



## New Medium-Term Management Plan

### Changes in Business Conditions

The business conditions facing the Hankyu Hanshin Holdings Group have changed dramatically. The features of current conditions are the growing scale of the market in the Tokyo metropolitan area, the growth of markets in Asia centred on the ASEAN region, and market expansion accompanying the rapid increase in tourists from overseas. As our new medium-term management plan shows, we see such changes in business conditions as new business opportunities and believe we must take further action to sustain corporate value growth.

### Basic Approach of the Medium-Term Management Plan

I believe that one of our strengths is progressiveness. In other words, we are ahead of the times and open to new ideas. However, for a long time we have had to be defensive. We have curbed growth investment and given priority to reducing interest-bearing debt because improving our financial position has been our most important management task. Having become more profitable by cementing earnings foundations and improving our financial position, we can finally realise our inherent progressiveness and provide customers with new value.

In this new management phase, we will lay foundations for future growth. Accordingly, the two main business strategies of our new medium-term management plan call on us to *enhance*

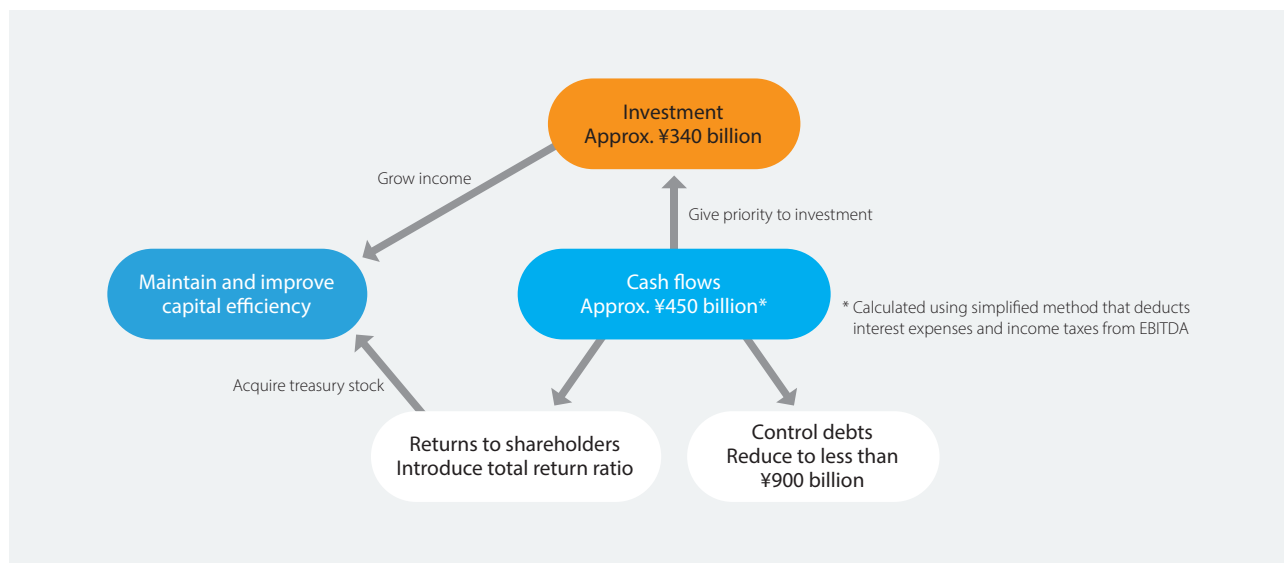
*value of the Umeda area and other line-side areas and develop new markets for medium-to-long-term growth.*

Under the plan, with a view to growing future earnings, we have earmarked roughly ¥340 billion for investment during the four years from fiscal 2016. Of this, we will allocate approximately ¥130 billion to investment in such major development projects as the Umeda 1-1 Project and the development of new markets, topics I will touch on later. This is more than twice the amount invested from fiscal 2012 to fiscal 2015 and is approximately the same investment level that we had between fiscal 2008 and fiscal 2011, when we were advancing several major projects, such as the rebuilding of Umeda Hankyu Building.

