

Notification of Extraordinary Income Associated with the Transfer of Shares in an Affiliated Company Accounted for Using Equity Method

A subsidiary of Seiko Holdings Corporation (hereinafter “SHD”), Seiko Instruments Inc. (hereinafter “SII”) today agreed, as follows on the transfer of all shares held in ABLIC Inc. (hereinafter “ABLIC”), an affiliated company accounted for using equity method of SHD, to MinebeaMitsumi Inc. (hereinafter “MinebeaMitsumi”), with MinebeaMitsumi and Development Bank of Japan Inc. (President and CEO: Hajime Watanabe, Head Office: Chiyoda-ku, Tokyo; hereinafter “DBJ”), and duly concluded a share transfer agreement.

Furthermore, SHD is scheduled to post extraordinary income in association with this share transfer.

1. Reason for the share transfer

In January 2016, SII transferred its semiconductor business to ABLIC (previous trade name: SII Semiconductor Corporation), a semiconductor company jointly funded by SII and DBJ. Initially, ABLIC was collaboratively managed by SII and DBJ, with a respective ownership ratio of 60 % and 40 %. However, later in January 2018, SII transferred 30% of its ownership to DBJ in pursuit of growth strategies.

Recently, following a series of consultations between MinebeaMitsumi, DBJ, and SII, an agreement was reached on the transfer of all shares in ABLIC held by DBJ and SII to MinebeaMitsumi, with a view toward further enhancing the corporate value of ABLIC and expanding its business. Businesses owned by MinebeaMitsumi have a great degree of affinity and complementarity with those owned by ABLIC, potentially creating synergistic effects not limited to the semiconductor field. Meanwhile, in the Seiko Holdings Group, this share transfer is believed to facilitate the effective utilization of management resources and reinforcement of the management foundation, including investments with a view toward creating sustainable value.

Following this share transfer, ABLIC shall no longer be an affiliated company accounted for using equity method of SHD.

2. Posting of extraordinary income

Upon this share transfer, 6 billion yen (approximate figure), which represents the combined amount of gain on sale of equity and the realized portion of unrealized income, is scheduled to be posted under extraordinary income. Such realized portion of unrealized income corresponds to the amount realized through this share transfer, out of the gain on transfer of business that accrued in 2016 at the time of transfer, and that had been eliminated in the consolidated financial statements.

The aforementioned amount of extraordinary income may change, as the transfer price and the date of share transfer are subject to volatility, as described in the marginal remarks* of “6. Number of shares for transfer, transfer price and status of shareholding before and after transfer” and “7. Schedule,” while the equity method shall be applicable to ABLIC up to the date of share transfer.

3. Outline of the Equity Method Affiliate to be transferred

(1)	Name	ABLIC Inc.		
(2)	Location	1-8, Nakase, Mihama-ku, Chiba-shi, Chiba		
(3)	Title and name of representative	Nobumasa Ishiai, President and CEO		
(4)	Business lines	Development, design, manufacture and sales of analog semiconductor products		
(5)	Capital	9,250 million yen		
(6)	Date of establishment	September 28, 2015		
(7)	Principal shareholders and shareholding ratio	Development Bank of Japan Inc.	70 %	
		Seiko Instruments Inc.	30 %	
(8)	Relationship between Seiko Holdings Corporation and AIBLIC	Capital relationships	ABLIC is an affiliated company accounted for using equity method of SHD, as SII, a consolidated subsidiary of SHD, owns 555,000 shares in ABLIC (ownership ratio of 30 %).	
		Personal relationships	One Director of SHD concurrently serves as a Director of ABLIC.	
		Transactional relationships	No noteworthy transactional relationships exist between individuals or affiliated companies associated with SHD and individuals or affiliated companies associated with AIBLIC. Certain consolidated subsidiaries of SHD have transactions such as sales and purchases with ABLIC. In addition, certain consolidated subsidiaries of SHD have entered into real estate lease agreements with ABLIC.	
(9)	Consolidated financial results and consolidated financial position of ABLIC for the past 3 years			
	Fiscal Year End	Fiscal Year Ended March 31, 2017	Fiscal Year Ended March 31, 2018	Fiscal Year Ended March 31, 2019
	Consolidated net assets	18,426 million yen	21,203 million yen	23,410 million yen
	Consolidated total assets	42,897 million yen	45,251 million yen	45,039 million yen
	Consolidated net assets per share	9,960 yen	11,457 yen	12,642 yen
	Consolidated net sales	28,548 million yen	32,784 million yen	32,851 million yen
	Consolidated operating profit	2,464 million yen	4,832 million yen	4,174 million yen
	Consolidated ordinary profit	1,724 million yen	4,507 million yen	3,753 million yen
	Consolidated net profit	811 million yen	2,798 million yen	2,165 million yen
	Consolidated earnings per share	438 yen	1,513 yen	1,170 yen
	Dividend per share	-	-	-

