



Financial Results Summary for the Second Quarter of the Fiscal Year Ended March 31, 2017 [Japan GAAP] (Consolidated)

October 28, 2016

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 Securities code 6624 URL http://www.zbr.co.jp
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Scheduled date for submission of quarterly report: November 11, 2016 Scheduled commencement date of dividends payment: December 5, 2016

Preparation of supplementary materials for report : Yes
 Convening results briefing : Yes

(Amounts rounded down to the nearest million yen)

1. Consolidated Operating Results for the Second Quarter of the Fiscal Year Ended March 31, 2017 (From April 1, 2016 to September 30, 2016)

(1) Consolidated Operating Results (Percentages represent year on year changes)

	Net sales		Operating income		Ordinary income		Net income attributable to parent company shareholders	
	million yen	%	million yen	%	million yen		million yen	%
Second quarter of the fiscal year ending March 31, 2017	12,984	(39.1)	(1,096)	—	(1,364)	—	(912)	—
Second quarter of the fiscal year ending March 31, 2016	21,336	(17.4)	3,614	(37.9)	3,622	(38.3)	2,478	(33.1)

(Note) Comprehensive income: Second quarter of the Fiscal year ended March 31, 2017 -¥1,605 million yen (-)
 Second quarter of the Fiscal year ended March 31, 2016 ¥1,954 million yen (-53.7%)

	Net income per share	Net income per share - fully diluted
	yen	yen
Second quarter of the fiscal year ending March 31, 2017	(22.57)	-
Second quarter of the fiscal year ending March 31, 2016	61.32	-

(2) Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	million yen	million yen	%
Second quarter of the fiscal year ending March 31, 2017	30,830	14,434	46.8
Fiscal year ending March 31, 2016	36,823	16,363	44.4

(Reference) Shareholders' equity: Second quarter of the Fiscal year ended March 31, 2017 ¥14,434 million yen
 Fiscal year ended March 31, 2016 ¥16,363 million yen

2. Dividends

	Annual dividends				
	End of 1Q	End of 2Q	End of 3Q	End of the year	Total
	yen	yen	yen	yen	yen
Fiscal year ended March 31, 2016	-	8.00	-	8.00	16.00
Fiscal year ending March 31, 2017	-	8.00			
Fiscal year ending March 31, 2017 (forecast)			-	8.00	16.00

(Note) Modification of the dividends forecast released most recently : None

3. Consolidated Operating Results Forecast for the fiscal year ending March 31, 2017

(From April 1, 2016 to March 31, 2017)

(Percentage represents changes from the previous year for Full year, and on YoY basis for Quarterly results)

	Net sales		Operating income		Ordinary income		Net income attributable to parent company shareholders		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	
Full year	33,000	(15.6)	0	(100.0)	(300)	-	(400)	-	yen (9.90)

(Note) Modification of the consolidated results forecast released most recently : None

* Notes

(1) Major changes in subsidiaries during the first six months of the fiscal year ending March 31, 2017 : None

(Changes in specified subsidiaries resulting in a change in the scope of consolidation)

(2) Adoption of special accounting treatment used in preparation of the quarterly consolidated financial statements : None

(3) Changes in accounting policies or estimates and retrospective restatements

1) Changes in accounting policies in line with revisions in accounting standards : Yes

2) Changes in accounting policies other than item 1) above : None

3) Changes in accounting estimates : None

4) Retrospective restatements : None

(4) Number of shares issued (common stock)

1) Number of shares issued at the end of the period (including treasury stock)	Second quarter of the fiscal year ending March 31, 2017	40,502,649shares	Fiscal year ended March 31, 2016	40,502,649shares
2) Number of shares of treasury stock at the end of the period	Second quarter of the fiscal year ending March 31, 2017	84,917shares	Fiscal year ended March 31, 2016	84,867shares
3) Average number of shares issued during the first six months	Second quarter of the fiscal year ending March 31, 2017	40,417,764shares	Second quarter of the fiscal year ended March 31, 2016	40,417,838shares

* Indication of quarterly review procedure implementation status

The quarterly review procedure based on the Financial Instruments and Exchange Act has not been completed as of the time of disclosure of this Quarterly Financial Results Summary.

