

Q2 FY2018 Financial Results (2)

Q2 FY2018 Earnings Summary

– November 7, 2018 –

Keio Corporation
京王電鉄株式会社

Contents

I. Q2 FY2018 Earnings



II. 3-Year Medium-Term Management Plan (FY2018-2020) Update



III. Full-year FY2018 Earnings Forecasts



Reference: Q2 FY2018 Detailed Earnings Report



I. Q2 FY2018 Earnings

1. Consolidated Statements of Income
2. Operating Results
 - (1) Railways
 - (2) Merchandise Sales
 - (3) Hotels

1. Consolidated Statements of Income

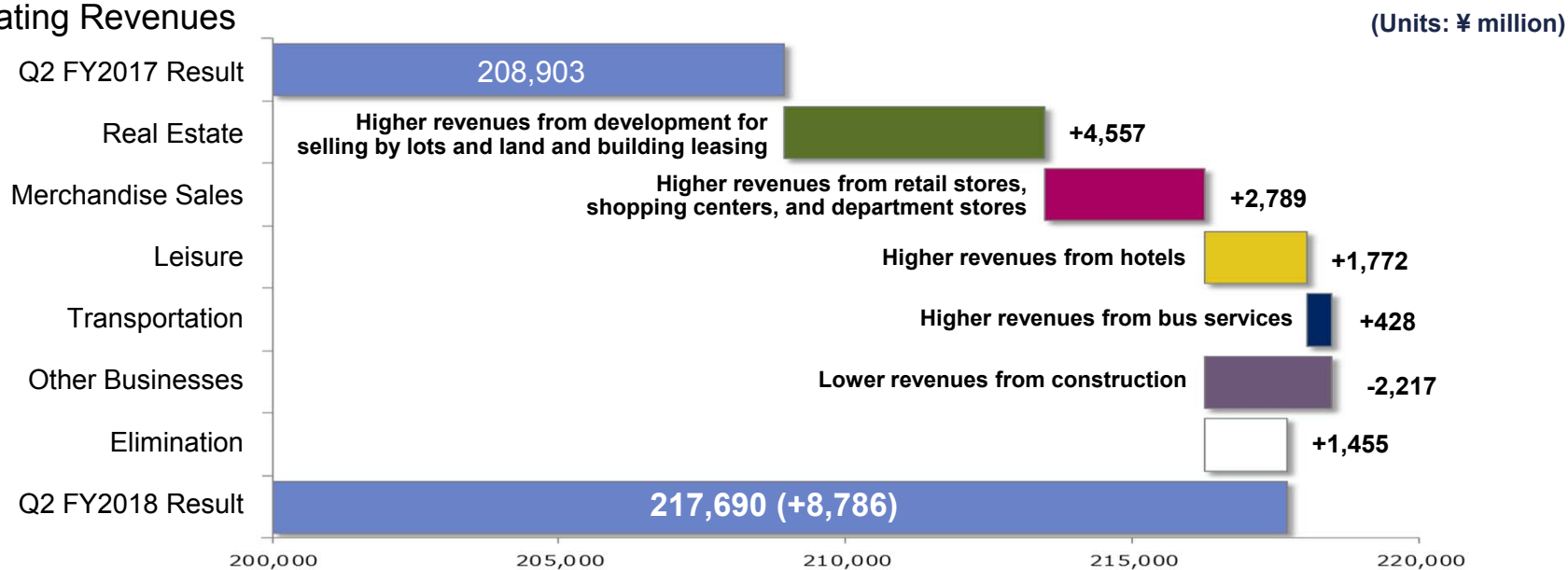
(Units: ¥ million)

	Q2 FY2017 Results	Q2 FY2018 Results	Change (%)	Q2 FY2018 Forecasts (as announced on April 27, 2018)	Difference (%)
Operating Revenues	208,903	217,690	8,786 (4.2)	216,000	1,690 (0.8)
Operating Profit	22,700	23,634	934 (4.1)	24,000	-365 (-1.5)
Ordinary Profit	21,785	23,763	1,978 (9.1)	23,100	663 (2.9)
Profit Attributable to Owners of Parent	14,649	15,124	475 (3.2)	14,900	224 (1.5)
EBITDA	39,588	41,355	1,766 (4.5)		
Depreciation and Amortization	16,686	17,518	832 (5.0)		
Capital Expenditures	26,004	18,027	-7,976 (-30.7)		

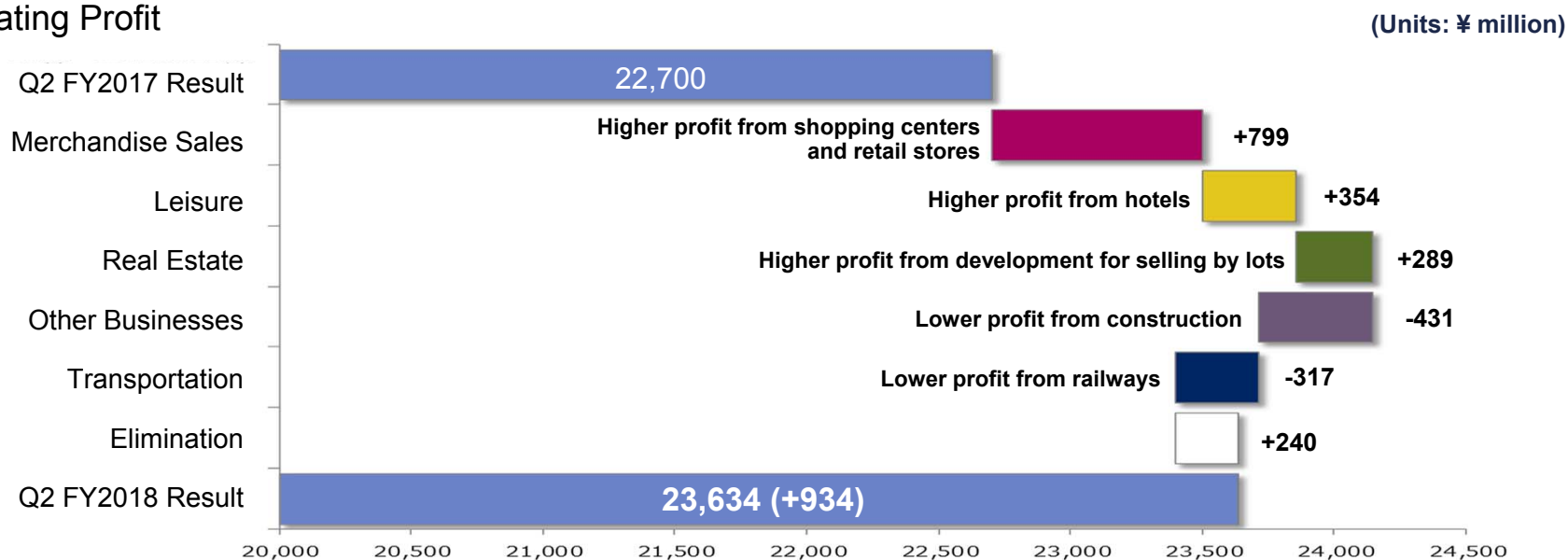
Note: EBITDA is calculated as operating profit + depreciation and amortization + amortization of goodwill.

