



# **Tobu Group Long-Term Management Framework / Tobu Group Medium-Term Business Plan 2017–2020**

**May 12, 2017**

**TOBU RAILWAY CO., LTD.**

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# 1 Reflecting on Previous Medium-Term Business Plan

## Period

FY2014–FY2016 (Three Years)

## Basic Strategy and Main Initiatives

### **(1) Improvement of Railway Safety and Convenience**

- Improvement of Comfort and Convenience of TOBU URBAN PARK Line  
(Increased number of new cars/ Launch of Omiya - Kasukabe Express operations)
- Introduction of new 500 series limited express car
- Investment in further safety improvements (¥72.5 billion over three years)

### **(2) Continued Strengthening of TOKYO SKYTREE TOWN Profitability**

- Creation of prosperity through special newsworthy plans and organizing of events at TOKYO SKYTREE TOWN
- TOKYO SKYTREE TEMBO Shuttle (elevator) improvements

### **(3) Improvement of Daily Life Value Along Railway Lines**

- Development of commercial facilities utilizing station space and space directly connected to station  
(EQUiA Narimasu, Ikechika Dining, etc.)
- Promotion of settlement along railway lines through development of leasing and real estate subdivision selling business  
(3-year cumulative number of units sold: 7 condominiums with 816 units and 76 detached houses)

### **(4) Development of Tourism Strategy**

- Creation of TOBU TOP TOURS CO., LTD.  
(Merger of TOBU TRAVEL CO.,LTD. and TOPTOUR CORPORATION)
- Opening of TOBU RAILWAY's first overseas branch in Taipei
- Acquisition of shares in KANAYA HOTEL Co., Ltd.

#### [Ongoing Initiatives]

- Plans will continue to be reviewed for large-scale development projects including Tobu Dobutsu Koen, Shimoitabashi, Kitakasukabe, and Yaesu areas

# 1 Reflecting on Previous Medium-Term Business Plan

## Status of Achievement of Numerical Targets for Final Year

Revenue from operations was lower than the plan, but all consolidated numerical targets (4 items) from the Medium-Term Business Plan were achieved.

 = Numerical target

(Hundred millions of yen)	FY13 Results	FY16 Results	FY16 Numerical targets
Revenue from Operations	5,936	5,689	6,070
<b>Operating Income</b>	<b>560</b>	<b>683</b>	<b>650</b>
Recurring Income	519	621	535
<b>Profit Attributable to Owners of Parent</b>	<b>315</b>	<b>361</b>	<b>320</b>
<b>Ratio of Operating Income to Sales(%)</b>	<b>9.4</b>	<b>12.0</b>	<b>10.7</b>
Depreciation	527	528	527
EBITDA	1,087	1,211	1,177
Interest-bearing Debt	7,760	7,997	8,400
<b>Interest-bearing debt/EBITDA Multiple(x)</b>	<b>7.1</b>	<b>6.6</b>	<b>7.1</b>

## 2 Analysis of Business Environment

### External Environment Surrounding the Company

#### Factors that could mainly be positive

- Urban concentration of operations and opportunities for railway network expansion
- Increase in tourists from rapid inbound growth
- Lifestyle changes and increase in number of employed women and senior citizens
- Increase in number of active senior citizens and revitalization of three-generation consumption

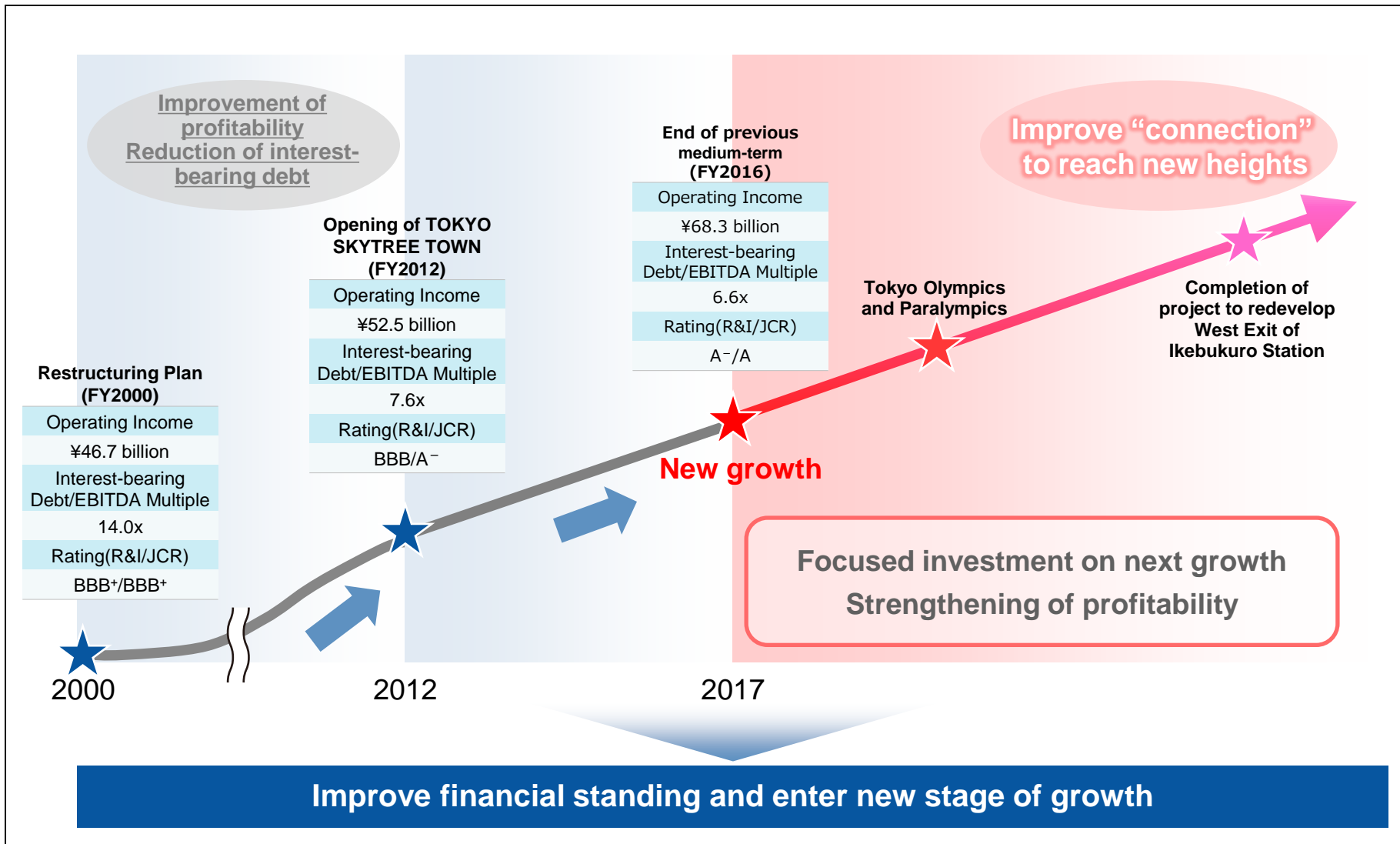
#### Factors that could mainly be negative

