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November 19, 2018

To whom it may concern

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 Concerning issuance of new shares by the third party allocation, and change of major shareholder, the largest shareholder as major shareholder and a parent company**

As announced in our company's "Notice Concerning Execution of Agreement Relating to Sponsor Support Regarding Third Party Allocation of Shares and Shel Registration Pertaining to Issuance of Shares by Third Party Allocation of Shares" dated on October 16, 2018, Diamond Electric MFG Co., Ltd. (hereinafter referred as "Diamond Electric" or the "Allottee") and our company executed a sponsor support agreement for third party allocation of our common stock (hereinafter referred as "Third Party Allocation of Shares") (hereinafter the agreement is referred as "Sponsor Agreement") on October 16, 2018. Our company hereby announces that, today, Allottee and our company reached an agreement for the details of Third Party Allocation of Shares including but not limited to number of shares to be issued and the price per share, then our company's board of directors made a resolution regarding implementation of the Third Party Allocation of Shares. Our company also announces the expected change of our major shareholder, the largest shareholder as major shareholder and parent company due to this Third Party Allocation of Shares.

I. Issuing new shares by the Third Party Allocation

1. Outline of public offering

(1)	Payment term	From the next day of the extraordinary shareholder meeting scheduled on December 18, 2018 as follows to January 25, 2018
(2)	Number of Shares to be Issued	63,829,787 shares
(3)	Price per share	47 JPY per share
(4)	Issuance amount	2,999,999,989 JPY
(5)	Method of Public Offering (Allottee)	All shares are planned to be allocated to the Allottee using the method of third party allocation.
(6)	Others	This Third Party Allocation of Shares which was resolved by the board of directors meeting on November 19, 2018 requires execution by the agreement with all of the creditors who are involved in the Business Turnaround ADR

		<p>Procedures and approval of the Third Party Allocation of shares at the extraordinary shareholder meeting on December 18, 2018 (hereinafter referred as the “extraordinary shareholder meeting”) at Business Turnaround ADR Procedure. Accordingly, the resolution at the extraordinary shareholder meeting holds approval by shareholder meeting stated in Article 206-2, paragraph (4) of Companies Act, and in addition, it requires obtaining all approval needed for the Third Party Allocation of Shares (including but not limited to completion on the basis of Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (hereinafter referred as “Japanese Antitrust Law”) and foreign Competition Law)</p>
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## 2. Purpose and Reason for the Public Offering

### (1) Background of the Third Party Allocation of Shares

With regard to our company group’s performance in the previous consolidated fiscal year (March 2018), our consolidated operating losses are 4,361,000,000JPY, our consolidated ordinary losses are 4,432,000,000 JPY, term net losses attributed to the parent company’s shareholders are 8,830,000,000 JPY, and our consolidated balance sheet’s section of net assets is 1,277,000,000JPY. In this second quarter of the consolidated accounting period, also, our consolidated operating losses are 1,023,000,000JPY, our consolidated ordinary losses are 781,000,000JPY, quarterly term net losses attributed to the parent company’s shareholders are 3,644,000,000JPY, and our consolidated balance sheet’s section of net assets is 2,564,000 JPY.

Besides, as for our company’s basic profit and loss situation in the same period, our operating losses are 1,023,000JPY, our ordinary losses are 626,000,000JPY, and the current term’s net losses are recorded as 2,905,000,000JPY, net assets is 3,801,000,000JPY in the negative. (The end of the previous fiscal year was 822,000,000 JPY in the negative).

This result is in violation of the covenants clause in several loan agreements executed with financial institutions (The loan balance as of September 30, 2018 is 3,117,000,000 JPY) and the situation has caused serious doubts on the going concern assumption of our company.

In this situation, our company has considered drastic business restructuring for planning to strengthen our profit structure and restructuring of our financial structure. For this purpose, as disclosed in the “Notice Concerning Formal Application and Acceptance for the Business Turnaround ADR Procedures” submitted by Tabuchi Electric Co Ltd. and Tecno Electronic Co. Ltd. on June 25, 2018, on the same day, our company as well as our two subsidiaries Tabuchi Electronic 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 (hereinafter referred as “JATP”), which is a managing entity of the Specified Certified Dispute Resolution Procedures under the Industrial Competitiveness Enhancement Act (“Business Turnaround ADR Procedures”). Our application was accepted on the same day, and our company sent a “Notice of Temporary Suspension” to all financial institutions.

Afterwards, on July 4th, with the attendance of all related financial institutions who are creditors subject to the Business Turnaround ADR Procedures, a creditors meeting was held to explain and summarize the process proposed business turnaround plan based on the Procedures (hereinafter referred as “First Creditor’s Meeting”). At that meeting our company received consent (ratification) from all of the involved financial institutions for the “Notice of Temporary Suspension” and at the same time received affirmation for an extension of the temporary suspension period until the end of creditors meetings for the purpose of reaching a resolution of the business turnaround plan. (In the event that meetings are postponed / continue, the postponement / continuation is included). In addition, with regards to the raising of funds from the major involved financial institutions (DIP Finance), our company also received approval from all of the financial institutions for the loan, and priority creditor rights related to the loan.

In addition, the Second Creditors Meeting was held on August 6, 2018 and continuation was held on September 7th. In those meetings, our company reported that the formulation of the business turnaround plan was expected to take some time and the discussions of the business turnaround plan continued.

Under these circumstances, we believe that support from sponsor(s) is essential to revitalize our business with credit enhancement and strengthening of financial basis for formulation of the proposed business turnaround plan. Our company requested sponsorship support of around 30 companies that were expected to have synergy with the business of our company including our affiliates and around 10 funds. However, as a result of seeking such sponsor, only a few companies declared to support us, and only 2 companies conducted due diligence. Eventually only Diamond Electric made a final representation concerning the sponsorship support. Then, on September 25, 2018, Diamond Electric and our company executed the Memorandum of Understanding Concerning Support by Sponsor, and we started negotiation for the detail of the Support by sponsor. In course of such negotiation, Diamond Electric required us to abandon financial obligations that exceed the value of the business of the whole Tabuchi group, as well as, to obtain the majority of votes of our company with respect to the Third Party Allocation of Shares for which we shall set an appropriate issue price in accordance with our business conditions and financial situation as a condition precedent for the sponsor support. Although the fact that sponsor support is indispensable for our business turnaround is acknowledged, Diamond Electric and our company continued the discussions regarding the proposal of Diamond Electric aiming to make our business turnaround plan the best for all stakeholders and maintain fairness in the Business Turnaround ADR Procedure.

After the aforementioned negotiation, Diamond Electric and our company executed the Agreement Relating to Sponsor Support Regarding Third Party Allocation of Shares on October 16, 2018, and at our company's board of directors meeting on the same day, a resolution was reached for the assignment of the Allottee and planned issuance amount of the Third Party Allocation of Shares. At that time, we acknowledged that the details for the number of third party shares to be allocated and that the amount to be paid per share will be separately agreed by our company and the Allottee and will be resolved at our board of directors meeting.

