



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

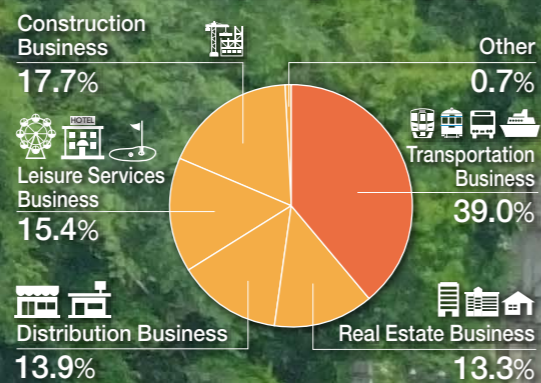
### A Dynamic Workplace

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

### Corporate Outline As of March 31, 2016

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: ¥94.395 billion (head corporation)  
 ¥219.065 billion (consolidated)  
 No. of Shareholders: 50,988  
 No. of Employees: 2,567 (head corporation)  
 8,853 (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 financial information in addition to CSR information. For CSR information, we refer to GRI guidelines and provide comprehensive reporting.

**Applicable Term:** Fiscal 2015 (April 1, 2015 to March 31, 2016). Some information, however, is from outside this period.

**Scope of Report:** This report covers issues related to the Nankai Electric Railway Co., Ltd. However, some CSR activities of group companies are also covered in this report.

**Guidelines referenced:** Environmental Reporting Guidelines, 2008 Edition by the Ministry of the Environment, Environmental Accounting Guidelines for Private Railway Businesses by the Association of Japanese Private Railways, and the G4 Sustainability Reporting Guidelines by GRI

## Transportation Business



**34 companies**  
 Railways, tramways, buses, ocean freight, cargo transportation, train maintenance

## Real Estate Business



**5 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



**23 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

## Contents

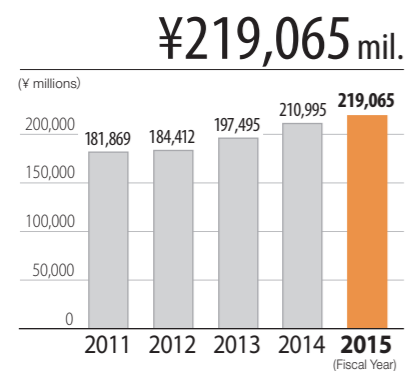
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# Financial and nonfinancial highlights

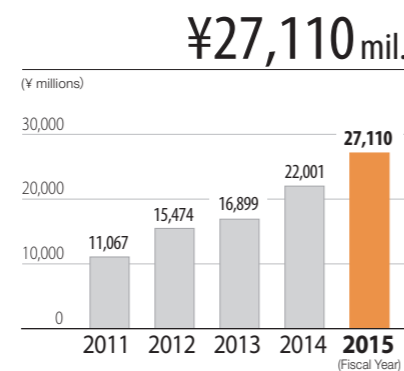
(Consolidated)	(Fiscal Year)	2011	2012	2013	2014	2015
Operating revenue (millions of yen)		181,869	184,412	197,495	210,995	<b>219,065</b>
Ordinary income (millions of yen)		11,067	15,474	16,899	22,001	<b>27,110</b>
Profit attributable to owners of parent (millions of yen)		5,686	7,518	9,615	17,467	<b>12,612</b>
Comprehensive income (millions of yen)		9,776	10,207	10,644	25,190	<b>7,394</b>
Net assets (millions of yen)		135,602	143,176	152,039	199,991	<b>203,939</b>
Total assets (millions of yen)		789,591	781,589	781,671	909,547	<b>894,621</b>
Net assets per share (yen)		254.67	268.60	285.16	337.32	<b>343.47</b>
Net income per share (yen)		10.88	14.38	18.40	32.58	<b>22.25</b>
Capital to asset ratio (%)		16.9	18.0	19.1	21.0	<b>21.8</b>
Return on equity (%)		4.4	5.5	6.6	10.3	<b>6.5</b>
Total shareholders equity/total assets income (multiple)		32.4	27.3	21.7	15.2	<b>27.5</b>
Net cash provided by operating activities (millions of yen)		37,764	37,332	27,459	43,013	<b>43,212</b>
Net cash provided by investing activities (millions of yen)		△20,228	△15,719	△17,675	△90,315	△ <b>29,030</b>
Net cash provided by financing activities (millions of yen)		△16,162	△13,592	△19,779	51,503	△ <b>17,047</b>
The Ratio of Interest-Bearing Debt to EBITDA* (times)		11.9	11.1	10.4	9.6	<b>8.4</b>

\* EBITDA (earnings before interest, taxes, depreciation and amortization) = Operating Income + Depreciation and Amortization

## Operating revenue



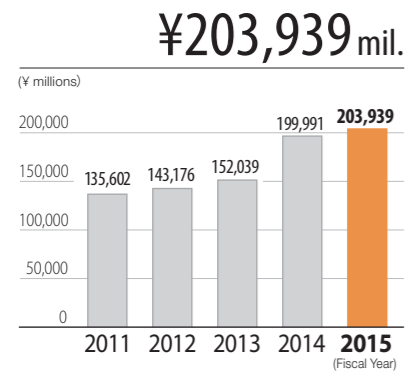
## Ordinary income



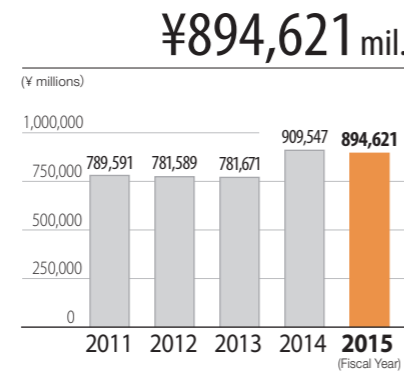
## Profit attributable to owners of parent



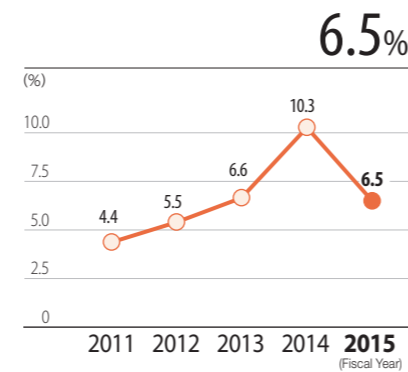
## Net assets



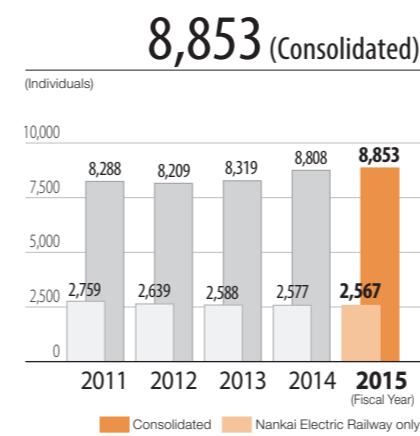
## Total assets



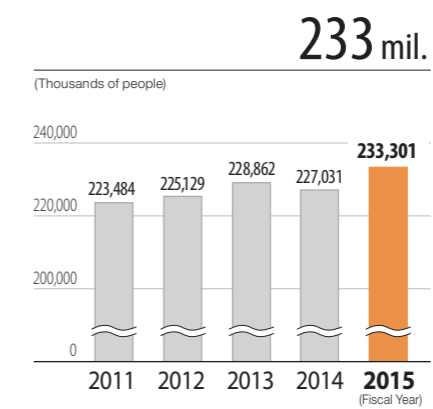
## Return on equity



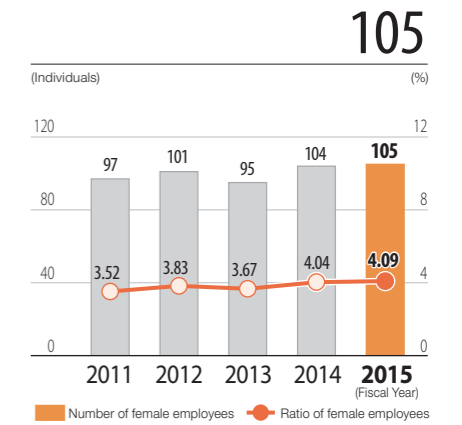
## Number of employees



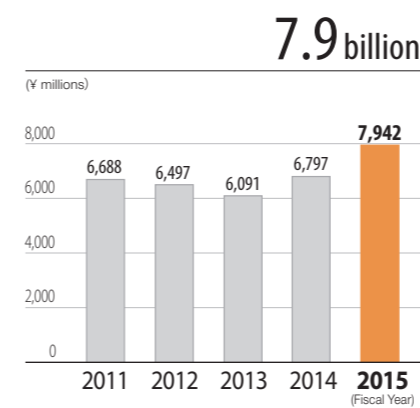
## Number of passengers



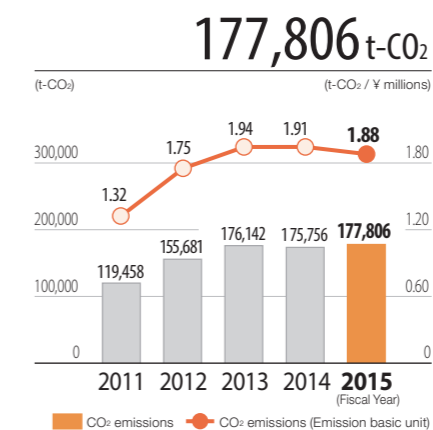
## Number of female employees



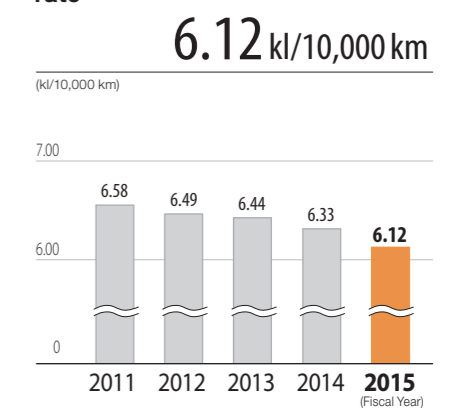
## Investments for safety



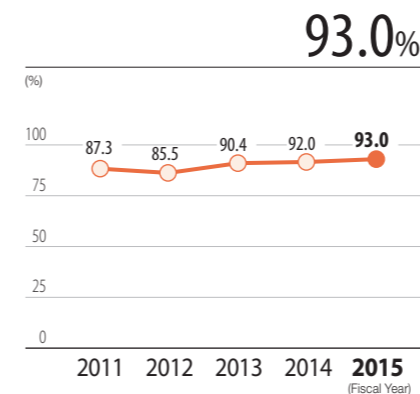
## CO<sub>2</sub> emissions



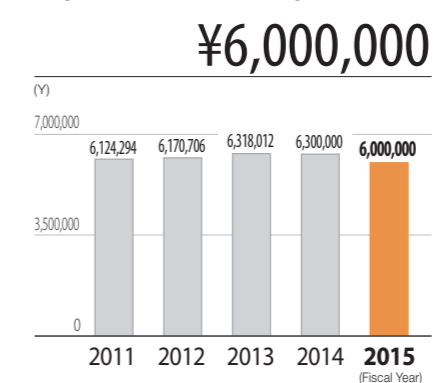
## Rolling stock energy consumption rate



## Green procurement ratio



## Monetary contributions to funds to preserve biodiversity





President and CEO

Teruhiko Achikita

## In addition to making the most of inbound demand, we will vigorously pursue the increase of value along our railway lines as we strive to achieve the goals of our Medium Term Business Plan.

### Introduction

Our group is advancing the SHINTEN 133 Plan, which is the medium term business plan we established to cover the three-year period from fiscal 2015 to 2017. This plan is positioned as “three years to cultivate deeply and develop even more” the business foundations that we have built thus far. Following it, we are undertaking various measures with “strengthen Semboku-related business,” “expand Kansai International Airport and inbound tourism business” and “increase the drawing power of the Namba area business” as the three fundamental policies (most important issues). Furthermore, we have established “assurance of safety and peace of mind,” “emphasis on the environment,” “compliance thoroughness” and “pursuit of a customer orientation” as business guidelines for our group. By diligently putting into practice these guidelines, which are also overarching business issues for our corporate group, we will continue to endeavor to live up to the trust that we receive from all our stakeholders.

### Review of fiscal 2015 and prospects for fiscal 2016

In fiscal 2015, in addition to the favorable trend in airport-related passenger transportation, thanks to the contribution from Semboku Rapid Railway Co., Ltd. becoming our consolidated subsidiary in fiscal 2014 and other factors, operating revenue reached ¥219.065 billion (3.8% increase over previous accounting period). We were also able to grow operating income to ¥32.318 billion (14.9% increase) and ordinary income to ¥27.110 billion (23.2% increase). In contrast, since decreases and losses in rental real estate and other sectors were calculated as extraordinary losses, the profit attributable to owners of the parent company was ¥12.612 billion (27.8% decrease from previous accounting period).

Our main activities for each type of business have been as follows.

In our railway business, we focused efforts on the transportation of visitors to Koyasan timed in spring 2015 with the great 1200th anniversary commemorative service for the founding of the Koyasan temple complex. These

included refurbishing the Koya limited express trains with special features and the sale of special tickets for inbound foreign visitors. In addition, we worked to promote utilization of the Airport Line by, for example, operating Rapi:t limited express trains with a special design in a tie-up with the film Star Wars: The Force Awakens. Moreover, we installed the new Semboku Liner limited express in order to increase the speed between stations in Osaka City and along the Sembokukosoku line. As a result, the number of passengers carried on our line increased 2.8% in fiscal 2015 compared to the previous fiscal year.

For our bus business, we sought to increase the convenience of access to the Kansai International Airport by, for example, realizing the first 24-hour access to a Japanese airport with an airport shuttle bus route to Osaka City. In addition, on March 1, 2016, with another business we took on joint operation of transportation for the Osaka Wonder Loop sightseeing tour bus for inbound visitors.

In our real estate business, we strove to maintain and increase the operating ratio for properties along rail lines, including the PARKS Tower, as well as for the facilities in our Higashiosaka / Kitaosaka logistics centers. Moreover, on April 1, 2015, Semboku Rapid Railway Co., Ltd. acquired all the stock of the Osaka Prefectural Food Distribution Center Co., Ltd. which operates a processed food wholesale complex. We also began sales of our corporate group’s VERITE series brand of condominiums.

### Fiscal 2015 results and fiscal 2016 prospects

	Fiscal 2015	Fiscal 2016 (forecast)
Operating revenue (millions of yen)	219,065	225,500
Investment expenditures (millions of yen)	29,685	56,100
The Ratio of Interest-Bearing Debt to EBITDA* (times)	8.4	8.4

\* EBITDA (earnings before interest, taxes, depreciation and amortization) = Operating Income + Depreciation and Amortization



**Toward the fulfillment of the “SHINTEN 133 Plan,” our medium term business plan**

I believe that what is important for a business to continue growing is that it responds flexibly and steadily to changes in the business environment and that it shifts into action with a sense of speed. While we utilize PDCA cycles continuously as one tool for this purpose, we will continue to seek to achieve our targets.

Below I will explain specific measures for the three fundamental policies of our medium term business plan.

**Strengthen Semboku-related business**

In addition to continuing to implement measures to improve convenience and comfort for our transportation services in the Semboku area, we will systematically advance the renewal of Izumigaoka Station and the commercial facilities around the station and seek to increase customer appeal. Furthermore, in our Higashiosaka / Kitaosaka logistics centers, we will develop and advance plans for facility reorganization and high-level utilization, for example, as we seek to expand capacity of the logistics business within our corporate group.