- Progression of low birth rate and aging society and decrease in working population
- Intensification of inter-line and inter-regional competition
- Depopulation of suburbs as people return to city centers

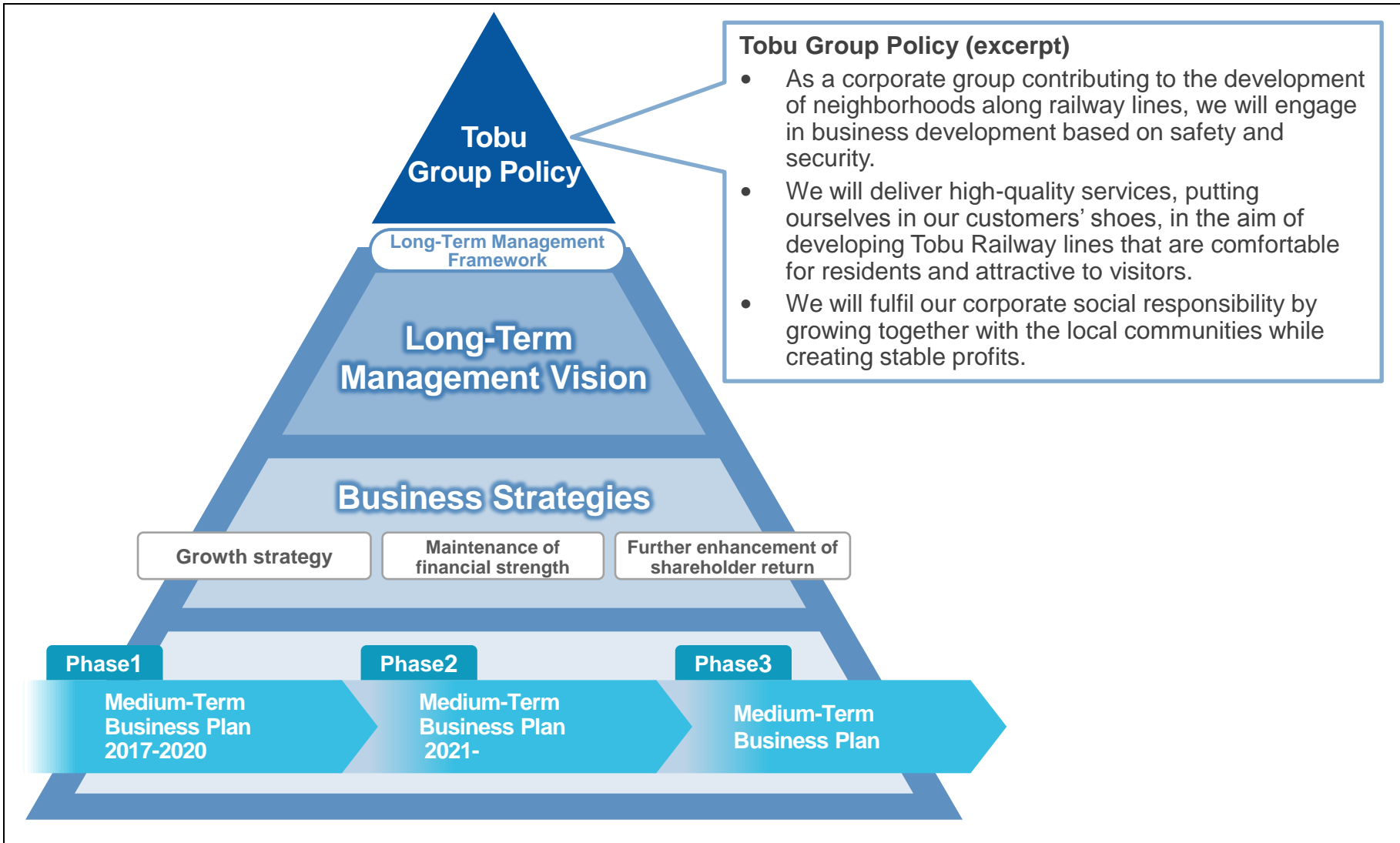
### Issues to be Addressed Arising from Business Environment

- Further expand railway network and create new demand along railway lines
- Further increase advantage with excellent cost performance and convenient access to city center to increase influx of people to railway lines
- Capture demand from inbound and other non-resident population, especially senior citizens, utilizing attractive tourism resources of railway lines
- Prepare environment in which women can work and raise children, capturing demand from women entering the workforce and lifestyle changes
- Roll out services based on new concepts and new businesses that supplement existing businesses, addressing environmental changes and demand

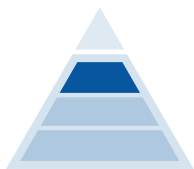
# Shifting of Gears for New Stage of Growth



# 3 Long-Term Management Framework



### 3 Long-Term Management Framework



#### Long-Term Management Vision

## Improve “connection” to reach new heights

**“Connect” many generations:** Aim to develop a railway line that connects three generations of family members to provide the happiest living in Japan.

Work to achieve lively railway line allowing multiple generations to enjoy worthwhileness of everyday life and relaxation to attract people by enhancing lifestyle support, including support for moving, support for working mothers and support for the local community.

**“Connect” with railway network:** Aim to develop the No. 1 commuting environment and tourism/transportation services among private railways.

