



Keihan Group's Long-Term Strategic Concept



May 9, 2018

Keihan Holdings Co., Ltd.

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01 Reflections on the past

Reflecting on the previous management vision

Overview of the previous vision “Our Challenge to Keihan as First Choice”

[Background of establishment of the vision]

The Keihan Group’s management vision “Our Challenge to Keihan as First Choice” was established in 2006 with the aim of transitioning **from a “successful company” to a “large and successful company”**, with an eye toward FY2021.

[Basic policy]

“To create a Keihan Group worthy of being chosen by more customers, with a mission of supporting and enriching people’s lives.”



With the aim of becoming a **“large and successful company”**, we **aggressively expanded business** mainly in the real estate, retail distribution and hotel businesses.

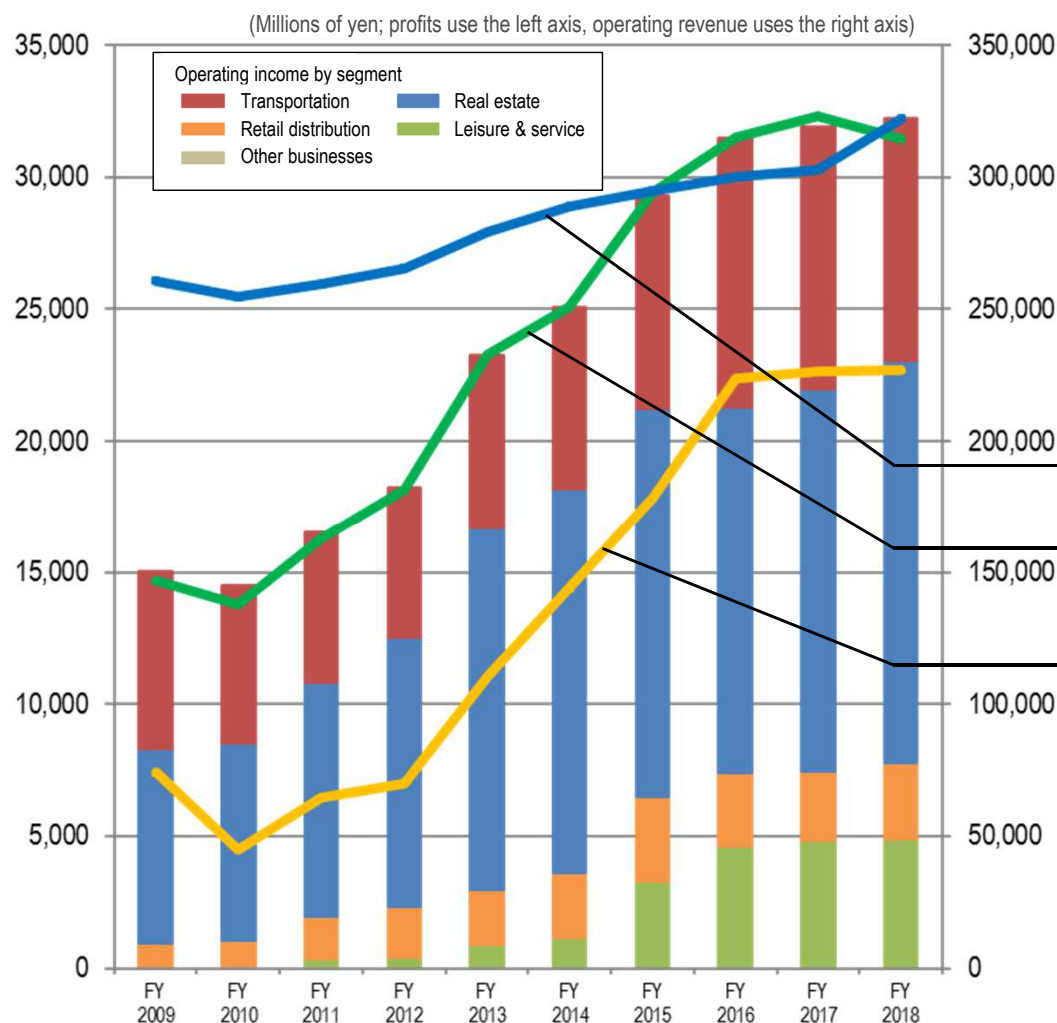
We **established a resilient management foundation** through management reforms, despite events that had a significant effect on our initial growth strategy, namely the financial crisis in 2008 and the Great East Japan Earthquake in 2011.

We **improved profitability by flexibly responding to changes in the business environment** and **achieved** our initial target of **JPY20 billion in consolidated net income**.



Reflecting on the previous management vision (Past 10 years)

Stabilized the management foundation through management reforms. Adapted to the external environment and transitioned to a growth phase.



Not only did profitability improve, but also capital efficiency and financial position

	FY2009	FY2018	Change
Operating revenue	JPY 260.7 bn	JPY 322.2 bn	1.2x ↑
Operating income	JPY 14.6 bn	JPY 31.4 bn	2.1x ↑
Profit attributable to owners of parent	JPY 7.4 bn	JPY 22.7 bn	3.0x ↑
ROE	5.7%	10.8%	Up 5.1 p ↑
D/E ratio	2.3x	1.4x	Down 0.9 p ↓

Reflecting on the previous medium-term management plan “Bravely Pursuing Creation”

Took on challenges toward growth in the second foundation stage, including the transition to a holding company in 2016. Each business made efforts toward strengthening the management foundation, with various measures progressing smoothly.

Qualitative targets		Main actions taken
Main Strategies	Achieve new growth through the creation of tourism opportunities	<ul style="list-style-type: none"> ■ “THE THOUSAND KYOTO” project—a new hotel in front of Kyoto Station ■ Opening of KYOTO TOWER SANDO, Kyoto Tower as a global base
	Revitalize the areas along the Keihan Railway lines—efforts to redesign the areas along the Keihan Railway lines	<ul style="list-style-type: none"> ■ Redevelopment of Hirakatashi Station and its surrounding areas <ul style="list-style-type: none"> • Upgraded Hirakatashi Station
	Create contents to enhance the “value of living”	<ul style="list-style-type: none"> ■ Creation of contents under the theme, BIOSTYLE <ul style="list-style-type: none"> • Promoted a commercial complex project in Shijo-Kawaramachi, Kyoto
	Establish a “steadfast group management” style	<ul style="list-style-type: none"> • Shifted to a holding company structure
Strengthen Each Business and Management Foundation		<ul style="list-style-type: none"> • Introduced PREMIUM CAR—special carriages with reserved seats • Upgraded Gion-shijo Station • Opened Keihan Yodo Logistics Yard • Established Keihan Private REIT, Inc. • Acquired Zero Corporation as a consolidated subsidiary • Upgraded the KEIHAN MALL • Opened FREST NAGAO • Opened HOTEL KEIHAN YODOYABASHI

Reflecting on the previous medium-term management plan “Bravely Pursuing Creation”

All of the quantitative targets to be achieved at all costs were achieved. Stable profits were generated through commitments toward growth which led to greater revenue as well as external factors such as an increase in inbound demand. Operating revenue and operating income reached record highs during the previous medium-term management plan period.