Then, as described in "Notice on Change in Consolidated Subsidiary (Share Transfer)" dated November 6, 2018, Tecno Electric Industry Co., Ltd., which was totally-held subsidiary of our company and applied the Business Turnaround ADR procedure on the same day as our application date, and was accepted by Japanese Association of Turnaround Professionals (hereinafter referred as "TCN"), resolved and executed a share transfer agreement with Mr. Mutsuo Yonekura, who was president of TCN, to transfer all shares of TCN which we owned for the purpose of excluding TCN from Tabuchi's affiliate group before the Third Party Allocation of Shares. As a result, TCN terminated the Business Turnaround ADR Procedure on November 6, 2018, with an agreement of all TCN's creditors.

Furthermore, Diamond Electric and our company continued discussion and we reached an agreement regarding proposed business turnaround plans as described in "Notice Concerning "Proposed Business Turnaround Plan" Formulation, Creditors' Meeting Based on Business Turnaround ADR Procedures (Second Creditors' Meeting (Continuation)) and Future Plans" dated on November 7, 2018, and we explained details of our proposed business turnaround plans for creditors at Second Creditor's meeting on November 7, 2018. This proposed business turnaround plan will be aimed to be established by the agreement of creditors at the Third Creditors' Meeting which was held for the purpose of resolving this proposed business turnaround plan on December 7, 2018.

Finally, on November 19, 2018, Diamond Electric and our company agreed on details of the Third Party Allocation of Shares including but not limited to the number of third party shares to be allocated and the amount to be paid per share, and at our company's board of the directors meeting, a resolution was reached for the implementation of the Third Party Allocation of Shares. This Third Party Allocation of Shares will be subject to establishment of this business turnaround plan with agreement of the creditors at the 3rd Creditor's Meeting of the Business Turnaround ADR Procedure planned to be held on December 7th, and subject to approval for the Third Party Allocation of Shares at our extraordinary shareholders meeting planned to be held on December 18th 2018 (by an extraordinary resolution). Please note that, this resolution at this extraordinary shareholders meeting also serve as

the approval by shareholders meeting described in Article 206-2, paragraph (4) of Companies Act.

As stated above, due to our company's severe management and financial conditions, our company urgently requires improvement of our financial situation. That is why we decided to choose fund raising for recapitalization instead of bank loan or issuance of bonds. In addition, we have concluded that the Third Party Allocation of Share is the best way for us to raise funds and it is faster and more trustworthy compared with standard offer for public subscription or capital increase through shareholder allocation.

With regards to selecting a sponsor allottee, our company inquired and negotiated with several different potential sponsors. Diamond Electric's main business is the manufacture and sale of car equipment and electronic equipment. Their company's technical foundation is based on electromagnetic engineering and power electronic engineering similar to our company. With regards to those types of products, coil products and power conditioners are a common area for our company. Also, their company has a long history of experience and achievements in the in-vehicle industry which our company only recently started genuinely working in.

For this reason, the creation of a partnership support relationship with their company will contribute to raising our company's competitive edge and company value including consideration of business cooperation in future. Also, we can be thought of as the most suitable partner for the Allottee of the Third Party Allocation of Shares.

The Third Party Allocation of Shares will be a large-scale third party allocation and there is a possibility for our shares to be substantially diluted. However, as described above, the Third Party Allocation of Shares will greatly contribute to development of our company's business by enabling our company to implement quick measures in response to the difficult business environment which our company is confronting and to promote the reform of our cost structure. Therefore we believe that it will greatly contribute to raising the value of our shares.

#### (Outline of Sponsor Agreement)

The Allottee and our company agreed on the details below in the Sponsor Agreement on October 16, 2018.

(1) Type of shares for public offering: Common Shares

(2) Payment in total: 3,000,000,000 JPY

(3) Allottee and allocation of shares: by third party allocation of shares, all shares to be allocated to the Allottee

(4) Payment period: from the day after the extraordinary general shareholders meeting below until January 25, 2019

(5) Others

- This is subject to a condition precedent that proposed resolution regarding issuance of commons shares under the Third Party Allocation of Shares and any other related matters is approved at the extraordinary general shareholders meeting planned to be held in December 2018.

- This is also subject to a condition precedent that all authorizations that are necessary to be obtained for the Third Party Allocation of Shares are obtained. (including but not limited to completion of the procedures based on Japanese Antitrust Law and foreign competition laws, as well as becoming effective of a notification based on the Financial Instruments and Exchange Act (including but not limited to becoming effective of shelf registration statement and submission of shelf registration supplements).)

Also, in the Sponsor Agreement, our company and the Allottee agreed to the following contents as a precondition for acceptance and payment by the Allottee.

*Note: The original disclosure in Japanese was released on November 19, 2018 at 5:00pm (JST)*

- Our company's proposed business turnaround plan which shall include the support from the Subject Creditors (defined below) (hereinafter referred as the "Proposed Business Turnaround Plan") shall be established by the agreement of all creditors subject to the Business Turnaround ADR procedures (hereinafter referred as "Subject Creditors"). In addition, the contents of the Proposed Business Turnaround Plan are not to be in contradiction with the Third Party Allocation of Shares and the Allottee agrees with the contents.
- The Subject Creditors shall have performed all matters that must be performed by the payment date in accordance with the Proposed Business Turnaround Plan.
- All of the common shares (which are limited to shares free of lien) that our company's officers (This "officers" means directors and auditors. Hereinafter the same.) and Mr. Teruhisa Tabuchi, our company's chairman and director, possesses shall be acquired by our company free of charge by the payment date.
- By the payment date, in the contents agreed to by the Allottee, our company shall enter into a contract with our company's major shareholder TDK Corporation (hereinafter referred as "TDK") for the transfer of TDK's common shares to our company to take place free of charge on the major condition that the payment by the Allottee is made.
- It can be expected that, in accordance with the Allottee's reasonable judgment, there vision of working conditions of the officer and collective labor agreements will be implemented under socially accepted conventions (hereinafter referred as "Revision").

Also, our company promises to the Allottee that it shall comply with the following terms:

- Regardless of whether before or after the payment date, our company shall undertake to utilize maximum effort to execute the structural reform policy incorporated in the Proposed Business Turnaround Plan
- Immediately after the Sponsor Agreement is executed, our company shall start the Revision and, in accordance with the Sponsor Agreement, shall periodically report to the Allottee with regards to the status of the Revision.
- By the payment date, our company shall undertake the procedures to call a shareholders meeting, shall submit the proposed directors and auditors named by the Allottee, and shall hold a shareholders meeting. Our company shall perform the necessary procedures so that the directors and auditors appointed in the above shareholders meeting may take office immediately following the payment date.
- Our company shall have the officers at the end of the above mentioned shareholders meeting submit the forms for resignation which are subject to the condition precedent that newly appointed directors and auditors take office, and shall have such officers resign at the time of completion of such condition precedent.

In addition, the Allottee promises to our company to comply with the following term:

- Separate from the Sponsor Agreement, the Allottee shall make an effort to execute a DIP financing agreement (loan agreement) as a bridge loan with our company until the time of the Third Party Allocation of Shares is executed, with the Allottee as a lender and our company as a borrower, provided that Allottee and our company shall consider and discuss the necessity and reasonableness of such financing. (Furthermore, in the event that such DIP financing agreement is executed, the specific terms and conditions will be discussed and agreed upon separately).

