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

February 13, 2018

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: February 14, 2018
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, 2018 (From April 1, 2017 to December 31, 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	%
Third quarter of the fiscal year ending March 31, 2018	20,027	9.0%	(3,440)	―-	(3,386)	–	(7,196)	–
Third quarter of the fiscal year ending March 31, 2017	18,366	(38.6)	(2,345)	―-	(2,346)	–	(3,261)	–

(Note) Comprehensive income: Third quarter of the Fiscal year ended March 31, 2018 -¥6,881 million yen (-)
Third quarter of the Fiscal year ended March 31, 2017 -¥3,272 million yen (-%)

	Net income per share	Net income per share - fully diluted
	yen	yen
Third quarter of the fiscal year ending March 31, 2018	(178.04)	-
Third quarter of the fiscal year ending March 31, 2017	(80.70)	-

(2) Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	million yen	million yen	%
Third quarter of the fiscal year ending March 31, 2018	25,060	3,023	12.1
Fiscal year ending March 31, 2017	31,844	9,905	31.1

(Reference) Shareholders' equity: Third quarter of the Fiscal year ended March 31, 2018 ¥3,023 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)	27,500	5.1	(3,900)	-	(4,000)	-	(7,800)	-	(192.99)

(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 (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)	Third 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	Third 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	Third quarter of the fiscal year ending March 31, 2018	40,417,542shares	Third quarter of the fiscal year ended March 31, 2017	40,417,741shares

* 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 Third Quarter of the Fiscal Year Ending March 31, 2018

(1) Business Results

The global economy in the third quarter was strong in the US due to steady private consumption and recovery in capital investment. In Europe, maintained a steady recovery mainly in domestic demand. Despite concerns about the impact of geopolitical risks and other factors in the Asian region, the economic recovery in the Chinese continued moderately in general. The Japanese economy continued a moderate recovery trend, reflecting solid employment and improved income situation.

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 sales for the nine months ended December 31, 2017 were 20,027 million yen (up 9.0% year on year), but due to the recording of inventory valuation loss etc., the operating loss was 3,440 million yen (operating loss of 2,345 million yen in the same period of the previous fiscal year), ordinary loss of 3,386 million yen (ordinary loss of 2,346 million yen in the same period of the previous fiscal year) and impairment of fixed assets of 4,102 million yen as an extraordinary loss, so the quarterly period attributable to parent company shareholders The net loss was 7,196 million yen (the quarterly net loss of 3,261 million attributable to parent company shareholders in the same period of the previous year).

＊FIT(Feed in tariff for renewable energy)

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

(i) Transformers Business

In the transformer business, although sales were steady, sales increased by 2.7% to 7,232 million yen, while operating profit was 39 million yen , decreased by 87.9% (compared to the same quarter of the previous year) due to higher raw material costs of copper and steel materials.

(ii) Power Supplies Business

Despite a significant increase in power supplies for amusement machine, sales of inverters for photovoltaic power generation declined due to sluggish domestic solar power generation market, sales were 12,794 million yen (up 13.0% from the same period last year) However, due to the recording of inventory valuation loss etc., the operating loss was 3,369 million yen (operating loss was 2,495 million yen in the same period of the previous fiscal year).

(2) Financial Position

Total assets at the end of the third quarter consolidated accounting period were 25,060 million yen, a decrease of 6,784 million yen from the end of the previous consolidated fiscal year. This was mainly due to a 4,045 million yen decline in fixed assets and 1,297 million yen in trade notes and accounts receivable, respectively, due to impairment losses.

Total liabilities amounted to 22,036 million yen, an increase of 97 million yen from the end of the previous consolidated fiscal year. This was mainly due to a 1,474 million yen increase in short-term borrowings and a 578 million yen decrease in other current liabilities.

Net assets amounted to 3,023 million yen, a decrease of 6,881 million yen from the end of the previous consolidated fiscal year. This was mainly due to a net loss of 7,196 million yen for the quarter attributable to the parent company's shareholders.

(3) Consolidated Operating Results Forecasts and Future Prospects

The consolidated earnings forecast announced on October 27, 2017 fiscal year is revised in "Notice on Recording of Extraordinary Loss (Impairment Loss) and Revision of Earnings Forecast" of this document and Today's Public Relations. For details, please refer to "Notice of Extraordinary Loss (Impairment Loss) Recording and Revision of Earnings Forecast".

