

[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 30, 2018

To our shareholders

Takashi Goto

President and CEO

Seibu Holdings Inc.

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

Notice of the 13th Annual General Meeting of Shareholders

You are cordially invited to attend the 13th 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 Wednesday, June 20, 2018 (Japan time).

1. Date and Time: Thursday, June 21, 2018, at 10:00 a.m. (Japan Standard Time)
(The reception desk is scheduled to open at 9:00 a.m.)

2. Venue: Kusunoki Hall, Seibu Daini Building (8th floor)
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 13th Fiscal Year (from April 1, 2017 to March 31, 2018)
2. Non-consolidated Financial Statements for the 13th Fiscal Year (from April 1, 2017 to March 31, 2018)

Matters to be resolved:

- Proposal No. 1: Appropriation of surplus
- Proposal No. 2: Partial amendment to the Articles of Incorporation
- Proposal No. 3: Election of eight (8) Directors
- Proposal No. 4: Election of two (2) Audit & Supervisory Board Members
- Proposal No. 5: Revision to amounts of remuneration for Directors

4. Other Matters Concerning the Meeting

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.

- ◎ 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.

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. 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.

Date and Time	Thursday, June 21, 2018, at 10:00 a.m. (Japan Standard Time) (The reception desk is scheduled to open at 9:00 a.m.)
Venue	Kusunoki Hall, Seibu Daini Building (8th floor) 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 Wednesday, June 20, 2018 (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 (<https://soukai.mizuho-tb.co.jp/>) 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 Wednesday, June 20, 2018 (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 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 strong 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 coupled with a policy requiring that we optimally balance those returns with investment geared toward achieving growth.

In light of the policy described above, we will strive to distribute profits targeting a consolidated dividend payout ratio of 15% as a specific guideline for dividends, while actively making investments for growth for the moment.

On the basis of the basic policy and financial strategy, given consideration to the business performance of the current fiscal year, it is hereby proposed that the amount of dividends paid out for the end of our 13th fiscal year be ¥11.50 per share.

If this proposal is approved and passed as above, the amount of annual dividends per share including the interim dividend (¥11.50 per share) for the fiscal year ended March 31, 2018 is ¥23.00 per share.

(1) Type of dividend property

Money

(2) Allotment of dividend property and its total amount

¥11.50 per Company's common share

Total: ¥3,874,813,128

(3) Effective date of dividends from surplus

June 22, 2018

Proposal No. 2: Partial amendment to the Articles of Incorporation

1. Reasons for the proposal

To further promote corporate governance, the Company 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 that regard, as a means to promote corporate governance, the Company proposes to amend the upper limit of the number of Directors provided for in Article 17 of the current Articles of Incorporation from 18 to 15, with the intention of further enhancing the functions relating to decisions of business execution and functions relating to the supervision of the Directors' execution of duties.

2. Details of the amendment

Details of the proposed amendment to the Articles of Incorporation are as follows:

(Underlined portions indicate amendments.)

Current Articles of Incorporation	Proposed Amendment
(Number of Directors) Article 17 The Company shall have not more than <u>eighteen (18)</u> Directors.	(Number of Directors) Article 17 The Company shall have not more than <u>fifteen (15)</u> Directors.

Proposal No. 3: Election of eight (8) Directors

Upon the conclusion of this General Meeting of Shareholders, the terms of office of eleven (11) Directors, Takashi Goto, Kaoru Takahashi, Tomoyuki Nishii, Ryuichiro Nishiyama, Hisashi Wakabayashi, Shigeyoshi Akasaka, Akihisa Uwano, Kimio Kitamura, Hitoshi Nakamura, Chikara Shinden, and Fumiyasu Goto will expire. In that regard, it is hereby proposed that eight (8) Directors be elected, lowering the number by three (3) to further enhance the functions for deciding on business execution and supervising Directors' performance of duties.

The candidates for Director are as follows:

For the Company's Independence Standards for Outside Directors and Outside Audit & Supervisory Board Members, please refer to page 16.

Candidate number	Name	Current position and responsibilities in the Company	
1	Takashi Goto	President and Representative Director Compliance Dept.	Reelection
2	Kaoru Takahashi	Director Accounting Dept., Finance Dept.	Reelection
3	Tomoyuki Nishii	Director Corporate Planning	Reelection
4	Ryuichiro Nishiyama	Director President's Office, Administration Dept., Corporate Communication Dept.	Reelection
5	Hisashi Wakabayashi	Director	Reelection
6	Masahiko Koyama		New candidate
7	Akihisa Uwano	Director	Reelection
8	Masafumi Tsujihiro		New candidate Outside Independent

Notes for all eight 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, 2018.
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 as Director 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 (69 years old) Number of Years in Office: 12 years	Apr. 1972	Joined The Dai-Ichi Kangyo Bank, Ltd. (currently Mizuho Financial Group, Inc.)	7,056
		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		
	Attendance to the meetings of the Board of Directors in FY2017: 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 showed strong leadership as a pivotal member of the management team and contributed significantly to improving the Seibu Group’s corporate value while drawing on his prior experience. We are certain that he will work to expand existing business fields and create new business areas with speed going forward, playing an essential role toward increasing the medium- to long-term corporate value and shareholder value, 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, from a long-term perspective, I will tackle innovation with speed from new perspectives as I strive to continuously increase corporate value 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 (65 years old) Number of Years in Office: 12 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 Oct. 2012 General Manager, International Business Planning Department of the Company <u>Responsibilities in the Company</u> Accounting Department, Finance Department	4,027
		Attendance to the meetings of the Board of Directors in FY2017: 18/18 (100%)	
		Important concurrent positions outside the Company: None	
		[Reason for nomination as Director] As the person responsible for the Company's accounting, finance and planning, Mr. Takahashi has been working to ensure accurate disclosure of financial information, strengthen the financial structure and increase its earning capability, increase the Seibu Group's reliability, and contribute to increasing corporate value. Looking ahead, we are certain that he will contribute to enhancing medium- to long-term corporate value by applying the abundant practical experience he has accumulated to date and by promoting the financial strategies necessary to establish a long-term business foundation that will support the Seibu Group's sustainable, strong growth. Accordingly, we nominate him as a Director.	
		[Message to shareholders from the Director candidate] I will make effective use of the Seibu Group's managerial resources to realize a corporate group that strives to provide new services and to support the lives of its customers in all scenarios. Going forward, I will continue to pursue timely and accurate disclosure of financial information, as well as efficiency, and strive to increase corporate value and shareholder value under a financial strategy attuned to capital cost awareness.	

Candidate number	Name (Date of birth)	Career summary, position and responsibilities		Number of Company shares owned
3	Reelection Tomoyuki Nishii March 25, 1959 (59 years old) Number of Years in Office: 6 years	Apr. 1982	Joined The Dai-Ichi Kangyo Bank, Ltd. (currently Mizuho Financial Group, Inc.)	2,027
		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.	
		Apr. 2015	Senior Managing Officer, General Manager, Corporate Planning Department of Seibu Holdings Inc. Executive Managing Officer of Prince Hotels, Inc.	
		Apr. 2017	Senior Managing Officer, Executive General Manager, Corporate Planning of Seibu Holdings Inc.	
		Apr. 2018	Senior Managing Officer, Executive General Manager, Corporate Planning, General Manager, Corporate Strategy Department of the Company (present)	
<u>Responsibilities in the Company</u> Corporate Planning				
Attendance to the meetings of the Board of Directors in FY2017: 18/18 (100%)		Important concurrent positions outside the Company: None		
[Reason for nomination as Director] As a person in a key position within the corporate planning departments of the Company and its subsidiaries, Mr. Nishii has proposed and executed the Seibu Group’s long-term strategy and Medium-term Management Plan and contributed to enhancing its corporate value. We are certain that he will continue to contribute to realizing medium-to long-term growth by promoting expansion of existing business fields and creation of new business areas based on the Medium-term Management Plan, 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 the Urban Transportation and Regional, the Hotel and Leisure, and the Real Estate business segments. A strategy with a medium- to long-term perspective is vital for continuously enhancing corporate value and shareholder value through these businesses. In addition, we will strive to increase earning capability by generating innovation that goes beyond the trajectory of our existing business.				

Candidate number	Name (Date of birth)	Career summary, position and responsibilities	Number of Company shares owned
4	Reelection Ryuichiro Nishiyama August 30, 1964 (53 years old) Number of Years in Office: 4 years	Apr. 1987 Joined The Dai-Ichi Kangyo Bank, Ltd. (currently Mizuho Financial Group, Inc.) 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 Jun. 2014 Director of Seibu Holdings Inc. (present) Senior Managing Officer, General Manager, Corporate Communication Department of the Company Apr. 2017 Director and Executive Managing Officer of Prince Hotels, Inc. (present) Nov. 2017 Senior Managing Officer of Seibu Holdings Inc. (present) <u>Responsibilities in the Company</u> President's Office, Administration Department, Corporate Communication Department	4,031
		Attendance to the meetings of the Board of Directors in FY2017: 18/18 (100%)	
		Important concurrent positions outside the Company: Director of Prince Hotels, Inc.	
		[Reason for nomination as Director] As the person responsible for the administration and the corporate communication, Mr. Nishiyama has contributed to enhancing the Seibu Group's corporate value by striving to promote group management and enhance the corporate image. We are certain that he will contribute to enhancing medium- to long-term corporate value by overseeing the strengthening of the Group's management structure and proposal and execution of corporate communication strategies, and accordingly nominate him as a Director.	
		[Message to shareholders from the Director candidate] By making a stronger Group management structure and building a disciplined organizational structure in order to become a corporate group that can respond flexibly to changes in the business environment, and 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
5	Reelection Hisashi Wakabayashi January 1, 1949 (69 years old) Number of Years in Office: 6 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) Jun. 2016 President and Representative Director of Izuhakone Railway Co., Ltd.	2,027
	Attendance to the meetings of the Board of Directors in FY2017: 18/18 (100%)	Important concurrent positions outside the Company: President and Representative Director of Seibu Railway Co., Ltd.	
	[Reason for nomination as Director] As President of Seibu Railway Co., Ltd. and Director of the Company, Mr. Wakabayashi has been working to increase the value of areas along the Seibu Railway lines and has contributed to enhancing the corporate value of the Seibu Group. Moreover, we are certain that he will contribute to the formation of a growth platform by utilizing his abundant experience in railway operations in general and continue to undertake the formulation and execution of medium- to long-term strategies for the Urban Transportation and Regional business segment, 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 communicating the broad appeal of the Seibu Group to our shareholders and many other stakeholders and creating earning opportunities. Moreover, towards establishing a growth platform for the Group, I will take a long-term perspective, aiming for us to become our customers' railway of choice and will wholeheartedly work to increase our earning capability.		

