



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
<p>(1) Improvement of Railway Safety and Convenience</p> <ul style="list-style-type: none">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 carInvestment in further safety improvements (¥72.5 billion over three years)
<p>(2) Continued Strengthening of TOKYO SKYTREE TOWN Profitability</p> <ul style="list-style-type: none">Creation of prosperity through special newsworthy plans and organizing of events at TOKYO SKYTREE TOWNTOKYO SKYTREE TEMBO Shuttle (elevator) improvements
<p>(3) Improvement of Daily Life Value Along Railway Lines</p> <ul style="list-style-type: none">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)
<p>(4) Development of Tourism Strategy</p> <ul style="list-style-type: none">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 TaipeiAcquisition 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.](#)

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

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

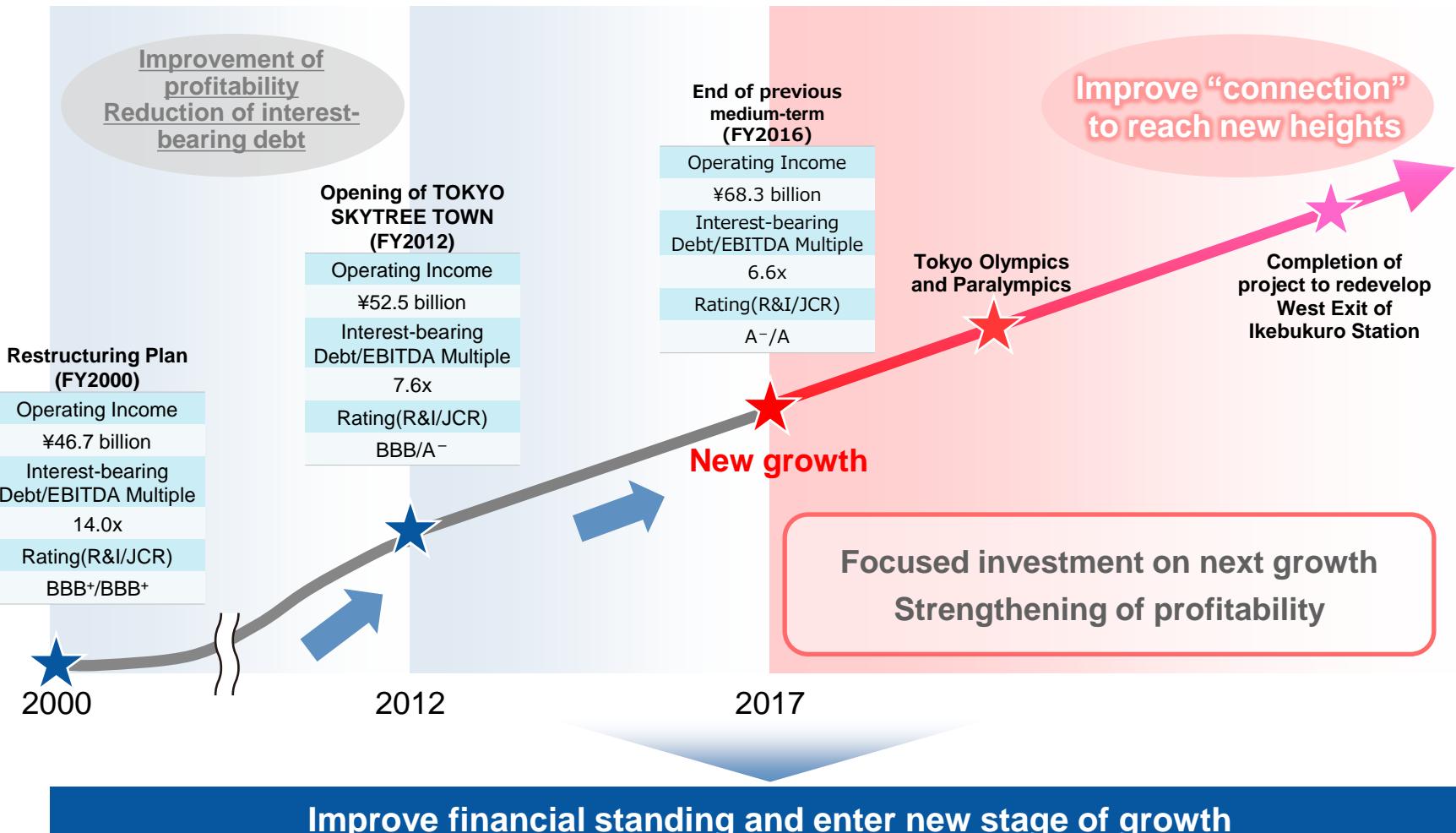
Factors that could mainly be negative

- 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

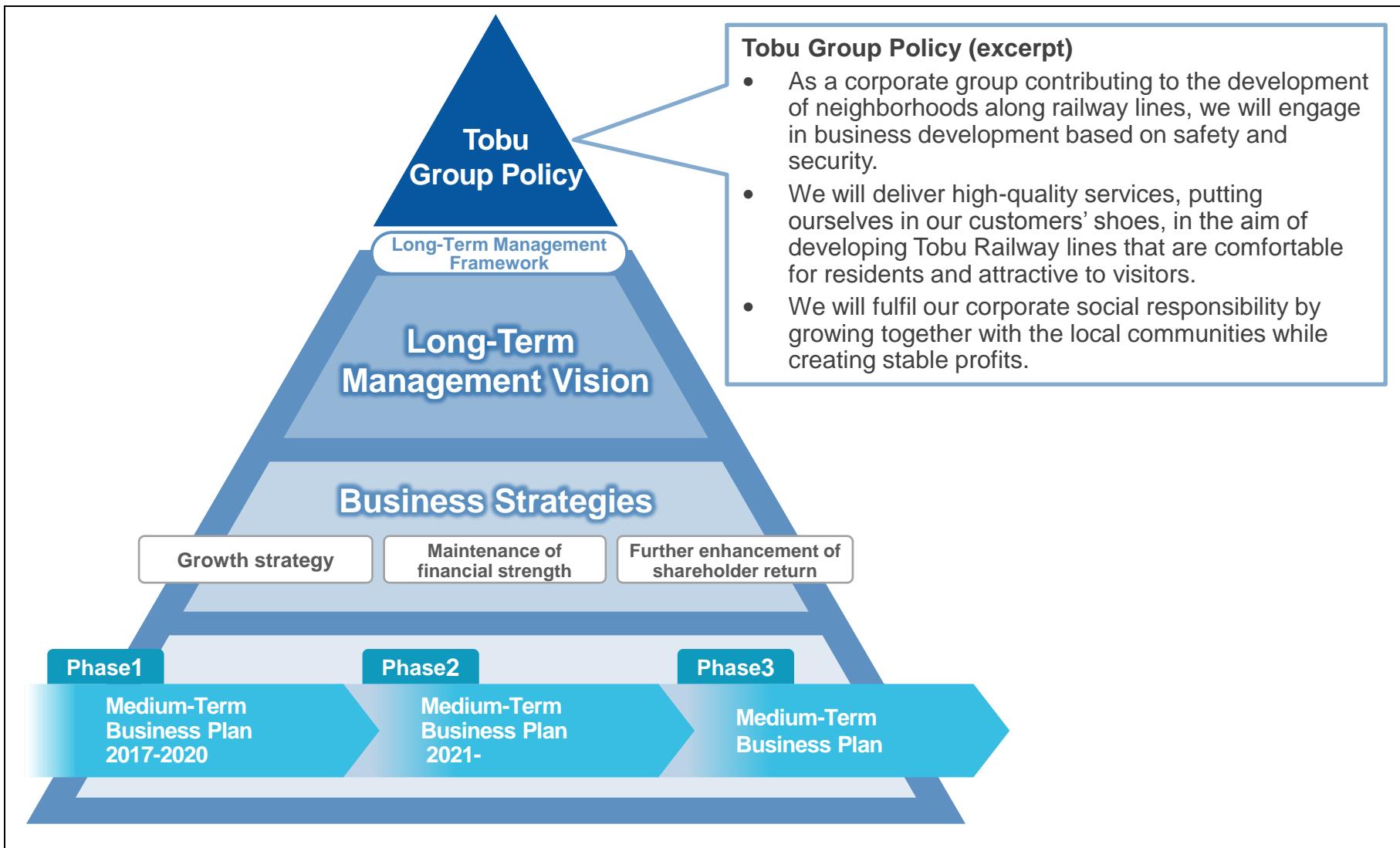
Issues to be Addressed Arising from Business Environment

- 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

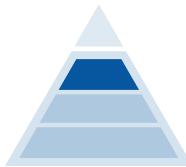
Shifting of Gears for New Stage of Growth



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.

