



Keisei Group Medium-Term Management Plan E3 Plan (FY2016-FY2018)

March 30, 2016

Keisei Electric Railway

TSE First Section 9009

- 1. Progress in Medium-Term Management Plan E2 Plan**
2. Medium-Term Management Plan E3 Plan Overview
3. Key Initiatives in Medium-Term Management Plan E3 Plan
4. Reference Material

Promote sound business operations, primarily in our core transportation business, and reduce interest-bearing debt to continue to achieve steady business growth.

■ **Pillars of basic policy
(major achievements)**

Providing safe and secure services

- Continue work on a continuous overhead crossings project in Sumida-ku.
- Continue work on seismic reinforcement work.
- Promote barrier-free structures.
- Promote the introduction of digital ATS.

**Strengthening marketing capabilities
in Keisei areas**

- Enhance the publicity and convenience of Narita SKY ACCESS.
- Step up marketing targeting inbound tourists and LCC users.
- Develop the site of the former head office at Oshiage.
- Develop Keisei Bus's former Funabashi premises.

Strengthening financial position further

- Achieve an interest-bearing debt level that enables the Company to achieve E Plan targets.
- Upgrade bond rating.
- Generate stable free cash flow.
- Discontinue or restructure unprofitable businesses.

Numerical Targets

Despite concern over the effects of the expansion of landing slots at Haneda Airport and the consumption tax hike, the Company will likely achieve all numerical targets by responding to increases in the number of inbound tourists and users of domestic LCC lines at Narita Airport and by steadily moving forward with the development of the site of the former head office at Oshiage and Keisei Bus's former Funabashi premises.

	FY2013 Result	FY2014 Result	FY2015 Result* ¹ (forecast)	E2 Plan target	Achievement
Operating income	¥24.2bn	¥24.3bn	¥26.8bn	¥23.0bn or more	3.8bn
Operating income margin	9.9%	9.8%	10.7%	9.5% or more	1.2pt
Ordinary income	¥37.0bn	¥37.2bn	¥40.8bn	¥31.0bn or more	9.8bn
Interest-bearing debt outstanding	¥369.2bn	¥353.5bn	¥340.0bn	¥355.0bn maximum	-15.0bn
EBITDA multiple* ²	8.0 times	7.6 times	6.9 times	7.7 times maximum	-0.8pt

*1 The figures in the FY2015 Result (forecast) column are forecasts at the time of publication of the results in the first half (October 30, 2015).

*2 EBITDA multiple = Interest-bearing debt outstanding / (Operating income + Depreciation and amortization)

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GROUP MANAGEMENT PHILOSOPHY

Keisei Group supports the development of society through its sound business growth by safely and pleasantly providing quality products and services appreciated by customers.

Management philosophy

Long-term management “EVOLUTION PLAN”

(3-year) Medium-term management plan

LONG-TERM MANAGEMENT “EVOLUTION PLAN” (= E PLAN) [12 YEARS FROM FY2010 TO FY2021]

E1 Plan
(FY2010 - FY2012)

E2 Plan
(FY2013 - FY2015)

E3 Plan
(FY2016 - FY2018)

E4 Plan
(FY2019 - FY2021)

Enhancing our position as a corporate group representing the regional economy by further strengthening the competitiveness and earnings power of the transportation business, the Group’s core operations, and firmly developing the community-based living essentials industry in the northwestern part of Chiba (areas served by the Keisei Line, the Shin-Keisei Line and the Hokusō Line) and the eastern part of Tokyo.

■ Numerical targets for the final fiscal year (FY2021).

