

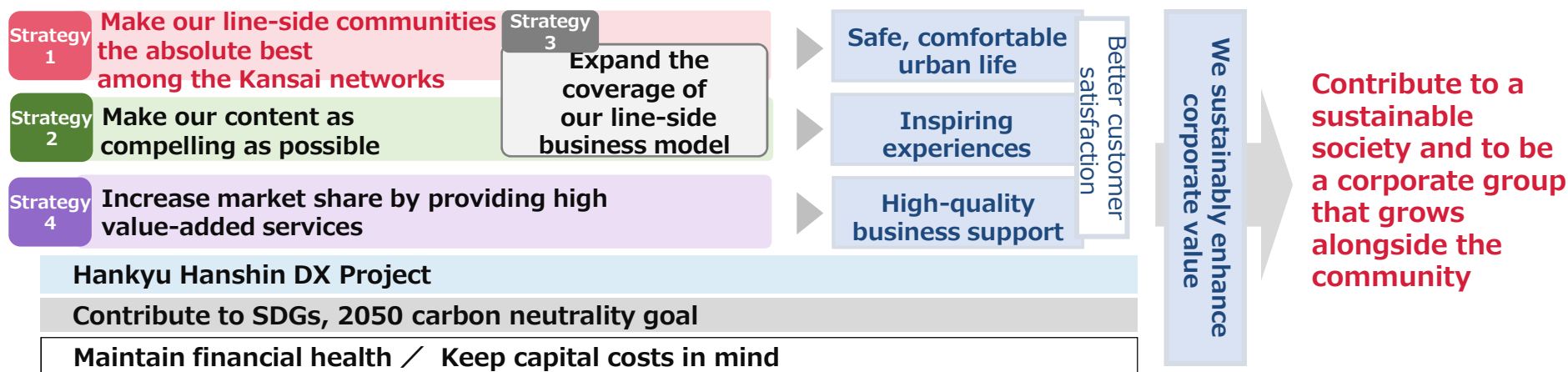
# Summary of the Medium-Term Management Plan

# Long-Term Vision : Toward 2040

Long-Term Vision

**Under our long-term vision, our group will work as one to transform into the organization we aspire to be**

The slogan for the Long-Term Vision : **Enhancing Line-side areas and expanding fields**



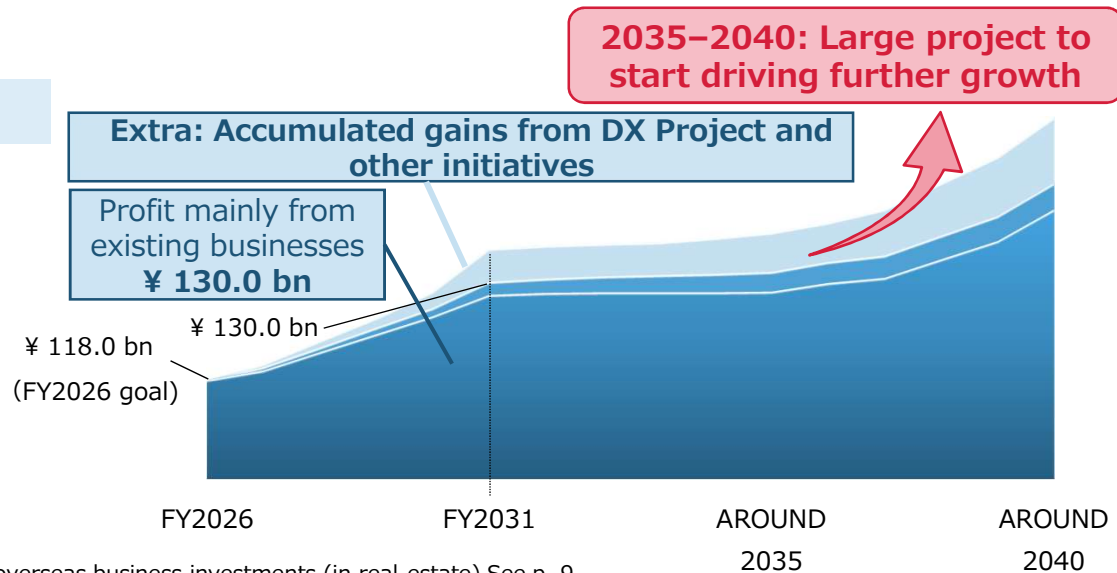
## KPIs for FY2031

### Financial

- Business profit\* **¥130.0 billion (plus something extra)**
- Interest-bearing debt / EBITDA ratio **5 to 6**
- ROE **7% range over med-long term**

### Non-financial

- Rate of CO2 emissions cuts from FY2014 level: **-46%**
- Culpable incidents in our railway business: **Zero**
- Employee satisfaction: **Always better than in previous survey**
- % of women in management positions: **around 10%**
- % of women among new hires: **Always more than 30%**



\* Business profit = Operating profit + Equity-method gains related to overseas business investments (in real-estate) See p. 9.

# Growth Opportunity Coming to Kansai

Seeds of growth are being sown in Kansai, creating a huge growth opportunity

## National Strategic Special Zone: A zone for piloting super-city initiatives

Initiatives are underway to pilot innovative services in Umekita Phase II and Yumeshima.



## Osaka as a global financial city

Plan is to make Osaka a global financial hub that attracts funds from Asia and beyond.

## Redevelopment of Shin-Osaka Station vicinity

Designated a hub for emergency urban regeneration, the area is set to be redeveloped as a node linking Japan's main transport artery with the north-south route to Kansai International Airport.

## New rail links

When built, Naniwasuji Line, Naniwasuji Connection Line, and Shin-Osaka Connection Line will dramatically improve air and land access to Osaka, creating greater potential for Osaka to become a global hub.



## Site for Expo 2025 and integrated resort

## Kobe Airport

Airport will start receiving international charter flights in 2025 (expo year) and scheduled international flights in around 2030.

## Kansai International Airport

Airport to get annual traffic to 300 k in early 2030s.



## Digitally powered MaaS in Kansai

In an effective digital reach strategy, high-quality content (tourism, entertainment) in Kansai will be communicated to inbound tourists, encouraging them to stay longer in Kansai and thus attract overseas economic power into the region.



# Financial Policy for Long-Term Vision

- We commit to financial stability in the knowledge that this is essential to ensuring the stable provision of products and services that contribute to the sustainability agenda and to community building. To meet stakeholders' expectations, we will entrench a culture of cost consciousness with a concrete commitment to maintaining or improving capital efficiency.

