

[Translation for reference only]

ENGLISH TRANSLATION OF JAPANESE-LANGUAGE DOCUMENT

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

(Securities code: 9024)

May 31, 2017

To our shareholders

Takashi Goto

President and CEO

Seibu Holdings Inc.

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

Notice of the 12th Annual General Meeting of Shareholders

You are cordially invited to attend the 12th 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 Tuesday, June 20, 2017 (Japan time).

1. Date and Time: Wednesday, June 21, 2017, at 10:00 a.m. (Japan Standard Time)
(The reception desk is scheduled to open at 9:00 a.m.)

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

3. Purpose of the Meeting

Matters to be reported:

1. Business Report, Consolidated Financial Statements and Audit Reports for the Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board, for the 12th Fiscal Year (from April 1, 2016 to March 31, 2017)
2. Non-consolidated Financial Statements for the 12th Fiscal Year (from April 1, 2016 to March 31, 2017)

Matters to be resolved:

Proposal No. 1: Appropriation of surplus

Proposal No. 2: Election of four (4) Directors

Proposal No. 3: Election of two (2) Audit & Supervisory Board Members

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	Wednesday, June 21, 2017, at 10:00 a.m. (Japan Standard Time) (The reception desk is scheduled to open at 9:00 a.m.)
Venue	Kusunoki Hall (8th floor), Seibu Daini Building 1-11-2 Kusunokidai, Tokorozawa-shi, Saitama

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

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

Deadline for Exercise	5:00 p.m. on Tuesday, June 20, 2017 (The mail must arrive by 5:00 p.m.)
-----------------------	--

Exercise of voting rights via the Internet

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

Deadline for Exercise	5:00 p.m. on Tuesday, June 20, 2017 (You must complete inputting by 5:00 p.m.)
-----------------------	---

Contact information for inquiries concerning how to use personal computer, etc.	The Stock Transfer Agency Department of Mizuho Trust & Banking Co., Ltd. 0120-768-524 (toll-free in Japan, weekdays from 9:00 a.m. to 9:00 p.m.)
--	---

Use of electronic voting platform (for institutional investors)

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

Reference Documents for the General Meeting of Shareholders

Proposal No. 1: Appropriation of surplus

The Seibu Group's business activities primarily focus on the urban transportation and regional, the hotel and leisure, and the real estate business segments, through which we pursue our operational objective of achieving sustainable and 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.

With a view to enhancing returns to shareholders based on strong operating results, while actively promoting the investments in large-scale projects contributing to future growth, such as a plan for the Seibu Railway Ikebukuro Building (Tentative) and the Tokorozawa Station East Building Plan, it is hereby proposed that the amount of dividends paid out for the end of our 12th fiscal year be ¥15.50 per share, an increase in regular dividend per share by ¥5.00 compared to the previous fiscal year (separately paid a commemorative dividend of ¥2.00 per share in the previous fiscal year).

If this proposal is approved and passed as above, the amount of annual dividends per share including the interim dividend (¥7.50 per share) for the fiscal year ended March 31, 2017 is ¥23.00 per share, up ¥6.00 from the previous fiscal year.

(1) Type of dividend property

Money

(2) Allotment of dividend property and its total amount

¥15.50 per Company's common share

Total: ¥5,222,207,967

(3) Effective date of dividends from surplus

June 22, 2017

Proposal No. 2: Election of four (4) Directors

Upon the conclusion of this General Meeting of Shareholders, the terms of office of four (4) Directors, Hiroo Ando, Eiko Ohya, Takehiko Ogi, and Keiji Goto will expire. Therefore, it is hereby proposed that four (4) Directors be elected.

The candidates for Director are as follows:

Candidate number	Name	Current position and responsibilities in the Company	
1	Shuichiro Ogawa		New candidate
2	Eiko Ohya	Director	Reelection Outside Independent
3	Takehiko Ogi	Director	Reelection Outside Independent
4	Keiji Goto	Director	Reelection Outside Independent

Notes for all four candidates:

1. The age of each candidate is as of June 21, 2017.
2. 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.

Notes common to three candidates for Outside Director above:

1. The number of years in office as Outside Director of each candidate is upon the conclusion of this General Meeting of Shareholders.
2. The Company and its Outside Directors Eiko Ohya, Takehiko Ogi and Keiji Goto have concluded agreements limiting the liability of the Outside Directors for damages under Article 423, paragraph 1 of the Companies Act of Japan, to the minimum amount stipulated in Article 425, paragraph 1 thereof. If their re-appointment is approved, the Company will continue the said agreements with them.
3. The Company has designated Eiko Ohya, Takehiko Ogi and Keiji Goto as independent directors in accordance with the rules and regulations of the Tokyo Stock Exchange, and has registered them as such with the Exchange. If their re-appointment is approved, they will be registered as independent directors again.

Candidate number	Name (Date of birth)	Career summary, position and responsibilities		Number of Company shares owned
1	New candidate Shuichiro Ogawa February 15,1966 (51 years old) Number of Years in Office: - years	Mar. 1989	Joined Seibu Railway Co., Ltd.	1,511
		May 2007	Director, General Manager, Compliance Office of Seibu Lions, Inc.	
		Jun. 2008	Director of the company	
		Apr. 2010	Director, General Manager, Corporate Planning Department of the company	
		Jun. 2010	General Manager, Transportation Department of Seibu Railway Co., Ltd.	
		Jan. 2015	Managing Officer, General Manager, Transportation Department of the company	
		Jun. 2016	Director and Senior Managing Officer, General Manager, Transportation Department of the company	
		Apr. 2017	Managing Officer, General Manager, Personnel Department of Seibu Holdings Inc. (present) Director, Senior Managing Officer, Prince Hotels, Inc. (present)	
		Attendance to the meetings of the Board of Directors in FY2016: -	Important concurrent positions outside the Company: Director of Prince Hotels, Inc.	
[Reason for nomination as Director] As Director and General Manager of the Transportation Department of Seibu Railway Co., Ltd., Mr. Ogawa has supervised the Seibu Railway Co., Ltd.'s railway transport sector and contributed to enhancing the Group's value through the railway business. In his current position as General Manager of the Personnel Department of Seibu Holdings Inc., he is widely involved in management and supervision of the Group's personnel measures. We are certain that he will continue to propose and implement personnel measures that will contribute to the sustainable growth of the Group, thereby contributing to the enhancement of corporate value over the medium to long term, and accordingly nominate him as a Director.				
[Message to shareholders from the Director candidate] I believe that human resources are an important management resource that contributes to enhancement of corporate value. Through our personnel measures, we will recruit and nurture human resources that can embody the Group Vision, and act autonomously with a high level of motivation. I intend to dedicate myself to actively promoting staff deployment across the Group and utilization of diverse human resources in order to contribute to our sustainable growth as an attractive Seibu Group.				

* No relationships involving special interests exist between the candidate and the Company.

Candidate number	Name (Date of birth)	Career summary, position and responsibilities		Number of Company shares owned
2	Reelection Outside Independent Eiko Ohya (Name in the family register: Eiko Edahiro) February 23, 1941 (76 years old) Number of Years in Office as Outside Director: 4 years	Jun. 1969 Aug. 1984 July. 1991 Jun. 2001 May 2007 Apr. 2008 Jun. 2013 Feb. 2016	Representative Director of Nippon Information Systems Inc. Representative Director of Office E Co., Ltd. Representative Director of Ohya Eiko Jimusho Co., Ltd. (present) Audit & Supervisory Board Member (external) of Shiseido Company, Ltd. Outside Director of Takashimaya Company, Limited President of Oya Soichi Bunko (current Oya Soichi Library) (present) Outside Director of Seibu Holdings Inc. (present) Representative Director of the specified non-profit organization ZENSEDAI (present)	2,821
	Attendance to the meetings of the Board of Directors in FY2016: 18/18 (100%)		Important concurrent positions outside the Company: None	
	[Reason for nomination as Outside Director] As is widely known through long years of her activities as journalist and commentator, Ms. Ohya has abundant knowledge and insight irrespective of areas. Her opinions and advice from the broad perspective of pluralistic stand point of view such as consumers have contributed to discussion in light of diverse values at the meeting of the Board of Directors of the Company. We are certain that she will certainly continue to contribute toward enhancing the corporate value of the Seibu Group over the medium to long term, and accordingly nominate her as an Outside Director.			
	[Message to shareholders from the Outside Director candidate] As the Seibu Group is engaged in a wide variety of business that is closely related to and enriches customers' lives, opinions and ideas from a pluralistic perspective are required of the Group. I have positively made a contribution to discussion at the meetings of the Board of Directors from an objective point of view and based on my experience and knowledge. I would like to continue contributing to carrying out corporate social responsibilities and further enhancement of the internal control systems by making a great use of the experience I have gained through my activities as a member of numerous councils and an outside director of other companies, etc.			

* The Company makes donations to the specified non-profit organization ZENSEDAI, of which Ms. Ohya is a representative director. However, the amount donated in FY2016 was ¥1 million, which falls below the standard amount stipulated in "Seibu Holdings' Independence Standards for Outside Directors and Outside Audit & Supervisory Board Members," and is therefore considered immaterial to Ms. Ohya's independence.