1-2. Operating Revenues/Operating Profit Change Factors (vs. PY)

1. Operating Revenues



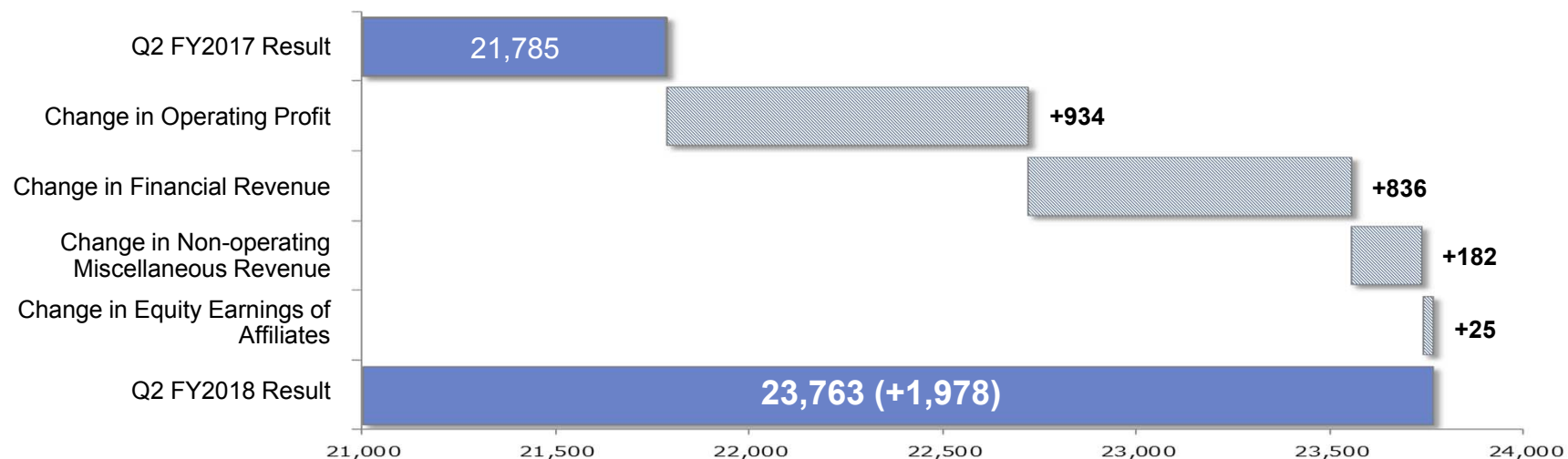
2. Operating Profit



1-3. Ordinary Profit/Profit Change Factors (vs. PY)

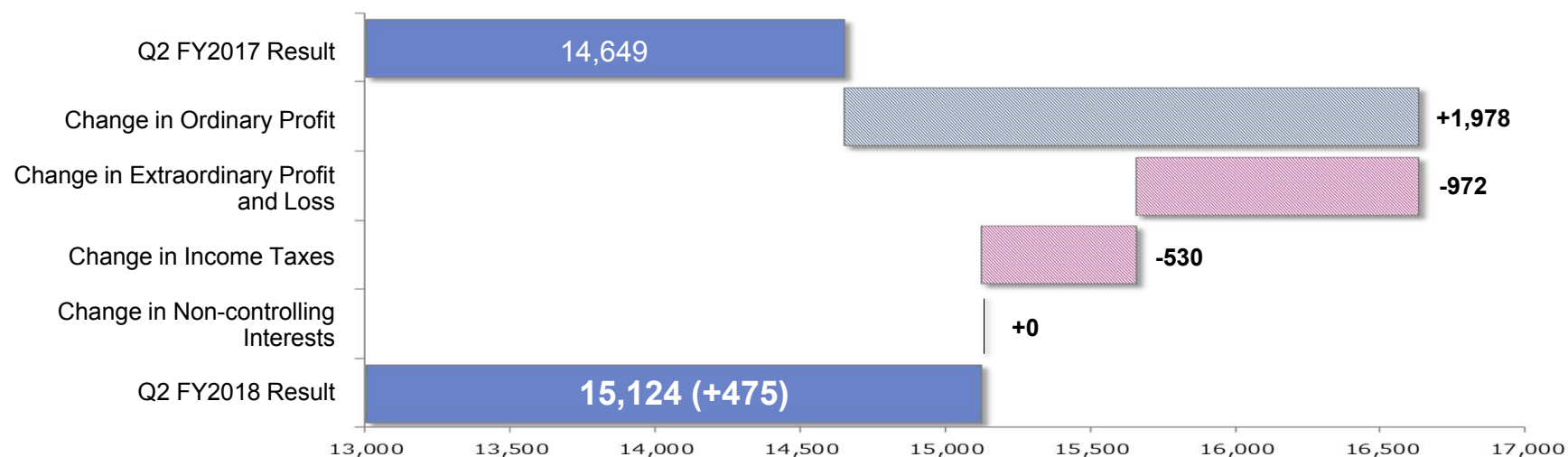
3. Ordinary Profit

(Units: ¥ million)



4. Profit Attributable to Owners of Parent

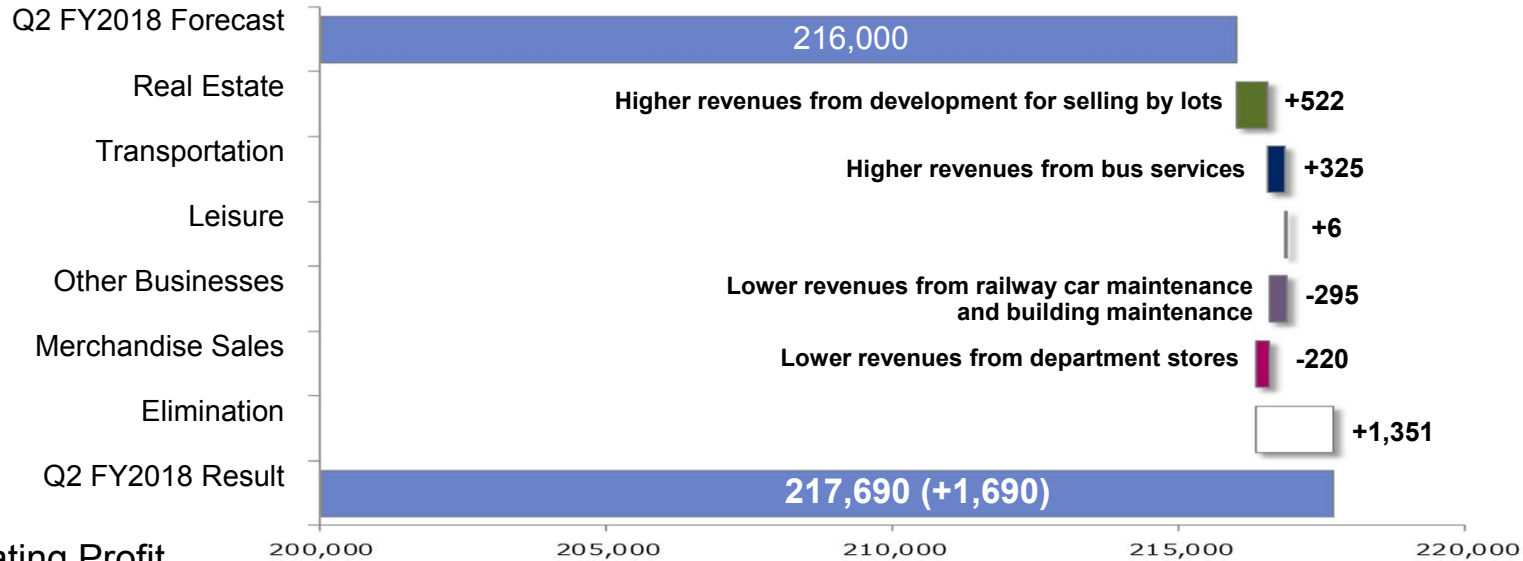
(Units: ¥ million)



1-4. Operating Revenues/Operating Profit Change Factors (vs. April 27 forecast)

