

[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.

Corporate Governance Report

July 14, 2016

Seibu Holdings Inc.

Takashi Goto, President and CEO

Inquiries: Corporate Communication:

+81-4-2926-2645

<http://www.seibuholdings.co.jp/en>

The corporate governance of Seibu Holdings Inc. (hereinafter, the “Company”) is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Attributes and Other Basic Information

1. Basic views

The Seibu Group strives to maximize corporate value and shareholder value by fulfilling its social responsibilities through its business activities and earning the trust of its shareholders, customers, and all other stakeholders based on its Group Vision, which incorporates its management philosophy and management policy, and the Seibu Group Corporate Code of Ethics, which sets forth the Group’s fundamental rules on compliance. To further promote corporate governance, the Group works to improve management soundness and transparency, to raise the level of and to accelerate decision-making by management, centered on the Board of Directors, and to continuously strengthen the entire Group’s internal control systems. In addition, to ensure the rights and equal treatment of shareholders, the Group engages in constructive dialogue with shareholders to improve corporate value and shareholder value over the medium to long term, and strives for timely and appropriate disclosure of information and appropriate cooperation with its stakeholders.

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(1) Reasons for non-compliance with the principles of the Japan's Corporate Governance Code

The Company complies with the principles of the Japan's Corporate Governance Code.

(2) Disclosure based on the principles of the Japan's Corporate Governance Code

[Principle 1.4 Cross-Shareholdings]

The Company holds shares in other stock companies (excluding subsidiaries and associates comprising the Seibu Group) if management makes the overall decision that holding shares in a stock company will contribute to improving the Seibu Group's corporate value by strengthening a trade relationship, generating business synergies, or yielding other advantages.

Each year the Board of Directors reviews whether there is a rational basis for continuing to hold major cross-held shares from the viewpoint of strengthening the trade relationship, generating business synergies, or yielding other advantages in light of changes in the Company's business environment and other factors.

When exercising its voting rights, the Company votes for a proposal put forward by the company in question if it comes to the overall decision that the proposal will contribute to improving its own corporate value.

[Principle 1.7 Related Party Transactions]

When conducting related party transactions, the Company adheres to the Companies Act and the provisions of the Regulations on the Board of Directors, and in principle obtains the approval of the Board of Directors. When deliberating on such transactions, the Board of Directors carefully deliberates on whether the transaction is rational and its conditions are appropriate. Thus the Board of Directors strives to ensure that the transaction does not harm the interests of the Company or the common interests of its shareholders, and to prevent any concerns with respect to such harm.

[Principle 3.1 Full Disclosure]

(1) Management philosophy and business plans

The Company discloses the Group Vision, which acts as its management philosophy and provides guidelines for employee behavior, as well as the Seibu Group's Long-Term Strategy and Medium-Term Business Plan. For details, please refer to the Company's website:

<http://www.seibuholdings.co.jp/en>

(2) Basic views and policies on corporate governance

The Company's basic views on corporate governance and its associated policies based on the five general principles of the Japan's Corporate Governance Code are set out in the section of this report entitled "I. 1. Basic views."

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- (3) Policies and procedures for the Board of Directors in determining the remuneration of senior management and Directors

When determining the remuneration of Directors, the Board of Directors sets fixed monetary compensation within the maximum total remuneration determined by resolution of the General Meeting of Shareholders. The remuneration is set in accordance with duties and responsibilities, sufficiently taking into account an aspect of the remuneration of increasing morale and the willingness to contribute to improving business results and corporate value over the medium to long term. Advice from the Remuneration Advisory Committee, among whose members are three outside Directors forming a majority, is obtained to ensure objectivity concerning the remuneration decision. The Board of Directors decides the number of stock options for share compensation of each Director, which shall be set within the maximum total number determined by resolution of the General Meeting of Shareholders, according to the duties and responsibilities of each Director in order to increase their morale and motivation.

- (4) Policies and procedures for the Board of Directors in appointing senior management and nominating candidates for positions as Directors and Audit & Supervisory Board Members

When the Board of Directors decides on candidates for the position of Director, it nominates candidates for reappointment following deliberation of whether the individual deserves to be reappointed on the basis of his/her contribution to corporate value and other aspects of the Company during his/her term of office. New candidates for appointment are nominated following deliberation of whether the individual has outstanding character and insight, and is a talented individual who can contribute to increasing corporate value. Advice from the Nomination Advisory Committee, among whose members are three outside Directors forming a majority, is obtained to ensure objectivity concerning the decision of candidates for the position of Director. Audit & Supervisory Board Members, meanwhile, occupy a highly independent position and their duties entail auditing the execution of duties of the Directors. Bearing that in mind, the Board of Directors decides on candidates for the position of Audit & Supervisory Board Member following deliberation of whether or not the candidate has the keen insight and abundant experience, knowledge, and other attributes necessary to fulfill his/her duties. Before making its decision, it obtains consent of the Audit & Supervisory Board with regard to the candidate in question.

- (5) Explanation of individual appointments of senior management and nominations of candidates for the positions as Directors and Audit & Supervisory Board Members by the Board of Directors based on (4) above

Concerning the nominations of candidates for the position of Director or Audit & Supervisory Board Member, the Board of Directors resolves whether to approve the nominations after deliberating on the reasons for nomination. Then by including the reasons for nomination in the Reference Documents for the General Meeting of Shareholders, the Company ensures full transparency for shareholders and other stakeholders.

[Supplementary Principle 4.1.1 Scope of Matters Delegated to Management]

In order to increase the Group's corporate value effectively and efficiently, the Company's Board of Directors clearly stipulates matters to be resolved by the Board of Directors, as well as the scope of management decision-makers, by establishing the Regulations on the Board of Directors and the Regulations on Delegation of Authority according to laws and regulations and the Articles of Incorporation.

