

[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.

Message from the President

To our shareholders

Thank you for your continued interest in Seibu Holdings.

You are hereby notified of the 17th Annual General Meeting of Shareholders.

In the fiscal year ended March 31, 2022, we focused on the themes of “Looking ahead to our vision for the Group in a post-COVID-19 society, overcoming the impact of COVID-19 and creating a pathway for rapid growth” in formulating the “FY2021-FY2023 Seibu Group’s Medium-term Management Plan” for the three-year period ending with FY2023, and advanced initiatives with a three-point framework comprising “management reforms,” “digital management,” and “sustainability.”

Within “management reforms,” one of our themes was “asset-light business operation,” in which we reviewed our business portfolio, including internal reorganization of the Group, making the hotel business asset-light, and transferring the shares of Seibu Construction Co., Ltd., and revised our business model with the aim of building a more robust structure in the face of crises that are expected to recur.

The Seibu Group has faced difficult periods in the past, such as the Global Financial Crisis and the Great East Japan Earthquake, and overcome them with a powerful response. I am confident that we will also find a way to defeat the current COVID-19 impact, by applying our united Group capabilities and ambitious spirit that we have cultivated. To this end, we will continue to resolutely conduct management reforms aimed at strengthening our resilient and sustainable corporate structure to ensure that we can achieve maximization of corporate value and shareholder value in any business environment.

With regard to the year-end dividend for the fiscal year ended March 31, 2022, although we continued to experience a severe management environment due to the COVID-19 pandemic, in light of the steady progress we achieved on our management reforms, we have decided to pay a dividend of ¥5 per share.

I ask all our shareholders to continue their steadfast support of the Seibu Group.

GOTO Takashi
President and CEO
Seibu Holdings Inc.

To our shareholders

GOTO Takashi
President and CEO
Seibu Holdings Inc.
1-16-15 Minami-Ikebukuro, Toshima-ku, Tokyo

Notice of the 17th Annual General Meeting of Shareholders

You are hereby notified that the 17th Annual General Meeting of Shareholders of Seibu Holdings Inc. (hereinafter “the Company”) will be held as described below.

With a view to preventing the spread of the novel coronavirus (COVID-19), this year we are again asking all shareholders to exercise their voting rights beforehand if possible, via the internet or in writing. We urge you to avoid attending the meeting on the day.

If you kindly agree to exercise your voting rights via the internet or in writing, 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 21, 2022 (Japan Standard Time).

1. Date and Time: Wednesday, June 22, 2022, at 10:00 a.m. (Japan Standard Time)
(The reception desk is scheduled to open at 9:00 a.m.)
2. Venue: Kusunoki Hall, Seibu Daini Building (8th floor)
1-11-2 Kusunokidai, Tokorozawa-shi, Saitama
3. Purpose of the Meeting

Matters to be reported:

1. Business Report, Consolidated Financial Statements and Audit Reports for the Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board, for the 17th Fiscal Year (from April 1, 2021 to March 31, 2022)
2. Non-consolidated Financial Statements for the 17th Fiscal Year (from April 1, 2021 to March 31, 2022)

Matters to be resolved:

- Proposal No. 1: Dividends of surplus
- Proposal No. 2: Amendment to the Articles of Incorporation
- Proposal No. 3: Election of seven (7) Directors
- Proposal No. 4: Election of three (3) 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, only the last vote 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.

Methods of Exercising Voting Rights

There are the following three methods of exercising your voting rights at the Annual General Meeting of Shareholders.

With a view to preventing the spread of COVID-19, this year we are again asking you to exercise your voting rights beforehand if possible, by following “1. Exercise of voting rights via the internet” or “2. Exercise of voting rights by mailing the Document for the Exercise of Voting Rights” below, and we urge you to avoid attending the meeting in person.

1. Exercise of voting rights via the internet

Please input your approval or disapproval of the proposals on the website for exercising voting rights designated by the Company.

Deadline for Exercise **5:00 p.m. on Tuesday, June 21, 2022**
(You must complete inputting by 5:00 p.m.)

1-1 How to scan QR code (“Smart Voting”)

- (1) Scan the QR code printed on the lower right corner of the enclosed Document for the Exercise of Voting Rights form.
 - (2) Input your approval or disapproval of the proposals in accordance with instructions on the screen.
- * Voting using the QR code is available only once. In order to revote, please read “1-2 How to enter Voter Code/Password” below.
 - * “QR Code” is a registered trademark of DENSO WAVE INCORPORATED.

1-2 How to enter Voter Code/Password

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

2. 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 21, 2022**
(The mail must arrive by 5:00 p.m.)

Please use the contact number below if you have any difficulties when following “1. Exercise of voting rights via the internet” using a smartphone or personal computer.

The Stock Transfer Agency Department of
Mizuho Trust & Banking Co., Ltd.

Internet Help Dial: 0120-768-524 (toll-free in Japan, 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.

3. 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 22, 2022, at 10:00 a.m. (Japan Standard Time) (The reception desk is scheduled to open at 9:00 a.m.)
Venue	Kusunoki Hall, Seibu Daini Building (8th floor) 1-11-2 Kusunokidai, Tokorozawa-shi, Saitama

You can contribute to brighter society/future by exercising your voting rights online

The mailing costs saved with the "Smart Voting" are donated to the "LIONS CHILD FOUNDATION."

We at the Seibu Group promote "Sustainability Action*" initiatives. As one of such initiatives, the Seibu Lions are making use of the "LIONS CHILD FOUNDATION" to combine the three components of the fans, the players association and the baseball club to support the creation of an environment in which the children who will bring a brighter society and future can live safely and have dreams.

If you exercise your voting rights via the Internet, using "Smart Voting" etc., as explained in "1. Exercise of voting rights via the internet," we will donate part of the mailing costs saved to the Fund.

To help create a brighter society and future, we strongly encourage our shareholders to use "Smart Voting" when exercising your voting rights.

What is the "LIONS CHILD FOUNDATION"?

The "LIONS CHILD FOUNDATION" is an initiative whereby the players association and the Lions team raise funds through sales of charity goods and charity auctions, and reserve and donate part of the funds raised for supporting children.

The Company donated the mailing costs saved with the "Smart Voting" for the 16th Annual General Meeting of Shareholders to the "LIONS CHILD FOUNDATION." That donation was used to partly fund the cost of creating Lions Original baseball caps presented to 1st year elementary school children in Saitama prefecture that were distributed to approximately 60,000 students in April 2022.

We remain committed to continuing this initiative in the future, in close cooperation with its supporters.

* "Sustainability Action" is a set of the Seibu Group's initiatives for addressing social issues in view of SDGs. Under these initiatives, consisting of 12 key objectives in four areas, the Group seeks to achieve sustainable growth.

Instructions for Livestreaming the General Meeting of Shareholders

We are livestreaming the 17th Annual General Meeting of Shareholders through the Internet

As a part of measures to prevent the spread of COVID-19, we request that shareholders cooperate and refrain from attending the meeting on the day. Under such circumstances, we will provide live transmission so that many shareholders will be able to view the Annual General Meeting of Shareholders and we kindly request that you view from your home or elsewhere.

Date and Time of Livestream	Wednesday, June 22, 2022, from 10:00 a.m. (Japan Standard Time) until the conclusion of the General Meeting of Shareholders * Website for livestream is expected to be posted around 9:30 a.m.
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How to view	1. Via smartphone or tablet Access is possible by scanning the QR Code printed on the “Live broadcast notice” enclosed with this Notice of Annual General Meeting of Shareholders using your smartphone or tablet.
	2. Via personal computer Please access the “Annual General Meeting of Shareholders Live Broadcast website” (URL below), enter the “ID” and “Password” printed in the “Live broadcast notice” enclosed with this Notice of Annual General Meeting of Shareholders, then click the “Login” button.

Website for livestream
https://vgm.smart-portal.ne.jp

- Even if exercising your voting rights beforehand, you may view the live broadcast on the day.
- If there are changes such as the method of viewing the live broadcast, we will update with the latest information on the Company’s website (<https://www.seibuholdings.co.jp/>).
- Due care will be taken not to include identifiable features of shareholders in attendance on the day, but please be advised that there may be unavoidable circumstance where this does occur. We ask for your understanding in advance
- Please understand that we are unable to accept contributions such as questions with the live broadcast.
- Sharing the “ID” and “Password” with third parties to view the live broadcast, recording, taping and displaying images of the live broadcast, etc. is prohibited.
- Image and sounds may malfunction depending on your PC environment and internet connection, etc.
- Any transmission charges, etc. incurred in viewing shall be borne by the shareholder.

Inquiries	For any inquiries, please contact below: The Stock Transfer Agency Department of Mizuho Trust & Banking Co., Ltd. Dial: 0120-288-324 (toll-free in Japan, weekdays from 9:00 a.m. to 5:00 p.m.)
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Reference Documents for the General Meeting of Shareholders

Proposal No. 1: Dividends of surplus

The Group's businesses are focused primarily on the Urban Transportation and Regional business segment, the Hotel and Leisure business segment, and the Real Estate business segment, with a management objective of achieving sustainable and strong growth. Our basic policy is to strengthen the business base of our Group companies and enhance our corporate value and to strengthen our financial strength by accumulating retained earnings while continuing to make stable dividend payments.

In addition, in accordance with our long-term strategy, we aim to provide returns to our stakeholders and conduct investments that will contribute to our future growth in a balanced manner. Furthermore, our basic policy is to use retained earnings, while considering further improvement in our financial strength, and to invest in strengthening the future business base of our group, establishing a stable management base.

For the time being, our top priority is to strengthen our financial structure, which has worsened due to COVID-19, and we will proceed with rigorous screening of capital investments and "management reforms" on the theme of "asset light." At the same time, we will emphasize returns to shareholders and strive to distribute profits.

Regarding the year-end dividend for the 17th fiscal year, the severe business environment due to the spread of COVID-19 continued and we recorded a consecutive operating loss, but in light of the progress being made in "management reforms," we have set an ordinary dividend of ¥5 per share.

If this proposal is approved and passed as proposed, the amount of annual dividend per share (interim dividend of ¥0.00, year-end dividend of ¥5.00) for the fiscal year ended March 31, 2022 is ¥5.00.

(1) Type of dividend property

Cash

(2) Allotment of dividend property and its total amount

¥5.00 per Company's common share

Total: ¥1,616,028,600

(3) Effective date of dividends from surplus

June 23, 2022

Proposal No. 2: Amendment to the Articles of Incorporation

1. Reasons for the Amendment

Since the system for providing informational materials for the general meeting of shareholders in electronic format will be introduced in accordance with the revised provisions provided for in the proviso to Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) to be enforced on September 1, 2022, the Company proposes to make the following changes to its Articles of Incorporation.

- (1) Article 13, paragraph 1 in “Proposed amendments” below will stipulate that the Company shall take measures for providing information that constitutes the content of reference documents for the general meeting of shareholders, etc. in electronic format.
- (2) Article 13, paragraph 2 in “Proposed amendments” below will establish the provision to limit the scope of the items to be stated in the paper-based documents to be delivered to shareholders who requested the delivery of paper-based documents.
- (3) Since the provisions for Internet Disclosure of Reference Documents for the General Meeting of Shareholders, Etc. (Article 13 of the pre-amended Articles of Incorporation) will no longer be required, they will be deleted.
- (4) Accompanying the aforementioned establishment and deletion of provisions, supplementary provisions regarding the effective date, etc. will be established.

2. Details of the Amendment

Details of amendment are as follows:

(Amendments are underlined.)

Pre-amended Articles of Incorporation	Proposed amendments
<p><u>Article 13. (Internet Disclosure of Reference Documents for the General Meeting of Shareholders, Etc.)</u></p> <p><u>When the Company convenes a general meeting of shareholders, it may disclose information that is to be stated or presented in the reference documents for the general meeting of shareholders, business report, financial statements and consolidated financial statements through the internet in accordance with the provisions prescribed by the Ministry of Justice Order.</u></p> <p style="text-align: center;">(Newly established)</p> <p style="text-align: center;">(Newly established)</p>	<p style="text-align: center;">(Deleted)</p> <p><u>Article 13. (Measures, etc. for Providing Information in Electronic Format)</u></p> <p><u>1. When the Company convenes a general meeting of shareholders, it shall take measures for providing information that constitutes the content of reference documents for the general meeting of shareholders, etc. in electronic format.</u></p> <p><u>2. Among items for which the measures for providing information in electronic format will be taken, the Company may exclude all or some of those items designated by the Ministry of Justice Order from statements in the paper-based documents to be delivered to shareholders who requested the delivery of paper-based documents by the record date of voting rights.</u></p> <p style="text-align: center;">(Supplementary Provisions)</p> <p><u>1. The deletion of Article 13 (Internet Disclosure of Reference Documents for the General Meeting of Shareholders, Etc.) in the pre-amended Articles of Incorporation and the establishment of the new Article 13 (Measures, etc. for Providing Information in Electronic Format) in the amended Articles of</u></p>

Pre-amended Articles of Incorporation	Proposed amendments
	<p><u>Incorporation shall be effective from the date of enforcement of the revised provisions provided for in the proviso to Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) (hereinafter referred to as the “Date of Enforcement”)</u>.</p> <p><u>2. Notwithstanding the provisions of the preceding paragraph, Article 13 of the pre-amended Articles of Incorporation shall remain effective regarding any general meeting of shareholders held on a date within six months from the Date of Enforcement.</u></p> <p><u>3. These Supplementary Provisions shall be deleted on the date when six months have elapsed from the Date of Enforcement or three months have elapsed from the date of the general meeting of shareholders in the preceding paragraph, whichever is later.</u></p>

Proposal No. 3: Election of seven (7) Directors

Upon the conclusion of this General Meeting of Shareholders, the terms of office of seven (7) Directors, GOTO Takashi, TAKAHASHI Kaoru, NISHIYAMA Ryuichiro, KITAMURA Kimio, KOYAMA Masahiko, UWANO Akihisa, and TSUJIHIRO Masafumi will expire. In that regard, it is hereby proposed that seven (7) Directors be elected.

The candidates for Director are as follows:

For the Company's Policies and Procedures for Nomination of Candidates for Director, please refer to page 16, and for the Independence Standards for Outside Directors and Outside Audit & Supervisory Board Members, please refer to page 20.

If this proposal is approved and passed as proposed, the Board of Directors is scheduled to be comprised of seven (7) Directors and four (4) Outside Directors (including two (2) female Outside Directors).

Candidate number	Name	Current position and responsibilities in the Company	
1	GOTO Takashi	President and CEO Corporate Affairs Supervision, Compliance Dept.	Reelection
2	NISHIYAMA Ryuichiro	Director President's Office, Corporate Communication Dept., Corporate Planning Dept.	Reelection
3	FURUTA Yoshinari		New candidate
4	KITAMURA Kimio	Director	Reelection
5	KOYAMA Masahiko	Director	Reelection
6	SAITO Tomohide		New candidate
7	TSUJIHIRO Masafumi	Director	Reelection Outside Independent

Notes for all seven candidates:

1. No relationships involving special interests exist between any of the candidates and the Company.
2. The age of each candidate is as of June 22, 2022.
3. The number of the Company's shares that each candidate holds is current as of March 31, 2022 and includes the number of shares held under the name of the Executive Shareholding Association.
4. The Company has entered into a directors and officers liability insurance policy as provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company, and the summary of the said policy is indicated in the Business Report on page 41 of this document. Each of the candidates for Director excluding Mr. FURUTA Yoshinari is an insured under the policy at their current position and will continue to be such if their reelection is approved under this proposal. If the nomination of Mr. FURUTA Yoshinari is approved, he will also be an insured under the policy. In addition, when the policy is renewed, the Company plans to renew the policy with the same terms for each candidate.

Candidate number	Name (Date of birth)	Career summary, position and responsibilities	Number of Company shares owned
1	<p>Reelection</p> <p>GOTO Takashi</p> <p>February 15, 1949 (73 years old)</p> <p>Number of Years in Office: 16 years (upon the conclusion of this General Meeting of Shareholders)</p>	<p>Apr. 1972 Joined The Dai-Ichi Kangyo Bank, Ltd. (currently Mizuho Financial Group, Inc.)</p> <p>Jun. 2000 Managing Officer of The Dai-Ichi Kangyo Bank, Ltd.</p> <p>Sept. 2000 Managing Officer of Mizuho Holdings, Inc.</p> <p>Apr. 2001 Executive Managing Officer of Mizuho Holdings, Inc.</p> <p>Mar. 2003 Executive Managing Officer of Mizuho Financial Group, Inc. Executive Managing Director of Mizuho Corporate Bank, Ltd. (currently Mizuho Bank, Ltd.)</p> <p>Apr. 2004 Vice President and Director of Mizuho Corporate Bank, Ltd.</p> <p>Feb. 2005 Special Adviser of Seibu Railway Co., Ltd.</p> <p>May 2005 President and Representative Director of the company</p> <p>Feb. 2006 Director of Prince Hotels, Inc. (currently SEIBU REALTY SOLUTIONS INC.) President and Representative Director of Seibu Holdings Inc. (present) President and Chief Executive Officer of the Company (present)</p> <p>Jun. 2010 Director and Chairman of Seibu Railway Co., Ltd. (present)</p> <p>Apr. 2022 Director of SEIBU PRINCE HOTELS WORLDWIDE INC. (present) Director and Chairman of SEIBU REALTY SOLUTIONS INC. (present)</p> <p><u>Responsibilities in the Company</u> Corporate Affairs Supervision, Compliance Dept.</p>	37,996
	Attendance to the meetings of the Board of Directors in FY2021: 19/19 (100%)	Important concurrent positions outside the Company: Director and Chairman of Seibu Railway Co., Ltd. Director of SEIBU PRINCE HOTELS WORLDWIDE INC. Director and Chairman of SEIBU REALTY SOLUTIONS INC.	
	[Reason for nomination as Director and expected roles] Since his taking office of President and Representative Director of the Company, Mr. GOTO Takashi has showed leadership even under a severe business environment caused by the COVID-19 pandemic and contributed significantly to improving the Seibu Group's corporate value while drawing on his prior experience. We are certain that he will continue to show strong leadership in driving the Medium-term Management Plan with a three-point framework comprising "management reforms," "digital management," and "sustainability," and will play an essential role toward increasing the medium- to long-term corporate value and shareholder value. Accordingly, we nominate him as a Director.		
	[Message to shareholders from the Director candidate] Even in a severe external environment, the Group will look ahead to our "vision for the Group in a post-COVID-19 society," and boldly take on the challenge of transforming our business model. The Group adheres to its social mission and fulfills its responsibilities to society as it pursues its wide-ranging business activities as a corporate group with a high public profile, by taking Sustainability Action, that is, by addressing issues for a sustainable society including environmental matters. At the same time, I will firmly face rapid changes in social values and create new behavior and inspiration of our customers as I strive to sustainably increase corporate value and shareholder value.		

Candidate number	Name (Date of birth)	Career summary, position and responsibilities	Number of Company shares owned
2	<p>Reelection</p> <p>NISHIYAMA Ryuichiro</p> <p>August 30, 1964 (57 years old)</p> <p>Number of Years in Office: 8 years (upon the conclusion of this General Meeting of Shareholders)</p>	<p>Apr. 1987 Joined The Dai-Ichi Kangyo Bank, Ltd. (currently Mizuho Financial Group, Inc.)</p> <p>Oct. 2009 General Manager, Corporate Communication Office of Seibu Holdings Inc.</p> <p>Apr. 2010 General Manager, Corporate Communication Department of the Company</p> <p>Apr. 2013 Managing Officer, General Manager, Corporate Communication Department of the Company Managing Officer, General Manager, Corporate Communication Department of Seibu Railway Co., Ltd.</p> <p>Jun. 2013 Director and Senior Managing Officer, General Manager, Corporate Communication Department of the company</p> <p>Jun. 2014 Director of Seibu Holdings Inc. (present) Senior Managing Officer, General Manager, Corporate Communication Department of the Company</p> <p>Apr. 2017 Director, Executive Managing Officer of Prince Hotels, Inc. (currently SEIBU REALTY SOLUTIONS INC.)</p> <p>Nov. 2017 Senior Managing Officer of the Company</p> <p>Apr. 2021 Senior Managing Officer, Executive General Manager, Corporate Planning Department of the Company</p> <p>Apr. 2022 Executive Managing Officer, Executive General Manager, Corporate Planning Department of the Company (present) Director, Executive Managing Officer of SEIBU PRINCE HOTELS WORLDWIDE INC. (present)</p> <p><u>Responsibilities in the Company</u> President's Office, Corporate Communication Dept., Corporate Planning Dept.</p>	10,608
	Attendance to the meetings of the Board of Directors in FY2021: 19/19 (100%)	Important concurrent positions outside the Company: Director of SEIBU PRINCE HOTELS WORLDWIDE INC.	
	<p>[Reason for nomination as Director and expected roles]</p> <p>As the person responsible for corporate communication and corporate planning, Mr. NISHIYAMA Ryuichiro has contributed to enhancing the Seibu Group's corporate value by striving to enhance its corporate image and by formulating and executing its Medium-term Management Plan. Even under the severe business conditions brought on by the COVID-19 pandemic, he has been making every effort to ensure the Group's business continuity and has been promoting management reforms such as asset-light business operations. We are certain that he will contribute to enhancing the medium- to long-term corporate value of the Seibu Group by promoting such management strategies and overseeing its corporate communications strategies. Accordingly, we nominate him as a Director.</p>		
	<p>[Message to shareholders from the Director candidate]</p> <p>By promoting management reforms, including the "transformation to an asset-light business model" set forth in the current Medium-term Management Plan, I intend to build a structure that is more resilient against crises, of which the COVID-19 pandemic is representative, and achieve medium- to long-term growth. In addition, I will strive to disseminate timely and appropriate corporate information, and work to improve the corporate value of the Group based on relationships of trust with all stakeholders, including shareholders.</p>		

Candidate number	Name (Date of birth)	Career summary, position and responsibilities		Number of Company shares owned
3	<p>New candidate</p> <p>FURUTA Yoshinari</p> <p>December 31, 1966 (55 years old)</p> <p>Number of Years in Office: -</p>	Apr. 1990	Joined The Japan Development Bank (currently Development Bank of Japan Inc.)	0
		Jul. 2009	Director, Shanghai Office of DBJ Business Investment Inc.	
		Jun. 2014	Branch Manager, Hokuriku Branch of Development Bank of Japan Inc.	
		Jun. 2016	General Manager, Corporate Finance Department, Division 2 of Development Bank of Japan Inc.	
		Jun. 2018	General Manager, Credit Analysis Department of Development Bank of Japan Inc.	
		Jun. 2021	Executive Officer, General Manager, Credit Analysis Department of Development Bank of Japan Inc.	
		Apr. 2022	Advisor of Seibu Holdings Inc. (present)	
	Attendance to the meetings of the Board of Directors in FY2021:-	Important concurrent positions outside the Company: None		
	[Reason for nomination as Director and expected roles] Mr. FURUTA Yoshinari has practical experience in a wide range of domestic and overseas positions at a financial institution, including being stationed overseas, serving as branch manager, and serving as general manager of the Credit Analysis Department, and was also involved in management as an Executive Officer. We are certain that he will leverage the global perspective cultivated from that background, and his practical experience and knowledge in finance and accounting, to contribute to the formulation and execution of financial strategies within the Group's long-term strategy, and to contribute to enhancing the medium- to long-term corporate value of the Seibu Group. Accordingly, we nominate him as a Director.			
	[Message to shareholders from the Director candidate] The Seibu Group aims to create an enriched and sustainable society by creating activity and excitement for customers as a company that grows together with customers and local communities so that it can be useful in various situations of daily life. As the tough business environment caused by the prolonged COVID-19 pandemic continues, I will continue to make every effort to pursue financing while striving to disclose financial information in a timely and appropriate manner and improve corporate value and shareholder value.			

