



# Corporate Social Responsibility Report 2010



Nankai Electric Railway Co., Ltd.

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## Editorial Policy

This report covers more than just our efforts at environmental preservation. The first half will introduce our social relations with content centered on our Safety Information Report and the second half touches on environmental preservation and what we plan to do about this in the future. This report is intended to act as a communication tool between the company and its stakeholders.

## Applicable Term

The applicable term of this report refers to the fiscal year 2009 (running from April 1st 2009 to March 31st 2010), but some sections of this report also cover matters outside of this stated time span.

## Scope of the Report

The report covers issues related to the Nankai Electric Railway Co. Ltd., but some matters mentioned herein also pertain to the corporate group.

## Referenced Guidelines

This report references the 'Environmental Accounting Guidelines Ed. 2005' as published by the Ministry of the Environment and conforms with the 'Environmental Accounting Guidelines for Private Railway Businesses Ed. 2008' as published by the ASSOCIATION OF JAPANESE PRIVATE RAILWAYS.



## Corporate Outline

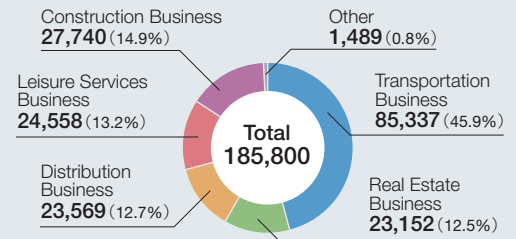
Company Name	Nankai Electric Railway Co., Ltd.
Established	December 1885
Head Office	5-1-60 Namba, Chuo-ku, Osaka 542-8503
Website	http://www.nankai.co.jp/
Paid-in Capital	¥63,739,034,121
Operating Profit	¥68,400 million
No. of Shareholders	56,959
No. of Employees	3,137
Managed track	154.8km
Rolling Stock	694
	(As of March 31, 2010)

## Financial Status

(Consolidated Results for fiscal year 2009)

### ● Composition ratio of operating profit by segment

(¥ millions)



## Status of the Corporate Group

(No. of Consolidated Employees 8,278)

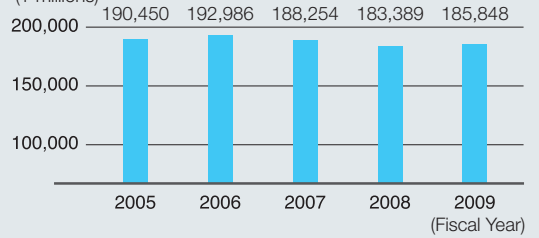
Transportation	29 companies	Railways, rail track management, buses, ocean freight, cargo transportation, train maintenance businesses
Real Estate	4 companies	Real estate leasing, real estate sales
Distribution Business	7 companies	Shopping Center management, sales of commodities
Leisure and Services	23 companies	Amusement Park management, travel agency, hotels and <i>ryokan</i> Japanese inns, leasing of <i>kyotei</i> motorboat race facilities, building management and maintenance businesses
Construction	4 companies	Construction
Other	8 companies	Printing, Insurance Agency, Advertising Agency

\* The Company (Nankai Electric Railway Co. Ltd.) and the Nankai Urban Development Co., Ltd. are counted on more than one occasion in the company totals shown above.

\* Subsidiary companies and affiliates are also included in the totals shown above.

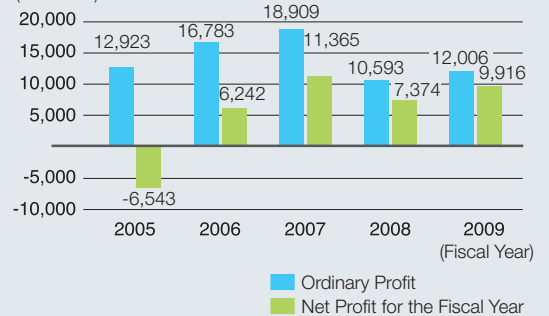
### ● Transition of Operating Profit

(¥ millions)



### ● Transition of Ordinary Profit and Net Profit for the Fiscal Year

(¥ millions)



## Business Outline (The Nankai Group)

Beginning with the railway, the Group is involved in a variety of businesses, including real estate sales and leasing, leisure services, etc.

### ■ Transportation Business

Centered on the Nankai Electric Railway Company, the scope of services extends to rail track management and bus service provision.



### ■ Real Estate Business

Management of real estate, such as the Nankai Building that houses Namba Station and the Osaka Branch of the Takashimaya Department Store as well as the development of new town projects located in areas adjacent to our rail network.



### ■ Retail Business

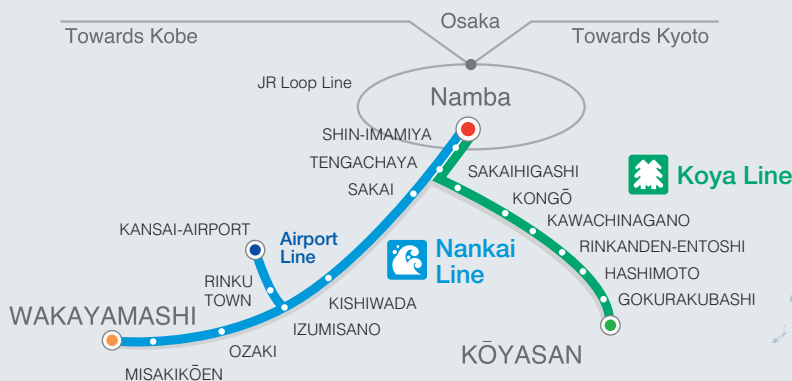
The development and management of commercial facilities located in areas adjacent to our rail network, prime examples being Namba CITY and Namba Parks.

### ■ Leisure and Services Business

Contributing to fulfilling leisure time that promotes family and community communication through our management of hotels, *ryokan* traditional Japanese inns, travel agencies, golf courses and Misaki Park.



### ■ Nankai Area





**Shinji Watari**  
President and COO,  
Nankai Electric Railway Co., Ltd.



**Ietaka Kuki**  
Chief Priest  
Kumano Hongu Taisha Shrine

## Towards becoming a company that can co-exist a rich natural environment

As expressed by the ancient name of Kumano-nimasu-jinja, the Kumano Hongu Taisha Shrine has sat at the very root of the Kumano region as the core of the Kumano Sanzan, the collective name of the three shrines: the Kumano Hayatama Taisha Shrine, the Kumano Nachi Taisha Shrine and the Kumano Hongu Taisha Shrine. In the 2000 or so years since its founding, this ancient shrine is preeminent in the Nanki (present-day Wakayama and Mie Prefectures) region. But instead of letting the winds of time flow over this great institution, it has embraced its construction as it was intended as well as striving to be a Shinto shrine that is relevant and suitable for the current age. As one part of this approach, it has taken the step of getting involved with environmental problems using its own unique ideas. New approaches rely on a flexible perspective to match the times and with this in mind I engaged in conversation with Ietaka Kuki, the current Chief Priest at the Kumano Hongu Taisha Shrine.

### The bountiful nature of Kumano as the cornerstone of the Japanese spirit

*There are over 3000 shrines across Japan that carry the name Kumano and all of these shrines fall under the three grand shrines known as the Kumano Sanzan, centered on the Kumano Hongu Taisha Shrine. As the Chief Priest of the shrine, what is important to you, what is close to your heart?*

• **Kuki** — A shrine is simply the venue for the Shinto rituals and festivals that bring peace to the heart of people that visit us. The Kumano Hongu Taisha Shrine continues to fulfill this role and it is our responsibility to protect these foundations built by those who have gone before us and to pass this on to future generations.

As for what I keep in my heart, I recall the Chinese proverb *onkochishin*, or 'developing new ideas based on a study of the past'. For example, rather than repeat the exact same festivals every year, I like to examine these events from a slightly different perspective. Of course it is important

to maintain the old traditions of these sacred events as they were performed in the past, but in order for young people to feel 'a sense of surprise that the shrine is part of their lives', I think it is important to apply a new approach to these things.

• **Watari** — Reflecting on what Chief Priest Kuki has just said, I recall my own childhood and the feeling that the shrine precinct was never far from my life back then. The shrine precinct was where we played as kids. The shrine was the place where you marked off the important steps in one's life: the *omiya-mairi* blessing for a newborn, the celebrations for children aged 3, 5 and 7 as well as weddings, etc.

But today, the way people think and the style of life we lead has changed a lot – life has become more comfortable and much safer. As our civilization has developed, perhaps we have become too focused on the pursuit of material 'things'? As a result, we are no longer as close to nature, what some would call the divine. An awareness of coexisting with nature is connected with our awareness of a higher being. I believe that this something we require in

order to bring richness to our hearts. People that come to visit Kumano feel that when they see a shrine in the middle of nature, that's what the Kumano Hongu Taisha Shrine has to offer. I feel that the Kumano shrines and their bountiful nature provide a foothold for a lot of people.

• **Kuki** — It is indeed how you say. Since the middle of the 6th century when Buddhism crossed over to Japan from the Asian continent, Kumano has been a place where these two faiths have combined to form the syncretization of Shinto with Buddhism—we still have a training center for *shugenja* (for practitioners of *shugendo*, in which enlightenment or oneness with the divine is obtained through the understanding of the relationship between Man and Nature, centered on an ascetic, mountain-dwelling practice). In actuality, the Japanese people have, since the ancient times, combined the richness of nature with their spiritual and religious practice and are consequently a very tolerant people in this sense. In these spaces where our eyes do not see lies the divine, this is what we surrender ourselves to. When people visit Kumano, they can feel Man and Nature coming together as one.

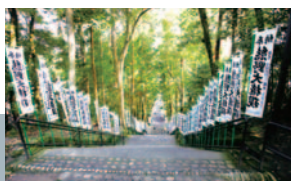
*The deities enshrined at the Kumano Sanzan are known as the Kumano avatars. The messenger of the Kumano avatars, the yatararasu (a mythical three-legged raven) is the symbol of the Football Association of Japan (JFA). With the World Cup that was recently held in South Africa, this symbol got a lot of attention.*

• **Kuki** — The legend of the *yatararasu* comes from the Eastern Expedition undertaken by the Emperor Jinmu, who lost his way in the forest surrounding Kunamo. This bird supposedly led the emperor and his entourage out of the forest to Kashihara, which led to the founding of the Yamato nation in that region. In February 1904, the very first international football match in which a team from Japan was represented took place in Yokohama and was organized by Nakamura Kakunosuke, who hailed from Nachi-Katsuura-cho (Kumano). It is said that in order to mark the contribution of Nakamura to the proliferation of football in modern Japan, the JFA adopted the *yatararasu* as its symbol due to its significance as an enshrined deity of the Kumano Sanzan. In the years following this match, when young Japanese traveled overseas and saw football matches, they were impressed at how in the game you have to think for yourself as to how you can best contribute to your team of eleven players scoring a goal.

