

Corporate Report
2019



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

SDGs Management & Promotion Department
Nankai Electric Railway Co., Ltd.
(Secretariat of the Environmental Measures
Promotion Committee)

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Nankai Electric Railway Co., Ltd.

Corporate profile

Corporate Philosophy

With wisdom and dynamism,
forging the way to the future

Contributing to the Community

Justifying public trust as an all-round lifestyle provider, and building a better society

Putting the Customer First

Providing excellent services for the customer, bringing living comfort and cultural enrichment

Future Challenges

Meeting the needs of coming generations with bold energy and creativity

A Dynamic Workplace

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

Corporate Outline As of March 31, 2019

Company Name: Nankai Electric Railway Co., Ltd.

Established: December 27, 1885

Head Office: 2-1-41 Shikitsu-higashi, Naniwa-ku,
Osaka, 556-8503, JAPAN

Website: <http://www.nankai.co.jp/>

Paid-in Capital: ¥72,983,654,121

Operating Revenue: ¥100.026 billion (head corporation)
¥227.424 billion (consolidated)

No. of Shareholders: 50,630

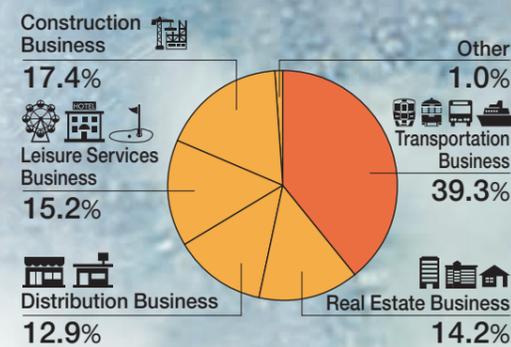
No. of Employees: 2,624 (head corporation)
9,168 (all group companies)

Managed track: 154.8 km

Rolling Stock: 696



Composition ratio of operating revenue by segment



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

Company information by segment is current as of July 1, 2019.

Transportation Business



37 companies

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

Real Estate Business



4 companies

Real estate leasing, real estate sales

Distribution Business



10 companies

Shopping Center management, Business operations inside the Station Concourse

Leisure Services Business



22 companies

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

Construction Business



4 companies

Construction Business

Editorial Policy

In addition to CSR information, we are including information about business results, strategy, finance and other management factors. For CSR information, we refer to GRI standard and provide comprehensive reporting.

Applicable Term: Fiscal 2018 (April 1, 2018 to March 31, 2019). Some information, however, is from outside this period.

Organization covered: Nankai Electric Railway Co., Ltd. Environmental reporting, however, also covers the activities of Semboku Rapid Railway and other group companies.

Guidelines referenced: Environmental Reporting Guidelines, 2018 Edition by the Ministry of the Environment, Environmental Accounting Guidelines for Private Railway Businesses 2008 by the Association of Japanese Private Railways, and the GRI Standards.

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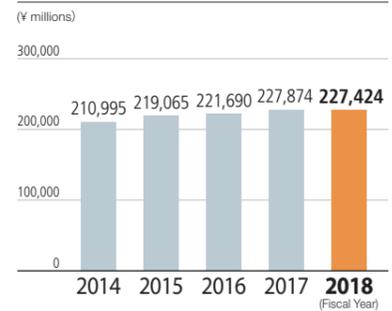
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Financial and nonfinancial highlights



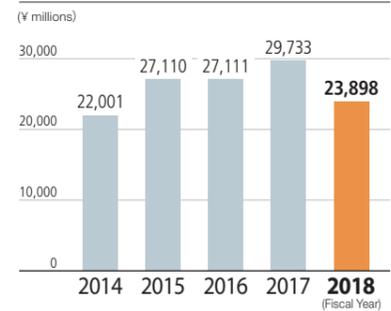
Operating revenue*1

¥227,424 mil.



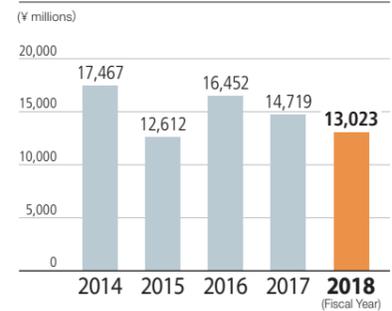
Ordinary income

¥23,898 mil.



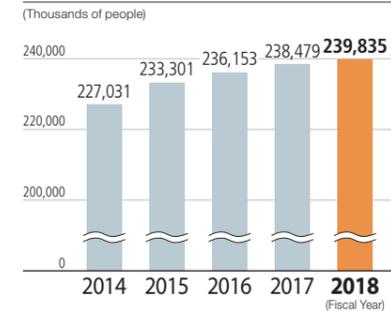
Profit attributable to owners of parent

¥13,023 mil.



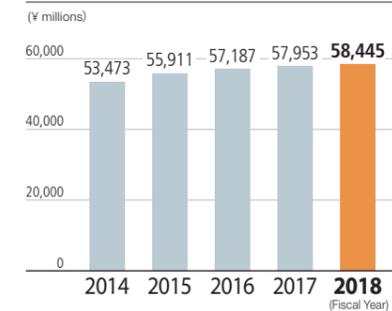
Number of passengers

239 mil.



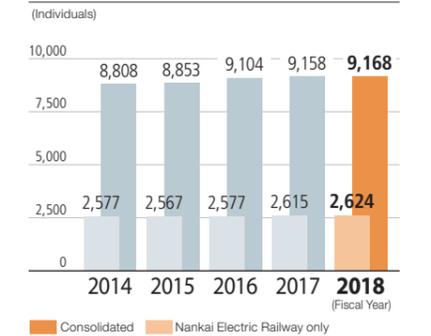
Railway Revenue

¥58,445 mil.



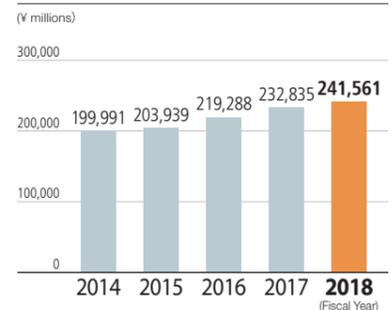
Number of employees

9,168 (Consolidated)



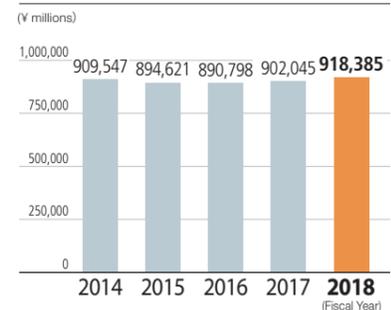
Net assets

¥241,561 mil.



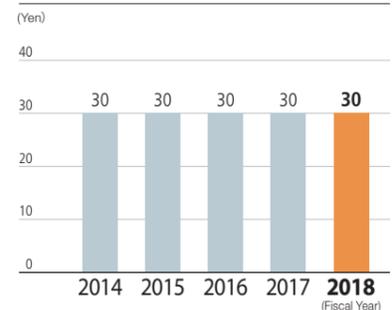
Total assets

¥918,385 mil.



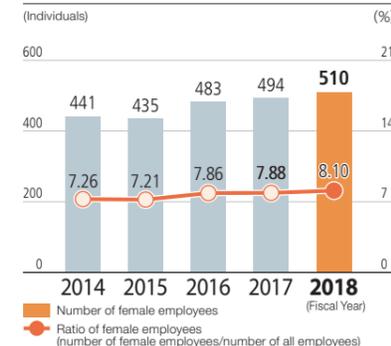
Dividend per share*2

¥30



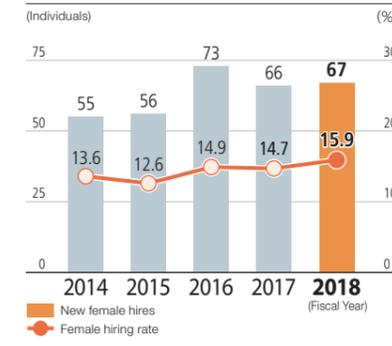
Number of female employees

510



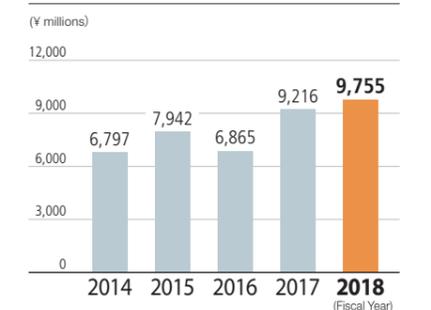
Number of new female hires

67



Investments for safety

9.7 billion



Return on equity (ROE)

5.8%



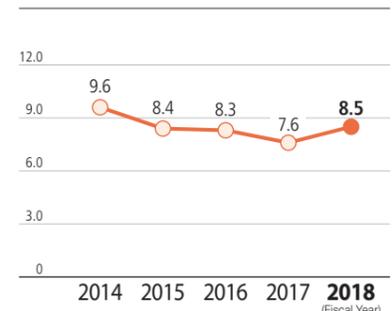
Return on assets (ROA)

1.4%



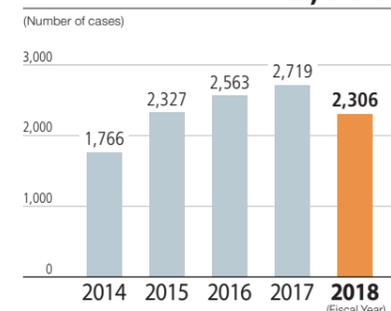
Interest-bearing debt/EBITDA*3 ratio

8.5



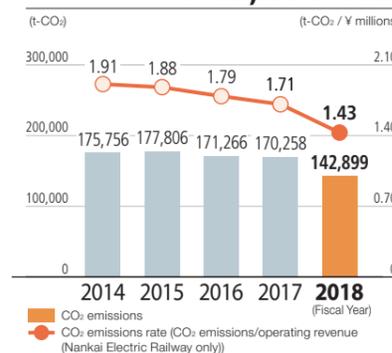
Number of "Customer's Voice" cases

2,306



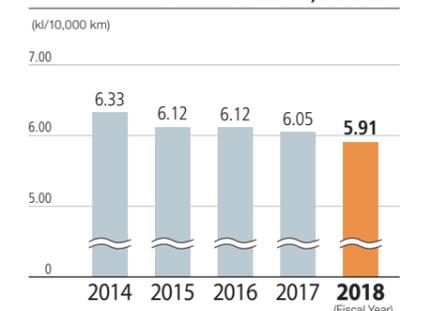
CO2 emissions

142,899 t-CO2



Rolling stock energy consumption rate*5

5.91 kl/10,000 km



*1 Operating revenue does not include consumption tax, for example.
 *2 Values reflect adjustments for reverse stock split made October 1, 2017.
 *3 EBITDA (earnings before interest, taxes, depreciation and amortization) = Operating Income + Depreciation and Amortization
 Operating Income and *Interest-bearing debt balance/EBITDA ratio* for fiscal 2017 and 2018 were calculated using values that included dividend income.

*4 Nankai Electric Railway Co., Ltd., Semboku Rapid Railway Co., Ltd., Nankai Bus Co., Ltd., Kansai Airport Transportation Enterprise Co., Ltd., Tokushima Bus Co., Ltd., Nankai Ferry Co., Ltd., Nankai Vehicles Service Engineering Co., Ltd., Nankai Fudosan Co., Ltd., Nankaishoji Co., Ltd., Nankai FD Service Co., Ltd., Nankai Food System Co., Ltd., Nankai Travel International Co., Inc., Suminoe Enterprise Co., Ltd., Nankai Building Service Co., Ltd., Nankai Tatsumura Construction Co., Ltd., Nankai Management Service Co., Ltd.
 *5 Energy used by railway business (kl)/total operating distance of all railroad cars (10,000 km)

Financial and nonfinancial highlights
 Message from the president
 Medium Term Business Plan
 Business overview by sector
 Report on CSR efforts
 Financial report

In the first year of our medium term management plan, we were able to steadily advance a variety of measures toward realizing our “ideal form” for fiscal 2027.

On August 24, 2019, cracking was discovered on a Limited Express rapid car, and this was recognized as a serious incident.

We apologize deeply for causing great worry to everyone concerned, starting with our customers who use our train lines.

Regarding this incident, we are making maximum effort to discover the causes and implement countermeasures. In addition, we are striving to restore confidence so that customers can use our trains with peace of mind and working to increase safety and assure reliable transportation.

Overview of business results in this period (fiscal 2018)

The economy of Japan in this period (fiscal 2018) has maintained a steady recovery with continuing improvements in employment and earnings, for example. Despite this, an unpredictable climate continued with increasing overseas economic cloudiness caused by, for example, worsening US-China trade friction and the issue of the UK leaving the EU. Our corporate group advanced a variety of measures according to our KYOSO 136 Medium Term Management Plan in its first year under these circumstances. As a result, our operating revenue was 227.424 billion yen (0.2% less than the previous fiscal year). In terms of profit, along with revision of our residential housing development business, including appraisal losses of real estate for sale and other factors, operating income was 27.745 billion yen (18.3% less than the previous fiscal year), ordinary income was 23.898 billion yen (19.6% less than the previous fiscal year), and profit attributable to owners of the parent company was 13.023 billion yen (11.5% less than the previous fiscal year).

In addition, considering the above business results and keeping reserves to strengthen management foundations, for example, we provided dividends to our shareholders this period totaling 30 yen per share, with midterm and end-of-term distributions of 15 yen each.

Our approach to Nankai Group Business Vision 2027

Even though positive factors exist, including transportation income growth due to increasing numbers of inbound travelers, the business environment surrounding our corporate group is expected to change even more drastically in the future due to the progress of population decline and the advancement of IT, for example. In order to seek sustainable growth under these conditions, what is important is having an approach that rather than just responding to short-term issues, establishes an “ideal form” for a long time span and works toward it without losing focus. Based on this idea, we established the Nankai Group Business Vision 2027 in February 2018 for our corporate group. In this vision, we focus our sights on the opening of our new Naniwasuji Line, which is scheduled for spring 2031 (see p.7), and we have established the 10 years from 2018 as “a decade of enhancing our train lines.” Moreover, with our ideal form for 2027, which is to “have our train lines and corporate group be chosen because we provide satisfaction and inspiration,” we are advancing a variety of measures based on our business strategies to “create train lines that are chosen” and “broaden and deepen our real estate business.” Furthermore, we are striving to enhance group business foundations to underpin this strategic advancement by undertaking thorough business selection and proactive IT utilization, as well as by promoting personnel strategy and financial strategy.



