

# First Half of FY2017 (Ended September 30, 2016) Financial Results Presentation

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November 9, 2016

Keihan Holdings Co., Ltd.

(Tokyo Stock Exchange 1st / Securities Code: 9045 [http:// www. keihan-holdings.co.jp/](http://www.keihan-holdings.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.



# **Overview of the First Half of FY2017**

## **Financial Results**



# Consolidated Statements of Income



Overview of the First Half of FY2017(year-on-year comparison)

◆ Both revenue and profits declined despite the strong passenger revenue of Keihan Electric Railway Co., Ltd. in the transportation business. The weaker revenue and profits were attributable to factors such as a decline in the number of units sold in the real estate business compared to the same term of the previous year, when a large condominium buildings was delivered.

(Millions of yen)

	1H FY2016 Results	1H FY2017 Results	Change	Main factors of changes	1H FY2017 (projections released in April)	Change
Operating revenue	143,269	141,157	-2,111 (-1.5%)	Refer to Segment Information.	140,300	857 (0.6%)
Operating income	18,075	17,316	-758 (-4.2%)		14,300	3,016 (21.1%)
Non-operating income	905	891	-13			
Non-operating expenses	2,760	1,904	-856			
Ordinary income	16,220	16,303	83 (0.5%)		13,100	3,203 (24.5%)
Extraordinary income	5,457	1,162	-4,295	Gain on bargain purchase -4,709		
Extraordinary losses	2,571	547	-2,023	Loss on step acquisition -2,119		
Profit attributable to owners of parent	13,356	12,046	-1,310 (-9.8%)		8,800	3,246 (36.9%)
Depreciation	8,498	8,861	363			
EBITDA	26,573	26,177	-395 (-1.5%)	※EBITDA: Operating income + Depreciation		

Number of consolidated subsidiaries: 41 (comparison with previous half term: — ), Number of equity method affiliates: 1 (comparison with previous half term: — )

# Segment Information

◆ Both revenue and profits grew for the transportation business and others, while the retail business recorded lower revenue and higher profits. Revenue and profits both declined for the real estate business and the leisure and service business.

(Millions of yen)

		1 H FY2016 Results	1H FY2017 Results	Change	Change (%)
Total operating revenue		143,269	141,157	-2,111	-1.5%
Total operating income		18,075	17,316	-758	-4.2%
Transportation	Operating revenue	46,937	47,356	418	0.9%
	Operating income	6,518	6,541	23	0.4%
Real estate	Operating revenue	38,805	37,391	-1,414	-3.6%
	Operating income	7,333	6,422	-911	-12.4%
Retail	Operating revenue	47,736	47,711	-24	-0.1%
	Operating income	1,057	1,058	1	0.1%
Leisure and service	Operating revenue	16,186	15,949	-237	-1.5%
	Operating income	3,146	2,935	-211	-6.7%
Others	Operating revenue	868	906	38	4.4%
	Operating income	4	67	63	—
Adjustments	Operating revenue	-7,265	-8,157	-892	—
	Operating income	14	291	276	—

※“Adjustments” represents elimination between inter-segment transactions and profit (loss) of the Company not allocated to any reportable segment.

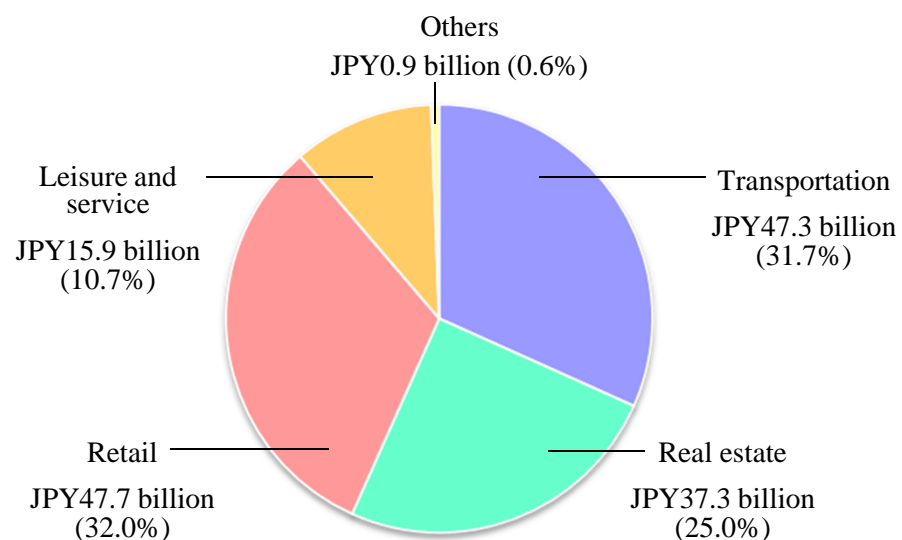
# Segment Information (Breakdown)



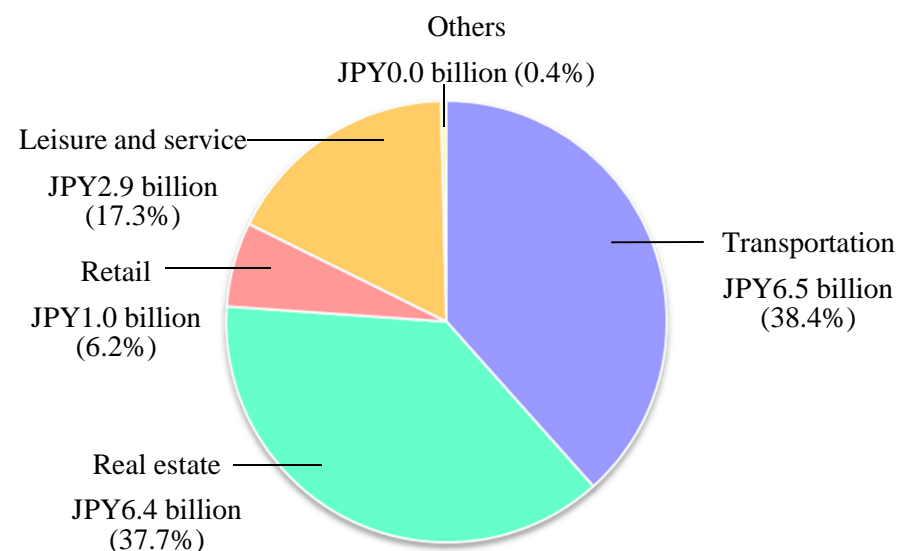
[Consolidated subsidiaries] 42 companies [Equity method affiliates] 1 company

Transportation	Keihan Electric Railway Co., Ltd., Keifuku Electric Railroad Co., Ltd., Keihan Bus Co., Ltd. and 13 other companies
Real estate	Keihan Holdings Co., Ltd., Keihan Dentetsu Real Estate Co. Ltd., Keihan Building Co., Ltd., Keihan Asset Management Co., Ltd. and 6 other companies
Retail	Keihan Department Stores Co., Ltd., Keihan The Store Co., Ltd., Keihan Ryutsu Systems Co., Ltd., Biomarket Co., Ltd. and 1 another company
Leisure and service	Hotel Keihan Co., Ltd., Kyoto Tower Co., Ltd., Kyoto Century Hotel Co., Ltd., Biwako Kisen Steamship Co., Ltd. and 6 other companies
Others	Keihan Card Co., Ltd.