Work to improve transportation to respond to improvements in convenience, comfort and speed and further strengthen and utilize the advantage of a railway network connecting to hub areas where functions are concentrated to improve the value of our railway lines and generate an influx of the resident population.

**“Connect” with the world:** Aim to become No. 1 in rate of inbound increase to tourist areas along railway.

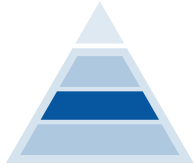
Connect with the community while respecting the unique history, traditions, culture and nature of tourist areas along the railway, and connect the railway to the world through various initiatives that will attract customers to increase the tourist/nonresident population and revitalize the area.



Change “connect” to “the power to attract” and “earning power” to reach new heights after completion of the redevelopment project for the west exit of Ikebukuro station.



# 3 Long-Term Management Framework



## Business Strategies

### Growth Strategy (4, 3, 2, 1 Plan)

#### ◆ Maximization of revenue through focused investment in key areas

Expand revenue by focusing investments in Asakusa/TOKYO SKYTREE, Nikko/Kinugawa, Ikebukuro and Ginza/Yaesu/Coastal areas.

#### ◆ Improvement of value along railway lines through further cultivation of businesses along railway lines

Raise value along railway lines by strengthening the railway network and improving convenience of life to increase the population along railway lines.

#### ◆ Promotion of new businesses outside of railway lines

Accurately capture market demand and changes in the environment and seek new growth and increased recognition in areas outside of railway lines to expand the business.

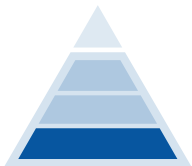
#### ◆ Inbound initiatives

Promote attraction of foreign tourists and play a role in making Japan a travel destination while working on inbound businesses in new fields.

### Maintenance of Financial Strength

### Further Enhancement of Shareholder Return

# 3 Long-Term Management Framework



## Road Map (Positioning of Each Phase)

### Long-Term Management Framework



### New Medium-Term Business Plan Four years from FY2017 to FY2020

- Promotion of growth investment for the next stage
- Planting/cultivation of business seeds anticipating Tokyo Olympics and Paralympics and thereafter
- Increased revenue through incorporation of rapidly growing inbound demand

# 4 New Medium-Term Business Plan

## Major Projects Based on Growth Strategy

		FY2017	FY2018	FY2019	FY2020	FY2021–	
4 Maximization of revenue through focused investment in key areas	Plan						
	Asakusa/ TOKYO SKYTREE Area	Development of Kitajukken River waterfront space (under elevated structure)				● Facility opening (partial)	
	Nikko/Kinugawa Area	THE RITZ-CARLTON NIKKO construction		● Start		● Hotel opening	
		Steam locomotive (SL) comeback operations	● Launch of steam locomotive (SL) service				
	Ikebukuro Area	Promotion of redevelopment of area around west exit of Ikebukuro station		Discussion/collaboration with concerned parties in region and government for promotion of redevelopment		● Union establishment	
Ginza/Yaesu/ Coastal area	Ginza 6-chome Hotel	● Start			● Hotel opening		
	Ariake 1-chome development			● Start			
3 Improvement of value along railway lines through further cultivation of businesses along railway lines	Improvement of transportation services	Introduction of flagship Limited Express				● Launch of service	
		TOBU URBAN PARK Line Expansion of express train service section			● Mutsumi - Sakasai double-track line completion, expansion of express train service segment		
	Facility development centered on stations	Construction of Wakoshi Station south exit building		● Start		● Station building opening	
		Kitasenju Station stores		● Center zone opening	● South exit store opening	● North concourse store opening	
		Other station building plans	● EQUiA Shiki opening	● Shinkoshigaya re-opening	● VARIE 4F/5F	● Soka VARIE north wing re-opening	● Shinkoshigaya VARIE 2F/3F renovation plan (Timing TBD)
		Large-scale complex development	Consideration of utilization of land owned in front of stations and large-scale commercial land resulting from continuous overhead crossing project, etc.				
	Provision of high-quality lifestyle services Development of lifestyle services	Condominiums/ detached houses	● Shimizu Koen residential subdivision (2017–2020)	● Narimasu Condominium completion	● Completion of Kosuge Condominium and Dokkyodaigakumae Condominium	● completion of Nagareyama-otakanomori Condominium	● Completion of Shinkamagaya Condominium
		Rental condominiums	● Sumida-ku Narihira Housing complex acquisition	● Opening of housing complex in front of Shimo-akatsuka Station	● Opening of housing complex in Nerima-ku Kitamachi	● Opening of housing complexes in front of Iwatsuki Station and Shingashi Station	
		Child raising/seniors	● Kitasenju nursery opening	● Hikifune nursery opening	● Omiya-koen Station senior housing opening	● Opening of Dokkyodaigakumae nursery	
	2 Promotion of new businesses outside of railway lines	Consideration of businesses outside of railway lines	Consideration of business expansion beyond railway lines for new growth				
1 Inbound initiatives	Inbound	Further promotion of Group inbound activities, promotion of area branding, incorporation of wealthy customers, roll-out of new inbound business					

# 4 New Medium-Term Business Plan

## Plan4

Maximization of revenue through focused investment in key areas (Asakusa/TOKYO SKYTREE Area)

Aim to create a unified tourist area where visitors can tour both Asakusa, Japan's leading international tourist city, and TOKYO SKYTREE TOWN to produce a town symbolic of Japan fusing tradition and culture with innovation. Increase the area's presence as a site for tourists from home and abroad in anticipation of the Tokyo Olympics and Paralympics.

**Asakusa**  
30 million people per year



**Become Tokyo's biggest tourist area**  
Unification of two tourist areas



**TOKYO SKYTREE TOWN**  
30 million people per year



"Downtown Wonderland Plan"  
Present a medium-term statement looking ahead to 2020 and work to further strengthen attraction of visitors.

- Development plan for space under elevated railway between Asakusa station and TOKYO SKYTREE station / Kitajukken River waterfront space

Create a new line of flow for foot traffic in town utilizing space under the elevated railway, bringing together sightseeing/travel (non-ordinary) and daily life (ordinary) against a backdrop of park and waterfront scenery and the liveliness of downtown. Become a new destination.

