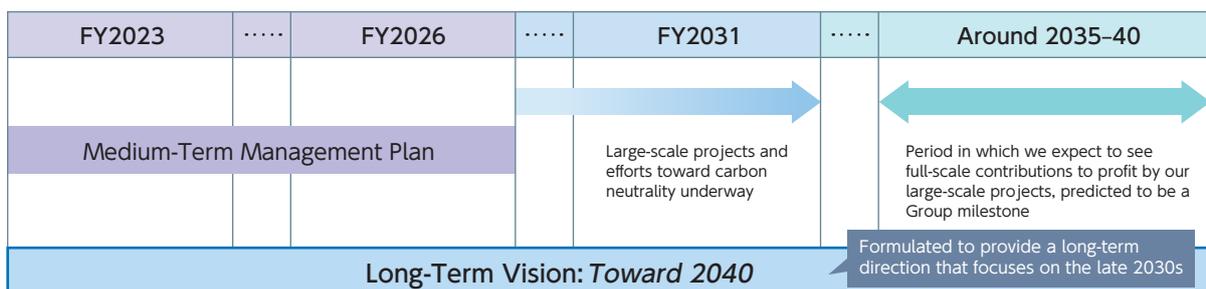
Long-Term Vision: *Toward 2040*



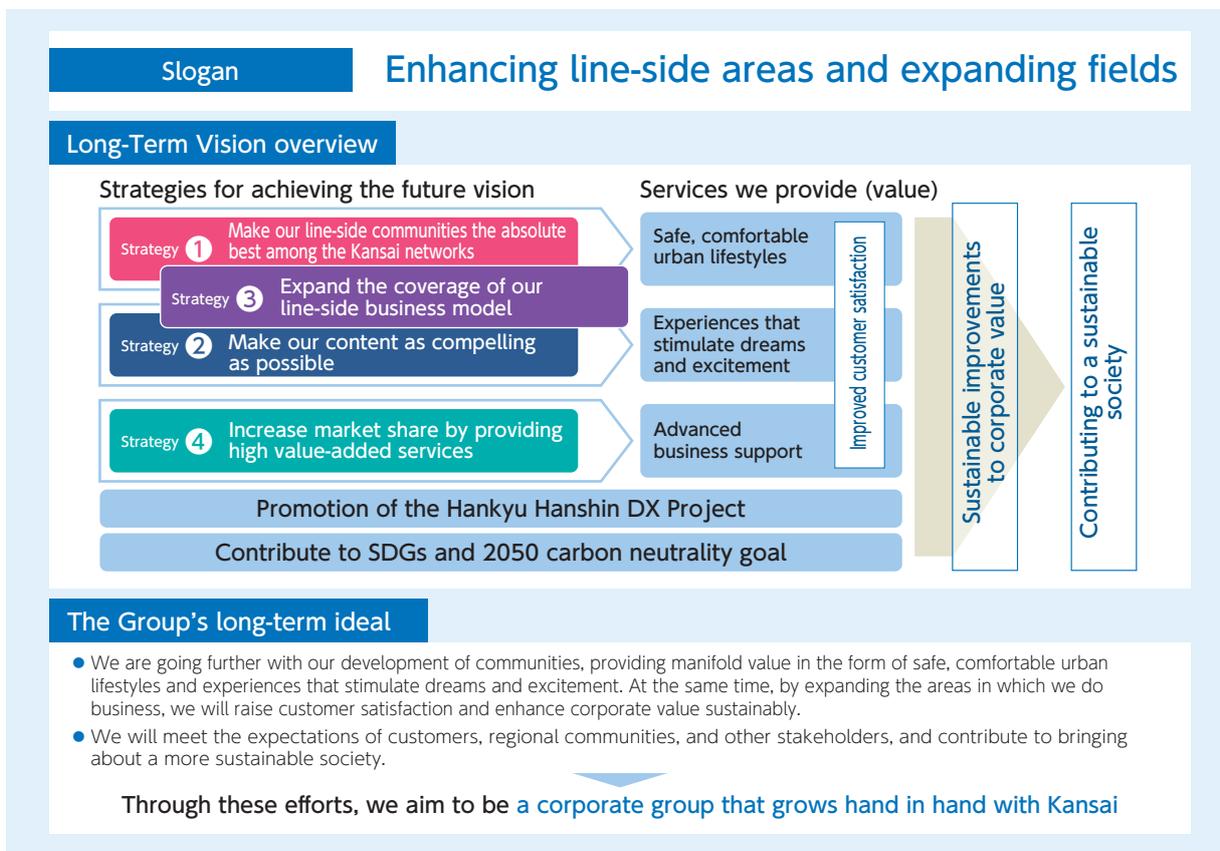
Fundamental Approach to the Update

The new Long-Term Vision looks to the future, to the period between 2035 and 2040 when we expect to see the large-scale projects we will be promoting—such as the Shibata 1 Project and the Naniwasuji Connection Line and Shin-Osaka Connection Line—starting to contribute to profits. It outlines our ideal for our long-term future and sets the strategies, financial policies, and other measures to get there.

However, this period is still some way off, and so as well as announcing our image for growth in 2035 to 2040, we have published our management targets for fiscal 2031 as waymarks to clearly hammer out how we will accomplish sustainable growth toward 2040.



Summary of the Long-Term Vision



Strategies to achieve our ideal (see page 25 onward for more details)

Strategy 1 (core strategy) Make our line-side communities the absolute best among the Kansai networks

- Focus on making our line-side areas much more attractive by engaging in community building and actively leveraging digital innovations with the aim of coping with the shrinking and aging population.
- Strengthen our line-side areas' connections with land transport links (Tokyo-Nagoya-Osaka) and global dynamism by promoting the Naniwasuji Connection Line and Shin-Osaka Connection Line Project, and use new projects (e.g., the Shibata 1 Project) to make Osaka-Umeda as a whole a world-class urban environment in line with the Umeda Vision (see page 26).

Urban Transportation, Real Estate, etc.

Strategy 2 Make our content as compelling as possible

- Make our content more compelling while expanding our customer base and actively leveraging digital technologies

Entertainment and Travel

Strategy 3 Expand the coverage of our line-side business model

- Expand our line-side business model (e.g., building abundant communities) beyond line-side areas by utilizing the know-how and achievements that we have accumulated through strategies ① and ②

Real Estate and other businesses

Strategy 4 Increase market share by providing high value-added services

- Use our technologies and know-how to expand the value scope of our businesses
- Provide high-quality, competitive services to increase our business scale and market share

Information and Communication Technology and International Transportation

In addition to pursuing these four strategies, we will strongly promote our efforts to implement the Hankyu Hanshin DX Project and to contribute to the achievement of the SDGs and the 2050 carbon neutrality goal.

Financial and non-financial KPI targets for FY2031

In fiscal 2031, a waymark on the path to future growth and rapid progress, we will aim to achieve income growth (particularly in existing businesses) and operating income of ¥130 billion, as well as taking on the challenge of getting something extra through efforts such as the Hankyu Hanshin DX Project. Our management targets (for financial and non-financial KPIs) for fiscal 2031 are as follows.

Financial KPI targets

To be able to continue offering a stable supply of the products and services with a view to achieving a sustainable society and the development of the region, we will pursue financial stability and, in order to meet stakeholder's expectations, we will establish a management style that is more aware of capital costs, and specifically aim to maintain and enhance capital efficiency.

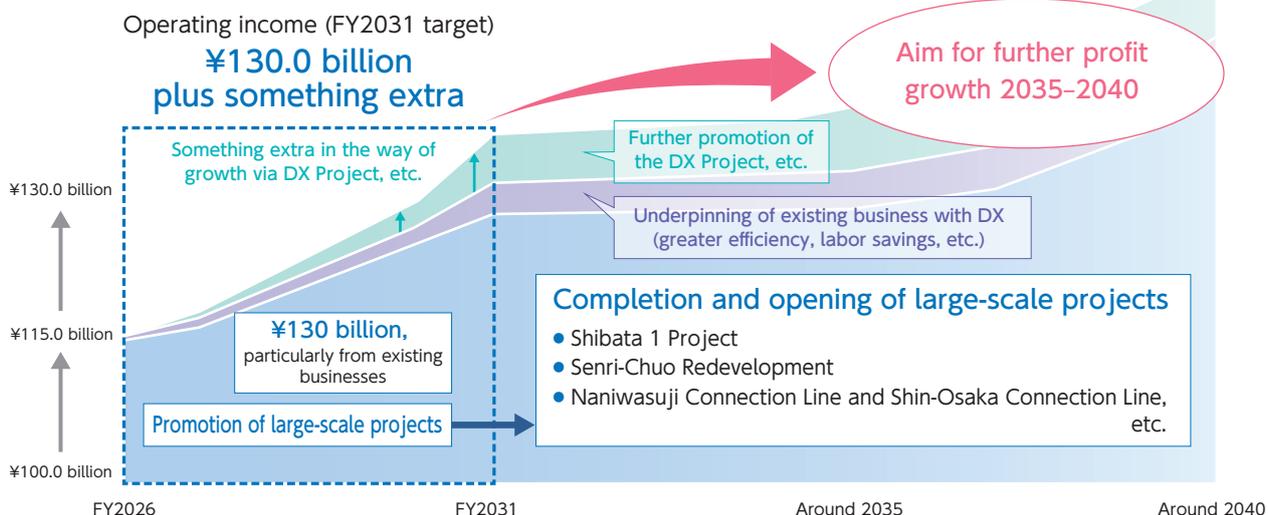
Pursuing financial stability	Stable base income results <ul style="list-style-type: none"> By expanding revenue for each of our businesses, driving thorough cost reductions, strengthening our profitability structure, and working diligently to use digital technologies to expand our revenue base and raise productivity, we can record a certain standard of profits. We will also press ahead with thorough risk management for highly volatile businesses such as overseas real estate. 	(FY2031 target) Operating income ¥130.0 billion plus something extra* <small>*Aim to go further through the DX Project, etc.</small>
	Maintenance of financial soundness <ul style="list-style-type: none"> As well as advancing initiatives aimed at business expansion—including large-scale projects—and making growth investments, we will control the interest-bearing debt balance while keeping the current rating level in mind, and aim for an interest-bearing-debt/EBITDA ratio of between 5 and 6. 	Interest-bearing-debt/EBITDA ratio Between 5 and 6
Establishing a capital-cost-aware management style	Maintenance and improvements to capital efficiency (to create returns that exceed capital costs) <ul style="list-style-type: none"> In each business, we will remain conscious of capital costs and utilize ROIC* and other indicators, as we aim to maintain and improve yield. Also, by carefully selecting new growth investments from the perspective of yield, we will carefully move forward with accumulating stocks, reviewing the business situation, and withdrawing from low-yield assets, and so prevent a bloated balance sheet. We will provide and continue to offer stable, appropriate shareholder returns, and maintain a suitable debt/equity (D/E) ratio. Through these measures, we will aim for the ROE standard detailed on the right. <small>*Operating income/invested capital</small>	ROE 7% range in the medium to long term

Non-financial KPI targets

Rate of CO ₂ emissions cuts: 46% down from FY2014 level	Continued improvement in employee satisfaction Percentage of women in management positions: Around 10%
Zero culpable incidents in our railway operation business	Percentage of women among new hires: Always more than 30%

Income growth toward 2040

Annual operating income prior to the pandemic was more than ¥100 billion, but in fiscal 2031 we aim to achieve income growth, particularly in existing businesses, for a total operating income of ¥130 billion, and are challenging ourselves to accomplish something extra via the DX Project. Next, as each large-scale project is completed and opened in turn, they will start to contribute to profits, so we believe they will help to further grow our income between 2035 and 2040.



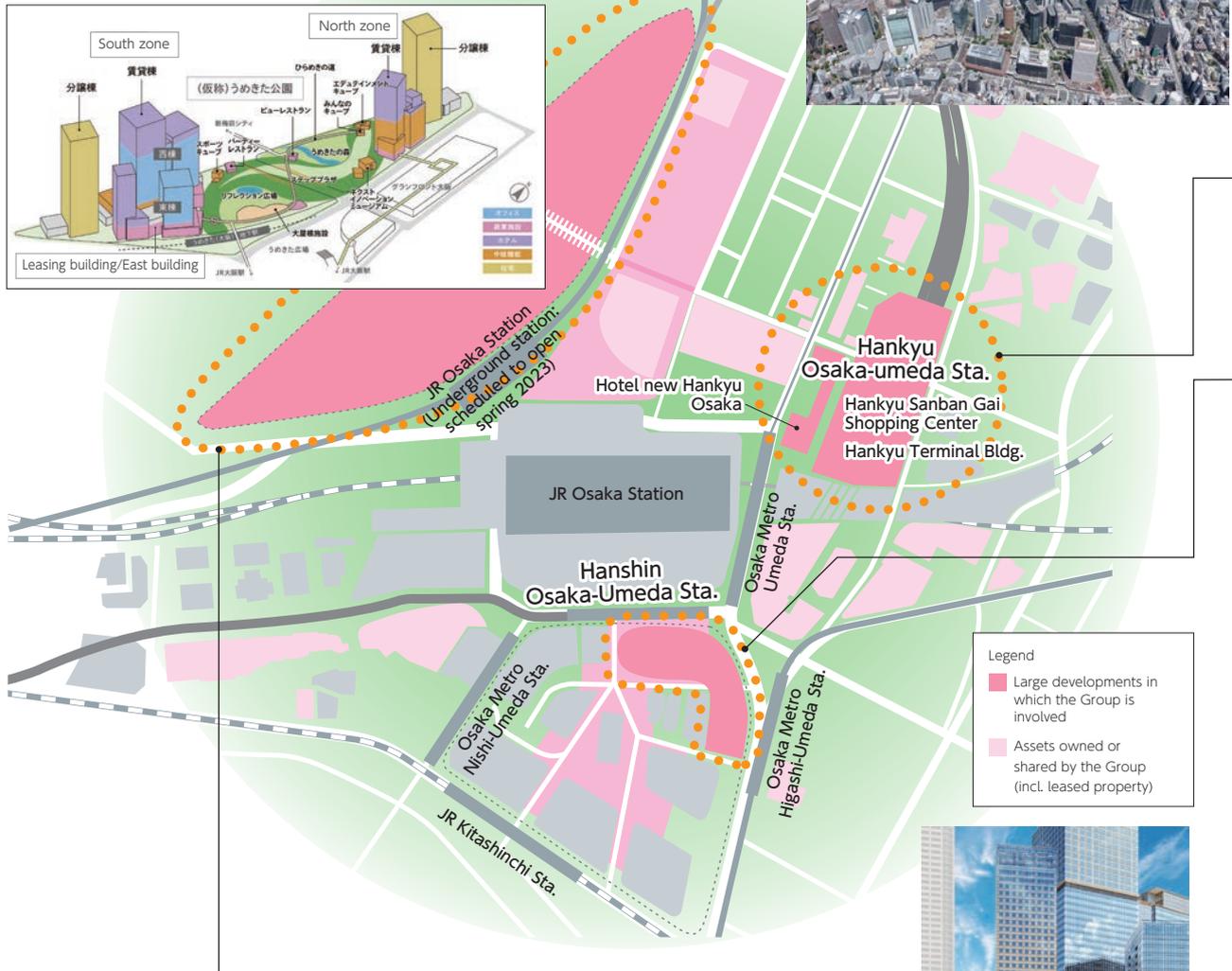
Long-Term Vision

Initiatives Based on the Strategies of the Long-Term Vision

Strategy ① Make our line-side communities the absolute best among the Kansai networks

Promoting initiatives based on the Umeda Vision

By promoting large developments and consecutively renovating (or replacing) our assets, we will both enhance the appeal of urban spaces and make progress with efforts to create international exchange sites.



Umekita Phase II Development Project

Considering the philosophy and policy of community development that integrates green spaces with innovation, we will establish spaces filled with greenery—offices, commercial facilities, hotels, and city parks—and innovative facilities that help to create new industries. Initial opening scheduled for summer 2024; complete opening in fiscal 2028.



Artist's impression of the completed site



Artist's impression of the completed site

Hankyu Hanshin Hotels have created an up-scale hotel* on the 5th to 28th floors in the leasing building (east building) in the south zone. It is scheduled to open in the latter half of fiscal 2025.

*A hotel with a sense of luxury quite different from a standard business hotel

Shibata 1 Project

Focused on the next generation, we will aim to replace the building for the Hotel new Hankyu Osaka/Hankyu Terminal Building, make complete repairs to its Hankyu Sanban Gai underground area, strengthen the complex's functions as a station terminal, and develop the site as a combined-function facility that suits its role as the gateway to the Osaka-Umeda area.



Osaka Umeda Twin Towers South (Umeda 1-1 Project)

We formed the Dai Hanshin Building—home to a Hanshin department store (Hanshin Umeda Main Store)—and the New Hankyu Building into one building, the Group's flagship Osaka Umeda Twin Towers South, for which all construction was completed in February 2022.

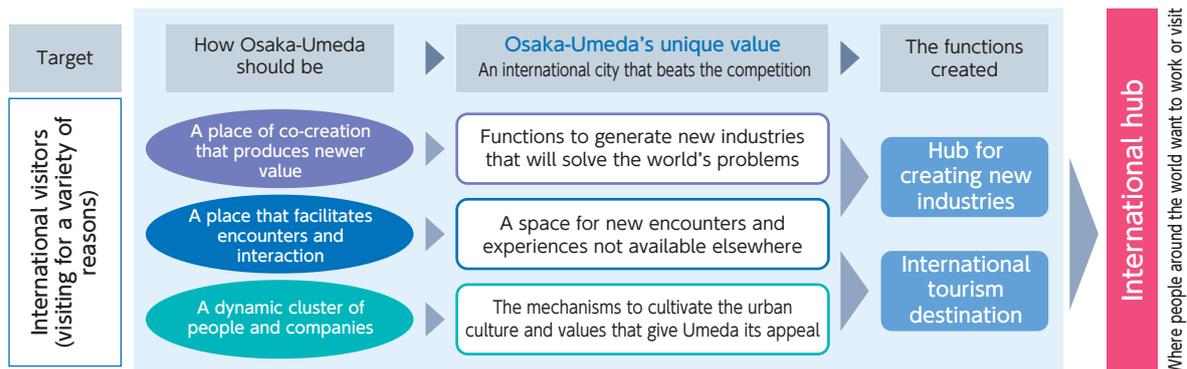


Umeda Vision

We have formulated the Umeda Vision as a concept to help us improve the value of our most important site, the Osaka-Umeda area—the biggest transport hub in western Japan. By raising the original value unique to the area, we aim to create urban functions that will allow it to act as a base for the creation of new industries, but also one that can host international exchanges as a place where people from around the world want to work and visit.

Details on the background to our creation of the Umeda Vision can be found on the following page.

Our ideal for the Osaka-Umeda area



Six basic policies of the Umeda Vision

An international city with unique value that beats the competition	Basic Policy ① Make Umeda a place of co-creation that produces newer value
	Basic Policy ② Make Umeda a place that facilitates encounters and interaction
	Basic Policy ③ Make Umeda a dynamic cluster of people and companies
The basic value that will equip Umeda for the new normal	Basic Policy ④ Make Umeda a place that uses the latest digital technology to offer new value
	Basic Policy ⑤ Make Umeda a sustainable place
Promoting the Umeda brand to the world	Basic Policy ⑥ Strategically organize marketing and communications to the world

Long-Term Vision

Initiatives Based on the Strategies of the Long-Term Vision

Opportunities for Growth in Kansai and Osaka-Umeda

Building an internationally competitive city:
Channeling growth opportunities

With the upcoming Expo 2025 and the casino resort project for 2029, Kansai is garnering attention, including from overseas.

Meanwhile, initiatives are underway to make Osaka City a truly international city (for example, Osaka City has been designated as a National Strategic Special Zone for piloting super-city initiatives, and a public-private partnership, with the particular involvement of Osaka Prefecture and Osaka City, has unveiled a strategy to make Osaka a global financial hub).

Umekita's role in addressing social challenges:
Osaka-Umeda as a trailblazer for addressing social challenges

The prefectural and municipal governments have chosen Umekita Phase II as a critical location for the super-city project. The locale will be a center for industry, academia, and government collaboration in creating new industries that will address social and environmental challenges to sustainability, and a model area for pioneering data-driven digital transformation.

If the project to make Osaka a global financial hub succeeds in enhancing the international profile of Osaka and Kansai, it will further increase the potential of the locale to draw in from around the world the talent and capital necessary to grow startups that will create the new industries.

Having attracted knowledge from around the world, Osaka-Umeda will be a trailblazer in addressing social and environmental challenges to sustainability.

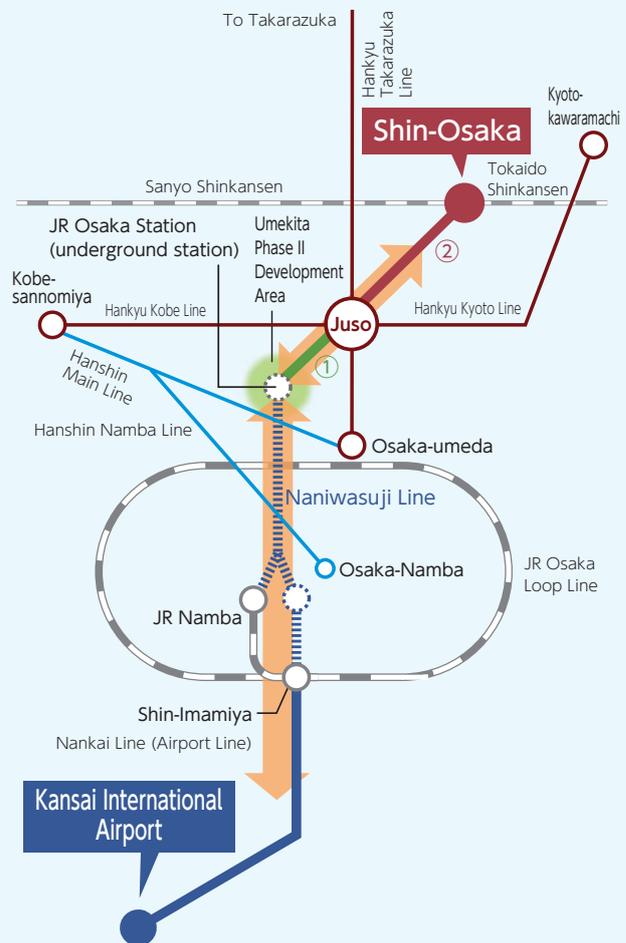
Osaka-Umeda as an unmatched urban locale:
Offering something rarely seen elsewhere

Unlike other urban locales in Japan, Osaka-Umeda features a compact cluster of office, retail, and entertainment functions, all within walking distance.

If Osaka-Umeda is to be a place where people around the world want to work or visit, it is necessary to leverage this rare advantage to ensure that the area accommodates the diverse needs of the new normal.

Osaka-Umeda, at the center of Kansai, will link the region with the world:
Transport networks/infrastructure will be strengthened

Plans are underway to develop new transport connections (Naniwasuji Line, Naniwasuji Connection Line, Shin-Osaka Connection Line, and the underground JR Osaka Station scheduled to enter service in spring 2023). If the plans materialize, they would significantly enhance air and land access to Osaka-Umeda, increasing the prospects for Osaka-Umeda to channel the dynamism of the country and the world.



- 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
- ② **Shin-Osaka Connection Line**
The line to connect Juso Station with Shin-Osaka Station

Senri-Chuo Redevelopment

In the Senri-Chuo area—one of our primary bases of operations—Toyonaka City and a council established by land owners in the district are moving forward with studies into the future of community development there. In 2019, the council presented its basic plan to vitalize the area, and, in 2022, Toyonaka City announced that it is investigating how to redevelop the area around the station through a land readjustment project.

On the other hand, Senri Hankyu Hotel is set to close its doors toward the end of fiscal 2026, as the building is deteriorating due to aging. Therefore, in order to create a better community in the Senri-Chuo area, we are studying how to make effective use of the hotel's site after it closes. In the future, we will press ahead with the development of the site, while focusing on the overarching redevelopment concept, progress, and other factors.



Extension of the Kita-Osaka Kyuko Line

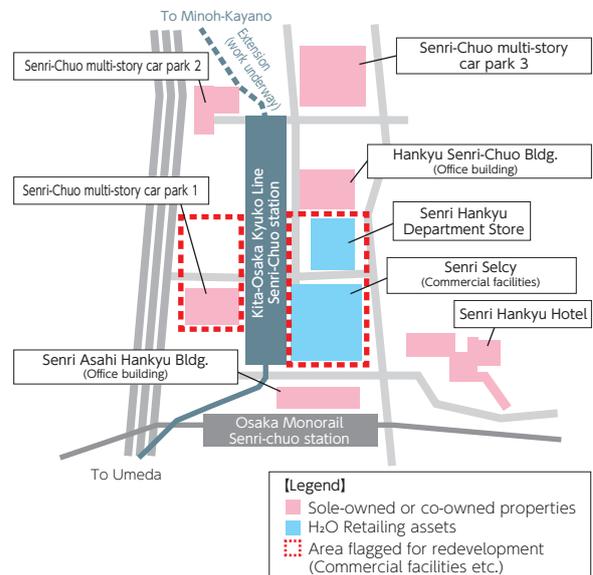
We will extend the existing line 2.5 km north from the current end of the line at Senri-Chuo Station toward the city of Minoh in Osaka Prefecture, and create two new stations: Minoh-Semba-Handaimae Station and Minoh-Kayano Station. The extension is scheduled to open at the end of fiscal 2024.



Inside the tunneling shield during construction work



Minoh-Kayano Station under construction



Promoting Accessibility

By making use of a government system that allows us to collect money for operating accessible railway stations, and other measures, we are able to install platform screen doors and provide mobility services that offer greater safety and peace of mind.



Hanshin Kobe-sannomiya Station



Hanshin Osaka-Umeda Station



Multipurpose toilet at Hankyu Awaji Station

Actively Utilizing Digital and Other Cutting-Edge Technologies

We will improve our response to next-generation MaaS (Mobility as a Service) and the evolution of wireless communication technologies. With our MaaS efforts, we aim not only to raise the efficiency of mobility and make it seamless, we also want to stimulate demand.

Long-Term Vision

Initiatives Based on the Strategies of the Long-Term Vision

Strategy 2 Make our content as compelling as possible

Sports Business

- Through businesses such as the Hanshin Tigers Baseball Club and Hanshin Koshien Stadium, we will create appealing content that customers want.
- We will enhance services and content using digital technologies.



Toratele streaming



Baseball simulation facility BE-STADIUM KOSHIEEN supported by STAND IN

Stage Business

- As well as developing a framework that supports a stable supply of high-quality performances, we will further enhance the content we offer through these so that Takarazuka Revue will continue to be loved by customers for another century.
- We will enhance services and content using digital technologies.



Takarazuka Revue live streaming

Travel Business

- We will carve out a position as the unrivaled number one for guided group tours.
- Looking at the business from a medium- to long-term perspective, we will strive to corner increasingly diverse travel models (by enhancing our lineup of products that delve into specific themes, etc.) and acquire new customer demographics. We will also work to expand business outside travel, such as by providing support services for local authorities.
- As well as strengthening our activities to recruit online, we will utilize digital technologies to raise task productivity.



Travel on the Crystal Cruiser "Sumire"

Strategy 4 Increase market share by providing high value-added services

Information Services (Information and Communication Technology) Business

- We will expand the scale of our business, use the technologies and expertise we possess, and collaborate with partners outside the Group on technical and other fronts to create new services.
- Additionally, we will promote and support DX within the Group and in our service areas to help solve social issues inside and outside the Group.



International Transportation Business

- As the global business environment is undergoing dramatic changes, we will move ahead with four strategies: accelerating the 1) switch to a balanced business portfolio, 2) expansion of the business and boosting of competitiveness, 3) greater use of a robust global governance framework, while also 4) tackling new fields for growth.



Strategy 3 Expand the coverage of our line-side business model

Expanding the Real Estate Business in Areas Away from Our Lines Inside and Outside Japan

- As well as accelerating our efforts in the short-term-return (fix-and-flip) business, we will expand sales, including of redevelopments and renovations.

Short-term-return (fix-and-flip) business

We promote the development of leasing condominiums for investors, student dormitories, etc., and aim to sell around ten buildings stably each year, with a particular focus on the Tokyo metropolitan area.



Leasing condominium brand Geo ent

Also centered on Tokyo metropolitan area, we will actively promote short-term-return (fix-and-flip) business for a variety of asset types, including commercial, office, and distribution facilities.



H-Cube Minamiaoyama (Minato-ku, Tokyo)
Sold December 2021



Condominium renovation business/Geo Ichibancho (Chiyoda-ku, Tokyo)
Completed March 2022

- In addition to the steady promotion of developments currently underway in Japan (Tokyo metropolitan area), we will look at how to incorporate hotel and entertainment functions in community development.

Yaesu 2 Naka Redevelopment

We are part of the redevelopment of a two-hectare site in the Yaesu area in front of Tokyo Station, that will comprise an ultra-high-rise, large-scale complex with a total floor area of around 390,000 m². We are working in collaboration with others in the industry, and construction is scheduled to be completed in fiscal 2029.

Artist's impression of the exterior



Hotel Grand Palace Site Effective Use Development

We plan to open a complex in collaboration with other in the industry on the site of the Hotel Grand Palace (Chiyoda-ku, Tokyo), which ended operations in June 2021.

- We will use the expertise we have gained in the areas along our lines, and apply this to our business overseas, particularly in the ASEAN region where sustainable growth is predicted to continue. We will work for external partners and expand the scale of our business in the areas of sales, short-term returns, and leasing, among others.

Overseas real estate business

Adding to the residential sales business that we have previously focused on in the ASEAN region, we are now working on the real estate leasing business and short-term-return (fix-and-flip) property business.

In five countries—Thailand, Vietnam, the Philippines, Indonesia, and Malaysia—we are taking part in residential sales projects covering approximately 47,000 units (as of September 2022).

In Indonesia, we have acquired a commercial-office-hotel complex, Plaza Indonesia Complex, and a large-scale commercial facility, Central Park Mall. Through these and other projects we are entering the overseas real estate business in earnest.

Total unit sales overseas **Approx. 47,020**

(including those of business partners) (As of September 1, 2022)

Overseas markets	Projects	Total units
Thailand	30	Approx. 24,820
Vietnam	6	Approx. 13,990
The Philippines	5	Approx. 4,340
Indonesia	3	Approx. 3,020
Malaysia	1	Approx. 850



Niche Mono Ramkhamhaeng (Thailand), condominiums for sale



Central Park Mall (Indonesia), large-scale commercial facility

Even in the U.S.A., we have set up a local subsidiary and through it we have entered the U.S. real estate business by acquiring leasing properties.



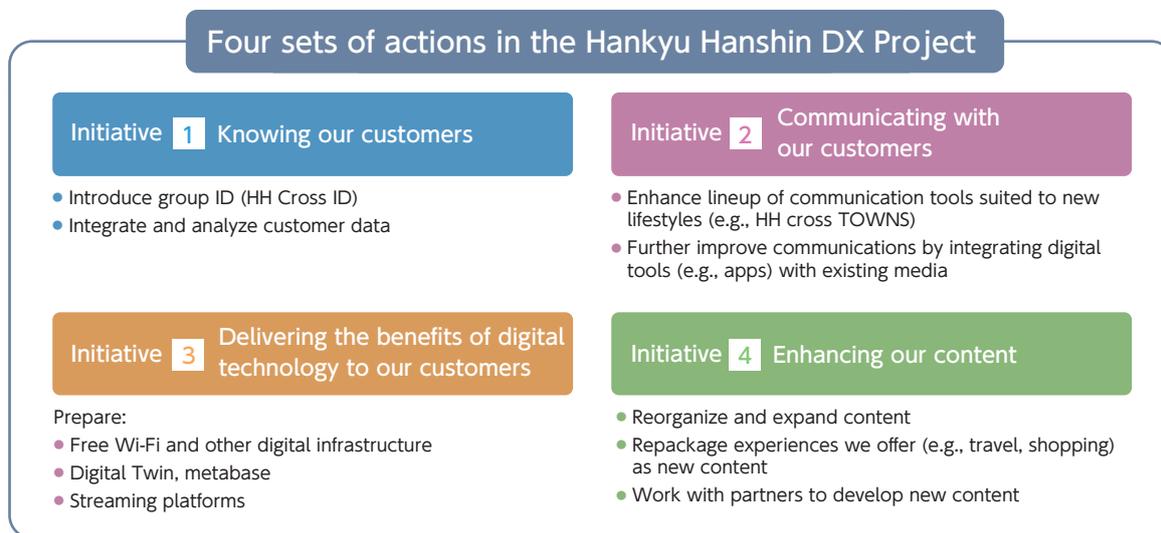
Fox & Finch, rental residences in Seattle



Park at 33rd, rental residences in Phoenix

Promotion of the Hankyu Hanshin DX Project

Through the four sets of actions that form the Hankyu Hanshin DX Project, we will take advantage of digital technologies to provide customers with safe, comfortable lifestyles, and also use the diverse content we have to offer to weave together the digital and the real to further provide dreams and excitement drawn out of unchanging desires for real experiences and contact and communication with others. By integrating these four sets of actions organically, we will achieve a virtuous cycle that provides greater convenience for customers, develops new products, and improves services.



These four sets of actions will be integrated organically to create a positive cycle for improving customer convenience and developing new and better products and services.

Initiative 1 Knowing Our Customers

HH cross ID, a Group-wide ID, allows us to seamlessly integrate services and data

We have introduced a new Group identity, HH cross ID, which will cut across existing customer information from the various different services that we offer. With this system, customers will be able to seamlessly use a single ID for the whole range of services.

By integrating customer data from different companies and businesses within the Group, we can gather and analyze the data to accomplish personalized marketing and have different businesses refer customers to one another. This will result in more loyal customers but also in the data being used to develop new products and services, which will further improve customer satisfaction. We will continue to integrate and link customer data between the Group's businesses, and further expand our customer base.



Members:
approx. **260,000**
(As of September 1, 2022)

HH cross portal site (Japanese only)

<https://www.hhcross.hankyu-hanshin.jp/>

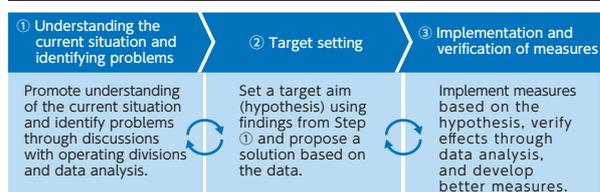
Integration and analysis of customer data using the latest analytical methods



In order to integrate and analyze customer data (attributes, what services they use, etc.), we established the Data Analysis Lab in April 2021, through an industrial-academic collaboration with the University of Tokyo. The lab conducts analysis using a variety of methods, including statistical analysis and state-of-the-art machine learning, and has finished analyzing data on six million customers, and it does analysis to understand the current situation and identify problems (① below), and then set targets for several Group businesses (②), and support the implementation and verification of measures (③).

In the future, we will use HH cross IDs, carry forward analysis into customer data that has been integrated from across the Group, and support the usage of data for a total of around 12 million customers.

Work process at Data Analysis Lab



Initiative 2 Communicating with Our Customers

Strengthening ties with customers

To provide services to customers, we need to further deepen our ties to customers, and to that end, we will expand customer contact points through apps and other digital tools and combine these with existing (real) media such as transport advertising to maximize the effectiveness of adverts.

Through measures such as these, we will gather and analyze more customer data and use it for cross-selling* and further strengthen our relationship with customers so that they use real services.

*Selling that encourages additional purchases and use through proposals for other products and services.

Initiative 3 Delivering the benefits of digital technology to our customers

Free HH cross Wi-Fi service

We have developed a free Wi-Fi service for our stations, trains, and various facilities along our line-side areas. By expanding the area even further, we aim to further raise convenience for customers.

The various types of usage data we get from HH cross ID and other Wi-Fi services are combined to analyze the places and situations where customers use our services, which will help us to develop new products and services.



Metabase

Using Group facilities and our communities, we run events on metabase. In the future, we will expand these efforts, and improve our ability to attract customers for new revenue sources.



Video streaming platforms

We are investigating creating platforms in-house that can stream our abundant content, and looking at expanding the range of customers and bringing video streaming costs in-house. For streaming, we want to enhance content that have not yet been grasped properly, such as travel.

Examples JM Umeda Music Fest

We have held the virtual music event—for which the stage is a digital version of Osaka-Umeda—twice, once in March and once in July. The events involved a booth zone—where companies and organizations were able to exhibit items, sell goods, and run differing events—and a stage zone—with live music performances courtesy of VTubers (online entertainers who use avatars) and other virtual artists—and also included paid content that customers could participate in, such as live performances and virtual meet-and-greets.

Initiative 4 Enhancing our content

Discovering and creating content and raising their appeal

In addition to enhancing our abundant content (the products and services that we offer), we will reorganize and accumulate content that has not yet been successfully categorized. Moreover, we will also look at how to take real experiences such as travel and shopping, and discover or enhance new packages, taking on the challenge of opening up such in collaboration with partners outside the Group.

Selected as a DX-certified operator

As a company that implements positive initiatives with regard to DX promotion through strategies and frameworks, we were awarded Digital Transformation (DX) Certification by the Ministry of Economy, Trade and Industry.



Medium-Term Management Plan

The Group has formulated the Medium-Term Management Plan as a concrete action plan to reflect medium-term initiatives that aid the achievement of the updated Long-Term Vision. The plan covers a four-year period between fiscal 2023 and 2026, which has been designated a period for returning to a pre-pandemic growth trajectory and laying the groundwork to achieve the goals of the vision.

Under the plan, which takes fiscal 2026 as the year by which to achieve its targets, the Group will press ahead steadily with measures that align with the direction of the Long-Term Vision. By doing so, the Group aims to attain an operating income standard within striking distance of fiscal 2031 management targets.

FY2023	FY2026	FY2031	Around 2035 to 2040
Long-Term Vision: <i>Toward 2040</i>						
Medium-Term Management Plan				Waymarks on the path to future growth and rapid progress		Long-term growth concept
		Target fiscal year for the Medium-Term Management Plan				

Medium-Term Management Plan Priority Measures

We will steadily forge ahead with the following four priority measures, in line with the direction of our Long-Term Vision.

1. Strengthen earnings structure

We will come together as a group to enact initiatives toward bolstering our profitability structure (such as by adapting to changes in demand structures or improving productivity) while also endeavoring to enhance our financial standing and maintain financial soundness (through a return to better EBITDA).

2. Transition to keeping capital costs in mind

To ensure we remain a group that can continue to meet the expectations of our stakeholders in the medium and long terms, we plan to pivot to a management style that is more conscious of capital costs, in line with the financial direction of our Long-Term Vision.

3. Implement digital transformation

In addition to swiftly promoting efforts toward DX, with a sense of urgency, in each of our businesses, the Group as a whole will advance the Hankyu Hanshin DX Project.

4. Contribute to SDGs and 2050 carbon neutrality goal

Based on the Hankyu Hanshin Group Sustainability Declaration, we will steadfastly proceed with measures to achieve the SDGs and become carbon neutral by 2050.

1. Strengthen earnings structure

The business environment in which we operate has been dramatically changed by the pandemic, and even now life has not returned to normal, which could have a significant adverse effect on our existing businesses. For those businesses that have seen particularly reduced income since the outbreak of COVID-19—urban transportation, hotel, and travel—efforts to strengthen our profitability structure are both necessary and urgent, and we will strive to make improvements to incomes and expenditures as soon as possible.

For our railway operation business, which are such a business, while the impact of COVID-19 on transportation revenue is gradually easing, we cannot foresee a return to pre-pandemic levels (particularly for commuter passes). Therefore, we are making changes to raise efficiency in our operations such as amending train schedules and at stations, while keeping passenger demand in mind, and also working on measures to raise revenue such as introducing a

Railway transportation revenue forecast (compared to FY2019) <small>*Excluding effects of future measures, etc.</small>	(FY)	2023	2026
	Non-commuter pass		Approx. -10%
Commuter pass		Approx. -10%	Approx. -10%

Note: Forecasts for fiscal 2023 are based on information published on May 13, 2022.

reserved seating service for an extra fee.

Furthermore, for hotel business, we are currently making solid structural reforms (see page 59), and alongside these, in the accommodation business we will work to ensure thorough revenue management and to attract customers by standardizing services.

2. Transition to keeping capital costs in mind

To make sure that we often consider how best to secure returns that exceed our capital costs, and appropriately control invested capital, we will review how we classify and select investments, as well as the state of our businesses and assets.

Specifically, this involves using ROIC (return on invested capital) to verify investment yields and classify and select new investments, and also in the management of each business. For those businesses that don't record income in excess of capital costs, we will implement thorough management improvements and other measures at the earliest opportunity, and sort and sell off assets with low yields or low earnings.

Through efforts like these, we will aim to steadily achieve the ROE targets set in our Long-Term Vision.

Specific efforts to transition to keeping capital costs in mind

Classifying and selecting investments	<ul style="list-style-type: none"> Classify and select new investments by verifying yields (standard of operating income to amount invested) using ROIC (return on investment capital).
Reviewing state of businesses/assets	<ul style="list-style-type: none"> Calculate the ROIC for each business, and use the indicator in management Ensure immediate management improvements for businesses where recorded income does not exceed capital costs, and where improvements look unlikely to help, undertake a radical review Promote sorting and selling off of low-income or low-earning assets Actively push the short-term-return (fix-and-flip) business Advance outsourcing of assets (using J-REIT, private placement funds, etc.) where necessary

Income Targets toward Fiscal 2026

Fiscal 2024 to 2025

In fiscal 2024 and 2025, we expect to further recover from the effects of COVID-19, and by steadily implementing initiatives to strengthen the profitability structures of each of our businesses, we will fight our way back to operating income of ¥100 billion, our pre-pandemic base level.

Fiscal 2026

In fiscal 2026, the target year for the Medium-Term Management Plan, we aim to get within striking of our ¥130 billion Long-Term Vision target for fiscal 2031 by achieving operating income of ¥115 billion.

In the specific case of urban transportation, while we do not foresee it returning to pre-pandemic levels, we do expect to see a recovery, and then further growth, for real estate, entertainment, and information and communication technology.

Especially with real estate, in terms of the leasing business, improvements in the utilization rate at Osaka Umeda Twin

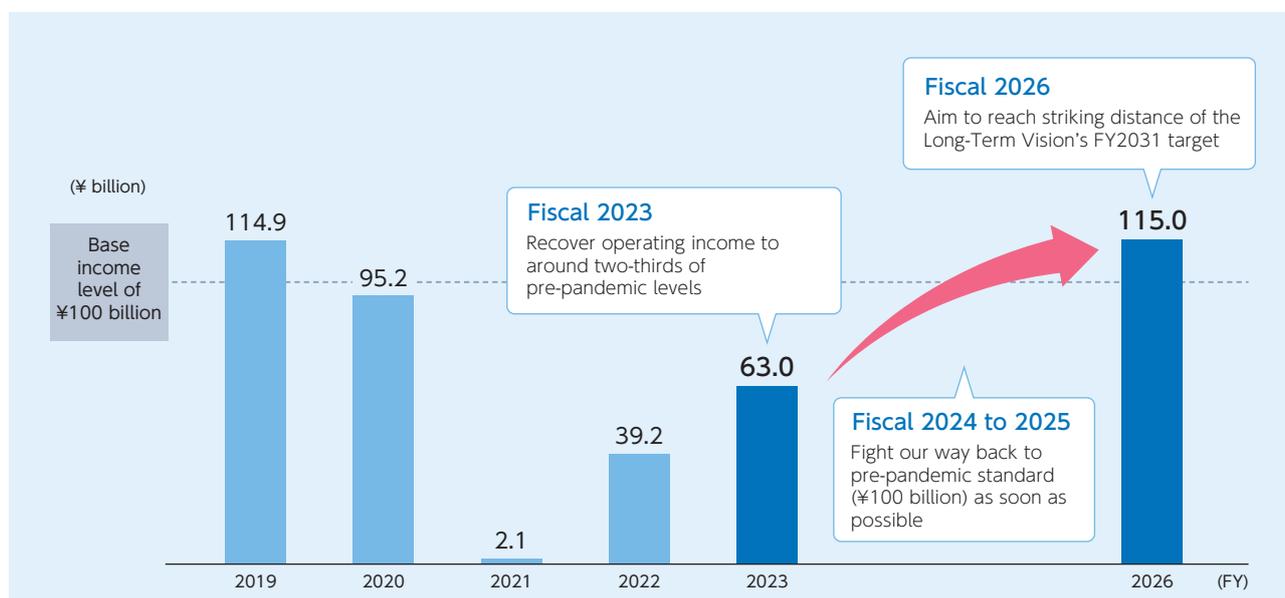
Towers South (completed in February 2022) and for the residential sales and other business, expansion overseas and a higher number of condominiums sold in Japan, mean we predict significant growth in operating income for both. Our aim is for our real estate business as a whole to surpass pre-pandemic operating income levels.

