Nov., 2022
Hankyu Hanshin Holdings, Inc.

# Main Questions and Answers during the Briefing on Earning Results for the First Half of Fiscal 2023 (Ended March 2023)

* 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 November 11.

## [ Questions about the Company in general ]

### << Energy costs>>

**Q. How have the increases in energy costs affected each of your businesses? Have these impacts been factored into your full-year forecasts?**

A. The biggest impacts were felt in the Urban Transportation and Real Estate segments. During the period under review, power costs increased 1.4 billion year-on-year in the Urban Transportation segment, and utility bills increased 1.0 billion year-on-year in the Real Estate segment (which now includes the hotel segment).

Given that fuel cost adjustments continue to rise, we expect an even greater impact in the second half (I'm afraid I can't give you an exact figure). Our full-year forecasts take this into account.

## [ Business-specific questions ]

### << Real Estate>>

**Q. Could you give an update on your office properties in Osaka Umeda, including new office buildings?**

A. For Osaka Umeda Twin Towers South, which opened last March, we're making headway in leasing the office units as expected. We now have formal or informal rental agreements for some 80% of the units.

On the other hand, as you can read on page 48 of the reference data, the vacancy rate for the Osaka Umeda area as a whole has worsened. As of the end of September 2022, 5.17% of total rental space lay vacant, higher than the result for the end of September 2021 (note that this figure was released by another company, and I'm unsure how it was calculated). As to why the overall vacancy rate worsened, one factor is the newly completed Twin Towers South, where formal or informal rental agreements have been secured for 80% of the units, as I just said. Another possible factor (to clarify, this factor involves rental space throughout Umeda) is the trend among companies to downsize their offices by consolidating or relocating them or to close client-facing branches. I should add, however, that office rent remains high on average, suggesting that office space in Osaka Umeda continues to command a hefty premium over office space in other areas.

Also, although the vacancy rate for our key office buildings as of the end of September 2022 was, at 4.9%, up from the rate as of the end of September 2021, this was partly a result of us refraining from actively leasing certain properties in view of future development plans. When you discount this factor, you'll find that occupancy rate remains brisk and that rent remains high relative to the average for the area as a whole. In conclusion, our office properties in Osaka Umeda continue to command a competitive advantage.

**Q. Regarding your overseas real estate, how much growth are you aiming for, in terms of assets and earnings?**

A. I can't give you exact figures, but I can say that we need to grow earnings in our overseas real estate to great extent in order to achieve the operating income target set out in our Long-Term Vision, which is ¥130.0 billion plus something extra, in the year ending March 31, 2031. To that end, we're currently working hard on initiatives to grow the business.

**Q. You recently acquired a large commercial property in Indonesia (Central Park Mall). How much is the property contributing to earnings?**

A. I'm afraid I can't disclose the earnings contribution of individual properties. Until now, our overseas real estate business has contributed little to overall earnings, so our practice so far is to record its results (including those of overseas rental properties, such as the one you're asking about) in a sub-segment titled "real estate sales and others." However, we recognize that we'll need to disclose the business's performance more clearly as it grows in the years ahead. We're holding internal discussions on how we will most likely do this.

**Q. How is your residential real-estate sales business faring in ASEAN markets?**

A. Regarding our residential real-estate sales business in ASEAN, the pandemic meant that we had to suspend sales activities and postpone development project schedules. We initially (before the pandemic) expected to record sizeable profit growth in the year ending March 31, 2022, but it now looks like the growth will come a little later.

Mind you, we target the buy-and-hold market at a price range where volume is greatest, and given that this market is largely insulated from economic fluctuations, demand will most likely remain strong. Therefore, the expected growth will most likely materialize in two or three years.

**Q. How has your Hotel Business fared since last October, when the government eased border controls to allow international tourists into Japan?**

A. In September, the month before the border controls were eased, foreign visitors accounted for some 10% of sales in hotels in the Greater Tokyo Area. By November, the same rate had surged to just under 40%. As for Kansai area, even in November, the percentage of foreign guests remains low, at around 5%. This is due to a lack of recovery in Chinese tourist numbers, which were very high in Kansai before the pandemic occurred.

<< Travel >>

**Q. You accepted orders from the public sector to provide accommodation services for recovering COVID patients. How will you leverage your connections with the public sector once the pandemic subsides?**

A. Over the years, we've forged pretty strong ties with local governments that are dedicated to local economic vitalization, working with them in developing local tourist resources and in organizing events together with communities. We want to continue such partnerships. With our tourism expertise, we can help attract domestic and international tourists to the area and contribute in many other ways to the communities. I should also mention that we want to market tourism as content (considering how enduringly popular travel TV shows are), and our ties with local governments will prove very valuable in this effort.

Leveraging the ties we've forged with local governments through taking on the COVID-related jobs, we'll step up the measures I just mentioned to achieve further growth in the Travel segment. Right now, we're working out exactly what actions we'll take and how best to deploy our human resources.

<< International Transportation >>

**Q. How is the International Transportation segment faring (e.g. in operating margin) and what is the outlook for the segment?**

A. For the second quarter (July–September), the segment posted slightly less operating income than it did in the first quarter. The main reason was that the Shanghai lockdown led to an easing of the supply crunch for Japan-origin air cargo. We expect this trend (easing of the supply crunch in air transportation) to continue, including overseas. As for ocean transportation, the supply crunch has persisted amid a shortage of container shipping, but this will most likely gradually ease.

That said, it's very hard to predict the pace at which the supply crunch will ease. We'll keep a close watch on developments.

For the segment to continue, amid this trend, to deliver stable earnings and build competitive advantage over the medium and long term, we must go harder and faster in our structural reform program for the segment (which involves shifting to a more balanced portfolio for air transportation, ocean transportation, and logistics, and growing business in Asian markets). This transformation program will only succeed if we grow our clientele and increase our handling volume. We're now making a concerted effort to proceed with the program and increase handling volume.