

(NOTE) This document has been translated from Japanese original for reference purposes only. In the event of any discrepancy between this translated document and Japanese original, the original shall prevail.



November 7, 2018

Company Name: Tabuchi Electric Co., Ltd.  
Representative: Director and President Toshihiro Kaihoshi  
(Securities code: 6624 TSE First Section)  
Contact: Masao Sasano  
Corporate Director, Executive Corporate officer and Manager,  
Management Control Division  
(TEL: +81-6-4807-3500)

**Notice regarding dissolution of capital and business alliance with TDK Corporation  
and change of major and largest shareholder**

Tabuchi Electric Co., Ltd. (Head Office: Yodogawa-ku, Osaka; President and Chief Executive Officer: Toshihiro Kaihoshi) hereby announces it resolved at the board of directors meeting today, its dissolution of the capital and business alliance (hereinafter referred to as "this capital and business alliance") agreement with TDK Corporation (President and Representative Director Shigeo Ishiguro, headquarters: No. 9, Shibaura 3-chome Minato-ku, Tokyo, hereinafter referred to as "TDK") dated February 21, 2007. In addition, due to the dissolution of this capital and business alliance, it is expected that its largest shareholder will be changed.

I. About the dissolution of this capital and business alliance

1. Reason and contents of dissolution of this capital and business alliance

On February 21, 2007, TDK and the Company entered into an agreement on capital and business tie-up with the aim of business collaboration etc. in design development, production, procurement of materials for promoting mutual business in the consumer custom power supply field. We have undertaken outsourcing of some development work from TDK.

In connection with this capital and business alliance, TDK holds 8,000,000 shares of common stock of the Company (proportion to the total number of issued shares: 19.75%, hereinafter referred to as "eligible shares").

As of the end of the first quarter of the fiscal year ending March 31, 2019, the Company had an excess of debt of 1,510 million yen (exceeding the obligation of 822 million yen at the end of the last fiscal year), and has concluded with financial institutions with respect to borrowing agreements (outstanding borrowings 3,996 million yen as of June 30, 2018), there is an important uncertainty in the premise of the going concern in conflict with the financial restriction clause of the contract, as announced at the "Notice Regarding Formal Application and Acceptance of Business Turnaround ADR Procedures" dated June 25, 2018, currently the Specified Certified Dispute Settlement Procedure (hereinafter referred to as "Business Turnaround ADR Procedure") based on the Industrial Competitiveness Enhancement Act. We are working on business turnaround under the agreement of the parties concerned.

Then as announced in "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" dated October 16, 2018, we have entered into a sponsor support agreement (hereinafter referred to as "Sponsorship Agreement") including a third party allocation of the Company's common stock (the "Third Party Allocation of Shares") with Diamond

Electric Co., Ltd. (hereinafter referred to as "Allottee"). We have decided to work on business turnaround under the business turnaround ADR procedure by allocating funds raised from the he Allottee through Third Party Allocation of Shares.

In the Sponsorship Agreement, it is conditional that a contract with TDK can acquire the target shares owned by TDK have to be transferred with free of charge in order to execute sponsorship support for the Company by Allottee.

Under these circumstances, TDK and the Company determined to terminate this capital and business alliance as having achieved the initial objectives, and today TDK and the Company have contracted that TDK transfers the target shares with free of charge (hereinafter referred to as this "gratis transfer") for the purpose of supporting business turnaround plan of the Company. TDK intends to complete the Third Party Allocation of Shares on the premise of the establishment of business turnaround plan under the business turnaround ADR procedure with the consent (ratification) of all financial creditors subject to the Business Turnaround ADR procedures.

In accordance with the dissolution of this capital and business alliance, Mr. Seiji Osaka, who is a senior executive officer of TDK and serves as an outside director of the Company, submitted the resignation of the Company today.

## 2. Outline of the counterparty to dissolve this capital and business alliance

(1)	Name	TDK Corporation	
(2)	Address	3-9-1 Shibaura, Minato-ku, Tokyo	
(3)	Representative's Position / Name	Representative Director and President Shigenao Ishiguro	
(4)	Primary Business Contents	Passive Components, Sensor Application Products, Magnetic Application Products and Film Application Products	
(5)	Capital	32,641 million yen	
(6)	Date Established	December 7, 1935	
(7)	Major Shareholders and ratio of share holding	The Master Trust Bank of Japan, Ltd.(Trust account)	19.08%
		Japan Trustee Services Bank, Ltd.(Trust account)	11.41%
		Trust & Custody Services Bank, Ltd.(Securities investment trust account)	2.72%
		STATE STREET BANK WEST CLIENT - TREATY 505234	1.87%
		Japan Trustee Services Bank, Ltd.(Trust account 5)	1.58%
		JPMC OPPENHEIMER JASDEC LENDING ACCOUNT	1.46%
		STATE STREET BANK AND TRUST COMPANY 505001	1.42%
		Nippon Life Insurance Company	1.30%
		Japan Trustee Services Bank, Ltd.(Trust account 7)	1.29%
		Japan Trustee Services Bank, Ltd.(Trust account 9)	1.29%
(8)	Relationship with Our Company		
	Capital Ties	TDK is the largest shareholder holding 19.75% of the Company's	