President and CEO

Achikita Teruhiko

Message from the president

In the first year of our Medium Term Business Plan, we were able to steadily advance a variety of measures toward realizing our “ideal form” for fiscal 2027.

Advancement of the Naniwasuji Line plan

Having received railway project approval from the national government in July 2019, we will advance the various procedures related to urban planning notifications and the acquisition of construction permits, for example, so we can begin construction soon with the goal of starting operation in the spring of 2031.

At our company, we position the Naniwasuji Line as a part of the railway network necessary for the growth of Osaka and the Kansai region. In cooperation with Osaka Prefecture, Osaka City and JR West, we are advancing discussions based on the following plan with the national government and seeking to begin commercial operation as soon as possible. In March 2018, we announced with JR West that our two companies would provide the 33 billion yen in private investment necessary for the Kansai Rapid Railway Co., Ltd., which will be responsible for development of the Naniwasuji Line (18.5 billion yen from Nankai Electric Railway and 14.5 billion yen from JR West).

Main effects expected from development of the Naniwasuji Line

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

Plan overview

Improvement extent

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

Stations en route

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

Total project expense

About 330 billion yen in estimated expenses

Project implementation

Kansai Rapid Railway Co., Ltd.

Operators and operation sections

Nankai Electric Railway Co., Ltd.

Operation section: Nankai Shin-Imamiya Station – Kita Umeda Station (working name)

West Japan Railway Company

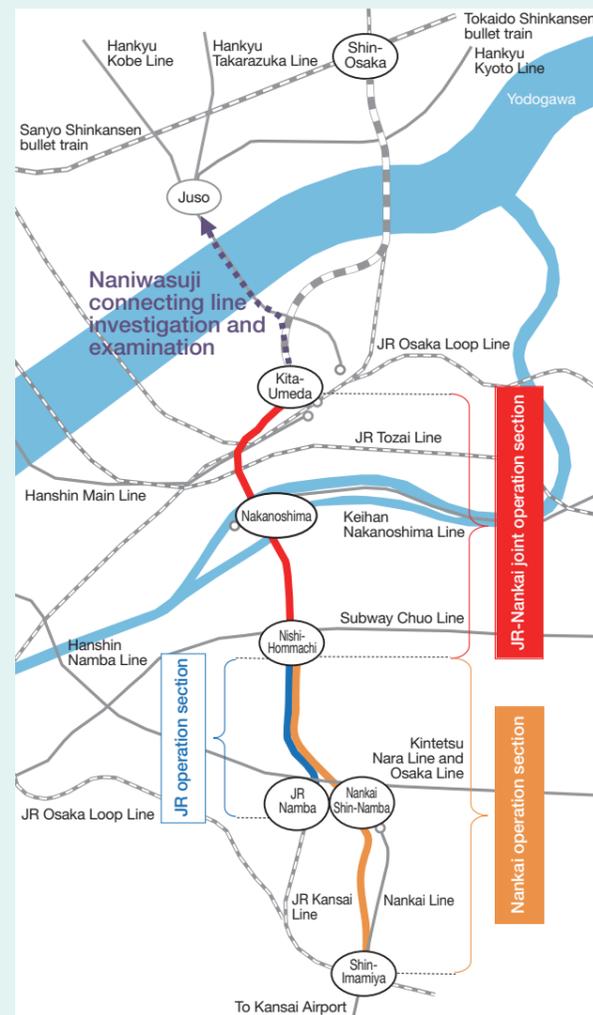
Operation section: JR Namba Station – Kita Umeda Station (working name)

Target opening date

End of fiscal 2030 (spring 2031)

Note:

Based on the results of investigations executed in fiscal 2017 by the national government, we will seek to put the Naniwasuji and Shin-Osaka connecting lines into operation early and advance discussions and deliberations among stakeholders.



Advancement of the KYOSO 136 Medium Term Management Plan

Augmentation of group business foundations

As the first step in the Nankai Group Business Vision 2027, having set the three-year period from fiscal 2018 as the “foundation preparation period” for “making opening moves for future growth,” we are advancing the KYOSO 136 Medium Term Management Plan, which seeks to coordinate with various stakeholders and “create new value together.” In fiscal 2018, which was the first year of this plan, in accordance with our “augmentation of group business foundations” policy, we have decided to withdraw from the Misaki Park project and reconsider large-scale residential development projects. These decisions were made with the belief that “we must not postpone what we must do” to prepare for the future. As a result, since we have resolved issues that were causing great concern in the present, we believe that we have enhanced the foundation that will enable advancement of our group business vision. Moreover, in addition to opening Namba SkyO, which is the driving force for increasing profits in this plan, we coordinated with local governments and invested in startup businesses to develop alliances that will be keys to future growth. Furthermore, regarding the expansion of our real estate business, we have been steadily advancing the acquisition of properties that will contribute to further developing the Namba community. Through this, I believe that we have achieved defined results by planting seeds for the future.

Progress in the five fundamental policies of the KYOSO 136 Plan

As described below, we have been able to steadily advance the five fundamental policies of this plan, which are “provide high-quality transportation services that are safe and reliable,” “develop the Namba community,” “increase nonresident population, starting with inbound travelers,” “develop communities with stations as core locations” and “expand real estate business.”

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

After the 2017 typhoon disaster, as a transportation service business, our corporate group keenly felt again the importance of “providing tough transportation services that are safe and reliable.” We raised the level of our investments in safety reforms by about 50% over the previous medium-term plan, and we are strengthening efforts for both infrastructure and human effectiveness. In fiscal 2018, along with advancing renewal of commuter train cars for the Nankai Line according to plan, for example, we installed platform gates in Namba Station. These gates, which were a first for our company, began operation in March 2019. In addition, we advanced our project to renovate station restrooms as planned in order to “create train lines that are chosen.” In April 2019, we revised the airport line timetable in order to increase the convenience of its access.

2 Develop the Namba community

Through the integration of tourism and city functions, we are creating a “Greater Namba” that is more than the traditional Namba area. Under this large objective, we are advancing two measures, enhancing the area around the Nankai Terminal Building and creating a North-South axis that links the Namba–Shin-Imamiya and Shinsekai area. In fiscal 2018, we acquired three additional real estate properties that contribute to community development around the Nankai Terminal Building and in the Shin-Imamiya area. Related to enhancing the area around the Nankai Terminal Building, Namba SkyO began operation in October 2018. This Namba landmark located in a very convenient location connected directly to Namba Station has been continuing steadily since then. In advancing the creation of a North-South axis that links the Namba–Shin-Imamiya and Shinsekai area, we acquired a newly built hotel near Shin-Imamiya Station in December 2018, believing that attracting lodging facilities to capture recent inbound demand is necessary. In addition, through business coordination with an enterprise that is focused on foreign labor matching, we are advancing preparations to open a foreign labor support and exchange center. Through the advancement of this project, we are seeking to increase employment opportunities for foreigners, and we expect that this could create a progression from staying temporarily to settling permanently.

Message from the president

In the first year of our Medium Term Business Plan, we were able to steadily advance a variety of measures toward realizing our “ideal form” for fiscal 2027.

3 Increase nonresident population, starting with inbound travelers

As a measure to respond to increasing inbound demand, along with focusing on selling special tickets to overseas travel agencies, we have also incorporated Alipay and other electronic payment systems at commercial facilities and train station counters in Namba. In addition, we have worked to improve convenience and comfort for foreign customers visiting Japan by opening counters for temporary luggage storage and luggage shipping and implementing other facility enhancements to support “hands-free sightseeing” at Namba Station and Kansai Airport. We have also, for example, steadily installed multilingual train announcement systems.

Furthermore, we have been working to revitalize the Kada and Koyasan areas in the north of Wakayama City in order to create train line destinations that have value to visitors. In the Kada area, along with the Kada Fish Line Project, we started the Kada Renovation Community Development Project based on an agreement with Wakayama City in fiscal 2018. In the Koyasan area, we have also been advancing the Koyasan Tourism Attractiveness Improvement Project from the same year.

4 Develop communities with stations as core locations

In cooperation with Wakayama City, we have been steadily advancing the second phase of Wakayamashi Station Revitalization in preparation for opening in April 2020. Moreover, the revitalization of towns developed along train lines where responding to the aging of residents and declining populations has become an urgent matter. We are working on this in our medium-term outlook. For example, we undertook renewal of the Izumigaoka Station Area in fiscal 2018.

5 Expand real estate business

As population declines continue along rail routes, we consider revitalization to be a growth driver for deepening and expanding our real estate business, and we are focused on planting business seeds by advancing the acquisition of income real estate that contributes to community development, for example. In particular, for the functionality enhancement of logistic facilities, which will drive profit growth in the future, we are focused on the development of a Kitaosaka Distribution Center, having begun major construction of the first phase building in March 2019. By bringing together a truck terminal and a distribution center in a combined logistic facility, we are seeking to make Kitaosaka into a large logistic base for the Kansai region in the future. The first phase building will be its starting point.

Strengthening corporate governance

In 2019, we implemented revision of our governance structure in order to continue achieving sustainable growth and increasing business value for our corporate group.

For example, to further strengthen our supervision functions, we changed the main roles of the Board of Directors to making decisions about management policy and related issues and to supervising business execution. In addition, we also reduced the number of directors and increased the ratio of external directors. At the same time, we have more clearly divided business execution functions and supervision functions by positioning corporate officers as persons responsible for business execution and increasing their authorities and responsibilities. We have sought to expedite management decisions and clarify roles and responsibilities by separating supervision and execution.

In addition, we reviewed our executive remuneration system. This included separation of supervision and execution remuneration along with the above changes and revision of fixed and variable remuneration ratios. To further increase incentives to improve business results, we increased the ratio

of short-term incentive remuneration. In addition, we changed payment methods as well as newly adopted a stock remuneration system using trusts.

I will continue making efforts to strengthen the continuous functions of corporate governance systems and their verification.

Advancing CSR and efforts for SDGs

Since we believe that the corporate social responsibility (CSR) perspective is indispensable for an enterprise to realize sustainable development and growth while coexisting with society, we have set “assurance of safety and peace of mind,” “emphasis on the environment,” “compliance thoroughness” and “pursuit of a customer orientation” as four business guidelines for our corporate group. We have established responsible organizations and have been advancing proactive efforts for CSR.

Furthermore, as symbolized by the sustainable development goals (SDGs) of the United Nations, people are seriously questioning how businesses respond to the various problems of society. In response, in fiscal 2019, under our Environmental Policy Promotion Department, which has been primarily responsible for environmental issues until now, we established an SDGs Management & Promotion Department as a new division that will be active in responding to an even wider variety of society’s problems. In the future, we will actively utilize SDGs as CSR effort indicators. In addition, we will continue deepening coordination toward the resolution of global social problems using SDGs as a shared language in cooperative situations inside and outside the company.

Prospects for the next period (fiscal 2019)

Focused on the five fundamental policies of the KYOSO 136 Plan, we will keep steadily advancing measures in every field in the next period (fiscal 2019).

To “provide high-quality transportation services that are safe

and reliable,” we will continue to steadily increase safety and operation security of the facilities against earthquakes and wind and water damage. In addition to efforts to increase the safety of train cars, platforms and crossings, we will continue to advance train car renovation and station refurbishing as planned to increase customer satisfaction.

Regarding development of the Namba community, We opened YOLO BASE, the first inbound labor training facility for foreigners in Japan, as a support and exchange base for foreign laborers in September 2019.

At this facility, in addition to lodging space and a restaurant, we made an event space and seminar room. We will seek to invigorate it as a foreign labor support and multicultural exchange space. In addition, Hoshino Resorts has decided to coordinate and cooperate with our company in the development of a city tourist hotel to be opened in the Shin-Imamiya Area. We will continue seeking to accelerate the value of the area around Namba through projects like these. Regarding our goal to “increase nonresident population, starting with inbound travelers,” we will open a “renovation school” for underutilized real estate in the Kada area. In addition, starting with the campaign that will accompany the start of new cable car operation at Koyasan, we will continue seeking to raise awareness and promote visits through domestic media exposure and by undertaking sustained promotion to inbound tourists.

To “develop communities with stations as core locations, in addition to advancing the second phase of Wakayamashi Station Revitalization in preparation for its April 2020 opening, we are focusing on formulating the first phase master plan for Izumigaoka Station enhancement. Furthermore, looking to the holding of the Osaka/Kansai Expo and to the attraction of integrated resorts (IR), we will select a model station where large ripple effects from revitalization along train lines can be expected and continue advancing efforts to develop details.

Our group will continue to seek sustainable growth and increased corporate value over medium and long terms. I humbly request that you, our stakeholders, give us even more of your understanding and support in the future.

September 2019

President and CEO **Achikita Teruhiko**



Medium Term Business Plan

In recent years, Namba, which is the largest business center for our group, has developed as one of the preeminent international tourist destinations in Japan. As a result, our company has been achieving great growth and directly benefiting from the merits of increased inbound tourism. Furthermore, we have recently received permission to begin work on the Naniwasuji Line, and we expect the convenience along train lines to be greatly improved by its opening (targeted for spring 2031). On the other hand, we can predict that our group will face even more extreme environmental changes, including continued population decline and the advancement of IT, in the future.

To avoid becoming focused entirely only on immediate issues in these circumstances, we have the Nankai Group Business Vision 2027 that establishes the ideal form of our group 10 years in the future. In this vision, we set the 10 years until 2027 as "a decade of enhancing our train lines in preparation for the opening of the Naniwasuji Line." For its first three years, we are now advancing our KYOSO 136 Plan.

We will continue to steadily implement the five fundamental policies of the KYOSO 136 Plan, and contributing to sustainable business value growth by producing results.

Nankai Group Business Vision 2027

Ideal form

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

Positioning

a decade of enhancing our train lines in preparation for the opening of the Naniwasuji Line.