## (2) Reason for Selecting this Third Party Allocation of Shares

As described in "(1) Background of the Third Party Allocation of Shares", as of the second quarter

of the fiscal year ending the end of March, 2019, our company itself had net assets of 3,801,000,000JPY in the negative (The end of the previous fiscal year was 822,000,000 JPY in the negative). As a result, our company is in violation of the covenants clause in several loan agreements executed with financial institutions (The loan balance as of September 30, 2018 is 3,117,000,000 JPY) and the situation has caused serious doubts on the going concern assumption of our company. Accordingly, we are making an effort for our credit enhancement and strengthening of our financial base by formulating business turnaround plan on the Business Turnaround ADR Procedure. In addition, in the course of the Business Turnaround ADR Procedure, all the related financial institution consented to extending the temporary suspension period to the end of the creditor's meeting for resolution of the proposed business turnaround plan, and we have requested consent for debt relief of 4,947.76 million JPY to all the related financial institution.

Under such circumstance, with regards to implementation of the Third Party Allocation of Shares, while our company inquired and negotiated with several different candidates as an allottee, only Diamond Electric responded and proposed details of conditions. Therefore, we selected Diamond Electric as an allottee of this Third Party Allocation of Shares.

In discussions regarding the conditions of the Third Party Allocation of Shares, Diamond Electric proposed the condition that the amount of payment in total at the Third Party Allocation of Shares would be 3 billion JPY, Diamond Electric would make our company a subsidiary by the Third Party Allocation of Shares, and the value per share would be 47 JPY or less as a result of the due diligence.

As our company has an excess of debt and is in severe financial situation, it will be difficult to implement the business turnaround plan without support from Diamond Electric. Also, considering the urgent need of the improvement of our financial situation, it is necessary to receive the investment fund from the Allottee by the Third Party Allocation of Shares immediately. In addition, continuing the business as a subsidiary of the Allottee after the Third Party Allocation of Shares will greatly contribute to development of our company's business by enabling our company to implement quick measures against the difficult business environment which our company is confronting and to promote the reform of our cost structure. Therefore we believe that it will greatly contribute to raising the value of our shares.

Three auditors of our company (two out of the three are outside company auditors) indicates their opinions regarding the legitimacy and necessity of the Third Party Allocation of Shares and reasonableness of issue terms and amount of issuance as follows:

This Third Party Allocation of Shares by the abovementioned amount to be paid will be the issuance of shares particularly favorable to the Allottee (Article 199, paragraph (3) of Companies Act). Also, after completion of the Third Party Allocation of Shares, the ratio of voting rights by the Allottee becomes 66.90%, and then, the Allottee becomes a Special Subscriber defined in Article 206-2, paragraph (1) of Companies Act. Implementation of this Third Party Allocation of Shares requires an approval for the Third Party Allocation of Shares at the extraordinary shareholders meeting planned to be held on December 18, 2018 (by an extraordinary resolution), and, this resolution at the extraordinary shareholders meeting also serves as the approval by shareholders meeting described in Article 206-2, paragraph (4) of Companies Act. Therefore, this issuance of shares by the Third Party Allocation of Shares under the condition of approval by the extraordinary resolution at the extraordinary shareholders meeting is concluded legitimate.

Our company itself has excess of debt of 3,801 million JPY. Therefore, under Specified Certified Dispute Resolution Procedures under the Industrial Competitiveness Enhancement Act, all the related financial institution consented to extending the temporary suspension period to the end of the creditor's meeting for resolution of the proposed business turnaround plan, and we have requested a consent on the debt relief of 4,947.76 million JPY to all the related financial institution as a part of proposed business turnaround plan. Since our company urgently requires improvement of our financial situation, bank loan or issuance of bonds cannot be chosen as an option, and it is necessary to recapitalize by the means of a Third Party Allocation of Shares which is faster and more trustworthy compared with standard offer for public subscription or capital increase through shareholder allocation.

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In addition, despite the fact that our company inquired and negotiated with several different candidate corporations, only the Allottee proposed the concrete conditions regarding issuance conditions and amount to be issued in the Third Party Allocation of Shares. Such issuance condition and amount to be issued in the Third Party Allocation of Shares is decided as a result of continuous discussion and negotiation with the Allottee for the purpose of immediate response to our severe business circumstance and promotion of improvement of business and cost structure. Although this issuance condition and amount to be issued of the Third Party Allocation of Shares will cause substantial stock dilution and the issuance of shares particularly favorable to the Allottee, implementation of the Third Party Allocation of Shares would be a solution for our excess of debt and achievement of abovementioned goal. Therefore, we believe that the Third Party Allocation of shares has certain reasonableness.

Moreover, we believe that the abovementioned amount to be paid is reasonable because the price is in range calculated based on the DCF method in the share valuation sheet by the third appraiser who does not have a conflict of interest in accordance with Certified Public Accountant Law.

Lastly, we have confirmed that the opinion of Toshihito Hayano, the outside director of our company, was not different from the opinion of our board of directors at the board of directors meeting held on November 19, 2018.

### 3. Amount to be Paid, Use of the Fund and Payment Period

#### (1) Amount of the fund

Total Amount to be Paid (JPY)	Approximate Cost of Various Issuance Expenses (JPY)	Approximate Amount of Net Proceeds(JPY)
2,999,999,989	10,500,000	2,989,499,989

(Annotation) 1. Issuance Expenses does not include consumption tax.

2. Contents of Issuance Expenses is equivalent to Registration and license tax

#### (2) Use of the fund

Use of Funds	Amount (Million JPY)	Planned Expenditure Period
(1) Structural Reform Funds	1,300	January 2019 –March 2020
(2) Capital Investment Funds	850	January 2019 –March 2021
(3) Working Capital	839.5	January 2019 –March 2019

(Annotation) 1. Procurement funds will be managed in our bank account until actual expenditure.

2. “Planned Expenditure Period” above assumed the payment by the Third Party Allocation of Shares will be paid in January, 2019.

#### ① Structural Reform Funds

Our company recognized the rapidly increasing demand for solar power generation spurred by enactment of the Act on Special Measures Concerning Procurement of Electricity from Renewable Energy Sources by Electricity Utilities (the “Act”) in 2011 (hereinafter referred as “Act on Special Measures for Renewable Energy”) and we achieved rapid business expansion by 2014. However, thereafter, 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 order to solve this situation and achieve reorganization of profit structure and recovery of our company's performance, our company will try to improve our profitability in Japan and outside Japan and secure the cash flow for medium-to-long term business growth by implementing several measures, in the Business Turnaround Plan, as follows:

(Measures for Reformulating Business (main points))

(1) Reviewing the Business Portfolio

We plan "selection and concentration", with regards to the Energy-solutions business, by withdrawing from the overseas market and shifting to the domestic house market and hybrid battery market featuring OEM business, as well as, with regards to the power device business, by withdrawing from some of the unprofitable products.

(2) Reduction of Fixed Cost

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 regards to the Energy-solutions business, we will focus our development and sales resources on the OEM business in Japan. With regards to the power 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 the Business Sponsor

With regards to the Energy-solution business, we are aiming for expanding sales promotion of power conditioners, and joint development of applications for vehicle use and expand sales channels thereof.

