

[Translation for reference only]

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT

This is an English translation of the original Japanese-language document and is provided for convenience only. In all cases, the Japanese-language original shall prevail.

(Securities code: 9024)

May 31, 2016

To our shareholders

Takashi Goto

President and CEO

Seibu Holdings Inc.

1-16-15 Minami-Ikebukuro, Toshima-ku, Tokyo

Notice of the 11th Annual General Meeting of Shareholders

You are cordially invited to attend the 11th Annual General Meeting of Shareholders of Seibu Holdings Inc. (hereinafter “the Company”), which will be held as described below.

If you are unable to attend the meeting, you may exercise your voting rights in writing or via the internet. Please review the Reference Documents for the General Meeting of Shareholders provided at the back of this document, and make sure that your votes are submitted no later than 5:00 p.m. on Monday, June 20, 2016 (Japan time).

1. Date and Time: Tuesday, June 21, 2016, at 10:00 a.m. (Japan Standard Time)
(The reception desk is scheduled to open at 9:00 a.m.)

2. Venue: Kusunoki Hall (8th floor), Seibu Daini Building
1-11-2 Kusunokidai, Tokorozawa-shi, Saitama

3. Purpose of the Meeting

Matters to be reported:

1. Business Report, Consolidated Financial Statements and Audit Reports for the Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board, for the 11th Fiscal Year (from April 1, 2015 to March 31, 2016)
2. Non-consolidated Financial Statements for the 11th Fiscal Year (from April 1, 2015 to March 31, 2016)

Matters to be resolved:

Proposal No. 1: Appropriation of surplus

Proposal No. 2: Reduction in amount of legal capital surplus

Proposal No. 3: Election of eleven (11) Directors

4. Other Matters Concerning the Meeting

- (1) If you vote more than once, either using the voting form or via the internet, the vote cast on the latest date will be deemed as valid. Moreover, if you vote more than once both through the voting form and via the internet, the vote cast via the internet will be deemed as valid.
- (2) If you do not indicate your approval or disapproval with respect to each of the listed proposals on the voting form, we will count your vote as an approval.
- (3) If unable to attend the General Meeting of Shareholders, you may designate one (1) proxy shareholder with voting rights of the Company to attend the meeting on your behalf, provided that written proof of that individual's right of proxy is submitted.

- ◎ When attending the Meeting, you are kindly requested to present the enclosed voting form to the receptionist.
- ◎ Please note that any modifications to the Reference Documents for the General Meeting of Shareholders, the Business Report, the Non-consolidated Financial Statements and the Consolidated Financial Statements shall be posted on the Company's website. (<http://www.seibuholdings.co.jp/>)

Method of Exercising Voting Rights

There are the following three methods of exercising your voting rights at the Annual General Meeting of Shareholders.

Exercise of voting rights in attendance at the Annual General Meeting of Shareholders

You are kindly requested to present the enclosed voting form to the receptionist.

Date and Time	Tuesday, June 21, 2016, at 10:00 a.m. (Japan Standard Time) (The reception desk opens at 9:00 a.m.)
Venue	Kusunoki Hall (8th floor), Seibu Daini Building 1-11-2 Kusunokidai, Tokorozawa-shi, Saitama

Exercise of voting rights by mailing the Document for the Exercise of Voting Rights

Please indicate your approval or disapproval of the proposals on the enclosed Document for the Exercise of Voting Rights and mail the document without putting stamps.

Deadline for Exercise	5:00 p.m. on Monday, June 20, 2016 (The mail must arrive by 5:00 p.m.)
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Exercise of voting rights via the Internet

Please access the website for exercising voting rights (<http://www.it-soukai.com>) designated by the Company, and, after entering your “voter code” and “password” printed on the enclosed Document for the Exercise of Voting Rights form, input your approval or disapproval according to the instructions on the screen. You will need to change your password when accessing the website for the first time.

Deadline for Exercise	5:00 p.m. on Monday, June 20, 2016 (You must complete inputting by 5:00 p.m.)
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Contact information for inquiries concerning how to use personal computer, etc.

The Stock Transfer Agency Department of
Mizuho Trust & Banking Co., Ltd.
0120-768-524
(toll-free in Japan, weekdays from 9:00 a.m. to 9:00 p.m.)

Use of electronic voting platform (for institutional investors)

If you are a nominee shareholder such as a trust bank (including a standing proxy), you are, by making an application for using the voting platform in advance, entitled to use the Electronic Voting Platform operated by ICJ, Inc. established by the Tokyo Stock Exchange, etc., as a method for exercising your voting rights.

Reference Documents for the General Meeting of Shareholders

Proposal No. 1: Appropriation of surplus

The Seibu Group's business activities primarily focus on the urban transportation and regional, the hotel and leisure, and the real estate business segments, through which we pursue our operational objective of achieving sustainable and healthy growth. Accordingly, the Company is committed to strengthening the managerial foundations of the entire Seibu Group and heightening its corporate value, to which end our basic policy on dividends calls for us to improve our financial position by fortifying internal reserves while continuing to deliver consistent dividends.

Moreover, the Seibu Group's Long-Term Strategy sets forth a financial strategy of ensuring returns to our stakeholders (customers, shareholders, creditors, employees, etc.) coupled with a policy requiring that we optimally balance those returns with investment geared toward achieving growth.

With a view to enhancing returns to shareholders based on strong operating results, while actively promoting the investments in large-scale projects contributing to future growth, such as TOKYO GARDEN TERRACE KIOICHO, the rebuilding of the Company's former headquarters in Ikebukuro, and the East Entrance station building of Tokorozawa Station, it is hereby proposed that the amount of dividends paid out for the end of our 11th fiscal year be ¥10.50 per share, ¥6.50 up from the previous fiscal year. In addition, to commemorate the 10th anniversary of the Company's foundation, we propose adding a commemorative dividend of ¥2.00 per share to express our appreciation for the support of our shareholders to date.

If this proposal is approved and passed as above, the amount of annual dividends per share including the interim dividend (¥4.50 per share) for the fiscal year ended March 31, 2016 is ¥17.00 per share, up ¥9.00 from the previous fiscal year.

(1) Type of dividend property

Money

(2) Allotment of dividend property and its total amount

¥12.50 per Company's common share

(Regular dividend: ¥10.50, Commemorative dividend: ¥2.00)

Total: ¥4,275,862,750

(3) Effective date of dividends from surplus

June 22, 2016

Proposal No. 2: Reduction in amount of legal capital surplus

To ensure a flexible and nimble future capital policies, pursuant to Article 448, paragraph 1 of the Companies Act, it is proposed to reduce the full amount of legal capital surplus and transfer the amount to other capital surplus.

- (1) Amount of legal capital surplus to be reduced

Full amount of legal capital surplus: ¥228,604,514,251

- (2) Effective date of reduction in amount of legal capital surplus

August 1, 2016

Proposal No. 3: Election of eleven (11) Directors

Upon the conclusion of this General Meeting of Shareholders, the terms of office of seven (7) Directors, Takashi Goto, Kaoru Takahashi, Akihisa Uwano, Tomoyuki Nishii, Fumiyasu Goto, Ryuichiro Nishiyama, and Hisashi Wakabayashi will expire. Therefore, it is hereby proposed that eleven (11) Directors be elected, increasing the number by four (4) to further strengthen the management structure.

The candidates for Director are as follows:

Candidate number	Name	Current position and responsibilities in the Company	
1	Takashi Goto	President and Representative Director Compliance Dept.	Reelection
2	Kaoru Takahashi	Director Corporate Planning Div., International Business Planning Dept., Finance Dept.	Reelection
3	Akihisa Uwano	Director President's Office, Administration Dept.	Reelection
4	Tomoyuki Nishii	Director Corporate Planning Dept.	Reelection
5	Fumiyasu Goto	Director Accounting Dept.	Reelection
6	Ryuichiro Nishiyama	Director Corporate Communication Dept.	Reelection
7	Hisashi Wakabayashi	Director	Reelection
8	Shigeyoshi Akasaka		New candidate
9	Kimio Kitamura		New candidate
10	Hitoshi Nakamura		New candidate
11	Chikara Shinden		New candidate

Notes for all 11 candidates:

1. No relationships involving special interests exist between any of the candidates and the Company.
2. The age of each candidate is as of June 21, 2016.
3. The number of the Company's shares that each candidate holds includes the number of shares held under the name of the Executive Shareholding Association.
4. The number of years in office of each candidate is upon the conclusion of this General Meeting of Shareholders.

Candidate number	Name (Date of birth)	Career summary, position and responsibilities	Number of Company shares owned
1	Reelection Takashi Goto February 15, 1949 (67 years old) Number of Years in Office: 10 years	Apr. 1972 Joined The Dai-Ichi Kangyo Bank, Ltd. (currently Mizuho Financial Group, Inc.) Jun. 2000 Managing Officer of The Dai-Ichi Kangyo Bank, Ltd. Sep. 2000 Managing Officer of Mizuho Holdings, Inc. Apr. 2001 Executive Managing Officer of Mizuho Holdings, Inc. Mar. 2003 Executive Managing Officer of Mizuho Financial Group, Inc. Executive Managing Director of Mizuho Corporate Bank, Ltd. (currently Mizuho Bank, Ltd.) Apr. 2004 Vice President and Director of Mizuho Corporate Bank, Ltd. Feb. 2005 Special Adviser of Seibu Railway Co., Ltd. May 2005 President and Representative Director of the company Feb. 2006 Director of Prince Hotels, Inc. (present) President and Representative Director of Seibu Holdings Inc. (present) President and Chief Executive Officer of the Company (present) Jun. 2010 Director and Chairman of Seibu Railway Co., Ltd. (present) <u>Responsibilities in the Company</u> Compliance Department	4,554
	Attendance to the meetings of the Board of Directors in FY2015: 18/18 (100%)	Important concurrent positions outside the Company: Director and Chairman of Seibu Railway Co., Ltd. Director of Prince Hotels, Inc.	
	[Reason for nomination as Director] Since his taking office of President and Representative Director of the Company, Mr. Goto has been working to improve the Seibu Group's corporate value while spearheading managerial reforms, through efforts that involve drawing on his prior experience while showing strong leadership as a pivotal member of the management team. We are certain that he will continue to play an essential role toward further increasing the medium- to long-term corporate value of the Seibu Group going forward, and accordingly nominate him as a Director.		
	[Message to shareholders from the Director candidate] On the basis of the "Group Vision," which represents our unwavering and fundamental approach to business, the Seibu Group adheres to its social mission and fulfills its responsibilities to society as it pursues its wide-ranging business activities as a corporate group with a high public profile. In management going forward, I will engage in challenges to bring about innovation from a fresh perspective and with a sense of urgency, channeling these efforts into a forward leap for the entire Seibu Group as I strive to enhance corporate and shareholder value.		

Candidate number	Name (Date of birth)	Career summary, position and responsibilities	Number of Company shares owned
2	Reelection Kaoru Takahashi April 30, 1953 (63 years old) Number of Years in Office: 10 years	Apr. 1976 Joined The Japan Development Bank (currently Development Bank of Japan Inc.) Jun. 2002 Director, General Manager of Financial Headquarters of Iwasaki Sangyo Co. Jun. 2004 General Manager, Credit Department of Development Bank of Japan (currently Development Bank of Japan Inc.) May 2005 Corporate Adviser of Seibu Railway Co., Ltd. Dec. 2005 Director, Senior Managing Officer of the company Feb. 2006 Executive Managing Director of Seibu Holdings Inc. Senior Managing Officer of the Company Jun. 2007 Executive Managing Officer of the Company (present) Jun. 2008 Director of the Company (present) Jun. 2010 Executive Managing Officer, Head of Corporate Planning Division of the Company (present) Oct. 2012 General Manager, International Business Planning Department of the Company <u>Responsibilities in the Company</u> Corporate Planning Division, International Business Planning Department and Finance Department	2,776
		Attendance to the meetings of the Board of Directors in FY2015: 18/18 (100%) Important concurrent positions outside the Company: None	
		[Reason for nomination as Director] As the Director responsible for the Company's finance and planning, Mr. Takahashi has been working to formulate the Company's medium- to long-term strategies, strengthen its financial structure, and increase its earning capability, and has achieved these objectives. Looking ahead, we are certain that he will apply his abundant practical experience to date in contributing to the establishment of the Seibu Group's medium- to long-term business foundation and enhance its corporate value, and accordingly nominate him as a Director.	
		[Message to shareholders from the Director candidate] I will make effective use of our managerial resources to maximize our corporate and shareholder value. I will aim to realize a corporate group that strives to provide new services and to support the lives of its customers in all scenarios. I will also do my utmost to establish a platform for medium- to long-term operations by forging new opportunities that will enable us to generate revenue on the basis of a sound financial strategy, while at the same time I will work to further reinforce our corporate structure by streamlining operations.	

Candidate number	Name (Date of birth)	Career summary, position and responsibilities	Number of Company shares owned
3	Reelection Akihisa Uwano March 9, 1961 (55 years old) Number of Years in Office: 6 years	Mar. 1984 Joined Seibu Railway Co., Ltd. Jun. 2005 General Manager, Operation Administration Department of the company Mar. 2006 General Manager, Administration Department of the company General Manager, Administration Department of Seibu Holdings Inc. Jun. 2007 General Manager, Administration Department and Personnel Department of the Company Jun. 2008 Managing Officer, General Manager, Administration Department and Personnel Department of the Company Apr. 2009 Managing Officer, General Manager, Administration Department, Personnel Department and Secretary Office of the Company General Manager, Secretary Office of Seibu Railway Co., Ltd. Apr. 2010 Managing Officer, General Manager, Administration Department and Secretary Office of Seibu Holdings Inc. Jun. 2010 Director of the Company (present) Senior Managing Officer, General Manager, President's Office of the Company Apr. 2015 Senior Managing Officer of the Company (present) <u>Responsibilities in the Company</u> President's Office and Administration Department	2,331
		Attendance to the meetings of the Board of Directors in FY2015: 18/18 (100%)	
		Important concurrent positions outside the Company: None	
		[Reason for nomination as Director] As the Director responsible for the Company's administration, Mr. Uwano has been involved in practical implementation of Group management, mainly in the Company, and has contributed to enhancing the Seibu Group's corporate value. We are certain that he will demonstrate his abilities backed by his experience and strengthen Group management while contributing to the enhancement of corporate value over the medium to long term, and accordingly nominate him as a Director.	
		[Message to shareholders from the Director candidate] As a holding company, the Company should have control over the entire Group. Our job is to build a disciplined organization structure and make a corporate group that can respond flexibly to environmental changes, in order to continuously increase corporate value. I will maintain a sense of urgency to the task of further improving the business management framework of the Seibu Group.	

Candidate number	Name (Date of birth)	Career summary, position and responsibilities	Number of Company shares owned
4	Reelection Tomoyuki Nishii March 25, 1959 (57 years old) Number of Years in Office: 4 years	Apr. 1982 Joined The Dai-Ichi Kangyo Bank, Ltd. (currently Mizuho Financial Group, Inc.)	776
		Apr. 2007 General Manager of Sales Department No.12 of Mizuho Corporate Bank, Ltd. (currently Mizuho Bank, Ltd.)	
		Apr. 2009 General Manager, General Planning Department of Prince Hotels, Inc.	
		Apr. 2010 General Manager, Business Strategy Office No.2, Corporate Planning Department of Seibu Holdings Inc.	
		Jun. 2010 Managing Officer, General Manager, Corporate Planning Department and Business Strategy Office No.2 of the Company	
		May 2012 Senior Managing Officer of Prince Hotels, Inc.	
		Jun. 2012 Director of Seibu Holdings Inc. (present) Senior Managing Officer, General Manager, Corporate Planning Department and Business Strategy Office No.2 of the Company	
		Director of Prince Hotels, Inc. (present)	
		Apr. 2015 Senior Managing Officer, General Manager, Corporate Planning Department of Seibu Holdings Inc. (present) Executive Managing Officer of Prince Hotels, Inc. (present)	
		<u>Responsibilities in the Company</u> Corporate Planning Department	
Attendance to the meetings of the Board of Directors in FY2015: 18/18 (100%)		Important concurrent positions outside the Company: Director of Prince Hotels, Inc.	
[Reason for nomination as Director] As the Director responsible for the Company’s corporate planning, Mr. Nishii has proposed the Seibu Group’s long-term strategy and medium-term management plans, and contributed to enhancing its corporate value. We are certain that he will continue to formulate strategies that contribute to enhancing the Group’s corporate value over the medium to long terms, and that he will contribute to strengthening Group management, and accordingly nominate him as a Director.			
[Message to shareholders from the Director candidate] The Seibu Group engages in a wide range of business activities over a broad area, mainly focused on railway operations, hotel and leisure business, and real estate business. A strategy with a medium- to long-term perspective is vital for continuously enhancing corporate value through these businesses. I will work to formulate strategies that contribute to the enhancement of corporate value and to increase earning capability.			

Candidate number	Name (Date of birth)	Career summary, position and responsibilities		Number of Company shares owned
5	Reelection Fumiyasu Goto January 4, 1962 (54 years old) Number of Years in Office: 2 years	Mar. 1984	Joined Seibu Railway Co., Ltd.	1,776
		Feb. 2005	General Manager, Corporate Strategy Office of the company	
		Mar. 2005	General Manager, Group Supervisory Office of the company	
		Mar. 2006	General Manager, Corporate Planning Department of Seibu Holdings Inc.	
		Jun. 2007	General Manager, General Planning Department, Planning Office and Accounting Office of Seibu Railway Co., Ltd.	
		Jun. 2008	General Manager, General Planning Department, Accounting Office and J-SOX Office of the company	
		Jun. 2009	Managing Officer, General Manager, General Planning Department, Accounting Office and J-SOX Office of the company	
		Apr. 2010	Managing Officer, General Manager, Accounting Department of Seibu Holdings Inc. Managing Officer, General Manager, Accounting Department and J-SOX Department of Seibu Railway Co., Ltd.	
		Jun. 2010	Director and Senior Managing Officer, General Manager, Accounting Department and J-SOX Department of the company General Manager, Accounting Department of Prince Hotels, Inc.	
		Jun. 2014	Director of Seibu Holdings Inc. (present) Senior Managing Officer, General Manager, Accounting Department of the Company Senior Managing Officer, General Manager, Accounting Department of Prince Hotels, Inc.	
Jul. 2015	Senior Managing Officer of Seibu Holdings Inc. (present)			
<u>Responsibilities in the Company</u> Accounting Department				
Attendance to the meetings of the Board of Directors in FY2015: 18/18 (100%)		Important concurrent positions outside the Company: None		
[Reason for nomination as Director] Mr. Goto has experience in making reliable financial reporting for the Seibu Group and appropriate information disclosure as the Director responsible for accounting, thereby contributing to increasing the Seibu Group’s corporate value. We are confident that he will steadily perform his accounting duties to support the wide-ranging business activities of the Group while contributing to increasing the medium- to long-term corporate value of the Seibu Group going forward, and accordingly nominate him as a Director.				
[Message to shareholders from the Director candidate] Accounting duties involve presenting the results of corporate activities, while at the same time forming the basis for formulating medium- to long-term strategies. Providing highly reliable financial information in a timely manner is one important matter related to the core of corporate management. I will continuously present appropriate financial information going forward.				

