

[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.



August 3, 2020

Consolidated Financial Results for the Three Months Ended June 30, 2020 <under Japanese GAAP>

Company name: **Seibu Holdings Inc.**
Listing: First Section of the Tokyo Stock Exchange
Securities code: 9024
URL: <https://www.seibuholdings.co.jp/en/>
Representative: Takashi Goto, President and CEO
Inquiries: Kiyoto Kawakami, General Manager of Corporate Communication
Tel: +81-3-6709-3112

Scheduled date to file quarterly securities report: August 4, 2020

Scheduled date to commence dividend payments: —

Preparation of supplementary results briefing material on quarterly financial results: Yes

Holding of quarterly financial results presentation meeting: Yes (teleconference for institutional investors and analysts)

(Note: Millions of yen with fractional amounts truncated, unless otherwise noted)

1. Consolidated Financial Results for the Three Months Ended June 30, 2020 (from April 1, 2020 to June 30, 2020)

(1) Consolidated Operating Results (cumulative)

(Percentages indicate year-on-year changes)

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2020	66,341	(54.2)	(17,673)	—	(19,306)	—	(28,741)	—
June 30, 2019	144,839	6.3	21,520	6.6	19,446	5.7	14,267	10.7

Note: Comprehensive income

For the three months ended June 30, 2020: ¥(30,469) million [—%]

For the three months ended June 30, 2019: ¥8,595 million [(11.3)%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2020	(96.01)	—
June 30, 2019	46.13	46.09

Note: Diluted earnings per share for the three months ended June 30, 2020 is not noted even though the Company has issued potential shares, because the per share data is a loss per share.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
June 30, 2020	1,731,385	338,547	19.2
March 31, 2020	1,707,784	373,427	21.5

Reference: Equity (Net assets – Share acquisition rights – Non-controlling interests)

As of June 30, 2020: ¥333,102 million

As of March 31, 2020: ¥367,222 million

2. Cash Dividends

	Cash dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2020	—	15.00	—	15.00	30.00
Fiscal year ending March 31, 2021	—				
Fiscal year ending March 31, 2021 (Forecast)		—	—	—	—

Note: Revisions to the forecast most recently announced: None

At this point the dividends for the fiscal year ending March 31, 2021 have not yet been decided because the consolidated earnings forecasts for the fiscal year ending March 31, 2021 are undetermined. As soon as it becomes possible to make forecasts, we will announce the dividends.

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2021 (from April 1, 2020 to March 31, 2021)

It is difficult at this point to rationally estimate the impact of the outbreak of novel coronavirus disease (COVID-19) on the Group's results, and consolidated earnings forecasts for the fiscal year ending March 31, 2021 have not yet been decided. As soon as it becomes possible to disclose earnings forecasts, we will announce the figures.

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Application of special accounting for preparing quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatements of prior period financial statements
- a. Changes in accounting policies due to revisions to accounting standards and other regulations: None
 - b. Changes in accounting policies due to other reasons: None
 - c. Changes in accounting estimates: None
 - d. Restatements of prior period financial statements: None

(4) Number of issued shares (common shares)

a. Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2020	323,462,920 shares
As of March 31, 2020	332,462,920 shares

b. Number of treasury shares at the end of the period

As of June 30, 2020	24,065,694 shares
As of March 31, 2020	33,185,294 shares

c. Average number of outstanding shares during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2020	299,358,402 shares
Three months ended June 30, 2019	309,294,771 shares

Notes: 1. The Company's shares held by the share-based benefit trusts are included in the number of treasury shares at the end of the period (1,723,100 shares as of June 30, 2020 and 1,803,900 shares as of March 31, 2020). Also, the Company's shares held by the share-based benefit trusts are included in treasury shares that are deducted for calculation of the average number of outstanding shares during the period (cumulative from the beginning of the fiscal year) (1,761,924 shares for the three months ended June 30, 2020 and 653,300 shares for the three months ended June 30, 2019).

2. The portion attributable to the Company of the treasury shares (shares of the Company) held by equity-method associates is included in the number of treasury shares at the end of the period (21,998,594 shares as of June 30, 2020 and 21,998,594 shares as of March 31, 2020). Furthermore, the portion attributable to the Company of the treasury shares (shares of the Company) held by equity-method associates is included in treasury shares that are deducted in the calculation of the average number of outstanding shares during the period (cumulative from the beginning of the fiscal year) (21,998,594 shares for the three months ended June 30, 2020 and 22,120,813 shares for the three months ended June 30, 2019).

* Quarterly financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

*** Proper use of earnings forecasts, and other special notes**

The forward-looking statements, including earnings forecasts, contained in these materials are based on information available to the Company at the announcement of these materials and on certain assumptions pertaining to factors of uncertainty. These statements may differ from the actual business results.

It is difficult at this point to rationally estimate the impact of the outbreak of COVID-19 on the Group's results, and consolidated earnings forecasts for the fiscal year ending March 31, 2021 have not yet been decided. As soon as it becomes possible to disclose earnings forecasts, we will announce the figures. For details, please refer to page 9 of the Attached Materials, "(2) Explanation of consolidated earnings forecasts and other forward-looking statements" under "1. Qualitative Information Regarding Financial Results for the Three Months Ended June 30, 2020."

