


# Keisei Group Medium-Term Management Plan

## **E4 Plan (FY2019-FY2021)**

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- 1. Reflecting on E3 (the previous phase of the long-term plan)**
2. Outline of E4 (the current phase of the long-term plan)
3. Key Strategies for E4
4. Reference Material

# 1-1. Reflecting on E3: Basic Policies

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**We conducted the following actions under the three basic policies.**

## **Providing safe and secure services**

- Enhanced platform safety (platform doors)
- Constructed elevated sections in Katsushika-ku
- Refurbished Ueno Station
- Strengthened earthquake resistance, improved access for people with disabilities

## **Working to expand earnings and achieve sustainable growth**

- Cultivated inbound tourist market in transportation business
- Acquired profitable rental properties
- Pursued M&A opportunities
- Developed stay-type hotel business

## **Strengthening the management base**

- Further improved financial health
- Improved credit rating (JCR and R&I)
- Created stable free cash flow
- Consolidated group companies

## 1-2. Reflecting on E3: Numerical Targets

**We met all numerical targets.** The transportation business performed well thanks to increased numbers of tourists entering/departing through Narita Airport coupled with improved employment rates. We used our strategic investment fund to acquire profitable rental properties and pursue M&A opportunities.

	FY2016 result	FY2017 result	FY2018 result	E3 Plan target	Difference from target	Was target met?
Operating revenue (reference value)	¥245.8 bn	¥255.0 bn	<b>¥261.6 bn</b>	—	—	—
Operating income	¥30.0 bn	¥30.1 bn	<b>¥31.6 bn</b>	¥28.0 bn or more	+¥3.6 bn	Yes
Operating income margin	12.2%	11.8%	<b>12.1%</b>	11.0% or more	+1.1pt	Yes
Ordinary income	¥47.1 bn	¥47.1 bn	<b>¥50.7 bn</b>	¥44.0 bn or more	+¥6.7 bn	Yes
Interest-bearing debt outstanding	¥314.3 bn	¥302.3 bn	<b>¥320.0 bn</b>	Under ¥325.0 bn	-¥5.0 bn	Yes
EBITDA multiple	5.9 times	5.5 times	<b>5.6 times</b>	Under 6.1 times	-0.5pt	Yes

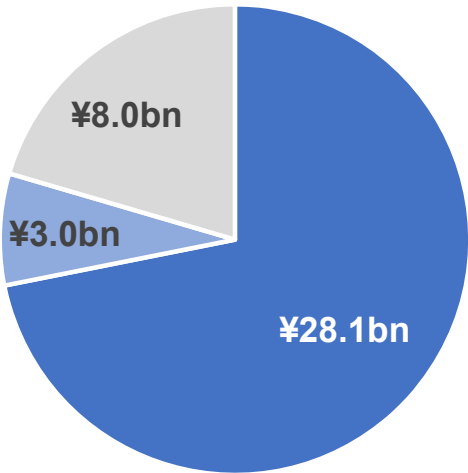
\* EBITDA multiple = Interest-bearing debt outstanding / (Operating income + Depreciation)

# 1-3. Reflecting on E3: Strategic Investment

We used **¥39.1 bn** of the ¥40 bn strategic investment fund.

Ref: Strategic investment plan

For E3 Plan, a strategic investment of 40 billion yen was provided for expanding revenue and enhancing services and safety over the medium-to-long term.

Breakdown of investments	Key projects	
 <ul style="list-style-type: none"><li>■ Profitable rental properties</li><li>■ M&amp;A, startups</li><li>■ Enhancing services and safety</li></ul>	Profitable rental properties	<ul style="list-style-type: none"><li>■ Acquire 18 depots / sales offices for Mitsubishi Fuso Truck and Bus Corporation</li><li>■ Acquire commercial facility in Yotsukaidoshi</li><li>■ Acquire Keisei Richmond Hotel Monzen-nakacho</li></ul>
	M&A, startups	<ul style="list-style-type: none"><li>■ Acquire a taxi company</li><li>■ Acquire a real-estate company</li><li>■ Establish a stay-type hotel company</li></ul>
	Enhancing services and safety	<ul style="list-style-type: none"><li>■ Remodel Ueno Station</li><li>■ Remodel Narita Airport Station and Narita Airport Terminal 2・3 station</li><li>■ Introduce platform doors</li><li>■ Provide multiple languages at ticket vending machines</li></ul>

1. Reflecting on E3 (the previous phase of the long-term plan)
- 2. Outline of E4 (the current phase of the long-term plan)**
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## 2-1. Overview of 12-year “Evolution” Plan (E1–E4)

### 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.

### 12-YEAR “EVOLUTION” PLAN (E1–E4)

**E1**  
(FY2010 - FY2012)

**E2**  
(FY2013 - FY2015)

**E3**  
(FY2016 - FY2018)

**E4**  
(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 Hokuso 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)

Group  
management  
philosophy

12-year  
“Evolution” plan

3-year  
management  
plans (E1–E4)

## 2-2. Context of E4

E1/E2 Plan (FY2010 - FY2015)

E3 Plan (FY2016 - FY2018)

**E4 Plan (FY2019 - FY2021)**

### ■ Business environment

- Higher numbers of inbound tourists, Narita Airport to be upgraded in future
- 2019 Rugby World Cup, Tokyo 2020
- Lineside populations in decline, Japan's population continues to shrink and age

### ■ Our situation

- Excellent transport connections with Narita Airport
- Properties in central Tokyo and around stations
- Transportation making up large share of business portfolio
- Ongoing efforts to create free cash flow
- Financially healthy

**Achieving growth**

**Expanding earnings**

**Establishing a revenue base for growth**

Investment for the future  
(Planning a strategic investment)

**Developing a base for growth**

Improving financial soundness



## 2-3. Basic Policies and Strategies in E4

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### Basic Policies

- Enhance business management to bolster earnings
- Provide safe and secure services
- Establish CSR management

### Basic Strategies

1. Engage with local stakeholders to increase our profile
2. Manage the group more effectively and strengthen corporate governance
3. Cultivate inbound tourism market
4. Expand earnings by strengthening existing businesses
5. Ensure safety and security and improve the quality of services
6. Establish new growth vision

## 2-4. E4: Numerical Targets

	FY2018 result		FY2021 Target
Operating revenue	¥261.6 bn		¥290.0 bn or more
Operating income	¥31.6 bn		¥33.0 bn or more
Operating income margin	12.1%		11.3% or more
Interest-bearing debt outstanding	¥320.0 bn		Under ¥320.0 bn
EBITDA multiple	5.6 times		Under 5.1 times

### Strategic Investment

For E4, we have set a strategic investment fund of **¥50.0 bn**. The purpose of this fund is to enhance earnings in the medium-to-long term.