Meanwhile, we will continue strengthening our financial position because maintaining financial discipline over the medium-to-long term as we steadily invest for growth is critical to ensure fund-raising capabilities, and, by extension, investment capabilities. Specifically, we will reduce interest-bearing debt to less than ¥900 billion by the end of fiscal 2019.

As well as investing for growth and strengthening our financial position, we will endeavour to further enhance returns to shareholders through dividends and acquisition of treasury stock. Furthermore, to promote flexible allocation of cash flows to returns to shareholders, we have introduced a total return ratio as an indicator from fiscal 2016.

The preparation and implementation of growth strategies premised on maintaining financial discipline (fiscal 2016 – fiscal 2019)



**Business Strategy 1** Enhance Value of the Umeda Area and Other Line-Side Areas

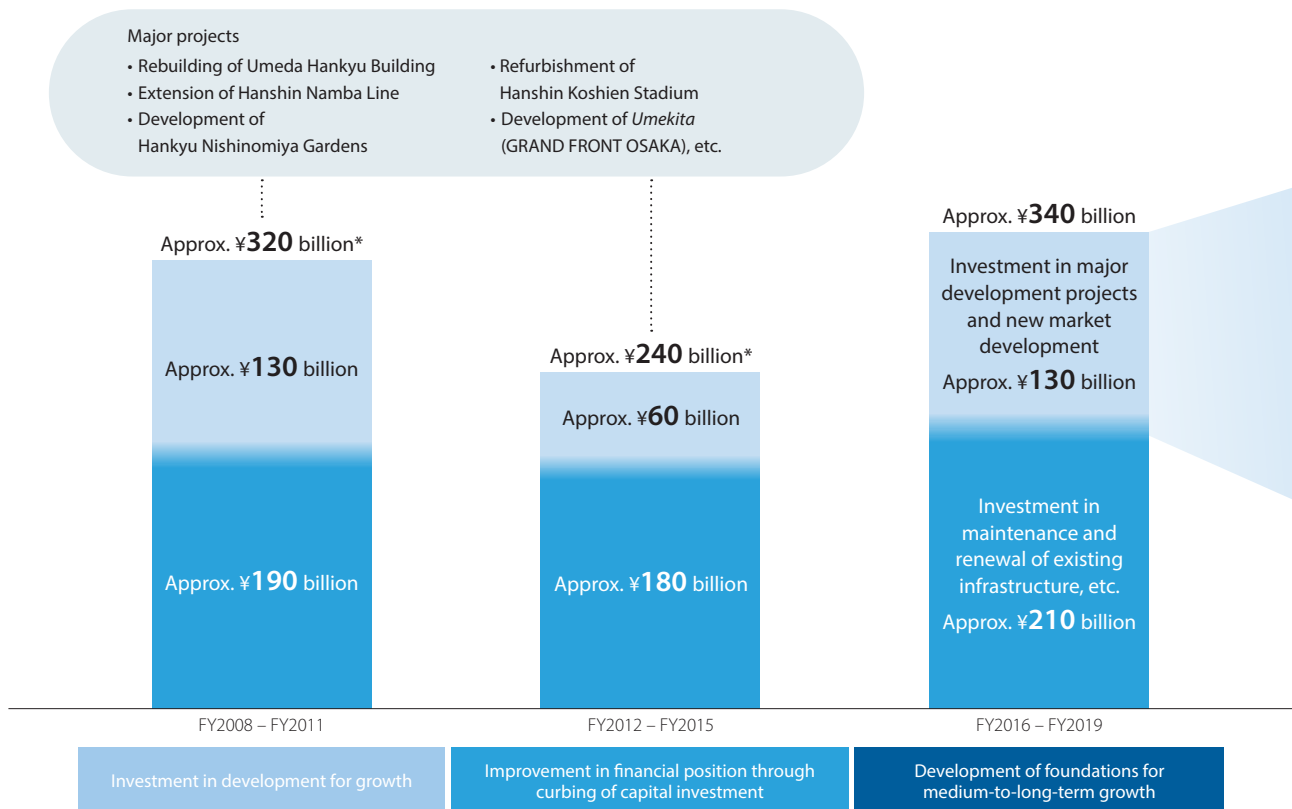
With respect to the areas served by its lines, the Group will promote further development by giving priority to allocation of management resources to the Umeda area, which is its largest business base. At the same time, we will take measures to heighten the value of areas served by Hankyu and Hanshin lines. Through these measures, the Group will maintain and enhance the value of its assets.