Candidate number	Name (Date of birth)	Career summary, position and responsibilities		Number of Company shares owned
6	New candidate Masahiko Koyama April 9, 1956 (62 years old) Number of Years in Office: - years	Mar. 1979	Joined Prince Hotels, Inc.	6,694
		Jul. 2005	General Manager of Shinagawa Prince Hotel of the company	
		Jun. 2006	Managing Officer, General Manager of Takanawa and New Takanawa Prince Hotels and Shinagawa Prince Hotel of the company	
		Jun. 2007	Managing Officer, General Manager of Grand Prince Hotel Takanawa and Shinagawa Prince Hotel of the company	
		Jun. 2008	Managing Officer, General Manager of Grand Prince Hotel Takanawa of the company	
		Oct. 2009	Managing Officer, General Manager of Karuizawa Prince Hotel of the company	
		Jun. 2010	Managing Officer, General Manager of Karuizawa Prince Hotel and Karuizawa Golf and Ski of the company	
		Apr. 2015	Executive Managing Officer, Supervisory General Manager of Kyoto and Shiga, Hiroshima, and Miyazaki of the company	
		Apr. 2016	Executive Managing Officer, Supervisory General Manager of West Japan Area of the company	
		Jun. 2016	Director and Executive Managing Officer, Supervisory General Manager of West Japan Area of the company	
Apr. 2018	Director and Executive Vice President, General Manager, Sales and Marketing Division of the company (present)			
Attendance to the meetings of the Board of Directors in FY2017: -		Important concurrent positions outside the Company: Director and Executive Vice President of Prince Hotels, Inc.*		
[Reason for nomination as Outside Director] Mr. Koyama has served as General Manager and Supervisory General Manager of Prince Hotels, Inc. and has contributed to the development of the Hotel and Leisure business segment. He has served as Executive Vice President of Prince Hotels, Inc. since April 2018, supervising the Head Office organization and overall business, and from June we plan to appoint him as President of Prince Hotels, Inc. We are certain that he will continue to increase the earning capability of the Hotel and Leisure business segment, which is a driver of corporate value enhancement, going forward, and contribute to realizing the medium- to long-term strategy. Accordingly, we nominate him as a Director.				
[Message to shareholders from the Outside 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 Japan’s largest hotel chain, we will continue to propose a variety of ways of spending time to our guests, such as MICE. Moreover, as a “driver of corporate value enhancement,” we will conduct worldwide activities to increase the recognition of the Prince brand, and work actively to capture new demand such as next-generation limited service hotels and membership hotels.				

* Mr. Koyama is scheduled to be appointed as President and Representative Director of Prince Hotels, Inc. on the date of its Annual General Meeting of Shareholders, which is scheduled to be held in June 2018.

Candidate number	Name (Date of birth)	Career summary, position and responsibilities		Number of Company shares owned
7	Reelection Akihisa Uwano March 9, 1961 (57 years old) Number of Years in Office: 8 years	Mar. 1984	Joined Seibu Railway Co., Ltd.	6,043
		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	
		Apr. 2017	President and Representative Director of Seibu Properties Inc. (present)	
Attendance to the meetings of the Board of Directors in FY2017: 18/18 (100%)		Important concurrent positions outside the Company: President and Representative Director of Seibu Properties Inc.		
[Reason for nomination as Director] As the person responsible for the administration, Mr. Uwano has contributed to enhancing the Seibu Group’s corporate value first by strengthening the Group’s management structure and now by promoting medium- to long-term strategies in the Real Estate business segment as president of Seibu Properties Inc. We are certain that he will contribute to realizing the medium- to long-term strategies by steadily growing the Seibu Group’s Real Estate business segment, and accordingly nominate him as a Director.				
[Message to shareholders from the Director candidate] The Seibu Group leverages its abundant assets throughout Japan, mainly in the greater Tokyo area, to provide high-value-added spaces. Looking ahead, I will work to realize the earning capability of the Real Estate business segment, which is “a key to improving corporate value,” and proactively address real estate development, including development projects in the Takanawa and Shinagawa area, among others, aiming to generate further value as a growth driver for the Seibu Group.				

Candidate number	Name (Date of birth)	Career summary, position and responsibilities		Number of Company shares owned
8	New candidate Outside Independent Masafumi Tsujihiro July 5, 1958 (59 years old) Number of Years in Office as Outside Director: - years	Apr. 1981 Apr. 2001 Sep. 2004 Jun. 2006 Jun. 2014 Apr. 2015 Apr. 2018	Joined DIAMOND, Inc. Editor-in-Chief of DIAMOND, Inc. Director of Marketing Bureau of DIAMOND, Inc. Director of DIAMOND, Inc. Outside Director of Prince Hotels, Inc. Professor, Faculty of Economics at Teikyo University (present) Director of Seibu Railway Co., Ltd. (present)	606
	Attendance to the meetings of the Board of Directors in FY2017: -	Important concurrent positions outside the Company: Director of Seibu Railway Co., Ltd. Professor, Faculty of Economics at Teikyo University		
	[Reason for nomination as Outside Director] Mr. Tsujihiro has taken office as an Outside Director of Prince Hotels, Inc. since June 2014 and has helped to enhance the Seibu Group’s medium- to long-term corporate value by making use of his abundance experience and opinions from a broad perspective based on his track record in the management of Prince Hotels, Inc. Now, as a Director of Seibu Railway Co., Ltd., he is involved in the company’s management and we are certain that he will be sure to contribute to the enhancement of the Seibu Group’s medium- to long-term corporate value. Accordingly, we nominate him as an Outside Director.			
	[Message to shareholders from the Outside Director candidate] To ensure the sustainable growth of the Seibu Group while carrying out its social responsibility as the economic situations changes from day to day, we must grasp the needs of the market accurately and provide services. I will make full use of the experience and knowledge I have acquired to date to contribute to the Seibu Group as it tackles innovation with speed from new perspectives.			

* Mr. Tsujihiro is Director (non-executive) of the Company's subsidiary Seibu Railway Co., Ltd. Moreover, he was an Outside Director of the Company's subsidiary Prince Hotels, Inc. from June 2014 to March 2018.

* If the election of Mr. Tsujihiro is approved, the Company plans to conclude agreements limiting the liability for damages under Article 423, paragraph 1 of the Companies Act, to the minimum amount stipulated in Article 425, paragraph 1 thereof.

* If the election of Mr. Tsujihiro is approved, the Company plans to register him as an independent director in accordance with the rules and regulations of the Tokyo Stock Exchange.

Proposal No. 4: Election of two (2) Audit & Supervisory Board Members

Upon the conclusion of this General Meeting of Shareholders, the terms of office of two (2) Audit & Supervisory Board Members, Isao Fukasawa and Eiji Sakomoto, will expire. Therefore, it is hereby proposed that two (2) Audit & Supervisory Board Members be elected.

As for the submission of this proposal, the consent of the Board of Audit & Supervisory Board Members has been obtained.

The candidates for Audit & Supervisory Board Member are as follows:

For the Company's Independence Standards for Outside Directors and Outside Audit & Supervisory Board Members, please refer to page 16.

Candidate number	Name (Date of birth)	Career summary and position	Number of Company shares owned
1	Reelection Outside Independent Isao Fukasawa July 23, 1972 (45 years old) Number of Years in Office: 12 years	Apr. 2000 Registered as attorney at law Joined Hotta and Fukuhara Law Office (currently Toranomom College Law Office) Jun. 2004 Outside Audit & Supervisory Board Member of Seibu Railway Co., Ltd. Feb. 2006 Outside Audit & Supervisory Board Member of Seibu Holdings Inc. (present) Apr. 2007 Established Fukasawa Sogo Law Office (present) Jun. 2016 Audit & Supervisory Board Member of Seibu Railway Co., Ltd. (present)	1,412
	Attendance to the meetings of the Board of Directors in FY2017: 18/18 (100%) Attendance to meetings of Audit & Supervisory Board in FY2017: 17/17 (100%)	Important concurrent positions outside the Company: Audit & Supervisory Board Member of Seibu Railway Co., Ltd. Attorney	
	[Reason for nomination as Outside Audit & Supervisory Board Member] Mr. Fukasawa possesses a high degree of expertise and abundant experience and extensive knowledge with respect to corporate legal affairs as an attorney. Moreover, he maintains no relationships involving special interests with the Company, and is accordingly able to perform audits based on a fair and neutral perspective and also provide appropriate feedback. We expect that he will continue to faithfully execute his duties based on his responsibility going forward, and accordingly nominate him as an Outside Audit & Supervisory Board Member.		
	[Message to shareholders from the Audit & Supervisory Board Member candidate] The Seibu Group has been working to improve the soundness and transparency of management, and I judge that the Group has built and implemented a corporate governance structure that upholds the trust of all stakeholders and responds to the demands of society. In addition to my experience as an attorney working primarily in corporate legal affairs, I will also make use of the information and insight that I have accumulated in my role as Outside Audit & Supervisory Board Member of the Company to provide advice to the Management Council and the Board of Directors from an independent, fair, and neutral standpoint, always conscious of my perspective from outside the Company. In this way, I hope to continue contributing to the maintenance and improvement of a management and administration system that assists the Seibu Group's sustainable growth and maximization of corporate value and shareholder value.		

* Mr. Fukasawa is Audit & Supervisory Board Member of the Company's subsidiary Seibu Railway Co., Ltd. Moreover, he was an Outside Audit & Supervisory Board Member of the company from June 2004 to June 2016.