Specifically, the Board of Directors is in principle responsible for making resolutions relating to issues that represent the strategic direction of the Group as a whole, such as the Group's business plans, introduction of key internal rules and their amendment or abolition, and approval of large new projects and plans for major capital expenditure. The Company implements these projects appropriately, appointing management decision-makers to execute related duties according to the scale and nature of the project in question.

[Principle 4.8 Effective Use of Outside Directors]

The Seibu Group's businesses span a wide range including urban transportation and regional, hotel and leisure, and real estate. Management therefore believes it is appropriate to appoint a number of individuals with a diverse range of talents as its independent outside Directors. On that basis, the Company appointed three independent outside Directors with the qualities necessary to adequately fulfill their roles and responsibilities to contribute to sustainable growth and increased corporate value over the medium to long term. The three independent outside Directors presently serving are currently adequately fulfilling their roles and responsibilities.

[Principle 4.9 Independence Standards and Qualification for Independent Outside Directors]

The Company's independence standards for appointment of outside Directors and outside Audit & Supervisory Board Members are informed by the judgment criteria regarding independence of independent officers stipulated by the Tokyo Stock Exchange. The Company endeavors to consider its judgments on independence from multiple perspectives to ensure not only that a Director meets the above independence standards, but also that effective independence is actually secured. The Board of Directors strives to nominate candidates who can be expected to contribute to frank, active, and constructive discussions and examinations. The three current independent outside Directors are adequately meeting these expectations.

[Supplementary Principle 4.11.1 Policies and Procedures for Nominating Directors]

The Company believes that the Board of Directors should comprise an appropriate proportion and number of both inside Directors and independent outside Directors as a means of maintaining its diversity. As a pure holding company, the Company drives the improvement of the Group's corporate value over the medium to long term, and inside Directors should therefore have the character, knowledge, experience, energy and leadership that enable them to contribute to that goal, while independent outside Directors should have the abundant knowledge, insight, and experience to enable

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them to monitor the management from a perspective independent of operating units. In addition, after obtaining advice from the Nomination Advisory Committee, among whose members are three outside Directors forming a majority, the candidates for the positions as Directors are selected based on whether or not they have outstanding character and insight and whether they are talented individuals who can contribute to increasing corporate value, and these candidates are proposed to the Board of Directors, which deliberates on the candidates fully from the same perspectives before commencing the approval procedure. The approved candidates are appointed as Directors following resolution by the General Meeting of Shareholders.

[Supplementary Principle 4.11.2 Concurrent Positions Held by Directors and Audit & Supervisory Board Members]

The Company's officers, including outside Directors and outside Audit & Supervisory Board Members, devote sufficient time and effort required to appropriately fulfill their respective roles and responsibilities. In addition to attending Board of Directors meetings, for example, they attend Management Council meetings held to discuss important policies relating to business execution and other important matters concerning all aspects of managing the Company and the Group as a whole. If a Director or Audit & Supervisory Board Member also serves as an officer at other listed companies, he/she limits such positions to a reasonable number to avoid any difficulty in executing his/her duties including attending meetings of the Company's Board of Directors or Management Council. Each year the Company discloses any concurrent positions held by them.

[Supplementary Principle 4.11.3 Analysis and Evaluation and Disclosure of Results of the Board of Directors' Effectiveness as a Whole]

The Company distributed a questionnaire on the roles and responsibilities of the Board of Directors to all Directors and Audit & Supervisory Board Members, and obtained the responses (the responses were provided anonymously). Based on the collated results of the responses, and acting on the advice obtained at meetings, particularly from outside Directors, the Company carried out analysis from the viewpoints of composition, effectiveness and running of the Board of Directors, and as a result made the assessment that the effectiveness of the Company's Board of Directors overall is fully ensured.

In particular, the Board of Directors was assessed as being able to ensure effectiveness from the point that risk-taking was carried out appropriately through diverse and adequate examination while giving consideration to internal controls and risk management systems, and from the point that the viewpoint and opinions of major investors and other stakeholders were incorporated.

Looking forward, the Company will make efforts to achieve ongoing improvements in effectiveness of the Board of Directors overall, through such measures as realizing livelier discussions on Groupwide projects and enhancing the provision of information to outside Directors.

[Supplementary Principle 4.14.2 Disclosure of Training Policy]

When taking up their appointments, the Company's Directors and Audit & Supervisory Board Members, including outside Directors and outside Audit & Supervisory Board Members, endeavor to

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acquire the necessary knowledge regarding the Company, including its business, finances, and organization, while deepening their understanding of the roles and responsibilities required of them (including legal liabilities) as a member of a critical body within the Company. After taking up their appointments, Directors and Audit & Supervisory Board Members continue endeavoring to acquire and appropriately update necessary knowledge and skills, and the Company provides and arranges training opportunities suitable to each individual, along with financial support for associated expenses.

[Principle 5.1 Policy for Constructive Dialogue with Shareholders]

(1) Basic views

The Company's fundamental approach to supporting sustainable growth of the Group and improving corporate value and shareholder value of the same over the medium to long term is to ensure it is fully accountable to participants in capital markets (shareholders, investors, securities analysts, etc.) by using dialogue to build long-term relationships of trust so that the Company is valued appropriately.

(2) IR framework

The Company has an Investor Relations Department which focuses exclusively on IR activities under the direction of the Managing Officer in charge, with the President and director as the chief IR officer. To ensure that IR activities are conducted effectively, the Investor Relations Department is part of the Corporate Planning Division, alongside the Corporate Planning Department, which plans and manages business strategy, and the Accounting Department, which tracks management performance. Under the direction of the Managing Officer in charge of the Corporate Planning Division, the Investor Relations Department keeps itself accurately and appropriately appraised of the Group's circumstances, and disseminates relevant information.