## 2-5. E4 Income Statement

		Target for FY2021 (E4)	FY2018 result	Change
Transportation	Operating revenue	¥167.0 bn	¥154.0 bn	+¥13.0 bn
	Operating income	¥23.2 bn	¥22.4 bn	+¥0.8 bn
Distribution	Operating revenue	¥69.5 bn	¥68.6 bn	+¥0.9 bn
	Operating income	¥0.6 bn	¥0.2 bn	+¥0.4 bn
Real Estate	Operating revenue	¥25.0 bn	¥22.4 bn	+¥2.6 bn
	Operating income	¥7.4 bn	¥6.7 bn	+¥0.7 bn
Leisure, Service	Operating revenue	¥10.5 bn	¥9.2 bn	+¥1.3 bn
	Operating income	¥0.2 bn	¥0.1 bn	+¥0.1 bn
Construction	Operating revenue	¥34.5 bn	¥24.3 bn	+¥10.2 bn
	Operating income	¥1.2 bn	¥1.5 bn	-¥0.3 bn
Other	Operating revenue	¥9.0 bn	¥9.6 bn	-¥0.6 bn
	Operating income	¥0.4 bn	¥0.6 bn	-¥0.2 bn
Operating income (After consolidation adjust)	Operating revenue	¥290.0 bn	¥261.6 bn	+¥28.4 bn
	Operating income	¥33.0 bn	¥31.6 bn	+¥1.4 bn
	Ordinary income	¥47.0 bn	¥50.7 bn	-¥3.7 bn

## 2-6. E4 Income Statement: Transportation

		Target for FY2021 (E4)	FY2018 result	Change
Railway	Operating revenue	¥87.0 bn	¥82.4 bn	+¥4.6 bn
	Operating income	¥18.5 bn	¥17.9 bn	+¥0.6 bn
Bus	Operating revenue	¥49.0 bn	¥46.7 bn	+¥2.3 bn
	Operating income	¥3.6 bn	¥4.2 bn	-¥0.6 bn
Taxi	Operating revenue	¥31.0 bn	¥24.9 bn	+¥6.1 bn
	Operating income	¥1.1 bn	¥0.4 bn	+¥0.7 bn
Segment total	Operating revenue	¥167.0 bn	¥154.0 bn	+¥13.0 bn
	Operating income	¥23.2 bn	¥22.4 bn	+¥0.8 bn