OPERATING REVENUE
¥280 BILLION
OR MORE

OPERATING INCOME
MARGIN
10% OR HIGHER

INTEREST-BEARING
DEBT OUTSTANDING
¥350 BILLION OR LESS
(EBITDA MULTIPLE
7 TIMES OR LESS)

E1, E2 Plans
(FY2010 – FY2015)

E3 Plan
(FY2016 – FY2018)

E4 Plan
(FY2019 – FY2021)

■ Business environment

- Inbound tourists are increasing rapidly. LCC domestic line users at Narita Airport are also increasing.
- The Rugby World Cup will be held in Japan in 2019. The Tokyo Olympics and Paralympics will be held in 2020.
- Narita has been designated as a National Strategic Special Zone.
- The population in the areas served by the Keisei Group is declining. The population is aging, and the birth rate is declining.

■ Situation of the Group

- A well-developed network of transportation to and from Narita Airport
- Assets held close to stations in Tokyo
- Transportation business accounting a large percentage of the business portfolio
- Free cash flow continuing to be generated
- Sound financial condition

Achieving growth

Expanding earnings

Establishing a revenue base for growth

Investment for the future
(Planning a strategic investment)

Developing a base for growth

- Opening Narita SKY ACCESS
- Stable management focusing on the core business
- Optimizing the scale of investment
- Reducing interest-bearing debt

Improving financial soundness


■ Basic policies

- Working to expand earnings and achieve sustainable growth
- Providing safe and secure services
- Strengthening the management base

■ Basic Strategies

1. Cultivate the inbound tourists market.
2. Seize business opportunities to expand earnings.
3. Increase the appeal of the areas served by the Keisei Group.
4. Ensure safety and security and improve the quality of services.
5. Improve financial soundness and enhance the Group management structure.

“E3 Plan” Numerical Targets

	FY2015* Forecast		FY2018 Target
Operating income	¥26.8bn		¥28bn or more
Operating income margin	10.7%		11% or more
Ordinary income	¥40.8bn		¥44.0bn or more
Interest-bearing debt Outstanding	¥340.0bn		¥325.0bn maximum
EBITDA multiple	6.9 times		6.1 times maximum

* The figures in the FY2015 Forecast column are forecasts at the time of publication of the results in the first half (October 30, 2015).

Strategic Investment

The amount of strategic investment is set at 40 billion yen maximum in the E3 Plan period. The investment will be for expanding revenue in the medium to long term and for improving service and safety.

“E3 Plan” Earnings Plan (i)