Begun in October 2014, the Umeda 1-1 Project is a large-scale redevelopment project that entails creating a single integrated building by reconstructing Dai Hanshin Building and the adjacent Shin Hankyu Building, which are situated at the centre of the Umeda area. This project is only possible thanks to the management integration of Hankyu Holdings and Hanshin Electric Railway nine years ago. Moreover, in conjunction with this project, we have begun construction work to upgrade Hanshin Umeda Station. The completion of these closely inter-linked projects will enable the creation of new foot traffic flows centred on Hanshin Umeda Station and promises to make touring the entire Umeda area more enjoyable for visitors, thereby helping invigorate it.

Further, to make the Umeda area somewhere people want to visit frequently, developing such physical infrastructure as office buildings and commercial facilities is not enough. To invigorate the area, I believe proactively fostering intangible infrastructure through area management is indispensable. Specifically, with local landowners we are developing initiatives to energise the whole area, such as area events and emergency drills that help create a sense of community. In addition, in 2014, we opened a support base for entrepreneurs, GVH#5, which provides start-ups with small comfortable offices at affordable rents. Being the largest landowner in the Umeda area makes us uniquely qualified to facilitate this initiative. In this way, through efforts to improve tangible and intangible infrastructure, we will create business opportunities from a medium-to-long-term perspective. I am confident that, ultimately, our efforts will raise Umeda's prestige as an urban area, and enhance the value of our assets as a consequence.

In areas other than the Umeda area that are served by Hankyu and Hanshin lines, we will redouble efforts to enhance value. As part of these efforts, we aim to develop businesses that address social issues in line-side areas. For example, we are developing private after-school day-care centres, After-School Kippo, to help working parents with child rearing. Also, we are

Approach to investment (and trends in capital investment)



\* Excluding capital investment related to the repurchase of securitised assets and the exchange of the assets with Hankyu REIT Inc.

developing a provider of comprehensive support for the elderly that establishes environments enabling the elderly to lead active lives. Providing these services helps create urban areas in which different generations can live with peace of mind. As a result, people will want to live in, remain long-term in, or keep visiting areas served by Hankyu and Hanshin lines, which will foster demand and add value to our line-side areas.

**Business Strategy 2** **Develop New Markets for Medium-to-Long-Term Growth**

With a view to extending earnings foundations through the development of new markets, the Hankyu Hanshin Holdings Group is concentrating efforts on expanding businesses in the Tokyo metropolitan area and developing overseas markets. At the moment, the population is rising in areas served by the Group's lines. However, given the aging of Japan's population overall, decline of the population in line-side areas is inevitable over the medium-to-long term. Therefore, developing new markets will establish foundations for sustained growth.