- With neighborhoods along our train lines as main business areas, apply all the abilities of our group to focus on increasing value along these lines
- By using Namba and inbound tourism as business chances, accelerate increasing value along our train lines
- By proactively using alliances, raise the speed of business development



Kyoso 136 Plan

Positioning

- First three years toward the achievement of the Nankai Group Business Vision 2027: **Foundation preparation period**
- Make concentrated early investments as a key to future growth: **Three years of making opening moves for future growth**
- Realize growth and create new value in the future together with stakeholders: **Three years of creating together**

Executive message

Toward the realization of the Nankai Group Business Vision 2027, we will continue steadily advancing measures in alignment with our five fundamental policies.



Managing Corporate Officer
Uraji Koyo

We established the Nankai Group Business Vision 2027 as the ideal form for our group ten years in the future. Continuing to steadily advance efforts in alignment with the five fundamental policies presented in our KYOSO 136 Medium Term Management Plan, which is positioned as a period of foundation building for the vision, is important to realize it. Based on the three themes of "creating 'train lines that are chosen' with an aggressive approach," "investing proactively with emphasis on growth" and "emphasizing speed by utilizing alliances," we advanced a variety of efforts in fiscal 2018, which was the first year of the plan, and were able to achieve some results.

The key to realizing the "creation of train lines that are chosen" is "increasing nonresident population" by maximizing the utilization of inbound tourism and the Namba area, which are points where our company has advantages. In fiscal 2018, we enhanced infrastructure to improve customer convenience. For example, we incorporated electronic payment functions at Namba City, Namba Parks and railway counters, as well as started operation of guidance tools that link QR codes and multilingual websites. Among these efforts, the opening of Namba SkyO for business has been a great success. We have been doing well in deciding tenants since opening in October 2018. In the second year since opening, we expect to contribute to earnings at a level close to the

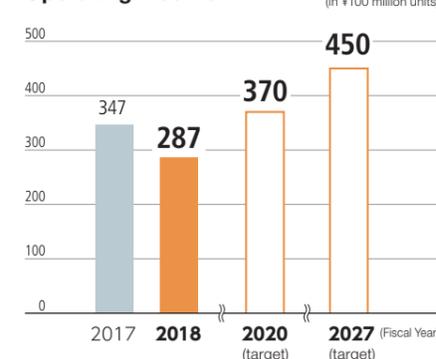
level anticipated in the income and expenditures for the third year. We also made investments that will be seeds for the future, including the acquisition of properties that will contribute to the development of attractive communities in the greater Namba area.

As the business environment changes violently, increasing speed through the utilization of alliances is also indispensable for the realization of our vision. In fiscal 2018, we are cooperating with other businesses and advancing the construction of the first inbound labor training facility for foreigners in Japan in the Shin-Imamiya area in preparation for its opening. Moreover, in the Wakayama area, we made an agreement with Wakayama City and enhanced our organization to continuously conduct community development.

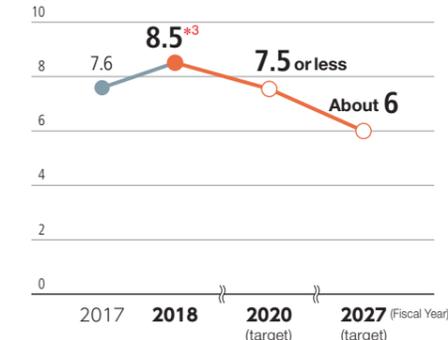
Furthermore, so that our corporate group can continue sustainable growth, recognizing the need to realize the "Greater Namba" concept, we established the Greater Namba Creation Office as a dedicated division in a recent business reorganization. In fiscal 2019, which is the second year of our KYOSO 136 Plan, we will continue to deepen and execute measures in alignment with its five fundamental policies. For example, we will advance important programs to continue enhancing the appeal of the Greater Namba area, starting with participation in development plans for a Hoshino Resort Hotel in Shin-Imamiya.

Numerical targets (consolidated basis)

Operating income*1



Interest-bearing debt balance/EBITDA*2 ratio



Capital investment amounts (Fiscal 2018-2020 overview)

Category	Amount (¥100 million units)
Increase revenue	773
Developing the Namba community	196
Inbound travel	42
Developing communities with stations as core locations	46
Expanding real estate business, etc.	400
Other revenue growth investment	82
Safety and updating	763
Railway-related construction (including new rolling stock)	390
Real estate and logistics facility construction	205

*1 Including dividend income

*2 Operating income + dividend income + depreciation and amortization

*3 In fiscal 2018, along with revision of our residential housing development business, appraisal losses of real estate for sale (6.3 billion yen) were calculated as cost of sales.

With EBITDA calculated excluding the impact of this, the Interest-bearing debt balance/EBITDA ratio was 7.7.

Medium Term Business Plan

Connections between the fundamental policies of the Nankai Group Business Vision 2027 and the KYOSO 136 Plan

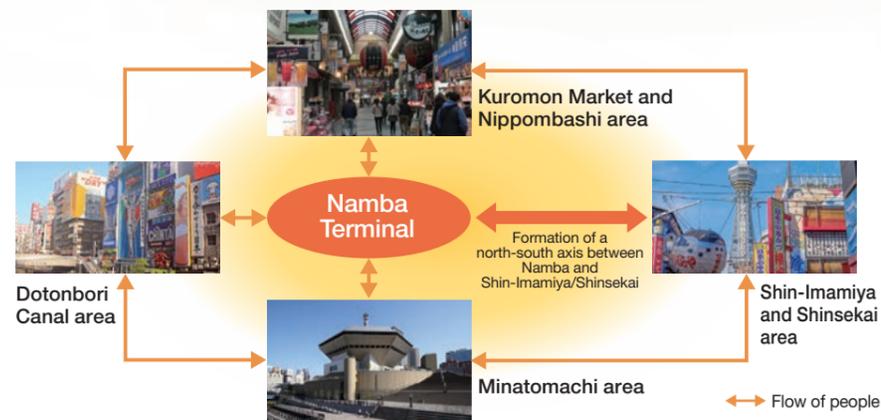
Our entire company is working together to increase value along our train lines in preparation for the opening of the Naniwasuji Line



Keyword 1

Create "Greater Namba"

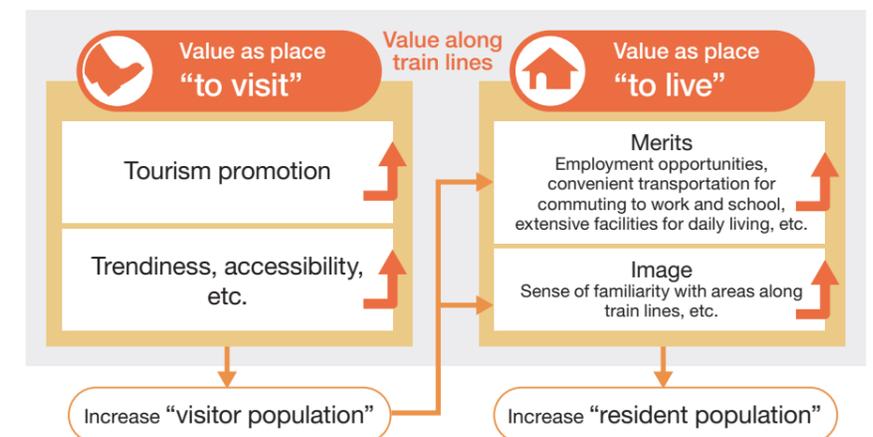
- With inbound tourism and Namba SkyO as triggers, cultivate the area with the two vectors of "development as an international tourism city" and "enhancement of urban functions"
- With formation of a north-south axis between Namba and Shin-Imamiya/Shinsekai as the key, create a vibrant excursion space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



Keyword 2

Community development focused on improving value along our train lines

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



Develop the Namba community

Major achievements in fiscal 2018

Namba SkyO opening **A**



We opened Namba SkyO for business as a new landmark tower that symbolizes the constantly advancing Namba area in October 2018.

This development is endowed with a large-scale, urban convention hall and other facilities that meet the needs of the Namba area for high-performance, large-scale offices and advanced, preventative medical treatment. With it, we are seeking to further increase the value of the Namba area.



Acquired real estate properties that contribute to community development **B**

We acquired three new real estate properties in the Namba area, including FP HOTELS Grand South-Namba, which is a hotel focused on overnight stays. We will continue to actively advance the acquisition of properties with Greater Namba as a strategic area.



Advancement of the Namba Hiroba Remodeling Plan **C**



We have been participating in the Namba Hiroba Remodeling Plan, which is a public-private cooperative project to make the Nankai Namba Station space a high-quality refreshing place that is people-oriented. We will continue advancing consultations toward the realization of this plan.

Began construction of an employment and exchange center for foreigners in preparation for opening in September 2019 **D**



We opened YOLO BASE, the first inbound labor training facility for foreigners in Japan in September 2019. In addition to lodging space and a restaurant, we equipped this facility with an event space and seminar room. In cooperation with other businesses, we will seek to match the human resources of foreigners who want to work in Japan with Japanese businesses, promote multicultural interaction and accelerate the value of the area around Namba.



★ Real estate property acquired in fiscal 2018
★ Real estate property acquired in fiscal 2019

Increase nonresident population, starting with inbound travelers

Major achievements in fiscal 2018

Improved services to capture even more inbound demand



We have made infrastructure improvements to further capture increasing inbound travel demand. These include incorporating electronic payment functions at commercial facilities and railway station counters in Namba as well as establishing temporary baggage storage and baggage shipping counters at Namba Station and Kansai Airport. We will continue working to improve convenience and comfort by expanding the entire area with infrastructure to receive foreigners visiting Japan.

Advanced measures to revitalize communities along our train lines with Koyasan and Kada in Wakayama City as key areas



We advanced the Koyasan Tourism Attractiveness Improvement Project from fiscal 2018. We seek to increase awareness of the area and encourage visitors by undertaking continuous promotion, beginning with a campaign accompanying the start of operation of new-model Koyasan Cable cars in March 2019.



We entered a cooperation agreement with Wakayama City related to "renovation community development" in October 2018. In tourism, industry and local promotion, for example, we will continue to work in cooperation and actively undertake efforts to develop and promote attractions along the Kada Line and in the area around the Wakayamashi Station.



We began operation of Medetai Train Nana, the third train on the Kada Fish Line, in March 2019. With both "renovation community development" and the Kada Fish Line Project, we are working to increase the nonresident population along the Kada Line.

Executive message

We will continue promoting various measures to expand utilization and capture repeat business

The number of visitors to Japan continues to increase overall in 2019, but the trends are changing. For example, among visitors from East Asia, which account for 80% of the total, the number from China is increasing rapidly while numbers from Korea, Hong Kong and Taiwan are decreasing. Under these conditions, with the goal of catching people before they begin their travels, we have been selling train tickets through overseas travel agencies for some time. In December 2018, however, we converted from conventional paper tickets to e-tickets, and have been seeking to expand sales channels and increase convenience.

Looking ahead, in addition to our immediate circumstances, a number of factors, including IR attraction plans from the 2020 Olympics and a series of big events, starting with the Osaka/Kansai Expo 2025, will occur, making the environment favorable. However, I believe the following two items are issues. The first is how much we can increase the number of new visitors, building on East Asia, with Southeast Asia, Europe, North America and Australia, which have two-digit growth rates, as strategic targets. The second is capturing repeat business. In consideration of these issues, we are participating in the planning

of the LIVE JAPAN Kansai tourist information portal site, which began operation in July 2019. We also plan verification tests for the implementation of railway QR payment in November. In addition, we are making new plans for advancement in strategic areas, including participation in overseas travel fairs and sales visits to local agents.

Furthermore, with Namba, Koyasan and Sakai as key areas, we have identified the area south of Sakai City, Nankai and Shikoku as strategic areas, and we are advancing the development of tourism in inbound arrival areas in coordination with local governments along our train lines and other stakeholders inside and outside our company. We will continue to advance promotions to send customers to the areas along our train lines and strive to create attractions and increase value along these lines.



Senior Corporate Officer
Kiyohara Yasuhito

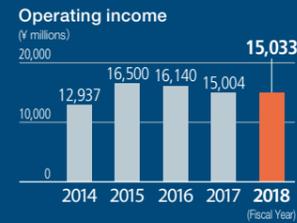
Business overview by sector

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

Transportation Business



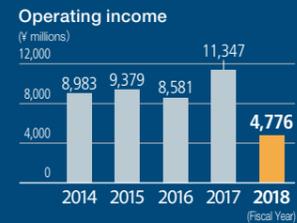
As a result of Kansai International Airport transport staying strong throughout the year and other factors, operating revenue was 102.051 billion yen (1.2% increase from the previous fiscal year) and operating profit was 15.033 billion yen (0.2% increase from the previous fiscal year).



Real Estate Business



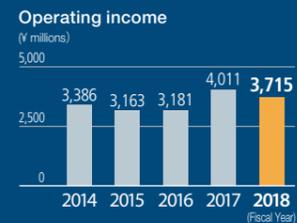
Operating revenue was 36.956 billion yen (10.4% decrease from the previous fiscal year) due to a reduced number of condominium units delivered and other factors. Operating income was 4.776 billion yen (57.9% decrease from the previous fiscal year) due to the inclusion of appraisal losses for real estate for sale, resulting from reevaluation of the residential development business, for example.



Distribution Business



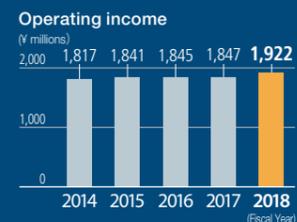
Operating revenue was 33.482 billion yen (6.0% decrease from the previous fiscal year) due to changes in the ekimo contract format, for example. Operating income was ¥3.715 billion (a 7.4% decrease from the previous fiscal year) due to the inclusion of costs related to the renovation of Namba City and other factors.



Leisure Services Business



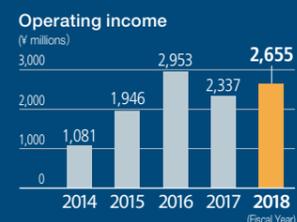
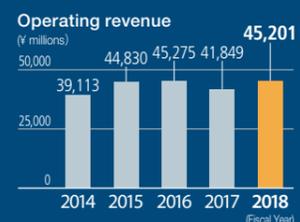
Operating revenue was 39.64 billion yen (0.7% increase from the previous fiscal year) and operating profit was 1.922 billion yen (4.1% increase from the previous fiscal year) due to increasing revenue in our building maintenance business as well as greater sales of betting tickets in our boat racing facility leasing business.



