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Notice Concerning Revisions of Operating Results Forecasts and Dividend Forecasts, and Management Restructuring Strategy

Tabuchi Electric Co., Ltd. (Head Office: Yodogawa, Osaka; President and Chief Executive Officer: Toshihiro Kaihoshi) hereby announces that, in light of recent business trends, the Company has revised its consolidated operating results forecasts and dividend forecasts for the fiscal year ending March 31, 2017 (April 1, 2016 through March 31, 2017) which were released on October 24, 2016, and May 11, 2016 respectively. In addition, we hereby announce the implementation of the management restructuring strategy.

1． Revision of Consolidated Operating Results Forecast for the fiscal year ending March 31, 2017 (From April 1, 2016 to March 31, 2017)

	Net sales	Operating income	Ordinary income	Net income attributable to parent company shareholders	Net income per share
Previous forecast (A) (Announced on October 24 2016)	million yen 33,000	million yen 0	million yen (300)	million yen (400)	yen (9.90)
Revised forecast (B)	27,000	(2,600)	(2,700)	(4,300)	(106.39)
Change(B−A)	(6,000)	(2,600)	(2,400)	(3,900)	
Percentage change (%)	(18.2)	—	—	—	
(Reference) Previous year's result (Fiscal year ending March 31, 2016)	39,103	4,916	4,704	3,181	78.72

Reasons for the Revision
Despite the steady start of sales of power supply units for amusement machines, we foresee that full-scale revenue generation will be postponed to the next fiscal term because of the delay in releasing PV solar inverters in overseas markets, in particular, North America's market, our focal area. The cause of the delay is due to taking more time to adapt to different regulations required by U.S. state governments and local utility companies, as well as customers' various demands for specifications. In addition, we have pushed ahead with the release of new solar inverters for large PV power plants for high-voltage transmission transactions, which have continued to see strong demand amid a continued slump in the domestic PV power-generation market. However, the spread of new products will take some time, making us believe that a strong boost to sales is unlikely to be realized in the current fiscal year. Accordingly, the Company has decided to revise the forecast for revenue as stated above.

In terms of profits, we anticipate larger losses due to a decline in revenue as well as a fall in sales unit price that exceeds the decline in sales cost achieved through cost-reduction activities. In addition, we forecast losses on the reversal of deferred tax assets in conjunction with a decline in profitability. Accordingly, the Company has revised its forecasts as stated above.

We estimate the exchange rate will be 110 JPY/USD.

２． Revision of dividend

	Annual dividends (yen)				
	1Q-end dividend	2Q-end dividend	3Q-end dividend	Year-end	Annual Total
Latest forecast (Announced on May 11, 2016)	—	—	—	8.00	16.00
Dividend for the fiscal year ended on March, 2017(Forecast)	—	—	—	0.00	8.00
Dividend for the fiscal year ended on March 31, 2017 (Actual)	—	8.00	—		
Dividend for the fiscal year ended on March 31, 2016(Actual)	—	8.00	—	8.00	16.00

Reasons for the Revision
The Company positions the return of profits to its stakeholders as one of the most critical management tasks, and aims to sustain stable dividends with the full consideration given to operating results and financial conditions. We will appropriate internal reserves for investments primarily in future growth fields, overseas development, and the implementation of environmental measures, while further strengthening our consolidated management base to meet stakeholders' expectations.

The Company had previously planned a year-end dividend of 8 yen per share. However, considering the prospect of a significant amount of net losses as shown above, regrettably, it has decided not to pay the year-end dividend.

3. Implementation of Management Restructuring Strategy

In a bid to reform the profit structure and recover operating results, the Company will draw up a management restructuring strategy and initiate specific actions. We will work on reducing fixed costs, reforming the business operating structure, and expanding product lineups, in line with this restructuring strategy. The aim is to boost revenue both in Japan and overseas, and secure cash flows toward medium-to long-term growth.

(1) Background

The Company had gained a significant amount of profits through sales of solar inverters for PV power-generation enhanced by the domestic system, Feed-in Tariff Scheme for Renewable Energy (FIT). However, subsequently, the Company faced a drastic contraction of the renewable energy market which was caused by some power companies' temporary suspension in 2014 of the acceptance of applications to access new lines, and a decline in purchase prices of renewable energy due to the revision of the FIT. In addition, the Company saw a delay in its entry to North America's market which was the countermeasure against adverse impacts by the shrinking domestic market. Consequently, the Company's profitability substantially deteriorated.

(2) Management Restructuring Strategy

Initiatives for fixed cost reduction

In a bid to bolster the profit structure, the Company will carry out the following measures on fixed cost reduction: With respect to the effectiveness of fixed cost reduction and tentative costs, we will examine the details and, upon confirmation, disclose them accordingly.

(i) Optimize the production structure: Establish appropriate production scale and review the production structure

(ii) Optimize personnel costs, etc.: Implement thorough cost cutting measures including reduction of Directors' remuneration, overhaul of personnel structure, etc.

(iii) Complete reduction of operating expenses: Re-examine logistics expenditures and cut administrative control expenses

Re-formation of the Business Operating Structure

The Company has run its operations under function-based organizations while positioning technology and sales functions under the headquarters organization. This operational structure will be re-constructed with the adoption of a business-based organization with subdivisions by business use or product category such as the energy field and industrial equipment/automobiles, aiming to realize customer-driven operations. Replacing the function-driven decision-making in the previous operational structure, the business-based organization will let each business make decisions. This will enable us to execute and speed up decision-making as a business, clarify business earnings and accountabilities, and run integrated operations among manufacturing, technologies, and sales. Accordingly, the new business-driven operating structure will make it possible for the Company to closely meet customer needs and fully focus on product development from customers' viewpoints.

Sales Growth through Expansion of Product Lineups

The Company will take countermeasures to respond to intensifying price competition for solar inverters for large power plants in Japan and overseas, and aim at sales expansion targeting large power plants. Specifically, positioning our existing products as high-specification models, we will narrow down target functions to produce highly competitive new products, and thereby bolster our proposal capabilities and cost competitiveness. With respect to the delayed entry into North America's market, the Company will be ready with products which meet different regulations required by U.S. state governments, and a variety of customer specification needs. Shipments are scheduled to start from the end of the fiscal year under review to the beginning of the following fiscal year. Full-fledged operations will be launched accordingly.

Note: The above forecasts of operating results were prepared based on the information available as of the date when the materials were released, and actual business results may differ from the projections due to changes in various factors.