



Corporate Social Responsibility Report 2013



Nankai Electric Railway Co., Ltd.

With expertise and dynamism, forging the way to the future

The Nankai Electric Railway shall act together with our regional society to actively protect and reduce the burden on the environment through the provision of a public transportation service that is kind to the environment.

Through our daily business activities, we are contributing to the creation of a comfortable and attractive lifestyle for the people in our region.



Corporate Outline

| | |
|---------------------|--|
| Company Name | Nankai Electric Railway Co., Ltd. |
| Established | December 1885 |
| Head Office | 2-1-41 Shikitsu-higashi, Naniwa-ku, Osaka, 556-8503, JAPAN http://www.nankai.co.jp/ |
| Website | http://www.nankai.co.jp/ |
| Paid-in Capital | ¥63,739,030,000 |
| Operating Profit | ¥88.7 billion |
| No. of Shareholders | 55,190 |
| No. of Employees | 2,975 (Including 336 staff on loan) |
| Managed track | 154.8km |
| Rolling Stock | 706 |

(As of March 31, 2013)

Status of the Corporate Group

(No. of Consolidated Employees 8,209) As of March 31, 2013

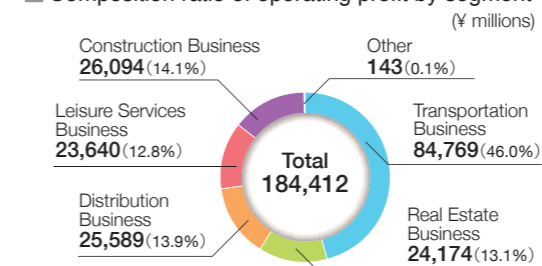
| Business Segment | (No. of Companies) | Description |
|-----------------------|--------------------|--|
| Transportation | 31 | Railways, rail track management, buses, ocean freight, cargo transportation, train maintenance businesses |
| Real Estate | 4 | Real estate leasing, real estate sales |
| Distribution Business | 8 | Shopping Center management, Business operations inside the Station Concourse |
| Leisure and Services | 23 | Amusement Park management, travel agency, hotels and <i>ryokan</i> Japanese inns, Leasing of facilities for motorboat racing, building management and maintenance businesses, printing, advertising agency |
| Construction | 5 | Construction |
| Other | 4 | Accounting and Data Processing Agency Services |

* The Nankai Electric Railway Co. Ltd. is counted on more than one occasion in the company totals shown above.

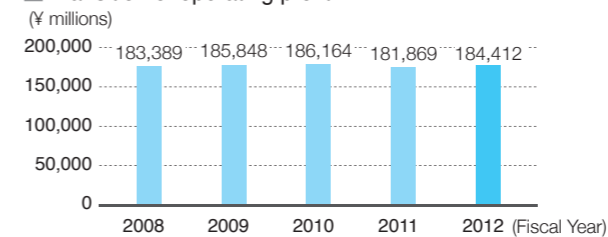
* Subsidiary companies and affiliates are also included in the totals shown above.

Financial Status (Consolidated Results for fiscal 2012) (From April 1, 2012 to March 31, 2013)

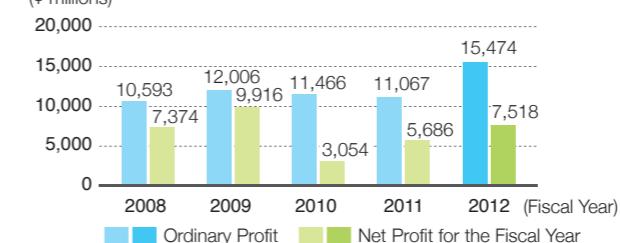
Composition ratio of operating profit by segment



Transition of operating profit



Transition of ordinary profit and net profit for the fiscal year



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Editorial Policy

This CSR report has been published as a tool to facilitate communication with our stakeholders. This document introduces our policies and the state of our activities with regard to CSR, including our relationship with society, with content centered on our Safety Information Report as well as our efforts for environmental preservation, etc.

Applicable Term

The applicable term of this report refers to fiscal 2012 (running from April 1st 2012 to March 31st 2013), but some sections of this report also covers matters outside of this stated time span.

Scope of the Report

This report covers issues related to the Nankai Electric Railway Co., Ltd., however some CSR activities of companies that make up the corporate group are also mentioned in this report.

Referenced Guidelines

This report references the 'Environmental Accounting Guidelines Ed. 2005' as published by the Ministry of the Environment and conforms with the 'Environmental Accounting Guidelines for Private Railway Businesses Ed. 2008' as published by the ASSOCIATION OF JAPANESE PRIVATE RAILWAYS. GRI Sustainability Reporting Guidelines Edition #3 (G3) ISO26000 (Japanese Standards Association)

New possibilities for business-academia collaborations

— Measures to revitalize communities on the Nankai line

With Japan's population currently on a decreasing trend, one of the social missions of a railway company is to find ways to revitalize the communities that live next to our rail network. As part of these measures, the Nankai Electric Railway has teamed up with a University that is situated near the Nankai rail network and together we are searching for new ways to approach urban planning.

With regard to how business-academia collaborations will be formed going forwards, Shinji Watari, the President of the Nankai Electric Railway, sat down to discuss this issue with Taketoshi Okuno, the Chairman and President of Osaka Prefecture University, a public university corporation.

Looking to revitalize communities along the Nankai line through business-academia collaborations

Watari — In 2011 Nankai Electric Railway and Osaka Prefecture University entered into an Agreement to Collaborate on Regional Revitalization and we became involved in projects to revitalize Osaka's "Minami" district and the south Osaka area, including the regions and communities down there. I feel there are great possibilities for how the academic and business collaboration between our railway company and your university can develop going forward.

President Okuno — Looking at the issue of business-academia collaboration from the university's perspective, the background on our side is that with the changing times we have found that the role that the university plays is undergoing significant change. With that in mind, we cannot overlook the significant changes that have occurred with regard to the media and the influence

that the media has on our society. In the past, if you mentioned media, the image that came to mind was the printed work as invented by Gutenberg and his printing press. However, with the advent of the Internet, things have changed dramatically. Accordingly, what society requires from its universities has also changed.

When the number of people going up to university to study was extremely limited, university students and graduates were really the intellectual elite, and society asked that these people specialize in researching a specific field. On the other hand, today when over 50% of people began to attain entry to university; simply having these students choose a specific field to research did not sufficiently serve the needs of society. An example of this issue would be the poor measures implemented to deal with the nuclear incident in Fukushima.

Nowadays, academia and universities can no longer represent some kind of ivory tower; instead we need to carry out the research that society requires, as well as fostering the human resources that our society needs. It is

essential that society be replenished in this way. As a result, one of the missions of the Osaka Prefecture University is that our educational research be allowed to positively impact and contribute to our local communities, as we aim to become the "Number One University for Contributing to Our Local Community". One part of our efforts to make this happen is our business-academia collaboration with the Nankai Electric Railway Company.

Watari — For us too, with all the understanding and support that we get from our local communities, there is no question that we would look to continue our business activities. Similar to your experience as a university, one of our most significant issues is how we at Nankai can best respond to the needs of society. Our collaboration with Osaka Prefecture University is something of a testing ground for us in terms of giving us a different perspective as to we can best respond to the new needs of society.

President Okuno — In the past, if you were to think of the relationship between corporations and universities, I think the image would have been of universities looking upon things from up on high. However, in recent years the relationship between corporations and universities has become more balanced as we try to develop into communities, which has been the driving force behind the collaborations that we are seeing between business and academia. Originally, most of the collaborations between business and academia were in the area of manufactured goods. The collaboration that we have built with the Nankai Railway – this is a rare form of collaboration, which means in itself that there are many possibilities for us to build something new and unique together.

For example, our University, the Nankai Electric Railway and Kawachinagano City in Osaka Prefecture have entered into an agreement to work together on urban planning projects. In July 2013 we held an exhibition and mini event with the title: "Departing Namba For Kawachinagano –

Getting a Message Across about a Fascinating Place" – this event focused on the people and things about this city and was designed to highlight the interesting and attractive aspects of Kawachinagano City. Thanks to the approach that we took, we look forward to creating similar collaborations between business and academia that have not existed beforehand.

Watari — I agree – due to our involvement in this project, we were able to transmit a message about interesting and remarkable things related to communities living along the Nankai line. I believe that this is directly connected to raising the value of these communities.

We are entering an era where the population of Japan will decrease, and finding ways to invigorate the communities that live on and near our rail network is going to become a significant issue for us as a railway company. I feel that we can put our efforts into these collaborations between business and academia and that as a result we can do something to increase the number of people that feel some sort of connection with these towns and cities; we can increase the number of people that think "I'd like to live in this town".

A Concept called Community Design

President Okuno — We don't intend to stop what we started at Kawachinagano City. I think we can find something interesting and attractive to highlight about all of the communities that live next to the Nankai line. I feel these are messages that we can work together to transmit. I believe our university can contribute to a new form of urban planning – what we can refer to as community design – through these collaborations between business and academia.

Watari — When our economy was growing, we built the



Shinji Watari

President and COO,
Nankai Electric Railway Co., Ltd.

Prof. Taketoshi Okuno

Chairman & President
Osaka Prefecture University

railroad and the number of passengers increased naturally over time. However, as the current population trends are decreasing, we find we need to create new needs for transportation. At this time of great peril to our country and society, it is time for government, universities and railway companies to join forces and work on urban planning projects.

President Okuno — Looking back over the long history of the Nankai Electric Railway, I think that as a railway company you have indeed made a positive contribution to urban planning. Also, I believe that we need new, fresh perspectives on urban planning, that is what is called for right now.

One example of this would be the redevelopment of the area surrounding Shirasagi Station on the Nankai Koya Line in Sakai City, Osaka Prefecture. Our university has teamed up with the local authority as well as companies and we want to examine the issue of a "New Paradigm for Urban Planning". We are looking for new ideas, new concepts about the role of core facilities such as stations. If this collaboration goes well, we want to implement the same approach with Senboku New Town.

Watari — The area surrounding Shirasagi Station was developed in the late 1950's and early 1960's. The housing complexes that were built then have become old and decrepit and this is an issue. From our point of view at Nankai, we want to see a new town appear out of this, so first we need to think about what the station can do for the town.



President Okuno — The traditional approach to town planning tends to follow the theory that resident services are best examined through the perspective of administration and business. From our side, we are not simply looking at services that are visible; what we want is to help develop communities that make it desirable to live in these areas. These baby boomers who were so motivated by their working lives – how can we get them motivated about their communities? One thing to consider in all this is that the station can be at the heart of a community.

Watari — As you say, a station is a place where lots of people gather, which means there are many possibilities there. In particular, with our current aging society, we need to find ways to motivate people who have retired from their working lives, to give them a reason to live and enjoy life. That is something I think we can do with a station for these communities.

Furthermore, in addition to addressing the issue of our aging society, another matter is the role and advancement of women in our society – I feel this is also something that our railway business needs to help and support. I plan to address this through collaboration between business and academia.

President Okuno — The needs and requirements of town planning change with the times. To date, these needs have focused mostly on hardware, such as urban facilities, etc. Going forward I believe that we need to place emphasis on supporting communities, or how people interact with each other. I think this is something I hope the Nankai Electric Railway will also realize the importance of.

Creating excitement in the Namba Area

President Okuno — In April 2013, our university opened a new campus location, called I-site Namba, in the Nankai Namba No. 1 Building, located in Naniwa Ward, Osaka City. This location was chosen as a place to develop intellectual activity in the "Minami" district of the city, starting with Namba. In the future, we will look to consider measures to enhance the attractiveness of Namba together with the Nankai Electric Railway.

