

September 8, 2015

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

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

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 (President: Yoshinobu Nakamura, Head Office: Minato-ku, Tokyo; 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”).

The new company will start operations in January 2016, subject to the completion of required proceedings including approval and authorization by related authorities.

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.

DBJ's investment associated with the transaction will be executed as a "Special Investment Operation". These operations are part of an effort to concentrate on supplying growth capital to contribute to regional economic vitalization and corporate competitiveness based on the Partial Amendment of the Development Bank of Japan Inc. Act, which was promulgated and went into effect in May, 2015.

3. Outline of the new company (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%.

4. Schedule

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

Inquiries:

Development Bank of Japan Inc.
Public Relations & Corporate Social Responsibility Office
Corporate Planning & Coordination Department
TEL: +81-3-3244-1180