Candidate number	Name (Date of birth)	Career summary, position and responsibilities		Number of Company shares owned
6	Reelection	Apr. 1987	Joined The Dai-Ichi Kangyo Bank, Ltd. (currently Mizuho Financial Group, Inc.)	1,554
	Ryuichiro Nishiyama	Oct. 2009	General Manager, Corporate Communication Office of Seibu Holdings Inc.	
		Apr. 2010	General Manager, Corporate Communication Department of the Company	
		Apr. 2013	Managing Officer, General Manager, Corporate Communication Department of the Company Managing Officer, General Manager, Corporate Communication Department of Seibu Railway Co., Ltd.	
		Jun. 2013	Director and Senior Managing Officer, General Manager, Corporate Communication Department of the company (present)	
August 30, 1964 (51 years old)	Jun. 2014	Director of Seibu Holdings Inc. (present) Senior Managing Officer, General Manager, Corporate Communication Department of the Company (present)		
Number of Years in Office: 2 years	<u>Responsibilities in the Company</u> Corporate Communication Department			
Attendance to the meetings of the Board of Directors in FY2015: 18/18 (100%)		Important concurrent positions outside the Company: Director of Seibu Railway Co., Ltd.		
[Reason for nomination as Director] As the Director responsible for the Company’s corporate communications, Mr. Nishiyama has been involved in practical implementation of publicity activities and brand management, among other aspects, and has contributed to enhancing the Seibu Group’s corporate value from the perspective of corporate communications. We are certain that he will oversee the Seibu Group’s corporate communications activities based on his broad perspective and experience, and contribute to enhancing its corporate image, and accordingly nominate him as a Director.				
[Message to shareholders from the Director candidate] The main point of corporate communications is to provide fresh and accurate information. By providing corporate information that is timely, appropriate, and easy to understand, I will strive to foster relationships of trust with all stakeholders including our shareholders, and to increase the Seibu Group’s corporate value.				

Candidate number	Name (Date of birth)	Career summary, position and responsibilities	Number of Company shares owned
7	Reelection Hisashi Wakabayashi January 1, 1949 (67 years old) Number of Years in Office: 4 years	Mar. 1972 Joined Izuhakone Railway Co., Ltd Jul. 1999 General Manager, Bus Operation Department of the company Jun. 2001 Director, General Manager, Bus Operation Department of the company Jan. 2005 Director, General Manager, Bus Operation Department and Travel Department of the company Jun. 2005 Executive Managing Director, General Manager, Bus Operation Department and Travel Department of the company Sep. 2005 Executive Managing Director, General Manager, Sales Department of the company Mar. 2006 Executive Managing Director of the company Sep. 2006 President and Representative Director of the company May 2012 President and Representative Director of Seibu Railway Co., Ltd. (present) Jun. 2012 Director of Seibu Holdings Inc. (present)	776
		Attendance to the meetings of the Board of Directors in FY2015: 18/18 (100%)	
		Important concurrent positions outside the Company: President and Representative Director of Seibu Railway Co., Ltd. President and Representative Director of Izuhakone Railway Co., Ltd*	
		[Reason for nomination as Director] Utilizing his experience as the President of Izuhakone Railway Co., Ltd, Mr. Wakabayashi has been working to increase the value of areas along the Seibu Railway lines as the Director of the Company and the President of Seibu Railway Co., Ltd., and has contributed to enhancing the corporate value of the Seibu Group. He has abundant experience in railway operations in general, and we are certain that he will continue to contribute to the formulation and execution of medium- to long-term strategies for the Urban Transportation and Regional business, and accordingly nominate him as a Director.	
		[Message to shareholders from the Director candidate] I will put my experience with Izuhakone Railway and Seibu Railway to use in deploying various measures geared toward enabling us to communicate the broad appeal of the Seibu Group to our shareholders and many other stakeholders. Moreover, I aim for us to become our customers' railway of choice and will wholeheartedly work to create further earnings opportunities.	

* Mr. Wakabayashi is scheduled to be appointed as President and Representative Director of Izuhakone Railway Co., Ltd on the date of its Annual General Meeting of Shareholders, which is scheduled to be held in June 2016.

Candidate number	Name (Date of birth)	Career summary, position and responsibilities		Number of Company shares owned
8	New candidate Shigeyoshi Akasaka January 12, 1947 (69 years old) Number of Years in Office: - years	Mar. 1973	Joined Chugushi Forestry Co., Ltd.	2,554
		Apr. 1976	Joined Kokudo Keikaku Co., Ltd. (currently Prince Hotels, Inc.)	
		Mar. 2002	General Manager of Gunma of KOKUDO CORPORATION (currently Prince Hotels, Inc.)	
		Jun. 2003	Director, General Manager of Gunma of the company	
		Jun. 2005	Director, General Manager of Nagano and Gunma Area of the company	
		Feb. 2006	Director, General Manager of Nagano and Gunma Area of Prince Hotels, Inc.	
		Jun. 2006	Director, Senior Managing Officer, General Manager of Nagano and Gunma Area of the company	
		Jun. 2007	Executive Managing Officer, in charge of Fourth Business of the company	
		Jun. 2009	Senior Executive Managing Officer, in charge of Third Business of the company	
		Jun. 2010	Senior Executive Managing Officer, Supervisory General Manager of Niigata, Nagano, and Gunma of the company	
Jun. 2011	Director, Senior Executive Managing Officer, Supervisory General Manager of Niigata, Nagano, and Gunma of the company			
Apr. 2014	Director, Senior Executive Managing Officer, Supervisory General Manager of Tohoku and Supervisory General Manager of Niigata, Nagano, and Gunma of the company			
Aug. 2015	Representative Director and Executive Vice President, Supervisory General Manager of Tohoku and Supervisory General Manager of Niigata, Nagano, and Gunma of the company			
Dec. 2015	President and Representative Director of the company (present)			
Attendance to the meetings of the Board of Directors in FY2015: -		Important concurrent positions outside the Company: President and Representative Director of Prince Hotels, Inc.		
[Reason for nomination as Director] Mr. Akasaka served for many years as a Director for Prince Hotels, Inc. Since December 2015 he has been the company’s President, focusing on incorporating demand for inbound tourism and MICE, which are the areas of focus, to strengthen the earnings base, thereby contributing to increasing the Seibu Group’s corporate value. We are certain that he has abundant experience and an outstanding personality and insights, and that he will be able to formulate and implement medium- to long-term strategies for the hotel and leisure business, and accordingly nominate him as a new Director.				
[Message to shareholders from the Director candidate] Prince Hotels have city hotels equipped with large-scale banquet halls located in favorable locations, and resort hotels located in major sightseeing areas in Japan. As one of Japan’s largest hotel chain, we will propose a variety of ways to spend their time to our guests, such as MICE. Moreover, we will conduct worldwide activities to increase the recognition of the Prince brand, and work actively to capture new demand.				

Candidate number	Name (Date of birth)	Career summary, position and responsibilities		Number of Company shares owned
9	New candidate Kimio Kitamura January 6, 1961 (55 years old) Number of Years in Office: - years	Mar. 1984	Joined Seibu Railway Co., Ltd.	5,143
		Jun. 2005	General Manager, Secretary Office of the company	
		Mar. 2006	General Manager, Administration Department of Seibu Holdings Inc.	
		Nov. 2006	General Manager, IPO Department of the Company	
		Jun. 2007	General Manager, IPO Department, General Planning Department of the Company	
		Dec. 2007	General Manager, IPO Department, General Planning Department and J-SOX Office of the Company	
		Jun. 2008	Managing Officer, General Manager, Related Businesses Department and J-SOX Office of the Company	
		Apr. 2010	Managing Officer, General Manager, Personnel Department of the Company	
		Jun. 2010	Director of the Company Senior Managing Officer, General Manager, Personnel Department of the Company Director and Senior Managing Officer, General Manager, Personnel Department of Seibu Railway Co., Ltd.	
		Mar. 2013	General Manager, Group Human Resources Development Office, Personnel Department of Seibu Holdings Inc.	
Jan. 2015	Executive Vice President of Ohmi Railway Co., Ltd.			
Jun. 2015	President and Representative Director of the company (present)			
Attendance to the meetings of the Board of Directors in FY2015: 4/4 (100%)*		Important concurrent positions outside the Company: President and Representative Director of Ohmi Railway Co., Ltd.		
[Reason for nomination as Director] Mr. Kitamura has been the driving force in advancing progress on important management issues as a corporate officer of each Group company, and he is currently implementing corporate management closely linked to local communities as the President of Ohmi Railway Co., Ltd., and has contributed to increasing the Seibu Group’s corporate value. We are certain that he has abundant experience and an outstanding personality and insights, and that he will be able to realize an improvement in the Group earnings capabilities, starting with Ohmi Railway, and accordingly nominated him as a new Director.				
[Message to shareholders from the Director candidate] Ohmi Railway operates transportation services, real estate business, and sightseeing operations, among other businesses, mainly in the Shiga Prefecture area, and is developing its business closely with the lives of people living in the area. By providing high quality services safely and reliably, we will strongly highlight the Seibu brand in the Kansai region, making a greater effort to enhance the Group’s corporate value.				

* Mr. Kitamura resigned as Director of the Company on June 23, 2015. Only the Board of Directors meetings held during his term in office have been counted.

Candidate number	Name (Date of birth)	Career summary, position and responsibilities		Number of Company shares owned
10	New candidate Hitoshi Nakamura May 22, 1960 (56 years old) Number of Years in Office: - years	Apr. 1983	Joined Seibu Fudosan Inc.	2,000
		Apr. 1984	Joined Seibu Railway Co., Ltd.	
		Nov. 2004	General Manager, Finance Department of the company	
		Feb. 2006	General Manager, Finance Department of Prince Hotels, Inc.	
		Mar. 2006	General Manager, Finance Department of Seibu Holdings Inc.	
		Jun. 2006	Managing Officer, General Manager, Finance Department of Seibu Railway Co., Ltd.	
		Jun. 2007	Managing Officer, General Manager, Related Businesses Department and Finance Department of Seibu Holdings Inc.	
		Jun. 2008	Managing Officer, General Manager, Transportation Department of Seibu Railway Co., Ltd.	
		Jun. 2010	Director and Senior Managing Officer, General Manager, Planning & Administration Department of the company	
		Apr. 2011	Senior Executive Managing Officer of Izuhakone Railway Co., Ltd	
Jun. 2011	Director, Senior Executive Managing Officer of the company			
May 2012	President and Representative Director of the company (present)			
Apr. 2016	President and Representative Director of Seibu Construction Co., Ltd. (present)			
Attendance to the meetings of the Board of Directors in FY2015: -		Important concurrent positions outside the Company: President and Representative Director of Seibu Construction Co., Ltd. President and Representative Director of Izuhakone Railway Co., Ltd*		
[Reason for nomination as Director] Mr. Nakamura is the President of Seibu Construction Co., Ltd. and the President of Izuhakone Railway Co., Ltd. In this role, he has conducted corporate management closely tied to local communities and executed medium- to long-term strategies such as structural reforms, thereby contributing to improving the Seibu Group’s corporate value. We are certain that he has abundant experience and an outstanding personality and insights, and that he is able to achieve further increasing in the Group’s earning capabilities going forward. Accordingly, we have nominated him as a new Director.				
[Message to shareholders from the Director candidate] I have been involved in the Seibu Group’s various businesses in different regions and industries. Now I will leverage my experience to realize the full extent of the Group’s capabilities, and work to provide customers with experiences and emotions to ensure that we continue to respond to our shareholders and various other stakeholders over the medium to long term.				

* Mr. Nakamura is scheduled to resign as President and Representative Director of Izuhakone Railway Co., Ltd on the date of its Annual General Meeting of Shareholders, which is scheduled to be held in June 2016.

Candidate number	Name (Date of birth)	Career summary, position and responsibilities		Number of Company shares owned
11	New candidate Chikara Shinden November 15, 1960 (55 years old) Number of Years in Office: - years	Mar. 1984	Joined Seibu Railway Co., Ltd.	1,388
		Jun. 2006	General Manager, Transportation Department of the company	
		Jun. 2007	General Manager, Internal Audit Department of the company	
		Jul. 2007	General Manager, Internal Audit Department and Compliance Department of the company	
		Jun. 2008	General Manager, Compliance Department of the company	
		Jun. 2009	Director, Senior Managing Officer, General Manager, Railway Department of Izuhakone Railway Co., Ltd	
		Apr. 2011	Senior Managing Officer, General Manager, Planning & Administration Department of Seibu Railway Co., Ltd.	
		Jun. 2011	Director, Senior Managing Officer, General Manager, Planning & Administration Department of the company	
		Apr. 2013	Director of the company	
		Jun. 2013	Director, Senior Managing Officer of the company	
		Jun. 2014	Director, Senior Managing Officer, General Manager, Properties Administration Department of the company	
Apr. 2016	Vice President and Director of Seibu Bus Co., Ltd. (present)			
Attendance to the meetings of the Board of Directors in FY2015: -		Important concurrent positions outside the Company: President and Representative Director of Seibu Bus Co., Ltd.*		
[Reason for nomination as Director] Mr. Shinden has been responsible for the railway service operations and the administrative operations as a Director in Seibu Railway Co., Ltd., making a wide-ranging contribution to increasing corporate value. In June 2016, he is scheduled to be appointed President of Seibu Bus Co., Ltd. We are certain that he has an outstanding personality and insight, and that will make further use of his experience at Seibu Railway to enhance synergies within the Group’s urban transport and regional business, while being capable of executing medium- to long-term strategies, and accordingly nominated him as a new Director.				
[Message to shareholders from the Director candidate] For the Seibu Group, the urban transportation and regional business is a foundation business and a “source of corporate value improvement,” and Seibu Bus Co., Ltd. plays an important role within the public transportation infrastructure. Looking ahead, I will continue to put safety and security first, and develop a business that contributes to regional development and Tourism-oriented Japan as I focus all my effort on enhancing our corporate value even further.				

* Mr. Shinden is scheduled to be appointed President and Representative Director of Seibu Bus Co., Ltd. on the date of its Annual General Meeting of Shareholders, which is scheduled to be held in June 2016.

Business Report

(From April 1, 2015 to March 31, 2016)

1. Status of the corporate group

(1) Progress and results of operations

Review of the fiscal year ended March 31, 2016

During the fiscal year ended March 31, 2016, the Japanese economy continued to experience a gradual recovery with the continuing improvement in the employment and income environment, despite signs of weakness. Looking ahead, although negative risks for Japan's business conditions, such as signs of weakness in overseas economies, must be kept in mind, conditions seem to indicate a gradual recovery, with various policy impacts amid a further increase in foreign visitors travelling to Japan.

Under these conditions, the Seibu Group worked to maximize its corporate value under the Seibu Group's Medium-Term Business Plan (FY2015-FY2017), by working to i) establish a long-term business foundation and ii) strengthen its existing businesses based on the themes of "tackling innovation with speed from new perspectives" and "shifting gears to achieve further growth."

To establish a long-term business foundation, the Group will respond to paradigm shifts such as increasing numbers of foreign visitors to Japan and changes in the composition of the population by expanding its targeting of markets, including inbound tourism, senior citizens and children, in order to develop new business models and create further earnings opportunities. For "inbound tourism," the Group has adopted a slogan of "Aiming to Become the corporate group at the center of 'Tourism-oriented Japan.'" Under this slogan, the Group demonstrated its appeal to the fullest extent, strengthening its efforts to attract more overseas customers visiting Japan to use its facilities. The Group also promoted Group-wide projects for senior citizens and children.

Moreover, the Group has been working on its major project "TOKYO GARDEN TERRACE KIOICHO (the development project of the site where the Grand Prince Hotel Akasaka was previously located)." Accompanying the occupation of some offices by tenants, the Group opened "Kioi Terrace" (retail zone), which is a cluster of shops whose target-customers are office workers, in May 2016. The Group is now working toward the grand opening scheduled for July 2016.

As a result of these efforts, the Group recorded the following results for the fiscal year ended March 31, 2016. Operating revenue was ¥508,081 million, up ¥26,354 million, or 5.5%, year on year; operating income was ¥65,956 million, up ¥16,335 million, or 32.9%, year on year, and EBITDA was ¥106,701 million, up ¥16,650 million, or 18.5%, year on year. Ordinary income was ¥58,525 million, up ¥16,426 million, or 39.0%, year on year. Profit attributable to owners of parent was ¥57,207 million, up ¥22,295 million, or 63.9%, year on year, mainly reflecting the expected recording of profit upon recognition of indemnification claims in extraordinary income and the recording of an impairment loss in extraordinary losses due to the cancellation of the development plan for the planned site for Ahina railway yard.

Operating results by segment for the fiscal year ended March 31, 2016

(Millions of yen)

Segment	Operating revenue			Operating income			EBITDA		
	For the year ended March 31, 2016	Change from previous year	Change (%)	For the year ended March 31, 2016	Change from previous year	Change (%)	For the year ended March 31, 2016	Change from previous year	Change (%)
Urban Transportation and Regional	157,359	1,626	1.0	25,884	2,875	12.5	46,738	2,139	4.8
Hotel and Leisure	188,021	12,899	7.4	20,628	10,078	95.5	32,069	10,452	48.4
Real Estate	49,690	1,119	2.3	14,528	(229)	(1.6)	18,760	110	0.6
Construction	104,983	6,991	7.1	3,694	885	31.5	4,048	943	30.4
Hawaii Business	19,303	5,348	38.3	(836)	531	–	1,233	900	270.3
Other	37,543	968	2.6	1,083	208	23.8	3,691	389	11.8
Total	556,901	28,954	5.5	64,984	14,349	28.3	106,542	14,935	16.3
Adjustment	(48,819)	(2,599)	–	972	1,985	–	159	1,714	–
Consolidated	508,081	26,354	5.5	65,956	16,335	32.9	106,701	16,650	18.5

Notes: 1. Adjustment consist mainly of eliminations of inter-segment transactions.

2. EBITDA is calculated by adding depreciation to operating income.

Urban Transportation and Regional

In railway operations for the fiscal year ended March 31, 2016, the number of passengers increased by 2.3% year on year (of which commuters increased by 2.4% and non-commuters increased by 2.0%), while passenger transportation sales increased by 2.0% year on year (of which commuters increased by 2.4% and non-commuters increased by 1.7%). The result reflects the strong employment situation and the end of a fallback following a surge in demand ahead of the consumption tax hike in April 2014, as well as proactive event activities and stronger sightseeing promotion along railway lines.

