

# Corporate Social Responsibility Report 2018



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

Promoting Environmental Policy Department  
Nankai Electric Railway Co., Ltd.  
(Secretariat of the Environmental Measures  
Promotion Committee)

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Nankai Electric Railway Co., Ltd.

## Corporate profile

### Corporate Philosophy

With wisdom 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

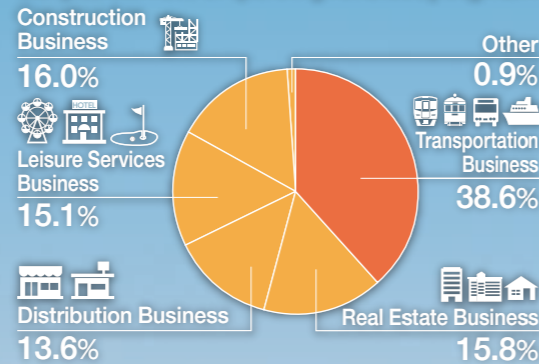
### A Dynamic Workplace

Creating a workplace brimming with vitality, harnessing the expertise and personal strengths of every employee

### Corporate Outline As of March 31, 2018

Company Name: Nankai Electric Railway Co., Ltd.  
 Established: December 27, 1885  
 Head Office: 2-1-41 Shikitsu-higashi, Naniwa-ku, Osaka, 556-8503, JAPAN  
 Website: <http://www.nankai.co.jp/>  
 Paid-in Capital: ¥72,983,654,121  
 Operating Revenue: ¥99.313 billion (head corporation) / ¥227.874 billion (consolidated)  
 No. of Shareholders: 52,529  
 No. of Employees: 2,615 (head corporation) / 9,158 (all group companies)  
 Managed track: 154.8 km  
 Rolling Stock: 688

### Composition ratio of operating revenue by segment



Note: The composition ratio is the ratio of operating revenues including transactions between segments.

### Editorial Policy

Since the 2014 edition, we have been including business overview and nancial information in addition to CSR information. For CSR information, we refer to GRI standard and provide comprehensive reporting.

**Applicable Term:** Fiscal 2017 (April 1, 2017 to March 31, 2018). Some information, however, is from outside this period.

**Organization covered:** Nankai Electric Railway Co., Ltd. The environmental report of Semboku Rapid Railway Co., Ltd. has been incorporated into this report since fiscal 2016, so we also report on the activities of Semboku Rapid Railway Line as well as other group companies.

**Guidelines referenced:** Environmental Reporting Guidelines, 2012 Edition by the Ministry of the Environment, Environmental Accounting Guidelines for Private Railway Businesses 2008 by the Association of Japanese Private Railways, and the GRI Standards

## Transportation Business



36 companies

Railways, rail track management, buses, ocean freight, cargo transportation, train maintenance

## Real Estate Business



4 companies

Real estate leasing, real estate sales

## Construction Business



5 companies Construction

## Distribution Business



11 companies

Shopping Center management, Business operations inside the Station Concourse

## Leisure Services Business



22 companies

Amusement Park management, travel agency, hotels and ryokan Japanese inns, Leasing of facilities for motorboat racing, building management and maintenance businesses, printing, advertising agency

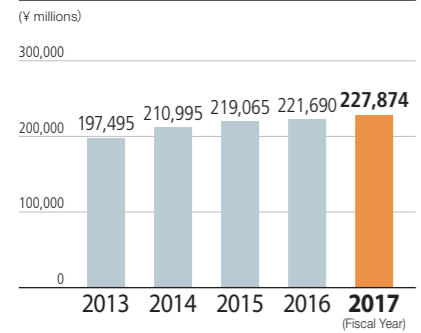
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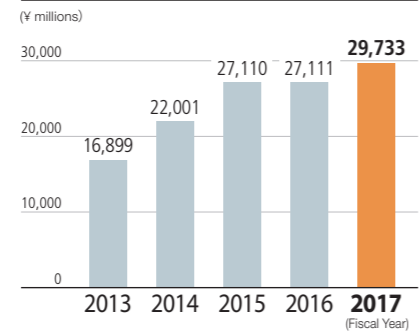
Company information by segment is current as of Sunday, July 01, 2018.



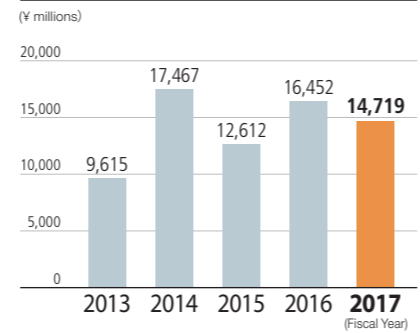
**Operating revenue\*1**  
¥227,874 mil.



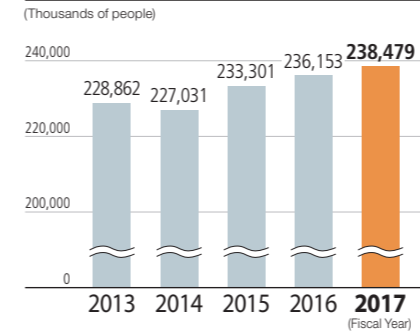
**Ordinary income**  
¥29,733 mil.



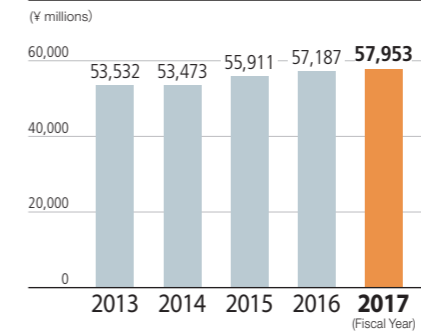
**Profit attributable to owners of parent**  
¥14,719 mil.



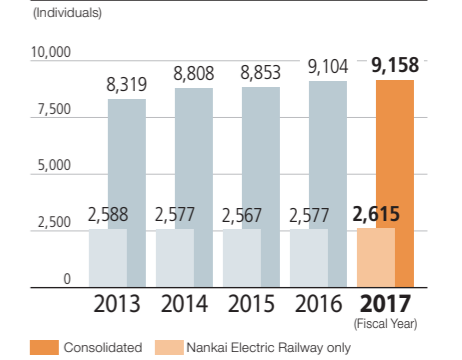
**Number of passengers**  
238 mil.



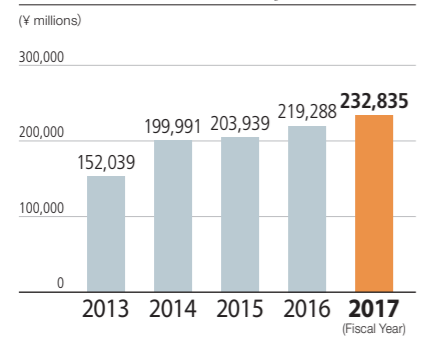
**Railway Revenue**  
¥57,953 mil.



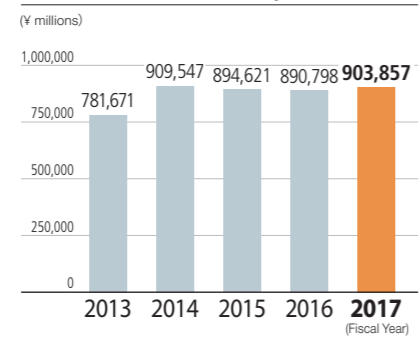
**Number of employees**  
9,158 (Consolidated)



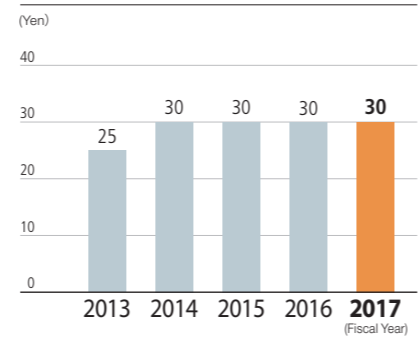
**Net assets**  
¥232,835 mil.



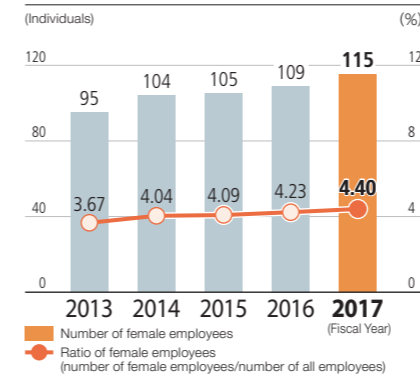
**Total assets**  
¥903,857 mil.



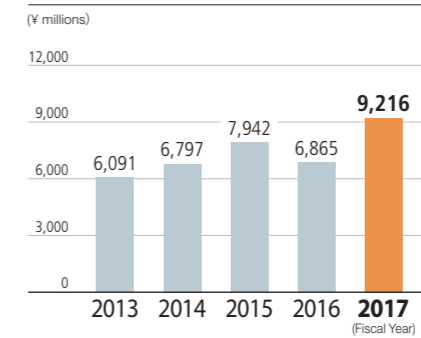
**Dividend per share\*2**  
¥30



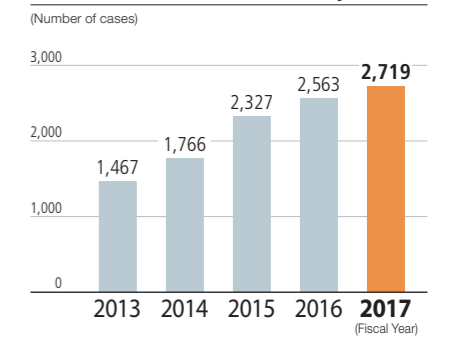
**Number of female employees**  
(Nankai Electric Railway only)  
115



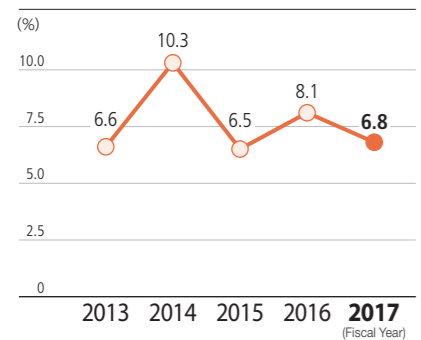
**Investments for safety**  
9.2 billion



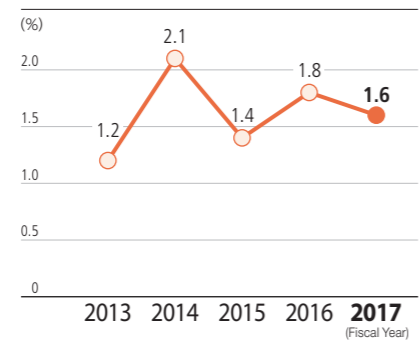
**Number of "Customer's Voice" cases**  
2,719



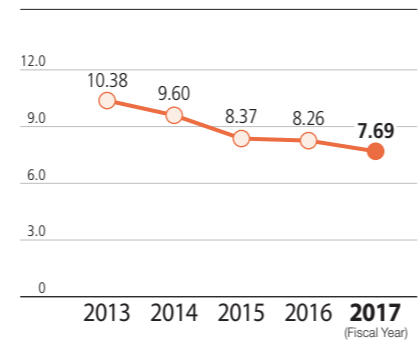
**Return on equity (ROE)**  
6.8%



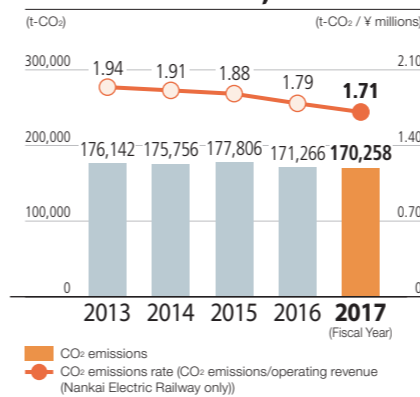
**Return on assets (ROA)**  
1.6%



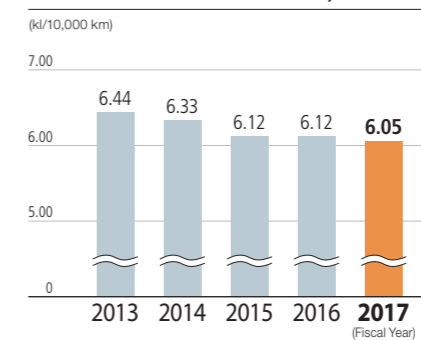
**Interest-bearing debt/EBITDA\*3 ratio**  
7.69



**CO<sub>2</sub> emissions**  
(Nankai Electric Railway only)  
170,258 t-CO<sub>2</sub>



**Rolling stock energy consumption rate\*4**  
6.05 kl/10,000 km



\*1 Operating revenue does not include consumption tax, for example.  
\*2 Values reflect adjustments for reverse stock split made October 1, 2017.  
\*3 EBITDA (earnings before interest, taxes, depreciation and amortization) = Operating Income + Depreciation and Amortization

\*4 Energy used by railway business (kl)/total operating distance of all railroad cars (10,000 km)

Based on how the corporation should be in 10 years as expressed in our Nankai Group Business Vision 2027, we will pursue advancement toward offering train lines that are chosen and being a corporate group that is chosen.



President and CEO

Teruhiko Achikita

### Overview of business results and main efforts in fiscal 2017

At our group, we continued to advance various measures during this period (fiscal 2017) to successfully conclude our SHINTEN 133 Plan in the last year of this medium term business plan. As a result, our operating revenue for the period increased to 227.874 billion yen (2.8% increase over the previous fiscal period). For income, our operating income was 33.971 billion yen (6.7% increase over the previous period) and our ordinary income was 29.733 billion yen (9.7% increase). In contrast, since decreases and losses in noncurrent assets for business uses were calculated as extraordinary losses, for example, the profit attributable to owners of the parent company declined to 14.719 billion yen (10.5% decrease from the previous period).

Typhoon 21, which hit the Kinki region in October 2017, impacted our railway business, which is the core of our transportation business. Railway line damage occurred on the outbound Nankai Line at the Onosatogawa Bridge and within the Kamikosawa Station on the Koya Line, making some sections impassable. The Nankai Line was repaired and both inbound and outbound lines began operating on their normal schedules from November 23, 2017. The Koya Line, which required some time to be repaired, reopened on March 31, 2018. In terms of operations, we increased convenience for overseas travelers and worked to attract them. Despite the impact of service suspensions and other factors, the operating revenue for our entire transportation business increased to 100.889 billion yen (1.3% increase over the previous fiscal period). On the other hand, due to increased depreciation and amortization as a result of constructing new rolling stock, operating income decreased to 15.004 billion yen (7.0% decrease from the previous fiscal period).

In the real estate industry, we acquired a rental apartment building near the Sakai Higashi Station on the Koya Line. We also attracted lodging facilities that support the needs of inbound travelers, which are increasing in number. Moreover, our condominium sales business trended favorably. As a result, our operating revenue for real estate was 41.248 billion yen (21.6% increase over the previous period) and operating income was 11.347 billion yen (32.2% increase).

We endeavored to maintain and improve the attractiveness of our retail businesses by replacing shops and holding various events to attract customers, for example, at Namba Parks, Namba City and other facilities. We also began the “minapita point” service to further promote usage. Our operating revenue was 35.608 billion yen (0.5% decrease from the previous period) but our operating income was 4.011 billion yen (26.1% increase from the previous period).

In our leisure and services business, we sought to attract a wide range of customer types by, for example, holding hands-on events at Misaki Park, which is approaching the 60th anniversary of its opening, and collaborative events with the Kemono Friends Project. Moreover, we also participated for the first time in agriculture-related events and established “lifestyle vegetable gardens” as hands-on farm plots in Izumisano and Kawachinagano cities in Osaka Prefecture. For our entire leisure and services business, which includes these, our operating revenue was 39.362 billion yen (0.5% increase over the previous fiscal period) and our operating income was 1.847 billion yen (0.1% increase). In our construction business, we focused on efforts to receive orders in the private residential and nonresidential construction markets and for civil engineering projects in the capital region, for example. However, labor costs increased due to insufficient skilled construction workers while construction material prices also rose. As a result, our operating revenue was 41.849 billion yen (7.6% decrease from the previous fiscal period) and our operating income was 2.337 billion yen (20.9% decrease).

### Review of “SHINTEN 133 Plan,” our medium term management plan

Our corporate group has pursued the SHINTEN 133 Plan, which is our medium-term business plan, for three fiscal years from 2015 to 2017. This plan had three fundamental policies (most important issues): strengthen Semboku-related business, expand Kansai International Airport and inbound tourism business, and increase the drawing power of the Namba area.

To strengthen Semboku-related business before the previous fiscal year, we began operation of the Semboku Liner 12000 series express train (December 2015), completely renewed the Izumigaoka HIROBA Shops & Restaurants shopping center at Izumigaoka Station (reopened in April 2016), and undertook large-scale renewal of Panjo (reopened in March 2017), for example. We also completed a new truck terminal management building at the Kitaosaka Distribution Center administered by the Semboku Rapid Railway Co., Ltd., and we advanced our implementation plan for a multifunction logistics facility. In fiscal 2017, by revising the timetables for the Koya Line and Semboku Rapid Railway Line, we increased the number of through trains that operate on both lines. We sought to expand our transportation share and increase profitability by enhancing convenience.

For our second goal, which was to expand our Kansai International Airport and inbound tourism business, we reinforced our transportation capabilities by revising timetables (January 2017) before the previous fiscal year, coinciding with the opening of Kansai International Airport Terminal 2 (international flights). We also implemented measures that included increasing early-morning and late-night departures to meet the needs of travelers utilizing low-cost carrier airlines and having airport limousine buses on all lines enter this terminal.



We also implemented a variety of measures in fiscal 2017, including unveiling a multilingual website, establishing partnerships with Taiwanese and Swiss rail companies, introducing articulated buses between Kansai International Airport Terminal 1 and Terminal 2, and attracting the Bon Hostel guest house and the Hatago Inn Kansai Airport hotel. The foundation of our businesses is the Namba area. For this reason, to “increase the drawing power of the Namba area” before the previous fiscal year, we undertook measures that included large-scale renovation of the Namba City South Building (April 2016) and the opening of the third phase area of the NAMBA Ekikan Project, which is a development plan beneath the tracks of the station (April 2016). In fiscal 2017, along with opening the fourth phase area of the NAMBA Ekikan Project, we continued to maintain and improve the novelty and attractiveness of various facilities, including Namba Parks and Namba City.

Furthermore, we opened Namba SkyO, which we had been building on land adjacent to the Namba Station since September 2015, in October 2018. Great interest is being paid to this new landmark tower for the Namba area. With 31 floors above ground and 2 underground, features of this building include business center functions that support the highest level of business continuity planning (BCP). Furthermore, the decision has been made to establish a large-scale clinic that supports pioneering and preventative medicine and a “healthy lab” focused on the concept of “health.”

