



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

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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

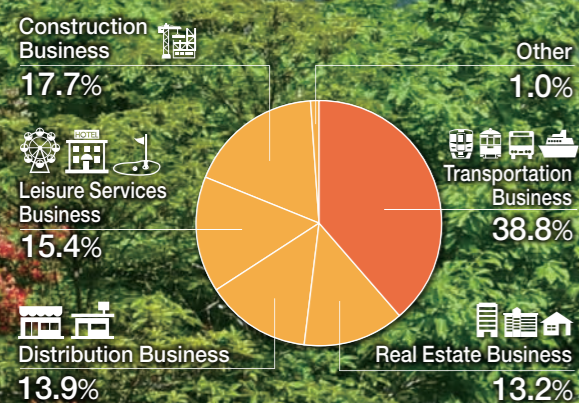
A Dynamic Workplace

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

Corporate Outline As of March 31, 2017

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: ¥95.874 billion (head corporation)
 ¥221.690 billion (consolidated)
 No. of Shareholders: 51,776
 No. of Employees: 2,577 (head corporation)
 9,104 (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 2016 (April 1, 2016 to March 31, 2017). 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



36 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



Photo: Nankai no Mori

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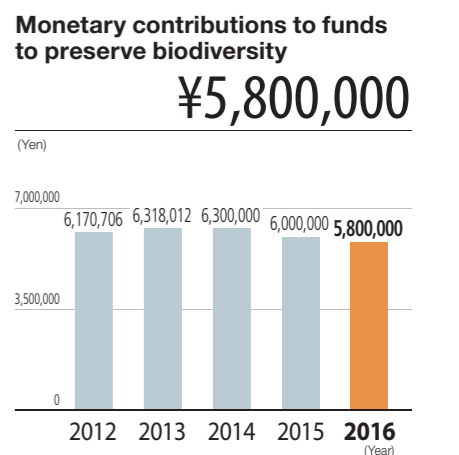
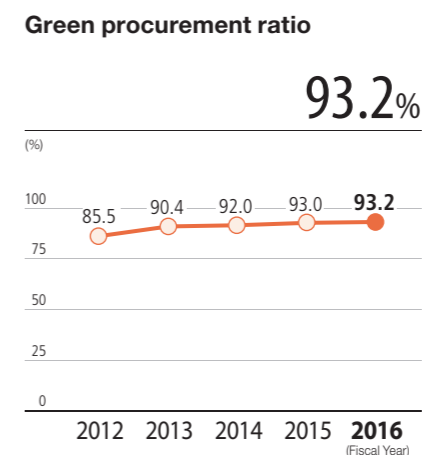
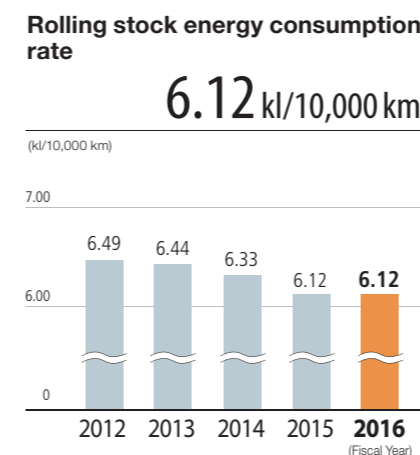
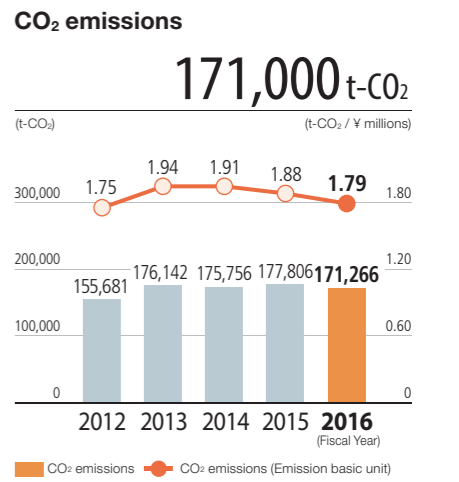
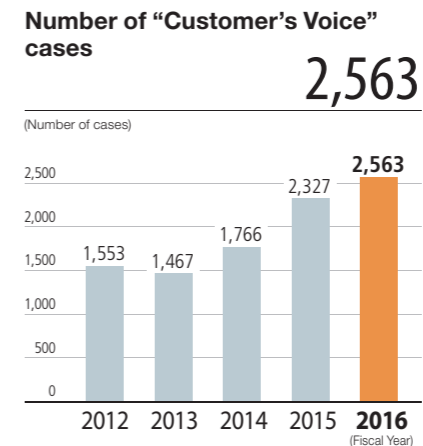
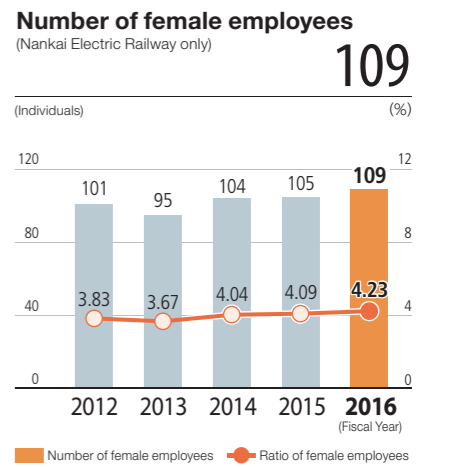
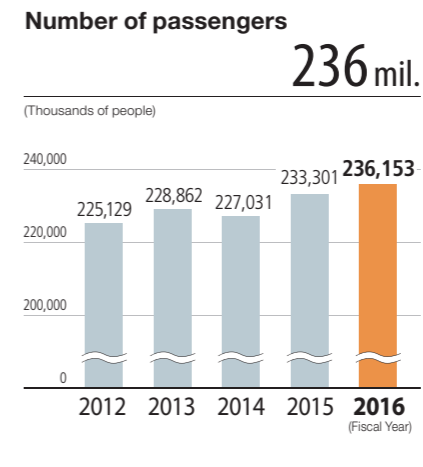
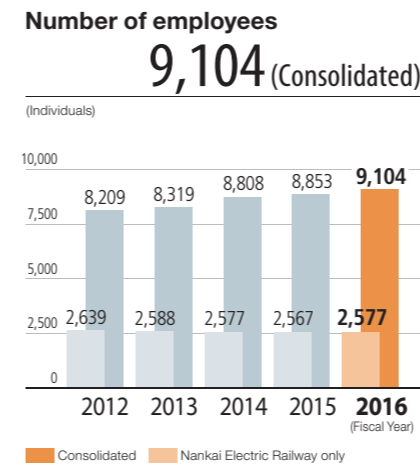
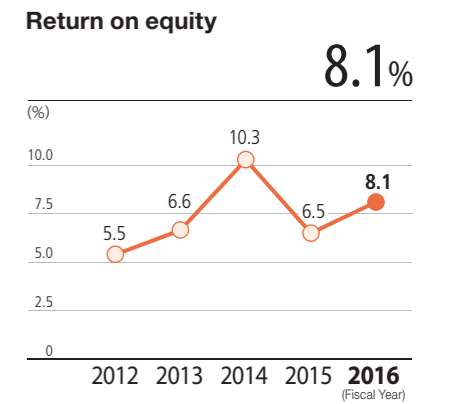
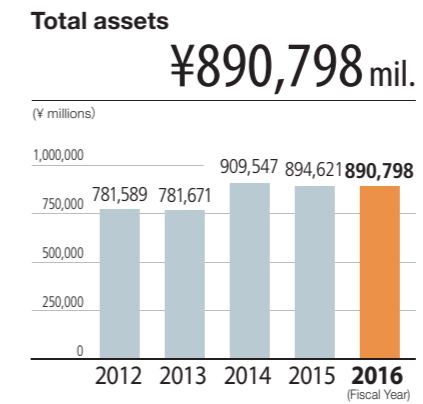
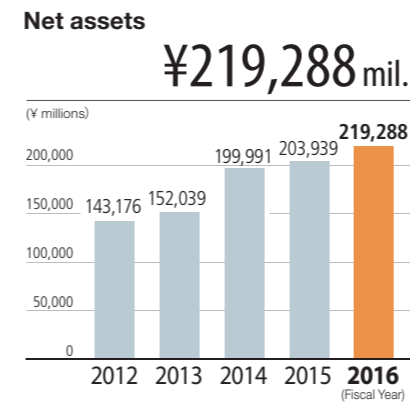
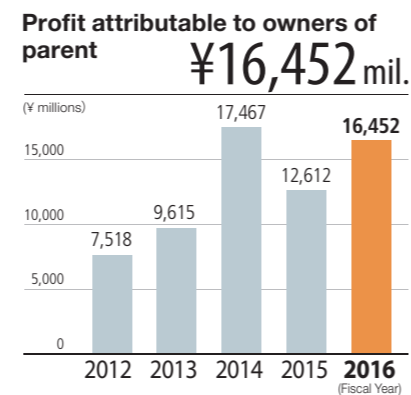
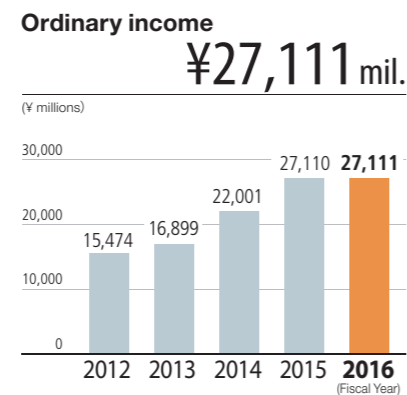
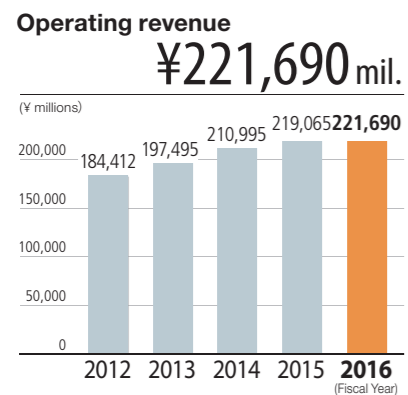
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Financial and nonfinancial highlights



(Consolidated)	(Fiscal Year)	2012	2013	2014	2015	2016
Operating revenue (millions of yen)		184,412	197,495	210,995	219,065	221,690
Ordinary income (millions of yen)		15,474	16,899	22,001	27,110	27,111
Profit attributable to owners of parent (millions of yen)		7,518	9,615	17,467	12,612	16,452
Comprehensive income (millions of yen)		10,207	10,644	25,190	7,394	20,478
Net assets (millions of yen)		143,176	152,039	199,991	203,939	219,288
Total assets (millions of yen)		781,589	781,671	909,547	894,621	890,798
Net assets per share (yen)		268.60	285.16	337.32	343.47	369.15
Net income per share (yen)		14.38	18.40	32.58	22.25	29.03
Capital to asset ratio (%)		18.0	19.1	21.0	21.8	23.5
Return on equity (%)		5.5	6.6	10.3	6.5	8.1
Total shareholders equity/total assets income (multiple)		27.3	21.7	15.2	27.5	18.7
Net cash provided by operating activities (millions of yen)		37,332	27,459	43,013	43,212	42,753
Net cash provided by investing activities (millions of yen)		△15,719	△17,675	△90,315	△29,030	△ 30,861
Net cash provided by financing activities (millions of yen)		△13,592	△19,779	51,503	△17,047	△ 11,906
The Ratio of Interest-Bearing Debt to EBITDA* (times)		11.1	10.4	9.6	8.4	8.3

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





President and CEO

Teruhiko Achikita

With “speed” and “growth” as keywords, we will make our business foundations even more solid and seek to steadily achieve our medium-term business plan.

Overview of business results and main efforts in this period (fiscal 2016)

This period (fiscal 2016), which is the second year of the SHINTEN 133 Plan, our medium-term business plan, our Airport Line railway revenue was the highest ever as result of positive movement in airport-related transportation thanks to the increase in inbound tourism. In addition, due to factors that include the renewal of our Namba City shopping center, our operating revenue increased to 221.69 billion yen (1.2% increase over the previous fiscal period). In terms of income, operating income was 31.84 billion yen (1.5% decrease from the previous period) due to increases in depreciation and amortization as well as retirement benefit expenses. Ordinary income was 27.111 billion yen, staying at the same level as the previous fiscal period due to factors that included reduced interest paid. In addition, from the impact of bookings of impairment losses due to decreased earnings from, for example, rental real estate as an extraordinary loss in the preceding period, profit attributable to owners of the parent company increased greatly to 16.452 billion yen (30.4% increase over the previous fiscal period).

I will discuss our main efforts for this fiscal period below. In our railway business, we strove to enhance our transportation capabilities. To improve our response to the needs of inbound tourism, which is growing, we expanded overseas Internet sales, opened dedicated windows for visiting foreigners and for voucher exchanges at the Kansai Airport Station, and revised the Nankai Line timetable. For our entire transportation business, our operating revenue was 99.551 billion yen (0.8% increase over the previous fiscal period) and our operating income was 16.14 billion yen (2.2% decrease from the previous fiscal period). In real estate, as part of the reorganization and advanced use plan for the Kitaosaka Logistics Center, we began offering use of a new truck terminal management building. Moreover, as the first stage of a plan to revitalize the Wakayamashi Station, we completed the Nankai Wakayamashi Station Building, which is an office facility. For our entire real estate business, our operating revenue was 33.922 billion yen (0.5% increase over the previous fiscal period) and our operating income was 8.581 billion yen

(8.5% decrease from the previous fiscal period). In the retail business, we have enhanced the overseas promotion of information about Namba City and Namba Parks and otherwise implemented measures to encourage visits by inbound tourists. For our entire retail business, our operating revenue was 35.794 billion yen (1.7% increase over the previous fiscal period) and our operating income was 3.181 billion yen (0.6% increase from the previous fiscal period). In our building management and maintenance business, as part of the expansion of our capacity, we acquired all the stock of TTS K.K., which is in charge of facility maintenance and management for the Higashiosaka logistics center, and Life Community Company Limited, which manages buildings in the capital region. For our entire leisure and services business, which includes these, our operating revenue was 39.571 billion yen (1.8% increase over the previous fiscal period) and our operating income was 1.845 billion yen (0.2% increase over the previous fiscal period). In our construction business, we have thoroughly managed construction input costs among other efforts while emphasizing efforts to receive orders in the private nonresidential market and for civil engineering projects in the capital region, for example. As a result, our operating revenue was 45.275 billion yen (1.0% increase over the previous fiscal period) and our operating income was 2.953 billion yen (51.8% increase over the previous fiscal period).

Medium-term business plan progress and prospects for the next fiscal period

Our group is currently advancing our SHINTEN 133 Plan, which is our three-year medium-term business plan that started in fiscal 2015. In this plan, the three fundamental policies (most important issues) that were established are “strengthen Semboku-related business,” “expand Kansai International Airport and inbound tourism business” and “increase the drawing power of the Namba area.” We are advancing proactive efforts for each of these policies. The state of progress in this fiscal period and prospects for the next fiscal period for these key issues are as follows.



Strengthening Semboku-related business

In Semboku-related business, we began operation of the Semboku Liner 12000 series express train (December 2015) and renewed the Izumigaoka HIROBA Shops & Restaurant shopping center at Izumigaoka Station (April 2016), for example. We also completed a new truck terminal management building at the Kitaosaka logistics center administered by the Semboku Rapid Railway Co., Ltd., and we advanced our implementation plan for a multifunction logistics facility.

We will continue to endeavor to expand our transportation share and increase profitability by improving convenience, including revising timetables. In addition, taking the Semboku New Town Opening 50th Anniversary as an opportunity, we will continue to strengthen efforts related to both soft and hard aspects and expand the profit fundamentals of our retail businesses, for example.

Expanding Kansai International Airport and inbound tourism business

As measures to strengthen our Kansai International Airport

and inbound tourism business, coinciding with the opening of Kansai International Airport Terminal 2 (international flights), we reinforced our transportation capabilities and reduced congestion by revising our airport line timetables and increasing Rapi:t special express and airport express departures. We also increased early-morning and late-night departures to meet the needs of travelers utilizing low-cost carrier airlines. (January 2017) Moreover, we began having all airport bus lines enter the same terminal. In addition, we also established a temporary baggage storage service at Namba City.

Our plans for the future are to continue increasing convenience and comfort by expanding multilingual signage and providing baggage handling, for example, in response to the needs of inbound travelers, which are increasing related to Kansai Airport access in particular. We are also expanding sales routes, including through overseas travel agencies and airline partnerships.

Increasing the drawing power of the Namba area

Construction of the New Nankai Kaikan Building (working name), which utilizes the convenience of being directly connected to the Namba Terminal but provides excellent access to destinations domestic and abroad, is currently underway (completion expected September 2018). This new building, which has 30 above-ground and 2 underground floors, includes business center functions that support the highest levels of business continuity planning (BCP). The rebuilding plan is progressing steadily, and an invitation for a clinic of the Minami Tohoku Group (Fukushima Prefecture), which has an extensive record of pioneering medicine in cancer treatment, was finalized this fiscal period. This will respond to demands for medical tourism from the Asian region, which has been increasing in recent years. Moreover, in April 2016, we conducted the largest renovation of the south building of Namba City since it opened. In addition, we have also opened the third phase area of the NAMBA Ekikan Project. Furthermore, we have also increased the customer attraction of Parks Garden, which is the Namba Parks rooftop garden, through renovations that include new construction of a combined shop and information office with a dedicated gardener

always on staff, as well as a barbecue terrace. We will continue working to further increase the attractiveness of the Namba area and to differentiate it from competing areas.

Prospects for the next period (fiscal 2017)

On the one hand, in the business environment that envelops our corporate group we can see positive factors, such as the increased number of flights to Kansai International Airport along with the growth in inbound traveler numbers. On the other hand, we can see severe conditions continuing in the future as a result of a population that is aging and producing fewer children. These include expectations that population decline along our train lines will advance and competition in transportation and retail businesses will become even fiercer as markets shrink.

Under these conditions, we will continue, as a unified group, to steadily advance measures in each field toward the achievement of our objectives in the next period (fiscal 2017) as the last year in our SHINTEN 133 Plan medium-term business plan. In our transportation business, we expect that transportation income will increase for our railway and bus businesses along with increased numbers of Kansai International Airport users in the next period. We also expect that condominium sales will increase greatly in our real estate business.

Putting these together, we expect our operating revenue for the next fiscal period to be 231.4 billion yen (4.4% increase over the previous fiscal period). Moreover, in terms of profits, due to increased income and profits, reduced appraisal losses for real estate business inventories, and other factors, we anticipate increases in operating income to 33 billion yen (3.6% increase over the previous fiscal year), ordinary income to 28.2 billion yen (4.0% increase), and profit attributable to owners of the parent company to 18.6 billion yen (13.1% increase).

Promoting corporate social responsibility based on group business guidelines

In the modern world, I believe that the corporate social responsibility (CSR) perspective is indispensable for an

enterprise to realize sustainable development and growth while coexisting with society. The four business guidelines of our corporate group are “assurance of safety and peace of mind,” “emphasis on the environment,” “compliance thoroughness” and “pursuit of a customer orientation.” We are advancing proactive efforts for these as the overarching themes of our CSR activities.

In fiscal 2017, we are establishing a new Safety Promotion Department and a CSR Promotion Division as dedicated organizations and seeking to further strengthen our CSR promotion structure. We are also undertaking the following efforts for each of the four themes.

Assurance of safety and peace of mind

For our corporate group, which has railway business at its core, assurance of safety and peace of mind can be said to be our most important corporate social responsibility. In each department of our Railway Business Division, we are systematically implementing separate education and instruction for new employees, core employees and skilled employees to enable them to improve their skills and abilities. Moreover, we continued to conduct “comprehensive accident recovery training” and endeavor to promote safety consciousness in this fiscal period. This training included rescuing victims and guiding evacuations, recovery work at sites with derailments and disconnections, and reporting and communication with related divisions.

Furthermore, safety investments of about 6.8 billion yen were made to enhance and improve various facilities, including the expansion of safety measures related to train operation, rolling stock and train platforms and the reinforcement of station buildings for earthquake resistance in preparation for major earthquakes and other disasters. As one example, one part of the continuous grade separation project for the Nankai Line and the Takashinohama Line in Takaishi City was completed. In another, by switching to elevated for the operation of the outbound Nankai Line, we have increased the level of operation safety. Moreover, we completed barrier-free renovations at the Tennoji Ekimae stop and the Abeno stop (inbound) of the Hankai Tramway during this period. In fiscal 2017, we also plan to invest about 9.7 billion yen to increase safety and peace of mind.