Contents of Attached Materials

1. Qualitative Information Regarding Financial Results for the Three Months Ended June 30, 2020	2
(1) Explanation of operating results	2
(2) Explanation of consolidated earnings forecasts and other forward-looking statements	9
(3) Impact, etc. associated with COVID-19	9
2. Quarterly Consolidated Financial Statements and Significant Notes Thereto	11
(1) Quarterly consolidated balance sheet	11
(2) Quarterly consolidated statements of income and comprehensive income	13
Quarterly consolidated statement of income (cumulative)	13
Quarterly consolidated statement of comprehensive income (cumulative)	14
(3) Notes to quarterly consolidated financial statements	15
Notes on premise of going concern	15
Notes on significant changes in the amount of shareholders' equity	15
Additional Information	15
Segment information	16

1. Qualitative Information Regarding Financial Results for the Three Months Ended June 30, 2020

(1) Explanation of operating results

During the three months ended June 30, 2020, the Japanese economy faced extremely severe situations with a continued sharp deterioration in business conditions due to the impact of the global COVID-19 pandemic. The employment situation showed further weakness due to the impact of the pandemic, and the outlook for business conditions remains uncertain in this extremely difficult phase. Despite expectations for a step-side improvement in the level of social and economic activity amid measures to prevent the spread of infection, the Company needs to closely monitor the degree of risks of the pandemic weighing on domestic and overseas economies and fluctuations in the financial and capital markets.

Under these conditions, the Seibu Group saw a decline in passenger numbers in its railway transportation and bus services due to people refraining from going out, and during the state of emergency declaration period from April 7 to May 25, 2020, especially, the Group was obliged to temporarily suspend operations such as hotels, golf courses, leisure facilities, and commercial facilities. In response to these changes in the business environment, the Group decided on May 26, 2020 to cancel the formulation of a new three-year medium-term management plan starting in FY2020, and to withdraw the current medium-term management plan starting in FY2019. In conjunction with this, the Group determined the following Key Business Issues in FY2020 and has been promoting efforts to address these with a view to overcoming this difficult situation.

- (1) Dedicating efforts to minimum required business operations until turmoil eases
 - (i) Securing the necessary working capital
 - (ii) Seibu Group business management policy during COVID-19 pandemic
- (2) While prioritizing (i) and (ii), pursuing initiatives for after the current situation ends
 - (iii) Key initiatives envisaged in the new medium-term management plan
 - (iv) Structural reform prompted by changed values in post-pandemic society

In regard to “(1) Dedicating efforts to minimum required business operations until turmoil eases,” the Company has enhanced its on-hand liquidity, such as by securing liquidity funds of ¥221.0 billion through expanding borrowings and commitment lines from leading financial institutions to complement its cash and deposits. Furthermore, the Company has taken measures to reduce cash outflows such as lowering the remuneration for Directors and controlling nonessential and non-urgent costs and capital investment as well as reducing utility costs and power costs by suspending operations of facilities and businesses and using employment adjustment subsidies.

Moreover, the Company has rigorously enforced the action guidelines during the COVID-19 crisis of “safety and security,” “a customer-oriented approach,” and “yielding ethical profits,” among all employees, and the Group has made a united effort in its business operations. In response to the state of emergency declaration on April 7, 2020, the Company was obliged to temporarily suspend operations at many more facilities than before, such as hotels, golf courses, leisure facilities, and commercial facilities. However, in social infrastructure such as railways and buses, where operations continued, the Company implemented rigorous measures such as ventilation and disinfection to prevent infection of employees and customers. At the same time, the Company proactively disseminated information from hotels, leisure facilities, and other suspended businesses to encourage people staying at home. After the state of emergency declaration was lifted on May 25, 2020, facilities that had suspended their operations gradually reopened following government guidelines for phased-in relaxation of restrictions. In response to this situation, the Company has been making an effort to ensure the safety and security of employees and customers across all its businesses by thoroughly implementing measures to prevent infection, to swiftly develop customer-oriented services and to recover earnings as quickly as possible. At PRINCE HOTELS, INC., those efforts have mainly been through the formulation and observation of service standards that are safety and security aware (avoid three Cs, social distancing) called “Prince Safety Commitment” while offering a variety of accommodation plans.

In regard to “(2) While prioritizing (i) and (ii), pursuing initiatives for after the current situation ends,” while prioritizing business continuity as described above, the Group has been working to foster loyal customers, for example by starting its official smartphone app service for its SEIBU PRINCE CLUB and SEIBU PRINCE CLUB emi membership services. It has also promoted its “Sustainability Action,” initiatives geared towards the realization of a sustainable society as much as possible. The Group also promoted initiatives to encourage growth after the current turmoil settles down, such as advancing internal discussions around changes to the business model in response to changes in the values and behavior of people caused by the COVID-19 crisis.