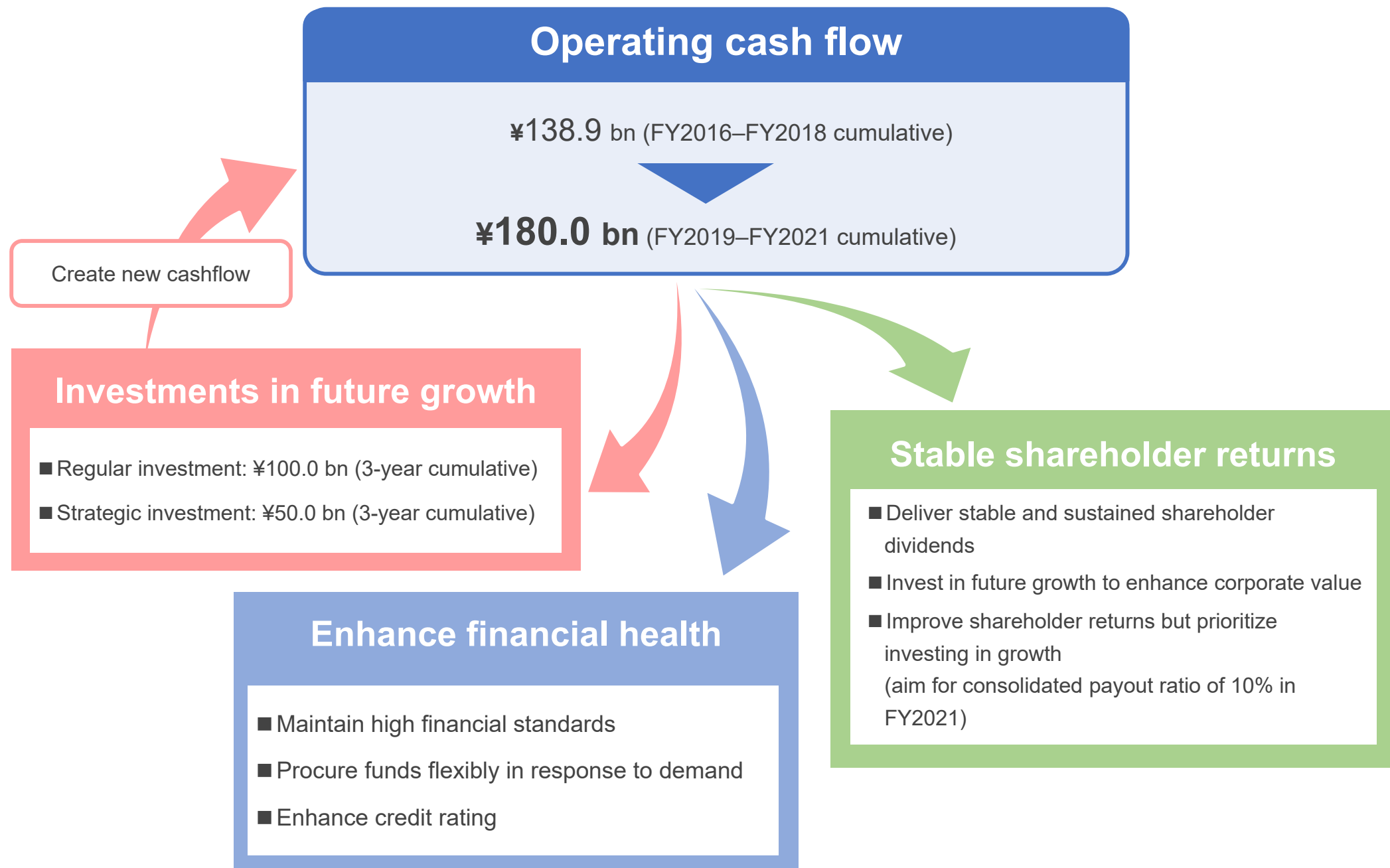
## 2-7. Capital Expenditure in E4

	FY2019–FY2021 cumulative target	Breakdown
Transportation	¥86.8 bn	Railway: ¥66.8 bn Wireless communications/connectivity on trains: ¥10.8 bn Replacement of old rolling stock: ¥8.2 bn Station refurbishments: ¥7.8 bn Refurbishment of substations and other facilities: ¥3.3 bn Bus: ¥17.1 bn Taxi: ¥2.9 bn
Distribution	¥4.0 bn	Refurbishments: ¥2.1 bn Outlet openings: ¥0.2 bn
Real Estate	¥8.0 bn	Enhancements to existing properties: ¥5.3 bn
Leisure, Services	¥0.8 bn	Enhancements to facilities
Construction	¥0.1 bn	
Other	¥0.3 bn	
Regular investments	¥100.0 bn	
Depreciation	¥87.0 bn	

### Reference

Strategic investment fund	¥50.0 bn	Kinshi-cho hotel project: ¥6.7 bn Rebuilding of structure outside the western exit of Chiba-Chuo station: ¥4.3 bn Transportation capacity boost: ¥3.5 bn More Skyliner services: ¥1.9 bn
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## 2-8. Cash Flow Forecasts in E4



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# 3-1. Engage with Local Stakeholders to Increase Our Profile

To sustainably develop lineside areas, we are:

(1) energizing the areas in way that suits their circumstances, (2) delivering lifestyle services that strengthen our connection with lineside areas, and (3) working with local authorities and schools.

## ■ Energizing Chiba area

- We are reconstructing the building outside the western exit of Chiba-Chuo station (to be completed in FY2021).
  - The 8-story complex is directly connected to Chiba-Chuo station
  - The complex will house retail stores, offices, and hotels.



- Offer for-sale apartments
  - “Sungrande The Residence Chiba” (East Residence): 90 units (FY2019)
  - Plan further apartments-for-sale in Chiba City

## ■ Enhancing lifestyle services

- We are opening more convenience store locations.
- We are enhancing existing supermarket locations.
- We are attracting stores and nurseries.



A local outlet of drugstore brand “Papas”  
(outside Keisei-Machiya Station)



“Tanpopo”—a local branch of  
preschool brand Yahiro-en

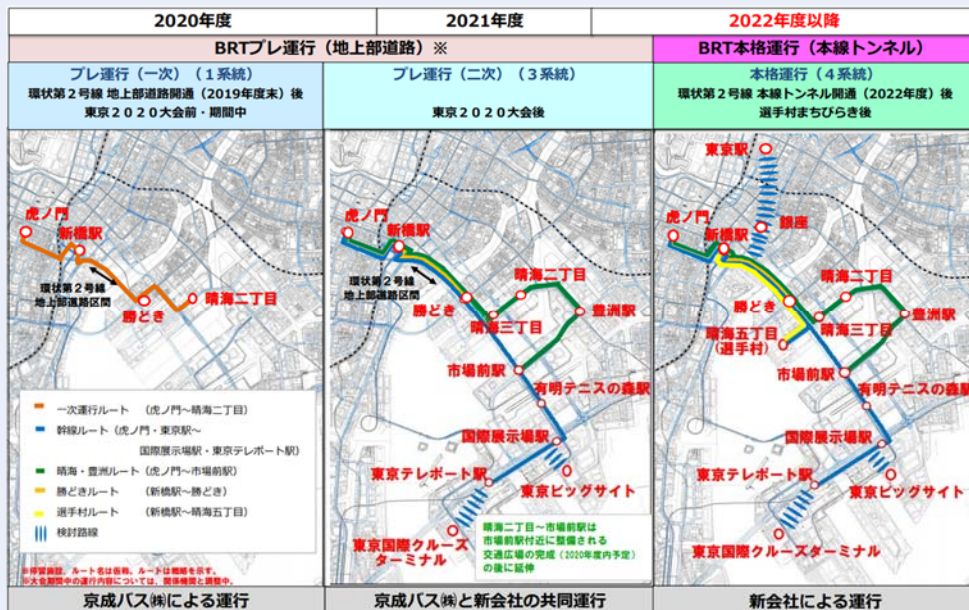
## ■ Contributing to residential environment

- We are focusing apartment sale efforts in lineside areas.
- We are effectively using our assets (including those of group companies).
- We are improving the way we manage the renovation business.

# 3-1. Engage with Local Stakeholders to Increase Our Profile

## ■ BRT business

- We are developing the BRT business to extend transport network to areas with growing populations (e.g., Kachidoki and Harumi).
  - Keisei Bus will start trial bus runs (FY2020).
  - Full services will commence under a startup (FY2022).
- FY2019: Found new company
  - FY2020: Trial runs (incrementally increase to 3 routes)
  - FY2022 and beyond: Full services



Source: Tokyo Metropolitan Government Bureau of Urban Development

## ■ Working with local authorities and schools

- We worked with Katsushika-ku and SHUEIHA Inc. to give Yotsugi Station a special design.