<Operating revenue by segment>



<Operating income by segment>



Note: Breakdown of operating revenue and operating income by segment, including intersegment transactions.

# Segment Information (Transportation)



◆ Railway business

Revenue grew thanks to the strong passenger revenue of Keihan Electric Railway helped by factors such as an increase in the number of tourists to the Kyoto area. However, profits declined due to factors such as an increase in repair expenses.

◆ Bus business

Revenue shrank due to reductions in income from chartered buses and regular sightseeing bus services resulting from business downsizing. However, profits grew thanks to factors such as falls in fuel, oil and fat expenses.

(Millions of yen)

	Operating revenue				Operating income			
	1 H FY2016 Results	1H FY2017 Results	Change	Change (%)	1 H FY2016 Results	1H FY2017 Results	Change	Change (%)
Railway	38,597	38,914	316	0.8%	5,619	5,588	-31	-0.6%
Bus	13,507	13,486	-20	-0.2%	880	938	57	6.6%
Elimination	-5,167	-5,045	122	—	17	14	-2	—
Transportation total	46,937	47,356	418	0.9%	6,518	6,541	23	0.4%

<< Operating results for transportation (Keihan Electric Railway) >>

	Number of passengers (Thousands of people)				Passenger transportation revenue (Millions of yen)			
	1 H FY2016 Results	1H FY2017 Results	Change	Change (%)	1 H FY2016 Results	1H FY2017 Results	Change	Change (%)
Non-commuter passes	74,252	75,294	1,042	1.4	17,183	17,387	204	1.2
Commuter passes	71,377	72,126	748	1.0	8,201	8,288	86	1.1
Total	145,630	147,421	1,791	1.2	25,384	25,675	291	1.1

\* Major factors affecting passenger revenue (estimates)

Increase in the number of tourists to the Kyoto area (+JPY147 million); increase in the number of passengers using Hirakatashi Station (+JPY79 million); increase in the number of passengers using the Nakanoshima Line (+JPY40 million)

# Segment Information (Real Estate)



◆ Real estate sales business

Despite the sale of *The Kyoto Residence Okazaki*, *The Osaka Residence Bingomachi*, *The Residence Higashi-Mikuni* and other apartment units, the number of units sold shrank compared to the high number recorded in the same term of the previous year when *The Kyoto Residence Shijo-Kawaramachi* was sold. As a result, both revenue and profits declined.

◆ Real estate leasing business

Both revenue and profits grew thanks to factors such as the full-year contribution of Keihan Building, which became a consolidated subsidiary in the same term of the previous year, and the opening of Keihan Yodo Logistics Yard.

◆ Other businesses

Revenue and profits both increased, helped by factors such as the establishment of Keihan Private REIT, Inc. by Keihan Asset Management and the commencement of its operations.

(Millions of yen)

	Operating revenue				Operating income			
	1 H FY2016 Results	1H FY2017 Results	Change	Change (%)	1 H FY2016 Results	1H FY2017 Results	Change	Change (%)
Real estate	32,315	31,306	-1,009	-3.1%	7,569	6,662	-906	-12.0%
Real estate sales	22,347	19,053	-3,293	-14.7%	3,097	1,568	-1,528	-49.3%
Real estate leasing service	8,607	10,395	1,787	20.8%	4,364	4,784	419	9.6%
Other businesses	1,360	1,857	496	36.5%	107	309	201	187.1%
Construction	8,049	8,124	75	0.9%	-322	-249	73	—
Elimination	-1,559	-2,039	-480	—	86	8	-77	—
Real estate total	38,805	37,391	-1,414	-3.6%	7,333	6,422	-911	-12.4%

# Segment Information (Retail)

◆ Department stores

Revenue shrank due to factors such as the opening of a competitor in the neighborhood and poor sales of daily food items and women's clothing. However, the amount of operating loss was reduced due to lower expenses resulting from cost-saving efforts.

◆ Stores

Revenue grew thanks to the impact of the opening of a new Shin Naniwa Daishokudo food hall and the opening of the SWEETS BOX Seibu Ikebukuro Store. However, profits declined due to factors such as expenses incurred for the opening of new stores.

◆ Shopping mall management

Both revenue and profits increased as a reaction to the closing of the Hirakata Station Mall in the same term of the previous year due to renovations.

(Millions of yen)

	Operating revenue				Operating income			
	1 H FY2016 Results	1H FY2017 Results	Change	Change (%)	1 H FY2016 Results	1H FY2017 Results	Change	Change (%)
Department store	23,771	23,295	-475	-2.0%	-285	-242	43	—
Store	13,730	14,386	655	4.8%	559	440	-118	-21.3%
Shopping mall management	6,850	6,896	45	0.7%	725	856	130	18.0%
Others	4,674	4,548	-125	-2.7%	86	28	-58	-67.0%
Elimination	-1,290	-1,414	-124	—	-29	-25	3	—
Retail total	47,736	47,711	-24	-0.1%	1,057	1,058	1	0.1%

<<Department Stores: Sales by store>>

(Millions of yen)

	Moriguchi Store	Hirakata Store	Kyobashi Store	Kuzuha Store	Suminodo Store
1H FY2017 Results	9,947	3,163	3,297	4,426	2,162
1 H FY2016 Results	10,769	2,051	3,390	4,901	2,386
Change	-822	1,112	-92	-475	-224

\* Some of the shops in the Hirakata Store were closed in the same term of the previous year due to renovations.

# Segment Information (Leisure & Service)



## ◆ Hotel business

Some hotels, including Kyoto Century Hotel and Hotel Keihan Kyoto, underwent renovation, which improved guest rooms and had a positive impact. Overall, however, both revenue and profits decreased due to the large impact of the closure of Kyoto Dai-ni Tower Hotel.

\* Kyoto Tower, Biwako Hotel and Kyoto Century Hotel were merged on October 1, 2016, and renamed as Keihan Hotels & Resorts.

(Millions of yen)

	Operating revenue				Operating income			
	1 H FY2016 Results	1H FY2017 Results	Change	Change (%)	1 H FY2016 Results	1H FY2017 Results	Change	Change (%)
Hotel	13,935	13,756	-178	-1.3%	2,913	2,685	-227	-7.8%
Leisure	2,358	2,283	-75	-3.2%	336	295	-41	-12.3%
Elimination	-107	-90	17	—	-103	-45	57	—
Leisure & Service total	16,186	15,949	-237	-1.5%	3,146	2,935	-211	-6.7%

## << Hotel occupancy rates >>

	Hotel Keihan						
	Temmabashi	Kyoto	Universal Tower	Universal City	Kyobashi	Sapporo	Asakusa
1H FY2017 Results	96.0%	96.8%	93.0%	95.3%	97.5%	97.6%	96.9%
1 H FY2016 Results	85.9%	98.2%	96.7%	98.2%	97.4%	94.9%	96.7%
Change	10.1pt	-1.4pt	-3.7pt	-2.9pt	0.1pt	2.7pt	0.2pt
(Reference) Number of rooms	315	312	641	330	214	200	178

	Biwako Hotel	Kyoto Tower			Kyoto Century Hotel
		Kyoto Tower Hotel	Kyoto Dai-ni Tower Hotel	Kyoto Tower Hotel Annex	
1H FY2017 Results	80.8%	97.4%	—%	98.1%	94.3%
1 H FY2016 Results	91.7%	96.2%	98.0%	98.3%	74.9%
Change	-10.9pt	1.2pt	—pt	-0.2pt	19.4pt
(Reference) Number of rooms	171	162	—	122	219

\* Biwako Hotel and Hotel Keihan Universal Tower renovated their guest rooms. Kyoto Dai-ni Tower Hotel was closed as of January 12, 2016.