We achieved the original quantitative targets of the SHINTEN 133 Plan (operating income and interest-bearing debt balance/EBITDA ratio) in the first fiscal year (2015) thanks to the steadily growing Japanese economy and the beneficial external environment with growing inbound travel. We revised our target values upward for this reason, and we were ultimately able to

clear these higher goals. Of these business indices, we were able to improve our interest-bearing debt balance/EBITDA ratio from 9 to 7 despite continuing investment in Namba SkyO because we were able to stably record a level of operating income of over 30 billion yen for these three years.

### Establishment of the Nankai Group Business Vision 2027

With the further decline of population along our train lines, the advancement of IT, and other factors, we expect that the business environment that affects our group will change even more rapidly in the future. Rather than just responding to short-term issues right in front of us, we have established “an ideal form” for the long-term. To realize this, we must unwaveringly pursue a variety of measures. Based on this idea for our corporate group, we newly established the Nankai Group Business Vision 2027 in February 2018 as a long-term vision for sustainable growth.

In this vision, we define “our ideal form 10 years from now” as “having our train lines and corporate group be chosen because we provide satisfaction and inspiration.” In addition, we position the next 10 years as “a decade of enhancing our train lines in preparation for the opening of the Naniwasuji Line (Spring 2031 target).”

Toward the realization of this vision, we will continue to undertake a variety of measures under the two business strategies of “creating train lines that are chosen” and “deepening and expanding real estate business.” Moreover, to underpin our business strategies, we will undertake thorough business selection as well as proactive IT utilization. In addition, we will advance personnel strategy and financial strategy as we keep working to augment group business foundations.

For details, see “Nankai Group Business Vision 2027” on p. 11.

### Overview of the “KYOSO 136 Plan,” our medium term management plan

For the purpose of realizing the Nankai Group Business Vision 2027, we designated the three years starting fiscal 2018 as the “foundation preparation period,” the first stage in “making opening moves for future growth.” We established the KYOSO 136 Plan as our medium term management plan for the same period, and we have been implementing measures in every area in accordance with this plan in fiscal 2018.

The five fundamental policies (important issues) of the KYOSO 136 Plan are: provide high-quality transportation services that are safe and reliable, develop the Namba community, increase nonresident population starting with inbound travelers, develop communities with stations as core locations, and expand the real estate business.

For details, see “KYOSO 136 Plan” — Medium Term Management Plan” on p. 14.

#### Provide high-quality transportation services that are safe and reliable

Taking to heart that the foundation of a public transportation business is to provide safe and reliable transportation services, even more than before we will steadily improve the safety of facilities and train operation security as well as undertake efforts related to safety, including for platforms and crossings. Moreover, we will continue undertaking various measures to provide “train lines that are chosen.” As a part of these efforts, we will build a total of 72 new replacement train cars for the Koya Line 6000 series over the next six years. In addition, we have also begun a new Station Toilet Renewal Project in which we will renovate 40 restrooms at 36 stations in the coming three-year period.

#### Approach to the Nankai Group Business Vision 2027



#### Develop the Namba community

For the next 10 years, we will seek to create a “Greater Namba” that combines tourism and urban functions to surpass Namba as it has been until now. Along with opening Namba SkyO in October 2018, we have been working to acquire new properties, receive contracts for our property management business and renovate properties that we already own, for example, in order to enhance the zone around the Nankai Terminal, which is centered on Namba Station. Moreover, in order to form a north-south axis between Namba and Shin-Imamiya/Shinsekai, we are advancing the development of the surrounding area with the NAMBA Ekikan Project as the core and the development of facilities to support exchange with and employment of foreigners.

#### Increase nonresident population, starting with inbound travelers

In preparation for the 2020 Tokyo Olympics and Paralympics, we will seek to steadily capture inbound demand, which is expected to increase even more. We will, for example, sell special discount train tickets to travelers before they come to Japan and enhance the selection of attractive tourism options. Furthermore, if the Mozu-Furuichi Kofungun burial mounds become registered as a World Heritage site in 2019, the Koya Line will become a train line that accesses two World Heritage sites. In order to make the most of this business chance, we will seek to maximize the nonresident population by promoting tourism that emphasizes the unique characteristics of every place along our train lines.

### ■ Develop communities with stations as core locations

By renovating stations in ways that are suitable to local characteristics and enhancing their functions, we will seek to revitalize the communities along our train lines and increase their appeals. As one example of this, in addition to advancing a Wakayamashi Station Revitalization Plan in cooperation with Wakayama City and Wakayama Prefecture, we will continue to deepen cooperation with local governments and related locations and work to restore and revitalize new towns along our train lines, starting with Semboku.

### ■ Expand real estate business

First, we will advance the first phase plan for redevelopment of the North Osaka Distribution Center (scheduled to open for business in spring 2020) as well as solidify plans from the second phase onward. Moreover, along with acquiring new real estate properties and developing and renovating income properties, we will advance a variety of other real estate businesses, including entering fee-based businesses. By further expanding our real estate businesses, we will continue to develop paths for future growth.

Furthermore, we have set our numerical targets for fiscal 2020, which is the last year of the KYOSO 136 Plan, as 37 billion yen in operating income (including received dividends) and an Interest-Bearing Debt/EBITDA ratio of 7.5 or less. We anticipate 232.2 billion yen (an increase of 1.9% over the previous period) in operating revenue for fiscal 2018, the first year of the plan. Among contributing factors, we anticipate transportation income to grow along with the increase in the number of Kansai International Airport users in our transportation business. Moreover, in our construction business, we expect the value of completed construction to increase. In terms of income, because of reduced income due to declining condominium sales in our real estate business, increased personal costs and depreciation expenses in our transportation business, and other factors, we estimate that operating income will be 32 billion yen (5.8% decrease from the previous fiscal period), and ordinary income will be 27.6 billion yen (7.2% decrease). Profit attributable to owners of the parent company will be 20.7 billion yen (40.6% decrease) due to extraordinary income reforms and other factors.

### ■ Promoting corporate social responsibility based on group business guidelines

The corporate social responsibility (CSR) mindset is indispensable for a business to continue realizing sustainable development and growth while coexisting with society. Based on this thinking, we have set “assurance of safety and peace of mind,” “emphasis on the environment,” “compliance thoroughness” and “pursuit of a customer orientation” as four business guidelines for our corporate group. In addition, we are strengthening our promotion systems and proactively advancing efforts through our Safety Planning & Management Department and our CSR Promotion Division, new organizations established in June 2017.

#### ■ Assurance of safety and peace of mind

For our corporate group, which has railway business at its core, assurance of safety and peace of mind can be said to be our most important corporate social responsibility. In each department of our Railway Business Division, we are systematically implementing separate education and instruction for new employees, core employees and skilled employees to enable them to improve their skills and abilities. In fiscal 2017, we continued to conduct various trainings related to rescuing injured people and guiding evacuations in cooperation with railway businesses, local governments and other outside organizations as we endeavored to raise safety awareness. Furthermore, safety investments of about 9.2 billion yen were made to enhance and improve various facilities. These included the expansion of safety measures related to train operation, rolling stock and train platforms, for example, the installation of platform doors at Namba Station in February 2018, as well as the reinforcement of station buildings for earthquake resistance in preparation for major earthquakes and other disasters. We will continue to endeavor to improve transportation safety and reliability as we further cultivate a culture of safety.

#### ■ Emphasis on the environment

As medium-term environmental goals, we sought to reduce “CO<sub>2</sub> emissions for 45 group companies” and “water use,” for example, and advanced efforts toward specific numerical targets that we had established for the three years of fiscal 2015–2017. We achieved reduction rates of 3.6% for CO<sub>2</sub> emissions and 7.9% for water use, so our results exceeded our targets. Moreover, we established the Nankai Environmental Vision 2030 in September 2017 with goals that exceed our medium-term environmental goals. This indicates the directions in which we seek to advance by 2030 for the environmental issues of “suppressing global warming,” “realizing a recycling-oriented society,” “preserving biodiversity” and “deepening environmental management.”



#### ■ Compliance thoroughness

Our corporate group seeks to be an enterprise that fulfills the trust that it receives from society. In order for us to thoroughly implement compliance practices, we have created a Code of Business Ethics and established a Compliance Committee as a dedicated organization responsible for the promotion of internal auditing and compliance management. This committee deliberates various measures for the strengthening of compliance management. In addition, should a serious compliance violation occur, it has arranged systems to respond by making proposals about corrections and recurrence prevention measures. Furthermore, strengthening corporate governance functions is an important business issue in order to continue achieving healthy development for the corporate group into the future. As we continue to persistently strengthen functions and conduct examinations, we should seek to adhere strictly to laws and regulations first of all, strive to practice even more transparent management, grow sustainably and increase corporate value over the medium and long terms.

#### ■ Pursuit of a “customer orientation”

For our group, which provides a variety of services centered on railways, it goes without saying that “pursuit of a customer orientation” is an important management issue. With the goal of further increasing customer satisfaction, we worked to improve services for travelers from Japan and abroad. Our

efforts included the incorporation of multilingual train broadcast systems and updating automatic guidance broadcast equipment and train destination guidance equipment in stations. Moreover, we worked to further increase convenience for customers in our bus businesses through a variety of measures. For example, we installed bus location systems on the operation lines of Nankai Bus Co., Ltd. and Tokushima Bus Co., Ltd. We also started the “Kansai Wakayama route search” service that enables unified searching of multiple transportation routes, including buses, trains and walking for Wakayama Bus Inc.

In a business environment that continues to change at a bewildering pace, in our corporate group, we will continue endeavoring to build and maintain safe, secure and durable transportation networks, starting with disaster countermeasures. In addition, as a unified group we will keep working to attract and foster diverse personnel and build organizations capable of creating added value in a new era as we seek sustainable growth and increased corporate value over the medium and long terms. I humbly request that you, our stakeholders, give us even more of your understanding and support in the future.

September 2018  
President and CEO **Teruhiko Achikita**

# Nankai Group Business Vision 2027

Namba, which is the most important business base for our group, has grown as one of Japan's leading international tourist destinations, and our company has benefited directly from increased inbound tourism. As a result, we were able to achieve great growth in our previous Medium Term Business Plan. Moreover, through the opening of the Naniwasuji Line (spring 2031 target), the convenience of our train lines is expected to increase significantly.

On the other hand, we can predict that our group will face even more extreme environmental changes, including continued

population decline and the advancement of IT, in the future.

For these reasons, we have established the Nankai Group Business Vision 2027, as an ideal form for our corporate group 10 years from now that is oriented toward sustainable growth, rather than only responding to the issues immediately before us. In this vision, we establish the 10 years until 2027 as "a decade of enhancing our train lines in preparation for the opening of the Naniwasuji Line." We will undertake a variety of measures toward this goal without losing focus.

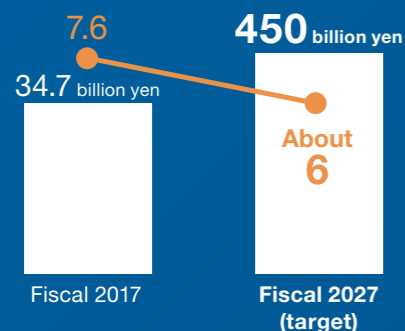
## Ideal form

# Have our train lines and corporate group be chosen because we provide satisfaction and inspiration

## Numerical targets (consolidated basis)

Operating income<sup>1</sup> **45 billion yen**  
 Interest-bearing debt balance/EBITDA<sup>2</sup> ratio (multiple of about **6**)

<sup>1</sup> Including dividend income  
<sup>2</sup> Operating income + dividend income + depreciation and amortization



In the Nankai Group Business Vision 2027, we present a growth strategy that proactively utilizes joint investment and other alliances in order to accelerate business advancement. For this reason, the values calculated for "operating income" and "interest-bearing debt balance/EBITDA ratio" numerical targets include dividends received.

## Business strategy

### 1. Create train lines that are chosen

Reverse population movement from net loss to net gain in 10 years

- Provide high quality transportation services that are familiar
- Develop the Namba community, which is the entry point for our train lines
- Pick Up!** Create "Greater Namba"
- Mobilize all our resources for measures to revitalize communities along our train lines
- Pick Up!** Community development focused on improving value along our train lines



### 2. Broaden and deepen our real estate business

Cultivate our real estate business as a pillar equivalent to railways (make into a majority of operating income)

- Increase income properties and advance toward flow business
- Complete functionality enhancement of logistics facilities

## Executive message

**We will emphasize growth and speed and, focusing on 10 years from now, seek to realize "train lines that are chosen" with an aggressive stance**



Managing Director  
Naoto Ashibe

The creation of a "Greater Namba," improving value along train lines and functionality enhancement of logistic facilities are all examples of efforts that must be thought about over long spans.

As a policy to set an "ideal form" for the long term and work towards its achievement with a sense of speed rather than becoming too focused on immediate issues, we established the Nankai Group Business Vision 2027.

This vision has three key points. The first is that in preparation for the opening of the Naniwasuji Line in 2031, we have clarified that our efforts to "create train lines that are chosen" will be aggressive rather than defensive. The key to realizing this is to maximize utilization of "inbound tourism" and "Namba," areas in which we are strong, creating a flow by first increasing the population of visitors with tourism interests, and in turn invigorating local economies, increasing employment and fostering a sense of familiarity. With the major prerequisite of ultimately building appeal as residential areas, we will continue undertaking community development centered on railways and stations and working to enhance communities along our train lines by, for example, increasing convenience for daily life and attracting schools and businesses.

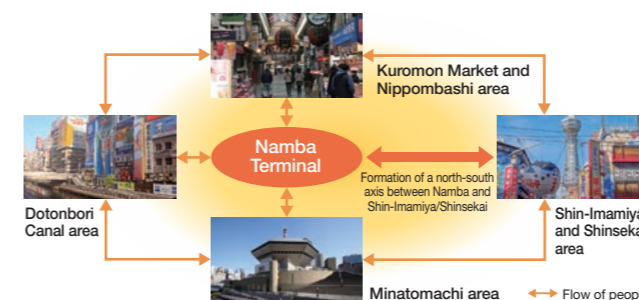
The second is "emphasizing growth" with proactive investment focused on railways and Namba. In the past, we emphasized the reduction of interest-bearing debt. In the future, however, for cash flow, we will prioritize allocation to investing in growth. Through growth, we will keep improving financial conditions as a result of increasing generated operating income and EBITDA.

The third is "emphasizing speed through alliances." With the completion of Namba SkyO, one phase of the redevelopment of Namba Terminal will be concluded. As the business environment changes turbulently, rather than fixating on self-sufficiency, what is important is that our company acts as a catalyst for and fulfills a key role in community revitalization while emphasizing speed and cooperating with local landowners and other businesses. Even in "creating train lines that are chosen," we think cooperation with communities, governments and other companies will become even more important than before.

As a milestone for these strategies, we established the KYOSO 136 Plan as our medium-term management plan. By implementing PDCA cycles for planning, we will continue seeking to accelerate business toward the realization of our ideal form.

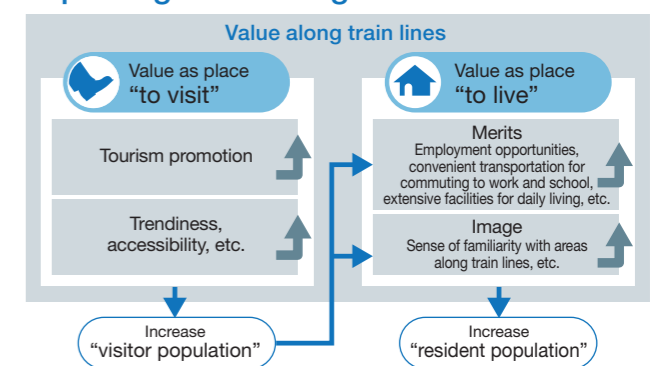
## →Pick Up! Approaches to "creating train lines that are chosen"

### Create "Greater Namba"



- With inbound tourism and Namba SkyO as triggers, cultivate the area with the two vectors of "development as an international tourism city" and "enhancement of urban functions"
- With formation of a north-south axis between Namba and Shin-Imamiya/Shinsekai as the key, create a vibrant excursion space and develop the region into "an area of greater excitement"

### Community development focused on improving value along our train lines



- Increase the "visitor population" by raising the value as a place "to visit," and contribute to increased "resident population" by raising the value as a place "to live"

## Advancement of the Naniwasuji Line plan

**In preparation for commercial opening in the spring of 2031, we are steadily carrying out consultations with the Ministry of Land, Infrastructure, Transport and Tourism and other concerned agencies as we advance the design of necessary facilities.**

At our company, we position the Naniwasuji Line as a part of the railway network necessary for the growth of Osaka and the Kansai region. In cooperation with Osaka Prefecture, Osaka City and JR West, we are advancing discussions based on the following plan with the national government and seeking to begin commercial operation as soon as possible.

In March 2018, we announced with JR West that our two companies would provide the 33 billion yen in private investment necessary for the Kansai Rapid Railway Co., Ltd., which will be responsible for development of the Naniwasuji Line (18.5 billion yen from Nankai Electric Railway and 14.5 billion yen from JR West).