Factors behind increases in operating income toward fiscal 2026 targets (compared to fiscal 2023 forecasts)

2023 forecasts to 2026 targets +¥52 billion

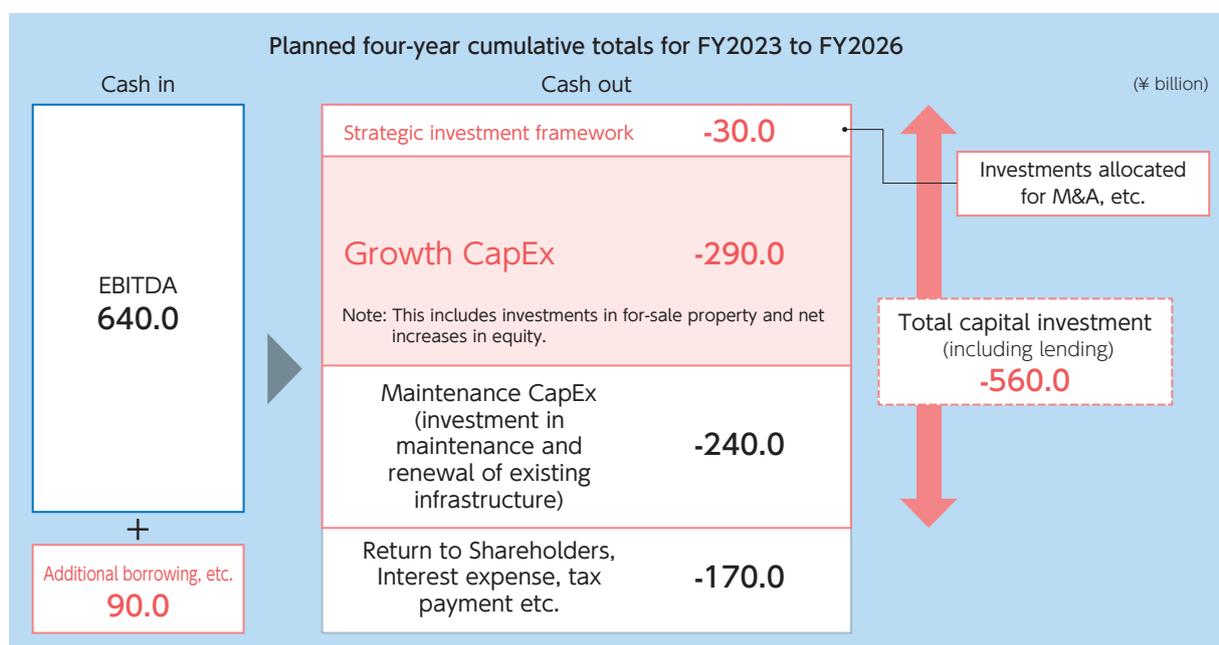
- Recovery from the effects of COVID-19 (on domestic and inbound demand)
 - Increased transportation revenue in the railway operations business through a recovery in domestic demand
 - Increased income through a recovery in domestic and inbound demand in the accommodation business
 - Increase in number of visitors to venues and number of performances, etc., in the entertainment business
 - Increased income through a recovery in overseas travel
- Increased rental income through higher utilization rates at Osaka Umeda Twin Towers South
- Increased income through the expansion of the real estate residential sales business (condominiums, etc.)
- Increased income through the expansion of the overseas real estate business
- Growth in the information and communication technology business

Outlook for Operating Income



Note: Forecasts for fiscal 2023 are based on information published on May 13, 2022.

Cash Flows



With regard to the allocation of these funds, while we forecast a cumulative total EBITDA of around ¥640 billion, we predict that cash expenditures will total about ¥730 billion (¥560 billion in capital investments and ¥170 billion in payments for shareholder returns, interest and tax expenses, etc.). This will leave a shortfall of approximately ¥90 billion, which we will cover with additional borrowing.

Moreover, for those cash expenditures, we forecast capital investments of around ¥560 billion, but by controlling investment in maintenance and renewal, we will actively assign funds to growth CapEx, with an eye on the future. We forecast expenditure on strategic and growth CapEx to total about ¥320 billion.

More details on our main growth CapEx can be seen in the table on the right.

■ Main growth CapEx

Urban Transportation	<ul style="list-style-type: none"> ● Installation of station platform doors and making stations more accessible ● Extension of the Kita-Osaka Kyuko Line ● Naniwasuji Connection Line and Shin-Osaka Connection Line
Real Estate	<ul style="list-style-type: none"> ● Umekita Phase II Development Project ● Shibata 1 Project ● Senri-Chuo Redevelopment ● Developments in the Tokyo metropolitan area (Yaesu 2 Naka Redevelopment and Hotel Grand Palace site) ● Expansion of the real estate business outside Japan ● Expansion of the condominium business within Japan ● Expansion of the short-term-return (fix-and-flip) business
Entertainment	<ul style="list-style-type: none"> ● Relocation of the Hanshin Tigers Farm facility
Other	<ul style="list-style-type: none"> ● IT strategy, DX investment, etc.

Management Indicator Forecasts

	FY2022 result	FY2023 forecast*1	FY2026 target
Operating income	¥39.2 billion	¥63 billion	¥115 billion
EBITDA*2	¥100.7 billion	¥128 billion	¥190 billion
Interest-bearing debt	¥1,096.0 billion	¥1,130.0 billion	¥1,180.0 billion
Interest-bearing debt/EBITDA ratio	10.9	8.8	6.2
Debt/equity (D/E) ratio*3	1.3	1.3	1.1
Net income attributable to owners of the parent	¥21.4 billion	¥35 billion	¥75 billion
ROE	2.5%	4.0%	7% range
(Reference)			
Net interest-bearing debt*4	¥1,064.6 billion	¥1,105.0 billion	¥1,155.0 billion
Net interest-bearing debt/EBITDA ratio	10.6	8.6	6.1

*1 Forecasts for fiscal 2023 are based on information published on May 13, 2022.

*2 EBITDA = operating income + depreciation expenses + amortization of goodwill

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

*4 Net interest-bearing debt = interest-bearing debt - cash and deposits

FY2022 Results & FY2023 Forecasts / Partial Amendment to the Core Business System

Fiscal 2022 Results

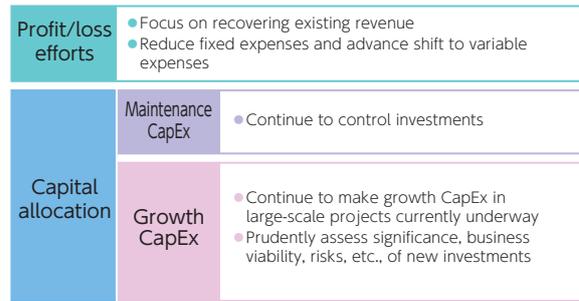
We positioned fiscal 2022 as a crisis recovery phase, a period to achieve a recovery for existing businesses, in which we focused on strengthening our profitability structure, and worked assiduously to adjust to changes in the business environment that have been accelerated by the pandemic (such as the so-called “new normal”). The result of this, the consolidated results for fiscal 2022, show a certain amount of recovery from the effects of COVID-19 in several businesses, and thanks to this and other factors, operating revenue, operating income, ordinary income, and net income attributable to owners of the parent all increased (see the table on the opposite page for our management indicator forecasts).

Fiscal 2023 Forecasts

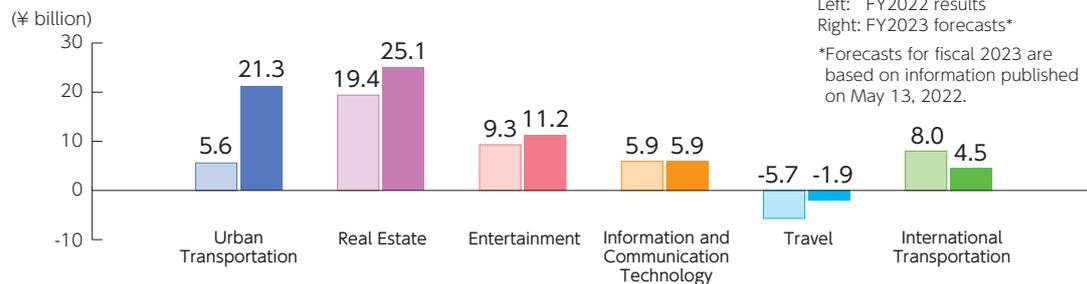
In fiscal 2023, too, we are considering further waves of the pandemic, and so we have extended the crisis recovery phase. Through profit/loss efforts and capital allocation, we will quickly

return to pre-pandemic performance in existing businesses, and also strive to enhance our financial standing and ensure we the surplus we need to make growth investments. With efforts like these, we foresee a return for operating income to around two-thirds of the pre-pandemic level.

Initiatives during the crisis recovery phase



Operating income forecasts by business

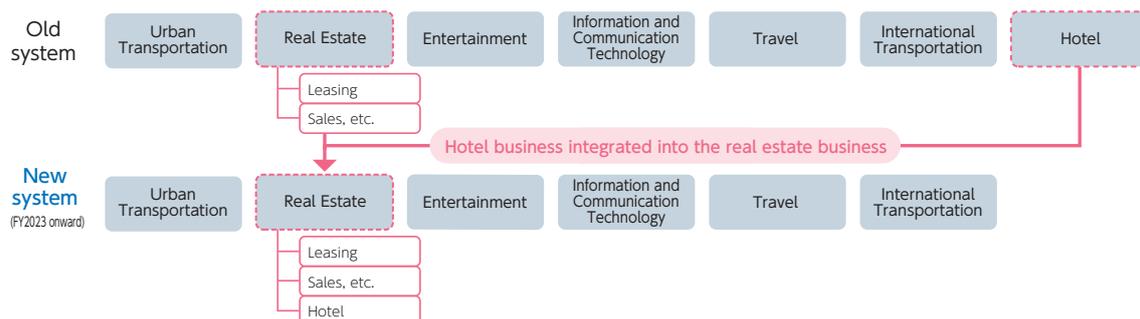


Partial Amendment to the Core Business System

In the hotel business, we are enacting the structural reforms we announced in March 2021 (closing hotels that are unprofitable, cutting fixed costs, etc.). Also, we plan to end business operations at two facilities that are particularly showing their age—Hotel new Hankyu Osaka and Senri Hankyu Hotel—and we are moving forward with our investigation into how we can utilize their sites

for more advanced use in order to develop better communities.

From fiscal 2023, we are integrating the hotel business into our real estate business, and for community developments—such as of the aforementioned sites—and combined developments, we have decided to establish a framework that allows us to further unify the two businesses and promote their strengths. Under this system, the hotel business’ role will include boosting the appeal and functions of urban areas by developing communities.



Special Feature

1

Human Capital—Empowering Individuals

To achieve our Long-Term Vision, we need to increase the appeal of our line-side areas and content, expand our fields of business, and work together to push Group transformation in unison. An essential factor in that effort is the full engagement of every employee and the driving force that can become. We thus aim to make significant improvements in the working environment within the Group to enhance the workplace, ensuring that it is both enjoyable and enriching, and that it allows people of different characters and abilities to make full use of their unique strengths. We want to foster a vibrant, interactive culture that values everyone's point of view.



Fig. 1 Human Resource Portfolio

1 Overview of Human Resources at the Group Fig. 1

Under the direction of Hankyu Hanshin Holdings (the Company), which supervises the Group's management, we have six core businesses operated primarily by five companies: Hankyu Corporation, Hankyu Hanshin Electric Railway, Hankyu Hanshin Properties, Hankyu Travel International, and Hankyu Hanshin Express.

In each core business, efforts are taking place to strengthen business competitiveness and ensure fast operations to maximize profits. Toward those ends, each business and company hires and trains its own key personnel (① in the illustration above) to review operations and enhance business value.

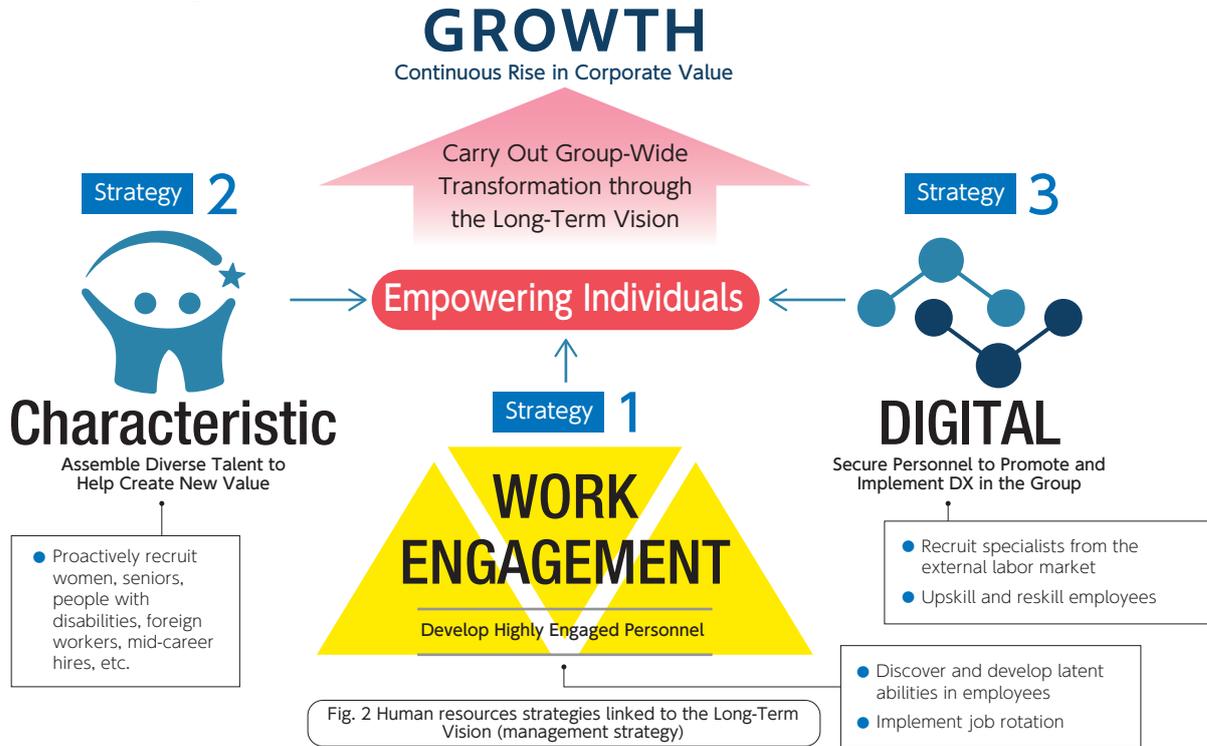
As a pure holding company whose mission is to assess the overall Group and maximize profits, we are responsible for training group-wide managerial personnel (② in the illustration above) and transferring them to businesses and companies to promote the overall interests of the Group and strengthen each business, steering us on a path toward the realization of our Long-Term Vision.

We also concentrate on training highly specialized personnel or hiring them from outside (③ in the illustration above). These are specialists tasked with making us responsive to rapidly changing circumstances—the socioeconomic environment and business climate surrounding the Group—which are influenced by a variety of factors such as the acceleration of DX initiatives, the pursuit of the SDGs, and a heightened drive to achieve carbon neutrality in 2050.

By building the human resources portfolio shown above and fostering a corporate culture that respects diversity and encourages employees to give full expression to their character and capabilities (i.e. empowering individuals), the Group will be able to adapt as needed to a rapidly changing business environment and achieve success and sustained growth.

2 Our Basic Approach—Enhancing Human Capital to Achieve Our Long-Term Vision Fig. 2

Achieving our Long-Term Vision requires a human resources strategy that lines up with that vision, which means not relying on the highly homogeneous pool of graduates fresh from university, but bringing greater diversity into the workforce. It means drawing out new, latent abilities from employees and fostering them through a work environment of mutual cooperation between company and employee that makes it easy for empowering individuals.



Three Human Resources Strategies

Strategy 1

Develop Highly Engaged Personnel

To push Group transformation as one, it is necessary to have a highly engaged workforce—people who are capable of responding flexibly to changes in the external environment, much as people adapted their behavior to the pandemic. We require people who enjoy change and can act autonomously to grow the organization.

Specific Measures (see page 39 for details)

- 1.1 Conducting Employee Satisfaction Surveys
- 1.2 Shift to Diverse, High-Productivity Work Styles
- 1.3 Support for Balancing Work with Childcare, Elder Care and Medical Treatment
- 1.4 Promotion of Health Management
- 1.5 Elimination of Harassment
- 1.6 Systematic Job Rotation
- 1.7 Introduction of Expert Professional Course
- 1.8 Extensive Training Programs

Strategy 2

Assemble Diverse Talent to Help Create New Value

To meet the challenge of the SDGs and keep providing value of many kinds requires not only “human resources skilled in the proper execution of prescribed tasks” but diverse talent—people who can bring change to the organization from new perspectives. That diversity can take the form of skills, behavioral characteristics, career experience, high-productivity work styles, etc.

Specific Measures (see page 41 for details)

- 2.1 Empowering Women in the Workplace
- 2.2 Encouragement of Paternity Leave
- 2.3 Employment Support for People with Disabilities
- 2.4 Utilization of “Career Train” Job Transfer System

Strategy 3

Secure Personnel to Promote and Implement DX in the Group

In a rapidly changing business climate that includes labor shortages and shifting consumer needs and values, it is essential to respond quickly and utilize data and digital technologies to achieve transformation (creating value and improving productivity). To do this, the Group needs personnel who can promote and implement DX.

Specific Measures (see page 42 for details)

- 3.1 Strengths of Having Information and Communication Businesses
- 3.2 DX Human Resource Training
- 3.3 Hiring of Specialized Personnel

3 Setting Effective KPIs

We have set KPIs as shown in the table below to systematically hire and train the personnel needed for our management strategies and maximize the performance of every employee.

	Non-financial KPIs*1	Target (FY2026)	FY2022 Actual record
Strategy 1	① Employee satisfaction (engagement)	① Always better than in previous survey	3.57
	② Job separation rate within last 3 years of employment		27.2%
	③ Average years of service		18.8 years
	④ Frequency rate of lost-time injuries*2		0.37
	⑤ Rate of participation in Company-run human rights training	② Always 100%	100%
	⑥ Number of trainees (total)		12,883 employees
	⑦ Training hours per employee		6.53 hours
Strategy 2	① Percentage of women among new hires	① Always 30% or more	36.8%
	② Percentage of women in management positions	② Improve to about 10% (FY2031)	5.1%
	③ Wage gap between men and women*3	③ Zero gap (Salary difference in table at right: 100%)	69.5%
	④ Paternity leave uptake rate*4	④ 100%	57.8%
	⑤ Employment rate of people with disabilities*5	⑤ Always above the statutory employment rate	2.96%
	⑥ Ratio of mid-career hires among new hires*6		9.6%
	⑦ Ratio of foreign employees (Percentage increase in foreign employees over the previous year)		0.52% (+3.9%)
Strategy 3	① DX education expenditure*7,8		17.7%
	② Percentage of employees completing DX online education*7		100%

Due to a large gender disparity in the labor force composition*, the Company-wide average is 69.5%. The table below shows the percentages by age group.

*Percentage of employees under 35 by gender—Female: 68%, Male: 27%

Age (years)	Salary gap (%)	Age (years)	Salary gap (%)
Up to 24	97.3%	40 to 44	89.9%*
25 to 29	97.7%	45 to 49	89.0%*
30 to 34	85.2%*	50 to 54	98.7%
35 to 39	86.5%*	55 to 59	94.6%

*Based on actual payment of wages accompanying shortened hours for childcare, etc.

*1 Scope of coverage: Except as noted, Hankyu Hanshin Holdings and six major companies (Hankyu Corporation, Hanshin Electric Railway, Hankyu Hanshin Properties, Hankyu Travel International, Hankyu Hanshin Express, Hankyu Hanshin Hotels)
 *2 Number of fatalities and injuries due to work-related accidents per million total actual working hours (with at least one day of absence from work)
 *3 Wages paid to female employees as a percentage of wages paid to male employees in the Company

*4 Scope of coverage: Hankyu Hanshin Holdings and Hankyu Hanshin Properties
 *5 Scope of coverage: 19 companies approved as special subsidiaries
 *6 Percentage of mid-career hires among new hires in fiscal 2022
 *7 Scope of coverage: Hankyu Hanshin Holdings
 *8 Ratio of DX education to personnel training expenditure

Specific Measures for Enhancing Human Capital

Strategy 1 » Develop Highly Engaged Personnel

1.1 Conducting Employee Satisfaction Surveys Hankyu Hanshin Holdings Group

The Group has long conducted employee satisfaction surveys and aimed to improve employee satisfaction through periodic monitoring. In the survey, the employee satisfaction level is calculated as the average value for the four items listed in the "Outcomes" section in the diagram to the right. The four items are considered to be the outcomes or results of actions and were set to ascertain current conditions such as job, workplace, boss, and company, which are possible factors affecting employee satisfaction, so that improvement measures can be set up and their effects verified. In the fiscal 2022 survey, overall satisfaction was 3.57, a reasonably high level.

*Based on a weighted average from the Company and six major companies. Each question employs a 5-point scale.



1.2 Shift to Diverse, High-Productivity Work Styles Hankyu Hanshin Holdings Group

Amidst the rapid changes in working styles brought on by the COVID-19 pandemic, and with the aim of boosting productivity, we began setting up new systems and arrangements to promote diverse working styles independent of time and place. To allow employees to telecommute, we expanded our work-at-home system and have been implementing a paperless system that eliminates the need for hand-stamped approvals. At the head office we have introduced free address and solo workspaces that allow people to sit wherever is appropriate for their work, in addition to meeting spaces for brainstorming and other face-to-face meetings. The head office building at Hankyu Hanshin Properties has implemented an idea that employees came up with for a work/play space called a "ladder base" aimed at boosting communication. The space was named for the idea of setting up ladders for climbing within the company. It includes a library area and ping pong table for a range of activities that include enjoying time relaxing.

1.3 Support for Balancing Work with Childcare, Elder Care and Medical Treatment Hankyu Hanshin Holdings Group

We have created an environment in which diverse personnel can balance their work and job with life events that require their involvement in childcare, elder care, or medical treatment.

Main systems in place at Group companies

- Expansion of work-life balance support (shorter working hours for childcare, elder care, or medical treatment; work-at-home system; system of annual paid leave by the hour or half-day; optional leave system (use of accumulated annual paid leave in expiring year); babysitter service subsidy system; hospital visit leave system; shorter working days system, etc.)
- Expansion of support programs for employees on childcare leave (monthly mailings with company news, seminars to support employees returning to work, etc.)
- Distribution of handbook on support for balancing work and childcare (for employees and supervisors) and more

1.4 Promotion of Health Management Hankyu Hanshin Holdings Group

<Policies, Systems and KPIs>

The Group carries out health management based on the belief that happiness stems from the physical and mental health of our employees and their families, which is also the cornerstone of a prosperous future for the Group. Since the establishment of the Hankyu Hanshin Holdings Group's Declaration on Employee Health Management in 2018, the Company and six major companies and other Group companies have set up a health management system led by the president under which a range of health policies are being implemented. Specifically, we have set up group-wide KPIs related to the implementation rate of specific health guidance and the rate of smoking (see page 89).

With a focus on stopping smoking, Hankyu Hanshin Holdings, Hankyu Corporation, and Hankyu Hanshin Properties support employees who quit smoking and have declared that smoking will be prohibited during working hours starting in fiscal 2025 as part of workplace improvements.

<Certified "Health & Productivity Management Outstanding Organization">

The Group's health management initiatives are expanding year by year, and 19 companies (an increase of 4 from the previous year) have earned the "2022 Certified Health & Productivity Management Outstanding Organizations*" certification. Among them, Hankyu Corporation, Hankyu Hanshin Electric Railway, and Itec Hankyu Hanshin have received "White 500" status for being in the top 500.

Category	2020	2021	2022
Large enterprise	5	8	10
Small and medium-sized enterprise	6	7	9
Total	11	15	19



*A program established by the Ministry of Economy, Trade and Industry (METI) together with the Nippon Kenko Kaigi to recognize enterprises making outstanding efforts to advance health and productivity management.

1.5 Elimination of Harassment—Arranging a Healthy Work Environment Hankyu Hanshin Holdings Group

Once every two years, we conduct a group-wide work environment survey. The results of the questionnaire help each company to formulate a plan for harassment prevention measures, and are also used to make work environment improvements and provide education.

Striving to create an environment in which it is easy to seek consultation, we have set up Harassment Consulting Offices at the head office and at each company, and provide training to improve the expertise of those working in the offices.

We also provide human rights awareness training for the president of each Group company annually, along with training regarding awareness of harassment and other human rights for new employees and employees promoted at each level.

1.6 Systematic Job Rotation Hankyu Hanshin Holdings

Note: Items with Hankyu Hanshin Holdings mark indicate measures for "②" personnel in the Human Resource Portfolio (Fig. 1)

<Career Interviews>

As the overwhelming majority of Company employees (about 85%) are transferred to other Group companies (about 90 companies) and wind up working in disparate locations, we make special efforts to communicate with them. Specifically, to get an accurate read on the career aspirations of each employee, we use a Management by Objectives (MBO) Sheet and a Communication Sheet (a tool for employees to directly share their opinions and requests about the company, work and career matters with the HR department). In fiscal 2022 we introduced a new system of "career interviews" where employees meet with Human Resources twice by their eighth year in the company to discuss their aspirations. These interviews help in assigning each person to the best position for them and for the company. We also plan to introduce a talent management system to use interviews and other personnel information in a more systematized way.

<Systematic Job Rotation (for well-balanced training to develop skills that can contribute to strengthening business competitiveness and overall group leadership skills)>

We value and use job rotation in the Group's six core businesses, primarily within each core separately to train large numbers of employees. This practice gives employees familiarity with the business and helps them develop knowledge that will give us a competitive edge in the industry.

From the perspective of the management of the entire Group, however, it is essential to have personnel who are familiar with many different businesses and can guide the Group in a leadership role. To develop that kind of expertise over the long term from a group-wide perspective, we plan to gradually increase the scope of job rotations in a systematic way that includes providing cross-business experience through internal transfers beyond each core.

1.7 Introduction of Expert Professional Course Hankyu Hanshin Holdings

In a rapidly changing business environment, there is a concern that personnel who have been in management or administration for a long time will not be able to respond well to new types of change. For this reason, the Company is setting up a new training program in fiscal 2023—an Expert Professional Course to join the existing Basic Management Course. This will enable us to develop the specialized personnel needed to carry out our business strategy.

By providing new career options for our employees, the Company hopes to elicit even better individual performance, aiming to strengthen the Group's businesses and further augment our corporate performance.

1.8 Extensive Training Programs Hankyu Hanshin Holdings

The Company has established a Basic Policy on Human Resource Development, based on which we offer many types of training programs each year. Such programs support the career aspirations of all employees in a step-by-step manner. We also support independent study by subsidizing self-development and study opportunities and correspondence courses. We also send employees out to get external training or to attend graduate school for an MBA, helping them acquire knowledge and develop personal connections.

In the area of self-development, we subsidize tuition to attend the GLOBIS University MBA program and assist with costs for other types of external training. We also cover the full cost of tuition for correspondence courses that lead to career advancement.

In addition, the Group is carrying out training aimed at cultivating foresight and creativity through the New Value Creation Project Research. This unique project trains people to conceptualize and propose new value by using cutting-edge technologies in the businesses we are in, based on seminars given by experts in various fields complemented by discussion and research.

Basic Policy on Human Resource Development

- 1 Support proactive career formation and skills development
- 2 Clarify the types of personnel needed and support their training in the workplace
- 3 Encourage the creation of new value from a long-term perspective

Types of Personnel Needed

The Ideal Employee of Hankyu Hanshin Holdings

- Envisions the future of the entire Group from an optimal perspective and has the drive to actualize that vision
- Has high aspirations and strong beliefs and takes on challenges without preconceptions
- Engages with others sincerely and with humility and is constantly learning

Basic Policy on Human Resource Development/Types of Personnel Needed

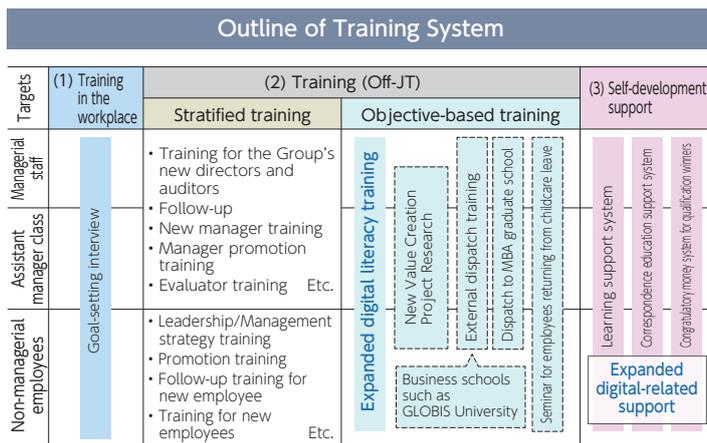


Diagram of Overall Training System

Strategy 2 » Assemble Diverse Talent to Help Create New Value

2.1 Empowering Women in the Workplace Hankyu Hanshin Holdings Group

Hankyu Hanshin Holdings and the six major 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 fulfill their potential. To this end, we encourage career development and implement policies to help maintain a balance between work and home life. These initiatives earned Hankyu Hanshin Holdings the honor of being selected as a constituent of the MSCI Japan Empowering Women (WIN) Select Index, which comprises leading companies in terms of gender diversity, for the third consecutive year since 2020.

2022 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)
<https://www.msci.com/our-solutions/esg-investing>

2.2 Encouragement of Paternity Leave Hankyu Hanshin Holdings Group

The Group encourages male employees to take childcare leave as part of measures to support a balance between work and home life, and we are aiming for a 100% take-up rate. We believe that when men take a more proactive role in caring for children, it will allow women to work more hours again and can be the first step toward a healthy, thriving society in which both men and women build capabilities in their work and home lives. In fiscal 2022, the paternity leave take-up rate among male employees with a newborn child was 95.2%.

Mr. Yoshida of the Hankyu Corporation's Transport Department, who took about six weeks of paternity leave



2.3 Employment Support for People with Disabilities Hankyu Hanshin Holdings Group

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. Since that year, the company has provided work opportunities through 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. Then in December 2020, the Company became the first "Monisu Employer" in Osaka prefecture for our employment initiatives for people with disabilities.

Currently, the employment rate of persons with disabilities in Group-affiliated companies, including Hankyu Hanshin Holdings, is 3.05% as of June 2022, higher than the legally stipulated rate of 2.3%, and we are working hard to create even more jobs. For example, we are implementing workplace training within the Group to serve as job assistance for people with disabilities who had been attending workshops or the like at a transition-to-employment organization or support agency. For people with disabilities, this is an opportunity to experience the atmosphere of a business workplace and also deepens their understanding of our Group, which can lead to being hired by a Group company. Such initiatives are welcomed by transition organizations.



A newly created space at the Hankyu Corporation head office, dubbed the "Fuwa Fuwa Room," where 76 people have undergone workplace training

2.4 Utilization of “Career Train” Job Transfer System Hankyu Hanshin Holdings

As Japan enters a full-fledged phase of population decline, we find ourselves at a turning point in our recruitment strategy as a company that had once relied heavily on hiring a big pool of graduates straight from college every year.

Recently, a transportation industry scheme known as the “Private Railway Career Train” system was devised for the mutual acceptance of employees among the 15 major private railway companies in Japan who have to leave their company and move due to life events such as a spouse’s transfer. Under this system, we accepted two employees, both of whom were able to make an immediate contribution to the company with their career experience as private-sector railway employees.

Strategy **3** » Secure Personnel to Promote and Implement DX in the Group

3.1 Strengths of Having Information and Communication Businesses Hankyu Hanshin Holdings Group

The Hankyu Hanshin Holdings Group has strengths in information and communications and has developed specialized talent working at the forefront of IT.

Itec Hankyu Hanshin* plays a pivotal role, developing systems connected to the Group’s major businesses, including railways and buildings, and provides solutions used in medical care and other fields. It supports the Group’s businesses with the latest ICT by building and operating e-commerce sites, while also contributing to the development of DX human resources, as introduced below.

*Itec Hankyu Hanshin Co., Ltd.: total number of employees who have passed the Information Technology Engineers Examination (ITEE) (including former examination sections): 152 Advanced IT Engineers, 176 Applied IT Engineers, 396 Fundamental IT Engineers (as of March 31, 2022)

3.2 DX Human Resource Training Hankyu Hanshin Holdings Group

In April 2022, we established the Hankyu Hanshin DX Project Promotion Department. While the department works to build a group-wide platform, personnel with expertise in each core business will consciously utilize digital technologies to promote DX throughout the Group.

In fiscal 2023, we began providing all employees with extensive digital training, starting with basic digital education using an e-learning system. Additionally, we introduced a new job rotation system, dubbed the DX Human Resource Development Program. The program works by taking a certain number of young employees positioned in core businesses—generally in their third year with the company—and transfers them to Itec Hankyu Hanshin to pick up skills, then sends them back to their original departments after about two years. During their time with the company, they gain experience in programming, systems development, and other skills. The goal of the program is to develop personnel who have insight into both information technology and business operations.

We later plan to use the program to reskill more seasoned employees in the focused area of DX.

Our Approach to Digital Education

We will provide educational opportunities through both training (Off-JT) and self-development support aimed at developing personnel capable of promoting value creation in each business, improving the productivity of each group company, and leading their respective organizations.

	Objective	Means	Training Programs
Value creation	New value creation	[DX] Business and business model transformation for customer-centric value creation	<ul style="list-style-type: none"> Philosophy of digital transformation seminars New Value Creation Project Research Problem-solving training using AI E-learning for acquiring basic DX knowledge
	Higher added value	[Digitalization] Digitalizing of individual operations and manufacturing processes	<ul style="list-style-type: none"> E-learning for acquiring the ability to read and analyze numbers Assigning employees to take productivity improvement training using Office
Improved productivity	Cost reductions	[Digitization] Conversion of analog and physical data into digital data	<ul style="list-style-type: none"> Productivity improvement and information security training using IT tools

Learning support system (strengthened support for DX and IT fields)

Objectives of the DX Human Resource Development Program

- 1 The acquisition of practical, real-world technical skills through Engineer/Programmer developmental training
- 2 The acquisition of the fundamentals for becoming future System Architects (people who can design DX and digital business systems)

Personnel Title	Personnel Roles
Producers	Leaders (personnel including CDOs) to lead the implementation of DX and achieve digital business
Business designers	Personnel responsible for planning, drafting and promoting DX and digital business
2 Systems architects	Personnel who can design systems related to DX and digital business
Data scientists/ AI engineers	Personnel with expertise in digital technologies (AI, IoT, etc.) and data analysis related to DX
UX designers	Personnel in charge of user interface design for systems related to DX and digital business
1 Engineers/ Programmers	Personnel responsible for the implementation of digital systems and infrastructure-building, plus the above

Basic Digital Education at the Company

Specialized digital education at Itec Hankyu Hanshin

3.3 Hiring of Specialized Personnel (special system for contract employees) Hankyu Hanshin Holdings

As a digital transformation initiative, the Group is taking steps to enhance digital marketing. In April 2021, we established the Data Analysis Lab within the Company through an industry-academia collaboration with the University of Tokyo. We recruited Associate Professor Takahiko Kusakabe to supervise all of the lab’s projects as Data Analysis Director.

Prof. Kusakabe, Data Analysis Director



02

Creating Real Value: The Processes

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Osaka Umeda Twin Towers South
(Fully completed February 2022)

Sustainable Management

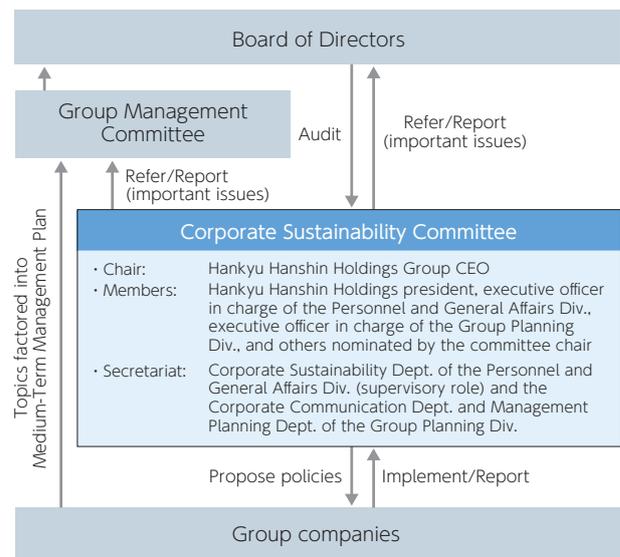
In May 2020, we publicly announced the Hankyu Hanshin Holdings Group Sustainability Declaration, and we are forging ahead with sustainable management. In the declaration, we present our fundamental policy of creating a future grounded in “Safety and Comfort,” and a future colored by “Dreams and Excitement” (see page 2), which underlies our efforts to attain sustainable growth for the Group. This sustainable management, based on the declaration, will both further accelerate our ESG (Environmental, Social, and Governance) measures, and help lead to resolving social issues through our business, continuously improving corporate value, and making society more sustainable.

Sustainable Management Promotion Framework

From fiscal 2021, the Corporate Sustainability Committee (composition details to the right), will meet twice each fiscal year, in September and February. The committee will consider the outside environment (government, investor, competitor trends, etc.), ESG evaluation bodies' rating situation, and other factors as they formulate policies related to the sustainable management priority issues, verify the progress of associated initiatives, and deliberate and decide on items to be reflected in the Medium-Term Management Plan.

The committee's deliberations are then referred to the Group Management Committee and it also reports to the Board of Directors and accepts their oversight. In this way, we are promoting sustainable management and incorporating it into the Group's overall management system.

Sustainability Promotion Framework



The PDCA Cycle Applicable to Sustainable Management

The Corporate Sustainability Department, which is the supervising secretariat under the Corporate Sustainability Committee, collaborates with the Corporate Planning Division and the individual business divisions to apply the PDCA cycle in an effort to enhance sustainable management.



Group-wide non-financial KPIs

Priority issues	Non-financial KPIs	Target value	Scope	FY2022 result	Reference page
① Safe, reliable infrastructure	Number of culpable incidents in railway operations business	Maintain at zero	Hankyu Corporation, Hanshin Electric Railway, Kita-Osaka Kyuko Railway, and Nose Electric Railway	0 incidents	P53
④ Empowering individuals	Employee satisfaction	Always better than in previous survey	Conducted once every two years by Hankyu Hanshin Holdings and the six major companies.*	3.57 (on a five-level scale)	P89
	Percentage of women in management positions	Improve to around 10% (FY2031)	Hankyu Hanshin Holdings and the six major companies	5.1%	
	Percentage of women among new hires	Always 30% or more	Hankyu Hanshin Holdings and the six major companies	36.8%	
	Specific health guidance provision	60% or more (FY2026)	Hankyu Hanshin Holdings and the six major companies	49.3%	
	Smoking prevalence	15% or less (FY2026)	Hankyu Hanshin Holdings, Hankyu Corporation, Hanshin Electric Railway, and Hankyu Hanshin Properties	19.7%	
⑤ Environmental protection	Rate of CO ₂ emissions cuts	FY2031: 46% compared to FY2014	Hankyu Hanshin Holdings and its subsidiaries' Japanese worksites	36.1% compared to FY2014	P94
		FY2051: Net zero			

*Six major companies: Hankyu Corporation, Hanshin Electric Railway, Hankyu Hanshin Properties, Hankyu Travel International, Hankyu Hanshin Express, and Hankyu Hanshin Hotels

Priority issues (materiality) and policies	Related fields*	Project themes
<p>1  Safe, reliable infrastructure</p> <p>Provide railways and other infrastructure that are safe and disaster-resilient. Ensure that anyone can safely access our facilities and services.</p>	<p> </p>	<p> S Social</p> <ul style="list-style-type: none"> 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>2  Thriving communities</p> <p>Help build sustainable communities with rich natural and cultural heritage, making great places to live in, work in, and visit.</p>	<p>   </p>	<p> S Social</p> <ul style="list-style-type: none"> 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>3  Life designs for tomorrow</p> <p>Promote refined and inspired lifestyle solutions for a better tomorrow.</p>	<p>  </p>	<p> S Social</p> <ul style="list-style-type: none"> 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>4  Empowering individuals</p> <p>Provide an inclusive workplace that values diversity and taps into individual talent. Cultivate tomorrow's leaders for society.</p>	<p>   </p>	<p> S Social</p> <ul style="list-style-type: none"> 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>5  Environmental protection</p> <p>Conduct eco activities that contribute to a carbon-neutral world and a circular economy.</p>	<p>  </p>	<p> E Environment</p> <ul style="list-style-type: none"> 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>6  Robust governance</p> <p>Act honestly and in good faith, as stakeholders expect us to do.</p>	<p> </p>	<p> G Governance</p> <ul style="list-style-type: none"> 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

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

Non-financial KPIs for each core business

In order to address the six priority issues (materiality), we have identified non-financial KPIs for each core business.

Urban Transportation	Real Estate	Entertainment	Information and Communication Technology	Travel	International Transportation
<p></p> <p>Accessibility rate, ratio of energy-efficient rolling stock, etc.</p>	<p></p> <p>Compliance rate of large buildings with BCP, environmental certification acquisition rate, adoption rate of ZEH construction methods, etc.</p>	<p></p> <p>Number of baseball classes, number of children and students in attendance at the theater, etc.</p>	<p></p> <p>Number of municipalities with which disaster prevention agreements have been concluded, status of information security certifications, etc.</p>	<p></p> <p>Satisfaction of tour participants, number of cooperating municipalities, etc.</p>	<p></p> <p>BCP maintenance rate, customs clearance error rate, etc.</p>
See page 53 for details	See page 60 for details	See page 65 for details	See page 68 for details	See page 70 for details	See page 72 for details

Initiatives and External Evaluation

The Group has joined the following international initiatives, is accelerating ESG-related initiatives, and has undergone evaluations and certification procedures for ESG indices (Socially Responsible Investment Indices; as of August 2022).

Initiatives



Task Force on Climate-related Financial Disclosures (TCFD)

In May 2021, we signed a petition expressing our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) established by the Financial Stability Board. Since then, we have been actively disclosing information in line with the disclosure framework recommended by the TCFD.



United Nations Global Compact

In May 2021, we signed a petition to express our support for the United Nations Global Compact (UNGC) advocated by the United Nations. In addition to complying with the 10 principles advocated by the UNGC related to the protection of internationally proclaimed human rights, elimination of forced and compulsory labor, environmental responsibility, and working against corruption, we are further enhancing our initiatives in support of sustainable management.

Inclusion in the ESG Indices



FTSE Blossom Japan Sector Relative Index*¹

This ESG index is compiled by FTSE Russell from a selection of Japanese companies with high ESG ratings in their respective industries. The Company was originally added to this index in June 2022.



MSCI Japan ESG Select Leaders Index*²

This ESG index is constructed by MSCI by selecting companies from various industrial sectors with excellent ESG evaluations from among the MSCI Japan IMI Top 700. Our Company was included in this index when it was first formed.



S&P/JPX Carbon Efficiency Index

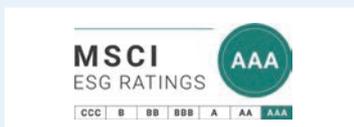
This ESG index is constructed of a selection of companies from among the constituents of the TOPIX index, which comprises companies in the S&P Dow Jones Index and the Tokyo Stock Exchange, excluding those with extremely low carbon efficiency and risk indicators above a certain level. Our Company was included in this index when it was first formed.



MSCI Japan Empowering Women Index (WIN)*²

This is an ESG index that selects Japanese companies that lead the industry in terms of gender diversity according to MSCI's data on the employment and promotion of women in various companies as well as information disclosure on diversity initiatives. Our Company has been included in this index since June 2020.

