June 2, 2017

To whom it may concern

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Notice on Notes Relating to Going Concern Assumption

Tabuchi Electric Co., Ltd. (hereinafter the "Company," Head Office: Yodogawa, Osaka; President and Chief Executive Officer: Toshihiro Kaihoshi) hereby announces that, at the meeting of the Board of Directors held on June 2, 2017, it decided to add the following description to "Notes Relating to Going Concern Assumption of the Financial Results Summary for the Fiscal Year Ended March 31, 2017 [Japan GAAP] (Consolidated)."

1. Reasons for adding said notes

The Company had stated on May 10, 2017 "Not applicable" in the report "(5) Notes to Consolidated Financial Statements (Notes Relating to Going Concern Assumption)" of "3. Consolidated Financial Statements and Major Notes" regarding Financial Results Summary for the Fiscal Year Ended March 31, 2017 [JGAAP] (Consolidated)" (hereinafter the "Financial Results Summary").

Although the audit procedures for the financial statements for the fiscal year ended March 2017 had not yet been completed at the time when the Financial Results Summary was announced, the subsequent discussions between the Company and the Accounting Auditor brought the following issues to light.

- The Company had conflicts with the restrictive financial covenant of the loan agreement with the Bank of Tokyo-Mitsubishi UFJ, Ltd., and has been discussing an amendment to the agreement.
- Regarding the Global Commitment Line Agreement under which Mizuho Bank, Ltd. serves as an agent, the Company concluded an amendment to the agreement dated March 31, 2017. However, due to changes in the business environment and other factors surrounding the Company Group, if the Company violates the restrictive financial covenant of the amended agreement, the Company will lose the benefit of time, which may bring material impacts on its financing management.
  For the aforementioned reasons, the Company decided to amend the description of the notes. The details of the notes are stated below in "2. Notes Relating to Going Concern Assumption."

2. Notes Relating to Going Concern Assumption

In the consolidated fiscal year ended March 31, 2017, the Company Group posted net sales of 26,156 million yen (compared to net sales of 39,103 million yen for the same period of the previous fiscal year), operating loss of 3,333 million yen, ordinary loss of 3,415 million yen, and net loss attributable to owners of the parent of 5,782 million yen with net assets of 9,905 million yen in the consolidated balance sheet. The consolidated balance sheet at the end of the fiscal year under review stated short-term loans payable, long-term loans payable, current portion of long-term loans payable, bonds payable, current portion of bonds, and lease obligations, which totaled 9,374 million yen.

The above financial results gave rise to concerns that the Company might have conflicts with the standards on consolidated net assets and non-consolidated net assets stated in the restrictive financial covenant of the Global Commitment Line Agreement (commitment line of 4,000 million yen and borrowing balance of 3,235 million yen at the end of the consolidated fiscal year under review) under which Mizuho Bank, Ltd., the Company's main bank, serves as an agent. Therefore, the Company had discussions with the group of banks, and concluded an amendment to the agreement dated March 31, 2017. Meanwhile, the Company had conflicts with the standards on consolidated net assets and non-consolidated net assets respectively of the restrictive financial covenant of the Global Credit Facility Agreement (credit line of 1,000 million yen and borrowing balance of 460 million yen at the end of the consolidated fiscal year under review) under which the Bank of Tokyo-Mitsubishi UFJ, Ltd. serves as an agent, and is currently discussing making an amendment to the agreement.

As stated above, the Company has faced conditions in which there are a considerable decline in net sales, the posting of an operating loss, ordinary loss, or net loss at material levels, and conflicts with the restrictive financial covenants, indicating the existence of events or circumstances which could cause material doubts on the going concern assumption.

In a bid to resolve the aforementioned situation and reform the profitability structure while recovering operating performance, the Company Group drew up the management restructuring strategy, and started working on the following concrete measures aimed at boosting sales at home and abroad and securing a stable cash flow toward medium- and long-term growth.

1. Reduction in fixed expenses
   The Company will focus on optimizing the production structure by stepping up efforts for thorough energy-saving, overhauling the production bases in international operations and taking other measures. At the same time, it will strictly manage a reduction in fixed expenses by suppressing labor costs through cutting directors' remuneration and bonuses, examining the labor structure, and curbing logistics costs and other administrative expenses.

2. Business organizational reform
   The Company will introduce the divisional organization structure and strengthen its globally oriented structure in production development and sales with (i) speedy decision-making, (ii) identification of divisional earnings and accountability, and (iii) integration of production, technology and sales.

3. Sales growth by broadening lineups of competitive products
   The Company will focus on releasing cost competitive products with specific functions, gradually launching high-capacity models (50kw and above) which are adaptable for use at a large-sized power plant, reinforcing proposal capabilities by broadening lineups of existing high-performance products, and releasing globally competitive new products that mainly aim to be cost effective.

In the operating performance for fiscal 2017, the Power Supplies Business has been on a steady trend with respect to orders of amusement power supplies, while it will broaden sales of solar inverters for PV power-generation by releasing cost-competitive new products targeted at high-voltage transmission transactions with growing demand. In international operations, the Company will focus on exploring markets in the South East Asian region, and boosting sales centered on hybrid inverter with a battery-backup in anticipation of rising demand in the North American market. While expecting to maintain a solid operating performance, the Transformer Business will also focus on the development and orders of products tailored for vehicles for a future course.

In addition to the aforementioned measures, the Company Group has been striving to further stabilize fund raising and cash flow management by issuing timely reports on the results of operating performance and financial conditions to financial institution partners, and forming favorable relationships with their understanding. The Company has obtained long-term loans payable totaling 1,700 million yen in March 2017, and taking out an additional long-term borrowing is under discussion.

However, with the management restructuring strategy still in the middle of its implementation, as stated above, the Company is continuing to have discussions on an amendment to the agreement with the Bank of Tokyo-Mitsubishi UFJ, Ltd., despite obtaining understanding from the counterpart regarding financial institutions' support and cooperation.

Regarding the Global Commitment Line Agreement under which Mizuho Bank, Ltd. serves as an agent, the Company made an amendment to the agreement dated March 31, 2017 because of concerns that it may have conflicts with the standards on consolidated net assets and non-consolidated net assets respectively of the restrictive financial covenant of the said agreement. The following are details of the restrictive financial covenant of the amended agreement.

(i) Standard for consolidated net assets: The Company must maintain net assets at 65% or above of the value of the net assets of the consolidated balance sheet as of March 31, 2017.
(ii) Standard for non-consolidated net assets: The Company must maintain net assets at 60% or above of the value of the net assets of the non-consolidated balance sheet as of March 31, 2017, and retained earnings of net assets at a value of zero or above.
(iii) Standard for maintenance of consolidated profits: The Company will not be allowed to post ordinary losses for two consecutive quarters in the consolidated statement of income from the second quarter ending September 30, 2017 onward.
(iv) Standard for maintenance of non-consolidated profits: The Company will not be allowed to post ordinary losses for two consecutive quarters in the non-consolidated statement of income from the second quarter ending September 30, 2017 onward.

As stated above, depending on the progress of operating performance in the coming months, the Company may have conflicts with the restrictive financial covenant, which could significantly impact its financing condition in future, and accordingly, material uncertainty on the going concern assumption exists at present. However, the Company will make efforts for resolving events and circumstances which may cause material doubts on the going concern assumption, by further crystallizing the above management restructuring strategy and implementing said measures steadily.

Consolidated financial statements were prepared with the assumption of a going concern, and no impacts caused by material doubts on the going concern assumption were reflected in the consolidated financial statements.