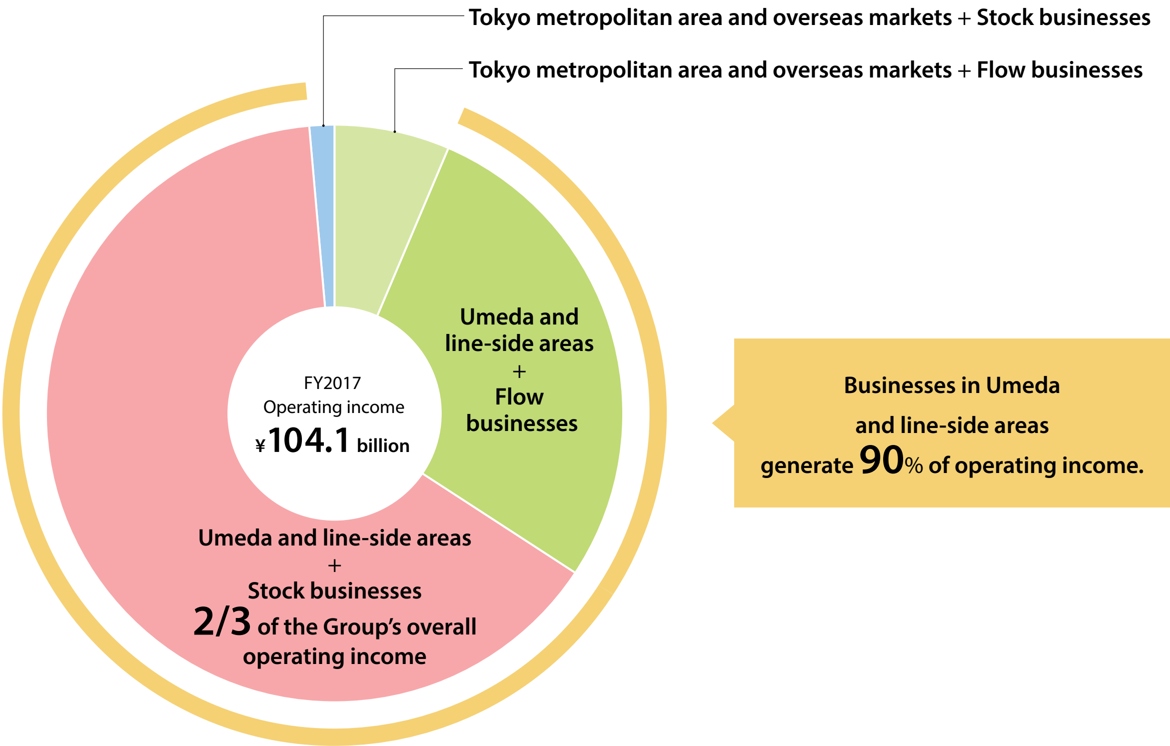
Background to the Establishment of a Long-Term Vision

Overview of the Group's Current Position

More than 10 years have passed since the management integration of Hankyu Holdings and Hanshin Electric Railway. During this period, we have reorganised operations in respective business areas. The many integration benefits that have resulted from this reorganisation as well as the progress of large projects have given us one of the highest levels of operating income among major private (non-JR) railway operators. Meanwhile, our financial position is improving steadily thanks to interest-bearing debt reduction. Among major private (non-JR) railway operators, we have an industry-leading interest-bearing debt/EBITDA ratio.

In fiscal 2017, the Group posted operating income of ¥104.1 billion. Breaking this down by business area (Umeda and line-side areas versus the Tokyo metropolitan area and overseas) and by business model ("stock" businesses*1 versus "flow" businesses*2), stock businesses in Umeda and line-side areas currently account for approximately two-thirds of the Group's overall operating income. Adding flow businesses shows that the Group depends on Umeda and line-side areas for more than 90% of operating income.

Given this situation, whether the Group can sustain growth going forward while remaining dependent on Umeda and line-side areas, particularly on stock businesses, is a moot point.



*1 Businesses that own or use such stock as property and other fixed assets (including the railway business, real estate leasing business, broadcast and communications business, and Hotels Business)

*2 Businesses that, instead of owning large-scale stock, use business know-how, human resources, brand assets, and other intangible assets (including the real estate sales business and other businesses, sports business, stage business, information services business, Travel Business, and International Transportation Business)

Changes in Future Business Conditions

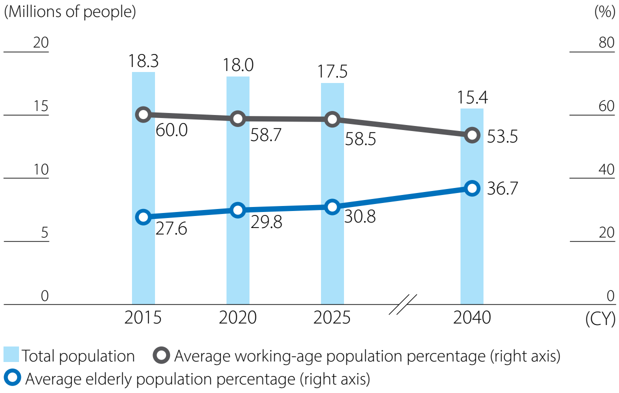
Naturally, the external environment will change going forward. In particular, the decline in Japan's population is expected to accelerate from 2025. In 2040, the Kansai area's population is projected to be 16% lower than it was in 2015. Further, due to a continuous rise in the population group aged 65 or above, society will become increasingly aged as 2040 approaches.