ESG Evaluation and Certification



MSCI's ESG RATINGS*²: Achieved the Highest Ranking of AAA

Since September 2021, we have maintained the highest ranking of AAA in MSCI's ESG rating. This serves as the criterion for selecting stocks for the MSCI Japan ESG Select Leaders Index.



Awarded Four Stars Under the 2021 Nikkei SDGs Management Survey

In the Nikkei SDGs Management Survey 2021 sponsored by Nihon Keizai Shimbun, which evaluates companies for their promotion of the SDGs as well as ESG principles, we received a rating of four stars (representing a deviation value of 60 or less than 65), placing us among the top companies ranked 51st to 153rd among 846 respondents.

*¹ FTSE Blossom Japan Index Series <https://www.ftserussell.com/ja/products/indices/blossom-japan>

*² MSCI <https://www.msci.com/our-solutions/esg-investing>

For other environmental and social evaluations, please refer to our website (Japanese only).
<https://www.hankyu-hanshin.co.jp/sustainability/evaluation/>

Task Force on Climate-related Financial Disclosures (TCFD)

In May 2021, our Group announced its support for the Task Force on Climate-related Financial Disclosures (TCFD). Since then, we have proceeded with information disclosure in line with the various principles related to governance, strategy, risk management, and metrics and targets. Under our Long-Term Vision announced in May of this year, we adopted a new CO₂ emissions reduction target of net zero for fiscal 2051 as a means of achieving the 1.5°C temperature rise scenario set by the Paris Agreement. We also updated our target for fiscal 2031, which represents the halfway point, to a 46% reduction in CO₂ emissions from fiscal 2014 levels. Going forward, we will continue to steadily promote the transition to a carbon-neutral society by incorporating a response to climate change into our business strategies and by enhancing the resilience of our businesses.

1 Governance

As described on page 45, the Group's sustainable management promotion system is described in the meetings of the Corporate Sustainability Committee in September and February of each year under the chairmanship of the Group CEO in order to promote environmental, social, and governance (ESG) responses, which includes a response to climate change, throughout the Group. The committee formulates a policy on the priority issues of sustainable management of the Group, with reference to the external environment relevant to sustainability (administrative, investors, and other companies) and ESG evaluation agencies. In

addition, the Group confirms the progress of initiatives, and deliberates and decides on matters that should be reflected in the Medium-Term Management Plan.

In addition, the deliberations by the committee are submitted to a meeting of the Group Management Committee, which is attended by all representative directors and representatives of each core business, and are reported to the Board of Directors. In this way, we are promoting sustainable management by incorporating it into the management system of the entire group.

2 Strategy

Identifying risks and opportunities

In considering responses to climate change issues, the Group identified risks and opportunities that have the potential to influence the Group's core business, especially in railway operations and real estate, which are predicted to be particularly affected by climate change.

Main Items Identified			Timeframe
Risk	Railway operations	The imposition of carbon taxes and other measures will lead to an increase in power costs (electricity expenses).	Medium to long term
	Real estate	Ultra-large-scale typhoons and increasingly heavy rainfalls increase the potential for damage due to flooding of garages, subway stations, electrical equipment, destruction of embankments, and suspension of railway services.	Short to long term
Opportunity	Railway operations	The cost of construction and renovation of buildings will increase due to soaring prices of building materials from the imposition of carbon taxes and the tightening of regulations on Net Zero Energy Buildings (ZEB) and Net Zero Energy Houses (ZEH).	Short to medium term
	Real estate	The price advantage of energy efficient railways is expected to increase, and customers can be expected to shift to rail transportation.	Medium to long term
	Real estate	We can strengthen our competitiveness by responding to emerging needs for disaster-resilient buildings and housing with high environmental performance.	Medium to long term

For details of the risks and opportunities identified, please visit our website (<https://www.hankyu-hanshin.co.jp/sustainability/tcfd/>)(Japanese only).

Scenario Analysis and Estimation of Financial Impacts

We conducted scenario analyses of those that are expected to have a particularly large impact on the railway operation business and real estate business in fiscal 2031, especially for identified risks and opportunities. Specifically, we estimated the financial impact on business of the 1.5°C and 2°C temperature-rise scenarios, under which carbon-neutral policies are expected to be strengthened, and the 4°C temperature-rise scenario, under which physical risks are expected to materialize. The internal and external data used for the analyses are shown on the right.

- 1 **Internal data:** CO₂ emissions forecasts, natural disaster risk response plan, ZEB and ZEH construction plans, etc.
- 2 **External data:** Carbon tax forecasts, electricity rate forecasts, rainfall forecasts, from reports* by the International Energy Agency (IEA), the Ministry of the Environment, and the Japan Meteorological Agency

*Transition risks: IEA World Energy Outlook, Sustainable Development Scenario, IEA Net Zero by 2050—A Roadmap for the Global Energy Sector, others

Physical risks: ICPP RCP 8.5 and RCP 2.6, Japan Meteorological Agency (JMA) "Climate Change in Japan 2020—Observations, Predictions and Evaluation Reports on the Atmosphere, Land and Ocean," etc.

Railway operations

Impacts on the Railway Operation Business and Future Response

Under the 1.5°C and 2°C temperature-rise scenarios, we were able to confirm that environmental regulations should be tightened due to policies and that the impact of carbon taxes and increases in electricity retail prices would increase. As future measures, we will reduce the impact of these by reducing energy consumption by upgrading to energy-efficient railway cars; introducing LED lighting; and working to utilize renewable energy by installing solar panels at stations.

Under the 4°C temperature-rise scenario, it was confirmed that

the potential for greater physical damage would be exacerbated by natural disasters that are more intense in scale and frequency. In this trial calculation, we selected the Muko River, which would be expected to cause the largest amount of damage on our line-side areas, and calculated the likely amount of damage. On the other hand, it was confirmed that the damage could be greatly reduced by evacuating trains when the Muko River floods. As a future response, we will continue to strive for robust business operations that can avoid long-term suspensions through various safety investments and steadily implementing train evacuation plans.

	Category	Eventualities That Would Impact Business	Impact on operating profit*1 (¥ billion)		
			4°C	1.5-2°C	
Transition risks	Carbon tax and costs	Requirement to pay carbon taxes	–	-2.4*2	
	Changes in energy mixes/Energy demand trends	Cost changes from shifts in energy retail prices	0.1	-0.4	
Physical risks	Abnormal weather (intensification of natural disasters)	Flooding from Muko River would damage our assets and reduce ridership revenue	No train evacuations	-3.8	-1.0
			(Amount saved by avoiding train evacuations)	(3.4)	(0.9)
			Train evacuation	-0.4	-0.1
	Changes in rainfall and other weather patterns	Higher frequency of service cancellations due to torrential rain*3	-0.4	-0.2	

*1 None of the figures account for the possibility of passing on cost increases to passengers.

*2 For the IEA's 1.5°C scenario, impacts are calculated on the basis of 130\$/t-CO₂, with a dollar worth 122 yen (the rate at the end of March 2022).

*3 Increase in torrential rain is averaged over a period from 2076 to 2095.

Examples Examples of Both Tangible and Intangible Responses to Physical Risks

On the tangible side, we are implementing countermeasures such as preventing collapses of sloped trackside embankments and falling rocks, strengthening drainage functions, and increasing the number of rain gauges in areas where risk of landslides along the tracks is high. On the intangible side, in order to avoid flooding damage to garages and vehicles due to flooding of rivers, we are promoting flood countermeasures such as train evacuation plans. For example, for the Muko River, where the financial impact was estimated in this scenario, no floods have occurred in downstream areas such as the Nishinomiya Marshaling Yard area for the past 100 years. In preparation for an expected large-magnitude impact in the event of an actual occurrence, we have formulated a plan to evacuate the trains in the Nishinomiya Marshaling Yard to a location that would not be affected by flooding should disaster-level torrential rain* occur. In this way, we are working to reduce damage by promoting safety measures against climate change risks from both a tangible and an intangible perspective.

*Assuming "expected rainfall (once in 100 years)" on hazard maps created by municipalities, etc.

Real estate

Impact on Our Real Estate Business and Future Responses

Under the 1.5°C and 2°C temperature-rise scenarios, it is confirmed that construction costs would increase due to the increased prices for construction material arising from the introduction of the carbon tax, the adoption of ZEB/ZEH construction methods, and the tightening of environmental regulations. Of these, for ZEH construction methods, we will reduce the impact on operating income by utilizing subsidies from the government and other sources (tax incentives for ZEH housing and the like having improved customer opinion of such housing), incorporating the increase in costs resulting from the adoption of ZEH construction methods into income and expenditures from the stage of land procurement and passing it on in the selling price. We will reduce the impact on operating income. On the other hand, it is difficult to pass on the cost of ZEB construction methods in rent prices, and the possibility exists that an impact equivalent to

depreciation would occur on operating income. We will strive to reduce the impact as much as possible while utilizing government subsidies.

We have confirmed that the financial impact on the real estate business under the 4°C scenario would be limited. Flood damage in the Umeda area is assumed as a physical risk, but we have already completed countermeasures against inland water flooding. This includes the installation of flood barriers on real estate properties and the preparation of disaster response manuals. River flooding is assumed to have a very low probability of occurrence.*

In the future, we will adopt metrics such as the business continuity plan (BCP) compliance rate, the green building certification acquisition rate, and the adoption rate for ZEH construction methods in new condominium development, mainly for large buildings that are in development, and will promote initiatives to respond to any scenario.

*Flooding of the Umeda area from the Yodo River is assumed only when the hazard map assumes the largest amount of rainfall (once in 1,000 years). However, the probability of occurrence is assumed to be extremely low even under the 4°C temperature-rise scenario.

	Category	Eventualities That Would Impact Business	Impact on operating profit** (¥ billion)	
			4°C	1.5-2°C
Transition risks	Carbon tax and costs	Rising prices of construction materials due to introduction of a carbon tax	—	-1.9*2
		Requirement to pay carbon taxes	—	-1.0*2
	Response to greenhouse gas emission regulations such as ZEB/ZEH construction methods, and dissemination of new technologies	Increase in construction costs due to ZEB construction methods (equivalent to depreciation cost)	—	-0.8
	Changes in energy mixes/ Energy demand trends	Impact on electricity costs due to fluctuations in electricity retail unit prices (calculating electricity costs for the entire building, including areas used by tenants)	0.1	-0.5

*1 None of the figures account for the possibility of passing on cost increases to passengers.

*2 Estimated based on the IEA's 1.5°C temperature-rise scenario estimates (same as railway operation business)

3 Risk management

Our Group has established a dedicated risk management office in the Personnel and General Affairs Division to oversee groupwide risk management and conduct annual risk assessments. The survey covers risks related to climate change (natural disasters, etc.), accidents, information management, legal compliance, and other organizational operations. The office is responsible for identifying and analyzing pan-organizational risks, while business divisions do the same for risks inherent to their own division and establishes appropriate countermeasures. The status of these risks is analyzed, and risk countermeasures are reported to the Board of Directors every year.

With regard to climate change-related risks, we analyze and

examine not only the risks for each item, such as natural disasters, that directly affect business operations, but also risks that occur in the value chain, such as soaring energy and material prices. We then conduct risk assessments in relation to the time horizon (short, medium, and long terms). We also monitor the status of countermeasures several times a year.

The Corporate Sustainability Committee also deliberates on climate change-related risks and their impact on business. The contents of the assessment are reflected in risk management for the entire Group, where it is used to identify priority risks during risk assessments.

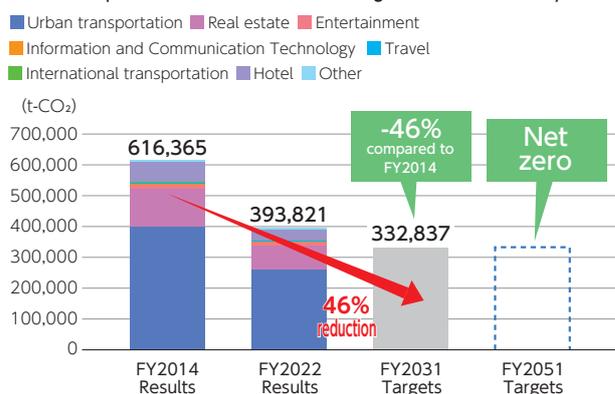
4 Metrics and targets

We have adopted "Environmental protection" as a priority issue for sustainable management and have adopted CO₂ emission reduction targets as a non-financial KPI common to our Group. In May 2022, we adopted a new goal of net zero CO₂ emissions by fiscal 2051, and as an interim goal, we aim to reduce CO₂ emissions by 46% from the fiscal 2014 level by fiscal 2031. While looking at financial soundness and investment effects, we are steadily promoting energy efficiency, and we will consider energy generation (introduction of renewable energy power generation equipment, etc.) based on trends in technological innovation and business profitability (see page 94 for details).

In line with the above policy, each business has established indicators for properly managing non-financial action plans and progress, including responses to climate change. Additionally, we specify concrete measures for SDGs and carbon neutrality by 2050 in our Long-Term Vision and Medium-Term Management Plan announced in May 2022. We will continue to actively

promote initiatives contributing to the emergence of a society committed to carbon neutrality.

Our Group's CO₂ Emissions Reduction Target (announced in May 2022)



Railway operations

- Upgrading to energy-efficient rolling stock, installing solar power generation on factory roofs and station buildings, and introducing regenerative power storage devices
 - Promoting a response to natural disasters based on business continuity plan (BCP)
- Non-financial key KPIs:** VVVF train* conversion rate, LED conversion rate, zero long service downtime due to natural disaster, etc. (See page 53 for details.)
- *Railway cars whose motor voltage and frequency can be controlled with high environmental efficiency and no waste.

Real estate

- Helping make rental facilities carbon neutral (energy efficiency/generation and procurement of renewable energy)
 - Promoting ZEB and ZEH construction methods for buildings and housing under development
- Non-financial key KPIs:** BCP compliance rate for large buildings in the Osaka-Umeda area, green building certification rate for large office and commercial buildings, rate of adoption of ZEH construction methods for domestic condominiums, etc. (See page 60 for details.)

Business Strategy

Urban Transportation

We remain focused on enhancing the value along our line-side areas by providing safe, secure, and comfortable transportation services.



Basic Policies

1 Provide quality urban transportation services and other related services

Develop personnel/Strengthen Group collaboration/ Enhance services and convenience/Strengthen communication/Produce further conveniences and excitement around stations

2 Increase convenience and reliability of infrastructure, expand railway network, and stabilize business base

Develop and expand railway stations, lines, and network/ Use digital technologies to make operations more efficient and create new demand

3 Ensure safe, reliable transportation

Enhance security/Develop rolling stock

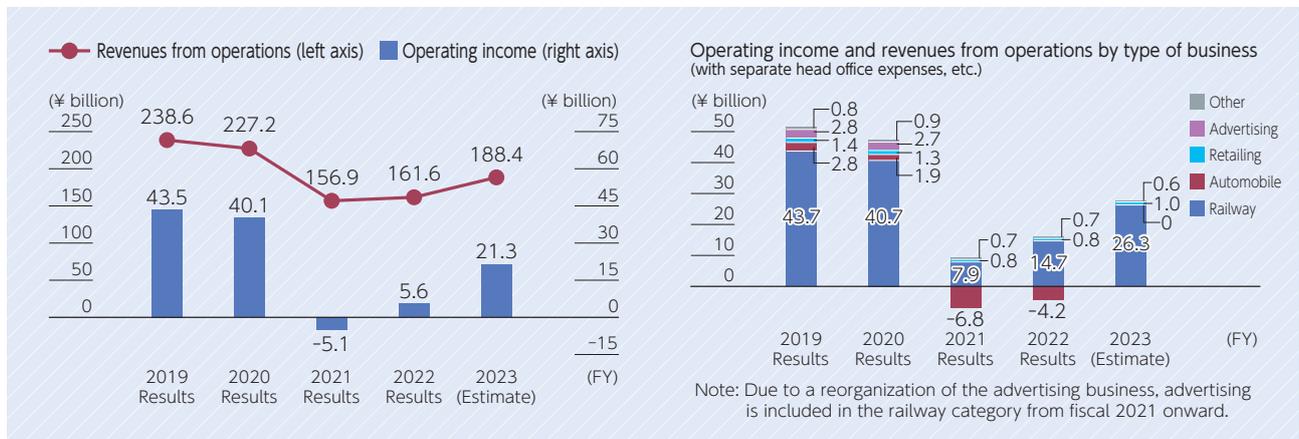
4 Expand feeder services and extend catchment areas of railway lines and stations

Advance line-side measures in the bus and taxi businesses/ Enhance bicycle parking areas at railway stations and bicycle rental services

5 Take measures toward SDGs and carbon neutrality

Introduce and manage energy-efficient trains and equipment/Use EVs or hybrid vehicles for buses and taxis

Revenues and Income



Note: The anticipated full-year results for fiscal 2023 are based on information announced on May 13, 2022.

Business Environment

Changes in demand for movement due to COVID-19

While the overall population in the Kansai region is on the decline, the Group's line-side areas, especially in the Osaka-Umeda district, continue to be highly popular and the population is increasing in those areas.

However, the pandemic has brought changes to people's lifestyles and business styles, resulting in fewer opportunities for movement and a growing diversification of movement demand. We need to respond to such changes.

Specifically, we must focus on creating new movement demand, along with further increasing productivity by means such as revising train line schedules to match trends in travel demand and employing new technologies to improve rider services and make maintenance more efficient.

Also, based on heightened public awareness of safety in transportation, the SDGs, and carbon neutrality, there is a need to install sliding platform screen doors and introduce energy-efficient vehicles that will reduce CO₂ emissions.

Fiscal 2022 Review of Operations

The effects of COVID-19 still loom large, but a year-on-year recovery in ridership has led to increased revenues and income

Amidst the ongoing spread of COVID-19, we have been taking measures to continue ensuring the reliable operation of transportation services. To allow passengers to travel with peace of mind, we take thorough steps to prevent the spread of infection amongst our employees and appropriately ventilate and regularly disinfect trains and buses as preventive measures. Hankyu Bus, Hanshin Bus, and Hankyu Taxi have been commissioned by some municipalities to transport people to designated COVID-19 vaccination sites.

Non-COVID-19-related initiatives to improve safety in the railway operation business include Hanshin Electric Railway starting to use the new Platform 1 at Osaka-Umeda Station, now equipped with sliding platform screen doors thanks to improvement work progress at the station, and the completion of sliding platform screen door installation on all platforms at Kobe-Sannomiya Station. In addition, Hankyu Corporation has been enhancing its digital capabilities for a post-COVID-19 world, which includes introducing a top-notch chatbot service that employs artificial intelligence (AI) technology and updating the Hankyu Line App for mobile devices. The Company is also renovating 12 restrooms in 10 stations, including Osaka-Umeda Station to provide customers with greater convenience and comfort.

These results, plus some level of recovery in ridership in both the railway operation and automobile businesses, have led to increases over the previous year in revenues from operations and operating income.

Summary of the Medium-Term Management Plan and Outlook

Striving to build out services to meet the needs of a new normal, improve productivity, and secure profits

In Urban Transportation, we are promoting initiatives that will help enhance the value along our line-side areas by providing safe, reliable, and comfortable service. We will revise train schedules to meet the level of passenger demand as COVID-19 recedes and look into introducing a pre-paid seat service to create and capture demand. Also, using new technologies we plan to boost the efficiency of operational systems and maintenance work and improve the services and conveniences on offer.

To improve safety for railway passengers, we will enhance preparations for natural disasters based on business continuity planning principles and use a fare component system for improving accessibility in stations to install sliding platform screen doors and other safety features at all stations.

During the three years of the current Medium-Term Management Plan, a recovery from the impact of the COVID-19 pandemic is expected to lead to an increase in transportation revenue, but commuter pass revenue is expected to continue to decline by about 10% from fiscal 2019, excluding the effects of policies yet to be implemented. We do not expect operating income for fiscal 2026 to have recovered to pre-pandemic levels.

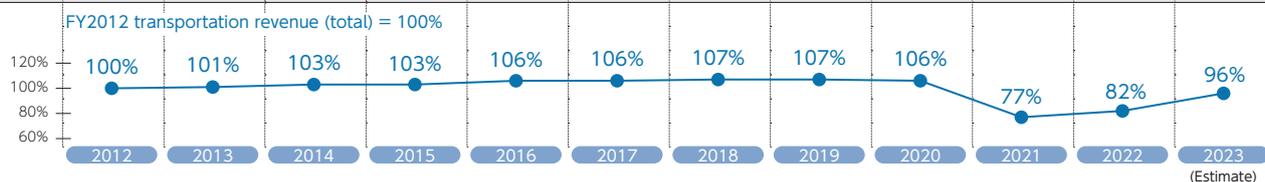
Both revenues and income are expected to increase in fiscal 2023 compared to fiscal 2022, following a partial recovery from the impact of the pandemic and a subsequent increase in transportation revenues from both the railway and the automobile businesses.

Transportation revenue

Hankyu Corporation transportation revenue (tier 1 + tier 2)

(¥ million)

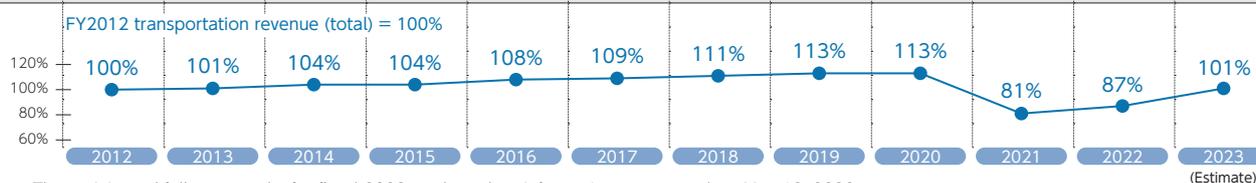
	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023 (estimate)
Non-commuter pass	60,268	60,749	61,630	60,910	62,920	62,720	63,137	63,059	61,887	40,982	45,422	56,456
Commuter pass	29,922	30,391	31,299	31,549	32,272	32,628	33,198	33,456	34,119	28,093	28,654	29,700
Total	90,191	91,141	92,929	92,459	95,192	95,348	96,335	96,516	96,007	69,075	74,077	86,156



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

(¥ million)

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023 (estimate)
Non-commuter pass	19,422	19,669	20,260	20,286	21,035	21,136	21,638	22,030	21,665	13,725	15,397	19,356
Commuter pass	10,623	10,740	11,008	11,107	11,372	11,563	11,797	12,024	12,327	10,476	10,628	10,859
Total	30,045	30,410	31,269	31,394	32,407	32,699	33,436	34,054	33,993	24,202	26,026	30,216



Note: The anticipated full-year results for fiscal 2023 are based on information announced on May 13, 2022.

Major Non-Financial KPIs and Specific Efforts Based on Priority Issues for Sustainable Management (Urban Transportation)

Priority issues	Action plan	Non-financial KPIs	Target values	Scope	FY2022 Actual record
 <p>Safe, reliable infrastructure</p>	<ul style="list-style-type: none"> Improve safety education training and performance of train operation safety systems 	Number of culpable incidents in railway operation business	Maintain at zero	Hankyu Corporation Hanshin Electric Railway Kita-Osaka Kyuko Railway Nose Electric Railway	Hankyu: 0 incidents (since 1979) Hanshin: 0 incidents (since 1986) Kita-Osaka Kyuko: 0 incidents (since 1970) Nose Electric: 0 incidents (since 1982)
		Number of major accidents in automobile business	No accidents involving death	Hankyu Bus Hanshin Bus Hankyu Kanko Bus Hankyu Taxi Hanshin Taxi Osaka-Hanshin Taxi	Hankyu Bus: 0 incidents Hanshin Bus: 0 incidents Hankyu Kanko Bus: 0 incidents Hankyu Taxi: 0 incidents Hanshin Taxi: 0 incidents Osaka-Hanshin Taxi: 0 incidents
Reason for action plan based on opportunity and risk	In response to rising interest in customer safety and peace of mind, to add transport reliability to the given fundamental of transport safety to put customers at ease and strengthen the Group's brand and trustworthiness				
 <p>Safe, reliable infrastructure</p>	<ul style="list-style-type: none"> Seismic retrofitting (elevated bridges/stations) Slope protection Flood protection for major facilities (including railcar evacuation) Bridge reconstruction to lower risk of flooding Ascertainment of bridge soundness 	Long service downtime due to natural disaster (non-operational for 2 days or more)	Zero	Hankyu Corporation Hanshin Electric Railway Kita-Osaka Kyuko Railway Nose Electric Railway	0 incidents
		Reason for action plan based on opportunity and risk: To improve sturdiness to make railway infrastructure more resistant to natural disasters such as earthquakes or torrential rains and typhoons that are intensifying due to climate change, and to set up core systems to enable continuation of operation after a disaster in order to strengthen the Group's brand and trustworthiness			
 <p>Safe, reliable infrastructure</p>	<ul style="list-style-type: none"> Expand wheelchair space in railcars, improve responsiveness of guidance chimes for the vision-impaired, etc. Encourage rail transit employees (station employees, train crew, etc.) to acquire service assistant certification 	Increase number of accessible railcars (units)	Aim for steady increase	Hankyu Corporation Hanshin Electric Railway Kita-Osaka Kyuko Railway Nose Electric Railway	<ul style="list-style-type: none"> Guidance chime installation rate Hankyu: 37% Hanshin: 68% Kita-Osaka Kyuko: 0% Nose: 7% Installation rate of advance warning light for side sliding door opening/closing Hankyu: 64% Hanshin: 68% Kita-Osaka Kyuko: 86% Nose: 60%
		Percentage of accessible railway stations	• Rate of step-barrier removal*1 100%		Hankyu: 98% Hanshin: 100% Kita-Osaka Kyuko: 100% Nose: 100%
		Accessible human service rate	• 100% service assistant certification among rail transit employees (station employees, train crew, etc.)		Hankyu: 64% Hanshin: 100% Kita-Osaka Kyuko: 100% Nose: 29%
Reason for action plan based on opportunity and risk	To proceed with accessibility measures both technical and human to provide safe, comfortable, high-quality service for diversifying needs in order to strengthen the Group's brand and trustworthiness				
 <p>Environmental protection</p>	<ul style="list-style-type: none"> Introduction of new low-energy-consumption railcars Conversion to LED lighting in station buildings, etc. 	Rate of conversion to VVVF inverter-type railcars*2	Aim for steady increase	Hankyu Corporation Hanshin Electric Railway Kita-Osaka Kyuko Railway Nose Electric Railway	Hankyu: 58% (98/170 train units) Hanshin: 67% (51/76 train units) Kita-Osaka Kyuko: 100% Nose: 20% (3/15 train units)
		LED light conversion	<ul style="list-style-type: none"> Station lighting (excluding back yard) Hankyu: 100% (FY2031) Hanshin: 100% (FY2031) Kita-Osaka Kyuko: 100% (FY2022) Nose: 100% (FY2027) 		Hankyu: 57% Hanshin: 72% Kita-Osaka Kyuko: 100% Nose: 47%
Reason for action plan based on opportunity and risk	<ul style="list-style-type: none"> To accelerate environmental measures amidst rising interest in environmental issues such as global warming in order to meet the expectations of society To prepare for the risk of rising costs such as electricity rates accompanying stricter environmental regulations 				

*1 Percentage of accessible stations (among stations that service 3,000 or more passengers per day)

*2 VVVF inverter-type railcar: a different type of railcar (not the type that generates waste heat energy to control resistors to adjust the voltage for the motor), but a more environmentally efficient railcar that can control the motor's voltage and frequency without waste

Close-Up

Promoting Accessible Transportation through Facilities and Services that Everyone Can Use with Peace of Mind

We are promoting initiatives at all railway companies in the Group to ensure that accessible physical and service infrastructures are in place to enable the safe, reliable and comfortable use of our trains and stations by all customers, including seniors and people with disabilities.



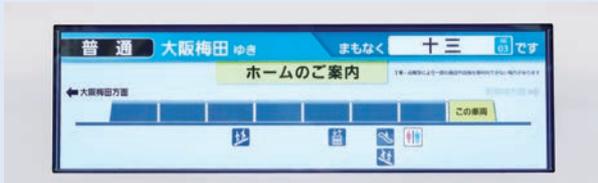
Accessible Railcar Initiatives

The new Hankyu Series 1000 and Series 1300 railcars will have door opening/closing warning lights, in-train information display panels, and extra space for wheelchairs. Also, Hankyu Corporation will be putting the same features into existing railcars with upcoming renovations. Starting in fiscal 2021, a chime that rings when the doors are standing open will be introduced to help visually impaired passengers locate the train entrances on the platform for boarding.

Hanshin Electric Railway has installed a wheelchair/stroller space in every railcar, along with between-car fall-prevention barriers. Already, 95% of its railcars are now equipped with in-train information display panels.



Door opening/closing warning system (Hankyu Corporation)



In-train information display panel (Hankyu Corporation)



Wheelchair/stroller space (Hanshin Electric Railway)



Between-car fall-prevention barrier (Hanshin Electric Railway)



Accessibility Measures at Railway Stations

In accordance with the Barrier-Free Act, our railway companies have been working to make train stations more universally accessible through the resolution of step-barrier issues and other measures, taking into account the transportation accessibility master plans formulated by local governments along our line-side areas, and we have been working with the national government and local governments to install elevators and other facilities.

Hankyu Corporation was an early adopter of accessible systems. After the 1995 Great Hanshin-Awaji Earthquake damaged Hankyu Itami Station, the station was rebuilt with an audio guidance system for visually impaired passengers, the first of its kind at the time. Yet, the resolution of barrier issues remains difficult at two stations—Kasuganomichi and Nakatsu Stations. Accessible renovations are scheduled to be completed at Kasuganomichi Station in fiscal 2023, while efforts are underway at Nakatsu Station to install elevators and other systems to ensure accessibility, along with sliding platform screen doors to complete the long-term project of making all of our train stations universally accessible.

Going forward, we are aiming to transform each station from a simply a place for getting on or off a train into facilities that can serve all customers as a local transportation node.

■ Status of Accessibility Implementation at Railway Companies*

	Rate of step-barrier removal	Rate of accessible restroom installation
Hankyu Corporation	98%	97%
Hanshin Electric Railway	100%	100%
Kita-Osaka Kyuko Railway	100%	100%
Nose Electric Railway	100%	71%

*Percentage of stations that have an average ridership of 3,000 or more people per day

Installing Platform Screen Doors at All Stations

Hankyu Corporation and Hanshin Electric Railway are installing new sliding platform screen doors to improve platform safety. At present, Hankyu Corporation has installed these at two stations—Juso and Kobe-Sannomiya—and is set to install them at Kasuganomichi Station with the accessible renovation work to be completed by the end of fiscal 2023. Hanshin Electric Railway has installed these platform door systems at two stations—Kobe-Sannomiya and Osaka-Umeda.

To promote the installation of such accessible facilities more quickly and steadily, the two companies have decided to utilize a fare component system for improving accessibility in stations that was set up in December 2021. This system will allow Hankyu Corporation to install platform screen doors (sliding or fixed) at all of its train stations by around the end of fiscal 2041, while Hanshin Electric Railway aims to do the same by around fiscal 2043.

Kita-Osaka Kyuko Railway has completed the installation of sliding platform screen doors at all of its stations and is also raising the height of platforms to eliminate the height difference between the platform and the railcar to improve safety.



Hankyu Kobe-Sannomiya Station



Hanshin Kobe-Sannomiya Station



Hanshin Osaka-Umeda Station

■ Platform installation status

Hankyu Corporation	Juso Station	Installed on the Takarazuka Line (Platform 3) and Kyoto Line (Platform 4 and 5) at the end of FY2019
	Kobe-Sannomiya Station	Installed on all platforms at the end of FY2022
	Kasuganomichi Station	To be installed by the end of FY2023
	Platform screen doors (sliding or fixed) to be installed at all stations by around the end of FY2041	

Hanshin Electric Railway	Kobe-Sannomiya Station	Installed on all platforms at the end of FY2022
	Osaka-Umeda Station	Installed on new Platform 1 in October 2021 To be installed on all platforms by the end of FY2024
	Platform screen doors (sliding or fixed) to be installed at all stations by around FY2043	

■ Amount of fees to be collected under fare component system for improving accessibility in stations

To enable faster, steady installation of platform screen doors and other accessible facilities at all stations, we have decided to implement a fare component system for improving accessibility in stations and will begin collecting an accessibility fee in addition to the fare in April 2023.

	Hankyu Corporation	Hanshin Electric Railway
Amount to be collected annually	3,672 million yen	1,350 million yen
Collection period	13 years (April 1, 2023–March 31, 2036) *Scheduled to continue beyond FY2037	13 years (April 1, 2023–March 31, 2036) *Scheduled to continue beyond FY2037
Total amount to be collected	47,780 million yen	17,550 million yen
Total cost of installation	91,258 million yen [Plan for FY2022–FY2026] 17,222 million yen [Plan for FY2027–FY2036] 74,036 million yen *Scheduled to continue beyond FY2037	32,000 million yen [Plan for FY2023–FY2026] 8,800 million yen [Plan for FY2027–FY2036] 23,200 million yen *Scheduled to continue beyond FY2037



Service-Side Accessibility Initiatives

The Group's railway companies are all working actively to improve safety through "soft" service-side infrastructure in addition to the "hard" infrastructure of railcars, train stations, etc.

At Hanshin Electric Railway and Kita-Osaka Kyuko Railway, all station attendants and train crew members have acquired Service Care-Fitter certification (as of March 31, 2022), and Hankyu Corporation and Nose Electric Railway are also working to raise their certification rates.

In addition, employees of Hankyu Corporation conduct safety education activities by visiting elementary schools along its line-side areas to explain such things as how railway crossings work, the correct way to cross them, what to pay attention to when waiting for a train on a platform, and etiquette when on a train.

Hanshin Electric Railway holds hands-on field trips for the visually impaired to deepen their understanding of railway facilities. Also, Nose Electric Railway employees are engaged in "May I help you?" campaigns, visit social welfare facilities along our line-side areas, and provide safety education covering such things as such as what to do at a railway crossing or on a station platform, and what to do in case of an emergency.



Service Care-Fitter Mark



Safety education activities at an elementary school along our line-side areas (Hankyu Corporation)
Note: Not held in fiscal 2022 due to COVID-19



Safety education leaflet (Nose Electric Railway)



Hands-on field trip at railway facilities (Hanshin Electric Railway)



The Pursuit of Safety and Reliability as the Core of our Business

In our Group mission we set forth the aim to deliver "safety and comfort" and "dreams and excitement." In the railway operation business, we have always placed top priority on safety in our business operations—the key component of peace of mind for the customer. In line with our Sustainability Declaration, which sets "safe, reliable infrastructure" as our first priority issue, we have established zero culpable incidents in the railway operation business as a non-financial KPI common to the Group, and are constantly working to improve safety. We will continue to make group-wide efforts to improve safety so that our customers can use our services with peace of mind.

Safety Reports



- 1 Hankyu Corporation
<https://www.hankyu.co.jp/approach/anzen/> (Japanese only)
- 2 Hanshin Electric Railway
<https://rail.hanshin.co.jp/service/anzen/> (Japanese only)
- 3 Kita-Osaka Kyuko Railway
<https://www.kita-kyu.co.jp/company/safety.html> (Japanese only)
- 4 Nose Electric Railway
<https://noseden.hankyu.co.jp/company/safety.html> (Japanese only)

Business Strategy

Real Estate

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



Basic Policies

Real estate leasing business

- 1 Promote attractive urban development in Osaka-Umeda and areas along our rail lines to make our line-side communities the absolute best among the Kansai networks
 - Enhance urban functions by promoting large-scale development plans and both upgrading the value of and rebuilding holdings based on the Umeda Vision plan (see page 26)
 - Develop major line-side bases from a long-term perspective
- 2 Strengthen business foundation, etc., in Tokyo metropolitan area
- 3 Strengthen short-term-return (fix-and-flip) business and distribution facility real estate business

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.)
 - Expand business area (extend to Nagoya area and major regional cities)

5 Expand the scale of international businesses and build a stable revenue base

- Expand the scale of business in ASEAN nations
- Extend to developed countries (U.S.A. and others), which have stable markets
- Acquire non-residential assets such as commercial facilities and offices

6 Strengthen and expand non-asset business

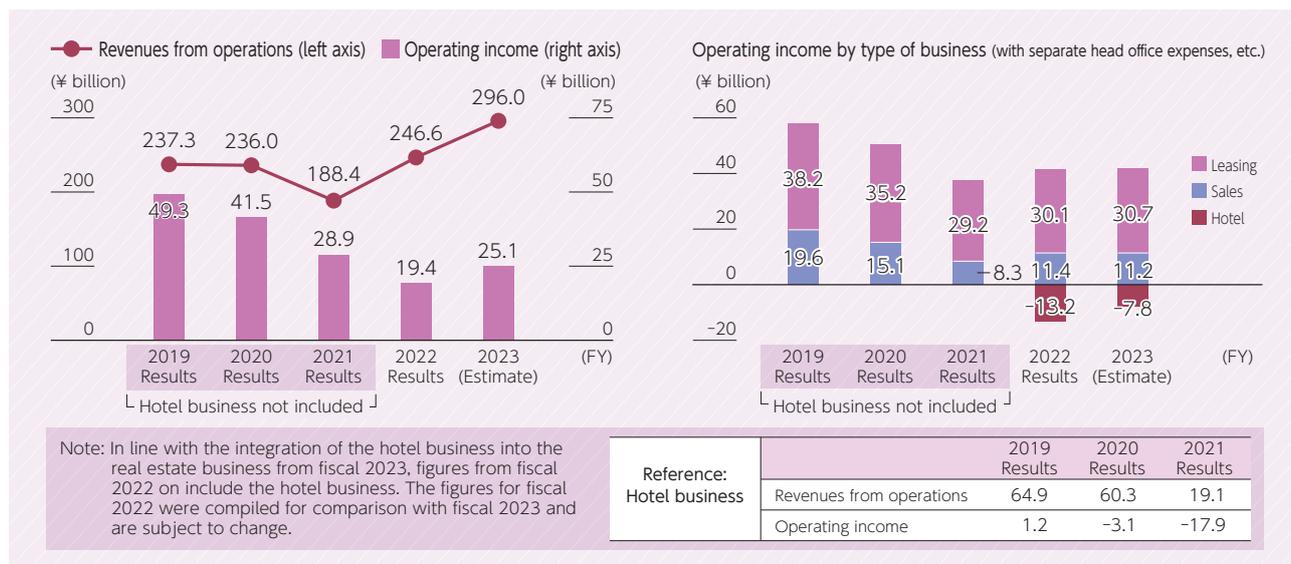
- Expand scope of real estate funds and REIT business

Hotel business

4 Carry out structural reforms

- Strengthen business competitiveness
Strengthen competitiveness by using management resources to concentrate and specialize
- Improve competitiveness of each hotel
Review cost structure at existing hotels; improve efficiency of business operations at existing hotels

Revenues and Income



Note: The anticipated full-year results for fiscal 2023 are based on information announced on May 13, 2022.

Business Environment

Real estate leasing business

Commercial facilities were impacted by the COVID-19 pandemic to some

degree in the real estate leasing business, but a gradual recovery is taking place. The demand for office buildings owned by the Group remains steady thanks to such factors as good locations and high functionality. Meanwhile, working styles are diversifying and online consumption is expanding, spurred on by the

pandemic, and at the same time the value of off-screen, real-world experiences is rising. These are some of the many social changes taking place that will require a response through new services and technologies.

Real estate sales business and others

In the domestic real estate business, demand remains strong in our core sector—urban central areas whose prime location and proximity to train stations offer high convenience. In the real estate business outside Japan, the COVID-19 situation has had a dampening effect, but we expect economic growth and expanding demand among the ASEAN nations and in other countries over the medium to long term.

Hotel business

In the hotel business, the business environment has worsened significantly during the pandemic, but domestic demand is recovering gradually, and the return of international mobility going forward bodes well for the steady recovery of inbound demand. In addition, large international events are in the works, such as Expo 2025, to be held in Osaka/Kansai, which will expand the demand for accommodations, especially in the Kansai area.

Fiscal 2022 Review of Operations

Fiscal 2022 was another year strongly affected by the COVID-19 pandemic. In the real estate leasing business, many commercial facilities in the Osaka-Umeda area and other areas either closed temporarily or shortened their hours, while in the hotel business, some hotels closed temporarily or continue to experience a tough business environment due to the slow return of customers in both accommodation operations and the food/beverage businesses. Despite these circumstances, we have taken measures to prevent the spread of infection and capture demand, and are making steady progress on large-scale projects.

Real estate leasing business

In our Umeda 1-1 Project, the large-scale development project that involves the Osaka Umeda Twin Towers South building, Phase II construction was completed on the Hanshin Department Store section in September 2021 and the entire construction was completed in February 2022.

We have also been working to strengthen the competitiveness of existing commercial facilities and office buildings and improve the occupancy rate. Construction has already been completed on the following buildings, now open for business: the Kobe-Sannomiya Hankyu Building, which is directly connected to Hankyu Kobe-Sannomiya Station (Chuo-ku, Kobe), the Koshien Plus mall complex adjacent to Hanshin Koshien Stadium (Nishinomiya, Hyogo), and the

Hankyu Hanshin Ueno Okachimachi Building in Taito-ku, Tokyo. In the area of logistics facilities, construction was also completed on the jointly developed Logista, Logicross Ibaraki Saito (Ibaraki, Osaka) logistics centers.

Progress is also being made on the Umekita Phase II Development Project, scheduled for a preliminary unveiling in the summer of 2024.

Real estate sales business and others

In condominiums, we sold the Geo Nishinomiya Imazu (Nishinomiya, Hyogo), Geo Kyoto Nijo (Chuo-ku, Kyoto), Geo Magome (Ota-ku, Tokyo), and others. In real estate sales (detached houses including property), we sold Geo Garden Shukugawa (Nishinomiya, Hyogo), Geo Garden Kobe Seiryodai (Tarumi-ku, Kobe), Geo Garden Musashi Koganei (Koganei, Tokyo), and other properties.

In the real estate business outside Japan, we have been expanding the scale of our business, participating in condominium and residential sales projects in Thailand, Vietnam, and other ASEAN countries, as well as real estate leasing projects in Indonesia, and the development and operation of distribution warehouses in Vietnam.

These initiatives in the condominium leasing and sales businesses resulted in a year-on-year increase in both revenues from operations and operating income.

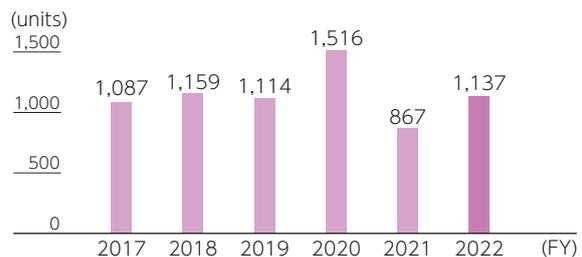
Hotel business

We have introduced a number of creative ideas to try to capture demand, including selling accommodation plans for COVID-19 vaccinated guests and an order-at-the-table full buffet that allows guests to dine with peace of mind while keeping socially distanced.

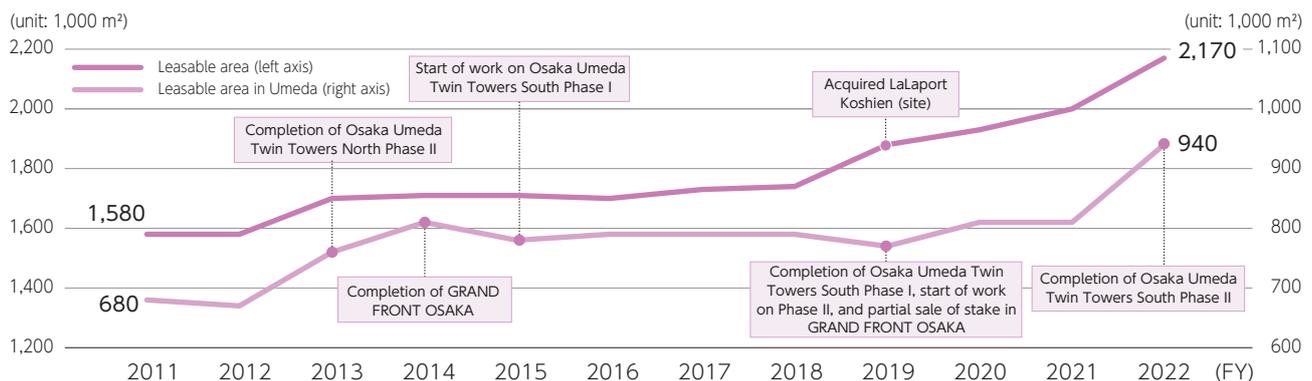
In addition to closing down unprofitable hotels, in April 2021 we opened the remm+ Kobe Sannomiya hotel, which got us off to an excellent start, and we also decided to open a new hotel in the Umekita Phase II Development area. These choices, which concentrate our management resources, will strengthen our competitiveness.