With regard to I-site Namba, our hopes for this new location rest not with the facilities themselves, but with the desire that I-site Namba becomes a place where people can meet and exchange, thus creating new value. For example, inside the building we have created the Town Library @ Osaka Prefecture University, with the aim of connecting people through books. We have already initiated exchanges with high school students in our neighborhood. Looking to the future, we will continue our activities together with these local communities as a whole.

Watari — The same is true for Nankai – we are continuing to be involved in creating excitement for the Namba Area. We have already promoted a re-zoning project for the old Osaka baseball stadium site and we are operating a large-scale shopping mall, Namba Parks. Also, as Namba is traditionally a place where people involved in showbiz gather, Zepp Namba (OSAKA) - a live music venue – has recently opened. In addition, I-site Namba has also been invited to act as a base for several collaborations between business and academia.

By creating bases for collaboration like this, our idea is that these projects will extend beyond southern Osaka and that we can continue to stimulate areas into exciting locales that people would want to visit on a round trip. As the rivalry between downtown districts in Osaka ramps up, the southern part of the city needs to find a way to distinguish itself from the northern part.

President Okuno — With regard to students these days, one really feels the speed with which students today exchange information, which is referred to as the "Internet Generation". As phenomena such as Twitter and Facebook show, people have the power to share information about an event with a huge number of people in the blink of an eye. For example, it seems that any photos taken with a student and me are up on the web in an instant <laughs>. In terms of what we can contribute to society, the university should find a way to harness the energy of our students. In other

words, I feel that the university could open up all sorts of possibilities by becoming a locus for social business.

Watari — These days, people like to say that our person-to-person interactions have become too superficial. On the other hand, people seem to need to feel connected more than ever. In the same way that Osaka Prefecture University is pushing forward with giving more emphasis to the way we connect with local communities and society, railway companies have realized how important it is for people to meet and share. I hope that is something that is clearly understood as we look to create a new, lively Namba Area.

Promoting the business of tourism

Watari — In order to contribute to the economic revitalization of the Kansai Region, including the communities next to our rail network, we believe that involvement in the tourism business is indispensable.

President Okuno — If that is the case then I think we need to reexamine what tourism means in this day and age. Tourism – the word as it exists in Japanese – comes from the ancient Chinese classic the I Ching, where the implied meaning is to see what the light of the country looks like there. At our new location at I-site Namba we have established a Travel and Tourism Industry Strategic Research Center, where we engage in research into the wider possibilities for "tourism" and what this means for the tourist industry as a whole.

For example, when we have undertaken surveys of non-Japanese asking about their needs with regard to visiting Japan for tourism, issue number one in terms of importance is "food", issue number two is "shopping" – and this was regardless of the respondents' home country. From issue three onwards, the answers vary depending on where the respondent came from, but the expectations with regard to Japan are common to all tourists. If we are looking to develop the tourism business, then I think that these are the important issues that we need to consider when getting involved in urban planning.

Watari — The Rinshin 130 mid-term business plan has as its fundamental policy direction: "The Promotion of Tourism and Inbound Business". The Japan Tourism Agency, part of the Ministry of Land, Infrastructure, Transport and Tourism, has set a target of 30 million foreign tourists to visit Japan in 2030. In order to achieve this target, plans have been made to improve the competitiveness of the Kansai International Airport on the international stage, and there has been a review of the rail systems used to transport passengers to/from KIX and Namba.

With regard to promoting inbound travel, this is a plus for both our railway company and for the communities alongside our rail network. By growing the tourism business we will create opportunities for employment as well as helping stimulate industries related to tourism.

President Okuno — Looking at the rail network of the Nankai Electric Railway, I can see that there are many sightseeing destinations on your network that would be of interest to foreign visitors. For example, it seems that for visitors from Europe and the United States Koya-san



almost has a mystical presence as a sacred site to visit. When people visit Koya-san, they seem to take something of Koya-san away with them, one could say that it stays with them. Looking at the trends in tourism over the past few years, these people are not just on a leisurely jaunt through Japan, it seems that they want to experience something, that their needs encompass more than just "seeing". When the trend toward participatory tourism intensifies, then we need to recognize that the state of tourism as a business is also changing.

We often say to our students: "You can see Asia from Namba". Of course, with Namba being connected by rail to KIX, all the countries in Asia are accessible from Namba. Our students need to have a global perspective when standing in Namba, as this is going to be essential when reexamining the tourism business going forward.

One more thing I should mention is concern for the environment.

Watari — As you rightly state, if we cannot find a way to share the environment with the way we live, we will not be viewed kindly by the rest of the world and people will not want to come and visit. In particular, we have to be sensitive to the environmental needs of UNESCO World Heritage sites like Koya-san.

We engage in our business whilst maintaining a concern for the environment. For example, take Namba Parks – we planned and installed a roof garden as part of our aim to develop a facility in harmony with nature. Furthermore, in April 2013, we received carbon offset credit certification from the Ministry of the Environment in accordance with the Offset Credit J-VER System for the afforestation project that we have running at Nankai no Mori at Gomadanzan. We were the first rail company to receive this certification.

President Okuno — Universities and companies have no choice but to embrace a broad view of the environment in order to make a sustainable society a reality. It is because of this attitude that we are able to enjoy the beautiful views of nature that we have now. Because we are aiming for a society where tourism and the environment can exist in harmony, we can attract large numbers of people from overseas to come and visit Japan.

Watari — After talking to you, I feel that I have a new set of mission goals that I need to take to heart as someone involved in the railway industry. Thank you so much for your time today.

(Interview took place on August 5, 2013 at I-site Namba, Osaka Prefecture University)

Special Report

Environmental Activities at Nankai no Mori

The Nankai Group is striving to preserve the natural environment through its forest management project Nankai no Mori at Gomadanzan. Concerning the CO₂ absorbed by the trees that have been planted at Nankai no Mori, on March 12, 2013, the Ministry of the Environment issued certification to the Nankai Group in accordance with the Offset Credits (J-VER) System. This was the first time that this certification has been issued to a railway company.

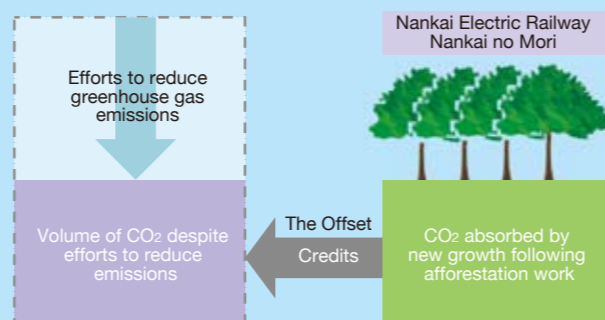


Attaining certification in accordance with the Offset Credits (J-VER) System

In order to promote measures to counter global warming, the Ministry of the Environment established the J-VER System in 2008. The system awards credits for the amount of carbon offset* – meaning the amount of greenhouse gases removed or absorbed by a project using biomass or afforestation within Japan.

The credit certification attained by the Nankai Group was for the work done at the afforestation project at Nankai no Mori on Gomadanzan. At this area of woodland owned by the Nankai Electric Railway, 111.23ha of forest has been maintained through tree-thinning activities, etc. between 2007 and 2012. Thanks to these tree-thinning activities, the remaining trees have been encouraged to grow and as a result they have absorbed more CO₂, which is why the credit certification was awarded. The amount of CO₂ credited on the certification was 1,928t – CO₂.

Meanwhile, now that the project has been registered with the J-VER system, in fiscal 2013 this will be merged with the domestic credit system, which will continue as the J-Credit System going forward.



*Carbon Offset here refers to efforts to reduce the amount of greenhouse gases such as CO₂, etc. whose emissions are deemed unavoidable due to day-to-day lifestyle or economic activities, and for greenhouse gas emissions that cannot be avoided, it can be offset by investment in activities to reduce a similar amount of greenhouse gas emissions. The concept is to cancel out the amount of greenhouse gases that are emitted. (taken from the Ministry of the Environment website)

Use of the Offset Credits

Railways result in emissions of CO₂ that are one-eighth that of the motorcar. The railway places a smaller burden on the environment and is an environmentally friendly mode of transport. In order for people attending or participating in events, etc. to be aware of their CO₂ emissions and to make an active decision to travel by train, a campaign has been developed to Promote the Use of Public Transport. When events are held and CO₂ emissions are generated Nankai can use the credits that it was awarded thanks to its efforts with Nankai no Mori with the result that the actual net CO₂ emission is zero.

● Implementing the certification at the 60th Nankai Concert

(Held on Sunday July 14 at the Takaishi Citizens Culture Hall)
Concert with Zero CO₂ Emissions



Osaka Philharmonic Orchestra; Photo © Takashi Iijima

● Nankai and Osaka Prefecture Green Partner Agreement Event Applying the certification at “Activities for Co-Existence Forest”

(Activities at the Co-Existence Forest at a coastal location in Sakai City, Ward 7-3)

The CO₂ emissions caused by the transportation of participants and materials were offset by the credits with the result that the actual net CO₂ emission is zero.

*The Company owns 510ha (approx. 130 times the size of the Koshien baseball stadium) of woodland, called Nankai no Mori, on the slopes of Gomadanzan, a mountain with a peak of 1,372m above sea level that is situated on the border of Wakayama Prefecture and Nara Prefecture. Since the late 1970's this land has been used to grow Japanese cedar and cypress trees.



ECO Smile Carpentry - Nankai no Mori

In order to offer an opportunity for people in our trackside communities to increase their awareness about afforestation and environmental preservation, as well as aiming to put a smile on peoples' faces through environmental activities, the Company participated in an event with an environmental theme, as well as hosting ECO Smile Carpentry using timber from tree-thinning activities at Nankai no Mori. The brilliant and beautiful ECO smiles of the participants at this event were photographed and featured on the Company webpage.

Opening a special webpage for the environmental activities at Nankai no Mori

In order to make all of the information related to the environmental activities happening at Nankai no Mori more accessible, the Company has created a special page that details the Environmental Activities at Nankai no Mori and it is linked to the Official Nankai Electric Railway Website.

Special website address:
<http://www.nankai.co.jp/company/csr/nankainomori.html>

A Voice from the Forestry Industry

As one of the people who have worked for many years helping foster expertise in the people who manage Nankai no Mori, I was overjoyed to hear that they had attained J-VER certification. Going forward, we are redoubling our efforts on the ground to deal with new responsibilities such as the opening of a new pathway through the forest as well as finding ways to connect the forest to the future. In September 2011, a typhoon struck the forest and some damage still remains to this day, and I remind myself to take the lessons of nature to heart.



Nobuhiro Mine
Mine Forest Industries

Based on our definitive corporate philosophy, which is suited to the needs of the times and as a comprehensive lifestyle-supporting corporation centered on its railway business, Nankai is aiming to be a company that can contribute widely to society along with social development through broad business activities, giving total support to the lives of people.

