

**Supplementary Briefing during the Briefing on Earning Results
for the First Half of Fiscal 2022 (Ending March 2022)
presented by Takehiro Sugiyama, President and Representative Director**

* Page numbers indicate the relevant page number in the results briefing materials.

<< Current Performance >>

- In the Urban Transportation segment, the railway operation business has traced a recovery path since October, following the lifting of the state of emergency. Specifically, in Hankyu and Hanshin lines, revenue from both commuter passes and other (non-season) tickets in October was down by just over 15% (preliminary figure) compared to pre-pandemic fiscal 2019. By contrast, in September, it was down by just under 30% from that level.
- In the Travel segment, domestic travel bookings have soared since October. To attract travel customers, we are actively leveraging promotional campaigns by local governments, including discounts for prefectural residents.
- In the Hotels segment, Hankyu Hanshin Hotels is on the recovery, posting around 55% occupancy rate in October (preliminary figure). The challenge going forward is how to raise average daily rates.

<< Cutting Costs and Controlling Capital Expenditure >>

- The fallout from the pandemic remains severe in the current fiscal year, so we will continue the previous year's efforts to cut costs and control spending.
- Regarding cost cutting, it is unfeasible to maintain the fiscal 2021 level in the current year given the safety commitments in our railway operation business, for one. However, we are trying to cut or deferring costs to achieve significant savings. We made fair progress in the first half of this year.
- As for capital expenditure, we will maintain our growth investment in ongoing large projects. However, we will carefully scrutinize any prospective project in terms of its value, business viability, and risk. Additionally, we will control expenditure on maintenance and renewal in order to contain the damage to financial soundness.
- On the matter of large projects, we completed a number of such projects in the first half. In April, Kobe-Sannomiya Hankyu Building opened, and in May, we completed work on the two logistics centers, Logista, Logicross Ibaraki Saito. Additionally, in the Umeda 1-1 Project, we finished phase II construction, the department store section. Consequently, in October, Hanshin Department Store Umeda Main Store opened in this section as well as the phase I section. With the project on course to full completion next spring, we will focus on attracting tenants into the office block.

<< Medium- to Long-Term Strategy >>

I. Updating the Long-Term Vision

- We are holding intense internal discussions on how to update Long-Term Vision for 2025 (fiscal 2026).
- The updated vision will look ahead to 2030. By that year, the new normal will have taken root and we will have finished work on the Umekita Phase II Development Project and other ongoing projects. We also expect to see progress in large projects currently planned for the Osaka-Umeda and Senri-Chuo areas, and in the project to build new railway lines in Osaka. Looking further ahead, we recognize that 2030 is an interim milestone in efforts to go carbon neutral by 2050.
- Accordingly, we decided to update the Long-Term Vision for 2030 as the target. The new vision needs to clarify what organization we want to be in 2030 both in qualitative and quantitative aspects. This clarity will help us continually build enterprise value amid a changing world.

II. Strategic Priorities for the Medium- to Long-Term

- We will need to formulate medium- to long-term approaches that include the four strategic priorities below.

1. Build profitability and streamline business processes through digital transformation

- The first strategic priority is to build profitability and streamline business processes through digital transformation.
- To build profitability, we will launch new products and services that cater to pandemic-driven changes in lifestyle and progress in digitalization. In the railway operation business, for example, we are considering providing premium seating (seats reserved for a surcharge; see p.61). For Takarazuka Revue, we are developing new content for digital streaming (see p.62). These initiatives will help grow the customer base and increase profitability.
- Another idea concerns the customer data each business holds. As described on p.60, we want to share this data throughout the group and then use it for digital marketing with a view to generating new demand.
- As for streamlining, it is imperative that we use robotics and IoT-driven technology in workplaces throughout the group in order to improve productivity. We will accelerate efforts to achieve this.

2. Strengthen our profitability

- The second strategic priority is to strengthen our profitability.
- Many of our businesses, especially those in the Urban Transportation, Real Estate (real estate leasing business), and Hotels segments, are dependent on real assets. As such, their fixed expenses make up a relatively large percentage of total expenses. Thus, the key to strengthening the revenue structure is to reduce the fixed expenses or convert them to variable costs. To that end, each business must go further in streamlining and saving labor. In the case of railways, for example, we need to radically overhaul station and maintenance operations.
- Meanwhile, in businesses such as those in the Entertainment and Travel segments, the key to improving earning capacity is to attract new customers by effectively using digital streaming and online advertising.
- Thus, we will increase the viability of our businesses by raising the operating income margin and lowering the break-even point, while respecting the particularities of each business.

3. Contribute to SDGs

- The third strategic priority is to contribute to the SDGs.
- We are forging ahead with sustainable management in accordance with our Sustainability Declaration. Last May, we endorsed the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), and since then we have followed the TCFD disclosure framework (see p.43). Furthermore, we will soon issue our first sustainability bonds. The bonds will fund the Umeda 1-1 Project.
- Society increasingly expects the private sector to contribute toward the Sustainability Agenda. To play our part in the effort to go carbon neutral and achieve the SDGs, we will need to contribute substantial funds. We are willing to do this, as we see it as part of our corporate social responsibility (although we must also balance such spending with fiscal health and ensure a return on investment). Accordingly, we will incorporate SDG action into future medium-term management plans as well as our Long-Term Vision.

4. Promote a business management style that emphasizes improving capital efficiency

- The final strategic priority is a financial one.
 - While maintaining our commitment to fiscal discipline, we will now place more weight on improving capital efficiency.
- Guided by these four strategic priorities, we will flesh out the details for the update with a view to releasing the updated version next spring.