As a result, in the hotel business, there was a year-on-year increase in revenues from operations and an improvement in operating income.

Domestic condominium units sold



Leasable area (at end of fiscal year)



Summary of the Medium-Term Management Plan and Outlook

Promoting urban development in areas along our rail lines to make our line-side communities the absolute best among the Kansai networks and expanding the real estate business in non-service areas

Part of our Long-Term Vision is to make our line-side communities the absolute best among the Kansai networks. In the Medium-Term Management Plan, we aim to accomplish this through a number of efforts that include the development and value enhancement of major line-side areas such as the Osaka-Umeda and Senri-Chuo areas. Efforts also include maintaining and expanding market share for Hankyu Hanshin's "Geo" brand housing and strengthening the brand. In the Osaka-Umeda area, based on the Umeda Vision formulated in May 2022, we will be carrying out large-scale development (the Umekita Phase II Development Project and the Shibata 1 Project) intended to upgrade urban functions by both enhancing the value of holdings and rebuilding them (office buildings, shopping facilities, hotels, etc.). We also pursue urban development for the purpose of transforming the Osaka-Umeda area into a center for new industry creation and an international tourist destination.

Simultaneously, we are planning business expansion in our non-service areas. Domestically, we are working to strengthen the short-term-return (fix-and-flip) business, which includes rental condominiums and shopping, office, and

logistics facilities. Overseas, we are expanding the scale of residential sales projects, short-term-return (fix-and-flip), and leasing, with a focus on ASEAN countries.

In the hotel business, we will be steadily pursuing structural reforms, withdrawing from unprofitable hotels, and reducing fixed costs while strengthening business competitiveness through rigorous revenue management.

This is the outlook for the Group during the period of the Medium-Term Management Plan. In the real estate leasing business, increased occupancy of the Osaka Umeda Twin Towers South building and other factors is expected to boost rental income, which we anticipate will increase operating income significantly through fiscal 2026. A similar increase is also expected in the real estate sales business, as the scale of our overseas real estate business grows and sales of condominium units in Japan increase. As a result, operating income in both real estate leasing and real estate sales is expected to exceed pre-pandemic levels. We also anticipate returning to the black in fiscal 2025 in the hotel business on the back of an expected recovery from pandemic impacts (including a recovery in inbound demand) and steady progress in structural reforms.

Anticipating increased sales in the hotel business and some degree of recovery from pandemic-induced demand drop-off, we expect an increase in both revenues and income in fiscal 2023 over the previous fiscal year.

Structural Reforms in the Hotel Business

① Operational

We will focus resources on no-frills hotels (which have good profit potential) and a selected number of full-service hotels. That means we will close hotels that are unprofitable, underperforming, or dilapidated.

② Personnel

As well as downsizing the workforce as part of the restructuring program (reallocating resources), we will run a business process inventory to see where we can improve productivity. In this way, we hope to enable leaner operation. By hiring fewer people, we will allow the workforce to shrink naturally.

③ Financial

We recorded impairment losses that reflect the diminished profitability of assets amid the pandemic.

Note: As a result of ① and ③, the structural reform-related loss of 18.6 billion yen (impairment and costs of reallocating resources) was recorded as an extraordinary loss in fiscal 2021.

The seven hotels listed below will close down in the time periods indicated.

FY2022	Dai-ichi Hotel Annex, Kichijoji Dai-ichi Hotel, remm Kagoshima*, Umeda OS hotel
End of FY2023 (scheduled)	Daiichi Hotel Tokyo Seafort
Around the end of FY2025 (scheduled)	Hotel new Hankyu Osaka
Around the end of FY2026 (scheduled)	Senri Hankyu Hotel

*By the end of fiscal 2022, directly managed hotels will become chain hotels managed by the property's owner.

Major Non-Financial KPIs and Specific Efforts Based on Priority Issues for Sustainable Management (Real Estate Business)

Priority issues	Action plan	Non-financial KPIs	Target values	Scope	FY2022 Actual record
 Safe, reliable infrastructure	<ul style="list-style-type: none"> Implement measures, both human and technological, to enable customer use with peace of mind, including measures to manage natural disasters 	Accident and emergency course attendance rate (for employees in real estate leasing)	100% (FY2031)	Hankyu Hanshin Properties Hankyu Hanshin Building Management	69%
		BCP readiness*1 rate for large buildings*2 in the Osaka-Umeda area	100%	Hankyu Corporation Hanshin Electric Railway Hankyu Hanshin Properties	100% Note: Target property: Osaka Umeda Twin Towers South
Reason for action plan based on opportunity and risk	In response to rising calls for safety, to prepare for accidents or natural disasters such as earthquakes or flooding from storms occurring more frequently because of climate change through measures both human and technological, thereby strengthening the Group's brand value and trustworthiness				
 Safe, reliable infrastructure	<ul style="list-style-type: none"> Manage use of "select ingredients" listed on menus Train employees on menu creation and item listings Comply with designated system of checks 	Number of serious culpable incidents related to listing of foods	Maintain at zero	Hankyu Hanshin Hotels Hanshin Hotel Systems	0 incidents
		To make an active and ongoing effort to label foods properly in order to provide customers with safe food, thereby helping to build trust in the Group and bolster our brand value			
Reason for action plan based on opportunity and risk	To make an active and ongoing effort to label foods properly in order to provide customers with safe food, thereby helping to build trust in the Group and bolster our brand value				
 Safe, reliable infrastructure	<ul style="list-style-type: none"> Enhance collaboration with local governments Prepare stockpiles of items for disaster preparedness and establish a system for managing them Prepare a response manual for when lifelines get cut off Prepare a response manual for how to evacuate, the location of evacuation shelters, etc. 	Prepare stockpiles of items for disaster preparedness	Secure a 3-day supply for employees and guests (FY2031)	Hankyu Hanshin Hotels	Secure a 3-day supply for employees
		To strengthen risk countermeasures in times of emergency and create an environment in which customers can feel safe at a hotel, thereby helping to build trust in the Group and bolster our brand value			
Reason for action plan based on opportunity and risk	To strengthen risk countermeasures in times of emergency and create an environment in which customers can feel safe at a hotel, thereby helping to build trust in the Group and bolster our brand value				
 Thriving communities	<ul style="list-style-type: none"> Carry out robust urban development that promotes ease of use for diverse customers and working styles 	Rate of multilingual guidance at major commercial facilities in the Osaka-Umeda area	100%	Hankyu Corporation Hanshin Electric Railway Hankyu Hanshin Properties	100% Note: Target facilities: Hankyu Sanban Gai, HEP Five, Herbis Plaza, Herbis Plaza ENT (Facilities website and pamphlet available in 4 languages, interpretation service available at information desk)
		Number of startups and other collaborative projects aimed at creating new work-life-play forms for diverse lifestyles and to provide services that improve safety, comfort, and peace of mind	Aiming for a steady increase	Hankyu Corporation Hanshin Electric Railway Hankyu Hanshin Properties	63 instances (since FY2019)
Reason for action plan based on opportunity and risk	To provide facilities and services that deliver safety and comfort and offer dreams and inspiration, and that are easy to use for a diverse range of customers, including non-Japanese people; and to get out ahead of the growing need for work style reform and diversification, thereby differentiating our Company from others and strengthening our competitiveness				
 Life designs for tomorrow	<ul style="list-style-type: none"> Work to improve customer satisfaction by responding to customers' diverse values, providing comfort and inspiration, and proposing lifestyles and carrying out urban development projects that will lead to community revitalization 	Geo condominium or and home purchase desirability and tenant/owner satisfaction rates	<ul style="list-style-type: none"> Purchase desirability survey of prospective buyers*3 Kansai-region condominiums: Maintained No. 1 brand position in Kansai Tokyo-region condominiums: Among the top 7 brands in Tokyo (FY2031) Tenant/owner satisfaction rates Condominium tenants in Kansai region: continued to be 90% or higher Condominium tenants in Tokyo region: 90% or higher (FY2031) Detached-home owners in Kansai region: 90% or higher (FY2031) 	Hankyu Corporation Hanshin Electric Railway Hankyu Hanshin Properties	<ul style="list-style-type: none"> Purchase desirability No. 1 among 18 brands for prospective condominium buyers in Kansai region No. 11*4 among 16 brands for prospective condominium buyers in Tokyo region Satisfaction rates Among condominium tenants in Kansai region: 90% Among condominium tenants in Tokyo region: 92% Among detached-home owners in Kansai region: 100%*5
		Number of apartment units sold in ASEAN countries (total)	Aim is for a steady increase	Hankyu Hanshin Properties	Approx. 45,460 units (Vietnam: 14,000; Thailand: 23,000; Philippines: 4,000; Indonesia: 3,000; Malaysia: 1,000)
Reason for action plan based on opportunity and risk	<ul style="list-style-type: none"> To increase customer satisfaction and boost loyalty to the company brands, propose lifestyles that match diversifying customer values and needs, and carry out urban development for local revitalization and the benefit of the next generation To leverage our expertise from Japan to contribute to local urban development in ASEAN countries in order to boost the Group's brand value overseas and develop future clientele 				

*1 BCP readiness: emergency power installed at the 3rd floor or higher; emergency power to last 72 hours

*2 Large buildings: buildings with a total floor area of 30,000 m² or more completed in fiscal 2022 or later

*3 Based on purchase desirability survey of prospective buyers (conducted by Hankyu Hanshin Marketing Solutions on the Web)

*4 Ranking dropped in the Tokyo metropolitan area due to an expanded area of the survey

*5 Pertains to Geo Garden houses with handover between April 2020 and March 2021

Priority issues	Action plan	Non-financial KPIs	Target values	Scope	FY2022 Actual record
 Environmental protection	<ul style="list-style-type: none"> Reduce CO₂ emissions by improving energy efficiencies, etc., and pursue green building and eco-friendly housing to contribute to resolving societal issues and differentiate the company 	ZEH conversion (ZEH-M oriented*1 or better) of condominiums for sale or lease starting in FY2025	100% Note: Excluding some properties such as those jointly owned with another company	Hankyu Hanshin Properties	— Note: Applied from Geo Saito Irodori No Oka; construction to be completed in FY2024
		Acquisition rate of green building and other environmental certifications*2 that apply to office buildings and large buildings*3 for commercial and other uses	100%	Hankyu Corporation Hanshin Electric Railway Hankyu Hanshin Properties	100% Note: Target property: Kobe-Sannomiya Hankyu Building
Reason for action plan based on opportunity and risk	To maintain and improve the asset value of owned real estate, improve customer ratings, and raise brand value by taking active measures to achieve carbon neutrality				
 Environmental protection	<ul style="list-style-type: none"> Control food waste (use processed waste materials effectively, and devise ways of serving and arranging food) Establish a system for weighing waste Promote the reduction and recycling of waste Introduce garbage disposals for food waste disposal 	Volume of food waste	-50% compared to FY2014 (FY2031)	Hankyu Hanshin Hotels	-77% compared to FY2014 Note: Steep drop-off due to the COVID-19 pandemic
		Reason for action plan based on opportunity and risk: To contribute to building a sustainable society by working hard to reduce food waste as a company that handles food in light of the growing problem of food waste			
 Environmental protection	<ul style="list-style-type: none"> Study how to eliminate the use of disposable plastic items Select products made of alternative materials 	Number of disposable plastic items in guest rooms	-50% compared to FY2020 (FY2031)	Hankyu Hanshin Hotels	-4.3% Note: Starting in April 2022, some disposable amenities will be made available in the front lobby while we work to switch to environmentally friendly products
		Reason for action plan based on opportunity and risk: To respond to customer expectations and contribute to building a sustainable society by working hard to reduce the use of plastics in light of growing global concern among the public about microplastics ruining the environment			

*1 ZEH-M Oriented (Zero Emissions House-Mansion): a condominium with 20% or more reduced overall primary energy consumption, including common areas (the energy consumed for heating, cooling, ventilation, lighting and hot water heating as defined by 2016 energy conservation standards)
 *2 Environmental certifications: systems such as DBJ Green Building, CASBEE, BELS, LEED, etc. Other properties with DBJ Green Building certification are listed on page 95.
 *3 Large buildings: buildings with a total floor area of 30,000 m² or more (excluding properties jointly owned with another company and those completed in fiscal 2021 or later)

Close-Up

Safe Urban Development with Improved Disaster Preparedness for Peace of Mind

In the Group's real estate leasing business, we are developing facilities that everyone can use with peace of mind by improving their disaster readiness both physically and socially.



Osaka Umeda Twin Towers South Leads the Way in Sustainable Urban Development

Osaka Umeda Twin Towers South, completed in February 2022, employs advanced vibration-damping construction and features an emergency power supply that can supply power for up to 72 hours). It also houses critical infrastructure and a disaster control center on the second floor or higher. These are some of its physical disaster-preparedness functionalities. In addition, Umeda South Hall is a multipurpose hall with two spaces that can be used as an emergency shelter for over 1,000 people, in addition to a roof plaza, in the event of an earthquake or other disaster that strands large numbers of people. We have also been redeveloping the surrounding area in conjunction with the building's reconstruction and are making the underground, ground floor, and deck levels all accessible.



Osaka Umeda Twin Towers South

Through these efforts we are contributing to improved disaster preparedness in the Osaka Umeda area in ways that will ensure safety for all facility users and employees, and achieve business continuity in the event of a disaster. The redevelopment work also improves navigability and safety to provide a positive, high-quality urban experience.

Highest (5-Star) DBJ Green Building Certification

In addition to its high disaster preparedness, the building is also recognized for its high environmental standards. In April 2022, it received the highest DBJ Green Building Certification rating of 5 stars, awarded only to buildings in Japan with the highest level of environmentally and socially conscious management.

In April 2022, a switch was made to power derived from carbon-free renewable energy for all electricity* used in the common areas and private office areas of the building. This helps tenant firms with their environmental goals and unites building owners and tenant firms in the effort to achieve a carbon-neutral society.

*Except for power generated independently by the building's cogeneration system

Our First Sustainability Bonds Issued

In December 2021, we issued our first sustainability bonds to fund a part of the construction, as the project qualifies under the principles and guidelines of the International Capital Market Association (ICMA) for working to resolve environmental and social issues. The building has environmental certification for its many eco-friendly systems; it offers high disaster resilience, and it has improved accessibility and bettered the pedestrian experience through accessibility measures.

Close-Up

Aiming for Eco-friendly Housing and Hotels

The Hankyu Hanshin "Geo" housing brand is dedicated to incorporating customer feedback into design development to create the most appealing, eco-friendly housing. Also, Hankyu Hanshin Hotels is working proactively to resolve social and environmental issues.



Building Comfortable Homes with Higher Environmental Performance

The "geo fit+" (geo fit plus) program is a product planning project begun in 2008 that aims to create more comfortable, eco-friendly residences based on tenant and customer feedback and making improvements using a high-level PDCA (plan-do-check-act) model. As part of these efforts, we were among the first to install glass windows with Low-E double-glazing and LED lighting as standard equipment. We also introduced a system for recycling discarded cooking oil from residents into biodiesel fuel for buses as part of related environmental efforts.

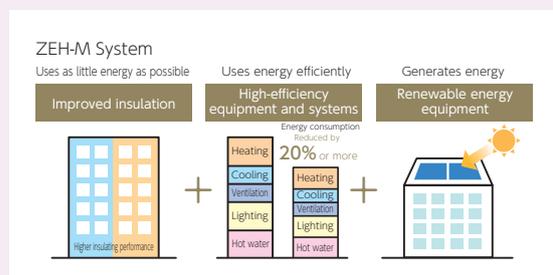
In further pursuit of carbon neutrality, all new Geo condominiums for sale*¹ and Geo Ent condominiums for rent*¹ from fiscal 2025 on will have a ZEH-M Oriented rating or higher.

Geo's first high-rise ZEH condominium, Geo Saito Irodori No Oka

The first phase of construction on GEO Saito Irodori no Oka (Minoh, Osaka), GEO's first high-rise ZEH condominium, will be completed in 2023. In order to satisfy the thermal insulation performance requirements for ZEH-M Oriented certification, aluminum-plastic composite sashes and Low-E insulated glass are being used, together with thicker insulation materials in the walls and floors. The three criteria for selecting the facilities in each unit were environmental, health, and economical performance to promote energy savings. These measures have earned the highest 5-star BELS ranking (Building-Housing Energy-efficiency Labeling System), a third-party certification system in Japan for rating the energy-saving performance of buildings.*²

*¹ Excluding some properties such as those jointly owned with another company

*² This rating is for the entire building and does not guarantee the performance of individual units. The energy reduction rate is data from the first phase of construction; second phase data has yet to be obtained.



Geo fit+ Website
(Japanese only)

<https://geo.8984.jp/geoitplus/index.shtml>



Efforts to Remove Plastics from Hotels

At Hankyu Hanshin Hotels, as an environmental measure, some disposable amenities are available in the front lobby for guests to take according to their needs.* We are also switching over to the use of environmentally friendly plastics for amenity items.

*At Daiichi Hotel Tokyo and Hotel Hankyu International, guests are offered whatever amenities they need when checking in.



Business Strategy

Entertainment

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



Basic Policies

1 Maximize value of the Hanshin Tigers and Koshien brands

Forge a team that contends for the championship on a regular basis/Increase the appeal of Hanshin Koshien Stadium and the Koshien area, and expand the stadium business

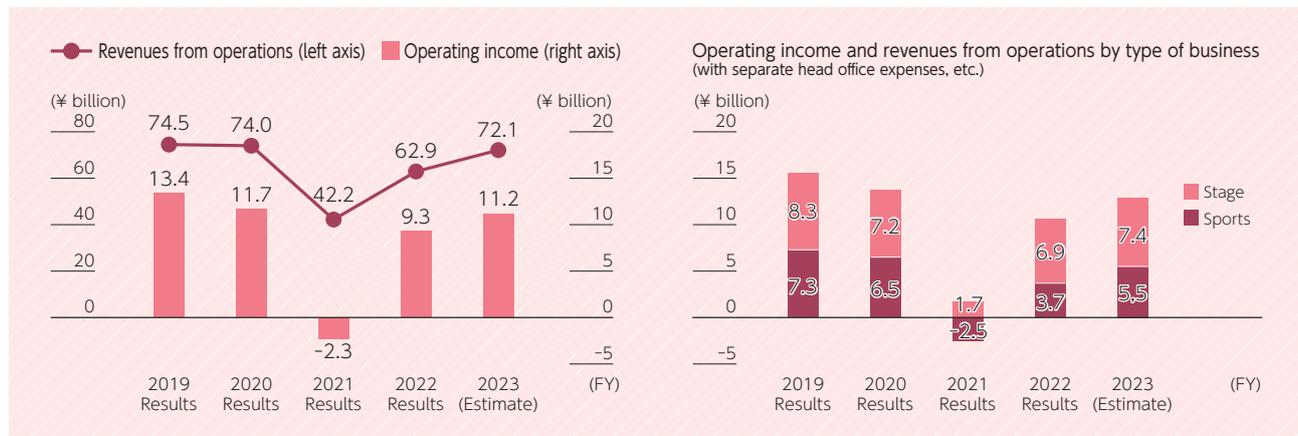
2 Maximize value of the Takarazuka brand

Quickly restore the capacity utilization and build a strong financial record for the Takarazuka Revue/Actively expand the content business using digital technologies/Increase international business

3 Advance growth of other entertainment businesses and the leisure business

Expand the music business and Mt. Rokko businesses

Revenues and Income



Note: The anticipated full-year results for fiscal 2023 are based on information announced on May 13, 2022.

Business Environment

Embracing the rising value of real experiences brought on by the COVID-19 crisis

In the wake of the pandemic, we are gaining a renewed appreciation of the value of the real experience while online consumption continues to expand. In the entertainment business, with strong demand for attendance at baseball games and theater performances, we will continue to encourage the finest content. We will also employ digital and other new technologies to expand services and offerings aimed at further growth through greater entertainment appeal and an expanded customer base.

Fiscal 2022 Review of Operations

Significant effects from the pandemic remain, but operating revenues and income rose more than in the tougher previous year

Attendance at baseball stadiums and theaters remained restricted in fiscal 2022 due to the pandemic, constraining business. In such circumstances, we continued to take measures to prevent infections so that visitors could feel safe attending games at Hanshin Koshien Stadium, performances at Takarazuka Grand Theater, and events at other venues while doing our best to manage facilities.

Compared to the previous year when a large number of scheduled events had been postponed or canceled, the Hanshin Tigers played more official home games and the Takarazuka Revue held more performances, resulting in increased operating revenues and operating income in both the sports and stage businesses.

Sports Business

In the sports business, the Hanshin Tigers responded to the cheers of fans and won enough games to be in the pennant race up to the end of the season, advancing to the Climax Series. At Hanshin Koshien Stadium, a section of the Museum of Hanshin Koshien Stadium was moved and expanded in a renovation aimed at broadening its appeal.

In the Mt. Rokko area, we opened one of Japan's largest athletic facilities—Rokkosan Athletic Park GREENIA—to popular reviews.

Stage Business

In the theater business, many performances proved popular, including the Snow Troupe's *City Hunter* and *Fire Fever!*, and the Moon Troupe's *Tonight, at the Movies* and *Full Swing!*, performed by the troupe's top new stars. Also, a Takarazuka Revue live-streaming service was expanded to allow more people to watch performances at home on their TV, smartphone, or other devices. The service is now being used by a large number of customers.

Summary of the Medium-Term Management Plan and Outlook

Enhancing the appeal of content and using digital technologies to expand the customer base

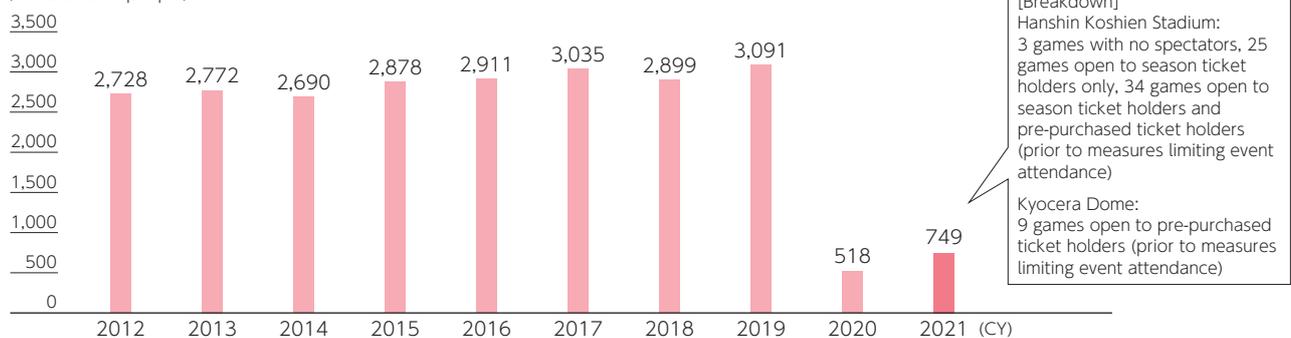
In the entertainment business, we are aiming for additional growth by further boosting the appeal of content and expanding the customer base. Specifically, in the sports business that includes the Hanshin Tigers and Hanshin Koshien Stadium, we aim to deliver attractive content that customers want, and in the stage business, we will set up a system capable of delivering quality productions at a steady rate. In both businesses we will utilize digital technologies to expand services and content.

For the period of the Medium-Term Management Plan, from fiscal 2025 on in sports, we anticipate a full recovery to pre-pandemic levels in attendance of Hanshin Tigers' regular season games. In theaters, we hope to see continued high rates of attendance at performances and are planning for growth through theater-related streaming, online shopping, etc. Combined, we expect operating income in fiscal 2026 is to exceed pre-pandemic levels.

In fiscal 2023 we expect increased attendance at sporting events and a greater number of theater performances to be held—a degree of recovery that will mean higher operating revenue and higher operating income as compared to fiscal 2022.

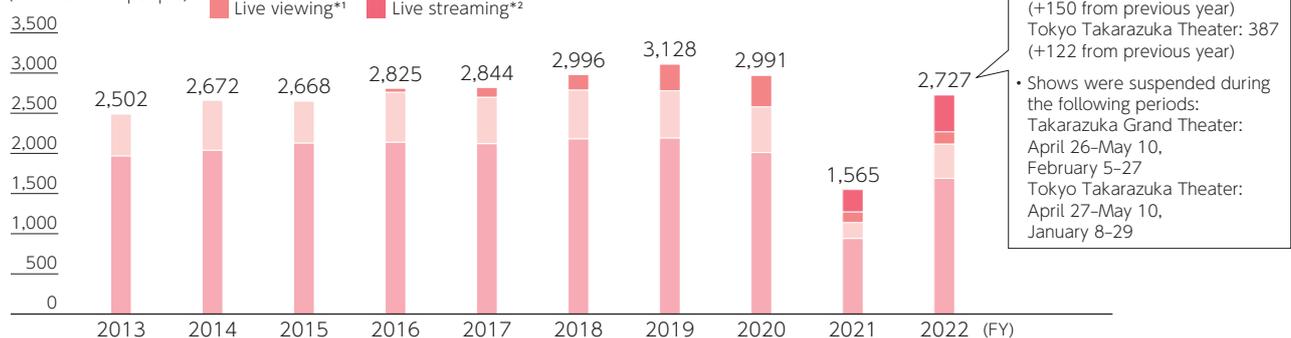
Total attendance at Hanshin Tigers home games (by season)

(Thousands of people)



Takarazuka Revue total attendance of performances

(Thousands of people)



*1 Live viewing of shows at movie theaters nationwide for paying audiences

*2 Live streaming of shows via the internet for viewing at home on a TV, smartphone, or other device for paying viewers

Major Non-Financial KPIs and Specific Efforts Based on Priority Issues for Sustainable Management (Entertainment Business)

Priority issues	Action plan	Non-financial KPIs	Target values	Scope	FY2022 Actual record
 <p>Safe, reliable infrastructure</p>	<ul style="list-style-type: none"> Train theater attendants to improve their customer service skills Provide multilingual support using communication tools, etc. (English, Chinese, Korean) Improve/renovate facilities and signage Explore the introduction of new services using cutting-edge technologies 	Number of training sessions on universal service	Once a year (Takarazuka Grand Theater, Tokyo Takarazuka Theater, Umeda Arts Theater)	Hankyu Corporation Umeda Arts Theater	Takarazuka Grand Theater: twice a year Tokyo Takarazuka Theater: once a year Umeda Arts Theater: once a year
Reason for action plan based on opportunity and risk	To expand the customer base for the Takarazuka Revue and other theatrical performances by offering more opportunities to see productions and creating accessible theaters, which means safe, comfortable attendance no matter what a person's needs—whether disabilities or other physical conditions—plus language accessibility for guests from abroad.				
 <p>Life designs for tomorrow</p>	<ul style="list-style-type: none"> Provide opportunities for children to experience the natural appeal of baseball through the Tigers Academy*1 	Number of baseball school classes hosted by the Tigers Academy	Maintain 60 or more classes into the future Note: Updated from the fiscal 2022 target of 50 classes or more	Hanshin Tigers Baseball Club	64 classes
Reason for action plan based on opportunity and risk	To promote baseball by developing women's baseball and by training youth as the next generation of good athletes, thereby expanding the fan base for professional baseball				
 <p>Life designs for tomorrow</p>	<ul style="list-style-type: none"> Actively provide opportunities to school groups to attend performances of the Takarazuka Revue Hold events for youth such as kids' seminars Hold lectures and seminars led by Takarazuka Revue alumnae in collaboration with the media Hold series of Takarazuka Kodomo Athene**2 classes at the Takarazuka Music School 	Number of students/children who attended a performance and related program	Over 60,000 (annually)	Hankyu Corporation Umeda Arts Theater Takarazuka Live Next Takarazuka Music School	Approx. 25,000 (attendees of performance/related program, Takarazuka Music School candidates, Takarazuka Kodomo Athene students)
Reason for action plan based on opportunity and risk	<ul style="list-style-type: none"> To provide opportunities for youth to have contact with the performing arts and contribute to cultural education, including fostering a rich imagination and artistic sensibilities To give dreams to children by promoting the appeal of the Takarazuka Music School and supporting the fulfillment of their dreams through a strong school curriculum, thereby contributing to the cultivation of young talent 				
 <p>Life designs for tomorrow</p>	<ul style="list-style-type: none"> Hold performances of the Takarazuka Revue outside of the Osaka and Tokyo areas Offer live viewing at movie theaters or other venues and live stream to mobile devices, employing digital technologies and delivery services Stream video using Takarazuka Sky Stage**3 Stream video using YouTube, etc. 	Total number of viewers of theater performances through live viewing and live streaming, participants in Takarazuka Sky Stage (households), and YouTube channel subscribers	Over 1.2 million people (FY2026) Note: Updated from the fiscal 2022 target of 900,000 people or more	Hankyu Corporation Takarazuka Creative Arts Takarazuka Stage Takarazuka Music School	Approx. 1.12 million people
Reason for action plan based on opportunity and risk	<ul style="list-style-type: none"> To get people to become more familiar with the Takarazuka Revue in many other parts of Japan using advanced digital technologies even if they are unable to get to a theater, thereby creating more opportunities for people to have contact with the performing arts Promote the appeal of the Takarazuka Music School to all parts of Japan, and by fostering the dream among children of performing on stage, help build a society that encourages dreams and ambitions 				
 <p>Environmental protection</p>	<ul style="list-style-type: none"> Convert Hanshin Koshien Stadium lighting to LED lighting for night games and placement around the stadium, utilize solar panels on the roof known as "Ginsan," and hold "carbon offset" games Switch to the use of biomass packaging material at food stalls and take steps to reduce plastic checkout bags Implement the collection and recycling of plastic cups 	Usage rate of non-plastic food packaging	Pro baseball/high school baseball games: 70% each (2030 season)	Hanshin Electric Railway Hanshin Tigers Baseball Club Wellness Hanshin	Pro baseball: 47% High school baseball: 56% (2021 season)
		Plastic cup collection rate	70% (2030 season)		29% (2021 season)
Reason for action plan based on opportunity and risk	Carry out environmental measures at Hanshin Koshien Stadium and comprehensively publicize those efforts, thereby contributing toward the achievement of a carbon-neutral, circular society				

*1 Tigers Academy: a school business established in fiscal 2019 to instruct children on how to play baseball or how to dance

*2 Takarazuka Kodomo Athene: a school run by employees of the Takarazuka Music School that teaches singing, ballet and classical Japanese dance to girls from 4th to 8th grade (40 students/year)

*3 Takarazuka Sky Stage: a service for viewing public performances and original programs featuring Takarazuka Revue stars via CS broadcasts and cable TV

Close-Up

Aiming to Maximize the Drawing Power of Content

In the entertainment business, we will continue making efforts to improve services and foster the next generation so that we can offer more customers dreams and excitement while enabling safe, comfortable access for everyone.



Offering Dreams and Excitement to as Many Customers as Possible

In the stage business, we have been improving theaters so that customers with disabilities can relax and enjoy the theater, such as by adding new ostomate-compatible multifunctional toilets in the Takarazuka Grand Theater and the Umeda Arts Theater Main Hall. The Act for Eliminating Discrimination against Persons with Disabilities went into effect in Japan in 2016, calling for the elimination of discrimination against people with disabilities and reasonable accommodation to be provided. In light of the need to further promote such improvements, we have made advances in a number of services.

Support for guests with hearing impairment to better enjoy musical performances

As part of that effort, In June 2021 we began lending hearing-impaired guests tablets to support their appreciation of Takarazuka Revue performances at various theaters. The tablets contain the libretto and other data, and can be used during the performance. The program has been popular, and since its start the number of repeat users among theatergoers has been on the rise.



Enabling access for more customers at ease upon attendance

This service has been recognized by the Agency for Cultural Affairs, the Ministry of Health, Labour and Welfare, and other public organizations as an example of a pioneering initiative by a private theater. Additionally, to offer accessibility for more customers, a new page on the official Takarazuka Revue website introduces the rental of support tablets and other assistive items for use in the theater. We will continue to introduce new services to improve the theater experience—offering dreams and excitement to as many customers as possible.



Raising the Next Generation on Baseball

In the sports business, the Tigers Academy was opened in April 2018, consisting of a baseball school and a dance school for preschool and elementary school children.

For the healthy growth of children and to foster future players

The Hanshin Tigers runs the baseball school, aiming to expand the number of players in the future and the fan base for the team. The other aim is to encourage basic physical development in children, including their motor coordination, for healthy mental and physical growth. The school is coached by former players from the Hanshin Tigers and current players from the Hanshin Tigers Women's team. The school is working to develop practice drills and improve instructional methods to make baseball more accessible and fun for kids.



The dance school features current and former Tigers Girls—the Hanshin Tigers' official fan service members—as instructors who teach many kinds of dance skills, starting from basic cheerleading techniques. Performances are held at the stadium grounds prior to official Hanshin Tigers home games and at halls regularly, providing authentic experiences and nurturing the next generation of cheerleaders.



Business Strategy

Information and Communication Technology

We contribute to the development of society through information and communications technology.



Basic Policies

1 Information Services

Strengthen profitability power in existing businesses, bring in technologies that are lacking through outside partnerships, integrate with the Company's own products, and resolve societal issues inside and outside the Group to co-create a new future.

2 Broadcasting and Communications

Further expand broadcasting and telecommunications networks and diversify their uses to broaden our presence as a regional infrastructure provider and provide reliable communications services over the long term.

3 Safety and Education

Offer peace of mind to people in many ways through original ideas and cutting-edge technologies (IoT, AI, drones, AR/VR, 5G, etc.), and provide quality education to children (tomorrow's leaders) that is a step ahead of what is needed in society.

Revenues and Income



Note: The anticipated full-year results for fiscal 2023 are based on information announced on May 13, 2022.

Business Environment

Markets are expanding in all business areas as technological innovations unfold

Strong growth is expected in the market for information services as companies are expected to continue investing in digital transformation and adapting to changes brought on by the pandemic. In the transportation sector in particular, a heightened interest in railway safety and security is expected to boost needs for station platform safety and in-train security solutions.

The broadcasting and communications business will see greater opportunity as larger numbers of people subscribe to cable TV that includes internet service. As more people engage in remote work, needs will grow for technological advances in telecommunications and data centers to meet anticipated demand growth.

The market for the safety and education business is likely to continue growing as parents and guardians take increasing interest in our child safety service that monitors children's journeys to and from school. As programming classes became compulsory in elementary schools, the market for our STEAM education* will also take hold.

*STEAM Education is an approach to learning that provides an integrated education across the subject areas of Science, Technology, Engineering, the Arts and Mathematics aimed at solving real-world societal issues as part of the learning process.

Fiscal 2022 Review of Operations

More internet subscribers have led to increased revenues and income in the information services business

In the information services business, internet-related business remained strong and the number of subscriptions to our high-speed email distribution service rose steadily. In response to new demand in transportation systems, we have been pursuing cutting-edge technologies, including conducting verification testing of AI and local 5G for detecting abnormalities in equipment.

In the broadcasting and communications business, amidst increased telecommunications demand due to the expansion of remote working situations, we expanded steadily, working to provide fiber-to-the-home (FTTH) service for high-speed internet.

In the safety and education business, we saw a steady increase in subscribers to the Mimamorume school route email notification service, and programming classes in elementary school have become compulsory, resulting in a steady increase in the number of students in our ProgLab robot programming classes for children.

Overall, both revenues from operations and income increased over the previous year.

Summary of the Medium-Term Management Plan and Outlook

Expanding existing businesses, responding to new demand, including for DX, and aiming for continued growth

In the information services business, we will be steadily growing our existing business and responding to accelerating demand for digital transformation,

moving ahead with measures adapted to a new normal.

In the broadcasting and communications business, we will respond to the increase in demand for telecommunications as remote work proliferates, working to acquire and retain more customers in order to achieve stable growth and higher profits.

In the safety and education business, we aim to expand the Mimamorume service into the Tokyo metropolitan area and extend the franchising of the ProgLab robot programming classes for children, further increasing the scale of the business.

For the period of the Medium-Term Management Plan, operating income is expected to increase as a result of growth in the information services business (including M&As) and the expanding scale of the broadcasting and communications business.

In fiscal 2023, we anticipate increased revenues from more subscriptions in the information services business, but the cost of sales accompanying the increase in revenue will also rise, along with personnel costs associated with the business expansion, so that we expect about the same level of operating income as in fiscal 2022.

Major Non-Financial KPIs and Specific Efforts Based on Priority Issues for Sustainable Management (Information and Communications Technology Business)

Priority issues	Action plan	Non-financial KPIs	Target values	Scope	FY2022 Actual record
 <p>Safe, reliable infrastructure</p>	<ul style="list-style-type: none"> Strengthen efforts aimed at getting local authorities to enter into an agreement on disaster preparedness in the Kyoto-Osaka-Kobe area and Tokyo metropolitan area 	Number of local authorities to sign a disaster preparedness agreement	— (monitoring actual record)	Bay Communications Hanshin Cable Engineering	Bay Communications: 4 local authorities (agreements have already been signed with all municipalities in the sales area) Hanshin Cable Engineering: 15 local authorities
Reason for action plan based on opportunity and risk	<ul style="list-style-type: none"> To respond rapidly and appropriately when a disaster occurs as a local telecommunications infrastructure provider, thereby contributing to the safety and security of local residents To strengthen responses to local government needs (disaster preparedness and mitigation, crime prevention, etc.) in preparation for expanding the BWA business*1 				
 <p>Thriving communities</p>	<ul style="list-style-type: none"> Use the Mimamorume*2 school route safety tracking system as the core of our security business to expand GPS services as services that differentiate us and enhance our competitiveness Expand the Machinaka Mimamorume*3 service for city residents, an opportunity for using our BWA business 	Number of local authorities to which we contract GPS service and Machinaka Mimamorume and other safety systems	— (monitoring actual record)	Mimamorume	GPS service contracts: 43 local authorities Machinaka Mimamorume: 6 local authorities
Reason for action plan based on opportunity and risk	<ul style="list-style-type: none"> To help raise the value of line-side areas by responding to increased interest in safety and security To utilize the Group's wireless and wired communications networks, external lines, and construction expertise for expanding services 				
 <p>Robust governance</p>	<ul style="list-style-type: none"> Acquire external certification for information security (PrivacyMark, ISMS*4) 	Status of acquisition of external certification for information security (PrivacyMark, ISMS)	— (monitoring actual record)	Bay Communications BAN-BAN Networks Hanshin Cable Engineering Itec Hankyu Hanshin Mimamorume Himeji Cable Television	PrivacyMark certification: Bay Communications, BAN-BAN Networks, Hanshin Cable Engineering, Itec Hankyu Hanshin, Mimamorume, Himeji Cable Television ISMS certification: Itec Hankyu Hanshin
Reason for action plan based on opportunity and risk	To ensure the secure handling of personal information and electronic data as an information and communications technology company to strengthen customer trust in the company				

*1 BWA business: Broadband Wireless Access system

*2 Mimamorume school route email notification service: a service that links school gate sensors and IC tags in children's school backpacks for tracking when children arrive or leave school, providing notifications by smartphone app or email

*3 Machinaka Mimamorume: a service that allows family members with a beacon tag to receive notifications by smartphone app or email when the tag passes a location such as a school or street intersection where a beacon receiver is set up

*4 ISMS: Information Security Management System

Close-Up

Expanding the Regional Broadband Wireless Access (BWA) Business to Provide Infrastructure for Safety and Security



As a telecommunications infrastructure provider in the broadcasting and communications business, we are working to expand our regional BWA business to contribute to the safety and security of local communities. Broadband Wireless Access networks can be used to provide high-speed internet service and enable local governments to implement services that protect the safety and security of their communities. The system links surveillance cameras installed along elementary school walking routes, in parks, on roads, along rivers, and in other areas, connecting them to city halls and other offices to ensure the safety of children throughout the community. It also helps in preventing crime and has proven useful in quickly resolving incidents and accidents. Plus, the ability to monitor rivers in the event of heavy rains will help in emergencies with disaster mitigation measures. Our Group companies are promoting the expansion of BWA, and in the Keihanshin area a total of 24 municipalities have obtained licenses as of June 2022.

Business Strategy

Travel

We create travel itineraries that reflect customers' desires



Basic Policies

1 Strengthen competitiveness of travel packages

Strengthen domestic travel/Strengthen products other than low-cost offerings/Win over new customers/Strengthen collaboration with local areas

2 Strengthen management base

Strengthen non-travel business/Improve efficiency of attracting customers/Streamline administrative work

Revenues and Income



Note: The anticipated full-year results for fiscal 2023 are based on information announced on May 13, 2022.

Business Environment

Travel demand is expected to recover as the COVID-19 pandemic abates

People are slowly beginning to travel again, starting with nearby trips, after movement had been severely constrained by health concerns during the pandemic. As the situation stabilizes further, we expect to see a recovery in travel demand, not only with the resumption of travel in Japan but the world over.

During the pandemic, we received orders from local governments to operate COVID-19 recovery accommodation facilities, a business other than travel. Leveraging such relationships with local governments, we believe there is significant opportunity for business in providing solutions to new problems and needs.

Fiscal 2022 Review of Operations

Improved profitability despite the continued impact of COVID-19

For a second year running, the business climate has remained extremely difficult. Business was severely affected by the pandemic, with numerous tour cancellations over the year in the international travel division and prolonged sluggish demand in the domestic travel division. To improve profitability, we focused on taking on contracts to run COVID-19 recovery accommodation facilities and provide other non-travel services. Through these efforts we were able to play a role in maintaining socioeconomic activity during the pandemic.

In addition to these efforts, and due in part to the Accounting Standard for Revenue Recognition and other standards being applied in fiscal 2022, operating revenues increased and operating income improved over the previous year.

Summary of the Medium-Term Management Plan and Outlook

Responding to a business climate changed by the pandemic and strengthening the business base

In our core business of group tours led by a tour guide, we will work to establish a predominant presence, diversify our travel models, and capture new customers over the medium and long terms.

To fortify our income and expenditure structure, we will provide support services to local governments and expand our non-travel businesses through other means. We will also work to improve work efficiencies using digital technologies, including expanding customer bookings via the internet.

For the period of the Medium-Term Management Plan, in line with an expected recovery in international travel demand, we anticipate operating income to return to pre-pandemic levels in fiscal 2026.

In fiscal 2023, a degree of recovery from the impact of the pandemic is ushering in a return of domestic travel demand, which will mean better figures in terms of operating revenue and operating income as compared to fiscal 2022.

Major Non-Financial KPIs and Specific Efforts Based on Priority Issues for Sustainable Management (Travel Business)

Priority issues	Action plan	Non-financial KPIs	Target values	Scope	FY2022 Actual record
 <p>1 Safe, reliable infrastructure</p>	<ul style="list-style-type: none"> Preparation of serious-accident response manual and other manuals (as necessary revising BCPs which stipulate response to natural disasters, in light of the intensification of natural disasters due to climate change) Employee and supplier training in safe operations Information dissemination on safe operations Supplier assessments 	Number of accident reports of serious culpable incidents	Maintain at zero	Hankyu Travel International	0 incidents
Reason for action plan based on opportunity and risk	To respond rapidly and appropriately to an accident when operating tours or upon the occurrence of a natural disaster, thereby helping to build customer trust and bolster our brand value				
 <p>3 Life designs for tomorrow</p>	<ul style="list-style-type: none"> Plan tours that promote local areas in coordination with local governments (long-stay domestic travel, infrastructure study tours, community-based tours that start and end in localities, etc.) Hold seminars through Hankyu Tabikotojuku*1 that promote regional and cultural development Support regional development through General Incorporated Association Chiiki Mirai Kikaku 	Number of collaborating local governments*2	250 per year (FY2024) Note: Updated from the target figure of 70 for fiscal 2022	Hankyu Travel International	187 local governments
Reason for action plan based on opportunity and risk	To strengthen mutually beneficial collaboration with local governments and actively promote the appeal of the important elements of travel—localities and culture—thereby contributing to regional revitalization				
 <p>6 Robust governance</p>	<ul style="list-style-type: none"> Conduct questionnaires of tour participants Expand customer hot-line/customer center system Improve quality through tour monitoring by employees and checks during the first run of a trip Hold meeting on safe international travel locally Improve response through a call center and Web-based inquiry service 	Satisfaction rate based on questionnaires	<ul style="list-style-type: none"> Satisfaction rate (FY2031) International/with guide: 90% International/without guide: 90% Domestic/overnight: 85% Domestic/day trip: 85% 	Hankyu Travel International	<ul style="list-style-type: none"> Customer satisfaction International/with guide* 90% International/without guide* 90% Domestic/overnight: 84% Domestic/day trip: 82% <p>*No international tours due to the COVID-19 pandemic</p>
Reason for action plan based on opportunity and risk	To improve satisfaction rates by directly hearing customers' voices and meeting diversifying needs with regard to the undefinable product of travel, thereby further boosting product value				

*1 Hankyu Tabikotojuku: lectures and workshops held by Hankyu Travel International in Tokyo, Osaka, and other parts of Japan to share helpful tips on travel and information that makes travel more enjoyable
 *2 Starting in fiscal 2022, not only local governments collaborating on projects in the relevant fiscal year are included but also municipalities that are participating in ongoing discussions for regional development projects.