Consequently, there will be fewer consumers of the Group's products and services. Moreover, higher workforce participation by women and the elderly could reduce the time available for consumption and leisure activities. Meanwhile, securing employees will become more problematic as supply tightens in the labour market. As the above trends advance, they will inevitably have a correspondingly negative effect across a range of businesses in the Group. Given this scenario, remaining significantly dependent on stock businesses in Umeda and line-side areas would expose the Group to risk. Therefore, we must slough off over-reliance on these areas.

On the other hand, not all changes in business conditions will impact the Group negatively. Various factors will bring opportunities. One such factor is demand from overseas visitors to Japan. The past several years have seen a steep rise in the number of overseas visitors to Japan, with the increase being particularly dramatic in the Kansai area. This increase has contributed significantly to the growth of our railway operation revenue and earnings from the Hotels Business. Japan's government aims to increase the number of overseas visitors to Japan from 2016's level of 24 million to 40 million by 2020 and 60 million by 2030. Thus, demand promises to continue robust growth.

Further, our line-side areas enjoy advantages over other line-side areas in the Kansai area. They are comparatively close to such international hubs as Osaka International Airport and Kobe Airport as well as to Shin-Osaka Station, which provides access to the Kansai area from the Tokyo–Nagoya–Osaka axis. Also, our line-side areas are seeing steady progress in the development of road and rail infrastructure. For example, a new direct rail link between the Umeda area and Kansai International Airport is planned.

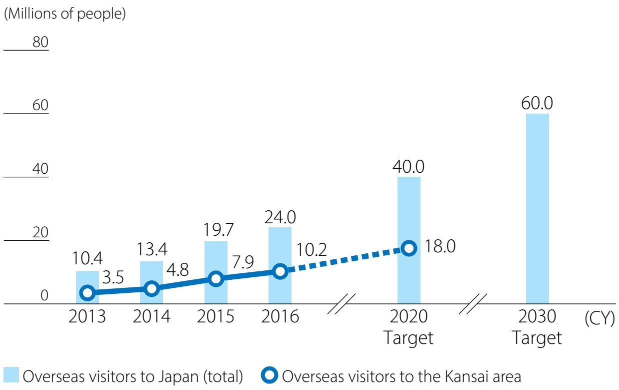
Population of the Kansai area



Source: National Institute of Population and Social Security Research, "Population Projection for Japan by Prefectures"

Note: "The Kansai area" comprises Osaka, Kyoto, Hyogo, and Nara prefectures.

Overseas visitors to Japan



Sources: Japan National Tourism Organization (JNTO), "Visitors Arrivals, Japanese Overseas Travellers"; Japan Tourism Agency, "Consumption Trend Survey for Foreigners Visiting Japan"; KANSAI Tourism Bureau, "Kansai International Tourism Policy 2016–2018"

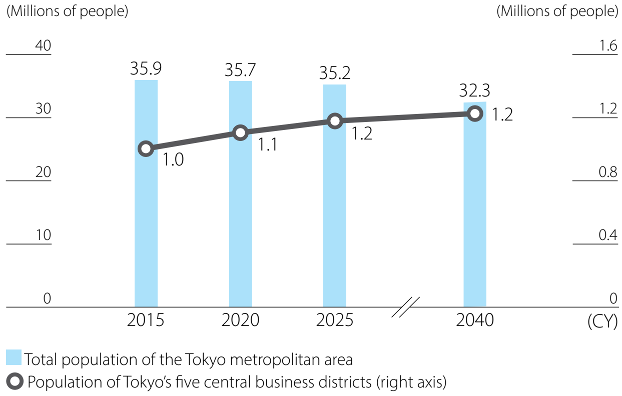
Note: Overseas visitors to the Kansai area have been calculated based on the numbers of overseas visitors to Japan announced by JNTO, the "Consumption Trend Survey for Foreigners Visiting Japan" of the Japan Tourism Agency, and overseas visitors to the Kansai area as percentages of overseas visitors to Japan, which are included in the "Kansai International Tourism Policy 2016–2018" of the KANSAI Tourism Bureau.

Meanwhile, the real estate leasing business will lead efforts to increase our presence in Tokyo's five central business districts (Chiyoda, Chuo, Minato, Shinjuku, and Shibuya), which are expected to still have their current population levels in the 2040s. Overseas, we are making forays into the ASEAN region, where population growth and strong economic growth are likely to continue.

If we can deftly capitalise on the business opportunities accompanying such changes in business conditions and tap into the ASEAN region's growth, we can realign our line-side areas. Particularly with respect to the Umeda area, we can develop from "Umeda in Kansai" into "Umeda in Asia." Also, the Tokyo metropolitan area and other countries will offer ample opportunities to apply the business strengths and expertise that we have developed over many years in line-side areas.