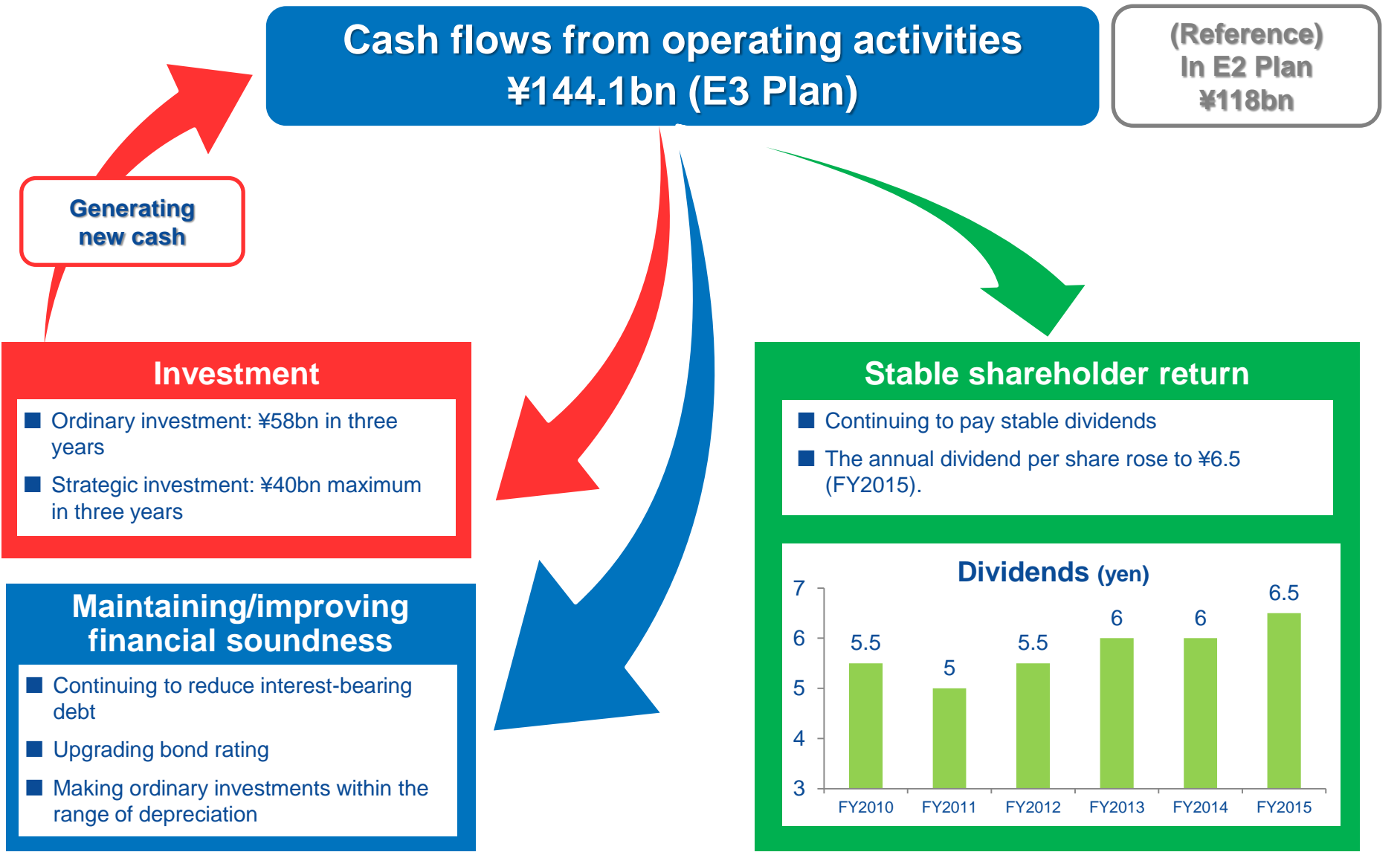
		FY2018 E3 Plan	FY2015* Forecast	Change
Transportation	Operating revenue	¥145.0bn	¥139.0bn	+¥6.0bn
	Operating income	¥19.4bn	¥17.8bn	+¥1.6bn
Distribution	Operating revenue	¥71.9bn	¥69.9bn	+¥2.0bn
	Operating income	¥1.1bn	¥1.1bn	¥0.0bn
Real Estate	Operating revenue	¥19.8bn	¥22.3bn	-¥2.5bn
	Operating income	¥5.9bn	¥6.6bn	-¥0.7bn
Leisure, Service	Operating revenue	¥9.3bn	¥10.1bn	-¥0.8bn
	Operating income	¥0.2bn	¥0.2bn	¥0.0bn
Construction	Operating revenue	¥24.1bn	¥24.0bn	+¥0.1bn
	Operating income	¥0.9bn	¥0.7bn	+¥0.2bn
Other	Operating revenue	¥6.3bn	¥4.8bn	+¥1.5bn
	Operating income	¥0.4bn	¥0.3bn	+¥0.1bn
Total (after consolidation adjustments)	Operating revenue	¥253.7bn	¥249.9bn	+¥3.8bn
	Operating income	¥28.0bn	¥26.8bn	+¥1.2bn

* The figures in the FY2015 forecast column are forecasts at the time of publication of the results in the first half (October 30, 2015).