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

1 Strengthen Semboku-related business



Semboku 12000 series

2 Expand Kansai International Airport and inbound tourism business



Dedicated service counter for foreign visitors at Kansai Airport Station

3 Increase the drawing power of the Namba area business



Yoga event at Parks Garden

Fiscal 2016 results and fiscal 2017 prospects

	Fiscal 2016	Fiscal 2017 (forecast)
Operating revenue (millions of yen)	221,690	231,400
Operating income (millions of yen)	31,840	33,000
Profit attributable to owners of parent (millions of yen)	16,452	18,600
Investment expenditures (millions of yen)	36,792	53,500
Consolidated interest-bearing liabilities balance/EBITDA* ratio (multiples)	8.3	7.98

* EBITDA (earnings before interest, taxes, depreciation and amortization) = operating income + depreciation and amortization

Group business guidelines

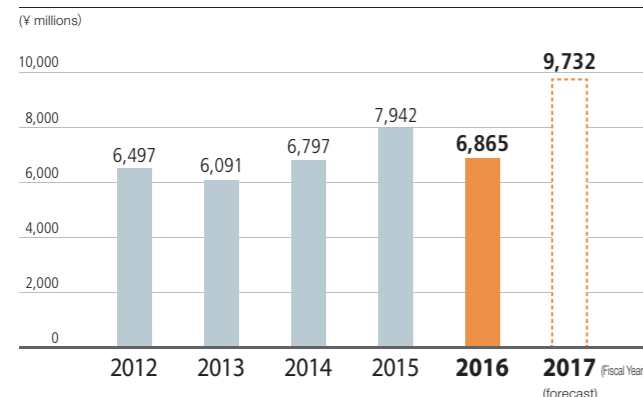
- (1) Assurance of safety and peace of mind**
Seek to assure safety and peace of mind in all of our businesses starting with our railways
- (2) Emphasis on the environment**
Recognize “global environmental protection” as a mission and consider the environment in our businesses
- (3) Compliance thoroughness**
Strictly adhere to laws and regulations, recognize personal responsibilities to society, and conduct business activities that are fair and healthy
- (4) Pursuit of a customer orientation**
As a company with deep roots in local communities, consistently act with the customer perspective in mind

Message from the president

Efforts for environmental protection

As medium-term environmental targets, we have set specific numerical objectives for our 45 group companies for the fiscal 2015–2017 three-year period and are advancing efforts to achieve them. These targets include a 3% reduction in CO₂ emissions (compared to the 4-year average of fiscal 2011–2014), a 5% reduction in water use (compared to fiscal 2014), and 5% reductions in both ordinary and industrial waste processing volumes. Moreover, as a structure to promote this, we have created an Environmental Countermeasures Promotion Committee with membership comprised of directors from each department in the company. This committee manages annual targets and results. In this fiscal period, we have again implemented various measures that contribute to environmental protection. These include planting grass along the tracks at the Tennoji Ekimae and Abeno stops, building a dozen new 8300 series train cars that have outstanding environmental performance, exhibition at an international real estate market conference, conduct of a road repair walk in Choishimichi, and operation of a solar power generation system in Tannowa, Misaki. Moreover, for about 40 years our company has owned the “Nankai no Mori” forest, which is in a part of the Kii Mountain Range near Totsukawamura, Nara Prefecture. In addition to systematic planting, pruning, thinning and other care efforts, for many years we have been conducting forest preservation activities in which our employees participate as volunteers. Furthermore, this forest received certification for carbon offset credits in 2013, and had offset a total of 1,190 tons of CO₂ by fiscal 2016. We will continue to further increase employee consciousness about environmental protection and advance efforts for global warming prevention and environmental protection.

Trend in investments in safety



Compliance thoroughness

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

Pursuit of a customer orientation (putting the customer first)

For our group, which provides a variety of services centered on railways, it goes without saying that “pursuit of a customer orientation” is an important management issue. With the goal of further raising customer satisfaction levels, our railway business endeavored to further increase customer convenience through a variety of measures this fiscal period. For example, we revised the timetables for the Koya Line and Semboku Rapid Railway Line, we strengthened connections between the

Semboku Rapid Railway Line and ordinary passenger buses, and we began sales of ICOCA and ICOCA commuter passes. Moreover, we also strengthened efforts to increase convenience in our bus business. These include expanding the extent of use of transportation IC card services on ordinary bus lines and adopting the Nacchi IC card as a replacement for magnetic multi-trip cards that had been used before by the Nankai Bus Group. In addition, we enhanced other services to further raise the customer satisfaction levels of inbound tourists, which have been increasing in recent years. These include putting 12 new 8300 series trains, which are equipped with LCDs that can display customer information in four languages (Japanese, English, Chinese and Korean), into service on the Nankai Line and installing duty-free counters at Namba City and Namba Parks.

While the business environment changes by the hour, my intention is that with “speed” and “growth” as keywords, our corporate group will continue to further solidify our business foundations through quantitative growth (revenue expansion) and qualitative improvement (financial health improvement) as we steadily realize our SHINTEN 133 Plan and maintain sustainable growth thereafter. I humbly request that you, our stakeholders, give us even more of your understanding and support in the future.

September 2017

President and CEO **Teruhiko Achikita**



Medium Term Business Plan

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. In this plan, targets for fiscal 2017, the final year of the plan, were set for a consolidated operating income of 30 billion yen and a consolidated interest-bearing liabilities balance/EBITDA-ratio of 8. Both of these targets, however, were achieved in fiscal 2015, the first year of the plan. Building on these results and based on the future business environment and efforts for various measures, we revised these target values in October 2016.

Strengthen Semboku-related business



Expand Kansai International Airport and inbound tourism business

3 Increase the drawing power of the Namba area business



Medium Term Business Plan “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.

Fundamental policy

1. Strengthen Semboku-related business
2. Expand Kansai International Airport and inbound tourism business
3. Increase the drawing power of the Namba area business

Key focus

1. Create attractive areas along our railway lines
2. Strengthen group business foundations

Executive message

We will keep seeking independent growth and steadily achieve the revised higher goals

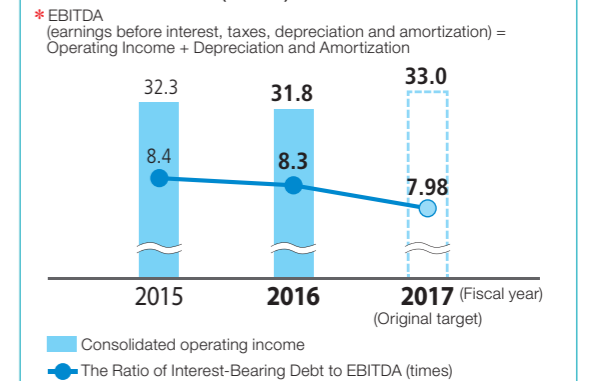
Managing Director
Naoto Ashibe



The SHINTEN 133 Plan, which is our medium-term business plan, has three fundamental policies: strengthen Semboku-related business, expand Kansai International Airport and inbound tourism business, and increase the drawing power of the Namba area. Since we exceeded the numerical targets set for the final year of the plan (fiscal 2017) in the first year (fiscal 2015), we revised the targets upwards in October 2016. Factors that contributed to these positive results, which greatly exceeded the plan initially established, include the capture of the great increase in inbound tourists by various corporate group businesses, particularly railways and shuttle buses, and the decreased fuel costs that accompanied the drop in oil prices. Although cost increases, including personnel expenses, are anticipated in the transportation business in fiscal 2017, I want to cover them with increased revenue through the capture of more of the increasing number of tourists inbound from Kansai Airport, the sale of condominiums and the refurbishment of commercial facilities, particularly in Namba, and by doing so achieve our objectives with certainty. Moreover, in addition to growing profits and EBITDA, by also closely investigating facility investments and raising our financial health another level, we will increase our resilience when facing changes in the business environment.

Final year (fiscal 2017) numerical targets

Consolidated operating income **33** billion yen
The Ratio of Interest-Bearing Debt to EBITDA* (times) **7** or higher



Executive message

We will succeed in our plan for the Naniwasuji Line, and continue to increase the convenience and value of our train lines

Director
Satoshi Kajitani



In addition to strengthening airport access, if the plan for the Naniwasuji Line, which will be an access route from the center of Osaka to the Kansai International Airport, connects the land along our train lines with the Shin-Osaka and Umeda Stations that are along a national core route, we believe that this will contribute greatly to increasing the value of that land. Furthermore, by linking the railway corridors along our Naniwasuji Line and Hankyu train lines that connect at Juso Station, the convenience and value of land along those lines are expected to improve. As a company, along with succeeding at the Naniwasuji Line plan, I want us to keep seeking to increase the attractiveness of destination districts, particularly the Namba area. This will be done by, for example, enhancing office functions by completing the New Nankai Kaikan Building as a multi-use focus of the Nankai Terminal area revitalization plan, and advancing the development of the NAMBA Ekikan, which is beneath the station tracks.

Fundamental policy

1. Strengthen Semboku-related business

Having welcomed Semboku Rapid Railway Line Co., Ltd. and the Izumigaoka Station Shopping Facility to our group, we are taking this as an opportunity to make serious efforts to revitalize the entire Semboku area. Moreover, we will quickly realize synergy with our entire group, starting with our

Railway Business, while expanding business opportunities and improving profits. We will also expand the logistics business in our group around our newly-acquired distribution center business.

Major achievements in fiscal 2016

- Began operation of newly-manufactured train cars made especially for the Semboku Liner limited express
- Renewed the Izumigaoka HIROBA Shops & Restaurants and Panjo shopping centers at Izumigaoka Station
- Constructed new management building at the Kitaosaka Logistics Center, followed by investigation into the development of an advanced facility on the site of the old management building



Semboku Liner limited express



New management building at the Kitaosaka Logistics Center

2. Expand Kansai International Airport and inbound tourism business

Our corporate group will work steadily to prepare for increased inbound demand in preparation for the 2020 Tokyo Olympics. First, we will quickly complete fundamental infrastructure, including providing multilingual support and facilities that are barrier-free in both physical and non-physical aspects. In the future, not limiting ourselves just to airport access, we will accelerate the expansion of other profit opportunities. For this purpose, through cooperation with local governments and

other outside organizations, we will seek to increase the appeal of the entire Kansai region and make information available about it, taking the initiative in enabling Osaka to achieve the status of an inbound gateway city. We will also promote visiting the business areas of our corporate group. In addition, in response to changes in the business environment of the Kansai International Airport, we will seek to maintain and expand the revenue base related to the airport for our group.

Major achievements in fiscal 2016

- Revised timetables for the Nankai Line, and enhanced transportation capabilities between Namba and the Kansai Airport
- Expanded Nankai ticket information counter (dedicated counter for foreign visitors) at Kansai Airport Station
- Started a temporary baggage storage service at Namba City



Nankai ticket information counter (dedicated counter for foreign visitors)



Temporary baggage storage service

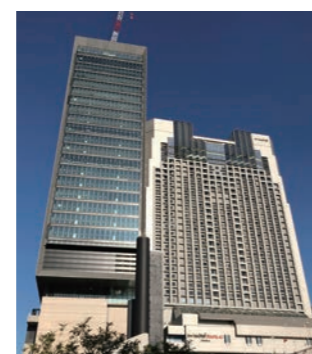
3. Increase the drawing power of the Namba area business

We are advancing the following rebuilding plans as key projects in order to make the New Nankai Kaikan Building (working name), which is the focus of revitalization of the Nankai Terminal Building, a facility that contributes to meeting customer needs and increasing the potential of the Namba area.

We are also seeking to increase value and improve our lineups in real estate, distribution and other businesses. We will distinguish the Namba area from other areas by sustaining and increasing its sense of newness.

Major achievements in fiscal 2016

- Advance building of the New Nankai Kaikan Building (working name) with the goal of completion in September 2018
- Determined outline of medical floor (9F) in the New Nankai Kaikan Building (working name)
- Conducted comprehensive renovation of the Namba City South Building on the largest scale since its opening



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



Reopening of Namba City South Building after renovation

Key focus

1. Create attractive areas along our railway lines

Taking the 130th year of our founding as an opportunity, we will advance promotions that seek to improve the brand image of the Nankai area and the Nankai Group. In addition, we will make areas along our railway lines attractive by, for example, creating features that encourage many customers to explore these areas and by expanding services related to daily life.

Major achievements in fiscal 2016

- Advanced plan to revitalize the Wakayamashi Station and completed the Nankai Wakayamashi Station Building office facility
- Began operation of the Medetai Train on the Kada Fish Line
- Opened N.KLASS Suminoe and N.KLASS Izumiotsu shopping facilities under elevated tracks



Nankai Wakayamashi Station office building

2. Strengthen group business foundations

We will invest money and human resources in future growth fields, including inbound tourism and distribution businesses. While cultivating these as future core business areas, we will also undertake measures to eliminate unprofitable businesses with consideration of current business conditions and future business environment changes. We will consider cash flow, in particular, implement thorough investment and income and expenditure plans, and improve interest-bearing debt balance/EBITDA ratios. Moreover, we will actively cultivate and utilize core personnel who

will drive the growth of the Group and diverse personnel who will be responsible for creating new value.

Major achievements in fiscal 2016

- Acquired commercial real estate properties and sought to strengthen the revenue base and expand the business domain of our real estate business
- Unified point services within our group and increased facilities where points could be used
- Strengthened our revenue base and improved our financial structure, receiving positive evaluations and improved ratings
JCR: BBB+ (positive) → A- (stable)
R&I: BBB (stable) → BBB+ (stable)



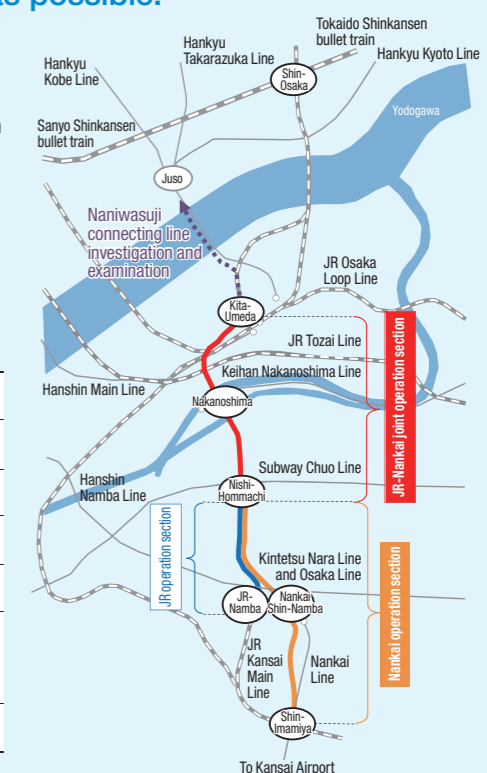
minapita point card

Topics

We are advancing cooperation among the organizations involved in order to realize the “Naniwasuji Line” as soon as possible.

In May 2017, five organizations, including Nankai Electric Railway, Osaka Prefecture, Osaka City, the West Japan Railway Company and Hankyu Corporation, agreed to cooperate in the advancement of the following efforts toward the strengthening of the railroad network that is necessary for the growth of Osaka and the Kansai region. Based on the following plans for the Naniwasuji Line, we are advancing discussions with the national government and seeking to start work on the project as soon as possible. Moreover, to further raise the level of outfitting effectiveness and business potential of the Naniwasuji Line, while coordinating with the national government, we are advancing investigations and examinations toward the creation of a branch line (Naniwasuji connecting line) from the north side of Kita Umeda Station (working name) toward Hankyu Juso Station.

Improvement extent	JR Namba Station – Nishi Hommachi Station (working name) – Kita Umeda Station (working name) Nankai Shin-Imamiya Station – Nishi Hommachi Station (working name) – Kita Umeda Station (working name)
Stations en route	Nakanoshima Station (working name), Nishi Hommachi Station (working name) Nankai Shin-Namba Station (working name)
Total project expense	About 330 billion yen in estimated expenses
Project plan	Separation of infrastructure and operation using aid for underground high-speed railway outfitting projects (anticipated)
Project implementation	Semi-public sector
Operators and operation sections	West Japan Railway Company Section: JR Namba Station Kita Umeda Station (working name) Nankai Electric Railway Co., Ltd. Section: Nankai Shin-Imamiya Station – Kita Umeda Station (working name)
Target opening date	End of fiscal 2030 (spring 2031)



Feature

Advancing the utilization of renewable energy sources

With the Paris Agreement, which sets reduction targets for greenhouse gases, coming into effect, Japan set a 26% reduction from fiscal 2013 levels as its greenhouse gas emissions target. In the Nankai Electric Railway Group, we are working proactively to spread the utilization of renewable energy sources that curtail greenhouse gas emissions and prevent global warming.

Japan is seeking to reduce greenhouse gas emissions by 26% in accordance with the Paris Agreement

The Paris Agreement was adopted with the consensus of more than 190 countries and regions at the UN COP 21 meeting in December 2015. This international agreement determines efforts related to the emission of greenhouse gases from the year 2020. This agreement establishes the following two objectives that the entire world should work to achieve. The first is to keep the global temperature change since before the Industrial Revolution significantly below 2°C and strive to keep it below 1.5°C. The second is to achieve zero effective global greenhouse gas emissions by the second half of the 21st century to achieve the first goal. In order to achieve these goals, each country is obligated to submit their independent reduction goals to the UN and

undertake domestic measures to achieve their reduction goals. Japan has set a goal of reducing greenhouse gas emissions by 26% compared to the fiscal 2013 level by fiscal 2030.

Utilizing a feed-in tariff system, we installed a large-scale solar power generation system at the site of the former Tannowa Yuen park

The adoption and spread of renewable energy use is also being promoted in Japan as one effective measure for reducing greenhouse gas emission amounts. For this reason, at Nankai Electric Railway, we are advancing the utilization of renewable energy sources while carefully examining business considerations. In October 2016, on a site owned by the company in Tannowa, Misaki-cho, Osaka Prefecture, we built a solar power generation plant that utilizes a feed-in tariff (FIT) system for renewable energy, and we are now using this in undertaking environmental business. The FIT system started in July 2012 based on the Renewable Energy Law (abbreviated name) that requires power companies to purchase renewable energy at a fixed price for a certain period of time. It has become more common particularly for solar power generation. In addition to being a measure

against global warming, this system is expected to advance the development of power generation technologies that use renewable energy sources and improve the rate of energy self-sufficiency for Japan.

Advancing the incorporation of solar power generation systems in the entire group

The spread of solar power generation systems in our corporate group began with the installation of solar power panels on the rooftop of the platform at the Izumisano Station on the Nankai Line with support from the New Energy and Industrial Technology Development Organization (NEDO) in 2008. Since then we have been advancing the incorporation of solar power generation systems as shown in the table below. Furthermore, for the Semboku Rapid Railway that our group is involved in, we built a solar power generation system (100kW output) on the building rooftop to provide some of the electricity used in the Izumi Chuo Station building in August 2013. Purchased electricity use for the building was reduced about 32% in July 2014 (compared to fiscal 2012 before installation). Then, in January 2014, we also installed a solar power generation system with an output of 997 kW on the roof of Building 2 at the Kitaosaka Truck Terminal. In the future, our plan is to pursue investigations into renewable energy sources other than solar power generation as well.

From the person in charge

We are pursuing the utilization of renewable energy sources

Chief Manager of the Promoting Environmental Policy Department, CSR Promotion Division

Akira Kamada



Since the establishment of the Environmental Policy Promotion Department at our company in 2008, we have been working to embody environmental management by managing group company CO₂ emissions, conducting environmental events in cooperation with local governments along our train lines, and adopting a system to promote volunteer participation for our employees.

Moreover, we have recently been focusing our energy on environmental businesses that utilize renewable energy sources.

In 2016, on a site owned by the company in Tannowa, Misaki-cho, Osaka Prefecture, we built a solar power generation plant and began selling all the electricity generated. During construction, we sought to provide detailed explanations to residents in the area about countermeasures for reflected light and considerations for the environment. Since operation began, power generation results have exceeded the original estimates.

In the future, we will continue to consider both environmental and business aspects as we pursue environmental businesses.