**Expand Kansai International Airport and inbound tourism business**

In order to continue handling inbound demand in the future, we are focused on strengthening direct Internet sales and expanding our range of products that are adapted to traveler demands, particularly regarding Kansai Airport access. At the same time, we are seeking to improve both hard and soft environmental infrastructure by, for example, providing multilingual support in station facilities, train cars and other locations. Moreover, to enable Osaka to become established as an inbound gateway city, we are taking the initiative in undertaking efforts to improve the attractiveness of the entire Kansai region and provide information about it in coordination

In our distribution business, we established tax exemption counters at Namba CITY and Namba PARKS as well as opened stores oriented toward inbound travelers at Namba CITY. Along train lines, we renovated the commercial facilities around Sembokukosoku line Izumigaoka Station and the commercial facilities inside the Koya Line Sakai Higashi Station.

In our leisure and services business, at the Misaki Park amusement park we focused on experiential events with the purpose of interacting with dolphins and other animals. In fiscal 2016, we anticipate transportation income to grow along with the increase in the number of Kansai International Airport users in our transportation business. Moreover, we expect increased sales of condominiums in our real estate business and anticipate income growth in our distribution business through new shop openings. Furthermore, as one of our main investments for revenue expansion, we will work to increase the value along our railway lines through the construction of the New Nankai Kaikan Building (working name) in Namba as well as with plans to redevelop the area around Izumigaoka Station and revitalize the Wakayamashi Station.

**Fundamental policies for the SHINTEN 133 Plan, our medium term business plan**

**1 Strengthen Semboku-related business**



Semboku Rapid Railway Co., Ltd. became a group member

**2 Expand Kansai International Airport and inbound tourism business**



Nankai Tourist Support Center (Kansai International Airport Station)

**3 Increase the drawing power of the Namba area business**



Rendering of completed New Nankai Kaikan Building (working name)

with local governments and other organizations. Furthermore, with the transfer of operation rights for Kansai International Airport to a private business in which our company is an investor on April 1, 2016, I want us to seek to expand our revenue base related to this airport even more.

**Increase the drawing power of the Namba area business**

Taking advantage of the direct connection convenience of the Namba Terminal, which has outstanding access to locations in Japan and abroad, we are advancing a plan to rebuild the Nankai Kaikan Building.

The New Nankai Kaikan Building (working name), which is planned for completion in September 2018, will have 30 above ground and 2 underground floors. We are seeking to increase the potential of the Namba area and to create new value for it with a building that responds to diverse needs, including business center functions that meet the highest business continuity planning (BCP) standards. This building will also have a tourist salon and medical center facilities that also support inbound visitors as well as the capacity to handle MICE\* functions.

In addition, we are seeking to further enhance the appeal of the Namba area and differentiate it from competitor areas through the renewal of Namba CITY and PARKS and by advancing community-building activities in cooperation with the area, for example.

\* MICE (meetings, incentives, conventions and exhibitions): general term for business events, for example, that can be expected to attract numerous hospitality customers

**Promoting corporate social responsibility based on group business guidelines**

The “corporate social responsibility (CSR)” perspective has become indispensable for companies today to develop and grow while coexisting with society. In our corporate group,

we are pursuing CSR with four overarching themes that are identified as business guidelines for our group: “assurance of safety and peace of mind,” “emphasis on the environment,” “compliance thoroughness” and “pursuit of a customer orientation.”

**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 is the most important aspect of CSR. In our group, we strive every single day to fulfill the most important mission of our company, which is to provide transportation that is safe and assures peace of mind.

In order to increase railway safety, implementing thorough hands-on education to make the transmission of skills between generations certain is crucial. For this reason, in each department of our Railway Business Division, we are conducting education and instruction for new employees, core employees and skilled employees so they can systematically strive to improve their skills and abilities. Moreover, we also conducted “comprehensive accident recovery training” in 2015. This training included rescuing victims and guiding evacuations, recovery work at sites with derailments and disconnections, and reporting and communication with related divisions. Through these efforts, we are striving to elevate safety awareness. Furthermore, in fiscal 2015, we invested about ¥7.9 billion on enhancing and improving facilities and similar measures. For example, as safety measures for train operation, rolling stock and platforms, we installed a new form of ATS on the Koya Line, and we reinforced station building earthquake resistance starting with Namba Station. We plan to invest about ¥8.5 billion again in facilities during fiscal 2016.

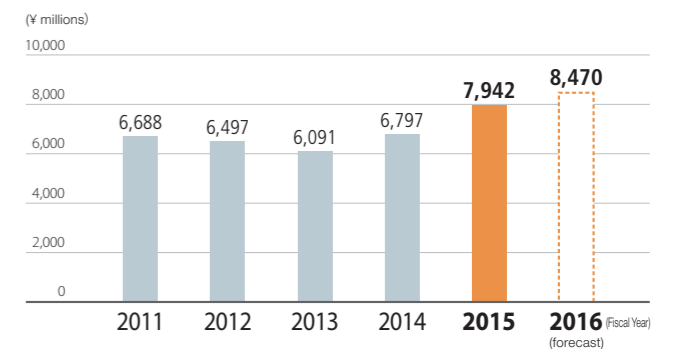
As a result of efforts like these, we were able to receive a no accident commendation for the sixth period in a row from the Kinki District Transport Bureau in fiscal 2015.

**“SHINTEN 133 Plan” — Medium Term Business Plan Final year (fiscal 2017) numerical targets**

Consolidated operating income **33 billion yen**  
The Ratio of Interest-Bearing / Debt to EBITDA\* **7 or higher**

\* EBITDA (earnings before interest, taxes, depreciation and amortization) = Operating Income + Depreciation and Amortization  
Numerical targets were revised in October 2016.

**Trend in investments for safety**



## Message from the president

### Efforts for environmental protection related to the prevention of global warming

In our corporate group, we consider “global environmental protection” to be one of our business missions. We have established an Environmental Philosophy and are advancing environmental management for this purpose. As our structure to promote this, we have created an Environmental Countermeasures Promotion Committee with the membership comprised of directors from each department in the company. In addition to determining medium term environmental targets and managing annual targets and results, we have built an environmental management system aimed at maintaining ISO 14001 certification. As the president, I am the person with overall responsibility for these efforts.

We set “medium term environmental targets” as numerical targets relevant to the specific environmental management of our corporate group, and we are striving to advance the implementation of PDCA cycles. For our 35 group companies during the four fiscal years of 2011–2014, we achieved an 8.6% reduction in CO<sub>2</sub> emissions (compared to fiscal 2010), which was greater than our 4% reduction target.

For our current medium term environmental target, we are advancing efforts to achieve a 3% reduction target for CO<sub>2</sub> emissions (compared to the 4-year average of fiscal 2011–2014) that we have set for our 45 group companies for the fiscal 2015–2017 three-year period.

Moreover, for about 40 years we have owned the “Nankai no Mori” forest, which is in a part of the Kii Mountain Range near Totsukawa-mura, Nara Prefecture. In addition to systematic planting, pruning, thinning and other care efforts, we are conducting forest preservation activities in which our employees participate as volunteers. Nankai no Mori received certification for carbon offset credits in 2013, and had offset a total of about 1000 tons of CO<sub>2</sub> by fiscal 2015. Furthermore, working in cooperation with Osaka Prefecture and other local governments along our train lines, we are making efforts to preserve abundant greenery and the natural environment.

As a result of efforts like these, in February 2016, our company received an Environmental Minister’s Award at the 7th EST Transportation and Environment Awards, sponsored by the EST Popularization Promotion Committee and the Foundation for Promoting Personal Mobility and Ecological Transportation.

Encouraged by receiving this award, as we further increase employee consciousness about environmental protection, we will continue our efforts, focusing even more of our abilities on the prevention of global warming by reducing CO<sub>2</sub> emissions and on other environmental preservation activities.

### Business ethics established to fulfill the trust we receive from society

For the healthy growth of our corporate group and the establishment of business ethics, in addition to creating a Code of Business Ethics, we have created a dedicated organization responsible for the promotion of internal auditing and compliance management.

In addition, we have set up a Compliance Committee that deliberates various measures for the promotion of compliance management. In addition, should a serious compliance violation occur, this committee has systems prepared to respond by making proposals about corrections and recurrence prevention measures. Moreover, we are a company with a Board of Auditors and recognize that the strengthening of corporate governance functions is an important management issue. For these reasons, 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.

Furthermore, we respect each of the principles in “Japan’s Corporate Governance Code,” which was established by the Tokyo Stock Exchange in 2015. We are strengthening and investigating persistent functions related to corporate governance as we seek sustainable growth and increased business value over medium and long terms.

### Pursuing the spirit of “Putting the Customer First”

For our group, which provides a variety of services centered on railways, I believe that pursuing service that provides customer satisfaction is an important issue. In rail transportation, we have reformed the time schedules for the Koya Line and Sembokukosoku line, and we have worked to increase convenience for the customers who use our trains. In addition, we have endeavored to improve the transportation convenience of the Semboku area by, for example, improving connections between the Sembokukosoku line and ordinary passenger buses. For inbound travelers, which have been increasing in recent years, we have launched 20 new 8300 series model train cars with interior LCDs that provide passenger guidance in four languages (Japanese, English, Chinese and Korean) on the Nankai Line.

We are also working to provide an extensive lineup of

various types of promotional tickets. We are striving to enhance services to meet the needs of inbound customers in other ways such as by establishing tax exemption counters at Namba CITY and Namba PARKS.

While the business environment surrounding our companies continues to change, my intention is that with “speed” and “growth” as keywords, our corporate group will further solidify our business foundations through quantitative growth (revenue expansion) and qualitative improvement (financial health improvement) as we steadily advance our SHINTEN 133 Plan for medium term business. I humbly request that you, our stakeholders, give us even more of your support and encouragement.

September 2016

President and CEO **Teruhiko Achikita**



### Group business guidelines

#### Assurance of safety and peace of mind

Seek to assure safety and peace of mind in all of our businesses starting with our railways

#### Emphasis on the environment

Recognize “global environmental protection” as a mission and consider the environment in our businesses

#### Compliance thoroughness

Strictly adhere to laws and regulations, recognize personal responsibilities to society, and conduct business activities that are fair and healthy

#### Pursuit of a customer orientation

As a company with deep roots in local communities, consistently act with the customer perspective in mind



Environmental Minister’s Award received at the 7th EST Transportation and Environment Awards



New 8300 series model train cars with LCDs that support display of four languages

# “SHINTEN 133 Plan”

Taking the 130th anniversary of our foundation as an opportunity, we will further enhance and develop the business foundations that we have built over the years.

### Final year (fiscal 2017) numerical targets

	Original target	Revised target
Consolidated operating income	30 billion yen	33 billion yen
The Ratio of Interest-Bearing Debt to EBITDA*	8 or higher	7 or higher

\* EBITDA (earnings before interest, taxes, depreciation and amortization) = Operating Income + Depreciation and Amortization  
We revised the final year (fiscal 2017) numerical targets in October 2016.  
We will seek to build further on these.

Although the business environment of our corporate group includes positive elements such as the increased number of flights to the Kansai International Airport and number of inbound travelers, we anticipate conditions to continue to be challenging in the future with, for example, competition that becomes fiercer due factors such as the shrinking market size as the population ages and has fewer children. In order to further solidify our business foundations with quantitative growth (revenue expansion) and qualitative improvement (financial health improvement), our group is advancing the SHINTEN 133 Plan, which is the medium term business plan we established to cover the three-year period from fiscal 2015 to 2017.

## Fundamental policy

### 1. Strengthen Semboku-related business

In order to realize the effect of making the Semboku Rapid Railway Co., Ltd. a subsidiary company with certainty, we are strengthening strategic coordination within our corporate group and striving to increase the convenience and comfort of transportation services in the Semboku area, as well as working to make business more efficient. In addition, we are seeking to invigorate the entire Semboku area by, for example, constraining the outflow of population and encouraging its inflow. We will continue to make efforts like these that contribute to improving the revenue of our corporate group. Furthermore, we will seek to expand the capacity of the logistics business of our group with our Higashiosaka / Kitaosaka logistics centers at its core.

### 2. Expand Kansai International Airport and inbound tourism business

In addition to focusing efforts on strengthening direct Internet sales and expanding our range of products that are adapted to traveler demands, particularly regarding Kansai Airport access, we will continue accelerating improvements to both hard and soft infrastructure to make comfortable user environments, for example, by providing multilingual support in station facilities, train cars and other locations. Moreover, by endeavoring to improve the attractiveness of the entire Kansai region and provide information about it in coordination with local governments and other organizations, we seek to encourage visits by inbound travelers and expand revenue opportunities. Furthermore, with the transfer of operation rights for Kansai International Airport to a private business in which our company is an investor, we will continue to expand our revenue base related to this airport.

### 3. Increase the drawing power of the Namba area business

The rebuilding to make the New Nankai Kaikan Building (working name), which will feature direct connection with the Namba terminal, will provide earthquake resistance and business continuity planning (BCP) functions that meet the highest standards. In addition, a new core of urban functions that can respond to diverse needs, including inbound travel, MICE\* and advanced and preventive medicine, will be born in the Namba area. Moreover, we are seeking to further enhance the appeal of the Namba area and differentiate it from competitor areas through the renewal of Namba CITY and Namba PARKS and by advancing community-building activities in cooperation with the area, for example.

\* MICE (meetings, incentives, conventions and exhibitions): general term for business events, for example, that can be expected to attract numerous hospitality customers

## Key focus

### 1. Create attractive areas along our railway lines

We will create attractive areas along our railway lines by making features that encourage many customers to explore areas along the lines and by expanding services related to daily life, for example.

### 2. Strengthen group business foundations

Invest money and human resources in future growth fields and cultivate these as future core business areas while undertaking measures to eliminate unprofitable businesses. We will consider cash flow, in particular, as we continue to implement thorough investment and income and expenditure plans. Moreover, we will actively cultivate and utilize the core personnel who drive the growth of the Group and the diverse personnel who will be responsible for creating new value.

## Major achievements in fiscal 2015

- Timetables revised for the Sembokukosoku line and surrounding area bus lines
- Advancing plans to renew the Izumigaoka Station and commercial facilities around the station (opening incrementally in fiscal 2016)
- Intending unified operation with the Kitaosaka Logistics Center, we acquired all the stock of the neighboring Osaka Prefectural Food Distribution Center Co., Ltd.