Close-Up

Aiming to resolve regional issues in collaboration with local governments



In the travel business, we aim to provide sustainable regional revitalization by creating new styles of travel in collaboration with local areas to meet the new times, and by discovering and developing new attractions for travelers, which will help to resolve regional issues. Because of the pandemic, only online tours were promoted in fiscal 2022, but starting in fiscal 2023, we resumed working with local governments to attract visitors through in-person tours. In three prefectures in the Hokuriku region (Toyama, Ishikawa, and Fukui), we are planning tours with special content that highlight the unique characteristics of each area. Tourism-promoting events at Hankyu Travel International and campaigns on social media are being held simultaneously.

Looking ahead, we will contribute to regional revitalization through stronger collaborations with local governments, working to develop and promote new tours that attract visitors and allow people to discover and fully enjoy the charms of each region.



Expansion of online planning	<ul style="list-style-type: none"> Tabi Coffret (introduce islands, etc.) Online tours (Okayama Bichu Local Sake Train, etc.)
Promotions using retail branches	<ul style="list-style-type: none"> Hankyu Tabikotojuku (Japan heritage sites, historical railways, etc.) PR at Hankyu Travel International Umeda branch (3 Hokuriku prefectures, Wakayama, Jinsekikogen, etc.)
Utilization of regional resources	<ul style="list-style-type: none"> Use local products, business to promote farm stays, long-term stays (workations, etc.), Takarazuka Revue
Holding joint events	<ul style="list-style-type: none"> Use local railways (Kisuki Line, Yakumo train, etc.), Sekigahara-themed travel, Lantern Festival (Fukui, Hyogo), Original fireworks (Wajima, Kochi)
Industry-Government-Academia collaboration	<ul style="list-style-type: none"> Tourism trade school (Chiba), junior college (Kyoto), university (Kobe)
Inbound	<ul style="list-style-type: none"> PR for sustainable tourism content and PR for wide-area excursion products

Close-Up ▶

Business Strategy

International Transportation

As a comprehensive distribution enterprise, we are offering creative, high-value-added services to customers on a global basis.



Basic Policies

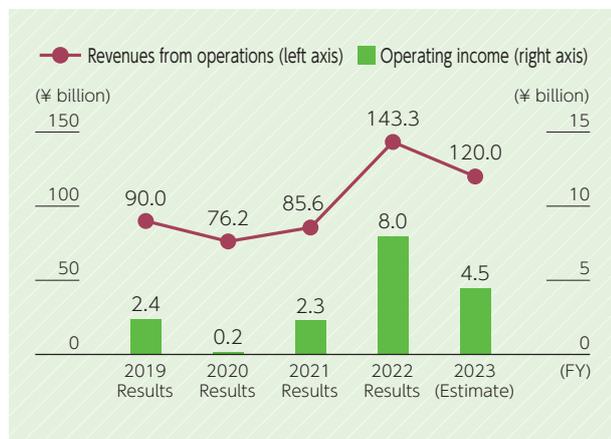
- 1 Reform to establish a balanced business portfolio
 - Strengthen air freight, sea freight, and logistics services businesses globally

- 2 Expand scale of business and strengthen competitiveness
 - Strengthen sales capabilities globally
 - Maximize synergy with the Seino Holdings Group

- 3 Fortify systems to ensure robust global governance

- 4 Pursue initiatives in new growth fields

Revenues and Income



Note: The anticipated full-year results for fiscal 2023 are based on information announced on May 13, 2022.

Business Environment

The role of global forwarders will take on even greater importance

The global impact of the pandemic caused supply-demand imbalances and rising freight charges in both air and sea freight due to reduced airfreight service, container shortages, and port congestion. These conditions are expected to gradually level out going forward.

Although this situation is temporary, the world's population is expected to continue rising, and supply chains are undergoing rapid change. In the medium and long term, we see the role of the global

forwarder expanding, not as a freight carrier but for its ability to make optimal proposals to customers centered on shipping arrangements that take advantage of a global network. The role of Japanese forwarders in particular is likely to take on even greater importance for the high-quality, high-value-added comprehensive logistics services we provide.

Fiscal 2022 Review of Operations

Preventing the halt of distribution as an essential industry, and efforts to increase operating revenues and income

As production and consumption began to recover gradually from the impact of the pandemic, ongoing shortages of airfreight flights and disturbances in the ocean transport market led to continued supply-demand imbalances.

In such circumstances, we worked to secure as much transportation space as possible by arranging charter flights. We also worked to steadily capture customer demand. These efforts expanded the scale of our freight operations, leading to year-on-year increases in both revenues from operations and operating income.

Additionally, we have been working to expand our network with new business bases in the ASEAN region, strengthen our logistics business, and further expand our global network.

Summary of the Medium-Term Management Plan and Outlook

Expanding the scope and volume of items handled and pushing structural reforms for sustainable growth

To achieve our Long-Term Vision, we will continue to expand the scale of our business and strengthen our competitiveness while striving to balance our portfolio by reinforcing our ocean transport and logistics operations.

For the period of the Medium-Term Management Plan, as the turmoil in the logistics market gradually settles, we anticipate a return to levels prior to the impact of U.S.-China trade friction. Through fiscal 2026 we will take steps to increase operating income by expanding the volume of items handled.

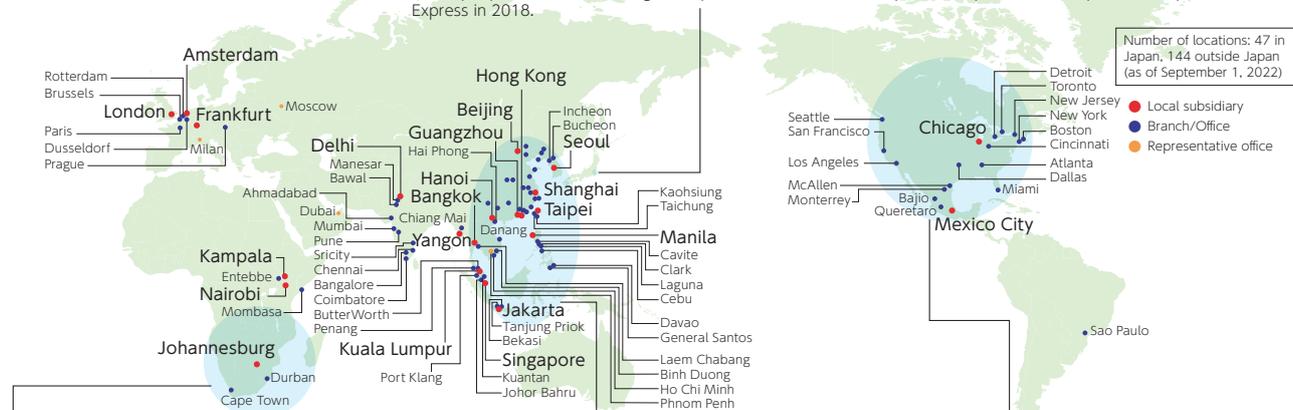
In fiscal 2023, we anticipate that the effects of turbulence in air and sea freight forwarding as well as supply-demand imbalances will gradually ease, but will still result in lower revenues and lower income year on year.

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, and established an office in Davao City, Philippines. In these and other ways we are further enhancing our logistics structure and expanding our global network in growth markets.

● Strengthening our business in North and Central America

We are expanding our warehouses in the U.S.A. and our locations in Mexico, and promoting measures to capture the vigorous demand in logistics.

Major Non-Financial KPIs and Specific Efforts Based on Priority Issues for Sustainable Management (International Transportation Business)

Priority issues	Action plan	Non-financial KPIs	Target values	Scope	FY2022 Actual record
Safe, reliable infrastructure	<ul style="list-style-type: none"> Prepare a BCP 	Rate of existence of BCP	100%	Hankyu Hanshin Express Hankyu Hanshin Logipartners	Preparation completed by both companies
Reason for action plan based on opportunity and risk	To build systems that prevent the stoppage of distribution as an essential industry, even if an accident or natural disaster occurs, thereby increasing trust in the business and benefiting society				
Safe, reliable infrastructure	<ul style="list-style-type: none"> Improve the quality of customs clearance services 	Rate of customs errors	About 0.1% maintained, which is lower than the industry average (0.3%)	Hankyu Hanshin Express	0.05%
Reason for action plan based on opportunity and risk	To pursue protective measures at ports and airports as a customs broker, thereby helping to maintain safety and security in society				

Close-Up ▶

Close-Up

Efforts to Improve the Quality of Customs Clearance Services



In the international transportation business, we have long been involved in air, sea, and land transport, plus warehousing that includes storing and processing customer cargo for shipment, not to mention import/export customs clearance services.

Some cargo for import into Japan can have an adverse effect on the industry, economy, hygiene, or public safety in Japan and are subject to restriction by Japanese laws and regulations. Items for export, similarly, must be approved from the perspective of maintaining international peace and security, ensuring domestic demand, and meeting international agreements.

Soon after its establishment in 1950, Hankyu Hanshin Express became licensed to do customs clearance work as it does today. Using registered customs specialists, it works in accordance with the Customs Brokerage Act, Customs Act, and other laws to declare imports and exports on behalf of customers, contributing to the maintenance of safe and secure economic activity.

Currently, we are certified as an Authorized Economic Operator (AEO Customs Broker and Warehouse Operator). We will strengthen our security management and compliance systems to further improve the quality of customs clearance.

03

Creating Real Value: The Foundations

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Policies

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

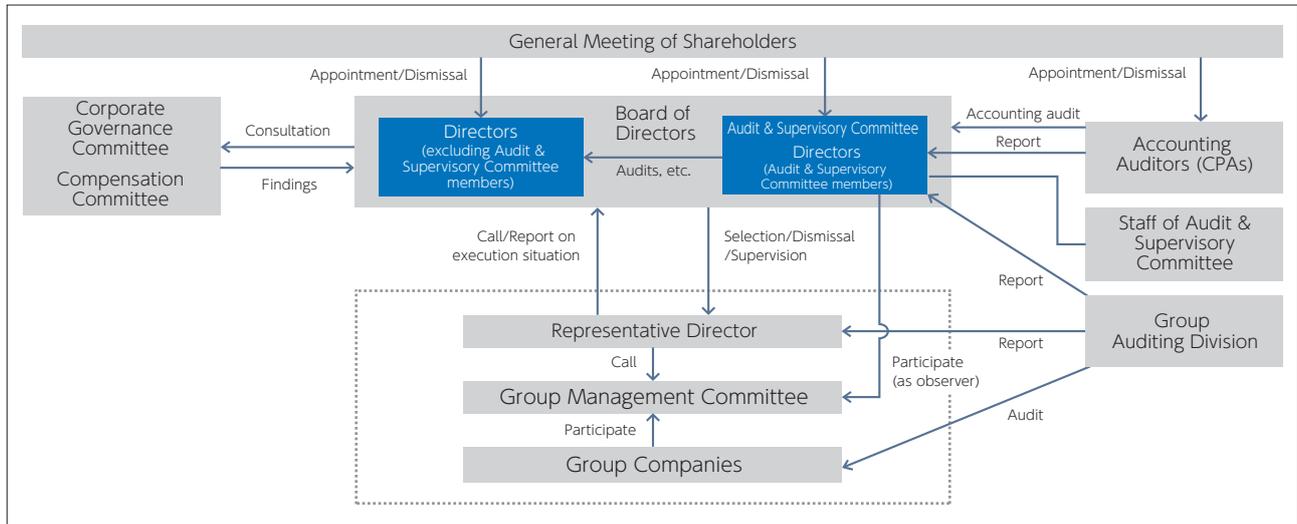
Basic Approach

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.

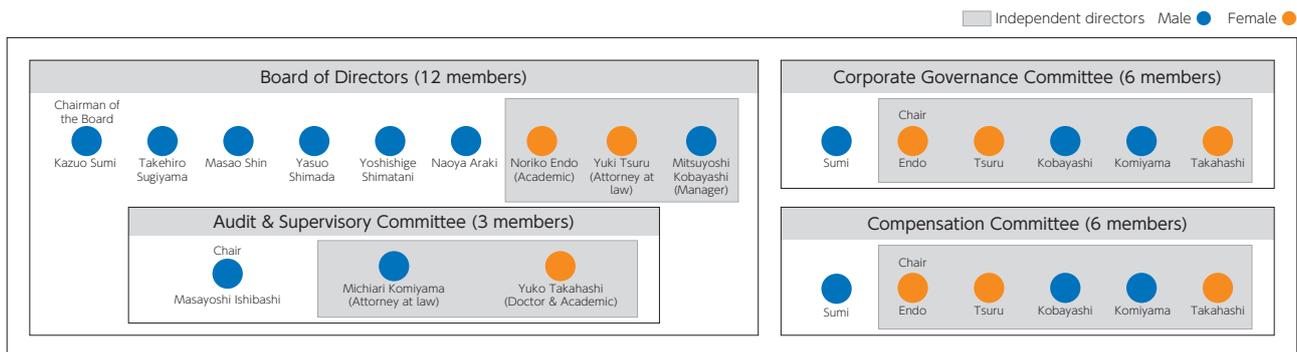
Reflecting this basic approach, the Company has established the policies below with a view to adhering to the principles of our Corporate Governance Code, sustaining growth, and enhancing corporate value over the medium to long term.

- (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 dialogue 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. https://www.hankyu-hanshin.co.jp/download/sustainability/materiality/corporate/governance/info_governance.pdf (Japanese only)



(See pages 83–84 for more details about Directors and Audit & Supervisory Committee members.)

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, or report to, 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.

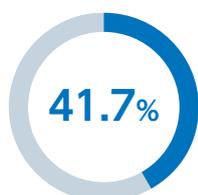
Further, to ensure transparency in the appointment and dismissal of the Company's directors and to facilitate coordination with outside directors, the Group has established the Corporate Governance Committee, which comprises the chairman of the board (or the president, in the chairman's absence or unavailability) and outside directors who are independent of the Company, and is chaired by one of the outside directors. Moreover, to ensure that concrete decisions regarding the amount of director compensation (excluding that of members of the Audit and 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 which comprises the chairman of the board (or the president, in the chairman's absence or unavailability) and outside directors who are independent of the Company, and is chaired by one of the outside directors.

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, as a rule, and distributing funds to operating companies within the limits set out in business plans that the Company has approved.

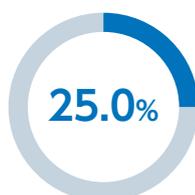
Recent Efforts to Strengthen Corporate Governance

FY2016	Corporate Governance Committee established <ul style="list-style-type: none"> Charged with ensuring transparency of corporate director appointments and dismissals and facilitating coordination with outside officers. (Held twice a year)
FY2017	Evaluation of the Board of Directors' effectiveness <ul style="list-style-type: none"> 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 2021, interviews are preceded by questionnaires for more effective assessment.)
FY2018	Abolition of senior advisors system
FY2019	Abolition of anti-takeover measures and Compensation Committee established <ul style="list-style-type: none"> Charged with ensuring that the objectivity and transparency of procedures relating to decisions regarding board members' remuneration, including amounts. (Held once a year)
FY2020	Review of compensation system <ul style="list-style-type: none"> Stock-based, performance-linked stock compensation system (paid into trust) introduced for the chairman and president (representative directors, since fiscal 2023) 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 <ul style="list-style-type: none"> Became a "Company with an Audit & Supervisory Committee" as part of efforts to bolster the Board of Directors' oversight function and enhance corporate governance.
FY2023	Outside directors made chairs of both the Corporate Governance Committee and Compensation Committee

FY2023 Data



Proportion of independent outside directors on the Board of Directors



Proportion of female members on the Board of Directors



Proportion of independent outside directors on the Corporate Governance Committee and Compensation Committee

Robust governance

More Transparent Management and Effective 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 12 directors, five of whom are independent directors, including three women. Moreover, the 12 directors include all three members of the Audit & Supervisory Committee.*1, 2

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	12
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: The Company's articles of incorporation stipulate that resolutions on the appointment of directors, who are split into two distinct categories—Audit & Supervisory Committee members and others—shall be passed with a majority of voting rights by shareholders in attendance, provided that those in attendance constitute no less than one third of all shareholders with voting rights. The articles also state that resolutions 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 the full-time member 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	Internal director
Directors and employees assigned to aid the duties of Audit & Supervisory Committee members	Staff assigned exclusively to this position

Corporate Governance Committee (voluntarily established committee that functions as a nominating committee)

To ensure transparency in the appointment and dismissal of directors and coordination with outside directors, the Corporate Governance Committee comprises the chairman of the board (or the president, in the chairman's absence or unavailability) and outside directors who are independent of the Company, and is chaired by one of the outside directors. The committee gives advice about the selection of director candidates and the dismissal of directors (excluding Audit & Supervisory Committee members) to the Board of Directors and on request, serves as a forum to provide information in such areas as the Group's finances to outside directors.

Compensation Committee (voluntarily established)

To ensure that the decision-making process for the amount of compensation paid to directors (excluding Audit & Supervisory Committee members) is objective and transparent, the Compensation Committee comprises the chairman of the board (or the president, in the chairman's absence or unavailability) and outside directors who are independent of the Company, and is chaired by one of the outside directors. The committee gives advice to the Board of Directors on the Company's compensation system on request.

Group Management Committee

The members of the Group Management Committee include full-time directors (excluding Audit & Supervisory Committee members) 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.

Ensuring Effectiveness of the Board of Directors and Audit & Supervisory Committee

Attendance at meetings of the Board of Directors and Audit & Supervisory Committee, and Board of Company Auditors by outside directors (FY2022)

Name	Position	Attendance (times attended/times held)		Statements at Board of Directors meetings, etc.
		Board of Directors	Audit & Supervisory Committee	
Noriyuki Inoue	Director	8/9	—	Instructive comments made from a corporate manager's perspective, based on a wealth of management experience
Noriko Endo	Director	9/9	—	Instructive comments based on a wealth of experience and knowledge gained through research into public and government policy
Yuki Tsuru	Director	9/9	—	Instructive comments from a compliance perspective
Junzo Ishii	Director and Audit & Supervisory Committee member	9/9	11/11	Instructive comments from a management studies expert's perspective
Michiari Komiyama	Director and Audit & Supervisory Committee member	9/9	11/11	Instructive comments from a compliance perspective

*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 dedicated staff. Moreover, 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, as well as its other activities to enhance outside directors' supervision and oversight functions.

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 and results of an evaluation of the effectiveness of the Board of Directors conducted in fiscal 2022 is as shown below.

1. Evaluation process

In fiscal 2022, 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 results

As a result of the questionnaire and interviews, the board's composition and operations in fiscal 2022 were deemed to be adequate, and the evaluation concluded that the board was effective and generally administered appropriately.

Conversely, it was suggested that information sharing about issues facing core businesses and current circumstances could be improved.

Taking this into account, a study will be carried out into how to further improve the board's oversight and decision-making.

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 76, 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

Basic Policies

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: fixed monetary compensation paid according to position and job responsibilities, and performance-linked stock compensation paid in trust to representative directors.

*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 of the board (or the president, in the chairman's absence or unavailability) and independent outside directors, and is chaired by one of the outside directors. The Board of Directors makes compensation decisions after consultation with the Compensation Committee concerning the compensation system and content of compensation. The Compensation Committee carries out multifaceted reviews of the individual compensation paid to directors (excluding Audit & Supervisory Committee members), including into the decision-making policy and whether it complies with this. It has been determined that the Board of Directors acts in accordance with this policy and fundamentally respects the committee's findings.

More information on this policy can be found in the Corporate Governance Report at:

https://www.hankyu-hanshin.co.jp/download/sustainability/materiality/corporate/governance/info_governance.pdf
(Japanese only)

Robust governance

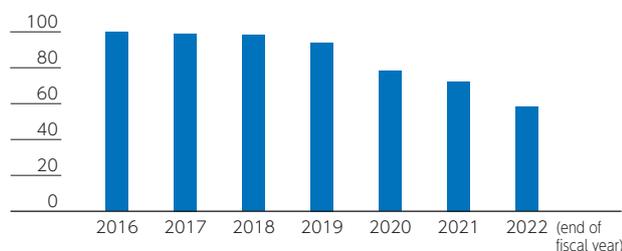
Other Efforts to Strengthen Governance

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.

■ Strategic Shareholdings Held (Taking FY2016 final levels as 100)



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 our attention to 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. Specifically, each of the Group's businesses audits compliance with laws and internal regulations—and other priority themes to be tackled—as well as risks peculiar to their own businesses, based on both the Group Management Philosophy (particularly the Principles) and groupwide annual auditing policies and plans.

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 biennial reviews to monitor compliance with the Code of Conduct, mainly involving questionnaire surveys of employees.

1. Raising Awareness via the Compliance Handbook

The Compliance Handbook makes clear to all the Group’s officers 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 Principles

<p>Compliance for the Interest of Customers</p> <ul style="list-style-type: none"> · Customer Safety First · Sincere Response to Customers · Observance of Rules · Proper Treatment of Personal Information · Proper Disclosure · Act as a Sensible Member of Society · Proper Use of SNS <p>Compliance for the Interest of Business Partners</p> <ul style="list-style-type: none"> · Sincere Trading · Proper Use of Intellectual Property · No Involvement with Anti-Social Forces · No Bribery or Excessive Entertainment 	<p>Compliance for the Interest of Shareholders</p> <ul style="list-style-type: none"> · No Inappropriate Accounting · No Insider Trading <p>Compliance as a Member of Society</p> <ul style="list-style-type: none"> · Environmental Activities · Social Activities · Respect for Human Rights <p>Compliance in Workplace</p> <ul style="list-style-type: none"> · Satisfying Working Environment · Clear Distinction Between Work Spending and Private Spending · Observance of Decision-Making Procedures
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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.

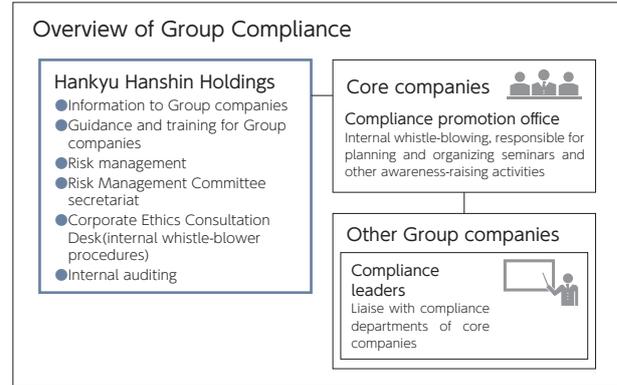
Furthermore, the desk reports each year to the Board of Directors on its operations; in fiscal 2022 it received fifty-three reports from throughout the whole Group.



3. Other Initiatives

Should a risk become apparent through an ethics consultation, and it be considered significant, a risk management committee is convened to discuss and decide on appropriate responses.

In addition, we are setting up compliance promotion offices at core 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

Thorough Corruption Prevention

As part of our corruption prevention measures, in May 2021, we announced our agreement with the United Nations Global Compact; we are pushing forward with corruption prevention activities based on the compact’s tenth principle: “Businesses should work against corruption in all its forms, including extortion and bribery.” Also, in March 2022, we announced our activities to prevent corruption (such as bribery, unfair business practices, and insider trading) and formulated our Anti-Corruption Policy as a system for promoting activities and dealing with problems should they occur.



See the website for more details on our Anti-Corruption Policy:

<https://www.hankyu-hanshin.co.jp/en/corporate/compliance.html>

Robust governance

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. Specifically, the Group has established a dedicated risk management office in the Personnel and General Affairs Division to oversee groupwide risk management. The office is responsible for determining and analyzing pan-organizational risks, while business departments and group companies do the same for risks inherent to their own organizations. The Group has also set up a framework that enables the correct dissemination of information if an unforeseen incident occurs.

Under this framework, each Group company conducts an annual risk survey that brings to light, specifically, risks related to natural disasters (including infectious diseases), accidents, information management, compliance, and other organizational management risks. An appropriate response is then determined for each.

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, presented to the Board of Directors annually.

Moreover, the Corporate Sustainability Committee also deliberates climate-change-related issues (see page 45) and the contents of these deliberations are shared with the risk management office and relevant individual departments, and are reflected in the Group's overall risk management.

Cyber-Security Measures

The Group uses a variety of information systems in its different businesses, including in its railway operations—an important piece of infrastructure. As a cyber-security measure for these kinds of information systems, we have established regulations and systems for each group company based on Fundamental Policies on Electronic Information Security. Furthermore, we periodically carry out director and employee training, information security evaluations, inspections, and improvements. Through these and other efforts, we work hard to prevent information security incidents.

However, should an incident occur, we would establish a CSIRT* to appropriately prevent its spread and ensure no reoccurrence.

*Computer Security Incident Response Team

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, posting convocation and resolution notices (including English versions) on our website, and improving the voting experience for institutional investors.

- **Early sending of convocation notices for the General Meeting of Shareholders**

Notices of convocation for the General Meeting of Shareholders held in June 2022 were sent 21 days prior to the event (May 25, 2022).

- **Avoiding scheduling clashes with other companies**

The General Meeting of Shareholders held in June 2022 took place on June 15, 14 days before the day on which other companies held their own meetings.

- **Exercising voting rights via electronic means**

We have allowed votes to be cast online via a designated voting website.

- **Entry into an electronic voting platform**

- **Efforts to improve the environment in which other institutional investors exercise their voting rights**

We belong to an electronic voting platform run by ICJ, Inc. We also post convocation and resolution notices (including English versions) on our website.

- **Providing convocation notices (digest version) in English**

We create English versions of convocation and resolution notices and post them on our website at the same time as the Japanese versions.

- **IR activities**

In addition to actively engaging with investors in a variety of ways, including twice-yearly briefings—attended by the president—for analysts and institutional investors regarding the mid-year and year-end results, our dedicated investor relations staff in the Group Planning Division 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 2), 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. Moreover,

we publish the Sustainability Data Book to present the results of major activities, as well as our future policies and plans, alongside putting details on the Hankyu Hanshin Holdings website for details. (<https://www.hankyu-hanshin.co.jp/sustainability/>) (Japanese only)

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 Corporation incorporates its Transit Information Center and Public Relations Dept. 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.

Alongside the pertinent departments, we investigate and respond to opinions, questions, and other feedback as appropriate, and the results are subsequently used to improve our businesses.

Acting on Feedback from Experts

The priority issues relating to sustainable management set forth in the Materiality Matrix (see page 46) reflect the diverse views provided by a broad variety of experts, including professors, civic groups, and investors.

Taxation Transparency (Tax Policy)

1. Fundamental policy

The Group wishes to remain a corporate group that has the trust of its customers and the rest of society. To this end, we are strengthening and enhancing our corporate governance by further raising the level of transparency and soundness of our business management, complying with laws and regulations, and disclosing information in an appropriate manner and at a suitable time.

This fundamental approach will guide us as we aim to both contribute to society by paying a reasonable amount of tax and achieve sustainable growth and greater corporate value in the medium to long term.

2. Compliance with tax laws and regulations

As well as complying with laws and regulations pertaining to taxation, we will report and pay taxes appropriately and thereby fulfill our corporate social responsibility.

3. Tax planning

The scope of our tax planning is based on our business objectives and actual performance and we are working to improve corporate value through the effective use of tax incentives and other measures. Our tax planning is not conducted with the aim of tax avoidance.

4. Tax governance

Corporate governance of taxation is covered by our groupwide governance system. We have an oversight system in place, under which tax-related risks are reported to the Board of Directors and Audit & Supervisory Committee as appropriate.

5. Tax-related risk management

Should any dealings for which tax interpretations are unclear take place as part of our business activities, we take advice from outside experts and where needed consult with tax authorities in advance so as to minimize tax-related risk.

6. Relationship with tax authorities

We work to maintain a positive relationship with tax authorities and respond in a timely manner to their queries accurately and honestly.

Amount of Tax Paid			(¥ billion)
	Japan	Overseas	Total
FY2020	14.0	0.5	14.5
FY2021	19.4	0.3	19.8
FY2022	-11.1	0.9	-10.1

*Tax paid is a combined figure for both national and regional taxes. The figures given above are based on country-specific reports and are not directly connected to our consolidated financial statements.

Approach to Intellectual Property

The intellectual properties that we have built up through our business activities over many years—including our brands, trademarks, and confidential management assets such as written materials and expertise—are important corporate assets to the Hankyu Hanshin Holdings Group. As such, we will endeavor to create new intellectual properties, both to provide products and services that customers can choose with peace of mind and to appropriately distribute as a management asset to support future business expansion. To those ends, it is imperative that we manage and use these assets appropriately.

Based on that approach, we will manage intellectual properties in the ways outlined below so as to raise their value even further.

We also have the utmost respect for intellectual properties that belong to third parties.

- (1) We will not only work to avoid or prevent the infringement of the intellectual properties we have created, but will acquire rights so as to support the expansion of our business activities and use these intellectual properties actively and strategically in our businesses.
- (2) Where third parties, including business partners, wish to do business that involves the use of our intellectual properties, we will make our permission mandatory and ensure permission is dependent on the contents of that use after an appropriate investigation.
- (3) Where we confirm that a third party has, or may have, infringed upon our intellectual property rights, we will take serious actions.

Directors and Audit & Supervisory Committee Members

As of July 1, 2022

Directors Outside Outside director Independent Independent officer



Kazuo Sumi Male

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)
- 2021 Director, Hankyu Travel International Co., Ltd. (Current position)



Takehiro Sugiyama Male

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 Hanshin Holdings, Inc.
- 2016 Executive Vice President, Hankyu Corporation
- 2016 Director, Hankyu Hanshin Express Co., Ltd. (Current position)
- 2017 President, Hankyu Corporation
- 2017 President, Hankyu Hanshin Holdings, Inc. (Current position)
- 2021 Chairman, Hankyu Hanshin Properties Corp. (Current position)



Masao Shin Male

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)



Yasuo Shimada Male

Executive Vice President and
Representative Director

- 1988 Joined Hankyu Corporation
- 2019 Director, Hankyu Corporation
- 2021 Managing Director, Hankyu Corporation
- 2022 President, Hankyu Corporation (Current position)
- 2022 Director, Hanshin Electric Railway Co., Ltd. (Current position)
- 2022 Director, Hankyu Travel International Co., Ltd. (Current position)
- 2022 Executive Vice President, Hankyu Hanshin Holdings, Inc. (Current position)



Noriko Endo Female Outside Independent

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 Female Outside Independent

Director (Outside director*)

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



Mitsuyoshi Kobayashi

Male Outside Independent

Director (Outside director*)

- 1982 Joined Nippon Telegraph and Telephone Public Corporation
- 2018 President and Representative Director, Nippon Telegraph and Telephone West Corporation
- 2021 President, Representative Director, and Executive Officer, Nippon Telegraph and Telephone West Corporation
- 2022 Director, Hankyu Hanshin Holdings, Inc. (Current position)
- 2022 Advisor, Nippon Telegraph and Telephone West Corporation (Current position)



Yoshishige Shimatani Male

Director (Part-time)

- 1975 Joined TOHO CO., LTD.
- 2011 President, TOHO CO., LTD.
- 2015 Director, Hankyu Hanshin Holdings, Inc. (Current position)
- 2021 Representative Director and President, President and Executive Officer, TOHO CO., LTD.
- 2022 Representative Director and Chairperson, TOHO CO., LTD. (Current position)



Naoya Araki Male

Director (Part-time)

- 1981 Joined Hankyu Department Store, Inc.
- 2012 President, Hankyu Hanshin Department Stores, Inc.
- 2012 Representative Director, H2O RETAILING CORPORATION
- 2017 Director, Hankyu Hanshin Holdings, Inc. (Current position)
- 2020 President and Representative Director, H2O RETAILING CORPORATION (Current position)
- 2020 Chairman, Hankyu Hanshin Department Stores, Inc. (Current position)

Directors, Audit & Supervisory Committee Members


Masayoshi Ishibashi Male
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)


Michiari Komiyama
Male Outside Independent
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)


Yuko Takahashi
Female Outside Independent
Director, Audit & Supervisory Committee Member (Outside director*)

1978 Joined Kyoto University Hospital
 1986 Head of Internal Medicine, Yamato Koriyama Hospital
 1994 Head of Internal Medicine, Yamato Takada Municipal Hospital
 2001 Head of Smoking Cessation Outpatient Services, Kyoto University Hospital (Current position)
 2002 Professor, Health Care Center of Nara Women's University
 2003 Professor, Graduate School of Humanities and Sciences, Health Care Center of Nara Women's University
 2007 Visiting Head of the Clinical Research Center, National Hospital Organization Kyoto Medical Center (Current position)
 2016 Specially Appointed Professor, Graduate School of Medicine, Kyoto University (Current position)
 2022 Director, Audit & Supervisory Committee Member, Hankyu Hanshin Holdings, Inc. (Current position)

*Ms. Noriko Endo, Ms. Yuki Tsuru, Mr. Mitsuyoshi Kobayashi, Mr. Michiari Komiyama, and Ms. Yuko Takahashi 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 Ms. Endo, Ms. Tsuru, Mr. Kobayashi, Mr. Komiyama, and Ms. Takahashi as independent officers.

Board of Directors Skills Matrix

		Corporate management	Finance/Accounting	Legal affairs/ Risk management	Specialist knowledge
Kazuo Sumi	Male	●	●	●	
Takehiro Sugiyama	Male	●	●		
Masao Shin	Male	●	●	●	
Yasuo Shimada	Male	●	●		
Noriko Endo	Outside Independent Female				◎ Public policy
Yuki Tsuru	Outside Independent Female			◎	
Mitsuyoshi Kobayashi	Outside Independent Male	◎			◎ DX
Yoshishige Shimatani	Male	◎			
Naoyo Araki	Male	◎			
Masayoshi Ishibashi	Audit & Supervisory Committee member Male	●	●		
Michiari Komiyama	Audit & Supervisory Committee member Outside Independent Male			◎	
Yuko Takahashi	Audit & Supervisory Committee member Outside Independent Female				◎ Public health

●---Major knowledge, experience, and capabilities of those who have come up through the Group

◎---Knowledge, experience, and capabilities expected of directors, excluding the above

*The matrix above does not represent the total knowledge, experience, and capabilities of each director.

Audit & Supervisory Committee Member Tripartite Discussion

Michiari Komiyama

Director and Audit & Supervisory
Committee member
(Outside director)

Yuko Takahashi

Director and Audit & Supervisory
Committee member
(Outside director)

Masayoshi Ishibashi

Director and Audit & Supervisory
Committee member
(Full-time)



Duties to fulfill to lead Kansai

Two years after we became a company with an audit & supervisory committee, we are employing the strengths that come from differing ideas to move into the next stage of growth.

Ishibashi In June 2020, Hankyu Hanshin Holdings changed its business structure, becoming a company with an audit and supervisory committee. I am extremely glad that for the three of us on the Audit & Supervisory Committee, I will be working alongside Mr. Komiyama—who, since his time as an auditor, has striven to strengthen corporate governance as an attorney—and a new addition this year, Ms. Takahashi—a doctor.

Komiyama For myself likewise, I rely a great deal on Mr. Ishibashi, who has contributed so much to the Group over many years.

Ishibashi To kick-off this discussion, let me first start by talking a little about my career. I joined Hanshin Electric Railway back in 1979, and after stints as the head of finance and then president of a subsidiary, in 2013 I became an

auditor at Hankyu Hanshin Holdings, and since then I have moved from a purely financial field to become more involved in management.

Komiyama I wanted to join the legal profession and in 1971 I was appointed as a prosecutor. I have served as a public prosecutor at the Supreme Public Prosecutor's Office and then as a chief public prosecutor at Kobe District Public Prosecutor's Office, but now I work as an attorney at law. In 2017, I was made an outside director at Hankyu Hanshin Holdings. Since 2020, as an Audit & Supervisory Committee member, I have been providing support, particularly in terms of corporate governance and compliance.

Ishibashi Lastly, Ms. Takahashi. You joined the Company as an outside director in June this year. Could you tell us a little more about yourself?

Takahashi Happily. I grew up in Nara Prefecture, and after graduating from Kyoto University's Faculty of Medicine, I worked as a doctor of internal medicine. Later, as a specialist in preventive medicine, I was invited to teach as a professor at Nara Women's University. In 2016, I returned to my alma

mater, Kyoto University, and since then I have been working as a specially appointed professor at its Graduate School of Medicine, researching and teaching students, while also seeing patients at Kyoto University Hospital. In 1994, I set up Japan's first smoking cessation outpatient services, at a time when smoking was permitted even in hospitals!

Komiyama These days, it's hard to believe that it was ever like that!

Takahashi That's right. It was about that time that society in general started to take a closer look at the negative health effects of smoking, and since

then striving to persuade smokers to give up smoking has become part of companies' efforts toward health management and I have been able to help many companies with their health management and smoking cessation promotion. For example, the correlation between diabetes and smoking: not only are smokers more likely to develop diabetes, those who already have diabetes are more likely to suffer from complications if they also smoke—the negative effects are myriad.

Ishibashi So, you were fated to be brought into the Company. It is extremely promising that you, an active doctor, are taking part in our health management. Furthermore, as someone with experience as a wife and mother, I look forward to hearing your opinions on ways women can work and about their career paths. With three people with three different backgrounds and careers, we can exchange ideas from diverse perspectives, so I feel as though the committee has evolved.

Health management has a bearing not only on employee happiness, it aids corporate productivity too.

Ishibashi The Company's promotion of health management is based on the Hankyu Hanshin Holdings Group Sustainability Declaration it announced in 2020. Ms. Takahashi, what are your thoughts on this kind of approach and initiatives?

Takahashi Helping people to stop smoking is a pressing issue for the promotion of health management. It is an important initiative for employees' health, but we know that its benefits are not limited to health—stopping smoking also improves concentration, reduces the chance of industrial accidents, boosts mental health, reduces the need to take long periods off work, and raises work efficiency.

Ishibashi I see, I thought that encouraging employees to give up smoking was purely for their health, but it can enhance



Health management is valuable for employees, but also for the Company as a whole

their performance at work, too.

Takahashi Yes, health management is valuable for employees, but also for the Company as a whole. If individual employees get healthier, they work more efficiently, and this leads to greater productivity for the entire organization. I have helped a number of companies and by promoting health management and smoking cessation, their employees have become healthier, but also the atmosphere at those companies is brighter.

Komiyama I think that for a company like Hankyu Hanshin Holdings that represents the Kansai region, it is important that it takes the lead and highlights its stance of tackling health management.

Takahashi Yes, I think that the Company showing its strong approach to health management will have a positive influence on Kansai but also Japanese society as a whole. I believe that tying health management into the Company's image, will also help to raise corporate value.

Ishibashi It is exactly as you say—if employees are healthy and eager to work, that will form a foundation from which we can raise productivity and then corporate value.

Legal compliance and corporate governance form the basis of corporate management.

Ishibashi In recent years, the importance placed on corporate governance has grown, but I would like to hear what you have to think about the subject as an outside director, Mr. Komiyama.

Komiyama Looking at compliance, first, I feel as though the Company has made proactive efforts. However, as an outside director, I must remember to take an objective standpoint and look on compliance efforts critically, and I have to remain aware of the need to point out problems as I do. It goes without saying, but the foundation of corporate management

is the observance of laws and regulations, in other words compliance. Therefore, if we let legal violations that go against this pass, there is a risk that those violations could destabilize the Company and its future.

Ishibashi That could sever the relationships of trust that the Group has built up with customers and other stakeholders.

Komiyama Exactly. Precisely because I am an outside director, speaking from an objective perspective, I can actually speak my mind firmly. The mission that I have been set is to maintain compliance by not accepting any compromise and doing all I can to protect it.

However, while it is important to monitor things critically through the lens of rules in order to ensure compliance, concentrating on that too much would mean not being able to respond flexibly, which could lead to a negative atmosphere between myself and my colleagues, so balance is key.

Ishibashi That is the kind of insight only someone that has spent years involved in legal affairs as a prosecutor, like Mr. Komiyama has, can provide. How about governance?

Komiyama Guiding a company as big as Hankyu Hanshin Holdings can be compared to steering a large ship, those with experience at the helm—from the captain down—require vast amounts of information and accurate judgment. Again, like steering a ship, companies must keep an eye on the unsteady future, and decisions need to be made quite some time in advance, and once a decision has been made, they must act resolutely. I think corporate decision-making is that important and difficult.

One of my vital roles as an outside director is to ask lots of questions from an objective viewpoint so that no mistakes are made in that steering, but also to sometimes offer a harsher view as I support management's decision-making.

Furthermore, with these kinds of judgments, intelligence should be gathered from throughout the relevant company, and assorted studies and analysis conducted to make them more accurate. Hankyu Hanshin Holdings' management decision-making is like that, I feel that these kinds of processes are being followed.

An open corporate culture aids the effectiveness of audits.

Ishibashi We just heard about how outside directors support management decision-making, but as the Audit & Supervisory Committee it is extremely important that we ensure and



Sometimes offering a harsher view to support management's decision-making

improve the effectiveness of audits. The starting point for these improvements is learning more information about the Company. As someone who has come up through the Company, I am trying to provide the members of the Audit & Supervisory Committee with as much data as possible—both good and bad.

Komiyama That is something you do well. For instance, it is very helpful for our understanding of the business to have business representatives speak to us directly. In a big company, information sometimes doesn't make it all the way to management, but I think in the Company's case, it is possible to hear all sorts of information, including straight from the horse's mouth of the front lines like this, so I have a real feeling that the entire Group has an open culture.

Takahashi Immediately after becoming a director, I was given time to take in the thorough explanations of the Group's circumstances. It is imperative that we have ample, accurate information in order to make various decisions, so this is an approach I really want to Company to continue.

The Board of Directors embodies diversities and is opening up lively debate.

Ishibashi I think the role of the Board of Directors is the key to strengthening governance, but how do you think the Board of Directors has performed since the Company shifted to a structure with an audit and supervisory committee.

Komiyama Whether it is as an auditor or an Audit & Supervisory Committee member, my role has not changed. Although as an auditor on the Board of Directors I did not have voting rights, as a director I now do.

Moreover, on the Audit & Supervisory Committee, we determine opinions on personnel and remuneration for directors, and if needed we can directly relay that to the General Meeting of Shareholders, so I think governance has improved.

Ishibashi We are directors, so in addition to audits, we also have to provide oversight for the execution by other directors of their duties. I would say that the Board of Directors now has a positive sense of urgency, which has brought it home to me that we too have to earnestly tackle our duties.

Takahashi This was my first time attending the Board of Directors meeting, and I was surprised by how animated discussions were. Seeing how knowledgeable everyone was really made me feel the need to step up.

Ishibashi One of the reasons for the lively debates at the Board of Directors may well be its diversity. Including us three, of the twelve directors, five are from outside of the Company, and three are women. The diversity of backgrounds—management, academia, law, medicine, etc.—is exceptional.

Komiyama It is one aspect of sustainable management, but you could say that this is diversity in action.

Ishibashi Yes, highly diverse directors like this are able to have lively debates, based on their own backgrounds. I think it is an exceptionally good way of running things.

Komiyama On the point of diversity, going forward, I expect that Ms. Takahashi will foster momentum for women to play active roles. Female participation is one of the goals put forward in the Hankyu Hanshin Holdings Group Sustainability Declaration, but unfortunately our ratio of female managers is rather low. I hope that Ms. Takahashi and the other female directors will offer their advice on this.

