

Future Strategy

**(1) Medium-Term Management Plan and
Current Strategy**

(2) Update of Long-Term Vision

Reviewing Progress on Medium-Term Management Plan

■ Reviewing Progress on Medium-Term Management Plan(FY2019~FY2022)

- In May 2017, we unveiled the Long-Term Vision for 2025, a vision for sustained growth in a changing landscape.
- Our first task was to devise an action plan for the first four-year phase (fiscal 2019–2022) of this long-term strategy—the result was the current Medium-Term Management Plan. Since then, we have pressed ahead with strategies based on the Long-Term Vision with the aim of raising operating income level to the ¥110.0 billion level by the end of the current medium term, fiscal 2022. (see pages 9-10 for a description of Long-Term Vision for 2025).

- Until the pandemic struck, we were on course to meeting our targets for fiscal 2022. Growth was proceeding as planned, and we were confident that we could maintain financial soundness while investing toward higher future growth.

- However, the pandemic rocked many of our businesses, with devastating consequences for our group's overall performance.
- Another problem is that the business landscape has changed markedly from what we assumed when drawing up the Medium-Term Management Plan. For these reasons, **it is now impossible to achieve the above medium-term target (¥110.0 billion operating income by fiscal 2022).**

Accordingly, **we have withdrawn this target, meaning that there is currently no interim target for the Long-Term Vision.**

Projections for recovery from effects of pandemic

■ Projections for recovery from effects of pandemic

- We have projected that economic activities will recover in a three broad phases.
- Based on current trends, phase 2 will probably begin in fiscal 2023 and phase 3 in fiscal 2024. That said, the opaque outlook makes it impossible to state a precise timespan.


FY2021	FY2022	FY2023	After FY2024
	Phase 1	Phase 2	Phase 3
	In Japan, short-distance travel resumes. Travel distances gradually increase, and the impact of physical distancing eases off.	Travel gradually resumes across the world.	The pandemic is brought under control. Economic activities in Japan and abroad recover significantly.




Even by phase 3, the business landscape will not have fully recovered to pre-pandemic levels.

Overhauling the Medium-Term Management Plan: Assumptions

- In pre-pandemic times, many of our businesses (the urban transportation, real estate, sports and stage, travel, and hotels 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, there can be no full return to the pre-pandemic landscape. The pandemic has created a new normal in which people travel less and spend more time online. This new normal has far-reaching strategic implications for our organization.

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- Since the business landscape has diverged significantly from our strategic assumptions, we need to radically overhaul the medium-term plan.
 - That said, the exact timing of the phases remains unclear, and we do not yet know what the new normal (from phase 3) will look like.
 - Another source of uncertainty is our new projects (including projects to make more effective use of hotel land in Umeda and Senri-Chuo) and participation in a plan for the construction of new railway lines in Osaka. It will take time until we get a clear picture of how these plans will proceed.

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- Thus, for fiscal 2022, we want to turn around performance as soon as possible and accelerate efforts to prepare for the new normal. Our action plan is shown on the next page.
 - See page 8 for the assumptions underlying the medium- to long-term plan.

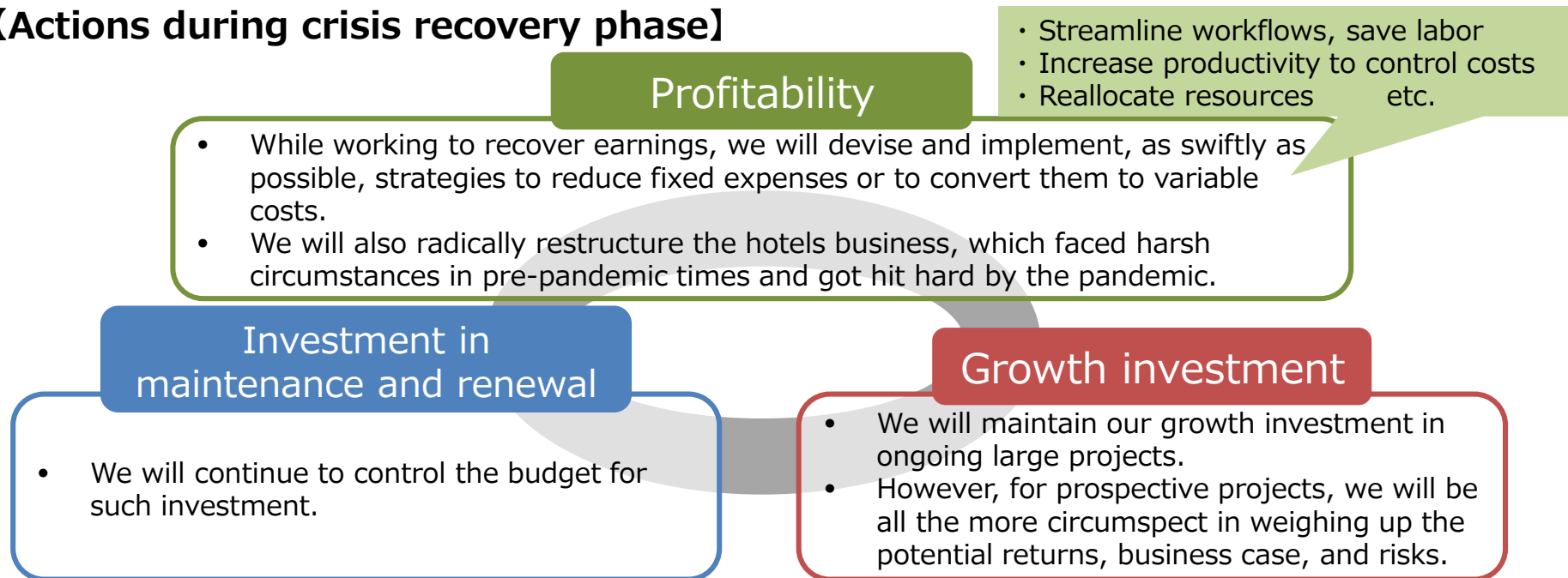
Current strategy(FY2022)