In bus operations, route bus revenue grew briskly atop a strong employment situation and the effect of launching the Seibu Bus IC Commuter Pass.

As a result, the Urban Transportation and Regional business recorded operating revenue of ¥157,359 million, up ¥1,626 million, or 1.0%, year on year. Segment operating income increased by ¥2,875 million, or 12.5%, year on year to ¥25,884 million, partly due to the increase in operating revenue, and also to reductions of costs such as electric power costs and other measures. EBITDA was ¥46,738 million, an increase of ¥2,139 million, or 4.8%, year on year.

Operating revenue

(Millions of yen)

	For the year ended March 31, 2015	For the year ended March 31, 2016	Change
Urban Transportation and Regional	155,732	157,359	1,626
Railway operations	102,346	104,939	2,592
Bus operations	25,102	25,610	507
Leisure facilities along railway lines	21,533	21,724	190
Others	6,750	5,085	(1,664)

Hotel and Leisure

In overall hotel operations, based on an upturn in business sentiment mainly due to an increase in foreign visitors, the Company proactively continued to carry out revenue management*1 and expand its overseas sales bases, as well as strengthening promotions and undertaking hotel renewal construction and so forth.

In city hotel operations, the average daily rates of hotel rooms increased year on year, driven by demand from foreign visitors to Japan, and RevPAR*2 increased in line with higher occupancy rates. Moreover, in resort hotel operations, occupancy rates and average daily rates both rose year on year, with an attendant increase in RevPAR, mainly driven by an increase in the number of foreign guests, especially in the Karuizawa area.

*1 Revenue management is a method for maximizing profit by providing services to customers at prices that are seasonally appropriate based on demand forecasts.

*2 RevPAR: Revenue Per Available Room. RevPAR is calculated by dividing total room sales for a given period by the aggregate number of days per room for which each room was available during such period.

In addition, due to the factors such that the Sendai Umino-Mori Aquarium started operations and Aqua Park Shinagawa underwent a renovation, visitor numbers to those facilities were strong.

As a result of these initiatives, the Hotel and Leisure business segment recorded operating revenue of ¥188,021 million, an increase of ¥12,899 million, or 7.4%, year on year. Segment operating income increased by ¥10,078 million, or 95.5%, year on year to ¥20,628 million, partly due to the increase in operating revenue, and also to decrease in retirement benefit expenses. EBITDA was ¥32,069 million, an increase of ¥10,452 million, or 48.4%, year on year.

Operating revenue

(Millions of yen)			
	For the year ended March 31, 2015	For the year ended March 31, 2016	Change
Hotel and Leisure	175,121	188,021	12,899
City hotel operations	100,182	106,820	6,638
Resort hotel operations	36,245	38,308	2,062
Golf course operations	12,171	12,227	55
Others	26,521	30,665	4,143

Note: The city hotel operations include mainly hotels located in the central commercial areas of major cities or in the vicinity of transportation terminals. The resort hotel operations mainly include hotels located in sightseeing areas or summer resorts across Japan.

Real Estate

In leasing operations, the Company has worked on effective utilization of the Group's assets under the Seibu Group's Asset Strategy and increasing profitability. In efforts to improve value of areas along the Seibu Railway lines, the Company opened commercial retails such as "Grand Emio Oizumigakuen," "Emio Ikebukuro," and "Emio Shin-Tokorozawa." Meanwhile at Karuizawa Prince Shopping Plaza, the Company extended floor space to add 54 stores in the previous fiscal year, drawing an increase in visitors from inside Japan and overseas. The Company also acquired an office building in Minato-ku, Tokyo to boost profitability.

In other initiatives, the Company sold a large plot of land among its land for sale in Karuizawa.

As a result of these initiatives, the Real Estate business segment recorded operating revenue of ¥49,690 million, an increase of ¥1,119 million, or 2.3%, year on year, and segment operating income of ¥14,528 million, however, a decrease of ¥229 million, or 1.6%, year on year, mainly due to the absence of sales of the land in the south of Seibu-Tachikawa station recorded in the same period of previous fiscal year. EBITDA was ¥18,760 million, an increase of ¥110 million, or 0.6%, year on year.

Construction

In construction operations, the Company undertook construction work for railway construction, residential houses for sale, and public sector investment as well as decontamination-related work. The Company also took a rigorous approach to managing orders received with a focus on profit margins, as well as ongoing credit management, and also worked to strengthen its cost management.

As a result of these initiatives, the Construction business segment recorded operating revenue of ¥104,983 million, an increase of ¥6,991 million, or 7.1%, year on year, mainly reflecting an increase in carry-over projects in construction operations and renovation works in construction division, which outweighed a decline in landscaping contract work. Segment operating income was ¥3,694 million, up ¥885 million, or 31.5%, year on year, partly due to the increase in operating revenue, and also to thorough cost management. EBITDA was ¥4,048 million, an increase of ¥943 million, or 30.4%, year on year.

Hawaii Business

In the Hawaii business segment, RevPAR increased year on year as the Mauna Kea Beach Hotel became a member of Autograph Collection brand owned by Marriott International, Inc. and each hotel worked to strengthen its revenue management.

As a result of these initiatives, the Hawaii business segment recorded operating revenue of ¥19,303 million, an increase of ¥5,348 million, or 38.3%, year on year. Segment operating loss was ¥836 million, an improvement of ¥531 million from an operating loss of ¥1,367 million in the same period of the previous fiscal year, mainly reflecting higher income on higher revenues and lower utility cost due to the fall in crude oil prices. EBITDA was ¥1,233 million, an increase of ¥900 million, or 270.3%, year on year.

Other

In the Izu Hakone Business, the Company operated business with close ties to local communities, such as opening a nursing care facility for day services. The Ohmi Business performed briskly, especially in bus operations, mainly reflecting an increase in foreign visitors to Japan. In the Seibu Lions Business, the number of spectators increased year on year, reflecting the renewal of a portion of the spectator seats of the SEIBU PRINCE DOME into a style suitable for spectators attending in groups, as well as the execution of various sales initiatives.

As a result of these initiatives, the Other businesses segment recorded operating revenue of ¥37,543 million, an increase of ¥968 million, or 2.6%, year on year, and segment operating income of ¥1,083 million, an increase of ¥208 million, or 23.8%, year on year. EBITDA was ¥3,691 million, an increase of ¥389 million, or 11.8%, year on year.

(2) Issues to address

The Seibu Group aims to achieve sustainable, sound growth. To achieve this, under the Seibu Group's Long-Term Strategy, the Group expands the areas in which it can provide a combination of various businesses and services and added value in order to develop as a corporate group that will support customers in all scenarios of their everyday lives.

The Company has formulated the three-year Seibu Group's Medium-Term Business Plan, which started from the fiscal year ending March 31, 2017 as plan for implementing the Group Vision and the Seibu Group's Long-Term Strategy. Under the plan, the Group will work to i) establish a long-term business foundation and ii) strengthen its existing businesses as key initiatives in the plan, based on the central theme of "taking advantage of our strengths to realize the strongest Seibu group," and following the basic policies of "tackling innovation with speed from new perspectives" and "shifting gears to achieve further growth."

1) Establishing a long-term business foundation (develop new business models and create further earnings opportunities)

By responding to paradigm shifts (a) such as increasing numbers of foreign visitors to Japan and changes in the composition of the population by expanding its targeting of markets including inbound tourism (foreign visitors to Japan), senior citizens and children, the Group will develop new business models, establish a long-term business foundation and create further earnings opportunities. As another approach to generate further earnings, the Group will also work to achieve effective utilization of its assets (b) under the Seibu Group's Asset Strategy.

(a) Initiatives to respond to paradigm shifts

Responding to inbound tourism the Group has adopted a slogan of "Aiming to Become the corporate group at the center of 'Tourism-oriented Japan.'" and will take a leading role in tourism by developing local sightseeing routes and creating products centered on Seibu Group facilities and services. The Group will also start the Seibu Prince Club emi membership service for foreigners. Through these and other initiatives, the Group will make a concerted effort to strengthen its new initiatives.

In initiatives for the senior citizen's sector, the Group will newly consider the operation of serviced residences for seniors and aim to create local communities providing services for realizing comforting and fulfilling senior lifestyles, including supporting enjoyable outings and travel.

In initiatives for children, the Group will help children grow up healthily and provide opportunities for families to spend time together such as the Seibu-Juku learning program, which provides opportunities for children to experience various activities throughout the year. The Group will also utilize the business knowhow and its diverse human resources and facilities to strengthen the Seibu Group Children's Support Project, in an effort to develop new loyal customers for the Seibu Group.

(b) Effective utilization of the Group's assets based on the Seibu Group's Asset Strategy

The Group holds large scale assets as business properties, mainly hotels, in highly convenient central urban locations, such as the Takanawa and Shinagawa area, the Shibakoen area, and also Toshimaen. The Group seeks to unleash their potential earning power in order to maximize the Group's corporate value. To this end, the Group formulated the Seibu Group's Asset Strategy.

Specifically, the Group is maximizing the value of its assets from the three perspectives of i) enhancement of the value of existing assets, ii) portfolio re-balancing, and iii) concentration of management resources on core businesses.

In enhancement of the value of existing assets, the Group will expand, rebuild and renovate its real estate for lease along the lines of its current use to maintain and enhance its competitive capabilities. In realigning its portfolio, the Group will take TOKYO GARDEN TERRACE KIOICHO (the development project of the site where the Grand Prince Hotel Akasaka was previously located) as a model case for multipurpose redevelopment undertaken with local communities to pursue expansion of business opportunities, and re-balance its asset portfolio, primarily between offices, hotels, retail, and rental accommodation. By concentrating management resources on its core assets, the Group will use cash generated by expropriating and selling its assets, and other means, to reinvest in assets with potential to increase its revenues in line with the Group management strategy. The Group will also make use of under-utilized land and other under-utilized assets and areas underneath overpasses to make efficient use of, and to realize earning capability of its assets.

Looking ahead, the Group will utilize its characteristics as a holder of large-scale assets and work to further increase asset efficiency and profitability based on the Seibu Group's Asset Strategy.

2) Strengthen existing businesses (Further strengthen the corporate structure by pursuing efficiency)

The Group will continue initiatives such as increasing the value of existing facilities and portfolio rebalancing to make the most effective use of its assets in order to improve earning capability in its existing businesses. Moreover, to realize efficient management, the Group will make establish a low-cost operation structure through measures such as using ICT, introducing low-maintenance equipment, and strengthening cost management.

Specific issues and initiatives for each segment are described below.

Urban Transportation and Regional

In terms of sources of improvement of corporate value, the Company will uphold its position as a provider of social infrastructure, based on safety and security, and while seeking to meet the demands of the environment and local communities to increase the value of areas along the Seibu Railway lines by providing sophisticated services.

The Company will ensure safety by promoting installation of platform doors, introduction of continuous grade-separated crossings, seismic reinforcement work, and so forth, and strive to provide security. In addition, the Company will endeavor to increase customer satisfaction through initiatives such as introducing new-type commuter trains and new-type express trains, and renovating stations. The Company will also pursue efficiency by using ICT and introducing low-maintenance equipment and facilities.

Hotel and Leisure

To drive its corporate value even higher, the Company will fully leverage its advantages as one of Japan's largest hotel chains while strengthening its services to enhance its net sales, earnings power, level of customer's emotion, and global business development capability.

To secure an unrivaled share of the MICE market, the Company will capture circuit-type MICE and inbound MICE and increase the sophistication of its sales activities and proposal management. The Company will also conduct strategic capital investment and strategic promotion, and strive to provide travel that fulfills the psychological needs by encouraging people to become lifelong customers utilizing SEIBU PRINCE CLUB and Prince Status Services. In other areas, the Company will also expand sales offices overseas to disseminate Japanese hospitality around with world.

The Company will take steps to achieve efficient management and improved customer convenience by building a next-generation hotel system.

Real Estate

As the key to improving corporate value, the Company will work to realize its latent earnings potential by effectively utilizing the Group's assets.

The Company will promote large-scale redevelopment projects. These include the full-scale opening of TOKYO GARDEN TERRACE KIOICHO planned for July 27, 2016, a plan for rebuilding the Company's former headquarters in Ikebukuro, the planned East Entrance station building and the development of West Entrance of Tokorozawa Station. The Company will also examine the development projects in the central Tokyo (Takanawa and Shinagawa area, Shibakoen area). In addition, the Company will aggressively promote renovation of existing commercial facilities, and will develop the Emio commercial facilities, Emilive rental apartments, and Nicot childcare centers inside and beneath the overpass areas of railway stations.

Construction, Hawaii Business, and Other

In the Construction business, the Company will strive to make further profit margin improvements through order selection, cost management, and cost control.

In the Hawaii Business segment, the Company will proceed with selling real estate holdings and make investments to increase value, such as major renovations of its hotels.

In Other Business, the Company will continue strengthening its initiatives to capture inbound tourism in the Izuhakone Business and the Ohmi Businesses, while working to make effective use of its real estate holdings. In the Seibu Lions Business, the Company will take steps to increase the team's capabilities, enhance the appeal of the SEIBU PRINCE DOME, and bolster the efforts to attract people to events.

To realize these initiatives and significantly bolster corporate value, the Company will create an environment conducive to generating innovation. Specifically, the Company will promote diversity management to foster a workplace culture of respecting individual employees and enabling them to pursue their diverse capabilities and ambition to the fullest extent. It will also make use of ICT.

The Company also considers strengthening corporate governance, including the management and administration structure and compliance structure, to be an important priority, and will take proactive steps to achieve this. Aiming for effective corporate governance in keeping with the spirit of the Corporate Governance Code, the Company will implement each principle of the code appropriately. Through its IR activities, the Company will endeavor to cooperate appropriately with all of its stakeholders, providing full accountability to capital market participants (shareholders, investors, securities analysts, and so forth), engaging in dialogue to build trust relationships, and providing timely and appropriate disclosure of information.

The fiscal year under review is the 10th anniversary of the Company's foundation, and it will strive to conduct more effective and efficient corporate management as it moves towards a new growth stage.

(3) Changes in assets and results of operation

	(Millions of yen)			
	8th fiscal year ended March 31, 2013	9th fiscal year ended March 31, 2014	10th fiscal year ended March 31, 2015	11th fiscal year ended March 31, 2016
Operating revenue	459,220	473,441	481,727	508,081
Ordinary income	30,733	38,111	42,099	58,525
Profit attributable to owners of parent	15,608	18,317	34,912	57,207
Basic earnings per share (Yen)	45.63	53.55	102.50	167.89
Total assets	1,403,025	1,420,449	1,519,911	1,553,092
Net assets	242,044	267,689	367,437	392,649
Equity-to-asset ratio (%)	17.1	18.7	24.1	25.2
Return on equity (ROE) (%)	6.9	7.2	11.1	15.1

<Reference> Key performance indicators of each business

(Millions of yen)

	8th fiscal year ended March 31, 2013	9th fiscal year ended March 31, 2014	10th fiscal year ended March 31, 2015	11th fiscal year ended March 31, 2016
Transportation performance in the railway operations at Seibu Railway Co., Ltd.				
Number of passengers (Thousand)	620,477	632,405	628,496	642,693
Passenger transportation sales	94,132	95,563	95,048	96,969
Other revenue	6,530	4,127	4,098	4,160
Operating status of at Prince Hotels, Inc.				
Occupancy rates of hotel rooms (%)	67.6	70.2	69.8	72.8
Average room rates (Yen)	11,387	12,005	12,960	14,513
Operating status of leasing space				
Leasing space at end of period (Thousand m ²)	Commercial retail	208	215	229
	Office/residential	56	59	60
Vacancy rate for leasable space at end of period (%)	Commercial retail	0.9	1.0	1.1
	Office/residential	12.3	6.7	10.0
Status of orders received by the Construction business				
Orders carried over from the previous fiscal year	37,052	58,012	62,321	84,335
Orders received during the fiscal year	79,125	73,057	92,037	94,045
Orders carried over to the next fiscal year	58,012	62,321	84,335	99,069

(4) Capital expenditures

Capital expenditures for the fiscal year under review amounted to ¥80,609 million, which included the following major outlays.

Major facilities completed

Segment	Company name	Major capital expenditures
Urban Transportation and Regional	Seibu Railway Co., Ltd.	Ikebukuro Station renewal
Urban Transportation and Regional	Seibu Railway Co., Ltd.	Manufacture of new type of commuter trains (30000 series Smile Train)
Hotel and Leisure	Yokohama Hakkeijima Inc.	Refurbishing Aqua Park Shinagawa
Hotel and Leisure	Prince Hotels, Inc.	Renovating the guest rooms at Hakodate-Onuma Prince Hotel
Real Estate	Seibu Railway Co., Ltd.	Acquisition of an office building in Shibakoen

New construction and expansion of major facilities in progress

Segment	Company name	Major capital expenditures
Urban Transportation and Regional	Seibu Railway Co., Ltd.	Continuous grade-separated crossing between Nakai and Nogata stations on the Shinjuku Line (underground)
Urban Transportation and Regional	Seibu Railway Co., Ltd.	Continuous grade-separated crossing near Higashi-Murayama Station on the Shinjuku Line (elevated)
Real Estate	Seibu Railway Co., Ltd.	Plan for rebuilding the Company's former headquarters in Ikebukuro
Real Estate	Seibu Properties Inc.	TOKYO GARDEN TERRACE KIOICHO

(5) Financing activities

The Company raised a total amount of ¥17,500 million through a syndicated loan in March 2016 as finance relating to TOKYO GARDEN TERRACE KIOICHO and a plan for rebuilding the Company's former headquarters in Ikebukuro. Moreover, to ensure liquidity we have established committed lines of credit for earthquake response totaling ¥70,000 million.

(6) Major parent company and subsidiaries (As of March 31, 2016)**Parent company**

No items to report.

Major subsidiaries

Company name	Capital stock (Millions of yen)	Ratio of voting rights held by the Company (%)	Major businesses
Seibu Railway Co., Ltd.	21,665	100.0	Railway operations, Leisure facilities along railway lines
Prince Hotels, Inc.	3,600	100.0	Hotel operations, Golf course operations
Seibu Bus Co., Ltd.	100	100.0	Bus operations
Seibu Properties Inc.	300	100.0	Leasing operations
Seibu Construction Co., Ltd.	11,000	100.0	Construction operations
Seibu Lions, Inc.	100	100.0	Professional baseball team management
Izuhakone Railway Co., Ltd.	640	74.0	Railway operations
Ohmi Railway Co., Ltd.	405	100.0	Railways operations
Prince Resorts Hawaii, Inc.	(Thousands of U.S. dollars) 1	100.0	Oversight of leisure businesses in Hawaii

- Notes: 1. The ratios of voting rights shown include rights with respect to direct holdings of the Company as well as rights involving indirect holdings through ownership stakes of the Company's subsidiaries and other entities.
2. The Company has 51 consolidated subsidiaries, including the 9 companies listed above (1 less than the previous fiscal year), and 1 equity-method associate (no change from the previous fiscal year). The Company has 3 other non-consolidated subsidiaries not accounted for under the equity method (2 more than the previous fiscal year).
3. Seibu Railway Co., Ltd. acquired all of the shares of Ohmi Railway Co., Ltd. on February 29, 2016, converting it into a wholly-owned subsidiary.
4. Seibu Railway Co., Ltd. and Prince Hotels, Inc. acquired the shares of NW Corporation Inc. on April 15, 2016 and NW Corporation Inc. is expected to be an equity-method associate of the Company from the 12th fiscal year ending March 31, 2017.