Semboku Liner limited express began operation



Kitaosaka Logistics Center

- Record income from railway airport line customers with 22.7% growth over the previous fiscal year
- Realized 24-hour access between Osaka City and Kansai Airport by revising the timetables for airport shuttle bus lines and Osaka Station area lines
- Fraser Residence Nankai Osaka popular among inbound travelers

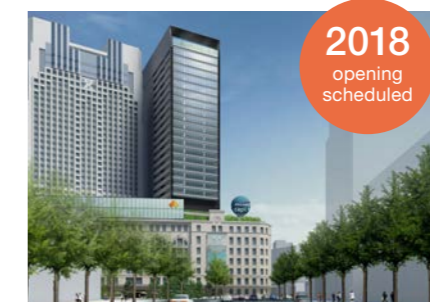


Airport shuttle bus operated by Kansai Airport Transportation Enterprise



Fraser Residence Nankai Osaka

- Building of the New Nankai Kaikan Building (working name) advances with the goal of completion in September 2018
- Renovated Namba City Honkan building reopened
- Namba EKIKAN Project third phase area opened



Construction of the New Nankai Kaikan Building (working name) advances

### New Nankai Kaikan Building (working name) architectural overview

Number of floors	30 above ground, 2 underground
Building height	About 148 m
Building uses	Offices, meeting halls, conference rooms, medical, commercial and financial facilities, etc.
Gross building floor area	About 84,000 m <sup>2</sup>
Planned completion date	September 2018
Total project expense	About ¥44 billion
Expected earnings	About ¥3.6 billion revenue About ¥2.8 billion EBITDA



“Too much love” promotion



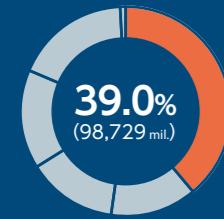
“Nankai 100 Station Pride” poster



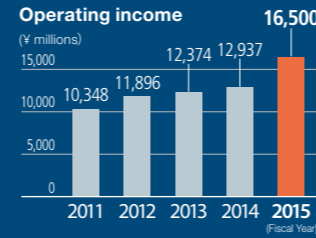
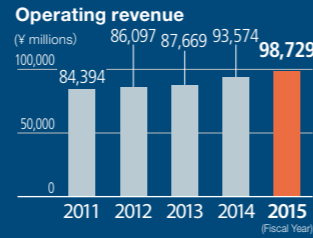
Kada Fish Line Project

## Business overview by sector

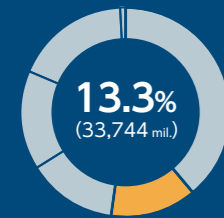
### Transportation Business



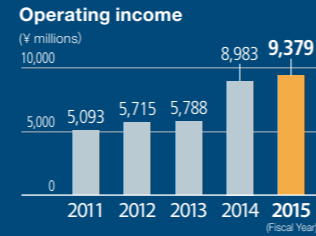
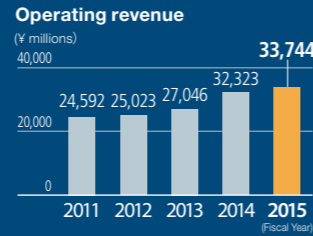
The number of transportation passengers increased 2.8% compared to the previous fiscal year to 233 million people. In addition to the favorable trend in airport-related passenger transportation, Semboku Rapid Railway Co., Ltd. becoming our consolidated subsidiary in July 2014 also contributed. Moreover, operating revenue increased ¥5.154 billion (5.5%) for a total of ¥98.729 billion, and operating income increased ¥3.563 billion (27.5%) for a total of ¥16.5 billion compared to the previous fiscal year.



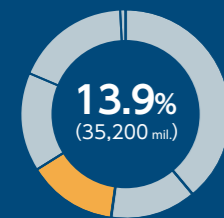
### Real Estate Business



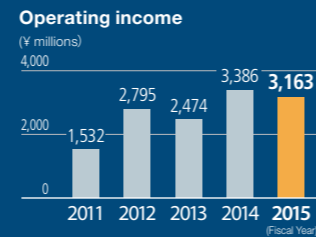
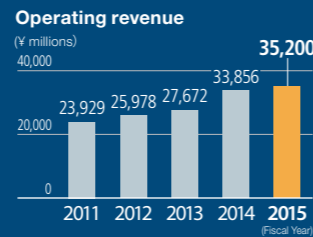
For our real estate business, which includes the sales of residential land, detached houses and condominium units, operating revenues increased ¥1.420 billion (4.4%) for a total of ¥33.744 billion and operating income increased ¥395 million (4.4%) for a total of ¥9.379 billion compared to the previous fiscal year.



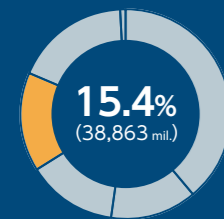
### Distribution Business



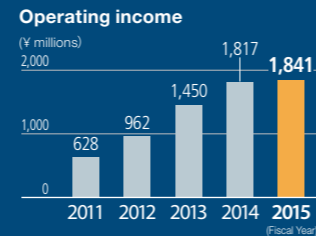
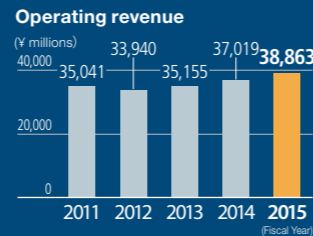
Operating revenue increased ¥1.344 billion (4.0%) for a total of ¥35.2 billion. Due in part to the inclusion of costs related to the renovation of Namba CITY, operating income decreased ¥223 million (6.6%) for a total of ¥3.163 billion compared to the previous fiscal year.



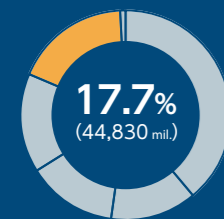
### Leisure Services Business



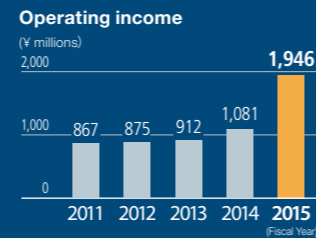
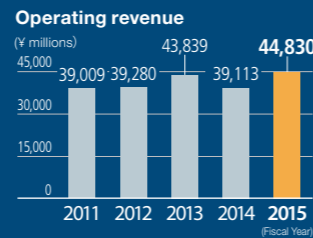
Due to the effect of factors including the increased number of nights stayed by inbound travelers at Hotel Nakanoshima, which is part of in our hotel and ryokan business, operating revenue increased ¥1.843 billion (5.0%) for a total of ¥38.863 billion compared to the previous fiscal year. On the other hand, operating income increased ¥24 million (1.3%) for a total of ¥1.841 billion yen compared to the previous fiscal year due to depreciation and amortization that accompanied equipment renewal in our boat racing facility leasing business.



### Construction Business



Operating revenue increased ¥5.716 billion (14.6%) for a total of ¥44.83 billion compared to the previous fiscal year. We worked to improve our profit ratio by, for example, strengthening the management of construction costs, so operating income increased ¥864 million (80.0%) for a total of ¥1.946 billion compared to the previous fiscal year.



### Other

In our other businesses, which include Nankai Management Service and another company that develop, operate and maintain information systems and act as agents for accounting work and various other kinds of office work, fiscal 2015 operating revenue decreased ¥113 million (5.8%) to ¥1.825 billion and operating income decreased ¥58 million (32.3%) to ¥123 million compared to the previous fiscal year.

\*The operating revenue values for each segment include transactions between segments.

## Business overview by sector (transportation business)

### Transportation Business

We provide public transportation services that are rooted in communities and provide high levels of convenience.

Transportation business is, needless to say, the core business of our corporate group. Within the group, 34 companies provide railway, tramway, bus, marine transport, freight shipment, rolling stock maintenance and other transportation and shipping services with high levels of public access. We strive every single day to fulfill the most important mission of our company, which is to provide transportation that is safe and assures peace of mind. By doing so, we are gaining the trust of the communities along our lines and customers from Japan and abroad.

### Railway business overview

Our railway business provides safe and comfortable transportation services along our various lines. These include the Nankai Electric Railway with two core lines, the Nankai Line that connects Namba with Senshu and Wakayama and the Koya Line that connects to the Koyasan world heritage site, as well as the Airport Line that provides important access to Kansai International Airport.

In addition, Semboku Rapid Railway Co., Ltd. became a part of our group in 2014, and its railway line travels to Semboku New Town from its starting point at Nakamozu Station, which is a station shared with Nankai Electric Railway.

### Introduction of 20 train cars in the 8300 series with LCDs that can display four languages in response to increase in inbound travelers

In order to respond to the needs of the increasing numbers of inbound travelers with certainty, we worked to enhance our lineup of various special tickets and expand outlets for their sales, as well as to arrange systems to accept them. In addition, we focused on promoting utilization of the Airport Line by, for example, operating Rapi:t limited express trains with a special design in a tie-up with the film Star Wars: The Force Awakens.

In addition, to advancing support for passenger guidance in four languages (Japanese, English, Chinese and Korean) in both our facilities and trains, we have launched 20 new 8300 series train cars with interior LCDs on the Nankai Line. We also advanced improvements to train destination information display equipment in Namba Station.

### Business focus for this financial year

#### Remodeling of the Koya limited express trains in time for the great 1200th anniversary commemorative service for the founding of the Koyasan temple complex

For the transportation of temple visitors to Koyasan, considering the good opportunity provided by attention from Japan and abroad to the great 1200th anniversary commemorative service for the founding of the Koyasan temple complex in spring 2015, we refurbished the Koya limited express trains with special features and sold special tickets for inbound foreign visitors, for example. In addition, with the broadcast of the year-long 2016 NHK Taiga drama "Sanada Maru," we have made efforts in cooperation with Kudoyama to attract visitors to that town, which is where Yukimura (Nobushige) Sanada was kept under house arrest. For example, we started operation of the "Nankai Sanada Red Train."



Flyer for inbound traveler train tickets



Improved train destination information display equipment in Namba Station



Koya limited express trains with special features



Sanada Red Train



8300 series train cars



8300 series train car LCD that supports display of four languages



## Ferry and Tramway business overview

Nankai Ferry operates ferries that connect the ports of Wakayama and Tokushima, providing comfortable sea access between Shikoku island and the Kinki region. Moreover, in our tramway business, the Hankai Tramway operates two lines, the Hankai Line and the Uemachi Line, and is thought of fondly as a local means of transport.



Nankai Ferry

### Business focus for this financial year

Advance of a “Pilgrimage by Sea” campaign in cooperation with local governments

In our marine transport business, we are focused on stimulating traveler demand by, for example, undertaking a campaign jointly with local governments. We called it a “Pilgrimage by Sea” because the Wakayama-Tokushima route connects Koyasan and the Shikoku Pilgrimage.



“Pilgrimage by Sea” poster

## Bus business overview

Along with Nankai Bus, we also operate Wakayama Bus, Nankai Rinkan Bus, Gobo Nankai Bus, Kumano Kotsu, Tokushima Bus and other bus lines that have deep local ties. Furthermore, in addition to Kansai Airport Transportation Enterprise, each of these companies is expanding shuttle bus businesses to connect with the Kansai International Airport and major cities.

### Business focus for this financial year

Realization of 24-hour access between Kansai Airport and Osaka City

On airport shuttle bus routes, we revised the timetable for the Osaka Station route on July 1, 2015, realizing the first 24-hour access to a Japanese airport and improving the ease of access to Kansai International Airport. Moreover, on March 1, 2016, with another business we took on joint operation of transportation for the Osaka Wonder Loop sightseeing tour bus for inbound visitors.



Osaka Wonder Loop

### Timetables revised for the Semboku area

We endeavored to augment our transportation organization according to traveler needs. For example, to improve the transportation convenience of ordinary passenger bus lines in the Semboku area, we also adjusted the timetable for the Sembokukosoku line on the same day and strengthened connections with this line. Moreover, seeking to increase convenience for travelers, we expanded the extent that transportation IC card services can be used on April 1, 2015. In addition, during the period of the great 1200th anniversary commemorative service for the founding of the Koyasan temple complex, we focused efforts on the transportation of temple visitors in the mountains.



New bus models deployed on the Sakai Shuttle Bus route that connects the Sakai Station on the Nankai Line and the Sakai Higashi Station on the Koya Line

## Real estate business



We are contributing to the utilization of company-owned property and the invigoration of areas along our train lines as we advance comprehensive community development.

Our corporate group is broadly undertaking real estate leasing, including commercial and office buildings, and the sale of real estate, including large-scale residential land development and condominium sales, particularly along Nankai train lines.

We are contributing to the creation of more appealing living environments for customers along our train lines in order to increase value along these lines.

## Business overview

In our real estate leasing business, we are advancing the leasing of company-owned land that can be utilized effectively along with buildings and facilities under elevated structures, focused on our train lines and main terminals, which are centered on Namba. We are also undertaking the leasing of commercial and office buildings, as well as rental apartments and parking spaces.

In real estate sales, especially around our train lines, we are conducting sales business for residential land, detached homes and condominiums. In addition, Nankai Fudosan Co., Ltd., which is our general real estate company, is also involved in a wide range of businesses related to housing and land, ranging from land utilization to remodeling.

### Expanding revenue-earning power in the leasing business

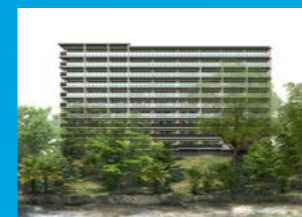
We worked to maintain and increase the operating ratio for properties along rail lines, including the PARKS Tower, as well as for the facilities in our Higashiosaka / Kitaosaka logistics centers. In addition, we strove to grow revenue at the Fraser Residence Nankai Osaka, which is an international serviced apartment hotel in response to the increasing number of inbound travelers.

Moreover, on April 1, 2015, Semboku Rapid Railway Co., Ltd. acquired all the stock of the Osaka Prefectural Food Distribution Center Co., Ltd., which operates a processed food wholesale space complex adjacent to Kitaosaka logistics center.

### Business focus for this financial year

Developing the VERITE series of condominiums

We promoted the sale of lots in Nankai Rinkan Den-entoshi Ayanodai and Nankai Kumatori Tsubasagaoka. Furthermore, we have advanced the development of our corporate group's VERITE series brand of condominiums along our company train lines in Sakai Shichido and Kawachinagano, as well as away from our lines in Higashi Osaka, Osaka Prefecture (near Wakae-Iwata Station on the Kintetsu Nara Line), in Yamashina-ku, Kyoto City (near Higashino Station on the Kyoto Municipal Transportation Bureau Tozai Line) and in Muko, Kyoto Prefecture (near Rakusaiguchi Station on the Hankyu Kyoto Line.)



VERITE Kawachinagano



Fraser Residence Nankai Osaka



Osaka Prefectural Food Distribution Center



## Distribution business

We are developing diverse commercial facilities to strengthen customer appeal by improving the attractiveness of our train lines.

Eleven of our group companies are advancing a wide range of highly-focused shopping centers, convenience stores, dining and drinking establishments and retail shops, centered on our train lines. We are contributing to the invigoration of neighborhoods near our train lines by developing shops with great appeal, which are indispensable for making areas around stations lively.

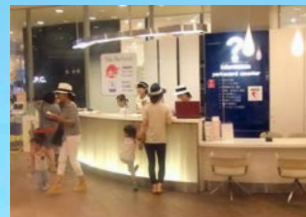
### Business overview

We are working to increase the profitability of various types of commercial facilities, starting with Namba CITY and Namba PARKS, in Namba, which is at the heart of Osaka. We are also working to develop our station business outside our train lines, utilizing our expertise from retail shops inside stations, including Shop Nankai.

### Business focus for this financial year

#### Enhancing products and services to meet the needs of inbound travelers at Namba City and Namba PARKS

We sought to enhance products and services to meet the needs of inbound travelers by, for example, striving to promote sales at Namba PARKS, which was renewed in the spring of 2015 and by establishing tax exemption counters at Namba CITY and Namba PARKS. In addition, we have attracted shops that provide a range of “because its Japan” and “made in Japan” products on the second basement floor of the Namba CITY Main building.