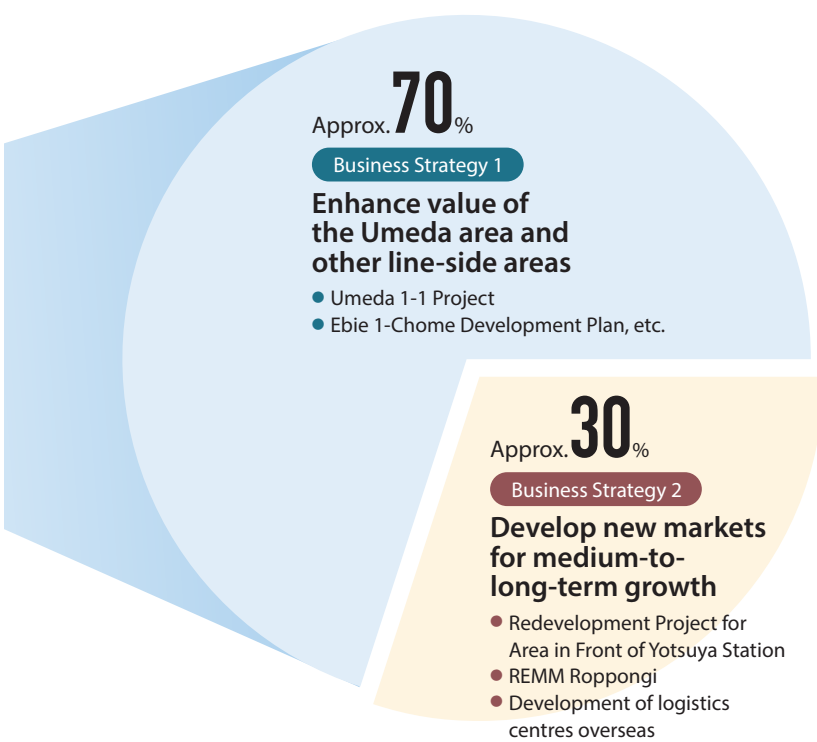
In the Tokyo metropolitan area, we have decided to participate in an urban redevelopment project in front of Yotsuya Station in Tokyo's Shinjuku-ku. With its sights set on completion

in 2019, the Real Estate Business is already holding discussions with project partners and other related parties. Also, in the residential business, which develops condominiums and houses under the *Geo* and *Hapia* brands, we intend to create and acquire business opportunities while carefully analysing market trends.

The Hotels Business plans to open its fifth, and largest, hotel under the REMM brand in spring 2017. Situated in one of Tokyo's most famous quarters, Roppongi in Minato-ku, it will be the chain's third hotel in the Tokyo metropolitan area. Mainly for overnight stays, the hotel will have 400 guest rooms, and cater to the growing demand from non-Japanese tourists.

As for the International Transportation Business, in response to the increasing demand for logistics services in the ASEAN region, we are creating comprehensive logistics businesses. Specifically, in August 2014, we established a company in Indonesia that will offer logistics and warehousing services. Also, construction of a logistics centre is under way. And, we began developing a new logistics centre in Singapore in July 2015. In addition, we intend to participate in a business that develops and sells condominiums in Vietnam. Through this initiative, we want to acquire business know-how with a view to expanding our real estate business in the ASEAN region.

Other initiatives included the second visit of the Takarazuka Revue to Taiwan in August 2015, with its performances again proving hugely popular. Rather than limiting the success of these performances to the entertainment area, we want to leverage it in businesses throughout the Group. For example, we will emphasise the appeal of our quality entertainment overseas to create demand from non-Japanese visitors.



# Overview of the Hankyu Hanshin Holdings Group's Medium-Term Management Plan (Fiscal 2016–Fiscal 2019)

The Hankyu Hanshin Holdings Group's Medium-Term Management Plan calls for the development of foundations for medium-to-long-term growth in the period through to fiscal 2019. In accordance with this new management direction, we are advancing measures with a view to future growth.

Medium-Term Management Plan (fiscal 2016–fiscal 2019)

## Period of developing foundations for medium-to-long-term growth

**Business strategies** Implementing two business strategies with a view to medium-to-long-term growth

**Business strategy 1** **Enhance value of the Umeda area and other line-side areas**  
Create line-side areas people want to live in permanently or visit frequently

