

**The Main Questions and Answers during the Briefing on Earning Results for the Second Quarter of Fiscal 2019 (Year Ending 31st March 2019)**

\*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 summarised the content as it judged appropriate.

**【Questions about individual business segments】**

**〈Real Estate Business〉**

**Q You have agreed with Hankyu Hanshin REIT, Inc. (HHR) to sell each other assets. As the HHR's sponsor, do you intend to sell it any more assets in the future?**

A We would do so if the transaction is in both our interests. For example, we on this side might want to sell an asset to acquire extra funds, while HHR might want to acquire the asset as a means to increase its revenue base. In such a case, the transaction would be mutually beneficial and we would go ahead with it.

As HHR's sponsor, we want to do more to help the REIT achieve sustainable growth. So in the years ahead, we will work even closer with HHR.

**Q Why is Hanshin Electric Railway acquiring LaLaport Koshien (the site)?**

A The asset in question is large in scale and it offers rarity value in that it encompasses the Koshien area, a key location for us. The acquisition will help us increase our profile in this important area. Additionally, we believe we can further invigorate the area through our local businesses and facilities, particularly Hanshin Koshien Stadium, which is situated right next to the area.

**Q About your stock business in the Greater Tokyo Area, it seems that declining cap rates have made it harder to secure reasonable returns. Against this backdrop, some companies, rather than acquiring real estate, have acquired real estate companies. Do you see this as a possible option in your efforts to expand your real estate portfolio?**

A We share your concerns about the situation. With real estate prices mounting, it's certainly becoming harder to find deals that promise reasonable returns. But this comes as no surprise to us. In fact, we envisaged such a business climate when we released Long-Term Management Vision 2025 in May last year. We will continue to acquire properties in the Greater Tokyo Area in a discerning manner, carefully weighing up the potential benefits and risks in each case.

As to the question about purchasing a real estate company, we would certainly consider this as one possible means of increasing our real estate stock. But as with individual properties, we would first have to thoroughly consider the potential benefits and risks.

**Q For the current Medium-Term Management Plan (fiscal 2019–2022), you are committed to raising operating income by ¥10 billion in the condominium business and other flow businesses. From what I gather, condominium sales are flagging in some parts of the Greater Tokyo Area, and some private railway / real estate companies have lowered their sales prices. Given the decline in condominium revenue, aren't you concerned that you'll miss your target for fiscal 2022?**

A In an effort to strengthen the condominium business, Hankyu Hanshin Properties Corporation, our core real-estate company, has tightened up its structures and processes for acquiring plots. Consequently, the corporation is seeing steady improvements in the quality and quantity of its real estate information. That said, prices for condominium plots are rising, and this is making it harder to acquire land at condominium-level prices. Accordingly, we are working to expand our real estate repertoire. Instead of relying only on conventional condominium projects, we will also be constructing high-revenue condominiums and then selling them off to other companies.

We are also concerned about a downturn in Japan's condominium market. To compensate for this, we are expanding our overseas real estate sales business even more actively than we have done previously. Specifically, we are steadily developing the business in sectors where we forecast demand, while carefully defining our primary target markets in terms of price and prospective customers. In each target country, we have partnered up with local companies that are able to acquire properties in a stable manner. These partners appreciate our expertise in condominium sales, including our quality control and product planning, so we see great potential for strengthening these partnerships and steadily expanding our portfolio.

In this way, we are working hard to develop our real estate business at home and overseas such that we can meet our target for fiscal 2022.

#### **〈Travel Business, International Transportation Business〉**

**Q Previously, you said that you are structurally reforming the Travel Business and International Transport Business segments with a view to making your flow businesses more competitive. Could you give us an update?**

A Starting with the Travel Business, we've been piloting a number of initiatives with a view to pinpointing the target markets and marketing mixes with which we can take the segments forward.

Some of these initiatives have already started bearing fruit. One example is day-return bus tours in the Greater Tokyo Area. Thanks to these tours, we saw significant year-on-year growth in the number of customers in the first half. In another example, we recently started a TV shopping channel business with a view to developing a third media channel after newspapers and the Internet. This new business has achieved some success in terms of winning new customers. We want to develop these initiatives further in the future.

As for the International Transportation Business, we want this segment to have a more balanced business portfolio, and so we are strengthening the segment's overseas business and expanding its logistics business in various ways. In the logistics business, for example, we are building on our logistics operations in Indonesia, Singapore, and elsewhere in ASEAN, and expanding our network of logistics centres in the US. However, it will be some time until the operation rates increase and the centres start contributing to earnings.

〈International Transportation Business〉

**Q The profit margin in air transport declined in the first half. How do you assess the current situation, and what will you do about it?**

A Japan-origin air transport actually performed very well in the first half in terms of handling volume. The reason profit margin declined was because charges for carriage inward increased in April, and we were unable to fully pass on the extra costs to customers. One action we're taking to improve profit margin is to hold continued price negotiations with customers.

As you are no doubt aware, in international transportation, handling volume directly impacts your procurement capacity. This means that if you want improve your profit margin, you absolutely must increase your handling volume. With this in mind, we have set medium-to-long term goals and we are working hard on a set of measures to achieve these goals. It will take some time until these efforts bear fruit, but we believe that this process will eventually make the segment more competitive.