Tax exemption counter



Small shop oriented to inbound travelers



Shop Town Izumigaoka “kid’s play zone”



Renewed commercial facilities inside the Nankai Sakai Higashi Building

### We renovated facilities around Izumigaoka Station and strengthened their attractiveness and customer appeal to families

We worked to improve the attractiveness and customer appeal of the area around the Sembokukosoku line Izumigaoka Station. On October 29, 2015, at Shop Town Izumigaoka (renamed “Izumigaoka HIROBA Shops & Restaurants”), which is south of the station, new family-oriented shops were opened in the first phase of a renewal plan. At the same time, the “kid’s play zone” within the facility was renovated as an open space for interaction. In addition, seeking to increase the competitiveness of the PLATPLAT shopping center in front of the Sakai Station on the Nankai Line, we renovated it in response to the expansion of competitive facilities in the neighborhood. Moreover, for our station business, we renewed the commercial facilities inside the Koya Line Sakai Higashi Station and sought to increase convenience for station users and promote activity in the station.

In front of Izumigaoka Station  
Panjo is behind Shop Town Izumigaoka

## Leisure services business

We provide services that relieve pressure and create enjoyment in people’s lives.

In our group, 23 companies are undertaking various businesses, both near and far from our train lines, that provide customers enjoyment in their lives. These include amusement parks, hotels and ryokan inns, boat racing facilities leasing, building management and maintenance and other businesses.

### Business overview

Each company has a distinct business domain and is seeking to increase customer appeal and invigorate their business areas. In recent years, we have been concentrating efforts on inbound demand, focusing on travel and lodging businesses in particular.

### Business focus for this financial year

#### Great increase in inbound travelers stays at Hotel Nakanoshima

In our amusement park business, we focused on experiential events with the purpose of interacting with dolphins and other animals at Misaki Park. We also endeavored to attract customers, particularly families, by, for example, opening attractions and installing new large-scale athletic play equipment that are popular among young children and elementary school students. In our travel business, along with pre-arranged tour products for Koyasan, we also focused on selling medical tourism products for inbound travelers.

In our hotel and ryokan business, we have strengthened information dissemination about the Hotel Nakanoshima through overseas media and travel agencies and greatly increased the number of nights stayed by inbound travelers. In our building management and maintenance business, we sought to maintain and improve the quality of the services we provide for our existing management properties, which include the Kansai International Airport passenger terminal building. We also began accepting new management properties, including commercial facilities, hotels, medical agencies and public facilities, as well as started taking orders for equipment installation.



Hotel Nakanoshima

## Construction business

We are involved in a wide variety of projects in addition to those related to railways.

Five of our group companies are involved in the construction business. Chief among these is Nankai Tatsumura Construction, which has extensive construction work experience, including construction related to our railways, the Japan World Exposition and Kansai International Airport.

### Business overview

Utilizing an abundance of experience and expertise gained through a variety of construction projects, we are undertaking general construction work involved in every aspect of construction projects, including civil engineering, architecture and electrical. In recent years, we have focused efforts on promoting the popularization of “external wall insulation methods,” which envelop the exteriors of buildings with insulating material. We are handling numerous construction projects of condominiums and other buildings that make use of this method.

### Business focus for this financial year

#### Concentrating efforts on receiving orders for medical, welfare and similar facilities

In addition to civilian residential construction, we focused on receiving orders in the civilian nonresidential sector, including medical and welfare facilities, and public works in the capital region, for example. We also were involved in remodeling the Hamadera Koen Station building, and undertook the transfer to a temporary station building.

# 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).



General training for accident recovery

## A message from the Comprehensive Safety Administration Manager

Thank you very much for using our company. As a rule, with safety as our highest priority, we strive every single day to fulfill the most important mission of our company, which is to provide transportation that is safe and assures peace of mind. At the end of fiscal 2015, as a result of our Safety Management System functioning effectively, we received a no accident commendation for the sixth period in a row from the Kinki District Transport Bureau. The fact is, however, small troubles that one mistake could have turned into accidents occurred. Among the causes, some were due to skipping necessary confirmations and procedures. We believe that it is indispensable to create workplace cultures where strict adherence to fundamental practices and consciousness about safety are firmly rooted. At our company, with a sense of speed, we are systematically advancing physical measures to prevent human error and updating old facilities and rolling stock. In addition, we are working to cultivate personnel who are able to respond correctly to accidents, disasters and other abnormal conditions. Our headquarters and field divisions will continue to work in a unified manner to uncover issues at early stages as we seek to be a railway that is trusted by customers.



**Tetsuro Kanamori**  
Comprehensive Safety Administration Manager, Senior Managing Director, General Manager of Railway Business Division

## Safety Policy and Management System

### 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

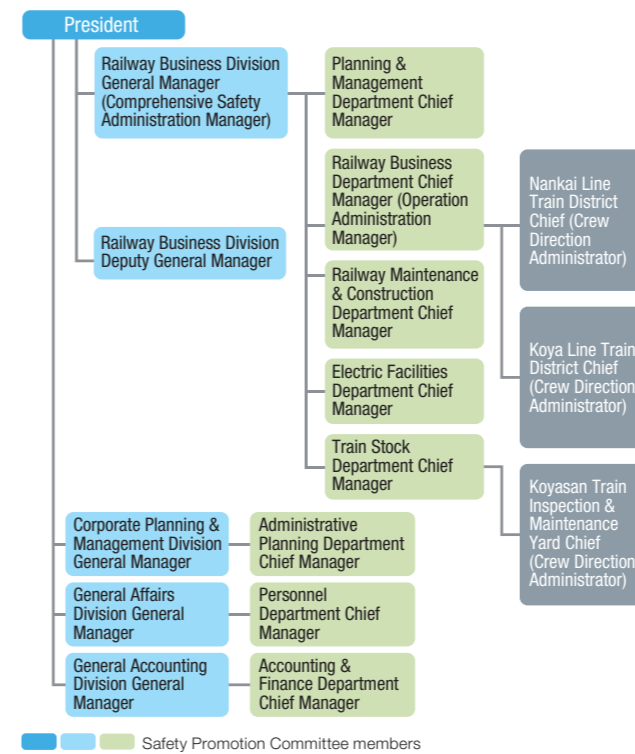
## Safety Management System

In response to the March 2006 revision of the Railway Business Act, we established Safety Management Regulations in October 2006 at our company. We also organized a Safety Promotion Committee with our president as its chairperson and a Safety Promotion Implementation Committee with our Comprehensive Safety Administration Manager as its chairperson. In order to promote "the permeation of the safety mindset" and "the creation of a safety culture," managers from the management planning, personnel and accounting business divisions also participate as members of the Safety Promotion Committee. With our Safety Management System, we have built an organizational structure that clarifies the responsibility structure of every manager. The president is the chief executive with overarching responsibility while the Railway Business Division General Manager is the Comprehensive Safety Administration Manager and the Railway Business Department Chief Manager is the Operation Administration Manager.



Safety Promotion Committee

### Organizational structure



### Committee organization



### Main manager roles

Position	Role
President	Bears final responsibility related to assuring transportation safety.
Railway Business Division General Manager (Comprehensive Safety Administration Manager)	Supervises work related to assuring transportation safety.
Railway Business Department Chief Manager (Operation Administration Manager)	Under the direction of the Comprehensive Safety Administration Manager, supervises items related to train operation, including the movement of trains and the maintenance of good train crew disposition.
Train District Chief (Crew Direction Administrator)	Under the direction of the Operation Administration Manager, manages items related to the maintenance of good train crew disposition.
Railway Maintenance & Construction Department Chief Manager	Under the direction of the Comprehensive Safety Administration Manager, supervises items related to engineering facilities, continuous grade separation work, and so on.
Electric Facilities Department Chief Manager	Under the direction of the Comprehensive Safety Administration Manager, supervises items related to electrical facilities.
Train Stock Department Chief Manager	Under the direction of the Comprehensive Safety Administration Manager, supervises items related to rolling stock and items related to the management of funicular railway crew members.
Planning & Management Department Chief Manager	Supervises plans for the equipment investment, expenses and personnel necessary to assure transportation safety. Also implements audits related to safety.
Administrative Planning Department Chief Manager	Supervises items related to equipment investments necessary to assure transportation safety.
Accounting & Finance Department Chief Manager	Supervises items related to finances necessary to assure transportation safety.
Personnel Department Chief Manager	Supervises items related to personnel necessary to assure transportation safety.

## Safety Policy and Management System

### Our Methods of Safety Management

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

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

We also conduct management reviews that qualify as “acts” in the PDCA cycle. Our President, who is our top manager, is actively involved in these efforts in which we review and summarize the status of building and improving our entire Safety Management System once per year. We do this to evaluate whether it is functioning properly and effectively and to reconsider and reform it as necessary. As a result of checking the implementation and application status of internal safety audits through these reviews, we conduct necessary reconsideration and reform for issues, problems and other points in our Safety Management System that were made clear, and we reflect these in our safety management action plan for the following fiscal year.



### Fiscal 2016 safety priority measures

We conducted a management review considering the progress of policies and measures that emphasize safety, the results of internal safety auditing and other factors for our Safety Management System in fiscal 2015. Based on this, we established the following four policies and measures that emphasize safety for this fiscal year and are working to implement them.

#### Fiscal 2016 safety priority measures

- Deepen permeation of safety policies
- Prevent accidents by identifying problems early through unified efforts by our field divisions and headquarters
- Increase process safety levels and abilities to respond to accidents, disasters and other issues
- Reduce accidents caused by aging facilities and equipment

## For customer safety

### Fiscal 2015 safety priority measures

Based on the efforts of the previous fiscal year, we prioritized efforts that should be made in fiscal 2015 and are working on the following eight items in order to resolve issues related to the safe transportation of customers.

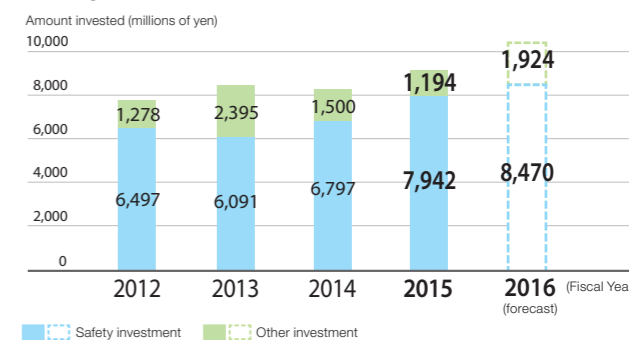
#### Fiscal 2015 safety priority measures

- Based on the results of analyzing safety awareness surveys, understand and implement safety policies, execute thorough checks and improve communication
- Determine the status of education about rules and manuals as well as the statuses of work procedures in each workplace, and make improvements to them
- Devise methods for collecting information about accidents and near misses and implement efforts toward the sharing of this information inside the headquarters
- Strengthen safety systems
- Increase emergency response capabilities and strengthen on-site backup systems
- Set plans for replacing old infrastructure and extending operating lifespans
- Advance work to comply with ministerial ordinances and revisions related to technical standards and work to improve earthquake resistance
- Promote safety measures for stations and railway crossings

### Safety Investment

In order to implement the necessary safety measures as planned without delay, we invested about ¥7.9 billion in the improvement and renewal of facilities during fiscal 2015. We are doing this to prevent and curtail damage to railway facilities in preparation for a large-scale earthquake that is expected to occur in the future. The measures we are advancing include construction work to make stations and overpass pillars earthquake resistant as well as door accident prevention and platform safety assurance. We will invest a further ¥8.5 billion in facilities during fiscal 2016 in order to advance planning and implementation of safety facilities for train operation, train cars and platforms.

#### Safety Investment



#### Major equipment investments in fiscal 2015

- Introduction of new ATS model on Koya Line, operation status recording devices, and dead man's switches
- Reinforcement of earthquake resistance for station buildings (Namba, Shin-Imamiya, Suminoe, Haruki and Hatsushiba stations)
- Reinforcement of earthquake resistance for overpass pillars
- New manufacture of 8300 series train cars (20)
- Installation of tactile paving with inside lines
- Measures to prevent door accidents on one-man trains

## For customer safety

### Railroad crossing safety measures



#### Flashing lights in all directions ①

In addition to improving the visibility of warning lights, we are also steadily converting them to LEDs.



#### Railroad crossing trouble warning equipment ②

This equipment enables use of an emergency button placed at the railroad crossing to show a signal to stop trains.

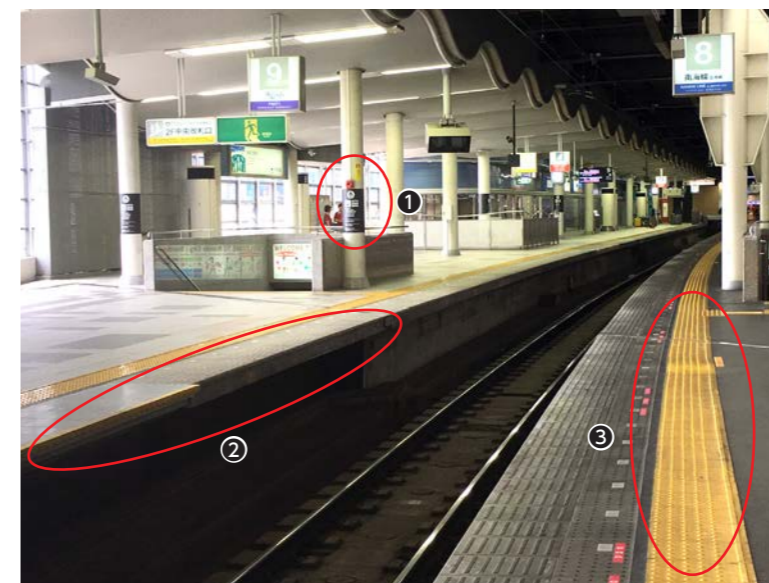


#### Railroad crossing obstacle detection equipment ③

This equipment detects automobiles on the railroad crossing and automatically shows a signal to stop trains.



### Platform safety measures



#### Platform emergency reporting device ①

By pressing the emergency reporting button, this device can be used to inform crew members and station staff when an accident has occurred.



#### Rubber platform gap filler ②

This equipment narrows the gap between trains and platforms preventing passengers from falling.



#### Tactile paving with inside lines ③

This equipment informs people with visual impairments which direction is toward the center of the platform and which is toward the tracks.



### Train safety measures

#### In-car emergency reporting devices

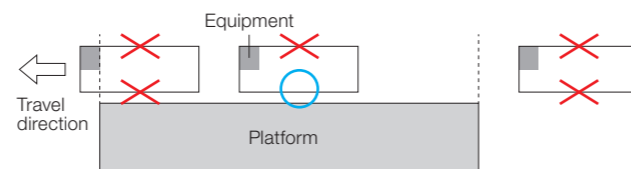
This device allows passengers to press a button in an emergency from within the car to inform a crew member about the problem. SOS stickers identify the equipment.



Emergency reporting button  
(The button is beneath the cover that opens.)

#### One-man train accidental door-opening prevention equipment

We have installed equipment that does not allow doors to open if the driver of a one-man train accidentally tries to open the doors on the side away from the platform. The doors will also not open if the train is not next to the platform. Only opens when positioned as shown by ○.



Accidental door-opening prevention equipment illustration

#### Falling prevention announcement equipment

We are installing falling prevention announcement equipment on some cars to prevent falls at couplings between control cars. When the doors are open, a voice warns that it is a coupling.



Falling prevention announcement equipment

#### Emergency ladders

This equipment allows passengers to safely disembark from a train should it stop between stations or at other times of trouble.