Candidate number	Name (Date of birth)	Career summary, position and responsibilities		Number of Company shares owned
3	Reelection Outside Independent Takehiko Ogi August 8, 1961 (55 years old) Number of Years in Office as Outside Director: 4 years	Apr. 1984	Joined the Ministry of International Trade and Industry (current Ministry of Economy, Trade and Industry)	1,410
		May 2000	President and Representative Director of TSUTAYA online Corporation	
		Jun. 2002	Representative Managing Director of Culture Convenience Club Co., Ltd	
		Jul. 2004	Managing Director of Industrial Revitalization Corporation of Japan	
		Nov. 2004	President and Chief Executive Officer of Kanebo Ltd.	
		Apr. 2007	President of Maruzen Company, Limited	
		Feb. 2010	President of CHI Group Co., Ltd. (current Maruzen CHI Holdings, Co., Ltd.)	
		Dec. 2010	President of 2Dfacto, Inc.	
		Jun. 2013	Outside Director of Seibu Holdings Inc. (present)	
		Jun. 2015	Outside Director, MISUMI Group Inc. (present)	
Aug. 2015	Representative Director and President, Japan Human Resources Co., Ltd. (present)			
Attendance to the meetings of the Board of Directors in FY2016: 18/18 (100%)		Important concurrent positions outside the Company: Representative Director and President, Japan Human Resources Co., Ltd. Outside Director, MISUMI Group Inc.		
[Reason for nomination as Outside Director] Mr. Ogi has impressive results particularly in the area of consumer-focused corporate management as evidenced by his proven track record of bringing about managerial reform in companies across various industries. His opinions as Outside Director backed by his track record and experience are being applied to the Company’s management and thereby helping us to improve our medium- to long-term corporate value. We are certain that he will certainly continue to contribute toward enhancing the corporate value of the Seibu Group over the medium to long term, and accordingly nominate him as an Outside Director.				
[Message to shareholders from the Outside Director candidate] I think that the purpose of corporate management is to make a contribution to the society as set forth in the corporate vision in a sustainable manner from a medium- to long-term perspective. I would like to endeavor to strengthen such corporate governance that implements the group vision of the Seibu Group in a faithful and sustainable manner and enhances its corporate value so that the Group may fulfil its social responsibility as a listed company and meet shareholders’ expectation.				

* No relationships involving special interests exist between the candidate and the Company.

Candidate number	Name (Date of birth)	Career summary, position and responsibilities		Number of Company shares owned
4	Reelection Outside Independent Keiji Goto July 30, 1959 (57 years old) Number of Years in Office as Outside Director: 2 years	Apr. 1982	Joined the National Police Agency	4,938
		Jun. 1992	Assistant Counsellor of Cabinet Secretariat of Cabinet Legislation Bureau	
		Apr. 2001	Director, Community Safety Department of Osaka Prefectural Police Headquarters	
		Jan. 2003	Director, Police Administration Department of Aichi Prefectural Police Headquarters	
		Aug. 2004	Counsellor of Cabinet Secretariat (in charge of security and crisis management)	
		Aug. 2005	Registered as attorney at law Joined Nishimura & Partners (current Nishimura & Asahi)	
		Mar. 2006	Outside Audit & Supervisory Board Member of Hakuyosha Co., Ltd. (present)	
		Jul. 2008	Established Goto Compliance Law Firm	
		Apr. 2009	Outside Audit & Supervisory Board Member of Prince Hotels, Inc.	
		May 2012	Outside Audit & Supervisory Board Member of Central Security Patrols, Co., Ltd. (present)	
	Attendance to the meetings of the Board of Directors in FY2016: 17/18 (94.4%)	Jun. 2013	Outside Director of Prince Hotels, Inc.	
		Jun. 2015	Outside Director of Seibu Holdings Inc. (present)	
		Jun. 2016	Director of Prince Hotels, Inc. (present) Outside Corporate Auditor of Fukuda Denshi Co., Ltd. (present)	
		Important concurrent positions outside the Company: Director of Prince Hotels, Inc. Outside Audit & Supervisory Board Member of Hakuyosha Co., Ltd. Outside Audit & Supervisory Board Member of Central Security Patrols, Co., Ltd. Outside Corporate Auditor of Fukuda Denshi Co., Ltd.		
[Reason for nomination as Outside Director] As an attorney, Mr. Goto possesses a high degree of expertise and knowledge as well as abundant experience with respect to corporate legal affairs. His opinions from a broad perspective based on his knowledge, experience, etc. are being applied to the Company’s management and thereby helping us to strengthen corporate governance. We are certain that he will certainly continue to contribute toward enhancing the corporate value of the Seibu Group over the medium to long term, and accordingly nominate him as an Outside Director.				
[Message to shareholders from the Outside Director candidate] The Seibu Group has a variety of ongoing operations and projects expected to grow in the future. As an Outside Director, I would like to endeavor to strengthen corporate governance further in order to contribute to the sustained growth of the Company and the enhancement of its corporate value in a medium- to long- term by making use of my career including my experience as an outside audit & supervisory board member for other companies, for instance, by positively voicing my opinions from an independent standpoint at the meeting of the Board of Directors and on other occasions.				

* Mr. Goto is a Director of the Company's subsidiary Prince Hotels, Inc. Moreover, he was an Outside Audit & Supervisory Board Member for Prince Hotels, Inc. from April 2009 to May 2010, and an Outside Director for the same from June 2013 to June 2016.

* No relationships involving special interests exist between the candidate and the Company.

<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. 3: 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, Nozomi Kawakami and Masayoshi Akashi, 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:

Candidate number	Name (Date of birth)	Career summary and position	Number of Company shares owned
1	<p>New candidate</p> <p>Michifumi Yazaki</p> <p>January 20, 1956 (61 years old)</p> <p>Number of Years in Office: - years</p>	<p>Apr. 1978 Joined Seibu Railway Co., Ltd.</p> <p>Dec. 2004 General Manager, Internal Audit Department of the company</p> <p>Jun. 2005 Managing Officer, General Manager, Internal Audit Department of the company</p> <p>Feb. 2006 Managing Officer, General Manager, Internal Audit Department of Seibu Holdings Inc.</p> <p>Jun. 2008 Managing Officer, General Manager, Internal Audit Department of Seibu Railway Co., Ltd.</p> <p>Feb. 2009 Managing Officer, General Manager, Accounting Office of Seibu Holdings Inc.</p> <p>Apr. 2010 Managing Officer, General Manager, Materials Sales Department of Seibu Railway Co., Ltd.</p> <p>Apr. 2013 President and Representative Director of Yodosei Inc.</p> <p>Apr. 2016 General Manager, Corporate Auditors' Office of Seibu Railway Co., Ltd. (present)</p>	2,910
		<p>Attendance to the meetings of the Board of Directors in FY2016: -</p> <p>Attendance to meetings of Audit & Supervisory Board in FY2016: -</p>	
		<p>Important concurrent positions outside the Company: None</p>	
		<p>[Reason for nomination as Audit & Supervisory Board Member]</p> <p>Mr. Yazaki has a wealth of experience, including previous appointments as General Manager of the Audit Department at Seibu Holdings, Inc. and Seibu Railway Co., Ltd., subsequently serving as General Manager of the Accounting Office, before leading management as president of a Group Company. In view of his wide-ranging understanding of the Group's operations in general, we have nominated him as an Audit & Supervisory Board Member.</p>	
		<p>[Message to shareholders from the Audit & Supervisory Board Member candidate]</p> <p>I aim to make use of my experience in performing my duties as Audit & Supervisory Board Member to ensure that the Seibu Group earns the trust of all stakeholders, including shareholders, and delights to all of its customers.</p>	

* No relationships involving special interests exist between the candidate and the Company.

* The age of the candidate is as of June 21, 2017.

* Mr. Yazaki's holdings of the Company's shares include shareholdings held for him by under the employee stock ownership plan.

Candidate number	Name (Date of birth)	Career summary and position		Number of Company shares owned
2	New candidate Isao Nagaseki May 5, 1956 (61 years old) Number of Years in Office: - years	Mar. 1979	Joined Prince Hotels, Inc.	1,122
		May 2006	General Manager, Corporate Planning Department of the company	
		Apr. 2007	General Manager, CS Promotion Department of the company	
		Jun. 2007	General Manager, CS Promotion Department and Brand Management Department of the company	
		Dec. 2007	General Manager of Sunshine City Prince Hotel of the company	
		Jun. 2008	General Manager of Sunshine City Prince Hotel, General Manager, General Planning Department of the company	
		Apr. 2009	General Manager of Shin-Yokohama Prince Hotel, General Manager, General Planning Department of the company	
		Jun. 2009	Managing Officer, General Manager of Shin-Yokohama Prince Hotel, General Manager, General Planning Department of the company	
		Jun. 2010	Managing Officer, General Manager of Shin-Yokohama Prince Hotel of the company	
		Apr. 2013	Managing Officer, Supervisory General Manager of Saitama and Chiba of the company	
		Apr. 2016	Managing Officer, in charge of Tokyo Metropolitan Area (Saitama and Chiba) and Supervisory General Manager of Tokyo Metropolitan Area (Saitama and Chiba) of the company	
		Jun. 2016	Standing Audit & Supervisory Board Member of the company (present)	
Attendance to the meetings of the Board of Directors in FY2016: - Attendance to meetings of Audit & Supervisory Board in FY2016: -		Important concurrent positions outside the Company: Standing Audit & Supervisory Board Member of Prince Hotels, Inc.		
[Reason for nomination as Audit & Supervisory Board Member] Mr. Nagaseki has a wealth of experience in the Hotel and Leisure business, including previous posts as General Manager of the Sunshine City Prince Hotel and the Shin Yokohama Prince Hotel. Currently, he is working to enhance the auditing of Prince Hotels Inc. as its standing Audit & Supervisory Board Member, and we have therefore nominated him as an Audit & Supervisory Board Member.				
[Message to shareholders from the Audit & Supervisory Board Member candidate] I will perform my duties of an Audit & Supervisory Board Member based on my own convictions, and with fair and impartial attitude at all times, in order to ensure that the Seibu Group will continue to be trusted by customers as a company that can provide high quality services, and to ensure that employees and management work in unison to achieve sound, sustainable growth of the Company.				

