KEIO
あなたと あたらしい あしたへ —— 京王グループ

FASF

FY2017
Financial Results (1)

〔3-Year Medium-Term Management Plan (FY2018–2020) “Achieving growth”〕

– May 8, 2018 –

Keio Corporation
京王電鉄株式会社

Review of First-Half 3-Year Medium-Term Management Plan (FY2015–2017)

<Management Targets>

(Units: ¥ hundred millions)

	FY2015 Results	FY2016 Results	FY2017 Plan	FY2017 Forecasts	FY2017 Results
Operating Revenues	4,162	4,189	4,300	4,342	**4,346**
Operating Profit	377	379	370	389	**385**
EBITDA	737	730	720	748	**748**
Profit Attributable to Owners of Parent	194	211	200	230	**238**

<Investment Results (3-year total)>

(Units: ¥ hundred millions)

	3-Year Plan	Results	Difference
Total Investment (*1)	2,692	2,469	-222
(Strategic Investment)	(450)	(655)	(+205)

(*1) Includes development for selling by lots and loans

<Reference Indicators>

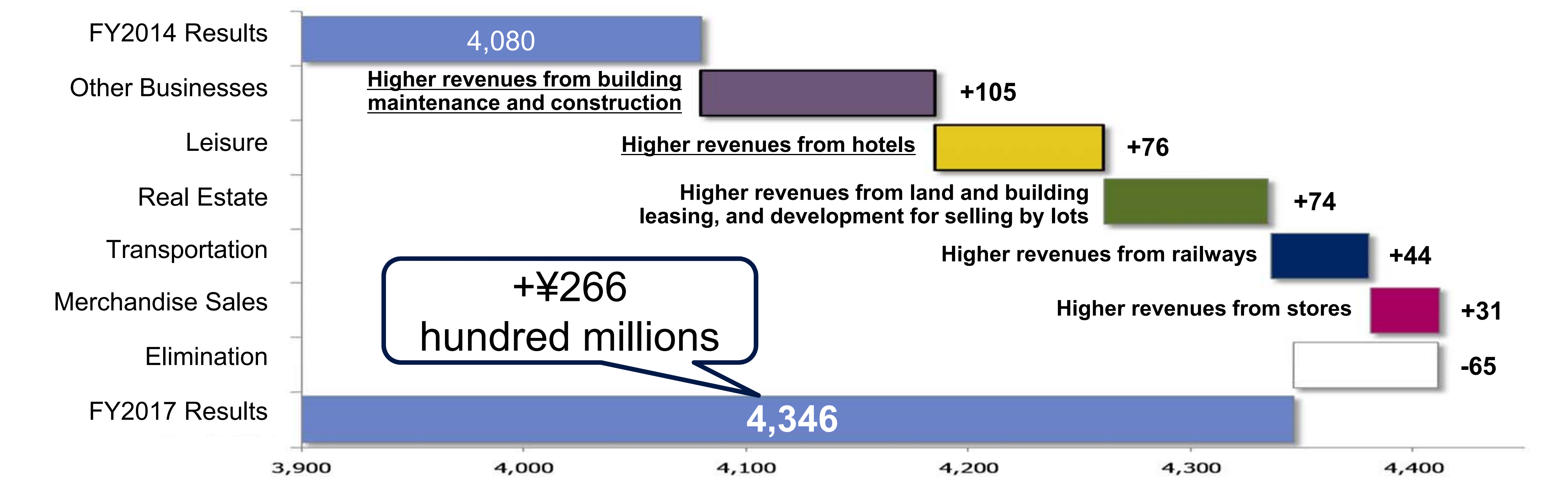
(Units: ¥ hundred millions)