©Takahashi Yoichi, SHUEIHA Inc., 2018 Captain Tsubasa Production Committee

Yotsugi Station got a design based on the anime title Captain Tsubasa.

- We co-organized a Chiba Lotte Marines event with Chiba City.
- We have entered a partnership with Wayo Women's University.



An ad showing our organization of a Chiba Lotte Marines event with Chiba City



Signing of partnership with Wayo Women's University

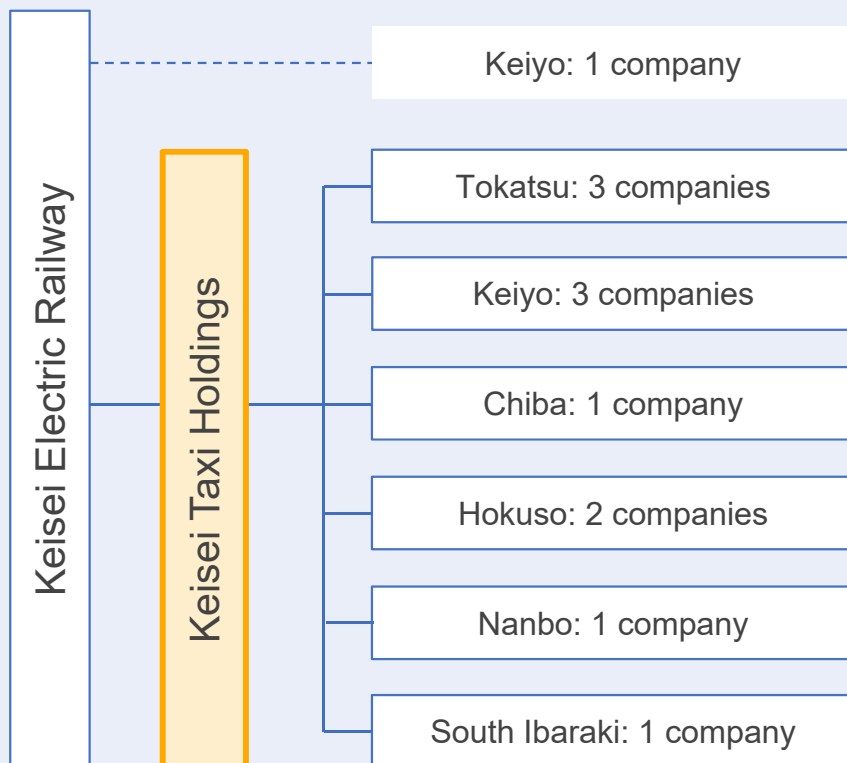


## 3-2. Manage the Group More Effectively and Strengthen Corporate Governance

To meet increasingly diverse CSR demands, we are consolidating business across the group, strengthening CSR efforts, and promoting compliance culture.

### ■ Reorganizing the taxi business

- On March 2019, we founded an intermediary holding company to manage the taxi business in the prefectures of Chiba and Ibaraki.
- We consolidated companies that were operating in the same area, reducing the total number from 16 to 12.



Reference: **Taxi companies and the areas in Chiba and Ibaraki where they operate**



## 3-2. Manage the Group More Effectively and Strengthen Corporate Governance

### ■ Winning fans through CSR activities

- We are using our heritage holdings effectively (e.g., the old Hakubutsukan-Dobutsuen station building).



A ceremony to open the old Hakubutsukan-Dobutsuen Station building

An art event organized with the Tokyo University of the Arts

- We are reducing our environmental impact.
- We run a work experience program and similar events.



Keisei Kids Academy

Kids' festival

### ■ CSR activities: Safety education for our customers

- Rail safety classes are organized for students of lineside elementary schools.
- Level crossing safety classes are held for local residents.
- Stationmasters educate local elderly residents about level crossing safety.



Rail safety class

Level crossing safety class

### ■ Enhancing the Group management structure

- We are strengthening internal controls.
- We are promoting compliance culture.
- We are promoting a diverse and inclusive workplace.
- We are maintaining financial health.

## 3-3. Cultivate Inbound Tourism Market

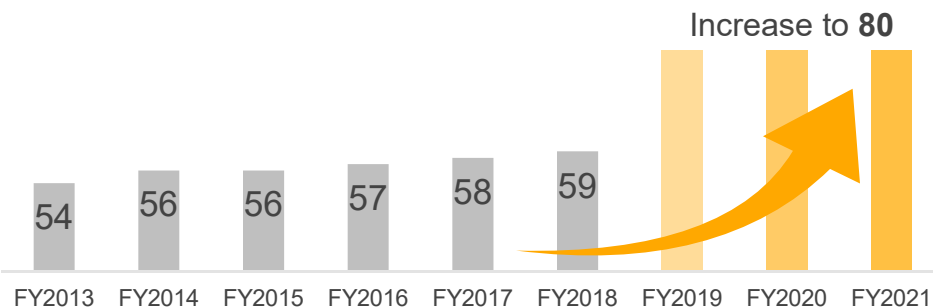
In the run-up to Tokyo 2020, we are ramping up marketing and upgrading the level and capacity of our services to meet the expected surge in visitors.

### ■ Further enhancing convenience of access to/from airport (1)

- We are increasing Skyliner services (adding a ninth train to the fleet).
- From 2019, Skyliner services run every 20 minutes.



Skyliner services per day



### ■ Further enhancing convenience of access to/from airport (2)

- In FY2019, we are introducing the new 3100 series onto the Narita SKY ACCESS Line.



Free space



Luggage space



Passenger information display, security cam

### ■ Enhance environment for inbound tourists

- Train announcements are in multiple languages.
- We are improving our multilingual customer service.
- We are using tablets and other tech to improve guidance for passengers.



### 3-3. Cultivate Inbound Tourism Market

#### ■ Better international marketing

- The group is represented at overseas travel exhibitions.
- We are strengthening promotional campaigns for overseas countries.
- We are developing special tickets for foreign travelers.
- We have produced foreign language brochures.



