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

November 10, 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	
Contact	(Title) Corporate Director, Executive Corporate Officer and Manager, Business Control Division	(Name) Masao Sasano	(TEL) +81-6-4807-3500
Scheduled date for submission of quarterly report:	November 11, 2017	Scheduled commencement date of dividends payment:	-

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, 2018 (From April 1, 2017 to September 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	%
Second quarter of the fiscal year ending March 31, 2018	13,751	5.9	(2,171)	—	(2,144)	–	(4,426)	–
Second quarter of the fiscal year ending March 31, 2017	12,984	(39.1)	(1,096)	—	(1,364)	–	(912)	–

(Note) Comprehensive income: Second quarter of the Fiscal year ended March 31, 2018 -¥4,306 million yen (-)
Second quarter of the Fiscal year ended March 31, 2017 -¥1,605 million yen (-%)

	Net income per share	Net income per share - fully diluted
	yen	yen
Second quarter of the fiscal year ending March 31, 2018	(109.53)	-
Second quarter of the fiscal year ending March 31, 2017	(22.57)	-

(2) Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	million yen	million yen	%
Second quarter of the fiscal year ending March 31, 2018	27,310	5,599	20.5
Fiscal year ending March 31, 2017	31,844	9,905	31.1

(Reference) Shareholders' equity: Second quarter of the Fiscal year ended March 31, 2018 ¥5,599 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	-	0.00			
Fiscal year ending March 31, 2018 (forecast)			-	0.00	0.00

(Note) Modification of the Dividends forecast released most recently : No

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
Full year (cumulative)	28,300	8.2	(2,000)	-	(2,100)	-	(4,300)	-	(106.39)-

(Note) Modification of the consolidated results forecast released most recently : No

* Notes

(1) Major changes in subsidiaries during the first three months of the fiscal year ending March 31, 2018 (Changes in specified subsidiaries resulting in a change in the scope of consolidation) : None

(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

Notes concerning changes in accounting policy

(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, 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	Second 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	Second quarter of the fiscal year ending March 31, 2018	40,417,547shares	Second quarter of the fiscal year ended March 31, 2017	40,417,764shares

* Financial Results Summary is not subject to audit.

* Explanation for appropriate use of operating results forecasts, other special notes
Regarding the forecast of business performance, it is based on information available at the presentation date of this document, and it may differ from the forecast value due to various factors in the future.

(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.

Table of Contents of Attached Materials

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

(1) Business Results

In the world economy during the second quarter consolidated cumulative period, the economy continues to be gradually expanding in the US, and we are maintaining a steady recovery centering on domestic demand in Europe, even in the Asian region geopolitical risk, the Chinese economy continued its moderate economic recovery as a whole. The Japanese economy continued a moderate recovery trend 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 second quarter of fiscal year ended March 31, 2018 were ¥ 13,751 million (up 5.9% year on year), but operating loss was 2,171 million yen (operating loss was 1,096 million yen in the same period of the previous fiscal year), and ordinary loss was 2,144 million yen (Ordinary loss was 1,364 million yen in the same period of the previous fiscal year), the net loss attributable to the parent company shareholders was 4,426 million yen (Net loss of 912 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 second 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 4,913 million yen (an increase of 1.4% from the same period last year), while operating income was 69 million yen (70.5% 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 ¥ 8,837 million (an increase of 8.6% from the same period last year). But the operating loss was 2,120 million yen (operating loss was 1,223 million yen in the same period of the previous fiscal year).

(2) Financial Position

Total assets at the end of the second quarter consolidated accounting period were 27,310 million yen, a decrease of 4,533 million yen from the end of the previous consolidated fiscal year. This was mainly due to Tangible fixed assets decreased by 2,229 million yen by impairment, a decrease of 1,262 million yen in cash.

Total liabilities amounted to 21,711 million yen, a decrease of 227 million yen from the end of the previous consolidated fiscal year. This was mainly due to an increase in short-term borrowings of 437 million yen and a decrease in Electronically recorded debt by 311 million yen and other current liabilities by 315 million yen.

Net assets amounted to 5,599 million yen, a decrease of 4,306 million yen from the end of the previous consolidated fiscal year. This was mainly attributable to the net loss of ¥ 4,426 million attributable to the parent company's shareholders.