	FY2017 Plan	FY2017 Results
D/E ratio	Approx. 1.0	1.0
ROE	>6.0%	7.0%

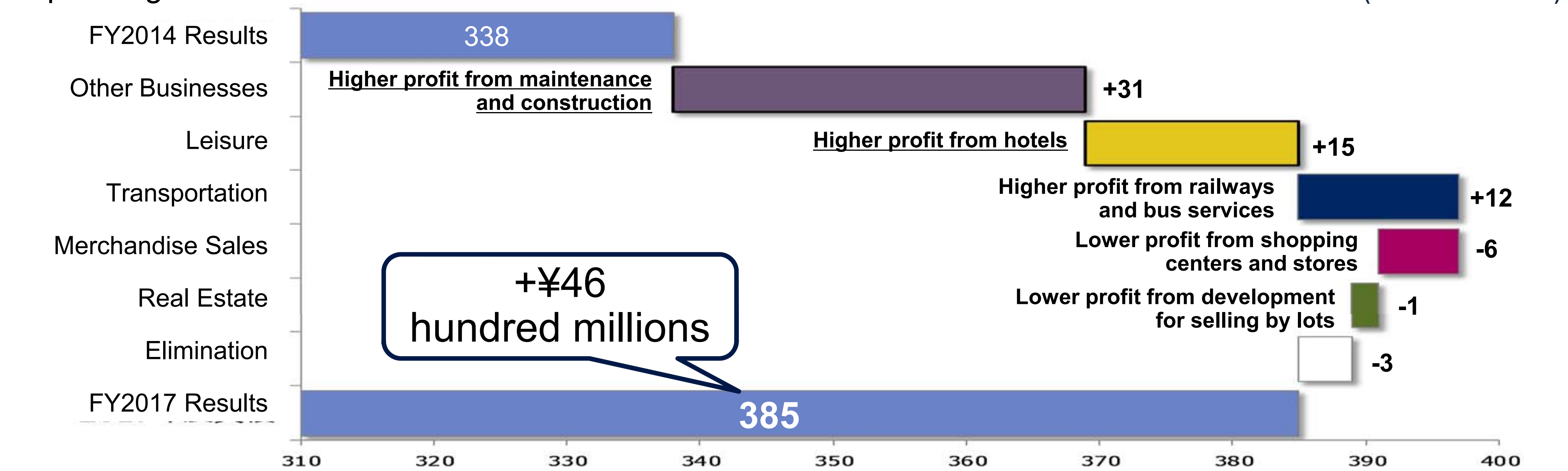
The theme of the First-Half 3-Year plan was to set the stage for growth. Under this theme, we actively invested with a view to achieving the targets outlined in the Medium-Term Management Plan.

Operating Revenues / Operating Profit Change Factors (FY2017 vs. FY2014)

<Operating Revenues>



<Operating Profit>



Ordinary Profit/Profit Change Factors
(FY2017 vs. FY2014: details)

(¥ hundred millions)

Segment	Change	Profit Margin	Change Factors
Other Businesses	+31	+4.2P (4.2%→8.4%)	• Increase in gross margin
Leisure	+15	+1.2P (8.0%→9.2%)	<Hotels> • Success in capturing inbound demand • High price strategy
Transportation	+12	+0.6P (9.7%→10.3%)	<Railways> • Higher ridership <Buses> • Lower fuel costs
Merchandise Sales	-6	-0.5P (3.0%→2.5%)	• Increase in expenses associated with new openings
Real Estate	-1	-4.7P (25.9%→21.2%)	• Decrease in gross margin
Consolidated	**+46**	**+0.6P (8.3%→8.9%)**	

Approach for Latter-Half 3-Year Medium-Term Management Plan (FY2018–2020)

Basic approach	Obtain returns on the investments made in First-Half Plan and thus achieve the growth necessary to prepare a solid foundation for the coming era of depopulation and large-scale investment

Key policies

<(1) Strengthen profitability of existing businesses>

- Railways : Improve profitability (e.g., Keio Liner, overhaul of timetable), drive forward Keio Line (between Sasazuka and Sengawa stations) grade crossings/elevated lines
- Merchandise Sales : Strengthen profitability and streamline management of existing commercial facilities
- Real Estate : Promote sales business and raise profitability of rental business
- Selection and concentration of businesses : Improve profit margin and restructure business