- Promotion of TOKYO SKYTREE Station elevation and utilization of land around station

# 4 New Medium-Term Business Plan

## Plan4

Maximization of revenue through focused investment in key areas (Nikko/Kinugawa Area)

Aim to become a rare international eco resort leveraging Japan's advanced environmental technology, a tourist area with no off season that can be enjoyed by all, regardless of nationality

### World Class Potential of Nikko

World Heritage:  
Shrines and Temples of Nikko

Untouched nature

Japan's beautiful  
seasons

History/culture



#### Establish area as year-round resort to stay at

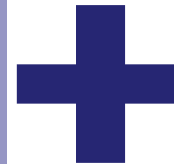
Strengthening of  
communication

Hotel development

Comfortable secondary  
transportation

Enhancement of food

Enhancement of activities and hands-on  
programs



#### International eco resort for experiencing Japan's cutting- edge technology

Next-generation  
environmental technology  
Next-generation  
automobiles

Support for zero-emission  
activities

**World's only international eco resort where history, culture, tradition and nature are in harmony**

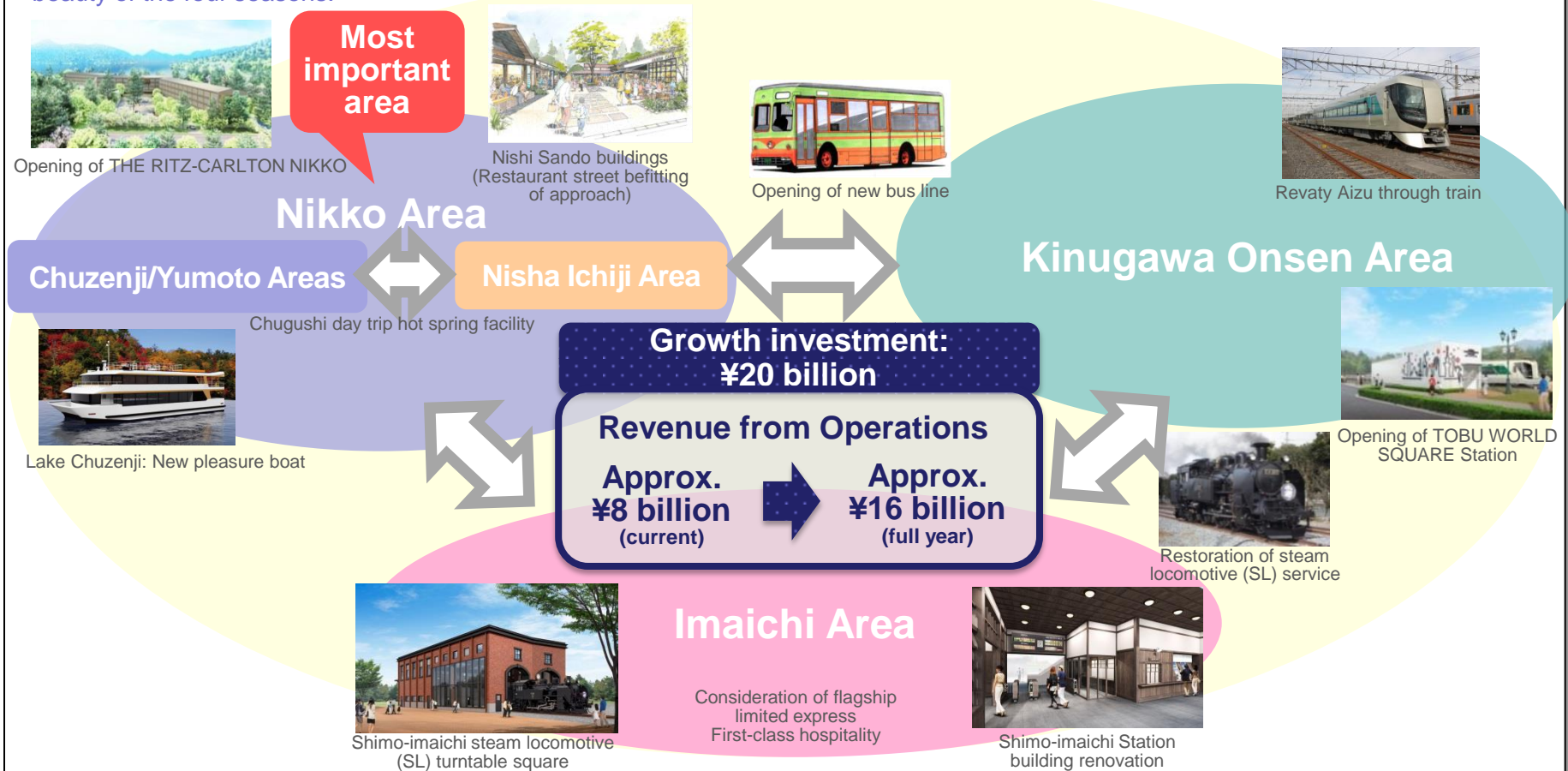
# 4 New Medium-Term Business Plan

## Plan4

Maximization of revenue through focused investment in key areas (Nikko/Kinugawa Area)

Become an international eco resort where history, culture, tradition and nature are in harmony.

Aim to establish year-round resort to stay at befitting of a national park that considers the environment and takes advantage of the beauty of the four seasons.



# 4 New Medium-Term Business Plan

## Plan4

Maximization of revenue through focused investment in key areas (Ikebukuro Area)

Create new value along railway line focusing on large-scale terminal with capital functions, and strengthen international competitiveness of Ikebukuro area.