Maintain financial health	<p><b><u>Achieve stable baseline profit</u></b></p> <ul style="list-style-type: none"> <li>To achieve a stable baseline profit, we will <u>maximize top- and bottom-line growth in our businesses</u> by tightly controlling expenditures and by <u>integrating digital tech in a way that expands revenue opportunities and increases productivity</u>.</li> <li>We will also tighten risk management in volatile businesses (e.g. overseas real estate businesses)</li> </ul>	<p><b>FY2031 target</b></p> <p>Business Profit  <b>¥130.0 billion plus something extra</b> (from the cumulative effect of the DX Project)</p>
	<p><b><u>Maintain financial health</u></b></p> <ul style="list-style-type: none"> <li>While we continue to invest capital in <u>large projects and activities to grow our businesses</u>, we also want to <u>maintain our credit rating</u>. Accordingly, we will tighten control over interest-bearing liabilities, aiming for a D/E ratio of between 5 and 6.</li> </ul>	<p>Interest-bearing debt/EBITDA ratio  <b>5-6</b></p>
Keep capital costs in mind	<p><b><u>Maintain or improve capital efficiency</u></b>          (create returns that exceed capital costs)</p> <ul style="list-style-type: none"> <li>Our businesses will <u>keep capital costs in mind, committing to maintain or improve their returns with ROIC (= operating income / invested capital) as one of the benchmarks</u>.</li> <li>To <u>avoid bloated balance sheets</u>, we will be more circumspect about <u>increasing our stocks</u> (carefully vetting prospective investments with an eye on return), <u>overhaul business approaches</u>, and <u>offload underperforming assets</u>.</li> <li>We will provide stable and generous shareholder returns, maintaining a reasonable D/E ratio.</li> <li>Through these measures, we aim for the ROE range shown on the right.</li> </ul>	<p>ROE  <b>7% range over medium to long term</b></p>

# Medium-Term Plan: Time Period Covered, Context

## Time period covered

- Four-year period from FY2023 to FY2026

## Context

- The four-year period will be a time for adapting to the drastic external changes and returning to pre-Covid growth. During this period, we aim to raise our profit level to ¥100 billion as soon as possible.
- We will also use the period to take concrete actions under our long-term vision that will build sustainable profit growth. As part of this, we will increase investment in our overseas real-estate business and condominium business to create a foothold for future growth.

## Envisaged recovery from Covid impact

Emergency phase ends here

FY2021	FY2022	FY2023	FY2024	FY2025 and beyond
<b>Phase 1</b>			<b>Phase 2</b>	<b>Phase 3</b>
In Japan, short-distance travel resumes. Travel distances gradually increase, and the impact of physical distancing eases off.			Travel gradually resumes across the world.	Covid impact abates. Economic activity returns mostly to normal in and outside Japan. However, there is no full return to pre-pandemic times.

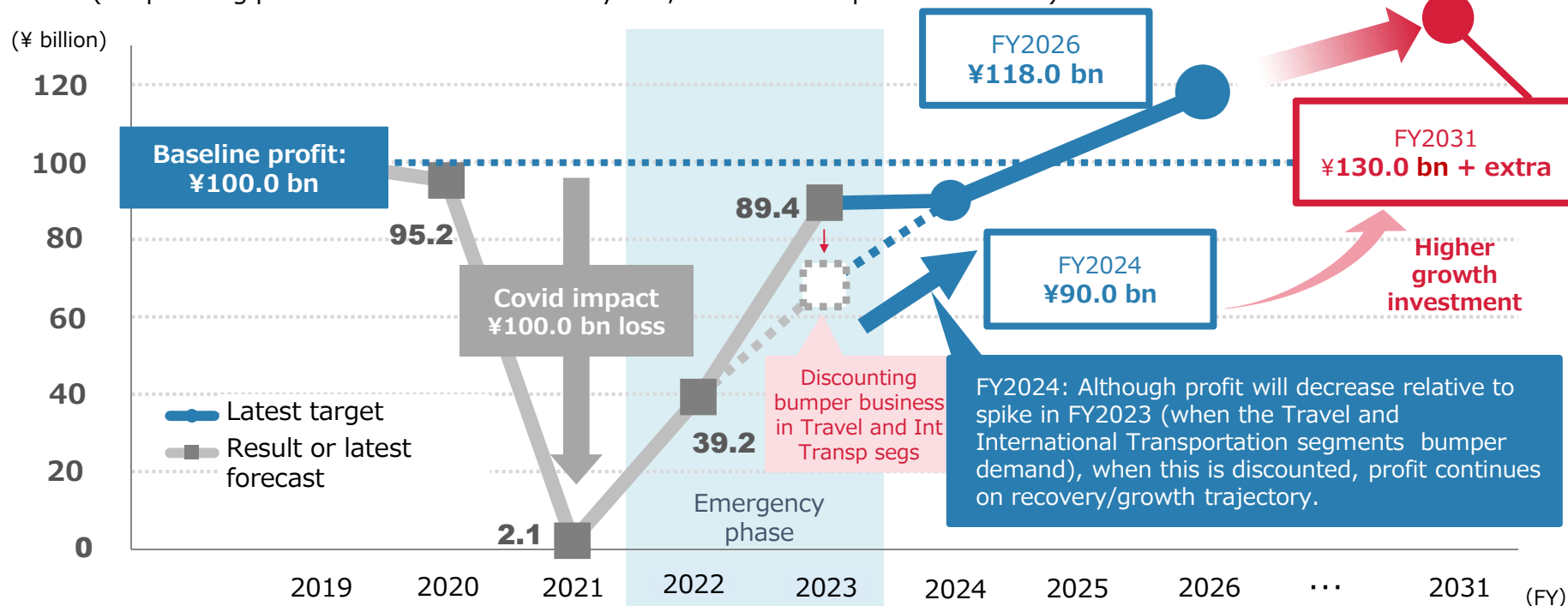
# Roadmap to FY2026: Profit Level

In FY2024, we will continue restoring profit growth in our existing businesses to achieve our profit goals for that year. In this, we will draw upon the outcomes of the actions we took during the pandemic (e.g. actions to strengthen revenue structure).

To gain the growth momentum necessary for achieving our FY2026 goal, we will deliver outcomes from our recent business projects (Osaka Umeda Twin Towers South, video streaming in the Entertainment segment, overseas real-estate business, DX Project).

Meanwhile, in line with our medium-term plan, we will plant growth seeds that will sprout in FY2026 and beyond (including more investment in overseas real-estate business and condominium business, DX Project).

Profit (= operating profit in FY2023 and earlier years, and business profit thereafter)



\* Business profit = Operating profit + Equity-method gains/losses related to overseas business investments (in real-estate) See p. 9.  
In FY2023 and earlier years, we had no equity-method affiliates in our overseas businesses. Thus, for those years, operating profit = business profit.