Construction Business



This period, along with private residential building, we again focused on efforts to get orders for private nonresidential building and civil engineering projects and other business in the capital region. As a result of an increased number of construction completions and other factors, operating revenue was 45.201 billion yen (8.0% increase from the previous fiscal year) and operating profit was 2.655 billion yen (13.6% increase from the previous fiscal year).



Other

In other businesses, our operating revenue was 2.68 billion yen (17.6% increase over the previous fiscal year) and our operating income was 153 million yen (14.0% decrease from the previous fiscal year).

Business overview by sector (transportation business)

Transportation Business 37 companies

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



Railway Business

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

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



Business focus for this financial year

Added new model cable cars to the Koya Line Cable Line



The fourth generation of cable car models, the first new ones in 54 years, began operation in March 2019. The streamlined European-style cars are highlighted with vermilion that evokes the Basic Great Pagoda of Mount Koya and the Danjo Garan. This model was designed with a blend of Japanese and Western styles meant to evoke an image of Mount Koya that is rich in international appeal.

Began operation of third Medetai Train



Since April 2016, we have been operating the sightseeing Medetai Trains as showpieces for the Kada Fish Line Project. Following the blue "Kai" and the pink "Sachi," we began operation of "Nana," which is the third, on March 31, 2019.

Advanced customer service reforms



We worked to improve customer service by continuing to focus on efforts that contribute to safety and peace of mind, including the installation of platform gates on Namba Station platform 1. In addition, we also advanced renovations of station restrooms.



Bus business

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

Business focus for this financial year

Incorporation of onboard Wi-Fi in Kansai Airport shuttle buses



On Nankai Bus highway buses and Kansai Airport shuttle buses, we began providing NANKAI_BUS_Free_Wi-Fi as a free Wi-Fi service that can be used by all passengers, including foreign tourists visiting Japan who especially need access to free Wi-Fi.

Operation of temporary shuttle buses to maintain airport access



When Typhoon 21 hit the Kinki region directly on September 4, 2018, railway access to the Kansai International Airport was severed. For this reason, we worked to maintain airport access when we were asked to operate temporary shuttle buses between the front of the Rinku Town Station and this airport.

Ferry and Tramway business

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

Business focus for this financial year

Began construction of the new "Ferry I"



At Nankai Ferry, we held a ceremony to begin construction of the new "Ferry I" on December 19, 2018. This is the first new ship for this company since the Ferry Katsuragi in 20 years, and we are seeking to put it into commission in fiscal 2019.

Hankai Tramway attracted customers from Japan and abroad



Hankai Tramway held the 20th Streetcar Festival on June 9, 2018, attracting 6,543 customers. Moreover, the company sought to attract customers from Japan and abroad by, for example, running the Chewbacca Train with cars specially wrapped for a limited time during the release of the film.

Real Estate Business

4 companies

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



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

Business focus for this financial year

Namba SkyO opening



In October 2018, we opened Namba SkyO, which is endowed with large-scale office and commercial facilities with advanced features, as well as a large clinic that supports advanced, preventative medical treatment and an urban convention hall.

Distribution Business

10 companies

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



We are advancing a wide range of highly-focused shopping centers, convenience stores, dining and drinking establishments and retail shops, centered around our train lines, and working to invigorate the communities in these areas. We are also working to develop our station business outside our train lines, utilizing our expertise from retail shops inside stations.

Business focus for this financial year

Namba City renewal



In April 2018, we renovated Namba City. We reinvigorated this facility with a total of 38 retail shops, drinking and dining establishments and other businesses, including some appearing for the first time in western Japan and some that were relocated, remodeled or reconceived.



Leisure Services Business 22 companies

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



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

Business focus for this financial year

Renewed Hotel Nakanoshima



We have continued renovations of the Hotel Nakanoshima (Nachi Katsuura Hot Springs). While continuing the appeal of the free-flowing outdoor hot spring as part of the "one inn per island" theme, we inaugurated the new Naginosho building in April 2019, reinventing it as "Nakanoshima Kumano villa inn on a green island."

Construction Business 4 companies

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



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

Business focus for this financial year

Began construction of new Truck Terminal Building 1



Semboku Rapid Railway began construction of the new Kitaosaka Truck Terminal Building 1 (completion planned in April 2020). Nankai Tatsumura Construction is also participating in the construction as a joint venture.

Report on CSR efforts

In our corporate group, we are pursuing CSR with four overarching themes that we have identified as business guidelines for our group. They are "assurance of safety and peace of mind," "emphasis on the environment," "compliance thoroughness" and "pursuit of a customer orientation." In addition, we have also begun efforts for sustainable development goals (SDGs) as guides for CSR efforts toward the resolution of issues faced by global society.

Overview of our approach to sustainable development goals (SDGs)

The SDGs adopted by the United Nations in 2015 are goals shared worldwide for 2030 toward the resolution of social, economic and environmental issues facing society around the globe. They are comprised of 17 goals with 169 targets for the realization of a sustainable world.

Moreover, to achieve these goals, cooperation is desired not only among the governments of countries around the world but also among local governments, businesses, nonprofit organizations and numerous other stakeholders.

At the same time, developing numerous business activities and close relationships with communities and contributing to the consideration and resolution of various social issues in local communities is important for the continuation of our business activities.

Regarding environmental issues, for some time we have been pursuing environmental management that considers impacts on the environment from our business activities. In 2008, we established our Environmental Policy Promotion Department as a full-time division, and we have been undertaking

efforts throughout the entire group for the building of promotion systems. However, taking into account increasing expectations about the contributions of businesses toward SDGs and the characteristics of our business, which is closely linked with communities, we established a new SDGs Management & Promotion Department under our Environmental Policy Promotion Department in 2019. The goal of this is to advance efforts to consider and contribute to a wide range of social issues not just the environment.

SDGs are valuable resources for the identification of important social issues, which is necessary in formulating business strategies. We expect that they will also contribute to the Nankai Group Business Vision 2027 and enhance our medium term business plans that build to it.

In the future, we will seek to achieve the targets of related SDGs through our business activities. We will set concrete tasks for them over the medium and long terms in the areas of environment (E), society (S) and corporate governance (G), and continue undertaking steady efforts while applying PDCA cycles.

SUSTAINABLE DEVELOPMENT GOALS

17 GOALS TO TRANSFORM OUR WORLD



We use these SDG icons to show their relationships with safety, the environment and society.

Safety

Safety Information Report

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



Message from the Comprehensive Safety Administration Manager (corporate officer in charge)

We will work to restore customer confidence and further increase safety and assure reliable transportation

Comprehensive Safety Administration Manager
Senior Corporate Officer
Railway Business Division
General Manager
Kajitani Satoshi



Thank you very much for using our businesses.

On August 24, 2019, cracking was discovered on a Limited Express rapid car trolley, and this was recognized as a serious incident by the Japan Transport Safety Board of the Ministry of Land, Infrastructure, Transport and Tourism. We apologize deeply for causing great worry to customers who use our trains. In addition to cooperating completely with the investigations of the Japan Transport Safety Board, as a company, we are also putting maximum effort in investigating the causes and implementing countermeasures in cooperation with research organizations and rolling stock manufacturers. We are seeking to be the Nankai Electric Railway that customers can use with peace of mind and working to restore their confidence in us.

In 2018, as a result of the passing of Typhoon 21, the Ozaki Station on the Nankai Line became unusable due to fire, a tanker ran into the bridge connecting to the Kansai Airport and numerous places south of Koyashita Station on

the Koya Line became impassible because of fallen trees. We apologize for all of these inconveniences. In preparation for natural disasters, which have been intensifying in recent years, undertaking measures to prevent and ameliorate disasters are one of our most important tasks. We are systematically advancing the reinforcement of earthquake resistance for overpass pillars and station buildings, the reinforcement of embankments and countermeasures to prevent the dislodgement of bridges. We are working to ensure reliable transportation even if damage should occur through measures to minimize disaster impacts on train operation and by strengthening initial response systems to minimize times before resuming operation to the greatest extent possible.

In addition, we incorporated a train operation management system on the Koya Line and installed platform gates on Namba Station platform 1. Furthermore, we have updated cable car vehicles and pulley equipment. We will continue striving to improve safety, systematically implementing safety measures for train platforms and updating aging vehicles and other equipment.

In addition to physical infrastructure such as this, we are working to cultivate safety culture and develop human resources in order to invigorate communication and prevent major accidents caused by human error. We are seeking to create open workplaces where the workers in charge execute safety policies and dedicate themselves to acting at all times in accordance with the principle that safety is the highest priority.

Furthermore, as the operator of a railway that accesses the Kansai International Airport, which has had a rapid increase in use by inbound travelers, we will continue striving to build and solidify a permanent safety culture and endeavoring to offer good transportation services that are safe, provide peace of mind and are also chosen by foreign customers.

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

We established a Safety Policy in October 1, 2006 (revised June 26, 2009), and have worked to develop systems for undertaking business activities with a "safety first" mindset. We are also working to assure transportation safety through the holistic utilization of railway facilities, rolling stock and company employees.

Feature Impacts of Typhoon 21 in 2018 and our responses

As a result of the impacts of Typhoon 21, which directly hit the Kinki region on September 4, 2018, service stopped on some sections of our train lines and the Ozaki Station on the Nankai Line was closed due to fire in the station building. We wish to extend our deepest apologies for allowing these great inconveniences.

1. To assure customer safety – implementation of planned service suspensions

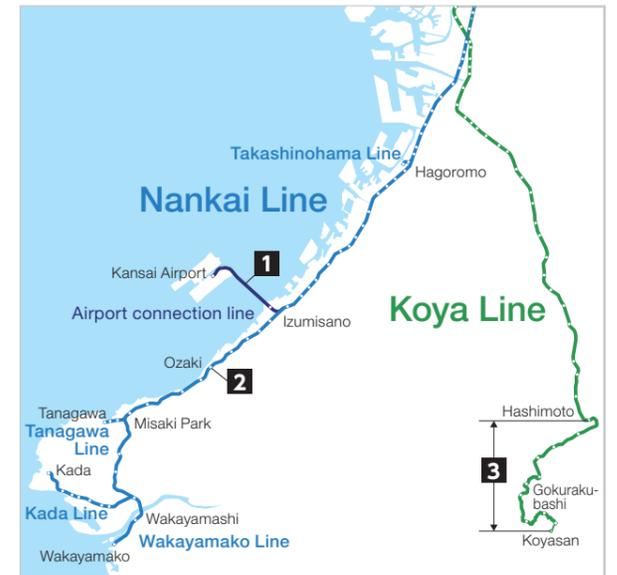
As Typhoon 21 in 2018 approached, we anticipated significant impacts on train operation. With the goals of assuring customer safety and reducing the number of customers who would have trouble returning home, we implemented planned service suspensions that stopped operation in advance on all our lines, which was a first for our company. We steadily reduced the number of trains operating before wind speed, rainfall volume and other conditions reached regulated values. Eventually, we suspended operation of all trains.

Moreover, we implemented planned service suspensions in the same manner when Typhoon 24 approached the Kinki region on September 30, 2018.

In the future, we will implement planned service suspensions again depending on typhoon strength and path. We ask for your understanding and cooperation at such times.

2. Disaster damage overview and efforts until the resumption of operation

An overview of disaster damage and efforts made until the resumption of operation follows.



1 Airport connection line and airport connection bridge Railway support dislodged by tanker impact

1. Disaster overview

An oil tanker struck an outbound road support (southern side) near the connection to the airport island, causing it to be dislodged laterally by about 4 m toward the railway support side (northern side). This pushed the railway support laterally northward by about 50 cm and also damaged other railway supporting parts and electric lines.

Moreover, high sea waters also submerged the line where it was partially below ground level on the airport island.



Railway damage caused by lateral shifting (about 4 m) of the outbound roadway bridge

2. Resumption of operation

After the floodwater was discharged from the section below ground level and two spans of the impacted road bridge were removed, we advanced restoration of the railway section, confirmed safety through trial runs and restarted operation with the first train on September 18.



Airport connection bridge after resumption of operation

2 Nankai Line Ozaki Station Station building fire

1. Disaster overview

We suspect that some flying material caused a feeder (1500 V DC) inside Ozaki Station to short with an iron pole. This resulted in the flow of a large current to the distributing board inside the station, leading to the fire. The areas inside and outside the wickets of the elevated station building were entirely burned, and the automatic wickets, ticket vending machines and other equipment necessary for station operation were lost to fire.

2. Resumption of operation

After operating trains by having all of them pass by the station, we closed the secondary main lines (lines 1 and 4) from the first train on September 11 and resumed passenger handling through a temporary passage. Then, from the first train on September 15, movement between the upper and lower platforms became possible through the temporary arrangement of a passage inside the elevated station building.

We continued restoration work after this, making the station building available for use from March 23, 2019 and restarting use of the secondary main lines (lines 1 and 4) from April 6 the same year.

Furthermore, we insulated the feeder lines inside Ozaki Station as a countermeasure.



Left: Ozaki Station building after fire
Right: Ozaki Station after temporary restoration with temporary passage (slope) installed above line 4 (top) and automatic wicket installed on platform (bottom)

3 Between Koya Line Hashimoto and Koyasan stations Tracks blocked by fallen trees

1. Disaster overview and resumption of operation

Fallen trees occurred in 41 locations, power line supports became tilted in 10 locations, and power lines were interrupted in multiple locations. After we completed restoration, we conducted safety checks. Then, we resumed operation with an outbound train leaving Hashimoto Station at 3:54 PM on September 20. The cable car resumed operation at 4:59 PM with the connection to that train. During the suspension of operation, as transportation alternatives, we used direct buses between Hashimoto and Koyasan stations and taxis for each station south from Koyashita Station.

2. Fallen tree countermeasures

We are having arborists evaluate the trees along the Koya Line south of Hashimoto Station. In preparation for natural disasters, we are steadily advancing the removal of trees that could hinder the operation of trains.

