

Keihan Group's Next Medium-term Management Plan

“ATTACK 2011”

-From FY2010 to FY2012-



May 19, 2008

Keihan Electric Railway Co., Ltd.

(Tokyo Stock Exchange 1st/ Osaka Securities Exchange 1st 9045 <http://www.keihan.co.jp/>)

[Notes on forecasts]

Descriptions of business forecasts and future prospects are based on current information and certain assumptions about factors that may affect future business. The actual results of operating performance may differ from these forecasts.

1. Process of “Jump 21”

<Consolidated results>

(Billions of yen, %, times)

	Re-Born21		Jump21		Jump21 Numeric Targets
	FY 2006	FY 2007	FY 2008	FY2009 Forecast	
Operating revenue	263.0	267.2	261.9	268.8	264.8
Operating income	18.6	21.2	17.4	16.0	19.8
Net income	7.2	7.8	8.3	7.1	8.0
ROA (Return on asset)	1.3	1.4	1.5	1.2	1.4
ROE (Return on equity)	5.3	5.7	6.2	5.3	5.0
Interest-bearing debt	272.4	267.0	272.2	280.0	-
Interest-bearing debt / EBITDA	7.8	7.2	7.9	8.4	7.6
Equity Ratio	23.8	23.8	23.2	23.4	-
Capital investment	20.4	15.8	17.1	28.7	-

2. Response to “Jump 21”

Qualitative Targets

Expansion of business area
by opening Nakanoshima line

Growth strategy towards
the second century

To stout company quality

Current Status

- **Nakanoshima line will be opened on October 19, 2008.**
- **A condominium is being constructed as a measure to reactivate the Nakanoshima area. A complex facility is being planned.**

- **Keihan begins to walk toward the expansion and growth in retail and real estate, including promoting operation of superior business hotels.**

- **Continue to operate an efficient transportation business, check safety and security, and promote efficiency**
- **Effort to go for autonomous management**

3. Business Environment



(1) External business environment

Market	1. Aging society with a falling birthrate (Decrease in population in our domain area)
Customer	2. Diversification of life and consumption styles
Competition	3. Growing in competitiveness with other companies in each business

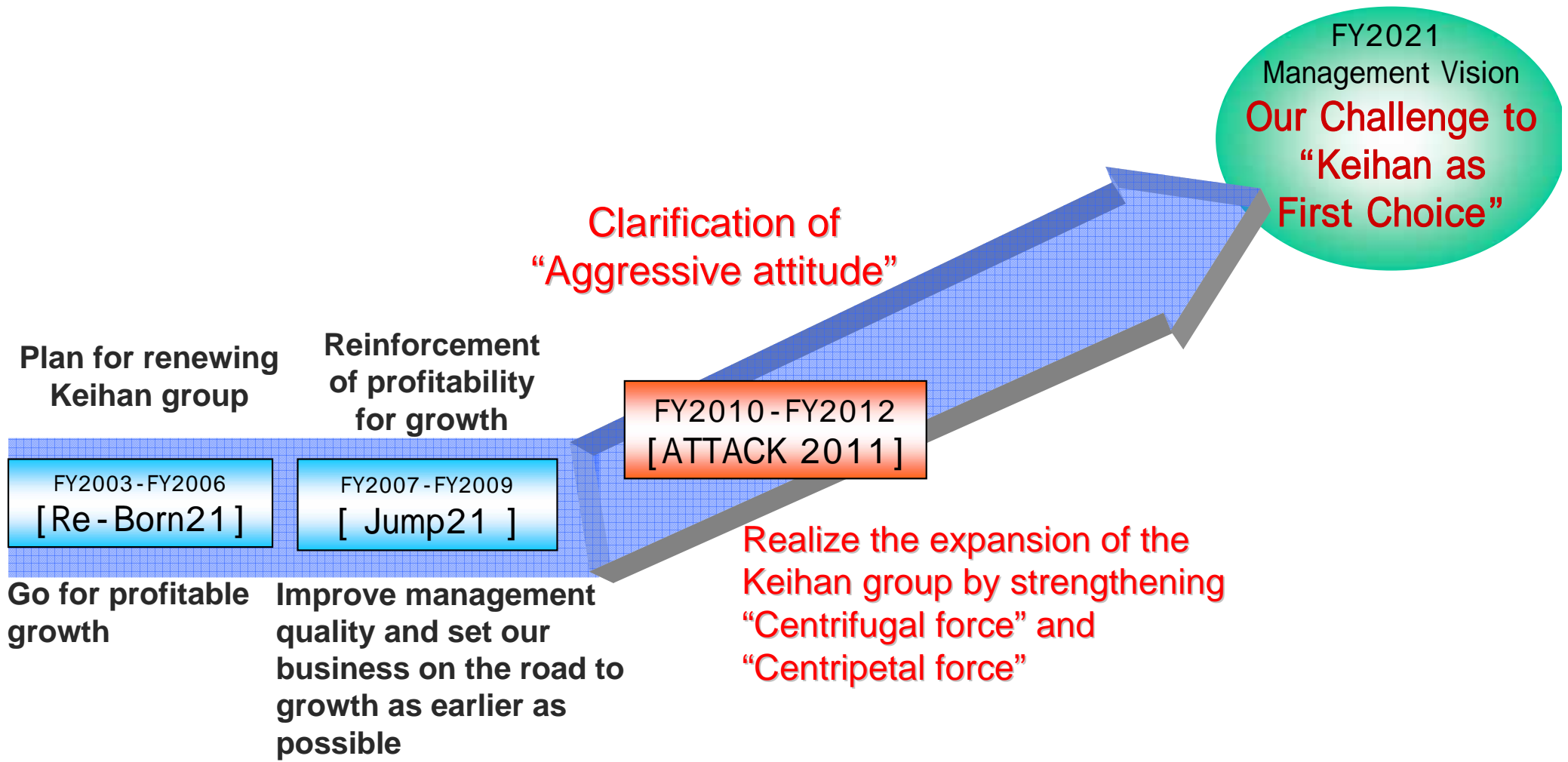
(2) Analysis of our management resources