A promotional ticket jointly provided with Taoyuan Metro



Foreign-language Keisei Group brochure

#### ■ More collaboration with overseas travel agencies

- We have formed partnerships with an increasing number of travel agencies

Reference: We are currently partnered with 36 companies in 18 countries (three more than in FY2018)

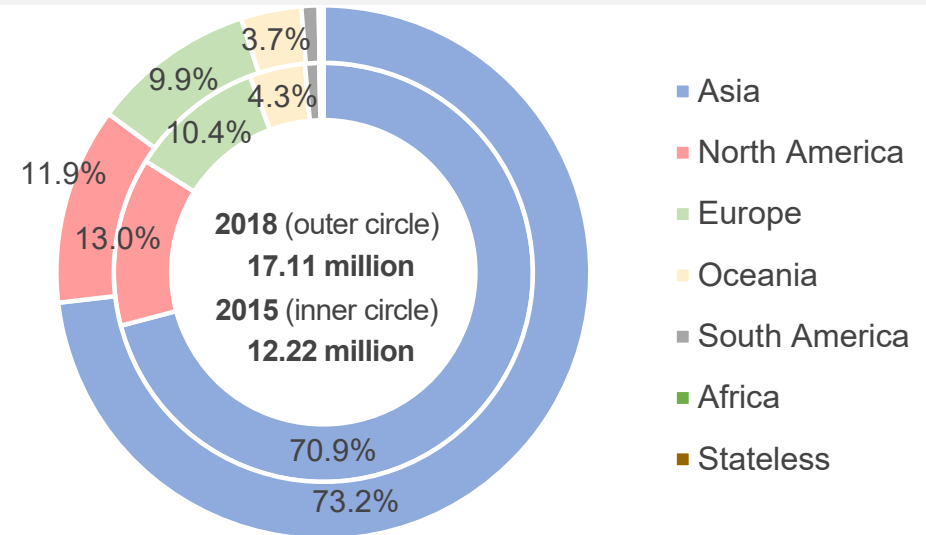
South Korea 5  
Taiwan 5  
China 3  
Hong Kong 3  
Thailand 3  
Singapore 3  
Indonesia 2



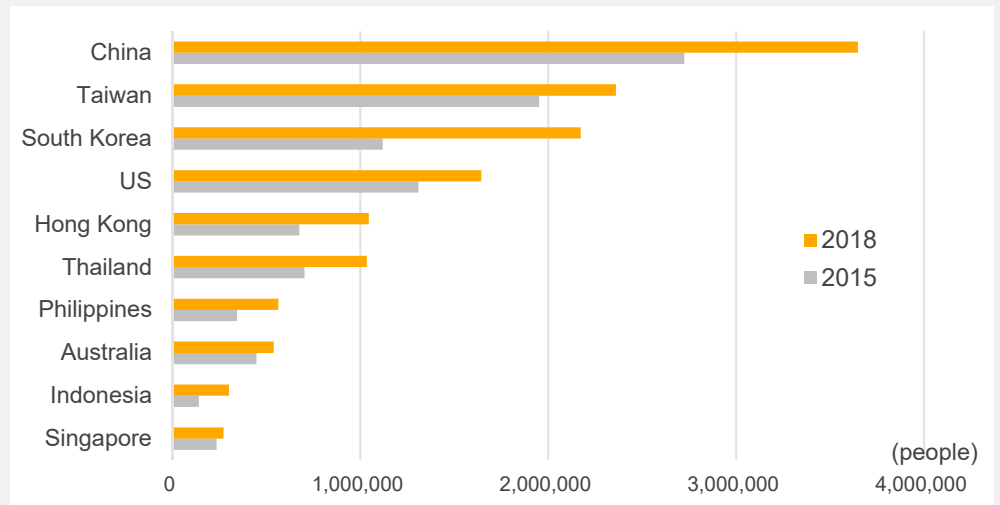
Philippines 2  
Vietnam 1  
Malaysia 1  
Europe 6  
N. America 1  
S. America 1

Reference: **Inbound tourist trends** in FY2018

– Number of visitors entering/leaving at Narita Airport



– Overseas visitors entering/leaving at Narita Airport:  
Breakdown by country (top 10 countries)



Source: Ministry of Justice "Statistics for Emigration and Immigration Management"

## 3-4. Expand Earnings by Strengthening Existing Businesses

To boost earnings and expand business, we are developing our second core business, real-estate leasing. Specifically, we are pursuing M&As and partnerships and, in the stay-type hotels business, opening new locations.

### ■ Profitable rental properties

- We are acquiring more rental properties in key Tokyo areas (e.g., Ueno, Oshiage).
- These properties provide stable income.
- We are enhancing the value of our existing properties.
- We are optimally using assets under elevated railway tracks.
- Our assets, and those of group companies, are being used effectively.



Rental apartment building in Moto-Asakusa, Taito-ku

Reference: Properties acquired in E3



Keisei Richmond Hotel – Monzen-nakacho (opened in March 2019)

## 3-4. Expand Earnings by Strengthening Existing Businesses

### ■ M&As activities and partnerships

M&As and partnerships will lead to **increased earnings and business growth**



#### Real Estate

#### Leisure, Service

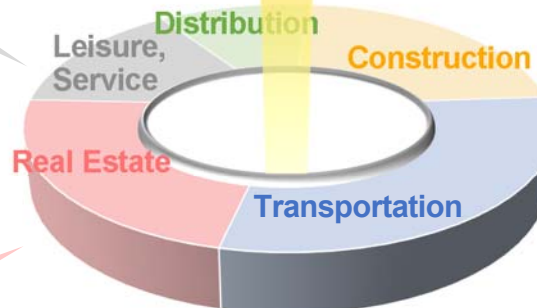
- Accelerate pace of new openings in stay-type hotel business
  - Second location (5 mins from Kinshi-cho Station) will open in FY2021.

#### Construction

- Pursue more M&As and partnerships (joint ventures) to strengthen the business
  - Shikida Building Industry was acquired in April 2019 and will fully merged in July 2019.

