

[Translation for Reference Only]

ENGLISH TRANSLATION OF DOCUMENT IN JAPANESE

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In all cases, the original Japanese version takes precedence.

November 12, 2020

For Immediate Release

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Notice Regarding Issuance of Preferred Shares by Consolidated Subsidiaries

Seibu Holdings Inc. (the “Company”) hereby announces that at the meeting of the Board of Directors held on November 12, 2020, the Company gave approval for Seibu Railway Co., Ltd. (Head Office: Tokorozawa, Saitama, President: Kimio Kitamura) and Prince Hotels, Inc. (Head Office: Toshima-ku, Tokyo, President: Masahiko Koyama), which are the Company’s consolidated subsidiaries, to issue preferred shares totaling ¥80.0 billion (hereinafter, “Preferred Shares”) through a third-party allotment to Mizuho Bank, Ltd. (Head Office: Otemachi, Chiyoda-ku, Tokyo, President & CEO: Koji Fujiwara) and Development Bank of Japan Inc. (Head Office: Otemachi, Chiyoda-ku, Tokyo, President and CEO: Hajime Watanabe), and also resolved that an investment agreement regarding the underwriting of the Preferred Shares (hereinafter, the “Agreement”) would be concluded with each issuer and allottee. The details are described below.

1. Reason for the issuance of preferred shares by consolidated subsidiaries of the Company
While economic activities remain sluggish due to the spread of novel coronavirus disease (COVID-19), the Group is also experiencing a harsh business environment. Regarding the consolidated earnings forecasts for the fiscal year ending March 31, 2021, the Company is expected to record a huge loss, such as loss attributable to owners of parent of ¥63.0 billion. Taking it into consideration that such a severe situation may continue not only in the current fiscal year but also in the next fiscal year and thereafter, the Company deemed that the Group’s financial foundation urgently required enhancement and made the decision for its consolidated subsidiaries to issue the Preferred Shares. Funds obtained through the issuance of Preferred Shares will be used for repayment of existing loans and for operating funds.
This is a measure of “raising capital funds as the Group without diluting the Company’s shares,” which the Company was considering as an initiative related to financing cash flows in the planned “management reforms” stated in “Notice Regarding Consolidated Earnings Forecasts, Dividends of Surplus and Fiscal Year-End Dividend Forecast” announced on September 24, 2020. Going forward, the Group aims to overcome the impact of COVID-19, and pave the way for the leap forward in the post-COVID-19 society by carrying out the “management reforms” with a sense of urgency and with no exceptions.

2. Outline of the Preferred Shares and the Agreement

Seibu Railway Co., Ltd.

(1) Name of class shares	Class A preferred shares
(2) Number of new shares to be issued	700 shares
(3) Amount to be paid in	¥100 million per share
(4) Amount to be financed	¥70.0 billion
(5) Amount to be capitalized	¥35.0 billion (¥50 million per share)
(6) Payment date	November 26, 2020 (planned)
(7) Method of offering or allotment (allottee)	Third-party allotment to Mizuho Bank, Ltd. (350 shares) and Development Bank of Japan Inc. (350 shares)
(8) Content of Class A preferred shares and the Agreement	· Class A preferred dividends will be paid to the allottees prior to common shareholders, etc. of Seibu Railway Co., Ltd. · Distribution of residual assets will be performed to the allottees prior to common shareholders, etc. of Seibu Railway Co., Ltd. · The allottees may not exercise voting rights at general meetings of shareholders of Seibu Railway Co., Ltd. · Seibu Railway Co., Ltd. may acquire all or part of the Class A preferred shares at any time on or after November 26, 2021 by paying an amount of money (the “Redemption Value” in (8)) that is the sum of the amount paid in, accumulated dividends payable and an amount equal to accrued preferred dividends. In addition, as provided for in the Agreement, Seibu Railway Co., Ltd. will make its utmost efforts to redeem the Class A preferred shares by November 26, 2025 by paying such money as consideration in accordance with the call provision. · The allottees have no put options on Seibu Railway Co., Ltd. However, as provided for in the Agreement, (i) on November 27, 2025 or (ii) in the cases where any of the following events arises and an allottee makes a request, the Company is obligated to acquire all of the Class A preferred shares from the allottee at the Redemption Value. a. Seibu Railway Co., Ltd. did not pay all or part of the preferred dividends for the Class A preferred shares for two consecutive fiscal years. b. The amount that Seibu Railway Co., Ltd. has available for dividends is less than the amount necessary to enable the call provision to be triggered in exchange for money on Class A preferred shares. c. Other than the above, cases stipulated in the Agreement. · There is no call provision attached to the shares to redeem the shares in exchange for the common shares of the Company and Seibu Railway Co., Ltd. · The allottees may not transfer Class A preferred shares to anyone other than the Company without consent of the Company and Seibu Railway Co., Ltd. · The Company assumes the obligation to maintain the ratio of voting rights that the Company directly holds to Seibu Railway Co., Ltd. to 100% as provided for in the Agreement.