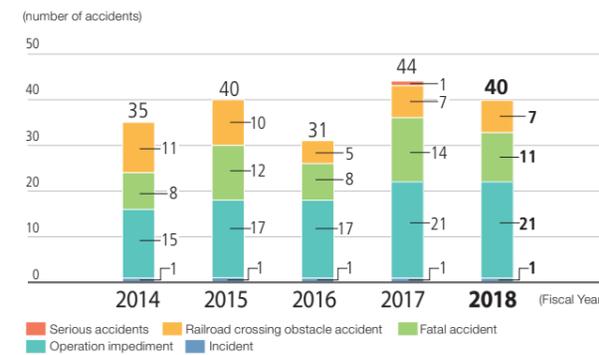


Sections made impassible by fallen trees between Kami-Kosawa and Kii-Hosokawa stations (left) and between Gokurakubashi and Koyasan cable car stations (right)

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

Status of occurrences in the last five years

Number of accidents over five years



Note: The serious accident in fiscal 2017 was a train derailment accident.

Reference: Classification of railway operation accidents, etc.

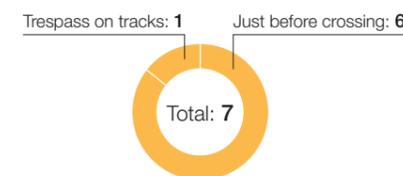
Railway operation accidents	Serious accidents	Train collision accident	Accident in which a train collides with or contacts another train or vehicle
		Train derailment accident	Accident in which a train derails
		Train fire accident	Accident in which a fire occurs in a train
	Railroad crossing obstacle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

Status of occurrence in fiscal 2018

No serious accidents (collisions, derailments or fires) occurred in fiscal 2018. Railroad crossing obstacle accidents, fatal accidents and operation impediments were as follows.

One incident occurred in fiscal 2018, and it was reported to the Kinki District Transport Bureau. Our company received no administrative guidance.

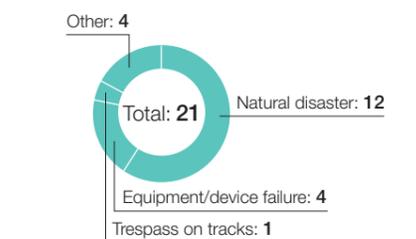
Railroad crossing obstacle accident



Fatal accident



Operation impediment



Incident

One incident occurred in fiscal 2018, and it was reported to the Kinki District Transport Bureau.

Cracks occurred in 2000 series train cars

(1) Date and time of occurrence
Around 6 PM, March 19, 2019

(2) Conditions
During regular inspections of 2000 series train cars, cracks that had occurred were discovered.
A total of 2 cracks with lengths of 300 mm and 50 mm were found in 2 train cars.

(3) Cause
We estimate that force generated when trains were running became focused in certain areas causing cracks to occur.

(4) Countermeasures
We undertook nondestructive inspections of the same locations on train cars that utilize the same bogie model, confirming that they did not have cracking. We plan to reinforce these locations during regular inspections.



Spot where cracking is occurring on train car

The Environment

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



Environmental Philosophy and Environmental Policies

Our corporate group has established the Nankai Electric Railway Group Environmental Philosophy, and we will continue to consider the environmental impacts of our business activities and to work toward the creation of a society that is easy on the natural environment. As Nankai Electric Railway, we had already established environmental guidelines in 2004. Seeking to conform with the ISO 14001:2015 standard, we made the following reforms in 2017.

Furthermore, Nankai Tatsumura Construction and Semboku Rapid Railway Line, which are group companies, have each established philosophies and policies regarding the environment and are making reforms as they seek to conform with the ISO 14001:2015 standard.

Environmental Philosophy (complete text)

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

Environmental Vision

In 2017, we established the Nankai Environmental Vision 2030 with the intention of contributing to the sustainable growth of the Nankai Electric Railway Group by developing awareness of issues related to the global environment and fulfilling our social responsibilities to a wide range of stakeholders.

This vision is coupled with our medium-term environmental plan based on the awareness that contributing to the resolution of environmental problems through various business activities leads to increased corporate value.

In this plan, among many environmental issues, we identify global warming, the establishment of a recycling-oriented

Environmental Vision society and biodiversity as the three that have great impact on the business activities of our corporate group. We also identify environmental management systems as the foundations for responding to these issues and have established an execution plan that works backward year by year from where we should be in 2030.

Moreover, through expanded revenue sources from environmental businesses and coordination with local governments, we will contribute not only to increasing business value, but also to increasing the environmental value along our train lines.

Nankai Environmental Vision 2030 (Fundamental policy)

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

Orientation for Nankai Environmental Vision 2030

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

Nankai Electric Railway Group Medium-term Goals

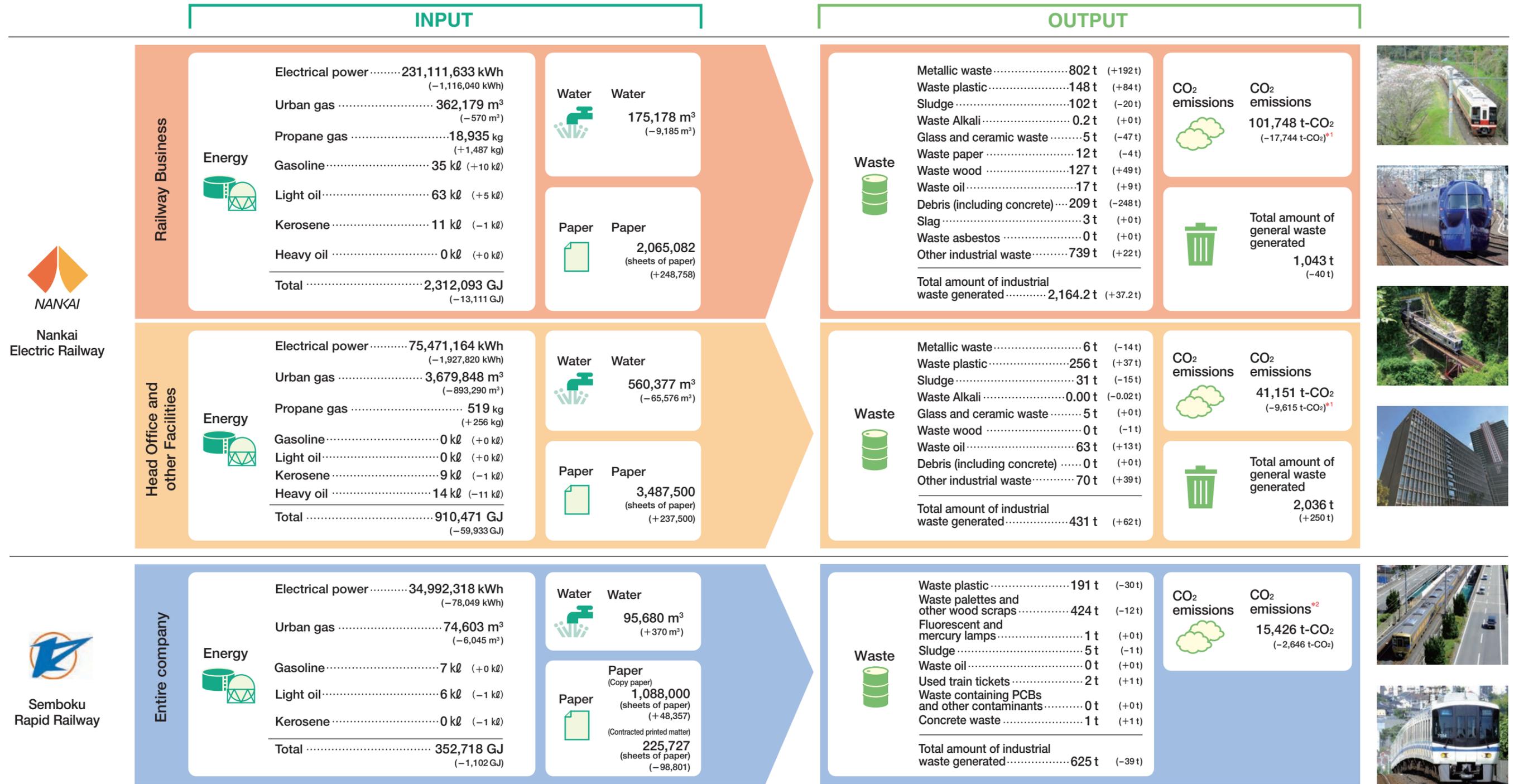
Fiscal 2018–2020

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

Main policy	Medium-term environmental goal	Main measures in fiscal 2018	Fiscal 2018 results	Evaluation	Main measures planned for fiscal 2019		
Nankai Environmental Vision 2030	1. Suppressing global warming	(1) Reduce the amount of Nankai Electric Railway Group CO ₂ emissions by 12%	Reduce Nankai Group CO ₂ emissions by 8% (compared to fiscal 2013)	Expanded covered companies to include all 56 group subsidiary companies and implemented CO ₂ emission reduction measures, cutting emissions by 4.9% (compared to fiscal 2013)	△	Reduce Nankai Electric Railway Group CO ₂ emissions by 10% (compared to fiscal 2013)	
		(2) Utilize renewable energy (including from hydrogen) and strengthen BCP functions	Establish renewable energy business plan (1 plan)	Investigated installation of solar power generation at YOLO BASE facilities along other train lines (2 cases)	○	① Determine renewable energy businesses/commercialization ② Investigate new energy source utilization for railways and other business activities	
	2. Realizing a recycling-oriented society	Undertake preparations for smart city formation in the Namba area and along train lines as one aspect of driving urban development centered on train stations	Hold regular meetings with each business division on the theme of environmental measures that contribute to increasing added value for each project	Held regular meetings with each business division on the theme of environmental measures that contribute to increasing added value for each project (12 times)	○	① Coordinate local government information and development information ② Continue discussions and create business models for train line community revitalization projects and station development plans	
		3. Preserving biodiversity	(1) Expand biotope activities in areas along train lines	Determine new management plan by holding 4th Tanagawa Biotope Planning and Management Committee meeting and undertake efforts in accordance with this plan	Held Tanagawa Biotope Planning and Management Committee with Misaki-cho, Osaka Prefecture (4 times in year) and discussed the creation of management plans for the medium and long-terms and specific activities Tanagawa Biotope preservation activities (10 times in year) Held Tanagawa Biotope Hiking (233 ordinary participants)	○	Establish medium and long term management plan and conduct preservation activities (10 times in year)
	(2) Advance biodiversity preservation and agricultural businesses harmoniously		Select candidate locations to advance projects that combine agricultural businesses with biotopes	At SOFIX lecture implementation seminars for "lifestyle vegetable gardens" (in collaboration with Ritsumeikan University), explained biodiversity, promoted our efforts, and cooperated in adding value to vegetable gardens	△	Conduct lectures on the theme of agricultural products and biodiversity for rental garden students	
	4. Deepening environmental management	(1) Improve and advance environmental management systems based on ISO 14001 and investigate transition to more active management systems	① Undertake renewal examinations and certification extensions related to ISO 14001 certification exams ② Identify issues with the current system by conducting questionnaires for the implementation staff	① Passed ISO 14001 certification renewal examinations and maintained certification ② Identified issues with the current system by conducting questionnaires and implemented investigations related to system orientation in the future	○	① Continue surveillance examinations and certifications related to ISO 14001 ② Prepare necessary conditions for independent management systems and continue to improve current systems	
		(2) Establish environmental law compliance management systems for Nankai Electric Railway Group	Build independent management systems for each company in the Nankai Electric Railway Group and hold manual creation training meetings	In environmental law trainings, conducted explanations of legal compliance management manual creation for each group company	○	Conduct interviews related to the progress of manual creation for establishing environmental law compliance management systems in the Nankai Electric Railway Group (20 group companies)	
		(3) Promote environmental volunteer activities (ECONist program)	ECONist activities 12 times ECONist certifications 100 people ECONist advisor certifications 35 people Certification Test For Environmental Specialists (Eco Test) cumulative successes 277 people (enrolled members)	ECONist activities 15 times ECONist certifications 223 people ECONist advisor certifications 37 people Certification Test For Environmental Specialists (Eco Test) successes 33 people this year, 283 people cumulative (enrolled members)	◎	ECONist activities 18 times ECONist certifications 100 people ECONist advisor certifications 35 people Certification Test For Environmental Specialists (Eco Test) successes 35 people in year, 312 people cumulative (enrolled members)	
	Other	5. Sharing environmental information efficiently	(1) Transition to integrated report	① Issue CSR report that takes integrated reports into consideration ② Hold in-house working group to prepare for integrated report creation	① Published CSR report featuring Nankai Group Business Vision 2027 Medium Term Management Plan Received an "award for environmental communication" sponsored by the Ministry of Environment (3rd year in a row) ② Hold in-house working group to prepare for integrated report creation	○	① Issue corporate reports that take transition to integrated reports into consideration ② Hold in-house working group to prepare for integrated report creation
			(2) Issue environmental PR posters	Publish posters on efforts for the environment quarterly	Published posters promoting "Efforts for the environment by Nankai Electric Railway" (4 times in year)	○	Publish posters promoting "Efforts for the environment by Nankai Electric Railway" (4 times in year)
(3) Acquire new offset credits utilizing Nankai no Mori		① Investigate credit acquisition ② Utilize current credits	① Registered and prepared project for new credit acquisition ② Utilized current credits (4 times in year, implementing a total of 77 t-CO ₂ in carbon offsets in fiscal 2018)	○	① Register and prepare projects for new credit acquisition ② Utilize current credits (4 times in year)		
(4) Utilize wood thinned from Nankai no Mori		Create promotional products that utilize thinned wood	Created promotional products that utilize thinned wood (benches in Misaki Park)	○	Create promotional products that utilize thinned wood		
(5) Hold events sponsored by the Promoting Environmental Policy Department		Hold events for general public three times	Held events for general public (2 times in year, canceled 1 time due to typhoon damage)	△	Hold events for general public (3 times in year)		
(6) Contribute to environmental protection organizations		Make contributions	Made contributions to 11 environmental protection organizations (funds)	○	Make contributions to environmental protection organizations (funds)		

Environmental Impact Data

Environmental impact data (inputs and outputs) for Nankai Electric Railway and Semboku Rapid Railway Line in 2019 are detailed below. This data is focused on that submitted in accordance with the Energy Conservation Law and other laws to the Ministry of Land, Infrastructure, Transport and Tourism (Kinki District Transportation Bureau), the Ministry of Economy, Trade and Industry (Kansai Bureau), Osaka Prefecture and other agencies.