Candidate number	Name (Date of birth)	Career summary, position and responsibilities	Number of Company shares owned	
4	<p>Reelection</p> <p>KITAMURA Kimio</p> <p>January 6, 1961 (61 years old)</p> <p>Number of Years in Office: 2 years (upon the conclusion of this General Meeting of Shareholders)</p>	Mar. 1984	Joined Seibu Railway Co., Ltd.	28,819
		Jun. 2005	General Manager, Secretary Office of the company	
		Mar. 2006	General Manager, Administration Department of Seibu Holdings Inc.	
		Nov. 2006	General Manager, IPO Department of the Company	
		Jun. 2007	General Manager, IPO Department, General Planning Department of the Company	
		Dec. 2007	General Manager, IPO Department, General Planning Department and J-SOX Office of the Company	
		Jun. 2008	Managing Officer, General Manager, Related Businesses Department and J-SOX Office of the Company	
		Apr. 2010	Managing Officer, General Manager, Personnel Department of the Company	
		Jun. 2010	Director and Senior Managing Officer, General Manager, Personnel Department of the Company	
		Jun. 2010	Director and Senior Managing Officer, General Manager, Personnel Department of Seibu Railway Co., Ltd.	
		Mar. 2013	Director and Senior Managing Officer, General Manager, Personnel Department and Group Human Resources Development Office, Personnel Department of Seibu Holdings Inc.	
		Jan. 2015	Executive Vice President of Ohmi Railway Co., Ltd.	
		Jun. 2015	President and Representative Director of the company	
Jun. 2016	Director of Seibu Holdings Inc.			
Apr. 2020	President and Representative Director of Seibu Railway Co., Ltd. (present)			
Jun. 2020	Director of Seibu Holdings Inc. (present)			
Attendance to the meetings of the Board of Directors in FY2021: 19/19 (100%)		Important concurrent positions outside the Company: President and Representative Director of Seibu Railway Co., Ltd.		
<p>[Reason for nomination as Director and expected roles]</p> <p>Mr. KITAMURA Kimio contributed to the enhancement of the Seibu Group's corporate value by effectively utilizing assets and reviewing existing businesses of Ohmi Railway Co., Ltd. as president of the company after assuming positions in the planning and personnel departments of the Company. Currently, as President of Seibu Railway and Director of Seibu Holdings Inc., he is taking all possible measures for business continuity in the Urban Transportation and Regional business under the COVID-19 business environment while promoting management reforms to adapt to changes in the business environment. We are certain that, by continuing to take charge of formulating and executing the strategy of Urban Transportation and Regional business, he will contribute to enhancing the medium- to long-term corporate value of the Seibu Group. Accordingly, we nominate him as a Director.</p>				
<p>[Message to shareholders from the Director candidate]</p> <p>As a highly public business that supports customers' daily lives, Seibu Railway strives to provide comfortable services based on "safety and security" as its social mission. In order to respond to changes in the business environment due to the impact of COVID-19, etc., we will shift to a business structure that can generate stable profits. At the same time, we will work to overcome the impact of COVID-19 through a service transformation to suit the new normal and fulfill our mission as social infrastructure in the post-COVID-19 society, aiming to realize the "railway of choice."</p>				

Candidate number	Name (Date of birth)	Career summary, position and responsibilities	Number of Company shares owned		
5	<p>Reelection</p> <p>KOYAMA Masahiko</p> <p>April 9, 1956 (66 years old)</p> <p>Number of Years in Office: 4 years (upon the conclusion of this General Meeting of Shareholders)</p>	<p>Mar. 1979 Joined Prince Hotels, Inc. (currently SEIBU REALTY SOLUTIONS INC.)</p> <p>Jul. 2005 General Manager, Shinagawa Prince Hotel of the company</p> <p>Jun. 2006 Managing Officer, General Manager of Takanawa and New Takanawa Prince Hotels and Shinagawa Prince Hotel of the company</p> <p>Jun. 2007 Managing Officer, General Manager of Grand Prince Hotel Takanawa and Shinagawa Prince Hotel of the company</p> <p>Jun. 2008 Managing Officer, General Manager of Grand Prince Hotel Takanawa of the company</p> <p>Oct. 2009 Managing Officer, General Manager of Karuizawa Prince Hotel of the company</p> <p>Jun. 2010 Managing Officer, General Manager of Karuizawa Prince Hotel and Karuizawa Golf and Ski of the company</p> <p>Apr. 2015 Executive Managing Officer, Supervisory General Manager of Kyoto and Shiga, Hiroshima, and Miyazaki of the company</p> <p>Apr. 2016 Executive Managing Officer, Supervisory General Manager of West Japan Area of the company</p> <p>Jun. 2016 Director and Executive Managing Officer, Supervisory General Manager of West Japan Area of the company</p> <p>Apr. 2018 Director and Executive Vice President, General Manager of Sales and Marketing Division of the company</p> <p>Jun. 2018 Director of Seibu Holdings Inc. (present) President and Representative Director of Prince Hotels, Inc.</p> <p>Dec. 2021 President and Representative Director of SEIBU PRINCE HOTELS WORLDWIDE INC. (present)</p>	21,084		
		<p>Attendance to the meetings of the Board of Directors in FY2021: 19/19 (100%)</p>		<p>Important concurrent positions outside the Company: President and Representative Director of SEIBU PRINCE HOTELS WORLDWIDE INC.</p>	
		<p>[Reason for nomination as Director and expected roles]</p> <p>As President of Prince Hotel and Director of the Company, Mr. KOYAMA Masahiko has contributed to the enhancement of corporate value of the Seibu Group by successfully capturing earning opportunities targeting new customer segments in the Hotel and Leisure business segment. In addition to making every effort to ensure the Group's business continuity under the business conditions brought on by the COVID-19 pandemic, he has led the Group's organizational restructuring for the transformation and growth of the Hotel and Leisure business based on the post-pandemic transformation of social values. We are certain that, as he builds the industry's No. 1 quality hotel chain specializing in operations as President of SEIBU PRINCE HOTELS WORLDWIDE INC., he will contribute to enhancing the medium- to long-term corporate value of the Seibu Group. Accordingly, we nominate him as a Director.</p>			
		<p>[Message to shareholders from the Director candidate]</p> <p>Although the Hotel and Leisure business continues to face a difficult business environment due to the prolonged COVID-19 pandemic, we will continue to propose services in response to changes in values and behavior accelerated by COVID-19. Going forward, we will expand our business based on outsourced operations and franchises as we build the industry's No. 1 quality hotel chain.</p>			

Candidate number	Name (Date of birth)	Career summary, position and responsibilities	Number of Company shares owned	
6	New candidate SAITO Tomohide November 28, 1965 (56 years old) Number of Years in Office: -	Apr. 1990	Joined The Sumitomo Trust and Banking Company, Limited (currently Sumitomo Mitsui Trust Bank, Limited)	653
		May 2005	Joined Showajisyo Inc.	
		Apr. 2007	Joined the Company	
		Jul. 2009	General Manager, Commercial and Building Operations Department and Development and Planning Department of Seibu Properties Inc. (currently SEIBU REALTY SOLUTIONS INC.)	
		Apr. 2010	General Manager, Development and Planning Department of the company	
		Jul. 2011	General Manager, Development and Planning Department No.2 of the company	
		Apr. 2013	General Manager, Leasing Business Division of the company	
		Jun. 2014	Director, General Manager, Leasing Business Division of the company	
		Apr. 2015	Director, General Manager, Leasing Business Division and General Manager, Commercial and Building Operations Department of the company	
		Jun. 2015	Director, Managing Officer, General Manager, Leasing Business Division and General Manager, Commercial and Building Operations Department of the company	
		Apr. 2016	Director and Senior Managing Officer, General Manager, Leasing Business Division of the company	
Apr. 2018	Director and Managing Executive Officer of the company			
Apr. 2021	Director and Executive Vice President of the company			
Apr. 2022	Director and Senior Managing Executive Officer of SEIBU REALTY SOLUTIONS INC. (present)			
Attendance to the meetings of the Board of Directors in FY2021:-		Important concurrent positions outside the Company: Director of SEIBU REALTY SOLUTIONS INC.*		
[Reason for nomination as Director and expected roles] As Director of Seibu Properties Inc., Mr. SAITO Tomohide has contributed to the expansion of business and the improvement of earnings even under the business conditions brought on by the COVID-19 pandemic. He is scheduled to take office as President of SEIBU REALTY SOLUTIONS INC. from June 2022. He has extensive practical experience in the real estate business, and we are certain that he will utilize the knowledge cultivated through this experience to contribute to enhancing the corporate value of the Seibu Group by leapfrogging the Group's Real Estate business into a more competitive business and by formulating and executing medium- to long-term strategies for further growth. Accordingly, we nominate him as a Director.				
[Message to shareholders from the Director candidate] The Group has promoted the effective use of the abundant assets it holds across Japan, mainly in the Tokyo metropolitan area. Going forward, we will leverage the strengths and advantages of the Group to actively develop real estate, including mixed-use development of assets held in central Tokyo and at resorts, and at the same time expand our business and contribute to the further leap forward of the Group through our Real Estate business by working to create demand tailored to new lifestyles and promoting the utilization of real estate with innovative ideas.				

* He is scheduled to take office as President and Representative Director of SEIBU REALTY SOLUTIONS INC. on the date of the Annual General Meeting of Shareholders of SEIBU REALTY SOLUTIONS INC. scheduled to be held in June 2022.

Candidate number	Name (Date of birth)	Career summary, position and responsibilities	Number of Company shares owned	
	Reelection Outside Independent	Apr. 1981	Joined DIAMOND, Inc.	1,611
		Apr. 2001	Editor-in-Chief of DIAMOND, Inc.	
		Sep. 2004	Director of Marketing Bureau of DIAMOND, Inc.	
		Jun. 2006	Director of DIAMOND, Inc.	
	TSUJIHIRO Masafumi July 5, 1958 (63 years old) Number of Years in Office: 4 years (upon the conclusion of this General Meeting of Shareholders)	Jun. 2014	Outside Director of Prince Hotels, Inc. (currently SEIBU REALTY SOLUTIONS INC.)	
		Apr. 2015	Professor, Faculty of Economics at Teikyo University (present)	
		Apr. 2018	Director of Seibu Railway Co., Ltd. (present)	
		Jun. 2018	Outside Director of Seibu Holdings Inc. (present)	
7	Attendance to the meetings of the Board of Directors in FY2021: 18/19 (94.7%)	Apr. 2020	Director of Prince Hotels, Inc.	
		Apr. 2022	Director of SEIBU PRINCE HOTELS WORLDWIDE INC. (present) Director of SEIBU REALTY SOLUTIONS INC. (present)	
		Important concurrent positions outside the Company: Director of Seibu Railway Co., Ltd. Director of SEIBU PRINCE HOTELS WORLDWIDE INC. Director of SEIBU REALTY SOLUTIONS INC. Professor, Faculty of Economics at Teikyo University		
		[Reason for nomination as Outside Director and expected roles] Mr. TSUJIHIRO Masafumi possesses a high degree of expertise, abundant experience and keen insight with respect to Japanese economy and corporate management, gained through his longstanding experience as Editor-in-Chief of an economics magazine and his current position as Professor, Faculty of Economics at Teikyo University. Amid the need to adapt to changes in the business environment due to the spread of COVID-19, his expert opinions and advice on DX strategies and marketing including advice related to management judgments and corporate direction based on economic trends contributes to facilitate the Company's Board of Directors and promote the sustainable growth of the Company. We believe that he can help us to maximize the medium- to long-term corporate value of the Seibu Group. Accordingly, we nominate him as an Outside Director.		
		[Message to shareholders from the Outside Director candidate] To ensure the sustainable growth of the Seibu Group while carrying out its social responsibility, we must grasp the needs of the market accurately and provide services. Due to the impact of the COVID-19 pandemic, what society demands from companies has changed drastically. I will contribute to ensuring that the Seibu Group will make full use of my experience and knowledge to "create the inspiration of our customers" based on a new idea, while adapting to changes in the value of society.		

*Mr. TSUJIHIRO was an Outside Director of the Company's subsidiary Prince Hotels, Inc. from June 2014 to March 2018 and was a non-executive Director at that company from April 2020 to March 2022. Currently, he is a non-executive Director of Seibu Railway Co., Ltd., SEIBU PRINCE HOTELS WORLDWIDE INC., and SEIBU REALTY SOLUTIONS INC., which are subsidiaries of the Company. After assuming office as the Company's Outside Director, Mr. TSUJIHIRO's position of Director at the subsidiaries no longer falls under the scope of an Outside Director pursuant to the Companies Act of Japan, however, as a non-executive Director, he has effectively performed the role required of an Outside Director at those companies. Therefore, the Company has judged that this does not have an impact on Mr. TSUJIHIRO's independence.

*The Company and Mr. TSUJIHIRO have concluded an agreement limiting the liability 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 his reelection is approved, the Company will continue the said agreement with him.

*The Company has designated Mr. TSUJIHIRO as independent officer in accordance with the rules and regulations of the Tokyo Stock Exchange, and has registered him as such with the Exchange. If his reelection is approved, he will be registered as independent director again.

<Reference> The composition of the Board of Directors and each committee following the conclusion of the 17th General Meeting of Shareholders and the skill and experience of each Director

If Proposal No. 3 is approved and passed as proposed, the composition of the Board of Directors and each committee and the skills and experience of each Director will be as follows.

	If the election of candidates for Director is approved at the 17th General Meeting of Shareholders					Corporate management	Finance/ accounting	Personnel/ labor/ human resources development	Legal/ risk management	Sustainability	DX/ Marketing
	Name	Responsibilities in the Company	Composition of each committee after the 17th General Meeting of Shareholders								
			Nomination Advisory Committee	Remuneration Advisory Committee	Corporate Governance Council						
Board of Directors	GOTO Takashi	Corporate Affairs Supervision, Compliance Dept.	○	○	○	○	○	○	○	○	
	NISHIYAMA Ryuichiro	President's Office, Corporate Communication Dept., Corporate Planning Dept.	○	○	○	○			○	○	○
	OGAWA Shuichiro	Administration Dept., Personnel Dept., Group Human Resources Development Dept.				○		○	○	○	
	FURUTA Yoshinari	Accounting Dept., Finance Dept.				○	○		○		
	KITAMURA Kimio	President and Representative Director of Seibu Railway Co., Ltd.				○		○		○	
	KOYAMA Masahiko	President and Representative Director of SEIBU PRINCE HOTELS WORLDWIDE INC.				○				○	○
	SAITO Tomohide	President and Representative Director of SEIBU REALTY SOLUTIONS INC.				○	○		○		○
	OHYA Eiko	Outside Director, Independent Director	○	○	○				○	○	
	GOTO Keiji	Outside Director, Independent Director	○	○	○				○	○	
	TSUJIHIRO Masafumi	Outside Director, Independent Director	○	○	○	○					○
	ARIMA Atsumi	Outside Director, Independent Director	○	○	○	○	○			○	

* The above list does not represent all the knowledge and experience of each Director.

● **Policies and Procedures for Nomination of Candidates for Director**

When nominating the candidates for the position of Director, the Board of Directors nominates candidates for reelection following deliberation of whether the individual deserves to be reelected on the basis of his/her contribution to corporate value and other aspects of the Company during his/her term of office. New candidates for election are nominated following deliberation of whether the individual has outstanding character and insight, and is a talented individual who can contribute to increasing corporate value.

The Board of Directors makes decisions after having consulted with the Nomination Advisory Committee, among whose members are four outside Directors forming a majority, to ensure objectivity and transparency concerning the decision of candidates for the position of Director.

Proposal No. 4: Election of three (3) Audit & Supervisory Board Members

Upon the conclusion of this General Meeting of Shareholders, the terms of office of two (2) Audit & Supervisory Board Members, FUKASAWA Isao and SAKOMOTO Eiji, will expire. Accordingly, in order to further strengthen the audit system, we would like to increase the number of Audit & Supervisory Board Members by one to four. We therefore request the appointment of three (3) Audit & Supervisory Board Members.

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

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

For the Company's Independence Standards for Outside Directors and Outside Audit & Supervisory Board Members, please refer to page 20.

Candidate number	Name (Date of birth)	Career summary and position	Number of Company shares owned
1	<p>New candidate</p> <p>NAKAGAWA Yoshihide</p> <p>June 22, 1960 (62 years old)</p> <p>Number of Years in Office: - years</p>	<p>Apr. 1985 Joined The Long-Term Credit Bank of Japan, Limited (currently Shinsei Bank, Limited)</p> <p>Jan. 2005 Joined Goldman Sachs (Japan) Ltd. (currently Goldman Sachs Japan Co., Ltd.)</p> <p>Nov. 2007 General Manager, General Planning Department of Seibu Holdings Inc.</p> <p>Dec. 2007 General Manager, Corporate Planning Office, General Planning Department of the Company</p> <p>Apr. 2008 General Manager, Internal Audit Department of the Company</p> <p>Jun. 2008 General Manager, Internal Audit Department of the Company</p> <p>Apr. 2010 General Manager, Internal Audit and Internal Control Department of the Company</p> <p>Jun. 2014 Managing Officer, General Manager, Internal Audit and Internal Control Department of the Company</p> <p>Apr. 2017 Managing Officer, General Manager, Investor Relations Department of the Company</p> <p>Apr. 2022 Audit & Supervisory Board Member (Standing) of SEIBU REALTY SOLUTIONS INC. (present)</p>	2,995
	<p>Attendance to the meetings of the Board of Directors in FY2021:-</p> <p>Attendance to the meetings of the Audit & Supervisory Board in FY2021:-</p>	<p>Important concurrent positions outside the Company:</p> <p>Audit & Supervisory Board Member (Standing) of SEIBU REALTY SOLUTIONS INC.</p>	
	<p>[Reason for nomination as Audit & Supervisory Board Member]</p> <p>Mr. NAKAGAWA Yoshihide has served as General Manager of Internal Audit and Internal Control Department and General Manager of Investor Relations Department, and has contributed to strengthening internal control and improving communication with stakeholders. He currently serves as an Audit & Supervisory Board Member of SEIBU REALTY SOLUTIONS INC., and we are certain that he will fulfill the audit function appropriately and contribute to the strengthening of the corporate governance system through that role. Accordingly, we nominate him as an Audit & Supervisory Board Member.</p>		
	<p>[Message to shareholders from the Audit & Supervisory Board Member candidate]</p> <p>As the business environment changes drastically due to COVID-19, etc., the management of the Seibu Group is working on a number of measures to achieve the Group Vision. I will utilize my experience to fulfill the duties of a member of the Audit & Supervisory Board, which is a part of the corporate governance system, to ensure that the Seibu Group is able to meet the expectations of various stakeholders, including shareholders and customers, and to increase the value of the Group.</p>		

* The number of the Company's shares that Mr. NAKAGAWA holds is current as of March 31, 2022 and includes the number of shares held under the name of the Employee Stock Holding Partnership.

Candidate number	Name (Date of birth)	Career summary and position		Number of Company shares owned
2	New candidate Outside Independent YANAGISAWA Giichi August 3, 1956 (65 years old) Number of Years in Office: - years	Mar. 1985	Registered as Certified Public Accountant Established Yanagisawa CPA Office	0
		May 1985	Registered as Licensed Tax Accountant	
		Jun. 2000	Representative partner of SHINSOH Audit & Co	
		Jun. 2003	Supervisory Director of TOKYU REIT, Inc.	
		Apr. 2011	Managing representative partner of SHINSOH Audit & Co (present)	
		Jun. 2015	Outside Audit & Supervisory Board Member of Nagatanien Co., Ltd. (currently Nagatanien Holdings Co. Ltd.) (present)	
	Attendance to the meetings of the Board of Directors in FY2021:- Attendance to the meetings of the Audit & Supervisory Board in FY2021:-	Important concurrent positions outside the Company: Outside Audit & Supervisory Board Member of Nagatanien Holdings Co. Ltd. Certified Public Accountant Licensed Tax Accountant		
	[Reason for nomination as Outside Audit & Supervisory Board Member] Mr. YANAGISAWA Giichi has advanced expertise, extensive experience, and sophisticated insight into finance and accounting as a certified public accountant and a tax accountant. In addition, since he has no relationships involving special interests with the Company, we are certain that he will fulfill the audit function appropriately from a fair and neutral position and contribute to the strengthening of the corporate governance system through that role. Accordingly, we nominate him as an Outside Audit & Supervisory Board Member.			
	[Message to shareholders from the Outside Audit & Supervisory Board Member candidate] We are now in an era where we think carefully about our global environment, living environment, and lifestyle. The business of each Group company is based on the fact that it is close to each person's lifestyle, and I strongly feel the potential for business growth. When it comes to corporate information disclosure, not only financial information but also sustainability information has become increasingly important. Utilizing my experience as a certified public accountant, I will value the perspectives of all stakeholders, including our shareholders, and I will strive to be a compass pointing straight at the right kind of growth.			

Candidate number	Name (Date of birth)	Career summary and position		Number of Company shares owned
3	New candidate Outside Independent SAKAMOTO Chihiro February 13, 1974 (48 years old) Number of Years in Office: - years	Apr. 2000 Apr. 2003	Registered as attorney at law Joined Hamada Law Office Joined Shitara Sakamoto Law Office (present)	0
	Attendance to the meetings of the Board of Directors in FY2021:- Attendance to the meetings of the Audit & Supervisory Board in FY2021:-	Important concurrent positions outside the Company: Attorney at law		
	[Reason for nomination as Outside Audit & Supervisory Board Member] As an attorney, Mr. SAKAMOTO Chihiro possesses a high degree of expertise, abundant experience, and deep insight with respect to corporate legal affairs. In addition, since he has no relationships involving special interests with the Company, we are certain that he will fulfill the audit function appropriately from a fair and neutral position and contribute to the strengthening of the corporate governance system through that role. Accordingly, we nominate him as an Outside Audit & Supervisory Board Member.			
	[Message to shareholders from the Outside Audit & Supervisory Board Member candidate] The circumstances surrounding society, including COVID-19, wars, and natural disasters, is extremely difficult. It is precisely at times like these that I believe it is necessary for all executives and employees to work together to pool their wisdom and overcome the difficult situation. I will make every effort to contribute to the development of Seibu Holdings Inc. by utilizing the experience I have cultivated as a lawyer.			

Notes for three candidates for Audit & Supervisory Board Member:

1. No relationships involving special interests exist between any of the candidates and the Company.
2. The age of each candidate is as of June 22, 2022.
3. The Company has entered into a directors and officers liability insurance policy as provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company, and the summary of the said policy is indicated in the Business Report on page 41 of this document. Mr. NAKAGAWA is an insured under the policy at his current position and will continue to be such if his election is approved under this proposal. If the nomination of Mr. YANAGISAWA and Mr. SAKAMOTO is approved, they will be insureds under the policy. In addition, when the policy is renewed, the Company plans to renew the policy with the same terms for each candidate.

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

1. If the nomination of Mr. YANAGISAWA and Mr. SAKAMOTO is approved, the Company and each of them plan to conclude an agreement limiting the liability for damages under Article 423, paragraph 1 of the Companies Act of Japan, to the minimum amount stipulated in Article 425, paragraph 1 thereof.
2. If the nomination of Mr. YANAGISAWA and Mr. SAKAMOTO is approved, the Company plans to register them with the Tokyo Stock Exchange as an independent officer in accordance with the rules and regulations of the Exchange.

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 consolidated net sales to the business partner account for 2% or more of the Company’s consolidated 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.