Prince Hotels, Inc.

(1) Name of class shares	Class A preferred shares
(2) Number of new shares to be issued	100 shares
(3) Amount to be paid in	¥100 million per share
(4) Amount to be financed	¥10.0 billion
(5) Amount to be capitalized	¥5.0 billion (¥50 million per share)
(6) Payment date	November 26, 2020 (planned)
(7) Method of offering or allotment (allottee)	Third-party allotment to Mizuho Bank, Ltd. (50 shares) and Development Bank of Japan Inc. (50 shares)
(8) Content of Class A preferred shares and the Agreement	· Class A preferred dividends will be paid to the allottees prior to common shareholders, etc. of Prince Hotels, Inc. · Distribution of residual assets will be performed to the allottees prior to common shareholders, etc. of Prince Hotels, Inc. · The allottees may not exercise voting rights at general meetings of shareholders of Prince Hotels, Inc. · Prince Hotels, Inc. may acquire all or part of the Class A preferred shares at any time on or after November 26, 2021 by paying an amount of money (the “Redemption Value” in (8)) that is the sum of the amount paid in, accumulated dividends payable and an amount equal to accrued preferred dividends. In addition, as provided for in the Agreement, Prince Hotels, Inc. will make its utmost efforts to redeem the Class A preferred shares by November 26, 2027 by paying such money as consideration in accordance with the call provision. · The allottees have no put options on Prince Hotels, Inc. However, as provided for in the Agreement, (i) on November 29, 2027 or (ii) in the cases where any of the following events arises and an allottee makes a request, the Company is obligated to acquire all of the Class A preferred shares from the allottee at the Redemption Value. a. Prince Hotels, Inc. did not pay all or part of the preferred dividends for the Class A preferred shares for two consecutive fiscal years beginning in FY2023. b. The amount that Prince Hotels, Inc. has available for dividends is less than the amount necessary to enable the call provision to be triggered in exchange for money on Class A preferred shares. c. Other than the above, cases stipulated in the Agreement. · There is no call provision attached to the shares to redeem the shares in exchange for the common shares of the Company and Prince Hotels, Inc. · The allottees may not transfer Class A preferred shares to anyone other than the Company without consent of the Company and Prince Hotels, Inc. · The Company assumes the obligation to maintain the ratio of voting rights that the Company directly holds to Prince Hotels, Inc. to 100% as provided for in the Agreement.

3. Impact of the issuance on the financial results

The impact of the issuance on consolidated earnings forecasts for the fiscal year ending March 31, 2021 is insignificant.

4. Schedule of the issuance of the Preferred Shares

November 12, 2020	Resolution of the meeting of the Board of Directors of the Company
	Resolutions of Extraordinary General Meeting of Shareholders of Seibu Railway Co., Ltd. and Prince Hotels, Inc.
	Conclusion of investment agreement regarding underwriting of the Preferred Shares
November 26, 2020	Completion of payment by Mizuho Bank, Ltd. and Development Bank of Japan Inc. (planned)

End