Emergency ladder

# 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.



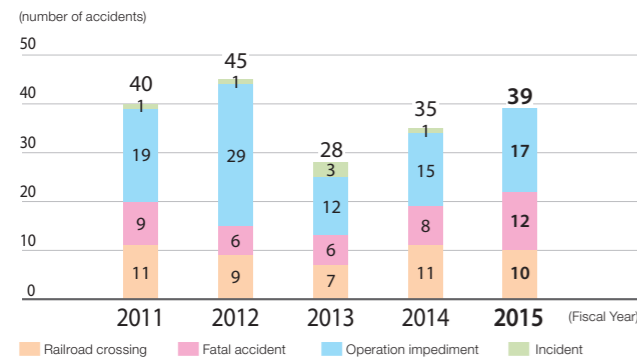
Ritual sprinkling water during Namba Eco Project 2016

## Status of the occurrence of railway operation impediments, transportation impediments and incidents

### Status of occurrences in the last five years

The status of occurrences in the last five years of railway operation accidents and similar troubles that require reporting to the Ministry of Land, Infrastructure, Transport and Tourism is as follows.

#### Number of accidents over five years



#### Reference: Classification of railway operation accidents, etc.

Railway operation accidents	Serious accidents	Train collision accident	Accident in which a train collides with or contacts another train or vehicle
		Train derailment accident	Accident in which a train derails
		Train fire accident	Accident in which a fire occurs in a train
	Railroad crossing obstacle accident	Accident at a railroad crossing in which a train or vehicle collides with or contacts a person, vehicle or something else crossing the tracks	
	Fatal accident	Accident in which a person dies or injured due to train or vehicle operation (excluding accidents that fall into the above categories)	
	Operation impediment	Situation in which a train stopped operating or was late (at least 30 minutes) for a reason other than a railway operation accident	
	Incident	Situation in which no accident occurred, but the possibility of a railway operation accident was recognized	

### Status of occurrence in fiscal 2015

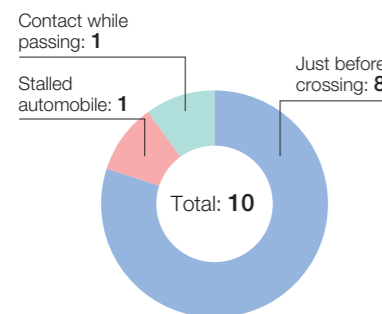
#### Serious accidents

None occurred in fiscal 2015 (none in the last five years)

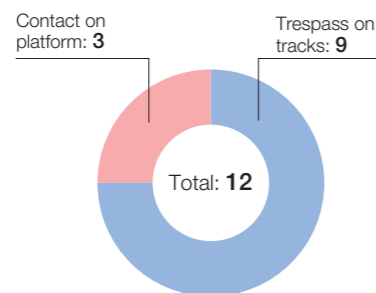
#### Incident

None occurred in fiscal 2015

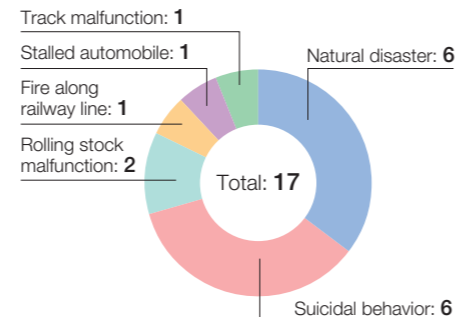
#### Railroad crossing obstacle accidents



#### Fatal accident



#### Operation impediment



### Administrative guidance and related matters

For four days from July 28-31, 2015, we received a safety audit from the Kinki District Transport Bureau. Our company received no reform guidance items due to this audit.

## 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. Along with the acquisition of ISO 14001 certification by our headquarters in 2011, we revised our guidelines as follows to make them more practical and even easier to understand.

### 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.

### Environmental Policies (complete text)

Based on the environmental philosophy of the Nankai Electric Railway Group of Companies, the Nankai Electric Railway shall be sensitive to the effect on the environment of its various business activities, centered on its main business of the railway. The Company recognizes its social responsibility and has decided on the following environmental policy.

- The Company will aim to promote the use of environmentally friendly modes of transport such as the railway and the bus, and at the same time to do its utmost to preserve the environment adjacent to its rail tracks.
- The Company will strive to increase its environmental awareness, and will do its best to form a harmonious relationship with the local community as well as maintain open communication with customers through various methods of information transmission.
- The Company will adhere to all laws, regulations and all other agreements with regard to the environment, as well as working hard to prevent any contamination.
- In order to make its businesses run in an environmentally friendly manner, the Company is making constant improvements to its environmental management system.
- Taking into account the effect on the environment of our business activities, the Company will implement a variety of measures with the aim of addressing the issues raised in the important points that the Company has settled as follows, and these shall be reviewed at regular intervals.
  - Promote business activities that are considerate towards environmental preservation
  - Work cooperatively with the local community: strengthen communication
  - Reduce the burden on the environment through promoting the use of railways and buses

In accordance with these policies, Nankai is taking measures to further strengthen their promotion of environmental management. Moreover, these policies will be applied by the Chiyoda Works of Nankai Vehicles Service Engineering Company in order for the environmental management system to work effectively.

## Environmental management

### Environmental management promotion

#### Promotion System

In order to promote our efforts for the environment and information disclosure smoothly, the Company has established an Environmental Countermeasure Promotion Committee, with a secretariat located in the Promoting Environmental Policy Department.

The extent of coverage of our activities is currently just Nankai Electric Railway (headquarters, Railway Business Division, Real Estate Business Division and Distribution Business Division). In the future, we will continue expanding coverage to include all group companies.

#### Environmental Countermeasures Promotion Committee members (as of July 1, 2016)

##### Committee chairperson

Corporate Planning & Management Division General Manager

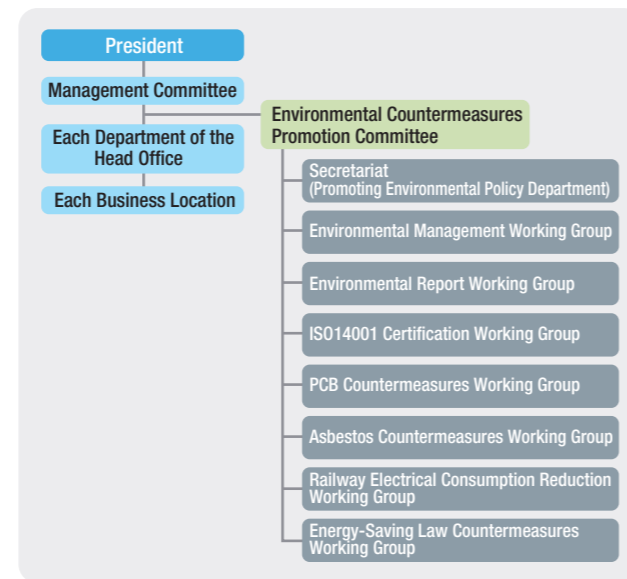
##### Committee members

- Subsidiary Affairs Division General Manager
- Project Promotion & Town Development Division General Manager
- Business Promotion Division General Manager
- General Affairs Division General Manager
- General Accounting Division General Manager
- Railway Business Division General Manager
- Real Estate Division General Manager
- Store Management Division General Manager

##### Secretary General

Promoting Environmental Policy Department Chief Manager

#### Environmental Countermeasures Promotion Committee structure



#### Environmental management system

In our company, our headquarters and the Chiyoda Works have received environmental management system certification (ISO 14001). (The Chiyoda Works received this jointly with the Nankai Vehicles Service Engineering Company.) Both business places renewed their certifications in March 2016.

acknowledgment.

In fiscal 2014, the first fiscal year of this program, we had a goal of 60 ECONists, but only 43 were certified. In fiscal 2015, however, we expanded the activities covered to include things such as hiking, cleaning and grass trimming. We also put out a call for participants, had certified ECONists give presentations and otherwise increased the dissemination of information about the program within the company. As result, we exceeded our annual goal of 60 certifications with 100 new ECONists.

### Environmental education

#### ECONist certification for employees who undertake environmental activities

We began the ECONist program in our company on April 1, 2014. An ECONist is one of our company employees who has a strong environmental consciousness and proactively and independently undertakes environmental activities. First, we summarized all the environmental activities being implemented throughout all the company departments and called for participation as volunteers. Environmental activities conducted outside the company can also be added by individual request. Employees who participated in environmental activities at least twice in the year are recognized as ECONists and receive a certificate of

## Curtailing Global Warming

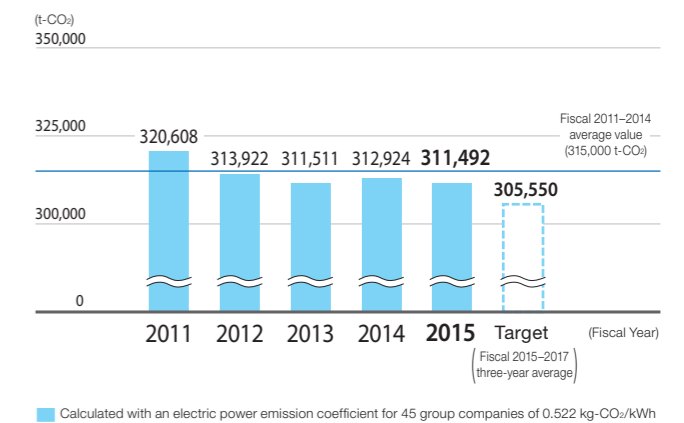
### Reducing CO<sub>2</sub> Emissions as a Group

In our previous RINSHIN 130 Plan, which was our medium term business plan for fiscal 2011–2014, we set a target of reducing total CO<sub>2</sub> emissions by 4% compared to the fiscal 2010 level of 225,000 tons total for 35 group companies, including Nankai Electric Railway. In the final fiscal year, we had reduced emissions by 19,394 tons (8.6%) to 205,606 tons.

Considering this result, we set a new target from fiscal 2015. Using the approximately 315,000 tons of average annual CO<sub>2</sub> emissions by our 45 group companies from fiscal 2011–2014 as our baseline, we set a three-year average 3% reduction target as our target. In the first year, the amount of CO<sub>2</sub> emissions for our 45 companies was 311,492 tons.

We will keep seeking to achieve this goal by utilizing various support efforts, starting with the Eco Rail Line Project, as well as by adopting energy-conserving rolling stock and other equipment with high energy efficiency as planned and increasing the energy-conserving mindset of our employees.

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



### Energy reduction in the Railway Business

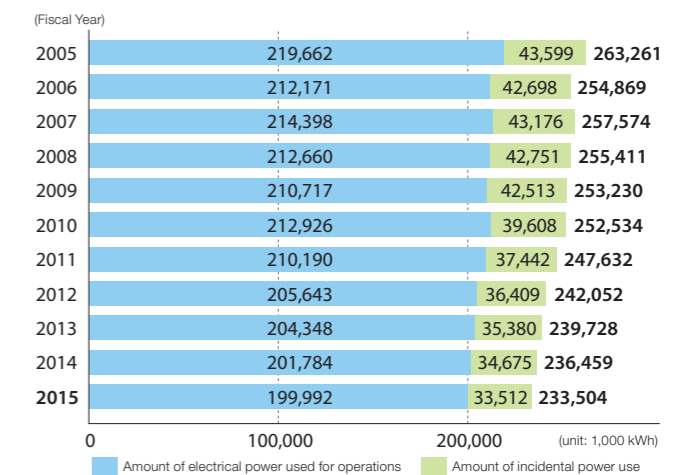
#### Reducing Electricity Consumed by Railways

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 2015 was 233,504,000 kWh. Of this, 199,992,000 kWh, 85.6% of the total, was used for train operation. This is a reduction of 0.9% from the previous fiscal year. At the same time, incidental power use was 33,512,000 kWh, which was 3.4% less than the previous fiscal year.

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 (details follow).

#### Changes in electricity consumption for train operations



## Curtailing Global Warming

### Energy reduction in the Railway Business

#### Regenerative brakes and VVVF inverter control

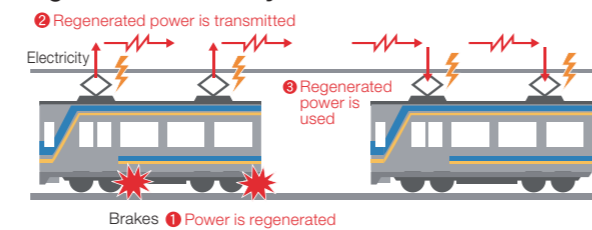
In railways, electric brakes called dynamic brakes consume generated electricity that is converted to heat by electrical resistors. In this method, however, the energy from the electricity that becomes heat and is emitted cannot be used effectively.

In contrast, electrical brakes that return generated electricity to aerial wiring when the train brakes are applied are called regenerative brakes. If this method is used, the energy can be efficiently used by other trains, so we are advancing the incorporation of these brakes into our rolling stock.

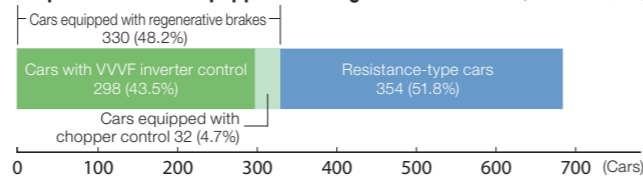
The acceleration control method called variable voltage variable frequency (VVVF) controls motor revolution speed and torque while changing the voltage and frequency using inverter equipment according to the speed and necessary accelerating (or decelerating) force when controlling train speed. VVVF control that changes voltage and frequency does not use unnecessary power, so it is able to reduce electricity consumption by about 40% compared to previous control methods.

At present, out of our 684 railway train cars, 330 (48.2%) have regenerative brakes and 298 (43.5%) use VVVF control.

#### Regenerative brake system



#### Proportion of cars equipped with regenerative brakes (as of March 31, 2016)



#### Use of connected feeders for lines in both directions

We are implementing the efficient use of regenerated electricity by connecting the feeders (power lines that supply from transformer substations to overhead lines) of the lines running in both directions with jumper lines in order to enable trains going in both directions to mutually utilize electricity generated by regenerative brakes.

### Topics

#### Receiving the Environmental Minister's Award received at the EST Transportation and Environment Awards

In February 2016, our company received an Environmental Minister's Award at the 7th EST Transportation and Environment Awards, sponsored by the EST Popularization Promotion Committee and the Foundation for Promoting Personal Mobility and Ecological Transportation.

The EST (Environmentally Sustainable Transport) Environmental Minister's Award is a program of awards founded in fiscal 2009 by these two organizations with the goals of discovering examples of efforts related to regional transportation environmental measures, awarding the achievements and work of outstanding efforts, and widely introducing and making known such efforts.

The main points for this evaluation are as follows.

- "Emphasis on the environment" is one of the business guidelines for our group in the SHINTEN 133 Plan, our medium term business plan for fiscal 2015-2017. In addition, we are advancing comprehensive transportation environmental measures as medium term environmental targets for our group as a whole. We have also established a management system for achieving our CO<sub>2</sub> emission reduction

target and have realized improvement greater than our target.

- Starting with CO<sub>2</sub> offsets that utilize credits gained from CO<sub>2</sub> absorption by our Nankai no Mori cultivated forest, we are seeking to foster a culture in which employees actively participate in environmental efforts through our ECONist Program, which is a system that encourages participation in environmental activities.

- Through cooperation with local governments and other organizations neighboring our train lines, including a Green Partner Agreement with Osaka Prefecture, we are sponsoring various environmental events that involve resident participation. We are also undertaking environmental protection activities in cooperation with communities and contributing to the integration of local communities through eco-tourism and our PARKS Garden, for example.

The companies of our group will continue to work as a team to reduce environmental impacts through efforts that include energy and resource conservation, recycling and waste reduction. We will also make efforts in environmental protection activities along our train lines.