Corporate Philosophy (Drawn up April 1, 1993)

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

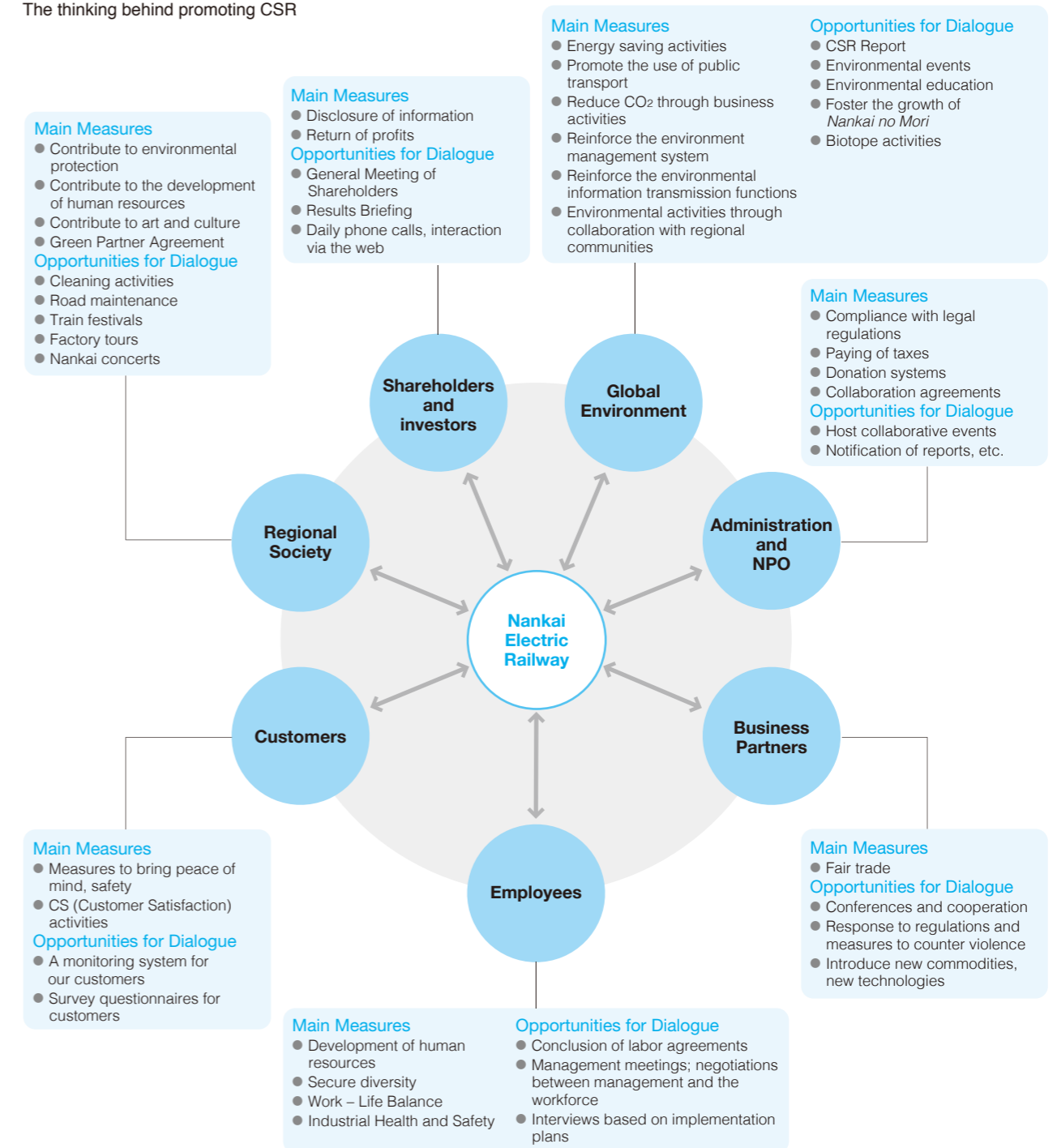
A Dynamic Workplace
Creating a workplace brimming with vitality, harnessing the expertise and personal strengths of every employee

The thinking behind the Nankai Group approach to CSR

We are thorough in the way we implement our corporate philosophy and in the way we listen to what our stakeholders are saying. We take this relationship very seriously and we

will work to respond to the expectations of our stakeholders. The main measures and the opportunities for dialogue related to each of our stakeholders are detailed below.

The thinking behind promoting CSR



In accordance with Section 4, Article 19 of the Railway Business Act, Nankai hereby releases to the public its Safety Report, detailing the measures taken to ensure transportation safety during the previous fiscal year, as well as measures to ensure ongoing safety.

Highlight

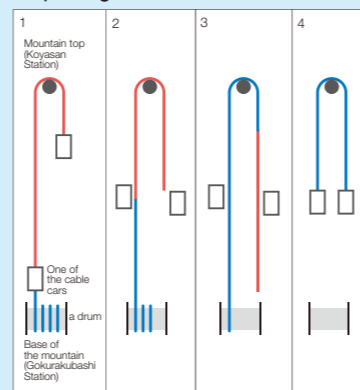
Implementing the replacement of the cable on the Koyasan cable car

In November 2012, the cable for the Koyasan cable car was replaced for the first time in 6 years. The cable is huge, with a diameter of 50mm, approx. 1km in length and weighs around 11t. The new cable was rolled out from a drum situated at Gokurakubashi Station, which was then attached to a cable car and transported to a mid-way point. Then, the new cable was attached to the old cable and the hoist was turned to pull down the old cable. Around 50 workers were engaged in the process to replace the cable, working in conditions such as a 30 degree slope in places as well as through the night. The procedure was completed without problems by the following morning. The new cable consequently pulled the first cable car of the day.

The cable used by the Koyasan cable car measures 50mm in diameter, and at the very core of the cable is a fiber rope. Around the fiber core, 33 wires made from 4 different materials are wound into a rope and 6 of these ropes are wound together to form the cable. When the two cable cars coupled together are full to capacity they weigh around 35t, but the cable is rated to withstand a load of around 150t. The Company regularly replaces the cable and strives to maintain the safety of cable car operations by ensuring the load-bearing strength of the cable.



Schematic of the process for replacing the cable



- Old cable — New cable
1. The new cable is connected to a cable car and pulled up
 2. Disconnecting the old cable and connecting the new cable from the cable car
 3. Pulling up the new cable and cutting away the old cable
 4. Adjusting the length of the new cable and connecting the new cable to the cable cars completes the process.

Ensuring safety starts with verbal communication, pointing and calling

The work to make Koyasan Station and Gokurakubashi Station barrier-free has been completed, and now both stations are much easier to access and use for elderly passengers as well as passengers in wheelchairs. In order for the cable car to serve as a suitable, safe mode of transport to UNESCO World Heritage Site Koyasan, passengers can now board with peace of mind because at the Koyasan Inspection Center, occupational safety methods such as pointing and calling with verbal communication are implemented as fundamental practices for the operation, management and maintenance of the cable car.

Going forward, we intend to put everything into putting the customer first in order to gain the customers trust, to acknowledge that our mission is to provide transportation services that are both safe and give peace of mind to our passengers, and to strive to meet these aims every single day.



Kenji Fujita
Person in charge of Cable car Operation Center in Koyasan, Train Stock Department

A message from the Comprehensive Safety Administration Manager

Thank you for your kind support of the Nankai Electric Railway.

As a rule, the Company has safety as its highest priority; its key mission is to provide safe transportation services that give the passenger peace of mind, this is what we strive for every single day.

Back-up systems have been installed and implemented in our cars and facilities in the event of human error on the railroad, but even then the people charged with working with these systems can make mistakes and overlook warnings from the system and this can lead to an accident. As a result, we have created a workplace environment where the commitment to "never cause an accident" is exceedingly deep-rooted and this awareness is very strong with our employees. Fundamental work procedures are strictly enforced; we feel this is an essential part of our approach.

Moreover, with regard to unforeseen natural disasters, we are moving forward with our preparations for earthquake resistant structures, etc. while at the same time making sure we are ready to respond and react in the event of an earthquake or disaster, in order to minimize the damage from an event or incident like this.

With this in mind, based on our Safety Management System and in accordance with our Safety Management Regulations, the Company has implemented an effective Plan Do Check Act (PDCA) cycle, as we look to continuously improve our safety measures whilst implementing training and education programs to increase employee awareness about safety. As a result of our efforts, we are planning to create and establish a robust safety culture in the Company, with the aim of becoming a rail network trusted by our customers.



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

Our Safety Policy and Management System

Our Safety Policy

'Contributing to the Community' and 'Putting the Customer First' is our Corporate Philosophy. We regard transport safety as a top priority in order to justify public trust and provide excellent services for the customer. In addition, we have established our Safety Policy and are striving to maintain a system for our business activities where safety first is something we are constantly aware of, whilst at the same time ensuring safe transportation through comprehensive measures covering our railway facilities, rolling stock and employees.

On June 26th 2009 the Company revised its safety policy as detailed below. This concise document makes it easier for this ethos to permeate through to every employee.

Safety Policy

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

Revised June 26th 2009

Our Safety Management System

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

With regard to the organizational structure, the Company President bears the ultimate responsibility, whereas the Comprehensive Safety Administration Manager, who is the Managing Director of the Railway Business Division, has the responsibility of overseeing the safety of transport. Finally, the Chief Manager of the Transportation Division carries the direct responsibility for train and operational safety, as well as providing guidance to our drivers and conductors. This structure makes the roles and responsibilities of each manager very clear.

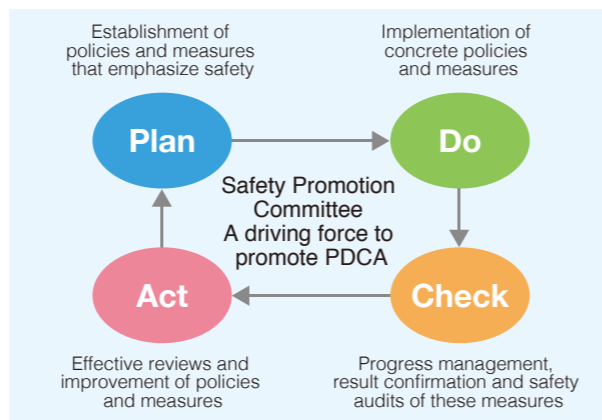


Safety Promotion Committee

Our Methods of Safety Management

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

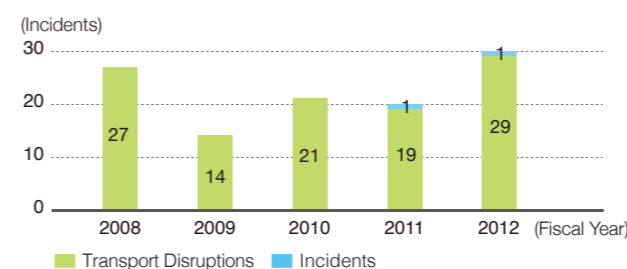
These committees decide issues of safety policy, implement concrete measures, manage the progress of these measures through internal safety audits and review the implementation status of these measures. By doing so, a PDCA cycle has been established to increase safety, with appropriate review protocols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



Transport Disruptions, Incidents

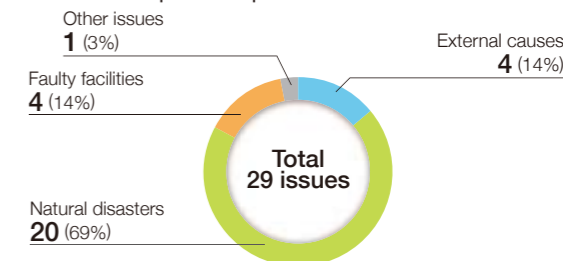
There were a total of 29 transport disruptions during fiscal 2012, of which 12 more disruptions occurred compared to fiscal 2011 and the increase is attributed to natural disasters triggered by unusual weather, etc. There was also 1 incident in fiscal 2012. The table below shows the transition of the number of disruptions as well as the reasons behind transport disruptions involving the railway over the year.

Number of Transport Disruptions, Incidents



※ A 'transport disruption' refers to a situation that causes an impediment to transportation running on the railway, not including an accident involving the rolling stock.
 ※ An 'incident' refers to a situation that could have resulted in an accident involving the rolling stock, but ultimately did not lead to an accident.