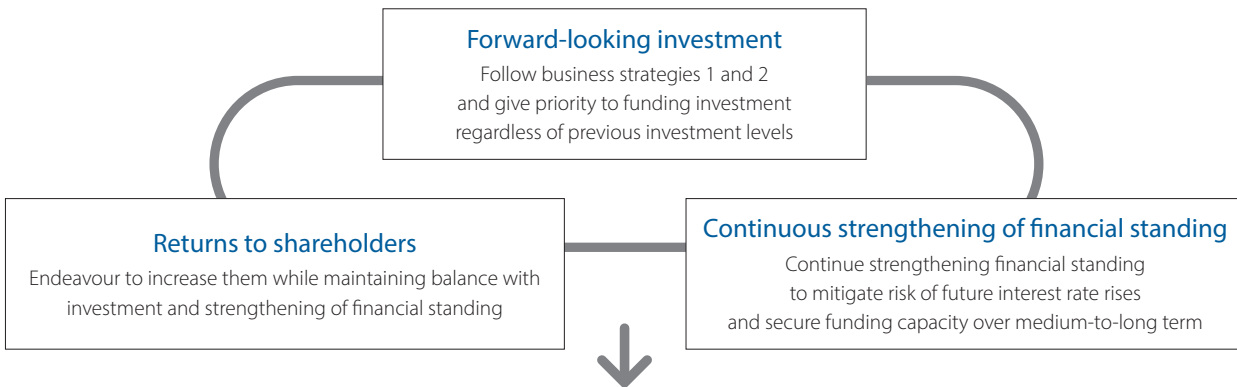


**Business strategy 2** **Develop new markets for medium-to-long-term growth**  
Expand businesses in Tokyo metropolitan area and begin developing new businesses overseas



**Combine business strategies 1 and 2** **Capture burgeoning demand from non-Japanese tourists**  
Offset Japan's sluggish consumer market and step up efforts to capture rapidly growing demand from visitors to Japan

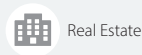
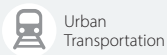
**Financial strategy** Focus on *forward-looking investment*, while distributing cash flows in a flexible, balanced manner to realise *continuous strengthening of financial standing and returns to shareholders*



### Numerical targets

<b>Profitability</b>	Keep operating income at <b>¥80 billion</b> level and keep net income at <b>¥40 billion</b> level	While focusing efforts on developing foundations for medium-to-long-term growth, we will maintain operating income at a certain level and achieve stable net income.
<b>Capital efficiency</b>	Keep ROE at <b>6%</b> level	Given that we expect to achieve stable net income while strengthening our financial standing, we will maintain ROE at a certain level.
<b>Financial soundness</b>	Reduce interest-bearing debt to <b>less than ¥900 billion</b> by end of fiscal 2019	We will continue steadily strengthening our financial standing as a provision for the risk of interest rate rises.

**Financial soundness targeted over medium-to-long term** Keep interest-bearing debt/EBITDA ratio **between 5 and 6 times** and D/E ratio **around 1 time**



Business strategy  
1

## Enhance value of the Umeda area and other line-side areas

### Umeda 1-1 Project (Dai Hanshin Building and Shin Hankyu Building rebuilding project)

Begun in October 2014, this project is rebuilding Dai Hanshin Building, which includes Hanshin Department Store's Umeda Flagship Store, and Shin Hankyu Building. We are making steady progress and plan to complete construction in 2022.

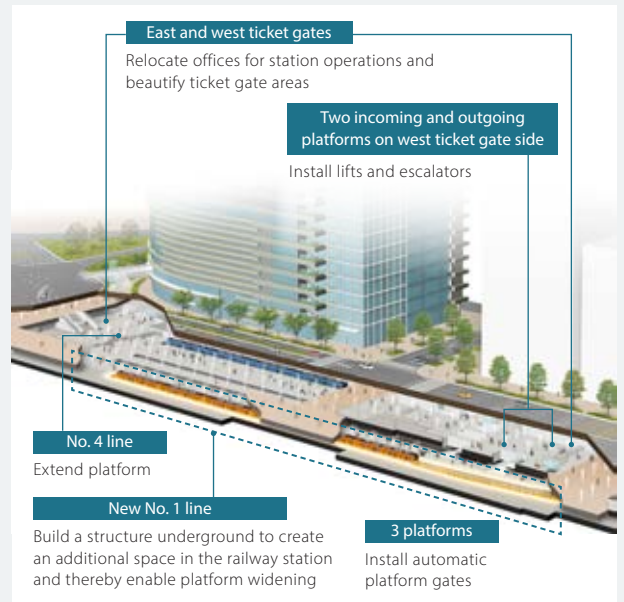


A conceptual illustration of the Umeda 1-1 Project upon completion

### Construction Work to Upgrade Hanshin Umeda Station

To coincide with the implementation of the Umeda 1-1 Project, in March 2015 we began construction work to upgrade Hanshin Umeda Station and make it a facility befitting Hanshin Electric Railway's largest terminal station. Aiming to complete the work in spring 2023, we are widening station spaces and platforms and installing automatic platform gates.