Status of solar power generation system incorporation

* Installed by Semboku Rapid Railway Line

Year/Month	Location	kW output	Annual power generation results		Notes
			kWh	Unit sale price	
2008/04	Nankai Line Izumisano Station platform rooftop ①	10	10,680	Fiscal 2016	Used in-house
2011/01	Nankai Line Izumiotsu Station platform rooftop ②	65.5	84,534	Fiscal 2016	Used in-house
2013/08	Izumi-Chuo Station Building*	100	126,827	Fiscal 2016	Surplus purchase contract
2014/02	Kitaosaka Truck Terminal Building 2* ③	997	1,203,658	Fiscal 2016	With a full amount purchase contract, received Special Award in Fiscal 2014 Osaka Sustainable Building Awards
2014/12	Boat Race Suminoe stand rooftop ④	500	510,060	Fiscal 2016	Full amount purchase contract
2016/03	Komyoike train garage*	713	867,249	Fiscal 2016	Full amount purchase contract
2016/05	Nankai Line Hagoromo Station platform rooftop ⑤	50	51,641	Fiscal 2016	Used in-house, began operation May 14, 2016
2016/10	Tannowa Yuen site ⑥	500	632,055	See note at right	Measurement period from October 14, 2016 (date operation started) to August 31, 2017
Total			3,486,704		



Tannowa Yuen site ⑥

Nankai Line Izumisano Station platform rooftop ①



Nankai Line Izumiotsu Station platform rooftop ②



Kitaosaka Truck Terminal Building 2 ③



Boat Race Suminoe stand rooftop ④

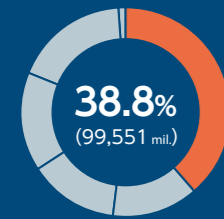


Nankai Line Hagoromo Station platform rooftop ⑤

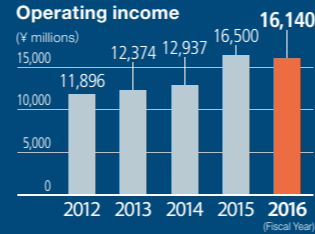
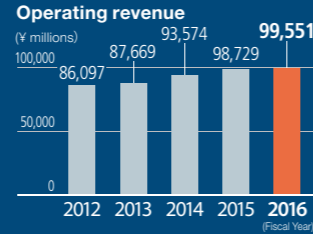
Business overview by sector

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

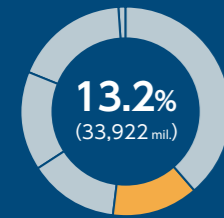
Transportation Business



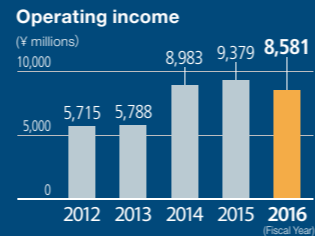
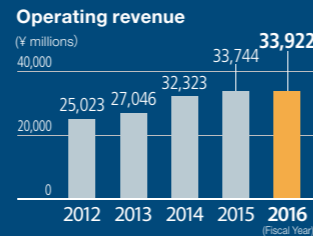
Operating revenue increased ¥822 million (0.8%) for a total of ¥99.551 billion compared to the previous fiscal year. Operating income decreased ¥360 million (2.2%) compared to the previous fiscal year for a total of ¥16.14 billion due to increases in retirement benefit expenses, depreciation and amortization resulting from building new rolling stock, and other factors.



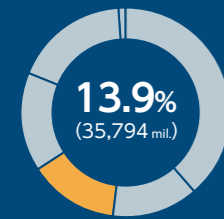
Real Estate Business



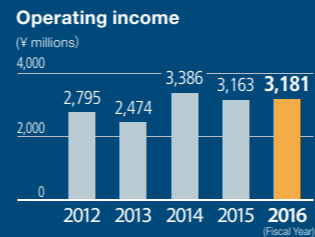
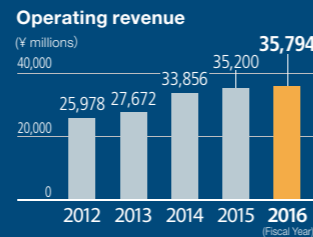
Operating revenue increased ¥178 million (0.5%) for a total of ¥33.922 billion compared to the previous consolidated fiscal accounting year. Operating income decreased ¥798 million (8.5%) for a total of ¥8.581 billion compared to the previous fiscal year due to the inclusion of appraisal losses for real estate for sale and other factors.



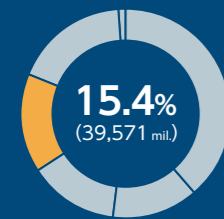
Distribution Business



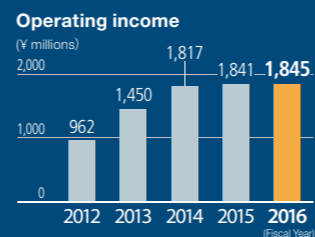
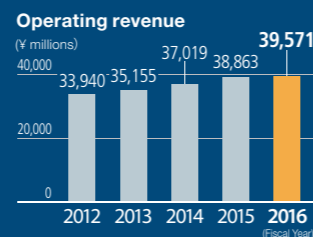
We worked to increase the drawing power of the Namba area by, for example, undertaking a comprehensive renovation of the Namba City South Building on the largest scale since its opening. As a result, operating revenue for our retail businesses increased ¥593 million (1.7%) for a total of ¥35.794 billion and operating income increased ¥17 million (0.6%) for a total of ¥3.181 billion compared to the previous consolidated fiscal accounting year.



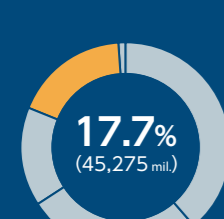
Leisure Services Business



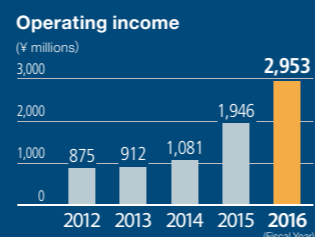
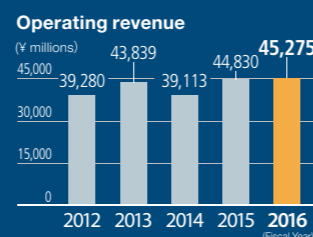
In the travel industry, last October, we began offering Business Travel Online (BTOL or "beetle"), which is a next-generation business travel arrangement system for incorporated organizations that improves business efficiency. In addition, in the funeral business, we have worked to enhance membership acquisition efforts, advance our response to the growth in small-scale funerals, and increase the number of funerals handled. As a result, operating revenue increased ¥707 million (1.8%) for a total of ¥39.571 billion, and operating income increased ¥4 million (0.2%) for a total of ¥1.845 billion compared to the previous fiscal year.



Construction Business



In addition to civilian residential construction, as a result of efforts made to receive orders in, for example, the civilian nonresidential sector and public works in the capital region, operating revenue increased ¥445 million (1.0%) for a total of ¥45.275 billion compared to the previous fiscal year. As a result of working to improve our profit ratio by, for example, strengthening the management of construction costs, operating income increased ¥1.007 billion (51.8%) for a total of ¥2.953 billion yen compared to the previous fiscal year.



Other

In other businesses, operating revenue increased ¥793 million (43.5%) for a total of ¥2.619 billion and operating income increased ¥71 million (57.9%) for a total of ¥194 million compared to the previous consolidated fiscal accounting year.

Business overview by sector (transportation business)

Transportation Business

36 companies

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



Business focus for this financial year

Realizing thorough services for the increasing number of inbound travelers



In order to meet the needs of inbound travelers, we have enhanced our lineup of special tickets and we have worked to expand sales routes, including direct Internet sales. In April 2016, we opened a dedicated service counter for visiting foreigners and a dedicated ticket exchange counter at Kansai Airport Station.

Creating attractions along our railway lines, including operation of sightseeing trains



Operation of the sightseeing Medetai Train began on the line popularly known as the Kada Fish Line. We worked to create attractions in the area along the Nankai Koya Line, including operation of the Nankai Sanada Red Train based on the theme of the NHK Taiga drama "Sanada Maru."

Railway business

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.



Starting sales of ICOCA and deploying new rolling stock



In terms of services, in addition to PiTaPa, we began sales of ICOCA and ICOCA commuter passes in March 2017. In terms of infrastructure, we deployed twelve 8300 series cars on the Nankai Line and four Semboku 12000 cars for the Semboku Liner express train.



Ferry and Tramway business

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.

Business focus for this financial year

Making the Tennoji Ekimae and Abeno stops barrier free



Along with the tramway relocation work on the Uemachi Line, we completed making both Tennoji Ekimae and Abeno stops (inbound for Abeno stop) barrier free in December 2016. In addition, we planted grass on the tramway beds between these two stops in an example that is the first of its kind in Kansai.

Advance of “Pilgrimage by Sea” use promotion campaign



We are focused on stimulating traveler demand by, for example, undertaking a campaign jointly with local governments for a “Pilgrimage by Sea,” which is what we call the Tokushima sea route that connects Mt. Koya in Wakayama with the Shikoku temple pilgrimage.

Bus business

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

New Nacchi IC card adopted especially for Nankai Bus



On October 1, 2016, Nankai Bus adopted the Nacchi dedicated prepaid IC card that allows the accumulation of benefits with use.

All routes now stop at Kansai Airport Terminal 2



We have increased convenience by having all airport shuttle bus lines begin stopping at Kansai International Airport Terminal 2.

Executive message

We are advancing a variety of policies for safe, secure and comfortable transportation services



Senior Managing Director
Tetsuro Kanamori

The greatest mission of a railway business must be “to provide safe, secure and comfortable transportation services.” For safety and security, we have undertaken continuous grade separation projects to prevent crossing accidents and traffic jams by elevating tracks, and we have incorporated a positive train control (PTC) operation management system on the Koya Line, for example. In addition, we are also endeavoring to maintain and improve safety by systematically advancing renovation work for every facility. In terms of service, we are working to “increase customer satisfaction levels” through both physical and organizational measures. These include enhancing transportation abilities and improving access on the Airport Line, and renovating trains and toilets that have aged.

In the medium and long terms, responding to the reduction in the number of commuter passengers carried due to the decline in the working population will be indispensable. Through the development of key stations, for example we are seeking to maintain the residential population and promote the influx of new residents. In addition, we are advancing projects that utilize the abundant sightseeing resources along our lines in cooperation with local communities. By attracting visitors from Japan and abroad, we are seeking to stabilize the income base.

(A message from our Comprehensive Safety Administration Manager also appears on page 25.)

Executive message

In Japan and abroad, we will publicize the attractions along our train lines and promote visiting, staying and residing in these areas



Director
Hiroyuki Sumita

Nankai Electric Railway includes three core areas. The first is Namba, which is one of the main concentrated commercial districts in Japan. The second is the Kansai International Airport, which is a hub airport for Asia, and the third is the Mt. Koya World Heritage Site that is also popular among foreigners. Furthermore, the areas along our train lines have an abundance of tourism resources and natural mountain and ocean environments, making them very attractive both as places to visit as tourists and to live as residents. Publicizing such attractions around Nankai train lines to encourage even more people to come and enjoy them, as well as to live in these areas, and increasing values along these lines is the role of our company.

Starting in 2017, we have been cooperating toward the registration of the Mozu & Furuichi Kofun Groups as the first World Heritage candidate in Osaka Prefecture. In addition, we will continue working to distribute appealing information and enhance the traveling environment for inbound tourists. Specifically, we will continue to advance a variety of measures that respond to the increase in independent travelers, including day-trip travel product plans and the arrangement of ticket reservation and sales systems for them at points of departure with a focus on stations on our train lines. Other measures we are advancing include the realization of services that link airports and lodgings, and the preparation of multilingual guidance at various commercial facilities along our train lines, starting with stations and train cars.



Real estate business

5 companies

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.



We have been broadly undertaking real estate leasing and sales, particularly along our train lines and around main stations. Our leasing business includes commercial and office buildings, rental apartments and parking lots. Our sales business includes large-scale residential land development and condominium sales. We are contributing to increasing the value along these lines and to creating more appealing living environments for customers living in these areas.

Business focus for this financial year

Nankai Wakayamashi Station Building completed at Wakayamashi Station



In our leasing business, we completed the Nankai Wakayamashi Station Building, which is an office facility, as the first stage of a plan to revitalize the Wakayamashi Station. In our sales business, we advanced the sales of our Verite series brand of condominiums in Muko City, Kyoto Prefecture and other locations.

Distribution business

11 companies

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 around our train lines, and working to invigorate the communities in these areas. We are also working to develop our station business outside our train lines, utilizing our expertise from retail shops inside stations.

Business focus for this financial year

Large-scale renovation undertaken for a large station area shopping facility



After completing the renovation of the Namba City South Building, which had been our largest such project thus far, Namba Parks was also renovated and reopened for the 10th anniversary of its grand opening. We renovated the Panjo shopping center in the Izumigaoka area on a large-scale for the first time in 21 years.

Executive message

We will maximize synergy between our real estate and retail businesses as a key to our growth strategy



Senior Managing Director
Toshiyuki Takagi

In our recent reorganization, our real estate and retail businesses were placed together in our Urban Development Division. By doing this we hope to increase efficiency and reveal synergies through the unification of two businesses that are at the core of the growth strategy of our corporate group. We also seek to grow the capacity of these businesses to exceed even our transportation businesses. Our orientation is to continue always being aware of community development in Namba and along our train lines, increasing value along these lines and rejuvenating Semboku New Town. In the Namba area, in addition to completing the new Kaikan building and making the Naniwasuji Line plan a success, we will continue making efforts to build a neighborhood with an abundance of attractions along with the existing commercial facilities. Moreover, a library, a commercial facility and hotel will open in the Wakayamashi Station building by 2020 and trigger reinvigoration of this neighborhood in the Wakayama area. Furthermore, in the Semboku area, in anticipation of the relocation of the Kindai University Hospital to the Izumigaoka Station area, as a business base second only to Namba, we intend to keep investing business resources here and contributing to the invigoration of Semboku New Town as a whole.

Executive message

We will continue generating new demand for commercial facilities and rental buildings



Director
Yoshio Tsukuda

An important thing for commercial facilities is that they always provide people with the joy of being able to discover new things. Continuing to maintain status as a symbolic facility is essential, moreover, in order to assure repeat visits and draw travelers from Japan and abroad. In addition to renewing Namba City and Namba Parks one after the other, the establishment of one-stop duty-free counters is also intended to improve service to encourage use by foreign travelers. Currently, we are advancing development from Namba City to Namba EKIKAN, and extending it south in the Namba area. Moreover, we are also planning to rebuild and renovate aging rental buildings. In every case, using existing facilities as bases, I believe that we can generate further demand by advancing the expansion of our business areas as well as with renovation and rebuilding. Even in areas outside Namba, we are advancing and planning new developments centered on facilities that we own, and we are seeking to invigorate the areas along our train lines and increase earnings through high-level utilization.



Leisure services business

23 companies

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

We are undertaking businesses that contribute to enhancing the lives of our customers both near and far from our train lines. We are seeking to increase customer draw and invigorate these businesses, which include amusement parks, hotels and traditional Japanese inns, boat racing facility leasing, and building management and maintenance. In recent years, we have been concentrating efforts on inbound demand, focusing on travel and lodging businesses.

Business focus for this financial year

Acquisition of all shares of facility maintenance and condominium management companies



Nankai Building Service Co., Ltd. acquired all the stock of TSS Co., Ltd., which has been entrusted with facility maintenance and management for the Higashiosaka logistics center in April 2016. It also acquired all the stock of Life Community Company Limited, which manages condominiums the following July.

Construction business

5 companies

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

Starting with Nankai Tatsumura Construction Co., Ltd., five of our group companies are involved in the construction business. Utilizing an abundance of experience and expertise gained through a variety of construction projects, including construction related to our railways, the Japan World Exposition and Kansai International Airport, these companies are advancing general construction businesses involved in every aspect of construction projects, including civil engineering, architecture and electrical work.

Business focus for this financial year

Continuing to focus on the popularization of "external wall insulation methods"



We continued to focus on the popularization of "external wall insulation methods" that envelop building exteriors with insulating materials. In this fiscal year, in addition to civilian residential construction, we focused especially on receiving orders in the civilian nonresidential sector and for public works and other projects in the capital region.

CSR overview

In our corporate group, we are pursuing CSR with four overarching themes that we have identified as business guidelines for our group. They are "assurance of safety and peace of mind," "emphasis on the environment," "compliance thoroughness" and "pursuit of a customer orientation." We will continue to make the most of opportunities to communicate with our stakeholders in order to both meet their expectations as we listen to their opinions and to realize these four themes.

Main opportunities for communication with our stakeholders

Customers	<ul style="list-style-type: none"> Customer monitoring systems Customer questionnaires
Local communities	<ul style="list-style-type: none"> Cleaning activities Train festivals Nankai concerts Road repair Factory tours
Shareholders & investors	<ul style="list-style-type: none"> General Meetings of Shareholders Financial Results Briefings Contact desks for regular response to telephone and Internet inquiries Meetings with institutional investors
Customers	<ul style="list-style-type: none"> Consultation and cooperation Compliance with organized crime exclusion ordinances Introduction of new products and technologies
Employees	<ul style="list-style-type: none"> Conclusion of agreements with labor Management conferences and negotiations between labor and management Interviews based on execution planning documents
Governments & nonprofit organizations	<ul style="list-style-type: none"> Holding cooperative events Submitting reporting documents
Global environment	<ul style="list-style-type: none"> CSR Reports Environmental education Nankai no Mori preservation activities Biotope activities Environmental events

Executive message

Striving to realize a sustainable society, we will deepen our CSR efforts



Managing Director
Koyo Uraji

While growing over the long-term by offering services and products of the best quality that provide safety and peace of mind, our company is undertaking CSR activities with the objective of contributing to the realization of a sustainable society based on our Corporate Philosophy and other guidelines. We have recently established a new CSR Promotion Division, and I want us to go deeper than conventional CSR efforts as we increase our earnings and contributions to society.

As the outside environment has changed in recent times, stakeholder interests in the economy, the environment and society have been growing. Through our business activities, I believe that our corporate group responds positively and actively to such concerns and that this contributes to the realization of a sustainable society. For this purpose, the continuous development of the awareness and behavior of each individual employee is indispensable. We will continue to promote CSR efforts through our business that cultivate individuals and grow the company. We will also continue to advance sincere and honest efforts that allow employees to conduct their work with feelings of pride and mission.



Safety Safety Information Report

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

Message from the Comprehensive Safety Administration Manager (executive in charge)

We will strengthen our safety management system and strive to continuously improve efforts related to safety

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

Tetsuro Kanamori



Thank you very much for using our businesses. With the principle of safety being our highest priority, we set the provision of transportation that is safe and assures peace of mind as the most important mission of our company. We strive every day to fulfill this mission through the maintenance and improvement of facilities and rolling stock as well as the education and training of employees and others. In fiscal 2016, however, we allowed a variety of troubles to occur, creating difficulties and concerns for our customers. We are now reflecting deeply on these failings. In February and April 2017, malfunctions occurred three times on the Koyasan Cable Line, causing long service disruptions. In addition, a series of diverse troubles caused by malfunction and human error occurred, including a limited express train operating without its doors being completely closed in October 2016. A serious occupational accident even occurred. We arranged recurrence prevention measures as a matter of course. In addition, we undertook special efforts to enhance the assurance of transportation safety. In particular,

management from our head company and I, acting as the Comprehensive Safety Administration Manager, worked to further strengthen communication with employees responsible in the field and increase the safety mindset. In the future, we will continue to cultivate the safety mindset by developing mutual understanding with workers in the field.

The inbound line of the continuous grade separation project in Takaishi City was completed in May 2016 and commercial operation has since begun. We are also systematically advancing the reinforcement of earthquake resistance for existing overpass pillars and station buildings. At the same time, we have advanced efforts to increase the safety of train platforms, including eliminating level differences between trains and platforms and installing tactile paving with inside lines. Moreover, in March 2017, we established a policy to incorporate doors on train platforms. Furthermore, we have also systematically advanced the replacement of aging rolling stock (deploying newly-manufactured train cars) so that our customers can use our trains comfortably and with peace of mind.

At the beginning of fiscal 2017 in June, we established a new Safety Planning & Management Department in our Railway Business Division as an organization dedicated to increasing the “assurance of safety and peace of mind,” which is asserted in our business guidelines. In our Safety Planning & Management Department, we will advance measures related to increasing the safety and stability of transportation in a cross-departmental manner, and we will work to continuously improve transportation safety management.