* Explanation for appropriate use of operating results forecasts, other special notes

The operating results forecasts are prepared based on the information available as of the date of the announcement of the material and the actual results may differ from forecasts due to various factors.

Table of Contents of Attached Materials

1. Qualitative Information Concerning Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2017	2
(1) Analysis of Business Results.....	2
(2) Analysis of Financial Position	2
(3) Consolidated Operating Results Forecasts and Future Prospects	2
2. Matters Concerning Summary Information (Notes) 3	
(1) Major changes in subsidiaries during the first three months of the fiscal year ending March 31, 2016.....	3
(2) Adoption of special accounting treatment used in preparation of the quarterly consolidated financial statements.....	3
(3) Changes in accounting policies or estimates and retrospective restatements	3
3. Quarterly Consolidated Financial Statements.....	4
(1) Quarterly Consolidated Balance Sheet.....	4
(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income.....	6
(3) Quarterly Consolidated Cash Flow Statements.....	8
(4) Notes to Quarterly Consolidated Financial Statements.....	9
(Notes Relating to Going Concern Assumption)	9
(Notes on Any Significant Change in Shareholders' Equity).....	9
(Segment Information).....	9

1. 1. Qualitative Information Concerning Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2017

(1) Business Results

In the global economy during the consolidated cumulative second quarter under review, the U.S. showed a continuing trend of a mild economic recovery, while uncertainties remained about the prospects of economies in Europe on the back of the UK's departure from the European Union (EU), as well as slowing economies in China and emerging countries. Japan's economy also faced an uncertain outlook due to a strong yen and concerns about a deceleration of the global economy.

Under such an operating environment, Tabuchi Electric Group (the "Group") has pushed ahead with increasing sales of solar inverters for PV power-generation for high-voltage transmission transactions, which have remained at strong demand amid a continued slump in the domestic PV power-generation market.

Notwithstanding the above, the operating performance of the Group was severely impacted by a downturn in low-voltage transmission transactions, which account for a large proportion of the Group's sales, as well as a fall in sales unit prices, due to intensifying competition. As a result, the Group posted net sales of 12,984 million yen (down 39.1% year on year), operating loss of 1,096 million yen (compared to operating income of 3,614 million yen for the same period in the previous fiscal year), and ordinary loss of 1,364 million yen (compared to ordinary income of 3,622 million yen for the same period in the previous fiscal year), due to a revaluation of foreign exchange rates caused by a stronger yen and associated foreign exchange losses during the consolidated cumulative second quarter under review. Net loss attributable to owners of parent during the second quarter stood at 912 million yen (compared to net income of 2,478 million yen for the same period in the previous fiscal year).

Operating results by segment for the consolidated cumulative second quarter of the fiscal year ending March 31, 2017 are as follows:

(i) Transformers Business

The Transformers Business saw an increase in net sales to 4,844 million yen (up 11.6% year on year), which is attributable to a boost in sales at the newly consolidated subsidiary incorporated through the M&A transaction in the second half of the previous fiscal year, but a decline in operating income to 234 million yen (down 47.2% year on year), due to a rise in the goodwill amortization expenses and other operating expenditures.

(ii) Power Supplies Business

The Power Supplies Business posted net sales of 8,139 million yen (down 52.1% year on year) and operating loss of 1,223 million yen (compared to operating income of 3,559 million yen for the same period in the previous fiscal year), due to a decline in sales of solar inverters for PV power-generation amid sluggish demand in the domestic PV generation market, in particular, a slump in low-voltage transmission transactions.

(2) Financial Position

At the end of the second quarter of the fiscal year ending March 31, 2017, total assets totaled 30,830 million yen, a decrease of 5,993 million yen from the end of the previous fiscal year. This was primarily due to a decrease in cash and deposits of 3,155 million yen and notes and accounts receivable-trade of 1,812 million yen.