<(2) Establish revenue base in growth fields>

- Hotels : Strengthen profitability of existing hotels, open Keio Prelia Hotel locations
- Shared-type hotel complexes / Vacation rentals : Establish 10-location network of shared-type hotel complexes, make vacation rentals profitable
- Business development in Takayama area : Cooperate with Takayama Green Hotel, strengthen cooperation with Chuo highway bus
- Overseas Business (Myanmar) : Open urban-style hotels and serviced apartments

Management Targets

(Units: ¥ hundred millions)

	FY2017 Results	FY2018 Plan	FY2019 Plan	FY2020 Plan
Operating Revenues	4,346	4,450	4,600	**4,700**
Operating Profit	385	395	430	**480**
Profit Margin	8.9%	8.9%	9.4%	**10.0%**
Profit Attributable to Owners of Parent	238	257	280	**300**
ROA	4.1%	4.3%	—	**5.0%**

(Reference Indicators) FY2020 forecast

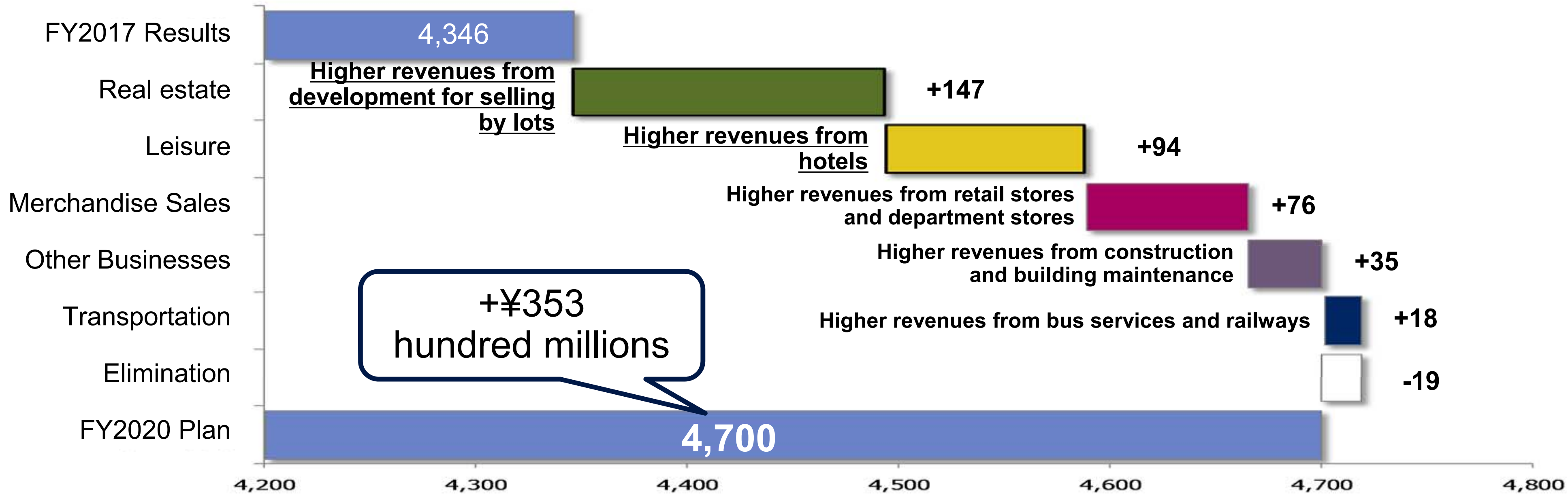
ROE	7.6%	(FY2017 Results:7.0%)
EBITDA	850 hundred millions of yen	(FY2017 Results:748 hundred millions of yen)
D/E ratio	1.0	(FY2017 Results:1.0)

We will strengthen profitability of existing businesses and obtain returns on ongoing investment projects with a view to achieving a profit margin (an ROA component) of 10%

Operating Revenues / Operating Profit Change Factors (FY2020 vs. FY2017)

