



MEMBERSHIP

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November 9, 2020

To whom it may concern:

Company name: Sanoyas Holdings Corporation
Representative: Takashi Ueda, President & CEO
(Code number: 7022 Tokyo Stock Exchange)
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Notice Regarding Change of Consolidated Subsidiary (Share Transfer)

Sanoyas Holdings Corporation (hereinafter, “Sanoyas HD”) announces that, at the Board of Directors meeting held on November 9, 2020, it has resolved to transfer all the shares in its subsidiary, Sanoyas Shipbuilding Corporation (hereinafter, “Sanoyas Shipbuilding”) to SHIN KURUSHIMA DOCKYARD CO.,LTD. (hereinafter, “SHIN KURUSHIMA DOCKYARD”), and that Sanoyas HD has concluded the share transfer agreement with SHIN KURUSHIMA DOCKYARD. This transfer of shares is subject to obtaining the approval by special resolution at the extraordinary general meeting of shareholders scheduled to be held on January 15, 2021, and obtaining the approval under the Anti-Monopoly Act from the Japan Fair Trade Commission by the date of the Share Transfer.

1. Reasons for the Transfer

Since the bankruptcy of Lehman Brothers, the business environment surrounding the shipbuilding business has experienced "twin surpluses" in which manufacturing facilities of shipyards in Japan, China, and South Korea, and shipping tonnage in the global shipping market exceed demand. In addition, demand for new shipbuilding, especially for bulk carriers, the main products of Sanoyas Shipbuilding, has remained stagnant.

Anticipating that the situation continues for a long time, Sanoyas HD has ensured that Sanoyas Shipbuilding has focused on receiving the orders for the building of non-commercial vessels such as work vessels and ferries, the manufacturing of marine gas tanks and ship repair work. In addition, Sanoyas HD has worked to expand and strengthen the Machinery & Technology business, which manufactures, builds and sells industrial and construction machinery and amusement park facilities.

In recent years, however, Sanoyas HD had no choice but to accept new shipbuilding orders at prices lower than production costs to secure operations at the Mizushima Shipyard, and as a result, Sanoyas HD posted a large loss. In addition, the business environment of the Machinery & Technology business, which had been expected to complement the shipbuilding business, became unstable in the current fiscal year due to the spread of the COVID-19.

Sanoyas HD has come to the conclusion that it would be difficult to continue the shipbuilding business which shows no signs of recovery, under its financial condition. Furthermore, even if the shipbuilding market recovers in the future, it would be difficult to survive independently, considering the creation of huge shipbuilding companies in China and South Korea, increasing cost competition in the procurement of materials and equipment, and competition in the development of new shipbuilding technologies such as the environmental regulations and promotion of digitalization. Therefore, Sanoyas HD has decided to transfer the ownership of the shipbuilding business to SHIN KURUSHIMA DOCKYARD in order for Sanoyas Shipbuilding to continue its shipbuilding business far into the future.

SHIN KURUSHIMA DOCKYARD GROUP have many shipyards and build many kinds of ships such as pure car carriers and chemical tankers, and have annual sales of about 100 billion yen. SHIN KURUSHIMA DOCKYARD GROUP have both capital and the ability to procure materials and equipment. By joining the group, Sanoyas Shipbuilding will be able to take on the challenge of building multiple types of vessels, which has been difficult to achieve in the past. Both companies will work together in the fields of development, design, and manufacturing to overcome the difficulties.

The shipbuilding business of Sanoyas, which was established in 1911, will continue its business as a new company name "SHIN KURUSIMA SANoyas SHIPBUILDING CO., LTD." after March 1, 2021

On the other hand, Sanoyas group will continue the Machinery & Technology business after the shipbuilding business is transferred.

2. Outline of subsidiary subject to change

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(1) Name	Sanoyas Shipbuilding Corporation		
(2) Location	3-3-23 Nakanoshima, Kita-ku, Osaka, Japan		
(3) Position and name of representative	Takashi Ueda, President & CEO		
(4) Business activities	Construction and repair of various ships		
(5) Capital stock	2,000 million yen		
(6) Date of establishment	October 3, 2011		
(7) Major shareholder and shareholding ratio	Sanoyas Holdings Corporation 100%		
(8) Relationship between the listed company and the company concerned	Capital relationship	Sanoyas Holdings Corporation holds 100% of the shares of Sanoyas Shipbuilding.	
	Personnel relationship	9 directors, 1 corporate auditor and 47 employees of Sanoyas Shipbuilding were seconded from Sanoyas Holdings Corporation.	
	Business relationship	Sanoyas Holdings Corporation receives a secondment fee for officers and employees from Sanoyas Shipbuilding. In addition, there are transactions such as debt guarantees, outsourcing, and real estate leasing.	
(9) Operating results and financial condition of the company concerned for the most recent three years			
Fiscal Year-end	Fiscal year ended March 31,2018	Fiscal year ended March 31,2019	Fiscal year ended March 31,2020
Total net assets	9,351 million yen	10,006 million yen	8,096 million yen
Total assets	41,564 million yen	40,387 million yen	35,192 million yen
Net assets per share	2,337.93 yen	2,501.72 yen	2,024.04 yen
Net sales	29,259 million yen	28,401 million yen	28,863 million yen
Operating profit (loss)	(3,479) million yen	186 million yen	(2,935) million yen
Ordinary profit (loss)	(3,480) million yen	129 million yen	(2,256) million yen
Net income (loss)	(3,458) million yen	617 million yen	(2,338) million yen
Net income (loss) per share	(864.73) yen	154.37 yen	(584.70) yen
Dividends per share	—	—	—