* No relationships involving special interests exist between the candidate and the Company.

* The age of the candidate is as of June 21, 2017.

* Mr. Nagaseki's holdings of the Company's shares include shareholdings held for him by under the employee stock ownership plan.

(Attached Documents)

Business Report

(From April 1, 2016 to March 31, 2017)

1. Status of the corporate group

(1) Progress and results of operations

1) Review of the fiscal year ended March 31, 2017

During the fiscal year ended March 31, 2017, the Japanese economy continued to experience a gradual recovery with the continuing improvement in the employment and income environment, although the recovery in business conditions appeared to lag in some sectors. 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, 2017, the Seibu Group worked to maximize its corporate value under the Seibu Group's Medium-Term Business Plan (FY2016-FY2018), by working to i) establish a long-term business foundation and ii) strengthen its existing businesses as key initiatives in the plan, based on the central theme of "taking advantage of our strengths to realize the strongest Seibu group," and following the basic policies of "tackling innovation with speed from new perspectives" and "shifting gears to achieve further growth."

To establish a long-term business foundation, the Group will respond to paradigm shifts such as increasing numbers of foreign visitors to Japan and changes in the composition of the population by expanding its targeting of markets, including inbound tourism, senior citizens and children, in order to develop new business models and create further earnings opportunities. For "inbound tourism," the Group has adopted a slogan of "Aiming to Become the corporate group at the center of Tourism-oriented Japan." Under this slogan, the Group made a concerted effort to strengthen its new initiatives, such as the launch of the "SEIBU PRINCE CLUB emi" membership service for foreigners and the start of 2016 SEIBU GROUP MEDIA FAM TOURS for introducing the Company's facilities to travel agents.

Furthermore, the Group carried out redevelopment through reorganization of its portfolio under the Seibu Group's Asset Strategy, including the grand opening of its major project for driving the Group's future growth, TOKYO GARDEN TERRACE KIOICHO (the development project of the site where the Grand Prince Hotel Akasaka was previously located).

As a result of these efforts, the Group recorded the following results for the fiscal year ended March 31, 2017. Operating revenue was ¥512,009 million, up ¥3,927 million, or 0.8%, year on year; operating profit was ¥62,456 million, down ¥3,499 million, or 5.3%, year on year, mainly reflecting the recording of one-time expenses associated with the opening of TOKYO GARDEN TERRACE KIOICHO and an increase in depreciation. EBITDA was ¥108,115 million, up ¥1,413 million, or 1.3%, year on year.

Ordinary profit was ¥57,472 million, down ¥1,053 million, or 1.8%, year on year. Profit attributable to owners of parent was ¥47,564 million, down ¥9,643 million, or 16.9%, year on year, mainly reflecting the absence of profit upon recognition of indemnification claims that was recorded in the previous fiscal year.

2) Operating results by segment for the fiscal year ended March 31, 2017

(Millions of yen)

Segment	Operating revenue			Operating profit			EBITDA		
	For the year ended March 31, 2017	Change from previous year	Change (%)	For the year ended March 31, 2017	Change from previous year	Change (%)	For the year ended March 31, 2017	Change from previous year	Change (%)
Urban Transportation and Regional	156,494	(865)	(0.6)	26,804	919	3.6	47,489	750	1.6
Hotel and Leisure	188,544	522	0.3	14,092	(6,535)	(31.7)	26,969	(5,100)	(15.9)
Real Estate	53,771	4,080	8.2	7,889	(6,639)	(45.7)	16,201	(2,559)	(13.6)
Construction	114,996	10,012	9.5	9,825	6,130	165.9	10,206	6,158	152.1
Hawaii Business	23,167	3,864	20.0	4,250	5,086	—	6,044	4,811	390.2
Other	37,228	(314)	(0.8)	720	(362)	(33.5)	3,366	(324)	(8.8)
Total	574,201	17,300	3.1	63,582	(1,401)	(2.2)	110,277	3,735	3.5
Adjustment	(62,192)	(13,372)	—	(1,126)	(2,098)	—	(2,162)	(2,321)	—
Consolidated	512,009	3,927	0.8	62,456	(3,499)	(5.3)	108,115	1,413	1.3

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

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

Urban Transportation and Regional

In railway operations for the fiscal year ended March 31, 2017, the number of passengers increased by 0.9% year on year (of which commuters increased by 1.5% and non-commuters decreased by 0.1%), while passenger transportation sales increased by 0.7% year on year (of which commuters increased by 1.5% and non-commuters increased by 0.1%). The result reflects the strong employment situation as well as proactive event activities and stronger sightseeing promotion along railway lines, despite the impact of service stoppages in some areas due to typhoon damage.

However, the Urban Transportation and Regional business segment recorded operating revenue of ¥156,494 million, a decrease of ¥865 million, or 0.6%, year on year, mainly reflecting the absence of operating revenue from unused portion of multi-service bus cards sold, which was recognized in the previous fiscal year in bus operations, the impact of the halt of operations of some business locations and weak summer sales at pool facilities in leisure facilities along railway lines. Segment operating profit increased by ¥919 million, or 3.6%, year on year to ¥26,804 million, partly due to reductions of electric power costs and fuel costs. EBITDA was ¥47,489 million, an increase of ¥750 million, or 1.6%, year on year.

Operating revenue

(Millions of yen)

	For the year ended March 31, 2016	For the year ended March 31, 2017	Change
Urban Transportation and Regional	157,359	156,494	(865)
Railway operations	104,939	105,123	183
Bus operations	25,610	25,531	(79)
Leisure facilities along railway lines	21,724	20,798	(925)
Others	5,085	5,041	(44)

<Reference> Key performance indicators

(Millions of yen)

	For the year ended March 31, 2014	For the year ended March 31, 2015	For the year ended March 31, 2016	For the year ended March 31, 2017
Transportation performance in the railway operations at Seibu Railway Co., Ltd.				
Number of passengers (Thousand)	632,405	628,496	642,693	648,420
Passenger transportation sales	95,563	95,048	96,969	97,690
Other revenue	4,127	4,098	4,160	4,021

Hotel and Leisure

In overall hotel operations, the Company proactively continued to carry out revenue management*1 and expand its overseas sales bases, as well as strengthening promotions and so forth. In the accommodation division especially, the Company managed to change the market to a customer sector with a higher unit price, which helped to increase the average daily rates at both city and resort hotels year on year, driving RevPAR*2 higher compared to the previous fiscal year. Furthermore, The Prince Gallery Tokyo Kioicho opened for business within TOKYO GARDEN TERRACE KIOICHO, and the Company conducted renewal construction on existing hotels, such as the Grand Prince Hotel Takanawa.

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

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

In addition, at Yokohama Hakkeijima Inc. with the effect of the renewal of Aqua Park Shinagawa in July 2015, among other factors, visitor numbers increased year on year.

The Hotel and Leisure business segment recorded operating revenue of ¥188,544 million, an increase of ¥522 million, or 0.3%, year on year. The increase reflected the impact of the halt of operations at the Tokyo Prince Hotel and the Grand Prince Hotel Takanawa for seismic reinforcement work, but this was more than offset by growth in revenue from an increase in RevPAR at existing hotels due to the shift in our target market, opening of The Prince Gallery Tokyo Kioicho and strong performance in MICE*, among other factors. Segment operating profit decreased by ¥6,535 million, or 31.7%, year on year to ¥14,092 million, mainly reflecting the recording of one-time expenses associated with the opening of The Prince Gallery Tokyo Kioicho. EBITDA was ¥26,969 million, a decrease of ¥5,100 million, or 15.9%, year on year.

*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, 2016	For the year ended March 31, 2017	Change
Hotel and Leisure	188,021	188,544	522
City hotel operations	106,820	105,319	(1,501)
Resort hotel operations	38,308	38,826	518
Golf course operations	12,227	12,266	38
Others	30,665	32,132	1,467

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

<Reference> Key performance indicators

(Millions of yen)

	For the year ended March 31, 2014	For the year ended March 31, 2015	For the year ended March 31, 2016	For the year ended March 31, 2017
Operating status of at Prince Hotels, Inc.				
Occupancy rates of hotel rooms (%)	70.2	69.8	72.8	72.1
Average room rates (Yen)	12,005	12,960	14,513	15,239

Real Estate

In leasing operations, TOKYO GARDEN TERRACE KIOICHO conducted its grand opening, and the tenants of its 24-floor office section completed moving in. In addition, the commercial and residential areas performed strongly. Moreover, the Company took steps to make effective use of the Group's assets and to increase their profitability, including attracting tenant companies to the Seibu Daini Building in Tokorozawa.