Candidate number	Name (Date of birth)	Career summary and position		Number of Company shares owned
2	Reelection Outside Independent Eiji Sakomoto November 4, 1956 (61 years old) Number of Years in Office: 12 years	Oct. 1989	Representative Director of SHINSOH Consulting Co., Ltd. (currently Ginza K.T.C. Consulting Co., Ltd.) (present)	1,412
		Mar. 1993	Certified Public Accountant business commencement registration	
		Jul. 1993	Licensed Public Tax Accountant business commencement registration	
		Jun. 2000	Representative Member of SHINSOH AUDIT CORPORATION Outside Corporate Auditor of Nagatanien Co., Ltd. (currently Nagatanien Holdings Co. Ltd.)	
		Apr. 2004	Representative Member of SHINSOH TAX CORPORATION (currently Ginza K.T.C Tax Corporation) (present)	
		Dec. 2004	Outside Audit & Supervisory Board Member of KOKUDO CORPORATION (currently Prince Hotels, Inc.)	
		Feb. 2006	Outside Audit & Supervisory Board Member of Prince Hotels, Inc. Outside Audit & Supervisory Board Member of Seibu Holdings Inc. (present)	
		May 2015	Audit & Supervisory Board Member of Prince Hotels, Inc. (present)	
		Jun. 2015	Outside Director of Nagatanien Co., Ltd. (currently Nagatanien Holdings Co. Ltd.) (present)	
		Attendance to the meetings of the Board of Directors in FY2017: 17/18 (94.4%) Attendance to meetings of Audit & Supervisory Board in FY2017: 17/17 (100%)		
[Reason for nomination as Outside Audit & Supervisory Board Member] As a certified public accountant and licensed tax accountant, Mr. Sakomoto possesses a high degree of expertise and abundant experience and extensive knowledge with respect to financial affairs and accounting. Moreover, he maintains no relationships involving special interests with the Company, and is accordingly able to perform audits based on a fair and neutral perspective and also provide appropriate feedback, etc. We expect that he will continue to faithfully execute his duties going forward, and accordingly nominate him as an Outside Audit & Supervisory Board Member.				
[Message to shareholders from the Audit & Supervisory Board Member candidate] Now that the Company has relisted, to ensure even further development going forward, I believe it is important to demonstrate a transparent, fair, swift, and resolute management stance to shareholders and other stakeholders from the outset. By driving home this management stance, the Company will become able to contribute to the development of society as well. To this end, I intend to focus on enhancing the effectiveness and efficiency of duties and ensuring compliance with laws and regulations as an independent accounting specialist.				

* Mr. Sakomoto is Audit & Supervisory Board Member of the Company's subsidiary Prince Hotels, Inc. Moreover, he was Outside Audit & Supervisory Board Member of the company from February 2006 to May 2015.

Notes for all two candidates for Outside Audit & Supervisory Board Member:

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, 2018.
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 as Outside Audit & Supervisory Board Member of each candidate is upon the conclusion of this General Meeting of Shareholders.
5. The Company has designated Isao Fukasawa and Eiji Sakomoto as independent audit & supervisory board members in accordance with the rules and regulations of the Tokyo Stock Exchange, and has registered them as such with the Exchange. If the reelection of them is approved, the Company plans to register them as independent audit & supervisory board members again.

<Reference> Seibu Holdings' Independence Standards for Outside Directors and Outside Audit & Supervisory Board Members

The Company will determine to be independent any person who, in addition to meeting the independence standards specified by the Tokyo Stock Exchange, does not fall under any of the following:

- (1) a person who executes business (“executive”) of “a business partner where net sales to the business partner account for 2% or more of the Company’s net sales in any of the last three fiscal years”;
- (2) an executive of “a business partner where net sales to the Company account for 2% or more of the business partner’s net sales in any of the last three fiscal years”;
- (3) an executive of “a lender from which the Company borrows funds that account for 2% or more of the Company’s consolidated total assets in any of the last three fiscal years”;
- (4) an executive of “a major shareholder or investor of the Company with an equity ownership interest of 10% or more in any of the last three fiscal years”;
- (5) a consultant, accounting professional, or legal professional who receives remuneration of more than ¥10 million a year from the Company in any of the last three fiscal years;
- (6) a person who receives donation or subsidies from the Company in the annual average amount of more than ¥10 million over the last three fiscal years or an executive of such an organization; and
- (7) a spouse or relative within the second degree of kinship of a Director, etc. of the Company and its consolidated subsidiaries.

Proposal No. 5: Revision to amounts of remuneration for Directors

At the 9th Annual General Meeting of Shareholders held on June 25, 2014, shareholders gave their approval for limits with respect to amounts for remuneration paid to Directors of the Company, at ¥600 million per year (of which ¥60 million is for Outside Directors). Those limits remain unchanged to this day. Subsequently, there has been an increase in expectations of the role of Outside Directors in the context of a changing management environment, with particular regard to advice on increasing corporate value over the medium to long term and supervision of management, among other matters. To further promote corporate governance, the Company has increased the number of Directors by appointing diverse human resources able to perform these roles as Outside Directors. The Company now seeks to revise the amount of remuneration for directors so that it can continuously secure appropriate human resources for Outside Directors going forward.

The Company seeks to set the revised remuneration amount of not more than ¥660 million annually (of which not more than ¥120 million is for Outside Directors). It is also proposed that the remuneration amounts not include employee salary amounts for those Directors concurrently serving as employees, as has been the case thus far.

Whereas there are currently fifteen (15) Directors (of which, 3 are Outside Directors), there will be twelve (12) Directors (of which, 4 will be Outside Directors) assuming approval of Proposal No. 3 (Election of eight (8) Directors) in its original form.

- * The remuneration for the Company's Directors consists of basic compensation and stock options for share compensation. This proposal concerns the basic compensation and does not change the amount of stock options for share compensation allotted to Directors (excluding Outside Directors), which is a separate allowance to the compensation concerned.

(Attached Documents)

Business Report

(From April 1, 2017 to March 31, 2018)

1. Status of the corporate group

(1) Progress and results of operations

1) Review of the fiscal year ended March 31, 2018

During the fiscal year ended March 31, 2018, the Japanese economy has recovered gradually with the continuing improvement in the employment and income environment. The outlook, however, is unclear, with concerns over the impacts of uncertainty in overseas economies and fluctuations in the financial and capital markets.

Under these conditions, during the fiscal year ended March 31, 2018, the Seibu Group formulated the Seibu Group's Medium-term Management Plan (FY2017-FY2019), a three-year plan plotting a road map for achieving sustainable and dynamic growth necessary to reach "Challenge Target," the Seibu Group's long-term target. Under this plan, we addressed the two key issues of "create new business areas" and "expand existing business fields" with the basic policies of "tackling innovation with speed from new perspectives" and "establish a growth platform from a long-term perspective."

Of these key issues, the Company's efforts to create new business areas are being led by Seibu Laboratory, which was established within the Company as a specialist department to promote new measures through free ideas.

Moreover, Prince Hotels, Inc. acquired the business of StayWell Hospitality Group Pty Ltd, which operates hotels primarily in Australia. Through this action, the Company will further expand its Hotel and Leisure business globally.

As a result of these efforts, the Group recorded the following results for the fiscal year ended March 31, 2018. Operating revenue was ¥530,631 million, up ¥18,622 million, or 3.6%, year on year. Operating profit was ¥64,259 million, up ¥1,803 million, or 2.9%, year on year, mainly reflecting operating profit increased due to increased revenue as well as the recording of one-time expenses associated with the opening of Tokyo Garden Terrace Kioicho in the previous fiscal year. EBITDA was ¥115,580 million, up ¥7,465 million, or 6.9%, year on year.

However, ordinary profit was ¥55,490 million, down ¥1,982 million, or 3.4%, year on year, mainly due to recording an extraordinary profit related to NW Corporation Inc. becoming an equity method associate in the previous fiscal year. Profit attributable to owners of parent was ¥42,908 million, down ¥4,656 million, or 9.8%, year on year, mainly due to sales of land in the previous fiscal year.

2) Operating results by segment for the fiscal year ended March 31, 2018

(Millions of yen)

Segment	Operating revenue			Operating profit			EBITDA		
	For the year ended March 31, 2018	Change from previous year	Change (%)	For the year ended March 31, 2018	Change from previous year	Change (%)	For the year ended March 31, 2018	Change from previous year	Change (%)
Urban Transportation and Regional	162,056	5,562	3.6	27,254	450	1.7	49,062	1,572	3.3
Hotel and Leisure	204,854	16,309	8.7	17,299	3,207	22.8	32,739	5,770	21.4
Real Estate	62,292	8,521	15.8	15,818	7,929	100.5	25,077	8,876	54.8
Construction	100,002	(14,993)	(13.0)	4,752	(5,073)	(51.6)	5,152	(5,054)	(49.5)
Hawaii Business	15,375	(7,792)	(33.6)	(2,002)	(6,252)	—	97	(5,947)	(98.4)
Other	39,427	2,198	5.9	1,048	327	45.4	3,960	593	17.6
Total	584,007	9,806	1.7	64,171	588	0.9	116,089	5,812	5.3
Adjustments	(53,376)	8,816	—	88	1,214	—	(509)	1,652	—
Consolidated	530,631	18,622	3.6	64,259	1,803	2.9	115,580	7,465	6.9

Notes: 1. Adjustments mainly consist of elimination of inter-company transactions.

2. EBITDA is calculated by adding depreciation and amortization of goodwill to operating profit.

Urban Transportation and Regional

In railway operations for the fiscal year ended March 31, 2018, the number of passengers increased by 1.6% year on year (of which commuters increased by 1.8% and non-commuters increased by 1.3%). The result reflects the strong employment situation as well as the holding of events at the MetLife Dome, the opening of Seibu-Chichibu Ekimae Onsen Maturinoyu (a hot spring complex located in front of the station), and the stronger promotion of the Chichibu area. Passenger transportation sales increased by 1.7% year on year (of which commuters increased by 1.8% and non-commuters increased by 1.6%), due to revision of limited express ticket fee in July 2016, introduction of “S-TRAIN” extra-fare reserved seating trains in March 2017 and other factors.

In addition, in March 2017, the Company made Yokohama Arena Co., Ltd. a consolidated subsidiary. Therefore, operating revenue increased.

As a result of these initiatives, the Urban Transportation and Regional business segment recorded operating revenue of ¥162,056 million, an increase of ¥5,562 million, or 3.6%, year on year. Segment operating profit increased by ¥450 million, or 1.7%, year on year to ¥27,254 million. EBITDA was ¥49,062 million, an increase of ¥1,572 million, or 3.3%, year on year.