### ■ Promotion of urban redevelopment project for west exit of Ikebukuro Station and participation in new town development for area around Ikebukuro Station

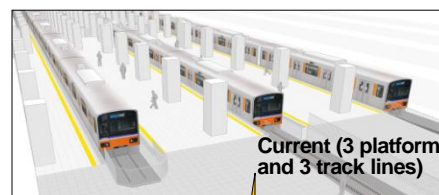


\*Provided by Mitsubishi Estate (perspective drawing from November 2015)

#### Creation of large-scale space through high-level use of Urban Redevelopment Special Measures Law

- Strengthening of revenue base through rebuilding of station building
- Maximization of value of area around west exit of Ikebukuro Station through development of large-scale complex

⇒ Target area: Approx. 60,000 m<sup>2</sup> (Including redevelopment association of partnership)



#### Full-scale renovation of station facilities linked to area development

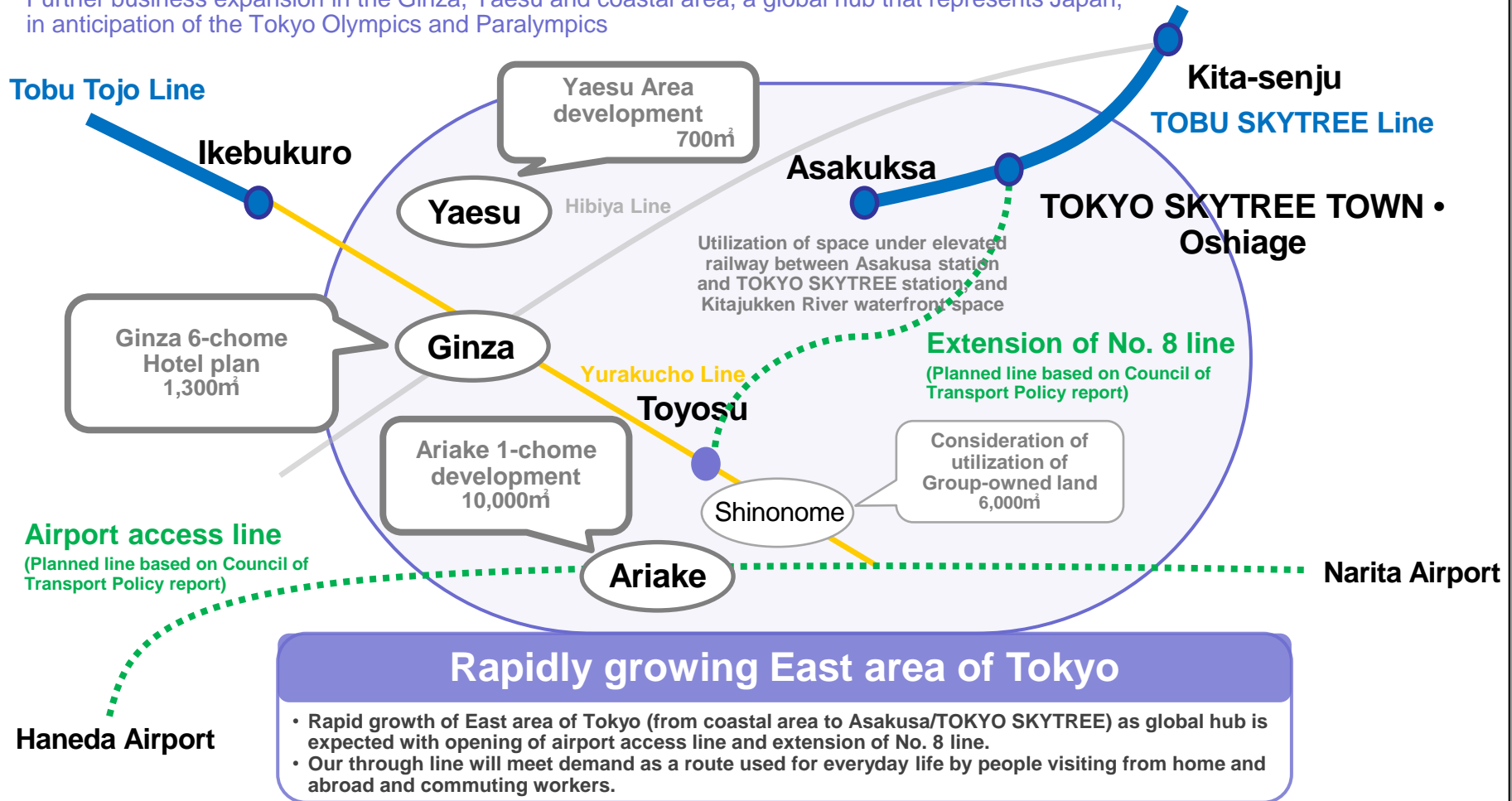
- Improve facility to accommodate increased departures of paid seating and event trains resulting from increased number of track lines
- Create safe walking space by improving narrow places on platform

# 4 New Medium-Term Business Plan

## Plan4

Maximization of revenue through focused investment in key areas (Ginza/Yaesu/Coastal area)

Further business expansion in the Ginza, Yaesu and coastal area, a global hub that represents Japan, in anticipation of the Tokyo Olympics and Paralympics





# 4 New Medium-Term Business Plan

## Plan3

### Improvement of value along railway lines through further cultivation of businesses along railway lines (Improvement of transportation services)

Work to expand resident and non-resident populations by improving convenience and comfort.

#### Improvement of speed and convenience

##### ■ Improvement of TOBU URBAN PARK Line speed

Express train service via Mutsumi - Sakasai double-track line



TOBU URBAN PARK Line 60000 series train

##### ■ Improvement of Hibiya Line through train speed

Consideration of express train service via Hibiya Line through train

##### ■ Strengthening of junction function of Kasukabe Station

Strengthening of efforts for early realization of alliance project  
Expansion of limited express trains stopping at Kasukabe Station  
Improvement of access by strengthening mutual operations between TOBU URBAN PARK Line and TOBU SKYTREE Line  
Improvement of speed to city center

#### Provision of comfortable transportation services

##### ■ Introduction of flagship Limited Express

Provision of high-class hospitality

##### ■ Increasing of number of 500 series Limited Express trains

Provision of seamless transportation services



New 500 series Limited Express train: "Revaty"

#### Creation of new demand

##### ■ Enhancement of railway network utilizing mutual through train operations

Discussions for improving access to city center and airports  
Consideration of mutual operations between Limited Express train and subway

# 4 New Medium-Term Business Plan

## Plan3

### Improvement of value along railway lines through further cultivation of businesses along railway lines (Improvement of transportation services)

Pursue further safety in the aim of achieving a railway that is safe and secure for all customers. Collaborate with community to unify divided urban areas with railways and improve base functions of station through effective utilization of station space.