(3) Consolidated Operating Results Forecasts and Future Prospects

The consolidated earnings forecast for the fiscal year ended March 31, 2018 announced on October 27, 2017 has not changed

2. Quarterly Consolidated Financial Statements

（１） Quarterly Consolidated Balance Sheet

(Millions of yen)

	Previous fiscal year (March 31, 2017)	Second quarter of the current fiscal year (September 30, 2017)
Assets		
Current assets		
Cash and deposits	4,365	3,102
Notes and accounts receivable - trade	5,091	4,583
Electronically recorded monetary claims - operating	177	68
Merchandise and finished goods	4,896	4,711
Work in process	540	596
Raw materials and supplies	3,627	3,238
Other	1,024	1,376
Allowance for doubtful accounts	(0)	(0)
Total current asset	19,722	17,676
Non-current assets		
Property, plant and equipment		
Machinery, equipment and vehicles, net	3,407	2,060
Other, net	3,984	3,101
Total property, plant and equipment	7,391	5,161
Intangible assets		
Total intangible assets	1,409	1,194
Investments and other assets		
Investment securities	1,778	1,766
Other	1,542	1,512
Allowance for doubtful accounts	(1)	(1)
Total investments and other assets	3,319	3,277
Total non-current assets	12,121	9,633
Deferred assets	0	0
Total assets	31,844	27,310

(Millions of yen)

	Previous fiscal year (March 31, 2017)	Second quarter of the current fiscal year (September 30, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,111	3,248
Electronically recorded obligations - operating	1,323	1,012
Short-term loans payable	5,999	6,436
Current portion of long-term loans payable	60	60
Current portion of bonds	934	959
Lease obligations	71	57
Income taxes payable	45	79
Provision for bonuses	260	403
Provision for product warranties	248	206
Other	2,622	2,306
Total current liabilities	14,677	14,769
Non-current liabilities		
Bonds payable	30	-
Long-term loans payable	2,232	2,129
Lease obligations	46	20
Net defined benefit liability	666	634
Long-term unearned revenue	3,214	3,133
Other	1,070	1,022
Total non-current liabilities	7,261	6,941
Total liabilities	21,938	21,711
Net assets		
Shareholders' equity		
Capital stock	3,611	3,611
Retained earnings	6,882	2,455
Treasury shares	(21)	(21)
Total shareholders' equity	10,472	6,045
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	125	82
Deferred gains or losses on hedges	(34)	(12)
Foreign currency translation adjustment	(585)	(453)
Remeasurements of defined benefit plans	(72)	(62)
Total accumulated other comprehensive income	(567)	(446)
Total net assets	9,905	5,599
Total liabilities and net assets	31,844	27,310

（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, 2016 to September 30, 2016)	First six months of the current fiscal year (From April 1, 2017 to September 30, 2017)
Net sales	12,984	13,751
Cost of sales	11,059	13,255
Gross profit	1,924	495
Selling, general and administrative expenses	3,021	2,667
Operating income	(1,096)	(2,171)
Non-operating income		
Interest income	1	3
Dividend income	4	4
Foreign exchange gains	—	71
Share of profit of entities accounted for using equity method	39	19
Other	25	31
Total non-operating income	71	130
Non-operating expenses		
Interest expenses	34	65
Foreign exchange loss	284	—
Payment fee	4	25
Other	15	12
Total non-operating expenses	338	104
Ordinary income (loss)	(1,364)	(2,144)
Extraordinary loss		
Impairment loss	-	2,220
Loss on retirement of fixed assets	3	9
Other	-	34
Total Extraordinary loss	3	2,264
Income (loss) before income taxes and minority interests	(1,368)	(4,408)
Income taxes - current	115	40
Income taxes - deferred	(571)	(22)
Total income taxes	(455)	17
Net income(loss)	(912)	(4,426)
Net income attributable to parent company shareholders	(912)	(4,426)

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, 2016 to September 30, 2016)	First six months of the current fiscal year (From April 1, 2017 to September 30, 2017)
Net income(Loss)	(912)	(4,426)
Other comprehensive income		
Valuation difference on available-for-sale securities	5	(43)
Deferred gains or losses on hedges	8	22
Foreign currency translation adjustment	(556)	101
Remeasurements of defined benefit plans, net of tax	9	9
Share of other comprehensive income of entities accounted for using equity method	(160)	30
Total other comprehensive income	(693)	120
Comprehensive income	(1,605)	(4,306)
(Breakdown)		
Comprehensive income attributable to parent company shareholders	(1,605)	(4,306)

