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November 7, 2018

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Notice Concerning “Proposed Business Turnaround Plan” Formulation, Creditors Meeting Based on Business Turnaround ADR Procedures (2nd Creditors Meeting (Continuation)) and Future Plans

As indicated in our company’s “Notice Concerning Formal Application and Acceptance for the Business Turnaround ADR Procedures” of June 25, 2018, for the purpose of establishing a stable profit structure and planning drastic improvement of our financial structure, we are aiming for Business Turnaround according to the Specific Certified Dispute Resolution Procedures as prescribed in the Act on Special Measures for Industrial Revitalization and Innovation (hereinafter “Business Turnaround ADR Procedures”). Currently, we are discussing with financial institutions involved that are creditors and at the same time receiving surveys, guidance, and advice from the Dispute Resolution Provider appointed in accordance with the Business Turnaround ADR Procedures from a just and neutral position, and we are aiming to formulate a Proposed Business Turnaround Plan, and establish such plan by approval of financial institutions involved that are creditors.

Our company has advanced this far planning to strengthen of our business base by credit enhancement and strengthen of our financial base using a sponsor. As indicated in the “Notice of execution of Memorandum of Understanding Concerning Support by Sponsor” of September 25, 2018 and 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” of October 16, 2018, our company executed a sponsor support

agreement with Diamond Electric MFG. Co., Ltd. (hereinafter referred as the “Diamond Electric”) for third party allocation of our common stock (hereinafter referred as the “Third Party Allocation of Shares”) (hereinafter the agreement is referred as the “Sponsor Agreement”). *

* Under the Sponsor Agreement and at our company’s board of directors meeting of October 16, 2018, the allottee and planned issuance amount were decided by agreement and resolution. The details for the number of third party shares to be allocated and the amount to be paid per share will be separately agreed by our company and the Allottee and will be resolved at a board of directors meeting. Notification of these matters will be sent out in the future once a decision is made.

Our company is continuing discussions with Diamond Electric with regard to the proposed business turnaround plan as well; and this time, we reached agreement with Diamond regarding the proposed business turnaround plan. Therefore, at the 2nd Creditors Meeting (continuation) that was held today for the discussion of the Proposed Business Turnaround Plan, our company explained to the subject creditors the details of the aforementioned proposed business turnaround plan (hereinafter referred as the “Proposed Business Turnaround Plan”). The subject creditors will consider the Proposed Business Turnaround Plan and our company aims for the Plan to be established by the consent of the subject creditors at the creditors meeting that is planned to be held on December 7, 2018 for the purpose of reaching a resolution for the Proposed Business Turnaround Plan (“3rd Creditors Meeting”).

Furthermore, with regard to our subsidiary Tecno Electric Industry Co., Ltd. (hereinafter referred as “TCN”), who applied to use the Business Turnaround ADR Procedure at the same time as our company and whose application was accepted by the Japanese Association of Turnaround Professionals as announced in the “Notice of Transfer of Consolidated Subsidiary (Share Transfer)” of November 6, before Diamond Electric’s performance under the Third Party Allocation of Shares: Our company who shall remove TCN from our group has resolved to transfer all of TCN’s shares that our company owns to TCN’s representative director, Mr. Mutsuo Yonekura. Our company executed a Share Transfer Agreement with Mr. Yonekura. On November 6, 2018, TCN, with all subject creditors’ consent, has completed its Business Turnaround ADR Procedures.

Our company will reduce and withdraw from unprofitable business by reviewing our company’s business portfolio; we are going to focus our management resources on the domestic market for individual home use and low voltage industrial use in our Energy Solution Business as well as on the domestic and Asian market for transformers in our Power supply & Device Business.

Also, our company will endeavor to do the maximum voluntary efforts including but not limited to cutting costs.

Also, in the Proposed Business Turnaround Plan, we are requesting financial assistance from our creditors including debt relief.

In addition, our company will resolve our insolvency by receiving the above financial assistance. Also, for the purpose of restoring our financial base in the near future, as described in the below “Proposed Business Turnaround Plan Summary”, we have agreed with Diamond Electric for Diamond Electric to be the Allottee in the Third Party Allocation of Shares, which is a condition of the establishment of the Business Turnaround ADR Procedures.

To all shareholders, all financial institutions involved, and any other people concerned, we once again sincerely apologize for causing a tremendous burden and inconvenience and for causing concern. We will deal with the drastic business turnaround going forward with full force and we greatly appreciate your continued support and cooperation.

The Proposed Business Turnaround Plan Summary is as below:

The Proposed Business Turnaround Plan Summary

1. Measures for Reformulating Business (main points)

(1) Reviewing the Business Portfolio

With regard to Energy-solutions business, we will withdraw from the high voltage PV inverters business aimed at the overseas market and Japanese market. With regard to the power supply & device business, we plan “selection and concentration”, by withdrawing from some of the unprofitable products.

(2) Fixed Cost Reduction

Along with review of the business portfolio, we will implement consolidation of operations, reduction of labor costs and expenses by improving efficiency.