• **Watari** — It is indeed difficult for a group to share a common goal, but this is something that is very important for an organization. In order for upper management to attain their goals, they need to indicate a concrete approach, then the employees need to understand what it is they need to do to make this happen and to act on their own initiative. What you are talking about can also apply to business management.

• **Kuki** — Before the World Cup was held, representatives from the Football Association of Japan came to the Kumano Hongu Taisha Shrine to pray for the team's success at the

## with society, continuing to protect



tournament. Talking of football, I heard that you hold a qualification as a referee for youth football, is that true?

• **Watari** — When my son started to play youth football, I had to qualify as a JFA Grade 4 referee in order to officiate as a referee's assistant. At that time, I wondered why the *yatararasu* was the symbol of the Football Association of Japan, but that mystery has been solved thanks to you!

### How to relate the wondrous nature of Kumano, how to spread the word?

*Kumano, where Shinto combines with Buddhism, together with Koyasan, home of esoteric Buddhism and Yoshino, the home of Shugendo, was designated as a UNESCO World Heritage Site some 6 years ago under the collective name of Sacred Sites and Pilgrimage Routes in the Kii Mountain Range. UNESCO has designated other routes, most notably the 'Pilgrimage Routes of Santiago de Compostela' that runs through Spain and France, but this is the only one in Japan to be designated as a World Heritage site. How is Kumano perceived now, following UNESCO's declaration?*

• **Kuki** — In actual fact, at the start of the process I was opposed to the UNESCO designation. Koyasan and the Kumano Sanzan are currently active and continue to support people and their spirits, so I felt that 'Heritage (asset)' was the wrong word. However, my current awareness of the UNESCO declaration is that this is homework for us to take the shrine forward and perform our role accordingly.

Since the UNESCO declaration, I have seen an increase in the number of people visiting the shrine by taking the Old Road of Kumano that is the pilgrimage trail to the Kumano Sanzan. I don't know if it is people are being drawn to Kumano, or if the time calls for Kumano, it is probably a mixture of both. I think a lot of people are asking 'why am I alive?' and I think it might be this question that is bringing a lot of people to Kumano. Our job is to respond to these people and their emotional needs. We need to inspire those that come to visit our shrine, or else give them peace in their hearts. Just being in this special space calms people down and this is the original purpose of the Kumano Hongu Taisha Shrine. We hope that the shrine is a place where people can come and find themselves, to confirm they are on the right path.

• **Watari** — It is not just the designation of the region as a UNESCO cultural asset, there are several characteristics to the area such as its natural scenery, hot springs, waterfalls, primordial forest, rivers and coastline to name but a few. I think that giving these features sufficient PR is a part of our CSR activities.

The Nankai Group runs direct services to connect Kumano and Koyasan, both major UNESCO holy sites, via the Kumano/Koya Access Bus on the Katsuura Hongu Koyasan Line, which continued its limited operations that began last year.

This bus route was established as a response to requests from Wakayama Prefecture and the Wakayama Prefectural Tourism Council to promote tourism at these UNESCO sites. From the perspective of our company, our goal is to develop tourist demand and to this end we began offering this bus route last year. This year our limited service ran from July 17th to August 31st. The route takes in the Kumano Hongu Taisha Shrine, Kawayu Onsen, Ryujin Onsen and Gomadanzan as well as Chikatsuyu, the Kodo Aruki-no-Sato, which opened in March 2010, where one can enjoy some of the beautiful spots on the Old Road of Kumano, in addition to other well-known sites of interest in the Nanki region.

People have been visiting Chikatsuyu, the Kodo Aruki-no-Sato using our bus services as well as their own private vehicles and once there they eat meals and purchase the local specialties as well as using the facilities as a locus for information about the Old Road of Kumano. This facility not only serves to promote tourism, it also acts as a center of job creation for this area. I also feel that this in particular is a social responsibility for



corporations.

• **Kuki** — The Old Road feeds Kumano and this is a place on the route where people can have a rest and converse about what they like about Kumano.

### Looking at environmental issues through our long history

*The Kumano Hongu was originally part of a region called Oyunohara. In August 1889 a landslide caused by the felling of trees on forest land upstream of the Totsugawa river destroyed the original site and the shrine buildings had to be moved to their current location. What are Chief Priest Kuki's thoughts on the issue of the environment?*



Kodama  
(Tree Spirit)

• **Kuki** — 17 years after this disaster the Meiji Government introduced a policy of merging shrines together, which placed the forests in the Kumano area, home to local Shinto deities, in great peril. However, Minakata Kumagusu, a scholar of folklore from nearby Tanabe City, began a movement to oppose the shrine rationalization policy and prevented these precious natural environments from harm. His efforts are praised as trailblazing in terms of the environmental preservation movement. Usually in the Shinto religion the forests gods are enshrined in are important. The forests surrounding Kumano are especially important in this regard and our mission is to protect these forests.

Ketsumiko-Okami is said to be the enshrined deity of trees at the Kumano Hongu Taisha Shrine and so since May 2009 we have offered charms conferred with the tree spirit and fashioned from trees taken to thin the surrounding forest. Each tree has a unique grain and coloration, no two are identical, thus each charm is also unique to its owner. The Hongu Town Forestry Association have given their cooperation from the start and I think that people can express their gratitude for the natural environment and the forest through these charms, fashioned as they are from trees surrounding Kumano.

• **Watari** — That is a very good idea. We have a problem across the country of denuded hillsides, but when hillsides have a problem the ocean also suffers. Our company owns 515 hectares of hillside woodland on Gomadanzan. Some of the timber there gets used for housing development and we have been planting trees on that hillside for over 30 years as part of our Nankai Forestry Project. On May 8th 2010, we held the second tree-thinning event for our employee volunteers. For about one hour, our volunteer staff, while receiving instruction from the staff of the Totsukawa Village Forestry Association, etc. thinned the Japanese cedar and cypress trees. I believe this is how you change your awareness of the environment. Furthermore, this summer in Namba we held a woodwork seminar using timber from the tree thinning at Gomadanzan. We are looking at more effective ways to use the timber we create from this tree thinning.



- **Kuki** — I had no idea that Nankai owned woodland and that across the company as a whole you are engaged in fostering woodland. I'm pleasantly surprised and I urge you to continue with these efforts into the future.
- **Watari** — It is important to keep these things going. I think these programs are the fruits of our social contribution.

### How to promote the vitality of the Nanki area

*The Nanki area is home to many interesting sites, but many people have the impression that this as an inconvenient region. Mr. Watari, please give us your thoughts.*

• **Watari** — The Nankai Group, has a three-year management plan known as the Kenshin 126 Plan. This year was the final year of the plan. One of the items of this plan was to promote vitality along our routes and in the Nanki area this means aiming to strengthen businesses related to tourism. As I mentioned previously, we are running a limited service that directly connects Kumano to Koyasan - the Kumano/Koya Access Bus - and this year we added a stop at Chikatsuyu, the Kodo Aruki-no-Sato, so we are adding to the ways that visitors can discover the fascination of this sacred region.

Furthermore, according to a survey\* of non-Japanese, more and more non-Japanese are becoming interested in the holy sites of the Kii Mountain Range, specifically Hongu Onsen-Go (ranked no.1), Kumano Sanzan and Nachi Falls (no. 3) as well as Koyasan (no. 9). In particular the response from European visitors has been significant, so we need to prepare information on our homepage and pamphlets in languages other than English.

• **Kuki** — I am very interested in the results of that survey. I think the number of foreign visitors to Japan that are realizing there is more to the country than Kyoto and Nara is increasing. They are coming into the countryside to discover places like Kumano that are far from the cities and can feel the nature and the connection to god here. I cannot say that our location is convenient, but I think this adds to the feeling of mystery here, I think we can use our location to appeal to

people that here you can encounter something fascinating that you don't come across everyday.

*Lastly, I'd like to ask Mr. Watari about Nankai's CSR program.*

• **Watari** — In terms of our railway business, the paramount issue is operational safety. As a railway company we have a social responsibility in a number of fields, from working to reduce our CO<sub>2</sub> emissions in our businesses, to developing a public transport service system that is kinder to the environment, to contributing to the sustainable development of the communities and districts that we serve, to name but a few. I have always believed that companies exist to play a role in society. We need to work on developing policies and implementing them to achieve our goals. Moreover, the effect of the Kuroshio current on the Nankai climate, including Kumano, brings a lot of rainfall to the area and the result is a rich ecosystem that can sustain a great diversity of plant and animal life. We would like to play a role in preserving the natural environment.

Previously I mentioned the Kenshin 126 Plan and 2011 will be the 126th year since the founding of our company. However compared to the 2000-plus years since the founding of the Kumano Hongu Taisha Shrine I can see that in historical terms we still have a long way to go.

• **Kuki** — I am very impressed with the things I have heard here about the CSR initiatives that the Nankai Railway is taking on. With regard to your stance on the preservation of the natural environment, I can assure you that we feel the same way. I think it is important to say that it is because of this rich natural environment that people feel the presence of god, it's because of this that we can find ourselves and find a way to co-exist. Let's continue to work together to preserve the natural environment as we go forward.



\*Between Nov. 2009 and Jan. 2010, the Kinki Bureau of Trade and Industry undertook a survey entitled 'Tourist Spots in Kansai that are of Interest to Non-Japanese'. Respondents were 167 non-Japanese people including people working at Consulates, people working at business institutions and foreign students.

(Interview conducted on August 11th, 2010 at the Kumano Hongu Taisha Shrine)



## Corporate Governance

The Company is aware that one of our most important management issues is strengthening the functions of corporate governance. We are working hard to improve the supervisory functions that oversee our management practices; practices that are based on legal compliance and a high degree of transparency; management that is fair and based on rational decision-making.

### Corporate Philosophy

Founded in 1885, the Nankai Electric Railway is the oldest existing railway company in Japan to be established purely by private capital. Since then, the Nankai Group has grown from its base in southern Osaka Prefecture and Wakayama Prefecture into an enterprise that has the railway business at its heart; an enterprise that has grown with the community it serves by developing business ventures in transport, real estate, retail, leisure services, construction, etc.

Going forward, the Company is grateful to our passengers and this gratitude motivates us to strive to respond to today's need for clear corporate philosophy as our corporate group works to meet the varied demands of society. Our mission is to build on the firm foundations of trust that the Nankai brand enjoys in Japan.