(3) Methods of dialogue

In conducting its IR activities, the Company pursues initiatives to create an environment conducive to dialogue regarding management policy, financial standing, other information it has disclosed, and additional matters in which capital market participants are interested.

In specific terms, the Company holds briefings attended by the President and director following its interim and year-end settlement of accounts, at which it explains to securities analysts and investors the Company's financial situation, progress with business plans, prospective business plans, and related matters, thereby deepening dialogue. In addition, the Investor Relations Department plays a leading role in arranging for suitably qualified representatives of the Company to visit institutional investors in Japan and overseas, organize tours of the Group's facilities, and conduct briefings for individual investors, among other initiatives.

To minimize the information gap, the Company upgrades its IR-related website, preparing and disclosing English-language versions of financial documents and other materials for capital market participants overseas.

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(4) Feedback to the Company's managers and management of insider information

The opinions of capital market participants obtained through IR activities are fed back to the President and director and other management members as appropriate. The Company aims to use its accurate grasp of the demands of the capital markets and their participants to ensure business management that takes account of the need to improve corporate value and shareholder value. In addition, the general manager of the Investor Relations Department attends meetings of the Information Management Committee as a committee member, which designates and manages material information, keeping apprised of the situation in a timely and appropriate manner. The general manager also appropriately manages the handling of insider information during IR activities.

2. Capital structure

(1) Foreign shareholding ratio	30% or more
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(2) Status of major shareholders

Name / Company Name	Number of shares owned (Shares)	Percentage (%)
NW Corporation Inc. (Note 1)	51,158,927	14.95
Promontoria Japan Holding 2 B.V. (Note 2)	13,240,600	3.87
Promontoria Japan Holding 1 B.V. (Note 2)	13,158,000	3.85
S-H Japan L.P. (Note 2)	10,387,800	3.04
Development Bank of Japan Inc.	9,906,246	2.90
Keikyu Corporation	7,655,200	2.24
Japan Trustee Services Bank, Ltd. (Trust Account)	7,452,500	2.18
The Master Trust Bank of Japan, Ltd. (Trust Account)	7,274,800	2.13
The Norinchukin Bank	7,150,000	2.09
Mizuho Bank, Ltd.	7,114,800	2.08

(3) Controlling shareholder (except for parent)	—
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(4) Parent	None
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(5) Supplementary explanation

(Note 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

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of the Companies Act, and NW is now no longer a major shareholder of the Company.

(Note 2) Business entities associated with the Cerberus Group. The aggregate of the number of shares owned by the 3 major shareholders listed in (2) Status of major shareholders to which this “Note 2” refers and another 8 shareholders associated with the Cerberus Group is 49,532 thousand shares, which is a shareholding ratio of 14.48%.

3. Corporate attributes

(1) Listed stock market and market section	First Section of the Tokyo Stock Exchange
(2) Fiscal year-end	March
(3) Type of business	Land transportation
(4) Number of employees (consolidated) as of the end of the immediately preceding fiscal year	1,000 or more
(5) Net sales (consolidated) for the immediately preceding fiscal year	From ¥100 billion to less than ¥1 trillion
(6) Number of consolidated subsidiaries as of the end of the immediately preceding fiscal year	From 50 to less than 100

4. Policy on measures to protect minority shareholders in conducting transactions with controlling shareholder

No items to report as the Company does not have controlling shareholder.

5. Special circumstances which may have material impact on corporate governance

Not applicable.

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II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Supervision in Management

1. Organizational composition and operation

(1) Organization form

Organization form	Company with Audit & Supervisory Board Members
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(2) Directors

(i) Maximum number of Directors stipulated in Articles of Incorporation	18
(ii) Term of office stipulated in Articles of Incorporation	2 years
(iii) Chairperson of the Board	President
(iv) Number of Directors	15
(v) Appointment of outside Directors	Appointed
(v)-a. Number of outside Directors	3
(v)-b. Number of independent officers registered with the Tokyo Stock Exchange designated from among outside Directors	3

(v)-c. Outside Directors' relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Eiko Ohya	From another company											
Takehiko Ogi	From another company											
Keiji Goto	Attorney at law											

* Categories for "Relationship with the Company"

* "○" when the Director presently falls or has recently fallen under the category;

"△" when the Director fell under the category in the past

* "●" when a close relative of the Director presently falls or has recently fallen under the category;

"▲" when a close relative of the Director fell under the category in the past

a. Executive (a person who executes business; hereinafter, the same) of the Company or its subsidiaries

b. Non-executive Director or executive of a parent of the Company

c. Executive of a fellow subsidiary of the Company

d. A party whose major client or supplier is the Company or an executive thereof

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- e. Major client or supplier of the Company or an executive thereof
- f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a Director
- g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a corporation)
- h. Executive of a client or supplier company of the Company (which does not correspond to any of d., e., or f.) (the Director himself/herself only)
- i. Executive of a company, between which and the Company outside Directors/Audit & Supervisory Board Members are mutually appointed (the Director himself/herself only)
- j. Executive of a company or organization that receives a donation from the Company (the Director himself/herself only)
- k. Others

(v)-d. Outside Directors' relationship with the Company (2)

Name	Designation as independent officer	Supplementary explanation of the relationship	Reason for appointment as outside Director/designation as independent officer
Eiko Ohya	○	—	Ms. Ohya possesses abundant knowledge of social conditions in Japan and overseas gained through activities as a commentator and a member of various panels and committees over many years. We believe that her opinions from a broad perspective backed by her knowledge, experience, and other attributes, can be applied to the Company's management, thereby helping us to maximize our medium- to long-term corporate value. Moreover, as there is no personal relationship, capital relationship, trade relationship or other vested interest between Ms. Ohya and the Company, we appointed her as an outside Director, and registered her as an independent officer with the Tokyo Stock Exchange.