Liabilities stood at 16,395 million yen, a decline of 4,064 million yen from the end of the previous fiscal year. This was mainly due to a decrease in notes and accounts payable-trade of 3,162 million yen.

Net assets were 14,434 million yen, a decrease of 1,928 million yen from the end of the previous fiscal year. This was mainly due to a net loss attributable to owners of parent of 912 million yen and a decline in the foreign currency translation

adjustment of 717 million yen.

(3) Consolidated Operating Results Forecasts and Future Prospects

The consolidated operating results forecasts for the fiscal year ending March 31, 2017 announced on October 24, 2016 remain unchanged.

Consolidated Operating Results Forecasts (Full year)

Net sales: 33,000 million yen (down 15.6% year on year)

Operating income: 0 million yen (down 100% year on year)

Ordinary loss: 300 million yen (compared to ordinary income of 4,704 million yen in the previous fiscal year)

Net loss attributable to owners of parent: 400 million yen (compared to net profit attributable to owners of parent of 3,181 million yen in the previous fiscal year)

The above forecasts assume a foreign exchange rate of 100 yen to the U.S. dollar.

The Group is in the middle of implementing the medium-term management plan, "MBP20" (FY03/2016-FY03/2021), which is to be completed in the fiscal year ending March 31, 2021. Since the announcement of the MBP20 in January 2015, the Group saw a significant downturn in the domestic PV power-generation market, due to events such as a decline in purchase prices resulting from revision of the Feed-in Tariff Scheme for Renewable Energy, and the grid connection problem triggered by, the so-called "Kyuden Shock (i.e. action taken by Kyushu Electric Power Co., Ltd. of stopping to accept applications for access to the grid for renewable energy)." In addition, the Group witnessed its operating performance in overseas markets to be far below the target level. These events significantly affected the preconditions assumed at the time of the MBP20 formulation. As a consequence, the Group decided to revise the goal for net sales, which it had aimed to achieve in the final year of the medium-term management plan. The revised goals, considering current business circumstances, are expected to be announced at the time the full-year financial results for the fiscal year ending March 31, 2017 are released.

2. Matters Concerning Summary Information (Notes)

(1) Major changes in subsidiaries during the first six months of the fiscal year ending March 31, 2017.

Not applicable.

(2) Adoption of special accounting treatment used in the preparation of quarterly consolidated financial statements

Not applicable

(3) Changes in accounting policies or estimates and retrospective restatements

Changes in Accounting Policies

(Application of Practical Solution to a change in depreciation method due to Tax Reform 2016)

In association with the revision of the Corporation Tax Act, Tabuchi Electric and its domestic consolidated subsidiaries have applied the "Practical Solution on a change in depreciation method due to Tax Reform 2016" (Accounting Standards Board of Japan (ASBJ) Practical Issue Task Force (PITF) No. 32, issued on June 17, 2016) from the first quarter of the current consolidated fiscal year. As a result, the depreciation method for facilities attached to buildings and for structures acquired on or after April 1, 2016 was changed from the declining-balance method to the straight-line method. The impact of this change on the quarterly consolidated financial statements is minimal.

(4) Additional Information

(Application of Revised Implementation Guidance on Recoverability of Deferred Tax Assets)

The “Revised Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No.26, issued on March 28, 2016) was applied from the first quarter of the current consolidated fiscal year.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet

	(Millions of yen)	
	Previous fiscal year (March 31, 2016)	Second quarter of the current fiscal year (September 30, 2016)
Assets		
Current assets		
Cash and deposits	5,737	2,581
Notes and accounts receivable - trade	6,815	4,966
Electronically recorded monetary claims - operating	67	104
Merchandise and finished goods	5,527	5,730
Work in process	375	603
Raw materials and supplies	3,755	2,791
Other	2,408	1,783
Allowance for doubtful accounts	(0)	(0)
Total current asset	24,688	18,561
Non-current assets		
Property, plant and equipment		
Machinery, equipment and vehicles, net	3,930	3,513
Other, net	3,937	4,069
Total property, plant and equipment	7,868	7,583
Intangible assets		
Goodwill	733	578
Other	1,069	1,241
Total intangible assets	1,802	1,820
Investments and other assets		
Investment securities	1,529	1,388
Other	934	1,477
Allowance for doubtful accounts	(1)	(1)
Total investments and other assets	2,463	2,864
Total non-current assets	12,133	12,268
Deferred assets	1	0
Total assets	36,823	30,830