### Main effects expected from development of the Naniwasuji Line

- Enhance access to the Kansai International Airport
- Direct connection of Shin-Osaka, which is along a national core route, and Central Osaka with southern Osaka and other areas.
- Induce interaction among tourist destinations over a wide area
- Increase functionality as a core of the Kita Umeda area and promote community development in the Nakanoshima area
- Improve accessibility of the Namba area

### Plan overview

#### Improvement extent

- Nankai Shin-Imamiya Station – Nishi Hommachi Station (working name) – Kita Umeda Station (working name)
- JR Namba Station – Nishi Hommachi Station (working name) – Kita Umeda Station (working name)

#### Stations en route

- Nakanoshima Station (working name), Nishi Hommachi Station (working name), Nankai Shin-Namba Station (working name)

#### Total project expense

- About 330 billion yen in estimated expenses

#### Project implementation

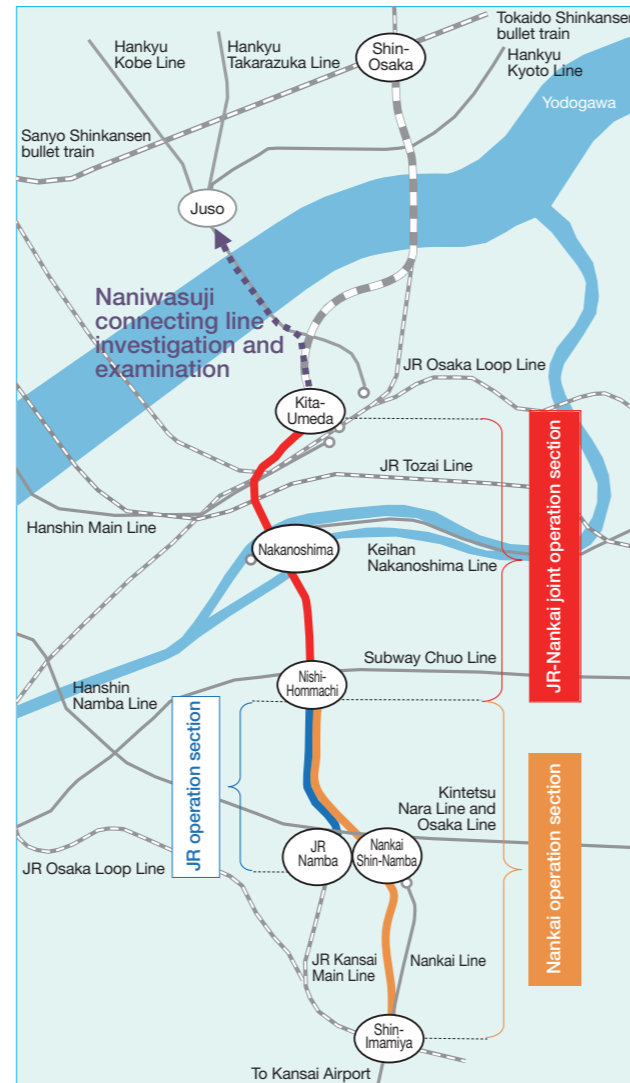
- Kansai Rapid Railway Co., Ltd.

#### Operators and operation sections

- Nankai Electric Railway Co., Ltd.
- Operation section: Nankai Shin-Imamiya Station – Kita Umeda Station (working name)
- West Japan Railway Company
- Operation section: JR Namba Station – Kita Umeda Station (working name)

#### Target opening date

- End of fiscal 2030 (spring 2031)



### Executive message

**We are seeking to begin construction early on the Naniwasuji Line, a most important project**

In the Nankai Group Business Vision 2027, the Naniwasuji Line Plan is positioned as one of our most important projects. In preparation for opening in the spring of 2031, as we seek to start construction early, we are currently advancing environmental assessments, urban planning decisions, acquisition of railway business permissions and other tasks in cooperation with the Kansai Rapid Railway Co., Ltd., Osaka Prefecture, Osaka City and JR West.

Along with strengthening airport access, the Naniwasuji Line will contribute greatly to increasing the value of the land along train lines by connecting them with Shin-Osaka and Umeda,

which are on a national core route. Moreover, a connecting line that links the Hankyu Railway Juso Station area is considered favorable in terms of investment efficiency and profitability even in national investigations and has the possibility of further increasing the development effectiveness of the Naniwasuji Line. So, the idea is to continue working toward the realization of this. Furthermore, since the synergy between this and Namba SkyO, Namba EKIKAN and other development projects should be maximized, we will continue to deepen cooperation both inside and outside our companies and contribute to further increasing the attractiveness of Namba as a destination.



Director  
Satoshi Kajitani

## KYOSO 136 Plan— Medium Term Management Plan

We established the KYOSO 136 Plan as our new medium term management plan to make opening moves for future growth, and we positioned the three years of fiscal 2018–2020 as the “foundation preparation period” for the achievement of the Nankai Group Business Vision 2027.

The “KYOSO 136 Plan” name, which includes the characters for “create” and “together,” reflects our belief in realizing growth and creating new value in the future together with every stakeholder and person or organization that has a relationship with our corporate group instead of being fixated on self-sufficiency.

### Positioning

Nankai Group  
**Business Vision 2027**  
Have our train lines and corporate group be chosen because we provide satisfaction and inspiration

SHINTEN 133 Plan  
Fiscal 2015–2017

Phase1  
**KYOSO 136 Plan**  
Fiscal 2018–2020

Phase2  
Medium Term  
Business Plan

Phase3  
Medium Term  
Business Plan

First three years toward the achievement of the Nankai Group Business Vision 2027: **Foundation preparation period**

Make concentrated early investments as a key to future growth: **Three years of making opening moves for future growth**

Realize growth and create new value in the future together with stakeholders: **Three years of creating together**

### Fundamental policy

- 1 Provide high-quality transportation services that are safe and reliable
- 2 Develop the Namba community
- 3 Increase nonresident population, starting with inbound travelers
- 4 Develop communities with stations as core locations
- 5 Expand real estate business

### Numerical targets (consolidated basis)

#### Operating income<sup>1</sup>

| Fiscal 2017      | Fiscal 2027 (target) |
|------------------|----------------------|
| 34.7 billion yen | 37 billion yen       |

#### Interest-bearing debt balance/ EBITDA<sup>2</sup> ratio

| Fiscal 2017 | Fiscal 2027 (target) |
|-------------|----------------------|
| 7.6         | 7.5 or less          |

<sup>1</sup> Including dividend income  
<sup>2</sup> Operating income + dividend income + depreciation and amortization

### Capital investment amounts (planned)

(in ¥100 million units)

|  |     |
|--|-----|
| Increase revenue   | 773 |
| Developing the Namba community                             | 196 |
| Inbound travel   | 42  |
| Developing communities with stations as core locations     | 46  |
| Expanding real estate business, etc.                       | 400 |
| Other revenue growth investment                            | 82  |
| Safety and updating  | 763 |
| Railway-related construction (including new rolling stock) | 390 |
| Real estate and logistics facility construction            | 205 |

### Executive message

**We will steadily continue realizing these plans, linking them to achieving our 10 year vision**

The business environment surrounding our company is expected to change greatly in the future.

In the midst of this, we must not become solely focused on responding to immediate issues. Instead we should work unwaveringly on a variety of measures for sustainable growth. The policy that we have established for this purpose is the Nankai Group Business Vision 2027, which is the ideal form of our corporate group 10 years from now. The KYOSO 136 Plan expresses the efforts to be undertaken in the first three years. As the opening moves for future growth, these efforts

will contribute to achievement of our ten-year vision.

Utilizing PDCA cycles at a high level is important in order to steadily implement the five fundamental policies of the KYOSO 136 Plan and achieve results. In the KYOSO 136 Planning & Management Division, along with establishing our own strategies for inbound tourism and IT, which are themes shared across the entire group, we want to follow up appropriately on the autonomous implementations of these PDCA cycles by each division, and exceed our objectives.



Director  
Hiroyuki Sumita



**Fundamental policy 1 Provide Safe, Reliable and High-quality Transportation Services** Investments for safety and updating **39 billion yen**

**Improve transportation safety and reliability as we further cultivate a culture of safety**

- Reinforce structures in preparation for natural disasters (including earthquakes and flooding)
- Incorporate emergency stopping systems
- Advance installation of moving platform barriers and railroad crossing obstacle detection equipment



Moving platform barrier image

**Implement measures to provide “train lines that are chosen”**

- Update all Koya Line 6000 series trains (72 cars) over the next six years by fiscal 2023
- Renovate 40 restrooms at 36 stations



8300 series train car

**Fundamental policy 2 Drive the Urban Development of Namba** Related investments **19.6 billion yen**

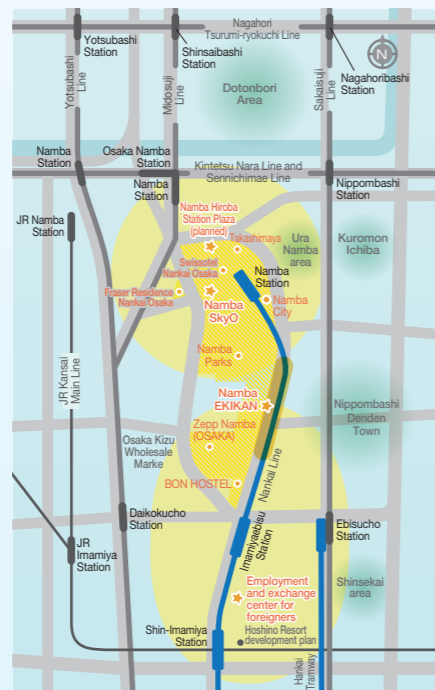
**Enhance zone around the Nankai Terminal Building**



- Start full operation of Namba SkyO early (opened October 17, 2018)



- Participate in the “Namba Hiroba Remodeling Plan,” which is a public-private cooperative project (Basic plan to reorganize road space around Namba Station in March 2017)



In order to drive the urban development of Namba, we will continue focusing efforts on three areas: acquiring new properties, receiving contracts for our property management business and renovating properties that we already own.

**Formation of a north-south axis between Namba and Shin-Imamiya/Shinsekai**



- Promote development of the surrounding area centered on the Namba Ekikan Project



- Create an employment and exchange center for foreigners near Shin-Imamiya Station (opening schedule September 2019)

**Fundamental policy 3 Increase the Number of Visitors to the Region, Beginning with Inbound Passengers** Related investments **4.2 billion yen**

**Capture even more inbound demand**

- Enable e-tickets and QR codes for special tickets, enhance Wi-Fi, etc.
- Enhance electronic payment functions at Namba City, Namba Parks and other retail facilities
- Create tourism demand utilizing the two World Heritages of Mount Koya and the Mozu-Furuichi Kofunburial mounds\*  
\* Being recommended to UNESCO with registration sought in 2019

**Create locations that are worth visiting at many places along train lines**

- Kada Fish Line Project
- Identify subjects for tourism in agriculture, fishing and related industries, and attract visitors by transmitting information
- Promote tourism utilizing the features of various locations along train lines



Medetai Train on the Kada Fish Line

**Fundamental policy 4 Drive Urban Development Centered on Train Stations** Related investments **4.6 billion yen**

**Increase appeals of areas along train lines by renovating stations**

- Strengthen urban functions through mixed development
  - Utilize areas under elevated station tracks that are unified with surrounding neighborhoods
  - Renew commercial facilities in stations
- Renovate stations according to community characteristics to enhance functionality by doing the above.

**Restore and revitalize new towns along train lines, starting with Semboku**

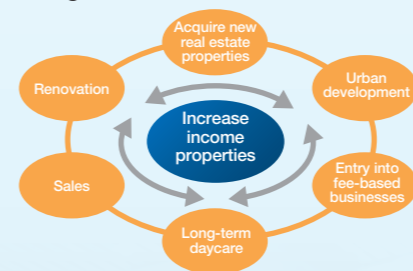
- Undertake Izumigaoka Station area revitalization project focused on relocation of Kindai University Faculty of Medicine and University Hospital
- Propose replacement residences according to lifestyles and provide lifestyle-related services
- Coordinate and cooperate with government agencies and related locations



Wakayamashi Station Revitalization Plan (entire construction scheduled to be complete in March 2020)

**Fundamental policy 5 Upgrade and Expand the Real Estate Business** Related investments **40 billion yen**

**Advance diverse real estate businesses focused on areas along our train lines**



**Promote functionality enhancement of logistics facilities**

- North Osaka Distribution Center advanced facility first phase development (opening scheduled spring 2020)
- Promote construction planning for second and later phases
- Acquire seed lot for East Osaka Distribution Center



Image of North Osaka Distribution Center advanced facility first phase development (opening scheduled spring 2020)



# Safety Safety Information Report

In accordance with Section 4, Article 19 of the Railway Business Act, Nankai publically releases its Safety Report, which details the measures taken to ensure transportation safety during the previous fiscal year, as well as other efforts to ensure safety (excerpt).

## Safety Policy

The Corporate Philosophy of our company includes "Contribution to the Community" and "Putting the Customer First." We are striving to make safety our first priority so that we can fulfill the trust we receive from society and provide customers with the best service. We established a Safety Policy in October 2006, and have worked to develop systems for undertaking business activities with a "safety first" mindset. We are also working to assure transportation safety through the holistic utilization of railway facilities, rolling stock and company employees. In 2015, we distributed cards with our Safety Policy to every employee and sought to cultivate the safety mindset throughout the company.

**Safety Policy**

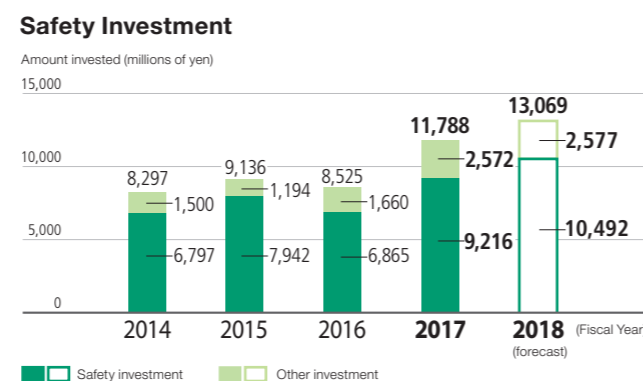
1. Safety is the Company's overriding priority; by working together we shall prevent accidents
2. As a company and in our work tasks we will strictly comply with all laws and regulations related to transport safety
3. The Company will enforce rigid checks and undertake the safest methods at work
4. In 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

Established October 1, 2006, revised June 26, 2009

## Measures to assure customer safety

### Safety Investment

In order to implement the necessary safety measures as planned without delay, we invested about ¥9.2 billion in the renewal and improvement of facilities, rolling stock and other infrastructure during fiscal 2017. We are doing this in preparation for a large-scale earthquake that is expected to occur in the future. The measures we are advancing include construction work to enhance the earthquake resistance of station buildings and overpass pillars as well as to prevent train door accidents and improve station platform safety. We plan to invest about ¥10.4 billion in facilities in order to continue advancing safety measures systematically during fiscal 2018.



### Major equipment investments in Fiscal 2017

- Reinforced earthquake resistance of station buildings (Haruki Station and Shirasagi Station)
- Installed new obstacle detection equipment and intensive monitoring systems for railroad crossings and renewed other equipment related to railroad crossings
- Reinforced earthquake resistance of overpass pillars
- Reinforced bridge piers of Kinokawa Bridge on Nankai Line
- Manufactured new 8300 series train cars (12)
- Installed tactile paving with inside lines (Tsuruhara, Izumi-Omiya, Suwanomori, Hamaderakoen and Hakotsukuri stations)
- Updated transformer silicon rectifiers (three locations, including Tsukijibashi transformer)
- Conducted continuous grade separation projects (in Sakai and Takaishi cities)

## Efforts to prevent and minimize disasters

### Reinforcement of earthquake resistance for station and overpass pillars

A Nankai trough megathrust earthquake or other large-scale earthquake is predicted to occur in the future. In preparation, we are systematically undertaking earthquake reinforcement of station buildings, elevated track pillars and other structures.



Reinforcement of overpass pillar earthquake resistance (by wrapping with steel sheets)

### Safety measures for Kinokawa Bridge on the Nankai Line

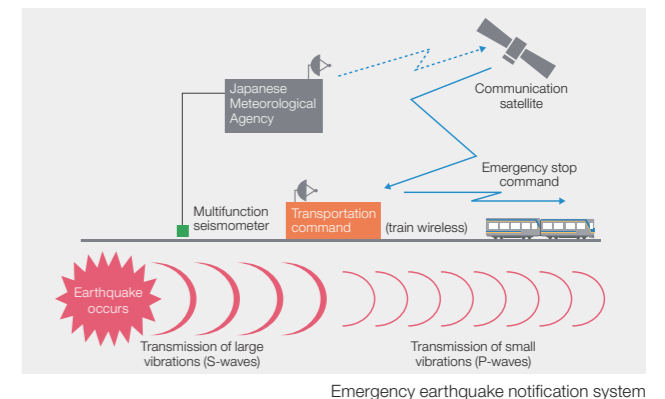
For the Kinokawa Bridge on the Nankai Line, we have soundness inspections conducted by expert organizations and confirm that passengers can ride with peace of mind. In order to further improve safety, however, we have been advancing construction for safety measures, including for bridge collapse prevention and reinforcement of bridge piers. In fiscal 2017, we completed work on bridge piers on the inbound line.



Reinforcement of Kinokawa Bridge piers on Nankai Line (incorporation of steel bars)

### Emergency earthquake notification system

Our emergency earthquake notification system assures the safety of our trains by automatically directing the drivers of all our trains to make emergency stops before seismic waves with intensities of weak shindo 5 or higher reach our train lines.



### Posting of tsunami hazard maps and evacuation location and route maps

We have compiled information about areas along our train lines that are expected to be inundated by a tsunami in a pamphlet that we have our crew members carry. We also distribute this to our stations and related workplaces. Moreover, we are posting tsunami hazard maps and evacuation location and route maps at stations in areas subject to evacuation (inundation areas).

### Tsunami evacuation signboards

We are installing tsunami evacuation signboards for tsunami inundation areas that have been designated by Osaka and Wakayama prefectures. In addition to indicating the edges of these areas, they show evacuation guidance if trains stop between stations and direct passengers to safe places before a tsunami reaches these locations.



Posting of evacuation route map



Tsunami evacuation signboard



Tsunami hazard maps distributed to crew members and workplaces

Feature

# Overview of damage caused by Typhoon 21 in 2017 and restoration work

On October 22, 2017, Typhoon 21 made landfall with an immense size in Japan. Our train lines were struck by fierce wind and rain and suffered extensive harm, including track damage and train derailments. Here we report on the status of damage caused by Typhoon 21 and introduce our safety measure efforts going forward.

## Train derailment resulting from track damage at the Onosatogawa Bridge on the Nankai Line

**Date and time of occurrence** ... Around 4:40 PM, October 22, 2017  
**Location** ..... Nankai Line Onosatogawa Bridge (between Tarui and Ozaki stations)  
**Cause** ..... Bridge pier dislodgement caused by high river levels from heavy rain

### 1. Disaster overview

While passing over the Onosatogawa Bridge, the driver of a local train headed from Namba to Wakayama City noticed that the outbound track along the middle of the bridge was bent right in the direction of travel and sunken about 50 meters ahead. The driver immediately took measures to stop the train, but it traveled about 270 meters too far before stopping. As a result of investigations and examinations afterward, it is presumed that, around where the train passed the last bridge pier, one axle at the rear part of the third car from the front came off the rail on the right side in the direction of travel and, after advancing for about 15 meters, recovered within the gauge due to a railroad crossing guardrail.



Outbound track with leaning bridge pier and bent rail



### 2. Resumption of operation

Operation resumed on a single track on November 1, and operation resumed with the ordinary timetable on both inbound and outbound tracks on November 23.

### 3. Disaster recovery work

After removing the damaged bridge pier, a new ferroconcrete bridge pier was installed. Use of the new pier began May 10, 2018.