As these business reconstruction program, approximately 1,300,000,000JPY in expenditures are estimated out of the estimated net proceeds of the Third Party Allocation of Shares.

② Capital Investment Funds

We are bringing in capital investment for the purpose of Tabuchi Electric Co Ltd.'s factory automation, which will improve the efficiency of production, business affairs and our profitability, and our company's installment of the ERP (enterprise resource planning) system (enterprise system) in addition to the investment for renewing factory equipment.

As this capital investment money, approximately 850,000,000JPY in expenditures are estimated out of the estimated net proceeds of the Third Party Allocation of Shares.

③ Working Capital

Other than the above ①Structural Reform Funds and ②Capital Investment Funds, as immediate working capital, approximately 839,500,000 JPY in expenditures is estimated out of the net proceeds of the Third Party Allocation of Shares.

4. Way of Thinking Relating to the Reasonableness of the Use of Funds



*Note: The original disclosure in Japanese was released on November 19, 2018 at 5:00pm (JST)*

Regarding our company group's performance in the previous consolidated fiscal year (March 2018), our consolidated operating losses are 4,361,000,000JPY, our consolidated ordinary losses are 4,432,000,000 JPY, term net losses attributed to the parent company's shareholders are 8,830,000,000 JPY, and our consolidated balance sheet's section of net assets is 1,277,000,000JPY. In this first quarter of the consolidated accounting period, also, our consolidated operating losses are 815,000,000JPY, our consolidated ordinary losses are 697,000,000JPY, quarterly term net losses attributed to the parent company's shareholders are 743,000,000JPY, and our consolidated balance sheet's section of net assets is 439,000,000 JPY.

Besides, as for our company's basic profit and loss situation in the same period, our operating losses are 742,000,000JPY, our ordinary losses are 456,000,000JPY, and the current term's net losses are recorded as 672,000,000JPY, net assets is 1,510,000,000JPY in the negative. (The end of the previous fiscal year was 822,000,000 JPY in the negative).

This result is in violation of the covenants clause in several loan agreements executed with financial institutions (The loan balance as of September 30, 2018 is 3,117,000,000 JPY). These situations fall under the substantial operating losses, ordinary losses, quarterly losses attributed to the parent company's shareholder, and are in violation of covenants in the loan agreements. Therefore, the situation has caused serious doubts on the going concern assumption of our company.

Under this type of situation, by allocating the funds raised by the Third Party Allocation of Shares to structural reform funds, capital investment funds and working capital and using it for credit enhancement and financial base, our company undergoing Business Turnaround ADR Procedures will be instrumental in restoring our financial base in the early stages; in addition, it will increase the value of our company's shares, and will contribute to the profit of general investors including existing shareholders.

## 5. Reasonableness of Issuance Condition

### (1) Basis and details regarding calculation of the amount to be paid

The amount to be paid for common shares within shares for subscription in the Third Party Allocation of Shares is 47 JPY per share, which is a 71.69% discount from closing price of common share at Tokyo Stock Exchange as of the business day previous to the date of resolution of our board of directors meeting regarding the Third Party Allocation of Shares (November 16, 2018), (166 JPY) (hereinafter referred as "Market Value"). Also, such amount is a 73.14% discount from the average of closing price for the last one-month until the previous business day of resolution of our board of directors meeting, 170.14 JPY. Also, it is a 72.38% discount from the average of closing price for the last three-months until the previous business day of resolution of our board of directors meeting, and it is a 74.16% discount from the average closing price for the last six-months until the previous business day of resolution of our board of directors meeting, 181.87 JPY.

As described in "2. Purpose and Reason for the Public Offering (1) Background of this Third Party Allocation of Shares", as of the end of the second quarter of the fiscal year ending March, 2019, our company itself will have net assets of 3,801,000,000 JPY in the negative (The end of the previous fiscal year was 822,000,000 JPY in the negative). This result is in violation of the covenants clause in several loan agreements executed with financial institutions (The loan balance as of September 30, 2018 is 3,117,000,000 JPY), and the situation has caused serious doubts on the going concern assumption of our company. For that reason, currently we are working on enhancing our credit and strengthening our financial basis through formulating the business turnaround plan within the Business Turnaround ADR Procedure. In addition, our company received affirmation from all of the involved financial institutions subject to the Business Turnaround ADR Procedure for an extension of the temporary suspension period until the end of creditors meetings for the purpose of reaching a resolution of the business turnaround plan.

Under such circumstances, with regards to implementation of the Third Party Allocation of

Shares, while our company inquired and negotiated with several different allottee candidates, only Diamond Electric responded and proposed details of conditions. Therefore, we selected Diamond Electric as an allottee for this Third Party Allocation of Shares.

In discussions for the conditions of the Third Party Allocation of Shares, Diamond Electric proposed the condition that the amount of payment in total at the Third Party Allocation of Shares would be 3 billion JPY, Diamond Electric would make our company a subsidiary by the Third Party Allocation of Shares, and the value per share would be 47 JPY or less as a result of due diligence.

Our company acknowledges that this value per share, 47 JPY, would be significant discounted compared with the Market Value of common share or average value in the past and would impact heavily to shareholders. Therefore we called on the Allottee to raise the value of per share.

On the other hand, since our company is in a state of excess of debt and in a severe financial situation, it will be difficult to implement the business turnaround plan without support from the Allottee. In order to receive a support from an outside company in these circumstances which require immediate improvement of our financial situation in order to improve our profitability by structural reform of the business, our business turnaround plan should be understood and the value per share should be considerably lower than the Market Value. Although This value per share which is substantially lower than the Market Value shall be treated as issuance of shares particularly favorable to the Allottee in accordance with the “Rule Concerning Handling of Third Party Allotment of New Shares” made by Japan Securities Dealers Association, we need to promptly procure the cash amount which is required for implementation of the business turnaround plan. We decided to execute the Third Party Allocation of Shares with 47 JPY as the price per share, since we concluded that the Third Party Allocation of Shares at such price per share is reasonable and shareholders will understand by considering the following facts; there is no candidate to for this capital increase other than the Allottee, and no other practical and possible way of fundraising such as banking loan, bond issuance, and public offering is available; without subscription by the Allottee, it is difficult to solve our excess of debt and implement of structural business reform, and severe financial situation would continue and, as a result of that, there is a possibility of delisting; securing working capital by the capital increase enables us to continue our business; being a subsidiary of the Allottee is expected to achieve the reform of our profit structure and recovery of our performance; the price range per common share calculated by the third party appraiser (independent from our company and the Allottee) considering our future business plan is 0~169 JPY as described below.

Since this amount to be paid will be a considerably lower price than the Market Value, our company has requested Plutus Consulting Co., Ltd. (hereinafter referred as “Plutus Consulting”) which is a third party appraiser independent from our company and the Allottee to calculate the value of our shares as a reference as a reasonable standard of conclusion of the Allottee’s suggested price. We obtained a Valuation Report dated on November 2, 2018.