(7) Major businesses and offices (As of March 31, 2016)

Segment	Businesses	Major offices
Urban Transportation and Regional	Railway operations	[Seibu Railway Co., Ltd.] Operating length: 179.8 km, number of stations: 102 (including signal stations and cargo stations), number of vehicles: 1,272
	Bus operations	[Seibu Bus Co., Ltd.] Number of sales offices: 11 (Tokyo and Saitama) number of vehicles: 877
	Leisure facilities along railway lines	[Seibu Railway Co., Ltd.] Seibuen Amusement Park (Tokorozawa-shi, Saitama) Toshimaen (Nerima-ku, Tokyo) BIG BOX Higashiyamato (Higashiyamato-shi, Tokyo)
Hotel and Leisure	City hotel operations	[Prince Hotels, Inc.] The Prince Park Tower Tokyo (Minato-ku, Tokyo) The Prince Sakura Tower Tokyo (Minato-ku, Tokyo) Grand Prince Hotel Takanawa (Minato-ku, Tokyo) Grand Prince Hotel New Takanawa (Minato-ku, Tokyo) Grand Prince Hotel Kyoto (Kyoto-shi, Kyoto) Grand Prince Hotel Hiroshima (Hiroshima-shi, Hiroshima) Shinagawa Prince Hotel (Minato-ku, Tokyo) Shin-Yokohama Prince Hotel (Yokohama-shi, Kanagawa)
	Resort hotel operations	[Prince Hotels, Inc.] The Prince Karuizawa (Karuizawa-machi, Nagano) The Prince Hakone Lake Ashinoko (Hakone-machi, Kanagawa) Sapporo Prince Hotel (Sapporo-shi, Hokkaido) Kawana Hotel (Ito-shi, Shizuoka)
	Golf course operations	[Prince Hotels, Inc.] Kuni Country Club (Hanno-shi, Saitama) Musashigaoka Golf Course (Hanno-shi, Saitama) Karuizawa 72 Golf (Karuizawa-machi, Nagano) Kawana Hotel Golf Course (Ito-shi, Shizuoka) Daihakone Country Club (Hakone-machi, Kanagawa) Seta Golf Course (Otsu-shi, Shiga)
	Others	[Prince Hotels, Inc.] Naeba Ski Area (Yuzawa-machi, Niigata) Kagura Ski Area (Yuzawa-machi, Niigata) [Yokohama Hakkeijima Inc.] Yokohama Hakkeijima Sea Paradise (Yokohama-shi, Kanagawa)
Real Estate	Leasing business	[Seibu Properties Inc.] Karuizawa Prince Shopping Plaza (Karuizawa-machi, Nagano) Shin-Yokohama Prince PePe (Yokohama-shi, Kanagawa) BIG BOX Takadanobaba (Shinjuku-ku, Tokyo)
Construction	Construction operations	[Seibu Construction Co., Ltd.] Number of branches: 7 (Toshima-ku, Tokyo and others) Number of business offices: 4 (Morioka-shi, Iwate and others)
Hawaii Business	Leisure business	[Hawaii Prince Hotel Waikiki LLC] Hawaii Prince Hotel Waikiki (Hawaii, USA) Hawaii Prince Golf Club (Hawaii, USA) [Mauna Kea Resort LLC] Mauna Kea Beach Hotel (Hawaii, USA) Mauna Kea Golf Course (Hawaii, USA)
Other Businesses	Izuhakone Business	[Izuhakone Railway Co., Ltd.] Operating length: 29.4 km, number of stations: 25, number of vehicles: 70
	Ohmi Business	[Ohmi Railway Co., Ltd.] Operating length: 59.5 km, number of stations: 33, number of vehicles: 48
	Seibu Lions Business	[Seibu Lions, Inc.] Seibu Prince Dome (Tokorozawa-shi, Saitama)

(8) Employees (As of March 31, 2016)

Segment	Number of employees	
Urban Transportation and Regional	7,564	[749]
Hotel and Leisure	8,457	[4,325]
Real Estate	541	[548]
Construction	1,317	[357]
Hawaii Business	1,171	[310]
Other	2,896	[372]
Corporate	300	[—]
Total	22,246	[6,661]

- Notes: 1. The number of employees represents individuals working within the Group, excluding employees seconded outside the Group from the Group but including employees seconded to the Group from outside the Group. In addition, employees retired as of March 31, 2016 are included therein.
2. The average number of temporary employees for the fiscal year under review is shown in brackets. Temporary employees are not included in the figure indicating number of employees described in Note 1.
3. The number of employees under “Corporate” is the number of employees of the Company.

(9) Major lenders (As of March 31, 2016)

Lender	Outstanding amount of loans (Millions of yen)
Mizuho Bank, Ltd.	141,772
Development Bank of Japan Inc.	116,191
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	89,474
Sumitomo Mitsui Trust Bank, Limited	80,097
Sumitomo Mitsui Banking Corporation	67,801

Note: Outstanding amount of loans includes ¥42,800 million of loans under syndicate loan contracts and commitment line contracts.

(10) Other important matters

No items to report.

2. Shares of the Company (As of March 31, 2016)

- (1) Total number of shares authorized: 1,300,000,000 shares
(2) Total number of shares issued: 342,124,820 shares (including 55,800 treasury shares)
(3) Number of shareholders: 32,811
(4) Major shareholders (Top 10)

Name of shareholder	Number of shares held (Thousands of shares)	Shareholding ratio (%)
NW Corporation Inc. (Note 1)	51,158	14.96
Promontoria Japan Holding 2 B.V. (Note 2)	13,240	3.87
Promontoria Japan Holding 1 B.V. (Note 2)	13,158	3.85
S-H Japan L.P. (Note 2)	10,387	3.04
Development Bank of Japan Inc.	9,906	2.90
Keikyu Corporation	7,655	2.24
Japan Trustee Services Bank, Ltd. (Trust Account)	7,452	2.18
The Master Trust Bank of Japan, Ltd. (Trust Account)	7,274	2.13
The Norinchukin Bank	7,150	2.09
Mizuho Bank, Ltd.	7,114	2.08

- Notes: 1. The Company's consolidated subsidiaries Seibu Railway Co., Ltd. and Prince Hotels, Inc. acquired part of the shares (43.48% of voting rights) of NW Corporation Inc. (hereinafter "NW") on April 15, 2016. In conjunction with this, the shares of the Company held by NW were converted into shares without voting rights (cross shareholdings) pursuant to Article 67 of the Ordinance for Enforcement of the Companies Act, and NW is now no longer a major shareholder of the Company.
2. There are another 8 members of the Cerberus Group other than the 3 members listed above. Their combined number of shares is 49,532 thousand shares, and its shareholding ratio is 14.48%.
3. The shareholding ratio is calculated after deducting the amount of treasury shares (55,800 shares).

(5) Other important matters

In April 2014, the Company introduced a Stock Benefit Trust Disposition-type Employee Stock Ownership Plan (ESOP) with the aim of enhancing employee benefits and providing incentives for employees to increase the corporate value of the Company.

To initiate the ESOP, the Company concluded the "Stock Benefit Trust (disposition-type ESOP) Agreement" (the trust established pursuant to the agreement shall be referred to as the "ESOP Trust"), whereby the Company is to act as administrator and the role of trustee is assigned to Mizuho Trust & Banking Co., Ltd. (the "Trustee"). Also, an agreement was concluded under which the Trustee is to re-trust shares of the Company and other assets of the ESOP Trust to an account with ancillary trustee Trust & Custody Services Bank, Ltd. (the "Trust Account E").

The Trust Account E acquires shares of the Company that the Seibu Holdings Employee Stock Holding Partnership ("Stock Holding Partnership") is expected to obtain over the five years after the trust was set up, and periodically sells its holdings to the Stock Holding Partnership. If, by the time of the ESOP Trust's termination, gains equivalent to capital gains on sales of shares are accumulated within the ESOP Trust through sales of Company shares by the Trust Account E to the Stock Holding Partnership, then those gains will be distributed as residual assets to Stock Holding Partnership enrollees who meet the requirements for eligible beneficiaries. Furthermore, to guarantee funds borrowed by the Trustee which enable the Trust Account E to acquire Company shares, the Company is to repay any such remaining borrowings pursuant to a guarantee agreement, in the event that there are any remaining borrowings equivalent to losses on sales of shares due to a downturn in the price of Company shares up until termination of the ESOP Trust. Any acquisition or sale of shares acquired by the Trust Account E will be accounted for by the Company and stated in the financial statements as increase or decrease in treasury shares. The Company's shares held by Trust Account E is 1,202 thousand shares (0.35%) at end of the fiscal year ended March 31, 2016.

3. Subscription rights to shares, etc. of the Company

(1) Subscription rights to shares held by Directors and Audit & Supervisory Board Members of the Company as of the end of the fiscal year under review

Name (Date of resolution for issuance)	Number of holders	Number of subscription rights to shares	Class and number of shares underlying subscription rights to shares	Issue value	Amount to be paid in upon exercise of subscription rights to shares	Exercise period	Conditions for exercise
The first Subscription Rights to Shares (June 25, 2014)	8 Directors (excluding Outside Directors)	349	Common shares of the Company 34,900 shares	¥1,974 per share	¥1 per share	From July 12, 2014 to July 11, 2044	Note
The second Subscription Rights to Shares (June 23, 2015)	8 Directors (excluding Outside Directors)	425	Common shares of the Company 42,500 shares	¥2,669 per share	¥1 per share	From July 10, 2015 to July 9, 2045	Note

- Notes: 1. A holder of Subscription Rights to Shares may, during the period of ten (10) days immediately following the day on which such holder loses the position as a director of the Company (excluding death), exercise his/her offered Subscription Rights to Shares.
2. In the event of death of a holder of the Subscription Rights to Shares, his/her successor may exercise the rights.
3. Other conditions shall be as prescribed in the “Subscription Rights to Shares Allotment Agreement” to be concluded by and between the Company and a holder of Subscription Rights to Shares.

(2) Subscription rights to shares delivered to employees, etc. during the fiscal year under review

Name (Date of resolution for issuance)	Number of holders	Number of subscription rights to shares	Class and number of shares underlying subscription rights to shares	Issue value	Amount to be paid in upon exercise of subscription rights to shares	Exercise period	Conditions for exercise
The second Subscription Rights to Shares (June 23, 2015)	The Company's subsidiaries 11 Directors	387	Common shares of the Company 38,700 shares	¥2,669 per share	¥1 per share	From July 10, 2015 to July 9, 2045	Note

- Notes: 1. A holder of Subscription Rights to Shares may, during the period of ten (10) days immediately following the day on which such holder loses the position as a director of the Company's subsidiaries (excluding death), exercise his/her offered Subscription Rights to Shares.
2. In the event of death of a holder of the Subscription Rights to Shares, his/her successor may exercise the rights.
3. Other conditions shall be as prescribed in the “Subscription Rights to Shares Allotment Agreement” to be concluded by and between the Company and a holder of Subscription Rights to Shares.

4. Officers

(1) Directors and Audit & Supervisory Board Members (As of March 31, 2016)

Position	Name	Responsibilities	Important concurrent positions outside the Company
President and Representative Director	Takashi Goto	Compliance Dept.	Director and Chairman of Seibu Railway Co., Ltd. Director of Prince Hotels, Inc.
Director	Kaoru Takahashi	Corporate Planning Div., International Business Planning Dept., Finance Dept.	
Director	Akihisa Uwano	President's Office, Administration Dept.	
Director	Tomoyuki Nishii	Corporate Planning Dept.	Director of Prince Hotels, Inc.
Director	Fumiyasu Goto	Accounting Dept.	
Director	Ryuichiro Nishiyama	Corporate Communication Dept.	Director of Seibu Railway Co., Ltd.
Director	Hisashi Wakabayashi		President and Representative Director of Seibu Railway Co., Ltd.
Director	Hiroo Ando		President and Representative Director of Seibu Properties Inc.
Director	Eiko Ohya		
Director	Takehiko Ogi		President and Representative Director of Japan Human Resources Co., Ltd. Outside Director of MISUMI Group Inc.
Director	Keiji Goto		Outside Director of Prince Hotels, Inc. Outside Audit & Supervisory Board Member of Hakuyosha Co., Ltd. Outside Audit & Supervisory Board Member of Central Security Patrols, Co., Ltd.
Audit & Supervisory Board Member (Standing)	Nozomi Kawakami		Audit & Supervisory Board Member of Seibu Railway Co., Ltd.
Audit & Supervisory Board Member	Masayoshi Akashi		(Standing) Audit & Supervisory Board Member of Prince Hotels, Inc.
Audit & Supervisory Board Member	Isao Fukasawa		Outside Audit & Supervisory Board Member of Seibu Railway Co., Ltd. Attorney
Audit & Supervisory Board Member	Eiji Sakomoto		Outside Audit & Supervisory Board Member of Prince Hotels, Inc. Representative Member of Ginza K.T.C Tax Corporation Representative Director of Ginza K.T.C. Consulting Co., Ltd. Outside Director of Nagatanien Co., Ltd. Certified Public Accountant, Licensed Tax Accountant

- Notes: 1. Director Kimio Kitamura resigned as Director of the Company on June 23, 2015.
2. Director Masanori Kobayashi resigned as Director of the Company and President and Representative Director of Prince Hotels, Inc. on November 30, 2015.
3. Eiko Ohya, Takehiko Ogi and Keiji Goto are Outside Directors.
4. Isao Fukasawa and Eiji Sakomoto are Outside Audit & Supervisory Board Members.
5. Audit & Supervisory Board Member Eiji Sakomoto is qualified as a certified public accountant and licensed tax accountant, and possesses extensive financial and accounting knowledge.

6. The Company has designated Directors Eiko Ohya, Takehiko Ogi and Keiji Goto, and Audit & Supervisory Board Members Isao Fukasawa and Eiji Sakomoto as independent directors/auditors in accordance with the rules and regulations of the Tokyo Stock Exchange, and has registered them as such with the TSE.

(2) Amount of remuneration for Directors and Audit & Supervisory Board Members

Classification	Total amount paid (Millions of yen)	Amount of remuneration by type (Millions of yen)		Number of eligible officers (persons)
		Basic compensation	Stock option	
Directors [Of the above, Outside Directors]	397 [39]	268 [39]	129 [-]	13 [3]
Audit & Supervisory Board Members [Of the above, Outside Audit & Supervisory Board Members]	54 [27]	54 [27]	- [-]	3 [2]

- Notes: 1. The amount of remuneration for Directors determined by resolutions of the General Meeting of Shareholders is not more than ¥600 million annually (of which not more than ¥60 million is for Outside Directors, excluding employee salary for Directors serving concurrently as employees). In addition, apart from the relevant amount of remuneration, the amount for remuneration based on stock option to be granted to Directors (excluding Outside Directors) is not more than ¥250 million annually.
2. The amount of remuneration for Audit & Supervisory Board Members determined by resolutions of the General Meeting of Shareholders is not more than ¥100 million annually.
3. In addition to the above, the amount received as remuneration for Directors in the fiscal year under review from subsidiaries of the Company during periods when Outside Directors were Outside Directors of the Company is ¥0 million.

(3) Matters concerning Outside Directors and Outside Audit & Supervisory Board Members

Relationship between the Company and other organizations where Outside Directors concurrently hold key positions

Organizations where Outside Directors concurrently hold key positions include the Company's subsidiaries Seibu Railway Co., Ltd. and Prince Hotels, Inc., as listed in "(1) Directors and Audit & Supervisory Board Members." No special relationships exist between the Company and other corporations or other entities.

Major activities of Outside Audit & Supervisory Board Members during the current fiscal year

Position	Name	Attendance to meetings of Board of Directors	Attendance to meetings of Audit & Supervisory Board	Contribution to meetings
Director	Eiko Ohya	17/18 (94.4%)	-	She contributed to discussions drawing on knowledge and experience gained through activities as a critic and a member of various panels and committees.
Director	Takehiko Ogi	17/18 (94.4%)	-	He contributed to discussions drawing on his practical experience and proven track record with managerial reform of companies in various industries.
Director	Keiji Goto	13/14 (92.9%)	-	He contributed to discussions mainly from his professional point of view as an attorney.
Audit & Supervisory Board Member	Isao Fukasawa	18/18 (100%)	17/17 (100%)	He contributed to discussions mainly from his professional point of view as an attorney.
Audit & Supervisory Board Member	Eiji Sakomoto	18/18 (100%)	17/17 (100%)	He contributed to discussions mainly from his professional point of view as a certified public accountant and licensed tax accountant.

Note: Activities for Mr. Goto cover only the Board of Directors meetings held after his appointment on June 23, 2015.

Overview of limitation of liability agreements

The Company and its Outside Directors have concluded agreements limiting the liability of the Outside Directors for damages under Article 423, paragraph 1 of the Companies Act of Japan, to the minimum amount stipulated in Article 425, paragraph 1 thereof.

5. Accounting Auditor

(1) Name of Accounting Auditor

Ernst & Young ShinNihon LLC

(2) Amount of remunerations to Accounting Auditor for the current fiscal year

Remunerations payable to the Accounting Auditor for the fiscal year under review

¥182 million

Total amount of money and other financial profits to be paid by the Company and its subsidiaries

¥400 million

Note: The audit agreement between the Company and its Accounting Auditor does not distinguish remuneration paid for audit work performed in conformity with the Companies Act and remuneration paid for audit work performed in conformity with the Financial Instruments and Exchange Act, and it is effectively impossible to do so. Therefore, the figure presented in the remunerations payable to the Accounting Auditor for the fiscal year under review above shows the total amount.

Rationale for Audit & Supervisory Board's agreement on remuneration of the Accounting Auditor

The Audit & Supervisory Board agreed to the remuneration of the Accounting Auditor after reviewing the time taken to execute the planned duties and the estimated audit remuneration amount in previous fiscal years, as well as the planned and actual number of days taken to audit each item in the previous fiscal year, and discussing whether the time for the planned duties and estimated audit remuneration amount for the fiscal year under review were appropriate.