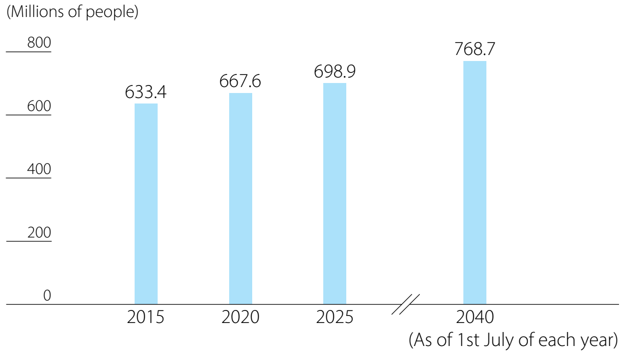
Other positives include technological advances anticipated in such fields as artificial intelligence (AI) and the Internet of Things (IoT). Society is on the brink of a major transformation, which has been dubbed "the fourth industrial revolution." By actively exploiting or repurposing the array of new technologies emerging from this revolution, our businesses will be able to curb costs and eliminate labour shortages. In addition, they will be able to transform existing business models and create new growth opportunities.

Population of the Tokyo metropolitan area and Tokyo's five central business districts



Sources: National Institute of Population and Social Security Research, "Population Projection for Japan by Prefectures"; Tokyo Metropolitan Government Bureau of General Affairs, "Population Projection for Tokyo by Ward, City, Town, and Village"
Note: "The Tokyo metropolitan area" comprises Saitama, Chiba, Tokyo, and Kanagawa prefectures.

Population of the ASEAN region



Source: United Nations, "World Population Prospects: The 2017 Revision"
Note: The medium variant has been used.

Establishment of a Long-Term Vision

In light of the abovementioned changes in business conditions, we decided to prepare a long-term vision. Reflecting our determination to have advanced as a growth-focused corporate group by fiscal 2026—the 20th anniversary of management integration—and to continue advancing thereafter, the vision sets out *the company we hope to be in the long term* as well as the basic approach and strategies for achieving this target profile. In preparing the vision, we outlined the company we hope to be in fiscal 2026, while to some extent looking ahead to the significant effect of demographic changes by the 2040s.

Based on the categorisation by business area and business model mentioned earlier and taking into consideration changes in business conditions going forward, the long-term vision describes our target profile and strategies in each category.

The vision sets out four goals based on the company we hope to be. Stating these goals in order, the vision calls on (1) stock businesses in Umeda and line-side areas to make our railway the absolute best among the Kansai networks, (2) stock businesses in the Tokyo metropolitan area and overseas to construct a stable revenue base in the Tokyo metropolitan area and overseas markets, and (3) flow businesses to strengthen competitiveness by thoroughly pursuing brand optimisation and differentiation. Lastly, to complement and raise the basic level of efforts focused on achieving the above goals, the vision calls on (4) businesses to make greater use of the Group's collective strength and develop new business fields. (For details, please see pages 22–25.)

Going forward, the Hankyu Hanshin Holdings Group will make concerted efforts to steadily advance measures aimed at realising the above long-term vision, thereby enhancing the whole Group's corporate value continually.

September 2017

Kazuo Sumi
Chairman and
Representative Director,
Group Chief Executive Officer

Takehiro Sugiyama
President and
Representative Director

Special Feature: Long-Term Management Vision for 2025

From Management Integration to the Present Day

The Hankyu Hanshin Holdings Group celebrated its 10th anniversary in October 2016. During this decade, the Group worked unstintingly to enhance overall corporate value. The section below explains 10 years of progress by breaking down our history into three management phases.

First Phase — Advancing large projects for growth (fiscal 2007–fiscal 2011)

Immediately after the management integration of Hankyu Holdings and Hanshin Electric Railway, we took measures to realise numerous integration benefits while forging ahead with large projects for growth. Improving its financial position was of course an important task, but the Group made large projects that were in progress before integration the first priority as they promised to generate significant, stable cash flows. These projects included the rebuilding of Umeda Hankyu Building and the implementation of plans for the Hanshin Namba Line. However, the high level of development investment accompanying such projects pushed up interest-bearing debt to a peak of ¥1,280 billion. Meanwhile, earnings dipped due to the global recession triggered by the credit crisis. As a result, the interest-bearing debt/EBITDA ratio rose as high as 9.8 times.

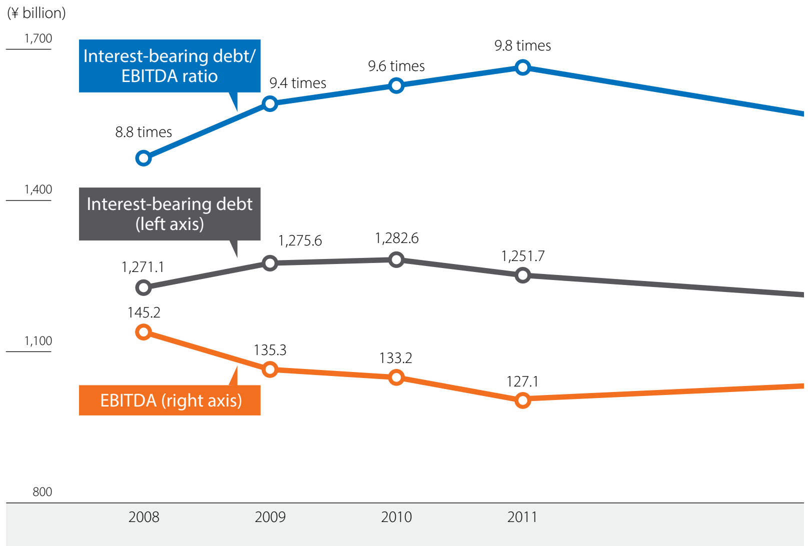
Second Phase — Improving financial position steadily (fiscal 2012–fiscal 2015)

After major investments peaked around fiscal 2012, improving the Group's financial position became the top priority in business management. Interest-bearing debt reduction was uppermost in our minds as we allocated funds. Consequently, by the end of fiscal 2015 we had lowered interest-bearing debt to the ¥950 billion level. Moreover, during this phase completion of the abovementioned large projects helped grow EBITDA to the ¥150 billion level. As a result, the interest-bearing debt/EBITDA ratio improved significantly, decreasing to 6.4 times.