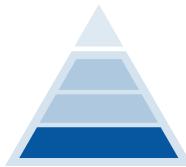
◆ **Inbound initiatives**

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–	
Maximization of revenue through focused investment in key areas	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		
Improvement of value along railway lines through further cultivation of businesses along railway lines	Improvement of transportation services	Introduction of flagship Limited Express					
		TOBU URBAN PARK Line Expansion of express train service section				● Launch of service	
	Facility development centered on stations	Construction of Wakoshi Station south exit building		● Start			
		Kitasenju Station stores	● Center zone opening			● Station building opening	
		Other station building plans	● EQUA Shiki opening	● Shinkoshigaya VARIE 4F/5F re-opening	● Soka VARIE north wing re-opening	Mutsumi - Sakasai double-track line completion, expansion of express train service segment	
		Large-scale complex development			Tokiwadai Station north exit store opening	Shinkoshigaya VARIE 2F/3F renovation plan (Timing TBD)	
	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	● Nagareyama-otakanomori 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



- 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.

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.

- 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

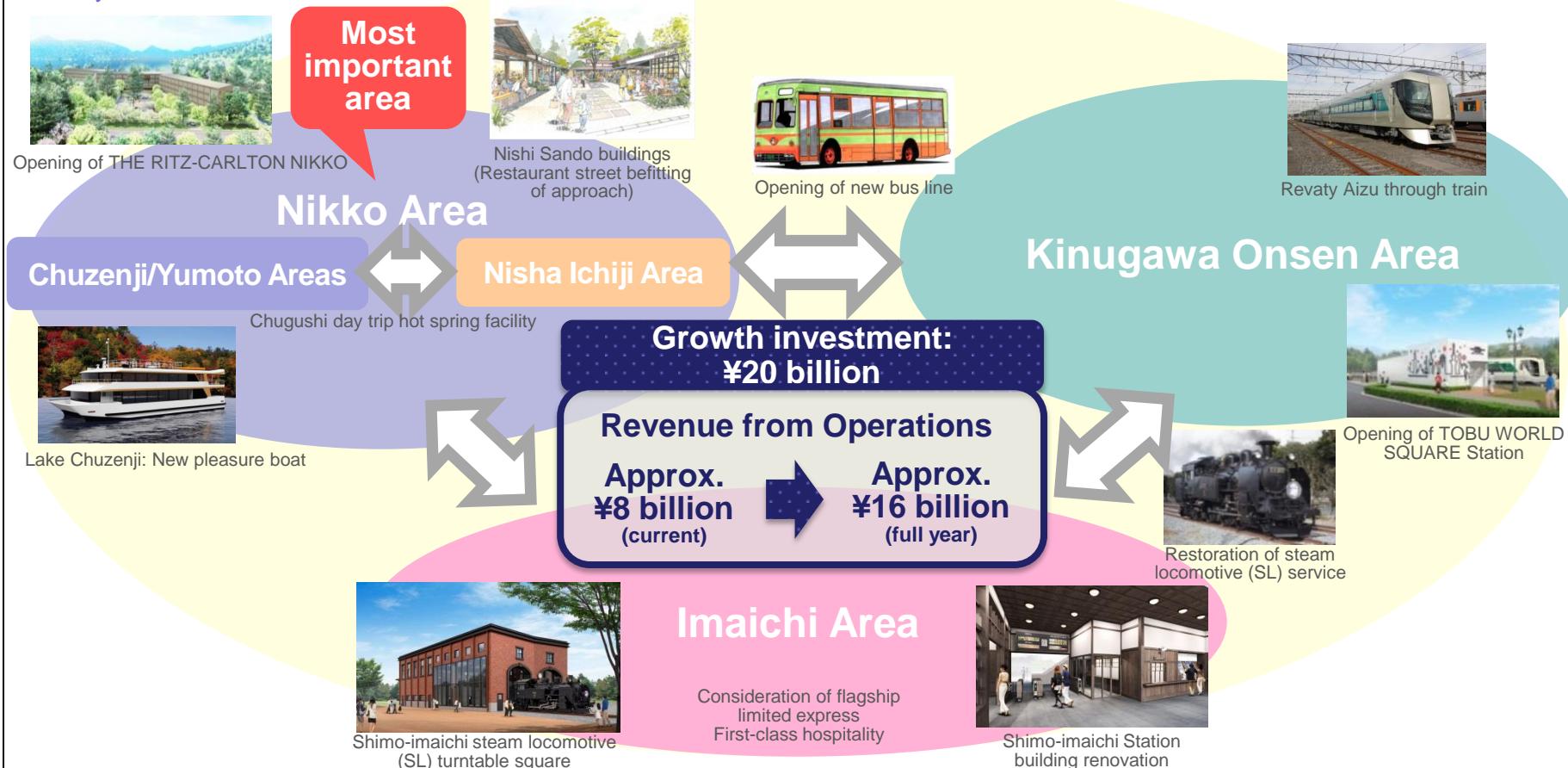
World's only international eco resort where history, culture, tradition and
nature are in harmony