# Higher Growth Investment

**We will further increase growth investment with an eye on FY2026 and beyond upon the following assumptions:**

- With Covid abating, the external environment has become more conducive to **aggressive growth investment**.
- This creates an opportunity to get closer to our FY2031 profit goal (¥130.0 bn + extra). We **will increase investment in our condominium business**. To expand the coverage of our line-side business model (strategy 3 of the long-term vision), we **will also increase investment in overseas real estate**, which offers bright growth prospects and in which we are already building a track record.
- However, the increased investment will only start producing returns after FY2027. Until then, our indicators of financial health will deteriorate. However, we remain confident that EBITDA growth will return after FY2027, so our FY2031 target for **interest-bearing debt/EBITDA ratio (5 to 6)** remains unchanged.

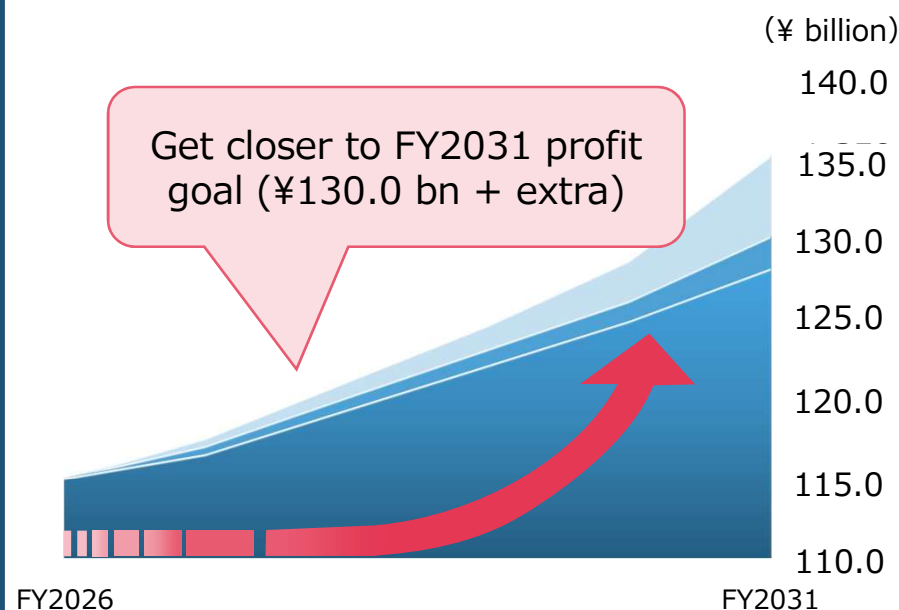
## Higher investment in overseas businesses

### ✓ With effective risk controls, we will do the following in promising markets

- Expand in ASEAN markets and other regions
- Focus on small-scale projects producing one-time revenue (e.g. residential projects) and gradually increase the scale
- Collaborate with trustworthy local partners (those who endorse our strategy/values)

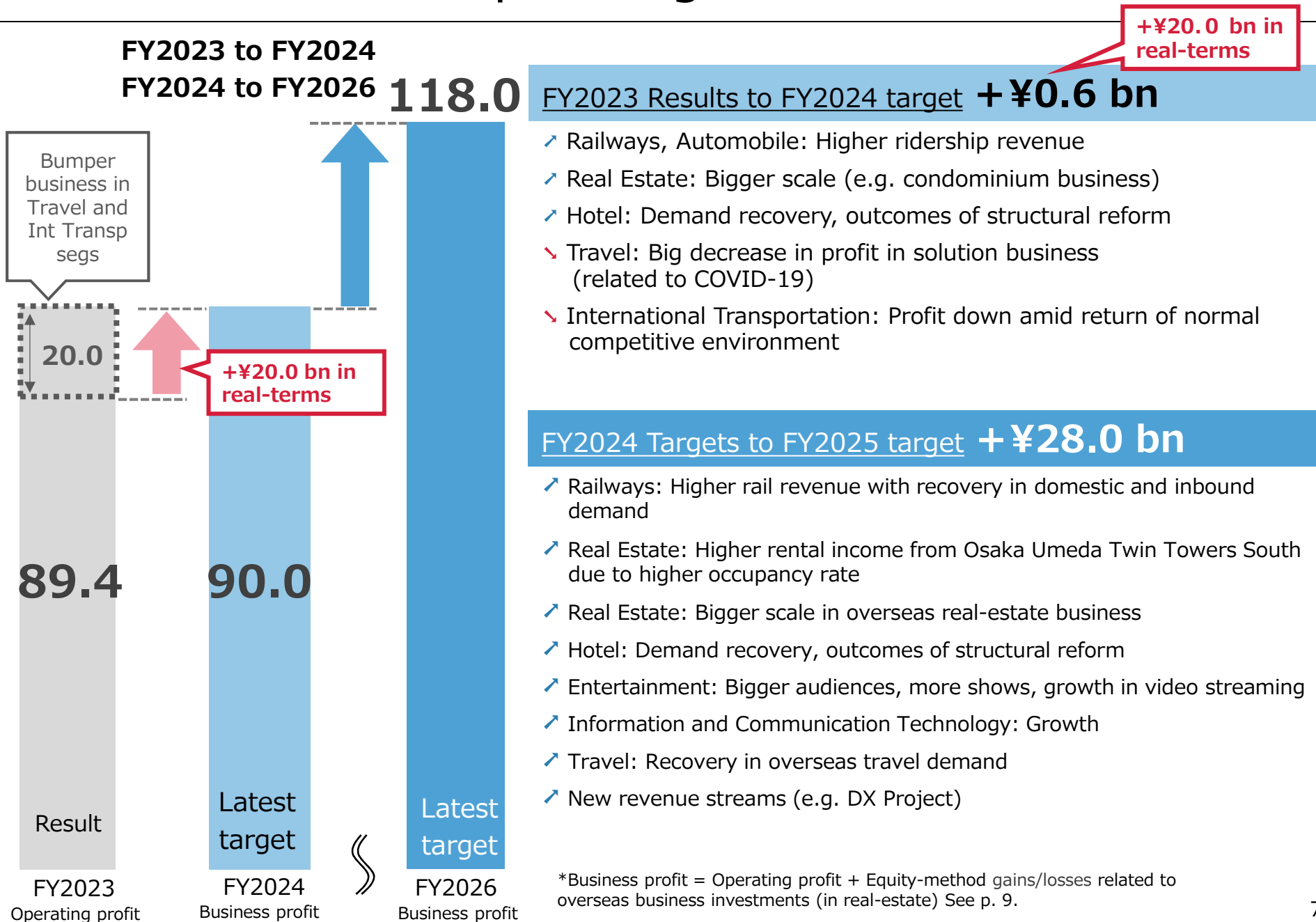
### ✓ Envisaged scale:

- Initially, we'll get profit level to ¥10 billion as soon as possible.