Third Phase — Developing foundations for medium-to-long-term growth (fiscal 2016–)

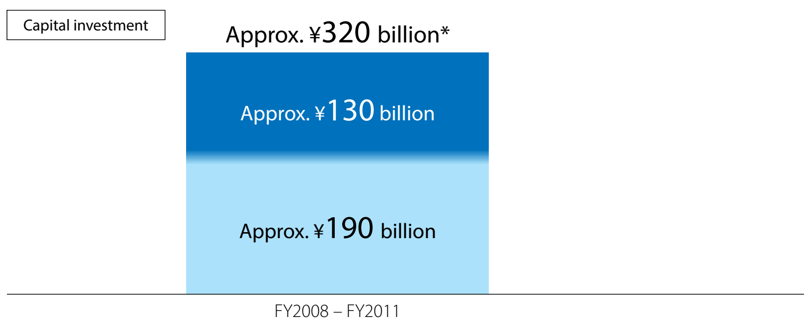
With the prospect of a better financial position having come largely within reach, in fiscal 2016 we established a new medium-term management plan with the aim of shifting the focus of business management toward achieving further growth. To this end, the plan set out two business strategies: enhance the value of Umeda and other line-side areas and develop new markets for medium-to-long-term growth. While pursuing these overriding strategies, we are balancing three tasks: investment for the future, continuous strengthening of our financial position, and returns to shareholders.

Setting our sights even further ahead, in 2017 we prepared the Hankyu Hanshin Holdings Group Long-Term Management Vision for 2025.

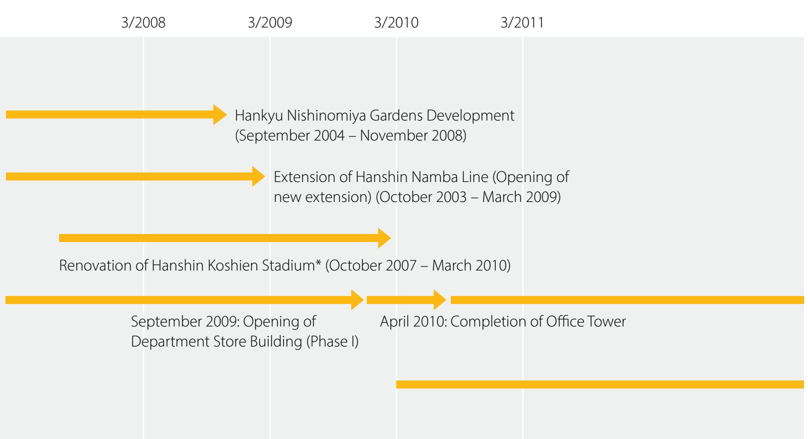


Realised numerous integration benefits and advanced large projects

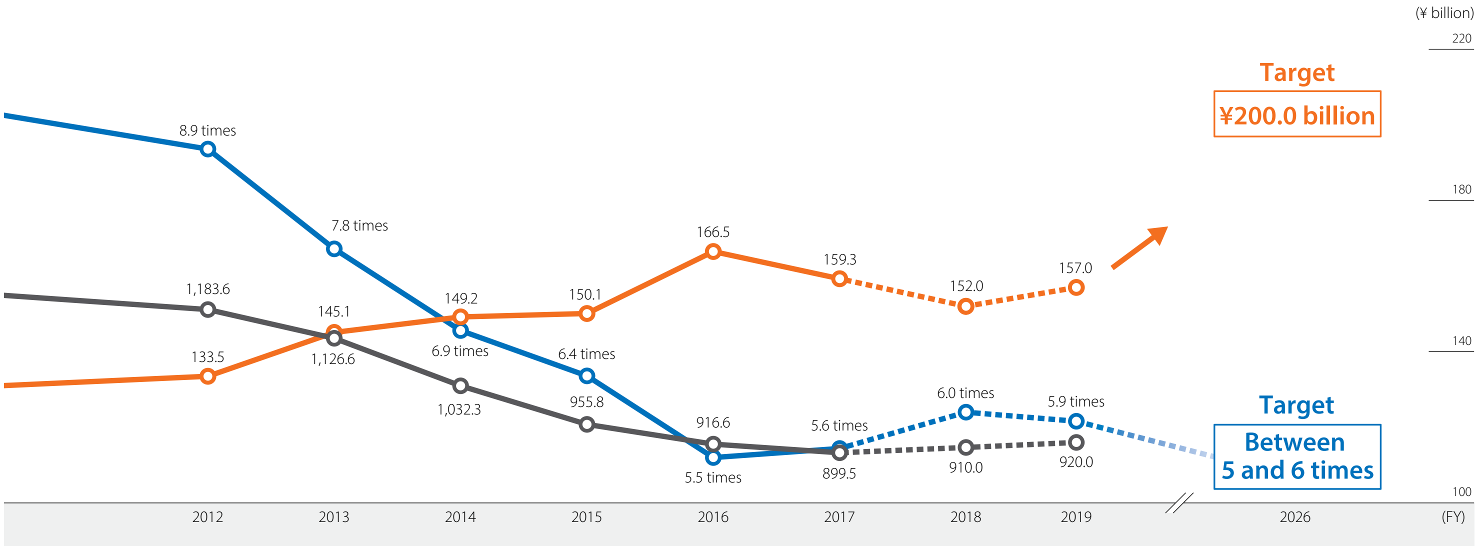
Advancing large projects for growth



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



* Renovation work conducted during three off-seasons.