	FY2015	FY2016	FY2017	FY2018
	Figures in brackets are initial plan figures			
Operating revenue	JPY 294.9 bn	JPY 300.1 bn	JPY 302.9 bn	JPY 322.2 bn (JPY302.6 bn)
Operating income	JPY 29.4 bn	JPY 31.5 bn	JPY 32.3 bn	JPY 31.4 bn (JPY22.1 bn)
EBITDA (Operating income + depreciation)	JPY 46.5 bn	JPY 49.0 bn	JPY 50.4 bn	JPY 50.5 bn (JPY41.1 bn)
Net interest-bearing debt / EBITDA multiple (Times)	6.1x	6.1x	5.9x	5.9x (8.1x)
ROE	10.1 %	11.9 %	11.6 %	10.8% (6% or more)

Operating revenue Main factors for increase (compared to FY2015) **+JPY27.3 bn**

Captured inbound demand

Demand captured in each business, incl. passenger revenue of Keihan Electric Railway **+JPY4.0 bn**

Growth of real estate business

OMM* becoming a wholly owned subsidiary, acquisition of buildings for lease, growth of the sales business, etc. **+JPY8.0 bn**

Expansion of the hotel business

New hotel opening, renovation of hotels, etc. **+JPY1.5 bn**

Business expansion through M&A

Acquisition of Zero Corporation as a subsidiary, etc. **+JPY13.0 bn**

*Osaka Merchandise Mart (currently Keihan Building Co., Ltd.)

02 Update of the management vision

Changes in the business environment considered important by the Keihan Group

Of the changes in the business environment expected in the long term until around 2050, the following matters are considered particularly important by the Keihan Group.

Saturation of the domestic market	<ul style="list-style-type: none"> ■ The period of “quantitative expansion” will end due to the drop in population in Japan and areas along Keihan Railway lines • New value creation will become necessary for growth • More women, elderly, and foreigners will participate in the labor force, leading to workstyle diversification 	Climate change and natural disasters	<ul style="list-style-type: none"> ■ The importance of responding to natural disaster and earthquake risks due to global warming will rise • The need for disaster prevention functions and BCP (business continuity plan) will rise in public services, such as railways, and housing/buildings, etc. • Products, services, and businesses that solve social issues such as environment protection will gain more empathy from customers
Devastating impact of technology evolution	<ul style="list-style-type: none"> ■ Rapid development of IoT and AI, expansion of a sharing economy, and development of genome science are expected • Consumers' values and lifestyles will change dramatically, forcing a review of the ways of conducting business • The era of 100 years of life will arrive, leading to increased interest in food, exercise, and health to extend healthy life expectancy 		Changes expected in Kansai area <ul style="list-style-type: none"> ■ 2024 Opening of IR (integrated resort) in Yumeshima, Osaka 2025 OSAKA-KANSAI JAPAN EXPO 2025 2031 Opening of the Naniwasuji Line 2037 Extension of the Linear Chuo Shinkansen to Osaka 2046 Extension of the Hokuriku Shinkansen to Osaka <p>(*Concept or plan)</p> • Due to the IR, Expo, and the development of the railway network, the non-resident population will see stable and continuous increase, energizing the Kansai economy. Exchanges with the Tokyo and Nagoya areas will also proceed, creating a new mega urban area.
Urbanization of Asia and other areas	<ul style="list-style-type: none"> ■ Urbanization will proceed around the world, in Asia in particular, creating a huge middle class that will lead the world's consumer market • Businesses dependent on the “population bonus” will shift to Asian markets • As Japan's large urban areas face competition with emerging urban areas in Asia, Osaka and Kyoto will expand their network with Asia mainly in the medical/health industries and tourism 		

⇒ Although **the policy of aiming for “a big and good company” and “Keihan as First Choice” of the previous vision will not change**, the Keihan Group will **face a balanced contraction if it only responds to changes simply as an extension from the current situation**.

⇒ Even under the drastically changing future business environment, we intend to upgrade our management vision **to take on the challenge to “create value” and “expand globally”** by capturing opportunities one step ahead of the changes so that the Group can continue to achieve growth.

Be the beautiful Keihan areas and the global Keihan group

- We will create value for towns and tourism and disseminate them to the world so that the areas along Keihan Railway lines which are rich in history, culture, and landscape will be chosen by more people as areas where they want to live and visit beyond countries and time.
- We will create a beautiful life cycle in areas along Keihan Railway lines that brings fullness to the mind and body and contributes to the realization of a sustainable society, and spreads the ring of empathy to the world.
- We will attract many inbound tourists to the areas along our lines and take on the challenge to expand our business Asia-wide.

Initiatives toward realization of the new management vision

We will commence initiatives toward the realization of the management vision with “safety and challenge” as the basic policy and based on a back-casting* approach from the future targeted state

*Back-casting: A method of setting targets for a future point in time and thinking what should be done now by looking back from the future.

Safety

① We will provide safety and security to all customers as universal values

For the Keihan Group, “safety and security are universal values provided to all customers and are the foundation of our existence. Through the endless efforts of all employees, we will improve both the quality of safety and efficiency, and hand them down to the next generation. We will also make preparations for protecting customers from disasters.

Challenge

② We will enhance the appeal of the areas along the Keihan Railway lines from a global perspective and attract many customers from around the world to the areas

The areas along the Keihan Railway lines are full of attractions, such as a rich history, culture, and landscape including the Flow of Water that lead from Lake Biwa to Osaka Bay and the Fifty-seven Stages of the Tokaido, which leads from Kyoto, a city that represents Japan’s culture, to Osaka through four post towns, and traditional *monozukuri* (manufacturing) as well as cutting-edge life sciences. By also taking on a global perspective, the Keihan Group will disseminate these attractions to the world through community building in cooperation with the communities and the creation of tourism contents, in an effort to contribute to attracting many customers from around the world.

③ We will develop and provide products and services that create customers’ “experience value” and “social value”

Products and services that create customers’ “experience value” and contribute to the realization of both well-being and a sustainable society will be the qualities offered by the Keihan Group in the future. The Keihan Group will take on the challenge for “quality innovation” in products, services, and businesses in order to create such value.

④ We will respond to the digital revolution and transform our concept of products, services, and businesses

With the rapid development of ICT constantly in mind, we will utilize ICT to improve safety, security and efficiency, enhance customers’ experience value, and develop services that efficiently use social resources such as sharing services. We will also transform the existing structure of products, services, and businesses if needed.

⑤ We will evolve from “Keihan Group of Japan” to “Keihan Group of Asia”

We will develop areas along the Keihan Railway lines as well as the business of the Keihan Group from a broader perspective of Keihan Railway lines and the Keihan Group within Asia. We will aggressively attract inbound tourists, businesses, students, investments, and companies from around the world to the areas along the Keihan Railway lines and develop the Keihan Group’s business in Asia.

Overall structure of the Keihan Group's long-term strategic concept

Management Principles

The Keihan Group will create a comfortable living environment and contribute to society by establishing a network of dreams, hope, and trust

We declare that we will commence initiatives to address issues from a back-casting approach so that the Keihan Group can continue to grow amid the drastic changes of the external environment expected until around 2050.