#### Promotion of safety improvement measures

##### ■ Installation of platform doors

Install platform doors at eight stations, including Kita-senju and Ikebukuro by 2020.  
Promote installation between Kita-senju and Kita-koshigaya and between Ikebukuro and Shiki in 2021 and beyond.



Ikebukuro Station platform door illustration

##### ■ Introduction of new operation security system

Introduce new ATS with platform door support functions, etc.

##### ■ Updating/improvement of train radio equipment

Update/improve radio equipment on all cars by 2022, enabling provision of information more quickly and accurately.

#### Station-centered town development and utilization of space under elevated railway

##### ■ Continuous overhead crossing project

- Area around Takenotsuka Station
- Area around TOKYO SKYTREE Station
- Shimizu-koen – Umesato, etc.



Construction in area around Takenotsuka Station

##### ■ Elevation of station buildings

- Shingashi Station
- Satte Station
- Takayanagi Station, etc.



Illustration of Shingashi station building after elevation

# 4 New Medium-Term Business Plan

## Plan3

### Improvement of value along railway lines through further cultivation of businesses along railway lines (Facility development centered on stations)

Improve convenience of life and attractiveness of area along railway line by engaging in town and facility development targeting 3 generations living along railway line

#### Revitalization of town and improvement of value along railway line through development of new complexes

##### ■ Construction of station building at south exit of Wakoshi Station

Construction of station building with commercial and hotel facilities to be opened in FY2019 (tentative)

##### ■ Tokiwadai north exit store plan

Construction of commercial building in conjunction with renovation of station building to be opened in 2H of FY2018 (tentative)

#### Improvement of convenience and enhancement of brand power by opening several EQUiA station stores

##### ■ Phased renovation of Kitasenju Station stores

Opening of 5 stores in front of central gate (gradually beginning in July 2017)  
Consider new store plans at south exit and north concourse

##### ■ Actively expand EQUiA to major stations

Currently 6 locations → Add 4 more by FY2017  
(Total of 10 locations including Kitasenju and Ikebukuro)  
Target of 20 locations by 2020

#### Improvement of freshness as commercial facility and attractiveness of town through large-scale station building renovation

##### ■ EQUiA Shiki

Station building with restaurants, food, sweets fashion and sundries  
Phase 1 Opened on March 30, 2017  
Phase 2 Late June 2017 (tentative)



EQUiA Shiki

##### ■ Soka VARIE (North wing: Fashion Street)

Opening 2H FY2018 (tentative)

##### ■ Shinkoshigaya VARIE

Restaurant floors (4/5) (to open in October 2017)  
Fashion floors (2/3) Launch of discussions for large-scale renovation (planned for FY2019-2021)



Kitasenju Station stores (illustration)



Shinkoshigaya VARIE restaurant floor After renovation (illustration)

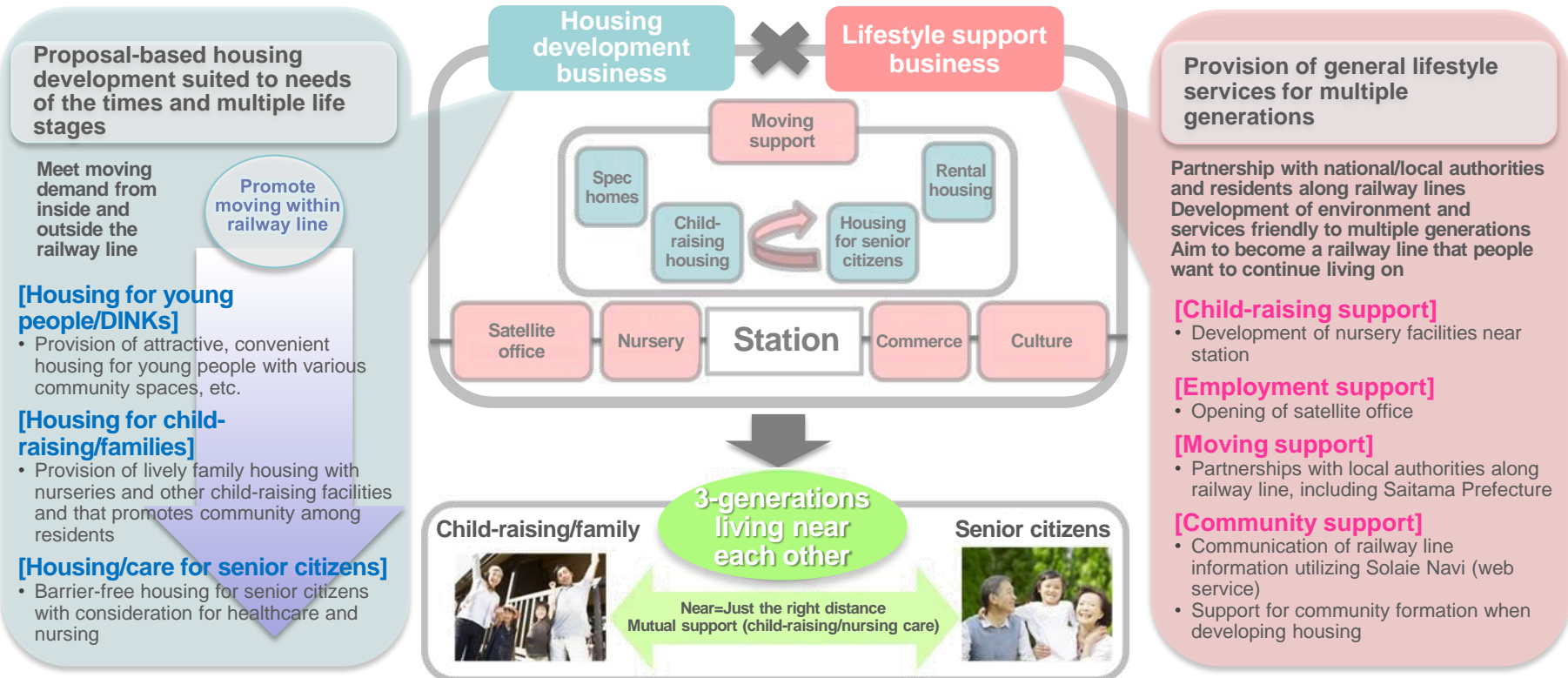
# 4 New Medium-Term Business Plan

## Plan3

Improvement of value along railway lines through further cultivation of businesses along railway lines (Provision of luxurious lifestyle services)

Aim to provide new station-centered lifestyle proposals according to life stage.  
Tobu Railways will provide comfortable lives to three generations.