As a measure to prevent dislodgement at the Onosatogawa Bridge in the future, we will install protective works around the foundations of the bridge piers that were unaffected this time and emplace protective blocks on the bottom of the river bed to prevent it from becoming lower. Moreover, we created a system that notifies train crew members immediately of abnormalities. Using measuring equipment installed on the bridge, a special signal light device will operate automatically if an abnormality on the bridge is detected. In order to further increase safety and maintainability, we are installing other measuring equipment and conducting verification tests.



Measuring equipment installed at all 12 bridge pier locations

Southern Premium train crossing the restored Onosatogawa Bridge

## Track damage within Kamikosawa Station property on the Koya Line

**Date and time of occurrence** ... Around 6:30 AM, October 23, 2017  
**Location** ..... Track damage within Kamikosawa Station property on the Koya Line  
**Cause** ..... Landslide resulting from heavy rain

### 1. Disaster overview

Station staff patrolling to confirm safety discovered that the train bed near a railroad switch on the inbound line within Kamikosawa Station property was sinking. As a result of site inspections by our company and Wakayama Prefecture, a landslide about 60 meters wide, 100 meters long and with a depth of up to 23 meters was confirmed to have occurred.

### 2. Resumption of operation

We installed anchored reinforcements\* to prevent ground slippage, stabilizing the embankments near the tracks, and resumed operation between Koyashita and Gokurakubashi stations on March 31, 2018. When resuming operation, we also relocated the train passing function from Kamikosawa Station to Shimokosawa Station in order to achieve the transportation capacity to handle large numbers of passengers.

### 3. Disaster recovery work\*

Since the resumption of operation, along with installing anchored reinforcements on the lower embankments, we have been installing permanent groundwater removal equipment and advancing construction that stabilizes the ground to prevent landslides. At the time of this preventative work, we also installed warning equipment connected to angle meters and special signal light devices to make trains stop.

\* This construction was implemented with support from the national government and Wakayama Prefecture.



Occurrence of ground erosion



Two rows of anchor reinforcements installed on slope



Special signal light devices operate during emergencies

# The Environment

At our corporate group, we want to keep contributing to the preservation of the environment, including by reducing environmental impacts in all of our businesses and continuing to prevent global warming.



## Fundamental policy

Our corporate group has established the Nankai Electric Railway Group Environmental Philosophy, and we will continue to consider the environmental impacts of our business activities and to work toward the creation of a society that is easy on the natural environment. As Nankai Electric Railway, we had already established environmental guidelines in 2004. Seeking to conform with the ISO 14001:2015 standard, we made the following reforms in 2017. Furthermore, Nankai Tatsumura Construction and Semboku Rapid Railway Line, which are group companies, have each established philosophies and policies regarding the environment and are making reforms as they seek to conform with the ISO 14001:2015 standard.

## Environmental Vision

In 2017, we established the Nankai Environmental Vision 2030 with the intention of contributing to the sustainable growth of the Nankai Electric Railway Group by developing awareness of issues related to the global environment and fulfilling our social responsibilities to a wide range of stakeholders. This vision is coupled with our medium-term environmental plan based on the awareness that contributing to the resolution of environmental problems through various business activities leads to increased corporate value. In this plan, among many environmental issues, we identify global warming, the establishment of a recycling-oriented

### Environmental Philosophy (complete text)

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.

society and biodiversity as the three that have great impact on the business activities of our corporate group. We also identify environmental management systems as the foundations for responding to these issues and have established an execution plan that works backward year by year from where we should be in 2030. Moreover, through expanded revenue sources from environmental businesses and coordination with local governments, we will contribute not only to increasing business value, but also to increasing the environmental value along our train lines.



### Nankai Environmental Vision 2030 (Fundamental policy)

- The intention is to contribute to the sustainable growth of the Nankai Electric Railway Group by developing awareness of issues related to the global environment and fulfilling our social responsibilities to a wide range of stakeholders.
- For this reason, we link this environmental vision with our medium-term business plan based on the awareness that contributing to the resolution of environmental problems through various business activities will contribute to increased corporate value.
- Among many environmental issues, we identify global warming, the establishment of a recycling-oriented society and biodiversity as the three that have great impact on the business activities of our corporate group. We also identify environmental management systems as the foundations for responding to these issues and will establish an execution plan that works backward year by year from where we should be in 2030.
- Through expanded revenue sources from environmental businesses and coordination with local governments, we will contribute not only to increasing business value, but also to increasing environmental value along our train lines.

### Orientation for Nankai Environmental Vision 2030

| Environmental issue                    | Orientation for fiscal 2030 (targets)  |
|--|--|
| Suppressing global warming             | <b>① Reduce the amount of Nankai Electric Railway Group CO<sub>2</sub> emissions by 26%</b><br>The Nankai Electric Railway Group will reduce CO <sub>2</sub> emissions by 26% compared to fiscal 2013, which is in line with the greenhouse gas reduction target set by the government for fiscal 2030 (26% reduction from fiscal 2013).   |
|  | <b>② Create corporate value through environmental businesses</b><br>By expanding energy production and sales businesses along our train lines, in addition to creating new sources of earnings, we seek to increase the values of our corporate group and these areas themselves to society by also contributing to the environmental policies of their local governments.                                   |
| Realizing a recycling-oriented society | <b>Form smart cities along our train lines</b><br>As an infrastructure business in areas along train lines, we will seek to form smart cities and model environmental areas that contribute to raising value in these neighborhoods. We will also contribute to the realization of a recycling-oriented society while coordinating with business plans and experimental businesses led by local governments. |
| Preserving biodiversity                | <b>Realize a society that coexists with nature</b><br>In all our business activities, we will be conscious of avoiding or minimizing impacts on biodiversity, and we will practice the maintenance of ecosystems and the sustainable use of natural resources along our train lines.   |
| Deepening environmental management     | <b>Enhance environmental promotion systems and strengthen environmental information disclosure</b><br>Independent operation of an environmental management system at the standard required by ISO 14001 is being established.  |

# Nankai Electric Railway Group Medium-term Goals

## Fiscal 2015–2017 overview

⊙: goal achieved and exceeded ○: goal achieved △: goal not achieved

| Medium-term environmental goal   |  | Main measures that can be considered  | Main measures and results in fiscal 2017  | Evaluation  | Medium-term environmental goals (fiscal 2015–2017) overview |   |
|--|--|---|---|---|---|---|
| 1. Promote business activities with consideration for environmental preservation     | (1) Establish management systems oriented toward the achievement of CO <sub>2</sub> emission reduction goals   | <p>① Reduce by 3% for the five companies that are subject to the Energy Conservation Law (Nankai Electric Railway, Nankai Bus, Semboku Rapid Railway Line, Nankaishoji, and Suminoe Kougyou) Lower the CO<sub>2</sub> emissions amount from an average of 236,000 tons for fiscal 2011–2014 to 228,920 tons or less for fiscal 2015–2017 (reduction of at least 7,080 tons)</p> <p>② Reduce by 3% for 45 main emitting group companies Lower the CO<sub>2</sub> emissions amount from an average of 315,000 tons for fiscal 2011–2014 to 305,550 tons or less for fiscal 2015–2017 (reduction of at least 9,450 tons)</p> | <p>① Adopt VVVF type rolling stock by railway companies</p> <p>② Adopt hybrid and electric vehicles (electric buses) by bus companies</p> <p>③ Reduce amounts of diesel use by bus companies utilizing drive recorders</p> <p>④ Adopt energy-conserving lighting, including LEDs</p> <p>⑤ Adopt boilers, water-cooling pump and high-efficiency current transformers, etc.</p> <p>⑥ Reduce electricity and power consumption by increasing the operation efficiency of buildings, etc.</p> <p>⑦ Energy conservation efforts in offices, business places and shops</p> | <p>① Twelve 8300 series train cars were built new for Nankai Electric Railway.</p> <p>② Bus companies sought to reduce their amounts of diesel use, and seven main companies restricted their use to 18,840,000 liters in fiscal 2017, down from 19,271,000 liters in fiscal 2016.</p> <p>③ Nankai Electric Railway installed 130 LED signal lights and installed LED lighting equipment in 4 locations. One escalator with inverter control were updated, and 19 high-efficiency transformers were installed.</p> <p>④ Air-conditioning equipment was updated at five locations, including the Swissotel and Namba Parks.</p> <p>⑤ LED lighting was installed at seven locations, including Namba City and Namba Parks.</p> <p>⑥ A solar power generation system was completed in October 2016 on land in Tannowa, and has been steadily generating power since operation began. The annual amount of power generation has greatly exceeded the initial plan. Renewable energy projects, including biomass and wind power generation, were investigated.</p> | ○   | <p>In results related to our medium-term environmental goals, we reduced average CO<sub>2</sub> emissions for five companies subject to the Energy Conservation Law by 3.6% to 227,410 tons for fiscal 2015-2017 compared to the average of 236,000 tons for fiscal 2011-2014. In the same manner, we reduced average CO<sub>2</sub> emissions for the 45 group companies that are the main emitters also by 3.6% to 303,628 tons for fiscal 2015-2017 compared to the average of 315,000 tons for fiscal 2011-2014.</p> <p>In fiscal 2015, the first year of the plan, we achieved large reductions due to the adoption of energy-conserving rolling stock, but amounts used increased for air-conditioning due to hot summers and cold winters in the second and third years of the plan.</p> <p>In terms of water use, water conservation awareness increased throughout the entire group and we were able to greatly decrease consumption, achieving a reduction of 7.9%, which exceeded our three-year goal of 5%. We used 1,778 tons of J-Credits out of 1,927 tons from cooperation in the G7 Ise-Shima Summit and sales to other companies. We will continue investigating the acquisition of more credits. Among efforts to raise awareness about the environment, our ECOnist system has become established in the company, and volunteer participants are now increasing every fiscal year.</p> <p>We transitioned to the new ISO 14001 standard quickly. In regards to compliance with laws and regulations, we have also responded to revised laws including the Energy Conservation Law, the Fluorocarbon Act and the Waste Disposal Act.</p> <p>New medium-term environmental goals begin with fiscal 2018. We will establish targets for each environmental issue in the Nankai Environmental Vision 2030 and our entire group will continue working toward being able to achieve them.</p> |
|  | (2) Establish management systems oriented toward the achievement of water use and waste emission reduction goals   | Reduce water use and waste emission amounts by 5% in fiscal 2017 compared to fiscal 2014 for 45 main emitting group companies   | <p>Promotion of 3R efforts in offices, business places and shops</p> <p>Promotion of 3R efforts in train stations and on trains</p>   | <p>① Examinations of water use volumes were conducted for 45 group companies. The level has decreased 7.9% in a three-year comparison.</p> <p>② Examinations of waste processing volumes were conducted for 45 group companies. We determined that the amount of ordinary waste processed was about 4,881 tons and the amount of industrial waste processed was about 3,989 tons in fiscal 2017.</p>  | ○   |   |
|  | (3) Implement environmental measures and guidance for group companies and supply-chain partners  | Promote the augmentation of management systems through regular information submission and awareness raising activities, for example   | 45 group companies were made to submit use volume surveys by a deadline, and their amounts of energy, water and industrial waste were investigated. An "environmental law compliance" section has been added to the standard contract used with business partners, and their cooperation is requested.  | ○   |   |   |
|  | (4) Establish utilization methods for J-VER offset credits   | Develop plans for products that are subject to offsets  | Through 8 efforts, including Kyosei no Mori and Nankai concerts, 543 tons of carbon offsets were realized.  | ○   |   |   |
|  | (5) Deepen and augment working groups related to the environment   | Hold effective working groups that contribute to environmental businesses and environmental education   | Working groups were held, including for environmental management and environmental reporting.   | ○   |   |   |
|  | (6) Comply with the Energy Conservation Law  | Respond rapidly to legal revisions related to power demand leveling evaluation consumption rate, etc.   | In the regular report submitted to the Kinki District Transport Bureau in June, our energy rate was 98.8% and our power leveling demand evaluation unit was 97.7% compared to the previous fiscal year. In the regular report submitted to the Kansai Bureau of Economy, Trade and Industry in July, our energy rate was 96.0% and our power leveling demand evaluation consumption rate was 97.0% compared to the previous fiscal year.  | ⊙   |   |   |
|  | (7) Comply with the Waste Management and Public Cleansing Law  | Deepen legal training and provide guidance and promote awareness in group companies   | Issues were taken up in environmental law trainings, contents were deepened and they were expanded to group companies.  | ○   |   |   |
| 2. Work cooperatively and strengthen communication with local communities            | Participate in projects related to the environment   | Plan and hold various events including those related to Nankai no Mori, Michibushin walk (road-repair walks), Kyosei no Mori, Tanagawa biotope, and train festivals   | Biotope hiking, eco-tours and similar events were held. Road repair walks for the Kumano Kodo trails were held.   | ○   |   |   |
|  | Develop and provide products and services that have the environment as a fundamental concept   | Make efforts for products that use thinned forest wood and for environmental businesses   | Benches and tables using wood thinned from Nankai no Mori were made at Misaki Park.   | ○   |   |   |
| 3. Strengthen information distribution functions related to environmental management | Unify integrated report, financial information and nonfinancial (environmental, social and governance) information, and comply with corporate governance and stewardship codes | Prepare reports with rich communication   | A report was made with messages from every director that clarifies responsibilities, including a message from the top executive at the beginning. We received an Environmental Minister's Award for environmental communication again as in the previous fiscal year.   | ○   |   |   |
|  | Respond to Carbon Disclosure Project (CDP) and Nikkei Environmental Management Surveys   | Reply to CDP, and raise the level of environmental management for the entire Nankai Group   | CDP evaluations were "B" for climate change and "A" for water. The Nikkei Environmental Management Survey score was 336 points, 14 points less than the previous year.  | △   |   |   |
|  | Distribute information and conduct awareness-raising activities (increase number of ECOnists) inside the company   | Advance awareness-raising efforts so that at least 100 people can be certified as ECOnists in fiscal 2017   | The number of ECOnists was 178 for the year. We also established an award system for multiple-year ECOnists and recognized 41 people as "Advanced ECOnists."  | ⊙   |   |   |
| 4. Strengthen promotion systems for environmental management                         | Deepen and augment environmental management systems  | Comply with ISO 14001:2015 standard revisions and reform management systems   | We revised manuals, for example, and received ISO 14001:2015 certification.   | ○   |   |   |
|  | Implement various environmental education programs   | Deepen and expand trainings related to environmental economics and environmental laws; increase the number of people who pass eco-certification tests   | We sought to raise the levels of our environmental management and environmental law trainings and conducted them in December, deepening the understanding of participants particularly regarding ESG information. The number of people who have passed eco-certification tests reached 245.   | ○   |   |   |

# Nankai Electric Railway Group Medium-term Goals

## Fiscal 2018–2020 plan

| Main policy  | Medium-term environmental goal            | Main policy for fiscal 2018   |   |  |
|--|---|---|---|--|
| Nankai Environmental Vision 2030   | 1. Suppressing global warming             | (1) Reduce Nankai Electric Railway Group CO <sub>2</sub> emissions by 12% (compared to fiscal 2013)   | Reduce Nankai Electric Railway Group CO <sub>2</sub> emissions by 8% (compared to fiscal 2013)  |  |
|  |   | (2) Utilize renewable energy (including from hydrogen) and strengthen BCP functions   | Establish renewable energy business plan (1 plan)   |  |
|  | 2. Realizing a recycling-oriented society | Undertake preparations for smart city formation in the Namba area and along train lines as one aspect of driving urban development centered on train stations   |   |  |
|  |   | Hold regular meetings with each business division on the theme of environmental measures that contribute to increasing added value for each project   |   |  |
|  | 3. Preserving biodiversity                | (1) Expand biotope activities in areas along train lines  | Determine new management plan by holding 4th Tanagawa Biotope Planning and Management Committee meeting and undertake efforts in accordance with this plan  |  |
|  |   | (2) Advance biodiversity preservation and agricultural businesses harmoniously  | Select candidate locations to advance projects that combine agricultural businesses with biotopes   |  |
|  | 4. Deepening environmental management     | (1) Improve and advance environmental management systems based on ISO 14001 and investigate transition to more active management systems  | ① Undertake renewal examinations and certification extensions related to ISO 14001 certification exams<br>② Identify issues with the current system by conducting questionnaires for the implementation staff |  |
|  |   | (2) Establish environmental law compliance management systems for Nankai Electric Railway Group   | Build independent management systems for each company in the Nankai Electric Railway Group and hold manual creation training meetings   |  |
|  |   | (3) Promote environmental volunteer activities (ECONIST program)<br>ECONIST certifications annually 100 people<br>ECONIST advisor certifications annually 35 people<br>ECONIST examination successes annually 35 people | ECONIST activities 12 times<br>ECONIST certifications 100 people<br>ECONIST advisor certifications 35 people<br>ECONIST examination cumulative successes 277 people   |  |
|  | Other                                     | 5. Sharing environmental information efficiently  | (1) Transition to integrated report   | ① Issue CSR report that takes integrated reports into consideration<br>② Hold in-house working group to prepare for integrated report creation |
|  |   |   | (2) Issue environmental PR posters  | Publish posters on efforts for the environment quarterly   |
|  |   | (3) Acquire new offset credits utilizing Nankai no Mori   | ① Investigate credit acquisition<br>② Utilize current credits   |  |
| (4) Utilize wood thinned from Nankai no Mori                               |   | Create promotional products that utilize thinned wood   |   |  |
| (5) Hold events sponsored by the Promoting Environmental Policy Department |   | Hold events for general public three times  |   |  |
| (6) Contribute to environmental protection organizations                   |   | Make contributions  |   |  |

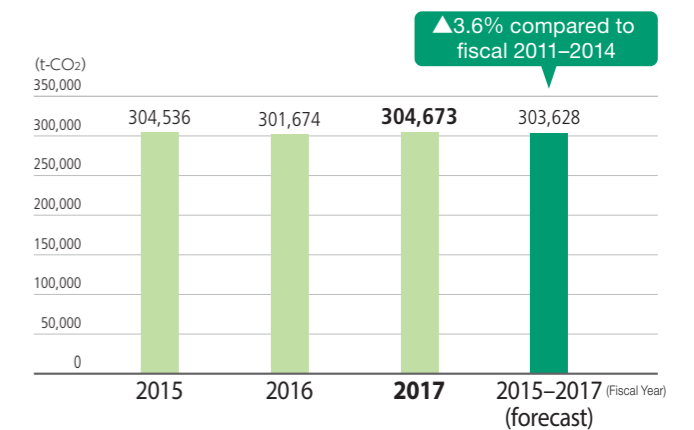
# Curtailing Global Warming

## Reducing CO<sub>2</sub> Emissions as a Group

In our fiscal 2015–2017 medium-term environmental targets, we set a three-year average 3% reduction as our new target, using the 315,000 tons of average annual CO<sub>2</sub> emissions by 45 Nankai Electric Railway Group companies from fiscal 2011–2014 as our baseline.