“E3 Plan” Earnings Plan (ii) (Breakdown in Transportation Segment)

		FY2018 E3 Plan	FY2015* Forecast	Change
Railway	Operating revenue	¥76.2bn	¥74.2bn	+¥2.0bn
	Operating income	¥14.7bn	¥13.1bn	+¥1.6bn
Bus	Operating revenue	¥44.3bn	¥42.8bn	+¥1.5bn
	Operating income	¥3.6bn	¥3.8bn	-¥0.2bn
Taxi	Operating revenue	¥24.5bn	¥22.0bn	+¥2.5bn
	Operating income	¥1.1bn	¥0.9bn	+¥0.2bn
Total	Operating revenue	¥145.0bn	¥139.0bn	+¥6.0bn
	Operating income	¥19.4bn	¥17.8bn	+¥1.6bn

* The figures in the FY2015 Forecast column are forecasts at the time of the publication of the results in the first half (October 30, 2015).



		E3 Plan (in three years)	Major items (billion yen)
Ordinary Investment		¥58.0bn	
	Transportation	¥46.4bn	Renovations of elevated railway tracks 31, Slope surface reinforcement 11, Continuous overhead crossings in Katsushika-ku 10, Seismic reinforcement at stations 10
	Distribution	¥2.9bn	Building stores, renovations, etc.
	Real Estate	¥8.2bn	Development under elevated railway tracks at Hikifune 20, Renovation of properties 15
	Leisure, Service	¥0.4bn	Equipment replacement etc.
	Other	¥0.1bn	
Lease Investment		¥13.1bn	Rolling stock 55, Equipment at stations 19, Buses 35, Taxis 9
Total		¥71.1bn	
Depreciation and amortization (leased assets)		¥74.0bn (¥13.4bn)	

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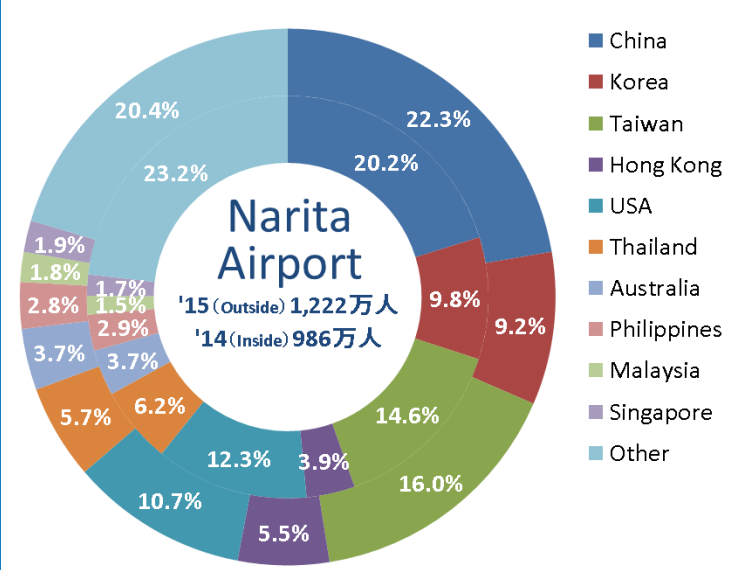
Tapping into demand through aggressive marketing and transmission of information, targeting primarily Asian countries



■ Expanding alliances with foreign travel companies etc.

- Expanding alliances with travel companies overseas
- Expanding sales of products on board aircraft of overseas airlines

(Reference) People entering and departing through Narita Airport



Source: Statistics on Legal Migrants of the Ministry of Justice (2015)

Improve the convenience of inbound tourists by improving the environment for them and creating diverse products.

Strengthening promotions overseas

- Participation in tourism exhibitions overseas
- Joint campaigns with overseas companies
- Disseminating information in cooperation with local governments and the national government
- Promoting advertising overseas
- Considering establishing overseas sales bases



ITF Taipei 2015



Joint sales promotion with a foreign company

Creating products for inbound tourists

- Planning and selling special tickets for inbound tourists
- Planning and selling tours for inbound tourists