# Consolidated Balance Sheets



(Millions of yen)

		FY2016 Results	1H FY2017 Results	Change	Main factors of changes
	Current assets	168,510	156,685	-11,824	Cash and deposit -10,090 Notes and accounts receivable -5,246 Land and buildings for sale +5,842
	Non-current assets	501,822	509,561	7,738	Property, plant and equipment +1,748 Deferred tax assets +5,025
Total assets		670,333	666,247	-4,085	
	Current liabilities	152,337	127,476	-24,860	Current portion of bonds -10,128 Accounts payable -9,448
	Long-term liabilities	326,204	344,011	17,806	Bonds +9,967 Deferred tax liabilities +3,544
Total liabilities		478,542	471,488	-7,054	
Net assets		191,790	194,759	2,968	Retained earnings +10,420 Treasury shares -4,365 * Equity capital ratio 28.8% (+0.6pt)
Total liabilities and net assets		670,333	666,247	-4,085	
Interest-bearing debt at end of fiscal period		325,714	321,042	-4,671	Short-term bonds -3,500 Loans payable -1,010 Bonds -160

\* Interest-bearing debt: Loans payable + bonds + short-term bonds

# Consolidated Statements of Cash Flows



(Millions of yen)

	1 H FY2016 Results	1H FY2017 Results	Change	Main factors of changes
Operating cash flows	10,990	10,717	-273	Decrease in notes and accounts receivable-trade -6,900 Decrease in other current liabilities +5,932
Investing cash flows	-9,583	-13,831	-4,248	Increase in expenses due to purchase of non-current assets -3,322
Financing cash flows	-12,028	-11,325	703	Decrease in expenses due to repayment of interest-bearing liabilities +4,936 Increase in expenses due to purchase of treasury shares -4,335
Net increase (decrease) in cash and cash equivalents	-10,621	-14,439	-3,818	
Cash and cash equivalents at beginning of interim period	26,552	29,372	2,820	
Increase in cash and cash equivalents from merger with non-consolidated subsidiary	4	—	-4	
Cash and cash equivalents at end of interim period	15,935	14,933	-1,002	



# FY2017 Forecasts



# Consolidated Statement of Income (Performance Forecast)



Overview of full-year performance forecasts for FY 2017 (compared with the forecasts released in April 2016)

- ◆ The retail business is projected to have weak results, including poor results anticipated for department stores. On the other hand, the real estate business is expected to sell a larger number of apartment units than initially projected. In addition, the transportation business is projected to have steady results. As a result, performance forecasts are revised upward from the forecasts released in April.
- ◆ Operating revenue and profit attributable to owners of parent are expected to be the second highest level following the FY ended in March 2016.

(Millions of yen)

	FY2017 full-year forecasts released in April	New FY2017 full-year forecasts	Change	Change (%)	FY2016 Results	Change	Change (%)
Operating revenue	299,500	300,000	500	0.2%	300,188	-188	-0.1%
Operating income	26,600	29,300	2,700	10.2%	31,524	-2,224	-7.1%
Ordinary income	24,500	27,400	2,900	11.8%	28,461	-1,061	-3.7%
Profit attributable to owners of parent	16,500	20,000	3,500	21.2%	22,385	-2,385	-10.7%
Capital expenditure	46,600	45,300	-1,300	-2.8%	31,398	13,901	44.3%
Depreciation	18,400	18,300	-100	-0.5%	17,571	728	4.1%
EBITDA	45,000	47,600	2,600	5.8%	49,095	-1,495	-3.0%
Interest-bearing debt	354,000	334,100	-19,900	-5.6%	325,714	8,385	2.6%
Interest-bearing debt/EBITDA multiple (Times)	7.87	7.02	-0.85	—	6.63	0.39	—
Net interest-bearing debt/EBITDA multiple (Times)	7.31	6.70	-0.61	—	6.12	0.58	—

# Segment Information (Performance Forecasts)



## ■ Operating Revenue/Operating Income

(Millions of yen)

	FY2017 full-year forecasts released in April	New FY2017 full-year forecasts	Change	Main factors of changes	FY2016 Results	Change
Total operating revenue	299,500	300,000	500		300,188	-188
Total operating income	26,600	29,300	2,700		31,524	-2,224

Transportation	Operating revenue	93,400	93,900	500	<ul style="list-style-type: none"> <li>• Increase in maintenance orders received for buses and trucks in the bus business</li> <li>• Fall in power expenses in the railway business</li> </ul>	93,562	337
	Operating income	7,600	8,500	900		10,193	-1,693
Real estate	Operating revenue	85,000	90,300	5,300	<ul style="list-style-type: none"> <li>• Increase in the number of apartment units sold in the real estate sales business</li> </ul>	89,033	1,266
	Operating income	12,400	13,700	1,300		13,882	-182
Retail	Operating revenue	105,100	99,800	-5,300	<ul style="list-style-type: none"> <li>• Weak sales of daily food items and women's clothing items in department stores</li> </ul>	98,875	924
	Operating income	3,200	2,800	-400		2,826	-26
Leisure and service	Operating revenue	30,800	30,600	-200	<ul style="list-style-type: none"> <li>• Poor performance of two Universal hotels in the hotel business</li> <li>• Decrease in expenses due to cost-saving efforts</li> </ul>	31,813	-1,213
	Operating income	3,800	4,300	500		4,599	-299
Others	Operating revenue	1,800	1,800	—		1,755	44
	Operating income	0	0	—		-12	12
Adjustments	Operating revenue	-16,600	-16,400	200		-14,852	-1,547
	Operating income	-400	0	400		34	-34

※“Adjustments” represents elimination between inter-segment transactions and profit (loss) of the Company not allocated to any reportable segment.

# Segment Information (Performance Forecasts)



## ■ Capital Expenditure

(Millions of yen)

	FY2017 full-year forecasts released in April	New FY2017 full-year forecasts	Change	FY2016 Results	Change
Transportation	13,700	16,600	2,900	12,749	3,850
Real estate	5,200	9,700	4,500	13,392	-3,692
Retail	3,400	3,100	-300	1,609	1,490
Leisure and service	2,200	2,200	—	3,924	-1,724
Others	0	0	—	120	-120
Administration of entire company and others	22,100	13,700	-8,400	—	13,700
Elimination	—	—	—	-398	398
Total capital expenditure	46,600	45,300	-1,300	31,398	13,901

## ■ EBITDA

(Millions of yen)

	FY2017 full-year forecasts released in April	New FY2017 full-year forecasts	Change	FY2016 Results	Change
Transportation	18,400	19,400	1,000	20,982	-1,582
Real estate	17,100	18,500	1,400	18,216	283
Retail	4,600	4,100	-500	4,111	-11
Leisure and service	5,100	5,400	300	5,745	-345
Others	0	0	—	5	-5
Adjustments	-200	200	400	34	165
Total EBITDA	45,000	47,600	2,600	49,095	-1,495

※“Adjustments” represents elimination between inter-segment transactions and profit (loss) of the Company not allocated to any reportable segment.