■ Current strategy(FY2022)

<Task 1> Establish crisis recovery phase

- We will establish a **crisis recovery phase**, during which we focus all efforts on achieving a swift recovery from the effects of the pandemic.
- During this phase, we will undertake the following actions **to turn around performance as soon as possible and contain the impact on financial soundness**.

[Actions during crisis recovery phase]



<Task 2> Adapt to the new normal

- Recognizing that the pandemic hastened a shift to a new normal, we will adapt accordingly(see pages 5-6).

Adapting to the New Normal①

■ The pandemic has transformed lifestyles

COVID-19 induced trends

- Consumers want **contactless commerce** and they want to **avoid crowded spaces**
- Increasingly, **businesses are digitizing, supporting workplace flexibility, and engaging in SDGs (e.g. supporting efforts to go carbon neutral)**

Lifestyle changes

Changes in population behavior

Fewer unnecessary outings

More dispersed workforce, dispersed learning

More even and diverse travel demand

More options for where to live

Changes in corporate sector

More workplace flexibility

More BCP

Emphasis on quality of life

More emphasis on health and safety, more health consciousness

Rising desire for self-expression and active role in society

Rising desire for communication in reaction to the shift to virtual

New lifestyle needs

Remote work^{※2}

Accelerated digitalization

More online consumption

More emphasis on SDGs

Better private spaces

Growing demand for real-life (but safe) experiences

※2: Working from home, digital nomadism, working at a satellite office, workation, etc.

Adapting to the New Normal②

■ Direction of Adapting to the New Normal

- The new normal threatens to undermine the earnings capacity of our existing businesses. Accordingly, to help ensure sustained growth in the new normal, we will undertake a two-pronged digital transformation that will enable our businesses to maintain or improve their competitive edge.

Two-pronged digital transformation

① Use digital technology to improve existing businesses

- Offline-based existing businesses will use digital technology to streamline and enhance the profitability of their offline products and services.

Use digital marketing (digitally aggregate and analyze customer data)

- Using groupwide ID, the businesses will pool their customer data and use big data analytics to understand customer behavior.

In April 2021, we opened the **Data Analytics Lab** in a joint project with the University of Tokyo.

② Create digital revenue streams

- To create digital revenue streams, we will build a digital twin city that reproduces real-world environments in a digital space.

Naming this two-pronged strategy the **Hankyu Hanshin DX Project**, we will accelerate plans to integrate it into our medium- to long-term strategy.

Future Strategy

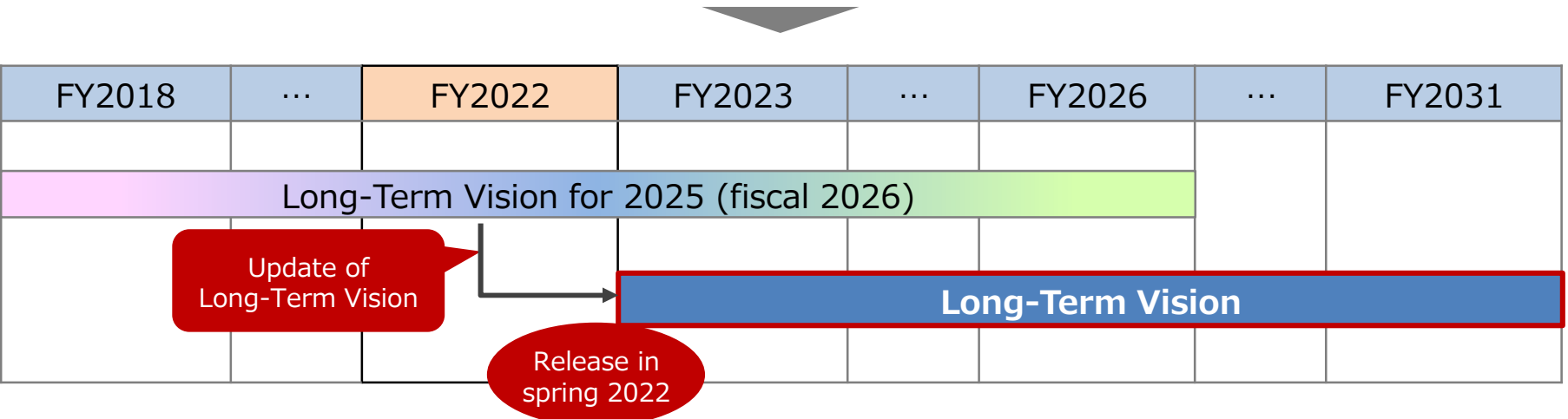
**(1) Medium-Term Management Plan and
Current Strategy**

