Sep. 8, 2015

Notification of Conclusion of Definitive agreement on the Establishment of New Semiconductor Business Company, Business Transfer, and Share Transfer

Under a memorandum regarding the establishment of a new semiconductor business company signed on May 12, 2015, Seiko Instruments Inc. (President: Hitoshi Murakami, Head Office: Chiba-shi, Chiba; hereinafter “SII”), a subsidiary of Seiko Holdings Corporation (hereinafter “SHD”), and Development Bank of Japan Inc. (President & CEO: Masanori Yanagi, Head Office: Chiyoda-ku, Tokyo; hereinafter “DBJ”) have concluded a definitive agreement today, on the establishment of a new semiconductor business company through a joint investment by the both companies, the transfer of SII’s semiconductor business to the new company, and the option of transferring a portion of equity in the new company held by SII to DBJ after the passage of two years from the business transfer, among others (hereinafter “the transaction”).

1. Background and objectives of the transaction

SII’s semiconductor business (hereinafter “the target business”) has been providing outstanding products based on watch-related technologies, including EEPROM and analog semiconductor products such as Power Management ICs. With its high profitability, the said business is anticipated to grow further by fully taking advantage of its top-tier global management resources including technologies, human resources, intellectual property, customer base, etc., along with its competitive position in the market. SII has come to a definitive agreement with DBJ for future sustainable growth in the semiconductor market, which is under growing competitive pressure on a global level. SII believes the collaboration with DBJ will ensure further expansion and growth of the target business.

The new company will aim to become a business entity with a global presence in the semiconductor industry (in the top five in the main business domains of the target business centered on analog semiconductors, in particular). The company will promote industry reorganization including M&As, alliances, etc. as a core growth strategy, while enhancing its manufacturing capabilities and development function.

2. Outline of the transaction

The new company of the target business will be established through a joint investment from SII and DBJ. SII and DBJ will collaboratively operate the new company through their respective ownership of 60% and 40% equity of the new company at its inception. While implementing the growth strategy as mentioned in 1. above, the agreement has been reached on the option of transferring a portion of equity of the new company held by SII to DBJ so that DBJ will come to acquire 70% of the equity after the passage of two years from the establishment of the new company, among others. SII will continue to hold a certain amount of equity of the new company, with the aim of ensuring smooth management and an operation system of the target business, increasing economic growth and revenue at the new company through collaboration with DBJ, and thus contributing to the enhancement of corporate value of SII and SHD Group as a whole over the medium to long term.

3. Outline of Seiko Instruments Inc. (a subsidiary of SHD)

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

4. Outline of the new company (a sub-subsidiary of SII) (scheduled)

(1) Name	SII Semiconductor Corporation
(2) Location	8, Nakase 1-chome, Mihama-ku, Chiba-shi, Chiba
(3) Representative	TBD
(4) Business lines	Manufacture and sale of semiconductors
(5) Capital	9,250 million yen (after joint investment)
(6) Date of establishment	September, 2015
(7) Principal shareholders and ownership	(After joint investment) Seiko Instruments Inc. 60% Development Bank of Japan Inc. 40%

*If DBJ exercises its option to acquire a 70% equity of the new company, among others, SII's ownership would become 30%.

5. Outline of the share transfer counterparty

(1) Name	Development Bank of Japan Inc.
(2) Location	9-6, Otemachi 1-chome, Chiyoda-ku, Tokyo
(3) Representative	Masanori Yanagi, President & CEO
(4) Business lines	Finance and insurance
(5) Capital	1,000,424 million yen
(6) Date of establishment	October 1, 2008
(7) Consolidated net assets	2,747,274 million yen (as at the end of the fiscal year ended March 31, 2015)
(8) Consolidated total assets	16,360,608 million yen (as at the end of the fiscal year ended March 31, 2015)
(9) Principal shareholders and ownership	Minister of Finance (100%) (As of March 31, 2015)

(10) Relationship between Seiko Holdings Corporation and the counterparty	Capital relationships	No noteworthy capital relationships exist between SHD and DBJ. Similarly, no noteworthy capital relationships exist between individuals or affiliated companies associated with SHD and individuals or affiliated companies associated with DBJ.
	Personal relationships	No noteworthy personal relationships exist between SHD and DBJ. Similarly, no noteworthy personal relationships exist between individuals or affiliated companies associated with SHD and individuals or affiliated companies associated with DBJ.
	Transactional relationships	SHD and one of its subsidiaries receive financing from DBJ. No noteworthy transactional relationships exist between individuals or affiliated companies associated with SHD and individuals or affiliated companies associated with DBJ.
	Status of related parties	DBJ is not a party to the interests of SHD. Neither is SHD a party to the interests of DBJ, its affiliated companies and associates.

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

Shareholding prior to transfer	1,110,000 shares (Ownership: 60%)

* If DBJ exercises its option to acquire a 70% equity of the new company, among others, SII's holdings would become 555,000 shares (30% of total voting rights).
The transfer price will be notified immediately after it has been determined.

7. Schedule

(1) Conclusion of memorandum	May 12, 2015
(2) Corporate resolution	September 8, 2015
(3) Conclusion of definitive agreement	September 8, 2015
(4) Establishment of the new company (scheduled)	September, 2015
(5) Joint investment/business transfer (scheduled)	January, 2016
(6) Date of share transfer (scheduled)	In and after January 2018

*If an option of share transfer is exercised, among others, such will be notified immediately.

8. Future outlook

The impact of the transaction on the consolidated business results for the fiscal year ending March 31, 2016, is immaterial. Its impact on the consolidated business results of the fiscal year in which the date of share transfer falls is currently being investigated and will be promptly notified upon completion of the investigation.

(Reference)

Consolidated business forecast for FY2015 (as disclosed on August 11, 2015) and consolidated financial results for FY2014

(Millions of yen)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Earnings per share
FY2015	320,000	16,000	16,000	12,000	58.07 yen
FY2014	293,472	11,667	12,373	21,778	105.39 yen