The Group recorded the following results for the three months ended June 30, 2020, mainly reflecting a decrease in passenger numbers and suspension of operations at some facilities due to the spread of COVID-19. Operating revenue was ¥66,341 million, down ¥78,497 million, or 54.2%, year on year. Operating loss was ¥17,673 million, a deterioration of ¥39,193 million from an operating profit of ¥21,520 million in the same period of the previous fiscal year, due to reduced operating revenue, despite a reduction in nonessential and non-urgent costs and recording fixed expenses at some facilities during the suspension of their operations as extraordinary losses. EBITDA was a loss of ¥5,857 million, a deterioration of ¥41,232 million from a profit of ¥35,374 million in the same period of the previous fiscal year.

Ordinary loss was ¥19,306 million, a deterioration of ¥38,752 million from an ordinary profit of ¥19,446 million in the same period of the previous fiscal year. Loss attributable to owners of parent was ¥28,741 million, a deterioration of ¥43,009 million from a profit attributable to owners of parent of ¥14,267 million in the same period of the previous fiscal year, mainly reflecting the recording of extraordinary losses such as expenses incurred for responding to COVID-19.

Operating results for the three months ended June 30, 2020, in each segment were as follows.

Reportable segments were changed from the three months ended June 30, 2020.

(Millions of yen)

Segment	Operating revenue			Operating profit			EBITDA		
	For the three months ended June 30, 2020	Year-on-year change	Change (%)	For the three months ended June 30, 2020	Year-on-year change	Change (%)	For the three months ended June 30, 2020	Year-on-year change	Change (%)
Urban Transportation and Regional	24,575	(18,454)	(42.9)	(5,313)	(13,633)	–	(84)	(13,514)	–
Hotel and Leisure	12,951	(46,369)	(78.2)	(14,324)	(18,054)	–	(11,158)	(19,779)	–
Real Estate	12,317	(4,098)	(25.0)	3,269	(2,210)	(40.3)	6,216	(2,192)	(26.1)
Construction	23,732	(1,083)	(4.4)	973	(138)	(12.5)	1,086	(128)	(10.6)
Other	4,862	(9,525)	(66.2)	(2,382)	(4,748)	–	(1,573)	(4,799)	–
Total	78,439	(79,531)	(50.3)	(17,776)	(38,786)	–	(5,513)	(40,414)	–
Adjustments	(12,098)	1,033	–	102	(407)	(79.9)	(344)	(817)	–
Consolidated	66,341	(78,497)	(54.2)	(17,673)	(39,193)	–	(5,857)	(41,232)	–

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.

3. From the three months ended June 30, 2020, the Company has newly established and changed its reportable segment structure, for the five points detailed below. To facilitate year-on-year comparison, the figures for the same period of the previous fiscal year have been restated to conform with the changed segment structure.

- Add the Yokohama Arena business from the Urban Transportation and Regional business to the Seibu Lions business, and newly establish “Sports business” in Other as a field to grow going forward.
- Consolidate the Hawaii business into the Hotel and Leisure business to accelerate global expansion of hotel operations.
- Transfer the in-station convenience store “TOMONY” and the close-to-station children’s daycare facility “Nicot,” from the Real Estate business to the Urban Transportation and Regional business to strengthen the lifestyle-related business.
- Transfer Seibu SCCAT (building maintenance and security company) from the Hotel and Leisure business to the Real Estate business to expand the Company’s business domain.
- Establish “New businesses” in Other with the establishment of Blue Incubation Co., Ltd. on May 1, 2020 and Blue Muse Co., Ltd. on June 1, 2020 to encourage the creation of new business areas of the Group.

Urban Transportation and Regional

The Urban Transportation and Regional business segment consists of railway operations that include key commuter lines for the greater Tokyo metropolitan area, bus operations that support the transportation needs of our railway passengers, lifestyle service operations along railway lines, sports operations, and others. Operating revenues for each of these operations were as follows.

(Millions of yen)

	For the three months ended June 30, 2019	For the three months ended June 30, 2020	Change
Operating revenue	43,030	24,575	(18,454)
Railway operations	27,258	15,779	(11,479)
Bus operations	6,623	3,930	(2,692)
Lifestyle service operations along railway lines	7,112	3,852	(3,259)
Sports operations	868	339	(529)
Others	1,167	673	(493)

Note: In accordance with the new establishment and change of reportable segment structure, the business breakdown also includes newly established and changed items. To facilitate year-on-year comparison, the figures for the same period of the previous fiscal year have been restated to conform with the changed breakdown.

- Leisure facilities such as Seibuen Amusement Park and Toshimaen, which were previously included under “Leisure facilities along railway lines” have been included under the newly established “Lifestyle service operations along railway lines,” along with the in-station convenience store “TOMONY” and the close-to-station children’s daycare facility “Nicot,” which have been transferred from the Real Estate business.
- Sports facilities such as the Sayama Indoor Ski and fitness clubs, which were previously included in “Leisure facilities along railway lines,” have been carved out to newly establish “Sports operations.”

In railway operations and bus operations, despite a reduction in the number of services and suspension of services of limited express trains, extra-fare reserved seating trains, and highway buses, mainly during the state of emergency declaration period, the Company fulfilled its role as a provider of social infrastructure by continuing its basic operations while taking measures to prevent COVID-19 infections, such as disinfecting station facilities and train interiors, using air conditioning equipment to introduce outside air, and having station staff and train staff open carriage windows. However, there was a sharp decrease in performance due to the impact of people refraining from going out, with the number of passengers in railway operations decreasing by 41.8% year on year (of which commuters decreased by 34.4% and non-commuters decreased by 54.2%), and passenger transportation sales decreasing by 43.6% year on year (of which commuters decreased by 27.3% and non-commuters decreased by 56.9%).