(3) Strengthening Business Activities

Along with review of the business portfolio, with regard to the Energy-solutions business, we will focus our development and sales resources on the OEM business in Japan. With regard to the power supply & device business, we will strengthen the business with existing customers focusing on air-conditioners and entry to new markets (in vehicle use, etc.).

(4) Collaboration with Business Sponsor

With regard to the Energy-solution business, we are aiming to expand sales promotion of PV inverters, and jointly develop applications for vehicle use and expand sales channels thereof.

(5) Restoration of Financial Structure

Due to continued support by cooperation with financial institutions as well as increase of capital and fundraising by sponsor investment, we will restore our financial structure.

2. Financial Situation and Plan to Increase Capital

(1) Financial Situation

In carrying out due diligence in the Business Turnaround ADR Procedures, the result of evaluating inventory assets and fixed assets shows that our company has fallen into actual insolvency of about 5,244,000,000 JPY at the end of the first quarter of the March 2019 fiscal year.

Please bear in mind that the above asset evaluation is based on standards related to asset rating determined by the Business Turnaround ADR Procedures, which are different from general corporate accounting standards.

(2) Request for Financial Assistance

The subject creditors do not possess any collateral against our company and the total amount of the subject claim (total amount 9,010,590,000 JPY) is unsecured. We are requesting the subject creditors that, within the amount of such unsecured loan, 4,947,760,000 JPY (equal to 54.91%) shall be exempted from the debt. With regard to the claim amount after the abandonment of the debt, the principal will be under the grace period until the March 2020. From the March 2021 period, 1/7 of the total claim amount shall be repaid uniformly on a yearly basis.

(3) Solving Insolvency

In the event Business Turnaround ADR Procedures are established and the financial support from creditors in (2) above is implemented, the increase of capital from the sponsor is implemented, and the voluntary effort measures are implemented, then as a result, in the March 2019 period, our company anticipates that the excess debt will be eliminated according to the standards of asset evaluation stipulated by the Business Turnaround ADR Procedures.

(4) Measures to Increase Capital

In order to strengthen our credit and financial base, our company has entered into a Sponsor Agreement with Diamond Electric as Allottee for Third Party Allocation of Shares. The summary of the Third Party Allocation of shares is as follows: With regard to the details of the Third Party Allocation of Shares, please refer to 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” of October 16, 2018.

Allottee	Diamond Electric MFG. Co., Ltd.
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Number of Shares for Subscription	To be determined * The Allottee intends to make our company into its subsidiary by performing the Third Party Allocation of Shares.
Planned Issuance Amount	3,000,000,000 JPY
Method of Issuance	By the method of Third Party Allocation of Shares, all shares shall be allocated to the Allottee.

* At our company's board of directors meeting of October 16, 2018, the Allottee and planned issuance amount were decided by resolution. The details for the number of shares to be allocated and the amount to be paid per share will be separately agreed by our company and the Allottee and will be resolved at a board of directors meeting. Notification of these matters will be sent out in the future once a decision is made.

3. Regarding Management Responsibilities and Shareholder Responsibilities

(1) Management Responsibilities

Our company's officers (directors and auditors, hereinafter the same) plan to resign following the establishment of the Business Turnaround ADR Plan. Furthermore, with regard to the officers that will resign, a resignation bonus, etc. will not be provided.

Also, from the perspective of our company's management, we have already reduced the officer's remuneration since April 2017.

(2) Shareholder Responsibilities

As part of the management and shareholders responsibilities, the officers approve that all common shares (which are limited to shares free of lien) that our company's officers and Mr. Teruhisa Tabuchi, our company's chairman and director, possesses shall be acquired by our company free of charge by the payment date.

Also, our largest shareholder TDK Co. Ltd. agrees to transfer all of common shares owned by TDK to our company free of charge on the condition that the Business Turnaround Plan is approved by all subject creditors and established, and that the Third Party Allocation of Shares is completed. Our company and TDK executed a Shares Free Transfer Agreement today. With regard to the details of the agreement, please refer to today's "Notice of Termination of TDK Co. Ltd. and Tabuchi Electric Co., Ltd. Capital Business Partnership and Change of Largest Shareholder".

Furthermore, with regard to other general shareholders, the above Third Party Allocation of Shares to Diamond Electric will cause Diamond Electric to make our company into its subsidiary; this third party allocation of shares may qualify as a large scale third party allocation, and in this case a dilution of the value of shares is anticipated.

4. Future Outlook

While obtaining the understanding of the related financial institutions who are continuing subject creditors within the Business Turnaround ADR Procedures, our company aims for the Business Turnaround Plan to be established by the consent of the subject creditors at the creditors meeting that is planned to be held on December 7, 2018 for the purpose of reaching a resolution for the Proposed Business Turnaround Plan (“3rd Creditors Meeting (continuation)”).

The Business Turnaround ADR Procedures Schedule is as below:

November 7, 2018 (Today)

2nd Creditor’s Meeting Continuation Date (Discussion of Proposed Business Turnaround Plan)

December 7, 2018

3rd Creditor’s Meeting Continuation Date (Resolution of Proposed Business Turnaround Plan)