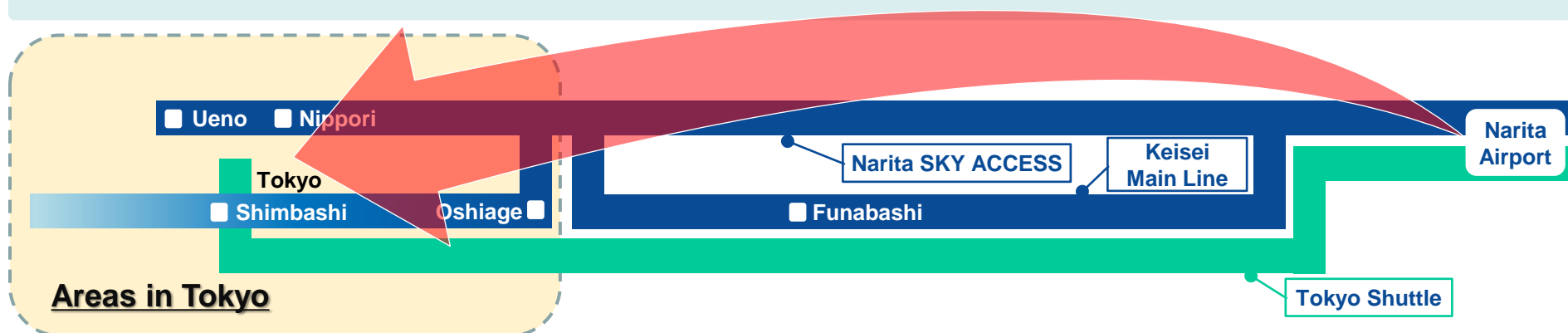
Enhancing the environment for tourists arriving in Japan

- Promoting multiple languages on trains and in stations
- Expanding free-of-charge Wi-Fi environments
- Improving employees' command of foreign languages
- Improving reaction in case of aberrations
- Setting an information center for foreigners
- Enhancing services using tablets



SKYLINER & KEISEI INFORMATION CENTER

The Group will unite in its efforts to expand earnings by advancing the use of assets owned by the Group, primarily in Tokyo, and purchasing rental properties, while extending business domains and areas through alliances and tapping into demand from the increasing number of users of Narita Airport.



■ Developing and purchasing rental properties

- Promote the advanced use of assets owned by the Group, primarily in Tokyo.
- Purchase rental properties that will make a profit in Tokyo and areas close to Tokyo in Chiba Prefecture.

■ Entering the non-frills hotel market

- Establish a joint venture with ROYAL HOLDINGS (scheduled for March 2017).
- Open the first hotel (scheduled for FY2018).

■ Promoting BRT (Bus Rapid Transit)

- Selected as the operator of BRT Connecting Central Tokyo and Sub-Central Waterfront Areas
- Develop a business plan to start operations in FY2019.

■ Enhancing the convenience of Narita SKY ACCESS

- Update railway schedules to facilitate use.
- Enhance ticketless service.
- Consider initiatives to enhance access to the airport.

Increase the appeal of the areas served by the Keisei Group by providing good living environments, inviting customers to the areas in collaboration with local governments, developing space around stations, expanding lifestyle services, and renovating major stations.

■ Creating an attractive environment in and around stations

➤ Promotion of development under elevated railway tracks at Hikifune Station.

➤ Renewal of major stations, including Ueno Station.



Development under elevated railway tracks at Hikifune Station



Renewal of Tsudanuma Station

■ Strengthening lifestyle services

➤ Open new Keisei Stores.

➤ Increase the number of convenience stores.

➤ Strengthen the renovation business.

➤ Promote consulting for the effective use of land.

■ Providing a good living environment

➤ Sell apartments primarily in the areas served by the Keisei Group.

➤ Provide rental housing in areas where the population is increasing.

➤ Promote effective use of the assets owned by the Group near stations.

➤ Strengthen the purchasing and reselling of used properties.



Sungrande Matsudo

■ Strengthening collaboration with local governments in areas served by the Group

➤ Strengthen cooperation with entities in the areas served by the Group, including local governments, companies, and schools.

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Pursue safe and satisfying services by pursuing initiatives to bolster safety and reliability in the railway business, taking into consideration increasing speed and transportation capacity, strengthening the safety management system, and improving service.