# Operating Results for Transportation (Performance Forecasts)



<< Forecast of operating results for transportation (Keihan Electric Railway) >>

## ■ Number of passengers

	FY2017 full-year forecasts released in April	New FY2017 full-year forecasts	Change	Change (%)	FY2016 Results	Change	Change (%)
	(Thousands of people)	(Thousands of people)	(Thousands of people)	%	(Thousands of people)	(Thousands of people)	%
Non-commuter passes	149,758	150,039	281	0.2	149,616	422	0.3
Commuter passes	140,754	139,981	-773	-0.5	138,757	1,223	0.9
Total	290,512	290,020	-492	-0.2	288,374	1,645	0.6

## ■ Passenger transportation revenue

	FY2017 full-year forecasts released in April	New FY2017 full-year forecasts	Change	Change (%)	FY2016 Results	Change	Change (%)
	(Millions of yen)	(Millions of yen)	(Millions of yen)	%	(Millions of yen)	(Millions of yen)	%
Non-commuter passes	34,654	34,728	74	0.2	34,615	112	0.3
Commuter passes	16,321	16,272	-49	-0.3	16,115	156	1.0
Total	50,975	51,000	25	0.0	50,731	268	0.5

## TOPICS

# Progress Status of Keihan Group's Medium-Term Management Plan “Bravely Pursuing Creation”

# Keihan Group's Medium-Term Management Plan (FY2016 – FY2018)



## Basic Policy

Keihan Group's Determination to Take on  
Challenges at the “Second Foundation Stage”  
– Bravely Pursuing Creation –

### Main Strategies

- ◆ Achieve new growth through the creation of sightseeing opportunities
- ◆ Revitalize the areas along the Keihan Railway lines—efforts to redesign the areas along the Keihan Railway lines
- ◆ Create contents to enhance the “value of living”
- ◆ Establish a “steadfast group management” style
  - Transition to a holding company system (April 1, 2016)

### Strengthen the Management Foundation

- ◆ Continuous measures to revitalize railway transportation toward regaining the glory of railway transportation
- ◆ Real estate business as the engine of the group's growth
- ◆ Retail business to enhance the value of “community” and “living”
- ◆ Hotel and leisure businesses to create sightseeing opportunities

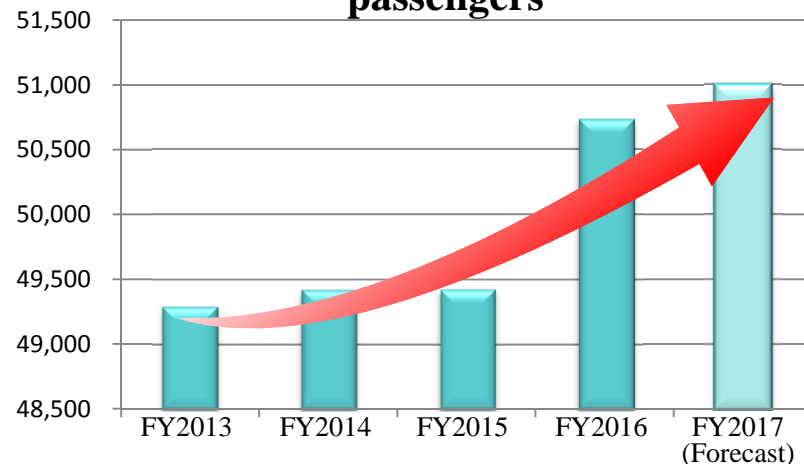
# Impact of Inbound Travelers and Measures to Capture Business Opportunities (1)



## ◆ Transportation

### ■ Keihan Electric Railway: Projected to increase revenue for the fourth consecutive term

(Millions of yen) **Proceeds from transporting passengers**



- Major factors

- Increase in the number of tourists to the Kyoto area
- Increase in the number of passengers using Fushimi-Inari Station (Increase in the number of visitors to Fushimi Inari Taisha Shrine)

### Sales of special tickets



Sales of the *Kyoto-Osaka Sightseeing Pass* and the *Kyoto Sightseeing Pass*, which were launched in August 2015, are increasing. We will launch an Osaka Municipal Transportation Bureau version of special pass on October 1, which can also be used for the Keihan area.

### ■ Eizan Electric Railway Co., Ltd.

- Proceeds from transporting passengers: up 13.8%. (For 1H FY2017 compared to 1H FY2013)

### ■ Keifuku Electric Railroad Co., Ltd.

- Proceeds from transporting passengers: up 7.8%. (For 1H FY2017 compared to 1H FY2013)

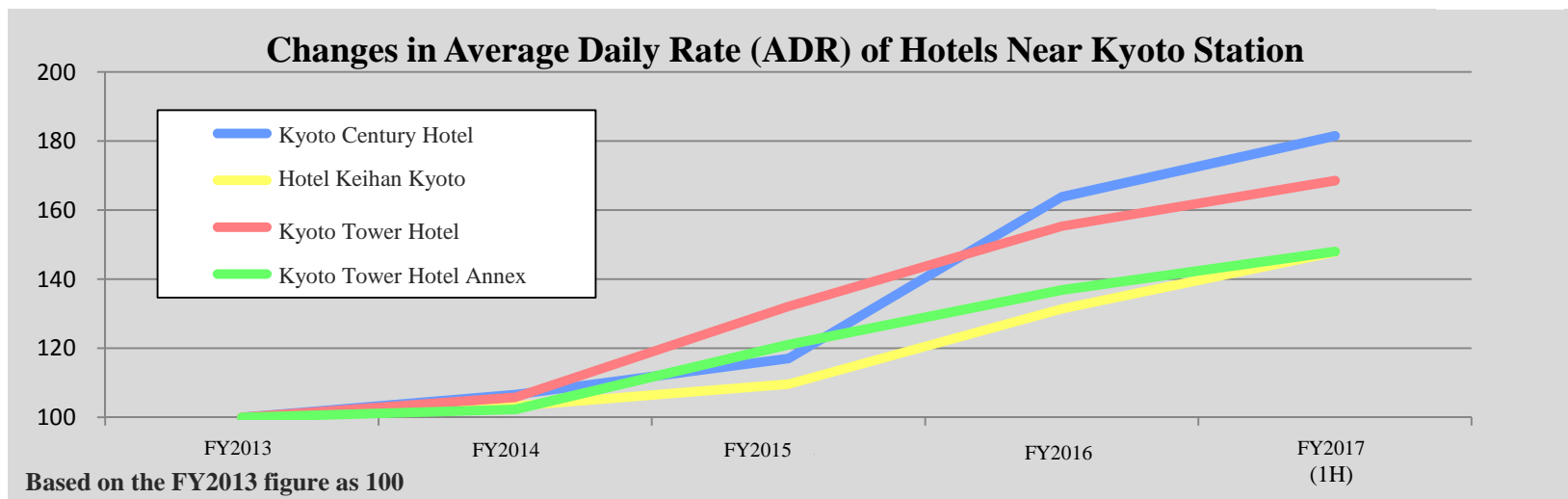
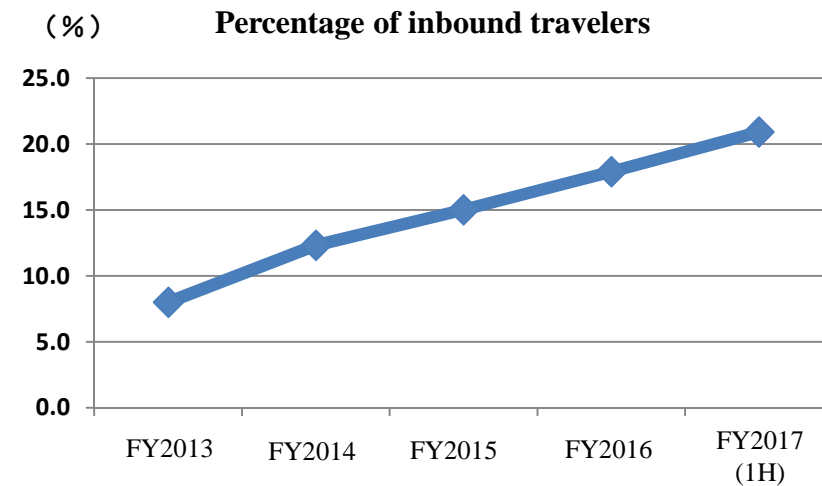
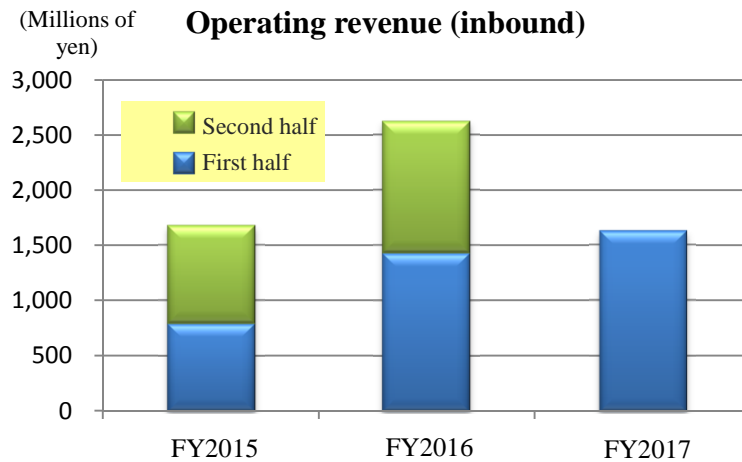
## ◆ Overseas Promotion