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 m² (Including redevelopment association of partnership)



Full-scale renovation of station facilities linked to area development

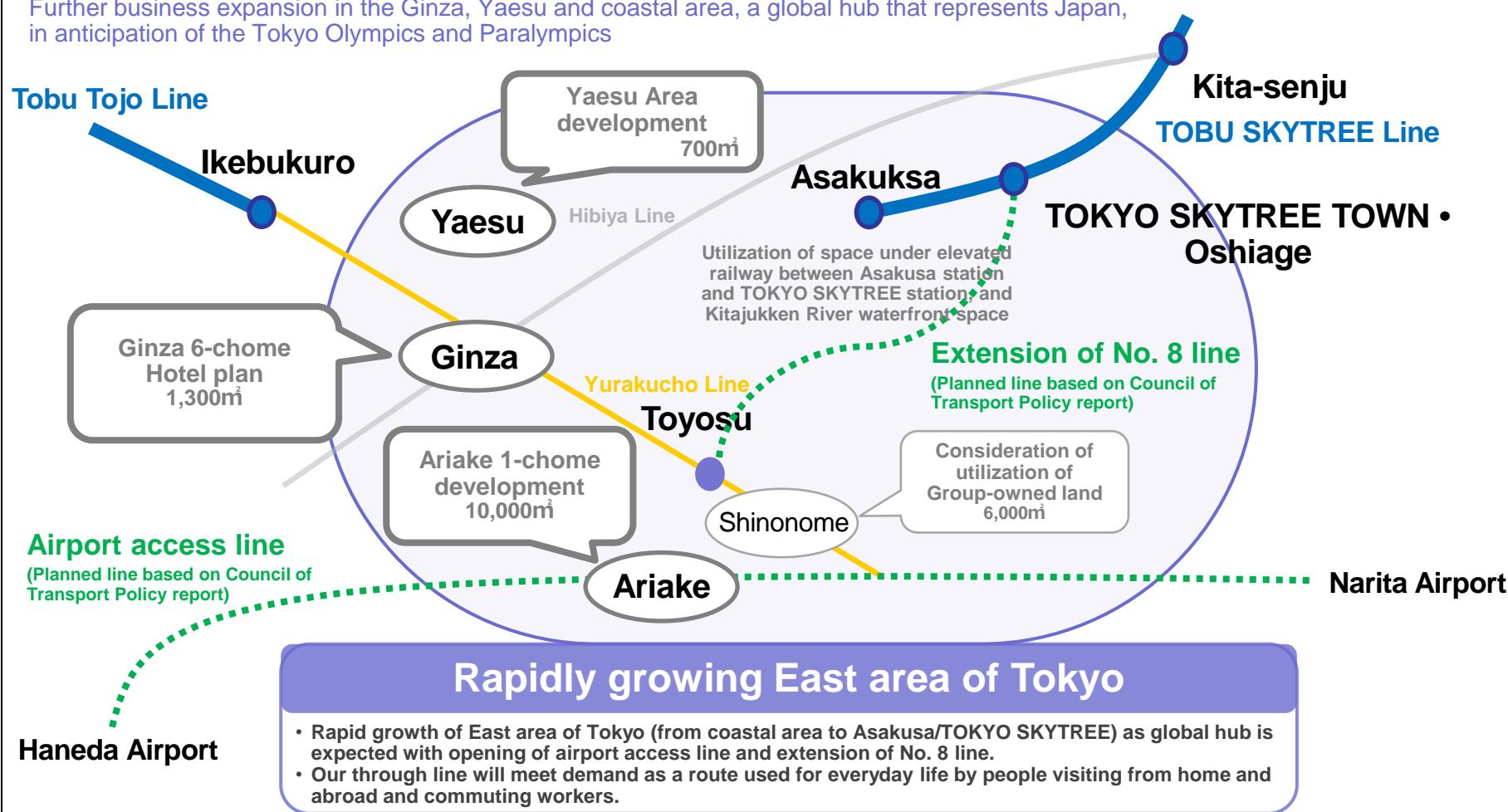
- Improve facility to accommodate increased departures of paid seating and event trains resulting from increased number of track lines
- Create safe walking space by improving narrow places on platform

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-

Proposal-based housing development suited to needs of the times and multiple life stages

Meet moving demand from inside and outside the railway line

Promote moving within railway line

[Housing for young people/DINKs]

- Provision of attractive, convenient housing for young people with various community spaces, etc.