Breakdown of Transport Disruptions in fiscal 2012



State of Accidents, etc.

Status of Accidents Related to Operation of the Railway

There were a total of 15 accidents during fiscal 2012, 9 accidents involving level-crossings and 6 accidents that led to injury or death. The table below shows the transition of the number of accidents involving the railway over the past 5 years.

Number of accidents involving the railway



Accidents at level-crossings

In the past 5 years there have been 41 accidents at level-crossings. Twentyfive of these incidents were due to people or vehicles trying to cross just before the train passed through.

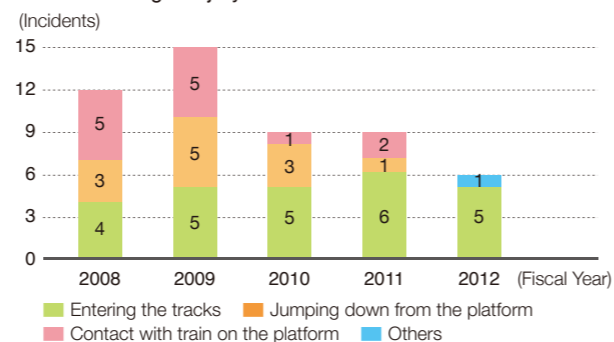
Accidents at level-crossings



Accident resulting in injury or death

In the past 5 years there have been 51 accidents that resulted in injury or death. The main cause of these accidents were people entering the tracks, people on the station platform jumping in front of trains or people coming into contact with a passing train while standing on the platform.

Accident resulting in injury or death



Important Safety Policies and Safety Measures

Important Safety Policies

In accordance with the stipulations of the Company's safety policies and in order to meet these safety goals and as some form of concrete implementation, the following 6 items were established as part of the Company's Important Safety Policies in fiscal 2012.

- Promoting work to comply with ministerial ordinances and revisions to technical standards and work to make structures more earthquake resistant
- Increase the response levels in times of emergency; strengthen the on-the-ground back up systems
- Promoting safety measures on platforms and level-crossings
- Renewal and renovation of old facilities, rolling stock and equipment
- Improve the nature and dignity of employees through the analysis of the causes of accidents, as well as enriching education and training
- Maintaining and reviewing all types of regulations

main stations to display the status of our train services, so when the timetable is disrupted following an incident, the Company is striving to ensure that suitable information can be shared with the customer.

In order for quick decisions to be made following an accident or disaster, a TV conferencing system has been installed to connect the Head Office Response Center and the Instructing Offices, as well as coordinating Emergency Response Meetings, etc.



Updates to Nankai Line Operational Management Apparatus; Integrating Instructing Offices

In November 2012, taking the opportunity to update the Nankai Line Operational Management Apparatus, we integrated the four instructing offices of transportation, train inspection, facilities and electric power into one building, which resulted in stronger coordination between these offices.

The Company is aiming to achieve more rapid restoration of the timetable in the event of an emergency, and at the same time the TID (Train Track Location Information Display) devices have been newly installed in

Measures to Improve Safety Levels

In order to promote various measures including steps to improve safety levels of transportation services centering on operational safety facilities corresponding to ordinances issued by the Ministry of Land, Transport, Infrastructure and Tourism that partially revised prior ordinances stipulating technical standards for railways, enforced in July 2006, as well as measures to prevent door-related accidents and to ensure safety on the platform, the Company is planning and implementing the following items:

- Installation of new-type ATS (Installation completed on the Nankai Line and the Airport Line in May 2013)
- Installation of new equipment to record traffic data
- Maintenance of the Deadman's device
- Raising station platforms
- Updating the Disaster Prevention Information System
- Installation of dot-pattern blocks with the passenger safety limit line on the platform

About the classification of accidents

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

Critical accidents

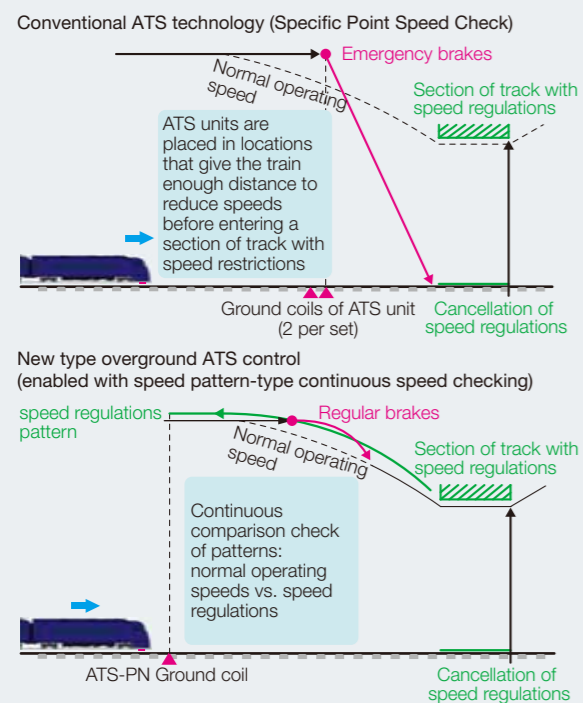
There have been no critical accidents in the past 5 years.

Installation of new-type ATS (Automatic Train Stop) devices

In March 2006, the Ministry of Land, Infrastructure, Transport and Tourism promulgated the revisions to some of the ministerial ordinances defining technological standards for railways, making the implementation of speed limiting devices on certain sections of track obligatory, such as curved sections, points and track terminals, etc. As a result we are moving forward with implementing a new type of ATS with successive controls.

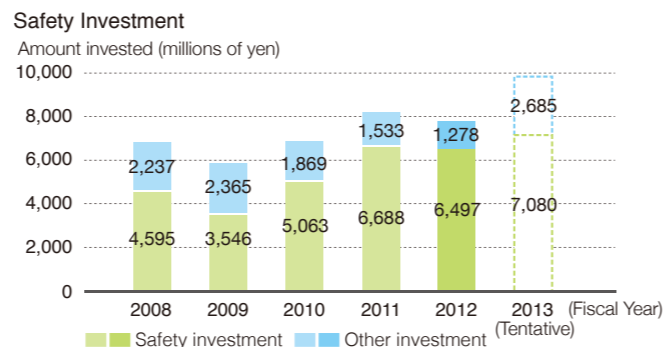
Conventional ATS works by detecting excessive speed at the ATS location, which then triggers the emergency brakes on the train. However, the new type of ATS, having detected excessive speed between the ATS unit and a section of track with speed restrictions, applies brakes to reduce the speed of the train until it matches the allowed speed for that section of track, which enables safer train operations.

In addition to the above, the new ATS system is compatible with conventional ATS, so it can be applied to specific sections of track with speed restrictions. On May 31, 2013 the new ATS system was activated on the Nankai Line and the Airport Line, and the new system will be implemented on the Koya Line in fiscal 2016.



Monetary Investment in Safety

In order to implement the necessary safety measures in line with a planned schedule without delay, approx. ¥6.5 billion was invested in improvements to and renewal of facilities during fiscal 2012 (actual figures). We plan to invest a further ¥7.1 billion in facilities during fiscal 2013.



Disaster Prevention System

We have introduced a Disaster Prevention System that gathers, monitors and analyzes information such as meteorological data – amount of precipitation, wind speed, earthquake data, etc., as well as water levels in rivers, etc. – that could be useful in determining threats to the railway network. We are moving forward with improvements to the system, adding features such as the subdivision of rain-gauge distribution to monitor detailed data about rainfall concentrated on a small area as well as helping with decision-making following an urgent seismic warning, such as preventing trains from crossing long bridges, etc. Our aim is to have the system operational during FY2013.

Engaging in Education, Training and Other Activities

Implementation of Safety Training

In order for a railway business to operate safely on a daily basis, many employees carry out their responsibilities in various fields both day and night. We engage in our work so that the knowledge and experience of each individual employee can be used in a safer manner.

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

Education for Station Employees and Staff Working on Trains

The Nankai Electric Railway has its own specialized training center, the Train Operation Training Center^{*1}, where our staff, namely new employees assigned to station duty through to our conductors, drivers and deputy stationmasters all undergo staff training. Using CAI^{*2} (Computer Assisted Instruction), a replica train carriage and a train operation simulator, the center runs a variety of educational programs, practical classes and training drills and this is where all our employees learn about safety, specifically working to raise and improve their awareness, consciousness and technical skills related to safety.

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

^{*1} The Train Operation Training Center
These days the importance of training railway employees in the skills required by the job has become clearly apparent. In June 2009, in order to strengthen these transportation skills and to better reflect the way the Company has reinforced its training systems, the Railway Business Division changed the name of the Transportation Training Center to the Train Operation Training Center.

^{*2} CAI = Computer Assisted Instruction



Integrated Training on Restoration from Accidents

In order to avoid as much damage as possible following a major natural disaster, companies involved in the railway business are working in collaboration with external

organizations such as local governments, etc. to ensure a coordinated, integrated response in our towns and rail networks. Nankai is collaborating with external partners and implementing a training program that is based on a natural disaster of this type.

In order to raise awareness and hone skills related to disaster prevention, on September 25, 2012 Nankai held an All-Company Disaster and Recovery Training Day, based on a scenario of a large earthquake with a seismic intensity of 7. Participants practiced procedures such as first response firefighting, reporting and evacuation procedures, etc. at various sites such as the Head Office, the Nankai Nipponbashi Building and various facilities located on the rail network.

Moreover, based on the premise that “an earthquake has occurred and a train has derailed near Suminoe Station. There is also a tsunami warning in effect in Osaka Prefecture.” the Railway Business Division implemented a simulation exercise called the “General Training Course on Incident Response” at the Hagurazaki Car Depot. On this occasion, the course tried to be as realistic as if there actually had been an incident, focusing on the treatment of injured persons as well as ensuring that passengers were led to evacuation areas due to the warning of the tsunami.



Establishing a procedure outline following a tsunami warning

On October 24, 2011 the Railway Business Division issued definitions regarding the rapid and accurate gathering and consolidation of information, warnings, processes and P.R. activities following the issuing of a tsunami warning. The Company has established an outline of the procedures that it will implement to ensure the safety of passengers and train operations following the issuing of a tsunami warning. According to these procedures, stations in the areas where an evacuation order is expected to be issued (flood zones) will be posted with tsunami hazard maps and notices that indicate evacuation areas and evacuation routes.



Our customers demand safety and reliability, and in response not only do we actively seek to disclose information, we take our relationships with our stakeholders very seriously, and any feedback we receive is reflected in the way we run our business.