Based on this new safety management system, we will further strengthen efforts related to safety and seek to be a railway that customers can use with peace of mind.



General training for accident recovery

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.

We are building a safety management system that clarifies the roles 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. Moreover, we established a new Safety Planning & Management Department as the department responsible for achieving maximum safety and peace of mind in June 2017. In addition to oversight of items related to the appropriate operation and improvement of our safety management system, this department will advance necessary measures across our organizations in order to increase the safety and stability of transportation.

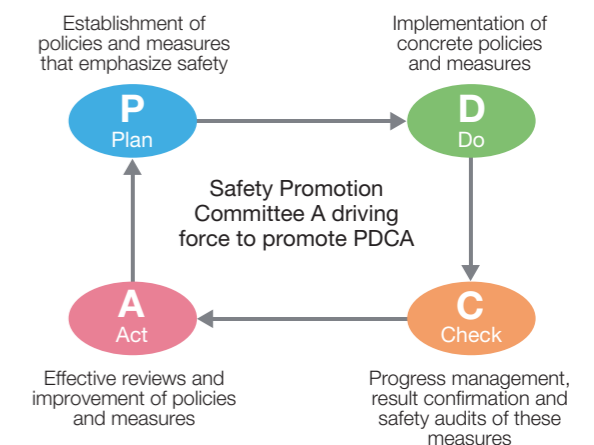


Safety Promotion Committee

Committee organization

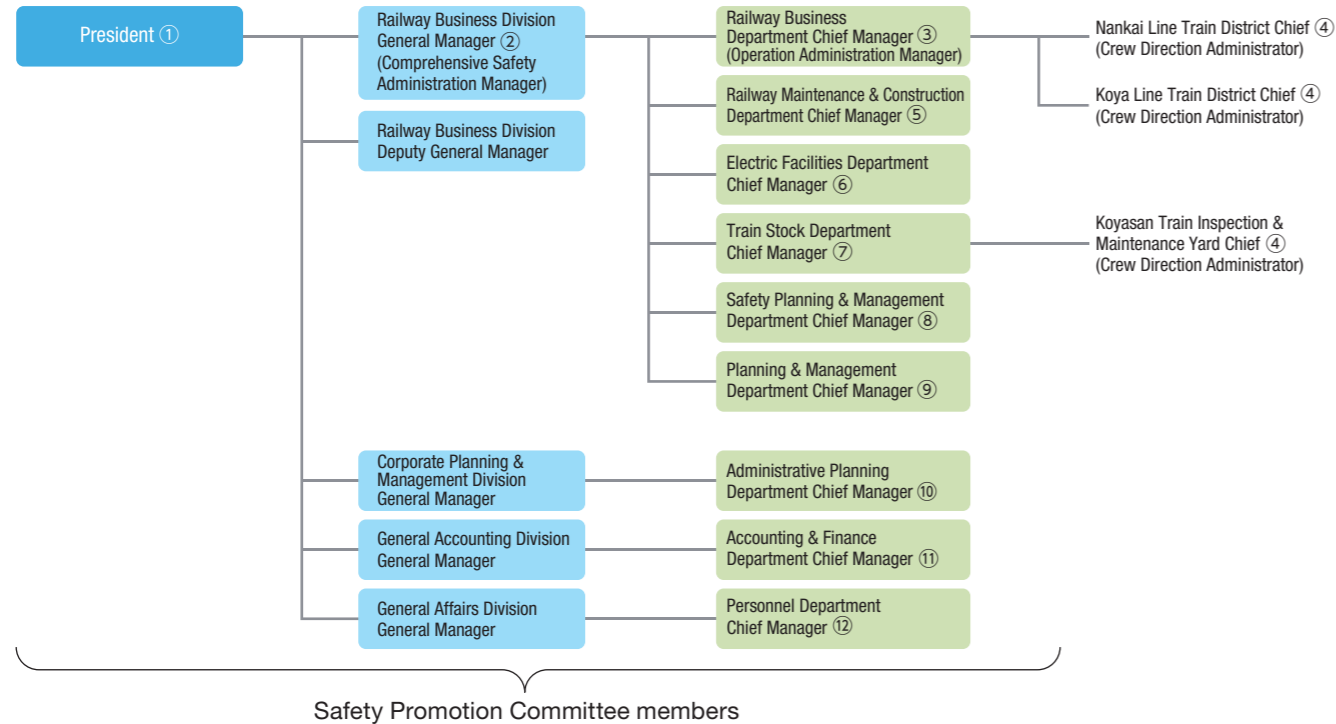


Our Methods of Safety Management



Safety Policy and Management System

Organizational structure and manager roles



- ① Bears final responsibility related to assuring transportation safety.
- ② Supervises work related to assuring transportation safety.
- ③ 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.
- ④ Under the direction of the Operation Administration Manager, manages items related to the maintenance of good train crew disposition.
- ⑤ Under the direction of the Comprehensive Safety Administration Manager, supervises items related to engineering facilities, continuous grade separation work, for example.
- ⑥ Under the direction of the Comprehensive Safety Administration Manager, supervises items related to electrical facilities.

- ⑦ 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.
- ⑧ Under the direction of the Comprehensive Safety Administration Manager, supervises items related to the appropriate implementation and improvement of our safety management system.
- ⑨ Supervises plans for equipment investments, expenses and personnel necessary to assure transportation safety.
- ⑩ Supervises items related to equipment investments necessary to assure transportation safety.
- ⑪ Supervises items related to finances necessary to assure transportation safety.
- ⑫ Supervises items related to personnel necessary to assure transportation safety.

Fiscal 2017 safety priority measures

We conducted a management review considering the implementation status of policies and measures that emphasize safety, the results of internal safety auditing and other factors for our Safety Management System in fiscal 2016. Based on this, we established the following four policies and measures that emphasize safety for the 2017 fiscal year and are working to implement them.

Fiscal 2017 safety priority measures

- Implement various efforts based on the results of analyzing safety awareness surveys
- Reduce accidents and other troubles caused by aging facilities and equipment
- Increase process safety levels and abilities to respond to accidents, disasters and other issues
- Reduce risks by practicing thorough communication within and between departments

For customer safety

Fiscal 2016 safety priority measures

Based on the efforts of the previous fiscal year, we prioritized efforts that should be made in fiscal 2016 and are working on the following eight items in order to resolve issues related to the safe transportation of customers.

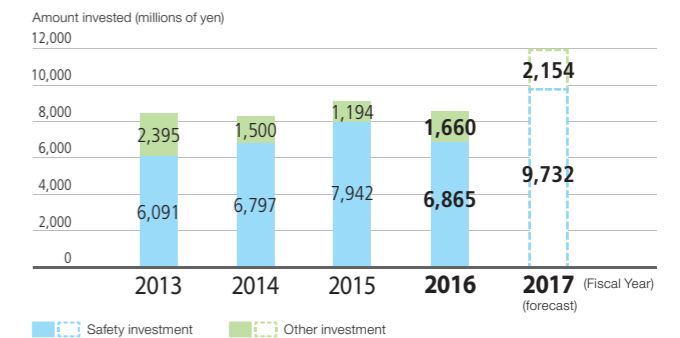
Fiscal 2016 safety priority measures

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

Safety Investment

In order to implement the necessary safety measures as planned without delay, we invested about ¥6.8 billion in the renewal and improvement of facilities, rolling stock and other infrastructure during fiscal 2016. We are doing this in preparation for a large-scale earthquake that is expected to occur in the future. The measures we are advancing include construction work to enhance the earthquake resistance of station buildings and overpass pillars as well as to prevent train door accidents and improve station platform safety. We plan to invest about ¥9.7 billion in facilities in order to continue advancing safety measures systematically during fiscal 2017.

Safety Investment



Major equipment investments in Fiscal 2016

- Installed new emergency notification equipment and improve existing equipment on station platforms and install new platform status monitoring equipment
- Reinforced earthquake resistance of station buildings (Haruki Station west building and Suminoe Station)
- Installed new railroad crossing obstacle detection equipment and replace existing equipment related to railroad crossings, including railroad crossing obstacle detection equipment
- Reinforced earthquake resistance of overpass pillars
- Manufactured new 8300 series train cars (12)
- Installed tactile paving with inside lines (Sawanocho Station)
- Conducted continuous grade separation projects

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.



Train safety measures

In-car emergency reporting devices

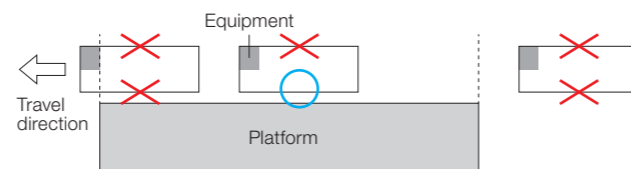
This device allows passengers to press a button in an emergency from within the car to inform a crew member about the problem. SOS stickers identify the equipment.



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

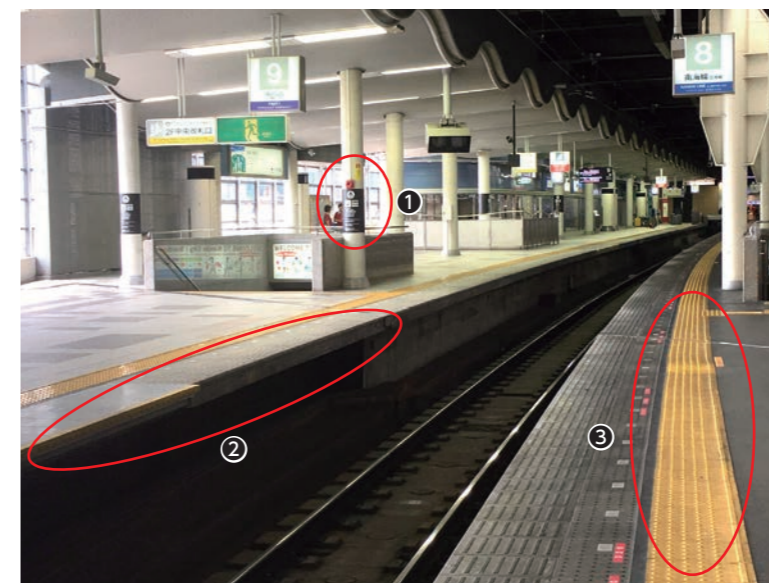
Emergency ladders

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



Emergency ladder

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.

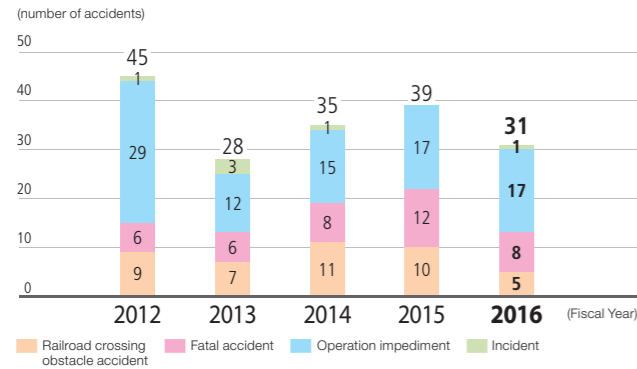


Status of the occurrence of railway operation impediments, transportation impediments and incidents

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

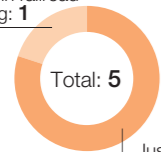
Status of occurrence in fiscal 2016

Serious accidents

None occurred in fiscal 2016 (none in the last five years)

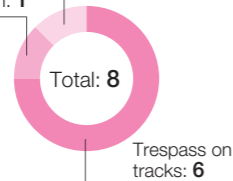
Railroad crossing obstacle accidents

Contact with inebriated person in railroad crossing: 1



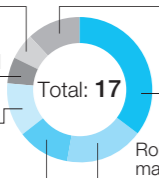
Fatal accident

Contact on platform: 1
Other: 1



Operation impediment

Contact with animal: 1
Safety equipment malfunction: 2
High-voltage equipment malfunction: 1
Natural disaster: 6
Train obstacles: 2
Suicidal behavior: 2
Rolling stock malfunction: 3



Incident

One incident occurred in fiscal 2016, and it was reported to the Kinki District Transport Bureau.

Cracks occurred in 1000 series train cars

- Date and time of occurrence**
Around 3 PM, February 3, 2017
- Conditions**
During regular inspections of 1000 series train cars, cracks that had occurred were discovered. A total of 3 cracks with lengths of 200 mm, 300 mm and 450 mm were found in 2 train cars. Following this, when inspecting other train cars of the same model, an additional 7 cracks were discovered in 5 cars.
- Cause**
Our estimation is that the force that is generated when trains are running is applied repeatedly on the train cars, generating cracks inside them. These cracks expand toward the outside until they appear on the surface.
- Countermeasures**
In addition to conducting emergency reinforcement of the affected areas, working with an expert, we measured the force occurring at the locations where cracks occurred. As result, we determined that they do not reduce the safety of operation, but we still plan to implement extensive reinforcements during regular inspections.



Spot where cracking is occurring on train car



Spot where cracking is occurring on train car

Administrative guidance and related matters

Our company received no reform guidance items due to this audit in fiscal 2016.

Customers

We are applying customer feedback to our business activities because we want our customers to be satisfied and to use our services with even greater comfort and peace of mind.

Utilization of customer feedback

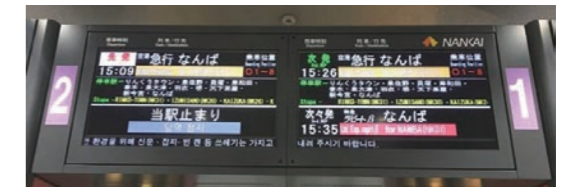
"The Customer's Voice" is a valuable database of raw, unfiltered feedback, requests, praise and other thoughts received directly from customers. In fiscal 2016, we received a great amount of customer opinions, totaling 2,563 cases. These opinions can often point to areas of corporate management that require attention and have helped in the improvement of problematic points and service. The following are examples that reflect responses to customer feedback.

Guidance in multiple languages

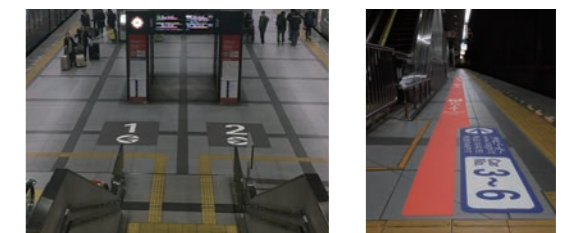
At stations that are used by many foreign customers visiting Japan, we are implementing multilingual information on train destination displays (Japanese, English, Chinese and Korean) and automatic announcements on platforms (Japanese and English). In addition, we have also incorporated guidance signs that are visually easy to understand.

2016 customer feedback breakdown (number of cases)

Ranking	Number of cases	Numbers for previous year shown in parentheses
1	Customer treatment/reception	777 (650)
2	Timetable	468 (411)
3	Passenger manners	276 (150)
4	Station facilities	250 (240)
5	Air-conditioning	223 (200)
6	Train vehicles	199 (211)
7	Tickets	93 (245)
8	Website	44 (46)
9	IC and Compass Cards	44 (44)
10	Women-only cars	33 (24)



Train destination display (Kansai Airport Station)



Guidance signs that are visually easy to understand (Kansai Airport Station)

Moreover, we are steadily enhancing multilingual displays inside train cars (Japanese, English, Chinese and Korean) and automatic announcements (Japanese and English).



Multilingual guidance on monitor inside train (8300 series)

By division

Number of cases	Numbers for previous year shown in parentheses	
1	Railway	2,317 (2,071)
2	Companies that make up the Corporate Group	80 (89)
3	Misaki Park	76 (86)

Measures for foreigners visiting Japan

Encouraging foreigners to visit Japan

At our company, we are seeking to increase awareness of our inbound customer services and promote their use, starting with airport access that links the Kansai International Airport to Namba, which is our greatest strength. We are continuously undertaking efforts to capture increasing inbound demand with certainty. These include exhibiting at overseas travel exhibitions, participating in business discussion meetings and conducting sales efforts targeting local travel agencies. We participated in a total of nine travel exhibitions, primarily for East Asia, in fiscal 2016. Moreover, we have undertaken sales efforts targeting travel agencies through participation in the VISIT JAPAN TRAVEL MART and other business discussion meetings in Japan. In addition, among other efforts, we have invited foreign influencers on firm trips to areas along our train lines in order to promote their sightseeing resources to attract visitors. Furthermore, in fiscal 2017 we are also participating in the Visit Japan Regional Cooperation Project (VJ Project) for unified promotion of sightseeing attractions along the lines of private train companies in the Kansai region through mutual cooperation.



Public relation activities at our Thai International Travel Fair booth

Exhibition at travel fairs in fiscal 2016

Dates	Country	Location	Name
2016/05/13-16	Taiwan	Kaohsiung	Kaohsiung International Travel Fair
06/16-19	Hong Kong	Hong Kong	International Travel Expo Hong Kong
07/14-17	Thailand	Bangkok	Thai International Travel Fair
09/09-11	China	Guangzhou	Guangdong International Tourism Industry Expo
10/13-16	Korea	Seoul	Seoul MODETOUR Travel Mart
11/04-07	Korea	Seoul	HANATOUR International Travel Show
11/04-07	Taiwan	Taipei	Taipei International Travel Fair
2017/02/10-13	Taiwan	Kaohsiung	Kaohsiung Tourism & Souvenir Expo
02/15-19	Thailand	Bangkok	Thai International Travel Fair

Providing information in multiple languages

In April 2016, we replaced the destination information boards at Namba Station for the first time in 13 years. For this replacement, we implemented display in four languages (English, traditional Chinese, simplified Chinese and Korean) and adopted liquid crystal displays which are good for showing multiple languages clearly and effectively.

At Namba Station counters, we have placed iPads and pamphlets in four languages, and we have established a general information center that can handle multiple languages.



Enhanced foreign language information services

Improved convenience at Namba CITY and Namba Parks

At the resting area in front of the duty-free counter on underground level 2 of the main building of Namba CITY, we started a temporary baggage storage service counter on September 1, 2016. This counter is recognized as a service base for "luggage-free sightseeing," which is being promoted by the Ministry of Land, Infrastructure, Transport and Tourism. In addition, for both Namba CITY and Namba Parks, on August 1 the same year, we began publishing information for Chinese travelers on the Weibo and Wechat social networking services that are popular in China. Moreover, we increased the number of Osaka Free Wi-Fi spots from 21 to 29 in September.



Temporary baggage storage service counter at Namba City

Product sales services for foreigners visiting Japan

On June 1, 2016, Nankai Travel International and Nankai Food System, which are two of our group companies, began product sales services for foreigners visiting Japan. With this service, orders are taken at the Nankai Travel Salon (inside the Namba Station first floor Information Center Namba) and products are prepared for pickup in the Namba Station Service Center (Namba Station second floor) at a specified date and time on a following day. Customers who arrive at Namba Station from Kansai Airport can order products at the information center, which many of them visit right away. Then, they can pick them up on a later date just before departing Namba by train. This reduces the burden of finding gifts and carrying them around while staying in Japan, so they can sightsee and explore with ease.

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.

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 last 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 46 people with disabilities at our special subsidiary company Nankai Heartful Service K.K. As of June 2017, the employment rate for people with disabilities was 2.25% 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.

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 93.3% in fiscal 2016. This is a high level compared to the average rate of utilization (48.7%) 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 2016, eight 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.

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.

Measures for the prevention of occupational accidents

We are quantifying and evaluating latent dangers that could cause occupational accidents in the workplace and seeking to eliminate and reduce risks. In addition, we are striving to raise our safety levels with the goal of going from “zero accidents” to “zero dangers” through safety efforts that include danger prediction and near miss training.



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.

The Environment

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

Fundamental policy

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

Environmental 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.

1. 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.

2. 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.
3. 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.
4. In order to realize and improve businesses operation that is good for the environment, the Company will make constant improvements to its environmental management systems.
5. While striving to utilize sustainable resources, the Company will work to alleviate and adapt to climate change.
6. The company will strive to protect biodiversity and ecosystems.
7. 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.
 - (1) Promote business activities that are considerate towards environmental preservation
 - (2) Work cooperatively with the local community: strengthen communication
 - (3) 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.