(Attached Documents)

Business Report

(From April 1, 2021 to March 31, 2022)

1. Status of the corporate group

(1) Progress and results of operations

1) Review of the fiscal year ended March 31, 2022

During the fiscal year ended March 31, 2022, the Japanese economy continued to face difficult situations due to the impact of the global novel coronavirus disease (COVID-19) pandemic. Looking forward, with infection prevention measures in place and vaccinations being encouraged, we have seen the effects of various government policies and improvements in the overseas economies, and we expect the move toward recovery to continue. However, we will closely monitor infection trends in Japan and overseas, the impact of the situation in Ukraine, etc.

Under these conditions, in the fiscal year ended March 31, 2022, we focused on the themes of “Looking ahead to our vision for the Group in a post-COVID-19 society, overcoming the impact of COVID-19 and creating a pathway for rapid growth” in formulating the “FY2021-FY2023 Seibu Group’s Medium-term Management Plan” for the three-year period ending with FY2023, and advanced initiatives with a three-point framework comprising “management reforms,” “digital management,” and “sustainability.”

We carried out “management reforms” on the themes of “asset-light business operation,” “lowering the break-even point,” and “service transformation to suit the new normal.”

With regard to “asset-light business operation,” we worked to review our portfolio and transform our business model with the aim of building a more robust structure in the face of crises that are expected to recur. On July 1, 2021, we transferred our shares in Seibu Construction Supply Co., Ltd., and in December 2021, we completed the securitization of office buildings, such as the Shin-Yokohama Square Bldg.

Moreover, aiming to maximize the value of Group-held assets and improve competitiveness in the Hotel and Leisure and the Real Estate businesses, we separated our asset holding arm from our business operation arm for hotels, etc., and carried out organizational restructuring in the Group with “SEIBU PRINCE HOTELS WORLDWIDE INC. (established on December 13, 2021)” as the hotel operating company and “SEIBU REALTY SOLUTIONS INC. (its name was changed from “Prince Hotels, Inc.” on April 1, 2022)” as a general real estate company also charged with collectively handling assets of the Hotel and Leisure business, held by Prince Hotels, Inc., for the purpose of maximizing the value of the Group-held assets. In conjunction with this, the Company has moved ahead with discussions concerning the securitization of certain assets of the Hotel and Leisure business and on February 10, 2022, the Company concluded a legally binding basic agreement with Reco Pine Private Limited, an affiliate of GIC Private Limited (“GIC”). The purpose of the agreement is to build a long-term partnership between the Group and GIC that will lead to not only maximizing the profitability of the 31 properties making up the certain assets of the Hotel and Leisure business held by Prince Hotels, Inc. (current “SEIBU REALTY SOLUTIONS INC.”), but also enabling the Group’s shift towards an asset-light strategy and further development of the Hotel and Leisure business while maximizing the Group’s corporate value as a whole. After the securitization is completed (planned for FY2022), SEIBU PRINCE HOTELS WORLDWIDE INC. will be entrusted with the operation services of the target properties. Under the long-term and rock-solid partnership with GIC, we will maximize the intrinsic value of the assets related to the Hotel and Leisure business using stable growth investment from GIC, which will leverage the know-how of the hotel operations it owns inside and outside Japan and its financial muscle, and using the extensive network that GIC owns inside and outside Japan, and by doing so, we will work to become the No. 1 hotel chain in the industry, striving to achieve medium- to long-term growth for the Hotel and Leisure business, which is the Group’s driving force for enhancing its corporate value.

Furthermore, as part of an even deeper review of the business portfolio, on March 31, 2022, the Company transferred the shares of Seibu Construction Co., Ltd. to MIRAIT Holdings Corporation.

In “service transformation to suit the new normal,” we positioned “Prince Grand Resort Karuizawa” as an area to secure a position as a Japan’s top “Workation Resort.” In collaboration with East Japan Railway Company, etc., we improved facilities, services, and products. Moreover, in an effort to expand the outdoor business, we concluded an alliance with R.project Inc., establishing Step Out Co., Ltd. on October 1, 2021.

In “digital management,” we worked to build a “Group Marketing Foundation” and upgrade our accounting systems.

In “sustainability,” we continued to promote “Sustainability Action” with 12 key objectives in the four categories of safety, environment, community engagement, and corporate culture, in order to realize a sustainable society. Among these, as our environmental initiatives, we have endorsed the recommendations of the “Task Force on Climate-related Financial Disclosures (TCFD)” and started solar sharing for the first time in the Seibu Group through SEIBU AGRIBUSINESS INC., which was established in FY2020, striving to realize “Green Management” that appropriately recognizes and actively responds to the effects of progressing climate change on both risks and business opportunities.

For the fiscal year ended March 31, 2022, the Group recorded operating revenue of ¥396,856 million, up ¥59,795 million, or 17.7%, year on year, reflecting a reduced number of facilities with suspended operations, a recovery in demand for going out from the beginning of autumn, and the provision of services in response to customers’ needs during the COVID-19 pandemic, despite the continued challenging business environment with the COVID-19 pandemic and the associated issuance of successive state of emergency declarations and deepening trend of people refraining from going out. Operating loss was ¥13,216 million, an improvement of ¥38,370 million from an operating loss of ¥51,587 million in the previous fiscal year, due to increased revenue and reduced fixed expenses from reduced Directors’ remuneration and employee bonuses, revised operations of railcars and buses, etc., reorganized bus routes, and bringing operations in-house, despite reduced recording of fixed expenses transferred to extraordinary losses during temporary suspension of operations at some facilities. EBITDA was a profit of ¥42,415 million, an increase of ¥40,532 million from a profit of ¥1,882 million in the previous fiscal year.

Ordinary loss was ¥17,440 million, an improvement of ¥41,345 million from an ordinary loss of ¥58,785 million in the previous fiscal year.

Profit attributable to owners of parent was ¥10,623 million, mainly due to a gain on the transfer of shares in Seibu Construction Co., Ltd., an improvement of ¥82,924 million from a loss attributable to owners of parent of ¥72,301 million in the previous fiscal year.

In addition, the Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations from the beginning of the fiscal year ended March 31, 2022. As a result, for the fiscal year ended March 31, 2022, operating revenue decreased by ¥9,818 million.

2) Operating results by segment for the fiscal year ended March 31, 2022

(Millions of yen)

Segment	Operating revenue			Operating profit			EBITDA		
	For the year ended March 31, 2022	Change from previous year	Change (%)	For the year ended March 31, 2022	Change from previous year	Change (%)	For the year ended March 31, 2022	Change from previous year	Change (%)
Urban Transportation and Regional	131,331	8,734	7.1	(5,748)	4,068	–	16,754	4,362	35.2
Hotel and Leisure	133,180	49,130	58.5	(28,050)	25,362	–	(11,128)	27,016	–
Real Estate	59,186	3,790	6.8	19,854	4,431	28.7	31,733	4,290	15.6
Construction	79,742	(16,391)	(17.1)	3,903	(155)	(3.8)	4,195	(357)	(7.9)
Other	32,761	6,000	22.4	(3,256)	4,306	–	837	4,337	–
Total	436,203	51,264	13.3	(13,298)	38,013	–	42,392	39,649	–
Adjustments	(39,347)	8,530	–	82	357	–	22	883	–
Consolidated	396,856	59,795	17.7	(13,216)	38,370	–	42,415	40,532	–

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

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

Urban Transportation and Regional

In railway operations and bus operations, while implementing thorough COVID-19 prevention measures, we implemented demand dispersal measures during peak times including better disclosure of passenger density data, as well as measures to reduce fixed expenses, including reviewed operations of railcars and buses, etc. and a reduction in the number of services and suspension of services of buses in line with demand. In addition, Seibu Railway Co., Ltd. has made preparations to revise its timetables to align them more closely to actual usage based on changes in people's lifestyles, and the revision was implemented on March 12, 2022.

In the lifestyle service operations along railway lines, on May 19, 2021, we held the grand opening for the new Seibuen Amusement Park, under the concept of providing a heartwarming, happy place, as we worked to stir nearby leisure demand.

The Urban Transportation and Regional business segment recorded operating revenue of ¥131,331 million, up ¥8,734 million, or 7.1%, year on year, as a result of the above initiatives and a recovery in demand for going out from the beginning of autumn, despite the fluctuations in the state of COVID-19 infections, the issuance of successive state of emergency declarations, a deepening trend of people refraining from going out, and a reduction in commuter passes due to expanded remote working compared to the period before the spread of COVID-19. Meanwhile, the number of passengers in railway operations increased by 7.6% year on year (of which commuters increased by 2.9% and non-commuters increased by 16.0%), and passenger transportation sales increased by 8.9% year on year (of which commuters increased by 0.3% and non-commuters increased by 17.2%). Operating loss was ¥5,748 million, an improvement of ¥4,068 million year on year (operating loss was ¥9,817 million in the previous fiscal year) thanks to increased revenues, despite an increase in one-time costs accompanying the opening of Seibuen Amusement Park, while EBITDA was a profit of ¥16,754 million, an increase of ¥4,362 million, or 35.2%, year on year.

In addition, the Company has applied the “Accounting Standard for Revenue Recognition” and relevant revised ASBJ regulations from the beginning of the fiscal year ended March 31, 2022. As a result, for the fiscal year ended March 31, 2022, operating revenue of the Urban Transportation and Regional business segment decreased by ¥3,239 million.

Operating revenue

(Millions of yen)

	For the year ended March 31, 2021	For the year ended March 31, 2022	Change
Urban Transportation and Regional	122,597	131,331	8,734
Railway operations	77,330	83,429	6,098
Bus operations	18,081	20,320	2,238
Lifestyle service operations along railway lines	21,516	21,360	(155)
Sports operations	2,556	2,932	375
Others	3,112	3,288	176

<Reference> Key performance indicators

(Millions of yen)

	For the year ended March 31, 2019	For the year ended March 31, 2020	For the year ended March 31, 2021	For the year ended March 31, 2022
Transportation performance in the railway operations at Seibu Railway Co., Ltd.				
Number of passengers (Thousand)	665,242	661,988	472,222	508,066
Passenger transportation sales	100,533	99,580	70,863	77,169
Other revenue	3,997	4,070	3,641	3,594

Hotel and Leisure

In hotel operations, we partnered with Allm Inc. to sell accommodation and banquet plans with the optional offer of a PCR test, and offered plans for people who are fully vaccinated against COVID-19, providing service with an even greater level of safety and security to our customers. On April 27, 2021, we reopened Karuizawa Prince Hotel West after renovation as a workation center in the Karuizawa area. Furthermore, toward a recovery in tourism demand which collapsed during the COVID-19 pandemic, we began cooperating with Japan Airlines Co., Ltd. to revamp services in response to changing customer values and behavior.

We also began operations by method of lease contracts in two facilities of our next-generation hotel brand “Prince Smart Inn.”

Overall, we implemented measures to reduce fixed expenses by flexibly changing the content of our activities, as well as pursuing efficient operations, including bringing operations in-house.

The Hotel and Leisure business continued to face a difficult business environment due to the fluctuations in the state of COVID-19 infections, the issuance of successive state of emergency declarations and a deepening trend of people refraining from going out, but recorded operating revenue of ¥133,180 million, up ¥49,130 million, or 58.5% year on year, mainly as a result of a reduced number of facilities with suspended operations, a recovery in demand for going out from the beginning of autumn, and the initiatives mentioned above, as well as use of facilities associated with the Tokyo Olympic and Paralympic Games and recovery in use in Hawaii in overseas hotel operations. RevPAR* for the hotel business was ¥4,910, an increase of ¥1,882 year on year. Segment operating loss was ¥28,050 million, an improvement of ¥25,362 million from operating loss of ¥53,413 million in the previous fiscal year, and EBITDA was a loss of ¥11,128 million, an improvement of ¥27,016 million from a loss of ¥38,145 million in the previous fiscal year, reflecting an increase in revenue, despite reduced recording of fixed expenses transferred to extraordinary losses during temporary suspension of operations at some facilities.

In addition, the Company has applied the “Accounting Standard for Revenue Recognition” and relevant revised ASBJ regulations from the beginning of the fiscal year ended March 31, 2022. As a result, for the fiscal year ended March 31, 2022, operating revenue of the Hotel and Leisure business segment decreased by ¥1,788 million.

* 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.

Operating revenue

(Millions of yen)

	For the year ended March 31, 2021	For the year ended March 31, 2022	Change
Hotel and Leisure	84,050	133,180	49,130
City hotel operations	32,119	50,738	18,618
Resort hotel operations	16,647	25,593	8,946
Overseas hotel operations	9,587	23,368	13,780
Sports operations	12,760	16,918	4,157
Others	12,934	16,562	3,627

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

<Reference> Key performance indicators

		For the year ended March 31, 2019	For the year ended March 31, 2020	For the year ended March 31, 2021	For the year ended March 31, 2022
Operating status of at Prince Hotels, Inc.					
RevPAR	(Yen)	12,435	11,636	3,029	4,910
Average room rates	(Yen)	16,003	16,174	16,699	16,043
Occupancy rates of hotel rooms	(%)	77.7	71.9	18.1	30.6

Real Estate

In leasing operations, as part of our “workation resort” initiative in the Karuizawa area, we opened Karuizawa Prince The Workation Core, a workation facility in the Karuizawa Prince Shopping Plaza, in cooperation with Nomura Real Estate Development Co., Ltd. and East Japan Railway Company.

We also worked to reduce fixed expenses by bringing PM and BM operations in-house.

The Real Estate business segment recorded operating revenue of ¥59,186 million, up ¥3,790 million, or 6.8%, year on year, due to a reduced number of facilities with suspended operations and a recovery in demand for going out from the beginning of autumn, as well as revenue contributions from the Grand Emio Tokorozawa for phase II in the Tokorozawa Station East Building Plan, which opened in September 2020, an increased number of land sales, and the recording of cancellation fees in conjunction with the withdrawal of some tenants from Tokyo Garden Terrace Kioicho, despite fluctuations in the state of COVID-19 infections, the issuance of successive state of emergency declarations, and a deepening trend of people refraining from going out. Segment operating profit was ¥19,854 million, an increase of ¥4,431 million, or 28.7%, year on year. EBITDA was a profit of ¥31,733 million, an increase of ¥4,290 million, or 15.6%, year on year.

In addition, the Company has applied the “Accounting Standard for Revenue Recognition” and relevant revised ASBJ regulations from the beginning of the fiscal year ended March 31, 2022. As a result, for the fiscal year ended March 31, 2022, operating revenue of the Real Estate business segment decreased by ¥3,008 million.

Operating revenue

(Millions of yen)

	For the year ended March 31, 2021	For the year ended March 31, 2022	Change
Real Estate	55,395	59,186	3,790
Leasing business	46,527	46,943	415
Other	8,867	12,242	3,374

<Reference> Key performance indicators

		For the year ended March 31, 2019	For the year ended March 31, 2020	For the year ended March 31, 2021	For the year ended March 31, 2022
Operating status of leasing space					
Leasing space at end of period (Thousand m ²)	Commercial retail	244	246	246	245
	Office/residential	184	208	205	195
Vacancy rate for leasable space at end of period (%)	Commercial retail	1.0	1.0	2.7	2.0
	Office/residential	11.0	2.0	3.5	8.0

Construction

In construction operations, in addition to proceeding with projects such as public works, private housing construction, and renovation construction, we worked to improve margins by exercising strict order management and cost management, as well as by promoting the revamping of our divisional structure.

The Construction business segment recorded operating revenue of ¥79,742 million, a decrease of ¥16,391 million, or 17.1%, year on year, mainly due to the transfer of shares of Seibu Construction Supply Co., Ltd. and a decrease in intragroup construction contracts. Segment operating profit was ¥3,903 million, a decrease of ¥155 million, or 3.8%, year on year. EBITDA was a profit of ¥4,195 million, a decrease of ¥357 million, or 7.9%, year on year.

In addition, the Company has applied the “Accounting Standard for Revenue Recognition” and relevant revised ASBJ regulations from the beginning of the fiscal year ended March 31, 2022. As a result, for the fiscal year ended March 31, 2022, operating revenue of the Construction business segment decreased by ¥1,306 million.

Operating revenue

(Millions of yen)

	For the year ended March 31, 2021	For the year ended March 31, 2022	Change
Construction	96,134	79,742	(16,391)
Construction operations	68,644	61,380	(7,264)
Other	27,489	18,362	(9,127)

Note: Construction operations include net sales of sideline business of Seibu Construction Co., Ltd. Seibu Construction Co., Ltd. leases some of its real estate holdings, and the associated net sales are included in operating revenues of construction operations.

<Reference> Key performance indicators

(Millions of yen)

	For the year ended March 31, 2019	For the year ended March 31, 2020	For the year ended March 31, 2021	For the year ended March 31, 2022
Status of orders received by the Construction business				
Orders carried over from the previous fiscal year	100,542	88,975	77,871	68,454
Orders received during the fiscal year	69,527	68,793	58,890	51,407
Orders carried over to the next fiscal year	88,975	77,871	68,454	58,033

Other

In the Sports business, we offered services and performances at the Belluna Dome, which reopened in March 2021 after its renewal, that maximize the stadium's capabilities, and at the Yokohama Arena we held events with thorough safety and security measures. Through such initiatives, we worked to provide enjoyable sports and entertainment experiences. In the Izuhakone business, we streamlined operations in line with the reorganization of the taxi business and transferred the Jukkikutouge Rest House and Jukkikutouge Cable Car businesses to FUJI KYUKO CO., LTD. on February 1, 2022. In the Ohmi business, we prepared for the separation of infrastructure and operations under a scheme where the facilities are publicly-owned and the operations are privately managed in the railway business.

Segment operating revenue was ¥32,761 million, an increase of ¥6,000 million, or 22.4%, year on year, due to an increased number of official games of professional baseball for the Saitama Seibu Lions, the above initiatives, the proactive acquisition of advertising sponsors at the Belluna Dome, and the increase in the number of events held at the Yokohama Arena, despite continued challenging business conditions including the fluctuations in the state of COVID-19 infections, the successive issuance of state of emergency declarations, and restrictions on holding events. Segment operating loss was ¥3,256 million, an improvement of ¥4,306 million from an operating loss of ¥7,562 million in the previous fiscal year. EBITDA was a profit of ¥837 million, an improvement of ¥4,337 million from a loss of ¥3,499 million in the previous fiscal year.

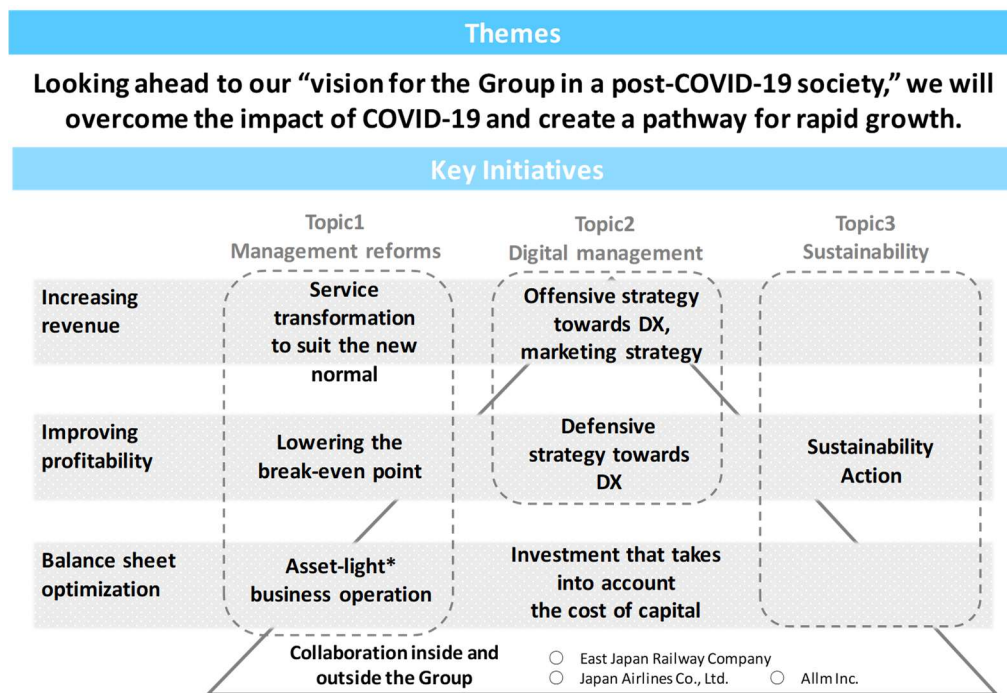
In addition, the Company has applied the "Accounting Standard for Revenue Recognition" and relevant revised ASBJ regulations from the beginning of the fiscal year ended March 31, 2022. As a result, for the fiscal year ended March 31, 2022, operating revenue decreased by ¥1,432 million.

For the sports operations in the Urban Transportation and Regional business and in the Hotel and Leisure business and for the Sports business within the Other businesses segment, the total operating revenue was ¥35,634 million, up ¥8,975 million, or 33.7%, 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.

In this environment, on May 13, 2021, the Group formulated the "FY2021-FY2023 Seibu Group's Medium-term Management Plan," which sets forth the theme of "Looking ahead to our vision for the Group in a post-COVID-19 society, overcoming the impact of COVID-19 and creating a pathway for rapid growth," with a three-point framework comprising "management reforms," "digital management," and "sustainability."



* Asset-light is a business strategy where a company runs business more flexibly by having fewer assets (the same applies hereinafter).

The assumed business environment for the Medium-term Management Plan envisages the COVID-19 pandemic being brought under control by FY2022, setting inbound tourism and the Japanese economy on recovery paths for FY2023. In this environment, the Group envisages that the changes in people’s values and activities that occurred during the pandemic will become the norm in a post-COVID-19 society. Therefore, the Group aims to transform its business model in response to these changes. Also, as we envisage that crises with impacts comparable to the COVID-19 pandemic may occur again, we will strengthen the Group’s corporate structure to maximize corporate value and shareholder value under any business environment.

In light of this, the Medium-Term Management Plan sets out the “vision for the Group in a post-COVID-19 society,” as “the best and strongest lifestyle support corporate group,” and sets the three-year period as a period of initiatives to achieve that, of which we are in the second year.

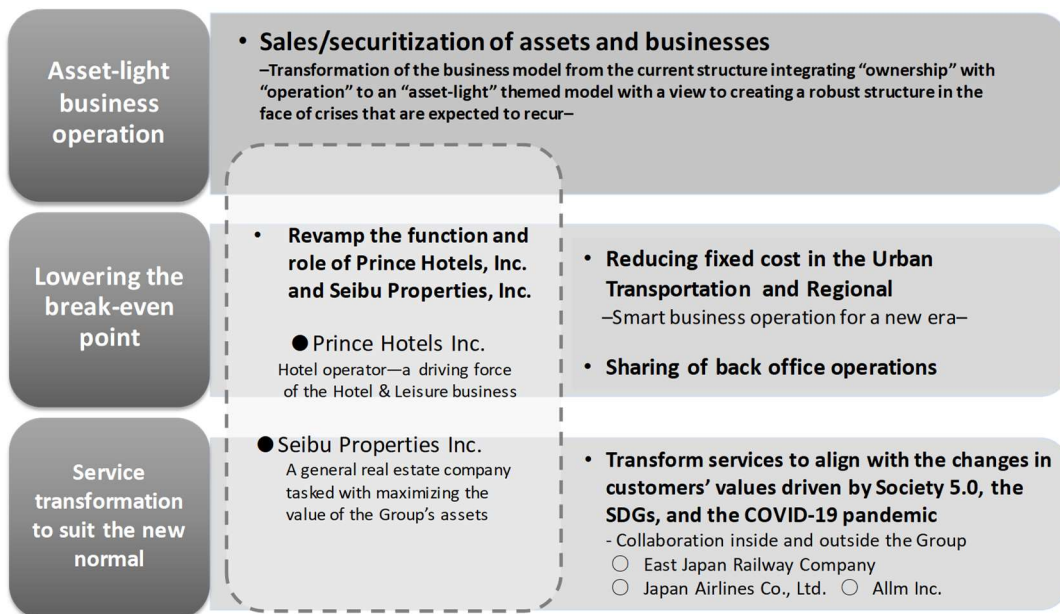
The constant slogan of the Seibu Group has been, and will continue to be, “Smiles Ahead.” We aim to create an enriched and sustainable society by creating activity and excitement for customers as a company that grows together with customers and local communities. We aim to offer “the best” for our customers, local communities, and the earth’s environment, and to support this with “the strongest” protection through totally reliable safety and security, by continuing to drive innovation inspired by the key concept of Big Hairy Audacious Goals (BHAGs).