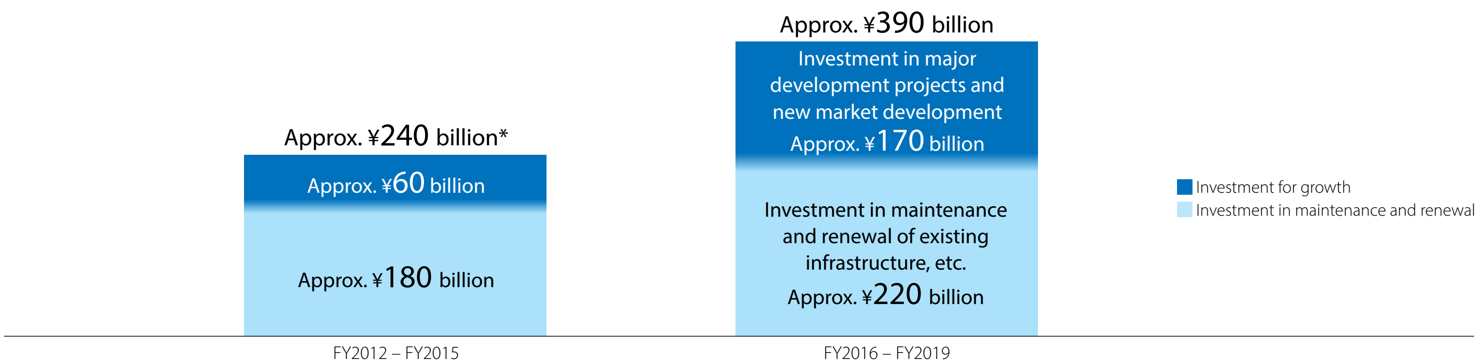


Reduced interest-bearing debt by growing EBITDA and curbing capital investment

Established long-term vision

Steady improvement in financial standing

Development of foundations for medium-to-long-term growth
First step toward realisation of long-term vision



3/2012 3/2013 3/2014 3/2015 3/2016 3/2017 3/2018 3/2019

Completion of phase I construction (around spring 2018)

Completion of phase II construction (around autumn 2021)

Umeda 1-1 Project (around spring 2022)

Kobe Hankyu Building, Rebuilding of East Building and Renewal of West Building Project (around spring 2021)

Development of Nishinomiya Kitaguchi Hankyu Building (provisional name) (around autumn 2018)

Rebuilding of Umeda Hankyu Building (May 2005 – November 2012)

November 2012: Grand opening of the Umeda Flagship Store of Hankyu Department Store

Osaka Station North District (Umekita) Phase I Development Area Project (GRAND FRONT OSAKA) (March 2010 – March 2013)

Other projects (● Strategy 1, ● Strategy 2, ● Strategy 3)
- ● Ebie 1-Chome Development Plan
- ● Kita-Osaka Kyuko Railway Line Extension Project (around spring 2021)
- ● Redevelopment Project for Area in Front of JR Yotsuya Station (around winter 2019)
- ● Kyobashi 2-6 Redevelopment Plan (around spring 2019)
- ● Sale of condominiums and detached houses in Vietnam, Indonesia, Thailand, and the Philippines

Note: Project start times are as of works commencement. Also, finish times are project completion dates (completion of A and B blocks for Osaka Station North District (Umekita) Phase I Development Area Project).

Long-Term Vision Summary

Looking at the Group's business conditions over the medium-to-long term, the population of line-side areas is expected to decrease due to declining birth rates. Also, as technological innovation progresses, lifestyles and living environments are likely to change significantly.

Aiming to advance as a growth-focused corporate group in these conditions, we established the Hankyu Hanshin Holdings Group Long-Term Management Vision for 2025, which sets out *the company we hope to be in the long term* as well as the basic approach and strategies for achieving this target profile.

Anticipating the abovementioned changes in business conditions, the long-term vision sets out four business strategies based on two categories: business areas and business models. With *enhancing line-side areas and expanding fields* as a slogan, the vision targets fiscal 2026. By this fiscal year, the Group will have begun stable operations of the flagship project of management integration, the Umeda 1-1 Project, due for completion around spring 2022.

Slogan for the Hankyu Hanshin Holdings Group Long-Term Management Vision for 2025 (Fiscal 2026)

"Enhancing line-side areas and expanding fields"

Sustainably enhance corporate value

Enhance daily life (customer) value | **Enhance social value** | **Enhance economic value**

Strategy 1

Umeda and line-side areas + Stock businesses

Make our railway the absolute best among the Kansai networks.

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.

Strategy 2

Tokyo metropolitan area and overseas markets + 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.)

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

Strategy 3

Flow businesses

Strengthen competitiveness by thoroughly pursuing brand optimisation and differentiation.

Thoroughly optimise 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.