April 1, 2017
Nankai Electric Railway Co., Ltd.
President and CEO Teruhiko Achikita

Nankai Electric Railway Group Medium-term Goals (fiscal 2015–2017)

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

Medium-term environmental goal		Main measures that can be considered	Main measures and results in fiscal 2016	Evaluation	Main measures and goals in fiscal 2017	Reference page	
1. Promote business activities with consideration for environmental preservation	(1) Establish management systems oriented toward the achievement of CO ₂ emission reduction goals	<ul style="list-style-type: none"> ① Reduce by 3% for the five companies that are subject to the Energy Conservation Law (Nankai Electric Railway, Nankai Bus, Semboku Rapid Railway Line, Nankaishoji, and Suminoe Kougyou) Lower the CO₂ emissions amount from an average of 236,000 tons for fiscal 2011–2014 to 228,920 tons or less for fiscal 2015–2017 (reduction of at least 7,080 tons) ② Reduce by 3% for 45 main emitting group companies Lower the CO₂ emissions amount from an average of 315,000 tons for fiscal 2011–2014 to 305,550 tons or less for fiscal 2015–2017 (reduction of at least 9,450 tons) 	<ul style="list-style-type: none"> ① Adopt VVVF type rolling stock by railway companies ② Adopt hybrid and electric vehicles (electric buses) by bus companies ③ Reduce amounts of diesel use by bus companies utilizing drive recorders ④ Adopt energy-conserving lighting, including LEDs ⑤ Adopt boilers, water-cooling pump motors and high-efficiency current transformers, etc. ⑥ Reduce electricity and power consumption by increasing the operation efficiency of buildings, etc. ⑦ Energy conservation efforts in offices, business places and shops 	<ul style="list-style-type: none"> ① Twelve 8300 series train cars were built new for Nankai Electric Railway. ② Bus companies sought to reduce their amounts of diesel use, and seven main companies restricted their use to 19,271,000 liters in fiscal 2016, down from 19,937,000 liters in fiscal 2015. ③ Nankai Electric Railway installed 218 LED signal lights, updated air conditioning at 7 stations and installed LED lighting equipment in 9 locations. Four escalators with inverter control were updated, and 32 high-efficiency transformers were installed. ④ Air-conditioning equipment was updated at five locations, including the Swissotel and the Sakai Building. ⑤ LED lighting was installed at nine locations, including Namba Parks, Namba CITY and Shop Nankai Suminoe. ⑥ A solar power generation system was completed in October 2016 on land in Tannowa, and has been steadily generating power since operation began. The annual amount of power generation is also expected to greatly exceed the initial plan. 	<ul style="list-style-type: none"> ○ ○ ○ ○ ○ ○ 	<ul style="list-style-type: none"> ① Build twelve new 8300 series train cars and renovate six cars to conserve energy for Nankai Electric Railway. ② The total amount of diesel use by seven main bus companies was reduced compared to fiscal 2016. ③ Install 115 LED signal lights, LED lighting equipment in 4 places, 19 high-efficiency transformers, 2 inverter-controlled escalators and LED crossings between 18 stations. ④ Update air-conditioning equipment at four locations, including the Swissotel and the Sakai Building. ⑤ Install LED lighting at eight locations, including Namba Parks and Namba CITY. ⑥ Investigate renewable energy projects, including biomass and wind power generation. 	<ul style="list-style-type: none"> - - - - - 15
	(2) Establish management systems oriented toward the achievement of water use and waste emission reduction goals	Reduce water use and waste emission amounts by 5% in fiscal 2017 compared to fiscal 2014 for 45 main emitting group companies	<ul style="list-style-type: none"> Promotion of 3R efforts in offices, business places and shops Promotion of 3R efforts in train stations and on trains 	<ul style="list-style-type: none"> ① Examinations of water use volumes were conducted for 45 group companies. Increased 3.4% over the previous year. ② Examinations of waste processing volumes were conducted for 45 group companies. We determined that the amount of ordinary waste processed was about 8,000 tons and the amount of industrial waste processed was about 52,837 tons in fiscal 2016. 	<ul style="list-style-type: none"> △ △ 	<ul style="list-style-type: none"> ① Reduce water use amounts by 5% compared to fiscal 2014. ② Reduce both ordinary and industrial waste processing amounts by 5% compared to fiscal 2014. 	<ul style="list-style-type: none"> 42 -
	(3) Implement environmental measures and guidance for group companies and supply-chain partners	Promote the augmentation of management systems through regular information submission and awareness raising activities, for example	Promote the augmentation of management systems through regular information submission and awareness raising activities, for example	45 group companies were made to submit use volume surveys by a deadline, and their amounts of energy, water and industrial waste were investigated.	△	Make 45 group companies submit use volume surveys by the deadline and reduce use amounts by 5% overall.	-
	(4) Establish utilization methods for J-VER offset credits	Develop plans for products that are subject to offsets	Develop plans for products that are subject to offsets	For the G7 Ise-Shima Summit, the Kintetsu Group and Nankai Electric Railway offset a total of 200 tons of carbon. A total of 770 tons were offset for the year.	○	Through providers, seek at least five credit sales in the year. After Koyasan-World Heritage Tickets, develop further plans for products that are subject to offsets.	42
	(5) Deepen and augment working groups related to the environment	Hold effective working groups that contribute to environmental businesses and environmental education	Hold effective working groups that contribute to environmental businesses and environmental education	Working groups were held, including for environmental management and environmental reporting.	○	Hold effective working groups that contribute to environmental businesses and environmental education.	-
	(6) Comply with the Energy Conservation Law	Respond rapidly to legal revisions related to power demand leveling evaluation consumption rate, etc.	Respond rapidly to legal revisions related to power demand leveling evaluation consumption rate, etc.	In the regular report submitted to the Kinki District Transport Bureau in June, our energy rate was 100.0% and our power leveling demand evaluation consumption rate was 100.3% compared to the previous fiscal year. In the regular report submitted to the Kansai Bureau of Economy, Trade and Industry in July, our energy rate was 102.6% and our power leveling demand evaluation consumption rate was 102.3% compared to the previous fiscal year.	△	Seek to make energy use more efficient so that both the energy rates and power leveling demand evaluation consumption rates in our regular reports submitted to the Kinki District Transport Bureau and the Kansai Bureau of Economy, Trade and Industry do not exceed 99% compared to the previous fiscal year.	-
	(7) Comply with the Waste Management and Public Cleansing Law	Deepen legal training and provide guidance and promote awareness in group companies	Deepen legal training and provide guidance and promote awareness in group companies	Issues were taken up in environmental law trainings, contents were deepened and they were expanded to group companies.	○	Seeks to augment environmental law trainings and strengthen awareness-raising for group companies.	-
2. Work cooperatively and strengthen communication with local communities	Participate in projects related to the environment	Plan and hold various events including those related to Nankai no Mori, Michibushin walk (road-repair walks), Kyosei no Mori, Tanagawa biotope, and train festivals	We participated in an international real estate market conference, planned an environmental protection event at Misaki Park, and held Michibushin walk (road-repair walks) in Choishimichi.	○	Plan Nankai no Mori advancement activities, biotope hiking, eco-tours and similar events. Plan Michibushin walk (road-repair walks) for the Kumano Kodo trails.	-	
	Develop and provide products and services that have the environment as a fundamental concept	Make efforts for products that use thinned forest wood and for environmental businesses	We made a signboard at Koyasan Station that uses thinned wood from Nankai no Mori.	○	Make benches and other furnishings at Misaki Park using wood thinned from Nankai no Mori.	-	
3. Strengthen information distribution functions related to environmental management	Unify integrated report, financial information and nonfinancial (environmental, social and governance) information, and comply with corporate governance and stewardship codes	Prepare reports with rich communication	We included a message from our top executive at the beginning of the report, and changed it to a corporate report that can clearly convey executive management intentions.	△	Create a report with messages from every director that clarifies responsibilities, including a message from the top executive at the beginning.	5	
	Respond to Carbon Disclosure Project (CDP) and Nikkei Environmental Management Surveys	Reply to CDP, and raise the level of environmental management for the entire Nankai Group	We changed the evaluation method for CDP to SABC, and the evaluation was A-. The Nikkei Environmental Management Survey score was 350 points, the highest score so far.	◎	Seek to maintain an A- grade for CDP in 2016. Respond to CDP water. Maintain current high evaluation also with the Nikkei Environmental Management Survey.	42	
	Distribute information and conduct awareness-raising activities (increase number of ECO-nists) inside the company	Advance awareness-raising efforts so that at least 100 people can be certified as ECO-nists in fiscal 2017	The number of ECO-nists was 128 for the year. We also established an award system for multiple-year ECO-nists and recognized 24 people as "Advanced ECO-nists."	◎	Achieve 100 ECO-nists per year. Achieve recognition of 35 multiple-year ECO-nists.	-	
4. Strengthen promotion systems for environmental management	Deepen and augment environmental management systems	Comply with ISO 14001:2015 standard revisions and reform management systems	We revised manuals and other materials to comply with the new standards for ISO 14001. The number of internal auditors was increased by 21.	○	Receive external examination for ISO 14001:2015 standard and achieve certification.	-	
	Implement various environmental education programs	Deepen and expand trainings related to environmental economics and environmental laws; increase the number of people who pass eco-certification tests	We sought to raise the levels of our environmental management and environmental law trainings and conducted them in December, deepening the understanding of participants particularly regarding ESG information. The number of people who have passed eco-certification tests reached 194.	○	Seek to further raise the levels of our environmental management and environmental law trainings and conduct them in December. Seek to reach 220 people who have passed eco-certification tests.	-	

Financial and nonfinancial highlights
 Message from the president
 Medium Term Business Plan
 Feature
 Business overview by sector
 CSR overview
 Financial report
 Company profile
 Third-party comments

Annual environmental objectives for Semboku Rapid Railway

Main environmental goals, objectives and results in fiscal 2016

Environmental goal	Extent	Target value ¹	Result
Reduce electricity used by railway trains	Electricity for train travel Electricity for lighting and air-conditioning in train cars	Maintain rate of previous fiscal year	Rate increased 2.6% ²
Reduce amount of other energy used	Entire company (Stations, headquarters, distribution centers, etc.)	Decrease rate 1% compared to previous fiscal year ³	Rate changed ▲0.9%
Reduce amount of water used	Entire company	Lowest past value (79,000 m ³)	Lower than lowest past value (75,000 m ³)
Reduce amount of paper used	Copy paper used by entire company	Lowest past value (1,170,000 pages)	Higher than lowest past value (1,178,000 pages)

Environmental goal	Environmental objective	Result
Suppress noise and vibration	• Eliminate rail joints which are a cause of noise and vibration	• Completed December 2016
Suppress destruction of the ozone layer	• Change train car air-conditioning equipment to types that use CFC alternatives	• Ordered in November 2016
Reduce industrial waste	• Treat special waste products (PCB) • Conduct public relations to promote the use of IC cards and reduce discarded train tickets (industrial waste)	• Treated in September 2016 • Conducted in July 2016 and March 2017
Raise environmental awareness	• Promote efforts for the environment using in-house events and various publicity media • Conduct cleaning, planting and similar events in cooperation with communities and tenants	• Conduct cleaning events around stations and distribution centers

Environmental objectives and plans for fiscal 2017

Environmental goal	Target value ¹	Plan to achieve environmental objective
Reduce electricity used by railway trains	Lowest past rate ² (1.83 kWh/km)	• Switch to LED lighting for passenger compartments • Prioritize use of energy-conserving rolling stock
Reduce amount of other energy used	Rate compared to previous fiscal year ³ ▲1% (11.5 l/m ²)	• Update air-conditioning in every station • Update escalators in Izumigaoka Station with energy-conserving models
Objectives for the Energy Conservation Law Achieve (about ▲1% annually)	Rate compared to previous fiscal year ³ ▲1% (8.4 l/m ²)	• Encourage retail tenants and employees to conserve energy, for example
Reduce amount of water used	Maintain lowest past value (75,000 m ³)	• Install automatic water taps in restroom sinks at Higashiosaka Truck Terminal Building
Reduce amount of paper used	Lowest past value (1,170,000 pages)	• Thoroughly implement practices of using double-sided copies and the backs of sheets • Utilize electronic data for communications, notifications and other documents within workplaces

Classification		Main effort plan
Comply with environmental laws and regulations		Continuously implement water quality measurements for wastewater, monitoring for refrigerant leakage, and management of waste processing contractors, etc.
Reduce and manage other environmental impacts		Continuously implement efforts to reduce railway noise and to use recycled paper for printed matter, for example
Business Plan	Increase customer service (CS)	Continuously implement environmental beautification efforts around all stations and distribution centers
	Revise timetables	Promote railway use by revising timetables
	Attract customers	Continuously implement the sale of special tickets, for example, and stimulate latent demand through promotion of limited express trains
	Increase customer convenience	Continuously implement public relations to promote IC card use
	Redevelop distribution centers	Phase 1 building design for Kitaosaka Truck Terminal redevelopment
Fulfill corporate social responsibilities		To handle the new ISO standards, examine the operation statuses of every division and provide education related to the new standards

¹ Target values are corporatewide totals. Some of the use specifically by shops within station buildings and companies occupying the Higashiosaka and Kitaosaka logistic centers, however, is excluded.

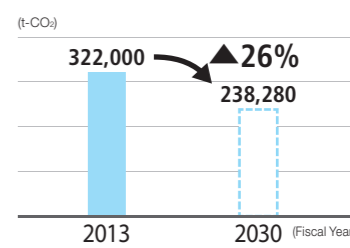
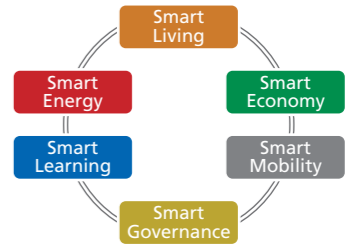


² The rate of electricity use by train cars is the amount per kilometer of train travel.

³ The rate of other energy used is the amount of energy use per square meter of floor space.

Topics We established the Nankai Environmental Vision 2030.

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

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

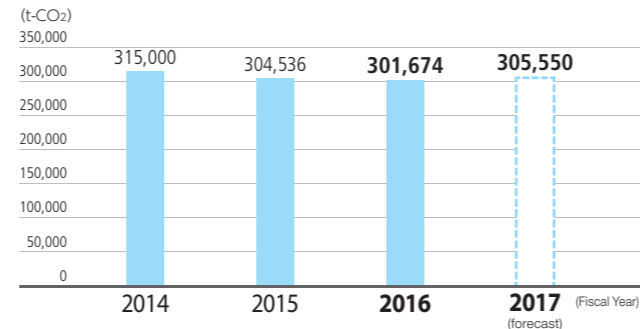
Environmental issue	Orientation for fiscal 2030
① Suppressing global warming	<p>Reduce the amount of Nankai Group CO₂ emissions by 26% The Nankai Electric Railway Group will reduce CO₂ emissions by 26% compared to fiscal 2013, which is in line with the greenhouse gas reduction target set by the government for fiscal 2030 (26% reduction from fiscal 2013).</p>  <p>Create corporate value through environmental businesses By expanding energy production and sales businesses along our train lines, in addition to creating new sources of earnings, we seek to increase the values of our corporate group and these areas themselves to society by also contributing to the environmental policies of their local governments.</p>
② Realizing a recycling-oriented society	<p>Form smart cities along our train lines As an infrastructure business in areas along train lines, we will seek to form smart cities and model environmental areas that contribute to raising value in these neighborhoods. We will also contribute to the realization of a recycling-oriented society while coordinating with business plans and experimental businesses led by local governments.</p> 
③ Preserving biodiversity	<p>Realize a society that coexists with nature In all our business activities, we will be conscious of avoiding or minimizing impacts on biodiversity, and we will practice the maintenance of ecosystems and the sustainable use of natural resources along our train lines.</p> 
④ Deepening environmental management	<p>Enhance environmental promotion systems and strengthen environmental information disclosure Independent operation of an environmental management system at the standard required by ISO 14001 is being established.</p> 

Curtailing Global Warming

Reducing CO₂ Emissions as a Group

We set a three-year average 3% reduction as our new target from fiscal 2015, using the approximately 315,000 tons of average annual CO₂ emissions by our 45 group companies from fiscal 2011–2014 as our baseline. The CO₂ emissions for the 45 companies was 304,536 tons in the first year. In fiscal 2016, the second year, while there were long periods of extreme heat and cold and our railways struggled to cut use, reduced diesel use by bus companies contributed to being able to achieve 301,674 tons, which was lower than the previous fiscal year. We will keep seeking to achieve this goal by utilizing various support efforts, starting with the Eco Line Project, as well as by continuously adopting energy-conserving rolling stock and other equipment with high energy efficiency and increasing the energy-conserving mindset of the entire group.

Changes in CO₂ emissions for 45 group companies

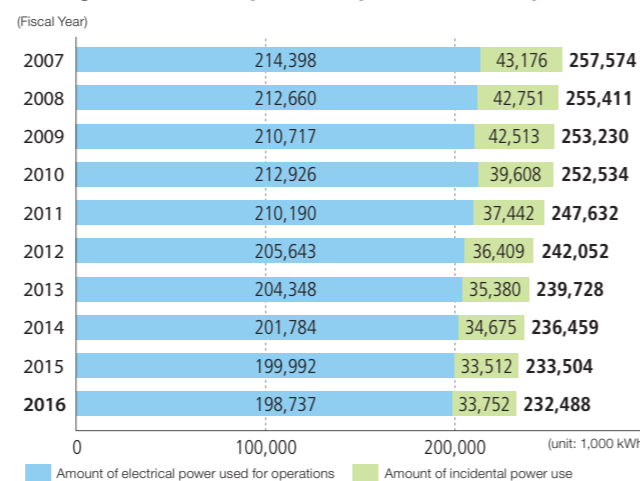


Energy reduction in the Railway Business

Reducing Electricity Consumed by Railways

Railways have high energy efficiency compared to other means of transportation and trains are said to be vehicles that are easy on the environment. Considering, however, that the operation of railways requires the use of great amounts of electricity and that working to reduce electricity used by railways contributes to both reducing CO₂ 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 2016 was 232,488,000 kWh. Of this, 198,737,000 kWh, 85.5% of the total, was used for train operation. This is a reduction of 0.4% from the previous fiscal year. The incidental power use was 33,752,000 kWh. Incidental power is electricity used for signaling equipment, railway crossing equipment and station equipment (including lighting, air conditioning and elevators). This reduction shows the results of advancing efforts to conserve energy, including those made in the summer and winter (stopping some elevators and strictly controlling indoor temperatures) and the steady conversion to LED lighting in stations. Electricity consumed by railways as a whole has been steadily decreasing since peaking in fiscal 2005 due to efforts to conserve as much energy as possible by, for example, introducing high-efficiency, energy-conserving cars with VVVF inverter control (details follow).

Changes in electricity consumption for train operations



12000 series with VVVF control



8300 series that has reduced power consumption

Topics

We cooperated in carbon offsets for the Ise-Shima Summit

The Ministry of Economy, Trade and Industry, the Ministry of the Environment, and the Ministry of Agriculture, Forestry and Fisheries, operate the J-Credit Scheme for carbon offsets. For the G7 Ise-Shima Summit held in Mie Prefecture, May 26-27, 2016, these ministries in coordination with the Ministry of Foreign Affairs, determined to implement carbon offsets through public-private cooperation utilizing this scheme and other, and recruited cooperating businesses and local governments. Our company supported this intention, and offered 50 tons of J-Credit obtained through forest cultivation in Nankai no Mori. Altogether 111 companies cooperated, providing 13,130 tons of offsets, which is about half the total amount of 26,050 tons.