As a result, with 304,536 tons in fiscal 2015, 301,674 tons in fiscal 2016 and 304,673 tons in fiscal 2017, we achieved average annual CO<sub>2</sub> emissions of 304,673 tons for the three-year period, a 3.6% reduction from the baseline. We will keep seeking to achieve the targets of the Nankai Environmental Vision 2030 by utilizing various support efforts, starting with those of the Ministry of Land, Infrastructure, Transport and Tourism. We will also incorporate the continued adoption of energy-conserving rolling stock and other equipment with high energy efficiency into our medium term business plan and increase the energy-conservation mindset of employees in the entire group.

Changes in CO<sub>2</sub> emissions for 45 group companies



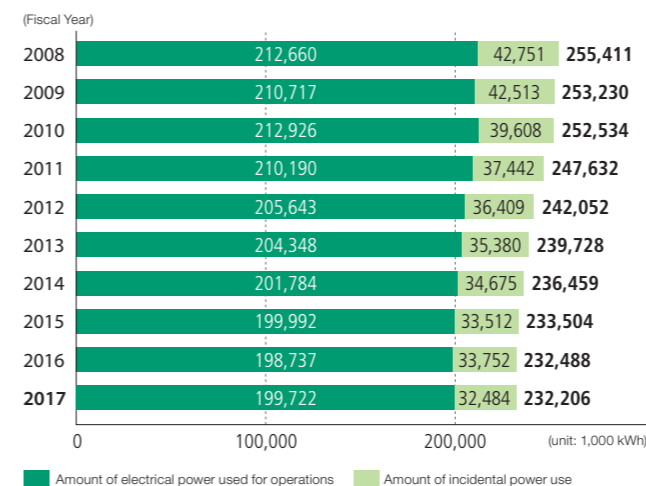
## Energy reduction in the Railway Business

### Reducing Electricity Consumed by Railways

Railways have high energy efficiency compared to other means of transportation and trains are said to be vehicles that are easy on the environment. Considering, however, that the operation of railways requires the use of great amounts of electricity and that working to reduce electricity used by railways contributes to both reducing CO<sub>2</sub> emissions and saving energy, we are striving to do so as one of our most important corporate issues. The amount of electric power used by railways in fiscal 2017 was 232,206,000 kWh. Of this, 199,722,000 kWh, 86.0% of the total, was used for train operation. This is a reduction of 0.1% from the previous fiscal year. The incidental power use was 32,484,000 kWh.

Incidental power is electricity used for signaling equipment, railway crossing equipment and station equipment (including lighting, air conditioning and elevators). This reduction shows the results of advancing efforts to conserve energy, including those made in the summer and winter (stopping some elevators and strictly controlling indoor temperatures) and the steady conversion to LED lighting in stations. Electricity consumed by railways as a whole has been steadily decreasing since peaking in fiscal 2005 due to efforts to conserve as much energy as possible by, for example, introducing high-efficiency, energy-conserving cars with VVVF inverter control.

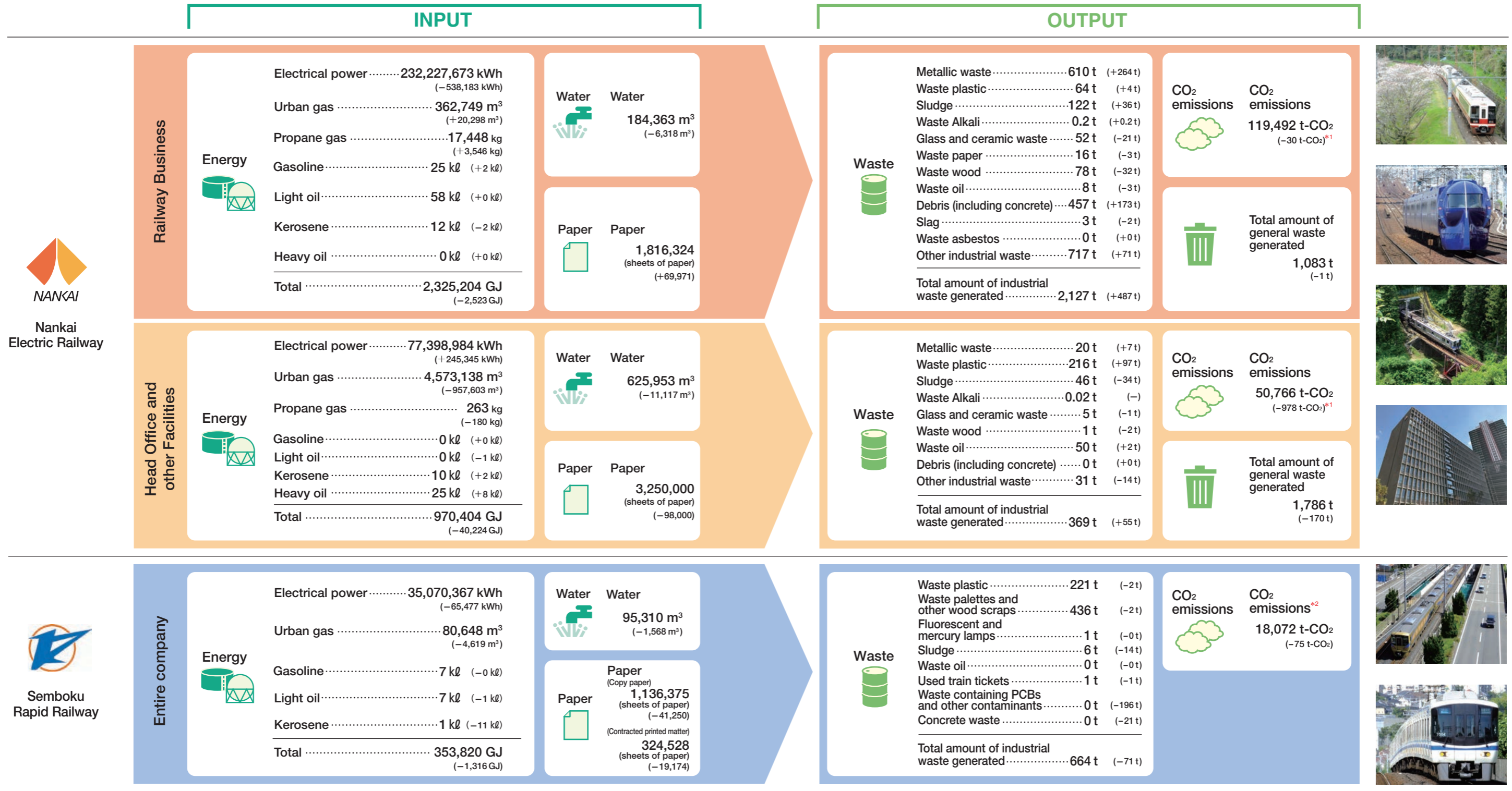
Changes in electricity consumption for train operations



8300 series that has reduced power consumption

# Environmental Impact Data

Environmental impact data (inputs and outputs) for Nankai Electric Railway and Semboku Rapid Railway Line in 2018 are detailed below. This data is focused on that submitted in accordance with the Energy Conservation Law and other laws to the Ministry of Land, Infrastructure, Transport and Tourism (Kinki District Transportation Bureau), the Ministry of Economy, Trade and Industry (Kansai Bureau), Osaka Prefecture and other agencies.



\*1 These numbers were submitted to the Kinki District Transportation Bureau and the Kansai Bureau of Economy, Trade and Industry in accordance with the Energy Conservation Law. For electric power, the CO<sub>2</sub> emissions total was calculated using the emission coefficient set by Kansai Electric Power Co. of 0.509 kg-CO<sub>2</sub>/kWh.  
 \*2 Energy used exclusively by shops within Semboku Rapid Railway Line station buildings and by companies occupying the Higashiosaka and Kitaosaka logistic centers is included.

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

Financial and nonfinancial highlights  
 Message from the president  
 Nankai Group Business Vision  
 Medium Term Business Plan  
 CSR overview  
 Financial report  
 Company profile

# Society

As a business responsible for public transportation and that operates with close relationships to communities, we are undertaking a variety of activities to meet the expectations of our stakeholders as we should.



## Relationships with customers

### Identifying customer needs

#### Creation of customer feedback database

Our database of customer feedback is a valuable collection of opinions, requests, praise and other thoughts received directly from customers. Employees can view this database using their work devices. In fiscal 2017, we received a great amount of customer opinions, totaling 2,719 cases. These opinions can often point to areas of corporate management that require attention and have helped in the improvement of problematic points and service. The following are examples that reflect responses to customer feedback.

#### 2017 customer feedback breakdown

| Ranking |                                | Numbers for previous year shown in parentheses |       |
|---------|--------------------------------|--|-------|
|         |                                | Number of cases                                |       |
| 1       | Schedules/schedule disruptions | 836  | (468) |
| 2       | Customer treatment/reception   | 636  | (777) |
| 3       | Station facilities             | 232  | (250) |
| 4       | Passenger manners              | 210  | (276) |
| 5       | Air-conditioning               | 184  | (223) |
| 6       | Train vehicles                 | 126  | (199) |
| 7       | Website                        | 103  | (44)  |
| 8       | Tickets                        | 94   | (93)  |
| 9       | IC and Compass Cards           | 43   | (44)  |
| 10      | Women-only cars                | 35   | (33)  |

#### By division

Numbers for previous year shown in parentheses

|   |  | Number of cases |         |
|---|--|-----------------|---------|
| 1 | Railway                                    | 2,532           | (2,317) |
| 2 | Misaki Park                                | 76              | (76)    |
| 3 | Companies that make up the Corporate Group | 70              | (80)    |

#### Execution of customer satisfaction surveys

In fiscal 2017, we hired an unaffiliated survey company to survey our customers using Internet questionnaires. We were able to learn what our customers thought about our service levels as well as hear a wide range of opinions and requests from our customers through their answers to open-ended questions.

In addition, we conducted questionnaire surveys of foreign customers visiting Japan and were able to learn about their needs.

#### Various improvements based on customer feedback

We consider our database of customer feedback and the opinions and requests that we receive from our customers through customer satisfaction surveys to be precious management resources for our company. With this data, we strive to constantly improve quality in every related division, including through education and guidance for railway staff. Furthermore, in meetings that utilize customer feedback (VOC Application Committee), we identify reform issues and link the feedback to the implementation of specific measures.

## Applying customer feedback

These are examples of improvement measures made in response to customer feedback and customer satisfaction surveys.

#### Renovation of station restrooms

We are advancing the renovation of station restrooms. We are advancing reforms to make restrooms more comfortable to use, including aesthetic improvements, odor reduction through improved ventilation capabilities and the addition of powder spaces in women's restrooms.



Restroom entrance at Kishiwada Station



Restroom entrance at Sakaihigashi Station



Women's restroom at Sakai Station



Powder space at Sakai Station



Men's restroom at Kishiwada Station



Multifunction restroom at Wakayamashi Station

#### Advancement of aesthetic improvements for train buildings and platform roofs as well as barrier-free renovations

We are advancing aesthetic enhancements for train buildings and platform roofs as well as barrier-free renovations and undertaking improvements to make use easier.



Station facilities moved from second floor to first floor and an open counter was installed (Wakayamashi Station)



Slope installed and new east entrance added (Tsuruhara Station)

#### Guidance in multiple languages

We are advancing the use of multiple languages on guidance signs in stations and train cars, in automatic broadcasts and elsewhere so foreign customers visiting Japan can use our facilities with peace of mind.



Ticket vending machines that support four languages (Japanese, English, Chinese and Korean) and floor signage that draws attention



When renovating and building new train cars, we are incorporating multilingual interior displays and automatic guidance announcements (Japanese, English, Chinese and Korean). In addition, we are steadily introducing tablet devices carried by conductors and adopting systems connected to broadcast equipment in train cars. As a result, we are now able to provide broadcast guidance, manner awareness announcements and guidance announcements when issues occur in multiple languages (Japanese, English, Chinese and Korean) in older train cars as well.



Multilingual guidance on monitor inside train (8300 series)



Conductor operating tablet device

In addition to physical infrastructure improvements, we are also enhancing announcements through software. We are installing tablet devices for guidance with translation and other apps in main stations to enhance multilingual support.



Station staff giving guidance using a tablet





## Relationships with customers

### Measures for foreigners visiting Japan

#### Encouraging foreigners to visit Japan

At our company, we are seeking to increase awareness of our inbound customer services and promote their use, starting with airport access that links the Kansai International Airport to Namba, which is our greatest strength. We are continuously undertaking efforts to capture increasing inbound demand with certainty. These include exhibiting at overseas travel exhibitions, participating in business discussion meetings and conducting sales efforts targeting local travel agencies. We participated in travel exhibitions, primarily for East Asia, in fiscal 2016-2017. Moreover, we have undertaken sales efforts targeting travel agencies through participation in the VISIT JAPAN Travel Mart and other business discussion meetings in Japan. In addition, among other efforts, we have invited foreign



Public relations event

influencers on firm trips to areas along our train lines in order to promote their sightseeing resources to attract visitors. Furthermore, we are also conducting PR activities for countries outside of East Asia. In fiscal 2017 we participated in the Visit Japan Regional Cooperation Project (VJ Project) for unified promotion of sightseeing attractions along the lines of private train companies in the Kansai region.

#### Providing information in multiple languages

Starting with the renewal of destination display boards at Namba Station in 2016, we have been installing destination display boards with four languages (English, traditional Chinese, simplified Chinese and Korean) at other stations. As of March 2018, the other stations where we have incorporated displays suitable for the clear and effective display of these foreign languages include Shin-Imamiya, Tengachaya, Sakai, Hadoromo (in Wakayama City bound for Kansai Airport), Wakayamadaigakumae, Wakayamashi, Rinku Town, Kansai Airport and Mikunigaoka. In addition, we have installed a total of 26 tablet devices at ticket windows in 18 stations to enhance the handling of foreign languages. Furthermore, we have established a general information center capable of helping visitors in multiple languages at Namba Station.

### Striving to provide station restrooms that are clean and easy to use

We have been advancing aesthetic and functional improvements of our station restrooms since fiscal 2016 in order to increase comfort and convenience when people use our stations. Since April 2018, we have been carrying out a Station Restroom Renewal Project in order to respond to various opinions that we have received from customers related to station restroom facilities and other topics, as well as to make these efforts known and improve the image of our station facilities.

As one measure to provide "train lines that are chosen," which is a goal of the KYOSO 136 Plan, our new medium term management plan that starts in fiscal 2018, we will renovate 40 restrooms at 36 stations, investing 1.2 billion yen over three years.



Powder room at Sakai Station

#### Main details and specifications of renovation

|   |   |   |
|---|---|---|
| 1 | Comprehensive interior design improvement                 | In addition to completely repairing floors and walls and removing stains, we will reform designs by updating stalls and various fixtures. |
| 2 | Ventilation function enhancements                         | We will install ventilation outlets in each stall to prevent lingering odors.   |
| 3 | Toilet style changes                                      | By converting toilets and urinals to wall-mounted types, we will make floor-cleaning easier.  |
| 4 | Conversion to Western-style toilets with bidet functions  |   |
| 5 | Installation of baby chairs, baby seats and powder spaces |   |

#### Station Restroom Renewal Project logo



As a logo to publicize the Station Restroom Renewal Project, we combined "Re" for "renewal" with the Japanese character for "station" to symbolize this effort. In addition, by using a frame depicting toilet paper and restroom pictograms, we made this symbol seem familiar and easy to understand.

## Relationships with shareholders and investors

We believe that increasing the transparency of our business, starting with legal compliance, is one important duty as a company that is widely trusted by society, so we are establishing a Disclosure Policy based on a clear corporate philosophy that is adapted to this era. In accordance with this belief, we are continuing to disclose corporate information fairly, appropriately and at suitable times to our shareholders, investors and other stakeholders. Moreover, from the perspective of maintaining sustainable growth and increasing corporate value over the medium and long terms, we are working on this in addition to consideration of various measures to promote healthy dialogs with our shareholders and investors. We are seeking to promote understanding and enhance dialogs about the status of our business management. In

order to have even more of our shareholders attend, we hold the regularly-schedule General Meeting of Shareholders at the EDION Arena Osaka and strive to provide information proactively and have cordial question-and-answer sessions. In addition, we send out the NANKAI Report shareholder newsletter and other publications. Furthermore, for institutional investors and analysts, we explain our business management strategies, business contents and results, for example, at meetings held about our finances twice a year. Moreover, we are seeking to enhance dialog with them through small meetings, conferences and individual interviews. On our official website, we have a Company Profile & IR information page, and we post investor relations materials, including financial conditions every quarter.

## Relationships with employees

### Efforts for diversity

Believing that respecting diversity within the organization and proactively making the most of it are indispensable in order to flexibly respond to changes in the business environment and to grow sustainably, we are endeavoring to promote diversity from a variety of angles.

#### Advancing the active participation of women

We are conducting hiring and appointments that are focused on individual qualities without regard to gender, and we are promoting the active participation of women. In April 2016, we established an Action Plan to Advance the Active Participation of Women. In addition to setting a female employment rate of at least 30% continuously for recent university graduates, we have been promoting the placement of women in a variety of types of work in our on-site railway operations, including as conductors, drivers and assistants. We are also advancing the preparation of lodging facilities for women. We will continue strengthening efforts to further expand opportunities for active participation of female employees throughout the company and systematically cultivate their abilities. Specifically, we will continue to actively undertake advertising oriented toward women during hiring, and strive to expand the recruitment population as we seek to advance the placement and appointment of women in all fields and roles. Moreover, in our railway operation divisions, we will continue striving to build work environments that enable women to keep working by further expanding support for balancing work and family. We are already doing this by, for example, enabling childcare leaves to be taken until children begin attending school. We will continue building systems for childcare leaves during pregnancy and from the time of birth as well as for following up after returning to work.

#### Promoting employment of the disabled

Recognizing the important social responsibility of hiring the disabled, we currently employ 47 people with disabilities at our special subsidiary company Nankai Heartful Service K.K. As of June 2018, the employment rate for people with disabilities was 2.24% at Nankai Electric Railway and 7 related group companies that have received special authorization. They undertake work that includes the cleaning of various facilities, starting with those of our companies, and the sorting of mail. We are promoting communication and working to realize and maintain workplace environments where they can work easily through daily information exchanges and recreational events, for example.

#### Promoting employment of older people

Considering the need to respond to the stepped increase in the age when the provision of welfare pensions begins, we have had a reemployment system for employees after retirement age (60 years old) since fiscal 2004. As of March 31, 2018, we had 64 such employees active in various fields. At our company, we are not just following the law. Rather, we are working to support more fulfilling lives for senior citizens, including by raising wage levels in response to the so-called "pensionless period" and by holding classes that contribute to maintaining and increasing motivation.

