



Financial Results Summary for the First Quarter of the Fiscal Year Ended March 31, 2018 [Japan GAAP] (Consolidated)

August 8, 2017

Company Name Tabuchi Electric Co., Ltd. Exchange listed on: Tokyo Stock Exchange
 Securities code 6624 URL <http://www.zbr.co.jp>
 Representative (Title) President and Chief Executive Officer (Name) Toshihiro Kaihoshi
 Corporate Director, Executive
 Contact (Title) Corporate Officer and Manager, Business Control Division (Name) Masao Sasano (TEL) +81-6-4807-3500

Scheduled date for submission of quarterly report: August 14, 2017 Scheduled commencement date-
 of dividends payment:

Preparation of supplementary materials for report : Yes
 Convening results briefing : None

(Amounts rounded down to the nearest million yen)

1. Consolidated Operating Results for the First Quarter of the Fiscal Year Ended March 31, 2018 (From April 1, 2017 to June 30, 2017)

(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	%
First quarter of the fiscal year ending March 31, 2018	7,130	12.6	(852)	-	(829)	-	(838)	-
First quarter of the fiscal year ending March 31, 2017	6,329	(40.2)	(553)	-	(819)	-	(424)	-

(Note) Comprehensive income: First quarter of the Fiscal year ended March 31, 2018 -¥834 million yen (-)
 First quarter of the Fiscal year ended March 31, 2017 -¥1,061 million yen (-%)

	Net income per share	Net income per share - fully diluted
	yen	yen
First quarter of the fiscal year ending March 31, 2018	(20.75)	-
First quarter of the fiscal year ending March 31, 2017	(10.50)	-

(2) Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	million yen	million yen	%
First quarter of the fiscal year ending March 31, 2018	29,548	9,071	30.7
Fiscal year ending March 31, 2017	31,844	9,905	31.1

(Reference) Shareholders' equity: First quarter of the Fiscal year ended March 31, 2018 ¥9,071 million yen
 Fiscal year ended March 31, 2017 ¥9,905 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, 2017	-	8.00	-	0.00	8.00
Fiscal year ending March 31, 2018	-				
Fiscal year ending March 31, 2018 (forecast)		0.00	-	-(undecided)	-(undecided)

3. Consolidated Operating Results Forecast for the fiscal year ending March 31, 2018

(From April 1, 2017 to March 31, 2018)

(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
Second Quarter (cumulative)	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-

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

* Notes

(1) Major changes in subsidiaries during the first three months of the fiscal year ending March 31, 2018 : 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 : None

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)	First quarter of the fiscal year ending March 31, 2018	40,502,649shares	Fiscal year ended March 31, 2017	40,502,649shares
2) Number of shares of treasury stock at the end of the period	First quarter of the fiscal year ending March 31, 2018	85,117shares	Fiscal year ended March 31, 2017	85,042shares
3) Average number of shares issued during the first three months	First quarter of the fiscal year ending March 31, 2018	40,417,562shares	First quarter of the fiscal year ended March 31, 2017	40,417,782shares

- * Financial Results Summary is not subject to audit.
- * Explanation for appropriate use of operating results forecasts, other special notes

(NOTE) This document has been translated from Japanese original for reference purposes only. In the event of any discrepancy between this translated document and Japanese original, the original shall prevail.

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1. Qualitative Information Concerning Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2018

(1) Business Results

The global economy in the first quarter consolidated cumulative period is continuing moderate expansion of the economy against the backdrop of improved employment and income environments in the US economy and in the background of the expansion of exports and firmness of personal consumption in the background Recovery continued in Europe. In China and emerging economies as a whole, the economy showed signs of picking up again. In the Japanese economy, a moderate recovery trend continued against the backdrop of improved corporate earnings and employment environment.

Although power supplies for amusement machine remained strong under such a business environment, in the domestic photovoltaic power generation market, new certification is stagnating due to procedural problems in the revised FIT law, and not only low voltage transaction generation projects, but also resident and high-voltage transaction generation projects and so on have been greatly affected. On the other hand, in the North American market, we began selling new models of PV inverter with storage hybrid system, but sales did not come into full swing.