(3) Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	First six months of the previous fiscal year (From April 1, 2016 to September 30, 2016)	First six months of the current fiscal year (From April 1, 2017 to September 30, 2017)
Cash flows from operating activities		
Income before income taxes and minority interests	(1,368)	(4,408)
Depreciation	828	858
Impairment loss	-	2,220
Amortization of goodwill	74	-
Increase (decrease) in provision for product warranties	(2)	(42)
Increase (decrease) in net defined benefit liability	(67)	(37)
Interest and dividend income	(6)	(7)
Interest expenses	34	65
Share of (profit) loss of entities accounted for using equity method	(39)	(19)
Loss (gain) on sales and retirement of property, plant and equipment	3	9
Decrease (increase) in notes and accounts receivable - trade	1,650	667
Decrease (increase) in inventories	148	594
Increase (decrease) in notes and accounts payable - trade	(2,799)	(156)
Increase (decrease) in long-term unearned revenue	(206)	(81)
Other	271	(271)
Subtotal	(1,477)	(610)
Interest and dividend income received	6	7
Interest expenses paid	(34)	(65)
Income taxes paid	94	314
Cash flows from operating activities	(1,410)	(353)
Cash flows from investing activities		
Purchase of property, plant and equipment	(916)	(880)
Sales of property, plant and equipment	-	0
Purchase of intangible assets	(425)	(239)
Proceeds from sales of investment securities	22	-
Other	16	(21)
Cash flows from investing activities	(1,304)	(1,140)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	567	359
Proceeds from long-term loans payable	85	400
Repayments of long-term loans payable	(482)	(495)
Redemption of bonds	(30)	(30)
Cash dividends paid	(318)	-
Repayments of finance lease obligations	(73)	(39)
Other	(0)	(0)
Cash flows from financing activities	(251)	194
Effect of exchange rate change on cash and cash equivalents	(189)	37
Net increase (decrease) in cash and cash equivalents	(3,155)	(1,262)
Cash and cash equivalents at the beginning of the period	5,737	4,365
Cash and cash equivalents at the end of the period	2,581	3,102

(4) 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. The financial covenants of Global Credit Facility Agreement (Bank of Tokyo-Mitsubishi UFJ, Ltd.) (loan facility settlement amount of 1,000 million yen, second quarter consolidated cumulative lending-end borrowing balance of 774 million yen) We were in conflict with consolidated net asset standards and non-consolidated net asset standards, finally entered into a change agreement with the bank on September 29, 2017, and it became a condition not to be in conflict with the financial covenant provision. However during the second quarter consolidated cumulative period, we recorded an operating loss of 2,171 million yen, an ordinary loss of 2,144 million yen, and a net loss of 4,426 million yen attributable to the parent company shareholder, Due to this situation, We recognize 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 are drawing 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 is focusing 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 introduced 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. Furthermore, during the cumulative second quarter of the current fiscal year, impairment accounting is applied to fixed assets related to the energy solution business in the power equipment business, and fixed costs are expected to be reduced due to this. Transformer Business will expecting to maintain a solid operating performance.

In addition, we agreed to consign part of development work of TDK Corporation's on-board power supply equipment for electric vehicles and hybrid vehicles, and in the future we plan to expand our automotive equipment business to include power supply and device business and energy solution business, We will build it into the business of the third main division.

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. In the second quarter consolidated cumulative period as well, a total of 400 million yen of new long-term debt is executed

However, with the management restructuring strategy still in the middle of its implementation, Understanding of support and cooperation of financial institutions has been obtained, as mentioned above, with Mitsubishi Tokyo UFJ Bank, Ltd. on financial covenants under the Global Credit Facility Agreement on September 29, 2017 We have concluded a contract to change to the same content as the global commitment line contract with Mizuho Bank as agent.

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.

(Notes when there is a significant change in the amount of shareholders' equity)

2nd quarter consolidated cumulative period (From April 1, 2017 to September 30, 2017)

Not applicable

(Segment Information)

Ⅰ First six months of the previous 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	13,731	(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.

Ⅱ First six months of the current fiscal year (From April 1, 2017 to September 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	4,913	8,837	13,751	—	13,751
Intersegment net sales or transfers	754	—	754	(754)	—
Total	5,668	8,837	14,505	(754)	13,751
Segment income	62	(2,137)	(2,069)	(102)	(2,171)

(Notes) 1. Adjustment of -102 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

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. The financial covenants of Global Credit Facility Agreement (Bank of Tokyo-Mitsubishi UFJ, Ltd.) (loan facility settlement amount of 1,000 million yen, second quarter consolidated cumulative lending-end borrowing balance of 774 million yen) We were in conflict with consolidated net asset standards and non-consolidated net asset standards. Finally we entered into a change agreement with the bank on September 29, 2017, and it became a condition not to be in conflict with the financial covenant provision. However during the second quarter consolidated cumulative period, we recorded an operating loss of 2,171 million yen, an ordinary loss of 2,144 million yen, and a net loss of 4,426 million yen attributable to the parent company shareholder, Due to this situation, We recognize 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 are drawing 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. Improve profitability
   Reduction in fixed expenses
   Business organizational reform
   Sales growth by broadening lineups of competitive products

2. Stability of financial structure
   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. In the second quarter consolidated cumulative period as well, a total of 400 million yen of new long-term debt is executed
   While management improvement measures are in the process of progress, understanding has been gained about the support and cooperation of financial institutions, and as mentioned above, with Mitsubishi Tokyo UFJ Bank, Ltd. regarding financial covenants in global credit facility contract, On September 29, 2017 we have entered into a contract to change to the same content as the global commitment line contract with Mizuho Bank, Ltd. as agent.