In the lifestyle service operations along railway lines, operations were temporarily suspended at leisure facilities and in-station convenience store “TOMONY,” among others, mainly during the state of emergency declaration period. However, after the state of emergency declaration was lifted, the Company resumed operations and strove to recover earnings while taking steps to prevent infections, such as restricting entry in some facilities with an awareness of avoiding the three Cs and social distancing based on the government guidelines for phased-in relaxation of restrictions. In addition, the Company promoted initiatives to encourage growth after the current turmoil settles down, such as construction work at Seibuen Amusement Park looking ahead to a renewal in 2021.

The Urban Transportation and Regional business segment recorded operating revenue of ¥24,575 million, down ¥18,454 million, or 42.9%, year on year, mainly reflecting a decrease in passenger numbers in the railway transportation and bus services and a suspension of operations and restrictions on entry at some leisure facilities and others due to the spread of COVID-19. Segment operating loss was ¥5,313 million, a deterioration of ¥13,633 million from operating profit of ¥8,319 million in the same period of the previous fiscal year due to reduced operating revenue, despite a reduction in nonessential and non-urgent costs and recording fixed expenses at some facilities during the suspension of their operations as extraordinary losses. EBITDA was a loss of ¥84 million, a deterioration of ¥13,514 million from a profit of ¥13,430 million in the same period of the previous fiscal year.

Hotel and Leisure

The Hotel and Leisure business segment consists of city hotel operations, resort hotel operations, overseas hotel operations, sports operations, and others. Operating revenues for each of these operations were as follows.

(Millions of yen)			
	For the three months ended June 30, 2019	For the three months ended June 30, 2020	Change
Operating revenue	59,321	12,951	(46,369)
City hotel operations	33,193	4,181	(29,012)
Resort hotel operations	9,066	479	(8,586)
Overseas hotel operations	6,721	5,693	(1,027)
Sports operations	5,013	1,210	(3,803)
Others	5,326	1,386	(3,939)

- Notes: 1. City hotel operations include mainly 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.
2. In accordance with the new establishment and change of reportable segment structure, the business breakdown also includes newly established and changed items. To facilitate year-on-year comparison, the figures for the same period of the previous fiscal year have been restated to conform with the changed breakdown.
- Overseas hotels such as those of StayWell Holdings Pty Ltd., which were previously included in “Others,” have been added to the hotels operating in Hawaii, which were previously reported as the Hawaii Business, to newly establish the “Overseas hotel operations.”
 - Bowling centers and other facilities, which were previously included in “City hotel operations” and “Resort hotel operations,” and ski resorts and other facilities, which were previously included in “Others,” have been added to “Golf course operations,” to newly establish “Sports operations.”

In hotel operations and sports operations, the Company was obliged to temporarily suspend all operations except for certain operations, mainly during the state of emergency declaration period. Even in this situation, however, the Company worked to make effective use of its assets to play a role in preventing the spread of infection throughout overall society, such as accommodating mild cases at Shinagawa Prince Hotel. After the state of emergency declaration was lifted, facilities that had suspended their operations gradually reopened following government guidelines for phased-in relaxation of restrictions. In this situation, as mentioned above, the Company has formulated and observed the “Prince Safety Commitment” with awareness of safety and security (avoiding three Cs, social distancing), and has come up with various accommodation plans. Through these initiatives, the Seibu Group strove to ensure the safety and security of employees and customers by thoroughly implementing measures to prevent infection, worked to swiftly develop customer-oriented services, and made an effort to recover earnings as quickly as possible. In Hotel operations, RevPAR* dropped a considerable ¥11,846 year on year to ¥654 due to the temporary suspension of operation and sluggish customer numbers since the resumption of operations.

In overseas hotel operations, the Company responded to the status of the spread of infection in each region, including temporarily suspending operations at hotels operated in Hawaii and The Prince Akatoki London, which was rebranded and opened in London, United Kingdom, in September 2019.

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

In addition, leisure facilities such as Yokohama Hakkeijima Sea Paradise were obliged to temporarily suspend operations, mainly during the state of emergency declaration period. However, after the state of emergency declaration was lifted, the Company resumed operations and strove to recover earnings while taking steps to prevent infections, such as restricting entry in some areas with an awareness of avoiding the three Cs and social distancing based on the government guidelines for phased-in relaxation of restrictions. In addition, for the limited service hotels Prince Smart Inn Ebisu and Prince Smart Inn Atami, which were scheduled to open around summer of 2020, the Company decided to delay their opening in order to prioritize stopping the spread of infection and the safety and security of customers, people involved in the projects, and employees. However, the Company also promoted initiatives to encourage growth after the situation ends, such as steadily advancing preparations for opening the limited service hotels.