As a result of the Share Transfer, Sanotec Corporation (Sanoyas Shipbuilding owns 100% of the shares), FL CLOVER MARITIME S.A. (Sanoyas Shipbuilding owns 100% of the shares), CENTENARY MARITIME S.A. (Sanoyas Shipbuilding owns 50% of the shares) and S&I MARITIME S.A. (Sanoyas Shipbuilding owns 50% of the shares) will also be excluded from consolidation of Sanoyas HD.

(Reference) Operating results of the shipbuilding business for the most recent three years

Fiscal Year-end	Fiscal year ended March 31,2018	Fiscal year ended March 31,2019	Fiscal year ended March 31,2020
Net sales	29,271 million yen	29,644 million yen	29,932 million yen
Operating profit (loss)	(3,463) million yen	336 million yen	(2,779) million yen

1. The shipbuilding business segment consists of Sanoyas Shipbuilding, Sanotec Corporation, FL CLOVER MARITIME S.A., CENTENARY MARITIME S.A. and S & I MARITIME S.A.
2. Operating income is before unallocated expenses and elimination of inter-business transactions.

3. Outline of company purchasing the shares

(1) Name	SHIN KURUSHIMA DOCKYARD CO.,LTD.		
(2) Location	1-7-12 Marunouchi Chiyoda-ku, Tokyo, Japan		
(3) Position and name of representative	Tetsushi Soga, President		
(4) Business activities	Building, repairing, dissolution and ship marine equipment of all kinds of shipping, and additionally production and repairing of several machines		
(5) Capital stock	1,737 million yen		
(6) Date of establishment	May 28, 1987		
(7) Major shareholder and shareholding ratio	KANAX CO., LTD.		14.2%
	SHIN KURUSHIMA DOCKYARD employee shareholding association		9.9%
	NIPPON STEEL CORPORATION		7.3%
	MITSUI & CO., LTD.		7.0%
	Sumitomo Mitsui Trust Bank, Limited		4.6%
(8) Relationship between the listed company and the company concerned	Capital relationship	There are no matters requiring mention.	
	Personnel relationship	There are no matters requiring mention.	
	Business relationship	There are no matters requiring mention.	

4. Number of transferred shares, transfer price, and status of shareholding before and after the transfer

(1) Number of shares owned before transfer	4,000,000 shares (Number of voting rights: 4,000,000) (Ratio of voting rights: 100%)
(2) Number of transferred shares	4,000,000 shares
(3) Transfer price	1 million yen
(4) Number of shares owned after transfer	0 (Number of voting rights: 0) (Ratio of voting rights: 0%)

The transfer price was determined by reference to the results in the share valuation report provided by Deloitte Tohmatsu Financial Advisory LLC on the assumption that Sanoyas Shipbuilding will succeed the bank loan amounting to 4 billion yen.

5. Schedule

(1) Date of resolution of the Board of Directors	November 9, 2020
(2) Date of conclusion of share transfer contract	November 9, 2020
(3) Record date of extraordinary general meeting of shareholders	December 15, 2020 (Scheduled)
(4) Date of convocation of extraordinary general meeting of shareholders	December 24, 2020 (Scheduled)
(5) Date of extraordinary general meeting of shareholders	January 15, 2021 (Scheduled)
(6) Date of execution of share transfer	February 28, 2021 (Scheduled)

6. Future outlook

On November 9, 2020, we announced the consolidated financial forecast as follows. Please refer to the disclosure for details of the financial impact of this transaction.

(Reference) The Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2021
(Disclosure date: November 9, 2020) and Financial Results for the Fiscal year ended March 31, 2020

	Net sales	Operating profit (loss)	Ordinary profit (loss)	Profit (loss) attributable to owners of parent
Fiscal year ending March 31, 2021 (Forecast)	45,000 million yen	(4,000) million yen	(4,100) million yen	(6,300) million yen
Fiscal year ended March 31, 2020	49,805 million yen	(1,775) million yen	(1,710) million yen	(2,211) million yen