<Key Initiatives in the New Medium-Term Management Plan>

We will now explain the progress of our initiatives under the three-point framework of “management reforms,” “digital management,” and “sustainability,” and our initiatives for the fiscal year ending March 31, 2023 onward.

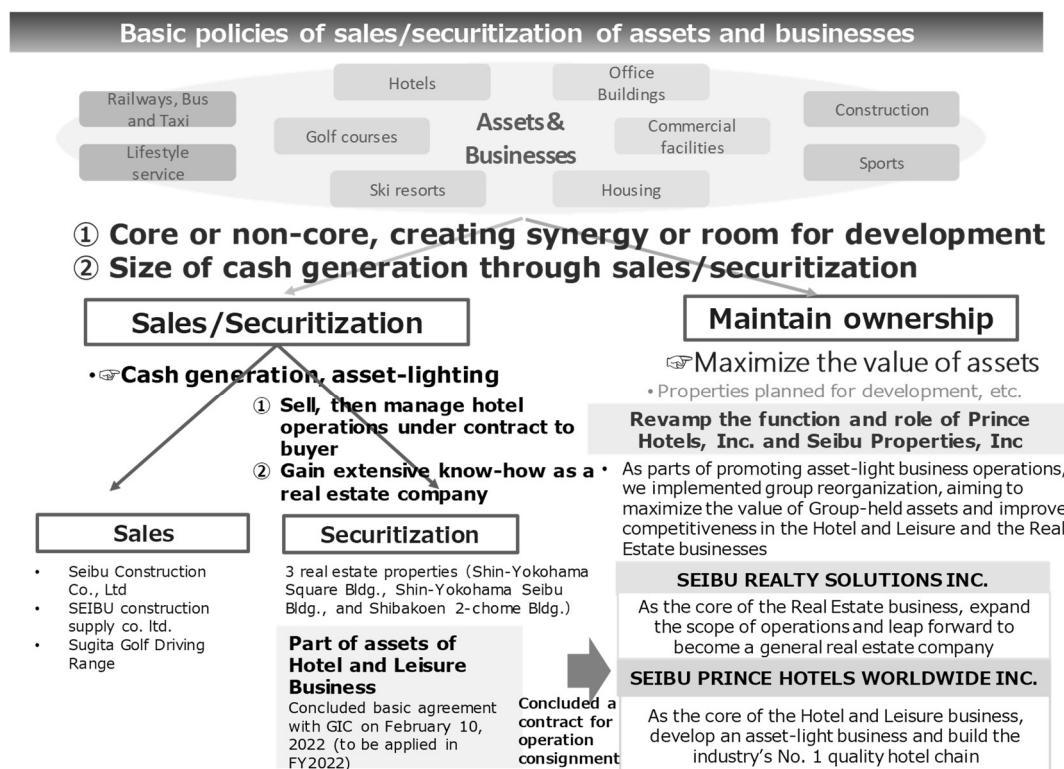
Topic 1: Management reforms

We will directly tackle management issues highlighted by the COVID-19 pandemic and resolutely carry out “management reforms” with no exceptions on the three themes of “asset-light business operation,” reducing the break-even point,” and “service transformation to suit the new normal.”



Theme 1: Asset-light business operation

We will sort all of our assets and business contents by comprehensively considering the benefits of ownership, scope for development, and scale of cash generated by their sale or securitization based on the following policy. This is needed to transform the business model from the current structure integrating “ownership” with “operation” to an “asset-light” themed model with a view to creating a robust structure in the face of crises that are expected to recur.



For the initiatives for the fiscal year under review, please refer to “1. Status of the corporate group, (1) Progress and results of operations, 1) Review of the fiscal year ended March 31, 2022.”

Theme 2: Reducing the break-even point

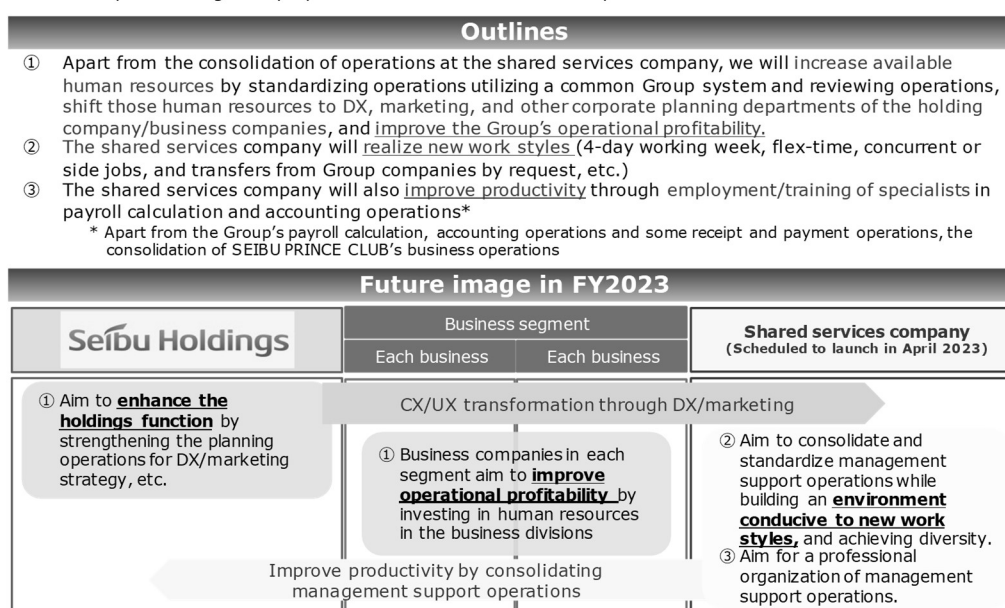
In the fiscal year under review, we took initiatives to permanently reduce fixed expenses including revisions to timetables and review of routes in the Urban Transportation and Regional business and controlled personnel in the Hotel and Leisure business.

In the following fiscal year, we will strive to permanently reduce fixed expenses in each business. Apart from discovering the benefits of the transfer of shares of Seibu Construction Co., Ltd. this will include continued securitization of some assets in the Hotel and Leisure business in the pursuit of initiatives to achieve Theme 1: Asset-light business operation.

Furthermore, in initiatives for the following fiscal year, to standardize each Group company's back-office operations, we aim to establish a shared company in FY2023 and are advancing specific design and preparation, as follows.

■ Sharing of back office operations

- ✓ We plan to establish a shared services company, with operations to commence from April 2023.
- ✓ More specific design and preparation for the consolidation of operations will be advanced in FY2022.



Theme 3: Service transformation to suit the new normal

We positioned “Prince Grand Resort Karuizawa” to secure a position as a Japan’s top “Workation Resort.” In collaboration with East Japan Railway Company, etc., we improved facilities, services, and products. Moreover, in an effort to expand the outdoor business, we concluded an alliance with R.project Inc., establishing Step Out Co., Ltd. on October 1, 2021.

We will aim to increase “Seibu Group Fans,” who are repeat users of our diverse services, by expanding the scope of customers using the Group’s services and satisfying them in this new era.

Topic 2: Digital management

We have built the Group Marketing Foundation, which enables linking and use of data from in and outside the Group, centered on the Group’s “SEIBU PRINCE CLUB” membership system to realize digital management using approaches that take both offense and defense into account. Using this system will lead to the abovementioned service transformation to suit the new normal and the acquisition of “Seibu Group Fans.”

We will also shift management-related operations to a common Group system, helping to realize operation and workstyle reforms and reduce fixed expenses.

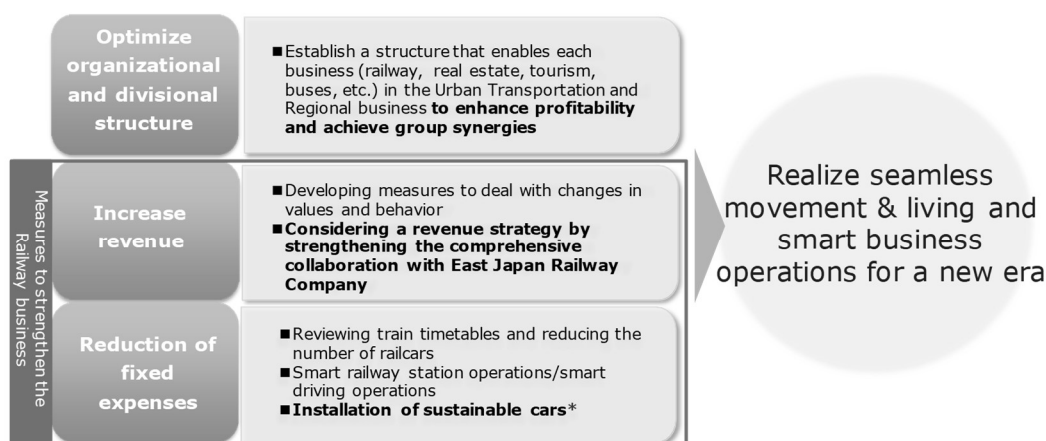
Topic 3: Sustainability

The Group continued to “Sustainability Actions” with the 12 key objectives in the four areas of safety, environment, community engagement, and corporate culture, in order to realize a sustainable society. Among these, as our environmental initiatives, we have endorsed the recommendations of the “Task Force on Climate-related Financial Disclosures (TCFD)” and started solar sharing for the first time in the Seibu Group through SEIBU AGRIBUSINESS INC., which was established in FY2020, striving to realize “Green Management” that recognizes and responds to the effects of progressing climate change on both risks and business opportunities.

<Management reforms of the Urban Transportation and Regional business>

Even in the Urban Transportation and Regional business, there was ongoing reduction in demand for sales from Seibu Railway’s commuter passes due to the consolidation of remote working. Advances made in people’s changes in values and behavior also led to considerable review of the frequency of “Movement,” and the reduced possibility of a complete recovery in sales from commuter passes to pre-COVID levels. Consequently, in addition to the aforementioned initiatives, in the fiscal year ending March 31, 2023 we will further reform the profit and loss structure of Urban Transportation and Regional business and promote “Management reforms of the Urban Transportation and Regional business” based on the pillars of (1) optimizing the organizational and divisional structure, (2) increasing net sales, and (3) reducing fixed expenses, as outlined below.

■ Management reforms of the Urban Transportation and Regional business



* Seibu names unpainted car bodies and VVVF inverter-controlled carriages transferred from other companies “sustainable cars”

Through the implementation of these measures, Seibu Railway, which is at the core of the Urban Transportation and Regional business, will realize seamless living and movement and smart business operations for a new era.

<Issues for the future>

Shifting to an asset-light model for the Hotel business' assets and the transfer of shares of Seibu Construction Co., Ltd. will realize an enhanced financial foundation for future growth.

The future growth strategy for the Hotel and Leisure business and Real Estate business will be focused on (1) expansion of hotels in Japan and overseas through SEIBU PRINCE HOTELS WORLDWIDE INC. and (2) redevelopment with a sustainability awareness, with SEIBU REALTY SOLUTIONS INC at the core, including seamless large-scale redevelopments in the Tokyo area that will be in full-swing from FY2024 as well as well-known resorts such as Karuizawa, Hakone and Furano. In addition to the aforementioned management reforms of the Urban Transportation and Regional business, we will realize sustained growth in a post-COVID-19 society.



<Management KPIs>

Towards achieving our “vision for the Group in a post-COVID-19 society,” and keeping the “asset-light” model in mind, we have set the following “medium- to long-term targets” for capital efficiency and optimized capital structure.

- ROE At least 10%
- ROA At least 3.5%
- Capital-to-asset ratio 25 to 30%
- Net interest-bearing debt EBITDA ratio Around 6 times

Going forward, we will focus on these management indicators to manage or progress in overcoming the impact of COVID-19 through “management reforms” and so forth.

The Group will continue to conduct corporate operations aimed at maximizing corporate value and shareholder value.

(3) Changes in assets and results of operations

(Millions of yen)

	For the year ended March 31, 2019	For the year ended March 31, 2020	For the year ended March 31, 2021	For the year ended March 31, 2022
Operating revenue	565,939	554,590	337,061	396,856
Ordinary profit (loss)	65,415	48,770	(58,785)	(17,440)
Profit (loss) attributable to owners of parent	45,457	4,670	(72,301)	10,623
Basic earnings (loss) per share (Yen)	145.21	15.18	(241.32)	35.39
Total assets	1,728,929	1,707,784	1,698,497	1,703,442
Net assets	422,715	373,427	385,687	387,217
Equity-to-asset ratio (%)	24.1	21.5	17.6	18.3
Return on equity (ROE) (%)	11.3	1.2	(21.7)	3.5

Note: The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the current fiscal year, and the figures for the current fiscal year, are those after applying the accounting standard and relevant ASBJ regulations.

(4) Capital expenditures

Capital expenditures for the fiscal year under review amounted to ¥44,276 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 40000 series trains
Hotel and Leisure	Prince Hotels, Inc.	Renovation of Karuizawa Prince Hotel West

2) New construction and expansion of major facilities in progress

Segment	Company name	Major capital expenditures
Urban Transportation and Regional	Seibu Railway Co., Ltd.	Project for continuous grade-separation of railroad crossings between Nakai Station and Nogata Station on the Shinjuku Line (underground)
Urban Transportation and Regional	Seibu Railway Co., Ltd.	Project for continuous grade separation of railroad crossings near Higashimurayama Station on the Shinjuku line (elevated)
Urban Transportation and Regional	Seibu Railway Co., Ltd.	Manufacture of 40000 series trains
Real Estate	Seibu Railway Co., Ltd.	Tokorozawa Station West Plan

3) Sale of major facilities

To strengthen our balance sheet, on December 2021, we completed the securitization of Shin-Yokohama Square Bldg., Shibakoen 2-chome Bldg., and Shin-Yokohama Seibu Bldg., which were owned by Seibu Railway Co., Ltd., our consolidated subsidiary.

(5) Financing activities

The Company raised ¥10.0 billion by issuing the Fifth Series of Unsecured Straight Bonds (Green Bond) in June 2021 to finance part of the Seibu Group’s efforts to promote action on sustainability.

To ensure liquidity, we have also established commitment lines of credit for earthquake response totaling ¥150.0 billion.

(6) Major subsidiaries (As of March 31, 2022)

Company name	Capital stock (Millions of yen)	Ratio of voting rights held by the Company (%)	Major businesses
Seibu Railway Co., Ltd.	56,665	100.0	Urban Transportation and Regional business (Railway operations, Lifestyle service operations along railway lines, Sports operations) Real Estate business (Leasing operations)
Prince Hotels, Inc.	8,600	100.0	Hotel and Leisure business (Hotel operations, Overseas hotel operations, Sports operations) Real Estate business (Leasing operations)
SEIBU PRINCE HOTELS WORLDWIDE INC.	100	100.0	Hotel and Leisure business (Hotel operations, Overseas hotel operations, Sports 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 Lions, Inc.	100	100.0	Sports Business
Izuhakone Railway Co., Ltd.	640	74.0	Izuhakone Business
Ohmi Railway Co., Ltd.	405	100.0	Ohmi 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 77 consolidated subsidiaries, including the eight companies listed above (one less than the previous fiscal year), and three equity-method associates (one more than the previous fiscal year). The Company has three other non-consolidated subsidiaries not accounted for using equity method (no change from the previous fiscal year), and there is no associate not accounted for using equity method (one less than the previous fiscal year).
3. Due to the change in the Group's governance structure, Prince Resorts Hawaii, Inc., while the Company's consolidated subsidiary, has been removed from the category of major subsidiary.
4. The Company established SEIBU PRINCE HOTELS WORLDWIDE INC. on December 13, 2021.
5. On April 1, 2022, Prince Hotels, Inc. conducted an absorption-type company split to transfer part of its business to SEIBU PRINCE HOTELS WORLDWIDE INC. On the same day, SEIBU PRINCE HOTELS WORLDWIDE INC. started the business described above.
6. On April 1, 2022, Prince Hotels, Inc. and Seibu Properties Inc. conducted an absorption-type merger with the former as the surviving company and the latter as the dissolved company, and changed the trade name to SEIBU REALTY SOLUTIONS INC.

(7) Major businesses and offices (As of March 31, 2022)

Segment	Businesses	Major offices
Urban Transportation and Regional	Railway operations	[Seibu Railway Co., Ltd.] Operating length: 176.6 km Number of stations: 101 (including signal stations) Number of vehicles: 1,267
	Bus operations	[Seibu Bus Co., Ltd.] Number of sales offices: 11 (Tokyo and Saitama) Number of vehicles: 861
	Lifestyle service operations along railway lines	[Seibuen Amusement Park Co., Ltd.] Seibuen Amusement Park (Tokorozawa-shi, Saitama)
	Sports operations	[Seibu Recreation Co., Ltd.] BIGBOX Takadanobaba (Shinjuku-ku, 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) The Prince Kyoto Takaragaike (Kyoto-shi, Kyoto)
	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)
	Overseas hotel operations	[AB Hotels Ltd.] The Prince Akatoki London (London, UK)
	Sports operations	[Prince Hotels, Inc.] Kuni Country Club (Hanno-shi, Saitama) Karuizawa Prince Hotel Ski Area (Karuizawa-machi, Nagano)
	Other	[Yokohama Hakkeijima Inc.] Yokohama Hakkeijima Sea Paradise (Yokohama-shi, Kanagawa)
Real Estate	Leasing business	[Seibu Properties Inc.] Tokyo Garden Terrace Kioicho (Chiyoda-ku, Tokyo) DaiyaGate Ikebukuro (Toshima-ku, Tokyo) Karuizawa Prince Shopping Plaza (Karuizawa-machi, Nagano)
Construction	Construction operations	[Seibu Construction Co., Ltd.] Number of branches: 7 (Toshima-ku, Tokyo and others) Number of business offices: 3 (Karuizawa-machi, Nagano and others)
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
	Sports operations	[Seibu Lions, Inc.] Belluna Dome (Tokorozawa-shi, Saitama)

(8) Employees (As of March 31, 2022)

Segment	Number of employees	
Urban Transportation and Regional	7,303	[1,113]
Hotel and Leisure	9,689	[1,782]
Real Estate	1,047	[145]
Construction	612	[463]
Other	2,364	[297]
Corporate	352	[-]
Total	21,367	[3,800]

- 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, 2022 are included therein.
2. The average number of temporary employees for the fiscal year under review is shown in brackets. Temporary employees are not included in the figure indicating number of employees described in Note 1.
3. The number of employees under “Corporate” is the number of employees of the Company.
4. The decrease in the number of employees in the Construction business compared to the previous fiscal year is mainly due to the exclusion of Seibu Construction Co., Ltd.

(9) Major lenders (As of March 31, 2022)

(Millions of yen)

Lender	Outstanding amount of loans (Note)
Development Bank of Japan Inc.	173,527
Mizuho Bank, Ltd.	171,670
MUFG Bank, Ltd.	126,836
Sumitomo Mitsui Banking Corporation	79,403
Sumitomo Mitsui Trust Bank, Limited	71,731

Note: Outstanding amount of loans includes ¥100,200 million of loans under syndicate loan contracts and commitment line contracts.

(10) Status of purchase or disposal of other companies' shares and other equity or share acquisition rights, etc.

Effective March 31, 2022, the Company transferred 95% of the shares of Seibu Construction Co., Ltd. held by Seibu Railway Co., Ltd., a consolidated subsidiary of the Company, to MIRAIT Holdings Corporation.

2. Shares of the Company (As of March 31, 2022)

- (1) Total number of shares authorized: 1,300,000,000 shares
(2) Total number of shares issued: 323,462,920 shares (including 257,200 treasury shares)
(3) Number of shareholders: 62,324
(4) Major shareholders (Top 10)

Name of shareholder	Number of shares held (Thousands of shares)	Shareholding ratio (%)
NW Corporation Inc.	51,158	15.83
The Master Trust Bank of Japan, Ltd. (Trust Account)	40,259	12.46
Custody Bank of Japan, Ltd. (Trust Account)	11,954	3.70
Development Bank of Japan Inc.	9,906	3.06
Keikyu Corporation	7,655	2.37
Mizuho Bank, Ltd.	7,114	2.20
Custody Bank of Japan, Ltd. as trustee for Retirement Benefit Trust Account H re-entrusted by Mizuho Trust and Banking Co., Ltd.	5,301	1.64
Sumitomo Realty & Development Co., Ltd.	4,738	1.47
MSIP CLIENT SECURITIES	3,333	1.03
CGML PB CLIENT ACCOUNT/COLLATERAL	3,313	1.03

Note: The shareholding ratio is calculated after deducting treasury shares (257,200 shares). The treasury shares do not include 752,700 shares of the Company that are held as trust assets in “Board Benefit Trust (BBT)” and disposition-type “Employee Stock Ownership Plan (ESOP).”

- (5) Shares issued to Directors and Audit & Supervisory Board Members of the Company (including those who were Directors and Audit & Supervisory Board Members of the Company) during the fiscal year under review as consideration for their execution of duties

Position	Number of shares	Number of Directors to whom the shares were issued to
Director (excluding Outside Directors)	4,300	1

- (6) Other important matters

Not applicable

3. Share acquisition rights, etc. of the Company

(1) Share acquisition rights held by Directors and Audit & Supervisory Board Members of the Company as of the end of the fiscal year under review, issued as consideration for the execution of their duties

Name (Date of resolution for issuance)	Number of holders	Number of share acquisition rights	Class and number of shares underlying share acquisition rights	Issue value	Amount to be paid in upon exercise of share acquisition rights	Exercise period	Conditions for exercise
The first Share Acquisition Rights (June 25, 2014)	4 Directors (excluding Outside Directors)	245	Common shares of the Company 24,500 shares	¥1,974 per share	¥1 per share	From July 12, 2014 to July 11, 2044	Note 2
The second Share Acquisition Rights (June 23, 2015)	4 Directors (excluding Outside Directors)	245	Common shares of the Company 24,500 shares	¥2,669 per share	¥1 per share	From July 10, 2015 to July 9, 2045	Note 2
The third Share Acquisition Rights (June 21, 2016)	5 Directors (excluding Outside Directors) Note 1	281 Note 1	Common shares of the Company 28,100 shares Note 1	¥1,497 per share	¥1 per share	From July 8, 2016 to July 7, 2046	Note 2
The fourth Share Acquisition Rights (June 21, 2017)	6 Directors (excluding Outside Directors) Note 1	329 Note 1	Common shares of the Company 32,900 shares Note 1	¥1,729 per share	¥1 per share	From July 8, 2017 to July 7, 2047	Note 2
The fifth Share Acquisition Rights (June 21, 2018)	6 Directors (excluding Outside Directors)	353	Common shares of the Company 35,300 shares	¥1,493 per share	¥1 per share	From July 10, 2018 to July 9, 2048	Note 2

Notes: 1. The share acquisition rights held by one of the above Directors were allocated to that Director as a Director of the Company's subsidiary prior to the Director's appointment as a Director of the Company.