(2) Update of Long-Term Vision

Medium- to long-term Strategy (Updating of Long-Term Vision)

■ Updating of Long-Term Vision

- As we remain in the midst of the pandemic, it is hard to predict how the new normal will look. However, we need to get clear grasp as soon as possible so that we can present a roadmap for the future.
- Our Long-Term Vision for 2025 (fiscal 2026) was formulated on the assumption that lifestyles and business practices would inevitably change sooner or later. However, the pandemic has hastened these changes and we must update the Long-Term Vision accordingly※.
- ※In updating the vision, we are mindful of the need to do the following:
 - Adapt to changes in consumer behavior driven by the pandemic, embrace digital transformation, drive a workplace revolution , and contribute to the SDG agenda (by going carbon neutral by 2050 for instance)
- Thus, we are updating the plan with an eye on the pace of recovery in demand and the transition in business conditions. We hope to release the new vision in spring 2022 under the title Vision for 2030.



《Reference》 Long-Term Vision for 2025 (Overall vision)

The slogan for the Hankyu Hanshin Holdings Group's Long-Term Vision for 2025 (fiscal 2026) is:

‘Enhancing line-side areas and expanding fields’

Sustainably enhance corporate value

Enhance daily life (customer) value

Regarding these sociocultural changes as business opportunities, we will provide innovative products and services through our business operations.

Enhance social value

Build relationships of trust with various stakeholders, meet their expectations, and contribute to society.

Enhance economic value

We will strive to maintain and improve our profitability and financial soundness as a top-class private railways operator.

Umeda and line-side areas x stock businesses
Make our railway the absolute best among the Kansai networks.

Strategy①

Tokyo metropolitan area and overseas markets x stock businesses
Construct a stable revenue base in the Tokyo metropolitan area and overseas markets.
(diversify the portfolio, which is currently concentrated in Umeda and line-side areas).

Strategy②

flow businesses
Strengthen competitiveness by thoroughly pursuing brand optimization and differentiation.

Strategy③

Groupwide initiatives, new business fields, etc.

Make greater use of the Group's collective strength and develop new business fields.

Strategy④

Further technological advances (AI, IoT, etc.)

The coming age of full-scale population decline

Economic growth in Asia

Declining birth rate and aging population

Growing numbers of overseas visitors

Crumbling infrastructure

Improvements to public transport infrastructure (airports, rail and motorway networks)

Tightening of labor market

Concentration of population into urban areas

Opportunity for Kansai to develop its position as gateway for Asia and the wider world

《Reference》 Long-Term Vision for 2025 (Four strategies)

Umeda・Line-side
areas

Umeda and line-side areas x stock businesses

Make our railway the absolute best among the Kansai networks.

Strategy①

We aim to increase the resident and non-resident population of line-side areas. To this end, we will channel into these areas the dynamism of the Tokyo-Nagoya-Osaka axis and the power of Asia and other regions of the world, attract new industries and cutting-edge technologies ahead of other companies, and support efforts to develop thriving local communities.

Tokyo metropolitan area and overseas markets x stock businesses

Construct a stable revenue base in the Tokyo metropolitan area and overseas markets

(diversify the portfolio, which is currently concentrated in Umeda and line-side areas).

Strategy②

Our property portfolio is currently concentrated in Umeda and line-side areas. To compensate for downsizing in the Kansai area, we will diversify our property profile by acquiring additional assets including rental property in Tokyo's large market and in overseas markets that are set to grow.

Flow business

Strengthen competitiveness by thoroughly pursuing brand optimization and differentiation.

Strategy③

Thoroughly optimize the Hankyu Hanshin brand value and differentiate the products and services from the competition so as to strengthen competitive edge and achieve further business expansion.

Stock (Use assets)

Flow (non-assets)

Group-wide initiatives, new business fields, etc.

Make greater use of the Group's collective strength and develop new business fields.

Strategy④

In addition to pursuing Group-wide initiatives, we will introduce cutting-edge technologies into existing businesses, venture into new business fields, and thereby provide culturally enriched and innovative lifestyle options.