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Name	Designation as independent officer	Supplementary explanation of the relationship	Reason for appointment as outside Director/designation as independent officer
Takehiko Ogi	○	—	Mr. Ogi possesses exceptional managerial talent backed by practical experience as has been evidenced by his outstanding track record as a manager bringing about managerial reform in companies across various industries, along with particularly impressive results in the area of consumer-focused corporate management. We believe that his opinions from a broad perspective backed by his track record, experience, and other attributes, can be applied to the Company's management, thereby helping us to maximize our medium- to long-term corporate value. Moreover, as there is no personal relationship, capital relationship, trade relationship or other vested interest between Mr. Ogi and the Company, we appointed him as an outside Director, and registered him as an independent officer with the Tokyo Stock Exchange.
Keiji Goto	○	—	As an attorney, Mr. Goto possesses a high degree of expertise, abundant experience, and keen insight with respect to corporate legal affairs. We believe that his opinions from a broad perspective backed by his knowledge, experience, and other attributes, can be applied to the Company's management, thereby helping us to maximize our medium- to long-term corporate value. Moreover, as there is no personal relationship, capital relationship, trade relationship or other vested interest between Mr. Goto and the Company, we appointed him as an outside Director, and registered him as an independent officer with the Tokyo Stock Exchange.

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(vi) Voluntary establishment of committee(s) equivalent to nominating committee or remuneration committee	Established
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(vi)-a. Committee's name, composition, and attributes of chairperson

[Committee equivalent to remuneration committee]

Committee's name	Remuneration Advisory Committee
Number of all committee members	5
Number of full-time members	0
Number of inside Directors	2
Number of outside Directors	3
Number of outside experts	0
Number of other members	0
Chairperson	Inside Director

(vi)-b. Supplementary explanation

In addition to the President and CEO and one inside Director (the officer in charge of the President's Office), the Company appoints three outside Directors as members of the Remuneration Advisory Committee. Three outside Directors were appointed as committee members in the expectation that they would provide advice to enhance objectivity when determining remuneration for Directors.

[Committee equivalent to nominating committee]

Committee's name	Nomination Advisory Committee
Number of all committee members	5
Number of full-time members	0
Number of inside Directors	2
Number of outside Directors	3
Number of outside experts	0
Number of other members	0
Chairperson	Inside Director

(vi)-b. Supplementary explanation

In addition to the President and CEO and one inside Director (the officer in charge of the President's Office), the Company appoints three outside Directors as members of the Nomination Advisory Committee. Three outside Directors were appointed as committee members in the expectation that they would provide advice to enhance objectivity when determining candidates for the position of Director.

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(3) Audit & Supervisory Board Members

(i) Establishment of Audit & Supervisory Board	Established
(ii) Maximum number of Audit & Supervisory Board Members stipulated in Articles of Incorporation	5
(iii) Number of Audit & Supervisory Board Members	4

(iv) Cooperation among Audit & Supervisory Board Members, Accounting Auditor and internal audit units

Aiming for mutual cooperation, the Audit & Supervisory Board Members, the Internal Audit and Internal Control Department, and the Accounting Auditor endeavor to conduct effective and efficient audits by coordinating closely through regular meetings and other means, and actively exchanging opinions and information.

(v) Appointment of outside Audit & Supervisory Board Members	Appointed
(v)-a. Number of outside Audit & Supervisory Board Members	2
(v)-b. Number of independent officers registered with the Tokyo Stock Exchange designated from among outside Audit & Supervisory Board Members	2

(v)-c. Outside Audit & Supervisory Board Members' relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Isao Fukasawa	Attorney at law													
Eiji Sakomoto	CPA / Certified public tax accountant													

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

* "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

a. Executive (a person who executes business; hereinafter, the same) of the Company or its subsidiary

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- b. Non-executive Director or accounting advisor of the Company or its subsidiaries
- c. Non-executive Director or executive of a parent of the Company
- d. Audit & Supervisory Board Member of a parent of the Company
- e. Executive of a fellow subsidiary of the Company
- f. A party whose major client or supplier is the Company or an executive thereof
- g. Major client or supplier of the Company or an executive thereof
- h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an Audit & Supervisory Board Member
- i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a corporation)
- j. Executive of a client or supplier company of the Company (which does not correspond to any of f., g., or h.) (the Audit & Supervisory Board Member himself/herself only)
- k. Executive of a company, between which and the Company outside Directors/Audit & Supervisory Board Members are mutually appointed (the Audit & Supervisory Board Member himself/herself only)
- l. Executive of a company or organization that receives a donation from the Company (the Audit & Supervisory Board Member himself/herself only)
- m. Others

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(v)-d. Outside Audit & Supervisory Board Members' Relationship with the Company (2)

Name	Designation as independent officer	Supplementary explanation of the relationship	Reason for appointment as outside Audit & Supervisory Board Member/designation as independent officer
Isao Fukasawa	○	—	As an attorney at law, Mr. Fukasawa possesses a high degree of expertise, abundant experience, and keen insight with respect to corporate legal affairs. We judge that he is capable of using these attributes to conduct audits of the Company based on a fair and neutral perspective and also to provide appropriate feedback. We believe that Mr. Fukasawa's opinions from a broad perspective backed by his knowledge, experience, and other attributes, can be applied to the Company's management. Moreover, as there is no personal relationship, capital relationship, trade relationship or other vested interest between Mr. Fukasawa and the Company, we appointed him as an outside Audit & Supervisory Board Member, and registered him as an independent officer with the Tokyo Stock Exchange.