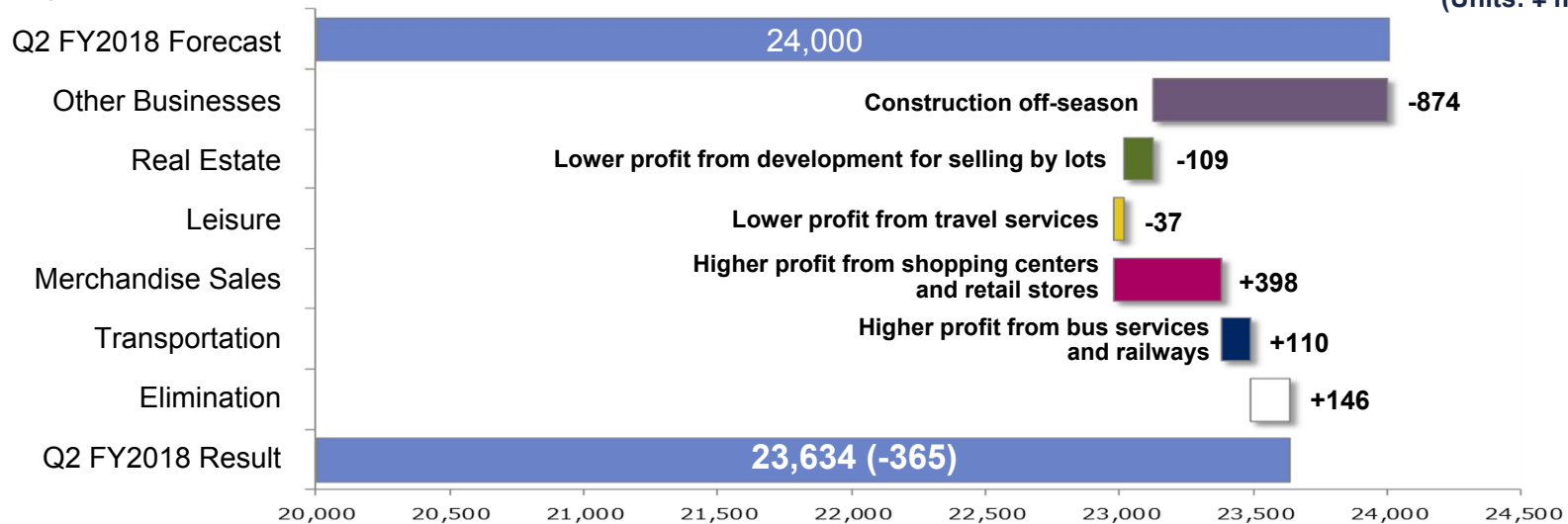
1. Operating Revenues

(Units: ¥ million)



2. Operating Profit

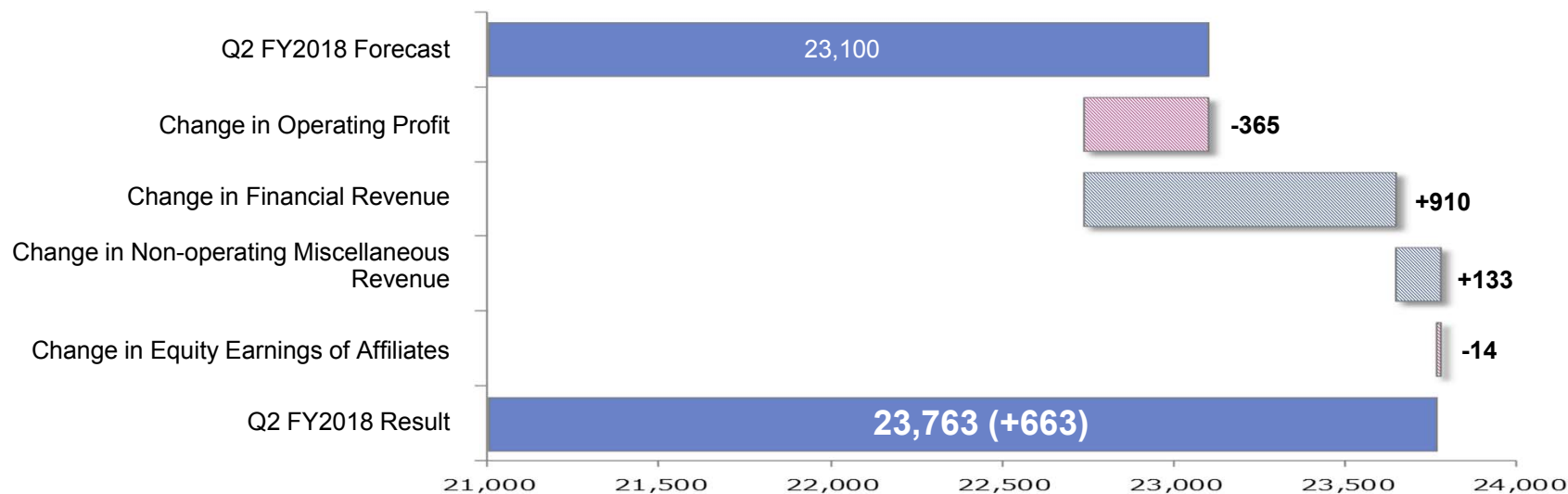
(Units: ¥ million)



1-5. Ordinary Profit/Profit Change Factors (vs. April 27 forecast)

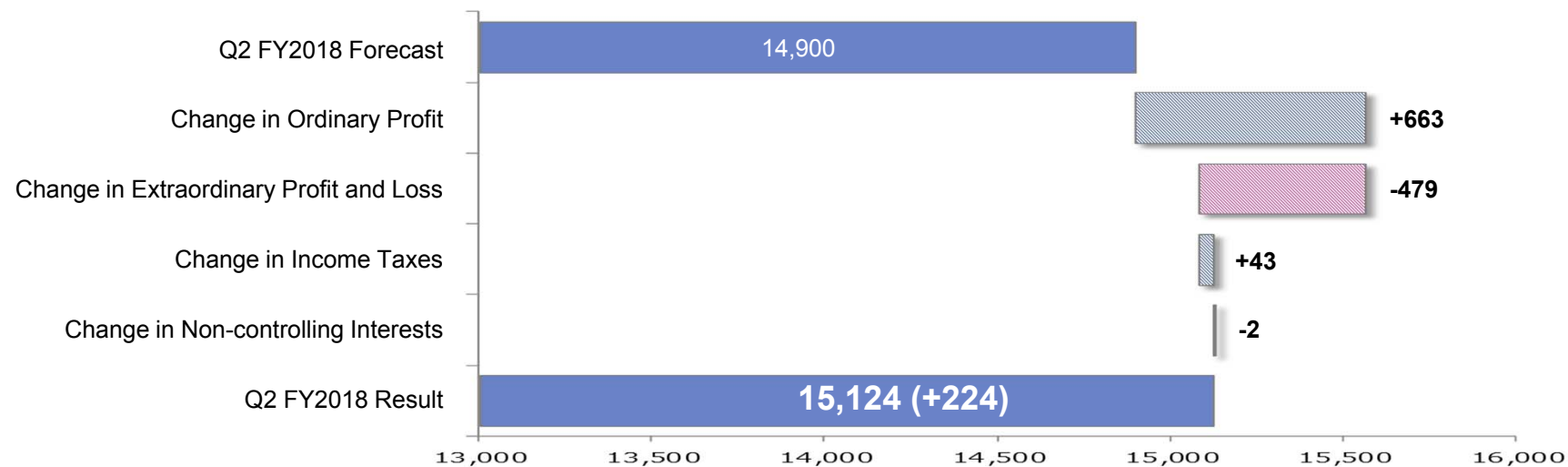
3. Ordinary Profit

(Units: ¥ million)