President giving a speech at the EST Transportation and Environment Awards



Nankai no Mori

## Environmental Burden Data

In accordance with the revised Energy Conservation Law, in June 2016 the Company submitted its environmental burden data (INPUTS and OUTPUTS) as detailed below - which mainly focused on the amount of energy consumed -

to the Kinki District Transportation Bureau of the Ministry of Land, Infrastructure, Transport and Tourism and in July to the KANSAI Bureau of Economy, Trade and Industry (METI-KANSAI).

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

\*1 From fiscal 2015, the amount of water used at Namba Station is included in the Head Office and other Facilities category.

\*2 These numbers represent the data submitted by the Company to the Kinki Transportation Bureau in accordance with the Energy Conservation Law.

The CO<sub>2</sub> emissions totals were based on the amount of electric power consumed and calculated using the emission coefficient as set by Kansai Electric Power Co. of 0.531kg-CO<sub>2</sub>/kWh.



# Customers

Since we want our customers to use our services with even greater peace of mind, we are applying customer feedback to our business activities.



Providing customers our heartfelt hospitality

## Increasing customer satisfaction

### “The Customer’s Voice” – A Database

“The Customer’s Voice” is a valuable database of raw, unfiltered feedback, requests, praise and other thoughts received directly from customers. In fiscal 2015, we received a great amount of customer opinions, totaling 2,327 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.

### We are conducting a variety of reforms based on customer feedback.

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

### 2015 customer feedback breakdown (number of cases)

Ranking		Numbers for previous year shown in parentheses
	Number of cases	
1	Customer treatment/reception	650 (520)
2	Timetable	411 (183)
3	Tickets	245 (214)
4	Station facilities	240 (189)
5	Train vehicles	211 (139)
6	Air-conditioning	200 (119)
7	Passenger manners	150 (120)
8	Website	46 (42)
9	IC and Compass Cards	44 (35)
10	Women-only cars	24 (27)

### By division

	Numbers for previous year shown in parentheses
Number of cases	
1 Railway	2,071 (1,523)
2 Companies that make up the Corporate Group	89 (69)
3 Misaki Park	86 (83)

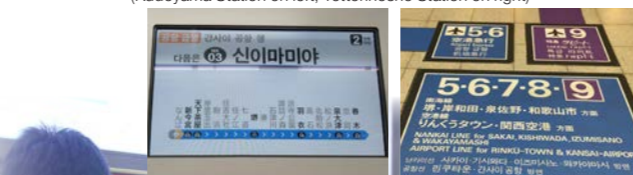
### Examples of implemented measures



Removal of moss from tracks using high-pressure washers at Tengachaya Station (before washing on left, after washing on right)



Beautification and improvement of station buildings (Kudoyama Station on left, Tottorinosho Station on right)



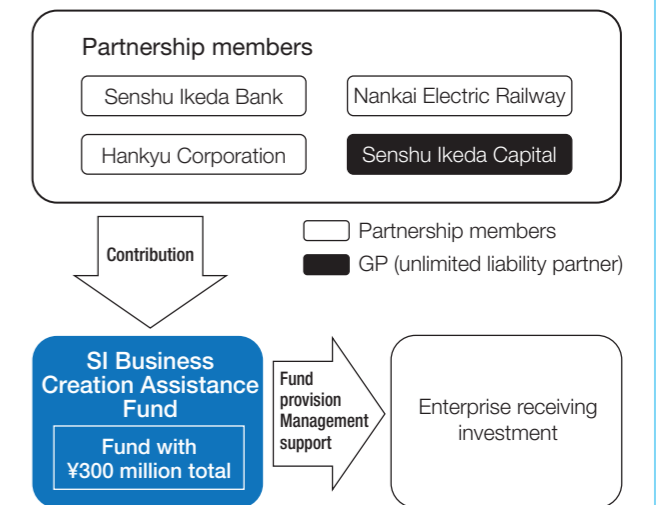
Deployment of multilingual guidance signs in stations and train cars and staff that speak foreign languages

## Cooperation with communities

### Establishment of a fund to support “business creation” through cooperation between the railway company and a financial institution with strong roots in the community

In February 2016, with the goal of assisting local businesses at the time of their establishment, our company established an “investment business limited partnership” for an SI Business Creation Assistance Fund jointly with the Senshu Ikeda Bank, Ltd., Hankyu Corporation, and Senshu Ikeda Capital Co., Ltd. This fund, which has ¥300 million total, has the goal of providing long-term stable capital through, for example, investments for enterprises involved in the creation of businesses that are expected to grow in the future, including those with new technologies and new business models, as well as those seeking funding for a second stage of development. This funding should also contribute to the invigoration of local economies in the Kansai region. A fund established jointly by railway companies, which have crucial local infrastructure functions, and local financial institutions in order to assist business founders and invigorate local economies is not common anywhere in Japan.

### SI Business Creation Assistance Fund organization



## Walking event

Timed with the 1200th anniversary of the founding of the Koyasan temple complex, in cooperation with tourism volunteers our company is conducting guided walks along our train lines with the goal of invigorating these communities.

We held our “Yukimura Sanada and the Capture of Osaka Castle Guided Walk: from Kudoyama to Osaka Castle” walking event in May this year. We conducted this event jointly with the Yukimura Sanada and the Capture of Osaka Castle Guided Walk Executive Committee and the Taiga drama “Sanada Maru” Warring States Period Wakayama Tourism Promotion Campaign Advancement Association. This walking event is based on the history of Yukimura Sanada, who was called “the greatest samurai in Japan,” and his rush to the defense of Osaka Castle from Kudoyama, where he had been under house arrest for about 14 years, in response to orders from Hideyori

Toyotomi. Led by volunteer guides who are very knowledgeable, this tour is planned to be held six times and will visit famous places and historic sites between Kudoyama and Osaka Castle while recalling Yukimura Sanada.



People signing up for the Capture of Osaka Castle Guided Walk

# Employees

We are continuing to build environments in which the diverse personnel who work in the Nankai Electric Railway Group accept each other and, maximizing the use of their abilities, continuously contribute to society.

Advancing the active participation of female employees



## Personnel cultivation

Through personnel systems, education and training systems that support the independent efforts of every employee to take on challenges, we are advancing personal cultivation and mindset development toward the fulfillment of our Corporate Philosophy.

### Personnel system that encourages employee growth

The personnel system of our company, which has goal management and coordinated evaluation systems as its pillars, supports employees in independently taking on challenges to reform and improve (high goals). It also seeks to achieve management goals through the effective conduct

of management (PDCA) cycles. Moreover, through two-way communication between employees and their superiors, this system provides maximum support for building mutual relationships of trust as a business. We are seeking to promote the growth of every employee and improve the service level of our business as a whole.

## 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 this year, we established an "Action plan to advance the active participation of women," setting goals for new university graduate hires of at least 30% women and for the systematic cultivation of female employees to further expand

their active participation.

We will continue to endeavor to improve working environments for the advancement of the active participation of women, for example. This includes enhancing publicity efforts at times of hiring, the promotion of their deployment and appointment in diverse fields and roles, and support for balancing work and private life.

### Promoting employment of the disabled

Recognizing the important social responsibility of hiring the disabled, we currently employ 42 people with disabilities at our special subsidiary company Nankai Heartful Service K.K. As of June 2016, the employment rate for people with disabilities was 2.26% at Nankai Electric Railway and 6 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, 2016, we had 92 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.

## Creating workplace environments that are easy to work in

In order to give customers service that is safe and provides peace of mind, we are working to improve our workplace environments so that they are bases that allow employees to utilize their abilities to their maximum extent.

### Encouraging the use of paid leave

We are working to increase the rate of annual paid leave usage by adopting a planned annual paid vacation system, for example. Our utilization rate of allowed annual paid leave days was 91.5% in fiscal 2015. This is a high level compared to the average rate of utilization (47.6%) according to the General Survey on Working Conditions issued by the Ministry of Health, Labour and Welfare. In addition, we have arranged systems that include leaves for childcare and leaves and time off for caregiving. In fiscal 2015, seven employees took childcare leaves. We are working to further enable employees to balance their work and private lives by making work more efficient and regular, as well as by incorporating a flexible working hours system according to work content, for example. We are conducting continuous awareness-raising about these systems.

### Measures to maintain and improve health

In recent years, the number of people with lifestyle diseases and metabolic syndrome has been on an upward trend. At the same time, the proportion of laborers who feel strong anxiety, stress and other negative feelings about their work lives is at a high level. At our company, we are implementing measures to maintain and promote both mental and physical health based on guidelines from the Ministry of Health, Labour and Welfare. We are systematically and consistently advancing efforts to understand the health conditions of employees in particular. These include efforts led primarily by industrial health staff at our workplaces to provide management, health maintenance guidance, health education and health consulting in accordance with company health management standards to prevent and quickly detect illnesses. Among these efforts, we are advancing mental health measures, including self-care (stress checks), line care (training for managing supervisors), the arrangement of external consulting contacts, and the expansion of consulting through designated psychiatrists, from the perspectives of prevention and treatment. In addition, we have adopted a "rework trial program," which is a system for people returning to work on a trial basis, to support the smooth return to work of employees who have taken time off for mental health reasons.

### Awareness raising for human rights protection and harassment prevention

As a company that manages a rail network, which is a public transportation organization, we recognize that we need to tackle all human rights matters head-on, starting with social discrimination issues, and including issues related to ethnicity, gender and disability. For this purpose, the Company has been striving to raise awareness about human rights since 1971. In addition to enriching the content of training courses to further deepen accurate understanding and awareness of human rights issues, we have continuously undertaken awareness-raising efforts. Furthermore, in order to prevent various types of harassment, including sexual harassment and power harassment, we are endeavoring to establish consultation lines and continuously conduct training for awareness raising and prevention.

# 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. At our company, 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.

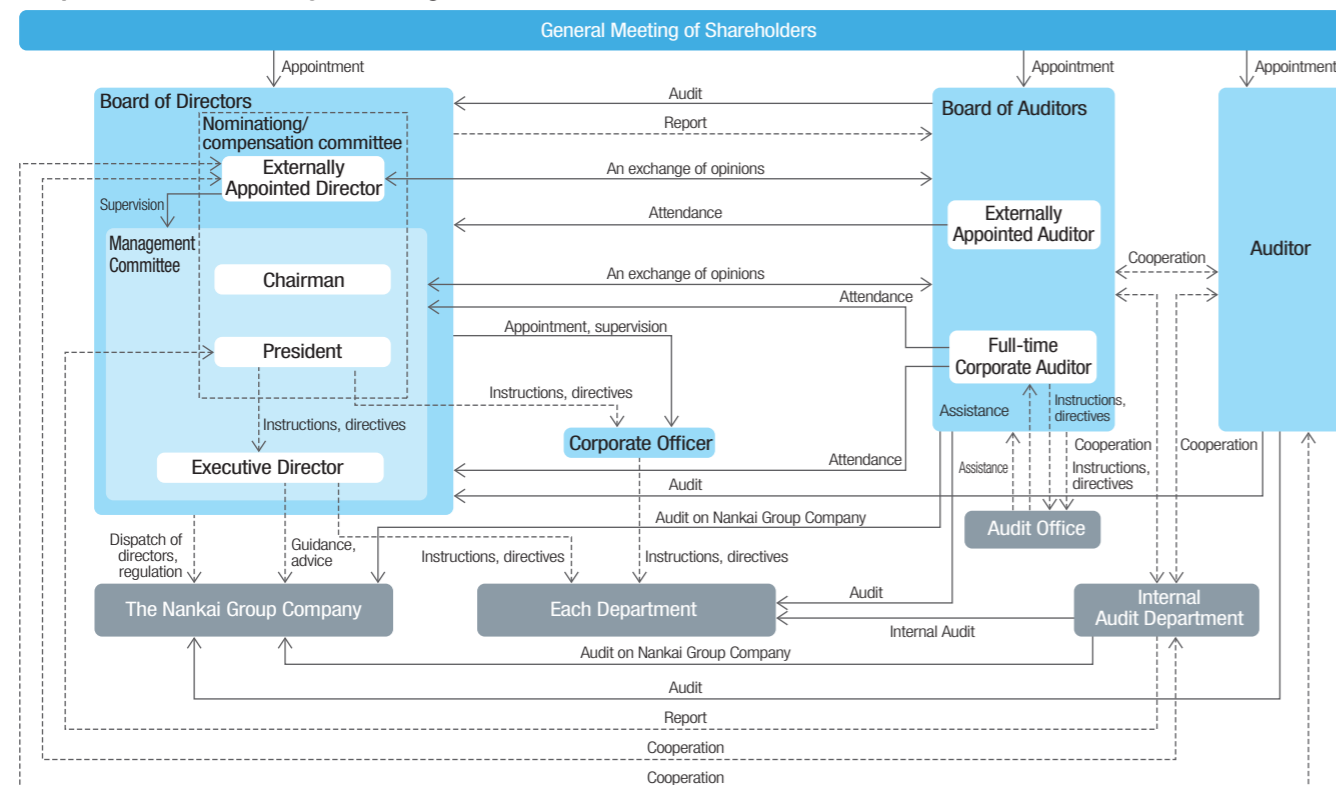
## Corporate structure

### Execution of Duties

Our Board of Directors, which consists of 13 directors (3 of whom are externally appointed) and 5 auditors (3 of whom are externally appointed) meets once a month in principle, and makes decisions about the execution of important work and audits the execution of their own duties. Based on the fundamental management policies established by the Board of Directors, a Management Committee comprised of managing directors, meets once a week to discuss important management issues. They seek to optimize overall control and business decisions related to

work execution. Furthermore, with the aim of reinforcing the supervisory function of the Board of Directors and establishing a maneuverable system of business operations, the Company has implemented a system of corporate officers. Seven corporate officers are currently appointed and are working with the executive directors to optimize and increase efficiency in our business by, for example, sharing information related to important business issues and the performance of the Company.

Corporate Governance System Diagram (as of June 24, 2016)



### Auditing by auditors

The Board of Auditors, which consists of five members and uses the Audit Office as its Secretariat, meets once a month in principle and audits work execution. The Board of Auditors has prepared a structure that enables it to regularly undertake exchanges of opinions among the Chairperson of the Board of Directors, the executive officers and executives in charge of various divisions. Moreover, the Full-Time Corporate Auditors can also conduct exchanges of opinions related to individual management issues between directors and employees as necessary. In addition, the Full-Time Corporate Auditors attend the Management Committee and other important meetings and listen to reports about issues that are important to the management of the company and the group, including the status of work execution, business results and financial conditions. These auditors also receive important documents, including draft plans after approval and internal auditing reports, for review.

The Full-Time Corporate Auditors report to the Board of Auditors about information gathered through these efforts and add appropriate explanations about them from the perspectives of people who are well-versed in the business of our company. In contrast, the Externally Appointed Auditors provide guidance and make statements of opinion based on their expert knowledge and experiences outside the company, for example. By following these different roles and mutually supporting each other’s functions, they increase the efficacy of their auditing. In addition, we have established an Audit Office as an organization dedicated to handling work duties related to the Board of Auditors and the auditors themselves in order to strengthen auditing functions. Along with following the commands and orders of the auditors, the two staff members of the Audit Office seek the consensus of the Full-Time Corporate Auditors regarding personnel changes and evaluations.

### Externally Appointed Directors and Auditors

The Externally Appointed Directors are expected to utilize their knowledge and experience as business managers for the management of our company. They also have the function of contributing to promoting efficiency and transparency in management from their independent standpoints, which do not have any relation to the abilities of the company management team members to exert considerable control on each other.