*1 These numbers were submitted to the Kinki District Transportation Bureau and the Kansai Bureau of Economy, Trade and Industry in accordance with the Energy Conservation Law. For electric power, the CO₂ emissions total was calculated using the emission coefficient set by Kansai Electric Power Co. of 0.435 kg-CO₂/kWh.

*2 Energy used exclusively by shops within Semboku Rapid Railway Line station buildings and by companies occupying the Higashiosaka and Kitaosaka logistic centers is included.

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

Society

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



Relationships with customers



Identifying customer needs

Creation of customer feedback database

Our database of customer feedback is a valuable collection of opinions, requests, praise and other thoughts received directly from customers. Employees can view this database using their work devices. In fiscal 2018, we received a great amount of customer opinions, totaling 2,306 cases.

These opinions can often point to areas of corporate management that require attention and have helped in the improvement of problematic points and service. The following are examples that reflect responses to customer feedback.

2018 customer feedback breakdown

Ranking		Numbers for previous year shown in parentheses	
		Number of cases	
1	Customer treatment/reception	810	(636)
2	Schedules/schedule disruptions	349	(836)
3	Passenger manners	271	(210)
4	Station facilities	250	(232)
5	Train ticket types	204	(223)
6	Air-conditioning	169	(184)
7	Train vehicles	100	(126)
8	Website	66	(103)
9	Length of railroad crossing times	55	(34)
10	IC and Compass Cards	27	(43)

By division

Numbers for previous year shown in parentheses

By division	Number of cases	
1 Railway	2,112	(2,532)
2 Misaki Park	70	(76)
3 Companies that make up the Corporate Group	64	(70)

Execution of customer satisfaction and corporate brand surveys

In fiscal 2018, continuing from the previous year, we hired an unaffiliated survey company to investigate the satisfaction of our customers using the Internet. We were able to learn what our customers thought about our service levels. Furthermore, from the previous fiscal year, we also implemented corporate brand surveys at the same time with the goal of raising the value of our company brand.

Through these surveys, we were able to learn broadly about the opinions and desires of our customers. We wish to utilize this in improving our service and brand image in the future.

Various improvements based on customer feedback

We consider our database of customer feedback and the opinions and requests that we receive from our customers through customer satisfaction surveys to be precious management resources for our company. With this data, we strive to constantly improve quality in every related division, including through education and guidance for railway staff.

Furthermore, in meetings that utilize customer feedback (VOC Application Committee), we identify reform issues and link the feedback to the implementation of specific measures.

Relationships with customers

Applying customer feedback

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

Renovation of station restrooms

We are advancing the renovation of station restrooms. We are pursuing improvements so that customers can use them with even greater comfort. These include aesthetic improvements, odor reduction through increased ventilation capabilities, and the enhancement of multifunctional restrooms, as well as the addition of powder spaces in women's restrooms.



Restroom entrance at Gokurakubashi Station



Restroom entrance at Kada Station



Men's restroom at Gokurakubashi Station



Women's restroom at Shin-Imamiya Station



Women's restroom at Kishiwada Station



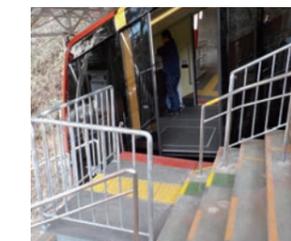
Multifunction restroom at Rinku Town Station

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

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



Aesthetic enhancement of the exterior wall on the west side of Namba Station



Leveling of cable car line entrances at Koyasan Station



Improvement of slope between platform and wickets at Iharanosato Station

Train car environments that enable use with comfort and peace of mind

We are building new train cars and renovating others as we endeavor to enable use with even more comfort and peace of mind.



Introducing sites along the Koya Flower Railway with onboard guidance display equipment on the Koyasan cable car line



Space that allows a variety of uses, including placement of large luggage and strollers (some 8300 series cars)

Topics

Efforts to improve the Nankai brand

We established the Nankai Group Business Vision 2027 for our corporate group. In this vision, we seek as our “ideal form in 10 years” to “have our train lines and corporate group be chosen because we provide satisfaction and inspiration.”

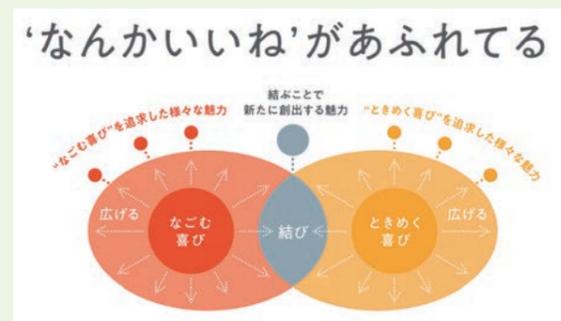
Along with being thorough in providing safety and

peace of mind, which are fundamental, practicing compliance comprehensively and improving the quality of products and services from the customer perspective, raising the Nankai brand is important in order “to be chosen.”

We will work to establish the Nankai brand to realize our goal to “have our train lines and corporate group be chosen.”

Overflowing with “something good”

The actions and words of each and every employee create the Nankai brand. For this reason, we established the “Overflowing with something good” brand slogan in order to have all group employees work every day oriented in the same direction and conscious of the “desired Nankai brand (Nankai essence).”



Ideas behind our brand slogan

“Something good” we feel when our minds are calm.
 “Something good” we feel when our minds are excited.
 A new “something good” created from the fusion of calm and excitement.

The areas along our train lines are filled with “something good.”

“Something good” manifests again and again. In the Nankai Group, what we seek is for the areas along our train lines to be filled with “something good.”

Let us always be conscious of this Nankai essence, think about what we can do to make our customers feel both “the joy of calmness” and “the joy of excitement.” Doing these things, let us provide our customers with an overflowing amount of “something good.”

In-house communication

We began in-house communication efforts about the brand in August 2019 so that employees would understand the meaning and necessity of working to improve the brand and take it on as their own work.

Believing that it is important for each and every employee to put their heart into efforts at the start of brand improvement, we displayed in-house posters

depicting employees.

Moreover, we distributed the Nankai Brand Book to every group employee. This book explains the meaning infused in the brand slogan and what types of things employees should practice in their work. We are steadily conducting trainings and workplace practices utilizing this book.



In-house posters



Nankai Brand Book

Relationships with local communities



Holding events

We hold a variety of cooperative events with the people along our train lines.

For example, we hold Nankai Concerts performed by the Osaka Philharmonic Orchestra with the goal of invigorating the culture in communities along our train lines.

For sporting activities, in cooperation with the SAKAI Blazers, a V.LEAGUE Division 1 team, we hold volleyball matches and provide direct instruction to girls and boys who are members of junior high school volleyball clubs in the communities along our train lines, for example. We also have

commemorative events on Railway Day, holding the Nankai Densha Festival 2018 at our Chiyoda Works.

Moreover, since the areas along Nankai train lines have an abundance of nature, historic remnants, main roads and other features, we have set walking courses that visit them. Our hiking maps, which we update as necessary, are enjoyed by numerous visitors.

In addition, we are also implementing Michibushin road-repair walks and other preservation activities as part of our CSR efforts.



Maintenance of a pilgrimage path by hand



Volleyball competition held

Efforts for “renovation community development”

Our company and Wakayama City established a cooperation agreement related to “renovation community development” on October 3, 2018 in order to continue working in cooperation. We are actively undertaking efforts to develop and promote attractions along the Kada Line and around Wakayamashi Station through community development with renovation in various fields including tourism, industry and local promotion.

Moreover, as one effort in Wakayama City, we have been advancing the Kada Fish Line Project to promote the attractions in the areas along the Kada Line in cooperation with the Kada and Isonoura tourism associations since November 2014. On, March 31, 2019, we began operation of Medetai Train Nana as a third tourism train. On the first day the operation began, we also held operation launch celebration ceremonies at Wakayamashi Station and Kada Station.



Medetai Train Nana

Relationships with employees



Creating workplaces where people can work easily

In order to provide customers with services that are safe and create peace of mind, we are working to improve workplace environments, which are the bases that enable employees to maximize the use of their abilities.

Hiring numbers for the 16 main companies* of the Nankai Electric Railway Group (People)

Fiscal Year	2014	2015	2016	2017	2018
Number hired	404	445	491	450	422
New graduates	126	129	145	157	144
Experienced workers	278	316	346	293	278
Women	55	56	73	66	67
Female hire ratio	13.6%	12.6%	14.9%	14.7%	15.9%

* Nankai Electric Railway Co., Ltd., Semboku Rapid Railway Co., Ltd., Nankai Bus Co., Ltd., Kansai Airport Transportation Enterprise Co., Ltd., Tokushima Bus Co., Ltd., Nankai Ferry Co., Ltd., Nankai Vehicles Service Engineering Co., Ltd., Nankai Fudosan Co., Ltd., Nankaishoji Co., Ltd., Nankai FD Service Co., Ltd., Nankai Food System, Co., Ltd., Nankai Travel International Co., Inc., Suminoe Enterprise Co., Ltd., Nankai Building Service Co., Ltd., Nankai Tatsumura Construction Co., Ltd., Nankai Management Service Co., Ltd.

Average number of years employed at Nankai Electric Railway Co., Ltd. (single company) (Years)

Gender	Men					Women				
	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018
Nankai Electric Railway Co., Ltd.	19.7	20.3	21.0	21.1	21.9	8.7	9.1	10.0	10.0	9.6

Note: This data is as of April 1 each year.

Encouraging the use of paid leave

We are working to increase the rate of annual paid leave usage by adopting a planned annual paid vacation system, for example. The utilization rate of allowed annual paid leave days at Nankai Electric Railway was 90.7% in fiscal 2018. This is a high level compared to the usual rate of utilization (51.1%) according to the General Survey on Working Conditions issued by the Ministry of Health, Labour and Welfare.

In addition, we have arranged systems that include leaves for childcare as well as leaves and time off for caregiving. The rate of childcare leave utilization by employees that gave birth has been 100% for six years running. Moreover, the use of this leave by male employees has been trending upward in recent years. In fiscal 2018, 44 employees from our 16 main group companies took childcare leaves.

Annual paid leave utilization rate (Nankai Electric Railway only)

Fiscal year	2014	2015	2016	2017	2018
Paid leave utilization rate	94.2%	91.5%	93.3%	91.0%	90.7%

Numbers of employees utilizing childcare leave (by gender) (at 16 main group companies)



Efforts for diversity

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

Numbers of employees, female employees, managers and female managers at the 16 main group companies*

Fiscal year	2014	2015	2016	2017	2018
Number of employees	6,077	6,034	6,147	6,269	6,293
Number of female employees	441	435	483	494	510
Number of managers	519	520	545	561	555
Number of female managers	8	9	10	12	13

* Nankai Electric Railway Co., Ltd., Semboku Rapid Railway Co., Ltd., Nankai Bus Co., Ltd., Kansai Airport Transportation Enterprise Co., Ltd., Tokushima Bus Co., Ltd., Nankai Ferry Co., Ltd., Nankai Vehicles Service Engineering Co., Ltd., Nankai Fudosan Co., Ltd., Nankaishoji Co., Ltd., Nankai FD Service Co., Ltd., Nankai Food System, Co., Ltd., Nankai Travel International Co., Inc., Suminoe Enterprise Co., Ltd., Nankai Building Service Co., Ltd., Nankai Tatsumura Construction Co., Ltd., Nankai Management Service Co., Ltd.

Advancing the active participation of women

We are conducting hiring and appointments that are focused on individual qualities without regard to gender, and we are promoting the active participation of women.

In April 2016, we established an Action Plan to Advance the Active Participation of Women. In addition to setting a female employment rate of at least 30% continuously for recent university graduates, we have been promoting the placement of women in a variety of types of work in our on-site railway operations, including as conductors, drivers and assistants. We are also advancing the preparation of lodging facilities for women.

We will continue strengthening efforts to further expand opportunities for active participation of female employees throughout the company and systematically cultivate their abilities. Specifically, we will continue to actively undertake advertising oriented toward women during hiring, and strive to expand the recruitment population as we seek to advance the placement and appointment of women in all fields and roles. Moreover, in our railway operation divisions, we will continue striving to build work environments that enable women to keep working by further expanding support for balancing work and family. We are already doing this by, for example, enabling childcare leaves to be taken until children begin attending school. We will continue building systems for childcare leaves during pregnancy and from the time of birth as well as for following up after returning to work.

Promoting employment of the disabled

Recognizing the important social responsibility of hiring the disabled, we currently employ 46 people with disabilities at our special subsidiary company Nankai Heartful Service K.K. As of June 2019, the employment rate for people with disabilities was 2.37% at Nankai Electric Railway and 8 related group companies that have received special authorization.

They undertake work that includes the cleaning of various facilities, starting with those of our companies, and the sorting of mail. We are promoting communication and working to realize and maintain workplace environments where they can work easily through daily information exchanges and recreational events, for example.

Promoting employment of older people

Considering the need to respond to the stepped increase in the age when the provision of welfare pensions begins, we have had a reemployment system for employees after retirement age (60 years old) since fiscal 2004. As of March 31, 2019, we had 36 such employees active in various fields.

At our company, we are not just following the law. Rather, we are working to support more fulfilling lives for senior citizens, including by raising wage levels in response to the so-called "pensionless period" and by holding training session that contribute to maintaining and increasing motivation.

Governance

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



Governance systems

Business execution

Board of Directors

The Board of Directors (with the president as the chairperson and the General Affairs Department as the secretariat) consists of 9 directors and 5 auditors (including 3 outside directors and 3 outside auditors). The Board meets on a monthly basis in principle to make decisions on fundamental policies for management and important business execution as well as to supervise the execution of duties by directors.

Management Committee

The Management Committee meets once per week as a deliberation organization to aid the president in making decisions about important business execution based on the fundamental management policies established by the Board of Directors. Comprised of senior corporate officers* with the President as the chairperson and the General Affairs Department as the secretariat, this committee seeks to comprehensively control business execution and optimize management decision-making.

*Senior corporate officers and higher

Compensation Committee

We established a Compensation Committee, which is comprised of the President and CEO along with outside directors (and chaired by an outside director), and ensure that the compensation process is objective, transparent and fair.