Hotel and Leisure business segment recorded operating revenue of ¥12,951 million, down ¥46,369 million, or 78.2%, year on year, mainly reflecting temporary suspension of operations at hotels, golf courses, leisure facilities, and so forth, as well as lackluster growth in users even after the facilities had reopened. Segment operating loss was ¥14,324 million, a deterioration of ¥18,054 million from operating profit of ¥3,730 million in the same period of the previous fiscal year, mainly reflecting reduced operating revenue, despite a reduction in nonessential and non-urgent costs and recording fixed expenses at some facilities during the suspension of their operations as extraordinary losses. EBITDA was a loss of ¥11,158 million, a deterioration of ¥19,779 million from a profit of ¥8,621 million in the same period of the previous fiscal year.

Real Estate

The Real Estate business segment consists of leasing operations and others. Operating revenues for each of these operations were as follows.

(Millions of yen)

	For the three months ended June 30, 2019	For the three months ended June 30, 2020	Change
Operating revenue	16,416	12,317	(4,098)
Leasing operations	11,944	10,386	(1,558)
Others	4,471	1,931	(2,540)

Note: Seibu SCCAT Co., Ltd., which was transferred from the Hotel and Leisure business, is included in “Others” for the three months ended June 30, 2020 and also for the three months ended June 30, 2019.

In leasing operations, operations were temporarily suspended at commercial facilities such as Karuizawa Prince Shopping Plaza, except certain facilities, mainly during the state of emergency declaration period. However, after the state of emergency declaration was lifted, the Company resumed operations while taking steps to prevent infections, such as restricting entry in some areas with an awareness of avoiding the three Cs and social distancing based on the government guidelines for phased-in relaxation of restrictions. Furthermore, the Company also worked with business clients to overcome this difficult situation, such as offering rent relief for rental facilities. In addition, the Company promoted initiatives to encourage growth after the situation ends, such as proceeding with preparations to open the Grand Emio Tokorozawa for phase II in the Tokorozawa Station East Building Plan, on September 2, 2020.

The Real Estate business segment recorded operating revenue of ¥12,317 million, down ¥4,098 million, or 25.0%, year on year, mainly reflecting a fallback from condominium unit sales in the same period of the previous fiscal year and the temporary suspension of operations and decline in the number of users at commercial facilities, despite an increase in rent at DaiyaGate Ikebukuro, which opened in April 2019. Segment operating profit was ¥3,269 million, a decrease of ¥2,210 million, or 40.3%, year on year, mainly reflecting reduced operating revenue, despite a reduction in nonessential and non-urgent costs and recording fixed expenses at some facilities during the suspension of their operations as extraordinary losses. EBITDA was ¥6,216 million, a decrease of ¥2,192 million, or 26.1%, year on year.

Construction

The Construction business segment consists of construction operations and others. Operating revenues for each of these operations were as follows.

(Millions of yen)

	For the three months ended June 30, 2019	For the three months ended June 30, 2020	Change
Operating revenue	24,815	23,732	(1,083)
Construction operations	18,349	17,406	(942)
Others	6,466	6,325	(140)

Notes: 1. Construction operations include net sales of sideline business of Seibu Construction Co., Ltd. Seibu Construction Co., Ltd. leases some of its real estate holdings, and the associated net sales are included in operating revenues of construction operations.
2. SEIBU AGRIBUSINESS INC., established on April 1, 2020, is included in “Others.”

In construction operations, the Company took steps such as suspending operations at construction sites as part of COVID-19 countermeasures. In addition to proceeding with projects such as public works and private housing construction while thoroughly implementing measures to prevent infection, we made every effort to increase our intake of orders from outside the Group and exercise cost management.

The Construction business segment recorded operating revenue of ¥23,732 million, a decrease of ¥1,083 million, or 4.4%, year on year, mainly due to a decrease in construction progress associated with the spread of COVID-19, in addition to a decrease in carry-over construction projects. Segment

operating profit was ¥973 million, down ¥138 million, or 12.5%, year on year. EBITDA was ¥1,086 million, a decrease of ¥128 million, or 10.6%, year on year.

Other

In the Izuhakone business and the Ohmi business, we worked with local communities to overcome these circumstances by continuing basic operations for railway and bus operations to fulfill our role as a provider of social infrastructure, among other activities.

In the newly created Sports business, during the waiting period until the postponed start of the professional baseball league regular season, we worked to strengthen the Saitama Seibu Lions' team while taking every precaution to prevent the infection of players and team personnel and actively spread information to support staying at home. The season started on June 19, 2020 with games without spectators but we have engaged in intensive discussion with other baseball clubs and local governments to conduct games with fans as soon as possible, and effective July 21, 2020 games held by the Saitama Seibu Lions at the MetLife Dome were conducted with spectators. In addition, we promoted initiatives that will lead to future growth through continuing to promote projects under the MetLife Dome area renewal project, which is on track for completion in March 2021, among other activities. At Yokohama Arena Co., Ltd., we worked unitedly with event holders to overcome the current difficulties amid the government's request for self-restraint to refrain from going out to large events, through measures such as by cooperating with event holders to postpone events and hold crowdless live events.

In addition, setting our sights on the post-COVID-19 era, we prepared to enter new business fields by establishing Blue Incubation Co., Ltd. to invest in and manage the business fields on May 1, 2020 and Blue Muse Co., Ltd. as an operating company on June 1, 2020.