- Seven member companies of the Keihan Group participated in the *VISIT JAPAN EAST ASIA Travel Mart 2016* (from June 21 to 22, 2016), organized by the Japan National Tourism Organization (JNTO) and sponsored by the Japan Tourism Agency.
- Seven member companies of the Keihan Group participated in the *ALL KANSAI Business Meeting* in Taiwan (Kaohsiung, Taichung, and Taipei) (September 6 to 10, 2016), organized by the Foundation for Kansai Region Promotion and sponsored by the Kinki District Transport Bureau.
- In addition to Taiwan, we are considering extending our promotion activities to China, Thailand, Hong Kong, Singapore and other countries from which many people already visit Japan.

# Impact of Inbound Travelers and Measures to Capture Business Opportunities (2)



## ◆ Hotel Business



# Main Strategy: Achieve new growth through the creation of sightseeing opportunities



**Priority project: Promote the development of the area in front of Kyoto Station as the global base for tourism**

## ① Project to open a new hotel in the area in front of Kyoto Station

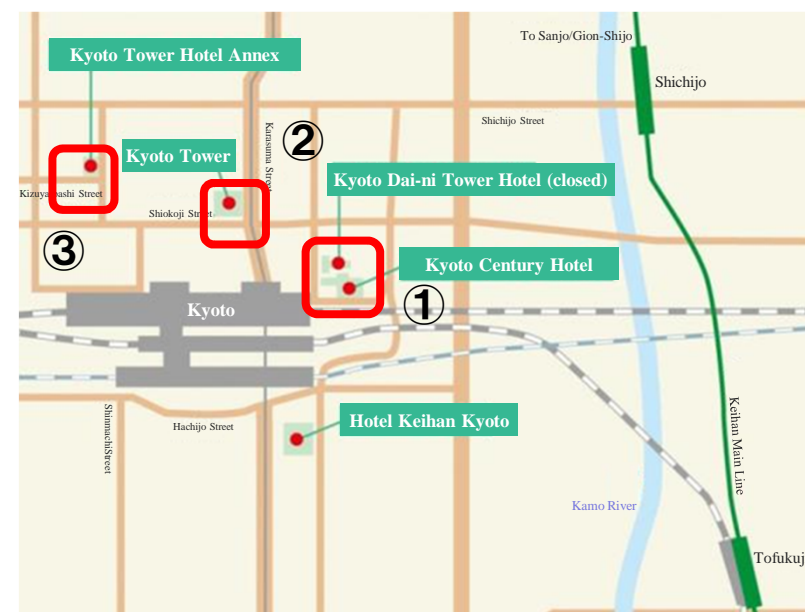
- Plan to develop the Keihan Group's flagship hotel to cater to the global market
- Working on the project for the scheduled opening in 2018

## ② Upgrade the Kyoto Tower Building commercial facility

- Developing a merchandising concept (MD concept) to create a commercial facility to serve as the gateway to Kyoto

## ③ Full renovation of Kyoto Tower Hotel Annex

- Full renovation for the scheduled opening in 2017 in order to ensure competitive advantages
- Number of guest rooms: 126 (before renovation: 123)



## ◆ Establishment of Keihan Hotels & Resorts

- Kyoto Tower Co., Ltd., Biwako Hotel Co., Ltd. and Kyoto Century Hotel Co., Ltd. were merged and renamed.
- In addition to strengthening the management basis and brand power, we will upgrade our operations through the concentration of know-how and human resources to further increase our revenue and enhance the business management functions.
- We will promote the above priority measures, including a project to open a new hotel in the area in front of Kyoto Station.

# Main Strategy: Revitalize the areas along the Keihan Railway lines—efforts to redesign the areas along Keihan Railway lines



## Priority project: Redevelop Hirakatashi Station and its surrounding

With a focus on improving the “value of living” in the areas along the Keihan Railway lines centered on Stations, we will redesign and revitalize the areas by implementing a strategy that integrates hardware and software.

As the priority project, we will revitalize Hirakatashi Station, which is the largest station between Kyoto and Osaka, and make it a station capable of serving as the gateway to a core city. In addition, we will actively make proposals on and participate in the scheduled redevelopment of the areas surrounding the station.