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

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

4. Officers

(1) Directors and Audit & Supervisory Board Members (As of March 31, 2022)

Position	Name	Responsibilities	Important concurrent positions outside the Company
President and CEO	GOTO Takashi	Corporate Affairs Supervision, Compliance Dept.	Director and Chairman of Seibu Railway Co., Ltd. Director of Prince Hotels, Inc.
Director	TAKAHASHI Kaoru	Accounting Dept., Finance Dept.	
Director	NISHIYAMA Ryuichiro	President's Office, Corporate Communication Dept., Corporate Planning Dept.	Director of Prince Hotels, Inc.
Director	OGAWA Shuichiro	Administration Dept., Personnel Dept., Group Human Resources Development Dept.	Director of Prince Hotels, Inc.
Director	KITAMURA Kimio		President and Representative Director of Seibu Railway Co., Ltd.
Director	KOYAMA Masahiko		President and Representative Director of Prince Hotels, Inc.
Director	UWANO Akihisa		President and Representative Director of Seibu Properties Inc.
Director	OHYA Eiko		
Director	GOTO Keiji		Director of Prince Hotels, Inc. Outside Audit & Supervisory Board Member of Central Security Patrols, Co., Ltd. Outside Corporate Auditor of Fukuda Denshi Co., Ltd. Attorney
Director	TSUJIHIRO Masafumi		Director of Seibu Railway Co., Ltd. Director of Prince Hotels, Inc. Professor, Faculty of Economics at Teikyo University
Director	ARIMA Atsumi		Director of Seibu Railway Co., Ltd. Director of Prince Hotels, Inc. Outside Director of Takashimaya Company, Limited
Audit & Supervisory Board Member (Standing)	NAKAMURA Hitoshi		
Audit & Supervisory Board Member	FUKASAWA Isao		Audit & Supervisory Board Member of Seibu Railway Co., Ltd. Attorney
Audit & Supervisory Board Member	SAKOMOTO Eiji		Audit & Supervisory Board Member of Prince Hotels, Inc. Outside Director of Nagatanien Holdings Co. Ltd. Independent Director of Financial Products Group Co., Ltd. Certified Public Accountant, Licensed Tax Accountant

- Notes: 1. OHYA Eiko, GOTO Keiji, TSUJIHIRO Masafumi and ARIMA Atsumi are Outside Directors.
2. FUKASAWA Isao and SAKOMOTO Eiji are Outside Audit & Supervisory Board Members.
3. Audit & Supervisory Board Member SAKOMOTO Eiji is qualified as a certified public accountant and a certified public tax accountant, and possesses extensive financial and accounting knowledge.
4. The Company has designated Directors OHYA Eiko, GOTO Keiji, TSUJIHIRO Masafumi and ARIMA Atsumi, and Audit & Supervisory Board Members FUKASAWA Isao and SAKOMOTO Eiji as independent

directors/audit & supervisory board members in accordance with the rules and regulations of the Tokyo Stock Exchange, and has registered them as such with the TSE.

5. On April 1, 2022, certain changes were made in the important concurrent positions of Directors and Audit & Supervisory Board Members, as indicated below.

Position	Name	Important concurrent positions outside the Company
President and CEO	GOTO Takashi	Director and Chairman of Seibu Railway Co., Ltd. Director of SEIBU PRINCE HOTELS WORLDWIDE INC. Director and Chairman of SEIBU REALTY SOLUTIONS INC.
Director	NISHIYAMA Ryuichiro	Director of SEIBU PRINCE HOTELS WORLDWIDE INC.
Director	OGAWA Shuichiro	Director of Seibu Railway Co., Ltd. Director of SEIBU PRINCE HOTELS WORLDWIDE INC.
Director	KOYAMA Masahiko	President and Representative Director of SEIBU PRINCE HOTELS WORLDWIDE INC.
Director	UWANO Akihisa	President and Representative Director of SEIBU REALTY SOLUTIONS INC.
Director	GOTO Keiji	Director of SEIBU PRINCE HOTELS WORLDWIDE INC. Outside Audit & Supervisory Board Member of Central Security Patrols, Co., Ltd. Outside Corporate Auditor of Fukuda Denshi Co., Ltd. Attorney
Director	TSUJIHIRO Masafumi	Director of Seibu Railway Co., Ltd. Director of SEIBU PRINCE HOTELS WORLDWIDE INC. Director of SEIBU REALTY SOLUTIONS INC. Professor, Faculty of Economics at Teikyo University
Director	ARIMA Atsumi	Director of Seibu Railway Co., Ltd. Director of SEIBU PRINCE HOTELS WORLDWIDE INC. Director of SEIBU REALTY SOLUTIONS INC. Outside Director of Takashimaya Company, Limited
Audit & Supervisory Board Member	SAKOMOTO Eiji	Director of SEIBU PRINCE HOTELS WORLDWIDE INC. Director of SEIBU REALTY SOLUTIONS INC. Outside Director of Nagatanien Holdings Co. Ltd. Independent Director of Financial Products Group Co., Ltd. Certified Public Accountant, Licensed Tax Accountant

(2) Overview of limitation of liability agreements

The Company and its Outside Directors have concluded agreements limiting the liability of the Outside Directors for damages under Article 423, paragraph (1) of the Companies Act, to the minimum amount stipulated in Article 425, paragraph (1) thereof.

(3) Overview of the Contract of Directors and Officers Liability Insurance

The Company has concluded a contract of Directors and Officers Liability Insurance with an insurance agency, as provided for in Article 430-3, paragraph (1) of the Companies Act. Directors, Audit & Supervisory Board Members and managing officers of the Company, Seibu Railway Co., Ltd. and Prince Hotels, Inc., are the insured covered by the insurance policy, and they do not bear the insurance premium. The insurance policy covers damages and legal costs. As a measure to maintain the adequacy of execution of duties by the insured, the Company excludes from coverage the damages arising from criminal act or other wrong doing of the insured. Effective April 1, 2022, the scope of the insured under this insurance policy was changed to include Directors, Audit & Supervisory Board Members, and Executive Officers of the Company, Seibu Railway Co., Ltd., SEIBU PRINCE HOTELS WORLDWIDE INC., and SEIBU REALTY SOLUTIONS INC.

(4) Amount of Remuneration for Directors and Audit & Supervisory Board Members

1) 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 remuneration	Share-based remuneration		
			Annual incentive	Long-term incentive	
Directors [Of the above, Outside Directors]	313 [67]	241 [67]	– [–]	72 [–]	12 [5]
Audit & Supervisory Board Members [Of the above, Outside Audit & Supervisory Board Members]	59 [27]	59 [27]	– [–]	– [–]	5 [2]

Note: The amount of “Share-based remuneration (annual incentive + long-term incentive)” is equal to the amount of provision for purchase of shares recognized in the fiscal year under review, which is based on the points granted to each Directors. Note that the annual incentive is performance-based remuneration, and no provision was recognized for this fiscal year as the Company’s Board of Directors decided to exclude this fiscal year from the point grant period due to the expansion of COVID-19.

2) Resolution at the General Meeting of Shareholders regarding remuneration for Directors and Audit & Supervisory Board Members

The maximum amount of basic remuneration for Directors of the Company was resolved at the 13th Annual General Meeting of Shareholders held on June 21, 2018, at ¥660 million annually (including ¥120 million annually for Outside Directors; excluding the amount of employee salary for Directors serving concurrently as employees). The number of Directors as of the conclusion of the said Annual General Meeting of Shareholders was 12 (including four Outside Directors).

In addition to the basic remuneration, the Company resolved at the 14th Annual General Meeting of Shareholders held on June 21, 2019 to introduce Board Benefit Trust (BBT), a share-based remuneration system, to Directors (excluding Outside Directors). The maximum amount of contribution to the trust to be made as a fund to purchase shares for Directors over a period of three fiscal years was decided at ¥750 million (¥300 million for the annual incentive and ¥450 million for the long-term incentive). The number of Directors as of the conclusion of the said Annual General Meeting of Shareholders was eight (excluding Outside Directors).

The maximum amount of basic remuneration for Audit & Supervisory Board Members was resolved at the 9th Annual General Meeting of Shareholders held on June 25, 2014, at ¥100 million annually. The number of Audit & Supervisory Board Members as of the conclusion of the said Annual General Meeting of Shareholders was four.

3) Policy on determining the details of remuneration for individual Directors

- (1) Method of determining policy on determining the details of remuneration for individual Directors, and overview of the determined policy

The Company has decided on “Remuneration Policy for Directors of Seibu Holdings,” a policy for determining the amount and calculation method of Director’s remuneration, at the Meeting of the Board of Directors held on February 25, 2021. The decision was made after obtaining advice from the Remuneration Advisory Committee, where four outside Directors form the majority members. The details of the policy are as follows:

(a) Basic policy

- Remuneration for Directors shall be commensurate with Directors who are capable and can practice “Group Vision” and “Seibu Group Corporate Code of Ethics” of the Seibu Group.
- The remuneration system shall be designed in a manner to increase Directors’ willingness and motivation to contribute to improving business results, corporate value and shareholder value over the medium to long term.
- Remuneration for Directors shall reflect the Group’s business environments and operating performance based on comparison with industry peers’ remuneration levels and other factors.
- The remuneration system for Directors shall be objective and fair for stakeholders.
- Upon deciding remuneration for Directors, the Company shall obtain advice from the Remuneration Advisory Committee, the majority of whose members are Outside Directors, in order to ensure its objectivity.

(b) Remuneration system

- The remuneration system for Directors (excluding Outside Directors) consists of basic remuneration and share-based remuneration (annual incentive and long-term incentive), and the ratio of these remunerations shall be set so as to increase Directors willingness to contribute to maximizing business results, corporate value and shareholder value over the medium to long term by clarifying the link between remuneration for Directors and the medium to long-term improvement in business results and shareholder value.
- The remuneration of outside Directors consists of basic remuneration only, in view of their roles and independence.
- Basic remuneration shall be a fixed monthly payment, and its amount shall be determined based on Director’s roles and responsibilities, and not exceeding the maximum total remuneration amount approved and resolved at the General Meeting of Shareholders.
- For share-based remuneration, shares acquired through a trust shall be delivered based on the points granted to Directors.
 - (i) For the annual incentive, points shall be granted to Directors in accordance with “Annual Incentive” set out in Officer Stock Benefit Rules, for each period for execution of duties, depending on their roles and responsibilities and the degree of their achievement of set goals. The amount shall not exceed the number approved and resolved at the General Meeting of Shareholders. Directors will receive the Company’s shares from the trust annually at a certain time.
 - (ii) For the long-term incentive, points shall be granted to Directors in accordance with “Long-Term Incentive” set out in Officer Stock Benefit Rules, for each period for execution of duties, depending on their duties and responsibilities. The amount shall not exceed the number approved and resolved at the General Meeting of Shareholders. Directors will receive the Company’s shares from the trust at the time of their retirement as Director.

Classification		Details of remuneration and period of payment	Target
Basic remuneration		Amount determined based on Director’s roles and responsibilities are paid monthly	Director
Share-based remuneration	Annual incentive	The Company’s shares are given annually at a certain time based on points granted to Director depending on his/her roles, responsibilities and the degree of achievement of set goals for each period for execution of duties	Director (excluding Outside Directors)
	Long-term incentive	The Company’s shares are given at the time of the retirement as Director based on points granted to him/her depending on his/her roles and responsibilities for each period for execution of duties	Director (excluding Outside Directors)

(c) How the basic remuneration amount is determined

The Board of Directors delegates the determination of each Director's basic remuneration to the Representative Director. The Company considers making agile management decisions on important business execution matters as one of the key functions of the Board of Directors. We believe that in order to decide the details of the remuneration by assessing each Director's performance taking into account the overall performance of the Company and the Group, decision by the Representative Director who is at the position to control the business execution is more suited compared to deliberation and determination through consultation of the Board, and therefore delegate the above mentioned power to the Representative Director. Upon determining the amount of basic remuneration of each Director, the Representative Director who was delegated by the Board of Director's resolution shall seek and obtain advice from the Remuneration Advisory Committee, the majority of whose members are Outside Directors, to ensure objectivity in making such determination.

(d) How the amount to be paid as share-based remuneration (annual incentive and long-term incentive) is determined, and its calculation method

Share-based remuneration shall be given in accordance with Officer Stock Benefit Rules which sets out rules for determining how many points to grant taking into account the balance with basic remuneration, the roles and responsibilities of Director as well as the level of achievement of set goals, and in the amount not exceeding the range resolved at the General Meeting of Shareholders. The Board of Directors must first seek advice from the Remuneration Advisory Committee, the majority of whose members are Outside Directors, to make sure that the share-based remuneration that they will determine will increase willingness and motivation of Directors.

■ Target and details of share-based remuneration (annual incentive system and long-term incentive system)

(i) Target

On the date the Director (excluding Outside Directors; the same applies to the rest of "Target and detail of share-based remuneration (annual incentive system and long-term incentive system)" section.) assumes post, he/she becomes the person planned to receive the share-based remuneration (hereinafter referred to as the "Planned Recipient"); provided, however, if the Director engages in certain illegal act or meets other condition set forth in Officer Stock Benefit Rules, then such Director may not be granted points or may not receive the Company's shares.

(ii) Details of remuneration, etc. given as share-based remuneration

Points are granted to Directors, where 1 point will equal to 1 share, and they will receive the Company's common shares (hereinafter referred to as "the Company's Share") and cash based on their points.

■ Calculation method of share-based remuneration (annual incentive)

(i) The timing to grant points

Points are granted to the Planned Recipients on the date of the Annual General Meeting of Shareholders each year (referred to as the "Point Grant Date" in the rest of "Calculation method of share-based remuneration (annual incentive)" section), as consideration for their execution of duties for the period beginning from the previous year's Annual General Meeting of Shareholders to the current year's Annual General Meeting of Shareholders (referred to as the "period for execution of duties" in the remuneration policy). The points to be granted shall not exceed the amount resolved at the 14th Annual General Meeting of Shareholders held on June 21, 2019. The points will be granted only to the Directors who were in office until the conclusion of the Annual General Meeting of Shareholders held on the Point Grant Date (excluding Directors who were newly appointed at the said General Meeting of Shareholders).

(ii) The number of points to be granted

Points to be granted are calculated based on the following formula; provided, however, Directors who are appointed or changed his/her position in the middle of the period for execution of duties will be granted points calculated based on Officer Stock Benefit Rules “Annual Incentive” that sets out formula taking into account the timing and the reason of appointment or change in position.

(Formula)

Position points based on the position on the date of Point Grant Date (schedule 1) x Performance evaluation coefficient (schedule 2) based on the performance of the fiscal year previous to Point Grant Date (hereinafter referred to as the “Evaluation Period”).

Schedule 1: Position points

Position	Points
Director and Chairman	7,200
President and Director or President and Director, President and Chief Executive Officer	7,200
Director and Vice President or Director and Executive Vice President	5,400
Senior Managing Director or Director and Senior Managing Officer	4,500
Executive Managing Director or Director and Executive Managing Officer	3,600
Director or Senior Managing Officer	2,412
Director [concurrent position: President and Representative Director of Seibu Railway Co., Ltd.]	4,500
Director [concurrent position: President and Representative Director of Prince Hotels, Inc.]	4,500
Director [concurrent position: President and Representative Director of Seibu Properties Inc.]	3,600

* The above position points represent the maximum number of shares (points) for each position for each fiscal year under the Company’s annual incentive system. The maximum number of shares (points) shown above includes the number of shares (points) to be given in cash by making the conversion upon provision.

Schedule 2: Performance evaluation coefficient

Performance evaluation	Coefficient
Evaluation based on the undermentioned formula	0.0-1.0

(Formula)

Performance evaluation coefficient= (EBITDA coefficient [A] + ROE coefficient [B]) / 2

* If the actual value of either EBITDA or ROE does not meet the budget, performance evaluation coefficient will be 0. Calculation shall be made using the actual value and the budget value on a consolidated basis. Resulting performance evaluation coefficient shall be rounded to one decimal place.

[A] EBITDA coefficient: (Actual EBITDA – Budget EBITDA) / (Budget EBITDA x 0.1)

* If actual EBITDA is equal to or more than “annual budget + 10%,” then EBITDA coefficient is 1.

[B] ROE coefficient: (Actual ROE – Budget ROE) / (Budget ROE x 0.1)

* If actual ROE is equal to or more than “annual budget + 10%,” then ROE coefficient is 1.

* Indexes are defined as follows (all figures are based on the amount appearing in the consolidated financial statements):

- EBITDA (operating profit before depreciation and amortization)
= Operating profit + Depreciation + Amortization of goodwill

Note that the figure for operating profit shall be the amount shown in the Consolidated Statement of Income, and depreciation and amortization of goodwill shall be the amount shown in the Consolidated Statements of Cash flows.

- ROE (return on equity) = Profit attributable to owners of parent / ((Equity at the beginning of the year + Equity at the end of the year) / 2) x 100
Note that Equity = Net assets – Share acquisition rights – Non-controlling interests.

(iii) The reason for selecting the index

We selected performance indexes based on the following reasons: EBITDA is an index that greatly relates to all facets of profit and finance of the Group, and is the index that is given our greatest attention in making managerial judgements; ROE is one of the indexes that we focus greatly when considering shareholder value enhancement, and is the index that represents the year's net profit growth.

(iv) The amount of shares and cash to be given

Planned Recipients who have acquired the rights to receive the benefit shall receive the Company's share defined in [i] and cash defined in [ii] as described below.

i. Shares of the Company

The number of shares calculated based on the following formula, where 1 point will equal to 1 share

(Formula)

Number of shares = Number of points held x 60% (shares less than one unit are rounded off)

ii. Cash

The amount of cash calculated based on the following formula

(Formula)

Amount of cash = (Number of points held – Number of shares calculated by applying above [i]) x Market value of the Company's share as of the vesting date

* Market value of the Company's share shall be the closing price of the major financial instruments exchange where the Company's share is listed, on the day the market value is to be assessed. If the closing price is not announced on such day, then the Company shall retrospectively apply the most recent closing price available (hereinafter referred simply as "market value of the Company's share").

■ Calculation method of share-based remuneration (long-term incentive)

(i) The timing to grant points

Points are granted to the Planned Recipients on the date of the Annual General Meeting of Shareholders each year (together with the undermentioned retirement date, collectively referred to as the "Point Grant Date" in the rest of "Calculation method of share-based remuneration (long-term incentive)" section), as consideration for their execution of duties during the period for execution of duties. The points to be granted shall not exceed the amount resolved at the 14th Annual General Meeting of Shareholders held on June 21, 2019.

Apart from the above, if a Director retires on the day other than the day of the Annual General Meeting of Shareholders (including retirement by death; hereinafter the same applies unless otherwise specified), points are granted on such retirement day.

(ii) The number of points to be granted

Points listed in schedule 3 are granted to Directors based on their position as of the beginning date of the period for execution of duties; provided, however, Directors who are appointed or retired or changed his/her position in the middle of the period for execution of duties will be granted points calculated based on Officer Stock Benefit

Rules “Long-Term Incentive” that sets out formula taking into account the timing and the reason of appointment or retirement or change in position.

Schedule 3: Long-term incentive points

Position	Points
Director and Chairman	12,500
President and Director or President and Director, President and Chief Executive Officer	12,500
Director and Vice President or Director and Executive Vice President	7,500
Senior Managing Director or Director and Senior Managing Officer	6,000
Executive Managing Director or Director and Executive Managing Officer	4,800
Director or Senior Managing Officer	3,600
Director [concurrent position: President and Representative Director of Seibu Railway Co., Ltd.]	6,000
Director [concurrent position: President and Representative Director of Prince Hotels, Inc.]	6,000
Director [concurrent position: President and Representative Director of Seibu Properties Inc.]	4,800

* The above long-term incentive points represent the maximum number of shares (points) for each position for each fiscal year under the Company’s long-term incentive system. The maximum number of shares (points) shown above includes the number of shares (points) to be given in cash by making the conversion at the time of retirement.

(iii) The amount of shares and cash to be given

Provision to Planned Recipients who has acquired the rights to receive the benefit shall be carried out as described below:

a. When a Director retires due to expiration of his/her term of office or retires in the middle of his/her office due to the Group’s executive personnel changes

The Company’s share defined in [i] and cash defined in [ii] below will be given.

i. The Company’s share

The number of shares calculated based on the following formula, where 1 point will equal to 1 share

(Formula)

Number of shares = Number of points held x 60% (shares less than one unit are rounded off)

ii. Cash

The amount of cash calculated based on the following formula

(Formula)

Amount of cash = (Number of points held – Number of shares calculated by applying above [i]) x Market value of the Company’s share on the retirement date

b. When a Director retires from his/her office for other reasons (excluding retirement by death)

The Company’s shares are given in the number calculated where 1 point will equal to 1 share.

c. When a Director retires due to his/her death

The amount of cash calculated based on the following formula will be paid to the surviving family as survivor benefit.

(Formula)

Amount of cash = Number of points held x Market value of the Company’s share on the date of death

- Effective April 1, 2022, the following revisions were made to “Remuneration Policy for Directors of Seibu Holdings.” In “Schedule 1 Position Points” and “Schedule 3 Long-term Incentive Points,” “concurrent position: President and Representative Director of Prince Hotels, Inc.” was changed to “concurrent position: President and Representative Director of SEIBU PRINCE HOTELS WORLDWIDE INC.,” and “concurrent position: President and Representative Director of Seibu Properties Inc.” was changed to “concurrent position: President and Representative Director of SEIBU REALTY SOLUTIONS INC.”
- (2) The reason for the Board of Directors judging that the details of individual Director’s remuneration, etc. for the period under review complies with the policy on determining remuneration

In deciding the details of individual Director’s remuneration, etc., the Company obtains advice from the Remuneration Advisory Committee in order to ensure its objectivity. The Remuneration Advisory Committee, among whose members are four outside Directors forming a majority, carries out multifaceted deliberation by checking the consistency of the original proposal with remuneration policy or using data from external research organization to compare and examine the level of remuneration of relevant industry or corporate size. As such, the Board of Directors judge that the details of individual Director’s remuneration comply with the policy on determining remuneration.

4) Matters concerning delegation of decision making regarding individual Director’s remuneration, etc.

During the fiscal year under review, the Company has resolved at the Meeting of the Board of Directors held on June 22, 2021, to delegate the decision making authority regarding individual Director’s remuneration to GOTO Takashi, Representative Director (Director and President, in charge of control over corporate affairs and Compliance Dept.).

The detail of the delegated authority is to decide the amount of basic remuneration of each Director. The Company delegated such authority because the Company considers making agile management decisions on important business execution matters as one of the key functions of the Board of Directors, and believes that in order to decide the details of the remuneration by assessing each Director’s performance taking into account the overall performance of the Company and the Group, decision by the Representative Director who is at the position to control the business execution is more suited compared to deliberation and determination through consultation of the Board. In order to ensure objectivity in such decision making, the Representative Director first obtains advice from the Remuneration Advisory Committee and follows the Company’s policy on Director’s remuneration to determine the amount. The amount of share-based remuneration for each Director (excluding Outside Directors) are determined in accordance with the internal regulations resolved by the Board of Directors.

(5) 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., SEIBU PRINCE HOTELS WORLDWIDE INC. and SEIBU REALTY SOLUTIONS INC., as listed in "(1) Directors and Audit & Supervisory Board Members." In addition, Prince Hotels, Inc. was a subsidiary of the Company until March 31, 2022. 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

Four Directors, OHYA Eiko, GOTO Keiji, TSUJIHIRO Masafumi and ARIMA Atsumi attend the meetings of the Board of Directors, as well as other important meetings, including Management Council, Nomination Advisory Committee, Remuneration Advisory Committee and Corporate Governance Council to express their opinions based on each expertise. They play an important role to supervise the management.