From decisions made by the Board of Directors, the

Nominating Committee

We established a Nominating Committee, which is comprised of the President and CEO along with outside directors (and chaired by an outside director), and ensure that the nominating process is objective, transparent and fair. This committee deliberates the following items ahead of the Board of Directors.

- Determination of candidates for Director, selection of the President and appointment of Corporate Officers
- Propriety of dismissing Corporate Officers, and discharging or not reappointing the President
- Concrete implementation status of succession plans for people in charge of management based on how they should be as determined by the Board of Directors and selection policies

President and CEO is entrusted to determine the compensation of individual directors and senior corporate officers. However, those decisions must receive approval from this committee.

This committee deliberates changes to the executive compensation system ahead of the Board of Directors.

Auditing by auditors

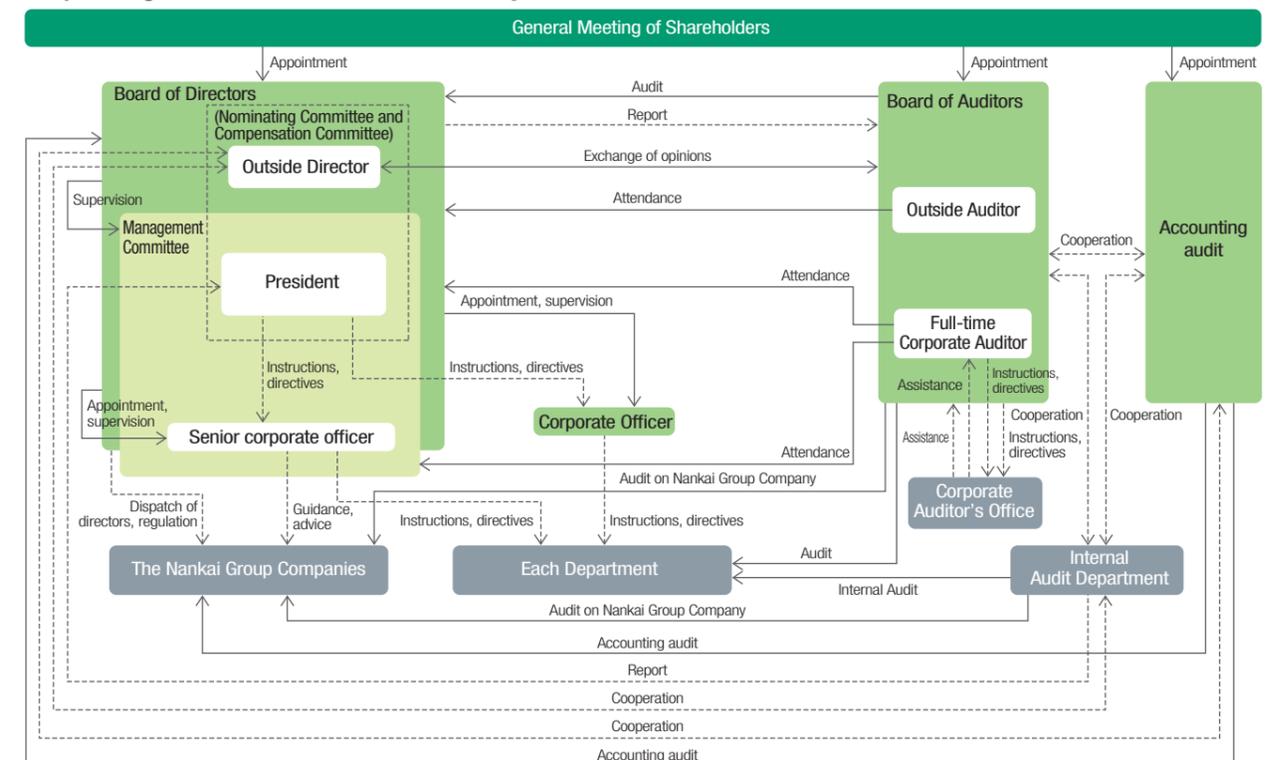
The Board of Auditors, which consists of 5 Auditors (secretariat: Corporate Auditor’s Office), meets once a month in principle and execute audits on business execution.

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

through these efforts and add appropriate explanations about such information from the perspectives of those well-versed in the business of the Company. In turn, Outside Auditors provide guidance and state opinions based on their expertise and experiences outside the Company. By following these different roles and mutually complementing each other’s functions, they increase the effectiveness of audits by Auditors.

In addition, we have established the Corporate Auditor’s Office as an organization dedicated to handling work related to the Board of Auditors and audits by Auditors in order to strengthen Auditors’ functions. The Corporate Auditor’s Office consists of 2 staff members, who shall follow the commands and orders of Auditors. As for the personnel changes and evaluations of Corporate Auditor’s Office members, the consent of Senior Corporate Auditors shall be obtained.

Corporate governance and internal control systems (as of June 21, 2019)



Governance systems

Outside Directors and Outside Auditors

Outside Director

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

Outside Auditor

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

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

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

Based on these expectations, our company selects externally appointed directors and auditors that are independent. We believe that these appointment conditions are functioning sufficiently for maintaining and improving our corporate governance systems.

Supporting System for Outside Directors and Outside Auditors

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

The Corporate Auditor's Office is the secretariat of the Board of Auditors. The Corporate Auditor's Office conveys information such as the date and time of the Board of Auditors' meeting as well as the agenda in advance, while providing assistance on field audits to each business location as necessary.

Information beneficial for the execution of audits are collected from the contents submitted to the Management Committee and other approval documents, and provided to Senior Corporate Auditors, who report and explain them to Outside Auditors as necessary.

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

Executive classification	Name	Independent Name director/auditor	Reasons for selection	Board of Directors/Auditors attendance record (fiscal 2018)	
Outside Director	Sono Kiyoshi	○	Based on his extensive experience gained as a bank manager, we selected (designated) him as an externally appointed director (independent director) because we expect he can provide suitable advice and supervision for the management of our corporate group as a whole from an independent standpoint free of any relationship that could enable the exertion of notable control mutually between him and the corporate management ranks of this company.	Board of Directors meeting	Attended 11 of 12
	Tsunekage Hitoshi	○	Based on his extensive experience gained as a bank manager, we selected (designated) him as an externally appointed director (independent director) because we expect he can provide suitable advice and supervision for the management of our corporate group as a whole from an independent standpoint free of any relationship that could enable the exertion of notable control mutually between him and the corporate management ranks of this company.	Board of Directors meeting	(New appointment)
	Koezuka Miharuru	○	Based on his extensive experience gained as a department store manager, we selected (designated) him as an externally appointed director (independent director) because we expect he can provide suitable advice and supervision for the management of our corporate group as a whole from an independent standpoint free of any relationship that could enable the exertion of notable control mutually between him and the corporate management ranks of this company.	Board of Directors meeting	(New appointment)
Outside Auditor	Oku Masayuki	○	Based on his extensive experience gained as a bank manager, we selected (designated) him as an externally appointed auditor (independent auditor) because we expect he can raise the effectiveness of auditing in our corporate group as a whole from an independent standpoint free of any relationship that could enable the exertion of notable control mutually between him and the corporate management ranks of this company. Furthermore, through his business experience at a bank, this auditor possesses knowledge related to finances and accounting.	Board of Directors meeting	Attended 11 of 12
	Arao Kozo	○	Based on his specialized knowledge and extensive experience gained as a lawyer in the practice of corporate law over many years, we selected (designated) him as an externally appointed auditor (independent auditor) because we expect he can raise the effectiveness of auditing in our corporate group as a whole from an independent standpoint free of any relationship that could enable the exertion of notable control mutually between him and the corporate management ranks of this company. Furthermore, this auditor is an expert in corporate law and possesses knowledge related to finances and accounting.	Board of Directors meeting	Attended 12 of 12
	Aiba Koji	○	Based on his extensive experience gained as a business executive at a health insurance company, we selected (designated) him as an externally appointed auditor (independent auditor) because we expect he can raise the effectiveness of auditing in our corporate group as a whole from an independent standpoint free of any relationship that could enable the exertion of notable control mutually between him and the corporate management ranks of this company. Furthermore, through his business experience at a health insurance company, this auditor possesses knowledge related to finances and accounting.	Board of Directors meeting	Attended 12 of 12
				Board of Auditors meeting	Attended 11 of 13
				Board of Auditors meeting	Attended 13 of 13
				Board of Auditors meeting	Attended 13 of 13

Message from an outside director

I apply all my abilities to provide assistance in increasing the business value of the Nankai Group



Outside Director
Koezuka Miharuru

My name is Miharuru Koezuka and I was recently appointed as a new outside director of Nankai Electric Railway.

This company is advancing businesses that create and support products and services important to the lives and lifestyles of customers. In particular, railroads are important social infrastructure. Focusing on the opening of the Naniwasuji Line in 2031, the company is entering an important time for taking on new growth and transformation. With the continuing decline in child birth rates and the aging of society,

the arrival of inbound travelers and other factors, the forms of cities and towns are changing rapidly. The functions and values expected of the community development and infrastructure projects created by this company are becoming more sophisticated and diverse. In the roles that businesses are expected to fill in society, always responding sensitively to changes in the era is important. For this reason, I believe that management efforts to continue responding to customer opinions is necessary.

Instead of becoming caught in the perspectives and ways of doing things of the past, advancing diversity that respects viewpoints and ideas born from differing experiences and value systems is indispensable. I believe that increasing the diversity of the Board of Directors of this company is essential for the growth of the group. The restructuring of the Board of Directors and the undertaking of various other structural changes shows clearly the high level of consciousness regarding strengthening corporate governance. Considering changes like these, utilizing the experience and knowledge that I have from participating in retail business management, I personally will continue applying all my abilities to provide assistance in increasing the sustainable business value of the group.

Governance systems

Revision of the executive compensation system

With the goal of further clarifying the division between management supervision and execution, we revised the structure of our Board of Directors and system of corporate officers. Along with this, a decision was made at the Board of Directors meeting held May 14, 2019 to revise the executive compensation system. Then, at the 102nd Regular General Meeting of Shareholders held June 21, 2019 (hereafter “this general meeting”), the decision was made to revise the compensation system for directors and adopt a stock compensation system for them. This revision of the executive compensation system was approved at the Nomination and Compensation Committee (now Compensation Committee) s t s meeting held April 26, 2019.

Details of policy related to determining amounts of executive compensation and other remuneration, their calculation methods, as well as their determination methods

In the new executive compensation system, we divide executive compensation (excluding auditor compensation)

into “supervision compensation” and execution compensation.” For supervision compensation, we pay fixed and uniform monetary amounts to directors. We pay execution compensation, which is comprised of basic compensation, bonuses and stock compensation, to senior corporate officers. The ratio of these forms of compensation is 60% basic compensation, 25% bonuses and 15% stock compensation. This ratio was devised in consideration of increasing incentives to improve business results and seeking to make management that is conscious of shareholder value and stock prices take root. Details are provided in the table below.

From decisions made by the Board of Directors, the President and CEO is entrusted to determine the compensation of individual directors and senior corporate officers. However, those decisions must receive approval from the Compensation Committee. This committee deliberates changes to the executive compensation system ahead of the Board of Directors. Compensation for auditors is only a fixed monetary amount determined through deliberations by the auditors.

Compensation ratios

Basic compensation (60/100)	<ul style="list-style-type: none"> ● Fixed amount according to roles and responsibilities, paid in cash. 			
Bonuses (25/100)	<ul style="list-style-type: none"> ● Amounts calculated based on “company performance” and “individual performance” for the applicable fiscal business year are paid in a lump sum of cash after the completion of the regular General Meeting of Shareholders for that year ● The ratio of company performance to individual performance is 70:30. ● Only company performance is calculated for the president 			
	Company performance (70/100)	<ul style="list-style-type: none"> ● If the level set in advance for a conditional indicator is cleared, this is calculated and paid according to the performance conditions of the target indicator 		
		<table border="1"> <tr> <td>Conditional indicators</td> <td> <ul style="list-style-type: none"> ● Believing that assuring a certain level of profit and being able to steadily provide dividends to shareholders each business fiscal year is a condition for payment, we have set “profit attributable to owners of parent” as a conditional indicator ● This is not paid if profit attributable to owners of parent for the subject fiscal year falls below 70% of the average of the past five years, excluding the highest and lowest values </td> </tr> <tr> <td>Target indicators</td> <td> <ul style="list-style-type: none"> ● In order to increase incentives for achieving the Nankai Group Business Vision 2027 and the KYOSO 136 Medium Term Management Plan, consolidated operating income, which is a numerical target in both this vision and plan, is set as a target indicator ● Regarding the performance ratio for the budget formulated at the beginning of the period, this is reflected linearly (proportionally) from 80% to 120% in the payment rates, and the paid amount varies between 50% and 150% when the standard amount is 100% ● This is not paid if the performance ratio falls below 80% </td> </tr> </table>	Conditional indicators	<ul style="list-style-type: none"> ● Believing that assuring a certain level of profit and being able to steadily provide dividends to shareholders each business fiscal year is a condition for payment, we have set “profit attributable to owners of parent” as a conditional indicator ● This is not paid if profit attributable to owners of parent for the subject fiscal year falls below 70% of the average of the past five years, excluding the highest and lowest values
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Individual performance (30/100)	<ul style="list-style-type: none"> ● The president evaluates the overall achievement of targets presented in the “business plan” prepared each fiscal year on a four-level scale and determines the pay ratio from this result ● The paid amount varies between 0% and 130% when the standard amount is 100% 			
Stock compensation (15/100)	<ul style="list-style-type: none"> ● A trust established through cash contributions made by our company acquires our company stock either by disposing of treasury shares or by obtaining it from a stock exchange (including in after-hours trading), and then a proportionate number of our company shares are granted through this trust to subject executives according to the number of points given to them by our company 			

Overview of stock compensation system

People subject to this system	Directors (excluding outside directors and proxy corporate officers)
Applicable Term	From the end of the General Meeting of Shareholders until the end of the Regular General Meeting of Shareholders for the latest business year ending within three years of that General Meeting of Shareholders
Maximum cash contributions by our company as funds necessary for stock acquisition to grant stock to the subjects in the applicable term above	180 million yen total
Acquisition methods for this stock	By disposing of treasury shares or by obtaining it from a stock exchange (including in after-hours trading)
Point assignment standard	Points assigned according to executive position and other factors (1 point is equivalent to 1 share)
Granting time for company stock to subjects indicated above	At retirement as a rule

Note: Through a decision of the Board of Directors, the applicable term can be extended whenever to a term of no more than 5 years.