Management vision (Vision for 2050)

Be the beautiful Keihan areas and the global Keihan group

For achieving the management vision, we will aim to establish a foundation as a corporate group that continuously grows into the future, with the target year being FY2027, when major large projects will be completed.

Long-term management strategy (Target: FY2027)

Medium-term management plan (FY2019–2021)
“Create Living, Community, and Excitement”

A specific three-year action plan and numeric targets based on the long-term management strategy.

In the growth stage of which we made our first step in the previous medium-term management plan “Bravely Pursuing Creation,” we will take on the challenge of creating new exciting value for customers’ lives and the communities in areas along the Keihan Railway lines.

03 Long-term management strategy (until FY2027)

Medium-term management plan (FY2019–2021)

“Create Living, Community, and Excitement”

The main strategies carried out by the Keihan Group toward FY2027

Theme	Basic policy	Priority measures
Redevelop Keihan areas	Make the areas along the Keihan Railway lines beautiful through urban revitalization with railway stations at the core	Regain the glory of Osaka's east to west axis and carry out community building starting from railway stations
Co-create tourism opportunity	Create tourism opportunities with the community and promote global exchange	Strengthen tourism and inbound business mainly in Kyoto
Create relatable contents	Create products, services, and businesses that customers can relate to	BIOSTYLE -Aim for Keihan as First Choice-

Preparations for the management vision

Create area portfolios

- Focus on business development in Kyoto and contribute to the re-creation of Kyoto
- Expand business to outside the areas along the Keihan Railway lines (domestic and overseas growth markets)

Promote innovations with an eye to the next generation

- Create services and improve productivity by utilizing ICT technologies
- Promote new businesses

Main strategy (1) Redevelop Keihan areas

[Basic policy]

Promote community building centered around railway stations, taking advantage of the area's history, culture, and industries, to revitalize appealing and beautiful areas along the Keihan Railway lines and increase residents and visitors to the areas along the lines by connecting the areas with a traffic network

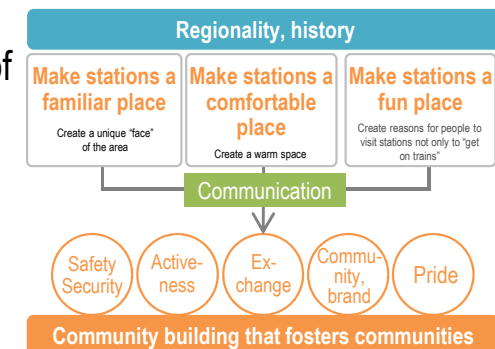
① Regain the glory of Osaka's east to west axis

- Osaka's east to west axis, which runs from Kyobashi, the gateway to Kyoto and close to Osaka Castle, via Nakanoshima, which aims to become the center of regenerative medicine, to the bay area where an IR is planned, is a historical and important urban axis for Osaka's next generation.
- We will aim to complete the development of **Yodoyabashi** and **Kyobashi** during the period of the long-term management strategy and develop **Nakanoshima** concurrently.
- Subsequently, we will contribute to the creation of new urban appeal of Osaka by aiming to redevelop **Temmabashi**, the founding place of the Keihan Group, and **extend the Nakanoshima Line**.



② Carry out community building starting from railway stations

- Concentrate urban functions near stations and carry out continuous community building in cooperation with local companies and communities, taking advantage of the characteristics of the areas such as the history and culture, in an attempt to diversify the appeal of the areas along the Keihan Railway lines.
- Promote community building that can only be done by a railway group by using railway stations not simply as a place for getting on and off trains but a place integrated with the community where people gather and communicate.
- Expand the initiatives, starting from **Hirakatashi Station**.



Main strategy (1) Redevelop Keihan areas

[Main initiatives of the medium-term management plan]

Regain the glory of Osaka's east to west axis



Yodoya-bashi

- One of the largest office districts in Osaka, and a hub between the north to south axis, Midosuji, and the east to west axis.
- Planning development that leverages the Company's assets such as the Keihan Midosuji Building.



Kyobashi

- The largest terminal of the Keihan lines. With the revitalization plan of the station building as a trigger, we will aim to create a community capable for serving as the *Higashi* gateway to Osaka's east to west axis by improving the circulation of people in the community, including surrounding areas such as Osaka Business Park and Osaka Castle.



Nakano-shima

- Development plan of the 4-chome district, including the concept of the center of regenerative medicine and the Agora concept.
- Directly linked to Kansai International Airport in the future due to the Naniwasuji Line plan
- Based on the above concepts, promote the revitalization of the area, including the utilization of the company's land.

Community building starting from railway stations

- By 2018, we will revitalize Hirakatashi Station, which is the third largest station of the Keihan lines in terms of the number of users, and make it an appropriate "face" of a core city that features history and regional characteristics.
We will start full-scale redevelopment of the Company's land directly linked to the station, coinciding with the decision of the urban plan scheduled in FY2019.
- We will mainly revitalize the areas along Osaka's east to west axis, starting with railway stations and expanding to surrounding areas, according to the regional characteristics, and aim to achieve synergy effects with community building of urban centers.

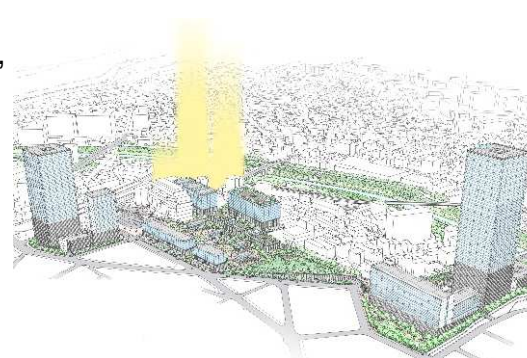


Image of Hirakatashi Station and its surroundings
(proposal by the Company)



Image of the upgrade of
Hirakatashi Station

Main strategy (2) Co-create tourism opportunity

[Basic policy]

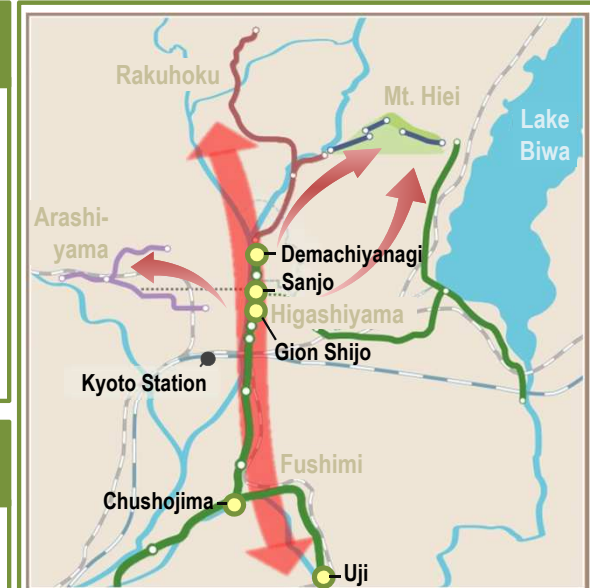
In the growing tourism market, use the Keihan Group's comprehensive strengths and create tourism opportunities together with the communities. Provide and disseminate attractive tourism experiences mainly in Kyoto in an effort to increase visitors from other areas of Japan and from abroad.