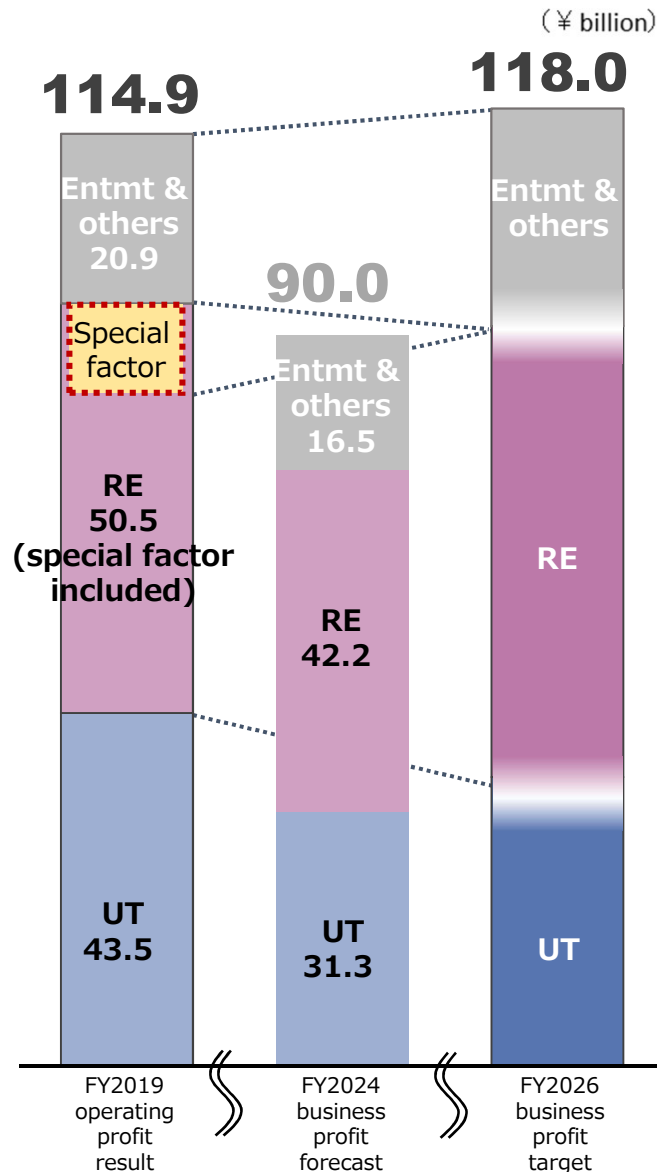
# Growth in Operating/Business Profit\* (¥ billion)





# Operating/Business Profit\* Trends Toward FY2026

## FY2026 profit target compared with pre-Covid (FY2019) profit level



### Entertainment, Info and Com Tech, Travel, Intl Transportation

Includes adjustment

We aim to exceed pre-Covid levels in all core segments.

- ▶ Entertainment: Use digital tech to grow customer base and drive growth in new profit sources (e.g. video streaming)
- ▶ Information and Communication Technology: Capitalize on DX demand
- ▶ Travel: Steadily capitalize on recovery in travel demand, develop solutions businesses (targeting local governments)
- ▶ International Transportation: Expand scale in air/ocean freight and logistics

### Real Estate (RE)

We aim for the segment to vastly exceed the pre-Covid level (discounting the special factor\*) in FY2026. By then, the Osaka Umeda Twin Towers South project (including the Phase II component), which was completed in FY2022, will have started delivering returns, and we will have significantly grown the overseas real-estate business and the condominium business in Japan.

\*Special factor: Gain from sale of land in eastern section of 'Saito' (Ibaraki City, Osaka)

### Urban Transportation(UT)

We will maximize profit scale by adding an barrier-free charge and introducing premium seating while cutting costs (however, segment profit is unlikely to return to the pre-Covid profit level)

\*Business profit = Operating profit + Equity-method gains/losses related to overseas business investments (in real-estate and other areas) See p.9 for more details.

# New Profit Indicator: Business Profit

The new profit indicator, business profit, applies from FY2024.

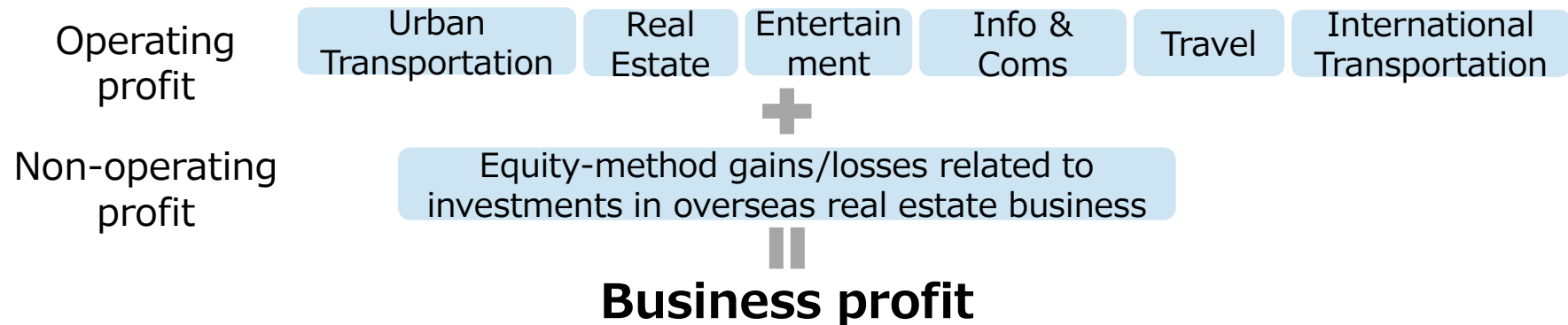
## Why we started using business profit

- As part of strategy 3 of our long-term vision (expand the coverage of our line-side business model), we are expanding our Real Estate segment overseas. This strategy involves joint ventures with local developers. Any gains from minor stakes in such joint ventures must be recorded in the non-operating profit entry “equity-method gains.”
- Thus, to accurately indicate profit growth in the Real Estate segment’s overseas real-estate businesses, we started using business profit in FY2024, as that covers operating profit plus equity-method gains. For our long-term vision, what we previously stated as our operating profit goal is now our business profit goal.