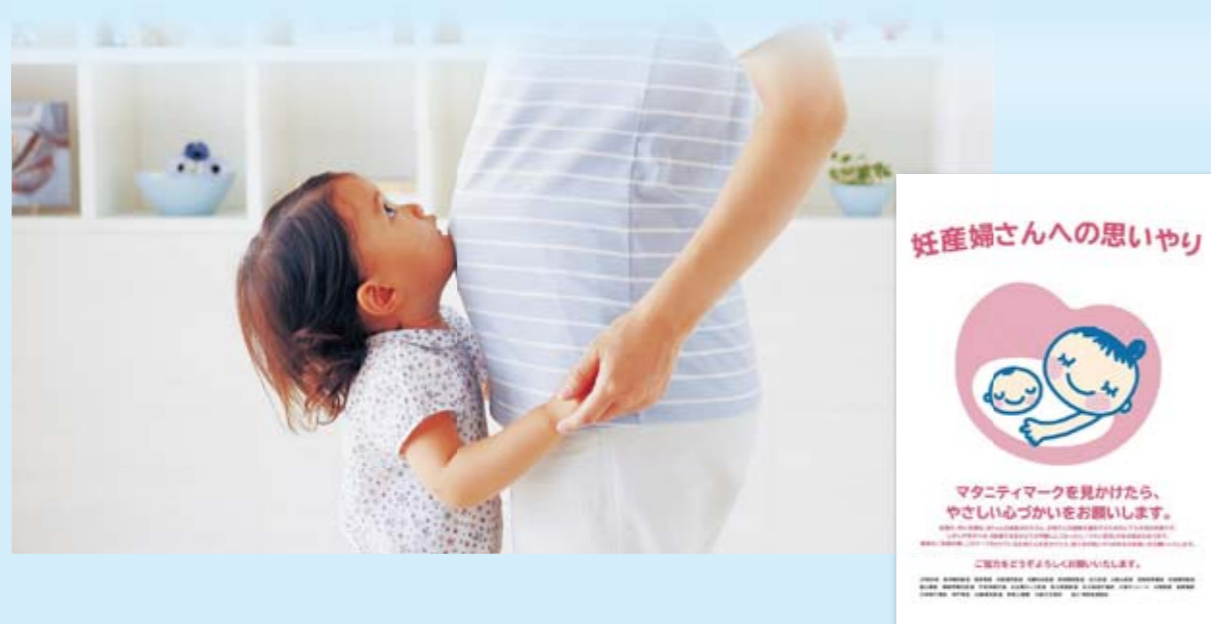
Highlight

The 'Maternity Mark' – aiming to be a rail network that is kind to expectant mothers

As part of our efforts to make the use of public transportation comfortable and reassuring for our customers, from March 1, 2013 affiliate members of the Kansai Railway Association and JR West Japan – a total of 25 companies – decided to start putting up posters and stickers featuring the 'Maternity Mark' in stations and trains near the priority seating areas.

We had received feedback from expectant mothers,

in particular ladies in the early stages of pregnancy, such as: "People cannot tell that I am pregnant from my appearance, and because they don't realize they do not offer me a seat." With the advent of the 'Maternity Mark' there has been a heartwarming response to the needs of these expectant mothers. We are aiming to make the "kind environment for expectant mothers," as promoted by the Ministry of Health, Labor and Welfare, a reality.



What is the 'Maternity Mark'?

Promoted by the Ministry of Health, Labor and Welfare and part of a national action plan to ensure the health and welfare of mother and child in the 21st century, the Healthy Mother and Child 21 Campaign calls to recognize the importance of realizing kind and comfortable local environments and workplaces for expectant mothers, eliminating passive smoking, as well as securing sufficient priority seating in public transport for expectant mothers. In order to move towards finding solutions for these issues, the Healthy Mother and Child 21 Promotion Commission asked for design submissions

for the 'Maternity Mark' and the submission that was eventually chosen was the one shown here. Simply by wearing this badge, people on public transport will be made aware of the presence of an expectant mother and act accordingly.

Furthermore, as the 'Maternity Mark' design has been popularized by posters highlighting this issue in transportation facilities, workplaces, bars and restaurants, and other public institutions, the campaign continues to push to create a kinder environment for expectant mothers.

"The Customer's Voice" – A Database

"The Customer's Voice" is a valuable database of raw, unfiltered feedback delivered directly from the customer. In 2012 we received 1,553 cases of customer feedback, an extremely large number (in 2010 we received 1,386 and in 2011 we received 1,648). Please refer to the table on the right for a breakdown. Some instances of feedback were received by telephone and through direct interaction with customers, but most were sent through by email. The content mostly focused on the railway and some of the opinions offered were sent in anonymously, but most people did state a name and a contact phone number or email address.

With regard to responding to this feedback, the relevant department would draft a reply and this would be emailed through to the customer via the General Affairs Division. Moreover, depending on the nature and content of the feedback, the relevant department may choose to reply by telephone or by post. Even when the feedback provided by the client appeared to focus on something that could be considered as trivial, these opinions can often point to areas of corporate management that require attention. There are many instances where the Company has acted on feedback from a customer or where a complaint has led to improvements in service.

| By division | FY2011 | | FY2012 | |
|--|--------------|--------------|------------------|--------------|
| | FY2011 | FY2012 | FY2011 | FY2012 |
| Railway | 1,423 | 1,259 | Requests | 508 |
| Misaki Park | 103 | 67 | Complaints | 494 |
| Companies that make up the Corporate Group | 36 | 41 | Inquiries | 338 |
| Others | 86 | 186 | Praise/gratitude | 177 |
| Total | 1,648 | 1,553 | Others | 131 |
| | | | Total | 1,648 |

| By method of contact | FY2011 | | FY2012 | |
|----------------------|--------------|--------------|--------|--------|
| | FY2011 | FY2012 | FY2011 | FY2012 |
| Email | 1,482 | 1,303 | | |
| Others | 166 | 250 | | |
| Total | 1,648 | 1,553 | | |

Breakdown and ranking of customer feedback in 2012

The previous year's feedback numbers are shown in parenthesis

| Rank | Category | Number of instances of feedback |
|------|-------------------------------------|---------------------------------|
| 1 | Treatment of/dealing with customers | 460 (420) |
| 2 | Timetable | 200 (189) |
| 3 | Tickets | 188 (169) |
| 4 | Station facilities | 149 (154) |
| 5 | Air conditioning on trains | 100 (105) |
| 6 | Passenger manners | 78 (84) |
| 7 | Rolling stock | 77 (112) |
| 8 | IC and Compass Cards | 44 (78) |
| 9 | Homepage | 39 (–) |
| 10 | Women-only cars | 13 (30) |

Implementing Monitor Meetings with customers

Since 2004 we have been implementing a questionnaire of our customers to solicit directly their opinions and requests, which is something that we are looked on a daily as a railway company.

In fiscal 2012 we modified our approach to Monitor Meetings, which were held in June (Signage, the diction that we use in our announcements and in-car announcements), August (Station facilities, timetable and fares, etc.), November (Customer care and services provided by station and train staff) and February 2013 (Unmanned stations, manners, the station and train environment, reaction to late services, etc.) and opinions were gathered during all these meetings (each meeting was attended by approx. 10 to 12 participants). Furthermore, in addition to these Monitor Meetings, the

Company engaged an external corporation to undertake a survey of how customers perceived their use of the Company and its services, levels of customer satisfaction, how services can be improved going forwards as well as any concrete proposals for improvements, etc. This survey – the Customer Satisfaction Survey – garnered 2,411 responses.

As a result of the survey, valuable feedback as sent through to all relevant departments, and by sharing the opinions and requests of our customers, the Company has been able to make improvements to day-to-day services. "The Customer's Voice" – our portal for customer feedback, received 1,553 submissions in 2012 as mentioned above, of which one-third were requests.

We are endeavoring to create an environment where diverse and talented employees working at the Nankai Group can appreciate each other, displaying their abilities to the full, whilst engaged in contributing to society.

Human Resource Development

■ An HR system that promotes employee development

As part of the Company's efforts to foster human resources and reform awareness throughout the organization that are aimed at realizing the Corporate Principles of the Nankai Group, our personnel system, with two pillars – the target management system and the evaluation system that connects with that – is part of our plan to deliver on the aim of achieving our management goals, by making individual roles and responsibilities in the organization clear, as well as ensuring a virtuous management (PDCA) cycle.

Additionally, part of the plan is for the Company to give its full support to each employee, who will be challenged to reform and improve him/herself voluntarily (with higher goals) and build a relationship of mutual trust through two-way communication between superiors and subordinates. In this way the Company is encouraging each employee to grow, with the aim of improving levels of service across the entire company.

■ Education and Training Systems

In order to exist and develop as a company, while carrying out its social mission, it is essential that the Company maintains and develops its program of fostering human resources. The Company's mid-term business plan, Rinsin 130, within its term, emphasizes an educational aim of developing high-quality human resources (Discovering Human Resources Capable of Contributing to Realizing Growth Strategies). In concrete terms, this means fostering human resources focusing on 3 key issues: creating crisis awareness and promoting the reform of consciousness (including Group companies), the development of human resources as a resource for expansion and growth, as well as approaches to CSR (Corporate Social Responsibility) penetration, etc. In fiscal 2012 the emphasis was on increasing crisis awareness and promoting CS (Customer Satisfaction). The Company delivered on its plan to improve the quality of its employees as well as changing the way employees think through attendance of training programs on improving awareness of CS issues, as well as in actual practice.

During fiscal 2013 the Company will continue with these initiatives, and will lend its full and active support to all educational matters that help foster employee awareness, as well as realizing a workplace where goals can be set, challenged and achieved.

Diversity Management

■ Employing People with Disabilities

The Nankai Electric Railway is aware of its important social duty to employ people with disabilities and so to promote this employment program the Company established a special subsidiary, the Nankai Heartful Service in February 2005. As of June 2013, 32 people with disabilities are employed as cleaners for various facilities including facilities of the Nankai Electric Railway and to sort mail items, etc. and across the 6 companies that make up the corporate group, including the Nankai Electric Railway and other affiliates with special dispensations, people with disabilities make up 2.0% of the workforce.

In addition to promoting the employment of people with disabilities, Nankai is working to create and maintain a work environment where it is easy for everyone to work, through encouraging communication through morning meetings, information exchange through diaries and through holding recreational events.

■ Employing the Elderly

Since fiscal 2004, as a response to the step-by-step increase in the age from which the full social welfare old-age pension started to pay out, the Company introduced a system whereby employees who were retiring (when they reach the age of 60) could be re-hired by the Company. As a rule, whoever expresses a desire to continue work will be re-hired, and furthermore, the Company is implementing wage level rises that comply with the so-called gap period between retirement and the start of pension payments. The Company invests in supporting the so-called "senior lifestyles" of these employees by holding seminars on maintaining and increasing motivation, etc. As of June 2013, there are 203 people, including staff on loan, employed under this system in a variety of fields.

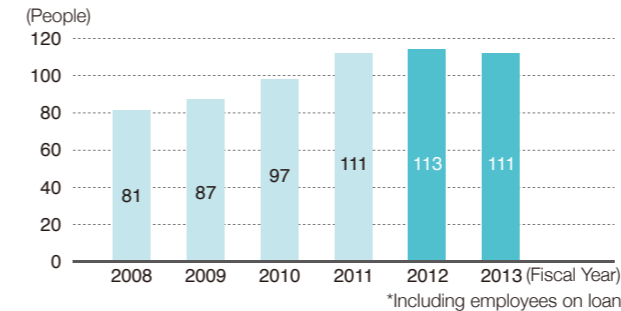
■ Female Employment

In accordance with the spirit of the Equal Employment Opportunity Act for Men and Women, the Company decides to employ and assign positions to individuals on their personal merits, not their gender, both at head office

and on-site. In terms of our female employees, the Company has recruited 4 women to work in supervisory roles (as of July 2013).

For each business of our Group companies, used as they are by a wide range of people, the female perspective and sensitivity is essential in order to improve our levels of service. We will continue to improve our work environment and look to expand the areas where our female employees can contribute.

Changes in the number of female employees (as of August 1, 2013)



■ Supporting Employees Efforts to Attain a Better Work/Life Balance

In order to support employees in their efforts to balance their working and family lives, the Company has enacted Childcare Leave System and Family Care Leave System, and during fiscal 2012, all of the Company's female employees who gave birth during the fiscal year took Childcare Leave (in fiscal 2012 3 employees (2 female and 1 male) took Childcare Leave).

Moreover, in April 2010 the Company tabled the 2nd action goal in the spirit of the Act for Measures to Support the Development of the Next Generation, whereby the Company is striving to create a workplace where employees raising young children are able to gain a better balance between work and their family lives.