① Develop the three major tourism areas of Kyoto—Area in front of Kyoto Station, Shijo-Kawaramachi, and Sanjo

- Open **THE THOUSAND KYOTO**, a hotel developed as part of efforts to make the area in front of **Kyoto Station** a global base, during the period of the medium-term management plan, and open a flagship commercial complex of **BIOSTYLE** in **Shijo-Kawaramachi**, the largest commercial area in Kyoto.
- Concentrate tourism, commerce, and transportation functions in front of **Sanjo** station during the period of the long-term management strategy, and develop the area as the base for tourism of Higashiyama.

② Establish the golden route for tourism of Kyoto

- Connect Kyoto's major tourism points of **Rakuhoku**, **Higashiyama**, and **Fushimi/Uji**, and create a golden route for tourism
- In addition to developing Sanjo as a base of the Higashiyama area, the center of the route, redevelop **Demachiyanaagi**, the gateway to Rakuhoku, and **Chushojima**, which is adjacent to the former Fushimi port.



Develop a tourism route that connects tourism resources concentrated in areas along the Keihan Railway lines, and create tourism contents

③ Jointly create tourism opportunities along the Flow of Water

- The Keihan Railway line retains the history and culture of the Yodo River boat transportation, which connected Kyoto ("Kei") and Osaka ("Han") and extended nationwide. In recent history, the "**Flow of Water**" prospered with the opening of the Lake Biwa Canal that linked Kyoto and Lake Biwa.
- We will create tourism opportunities within the region using the rich living and culture of the areas along the Keihan Railway lines fostered by the history of the Flow of Water, which originates from Mt. Hiei and Lake Biwa and runs through Kyoto and Yodogawa, before arriving in the Osaka Bay area.



[Main initiatives of the medium-term management plan]

Strengthen tourism and inbound business mainly in Kyoto

Around Kyoto Station

- The gateway to Kyoto, which attracts more than 55 million tourists a year from Japan and abroad. The Keihan Group's flagship hotel, THE THOUSAND KYOTO, is scheduled to open in January 2019.
- We will open two other new hotels near the station to address global accommodation needs by providing approx. 1,500 rooms in the area.



Shijo-Kawaramachi

- We will open a BIOSTYLE commercial complex in 2019 and promote a new lifestyle from Kyoto.

Area in front of Sanjo Station

- At the former site of KYOUEI in front of the station, we will develop a complex that will become the base for tourism of Higashiyama and from where we will disseminate the culture of Japan and Kyoto. We will also consider introducing entertainment functions, in addition to concentrating tourism and commerce functions.
- We will aim to contribute to stress-free tourism of Kyoto by seeking to disperse tourists that concentrate in Kyoto Station.

Expand tourism routes that heighten the appeal of tourism in Kyoto

- In areas along Rakuhoku, Higashiyama, and Fushimi/Uji, we will create tourism routes using rich tourism resources, in cooperation with the communities.
- In the Arashiyama area, we will create even more attractions centered around Keifuku Arashiyama Station.

Mt. Hiei, Lake Biwa

"a corridor of mountain, water and shine"

- We will strengthen efforts to improve the ability of circulation to tourism route "a corridor of mountain, water and shine", which starts from Kyoto/Yase and leads to Lake Biwa via Mt. Hiei, Otsu and Sakamoto.



Restoration of the "Flow of Water" boat transportation

- In the "Flow of Water", which offers rich history, culture, and landscape, we will create tourism opportunities by revitalizing boat transportation of the Yodo River and operating full-scale passage of boats on Lake Biwa Canal.



[Basic policy]

Aim to become a Keihan Group that creates products, services, and businesses that improve the value of living of customers and contribute to solving social issues such as the environment, thereby allowing the Group to be empathized with and chosen by customers.

Develop products and services that enable us to share values with customers

- The maturing and saturating domestic market requires products and services that enable customers and companies to share values (empathize).
- The Keihan Group aims to improve the “**life quality**” of customers as well as sharing values with customers with products, services, and businesses that contributes to solving social issues of **achieving a sustainable society**.
- BIOSTYLE is a lifestyle aimed at achieving a healthy, beautiful, and high-quality life and contributing to a recycling-oriented society. As the main initiative, we will establish **BIOSTYLE** as the Keihan Group’s new brand.

[Main initiatives in the medium-term management plan]

BIOSTYLE - Aiming for Keihan as First Choice -

- A new commercial complex is scheduled to open in **Shijo-Kawaramachi, Kyoto** as a flagship facility that proposes BIOSTYLE in **food, beauty, and accommodation**. (2019)
- We will expand into **manufacturing retail** that develops original products such as cosmetics in order to propose new value mainly in organic products.
- Expand business originating from Shijo-Kawaramachi (Small-scale stores and e-commerce)



Image



Initiatives by the entire Group

- Incorporate BIOSTYLE in the products and services of each business of the Keihan Group and aim to offer products and services that customers can relate to.



Energy-saving railroad car, 13000 series
[Keihan Electric Railway]



ZEH
(Net Zero Energy House)
[Zero Corporation]



Sale of organic vegetable and processed goods
[Biomarket]

Preparations for the management vision

[Create area portfolios]

Strengthen business development in Kyoto

- Without focusing only on the tourism business, the four core businesses will place emphasis on business development and contribute to the revitalization of Kyoto as a local company. Seek to expand business opportunities of the Keihan Group.
- In addition to inbound tourism, promote businesses targeting inbound residents such as researchers and students, and utilize overseas personnel in order to carry out the overseas strategy effectively.

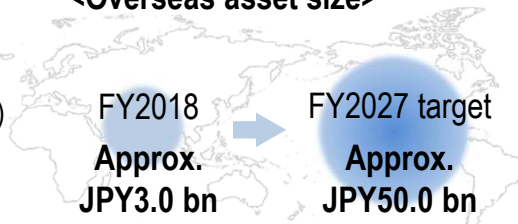
Expand business to outside the areas along the Keihan Railway lines and to overseas growth markets

- While carrying out the main strategies as the top priority, utilize know-how gained in areas along the Keihan Railway lines and expand business to other parts of Japan such as the Tokyo metropolitan area as well as to abroad, expanding the business areas of the Keihan Group.
- Overseas, which is a growth market, develop mainly the real estate and retail distribution businesses. Inject the Group's managerial resources while determining the direction.

<Areas of expansion>

- Emerging countries where high economic growth is expected (mainly ASEAN 5)
- Europe, US, and Australia where maturity and stable growth are expected

<Overseas asset size>



[Promote innovations with an eye to the next generation]

Create services and improve productivity by utilizing ICT technologies

- Examine and forecast the future impact of ICT technology innovations (robotics, self-driving, sharing services, etc.) on the Keihan Group and promote innovation of existing businesses. Improve safety and efficiency and develop new services by actively utilizing the innovations at each business.
- Respond to changes in workstyle and lifestyle brought about by environmental changes such as ICT technology innovations, and aim to develop into a Keihan Group that is chosen by both customers and workers as a company with high productivity and creativity.