(3) Description of non-auditing services

The Company made payment of consideration to the Accounting Auditor for its advice on My Number Act (the Act on the Use of Numbers to Identify a Specific Individual in the Administrative Procedure) in general that is not included in the scope of services prescribed in Article 2, paragraph 1 of the Certified Public Accountants Act (non-auditing services).

(4) Policy for decisions on dismissal and non-reappointment of Accounting Auditor

The Audit & Supervisory Board will dismiss the Accounting Auditor, with the unanimous consent of the Audit & Supervisory Board Members, in the event the Accounting Auditor is recognized as falling under any of the item listed in Article 340, paragraph 1 of the Companies Act.

Moreover, the Audit & Supervisory Board shall call for the dismissal or non-reappointment of the Accounting Auditor at a general meeting of shareholders if it is deemed that the Accounting Auditor's ability to properly execute its duties has been impeded and the reliability of its audit has been undermined due to a legal violation or other such act.

(5) Accounting Audit of subsidiaries

Prince Resorts Hawaii, Inc., a major subsidiary of the Company, is audited by an auditing firm other than the Accounting Auditor of the Company.

(6) Business suspension imposed on Accounting Auditor during the past two years

Details regarding disciplinary action announced by Japan's Financial Services Agency (FSA) on December 22, 2015

1) Entity subject to disciplinary action
Ernst & Young ShinNihon LLC

2) Details of disciplinary action

- Three-month suspension of operations related to conclusion of new contracts (from January 1, 2016 to March 31, 2016)
- Business improvement order (improvement of business management system)

3) Grounds for disciplinary action

- With respect to audit of financial statements of another company, Ernst & Young ShinNihon

LLC acted in negligence of due care by having attested that those financial statements contained no material misstatements, even though those statements did in fact contain material misstatements.

- The audit firm's operations were deemed conspicuously inappropriate.

6. Systems to ensure that business is conducted properly and operating status of relevant system
Systems to ensure that business is conducted properly (The Seibu Holdings' Basic Policy on Internal Controls)

(1) Objectives

The purpose of this statement of basic policy is to specify matters for Seibu Group companies, which include Seibu Holdings Inc. (hereinafter collectively referred to as the "Seibu Group"), such that pertain to Seibu Group initiatives to develop systems of internal control designed to ensure the adequacy and legal compliance of its business operations so that the Seibu Group can build a managerial platform to enable sustainable growth achieved in the spirit of the "Group Vision". The Seibu Group swiftly implements specific measures on the basis of the policies stipulated below, checks on implementation of such measures, and ceaselessly works to make improvements.

(2) System to ensure that Directors and employees of the Seibu Group perform their duties in compliance with relevant laws and regulations and the Articles of Incorporation

- The Seibu Group adheres to the Seibu Group Corporate Ethics Code of Conduct which spells out the fundamental rules that all Seibu Group Directors and employees must take to heart, the aim of which is to ensure that the Group acts as part of society in upholding its responsibilities and earning the trust of others. The Seibu Group also instills a firm awareness of the Seibu Group Corporate Ethics Code of Conduct by stipulating guidelines for behavior to be practiced when executing job duties, and through other means that include distributing compliance manuals to the Directors and employees and providing them with training in that regard.
- In accordance with the Seibu Group Basic Rules on Compliance Systems, the Company has established the Seibu Group Corporate Ethics Committee, which is chaired by the President and works on developing a compliance framework for the Seibu Group and also checks on how the framework is operating. The Company also has a Compliance Department which comprises the department's general manager and staff members and is tasked with overseeing compliance matters. Moreover, the Company also sets up corporate ethics hotlines as well as sexual harassment and human relations hotlines both within and outside the Company, to enable swift identification and resolution of issues pertaining to Seibu Group compliance.
- The Seibu Group vows to sever any and all ties with antisocial forces. The Seibu Group also works with law enforcement authorities, attorneys and others in standing against such elements of society and otherwise takes a firm and organized stand in handling such matters, in accordance with the Seibu Group Basic Rules on Dealings with Antisocial Forces which stipulate fundamental principles for addressing matters involving antisocial forces.
- The Seibu Group maintains internal regulations that comply with laws and regulations and the Articles of Incorporation, and the Directors and employees perform their duties in accordance with such regulations.
- The Seibu Group establishes a legal compliance framework to ensure proper execution of duties, and works to improve units handling legal affairs so that the Group is ready to take firm action when laws and regulations are revised.
- The Seibu Group properly maintains, operates and evaluates internal control systems for financial reporting, and ensures that respective financial reports are reliable, in accordance with the Seibu Group Basic Rules on Internal Controls for Financial Reporting.
- The Company has established the Internal Audit and Internal Control Department, which functions independently of operating units. The department is tasked with performing internal audits, and duly monitors Seibu Group operations to ensure that they are adequate and in compliance with relevant laws and regulations and internal rules.

(3) System for retaining and managing information pertaining to the performance of duties by Directors

- The Company clearly stipulates which units are to maintain responsibility for managing information and mechanisms in that regard, and also properly safeguards, manages and uses its overall information assets, in accordance with the Seibu Group Rules on Information Management.
- All documents pertaining to the performance of Company duties, such as minutes of Board of Directors and Management Council meetings (including details recorded on electronic media), are tracked, stored, retained and discarded in accordance with procedures set forth in the Rules on Documentation. The Company's Directors and Audit & Supervisory Board Members may inspect all documents and other such information that has been stored and retained.
- The Company ensures proper safeguarding, management and use of information assets contained in information systems, in accordance with the Seibu Group Rules on Information Security.

(4) Rules and other systems to manage financial risk of the Seibu Group

- The Company establishes units in charge of controlling risk, while also assessing risk, preemptively addressing risk-related matters, and forging a framework that enables measures to be taken swiftly should any specific risk materialize, in accordance with the Seibu Group Risk Management Policy and the Seibu Group Rules on Risk Management, which stipulates fundamental approaches and control frameworks for managing risk in the Seibu Group.
- The Company's Internal Audit and Internal Control Department monitors the efficacy and efficiency of its risk control framework. Any details regarding risk that emerges through such monitoring is shared with units in charge of risk management.

(5) System to ensure that Directors of the Seibu Group perform their duties efficiently

- The Company holds meetings of the Board of Directors at least once per month, as a general rule, for the purpose of deliberating on matters of managerial importance. The Company has also established the Management Council, which comprises managing officers and others and adequately deliberates on matters of importance with respect to business execution.
- The "Group Vision" of the Seibu Group is shared among its Directors and employees, while Seibu Group Directors and executives also work to achieve objectives targeted in accordance with business plans established with the aim of realizing the "Group Vision" in mind. The Company's Board of Directors requests that performance reports be provided to executive divisions on a regular basis, and checks on progress toward achieving planned objectives.
- Individual companies of the Seibu Group establish respective organizational structures, divisions of job duties, and rules on administrative authority to ensure that operations are performed efficiently and in a systematic manner.
- The Company's Internal Audit and Internal Control Department monitors operations to ensure that they are performed efficiently.

(6) System to ensure proper business operations in the Group, comprising the stock company and its parent company and subsidiaries

- The Seibu Group shares the "Group Vision" across the entire group, and engages in business activities drawing on the whole group toward making the "Group Vision" a reality. Moreover, each company of the Seibu Group adheres to the Seibu Group Corporate Ethics Code of Conduct and acts as a part of society in upholding their responsibilities.

- The Seibu Group ensures that decision making and business operations of respective Seibu Group companies are performed properly and efficiently in accordance with the Seibu Group Rules on Subsidiary and Associate Management. Furthermore, matters of importance with respect to business operations of subsidiaries are referred or reported to the Company in accordance with the categories for operation procedures prescribed in the Seibu Group rules on Subsidiary and Associate Management.
- The Company's Compliance Department and Internal Audit and Internal Control Department readily act in conjunction with relevant units of respective Seibu Group companies in cooperating, providing guidance and lending support with respect to compliance efforts and internal audits, aggregating risk data, and forging mechanisms that enable shared contingency response measures.
- The Seibu Group ensures that business operations are efficient through active use of information technologies, while also seeing to it that information systems are managed and operated properly, in accordance with the Seibu Group Basic Policy on Information Technology, the Seibu Group Rules on Management and Operation of Information Systems, and the Seibu Group Rules on Information Security Systems.

(7) Matters relating to employees who assist Audit & Supervisory Board Members upon request of such Audit & Supervisory Board Members for assistance

- The Seibu Group establishes Audit & Supervisory Board Member's Offices each with their own respective general managers and staff members and act as units that assist the Audit & Supervisory Board Members in their duties. Audit & Supervisory Board Member's Offices staffing is determined upon giving due consideration to the views of the Audit & Supervisory Board Members.

(8) Matters relating to independence from Directors of employees who assist Audit & Supervisory Board Members and ensuring effectiveness of instructions given to the relevant employees

- Staff members of Audit & Supervisory Board Member's Offices perform their duties under the Audit & Supervisory Board Members' chain of command.
- Matters such as employee reassignment and personnel evaluations involving staff of Audit & Supervisory Board Member's Offices are determined upon gaining approval of the Audit & Supervisory Board Members.

(9) System for Directors, employees, and directors, audit & supervisory board members, employees, etc. of subsidiaries to report to Audit & Supervisory Board Members

- Directors and employees of the Company, and directors, audit & supervisory board members and employees of subsidiaries or persons who received reports from the foregoing persons provide necessary reports and information to the Audit & Supervisory Board Members.
- Reports and information provided to the Audit & Supervisory Board Members, as stipulated in the previous item, mainly include details regarding:
 - (a) Upgrades and maintenance of internal control systems;
 - (b) Internal audits, compliance and risk controls;
 - (c) Material matters involving litigation and disputes;
 - (d) The state of initiatives involving internal audit units of individual Seibu Group companies;
 - (e) Disclosure of corporate information;
 - (f) Circulation of important documents pertaining to the performance of business operations such as minutes of Management Committee meetings and approval documents (*ringi*); and
 - (g) Other matters involving requests of the Audit & Supervisory Board Members for reports or information.
- Directors and employees of the Company, and directors, company auditors and employees of subsidiaries or persons who received reports from the foregoing persons will not be treated unfavorably on account of their reporting to the Audit & Supervisory Board Members.

(10) Other systems to ensure that Audit & Supervisory Board Members perform audits effectively

- The Audit & Supervisory Board Members may attend, and state their views at important meetings such as those of the Management Council.
- In order to perform efficient and effective audits, the Audit & Supervisory Board Members may seek cooperation from individuals and entities including the Compliance Department, Internal Audit and Internal Control Department, and representative directors and company auditors of respective Seibu Group companies.
- The Audit & Supervisory Board Members may seek advice as necessary from outside experts (attorneys, certified public accountants, licensed tax accountants, etc.).
- Expenses necessary for the performance of duties of the Audit & Supervisory Board Members are to be borne by the Company. When spending audit costs, the Audit & Supervisory Board Members pay attention to the efficiency and fairness thereof.
- The Representative Directors hold regular meetings with the Audit & Supervisory Board Members where they exchange views regarding key issues pertaining to audits and other such matters.

Operating status of systems to ensure that business is conducted properly

At the start of the fiscal year, the Company formulates an annual plan based on the items of the Seibu Holdings' Basic Policy on Internal Controls, having considered the status of initiatives in the previous fiscal year, and reports the plan to the Board of Directors. At the interim period, a progress report is made to the Board of Directors and matters to be noted for the second half of the fiscal year are confirmed to ensure the effectiveness of the plan. Moreover, the execution status is verified at the end of the fiscal year and points for improvement are identified for reflection in the annual plan for the following fiscal year. In this way, a PDCA cycle is established.

During the fiscal year under review, Group-wide regulations regarding the financial legal system were formulated and a management structure was established, including the appointment of responsible personnel. Moreover, in response to issues such as the introduction of the My Number System (the Social Security and Tax Number System) and personal information leaks, the Company established rules regarding specific personal information and developed safe management measures, and conducted education for employees.

Looking ahead, the Company will continue to appropriately and effectively implement systems for ensuring proper business operations, and will undertake various measures.

Consolidated Balance Sheet

(As of March 31, 2016)

(Millions of yen)

Item	Amount	Item	Amount
Assets		Liabilities	
I. Current assets	136,813	I. Current liabilities	317,855
1. Cash and deposits	22,417	1. Notes and accounts payable - trade	31,327
2. Notes and accounts receivable - trade	55,990	2. Short-term loans payable	181,064
3. Land and buildings for sale in lots	8,456	3. Lease obligations	547
4. Merchandise and finished goods	1,405	4. Income taxes payable	6,983
5. Costs on uncompleted construction contracts	4,571	5. Advances received	23,026
6. Raw materials and supplies	2,313	6. Provision for bonuses	5,395
7. Deferred tax assets	4,343	7. Other provision	3,674
8. Other	37,404	8. Asset retirement obligations	55
Allowance for doubtful accounts	(88)	9. Other	65,782
II. Non-current assets	1,416,278	II. Non-current liabilities	842,587
1. Property, plant and equipment	1,286,249	1. Long-term loans payable	622,877
(1) Buildings and structures	400,287	2. Long-term accounts payable to Japan railway construction, transport and technology agency	33,197
(2) Machinery, equipment and vehicles	51,065	3. Lease obligations	1,260
(3) Land	736,958	4. Deferred tax liabilities	111,296
(4) Leased assets	1,680	5. Deferred tax liabilities for land revaluation	12,338
(5) Construction in progress	83,395	6. Provision for directors' retirement benefits	1,345
(6) Other	12,862	7. Provision for loss on litigation	3
2. Intangible assets	6,497	8. Other provision	182
(1) Leased assets	12	9. Net defined benefit liability	30,821
(2) Other	6,485	10. Asset retirement obligations	1,698
3. Investments and other assets	123,531	11. Other	27,565
(1) Investment securities	65,715	Total liabilities	1,160,443
(2) Long-term loans receivable	366	Net assets	
(3) Net defined benefit asset	41,861	I. Shareholders' equity	316,780
(4) Deferred tax assets	8,507	1. Capital stock	50,000
(5) Other	8,105	2. Capital surplus	129,357
Allowance for doubtful accounts	(1,024)	3. Retained earnings	139,443
		4. Treasury shares	(2,020)
		II. Accumulated other comprehensive income	74,634
		1. Valuation difference on available-for-sale securities	12,536
		2. Revaluation reserve for land	18,680
		3. Foreign currency translation adjustment	10,515
		4. Remeasurements of defined benefit plans	32,901
		III. Subscription rights to shares	278
		IV. Non-controlling interests	954
		Total net assets	392,649
Total assets	1,553,092	Total liabilities and net assets	1,553,092

Consolidated Statement of Income

(From April 1, 2015 to March 31, 2016)

(Millions of yen)

Item	Amount	
I. Operating revenue		508,081
II. Operating expenses		
1. Operating expenses and cost of sales of transportation	409,557	
2. Selling, general and administrative expenses	32,567	442,125
Operating income		65,956
III. Non-operating income		
1. Interest income	11	
2. Dividend income	686	
3. Subsidy to keep a bus on a regular route	819	
4. Insurance income	150	
5. Other	1,177	2,845
IV. Non-operating expenses		
1. Interest expenses	9,464	
2. Share of loss of entities accounted for using equity method	83	
3. Other	727	10,275
Ordinary income		58,525
V. Extraordinary income		
1. Gain on sales of non-current assets	1,302	
2. Contribution for construction	2,896	
3. Subsidy income	112	
4. Gain on sales of investment securities	234	
5. Profit upon recognition of indemnification claims	25,775	
6. Other	597	30,919
VI. Extraordinary losses		
1. Impairment loss	14,215	
2. Loss on sales of non-current assets	146	
3. Loss on retirement of non-current assets	2,011	
4. Reduction entry of land contribution for construction	2,846	
5. Loss on reduction of non-current assets	93	
6. Loss on sales of investment securities	4	
7. Loss on valuation of investment securities	0	
8. Litigation loss	3,539	
9. Other	1,007	23,864
Profit before income taxes		65,581
Income taxes - current	12,018	
Income taxes - deferred	(3,725)	8,293
Profit		57,288
Profit attributable to non-controlling interests		80
Profit attributable to owners of parent		57,207

Consolidated Statement of Changes in Equity

(From April 1, 2015 to March 31, 2016)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of April 1, 2015	50,000	129,172	85,126	(2,386)	261,912
Changes of items during period					
Dividends of surplus			(2,907)		(2,907)
Profit attributable to owners of parent			57,207		57,207
Reversal of revaluation reserve for land			79		79
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		17		366	384
Change in treasury shares of parent arising from transactions with non-controlling shareholders		167			167
Change of scope of consolidation			(62)		(62)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	185	54,316	366	54,868
Balance as of March 31, 2016	50,000	129,357	139,443	(2,020)	316,780

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance as of April 1, 2015	19,564	18,304	10,478	55,414	103,761	75	1,686	367,437
Changes of items during period								
Dividends of surplus								(2,907)
Profit attributable to owners of parent								57,207
Reversal of revaluation reserve for land								79
Purchase of treasury shares								(0)
Disposal of treasury shares								384
Change in treasury shares of parent arising from transactions with non-controlling shareholders								167
Change of scope of consolidation								(62)
Net changes of items other than shareholders' equity	(7,027)	375	37	(22,512)	(29,126)	202	(732)	(29,655)
Total changes of items during period	(7,027)	375	37	(22,512)	(29,126)	202	(732)	25,212
Balance as of March 31, 2016	12,536	18,680	10,515	32,901	74,634	278	954	392,649

Notes to Consolidated Financial Statements

Notes on significant matters forming the basis for preparing consolidated financial statements

1. Scope of consolidation

- (1) Number of consolidated subsidiaries: 51 companies

Names of principal consolidated subsidiaries

Seibu Railway Co., Ltd.
Prince Hotels, Inc.
Seibu Bus Co., Ltd.
Seibu Properties Inc.
Seibu Construction Co., Ltd.
Seibu Lions, Inc.
Izuhakone Railway Co., Ltd.
Ohmi Railway Co., Ltd.
Prince Resorts Hawaii, Inc.

- (2) Number of non-consolidated subsidiaries: 3 companies

Names of non-consolidated subsidiaries

PRINCE HOTELS (THAILAND) Co., Ltd.
Seibu Singapore Pte Ltd.
PRINCE HOTELS USA, Inc.

The three non-consolidated subsidiaries are small in size and the aggregate total assets, net sales, profit (based on the Company's ownership percentage), retained earnings (based on the Company's ownership percentage) and other indicators do not have a material effect on the consolidated financial statements and have therefore been excluded from the scope of consolidation.

2. Application of the equity method

- (1) Number of associates accounted for using the equity method: 1 company

Company name

Ikebukuro Shopping Park Co., Ltd.

- (2) Number of non-consolidated subsidiaries not accounted for by the equity method: 3 companies

The three non-consolidated subsidiaries not accounted for by the equity method have a minimal effect on profit, retained earnings and others and are not material as a whole, and have therefore been excluded from the scope of application of the equity method.