#### Corporate Philosophy

##### With expertise and dynamism, forging the way to the future

Contributing to the Community :	Justifying public trust as an all-round lifestyle provider, and building a better society
Putting the Customer First :	Providing excellent services for the customer, bringing living comfort and cultural enrichment
Future Challenges :	Meeting the needs of coming generations with bold energy and creativity
A Dynamic Workplace :	Creating a workplace brimming with vitality, harnessing the expertise and personal strengths of every employee

### Execution of Duties

The Board of Directors of the Company consists of 13 directors (3 of whom are externally appointed directors) and 5 auditors (3 of whom are externally appointed auditors) and as a rule the Board meets once a month to decide on important business issues and to supervise the performance and duties of the executives. Due to the appointment of external directors, it is hoped that the efficiency and transparency of the management process at Board level will be improved.

Based on the fundamental management policies established by the Board of Directors, a Management Committee made up of the full-time directors of the Company meets once a week to discuss important management issues, provide regulatory control over management decisions as a whole and ensure that business operations are carried out in an appropriate manner.

Furthermore, with the aim of reinforcing the supervisory function of the Board of Directors and establishing a mobile system of business operations, the Company has implemented a system of corporate officers. These corporate officers shall attend a monthly meeting of corporate officers and by exchanging information, coordinating business affairs, etc. they will work to optimize and increase efficiency in our business.

### Auditing and Oversight Functions

The 5 auditors that make up the Board of Auditors shall meet, as a rule, once a month and carry out an audit of the business operations of the Company. The Board of Auditors meets regularly with the CEO and COO to exchange opinions and a system has been put in place so that the senior corporate auditors may arrange, whenever required, separate meetings with certain directors and employees to exchange opinions related to specific issues. Furthermore, the full-time corporate auditors attend directors' meetings as well as Management Committee meetings in order to listen to reports on the business status of important management issues related to business operations of the Company and the corporate group and important documents such as proposal forms that have been approved are referred to the corporate auditors for their review. The full-time corporate auditors, through their position and specialization in the company's business, report on the information they collect related to these matters as well as offering additional explanation on said matters to the external auditors. The external auditors provide guidance and opinions based on their expertise and experience outside of the company. Thus by complementing each others' functions in accordance with their shared roles, the effectiveness of the audit is being enhanced.

In this way we are working to strengthen the functions of the corporate auditors and an audit office has been established as a full-time organization to assign clerical tasks related to the Board of Auditors and for audit inspections.



## Internal Governance/Compliance

As part of our plan to reinforce our internal governance, the Company is thorough in its promotion of compliance management, as well as in its adherence to the law and the implementation of the full scope of our Code of Business Ethics.

### Internal Governance

Internal governance is a means of internal management supervision to ensure that laws are not being broken and that incorrect practices, mistakes, etc. are prevented as well as promoting efficient and effective work practices across the organization as a whole. The Company uses the 6 different systems detailed below to ensure that operations run appropriately and efficiently.

**(1) A system to ensure that directors and employees assigned to positions carry out their duties in accordance with the law and the Company's articles of association**

The establishment of our Code of Business Ethics to ensure the sound development of our business as a company and across the Group as a whole, as well as the establishment of our corporate ethics, is complemented by the establishment of a full-time organization to oversee internal audits and the promotion of compliance management.

**(2) A system to store and manage information related to the office and duties of the directors**

In accordance with internal regulations, document regulations, etc., rules shall apply to important documents such as the minutes of Board Meetings, approval documents and all other documents related to the office and duties of the directors. Said documents are properly prepared, stored and managed.

Furthermore, an Information Security Policy has been devised to enable appropriate safe storage of all of the Company's information assets, meaning that the system ensures that each information asset is secure in terms of its confidentiality, completeness and availability.

**(3) Regulations to manage the risk of loss and other issues**

In addition to crisis prevention (not including major accidents or disasters), regulations have been established to minimize the damage suffered by passengers and customers as well as the Company and its executives/employees in the event of a crisis through the implementation of a defined crisis management policy with a broad scope.

Furthermore, in the event of a major accident or disaster, or in the likelihood of such an incident occurring, in addition to various countermeasures and responses, the Company has a fast response/recovery plan in place to secure the safety of passengers and customers as well as Company executives/employees whilst minimizing the damage suffered. These disaster response regulations help the Company towards its aims with regard to corporate social responsibility.

**(4) A system to ensure that directors are carrying out their duties in an efficient manner**

In order to realize effective organizational management of a business, responsibilities, rights and obligations for each work assignment have to be clearly defined in accordance with internal regulations, as well as business organizations and task allocations.

**(5) A system to ensure appropriate business tasks across the corporate group**

Based on the Guiding Principles for the Corporate Group and the Management Regulations for the Corporate Group, the Company and the Corporate Group maintain close communication. The Company is required to approve important items for regular use on a management level, such as proposals for investing in important facilities. In addition to working hard to enact IT Management Regulations and establish IT controls, the Corporate Group as a whole plans ahead to ensure the appropriateness of its business infrastructure. In particular, with regard to the financing of the Corporate Group, the Company's Review Committee has some very strict review procedures that need to be followed.

**(6) A system to ensure that auditors are able to practically undertake an audit**

An Audit Office has been established as a full-time organization dedicated to ensuring that the clerical tasks of the Board of Auditors and the audit investigation are properly divided and allocated.

### Establishing our Code of Business Ethics

In September 2001, as a means of entrenching corporate ethics within the organization, the Company compiled its Code of Business Ethics to uphold and promote compliance-based management.

#### Code of Business Ethics

1. We shall comply with laws and other social norms, and ensure soundness and fairness in our business activities
2. We shall endeavor to maintain healthy and good relations with customers, business partners, shareholders and other members of society at large
3. As a good corporate citizen, we shall actively engage in philanthropic activities
4. We shall reject all contact with organizations involved in activities in violation of the law or accepted standards of responsible social behavior

## Measures to Improve Safety

In March 2006, in accordance with revisions to the Railway Business Law, the Company introduced a new structure that strengthened safety management functions. A permanent safety promotion system was established in order to maintain zero-tolerance for railway accidents; our aim is for passengers to have complete trust in the railway.

### A Message from the Comprehensive Safety Administration Manager

The primary rule is safety first, above all things. Our greatest responsibility is to run our transportation business safely and this is reflected in our day-to-day work tasks.

Human error can lead to an accident, even if vehicles and safety equipment have been prepared in full, due to the fact that human beings operate the equipment on the railway. By establishing a sustainable safety promotion system for all hardware and software with the aim of zero-tolerance for railway accidents, our aim is for passengers to have complete trust in the railway by creating a permanent climate of safety.

#### Shigeru Kuchino

Managing Director  
Corporate Officer,  
Comprehensive Safety  
Administration Manager



### Our Safety Policy

'Contributing to the Community' and 'Putting the Customer First' is our Corporate Philosophy. We regard transport safety as a top priority in order to justify public trust and provide excellent services for the customer. In addition to creating safety plans for all of our business activities and imbuing every employee of the Company from the President down with the importance of safety, we are ensuring safe transportation through comprehensive measures covering our railway facilities, rolling stock and employees.

On June 26th 2009 the Company revised its safety policy, making it clearer, more concise and easier to recite and our plan is for this ethos to permeate through to every employee.

#### Safety Policy

1. Safety is the Company's overriding priority; by working together we shall prevent accidents
2. As a company and in our work tasks we will strictly comply with all laws and regulations related to transport safety
3. The Company will enforce rigid checks and undertake the safest methods at work
4. In the event of an accident or a disaster, saving human lives takes priority over everything and the Company shall implement appropriate safety measures without delay
5. The Safety Management System shall be implemented in an appropriate manner and the Company will constantly look to improve the system

Revised June 26th 2009

### Our Safety Management System

In accordance with the revisions to the Railway Business Law in March 2006, the Company established safety management regulations in October of the same year and these regulations have led to changes in the structure of the safety committees. The new organizational structure has a Safety Promotion Committee chaired by the company President as well as a Safety Promotion Implementation Committee chaired by the General Manager of the Railway Business Division. In order to permeate safety awareness and to build a culture of safety within the organization, the members that make up the Safety Promotion Committee come from a variety of departments and responsibilities, namely administrative policy, personnel, accounting & finance, which is a way of ensuring two-way communication between these departments and the Railway Business Division.

In terms of the organization of the safety management system itself, responsibilities are clearly defined as follows: the person holding the greatest responsibility for the Company is the President, followed by the General Manager of the Railway Business Division who acts as general manager for all safety issues related to transportation as the General Safety Officer. The Chief Manager of the Transportation Division is directly responsible for the operation and management of the rolling stock, as well as the guidance and management of the train drivers and conductors. This structure makes the role and responsibility of each manager very clear.

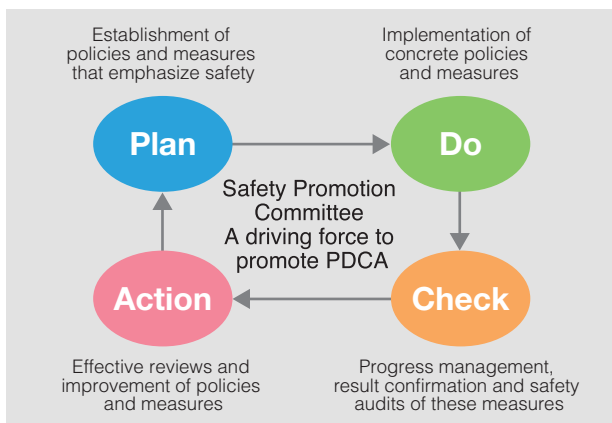


Safety Promotion Committee

## Our Methods of Safety Management

In order to prioritize safety and ensure that essential information is shared, the Safety Promotion Committee – with the company President as committee chair – meets once every 6 months and the Safety Promotion Implementation Committee, chaired by the General Safety Officer, meets once a month.

These committees decide issues of safety policy, implement concrete measures, manage the progress of these measures through internal safety audits and review the implementation status of these measures. By doing so, a PDCA cycle has been established to increase safety, with appropriate review protocols as well as constant improvements to ongoing safety policy.



## Status of accidents related to operation of the railway

There were a total of 17 accidents during fiscal year 2009, 2 accidents involving level-crossings and 15 accidents that led to injury or death. The graph below shows the transition of the number of accidents involving the railway over the past 5 years.



## About the classification of accidents

Classification	Content
Critical accident	This refers to an accident involving a train collision (a train collides with another train or vehicle, or an accident that results from contact between two trains or vehicles), a derailment or a fire on a train.
An accident at a level-crossing	A train or a vehicle collides with or comes into contact with a person or a vehicle on the level-crossing, resulting in an accident
Fatality or injuries	Any incident where the operation of the train or vehicle results in injury or death (excluding accidents related to the incidents mentioned above)

### ● Critical accidents

There have been no critical accidents in the past 5 years.