As a result of these initiatives, the Real Estate business segment recorded operating revenue of ¥53,771 million, an increase of ¥4,080 million, or 8.2%, year on year. However, due to recording onetime expenses associated with the opening of TOKYO GARDEN TERRACE KIOICHO, the segment recorded an operating profit of ¥7,889 million, a decrease of ¥6,639 million, or 45.7%, year on year. EBITDA was ¥16,201 million, a decrease of ¥2,559 million, or 13.6%, year on year.

<Reference> Key performance indicators

(Millions of yen)

		For the year ended March 31, 2014	For the year ended March 31, 2015	For the year ended March 31, 2016	For the year ended March 31, 2017
Operating status of leasing space					
Leasing space at end of period (Thousand m ²)	Commercial retail	215	229	234	239
	Office/residential	59	60	60	166
Vacancy rate for leasable space at end of period (%)	Commercial retail	1.0	1.1	1.0	0.7
	Office/residential	6.7	10.0	14.0	3.1

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 with a focus on profit margins, as well as ongoing credit management, and also worked to strengthen its cost management.

As a result of these initiatives, the Construction business segment recorded operating revenue of ¥114,996 million, an increase of ¥10,012 million, or 9.5%, year on year, mainly reflecting increases in civil engineering projects and renovation works in construction operations, as well as an increase in landscaping contract work. Segment operating profit was ¥9,825 million, up ¥6,130 million, or 165.9%, year on year, due mainly to the increase in operating revenue and temporary highly profitable civil engineering projects. EBITDA was ¥10,206 million, an increase of ¥6,158 million, or 152.1%, year on year.

<Reference> Key performance indicators

(Millions of yen)

	For the year ended March 31, 2014	For the year ended March 31, 2015	For the year ended March 31, 2016	For the year ended March 31, 2017
Status of orders received by the Construction business				
Orders carried over from the previous fiscal year	58,012	62,321	84,335	99,069
Orders received during the fiscal year	73,057	92,037	94,045	79,080
Orders carried over to the next fiscal year	62,321	84,335	99,069	89,755

Hawaii Business

In the Hawaii business segment, the business performed strongly, mainly thanks to the impact of an increase in individual guests due to the effect of Mauna Kea Beach Hotel joining the Autograph Collection and aggressive sales measures at Hapuna Beach Prince Hotel. The Company also sold off part of the real estate of the Hapuna Beach Prince Hotel.

As a result of these initiatives, the Hawaii business segment recorded operating revenue of ¥23,167 million, an increase of ¥3,864 million, or 20.0%, year on year. Segment operating profit was ¥4,250 million, compared with an operating loss of ¥836 million in the previous fiscal year. EBITDA was ¥6,044 million, an increase of ¥4,811 million, or 390.2%, year on year.

Other

In the Izuhakone Business, the Company strengthened its measures for attracting inbound tourism, mainly in the Hakone area. In the Ohmi Business, Ohmi Railway Co., Ltd. held events and ticket sales to commemorate its 120th anniversary. In the Seibu Lions Business, the number of spectators during the 2016 season increased year on year, reflecting the execution of various sales initiatives at the MetLife Dome.

However, the Other businesses segment recorded operating revenue of ¥37,228 million, a decrease of ¥314 million, or 0.8%, year on year, partly due to a decrease in the number of regular season games held by Seibu Lions. Segment operating profit was ¥720 million, down ¥362 million, or 33.5%, year on year, partly due to increased expenses in the Seibu Lions Business in addition to a decline in profit due to lower revenues resulting from the above factors, and EBITDA was ¥3,366 million, down ¥324 million, or 8.8%, 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 established a long-term target as its “Challenge Target” (operating revenues of ¥1 trillion, operating profit of ¥150.0 billion, EBITDA of ¥300.0 billion, and net interest-bearing debt/EBITDA multiple of 7 times or less), and has formulated “FY2017-FY2019 Seibu Group’s Medium-Term Management Plan” as a three-year road-map to achieving the target. This medium-term management plan takes as its theme “Sustainability & Dynamism,” and guided by the basic policies of “Pursue innovations, from a new viewpoint and with speed” 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 expand its Seibu Prince Club emi membership service for foreigners. It will also respond to diversifying demand for accommodation by developing accommodation-focused hotels throughout Japan as a class of accommodation facility that it has not been able to offer through Prince Hotels Co., Ltd. so far.

The Group will also gain a precise grasp of customer demand by 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 and the Tokorozawa Station East Building 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. The Group will also utilize the high level and diverse service expertise it has accumulated through Prince Hotels to operate and develop its resort facilities in Japan as membership-based hotels in a bid to increase the value of resort areas.

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 the central role in this initiative.

(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.

(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.

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 new-type commuter 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.

The Company will build a new hotel system to achieve efficient management and improve customer convenience.

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), the Tokorozawa Station East Building Plan 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 proceed with selling real estate holdings and 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, 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 proactive steps on these issues.

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 railways and hotels businesses, 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, 2014	For the year ended March 31, 2015	For the year ended March 31, 2016	For the year ended March 31, 2017
Operating revenue	473,441	481,727	508,081	512,009
Ordinary profit	38,111	42,099	58,525	57,472
Profit attributable to owners of parent	18,317	34,912	57,207	47,564
Basic earnings per share (Yen)	53.55	102.50	167.89	149.39
Total assets	1,420,449	1,519,911	1,553,092	1,627,868
Net assets	267,689	367,437	392,649	360,133
Equity-to-asset ratio (%)	18.7	24.1	25.2	21.8
Return on equity (ROE) (%)	7.2	11.1	15.1	12.7

(4) Capital expenditures

Capital expenditures for the fiscal year under review amounted to ¥138,915 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”
Hotel and Leisure	Prince Hotels, Inc.	Seismic reinforcement and renovation of Grand Prince Hotel Takanawa
Hotel and Leisure	Prince Hotels, Inc.	Seismic reinforcement and renovation of Tokyo Prince Hotel
Real Estate	Seibu Properties Inc.	Grand opening of TOKYO GARDEN TERRACE KIOICHO
Real Estate	Seibu Railway Co., Ltd.	The Shakujii-kōen Station area development project

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.	Tokorozawa Station East Building Plan

(5) Financing activities

The Company raised the amounts of ¥16.0 billion, ¥24.0 billion, ¥10.0 billion, and ¥10.0 billion on the dates of June 2016, December 2016, January 2017, and March 2017, respectively, through a syndicate loan for the purpose of stabilizing the financing and long-term financing for the TOKYO GARDEN TERRACE KIOICHO, and the (Tentative) Seibu Railway Ikebukuro Building project, and procured funds of ¥10.0 billion in March 2017 through an issuance of First 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 parent company and subsidiaries (As of March 31, 2017)**1) Parent company**

No items to report.

2) Major subsidiaries

Company name	Capital stock (Millions of yen)	Ratio of voting rights held by the Company (%)	Major businesses
Seibu Railway Co., Ltd.	21,665	100.0	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 51 consolidated subsidiaries, including the nine companies listed above (no change from the previous fiscal year), and two equity-method associates (one more than 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).
3. Seibu Railway Co., Ltd. and Prince Hotels, Inc. acquired the shares of NW Corporation Inc. on April 15, 2016 and NW Corporation Inc. became an equity-method associate of the Company.

(7) Major businesses and offices (As of March 31, 2017)

Segment	Businesses	Major offices
Urban Transportation and Regional	Railway operations	[Seibu Railway Co., Ltd.] Operating length: 179.8 km, number of stations: 102 (including signal stations and cargo stations), number of vehicles: 1,266
	Bus operations	[Seibu Bus Co., Ltd.] Number of sales offices: 11 (Tokyo and Saitama) number of vehicles: 874
	Leisure facilities along railway lines	[Seibu Railway Co., Ltd.] Seibuen Amusement Park (Tokorozawa-shi, Saitama) Toshimaen (Nerima-ku, Tokyo) BIG BOX Higashiyamato (Higashiyamato-shi, Tokyo)
Hotel and Leisure	City hotel operations	[Prince Hotels, Inc.] The Prince 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 (Karuizawa-machi, Nagano 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: 41
	Seibu Lions Business	[Seibu Lions, Inc.] MetLife Dome (Tokorozawa-shi, Saitama)

(8) Employees (As of March 31, 2017)

Segment	Number of employees	
Urban Transportation and Regional	7,615	[701]
Hotel and Leisure	8,976	[4,004]
Real Estate	550	[566]
Construction	1,334	[394]
Hawaii Business	1,202	[311]
Other	2,863	[382]
Corporate	294	[—]
Total	22,834	[6,358]

- 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, 2017 are included therein.
2. The average number of temporary employees for the fiscal year under review is shown in brackets. Temporary employees are not included in the figure indicating number of employees described in Note 1.
3. The number of employees under “Corporate” is the number of employees of the Company.

