April, 2025

Hankyu Hanshin Holdings, Inc.

Main Questions and Answers on the Long-Term Management Plan Briefing

* Please be aware that this document is not a verbatim account of everything that was said during at the question and answer session held during the briefing. The Company has made additions and modifications, and summarized the content as it judged appropriate.
* Please also note that the information presented here is based on the briefing held on April 8.
* Page numbers refer to the page numbers in the Long-Term Management Plan Briefing Materials.

[Questions about the Company in general]

< General questions about the Long-Term Management Plan >

Q The Company has stated its intention to transform into an organization capable of sustainably achieving an ROE of 8% by FY2031. Would we see a progressive improvement in ROE towards this goal, or could there still be temporary dips in ROE moving forward?

A While we believe it is desirable to steadily improve ROE on a yearly basis, we recognize that fluctuations may occur in individual fiscal years due to the timing of various initiatives. Nonetheless, we remain firmly committed to making steady progress toward achieving our goal of an ROE of 8%. We view growing profit, the numerator when calculating ROE, as key to achieving an ROE of 8%. We have no intention of engaging in financial engineering to achieve an ROE of 8% over the short term.

Q Do you see any resource-related challenges in implementing the Long-Term Management Plan?

A We believe that securing a diverse, highly talented pool of human resources is the most critical factor in achieving our Long-Term Management Plan. To that end, we are pursuing two key approaches. The first is to enhance the skills of our existing human resources base by improving productivity and motivation, and optimizing workforce allocation across the Group. The second is to leverage external resources by hiring experienced professionals with specialized knowledge and expertise, and by working with partners outside the Group.

Human resources are the source of our Group’s growth, we are committed to further enhancing our capabilities through these initiatives.

Q In addition to the overseas real estate business, what other businesses do you see as key growth drivers in achieving the projected business profit of ¥160 billion by FY2031?

A The target for business profit of ¥160 billion for FY2031 was set through a backcasting approach as a step toward achieving the broader goal of achieving an ROE of 8%. At this stage, while we do not yet have a complete view of all the specific measures required to achieve this profit level, we will continue to explore and implement strategies, including expanding existing businesses, maximizing the impact of growth investments, and leveraging the Group's overall capabilities to develop new sources of revenue.

Q Slide 17 mentions that you may withdraw from or conduct a review of businesses with low profitability, low growth, or similar challenges, from the perspective of yield and cash generation. As part of the Long-Term Management Plan, are there any businesses already anticipated for exit or review?

A We have nothing to disclose at the current time. However, as we progress toward the realization of our Long-Term Management Plan, we will provide updates as necessary. In that process, there may be instances where decisions regarding a potential withdrawal or review will need to be made.

Q On Slide 19, the asset sales are incorporated as part of cash inflows. Could you provide details on the assets being considered for sale and any potential buyers or target parties?

A At this stage, no specific decisions have been made. However, regarding assets to be considered for sale, we will need to determine an appropriate composition, taking yield and other factors into account. There are a number of potential buyers, including REITs and private placement funds. Going forward, we will explore these opportunities from multiple perspectives.

<Shareholder Return>

Q Following steps to strengthen returns to shareholders, the Company has set the lower limit for the annual dividend per share at ¥100, while targeting a total payout ratio of 50%. Going forward, do you intend to gradually increase the dividend?

A The annual dividend per share is expected to remain at ¥100 per share for the foreseeable future. However, we will continue to review the appropriateness of the dividend level, taking into account market conditions and the Company's business performance.

Q Given the focus on achieving an ROE of 8%, is there a possibility that returns to shareholders could be further enhanced in the future should changes in underlying assumptions, such as the D/E ratio or cash flow conditions, allow it?

A Our primary focus is on achieving an ROE of 8%. As we make progress with the initiatives toward that goal, we intend to make agile capital allocation decisions in response to changes in our cash flow situation.

<Questions on business strategy-related initiatives>

Q How much do you see the Shibata 1 Project contributing to profit when complete? Additionally, could you provide more details on the expected profit decline during the construction period of the plan?

A With regard to the Shibata 1 Project, we are currently in the process of discussions with relevant authorities and stakeholders as we continue to evaluate the plan. While we are not yet in a position to disclose details regarding the schedule, specific use, investment amount, or expected returns, we regard this project as a development in the best location within the Osaka-Umeda area. Accordingly, we are not only focused on ensuring the profitability of the facility itself, but also deeply committed to enhancing the overall value of the Osaka-Umeda area as we further develop the plan. We will provide further details when the time is appropriate, and we kindly ask for your patience in the meantime.

Further, with regard to the profit decline during the construction period, please understand that we do not disclose profit and loss figures for individual facilities.

Q Our understanding is that the Company's strength lies in its content, and that the focus moving forward will be on expanding this content beyond line-side areas and developing new content to drive further growth. Could you share how you plan to approach these initiatives?

A The Company possesses strong content, and one of our strategies is to expand these existing assets both within line-side areas, and also outside of line-side areas, including overseas. Additionally, regarding new content, our Company has various resources, such as educational programs, which we are continuing to explore in order to develop them into attractive and compelling content.

We often hear from our investors that one of the Company's strengths lies in our content. As a Company, we aim to secure and enhance our human resources while actively leveraging the capabilities of external partners to drive growth in this area.

[Business-specific questions]

<Urban Transportation>

Q　With costs expected to increase in the railway business, has the Group considered the potential to implement fare adjustments as a means to drive growth in business profit?

A　We anticipate that costs such as construction and labor expenses in the railway business will continue to rise. Even as population decline accelerates, we aim to maintain the competitiveness of line-side areas and generate stable cash flow. This cash will be redirected toward growth businesses. To achieve this, we plan to advance construction projects that contribute to service improvements in the railway business. As a result of these initiatives, fare adjustments would be a potential option to explore should fare revenues deteriorate.

Q　How much do you expect the plans for new rail links and stations to contribute to revenue by FY2031?

A　With regard to the Naniwasuji Connection Line and the Shin-Osaka Connection Line, we are currently in discussions with concerned parties and aim to move forward as quickly as possible. However, at this stage, it is difficult to provide specific details. The opening of the Linear Chuo Shinkansen and the extension of the Hokuriku Shinkansen are expected to significantly increase the number of users at Shin-Osaka Station. Additionally, the surrounding area has been designated as a hub for emergency urban regeneration, which is expected to drive further development. Given the potential significance of these new lines, the Company is committed to focusing its efforts on realizing the Plan.

With regard to the Mukogawa New Station, we are currently in discussions with the relevant authorities. Once we are in a position to provide further details, we will be happy to share them.*

Additionally, the impact of these plans has not been reflected in revenue projections through to FY2031.

＊　Concerning the New Mukogawa Station, we signed a basic agreement with Nishinomiya City and Amagasaki City on April 10th regarding the project overview, implementing parties, construction costs, and cost-sharing arrangements. We have officially announced that the project has commenced, with the goal of opening by the end of FY2032.

For details, see the news release dated on the same day (Japanese only)

https://www.hankyu-hanshin.co.jp/release/docs/2bd8373ec75cdb449ed741840123863a11ea25bf.pdf