#### Transportation

- Use M&As to strengthen bus and taxi businesses and extend route networks
  - We are developing the BRT business (a company will be founded to manage the business in FY2019).
  - Teito Motor Transportation acquired Sanshin Taxi and Omori Taxi in April 2019.



#### Real Estate

- Use M&As and partnerships to strengthen the business



## 3-5. Ensure Safety and Security and Improve the Quality of Services

We are further enhancing our railway's safety and reliability. Across the group, we are aiming to raise the level of safety and customer satisfaction.

### ■ Disaster-proofing, replacing decaying infrastructure

- We are making stations and elevated lines more earthquake resilient.
- We are reinforcing slopes.
- We are protecting structures from salt-induced corrosion.
  - Corrosion resistance in overhead power lines
  - Improvements to transport management network



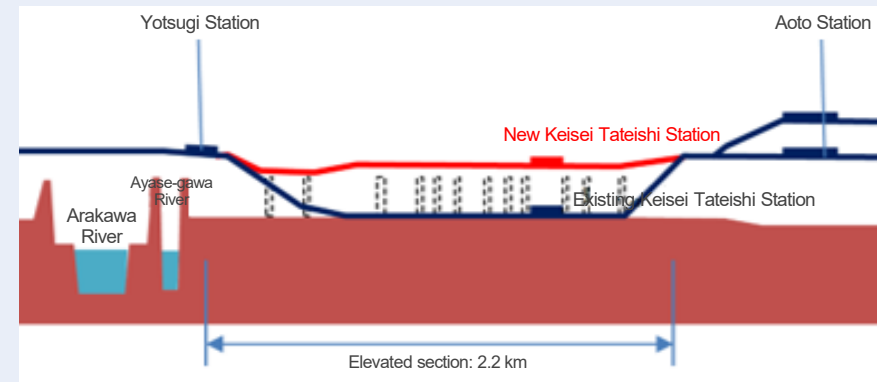
Seismic Reinforcement Work



Slope Reinforcement Work

### ■ Elevated rail

- We are making progress in constructing an elevated section in Katsushika-ku (Yotsugi – Aoto)
  - Elevated rail sections have allowed us to remove eleven railway crossings



### ■ Universally designed and energy-efficient facilities

- Stations are more accessible to people with disabilities.
- More LED lighting is being installed.

### ■ Enhancing rail facilities

- We are installing wireless communications/connectivity on trains
- We are installing automatic train stop (C-ATS).

## 3-5. Ensure safety and security and improve the quality of services

### ■ Better platform safety

- We have installed platform doors at Narita Airport Station.



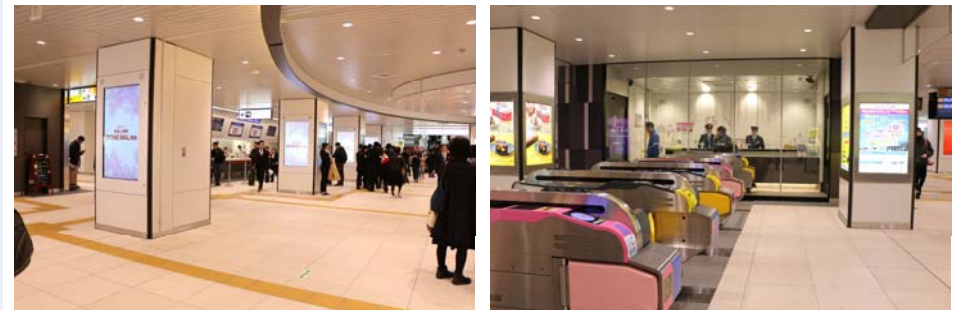
Platform doors (photos: Nippori Station and Narita Airport Terminal 2·3 Station)

- We have installed new seating.
  - The new seating is perpendicular to the track (this reduces the risk of passengers falling off the platform edge).



### ■ Better customer services

- We are refurbishing stations.
  - Ueno station (refurbished underground passage)
  - Narita Airport Terminal 2·3 Station and Narita Airport Station



The refurbished Ueno Station

- We are introducing the new 3100 series onto the Narita SKY ACCESS Line
- We are using ICT to provide information.
- Destination information is now displayed.



The new 3100 series



Destination information display

## 3-6. Establish New Growth Vision

Narita's situation is changing; the airport will see an increasing amount of traffic in the future.

### Govt. of Japan

Policy:  
Make tourism a **major national industry**

#### ■ Inbound tourist target

2020:  
40 million

2030:  
**60 million**

#### ■ Inbound tourist spending target

2020:  
¥8 trillion

2030:  
**¥15 trillion**

### Narita International Airport

The airport is being **steadily upgraded**

Extension to B runway

Third "C runway"



Excerpted from image appended to MOU on Further Extensions to Narita International Airport

**Narita Airport**  
in circa FY2030

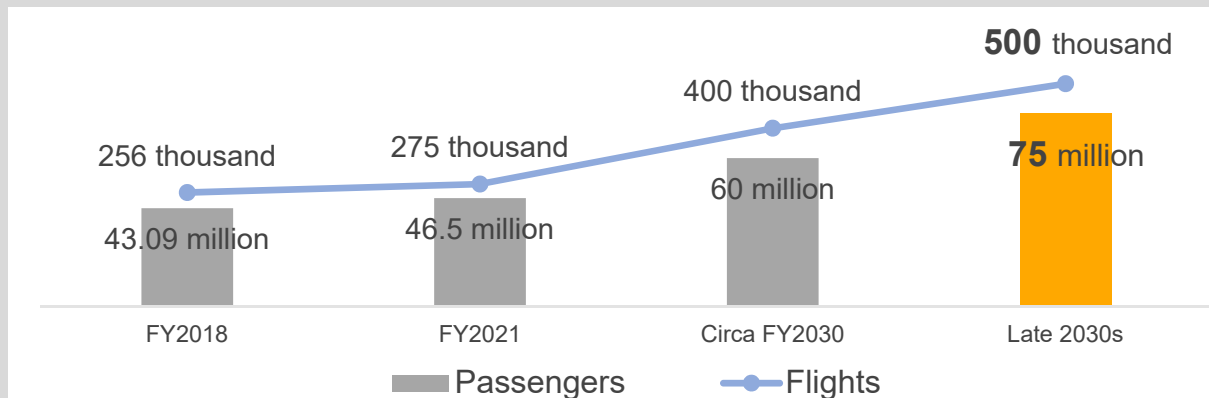
Open hours: **5:00–24:30**  
(now: 6:00–23:00)