(9) Major lenders (As of March 31, 2017)

Lender	Outstanding amount of loans (Millions of yen)
Mizuho Bank, Ltd.	160,508
Development Bank of Japan Inc.	120,199
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	89,687
Sumitomo Mitsui Trust Bank, Limited	77,345
Sumitomo Mitsui Banking Corporation	71,238

Note: Outstanding amount of loans includes ¥62,400 million of loans under syndicate loan contracts and commitment line contracts.

2. Shares of the Company (As of March 31, 2017)

- (1) Total number of shares authorized: 1,300,000,000 shares
(2) Total number of shares issued: 342,124,820 shares (including 5,208,177 treasury shares)
(3) Number of shareholders: 34,060
(4) Major shareholders (Top 10)

Name of shareholder	Number of shares held (Thousands of shares)	Shareholding ratio (%)
NW Corporation Inc. (Note 1)	51,158	15.18
The Master Trust Bank of Japan, Ltd. (Trust Account)	11,763	3.49
Japan Trustee Services Bank, Ltd. (Trust Account)	11,719	3.48
Development Bank of Japan Inc.	9,906	2.94
Promontoria Japan Holding 2 B.V. (Note 2)	8,631	2.56
Japan Trustee Services Bank, Ltd. (Trust Account 9)	8,136	2.41
Promontoria Japan Holding 1 B.V. (Note 2)	8,121	2.41
Keikyu Corporation	7,655	2.27
Mizuho Bank, Ltd.	7,114	2.11
S-H Japan L.P. (Note 2)	6,771	2.01

Notes: 1. The Company's consolidated subsidiaries Seibu Railway Co., Ltd. (hereinafter "Seibu Railway") and Prince Hotels, Inc. (hereinafter "Prince Hotels") held part of the shares (43.48% of voting rights) of NW Corporation Inc. (hereinafter "NW"). Accordingly, the shares of the Company held by NW were converted into shares without voting rights (cross shareholdings) pursuant to Article 67 of the Ordinance for Enforcement of the Companies Act, and NW was not a major shareholder of the Company.

However, on March 28, 2017, part of the shares of NW held by Seibu Railway and Prince Hotels ceased to carry voting rights for any resolutions regarding "Election of Officers (Excluding Independent Auditor)" and "Change of Articles of Incorporation." As a result, the number of cross-held voting rights NW held by Seibu Railway and Prince Hotels fell below one quarter of the total number. In association with this, NW came to hold voting rights related to the Company's shares and became a major shareholder.

2. They are associates of Cerberus Group. There are another eight members of the Cerberus Group other than the three members listed above. Their combined number of shares is 33,054 thousand shares including shares kept in Cerberus Group's custody account, and its shareholding ratio is 9.81%. According to their statement of changes to a statement of large-volume holdings dated May 9, 2017, their combined number of shares is 8,054 thousand shares and its shareholding ratio is 2.39% as of April 27, 2017.
3. The shareholding ratio is calculated after deducting the amount of treasury shares (5,208,177 shares).

(5) Other important matters

■ Purchase of treasury shares

The Company purchased 5,161 thousand shares of its treasury shares for a total amount of ¥9,999,874 thousand through market transactions from February 10, 2017 to March 17, 2017 in accordance with a resolution of the Board of Directors meeting held on February 9, 2017, pursuant to the provision of the Articles of Incorporation as applied pursuant to Article 165, paragraph 2 of the Companies Act of Japan. The purpose of the purchase was to enhance return to shareholders as part of the Company's agile capital management as well as enhancing capital efficiency and reacting to the changing business environment promptly.

■ Stock-Benefit Trust (Disposition-type Employee Stock Ownership Plan)

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 894 thousand shares (0.26%) at end of the fiscal year ended March 31, 2017.

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

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

Name (Date of resolution for issuance)	Number of holders	Number of subscription rights to shares	Class and number of shares underlying subscription rights to shares	Issue value	Amount to be paid in upon exercise of subscription rights to shares	Exercise period	Conditions for exercise
The first Subscription Rights to Shares (June 25, 2014)	8 Directors (excluding Outside Directors)	349	Common shares of the Company 34,900 shares	¥1,974 per share	¥1 per share	From July 12, 2014 to July 11, 2044	Note
The second Subscription Rights to Shares (June 23, 2015)	8 Directors (excluding Outside Directors)	425	Common shares of the Company 42,500 shares	¥2,669 per share	¥1 per share	From July 10, 2015 to July 9, 2045	Note
The third Subscription Rights to Shares (June 21, 2016)	12 Directors (excluding Outside Directors)	593	Common shares of the Company 59,300 shares	¥1,497 per share	¥1 per share	From July 8, 2016 to July 7, 2046	Note

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

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

Name (Date of resolution for issuance)	Number of holders	Number of subscription rights to shares	Class and number of shares underlying subscription rights to shares	Issue value	Amount to be paid in upon exercise of subscription rights to shares	Exercise period	Conditions for exercise
The third Subscription Rights to Shares (June 21, 2016)	The Company's subsidiaries 9 Directors	292	Common shares of the Company 29,200 shares	¥1,497 per share	¥1 per share	From July 8, 2016 to July 7, 2046	Note

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

4. Officers

(1) Directors and Audit & Supervisory Board Members (As of March 31, 2017)

Position	Name	Responsibilities	Important concurrent positions outside the Company
President and Representative Director	Takashi Goto	Compliance Dept.	Director and Chairman of Seibu Railway Co., Ltd. Director of Prince Hotels, Inc.
Director	Kaoru Takahashi	Corporate Planning Div., International Business Planning Dept., Finance Dept.	
Director	Akihisa Uwano	President's Office, Administration Dept.	
Director	Tomoyuki Nishii	Corporate Planning Dept.	Director of Prince Hotels, Inc.
Director	Fumiyasu Goto	Accounting Dept.	
Director	Ryuichiro Nishiyama	Corporate Communication Dept.	Director of Seibu Railway Co., Ltd.
Director	Hisashi Wakabayashi		President and Representative Director of Seibu Railway Co., Ltd. President and Representative Director of Izuhakone Railway Co., Ltd.
Director	Hiroo Ando		President and Representative Director of Seibu Properties Inc.
Director	Shigeyoshi Akasaka		President and Representative Director of Prince Hotels, 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	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 Hakuyosha Co., Ltd. Outside Audit & Supervisory Board Member of Central Security Patrols, Co., Ltd. Outside Auditor of Fukuda Denshi Co., Ltd.
Audit & Supervisory Board Member (Standing)	Nozomi Kawakami		Audit & Supervisory Board Member of Seibu Railway Co., Ltd.
Audit & Supervisory Board Member	Masayoshi Akashi		(Standing) Audit & Supervisory Board Member of Prince Hotels, Inc.
Audit & Supervisory Board Member	Isao Fukasawa		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 Co., Ltd. Certified Public Accountant, Licensed Tax Accountant
----------------------------------	---------------	--	---

Notes: 1. Director Tomoyuki Nishii resigned as Director of Prince Hotels, Inc. on March 31, 2017.
2. Director Ryuichiro Nishiyama resigned as Director of Seibu Railway Co., Ltd. on March 31, 2017.
3. Director Hiroo Ando resigned as President and Representative Director of Seibu Properties Inc. on March 31, 2017.
4. Eiko Ohya, Takehiko Ogi and Keiji Goto are Outside Directors.
5. Isao Fukasawa and Eiji Sakomoto are Outside Audit & Supervisory Board Members.
6. Audit & Supervisory Board Member Eiji Sakomoto is qualified as a certified public accountant and licensed tax accountant, and possesses extensive financial and accounting knowledge.
7. The Company has designated Directors Eiko Ohya, Takehiko Ogi and Keiji Goto, and Audit & Supervisory Board Members Isao Fukasawa and Eiji Sakomoto as independent directors/auditors in accordance with the rules and regulations of the Tokyo Stock Exchange, and has registered them as such with the TSE.

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

Classification	Total amount paid (Millions of yen)	Amount of remuneration by type (Millions of yen)		Number of eligible officers (persons)
		Basic compensation	Stock option	
Directors [Of the above, Outside Directors]	393 [43]	304 [43]	88 [-]	15 [3]
Audit & Supervisory Board Members [Of the above, Outside Audit & Supervisory Board Members]	56 [27]	56 [27]	- [-]	3 [2]

Notes: 1. The amount of remuneration for Directors determined by resolutions of the General Meeting of Shareholders is not more than ¥600 million annually (of which not more than ¥60 million is for Outside Directors, excluding employee salary for Directors serving concurrently as employees). In addition, apart from the relevant amount of remuneration, the amount for remuneration based on stock option to be granted to Directors (excluding Outside Directors) is not more than ¥250 million annually.
2. The amount of remuneration for Audit & Supervisory Board Members determined by resolutions of the General Meeting of Shareholders is not more than ¥100 million annually.

(3) 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	18/18 (100%)	—	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	17/18 (94.4%)	—	He contributed to discussions mainly from his professional point of view as an attorney.
Audit & Supervisory Board Member	Isao Fukasawa	18/18 (100%)	16/16 (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%)	16/16 (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 of Japan, to the minimum amount stipulated in Article 425, paragraph 1 thereof.