4. Profit Attributable to Owners of Parent

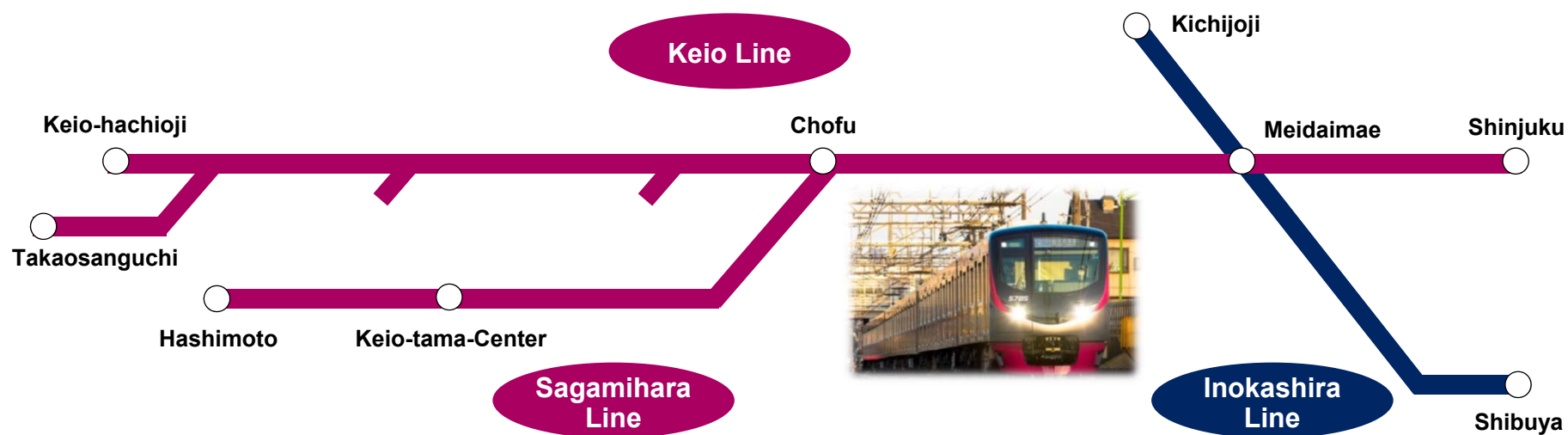
(Units: ¥ million)



2-1. Railways

(Units: Thousands of people, ¥ million)

		Q2 FY2018	YOY change	Notes	Change from plan	Notes
Passengers Transported	Commuter-Pass	205,947	+1.4%	Increase resulting from improvement in employment conditions, etc.	+1.1%	
	Non-Commuter-Pass	136,966	+0.1%	Increase in visitors to facilities along rail lines, etc.	-1.0%	
	Total	342,913	+0.9%		+0.3%	
Passenger Revenues	Commuter-Pass	18,171	+0.1%	Increase resulting from improvement in employment conditions, etc.	+1.4%	
	Non-Commuter-Pass	23,087	-1.4%	Lower fare surcharge	-1.1%	
	Total	41,259	-0.7%		+0.0%	
Railways Operating Revenues (includes reserved-seat surcharge)		43,191	-0.2%		+0.0%	



2-2. Merchandise Sales

YOY change in operating revenues (cumulative)

Department Stores		+1.0%
Retail Stores	Supermarkets	+6.3%
	(existing stores*)	+0.3%
	Convenience stores/retail stores	+6.4%
	Retail Stores Total	+6.0%
Shopping Centers		+14.6%
(existing stores*)		-0.3%

* Existing stores = Stores opened before FY2017

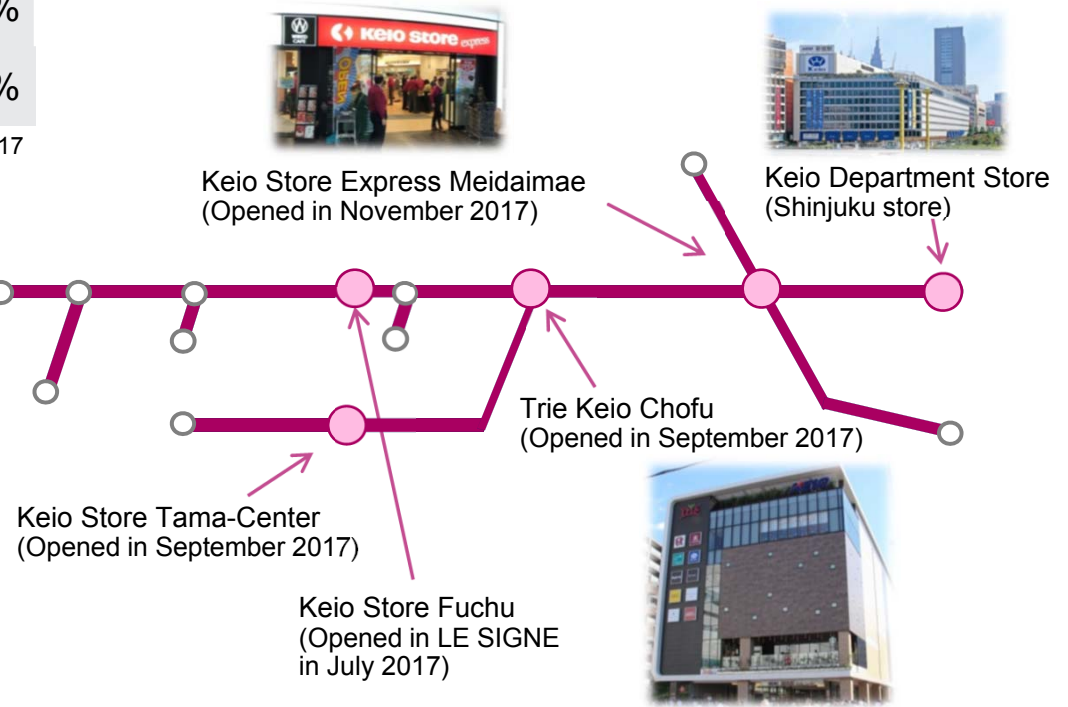
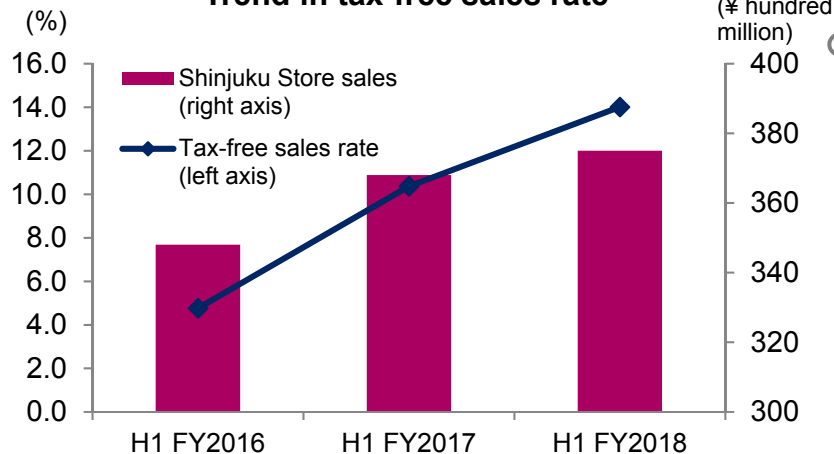
Department Stores:

Strong cosmetic sales underpinned by inbound tourist demand

Retail Stores, Shopping Centers:

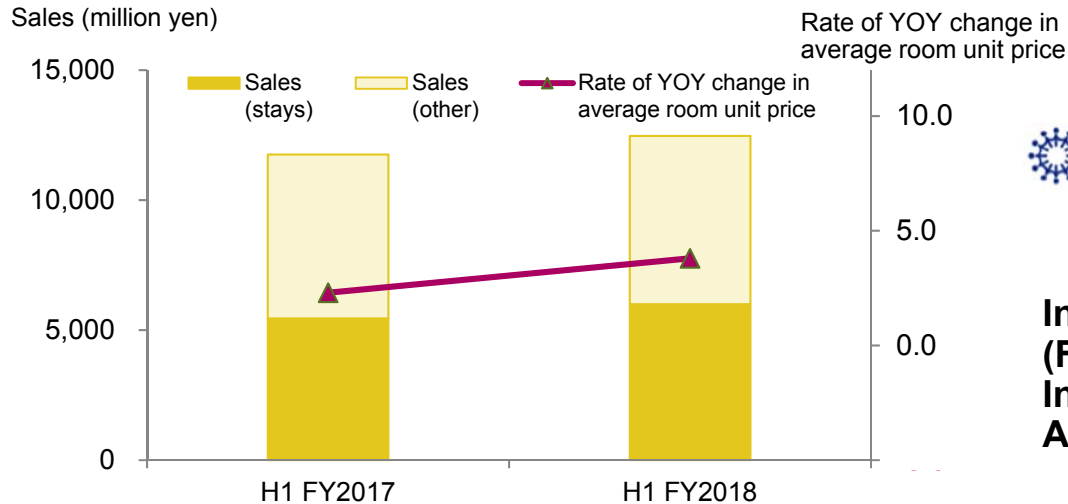
Strong performance among stores opened in previous year