Operating revenue

(Millions of yen)

	For the year ended March 31, 2017	For the year ended March 31, 2018	Change
Urban Transportation and Regional	156,494	162,056	5,562
Railway operations	105,123	106,354	1,231
Bus operations	25,531	25,937	406
Leisure facilities along railway lines	20,798	22,095	1,296
Others	5,041	7,668	2,627

<Reference> Key performance indicators

(Millions of yen)

	For the year ended March 31, 2015	For the year ended March 31, 2016	For the year ended March 31, 2017	For the year ended March 31, 2018
Transportation performance in the railway operations at Seibu Railway Co., Ltd.				
Number of passengers (Thousand)	628,496	642,693	648,420	658,650
Passenger transportation sales	95,048	96,969	97,690	99,348
Other revenue	4,098	4,160	4,021	4,097

Hotel and Leisure

In hotel operations, the Company newly opened The Prince Gallery Tokyo Kioicho in July 2016 and reopened the Tokyo Prince Hotel and others that had been out of operation in the previous year due to renovations. Moreover, in the accommodation division, the Company changed the target market to a customer sector with a higher unit price, while continuing to practice revenue management^{*1}. As a result, RevPAR^{*2} increased year on year at both city and resort hotels. In the banquet division, MICE^{*3} performed briskly.

As a result of these initiatives, the Hotel and Leisure business segment recorded operating revenue of ¥204,854 million, an increase of ¥16,309 million, or 8.7%, year on year. Segment operating profit increased by ¥3,207 million, or 22.8%, year on year to ¥17,299 million. EBITDA was ¥32,739 million, an increase of ¥5,770 million, or 21.4%, year on year.

*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.

*3 MICE: Meetings, Incentive travel, Convention, Exhibition/Events. MICE is a general term for business events that draw in visitors, such as corporate business meetings, incentive and research travel held by companies, conventions of international organizations, groups, and academic societies, and exhibitions, trade fairs, and other events.

Operating revenue

(Millions of yen)

	For the year ended March 31, 2017	For the year ended March 31, 2018	Change
Hotel and Leisure	188,544	204,854	16,309
City hotel operations	105,319	119,776	14,456
Resort hotel operations	38,826	40,677	1,850
Golf course operations	12,266	12,575	309
Others	32,132	31,825	(306)

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

<Reference> Key performance indicators

	For the year ended March 31, 2015	For the year ended March 31, 2016	For the year ended March 31, 2017	For the year ended March 31, 2018
Operating status of at Prince Hotels, Inc.				
Occupancy rates of hotel rooms (%)	69.8	72.8	72.1	76.2
Average room rates (Yen)	12,960	14,513	15,239	15,466

Real Estate

In leasing operations, rental revenues of offices, residences, and commercial facilities increased in Tokyo Garden Terrace Kioicho, which conducted its grand opening in July 2016.

The Company sold residential houses around the Seibu-Tachikawa Station.

As a result of these initiatives, the Real Estate business segment recorded operating revenue of ¥62,292 million, an increase of ¥8,521 million, or 15.8%, year on year. Mainly due to higher profits on the increase in revenue and the recording of one-time expenses associated with the opening of Tokyo Garden Terrace Kioicho in the previous fiscal year, the segment recorded an operating profit of ¥15,818 million, an increase of ¥7,929 million, or 100.5%, year on year. EBITDA was ¥25,077 million, an increase of ¥8,876 million, or 54.8%, year on year.

<Reference> Key performance indicators

		For the year ended March 31, 2015	For the year ended March 31, 2016	For the year ended March 31, 2017	For the year ended March 31, 2018
Operating status of leasing space					
Leasing space at end of period (Thousand m ²)	Commercial retail	229	234	239	244
	Office/residential	60	60	166	172
Vacancy rate for leasable space at end of period (%)	Commercial retail	1.1	1.0	0.7	1.1
	Office/residential	10.0	14.0	3.1	1.9

Construction

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

However, the Construction business segment recorded operating revenue of ¥100,002 million, a decrease of ¥14,993 million, or 13.0%, year on year, mainly due to large-scale construction work in the previous fiscal year in construction operations. Segment operating profit was ¥4,752 million, down ¥5,073 million, or 51.6%, year on year, and EBITDA was ¥5,152 million, down ¥5,054 million, or 49.5%, year on year.

<Reference> Key performance indicators

(Millions of yen)

	For the year ended March 31, 2015	For the year ended March 31, 2016	For the year ended March 31, 2017	For the year ended March 31, 2018
Status of orders received by the Construction business				
Orders carried over from the previous fiscal year	62,321	84,335	99,069	89,755
Orders received during the fiscal year	92,037	94,045	79,080	84,599
Orders carried over to the next fiscal year	84,335	99,069	89,755	100,542

Hawaii Business

In the Hawaii business segment, the two hotels on Hawaii Island performed briskly under a favorable market environment, particularly in the accommodation division. In addition, the Hawaii Prince Hotel Waikiki was reopened after renovation as the Prince Waikiki.

The Hawaii business segment recorded operating revenue of ¥15,375 million, a decrease of ¥7,792

million, or 33.6%, year on year, due to the sales of part of the real estate of the Hapuna Beach Prince Hotel in the previous fiscal year. Segment operating loss was ¥2,002 million, compared with operating profit of ¥4,250 million in the previous fiscal year, and EBITDA was ¥97 million, down ¥5,947 million, or 98.4%, year on year due to the sales of real estate last year as noted above and increase in expenses associated with the renewal.

Other

In the Izuhakone Business, Izu-Mito Sea Paradise and the nursing home contributed to revenue growth. In the Ohmi Business, the opening of the Ohmi Railway Building in front of Moriyama Station and brisk performance at the Shin Meishin Expressway's Tsuchiyama Service Area contributed to revenue growth. In the Seibu Lions Business, the number of spectators increased year on year, mainly due to the execution of various sales initiatives and participation in the Climax Series (play-off games).

As a result of these initiatives, the Other businesses segment recorded operating revenue of ¥39,427 million, an increase of ¥2,198 million, or 5.9%, year on year. Segment operating profit was ¥1,048 million, up ¥327 million, or 45.4%, year on year, and EBITDA was ¥3,960 million, up ¥593 million, or 17.6%, year on year.

(2) Issues to address

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

The Company has prepared the three-year "FY2018-FY2020 Seibu Group's Medium-term Management Plan" as a road map aiming for its long-term target, revising its individual measures based on the previous plan (FY2017-FY2019) and rolling forward its numerical plans. This medium-term management plan continues to take as its theme "Sustainability & Dynamism," and guided by the basic policies of "tackling innovation with speed from new perspectives" and "establish a growth platform from a long-term perspective," the Group will address the key issues of "create new business areas" and "expand existing business fields."

Specifically, the Group will promote initiatives on the following five points as key strategies.

(a) Strengthen marketing function

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. As an initiative in response to the increase in inbound tourism, the Group will develop Prince Smart Inn, its newly-established next-generation accommodation-focused hotel brand to meet diversifying demand for accommodation. The Group will also develop the PRINCE VACATION CLUB as an entry into the membership-based hotel business aimed at capturing new customers mainly among the active senior segment.

The Group will also gain a precise grasp of customer demand by strengthening reputation management, as well as promoting analysis and utilization of big data through Group customer data and ICT.

(b) Make effective use of the Group's assets

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.

With regard to enhancing the value of existing assets, the Group will continue to make investments to enhance the value of its existing hotel guest rooms, lobbies, restaurants, and other areas. The Group will also promote large-scale development such as the (Tentative) Seibu Railway Ikebukuro Building, Grand Emio Tokorozawa Phase II and the Tokorozawa Station West Development Plan.

With regard to re-balancing its portfolio, the Group will take Tokyo Garden Terrace Kioicho as a model case for considering multipurpose developments, including the Takanawa and Shinagawa areas and Shibakoen area.

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 underutilized 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.

(c) Strengthen collaboration inside and outside the Group

To create new business areas, the Company will collaborate with partners inside and outside the Group to grasp customer needs and acquire management resources such as human resources and business expertise.

The in-house organization Seibu Laboratory will play a central role in initiatives including participating in open innovation programs.

(d) Conduct rigorous and efficient capital expenditure

The Company will strive to steadily increase value by rigorously selecting investments with an awareness of WACC (weighted average capital cost). Having determined the hurdle rate, the Company will strictly and efficiently conduct capital investments and will rigorously ensure that investment effects are verified.

(e) Create an organization and corporate culture conducive to generating innovation

The Company will create an environment conducive to generating innovation. Specifically, the Company will promote diversity management and utilize ICT to improve productivity, thereby fostering a workplace culture of respecting individual employees and enabling them to pursue their diverse capabilities and ambition to the fullest extent. It will also promote new work styles such as implementing flextime, as well as making capital investments that will promote improvement in employee satisfaction, such as relocating head office and rebuilding dormitories and offices.

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 seek to meet the demands of the environment and local communities based on safety and security, and also 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-separation crossings on Seibu Shinjuku Line, 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 extra-fare reserved seating trains and new-type express trains, and renovating stations. The Company aims to become our customer's "railway of choice" and "preferred railway services." Moreover, the Company will pursue efficient operations through initiatives such as utilization of ICT and introduction of 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.

The Company will invest aggressively in value enhancements such as renewals of existing hotels, while in terms of soft management aspects, engaging in initiatives focused mainly on boosting the level of customer's emotion and continuously strengthening revenue management. In these ways, the Company will shift its target market in anticipation of environmental changes.

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.

Furthermore, having acquired the business of StayWell Hospitality Group Pty Ltd. in FY2017, the Company will leverage StayWell's global development capabilities and management expertise to expand earnings opportunities in the overseas hotel business while developing the accommodation-focused hotel brand Prince Smart Inn and the membership-based hotel business PRINCE VACATION CLUB.

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 development projects. These include a plan for the Seibu Railway Ikebukuro Building (Tentative), Grand Emio Tokorozawa Phase II and the Tokorozawa Station West Development Plan. The Company will also examine the development projects in the central Tokyo (Takanawa and Shinagawa area, Shibakoen area). In addition, in order to improve value of areas along the Seibu Railway lines, 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 close to the 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. The Company will also strive to bolster productivity by utilizing i-Construction and ICT.

In the Hawaii business segment, the Company will make investments to increase value, such as major renovations of its existing hotels. In tandem with this, the Company will newly develop the new home owner business.