5. Accounting Auditor

(1) Name of Accounting Auditor

Ernst & Young ShinNihon LLC

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

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

¥169 million

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

¥382 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) Business suspension imposed on Accounting Auditor during the past two years

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

1) Entity subject to disciplinary action

Ernst & Young ShinNihon LLC

2) Details of disciplinary action

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

3) Grounds for disciplinary action

- With respect to audit of financial statements of another company, Ernst & Young ShinNihon LLC acted in negligence of due care by having attested that those financial statements

contained no material misstatements, even though those statements did in fact contain material misstatements.

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

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

(1) Systems to ensure that business is conducted properly (The Seibu Holdings' Basic Policy on Internal Controls) (Final revision: effective on April 1, 2017)

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 various training programs for executives and employees and disseminated information 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 that was established in the previous fiscal year, the Company conducted self-audits, held interviews of Group companies, and provided advice, etc.

■ 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 with a security specialist company to establish an emergency contact system and initial response system.

■ Risk management system

The Company conducted periodic monitoring aiming to have each Group company autonomously conduct risk management.

The Company established an information sharing system to enable rapid sharing of risk information between the units in charge of risk management, and Internal Audit and Internal Control Department.

■ 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.

To achieve the medium-term management plan and budget, the Company strengthened monitoring of Group companies both monthly and at financial closings. Moreover, with regard to the FY2017-FY2019 Medium-Term Management Plan, the Company strove to share the content from the initial stages so that Group companies could reflect the main points of management strategy in the

formulation of their own medium-term plans, including the Challenge Target (our next target level) and creation of new business areas.

■ 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, 2017)

(Millions of yen)

Item	Amount	Item	Amount
Assets		Liabilities	
I. Current assets	126,702	I. Current liabilities	366,590
1. Cash and deposits	29,071	1. Notes and accounts payable - trade	31,126
2. Notes and accounts receivable - trade	54,484	2. Short-term loans payable	204,956
3. Land and buildings for sale in lots	8,788	3. Lease obligations	592
4. Merchandise and finished goods	1,459	4. Income taxes payable	8,483
5. Costs on uncompleted construction contracts	5,870	5. Advances received	28,490
6. Raw materials and supplies	2,468	6. Provision for bonuses	5,625
7. Deferred tax assets	6,223	7. Other provision	2,576
8. Other	18,369	8. Asset retirement obligations	21
Allowance for doubtful accounts	(33)	9. Other	84,718
II. Non-current assets	1,501,166	II. Non-current liabilities	901,144
1. Property, plant and equipment	1,370,288	1. Bonds payable	10,000
(1) Buildings and structures	513,547	2. Long-term loans payable	656,464
(2) Machinery, equipment and vehicles	55,682	3. Long-term accounts payable to Japan railway construction, transport and technology agency	28,146
(3) Land	733,652	4. Lease obligations	1,361
(4) Leased assets	1,818	5. Deferred tax liabilities	111,345
(5) Construction in progress	44,333	6. Deferred tax liabilities for land revaluation	12,331
(6) Other	21,253	7. Provision for directors' retirement benefits	971
2. Intangible assets	17,040	8. Other provision	216
(1) Leased assets	23	9. Net defined benefit liability	31,059
(2) Other	17,016	10. Asset retirement obligations	1,621
3. Investments and other assets	113,838	11. Liabilities from application of equity method	17,277
(1) Investment securities	65,117	12. Other	30,348
(2) Long-term loans receivable	352		
(3) Net defined benefit asset	32,282	Total liabilities	1,267,735
(4) Deferred tax assets	7,732		
(5) Other	9,077	Net assets	
Allowance for doubtful accounts	(725)	I. Shareholders' equity	295,526
		1. Capital stock	50,000
		2. Capital surplus	129,373
		3. Retained earnings	180,620
		4. Treasury shares	(64,467)
		II. Accumulated other comprehensive income	59,796
		1. Valuation difference on available-for-sale securities	12,641
		2. Revaluation reserve for land	18,672
		3. Foreign currency translation adjustment	8,897
		4. Remeasurements of defined benefit plans	19,584
		III. Subscription rights to shares	385
		IV. Non-controlling interests	4,425
		Total net assets	360,133
Total assets	1,627,868	Total liabilities and net assets	1,627,868

Consolidated Statement of Income

(From April 1, 2016 to March 31, 2017)

(Millions of yen)

Item	Amount	
I. Operating revenue		512,009
II. Operating expenses		
1. Operating expenses and cost of sales of transportation	414,409	
2. Selling, general and administrative expenses	35,142	449,552
Operating profit		62,456
III. Non-operating income		
1. Interest income	11	
2. Dividend income	745	
3. Subsidy to keep a bus on a regular route	842	
4. Share of profit of entities accounted for using equity method	3,729	
5. Other	1,541	6,871
IV. Non-operating expenses		
1. Interest expenses	10,693	
2. Other	1,162	11,856
Ordinary profit		57,472
V. Extraordinary income		
1. Gain on sales of non-current assets	3,543	
2. Contribution for construction	2,891	
3. Subsidy income	343	
4. Gain on sales of investment securities	21	
5. Gain on step acquisitions	1,501	
6. Other	765	9,066
VI. Extraordinary losses		
1. Impairment loss	760	
2. Loss on sales of non-current assets	17	
3. Loss on retirement of non-current assets	3,166	
4. Reduction entry of land contribution for construction	2,739	
5. Loss on reduction of non-current assets	323	
6. Loss on sales of investment securities	0	
7. Loss on valuation of investment securities	0	
8. Other	997	8,005
Profit before income taxes		58,533
Income taxes - current	12,791	
Income taxes - deferred	(1,892)	10,898
Profit		47,634
Profit attributable to non-controlling interests		70
Profit attributable to owners of parent		47,564

Consolidated Statement of Changes in Equity

(From April 1, 2016 to March 31, 2017)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	50,000	129,357	139,443	(2,020)	316,780
Changes of items during period					
Dividends of surplus			(6,396)		(6,396)
Profit attributable to owners of parent			47,564		47,564
Reversal of revaluation reserve for land			8		8
Purchase of treasury shares				(10,000)	(10,000)
Disposal of treasury shares		16		513	529
Change in treasury shares arising from change in equity in entities accounted for using equity method				(52,960)	(52,960)
Net changes of items other than shareholders' equity					
Total changes of items during period	–	16	41,176	(62,447)	(21,254)
Balance at end of current period	50,000	129,373	180,620	(64,467)	295,526

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	12,536	18,680	10,515	32,901	74,634	278	954	392,649
Changes of items during period								
Dividends of surplus								(6,396)
Profit attributable to owners of parent								47,564
Reversal of revaluation reserve for land								8
Purchase of treasury shares								(10,000)
Disposal of treasury shares								529
Change in treasury shares arising from change in equity in entities accounted for using equity method								(52,960)
Net changes of items other than shareholders' equity	104	(8)	(1,617)	(13,317)	(14,838)	106	3,470	(11,261)
Total changes of items during period	104	(8)	(1,617)	(13,317)	(14,838)	106	3,470	(32,515)
Balance at end of current period	12,641	18,672	8,897	19,584	59,796	385	4,425	360,133

Notes to Consolidated Financial Statements

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

1. Scope of consolidation

- (1) Number of consolidated subsidiaries: 51 companies

Names of principal consolidated subsidiaries

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

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

Names of non-consolidated subsidiaries

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

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

2. Application of the equity method

- (1) Number of associates accounted for using the equity method: 2 companies

Company name

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

Of these companies, NW Corporation Inc. has been included in the scope of application of the equity method since the shares of this company were newly acquired during the current fiscal year.

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

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

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

3. Fiscal year end of consolidated subsidiaries

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

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

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

4. Accounting policies

(1) Valuation bases and methods of significant assets

i. Securities

Other securities

Securities with fair value

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

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

Securities without fair value

Stated at cost based on the moving-average method.

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

ii. Inventories

Inventories held for sale in the ordinary course of business

Stated at cost.

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

Land and buildings for sale in lots

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

Merchandise and finished goods

Principally, average cost method (weighted average cost method)

Costs on uncompleted construction contracts

Stated using the identified cost method.

Raw materials and supplies

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

(2) Depreciation and amortization method for significant depreciable assets

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

Depreciation method for Urban Transportation and Regional business, etc.

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

Machinery, equipment and vehicles 2 to 20 years

ii. Intangible assets (excluding leased assets)

Amortized using the straight-line method.

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

iii. Leased assets

Leased assets under finance lease transactions that transfer ownership

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

Leased assets under finance lease transactions that do not transfer ownership

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

(3) Significant allowances and provisions

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

(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."
- viii. Recognition of interest expenses, etc. in cost
Interest expenses, etc. for long-term and large real estate development operations that meet certain conditions are recognized in acquisition cost of the relevant non-current assets.
In the current fiscal year, the amount recognized in acquisition cost was ¥103 million.

Notes on changes in accounting policies

Application of Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016

Following the revision to the Corporation Tax Act, the Company has applied the "Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016" (ASBJ PITF No. 32, June 17, 2016) from the fiscal year ended March 31, 2017. Accordingly, the Company and some of its consolidated subsidiaries that had previously adopted the declining balance method of depreciation changed the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016 from the declining balance method to the straight-line method.

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

Additional information

Application of ASBJ Guidance on Recoverability of Deferred Tax Assets

The Company has applied the "Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016) from the fiscal year ended March 31, 2017.