[Housing for child-raising/families]

- Provision of lively family housing with nurseries and other child-raising facilities and that promotes community among residents

[Housing/care for senior citizens]

- Barrier-free housing for senior citizens with consideration for healthcare and nursing

Housing development business

Lifestyle support business

Moving support

Spec homes

Child-raising housing

Housing for senior citizens

Rental housing

Satellite office

Nursery

Station

Commerce

Culture

3-generations living near each other

Child-raising/family



Senior citizens



Near=Just the right distance
Mutual support (child-raising/nursing care)

Provision of general lifestyle services for multiple generations

Partnership with national/local authorities and residents along railway lines
Development of environment and services friendly to multiple generations
Aim to become a railway line that people want to continue living on

[Child-raising support]

- Development of nursery facilities near station

[Employment support]

- Opening of satellite office

[Moving support]

- Partnerships with local authorities along railway line, including Saitama Prefecture

[Community support]

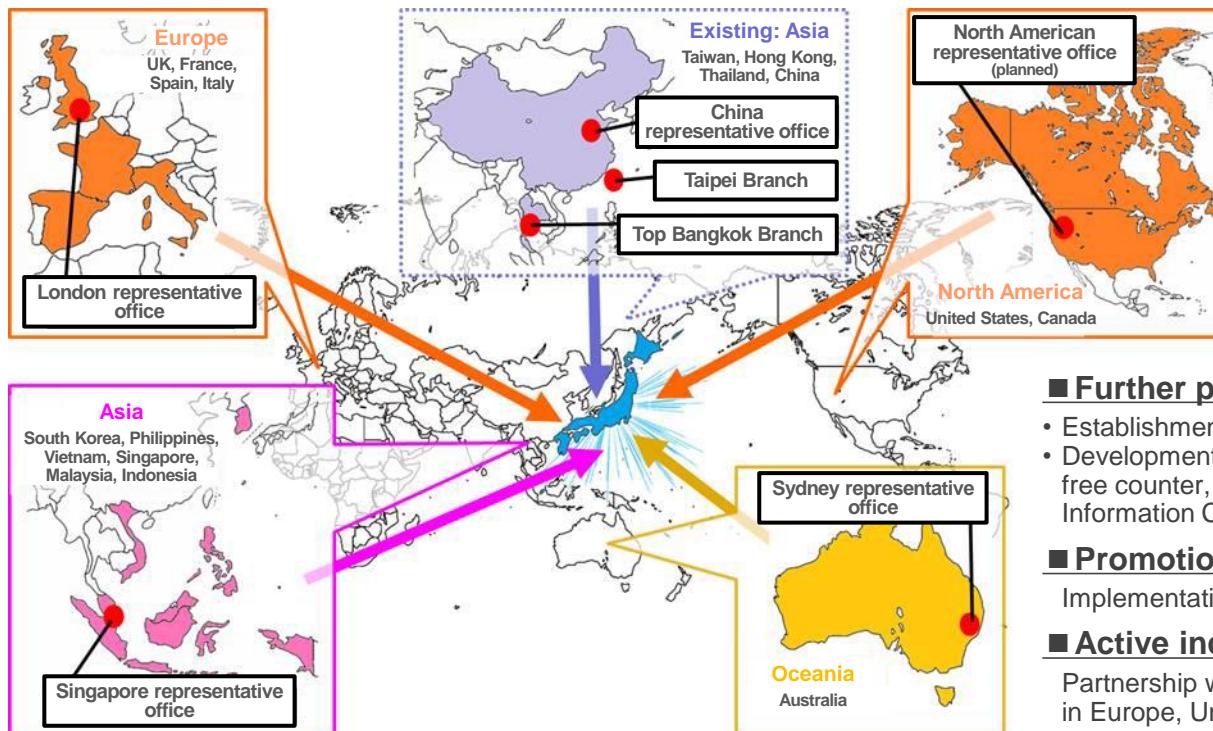
- Communication of railway line information utilizing Solaie Navi (web service)
- Support for community formation when developing housing

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.

Tobu Group Revenue from Inbound Operations

2016

¥8 billion

2020

¥14 billion

■ 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.).

2016

15 hotels
Approx. 2,500 rooms

2020

20 hotels
Approx. 3,500 rooms

Revenue from Operations
¥17 billion

Revenue from Operations
¥26 billion
(Full year)

Aim for 5,000 rooms and ¥30 billion in revenue from operations over the next 10 years or so

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

Growth
investment
¥45.2 billion

Ongoing
investment in
updates and
safety measures
¥191.8 billion

Strategic
investment
¥32 billion

Growth
investment
¥75 billion

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.”

Total of ¥107 billion
+2.4x

+1.1x

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.