- (3) Since the accounting period of Ikebukuro Shopping Park Co., Ltd., an associate accounted for using the equity method, is different from that of the Company, financial statements for the associate's fiscal year are used.

3. Fiscal year end of consolidated subsidiaries

Of companies included in the number of consolidated subsidiaries described in "1. Scope of consolidation," companies whose accounting period is different from that of the Company are as follows:

Company name	Balance sheet date
• Prince Resorts Hawaii, Inc. and other 7 companies (foreign subsidiaries)	December 31 *1

- *1 The financial statements as of the balance sheet date of the respective consolidated subsidiaries are used. However, for significant transactions that occurred between that date and the consolidated balance sheet date, the necessary adjustments are made in the consolidated financial statements.

4. Accounting policies

(1) Valuation bases and methods of significant assets

i. Securities

Other securities

Securities with fair value

Stated at fair value based on the market price or the like at the fiscal year-end.

(Unrealized gains and losses are included in a separate component of net assets, and cost of sales is determined based on the moving-average method.)

Securities without fair value

Stated at cost based on the moving-average method.

Contributions to limited liability partnerships engaged in investment business and similar partnerships (contributions deemed as securities as per Article 2, paragraph 2 of the Financial Instruments and Exchange Act) are reported using a method that treats the amount (net) equivalent to the equity ownership portion based on the latest available financial statements depending on the reporting date stipulated in the partnership agreement.

ii. Inventories

Inventories held for sale in the ordinary course of business

Stated at cost.

(Amounts on the balance sheet for inventories other than costs on uncompleted construction contracts are determined based on the method of writing down the book value in accordance with the declining in profitability of assets.)

Land and buildings for sale in lots

Principally, average cost method (weighted average cost method) or identified cost method for land, and identified cost method for buildings

Merchandise and finished goods

Principally, average cost method (weighted average cost method)

Costs on uncompleted construction contracts

Stated using the identified cost method.

Raw materials and supplies

Principally, average cost method (weighted average cost method or moving average method)

(2) Depreciation and amortization method for significant depreciable assets

i. Property, plant and equipment (excluding leased assets)

Depreciation method for Urban Transportation and Regional business, etc.

Depreciated mainly using the declining balance method. However, buildings (excluding accompanying facilities) acquired on or after April 1, 1998 are depreciated using the straight-line method.

Depreciation method for Hotel and Leisure business, etc.

Depreciated mainly using the straight-line method.

The useful lives for major assets are as follows:

Buildings and structures 2 to 75 years

Machinery, equipment and vehicles 2 to 20 years

ii. Intangible assets (excluding leased assets)

Amortized using the straight-line method.

Software for internal use is stated using the straight-line method based on usable period within the Company (mainly 5 years).

iii. Leased assets

Leased assets under finance lease transactions that transfer ownership

Depreciated using the same method as that applied to self-owned property, plant and equipment.

Leased assets under finance lease transactions that do not transfer ownership

Depreciated by the straight-line method assuming the lease periods as useful lives without residual value.

(3) Significant allowances and provisions

- i. Allowance for doubtful accounts
To prepare for losses from bad debt, an estimated uncollectible amount is recognized either by making an estimation using the historical bad debt rate for general receivables, or based on individual consideration of collectability for specific receivables such as doubtful accounts, etc.
- ii. Provision for bonuses
To prepare for the payment of bonuses to employees, the amount expected to be paid is recognized.
- iii. Provision for directors' retirement benefits
To prepare for the payment of retirement benefits to Directors, the amount to be paid at the fiscal year-end, based on the Rules on Directors' Retirement Benefits, is recognized.
- iv. Provision for loss on litigation
To prepare for the payment of loss on litigation, the amount deemed as necessary is recognized by estimating a loss that may be borne in the future.

(4) Other significant matters for preparing the consolidated financial statements

- i. Recognition of net sales and cost of sales of completed construction contracts
Construction activities whose outcomes from the completed portion as of the fiscal year end are deemed to be definite are stated using the percentage-of-completion method (the cost-to-cost method is used to estimate the percentage of completion). Other construction activities are stated using the completed-contract method.
- ii. Translation of major assets or liabilities denominated in foreign currencies
Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates as of the consolidated balance sheet date. The foreign exchange gains and losses from translation are recognized as profit and loss in the consolidated statements of income. Assets and liabilities of foreign subsidiaries are translated into yen at the spot exchange rates in effect at the balance sheet date. Revenue and expenses are translated into yen at the average rate of exchange in effect during the year. Differences arising from the translation are presented as foreign currency translation adjustments in net assets.
- iii. Method of significant hedge accounting
The Company and certain domestic subsidiaries adopt hedge accounting.
 - Method of hedge accounting
Special treatment is applied for interest rate swaps.
 - Hedging instruments and hedged items
Interest rate swap transactions are used for interest on variable-rate long-term loans payable.
 - Hedging policy
To mitigate interest rate fluctuation risks, hedges are performed to the extent that requirements of hedge accounting are met.
 - Method of assessing hedge effectiveness
Assessment of effectiveness is omitted for interest rate swaps since special treatment is applied for them.
- iv. Recognition of net defined benefit liability
To prepare for the payment of employees' retirement benefits, the amount of retirement benefit obligations minus plan assets is recorded as net defined benefit liability, based on the estimated amount at the end of the current fiscal year.
Past service costs are amortized as incurred by the straight-line method over periods (principally 10 to 13 years) which are shorter than the average remaining years of service of the eligible employees.
Actuarial gains and losses are amortized in the year following the year in which the gains or losses are recognized by the straight-line method over periods (principally 10 to 15 years) which are shorter than the average remaining years of service of the eligible employees.
Unrecognized actuarial gains and losses and unrecognized past service costs are recorded as remeasurements of defined benefit plans in accumulated other comprehensive income under net assets, after adjustment of tax effects.

- v. Treatment of consumption taxes
Items subject to national consumption tax and local consumption tax are accounted for at amounts exclusive of consumption taxes.
- vi. Treatment of contribution for construction
In engaging in construction, etc. of facilities in the railway operation and other operations, some consolidated subsidiaries have received contribution for construction from local municipalities as part of construction costs.
This contribution for construction is recorded by directly reducing the acquisition cost of non-current assets for which contribution for construction was received at the completion of the construction.
In the consolidated statement of income, "Contribution for construction" is recorded in extraordinary income, and the amount directly reduced from the acquisition cost of non-current assets is recorded as "Reduction entry of land contribution for construction" in extraordinary losses.
For expenses incidental to assets acquired with contribution for construction in the railway operations, the amount corresponding to contribution for construction is directly deducted from "Contribution for construction."
- vii. Recognition of interest expenses, etc. in cost
Interest expenses, etc. for long-term and large real estate development operations that meet certain conditions are recognized in acquisition cost of the relevant non-current assets.
In the current fiscal year, the amount recognized in acquisition cost was ¥1,787 million.

Notes on changes in accounting policies

Application of Accounting Standard for Business Combinations, etc.

Effective from the fiscal year ended March 31, 2016, the Company has applied the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013), the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013) and the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013). As a result, the Company changed the method of recording the amount of difference caused by changes in the Company's ownership interests in subsidiaries in the case of subsidiaries under ongoing control of the Company to one in which it is recorded as capital surplus, and the method of recording acquisition-related costs to one in which they are recorded as expenses for the fiscal year in which they are incurred. Furthermore, for business combinations carried out on or after the beginning of the fiscal year ended March 31, 2016, the Company changed the accounting method to one in which the reviewed acquisition cost allocation resulting from the finalization of the provisional accounting treatment is reflected in the consolidated financial statements for the fiscal year to which the date of business combination belongs. In addition, the Company changed the presentation method for "profit" and other related items, and changed the presentation of "minority interests" to "non-controlling interests."

Application of the Accounting Standard for Business Combinations, etc. is in line with the transitional measures provided for in paragraph 58-2 (4) of the Accounting Standard for Business Combinations, paragraph 44-5 (4) of the Accounting Standard for Consolidated Financial Statements and paragraph 57-4 (4) of the Accounting Standard for Business Divestitures. The Company is applying the said standards prospectively from the beginning of the fiscal year ended March 31, 2016.

The effects on the consolidated financial statements for the current fiscal year are minimal.

Notes on changes in presentation

Matters concerning the consolidated statements of income

Litigation loss

"Litigation loss," which was included in "Other" under extraordinary losses in the fiscal year ended March 31, 2015, is separately presented due to the increased significance of the amount.

In the fiscal year ended March 31, 2015, "Litigation loss" included in "Other" under extraordinary losses was ¥30 million.

Notes to the consolidated balance sheet

1. Accumulated depreciation of assets

Accumulated depreciation of property, plant and equipment ¥885,820 million
Accumulated depreciation includes accumulated impairment loss.

2. Pledged assets and secured debts

(1) Assets pledged as collateral are as follows:

Foundation collateral

Land	¥117,793 million
Buildings and structures	¥160,648 million
Machinery, equipment and vehicles	¥30,408 million
“Other” in property, plant and equipment	¥1,713 million
Total	¥310,564 million

Other assets pledged as collateral

Cash and deposits	¥44 million
Land	¥4,599 million
Buildings and structures	¥965 million
Total	¥5,608 million

Obligations secured are as follows:

Long-term loans payable	¥89,595 million
Current portion of long-term loans payable (short-term loans payable)	¥10,133 million
Long-term accounts payable to Japan railway construction, transport and technology agency	¥32,376 million
Accounts payable to Japan railway construction, transport and technology agency (“Other” under current liabilities)	¥4,868 million
Notes and accounts payable - trade	¥44 million

(2) In addition to the above, a pledge is created over the investment securities of ¥220 million as security for obligations by the investee companies.

3. Assets pledged for lending stocks

Pledged assets for and funds procured with lending stocks are as follows:

(1) Assets pledged for lending stocks

Investment securities	¥747 million
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(2) Funds procured with lending stocks

“Other” in current liabilities	¥500 million
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4. Amount of inventories corresponding to provision for loss on construction contracts

Inventories for construction contracts on which losses are expected and provisions for loss on construction contracts (“Other provision” under current liabilities) are not offset and are presented as is. For inventories for construction contracts on which losses are expected, the amount corresponding to provision for loss on construction contracts is as follows:

Costs on uncompleted construction contracts	¥901 million
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5. Notes on non-consolidated subsidiaries and associates

The amount to non-consolidated subsidiaries and associates is as follows:

Investment securities (stocks)	¥2,070 million
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6. Guarantee obligations

Guarantees have been made for loans payable, etc. as follows:

Housing loan guarantees	¥18 million
Tie-up loan guarantees	¥66 million
<u>Total</u>	<u>¥84 million</u>

7. Notes receivable discount and notes receivable endorsed

Notes receivable endorsed	¥35 million
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8. Accumulated contributions for construction

Accumulated contributions for construction directly reduced from acquisition cost of non-current assets are as follows:

¥143,181 million

9. Revaluation of land used for business

Pursuant to the Act on Revaluation of Land (Act No. 34, promulgated on March 31, 1998 and Act No. 24, promulgated on March 31, 1999), land used for business was revaluated, and revaluation reserve for land was recorded in net assets.

• Revaluation method

The revaluation is calculated by making reasonable adjustments based on the assessed value of non-current assets stipulated in Article 2, Item 3 of the Order for Enforcement of the Act on Revaluation of Land (Cabinet Order No. 119, promulgated on March 31, 1998).

• Date of revaluation

March 31, 2000

• The amount calculated by deducting the fair value from the book value of revaluated land after the revaluation at the end of the current fiscal year is as follows:

¥18,382 million

10. Loan commitment agreements

The Company has entered into loan commitment agreements with eight banks to efficiently raise working capital.

The balance of unexecuted loans payable at the end of the current fiscal year is as follows:

Total amount of loan commitments	¥70,000 million
<u>Loans payable outstanding</u>	<u>¥22,000 million</u>
Balance of unexecuted loans payable	¥48,000 million

11. Restrictive financial covenant for maintaining net assets and profits

(1) The Company has made a commitment for its loans payable described below as follows. If the Company violates the commitment, the benefit of time may be forfeited for the relevant obligations.

Loans

Short-term loans payable	¥120 million
<u>Long-term loans payable</u>	<u>¥340 million</u>
Total	¥460 million

Commitments

- In the consolidated balance sheet at the end of each fiscal year and at the end of the second quarter, the Company shall maintain its total net assets of 75% or higher compared to that in the immediately preceding fiscal year (including the second quarter) and ¥143,000 million or more.
- In the consolidated statement of income for each fiscal year, operating losses are not incurred for two periods in a row.

- (2) Other than the above, the Company has made a commitment for its loans payable described below as follows. If the Company violates the commitment, the benefit of time may be forfeited for the relevant obligations.

Loans

Short-term loans payable	¥236 million
Long-term loans payable	¥37,410 million
Total	¥37,646 million

Commitments

- In the consolidated balance sheet at the end of each fiscal year and at the end of the second quarter, the Company shall maintain its total net assets of 75% or higher compared to that in the immediately preceding fiscal year (including the second quarter) and ¥161,300 million or more.
- In the consolidated statement of income for each fiscal year, operating losses are not incurred for two periods in a row.

- (3) Other than the above, the Company has made a commitment for its loans payable described below as follows. If the Company violates the commitment, the benefit of time may be forfeited for the relevant obligations.

Loans, etc.

Short-term loans payable	¥118 million
Long-term loans payable	¥44,823 million
Total	¥44,941 million

Commitments

- In the consolidated balance sheet at the end of each fiscal year and at the end of the second quarter, the Company shall maintain its total net assets of 75% or higher compared to that in the immediately preceding fiscal year (including the second quarter) and ¥181,500 million or more.
- In the consolidated statement of income for each fiscal year, operating losses are not incurred for two periods in a row.

- (4) Other than the above, the Company has made a commitment for its loans payable described below as follows. If the Company violates the commitment, the benefit of time may be forfeited for the relevant obligations.

Loans, etc.

Long-term loans payable	¥30,000 million
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Commitments

- In the consolidated balance sheet at the end of each fiscal year and at the end of the second quarter, the Company shall maintain its total net assets of 75% or higher compared to that in the immediately preceding fiscal year (including the second quarter) and ¥200,800 million or more.
- In the consolidated statement of income for each fiscal year, operating losses are not incurred for two periods in a row.

- (5) Other than the above, the Company has made a commitment for its loans payable, etc. described below as follows. If the Company violates the commitment, the benefit of time may be forfeited for the relevant obligations.

Loans, etc.

Long-term loans payable	¥1,500 million
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Besides, the total amount of loan commitments described in “10.” above is also subject to the financial covenant.

Commitments

- In the consolidated balance sheet at the end of each fiscal year and at the end of the second quarter, the Company shall maintain its total net assets of 75% or higher compared to that in the immediately preceding fiscal year (including the second quarter) and ¥275,600 million or more.
- In the consolidated statement of income for each fiscal year, operating losses are not incurred for two periods in a row.

Notes to the consolidated statement of changes in equity

1. Class and total number of shares issued

(Shares)

Class of shares	Number of shares at the beginning of the current fiscal year	Increase	Decrease	Number of shares at the end of the current fiscal year
Common shares	342,124,820	–	–	342,124,820

2. Dividends

(1) Amount of dividend payments

Resolution	Class of shares	Total amount of dividends	Dividends per share	Record date	Effective date
Annual General Meeting of Shareholders held on June 23, 2015	Common shares	¥1,368 million	¥4.00	March 31, 2015	June 24, 2015
Board of Directors meeting held on November 12, 2015	Common shares	¥1,539 million	¥4.50	September 30, 2015	December 7, 2015

- Notes: 1. Total amount of dividends by a resolution of the Annual General Meeting of Shareholders held on June 23, 2015 includes the dividends of ¥5 million on the Company's shares held by Trust & Custody Services Bank, Ltd. (Trust Account E).
2. Total amount of dividends by a resolution of the Board of Directors meeting held on November 12, 2015 includes the dividends of ¥5 million on the Company's shares held by Trust & Custody Services Bank, Ltd. (Trust Account E).

(2) Dividends for which record date is in the current fiscal year with effective date in the following fiscal year

Resolution	Class of shares	Source of dividends	Total amount of dividends	Dividends per share	Record date	Effective date
Proposal of the Annual General Meeting of Shareholders to be held on June 21, 2016	Common shares	Retained earnings	¥4,275 million	¥12.50	March 31, 2016	June 22, 2016

- Note: Total amount of dividends by a resolution of the Annual General Meeting of Shareholders held on June 21, 2016 includes the dividends of ¥15 million on the Company's shares held by Trust & Custody Services Bank, Ltd. (Trust Account E).

3. Class and number of shares underlying subscription rights to shares at the end of the current fiscal year (excluding those for which the exercise period has not started).

Common shares 113,600 shares

Financial instruments

1. Status of financial instruments

(1) Policy for financial instruments

In principle, the Group concentrates transactions with external financial institutions in the Company and improves the efficiency of financing and fund management by centralizing funds within the Group. As the policy, the Group utilizes derivatives for the purpose of hedging interest rate fluctuation risks on loans payable and does not enter into such transactions for speculative purposes.

(2) Content and risks of financial instruments and risk management system

Notes and accounts receivable – trade, which are operating receivables, are exposed to credit risks of customers. For such risks, the Group researches credit risks of business partners as needed and conducts transactions based on the necessary internal procedures.

In addition, the Group works to identify and reduce doubtful accounts as soon as possible by managing due dates and balances for each business partner.

Investment securities are mainly stocks of companies with which the Group has business relationships and exposed to risks of fluctuations in their market prices. However, their fair values obtained are reported to the Board of Directors periodically.

Notes and accounts payable – trade, which are operating debts, are mainly due within one year.

Loans payable, etc. (short-term loans payable, long-term loans payable and accounts payable to Japan railway construction, transport and technology agency) are for financing for business transactions and capital investment. Variable-rate loans payable are exposed to interest rate fluctuation risks, but derivatives (interest rate swaps) are utilized as hedging instruments by individual agreement for some of variable-rate long-term loans payable to hedge risks of fluctuations in interests paid and fix interest expenses. Since these interest rate swaps satisfy the requirements for special treatment, the assessment of the effectiveness is omitted due to this determination.

Derivatives are executed and managed in accordance with the internal rules that stipulate transaction authority. In utilizing derivatives, the Group has transactions only with high-rated financial institutions to mitigate credit risks.

Operating debts and loans payable are exposed to liquidity risks but are managed by means such as establishment of commitment lines and preparation of funding plans.

(3) Supplemental remarks on fair values of financial instruments

The fair values of financial instruments are based on market prices or reasonably calculated value if it has no market price. As changeable factors are included in calculating these values, if different assumptions, etc. are used, these values could vary.