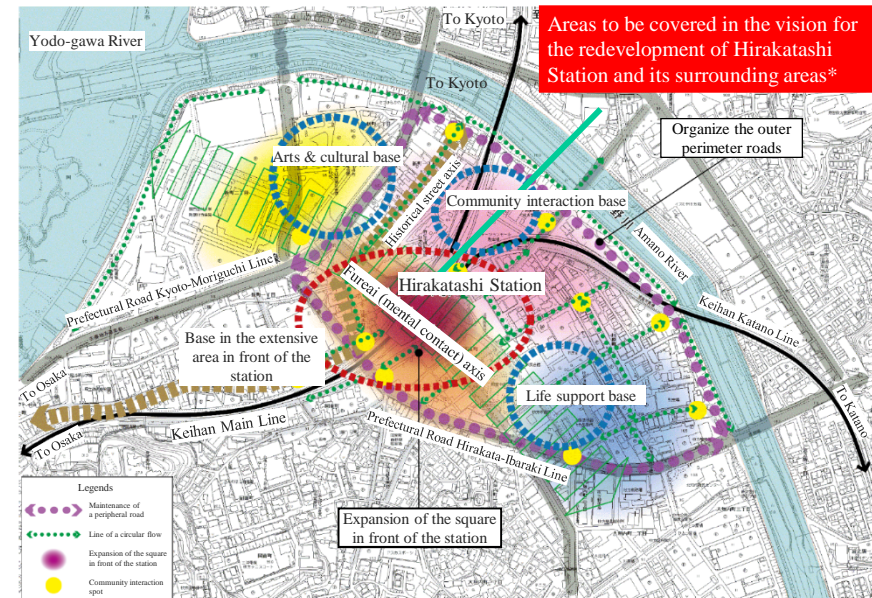
## ◆ Link with the redevelopment plan of the areas surrounding the station promoted by Hirakata City

Participation in the Hirakatashi Station area revitalization council

- To create a sustainable town and nurture civic pride, Keihan Holdings Co., Ltd., Kita-Osaka Chamber of Commerce and Industry, Hirakata City, Kansai Medical University, Hirakata Shinkin Bank and SO-TWO Inc. established the Hirakatashi Station area revitalization council for the purpose of introducing area management based on collaboration among industry, academia, the public sector and the private sector.

Conclusion of an agreement on mutual cooperation for prompt implementation of the redevelopment of the areas around Hirakatashi Station

- Keihan Holdings Co., Ltd., Hirakata City and SO-TWO Inc. signed an agreement for the prompt implementation of the redevelopment of the areas around Hirakata Station based on tripartite collaboration.



\* Vision for the redevelopment of the areas around Hirakatashi Station (prepared by Hirakata City in March 2013)

# Main Strategy: Create contents to enhance the “value of living”



## Priority project: Create contents under the theme “BIOSTYLE”

### ◆ Develop a commercial complex in Shijo-Kawaramachi, Kyoto

**A hub to advocate a new lifestyle, BIOSTYLE, proposed by the Keihan Group**

- Address: Inaricho (Kawaramachi-dori Shijo Sagaru), Shimogyo-ku, Kyoto City  
Scheduled to open: Spring 2019

Building size: 9 above-ground floors; total floor area of 27,337 square meters



1st to 2nd floors: Eat Zone (e.g., *marché*, restaurants)

3rd floor: Care Zone (e.g., spa, cosmetics)

4th to 9th floors: Stay Zone (hotel)

Number of guest rooms: about 170

Stay Zone

BIO Garden & lobby floor (image)

### ■ BIOSTYLE business concept

**Propose a pleasant lifestyle that enriches the body and soul of customers with nature’s gifts and human warmth**

- Aim to support customers’ lives for a long time with a focus on “things that are good for the body” and “things that show the heart of producers and makers”



Area map of scheduled site



Facility exterior (image)

# Improve Business Quality and Promote the Development of New Business Categories



Enhance the design function to express in concrete shapes the value that customers seek

## ◆ Purchase cafe co. shares

**Aim to improve the quality of the Keihan Group's services and create new value by utilizing designs in business management.**

- Utilize the company's design abilities in various projects promoted by the Keihan Group, and offer superior customer experience (customer experience value) in terms of both hardware and software.
- Diversify the source of profits that underscore sustainable growth by adding the company's unique food services as new contents, and accelerate the development of new business categories and business development by combining their resources with the Keihan Group's management resources.

### Overview of cafe co.

- Business: Design business and food services
- Representative: Yoshiyuki Morii  
Specializes in interior designs for cafés, restaurants, hotels, offices and clinics. Has also designed apartment units, commercial complexes and other buildings in recent years.
- Shops: 15 directly operated shops  
TABLES Coffee Bakery & Diner (Minami-Horie, Osaka), grenier 36 (Temmabashi, Osaka), shuhari dolce (Kawaramachi, Kyoto), TRITON CAFE (Kobe, Hyogo), PARK SIDE TABLES (Kioicho, Tokyo), and others



NEMU GOLF CLUB  
(Club house/interior design/Shima, Mie)



TABLES Coffee Bakery&Diner  
(Directly operated cafe in Minami-Horie, Osaka)

# Strengthen the Management Foundation

## Continuous measures to revitalize railway transportation toward regaining the glory of railway transportation

### ◆ Premium Cars: limited express carriages with reserved seats

Scheduled to introduce special carriages with reserved seats for 8000 Keihan limited express trains

- Guaranteed seats—great for commuting and sightseeing  
Offer a service that is one level higher in a high-quality moving space
- Investment amount: Approximately JPY1.6 billion  
Timing of introduction: First half-term of FY2018  
Renovate one carriage (sixth car) in a 10-carriage train



Interior image



Exterior image

### ◆ Efforts to improve customer satisfaction (CS)

**[Create an Information Center in Gion-Shijo Station (April)]**  
Cater to the needs of domestic and overseas travelers



- In addition to the areas around Gion-Shijo Station, the Information Center will provide sightseeing information on Kyoto, Osaka, and Shiga centered on the areas along the Keihan railway lines to promote use of the railways.

**[Open courier-service lockers—Kansai's first in-station lockers for courier services (August)]**



- Launch the service at Moriguchishi Station, Neyagawashi Station, Hirakatashi Station and Kuzuha Station. Plan to extend the service to further stations in the future.
- Available for parcels delivered by Yamato Transport Co., Ltd. Plan to accept deliveries from other courier companies in the future.

# Strengthen the Management Foundation

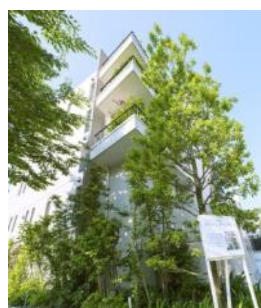
## Real estate business as the engine of the group's growth

### ◆ Main condominiums to be sold in the term ended March 31, 2017 and thereafter

Property name, location, number of units for sale	Scheduled to be posted in	Property name, location, number of units for sale	Scheduled to be posted in
Fine City Sapporo, The Tower Odori Park Chuo-ku, Sapporo City; 116 units	March 2017	Fine City Oji-Kamiya River & Forest Adachi-ku, Tokyo; 319 units	March 2018
The Osaka Residence Umeda-Ogimachi Park Kita-ku, Osaka City; 69 units	March 2017	Fine City Yokohama Egasaki RENAI* Tsurumi-ku, Yokohama City; 338 units*	March 2018
Fine Centreo City Naniwa-ku, Osaka City; 142 units	March 2017	Fine City HIRAKATA Hirakata City, Osaka; 203 units	March 2018
The Kyoto Residence Gosho-Minami* Nakagyo-ku, Kyoto City; 43 units*	March 2017	Fine City SENRI TSUKUMODAI* Suita City, Osaka; 250 units*	March 2018
Fine City Koshien* Nishinomiya City, Hyogo Prefecture; 145 units*	March 2017	The Fine Tower UMEDA TOYOSAKI* Kita-ku, Osaka City; 312 units*	March 2019
Fine Residence AOBADAI Yokohama City, Kanagawa Prefecture; 22 units	March 2017	Kitahama Mid Tower* Chuo-ku, Osaka City; 311 units*	March 2019
Fine City Higashi-Matsudo Mall & Residence* Matsudo City, Chiba Prefecture; 382 units*	March 2018		

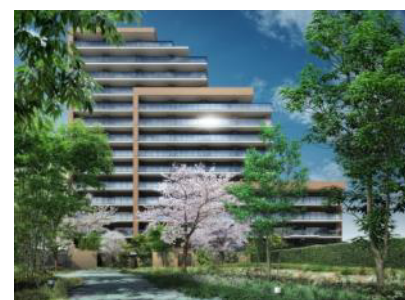
\* Joint project; the number of units is the total number of units.