Creating a Workplace Where It's Easy to Work

■ Promoting the Use of Paid Leave Days

In order to ensure consistency between maintaining one's health in the workplace and the employee's family life, the Nankai Electric Railway is implementing a number of measures, such as a system of planned annual leave, to promote employees to make use of their annual paid leave allowance.

In fiscal 2012 the take up of annual paid leave was 93.5% of the granted number of paid leave days, a much higher level than the general rate of 49.3% quoted in the General Survey of Working Conditions published by the Health, Labor and Welfare Ministry.

Moreover, by introducing a system of varying employee working hours to match the work content and to promote efficiency of work and to spread work tasks evenly across the workforce, the Company is striving to make improved work/life balance for employees a reality.

■ Maintaining Industrial Safety and Health

In order to provide our customers with products and services with safety and peace of mind, which are the base of our entire business, we must first provide our employees with a healthy, safe environment to work in. In accordance with the Labor Standards Law, the Industrial Safety and Health Law and all related legislation, we are promoting the prevention of industrial accidents as well as encouraging employees to maintain and improve their health, in addition to striving to create a comfortable work environment.

● Measures to prevent accidents at work

Using risk assessment methods, the Company is working on reducing and eliminating latent or potential risks of accidents in the workplace at its business locations, along with working to create a comfortable working environment for its employees through learning from hazard protection and near miss incidents, etc. The Company is striving to

raise safety standards with the aim of moving from "zero accidents" to "zero danger".

● Measures to maintain and improve employee health

In recent years, there has been an increasing trend in the number of people diagnosed with lifestyle diseases and metabolic syndrome due to changes in lifestyle, the way we eat and the ongoing progression of our ageing society. This is combined with more and more employees feeling considerable unease and stress through their lifestyles at work.

In accordance with the "Guidelines for Maintaining and Promoting Employee Health in the Workplace" as set out by the Ministry of Health, Labor and Welfare, the Company is implementing a set of measures to maintain and improve employee health standards, both mental and physical. Particularly, regarding awareness of the health condition of employees, the Company is making effort to prevent diseases as well as striving to detect them at the earliest stage by implementing control in line with the Company's internal health standards, health guidance, health education and counseling, centering on staff who have been appointed in charge of industrial health in the workplace.

In particular, from the perspective of preventing and treating mental health issues, we have implemented self-care measures (stress checks), line-care measures (seminars for managers and supervisors) as well as expanding counseling by our designated psychiatrists. At the same time, we are introducing the Re-work Trial Program, as a system to help reintegrate employees returning to work after recovering from mental illness. The Company is striving to promote these measures systematically and continuously.

The Nankai Group shall work to invigorate the areas adjacent to its rail network by collaborating with these localities as a member of the regional community. Additionally, Nankai is also actively committed to social contribution activities, as well as supporting the promotion of culture and sports.

Highlight

Starting a project that combines supporting the independent lives of people with disabilities, with providing care to people who require these services due to their advanced age

One of the Company's fundamental policies as stated in The Rinshin 130 mid-term business plan is "Entry into New Business Areas" and in this vein, we are considering entering into businesses targeted at senior citizens.

Accordingly, on July 1, 2013, the Nankai Life Relation Abiko-Michi private care facility for elderly residents opened, under the basic concepts of safety and peace of mind, as befits a facility operated by a railway company. On July 19, residents began moving in to the facility. Established in April 2012, the management company of the facility Nankai Life Relation Co., Ltd. entered into a business alliance with Shikoku Life Care Co., Ltd., who promote a business model in Kochi Prefecture based on supporting the independent lifestyles of people with disabilities or requiring care due to their advanced age. The two companies worked together to develop the current business.

Nankai Life Relation Abiko-Michi operates 24 hours a day, with care professionals on-site as well as nursing care professionals during the daytime hours, with safety and peace of mind at the center of the services provided. Moreover, at the facility a project called Type-A Work Continuation Support is ongoing, whereby people with disabilities are offered employment contracts, receive guidance from professionals and help with cleaning and laundry services at the facility. This project supports the lives of the residents of the facility as well as offering employment opportunities.

Outline of the private care facility for elderly residents

- 1.Name: Nankai Life Relation Abiko-Michi
 - 2.Location: 14-81, Shimizugaoka 3-chome, Sumiyoshi-ku, Osaka City, Osaka Pref.
(Located inside the grounds of the Hankai Tramway Abiko-Michi Car Depot, part of the Nankai Group)
 - 3.Type of Facility: Private care facility for elderly residents (assisted housing facility with care services)
 - 4.Site area: 1,800.60 m²
 - 5.Total floor area: 3,733.93 m²
 - 6.Number of rooms: 90
 - 7.Characteristics: The business operates on two compatible lines: as a care service provision business; also providing disabled persons with support to be self-sufficient*
- *Disabled persons will be employed under the Type-A Work Continuation Support Project to provide cleaning and laundry services as well as to communicate with the residents of the facility



Hiking Events

There are breathtaking mountains and hills next to the Nankai rail network, such as Mt. Koya and Mt. Kongo. The Company is holding hiking events to raise awareness about these natural resources and cultural assets, which are generally not so well known, as well as to provide an opportunity to improve one's health.

In fiscal 2012, the Company held 48 hiking events, with 37,340 people taking part. Various hikes were planned, with locations such as Mt. Kongo and Mt. Iwawaki in Okukawachi, and some of the courses were not so challenging, so first-time hikers could participate and enjoy a hike too. The Company rail network information magazine NATTS also held a day hike on May 18, 2013 called "Okukawachi - Women's Camping Debut on Mt. Kongo ♪".

Mt. Kongo is one of the most prominent outdoor locations in Japan in terms of the number of climbers, as it can be enjoyed during all four seasons and is home to some very beautiful flora and wild birds. The NATTS event was aimed at supporting women camping for the first time and included a pre-hike seminar (free of charge) held in association with hiking/climbing goods store Kojitsu Sanso, as well as a course on the day held by a mountain guide, with the title: "A Day Camping Course for Women". During the day there were many events, such as pizzas that were made in a pizza oven and the participants enjoyed cooking

simple dishes.

Moreover, the Company created the "Nankai Refreshing Hiking Map" (with 10 courses) to help hikers find their way on hiking routes located near the Nankai rail network. These maps were distributed at stations and also via the Company's official website. In 2014 these hiking maps are to be renewed, in order to mark the 10-year anniversary of the designation of the Kiisanchi Sacred Sites and Pilgrimage Routes as a UNESCO World Heritage Site and also to mark the 1200th anniversary memorial service for the establishment of Mt. Koya as a Buddhist site in 2015. Three of the ten courses on the hiking map in the Mt. Koya area (located within Wakayama Prefecture) will be renewed. Illustrations will be improved to make them easier to see and the size will be increased to A1 (four times the size of the current map).

The first route to be renewed will run from Jison'in (Kudoyama Town) to the Great Pagoda of Danjogaran (Koya Town), a route known as the Koyasan Choishimichi. This map became available on March 21 in the pamphlet racks of all main stations on the Nankai Rail Network. The second route to be renewed will run from the Tamagawa Gorge to the Kyo/Osaka-do, and the third route will run from the Three Sacred Sites of Mt. Koya to Nyonindo.



Holding the Nankai Concert

The Company has been holding the Nankai Concerts in venues and for communities on its rail network since 1990 as a regular event to promote culture. On July 14, 2013, the 60th concert in the series was held in the Takaishi Citizens' Auditorium Appla Hall. All of the CO₂ emissions related to the concert were offset by J-VER CO₂ credits (please refer to P6 for more details).

Moreover, in 1991, the Company invited the Osaka Philharmonic to play at the site of the former Tengachaya Workshop. This venue is the franchise hall of the Osaka Philharmonic Orchestra and as such it is used by musical ensembles for rehearsals/practice and can also be hired out by local residents wishing to perform or simply practice their musical skills.



Concert performed by Osaka Philharmonic Orchestra ©Takashi Iijima

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

Highlight

Promoting the use of public transport through economical promotional tickets

As a company with direct rail access to Kansai International Airport, we have entered into a collaboration with airlines and other railway companies to sell convenient and economical promotional tickets that promote the use of public transport.

One example of this is our collaboration with Peach Aviation, a Low Cost Carrier (LCC), which has been operating out of Kansai International Airport since 2012. Together we put the Peach Namba Ticket, an economical combined fare/express surcharge ticket that allows passengers to travel directly from Kansai Airport Station to Namba Station on the Limited Express Rapi:t.

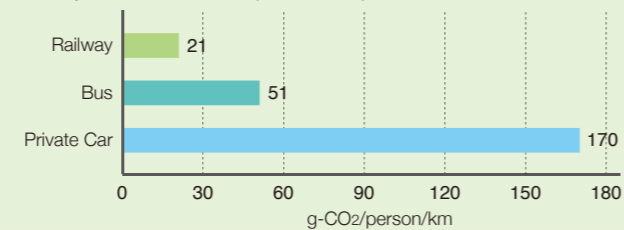
Furthermore, the Peach Kyoto Sightseeing Ticket is our tourism promotion collaboration with Peach, the Keihan Electric Railway Company and the Osaka Municipal Transportation Bureau.

The Company has also collaborated with another LCC, Jetstar Japan on the Jetstar Nankai Ticket, where passengers can economically purchase a combined fare/express surcharge ticket that allows passengers to travel directly to/from Kansai Airport Station and Namba Station on the Limited Express Rapi:t.

Other promotions include the Kanku Chika Toku Ticket, which is a collaboration with the Osaka Municipal Transportation Bureau, which is a great value ticket for passengers using the transportation network in Osaka to connect with Kansai Airport, as well as numerous other tie-ups with other railway companies and bureaus to help connect Kansai Airport to the major urban areas in the Kansai region.

The railway is and always has been an energy-efficient and eco-friendly mode of transport. Going forward, we will continue to promote these special fare tickets as part of our efforts to encourage a modal shift towards railway use, which will increase our profits and also contribute to reducing the burden on the environment.

CO₂ Emission Unit Requirement by Passenger Transportation Facilities (fiscal 2011)



Materials: from the Ministry of Land, Infrastructure, Transport and Tourism homepage (CO₂ emissions amounts by Transportation Section)



Protecting Biodiversity

Namba Parks awarded the Environment Prize by the Japan Society of Civil Engineers; Selected as the "World's Most Beautiful Urban Park"

For a period of 3 years, from fiscal 2009 through to fiscal 2011, the Company together with the Obayashi Corporation undertook a survey of the bio-environment, thermal environment and the amount of fixed carbon CO₂ at Namba Parks. The results of this survey yielded much valuable data and knowledge that serves to prove the central concept of Namba Parks – that it is a place where much bird and insect life can find a place to live and thrive amongst the rich greenery. Based on these survey results, in June 2013 Namba Parks was awarded the Environment Prize by the Japan Society of Civil Engineers for fiscal 2012.

Furthermore, Namba Parks was featured on the website of the American travel monthly magazine TRAVEL+LEISURE as one of the world's most beautiful urban parks. Some of the most famous urban parks in the world were

noted in the feature article, such as the Golden Gate Park (San Francisco) and Stanley Park (Vancouver) as well as Ueno Park in Japan.

Going forward, the Company plans to maintain Namba Parks, centered on the Osaka Minami area as part of its efforts, as we work towards maintaining a rich ecosystem that allows visitors to Namba Parks time and space to relax and unwind.