2. Fair values of financial instruments

Carrying amounts in the consolidated balance sheet, fair value, and the difference between them as of March 31, 2016 are as shown below. Financial instruments whose fair value is considered to be extremely difficult to determine are not included (Please refer to Note 2.).

(Millions of yen)

	Carrying amount in the consolidated balance sheet	Fair value	Difference
(1) Cash and deposits	22,417	22,417	–
(2) Notes and accounts receivable - trade	55,990	55,990	–
(3) Investment securities	60,962	60,962	–
Total assets	139,370	139,370	–
(1) Notes and accounts payable - trade	31,327	31,327	–
(2) Short-term loans payable (*)	98,860	98,860	–
(3) Long-term loans payable (*)	705,081	723,164	18,083
(4) Long-term accounts payable to Japan railway construction, transport and technology agency	33,197	33,197	–
Liabilities total	868,466	886,550	18,083
Derivatives	–	–	–

(*) Current portion of long-term loans payable is included in “(3) Long-term loans payable.”

Notes: 1. Measurement methods for fair values of financial instruments and items concerning securities and derivatives

Assets

(1) Cash and deposits, (2) Notes and accounts receivable - trade

The book values are used as the fair values of these assets, given that the fair values are almost the same as the book values since they are settled in a short period of time.

(3) Investment securities

Fair values of shares, etc. are stated at the quoted market prices of the stock exchange. Fair values of bonds are stated at the quoted market prices of the stock exchange or the prices presented by the financial institutions with which the Company does business, etc.

Liabilities

(1) Notes and accounts payable - trade, (2) Short-term loans payable

The book values are used as the fair values of these liabilities, given that the fair values are almost the same as the book values since they are settled in a short period of time.

(3) Long-term loans payable

Fair values of these liabilities are determined as follows:

For loans payable with floating interest rates, the book values are used as the fair values, given that the fair values are deemed to approximate the book values since their interest rates are reviewed on a short-term interval to reflect market interest rates.

For loans payable with fixed interest rates, the fair values are calculated by discounting the sum of the principal and interest at the interest rates obtained assuming that similar loans are newly provided.

Interest rate swaps which are accounted for applying the special treatment are recorded using the method where their amounts are calculated by discounting the total amount of principal and interest that are treated in conjunction with the interest rate swaps at the interest rate assumed if a similar loan is newly made.

(4) Long-term accounts payable to Japan railway construction, transport and technology agency

Interest rates on these accounts payable fluctuate at regular intervals to reflect market interest rates and the same interest conditions are set for them even if similar accounts payable to Japan railway construction, transport and technology agency arise. Therefore, their fair values are based on the book values.

Derivatives

Because interest rate swaps which are accounted for applying the special treatment are treated in conjunction with long-term loans payable that are deemed as hedged items, fair values of the interest rate swaps are included in the fair values of the long-term loans payable.

2. Financial instruments whose fair values are considered to be extremely difficult to determine

(Millions of yen)

Category	Carrying amount in the consolidated balance sheet
Unlisted shares, etc.	2,682
Shares of non-consolidated subsidiaries and associates	2,070

The above are not included in “(3) Investment securities” because their market values are not available and their fair values are considered to be extremely difficult to determine. For shares of non-consolidated subsidiaries and associates, please refer to “Notes to the consolidated balance sheet.”

Investment and rental properties

1. Status of investment and rental properties

Some consolidated subsidiaries own rental commercial facilities, rental office buildings, rental apartments and idle properties in Tokyo and other areas.

Some of these rental facilities, which are used by the Company and some consolidated subsidiaries, are considered to be properties including the portion used as investment and rental properties.

The carrying amounts in the consolidated balance sheets and fair values of these investment and properties and properties including the portion used as investment and rental properties as follows:

2. Fair values of investment and rental properties

(Millions of yen)

	Carrying amount in the consolidated balance sheet	Fair value
Investment and rental properties	149,027	243,419
Properties including the portion used as investment and rental properties	10,824	17,950

- Notes:
1. The carrying amount in the consolidated balance sheet is the acquisition cost less accumulated depreciation and impairment loss.
 2. The fair values of main properties are based on real estate appraisal value calculated by external real estate appraisers (including amounts adjusted using indicators, etc.), while the fair values of other properties are based on amounts adjusted using certain appraisal value and indicators considered to appropriately reflect market prices.
 3. Because under TOKYO GARDEN TERRACE KIOICHO (carrying amount in the consolidated balance sheet: ¥124,773 million), a development plan in the site where the Grand Prince Hotel Akasaka was previously located, two buildings (Kioi Tower comprising leasable office space, a hotel, and commercial retail space, and Kioi Residence for rental residences) have been constructed and the site is under development as of March 31, 2016, it is extremely difficult to determine the fair values. Therefore, this property is not included in the above table.

Amounts per share

Net assets per share ¥1,148.30

Basic earnings per share ¥167.89

- Note:
- Shares of the Company retained in trust and recorded as treasury shares under shareholders' equity are included in treasury shares deducted from total number of issued shares at end of period when calculating net assets per share. Moreover, in calculating basic earnings per share, they are included in the number of treasury shares deducted from the average number of outstanding shares during period.
- The number of treasury shares at end of period deducted in calculating net assets per share was 1,202,700, and the average number of treasury shares during period deducted in calculating the basic earnings per share was 1,318,708.

Significant events after the reporting period

As stated in "Other notes, 1. Additional information," as consolidated subsidiaries of the Company received shares of NW from the company's former management in April 2016, NW is expected to become an equity-method associate of the Company from the 12th fiscal year. As a result, regarding shares of the Company held by NW as an equity method associate (as of March 31, 2016, its equity ownership as a percentage of total shares issued is 14.95%), the Company's equity ownership portion is calculated as treasury shares in the consolidated balance sheets, and the amount is expected to be ¥52,804 million (calculated using the Tokyo Stock Exchange's closing price of the Company's shares on March 31, 2016).

Other notes

1. Additional information

(1) Collection of Indemnification Claims

Seibu Railway Co., Ltd. and Prince Hotels, Inc., which are the consolidated subsidiaries of the Company (the "Relevant Subsidiaries"), have been in negotiations with Mr. Yoshiaki Tsutsumi in order to request him to fulfill his responsibilities to compensate for the financial obligations that the Relevant Subsidiaries have incurred due to the lawsuits concerning the former Seibu Railway's statements regarding its shares in its annual securities reports and certain other documents (the "Lawsuits"). As a result of these negotiations, during the fiscal year ended March 31, 2016, the Relevant Subsidiaries and certain other consolidated subsidiaries of the Company have concluded an agreement with Mr. Tsutsumi with respect to the indemnification claims for the financial obligations that the Relevant Subsidiaries have incurred and for certain other small claims they have against him. Moreover, in response to offers from four other former management members (together with Mr. Tsutsumi, hereinafter collectively referred to as the "Former Management Members") of the Relevant Subsidiaries, the Relevant Subsidiaries have concluded a similar agreement with respect to the indemnification claims they have against the Former Management Members for the financial obligations that the Relevant Subsidiaries have incurred as a result of the Lawsuits (hereinafter these

two agreements are collectively referred to as the “Relevant Agreement”). In accordance with the Relevant Agreement, Mr. Tsutsumi is to fulfill his obligations regarding the indemnification claims that the Relevant Subsidiaries have and the other small claims that the Relevant Subsidiaries and certain other subsidiaries have, by paying to the Relevant Subsidiaries and certain other subsidiaries the amount equivalent to the consideration he will obtain from his disposal of the Company’s shares minus the income tax imposed thereon. The Former Management Members transferred the shares of NW Corporation (“NW”) (equivalent to 43.48% of the total voting rights) that they hold either directly or indirectly to the Relevant Subsidiaries in April 2016. Following the transfer of the shares of NW in order to fulfill their obligations to Relevant Subsidiaries, a substantial amount of income tax is expected to be imposed on the Former Management Members. Since most of the Former Management Members’ property will be allotted to performance of the financial obligations owed to the Relevant Subsidiaries, the Relevant Subsidiaries have purchased a part of the above shares of NW owned by the Former Management Members so that they can use the consideration for the payment of income tax.

For the fiscal year ended March 31, 2016, an extraordinary income (“Profit upon recognition of indemnification claims”) of ¥25,775 million was recognized with respect to the cash payment by Mr. Tsutsumi to the Relevant Subsidiaries and certain other subsidiaries as well as the transfer of the shares of NW by the Former Management Members to the Relevant Subsidiaries. Of them, the shares of NW transferred in April 2016 were included in “Other” under current assets in the consolidated balance sheets as of March 31, 2016.

(2) Transactions to offer the Company’s shares to employees, etc. through trust

The Company conducts transactions to offer the Company’s shares to the employee stock ownership plan through trust, with the aim of enhancing employee benefits and providing incentives for employees to increase the corporate value of the Company.

1) Description of transactions

In April 2014, the Company introduced a Stock Benefit Trust Disposition-type Employee Stock Ownership Plan (ESOP).

To initiate the ESOP, the Company concluded the “Stock Benefit Trust (disposition-type ESOP) Agreement” (the trust established pursuant to the agreement shall be referred to as the “ESOP Trust”), whereby the Company is to act as administrator and the role of trustee is assigned to Mizuho Trust & Banking Co., Ltd. (the “Trustee”). Also, an agreement was concluded under which the Trustee is to re-entrust shares of the Company and other assets of the ESOP Trust to an account with ancillary trustee Trust & Custody Services Bank, Ltd. (the “Trust Account E”).

The Trust Account E acquires shares of the Company that the Seibu Holdings Employee Stock Holding Partnership (“Stock Holding Partnership”) is expected to obtain over the five years after the trust was set up, and periodically sells its holdings to the Stock Holding Partnership. If, by the time of the ESOP Trust’s termination, gains equivalent to capital gains on sales of shares are accumulated within the ESOP Trust through sales of Company shares by the Trust Account E to the Stock Holding Partnership, then those gains will be distributed as residual assets to Stock Holding Partnership enrollees who meet the requirements for eligible beneficiaries. Furthermore, to guarantee funds borrowed by the Trustee which enable the Trust Account E to acquire Company shares, the Company is to repay any such remaining borrowings pursuant to a guarantee agreement, in the event that there are any remaining borrowings equivalent to losses on sales of shares due to a downturn in the price of Company shares up until termination of the ESOP Trust.

2) Company’s shares remaining in trust

The Company’s shares remaining in trust is recorded as treasury shares in the part of net assets at the book value in trust (excluding the amount as ancillary expenses). The book value and number of shares of the relevant treasury shares are ¥2,318 million and 1,419 thousand shares for the fiscal year ended March 31, 2015, and ¥1,963 million and 1,202 thousand shares for the fiscal year ended March 31, 2016.

3) Book value of loans payable recorded using the gross method

Fiscal year ended March 31, 2015	¥2,249 million
Fiscal year ended March 31, 2016	¥1,684 million

(3) Adjustment of amounts of deferred tax assets and deferred tax liabilities due to the change in the rate of income taxes

Following the enactment in the Diet of the “Act on Partial Revision of the Income Tax Act” (Act No. 15 of 2016) and the “Act on Partial Revision, etc. of the Local Tax Act” (Act No. 13 of 2016) on March 29, 2016, the income tax rates, etc. are to be lowered from the fiscal year starting on or after April 1, 2016. Accordingly, the statutory effective tax rate used for calculating deferred tax assets and deferred tax liabilities will be changed from the previous rate of 32.1% to 30.7% for temporary differences expected to be extinguished in the fiscal years beginning on April 1, 2016 and on April 1, 2017, and to 30.5% for temporary differences expected to be extinguished in the fiscal years beginning on or after April 1, 2018.

Due to this change in the tax rate, the amount of deferred tax liabilities (less the amount of deferred tax assets) decreased by ¥5,674 million, income taxes - deferred decreased by ¥5,307 million and remeasurements of defined benefit plans decreased by ¥109 million while valuation difference on available-for-sale securities increased by ¥475 million.

In addition, deferred tax liabilities for land revaluation decreased by ¥664 million, income taxes - deferred decreased by ¥163 million, revaluation reserve for land increased by ¥455 million, non-controlling interests increased by ¥69 million, and profit attributable to non-controlling interests increased by ¥23 million.

Non-consolidated Balance Sheet

(As of March 31, 2016)

(Millions of yen)

Item	Amount	Item	Amount
Assets		Liabilities	
I. Current assets	702,665	I. Current liabilities	196,963
1. Cash and deposits	1,326	1. Short-term loans payable	92,360
2. Accounts receivable - trade	880	2. Short-term loans payable to subsidiaries and associates	30,098
3. Short-term loans receivable from subsidiaries and associates	698,385	3. Current portion of long-term loans payable	71,029
4. Accounts receivable - other	1,721	4. Accounts payable - other	1,172
5. Prepaid expenses	131	5. Accrued expenses	382
6. Deferred tax assets	216	6. Income taxes payable	411
7. Other	3	7. Provision for bonuses	278
II. Non-current assets	400,842	8. Other	1,228
1. Property, plant and equipment	167	II. Non-current liabilities	596,819
(1) Buildings	3	1. Long-term loans payable	528,827
(2) Tools, furniture and fixtures	163	2. Deferred tax liabilities	67,130
(3) Construction in progress	1	3. Provision for retirement benefits	518
2. Intangible assets	772	4. Provision for directors' retirement benefits	342
(1) Trademark right	44	Total liabilities	793,782
(2) Software	606	Net assets	
(3) Software in progress	121	I. Shareholders' equity	309,446
3. Investments and other assets	399,902	1. Capital stock	50,000
(1) Shares of subsidiaries and associates	368,197	2. Capital surplus	228,622
(2) Long-term loans receivable from subsidiaries and associates	31,500	(1) Legal capital surplus	228,604
(3) Other	204	(2) Other capital surplus	17
		3. Retained earnings	32,845
		(1) Other retained earnings	32,845
		Retained earnings brought forward	32,845
		4. Treasury shares	(2,020)
		II. Subscription rights to shares	278
		Total net assets	309,725
Total assets	1,103,508	Total liabilities and net assets	1,103,508

Non-consolidated Statement of Income

(From April 1, 2015 to March 31, 2016)

(Millions of yen)

Item	Amount	
I. Operating revenue		
1. Dividends from subsidiaries and associates	3,158	
2. Commissions from subsidiaries and associates	7,432	
3. Other operating revenue	76	10,667
II. Selling, general and administrative expenses		7,459
Operating income		3,208
III. Non-operating income		
1. Interest income	12,571	
2. Dividend income	5	
3. Other	532	13,109
IV. Non-operating expenses		
1. Interest expenses	8,732	
2. Guarantee commission	2,690	
3. Other	217	11,640
Ordinary income		4,676
V. Extraordinary losses		
1. Litigation loss	978	978
Profit before income taxes		3,698
Income taxes - current	323	
Income taxes - deferred	(3,612)	(3,288)
Profit		6,987

Non-consolidated Statement of Changes in Equity

(From April 1, 2015 to March 31, 2016)

(Millions of yen)

	Shareholders' equity					
	Capital stock	Capital surplus			Retained earnings	
		Legal capital surplus	Other capital surplus	Total capital surpluses	Other retained earnings Retained earnings brought forward	Total retained earnings
Balance as of April 1, 2015	50,000	228,604	—	228,604	28,765	28,765
Changes of items during period						
Dividends of surplus					(2,907)	(2,907)
Profit					6,987	6,987
Purchase of treasury shares						
Disposal of treasury shares			17	17		
Net changes of items other than shareholders' equity						
Total changes of items during period	—	—	17	17	4,079	4,079
Balance as of March 31, 2016	50,000	228,604	17	228,622	32,845	32,845

	Shareholders' equity		Subscription rights to shares	Total net assets
	Treasury shares	Total shareholders' equity		
Balance as of April 1, 2015	(2,386)	304,983	75	305,059
Changes of items during period				
Dividends of surplus		(2,907)		(2,907)
Profit		6,987		6,987
Purchase of treasury shares	(0)	(0)		(0)
Disposal of treasury shares	366	384		384
Net changes of items other than shareholders' equity			202	202
Total changes of items during period	366	4,463	202	4,666
Balance as of March 31, 2016	(2,020)	309,446	278	309,725

Notes to Non-consolidated Financial Statements

Important accounting policies

1. Valuation bases and methods of assets
 - (1) Valuation bases and methods of securities
 - Shares of subsidiaries
 - Stated at cost based on the moving-average method.
2. Depreciation and amortization method for non-current assets
 - (1) Property, plant and equipment (excluding leased assets)
 - Depreciated using the declining balance method.
 - The useful lives are as follows:

Buildings	15 to 18 years
Tools, furniture and fixtures	2 to 20 years
 - (2) Intangible assets (excluding leased assets)
 - Amortized using the straight-line method.
 - Software for internal use is stated using the straight-line method based on usable period within the Company (mainly 5 years).
 - (3) Leased assets
 - Depreciated by the straight-line method assuming the lease periods as useful lives without residual value.
3. Allowances and provisions
 - (1) Provision for bonuses
 - To prepare for the payment of bonuses to employees, the amount expected to be paid is recognized.
 - (2) Provision for retirement benefits
 - To prepare for the payment of retirement benefits to employees, the amount based on the estimated retirement benefits obligation and fair value of plan assets as of the end of the current fiscal year is recognized.
 - Actuarial gains and losses are amortized in the year following the year in which the gains or losses are recognized by the straight-line method over periods (15 years) which are shorter than the average remaining years of service of the eligible employees.
 - (3) Provision for directors' retirement benefits
 - To prepare for the payment of retirement benefits to Directors, the amount to be paid at the fiscal year-end, based on the Rules on Directors' Retirement Benefits, is recognized.
4. Other significant matters that form the basis for preparing the non-consolidated financial statements
 - (1) Method of hedge accounting
 - i. Method of hedge accounting
 - Special treatment is applied for interest rate swaps.
 - ii. Hedging instruments and hedged items
 - Interest rate swap transactions are used for interest on variable-rate long-term loans payable.
 - iii. Hedging policy
 - To mitigate interest rate fluctuation risks, hedges are performed to the extent that requirements of hedge accounting for special treatment are met.
 - iv. Method of assessing hedge effectiveness
 - Assessment of effectiveness is omitted for interest rate swaps since special treatment is applied for them.

(2) Treatment of retirement benefits

The accounting method for unrecognized actuarial gains and losses, unrecognized past service costs and net retirement benefit obligation at transition for retirement benefits is different from the accounting method for these items in the consolidated balance sheet.

(3) Treatment of consumption taxes

Items subject to national consumption tax and local consumption tax are accounted for at amounts exclusive of consumption taxes.

Notes to the non-consolidated balance sheet

1. Accumulated depreciation of assets

Accumulated depreciation of property, plant and equipment	¥518 million
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2. Liabilities on guarantees

The Company has provided guarantees as follows on loans from financial institutions and (long-term) accounts payable to Japan railway construction, transport and technology agency of the company described below.