Promoting effective use of resources and 3R waste practices

Curtailing water use

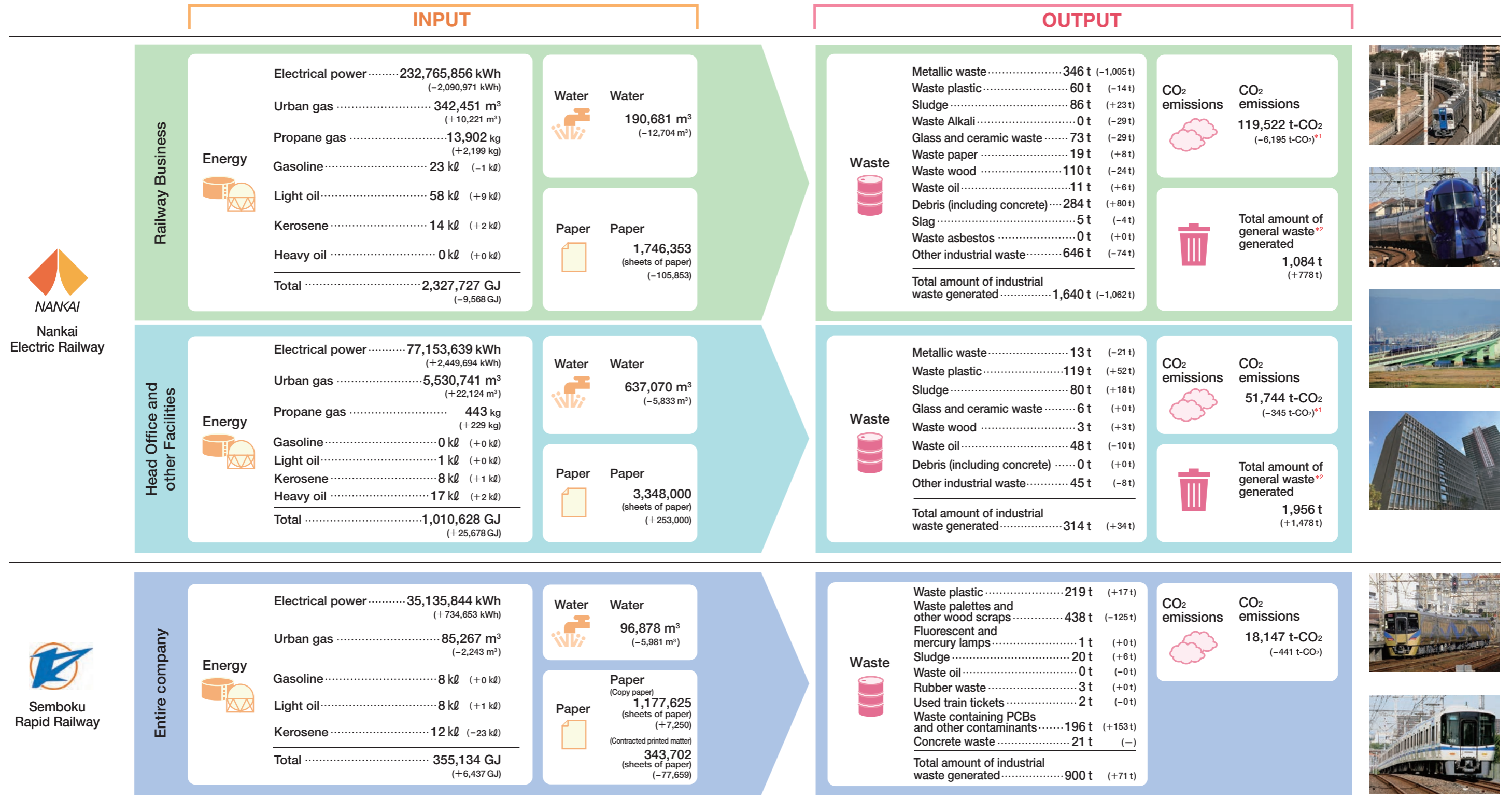
Curtailing water use

For the 45 companies of the Nankai Electric Railway Group, we have established reducing water consumption by 5% as our medium-term environmental goal for the three-year period from fiscal 2015 to fiscal 2017. Moreover, our company began participating in CDP Water in fiscal 2016, and we are responding to written inquiries in the same manner as for CDP Climate Change. CDP (formerly the Carbon Disclosure Project) is an organization that, in cooperation with institutional investors around the world, seeks public disclosure of details about climate change risks, opportunities and strategies as well as, for example, greenhouse gas emission amounts.

With the Paris Agreement coming into effect, countries around the world have accelerated their efforts toward climate change. In every country, the focus has moved from planning to the implementation of policies and evaluations to achieve the ambitious science-based target (SBT) of limiting the global temperature rise to less than 2°C. On the other hand, even though water issues are not clearly referenced in the Paris Agreement, the stable and sustainable supply of water is related to adapting to the impacts of climate change. At our company also, we are emphasizing measurement and transparency regarding water, and we will continue striving to reduce water use in the same way we seek to reduce CO₂ emissions.

Environmental Burden Data

In accordance with the Energy Conservation Law, Nankai Electric Railway and Semboku Rapid Railway Line environmental impact data (inputs and outputs) are detailed below. This is primarily the information submitted to the Ministry of Land, Infrastructure, Transport and Tourism (Kinki District Transportation Bureau) and the Ministry of Economy, Trade and Industry (Kansai Bureau).



*1 Nankai Electric Railway submitted these numbers to the Kinki District Transportation Bureau and the Kansai Bureau of Economy, Trade and Industry in accordance with the Energy Conservation Law. The amount of electric power consumed is disclosed by Kansai Electric Power. The CO₂ 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 0.509kg-CO₂/kWh.

*2 From this fiscal year, the values for ordinary waste have been calculated based on submitted documents, starting with planning documents related to promoting volume reductions and suitable waste processing for Osaka City, so they differ greatly from values up to the previous fiscal year.

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

Governance

We recognize that the strengthening of corporate governance functions is an important management issue. For this reason, we have strived to implement strict adherence to laws and regulations. Additionally, we have been making efforts to achieve transparent management, fair and rational decision-making, and reinforcement of functions to oversee these operations. At our company, we respect all of the principles in “Japan’s Corporate Governance Code,” which was established by the Tokyo Stock Exchange. We will continuously make efforts to examine and enhance our corporate governance functions with the aim of achieving sustainable growth and the enhancement of corporate value over the medium and long term.

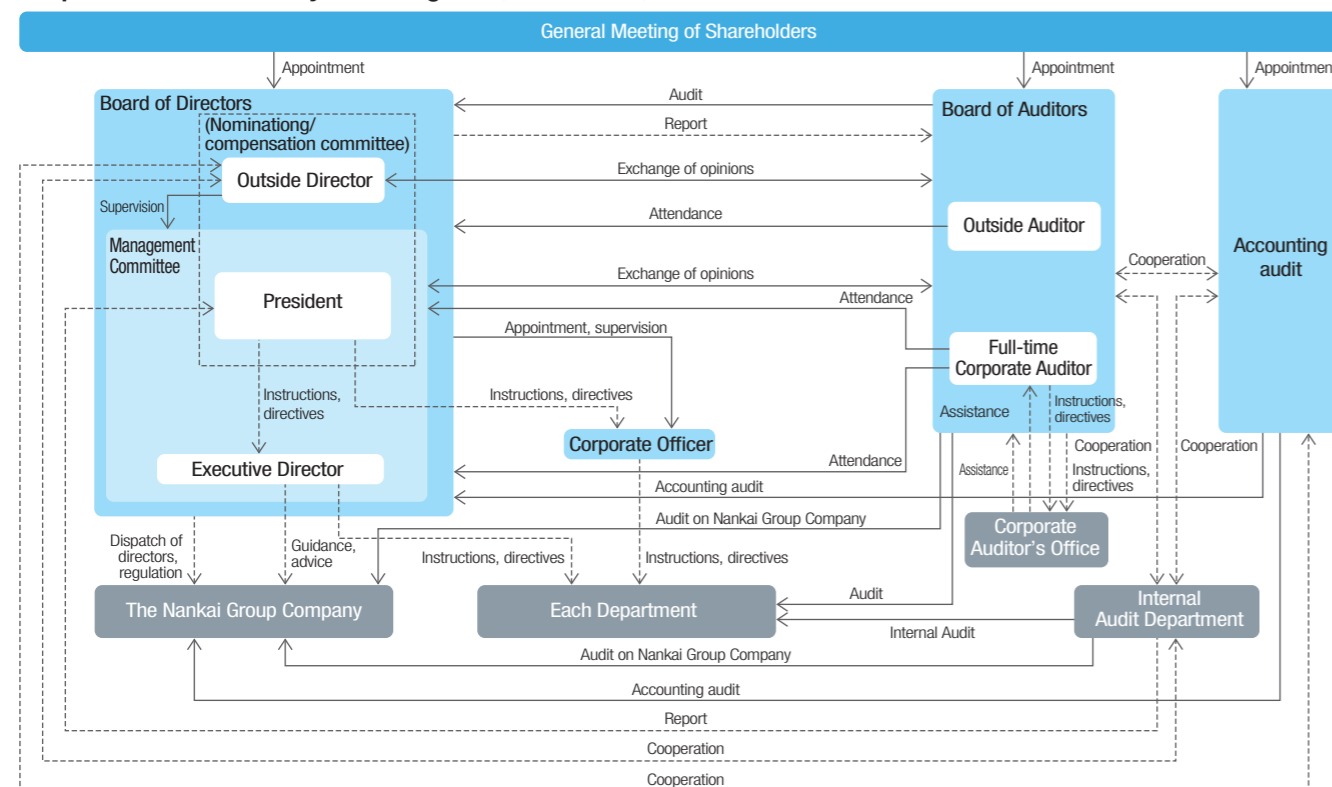
Governance systems

Business execution

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

business execution and optimize decision-making on management. Furthermore, With the aim of reinforcing the supervisory function of the Board of Directors and establishing a system for agile business execution, the Company has adopted a system of Corporate Officers. Currently, 8 Corporate Officers are appointed and are working with executive Directors to optimize and improve the efficiency of business execution by, for example, sharing information such as issues on important business execution and operating performance.

Corporate Governance System Diagram (as of June 23, 2017)



Auditing by auditors

The Board of Auditors, which consists of 5 Auditors (secretariat: Corporate Auditor's Office), meets once a month in principle and execute audits on business execution. The Board of Auditors regularly exchanges opinions with Representative Directors and officers in charge of each department. For Senior Corporate Auditors, the Company has established a system in which they can exchange opinions with Directors and other employees as necessary with respect to individual management issues. In addition, Senior Corporate Auditors attend the Management Committee and other important meetings and hear reports about issues that are important to the management of the Company and the Group, including the status of business execution, operating results and financial conditions. These Auditors also receive important documents, including draft plans after approval and internal auditing reports, for review. Senior Corporate Auditors report to Outside Auditors at the

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

Executive message

Toward the realization of corporate governance of even higher quality



Senior Corporate Auditor Takaichi Fujita
Senior Corporate Auditor Masafumi Katsuyama

Supplemental principle 4-4 ① of the Corporate Governance Code seeks to improve the effectiveness of the Board of Auditors through the combination of the firm independence of externally appointed auditors and the high information gathering abilities of full-time auditors. The full-time corporate auditors, in order to

increase information gathering abilities, participate in trainings sponsored by the Japan Audit & Supervisory Board Members Association, for example. They also work with devotion to acquire and update necessary knowledge, and endeavor to present appropriate information in a timely manner to externally appointed auditors at meetings of the Board of Auditors and elsewhere. In contrast, the externally appointed auditors, who possess knowledge related to the law, finance and accounting, provide beneficial advice and proposals from perspectives that are unlikely to be noticed just with discussions inside the company. Moreover, in the same supplemental principle, assuring cooperation among the Board of Auditors is sought to strengthen the information gathering abilities of externally appointed directors. For this purpose, we have begun efforts that contribute to information exchange meetings among externally appointed directors, joint facility observations and other mutual coordination. In addition, reflecting on the importance of coordination with the Internal Auditing Department and the accounting auditor, in other words, “three-party auditing,” we are striving to share information through regular opportunities for opinion exchange.

Outside Directors and Outside Auditors

Outside Directors

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

Outside Auditors

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

Governance systems

Supporting System for Outside Directors and Outside Auditors

The General Affairs Department is the secretariat of the Board of Directors. In order to improve the effectiveness of supervising and auditing by Outside Directors and Outside Auditors, the General Affairs Department shall provide them with materials for the Board of Directors' meeting in advance whenever possible and as necessary, make an arrangement for them to receive explanation from each officer in charge, etc. about the agenda and the contents ahead of meetings. The secretariat also provides explanation on the agenda and the summary of matters to be reported to Outside Directors prior to the Board of Directors' meeting. Through the aforementioned initiatives, the Company strives to ensure the propriety of

decision-making procedures at the Board of Directors' meetings. In addition, absent Outside Officers will receive materials on the deliberation and reporting, as well as the results. The Corporate Auditor's Office is the secretariat of the Board of Auditors. The Corporate Auditor's Office conveys information such as the date and time of the Board of Auditors' meeting as well as the agenda in advance, while providing assistance on field audits to each business location as necessary. Information beneficial for the execution of audits are collected from the contents submitted to the Management Committee and other approval documents, and provided to Senior Corporate Auditors, who report and explain them to Outside Auditors as necessary.

Nomination and Compensation Committee

For the purpose of the improvement of transparency in the decision-making process of nomination and compensation, the Company has established a Nomination and Compensation Committee, which consists of the President and Outside Directors. Outside Directors shall be given explanations on the decision-making on compensation at Nomination and Compensation Committee meetings, and in

turn, they shall provide advice on the suitability of the compensation amounts. Additionally, the matters related to the determination of the candidates for new Representative Directors, Directors and Auditors are submitted to Nomination and Compensation Committee meetings for opinions and advice of Outside Directors, prior to the determination at the Board of Directors' meeting.

Policy on determining remuneration amounts and calculation methods

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

Compensation based on performance

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

Compensation through the allocation of corporate stock

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

Executive remuneration details (fiscal 2016)

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)	259	259	—	—	—	10
Auditors (excluding Externally Appointed Auditors)	47	47	—	—	—	2
Outside Directors	26	26	—	—	—	3
Outside Auditors	25	25	—	—	—	3

Executive training

Necessary training is provided to Directors and Auditors so that they can fulfill their roles and responsibilities. The details of the training are as follows.

Contents of executive trainings

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

Effectiveness evaluations for the Board of Directors

The Company shall conduct annual analysis and assessment at the Board of Directors' meeting on the effectiveness the Board of Directors as a whole based on the results of self-assessment in a survey for all Directors and Auditors. As a result, the Company has concluded that the Board of Directors of the Company has been operated favorably for the most part and the effectiveness of the Board of Directors

as a whole is maintained. On the other hand, several suggestions regarding the following issues were submitted; the enhancement of deliberation, thorough progress management, the improvement of information and explanation to be offered, etc., in the process of formulating the medium term business plan. In light of these opinions, the Company will take initiatives for the further enhancement of the effectiveness the Board of Directors as a whole.



Risk management

Fundamental approach

In order to respond appropriately to a variety of risks, we are building systems to manage risks in a cross-organization manner, and we are processing information about risks that affect our businesses. In addition, we are selecting risk items that should be handled with priority. Moreover, in each department (office) and group company, we are establishing

and implementing risk countermeasure plans to avoid and alleviate risks. Furthermore, we are checking and evaluating their progress, reflecting this in plans for the next year and advancing a PDCA cycle for risk management.

Business continuity planning (BCP)

At our company, we are formulating a business continuity plan (BCP) that establishes measures that should be conducted in advance, action essentials and other policies so that even if a large-scale earthquake or other state of emergency occurs, our essential business activities will not

be interrupted or can be restored in the shortest amount of time possible if interrupted. Group companies are also steadily formulating these plans and will keep working to develop them in the future.

Business risks and other risks

We have recorded the main risks related to our group businesses and other factors that can be considered to have the possibility of significant impacts from the judgment of investors. Moreover, even if items are not necessarily these types of risk factors, from the perspective of proactive information disclosure, we have also recorded below items that could be considered important from the perspective of investors in making investment determinations. Our corporate group has established a risk management system for the entire group. With awareness of the possibility that these risks could occur, we are working to avoid their occurrence and to prepare countermeasures should they occur, including the creation of the fiscal 2017 Nankai Group Risk Countermeasure Plan. Moreover, although we have recorded some information about avoiding the occurrence of risks and countermeasures should they occur, please bear in mind that it is possible these measures might not alleviate risks or their impacts. These items include some related to the future, but they were determined at the end of the consolidated fiscal year.

(1) Economic conditions and related factors

Passengers are decreasing for railway businesses and other transportation businesses as a result of factors that include the declining birthrate and aging population, the diversification of employment forms in communities along our train lines, and the trend in the number of Kansai International Airport users. Moreover, economic and consumption trends in Japan and abroad are having effects on sales in businesses including services and the sale of goods. In addition, insufficient power supply and increased

power costs due to higher oil prices and nuclear power plant operation stoppages could have effects on the business results of our corporate group. Furthermore, negative impacts on the business results and financial conditions of our corporate group could occur if impairment accounting of stock or low-earning assets becomes necessary due to, for example, stock value changes related to investments in securities or land value changes of owned real estate.

(2) Competition

Our railway business is in competition with the West Japan Railway Company for transportation on some lines from southern Osaka into Wakayama Prefecture and to Kansai International Airport. Moreover, switching to other means of transportation, including private automobiles and motorcycles, could also have impacts in the future. Our bus business is in a situation of increasing competition due to an open market environment that allows the free introduction of new lines. This has existed since February 2002 when supply and demand adjustment regulations related to passenger bus businesses were completely eliminated. Furthermore, the Namba CITY and Namba Parks Shops & Diners commercial facilities that we operate in the Namba area, which is the business base of our company, are in competition with large-scale commercial facilities in other areas within the city of Osaka, including Umeda and Tennoji.

(3) Legal regulations

In our railway business, in accordance with the Railway Business Act (act 92 of 1986), we must receive permission from the Minister of Land, Infrastructure and Transportation for each line and type of train business that we seek to operate (article 3). Furthermore, we must also receive approval from the Minister of Land, Infrastructure and Transportation to set and change maximum rates and fees for passengers and cargo (article 16). Moreover, these permissions and approvals from the Minister of Land, Infrastructure and Transportation are not for specific periods of time.

In addition, if a violation or similar infraction of this law, directives based on this law, or conditions attached to dispositions, permissions and approvals based on this law or its directives should occur, the Minister of Land, Infrastructure and Transportation can set a period and order the cessation of business or revoke permission (article 30). The discontinuation of a railway business requires notification to the Minister of Land, Infrastructure and Transportation at least one year in advance (article 28, item 2).

At present, there is nothing in conflict with this law, and no factor that would hinder the continuation of our railway business exists.

However, major impacts on our business activities could occur if there were a conflict with this law and we were forced to stop business or have permission revoked by the Minister of Land, Infrastructure and Transportation. Moreover, in addition to the above, the businesses being undertaken by our group are subject to a variety of laws, regulations and other restrictions. Should these legal restrictions be strengthened, the expenses necessary to comply with them would increase and other negative impacts on the business results and financial conditions of our corporate group could occur.

(4) Real estate for large-scale sales

We are steadily advancing the development and product conversion of real estate for large-scale sales, and we are planning to recover capital by undertaking the systematic subdivision of lots. However, suburban large-scale residential development conditions continue to be severe due to the further progress of factors that include, in particular, the decline in land prices in suburban areas and the urban center revival trend in residential demand. We will continue to systematically advance development and subdivision and endeavor to provide attractive residential environments. Since we anticipate that declining residential demand due to fewer children and customer preferences for returning to urban centers are trends that will become even stronger, though, possibilities exist for impacts created by increased risks related to the retention of land for development and delayed capital recovery, for example.

(5) Issues related to group companies

Nankai Tatsumura Construction Co., Ltd., which is one of our consolidated subsidiaries, is the only group company with listed stock. Since it is also one of the core companies in our group, our company has provided operation support,

including being responsible for increased capital allocated to a third-party and the provision of financial support until now. Should the conditions for this company to receive orders worsen unexpectedly, for example, this could have negative impacts on the business results and financial conditions of our corporate group.

(6) Personnel policies

Since our transportation businesses centered on railway business have labor-intensive industrial structures, the labor cost proportions of expenses are large compared to other industries. For this reason, we are implementing various measures to rationalize operations based on labor-management cooperation with labor unions (including the Nankai Electric Railway Labor Union). Moreover, personnel cultivation, the aging of employees and the resultant issues of their replacement by younger generations and the transmission of expertise are among continuing problems. If these are not handled in a timely manner, they can be expected to impact future business and income and expense structures.

(7) Investments

Regarding investments in the railway business, since continuous grade separation projects and various investment projects to ensure safe train operation continue for a long time and require large expenditures, related fund procurement and interest burdens are affecting the business results and financial conditions of our corporate group.

(8) Mergers and acquisitions (M&A)

When undertaking M&A as a growth strategy, communicating with outside experts and others, we conduct due diligence with great care regarding the financial conditions and other aspects of the subject company. Negative impacts on the business results and financial conditions of our corporate group could occur, however, if contingent liabilities, unrecognized liabilities and other factors not identified during the process of this due diligence become apparent. Furthermore, other negative impacts on the business results and financial conditions of our corporate group could occur. For example, recognition of asset impairments loss could become necessary, making investment recovery impossible should the earning capabilities of a subject company decline due to changes in the business environment after the M&A, or if the expected synergy effects cannot be realized.