Segment operating revenue was ¥4,862 million, a decrease of ¥9,525 million, or 66.2%, year on year, due to the postponed start of the professional baseball league regular season for the Saitama Seibu Lions, canceled events at Yokohama Arena, etc., while the Izuhakone business and the Ohmi business were also affected by people refraining from going out and other impacts. Segment operating loss was ¥2,382 million, a deterioration of ¥4,748 million from operating profit of ¥2,366 million in the same period of the previous fiscal year, mainly reflecting reduced operating revenue, despite a reduction in nonessential and non-urgent costs and recording fixed expenses at some facilities during the suspension of their operations as extraordinary losses. EBITDA was a loss of ¥1,573 million, a deterioration of ¥4,799 million from a profit of ¥3,225 million in the same period of the previous fiscal year.

For the sports operations in the Urban Transportation and Regional business and in the Hotel and Leisure business and for the Sports business within the Other businesses segment, the total operating revenue was ¥3,561 million, down ¥9,994 million, or 73.7%, year on year.

(2) Explanation of consolidated earnings forecasts and other forward-looking statements

At the present time, although the state of emergency declaration was lifted on May 25, 2020, there are still concerns over the infection spreading again with the number of new infections beginning to rise again.

Following the lifting of the state of emergency declaration, the Seibu Group has gradually resumed operations at hotels, golf courses, and leisure facilities where operations had been suspended. The number of people passing through ticket gates in railway operations was down by about 59% year on year in April 2020 during the state of emergency and fell substantially by about 63% year on year in May, but the number is recovering, having improved to a drop of about 36% year on year in June following the lifting of the state of emergency declaration and further to a decrease of about 29% year on year since the beginning of July (based on information as of July 21). For the hotel operations the situation remains severe, after RevPAR declined by 94.7% in April, 97.2% in May, and 92.1% in June. However, since the beginning of July, there has been a gradual increase in customer use, and we are working to recover earnings through measures such as the Go To Campaign and Campaign for Tokyo residents. However, the situation with regard to these operations is changing daily in response to the returned spread of infection and the exclusion of Tokyo metropolis from the Go to Travel Campaign. Since it is therefore difficult to rationally estimate the impact at this point in time, the Company has left its earnings forecasts for the fiscal year ending March 31, 2021 undetermined. As soon as it becomes possible to disclose earnings forecasts, we will announce the figures.

In order to overcome this difficult situation, the Seibu Group is addressing the Key Business Issues in FY2020 that we released on May 26, 2020 by placing utmost priority on dedicating our efforts to the minimum required business operations until the current turmoil settles down while working to secure the necessary working capital and delivering services that bring “smiles and good spirits” to customers and society. Moreover, while placing utmost priority on dedicating our efforts to the minimum required business operations, we will continue to pursue key measures envisaged in the new medium-term management plan to every extent possible and press ahead with initiatives for structural reforms informed by our careful observations of how the people’s sense of values change in the post COVID-19 era.

(3) Impact, etc. associated with COVID-19

In order to prevent the spread of COVID-19, and in accordance with the nationwide declaration of a state of emergency, certain facilities in the Group’s businesses were closed temporarily. However, since the state of emergency was lifted, we have gradually resumed operations. In the business related to railways, buses, taxis, etc., which has continued operations, we are making efforts to prevent infections and the spread of infectious disease by continuing to provide disinfection and ventilation and change the format of our businesses. However, in the event that any of the following cases occur, it could lead to declines in operating revenue and an increase in expenses for countermeasures, causing a further significant impact on the results and the financial position of the Group. Those cases are as follows: (a) the impact of the spread of COVID-19 on various economic conditions in Japan and overseas is protracted, (b) the number of tourists from both outside and within Japan continues to drop, (c) temporary closures of certain facilities in the Urban Transportation and Regional business and in the Hotel and Leisure business are prolonged, people continue to refrain from going out, and customer numbers fall as result of unavoidable changes to business formats to take social distancing into account, and (d) people’s values change in the “Post-COVID-19” society, such as the spread of remote working leading to a reduction in commuting, or people going out less due to increased participation in online social activity.

For the employees of the Group, we are taking every caution. Measures include reducing the number of employees in offices and having them work at home utilizing remote working depending on the state of the ICT infrastructure of the various group companies; ensuring that employees commute only for unavoidable business reasons, and then only at times that clearly avoid congested periods on trains (staggered working hours); and setting up a “COVID-19 Response Standard” in case of people contracting the disease or coming into close contact with infected persons. Nevertheless, if the infection spreads among employees, there are concerns that some problems may occur in our normal

business activities. In such an event, there could be an impact on the results and financial position of the Group.

In addition, while we expect a reduction in operating cash flow following a decline in operating revenue due to the spread of COVID-19, we have secured necessary working capital for the time being by working to defer nonessential/non-urgent costs and capital investments, improving the earning structure and controlling cash flows, in addition to borrowings and expansion of our commitment lines. Going forward, we are already in discussions regarding financing with the financial institutions with which we deal, and we have put in place a structure to allow us to obtain the necessary funds. However, in the event that the COVID-19 pandemic is prolonged and demand for funds increases, there may be a further significant impact on the results and financial position of the Group.

