



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

February 10, 2017

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 Securities code 6624 URL http://www.zbr.co.jp
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Scheduled date for submission of quarterly report: February 13, 2017 Scheduled commencement date of dividends payment: —

Preparation of supplementary materials for report : Yes

Convening results briefing : No

(Amounts rounded down to the nearest million yen)

1. Consolidated Operating Results for the Third Quarter of the Fiscal Year Ended March 31, 2017 (From April 1, 2016 to December 31, 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 | % |
| Third quarter of the fiscal year ending March 31, 2017 | 18,366 | (38.6) | (2,345) | — | (2,346) | — | (3,261) | — |
| Third quarter of the fiscal year ending March 31, 2016 | 29,910 | (21.1) | 4,250 | (46.5) | 4,255 | (47.9) | 2,999 | (43.4) |

(Note) Comprehensive income: Third quarter of the Fiscal year ended March 31, 2017 -¥3,272 million yen (-)
 Third quarter of the Fiscal year ended March 31, 2016 ¥2,561 million yen (-59.3%)

| | Net income per share | Net income per share - fully diluted |
|--|----------------------|--------------------------------------|
| Third quarter of the fiscal year ending March 31, 2017 | yen (80.70) | yen - |
| Third quarter of the fiscal year ending March 31, 2016 | 74.21 | - |

(2) Financial Position

| | Total assets | Net assets | Shareholders' equity ratio |
|--|-----------------------|-----------------------|----------------------------|
| Third quarter of the fiscal year ending March 31, 2017 | million yen 31,644 | million yen 12,444 | % 39.3 |
| Fiscal year ending March 31, 2016 | 36,823 | 16,363 | 44.4 |

(Reference) Shareholders' equity: Third quarter of the Fiscal year ended March 31, 2017 ¥12,444 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 |
| Fiscal year ended March 31, 2016 | yen - | yen 8.00 | yen - | yen 8.00 | yen 16.00 |
| Fiscal year ending March 31, 2017 | - | 8.00 | - | - | - |
| Fiscal year ending March 31, 2017 (forecast) | - | - | - | 0.00 | 8.00 |

(Note) Modification of the dividends forecast released most recently : Yes

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 | % | yen |
| Full year | 27,000 | (31.0) | (2,600) | — | (2,700) | — | (4,300) | — | (106.39) |

(Note) Modification of the consolidated results forecast released most recently : Yes

* Notes

(1) Major changes in subsidiaries during the first nine 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) | Third 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 | Third quarter of the fiscal year ending March 31, 2017 | 84,992shares | Fiscal year ended March 31, 2016 | 84,867shares |
| 3) Average number of shares issued during the first nine months | Third quarter of the fiscal year ending March 31, 2017 | 40,417,741shares | Third quarter of the fiscal year ended March 31, 2016 | 40,417,823shares |

* 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.

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

(1) Business Results

In the global economy during the consolidated first nine months under review, the U.S. showed a continued economic recovery backed by an improvement in employment conditions and a boost in consumer spending, while uncertainties remained about the prospects of other countries' economies on the back of sharp currency fluctuations toward a weak yen following the U.S. presidential election, the issue of UK's departure from the European Union (EU) in Europe, and slowing economies in China and emerging countries.

The unclear outlook for the global economy brought uncertainty to Japan's economy, though it is seeing signs of a moderate recovery. 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 continued to see 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 18,366 million yen (down 38.6% year on year), operating loss of 2,345 million yen (compared to operating income of 4,250 million yen for the same period in the previous fiscal year), and ordinary loss of 2,346 million yen (compared to ordinary income of 4,255 million yen for the same period in the previous fiscal year) during the consolidated nine months under review. With the reversal of deferred tax assets, net loss attributable to owners of parent during the third quarter stood at 3,261 million yen (compared to net income of 2,999 million yen for the same period in the previous fiscal year).

Operating results by segment for the consolidated nine months of the fiscal year ending March 31, 2017 are as follows:

(i) Transformers Business

The Transformers Business saw an increase in net sales to 7,045 million yen (up 4.1% year on year), which was 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 322 million yen (down 43.8% 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 11,320 million yen (down 51.1% year on year) and operating loss of 2,495 million yen (compared to operating income of 4,301 million yen for the same period in the previous fiscal year). This was 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 third quarter of the fiscal year ending March 31, 2017, total assets stood at 31,644 million yen, a decrease of 5,179 million yen from the end of the previous fiscal year. This was primarily due to a decrease in cash and deposits of 3,278 million yen and notes and accounts receivable-trade of 1,944 million yen.