# Governance

We recognize that the strengthening of corporate governance functions is an important management issue. For this reason, we strive to implement strict adherence to laws and regulations first of all, while seeking to practice very transparent management and fair and rational decision-making, as well as strengthen the supervisory functions that oversee these processes. We respect all of the principles in “Japan’s Corporate Governance Code,” which was established by the Tokyo Stock Exchange. We are strengthening and investigating persistent functions related to corporate governance as we seek sustainable growth and increased corporate value over medium and long terms.



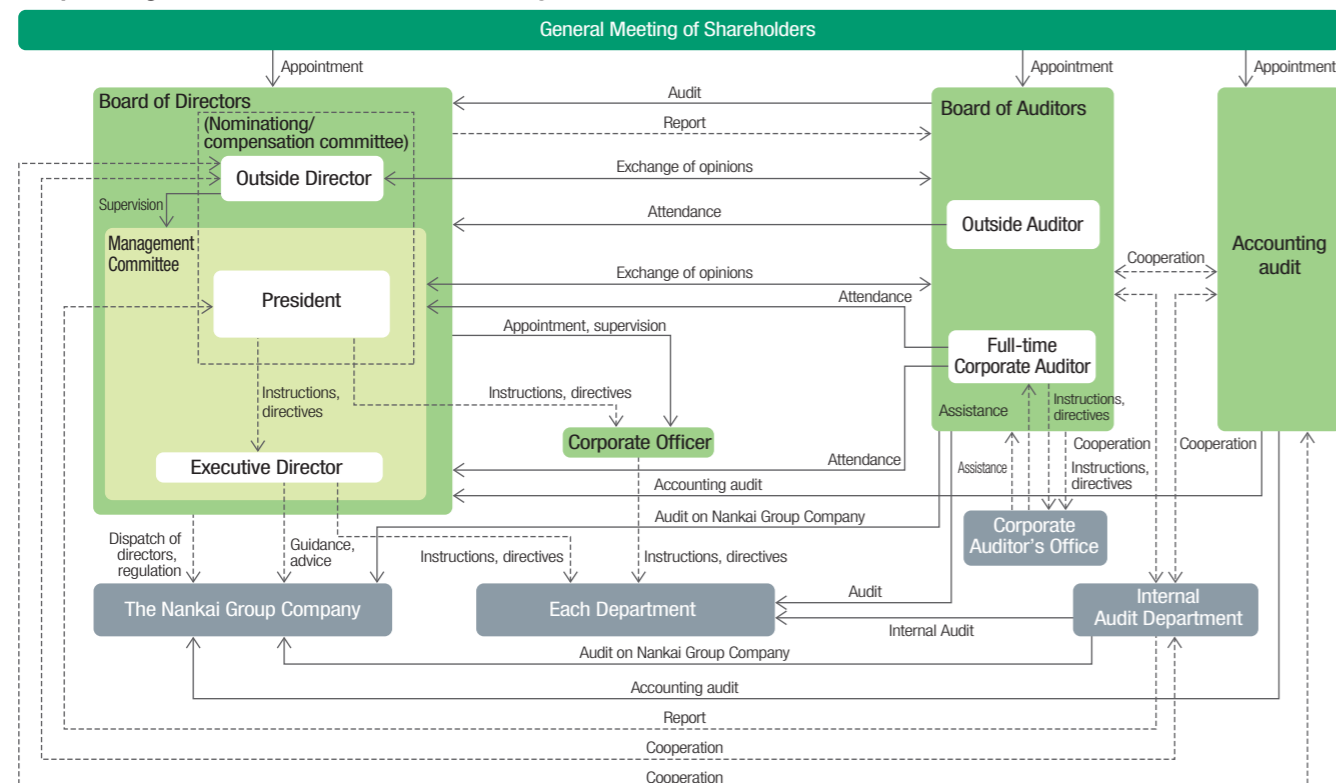
## Governance systems

### Business execution

The Board of Directors (secretariat: General Affairs Department) consists of 13 Directors (including 3 Outside Directors) and 5 Auditors (including 3 Outside Auditors), and meets on a monthly basis in principle to make decisions on important business execution and to supervise the execution of duties by Directors. Based on the fundamental management policies established by the Board of Directors, the Management Committee, which is comprised of Managing Directors (secretariat: General Affairs Department), meets once a week to discuss important management issues. They seek to comprehensively control

business execution and optimize decision-making on management. Furthermore, With the aim of reinforcing the supervisory function of the Board of Directors and establishing a system for agile business execution, the Company has adopted a system of Corporate Officers. Currently, 7 Corporate Officers are appointed and are working with executive Directors to optimize and improve the efficiency of business execution by, for example, sharing information such as issues on important business execution and operating performance.

### Corporate governance and internal control systems (as of June 22, 2018)



## Auditing by auditors

The Board of Auditors, which consists of 5 Auditors (secretariat: Corporate Auditor's Office), meets once a month in principle and execute audits on business execution.

The Board of Auditors regularly exchanges opinions with Representative Directors and officers in charge of each department. For Senior Corporate Auditors, the Company has established a system in which they can exchange opinions with Directors and other employees as necessary with respect to individual management issues. In addition, Senior Corporate Auditors attend the Management Committee and other important meetings and hear reports about issues that are important to the management of the Company and the Group, including the status of business execution, operating results and financial conditions. These Auditors also receive important documents, including draft plans after approval and internal auditing reports, for review. Senior Corporate Auditors report to Outside Auditors at the Board of Auditors' meetings about information gathered through these efforts and add appropriate explanations about such information from the perspectives of those well-versed in the business of the Company.

In turn, Outside Auditors provide guidance and state opinions based on their expertise and experiences outside the Company. By following these different roles and mutually complementing each other's functions, they increase the effectiveness of audits by Auditors. In addition, we have established the Corporate Auditor's Office as an organization dedicated to handling work related to the Board of Auditors and audits by Auditors in order to strengthen Auditors' functions. The Corporate Auditor's Office consists of 2 staff members, who shall follow the commands and orders of Auditors. As for the personnel changes and evaluations of Corporate Auditor's Office members, the consent of Senior Corporate Auditors shall be obtained.

### Executive message

### Seeking even higher-quality auditing functions, we value information sharing and cooperation



Senior Corporate Auditor  
Takaichi Fujita



Senior Corporate Auditor  
Masafumi Katsuyama

Supplemental principle 4-4 ① of the Corporate Governance Code seeks to improve the effectiveness of the Board of Auditors through the combination of the firm independence of externally appointed auditors and the high information gathering abilities of full-time auditors. The full-time corporate auditors, in order to increase information gathering abilities, participate in trainings sponsored by the Japan Audit & Supervisory Board Members Association, for example. They also work with devotion to acquire and update necessary knowledge, and endeavor to present appropriate information in a timely manner to externally appointed auditors at meetings of the Board of Auditors and elsewhere. In contrast, the externally appointed auditors, who possess knowledge related to the law, finance and accounting, provide beneficial advice and proposals from perspectives that are unlikely to be noticed just with discussions inside the company. Moreover, in the same supplemental principle, assuring cooperation among the Board of Auditors is sought to strengthen the information gathering abilities of externally appointed directors. For this purpose, we are conducting information exchange meetings among externally appointed directors and joint observations, for example, as well as working on mutual cooperation. In addition, reflecting on the importance of coordination with the Internal Auditing Department and the accounting auditor, in other words, "three-party auditing," we are striving to share information through regular opportunities for opinion exchange, as well as also exchanging information among group company auditors.

## Outside Directors and Outside Auditors

### Outside Director

Outside Directors are expected to utilize their knowledge and experience as business managers for the management of the Company. They are responsible for the function which contributes to the improvement of efficiency and transparency in management from their independent standpoints without any mutual relationship which may impose significant control over the management of the Company.

### Outside Auditor

Outside Auditors are expected to utilize their knowledge, experience and expertise as business managers or lawyers for the auditing of the Company. They are responsible for the function which contributes to the securing of transparency in management and the qualitative improvement of audits from their independent standpoints without any mutual relationship which may impose significant control over the management of the Company.

## Governance systems

### Standards and policies related to independence and how our company thinks about the state of appointments

In the selection of our externally appointed directors and auditors, prerequisites include not having significant interests with our company and not coming under independence standards determined by the Tokyo Stock Exchange at the time of independent officer notification. Other requirements are that they have the necessary knowledge and experience for supervising and auditing the execution of the diverse range of duties in our corporate group business, starting with our railway business in which the assurance of safe transportation is our social mission. They must also possess the desire and disposition to work proactively in order to appropriately fill the roles expected of them from positions of independence to meet the responsibilities entrusted by our shareholders. Based on these expectations, our company selects externally appointed directors and auditors that are independent. We believe that these appointment conditions are functioning sufficiently for maintaining and improving our corporate governance systems.

### Supporting System for Outside Directors and Outside Auditors

The General Affairs Department is the secretariat of the Board

of Directors. In order to improve the effectiveness of supervising and auditing by Outside Directors and Outside Auditors, the General Affairs Department shall provide them with materials for the Board of Directors' meeting in advance whenever possible and as necessary, make an arrangement for them to receive explanation from each officer in charge, etc. about the agenda and the contents ahead of meetings. The secretariat also provides explanation on the agenda and the summary of matters to be reported to Outside Directors prior to the Board of Directors' meeting. Through the aforementioned initiatives, the Company strives to ensure the propriety of decision-making procedures at the Board of Directors' meetings. In addition, absent Outside Officers will receive materials on the deliberation and reporting, as well as the results. The Corporate Auditor's Office is the secretariat of the Board of Auditors. The Corporate Auditor's Office conveys information such as the date and time of the Board of Auditors' meeting as well as the agenda in advance, while providing assistance on field audits to each business location as necessary. Information beneficial for the execution of audits are collected from the contents submitted to the Management Committee and other approval documents, and provided to Senior Corporate Auditors, who report and explain them to Outside Auditors as necessary.

### Reasons for selection of externally appointed directors and auditors and their activity status

| Executive classification | Name             | Independent director/auditor | Reasons for selection  | Board of Directors/Auditors attendance record (fiscal 2017)                                   |
|--------------------------|------------------|------------------------------|--|---|
| Outside Director         | Ichiro Masukura  | ○                            | Based on his extensive experience gained as a department store manager, we selected (designated) him as an externally appointed director (independent director) because we expect he can provide suitable advice and supervision for the management of our corporate group as a whole from an independent standpoint free of any relationship that could enable the exertion of notable control mutually between him and the corporate management ranks of this company.   | Attended 12 of 12 Board of Directors meetings   |
|                          | Hitoshi Murakami | ○                            | Based on his extensive experience gained as a bank manager, we selected (designated) him as an externally appointed director (independent director) because we expect he can provide suitable advice and supervision for the management of our corporate group as a whole from an independent standpoint free of any relationship that could enable the exertion of notable control mutually between him and the corporate management ranks of this company.   | Attended 12 of 12 Board of Directors meetings   |
|                          | Kiyoshi Sono     | ○                            | Based on his extensive experience gained as a bank manager, we selected him as an externally appointed director because we expect he can provide suitable advice and supervision for the management of our corporate group as a whole from an independent standpoint free of any relationship that could enable the exertion of notable control mutually between him and the corporate management ranks of this company.   | Attended 8 of 10 Board of Directors meetings  |
| Outside Auditor          | Masayuki Oku     | ○                            | Based on his extensive experience gained as a bank manager, we selected (designated) him as an externally appointed auditor (independent auditor) because we expect he can raise the effectiveness of auditing in our corporate group as a whole from an independent standpoint free of any relationship that could enable the exertion of notable control mutually between him and the corporate management ranks of this company. Furthermore, through his business experience at a bank, this auditor possesses knowledge related to finances and accounting.   | Attended 11 of 12 Board of Directors meetings<br>Attended 12 of 13 Board of Auditors meetings |
|                          | Kozo Arao        | ○                            | Based on his specialized knowledge and extensive experience gained as a lawyer in the practice of corporate law over many years, we selected (designated) him as an externally appointed auditor (independent auditor) because we expect he can raise the effectiveness of auditing in our corporate group as a whole from an independent standpoint free of any relationship that could enable the exertion of notable control mutually between him and the corporate management ranks of this company. Furthermore, this auditor is an expert in corporate law and possesses knowledge related to finances and accounting. | Attended 12 of 12 Board of Directors meetings<br>Attended 13 of 13 Board of Auditors meetings |
|                          | Koji Aiba        | ○                            | Based on his extensive experience gained as a business executive at a health insurance company, we selected (designated) him as an externally appointed auditor (independent auditor) because we expect he can raise the effectiveness of auditing in our corporate group as a whole from an independent standpoint free of any relationship that could enable the exertion of notable control mutually between him and the corporate management ranks of this company. Furthermore, through his business experience at a health insurance company, this auditor possesses knowledge related to finances and accounting.     | Attended 12 of 12 Board of Directors meetings<br>Attended 13 of 13 Board of Auditors meetings |

## Policy on determining remuneration amounts and calculation methods

The form of compensation for the Company's officers is limited to cash. They do not receive any indefinite or intangible compensation. In order to promote business management with emphasis on shareholder value and stock prices as well as to further increase incentives for performance improvement, our basic compensation system shall be the combination of fixed compensation, compensation based on performance, and compensation through the allocation of corporate stock.

### Compensation based on performance

Compensation based on performance is adopted for Directors. In the calculation of compensation based on performance, the respective evaluation results of company performance and individual performance are combined in a matrix, by which standard compensation is adjusted between 0% and 200%. Company performance is evaluated based on dividends and consolidated ordinary income for the previous fiscal year. Individual performance is evaluated by assessing the level of achievement of performance targets for the department the Director is in charge, which were set at an interview with the President. The Chairman, the President, and Non-executive Directors, however, are evaluated only by company performance to determine their amounts of compensation.

### Compensation through the allocation of corporate stock

For Directors (excluding Outside Directors) and Full-Time Senior Corporate Auditors, the Company pays additional compensation separately from their fixed compensation. The amount of such additional compensation is determined by multiplying a certain percentage (varying depending on each Director's position) by the amount of their fixed compensation. This compensation amount is contributed to the Officer Shareholder Association and is appropriated for the allocation of the Company's shares.

### Executive remuneration details (fiscal 2017)

| Executive classification                             | Total value of compensation (million ¥) | Total value of compensation by category (million ¥) |               |         |                    | Number of executives covered |
|--|---|---|---------------|---------|--------------------|------------------------------|
|  |   | Basic compensation                                  | Stock options | Bonuses | Retirement bonuses |                              |
| Directors (excluding Externally Appointed Directors) | 267                                     | 267   | —             | —       | —                  | 13                           |
| Auditors (excluding Externally Appointed Auditors)   | 47                                      | 47  | —             | —       | —                  | 2                            |
| Outside Director                                     | 26                                      | 26  | —             | —       | —                  | 4                            |
| Outside Auditor                                      | 25                                      | 25  | —             | —       | —                  | 3                            |

## Nomination and Compensation Committee

With the goal of improving the transparency of nomination and compensation determination processes, we have established a Nomination and Compensation Committee that has our President and externally appointed directors as members. In the process for deciding remuneration amounts, explanations are given to externally appointed directors at

Nomination and Compensation Committee meetings, and recommendations are sought regarding the suitability of the amounts. In addition, in the determination of candidates for new representative directors, directors and auditors, externally appointed directors conduct inquiries in this committee before determination by the Board of Directors.

## Executive training

We implement the following trainings that are necessary for directors and auditors to fulfill their roles and duties.

### Contents of executive trainings

|                 |   |
|-----------------|---|
| All executives  | We encourage participation to attend external lectures and related expenses will be provided by the Company as appropriate. |
| Internal        | —   |
| New appointment | We provide explanations regarding the Company's business description, financial condition, management strategy, etc.        |
| External        | We conduct tours of the Group's facilities, etc.  |
| New appointment | We provide explanations regarding the Company's business description, financial condition, management strategy, etc.        |

## Governance systems

### Effectiveness evaluations for the Board of Directors

Based on self-evaluations using questionnaires by every director and auditor, we conduct analysis and evaluation of the effectiveness of the entire Board of Directors every year at a Board meeting.

As a result, our Board of Directors is generally operating well and definite improvements have been made for issues identified based on the analysis and evaluation of the last fiscal year. Since we were able to confirm these things, our analysis and evaluation are that the effectiveness of the entire Board of Directors is being maintained. On the other

hand, issues that require improvements still remain from before. These include further enhancement of deliberations when establishing medium term business plans and other policies, reporting on the status of response to issues that our corporate group should be handling, and the provision of sufficient explanations and deliberation time regarding them. Considering these issues, we will continue to advance efforts toward further improving the effectiveness of the entire Board of Directors.

## Compliance

### Promoting compliance-based management

#### Establishing our Code of Business Ethics

We created a Code of Business Ethics as a means of establishing our corporate ethics and to sustain and promote compliance-based management.

#### Code of Business Ethics

1. Safety is the Company's overriding priority; by working together we shall prevent accidents
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

Revised September 2001

#### Internal Reporting System

As an alternative to regular work reporting routes, our corporate group has established a Corporate Ethics Hotline that is a resource for all employees when they have questions or concerns, want a consultation or wish to report something regarding corporate ethics or compliance. Corporate Ethics Hotline System Rules were established to ensure that anyone using it for counseling or reporting would be protected. Moreover, in accordance with the Whistle-Blower Protection Act, our Corporate Ethics Hotline has become a whistleblower hotline since April 2006.

#### Inclusion of clauses for the exclusion of organized crime groups

The "Guidelines for the prevention of damage to businesses by antisocial forces" set by the government require businesses to further advance efforts to cut relations with anti-social forces, including organized crime groups. In response to this, we have included clauses for the exclusion of organized crime groups in every contract and similar document agreed upon by any of our departments or offices since fiscal 2008.

# Financial report



## Business results

At our group, we continued to advance various measures to successfully conclude our SHINTEN 133 Plan in the last year of this medium term business plan.

Operating revenue for the consolidated fiscal accounting year was ¥227.874 billion, an increase of ¥6.184 billion (2.8%) compared to the previous year thanks to growth in large condominium sales and favorable airport-related transportation due to the increase in inbound tourists. Operating income grew ¥2.13 billion (6.7%) compared to the previous consolidated fiscal accounting year thanks to increased income from condominium sales and reduced sale real estate appraisal losses for a total of ¥33.971 billion, making it our highest income ever.