Flights: **400 thousand**  
(FY2018: 256 thousand)

Passengers: **60 million**  
(FY2018: 43.09 million)

Source: NAA Group (Mid- to Long-Term Management Plan)

### Reference: Passenger and Flight Numbers at Narita Airport



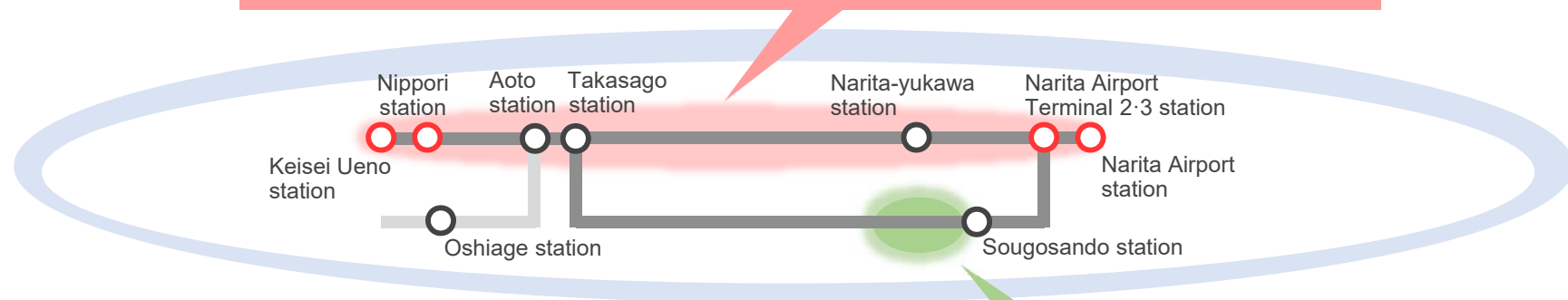
Source: NAA Group (Mid- to Long-Term Management Plan)

## 3-6. Establish New Growth Vision

Given the increasing traffic at Narita, we must bolster our transportation capacity.

### Upgrade Narita SKY ACCESS Line

The Narita SKY ACCESS Line must be able to handle the extra traffic. Accordingly, we must increase the line's capacity and upgrade stations to avoid bottlenecks.



### Review train and platform designs

The Skyliner train and the platforms it serves must be reviewed to ensure they can handle the increase in Narita Airport users.