Keio Department Store (Shinjuku store) Trend in tax-free sales rate



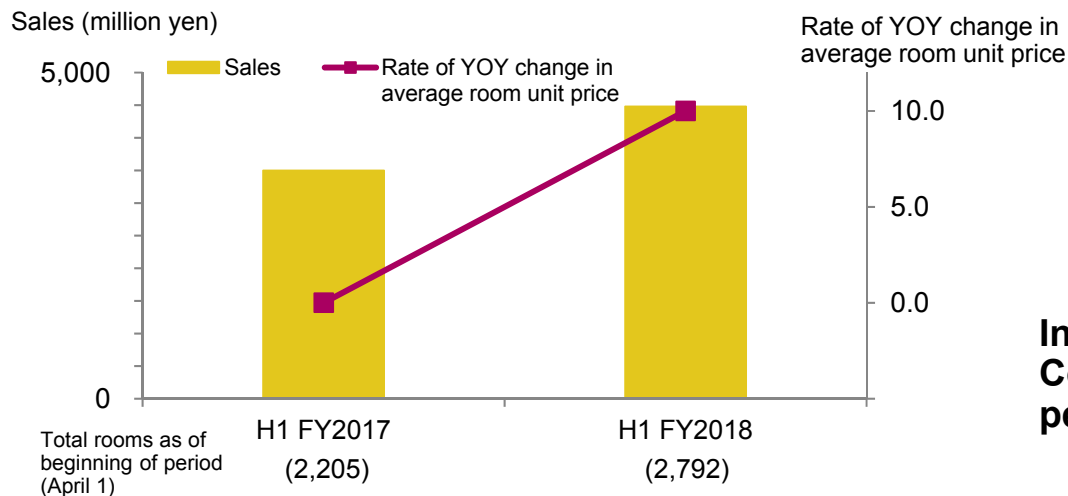
2-3. Hotels

Keio Plaza Hotel (Shinjuku): Sales and average room unit price



Increase in revenue & profit
(Factor: higher room unit price)
Increase in guest numbers (including from Asia, but also from Europe and Oceania)

Keio Presso Inn (all locations): Sales and average room unit price



Tokyo Station Yaesu
 (opened August 2017)



Hamamatsucho
 (opened December 2017)

Increase in revenue & profit. Factors:
Contribution from new locations, strong performance of existing locations

II. 3-Year Medium-Term Management Plan (FY2018-2020) Update

1. Key Policies

- (1) Strengthen Profitability of Existing Businesses**
- (2) Establish Revenue Base in Growth Fields**

2. Other Policies

1. Key Policies

(1) Strengthen Profitability of Existing Businesses

i. Keio Liner: Ridership, expansion plans

- Average ridership: **80% (weekdays), 50% (weekends)**
- Reserved seating surcharge: **200 million yen (Q2 FY2018 cumulative)**

Launching in Nov 2018: **Mt. Takao – A special reserved service from Takaosanguchi Station to Shinjuku**

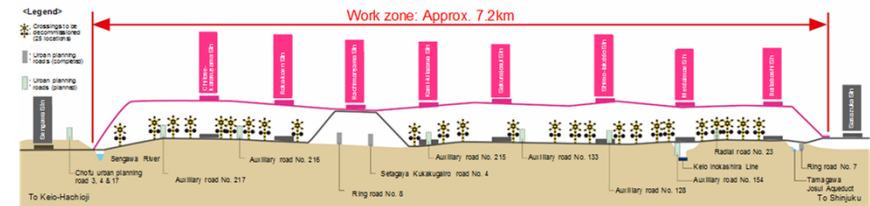


We have plans to expand the service (e.g., introduce two-way service and morning inbound service). Such expansion will lead to increased revenue.



Reference: About Keio Liner
 Reserved seat surcharge: 400 yen
 Service in operation: Five 10-car 5000 series trains
 Seating per car: 438
 Services per day: 10 (Shinjuku→Keio Hachioji ×5, Shinjuku→Hashimoto ×5)

ii. Drive forward construction of grade crossing and elevated lines along Keio Line (between Sasazuka and Sengawa stations)



- FY2017 end: Obtained approx. 50% of the target site
- FY2018: Obtained more of the target site, developed construction plans, started construction in one section

iii. Improve safety (install platform doors)



Platform doors will start service on the following platforms...

- Nov 2018: Platform 4 of Shinjuku Station
- Dec 2018: Platform 1 of Shibuya Station

1. Key Policies

(1) Strengthen Profitability of Existing Businesses

iv. Revamp commercial facilities

- **Keio Fuchu Shopping Center:** Will be partly re-opened on November 22, 2018.

Renovation began in June 2017. The renovation work is now focused on the eastern area of the floor connecting to the station.



How the revamped eastern entrance will look



How the revamped 2nd floor will look

Concept: Convenience + Style

The floor connecting to the station is a food/drink area

Oct 26, 2018: 4 locations opened (1 of which represents the first line-side opening)

Nov 22, 2018: 7 more locations to open

- **Sengawa Station Building:** re-opened on August 24, **Frente Sengawa:** re-opened on October 25, 2018

Sengawa Station Building integrated into Frente series and renamed “**Frente Sengawa (Station Building)**”



How the revamped Sengawa Station Building will look



FAMIMA STAND

Features the debut appearance of FamilyMart’s new coffee machine

Concept: A little something everyday

Target market: women aged 20–40

8 locations opened (3 of which represent the first line-side openings)



Cater to a greater range of lifestyles and station needs → Better competitiveness

1. Key Policies

(1) Strengthen Profitability of Existing Businesses

v. Land and Building Leasing: Strengthen profitability, improve energy efficiency

■ ReBITA renovation scheme

August 20, 2018: We reopened the ReBITA building (a 39-year-old building adjoining Shinjuku Station) under a new name: **12 SHINJUKU** 12 SHINJUKU is a modern office space with residential facilities



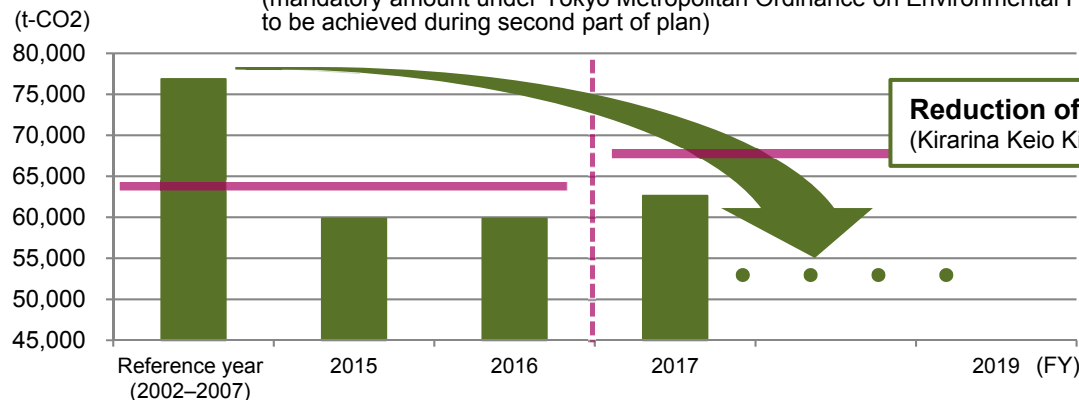
By serving as an office space with residential facilities, 12 SHINJUKU caters to new lifestyles

■ Improve energy-efficiency of existing properties

More LED lighting and energy-saving devices → Less energy consumption and CO₂ emissions

Energy-saving renovation work in Keio Hatagaya Building, Keio Shinjuku Oiwake Building, Keio Shinagawa Building

Reference: Amount of reduction in CO₂ emissions from 9 large properties; future target (mandatory amount under Tokyo Metropolitan Ordinance on Environmental Preservation, to be achieved during second part of plan)



Reduction of 18% from standard level
(Kirarina Keio Kichijoji included from FY2017)