Plutus Consulting adopted a discounted cash flow (DCF) method (discount rate 9.654%) based on the business plan ((A) Business plan considering only the sales program which has a high degree of certainty on the assumption of structural reform implemented by our company itself, and (B) Business plan considering the additional new program by our company itself in addition to the business plan(A)) which is a stand-alone basis (which is assuming that our business continuation is secured by the Third Party Allocation of Shares, but does not consider business synergy with the Allottee’s business) submitted by our company. Then, Plutus Consulting calculated the price range of per our common share is 0~169 JPY. Therefore, the price per share of 47 JPY is in the range of abovementioned price range. According to the Valuation Report, since it is essential to take the earning capacity of the corporation into account for evaluating the value of the corporation, the future earning capacity should be directly evaluated in first, and then the income approach taking characteristic situations into account should be adopted. Furthermore, among such approach, the DCF method has been applied the broadest and the most logical way to evaluate the value of companies based on the earning capacity in the future. Please note that our company does not include any substantial increase or decrease of profit in this business turnaround plan.

(Annotation)

As Plutus Consulting calculated on the assumption of the accuracy or completeness of the

materials or information used for calculation of the value of the share, Plutus Consulting did not independently review the accuracy and completeness of such materials. This valuation of the shares is on the assumption that our future business plan is reasonably made based on the best forecast and there is not any undisclosed substantial facts, as well as contingent liability, off-the-book loan, and lawsuit which may cause a substantial impact on our business.

In addition, the issue of common share by this Third Party Allocation of Shares is conditioned on the establishment of the Business Turnaround ADR Procedure. Also, since the amount to be paid is particularly favorable to the Allottee, the issuance of new shares under the Third Party Allocation of Shares shall be approved by extraordinary resolution at this extraordinary shareholders meeting.

The aforementioned Valuation Report was obtained on November 2, 2018. This is because the Allottee and our company discussed aiming towards agreement of details of the Third Party Allocation of Shares including amount of issuance and amount to be paid prior to making the business turnaround plan dated on November 7, 2018, and the Creditors' Meeting in accordance with the Business Turnaround ADR Procedure on the same day (Second Creditors' Meeting). This Valuation Report has been calculated by the DCF method based on business plan until the fiscal year ending March 2023 created by our company, and the contents of this business plan has not been changed as of today. Considering our business conditions and the transition of price of our shares after obtaining the Valuation Report, there are no facts that have arisen that may cause a serious influence on the conclusion of the Report from the date of the Valuation Report to today. Therefore, we believe that the conclusion of the Valuation Report is valid as of today.

We decided to implement this Third Party Allocation of Shares with 47 JPY as the price per share under the condition of the approval by an extraordinary resolution from shareholders at the extraordinary shareholder meeting planned to be held on December 18, 2018, because execution of this Third Party Allocation of Shares by aforementioned price is a issuance particularly favorable to the Allottee in accordance with Article 199, paragraph (3) of Companies' Act and "the Guideline Concerning Handling of Third Party Allocation of Share" made by the Japan Securities Dealers Association.

Regarding opinions for legality of this Third Party Allocation of Shares declared by our three auditors (two out of three are outside corporate auditors), please refer to "2. Purpose and Reason for the Public Offering (2) Reason for selection of the Third Party Allocation of Shares".

(2) The reason for our conclusion that the amount of issuance and the scale of stock dilution are reasonable

Number of shares to be allotted to the Allottee by the Third Party Allocation of Shares is 63,829,787 and the number of voting rights on these shares is 638,297 which will be 157.98% (rounded off to the second decimal place) to 404,031, the number of voting right on the total number of issued shares 40,502,649 as of September 30, 2018. Therefore, stock dilution of 25% or more will occur to all existing shareholders.

Nonetheless, we believe that this fund raising by the Third Party Allocation of Shares scheduled to be applied on Structural Reform Funds, Capital Investment Funds and Working Capital will lead to accelerate the consolidation of the financial basis for our company which is working on business turnaround under the Business Turnaround ADR Procedure, enhance our value of shares, therefore, contribute to the benefit of general investors such as existing shareholders.

Although we recognize it is inevitable for stock dilution by the Third Party Allocation of Shares to occur, temporarily imposing a burden on shareholders, we still assume that the temporary burden on shareholders will not overstep a reasonable limitation considering the dilution rate by the Third Party Allocation of Shares, because all related financial institutions who are creditors subject to the Business Turnaround ADR Procedures consented to extending the temporary suspension period to the end of the creditor's meeting for resolution of the proposed business turnaround plan, and we have requested a consent on the debt relief of 4,947.76 million JPY to all the related financial institution as a part of this Business Turnaround ADR Procedure.

Accordingly, we figured the amount of issuing new shares and the scale of our stock dilution by

Note: The original disclosure in Japanese was released on November 19, 2018 at 5:00pm (JST)

this Third Party Allocation of Shares is sufficiently necessary and reasonable.

Provided that the Third Party Allocation of Shares which will cause stock dilution of 25% or more needs approval of extraordinary resolution by existing shareholders at the extraordinary shareholders meeting regarding the conditions including but not limited to the scale of this Third Party Allocation of Shares.

6. Reason for Selecting the Allottee, etc.

(1) Summary of the Allottee

(1) Name	Diamond Electric MFG. Co., Ltd.		
(2) Venue	1-15-27, Tsukamoto, Yodogawa-ku, Osaka		
(3) Representative's Title / Name	Managing Director/President CEO Yuri Ono		
(4) Primary Business Contents	Manufacture and Sale of automobile electronic components and home Electronic components		
(5) Capital	2,190,000,000 JPY		
(6) Date Established	June 17, 1940		
(7) Number of Shares Issued	3,659,760 shares		
(8) End of Fiscal Year	March 31		
(9) Number of Employees	2,203(Consolidated)		
(10) Major Customers	LIXIL Group, SUBARU, Chrysler, Glory, Corona, Suzuki Motor, General Motors, Daikin Industries, Daihatsu Motor, Daimler, Toshiba Carrier, Toyota Motor, Toyotomi, Noritz, Ford Motor, MAX, Mazda Motor, Mitsubishi Motors, Mitsubishi Heavy Industries		
(11) Major Banks for Transactions	Mitsui Sumitomo Bank, Resona Bank, Tottori Bank, MUFG Bank, Development Bank of Japan		
(12) Major Shareholder and Ratio of the Share	100% Diamond Electric Holdings Co., Ltd.		
(13) Relationship between our company and the Allottee			
Capital Relationship	No relevant item		
Human Relationship	No relevant item		
Business Relationship	Transaction on sales of our products		
Status as to related parties	No relevant item		
(14) Operating result and financial conditions in recent 3 years (consolidated)			
Fiscal Year	2015	2016	2017
Net Assets	7,238 million JPY	7,868 million JPY	7,390 million JPY
Gross Assets	31,500 million JPY	34,591 million JPY	34,783 million JPY
Net Assets per share	1,558.13 JPY	1,730.99 JPY	2,016.34 JPY
Sales	59,208 million JPY	58,151 million JPY	57,996 million JPY
Operating Profit	2,357 million JPY	2,291 million JPY	2,439 million JPY
Ordinary Profit	2,219 million JPY	2,212 million JPY	2,313 million JPY

Note: The original disclosure in Japanese was released on November 19, 2018 at 5:00pm (JST)

Current Profit	△1,381 million JPY	731 million JPY	1,019 million JPY
Current Profit per share	△398.30 JPY	203.22 JPY	282.58 JPY
Dividends per share (common share)	5.00 JPY	-	25.00 JPY

