

May 12, 2015

**Conclusion of Memorandum Regarding
the Establishment of New Semiconductor Business Company**

Seiko Holdings Corporation
Seiko Instruments Inc.
Development Bank of Japan Inc.

Seiko Instruments Inc. (President: Hitoshi Murakami, Head Office: Chiba-shi, Chiba; hereinafter “SII”), a subsidiary of Seiko Holdings Corporation (President: Yoshinobu Nakamura, Head Office: Minato-ku, Tokyo; hereinafter “SHD”) and Development Bank of Japan Inc. (President & CEO: Toru Hashimoto, Head Office: Chiyoda-ku, Tokyo; hereinafter “DBJ”) have concluded a memorandum confirming the intention, among others, to establish a new semiconductor business company through a joint investment by both companies, to transfer the semiconductor business (hereinafter “the target business”) of SII to the new company, and to operate collaboratively the new company (hereinafter “the transaction”).

SII and DBJ will negotiate the terms of a legally binding formal agreement relating to the transaction in detail, with a view to concluding the agreement by or around the end of July 2015, upon conducting a due diligence on the target business. Subject to acquisition of approvals and permissions required by the relevant authorities, SII and DBJ will then aim for an execution (closing) of this transaction within the third quarter of FY2015.

1. Background and objectives of the transaction

SHD formulated the Fifth Mid-Term Management Plan that began in the fiscal year ended March 31, 2014. It is working on its strategies and challenges based on the basic policy of “Reconstructing the business portfolio around our Watches segment as the Group’s core business to maximize profitability, as well as realizing the qualitative reinforcement of the Group’s management foundation.” SII’s semiconductor business, the target business, has been providing outstanding products based on watch-related technologies, including analog semiconductor products such as EEPROM and 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. However, large-scale capital expenditure and R&D are vital in the future for sustained growth in the semiconductor market, which is under growing competitive pressure on a

global level. Profit fluctuation risk is also high. Thus, SII considered development of the stand-alone business as well as the feasibility of alliance with other companies. Finally, SII concluded that the collaboration with DBJ would ensure further expansion and growth of the target business, and it reached to the conclusion of memorandum.

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), by promoting industry reorganization including M&As, alliances, etc. as core growth strategy, while enhancing manufacturing capability as well as its development function. DBJ will contribute to the growth of the new company by providing its know-how and support primarily in the field of M&A strategy and capital strategy, etc. as well as financial backup to the new company, as part of the “Value for Growth Investment Program, an equity investment scheme designed to create added value in support of corporate growth strategies.”

2. Outline of the transaction

The current plan in this transaction is to split the equity of the new company to 60% for SII and 40% for DBJ. Also under consideration is that DBJ may acquire 70% of the equity in the future. For the time being, 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.

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