Outline of the Survey Results

Bioenvironmental survey

- The three year survey yielded the following results: As a habitat, Namba Parks supports 6 orders, 19 families and 28 species of bird life and 12 orders, 67 families and 152 species of insect life.
- There have been confirmed sightings at Namba Parks of three species of bird life that are on the Osaka Prefecture "Red List": the eastern crowned warbler, the narcissus flycatcher and the Asian brown flycatcher
- It was confirmed that the thrush and the pale thrush survive on insects that live in the soil, such as worms, etc. Even if the environment is manmade, fallen leaves and pruned branches are left to provide good organic matter that eventually becomes good soil.
- A large proportion of flying insects that are attracted by flowers, such as types of bees and butterflies, was observed, as was the propagation of grasshoppers, etc. in the parks garden area.

Thermal environment survey

- Many different species of tree, both medium- and large size, have been planted near the rest areas. These areas have proved to be a

place to escape from the heat for people most vulnerable to hot temperatures, namely children and the elderly.

- It was also confirmed that the creation of green areas in the Osaka Minami district, an area of Osaka not known for its greenery, has had considerable success in alleviating the heat island effect by creating cool spots that are approx. 1°C cooler that are fanned by a cool downdraft breeze of 0.3m/s, etc.

Survey of CO₂ stored as fixed carbon

- All of the 930 medium- to large-sized trees in Parks Garden were surveyed during the two-year period, and this data can be used to confirm the effect of CO₂ stored as fixed carbon by man-made green spaces in cities lacking sufficient data.
- As a result of measuring tree growth in fiscal 2010 and fiscal 2011, it was confirmed that approx. 4t of CO₂ as fixed carbon are stored annually across the whole Parks Garden.

Reducing CO₂ Emissions to Prevent Global Warming

Reducing CO₂ Emissions

The three companies that are subject to the Energy Conservation Law, namely the Nankai Electric Railway, Nankai Bus and Suminoe Kogyo Limited – set themselves a target of reducing CO₂ emissions by 4% (approx. 5,800t) over 4 years. In the first two years of this 4-year span, the companies have introduced 32 energy efficient cars as well as electricity-saving measures that were implemented during the summer and winter seasons. As a result, the CO₂ emissions for fiscal 2012 show a reduction of 10,413t on the total for fiscal 2010.

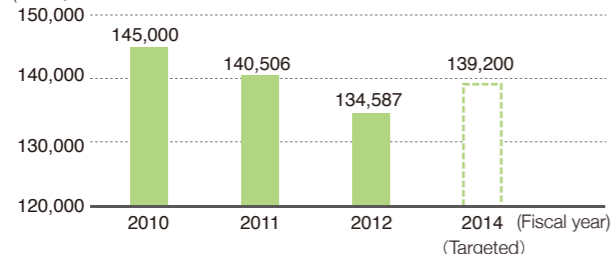
Furthermore, looking at 35 companies in the corporate group, including the Nankai Electric Railway, the combined CO₂ emissions for fiscal 2010 were approx. 225,000t and this has also been targeted for a 4% reduction (approx. 9000t) by fiscal 2014. In the two years since this target was set, a reduction of 11,153t has been realized. These 35 companies make up over 99% of the emissions of the corporate group as a whole.

The set up conditions for a 4% reduction are as follows:

Conditions: The standard values for CO₂ emissions are based on the estimates for fiscal 2010 for both the 3 companies and the 35 companies. In order to make comparisons among fiscal years possible, the emission coefficient* for electrical power consumption is set at 0.294kg/kWh for fiscal 2010. Accordingly, the environmental burden data mentioned above differs from data on P26.

* Emission coefficient: The CO₂ emission amount for the electrical power consumed

Changes in CO₂ emissions for the 3 companies in the corporate group subject to the Energy Conservation Law (t-CO₂)



Energy Reduction in our Business Activities

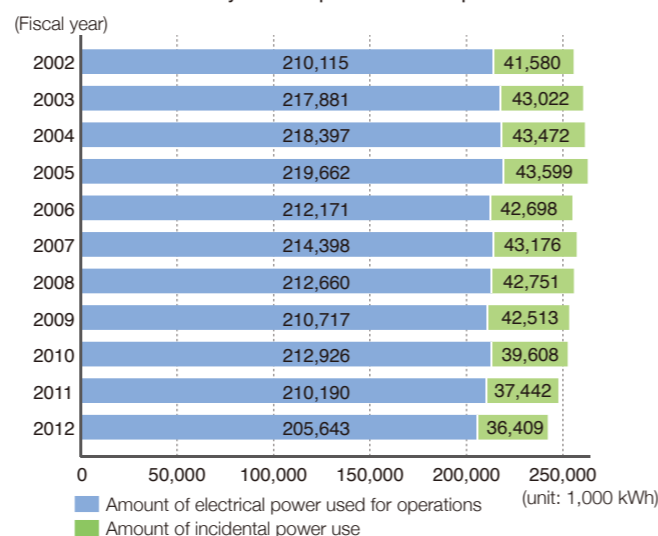
Reduce the Amount of Electricity consumed by the Railway

As large amounts of electrical power are required to operate a railway, the most effective way of reducing CO₂ emissions and saving electricity is to plan a way to reduce the amount of electrical power used by the railway. We understand that this is an important issue and we are dealing with it as such.

The amount of electricity used by the railway was 242.053 million kWh in fiscal 2012, of which train operation made up 85.0% or 205.643 million kWh. Moreover, the amount of CO₂ emissions attributable to electrical power used by the railway was 108,924t-CO₂*. The electricity consumed by the railway peaked during fiscal 2005 and has been steadily reducing ever since.

* This calculation was made using the emission coefficient for electric power of 0.450kg/kWh (fiscal 2012)

Transitions of electricity consumption for train operations



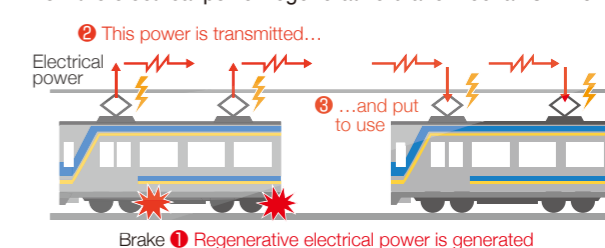
Regenerative Brakes and VVVF Inverter Controls

When the brakes are applied on a train, a regenerative brake can return electrical power to the power cables. Using this method, energy can be used efficiently to power other trains. These regenerative brakes are being fitted on an increasing number of trains.

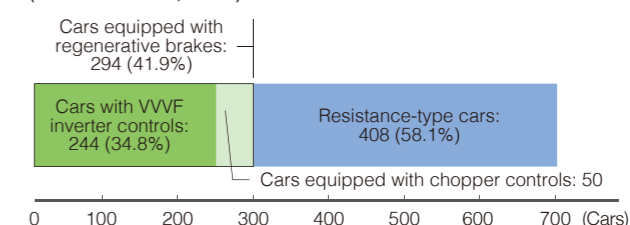
Moreover, train speed is controlled using a speed control method that uses an inverter device that changes the voltage and frequency of signals to control revolutions and motor torque according to the speed and the acceleration (or deceleration) required, and this is called VVVF inverter control. Compared with conventional controls, trains equipped with VVVF require 35% less power to operate.

As of March 31, 2013, of the 702 cars that run on the Nankai railway, 294 (41.9%) are fitted with regenerative brakes and 244 (34.8%) are equipped with VVVF controls.

How the electrical power regenerative brake mechanism works



Proportion of cars equipped with regenerative brakes (as of March 31, 2013)



Promoting the 3Rs and effective use of water resources

Using waste vegetables as feed for animals at Misaki Park

The Company manages and operates Misaki Park, and on October 20, 2012 the Company launched a collaborative initiative with Fujimoto Foods to use off-cuts (the waste parts of vegetables) generated by Fujimoto Foods in the making of its bento lunch boxes and cut vegetable products as an effective feed for the animals at Misaki Park.

Each day Fujimoto Foods generates around 65kg of vegetable waste, which is delivered to Misaki Park three times a week. There are five different kinds of vegetables suitable for each animal that is delivered by Fujimoto Foods, which is then cut into sizes that are easy for the animals to eat – for example the kangaroos are given sweet potatoes and Chinese cabbage, the tortoises are given cucumbers, etc.

Using the off-cuts of vegetables that cannot be used in commercial products is an effective way to make use of this resource. 65kg per day adds up to approx. 24t a year. This translates into a saving of approx. 2 million yen a year in feed costs.

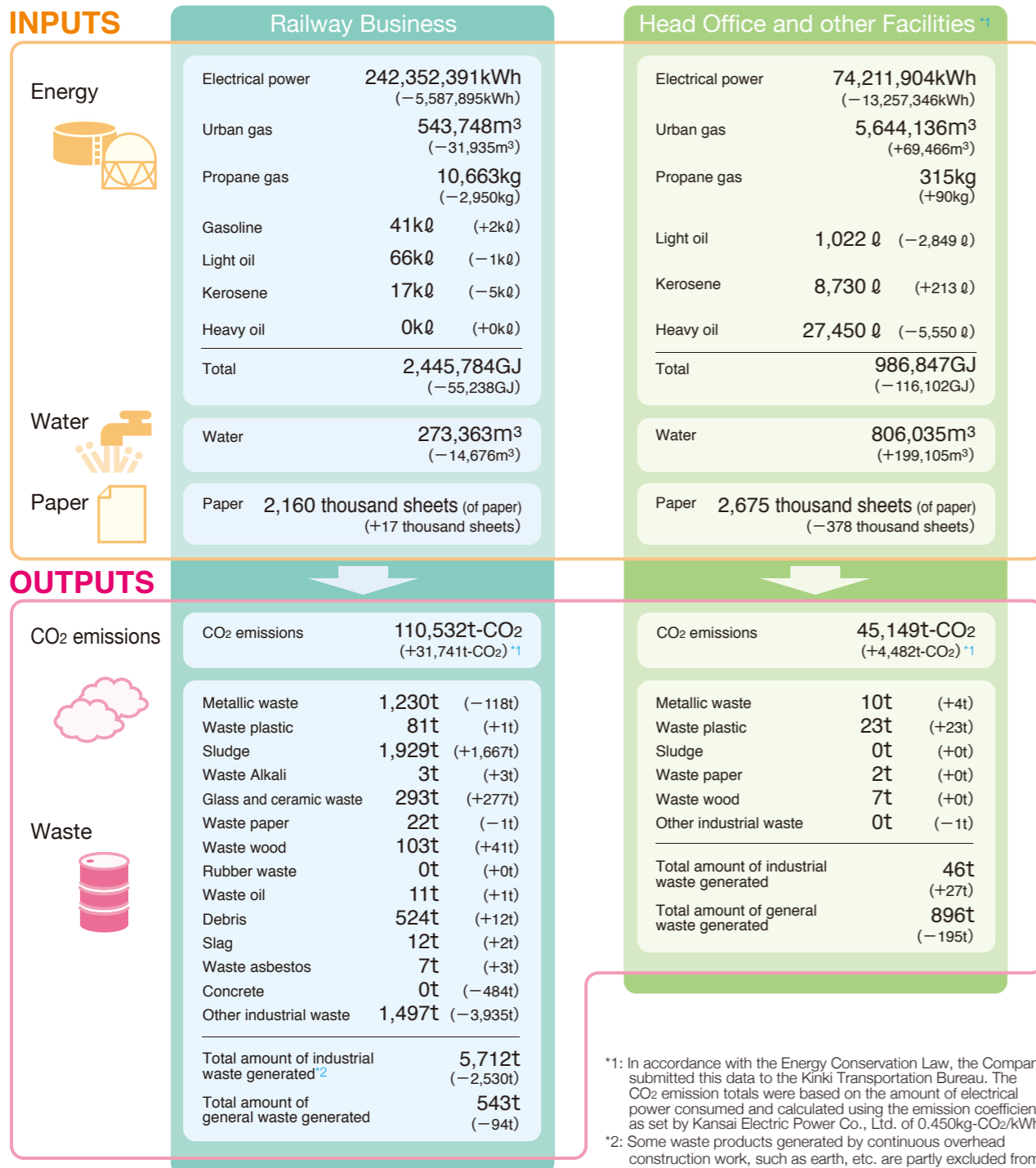
Measures to recycle vegetable waste



Environmental Burden Data

In accordance with the revised Energy Conservation Law, in June 2013 the Company submitted its environmental burden data (INPUTS and OUTPUTS) as detailed below - which mainly focused on the amount of

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



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

*1: In accordance with the Energy Conservation Law, the Company submitted this data to the Kinki Transportation Bureau. The CO₂ emission totals were based on the amount of electrical power consumed and calculated using the emission coefficient as set by Kansai Electric Power Co., Ltd. of 0.450kg-CO₂/kWh.