### **Business profit**

**= Operating profit + Non-operating profit: Equity-method gains/losses related to overseas business investments (in Real Estate segment)**

## Figure illustrating operating profit and business profit



# Actions to Maintain or Improve Capital Efficiency

We use ROIC as an indicator of internal control and try to keep a healthy balance between profit and invested capital

## General approach

Control the level of invested capital with a view to keeping returns above capital costs

### Be discerning

- Choose new investments discerningly to maintain yield as measured by ROIC

### Take new approach to businesses/assets

- Overhaul businesses that have slim prospects of delivering profits above capital costs
- Consolidate or offload low-yield investments and underperforming assets
- Actively focus on short-term-returns opportunities
- Replace assets when necessary by using REITs

## How we use ROIC

- Our long-term vision commits us to achieving, in FY2031, a medium-term ROE of 7%. To that end, we will use ROIC as an indicator of internal control and try to keep a healthy balance between profit and invested capital.
- Specifically, ROIC will aid us in our medium- to long-term business analyses and business policies and in our business management cycle and investment decisions.
- It is vital to control our invested capital in real estate, as this accounts for most of the investments made by our corporate group. ROIC will serve as an important indicator for this.
- For invested capital in smaller businesses, our basic policy is to grow the scale of the business so that it improves the group's overall ROIC (although new investments still require due diligence).

## Examples of initiatives Main properties sold in FY2023 (short-term-returns)



H-CUBE Minamiaoyama II\*  
(commercial facility)



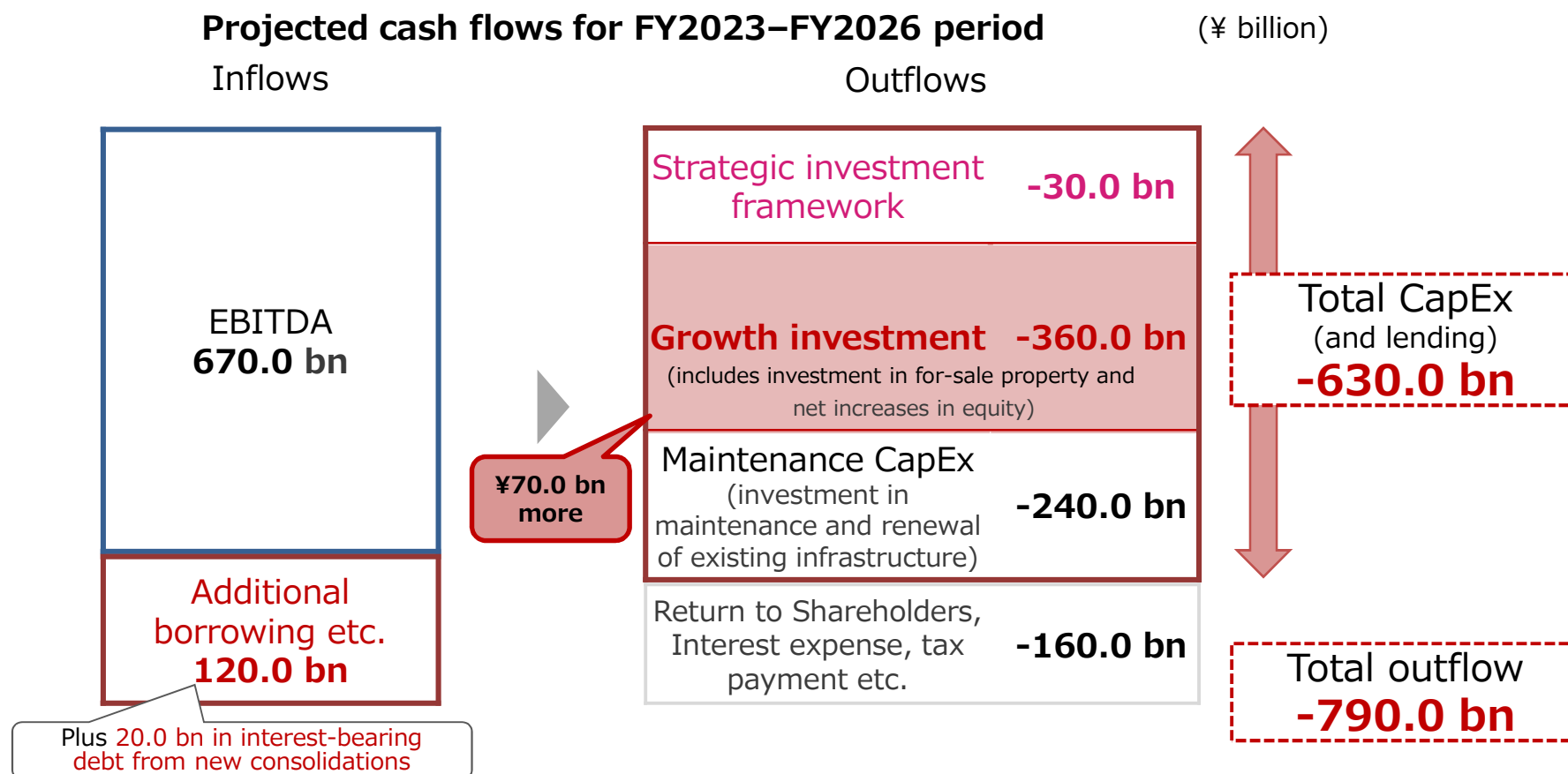
H-CUBE Kitaaooyama\*  
(commercial facility)

\*Sold to Hankyu Hanshin REIT Asset Management

# Cash Flows

## ■ Cash Allocation Strategy

- In line with the strategy described on p. 6, we have added ¥70.0 billion to the growth investment budget for FY2023–FY2026, bringing the total cash outflow for the period to ¥790.0 billion.
- Since our EBITDA for the same period, at 670.0 billion yen, falls short of this outflow by ¥120.0 billion, we will cover the shortfall with further borrowing (i.e. by increasing interest-bearing debt) while keeping an eye on the interest-bearing debt to EBITDA ratio.