Takahashi While there are some businesses that have a high proportion of female workers—such as travel and hotel—but there are also many fields, such as the railways, where female participation is lacking. I wholeheartedly hope that the Company will work on this.

Established traditions and a spirit of taking on challenges. A company that meets the expectations of its investors.

Ishibashi Finally, could you give our investors a message?

Mr. Komiyama, do you have something to say?

Komiyama What I have noticed, as both an auditor and as an Audit & Supervisory Committee member, is that the strong sense of responsibility and of mission that comes with being part of the social infrastructure has permeated down to Group employees on the front lines. While the Group has developed a diverse range of businesses, they all share an awareness that raising the value of the entire Kansai region leads to business expansion. I think that our social contribution activities such as the Hankyu Hanshin Dreams and Communities of the Future Project and the fact that we raise the value of the region, including our cultivation of tomorrow's leaders, effortlessly synergize with business activities. The impact of the pandemic continues, but it is in precisely this kind of situation that new perspectives and needs appear. Going forward, I want us to continue exchanges ideas freely and openly, while overcoming these obstacles. For investors, I hope this will have offered some peace of mind and expectations for the future, and I hope we can count on your support.

Ishibashi Thank you, Mr. Komiyama. The Group is pushing forward with a variety of large-scale projects, including the Umekita Phase II Development Project. Challenges come with risks, but the Board of Directors has established a culture where risk hedging is thoroughly discussed. I would like our investors to pay attention to a more offensive risk management style that looks to gain returns while considering risk. Moving on, Ms. Takahashi, would you mind?

Takahashi I am still relatively new in my post as director, but it has already been impressed upon me that internal control systems are functioning effectively. I have seen how the Group comes together to truly embody its mission of

providing safety and comfort, as well as dreams and excitement. Surely the basis for that is the Group's history of aiming to develop richer communities and repeated sincere business practices and social contributions. All I can say is that I expect no less from the Group. I hope that what I have had to say will reassure investors.

Ishibashi In the future, we of the Audit & Supervisory Committee will do everything we can to meet the expectations of investors and all other stakeholders.

My thanks to Mr. Komiyama and Ms. Takahashi for today's discussion.

The highly diverse
directors have
lively debates





Empowering individuals



Policies

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

Non-Financial KPIs

Non-financial KPIs	Target value	Scope	FY2022 result
Employee satisfaction	Always better than in previous survey (conducted biennially)	Hankyu Hanshin Holdings and the six major companies*	3.57 (on a five-level scale)
Percentage of women in management positions	Improved to around 10% in FY2021	Hankyu Hanshin Holdings and the six major companies	5.1%
Percentage of women among new hires	Always 30% or more	Hankyu Hanshin Holdings and the six major companies	36.8%
Specific health guidance provision	60% or more in FY2026	Hankyu Hanshin Holdings and the six major companies	49.3%
Smoking prevalence	15% or less in FY2026	Hankyu Hanshin Holdings, Hankyu Corporation, Hanshin Electric Railway, and Hankyu Hanshin Properties	19.7%
Paternity leave uptake rate	100% in FY2026	Hankyu Hanshin Holdings and Hankyu Hanshin Properties	57.8%
Employees with disabilities	Always higher than statutory ratio	19 special subsidiaries	2.96%
Human rights training attendance (level-specific training mainly conducted by Hankyu Hanshin Holdings)	Always 100%	Hankyu Hanshin Holdings and six major companies	100%

*Six major companies: Hankyu Corporation, Hanshin Electric Railway, Hankyu Hanshin Properties, Hankyu Travel International, Hankyu Hanshin Express, and Hankyu Hanshin Hotels

Enhance our human capital

To bring about our Long-Term Vision, are putting in place a personnel strategy that is coordinated with the vision to further enhance our human capital.

Furthermore, we have set non-financial KPIs to help strategically hire and develop the personnel we need for to advance our management strategies, and maximize the performance of every individual.

For more details on our approach to human capital—including our personnel strategy—and non-financial KPIs, see Special Feature 1: Human Capital from page 37.

Three Human Resources Strategies

- Strategy 1 Develop Highly Engaged Personnel
- Strategy 2 Assemble Diverse Talent to Help Create New Value
- Strategy 3 Secure Personnel to Promote and Implement DX in the Group

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.

See our basic philosophy and policy on respect for human rights at <https://www.hankyu-hanshin.co.jp/sustainability/materiality/human/rights/> (Japanese only)

Cultivate tomorrow's leaders

As part of the Hankyu Hanshin Dreams and Communities of the Future Project, we provide career education programs for elementary school children. Our Hankyu Hanshin Dreams and Communities Challenge Troop and Hankyu Dreams and Communities Exciting Work Program 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, and the highest award (the Minister's Award) at the "Youth Experience Activity Promotion Company Award" sponsored by the Ministry of Education, Culture, Sports, Science and Technology in fiscal 2021.

Hankyu Hanshin Dreams and Communities Challenge Troop

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. Prior to fiscal 2022, we have hosted over 18,000 children across 415 programs so far. (No programs took place in fiscal 2022 due to the COVID-19 pandemic.)



Kids participate in the Hotel Patisserie Program

TOPICS

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



As part of the 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 developing environment-friendly regional environments and tomorrow's leaders, 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 communities along our line-side areas that people will truly want to live in.

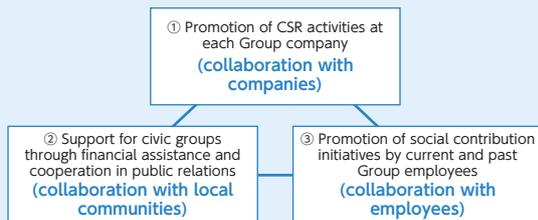
Priority Fields

Sustainable Community
Development
—Developing
communities sustainably

Tomorrow's Leader
Development
—Developing those
who responsible for the
communities of the future

Main activities

We are conducting a variety of activities supported by cooperation between companies, local communities, and employees.



① Collaboration with companies

We promote the CSR activities of our Group companies through public relations, sponsorships, and additional contributions. In fiscal 2022, 105 initiatives were carried out groupwide (96 in fiscal 2021).

For example, the One-million Candle Night event as part of Nishiumeda Night in Osaka City, and the Hankyu Hanshin Dreams and Communities of the Future Challenge Troop (see page 89).

② 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. By the end of fiscal 2022, 166 institutions have received a total of ¥99.06 million.

③ Collaboration with Group employees

As a support for current and past employees to join or continuously engage in community activities voluntarily, we distribute information through Group magazines and mail magazines and provide opportunities for volunteering inside and outside the Company. In fiscal 2022, the number of participants in volunteer activities reached 4,633.

Case study Dreams and Communities of the Future SDGs Trains

To commemorate a decade of these project initiatives, in May 2019, we launched the Dreams and Communities of the Future SDGs Trains, which disseminate a variety of messages to help achieve the SDGs. We have been running these trains in cooperation with governments, municipalities, companies, civic groups, and other bodies. The external appearance of the trains features illustrations inspired by the SDGs, while inside the trains posters and stickers are also all related to the SDGs.

Since September 2020, we have been operating the trains in collaboration with the Tokyu Group, and the energy used to run the trains is sourced entirely (effectively 100%) from renewable sources, as well as other initiatives.

In December 2020, these linked efforts were well-received and presented with a Special Award (SDGs Partnership Award) at the 4th Japan SDGs Award.

We plan to continue these initiatives until EXPO 2025 in Osaka, Kansai.



The Dreams and Communities of the Future SDGs Trains underwent a design renewal in April 2022.

Hankyu Hanshin Dreams and Communities of the Future Project Website (Japanese only)
<https://www.hankyu-hanshin.co.jp/yume-machi/>



For more details on our approach to ESG issues, targets, initiatives, and other data, see our Sustainability Data Book.

<https://www.hankyu-hanshin.co.jp/sustainability/report/>

- Society themes: ... Respect for human rights, safety and security initiatives, contribution to the local communities and society, employment and labor initiatives, and occupational safety and health

Special Feature
2

Helping to Develop Communities with Low Environmental Impacts

As a corporate group that has developed alongside the local communities in which we operate, we are forging ahead with initiatives that look to assist with carbon neutrality by reducing the environmental impact not only of our own business activities, but of communities as a whole.

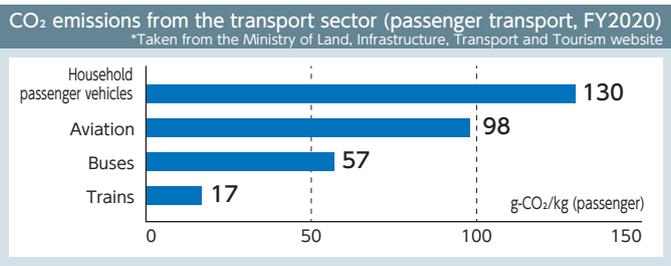
Approach 1 Expanding our public transport network and promoting its use

Since our founding, we have striven to expand our public transport network and enhance convenience. The energy required to transport a single person on a train is around an eighth of that needed for a car—very low—and so in cities where we can predict a certain base number of travelers, constructing a public transport network centered on trains is a way we believe we can help develop communities to help make society carbon neutral.

1. Past efforts to enhance our public transport network and reduce our environmental impact

As a group, we have put our energy into lowering our environmental impact while also improving convenience. This has taken many forms, such as expanding our train-focused public transport network—which includes buses and taxis—and being quick to press forward with a bike rental business based around our stations, among other initiatives.

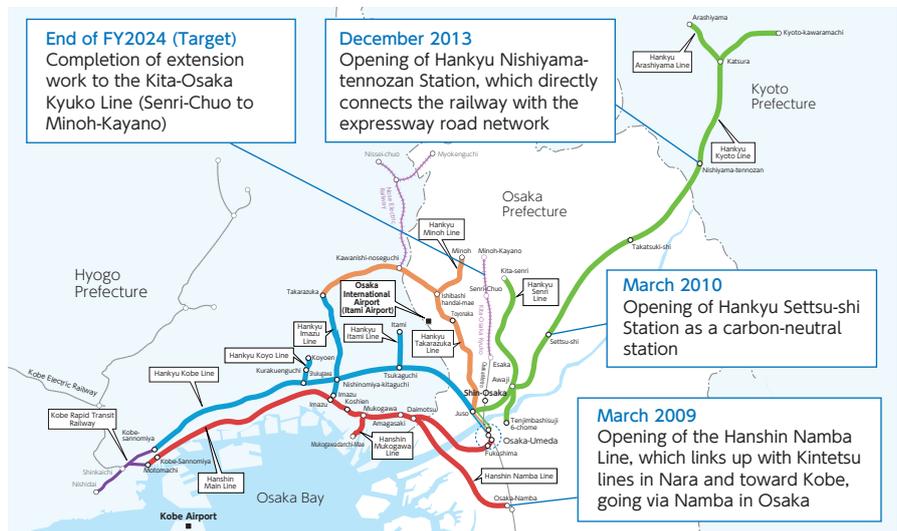
With the opening of the Hanshin Namba Line, which allows for a direct train service connecting the Kobe and Nara areas, in 2009, our area grew to include more people who commute to work or school using public transport. Since then, millions of customers have used the Hanshin Namba Line—in fact, in a single day around 150,000 passengers travel on the line. In 2010, we opened Hankyu Settsu-shi Station, which as well as efforts to create and save energy, achieves carbon offsetting through its forest conservation measures. Between these, it has reduced its CO₂ emissions to virtually zero, making it Japan's first carbon-neutral station. In addition, Hankyu Nishiyama-tennozan Station, which opened in 2013 and is directly connected to the expressway network, has a park and ride car park integrated into the station facility. It also boasts a stop for express buses, and other facilities, achieving both convenience and low-environmental impact.



Hankyu Settsu-shi Station



Hankyu Nishiyama-tennozan Station



2. CO₂ reductions resulting from the extension of the Kita-Osaka Kyuko Line

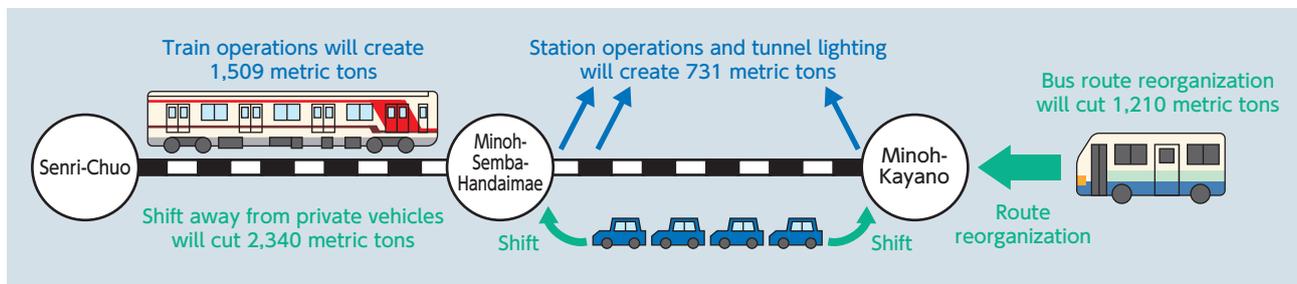
We are extending the Kita-Osaka Kyuko Line by around 2.5 km to the north of Osaka, from Senri-Chuo Station to the new Minoh-Kayano Station, and we plan to open the line at the end of fiscal 2024. As the line connects directly to Osaka Metro's Midosuji Line, passengers will be able to get on a train at the new station and, without needing to change, access urban centers such as Shin-Osaka, Umeda, Namba, and Tennoji.

The city of Minoh, to which the line is being extended, is a long, narrow strip of land that runs east to west. Despite this, the city has so far only been served by a station, Hankyu Minoh Station, is the city's west, meaning that many in the area have had to rely on cars to get around. With the planned extension, two new stations will be opened along the line which runs north-south through the center of the city, greatly enlarging the areas from which people can reach a train station by bike or on foot. By reorganizing the city's bus routes to centered them on the stations, we plan to make them more convenient, and by encouraging visitors from further afield to use park and ride facilities, we predict that around 45,000 people will use the line each day.

On the other hand, as many of the area's major roads—including the Meishin and Shin-Meishin expressways—run through the northern Osaka area, making Minoh a logistical base for goods going to the central part of Osaka Prefecture, however the area's trunk road—Shimmido-suji, National Route 423—is the prefecture's busiest and suffers from chronic traffic jams. By having a trainline run from the northern part of the prefecture down into Osaka City, we will promote the separation of people and goods—transporting the former on the trainline, the latter on the road—which we expect to ease congestion problems on Shimmido-suji. In this way, we are using our extension of the Kita-Osaka Kyuko Line as a pivot to reorganize mobility in the area, and by so doing reduce the region's overall environmental impact and improve convenience.

Contribution to CO₂ reductions by extending the Kita-Osaka Kyuko Line

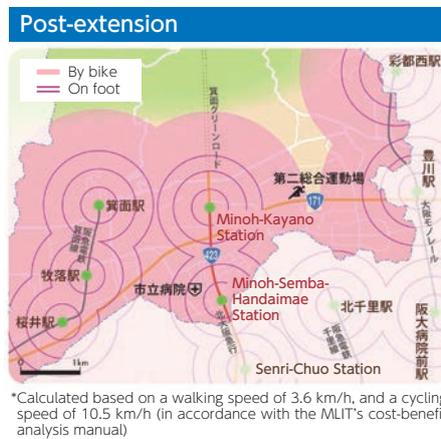
The modal shift away from private vehicles is of benefit to society and, as the illustration below shows, will cut 1,310 metric tons of CO₂ production each year—an amount that would require around 150,000 Japanese cedar trees to absorb* (in-house calculation).



*Calculated based on information from the Forestry Agency, which states that a single hectare of planted Japanese cedar forest absorbs approximately 8.8 metric tons of CO₂ per year

3. Further publicity for the effectiveness of public transport to aid the move toward carbon neutrality for society

We are currently investing projects involving new lines, such as the Naniwasuji Connection Line and Shin-Osaka Connection Line (see page 27 for details), and striving to reduce the energy impact of the railway, through measures such as introducing energy-efficient rolling stock. By promoting MaaS (Mobility as a Service) for the wider area in cooperation with other railway operators in the Kansai region, we are constructing a system by which our customers can truly experience the convenience public transport can offer, while also conveying how effective it is in moving toward a carbon-neutral society. With these efforts, we are encouraging more people to use the railways and contributing to a reduction in communities' overall environmental impacts.



Approach 2 Developing a sports business that brings together customers and businesses

Through the Hanshin Tigers and our operation of related facilities, we are working hand in hand with a number of customers, local authorities, and companies to reduce the environmental impact of the surrounding region as a whole. By having the Hanshin Tigers be the flagbearers for environmentalism (“eco”), we aim to have all of society join the movement.

1. Koshien Eco Challenge

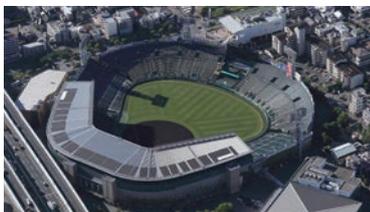
At the Hanshin Koshien Stadium, we have started to pay even more consideration to being environmentally friendly, as symbolized by the ivy with which we have covered its exterior walls.

Since our work to renovate the stadium between 2007 and 2009, as an environmental measures, we have implemented a range of initiatives, including installing solar panels on the Ginsan roof over the infield seats, making use of well and rain water, and promoting the recycling of plastic cups.

In addition, from the 2022 season onward, we have declared our Koshien Eco Challenge to the companies that are our official eco-advisors and eco-partners and the fans who visit the stadium. With the setting of three new themes, we aim to create a stadium that is even kinder to the environment than ever before.



① Produce less waste and promoting recycling	Better recycling for plastic cups and bottles (efforts strengthened from midway through the 2020 season) Biomass materials used for food and drink packaging, such as for the Koshien Curry (in stages from midway through the 2020 season) Recycled materials for stadium staff uniforms (from the 2022 season), and other initiatives
② Reduce CO ₂ emissions	LED lights for night games (in operation from the 2022 season) Carbon-offset games, and other initiatives
③ Use renewable energy	Rooftop solar panels (in operation from March 2010) Well and rain water use (well water since before renovations, rain water from the 2009 season onward), and other initiatives



The solar panels generate 193 MWh per year, 3.6% of the energy used at the stadium



Rain that falls on the large roof over the infield seats is stored in underground tanks, and used to water the ground or flush the stadium's toilets.



We developed garbage bags for which some of the material comes from plastic cups recovered at the stadium, and have been using them since the 2022 season.

2. Zero-Carbon Baseball Park Project

As part of its Zero-Carbon Ballpark Project, Hanshin Electric Railway aims to help make the entire area carbon neutral, and is working on thorough measures to reduce energy usage and introduce energy-efficient equipment, as well as on the local production and consumption of electricity. These are being put into place across the region, from Odaminami Park—a location in Amagasaki, Hyogo, that is set to be the new home of the Hanshin Tigers Farm (the base for the Tigers second team)—as well as the nearby Daimotsu Park, Daimotsu River Greenspace, and Hanshin's various stations around the city that provide access to the aforementioned sites.

The project is a joint proposal by the Amagasaki city authorities and Hanshin Electric Railway and was selected by the Ministry of Environment for inclusion on its List of Decarbonization Leading Areas* (First Round).

During selection, the proposal was praised for the way in which, by working with the Hanshin Tigers, its aims of community development, tourism promotion, regional revitalization, and carbon neutrality, were highly achievable and for the effect the announcement of the project had. The proposal was also lauded for the plans to help make the railway stations carbon neutral that provide access to the park and plans to introduce electric buses.



Artist's impression of the completed facility

*Areas that aim to achieve virtually zero CO₂ emissions from households and business sectors to achieve carbon neutrality by 2050. In addition, they make efforts to achieve reductions in other greenhouse gas emissions such as from transportation and heat use by utilizing local characteristics, which is consistent with Japan's fiscal 2031 target.



Environmental protection



Policies

Conduct eco activities that contribute to a carbon-neutral world and a circular economy.

Major Non-Financial KPIs

Non-Financial KPIs	Target value	Scope	FY2022 result
Rate of CO ₂ emissions cuts	FY2031: 46% compared to FY2014 FY2051: Net zero CO ₂ emissions	Hankyu Hanshin Holdings and its subsidiaries' Japanese worksites	36.1% compared to FY2014

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.



For more details on our approach to ESG issues, targets, initiatives, and other data, see our Sustainability Data Book. <https://www.hankyu-hanshin.co.jp/sustainability/report/>

- Environmental themes: Environmental management, climate change, pollution and resources, biodiversity, water resources

Cut greenhouse gas (CO₂) emissions

Working toward Carbon Neutrality

In the Long-Term Vision that announced in May 2022, we set out a target of achieving net zero CO₂ emissions by fiscal 2051 as we work to become carbon neutral by that point. To reduce those emissions, we will look at the financial soundness and efficiency of investments as we make efforts to promote steady moves toward greater energy efficiency, and investigate energy creation (such as by introducing renewable energy generation facilities, etc.), bearing in mind issues such as trends in technological innovations and business profitability.

Fundamental efforts to achieve carbon neutrality

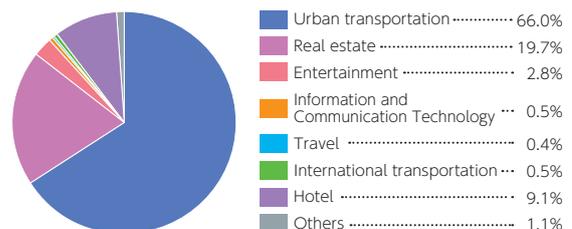
- ① **Steadily promoting energy-saving measures**
Firstly, in order to reduce the Group's base energy usage, we will steadily promote greater energy efficiency while also looking at financial soundness and the efficiency of investments.
- ② **Considering energy creation**
We will push forward with studies into how we can create energy (such as by introducing renewable energy generation facilities, etc.), while also keeping ideas such as technical trends and the profitability of our businesses.
- ③ **Purchasing renewable energy (to add environmental value)**
Where the efforts detailed above in ① and ② alone are insufficient to achieve our target, we will cover the difference by buying electricity above to add environmental value.

Changes in CO₂ Emissions (see page 12)

We promote energy-efficiency initiatives throughout the Group and endeavor to reduce CO₂ emissions.

In our railway operation business, our efforts to reduce energy consumption include the introduction of an increased number of new rolling stock with better energy efficiency, as well as the introduction of LED lighting in railway stations, commercial facilities, hotels, etc., and our CO₂ emissions in fiscal 2022 were 36.1% (393,821 t-CO₂) less than in fiscal 2014. However, due to a rebound in activity after the effects of the COVID-19 pandemic that saw an increase in the number of working days and operations for the Group's hotels, our CO₂ emission intensity rose, meaning that CO₂ emissions were 6.4% higher than in fiscal 2021.

Fiscal 2022 Groupwide Segment-Specific CO₂ Emissions



Note 1: Figures pertain to 87 Hankyu Hanshin Holdings subsidiaries in Japan; some businesses, for which it is difficult to calculate energy consumption, are excluded.

Note 2: Segment-specific data is calculated based on the core business structure in place at the end of fiscal 2022.

Improve energy efficiency (promote energy saving)

Upgrading to Energy-Efficient Rolling Stock

Around 40% of the Group's energy usage comes from the railway operation business, and as such we place great importance on energy-saving measures in that area. That is why Hankyu Corporation and Hanshin Electric Railway are having discussions with rolling stock manufacturers as they seek to introduce or update energy-efficient rolling stock.

For example, Hankyu Corporation has introduced highly efficient variable-voltage/variable-frequency (VVVF) inverter control devices and motors in its rolling stock, as well as replacing all lights, including headlights, with LED lights. Hankyu Corporation has thus succeeded in developing highly energy-efficient rolling stock (with an electricity consumption reduction of about 50% from conventional rolling stock). Hanshin Electric Railway has also introduced a main circuit system for VVVF inverter control using a permanent-magnet synchronous motor in its latest rolling stock for local train use, as well as replacing all lights, including headlights, with LED lights. Hanshin Electric Railway has thus achieved an electricity consumption reduction of about 60% from existing rolling stock for local train use.

Upgrading to Energy-Efficient Rolling Stock (as of March 31, 2022)

Hankyu Corporation rolling stock:	Hanshin Electric Railway rolling stock:
● VVVF: 58% (98/170 train units)	● VVVF: 67% (51/76 train units)
● Aluminum bodies: 826 (64%)	● Stainless steel bodies: 162 (45%)
● LED lights: 718 (56%)	● LED lights: 220 (61%)
Note: Total rolling stock: 1,283	Note: Total rolling stock: 358

Upgrading to LED Lighting

We are gradually upgrading to LED lights at Group facilities. LED lights can increasingly be found not only in Hankyu and Hanshin train cars but also at their stations, marshaling yards, tunnels, level crossings, and other railway facilities, as well as Hanshin Koshien Stadium, Takarazuka Grand Theater, Tokyo Takarazuka Theater, and our commercial facilities, hotels, and distribution hubs.



From the 2022 season, all lighting used at night games uses LED bulbs

Use more renewable energy (e.g. solar)

Solar Power Generation Equipment

We are endeavoring to expand our use of renewable energy 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.

Dreams and Communities of the Future SDGs Trains (see page 90)

Since May 2019, Hankyu Corporation and Hanshin Electric Railway have been running Dreams and Communities of the Future SDGs Trains, which disseminate a variety of messages to help achieve the SDGs.

They use the latest energy-efficient rolling stock, consuming around half of the electricity needed for conventional rolling stock, and are powered by effectively 100% renewable energy.



Green Energy and Offset Credits

Since fiscal 2012, when we at Hankyu Hanshin Holdings hold our General Meeting of Shareholders, the CO₂ emissions produced through the energy used at the venue is offset under a Ministry of the Environment scheme using offset credits generated by reforestation projects in Hyogo Prefecture. In this way, we are running initiatives aimed at reducing emissions to virtually zero (via carbon offsetting).

We are also working to offset CO₂ emissions through the use of the J-Credit scheme* for Hanshin Koshien Stadium and Takarazuka Grand Theater. In fiscal 2022, for designated six games at Hanshin Koshien Stadium, all CO₂ emissions were offset.

*J-Credit scheme: A program under which the Japanese government certifies amounts of CO₂ and other greenhouse effect gases reduced/absorbed through the introduction of energy-saving equipment, forest management, and other efforts as credits

Aim for more eco-friendly buildings (green buildings)

As well as striving to meet society's demands—such as for carbon neutrality and reductions in greenhouse gases—being at the cutting-edge of environmental efforts is a way to differentiate ourselves from our customers and enhance our competitiveness. To that end, as well as trying to save energy, we are introducing renewable energy, promoting advanced measures in zero-energy buildings and homes, and focusing our efforts on acquiring environmental recognition such as DBJ Green Building certification.

DBJ Green Building Certification

The Group is increasing efforts to acquire DBJ Green Building Certification* for its offices to be newly built and large commercial buildings. To date, Osaka Umeda Twin Towers South and Hankyu Nishinomiya Gardens have received rating of five stars, HEP FIVE four stars, and Kobe Sannomiya Hankyu Building three stars.



*A five-stage (1 to 5 stars) rating system launched by the Development Bank of Japan to certify properties which give proper care to the environment and society (green buildings)

Other Environmentally Considerate Buildings

Since April 2022, all of the electricity*¹ used in common areas and dedicated office spaces of the Osaka Umeda Towers (both North and South buildings) is generated from CO₂-free renewable energy. This is one of the ways we are working to bring together building owners and tenant companies and help make society carbon neutral.

Since the end of July 2011, all of Hankyu Hanshin's Geo condominiums*² for sale have featured laminated low-emissivity

glass, LED lights (common and exclusively owned areas), EV charging facilities, etc. In this way, we have pioneered tackling environmental issues. Also, in November 2021, we acquired a thermal insulation level of four or higher, and a primary energy consumption level of four or higher, for all of our buildings currently being constructed. Moreover, in October 2022, all of the condominiums we plan to sell or lease from fiscal 2025 onward*2 were designated ZEH-M Oriented*3 or better.

*1 Excluding electricity generated privately via co-generation systems

*2 Excluding some buildings, such as those developed jointly with other companies

*3 A standard for condominiums that reduce their overall primary energy consumption (energy consumption in five areas designated in 2016 energy-conservation standards: heating, cooling, ventilation, lighting, and hot water) including in common areas by 20% or more compared to conventional condominiums

Produce less waste and recycle more

We have set ourselves the task of promoting environmental conservation activities that contribute to the development of a circular economy. We are endeavoring to understand and reduce the environmental impact we have through the pollution and waste our business activities produce,* and to make effective use of resources, such as by promoting recycling.

*Data on waste, chemicals, and water resources can be found in the Sustainability Data Book.

Recycling Hanshin Koshien Stadium's Plastic Drink Containers

Hanshin Koshien Stadium is collaborating with two companies, Teijin Frontier and Shimojima, to recycle the plastic cups in which draft beer and other drinks are sold at the stadium.

As well as handing out novelty cup holders made from recycled cups, in 2022 we developed recycled garbage bags created in part from those recycled materials. This initiative to use the plastic recycled materials from used plastic beer cups is Japan's first.



A beer cup
recycle bin

Recycling Food Waste in the Hotel Business

Hankyu Hanshin Hotels has set food waste as a non-financial KPI (see page 61) and by putting in place system related to making effective use of, and measuring, waste materials produced during food processing, is working to control how much food waste is generated.

Also, some hotels strive to use resources more effectively by properly separating scraps and repurposing reusable ones as compost or feed on a pig farm.

Save and effectively use water resources

We are committed to reducing water use as much as possible by saving water and reusing wastewater, in collaboration with customers, real estate business tenants, and other stakeholders, based on our Basic Environmental Policies.

Water Saving in the Hotel Business

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

Effective Use of Water at Group Facilities

Some commercial facilities have wastewater reuse equipment that purifies rainwater and kitchen wastewater from restaurants and uses it for watering plants and flushing toilets. At stations and other facilities, we have also installed water-saving toilets.

Meanwhile, Hankyu Settsu-shi Station and Hankyu Nishiyama-tennozan Station use rainwater for jobs like flushing toilets, while Hanshin Koshien Stadium uses it for flushing toilets and watering the grass.

Conserve biodiversity

We have set thriving communities as one of our priority themes and so as an initiative to put in place quality living environments, we are promoting activities connected to the natural environment and biodiversity throughout the Group.

Supporting Citizen Groups with the Hankyu Hanshin Community Future Fund

In our Hankyu Hanshin Dreams and Communities of the Future Project, a priority area is Sustainable Community Development and so we are working to conserve biodiversity. Part of that has involved collecting donations from employees, to which we have then added an identical amount, and using that to support citizen groups in areas along our railway lines as the Hankyu Hanshin Community Future Fund. This fund has helped to support civic groups who survey and conserve biodiversity in the local mountains and rivers.



Mushugawa River Area Nature
Protection Association

Protecting Biodiversity at the Rokko Alpine Botanical Garden

Rokko Alpine Botanical Garden, a member of the Japan Association of Botanical Gardens since its inception in 1947 serving as a local outpost, is devoted to preserving biodiversity; around 1,500 varieties of alpine and cold-region plants from around the world, as well as plants native to Rokko, and endangered species are all cultivated in near-natural conditions.

Developing Satoyama Forest in Kawanishi, Hyogo

The *satoyama* community forest and agricultural landscape in the Kurokawa district of Kawanishi, Hyogo Prefecture, has been described as Japan's best. The Nose Electric Railway, which serves the Kurokawa district, has been running forestation activities with government and citizen groups since 2011. Each year, employees volunteer to cut undergrowth and thin out trees, and are concentrating on reviving and maintaining the *satoyama* forest, which is home to great biodiversity.

04

Financial Section and Corporate Data

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Consolidated Eleven-Year Summary

Fiscal Year	2012	2013	2014
Result of Operations (Millions of yen):			
Revenues from operations	¥ 649,703	¥ 682,439	¥ 679,157
Operating income	73,809	87,921	91,828
EBITDA ¹	133,500	145,100	149,200
Ordinary income (loss)	65,393	74,914	81,191
Income (loss) before income taxes	43,419	62,192	83,542
Net income (loss) attributable to owners of the parent	39,252	39,702	46,352
Comprehensive income	44,992	54,081	55,941
Capital expenditure	55,267	59,512	80,722
Depreciation and amortization	56,968	54,540	54,474
Cash Flows (Millions of yen):			
Cash flows from operating activities	¥ 124,525	¥ 127,655	¥ 146,991
Cash flows from investing activities	(44,295)	(58,923)	(45,517)
Cash flows from financing activities	(78,978)	(69,195)	(105,079)
Increase (decrease) in cash and cash equivalents	767	817	(1,840)
Cash and cash equivalents at end of year	23,572	25,581	24,497
Financial Position (Millions of yen):			
Total assets	¥2,274,380	¥2,281,007	¥2,286,928
Total net assets	524,801	573,154	617,598
Interest-bearing debt	1,183,647	1,126,633	1,032,307
Per Share Data (Yen)²:			
Net income attributable to owners of the parent	Basic Diluted ³	¥ 31.13 31.13	¥ 31.48 31.47
Net assets		407.01	443.63
Dividend		5.00	5.00
			6.00
Ratios:			
Operating income margin (%)	11.4	12.9	13.5
ROA (%) ⁴	2.8	3.3	3.6
ROE (%) ⁵	7.9	7.4	8.0
Interest-bearing debt/EBITDA (Times)	8.9	7.8	6.9
Equity ratio (%)	22.6	24.5	26.3
Debt/equity (D/E) ratio (Times) ⁶	2.3	2.0	1.7
Others:			
Number of outstanding shares (Thousands)	1,271,406	1,271,406	1,271,406
Number of employees	20,811	20,751	20,913

1. EBITDA = operating income + depreciation expenses + amortization of goodwill
EBITDA figures are rounded to the nearest ¥100 million.

2. 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 and net income per share after dilution vesting in the shareholders of the Parent Company are calculated, the number of such shares is included in the treasury shares to be deducted.

3. As there are no residual shares with a dilutive effect, net income attributable to owners of the parent per diluted share for fiscal 2020 has been omitted. For fiscal 2021, net income attributable to owners of the parent per diluted share is omitted because a net loss per share was recorded despite the existence of dilutive shares.

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

5. ROE = net income attributable to owners of the parent / equity (average of period-start and period-end totals)

2015	2016 ⁷	2017	2018 ⁸	2019	2020	2021	2022 ⁹
¥ 685,906	¥ 746,792	¥ 736,763	¥ 760,252	¥ 791,427	¥ 762,650	¥ 568,900	¥ 746,217
94,026	110,293	104,058	105,211	114,937	95,170	2,066	39,212
150,100	166,500	159,300	160,800	171,400	154,100	60,300	100,700
85,590	104,479	100,607	103,774	110,543	88,795	(7,623)	38,450
77,620	96,087	100,805	101,410	88,562	86,746	(41,013)	38,592
54,201	69,971	71,302	66,361	65,476	54,859	(36,702)	21,418
71,034	63,842	79,288	73,991	66,565	44,292	(22,803)	17,251
68,115	66,639	86,212	86,404	114,368	81,090	108,472	120,302
53,143	53,701	52,800	53,276	54,172	56,542	55,733	59,107
¥ 131,881	¥ 124,838	¥ 115,633	¥ 135,821	¥ 126,035	¥ 123,086	¥ (32,501)	¥ 81,844
(52,529)	(78,843)	(84,845)	(88,351)	(116,160)	(128,498)	(102,151)	(96,442)
(81,746)	(47,278)	(30,595)	(43,242)	(11,171)	964	134,631	15,141
(1,125)	(1,978)	(480)	4,588	(1,848)	(4,454)	(375)	1,983
23,497	22,363	22,530	27,501	27,589	23,526	25,222	29,422
¥2,279,638	¥2,282,180	¥2,349,831	¥2,404,926	¥2,466,223	¥2,489,081	¥2,621,028	¥2,722,841
679,482	724,237	804,659	866,512	915,381	937,672	909,985	915,363
955,828	916,570	899,523	866,758	877,055	903,480	1,063,048	1,095,965
¥ 42.98	¥ 277.88	¥ 285.11	¥ 267.91	¥ 266.86	¥ 225.69	¥ (151.72)	¥ 88.89
42.95	277.67	284.86	267.81	266.86	—	—	88.83
525.56	2,815.96	3,150.67	3,391.35	3,615.52	3,738.56	3,598.83	3,612.17
6.00	35.00	35.00	40.00	40.00	50.00	50.00	50.00
13.7	14.8	14.1	13.8	14.5	12.5	0.4	5.3
3.7	4.6	4.3	4.4	4.5	3.6	(0.3)	1.4
8.6	10.3	9.4	8.2	7.6	6.1	(4.1)	2.5
6.4	5.5	5.6	5.4	5.1	5.9	17.6	10.9
29.1	31.0	33.5	34.8	35.9	36.4	33.1	32.0
1.4	1.3	1.1	1.0	1.0	1.0	1.2	1.3
1,271,406	254,281	254,281	254,281	254,281	254,281	254,281	254,281
21,037	21,607	21,860	22,152	22,654	22,800	23,192	22,869

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

7. 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.

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

9. The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and other standards have been applied from the beginning of fiscal 2022, and the key management indicators, etc., for fiscal 2022 indicate values after applying the above-mentioned accounting standard, etc.

Business Risks

The various categories of risk to which business performance, stock price, financial position and other aspects of the operations of the Hankyu Hanshin Holdings Group are subject are detailed below. Information about future events that appears in this integrated report was determined by the Group and was current as of March 31, 2022. These risks do not include all of the risks that the Group could face.

1 Natural Disasters and Accidents

1.1 Risk from Epidemics

If an infectious disease becomes widespread and restrictions are imposed on the movement and lives of people in various ways, it may materially affect the Company's businesses. Specifically, impacts may be seen in the Urban Transportation Business through effects such as a declining number of passengers on railways and other means of transportation; in the Real Estate Business through temporary closings and a decreasing number of visitors to leased facilities with fewer hotel guests from overseas and weaker domestic demand; in the Entertainment Business through the cancellation of and attendance restrictions on professional baseball games and performances of the Takarazuka Revue; and in the Travel Business through the cancellation of overseas and domestic tours.

Since the spread of COVID-19, the Group has been impacted as described above. Although a degree of recovery was seen in each business segment in fiscal 2022, depending on how the pandemic situation evolves, the timing and degree by which demand recovers, and other factors, the Group's future business performance and financial position may fluctuate significantly.

Given the circumstances, in the wake of fiscal 2022 the Group has positioned fiscal 2023 as a crisis recovery phase, during which the Group is focused on recovering its pre-COVID-19 business, increasing profitability, and reducing fixed costs and turning them into variable costs, as well as improving its financial position.

1.2 Natural Disasters

Operating across an extremely wide range of businesses in its Urban Transportation, Real Estate, Entertainment, Information and Communication Technology, Travel, and International Transportation, the Group maintains a correspondingly large assortment of facilities necessary for conducting business. In the event of earthquakes, typhoons or other 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. Especially in recent years, it has been pointed out that climate change in the form of rising air and sea temperatures may increase the frequency of torrential rains and strong typhoons, and there is an increasing risk of the above-mentioned adverse effects being brought about by these natural disasters.

The Group is striving to minimize both the tangible and intangible impacts of natural disasters and accidents. Efforts include investing in maintenance and renovation of existing facilities, conducting seismic reinforcement work, analyzing and responding to the impact of intensifying natural disasters, and developing systems with a priority on safety, especially at group companies engaged in the railway business and other forms of public transportation.

2 Information Management

The Group uses information systems in each of its business segments. If the functions of these systems are materially impacted by accidents, disasters, human errors or cyber-attacks, system failures or malfunctions, information leaks or other events may occur and disrupt the Group's business operations whereby affecting its business performance and financial position. Regarding

personal information, the Group manages databases containing customer data and other personal information in each of its businesses. If information is leaked due to an unexpected incident, claims for damages and loss of public credibility may substantially affect the Group's performance.

In accordance with internal regulations such as Fundamental Policies on Electronic Information Security, the Group takes measures required to prevent leaks, falsification or unauthorized use of information and to operate its information systems securely. A framework is also in place to report and deal with problems promptly. Regarding personal information, in addition to the above, the Group has established regulations, such as fundamental policies on the management of personal information, to ensure compliance with laws and regulations related to the protection of personal information at home and abroad, and developed a system to help ensure the appropriate use and protection of personal information. Relevant training programs for employees are also provided.

3 Compliance

The Group aims to meet the expectations of all its stakeholders and operate as a corporate group that is trusted and applauded by them. One of the preconditions for achieving this goal is a compliance-focused business attitude. In the event of noncompliance, claims for damages and loss of public credibility may affect the Group's business performance and financial position.

The Group promotes compliance management in each of its business segment not only by strictly observing the Companies Act, Financial Instruments and Exchange Act, labor laws, tax laws, economic laws, various industrial laws, and other relevant laws, but also by developing various basic policies on respect for human rights, prevention of corruption (bribery, etc.), tax affairs, and so on, as well as internal regulations, such as a code of corporate ethics, thoroughly implementing business operations in line with these.

To further enhance the effectiveness of these efforts, various education and training programs are also implemented for employees to raise their awareness of compliance and improve their knowledge, thereby preventing noncompliance. The Group has also established a whistleblower system that allows prompt detection of and dealing with events that threaten our compliance stance and record.

4 Finance (Interest-Bearing Debt)

The Group makes continuous capital investments in each of its business segments. Most of the necessary funds are procured by borrowing from financial institutions and issuing corporate bonds, among other means. For this reason, in the case of future increases in interest rates, changes in financial markets, or downgrades in the Group's credit rating due to changes in its financial position, the Group's interest expenses may increase, and raising additional funds on desirable terms, including funds needed to refinance interest-bearing debt that reaches maturity, may become difficult.

The balance of interest-bearing debt held by the Group as of the end of March 2022 on a consolidated basis was ¥1,095,965 million. Going forward, the Group plans to make capital investments required for maintaining and improving facilities, etc., as well as

growth investing toward the future, including investment in large-scale projects. Amid the deep impact of the COVID-19 pandemic, consolidated interest-bearing debt is expected to increase to a certain degree.

The Group will continue to diversify its funding and secure its liquidity, take steps to avoid interest rate risks through fixed rate financing, and strive to maintain the soundness of its financial position by controlling interest-bearing debt through cost reduction and reductions in investment in maintenance and replacement.

5 Changes in Political, Economic and Social Environment

5.1 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. Under Article 16 of the Law, a railway operator must obtain MLIT'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 the permissions or approvals of MLIT.

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, 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 impacts.

5.2 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 or other assets, the recording of impairment loss or valuation loss would likely have a negative impact on the business performance and financial position of the Hankyu Hanshin Holdings Group.

5.3 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 decrease demand for railway, bus, taxi and other types of passenger transportation services, as well as decrease 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 situations could affect the business performance and financial position of the Group.

In addition to efforts to increase the resident population in areas along railway lines operated by the Group and to increase the influx of visitors to these areas by capturing the demand generated by foreign tourists, etc., the Group will broadly promote efforts to improve productivity by leveraging DX (Digital Transformation) and by other means.

5.4 Social Changes (in Lifestyle and Workstyle)

There are ongoing social changes triggered by the COVID-19 pandemic, such as changes in people's behaviors and locations they are based in, and expansion of awareness of QOL (Quality of

Life). Additionally, the socioeconomic and business environments are changing rapidly, as illustrated by increasing awareness of SDGs and carbon neutrality 2050 (achieving a decarbonized society by 2050). Going forward, if these changes transform people's lives, it may affect the existing business models of the Group, since it operates businesses closely related to the way people live.

In light of this situation, the Group has recently updated its Hankyu Hanshin Holdings Group Long-Term Management Vision for 2025 and formulated its Long-Term Vision: *Toward 2040*. Going forward, we will progress with measures in line with the strategy outlined in the vision, respond to changes in socioeconomic and business environments, and take into account people's needs and preferences to offer a range of products and services, thereby continuously improving corporate value of the Group.

5.5 Addressing Climate Change

To cope with climate change, efforts are being made on a global basis to reduce greenhouse gas emissions. Although the Group's railway, its core business, has less of an environmental impact than other means of transportation, the business is expected to require future investment or incur additional expense to respond to a more decarbonized and recycling-based society. Moreover, introduction of a carbon tax system for greenhouse gas emissions and a rise in retail electricity prices (to promote renewable energy, etc.) may be accompanied by further increases in cost. If the Group fails to adjust to these social demands, it may face a decrease in revenue due to the loss of public credibility and/or financing difficulties.