Development of best railway line in Japan for everyday life  
-Provision of rich, relaxing lifestyles-

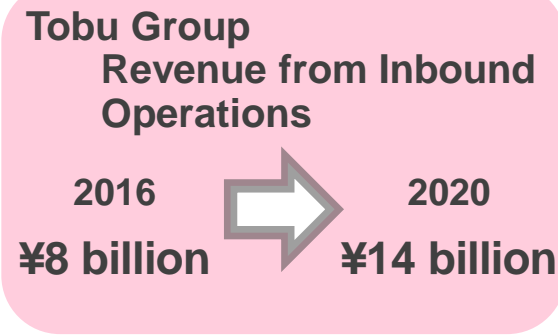
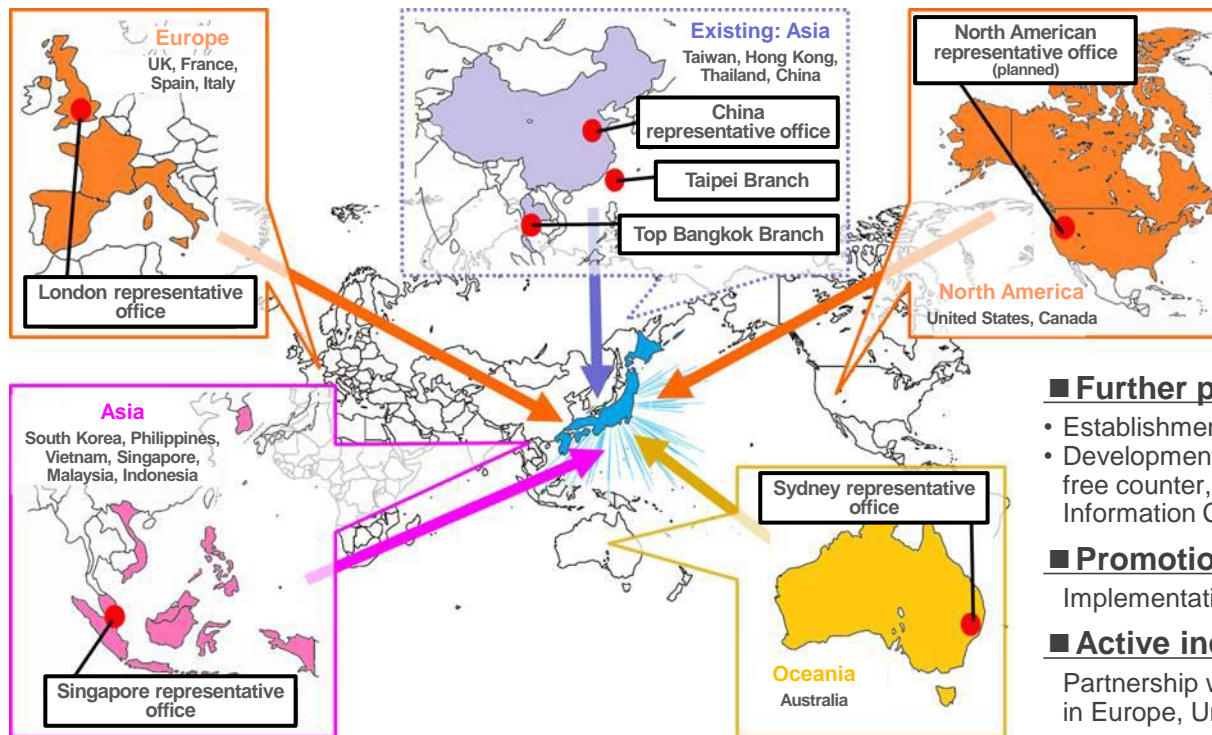


# 4 New Medium-Term Business Plan

## Plan1

## Inbound initiatives

Perfect timing when the world turns its attention to Tokyo and Japan ahead of the Tokyo Olympics and Paralympics  
 Sell tourist areas along the railway, especially Asakusa/TOKYO SKYTREE TOWN and Nikko/Kinugawa areas, to the world.



Expand target countries from Asia (Taiwan, Hong Kong, Thailand and China) to include Europe, United States, Australia and other countries in Southeast Asia.

### ■ Further promotion of Group inbound activities

- Establishment of overseas representative offices
- Development of environment for taking in foreign tourists (duty free counter, credit card support, opening of Ikebukuro Information Center)

### ■ Promotion of area branding

Implementation of campaigns together with travel websites

### ■ Active incorporation of wealthy customers

Partnership with tour creation company with strong presence in Europe, United States and Australia

### ■ Roll-out of new inbound businesses

Research on businesses to create synergy with existing businesses

# 4 New Medium-Term Business Plan

Plan4-1

## Development of Hotel Business

Open new hotels to capture rapidly growing inbound demand and robust domestic demand ahead of the Tokyo Olympics and Paralympics, and create continuous revenues/profits.