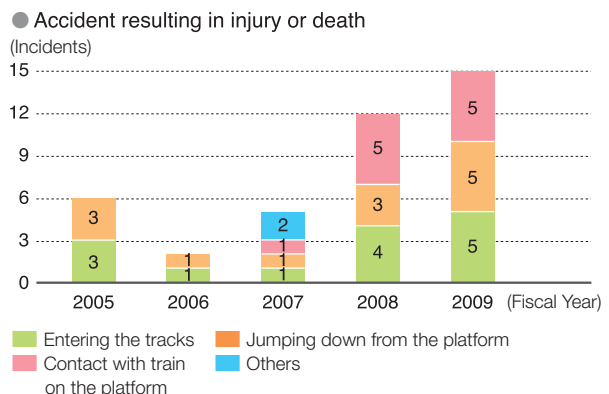
### ● Accidents at level-crossings

In the past 5 years there have been 19 accidents at level-crossings. Nine of these incidents were due to people or vehicles trying to cross just before the train passed through.



### ● Accident resulting in injury or death

In the past 5 years there have been 40 accidents that resulted in injury or death. The main cause of these accidents were people entering the tracks, people on the station platform jumping in front of trains or people coming into contact with a passing train whilst standing on the platform.



# Measures to Improve Safety

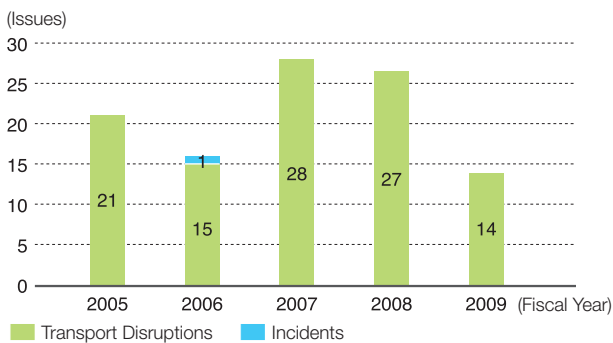
## Transport Disruptions, Incidents

During fiscal year 2009 there were 14 transport disorders. Please refer to the data below for a breakdown of these different types of disruption as well as a year-on-year transition. Furthermore, there were no incidents reported during fiscal year 2009.

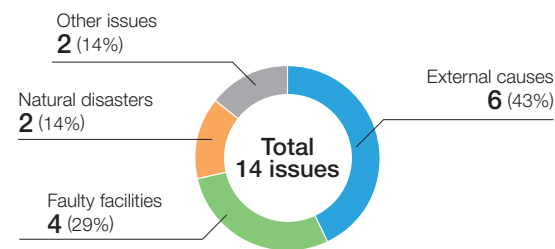
\*A 'transport disorder' refers to a situation that causes an impediment to transportation running on the railway, not including an accident involving the rolling stock.

\*An 'incident' refers to a situation that could have resulted in an accident involving the rolling stock, but ultimately did not lead to an accident.

### Number of Transportation Disruptions, Incidents



### Breakdown of Transportation Impediments in fiscal year 2009



## Measures to improve safety levels

In order to promote various measures including steps to improve safety levels of transportation services centering on operational safety facilities corresponding to ordinances issues by the Ministry of Land, Transport, Infrastructure and Tourism that partially revised prior ordinances stipulating technical standards for railways, as well as measures to prevent door-related accidents, the Company is planning and implementing the following items:

- Installation of new-type ATS
- Newly installed train protection radio
- Installation of new equipment to record traffic data
- Maintenance of the Deadman's device
- Raising station platforms
- Improving the visibility afforded to conductor ITV cameras and monitors
- An update of the Nankai Line Train Operation Management System

## Topics

### ATS (Automatic Train Stop device)

Usually, the ATS is a device to prevent a train from running over a stop-signal and as such we have installed ATS devices on every signal on our entire rail network. However a revised ministerial ordinance dated July 1st 2006 mandated improved technical standards for railways, making the installation of speed limitation devices on curved sections of track as well as areas where the tracks diverge compulsory for all operators. In response to this ordinance, we will have installed ATS devices on all sections of curved and diverging track by June 2016.

The Company uses ATS with the point-control method (ATS-N), which means that in the event that a train is running over the mandated speed the emergency brakes will be triggered in accordance with the signal displayed at the time, with the train coming to a halt just before the stop signal.

A part of our overall plan to improve safety, the Company is currently moving from point-control ATS to a new line control method ATS model (ATS-PN) which when installed on the train will be able to constantly compare the actual speed of the train against the regulation velocity on any one part of the network and in the event that the train in question is running over the mandated speed, the new system will apply the regular brakes automatically to adjust the running speed to below the stated maximum.

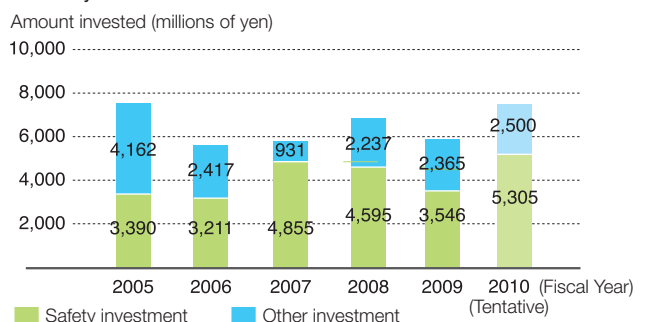


ATS beacon

## Monetary Investment in Safety

Our investment in safety facilities is in accordance with the planned requirements for each policy or measure. Up to now the Company has applied the same standard across all safety-related investments and for fiscal year 2009 our investment in safety totaled some ¥3.5 billion. In fiscal 2010 we expect to invest a further ¥5.3 billion in safety.

### Safety Investment



## Implementation of Safety Training

The Company believes that a robust education and training program is key to ensuring that safety techniques and practices are improved and passed on to the next generation of employees. With this in mind, each department plans and implements technical and skill-based training and guidance programs for all new, mid-level and experienced senior employees.

### ● Education for Station Employees and Staff working on Trains

The Nankai Electric Railway has its own specialized training center, the Train Operation Training Center, where our staff, namely new employees assigned to station duty through to our conductors, drivers and deputy stationmasters all undergo staff training. Using a replica train carriage and CAI\* the center runs a variety of educational programs, practical classes and training drills and this is where all our employees learn about safety, specifically working to raise and improve their awareness, consciousness and technical skills related to safety.

With regard to the training of staff assigned to work on the trains themselves, not only are these employees dispatched to training programs at the Train Operation Training Center, they also participate in regular training programs and specialized training that they will undertake at their workplace locations to further increase their awareness of safety issues. This is our way to respond to the trust placed in us by our passengers.

\*CAI Computer Assisted Instruction

### ● Making Our Teaching Materials More Visual

At the Train Operation Training Center, in order to increase the effectiveness of our training programs we have created a variety of teaching materials using photos and moving images, etc., utilizing videos, PCs and PowerPoint-based software.

These materials are used at the Train Operation Training Center with our regular training programs and specialized training courses as well as with our on-site training.

### ● Technical Training

For workplaces with a technical aspect, the Company is moving forward with promoting the continuity of technological expertise from one generation to the next as well as implementing its policies of reforming the way we look at safety. This involves holding Safety Seminars, practical workshops and training drills as well as analyzing incidents from the past. The emphasis on raising awareness is focused on preventing our employees from getting stuck in a rut as regards safety. We have professional confidence in our proprietary systems and we work hard on training to improve our technical expertise and on fostering the next generation.

Furthermore, in order to advance our technical capabilities and further polish our techniques, we make use of training facilities to school our employees on different methods of checking and investigation, as well as running drills based on incidents that actually occurred in the past.



Level-crossing safety training facilities



Work-site training on a feeder and a pole

## Integrated Training on Restoration from Accidents

In order to ensure safe operation, the fundamental principle of the transportation services, in addition to the education and training programs mentioned above, every year the Railway Business Division as a whole undertakes an integrated training program based on a hypothetical accident. The overall aim is to raise awareness of safety issues, so various scenarios are prepared, such as a large-scale earthquake or a train striking a car, resulting in a derailment. Guidance is given on how to evacuate passengers and how to rescue the injured. Attention is paid to how the damage from a derailment or line breakage can be repaired and drills are run to illustrate which department need to be notified and how. During fiscal 2009 a simulation was staged at the Hagurazaki car shed and the scenario for the drills described a train that had derailed in the station area resulting in a lot of injuries.



Integrated training based on restoration from accidents

## Together with our Stakeholders

Because our customers demand safety and trust, the Company is working hard to actively disclose information and to source the opinions of a wide variety of stakeholders. We hold these opinions dear and harness this feedback in our business activities.

### Promotion of Barrier-Free Stations

During fiscal year 2009, construction was completed in 5 stations, making them barrier-free: Suminoe, Shichido, Minato, Ishizugawa and Sayama.

As a result, we have now installed 81 elevators in 32 stations including Namba, Shin-imamiya and Tengachaya, etc. and there are now 124 escalators installed in 28 stations (including 26 escalators equipped for wheelchair users) including Namba, Chiyoda and Kishiwada stations. We have boarding ramps for wheelchair users at 80 stations, Braille timetables and automatic ticket machines equipped with Braille in 92 stations and 48 writing tablets installed in 37 stations. We have installed textured paving and toilets with handrails in all our locations (99 stations) and 49 of our stations have dedicated toilets for wheelchair users. We are moving forward with installing fully-appointed multifunction toilets so that our stations are convenient for wheelchair customers, the elderly, pregnant ladies and people with disabilities.

Furthermore, inside the station concourse the Company has installed Braille maps with voice recordings to explain where certain facilities are located. Sensors detect when a person is close by and this triggers the voice recording. This system is currently installed in 22 stations.



Toilet facilities at Sayama Station following barrier-free construction work

### Actively Promoting Information Disclosure

In order to realize a sound management approach with a high degree of transparency, the Company is active in disclosing and sharing corporate information with shareholders, investors and society at large, such as our business performance and the status of our business projects, etc.

With regards to institutional investors, the Company holds a results briefing twice a year and the Company also undertook investor relations (IR) activities overseas in 2008. Moreover, in order to ensure fair and active information dissemination to individual investors and to society in the wider sense, we have created a Corporate and IR Information section on our website where information related to the financial status of the Company is made available every quarter. With respect to the disclosure of IR information, the Company is strict in its adherence to legal standards and regulations regarding fairness and transparency.