* Properties: Keio Plaza Hotel (Shinjuku), Keio Plaza Hotel Hachioji, Keio Plaza Hotel Tama, Keio Shinagawa Building, Keio Hachioji Myojincho Building, Keio Department Store Shinjuku Building, Keio Seiseki-Sakuragaoka Shopping Center, Keio Hachioji Shopping Center, Kirarina Keio Kichijoji (from FY2017)

* Standard level = Average amount of reduction (voluntarily undertaken) over a consecutive 3-year period between FY2002 and FY2007


1. Key Policies

(2) Establish Revenue Base in Growth Fields

i. Develop Keio Prelia Hotel (upper-middle grade hotels specialized in lodging)

- Opening in Nov 27, 2018: **Keio Prelia Hotel Kyoto Karasuma Gojo**, the first location of our new hotel business

Keio Prelia Hotel Kyoto Karasuma Gojo



Exterior

Opening date: Nov 27, 2018 (planned)

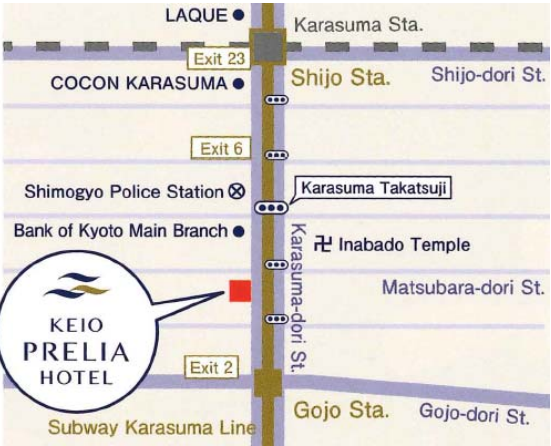
Floors: 10 above-ground

Rooms: 305


Room composition: 89 double, 207 twin, 9 triple

Amenities: Restaurant, communal bath

Total project cost: 12.8 billion yen



KEIO PRELIA HOTEL



One of the rooms (illustration)

- 4 minute walk from Gojo Station (Karasuma Subway Line)
- 5 minute walk from Shijo Station (Karasuma Subway Line)
- 7 minute walk from Karasuma Station (Hankyu Kyoto Line)

Target market: Inbound/domestic tourism, leisure, and business

Most rooms are twin, but the hotel also offers double and triple rooms

- The second Keio Prelia Hotel location will arrive in summer 2019.

Tentative name: Keio Prelia Hotel Sapporo

Keio Prelia Hotel Sapporo (tentative name)



Exterior (illustration)

Opening date: Summer 2019 (planned)

Floors: 1 basement, 17 above-ground

Rooms (planned): 359

Room composition: 42 double, 317 twin (120 of which can also be triple)

Amenities: Restaurant, communal bath, parking

Total project cost: 10.3 billion yen

- 3 minute walk from north exit of JR Sapporo Station

1. Key Policies

(2) Establish Revenue Base in Growth Fields

ii. Develop business in Takayama area

- Takayama Green Hotel to open new wing in spring 2020



Outline of new wing

Floors: 7 above-ground
Rooms: 101
Amenities: Banquet hall, restaurant, etc.

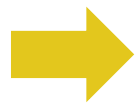
6 minute walk from Takayama Station



Rooms offer a commanding view of the Northern Alps and Takayama's cityscape



A banquet hall befitting Takayama's leading hotel



We will continue to develop the hotel as a local symbol. To this end, we will advance our inbound tourism strategy and collaborate closer with partners (with a view to capital tie-ups)

1. Key Policies

(2) Establish Revenue Base in Growth Fields

iii. Strengthen profitability of existing hotels

- Keio Plaza Hotel (Shinjuku)'s exclusive club floor, Premier Grand, is being expanded



Renovation work
 Total project cost: 700 million yen
 Period of work: July 2018 – December 2018

Premier Grand charges per guest
 (1 room/2 persons; includes service/tax)
 Clubroom Premier Grand From 22,500 yen
 Premier Grand Suite: From 45,000 yen

December 15, 2018: **Premier Grand to get 56 extra rooms (expanding from 111 to 167 rooms)**
 We will aim to maximize the benefits of the expansion by raising unit price and occupancy

- Keio Plaza Hotel (Shinjuku)'s super buffet, Glass Court, is being revamped



To re-open on January 24, 2019
 The revamped buffet will provide seating for 188 extra guests. It will also feature a stage for live performances.

Outline of Glass Court
 Location: 2nd floor of Keio Plaza Hotel (Shinjuku)
 Seating: 181 (at present)
 Annual turnover: 1 billion yen

➔ The renovation will help the hotel attract more visitors from Europe, America, and Australia, as well as wealthy visitors from emerging economies.

2. Other Policies

Suburban working space (Tama Center)

- October 17, 2018: **KEIO BIZ PLAZA (a satellite office)** opened in Tama Center, a suburban mixed-use development.
- Purpose: By locating the workspace close to the living space, KEIO BIZ PLAZA contributes to more flexible working practices.
- June 2019: **Childcare facility (under the “company-led childcare service” model) to open** under an elevated section of Keio Sagami-hara Line, near Keio-tama-center Station



A line-side environment for working, living, and socializing



**KEIO
BIZ
PLAZA**



Location: 2nd floor of Keio Plaza Hotel Tama
(3 minute walk from Keio-tama-center Station)



Outline of KEIO BIZ PLAZA

Floor space: 264.48 m²
 Seating: 93 (11 counter seats, 46 table seats, 13 sofa seats, 9 booth seats, 3 meeting rooms with a total of 14 seats)
 Amenities: IC card-controlled access, Wi-Fi, printer, shredder, projector, bookshelves, communication board, lockers (monthly rental), mail delivery, coffee server
 Business hours: 8:00–21:00

III. Full-year FY2018 Earnings Forecasts

There is no change to the full-year earnings forecasts.

[Reference] Consolidated Statements of Income
(as announced on April 27, 2018)

Reference: Consolidated Statements of Income (announced on April 27, 2018)

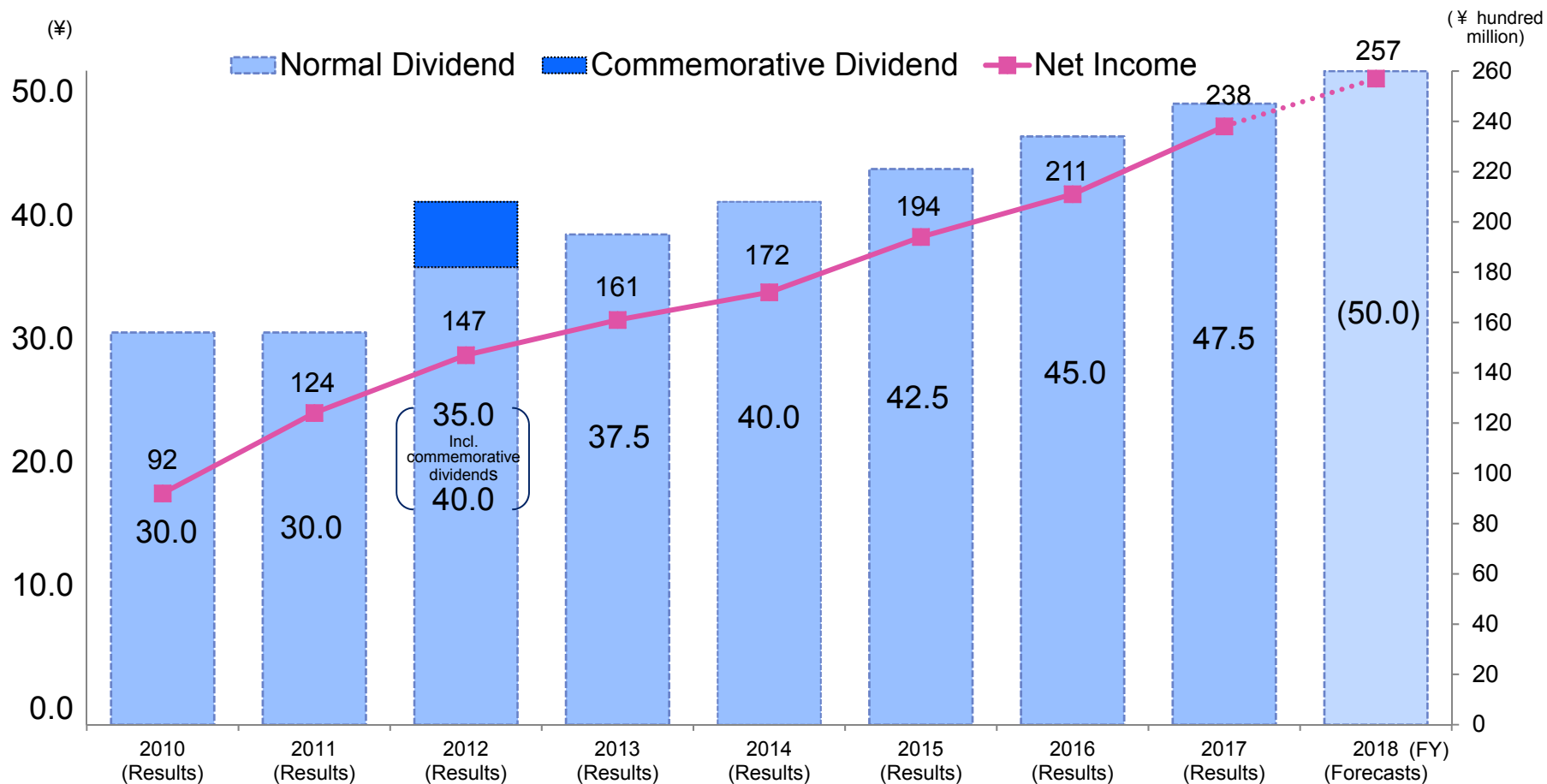
(Units: ¥ hundred million)