Decision date of the General Meeting of Shareholders related to executive compensation and other issues and details of that decision

The maximum amount of executive compensation was revised to 514 million yen per year at this General Meeting. (Of this, 50 million yen is for outside directors. Employee

salaries are not included.) Furthermore, stock compensation is incorporated as a separate category. The maximum amount of auditor compensation was revised to 7 million yen per month at the 80th Regular General Meeting of Shareholders held June 27, 1997. (At this time, it applied to 4 auditors.)

Effectiveness evaluations for the Board of Directors

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

In fiscal 2018, our Board of Directors is generally operating well and definite improvements have been made for issues identified based on the analysis and evaluation of the previous fiscal year. Since we were able to confirm these things, our analysis and evaluation are that the effectiveness

of the entire Board of Directors is being maintained. On the other hand, issues that require improvements still remain from before. Some of these are the thoroughly applying PDCA cycles, including for the Medium Term Management Plan, assuring deliberation time suitable to the matters in question and utilizing diverse explanatory tools to promote understanding. Considering these issues, we will continue to advance efforts toward further improving the effectiveness of the entire Board of Directors.

Financial report



Business results

At our group, the current consolidated fiscal year (hereafter, "this period") was the first year of our Kyoso 136 Medium Term Management Plan that we formulated, and we continued to advance efforts for various measures.

In this period, due to a reduced number of condominium units delivered and other factors in our real estate business, operating revenue was 227.424 billion yen (0.2% decrease from the previous period). Due to the inclusion of appraisal losses for real estate for sale, resulting from reevaluation of the residential development business and other factors, operating profit was 27.745 billion yen (18.3% decrease from the previous period) and ordinary income was 23.898 million yen (19.6% decrease from the previous period). Moreover, in this period, for example, impairment losses related to noncurrent business assets were calculated as extraordinary losses, but corporate taxes were reduced along with revisions to the possibility of deferred tax asset collection, so profit attributable to owners of the parent was 13.023 billion yen (11.5% decrease from the previous period).

Financial conditions

Total assets at the end of this period were 918.385 billion yen, an increase of 16.339 billion yen (1.8%) compared to the end of the previous period.

ASSETS

Total assets at the end of this period were 918.385 billion yen, an increase of 16.339 billion yen compared to the end of the previous period. This is primarily because, even though commodities and products decreased 9.584 billion yen, Namba SkyO and other tangible fixed assets increased 15.727 billion yen and current assets and other assets increased 10.007 billion yen due to an increase in marketable securities, for example.

LIABILITIES

Total liabilities at the end of this period were 676.823 billion yen, an increase of 7.612 billion yen compared to the end of the previous period. This is primarily because, even though current liabilities and other liabilities decreased 7.698 billion yen and deferred tax liabilities decreased 5.308 billion yen along with the reduction in accounts payable and the amortization of commercial paper, interest-bearing liabilities increased 18.752 billion yen due to increased amounts of investment.

The balance of loans and bonds payable at the end of this period was 478.653 billion yen, an increase of 12.752 billion (2.7%) compared to the end of the previous period.

NET ASSETS

Total net assets at the end of this period were 241.561 billion yen, an increase of 8.726 billion yen compared to the end of the previous fiscal period. This is mainly due to 13.023 billion yen in profit attributable to owners of the parent and 3.4 billion yen in dividends of surplus.

As a result, the capital to asset ratio was 25.1% (24.6% in the previous period), and net assets per share changed from 1,957.31 yen at the end of the previous period to 2,036.79 yen.

Cash flow status

Cash flows from operating activities

Funds gained as a result of business activities were 38.729 billion yen (58.477 billion gained in the previous period). This is mainly due to 15.522 billion yen in profit before income taxes, along with 27.44 billion yen from depreciation costs and other factors.

Cash flows from investing activities

Funds used as a result of investment activities were 45.219 billion yen (compared to 40.669 billion yen in the previous period). This was primarily due to expenses of 55.918 billion yen for the acquisition of non-current assets, as well as 10.419 billion yen in proceeds from contributions received for construction.

Cash flows from financing activities

Funds gained as a result of financial activities were 8.632 billion yen (16.429 billion yen gained in the previous period). This was primarily due to proceeds from long-term loans payable of 54.505 billion yen as well as expenditures of 47.214 billion yen due to repayment of long-term loans payable and other factors.

Status of capital investments and related issues

We made a total of 43.538 billion yen in capital investments (including intangible assets) in this period. In our transportation businesses, we invested 15.307 billion yen, including on construction related to railways for safety measures, operation security and customer service improvements. We invested 24.028 billion yen in our real estate businesses on the rebuilding of the Nankai Kaikan Building (construction of Namba SkyO) and other projects. In our distribution business, we invested 1.786 billion yen in renovating the building and facilities of Namba City and other projects. Investments in our leisure and service businesses, including the renovation of Hotel Nakanoshima totaled 2.288 billion yen, while they were 113 million yen in our construction business and 13 million in other businesses.



Consolidated Balance Sheets

(millions of yen)

	Previous consolidated fiscal year March 31, 2018	Current consolidated fiscal year March 31, 2019		Previous consolidated fiscal year March 31, 2018	Current consolidated fiscal year March 31, 2019
ASSETS			LIABILITIES		
Current assets:			Current liabilities:		
Cash and deposits	20,723	18,359	Notes and accounts payable-trade	20,332	20,807
Notes and accounts receivable-trade	17,305	23,188	Short-term loans payable	93,263	67,426
Merchandise and finished goods	24,682	15,098	Current portion of bonds	—	20,000
Work in process	1,019	424	Income taxes payable	6,488	2,714
Raw materials and supplies	2,770	2,766	Provision for bonuses	2,644	2,666
Other	11,095	21,103	Provision for warranties for completed construction	355	1,188
Allowance for doubtful accounts	△69	△84	Provision for loss on litigation	—	2,664
Total current assets	77,527	80,856	Other	68,182	60,483
Non-current assets:			Total current liabilities	191,266	177,951
Property, plant and equipment:			Non-current liabilities:		
Buildings and structures, net	335,345	369,430	Bonds payable	90,000	90,000
Machinery, equipment and vehicles, net	24,375	26,001	Long-term loans payable	276,637	301,227
Land	354,458	354,823	Deferred tax liabilities	44,888	39,579
Construction in progress	56,422	35,492	Deferred tax liabilities for land revaluation	18,806	18,766
Other, net	6,092	6,674	Net defined benefit liability	16,368	16,873
Total property, plant and equipment	776,694	792,422	Other	31,242	32,425
Intangible assets	9,140	8,219	Total non-current liabilities	477,944	498,872
Investments and other assets:			Total liabilities	669,210	676,823
Investments securities	28,473	26,511	NET ASSETS		
Long-term loans receivable	129	100	Shareholders' equity:		
Net defined benefit asset	80	90	Capital stock	72,983	72,983
Deferred tax assets	2,845	2,983	Capital surplus	28,105	28,105
Other	8,583	8,669	Retained earnings	81,593	91,301
Allowance for doubtful accounts	△1,429	△1,467	Treasury shares	△146	△160
Total investments and other assets	38,683	36,887	Total shareholders' equity	182,535	192,230
Total non-current assets	824,518	837,528	Accumulated other comprehensive income		
Total assets	902,045	918,385	Valuation difference on available-for-sale securities	8,638	7,143
			Revaluation reserve for land	31,037	30,953
			Remeasurements of defined benefit plans	△354	529
			Total accumulated other comprehensive income	39,320	38,625
			Non-controlling interests	10,978	10,705
			Total net assets	232,835	241,561
			Total liabilities and net assets	902,045	918,385

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

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

Consolidated Statements of Income

(millions of yen)

	Previous consolidated fiscal year (From April 1, 2017 To March 31, 2018)	Current consolidated fiscal year (From April 1, 2018 To March 31, 2019)
Operating revenue	227,874	227,424
Operating expenses:		
Operating expenses and cost of sales of transportation	186,034	192,252
Selling, general and administrative expenses	7,869	7,425
Total operating expenses	193,903	199,678
Operating income	33,971	27,745
Non-operating income		
Interest income	30	27
Dividend income	762	956
Miscellaneous income	439	450
Total non-operating income	1,231	1,433
Non-operating expenses:		
Interest expenses	4,905	4,598
Miscellaneous expenses	564	682
Total non-operating expenses	5,470	5,281
Ordinary income	29,733	23,898
Extraordinary income:		
Contribution for construction	1,477	2,985
Insurance income	316	1,040
Gain on sales of non-current assets	—	844
Compensation income for expropriation	808	—
Gain on sales of investment securities	466	—
Other	605	512
Total extraordinary income	3,674	5,383
Extraordinary losses:		
Impairment loss	4,321	5,560
Transfer of provision for loss on litigation	—	2,664
Loss on retirement of non-current assets	1,384	1,719
Loss on disaster	1,253	1,243
Reduction entry of land contribution for construction	1,318	1,226
Other	1,300	1,344
Total extraordinary losses	9,577	13,758
Profit before income taxes	23,829	15,522
(Income taxes) Income taxes-current	10,049	7,932
Income taxes-deferred	△1,803	△5,249
Total income taxes	8,245	2,682
Profit	15,584	12,840
Profits and losses attributable to non-controlling interests (△)	865	△183
Profit attributable to owners of parent	14,719	13,023

Consolidated Statements of Comprehensive Income

(millions of yen)

	Previous consolidated fiscal year (From April 1, 2017 To March 31, 2018)	Current consolidated fiscal year (From April 1, 2018 To March 31, 2019)
Profit	15,584	12,840
Other comprehensive income:		
Valuation difference on available-for-sale securities	423	△1,567
Revaluation reserve for land	—	1
Remeasurements of defined benefit plans, net of tax	984	869
Total other comprehensive income	1,407	△696
Comprehensive income	16,991	12,143
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	16,042	12,414
Comprehensive income attributable to non-controlling interests	948	△270

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

Consolidated Statements of Changes in Equity

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

(millions of yen)

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

Current consolidated fiscal year (from April 1, 2018 to March 31, 2019)

(millions of yen)

	Shareholders' equity					Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	
Balance at March 31, 2017	72,983	28,105	81,593	△146	182,535	
Changes of items during period:						
Dividends of surplus			△3,400		△3,400	
Profit attributable to owners of parent			13,023		13,023	
Reversal of revaluation reserve for land			85		85	
Purchase of treasury shares				△14	△14	
Disposal of treasury shares		0		0	0	
Change in treasury shares of parent arising from transactions with non-controlling shareholders		△0			△0	
Net changes of items other than shareholders' equity						
Total changes of items during period	—	△0	9,708	△13	9,694	
Balance at March 31, 2018	72,983	28,105	91,301	△160	192,230	
	Accumulated other comprehensive income					Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	
Balance at March 31, 2017	8,638	31,037	△354	39,320	10,978	232,835
Changes of items during period:						
Dividends of surplus						△3,400
Profit attributable to owners of parent						13,023
Reversal of revaluation reserve for land						85
Purchase of treasury shares						△14
Disposal of treasury shares						0
Change in treasury shares of parent arising from transactions with non-controlling shareholders						△0
Net changes of items other than shareholders' equity	△1,495	△83	883	△695	△273	△968
Total changes of items during period	△1,495	△83	883	△695	△273	8,726
Balance at March 31, 2018	7,143	30,953	529	38,625	10,705	241,561

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

Consolidated Statements of Cash Flows

(millions of yen)

	Previous consolidated fiscal year (From April 1, 2017 To March 31, 2018)	Current consolidated fiscal year (From April 1, 2018 To March 31, 2019)
Cash flows from operating activities:		
Profit before income taxes	23,829	15,522
Depreciation	26,645	27,440
Impairment loss	4,321	5,560
Amortization of goodwill	477	471
Increase (decrease) in provision for bonuses (△ is decrease)	123	27
Increase (decrease) net defined benefit liability (△ is decrease)	1,391	1,769
Increase (decrease) in allowance for doubtful accounts (△ is decrease)	△604	52
Increase (decrease) in provision for loss on litigation (△ is decrease)	—	2,664
Interest and dividend income	△792	△983
Interest expenses	4,905	4,598
Loss on retirement of non-current assets	1,660	915
Reduction entry of land contribution for construction	1,318	1,226
Contribution for construction	△1,477	△2,985
Decrease (increase) in notes and accounts receivable-trade (△ is increase)	6,512	△8,302
Decrease (increase) in inventories (△ is increase)	△51	3,698
Increase (decrease) in notes and accounts payable-trade (△ is decrease)	1,938	△1,091
Loss on valuation of inventories	478	6,509
Increase (decrease) in accrued consumption taxes (△ is decrease)	746	△3,306
Other, net	△142	489
Subtotal	71,280	54,276
Interest and dividend income received	799	983
Interest expenses paid	△5,144	△4,628
Income taxes paid	△8,458	△11,901
Net cash provided by (used in) operating activities	58,477	38,729
Cash flows from investing activities:		
Purchase of non-current assets	△48,688	△55,918
Proceeds from sales of non-current assets	171	1,233
Proceeds from contribution received for construction	6,267	10,419
Purchase of investments in securities	△8	△1,169
Proceeds from sales and redemption of investment securities	497	500
Income from sales of shares of subsidiaries resulting in change in scope of consolidation	—	237
Other, net	1,091	△521
Cash flows from investing activities	△40,669	△45,219
Cash flows from financing activities:		
Net increase (decrease) in commercial paper (△ is decrease)	6,000	△6,000
Net increase (decrease) in short-term loans payable (△ is decrease)	△1,523	△8,538
Proceeds from long-term loans payable	28,880	54,505
Repayments of long-term loans payable	△45,654	△47,214
Proceeds from issuance of bonds	19,833	19,833
Redemption of bonds	△20,000	—
Cash dividends paid	△3,388	△3,390
Other, net	△577	△562
Cash flows from financing activities	△16,429	8,632
Net increase (decrease) in cash and cash equivalents (△ is decrease)	1,379	2,143
Cash and cash equivalents at beginning of period	18,342	19,721
Cash and cash equivalents at end of period	19,721	21,864

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