Strategy 4

Groupwide initiatives and new business fields

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

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

Strategies under Long-Term Management Vision for 2025

Strategy 1 Umeda and line-side areas + Stock businesses

As mentioned in the "To Our Stakeholders" section, the Group's line-side areas enjoy advantages over other line-side areas in the Kansai area and have tremendous potential. In addition to the growth opportunities resulting from expected increases in overseas visitors to Japan, new possibilities are emerging. For example, in the fields of health and medicine such industrial clusters as the KOBE Biomedical Innovation Cluster and the Umekita Phase II Development Project could develop further.

With this potential in mind, we aim to increase the resident and non-resident population of line-side areas. To this end, our stock businesses in Umeda and line-side areas will benefit these areas by leveraging the dynamism of the Tokyo–Nagoya–Osaka axis and the economic power of Asia and other overseas regions. At the same time, ahead of competitors we will attract new industries and leading-edge technology companies. In addition, we will develop appealing towns in line-side areas.

Specifically, the Group plans to tap into the growth of the ASEAN region and demand from overseas visitors to Japan by advancing plans for new railway lines, such as the Shin-Osaka rail link, and by strategically rebuilding and enhancing the value of buildings in the Umeda area through the Umeda 1-1 Project and other projects. Further, we will encourage the formation of clusters of companies belonging to new industries in the fields of health and medicine. Other initiatives will give concrete form to the "Umeda in Asia" goal by transforming the Umeda area into a hub city connected to the Tokyo–Nagoya–Osaka axis and international airports.

In addition, with the compact cities concept* in mind, the Group will capitalise on new technologies and collaborations with outside partners to introduce highly convenient services that make its line-side areas desirable places to live. Also, in developing towns we will not only provide safety and peace of mind but also numerous educational and cultural facilities. As part of these efforts, the Group plans to redevelop and renovate key line-side areas.

As stated in the "To Our Stakeholders" section, maintaining the current degree of reliance on stock businesses in Umeda and line-side areas going forward would expose the Hankyu Hanshin Holdings Group to risks. However, invigorating Umeda and other line-side areas remains the greatest mission of the Group, and these areas will continue to be its most important business foundations.

* A town planning concept that entails concentrating commercial and residential facilities as well as essential everyday services within walking distance of railway stations

Major Development Projects in Umeda and Line-Side Areas

Projects in Progress

- Umeda 1-1 Project (Dai Hanshin Building and Shin Hankyu Building Rebuilding Project)
- Kobe Hankyu Building, Rebuilding of East Building and Renewal of West Building Project
- Development of Nishinomiya Kitaguchi Hankyu Building (provisional name)
- Ebie 1-Chome Development Plan

Umeda 1-1 Project (Dai Hanshin Building and Shin Hankyu Building Rebuilding Project)

Symbolizing management integration, this project entails creating a single integrated building by reconstructing the Dai Hanshin Building and the adjacent Shin Hankyu Building. Moreover, the project will use the space above a road separating the two buildings.

Increasing total floor space from 150,000 square metres to 260,000 square metres and situated at the centre of the Umeda area, the new multipurpose building for commercial premises and offices will have outstanding accessibility.

Project summary

Location	1-1 Umeda, Kita-ku, Osaka
Site area	Approx. 12,200 square metres*
Total floor space	Approx. 260,000 square metres
Size	38 floors above ground and 3 below ground
Purpose	Department store, offices, halls, etc.
Planned total investment	¥89.7 billion
Construction completion	Around spring 2022

* Including 750 square metres of road between Dai Hanshin Building and Shin Hankyu Building

A rendering of the Umeda 1-1 Project upon completion

● Kita-Osaka Kyuko Railway Line Extension Project

Minoh City and Kita-Osaka Kyuko Railway Co., Ltd., are advancing a project to extend the Kita-Osaka Kyuko Railway Line approximately 2.5 kilometres from Senri-Chuo Station to Minoh City. Scheduled to open in fiscal 2021, the extension will improve the convenience of public transportation and increase the non-resident population.

Development plan summary

• Extension distance:	2.5 km, from Senri-Chuo Station to Shin-Mino-o Station (provisional name)
• New stations:	Mino-o-Semba Station (provisional name) and Shin-Mino-o Station (provisional name)
• Demand:	45,000 people per day
• Estimated project cost:	¥65.0 billion (Of which, Kita-Osaka Kyuko Railway's contribution to be ¥11.0 billion, which corresponds to expected earnings*)

* Including the expected increase in demand arising from related town development

Strategy 2 Tokyo metropolitan area and overseas markets + Stock businesses

At present, the Hankyu Hanshin Holdings Group's stock businesses are concentrated in Umeda and line-side areas. Given projected demographic changes, we need to give due attention to the concentration of risk that this entails. Meanwhile, as described in the "To Our Stakeholders" section, in the Tokyo metropolitan area and overseas there are extensive markets which promise excellent stability and growth going forward.

In response to the above trends, we are taking far-sighted measures to offset the expected contraction of businesses in the Kansai area. These measures include the acquisition of additional rental property and other assets for stock businesses in the Tokyo metropolitan area's large market and in overseas markets that are set to grow. At the same time, we have begun diversifying our portfolio to mitigate its focus on Umeda and line-side areas.