Non-operating income decreased ¥119 million (8.8%) compared to the previous consolidated fiscal accounting year for a total of ¥1.231 billion. Non-operating expenses decreased ¥69 million (10.0%) compared to the previous consolidated fiscal accounting year for a total of ¥5.47 billion. Ordinary income, with non-operating losses added to operating income, increased ¥2.621 billion (9.7%) due to interest paid, for example, compared the previous consolidated fiscal accounting year for a total of ¥29.733 billion, making it our highest ordinary income ever. Due to factors that included decreased amounts of proceeds from contributions for construction, extraordinary income was ¥3.674 billion, a decrease of ¥20.928 billion (85.1%) compared to the previous consolidated fiscal accounting year. Extraordinary loss was ¥9.577 billion, a decrease of ¥17.451 billion (64.6%) compared to the previous consolidated fiscal accounting year due to factors that included decreased amounts of reduction entry of land contributions for construction, although losses in non-current assets for business uses were calculated as extraordinary loss.

As a result, income before income taxes was ¥23.829 billion. Profit attributable to owners of the parent less income taxes-current, income taxes-deferred and profit attributable to non-controlling interests was ¥14.719 billion, a decrease of ¥1.733 billion (10.5%) compared to the previous consolidated fiscal accounting year. As a result of the above, net income per share was ¥129.85 and return on equity (consolidated ROE) was 6.8%.

### Executive message

**We will work to strengthen financial health and achieve planned values**

Managing Director  
Keiichi Iwai



With the growth in foreign visitors to Japan in recent years, the number of people using the Kansai International Airport has also been increasing. This has been favorable for the passenger count and income of our railways. Under these conditions, we pursued both the strengthening of our income foundations and improving our financial balance. In fiscal 2017 the final year of our SHINTEN 133 Plan, our medium term management plan, operating income was 33.9 billion yen, the highest in our history, and our interest-bearing debt balance/EBITDA ratio was 7.69, so we were able to achieve our original plan values for both. I believe that our Medium Term Business Plan efforts related to strengthening Semboku-related business, increasing the drawing power of the Namba area, and expanding Kansai International Airport and inbound tourism business produced results. In fiscal 2018, which is the first year of our KYOSO 136 Plan, our main objectives include providing safe, reliable and high-quality transportation services and expanding our real estate business. Due to growth and renewal investments for these, we expect capital demand to stay at a high level.

Through the maintenance of financial discipline and the diversification of fundraising methods, for example, we will keep endeavoring to strengthen our financial health and seek to achieve the target value of the KYOSO 136 Plan (interest-bearing debt/EBITDA ratio of 7.5 or less in fiscal 2020). In addition, we will continue seeking to further improve our rating.

## Consolidated Balance Sheets

(millions of yen)

|  | Previous consolidated fiscal year<br>March 31, 2017 | Current consolidated fiscal year<br>March 31, 2018 |   | Previous consolidated fiscal year<br>March 31, 2017 | Current consolidated fiscal year<br>March 31, 2018 |
|--|---|--|---|---|--|
| <b>ASSETS</b>                          |   |  | <b>LIABILITIES</b>                                    |   |  |
| <b>Current assets:</b>                 |   |  | <b>Current liabilities:</b>                           |   |  |
| Cash and deposits                      | 19,335  | <b>20,723</b>                                      | Notes and accounts payable-trade                      | 20,364  | <b>20,332</b>                                      |
| Notes and accounts receivable-trade    | 22,314  | <b>17,305</b>                                      | Short-term loans payable                              | 92,823  | <b>93,263</b>                                      |
| Merchandise and finished goods         | 25,369  | <b>24,682</b>                                      | Current portion of bonds                              | 20,000  | —  |
| Work in process                        | 704   | <b>1,019</b>                                       | Income taxes payable                                  | 5,113   | <b>6,488</b>                                       |
| Raw materials and supplies             | 2,825   | <b>2,770</b>                                       | Provision for bonuses                                 | 2,520   | <b>2,644</b>                                       |
| Deferred tax assets                    | 2,078   | <b>2,222</b>                                       | Other   | 49,668  | <b>68,537</b>                                      |
| Other                                  | 10,924  | <b>11,095</b>                                      | Total current liabilities                             | 190,491   | <b>191,266</b>                                     |
| Allowance for doubtful accounts        | △81   | △ <b>69</b>  | <b>Non-current liabilities:</b>                       |   |  |
| <b>Total current assets</b>            | <b>83,470</b>                                       | <b>79,749</b>                                      | Bonds payable   | 70,000  | <b>90,000</b>                                      |
| <b>Non-current assets:</b>             |   |  | Long-term loans payable                               | 295,374   | <b>276,637</b>                                     |
| Property, plant and equipment:         |   |  | Deferred tax liabilities                              | 47,191  | <b>46,699</b>                                      |
| Buildings and structures, net          | 343,149   | <b>335,345</b>                                     | Deferred tax liabilities for land revaluation         | 19,125  | <b>18,806</b>                                      |
| Machinery, equipment and vehicles, net | 23,754  | <b>24,375</b>                                      | Provision for loss related to reconstruction          | 336   | —  |
| Land                                   | 354,354   | <b>354,458</b>                                     | Net defined benefit liability                         | 16,353  | <b>16,368</b>                                      |
| Construction in progress               | 32,204  | <b>56,422</b>                                      | Other   | 32,636  | <b>31,242</b>                                      |
| Other, net                             | 6,429   | <b>6,092</b>                                       | Total non-current liabilities                         | 481,017   | <b>479,755</b>                                     |
| Total property, plant and equipment    | 759,891   | <b>776,694</b>                                     | <b>Total liabilities</b>                              | <b>671,509</b>                                      | <b>671,022</b>                                     |
| Intangible assets                      | 9,812   | <b>9,140</b>                                       | <b>NET ASSETS</b>                                     |   |  |
| Investments and other assets:          |   |  | <b>Shareholders' equity:</b>                          |   |  |
| Investments securities                 | 27,877  | <b>28,473</b>                                      | Capital stock   | 72,983  | <b>72,983</b>                                      |
| Long-term loans receivable             | 246   | <b>129</b>   | Capital surplus                                       | 28,089  | <b>28,105</b>                                      |
| Net defined benefit asset              | 63  | <b>80</b>  | Retained earnings                                     | 69,559  | <b>81,593</b>                                      |
| Deferred tax assets                    | 2,218   | <b>2,434</b>                                       | Treasury shares                                       | △104  | △ <b>146</b>                                       |
| Other                                  | 9,239   | <b>8,583</b>                                       | Total shareholders' equity                            | 170,527   | <b>182,535</b>                                     |
| Allowance for doubtful accounts        | △2,022  | △ <b>1,429</b>                                     | <b>Accumulated other comprehensive income:</b>        |   |  |
| Total investments and other assets     | 37,623  | <b>38,272</b>                                      | Valuation difference on available-for-sale securities | 8,266   | <b>8,638</b>                                       |
| <b>Total non-current assets</b>        | <b>807,327</b>                                      | <b>824,107</b>                                     | Revaluation reserve for land                          | 31,752  | <b>31,037</b>                                      |
| <b>Total assets</b>                    | <b>890,798</b>                                      | <b>903,857</b>                                     | Remeasurements of defined benefit plans               | △1,306  | △ <b>354</b>                                       |
|  |   |  | Total accumulated other comprehensive income          | 38,712  | <b>39,320</b>                                      |
|  |   |  | <b>Non-controlling interests</b>                      | 10,048  | <b>10,978</b>                                      |
|  |   |  | <b>Total net assets</b>                               | <b>219,288</b>                                      | <b>232,835</b>                                     |
|  |   |  | <b>Total liabilities and net assets</b>               | <b>890,798</b>                                      | <b>903,857</b>                                     |

Note: Amounts of less than one million yen have been rounded down.

Note: Amounts of less than one million yen have been rounded down.

## Consolidated Statements of Income

(millions of yen)

|   | Previous consolidated fiscal year<br>(From April 1, 2016<br>To March 31, 2017) | Current consolidated fiscal year<br>(From April 1, 2017<br>To March 31, 2018) |
|---|--|---|
| <b>Operating revenue</b>                                | 221,690  | <b>227,874</b>  |
| <b>Operating expenses:</b>                              |  |   |
| Operating expenses and cost of sales of transportation  | 181,962  | <b>186,034</b>  |
| Selling, general and administrative expenses            | 7,887  | <b>7,869</b>  |
| Total operating expenses                                | 189,849  | <b>193,903</b>  |
| <b>Operating income</b>                                 | 31,840   | <b>33,971</b>   |
| <b>Non-operating income:</b>                            |  |   |
| Interest income   | 28   | <b>30</b>   |
| Dividend income   | 656  | <b>762</b>  |
| Gain on sales of non-current assets                     | 265  | <b>45</b>   |
| Miscellaneous income                                    | 399  | <b>394</b>  |
| Total non-operating income                              | 1,351  | <b>1,231</b>  |
| <b>Non-operating expenses:</b>                          |  |   |
| Interest expenses                                       | 5,427  | <b>4,905</b>  |
| Miscellaneous expenses                                  | 652  | <b>564</b>  |
| Total non-operating expenses                            | 6,080  | <b>5,470</b>  |
| <b>Ordinary income</b>                                  | 27,111   | <b>29,733</b>   |
| <b>Extraordinary income:</b>                            |  |   |
| Contribution for construction                           | 22,415   | <b>1,477</b>  |
| Compensation income for expropriation                   | 1,294  | <b>808</b>  |
| Gain on sales of investment securities                  | 291  | <b>466</b>  |
| Other   | 600  | <b>921</b>  |
| Total extraordinary income                              | 24,602   | <b>3,674</b>  |
| <b>Extraordinary losses:</b>                            |  |   |
| Impairment loss   | 224  | <b>4,321</b>  |
| Loss on retirement of non-current assets                | 2,120  | <b>1,384</b>  |
| Reduction entry of land contribution for construction   | 22,327   | <b>1,318</b>  |
| Loss on disaster  | —  | <b>1,253</b>  |
| Other   | 2,357  | <b>1,300</b>  |
| Total extraordinary losses                              | 27,029   | <b>9,577</b>  |
| <b>Profit before income taxes</b>                       | 24,684   | <b>23,829</b>   |
| <b>(Income taxes:)</b>                                  |  |   |
| <b>Income taxes-current</b>                             | 7,953  | <b>10,049</b>   |
| <b>Income taxes-deferred</b>                            | △423   | △ <b>1,803</b>  |
| <b>Total income taxes</b>                               | 7,530  | <b>8,245</b>  |
| <b>Profit</b>   | 17,154   | <b>15,584</b>   |
| <b>Profit attributable to non-controlling interests</b> | 702  | <b>865</b>  |
| <b>Profit attributable to owners of parent</b>          | 16,452   | <b>14,719</b>   |

## Consolidated Statements of Comprehensive Income

(millions of yen)

|  | Previous consolidated fiscal year<br>From April 1, 2016<br>To March 31, 2017 | Current consolidated fiscal year<br>From April 1, 2017<br>To March 31, 2018 |
|--|--|---|
| <b>Profit</b>  | 17,154   | <b>15,584</b>   |
| <b>Other comprehensive income:</b>                             |  |   |
| Valuation difference on available-for-sale securities          | 2,767  | <b>423</b>  |
| Deferred gains or losses on hedges                             | △0   | —   |
| Revaluation reserve for land                                   | △0   | —   |
| Remeasurements of defined benefit plans, net of tax            | 557  | <b>984</b>  |
| Total other comprehensive income                               | 3,323  | <b>1,407</b>  |
| <b>Comprehensive income</b>                                    | 20,478   | <b>16,991</b>   |
| Comprehensive income attributable to                           |  |   |
| Comprehensive income attributable to owners of the parent      | 19,669   | <b>16,042</b>   |
| Comprehensive income attributable to non-controlling interests | 809  | <b>948</b>  |

Note: Amounts of less than one million yen have been rounded down.

## Consolidated Statements of Changes in Equity

Previous consolidated fiscal year (from April 1, 2016 to March 31, 2017)

(millions of yen)

|   | Shareholders' equity                                  |                                    |                              |   |  | Total shareholders' equity |                  |
|---|---|------------------------------------|------------------------------|---|--|----------------------------|------------------|
|   | Capital stock   | Capital surplus                    | Retained earnings            | Treasury shares                         |  |                            |                  |
| Balance at March 31, 2016   | 72,983  | 28,089                             | 58,128                       | △76                                     |  | 159,125                    |                  |
| Changes of items during period:   |   |                                    |                              |   |  |                            |                  |
| Dividends of surplus  |   |                                    | △5,101                       |   |  | △5,101                     |                  |
| Profit attributable to owners of parent   |   |                                    | 16,452                       |   |  | 16,452                     |                  |
| Reversal of revaluation reserve for land  |   |                                    | 77                           |   |  | 77                         |                  |
| Changes due to merger of consolidated subsidiary companies                                      |   |                                    | 2                            |   |  | 2                          |                  |
| Purchase of treasury shares   |   |                                    |                              | △30                                     |  | △30                        |                  |
| Disposal of treasury shares   |   | 0                                  |                              | 2                                       |  | 2                          |                  |
| Change in treasury shares of parent arising from transactions with non-controlling shareholders |   | △0                                 |                              |   |  | △0                         |                  |
| Net changes of items other than shareholders' equity  |   |                                    |                              |   |  |                            |                  |
| Total changes of items during period  | —   | 0                                  | 11,430                       | △28                                     |  | 11,402                     |                  |
| Balance at March 31, 2017   | 72,983  | 28,089                             | 69,559                       | △104                                    |  | 170,527                    |                  |
|   | Accumulated other comprehensive income                |                                    |                              |   |  |                            |                  |
|   | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Revaluation reserve for land | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | Non-controlling interests  | Total net assets |
| Balance at March 31, 2016   | 5,602   | 0                                  | 31,830                       | △1,860                                  | 35,572                                       | 9,241                      | 203,939          |
| Changes of items during period:   |   |                                    |                              |   |  |                            |                  |
| Dividends of surplus  |   |                                    |                              |   |  |                            | △5,101           |
| Profit attributable to owners of parent   |   |                                    |                              |   |  |                            | 16,452           |
| Reversal of revaluation reserve for land  |   |                                    |                              |   |  |                            | 77               |
| Changes due to merger of consolidated subsidiary companies                                      |   |                                    |                              |   |  |                            | 2                |
| Purchase of treasury shares   |   |                                    |                              |   |  |                            | △30              |
| Disposal of treasury shares   |   |                                    |                              |   |  |                            | 2                |
| Change in treasury shares of parent arising from transactions with non-controlling shareholders |   |                                    |                              |   |  |                            | △0               |
| Net changes of items other than shareholders' equity  | 2,663   | △0                                 | △78                          | 554                                     | 3,139  | 806                        | 3,946            |
| Total changes of items during period  | 2,663   | △0                                 | △78                          | 554                                     | 3,139  | 806                        | 15,348           |
| Balance at March 31, 2017   | 8,266   | —                                  | 31,752                       | △1,306                                  | 38,712                                       | 10,048                     | 219,288          |

## Current consolidated fiscal year (from April 1, 2017 to March 31, 2018)

(millions of yen)

|   | Shareholders' equity                                  |                              |   |  |                           | Total shareholders' equity |
|---|---|------------------------------|---|--|---------------------------|----------------------------|
|   | Capital stock   | Capital surplus              | Retained earnings                       | Treasury shares                              |                           |                            |
| <b>Balance at March 31, 2017</b>  | <b>72,983</b>   | <b>28,089</b>                | <b>69,559</b>                           | <b>△104</b>                                  |                           | <b>170,527</b>             |
| Changes of items during period:   |   |                              |   |  |                           |                            |
| Dividends of surplus  |   |                              | △3,400                                  |  |                           | △3,400                     |
| Profit attributable to owners of parent   |   |                              | 14,719                                  |  |                           | 14,719                     |
| Reversal of revaluation reserve for land  |   |                              | 715                                     |  |                           | 715                        |
| Purchase of treasury shares   |   |                              |   | △42  |                           | △42                        |
| Disposal of treasury shares   |   | 0                            |   | 1  |                           | 1                          |
| Change in treasury shares of parent arising from transactions with non-controlling shareholders |   | 15                           |   |  |                           | 15                         |
| Net changes of items other than shareholders' equity  |   |                              |   |  |                           |                            |
| Total changes of items during period  | —   | 15                           | 12,033                                  | △41  |                           | 12,008                     |
| <b>Balance at March 31, 2018</b>  | <b>72,983</b>   | <b>28,105</b>                | <b>81,593</b>                           | <b>△146</b>                                  |                           | <b>182,535</b>             |
|   | Accumulated other comprehensive income                |                              |   |  |                           |                            |
|   | Valuation difference on available-for-sale securities | Revaluation reserve for land | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | Non-controlling interests | Total net assets           |
| <b>Balance at March 31, 2017</b>  | <b>8,266</b>  | <b>31,752</b>                | <b>△1,306</b>                           | <b>38,712</b>                                | <b>10,048</b>             | <b>219,288</b>             |
| Changes of items during period:   |   |                              |   |  |                           |                            |
| Dividends of surplus  |   |                              |   |  |                           | △3,400                     |
| Profit attributable to owners of parent   |   |                              |   |  |                           | 14,719                     |
| Reversal of revaluation reserve for land  |   |                              |   |  |                           | 715                        |
| Purchase of treasury shares   |   |                              |   |  |                           | △42                        |
| Disposal of treasury shares   |   |                              |   |  |                           | 1                          |
| Change in treasury shares of parent arising from transactions with non-controlling shareholders |   |                              |   |  |                           | 15                         |
| Net changes of items other than shareholders' equity  | 371   | △715                         | 951                                     | 608  | 930                       | 1,538                      |
| Total changes of items during period  | 371   | △715                         | 951                                     | 608  | 930                       | 13,546                     |
| <b>Balance at March 31, 2018</b>  | <b>8,638</b>  | <b>31,037</b>                | <b>△354</b>                             | <b>39,320</b>                                | <b>10,978</b>             | <b>232,835</b>             |

Note: Amounts of less than one million yen have been rounded down.