(Annotation)

1. Capital and the Number of Employees is as of March 31, 2018. Also, Major Shareholder and Share Percentage is as of October 1, 2018.
2. On October 1, 2017, Diamond Electric MFG. Co., Ltd. merged common stock at 1 share per 5 shares. On April 1, 2018, Diamond Electric MFG. Co., Ltd. split shares in proportion at 2 shares per 1 share. The number of issued shares is as of April 1, 2018. The net asset price per share and net profit per share is calculated supposing that corresponding merging and splitting of shares took place at the beginning of the March 2016 term.
3. The Allottee was listed in the second section of the Tokyo Stock Exchange until September 26, 2018, but due to Allottee's individual stock transfer, on October 1, 2018, the Allottee became a wholly owned subsidiary of Diamond Electric Holdings Co., Ltd. Our company decided that the Allottee and its officers and shareholders do not have any connection at all criminal groups or individuals after confirming Allottee's documents that were submitted to the stock exchange on July 6, 2018, including the corporate governance report, and the basic policy for excluding criminal groups or individuals and such implementation described in the corporate governance report submitted on October 1, 2018 by Diamond Electric Holdings Co., Ltd. who had become a full parent company, on the website of the stock exchange. Also, our company plans to receive documents from the Allottee to the effect that it, its officers, and its primary shareholders (primary investors) do not have any relationship with criminal groups and individuals.

(2) Reason for the Selection of the Allottee

As described in "2. Purpose and reason for the issue of subscription (1) Details to this Third Party Allocation of Shares", with regard to our company group's performance in the previous consolidated fiscal year (March 2018), our consolidated operating losses are 4,361,000,000JPY, our consolidated ordinary losses are 4,432,000,000 JPY, term net losses attributed to the parent company's shareholders are 8,830,000,000 JPY, and our consolidated balance sheet's section of net assets is 1,277,000,000JPY. In this second quarter of the consolidated accounting period, also, our consolidated operating losses are 1,023,000,000JPY, our consolidated ordinary losses are 781,000,000JPY, quarterly term net losses attributed to the parent company's shareholders are 3,644,000,000JPY, and our consolidated balance sheet's section of net assets is 2,564,000 JPY. Besides, as for our company's basic profit and loss situation in the same period, our operating losses are 1,023,000JPY, our ordinary losses are 626,000,000JPY, and the current term's net losses are recorded as 2,905,000,000JPY, net assets is 3,801,000,000JPY in the negative. (The end of the previous fiscal year was 822,000,000 JPY in the negative).

This result is in violation of the covenants clause in several loan agreements executed with financial institutions (The loan balance as of September 30, 2018 is 3,117,000,000 JPY) and the situation has caused serious doubts on the going concern assumption of our company.

In this situation, our company has considered drastic business restructuring for planning to strengthen our profit structure and restructuring of our financial structure. For this purpose, as disclosed in the "Notice Concerning Formal Application and Acceptance for the Business Turnaround ADR Procedures" on June 25, 2018, on the same day, our company as well as our two subsidiaries Tabuchi Electronic Industry Co., Ltd. and TCN made a formal application for Business Turnaround ADR Procedures. Our application was accepted on the same day, and our company sent a "Notice of Temporary Suspension" to all financial institutions. Afterwards, on July 4th, with the attendance of all related financial institutions who are creditors subject to the Business Turnaround ADR Procedures, a creditors' meeting was held to explain and

summarize the process proposed business turnaround plan based on the Procedures (First Creditors' Meeting). At that meeting our company received consent (ratification) from all of the involved financial institutions for the "Notice of Temporary Suspension" and at the same time received affirmation for an extension of the temporary suspension period until the end of Creditors' Meetings for the purpose of reaching a resolution of the business turnaround plan. (In the event that meetings are postponed / continue, the postponement / continuation is included). In addition, with regards to the raising of funds from the major involved financial institutions (DIP Finance), our company also received approval from all of the financial institutions for the loan, and priority creditor rights related to the loan.

In addition, the Second Creditors' Meeting was held on August 6, 2018 and continuation was held on September 7th. In those meetings, our company reported that the formulation of the business turnaround plan is expected to take some time and the discussions of the business turnaround plan continued.

Under these circumstances, we believe that support from sponsor(s) is essential to revitalize our business with credit enhancement and strengthening of financial basis for formulation of the proposed business turnaround plan. Our company requested sponsorship support of around 30 companies that were expected to have synergy with the business of our company including our affiliates and around 10 funds. However, as a result of seeking such sponsor, only a few companies declared to support us, and only 2 companies conducted due diligence. Eventually only Diamond Electric made a final representation concerning the sponsorship support. Then, on September 25, 2018, Diamond Electric and our company executed the Memorandum of Understanding Concerning Support by Sponsor, and we started negotiation for the detail of the Support by sponsor. In course of such negotiation, Diamond Electric required us to abandon financial obligations that exceed the value of the business of the whole Tabuchi group, as well as, to obtain the majority of votes of our company with respect to the Third Party Allocation of Shares for which we shall set an appropriate issue price in accordance with our business conditions and financial situation as a condition precedent for the sponsor support. Although the fact that sponsor support is indispensable for our business turnaround is acknowledged, Diamond Electric and our company continued the discussions regarding the proposal of Diamond Electric aiming to make our business turnaround plan the best for all stakeholders and maintain fairness in the Business Turnaround ADR Procedure.

After the aforementioned negotiation, Diamond Electric and our company executed the Agreement Relating to Sponsor Support Regarding Third Party Allocation of Shares on October 16, 2018, and at our company's board of directors meeting on the same day, a resolution was reached for the assignment of the Allottee and planned issuance amount of the Third Party Allocation of Shares. At that time, we acknowledged that the details for the number of third party shares to be allocated and that the amount to be paid per share will be separately agreed by our company and the Allottee and will be resolved at our board of directors meeting.

Then, as described in "Notice on Change in Consolidated Subsidiary (Share Transfer)" dated November 6, 2018, TCN resolved and executed a share transfer agreement with Mr. Mutsuo Yonekura, who was president of TCN, to transfer all shares of TCN which we owned for the purpose of excluding TCN from Tabuchi's affiliate group before the Third Party Allocation of Shares. As a result, TCN terminated the Business Turnaround ADR Procedure on November 6, 2018, with an agreement of all TCN's creditors.

Furthermore, Diamond Electric and our company continued discussion and we reached an agreement regarding proposed business turnaround plans as described in "Notice Concerning "Proposed Business Turnaround Plan" Formulation, Creditors' Meeting Based on Business Turnaround ADR Procedures (Second Creditors' Meeting (Continuation)) and Future Plans" dated on November 7, 2018, and we explained details of our proposed business turnaround plans for creditors at Second Creditor's meeting on November 7, 2018. This proposed business turnaround plan will be aimed to be established by the agreement of creditors at the Third Creditors' Meeting which was held for the purpose of resolving this proposed business turnaround plan on December 7, 2018.