Finance	1. Low level of earning ability (EBITDA, Profitability)
Business	2. (1) Sprouting of business expected to be new revenue base (2) Advantage of brand awareness in Kansai area
Personnel and human resources	3. Lack of autonomous human resources
Business management	4. Management system not suitable to respective business properties

4. Positioning of “ATTACK 2011”



Positioning of “ATTACK 2011” = Phase1 to Implement the Vision



5. Basic concept of “ATTACK 2011”



Realize Expansion of the Keihan Group

- (1) Strengthen the “Centrifugal Force” and “Centripetal Force”
- (2) Change the Business Structure Relying on the Transportation Business

6. Corporate Strategy



(1) Reinforcement of management with a pure holding company system

Plan to shift to a pure holding company system around 2010.

(2) Fortify competitiveness with autonomous management in respective business groups and maximize cash flow

- Concentrate our management resources on real estate leasing, retail, and hotels.
- Promptly respond to customers' changing favorites and life styles
- =Intensify sales ability from the customer viewpoint
- Establish the revenue base by affiliations and M&As

(3) Pursue group synergy by fortifying the group headquarters

- Pursue respective companies for profit-return by return on investment method
- Reorganize and integrate the business by efficient management

6. Corporate Strategy



(4) Area Strategy

◆ Improve the Keihan Area's Attractiveness

-Promote optimal strategy for target area by business combination and cooperation

Most important area: **Nakanoshima, Kyoto, and Kuzuha**

Value-improving measures are also promoted for Temmabashi, Kyobashi, Hirakata Park, and Korien as important area.

◆ Expand the Keihan area

Real estate : Promote short-term payback developments such as condominium sales

Retail : For retail business, enter areas for which logistics and buying-in network merits are available.

Property management business will also be expanded outside of our domain area, including acceptance of non-group properties.

Hotel : Enter areas suitable to superior business hotels expected to be largely in demand.

6. Corporate Strategy



Nakanoshima

Go for “Area activation by increasing the visiting population and inhabitant population”

-Promotion of town-developing in cooperation with other companies or governments



Such as: complex facility or condominium sales in Nakanoshima 4-chome

Cooperative development by Keihan and Obayashi in Nakanoshima -- Nakanoshima 4-chome --

Construction of complex high-rise building in front of Nakanoshima station in cooperation with Obayashi Corporation. Consisting of luxury hotels, offices, and commercial stores representing the internationality and culture of Nakanoshima. Also functions as a terminal building due to its connection to Nakanoshima station by subway.

Development area: 5,480m² (58,986 ft²)

Scheduled opening: FY 2013

Make this area a main street, forming an axial line from East to West in Osaka, by redeveloping offices and culture facilities in Nakanoshima eastern block and developing the western block.

6. Corporate Strategy

Kyoto

“Improving Keihan brand in Kyoto area
(= “Kyoto is Keihan, Keihan is Kyoto”)
Go for “Improving attractiveness of
the Kyoto area”



- Forming a traffic nodule and sightseeing base by developing the front of Sanjo station (KYOUEN and others)
- Effective utilization of Kyoto Tower facilities (such as renewal of commercial floors)
- Strengthening of sightseeing business centered on Rakuhoku, Higashiyama, and Arashiyama.
- Transmission of information on sightseeing route combining various factors such as “Move”, “Eat”, “Stay”, and “See”, and “Play”.



6. Corporate Strategy

Kuzuha

“Town-making continues to be selected”

Go for “Acquire the position of suburban model city in Kansai”



*Official land price (Announced in March, 2008)
Kuzuha Rose Town (Kuzuha-namiki 2-chome,
Hirakata city, Osaka)

**Ranked at the top for appreciation rate in
Osaka prefecture (residential area)**

Improve the Keihan Area’s Attractiveness

Value-improving measures also promoted for Temmabashi, Kyobashi, Hirakata Park, and Korien as important areas.