The Group recognizes that greenhouse gas reduction is necessary for realizing a sustainable society. With "environmental protection" set as one of the priority issues in its Sustainability Declaration, the Group is moving forward with environmental protection activities that contribute to achieving a more decarbonized and recycling-based society.

As part of such activities, the Group has agreed to and is taking steps in accordance with the recommendations of the Task Force on Climate-related Financial Information Disclosure (TCFD). In line with its disclosure framework, the Group has specified its "governance," "risk management," and "indicators and goals." As for "strategies," "risks and opportunities" in the urban transportation business and real estate business that are likely to be significantly affected by climate change among its businesses have been identified by the Group for analysis, including estimation of financial impact. For the purpose of evaluating and managing these risks and opportunities related to climate change, CO₂ emission reduction target values (fiscal 2031: 46% reduction compared to fiscal 2014; fiscal 2051: net zero) have been set as group-wide Key Performance Indicators (KPI). Having set individual KPIs for each business as well, the Group is working to improve the resilience of its business to climate change.

5.6 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 incidents 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, the business performance and financial condition of the Group may be affected.

Consolidated Balance Sheets

As of March 31, 2021 and 2022

	Millions of yen	
	2021	2022
Assets:		
Current assets:		
Cash and deposits	¥ 27,546	¥ 31,331
Trade receivables (Note 7.1)	72,991	112,568
Land and buildings for sale	158,899	166,331
Finished products and merchandise	2,509	2,372
Work in progress	4,242	2,131
Materials and supplies	4,859	5,464
Other	54,608	46,018
Allowance for doubtful receivables	(350)	(408)
Total current assets	325,307	365,811
Noncurrent assets:		
Property and equipment:		
Buildings and structures-net (Note 7.4)	556,183	646,407
Machinery, equipment and vehicles-net (Note 7.4)	63,112	60,314
Land (Notes 7.4 and 7.6)	962,837	973,012
Construction in progress	244,591	218,215
Other-net (Note 7.4)	20,995	25,023
Total property and equipment (Notes 7.2 and 7.3)	1,847,720	1,922,974
Intangible assets:		
Goodwill	12,014	9,655
Other (Notes 7.3 and 7.4)	21,908	27,856
Total intangible assets	33,923	37,512
Investments and other assets:		
Investment securities (Notes 7.4 and 7.5)	333,743	316,231
Deferred tax assets	6,792	7,218
Net defined benefit asset	20,186	18,505
Other (Note 7.4)	53,612	54,917
Allowance for doubtful receivables	(256)	(329)
Total investments and other assets	414,077	396,544
Total noncurrent assets	2,295,721	2,357,030
Total assets	2,621,028	2,722,841

Millions of yen

	2021	2022
Liabilities:		
Current liabilities:		
Trade payables	¥ 29,138	¥ 40,699
Accrued expenses	16,374	16,853
Short-term borrowings (Note 7.4)	151,235	145,737
Commercial paper	30,000	50,000
Current portion of bonds	10,000	7,000
Lease obligations	3,206	3,834
Income taxes payable	2,192	6,380
Provision for bonuses	4,033	3,682
Other (Notes 7.1 and 7.4)	134,437	152,471
Total current liabilities	380,618	426,659
Long-term liabilities:		
Long-term debt (Note 7.4)	673,387	649,476
Bonds	187,000	230,000
Lease obligations	8,219	9,916
Deferred tax liabilities	176,839	176,516
Deferred tax liabilities related to land revaluation (Note 7.6)	5,187	5,182
Net defined benefit liability	62,890	62,795
Long-term deferred contribution for construction	91,792	117,561
Other	125,106	129,369
Total long-term liabilities	1,330,424	1,380,818
Total liabilities	1,711,042	1,807,477
Net assets:		
Shareholders' equity:		
Common stock	99,474	99,474
Capital surplus	146,772	147,358
Retained earnings	636,095	645,212
Less treasury stock, at cost	(48,701)	(48,713)
Total shareholders' equity	833,640	843,332
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	24,600	18,756
Deferred gains or losses on hedges	3	7
Revaluation reserve for land (Note 7.6)	5,483	5,499
Foreign currency translation adjustments	(615)	435
Cumulative adjustments related to retirement benefit plans	4,038	2,317
Total accumulated other comprehensive income	33,511	27,016
Non-controlling interests (Note 7.6)	42,834	45,014
Total net assets	909,985	915,363
Total liabilities and net assets	2,621,028	2,722,841

Consolidated Statements of Income

Years ended March 31, 2021 and 2022

	Millions of yen	
	2021	2022
Revenues from operations (Note 8.1)	¥ 568,900	¥ 746,217
Costs of revenues from operations:		
Operating expenses and cost of sales of transportation	542,159	679,865
Selling, general and administrative expenses (Note 8.2)	24,674	27,139
Total costs of revenues from operations (Note 8.3)	566,833	707,005
Operating income	2,066	39,212
Non-operating income:		
Interest income	122	179
Dividend income	980	928
Equity in income of affiliates	—	7,167
Miscellaneous income	2,469	2,609
Total non-operating income	3,572	10,885
Non-operating expenses:		
Interest expenses	8,885	8,516
Equity in loss of affiliates	1,622	—
Miscellaneous expenses	2,754	3,131
Total non-operating expenses	13,262	11,648
Ordinary income (loss)	(7,623)	38,450
Extraordinary income:		
Gain on contributions for construction	3,485	28,239
Gain on sales of investment securities	222	3,702
Employment adjustment subsidies	8,715	9,234
Other	743	1,792
Total extraordinary income	13,167	42,969
Extraordinary loss:		
Loss on reduction of noncurrent assets	3,568	28,302
COVID-19-related losses (Note 8.4)	19,382	9,518
Structural reform-related loss (Note 8.5)	18,618	—
Other	4,989	5,006
Total extraordinary loss	46,557	42,827
Income (loss) before income taxes	(41,013)	38,592
Income taxes - current	4,205	9,963
Income taxes - deferred	(10,683)	3,292
Total income taxes	(6,478)	13,256
Net income (loss)	(34,535)	25,335
Net income attributable to non-controlling interests	2,166	3,916
Net income (loss) attributable to owners of the parent	(36,702)	21,418

Consolidated Statements of Comprehensive Income

Years ended March 31, 2021 and 2022

	Millions of yen	
	2021	2022
Net income (loss)	¥ (34,535)	¥ 25,335
Other comprehensive income:		
Valuation difference on available-for-sale securities	4,150	(8,633)
Deferred gains or losses on hedges	32	4
Revaluation reserve for land	(41)	—
Foreign currency translation adjustments	(386)	2,191
Remeasurements of defined benefit plans	3,904	(1,754)
Share of other comprehensive income of associates accounted for using equity method	4,071	108
Total other comprehensive income (Note 9)	11,732	(8,084)
Comprehensive income	(22,803)	17,251
Comprehensive income attributable to:		
Owners of the parent	(24,476)	15,837
Non-controlling interests	1,672	1,413

Consolidated Statements of Changes in Net Assets

Years ended March 31, 2021 and 2022

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Less treasury stock, at cost	Total shareholders' equity
Balance as of March 31, 2020	¥99,474	¥146,598	¥685,087	¥(44,224)	¥886,935
Cumulative effects of changes in accounting policies					—
Restated balance	99,474	146,598	685,087	(44,224)	886,935
Changes in items during the period:					
Dividends from surplus			(12,188)		(12,188)
Net income (loss) attributable to owners of the parent			(36,702)		(36,702)
Reversal of revaluation reserve for land					—
Purchase of treasury stock				(4,660)	(4,660)
Disposal of treasury stock			(0)	187	187
Change in treasury stock of parent arising from transactions with non-controlling interest shareholders		176			176
Changes in equity due to capital increase of consolidated subsidiaries					—
Change in scope of consolidation		(2)	(100)		(103)
Changes in equity in affiliates accounted for by equity-method treasury stock				(4)	(4)
Net changes in items other than shareholders' equity					
Total changes in items during the period	—	174	(48,991)	(4,477)	(53,295)
Balance as of March 31, 2021	99,474	146,772	636,095	(48,701)	833,640
Cumulative effects of changes in accounting policies			(277)		(277)
Restated balance	99,474	146,772	635,818	(48,701)	833,363
Changes in items during the period:					
Dividends from surplus			(12,126)		(12,126)
Net income (loss) attributable to owners of the parent			21,418		21,418
Reversal of revaluation reserve for land			8		8
Purchase of treasury stock				(47)	(47)
Disposal of treasury stock			(0)	36	36
Change in treasury stock of parent arising from transactions with non-controlling interest shareholders		465			465
Changes in equity due to capital increase of consolidated subsidiaries		122			122
Change in scope of consolidation		(0)	93		92
Changes in equity in affiliates accounted for by equity-method treasury stock				(0)	(0)
Net changes in items other than shareholders' equity					
Total changes in items during the period	—	586	9,394	(12)	9,969
Balance as of March 31, 2022	99,474	147,358	645,212	(48,713)	843,332

	Millions of yen							
	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Cumulative adjustments related to retirement benefit plans	Total accumulated other comprehensive income		
Balance as of March 31, 2020	¥13,792	¥(28)	¥5,511	¥(427)	¥(136)	¥18,711	¥32,025	¥937,672
Cumulative effects of changes in accounting policies						—		—
Restated balance	13,792	(28)	5,511	(427)	(136)	18,711	32,025	937,672
Changes in items during the period:								
Dividends from surplus								(12,188)
Net income (loss) attributable to owners of the parent								(36,702)
Reversal of revaluation reserve for land								—
Purchase of treasury stock								(4,660)
Disposal of treasury stock								187
Change in treasury stock of parent arising from transactions with non-controlling interest shareholders								176
Changes in equity due to capital increase of consolidated subsidiaries								—
Change in scope of consolidation								(103)
Changes in equity in affiliates accounted for by equity-method treasury stock								(4)
Net changes in items other than shareholders' equity	10,808	32	(27)	(188)	4,175	14,800	10,808	25,608
Total changes in items during the period	10,808	32	(27)	(188)	4,175	14,800	10,808	(27,686)
Balance as of March 31, 2021	24,600	3	5,483	(615)	4,038	33,511	42,834	909,985
Cumulative effects of changes in accounting policies						—	(7)	(284)
Restated balance	24,600	3	5,483	(615)	4,038	33,511	42,826	909,701
Changes in items during the period:								
Dividends from surplus								(12,126)
Net income (loss) attributable to owners of the parent								21,418
Reversal of revaluation reserve for land								8
Purchase of treasury stock								(47)
Disposal of treasury stock								36
Change in treasury stock of parent arising from transactions with non-controlling interest shareholders								465
Changes in equity due to capital increase of consolidated subsidiaries								122
Change in scope of consolidation								92
Changes in equity in affiliates accounted for by equity-method treasury stock								(0)
Net changes in items other than shareholders' equity	(5,843)	3	15	1,050	(1,721)	(6,494)	2,188	(4,306)
Total changes in items during the period	(5,843)	3	15	1,050	(1,721)	(6,494)	2,188	5,662
Balance as of March 31, 2022	18,756	7	5,499	435	2,317	27,016	45,014	915,363

Consolidated Statements of Cash Flows

Years ended March 31, 2021 and 2022

	Millions of yen	
	2021	2022
Cash flows from operating activities:		
Income (loss) before income taxes	¥ (41,013)	¥ 38,592
Depreciation and amortization (Note 11.2)	57,502	59,945
Structural reform-related loss	18,618	—
Amortization of goodwill	2,508	2,366
Equity in (income) losses of affiliates	1,622	(7,167)
Increase (decrease) in net defined benefit liability	(1,112)	(1,242)
Increase (decrease) in allowance for doubtful receivables	197	128
Interest and dividend income	(1,102)	(1,108)
Interest expenses	8,885	8,516
Loss on reduction of noncurrent assets	3,568	28,302
Gain on contributions for construction	(3,485)	(28,239)
Loss (gain) on sales of investment securities	(222)	(3,680)
Decrease (increase) in trade receivables	(4,354)	(38,870)
Decrease (increase) in inventories	(36,799)	(2,560)
Increase (decrease) in trade payables	(632)	11,561
Other	(2,039)	13,774
Subtotal	2,140	80,318
Interest and dividends received	4,129	3,148
Interest paid	(8,899)	(8,557)
Income taxes (paid) refunded	(29,871)	6,934
Net cash provided by operating activities	(32,501)	81,844
Cash flows from investing activities:		
Purchases of noncurrent assets	(136,958)	(131,491)
Proceeds from sales of noncurrent assets	19,911	681
Purchases of investment securities	(14,137)	(5,142)
Proceeds from sales of investment securities	1,664	9,187
Receipt of contributions for construction	29,249	31,242
Other	(1,879)	(920)
Net cash used in investing activities	(102,151)	(96,442)
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	(17,446)	(14,797)
Net increase (decrease) in commercial paper	30,000	20,000
Proceeds from long-term debt	103,350	30,360
Repayment of long-term debt	(34,696)	(44,971)
Proceeds from new bonds issued	99,474	49,712
Redemption of bonds	(25,000)	(10,000)
Purchases of treasury stock	(4,660)	(47)
Dividends paid	(12,188)	(12,126)
Dividends paid to non-controlling shareholders of consolidated subsidiaries	(724)	(564)
Other	(3,476)	(2,424)
Net cash used in financing activities	134,631	15,141
Effect of exchange rate changes on cash and cash equivalents	(354)	1,441
Increase (decrease) in cash and cash equivalents	(375)	1,983
Cash and cash equivalents at beginning of year	23,526	25,222
Increase in cash and cash equivalents from newly consolidated subsidiary	2,072	2,215
Cash and cash equivalents at end of year (Note 11.1)	25,222	29,422

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, 2022 (April 1, 2021 to March 31, 2022) 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 organizations to establish a system for understanding the accounting standards in detail and responding suitably to changes made to them. The Company also compiles with and provides common manuals for preparing the consolidated financial information on a Groupwide basis and arranges training courses for accounting staff at affiliates.

2. Basis of Preparation of Consolidated Financial Statements

2.1 Scope of consolidation

2.1.1 Number and names of consolidated subsidiaries

The number of consolidated subsidiaries—98.

The names of primary consolidated subsidiaries are listed on page 137.

From the consolidated fiscal year ended March 31, 2022, BAN-BAN Networks and two other companies have been included in the scope of consolidation in view of their increased significance.

2.1.2 Names of major nonconsolidated subsidiaries

Hankyu Mediax Co., Ltd.

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

2.2 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.

The names of the primary companies are listed on page 137.

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

The nonconsolidated subsidiaries including Hankyu Mediax Co., Ltd., and affiliates including OS Co., Ltd., to which the equity method does not apply are accounted for using 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

Of the consolidated subsidiaries, the closing date of HANKYU HANSHIN EXPRESS (USA) INC., HANKYU HANSHIN EXPRESS (DEUTSCHLAND) GMBH and 22 other companies is December 31, and that of Nihon Protec Co., Ltd. is January 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 methods for major assets

I. Securities

Available-for-sale securities:

a. Available-for-sale securities other than equity securities without market prices:

The market value method is applied. (Related valuation differences are directly included under net assets and the cost of securities sold is determined by the moving average method.)

b. Equity securities without market prices:

The moving average cost method is applied.

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

II. Derivatives

The market value method is applied.

III. Inventories

a. Land and buildings for sale:

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

b. Other inventories:

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

Notes to the Consolidated Financial Statements

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 mainly by the declining balance method, some assets are depreciated by 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 amortized using the straight-line method.

Internal-use software is amortized 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 a residual value of zero (the amount of guaranteed residual value if there is an agreement for a residual value guarantee).

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 recognizes 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 attribute the estimated amount of retirement benefits to the period up to March 31, 2022.

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 Standards for recognition of significant revenues and expenses

Details of the main performance obligations in key businesses of the Company and its consolidated subsidiaries related to revenue from contracts with customers and as to when such performance obligations are usually satisfied (point of time revenue is usually recognized) are as follows:

I. Urban transportation

Railway operations

This business mainly provides railway transportation services and generates income from non-commuter passes and commuter passes. Income from non-commuter passes is transportation income generated by the use of tickets and IC cards. Performance obligation is deemed to have been fulfilled at the time each transportation service is provided to the customer, and at that point revenue is recognized. As for income from commuter

passes, performance obligation is deemed to have been fulfilled over the period of validity of the commuter pass, and revenue is recognized according to the validity period.

Automobile

This business primarily provides transportation services with fixed-route buses, airport limousine buses, and highway buses, and generates income from non-commuter passes and commuter passes. Income from non-commuter passes is transportation income generated by cash sales of tickets and use of IC cards. Performance obligation is deemed to have been fulfilled at the time each transportation service is provided to the customer, and at that point revenue is recognized. As for income from commuter passes, performance obligation is deemed to have been fulfilled over the period of validity of a commuter pass, and revenue is recognized according to the validity period.

Retailing

This business is mainly engaged in product sales at shops inside railway stations. Revenue is recognized at the point products are handed over to the customer. When the Group is deemed to be involved in product sales as an agent, revenue is recognized at the net amount after deducting the amount paid to the supplier from the amount received from the customer.

II. Real estate

Leasing

This business mainly owns and leases office buildings and commercial facilities in Kita-ku, Osaka and other areas. In accordance with the accounting standards for lease transactions, revenue from the lease of these properties is recognized as "Revenue from other sources" over the lease agreement period.

Real estate sales and other businesses

This business mainly markets condominium units and detached houses (buildings with land) for which it is involved from land acquisition through construction, as well as residential land lots to customers. Based on the purchase and sales agreement with the customer, it is obliged to deliver the property. Performance obligation is deemed to have been fulfilled at the time each property is delivered to the customer, and at that point revenue is recognized.

III. Entertainment

Sports

a. Professional baseball

This business sells tickets to customers for the Hanshin Tigers professional baseball team's home games mainly held at Hanshin Koshien Stadium. Performance obligation for this service is deemed to have been fulfilled at the time each home game is completed, and at that point revenue is recognized.

b. Advertising signboards

This business places advertisements on signboards, etc. at Hanshin Koshien Stadium upon request from advertisers or customers. Performance obligation for this service is deemed to have been fulfilled at the time an advertisement is displayed, and revenue is recognized over the period the advertisement is displayed.

c. Sales of food, drink, and goods

This business sells food, drinks, and Tigers-related products principally at Hanshin Koshien Stadium. Revenue from the sale of such products is recognized at the point products are handed over to the customer. When the Group is deemed to be acting as an agent in product sales, revenue is recognized at the net amount after deducting the amount paid to the supplier from the amount received from the customer.

Notes to the Consolidated Financial Statements

Stage

a. The Takarazuka Revue

This business sells tickets to customers and stages performances of the Takarazuka Revue held mainly at the Takarazuka Grand Theater and the Tokyo Takarazuka Theater. Performance obligation for this service is deemed to have been fulfilled at the time a performance is staged, and at that point revenue is recognized.

b. Sales of food, drink, and goods

This business sells food, drinks, and Takarazuka-related products principally at the Takarazuka Grand Theater. Revenue from the sale of such products is recognized at the point products are handed over to the customer.

IV. Information and communication technology

Information services

a. Entrusted software development

This business plans, designs, and develops software based on contracts with customers, and is obliged to deliver the software to customers. Such contracts entail obligation mainly over a certain period of time, and revenue is recognized according to the degree of progress made in fulfilling the performance obligation. Progress is measured based on the percentage of costs incurred by the end of each reporting period to the total expected costs.

b. System operation and maintenance services

This business mainly provides software operations and maintenance services for a certain period of time to customers to whom systems are delivered. Performance obligation for such services is deemed to have been fulfilled over a period of time, and revenue is recognized over the contract period with the customer.

Broadcasting and communications

This business mainly provides internet, cable television, and fixed-line telephone services. Performance obligation for such services is deemed to have been fulfilled over a period of time, and revenue is recognized over the contract period with the customer.

V. Travel

This business mainly offers agent-organized tour packages. Performance obligation for these services is deemed to have been fulfilled at the time a tour ends, and at that point revenue is recognized.

VI. International transportation

As a forwarder, this business mainly carries out transportation in international logistics. For exports, the performance obligation is deemed to have been satisfied at the time cargo is loaded onto an aircraft, etc., and for imports, at the time of delivery, and revenue is recognized at these points, respectively.

VII. Hotel

This business mainly provides customers with services related to accommodation, banquets, and restaurants, at directly managed hotels. Performance obligation for these services is deemed to have been fulfilled at the time a service is provided to the customer, and at that point revenue is recognized.

2.4.6 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.

2.4.7 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 treatment 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 and currency option contracts

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

b. Hedging instruments: Interest rate swap contracts and 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 to hedge risks.

IV. Method for evaluating hedge effectiveness

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.

2.4.8 Method and period of amortization of goodwill

Goodwill is amortized, in general, in equal amounts over 5 years. The goodwill resulting from the management integration with Hanshin Electric Railway Co., Ltd. in the fiscal year ended March 31, 2007 is being amortized in equal amounts over 20 years.

2.4.9 Scope of cash and cash equivalents 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 change in value and with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

2.4.10 Other significant matters for preparing consolidated financial statements

I. Accounting for contributions for construction in railway operations

The Company receives contributions for construction from local governments and other organizations 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 recognized at acquisition cost after deducting the amount of the contributions.

In the consolidated statements of income, gain on contributions for construction is recognized in extraordinary income, and the acquisition cost of noncurrent assets, after deducting the amounts equivalent to the contributions for construction, is recognized in extraordinary loss as loss on reduction of noncurrent assets.

Notes to the Consolidated Financial Statements

II. Adoption of consolidated tax payment system
A consolidated tax payment system has been adopted.

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

In the next consolidated fiscal year, the Company and some of its domestic consolidated subsidiaries will adopt a group tax sharing system to replace the ongoing consolidated taxation system. However, with regard to Paragraph 3 of the "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), we did not follow Paragraph 44 of the "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 related to transitioning to a group taxation system, established under the Act on the Partial Revision of the Income Tax Act, etc. (No. 8, 2020), and related amendments of tax laws for transitioning to a single tax payment system.

At the beginning of the next consolidated fiscal year, we plan to apply the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (PITF No. 42, August 12, 2021), which stipulates the accounting treatment and disclosure of corporate tax, local corporate tax and tax effect accounting when applying the group tax sharing system.

3. Significant Accounting Estimates

Fiscal year ended March 31, 2021

Accounting estimates are reasonably calculated based on the information available when preparing the consolidated financial statements. Among the amounts recorded in the consolidated financial statements for the fiscal year ended March 31, 2021 based on accounting estimates, the items that may have a significant impact on the consolidated financial statements for the next fiscal year are as follows.

3.1 Recoverability of deferred tax assets

3.1.1 Amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2021

Deferred tax assets of 63,542 million yen (amount before offsetting deferred tax liabilities)

3.1.2 Other information that assists users of financial statements in understanding the nature of the estimates

I. Method used to calculate the amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2021

Deferred tax assets were recorded based on future taxable income, etc., estimated in the medium-term management plan pursuant to the "Implementation Guidelines on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26).

II. Major assumptions used to calculate the amounts recorded in the consolidated financial statements for the fiscal year ended March 31, 2021

Estimates of future taxable income were based on the medium-term management plan. Additionally, the following assumptions were made to reflect the effects of COVID-19 on the accounting estimates.

Socioeconomic activities that affect the Group are expected to gradually recover through three roughly classified steps as below.

First step (until March 2022): The movement of people resumes in neighborhoods in Japan and gradually extends beyond. The effects of physical distancing are also gradually mitigated.

Second step (April 2022–March 2023): People come and go not only within Japan but throughout the world, recovering gradually.

Third step (April 2023 and beyond): The impact of COVID-19 diminishes and domestic and overseas economic activities recover to a considerable extent.

However, the Group considers that its business environment will not fully return to its pre-COVID-19 state even in the third step.

III. Impact on the consolidated financial statements for the next fiscal year
The timing and amount of taxable income may be affected by uncertain future economic conditions and COVID-19 infection status. If the actual timing and amount of taxable income differ from estimates, the amount of deferred tax

assets that are considered recoverable may fluctuate and have a significant impact on the consolidated financial statements for the next fiscal year.

3.2 Impairment of noncurrent assets

3.2.1 Amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2021

As stated in Note 8, "Consolidated Statements of Income" an impairment loss of 9,676 million yen for noncurrent assets held by Hankyu Hanshin Hotels Co., Ltd. was recorded. Property and equipment held by the company was 51,144 million yen.

3.2.2 Other information that assists users of financial statements in understanding the nature of the estimates

I. Method used to calculate the amounts recorded in the consolidated financial statements for the fiscal year ended March 31, 2021

In principle, the Group classifies its assets into groups by business segment as determined for management purposes or on an individual property basis.

If there are indications of impairment, book value is compared to the total amount of undiscounted future cash flows obtained from the asset group to determine whether it is necessary to recognize an impairment loss. Based on the result of the determination if recognizing an impairment loss is necessary because the total amount of undiscounted future cash flows falls below the book value, then the book value is reduced to the recoverable amount (net realizable value or value in use, whichever is higher), and the reduction in book value is recognized as an impairment loss.

In the Hotel Business, some hotels continued to have operating loss and others were considered to have indications of impairment due to the considerable deterioration in the business environment, amid the COVID-19 pandemic. As a result for hotels requiring recognition of an impairment loss, the book value of such hotels was reduced to the recoverable amount, and the reduction in the book value was recorded as an impairment loss.

II. Major assumptions used to calculate the amounts recorded in the consolidated financial statements for the fiscal year ended March 31, 2021

Estimates of future cash flows were based on the medium-term management plan, and the impact of COVID-19 was based on the same assumptions as in Section 3.1, "Recoverability of deferred tax assets" stated above.

III. Impact on consolidated financial statements for the next fiscal year

Future cash flows may be affected by uncertain future economic conditions and fluctuations in market prices in addition to the COVID-19 infection status. If actual results deviate from estimates, it may have a significant impact on the consolidated financial statements for the next fiscal year.

Notes to the Consolidated Financial Statements

Fiscal year ended March 31, 2022

Accounting estimates are reasonably calculated based on the information available when preparing the consolidated financial statements. Among the amounts recorded in the consolidated financial statements for the fiscal year ended March 31, 2022 based on accounting estimates, the items that may have a significant impact on the consolidated financial statements for the next fiscal year are as follows.

Recoverability of deferred tax assets

Amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2022
 Deferred tax assets of 59,531 million yen (amount before offsetting deferred tax liabilities)

- Other information that assists users of financial statements in understanding the nature of the estimates
- I. Method used to calculate the amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2022
 Deferred tax assets were recorded based on future taxable income, etc., estimated in the medium-term management plan pursuant to the "Implementation Guidelines on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26).
 - II. Major assumptions used to calculate the amounts recorded in the consolidated financial statements for the fiscal year ended March 31, 2022
 Estimates of future taxable income were based on the medium-term

management plan. Additionally, the following assumptions were made to reflect the effects of COVID-19 on the accounting estimates.

Socioeconomic activities that affect the Group are expected to gradually recover through three roughly classified steps as below.

First step (until September 2022): The movement of people resumes in neighborhoods in Japan and gradually extends beyond. The effects of physical distancing are also gradually mitigated.

Second step (October 2022–September 2023): People come and go not only within Japan but throughout the world, recovering gradually.

Third step (October 2023 and beyond): The impact of COVID-19 diminishes, and domestic and overseas economic activities recover to a considerable extent.

However, the Group considers that its business environment will not fully return to its pre-COVID-19 state even in the third step.

III. Impact on the consolidated financial statements for the next fiscal year
 The timing and amount of taxable income may be affected by uncertain future economic conditions and COVID-19 infection status. If the actual timing and amount of taxable income differ from estimates, the amount of deferred tax assets that are considered recoverable may fluctuate and have a significant impact on the consolidated financial statements for the next fiscal year.

4. Changes in Accounting Policies

4.1 Application of Accounting Standard for Revenue Recognition and other standards

The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter "Revenue Recognition Accounting Standard") and other standards are being applied from the beginning of the current consolidated fiscal year. Accordingly, revenue is now recognized at the time control of the promised goods or services is transferred to the customer at the amount of money expected to be received from the customer in exchange for the promised goods or services.

Major changes resulting from the application of the Revenue Recognition Accounting Standard and other standards are as follows:

- Railway operations: Commuter passes
 Previously, a monthly prorated amount was recognized as revenue based on the date of issue. Now, a monthly prorated amount is recognized as revenue based on the effective start date.
- Travel: Tour packages
 Previously, revenue was recognized at the net amount after deducting purchasing and other costs from the amount received from the customer. Considering it is obliged to provide customers with transportation, accommodation, and other travel-related services, the Group is deemed to be acting as a principal, and now revenue is recognized at the gross amount received from the customer for these services.
- Retailing: Consignment buying
 Previously, revenue was recognized at the gross amount received from the customer. However, the Group is deemed to be acting as an agent in providing customers with goods or services, and now revenue is recognized at the net amount after deducting the amount paid to the supplier from the amount received from the customer.

The application of the Revenue Recognition Accounting Standard and other standards is in accordance with the transitional treatment stipulated in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the current consolidated fiscal year, was added to or subtracted from the beginning balance of retained earnings of the current consolidated fiscal year, and thus the new accounting policy was applied, having started from the said beginning balance.

As a result, revenue from operations increased by 35,364 million yen, operating expenses increased by 35,320 million yen, and operating income, ordinary income, and income before income taxes increased by 44 million yen each. In addition, the beginning balance of retained earnings decreased by 277 million yen.

The impact on per share information is immaterial.

In line with the transitional treatment stipulated in Paragraph 89-3 of the Accounting Standard for Revenue Recognition, notes to "Revenue Recognition" concerning the previous consolidated fiscal year are not stated.

4.2 Application of the Accounting Standard for Fair Value Measurement and other standards

The Group began applying the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereinafter "Fair Value Measurement Accounting Standard") and other standards at the beginning of the current consolidated fiscal year. The Group has decided to apply the new accounting policies outlined in the Fair Value Measurement Accounting Standard and other standards for the foreseeable future pursuant to the transitional treatments stipulated in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). This change in accounting policies has no impact on the consolidated financial statements.

Notes to the Consolidated Financial Statements

Furthermore, matters regarding the breakdown of financial instruments by each fair value level are included in the Note 13, "Financial Instruments." However, pursuant to the transitional treatments stipulated in Paragraph 7-4

of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, July 4, 2019), the notes concerning the previous consolidated fiscal year are not stated.

5. Standards and Guidance Not Yet Adopted

5.1 Accounting Standard for Fair Value Measurement

The following guidance was issued but not yet adopted.

- "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021)

5.1.1 Outline

The "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31) was revised on June 17, 2021. When the Guidance was first announced on July 4, 2019, as the review of "fair value measurement of investment trusts" was considered to take a certain period of time for deliberation with related parties and as the notes on fair values of "investments in partnerships for which an amount equivalent to the interest is carried on the balance sheet at net amount" required

a certain review, the Guidance mentioned that those reviews would be implemented for approximately one year after the announcement of the "Accounting Standard for Fair Value Measurement." Now those points for review were amended and the revised Guidance was announced.

5.1.2 Effective date

The guidance is to be effective from the beginning of the fiscal year ended March 31, 2023.

5.1.3 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.

6. Additional Information

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

6.1.1 Outline of transaction

To further enhance motivation to improve corporate value and business performance, and to provide an incentive to improve shareholder value, the Company has introduced a stock compensation system (hereinafter referred to as the "System") for directors of the Company (excluding those who are also members of the audit and other committees) in a position of chairman or president.

Moreover, Hankyu Corporation, Hanshin Electric Railway Co., Ltd., and Hankyu Hanshin Properties Corp. 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

Properties Corp.

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 the exchange value of shares in the Company will be paid to directors and others based on performance and position.

6.1.2 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 treasury stock at the end of the fiscal year ended March 31, 2021 were 1,610 million yen and 408,268 shares, and at the year ended March 31, 2022, the amounts were 1,575 million yen and 399,468 shares, respectively.

7. Consolidated Balance Sheets

7.1 Balances of receivables, contract assets and contract liabilities originating from contracts with customers are as follows:

	Millions of yen
Receivables from contracts with customers	¥ 104,967
Contract assets	6,586
Contract liabilities	41,573

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

Millions of yen	
2021	2022
¥ 447,657	¥ 474,732

7.2 Accumulated depreciation of property and equipment

Millions of yen	
2021	2022
¥ 1,180,943	¥ 1,217,145

Notes to the Consolidated Financial Statements

7.4 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			
	2021		2022	
Property and equipment:				
Buildings and structures	¥ 198,766	¥ (198,766)	¥ 206,416	¥ (206,416)
Machinery, equipment and vehicles	51,725	(51,725)	49,797	(49,797)
Land	241,048	(241,048)	240,971	(240,971)
Other	2,387	(2,387)	2,014	(2,014)
Intangible assets:				
Other	118	(118)	109	(109)
Investments and other assets:				
Investment securities	231	(—)	159	(—)
Other	441	(—)	524	(—)
Total	494,720	(494,047)	499,994	(499,310)

In addition to the above, the Company pledged investment securities (fiscal year ended March 31, 2021: 800 million yen, fiscal year ended March 31, 2022: 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			
	2021		2022	
Current liabilities:				
Short-term borrowings	¥ 10,050	¥ (10,050)	¥ 18,531	¥ (18,531)
Other	135	(—)	123	(—)
Long-term liabilities:				
Long-term debt	120,322	(120,322)	117,050	(117,050)
Total	130,507	(130,372)	135,705	(135,582)

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

	Millions of yen	
	2021	2022
Investment securities	¥ 257,867	¥ 258,898

7.6

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	
	2021	2022
Difference between the market value as of March 31 of the lands for which reevaluation was made and the book value of after reevaluation	¥ (6,274)	¥ (6,040)

7.7 Contingent liabilities

The Company and its subsidiaries have provided a liability guarantees for loans of the companies, etc., listed below.

Fiscal year ended March 31, 2021

	Millions of yen
Nishi-Osaka Railway Co., Ltd.	¥ 16,389
Borrowers on loans for purchases of land and buildings	13,953
Overseas affiliates	6,728
Other (five companies)	285
Total	37,356

Fiscal year ended March 31, 2022

	Millions of yen
Nishi-Osaka Railway Co., Ltd.	¥ 15,525
Overseas affiliates	8,992
Borrowers on loans for purchases of land and buildings	8,089
Other (three companies)	512
Total	33,120

In addition to the above, a subsidiary of the Company submitted letters of awareness for management guidance (fiscal year ended March 31, 2021: 1,196 million yen, fiscal year ended March 31, 2022: 1,459 million yen) in connection with the fund procurement of overseas affiliates.

8. Consolidated Statements of Income

8.1 The breakdown of revenue from operations is as follows:

	Millions of yen
Revenue from contracts with customers	¥ 668,522
Revenue from other sources	77,694
Total	746,217

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

	Millions of yen	
	2021	2022
Personnel expenses	¥ 12,392	¥ 13,381
Expenses	8,002	9,205
Taxes	904	1,075
Depreciation and amortization	865	1,110
Amortization of goodwill	2,508	2,366
Total	24,674	27,139

8.4

COVID-19-related losses include fixed costs incurred during the period of business suspension and costs directly required for preparation and cancellation of events under the state of emergency, etc., issued by the government. Such costs were recorded under extraordinary loss.

8.5 Structural reform-related loss

Fiscal year ended March 31, 2021

In recent years, Hankyu Hanshin Hotels Co., Ltd., a consolidated subsidiary of the Company, has been in a severe business environment, especially in the Kinki region, where competition between hotels has intensified. Under such circumstances, greatly affected by the COVID-19 pandemic, some of its hotels were closed during the state of emergency that was issued twice. The occupancy rate of the guest rooms and the use of the general banquet facilities plummeted throughout the period. The use of restaurants, etc., was also sluggish. Furthermore, going forward, it seems that it will take a considerable amount of time for profits to recover.

For these reasons, the Group has decided to move ahead with drastic structural reforms, including reforms for all aspects of "business," "personnel" and "finance," to establish a firmer business structure. Consequently, impairment loss (9,676 million yen) and a provision of allowance for loss on withdrawal of property and equipment (6,786 million yen) were recorded under structural reform-related loss of extraordinary loss.

	Millions of yen		
Use	Type	Region	Amount
Hotel business assets (14)	Buildings and structures, etc.	Osaka, Hyogo, Tokyo, etc.	¥ 9,676

8.5.1 Method of asset grouping

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

8.5.2 Background to recognizing impairment loss

Amid the COVID-19 pandemic and due to other factors, some hotels continued to have operating loss. It was determined that other hotels had indications of impairment due to a significant deterioration in the business environment, and decisions were made as to whether it was necessary to recognize impairment losses. As a result, the book value of hotels for which an impairment loss needs to be recognized was reduced to the recoverable amount (9,676 million yen).

8.5.3 Breakdown of loss on impairment

	Millions of yen
Buildings and structures	¥ 4,614
Land, etc.	1,700
Other	3,361
Total	9,676

8.5.4 Method used to calculate recoverable value

The recoverable value is based on value in use or net realizable value.

Value in use was calculated by discounting future cash flows by 4.0%. For net realizable value, the memorandum value, etc., is used.

8.3 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	
	2021	2022
Retirement benefit expenses	¥ 7,220	¥ 6,285
Provision for bonuses	4,229	3,854

9. Consolidated Statements of Comprehensive Income

Reclassification adjustments and tax effects related to other comprehensive income

	Millions of yen	
	2021	2022
Valuation difference on available-for-sale securities:		
Increase (decrease) during the year	¥ 5,881	¥ (7,834)
Reclassification adjustments	(34)	(3,680)
Subtotal, before tax	5,846	(11,515)
Tax (expense) or benefit	(1,695)	2,881
Valuation difference on available-for-sale securities	4,150	(8,633)
Deferred gains or losses on hedges:		
Increase (decrease) during the year	49	5
Reclassification adjustments	—	—
Subtotal, before tax	49	5
Tax (expense) or benefit	(17)	(1)
Deferred gains or losses on hedges	32	4
Revaluation reserve for land:		
Increase (decrease) during the year	—	—
Reclassification adjustments	—	—
Subtotal, before tax	—	—
Tax (expense) or benefit	(41)	—
Revaluation reserve for land	(41)	—
Foreign currency translation adjustments:		
Increase (decrease) during the year	(386)	2,191
Reclassification adjustments	—	—
Subtotal, before tax	(386)	2,191
Tax (expense) or benefit	—	—
Foreign currency translation adjustments	(386)	2,191
Remeasurements of defined benefit plans:		
Increase (decrease) during the year	5,591	(1,764)
Reclassification adjustments	123	(918)
Subtotal, before tax	5,714	(2,682)
Tax (expense) or benefit	(1,809)	928
Remeasurements of defined benefit plans	3,904	(1,754)
Share of other comprehensive income of associates accounted for using equity method:		
Increase (decrease) during the year	4,009	310
Reclassification adjustments	62	(202)
Share of other comprehensive income of associates accounted for using equity method	4,071	108
Total other comprehensive income	11,732	(8,084)

10. Consolidated Statements of Changes in Net Assets

Fiscal year ended March 31, 2021

10.1 Types and total number of outstanding shares, and types and number of outstanding shares of treasury stock

(Thousands of shares)

	Number of shares as of April 1, 2020	Increase in number of shares	Decrease in number of shares	Number of shares as of March 31, 2021
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)	12,036	1,337	45	13,327
Total	12,036	1,337	45	13,327

Notes:

- The number of shares of treasury stock at the end of the fiscal year ended March 31, 2021 included 408,268 shares in the Company owned by the officer's compensation BIP trust.

(Overview of reasons for fluctuations)

- The increase of 1,337 thousand shares of treasury stock of common stock consisted of 1,235 thousand shares acquired upon the resolution of the Board of Directors' meeting, 86 thousand shares acquired by the officer's compensation BIP trust, 12 thousand shares created by the purchase of odd-lot shares and 2 thousand shares due to a change in the equity ratio against affiliates to which the equity method is applicable.
- The decrease of 45 thousand shares of treasury stock of common stock consisted of 45 thousand shares delivered by the officer's compensation BIP trust (the Company's shares) and 0 thousand shares due to the sale of odd-lot shares.

Notes to the Consolidated Financial Statements

10.2 Items concerning stock acquisition rights

There is no relevant item.

10.3 Items related to dividends

10.3.1 Dividends paid

(Resolution)	Type of shares	Dividends paid	Dividend per share	Record date	Effective date
		(Millions of yen)	(Yen)		
June 17, 2020 Annual General Meeting of Shareholders	Common stock	¥ 6,094	¥ 25	March 31, 2020	June 18, 2020
November 6, 2020 Board of Directors	Common stock	6,094	25	September 30, 2020	December 1, 2020

Notes:

- The dividends by a resolution at the Annual General Meeting of Shareholders on June 17, 2020 included 9 million yen of dividends for the shares in the Company owned by the officer's compensation BIP trust.
- The dividends by a resolution of the Board of Directors on November 6, 2020 included 8 million yen of dividends for the shares in the Company owned by the officer's compensation BIP trust.

10.3.2 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 16, 2021 Annual General Meeting of Shareholders	Common stock	¥ 6,063	Retained earnings	¥ 25	March 31, 2021	June 17, 2021

Note: The total amount of dividends includes 10 million yen of dividends for the shares in the Company owned by the officer's compensation BIP trust.

Fiscal year ended March 31, 2022**10.4 Types and total number of outstanding shares, and types and number of outstanding shares of treasury stock**

(Thousands of shares)

	Number of shares as of April 1, 2021	Increase in number of shares	Decrease in number of shares	Number of shares as of March 31, 2022
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)	13,327	13	9	13,332
Total	13,327	13	9	13,332

Notes:

- The number of shares of treasury stock at the end of the fiscal year ended March 31, 2022 included 399,468 shares in the Company owned by the officer's compensation BIP trust.

(Overview of reasons for fluctuations)

- The increase of 13 thousand shares of treasury stock of common stock consisted of 13 thousand shares created by the purchase of odd-lot shares.
- The decrease of 9 thousand shares of treasury stock of common stock consisted of 8 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 a change in the equity ratio against affiliates to which the equity method is applicable.

10.5 Items concerning stock acquisition rights

There is no relevant item.

Notes to the Consolidated Financial Statements

10.6 Items related to dividends

10.6.1 Dividends paid

(Resolution)	Type of shares	Dividends paid	Dividend per share	Record date	Effective date
		(Millions of yen)	(Yen)		
June 16, 2021 Annual General Meeting of Shareholders	Common stock	¥ 6,063	¥ 25	March 31, 2021	June 17, 2021
October 29, 2021 Board of Directors	Common stock	6,062	25	September 30, 2021	December 1, 2021

Notes:

- The dividends by a resolution at the Annual General Meeting of Shareholders on June 16, 2021 included 10 million yen of dividends for the shares in the Company owned by the officer's compensation BIP trust.
- The dividends by a resolution of the Board of Directors on October 29, 2021 included 9 million yen of dividends for the shares in the Company owned by the officer's compensation BIP trust.

10.6.2 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)		(Yen)		
June 15, 2022 Annual General Meeting of Shareholders	Common stock	¥ 6,062	Retained earnings	¥ 25	March 31, 2022	June 16, 2022

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

11. Consolidated Statements of Cash Flows

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

	Millions of yen	
	2021	2022
Cash and deposits in the consolidated balance sheets	¥ 27,546	¥ 31,331
Deposits with maturities over 3 months	(2,323)	(1,909)
Cash and cash equivalents in the cash flow statements	25,222	29,422

11.2

Depreciation and amortization for the fiscal year under review include depreciation costs recorded as COVID-19-related losses under extraordinary loss.

12. Lease Transactions

<As lessee>

Future lease payments for noncancelable leases in connection with operating lease transactions

	Millions of yen	
	2021	2022
Due within one year	¥ 7,027	¥ 7,008
Due after one year	58,155	59,896
Total	65,183	66,905

<As lessor>

Future lease receivables for noncancelable leases in connection with operating lease transactions

	Millions of yen	
	2021	2022
Due within one year	¥ 2,818	¥ 3,939
Due after one year	20,159	27,173
Total	22,978	31,113

13. Financial Instruments

13.1 Matters regarding financial instruments

13.1.1 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.

13.1.2 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 the centralization 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 maintains 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 the 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 would not be obtained. 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 used to evaluate the effectiveness of hedges related to hedge accounting for derivative transactions is described in Note 2.4.7, "Significant hedge accounting methods" under Note 2.4, "Accounting policies," outlined in Note 2, "Basis of Preparation of Consolidated Financial Statements."