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Name	Designation as independent officer	Supplementary explanation of the relationship	Reason for appointment as outside Audit & Supervisory Board Member/designation as independent officer
Eiji Sakomoto	○	—	As a certified public accountant and certified public tax accountant, Mr. Sakomoto possesses a high degree of expertise, abundant experience, and keen insight with respect to financial affairs and accounting. We judge that he is capable of using these attributes to conduct audits of the Company based on a fair and neutral perspective and also to provide appropriate feedback. We believe that Mr. Sakomoto's opinions from a broad perspective backed by his knowledge, experience, and other attributes, can be applied to the Company's management. Moreover, as there is no personal relationship, capital relationship, trade relationship or other vested interest between Mr. Sakomoto and the Company, we appointed him as an outside Audit & Supervisory Board Member, and registered him as an independent officer with the Tokyo Stock Exchange.

(4) Independent officers

Number of independent officers	5
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Matters relating to independent officers

All outside Directors and outside Audit & Supervisory Board Members qualifying as independent officers are designated by the Company as independent officers.

(5) Incentives

(i) Incentive policies for Directors	Stock options
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Supplementary explanation

The Company has introduced a system for granting share compensation stock options (subscription rights to shares) to Directors (excluding outside Directors). The system was introduced because there is a high degree of linkage between the value of these stock options (subscription rights to shares) and the Company's business results and share price, and the Company therefore believes it can expect an increase in morale and the willingness to contribute to improving business results and corporate value over the medium to long term as a result of granting such stock options.

(ii) Recipients of stock options	Inside Directors and Directors of subsidiaries
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Supplementary explanation

The stock options (subscription rights to shares) are granted to Directors (excluding outside Directors) of the Company and Directors of its subsidiaries because there is a high degree of linkage between their value and the Company's business results and share price, and the Company therefore believes it can increase morale and the willingness to contribute to improving business results and corporate value over the medium to long term as a result of granting such stock options to these directors.

(6) Director remuneration

(i) Disclosure of individual Directors' remuneration	Only a portion of the individual Directors' remuneration is disclosed.
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Supplementary explanation

The Company discloses the amount of officer remuneration, etc. in the Annual Securities Report, the business report and the Annual Report. The amount of remuneration, etc. for Directors for the fiscal year ended March 31, 2016, amounted to ¥397 million, and this amount includes ¥129 million as stock option-based remuneration recorded in the same period.

In addition to this, the Company discloses the individual remuneration of persons whose total amount of remuneration, etc. is ¥100 million or more in the Annual Securities Report, stating the total amount and a breakdown of the remuneration, etc. of those persons.

(ii) Policy on determining remuneration amounts and calculation methods	Established
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Disclosure of policy on determining remuneration amounts or calculation methods

The Company's policy on calculation methods with regard to Directors' remuneration is reported in Principle 3.1.3 Full Disclosure above, which specifies disclosure in accordance with the principles of the Japan's Corporate Governance Code.

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(7) Supporting system for outside Directors and/or outside Audit & Supervisory Board Members

The President's Office and the Corporate Planning Division's Corporate Planning Department support outside Directors by providing information relating to Board of Directors meetings and assisting in other ways. In addition, the Company assigns three dedicated staff members to Audit & Supervisory Board Member's Office to provide support to Audit & Supervisory Board Members including outside Audit & Supervisory Board Members.

Prior to meetings of the Board of Directors, all Directors and Audit & Supervisory Board Members including outside Directors and outside Audit & Supervisory Board Members are notified of matters for discussion to inform all parties.

2. Matters on functions of business execution, auditing, supervision, nomination and remuneration decisions (overview of current corporate governance system)

The Company has adopted a system of a company with Audit & Supervisory Board Members and has established the General Meeting of Shareholders, Board of Directors and Audit & Supervisory Board stipulated in the Companies Act as company organizations.

The Board of Directors is composed of 15 Directors (14 men and one woman), three of whom are outside Directors (all outside Directors are independent officers registered with the Tokyo Stock Exchange). The Board of Directors meets at least once a month in principle to make decisions on important matters related to management as well as matters stipulated by laws and regulations, and to supervise execution of business.

Outside Directors in particular play a key role in enhancing the fairness of management from an objective and independent standpoint. To that end, they prioritize monitoring and oversight functions from a perspective independent of operating units and ensure their abundant knowledge and insight are reflected in management, among other contributions. The Company's management intends to retain outside Directors as part of its corporate governance and internal control system, believing that this will contribute to further improvement of the system. Moreover, regarding the decisions of Director remuneration and the candidates for Directors, in order to ensure the objectivity of these decisions, the Company obtains advice in the Remuneration Advisory Committee and the Nomination Advisory Committee, among whose members, respectively, are three outside Directors forming a majority.

The Audit & Supervisory Board is composed of four Audit & Supervisory Board Members (all men), of whom two are outside Audit & Supervisory Board Members (both are independent officers registered with the Tokyo Stock Exchange). The Board meets at least once a month in principle. Each Audit & Supervisory Board Member audits the appropriateness and legality of the Directors' execution of their duties by attending meetings of the Board of Directors and other important meetings and giving his opinion, exchanging opinions with the representative director, receiving verbal updates on the status of execution of business from Directors and others as required, and

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through other methods.

The Company has adopted a Managing Officer system with the primary aim of ensuring swift and efficient decision-making and business execution to respond flexibly to changes in the management environment. In addition, the Company has established the Management Council as an organization where the Managing Officers and others deliberate on important matters, including proposals to be submitted to the Board of Directors, and holds meetings twice a month in principle to improve the quality of decision-making.

For internal audits, the Company has established the Internal Audit and Internal Control Department, which is independent from divisions that execute business operations, and in order to maintain soundness in the execution of business, the Company carries out internal audits with a staff put in place of six full-time internal auditors. Moreover, for the internal control reporting system pursuant to the Financial Instruments and Exchange Act, the Company carries out evaluation of the effectiveness of the internal controls relating to financial reporting with a dedicated staff put in place of 13 employees in the Internal Audit and Internal Control Department. Furthermore, the Company carries out monitoring for the purpose of examining and evaluating the effectiveness and efficiency of the internal control system and maintaining soundness in the execution of business. The Internal Audit and Internal Control Department regularly coordinates with the Audit & Supervisory Board Members and the Accounting Auditor. Financial audits are conducted by Ernst & Young ShinNihon LLC. The certified public accountants who conducted the financial audit of the Company for the fiscal year ended March 31, 2016 on behalf of the Accounting Auditor were Yasunori Arao, Katsuyuki Kawai and Motoki Yoshimura. They were assisted in the financial audit of the Company by 37 certified public accountants and 34 others.