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 MetLife Dome area by converting it into a ball park, and bolster the efforts to attract people to events.

Furthermore, the Seibu Group also considers strengthening corporate governance, including the management and administration structure and compliance structure, and CSR activities to be important priorities, and will take steps on ESG.

With regard to strengthening corporate governance, the Company will aim for effective corporate governance in keeping with the spirit of the Corporate Governance Code, and will implement each principle of the code appropriately. Through its IR activities, which are linked with capital market trends and business strategies, 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.

In its CSR activities, the Company works through its wide-ranging business activities, such as the railway and hotel operations, to conduct initiatives for consideration of the natural and global environments in cooperation with local communities and society. Looking ahead, the Company will continue to promote CSR activities in close communication with local communities and society.

The Group will continue to conduct corporate management aimed at maximizing corporate value and shareholder value even further.

(3) Changes in assets and results of operation

(Millions of yen)

	For the year ended March 31, 2015	For the year ended March 31, 2016	For the year ended March 31, 2017	For the year ended March 31, 2018
Operating revenue	481,727	508,081	512,009	530,631
Ordinary profit	42,099	58,525	57,472	55,490
Profit attributable to owners of parent	34,912	57,207	47,564	42,908
Basic earnings per share (Yen)	102.50	167.89	149.39	136.67
Total assets	1,519,911	1,553,092	1,627,868	1,671,977
Net assets	367,437	392,649	360,133	394,947
Equity-to-asset ratio (%)	24.1	25.2	21.8	23.3
Return on equity (ROE) (%)	11.1	15.1	12.7	11.5

(4) Capital expenditures

Capital expenditures for the fiscal year under review amounted to ¥89,903 million, which included the following major outlays.

1) Major facilities completed

Segment	Company name	Major capital expenditures
Urban Transportation and Regional	Seibu Railway Co., Ltd.	Manufacture of new-type commuter trains “40000 series”
Urban Transportation and Regional	Seibu Railway Co., Ltd.	Seibu-Chichibu Ekimae Onsen Matsurinoyu
Hotel and Leisure	Prince Hotels, Inc.	Renovation of guest rooms and lobby of The Prince Park Tower Tokyo
Hotel and Leisure	Prince Hotels, Inc.	Building hot spring and spa facilities at Oiso Prince Hotel
Real Estate	Seibu Railway Co., Ltd.	Grand Emio Tokorozawa phase I
Hawaii	Hawaii Prince Hotel Waikiki LLC	Renovation of Prince Waikiki
Other	Ohmi Railway Co., Ltd.	Ohmi Railway Building in front of Moriyama Station “cocotto MORIYAMA”

2) 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 the Seibu Railway Ikebukuro Building (Tentative)
Real Estate	Seibu Railway Co., Ltd.	Grand Emio Tokorozawa phase II
Other	Seibu Railway Co., Ltd.	Renewal project of MetLife Dome area

(5) Financing activities

The Company raised the total amount of ¥18.5 billion on the date of March 2018 through a syndicate loan for the purpose of stabilizing the financing and long-term financing for the (Tentative) Seibu Railway Ikebukuro Building project, and procured funds of ¥10.0 billion in December 2017 through an issuance of Second Series of Unsecured Straight Bonds (With Inter-Bond Pari Passu Clause) for the purpose of repaying outstanding loans. Moreover, to ensure liquidity we have established committed lines of credit for earthquake response totaling ¥70.0 billion.

(6) Major subsidiaries (As of March 31, 2018)

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	Urban Transportation and Regional business (Railway operations, Leisure facilities along railway lines) Real Estate business (Leasing operations)
Prince Hotels, Inc.	3,600	100.0	Hotel and Leisure business (Hotel operations, Golf course operations) Real Estate business (Leasing operations)
Seibu Bus Co., Ltd.	100	100.0	Urban Transportation and Regional business (Bus operations) Real Estate business (Leasing operations)
Seibu Properties Inc.	4,050	100.0	Real Estate business (Leasing operations)
Seibu Construction Co., Ltd.	11,000	100.0	Construction business (Construction operations)
Seibu Lions, Inc.	100	100.0	Seibu Lions
Izuhakone Railway Co., Ltd.	640	74.0	Izuhakone Business
Ohmi Railway Co., Ltd.	405	100.0	Ohmi Business
Prince Resorts Hawaii, Inc.	(Thousands of U.S. dollars) 1	100.0	Hawaii business

- 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 73 consolidated subsidiaries, including the nine companies listed above (22 more than the previous fiscal year), and two equity-method associates (no change from the previous fiscal year). The Company has three other non-consolidated subsidiaries not accounted for under the equity method (no change from the previous fiscal year).

(7) Major businesses and offices (As of March 31, 2018)

Segment	Businesses	Major offices
Urban Transportation and Regional	Railway operations	[Seibu Railway Co., Ltd.] Operating length: 176.6 km, number of stations: 101 (including signal stations), number of vehicles: 1,276
	Bus operations	[Seibu Bus Co., Ltd.] Number of sales offices: 11 (Tokyo and Saitama) number of vehicles: 870
	Leisure facilities along railway lines	[Seibu Railway Co., Ltd.] Seibuen Amusement Park (Tokorozawa-shi, Saitama) Toshimaen (Nerima-ku, Tokyo) Seibu-Chichibu Ekimae Onsen Matsurinoyu (Chichibu-shi, Saitama)
Hotel and Leisure	City hotel operations	[Prince Hotels, Inc.] The Prince Gallery Tokyo Kioicho (Chiyoda-ku, Tokyo) 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 Villa 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.] Tokyo Garden Terrace Kioicho (Chiyoda-ku, Tokyo) Karuizawa Prince Shopping Plaza (Karuizawa-machi, Nagano) Shin-Yokohama Prince PePe (Yokohama-shi, Kanagawa)
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 in Hawaii, USA	[Hawaii Prince Hotel Waikiki LLC] Prince 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: 43
	Seibu Lions Business	[Seibu Lions, Inc.] MetLife Dome (Tokorozawa-shi, Saitama)

(8) Employees (As of March 31, 2018)

Segment	Number of employees	
Urban Transportation and Regional	7,589	[784]
Hotel and Leisure	9,727	[4,087]
Real Estate	535	[725]
Construction	1,357	[404]
Hawaii Business	1,202	[240]
Other	2,843	[407]
Corporate	311	[-]
Total	23,564	[6,647]

- 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, 2018 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.
4. The number of employees in the Hotel and Leisure business has increased from the previous fiscal year, mainly due to the inclusion of 22 companies including StayWell Holdings Pty Ltd in the scope of consolidation.

(9) Major lenders (As of March 31, 2018)

(Millions of yen)

Lender	Outstanding amount of loans (Note 1)
Mizuho Bank, Ltd.	156,403
Development Bank of Japan Inc.	120,978
The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 2)	91,896
Sumitomo Mitsui Trust Bank, Limited	73,201
Sumitomo Mitsui Banking Corporation	71,511

- Notes: 1. Outstanding amount of loans includes ¥65,600 million of loans under syndicate loan contracts and commitment line contracts.
2. The Bank of Tokyo-Mitsubishi UFJ, Ltd. changed its name to MUFG Bank, Ltd. on April 1, 2018.

2. Shares of the Company (As of March 31, 2018)

- (1) Total number of shares authorized: 1,300,000,000 shares
(2) Total number of shares issued: 342,124,820 shares (including 5,184,548 treasury shares)
(3) Number of shareholders: 38,740
(4) Major shareholders (Top 10)

Name of shareholder	Number of shares held (Thousands of shares)	Shareholding ratio (%)
NW Corporation Inc.	51,158	15.18
Japan Trustee Services Bank, Ltd. (Trust Account)	18,406	5.46
The Master Trust Bank of Japan, Ltd. (Trust Account)	16,233	4.82
Development Bank of Japan Inc.	9,906	2.94
Keikyu Corporation	7,655	2.27
Mizuho Bank, Ltd.	7,114	2.11
Trust & Custody Services Bank, Ltd. as trustee for Retirement Benefit Trust Account H re-entrusted by Mizuho Trust and Banking Co., Ltd.	5,301	1.57
Japan Trustee Services Bank, Ltd. (Trust Account 9)	5,162	1.53
Japan Trustee Services Bank, Ltd. (Trust Account 5)	4,870	1.45
Sumitomo Realty & Development Co., Ltd.	4,738	1.41

Notes: 1. The Company holds 5,184,548 treasury shares and is excluded from the above list of major shareholders.
2. The shareholding ratio is calculated after deducting the amount of treasury 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-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. 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 are 599 thousand shares (0.18%) at end of the fiscal year ended March 31, 2018.

3. Share acquisition rights, etc. of the Company

(1) Share acquisition rights 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 share acquisition rights	Class and number of shares underlying share acquisition rights	Issue value	Amount to be paid in upon exercise of share acquisition rights	Exercise period	Conditions for exercise
The first Share Acquisition Rights (June 25, 2014)	7 Directors (excluding Outside Directors)	333	Common shares of the Company 33,300 shares	¥1,974 per share	¥1 per share	From July 12, 2014 to July 11, 2044	Note 2
The second Share Acquisition Rights (June 23, 2015)	9 Directors (excluding Outside Directors) Note 1	461 Note 1	Common shares of the Company 46,100 shares Note 1	¥2,669 per share	¥1 per share	From July 10, 2015 to July 9, 2045	Note 2
The third Share Acquisition Rights (June 21, 2016)	11 Directors (excluding Outside Directors)	545	Common shares of the Company 54,500 shares	¥1,497 per share	¥1 per share	From July 8, 2016 to July 7, 2046	Note 2
The fourth Share Acquisition Rights (June 21, 2017)	12 Directors (excluding Outside Directors)	593	Common shares of the Company 59,300 shares	¥1,729 per share	¥1 per share	From July 8, 2017 to July 7, 2047	Note 2

Notes: 1. The share acquisition rights held by two of the above Directors were allocated to them as Directors of the Company's subsidiaries prior to their appointment as Directors of the Company.

2. Conditions for exercise of share acquisition rights are as follows:

- (1) A holder of Share Acquisition Rights 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 Share Acquisition Rights.
- (2) In the event of death of a holder of the Share Acquisition Rights, his/her successor may exercise the rights.
- (3) Other conditions shall be as prescribed in the "Share Acquisition Rights Allotment Agreement" to be concluded by and between the Company and a holder of Share Acquisition Rights.