Position	Name	Attendance to meetings of Board of Directors	Attendance to meetings of Audit & Supervisory Board	Contribution to meetings
Director	OHYA Eiko	19/19 (100%)	–	She possesses abundant knowledge regarding social conditions in Japan and overseas gained through activities as a commentator and a member of various panels and committees over many years. She has also wide knowledge of the media, and her broad and multifaceted advice backed by those activities and advice concerning changes in lifestyles and value transformation due to the impact of COVID-19 enable the various perspectives from a consumer standpoint to be reflected in the Company's management, while leading to revitalization of the Management Council and the Board of Directors.
Director	GOTO Keiji	18/19 (94.7%)	–	As an attorney, he possesses a high degree of expertise, abundant experience, and deep insight with respect to corporate legal affairs. The Company receives advice from a risk management perspective concerning the legal compliance of each measure and the impact on reputation as well as adapting to change in the business environment due to COVID-19, while also receiving advice from him in promoting sustainability actions.
Director	TSUJIHIRO Masafumi	18/19 (94.7%)	–	As a long-serving chief editor of an economic magazine and incumbent professor, faculty of economics at Teikyo University, he holds a high level of expertise and extensive experience and achievement related to the Japanese economy and corporate management. Amid the need to adapt to changes in the business environment due to the impact of the COVID-19 pandemic, his expert opinions and advice on DX strategies and marketing including related to management judgments and corporate direction based on economic trends contributes to facilitate the Company's Board of Directors and promote the sustainable growth of the Company.

Position	Name	Attendance to meetings of Board of Directors	Attendance to meetings of Audit & Supervisory Board	Contribution to meetings
Director	ARIMA Atsumi	15/15 (100%)	–	She has a wealth of knowledge and experience from her career to date, which includes having served as an executive officer at a megabank. The Company receives proposals for management strategies and plans and execution of measures, and advice at many levels such as from the perspective of fostering human resources, diversity and sustainability to adapt to change in the business environment due to COVID-19.
Audit & Supervisory Board Member	FUKASAWA Isao	18/19 (94.7%)	16/16 (100%)	He has advanced expertise, extensive experience, and sophisticated insight into corporate legal affairs as an attorney. His expertise helps to perform audits of the Company from a fair and neutral position, while providing the Company with opinions from a broad perspective, which was gained from his knowledge and experience.
Audit & Supervisory Board Member	SAKOMOTO Eiji	19/19 (100%)	16/16 (100%)	He has advanced expertise, extensive experience, and sophisticated insight into finance and accounting as a certified public accountant and a tax accountant. His expertise helps to perform audits of the Company from a fair and neutral position, while providing the Company with opinions from a broad perspective, which was gained from his knowledge and experience.

Note: Activities for ARIMA Atsumi cover only the Board of Directors meetings held after her appointment on June 22, 2021.

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

For the Company's Independence Standards for Outside Directors and Outside Audit & Supervisory Board Members, please refer to page 20.

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

¥139 million

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

¥351 million

- Notes:
1. 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.
 2. 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

Not applicable

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

(1) Systems to ensure that business is conducted properly (The Seibu Holdings' Basic Policy on Internal Controls)

1) Objectives

The purpose of this statement of basic policy is to specify matters for Seibu Group companies, which include Seibu Holdings Inc. (hereinafter collectively referred to as the "Seibu Group"), such that pertain to Seibu Group initiatives to develop systems of internal control designed to ensure the adequacy and legal compliance of its business operations so that the Seibu Group can build a managerial platform to enable sustainable growth achieved in the spirit of the "Group Vision." The Seibu Group swiftly implements specific measures on the basis of the policies stipulated below, checks on implementation of such measures, and ceaselessly works to make improvements.

2) System to ensure that Directors and employees of the Seibu Group perform their duties in compliance with relevant laws and regulations and the Articles of Incorporation

- The Seibu Group adheres to the Seibu Group Corporate Code of Ethics which spells out the fundamental rules that all Seibu Group Directors and employees must take to heart, the aim of which is to ensure that the Group acts as part of society in upholding its responsibilities and earning the trust of others. The Seibu Group also instills a firm awareness of the Seibu Group Corporate Code of Ethics by stipulating guidelines for behavior to be practiced when executing job duties, and through other means that include distributing compliance manuals to the Directors and employees and providing them with training in that regard.
- In accordance with the Seibu Group Basic Rules on Compliance Systems, the Company has established the Seibu Group Corporate Ethics Committee, which is chaired by the President and works on developing a compliance framework for the Seibu Group and also checks on how the framework is operating. The Company also has a Compliance Department which comprises the department's general manager and staff members and is tasked with overseeing compliance matters. Moreover, the Company also sets up corporate ethics hotlines as well as sexual harassment and human relations hotlines both within and outside the Company, to enable swift identification and resolution of issues pertaining to Seibu Group compliance.
- The Seibu Group vows to sever any and all ties with antisocial forces. The Seibu Group also works with law enforcement authorities, attorneys and others in standing against such elements of society and otherwise takes a firm and organized stand in handling such matters, in accordance with the Seibu Group Basic Rules on Dealings with Antisocial Forces which stipulate fundamental principles for addressing matters involving antisocial forces.
- The Seibu Group maintains internal regulations that comply with laws and regulations and the Articles of Incorporation, and the Directors and employees perform their duties in accordance with such regulations.
- The Seibu Group establishes a legal compliance framework to ensure proper execution of duties, and works to improve units handling legal affairs so that the Group is ready to take firm action when laws and regulations are revised.
- The Seibu Group properly maintains, operates and evaluates internal control systems for financial reporting, and ensures that respective financial reports are reliable, in accordance with the Seibu Group Basic Rules on Internal Controls for Financial Reporting.
- The Company has established the Internal Audit and Internal Control Department, which functions independently of operating units. The department is tasked with performing internal audits, and duly monitors Seibu Group operations to ensure that they are adequate and in compliance with relevant laws and regulations and internal rules.

3) System for retaining and managing information pertaining to the performance of duties by Directors

- The Company clearly stipulates which units are to maintain responsibility for managing information and mechanisms in that regard, and also properly safeguards, manages and uses its overall information assets, in accordance with the Seibu Group Rules on Information Management.
- All documents pertaining to the performance of Company duties, such as minutes of the 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 current fiscal year is detailed below. To prevent the spread of infection to our customers and employees, the Company has properly implemented a range of measures under the influence of COVID-19.

■Compliance system

To continuously promote compliance-oriented management, the Company utilized workflows, e-learning tools and online streaming to implement activities to entrench compliance, evaluate and monitor the effectiveness of internal control over financial reporting at each Group company, and to eliminate antisocial forces.

In addition, we have formulated the Seibu Group Human Rights Policy to more concretely express the Seibu Group's approach to "respect for human rights" as stipulated in the Seibu Group Code of Corporate Ethics, and to appropriately respond to the risk of corporate human rights violations, which is a growing concern both in Japan and overseas.

■Document and information management system

In addition to preparing for the introduction of a new electronic contract system, the Company continued working on computerizing the accounting records and approval procedure, and promoting a paperless and paper-stockless workplace by implementing a Group-wide workflow system. Such efforts helped to facilitate smooth operations even in a remote work environment amid the spread of COVID-19.

In addition, given an increase in remote work, as information security measures, we reviewed our information security guidelines and revised related regulations, disseminated them to management at meetings of Group companies, and conducted training for employees through e-learning.

■Risk management system

The Company worked systematically and integrally to reduce risks that impede the achievement of the management plan targets and confirmed the status of progress on each type of initiative.

The Company has implemented a Group-wide risk management program which was created to further enhance the effectiveness of its risk management. We also created a Group Risk Map to document the severity of each risk.

Regarding COVID-related risks, we have also implemented risk management to prevent the spread of infection among customers and employees, including a new workplace vaccination program.

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

With respect to the questionnaire survey conducted to help the Board of Directors fulfill its role and responsibilities appropriately, the Company improved the precision of its analysis and evaluation of the survey, for example by asking questions based on the Corporate Governance Code revised in 2021. Based on the questionnaire results, the Company held a meeting of the Corporate Governance Council, the majority of whose members are Outside Directors, and confirmed the effectiveness of the Board of Directors, and also identified and shared issues.

Furthermore, to improve the effectiveness of the Board of Directors, the Company secured sufficient time for discussing each proposal through a range of measures, such as distributing meeting materials in advance. In addition, the Company enhanced deliberations at meetings by raising awareness of the management PDCA cycle for even more active discussions.

In addition, at Management Committee and Board of Directors meetings, more time was allotted for deliberation on agenda items for confirming the progress (on management reforms, DX, sustainability actions, etc.) of the medium-term management plan, which was formulated in a fixed format, than for deliberation on other agenda items, facilitating lively discussions.

To enhance the efficiency of Management Council and Board of Directors meetings, the Company used not only the web conferencing system to share the materials, but also the collaboration tools which enable video conference in addition to the satellite venue to secure the environment to facilitate an adequate discussion as usual, while continuously taking thorough preventive measures of COVID-19.

■Group management system

To maintain and improve the quality of the Group's audits, the Company provided training to and shared information with each Group company, and inspected and evaluated all audits conducted by Group companies.

Moreover, with respect to matters to be discussed and reported by Group companies, in addition to continuing to maintain an appropriate and effective management system even in remote work environments, including the use of workflow systems, we have been working to introduce a new workflow system that can be used as a Group standard and to integrate efficient business structures, operations, and systems.

■System relating to Audit & Supervisory Board Members

To assist the Audit & Supervisory Board Members in performing their duties, the Company allocated staff dedicated to support operations, and thus, ensured their independence.

Even in a work environment under the influence of COVID-19, we maintained thorough communications with and among our employees using web conferencing and other methods, and thus, prevented misunderstanding of each other. We made effective use of systems including the remote access for sharing risk information.

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, 2022)

(Millions of yen)

Item	Amount	Item	Amount
Assets		Liabilities	
I. Current assets	135,713	I. Current liabilities	451,186
1. Cash and deposits	87,487	1. Notes and accounts payable - trade	12,809
2. Notes and accounts receivable - trade, and contract assets	22,435	2. Short-term borrowings	256,163
3. Land and buildings for sale in lots	5,992	3. Lease liabilities	1,129
4. Merchandise and finished goods	911	4. Income taxes payable	8,547
5. Costs on construction contracts in progress	158	5. Advances received	86,698
6. Raw materials and supplies	3,391	6. Provision for bonuses	5,276
7. Other	15,436	7. Provision for loss on guarantees	805
Allowance for doubtful accounts	(99)	8. Other provisions	2,107
II. Non-current assets	1,567,729	9. Asset retirement obligations	102
1. Property, plant and equipment	1,453,542	10. Other	77,549
(1) Buildings and structures	547,340	II. Non-current liabilities	865,038
(2) Machinery, equipment and vehicles	66,788	1. Bonds payable	50,000
(3) Land	701,497	2. Long-term borrowings	604,760
(4) Leased assets	10,977	3. Long-term accounts payable to Japan railway construction, transport and technology agency	7,551
(5) Construction in progress	106,532	4. Lease liabilities	7,818
(6) Other	20,406	5. Deferred tax liabilities	107,927
2. Intangible assets	19,179	6. Deferred tax liabilities for land revaluation	10,384
(1) Leased assets	30	7. Provision for retirement benefits for directors (and other officers)	574
(2) Other	19,149	8. Provision for share awards for directors (and other officers)	218
3. Investments and other assets	95,007	9. Other provisions	57
(1) Investment securities	62,672	10. Retirement benefit liability	25,279
(2) Long-term loans receivable	277	11. Asset retirement obligations	1,878
(3) Retirement benefit asset	17,365	12. Liabilities from application of equity method	15,595
(4) Deferred tax assets	6,123	13. Other	32,992
(5) Other	8,844		
Allowance for doubtful accounts	(277)		
		Total liabilities	1,316,225
		Net assets	
		I. Shareholders' equity	275,175
		1. Share capital	50,000
		2. Capital surplus	96,505
		3. Retained earnings	182,761
		4. Treasury shares	(54,091)
		II. Accumulated other comprehensive income	35,966
		1. Valuation difference on available-for-sale securities	10,450
		2. Revaluation reserve for land	16,219
		3. Foreign currency translation adjustment	6,762
		4. Remeasurements of defined benefit plans	2,534
		III. Share acquisition rights	298
		IV. Non-controlling interests	75,777
		Total net assets	387,217
Total assets	1,703,442	Total liabilities and net assets	1,703,442

Consolidated Statement of Income

(From April 1, 2021 to March 31, 2022)

(Millions of yen)

Item	Amount	
I. Operating revenue		396,856
II. Operating expenses		
1. Operating expenses and cost of sales of transportation	369,934	
2. Selling, general and administrative expenses	40,137	410,072
Operating loss		(13,216)
III. Non-operating income		
1. Interest income	6	
2. Dividend income	909	
3. Subsidy to keep a bus on a regular route	1,037	
4. Share of profit of entities accounted for using equity method	2	
5. Foreign exchange gains	986	
6. Subsidies for infection-prevention measures	1,824	
7. Other	1,885	6,653
IV. Non-operating expenses		
1. Interest expenses	9,075	
2. Other	1,801	10,877
Ordinary loss		(17,440)
V. Extraordinary income		
1. Gain on sale of non-current assets	13,906	
2. Contribution for construction	1,301	
3. Subsidy income	36	
4. Gain on sale of shares of subsidiaries	37,356	
5. Subsidies for employment adjustment	9,126	
6. Other	540	62,269
VI. Extraordinary losses		
1. Impairment losses	2,782	
2. Loss on sale of non-current assets	9	
3. Loss on retirement of non-current assets	1,595	
4. Tax purpose reduction entry of contribution for construction	1,201	
5. Loss on tax purpose reduction entry of non-current assets	29	
6. Loss on sale of shares of subsidiaries	3,574	
7. Loss on valuation of investment securities	26	
8. Loss on temporary suspension of operations	6,060	
9. Other	577	15,856
Profit before income taxes		28,973
Income taxes - current	8,733	
Income taxes - deferred	7,728	16,462
Profit		12,510
Profit attributable to non-controlling interests		1,887
Profit attributable to owners of parent		10,623

Consolidated Statement of Changes in Equity

(From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	50,000	96,491	172,512	(55,077)	263,925
Cumulative effects of changes in accounting policies			(925)		(925)
Restated balance	50,000	96,491	171,586	(55,077)	263,000
Changes during period					
Dividends of surplus					—
Profit attributable to owners of parent			10,623		10,623
Reversal of revaluation reserve for land			496		496
Disposal of treasury shares		14		985	999
Increase in retained earnings by exclusion of subsidiaries from consolidation			55		55
Net changes in items other than shareholders' equity					
Total changes during period	—	14	11,175	985	12,175
Balance at end of period	50,000	96,505	182,761	(54,091)	275,175

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	14,489	16,716	933	3,676	35,816	407	85,538	385,687
Cumulative effects of changes in accounting policies							(4)	(929)
Restated balance	14,489	16,716	933	3,676	35,816	407	85,534	384,757
Changes during period								
Dividends of surplus								—
Profit attributable to owners of parent								10,623
Reversal of revaluation reserve for land								496
Disposal of treasury shares								999
Increase in retained earnings by exclusion of subsidiaries from consolidation								55
Net changes in items other than shareholders' equity	(4,039)	(496)	5,828	(1,142)	149	(108)	(9,756)	(9,715)
Total changes during period	(4,039)	(496)	5,828	(1,142)	149	(108)	(9,756)	2,459
Balance at end of period	10,450	16,219	6,762	2,534	35,966	298	75,777	387,217

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: 77 companies

Names of principal consolidated subsidiaries

Seibu Railway Co., Ltd.
Prince Hotels, Inc.
SEIBU PRINCE HOTELS WORLDWIDE INC.
Seibu Bus Co., Ltd.
Seibu Properties Inc.
Seibu Lions, Inc.
Izuhakone Railway Co., Ltd.
Ohmi Railway Co., Ltd.

- (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: 3 companies

Company name

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

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

Company name

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

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

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

3. Fiscal year end of consolidated subsidiaries

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

End of December: 32 companies
End of March: 45 companies

- (2) Of the Company's subsidiaries whose balance sheet date is the end of March, the Company has consolidated the financial information of StayWell Hospitality Management Pvt Limited using its financial statements as of the end of December that were prepared for consolidation purposes. For

the other subsidiaries, the Company has consolidated their financial information using their financial statements as of their respective balance sheet dates.

For significant transactions that occurred between the date of the consolidated financial statements and the above balance sheet dates, necessary adjustments have been made for consolidation purposes.

4. Accounting policies

(1) Valuation bases and methods of significant assets

i. Securities

Other securities

Other than shares, etc. that do not have a market price

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.)

Shares, etc. that do not have a market price

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 retirement benefits for directors (and other officers)

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.

iv. Provision for share awards for directors (and other officers)

To prepare for the payment of share awards to Directors, the amount expected to be paid based on the officer stock benefit rules, is recognized as provision for share awards for directors (and other officers).

v. Provision for loss on guarantees

To prepare for the case where there is remaining outstanding obligations related to trust assets at the termination of the Stock Benefit Trust Disposition-type Employee Stock Ownership Plan (ESOP), the amount of loss expected to be incurred is recognized.

(4) Other significant matters for preparing the consolidated financial statements

i. Standards for recognizing revenue and expenses

The main performance obligations and the normal timing at which revenue is recognized in the main businesses are as follows.

Railway operations and bus operations

Railway operations and bus operations in the Urban Transportation and Regional business segment earn revenue mainly from the sale of passenger tickets and commuter passes. For passenger tickets, the performance obligation is deemed to be satisfied when transportation services are provided, and revenue is recognized when the services are rendered. For the sale of commuter passes, the performance obligation to provide transportation is deemed to be satisfied over the period during which the commuter pass is valid, and revenue is recognized according to the valid period.

Hotel operations and overseas hotel operations

Hotel operations and overseas hotel operations in the Hotel and Leisure business segment earn revenue mainly from the sale of accommodation and the use of restaurants and banquets in the hotels. For the sale of accommodation, since the provision of rooms is a performance obligation and the right to use the rooms is transferred to the customer upon check-in, the performance obligation is deemed to be satisfied, and the revenue recognized, when the customer checks in. However, for consecutive nights, the Company recognizes revenue for each day of the stay. For restaurants and banquets, the performance obligation is deemed to be satisfied when services are provided, and revenue is recognized at the time of completion of the services.

Leasing operations

Leasing operations in the Real Estate business segment earn revenue mainly by leasing office buildings, commercial facilities, and residences owned by Group companies. Rent revenue is recognized over the lease term in accordance with the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13, March 30, 2007), etc.

Construction operations

Construction operations in the Construction business segment earn revenue mainly from contracted construction work, including civil engineering and building construction works. The

Company estimates the progress towards fulfillment as the performance obligation to be fulfilled over a certain period of time, and recognizes revenue over a certain period based on the progress made. The method of estimating the degree of progress in meeting the performance obligation is based on the ratio of the cost incurred to the estimated total cost (input method). Although it is not possible to make a reasonable estimate of the degree of progress in meeting the performance obligation, the cost recovery method is applied to construction projects that are expected to recover the costs incurred. However, for construction contracts with a very short construction period, etc., revenue is recognized when the performance obligation is fully satisfied.

Agent transactions

When recognizing the revenue of goods or services, if the Group determines that it controls such goods or services prior to providing them to the customer, the revenue is recognized as a principal transaction; otherwise, the revenue is recognized as an agent transaction. For transactions in which the Group's role in provision of goods or services to customers is an agent, revenue is recognized at the net amount calculated by deducting the amount paid to suppliers from the amount received from customers.

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 spot 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 borrowings.
- 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.

Hedge Relationships to Which "Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" Is Applied

Among the above-mentioned hedge relationships, for all of those that fall within the scope of application of "Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (ASBJ Practical Solution No. 40, March 17, 2022), the Company has applied the special treatment stipulated in the Practical Solution. The hedge relationships to which the Practical Solution has been applied are detailed below.

Method of hedge accounting	Special treatment of interest rate swaps
Hedging instruments	Interest rate swap transactions
Hedged items	Long-term borrowings
Hedge transaction type	For fixing cash flow

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 equal to or shorter than the average remaining years of service of the eligible employees.
 Actuarial gains and losses are amortized in the fiscal year following the fiscal year in which the gains or losses are recognized by the straight-line method over periods (principally 10 to 15 years) which are equal to or 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 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 "Tax purpose reduction entry of contribution for construction" in extraordinary losses.
For expenses incidental to assets acquired with contribution for construction in the railway operations, the amount corresponding to contribution for construction is directly deducted from "Contribution for construction."

Notes on changes in accounting policies

1. Application of Accounting Standard for Revenue Recognition, Etc.

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations from the beginning of the fiscal year ended March 31, 2022, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services.

Major changes due to the application of the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations are as follows:

(1) Revenue recognition for agent transactions

As for certain transactions, previously the total amount of consideration received from customers was recognized as revenue. However, for transactions in which the Group's role in provision of goods or services to customers is an agent, revenue has been recognized at the net amount calculated by deducting the amount paid to suppliers from the amount received from customers.

(2) Revenue recognition for sales from commuter passes

As for sales of freight revenue for use of commuter passes in railway operations, etc., previously revenue was recognized based on the sale date. However, considering that performance obligations are satisfied over the valid period of commuter passes, revenue has been recognized according to the valid period.

The application of the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the fiscal year ended March 31, 2022 was added to or deducted from the opening balance of retained earnings of the fiscal year, and thus the new accounting policy was applied from such opening balance.

In addition, "Notes and accounts receivable - trade" under current assets of the consolidated balance sheet as of the end of the previous fiscal year has been included in "Notes and accounts receivable - trade, and contract assets" under current assets from the consolidated balance sheet as of the end of the fiscal year ended March 31, 2022.

As a result, operating revenue in the consolidated statement of income for the fiscal year ended March 31, 2022 decreased by ¥9,818 million compared to before the application of the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations, but the impact on profit or loss is immaterial.

Reflecting the cumulative effect on the net assets at the beginning of the fiscal year ended March 31, 2022, the balance of retained earnings in the consolidated statement of changes in equity at the beginning of the fiscal year is reduced by ¥925 million.

2. Application of Accounting Standard for Fair Value Measurement, Etc.

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019), etc. from the beginning of the fiscal year ended March 31, 2022, and it has applied new accounting policies stipulated in the “Accounting Standard for Fair Value Measurement,” etc. prospectively, in accordance with the transitional treatment provided for in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). This has no effect on the consolidated financial statements.

In addition, in the notes on financial instruments, notes have been provided for matters related to breakdown of financial instruments by level of fair values, etc.

Notes on changes in presentation

1. Matters concerning the consolidated statements of income

(1) Insurance claim income

“Insurance claim income,” which was presented separately in the fiscal year ended March 31, 2021, is included in “Other” under non-operating income from the fiscal year ended March 31, 2022 due to the decrease in the significance of the amount.

In the fiscal year ended March 31, 2022, “Insurance claim income” included in “Other” under non-operating income was ¥311 million.

(2) Subsidies for infection-prevention measures

“Subsidies for infection-prevention measures,” which was included in “Other” under non-operating income in the fiscal year ended March 31, 2021, is separately presented due to the increased significance of the amount.

In the fiscal year ended March 31, 2021, “Subsidies for infection-prevention measures” included in “Other” under non-operating income was ¥7 million.

Notes on Accounting Estimates

The following is a list of items for which the amounts were recorded in the consolidated financial statements for the current fiscal year based on accounting estimates, and which may have a significant impact on the consolidated financial statements for the next fiscal year.

1. Impairment of non-current assets

(1) Amount recorded in the consolidated financial statements for the current fiscal year

Impairment losses	¥2,782 million
Property, plant and equipment and intangible assets	¥1,472,722 million

(2) Information that contributes to understanding the details of accounting estimates

For non-current assets, if the total undiscounted future cash flows from an asset or asset group, for which an indication of impairment is identified, are less than the book value of the asset or asset group, the book value is reduced to the recoverable amount, and the reduced amount is recorded as impairment losses. Future changes in uncertain economic conditions and other factors may affect this estimate. Accordingly, if future cash flows decrease as a result of such changes, the Group may be required to recognize additional impairment losses in the consolidated financial statements for the next fiscal year.