■ Promotion of disaster countermeasures

- Promote seismic reinforcement work for elevated railway tracks.
- Promote seismic reinforcement work for stations and electric power substations.



Seismic reinforcement for elevated railway tracks



Seismic reinforcement at a station (Narita Station)

■ Improving the functions of railway facilities

- Introduce digital ATS (C-ATS), which is safer than the existing ATS.
- Introduce digital train radio.

■ Safety measures on the platform

- Introduce platform doors at major stations.
- Install tactile paving with a detectable bar inside.

■ Continuous overhead crossings

- Undertake work for continuous overhead crossings in Katsushika-ku (between Yotsugi and Aoto).

■ Improving the safety management system and the quality of service

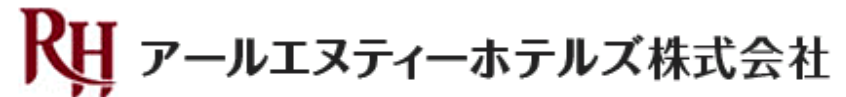
- Respond to aberrations without fail and strengthen the ability to respond.
- Start research on increasing speed and transportation capacity.

- 1. Improving financial soundness**
- 2. Emphasizing efficient management by strengthening collaboration among Group companies**
- 3. Strengthening corporate governance**
- 4. Creating working conditions conducive to diverse human resources**
 - Cultivating human resources who will be leaders
 - Promoting initiatives to strike a work-life balance
- 5. Enhancing the value of the Keisei brand**
- 6. Management emphasizing CSR (Corporate Social Responsibility)**
 - Coexistence with the environment and local communities

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Keisei will establish a joint venture with ROYAL HOLDINGS Co., Ltd. (“RHD”). RNT HOTELS Co., Ltd. (“RNT”), which operates Richmond Hotels, has agreed to operate hotels for the joint venture (March 2016).

- RHD, RNT, and the Company will expand their domestic network of hotels and will tap into demand from inbound tourists, combining the expertise of the three companies.



➤ Schedule

- **Establishment of a joint venture**
(scheduled for March 2017)
- **Commencement of operation**
(scheduled for FY2018)
 - The first hotel is planned to be Keisei Richmond Hotel Tokyo Monzen-Nakacho (tentative name), which will have 123 guest rooms.

■ OUTLINE OF THE JOINT VENTURE

Business name	K&R Hotel Development Co., Ltd.	
Business	Operation of no-frills hotels	
Capital	100 million yen	
To be established	March 2017 (scheduled)	
Shareholding	Keisei Electric Railway Co., Ltd.	51%
	ROYAL HOLDINGS Co., Ltd.	49%

Outline of BRT (Bus Rapid Transit) Business

In September 2015, Keisei was selected as the operator of the BRT Connecting Central Tokyo and Sub-Central Waterfront Areas. Subsequently, Keisei concluded a basic agreement with the Tokyo government. Under the basic agreement, Keisei is working to develop BRT in cooperation with the Tokyo government.

➤ Developing a business plan to start operations in FY2019

— Considering an operation plan

— Establishing an operation company and depots

— Introducing total design

- Planning to introduce unified designs to vehicles, bus stops, uniforms, and PR materials so that BRT will be recognized as a new means of transportation

— Introducing vehicles

- Rigid buses will be fuel-cell vehicles. Articulated buses will be environmentally-friendly buses at the beginning. Fuel-cell vehicles will be introduced subsequently depending on the situation.



(FOR REFERENCE) AN ARTICULATED BUS OPERATED IN THE MAKUHARI AREA.