Notes on changes in presentation

Matters concerning the consolidated statements of income

(1) Insurance income

"Insurance income," which was separately presented in the fiscal year ended March 31, 2016, is included in "Other" under non-operating income in the fiscal year ended March 31, 2017 due to the decreased significance of the amount.

In the fiscal year ended March 31, 2017, "Insurance income" included in "Other" under non-operating income was ¥21 million.

(2) Litigation loss

"Litigation loss," which was separately presented in the fiscal year ended March 31, 2016, is included in "Other" under extraordinary losses in the fiscal year ended March 31, 2017 due to the decreased significance of the amount.

In the fiscal year ended March 31, 2017, "Litigation loss" included in "Other" under extraordinary losses was ¥62 million.

Notes to the consolidated balance sheet

1. Accumulated depreciation of assets

Accumulated depreciation of property, plant and equipment ¥907,669 million

Accumulated depreciation includes accumulated impairment loss.

2. Pledged assets and secured debts

(1) Assets pledged as collateral are as follows:

Foundation collateral

Land	¥116,430 million
Buildings and structures	¥160,561 million
Machinery, equipment and vehicles	¥31,625 million
“Other” in property, plant and equipment	¥2,657 million
Total	¥311,274 million

Other assets pledged as collateral

Cash and deposits	¥32 million
Land	¥4,599 million
Buildings and structures	¥909 million
Total	¥5,541 million

Obligations secured are as follows:

Long-term loans payable	¥88,019 million
Current portion of long-term loans payable (short-term loans payable)	¥9,882 million
Long-term accounts payable to Japan railway construction, transport and technology agency	¥27,413 million
Accounts payable to Japan railway construction, transport and technology agency (“Other” under current liabilities)	¥4,938 million
Notes and accounts payable - trade	¥32 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	¥655 million
-----------------------	--------------

(2) Funds procured with lending stocks

“Other” in current liabilities	¥500 million
--------------------------------	--------------

4. Amount of inventories corresponding to provision for loss on construction contracts

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

Costs on uncompleted construction contracts	¥292 million
---	--------------

5. Notes on non-consolidated subsidiaries and associates

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

Investment securities (stocks)	¥2,138 million
--------------------------------	----------------

6. Guarantee obligations

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

Housing loan guarantees	¥7 million
Tie-up loan guarantees	¥59 million
Total	¥66 million

7. Notes receivable discount and notes receivable endorsed

Notes receivable endorsed	¥40 million
---------------------------	-------------

8. Accumulated contributions for construction

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

¥146,227 million

9. Revaluation of land used for business

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

• Revaluation method

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

• Date of revaluation

March 31, 2000

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

¥18,652 million

10. Loan commitment agreements

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

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

Total amount of loan commitments	¥70,000 million
Loans payable outstanding	¥6,500 million
Balance of unexecuted loans payable	¥63,500 million

11. Restrictive financial covenant for maintaining net assets and profits

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

Loans

Short-term loans payable	¥120 million
Long-term loans payable	¥220 million
Total	¥340 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	¥18,236 million
Long-term loans payable	¥19,174 million
Total	¥37,410 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	¥118 million
Long-term loans payable	¥44,705 million
Total	¥44,823 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	¥63,000 million
Total	¥70,000 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, etc. described below as follows. If the Company violates the commitment, the benefit of time may be forfeited for the relevant obligations.

Loans, etc.

Long-term loans payable	¥10,000 million
-------------------------	-----------------

Besides, the total amount of loan commitments described in “10.” above is also subject to the financial covenant.

Commitments

- In the consolidated balance sheet at the end of each fiscal year and at the end of the second quarter, the Company shall maintain its total net assets of 75% or higher compared to that in the immediately preceding fiscal year (including the second quarter) and ¥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 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	¥3,500 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.

12. 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, 2016	Common shares	¥4,275 million	¥12.50	March 31, 2016	June 22, 2016
Board of Directors meeting held on November 9, 2016	Common shares	¥2,565 million	¥7.50	September 30, 2016	December 5, 2016

- Notes: 1. Total amount of dividends by a resolution of the Annual General Meeting of Shareholders held on June 21, 2016 includes the dividends of ¥15 million on the Company's shares held by Trust & Custody Services Bank, Ltd. (Trust Account E).
2. Total amount of dividends by a resolution of the Annual General Meeting of Shareholders held on June 21, 2016 includes the dividends of ¥278 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, 2016 includes the dividends of ¥7 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, 2016 includes the dividends of ¥166 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, 2017	Common shares	Retained earnings	¥5,222 million	¥15.50	March 31, 2017	June 22, 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. Class and number of shares underlying subscription rights to shares at the end of the current fiscal year (excluding those for which the exercise period has not started).

Common shares 192,400 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 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, 2017 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	29,071	29,071	—
(2) Notes and accounts receivable - trade	54,484	54,484	—
(3) Investment securities	61,194	61,194	—
Total assets	144,750	144,750	—
(1) Notes and accounts payable - trade	31,126	31,126	—
(2) Short-term loans payable (*)	90,468	90,468	—
(3) Bonds payable	10,000	10,059	59
(4) Long-term loans payable (*)	770,952	783,542	12,589
(5) Long-term accounts payable to Japan railway construction, transport and technology agency	28,146	28,146	—
Liabilities total	930,693	943,342	12,648
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.	1,784
Shares of non-consolidated subsidiaries and associates	2,138

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	153,063	251,457
Properties including the portion used as investment and rental properties	181,845	278,589

- 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 ¥1,132.40

Basic earnings per share ¥149.39

- 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 894,000, and the average number of treasury shares during period deducted in calculating the basic earnings per share was 1,046,285.
 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

1. 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 ¥1,459 million and 894 thousand shares.

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

¥1,104 million

Non-consolidated Balance Sheet

(As of March 31, 2017)

(Millions of yen)

Item	Amount	Item	Amount
Assets		Liabilities	
I. Current assets	707,952	I. Current liabilities	208,605
1. Cash and deposits	1,326	1. Short-term loans payable	83,668
2. Accounts receivable - trade	912	2. Short-term loans payable to subsidiaries and associates	19,010
3. Short-term loans receivable from subsidiaries and associates	702,570	3. Current portion of long-term loans payable	102,543
4. Accounts receivable - other	2,763	4. Accounts payable - other	1,093
5. Prepaid expenses	133	5. Accrued expenses	303
6. Deferred tax assets	245	6. Income taxes payable	549
7. Other	1	7. Provision for bonuses	272
II. Non-current assets	445,288	8. Other	1,164
1. Property, plant and equipment	119	II. Non-current liabilities	643,818
(1) Buildings	2	1. Bonds payable	10,000
(2) Tools, furniture and fixtures	117	2. Long-term loans payable	565,853
2. Intangible assets	981	3. Deferred tax liabilities	67,091
(1) Trademark right	43	4. Provision for retirement benefits	531
(2) Software	927	5. Provision for directors' retirement benefits	342
(3) Software in progress	10		
3. Investments and other assets	444,187	Total liabilities	852,424
(1) Shares of subsidiaries and associates	375,697	Net assets	
(2) Long-term loans receivable from subsidiaries and associates	68,295	I. Shareholders' equity	300,430
(3) Other	195	1. Capital stock	50,000
		2. Capital surplus	228,638
		(1) Other capital surplus	228,638
		3. Retained earnings	33,299
		(1) Legal retained earnings	256
		(2) Other retained earnings	33,042
		Retained earnings brought forward	33,042
		4. Treasury shares	(11,506)
		II. Subscription rights to shares	385
		Total net assets	300,816
Total assets	1,153,240	Total liabilities and net assets	1,153,240

Non-consolidated Statement of Income

(From April 1, 2016 to March 31, 2017)

(Millions of yen)

Item	Amount	
I. Operating revenue		
1. Dividends from subsidiaries and associates	6,317	
2. Commissions from subsidiaries and associates	8,194	
3. Other operating revenue	76	14,587
II. Selling, general and administrative expenses		7,917
Operating profit		6,670
III. Non-operating income		
1. Interest income	12,288	
2. Other	561	12,850
IV. Non-operating expenses		
1. Interest expenses	8,449	
2. Interest on bonds	2	
3. Guarantee commission	2,831	
4. Other	412	11,696
Ordinary profit		7,823
Profit before income taxes		7,823
Income taxes - current	596	
Income taxes - deferred	(67)	528
Profit		7,295

Non-consolidated Statement of Changes in Equity

(From April 1, 2016 to March 31, 2017)

(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	228,604	17	228,622	—	32,845	32,845
Changes of items during period							
Dividends of surplus					256	(7,098)	(6,841)
Profit						7,295	7,295
Transfer to other capital surplus from legal capital surplus		(228,604)	228,604				
Purchase of treasury shares							
Disposal of treasury shares			16	16			
Net changes of items other than shareholders' equity							
Total changes of items during period	—	(228,604)	228,620	16	256	197	454
Balance at end of current period	50,000	—	228,638	228,638	256	33,042	33,299

	Shareholders' equity		Subscription rights to shares	Total net assets
	Treasury shares	Total shareholders' equity		
Balance at beginning of current period	(2,020)	309,446	278	309,725
Changes of items during period				
Dividends of surplus		(6,841)		(6,841)
Profit		7,295		7,295
Transfer to other capital surplus from legal capital surplus				
Purchase of treasury shares	(10,000)	(10,000)		(10,000)
Disposal of treasury shares	513	529		529
Net changes of items other than shareholders' equity			106	106
Total changes of items during period	(9,486)	(9,016)	106	(8,909)
Balance at end of current period	(11,506)	300,430	385	300,816

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	15 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
 - i. Method of hedge accounting
 - Special treatment is applied for interest rate swaps.
 - ii. Hedging instruments and hedged items
 - Interest rate swap transactions are used for interest on variable-rate long-term loans payable.
 - iii. Hedging policy
 - To mitigate interest rate fluctuation risks, hedges are performed to the extent that requirements of hedge accounting for special treatment are met.
 - iv. Method of assessing hedge effectiveness
 - Assessment of effectiveness is omitted for interest rate swaps since special treatment is applied for them.
 - (2) Treatment of retirement benefits
 - The accounting method for unrecognized actuarial gains and losses, unrecognized past service costs and net retirement benefit obligation at transition for retirement benefits is different from the accounting method for these items in the consolidated balance sheet.