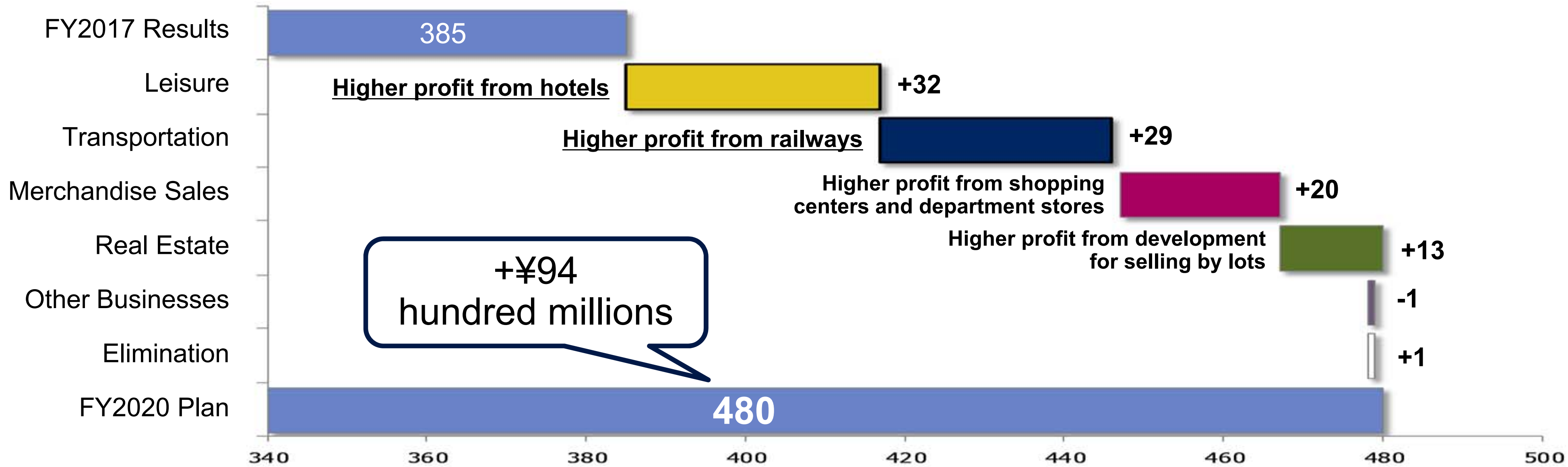
<Operating Revenues>

(¥ hundred millions)



<Operating Profit>

(¥ hundred millions)



Operating Profit Change Factors
(FY2020 vs. FY2017: details)