# Capital Expenditure (and Lending)

(¥ billion)

## CapEx budget for FY2023–FY2026 period

(¥ billion)

Total CapEx (and lending)

**630.0 bn**

Strategic investment framework **30.0 bn**

Growth investment **360.0 bn**

(includes investment in for-sale property and net increases in equity)

Maintenance CapEx (investment in maintenance and renewal of existing infrastructure) **240.0 bn**

### Main growth investments

Urban Transportation	<ul style="list-style-type: none"> <li>· Installation of platform doors and better accessibility</li> <li>· Kita-Osaka Kyuko Railway Line Extension Project</li> <li>· Naniwasuji Connection Line/Shin-Osaka Connection Line Project</li> </ul>
Real Estate	<ul style="list-style-type: none"> <li>· Umekita Phase II Development Project</li> <li>· Shibata 1 Project</li> <li>· Senri-Chuo Redevelopment</li> <li>· Projects in Tokyo Metropolitan Area (Yaesu 2 Naka Redevelopment, Development of site of the Hotel Grand Palace)</li> <li>· Real Estate segment's overseas expansion</li> <li>· Expansion of domestic condominium business</li> <li>· Expansion of short-term-returns business</li> </ul>
Entertainment	<ul style="list-style-type: none"> <li>· Relocation of Hanshin Tigers' farm facility</li> </ul>
Other	<ul style="list-style-type: none"> <li>· IT strategy, digital transformation</li> </ul>

# Performance Indicators (–FY2026)

FYI

	FY2023 Results	FY2024 Forecasts	FY2026 Targets	FY2026 Previous targets
Business profit (1 + 2)	¥89.4billion	¥90.0billion	¥118.0billion	¥115.0billion
Operating profit (1)	¥89.4billion	¥87.7billion	¥115.0billion	¥115.0billion
Equity-method gains related to overseas business investments (2)	–	¥2.3billion	¥3.0billion	–
EBITDA <sup>※1</sup>	¥153.7billion	¥156.0billion	¥193.0billion	¥190.0billion
Interest-bearing debt	¥1,106.4billion	¥1,190.0billion	¥1,230.0billion	¥1,180.0billion
Interest-bearing debt / EBITDA ratio	7.2	7.6	6.4	6.2
D/E ratio <sup>※2</sup>	1.2	1.3	1.2	1.1
Profit attributable to owners of parent	¥47.0billion	¥52.0billion	¥75.0billion	¥75.0billion
ROE	5.3%	5.6%	7% range	7% range
(Reference)				
Net interest-bearing debt <sup>※3</sup>	¥1,063.5billion	¥1,165.0billion	¥1,205.0billion	¥1,155.0billion
Net interest-bearing debt/EBITDA ratio	6.9	7.5	6.2	6.1

※1 EBITDA = Business profit (Operating profit + Equity-method gains/losses related to overseas business investments) + Depreciation expenses + Amortization of goodwill

※2 D/E ratio = interest-bearing debt/equity

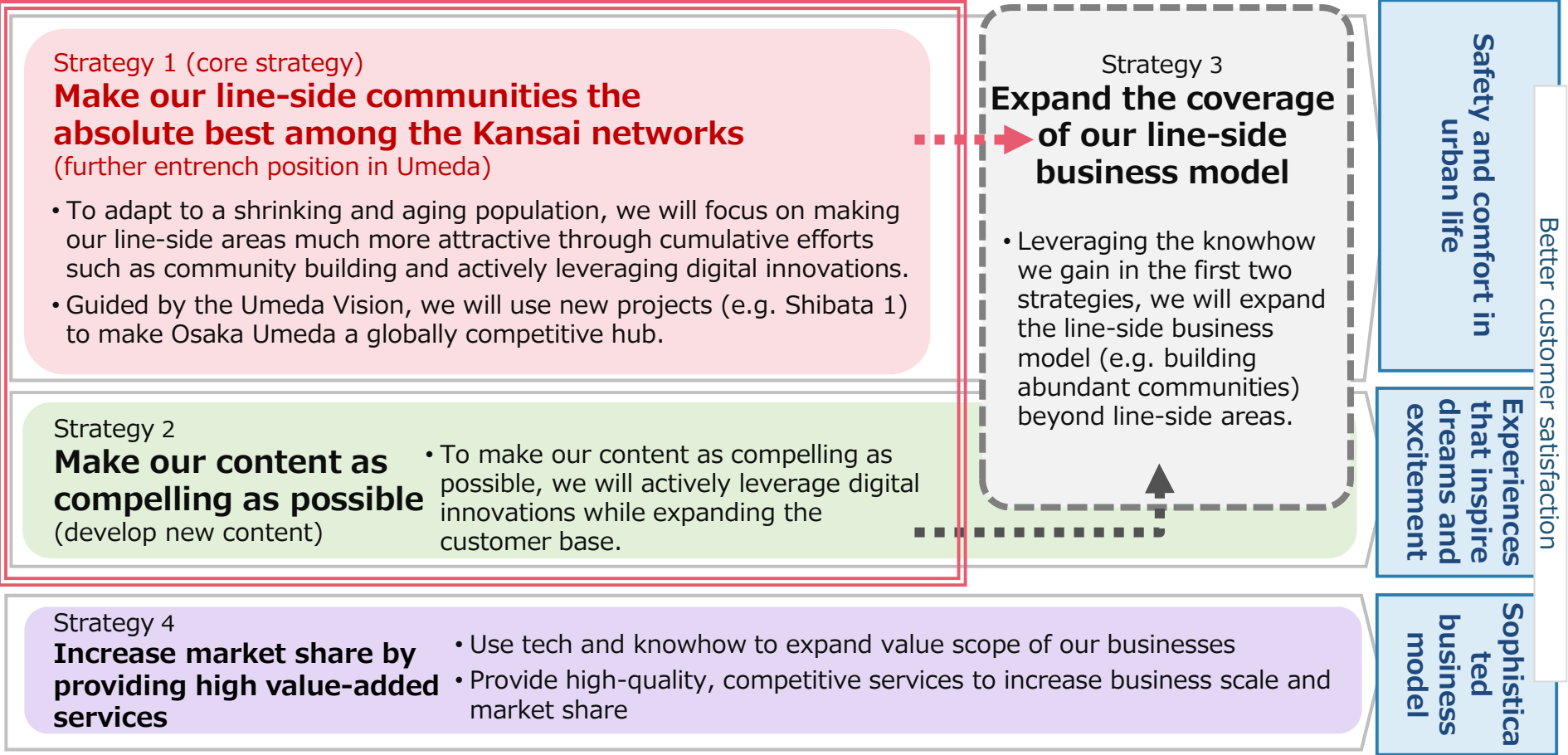
※3 Net interest-bearing debt = interest-bearing debt - cash and deposits

# Strategies for Achieving Long-Term Vision

Long-Term Vision

**Kansai (Umeda and other line-side areas)**

Beyond our line-side areas (Overseas, Tokyo)



**Hankyu Hanshin DX Project (e.g. HH cross ID)**  
**Contribute to SDGs, 2050 carbon neutrality goal (address key sustainability themes)**  
 Stronger ties with external partners

Use  
 (e.g. digital tech)

**Coordinated transformation across group** (guided by long-term vision)

Accumulate

Constructed capital, social capital, intellectual capital      Use, accumulate tangible/intangible assets      Human capital, financial capital, natural capital



# Progress in Strategy 1

## Strategy 1 (core strategy)

### Make our line-side communities the absolute best among the Kansai networks (further entrench position in Umeda)

#### Providing safe, reliable, and comfortable rail services

To further enhance safety and reliability, we are introducing an barrier-free charge to fund a quicker rollout of accessibility improvements (including platform doors).