The Externally Appointed Auditors are expected to utilize their knowledge, experience and expertise as business managers and lawyers for the auditing of our company. They also have the function of contributing to assuring transparency and improving the quality of auditing in management from their independent standpoints, which do not have any relation to the abilities of the company management team members to exert considerable control on each other.

### Policies related to determining amounts of remuneration and other rewards for executives

Remuneration for our company executives is only financial. They do not receive any indefinite or intangible compensation. In order to make awareness of shareholder value and share prices permeate management and to increase incentives for improving results, our basic remuneration system combines fixed compensation with compensation based on performance and compensation through the allocation of corporate stock.

#### Compensation based on performance

Compensation based on performance is used for remuneration of our directors. For compensation based on performance, we evaluate both company and individual performance, and use matrices that combine them to adjust remuneration levels between 0% and 200%. For company performance, we use dividends and consolidated ordinary income for the previous fiscal year. For individual performance, we evaluate using performance evaluations based on the business targets, which were set in consultation with the President, of the division for which each director is responsible. The Chairperson, President and Externally Appointed Directors, however, are evaluated only on company performance to determine their amounts of remuneration.

#### Remuneration through our corporate stock

For our Executive Directors and Full-Time Corporate Auditors, in addition to their fixed remuneration, we provide additional compensation of an amount that is a multiplier of a fixed ratio set for each position separately. This amount is allocated as corporate stock after contributions to the Officer Shareholder Association.

Furthermore, in the remuneration amount decision-making process, explanations are given to Externally Appointed Directors at Nomination and Compensation Committee meetings, and recommendations are sought regarding the suitability of the amounts.

Executive remuneration details (fiscal 2015)

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)	248	248	—	—	—	12
Auditors (excluding Externally Appointed Auditors)	47	47	—	—	—	2
Externally Appointed Directors	25	25	—	—	—	3
Externally Appointed Auditors	25	25	—	—	—	3

## Internal controls (risk management, compliance and information security)

### Internal control systems

#### System to ensure that the execution of duties by the directors and others in our company and in our subsidiaries conforms to laws and company statutes

For the healthy growth of our company and group companies and for the establishment of business ethics, in addition to creating a Code of Business Ethics, we have created a dedicated organization responsible for the promotion of internal auditing and compliance management. Please see page 29 for detailed information about our compliance efforts. Moreover, in order to ensure the reliability of our financial reporting, we are appropriately arranging and utilizing necessary systems, as well as seeking to maintain and improve these systems through effective evaluations by our Internal Audit Department.

#### Systems related to storing and managing information concerning the execution of duties by our corporate directors

Documents related to the execution of duties by our directors, including circulated draft plans and the minutes of Board of Directors Meetings and other important meetings, are prepared appropriately and stored and managed in accordance with our Document Regulations and other in-house company rules. In addition, we have established an Information Security Policy, and we have arranged systems to ensure that the information resources that our company possess are appropriately safeguarded and that their “confidentiality,” “completeness” and “availability” are maintained.

#### Regulations and other systems related to the management of loss risk for our company and subsidiaries

At our company, we have established Crisis Management Guidelines as comprehensive standards to prevent the occurrence of crises (excluding serious accidents and disasters) as well as to minimize injury to the company, our officers and personnel, travelers and customers should they occur. In addition, we have established Disaster Countermeasure Regulations with the goal of fulfilling our corporate social responsibilities through countermeasure organizations and emergency handling, for example, to respond to the occurrence or threat of major accidents and disasters, as well as to seek to ensure the safety of travelers, customers and all our employees when disaster occurs in order to minimize damage. Moreover, in our Group Company Management Regulations, we have established that we must work to understand crisis information for group companies and conduct group company crisis management in accordance with our Crisis Management Guidelines. For details about the assurance of safe transportation in our

railway business, please see the section starting page 19. Furthermore, for the management of risks related to work under the jurisdiction of our corporate departments and the business operations of our group companies, we conduct training and prepare regulations and manuals, for example, as necessary in the affected divisions and companies.

#### System to ensure the efficient execution of duties by the directors and others in our company and in our subsidiaries

At our company, in order to realize the systematic and efficient conduct of our business activities, in our in-house company rules, we have clearly established business organizations and purviews as well as the responsibilities, authorities, duties and other roles of the people assigned to every position. Moreover, based on the fundamental management policies established by the Board of Directors, a Management Committee comprised of managing directors meets once a week to discuss important management issues. Through this and other efforts, we are seeking to optimize overall control and business decision-making related to work execution. We have also implemented a system of corporate officers with the goals of strengthening the auditing functions of the Board of Directors and establishing agile work execution systems. For the execution of duties by directors of Nankai Group Companies, based on our Group Company Guidance Policy, we are setting basic policies for organizational form and institutional design after considering their business scales, special qualities and characteristics while keeping in mind their agility and autonomy in management. Moreover, with the goals of ensuring the reliability of financial reporting and making work effective, we have adopted a shared service for financial affairs. In addition, for the purpose of accurately understanding the state of business operations and promoting their improvement from the perspective of increasing management effectiveness, we have arranged a structure to systematically implement internal auditing, including auditing of group companies, through our Internal Audit Department. Please see page 35 for details.

#### Systems related to reporting to our company about items concerning the execution of duties by subsidiary company directors and other staff

Based on our Group Company Guidance Policy and our Group Company Management Regulations, we maintain close contact for mutual understanding between our company and our group companies. We also require advance approval from our company for items of a certain importance for management, starting with important facility investments and expect suitable reporting as necessary.

#### Systems to ensure the propriety of business conducted by other group members

As we strive for unified management and effective control as a corporate group, we are dispatching our officers and other personnel to be officers and management personnel at our group companies. In addition, we are seeking to strengthen the functions of group company auditors and enhance their information sharing through the placement of associate auditors and our Group Company Auditor Counsel. Furthermore, we are seeking propriety in the work of our group as a whole by, for example, creating IT Management Regulations and establishing IT control, as well as by having our company Examination Committee prepare strict examination procedures for the execution of financing for group companies.

#### System to ensure that the auditing of our corporate auditors is conducted effectively

At our company, we have established an Audit Office as an organization dedicated to handling work duties related to the Board of Auditors and the auditing by auditors themselves. Our Audit Office is clearly separated from the command structure of our representative directors and other executive directors, and its staff follows the directions and orders of the auditors. In addition, personnel changes and evaluations require the consent of the Full-time Corporate Auditors. Our company directors and other employees request that

the Full-time Corporate Auditors attend the Management Committee and other important meetings where they report about issues that are important to the management of the company and the group, including the status of work execution, business results and financial conditions. We have also arranged a system for these auditors to receive important documents, including draft plans after approval and internal auditing reports, for review. Moreover, in response to auditor requests, we conduct exchanges of opinions related to individual management issues. For the operation of our Corporate Ethics Hotline System, our Corporate Ethics Hotline System Rules declare that all officers and other personnel must not treat information reporters disadvantageously or unfairly or conduct acts of retribution or discrimination. Moreover, reports about the status of hotline operation are to be made regularly to the Full-time Corporate Auditors. While budgeting for ordinary auditing expenses based on the auditing plans of the Board of Auditors, when expenses are invoiced for items that have occurred outside of the budget for special things such as when auditors and the Audit Office consult lawyers, certified public accountants and other experts outside the company for their opinions in the conduct of audits, our company shall not unreasonably withhold payment. The exception is when expenses related to the billing under question are recognized to be unnecessary for the execution of auditor duties.

## 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 2009

### Assignment of Compliance Officers

In our company, we are promoting compliance management and have made our Risk Management Department responsible for compliance. In addition, Compliance Officers, who play central roles in promoting compliance awareness, are assigned to each department (and division) in the company. Each fiscal year these officers prepare Compliance Education Plans and conduct activities to promote compliance awareness. Moreover, they participate in meetings held twice a year to exchange opinions about the state of progress and other topics. Group companies are also advancing compliance awareness activities in the same manner as Nankai Electric Railway.

### Compliance education implementation

The efforts we are making to deepen the compliance mindset of all group executives include continuously

## Protection of personal information

In our corporate group, considering the great amount of personal information that we handle due to the nature of our businesses, we recognize the importance of personal information protection. Believing that the appropriate use and protection of this information is a serious responsibility, we established the Nankai Electric Railway Privacy Policy and have been applying it. All our business divisions and group companies have also established privacy policies according to the natures of their businesses. They are

conducting trainings by employment level as well as holding a variety of group trainings. During Corporate Ethics Month, which is set for October every year, we display educational posters and conduct Compliance Forum Discussions (CFD) with ordinary employees talking in groups about specific examples.

To deepen the spirit of our Code of Business Ethics in our company, we have, for example, created a Compliance Manual, which is specific down to level of the business and conduct expected of each individual executive in our group companies. Through these efforts we are striving to make the principles of compliance management permeate our organization and to prevent relationships with anti-social forces.

### 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.

applying these policies and have publicized them both inside and outside our corporate group. Moreover, in addition to arranging management systems, we have also established contacts for inquiries from customers. Furthermore, we have established a Fundamental Policy for Specific Personal Information and Handling Regulations for Specific Personal Information, and we are pursuing suitable safe management measures for the handling of My Number personal IDs and specific personal information.

## List of executives As of August 1, 2016

Directors					
					
<b>Makoto Yamanaka</b> Chairman	<b>Teruhiko Achikita</b> President and CEO / SHINTEN133 Planning & Management Division / Audit Section Division General Manager	<b>Tetsuro Kanamori</b> Senior Managing Director Railway Business Division General Manager	<b>Toshiyuki Takagi</b> Managing Director SHINTEN133 Planning & Management Division / Corporate Planning & Management Division / Project Promotion & Town Development Division General Manager	<b>Katsuya Kanehara</b> Managing Director Store Management Division General Manager	<b>Keiichi Iwai</b> Managing Director General Accounting Division General Manager
				<b>Mitsuaki Naito</b> Directors	
<b>Tsutomu Inoue</b> Director Real Estate Division General Manager	<b>Shigeru Sakata</b> Director Railway Business Division Deputy General Manager / Business Promotion Division General Manager	<b>Naoto Ashibe</b> Director Subsidiary Affairs Division General Manager	<b>Koyo Uraji</b> Director General Affairs Division General Manager / Branch Manager in Tokyo / Branch Manager in Wakayama	<b>Ichiro Masukura</b> Directors	
				<b>Hitoshi Murakami</b> Directors	
Auditor					
		<b>Masayuki Oku</b> Auditor			
<b>Takaichi Fujita</b> Senior Corporate Auditor (Full-time)	<b>Masafumi Katsuyama</b> Senior Corporate Auditor (Full-time)	<b>Kozo Arai</b> Auditor			
		<b>Koji Aiba</b> Auditor			
Corporate Officer					
<b>Masaaki Masumoto</b> Nankai Bus Co., Ltd. President		<b>Michiaki Sotohama</b> Hankai Tramway Co., Ltd. President		<b>Makoto Nakabayashi</b> Railway Business Department Chief Manager	
<b>Osamu Mochizuki</b> Inbound Business Department Chief Manager		<b>Toshiaki Fukuchi</b> Nankai Ferry Co., Ltd. President		<b>Nobuhiko Tauchi</b> Accounting & Finance Department Chief Manager	
<b>Hiroyuki Sumida</b> Administrative Planning Department Chief Manager					

## Consolidated financial statements

### Consolidated Balance Sheets

(millions of yen)

	Previous consolidated fiscal year March 31, 2015	Current consolidated fiscal year March 31, 2016		Previous consolidated fiscal year March 31, 2015	Current consolidated fiscal year March 31, 2016
<b>ASSETS</b>			<b>LIABILITIES</b>		
<b>Current assets:</b>			<b>Current liabilities:</b>		
Cash and deposits	21,647	<b>18,768</b>	Notes and accounts payable-trade	21,026	<b>22,827</b>
Notes and accounts receivable-trade	22,409	<b>21,421</b>	Short-term loans payable	116,040	<b>82,364</b>
Merchandise and finished goods	26,486	<b>24,563</b>	Current portion of bonds	—	<b>20,000</b>
Work in process	543	<b>447</b>	Income taxes payable	4,063	<b>4,204</b>
Raw materials and supplies	2,529	<b>2,627</b>	Provision for bonuses	2,321	<b>2,424</b>
Deferred tax assets	2,467	<b>2,450</b>	Provision for loss related to reconstruction	1,151	<b>29</b>
Other	9,743	<b>9,380</b>	Other	63,090	<b>61,188</b>
Allowance for doubtful accounts	△99	△84	Total current liabilities	207,693	<b>193,038</b>
<b>Total current assets</b>	<b>85,728</b>	<b>79,575</b>	<b>Non-current liabilities:</b>		
<b>Non-current assets:</b>			Bonds payable	80,000	<b>70,000</b>
Property, plant and equipment:			Long-term loans payable	301,168	<b>311,796</b>
Buildings and structures, net	353,046	<b>343,299</b>	Deferred tax liabilities	51,578	<b>46,688</b>
Machinery, equipment and vehicles, net	20,657	<b>22,100</b>	Deferred tax liabilities for land revaluation	21,551	<b>19,165</b>
Land	354,433	<b>353,214</b>	Net defined benefit liability	13,446	<b>16,183</b>
Construction in progress	41,344	<b>47,357</b>	Other	34,117	<b>33,809</b>
Other, net	4,893	<b>5,858</b>	Total non-current liabilities	501,862	<b>497,643</b>
Total property, plant and equipment	774,374	<b>771,830</b>	<b>Total liabilities</b>	<b>709,556</b>	<b>690,681</b>
Intangible assets	9,090	<b>9,109</b>	<b>NET ASSETS</b>		
Investments and other assets:			<b>Shareholders' equity:</b>		
Investments securities	28,328	<b>24,180</b>	Capital stock	72,983	<b>72,983</b>
Long-term loans receivable	74	<b>153</b>	Capital surplus	28,087	<b>28,089</b>
Net defined benefit asset	2,070	<b>53</b>	Retained earnings	46,053	<b>58,128</b>
Deferred tax assets	2,269	<b>2,243</b>	Treasury shares	△34	△76
Other	9,684	<b>9,527</b>	Total shareholders' equity	147,090	<b>159,125</b>
Allowance for doubtful accounts	△2,073	△2,053	<b>Accumulated other comprehensive income:</b>		
Total investments and other assets	40,354	<b>34,105</b>	Valuation difference on available-for-sale securities	8,395	<b>5,602</b>
<b>Total non-current assets</b>	<b>823,819</b>	<b>815,045</b>	Deferred gains or losses on hedges	—	<b>0</b>
<b>Total assets</b>	<b>909,547</b>	<b>894,621</b>	Revaluation reserve for land	33,694	<b>31,830</b>
			Remeasurements of defined benefit plans	2,058	△1,860
			Total accumulated other comprehensive income	44,147	<b>35,572</b>
			Non-controlling interests	8,752	<b>9,241</b>
			<b>Total net assets</b>	<b>199,991</b>	<b>203,939</b>
			<b>Total liabilities and net assets</b>	<b>909,547</b>	<b>894,621</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 (From April 1, 2014) To March 31, 2015	Current consolidated fiscal year (From April 1, 2015) To March 31, 2016
<b>Operating revenue</b>	210,995	<b>219,065</b>
<b>Operating expenses:</b>		
Operating expenses and cost of sales of transportation	175,544	<b>179,680</b>
Selling, general and administrative expenses	7,333	<b>7,065</b>
Total operating expenses	182,877	<b>186,746</b>
<b>Operating income</b>	28,118	<b>32,318</b>
<b>Non-operating income:</b>		
Interest income	50	<b>22</b>
Dividend income	564	<b>670</b>
Gain on sales of non-current assets	167	<b>109</b>
Miscellaneous income	534	<b>467</b>
Total non-operating income	1,316	<b>1,269</b>
<b>Non-operating expenses:</b>		
Interest expenses	6,576	<b>6,081</b>
Miscellaneous expenses	857	<b>395</b>
Total non-operating expenses	7,433	<b>6,477</b>
<b>Ordinary income</b>	22,001	<b>27,110</b>
<b>Extraordinary income:</b>		
Contribution for construction	1,530	<b>4,434</b>
Reversal of allowance for doubtful accounts	298	<b>—</b>
Other	492	<b>519</b>
Total extraordinary income	2,322	<b>4,953</b>
<b>Extraordinary losses:</b>		
Impairment loss	1,814	<b>9,074</b>
Reduction entry of land contribution for construction	1,475	<b>4,392</b>
Loss on retirement of non-current assets	462	<b>1,116</b>
Other	751	<b>109</b>
Total extraordinary losses	4,503	<b>14,691</b>
<b>Profit before income taxes</b>	19,819	<b>17,372</b>
<b>(Income taxes:)</b>		
<b>Income taxes-current</b>	6,556	<b>7,265</b>
<b>Income taxes-deferred</b>	△4,816	△3,085
<b>Total income taxes</b>	1,739	<b>4,179</b>
<b>Profit</b>	18,080	<b>13,192</b>
<b>Profit attributable to non-controlling interests</b>	612	<b>579</b>
<b>Profit attributable to owners of parent</b>	17,467	<b>12,612</b>