As a result, consolidated net sales for the first quarter of fiscal year ended March 31, 2018 were ¥ 7,130 million (up 12.6% year on year), but operating loss was 852 million yen (operating loss was 553 million yen in the same period of the previous fiscal year), and ordinary loss was 829 million yen (Ordinary loss was 819 million yen in the same period of the previous fiscal year), the net loss attributable to the parent company shareholders was 838 million yen (Net loss of 424 million yen attributable to the parent company shareholder in the previous fiscal year).

* FIT(Feed in tariff for renewable energy)

Operating results by segment for the first quarter of the fiscal year ending March 31, 2018 are as follows:

(i) Transformers Business

In the transformer business, although sales were steady, sales to 2,624 million yen (an increase of 0.1% from the same period last year), while operating income was 83 million yen (47.8% decrease year-on-year change), due to higher raw material costs such as steel materials.

(ii) Power Supplies Business

In the Power Supplies Business, Despite a significant increase in power supply for amusement machine, sales of inverter for photovoltaic power generation declined due to sluggish domestic solar power generation market, sales were ¥ 4,506 million (an increase of 21.7% from the same period last year). But the operating loss was 881 million yen (operating loss was 658 million yen in the same period of the previous fiscal year).

(2) Financial Position

Total assets at the end of the first quarter consolidated accounting period were 29,548 million yen, a decrease of 2,295 million yen from the end of the previous consolidated fiscal year. This was mainly due

to a decrease of 838 million yen in cash and 718 million yen in accounts receivable.

Total liabilities amounted to 20,477 million yen, a decrease of 1,461 million yen from the end of the previous consolidated fiscal year. This was mainly due to a decrease in short-term borrowings of 840 million yen and other current liabilities by 516 million yen.

Net assets amounted to 9,071 million yen, a decrease of 834 million yen from the end of the previous consolidated fiscal year. This was mainly attributable to the net loss of ¥ 838 million attributable to the parent company's shareholders.

(3) Consolidated Operating Results Forecasts and Future Prospects

The consolidated operating results forecast for the fiscal year ended March 31, 2018 announced on May 10, 2017 has been revised in "Notice on Revision of Operating Results Forecasts" of this document and Today's Public Relations. For details, please refer to "Notice on Revision of Operating Results Forecasts".

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet

	(Millions of yen)	
	Previous fiscal year (March 31, 2017)	First quarter of the current fiscal year (June 30, 2017)
Assets		
Current assets		
Cash and deposits	4,365	3,526
Notes and accounts receivable - trade	5,091	4,462
Electronically recorded monetary claims - operating	177	88
Merchandise and finished goods	4,896	4,589
Work in process	540	556
Raw materials and supplies	3,627	3,306
Other	1,024	1,085
Allowance for doubtful accounts	(0)	(0)
Total current asset	19,722	17,615
Non-current assets		
Property, plant and equipment		
Machinery, equipment and vehicles, net	3,407	3,514
Other, net	3,984	3,800
Total property, plant and equipment	7,391	7,314
Intangible assets		
Other	1,409	1,339
Total intangible assets	1,409	1,339
Investments and other assets		
Investment securities	1,778	1,754
Other	1,542	1,524
Allowance for doubtful accounts	(1)	(1)
Total investments and other assets	3,319	3,278
Total non-current assets	12,121	11,932
Deferred assets	0	0
Total assets	31,844	29,548

	(Millions of yen)	
	Previous fiscal year (March 31, 2017)	First quarter of the current fiscal year (June 30, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,111	3,129
Electronically recorded obligations - operating	1,323	1,211
Short-term loans payable	5,999	5,158
Current portion of long-term loans payable	60	60
Current portion of bonds	934	986
Lease obligations	71	63
Income taxes payable	45	65
Provision for bonuses	260	185
Provision for product warranties	248	235
Other	2,622	2,106
Total current liabilities	14,677	13,203
Non-current liabilities		
Bonds payable	30	30
Long-term loans payable	2,232	2,342
Lease obligations	46	33
Net defined benefit liability	666	650
Long-term unearned revenue	3,214	3,183
Other	1,070	1,033
Total non-current liabilities	7,261	7,274
Total liabilities	21,938	20,477
Net assets		
Shareholders' equity		
Capital stock	3,611	3,611
Retained earnings	6,882	6,044
Treasury shares	(21)	(21)
Total shareholders' equity	10,472	9,633
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	125	108
Deferred gains or losses on hedges	(34)	(14)
Foreign currency translation adjustment	(585)	(588)
Remeasurements of defined benefit plans	(72)	(67)
Total accumulated other comprehensive income	(567)	(562)
Total net assets	9,905	9,071
Total liabilities and net assets	31,844	29,548