(9) Retirement benefit accounting

Regarding net defined benefit assets and liabilities, in order to provide for employee retirement benefits, we calculate the value of retirement benefit liabilities with the value of pension assets deducted based on estimated amounts at the end of the consolidated fiscal accounting year. For differences in the mathematical calculations, expenses are paid from the following consolidated fiscal accounting year using the straight-line method for a specific number of years within the average remaining working period for employees (from 3 to

Risk management

11 years) at the time of occurrence. Negative impacts on the business results and financial conditions of our corporate group could occur if assumptions are changed in the calculation of liabilities or if the discount rate should be lowered considerably or investment interest should worsen.

(10) Interest-bearing debts

Due to characteristics of our businesses, the ratio of borrowing dependency for our company is high. If corporate bonds are issued or bank loans acquired in large amounts for facility investments or M&A execution capital, interest-bearing liability balances can be expected to increase further. Although we are seeking to diversify capital procurement methods and striving to maintain financial health, negative impacts on business results could occur if interest burdens increase due to interest rate changes. Moreover, negative impacts on the business results and financial conditions of our corporate group could occur if rating agencies lower the ratings of our corporation.

(11) Major litigation

At present, there are no major items of contention that would have a serious impact on business operations in particular.

We will continue striving to fulfill the terms of contracts sincerely in every kind of transaction in our future business undertakings. However, the possibility exists that we could be forced to litigate or take other legal action in response to actions by another party that violate an agreement. Likewise, we could be subject to litigation or other legal action due to differences in understanding with another party or their malicious intent. Furthermore, as a result of a lawsuit, for example, the public trust in our corporate group could be damaged and negative impacts on our business results and financial conditions could occur.

(12) Occurrence of accidents, system malfunctions and other incidents

In our corporate group, we advance our businesses with transportation businesses at our core, making safe transportation our supreme mission. Should an accident occur, not only would we invite a drop in public trust, great impacts on our business results could also result due to demands for damage compensation, for example. Moreover, should a system malfunction occur due to human causes or equipment failure, for example, not only would this cause our business operations to be impaired, costs, including those related to the restoration of facilities and transfer to other transportation, would also occur. As a result, the public trust in our corporate group could be damaged and negative impacts on our business results and financial conditions could occur. Accordingly, in order to prevent accidents and system malfunctions, we will make even more efforts for countermeasures, including the equipping, updating and regular maintenance of various

safety facilities and station equipment systems as well as providing thorough education for employees.

(13) Third-party actions, terrorist activity and similar concerns

For concerns such as accidents caused by third-party actions, the occurrence of terrorist activity, which is a source of worry in Japan, and unauthorized access, we are conducting measures that include strengthening vigilance for suspicious objects and patrols within facilities as well as ensuring information security. In the unlikely event that a terrorist act or similar incident should occur, however, the impacts could impair our business activities.

(14) Natural disasters and related issues

We have been systematically undertaking reinforcement of the earthquake resistance of railway facilities, starting with elevated bridge pillars, buildings and other infrastructure. The occurrence of a Nankai Trough earthquake, which could occur in the next decades, however, or similar seismic activity, as well as other natural disasters, including windstorms, torrential rains and flooding, could cause extensive impacts on the facilities and infrastructure of our company. Moreover, we have set countermeasure procedures for disasters, for example, as means to cope with the occurrence of an earthquake or other large-scale natural disaster as well as the occurrence of an incident such as those described in items (12) and (13). In addition, we have established a business continuity plan (BCP) that anticipates the occurrence of a large-scale earthquake, and we have formed countermeasures that include strengthening management systems to keep damage at a minimum. The extent of damage could become great, however, depending on factors such as the region, scale, season and time of occurrence. Moreover, even if our company suffers no direct damage, due to the impacts of a large-scale natural disaster, power supply could be limited and the procurement of necessary parts for train operation could become difficult, for example. These factors could significantly impair railway transport.

In addition, the spread of a new influenza virus or other communicable disease could have negative impacts on the business results and financial conditions of our corporate group.

(15) Compliance

At our corporate group, seeking to ensure corporate ethics, we are putting effort into awareness raising activities, including regularly conducting education related to compliance in order to maintain and advance compliance in our business. If serious improper or illegal behavior should occur, however, the public trust in our corporate group could be damaged and negative impacts on our business results and financial conditions could occur.

(16) Intellectual property management

In our corporate group, we handle not only the personal information of customers and employees in every business, we also possess confidential information and other important information. For this reason, we are formulating security policies with the goal of strengthening risk management and making related efforts, including educating employees. If information should leak for any reason, however, liability for damages could arise. Moreover, the public trust in our corporate group could be damaged and negative impacts on our business results and financial conditions could occur.

(17) Defects and faults in our assets, products and other items

Should defects or faults be discovered in assets that belong to our corporate group, or if they are identified as having the possibility of affecting health or the surrounding environment, for example, expenses could arise, including those necessary for compensation and reform or to restore things to their original states. Furthermore, if defects or faults should be discovered in something from our corporate group, including products and real estate sold, contracted construction work and services provided, this could have negative impacts on the business results and financial conditions of our corporate group due to the occurrence of expenses, including those necessary for reform or compensation, and damage to public confidence, for example.

Compliance

Promoting compliance-based management

Establishing our Code of Business Ethics

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

Code of Business Ethics

1. Safety is the Company's overriding priority; by working together we shall prevent accidents
2. We shall endeavor to maintain healthy and good relations with customers, business partners, shareholders and other members of society at large
3. As a good corporate citizen, we shall actively engage in philanthropic activities
4. We shall reject all contact with organizations involved in activities in violation of the law or accepted standards of responsible social behavior

Revised September 2001

Internal Reporting System

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

Inclusion of clauses for the exclusion of organized crime groups

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

Financial report

Business results

At our group, we continue to advance efforts for various measures based on our SHINTEN 133 Plan, which is the medium term business plan for which we have begun the second year.

Operating revenue for the consolidated fiscal accounting year increased ¥2.624 billion (1.2%) for a total of ¥221.69 billion compared to the previous consolidated fiscal accounting year. Operating income decreased ¥477 million (1.5%) for a total of ¥31.84 billion compared to the previous consolidated fiscal accounting year.

Non-operating income increased ¥81 million (6.4%) due to factors that included increased profit from the sale of non-current assets for a total of ¥1.351 billion compared to the previous consolidated fiscal accounting year. Moreover, non-operating expenses decreased ¥397 million (6.1%) due to factors that included decreased interest paid for a total of ¥6.08 billion compared to the previous consolidated fiscal accounting year. Ordinary income, with non-operating losses added to operating income, stayed the same (0.0% change) as the previous consolidated fiscal accounting year with a total of ¥27.111 billion.

Extraordinary income was ¥24.602 billion due to factors that included increased amounts of proceeds from contributions for construction, an increase of ¥19.649 billion (396.7%) compared to the previous fiscal year.

Extraordinary loss was ¥27.029 billion due to factors that included increased amounts of reduction entry of land contributions for construction, an increase of ¥12.337 billion (84.0%) compared to the previous fiscal year.

As a result, income before income taxes was ¥24.684 billion. Profit attributable to owners of the parent less income taxes-current, income taxes-deferred and profit attributable to non-controlling interests was ¥16.452 billion. This increased ¥3.839 billion (30.4%) since there were bookings of impairment losses due to decreased earnings, for example, from rental real estate, as an extraordinary loss in the previous consolidated fiscal accounting year. As a result of the above, net income per share was ¥29.03 and return on equity (consolidated ROE) was 8.1%.

Financial conditions

Total assets for this consolidated fiscal accounting year were ¥890.798 billion, a decrease of ¥3.823 billion (0.4%) compared to the previous consolidated fiscal accounting year.

Assets

Current assets were ¥83.47 billion, an increase of ¥3.894 billion (4.9%) compared to the previous consolidated fiscal accounting year.

Non-current assets were ¥807.327 billion, a decrease of ¥7.718 billion (0.9%) compared to the previous consolidated fiscal accounting year due to reductions in property, plants and equipment as a result of reduction entries accompanying the completion of the continuous grade separation project in Takaishi City (for the outbound line) and other factors. Within this, property, plants and equipment were ¥759.891 billion, a decrease of ¥11.939 billion (1.5%) compared to the previous consolidated fiscal accounting year.

In addition, investments and other assets were ¥37.623 billion, an increase of ¥3.517 billion (10.3%) compared to the previous consolidated fiscal accounting year due to factors that include increased values of stocks held.

Liabilities

Total liabilities for the consolidated fiscal accounting year were ¥671.509 billion, a decrease of ¥19.171 billion (2.8%) compared to the previous consolidated fiscal accounting year due to reductions, including in current liabilities as a result of the completion of the continuous grade separation project in Takaishi City (for the outbound line) and other factors. As a result, current liabilities were ¥190.491 billion, a decrease of ¥2.546 billion (1.3%), and long-term liabilities were ¥481.017 billion, a decrease of ¥16.625 billion (3.3%) compared to the previous consolidated fiscal accounting year.

The balance of borrowings and bonds payable for this consolidated fiscal accounting year were ¥478.198 billion, a decrease of ¥5.962 billion (1.2%) compared to the previous consolidated fiscal accounting year.

Net assets

The total of net assets for this consolidated fiscal accounting year was ¥219.288 billion, an increase of ¥15.348 billion (7.5%) compared to the previous consolidated fiscal accounting year. This was due to the inclusion of profit attributable to owners of the parent company and other factors even though there was a reduction due to retained earning dividends.

As a result of the above, total shareholder equity/total assets increased from 21.8% in the previous fiscal year to 23.5%, and net assets per share change from ¥343.47 to ¥369.15.

Net cash flow from investment activities

Funds used as a result of investment activities were ¥30.861 billion (compared to ¥29.030 in the previous consolidated fiscal accounting year). This was primarily due to expenses of ¥36.946 billion for the acquisition of non-current assets, as well as ¥4.836 billion in proceeds from contributions received for construction.

Net cash flow from financial activities

Funds used as a result of financial activities were ¥11.906 billion (compared to ¥17.047 billion in the previous consolidated fiscal accounting year). This was primarily due to factors that include expenses of ¥36.223 billion due to repayment of long-term loans payable and ¥5.074 billion in dividend payments, even though income from long-term loans was ¥29.304 billion.

Outlook for capital investments and related issues

We made a total of ¥36.792 billion in capital investments (including intangible assets) in this consolidated fiscal accounting year. In our transportation businesses, we invested ¥13.308 billion, primarily for construction related to railways including for safety measures, operation security and customer service improvements. We invested ¥16.841 billion in our real estate businesses on the rebuilding of the Nankai Kaikan Building and other projects, while we invested ¥5.102 billion in our retail businesses, including on renovating Namba CITY buildings and facilities. We also invested ¥1.361 billion in our leisure and service businesses, including earthquake reinforcement for Hotel Nakanoshima, ¥162 million in our construction businesses, and ¥16 million in other businesses.

Executive message

By steadily raising capital, we will continue working to further improve our financial foundations



Managing Director
Keiichi Iwai

With the number of foreign visitors to Japan increasing in recent years, the number of people using the Kansai International Airport has also been increasing. This has been favorable for the passenger count and income of our railways. Moreover, the merger of Semboku Rapid Railway Co., Ltd., which had become a subsidiary in July 2014, is advancing steadily, contributing to strengthening our revenue foundations. With a cash flow that has become more stable based on these conditions, our financial balance is also continuing to improve. The business results of fiscal 2016, which was the second year of our medium-term business plan, can also be said to have been generally positive.

With these results, our financial ratings, which have been an issue for many years, were also raised a rank with positive evaluations of our results to the present. The Japan Credit Rating Agency, Ltd. (JCR) raised it from BBB+ to A-, and Rating and Investment Information, Inc. (R&I) raised it from BBB to BBB+. I believe that the reason we received improved ratings in the stable direction is a result of being able to steadily strengthen our group management foundations.

On the other hand, since our ratio of dependence on borrowing is high given the special characteristics of our businesses, we need to lessen risks related to interest rate increases.

We will continue to seek to diversify our capital procurement methods and work to lower our interest-bearing liabilities/EBITDA ratio and further strengthen our financial health.

Consolidated Balance Sheets

(millions of yen)

	Previous consolidated fiscal year March 31, 2016	Current consolidated fiscal year March 31, 2017		Previous consolidated fiscal year March 31, 2016	Current consolidated fiscal year March 31, 2017
ASSETS			LIABILITIES		
Current assets:			Current liabilities:		
Cash and deposits	18,768	19,335	Notes and accounts payable-trade	22,827	20,364
Notes and accounts receivable-trade	21,421	22,314	Short-term loans payable	82,364	92,823
Merchandise and finished goods	24,563	25,369	Current portion of bonds	20,000	20,000
Work in process	447	704	Income taxes payable	4,204	5,113
Raw materials and supplies	2,627	2,825	Provision for bonuses	2,424	2,520
Deferred tax assets	2,450	2,078	Provision for loss related to reconstruction	29	—
Other	9,380	10,924	Other	61,188	49,668
Allowance for doubtful accounts	△84	△81	Total current liabilities	193,038	190,491
Total current assets	79,575	83,470	Non-current liabilities:		
Non-current assets:			Bonds payable	70,000	70,000
Property, plant and equipment:			Long-term loans payable	311,796	295,374
Buildings and structures, net	343,299	343,149	Deferred tax liabilities	46,688	47,191
Machinery, equipment and vehicles, net	22,100	23,754	Deferred tax liabilities for land revaluation	19,165	19,125
Land	353,214	354,354	Provision for loss related to reconstruction	—	336
Construction in progress	47,357	32,204	Net defined benefit liability	16,183	16,353
Other, net	5,858	6,429	Other	33,809	32,636
Total property, plant and equipment	771,830	759,891	Total non-current liabilities	497,643	481,017
Intangible assets	9,109	9,812	Total liabilities	690,681	671,509
Investments and other assets:			NET ASSETS		
Investments securities	24,180	27,877	Shareholders' equity:		
Long-term loans receivable	153	246	Capital stock	72,983	72,983
Net defined benefit asset	53	63	Capital surplus	28,089	28,089
Deferred tax assets	2,243	2,218	Retained earnings	58,128	69,559
Other	9,527	9,239	Treasury shares	△76	△104
Allowance for doubtful accounts	△2,053	△2,022	Total shareholders' equity	159,125	170,527
Total investments and other assets	34,105	37,623	Accumulated other comprehensive income:		
Total non-current assets	815,045	807,327	Valuation difference on available-for-sale securities	5,602	8,266
Total assets	894,621	890,798	Deferred gains or losses on hedges	0	—
			Revaluation reserve for land	31,830	31,752
			Remeasurements of defined benefit plans	△1,860	△1,306
			Total accumulated other comprehensive income	35,572	38,712
			Non-controlling interests	9,241	10,048
			Total net assets	203,939	219,288
			Total liabilities and net assets	894,621	890,798

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, 2015 To March 31, 2016)	Current consolidated fiscal year (From April 1, 2016 To March 31, 2017)
Operating revenue	219,065	221,690
Operating expenses:		
Operating expenses and cost of sales of transportation	179,680	181,962
Selling, general and administrative expenses	7,065	7,887
Total operating expenses	186,746	189,849
Operating income	32,318	31,840
Non-operating income:		
Interest income	22	28
Dividend income	670	656
Gain on sales of non-current assets	109	265
Miscellaneous income	467	399
Total non-operating income	1,269	1,351
Non-operating expenses:		
Interest expenses	6,081	5,427
Miscellaneous expenses	395	652
Total non-operating expenses	6,477	6,080
Ordinary income	27,110	27,111
Extraordinary income:		
Contribution for construction	4,434	22,415
Other	519	2,187
Total extraordinary income	4,953	24,602
Extraordinary losses:		
Reduction entry of land contribution for construction	4,392	22,327
Loss on retirement of non-current assets	1,116	2,120
Impairment loss	9,074	224
Other	109	2,357
Total extraordinary losses	14,691	27,029
Profit before income taxes	17,372	24,684
(Income taxes:)		
Income taxes-current	7,265	7,953
Income taxes-deferred	△3,085	△423
Total income taxes	4,179	7,530
Profit	13,192	17,154
Profit attributable to non-controlling interests	579	702
Profit attributable to owners of parent	12,612	16,452

Consolidated Statements of Comprehensive Income

(millions of yen)

	Previous consolidated fiscal year (From April 1, 2015 To March 31, 2016)	Current consolidated fiscal year (From April 1, 2016 To March 31, 2017)
Profit	13,192	17,154
Other comprehensive income:		
Valuation difference on available-for-sale securities	△2,862	2,767
Deferred gains or losses on hedges	0	△0
Revaluation reserve for land	1,000	△0
Remeasurements of defined benefit plans, net of tax	△3,935	557
Total other comprehensive income	△5,797	3,323
Comprehensive income	7,394	20,478
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	6,901	19,669
Comprehensive income attributable to non-controlling interests	492	809

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

Consolidated Statements of Changes in Equity

Previous consolidated fiscal year (from April 1, 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					Non-controlling interests	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		
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

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

(millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at March 31, 2016	72,983	28,089	58,128	△76	159,125
Changes of items during period:					
Dividends of surplus			△5,101		△5,101
Profit attributable to owners of parent			16,452		16,452
Reversal of revaluation reserve for land			77		77
Changes due to merger of consolidated subsidiary companies			2		2
Purchase of treasury shares				△30	△30
Disposal of treasury shares		0		2	2
Change in treasury shares of parent arising from transactions with non-controlling shareholders		△0			△0
Net changes of items other than shareholders' equity					
Total changes of items during period	—	0	11,430	△28	11,402
Balance at March 31, 2017	72,983	28,089	69,559	△104	170,527

	Accumulated other comprehensive income					Non-controlling interests	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		
Balance at March 31, 2016	5,602	0	31,830	△1,860	35,572	9,241	203,939
Changes of items during period:							
Dividends of surplus							△5,101
Profit attributable to owners of parent							16,452
Reversal of revaluation reserve for land							77
Changes due to merger of consolidated subsidiary companies							2
Purchase of treasury shares							△30
Disposal of treasury shares							2
Change in treasury shares of parent arising from transactions with non-controlling shareholders							△0
Net changes of items other than shareholders' equity	2,663	△0	△78	554	3,139	806	3,946
Total changes of items during period	2,663	△0	△78	554	3,139	806	15,348
Balance at March 31, 2017	8,266	—	31,752	△1,306	38,712	10,048	219,288

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, 2015 To March 31, 2016)	Current consolidated fiscal year (From April 1, 2016 To March 31, 2017)
Cash flows from operating activities:		
Profit before income taxes	17,372	24,684
Depreciation	25,519	26,032
Impairment loss	9,074	224
Amortization of goodwill	436	484
Increase (decrease) in provision for bonuses (△ is decrease)	97	94
Increase (decrease) in provision for loss related to reconstruction (△ is decrease)	△1,122	306
Increase (decrease) net defined benefit liability (△ is decrease)	△1,004	942
Increase (decrease) in allowance for doubtful accounts (△ is decrease)	△34	△34
Interest and dividend income	△692	△685
Interest expenses	6,081	5,427
Loss on retirement of non-current assets	1,099	1,748
Reduction entry of land contribution for construction	4,392	22,327
Proceeds from contribution for construction	△4,434	△22,415
Decrease (increase) in notes and accounts receivable-trade (△ is increase)	655	△1,886
Decrease (increase) in inventories (△ is increase)	1,314	△3,448
Increase (decrease) in notes and accounts payable-trade (△ is decrease)	△430	△631
Loss on valuation of inventories	617	2,018
Increase (decrease) in accrued consumption taxes (△ is decrease)	△1,737	299
Other, net	△1,364	△483
Subtotal	55,839	55,007
Interest and dividend income received	705	685
Interest expenses paid	△6,130	△5,489
Income taxes paid	△7,202	△7,448
Net cash provided by (used in) operating activities	43,212	42,753
Cash flows from investing activities:		
Decrease (increase) in short-term investment securities (△ is increase)	600	—
Purchase of non-current assets	△34,413	△36,946
Proceeds from sales of non-current assets	382	599
Proceeds from contribution received for construction	7,139	4,836
Purchase of investments in securities	△828	△26
Proceeds from sales and redemption of investment securities	877	442
Purchase of shares of subsidiaries resulting in change in scope of consolidation	△2,554	△260
Decrease (increase) in short-term loans receivable (△ is increase)	1	△0
Payments of long-term loans receivable	△11	△100
Collection of long-term loans receivable	19	14
Other, net	△244	579
Net cash provided by (used in) investing activities	△29,030	△30,861
Cash flows from financing activities:		
Net increase (decrease) in short-term loans payable (△ is decrease)	△17,330	925
Proceeds from long-term loans payable	46,770	29,304
Repayments of long-term loans payable	△52,550	△36,223
Proceeds from issuance of bonds	9,931	19,843
Redemption of bonds	—	△20,000
Cash dividends paid	△3,390	△5,074
Other, net	△478	△682
Net cash provided by (used in) financing activities	△17,047	△11,906
Net increase (decrease) in cash and cash equivalents (△ is decrease)	△2,865	△14
Cash and cash equivalents at beginning of period	21,160	18,294
Net increase (decrease) in cash and cash equivalents due to merger of consolidated subsidiary companies (△ is decrease)	—	61
Cash and cash equivalents at end of period	18,294	18,342