## Consolidated Statements of Cash Flows

(millions of yen)

|  | Previous consolidated fiscal year<br>(From April 1, 2016<br>To March 31, 2017) | Current consolidated fiscal year<br>(From April 1, 2017<br>To March 31, 2018) |
|--|--|---|
| <b>Cash flows from operating activities:</b>   |  |   |
| Profit before income taxes   | 24,684   | <b>23,829</b>   |
| Depreciation   | 26,032   | <b>26,645</b>   |
| Impairment loss  | 224  | <b>4,321</b>  |
| Amortization of goodwill   | 484  | <b>477</b>  |
| Increase (decrease) in provision for bonuses (△ is decrease)   | 94   | <b>123</b>  |
| Increase (decrease) net defined benefit liability (△ is decrease)  | 942  | <b>1,391</b>  |
| Increase (decrease) in allowance for doubtful accounts (△ is decrease)   | △34  | <b>△604</b>   |
| Interest and dividend income   | △685   | <b>△792</b>   |
| Interest expenses  | 5,427  | <b>4,905</b>  |
| Loss on retirement of non-current assets   | 1,748  | <b>1,660</b>  |
| Reduction entry of land contribution for construction  | 22,327   | <b>1,318</b>  |
| Proceeds from contribution for construction  | △22,415  | <b>△1,477</b>   |
| Decrease (increase) in notes and accounts receivable-trade (△ is increase)   | △1,886   | <b>6,512</b>  |
| Decrease (increase) in inventories (△ is increase)   | △3,448   | <b>△51</b>  |
| Increase (decrease) in notes and accounts payable-trade (△ is decrease)  | △631   | <b>1,938</b>  |
| Loss on valuation of inventories   | 2,018  | <b>478</b>  |
| Increase (decrease) in accrued consumption taxes (△ is decrease)   | 299  | <b>746</b>  |
| Other, net   | △176   | <b>△142</b>   |
| Subtotal   | 55,007   | <b>71,280</b>   |
| Interest and dividend income received  | 685  | <b>799</b>  |
| Interest expenses paid   | △5,489   | <b>△5,144</b>   |
| Income taxes paid  | △7,448   | <b>△8,458</b>   |
| Net cash provided by (used in) operating activities  | 42,753   | <b>58,477</b>   |
| <b>Cash flows from investing activities:</b>   |  |   |
| Purchase of non-current assets   | △36,946  | <b>△48,688</b>  |
| Proceeds from sales of non-current assets  | 599  | <b>171</b>  |
| Proceeds from contribution received for construction   | 4,836  | <b>6,267</b>  |
| Purchase of investments in securities  | △26  | <b>△8</b>   |
| Proceeds from sales and redemption of investment securities  | 442  | <b>497</b>  |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation   | △260   | <b>—</b>  |
| Other, net   | 493  | <b>1,091</b>  |
| Net cash provided by (used in) investing activities  | △30,861  | <b>△40,669</b>  |
| <b>Cash flows from financing activities:</b>   |  |   |
| Net increase (decrease) in commercial paper (△ is decrease)  | —  | <b>6,000</b>  |
| Net increase (decrease) in short-term loans payable (△ is decrease)  | 925  | <b>△1,523</b>   |
| Proceeds from long-term loans payable  | 29,304   | <b>28,880</b>   |
| Repayments of long-term loans payable  | △36,223  | <b>△45,654</b>  |
| Proceeds from issuance of bonds  | 19,843   | <b>19,833</b>   |
| Redemption of bonds  | △20,000  | <b>△20,000</b>  |
| Cash dividends paid  | △5,074   | <b>△3,388</b>   |
| Other, net   | △682   | <b>△577</b>   |
| Net cash provided by (used in) financing activities  | △11,906  | <b>△16,429</b>  |
| <b>Net increase (decrease) in cash and cash equivalents (△ is decrease)</b>  | <b>△14</b>   | <b>1,379</b>  |
| <b>Cash and cash equivalents at beginning of period</b>  | <b>18,294</b>  | <b>18,342</b>   |
| <b>Net increase (decrease) in cash and cash equivalents due to merger of consolidated subsidiary companies (△ is decrease)</b> | <b>61</b>  | <b>—</b>  |
| <b>Cash and cash equivalents at end of period</b>  | <b>18,342</b>  | <b>19,721</b>   |

Note: Amounts of less than one million yen have been rounded down.

## Company profile

### Main business indicators

| (Fiscal Year)  | 2008    | 2009    | 2010    | 2011    | 2012    | 2013    | 2014               | 2015    | 2016     | 2017                      |
|--|---------|---------|---------|---------|---------|---------|--------------------|---------|----------|---------------------------|
| <b>Financial indicators</b>  |         |         |         |         |         |         |                    |         |          |                           |
| <b>(Consolidated)</b>  |         |         |         |         |         |         |                    |         |          |                           |
| Operating revenue* <sup>1</sup> (millions of yen)                    | 183,389 | 185,848 | 186,164 | 181,869 | 184,412 | 197,495 | 210,995            | 219,065 | 221,690  | <b>227,874</b>            |
| Ordinary income (millions of yen)                                    | 10,593  | 12,006  | 11,466  | 11,067  | 15,474  | 16,899  | 22,001             | 27,110  | 27,111   | <b>29,733</b>             |
| Profit attributable to owners of parent (millions of yen)            | 7,374   | 9,916   | 3,054   | 5,686   | 7,518   | 9,615   | 17,467             | 12,612  | 16,452   | <b>14,719</b>             |
| Comprehensive income (millions of yen)                               | —       | —       | 3,051   | 9,776   | 10,207  | 10,644  | 25,190             | 7,394   | 20,478   | <b>16,991</b>             |
| Net assets (millions of yen)   | 119,000 | 128,165 | 128,467 | 135,602 | 143,176 | 152,039 | 199,991            | 203,939 | 219,288  | <b>232,835</b>            |
| Total assets (millions of yen)                                       | 815,758 | 819,354 | 799,455 | 789,591 | 781,589 | 781,671 | 909,547            | 894,621 | 890,798  | <b>903,857</b>            |
| Net assets per share* <sup>2</sup> (yen)                             | 224.89  | 240.97  | 241.45  | 254.67  | 268.60  | 285.16  | 337.32             | 343.47  | 1,845.77 | <b>1,957.31</b>           |
| Net income per share* <sup>2</sup> (yen)                             | 14.08   | 18.97   | 5.84    | 10.88   | 14.38   | 18.40   | 32.58              | 22.25   | 145.13   | <b>129.85</b>             |
| Capital to asset ratio (%)   | 14.4    | 15.4    | 15.8    | 16.9    | 18.0    | 19.1    | 21.0               | 21.8    | 23.5     | <b>24.5</b>               |
| Return on equity (%)   | 6.3     | 8.1     | 2.4     | 4.4     | 5.5     | 6.6     | 10.3               | 6.5     | 8.1      | <b>6.8</b>                |
| Total shareholders equity/total assets income (multiple)             | 31.0    | 19.6    | 56.8    | 32.4    | 27.3    | 21.7    | 15.2               | 27.5    | 18.7     | <b>20.5</b>               |
| Net cash provided by operating activities (millions of yen)          | 26,695  | 25,559  | 33,143  | 37,764  | 37,332  | 27,459  | 43,013             | 43,212  | 42,753   | <b>58,477</b>             |
| Net cash provided by investing activities (millions of yen)          | △33,172 | △15,839 | △18,495 | △20,228 | △15,719 | △17,675 | △90,315            | △29,030 | △30,861  | △ <b>40,669</b>           |
| Net cash provided by financing activities (millions of yen)          | 11,560  | △14,737 | △15,064 | △16,162 | △13,592 | △19,779 | 51,503             | △17,047 | △11,906  | △ <b>16,429</b>           |
| Cash and cash equivalents at end of period                           | 22,995  | 17,979  | 17,561  | 18,935  | 26,955  | 16,959  | 21,160             | 18,294  | 18,342   | <b>19,721</b>             |
| The Ratio of Interest-Bearing Debt to EBITDA* <sup>3</sup> (times)   | 12.5    | 11.7    | 11.6    | 11.9    | 11.1    | 10.4    | 9.6                | 8.4     | 8.3      | <b>7.7</b>                |
| <b>(Submitting company)</b>  |         |         |         |         |         |         |                    |         |          |                           |
| Capital stock (millions of yen)                                      | 63,739  | 63,739  | 63,739  | 63,739  | 63,739  | 63,739  | 72,983             | 72,983  | 72,983   | <b>72,983</b>             |
| Total number of issued shares (thousands of shares)                  | 526,412 | 526,412 | 526,412 | 526,412 | 526,412 | 526,412 | 567,012            | 567,012 | 567,012  | <b>113,402</b>            |
| Dividend per share (yen)   | 5.00    | 5.00    | 5.00    | 5.00    | 5.00    | 5.00    | 6.00* <sup>4</sup> | 6.00    | 6.00     | <b>18.00*<sup>5</sup></b> |
| <b>CSR indicators</b>  |         |         |         |         |         |         |                    |         |          |                           |
| Energy use (Thousands of GJ)   | 2,619   | 2,572   | 2,598   | 3,604   | 3,433   | 3,391   | 3,362              | 3,322   | 3,338    | <b>3,296</b>              |
| CO <sub>2</sub> emissions (Thousands of t-CO <sub>2</sub> )          | 96.9    | 92.1    | 97.8    | 119.5   | 155.7   | 176.1   | 175.8              | 177.8   | 171.3    | <b>170.3</b>              |
| Status of energy-conserving rolling stock incorporation (%)          | 35.8    | 37.4    | 38.0    | 39.9    | 41.7    | 42.1    | 44.8               | 48.2    | 50.0     | <b>51.8</b>               |
| Rolling stock travel distance (10,000 km)                            | 9,563   | 9,673   | 9,771   | 9,809   | 9,722   | 9,700   | 9,745              | 9,846   | 9,803    | <b>9,913</b>              |
| Rolling stock energy consumption rate (kJ/10,000 km)                 | 6.95    | 6.74    | 6.74    | 6.58    | 6.49    | 6.44    | 6.33               | 6.12    | 6.12     | <b>6.05</b>               |
| <b>Water use</b>   |         |         |         |         |         |         |                    |         |          |                           |
| Railway Business (m <sup>3</sup> )                                   | 343,079 | 311,270 | 302,612 | 288,039 | 273,363 | 252,180 | 287,132            | 203,385 | 190,681  | <b>184,363</b>            |
| Head Office and other facilities* <sup>6</sup> (m <sup>3</sup> )     | 418,843 | 391,800 | 387,150 | 606,930 | 532,672 | 557,608 | 549,130            | 642,903 | 637,070  | <b>625,953</b>            |
| People passing eco-certification tests (Individuals)                 | 4       | 17      | 33      | 48      | 71      | 91      | 116                | 157     | 194      | <b>243</b>                |
| Number of "Customer's Voice" cases (Number of cases)                 | 1,276   | 1,405   | 1,440   | 1,648   | 1,553   | 1,467   | 1,766              | 2,327   | 2,563    | <b>2,719</b>              |
| Number of employees (head corporation) (Individuals)                 | 2,741   | 2,675   | 2,775   | 2,759   | 2,639   | 2,588   | 2,577              | 2,567   | 2,577    | <b>2,615</b>              |
| Disabled employee ratio (special subsidiary group)* <sup>7</sup> (%) | 2.18    | 2.16    | 2.18    | 1.89    | 2.00    | 2.16    | 2.16               | 2.26    | 2.25     | <b>2.24</b>               |

\*<sup>1</sup> Operating revenue does not include consumption tax, for example.f

\*<sup>2</sup> Our company conducted a reverse stock split of common shares with a ratio of 5:1 dated October 1, 2017. The reverse stock split has been assumed to have occurred at the beginning of fiscal 2016, and net assets per share and profits per share were calculated.

\*<sup>3</sup> EBITDA (earnings before interest, taxes, depreciation and amortization) = Operating Income + Depreciation and Amortization

\*<sup>4</sup> This includes a ¥1 commemorative distribution.

\*<sup>5</sup> Since we conducted a reverse stock split of common shares with a 5:1 ratio dated October 1, 2017, this is the total of the ¥3.00 interim dividend per share before the reverse stock split and the year-end dividend of ¥15.00 per share after the reverse stock split.

\*<sup>6</sup> Since fiscal 2011, retail facilities, including Namba City and Namba Parks have been included in totals.

\*<sup>7</sup> As of June the following fiscal year

## Stock data

### ■ Stock status (as of March 31, 2018)

|                                 |   |
|---------------------------------|---|
| Total number of issuable shares | 320,000,000   |
| Total number of issued shares   | 113,402,446   |
| Number of Shareholders          | 52,529<br>(753 more than the end of the previous fiscal period) |
| Share unit number               | 100   |

Note: With October 1, 2017 as the effective date, we changed the share unit number from 1000 to 100, conducted a reverse stock split of common shares with a 5:1 ratio, and changed the total number of issuable shares from 1.6 billion to 320 million.

### ■ Stock ownership status (as of March 31, 2018)

| Classification                       | Stock status (100 shares per share unit)   |                        |                           |                    |  |                   |         |           | Status of stock less than share units (shares) |
|--------------------------------------|--|------------------------|---------------------------|--------------------|--|-------------------|---------|-----------|--|
|                                      | Governments and local public organizations | Financial institutions | Financial product brokers | Other corporations | Foreign corporations, etc. Non-individuals | Individuals, etc. | Total   |           |  |
| Number of shareholders               | 1  | 67                     | 27                        | 447                | 192  | 13                | 46,645  | 47,392    | —  |
| Number of stocks owned (share units) | 46   | 348,471                | 4,614                     | 91,496             | 85,772                                     | 309               | 598,260 | 1,128,968 | 505,646  |
| Ratio of stocks owned (%)            | 0.00                                       | 30.87                  | 0.41                      | 8.10               | 7.60                                       | 0.03              | 52.99   | 100.00    | —  |

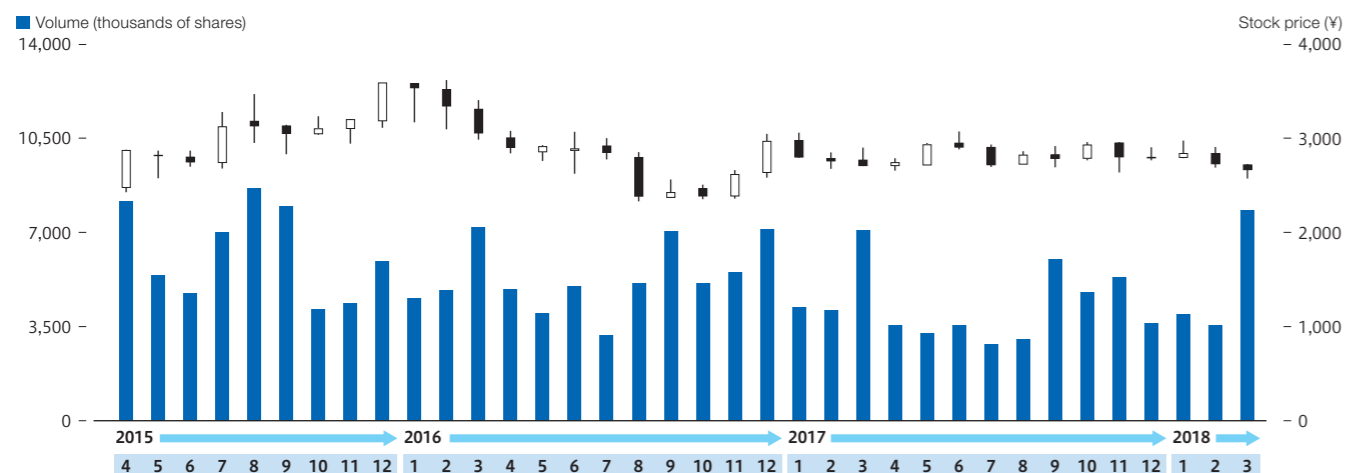
Notes  
 1. 55,774 shares of treasury stock are included as 557 share units under "Individuals, etc." and 74 shares under "Status of stock less than share units." Moreover, the 55,774 shares of treasury stock is the number of shares listed in the shareholder register. As of March 31, 2018, the actual remaining number of shares possessed is 54,974.  
 2. "Other corporations" and "Status of stock less than share units" include 26 and 90 share units, respectively, held in the name of the Japan Securities Depository Center.  
 3. Based on resolutions made at our 100th regular General Meeting of Shareholders held June 23, 2017, we conducted a reverse stock split of common shares with a 5:1 ratio with October 1, 2017 as the effective date, so we changed the share unit number from 1000 to 100.

### ■ Major shareholders (top 10)

|    |  |
|----|--|
| 1  | Japan Trustee Services Bank, Ltd. (Trust account)    |
| 2  | The Master Trust Bank of Japan, Ltd. (Trust account) |
| 3  | Nippon Life Insurance Company                        |
| 4  | Japan Trustee Services Bank, Ltd. (Trust account 5)  |
| 5  | The Senshu Ikeda Bank, Ltd.                          |
| 6  | The Sumitomo Mitsui Trust & Banking Co., Ltd.        |
| 7  | JP MORGAN CHASE BANK 385151                          |
| 8  | The Bank of Tokyo-Mitsubishi UFJ, Ltd.*              |
| 9  | Sumitomo Mitsui Banking Corporation                  |
| 10 | Japan Trustee Services Bank, Ltd. (Trust account 7)  |

\* The Bank of Tokyo-Mitsubishi UFJ, Ltd. changed its trade name to MUFG Bank, Ltd. effective April 1, 2018.

## Stock price and volume history



Note: These numbers are after adjustments made to reflect changing the share unit number from 1000 to 100 and conducting a reverse stock split of common shares with a 5:1 ratio effective October 1, 2017.

### ■ Shareholder notes

|   |   |                               |
|---|---|-------------------------------|
| <b>Business fiscal year</b>   | From April 1 to March 31 the next year  |                               |
| <b>Regular General Meeting of Shareholders</b>                          | Every June  |                               |
| <b>Standard dates</b>   | Regular General Meeting of Shareholders   | March 31                      |
|   | Year-end dividend   | March 31                      |
|   | Interim dividend if distributed   | September 30                  |
|   | Others as necessary   | Set dates notified in advance |
| <b>Notification method</b>  | Electronic notification<br><a href="http://www.nankai.co.jp/ir/koukoku/index.html">http://www.nankai.co.jp/ir/koukoku/index.html</a><br>(If electronic notification is not possible due to an accident or other unavoidable reason, notification will be made in the Nihon Keizai Shinbun)  |                               |
| <b>Shareholder register manager and special account managing agency</b> | 1-4-1 Marunouchi, Chiyoda-ku, Tokyo<br>The Sumitomo Mitsui Trust & Banking Co., Ltd.  |                               |
| <b>Location of acting shareholder register management</b>               | 4-5-33 Kitahama, Chuo-ku, Osaka<br>Stock Transfer Agency Services Business<br>Sumitomo Mitsui Trust Bank<br><br><b>Mail address:</b><br>2-8-4 Izumi, Suginami-ku, Tokyo 168-0063<br>Japan<br>Stock Transfer Agency Services Business<br>Sumitomo Mitsui Trust Bank<br><br><b>Telephone inquiries:</b><br>Toll-free 0120-782-031<br><br><b>Website address:</b><br><a href="https://www.smtb.jp/personal/agency/index.html">https://www.smtb.jp/personal/agency/index.html</a> |                               |

## Memo