### Consolidated Statements of Comprehensive Income

(millions of yen)

	Previous consolidated fiscal year (From April 1, 2014) To March 31, 2015	Current consolidated fiscal year (From April 1, 2015) To March 31, 2016
<b>Profit</b>	18,080	<b>13,192</b>
<b>Other comprehensive income:</b>		
Valuation difference on available-for-sale securities	3,687	△2,862
Deferred gains or losses on hedges	△0	<b>0</b>
Revaluation reserve for land	2,229	<b>1,000</b>
Remeasurements of defined benefit plans, net of tax	1,192	△3,935
Total other comprehensive income	7,109	△5,797
<b>Comprehensive income</b>	25,190	<b>7,394</b>
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	24,515	<b>6,901</b>
Comprehensive income attributable to non-controlling interests	674	<b>492</b>

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

## Consolidated financial statements

### Consolidated Statements of Changes in Equity

Previous consolidated fiscal year (from April 1, 2014 to March 31, 2015)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at March 31, 2014	63,739	18,471	34,021	△1,377	114,854
Cumulative effects of changes in accounting policies			120		120
Restated balance	63,739	18,471	34,142	△1,377	114,975
Changes of items during period:					
Issuance of new shares	9,244	9,244			18,489
Dividends of surplus			△2,612		△2,612
Profit attributable to owners of parent			17,467		17,467
Reversal of revaluation reserve for land			△2,943		△2,943
Purchase of treasury shares				△39	△39
Disposal of treasury shares		371		1,383	1,754
Net changes of items other than shareholders' equity					
Total changes of items during period	9,244	9,616	11,911	1,343	32,115
Balance at March 31, 2015	72,983	28,087	46,053	△34	147,090

	Accumulated other comprehensive income						Total net assets
	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	
Balance at March 31, 2014	4,759	0	28,521	875	34,155	3,029	152,039
Cumulative effects of changes in accounting policies						1	122
Restated balance	4,759	0	28,521	875	34,155	3,030	152,162
Changes of items during period:							
Issuance of new shares							18,489
Dividends of surplus							△2,612
Profit attributable to owners of parent							17,467
Reversal of revaluation reserve for land							△2,943
Purchase of treasury shares							△39
Disposal of treasury shares							1,754
Net changes of items other than shareholders' equity	3,635	△0	5,173	1,182	9,991	5,722	15,713
Total changes of items during period	3,635	△0	5,173	1,182	9,991	5,722	47,829
Balance at March 31, 2015	8,395	—	33,694	2,058	44,147	8,752	199,991

### Current consolidated fiscal year (from April 1, 2015 to March 31, 2016)

(millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at March 31, 2015	72,983	28,087	46,053	△34	147,090
Changes of items during period:					
Dividends of surplus			△3,401		△3,401
Profit attributable to owners of parent			12,612		12,612
Reversal of revaluation reserve for land			2,863		2,863
Purchase of treasury shares				△43	△43
Disposal of treasury shares		0		1	1
Change in treasury shares of parent arising from transactions with non-controlling shareholders		1			1
Net changes of items other than shareholders' equity					
Total changes of items during period	—	1	12,074	△42	12,034
Balance at March 31, 2016	72,983	28,089	58,128	△76	159,125

	Accumulated other comprehensive income						Total net assets
	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	
Balance at March 31, 2015	8,395	—	33,694	2,058	44,147	8,752	199,991
Changes of items during period:							
Dividends of surplus							△3,401
Profit attributable to owners of parent							12,612
Reversal of revaluation reserve for land							2,863
Purchase of treasury shares							△43
Disposal of treasury shares							1
Change in treasury shares of parent arising from transactions with non-controlling shareholders							1
Net changes of items other than shareholders' equity	△2,792	0	△1,863	△3,918	△8,574	488	△8,085
Total changes of items during period	△2,792	0	△1,863	△3,918	△8,574	488	3,948
Balance at March 31, 2016	5,602	0	31,830	△1,860	35,572	9,241	203,939

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

### Consolidated Statements of Cash Flows

(millions of yen)

	Previous consolidated fiscal year (From April 1, 2014 To March 31, 2015)	Current consolidated fiscal year (From April 1, 2015 To March 31, 2016)
<b>Cash flows from operating activities:</b>		
Profit before income taxes	19,819	17,372
Depreciation	23,699	25,519
Impairment loss	1,814	9,074
Amortization of goodwill	289	436
Increase (decrease) in provision for bonuses (△ is decrease)	221	97
Increase (decrease) in provision for loss related to reconstruction (△ is decrease)	△81	△1,122
Increase (decrease) net defined benefit liability (△ is decrease)	△109	△1,004
Increase (decrease) in allowance for doubtful accounts (△ is decrease)	△420	△34
Interest and dividend income	△615	△692
Interest expenses	6,576	6,081
Loss on retirement of non-current assets	850	1,099
Reduction entry of land contribution for construction	1,475	4,392
Proceeds from contribution for construction	△1,530	△4,434
Decrease (increase) in notes and accounts receivable-trade (△ is increase)	3,022	655
Decrease (increase) in inventories (△ is increase)	△2,784	1,314
Increase (decrease) in notes and accounts payable-trade (△ is decrease)	458	△430
Loss on valuation of inventories	824	617
Increase (decrease) in accrued consumption taxes (△ is decrease)	1,633	△1,737
Other, net	△68	△1,364
Subtotal	55,074	55,839
Interest and dividend income received	604	705
Interest expenses paid	△6,801	△6,130
Income taxes paid	△5,864	△7,202
Net cash provided by (used in) operating activities	43,013	43,212
<b>Cash flows from investing activities:</b>		
Decrease (increase) in short-term investment securities (△ is increase)	1,000	600
Purchase of non-current assets	△29,399	△34,413
Proceeds from sales of non-current assets	704	382
Proceeds from contribution received for construction	7,005	7,139
Purchase of investments in securities	△238	△828
Proceeds from sales and redemption of investment securities	312	877
Purchase of shares of subsidiaries	△240	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation	△69,493	△2,554
Decrease (increase) in short-term loans receivable (△ is increase)	0	1
Payments of long-term loans receivable	△12	△11
Collection of long-term loans receivable	21	19
Other, net	22	△244
Net cash provided by (used in) investing activities	△90,315	△29,030
<b>Cash flows from financing activities:</b>		
Net increase (decrease) in short-term loans payable (△ is decrease)	1,580	△17,330
Proceeds from long-term loans payable	97,098	46,770
Repayments of long-term loans payable	△59,318	△52,550
Proceeds from issuance of bonds	19,874	9,931
Redemption of bonds	△25,000	—
Proceeds from issuance of common shares	18,394	—
Cash dividends paid	△2,603	△3,390
Other, net	1,478	△478
Net cash provided by (used in) financing activities	51,503	△17,047
<b>Net increase (decrease) in cash and cash equivalents (△ is decrease)</b>	4,200	△2,865
<b>Cash and cash equivalents at beginning of period</b>	16,959	21,160
<b>Cash and cash equivalents at end of period</b>	21,160	18,294

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

## Third-party comments



### Youichi Inomata

Amita Environmental Strategy Design Group Senior Consult

After graduating from the Engineering Department of Waseda University in 1994, he went to work for Benesse Corporation. In the following years, he followed a trajectory of working in new businesses, including a foreign Internet venture and a recruiting agency, until taking his current job in 2009. He is responsible for strategy, execution, communication and education in the environmental and CSR fields. Some of his major accomplishments include production of the "Yuryo Sanpai Navi" industrial waste information site for the Ministry of the Environment, the Web Grand Prix award-winning "Oshiete! Amita-san" CSR and environmental strategy site and the "CSR JAPAN" site. His main participation in external organizations include the Tokyo Chamber of Commerce and Industry and as a judge for the ECOKEN Awards. His main written works (in Japanese) include the book "Introduction to CSR digital communication" (coauthor), the "CSR light and dark" series of articles in The Environmental News and third-party opinions for businesses.

This is my first time to be given the opportunity to express my opinions about a Nankai Electric Railway CSR Report. My company Amita, however, has been allowed to work with your company for many years on methods to promote environmental management, particularly education, and measures concerning the Waste Management and Public Cleansing Law, and we have advanced our knowledge together. In preparing my third-party comments for this year, I reviewed past CSR Reports. First, instead of a conversation with the president as in the previous years, this time the president himself presented his message directly, and I felt that he was able to express the company management policies and vision more clearly. In particular, along with the report about positive business results, making the most of inbound demand, I learned that the "SHINTEN 133 Plan" Medium Term Business Plan is positioned as "three years to cultivate deeply and develop business foundations even more" from fiscal 2015 to 2017, and that the company is steadily advancing toward achieving the goals of the plan. From the perspective of "assurance of safety and peace of mind," which is a major theme among business issues, you have written about your thorough efforts for safety extensively. I was reminded that the corporate social responsibility that the railway industry should focus on first is safety. I understood clearly that the Safety Management System as an organization includes adding daily feedback from customers to a database, as it should, and that you are working to respond to those requests with safety measures, including for crossings, rolling stock and platforms, to prevent and reduce disasters. The fact that you were able to receive a no accident commendation for the sixth period in a row from the Kinki District Transport Bureau tells us the result of these efforts. Regarding the "Emphasis on the environment" business guideline, one point that must be noted is receipt of the EST Environmental Minister's Award. This award program gives awards for achievements related to regional transportation environmental measures. Receiving it is the result of group employees working as a team proactively to reduce CO<sub>2</sub>, support Nankai no Mori and undertake other environmental activities. At the United Nations Framework Convention on

Climate Change 21st Conference of the Parties (COP 21) held in December last year, a 26% reduction in greenhouse gas emissions compared to the 2013 level by 2030 was raised as a global warming countermeasure target for Japan. Efforts to achieve this CO<sub>2</sub> emission reduction target will probably also become efforts that increase corporate value in the future. Other items that I noticed in particular were your ECONist certification system, which is an original environmental activity of your company, and that 157 people passed the eco certification test in 2015, a rapid increase. I myself have been given the privilege of being a judge for the related ECOKEN Awards, and I believe that having a major corporation such as yours focus on the eco certification test and raising the standard of employee environmental literacy has a great impact on the local businesses around you, giving it important significance as an environmental effort that contributes to the community. The number of people who pass eco certification tests is important, but what will probably become important in the future is for such people to create business in environmental fields. Your company is involved in a wide range of activities such as these focused on safety and the environment. My hope for the future is that, going forward, you undertake efforts that are focused on creating shared value (CSV) by solving environmental problems and social issues that occur through business. In Japan, local social issues that should be resolved, including depopulation, aging society, declining birth rates, shrinking labor force, medical treatment and food waste, will probably increase in the future. In particular, for the residents of communities along train lines, railways are an indispensable part of social infrastructure. By solving environmental problems and social issues for the local residents who live along your train lines and improving both the living environment and the natural environment, the population along those lines will grow in the future, so you will become an even more "indispensable business" for them. In fact, realizing businesses that simultaneously achieve solutions for social issues and economic value will become a sustainability strategy for an enterprise. As was pointed out in the third-party commentary last fiscal

year, the utilization of female employees is another issue for society because the domestic labor force is shrinking. Improvements can be seen in the efforts of your company, including childcare leaves and other systems that have been enhanced, the recent achievement of a new university graduate hiring rate of about 30% women, and the increase in the number of female train conductors. Of course, increasing the number and ratio of women as a target is putting the cart before the horse. Even more important is preparing work environments specifically for women, which is one corporate social responsibility. Finally, when thinking about a sustainability strategy for the future, I suggest that you create a long-term vision to 2050

and then, through backcasting, comprehend and revise the business frame for your company. In the future, various environmental restrictions will increase. Risks that existing businesses will not be able to continue indefinitely due to environmental restrictions will also probably increase. At the same time, however, these could also create business chances. I truly hope that as a social infrastructure business that is responsible for one aspect of community invigoration, you will continue to take on the challenges of making new efforts to contribute to your communities.

## Response to third-party comments



### Toshiyuki Takagi

Nankai Electric Railway Co., Ltd.  
Managing Director and Corporate  
Planning & Management Division  
General Manager

We have once again delivered a CSR report this fiscal year. We have written about the progress status of our Medium Term Business Plan, which is currently under way, along with financial and nonfinancial highlights and overviews by business. We will continue seeking to transition to an integrated report that complies with the International Integrated Reporting Framework. As a part of this effort, we changed this fiscal year from the previous format of a conversation with the president to a message from the president that more powerfully conveys to the readers his business guidelines and vision. Moreover, safety is the most important corporate social responsibility for our company. Even though we have not seen any particularly large incident or accident for which we were responsible, we must continue to improve and reform safety measures on a daily basis. In consideration of this, we completely changed the layout of our safety pages to make

the safety measures of our company even easier to understand from the photographs and graphs. This is our first time to have Mr. Inomata from Amita Corporation appear and provide us with a variety of opinions about CSR as a whole from an expert perspective. We are very grateful for his thoughts. He praised our "ECONist" efforts and the increased number of staff who passed eco certification tests. I believe that increasing the environmental awareness of each individual employee is indispensable for advancing environmental management. I also believe that as measures to actualize environmental management, we should work even more proactively on businesses that are called "environmental" and on environmental protection activities. In addition, the aging of society and declining population and depopulation along train lines are urgent issues for our company. We want to further increase the value along our railway lines by improving the natural environment and living environment along them as a whole and also try to solve issues related to CSV. In recent years, numerous women have been working and contributing in all kinds of workplaces. Our company, however, still has a relatively low number compared to other industries. Going forward, I want us to reconfirm the issues that we are working on, and continue to fulfill our corporate social responsibilities as a business. Finally, as described in the comments we received, the pursuit of sustainability is indispensable in increasing business value. We must clearly recognize this and put long-term vision formation in our outlook as we energetically work toward the achievement of the goals in our business plan.