The Company has concluded limitation of liability agreements with its three outside Directors.

Corporate Governance Report

3. Reasons for adoption of current corporate governance system

In order to conduct proper allocation of management resources, supervision of business management and other functions as a holding company, the Board of Directors of the Company is composed of Directors who are familiar with the Group's businesses and their management, and independent outside Directors with abundant knowledge and insight. Moreover, the Company ensures the ability to improve the quality of decision-making by soliciting opinions and advice from outside Audit & Supervisory Board Members, attorneys at law, certified public accountants and other experts outside the Company.

In addition, the Company's management believes that outside Directors and outside Audit & Supervisory Board Members contribute to further strengthening corporate governance and internal control systems by playing a role in improving management monitoring functions, including providing useful opinions and other feedback on management from a standpoint of objectivity, neutrality and independence, based on career histories, experience and knowledge that differ from those of people from inside the Company.

Through the above management structure, the Company believes it can ensure management soundness and transparency by properly auditing and supervising the execution of business.

Corporate Governance Report

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to vitalize the General Meetings of Shareholders and smooth exercise of voting rights

	Supplementary explanations
a. Early notification of General Meetings of Shareholders	Notice of the Annual General Meeting of Shareholders held in June 2016 was sent out on May 31, 2016, 21 days before the date of the meeting. In addition, prior to sending the aforesaid notice, the Company posted it on the Company's website and the Tokyo Stock Exchange's website.
b. Scheduling General Meetings of Shareholders avoiding the peak day	The Annual General Meeting of Shareholders held in June 2016 took place on June 21, 2016, eight days before the peak day.
c. Allowing electronic or magnetic exercise of voting rights	Since the Annual General Meeting of Shareholders held in June 2007, the Company has allowed voting rights to be exercised online.
d. Participation in electronic voting platform	Since the Annual General Meeting of Shareholders held in June 2015, the Company has participated in the electronic voting platform for institutional investors operated by ICJ, Inc.
e. Providing convocation notice in English	The convocation notice for the Annual General Meeting of Shareholders is fully translated into English and posted on the Company's website and the Tokyo Stock Exchange's website.
f. Other	The Company's business report is presented in visual form at the General Meeting of Shareholders.

Corporate Governance Report

2. IR activities

	Supplementary explanations	Personal briefing by the Company's representative(s)
Preparation and publication of disclosure policy	The Company is considering the preparation and publication of a Seibu Group disclosure policy.	
Regular investor briefings for analysts and institutional investors	The Company holds briefings following results announcements (after interim and year-end settlement of accounts), and whenever necessary to address specific topics.	Yes
Regular investor briefings for overseas investors	Once or twice a year individual meetings with investors take place in major cities in Europe, the United States and Asia. The Company President and director, and Executive Managing Officer brief investors at these meetings.	Yes
Posting of IR materials on website	URL: http://www.seibuholdings.co.jp/ir/ir_material/ (Japanese) http://www.seibuholdings.co.jp/en/ir/ir_material/ (English) Materials available: Financial information, non-financial materials requiring timely disclosure, briefing materials, Annual and Quarterly Securities Reports, Monthly Reports, Seibu Group Business Report, Annual Report, etc. In addition, material information for disclosure to investors is translated into English and posted on the investor relations section of the Company's English-language website.	
Establishment of department and/or manager in charge of IR	Department in charge of IR: Investor Relations Department IR supervisor: general manager of the Investor Relations Department Administrative contact: manager in charge in the Investor Relations Department	
Other	The Company holds briefings for individual investors whenever necessary.	

Corporate Governance Report

3. Measures to ensure due respect for stakeholders

	Supplementary explanations
a. Internal rules, etc. stipulated for respecting the position of stakeholders	The Company sets forth its good faith toward its all stakeholders and its respect for their viewpoints in its Group Vision and the Seibu Group Corporate Code of Ethics, and works for the sustainable growth of its businesses and society in accordance with these documents.
b. Implementation of environmental activities, CSR activities, etc.	As an operator of railways, hotels and a wide range of other businesses closely connected to local communities and society, the Seibu Group conducts its business activities with the natural and global environment in mind. We also implement initiatives for progress together with customers and local communities. To preserve the environment, we have introduced fuel-efficient trains and buses, and energy-efficient facilities in our hotel and real estate operations. Other environmental preservation initiatives include reducing CO₂ and saving resources through measures such as the use of solar power, and greenery at facilities, as well as promotion of recycling, forest conservation and water purification. One of these initiatives is a project called Hanno Seibu no Mori, which utilizes a forest of approximately 77 hectares in Hanno City, Saitama Prefecture for natural environment conservation. In addition to ongoing activities to conserve the nature-rich forest, efforts are also being made to promote the forest's development as a safe and secure forest under the vision of it being both a place of relaxation for citizens of the local region and a popular place for environmental education such as nature-experience programs. In our communication with customers and local communities, we disseminate information through public relations activities, our website and other media. In addition, we work to revitalize local communities and enhance cooperation with them by entering into cooperation agreements with municipalities to hold various events along our railway lines and fairs for locally produced food and goods at our hotels, among other activities. Moreover, to provide assistance for child care, we operate Nicot (child care centers) near Seibu Railway stations, and hold the Seibu-Juku learning program and various experiential programs as part of efforts for the Seibu Group Children's Support Project, which lets children experience the Group's diverse businesses to foster their curiosity and support their healthy growth.