Annual General Meeting of Shareholders

### Topics

#### Selected as a leading CDLI company through the implementation of CDP

Established in 2000, the Carbon Disclosure Project (CDP) is an international organization that ties together global institutional investors, primarily centered on Europe and America, with its headquarters in the UK. The 470 leading global financial, insurance and securities companies, under their joint names, conduct a survey of the world's largest companies in terms of market capitalization (500 companies in Japan) and the results of this environmental issue survey and questionnaire are available on their website.

Last year, our company was selected as a leading company in Japan in the 2009 Carbon Disclosure Leadership Index (CDLI) conducted by the CDP. The CDLI is a list of the companies worldwide that, based on the

results of this annual survey of globally important companies tied in with institutional investors, have been outstanding in the level of information disclosure and their strategies to combat environmental issues based on the aims of CDP, namely a global project to disclose and reduce the amount of CO<sub>2</sub> released due to their business affairs.

In fiscal year 2009, 4000 companies worldwide were surveyed, including 500 companies in Japan. Following the survey, 31 companies in Japan, including the Nankai Electric Railway Co., Ltd., were selected as outstanding in terms of the amount of information they disclosed about their attitude towards climate change and their strategies to reduce their CO<sub>2</sub> emissions.

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## Human Resource System that Promotes Self-Improvement

Since fiscal year 2003, with the aim of realizing our corporate principles and attaining our management goals, each employee has been encouraged to undertake self-improvement and in order to ensure that the Company and the employee's division offer their full support the human resource system has introduced an 'objective management system' alongside an evaluation system.

In addition to creating two-way communication between the employee and his/her superiors, forming the basis of a relationship built on trust, each and every employee will mature and contribute to the business plan in accordance with the management cycle, with the overall goal of improving service levels across the corporation as a whole.

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## Female Employment

In accordance with the spirit of the Equal Employment Opportunity Act for Men and Women, the Company decides to employ and assign positions to individuals on their personal merits, not their gender. In terms of our female employees, the Company has recruited 2 women to work in supervisory roles and they are currently serving as Managers as well as 2 women working as Assistant Managers (as of June 2010).

Also in recent years, the Company has made progress in hiring women to work in railway on-site operations. Our railway business, used as it is by an unspecified large number of people, the female perspective and sensitivity is essential in order to improve our levels of service. We will continue to improve our work environment and look to expand the areas where our female employees can contribute.

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## Employing People with Disabilities

The Nankai Electric Railway is conscious of its important social duty to employ people with disabilities and so to promote this employment program the Company established a special subsidiary, the Nankai Heartful Service Co., Ltd. in February 2005. Currently 25 people with disabilities are employed as cleaners and to sort mail items, etc. and across the 7 companies that make up the corporate group, including the Nankai Electric Railway and other affiliates with special dispensations, people with disabilities make up 2.18% of the workforce (as of June 2010).

Furthermore, once hired these employees practice the *chorei* morning greetings and also keep a daily work journal as a way of improving communication. We will continue to tend to our work environment towards our aim of creating a workplace where it's easy to work.

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## Employing the Elderly

Since fiscal 2004, as a response to the increasing of the age from which the full social welfare pension started to pay out, the Company introduced a system whereby employees who were retiring could be re-hired by the Company, the basic approach being that whomever expressed a desire to continue work would be re-hired. There are currently 234 people, including staff on secondment, employed under this system in a variety of fields (as of June 2010).

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## Promoting Work-Life Balance

### ● Reducing Total Working Hours

In order to ensure consistency between health in the workplace and the employee's family life, the Nankai Electric Railway has introduced a number of measures, such as a system of planned annual leave, to promote employees to make use of their annual paid leave allowance, thus reducing their total working hours.

Furthermore, the Company is working towards stricter controls on the amount of hours its employees are working and to reduce the amount of overtime work by limiting the number of consecutive rest days an employee works as well as the amount of after-hours work they put in, by spreading work tasks evenly across the workforce and a system of varying employee working hours. Again, all of these measures will contribute to a reduction in total working hours.

### ● Promoting Childcare Leave, Family Care Leave

In full compliance with the purpose of the Child Care and Family Care Leave Law, Nankai Electric Railway has enacted Childcare Leave Regulations, Family Care Leave Regulations and Sick Childcare Leave Regulations.

Moreover, in addition to the leave of absence and vacation systems, the Company is also working to reduce the number of hours spent by employees at work as well as striving to create a workplace where employees are able to gain a better balance between work and their family lives, especially employees who are raising children and/or caring for family members at home.

## Education and Training Systems

Part of the Kenshin 126 Plan, 'Dependable, Steady Growth and Evolution over the Next 3 Years' is the name of the new 3-year management plan and in order to deliver concrete results, at its heart is the Education Implementation Plan for fiscal year 2009. The education program was implemented and executed in accordance with the plan.

Continuing on from the previous fiscal year, one aim that was emphasized in the plan was to foster high-quality employees (with the goal of reinforcing the strength of the corporate group). To this end a number of different training programs were held that focused on Approaches to CSR (Corporate Social Responsibility) Penetration and Enriching the Corporate Group Training System.

### ■ Courses held in fiscal year 2009

	Subjects	Content	Number of Attendees
Compulsory Training	Manager	Management	12
	A Newly-Appointed Section Chief	Management, etc.	13
	Promoted personnel	Career Development	18
	New hires	Workplace conformity, a grasp of the Company outline	86
Training Courses for specific purposes	Manager	Work Management, etc.	38
	Employees of the Nankai Electric Railway Co., seconded employees, Corporate Group employees, etc.	Problem Solving, Creative Thinking, Improving Negotiating Skills, Financial Management, etc	219
Total			386

## Creating a Workplace Where It's Easy to Work

### ● Human Rights Education

The most important issue for us as citizens is to respect human rights; it is enshrined in our constitution. In particular, for our Company, a public transport organization that manages a rail network, we feel human rights are such an important mission that we need to tackle this matter head-on, starting with social discrimination issues, as well as issues of race, gender and disability, etc. The Company has been hosting a human rights training program since 1971.

Moreover, since April 1985 when the Company established a Human Rights Issue Promotion Committee, the corporate group has constantly strived to educate and enlighten employees through the enriched content of its

training courses in order for these employees to possess a correct appreciation of human rights issues and to deepen their understanding.

### ● Sexual Harassment: Prevention and Enlightenment Training

Based in the revision of the Equal Employment Opportunity Act for Men and Women in April 1999, the Company established a sexual harassment counseling desk to prevent sexual harassment incidents before they developed. Moreover, in order to enlighten employees of the Company and of the corporate group, a training seminar on sexual harassment prevention and education is held every year.

Furthermore, since fiscal year 2009, in addition to sexual harassment the Company has recognized that power harassment is a serious problem that can lead to low morale, mental health problems, people leaving their jobs, etc. and as a consequence, in order to prevent sexual and power harassment before they develop the Company held a seminar on how to access the sexual/power harassment counseling desk as well as a training session on sexual/power harassment prevention and education.



One of our training programs

## Occupational Health and Safety

The provision of goods and services by the Company across all its businesses is prefaced on a basis of safety and peace of mind coming first. The safety and hygiene of our employees is essential and so, in accordance with Labor Standards Law, Industrial Safety and Health Law and other related legislation, through the smooth operation and thorough execution of our health and safety obligations we are working hard to create a comfortable work environment, prevent industrial accidents and promote maintaining and improving the health of our employees.

Furthermore, since the introduction of risk assessment\* in fiscal year 2005, the aim has shifted from a target of 'no accidents' to 'no risk' whereby the causes of industrial accidents, latent dangers and hazards are eliminated or reduced, with the aim of working to improve safety standards in the workplace.

\* Risk Assessment: An approach to plan for a safe workplace by looking at possible sources of latent hazards in the workplace and to estimate and evaluate the risk of a major problem developing from these sources. Using these evaluations, measures are put in place to eliminate or reduce these risks.



# Environmental Policy and Management Systems

The Nankai Group wants to contribute to the prevention of global warming and the preservation of the global environment by reducing the environmental burden of its business activities.

## Environmental Philosophy and Policies

The Nankai Group has established the Nankai Group Environmental Philosophy; an environmentally-friendly approach to group business towards a society that is kind to the natural environment. The 3-year business plan, the Kenshin 126 Plan, places 5 fundamental policies as top priorities and challenges us to undertake a more forceful approach to environmental protection instead of continuing with our current environmental measures. It is clear that environmental preservation is an important management issue.

### Environmental Philosophy

We, the Nankai Group regard protection of the global environment as one of our missions. We always consider the environmental impact of our business activities, and work to foster a society that treasures the environment.

### Environmental Policies

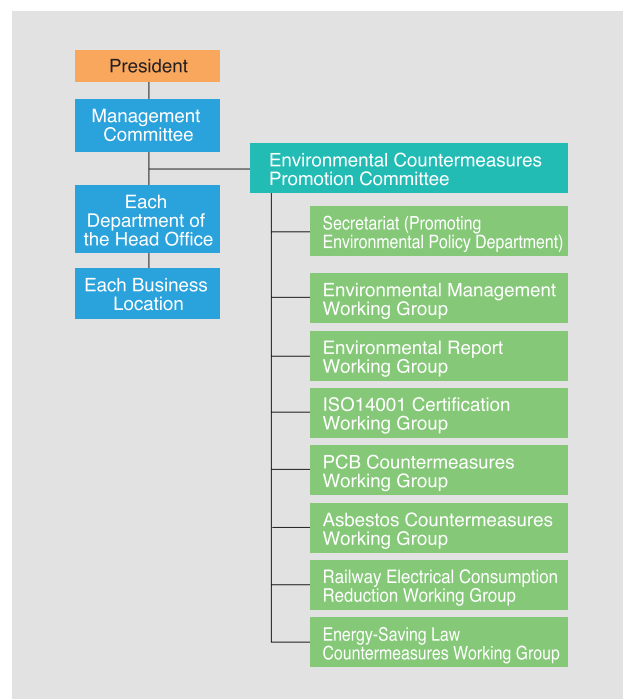
Based on the corporate group's environmental philosophy, the Nankai Electric Railway recognizes its social responsibility to apply an environmentally sensitive approach in its mainstay railway business as well as all its other businesses. To this end the Company has enacted the following Environmental Policy.

In order to promote the use of the railway as environmentally-conscious transportation and to form a connection with environmental protection, the Company is promoting environmental protection activities every area of its business.

1. By broadening the use of the railway, a highly energy-efficient method of transport, the Company will strive to promote global environmental activities as well as preserving the environment adjacent to its rail network.
2. The Company shall abide by all laws and regulations in addition to all other agreements regarding the environment, as well as working to prevent pollution. Environmental preservation plays an important role in all our businesses.
3. The Company will work to increase awareness of environmental issues through activities to educate each and every employee. Furthermore, by cherishing the importance of maintaining communication with the customer through various methods of transmitting information, the Company will work towards harmony with the regional community.
4. The Company shall set targets and goals related to our environmentally-friendly business practices; said goals to be reviewed when the need arises.