Furthermore, regarding credit management, while responding flexibly, such as reducing the rent for business clients and reviewing payment terms, we are working to strengthen the credit management system as a measure for this risk by ascertaining the financial position of business clients, understanding the balance of receivables, and conducting a credit check. However, if it becomes difficult to collect a large amount of payments in the event that the COVID-19 pandemic is prolonged or due to deterioration in the cash flows of various business clients, defaults, etc., there could be an impact on the results and financial position of the Group.

Regarding the impact of the COVID-19 pandemic on the results of the Group, as a result of the state of emergency declared on April 7, 2020, the Group experienced a decline in passenger numbers in its railway operations and bus operations due to people refraining from going out, and with some exceptions, the operations of hotels, golf courses, leisure facilities and so forth were temporarily suspended. As stated in “(2) Explanation of consolidated earnings forecasts and other forward-looking statements” above, although the situation is improving following the lifting of the state of emergency declaration period, the situation is still fluid. It is therefore too difficult to reasonably calculate the impact on the Group’s consolidated earnings for the fiscal year ending March 31, 2021 as of the filing date of this report.

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of March 31, 2020	As of June 30, 2020
Assets		
Current assets		
Cash and deposits	28,340	75,048
Notes and accounts receivable - trade	63,348	45,357
Land and buildings for sale in lots	7,419	7,361
Merchandise and finished goods	1,392	1,557
Costs on construction contracts in progress	3,535	4,011
Raw materials and supplies	3,028	3,233
Other	14,979	16,397
Allowance for doubtful accounts	(77)	(66)
Total current assets	121,968	152,901
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	558,446	552,986
Machinery, equipment and vehicles, net	71,885	69,966
Land	713,566	713,020
Leased assets, net	8,177	7,502
Construction in progress	79,272	83,993
Other, net	25,135	23,797
Total property, plant and equipment	1,456,485	1,451,266
Intangible assets		
Leased assets	26	25
Other	22,475	21,461
Total intangible assets	22,502	21,487
Investments and other assets		
Investment securities	55,585	56,657
Long-term loans receivable	274	277
Retirement benefit asset	24,068	19,581
Deferred tax assets	19,475	22,030
Other	7,849	7,616
Allowance for doubtful accounts	(424)	(433)
Total investments and other assets	106,828	105,730
Total non-current assets	1,585,816	1,578,484
Total assets	1,707,784	1,731,385

(Millions of yen)

	As of March 31, 2020	As of June 30, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	27,409	20,035
Short-term borrowings	203,390	196,582
Lease obligations	1,004	911
Income taxes payable	7,603	556
Advances received	59,353	71,071
Provision for bonuses	5,809	11,144
Other provisions	3,855	3,451
Asset retirement obligations	4	12
Other	87,905	59,783
Total current liabilities	396,336	363,550
Non-current liabilities		
Bonds payable	40,000	40,000
Long-term borrowings	667,117	763,194
Long-term accounts payable to Japan railway construction, transport and technology agency	14,989	14,984
Lease obligations	4,480	4,170
Deferred tax liabilities	108,568	107,928
Deferred tax liabilities for land revaluation	11,916	11,916
Provision for retirement benefits for directors (and other officers)	737	659
Provision for share-based remuneration for directors (and other officers)	57	66
Other provisions	241	210
Retirement benefit liability	38,342	34,546
Asset retirement obligations	2,093	2,089
Liabilities from application of equity method	15,712	15,470
Other	33,762	34,051
Total non-current liabilities	938,020	1,029,288
Total liabilities	1,334,356	1,392,838
Net assets		
Shareholders' equity		
Share capital	50,000	50,000
Capital surplus	110,267	96,482
Retained earnings	248,027	214,769
Treasury shares	(69,945)	(55,949)
Total shareholders' equity	338,349	305,303
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,806	6,710
Revaluation reserve for land	18,019	18,019
Foreign currency translation adjustment	5,083	3,663
Remeasurements of defined benefit plans	(36)	(593)
Total accumulated other comprehensive income	28,873	27,799
Share acquisition rights	522	454
Non-controlling interests	5,682	4,990
Total net assets	373,427	338,547
Total liabilities and net assets	1,707,784	1,731,385

(2) Quarterly consolidated statements of income and comprehensive income
Quarterly consolidated statement of income (cumulative)

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Operating revenue	144,839	66,341
Operating expenses		
Operating expenses and cost of sales of transportation	112,467	74,419
Selling, general and administrative expenses	10,851	9,595
Total operating expenses	123,319	84,014
Operating profit (loss)	21,520	(17,673)
Non-operating income		
Interest income	6	2
Dividend income	445	450
Subsidy to keep a bus on a regular route	113	125
Other	204	459
Total non-operating income	769	1,038
Non-operating expenses		
Interest expenses	2,500	2,499
Share of loss of entities accounted for using equity method	49	73
Other	293	98
Total non-operating expenses	2,843	2,671
Ordinary profit (loss)	19,446	(19,306)
Extraordinary income		
Gain on sales of non-current assets	11	24
Contribution for construction	252	1,347
Subsidy income	50	44
Gain on sales of investment securities	10	—
Other	—	341
Total extraordinary income	324	1,758
Extraordinary losses		
Impairment loss	—	2,499
Loss on retirement of non-current assets	362	168
Tax purpose reduction entry of contribution for construction	245	1,187
Loss on tax purpose reduction entry of non-current assets	38	32
Loss on valuation of investment securities	20	77
Loss on temporary suspension of operations	—	*10,725
Total extraordinary losses	666	14,692
Profit (loss) before income taxes	19,104	(32,240)
Income taxes - current	5,986	373
Income taxes - deferred	(1,316)	(3,221)
Total income taxes	4,670	(2,848)
Profit (loss)	14,434	(29,392)
Profit (loss) attributable to non-controlling interests	167	(650)
Profit (loss) attributable to owners of parent	14,267	(28,741)