	FY2017 Results	FY2018 Forecasts	Change (%)
Operating Revenues	4,346	4,450	103 (2.4)
Operating Profit	385	395	9 (2.5)
Profit Attributable to Owners of Parent	238	257	18 (7.5)
EBITDA	748	765	16 (2.3)
(Depreciation and Amortization)	(358)	(364)	(6) (1.7)
Profit Margin	8.9	8.9	–
ROA	4.1	4.3	0.2P
Capital Expenditures	726	713	-13 (-1.8)

Note: EBITDA is calculated as operating profit + depreciation and amortization + amortization of goodwill.

Transitions in Consolidated Net Income and Dividends

* Reproduced from 3-Year Medium-Term Management Plan announced on May 8, 2018



In returning profits to shareholders, we will consider large-scale future investments and various other factors, with a target consolidated dividend ratio of 30%, as before.

Note: On October 1, 2017, we consolidated every 5 shares of common stock into 1 share. Accordingly, the yearly dividends are now on a post-stock consolidation basis.



KEIO



**Reference:
Q2 FY2018 Detailed Earnings Report**

1. Segment Information
2. Consolidated Balance Sheets
3. Consolidated Statements of Cash Flows

1. Segment Information (Corporate Composition)

Consolidated

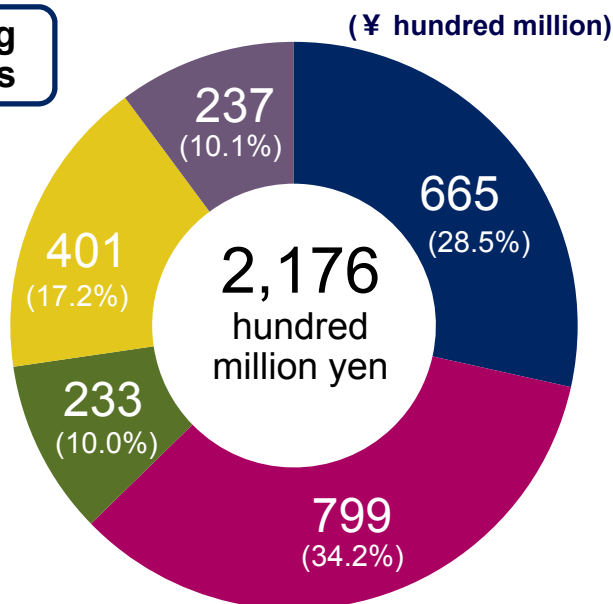
49 Companies as of the end of Sep. 2018

(Keio Corporation and Keio Juuki Seibi overlap multiple business segments)

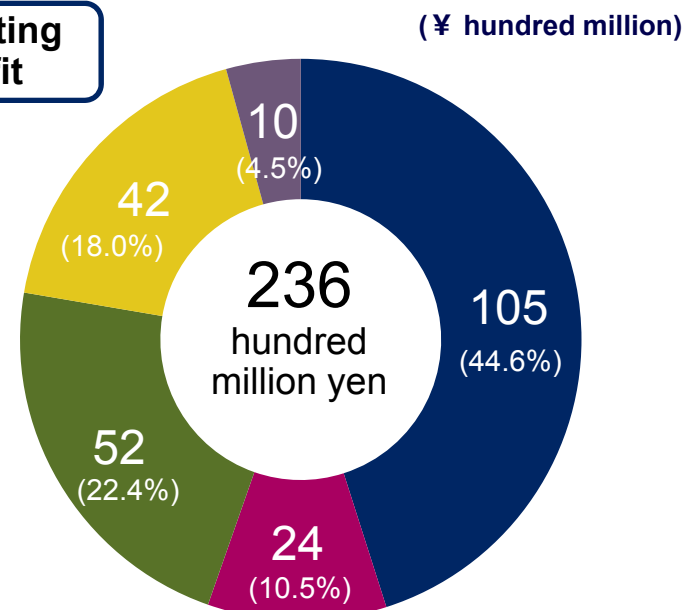
Transportation	Merchandise Sales	Real Estate	Leisure	Other Businesses
Keio Corporation Keio Dentetsu Bus Keio Jidousha 14 others	Keio Department Store Keio Store Keio Shoseki Hanbai Five others	Keio Corporation Keio Realty & Development ReBITA Three others	Keio Plaza Hotel Keio Travel Agency Keio Agency Six others	Keio Setsubi Service Keio Juuki Seibi Keio Construction Nine others

Q2 FY2018

Operating Revenues



Operating Profit



Note: Segment figures include intersegment amounts and ratios.

1. Segment Information: Transportation-1

(Units: ¥ million)

	Q2 FY2017 Results	Q2 FY2018 Results	Change (%)	Change Factors	Q2 FY2018 Forecasts (as announced on April 27, 2018)	Difference (%)
(Railways)	43,268	43,191	-77 (-0.2)	See next page	43,172	18 (0.0)
(Bus services)	18,116	18,582	466 (2.6)	Higher revenues from local routes and expressways	18,265	317 (1.7)
(Taxi services)	6,377	6,441	64 (1.0)		6,409	31 (0.5)
(Others)	1,282	1,298	16 (1.3)		1,279	19 (1.5)
(Elimination)	-2,877	-2,919	-41 -		-2,856	-62 -
Operating Revenues	66,166	66,595	428 (0.6)		66,270	325 (0.5)
(Railways)	8,401	8,134	-267 (-3.2)		8,014	120 (1.5)
(Bus services)	2,067	2,074	6 (0.3)		1,654	419 (25.4)
Operating Profit	10,834	10,516	-317 (-2.9)		10,406	110 (1.1)
Profit Margin	16.4	15.8	-0.6P -		15.7	0.1P -
Depreciation and Amortization	10,768	11,240	471 (4.4)			
Capital Expenditures	8,588	6,323	-2,265 (-26.4)			
EBITDA	21,603	21,757	153 (0.7)			

1. Segment Information: Transportation-2 (Railway Transportation Results)

(Units: Thousands of people, ¥ million)