2. Recoverability of deferred tax assets

(1) Amount recorded in the consolidated financial statements for the current fiscal year

Deferred tax assets (before offsetting deferred tax liabilities)	¥23,560 million
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(2) Information that contributes to understanding the details of accounting estimates

In recognizing deferred tax assets, the Group estimates the timing when taxable income arises and the amount of such income based on future business plans. Future changes in uncertain economic conditions and other factors may affect these estimates. Accordingly, if the actual timing and amount differs from the estimates, this may have a significant impact on the amount of deferred tax assets in the consolidated financial statements for the next fiscal year.

3. Tentative accounting estimates related to COVID-19

The accounting estimates regarding the impact of the COVID-19 pandemic on the Group has been made assuming the planned figures that it is targeting a return to pre-COVID-19 pandemic profit levels by FY2023 through management reforms and such, based on the assumption that the COVID-19 pandemic being brought under control by FY2022, setting inbound tourism and the Japanese economy on recovery paths for FY2023.

Furthermore, there are uncertainties in the estimates regarding the spread of COVID-19 and the timing for its ending. Therefore, the actual results may differ from the above assumptions.

Notes to the consolidated balance sheet

1. Accumulated depreciation of assets

Accumulated depreciation of property, plant and equipment ¥1,069,496 million

Accumulated depreciation includes accumulated impairment losses.

2. Pledged assets and secured debts

(1) Assets pledged as collateral are as follows:

Foundation collateral

Land	¥113,313 million
Buildings and structures	¥159,818 million
Machinery, equipment and vehicles	¥43,693 million
“Other” in property, plant and equipment	¥1,335 million
<u>Total</u>	<u>¥318,161 million</u>

Other assets pledged as collateral

Cash and deposits	¥20 million
Land	¥2,550 million
Buildings and structures	¥507 million
<u>Total</u>	<u>¥3,077 million</u>

Obligations secured are as follows:

Long-term borrowings	¥95,623 million
Current portion of long-term borrowings (short-term borrowings)	¥9,183 million
Long-term accounts payable to Japan railway construction, transport and technology agency	¥7,191 million
Accounts payable to Japan railway construction, transport and technology agency (“Other” under current liabilities)	¥3,656 million
Notes and accounts payable - trade	¥20 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 | ¥748 million |
|-----------------------|--------------|
- (2) Funds procured with lending stocks
- | | |
|--------------------------------|--------------|
| “Other” in current liabilities | ¥500 million |
|--------------------------------|--------------|
4. Notes on non-consolidated subsidiaries and associates
The amount to non-consolidated subsidiaries and associates is as follows:
- | | |
|--------------------------------|----------------|
| Investment securities (stocks) | ¥2,394 million |
|--------------------------------|----------------|
5. Guarantee obligations
Guarantees have been made for borrowings, etc. as follows:
- | | |
|------------------------|-------------|
| Tie-up loan guarantees | ¥14 million |
|------------------------|-------------|
6. Accumulated contributions for construction
Accumulated contributions for construction directly reduced from acquisition cost of non-current assets are as follows:
- ¥152,883 million
7. 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:
- ¥12,744 million
8. Loan commitment agreements
The Company has entered into loan commitment agreements with seven banks to efficiently raise working capital.
The balance of unexecuted borrowings is as follows:
- | | |
|---|------------------------|
| Total amount of loan commitments | ¥150,000 million |
| Borrowings outstanding | ¥75,000 million |
| <u>Balance of unexecuted borrowings</u> | <u>¥75,000 million</u> |

9. Restrictive financial covenant for maintaining net assets and profits

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

Borrowings

Short-term borrowings	¥230 million
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Commitments

- In the consolidated balance sheet at the end of each fiscal year and at the end of the second quarter, the Company shall maintain its total net assets of 75% or higher compared to that in the immediately preceding fiscal year (including the second quarter) and ¥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. (Details of response to these commitments are as described in “3. Response to restrictive financial covenants” under “Other notes.”)

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

Borrowings

Short-term borrowings	¥118 million
Long-term borrowings	¥5,115 million
<hr/>	
Total	¥5,233 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. (Details of response to these commitments are as described in “3. Response to restrictive financial covenants” under “Other notes.”)

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

Borrowings

Short-term borrowings	¥1,000 million
Long-term borrowings	¥4,000 million
<hr/>	
Total	¥5,000 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. (Details of response to these commitments are as described in “3. Response to restrictive financial covenants” under “Other notes.”)

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

Borrowings

Long-term borrowings	¥10,000 million
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Commitments

- In the consolidated balance sheet at the end of each fiscal year and at the end of the second quarter, the Company shall maintain its total net assets of 75% or higher compared to that in the immediately preceding fiscal year (including the second quarter) and ¥253,200 million or more.
- In the consolidated statement of income for each fiscal year, operating losses are not incurred for two periods in a row. (Details of the response to these commitments are as described in “3. Response to restrictive financial covenants” under “Other notes.”)

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

Borrowings

Long-term borrowings ¥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. (Details of response to these commitments are as described in “3. Response to restrictive financial covenants” under “Other notes.”)

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

Borrowings

Short-term borrowings ¥31,000 million

Commitments

- In the consolidated balance sheet at the end of each fiscal year and at the end of the second quarter, the Company shall maintain its total net assets of 75% or higher compared to that in the immediately preceding fiscal year (including the second quarter) and ¥275,600 million or more.
- In the consolidated statement of income for each fiscal year, operating losses are not incurred for two periods in a row. (Details of response to these commitments are as described in “3. Response to restrictive financial covenants” under “Other notes.”)

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

Borrowings

Long-term borrowings ¥10,000 million

Commitments

- In the consolidated balance sheet at the end of each fiscal year and at the end of the second quarter, the Company shall maintain its total net assets of 75% or higher compared to that in the immediately preceding fiscal year (including the second quarter) and ¥280,000 million or more.
- In the consolidated statement of income for each fiscal year, operating losses are not incurred for two periods in a row. (Details of response to these commitments are as described in “3. Response to restrictive financial covenants” under “Other notes.”)

- (8) Other than the above, the Company has made a commitment for its loan commitment agreement dated on April 7, 2021 as described in “8. Loan commitment agreements” above as follows. If the Company violates the commitment, the benefit of time may be forfeited for the relevant obligations.

Commitments

- In the consolidated balance sheet at the end of each fiscal year and at the end of the second quarter, the Company shall maintain its total net assets of 75% or higher compared to that in the immediately preceding fiscal year (including the second quarter) and ¥280,000 million or more.

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

Borrowings

Long-term borrowings ¥15,000 million

Commitments

- In the consolidated balance sheet at the end of each fiscal year and at the end of the second quarter, the Company shall maintain its total net assets of 75% or higher compared to that in the immediately preceding fiscal year (including the second quarter) and ¥283,400 million or more.
- In the consolidated statement of income for each fiscal year, operating losses are not incurred for two periods in a row. (Details of response to these commitments are as described in “3. Response to restrictive financial covenants” under “Other notes.”)

10. 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 ¥52,378 million and 21,998 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	323,462,920	–	–	323,462,920

2. Dividends

- (1) Amount of dividend payments

No items to report.

- (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 22, 2022	Common shares	Retained earnings	¥1,616 million	¥5.00	March 31, 2022	June 23, 2022

- Notes: 1. Total amount of dividends by a resolution of the Annual General Meeting of Shareholders to be held on June 22, 2022 includes the dividends of ¥3 million on the Company’s shares held by Custody Bank of Japan, Ltd. (Trust Account E).
2. Total amount of dividends by a resolution of the Annual General Meeting of Shareholders to be held on June 22, 2022 includes the dividends of ¥109 million on the portion attributable to the Company of the treasury shares (shares of the Company) held by equity-method associates.

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

Common shares 167,500 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 borrowings 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.

Borrowings and bonds are mainly for financing for business transactions and capital investment.

Variable-rate borrowings 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 borrowings 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, borrowings 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

As changeable factors are included in calculating fair values of financial instruments, 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, 2022 are as shown below. Shares, etc. that do not have a market price are not included in “(1) Investment securities” (See Note).

(Millions of yen)

	Carrying amount in the consolidated balance sheet	Fair value	Difference
(1) Investment securities	56,545	56,545	—
Total assets	56,545	56,545	—
(1) Bonds payable	50,000	49,506	(493)
(2) Long-term borrowings (*2)	698,209	707,137	8,927
Total liabilities	748,209	756,643	8,434
Derivatives	—	—	—

(*1) Information regarding cash and monetary receivables and payables, etc. that are settled in a short time period is omitted since their fair value approximates their carrying amount.

(*2) Current portion of long-term borrowings is included in “(2) Long-term borrowings.”

Note: Shares, etc. that do not have a market price

(Millions of yen)

Category	Carrying amount in the consolidated balance sheet
Unlisted shares	2,947
Shares of non-consolidated subsidiaries and associates (*1)	2,394
Investments in partnerships, etc. (*2)	902

(*1) See “4. Notes on non-consolidated subsidiaries and associates” under “Notes to the consolidated balance sheet” for information regarding shares of non-consolidated subsidiaries and associates.

(*2) Investments in partnerships, etc. are primarily silent partnerships and limited liability partnerships, etc. These are not subject to disclosure of fair value in accordance with paragraph 27 of the “Implementation Guidance on Accounting Standard for Fair Value Measurement.”

3. Matters related to breakdown of financial instruments by level of fair values, etc.

Fair values of financial instruments are categorized into the following three levels in accordance with the observability of inputs used to determine fair values and their significance.

Fair values of Level 1: Fair values determined by quoted prices related to assets and liabilities subject to measurement of fair values formed in active markets from among the observable inputs related to measurement of fair values

Fair values of Level 2: Fair values determined using inputs related to measurement of fair values other than Level 1 inputs from among observable inputs related to measurement of fair values

Fair values of Level 3: Fair values determined using unobservable inputs related to measurement of fair values

Where multiple inputs are used that have a significant impact on measurement of fair value, the fair value is categorized in the level that has the lowest level of priority in measurement of fair value from among the levels those inputs belong.

(1) Financial instruments recorded at fair value in the consolidated balance sheet

Category	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Shares	56,545	–	–	56,545
Total assets	56,545	–	–	56,545

(2) Financial instruments other than those recorded at fair value in the consolidated balance sheet

Category	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Bonds payable	–	49,506	–	49,506
Long-term borrowings	–	707,137	–	707,137
Total liabilities	–	756,643	–	756,643

Note: Explanation of valuation techniques and inputs used to measure fair value

Investment securities

Listed shares are valued using the quoted price. Listed shares are traded on active markets, so their fair values are categorized as fair values of Level 1.

Bonds payable

Fair values of bonds are calculated by discounting at the weighted average interest rate, calculating based on the balance at fiscal year-end and the average compound yield rate on the fiscal year-end in the reference statistical price published by the Japan Security Dealers Association. They are categorized as fair values of Level 2.

Long-term borrowings

For fair values of long-term borrowings, the book values are used as the fair values for borrowings with floating interest rates, given that the fair values are deemed to approximate the book values their interest rates are reviewed on a short-term interval to reflect market interest rates. For borrowings 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. These are categorized as fair values of Level 2. 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.

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 rental 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	163,661	297,163
Properties including the portion used as investment and rental properties	197,754	380,131

Notes: 1. The carrying amount in the consolidated balance sheet is the acquisition cost less accumulated depreciation and impairment losses.

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.

Revenue recognition

1. Information on disaggregation of revenue from contracts with customers

(Millions of yen)

	Reportable segments						Adjustments (Note 2)	Amount in the consolidated financial statement
	Urban Transportation and Regional	Hotel and Leisure	Real Estate	Construction	Other (Note 1)	Total		
Railway operations	82,704	–	–	–	–	82,704		
Bus operations	19,220	–	–	–	–	19,220		
Lifestyle service operations along railway lines	16,072	–	–	–	–	16,072		
Sports operations	2,708	16,596	–	–	–	19,304		
City hotel operations	–	49,020	–	–	–	49,020		
Resort hotel operations	–	25,197	–	–	–	25,197		
Overseas hotel operations	–	23,148	–	–	–	23,148		
Leasing operations	–	–	5,451	–	–	5,451		
Construction operations	–	–	–	61,126	–	61,126		
Others	2,925	16,023	11,928	18,246	28,661	77,784		
Revenue from contracts with customers	123,632	129,987	17,379	79,372	28,661	379,033		
Other revenue	7,699	3,193	41,807	369	4,099	57,170		
Operating revenue	131,331	133,180	59,186	79,742	32,761	436,203	(39,347)	396,856

Notes: 1. “Other” consists of Izuhakone business, Ohmi business, Sports business and New businesses.

2. Adjustments of ¥(39,347) million mainly consist of elimination of inter-company transactions

2. Information that forms the basis for understanding revenue from contracts with customers

Details of information that forms the basis for understanding revenue from contracts with customers are described as “i. Standards for recognizing revenue and expenses” under “(4) Other significant matters for preparing the consolidated financial statements” in “4. Accounting Policies” under “Notes on significant matters forming the basis for preparing consolidated financial statements.”

3. Information for understanding amounts of revenue for the current fiscal year and subsequent fiscal years

(1) Balances of contract assets and contract liabilities, etc.

Receivables from contracts with customers and balances of contract assets and contract liabilities are as follows:

(Millions of yen)	
	Current fiscal year
Receivables from contracts with customers (Balance at beginning of period)	32,595
Receivables from contracts with customers (Balance at end of period)	21,767
Contract assets (Balance at beginning of period)	25,597
Contract assets (Balance at end of period)	668
Contract liabilities (Balance at beginning of period)	19,852
Contract liabilities (Balance at end of period)	19,320

Contract assets are assets related to rights to unbilled consideration involved in recognizing revenue according to progress, mostly for construction contracts. Contract assets are mainly transferred to trade receivables at the time of the receiving inspection by customers when construction is completed. Contract liabilities are prepaid fares within the valid period that are received from customers mainly in railway operations and bus operations. Contract liabilities are reversed as the revenue is recognized.

A significant change in contract assets in the current fiscal year was a decrease of ¥21,472 million due to the exclusion of Seibu Construction Co., Ltd. from the scope of consolidation.

In addition, ¥19,188 million of the revenue recognized in the current fiscal year was included in the balance of contract liabilities at the beginning of the period.

(2) Transaction price allocated to the remaining performance obligations

For the remaining performance obligations at the end of the current fiscal year, the Company expects to recognize the revenue within approximately one year as the performance obligations are satisfied.

Amounts per share

Net assets per share ¥1,035.57

Basic earnings per share ¥35.39

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 752,700, and the average number of treasury shares during period deducted in calculating the basic earnings per share was 994,844.

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 21,998,594, and the average number of treasury shares during period deducted in calculating the basic earnings per share was 21,998,594.

Significant events after the reporting period

1. Significant reorganizations

The Company resolved at a Board of Directors meeting held on December 9, 2021, to establish a wholly owned subsidiary “SEIBU PRINCE HOTELS WORLDWIDE INC.” (hereinafter “SPW”) on December 13, 2021; transfer part of the business of the Company’s consolidated subsidiary Prince Hotels, Inc. (hereinafter “PH”) to SPW by a company split (by the method of absorption-type company split, hereinafter the “Absorption-Type Company Split”) with an effective date of April 1, 2022; perform an absorption-type merger (hereinafter the “Absorption-Type Merger”) between PH, the surviving company, and the Company’s consolidated subsidiary Seibu Properties Inc. (hereinafter “PR”), the disappearing company, with an effective date of April 1, 2022; and change the name of PH to SEIBU REALTY SOLUTIONS INC. (hereinafter “SRS”) on April 1, 2022 (this series of group reorganizations to be hereinafter referred to as the “Reorganization”). Furthermore, on December 9, 2021, the Company entered into an “Agreement on Reorganization” with PH and PR to arrange the overall process of the Reorganization.

Through these measures, the Company implemented the Reorganization on April 1, 2022. An overview, etc. of the Absorption-Type Company Split and the Absorption-Type Merger is detailed below.

A. Absorption-Type Company Split

(1) Overview of transaction

- i. Details of business subject to transaction
Operation, etc. of hotel, golf, and ski businesses
- ii. Schedule
Execution of absorption-type company split agreement: December 21, 2021
Effective date of absorption-type company split: April 1, 2022
- iii. Method of the Absorption-Type Company Split
Absorption-type company split in which PH is the splitting company and SPW is the successor company
- iv. Shares issued and allocated upon the split
SPW issued 4,000,000 shares of common shares upon the Absorption-Type Company Split, all of which were allocated to PH.
- v. Other items regarding overview of transaction
The Group’s hotel operating company, SPW will conduct an asset-light strategy; that is, compacting its asset holdings and operating its business flexibly in order to build the industry’s No. 1 quality hotel chain and generating returns that exceed the expectations of owners inside and outside the Group, as the core of the Hotel and Leisure business.

(2) Overview of accounting treatment adopted

In accordance with the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, January 16, 2019) and the “Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, January 16, 2019), the Company accounted for the business combination as a transaction under common control.

B. The Company’s acquisition of SPW’s shares

(1) Overview of transaction

- i. Details
The Company acquired all of SPW’s common shares (4,000,000 shares) delivered to PH as consideration for the Absorption-Type Company Split from PH.
- ii. Schedule
Date of transfer of shares: April 1, 2022

C. Absorption-Type Merger

(1) Overview of transaction

- i. Details of business subject to transaction
Ownership, buying and selling, management, leasing, brokerage services, etc. pertaining to real estate
- ii. Schedule
Conclusion of absorption-type merger agreement: December 22, 2021
Effective date of absorption-type merger: April 1, 2022
- iii. Method of the Absorption-Type Merger
Absorption-type merger in which PH is the surviving company and PR is the disappearing company
- iv. Change of name of the company after combination
On the effective date of the Absorption-Type Merger, PH changed its trading name to “SEIBU REALTY SOLUTIONS INC.”
- v. Shares issued and allocated upon the merger
PH issued 71,995,000 shares of common shares upon execution of the Absorption-Type Merger and delivered PH shares at a ratio of 85 PH shares to one PR share to the Company, a shareholder of PR on the day prior to the effective date.
- vi. Other items regarding overview of transaction
The general real estate company SRS will lead the Real Estate business and leap forward as a highly competitive general real estate company, aiming to maximize the value of the Group’s assets.

(2) Overview of accounting treatment adopted

In accordance with the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, January 16, 2019) and the “Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, January 16, 2019), the Company accounted for the business combination as a transaction under common control.

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). The ESOP introduced in April 2014 ended in April 2019 and was reintroduced in May 2019.

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 Custody Bank of Japan, 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 collectively obtain in advance 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 enrollees and former members of Stock Holding Partnership 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 ¥818 million and 460 thousand shares.

(3) Book value of borrowings recorded using the gross method

¥1,463 million

2. Transactions to offer the Company's shares to Directors through trust

From the perspective of strengthening corporate governance, the Company aims to give Directors of the Company and its subsidiaries (Seibu Railway Co., Ltd., Prince Hotels, Inc., Seibu Bus Co., Ltd., Seibu Properties Inc., Izuhakone Railway Co., Ltd. and Ohmi Railway Co., Ltd.; hereinafter referred to as "Subsidiaries") (in either case, excluding Outside Directors; hereinafter referred to as "Eligible Directors") incentives to further contribute toward maximizing the corporate value and shareholder value by further clarifying the link between the remuneration for the Eligible Directors and the medium- to long-term improvement in the corporate performance and the shareholder value of the Company. In this end the Company enters into transactions to offer the Company's shares to the Eligible Directors through trust.

(1) Description of transactions

The Company has introduced the Board Benefit Trust (BBT) as remuneration for Directors in accordance with a resolution of the 14th Annual General Meeting of Shareholders held on June 21, 2019. In addition, at the meeting of the Board of Directors held on May 26, 2020, the Company resolved to add Subsidiaries to the targets of the BBT as well as to revise the upper limit of the amount to be contributed to acquire shares. This resolution does not change the amount of funds for acquiring the Company's shares for the Eligible Directors.

The BBT is a share-based remuneration system under which, using the money the Company contributes as funds, the Company's shares are to be acquired by the trust (hereinafter the trust that is established based on the BBT is referred to as the "Trust") and the Company's shares and the amount of cash equivalent to the market price of the Company's shares (hereinafter referred to as the "Company's Shares, etc.") are to be provided through the Trust to the Eligible Directors in accordance with the officer stock benefit rules (annual incentive) and the officer stock benefit rules (long-term incentive) stipulated by the Company and Subsidiaries. The BBT consists of the Annual Incentive System through which the Eligible Directors receive the Company's Shares, etc. annually while in office depending on their respective positions and the degree of achievement of the performance goals and the Long-term Incentive System through which the Eligible Directors receive the Company's Shares, etc. upon their retirement as Directors depending on their respective positions. The Annual Incentive System covers Directors of the Company only whereas the Long-term Incentive System covers Directors of the Company and Subsidiaries.

(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 ¥500 million and 292 thousand shares.

3. Response to restrictive financial covenants

Continuing on from the fiscal year ended March 31, 2021, operating losses were incurred for two fiscal years in a row in the consolidated statement of income, which breaches the stipulation on maintaining benefits concerning nine (¥84,463 million) of the Company's contracts for borrowings. However, as a result of requesting the relevant financial institutions to continue contracts without applying the stipulation concerning the forfeiture of the benefit of time, we obtained written agreement from all relevant financial institutions by March 31, 2022 that they would not apply the stipulation concerning the forfeiture of the benefit of time. Upon this approval, all contracts that were threatened with forfeiture of the benefit of time due to the breach of the restrictive financial covenants will be continued.