## Promotion System

In order to promote our environmental approaches and the smooth flow of information, the Company has established an Environmental Countermeasure Promotion Committee, with a secretariat located in the Promoting Environmental Policy Department. Furthermore, the scope currently covers the Nankai Electric Railway (Head Office, Railway Business Division, Real Estate Business Division) but it will be developed to cover the entire corporate group in the future.



## Working towards acquiring ISO14001 Certification

The Company has implemented an environmental management system based on ISO standards (ISO14001) and is striving to make constant improvements to its environmental burden. Both the Rolling Stock Department of the Nankai Electric Railway and the Nankai Vehicles Service Engineering Company (who together make up Chiyoda Plant) acquired ISO14001 certification on March 23rd 2010 thereby being united by the same environmental management approach. In the future, head office also plans to acquire the same certification as we work to expand and deepen our environmental management system.



Presentation ceremony for ISO certification

# FY2009 Performance and Strategic Policies for FY2010

The Company, department by department, sets goals for the mid-term as well as for individual fiscal years. Each year these goals are evaluated with the aim of reducing our environmental burden.

## FY2009 Performance and Strategic Policies for FY2010

Important Themes	Environmental Goals	Concrete Measures and Targets to be met FY 2009
Promoting the use of public transportation	Campaign to promote the use of the trains and buses	Increase employee awareness by making use of various information tools and the internal company magazine
	Reinforcement of services to promote the use of trains and buses	Establish and implement a park-and-ride policy
	Promotion of barrier-free initiatives	Complete barrier-free works at 5 major stations
Environmentally-sensitive business activities	Products and Services created around an environmental concept	Establish minapita eco-points for forestry support
		Undertake sales promotion activities, environmental education activities at events
		Install Eco donation boxes in convenience stores
		Continue with the system whereby shareholder privilege cardholders donate to environmental causes
		Participate in environmental events for our trackside communities
	Measures to prevent global warming such as reducing CO <sub>2</sub> emissions	Introduce 8 energy-saving cars
		Introduce drive recorders, begin operations at all our sales offices
		Renew 6 highly-efficient transformers
		Introduce LED lighting, inverter-type lighting devices, LED signals
		Continue with the solar energy electricity generation experiment at Izumisano Station
		Further tree thinning and trimming activities at 'Nankai no Mori', the 42ha of woodland owned by the company
	Use of water resources; reducing resource waste	107 waterless toilet units installed in 23 stations realizing a water-saving of 46,823m <sup>3</sup>
		Reduction in the number of plastic carrier bags and merchandise that has to be disposed of ( <i>bento</i> lunches past their best before date, etc.)
	Preventing track noise and vibration	Carry out extensions of the long-rail program; total extension of 116km; rail scraping of 7km
	Promoting Green Purchasing	Calculate a Green Purchasing ratio, expand the number of applicable commodities
Strict legal compliance	Change carriage air conditioning refrigerants to those with an ozone layer depletion potential of zero	
	Regular air measurements to be taken in buildings ascertained to contain asbestos	
Strengthening Environmental Communication	Promotion of preservation activities at Nankai Forest	Begin tree-thinning by volunteer employees at the forest land owned by the Company
	Enrichment of content for the Environmental Report	Publish the CSR Report in September
Environmental Awareness Education and Promotion	Reinforcing the Environmental Management System	Acquire ISO14001 and Green Management certification
	Provision of environmental education	A training program for freshmen and two management training programs to be held during the year

Evaluation symbols: ◎ Goal attained and exceeded; ○ Goal attained (includes goals almost attained); × Goal not attained

	Results in FY 2009	Assessment	Targets to be met by FY 2010
	4 items: establishment of 'Eco Motion Nankai', our eco-logo; official website, posters, etc.	○	In addition to using various information tools, the internal company magazines will be used to raise employee awareness
	In 2010 we had plans to implement a discount program for people using IC cards to travel on the railway at Misaki Koen Station	×	Implement a park-and-ride program at Misaki Koen Station
	Work completed at 5 stations (Suminoe, Shichido, Minato, Ishizugawa, Sayama)	○	Complete work at 7 stations (Misaki Koen, Asakayama, Hatsushiba, Takidani, Kawachi-Nagano, Rinkanden-entoshi, Hashimoto)
	In one year approx. 5.53 million points were totalled up, which means that approx. 5.53 million yen was donated to 9 organizations	○	Continue with the minapita eco-points program with plant and tree cultivation in 5 locations as part of the Koya Hana Railway Project
	Recycled paper was used for the Christmas event, eco-bags were distributed when stores underwent renewal	○	Run an ECO Campaign, introduce ECO goods for Christmas
	Donation boxes were installed in all convenience stores located near our rail network and in one year they raised approx. 240,000 yen	○	Continue having the eco donation boxes at an3 and nasco+ stores and aim to raise more than 240,000 yen
	731 people gave donations to Environmental Protection Agencies that were equivalent to 2,193 saplings	○	Continue with a system to donate to Environmental Protection Agencies
	Participated in events in Sakai, Kawachi-Nagano and Hannan cities	○	Set up an Eco Booth at the Sakai Festival and the Train Festival
	Introduced 8 cars	○	Introduce 4 energy-saving cars
	Operations started at all our sales offices by January 2010	○	Make use of the drive recorders to implement an eco drive program
	15 highly-efficient transformers installed	○	Install 15 highly-efficient transformers
	Inverter-type lighting devices installed in 2 stations, 197 LED signal units installed in 127 signals	○	Convert 42 sets of signals and level crossing warning lights, etc. housing 42 lights over to LED units
	The experiment continues, generating 10,391kwh (a reduction in CO <sub>2</sub> emissions of 5.7t)	○	Complete the installation of solar energy electricity generation equipment at Izumiotsu Station
	42ha of forest thinned and trimmed	○	Trim, thin and fell 42ha of forest
	117 units installed in 27 stations realizing a water-saving of 72,970m <sup>3</sup>	◎	Reduce the expense of cartridges used by the waterless toilets
	A reduction in plastic carrier bags of approx. 1.5%	○	Continue with the campaign to reduce the number of plastic bags given out at convenience stores
	2.9km of long rail, total extension of 115.2km; rail scraping of 11.2km	○	Long-rail to be extended by 2.5km, rail scraping, corrections and extensions by 4.5km
	Online Green Purchasing ratio of 75.8% and 56.3% offline achieved	×	Aim to achieve an online Green Purchasing ratio of 80% and offline Green Purchase ratio of 60%
	Refrigerants changed as well as the planned share for fiscal year 2010	○	Change carriage air conditioning refrigerants to those with an ozone layer depletion potential of zero
	Annual measurement carried out and all readings were evaluated to be within the acceptable range	○	Regular air measurements to be taken in buildings ascertained to contain asbestos
	In May 2010 company employees volunteered to thin and trim trees twice	○	Continue with tree-thinning activities
	CSR Report published in September 2010, with the English Edition published in February 2011	○	Continue to publish Japanese and English versions of the CSR Report
	The Chiyoda Plant (Nankai Railways, Nankai Vehicles Service Engineering) acquired certification in March 2010	○	Begin the process for Head Office to acquire ISO14001 certification
	A total of 194 employees underwent training over three sessions held during the year	○	Prompt employees to take environmental and social certificate examinations

# Reducing CO<sub>2</sub> Emissions to Prevent Global Warming

The Nankai Electric Railway is looking to improve transport efficiency by introducing new energy-saving trains, etc. to prevent further warming of the global climate.

### Aims for fiscal year 2009

Over three years (fiscal 2008 to 2010) the three companies together are looking to reduce emissions by 3% (some 6,240t).

### Actual performance in fiscal year 2009

A reduction of about 6,415t (3.2%) in two years.

### Aims by fiscal year 2020

A reduction of more than 15% compared with per unit of transportation volume 1990 (a reduction of 11% as of 2009)

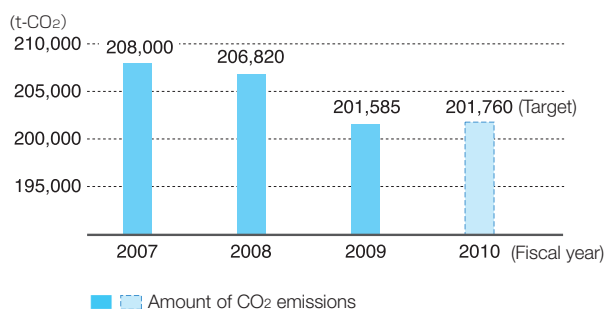
## A 3% reduction in CO<sub>2</sub> emissions

The Nankai Electric Railway, Nankai Bus and the Nankai Urban Development Company together totaled approx. 208,000t of CO<sub>2</sub> emissions for fiscal year 2007 and these three companies together set a target of a 3% reduction in CO<sub>2</sub> emissions for fiscal 2010 (total emissions of 201,760t, a required reduction of 6,240t). The emissions total for fiscal 2009, the second year since setting the target, was 201,585t (a reduction of around 6,415t compared with fiscal year 2007) and we are currently on course to exceed our planned target. Particularly significant for fiscal year 2009 is that we have already achieved a reduction of 5,235t.

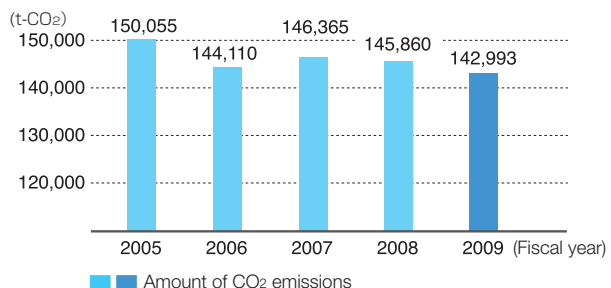
The reasons behind these figures are the proliferation of a new strain of influenza, a relatively cool summer that meant less electrical power consumption, improvements in our railway business through the remodeling of eight 6200-series cars to make them energy-saving models by installing VVVF control equipment and regenerative brakes as well as a temporary settlement in the number of construction workers transported by the Nankai Bus Co., Ltd. to the construction site of the Sharp Sakaihamma Plant.

Furthermore, in the long term we are aiming for more than a 15% reduction on their combined emissions in terms of the per unit transportation volume by 2020, compared with their numbers from 1990.