Trends in Population in Areas Served by Lines

Comparison between Apr. 2013 (first year of E2 Plan) and Feb. 2016

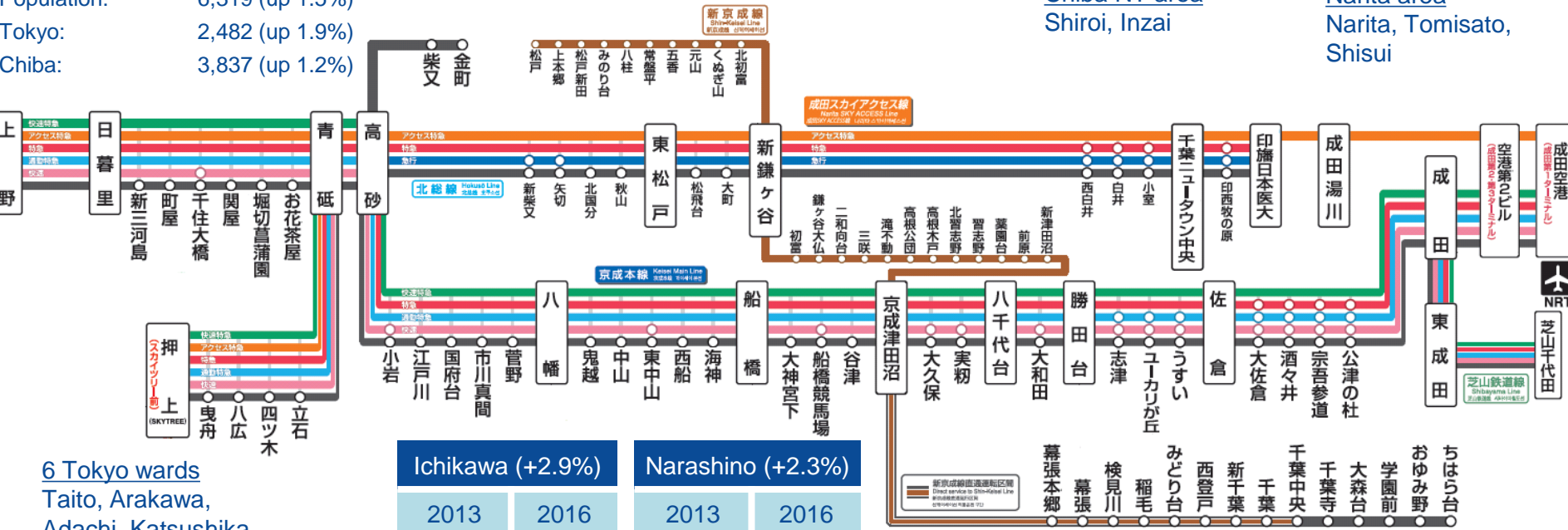
(Thousand people)

Keisei areas: Eastern Tokyo and Chiba
 Distance: 178.8km (Keisei, Hokuso, Shin-Keisei)
 No. of stations: 102
 Local governments: 6 wards (Tokyo), and 13 cities and 1 town (Chiba)
 Population: 6,319 (up 1.5%)
 Tokyo: 2,482 (up 1.9%)
 Chiba: 3,837 (up 1.2%)

Matsudo (+0.8%)		Kamagaya (+0.2%)		Chiba NT area (+1.8%)		Narita area (+0.4%)	
2013	2016	2013	2016	2013	2016	2013	2016
480	484	109	109	152	155	201	202

Chiba NT area
Shiroi, Inzai

Narita area
Narita, Tomisato, Shisui



6 Tokyo wards
Taito, Arakawa, Adachi, Katsushika, Edogawa, Sumida

6 Tokyo wards (+1.9%)	
2013	2016
2,435	2,482

Ichikawa (+2.9%)		Narashino (+2.3%)	
2013	2016	2013	2016
468	482	165	169
Funabashi (+1.8%)		Yachiyo (+2.0%)	
2013	2016	2013	2016
613	624	190	194

Sakura (+0.4%)		Chiba (+1.0%)		Ichihara (-1.4%)	
2013	2016	2013	2016	2013	2016
172	173	964	973	278	274

The figures are based on data published by local governments.

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<http://www.keisei.co.jp/keisei/ir/index.html>