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

Name (Date of resolution for issuance)	Number of individuals to whom share acquisition rights have been issued	Number of share acquisition rights	Class and number of shares underlying share acquisition rights	Issue value	Amount to be paid in upon exercise of share acquisition rights	Exercise period	Conditions for exercise
The fourth Share Acquisition Rights (June 21, 2017)	The Company's subsidiaries 10 Directors	317	Common shares of the Company 31,700 shares	¥1,729 per share	¥1 per share	From July 8, 2017 to July 7, 2047	Note

Note: Conditions for exercise of share acquisition rights are as follows:

- (1) A holder of Share Acquisition Rights 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 Share Acquisition Rights.
- (2) In the event of death of a holder of the Share Acquisition Rights, his/her successor may exercise the rights.
- (3) Other conditions shall be as prescribed in the "Share Acquisition Rights Allotment Agreement" to be concluded by and between the Company and a holder of Share Acquisition Rights.

4. Officers

(1) Directors and Audit & Supervisory Board Members (As of March 31, 2018)

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	Accounting Dept., Finance Dept.	
Director	Tomoyuki Nishii	Corporate Planning	
Director	Ryuichiro Nishiyama	President's Office, Administration Dept., Corporate Communication Dept.	Director of Prince Hotels, Inc.
Director	Shuichiro Ogawa	Personnel Dept., Human Resources Development Dept.	Director of Prince Hotels, Inc.
Director	Hisashi Wakabayashi		President and Representative Director of Seibu Railway Co., Ltd.
Director	Shigeyoshi Akasaka		President and Representative Director of Prince Hotels, Inc.
Director	Akihisa Uwano		President and Representative Director of Seibu Properties Inc.
Director	Kimio Kitamura		President and Representative Director of Ohmi Railway Co., Ltd.
Director	Hitoshi Nakamura		President and Representative Director of Seibu Construction Co., Ltd.
Director	Chikara Shinden		President and Representative Director of Seibu Bus Co., Ltd.
Director	Fumiyasu Goto		President and Representative Director of Izuhakone Railway Co., Ltd.
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		Director of Prince Hotels, Inc. Outside Audit & Supervisory Board Member of Central Security Patrols, Co., Ltd. Outside Auditor of Fukuda Denshi Co., Ltd. Attorney
Audit & Supervisory Board Member (Standing)	Michifumi Yazaki		Audit & Supervisory Board Member of Seibu Railway Co., Ltd.
Audit & Supervisory Board Member	Isao Nagaseki		(Standing) Audit & Supervisory Board Member of Prince Hotels, Inc.
Audit & Supervisory Board Member	Isao Fukasawa		Audit & Supervisory Board Member of Seibu Railway Co., Ltd. Attorney
Audit & Supervisory Board Member	Eiji Sakomoto		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 Holdings Co. Ltd. Certified Public Accountant, Licensed Tax Accountant

- Notes: 1. Director Hisashi Wakabayashi resigned as President and Representative Director of Izuhakone Railway Co., Ltd. on June 16, 2017.
2. Director Keiji Goto retired as Outside Audit & Supervisory Board Member of Hakuyosha Co., Ltd. on March 23, 2018.
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/audit & supervisory board members 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]	387 [43]	284 [43]	102 [-]	15 [3]
Audit & Supervisory Board Members [Of the above, Outside Audit & Supervisory Board Members]	56 [27]	56 [27]	— [-]	4 [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) Matters concerning Outside Directors and Outside Audit & Supervisory Board Members

1) 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.

2) Major activities of Outside Directors and 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	16/18 (88.9%)	—	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	18/18 (100%)	—	He contributed to discussions drawing on his practical experience and proven track record with managerial reform of companies in various industries.
Director	Keiji Goto	15/18 (83.3%)	—	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	17/18 (94.4%)	17/17 (100%)	He contributed to discussions mainly from his professional point of view as a certified public accountant and licensed tax accountant.

3) 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, to the minimum amount stipulated in Article 425, paragraph 1 thereof.

<Reference> Seibu Holdings' Independence Standards for Outside Directors and Outside Audit & Supervisory Board Members

For the Company's Independence Standards for Outside Directors and Outside Audit & Supervisory Board Members, please refer to page 16.

5. Accounting Auditor

(1) Name of Accounting Auditor

Ernst & Young ShinNihon LLC

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

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

¥137 million

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

¥342 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.

3) 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 trend of 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 work in preparing the comfort letter associated with the issuance of bonds 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, or when otherwise deeming the action necessary.

(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. Systems to ensure that business is conducted properly and operating status of relevant system

(1) 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 Code of Ethics 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 Code of Ethics 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 Code of Ethics 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, audit & supervisory board members 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 audit & supervisory board members 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.

(2) 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.

Specific operating status of systems in the fiscal year is detailed below.

■ Compliance system

The Company conducted Groupwide awareness-building activities with the aim of instilling and increasing awareness of compliance.

To ensure the implementation of the system for managing compliance with financial laws and regulations, the Company surveyed and organized the status of implementation and communicated common points for improvement throughout the Group, etc. to each company.

■ Document and information management system

To reduce the security risk to information assets and strengthen the Company's ability to respond to cyber-attacks, the Company worked to establish systems in accordance with the cyber security management guidelines of the Ministry of Economy, Trade and Industry.

■ Risk management system

The Company worked systematically and integrally to reduce risks that impede the achievement of the Medium-Term Management Plan and carried out initiatives as planned.

The Company summarized matters indicated by audits at each Group company and shared the information internally.

■ System for efficient decision-making and business execution in line with management policy

The Company analyzed and evaluated a questionnaire conducted to enable the Board of Directors to achieve its role and responsibilities appropriately and strove to improve the effectiveness of the Board of Directors, for example by conducting initiatives in line with the evaluation.

The Company revised the decision-making system with a plan to improve the quality and speed of decision-making from a perspective of increasing the sophistication of corporate governance.

■ Group management system

The Company worked to improve the overall operational efficiency and effectiveness of the Group by having the audit divisions of each company perform joint audits, particularly of projects spanning all Group companies.

■ System relating to Audit & Supervisory Board Members

To assist the Audit & Supervisory Board Members in performing their duties, the Company provided dedicated staff for support duties, and ensured their independence.

The Company made use of systems for sharing risk information to provide information rapidly.

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, 2018)

(Millions of yen)

Item	Amount	Item	Amount
Assets		Liabilities	
I. Current assets	119,709	I. Current liabilities	328,782
1. Cash and deposits	29,943	1. Notes and accounts payable - trade	28,009
2. Notes and accounts receivable - trade	49,825	2. Short-term loans payable	157,849
3. Land and buildings for sale in lots	9,036	3. Lease obligations	665
4. Merchandise and finished goods	1,486	4. Income taxes payable	7,735
5. Costs on uncompleted construction contracts	4,855	5. Advances received	36,406
6. Raw materials and supplies	2,733	6. Provision for bonuses	5,905
7. Deferred tax assets	7,295	7. Other provision	2,639
8. Other	14,576	8. Other	89,571
Allowance for doubtful accounts	(42)	II. Non-current liabilities	948,246
II. Non-current assets	1,552,267	1. Bonds payable	20,000
1. Property, plant and equipment	1,407,466	2. Long-term loans payable	696,874
(1) Buildings and structures	534,013	3. Long-term accounts payable to Japan railway construction, transport and technology agency	23,055
(2) Machinery, equipment and vehicles	58,939	4. Lease obligations	1,690
(3) Land	730,720	5. Deferred tax liabilities	111,071
(4) Leased assets	2,167	6. Deferred tax liabilities for land revaluation	12,225
(5) Construction in progress	58,078	7. Provision for directors' retirement benefits	864
(6) Other	23,545	8. Other provision	464
2. Intangible assets	21,439	9. Net defined benefit liability	31,197
(1) Leased assets	16	10. Asset retirement obligations	2,216
(2) Other	21,423	11. Liabilities from application of equity method	16,831
3. Investments and other assets	123,362	12. Other	31,753
(1) Investment securities	71,772	Total liabilities	1,277,029
(2) Long-term loans receivable	327	Net assets	
(3) Net defined benefit asset	31,949	I. Shareholders' equity	330,414
(4) Deferred tax assets	10,450	1. Capital stock	50,000
(5) Other	9,582	2. Capital surplus	129,375
Allowance for doubtful accounts	(719)	3. Retained earnings	214,979
		4. Treasury shares	(63,940)
		II. Accumulated other comprehensive income	59,096
		1. Valuation difference on available-for-sale securities	16,077
		2. Revaluation reserve for land	18,555
		3. Foreign currency translation adjustment	7,415
		4. Remeasurements of defined benefit plans	17,047
		III. Share acquisition rights	487
		IV. Non-controlling interests	4,949
		Total net assets	394,947
Total assets	1,671,977	Total liabilities and net assets	1,671,977

Consolidated Statement of Income

(From April 1, 2017 to March 31, 2018)

(Millions of yen)

Item	Amount	
I. Operating revenue		530,631
II. Operating expenses		
1. Operating expenses and cost of sales of transportation	429,824	
2. Selling, general and administrative expenses	36,547	466,371
Operating profit		64,259
III. Non-operating income		
1. Interest income	50	
2. Dividend income	838	
3. Subsidy to keep a bus on a regular route	901	
4. Other	1,500	3,290
IV. Non-operating expenses		
1. Interest expenses	10,595	
2. Share of loss of entities accounted for using equity method	62	
3. Other	1,402	12,060
Ordinary profit		55,490
V. Extraordinary income		
1. Gain on sales of non-current assets	123	
2. Contribution for construction	750	
3. Subsidy income	160	
4. Gain on sales of investment securities	144	
5. Compensation income	895	
6. Other	81	2,156
VI. Extraordinary losses		
1. Impairment loss	2,076	
2. Loss on sales of non-current assets	165	
3. Loss on retirement of non-current assets	2,804	
4. Reduction entry of land contribution for construction	678	
5. Loss on reduction of non-current assets	145	
6. Loss on sales of investment securities	16	
7. Other	809	6,695
Profit before income taxes		50,951
Income taxes - current	13,786	
Income taxes - deferred	(6,275)	7,511
Profit		43,439
Profit attributable to non-controlling interests		531
Profit attributable to owners of parent		42,908

Consolidated Statement of Changes in Equity

(From April 1, 2017 to March 31, 2018)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	50,000	129,373	180,620	(64,467)	295,526
Changes of items during period					
Dividends of surplus			(8,496)		(8,496)
Profit attributable to owners of parent			42,908		42,908
Reversal of revaluation reserve for land			116		116
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		1		526	528
Changes due to new consolidation of subsidiaries			(169)		(169)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	1	34,358	526	34,887
Balance at end of current period	50,000	129,375	214,979	(63,940)	330,414

	Accumulated other comprehensive income					Share acquisition rights	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 at beginning of current period	12,641	18,672	8,897	19,584	59,796	385	4,425	360,133
Changes of items during period								
Dividends of surplus								(8,496)
Profit attributable to owners of parent								42,908
Reversal of revaluation reserve for land								116
Purchase of treasury shares								(0)
Disposal of treasury shares								528
Changes due to new consolidation of subsidiaries								(169)
Net changes of items other than shareholders' equity	3,435	(116)	(1,482)	(2,536)	(700)	102	524	(73)
Total changes of items during period	3,435	(116)	(1,482)	(2,536)	(700)	102	524	34,814
Balance at end of current period	16,077	18,555	7,415	17,047	59,096	487	4,949	394,947

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: 73 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: 2 companies

Company name

Ikebukuro Shopping Park Co., Ltd.
NW Corporation Inc.