(Millions of yen)

	Previous fiscal year (March 31, 2017)	Second quarter of the current fiscal year (September 30, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,824	2,750
Electronically recorded obligations - operating	3,600	1,512
Short-term loans payable	1,828	2,194
Current portion of long-term loans payable	60	60
Current portion of bonds	919	730
Lease obligations	130	89
Income taxes payable	140	73
Provision for bonuses	357	386
Provision for directors' bonuses	25	—
Provision for product warranties	454	452
Other	3,031	2,658
Total current liabilities	14,374	10,908
Non-current liabilities		
Bonds payable	90	60
Long-term loans payable	1,270	1,024
Lease obligations	114	66
Net defined benefit liability	772	692
Long-term unearned revenue	3,253	3,048
Other	584	594
Total non-current liabilities	6,085	5,489
Total liabilities	20,459	16,395
Net assets		
Shareholders' equity		
Capital stock	3,611	3,611
Retained earnings	13,312	12,076
Treasury shares	(21)	(21)
Total shareholders' equity	16,902	15,666
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(8)	(2)
Deferred gains or losses on hedges	(9)	(0)
Foreign currency translation adjustment	(428)	(1,145)
Remeasurements of defined benefit plans	(92)	(83)
Total accumulated other comprehensive income	(538)	(1,231)
Total net assets	16,363	14,434
Total liabilities and net assets	36,823	30,830

(2) Quarterly Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Quarterly Consolidated Statement of Income

First six months of the current fiscal year

(Millions of yen)

	First six months of the previous fiscal year (From April 1, 2015 to September 30, 2015)	First six months of the current fiscal year (From April 1, 2016 to September 30, 2016)
Net sales	21,336	12,984
Cost of sales	14,588	11,059
Gross profit	6,747	1,924
Selling, general and administrative expenses	3,133	3,021
Operating income	3,614	(1,096)
Non-operating income		
Interest income	3	1
Dividend income	4	4
Foreign exchange gains	15	-
Share of profit of entities accounted for using equity method	24	39
Other	12	25
Total non-operating income	60	71
Non-operating expenses		
Interest expenses	35	34
Foreign exchange loss	-	284
Other	16	19
Total non-operating expenses	52	338
Ordinary income (loss)	3,622	(1,364)
Extraordinary income		
Gain on sales of non-current assets	6	-
Total extraordinary income	6	-
Extraordinary loss		
Loss on sales and retirement of non-current assets	3	3
Total extraordinary losses	3	3
Income (loss) before income taxes and minority interests	3,625	(1,368)
Income taxes - current	833	115
Income taxes - deferred	314	(571)
Total income taxes	1,147	(455)
Net income(loss)	2,478	(912)
Net income attributable to parent company shareholders	2,478	(912)

Quarterly Consolidated Statement of Comprehensive Income

First six months of the current fiscal year

(Millions of yen)

	First six months of the previous fiscal year (From April 1, 2015 to September 30, 2015)	First six months of the current fiscal year (From April 1, 2016 to September 30, 2016)
Net income(Loss)	2,478	(912)
Other comprehensive income		
Valuation difference on available-for-sale securities	(59)	5
Deferred gains or losses on hedges	(31)	8
Foreign currency translation adjustment	(354)	(556)
Remeasurements of defined benefit plans, net of tax	6	9
Share of other comprehensive income of entities accounted for using equity method	(85)	(160)
Total other comprehensive income	(523)	(693)
Comprehensive income	1,954	(1,605)
(Breakdown)		
Comprehensive income attributable to parent company shareholders	1,954	(1,605)