#### A conceptual illustration of the Hanshin Umeda Station upon completion of upgrading work



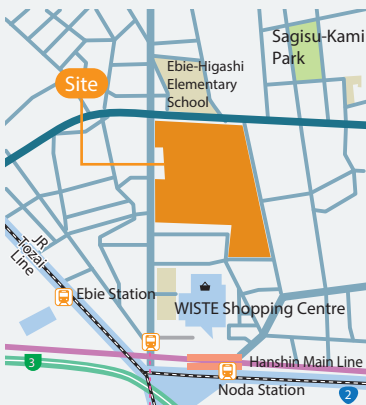
Note: We may change the locations of lifts and escalators.

### Ebie 1-Chome Development Plan

In December 2014, we acquired land for a large-scale development near Hanshin Noda Station, a stop for express services. We are examining a development plan that will invigorate the line-side area and create a new urban area.

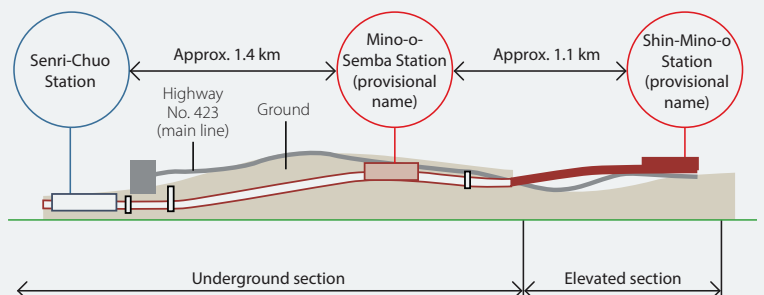
#### Plan summary

Location	1-9, Ebie 1-chome, Fukushima-ku, Osaka-city
Site area	Approx. 27,900 square metres



### Kita-Osaka Kyuko Railway Line Extension and Improvement Project

We plan to extend the Kita-Osaka Kyuko Railway Line 2.5 kilometres north from its terminal station, Senri-Chuo Station. Aiming to obtain approval for railway operations and a charter for railway track operations in fiscal 2016 and begin operations in fiscal 2021, the Osaka Prefectural Government, Minoh City, Kita-Osaka Kyuko Railway, and Hankyu Corporation are advancing the project.

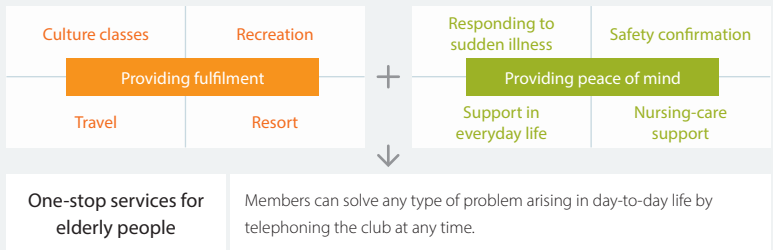


**Business strategy 1** Enhance value of the Umeda area and other line-side areas

**Business Providing Comprehensive Support to the Elderly**

Through a capital tie-up with Royal Communication Club Co., Ltd., we participated in a business that provides one-stop everyday support for active elderly people. In areas served by Hankyu and Hanshin lines, we have established salons that provide an environment conducive to developing new friendships after retirement. Moreover, the salons give elderly people peace of mind. As well as providing a lively, fulfilling environment, the salons include a help centre offering comprehensive support that ranges from addressing day-to-day problems through to responding in the event of sudden illness.

**Business concept**



**After-School Kippo**

To help parents bringing up children in areas served by our lines, we opened a private after-school day-care centre on 1st April 2015. By helping with child rearing, we hope to help working men and women who are pursuing careers.



**Main Initiatives for New Businesses**

**Watching over Children Going to and Returning from School**

In this system, children carry IC tags. When a child passes through the school gates on their way to or from school, the system automatically notifies their guardian by e-mail.