4. Outline of Seiko Instruments Inc. (a subsidiary of Seiko Holdings Corporation)

(1)	Name	Seiko Instruments Inc.
(2)	Location	8, Nakase 1-chome, Mihama-ku, Chiba-shi, Chiba
(3)	Title and name of representative	Tetsu Kobayashi, President
(4)	Business lines	Development, manufacturing and sales of watches (finished goods, watch movements), electronic devices and precision mechatronics products.
(5)	Capital	9,756 million yen

5. Outline of the company the shares to be transferred

(1)	Name	MinebeaMitsumi Inc.																				
(2)	Location	4106-73 Oaza Miyota, Miyota-machi, Kitasaku-gun, Nagano																				
(3)	Representative	Yoshihisa Kainuma, Representative Director, CEO & COO																				
(4)	Business lines	Machinery Components Business, Manufacture and sales of Electronic Devices etc.																				
(5)	Capital	68,259 million yen																				
(6)	Date of establishment	July 16, 1951																				
(7)	Consolidated net assets	407,260 million yen (Fiscal Year Ended March 31, 2019)																				
(8)	Consolidated total assets	742,127 million yen (Fiscal Year Ended March 31, 2019)																				
(9)	Principal shareholders and shareholding ratio (As of September 30, 2019)	<table border="0"> <tr> <td>The Master Trust Bank of Japan, Ltd. (Trust Account)</td> <td>9.14 %</td> </tr> <tr> <td>Japan Trustee Services Bank, Ltd. (Trust Account)</td> <td>5.41 %</td> </tr> <tr> <td>SSBTC CLIENT OMNIBUS ACCOUNT</td> <td>4.47 %</td> </tr> <tr> <td>Takahashi Industrial and Economic Research Foundation</td> <td>3.72 %</td> </tr> <tr> <td>Sumitomo Mitsui Trust Bank, Limited</td> <td>3.71 %</td> </tr> <tr> <td>Japan Trustee Services Bank, Ltd. (Trust Account 4)</td> <td>3.36 %</td> </tr> <tr> <td>Sumitomo Mitsui Banking Corporation</td> <td>2.46 %</td> </tr> <tr> <td>MUFG Bank, Ltd.</td> <td>2.45 %</td> </tr> <tr> <td>KEIAISHA CO., LTD.</td> <td>2.43 %</td> </tr> <tr> <td>THE CHASE MANHATTAN BANK 385036</td> <td>2.30 %</td> </tr> </table>	The Master Trust Bank of Japan, Ltd. (Trust Account)	9.14 %	Japan Trustee Services Bank, Ltd. (Trust Account)	5.41 %	SSBTC CLIENT OMNIBUS ACCOUNT	4.47 %	Takahashi Industrial and Economic Research Foundation	3.72 %	Sumitomo Mitsui Trust Bank, Limited	3.71 %	Japan Trustee Services Bank, Ltd. (Trust Account 4)	3.36 %	Sumitomo Mitsui Banking Corporation	2.46 %	MUFG Bank, Ltd.	2.45 %	KEIAISHA CO., LTD.	2.43 %	THE CHASE MANHATTAN BANK 385036	2.30 %
The Master Trust Bank of Japan, Ltd. (Trust Account)	9.14 %																					
Japan Trustee Services Bank, Ltd. (Trust Account)	5.41 %																					
SSBTC CLIENT OMNIBUS ACCOUNT	4.47 %																					
Takahashi Industrial and Economic Research Foundation	3.72 %																					
Sumitomo Mitsui Trust Bank, Limited	3.71 %																					
Japan Trustee Services Bank, Ltd. (Trust Account 4)	3.36 %																					
Sumitomo Mitsui Banking Corporation	2.46 %																					
MUFG Bank, Ltd.	2.45 %																					
KEIAISHA CO., LTD.	2.43 %																					
THE CHASE MANHATTAN BANK 385036	2.30 %																					
(10)	Relationship between Seiko Holdings Corporation and MinebeaMitsumi	<table border="0"> <tr> <td>Capital relationships</td> <td>No noteworthy capital relationships exist between SHD and MinebeaMitsumi. Similarly, no noteworthy capital relationships exist between individuals or affiliated companies associated with SHD and individuals or affiliated companies associated with MinebeaMitsumi.</td> </tr> <tr> <td>Personal relationships</td> <td>No noteworthy personal relationships exist between SHD and MinebeaMitsumi. Similarly, no noteworthy personal relationships exist between individuals or affiliated companies associated with SHD and individuals or affiliated companies associated with MinebeaMitsumi.</td> </tr> <tr> <td>Transactional relationships</td> <td>No noteworthy transactional relationships exist between SHD and MinebeaMitsumi. Similarly, no transactional relationships exist between individuals or affiliated companies associated with SHD and individuals or affiliated companies associated with MinebeaMitsumi.</td> </tr> <tr> <td>Status of related parties</td> <td>MinebeaMitsumi is not a party to the interests of SHD. Neither is SHD a party to the interests of MinebeaMitsumi, its affiliated companies and associates.</td> </tr> </table>	Capital relationships	No noteworthy capital relationships exist between SHD and MinebeaMitsumi. Similarly, no noteworthy capital relationships exist between individuals or affiliated companies associated with SHD and individuals or affiliated companies associated with MinebeaMitsumi.	Personal relationships	No noteworthy personal relationships exist between SHD and MinebeaMitsumi. Similarly, no noteworthy personal relationships exist between individuals or affiliated companies associated with SHD and individuals or affiliated companies associated with MinebeaMitsumi.	Transactional relationships	No noteworthy transactional relationships exist between SHD and MinebeaMitsumi. Similarly, no transactional relationships exist between individuals or affiliated companies associated with SHD and individuals or affiliated companies associated with MinebeaMitsumi.	Status of related parties	MinebeaMitsumi is not a party to the interests of SHD. Neither is SHD a party to the interests of MinebeaMitsumi, its affiliated companies and associates.												
Capital relationships	No noteworthy capital relationships exist between SHD and MinebeaMitsumi. Similarly, no noteworthy capital relationships exist between individuals or affiliated companies associated with SHD and individuals or affiliated companies associated with MinebeaMitsumi.																					
Personal relationships	No noteworthy personal relationships exist between SHD and MinebeaMitsumi. Similarly, no noteworthy personal relationships exist between individuals or affiliated companies associated with SHD and individuals or affiliated companies associated with MinebeaMitsumi.																					
Transactional relationships	No noteworthy transactional relationships exist between SHD and MinebeaMitsumi. Similarly, no transactional relationships exist between individuals or affiliated companies associated with SHD and individuals or affiliated companies associated with MinebeaMitsumi.																					
Status of related parties	MinebeaMitsumi is not a party to the interests of SHD. Neither is SHD a party to the interests of MinebeaMitsumi, its affiliated companies and associates.																					