(3) Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	First six months of the previous fiscal year (From April 1, 2015 to September 30, 2015)	First six months of the current fiscal year (From April 1, 2016 to September 30, 2016)
Cash flows from operating activities		
Income before income taxes and minority interests	3,625	(1,368)
Depreciation	724	828
Impairment loss	-	74
Increase (decrease) in allowance for doubtful accounts	(0)	-
Increase (decrease) in provision for product warranties	(278)	(2)
Increase (decrease) in net defined benefit liability	(19)	(67)
Interest and dividend income	(7)	(6)
Interest expenses	35	34
Share of (profit) loss of entities accounted for using equity method	(24)	(39)
Loss (gain) on sales and retirement of property, plant and equipment	(3)	3
Decrease (increase) in notes and accounts receivable - trade	6,492	1,650
Decrease (increase) in inventories	(2,295)	148
Increase (decrease) in notes and accounts payable - trade	(105)	(2,799)
Increase (decrease) in long-term unearned revenue	528	(206)
Other	(897)	271
Subtotal	7,774	(1,477)
Interest and dividend income received	7	6
Interest expenses paid	(35)	(34)
Income taxes paid	(3,488)	94
Cash flows from operating activities	4,259	(1,410)
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,724)	(916)
Purchase of intangible assets	(307)	(425)
Purchase of investment securities	(24)	-
Proceeds from sales of investment securities	39	22
Other	3	16
Cash flows from investing activities	(2,013)	(1,304)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(46)	567
Proceeds from long-term loans payable	-	85
Repayments of long-term loans payable	(459)	(482)
Redemption of bonds	(30)	(30)
Cash dividends paid	(323)	(318)
Repayments of finance lease obligations	(107)	(73)
Other	-	(0)
Cash flows from financing activities	(966)	(251)
Effect of exchange rate change on cash and cash equivalents	(58)	(189)
Net increase (decrease) in cash and cash equivalents	1,211	(3,155)
Cash and cash equivalents at the beginning of the period	6,868	5,737
Cash and cash equivalents at the end of the period	8,089	2,581

(4) Notes to Quarterly Consolidated Financial Statements

(Notes Relating to Going Concern Assumption)

Not applicable.

(Notes on Any Significant Change in Shareholders' Equity)

Not applicable.

(Segment Information)

I First six months of the previous fiscal year (From April 1, 2015 to September 30, 2015)

1. Information on net sales and income or loss by reportable segment

(Millions of yen)

	Reportable segment			Adjustments	Amount on Consolidated Statement of Income
	Transformer Business	Power Supply Business	Total		
Net sales					
Net sales to outside customers	4,339	16,996	21,336	-	21,336
Intersegment net sales or transfers	1,799	-	1,799	(1,799)	-
Total	6,138	16,996	23,135	(1,799)	21,336
Segment income	444	3,559	4,003	(389)	3,614

(Notes) 1. Adjustment of -389 million yen to segment income is all-company expenses that are not distributed to each reportable segment.

All-company expenses are primarily research and development expenses that do not belong to reportable segments.

2. Segment income is adjusted with operating income on the Quarterly Consolidated Statement of Income.

II First six months of the current fiscal year (From April 1, 2016 to September 30, 2016)

1. Information on net sales and income or loss by reportable segment

(Millions of yen)

	Reportable segment			Adjustments	Amount on Consolidated Statement of Income
	Transformer Business	Power Supply Business	Total		
Net sales					
Net sales to outside customers	4,844	8,139	12,984	-	12,984
Intersegment net sales or transfers	746	-	746	(746)	-
Total	5,591	8,139	12,731	(746)	12,984
Segment income	234	(1,223)	(988)	(108)	(1,096)

(Notes) 1. Adjustment of -108 million yen to segment income is all-company expenses that are not distributed to each reportable segment.

All-company expenses are primarily research and development expenses that do not belong to reportable segments.

2. Segment income is adjusted with operating income on the Quarterly Consolidated Statement of Income.