### ■ New hotel development

#### THE RITZ-CARLTON NIKKO

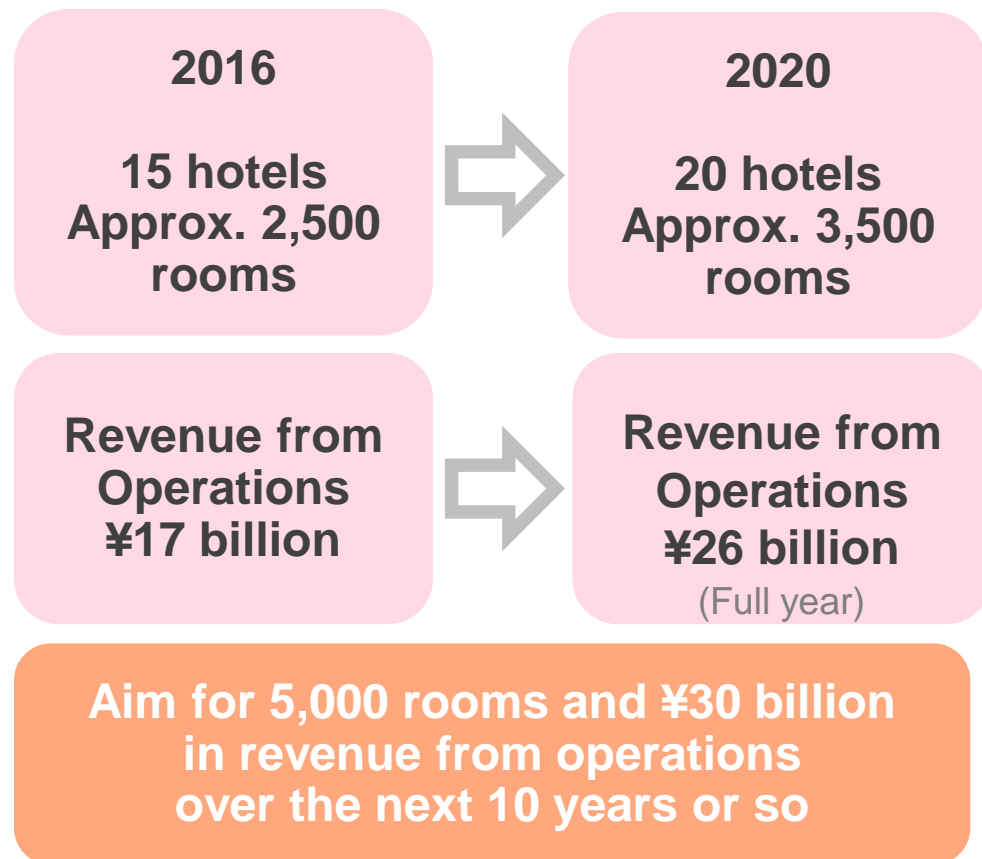
Invite luxury hotel THE RITZ-CARLTON (not in Nikko up to now) to Nikko and incorporate wealthy customers from Japan and other countries.

#### Ginza 6-chome hotel plan

Currently discussing construction of new hotel to create synergy with adjoining the Courtyard® by Marriott® Tokyo Ginza Hotel, aiming for opening by FY2020.

#### Development of accommodation-type hotels

Roll out accommodation-type hotels in city center and at terminal stations along railway line (Asakusa, Wakoshi, etc.).



# 4 New Medium-Term Business Plan

## Investment Plan

Establish a new strategic investment budget, expand growth investment and actively promote investments that will contribute to improvement of future corporate value.

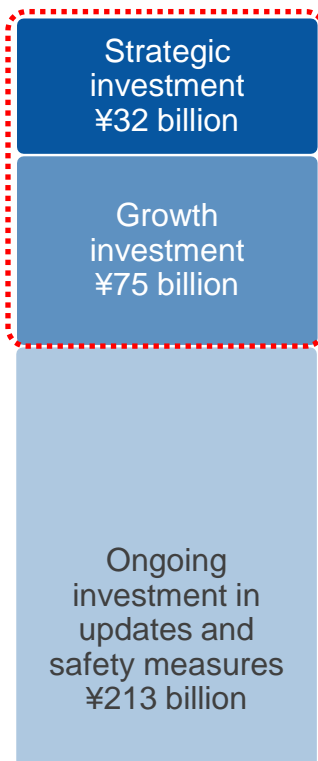
2013-2016  
Total capital expenditures  
¥237 billion  
(excluding acquisition of  
beneficial interests)

2017-2020  
Total capital expenditures  
¥320 billion



Total of ¥107 billion  
+2.4x

+1.1x



### New budget ¥32 billion

- Investment for developing “businesses that generate new synergy” and “businesses that could provide revenue streams in the future” [M&A] [Acquisition of profit-earning real estate, etc.]

### +1.6x compared to past 4 years

- Investment for “enhancing profitability in anticipation of demand” and “continuous growth of the revenue base into the future” [Construction of commercial complexes, station buildings, etc.] [Opening of new hotels, etc.]

- Continue to make investments that contribute to “improvement of value along the railway line through cultivation of businesses on the railway line” and “improvement of safety.”

# 4 New Medium-Term Business Plan

## Cash Flow (2017–2020)

Achieve balance between growth investments, maintenance of financial soundness and enhancement of shareholder return

### Growth Investment

Set aside **¥107 billion** out of total four-year capital expenditures of ¥320 billion for **strategic and growth investment**

### Operating Cash Flow

**¥380 billion**

### Maintenance of Financial Strength

Establish **interest-bearing debt/EBITDA multiple of around 6.5x–7x** to ensure long-term reserves

### Enhancement of Shareholder Return

The dividend for FY2017 will be 7 yen per share, and the basic policy will remain to provide steady dividends while establishing a **total return ratio of around 30%** for the period average of the Medium-Term Business Plan



# 4 New Medium-Term Business Plan

## Consolidated Management Indicators

### [Target Management Indicators]

(Hundred millions of yen)

	FY2020
Operating Income	675
Profit Attributable to Owners of Parent	386

### [Reference Indicators]

	FY2020
EBITDA	Approx. 1,200
Interest-bearing debt/EBITDA multiple(x)	6.5–7.0
ROE(%)	Around 7.5%

# [Reference]



## Consolidated Management Indicators

(Hundred millions of yen)

	FY2016 Results	FY2017 Plan	FY2018 Plan	FY2019 Plan	FY2020 Plan
Revenue from Operations	5,689	5,707	5,762	5,816	5,900
Operating Income	683	613	626	649	675
Recurring Income	621	554	559	577	607
Profit Attributable to Owners of Parent	361	371	342	366	386
Depreciation	528	537	545	549	551
EBITDA	1,211	1,151	1,172	1,198	1,227
Interest-bearing Debt	7,997	8,038	8,010	8,028	7,946
Interest-bearing debt/EBITDA Multiple(x)	6.6	7.0	6.8	6.7	6.5
Capital Expenditures	540	772	843	919	674

## Important Notes Concerning This Document

The Company's profit plans and other goals set forth in this document are based on projections of industry trends related to the business of the Company and Group companies and other such factors that impact business results, including the economy in Japan and other countries, which are made based on the information currently available to the Company.

As such, the reader is asked to note that actual business results may differ from the forecasts within this document due to changes in the business environment and other such factors.