6. Number of shares for transfer, transfer price and status of shareholding before and after transfer

(1) Shareholding prior to transfer	555,000 shares (Number of voting rights:555,000 shares) (Percentage of voting rights held: 30.0 %)
(2) Number of shares for transfer	555,000 shares (Ratio to the number of shares issued: 30.0 %)
(3) Transfer price	10,317 million yen*
(4) Shareholding after transfer	0 share (Number of voting rights: 0 share) (Percentage of voting rights held: 0.0 %)

* It has been agreed that the transfer price will be subject to adjustments based on the financial data of ABLIC at the time of the share transfer, and that additional payment of an amount not exceeding 450 million yen shall be payable to SHD, depending on the business performance of the ABLIC Group during a certain period of time.

7. Schedule

(1) Execution date of the Share Transfer Agreement	December 17, 2019
(2) Date of share transfer (scheduled)	End of July, 2020*

* The above date of share transfer may change due to factors such as procedures under the competition laws of the concerned countries.

8. Future outlook

In association with this share transfer, 6 billion yen (approximate figure) of extraordinary income is scheduled to be posted. Its impact on the consolidated business results for the fiscal year in which the date of share transfer falls is currently under review, and shall be announced as soon as it has been determined.

(Reference)

Consolidated business forecast for Fiscal Year Ended March 31, 2020 (as disclosed on November 12, 2019) and consolidated financial results for Fiscal Year Ended March 31, 2019

(Millions of yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Earnings per share
Fiscal Year Ended March 31, 2020	253,000	10,000	11,500	9,500	230.48 yen
Fiscal Year Ended March 31, 2019	247,293	9,394	11,410	9,249	224.42 yen