Seibu Railway Co., Ltd.	¥134,558 million
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In addition, the Company is also a joint guarantor for a fixed-term building lease agreement between its consolidated subsidiary Prince Hotels, Inc. and a special purpose company Sasashima Live 24.

3. Monetary claims and monetary debts to subsidiaries and associates (excluding items shown separately)

Short-term monetary claim	¥2,137 million
Short-term monetary debt	¥515 million

4. Loan commitment agreements

The Company has entered into loan commitment agreements with eight banks to efficiently raise working capital.

The balance of unexecuted loans payable at the end of the current fiscal year is as follows:

Total amount of loan commitments	¥70,000 million
Loans payable outstanding	¥22,000 million
Balance of unexecuted loans payable	¥48,000 million

5. Restrictive financial covenant for maintaining net assets and profits

- (1) The Company has made a commitment for its loans payable described below as follows. If the Company violates the commitment, the benefit of time may be forfeited for the relevant obligations.

Loans

Current portion of long-term loans payable	¥120 million
Long-term loans payable	¥340 million
Total	¥460 million

Commitments

- In the consolidated balance sheet at the end of each fiscal year and at the end of the second quarter, the Company shall maintain its total net assets of 75% or higher compared to that in the immediately preceding fiscal year (including the second quarter) and ¥143,000 million or more.
- In the consolidated statement of income for each fiscal year, operating losses are not incurred for two periods in a row.

- (2) Other than the above, the Company has made a commitment for its loans payable described below as follows. If the Company violates the commitment, the benefit of time may be forfeited for the relevant obligations.

Loans

Current portion of long-term loans payable	¥236 million
Long-term loans payable	¥37,410 million
Total	¥37,646 million

Commitments

- In the consolidated balance sheet at the end of each fiscal year and at the end of the second quarter, the Company shall maintain its total net assets of 75% or higher compared to that in the immediately preceding fiscal year (including the second quarter) and ¥161,300 million or more.
- In the consolidated statement of income for each fiscal year, operating losses are not incurred for two periods in a row.

- (3) Other than the above, the Company has made a commitment for its loans payable described below as follows. If the Company violates the commitment, the benefit of time may be forfeited for the relevant obligations.

Loans

Current portion of long-term loans payable	¥118 million
Long-term loans payable	¥44,823 million
Total	¥44,941 million

Commitments

- In the consolidated balance sheet at the end of each fiscal year and at the end of the second quarter, the Company shall maintain its total net assets of 75% or higher compared to that in the immediately preceding fiscal year (including the second quarter) and ¥181,500 million or more.
- In the consolidated statement of income for each fiscal year, operating losses are not incurred for two periods in a row.

- (4) Other than the above, the Company has made a commitment for its loans payable described below as follows. If the Company violates the commitment, the benefit of time may be forfeited for the relevant obligations.

Loans, etc.

Long-term loans payable	¥30,000 million
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Commitments

- In the consolidated balance sheet at the end of each fiscal year and at the end of the second quarter, the Company shall maintain its total net assets of 75% or higher compared to that in the immediately preceding fiscal year (including the second quarter) and ¥200,800 million or more.
- In the consolidated statement of income for each fiscal year, operating losses are not incurred for two periods in a row.

- (5) Other than the above, the Company has made a commitment for its loans payable, etc. described below as follows. If the Company violates the commitment, the benefit of time may be forfeited for the relevant obligations.

Loans, etc.

Long-term loans payable	¥1,500 million
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Besides, the total amount of loan commitments described in “4.” above is also subject to the financial covenant.

Commitments

- In the consolidated balance sheet at the end of each fiscal year and at the end of the second quarter, the Company shall maintain its total net assets of 75% or higher compared to that in the immediately preceding fiscal year (including the second quarter) and ¥275,600 million or more.
- In the consolidated statement of income for each fiscal year, operating losses are not incurred for two periods in a row.

Notes to the non-consolidated statement of income

Amount of transactions with subsidiaries and associates (excluding items shown separately)

Volume of business transactions

Selling, general and administrative expenses ¥539 million

Volume of other transactions ¥15,778 million

Notes to the non-consolidated statement of changes in equity

Class and number of treasury shares

(Shares)

Class of shares	Number of shares at beginning of the fiscal year	Increase	Decrease	Number of shares at end of the fiscal year
Common shares	1,487,451	149	229,100	1,258,500

Notes: 1. The increase in treasury shares is due to purchase of shares less than a unit.

2. The decrease in treasury shares is due to the sale of 217,000 shares to the employee stock ownership plan from Trust & Custody Services Bank, Ltd. (Trust Account E) and the decrease of 12,100 shares due to the exercise of stock options.

3. Total number of treasury shares indicated above includes the Company's shares of 1,202,700 held by Trust & Custody Services Bank, Ltd. (Trust Account E).

Tax effect accounting

Deferred tax assets arose mainly due to the recognition of provision for bonuses and provision for retirement benefits, while deferred tax liabilities arose because of shares of subsidiaries and associates.

Transactions with related parties

Subsidiaries

(Millions of yen)

Classification	Name of company, etc.	Ratio of voting rights, etc. held	Relationship with related parties	Transactions	Amount of transactions	Item	Balance at end of period
Subsidiary	Seibu Railway Co., Ltd.	Owning Direct 100%	Major Group company Interlocking directorate, etc.	Receipt of dividends (Note 1)	2,816	—	—
				Business management, etc. (Note 2)	3,137	Accounts receivable - trade	537
				Lending of loans (Note 3)	114,827	Short-term loans receivable from subsidiaries and associates	300,499
						Long-term loans receivable from subsidiaries and associates	1,500
				Receipt of interest (Note 3)	5,321	Accounts receivable - other	444
				Guarantee of obligation (Note 4)	134,558	—	—
				Receipt of guarantee commission (Note 4)	273	Accounts receivable - other	23
				Receiving guarantee of obligation for bank loans, etc. of the Company (Note 5)	692,218	—	—
				Payment of guarantee commission (Note 5)	1,248	Accounts payable - other	106
	Prince Hotels, Inc.	Owning Direct 100%	Major Group company Interlocking directorate, etc.	Business management, etc. (Note 2)	2,562	Accounts receivable - trade	277
				Lending of loans (Note 3)	130,366	Short-term loans receivable from subsidiaries and associates	276,245
				Receipt of interest (Note 3)	5,013	Accounts receivable - other	407
				Receiving guarantee of obligation for bank loans, etc. of the Company (Note 5)	692,218	—	—
				Payment of guarantee commission (Note 5)	1,248	Accounts payable - other	106

Classification	Name of company, etc.	Ratio of voting rights, etc. held	Relationship with related parties	Transactions	Amount of transactions	Item	Balance at end of period
Subsidiary	Seibu Bus Co., Ltd.	Owning Indirect 100%	Major Group company	Borrowing of loans (Note 6)	19,996	Short-term loans payable to subsidiaries and associates	5,771
				Payment of interest (Note 6)	30	Accounts payable - other	2
	Seibu Construction Co., Ltd.	Owning Indirect 100%	Major Group company	Lending of loans (Note 3)	32,722	Short-term loans receivable from subsidiaries and associates	8,725
				Receipt of interest (Note 3)	42	Accounts receivable - other	16
				Borrowing of loans (Note 6)	41,711	Short-term loans payable to subsidiaries and associates	—
				Payment of interest (Note 6)	11	Accounts payable - other	—
	Seibu Properties Inc.	Owning Indirect 100%	Major Group company Interlocking directorate, etc.	Lending of loans (Note 3)	19,634	Short-term loans receivable from subsidiaries and associates	112,430
				Receipt of interest (Note 3)	2,191	Long-term loans receivable from subsidiaries and associates	30,000
				Receiving guarantee of obligation for bank loans, etc. of the Company (Note 5)	154,000	Accounts receivable - other	185
				Payment of guarantee commission (Note 5)	193	—	—
				Borrowing of loans (Note 6)	118,610	Accounts payable - other	16
				Payment of interest (Note 6)	53	Short-term loans payable to subsidiaries and associates	12,172
						Accounts payable - other	4

Conditions of transaction and policy for deciding conditions of transaction

- Notes: 1. These are year-end dividends for the fiscal year ended March 31, 2015 (¥3 per share) and interim dividends for the fiscal year ended March 31, 2016 (¥3.5 per share) from Seibu Railway Co., Ltd.
2. This is mainly the receipt of fees for business management operations for Seibu Railway Co., Ltd. and Prince Hotels, Inc. Business management fees are determined based on reasonable calculation between the Company and Seibu Railway Co., Ltd., Prince Hotels, Inc. and other seven major group companies with which the Company has entered into a business management agreement.
3. These are loans to Seibu Railway Co., Ltd., Prince Hotels, Inc., Seibu Construction Co., Ltd. and Seibu Properties Inc. Interest rate on loans are reasonably determined in consideration of market interest rates.
4. These are guarantees for loans from financial institutions and (long-term) accounts payable to Japan railway construction, transport and technology agency of Seibu Railway Co., Ltd. Guarantee fees are reasonably determined through consultation.
5. The debts guaranteed by Seibu Railway Co., Ltd., Prince Hotels, Inc. and Seibu Properties Inc. for the Company's bank loans payable are for funds borrowed for the Company to lend funds to these three companies. Guarantee fees are reasonably determined through consultation.
6. The borrowing rate is reasonably determined in consideration of market interest rates.

Amounts per share

Net assets per share

¥907.82

Basic earnings per share

¥20.51

Note: Shares of the Company retained in trust and recorded as treasury shares under shareholders' equity are included in treasury shares deducted from total number of issued shares at end of period when calculating net assets per share. Moreover, in calculating basic earnings per share, they are included in the number of treasury shares deducted from the average number of outstanding shares during period.

The number of treasury shares at end of period deducted in calculating net assets per share was 1,202,700, and the average number of treasury shares during period deducted in calculating the basic earnings per share was 1,318,708.

Significant events after the reporting period

No items to report.

Other notes

Additional information

(1) Reduction of legal capital surplus

The Board of Directors meeting held on March 31, 2016 decided to reduce the amount of legal capital surplus as follows.

1. Purpose of reduction in amount of legal capital surplus

In order to ensure flexible and nimble future capital policies, pursuant to Article 448, paragraph 1 of the Companies Act, it is proposed to reduce the full amount of legal capital surplus and transfer the amount to other capital surplus.

2. Content of reduction in amount of legal capital surplus

(1) Amount of legal capital surplus to be reduced

Legal capital surplus	¥228,604 million
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(2) Amount of other capital surplus to be increased

Other capital surplus ¥228,604 million

3. Schedule of reduction in amount of legal capital surplus

- | | |
|---|----------------------------|
| (1) Date of resolution of the Board of Directors: | March 31, 2016 |
| (2) Date of resolution of the Annual General Meeting of Shareholders: | June 21, 2016 (scheduled) |
| (3) Initial date of public notice for creditors to make objections: | June 28, 2016 (scheduled) |
| (4) Final due date for creditors to make objections: | July 31, 2016 (scheduled) |
| (5) Effective date: | August 1, 2016 (scheduled) |

(2) Adjustment of amounts of deferred tax assets and deferred tax liabilities due to the change in the rate of income taxes

Following the enactment in the Diet of the “Act on Partial Revision of the Income Tax Act” (Act No. 15 of 2016) and the “Act on Partial Revision, etc. of the Local Tax Act” (Act No. 13 of 2016) on March 29, 2016, the income tax rates, etc. are to be lowered from the fiscal year starting on or after April 1, 2016. Accordingly, the statutory effective tax rate used for calculating deferred tax assets and deferred tax liabilities will be changed from the previous rate of 32.1% to 30.7% for temporary differences expected to be extinguished in the fiscal years beginning on April 1, 2016 and on April 1, 2017, and to 30.5% for temporary differences expected to be extinguished in the fiscal years beginning on or after April 1, 2018.

Due to this change in the tax rate, the amount of deferred tax liabilities (less the amount of deferred tax assets) decreased by ¥3,511 million and income taxes - deferred decreased by the same amount.

(Translation)

Independent Auditor's Report

May 16, 2016

The Board of Directors
Seibu Holdings Inc.

Ernst & Young ShinNihon LLC
Yasunori Arao [Seal]
Certified Public Accountant
Designated and Engagement Partner
Katsuyuki Kawai [Seal]
Certified Public Accountant
Designated and Engagement Partner
Motoki Yoshimura [Seal]
Certified Public Accountant
Designated and Engagement Partner

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the notes to the consolidated financial statements of Seibu Holdings Inc. (the "Company") applicable to the fiscal year from April 1, 2015 through March 31, 2016.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Seibu Group, which consisted of the Company and consolidated subsidiaries, applicable to the fiscal year ended March 31, 2016 in conformity with accounting principles generally accepted in Japan.

Matters to be emphasized

As recorded in the "Significant events after the reporting period," the Company's consolidated subsidiary received a transfer of the shares of NW Corporation Inc. in April 2016.

This matter has not had any impact on the conclusion of this accounting auditor.

Conflicts of Interest

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

Independent Auditor's Report

May 16, 2016

The Board of Directors
Seibu Holdings Inc.

Ernst & Young ShinNihon LLC
Yasunori Arao [Seal]
Certified Public Accountant
Designated and Engagement Partner
Katsuyuki Kawai [Seal]
Certified Public Accountant
Designated and Engagement Partner
Motoki Yoshimura [Seal]
Certified Public Accountant
Designated and Engagement Partner

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of income, the statement of changes in net assets, the notes to the financial statements and the related supplementary schedules of Seibu Holdings Inc. (the "Company") applicable to the 11th fiscal year from April 1, 2015 through March 31, 2016.

Management's Responsibility for the Financial Statements and the Related Supplementary Schedules

Management is responsible for the preparation and fair presentation of these financial statements and the related supplementary schedules in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements and the related supplementary schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements and the related supplementary schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan.

Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the related supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the related supplementary schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements and the related supplementary schedules, whether due to fraud or error. The purpose of an audit of the financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements and the related supplementary schedules in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the related supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements and the related supplementary schedules referred to above present fairly, in all material respects, the financial position and results of operations of Seibu Holdings Inc. applicable to the 11th fiscal year ended March 31, 2016 in conformity with accounting principles generally accepted in Japan.

Conflicts of Interest

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

Audit Report

Based on the audit report prepared by each Audit & Supervisory Board Member with regard to the performance of duties by the Directors of Seibu Holdings Inc. (the "Company") for the 11th fiscal year (from April 1, 2015 to March 31, 2016), the Audit & Supervisory Board of the Company prepares this audit report after deliberation and hereby report, by a unanimous show of hands, as follows:

1. Auditing methods used by Audit & Supervisory Board Members and the Audit & Supervisory Board, and details of audit
 - (1) The Audit & Supervisory Board specified audit policies, assigned duties to each Audit & Supervisory Board Member and received reports from each Audit & Supervisory Board Member on the status of implementation and results of audit, and received reports from Directors, etc. and accounting auditors on the status of the performance of their duties and asked them for explanations as necessary.
 - (2) In conformity with the auditing standards stipulated by the Audit & Supervisory Board, and in accordance with auditing policies and the assignment of duties, all Audit & Supervisory Board Members strived to achieve effective communication with Directors, the Internal Audit Department and other employees, collected information and improved the audit environment. In addition, all Audit & Supervisory Board Members conducted an audit in the following methods.
 - i. All Audit & Supervisory Board Members attended the meetings of the Board of Directors and other important meetings, received reports from Directors and employees about the status of the performance of their duties, obtained explanations as necessary, reviewed important approval documents, and conducted investigations on the status of the business operations and assets of the Company at its head office. Furthermore, Audit & Supervisory Board Members also worked to facilitate communication and information exchange with the Directors, Audit & Supervisory Board Members and others of the subsidiaries of the Company, and received reports on the business conditions of subsidiaries as necessary.
 - ii. Audit & Supervisory Board Members received reports periodically from Directors and employees on the content of the resolution made by the Board of Directors' concerning the development of a system for ensuring that the performance of duties by Directors conforms with laws and regulations and the Company's Articles of Incorporation, as described in the Company's business report, and other systems prescribed in Article 100, Paragraphs 1 and 3 of the Ordinance for Enforcement of the Company Law as systems necessary for ensuring proper business conduct by a stock company and a corporate group formed by its subsidiaries (internal control system), as well as the construction and status of operation of the internal control system developed based on said resolution. As necessary, Audit & Supervisory Board Members also asked for explanations from Directors and employees and expressed opinions. As for internal controls over financial reporting, reports made by Directors, etc. and Ernst & Young ShinNihon LLC about the status of assessment and audit of said internal controls were provided to Audit & Supervisory Board Members, who asked for explanations as necessary.
 - iii. We have monitored and verified whether the accounting auditor maintained independence and properly implemented its audit, received from the accounting auditor reports on the performance of its duties, and asked it for explanations as necessary. The accounting auditor reported to us that the "Systems for Ensuring Proper Execution of Duties" (listed in each item of Article 131 of Ordinance on Accounting of Companies) have been developed in accordance with the "Quality Control Standards concerning Audit" (Business Accounting Council, October 28, 2005) and other applicable regulations, and we asked the accounting auditor for explanations as necessary.

Based on the methods mentioned above, we have reviewed the business report, and their supplementary schedule, financial statements (balance sheet, statement of income, statement of changes in net assets, and notes to financial statements), and their supplementary schedules, and consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets, and notes to consolidated financial statements) for the said fiscal year.

2. Audit results

(1) Results of audit of the business report, etc.

- i. We confirm that the business report and its supplementary schedules present fairly the situation of the Company in accordance with relevant laws and regulations and the Company's Articles of Incorporation.
- ii. With respect to the Directors' performance of their duties, we confirm that there has been no improper act committed or important violation of applicable laws and regulations or of the Articles of Incorporation.
- iii. We confirm that the details of the resolution made by the Board of Directors concerning the internal control system are proper. With respect to the description in the business report and the Directors' performance of their duties regarding the said internal control system, including internal controls over financial reporting, we confirm that there is no matter to be pointed out.

(2) Results of audit of financial statements and their supplementary schedules

We confirm that the auditing methods and results of Ernst & Young ShinNihon LLC, an accounting auditor, are proper.

(3) Results of audit of consolidated financial statements

We confirm that the auditing methods and results of Ernst & Young ShinNihon LLC, an accounting auditor, are proper.

May 18, 2016

The Audit & Supervisory Board,
Seibu Holdings Inc.

Nozomi Kawakami [Seal]
Standing Audit & Supervisory Board Member

Masayoshi Akashi [Seal]
Audit & Supervisory Board Member

Isao Fukasawa [Seal]
Outside Audit & Supervisory Board Member

Eiji Sakomoto [Seal]
Outside Audit & Supervisory Board Member