		common stock.	
Personal Relationship	Mr. Seiji Osaka, Senior Managing Executive Officer of TDK, serves as Outside Director of the Company.		
Transaction Relationship	We have signed an agreement on capital and business alliance with TDK, and we have continuous business relationships such as material purchase.		
Applicable Situation to Related Parties	There are no such matters.		
<b>(9) Management Results and Financial Condition in the last 3 years (Consolidated) US GAAP</b>			
Fiscal Year	March 2016 Term	March 2017 Term	March 2018 Term
Net Assets	684,633 M yen	802,118 M yen	831,232 M yen
Total Assets	1,450,564 M yen	1,664,333 M yen	1,905,209 M yen
Net Asset Price per Share	5,354.79 yen	6,288.55 yen	6,532.01 yen
Sales Proceeds	1,152,255 M yen	1,178,257 M yen	1,271,747 M yen
Operating Profit	93,414 M yen	208,660 M yen	85,633 M yen
Ordinary Profit	91,839 M yen	211,717 M yen	89,811 M yen
Current Term Net Profit	64,828 M yen	145,099 M yen	63,463 M yen
Current Term Net Profit Per Share	514.23 yen	1,150.16 yen	502.80 yen
Dividend Per Share (Common Shares)	120.00 yen	120.00 yen	130.00 yen

### 3. Schedule of tie-up dissolution

① Dissolved by the Board of Directors	November 7, 2018
② Date of dissolution of this capital and business alliance	November 7, 2018
③ Execution date of this gratis transfer	To be determined *This gratis transfer is a prerequisite for the execution of the third party allotment of capital etc. The payment period of this Third Party Allocation Increase will be from the day after the extraordinary general meeting of shareholders scheduled in December 2018 to January 25, 2019.

### 4. Future prospects

Regardless of dissolution of this capital and business tie-up, current transactions such as consignment of development work by individual contracts are scheduled to be continued, and the impact of eliminating this capital and business alliance on the Company's business results is minimal.

Regarding the sponsor agreement with the Allottee and the third party allocation capital increase, please refer to "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 " dated October 16, 2018.

## II. Changing of the largest shareholder

### 1. Background of the change

TDK has agreed to transfer the target shares that are all of the Company's common shares held by the company with free of charge, in the event that this gratis transfer is implemented, TDK will be no longer the largest shareholder of the

Company.

This gratis transfer is a prerequisite for the execution of the Third Party Allocation of Shares etc, and Diamond Electric Co., Ltd., which is the Allottee, intends to make the Company a subsidiary in this Third Party Allocation of Shares. At the time the Third Party Allocation of Shares is executed, the Allottee is expected to be the largest shareholder who is the major shareholder of the Company and the parent company, however, as of today, the price per share is to be determined. Therefore, the description of "2. Outline of shareholders to be transferred" is partially omitted. The payment period of the Third Party Allocation of Shares will be from the day following the extraordinary general meeting scheduled to be held in December 2018 to January 25, 2019.

## 2. Outline of shareholders to be transferred

(1) Shareowners planned to not fall under the major shareholder, the largest shareholder

Company Name TDK Corporation

\*For the outline of the company, please refer to "I. About dissolution of this capital and business alliance and 2. Outline of partner to dissolve this capital and business alliance"

## 3. Number of the vote owned by the shareholder (number of shares held) and the ratio of the vote of all shareholders before and after the transfer

(1) TDK Corporation

	Number of vote (Number of shares owned)	Percentage of total shareholders' vote	Major shareholder rank
Before the change (As of September 30, 2018)	80,000 (8,000,000 shares)	19.79%	1
After the change	0 (0 share)	0%	—

\* The number of vote before the change and the ratio to the number of vote of all shareholders are stated based on the register of shareholders as of September 30, 2018.

## 4. Planned date of change

To be determined

\*As for this gratis transfer, the execution of the Third Party Allocation of Shares etc. is prerequisite. The payment period of the third party allotment will be from the day following the extraordinary shareholders' meeting scheduled to be held in December 2018 to January 25, 2019.

## 5. Future prospects

The impact of the change of the largest shareholder on our business results is minor. Regarding the sponsor contract signed with the Allottee and the Third Party Allocation of Shares issued on October 16, 2018, please refer to "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".