○ = Stations where the Skyliner stops

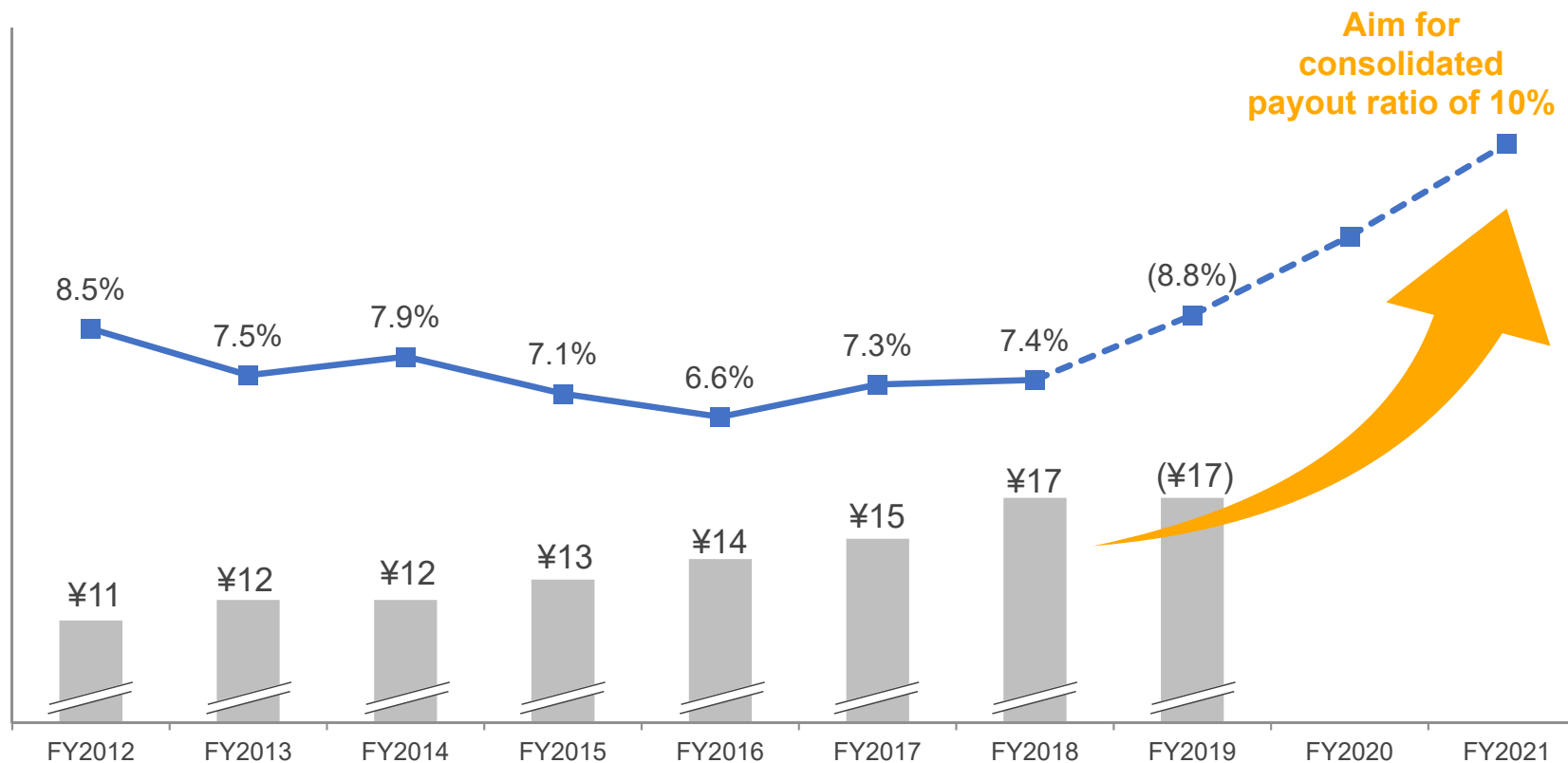
### Refurbish depot

The Sougo depot is getting old and has limited space, so it needs to be refurbished.

## 3-7. Shareholder Returns

- We aim for stable and sustained shareholder dividends.
- The first priority is to ensure that we have sufficient funds to equip our railway for the increased future demand.
- We will raise the level of dividend while prioritizing the above.

Consolidated payout ratio and dividend per share over last ten years



Amounts for years before FY2016 have been retroactively adjusted to reflect the post-stock merger.



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# Trends in Population in Areas Served by Lines

## Comparison between April 2019 and April 2016 (first year of E3 Plan)

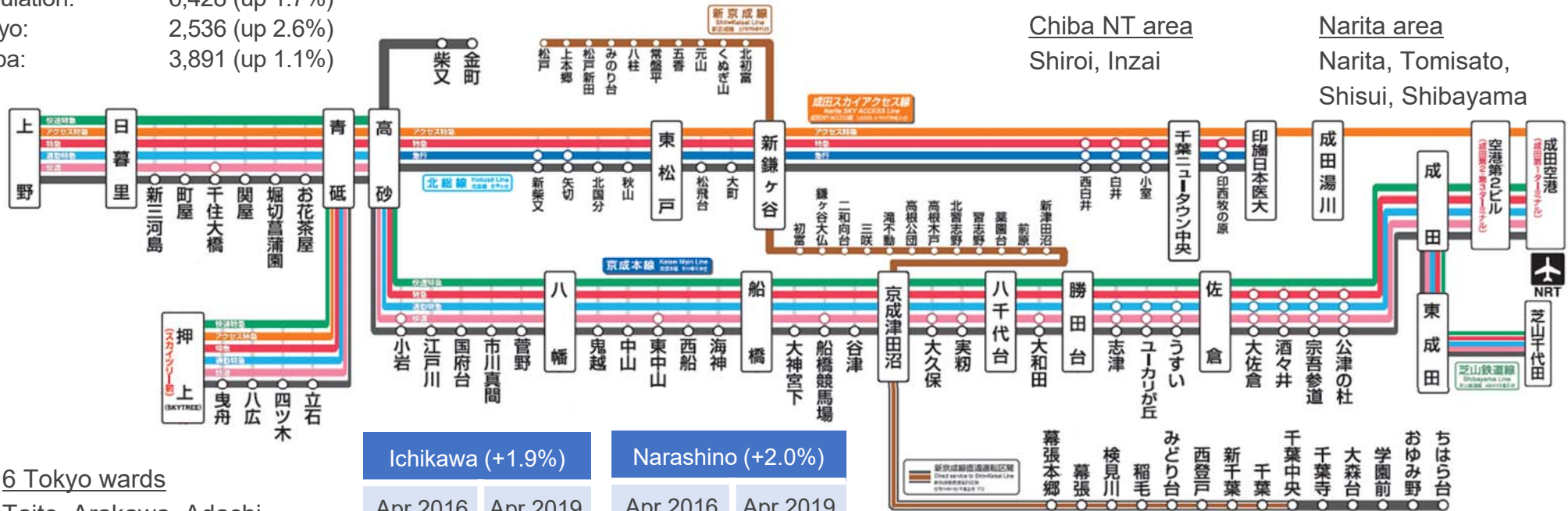
Keisei areas: Eastern Tokyo and Chiba  
 Distance: 178.8km  
 (Keisei, Hokuso, Shin-Keisei)  
 No. of stations: 101  
 Local governments: 6 wards (Tokyo), and 13 cities and 2 towns (Chiba)  
 Population: 6,428 (up 1.7%)  
 Tokyo: 2,536 (up 2.6%)  
 Chiba: 3,891 (up 1.1%)

(Thousand people)

Matsudo (+1.2%)		Kamagaya (+0.5%)		Chiba NT area (+4.1%)		Narita area (+0.5%)	
Apr.2016	Apr.2019	Apr.2016	Apr.2019	Apr.2016	Apr.2019	Apr.2016	Apr.2019
485	491	109	109	155	161	209	210

Chiba NT area  
 Shiroi, Inzai

Narita area  
 Narita, Tomisato,  
 Shisui, Shibayama



### 6 Tokyo wards

Taito, Arakawa, Adachi,  
 Katsushika, Edogawa, Sumida

### 6 Tokyo ward (+2.6%)

Apr.2016	Apr.2019
2,472	2,536

Ichikawa (+1.9%)		Narashino (+2.0%)	
Apr.2016	Apr.2019	Apr.2016	Apr.2019
484	493	169	173

Funabashi (+1.9%)		Yachiyo (+1.8%)	
Apr.2016	Apr.2019	Apr.2016	Apr.2019
624	636	194	197

Sakura (-0.8%)		Chiba (+0.4%)		Ichihara (-1.1%)	
Apr.2016	Apr.2019	Apr.2016	Apr.2019	Apr.2016	Apr.2019
173	171	973	978	274	271

\*The figures are based on data published by local governments.



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**In this material, information other than past facts constitutes forward-looking statements and includes risk and uncertainty. Actual results may differ due to a variety of reasons.**

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