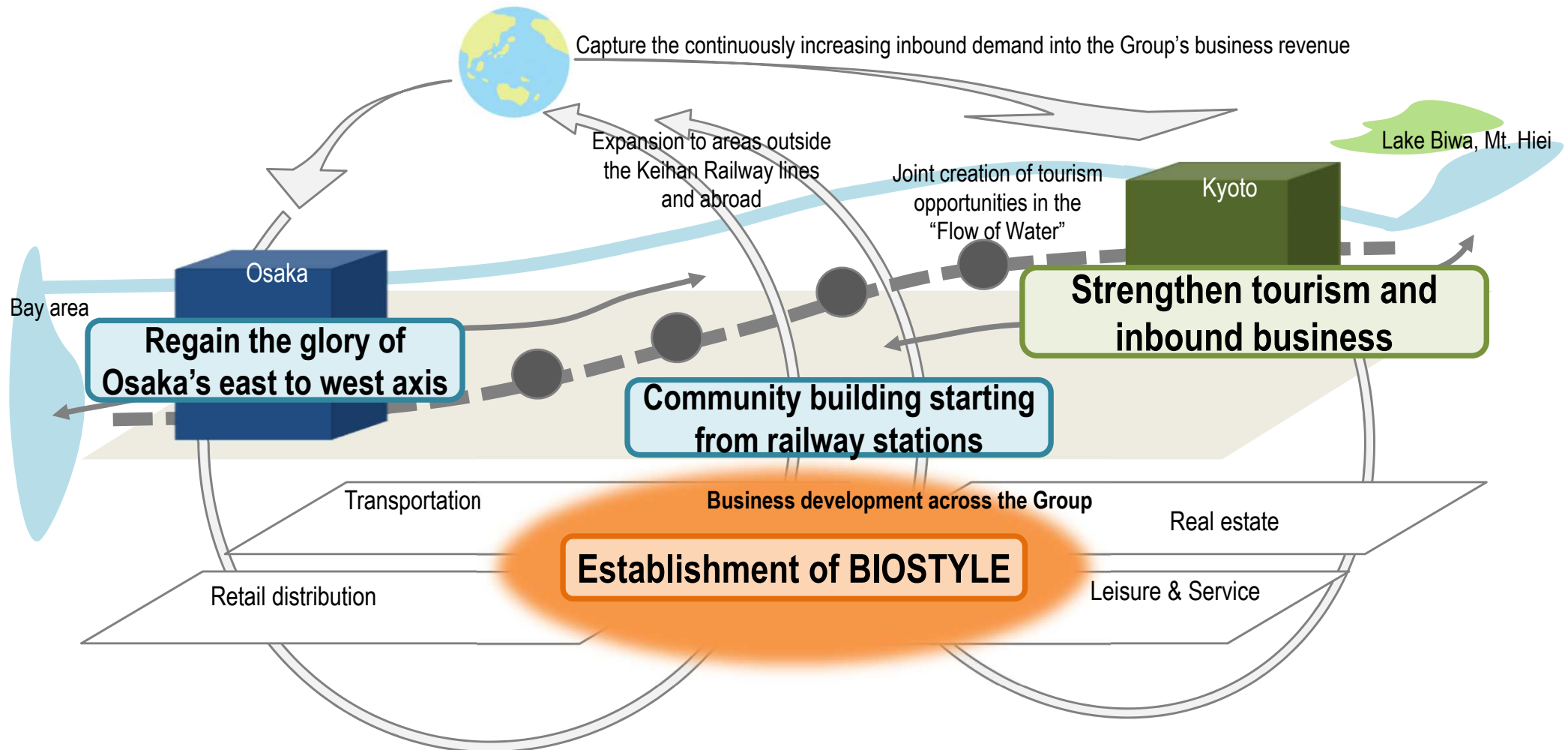


Promote new businesses

- Strengthen businesses and carry out alliances toward expansion, and cooperate with other companies in ICT technologies and fields such as sharing services to create new businesses.
- Cultivate a public service market through active participation in the public-private partnership (PPP) business.



Image of the long-term management strategy



Medium-term management plan

Strategy for each business (Transportation)

Transportation [Basic strategy]

In preparation for the decrease in the population of the areas along the Keihan Railway lines and the workforce that is expected in the future, improve profitability by creating new demand and enhancing the traffic network as well as strengthen the management base by improving business efficiency, and fulfill the role of further improving the brand value of safety and security, which is the basis of the Keihan Group.

FY2018 inbound revenue

JPY**1.1 bn***



FY2021 inbound revenue

JPY**2.0 bn***

*Keihan Electric Railway's
passenger revenue

Demand creation

- Strengthen the capturing of inbound demand
- Enhance railway services that provide new experience value
- Revitalize stations along the Keihan Railway lines in coordination with community building



Strengthening of traffic network

- Consider an extension plan for the Nakanoshima Line
- Strengthen traffic network within Kyoto city

Create demand by
attracting inbound
demand and
providing new
experience value

Improvement of safety and service; efficient operation

- Safety measures such as platform doors in Kyobashi Station
- Safety measures using ICT and improvement in maintenance efficiency
- Examination of an efficient operation system for railways and buses



Medium-term management plan

Strategy for each business (Transportation)

[Main initiatives]

Improve safety and service

- Promote safety measures such as completing introduction of new ATS in all Keihan Railway lines and commencing installation of platform doors in Kyobashi Station (2020)
- Upgrade Kibuneguchi Station of Eizan Electric Railway in response to the rapid increase in tourists
- Develop usage environment for foreign tourists and upgrade toilets in an effort to improve Customer Satisfaction

Strengthen capturing of inbound demand

- Strengthen sales abroad such as selling tickets to inbound tourists
- Attract visitors to the Group's facilities such as Hirakata Park
- Attract visitors to Yase and Mt. Hiei using Eizan Electric Railway's sightseeing car "Hiei"



Enhance railway services that provide new experience value

- Expand the premium service and consider introducing other new services that lead to the creation of railway demand



Revitalize stations along the Keihan Railway lines

- Revitalize stations by adding unique characteristics, such as in Hirakatashi Station, in an effort for "community building starting from railway stations"
- Promote station and community building in coordination with the main strategies, primarily in Osaka's east to west axis and its surrounding areas as well as the Kyoto area



Strengthen traffic network

- In view of the future business environment, add depth to examinations with the aim of extending the Nakanoshima Line
- Strengthen the traffic network by improving traffic nodes through improvement of the Kitano-Hakubaicho Station of the Keifuku Electric Railroad line and operating restaurant buses and tourist loop buses with free boarding to promote tourism in Kyoto and contribute to alleviating congestion of buses within the city
- Utilize the extension of the expressway network to enhance medium distance buses that connect Kyoto/Osaka and other cities



Inside the restaurant bus



Medium-term management plan

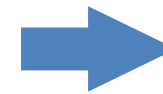
Strategy for each business (Real estate)

Real estate

[Basic strategy]

In both short-term turnover and long-term holding businesses, diversify development menus and contents to increase revenue opportunities by utilizing diverse properties. In addition, purchase and develop properties in and outside areas along the Keihan Railway lines and abroad that will be the foundation for development of each business of the Keihan Group, and fulfill the role as the driver of the Group's growth.