13.2 Matters regarding fair values of financial instruments

Book values recorded in the consolidated balance sheets, fair values and differences between them are as shown below.

	Millions of yen					
	2021			2022		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Assets						
(1) Investment securities* ¹	¥ 63,954	¥ 63,954	¥ (0)	¥ 46,857	¥ 46,856	¥ (0)
Liabilities						
(2) Short-term borrowings* ²	106,263	106,263	—	91,466	91,466	—
(3) Bonds* ³	197,000	197,414	414	237,000	232,907	(4,093)
(4) Long-term debt* ²	718,358	735,100	16,741	703,747	725,827	22,080
(5) Derivative transactions* ⁴	58	58	—	38	38	—

Notes:

- "Cash and deposits," "Trade receivables," "Trade payables," and "Commercial paper" are omitted mainly because they are settled in a short period of time and their fair value approximates their book value.
- (*1) Equity securities of non-consolidated subsidiaries and affiliated companies are not included in "(1) Investment securities," nor are equity securities without market prices, etc., included in "(1) Investment securities." The amounts recorded in the consolidated balance sheets for these financial instruments are as follows:

Classification	Millions of yen	
	2021	2022
Non-listed equity securities, etc.	¥ 6,520	¥ 6,109
Investments in limited liability investment partnerships and similar investments	5,399	4,366

- (*2) Current portion of long-term debt is included in (4) Long-term debt.
- (*3) Current portion of bonds is included.
- (*4) The net receivables/liabilities incurred as a result of derivative transactions are shown in net figures, net liabilities are shown in parenthesis.
- Supplementary explanation regarding fair value of financial instruments

Since fluctuation factors are incorporated in the calculation of the fair values of financial instruments, the values may fluctuate if different assumptions are used. As for the contract amounts, etc., of derivative transactions stated in "Derivatives," the amount itself does not indicate the market risk involved in derivative transactions.

Notes to the Consolidated Financial Statements

7. Redemption and repayment schedule of monetary claims and investment securities with maturities after the consolidated closing date

Fiscal year ended March 31, 2021

	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	¥ 27,546	¥ —	¥ —	¥ —
Trade receivables	72,991	—	—	—
Investment securities:				
Available-for-sale securities with maturities (government bonds, etc.)	70	160	—	300
Total	100,608	160	—	300

Fiscal year ended March 31, 2022

	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	¥ 31,331	¥ —	¥ —	¥ —
Trade receivables	112,568	—	—	—
Investment securities:				
Available-for-sale securities with maturities (government bonds, etc.)	65	94	—	300
Total	143,965	94	—	300

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

Fiscal year ended March 31, 2021

	Millions of yen			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Bonds	¥ 10,000	¥ 67,000	¥ 60,000	¥ 60,000
Long-term debt	44,971	297,864	278,625	96,898
Total	54,971	364,864	338,625	156,898

Fiscal year ended March 31, 2022

	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	¥ 7,000	¥ 85,000	¥ 70,000	¥ 75,000
Long-term debt	54,271	311,710	248,879	88,886
Total	61,271	396,711	318,879	163,886

13.3 Matters regarding breakdown by level of fair values of financial instruments

The fair values of financial instruments are classified into the following three levels depending on the observability and significance of input used in the fair value measurement:

Level 1 fair value: Of the observable input in the fair value measurement, fair value is measured based on the quoted price in an active market for the subject asset or liability.

Level 2 fair value: Of the observable input in the fair value measurement, fair value is measured using input other than that used for Level 1.

Level 3 fair value: The fair value is measured using input that cannot be observed.

When multiple forms of input that have a significant effect on the fair value measurement are used and the input is within different levels of the fair value hierarchy, the fair value is classified as the lowest level in the fair value measurement.

Notes to the Consolidated Financial Statements

13.3.1 Financial instruments reported on the consolidated balance sheets at fair value

Fiscal year ended March 31, 2022

Classification	Millions of yen			
	Fair value			Total
	Level 1	Level 2	Level 3	
Assets				
Investment securities				
Other securities				
Equity securities, other	¥ 31,902	¥ —	¥ —	¥ 31,902
Government bonds	159	—	—	159
Derivative transactions				
Currency	—	38	—	38

Note: The fair values of investment trusts are not included in the above table. The amount of investment trusts reported on the consolidated balance sheets is 14,784 million yen.

13.3.2 Financial instruments other than those reported on the consolidated balance sheets at fair value

Fiscal year ended March 31, 2022

Classification	Millions of yen			
	Fair value			Total
	Level 1	Level 2	Level 3	
Assets				
Investment securities				
Held-to-maturity bonds				
Government bonds	¥ 9	¥ —	¥ —	¥ 9
Liabilities				
Short-term borrowings	—	91,466	—	91,466
Corporate bonds	—	232,907	—	232,907
Long-term debt	—	725,827	—	725,827

Note: Explanation of the valuation techniques and input used in the fair value measurement

Investment securities

Listed equity securities, bonds, etc., are valued using the quoted price. Because they are traded in active markets, their fair value is classified as Level 1 fair value.

Derivative transactions

Because the fair value of derivatives is determined based on the prices obtained from counterparty financial institutions, etc., their fair value is classified as Level 2 fair value. Derivatives via interest-rate swaps special provisions are treated together with the long-term debt that is the subject of the hedge, their fair value is included in the fair value of the relevant long-term debt.

Short-term borrowings

The fair value of short-term borrowings is determined based on the book value because they are settled in a short period of time and their fair value approximates their book value, thereby being classified as Level 2 fair value.

Corporate bonds

The fair value of the bonds issued by the Company is measured based on the quoted price and classified as Level 2 fair value.

Long-term debt

For long-term debt, the fair value of debts with fixed interest rates is calculated by discounting the total amount of principal and interest at an interest rate that would be charged for similar new loans, and the fair value is classified as Level 2 fair value. Debts with floating rates reflect market interest rates in a short period of time, and their fair value approximates their book value. Therefore, the fair value is determined based on the relevant book value and classified as Level 2 fair value. The fair value of debt subject to exceptional treatment of interest rate swaps reflects the fair value of the relevant interest rate swaps.

14. Securities

14.1 Available-for-sale securities

		Millions of yen					
		2021			2022		
	Classification	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference
Securities with book value exceeding acquisition cost	(1) Equity securities, etc.	¥ 61,918	¥ 41,268	¥ 20,649	¥ 30,611	¥ 19,375	¥ 11,235
	(2) Bonds	231	228	2	159	158	1
	Subtotal	62,149	41,497	20,652	30,770	19,533	11,236
Securities with book value not exceeding acquisition cost	Equity securities, etc.	1,795	1,886	(91)	16,076	18,293	(2,217)
	Subtotal	1,795	1,886	(91)	16,076	18,293	(2,217)
Total		63,944	43,383	20,561	46,847	37,827	9,019

Note: Equity securities, etc., without market prices (11,920 million yen for the previous consolidated fiscal year, 10,476 million yen for the current consolidated fiscal year) are not included in the above table.

14.2 Available-for-sale securities sold

Fiscal year ended March 31, 2021

Information is omitted as the significance was negligible.

Fiscal year ended March 31, 2022

Millions of yen			
Classification	Amount sold	Total amount of gain on sales	Total amount of loss on sales
Equity securities	¥ 9,187	¥ 3,702	¥ 21

15. Derivatives

15.1 Derivative transactions for which hedge accounting has not been applied

Currency

Fiscal year ended March 31, 2021

		Millions of yen			
Classification	Type	Contract amount	Portion of contract amount exceeding one year	Fair value	Valuation gain/loss
Transactions other than market transactions	Forward exchange contracts:				
	Buy contract				
	US dollar	¥ 169	¥ —	¥ 7	¥ 7
Total		169	—	7	7

Fiscal year ended March 31, 2022

There is no relevant item.

Notes to the Consolidated Financial Statements

15.2 Derivative transactions for which hedge accounting has been applied

15.2.1 Currency

Fiscal year ended March 31, 2021

Classification	Type	Main hedged items	Millions of yen		
			Contract amount	Portion of contract amount exceeding one year	Fair value
Primary method	Forward exchange contracts				
	Sell contract	Trade receivables			
	US dollar		¥ 5	¥ —	¥ 0
	Buy contract	Trade payables			
	Japanese yen		1,129	—	(0)
	Forward exchange contracts				
Designation of forward exchange contracts, etc.	Buy contract	Trade payables (forecast transactions)			
	US dollar		745	—	52
	Indian rupee		22	—	(0)
	Forward exchange contracts				
	Sell contract	Trade receivables			
	US dollar		178	—	
	Buy contract	Trade payables			
	US dollar		733	—	
	Thai baht		192	—	(Note)
	Hong Kong dollar		134	—	
	Euro		105	—	
	Pound sterling		35	—	
	Singapore dollar		14	—	
Swiss franc		1	—		
Total			3,298	—	51

Fiscal year ended March 31, 2022

Classification	Type	Main hedged items	Millions of yen		
			Contract amount	Portion of contract amount exceeding one year	Fair value
Primary method	Forward exchange contracts				
	Sell contract	Trade receivables			
	US dollar		¥ 168	¥ —	¥ 1
	Buy contract	Trade payables			
	Japanese yen		1,289	—	(18)
Designation of forward exchange contracts, etc.	US dollar		46	—	(1)
	Singapore dollar		1	—	(0)
	Forward exchange contracts				
	Buy contract	Trade payables (forecast transactions)			
	US dollar		905	—	58
	Forward exchange contracts				
	Sell contract	Trade receivables			
	US dollar		147	—	
	Buy contract	Trade payables			
	US dollar		1,172	—	
	Thai baht		244	—	(Note)
	Euro		213	—	
	Hong Kong dollar		109	—	
Pound sterling		36	—		
Singapore dollar		10	—		
Swiss franc		7	—		
Total			4,352	—	38

Note: Items subject to the allocation method for forward exchange contracts (listed as "Designation of forward exchange contracts, etc.") are accounted for synthetically with trade receivables and trade payables that are subject to hedging. The fair value of the relevant trade receivables and trade payables, including those of the above items, approximates their book value because the trade receivables and trade payables are settled in a short period of time. For this reason, the fair value of the above items is omitted.

Notes to the Consolidated Financial Statements

15.2.2 Interest rates

Fiscal year ended March 31, 2021

Classification	Type	Main hedged items	Millions of yen		
			Contract amount	Portion of contract amount exceeding one year	Fair value
Exceptional accounting of interest rate swaps	Interest rate swap contracts: Pay fixed rate/ Receive floating rate	Long-term debt	¥ 144,000	¥ 124,700	¥ (7,116)
Total			144,000	124,700	(7,116)

Fiscal year ended March 31, 2022

Classification	Type	Main hedged items	Millions of yen		
			Contract amount	Portion of contract amount exceeding one year	Fair value
Exceptional accounting of interest rate swaps	Interest rate swap contracts: Pay fixed rate/ Receive floating rate	Long-term debt	¥ 124,700	¥ 108,200	¥ (4,932)
Total			124,700	108,200	(4,932)

16. Retirement Benefits

16.1 Overview of retirement benefit plans

The Company and some consolidated subsidiaries provide defined benefit plans (defined benefit pension plans and lump-sum payment plans) or defined contribution plans. Hankyu Corporation has set up a retirement benefit trust.

In addition, some consolidated subsidiaries subscribe to employee pension fund plans in multi-employer plans. For them, the Company has used the same accounting treatment as it used for defined contribution plans when the amount of plan assets corresponding to the contributions by the Company cannot be rationally calculated.

16.2 Defined benefit plan

16.2.1 Table of movement in retirement benefit obligations

	Millions of yen	
	2021	2022
Balance at beginning of the year	¥ 132,022	¥ 132,057
Service cost	8,061	8,109
Interest cost	254	261
Actuarial loss (gain)	679	(412)
Retirement benefits paid	(9,134)	(9,625)
Other	173	232
Balance at end of the year	132,057	130,623

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

16.2.2 Table of movement in plan assets

	Millions of yen	
	2021	2022
Balance at beginning of the year	¥ 82,638	¥ 89,352
Expected return on plan assets	1,332	1,294
Actuarial loss (gain)	6,270	(2,176)
Contribution paid by the employer	4,080	3,005
Retirement benefits paid	(4,968)	(5,211)
Other	—	69
Balance at end of the year	89,352	86,334

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

Notes to the Consolidated Financial Statements

16.2.3 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 sheets, as of the end of fiscal year

	Millions of yen	
	2021	2022
Funded retirement benefit obligations	¥ 69,796	¥ 68,282
Plan assets	(89,352)	(86,334)
	(19,556)	(18,051)
Unfunded retirement benefit obligations	62,260	62,341
Total net defined benefit liability and asset	42,704	44,289
Net defined benefit liability	62,890	62,795
Net defined benefit asset	(20,186)	(18,505)
Total net defined benefit liability and asset	42,704	44,289

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

16.2.4 Breakdown of retirement benefit expenses

	Millions of yen	
	2021	2022
Service cost	¥ 8,061	¥ 8,109
Interest cost	254	261
Expected return on plan assets	(1,332)	(1,294)
Amortization of actuarial differences	263	(778)
Amortization of past service cost	(139)	(139)
Other	72	86
Retirement benefit expenses	7,179	6,245

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, extra retirement payments have been paid: 161 million yen in the fiscal year ended March 31, 2021, and 51 million yen in the fiscal year ended March 31, 2022, were recorded as extraordinary loss.

16.2.5 Remeasurements of defined benefit plans

Breakdown of items related to remeasurements of defined benefit plans (prior to the deduction of the tax effect) is as follows:

	Millions of yen	
	2021	2022
Past service cost	¥ (139)	¥ (139)
Actuarial differences	5,854	(2,542)
Total	5,714	(2,682)

16.2.6 Cumulative adjustments for retirement benefit plans

A breakdown of items related to the cumulative adjustments for retirement benefit plans (prior to the deduction of the tax effect) is as follows:

	Millions of yen	
	2021	2022
Unrecognized past service cost	¥ (763)	¥ (623)
Unrecognized actuarial differences	(5,938)	(3,395)
Total	(6,702)	(4,019)

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.

16.2.7 Items relating to plan assets

I. Breakdown of major plan assets

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

	2021	2022
Bonds	35%	36%
Equity securities	36	34
Cash and deposits	2	2
General accounts of life insurance	25	26
Other	2	2
Total	100	100

Note: The retirement benefits trust established for the Company's pension plan constituted 11% of total plan assets in the previous fiscal year and 8% 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.

16.2.8 Items relating to actuarial assumptions

Major actuarial assumptions

	2021	2022
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 2.1%	Mainly 2.1%

16.3 Defined contribution plan

The amount of the required contribution for the consolidated subsidiaries' defined contribution plans (including employee pension fund plans in multiemployer plans to which the same accounting methods are applied as those for defined contribution plans) was 41 million yen in the fiscal year ended March 31, 2021 and 39 million yen in the fiscal year ended March 31, 2022.

17. Deferred Tax

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

	Millions of yen	
	2021	2022
Deferred tax assets:		
Gain on donations by related companies for tax purposes	¥ 55,122	¥ 55,122
Tax loss carryforwards (Note 1)	33,084	32,468
Net defined benefit liability	13,952	14,493
Loss on revaluation of real estate for sale	9,257	8,823
Loss on impairment of fixed assets	9,999	7,643
Loss on adjustment of transferred profit and loss	5,503	6,589
Unrealized profit from assets	5,106	5,568
Allowance for loss on withdrawal of property and equipment	2,471	2,345
Provision for bonuses	1,580	1,635
Enterprise taxes and business office taxes	416	1,074
Other	11,275	10,495
Subtotal of deferred tax assets	147,769	146,259
Valuation allowance from tax loss carryforwards (Note 1)	(6,214)	(8,901)
Valuation allowance from the total of future deductible temporary differences	(78,012)	(77,826)
Subtotal of valuation allowance	(84,227)	(86,727)
Less amounts offset against deferred tax liabilities	(56,749)	(52,312)
Total deferred tax assets	6,792	7,218
Deferred tax liabilities:		
Gain on reversal of difference from land revaluation (Note 2)	(131,392)	(131,388)
Revaluation of assets on consolidation	(77,963)	(77,630)
Net unrealized holding gains on securities	(16,537)	(12,520)
Reserve for reduction of noncurrent assets	(3,398)	(3,339)
Gain on valuation of properties of business reorganization	(1,722)	(1,702)
Other	(2,575)	(2,248)
Subtotal of deferred tax liabilities	(233,589)	(228,829)
Less amounts offset against deferred tax assets	56,749	52,312
Total deferred tax liabilities	(176,839)	(176,516)
Net deferred tax liabilities	(170,046)	(169,297)

Notes:

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

Fiscal year ended March 31, 2021

	Millions of yen						
	Within one year	Over one year to two years	Over two years to three years	Over three years to four years	Over four years to five years	Over five years	Total
Tax loss carryforwards*1	¥ 691	¥ 2,954	¥ 123	¥ 63	¥ 332	¥ 28,918	¥ 33,084
Valuation allowance	(686)	(582)	(114)	(10)	(189)	(4,632)	(6,214)
Deferred tax assets	5	2,372	9	52	143	24,285	26,869*2

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

*2 Of the total tax loss carryforwards of 33,084 million yen (multiplied by the statutory effective tax rate), 26,869 million yen were deferred tax assets. The deferred tax assets were determined to be recoverable from the taxable income expected in the future as set forth in Note 3, "Significant Accounting Estimates."

Fiscal year ended March 31, 2022

	Millions of yen						
	Within one year	Over one year to two years	Over two years to three years	Over three years to four years	Over four years to five years	Over five years	Total
Tax loss carryforwards*1	¥ 2,201	¥ 123	¥ 41	¥ 190	¥ 23	¥ 29,888	¥ 32,468
Valuation allowance	(991)	(115)	(7)	(189)	(15)	(7,583)	(8,901)
Deferred tax assets	1,210	8	34	0	8	22,304	23,566*2

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

*2 Of the total tax loss carryforwards of 32,468 million yen (multiplied by the statutory effective tax rate), 23,566 million yen were deferred tax assets. The deferred tax assets were determined to be recoverable from the taxable income expected in the future as set forth in Note 3, "Significant Accounting Estimates."

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.

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

	2021	2022
Statutory tax rate	—%	30.6%
(Adjustment)		
Elimination of dividends received from consolidated subsidiary companies, etc.	—	12.8
Valuation allowance	—	8.1
Amortization of goodwill	—	1.9
Per capita portion of inhabitants tax	—	1.0
Nondeductible expenses	—	0.7
Nontaxable income	—	(13.0)
Profit or loss from investments with equity method affiliates	—	(5.7)
Difference in tax rates from those of Parent Company	—	(0.1)
Other	—	(1.9)
Effective tax rate	—	34.4

Note: The reconciliation for the consolidated fiscal year ended March 31, 2021 is omitted as a loss before income taxes was recorded.

18. Asset Retirement Obligations

Omitted as the significance was negligible.

19. Rental Property

Some consolidated subsidiaries own rental property, such as office buildings and commercial facilities for lease in Kita Ward, Osaka and other areas. Rental profits and losses related to the rental property in the fiscal year ended March 31, 2021 were 26,215 million yen (major rental revenues are recorded in revenues from operations and major rental expenses are recorded in costs of revenues from operations). Rental profits and losses related to the rental property in the fiscal year ended March 31, 2022 were 27,072 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 sheets, the increase/decrease during the fiscal year and the market value for rental property are as follows:

	Millions of yen	
	2021	2022
Book value (Note 1):		
Balance at beginning of the year	¥ 645,922	¥ 653,108
Increase/decrease (Note 2)	7,185	196,011
Balance at end of the year	653,108	849,119
Fair value at end of the year (Note 3)	917,853	1,379,880

Notes:

1. Book value is acquisition cost less accumulated depreciation.
2. As for the increases/decreases during the fiscal year ended March 31, 2021, the main increase was the completion of buildings under construction at 22,730 million yen, and the main decrease was depreciation of 12,833 million yen. As for the increases/decreases during the fiscal year ended March 31, 2022, the main increase was the completion of buildings under construction at 184,704 million yen, and the main decrease was depreciation of 15,602 million yen.
3. Fair value as of the end of the fiscal year is the appraisal value according to outside real estate appraisers 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 the road tax rating for other properties.
4. Properties under development were not included in the above table because it was difficult to determine the market value. Furthermore, properties under development recorded in the consolidated balance sheets for the fiscal year ended March 31, 2021 and 2022 were 171,670 million yen and 32,777 million yen, respectively.

20. Revenue Recognition

20.1 Information on disaggregated revenue from contracts with customers

Revenue from contracts with customers is disaggregated into segments based on the contract with the customer. The Group's segments are made up of business segments and are components of an entity for which separate financial statements are available and evaluated regularly by the Board of Directors in determining the allocation of management resources and in assessing performance.

The relationship between disaggregated revenue and operating revenue by segment is as follows:

	Millions of yen
Urban Transportation	¥ 161,623
Railway operations	118,539
Automobile	34,098
Retailing	10,921
Urban Transportation - Other businesses	8,696
Adjustment	(10,633)
Real Estate	230,526
Leasing	112,468
Real estate sales and other business	135,484
Adjustment	(17,425)
Entertainment	62,864
Sports	29,432
Stage	33,364
Adjustment	67
Information and Communication Technology	59,181
Travel	60,419
International transportation	143,296
Hotel	25,554
Other businesses	51,666
Adjustment	(48,914)
Total	746,217

Note: In addition to "Revenue from contracts with customers," the above figures include "Revenue from other sources" at 77,694 million yen. "Revenue from other sources" mainly consists of rental income in the real estate leasing business.

20.2 Basic information for understanding revenue from contracts with customers

Basic information for understanding revenue from contracts with customers is as stated in Note 2.4.5, "Standards for recognition of significant revenues and expenses" under Note 2.4, "Accounting policies," outlined in Note 2, "Basis of Preparation of Consolidated Financial Statements."

20.3 Information on the relationship between fulfillment of performance obligation based on contracts with customers and cash flows arising from such contracts, and the amount and timing of revenue expected to be generated from contracts with customers existing at the end of the current consolidated fiscal year and to be recognized in the next consolidated fiscal year and beyond

20.3.1 Balances of contract assets and contract liabilities

	Millions of yen
Receivables from contracts with customers (balance at beginning of year)	¥ 65,826
Receivables from contracts with customers (balance at end of year)	104,967
Contract assets (balance at beginning of year)	6,459
Contract assets (balance at end of year)	6,586
Contract liabilities (balance at beginning of year)	33,276
Contract liabilities (balance at end of year)	41,573

Contract assets are mainly unclaimed rights to consideration recognized based in accordance to the degree of progress made in fulfilling performance obligations related to construction contracts in the Construction Industry, and are transferred to receivables from contracts with customers at the time of acceptance inspection by customers.

Contract liabilities are mainly advances received from customers in Urban Transportation, Travel, and other businesses, and are reversed upon recognition of revenue. The balance of contract liabilities as of the beginning of the current fiscal year is generally recognized as revenue for the current fiscal year, and the amount carried forward to the next fiscal year onward is immaterial.

20.3.2 Trading prices allocated to the remaining performance obligations

Because the Group does not have significant transactions in which the duration period is initially expected to exceed one year, disclosure of remaining performance obligations is omitted.

21. Segment Information

21.1 Segment information

21.1.1 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., under the leadership of the Company in charge of management of the Group, is conducting business centered around the seven business areas of urban transportation, real estate, entertainment, information and communication technology, travel, international transportation and hotel.

The nature of the business in each reportable segment is as follows:

- Urban Transportation: Railway operations, automobile and retailing 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
- Hotel: Hotel ownership and management

21.1.2 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 Note 2, "Basis of Preparation of Consolidated Financial Statements," including Internal transactions (lease transactions for 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 to that for regular transactions.

As stated in Note 4. "Changes in accounting policies," we have applied the Revenue Recognition Accounting Standard and other standards starting from the consolidated financial statements for the current fiscal year, and have changed the accounting method for revenue recognition. In line with this change, we have also changed the profit and loss calculation method for each business segment in the same way.

The major impact of these changes concerns some of the transaction revenue that had previously been recognized at the net amount with the Group deemed to be acting as an agent. Revenue from such transactions is now recognized at the gross amount with the Group deemed to be acting as a principal. Consequently, mainly in the travel business, revenue from operations for the current fiscal year increased by 45,924 million yen compared to that calculated using the conventional accounting method.

Notes to the Consolidated Financial Statements

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

Fiscal year ended March 31, 2021

	Millions of yen									
	Reportable segments							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	Hotel				
Revenues from operations:										
I. Customers	¥ 152,355	¥ 173,240	¥ 41,442	¥ 49,838	¥ 11,954	¥ 85,468	¥ 18,463	¥ 35,734	¥ 402	¥ 568,900
II. Intersegment	4,570	15,119	749	8,245	6	84	682	14,106	(43,563)	—
Total	156,926	188,360	42,192	58,083	11,960	85,552	19,145	49,840	(43,160)	568,900
Segment income (loss)	(5,108)	28,923	(2,258)	5,556	(7,397)	2,308	(17,927)	1,881	(3,911)	2,066
Segment assets	814,650	1,298,114	106,310	58,743	29,626	52,616	91,230	39,985	129,750	2,621,028
Other items:										
Depreciation and amortization	27,052	17,302	2,942	4,246	886	1,288	2,369	456	(812)	55,733
Increase in property and equipment and intangible assets	29,515	68,762	1,716	4,544	1,352	687	1,922	329	(358)	108,472

Notes:

- The "Other" segment refers to a business segment not included in reportable segments and includes the construction business, etc.
- The main item in the adjusted amount of the segment income or loss for the fiscal year was the amortization of goodwill of (2,238) million yen (amortization of goodwill having originated mainly from the management integration with Hanshin Electric Railway Co., Ltd. in fiscal 2007).
In addition to the balance of unamortized goodwill of 11,749 million yen (goodwill having originated mainly from the 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 land 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 statements of income.

Fiscal year ended March 31, 2022

	Millions of yen									
	Reportable segments							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	Hotel				
Revenues from operations:										
I. Customers	¥ 157,128	¥ 213,161	¥ 61,485	¥ 48,638	¥ 60,102	¥ 143,229	¥ 24,909	¥ 37,153	¥ 408	¥ 746,217
II. Intersegment	4,494	17,365	1,378	10,542	317	67	644	14,512	(49,323)	—
Total	161,623	230,526	62,864	59,181	60,419	143,296	25,554	51,666	(48,914)	746,217
Segment income (loss)	5,629	32,952	9,263	5,867	(5,748)	8,019	(13,176)	2,385	(5,979)	39,212
Segment assets	833,681	1,368,083	112,522	68,338	46,154	69,188	92,432	42,004	90,434	2,722,841
Other items:										
Depreciation and amortization	27,222	19,600	3,487	4,775	912	1,592	2,216	396	(1,095)	59,107
Increase in property and equipment and intangible assets	30,274	76,822	5,102	5,104	738	2,474	698	364	(1,276)	120,302

Notes:

- The "Other" segment refers to a business segment not included in reportable segments and includes the construction business, etc.
- The main item in the adjusted amount of the segment income or loss for the fiscal year was the amortization of goodwill of (2,238) million yen (amortization of goodwill having originated mainly from the management integration with Hanshin Electric Railway Co., Ltd. in fiscal 2007).
In addition to the balance of unamortized goodwill of 9,511 million yen (goodwill having originated mainly from the 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 land 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 statements of income.

21.2 Related information

Fiscal years ended March 31, 2021 and 2022

21.2.1 Information by product and service

Information about product and service categories is the same as that described in Note 21.1.3, "Information regarding totals for revenues from operations, income (loss), assets and other items by reportable segment."

21.2.2 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.

Notes to the Consolidated Financial Statements

21.2.3 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.

21.3 Information regarding impairment loss on noncurrent assets for each reportable segment

Fiscal year ended March 31, 2021

In the "Hotel" segment, an impairment loss of 9,676 million yen was recorded as a structural reform-related loss under extraordinary loss.

Fiscal year ended March 31, 2022

Omitted as the significance was negligible.

21.4 Information regarding amortization of goodwill and the balance of unamortized goodwill by reportable segment

Information is omitted as the significance was negligible.

21.5 Information regarding gains from negative goodwill by reportable segment

Information is omitted as the significance was negligible.

22. Related-party Transactions

22.1 Related-party transactions

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

No items

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

I. Nonconsolidated subsidiary or related company of the company that submitted the financial statements

Fiscal year ended March 31, 2021

Type	Name of Company, etc.	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, 2021 (Millions of yen)
Subsidiary of Related Company	Hankyu Hanshin Department Stores, Inc.	Kita-ku, Osaka City	¥ 200	Department store business	None	Lease of real estate, Directors holding concurrent posts	Acceptance of deposits	—	Deposit	¥27,098

Fiscal year ended March 31, 2022

Type	Name of Company, etc.	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, 2022 (Millions of yen)
Subsidiary of Related Company	Hankyu Hanshin Department Stores, Inc.	Kita-ku, Osaka City	¥ 200	Department store business	None	Lease of real estate, Directors holding concurrent posts	Acceptance of deposits	—	Deposit	¥30,598

Note: Terms and conditions of transactions and policies for determining terms and conditions of transactions

Terms and conditions for deposits are determined in the same way as general transactions.

Notes to the Consolidated Financial Statements

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

Fiscal year ended March 31, 2021

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, 2021 (Millions of yen)
Auditor of Major Subsidiary	Haruo Sakaguchi	—	¥ —	Auditor of Hankyu Corporation	Directly 0.0%	Lease of real estate	Lease of real estate	¥ 53	Deposit	¥ 40
Close relative of Major Subsidiary's Auditor	Close relative of Toshiro Kuroki	—	—	Close relative of Auditor of Hanshin Electric Railway Co., Ltd.	None	Sales of condominiums	Sales of condominiums	28	—	—

Fiscal year ended March 31, 2022

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, 2022 (Millions of yen)
Auditor of Major Subsidiary	Haruo Sakaguchi	—	¥ —	Auditor of Hankyu Corporation	Directly 0.0%	Lease of real estate	Lease of real estate	¥ 53	Deposit	¥ 40
Close relative of Major Subsidiary's Auditor	Close relative of Toshiro Kuroki	—	—	Close relative of Auditor of Hanshin Electric Railway Co., Ltd.	None	Sales of condominiums	Sales of condominiums	49	—	—

Note: Terms and conditions of transactions and policies for determining terms and conditions of transactions

Terms and conditions for leases are determined by referencing to similar transaction cases in the neighboring area.

Terms and conditions for sales of condominiums are rationally determined after negotiations, taking into consideration the actual market value. Mr. Toshiro Kuroki retired from the position of Audit & Supervisory Board Member of Hanshin Electric Railway Co., Ltd. on September 28, 2021, and the above information pertains to his term of office.

22.2 Notes about parent company and major affiliated companies

No items

23. Per Share Information

Net assets per share and the calculation basis, net income or net loss per share and the basis for their respective calculations are as shown below.

	2021	2022
(1) Net assets per share (Yen)	¥ 3,598.83	¥ 3,612.17
(Basis for the calculation)		
Total net assets (Millions of yen)	¥ 909,985	¥ 915,363
Amount to be deducted from total net assets (Millions of yen)	¥ 42,834	¥ 45,014
(Of the amount, non-controlling interests) (Millions of yen)	¥ [42,834]	¥ [45,014]
Net assets at the end of the fiscal year related to common shares (Millions of yen)	¥ 867,151	¥ 870,348
Common shares issued (Thousands of shares)	254,281	254,281
Treasury stock shares (Thousands of shares)	12,166	12,170
Common shares held by consolidated subsidiaries and equity-method affiliates (Thousands of shares)	1,161	1,161
Common shares used to calculate net assets per share (Thousands of shares)	240,953	240,949
(2) Net income (loss) per share (Yen)	¥ (151.72)	¥ 88.89
(Basis for the calculation)		
Net income (loss) attributable to owners of the parent (Millions of yen)	¥ (36,702)	¥ 21,418
Amount not belonging to common stockholders (Millions of yen)	¥ —	¥ —
Net income (loss) attributable to owners of the parent related to common share (Millions of yen)	¥ (36,702)	¥ 21,418
Average number of common shares during term (Thousands of shares)	241,903	240,951
(3) Diluted net income per share (Yen)	¥ —	¥ 88.83
(Basis for calculation)		
Adjustment of net income attributable to owners of the parent (Millions of yen)	¥ —	¥ (14)
(Of this, investment gain on equity method) (Millions of yen)	¥ [—]	¥ [(14)]
Increase in number of common shares (Thousands of shares)	—	—
Outline of dilutive shares not included in the calculation of diluted net income per share because they do not have dilutive effect	—	—

Notes to the Consolidated Financial Statements

Notes:

- In calculating net assets per share, the number of shares in the Company owned by the officer's compensation BIP trust is 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 the net income (loss) per share for the current fiscal year, the number of shares in the Company owned by the officer's compensation BIP trust is 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 as of March 31, 2021 was 408,268, and, as of March 31, 2022 was 399,468. The average number of treasury stock shares deducted in calculating net income (loss) per share for the fiscal year ended March 31, 2021 was 371,271, and, for the fiscal year ended March 31, 2022 was 402,583.
- For the consolidated fiscal year ended March 31, 2021, diluted net income per share is omitted because a net loss per share was recorded despite the existence of dilutive shares.

24. Subsequent Events

24.1

Not applicable.

25. Consolidated Supplementary Statements

25.1 Corporate bond statements

Company	Name	Issue date	Millions of yen		Interest rate	Security	Redemption date
			Balance as of April 1, 2021	Balance as of March 31, 2022			
Hankyu Hanshin Holdings, Inc.	Series 41 unsecured corporate bonds	Sep 22, 2010	¥ 7,000	¥ 7,000 (7,000)	1.720%	None	Sep 22, 2022
Hankyu Hanshin Holdings, Inc.	Series 46 unsecured corporate bonds	Oct 25, 2013	10,000	10,000	0.819	None	Oct 25, 2023
Hankyu Hanshin Holdings, Inc.	Series 47 unsecured corporate bonds	Jul 18, 2014	10,000	10,000	1.202	None	Jul 18, 2029
Hankyu Hanshin Holdings, Inc.	Series 48 unsecured corporate bonds	Dec 15, 2016	10,000	—	0.120	None	Dec 15, 2021
Hankyu Hanshin Holdings, Inc.	Series 49 unsecured corporate bonds	Dec 15, 2016	10,000	10,000	0.817	None	Dec 15, 2036
Hankyu Hanshin Holdings, Inc.	Series 50 unsecured corporate bonds	Sep 13, 2018	10,000	10,000	0.345	None	Sep 13, 2028
Hankyu Hanshin Holdings, Inc.	Series 51 unsecured corporate bonds	Sep 13, 2018	10,000	10,000	0.789	None	Sep 13, 2038
Hankyu Hanshin Holdings, Inc.	Series 52 unsecured corporate bonds	Nov 21, 2019	10,000	10,000	0.215	None	Nov 21, 2029
Hankyu Hanshin Holdings, Inc.	Series 53 unsecured corporate bonds	Nov 21, 2019	10,000	10,000	0.878	None	Nov 19, 2049
Hankyu Hanshin Holdings, Inc.	Series 54 unsecured corporate bonds	Feb 27, 2020	10,000	10,000	0.486	None	Feb 27, 2040
Hankyu Hanshin Holdings, Inc.	Series 55 unsecured corporate bonds	Jul 17, 2020	20,000	20,000	0.001	None	Jul 14, 2023
Hankyu Hanshin Holdings, Inc.	Series 56 unsecured corporate bonds	Jul 17, 2020	10,000	10,000	0.120	None	Jul 17, 2025
Hankyu Hanshin Holdings, Inc.	Series 57 unsecured corporate bonds	Jul 17, 2020	20,000	20,000	0.280	None	Jul 17, 2030
Hankyu Hanshin Holdings, Inc.	Series 58 unsecured corporate bonds	Feb 26, 2021	20,000	20,000	0.090	None	Feb 26, 2026
Hankyu Hanshin Holdings, Inc.	Series 59 unsecured corporate bonds	Feb 26, 2021	10,000	10,000	0.270	None	Feb 26, 2031
Hankyu Hanshin Holdings, Inc.	Series 60 unsecured corporate bonds	Feb 26, 2021	20,000	20,000	0.680	None	Feb 26, 2041
Hankyu Hanshin Holdings, Inc.	Series 61 unsecured corporate bonds	Sep 9, 2021	—	15,000	0.001	None	Sep 9, 2024
Hankyu Hanshin Holdings, Inc.	Series 62 unsecured corporate bonds	Sep 9, 2021	—	10,000	0.240	None	Sep 9, 2031
Hankyu Hanshin Holdings, Inc.	Series 63 unsecured corporate bonds	Sep 9, 2021	—	15,000	0.580	None	Sep 9, 2041
Hankyu Hanshin Holdings, Inc.	Series 64 unsecured corporate bonds	Dec 8, 2021	—	10,000	0.100	None	Dec 8, 2026
Total	—	—	197,000	237,000 (7,000)	—	—	—

Notes:

- The figures in parentheses for the balances as of March 31, 2022 are the amounts payable within one year of the total outstanding and are listed as current liabilities in the consolidated balance sheets.
- The amounts of bonds scheduled to be redeemed within five years subsequent to March 31, 2022 are as follows.

	Millions of yen
Due within one year	¥ 7,000
Due after one year through two years	30,000
Due after two years through three years	15,000
Due after three years through four years	30,000
Due after four years through five years	10,000

Notes to the Consolidated Financial Statements

25.2 Statements of loans payable

Item	Millions of yen		Average interest rate	Repayment deadline
	Balance as of April 1, 2021	Balance as of March 31, 2022		
Short-term borrowings	¥ 106,263	¥ 91,466	0.322%	—
Current portion of long-term debt	44,971	54,271	0.824	—
Current portion of lease obligations	3,206	3,834	—	—
Long-term debt (excluding current portion)	673,387	649,476	0.775	2023–2042
Lease obligations (excluding current portion)	8,219	9,916	—	2023–2032
Other interest-bearing debt	30,000	50,000	(0.029)	—
Commercial paper (to be repaid within one year)				
Total	866,048	858,964	—	—

Notes:

- The balances refer to those after the elimination of transactions between companies in the consolidated 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, 2022.
- For lease obligations, "average interest rate" is not shown because the Company uses mainly 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.
- The repayment schedule for long-term debt and lease obligations (excluding those scheduled to be repaid within one year) within five years subsequent to March 31, 2022 is as follows.

Long-term debt	Millions of yen
Due after one year through two years	¥ 91,114
Due after two years through three years	83,272
Due after three years through four years	71,086
Due after four years through five years	66,237

Lease obligations	Millions of yen
Due after one year through two years	¥ 3,424
Due after two years through three years	2,535
Due after three years through four years	1,428
Due after four years through five years	586

25.3 Schedule of asset retirement obligations

The schedule is omitted as the significance was negligible.

Others

Quarterly financial information in fiscal year ended March 31, 2022

Cumulative period	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Revenues from operations (Millions of yen)	¥ 151,977	¥ 310,835	¥ 517,162	¥ 746,217
Income before income taxes for quarter of the fiscal year (Millions of yen)	6,038	12,590	32,407	38,592
Net income attributable to owners of the parent for quarter of the fiscal year (Millions of yen)	3,204	5,857	18,827	21,418
Net income per share for quarter of the fiscal year (Yen)	13.30	24.31	78.14	88.89

Accounting period	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Net income per share for quarter of the fiscal year (Yen)	¥ 13.30	¥ 11.01	¥ 53.83	¥ 10.75

Major Group Companies

Consolidated Subsidiaries (As of April 1, 2022)

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 others	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.	
Hotel	Hankyu Hanshin Hotels Co., Ltd.
	Hanshin Hotel Systems Co., Ltd.
	Arima View Hotel Co., 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.
	YMIRLINK, Inc.
	Bay Communications Inc.

Travel

	Name of company
Travel agency	Hankyu Travel International 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

Other

	Name of company
Construction	Hanshin Kensetsu Co., Ltd.
	Chuo Densetsu Co., Ltd.
Advertising and media design	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 April 1, 2022)

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, 2022)

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.)

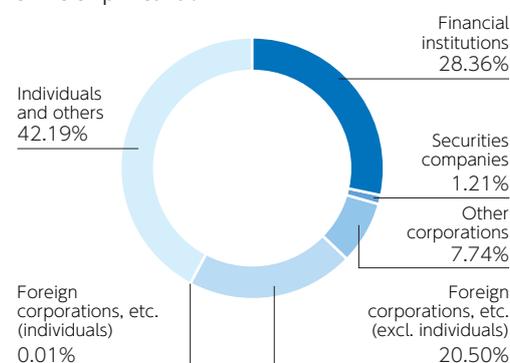
17F Toho Hibiya Bldg. 1-2-2, Yurakucho, Chiyoda-ku,
Tokyo 100-0006, Japan
Phone: +81-3-3503-1568
Fax: +81-3-3508-0249

Paid-in Capital	¥99,474 million
Fiscal Year-End	March 31
Number of Employees	22,869 (consolidated)
Authorized Shares	640,000,000
Issued Shares	254,281,385
Number of Shareholders	79,492
Unit of Trading	100 shares
Stock Exchange Listing	Tokyo
Transfer Agent	Mitsubishi UFJ Trust and Banking Corporation

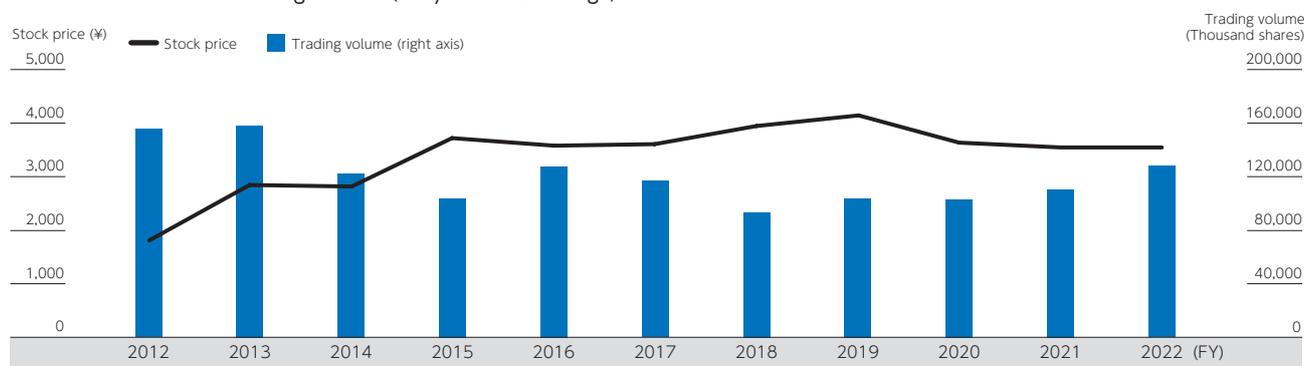
Principal Shareholders

Name	Number of shares (Thousands)	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	35,117	14.48
Custody Bank of Japan, Ltd. (Trust account)	11,974	4.94
Nippon Life Insurance Company (Standing Proxy: The Master Trust Bank of Japan, Ltd.)	5,224	2.15
STATE STREET BANK WEST CLIENT-TREATY 505234 (Standing Proxy: Mizuho Bank, Ltd. Settlement & Clearing Services Division)	4,563	1.88
H2O RETAILING CORPORATION	4,207	1.73
Sumitomo Mitsui Banking Corporation	3,581	1.48
JP MORGAN CHASE BANK 385781 (Standing Proxy: Mizuho Bank, Ltd. Settlement & Clearing Services Division)	2,830	1.17
Custody Bank of Japan, Ltd. (Trust account 4)	2,127	0.88
STATE STREET BANK AND TRUST COMPANY 505103 (Standing Proxy: Mizuho Bank, Ltd. Settlement & Clearing Services Division)	2,083	0.86
GOVERNMENT OF NORWAY (Standing Proxy: Citibank, N.A., Tokyo Branch)	1,914	0.79

Ownership Breakdown



Stock Price and Annual Trading Volume (Tokyo Stock Exchange)



Notes:

- The stock prices are as of the end of each fiscal year (March 31). The trading volumes are for each fiscal year (April 1 to 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
Phone: +81-6-6373-5001 Fax: +81-6-6373-5042
<https://www.hankyu-hanshin.co.jp/en/>

Hankyu Hanshin Toho Group