Finally, on November 19, 2018, Diamond Electric and our company agreed on details of the Third Party Allocation of Shares including but not limited to the number of third party shares to be allocated and the amount to be paid per share, and at our company's board of the directors meeting, a resolution

was reached for the implementation of the Third Party Allocation of Shares. This Third Party Allocation of Shares will be subject to establishment of this business turnaround plan with agreement of the creditors at the 3rd Creditor’s Meeting of the Business Turnaround ADR Procedure planned to be held on December 7th, and subject to approval for the Third Party Allocation of Shares at our extraordinary shareholders meeting planned to be held on December 18th 2018 (by an extraordinary resolution). Please note that, this resolution at this extraordinary shareholders meeting also serve as the approval by shareholders meeting described in Article 206-2, paragraph (4) of Companies Act.

As stated above, due to our company’s severe management and financial conditions, our company urgently requires improvement of our financial situation. That is why we decided to choose fund raising for recapitalization instead of bank loan or issuance of bonds. In addition, we have concluded that the Third Party Allocation of Share is the best way for us to raise funds and it is faster and more trustworthy compared with standard offer for public subscription or capital increase through shareholder allocation.

With regards to selecting a sponsor allottee, our company inquired and negotiated with several different potential sponsors. Diamond Electric’s main business is the manufacture and sale of car equipment and electronic equipment. Their company’s technical foundation is based on electromagnetic engineering and power electronic engineering similar to our company. With regards to those types of products, coil products and power conditioners are a common area for our company. Also, their company has a long history of experience and achievements in the in-vehicle industry which our company only recently started genuinely working in.

For this reason, the creation of a partnership support relationship with their company will contribute to raising our company’s competitive edge and company value including consideration of business cooperation in future. Also, we can be thought of as the most suitable partner for the Allottee of the Third Party Allocation of Shares.

The Third Party Allocation of Shares will be a large-scale third party allocation and there is a possibility for our shares to be substantially diluted. However, as described above, the Third Party Allocation of Shares will greatly contribute to development of our company’s business by enabling our company to implement quick measures in response to the difficult business environment which our company is confronting and to promote the reform of our cost structure. Therefore we believe that it will greatly contribute to raising the value of our shares.

our company

(3) Allottee’s Policy Concerning Shareholding

Our company confirmed that the Allottee intends to make our company their subsidiary and keep shares of our company from a medium – to long- term perspective.

In addition, our company intends to obtain a confirmation letter from the Allottee that declares an agreement of reporting of contents regarding transfer whole or part of the common shares within 2 years from the payment due date of the Third Party Allocation of Shares to our company, reporting aforementioned matters to the Tokyo Stock Exchange by our company, and disclosure of aforementioned matters to public.

(4) Confirmation of the Allottee’s Assets Required for Payment

As a result of the validation of the previous annual report of the Allottee (submitted on June 25, 2018) and “Concerning disclosure of the settlement regarding the delisted subsidiary (Diamond Electric MFG Co., Ltd.)” on November 9, 2018, by Diamond Electric Holdings Co., Ltd., a parent company of Diamond Electric, there is no problem for assurance of payment of this Third Party Allocation of Shares.

7. Major Shareholder and Shareholders Percentages after the Public Offering

Before the public offering (As of September 30, 2018)		After the public offering	
TDK Corporation	19.80	Diamond Electric MFG Co., Ltd.	66.90
Midori Co., Ltd	6.99	Midori Co., Ltd	2.96
Mizuho Bank, Ltd.	4.66	Mizuho Bank, Ltd.	1.97
Teruhisa Tabuchi	3.01	The Zenitaka Corporation	0.94

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The Zenitaka Corporation	2.23	Teruhisa Tabuchi	0.85
Miyoshi Electorionics Corporation	1.57	Miyoshi Electorionics Corporation	0.67
Marubeni-Itochu Steel Inc.	1.55	Marubeni-Itochu Steel Inc.	0.66
Sumitomo Mitsui Banking Corporation	1.49	Sumitomo Mitsui Banking Corporation	0.63
Nippon Life Insurance Company	1.46	Nippon Life Insurance Company	0.62
JFE Steel Corporation	1.42	JFE Steel Corporation	0.60

(Annotation)

1. The major shareholders and share percentages before the public offering are based on the register of shareholders as of March 31, 2018. Furthermore, on that day, our company owned 85,000 treasury shares.

2. The major shareholders and share percentages before the public offering are rounded off to the third decimal place.

3. In the Sponsor Agreement, acquirement of all of the common share of our company held by TDK(8,000,000 shares), all of the common share of our company held by our Directors and all of the common shares of our company held by Mr. Teruhisa Tabuchi, Chairman and Director of Tabuchi Electoric Co., Ltd. (excluding shares subject to the mortgage) (816,872 shares in total including 6,000 shares in the name of the Officer's Shareholding Association and possible to transfer for free of charge) for free by our company shall be the conditions precedent of the Third Party Allocation of Shares, and the chart above is on the assumption of implementing these conditions.

#### 8. The Outlook Going Forward

The funds raised by the Third Party Allocation of Shares will be allocated to our company's Restructuring Funds, Capital Investment Funds, and Working Capital; however, the exact results that this will have on our business performance is currently being investigated. Going forward, when details of the influence on our performance are evident, we will immediately release such information.

The Third Party Allocation of Shares' Allottee and planned issuance amount were decided by resolution at our company's Board of Director's meeting held on October 16, 2018. The details of the Third Party Allocation of Shares including but not limited to the number of shares to be issued and the price per 1 share will be decided separately by agreement between our company and Allottee and by resolution at our company's Board of Directors meeting. Also, the Third Party Allocation of Shares shall be subject to the condition that, at the Third Creditors' Meeting for Business Turnaround ADR Procedures that will be held on December 7, 2018, the business turnaround plan is established by agreements of the subject creditors, and, at the extraordinary shareholders meeting that is to be held in December, 2018, the proposed Third Party Allocation of Shares is admitted. Further, this resolution at the extraordinary shareholder meeting holds approval of the resolution of shareholder meeting stated in Article 206-2, paragraph (4) of Companies Act.

#### 9. Matters Regarding Corporate Code of Conduct

Since this Third Party Allocation of shares will fall under large scale of third party allocation including 25% or more of stock dilution, 66.90% of the vote is owned by Allottee at the time of completion of issuing new shares and Diamond Electric will be a parent company of our company, we need opinions from an individual third party or confirmation of intent of shareholders defined in Article 432, Securities Listing Regulations of Tokyo Stock Exchange. We therefore plan to confirm the intentions of all shareholders at the extraordinary shareholders meeting planned to be held on December 18, 2018.

Further, in the Sponsor Agreement, acquirement by the payment date of all of the common share of our company held by TDK(8,000,000 shares), all of the common share of our company held by our Directors and all of the common shares of our company held by Mr. Teruhisa Tabuchi, Chairman and



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Director of Tabuchi Electric Co., Ltd. (excluding shares subject to the mortgage) (816,872 shares in total including 6,000 shares in the name of the Officer's Shareholding Association and possible to transfer for free of charge) for free by our company shall be the conditions precedent of the Third Party Allocation of Shares. Therefore, the percentage of the voting rights which will be held by the Allottee is a number after completion of such acquirement.