FY2018 asset size
JPY **210 bn***



FY2021 asset size
JPY **260 bn***

*Leasing service

Diversification of development menus and contents

- Diversify short-term turnover-type businesses
- Develop next-generation lease residences
- Expand a cyclical real estate business (purchase → possess, add value → sell → reinvest)



Image of Kitahama Mid Tower

Expand business in and outside areas along the Keihan Railway lines and abroad as the driver of the Group's growth by developing and utilizing diverse properties

Development and utilization of diverse properties

- Develop businesses of condominiums and detached housing in cities
- Develop and utilize real estate across the Group
- Create new value through regeneration and utilization of existing stock

Expansion of business areas

- Redevelop Toranomon 1-chome area
- Participate in overseas business



Image of Toranomon Hills Business Tower (tentative name)

Medium-term management plan

Strategy for each business (Real estate)

[Main initiatives]

Promote short-term turnover businesses



- While continuing to make selective purchase of land in the condominium business, cooperate with subsidiary Zero Corporation to strengthen the business of detached housing in cities
- Carry out development of not only residences but also hotels and diversify development menus

Enhance business lineup

- In order to provide housing that suits lifestyles and life stages, expand into a next-generation lease residence business that places emphasis on the value of living
- Strengthen the reform/renovation business using existing stock (including Kyoto's "machiya" houses) also from a sustainability perspective and contribute to the formation of high-quality social stock

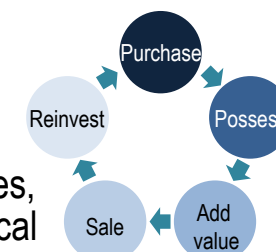


Effectively use real estate

- Strengthen profitability by rebuilding existing buildings such as the Fushimi-Momoyama Ekimae Building
- Promote effective use of properties owned such as the Keihan Higashi Rose Town, Science City, and the Lake Biwa area
- Promote the development and purchase of real estate, including the above measures, to establish a cyclical business model



Fushimi-Momoyama Ekimae Building



Expand business areas

- In addition to participating in the redevelopment of the Toranomon 1-chome area (scheduled for completion in December 2019), strengthen real estate development and purchase of buildings outside areas along the Keihan Railway lines
- Aggressively expand into Asia's growth markets (e.g. the office development business in the Philippines and the condominium sale business in Bangkok, Thailand) as part of the overseas strategy



The Office Development Project in Makati, the Philippines (image)

Medium-term management plan

Strategy for each business (Retail distribution)

Retail distribution [Basic strategy]

Amid changes in consumers' values, develop new business formats and improve the value of products, services, and stores in order to propose a lifestyle that customers can relate to. At the same time, expand revenue by providing commercial contents that contribute to the main strategies. Furthermore, improve profit margins by strengthening the structure of existing businesses.

FY2018 operating margin

2.8%



FY2021 operating margin

3.7%

Improving value of stores

- Develop and open new commercial facilities
- Upgrade shopping malls in areas along the Keihan Railway lines
- Strengthen commerce within stations and underneath railway tracks



Promotion of tourism commerce

- Increase contents of Kyoto

Restructuring of existing businesses

- Restructure the department store business

Strengthening of the “food” business

- Commercialize food manufacturing and processing, such as deli
- Improve efficiency by establishing a central kitchen

Aim to propose a lifestyle that customers can relate to as well as a highly efficient operation system



Medium-term management plan

Strategy for each business (Retail distribution)

[Main initiatives]

Open and upgrade new facilities in areas along the Keihan Railway lines

- With the aim to become No.1 in the region, upgrade facilities including KEIHAN CITY MALL and KUZUHA MALL



KEIHAN CITY MALL



KUZUHA MALL

- Seek to expand business in and outside areas along the Keihan Railway lines by opening new supermarkets and increasing contract PM business

Strengthen commerce within stations and underneath railway tracks

- In cooperation with community building starting from railway stations, promote commercial development integrated with the station, from Hirakatashi Station (collaboration with Muji) as a start, and contribute to revitalization of the region

Strengthen the “food” business

- From foodstuff sales to restaurants, position a wide range of “food” as an important business and strengthen the home-meal replacement business as well as introducing a central kitchen across the Group to provide safe and high-quality food. Aim to achieve efficient operation at the same time.
- Strengthen delivery business of organic vegetables. Improve the brand to increase members and sales.



Promotion of tourism commerce

- Increase Kyoto's contents after KYOTO TOWER SANDO and Fushimi Inari Senbon Inari to strengthen tourism commerce



KYOTO TOWER SANDO

Restructure the department store business

- Develop proposal-type stores such as by expanding independently structured sales floors for apparel and sundries.



Moriguchi Store “Nanairofleur”

- While utilizing previous know-how, create a new lifestyle-proposal department store format in cooperation with other companies
⇒ Operate Muji on the second floor of Keihan Department Hirakata Store (May 2018)



Image of the space in front of shop on the second floor of Hirakata Store

Medium-term management plan

Strategy for each business (Leisure & Service)

Leisure & Service [Basic strategy]

Capture the growth of the tourism market and expand revenue of the hotel business. Furthermore, fulfill the central role of sales/marketing of tourism products, which are handled cross-sectionally in the Keihan Group, to attract customers to areas along the Keihan Railway lines and enhance tourism contents.

FY2018 no. of hotel rooms

3,100*



FY2021 no. of hotel rooms

5,200*

*Hotel business



HOTEL KEIHAN
TSUKIJI GINZA GRANDE

Expanding the hotel business; creation of new business formats

- Increase openings of HOTEL KEIHAN
- Diversify the accommodation business segment

Enhancement of tourism contents

- Revitalize the Yase, Mt. Hiei, and Lake Biwa areas
- Develop tourism contents at the “Flow of Water”

Strengthening of sales/marketing system

- Strengthen sales marketing functions across the Group

Play a central role in joint
creation of tourism
opportunities, and achieve
further growth by
accelerating hotel openings



Medium-term management plan

Strategy for each business (Leisure & Service)

[Main initiatives]

Increase openings of HOTEL KEIHAN

- Open multiple hotels dedicated to accommodation mainly in locations in front of stations of major government-designated cities and aim to operate more than 15 directly owned hotel nationwide by FY2021

(Future opening plan)

HOTEL KEIHAN TSUKIJI GINZA GRANDE: Autumn 2018



KYOTO HACHIJO-GUCHI: Autumn 2018

YOTSUYA (tentative name): Jan. 2019

KYOTO SATATION SOUTH (tentative name): Spring 2020

NAGOYA SAKAE(tentative name): Spring 2020

and more

HOTEL KEIHAN KYOTO STATION SOUTH(tentative name)

Strengthen the sales/marketing system

- Strengthen sales and marketing functions in the Tokyo metropolitan area and East Japan in order to establish an optimal sales system for promoting “joint creation of tourism opportunities” across the entire Keihan Group, such as in the hotel and leisure & service businesses

⇒ Keihan Group Sales Promotion Center

Opened the East Japan Office (April 2018)

Diversify the accommodation business segment

- We will open a new hotel format, CAFETEL KYOTO SANJO for Ladies in July 2018. In addition to increasing the opening of the same format, we will expand into small-scale smart hotels.