Liabilities stood at 19,199 million yen, a decline of 1,259 million yen from the end of the previous fiscal year. This was mainly due to a decline in notes and accounts payable-trade of 3,080 million yen, and an increase in interest bearing debts of 2,752 million yen.

Net assets were 12,444 million yen, a decrease of 3,919 million yen from the end of the previous fiscal year. This was mainly due to a net loss attributable to owners of parent of 3,261 million yen and the payment of dividends of 646 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 and dividends forecasts for the fiscal year ending March 31, 2017 announced on May 11, 2016 have been amended as indicated in this material and in the Notice on Amendments to Operating Results Forecasts publicized today. For details, please refer to the Notice Concerning Revisions of Operating Results Forecasts and Dividend Forecasts, and Management Restructuring Strategy

Consolidated Operating Results Forecasts (Full year)

Net sales 27,000 million yen (down 31.0% year on year)

Operating loss 2,600 million yen (previous year was 4,916 million yen profit)

Ordinary loss 2,700 million yen (previous year was 4,704 million yen profit)

Loss attributable to owners of parent 4,300 million yen (previous year was 3,181 million yen profit)

The above forecasts assume a foreign exchange rate of 1110 yen to the U.S. dollar.

2. Matters Concerning Summary Information (Notes)

(1) Major changes in subsidiaries during the first nine 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) | Third quarter of the current fiscal year (December 31, 2016) |
|--|--|--|
| Assets | | |
| Current assets | | |
| Cash and deposits | 5,737 | 2,458 |
| Notes and accounts receivable - trade | 6,815 | 4,835 |
| Electronically recorded monetary claims - operating | 67 | 103 |
| Merchandise and finished goods | 5,527 | 5,774 |
| Work in process | 375 | 821 |
| Raw materials and supplies | 3,755 | 3,570 |
| Other | 2,408 | 1,061 |
| Allowance for doubtful accounts | (0) | (0) |
| Total current asset | 24,688 | 18,625 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Machinery, equipment and vehicles, net | 3,930 | 3,797 |
| Other, net | 3,937 | 4,226 |
| Total property, plant and equipment | 7,868 | 8,024 |
| Intangible assets | | |
| Goodwill | 733 | 571 |
| Other | 1,069 | 1,192 |
| Total intangible assets | 1,802 | 1,764 |
| Investments and other assets | | |
| Investment securities | 1,529 | 1,678 |
| Other | 934 | 1,552 |
| Allowance for doubtful accounts | (1) | (1) |
| Total investments and other assets | 2,463 | 3,229 |
| Total non-current assets | 12,133 | 13,018 |
| Deferred assets | 1 | 0 |
| Total assets | 36,823 | 31,644 |

(Millions of yen)

| | Previous fiscal year (March 31, 2017) | Third quarter of the current fiscal year (December 31, 2016) |
|---|--|--|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 3,824 | 2,965 |
| Electronically recorded obligations - operating | 3,600 | 1,378 |
| Short-term loans payable | 1,828 | 5,188 |
| Current portion of long-term loans payable | 60 | 60 |
| Current portion of bonds | 919 | 683 |
| Lease obligations | 130 | 82 |
| Income taxes payable | 140 | 18 |
| Provision for bonuses | 357 | 146 |
| Provision for directors' bonuses | 25 | — |
| Provision for product warranties | 454 | 345 |
| Other | 3,031 | 2,488 |
| Total current liabilities | 14,374 | 13,359 |
| Non-current liabilities | | |
| Bonds payable | 90 | 60 |
| Long-term loans payable | 1,270 | 1,030 |
| Lease obligations | 114 | 60 |
| Net defined benefit liability | 772 | 685 |
| Long-term unearned revenue | 3,253 | 3,170 |
| Other | 584 | 833 |
| Total non-current liabilities | 6,085 | 5,840 |
| Total liabilities | 20,459 | 19,199 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 3,611 | 3,611 |
| Retained earnings | 13,312 | 9,403 |
| Treasury shares | (21) | (21) |
| Total shareholders' equity | 16,902 | 12,993 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | (8) | 55 |
| Deferred gains or losses on hedges | (9) | (29) |
| Foreign currency translation adjustment | (428) | (496) |
| Remeasurements of defined benefit plans | (92) | (78) |
| Total accumulated other comprehensive income | (538) | (549) |
| Total net assets | 16,363 | 12,444 |
| Total liabilities and net assets | 36,823 | 31,644 |