Moreover, notwithstanding Article 206-2, paragraph (4) of Companies' Act stipulates that allotment of share for subscription by a specific allottee requires approval by shareholders meeting in the event that the shareholder who holds one-tenth or more of the voting rights of all shareholders' make objection, we figure that it is appropriate to obtain approval by shareholders regardless occurrence of an objection, and we decided to submit as a bill to this extraordinary shareholders meeting, in consideration of the importance of this Third Party Allocation of Shares.

#### 10. Business Results and Equity Financial Situation in Recent 3 Years

##### (1) Business results in recent 3 years (consolidated)

	2015 fiscal year	2016 fiscal year	2017 fiscal year
Sales	39,103M JPY	26,156M JPY	26,417M JPY
Operating profit or loss (△)	4,916M JPY	△3,333M JPY	△4,361M JPY
Ordinary profit or loss (△)	4,704M JPY	△3,415M JPY	△4,432M JPY
Current profit or loss attributed to parent company (△)	3,181M JPY	△5,782M JPY	△8,830M JPY
Current profit or loss per share (△)	78.72 JPY	△143.07 JPY	△218.48JPY
Dividend per share	16.00 JPY	8.00 JPY	-JPY
Net assets per share	404.86 JPY	245.08 JPY	31.61JPY

##### (2) Status of Issued and Potential Shares as of September 30, 2018

	Number of shares	Ratio of issued shares (%)
Number of issued shares	40,502,649 shares	100
Number of potential shareholders on present issued price	-	-
Number of potential shareholders on minimum conversion value (issued price)	-	-
Number of potential shareholders on maximum conversion value (issued price)	-	-

##### (3) Share Prices Recently

###### 1) Share prices in recent 3 years

	2015 fiscal year	2016 fiscal year	2017 fiscal year
Opening rate	1,372 JPY	524 JPY	339 JPY
High rate	1,414 JPY	535 JPY	414 JPY
Low rate	397 JPY	302 JPY	255 JPY
Closing rate	527 JPY	337 JPY	275 JPY

###### 2) Share prices in recent 6 months

Note: The original disclosure in Japanese was released on November 19, 2018 at 5:00pm (JST)

	May, 2018	June	July	August	September	October
Opening rate	285 JPY	241 JPY	112 JPY	158 JPY	158 JPY	237 JPY
High rate	305 JPY	314 JPY	175 JPY	175 JPY	318 JPY	259 JPY
Low rate	257 JPY	110 JPY	112 JPY	129 JPY	133 JPY	155 JPY
Closing rate	257 JPY	113 JPY	156 JPY	158 JPY	238 JPY	166 JPY

3) Share price as of the before business day of filing date of this shelf registration statement

	November 16, 2018
Opening rate	170 JPY
High rate	178 JPY
Low rate	166 JPY
Closing rate	166 JPY

- (4) Equity financial situation in recent 3 years  
No relevant item

1. Requirement of the issue

(1)	Number of share subscription	63,829,787 shares of common share
(2)	Amount of the payment	47JPY per share
(3)	Total amount of the payment	2,999,999,989 JPY
(4)	Amount of Capital Increase and Capital Reserve	Amount of Capital Increase 1,500,000,000 JPY Amount of Capital Reserve 1,499,999,989 JPY
(5)	Method of Public Offering	All shares are planned to be allocated to the Allottee using the method of third party allocation.
(6)	Application due	November 19, 2018
(7)	Payment term	From the next day of the extraordinary shareholder meeting to January 25, 2019
(8)	Allottee and number of the allotment	Diamond Electric MFG Co., Ltd. 63,829,787 shares
(9)	Others	This Third Party Allocation of Shares which was resolved by the board of directors meeting on November 19, 2018 requires execution by the agreement with all of the creditors who are involved in the Business Turnaround ADR Procedures and approval of the Third Party Allocation of shares at the extraordinary shareholder meeting on December 18, 2018 at Business Turnaround ADR Procedure. Accordingly, the resolution at the extraordinary shareholder meeting holds approval by shareholder meeting stated in Article 206-2, paragraph (4) of Companies Act.

II. Change of major shareholder, the largest shareholder as major shareholder, and parent company

1. Details for the change

The following changes will occur; change of major shareholder, the largest shareholder as major shareholder, and parent company by this Third Party Allocation of Shares. Specifically, Diamond Electric, an Allottee of our company, will be newly the major shareholder, the largest shareholder as major shareholder, and parent company. In addition, TDK, present major shareholder, the largest

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shareholder as major shareholder, agrees that all the shares of our company held by TDK will be transferred to our company for free when the conditions such as implementation of this Third Party Allocation of Shares and establishment of this business turnaround plan by approval of the creditors are completed, as described in “Notice regarding dissolution of capital and business alliance with TDK and change of major and largest shareholder” dated on November 7, 2018. If this occurs, TDK Corporation will be no longer our major shareholder, and the largest shareholder as major shareholder.

2. Outline of shareholder to be changed

- (1) New major shareholder, the largest shareholder as major shareholder and parent company

Name: Diamond Electric MFG Co., Ltd.

Regarding outline of Diamond Electric, please refer to “I. Issuing new shares by the Third Party Allocation 6. (1) Summary of the Allottee”.

- (2) The shareholder who will be no longer major shareholder and the largest shareholder as major shareholder

Name: TDK Corporation

Regarding outline of TDK, please refer to “Notice regarding dissolution of capital and business alliance with TDK Corporation and change of major and the largest shareholder”.

3. Number of votes these shareholders held before and after the change, and ratio to the numbers of vote of all of shareholders’

- (1) Diamond Electric MFG Co., Ltd.

	Attribute	Number of votes		
		Direct Ownership	Indirect Ownership	Total
Before the change (As of September 30, 2018)	—	0 (0.00%)	0 (0.00%)	0 (0.00%)
After the change	Parent company and the largest shareholder as major shareholder	638,297 (66.90%)	0 (0.00%)	638,297 (66.90%)

- (1) TDK Corporation

	Number of vote (Number of equity securities)	Ratio of the vote held by all shareholders	Rank
Before the change (As of September 30, 2018)	80,000 (8,000,000 shares)	19.80%	1
After the change	0 (0 share)	0.00%	—

(Annotation) 1. Number of votes and ratio of the votes of all shareholders are based on shareholder list on September 30, 2018.

2. In the Sponsor Agreement, acquirement of all of the common share of our company held by TDK(8,000,000 shares), all of the common share of our company held by our Directors and all of the common shares of our company held by Mr. Teruhisa

*Note: The original disclosure in Japanese was released on November 19, 2018 at 5:00pm (JST)*

Tabuchi, Chairman and Director of Tabuchi Electric Co., Ltd. (excluding shares subject to the mortgage) (816,872 shares in total including 6,000 shares in the name of the shareholding association and possible to transfer for free of charge,) for free by our company shall be the conditions precedent of the Third Party Allocation of Shares, and the number and ratio “After the change” in the chart above is on the assumption of execution of these conditions.

4. Scheduled date of the transfer

To be determined

(Annotation) The payment term of this Third Party Allocation of Shares is from the day following the extraordinary shareholders meeting planned to be held on December 18, 2018 to January 25, 2019.

5. Future prospect

Please refer to “I. Issuing new shares by the Third Party Allocation 8. The Outlook Going Forward”.

(End of the script)