● Transitions of CO<sub>2</sub> emissions for three companies in the Group



● Transitions of CO<sub>2</sub> emissions for the Nankai Railway Company



The conditions for the 3% reduction are as follows:

**Conditions:**

Does not include energy consumption for the buildings leased by the Company's Real Estate Division.

Does not include energy consumed by tenants in said buildings, such as convenience stores, etc.

In order to maintain an accurate comparison with data from the previous year and two years ago, electrical output coefficient for trains and buses is set at 0.555kg/kWh and the electrical output coefficient for Nankai Urban Creation set at 0.338kg/kWh (from this year, a coefficient of 0.355kg/kWh is used in reports based on the Energy Conservation Law, etc.). Accordingly, our Company's regular reports based on the Energy Conservation Law puts our CO<sub>2</sub> emissions at 92,149t-CO<sub>2</sub> (refer to p23 for more details) but in this report our CO<sub>2</sub> emissions are 142,993t-CO<sub>2</sub>.

Since the merger with Nankai Urban Creation (dated October 1st 2010), the CO<sub>2</sub> emissions reports will be for both companies in the Group.

## Energy Reduction in our Business Activities

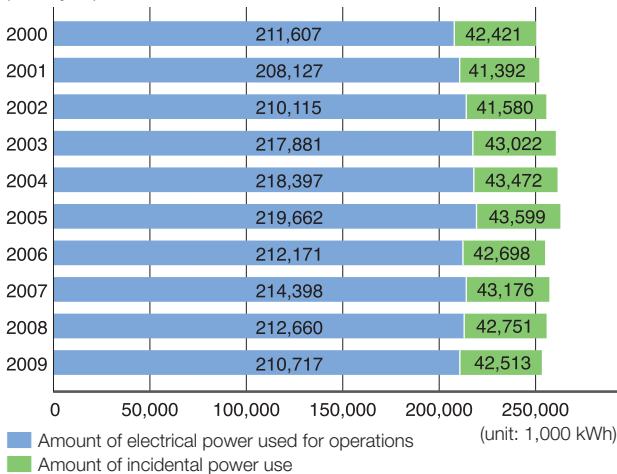
### ● Reduce the Amount of Electricity consumed by the Railway

The amount of electricity used by the railway was 253.23 million kWh in fiscal 2009, of which train operation made up 83.2%. The amount of CO<sub>2</sub> emissions attributable to electrical power used by the railway was 139,048t-CO<sub>2</sub>, or some 97.2% of the total emissions for the Company (142,993t-CO<sub>2</sub>).

Therefore in order to reduce CO<sub>2</sub> emissions the Company aims to reduce the amount of electricity consumed by the railway. This has become a very important issue for the Company going forward. Electricity consumed by the railway peaked during fiscal year 2005 and has been steadily reducing ever since.

● **Transitions of electricity consumption for train operations**

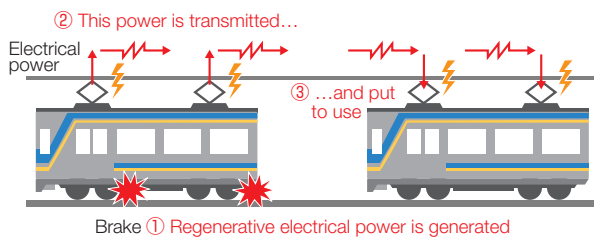
(Fiscal year)



● **Regenerative Brakes**

The generating brake is a kind of electrical brake that uses a resistor to change electricity to heat. However, because this method changes electrical energy into heat, the energy is lost and cannot be used in an effective manner. A regenerative brake can return electrical power to the power cables for other trains to use effectively. As of March 31, 2010, of the 690 cars in service, 258 (37.4%) have been equipped with regenerative brakes. The mean installation base across the 16 main private railway companies is 75.7%.

● **How the electrical power regenerative brake mechanism works**



● **VVVF Inverter Controls**

Train speed is controlled by VVVF inverter controls, a speed control method using an inverter device which changes the voltage and frequency of signals to control revolutions and motor torque, according to the speed and acceleration required.

Conventionally, speed has been controlled using a resistor to act as a load on the motor, which is one way of adjusting voltage. In this way some electrical energy becomes heat and is released, generating some electrical power loss. With VVVF inverter controls, there is no wasteful electrical power consumption, so it is an effective method of electrical power conservation.

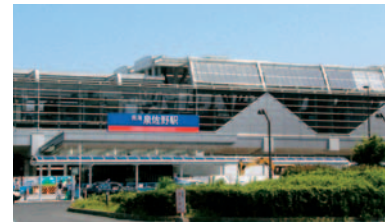
As of March 31st 2010, of the 690 cars in service, 208 (30.1%) have been equipped with VVVF inverter controls. The mean installation base across the 16 main private railway companies is 45.0%.

● **Solar power generation systems on the roofs of stations**

As part of our efforts to reduce the burden on the environment, the Company participated in a joint research project with the New Energy and Industrial Technology Development Organization (NEDO), an independent administrative agency. In April 2008, a solar power generation system was installed at the Izumisano Station on the Nankai Line.

This system has a maximum output of 10kW and with this system it became possible to cover some of the electrical power needs for Izumisano Station. Over the period of a year the system can provide Izumisano Station with 10,391kWh.

The electricity generated by this system, combined with the electric power supplied by the existing system, is used by every facility in the station building.



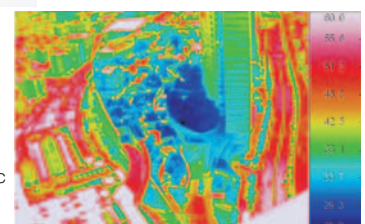
The solar power generation system at Izumisano Station

● **Environmental survey of Namba Parks**

Namba Parks is located on the south side of Namba station and was part of a 12.7ha redevelopment project on the site of the former Osaka ballpark. Namba Parks is a compound greenery urban site and was born from the Redevelopment Plan for the Namba District.

Namba Parks is practical proof of the urban 'cool island' resulting from experiments in 2004 to reduce the heat island phenomenon, but the survey of this time also includes a focus on the heat environment (the picture and thermographic image below were taken on July 29th 2009) as well as the bioenvironment and fixed CO<sub>2</sub> emissions using an evaluation method based on the actual situation therein. By investigating a step further than conventional measurements, this survey aims to obtain a result which can withstand continuous investigation and future measurements.

By gaining an accurate grasp of the current situation through this survey and continuing these surveys in the future, we can capture any increase of fixed CO<sub>2</sub> emissions through the continuous growth of trees.



A photo of Namba Parks (above) and a thermographic image taken from the same location on July 29th 2009

## Protecting Biodiversity

In October 2010 the 10th Meeting of the Conference of Parties to the Convention on Biological Diversity (COP10) was held in Nagoya. The beautiful woodland and biotope located along our railway track sustain the existence of a variety of flora and fauna. Moving forward, we will strive to introduce the importance of living organisms and protect biodiversity.

### Aims for fiscal year 2009

Our aim was to start a thinning program (including selective felling), the target result being a reduction in CO<sub>2</sub> (38ha, 190t).

This was the second time to run a program of preservation activities at 'Nankai no Mori' - the Nankai Forest

### Actual performance during fiscal year 2009

Thinning out some of the trees resulted in a reduction in CO<sub>2</sub> (38ha, 190t).

The program for November 14th 2009 was cancelled due to rain. So on May 8th 2010, 50 staff volunteered their time to participate in the 'Nankai no Mori' Nankai Forest Preservation Activity

## Entering into an Agreement with Osaka Prefecture as a Green Partner

On June 23rd 2009, Nankai Electric Railway and Osaka Prefecture signed a Green Partner Agreement whereby both parties agree to increase and promote the rich, green, natural countryside that can be found surrounding the entire Nankai rail network. The Company is moving forward with Osaka Prefecture in a number of joint projects, such as tree-planting at the KYOSEI NO MORI (Sakai City) and creating biotopes at the burrow sites for the second phase of construction at the Kansai International Airport (Misaki-cho, Sennan-gun).



The Green Partner Agreement

## Biotope project in Tanagawa District, Misaki-cho

The southernmost part of Osaka Prefecture, Misaki-cho, is the site from which the earth used in the second phase runway project at Kansai International Airport was taken and is now home to a huge 2ha biotope. The Company has donated its signature trees, the camphor and Japanese hackberry, to the site as well as providing volunteers to work to create fields and perform weeding tasks, etc., every month.

On May 16th 2010, the Company held an event for people to hike and enjoy the nature of the biotope (a joint event held with Osaka Prefecture and other parties).



Hiking the Biotope

## Maintaining a forest at Gomadanzan

The Company owns a 515ha plot of forested mountain land, the Nankai Forest (some 130 times the size of the Koshien Stadium) on the slopes of Gomadanzan, known as the 'Roof of Kishu'. Since 1977 the Company has been planting Japanese cedar and cypress trees on this land.

On May 8th 2010 the Company held a staff volunteer program, the 'Second Nankai Forestry Preservation Activity'. All told, 50 staff members came along to help with thinning the forest.

On the day, the forestry association of Totsukawa village and the Agriculture Promotion Office of Southern Nara Prefecture were kind enough to offer their guidance as our volunteers worked on trimming branches and thinning out cypress and cedar trees for an hour. The volunteers then took the felled timber to the forest road where they used woodworking tools to make coasters. For the volunteers, this was their first taste of this type of work and they struggled willfully and stuck to their task. After spending an enjoyable day maintaining the forest, they finished their duties with a deep appreciation of the joy of making things as well as the importance of environmental protection.



Forest thinning activities at Gomadanzan

### Area by tree type (manmade forest)

Tree type	Manmade forest				Natural forest and other broadleaf trees	Other trees	Total
	Cedar	Cypress	Cedar and cypress	Pine			
Current area (ha)	87.46	1.23	207.96	6.84	205.05	6.46	515
Volume of Forest (m <sup>3</sup> )	19,058	158	30,620	684	34,252		84,772

## Promoting Effective Use of Water Resources and the 3Rs

It is expected that in the future the effective use of water resources and the issue of greenhouse gases will become very serious issues and as such, we have installed water-free urinal as part of our water conservation policy.

