

**Supplementary Briefing during the Briefing on Earning Results
for the Fiscal 2021 (Year Ended 31st March 2021)
presented by Takehiro Sugiyama, President and Representative Director**

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

<< Notes on Fiscal 2021 Results >>

◆ **Fiscal 2021 recovery plan (page 7)**

- In fiscal 2021, the pandemic created an extremely challenging business landscape. In response, we focused on recovering our bottom line and cash flow.
- In terms of bottom line, we cut around ¥23 billion in costs on full-year basis and made use of government subsidies. Consequently, the result for profit and loss was better than initially expected, by around ¥33 billion.
- As for cash flow, as expected, we ended up spending around ¥40 billion less on capital expenditure compared to what we had budgeted before the pandemic.

◆ **Structural Reforms in the Hotels Business (page 40)**

- We decided some time ago that any new hotels we open should be no-frills hotels, and we put the existing full-service hotels under review in terms of the business model and use of assets, with a view to ensuring the profitability of the real estate.
- Accordingly, we will refocus resources onto a selected number of hotels and implement phased closures of seven hotels.
- Of these, Hotel new Hankyu Osaka and Senri Hankyu Hotel are situated in key strategic areas for us—Osaka-Umeda and Senri-Chuo. Accordingly, once the hotels close, we will find ways to increase the usage of the real estate to raise its value and contribute to the development of both areas.

[Hotel new Hankyu Osaka] (page 42)

- We had been planning since some time back to close Hotel new Hankyu Osaka. The building was decaying and, despite its prime location, the hotel was not generating the revenue one would expect from such a location.
- In such a situation, we finally decided to close the hotel by around the end of fiscal 2025. This decision was precipitated by two factors: the opening, nearby the hotel, of Hotel Hankyu RESPIRE Osaka (which is of a similar scale), and progress on a plan to relocate facilities attached to Hotel new Hankyu Osaka.
- Umeda 1-1 Project is scheduled to be completed next spring, so once Hotel new Hankyu Osaka closes, we will use the site for another large project and drive the project forward in a group-wide effort.
- However, before we can give any more details, we first need some more time to discuss plans internally and confer with public authorities.

[Senri Hankyu Hotel] (page 43)

- Like Hotel new Hankyu Osaka, Senri Hankyu Hotel is dilapidated and is set to close by around the end of fiscal 2026.
- Meanwhile, plans are underway to redevelop the vicinity around Senri-Chuo Station, adjacent to Senri Hankyu Hotel. The vicinity is home to Senri Hankyu department store and other attractions.

- Accordingly, once the hotel is closed, we want to use the land effectively, in a way that ties in with the redevelopment. Mindful of the need to maintain the vibrancy and convenience of the area around the station, we will keep an eye on the plans to redevelop the area and decide about the land use accordingly.

<< Future Strategy >>

◆ Overhauling the Medium-Term Management Plan (page 35)

- In May 2017, we unveiled Long-Term Vision for 2025 (fiscal 2026). We then devised strategy for the first four-year phase of the vision (the Medium-Term Management Plan) and made steady progress in implementing the strategy.
- However, because of the pandemic, the business landscape has changed markedly from what we assumed when drawing up the Medium-Term Management Plan. Consequently, it is now impossible to achieve the medium-term target for operating income in fiscal 2022.
- Accordingly, we have withdrawn this target, meaning that there is currently no interim target for the Long-Term Vision.

◆ Overhauling the Medium-Term Management Plan: Assumptions (page 37)

- In pre-pandemic times, many of our businesses maintained their competitive edge in the B2C sector by delivering products and services in offline, in-person settings. Their business model was predicated on people traveling.
- However, the pandemic has undermined this business model, and even if we reach phase 3 as described on page 36, there can be no full return to the pre-pandemic landscape. This fact has far-reaching strategic implications for our organization.
- Accordingly, we need to radically overhaul the medium-term plan.
- That said, it remains uncertain when the business environment will recover from the effects of the pandemic, and we do not yet know what the new normal will look like.
- Another source of uncertainty is our new projects and participation in a plan for the construction of a new railway lines in Osaka. It will take time until we get a clear picture of how these plans will proceed. For these reasons, we cannot implement the radical overhaul just yet.
- Thus, for fiscal 2022, we will focus on the action plan shown on page 38.

◆ Current Strategy FY2022 (page 38)

- There are two main tasks.
 - 1) We will establish a crisis recovery phase, during which we focus all efforts on achieving a swift recovery from the effects of the pandemic. Specifically, while working to recover earnings, we will devise and implement, as swiftly as possible, strategies to reduce fixed expenses or to convert them to variable costs. Regarding capital expenditure, while maintaining spending on ongoing large projects, we will continue to control investment in maintenance and renewal in order to contain the damage to financial soundness.
 - 2) Recognizing that the pandemic hastened a shift to a new normal, we will adapt accordingly.

◆ Adapting to the New Normal (page 44, 45)

- We reckon the pandemic will lead to the critical changes described on page 44. To adapt to the changes, we will take the two-pronged approach described on page 45.
- First, we will use digital technology to strengthen offline businesses, making them more profitable and streamlined. Digital marketing will play an essential role in this task. Accordingly, we have opened the Data Analytics Lab in a joint project with the University of Tokyo.
- Second, we will create new digital revenue streams. This task will require innovation and

experimentation. One idea, for instance, is to build a digital twin city that reproduces real-world environments in a digital space.

- Both components of this strategy will be coordinated under the Hankyu Hanshin DX Project. Through this project, we hope to the group as a whole and each business in the group to maintain or improve its competitive edge.

◆ **Medium- to long-term Strategy (page 50)**

- At this time, it remains hard to predict how the new normal will look. However, to help ensure sustained growth, we need to get clear grasp as soon as possible so that we can present a roadmap for the future. We must also update the Long-Term Vision to reflect the changes in the business landscape.
- In updating the vision, we will prioritize tasks such as adapting to changes in consumer behavior driven by the pandemic, embracing digital transformation, driving a workplace revolution, and contributing to the SDG agenda by going carbon neutral by 2050. We hope to release the new vision in spring 2022 under the title Vision for 2030.

<< **Returns to Shareholders (page 61)** >>

- Regarding dividends, for both fiscal 2021 and fiscal 2022, we want to keep the dividend at a stable level. Specifically, for both fiscal years, we will pay out ¥50 per share.

<< **Sustainable Business Practices (page 66-)** >>

- We released the Sustainability Declaration in May 2020. Since then, we have taken various actions in line with the priority issues outlined in the declaration.
- We have set sustainability targets as shown on page 68, and we just recently we endorsed the Task Force on Climate-related Financial Disclosures and the United Nations Global Compact.
- In this way, we are building trust with stakeholders, including customers and shareholders, and combining business growth and sustainable development goals, so that we can contribute to the resolution of social and environmental challenges through our business activities.

<< **Current Situation in Railway Business** >>

- In Hankyu and Hanshin lines, ridership revenue in April 2021 was down by almost 30% compared to pre-pandemic fiscal 2019. Revenue from commuter passes was down 10%, while that from other (non-season) tickets was down 35-40%.
- While this result is far from satisfactory, it does mark an improvement from the April 2020 result for total ridership, which was down 50% compared to the fiscal 2019 level.
- Likewise, for the Golden Week holiday period, ridership revenue of non-season tickets in both Hankyu and Hanshin lines was down by as much as 60% compared to the pre-pandemic level, but this result represents an improvement from the previous year's result for Golden Week.