Revitalize the Yase, Mt. Hiei, and Lake Biwa areas

- Embark on developing the traffic system and reviewing the business in Mt. Hiei. While strengthening cooperation with Enryakuji Temple and other surrounding facilities, we will make efforts to develop the appeal of the overall area including Lake Biwa.



- In Yase-Hieizanguchi, create attractions as a base that links the Mt. Hiei/Lake Biwa area and Kyoto

Medium-term management plan

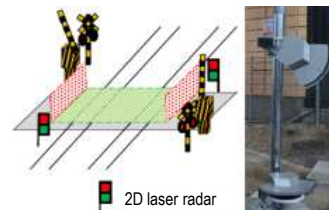
Strategy for each business

Utilize new technologies and promote new businesses toward the future

In view of changes in the future social environment and business structure, encourage the use of new technologies such as IoT and AI, and promote new businesses such as cultivating the public service market.

Encouraging the use of technologies such IoT and AI

- Introduce IoT and AI technologies and seek a low-cost operation in hotels dedicated to accommodation and new format hotels
- Aim for further improvement of efficiency and sophistication of operations of head office administrative divisions such as accounting through automation using AI and robots
- Make full-scale examinations toward improving security levels and maintenance-saving in the railway division



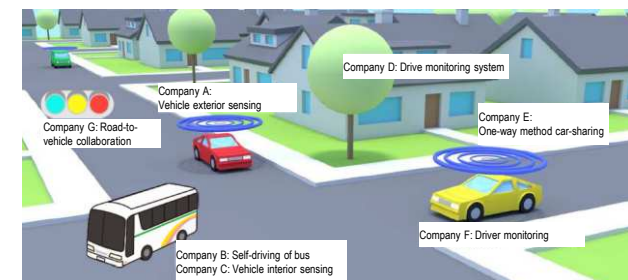
Proof test with level crossing obstacle detection device using a 2D laser radar

Promotion of public-private partnership (PPP) business

- Through PPP business, expand the Group's business domains as well as making efforts to revitalize regions using public space and creating new businesses
- ⇒ From October 2018
Scheduled to participate as a member of the designated manager of EXPO '70 Commemorative Park in Osaka.

Keihan Bus' participation in self-driving proof tests

- In Kansai Science City, Keihan Bus participated in proof tests that enabled driving test of self-driving on a public road. The safety of the driving system will be improved, with the aim of enabling practical use by local buses in the future.



Source: Public Foundation of Kansai Research Institute
"Example of proof test involving different companies"

Idea of fund usage

Prioritize allocation of funds to investment for future growth

Operating cash
flows

Funding

Carry out funding mainly through borrowings and bonds while managing the net interest-bearing debt / EBITDA multiple at the 6 times level toward investment for growth

① Aggressive investment for future growth

Set a total of JPY100 billion over three years as “strategic investment” and carry out investment for growth that contributes to the improvement of corporate value and the Keihan brand mainly in the “three main strategies” of the long-term management strategy

② Shareholder return

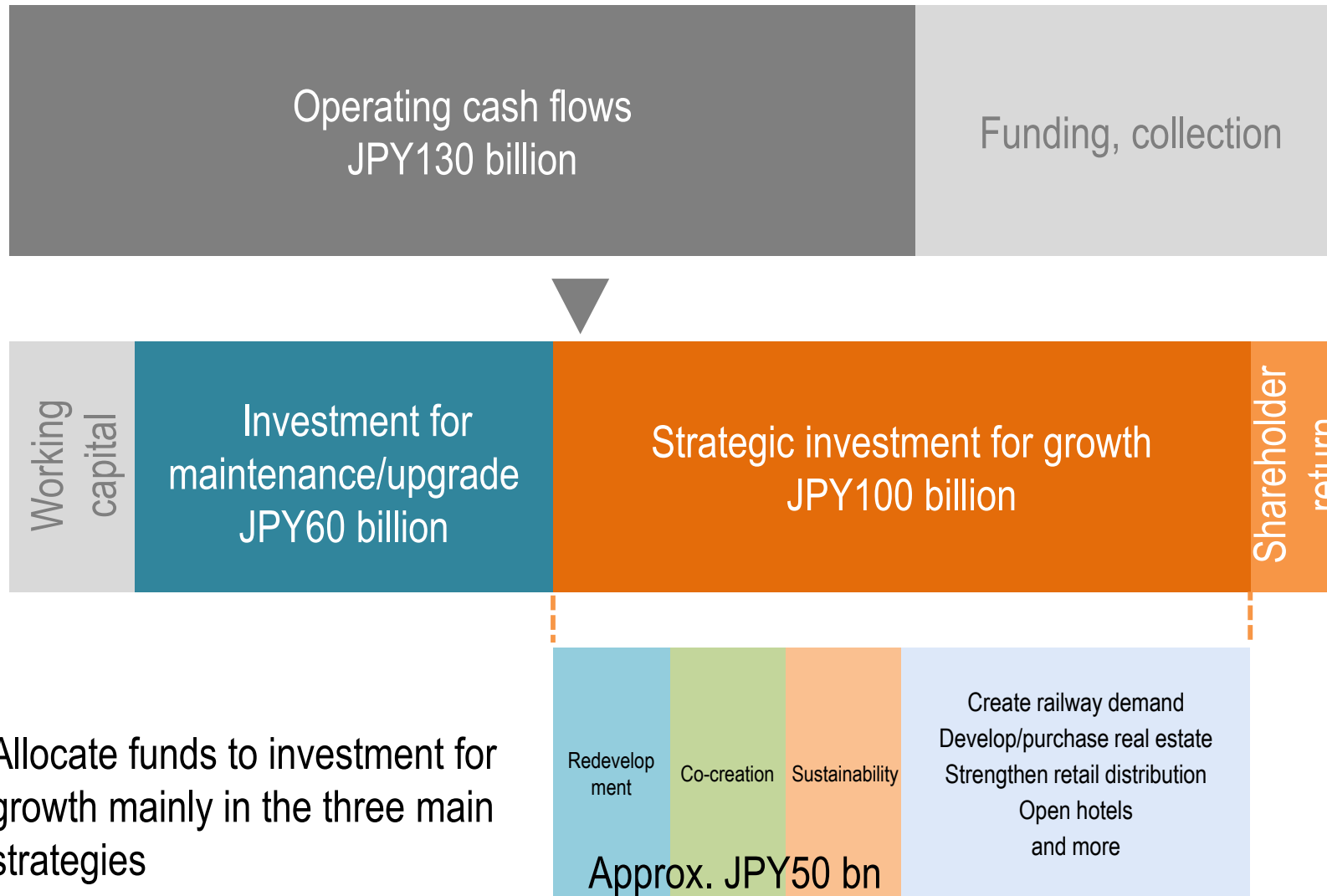
Continue stable dividend payment according to performance while prioritizing investment for growth

Carry out flexible share buybacks from a capital efficiency perspective

Medium-term management plan

Image of fund usage

(Three-year total)



* Set strategic investment capability for
M&A and overseas businesses

Medium-term management plan

Shareholder return policy, capital policy

Continue stable dividend payment

- In addition to aiming for continuous growth and improvement of corporate value through aggressive investment, continue stable dividend payment while taking into consideration the level of equity capital and business performance in order to offer shareholders return in accordance with performance
- ⇒ We achieved targets in the previous medium-term plan and offered shareholder return according to the business performance. Dividends on profits of FY2018 will be increased by JPY5 per share a year to JPY35. During the current medium-term plan we will maintain dividends at this level or above.