Quarterly consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Profit (loss)	14,434	(29,392)
Other comprehensive income		
Valuation difference on available-for-sale securities	(5,567)	903
Revaluation reserve for land	(1)	—
Foreign currency translation adjustment	494	(1,421)
Remeasurements of defined benefit plans, net of tax	(765)	(558)
Total other comprehensive income	(5,839)	(1,076)
Comprehensive income	8,595	(30,469)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,429	(29,815)
Comprehensive income attributable to non-controlling interests	165	(653)

(3) Notes to quarterly consolidated financial statements

Notes on premise of going concern

Not applicable.

Notes on significant changes in the amount of shareholders' equity

Not applicable.

Additional Information

Significant accounting estimates

There are no significant changes with respect to assumptions regarding COVID-19 that were presented in "Significant accounting estimates" under "Additional information" in the Annual Securities Report for the fiscal year ended March 31, 2020.

Quarterly consolidated statement of income

***Loss on temporary suspension of operations**

The loss on the temporary suspension of operations recorded in the first three months ended June 30, 2020 consisted of fixed expenses (personnel expenses, depreciation and amortization, etc.) that arose during the period of suspended operation of operating facilities that temporarily suspended operations as a result of official requests and declarations, etc. from the national and local governments to prevent the spread of COVID-19.

Segment information**I. For the three months ended June 30, 2019 (from April 1, 2019 to June 30, 2019)**

The segment information is as stated in “2. Matters relating to changes, etc. in reportable segments” under “II. For the three months ended June 30, 2020 (from April 1, 2020 to June 30, 2020)”

II. For the three months ended June 30, 2020 (from April 1, 2020 to June 30, 2020)**1. Information about operating revenue and profit (loss) by reportable segment**

(Millions of yen)

	Urban Transportation and Regional	Hotel and Leisure	Real Estate	Construction	Other (Note 1)	Total	Adjustments (Note 2)	Amount in the quarterly consolidated statement of income (Note 3)
Operating revenue	24,575	12,951	12,317	23,732	4,862	78,439	(12,098)	66,341
Segment profit (loss)	(5,313)	(14,324)	3,269	973	(2,382)	(17,776)	102	(17,673)

- Notes: 1. “Other” consists of the Izuhakone business, Ohmi business, Sports business and New businesses.
 2. Adjustments for segment profit (loss) of ¥102 million mainly consist of elimination of inter-company transactions.
 3. Segment profit (loss) has been reconciled with operating loss in the quarterly consolidated statement of income.

2. Matters relating to changes, etc. in reportable segments

Starting from the three months ended June 30, 2020, the pre-existing five segments of “Urban Transportation and Regional,” “Hotel and Leisure,” “Real Estate,” “Construction,” and “Hawaii Business” were changed to the four segments of “Urban Transportation and Regional,” “Hotel and Leisure,” “Real Estate,” and “Construction.”

For details on the changes made to each segment, please refer to Note 3 under the table showing the operating results for the three months ended June 30, 2020, in each segment under “Qualitative Information Regarding Financial Results for the Three Months Ended June 30, 2020 (1) Explanation of operating results.” In the business segment results, the Izuhakone business, Ohmi business, Sports business and New businesses are included in “Other.”

As a result, the reportable segments and their main business components are as follows:

- (i) Urban Transportation and Regional: Railway operations, bus operations, lifestyle service operations along railway lines, sports operations, etc.
- (ii) Hotel and Leisure: City hotel operations, resort hotel operations, overseas hotel operations, sports operations, etc.
- (iii) Real Estate: Leasing operations, etc.
- (iv) Construction: Construction operations, etc.

After retrospectively adjusting the first three months ended June 30, 2019 to reflect the changes to segments, the operating revenue and profit (loss) by reportable segment during said period are as follows.

(Millions of yen)

	Urban Transportation and Regional	Hotel and Leisure	Real Estate	Construction	Other (Note 1)	Total	Adjustments (Note 2)	Amount in the quarterly consolidated statement of income (Note 3)
Operating revenue	43,030	59,321	16,416	24,815	14,388	157,971	(13,131)	144,839
Segment profit	8,319	3,730	5,480	1,112	2,366	21,009	510	21,520

- Notes: 1. “Other” consists of the Izuhakone business, Ohmi business and Sports business.
2. Adjustments for segment profit of ¥510 million mainly consist of elimination of inter-company transactions.
3. Segment profit has been reconciled with operating profit in the quarterly consolidated statement of income.