### Aims for fiscal 2009

- Reduce the waste of natural resources (target: more than 1%)
- Reduce water usage through water conservation (a reduction of 6% on the target year)
- Calculating green purchasing rates (achieving online purchases over 80% as well as calculating offline purchase rates)

### Actual results for fiscal 2009

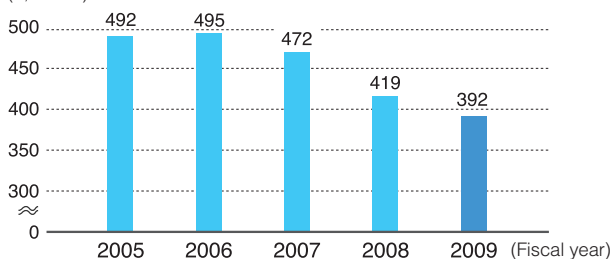
- Reduce the waste of natural resources: a 1% reduction in a year
- Reduce water usage – actual results: a reduction of 9% in a year
- Online purchase rate is 75.8% Offline purchase rate is 56.3%

### Expanding our waterfree urinal locations

With the aim of providing comfortable toilet facilities and still contributing to the conservation of our water resources, the Company has been installing non-flushing toilets – waterfree urinals for men – since March 2007 when a test unit was installed in Hakotsukuri Station. As the results of this test has confirmed the savings in terms of water use, from fiscal year 2008, the Company moved forward with installing quantities of units on the Nankai Line and the Koya Line. As of March 2010, 117 units have been installed in 27 stations.

The water conservation effect of the waterfree units currently installed adds up to a total of approx. 72,970m<sup>3</sup> of water a year (an effective cost saving of approx. ¥22.6 million yen, compared with two years ago when these units were yet to be installed in the railway section), or about 18.6% of the total water consumption of the Company as a whole, approx. 391,800m<sup>3</sup>. At the same time the reduction in energy required to transport the water through the water system is estimated to reduce CO<sub>2</sub> emissions by approx. 42.3t annually. The Company is planning to expand its installation of these waterfree urinal units as part of its environmental preservation efforts.

● Amount of water used (1,000m<sup>3</sup>)



### Promoting Green Purchasing

Green purchasing began to be implemented across the Company as a whole in fiscal year 2009. The first goal was to specify the purchase of products (such as office supplies, etc.) that could be bought online to a rate of green purchasing of over 80%.

Our performance for the fiscal year was 75.8%, an unfortunate shortfall of 4.2 percentage points. However, the green purchasing rates for each department in each quarter were calculated and individually informed and each department is showing an improvement quarter-on-quarter. Green purchasing rates for the fourth quarter were 84.39%, some 4.39 percentage points over our stated goal and the first time we had succeeded in exceeding our stated goals.

For fiscal year 2010 we will maintain the goal of online purchases at over 80% as well as implementing an additional goal of offline green purchases (clerical items as ordered by the Material Purchasing department) to attain a rate of 60% or better.

	Number of departments
100% achieved	1
90%-99%	15
80%-89%	21
Goals achieved	total: 37
70%-79%	17
60%-69%	5
50%-59%	9
less than 50%	2
Goals unattained	total: 33

### Recycling Tickets

Since fiscal year 2004 we have been sending the tickets bought and used by our passengers to a recycling firm. These used tickets are reprocessed into products such as toilet paper, products for the disposal of human waste, etc.

# Environmental Accounting

Environmental accounting is a way to measure the cost of the Company's business activities in terms of environmental preservation and quantify as much as possible the effect of the Company's environmental preservation activities.

The environmental accounting practices used in fiscal year 2009 are as follows.

## Environmental Preservation Costs

(Unit: ¥)

Classification	Main content	Amount of money invested	Amount of expenses
Business area internal costs		1,000,946,177	264,342,859
① Environmental contamination prevention costs	Prevention of atmospheric pollution, water pollution control, noise pollution, vibration pollution	88,595,070	108,472,128
② Global environmental preservation costs	Prevention of global warming, energy conservation, prevention of the destruction of the ozone layer	894,914,607	8,306,100
③ Resource recycling costs	Conservation of resources, reduction in waste products, recycling, processing of waste products	17,436,500	147,564,631
Upstream and downstream costs	Recycling of used tickets, green purchasing	—	171,000
Cost of management activities	Environmental education, costs related to ISO14001	—	14,429,025
Research and development costs	Research and development related to environmental protection	—	400,000
Cost of social activities	Tree planting, beautification activities, attendance at and support of environmental seminars, environmental advertising	17,977,000	24,199,755
Cost equivalent to the damage suffered by the environment		—	—
Total		1,018,923,177	303,542,639

## Effects of Environmental Preservation

Classifying the Effects of Environmental Preservation	Types of Indicator		① Previous term (standard time period)	② Current term	(①-②) Difference between the standard terms	
	The effect of environmental preservation on the resources invested in our business activities	Gross energy investment amount	Breakdown	Electricity	965,773	945,567
Gas				933,454	916,710	16,744GJ
Fuel				15,514	18,202	- 2,688GJ
Amount of water used		16,805	10,655	6,150GJ		
Amount of OA-paper used		418,843	391,800	27,043m <sup>3</sup>		
The effect of environmental preservation on the environmental burden and waste products generated by our business activities	Gas emissions from the greenhouse effect	Breakdown	Electricity	5,519,371	5,891,769	- 372,398 sheets
			Others	94,001	92,149	1,852t-CO <sub>2</sub>
			Industrial and non-industrial waste	92,049	90,398	1,651t-CO <sub>2</sub>
			1,952	1,751	201t-CO <sub>2</sub>	
		43,380	15,465	27,915t		

## Economic effects of environmental preservation countermeasures

(Unit: ¥1,000)

Effective content		Amount
Profits	Business income from recycling waste and recycling used products (old rails, wheels, scrap iron)	92,574
Reduction in expenditure	Energy conservation = reduction of energy costs	291,836
	Recycle waste products to reduce waste processing fees	9,152
Totals for economic effects		393,562

## Indicators of Environmental Efficiency

CO <sub>2</sub> emissions for a car per 1km run (kg-CO <sub>2</sub> )	0.94
CO <sub>2</sub> emissions against operating revenue (t-CO <sub>2</sub> /million yen)	1.35




- The scope of these sum totals only covers Nankai Electric Railway
- Data was collected between April 1, 2009 and March 31, 2010
- References the 'Environmental Accounting Guidelines Ed. 2005' as published by the Ministry of the Environment and conforms with the 'Environmental Accounting Guidelines for Private Railway Businesses Ed. 2008' as published by the Association of Japanese Private Railways
- Only processes where a concrete cost could be assigned to environmental preservation have been included
- No depreciation has been included in the expenses associated with environmental preservation costs
- One of the economic effects of environmental preservation policies is a reduction in energy costs. Only the energy cost reduction items for energy in which the environmental preservation effects were recognized have been included in the expense data
- With regard to the amount of greenhouse emissions, our emission coefficient for electricity for this fiscal year is 0.355kg-CO<sub>2</sub>/kWh (this was 0.555kg-CO<sub>2</sub>/kWh for the prior fiscal year)





# Environmental Burden Data

In accordance with the revised Energy Conservation Law, this fiscal year the Company reports data of its burden on the environment (inputs and outputs) centered on its energy uses submitted to the Ministry of Land, Infrastructure, Transport and Tourism (Kinki Transportation Bureau).

## INPUTS

	Railway Business	Head Office and other Facilities		
<b>Energy</b> 	Electrical power	250,817,231kWh (−5,002,294kWh)	3,824,631kWh (+351,381kWh)	
	Urban gas	369,792m <sup>3</sup> (+84,019m <sup>3</sup> )	39,000m <sup>3</sup> (−29,669m <sup>3</sup> )	
	Propane gas	27,518kg (+9,966kg)	377kg (−914kg)	
	Gasoline	27kℓ (+0kℓ)	14,209ℓ (+325ℓ)	
	Light oil	66kℓ (−17kℓ)	1,340ℓ (−862ℓ)	
	Kerosene	22kℓ (−3kℓ)	11,463ℓ (+1,469ℓ)	
	Heavy oil	103kℓ (−124kℓ)	36,200ℓ (−13,850ℓ)	
	<b>Total</b>	<b>927,798GJ</b> (−19,697GJ)	<b>17,769GJ</b> (−508GJ)	
<b>Water</b> 	Water *1	311,270m <sup>3</sup> (−31,809m <sup>3</sup> )	80,530m <sup>3</sup> (+4,766m <sup>3</sup> )	
<b>Paper</b> 	Paper	2,671 thousand sheets (of paper) (+36 thousand sheets (of paper) )	Paper *2	3,220 thousand sheets (of paper)

## OUTPUTS

	Railway Business	Head Office and other Facilities	
<b>CO<sub>2</sub> emissions</b> 	CO <sub>2</sub> emissions	90,537t-CO <sub>2</sub> (−2.10%) *4	1,612t-CO <sub>2</sub> (+1.13%)
	<b>Waste</b> 	Metallic waste	1,457t (−82t)
Waste plastic		92t (−1t)	13t (+9t)
Sludge		111t (−371t)	42t (+42t)
Waste Alkali		0t (0t)	4t (+2t)
Glass and ceramic waste		5t (−298t)	0t (−10t)
Waste paper		24t (−60t)	1t (+1t)
Waste wood		123t (+75t)	0t (−10t)
Rubber waste		0t (−3t)	1t (+1t)
Earth displaced by construction*3		1,608t (−25,108t)	1t (+1t)
Waste oil		33t (+20t)	
Debris		6,602t (−270t)	
Slag		9t (+2t)	
Waste asbestos		1t (+1t)	
Concrete		3,146t (−1,085t)	
Other industrial waste		1,287t (+87t)	
<b>Total amount of industrial waste generated</b>		<b>14,498t</b> (−27,093t)	<b>62t</b> (+35t)
<b>Total amount of non-industrial waste</b>		<b>443t</b> (−867t)	<b>463t</b> (+11t)
<b>Total</b>	<b>14,941t</b> (−27,960t)	<b>525t</b> (+46t)	

Figures in parenthesis ( ) shows comparison with the previous fiscal year

\*1: For the amount of water used, data for Kansai Airport Station has been added to the totals from this fiscal year. (The usage data from the previous fiscal year has also been adjusted accordingly)

\*2: The data for the amount of paper used has changed from order-based data to usage-based data. Hence the discrepancy in the amount of OA-paper used as stated in the previous page.

\*3: Earth displaced by construction work is not industrial waste, but for the sake of convenience it is counted here as industrial waste.

\*4: These numbers represent the data submitted by the Company to the Kinki Transportation Bureau in accordance with the Energy Conservation Law. The CO<sub>2</sub> emissions totals were based on the amount of electric power consumed and calculated using the emission coefficient as set by Kansai Electric Power Co. of 0.355kg-CO<sub>2</sub>/kWh and this is why these figures differ from the CO<sub>2</sub> emission data on P18.



- If you have any questions or comments about this report, please contact:

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As a symbol of the proactive environmental activities of the Nankai Group going forward, the Group has established an eco-slogan and an eco-logo. Emblematic of our coexistence with our local communities and the natural environment, the green leaf design personifies our drivers and our trains – an illustration of our commitment to running our trains in tandem with our passengers.