Improve capital efficiency

- We will maintain and improve ROE on a medium- to long-term basis through aggressive investment and improved capital efficiency, as well as enhance shareholder return
 - For the improvement of capital efficiency, we will carry out flexible share buybacks by determining the timing and size based on comprehensive consideration of the market environment and investment opportunities
- ⇒ Share buybacks of a total of JPY20 billion were carried out in FY2016 and 2017. We will continue to carry out buybacks flexibly according to the situation.

Quantitative targets

Management indicators	FY2018 Results	FY2021 Plan	FY2027 Target level
EBITDA (Operating income + depreciation)	JPY50.5 bn	JPY57.0 bn	JPY72.0 bn or more
Net interest-bearing debt / EBITDA multiple	5.9x	6x level	6x level
ROE	10.8%	8% or more	8% or more
Operating income	JPY31.4 bn	JPY33.5 bn	JPY43.0 bn or more

Improve profitability and aim to achieve EBITDA in FY2027, a year in the process of growth, of **JPY72.0 bn or more**, a 40% increase from FY2018

Medium-term management plan

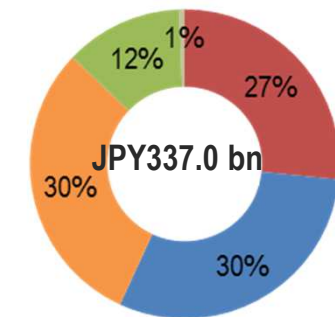
Income plan, segment information

	FY2018 Results	FY2019 Forecast	FY2020 Plan	FY2021 Plan
Operating income	322.2	322.5	326.0	337.0
Transportation	92.2	93.8	93.0	95.0
Real estate	113.1	110.3	107.0	108.0
Retail distribution	100.7	101.4	104.0	108.0
Leisure & Service	31.2	32.8	39.0	44.0
Other business	1.8	1.9	2.0	2.0
Adjustments	-16.9	-17.7	-19.0	-20.0
Operating income	31.4	30.0	31.0	33.5
Transportation	9.1	9.7	9.5	10.0
Real estate	15.3	14.7	14.0	13.0
Retail distribution	2.8	3.0	3.0	4.0
Leisure & Service	4.8	2.1	4.5	6.5
Other business	0	0	0	0
Adjustments	-0.7	0.5	-0	-0
Profit attributable to owners of parent	22.7	20.0	21.0	23.0

(Billions of yen)

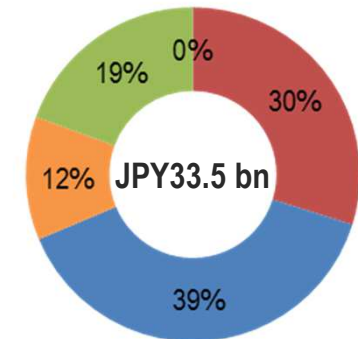
[Operating revenue by segment (FY2021)]

Transportation Real estate Retail distribution
Leisure & Service Others



[Operating income by segment (FY2021)]

Transportation Real estate Retail distribution
Leisure & Service Others

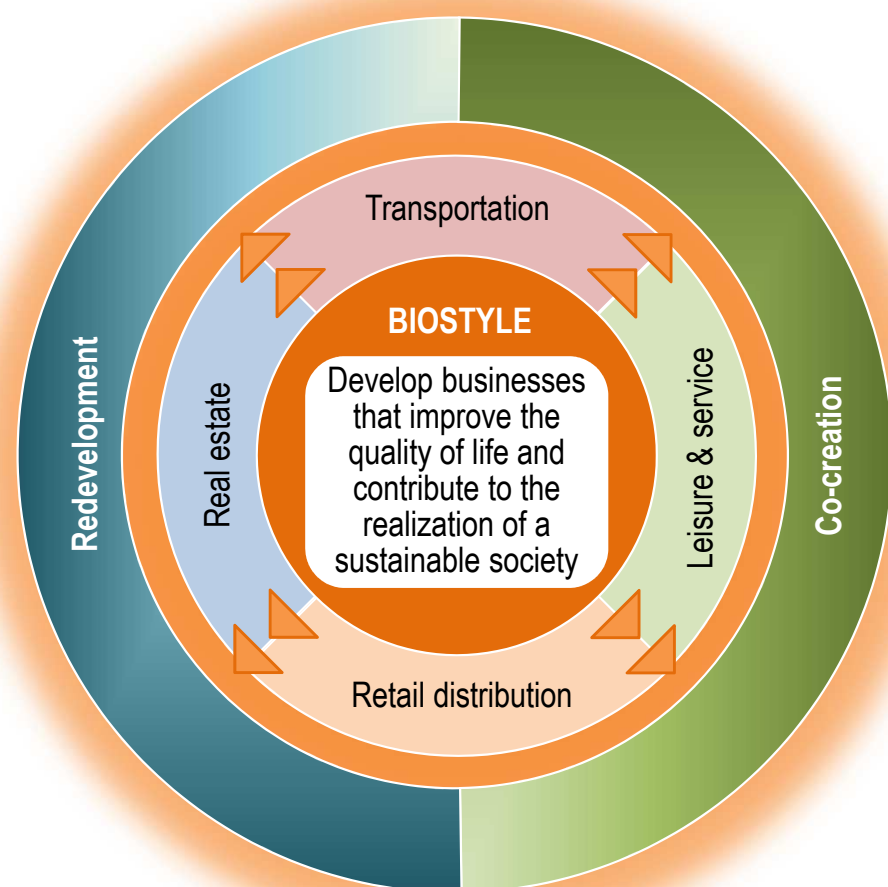


Contribution to the achievement of SDGs

Based on its management principles, the Keihan Group will contribute to the achievement of SDGs and aim for continuous growth in harmony with society by creating products, services, and businesses that contribute to solving social issues mainly through BIOSTYLE and strengthening business activities in consideration of ESG (environment, society, governance)

Management Principles of the Keihan Group

The Keihan Group will create a comfortable living environment and contribute to society by establishing a network of dreams, hope, and trust



SUSTAINABLE DEVELOPMENT GOALS



■ Promote management in consideration of ESG

Contribute to preventing global warming

Provide value trusted by customers such as “safety and security”

Contribute to continuous development of the community

Develop an environment and organization culture where employees can exercise their strengths with peace of mind

- Initiatives in workstyle reforms
- Promote diversity (women's active participation, etc.)
- Strengthen personnel development
- Promote health management

Ensure thorough compliance



The plans in this material are based on information currently available and current assumptions regarding uncertain factors that may affect future business performance. Therefore, actual performance may differ from the plan due to various factors.