*2: Some waste products generated by continuous overhead construction work, such as earth, etc. are partly excluded from this data.

Environmental Accounting

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

preservation activities.

The environmental accounting practices used during fiscal 2012 are as follows.

Environmental Preservation Costs

(Unit: ¥1,000)

| Classification | Main content | Amount of money invested | | Amount of expenses | |
|---|--|--------------------------|------------------|--------------------|----------------|
| | | FY2012 | FY2011 | FY2012 | FY2011 |
| Business area internal costs | | 1,209,964 | 1,465,227 | 299,235 | 562,113 |
| ① Environmental contamination prevention costs | Prevention of atmospheric pollution, water pollution control, noise pollution, vibration pollution | 138,171 | 79,348 | 102,895 | 139,694 |
| ② Global environmental preservation costs | Prevention of global warming, energy conservation, prevention of the destruction of the ozone layer | 1,000,627 | 1,348,788 | 167,743 | 404,661 |
| ③ Resource recycling costs | Conservation of resources, reduction in waste products, recycling, processing of waste products, recycling of used tickets | 71,166 | 37,091 | 28,597 | 17,758 |
| Upstream and downstream costs | Green purchasing | - | - | 0 | 4,800 |
| Cost of management activities | Environmental education, costs related to ISO14001 | - | - | 57,256 | 53,501 |
| Research and development costs | Research and development related to environmental protection | - | - | - | - |
| Cost of social activities | Tree planting, beautification campaigns, attendance at and support of environmental seminars, environmental advertising | 2,398 | 2,398 | 15,286 | 17,633 |
| Cost equivalent to the damage suffered by the environment | | - | - | - | - |
| Total | | 1,212,362 | 1,467,625 | 371,778 | 638,047 |

Effects of Environmental Preservation

| Classifying the Effects of Environmental Preservation | Types of Indicator | ① Current term | ② Previous term (standard time period) | (②-①) Difference between the standard terms | |
|--|---|----------------------------------|--|---|----------|
| The effect of environmental preservation on the resources invested in our business activities | Gross energy investment amount (GJ) | 3,432,631 | 3,603,972 | 171,341 | |
| | Breakdown | Electricity (GJ) | 3,147,665 | 3,344,033 | 196,368 |
| | | Gas (GJ) | 279,012 | 253,474 | - 25,538 |
| | | Fuel (GJ) | 5,954 | 6,465 | 511 |
| | Amount of water used (m ³) | 1,079,398 | 894,969 | - 184,429 | |
| | Amount of OA-paper used (sheets) | 4,834,864 | 5,195,790 | 360,926 | |
| The effect of environmental preservation on the environmental burden and waste products generated by our business activities | Gas emissions from the greenhouse effect (t-CO ₂) | 155,681 | 119,458 | - 36,223 | |
| | Breakdown | Electricity (t-CO ₂) | 142,454 | 104,312 | - 38,142 |
| | | Others (t-CO ₂) | 13,227 | 15,146 | 1,919 |
| | Industrial and non-industrial waste (t) | 7,197 | 9,989 | 2,792 | |

Economic effects of environmental preservation countermeasures

(Unit: ¥1,000)

| | Effective content | Amount |
|------------------------------------|--|----------------|
| Profits | Business income from recycling waste and recycling used products (old rails, wheels, scrap iron) | 86,122 |
| Reduction in expenditure | Energy conservation = reduction of energy costs | 576,603 |
| | Recycle waste products to reduce waste processing fees | 0 |
| Totals for economic effects | | 662,726 |

Indicators of Environmental Efficiency

| | |
|--|------|
| CO ₂ emissions for a car per 1km run (kg-CO ₂) | 1.14 |
| CO ₂ emissions against operating revenue (t-CO ₂ /million yen) | 1.75 |

- The scope of these sum totals only covers Nankai Electric Railway Co., Ltd.
- Data was collected between April 1, 2012 and March 31, 2013
- References the 'Environmental Accounting Guidelines Ed. 2005' as published by the Ministry of the Environment and conforms with the 'Environmental Accounting Guidelines for Private Railway Businesses Ed. 2008' as published by THE ASSOCIATION OF JAPANESE PRIVATE RAILWAYS

- Only processes where a concrete cost could be assigned to environmental preservation have been included
- No depreciation has been included in the expenses associated with environmental preservation costs

- One of the economic effects of environmental preservation policies is a reduction in energy costs. Only the energy cost reduction items for energy in which the environmental preservation effects were recognized have been included in the expense data
- With regard to the amount of greenhouse gas emissions, in fiscal 2012 the emission coefficient for electricity was 0.450kg-CO₂/kWh.
- From fiscal 2011 onwards the energy conversion coefficient of electricity has been changed, from 3.6MJ/kWh to 9.97MJ/kWh.

Nankai is a company with a board of auditors, and the Company recognizes that strengthening the function of corporate governance is an important management issue and based on this, the Company shall strive towards increased transparency in its management, fair and rational decision-making, not to mention the strict adherence to laws and regulations, and strengthening the supervisory functions that oversee these processes.

Corporate Governance

■ Execution of Duties

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

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

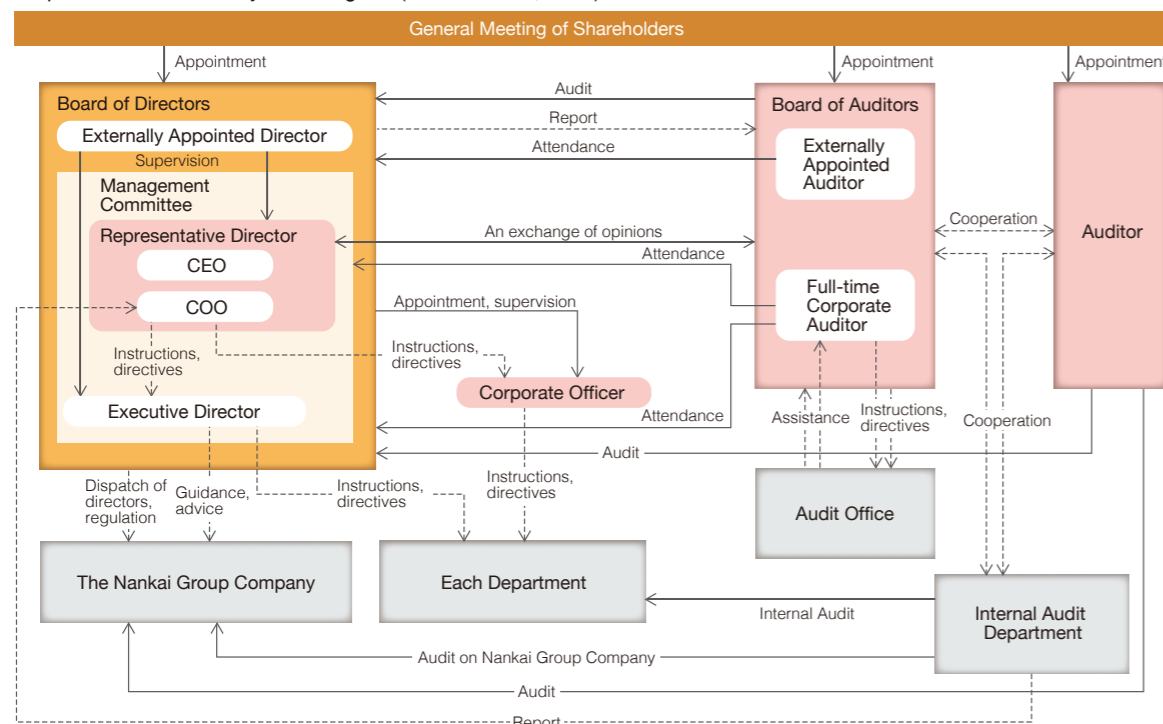
Furthermore, with the aim of reinforcing the supervisory function of the Board of Directors and establishing a mobile system of business operations, the Company has implemented a system of corporate officers and currently 6 corporate officers have been appointed to this position. Executive directors and corporate officers will work to optimize and increase efficiency in our business by sharing information related to important business issues and the performance of the Company, etc.

■ Auditing and Oversight Functions

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

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

Corporate Governance System Diagram (as of June 21, 2013)



In order to further promote compliance management, the Company and the companies that make up the corporate group are continuously looking to increase compliance awareness and thorough in its adherence to the law and the implementation of the full scope of our Code of Business Ethics.

Establishing our Code of Business Ethics

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

Code of Business Ethics

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

Compliance Promotion

The Company's Legal Department manages and oversees compliance issues, and the Company is implementing the following measures in order to promote compliance.

■ Assignment of Compliance Officers

The Compliance Officer plays a central role in promoting awareness of compliance and one Compliance Officer is assigned to each department (and Division) within the company. Each year these managers put together a Compliance Education Plan for each department (and Division) and activities to promote awareness of compliance are implemented in line with this plan. Additionally, Compliance Officer Meetings are held twice a year so that Compliance Officers can meet and exchange opinions about activities to promote awareness of compliance issues and the status of compliance in their respective departments or offices.

Furthermore, the Nankai Group has appointed a Compliance Officer to each company in the group, and in

addition to ensuring that information can be exchanged on a regular basis through smaller conferences for each industry or sector, or at general conferences that include all parties, the Nankai Group is also working to promote compliance education activities in the same manner as the Nankai Electric Railway.

■ Implementation of the clause excluding criminal organizations

The Guideline for How Companies Prevent Damage from Anti-Social Forces, which was defined by the government, came into being to encourage corporations to distance themselves further from any relationships with anti-social forces, for instance criminal organizations, etc. Accordingly, since fiscal 2008 each department (office) has added a clause excluding criminal organizations into their agreements with business partners, etc.

Establishment of a Corporate Ethics Hotline (Internal Reporting System)

Since December 2002, the Corporate Ethics Hotline has provided employees with alternative to the regular operational reporting route when they have an issue, question, consultation or something they wish to report with regard to corporate ethics and/or compliance. The rules governing the Corporate Ethics Hotline were established to ensure that anyone using the facility for counseling or to

report something would be protected.

Moreover, since April 2006 and the implementation of the Whistle-Blower Protection Act, the facility has also doubled as a whistle-blower hotline and its capabilities have been bolstered to encompass the entire Nankai Group.

Establishing a Compliance Manual

As a guideline for the spirit of corporate ethics and standards to take hold, we established a Compliance Manual, which provides a breakdown of the business and conduct levels expected of individual employees and directors of the Company and companies that make up the

corporate group. This manual shall be used as part of our efforts to encourage the principles of compliance management to permeate throughout the organization as well as to isolate any anti-social forces.



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

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