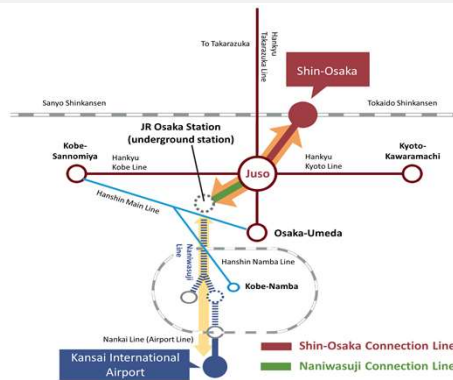
- Hankyu Corporation and Hanshin Electric Railway started collecting the charge in April to fund the rollout of platform doors.



- Hankyu Corporation will launch premium (payable) seating in FY2025. Hanshin Electric Railway is eyeing the possibility of doing so too following a pilot.

#### Planned rail links

Plans are underway to build the new rail links (Naniwasuji Connection Line/Shin-Osaka Connection Line). These links will open economic flows from across Japan and also attract global capital.



#### Building line-side communities

To increase resident and non-resident populations (e.g. tourists and shoppers) in our line-side areas, we will develop hub areas to raise their value (e.g. Senri-Chuo Redevelopment), build new stations, and develop housing.

- In November 2022, Hankyu Corporation signed an MoU with Amagasaki City and Nishinomiya City for opening a new station (Mukogawa) on the Mukogawa bridge between Mukonoso and Nishinomiya-Kitaguchi Stations on the Hankyu Kobe Line.



- In September 2022, Hankyu Corporation launched a digital service (Machinaka Mimamorume Uchi Plus) in Itami City in which parents check whether their child has returned via an app or email.



# Progress in Strategy 1

## Strategy 1 (core strategy)

**Make our line-side communities the absolute best among the Kansai networks**  
(further entrench position in Umeda)

### Actions for Umeda Vision

Guided by the Umeda Vision, we will work on large projects and upgrade our real-estate holdings in order to upgrade the urban amenities (offices, commercial, hotels) to make Osaka Umeda a world-class hub for innovation and an attractive tourist destination.

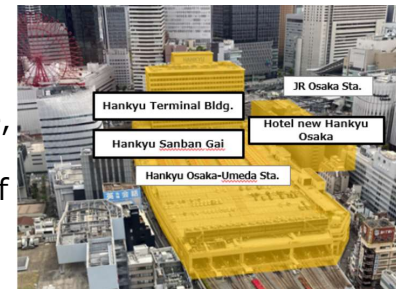
#### Umekita Phase II Development Project (Grand Green Osaka)

- Umekita Phase II Development Project has been named Grand Green Osaka.
- In the summer of 2024, the zone will partly open ahead of the full opening in FY2028.
- In FY2025 H2, Hankyu Hanshin Hotels will open a hotel here under the upscale brand Gran Respire Osaka.



#### Shibata 1 Project

- We will develop plans to redevelop the area, taking a broad perspective. For example, we will enhance amenities and generally upgrade the vicinity of Hankyu Osaka Umeda Station, the entrance to Osaka Umeda.



- In October 2022, we launched the Osaka-Umeda 2030 Project Team to coordinate groupwide action on the Shibata 1 Project and ensure alignment with the Umeda Vision.

#### Osaka-Umeda 2030 Project Team's subcommittees

Construction and Engineering	Station Vicinity	Station Amenities	Software and Content	Community-Building and PR
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- We will flesh out the plans and accelerate negotiations with stakeholders (e.g. governmental authorities) so we can make a start as soon as possible.

# Progress in Strategy 2

## Strategy 2

**Make our content as compelling as possible** (develop new content)

### Sports

We will boost the team power of Hanshin Tigers and enhance the convenience and usability of Hanshin Koshien Stadium to provide a valuable space and deliver compelling sports content.

- We have started organizing festivities to mark Hanshin Koshien Stadium's centenary in 2024.
- We are improving the stadium's convenience through measures such as enhancing in-stadium network connectivity, providing e-ticket options, and expanding payment options (using a new POS system).
- In February 2025, we will relocate the Hanshin Tigers farm facility to Odamiami Park Baseball Field in Amagasaki. This move will hugely improve the training environment, enabling the Tigers to nurture a stronger team.



### Stage

We will make the stage content even more attractive and integrate digital tech to improve the service level and expand the content range, so that we can attract wider audiences and build fan loyalty.

- In September 2022, we launched an app called Takarazuka Revue Pocket to encourage more subscriptions to Takarazuka Revue ID and to strengthen engagement with casual fans.
- In August 2022, we started streaming shows to members of Takarazuka Tomonokai via the group's streaming platform.
- We are planning special events to commemorate Takarazuka Revue's 110th anniversary in 2024.



### Travel

- We will become the overwhelming leader in a guided tours.
- We will expand our target audience (to include younger age groups like pre-seniors) and use digital technology to improve productivity (e.g. improve online recruitment).
- We will start targeting inbound tourists too.

- April 2022: Tour app fully launched

To raise the download rate, we will enhance the app's content (e.g. recommendations, digital catalogue, loyalty program).





# Progress in Strategy 3

## Strategy 3

### Expand the coverage of our line-side business model

#### Expand real-estate businesses beyond line-side areas

**Overseas:** In ASEAN and other markets with bright prospects for sustainable growth, we will leverage our line-side know-how to expand the scale of our condominium, buy-and-hold, and fix-and-flip businesses there.

Note: In FY2024, we start using business profit as a profit indicator in order to account for profit growth in the overseas real-estate business.

- We acquired Central Park Mall, a leading megamall in West Jakarta, Indonesia.
- We are engaging in a fix-and-flip business in Phoenix and Seattle, USA.



Central Park Mall



Residential property in Seattle

**Japan (Tokyo Metropolitan Area):** We will proceed with properties under development while exploring ways to integrate our hotels and entertainment content into community building efforts. We will intensify short-term-returns projects to expand the range of redevelopment and rebuilding projects.

- We previously acquired and developed four properties in H-CUBE, a low-rise, street-facing commercial facility. We sold three of them to Hankyu Hanshin REIT Asset Management.



- For the Yaesu 2 Naka Redevelopment, in which we participated, demolition work is scheduled to proceed following approval of the rights conversion plan at the end of March, 2023.