Specifically, focusing on Tokyo's five central business districts—where even in the 2040s the effect of population decline is likely to be very limited—the real estate leasing business will steadily accumulate "stock" in the Tokyo metropolitan area while carefully monitoring market conditions. We aim to increase assets in the Tokyo metropolitan area to approximately ¥200 billion, or around 20% of the assets of the real estate leasing business. Overseas, meanwhile, this business will develop logistics and real estate businesses (logistics centres) in the ASEAN region. In the future, with our sights set on exploring trial developments of commercial facilities in the region, we will ascertain whether it is possible to accumulate "stock."

Further, in acquiring assets we will continue to rigorously analyse and monitor fluctuations in economic conditions and market climates and proceed in light of due consideration of each project's significance, business potential, and risks.

Projects in Progress

· Yotsuya Station District Redevelopment Project
· Kyobashi 2-6 Redevelopment Plan
· Ginza 3-chome Project

A rendering of the Kyobashi 2-6 Redevelopment Plan upon completion

Strategy 3 Flow businesses

Flow businesses leverage business expertise, human resources, or brand assets in business activities but do not own "stock." These businesses will maximise the value of the Hankyu Hanshin brand and thoroughly differentiate their offerings to create unique products and services. Such initiatives will increase the competitiveness and scale of businesses even further.

Among the above businesses, the sports business and the stage business own unique content that already has strong brand value. Therefore, while continuing to hone and heighten this brand value, both businesses will take on new challenges and initiatives.

On the other hand, due to lower market entry barriers, the real estate sales, information services, Travel, and International Transportation businesses have many competitors.

Of these businesses, given the likely gradual contraction of the Kansai area's market, plans call for the real estate sales business to expand businesses in the Tokyo metropolitan area and overseas in stages. Our goal is to achieve the same level of sales in the Tokyo metropolitan area as we have in the Kansai area, namely sales of approximately 800 condominium units and 100 detached houses annually.

Overseas, we are already engaged in multiple housing sales projects in Vietnam. We plan to develop such projects in several countries in the ASEAN region and generate operating income on a scale commensurate with this expansion in business size.

Also, we will assess the current competitiveness of information services, Travel, and International Transportation businesses and then either expand operations to establish unique businesses or reform business portfolios and business models. These efforts will strengthen each business.

Strategy 4 Groupwide initiatives and new business fields

To prevail amid increasingly fierce competition in markets, the Group must draw on its collective strength through such measures as the combination of stock businesses and flow businesses. Also, it is vital to open up new business fields by exploiting the opportunities that emerge from changes in social conditions.

With this in mind, as well as advancing Groupwide initiatives even further, we aim to use leading-edge technologies in existing businesses and take on the challenge of opening up new business fields. Our goal in these efforts will be to provide culturally enriched and innovative lifestyle options into the future.

We intend to consider specific initiatives based on the three approaches outlined below. First, we will use existing resources to pursue Groupwide initiatives. For example, the Group is currently making concerted efforts to further credit and point card measures. Also, the International Transportation and Real Estate businesses are collaborating to develop logistics centre operations overseas. Going forward, we will accelerate such Groupwide initiatives.

Second, we want to rejuvenate Group assets and utilise human resources. Decreases in asset utilisation rates as the population declines is a concern. Even in such business conditions, however, we will revitalise assets in the same way that we have been developing domestic logistics and real estate businesses—by proactively collaborating with outside partners and incorporating new perspectives. In addition, the Group will explore new business fields by leveraging its human resources to the utmost. These efforts will include extending a new-business-proposal system throughout the Group.

Third, the Group will explore the potential for utilising leading-edge technologies throughout the Group. Further advances in AI and the IoT are expected. Although not directly engaged in competition over the development of leading-edge technologies, the Group will gather information about the many different types of new technology that open source initiatives are creating worldwide. By actively using or repurposing these technologies in our various businesses, we will enhance services for customers and strengthen the competitiveness of businesses.

Management Indicators

We will steadily move forward with initiatives under strategies 1 through 4 to become a corporate group that can sustain operating income at its current level or higher even when the effect of demographic changes becomes marked in the 2040s. In fiscal 2026, we aim to have operating income of ¥120 billion, EBITDA of ¥200 billion, and an interest-bearing debt/EBITDA ratio between 5 and 6 times.

By achieving these targets, we will remain an industry leader among major private (non-JR) railway operators based on indicators of profitability and financial soundness.

Profitability

Operating income ¥ **120** billion

EBITDA ¥ **200** billion

Financial soundness

Interest-bearing debt/EBITDA ratio

Between **5** and **6** times

Organisational Improvements Aimed at Realising the Long-Term Vision

So that it can advance strategies and measures more decisively and thereby realise the long-term vision, the Group will improve its organisation as explained below.

- **Unification within Hankyu Hanshin Holdings of the Divisions for New Business Development of Hankyu Corporation and Hanshin Electric Railway (implemented in April 2017)**

To advance measures under strategy 4, which is focused on Groupwide initiatives and new business fields, we have established a framework that is stepping up the pace of initiatives for new businesses. Specifically, the Group unified the divisions for new business development of Hankyu Corporation and Hanshin Electric Railway within Hankyu Hanshin Holdings.

- **Integration and Reorganisation of the Real Estate Divisions of Hankyu Corporation and Hanshin Electric Railway Aimed at Establishing a Core Company for the Real Estate Business (assessment under way with a view to implementation in April 2018)**

The long-term vision calls on the Group to strengthen and expand the real estate leasing business in Umeda and line-side areas as well as in the Tokyo metropolitan area and overseas markets (strategies 1 and 2) and to rigorously differentiate the real estate sales business (strategy 3). To these ends, we will establish a core company for the Real Estate Business by reorganising the real estate divisions of Hankyu Corporation and Hanshin Electric Railway and other core real estate businesses.