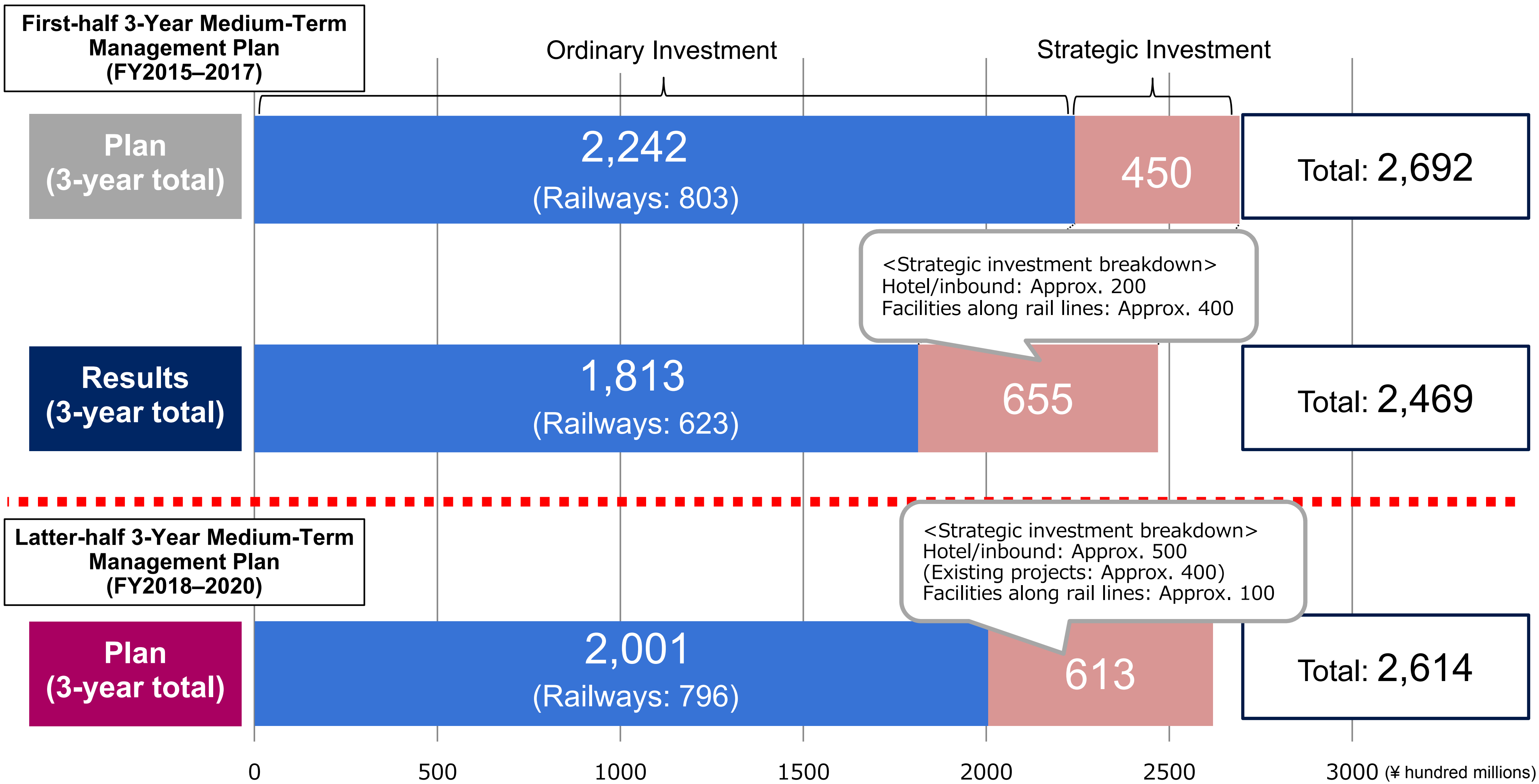
(¥ hundred millions)

Segment	Change	Profit Margin	Main Change Factors	Risks
Leisure	+32	+2.8P (9.2%→12.0%)	<Hotels> ・Impact of new openings ・Success in capturing inbound demand	・Inbound trends may change
Transportation	+29	+2.1P (10.3%→12.4%)	<Railways> ・Efforts to improve profitability (e.g., Keio Liner, revised timetable) ・Decline in depreciation and amortization	・Demographic trends may change (e.g., neighborhood population may decline) ・It may become difficult to secure workforce
Merchandise Sales	+20	+1.1P (2.5%→3.6%)	・New openings and re-openings ・Success in capturing inbound demand ・Efforts to streamline store management	・Inbound trends may change ・Pace of change in distribution structure may accelerate
Real Estate	+13	-3.1P (21.2%→18.1%)	・Change in profit margin following expansion of development for selling by lots	・Market may change (e.g., competition may intensify)
Other Businesses	-1	-0.7P (8.4%→7.7%)	・Decline in gross margin ratio	・It may become difficult to secure workforce
Consolidated	**+94**	**+1.1P (8.9%→10.0%)**		

