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June 25, 2018

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Notice concerning Formal Application and Acceptance for the Business Turnaround ADR Procedures

Since our founding in 1925, we have made our best possible efforts to meet the expectations of shareholders, customers, and financial institutions as well as to continue growing as a corporation that is worthwhile for our employees.

In recent years, we recognized that the rapidly increasing demand for solar power generation spurred on by the enactment of the Act on Special Measures Concerning Procurement of Electricity from Renewable Energy Sources by Electricity Utilities (the “Act”) in 2011 was a good opportunity for our business, and, as a result we achieved rapid business expansion by 2014. However we were subject to large fluctuations in the business environment thereafter, such as large scale reductions in the domestic market due to the policy changes under the Act to lower purchase prices and tighten regulations. Amidst such business environment, our business has been slumping, and we have declared substantial losses for two consecutive financial terms.

In response to such business environment, we will fundamentally review our business and cost structures. Further, we have done our utmost to continue self-help efforts, such as formulating the Mid-term Business Plan in February 2018 (MBP2022) and implementing reorganization of our business structure. As a result, in the 2017 fiscal year, our sales proceeds have finally ceased falling, and a trend of consistent improvement is observable. However, our financial condition has not yet improved substantially, and therefore, we continue to face an ongoing difficult inability to make repayments on bank loans as agreed.

Based on these circumstances, in order to establish stable revenue/profitability and plan fundamental improvement of our financial affairs for future business restructuring, with the consent of all parties involved, we have decided to seek a business turnaround in accordance with the Specified Certified Dispute Resolution Procedures under the Industrial Competitiveness Enhancement Act (the “Business Turnaround ADR Procedures”).

On June 25, 2018, our company, as well as our two subsidiaries in Japan, Tabuchi Electronics Industry Co., Ltd. and Tecno Electric Industry Co., Ltd., made a formal application for Business Turnaround ADR Procedures to the Japanese Association of Turnaround Professionals (“JATP”), which was accepted on the same day (since JATP is the association that manages the Business Turnaround ADR Procedures, it has been certified as a Certified Dispute Resolution Businesses by the Minister of Justice, and has obtained the approval of the Minister of Economy under Article 51 of the Industrial Competitiveness Enhancement Act). On the same day, we sent a “Notice of Temporary Suspension” (suspension of repayments on loan principal, etc.) to all related financial institutions jointly signed by JATP. In addition, our company maintains close relationships with the main bank and other major banks, and therefore, we believe that the main bank will continue to support us.

As the Business Turnaround ADR Procedures will proceed solely involving Tabuchi Electric Co., Ltd., Tabuchi Electronics Industry Co., Ltd., Tecno Electric Industry Co., Ltd., and related financial institutions, the procedures will not affect transactions with our current clients/customers.

On July 4, 2018, our company will hold its first creditors' meeting with the related financial institutions. At the meeting, we will summarize and explain the proposed business turnaround plans, and we will ask for their understanding, consent for temporary suspension (ratification) and DIP Financing (additional funding support) which will be repaid in priority under the procedures. After the first creditors' meeting, we will formulate our business turnaround plan through discussions with financial institutions. JATP will provide us with impartial, neutral, and objective advice and analysis during such process. We will seek to obtain the consensus of all related financial institutions on our business turnaround plan in accordance with the schedule set in the first creditors' meeting. We will also discuss with the financial creditors on their financial support, our business improvement, responsibility of corporate managers, and other related matters. We will provide a notice, pursuant to the timely disclosure rules, on the above matters when they are finalized.

We sincerely apologize to all related financial institutions, our shareholders, clients/customers, and other parties involved.

All of our executives and employees are determined to make concerted and united efforts to achieve our business turnaround. We greatly appreciate the continuous support and understandings of all parties involved.