Non-consolidated Balance Sheet

(As of March 31, 2022)

(Millions of yen)

Item	Amount	Item	Amount
Assets		Liabilities	
I. Current assets	785,213	I. Current liabilities	269,741
1. Cash and deposits	61,215	1. Short-term borrowings	156,713
2. Accounts receivable - trade	1,222	2. Short-term borrowings from subsidiaries and associates	22,261
3. Short-term loans receivable from subsidiaries and associates	719,908	3. Current portion of long-term borrowings	83,247
4. Accounts receivable - other	2,698	4. Accounts payable - other	3,605
5. Prepaid expenses	245	5. Accrued expenses	300
6. Other	810	6. Income taxes payable	1,109
7. Allowance for doubtful accounts	(887)	7. Provision for bonuses	267
II. Non-current assets	387,304	8. Provision for loss on guarantees	805
1. Property, plant and equipment	2,198	9. Other	1,429
(1) Buildings	1,351	II. Non-current liabilities	557,628
(2) Machinery and equipment	7	1. Bonds payable	50,000
(3) Tools, furniture and fixtures	838	2. Long-term borrowings	505,948
2. Intangible assets	3,499	3. Provision for retirement benefits	621
(1) Trademark right	19	4. Provision for retirement benefits for directors (and other officers)	305
(2) Software	2,311	5. Provision for share awards for directors (and other officers)	186
(3) Software in progress	1,168	6. Other	565
3. Investments and other assets	381,606	Total liabilities	827,369
(1) Investment securities	733	Net assets	
(2) Shares of subsidiaries and associates	375,997	I. Shareholders' equity	344,847
(3) Long-term loans receivable from subsidiaries and associates	4,000	1. Share capital	50,000
(4) Deferred tax assets	805	2. Capital surplus	285,026
(5) Other	71	(1) Other capital surplus	285,026
		3. Retained earnings	11,534
		(1) Legal retained earnings	3,538
		(2) Other retained earnings	7,996
		Retained earnings brought forward	7,996
		4. Treasury shares	(1,713)
		II. Valuation and translation adjustments	2
		1. Valuation difference on available-for-sale securities	2
		III. Share acquisition rights	298
		Total net assets	345,148
Total assets	1,172,518	Total liabilities and net assets	1,172,518

Non-consolidated Statement of Income

(From April 1, 2021 to March 31, 2022)

(Millions of yen)

Item	Amount	
I. Operating revenue		
1. Dividends from subsidiaries and associates	1,299	
2. Commissions from subsidiaries and associates	12,491	
3. Other operating revenue	79	13,871
		11,339
II. Selling, general and administrative expenses		
Operating profit		2,531
III. Non-operating income		
1. Interest income	8,009	
2. Other	962	8,971
IV. Non-operating expenses		
1. Interest expenses	7,110	
2. Interest on bonds	227	
3. Other	1,655	8,994
Ordinary profit		2,508
V. Extraordinary losses		
1. Loss on retirement of non-current assets	5	5
Profit before income taxes		2,503
Income taxes - current	1,233	
Income taxes - deferred	(174)	1,058
Profit		1,444

Non-consolidated Statement of Changes in Equity

(From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity					
	Share capital	Capital surplus		Retained earnings		
		Other capital surplus	Total capital surpluses	Legal retained earnings	Other retained earnings	Total retained earnings
				Retained earnings brought forward		
Balance at beginning of period	50,000	285,012	285,012	3,538	6,551	10,090
Changes during period						
Dividends of surplus						-
Profit					1,444	1,444
Disposal of treasury shares		14	14			
Net changes in items other than shareholders' equity						
Total changes during period	-	14	14	-	1,444	1,444
Balance at end of period	50,000	285,026	285,026	3,538	7,996	11,534

	Shareholders' equity		Valuation and translation adjustments		Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of period	(2,698)	342,403	(1)	(1)	407	342,809
Changes during period						
Dividends of surplus		-				-
Profit		1,444				1,444
Disposal of treasury shares	985	999				999
Net changes in items other than shareholders' equity			3	3	(108)	(104)
Total changes during period	985	2,444	3	3	(108)	2,339
Balance at end of period	(1,713)	344,847	2	2	298	345,148

Notes to Non-consolidated Financial Statements

Important accounting policies

1. Valuation bases and methods of assets

Valuation bases and methods of securities

Shares of subsidiaries

Stated at cost based on the moving-average method.

Other securities

Other than shares, etc. that do not have a market price

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.)

Shares, etc. that do not have a market price

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.

2. Depreciation and amortization method for non-current assets

(1) Property, plant and equipment

Depreciated using the straight-line method.

The useful lives are as follows:

Buildings	8 to 38 years
Machinery and equipment	8 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) Allowance for doubtful accounts

To prepare for losses from bad debt, an estimated uncollectible amount is recognized based on individual consideration of collectability for specific receivables such as doubtful accounts, etc.

(2) Provision for bonuses

To prepare for the payment of bonuses to employees, the amount expected to be paid is recognized.

(3) 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 fiscal year following the fiscal year in which the gains or losses are recognized by the straight-line method over periods (15 years) which are equal to or shorter than the average remaining years of service of the eligible employees.

(4) Provision for retirement benefits for directors (and other officers)

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.

(5) Provision for share awards for directors (and other officers)

To prepare for the payment of share awards to Directors, the amount expected to be paid based on the officer stock benefit rules, is recognized as provision for share awards for directors (and other officers).

(6) Provision for loss on guarantees

To prepare for the case where there is remaining outstanding obligations related to trust assets at the termination of the Stock Benefit Trust Disposition-type Employee Stock Ownership Plan (ESOP), the amount of loss expected to be incurred is recognized.

4. Standards for recognizing revenue and expenses

Revenue of the Company mainly consists of business management fees and dividends from subsidiaries. For the business management fees, the provision of business management operations to subsidiaries based on the contents of a contract is the performance obligation, and revenue is recognized at the time when the business management operations are carried out, since this is when the Company's performance obligation is satisfied. Dividend income is recognized on the effective date of the dividends.

5. Other significant matters that form the basis for preparing the non-consolidated financial statements

(1) Method of hedge accounting

- Method of hedge accounting
Special treatment is applied for interest rate swaps.
- Hedging instruments and hedged items
Interest rate swap transactions are used for interest on variable-rate long-term borrowings.
- 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.

Hedge Relationships to Which "Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" Is Applied

Among the above-mentioned hedge relationships, for all of those that fall within the scope of application of "Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (ASBJ Practical Solution No. 40, March 17, 2022), the Company has applied the special treatment stipulated in the Practical Solution. The hedge relationships to which the Practical Solution has been applied are detailed below.

Method of hedge accounting	Special treatment of interest rate swaps
Hedging instruments	Interest rate swap transactions
Hedged items	Long-term borrowings
Hedge transaction type	For fixing cash flow

(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 financial statements.

(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 spot 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.

Notes on changes in accounting policies

1. Application of Accounting Standard for Revenue Recognition, Etc.

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations from the beginning of the fiscal year ended March 31, 2022, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services.

Major changes due to the application of the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations are as follows:

(1) Revenue recognition for agent transactions

As for certain transactions, previously the total amount of consideration received from customers was recognized as revenue. However, for transactions in which the Company’s role in provision of goods or services to customers is an agent, revenue has been recognized at the net amount calculated by deducting the amount paid to suppliers from the amount received from customers.

The application of the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the fiscal year ended March 31, 2022 was added to or deducted from the opening balance of retained earnings of the fiscal year, and thus the new accounting policy was applied from such opening balance. This has no impact on the opening balance for the fiscal year. It also has no impact on profit or loss.

Notes to the non-consolidated balance sheet

1. Accumulated depreciation of assets

Accumulated depreciation of property, plant and equipment	¥831 million
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2. Guarantee obligations

The Company has provided guarantees as follows on loans, etc. from financial institutions and (long-term) accounts payable to Japan railway construction, transport and technology agency of the companies described below.

Seibu Railway Co., Ltd.	¥62,672 million
Prince Hotels, Inc.	¥19 million
<hr/> Total	<hr/> ¥62,691 million

3. Obligation to acquire Class A preferred shares

The Company has made a commitment for the investment agreement regarding the underwriting of Class A preferred shares totaling ¥70.0 billion issued by the Company’s consolidated subsidiary Seibu Railway Co., Ltd. through a third-party allotment to Mizuho Bank, Ltd. and Development Bank of Japan Inc. (hereinafter referred to as the “Agreement”) as follows.

• Seibu Railway Co., Ltd.

The Company is obliged to acquire all of the Class A preferred shares from the allottee at the aggregate amount of amount paid in, accumulated dividends payable and an amount equal to accrued preferred dividends either (i) on November 27, 2025 or (ii) in the cases where any of the following events arises and an allottee makes a request. Neither accumulated dividends payable nor accrued preferred dividends were incurred at the end of the current fiscal year.

- Seibu Railway Co., Ltd. did not pay all or part of the preferred dividends for the Class A preferred shares for two consecutive fiscal years.
- The amount that Seibu Railway Co., Ltd. has available for dividends is less than the amount necessary to enable the call provision to be triggered in exchange for money on Class A preferred shares.
- Other than above, cases stipulated in the Agreement.

4. Monetary claims and monetary debts to subsidiaries and associates (excluding items shown separately)	
Short-term monetary claim	¥3,882 million
Long-term monetary claim	¥45 million
Short-term monetary debt	¥438 million

5. Loan commitment agreements

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

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

Total amount of loan commitments	¥150,000 million
Borrowings outstanding	¥75,000 million
<u>Balance of unexecuted borrowings</u>	<u>¥75,000 million</u>

6. Restrictive financial covenant for maintaining net assets and profits

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

Borrowings

Current portion of long-term borrowings	¥230 million
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Commitments

- In the consolidated balance sheet at the end of each fiscal year and at the end of the second quarter, the Company shall maintain its total net assets of 75% or higher compared to that in the immediately preceding fiscal year (including the second quarter) and ¥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. (Details of response to these commitments are as described in “1. Response to restrictive financial covenants” under “Other notes.”)

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

Borrowings

Current portion of long-term borrowings	¥118 million
Long-term borrowings	¥5,115 million
<u>Total</u>	<u>¥5,233 million</u>

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. (Details of response to these commitments are as described in “1. Response to restrictive financial covenants” under “Other notes.”)

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

Borrowings

Current portion of long-term borrowings	¥1,000 million
Long-term borrowings	¥4,000 million
<u>Total</u>	<u>¥5,000 million</u>

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. (Details of response to these commitments are as described in “1. Response to restrictive financial covenants” under “Other notes.”)

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

Borrowings

Long-term borrowings ¥10,000 million

Commitments

- In the consolidated balance sheet at the end of each fiscal year and at the end of the second quarter, the Company shall maintain its total net assets of 75% or higher compared to that in the immediately preceding fiscal year (including the second quarter) and ¥253,200 million or more.
- In the consolidated statement of income for each fiscal year, operating losses are not incurred for two periods in a row. (Details of response to these commitments are as described in “1. Response to restrictive financial covenants” under “Other notes.”)

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

Borrowings

Long-term borrowings ¥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. (Details of response to these commitments are as described in “1. Response to restrictive financial covenants” under “Other notes.”)

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

Borrowings

Current portion of long-term borrowings ¥31,000 million

Commitments

- In the consolidated balance sheet at the end of each fiscal year and at the end of the second quarter, the Company shall maintain its total net assets of 75% or higher compared to that in the immediately preceding fiscal year (including the second quarter) and ¥275,600 million or more.
- In the consolidated statement of income for each fiscal year, operating losses are not incurred for two periods in a row. (Details of response to these commitments are as described in “1. Response to restrictive financial covenants” under “Other notes.”)

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

Borrowings

Long-term borrowings ¥10,000 million

Commitments

- In the consolidated balance sheet at the end of each fiscal year and at the end of the second quarter, the Company shall maintain its total net assets of 75% or higher compared to that in the immediately preceding fiscal year (including the second quarter) and ¥280,000 million or more.
- In the consolidated statement of income for each fiscal year, operating losses are not incurred for two periods in a row. (Details of response to these commitments are as described in “1. Response to restrictive financial covenants” under “Other notes.”)

- (8) Other than the above, the Company has made a commitment for its loan commitment agreement dated on April 7, 2021 described in “5. Loan commitment agreements” above as follows. If the Company violates the commitment, the benefit of time may be forfeited for the relevant obligations.

Commitments

- In the consolidated balance sheet at the end of each fiscal year and at the end of the second quarter, the Company shall maintain its total net assets of 75% or higher compared to that in the immediately preceding fiscal year (including the second quarter) and ¥280,000 million or more.

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

Borrowings

Long-term borrowings ¥15,000 million

Commitments

- In the consolidated balance sheet at the end of each fiscal year and at the end of the second quarter, the Company shall maintain its total net assets of 75% or higher compared to that in the immediately preceding fiscal year (including the second quarter) and ¥283,400 million or more.
- In the consolidated statement of income for each fiscal year, operating losses are not incurred for two periods in a row. (Details of response to these commitments are as described in “1. Response to restrictive financial covenants” under “Other notes.”)

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 ¥1,490 million

Volume of other transactions ¥8,266 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 current fiscal year	Increase	Decrease	Number of shares at end of the current fiscal year
Common shares	1,573,100	–	563,200	1,009,900

Notes: 1. The decrease in treasury shares is as follows:

• Sale of shares to the employee stock ownership plan from Employee Stock Ownership Plan (ESOP)	487,100 shares
• Exercise of stock options	61,200 shares
• Provision of shares to the targets from Board Benefit Trust (BBT)	14,900 shares
Total	563,200 shares

2. Total number of treasury shares indicated above includes the Company’s shares of 752,700 held by Employee Stock Ownership Plan (ESOP) and Board Benefit Trust (BBT).

Tax effect accounting

Deferred tax assets arose mainly due to the recognition of accrued enterprise tax, provision for bonuses, provision for retirement benefits and provision for loss on guarantees.

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)	1,299	–	–
				Business management, etc. (Note 2)	5,017	Accounts receivable - trade	459
				CMS transactions (Notes 3 and 4)	(70,480)	Short-term loans receivable from subsidiaries and associates	184,747
				Lending of loans (Note 4)	–	Short-term loans receivable from subsidiaries and associates	31,000
				Collection of funds (Note 4)	2,000	Accounts receivable - other	232
				Receipt of interest (Note 4)	2,958	–	–
				Guarantee of obligation (Note 5)	62,672	–	–
				Receiving guarantee of obligation for bank loans, etc. of the Company (Note 6)	203,540	–	–
				Obligation to acquire Class A preferred shares (Note 7)	70,000	–	–
				Subsidiary	Prince Hotels, Inc.	Owning Direct 100%	Major Group company Interlocking directorate, etc.
CMS transactions (Notes 3 and 4)	12,155	Short-term loans receivable from subsidiaries and associates	338,082				
Receipt of interest (Note 4)	3,463	Accounts receivable - other	294				
Receiving guarantee of obligation for bank loans, etc. of the Company (Note 6)	203,540	–	–				
Subsidiary	Seibu Properties Inc.	Owning Direct 100%	Major Group company Interlocking directorate, etc.	CMS transactions (Notes 3 and 4)	31,529	Short-term loans receivable from subsidiaries and associates	134,072
				Lending of loans (Note 4)	–	Short-term loans receivable from subsidiaries and associates	1,000
				Collection of funds (Note 4)	37,000	Long-term loans receivable from subsidiaries and associates	4,000
				Receipt of interest (Note 4)	1,416	Accounts receivable - other	118

Transaction terms and conditions and policy for deciding the terms and conditions, etc.

- Notes: 1. This is year-end dividends for the fiscal year ended March 31, 2020 (¥3.0 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. The transaction amounts for cash management system (CMS) transactions are the net amounts of the difference between the beginning and the end of the fiscal year.
4. 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.
5. 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.

6. The debts guaranteed by Seibu Railway Co., Ltd. and Prince Hotels, Inc. for the Company's bank borrowings are for funds borrowed for the Company to lend funds to these two companies.
7. The Company has made a commitment for the investment agreement regarding the underwriting of Class A preferred shares worth ¥70,000 million issued by Seibu Railway Co., Ltd. through a third-party allotment to Mizuho Bank, Ltd. and Development Bank of Japan Inc. as described in "3. Obligation to acquire Class A preferred shares" of "Notes to the non-consolidated balance sheet."

Revenue recognition

Information that forms the basis for understanding revenue from contracts with customers is as described in "4. Standards for recognizing revenue and expenses" under "Important accounting policies."

Amounts per share

Net assets per share	¥1,069.46
Basic earnings per share	¥4.48

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 752,700, and the average number of treasury shares during period deducted in calculating the basic earnings per share was 994,844.

Significant events after the reporting period

1. Acquisition of additional shares of a subsidiary in connection with reorganization
Based on the share transfer agreement concluded with Prince Hotels, Inc. on March 31, 2022, the Company acquired 4,000,000 common shares of SEIBU PRINCE HOTELS WORLDWIDE INC. on April 1, 2022, for which it paid ¥40,338 million. In accordance with the share transfer agreement, as soon as the fair value at the date of the acquisition of the shares is determined, any discrepancy from the amount paid will be settled. Details of this reorganization are as described in "1. Significant reorganizations" under "Significant events after the reporting period" in Notes to Consolidated Financial Statements.

Other notes

1. Response to restrictive financial covenants
Continuing on from the fiscal year ended March 31, 2021, operating losses were incurred for two fiscal years in a row in the consolidated statement of income, which breaches the stipulation on maintaining benefits concerning nine (¥84,463 million) of the Company's contracts for borrowings. However, as a result of requesting the relevant financial institutions to continue contracts without applying the stipulation concerning the forfeiture of the benefit of time, we obtained written agreement from all relevant financial institutions by March 31, 2022 that they would not apply the stipulation concerning the forfeiture of the benefit of time. Upon this approval, all contracts that were threatened with forfeiture of the benefit of time due to the breach of the restrictive financial covenants will be continued.

(Translation)

Independent Auditor's Report

May 18, 2022

The Board of Directors
Seibu Holdings Inc.

Ernst & Young ShinNihon LLC
Tokyo office
SUZUKI Yuji
Certified Public Accountant
Designated and Engagement Partner
SUZUKI Osamu
Certified Public Accountant
Designated and Engagement Partner
MORIYA Takahiro
Certified Public Accountant
Designated and Engagement Partner

Opinion

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the consolidated financial statements, that is, the consolidated balance sheet, consolidated statement of income, consolidated statement of changes in equity and notes to consolidated financial statements of Seibu Holdings Inc. (the "Company") applicable to the fiscal year from April 1, 2021 to March 31, 2022.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position and results of operations of the Seibu Group, which consisted of the Company and its consolidated subsidiaries, applicable to the fiscal year ended March 31, 2022 in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibility for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the code of professional ethics in Japan, and we have fulfilled other ethical responsibilities as the auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The other information consists of the business report and its supplementary schedules. Management is responsible for preparing and disclosing the other information. The Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the execution of duties by the Directors in designing and operating the financial reporting process of the other information.

The other information does not fall under the scope of our opinion on the consolidated financial statements, and we express no opinion on the other information.

Our responsibility in auditing the consolidated financial statements is to read through the other information and, in the course of reading, consider whether there are any material differences between the other information and the consolidated financial statements or our knowledge obtained in the course of our audit, and to pay attention to whether there are any other signs of material errors in the other information in addition to such material differences.

If, based on the work we have performed, we determine that there are material errors in the other information, we are required to report that fact.

We have nothing to report with respect to the other information.

Responsibility of Management, Audit & Supervisory Board Members and Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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. In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements on the going concern basis of accounting and disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

The Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the execution of duties by the Directors in designing and operating the financial reporting process.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our responsibility is to express an opinion on the consolidated financial statements in our auditor's report from an independent standpoint based on our audit by obtaining reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision-making of users of the consolidated financial statements. As part of an audit in accordance with auditing standards generally accepted in Japan, we perform the following by exercising professional judgment and maintaining professional skepticism throughout the audit.

- We identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks. The procedures selected and applied depend on the auditors' judgment. Further, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- In making those risk assessments, we consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the internal control.
- We evaluate the appropriateness of accounting policies and their method of application adopted by management, as well as the reasonableness of accounting estimates made by management and adequacy of related notes thereto.
- We conclude on the appropriateness of management's use of the going concern basis of accounting to prepare the consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the going concern basis of accounting. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the notes to consolidated financial statements or, if such disclosures are inadequate, to express a qualified opinion with an exceptive item on the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the consolidated financial statements, including the related notes thereto, and whether the consolidated financial statements and notes thereto represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- We obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit on the consolidated financial statements. We remain solely responsible for our audit opinion.

We communicate with the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the planned scope and timing of the audit, significant audit findings including any significant deficiencies in internal control that we identify during our audit, and any other matters required by the auditing standards.

We also provide the Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with the regulations on professional ethics in Japan regarding independence, and communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards to eliminate or mitigate factors that may hinder our independence.

Conflicts of Interest

We or the engagement partners have no interest in the Company and its consolidated subsidiaries which should be disclosed in accordance with the Certified Public Accountants Act.

Independent Auditor's Report

May 18, 2022

The Board of Directors
Seibu Holdings Inc.

Ernst & Young ShinNihon LLC
Tokyo office
SUZUKI Yuji
Certified Public Accountant
Designated and Engagement Partner
SUZUKI Osamu
Certified Public Accountant
Designated and Engagement Partner
MORIYA Takahiro
Certified Public Accountant
Designated and Engagement Partner

Opinion

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the non-consolidated financial statements, that is, the non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in equity, and notes to non-consolidated financial statements, and the supplementary schedules (hereinafter, collectively, the "non-consolidated financial statements, etc.") of Seibu Holdings Inc. (the "Company"), applicable to the 17th business year from April 1, 2021 to March 31, 2022. In our opinion, the non-financial statements, etc. referred to above present fairly, in all material respects, the financial position and results of operations of the Company, applicable to the fiscal year ended March 31, 2022 in accordance with accounting principles generally accepted in Japan.

Other information

The other information consists of the business report and its supplementary schedules. Management is responsible for preparing and disclosing the other information. The Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the execution of duties by the Directors in designing and operating the financial reporting process of the other information.

The other information does not fall under the scope of our opinion on the non-consolidated financial statements, etc., and we express no opinion on the other information.

Our responsibility in auditing the non-consolidated financial statements, etc. is to read through the other information and, in the course of reading, consider whether there are any material differences between the other information and the non-consolidated financial statements, etc. or our knowledge obtained in the course of our audit, and to pay attention to whether there are any other signs of material errors in the other information in addition to such material differences.

If, based on the work we have performed, we determine that there are material errors in the other information, we are required to report that fact.

We have nothing to report with respect to the other information.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibility for the Audit of the Non-consolidated Financial Statements, etc.* section of our report. We are independent of the Company in accordance with the code of professional ethics in Japan, and we have fulfilled our other ethical responsibilities as the auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibility of Management, Audit & Supervisory Board Members and Audit & Supervisory Board for the Non-consolidated Financial Statements, etc.

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements, etc. 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 non-consolidated financial statements, etc. that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, etc., management is responsible for assessing whether it is appropriate to prepare the non-consolidated financial statements, etc. on the going concern basis of accounting and disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

The Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the execution of duties by the Directors in designing and operating the financial reporting process.

Auditor's Responsibility for the Audit of the Non-consolidated Financial Statements, etc.

Our responsibility is to express an opinion on the non-consolidated financial statements, etc. in our auditor's report from an independent standpoint based on our audit by obtaining reasonable assurance about whether the non-consolidated financial statements, etc. as a whole are free from material misstatement, whether due to fraud or error. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision-making of users of the non-consolidated financial statements, etc.

As part of an audit in accordance with auditing standards generally accepted in Japan, we perform the following by exercising professional judgment and maintaining professional skepticism throughout the audit.

- We identify and assess the risks of material misstatement of the non-consolidated financial statements, etc. whether due to fraud or error, and then design and perform audit procedures responsive to those risks. The procedures selected and applied depend on the auditors' judgment. Further, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- In making those risk assessments, we consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the non-consolidated financial statements, etc. is not expressing an opinion on the effectiveness of the internal control.
- We evaluate the appropriateness of accounting policies and their method of application adopted by management, as well as the reasonableness of accounting estimates made by management and adequacy of related notes thereto.
- We conclude on the appropriateness of management's use of the going concern basis of accounting to prepare the non-consolidated financial statements, etc. and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the going concern basis of accounting. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the notes to non-consolidated financial statements, etc. or, if such disclosures are inadequate, to express a qualified opinion with an exceptive item on the non-consolidated financial statements, etc. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the non-consolidated financial statements, etc., including the related notes thereto, and whether the non-consolidated financial statements, etc. and notes thereto represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.

We communicate with the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the planned scope and timing of the audit, significant audit findings including any significant deficiencies in internal control that we identify during our audit, and any other matters required by the auditing standards. We also provide the Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with the regulations on professional ethics in Japan regarding independence, and communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards to eliminate or mitigate factors that may hinder our independence.

Conflicts of Interest

We or the engagement partners have no interest in the Company which should be disclosed in accordance 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 17th fiscal year (from April 1, 2021 to March 31, 2022), 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 Regulation for Enforcement of the Company Act 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 Regulation 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 equity, 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 equity, 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 19, 2022

The Audit & Supervisory Board,
Seibu Holdings Inc.

NAKAMURA Hitoshi [Seal]
Standing Audit & Supervisory Board Member

FUKASAWA Isao [Seal]
Outside Audit & Supervisory Board Member

SAKOMOTO Eiji [Seal]
Outside Audit & Supervisory Board Member