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

Quarterly Consolidated Statement of Income

First nine months of the current fiscal year

(Millions of yen)

| | First nine months of the previous fiscal year (From April 1, 2015 to December 31, 2015) | First nine months of the current fiscal year (From April 1, 2016 to December 31, 2016) |
|--|--|---|
| Net sales | 29,910 | 18,366 |
| Cost of sales | 20,755 | 16,134 |
| Gross profit | 9,155 | 2,231 |
| Selling, general and administrative expenses | 4,904 | 4,577 |
| Operating income | 4,250 | (2,345) |
| Non-operating income | | |
| Interest income | 5 | 2 |
| Dividend income | 6 | 5 |
| Foreign exchange gains | 94 | - |
| Share of profit of entities accounted for using equity method | 32 | 79 |
| Other | 20 | 45 |
| Total non-operating income | 159 | 132 |
| Non-operating expenses | | |
| Interest expenses | 57 | 50 |
| Foreign exchange loss | - | 53 |
| Commission paid | 62 | 7 |
| Other | 34 | 21 |
| Total non-operating expenses | 154 | 133 |
| Ordinary income (loss) | 4,255 | (2,346) |
| Extraordinary income | | |
| Subsidy income | 155 | - |
| Gain on sales of non-current assets | 7 | - |
| Total extraordinary income | 163 | - |
| Extraordinary loss | | |
| Loss on sales and retirement of non-current assets | 3 | 5 |
| Loss on valuation of investment securities | 78 | - |
| Total extraordinary losses | 81 | 5 |
| Income (loss) before income taxes and minority interests | 4,337 | (2,352) |
| Income taxes - current | 1,073 | 137 |
| Income taxes - deferred | 266 | 771 |
| Total income taxes | 1,340 | 909 |
| Net income(loss) | 2,997 | (3,261) |
| Net income(loss) attributable to Non-controlling shareholders | (1) | - |
| Net income attributable to parent company shareholders | 2,999 | (3,261) |

Quarterly Consolidated Statement of Comprehensive Income

First nine months of the current fiscal year

(Millions of yen)

| | First nine months of the previous fiscal year (From April 1, 2015 to December 31, 2015) | First nine months of the current fiscal year (From April 1, 2016 to December 31, 2016) |
|---|--|---|
| Net income(Loss) | 2,997 | (3,261) |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 13 | 64 |
| Deferred gains or losses on hedges | (38) | (20) |
| Foreign currency translation adjustment | (360) | (18) |
| Remeasurements of defined benefit plans, net of tax | 10 | 13 |
| Share of other comprehensive income of entities accounted for using equity method | (61) | (50) |
| Total other comprehensive income | (436) | (10) |
| Comprehensive income | 2,561 | (3,272) |
| (Breakdown) | | |
| Comprehensive income attributable to parent company shareholders | 2,562 | (3,272) |
| Comprehensive income attributable to Non-controlling shareholders | (1) | - |

(3) 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 nine months of the previous fiscal year (From April 1, 2015 to December 31, 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 | 6,765 | 23,145 | 29,910 | - | 29,910 |
| Intersegment net sales or transfers | 2,487 | - | 2,487 | (2,487) | - |
| Total | 9,253 | 23,145 | 32,398 | (2,487) | 29,910 |
| Segment income | 574 | 4,301 | 4,875 | (624) | 4,250 |

(Notes) 1. Adjustment of -624 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 nine months of the current fiscal year (From April 1, 2016 to December 31, 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 | 7,045 | 11,320 | 18,366 | - | 18,366 |
| Intersegment net sales or transfers | 1,107 | - | 1,107 | (1,107) | - |
| Total | 8,153 | 11,320 | 19,473 | (1,107) | 18,366 |
| Segment income | 322 | (2,495) | (2,172) | (172) | (2,345) |

(Notes) 1. Adjustment of -172 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.