- (3) 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 on changes in accounting policies

Application of Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016

Following the revision to the Corporation Tax Act, the Company has applied the “Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016” (ASBJ PITF No. 32, June 17, 2016) from the fiscal year ended March 31, 2017. Accordingly, the Company, which had previously adopted the declining balance method of depreciation, changed the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016 from the declining balance method to the straight-line method.

There is no impact of this change on the non-consolidated financial statements.

Additional information

The Company has applied the “Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016) from the fiscal year ended March 31, 2017.

Notes to the non-consolidated balance sheet

1. Accumulated depreciation of assets
Accumulated depreciation of property, plant and equipment ¥573 million
2. Liabilities on guarantees
The Company has provided guarantees as follows on loans from financial institutions and (long-term) accounts payable to Japan railway construction, transport and technology agency of the company described below.
Seibu Railway Co., Ltd. ¥128,027 million

In addition, the Company is also a joint guarantor for a fixed-term building lease agreement between its consolidated subsidiary Prince Hotels, Inc. and a special purpose company Sasashima Live 24.
3. Monetary claims and monetary debts to subsidiaries and associates (excluding items shown separately)

Short-term monetary claim	¥2,815 million
Long-term monetary claim	¥114 million
Short-term monetary debt	¥529 million
4. Loan commitment agreements
The Company has entered into loan commitment agreements with eight banks to efficiently raise working capital.
The balance of unexecuted loans payable at the end of the current fiscal year is as follows:

Total amount of loan commitments	¥70,000 million
Loans payable outstanding	¥6,500 million
Balance of unexecuted loans payable	¥63,500 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	¥220 million
Total	¥340 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	¥18,236 million
Long-term loans payable	¥19,174 million
Total	¥37,410 million

Commitments

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

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

Loans

Current portion of long-term loans payable	¥118 million
Long-term loans payable	¥44,705 million
Total	¥44,823 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	¥63,000 million
Total	¥70,000 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, etc. described below as follows. If the Company violates the commitment, the benefit of time may be forfeited for the relevant obligations.

Loans, etc.

Long-term loans payable ¥10,000 million

Besides, the total amount of loan commitments described in “4.” above is also subject to the financial covenant.

Commitments

- In the consolidated balance sheet at the end of each fiscal year and at the end of the second quarter, the Company shall maintain its total net assets of 75% or higher compared to that in the immediately preceding fiscal year (including the second quarter) and ¥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 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 ¥3,500 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.

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 ¥668 million

Volume of other transactions ¥15,557 million

Notes to the non-consolidated statement of changes in equity

Class and number of treasury shares

(Shares)

Class of shares	Number of shares at beginning of the fiscal year	Increase	Decrease	Number of shares at end of the fiscal year
Common shares	1,258,500	5,162,077	318,400	6,102,177

- Notes: 1. The increase in treasury shares is due to the purchase of shares less than a unit of 177 shares and the acquisition of treasury shares by a resolution of the Board of Directors of 5,161,900 shares.
2. The decrease in treasury shares is due to the sale of 308,700 shares to the employee stock ownership plan from Trust & Custody Services Bank, Ltd. (Trust Account E) and the decrease of 9,700 shares due to the exercise of stock options.
3. Total number of treasury shares indicated above includes the Company's shares of 894,000 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)	5,632	—	—
				Business management, etc. (Note 2)	3,578	Accounts receivable - trade	461
				Lending of loans (Note 3)	5,825	Short-term loans receivable from subsidiaries and associates Long-term loans receivable from subsidiaries and associates	304,325 3,500
				Receipt of interest (Note 3)	5,144	Accounts receivable - other	422
				Guarantee of obligation (Note 4)	128,027	—	—
				Receipt of guarantee commission (Note 4)	258	Accounts receivable - other	21
				Receiving guarantee of obligation for bank loans, etc. of the Company (Note 5)	675,720	—	—
				Payment of guarantee commission (Note 5)	1,299	Accounts payable - other	111
	Prince Hotels, Inc.	Owning Direct 100%	Major Group company Interlocking directorate, etc.	Business management, etc. (Note 2)	2,825	Accounts receivable - trade	360
				Lending of loans (Note 3)	2,573	Short-term loans receivable from subsidiaries and associates	278,818
				Receipt of interest (Note 3)	4,726	Accounts receivable - other	392
				Receiving guarantee of obligation for bank loans, etc. of the Company (Note 5)	675,720	—	—
				Payment of guarantee commission (Note 5)	1,299	Accounts payable - other	111
	Seibu Properties Inc.	Owning Direct 100%	Major Group company Interlocking directorate, etc.	Lending of loans (Note 3)	38,103	Short-term loans receivable from subsidiaries and associates Long-term loans receivable from subsidiaries and associates	117,533 63,000
				Receipt of interest (Note 3)	2,352	Accounts receivable - other	235
				Borrowing of loans (Note 6)	(12,172)	Short-term loans payable to subsidiaries and associates	—
				Payment of interest (Note 6)	3	Accounts payable - other	—
				Receiving guarantee of obligation for bank loans, etc. of the Company (Note 5)	184,053	—	—
				Payment of guarantee commission (Note 5)	231	Accounts payable - other	21
				Underwriting of capital increase (Note 7)	7,500	—	—

Conditions of transaction and policy for deciding conditions of transaction

- Notes:
1. These are year-end dividends for the fiscal year ended March 31, 2016 (¥7.5 per share) and interim dividends for the fiscal year ended March 31, 2017 (¥5.5 per share) from Seibu Railway Co., Ltd.
 2. This is mainly the receipt of fees for business management operations for Seibu Railway Co., Ltd. and Prince Hotels, Inc. Business management fees are determined based on reasonable calculation between the Company and Seibu Railway Co., Ltd., Prince Hotels, Inc. and other seven major group companies with which the Company has entered into a business management agreement.
 3. These are loans to Seibu Railway Co., Ltd., Prince Hotels, Inc. and Seibu Properties Inc. Interest rate on loans are reasonably determined in consideration of market interest rates.
 4. These are guarantees for loans from financial institutions and (long-term) accounts payable to Japan railway construction, transport and technology agency of Seibu Railway Co., Ltd. Guarantee fees are reasonably determined through consultation.
 5. The debts guaranteed by Seibu Railway Co., Ltd., Prince Hotels, Inc. and Seibu Properties Inc. for the Company's bank loans payable are for funds borrowed for the Company to lend funds to these three companies. Guarantee fees are reasonably determined through consultation.
 6. The borrowing rate is reasonably determined in consideration of market interest rates.
 7. The underwriting of capital increase is the underwriting of the capital increase implemented by Seibu Properties Inc.

Amounts per share

Net assets per share	¥894.08
Basic earnings per share	¥21.42

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 894,000, and the average number of treasury shares during period deducted in calculating the basic earnings per share was 1,046,285.

Significant events after the reporting period

No items to report.

Other notes

No items to report.

(Translation)

Independent Auditor's Report

May 15, 2017

The Board of Directors
Seibu Holdings Inc.

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

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the notes to the consolidated financial statements of Seibu Holdings Inc. (the "Company") applicable to the fiscal year from April 1, 2016 through March 31, 2017.

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, 2017 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 15, 2017

The Board of Directors
Seibu Holdings Inc.

Ernst & Young ShinNihon LLC
Katsuyuki Kawai [Seal]
Certified Public Accountant
Designated and Engagement Partner
Motoki Yoshimura [Seal]
Certified Public Accountant
Designated and Engagement Partner
Masahiko Nagasaki [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 12th fiscal year from April 1, 2016 through March 31, 2017.

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 12th fiscal year ended March 31, 2017 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 12th fiscal year (from April 1, 2016 to March 31, 2017), 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 16, 2017

The Audit & Supervisory Board,
Seibu Holdings Inc.

Nozomi Kawakami [Seal]
Standing Audit & Supervisory Board Member

Masayoshi Akashi [Seal]
Audit & Supervisory Board Member

Isao Fukasawa [Seal]
Outside Audit & Supervisory Board Member

Eiji Sakomoto [Seal]
Outside Audit & Supervisory Board Member