The number of units and the timing of posting of the above properties may change.



 **GOOD DESIGN AWARD**

Fine Residence AOBADAI



Fine City HIRAKATA

# Strengthen the Management Foundation

## Real estate business as the engine of the group's growth

### ◆ Established and started operating Keihan Private REIT Inc., the first private REIT affiliated with a railway company

Aim to expand the cyclical real estate business (investment → retention → sales → re-investment) to match the development of properties within and outside the Keihan railway line areas in order to maximize the Group's corporate value and increase its fee businesses, such as the asset management business and the property management business, which arise from the REIT.

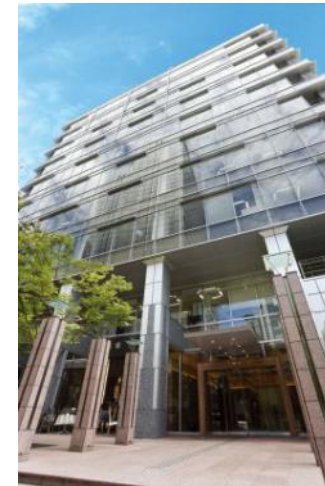
- Established: April 6, 2016
- Started operation: June 30, 2016
- Assets under management (at the start of operations): Approximately JPY22.6 billion
- Investment targets: Office buildings, commercial facilities, residential facilities, hotels, physical distribution facilities, ownership of land under a leasehold interest, and others



INTAGE Akihabara Bldg.



Mikami Building



Keihan Dojima Building

# Strengthen the Management Foundation

## Retail business to enhance the value of “community” and “living”

### ◆ Keihan Mall Upgrade Plan

- A shopping mall directly linked to Kyobashi Station, the largest terminal of the Keihan Electric Railway lines  
No. 1 in number of users (approximately 170,000 users per day (2015))  
\* Combined with the JR and Osaka Municipal Subway lines, approximately 470,000 people use Kyobashi Station.
- An upgrade to create a “shopping mall that can satisfy customers who spend only 30 minutes there” as distinct from the Kita and Minami districts, and to build an attractive facility that offers new items and events each time customers visit.
- To be operated as one with the neighboring “K Buratto” and “KiKi Kyobashi.”
- Scheduled to open in mid-March 2017 / Number of shops in three buildings: approximately 170



### ◆ Plan to open a new supermarket store, “FREST Nagao Store” (provisional name)

- Open a new supermarket store in an area with many families and a growing population. This is the second FREST store—following the FREST Matsui-Yamate store—to be opened in an area outside the areas along the Keihan railway lines. We will endeavor to expand the supermarket chain in the areas along the Keihan railway lines as well as their surrounding areas.
- Address: Nagao-motomachi 2-chome, Hirakata City, Osaka  
(\*Five minutes on foot from JR Gakken Toshi Line Nagao Station)
- Scheduled to open: March 2017



# Strengthen the Management Foundation

## Retail business to enhance the value of “community” and “living”

### ◆ Further improve the quality of in-station shopping business

#### [Upgrade of Keihan Temmabashi Panante, a commercial facility within Keihan Temmabashi Station]

- Open new restaurants with a focus on taste and cost performance. Panante is intended as a commercial facility that entices business people working nearby, tourists and residents to visit in the morning, daytime and nighttime.
- Scheduled to open: Mid-March 2017  
Shop floor area: approximately 1,300 square meters  
Number of shops: 18

#### [Shops in Gion-Shijo Station]

- an3 Gion-Shijo Store/Sizuya (July 4)
- SWEETS BOX Gion-Shijo Store (July 6)
- Starbucks Coffee (August 5)

### ◆ Other new openings and renewals

- [MUJI com] Opening of Namba Walk Store (May 27)
- [FREEST] Upgrade of Neyagawa Store (October 28)
- [an3] Upgrade of Korien Store (November 8)



Shops in Gion-Shijo Station

# Strengthen the Management Foundation

## Hotel and leisure businesses to create sightseeing opportunities

### ◆ Upgrade of Biwako Hotel

#### ■ Guest rooms (Deluxe Floor Lumina)

- In the last fiscal year, guest rooms on the 11th and 12th floors were renovated to create Luxury Floor Aqua rooms. The refurbished rooms have been performing better than planned.
- To further capture robust accommodation demand, further renovations were carried out ahead of the original plan. So far, 66 rooms on the 8th to 10th floors have been renovated to create Deluxe Floor Lumina rooms. ADR is growing steadily and sales are increasing.
- 22 rooms on the 7th floor will be renovated in January 2017.



Deluxe Floor Lumina

#### ■ Restaurants

A Japanese cuisine, *OHMI*, will be refurbished. In addition, a new banquet hall, *SAZANAMI*, will be created within the restaurant to host receptions in general and wedding receptions (July 15).



New banquet hall, *SAZANAMI*

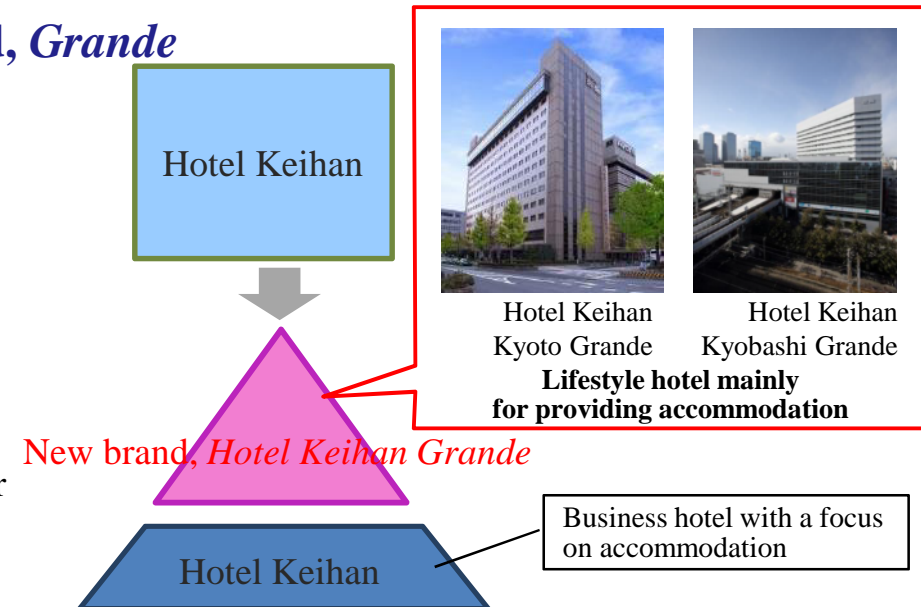
Biwako Hotel endeavors to improve its brand image, capitalizing on its lake-side location and views

# Strengthen the Management Foundation

## Develop brand strategy in the hotel business

### ◆ Introduce Hotel Keihan's new brand, *Grande*

- Develop brand strategy to improve the entire Hotel Keihan chain in terms of both hardware and software.
- Rename urban, multi-function hotels that cater to various needs ranging from business to leisure as *Hotel Keihan Grande*.
- Clarify the grade of facilities and service standards for each brand, and finely tune hotel software to respond to diverse customer needs.