Corporate Governance Report

	Supplementary explanations
c. Formulation of policies on information provision to stakeholders	The Company provides information to stakeholders, recognizing that it is important to earn the trust of its shareholders, investors, and all other stakeholders by building a good relationship with them through accurate disclosure of timely and appropriate information in accordance with its Group Vision and the Seibu Group Corporate Code of Ethics.
d. Other	To put its Group Vision into practice, the Seibu Group trains and deploys employees to make greater use of their abilities. Respecting their diversity, the Group strives to create workplaces where its employees can fully display their capabilities. Our employee training is aimed at nurturing employees who can act independently while thinking from a Group perspective. To that end, we conduct cross-divisional Group training while stimulating communication across company borders. In addition, we are working to make the personnel system a Groupwide platform and share personnel data to transfer and deploy employees flexibly across the Group's divisions. By doing so, we are promoting workplaces where employees can innovate from new perspectives. Moreover, in order to speedily promote the utilization of diverse personnel throughout the Group, we established the new position of Diversity Management in the Company's Personnel Department on April 1, 2015. The Seibu Group's basic policy for diversity management is to aim for increased corporate value through the generation of innovation that arises when we respect each and every one of our diverse employees who differ in terms of gender, age, nationality, sense of values, lifestyle, and so forth, and cultivate a workplace culture that encourages all employees to perform at their maximum capability and passion. As a first step in these endeavors, the Company is implementing initiatives to encourage participation by female employees in active roles. To effectively promote these initiatives, in the three major companies of the Group, we aim to at least double the ratio of women in management by 2020, and concerning other important matters, in each company, specific to their circumstances, we have set targets for specific items such as reducing overtime hours, improving the utilization rate of men taking parental leave and improving the utilization rate of vacation leave. In future initiatives as well, by striving to engender a mindset of goal achievement, examining the introduction of systems of flexible working style, and implementing practical measures to develop a work environment that employees find both challenging and rewarding, we aim to provide the support necessary for each employee of the Group to feel comfortable and be able to realize their full potential.

IV. Matters Related to the Internal Control System

1. Basic views on internal control system and the progress of system development

The Company recognizes that further strengthening the internal control system will contribute to maximization of the corporate value of the entire Group over the medium to long term. At the start of the fiscal year, the Company formulates an annual plan based on each of 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.

The statuses of individual system development are as follows.

- Progress in developing a compliance framework

To enhance and strengthen the compliance framework by preparing and developing a code of conduct for officers and employees, the Company established the Seibu Group Corporate Code of Ethics as a basic policy shared by the Group. The Company works to swiftly identify and resolve issues pertaining to compliance, ensuring that the code is implemented and observed through such measures as instituting guidelines for behavior, distributing compliance manuals and setting up corporate ethics hotlines both within and outside the Company. To conduct integrated administration of the entire Seibu Group's compliance framework, moreover, the Company established the Seibu Group Corporate Ethics Committee, chaired by the President and Chief Executive Officer of the Company and with officers of the Company, external experts and representatives of Group companies as members. The committee decides basic policies for compliance, verifies and reviews the status of their promotion, resolves issues related to corporate ethics and considers measures to prevent their recurrence, among other activities.

- Progress in developing a risk management framework

The Company has established a unit in charge of controlling risk (the Administration Department), while also identifying risk, preemptively addressing risk-related matters, and developing a framework that enables measures to be taken swiftly should any specific risk materialize. It does so in accordance with the Seibu Group Risk Management Policy, the Seibu Group Rules on Risk Management and the Seibu Group Rules on Crisis Management, which stipulate fundamental approaches and control frameworks for managing risk in the Group.

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- Progress in developing an information management framework

The Company ensures rigorous management of documents and other information including personal information. To that end, it institutes various rules regarding information according to the Seibu Group Rules on Information Management, the Group's basic rules on the management of information. At the same time, the Company is addressing IT-related requirements by developing a framework to ensure that information systems are managed and operated properly in accordance with the Seibu Group Basic Policy on Information Technology.

Please refer to "Reference Material: Figure 1" attached at the end of this report.

2. Basic views on eliminating antisocial forces and progress of related efforts

"Antisocial forces" is the term used in Japan to refer to organized crime groups. The Group instituted the Seibu Group Basic Rules on Dealings with Antisocial Forces, which stipulate its fundamental principles for addressing matters involving antisocial forces, as well as frameworks for reporting, liaising and consulting if any incident involving antisocial forces should occur. These basic rules are supplemented by a manual on dealing with antisocial forces, guidelines on due diligence when conducting transactions and guidelines on incorporating provisions regarding elimination of antisocial forces into contracts. The Company ensures that all Group officers and employees are aware of these rules and guidelines.

Based on the above rules, the Company ensures that any section of the Company or its Group companies can consult the internal department in charge of dealing with antisocial forces at any time if the section has received any contact or unreasonable demand from antisocial forces or similar groups. In such cases, there is a framework in place to take appropriate measures by notifying or consulting with experts or law enforcement authorities. The Company takes a firm stand against antisocial forces, resists threats or intimidation, and precludes any relationship whatsoever with antisocial forces. Under no circumstances will it take any action that might encourage the activities of such groups.

Corporate Governance Report

V. Other

1. Adoption of anti-takeover measures

Adoption of anti-takeover measures	Not adopted
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Supplementary explanation

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2. Other matters concerning the corporate governance system

- Internal framework for timely disclosure of corporate information

The Company considers it a basic policy to strive to ensure society's trust and develop its businesses by reporting accurately, swiftly and fairly to its shareholders and society in general on the Group's activities, including operating results and the status of its businesses.