This core company will maximise the collective strength of the Group's Real Estate Business and advance and accelerate initiatives aimed at growing the business.

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

Business Strategies

During the medium-term management plan, which covers fiscal 2016 through fiscal 2019, we aim to develop foundations for medium-to-long-term growth and take the first step toward achieving the long-term vision. Therefore, we will advance measures in accordance with strategies 1 through 4 of the long-term vision.

Strategy 1	Further strengthen stock businesses in Umeda and line-side areas (e.g., railways, real estate leasing, media and communications, hotels)
Strategy 2	Accumulate stock in the Tokyo metropolitan area and overseas markets
Strategy 3	Strengthen competitiveness of flow businesses (real estate sales, sports, stage, information services, travel, and international transportation)
Strategy 4	Make greater use of the Group's collective strength and venture into new business fields

Financial Policy

Aiming to realise the long-term vision and grow operating income and EBITDA further, we will allocate funds by giving priority to growth investment in accordance with strategies 1 through 4. Specifically, the updated medium-term management plan calls for increased growth investment in the Tokyo metropolitan area and other areas. Compared with the previous plan, the amount earmarked for investment in major development projects and new market development has risen by ¥40 billion, to ¥170 billion.

However, we intend to maintain financial soundness. Given that we will implement growth investment in accordance with strategies 1 through 4 of the long-term vision, we will ensure financial soundness by emphasizing the interest-bearing debt/EBITDA ratio rather than interest-bearing debt.

As for returns to shareholders, in fiscal 2018 we project year-on-year increases in annual dividend payments from profits, from ¥35 per share to ¥40 per share, as well as in the total payout ratio.

Forward-looking investment

While striking a balance with financial soundness, we will prioritise growth investment under strategies 1 to 4.

Maintaining financial soundness

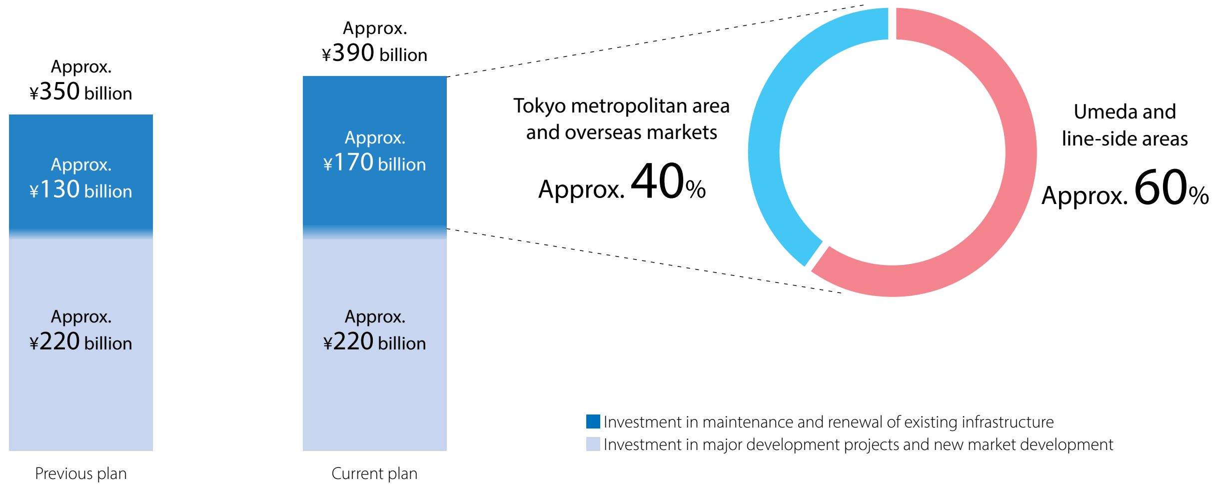
Prioritise the interest-bearing debt/EBITDA ratio over interest-bearing debt as a benchmark for financial soundness.

Returns to shareholders

For the period of the plan, we envisage a total payout ratio of 25% for fiscal 2017, and 30% for fiscal 2018 and onward.

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

Capital investment (including lending) from fiscal 2016 to fiscal 2019



Outlook for Management Indicators

In fiscal 2018, due to a rise in sales expenses in the development and sale of condominiums and higher depreciation and amortisation in the Urban Transportation Business, the Group is expected to record operating income of ¥96 billion, net income attributable to owners of the parent of ¥60 billion, and an interest-bearing debt/EBITDA ratio of 6.0 times.

Further, in fiscal 2019 we forecast operating income of ¥98 billion, net income attributable to owners of the parent of ¥61 billion, and an interest-bearing debt/EBITDA ratio of 5.9 times.

		FY2018 forecasts	FY2019 forecasts
Profitability	Operating income	¥96.0 billion	¥98.0 billion
	EBITDA	¥152.0 billion	¥157.0 billion
	Net income attributable to owners of the parent	¥60.0 billion	¥61.0 billion
Capital efficiency	ROE	7.5%	7.2%
Financial soundness	Interest-bearing debt	¥910.0 billion	¥920.0 billion
	Interest-bearing debt/EBITDA ratio	6.0 times	5.9 times
	D/E ratio	1.1 times	1.1 times