Investment Plan

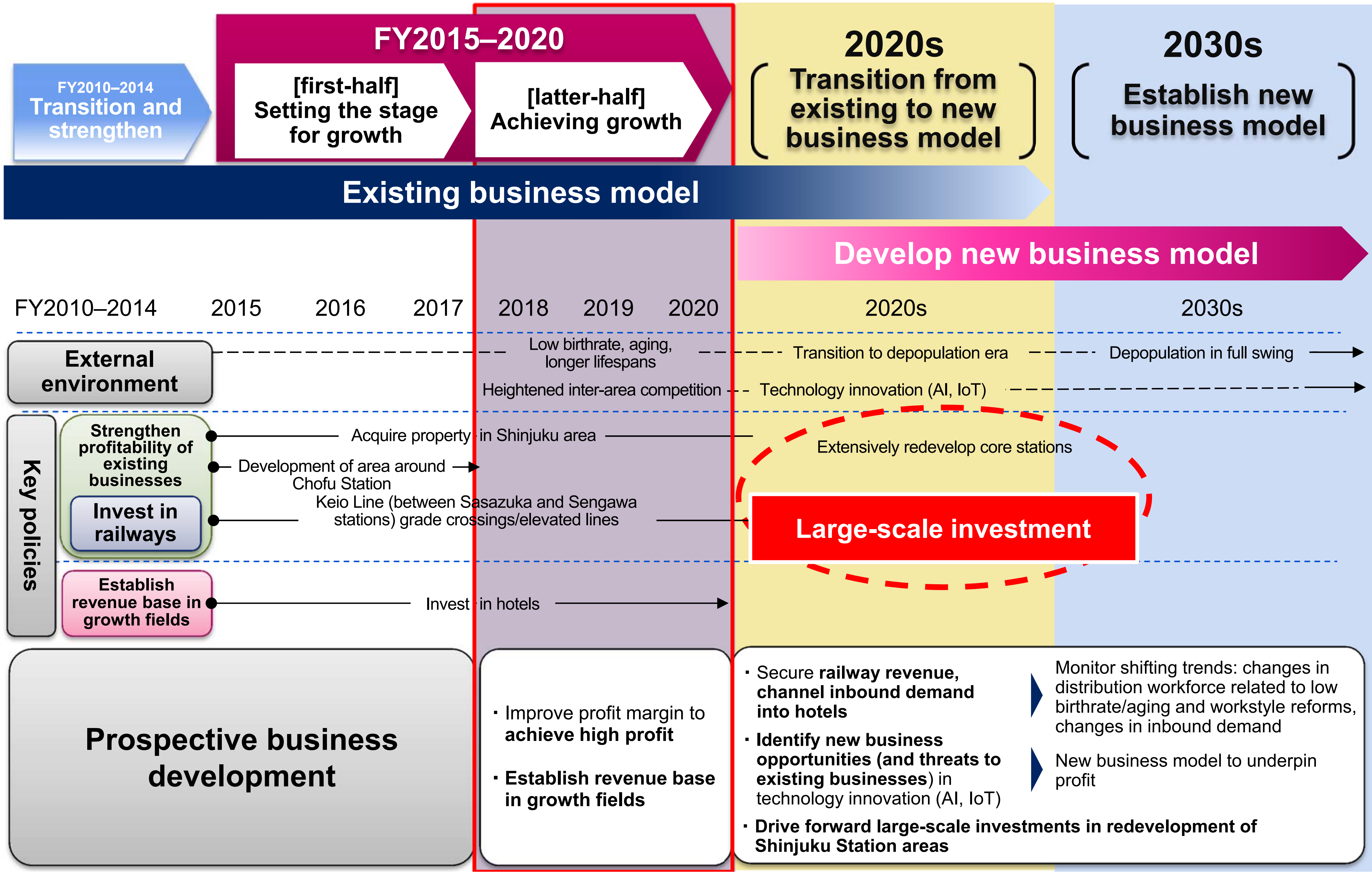
<Total Investment (*) Results / Planned>

(*) Includes development for selling by lots and loans



We will focus on construction of grade crossings/elevated lines (ordinary investment projects) and on ongoing strategic investment projects from the First-Half Plan, including hotel/inbound projects (which will account for approximately 70% of strategic investment)

Forecasts for FY2021 and Beyond



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.