6. Corporate Strategy



(5) Brand Strategy

Fortify the sharing of the Keihan group brand concept

Every business works to improve Keihan brand value and exert the advantages of the comprehensive power of the Keihan group in promoting various businesses

Brand Concept

“Good Taste of Life: Care for other persons, and create pleasant “Town and Life” together”

Symbol mark



7-1. Business Strategy (Transportation)



- ◆ Configuration of an efficient system for transportation business with a view to the declining population
- ◆ Creating demand by activating our domain area and promoting the availability of the railway
- ◆ Increasing revenue by improving station value
- ◆ Activation by traffic network and sightseeing business

<Plan and Effect>

- ◆ Improvement of convenience by cooperation of railway, bus, and taxi
- ◆ Promotion of the utilization of the transportation through cooperation of companies along the line and the local government



7-2. Business Strategy (Real estate)



- ◆ Expansion and fortification of leasing business
- ◆ For sales business, continue to expand short-term payback development

<Plan and Effect>

- ◆ Promotion of urban planning centering in our domain area
- ◆ Increasing value of retained properties and most effective utilization of low-use and non-use lands
- ◆ Expansion of leased real estate portfolio
- ◆ Promotion of sales business to improve the value of our domain areas and expand the Keihan areas (such as Metropolitan area, Chubu area, and Kyushu)



*Weekly Diamond (Joint issue of August 11 and 18, 2007)

Best city having both safety and security

Ranked as No. 3 in Kinki area
Kyotanabe city, Kyoto (Keihan East Rose Town)

7-3. Business Strategy (Retail)



- ◆ Improve profitability by fortifying cost management
- ◆ Expand the sales scale -- Promoting multi-store operation and fortifying product ability --
- ◆ Expand and fortify the property management business

<Plan and Effect>

- ◆ Opening 2 to 3 supermarkets annually
- ◆ Keihan Department Suminodo Store (tentative name) is to be opened in Autumn 2010.
Dominant strategy by suburban department centering on the core store (Moriguchi)
(Expansion of area by planar expansion)
- ◆ Expansion of scale by promoting M&As
- ◆ Organizing the business structure to promote the property management business



Keihan Department Suminodo Store
(tentative name)

7-4. Business Strategy (Leisure and service)



- ◆ Expand superior business hotels and maximize profits
- ◆ Establish the “Hotel Keihan” brand

<Plan and Effect>

- ◆ Opening hotels in government-designated cities centering on metropolitan areas (hotel chains)
 - Opening 3 “Hotel Keihan” hotels in Sapporo, Asakusa, and another area.
 - Total: 10 hotels and 3,000 rooms.
 - Contributes to the profit maximization and promotion of Keihan brand throughout the nation
- ◆ Efficiency chain operation of hotels
- ◆ Effective utilization of Kyoto Tower facilities based on the area strategy



Hotel Keihan Asakusa
(tentative name)

7-5. Business Strategy (Card Strategy)



- ◆ Promote e-kenet card as the first and only card
- ◆ CRM promotion by utilizing customer information
- ◆ Promotion of prevailing PiTaPa

<Target for FY2012>

- ◆ Gross billing through e-kenet card: 83 billion yen
- ◆ Rate of PiTaPa membership in e-kenet card: 60%
- ◆ Credit members: 280,000
- ◆ Pushing the credit card business toward profitability and increasing revenue



Based on overwhelming prevalence rate in our domain, we will create a card more closely attached to customer life.

8. Numeric Targets



	FY2009 Forecast	FY 2012	vs. FY2009	VISION FY2021
Consolidated operating income	16 billion yen	25 billion yen	9 billion yen	50billion yen
Consolidated EBITDA	33.5 billion yen	45 billion yen	11.5 billion yen	-
ROA (Return on Assets)	2.8%	3.6%	0.8P	5.5%

Profitability targeted as a result of the vision

	FY2009 Forecast	FY 2012	vs. FY2009	VISION FY2021
Consolidated net income	7.1 billion yen	10 billion yen	2.9 billion yen	20 billion yen
ROE (Return on equity)	5.3%	6.6%	1.3P	7.5%
Interest-bearing debt / EBITDA	8.4Times	8.7 Times	(0.3Times)	-

“ATTACK 2011”

9. Forecast of Consolidated Business Results



(1) Company-wide

(Billions of yen)

	FY2009 Forecast	FY 2012	vs. FY2009	VISION FY2021
Operating revenue	268.8	316.5	47.7	500
Operating income	16.0	25.0	9.0	50
Ordinary income	11.5	17.0	5.5	33
Net income	7.1	10.0	2.9	20

(2) Segment

(Billions of yen)

	Operating revenue			Operating income or loss		
	FY2009 Forecast	FY 2012	vs. FY2009	FY2009 Forecast	FY 2012	vs. FY2009
Transportation	88.1	89.7	1.6	7.0	10.6	3.6
Real estate	36.0	46.6	10.6	7.0	9.8	2.8
Retail	109.2	142.6	33.4	1.2	2.3	1.1
Leisure and service	40.3	44.8	4.5	0.9	1.9	1.0
Others	10.7	11.6	0.9	(0.1)	0.5	0.6
Elimination	(15.5)	(18.8)	(3.3)	0	(0.1)	(0.1)
Total	268.8	316.5	47.7	16.0	25.0	9.0