# Progress in Strategy 4

## Strategy 4

### Increase market share by providing high value-added services

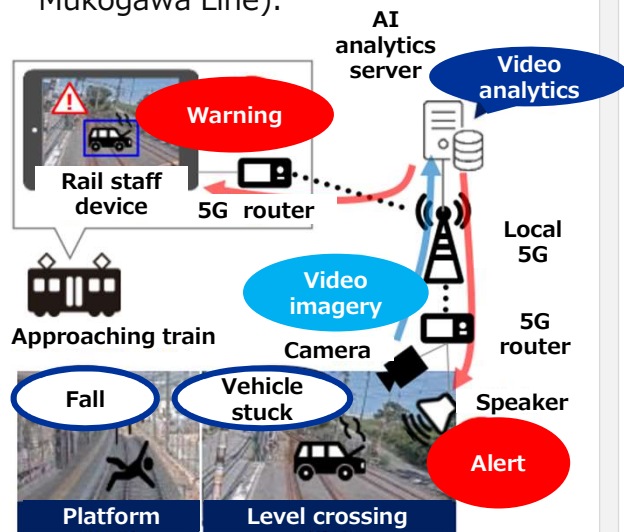
#### Enhance value-added services we provide

Use tech and knowhow to expand value scope of our businesses.

Provide high-quality, competitive services to increase business scale and market share.

##### Information and Communication Technology

- To enhance safety, comfort, and efficiency in our railway business, we are piloting and rolling out local 5G connectivity and AI-powered hazard recognition to the Hanshin Main Line (having previously introduced it on the Mukogawa Line).



##### Travel

- We expanded our Covid-related solutions for local governments, including monitoring the health of Covid patients, call center service for fever cases, and operating facilities for recuperation.
- Through these services, we forged stronger connections with the local governments concerned. We will use these connections to gain new business (unrelated to Covid).

\*Services for local governments are also being developed in the Information and Communication Technology segment.



##### International Transportation

- While expanding the scale of the business, we are also transforming the portfolio (strengthening ocean freight and logistics) to further develop our network in Asia and expand into new regions with bright growth prospects (e.g. Africa).



# Hankyu Hanshin DX Project

## Provide our DX platform for use inside and outside our organization

### DX infrastructure

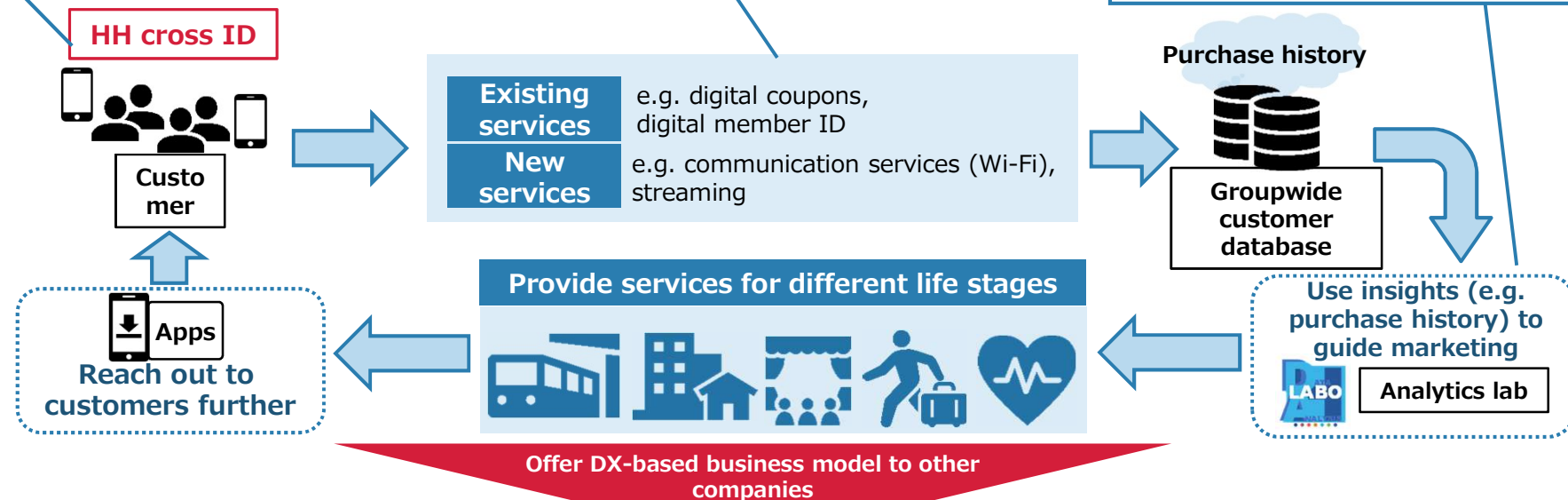
- We are rolling out our DX infrastructure across our businesses and encouraging its use.
- We are using the DX platform to develop digital services in stage and hotel businesses

### Digital services

- We currently provide 10 services with HH Cross ID (we released a hotels app in January 2023).
- We are preparing to launch multiple projects.

### Marketing analytics

- We are analyzing data on 8.4 million customers across 10 business units
- **Hankyu Nishionomiya Gardens** and **Hankyu Travel International** are doing test marketing based on the insights gained so far.



### DX 2.0

- As we want share the DX platform more broadly, we are inviting other companies to use it, beginning with Hankyu Hanshin Toho Group, rail operators, companies in general, and then companies operating in our line-side areas.
- We already have one company on board. Other companies may join in FY2024.

**By sharing costs with partners, we can operate slimmer and cover a wider array of data.**

# Contributing to SDGs and the 2050 Carbon Neutrality Goal

## Promote sustainability across group, following PDCA cycle



### Items of business during Corporate Sustainability Committee meetings

- Hearing reports on actions for key sustainability themes
- Assessing, analyzing ESG disclosures
- Analyzing broad sustainability trends



## Recognition for our ESG efforts

- Listed for first time** on FTSE Blossom Japan Sector Relative Index (June 2022)
- Best rating (AAA)** on MSCI ESG Ratings for second year running
- Listed on MSCI Japan ESG Select Leaders Index for sixth year running
- Continually listed on MSCI Japan Empowering Women (WIN) Select Index
- Continually listed on S&P/JPX Carbon Efficient Index



FTSE Blossom  
Japan Sector  
Relative Index



2022 CONSTITUENT MSCI JAPAN  
EMPOWERING WOMEN INDEX (WIN)

2022 CONSTITUENT MSCI JAPAN  
ESG SELECT LEADERS INDEX

FTSE Blossom Japan Index Series  
<https://www.ftserussell.com/products/indices/ftse4good>  
MSCI <https://www.msci.com/our-solutions/esg-investing>