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November 6, 2018

Company Name: Tabuchi Electric Co., Ltd.
Representative: Director and President Toshihiro Kaihoshi
(Securities code: 6624 TSE First Section)
Contact: Masao Sasano
Corporate Director and CFO
Management Control Division
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Notice on Change in Consolidated Subsidiary (Share Transfer)

The board of directors of the Company has resolved at the meeting of board of directors today to transfer the shares (Hereinafter referred to as the "Share Transfer") from Tecno Electric Industry Co., Ltd. (hereinafter referred to as "TCN") to Mr. Mutsuo Yonekura (hereinafter referred to as "Mr. Yonekura"), who is the representative director of TCN, one of consolidated subsidiaries of the Company.

Accordingly, TCN has been excluded from the Company's consolidated subsidiary as a result of this Share Transfer.

1. Reason for the Share Transfer

On October 1, 2015, the Company acquired 100% of the shares of TCN, a transformer and control equipment manufacturer, and TCN became a consolidated subsidiary. After that, we worked on developing new markets by incorporating businesses and technologies such as water-cooled transformers developed by the company, electromagnets and magnetic field coils, and to promote new product development by fusing with our technologies. Meanwhile, as announced in the "Notice Regarding Formal Application and Acceptance of Business Turnaround ADR Procedures" dated June 25, 2018, the Company had 1,510 million yen excess of debt (excess of debt of 822 million yen at the end of the last fiscal year) as of the end of the first quarter of the end of March 2019. As a result, a part of the borrowing agreement (debt balance : 3,996 million yen as of June 30, 2018) which entered into with financial institutions infringes the financial covenant provision of the agreement and there came to exist an uncertainty which is a crucial factor of business continuity. In order to solve this situation, we are undertaking business turnaround under the agreement of the related parties by the Specified Certified Dispute Resolution Procedure (hereinafter referred to as "Business turnaround ADR Procedure") on the basis of the Industrial Competitiveness Enhancement Law. Furthermore, as announced in the "Notice Concerning Execution of Agreement Relating to Sponsor Support Regarding Third Party Allocation of

Shares and Shelf Registration Pertaining to Issuance of Shares by Third Party Allocation of Shares" as of October 16, the Company signed a sponsorship support agreement with Diamond Electric Co., Ltd. (hereinafter referred to as "Diamond Electric") and a third-party allocation of the Company's common stock (hereinafter referred to as the "Third Party Allocation of Shares"). Under the successive discussions between Diamond Electric and the Company regarding business turnaround plans, we have agreed to exclude TCN from our consolidated group before implementing this Third Party Allocation of Shares by Diamond Electric, since we do not have clear business synergies between TCN and our other consolidated group at the present, and TCN's merchandise flow and products are completely independent from the consolidated group.. As part of such measures to turnaround the business, we decided to transfer all shares of TCN to Mr. Yonekura.

2. Outline of the subsidiary to be transferred

| | | | | |
|---|------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|-----------------|-----------------|
| ① | Company name | Tecno Electric Industry Co., Ltd. | | |
| ② | Headquarter | 345 Tokawa, Hadano-city, Kanagawa, 259-1306, Japan | | |
| ③ | Representative | Toshihiro Kaihoshi Mutsuo Yonekura | | |
| ④ | Business area | Electromagnetic, Field coil, Transformers for medical and industrial equipment | | |
| ⑤ | Capital | 22 million yen | | |
| ⑥ | Established | February 10, 1986 | | |
| ⑦ | Major shareholder, share rate | Tabuchi Electric Co., Ltd., 100% | | |
| ⑧ | Relationship | | | |
| | Capital ties | Tabuchi owns 100% of TCN shares | | |
| | Personal relationship | Mr. Toshihiro Kaihoshi who is President of Tabuchi Electric Co., Ltd. is representative of TCN | | |
| | Transaction Relationship | Not applicable | | |
| ⑨ | Business Results and Financial Condition (last three years) non-consolidated | | | |
| | Fiscal year | FY2015 | FY2016 | FY2017 |
| | Net assets | 134,811,484 yen | 59,958,386 yen | 52,275,436 yen |
| | Total assets | 1,000,162,517 yen | 927,966,947 yen | 950,777,199 yen |
| | Net assets per share | 309,200.65 yen | 137,519.23 yen | 119,897.79 yen |
| | Sales | 390,149,978 yen | 709,032,310 yen | 769,662,120 yen |
| | Operation income or loss(△) | 11,913,198 yen | △69,818,719 yen | △28,448,144 yen |
| | Ordinary income or loss(△) | 5,255,790 yen | 60,463,108 yen | △7,798,082 yen |
| | Net income or loss(△) | 53,448,921 yen | △74,676,288 yen | △7,682,950 yen |
| | Net income or loss (△)per share | 122,589.27 yen | △171,275.89 yen | △17,621.44 yen |
| | Dividend per share | — yen | — yen | — yen |

3. Outline of the Assignee

| | | |
|---|-------------------------------|--------------------------------------------------------------------------------------------------------|
| ① | Personal Name | Mutsuo Yonekura |
| ② | Address | Sanda-City, Hyogo |
| ③ | Relationship with the Company | Mr. Yonekura is a temporary employee of Tabuchi Electric Co., Ltd., and Representative director of TCN |

4. Number of shares transferred, status of owned shares before and after the Share Transfer

| | | |
|---|--------------------------------------|-------------------------------------------|
| ① | Number of shares owned before change | 436 shares Number of voting rights 436 |
|---|--------------------------------------|-------------------------------------------|

| | |
|---------------------------------------|------------------------------------------------------------------------|
| | Proportion of voting rights 100% |
| ② Number of shares to be transferred | 436 shares Number of voting rights 436 |
| ③ Number of shares owned after change | 0 share Number of voting rights 0 Proportion of voting rights 0% |

*Regarding the transfer price, since the buyer is an individual, as it sets forth the obligation of confidentiality in the Share Transfer agreement by offer from buyer, we will refrain from disclosing. Regarding the calculation of the transfer price, we have decided based on the latest situation.

5. Schedule

| | |
|---------------------------------------------------|------------------------------------------------------------------|
| ① Date of resolve by the Board of Directors | November 6, 2018 |
| ② Date of concluding the Share Transfer agreement | November 6, 2018 |
| ③ Stock transfer date | January 10, 2019 or The day we and Mr. Yonekura separately agree |

6. Future Prospect

The impact of this Share Transfer on our business results is minor. In addition, this Share Transfer is to be implemented as part of measures to turnaround our business based on the Business Turnaround ADR Procedure, and will be announced promptly when there are any progresses on Business Turnaround ADR Procedure.

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