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

Quarterly Consolidated Statement of Income

First three months of the current fiscal year

	(Millions of yen)	
	First three months of the previous fiscal year (From April 1, 2016 to June 30, 2016)	First three months of the current fiscal year (From April 1, 2017 to June 30, 2017)
Net sales	6,329	7,130
Cost of sales	5,445	6,606
Gross profit	883	524
Selling, general and administrative expenses	1,437	1,376
Operating income	(553)	(852)
Non-operating income		
Interest income	0	1
Dividend income	3	3
Foreign exchange gains	—	33
Share of profit of entities accounted for using equity method	29	10
Other	19	19
Total non-operating income	53	69
Non-operating expenses		
Interest expenses	17	35
Foreign exchange loss	290	—
Other	11	10
Total non-operating expenses	318	45
Ordinary income (loss)	(819)	(829)
Income (loss) before income taxes and minority interests	(819)	(829)
Income taxes - current	108	21
Income taxes - deferred	(503)	(11)
Total income taxes	(394)	9
Net income(loss)	(424)	(838)
Net income attributable to parent company shareholders	(424)	(838)

Quarterly Consolidated Statement of Comprehensive Income

First three months of the current fiscal year

(Millions of yen)

	First three months of the previous fiscal year (From April 1, 2016 to June 30, 2016)	First three months of the current fiscal year (From April 1, 2017 to June 30, 2017)
Net income(Loss)	(424)	(838)
Other comprehensive income		
Valuation difference on available-for-sale securities	(7)	(17)
Deferred gains or losses on hedges	8	20
Foreign currency translation adjustment	(472)	6
Remeasurements of defined benefit plans, net of tax	4	4
Share of other comprehensive income of entities accounted for using equity method	(170)	(9)
Total other comprehensive income	(637)	4
Comprehensive income	(1,061)	(834)
(Breakdown)		
Comprehensive income attributable to parent company shareholders	(1,061)	(834)

(3) Notes to Quarterly Consolidated Financial Statements

(Notes Relating to Going Concern Assumption)

In the previous consolidated fiscal year, the Group has fallen into the situation such as a significant decrease in sales, significant operating loss, the recording of ordinary loss or net loss attributable to parent company shareholders, conflict with financial covenants etc. Even during the first quarter consolidated cumulative period, we recorded an operating loss of 852 million yen, an ordinary loss of 829 million yen, and a net loss of 838 million yen attributable to the parent company shareholder, and as of the end of the first quarter consolidated cumulative period Total interest-bearing debt was 8,674 million yen, and net assets was 9,071 million yen.

Also, of the financial covenants of Global Credit Facility Agreement (Bank of Tokyo-Mitsubishi UFJ, Ltd.) (loan facility settlement amount of 1,000 million yen, first quarter consolidated cumulative lending-end borrowing balance of 586 million yen) We are in conflict with consolidated net asset standards and non-consolidated net asset standards, but we are in talks with the bank concerning the signing of a change contract.

Due to this situation, there are events or circumstances that cause important doubt on the premise of a going concern.

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.

(Segment Information)

I First three months of the previous fiscal year (From April 1, 2016 to June 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	2,627	3,702	6,329	—	6,329
Intersegment net sales or transfers	303	—	303	(303)	—
Total	2,931	3,702	6,633	(303)	6,329
Segment income	160	(658)	(497)	(56)	(553)

(Notes) 1. Adjustment of -56 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 three months of the current fiscal year (From April 1, 2017 to June 30, 2017)

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	2,624	4,506	7,130	—	7,130
Intersegment net sales or transfers	315	—	315	(315)	—
Total	2,940	4,506	7,446	(315)	7,130
Segment income	83	(881)	(797)	(54)	(852)

(Notes) 1. Adjustment of -54 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.

3. Others

Important events on the premise of going concern

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