		Q2 FY2017 Results	Q2 FY2018 Results	Change (%)		Change Factors
Passengers Transported	Commuter-Pass	203,024	205,947	2,923	(1.4)	Increase resulting from improvement in employment conditions, etc.
	(Business)	152,336	155,368	3,032	(2.0)	
	(Student)	50,688	50,579	-109	(-0.2)	
	Non-Commuter-Pass	136,822	136,966	144	(0.1)	Increase in visitors to facilities along rail lines, etc.
	Total	339,846	342,913	3,067	(0.9)	
Passenger Revenues	Commuter-Pass	18,152	18,171	19	(0.1)	Increase resulting from improvement in employment conditions, etc.
	(Business)	16,163	16,231	68	(0.4)	
	(Student)	1,989	1,940	-49	(-2.5)	
	Non-Commuter-Pass	23,414	23,087	-327	(-1.4)	Lower fare surcharge
	Total	41,567	41,259	-308	(-0.7)	

- Passengers Transported up. Factors: Better employment conditions, increase in line-side population
- Passenger Revenues down. Factor: Lower fare surcharge for Sagami-hara Line

1. Segment Information: Merchandise Sales

(Units: ¥ million)

	Q2 FY2017 Results	Q2 FY2018 Results	Change (%)	Change Factors	Q2 FY2018 Forecasts (as announced on April 27, 2018)	Difference (%)
(Department Stores)	41,647	42,077	430 (1.0)		42,787	-709 (-1.7)
(Retail Stores)	23,591	25,003	1,412 (6.0)	Contribution of locations opened last year	24,937	65 (0.3)
(Retail Stores for Books)	3,207	3,119	-88 (-2.8)		2,969	149 (5.0)
(Shopping Centers)	6,283	7,201	918 (14.6)	Contribution of locations opened last year	7,107	94 (1.3)
(Others)	5,594	5,798	204 (3.7)		5,865	-66 (-1.1)
(Elimination)	-3,180	-3,267	-87 -		-3,513	245 -
Operating Revenues	77,143	79,933	2,789 (3.6)		80,154	-220 (-0.3)
(Department Stores)	262	100	-161 (-61.6)		206	-105 (-51.2)
(Retail Stores)	134	450	316 (235.5)		200	249 (124.4)
Operating Profit	1,678	2,477	799 (47.6)		2,079	398 (19.1)
Profit Margin	2.2	3.1	0.9P -		2.6	0.5P -
Depreciation and Amortization	1,772	2,010	237 (13.4)			
Capital Expenditures	9,592	685	-8,906 (-92.9)			
EBITDA	3,451	4,488	1,037 (30.1)			

1. Segment Information: Real Estate

(Units: ¥ million)

	Q2 FY2017 Results	Q2 FY2018 Results	Change (%)	Change Factors	Q2 FY2018 Forecasts <small>(as announced on April 27, 2018)</small>	Difference (%)
(Land and Building Leasing)	17,260	17,414	153 (0.9)	Increase in building leasing, etc.	17,497	-83 (-0.5)
(Development for selling by lots)	4,896	9,150	4,254 (86.9)	Increase in sales of investment condos	8,280	869 (10.5)
(Others)	958	1,190	231 (24.2)		1,235	-45 (-3.7)
(Elimination)	-4,293	-4,376	-82 -		-4,158	-218 -
Operating Revenues	18,821	23,378	4,557 (24.2)		22,856	522 (2.3)
(Land and Building Leasing)	5,241	5,251	10 (0.2)		4,899	352 (7.2)
(Development for selling by lots)	229	430	200 (87.4)		567	-137 (-24.2)
Operating Profit	4,999	5,288	289 (5.8)		5,398	-109 (-2.0)
Profit Margin	26.6	22.6	-4.0P -		23.6	-1.0P -
Depreciation and Amortization	2,215	2,164	-50 (-2.3)			
Capital Expenditures	2,552	1,476	-1,075 (-42.2)			
EBITDA	7,417	7,656	238 (3.2)			
Property sold in development for selling by lots business (unit: housing units)						
	Property type/Year	Q2 FY2017 Results	Q2 FY2018 Results	Change		
	Renovated Property	67	60	-7		
	Investment Condo	2	54	52		

1. Segment Information: Leisure

(Units: ¥ million)

	Q2 FY2017 Results	Q2 FY2018 Results	Change (%)	Change Factors	Q2 FY2018 Forecasts <small>(as announced on April 27, 2018)</small>	Difference (%)
(Hotels)	24,416	26,421	2,005 (8.2)	Contribution of new locations, improved room unit price, etc.	25,805	616 (2.4)
(Travel Services)	9,898	9,944	45 (0.5)		10,461	-517 (-4.9)
(Advertising Services)	5,271	5,331	60 (1.1)		5,462	-130 (-2.4)
(Others)	3,476	3,515	38 (1.1)		3,562	-47 (-1.3)
(Elimination)	-4,716	-5,093	-377 –		-5,180	86 –
Operating Revenues	38,346	40,118	1,772 (4.6)		40,112	6 (0.0)
(Hotels)	3,141	3,798	656 (20.9)		3,344	454 (13.6)
Operating Profit	3,891	4,245	354 (9.1)		4,283	-37 (-0.9)
Profit Margin	10.1	10.6	0.5P –		10.7	-0.1P –
Depreciation and Amortization	1,895	2,072	176 (9.3)			
Capital Expenditures	3,409	7,526	4,117 (120.8)			
EBITDA	5,787	6,317	530 (9.2)			

- Keio Presso Inn's earnings up. Factor: Contribution of the 2 locations opened last year (Tokyo Station Yaesu and Hamamatsucho)
- Keio Plaza Hotel's earnings up. Factor: Improved room unit price

1. Segment Information: Other Businesses

(Units: ¥ million)

	Q2 FY2017 Results	Q2 FY2018 Results	Change (%)	Change Factors	Q2 FY2018 Forecasts <small>(as announced on April 27, 2018)</small>	Difference (%)
(Building Maintenance)	10,937	10,827	-110 (-1.0)		11,062	-235 (-2.1)
(Railway Car Maintenance)	4,261	4,065	-195 (-4.6)		4,324	-258 (-6.0)
(Construction)	8,290	5,704	-2,586 (-31.2)	Decrease in construction revenue, etc.	5,647	56 (1.0)
(Others)	3,663	3,761	97 (2.7)		4,029	-267 (-6.7)
(Elimination)	-1,150	-572	578 –		-982	410 –
Operating Revenues	26,002	23,785	-2,217 (-8.5)		24,081	-295 (-1.2)
Operating Profit	1,503	1,071	-431 (-28.7)		1,946	-874 (-44.9)
Profit Margin	5.8	4.5	-1.3P –		8.1	-3.6P –
Depreciation and Amortization	163	178	14 (9.0)			
Capital Expenditures	314	144	-169 (-54.0)			
EBITDA	1,666	1,249	-417 (-25.0)			

2. Consolidated Balance Sheets

(Units: ¥ million)


	FY2017 Results	Q2 FY2018 Results	Change	Change Factors
Total Assets	889,135	884,856	-4,279	Less cash on hand
Liabilities	536,893	519,008	-17,885	Construction work fees
Net Assets	352,241	365,847	13,605	Booking of Profit Attributable to Owners of Parent, etc.
Total Liabilities and Net Assets	889,135	884,856	-4,279	
Interest-Bearing Debt	352,181	348,069	-4,111	

Note: Interest-bearing Debt is calculated as Loans Payable + Bonds Payable.

3. Consolidated Statements of Cash Flows

(Units: ¥ million)

	Q2 FY2017 Results	Q2 FY2018 Results	Change	Change Factors
Net Cash Provided by (used in) Operating Activities	32,812	36,126	3,314	
Net Cash Provided by (used in) Investing Activities	-42,078	-29,512	12,565	Last year's fixed deposits
Net Cash Provided by (used in) Financing Activities	16,875	-7,391	-24,266	Last year's bonds payable
Cash and Cash Equivalents at End of Period	63,676	64,522	846	



The earnings forecasts and outlines on future performance noted in these materials include projections based on certain forecasts/assumptions made at the time of publication. Actual performance may differ from forecast figures due to various factors.