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

Company name

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

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

- (1) The balance sheet dates of the Company's consolidated subsidiaries are as follows:

End of June: 4 companies
End of December: 26 companies
End of March: 43 companies

- (2) The Company has consolidated the financial information of the Company's subsidiaries whose balance sheet date is the end of June and of StayWell Hospitality Management Pvt Limited, of the Company's subsidiaries whose balance sheet date is the end of March, using their financial statements as of the end of December that were prepared for consolidation purposes and that of other subsidiaries using their financial statements as of their respective balance sheet dates.
For significant transactions that occurred between the date of the consolidated financial statements

and the above balance sheet dates, necessary adjustments have been made for consolidation purposes.

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 and facilities attached to buildings and structures acquired on or after April 1, 2016 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
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Machinery, equipment and vehicles	2 to 20 years
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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.

(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. Method of treatment of significant deferred assets
Bond issuance cost is fully accounted for as expenses when incurred.
- vi. Treatment of consumption taxes
Items subject to national consumption tax and local consumption tax are accounted for at amounts exclusive of consumption taxes.
- vii. 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."

Notes to the consolidated balance sheet

1. Accumulated depreciation of assets

Accumulated depreciation of property, plant and equipment ¥934,092 million
Accumulated depreciation includes accumulated impairment loss.

2. Pledged assets and secured debts

(1) Assets pledged as collateral are as follows:

Foundation collateral

Land	¥116,527 million
Buildings and structures	¥158,778 million
Machinery, equipment and vehicles	¥34,484 million
"Other" in property, plant and equipment	¥3,231 million
Total	¥313,021 million

Other assets pledged as collateral

Cash and deposits	¥28 million
Land	¥3,989 million
Buildings and structures	¥855 million
Total	¥4,872 million

Obligations secured are as follows:

Long-term loans payable	¥89,925 million
Current portion of long-term loans payable (short-term loans payable)	¥10,094 million
Long-term accounts payable to Japan railway construction, transport and technology agency	¥22,410 million
Accounts payable to Japan railway construction, transport and technology agency ("Other" under current liabilities)	¥4,988 million
Notes and accounts payable - trade	¥28 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	¥646 million
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(2) Funds procured with lending stocks

“Other” in current liabilities	¥500 million
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4. Notes on non-consolidated subsidiaries and associates

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

Investment securities (stocks)	¥2,190 million
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5. Guarantee obligations

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

Housing loan guarantees	¥3 million
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Tie-up loan guarantees	¥54 million
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Total	¥58 million
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6. Notes receivable discount and notes receivable endorsed

Notes receivable endorsed	¥52 million
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7. Accumulated contributions for construction

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

¥147,002 million

8. 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:

¥18,613 million

9. Loan commitment agreements

The Company has entered into loan commitment agreements with seven 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
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Loans payable outstanding	¥11,500 million
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Balance of unexecuted loans payable	¥58,500 million
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10. 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
Long-term loans payable	¥100 million
Total	¥220 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	¥18,938 million
Total	¥19,174 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

Short-term loans payable	¥9,118 million
Long-term loans payable	¥35,587 million
Total	¥44,705 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

Short-term loans payable	¥7,000 million
Long-term loans payable	¥56,000 million
Total	¥63,000 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 ¥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 described below as follows. If the Company violates the commitment, the benefit of time may be forfeited for the relevant obligations.

Loans

Long-term loans payable ¥10,000 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 ¥253,200 million or more.
- In the consolidated statement of income for each fiscal year, operating losses are not incurred for two periods in a row.

- (6) 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

Long-term loans payable ¥8,000 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 ¥259,200 million or more.
- In the consolidated statement of income for each fiscal year, operating losses are not incurred for two periods in a row.

- (7) Other than the above, the Company has made a commitment for its total amount of loan commitments at the end of the current fiscal year described in “9.” above as follows. If the Company violates the commitment, the benefit of time may be forfeited for the relevant obligations.

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 ¥270,100 million or more.
- In the consolidated statement of income for each fiscal year, operating losses are not incurred for two periods in a row.

- (8) 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

Long-term loans payable ¥7,000 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 ¥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.

- (9) 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

Long-term loans payable ¥15,000 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 ¥283,400 million or more.
- In the consolidated statement of income for each fiscal year, operating losses are not incurred for two periods in a row.

11. A portion of the Company's shares held by equity-method associates corresponding to the Company's equity in the aforementioned associates were recognized as treasury shares. The book value and number of shares of the relevant treasury shares are ¥52,960 million and 22,243 thousand shares.

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 21, 2017	Common shares	¥5,222 million	¥15.50	March 31, 2017	June 22, 2017
Board of Directors meeting held on November 9, 2017	Common shares	¥3,874 million	¥11.50	September 30, 2017	December 4, 2017

- Notes: 1. Total amount of dividends by a resolution of the Annual General Meeting of Shareholders held on June 21, 2017 includes the dividends of ¥13 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 Annual General Meeting of Shareholders held on June 21, 2017 includes the dividends of ¥344 million on the portion attributable to the Company of the treasury shares (shares of the Company) held by equity-method associates.
3. Total amount of dividends by a resolution of the Board of Directors meeting held on November 9, 2017 includes the dividends of ¥8 million on the Company's shares held by Trust & Custody Services Bank, Ltd. (Trust Account E).
4. Total amount of dividends by a resolution of the Board of Directors meeting held on November 9, 2017 includes the dividends of ¥255 million on the portion attributable to the Company of the treasury shares (shares of the Company) held by equity-method associates.

(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, 2018	Common shares	Retained earnings	¥3,874 million	¥11.50	March 31, 2018	June 22, 2018

- Notes: 1. Total amount of dividends by a resolution of the Annual General Meeting of Shareholders held on June 21, 2018 includes the dividends of ¥6 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 Annual General Meeting of Shareholders held on June 21, 2018 includes the dividends of ¥255 million on the portion attributable to the Company of the treasury shares (shares of the Company) held by equity-method associates.

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

Common shares 255,300 shares

Financial instruments

1. Status of financial instruments

(1) Policy for financial instruments

In principle, the Group concentrates loans from financial institutions such as banks and financing through issuance of bonds 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 long-term accounts payable to Japan railway construction, transport and technology agency) and bonds are mainly 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, loans payable and bonds 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, 2018 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	29,943	29,943	—
(2) Notes and accounts receivable - trade	49,825	49,825	—
(3) Investment securities	67,696	67,696	—
Total assets	147,465	147,465	—
(1) Notes and accounts payable - trade	28,009	28,009	—
(2) Short-term loans payable (*)	79,369	79,369	—
(3) Bonds payable	20,000	20,207	207
(4) Long-term loans payable (*)	775,354	789,436	14,081
(5) Long-term accounts payable to Japan railway construction, transport and technology agency	23,055	23,055	—
Liabilities total	925,788	940,077	14,288
Derivatives	—	—	—

(*) Current portion of long-term loans payable is included in “(4) 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) Bonds payable

Fair values of bonds are calculated by discounting the sum of the principal and interest at the interest rates taking into account the remaining life and credit risk of the bonds.

(4) 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.

(5) 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.	1,884
Shares of non-consolidated subsidiaries and associates	2,190

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	177,089	279,747
Properties including the portion used as investment and rental properties	177,924	284,022

- 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.

Amounts per share

Net assets per share ¥1,240.09

Basic earnings per share ¥136.67

- Notes:
1. 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 599,400, and the average number of treasury shares during period deducted in calculating the basic earnings per share was 743,969.
 2. The portion attributable to the Company of the treasury shares (shares of the Company) held by equity-method associates that is recorded as treasury shares under shareholders' equity is 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 22,243,031, and the average number of treasury shares during period deducted in calculating the basic earnings per share was 22,243,031.

Significant events after the reporting period

No items to report.

Other notes

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 ¥978 million and 599 thousand shares.