To that end, the Company instituted the Seibu Group Rules on Information Management to ensure that its officers and employees are aware of which information is material, and that they manage such information appropriately. In addition to these rules, the Company also addressed the management of material information that may require timely disclosure, developing the Seibu Group Rules on Management of Material Information and Insider Trading and the Seibu Group Rules on Disclosure of Material Information, and ensuring that all Group companies are aware of these rules.

Based on these rules, the Company designated the Administration Department as the unit responsible for managing material information, and appointed the director in charge of the department as Chief Information Management Officer (hereinafter, "Group Chief Information Management Officer"). It also appointed Chief Information Management Officers at each Group company, and put the Corporate Communication Department in charge of timely disclosure.

- Timely disclosure procedures

The same procedures relating to timely disclosure apply to the Company and its subsidiaries and associates; the following items therefore apply to the Company as well as its subsidiaries and associates.

(a) Information regarding resolutions

The Corporate Planning Department's Corporate Strategy Department acts as an administrative office for the Board of Directors and the Management Council and centrally manages matters to be submitted for resolution by these bodies. Pursuant to the Seibu Group Rules on Subsidiary and Associate Management, each Group company submits matters concerning their own business operations to the Company for resolution.

Based on these submissions, the Information Management Committee investigates whether resolutions include material facts requiring timely disclosure by the Company and its Group companies. The committee comprises the Group Chief Information Management Officer and

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personnel responsible for information management in the Corporate Communication Department, the Corporate Planning Department, the Corporate Strategy Department, the Investor Relations Department, and the Administration Department. If material facts requiring timely disclosure are identified, the Corporate Communication Department promptly discloses such facts, following resolution by the relevant internal bodies.

(b) Information regarding material events that occur

If a material event occurs, the Company and its Group companies immediately notify the Administration Department in accordance with the Seibu Group Rules on Crisis Management and other relevant rules.

Based on such notification, the Information Management Committee investigates whether the events include material facts requiring timely disclosure by the Company and its Group companies. The committee comprises the Group Chief Information Management Officer and personnel responsible for information management in the Corporate Communication Department, the Corporate Planning Department, the Corporate Strategy Department, the Investor Relations Department, and the Administration Department. If material facts requiring timely disclosure are identified, the Corporate Communication Department promptly discloses such facts, following resolution by the relevant internal bodies.

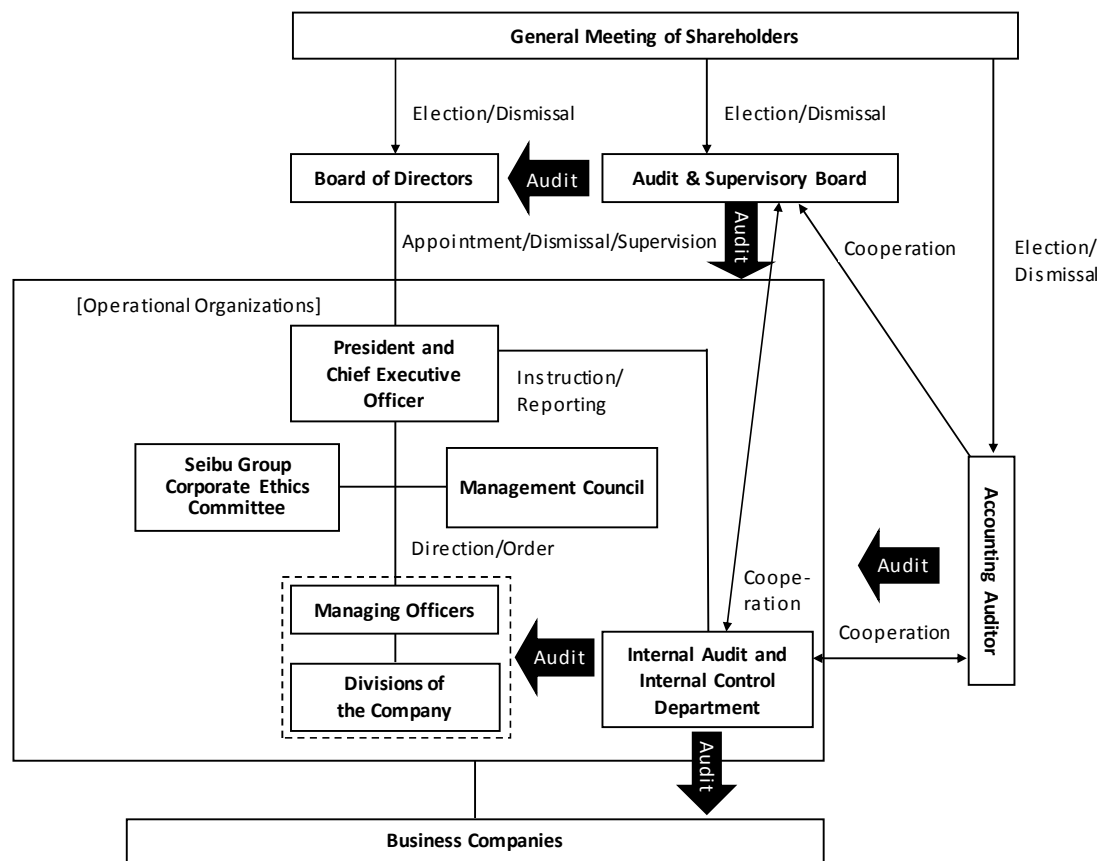
(c) Financial information

The Accounting Department has created a framework to enable it to prepare disclosure documents including Group companies' financial information (i.e., quarterly and annual earnings reports) in consultation with the Group Chief Information Management Officer and the Corporate Strategy Department and to disclose them within 45 days of the settlement of accounts, following resolution by the relevant internal bodies.

Please refer to "Reference Material: Figure 2" attached at the end of this report.

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Reference Material: Figure 1



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Reference Material: Figure 2