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

List of executives

As of September 29, 2017

Directors



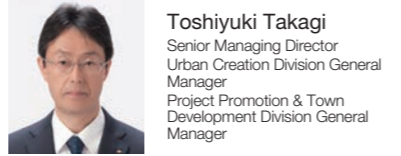
Teruhiko Achikita
President and CEO / SHINTEN
133 Planning & Management
Division/Audit Department
General Manager

- 1978/04 Joined Nankai Electric Railway
- 2009/06 Became Nankaishoji Co., Ltd. President
- 2012/06 Became Nankai Electric Railway Corporate Officer
- 2013/06 Became Nankai Electric Railway Director
- 2015/06 Became Nankai Electric Railway President and CEO (current position)
- 2015/06 Became SHINTEN 133 Planning & Management Division General Manager (current position)
- 2016/06 Became Audit Department General Manager (current position)



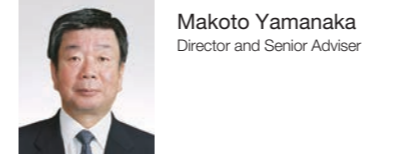
Tetsuro Kanamori
Senior Managing Director
Railway Business Division
General Manager
Business Promotion Division
General Manager

- 1981/04 Joined Nankai Electric Railway
- 2007/06 Became Nankai Electric Railway Corporate Officer
- 2007/06 Became Nankai Electric Railway Administrative Planning Department Chief Manager
- 2008/06 Became Chief Manager of KENSHIN 126 Planning & Management Division
- 2009/06 Became Nankai Electric Railway Director
- 2011/06 Became Nankai Electric Railway Managing Director
- 2013/06 Became Railway Business Division General Manager (current position)
- 2015/06 Became Nankai Electric Railway Senior Managing Director (current position)
- 2017/06 Became Business Promotion Division General Manager (current position)



Toshiyuki Takagi
Senior Managing Director
Urban Creation Division General
Manager
Project Promotion & Town
Development Division General
Manager

- 1983/04 Joined Nankai Electric Railway
- 2009/06 Became Nankai Electric Railway Corporate Officer
- 2009/06 Became Chief Manager of KENSHIN 126 Planning & Management Division
- 2010/06 Became Corporate Planning & Management Division Chief Manager
- 2011/06 Became Nankai Electric Railway Director
- 2013/06 Became Nankai Electric Railway Managing Director
- 2015/06 Became Project Promotion & Town Development Division General Manager (current position)
- 2017/06 Became Nankai Electric Railway Senior Managing Director (current position)
- 2017/06 Became Urban Creation Division General Manager (current position)



Makoto Yamanaka
Director and Senior Adviser

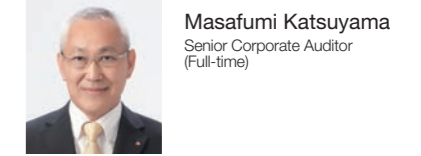
- 1965/04 Joined Nankai Electric Railway
- 1991/04 Became Railway Business Department Chief Manager
- 1995/06 Became Nankai Electric Railway Director
- 1997/06 Became Nankai Electric Railway Managing Director
- 2001/06 Became Nankai Electric Railway President
- 2007/06 Became Nankai Electric Railway Chairman of the Board of Directors and CEO
- 2015/06 Became Nankai Electric Railway Chairman of the Board of Directors
- 2017/06 Became Nankai Electric Railway Director and Senior Adviser (current position)

Auditor



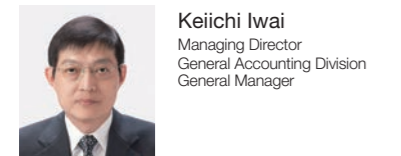
Takaichi Fujita
Senior Corporate Auditor
(Full-time)

- 1975/04 Joined Nankai Electric Railway
- 2003/06 Became Namba Parks Sales Planning Department Chief Manager
- 2007/06 Became Nankai Urban Development Co., Ltd. Managing Director
- 2008/06 Became Nankai Electric Railway Senior Corporate Auditor (full-time) (current position)



Masafumi Katsuyama
Senior Corporate Auditor
(Full-time)

- 1977/04 Joined Nankai Electric Railway
- 2010/10 Became Namba & SC Business Division Planning Department Chief Manager
- 2011/06 Became Nankai Travel International Co., Inc. Director and President
- 2012/06 Became Nankai Electric Railway Senior Corporate Auditor (full-time) (current position)



Keiichi Iwai
Managing Director
General Accounting Division
General Manager

- 1983/04 Joined Nankai Electric Railway
- 2009/06 Became Accounting & Finance Department Chief Manager
- 2011/06 Became Nankai Electric Railway Director
- 2011/06 Became General Accounting Division General Manager (current position)
- 2013/06 Became Nankai Electric Railway Managing Director (current position)



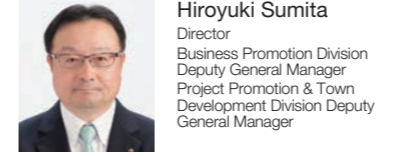
Naoto Ashibe
Managing Director
SHINTEN 133 Planning &
Management Division General
Manager
Corporate Planning &
Management Division General
Manager

- 1984/04 Joined Nankai Electric Railway
- 2006/06 Became Subsidiary Affairs Division Chief Manager
- 2011/06 Became Nankai Ferry Co., Ltd. President
- 2013/06 Became Nankai Electric Railway Corporate Officer
- 2015/06 Became Nankai Electric Railway Director (current position)
- 2017/06 Became Nankai Electric Railway Managing Director (current position)
- 2017/06 Became SHINTEN 133 Planning & Management Division General Manager (current position)
- 2017/06 Became Corporate Planning & Management Division General Manager (current position)



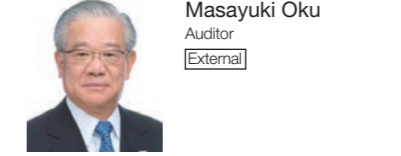
Koyo Uraji
Managing Director
General Affairs Division General
Manager
CSR Promotion Division General
Manager
Tokyo Regional Office Branch
Manager and Wakayama Regional
Office Branch Manager

- 1986/04 Joined Nankai Electric Railway
- 2011/06 Became Personnel Department Chief Manager
- 2015/06 Became Nankai Electric Railway Director
- 2015/06 Became General Affairs Division General Manager (current position)
- 2015/06 Became Tokyo Regional Office Branch Manager (current position)
- 2015/06 Became Wakayama Regional Office Branch Manager (current position)
- 2017/06 Became Nankai Electric Railway Managing Director (current position)
- 2017/06 Became CSR Promotion Division General Manager (current position)



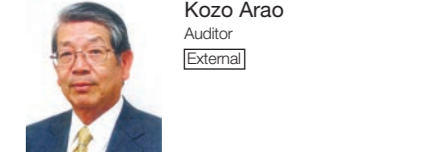
Hiroyuki Sumita
Director
Business Promotion Division
Deputy General Manager
Project Promotion & Town
Development Division Deputy
General Manager

- 1980/04 Joined Ministry of Transport
- 1996/04 Became Kansai International Airport Co., Ltd. Terminal Sales & Marketing Department Aeroplaaza Business Operation Section Manager
- 2011/06 Became Executive Officer of the same company
- 2016/04 Became Executive Officer of Kansai Airports (Deputy COO-Aeronautical)
- 2016/07 Joined Nankai Electric Railway
- 2016/07 Became Nankai Electric Railway Corporate Officer and Administrative Planning Department Chief Manager
- 2017/06 Became Nankai Electric Railway Director (current position)
- 2017/06 Became Business Promotion Division Deputy General Manager (current position)
- 2017/06 Became Project Promotion & Town Development Division Deputy General Manager (current position)



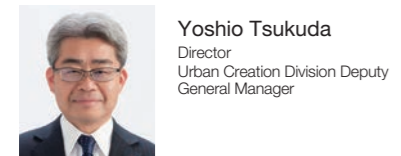
Masayuki Oku
Auditor
External

- 1968/04 Joined Sumitomo Bank, Limited
- 1994/06 Became Director of the same bank
- 1998/11 Became Managing Director of the same bank
- 2001/01 Became Senior Managing Director of the same bank
- 2001/04 Became Senior Managing Director of Sumitomo Mitsui Banking Corporation
- 2002/12 Became Senior Managing Director of Sumitomo Mitsui Financial Group, Inc.
- 2003/06 Became Deputy President of Sumitomo Mitsui Banking Corporation
- 2005/06 Became President and Chief Executive Officer of the same bank
- 2005/06 Became Chairman of the Board of Directors (Representative Director) of Sumitomo Mitsui Financial Group, Inc.
- 2008/06 Became Nankai Electric Railway Auditor (current position)
- 2011/04 Became Chairman of the Board of Directors of Sumitomo Mitsui Financial Group, Inc.
- 2017/04 Became Director of the same company
- 2017/06 Became Honorary Consultant of the same company (current position)



Kozo Arai
Auditor
External

- 1971/07 Became a registered lawyer
- 1996/04 Became President of the Osaka Bar Association
- 2010/06 Became Nankai Electric Railway Auditor (current position)



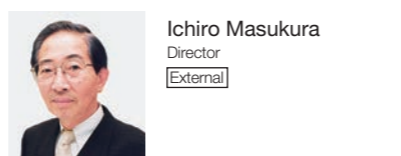
Yoshio Tsukuda
Director
Urban Creation Division Deputy
General Manager

- 1985/04 Joined Nankai Electric Railway
- 2014/06 Became Izumiyaoka Project Planning Department Chief Manager
- 2017/06 Became Nankai Electric Railway Director (current position)
- 2017/06 Became Urban Creation Division Deputy General Manager (current position)



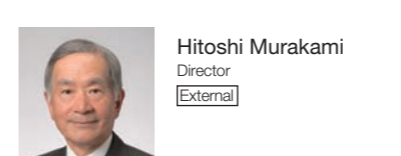
Satoshi Kajitani
Director
Railway Business Division Deputy
General Manager
Project Promotion & Town
Development Division Deputy
General Manager

- 1987/04 Joined Nankai Electric Railway
- 2016/06 Became Administrative Planning Department Chief Manager
- 2017/06 Became Nankai Electric Railway Director (current position)
- 2017/06 Became Railway Business Division Deputy General Manager (current position)
- 2017/06 Became Project Promotion & Town Development Division Deputy General Manager (current position)



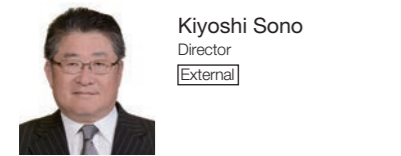
Ichiro Masukura
Director
External

- 1961/03 Joined Takashimaya Company, Limited
- 2001/03 Became Takashimaya President and CEO
- 2003/03 Became Chairman of Takashimaya Board of Directors
- 2004/06 Became Nankai Electric Railway Auditor
- 2005/03 Became Director and Senior Adviser of Takashimaya Company, Limited
- 2005/06 Became Nankai Electric Railway Director (current position)



Hitoshi Murakami
Director
External

- 1964/04 Joined Sumitomo Mitsui Trust Bank
- 1998/03 Became Chairman of Takashimaya Board of Directors
- 2005/06 Became Special Consultant of the same company
- 2011/06 Became Nankai Electric Railway Director (current position)
- 2012/04 Became Special Consultant of Sumitomo Mitsui Trust Bank (current position)



Kiyoshi Sono
Director
External

- 1976/04 Joined Sanwa Bank, Limited
- 2004/05 Became UFJ Bank Limited Director
- 2006/01 Became Bank of Tokyo-Mitsubishi UFJ, Ltd. Director
- 2006/05 Became Managing Director of the same bank
- 2010/05 Became Senior Managing Director of the same bank
- 2012/05 Became Managing Director of Mitsubishi UFJ Financial Group, Inc.
- 2012/06 Became Bank of Tokyo-Mitsubishi UFJ, Ltd. Deputy President
- 2014/05 Became Deputy Chairman of the same bank
- 2014/06 Became Chairman of the Board of Directors of Mitsubishi UFJ Financial Group, Inc.
- 2015/06 Became Director and Chairman of the board at the same company (current position)
- 2017/06 Became Nankai Electric Railway Director (current position)
- 2017/06 Became Bank of Tokyo-Mitsubishi UFJ, Ltd. Deputy Chairman (current position)

Corporate Officer

Masaaki Masumoto
Nankai Bus Co., Ltd. President

Makoto Nakabayashi
Safety Planning & Management Department Chief Manager

Koji Matsukawa
Nankai Fudosan Co., Ltd. President

Toshiaki Fukuchi
Inbound Department Chief Manager

Ken Ito
Nankaishoji Co., Ltd. President

Nobuhiko Tauchi
Accounting & Finance Department Chief Manager

Yasuhito Kiyohara
Namba Planning Department Chief Manager

Tetsuhiro Nishiyama
Facilities Department Chief Manager

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.

Continuing from the previous year, this will be my second time to provide a third-party perspective on the CSR Report of Nankai Electric Railway. My company, Amita, has been allowed to support your company for many years in promoting environmental management overall, including education and measures concerning the Waste Management and Public Cleansing Law. Last year, I identified three points for future improvement. The first was to create common shared value (CSV) businesses that solve environmental problems and social issues. The second was to proactively promote the utilization of female employees, and the third was the need to create a long-term vision for environmental policies through 2050. In this CSR report, I would like to reflect on how your company has changed in this one year.

The first thing that I noticed was in the “Advancing the utilization of renewable energy sources” on the Feature pages (P15-16). I felt the enthusiasm that your company has to work proactively for environmental businesses going forward. The Paris Agreement, which set efforts for every country for reducing emissions of greenhouse gases, was adopted at a United Nations meeting in December 2015. By October 2016, your company completed a solar power generation plant that utilizes a feed-in tariff (FIT) system for renewable energy on company property in Misaki-cho, Osaka Prefecture. I am very happy that your company has in fact proactively begun undertaking CSV businesses as I had recommended in the report last year. Moreover, in the environmental field, your establishing a long-term vision with measures for the environment by creating the Nankai Environmental Vision 2030 (P40) and implementing them as a unified company is also very pleasing. In particular, you established four environmental issues for your company: ① suppressing global warming, ② realizing a recycling-oriented society, ③ preserving biodiversity, and ④ deepening environmental management. By doing this, you have arranged various measures for the environment in an easy to understand format, enabling stakeholders to be conscious of the direction in which the company should advance in the future. I also identified the

utilization of female employees as an issue last year. Although the number of female employees increased slightly (P4), the ratio of females among newly hired college graduates was about 30% this year, suggesting that results should steadily become apparent in the future. Compared to the previous year, I felt that CSR efforts were extensive throughout the entire report, which has more pages overall. In addition to safety, the environment, customers, employees and governance, which are items that you have been using since before last year, you added “local communities” as a new item (P43-44)*. I understand this to be a strong message about local communities being a priority for your company. (* Not described in English version) In particular, in the “Message from the president” (P5-10), with fiscal 2017 being the last year of your SHINTEN 133 Plan medium term business plan, you reflected on how good business performance resulted from your three fundamental policies to “strengthen Semboku-related business,” “expand Kansai International Airport and inbound tourism business” and “increase the drawing power of the Namba area.” Something that deserves special mention is that, at a time when business misbehaviors have been increasingly coming to light, your company has strengthened systems for promoting CSR, creating a new Safety Planning & Management Department and a new CSR Promotion Division as organizations dedicated to the CSR perspective. Moreover, in his message, the president strongly expressed that the company will continue to promote CSR based on group business guidelines. Earning the trust of stakeholders through corporate social responsibility should surely lead to long-lasting businesses. For this reason, I will use this opportunity to offer three pieces of advice for your company to earn the trust of even more stakeholders. The first is that I would like you to be even more proactive than you have been so far in adopting global perspectives. In the railroad industry, business is focused on the domestic market, so it tends to have an inward-looking perspective. Recently, however, Japan has come to be known as a tourist destination with about 24 million foreigners visiting the

country in 2016. Moreover, the Tokyo Olympics will be held in 2020 and the number of foreign visitors should increase even more. Given these external conditions, we can probably expect that businesses will also need to turn their attentions to efforts for globalization. For example, sustainable development goals (SDGs) are international goals for 2016 to 2030 that were codified in the 2030 Agenda for Sustainable Development, which was adopted at a United Nations summit in September 2015. The number of businesses that are advancing the SDGs is increasing, and perhaps your company could also actively take them on. The SDGs are comprised of 17 goals and 169 targets for the realization of a sustainable planet, and they expect efforts towards social issues and environmental problems throughout the world. I truly hope that your company also advances efforts that consider SDGs. Second, following on the utilization of female employees in the previous year, you could actively promote diversity when hiring new employees, for example. In this report, measures for foreign visitors to Japan is discussed (P33). In order to handle even more inbound demand in the future, perhaps

you should also consider actively employing people from other countries when hiring new graduates and people with work experience. By increasing diverse personnel, I believe that innovation that had not existed previously will be generated and you will be able to grasp opportunities for further inbound demand. As a result, your company should be able to grow into a sustainable business by earning the confidence of society. Finally, although it might seem to be the opposite of the first point, I believe you should seek even more to be a business that actively strives to resolve problems that are rooted in communities along your train lines. For the railway industry, relations with residents along train lines are obviously very important. If the birth and employment rates, for example, of residents along train lines increase, this should eventually be reflected in the earnings of the company. For this purpose, efforts to resolve local issues and enrich the lives of residents along train lines, and also enrich your company and finally enrich society will become increasingly important. I have great expectations for your efforts in the next fiscal year.

Response to third-party comments



Koyo Uraji

Nankai Electric Railway Co., Ltd.
General Affairs Division General
Manager and CSR Promotion
Division General Manager
Tokyo Regional Office Branch
Manager and Wakayama
Regional Office Branch Manager

We have once again delivered a CSR report this fiscal year. Continuing from last year, we have had Mr. Inomata from Amita Corporation provide us with a variety of opinions about CSR as a whole from an expert perspective. We are very grateful for his comments. We have written about the progress status of our Medium Term Business Plan as we face its final fiscal year, 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, last fiscal year we changed the format to include a message from the president that more powerfully conveys his business guidelines and vision to the readers. This fiscal year, we have included messages from all our full-time executives in order to communicate the business guidelines

of our management even more clearly. Moreover, in the third-party opinion last year, we were advised to comprehend and revise the business frame for our company by backcasting from a long-term vision to 2050. As the first stage of this, we established our Environmental Vision 2030 for the environmental field. We will also consider the advice we received about SDGs this fiscal year and make efforts in the future. Moreover, inbound demand affecting our company is becoming a great source of revenue, and responding to foreigners visiting Japan is an issue that, along with invigorating areas along our train lines, cannot be ignored in consideration of the future of our company. I believe we should conduct our work every day with even broader and longer views as we continue to pursue sustainability. Furthermore, as we continue to welcome diverse customers, I want to cooperate with local governments and residents along our train lines as well as with visitors to make abundant communities where the lives of residents are enriched and to increase values in these communities. In recent years, employment of women who have just graduated has increased, and women have been working and contributing in various workplaces. Our company overall, however, still has a relatively low ratio compared to in other industries. In the future, through “reforms and working methods and changes in personnel,” “the promotion of CSR management” and other measures, we will continue to focus on efforts that keep the environment, society and governance in mind.