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

¥517 million

Non-consolidated Balance Sheet

(As of March 31, 2018)

(Millions of yen)

Item	Amount	Item	Amount
Assets		Liabilities	
I. Current assets	714,760	I. Current liabilities	171,947
1. Cash and deposits	1,931	1. Short-term loans payable	73,969
2. Accounts receivable - trade	933	2. Short-term loans payable to subsidiaries and associates	27,558
3. Short-term loans receivable from subsidiaries and associates	707,210	3. Current portion of long-term loans payable	67,058
4. Accounts receivable - other	4,321	4. Accounts payable - other	903
5. Prepaid expenses	144	5. Accrued expenses	370
6. Deferred tax assets	218	6. Income taxes payable	466
7. Other	1	7. Provision for bonuses	281
II. Non-current assets	445,596	8. Other	1,339
1. Property, plant and equipment	178	II. Non-current liabilities	690,430
(1) Buildings	2	1. Bonds payable	20,000
(2) Tools, furniture and fixtures	167	2. Long-term loans payable	602,298
(3) Construction in progress	8	3. Deferred tax liabilities	67,229
2. Intangible assets	2,063	4. Provision for retirement benefits	580
(1) Trademark right	42	5. Provision for directors' retirement benefits	320
(2) Software	851		
(3) Software in progress	1,169	Total liabilities	862,378
3. Investments and other assets	443,354	Net assets	
(1) Shares of subsidiaries and associates	375,697	I. Shareholders' equity	297,491
(2) Long-term loans receivable from subsidiaries and associates	67,462	1. Capital stock	50,000
(3) Other	194	2. Capital surplus	228,640
		(1) Other capital surplus	228,640
		3. Retained earnings	29,831
		(1) Legal retained earnings	1,166
		(2) Other retained earnings	28,665
		Retained earnings brought forward	28,665
		4. Treasury shares	(10,980)
		II. Share acquisition rights	487
		Total net assets	297,979
Total assets	1,160,357	Total liabilities and net assets	1,160,357

Non-consolidated Statement of Income

(From April 1, 2017 to March 31, 2018)

(Millions of yen)

Item	Amount	
I. Operating revenue		
1. Dividends from subsidiaries and associates	5,120	
2. Commissions from subsidiaries and associates	8,824	
3. Other operating revenue	76	14,021
II. Selling, general and administrative expenses		8,320
Operating profit		5,700
III. Non-operating income		
1. Interest income	9,302	
2. Other	327	9,629
IV. Non-operating expenses		
1. Interest expenses	8,386	
2. Interest on bonds	97	
3. Other	470	8,954
Ordinary profit		6,376
V. Extraordinary losses		
1. Loss on retirement of non-current assets	7	7
Profit before income taxes		6,369
Income taxes - current	574	
Income taxes - deferred	165	739
Profit		5,629

Non-consolidated Statement of Changes in Equity

(From April 1, 2017 to March 31, 2018)

(Millions of yen)

	Shareholders' equity						
	Capital stock	Capital surplus			Retained earnings		
		Legal capital surplus	Other capital surplus	Total capital surpluses	Legal retained earnings	Other retained earnings Retained earnings brought forward	Total retained earnings
Balance at beginning of current period	50,000	—	228,638	228,638	256	33,042	33,299
Changes of items during period							
Dividends of surplus					909	(10,006)	(9,097)
Profit						5,629	5,629
Purchase of treasury shares							
Disposal of treasury shares			1	1			
Net changes of items other than shareholders' equity							
Total changes of items during period	—	—	1	1	909	(4,377)	(3,467)
Balance at end of current period	50,000	—	228,640	228,640	1,166	28,665	29,831

	Shareholders' equity		Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity		
Balance at beginning of current period	(11,506)	300,430	385	300,816
Changes of items during period				
Dividends of surplus		(9,097)		(9,097)
Profit		5,629		5,629
Purchase of treasury shares	(0)	(0)		(0)
Disposal of treasury shares	526	528		528
Net changes of items other than shareholders' equity			102	102
Total changes of items during period	526	(2,938)	102	(2,836)
Balance at end of current period	(10,980)	297,491	487	297,979

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
 - Depreciated using the declining balance method. However, facilities attached to buildings and structures acquired on or after April 1, 2016 are depreciated using the straight-line method.
 - The useful lives are as follows:

Buildings	10 to 18 years
Tools, furniture and fixtures	2 to 20 years
 - (2) Intangible 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. 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
 - 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.
 - (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) Method of treatment of significant deferred assets
Bond issuance cost is fully accounted for as expenses when incurred.
- (4) Translation of 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 non-consolidated balance sheet date. The foreign exchange gains and losses from translation are recognized as profit and loss in the non-consolidated statements of income.
- (5) 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 ¥593 million
2. Liabilities on guarantees
The Company has provided guarantees as follows on loans, etc. 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.	¥113,687 million
Prince Hotels, Inc.	¥22 million
3. Monetary claims and monetary debts to subsidiaries and associates (excluding items shown separately)

Short-term monetary claim	¥4,619 million
Long-term monetary claim	¥137 million
Short-term monetary debt	¥328 million
4. Loan commitment agreements
The Company has entered into loan commitment agreements with seven 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	¥11,500 million
Balance of unexecuted loans payable	¥58,500 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	¥100 million
Total	¥220 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	¥18,938 million
Total	¥19,174 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	¥9,118 million
Long-term loans payable	¥35,587 million
Total	¥44,705 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

Current portion of long-term loans payable	¥7,000 million
Long-term loans payable	¥56,000 million
Total	¥63,000 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 ¥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 described below as follows. If the Company violates the commitment, the benefit of time may be forfeited for the relevant obligations.

Loans

Long-term loans payable	¥10,000 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 ¥253,200 million or more.
- In the consolidated statement of income for each fiscal year, operating losses are not incurred for two periods in a row.

- (6) 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

Long-term loans payable ¥8,000 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 ¥259,200 million or more.
- In the consolidated statement of income for each fiscal year, operating losses are not incurred for two periods in a row.

- (7) Other than the above, the Company has made a commitment for its total amount of loan commitments described in “4.” above as follows. If the Company violates the commitment, the benefit of time may be forfeited for the relevant obligations.

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 ¥270,100 million or more.
- In the consolidated statement of income for each fiscal year, operating losses are not incurred for two periods in a row.

- (8) 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

Long-term loans payable ¥7,000 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 ¥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.

- (9) 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

Long-term loans payable ¥15,000 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 ¥283,400 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 ¥791 million

Volume of other transactions ¥9,514 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	6,102,177	71	318,300	5,783,948

- Notes: 1. The increase in treasury shares is due to the purchase of shares less than a unit of 71 shares.
2. The decrease in treasury shares is due to the sale of 294,600 shares to the employee stock ownership plan from Trust & Custody Services Bank, Ltd. (Trust Account E) and the decrease of 23,700 shares due to the exercise of stock options.
3. Total number of treasury shares indicated above includes the Company's shares of 599,400 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)	2,383	—	—
				Business management, etc. (Note 2)	3,601	Accounts receivable - trade	449
				Lending of loans (Note 3)	1,474	Short-term loans receivable from subsidiaries and associates	302,299
				Receipt of interest (Note 3)	3,787	Long-term loans receivable from subsidiaries and associates	7,000
				Guarantee of obligation (Note 4)	113,687	Accounts receivable - other	311
				Receiving guarantee of obligation for bank loans, etc. of the Company (Note 5)	527,955	—	—
	Prince Hotels, Inc.	Owning Direct 100%	Major Group company Interlocking directorate, etc.	Receipt of dividends (Note 1)	2,736	—	—
				Business management, etc. (Note 2)	3,355	Accounts receivable - trade	396
				Lending of loans (Note 3)	8,860	Short-term loans receivable from subsidiaries and associates	287,679
				Receipt of interest (Note 3)	3,526	Accounts receivable - other	292
				Receiving guarantee of obligation for bank loans, etc. of the Company (Note 5)	527,955	—	—
	Seibu Properties Inc.	Owning Direct 100%	Major Group company Interlocking directorate, etc.	Lending of loans (Note 3)	(11,794)	Short-term loans receivable from subsidiaries and associates	112,738
				Receipt of interest (Note 3)	1,922	Long-term loans receivable from subsidiaries and associates	56,000
				Receiving guarantee of obligation for bank loans, etc. of the Company (Note 5)	63,000	Accounts receivable - other	158
						—	—

Conditions of transaction and policy for deciding conditions of transaction

- Notes: 1. These are year-end dividends for the fiscal year ended March 31, 2017 (¥5.5 per share) from Seibu Railway Co., Ltd. and year-end dividends for the fiscal year ended March 31, 2017 (¥8.0 per share) from Prince Hotels, Inc.
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. 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.
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.

Amounts per share

Net assets per share ¥884.49

Basic earnings per share ¥16.75

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 599,400, and the average number of treasury shares during period deducted in calculating the basic earnings per share was 743,969.

Significant events after the reporting period

No items to report.

Other notes

New accounting standards, etc. not yet applied

“Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28 revised on February 16, 2018, Accounting Standards Board of Japan)

(1) Overview

In transferring the practical guidelines on tax effect accounting of the Japanese Institute of Certified Public Accountants to the Accounting Standards Board of Japan, the “Implementation Guidance on Tax Effect Accounting” basically followed their contents and incorporated the following review that was considered necessary.

Major revisions in accounting treatments

Treatment of taxable temporary differences associated with shares of subsidiaries, etc. in non-consolidated financial statements

(2) Scheduled date of application

The Company expects to apply the implementation guidance from the beginning of the fiscal year ending March 31, 2019.

(3) Impact of applying the accounting standards, etc.

As of the beginning of the following fiscal year, deferred tax assets (investments and other assets) increase by ¥458 million, deferred tax liabilities (non-current liabilities) decrease by ¥67,229 million, other capital surplus increases by ¥89,256 million, and other retained earnings decrease by ¥21,568 million.

(Translation)

Independent Auditor's Report

May 14, 2018

The Board of Directors
Seibu Holdings Inc.

Ernst & Young ShinNihon LLC
Katsuyuki Kawai [Seal]
Certified Public Accountant
Designated and Engagement Partner
Yuji Suzuki [Seal]
Certified Public Accountant
Designated and Engagement Partner
Osamu Suzuki [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, the significant matters forming the basis for preparing consolidated financial statements and other notes of Seibu Holdings Inc. (the "Company") applicable to the fiscal year from April 1, 2017 through March 31, 2018.

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, 2018 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.

Independent Auditor's Report

May 14, 2018

The Board of Directors
Seibu Holdings Inc.

Ernst & Young ShinNihon LLC
Katsuyuki Kawai [Seal]
Certified Public Accountant
Designated and Engagement Partner
Yuji Suzuki [Seal]
Certified Public Accountant
Designated and Engagement Partner
Osamu Suzuki [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 13th fiscal year from April 1, 2017 through March 31, 2018.

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 13th fiscal year ended March 31, 2018 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 13th fiscal year (from April 1, 2017 to March 31, 2018), 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 15, 2018

The Audit & Supervisory Board,
Seibu Holdings Inc.

Michifumi Yazaki [Seal]
Standing Audit & Supervisory Board Member

Isao Nagaseki [Seal]
Audit & Supervisory Board Member

Isao Fukasawa [Seal]
Outside Audit & Supervisory Board Member

Eiji Sakomoto [Seal]
Outside Audit & Supervisory Board Member