### ◆ Scheduled hotel openings



#### **Hotel Keihan Yodoyabashi (provisional name)**

Address: 2-41-1 Kitahama, Chuo-ku,  
Osaka City

Scheduled to open:  
Summer 2017

Size: 11 above-ground floors with  
210 rooms (schedule)



#### **Hotel Keihan Tsukiji Ginza Grande (provisional name)**

Address: 3-507-1 Tsukiji, Chuo-ku, Tokyo

Scheduled to open:  
Autumn 2018 (schedule)

Size: 14 above-ground floors with 300  
rooms (schedule)

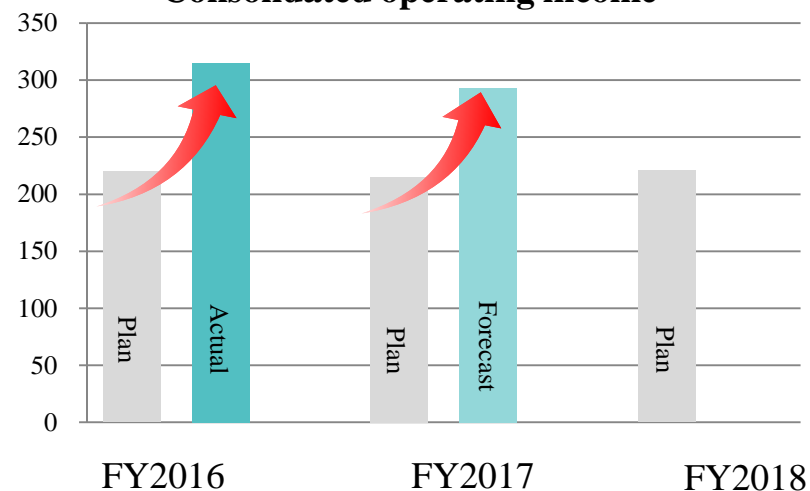
# Progress Status of Major Strategic Investment Projects



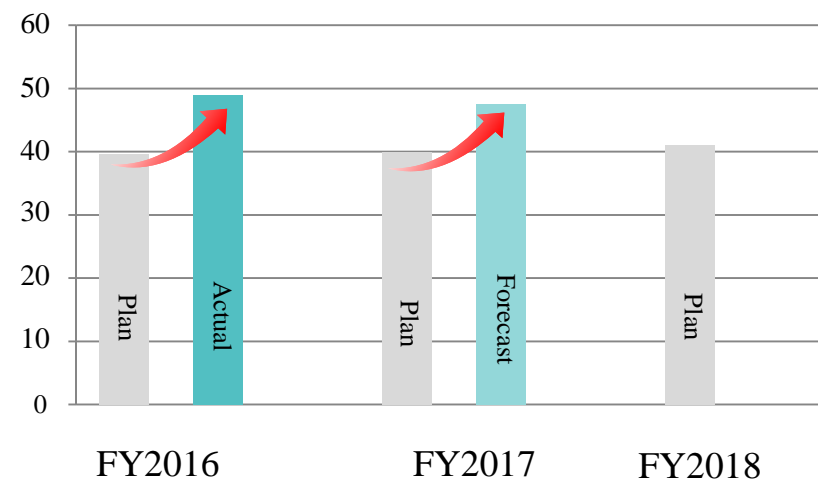
			Medium-Term Management Plan "Bravely Pursuing Creation"			
			FY2016	FY2017	FY2018	FY2019
Main Strategy	Creation of sightseeing opportunities	New hotel in the area in front of Kyoto Station	Scheduled to open (2018)			
		Upgrade of Kyoto Tower	<ul style="list-style-type: none"> <li>● Opening of a tourist information center (June 2015)</li> <li>● Prepare MD (FY2017)</li> </ul>			
	Revitalization of areas along the Keihan railway lines	Redevelopment of Hirakatashi Station and surrounding areas	<ul style="list-style-type: none"> <li>● Participation in the Hirakatashi Station area revitalization council and signing of a tripartite agreement (October 2016)</li> </ul>			
	Contents creation	Development of BIOSSTYLE, a commercial complex in Shijo-Kawaramachi	Scheduled to open (in spring 2019)			
	Transition to the holding company system		Completed transition (April 2016)			
Strengthen the Management Foundation	Transportation	Keihan limited express premium car	Scheduled to introduce the car (in the 1H of FY2018)			
	Real estate	Keihan Yodo Logistics Yard	Opening (April 2016)			
	Retail	Upgrade of Keihan Mall	Scheduled to open (March 2017)			
	Leisure and service	New openings and upgrades of hotels	<ul style="list-style-type: none"> <li>● Upgrade of Kyoto Century Hotel (March 2016)</li> <li>● Upgrade of Hotel Keihan Kyoto (March 2016)</li> <li>● Yodoyabashi is scheduled to open (in summer 2017)</li> <li>Tsukiji Ginza is scheduled to open (in autumn 2018) ●</li> </ul>			

# Comparison with Quantitative Targets

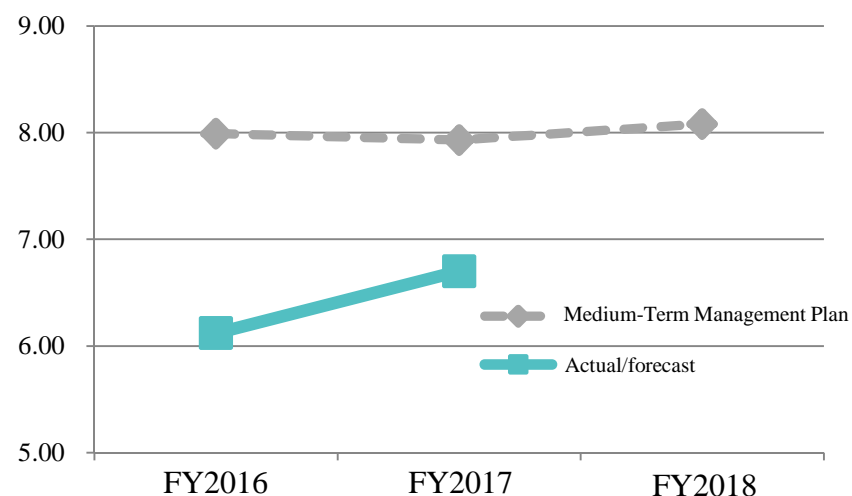
(Billions of yen) Consolidated operating income



(Billions of yen) Consolidated EBITDA



Net interest-bearing debt / EBITDA multiple



**Healthy results that steadily exceed the targets**

**Aim to further accumulate profits by making it imperative to achieve the FY2018 plan**