**Hanshin Ikiiki Day Service**

This day-care service specialises in providing half-day rehabilitation programs. We provide physical and emotional support to help clients have active lives in their local towns.

Note: As of July 2015, we operate facilities in Nishinomiya, Amagasaki Kuise, Osaka Noda, and Minami-ibaraki.



**Business strategy 2** Develop new markets for

**REMM Roppongi Plan**



In Roppongi, we will open our fifth hotel under the REMM brand (our third in the Tokyo metropolitan area). REMM hotels mainly comprise guest rooms for overnight stays. Scheduled to open in spring 2017, the new hotel will have 400 guest rooms, making it the REMM chain's largest hotel.



**Condominium Project in Ho Chi Minh City, Vietnam**



We will participate in a condominium project in Ho Chi Minh City, Vietnam, which one of the country's major housing developers, Nam Long Investment Corporation, is advancing.



A conceptual illustration of the condominium upon completion

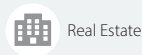
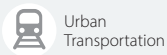
**Geo and Hapia Residential Businesses**



While carefully monitoring market trends, we will exploit condominium-related business opportunities and heighten recognition of the Geo brand. At the same time, we intend to strengthen our business that develops detached houses in towns under the Hapia brand.



Geo Gyoen Naito-cho



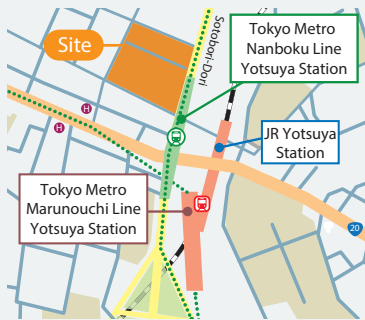
## medium-to-long-term growth

Tokyo metropolitan area Overseas

### Redevelopment Project for Area in Front of Yotsuya Station



We are participating in an urban redevelopment project in front of Yotsuya Station. The Urban Renaissance Agency is implementing the project, which is slated for completion in fiscal 2020.



A conceptual illustration of the building upon completion

### Development of Logistics Centres Overseas



The International Transportation Business is creating comprehensive logistics businesses in the ASEAN region by developing the Group's logistics centres to enable the provision not only of forwarding services but also warehousing services. As part of this initiative, the International Transportation Business and the Real Estate Business are collaborating to develop logistics centres in the ASEAN region.



A conceptual illustration of the Singapore logistics centre upon completion

### Takarazuka Revue Performance in Taiwan



A press conference on 27th January 2015

Following acclaimed performances in 2013, the Takarazuka Revue held encore performances in Taiwan in August 2015.

## Combine business strategies 1 and 2

### Capture burgeoning demand from non-Japanese tourists

By exploiting existing operational foundations, we will step up efforts to capture demand from visitors from overseas and develop new business opportunities.

#### Development of Travel Products for Non-Japanese Tourists



Provide travel products that make the facilities of the Group more convenient to use and encourage non-Japanese tourists to make excursions to areas served by its lines

##### Main travel products

- HANKYU TOURIST PASS, HANSHIN TOURIST PASS
- ROKKOSAN TOURIST PASS
- Arima Onsen (hot spring) Taiko no Yu coupon for non-Japanese tourists



#### Strengthening of Promotion



Heighten Group's profile overseas and unearth demand from non-Japanese tourists

##### Main travel products

- Establish base in South Korea and implement sales and promotion activities
- Display at overseas travel expos in Taiwan, South Korea, Hong Kong, Thailand, etc.
- Strengthen overseas sales division of the Hotels Business

#### Develop Capabilities for Accommodating Needs of Non-Japanese Tourists



Increase convenience and comfort for non-Japanese tourists visiting our line-side areas

##### Main travel products

- Establish Hankyu Tourist Centre and Hanshin Train Services Centre
- Provide free Wi-Fi (HANKYU-HANSHIN WELCOME WI-FI) for non-Japanese tourists
- Introduce China UnionPay card settlement terminals to the Group's facilities
- Open reservation web site (Travel to Japan) for domestic travel products under *Trapics* brand