2. Quarterly Consolidated Financial Statements

（1） Quarterly Consolidated Balance Sheet

(Millions of yen)

	Previous fiscal year (March 31, 2017)	Third quarter of the current fiscal year (December 31, 2017)
Assets		
Current assets		
Cash and deposits	4,365	3,377
Notes and accounts receivable - trade	5,091	3,794
Electronically recorded monetary claims - operating	177	110
Merchandise and finished goods	4,896	5,021
Work in process	540	619
Raw materials and supplies	3,627	2,956
Other	1,024	1,104
Allowance for doubtful accounts	(0)	(0)
Total current asset	19,722	16,983
Non-current assets		
Property, plant and equipment		
Machinery, equipment and vehicles, net	3,407	1,717
Other, net	3,984	2,617
Total property, plant and equipment	7,391	4,335
Intangible assets		
Total intangible assets	1,409	146
Investments and other assets		
Investment securities	1,778	1,899
Other	1,542	1,695
Allowance for doubtful accounts	(1)	(1)
Total investments and other assets	3,319	3,593
Total non-current assets	12,121	8,075
Deferred assets	0	0
Total assets	31,844	25,060

(Millions of yen)

	Previous fiscal year (March 31, 2017)	Third quarter of the current fiscal year (December 31, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,111	3,328
Electronically recorded obligations - operating	1,323	1,223
Short-term loans payable	5,999	7,474
Current portion of long-term loans payable	60	60
Current portion of bonds	934	884
Lease obligations	71	55
Income taxes payable	45	82
Provision for bonuses	260	180
Provision for product warranties	248	179
Other	2,622	2,043
Total current liabilities	14,677	15,511
Non-current liabilities		
Bonds payable	30	–
Long-term loans payable	2,232	1,954
Lease obligations	46	7
Net defined benefit liability	666	615
Long-term unearned revenue	3,214	3,064
Other	1,070	883
Total non-current liabilities	7,261	6,525
Total liabilities	21,938	22,036
Net assets		
Shareholders' equity		
Capital stock	3,611	3,611
Retained earnings	6,882	(313)
Treasury shares	(21)	(21)
Total shareholders' equity	10,472	3,276
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	125	103
Deferred gains or losses on hedges	(34)	(17)
Foreign currency translation adjustment	(585)	(280)
Remeasurements of defined benefit plans	(72)	(57)
Total accumulated other comprehensive income	(567)	(252)
Total net assets	9,905	3,023
Total liabilities and net assets	31,844	25,060

（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, 2016 To December 31, 2016)	First nine months of the current fiscal year (From April 1, 2017 to December 31, 2017)
Net sales	18,366	20,027
Cost of sales	16,134	19,553
Gross profit	2,231	473
Selling, general and administrative expenses	4,577	3,914
Operating income	(2,345)	(3,440)
Non-operating income		
Interest income	2	6
Dividend income	5	4
Foreign exchange gains	―	79
Share of profit of entities accounted for using equity method	79	31
Other	45	89
Total non-operating income	132	211
Non-operating expenses		
Interest expenses	50	108
Foreign exchange loss	53	―
Payment fee	7	30
Other	21	19
Total non-operating expenses	133	157
Ordinary income (loss)	(2,346)	(3,386)
Extraordinary loss		
Impairment loss	―	4,102
Loss on retirement of fixed assets	5	8
Other	―	40
Total Extraordinary loss	5	4,152
Income (loss) before income taxes and minority interests	(2,352)	(7,538)
Income taxes - current	137	55
Income taxes - deferred	771	(398)
Total income taxes	909	(342)
Net income(loss)	(3,261)	(7,196)
Net income attributable to parent company shareholders	(3,261)	(7,196)

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, 2016 to December 31, 2016)	First nine months of the current fiscal year (From April 1, 2017 to December 31, 2017)
Net income(Loss)	(3,261)	(7,196)
Other comprehensive income		
Valuation difference on available-for-sale securities	64	(22)
Deferred gains or losses on hedges	(20)	17
Foreign currency translation adjustment	(18)	183
Remeasurements of defined benefit plans, net of tax	13	14
Share of other comprehensive income of entities accounted for using equity method	(50)	121
Total other comprehensive income	(10)	314
Comprehensive income	(3,272)	(6,881)
(Breakdown)		
Comprehensive income attributable to parent company shareholders	(3,272)	(6,881)

(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, ordinary loss or net loss attributable to parent company shareholders, conflict with financial covenants etc.

Global credit facility agreement with agent of Mitsubishi Tokyo UFJ Co., Ltd. that was in conflict with the financial covenants provision (loan facility setting amount 1,000 million yen, borrowing execution balance at the end of the third quarter consolidated cumulative period of 774 million yen) With respect to the date of September 29, 2017, we concluded a change agreement and it became a condition not to be in conflict with the financial covenant provision.

However, in the third quarter consolidated cumulative period, we recorded an operating loss of 3,440 million yen, an ordinary loss of 3,386 million yen, and a net loss of 7,196 million yen attributable to the parent company shareholder, Net assets on the consolidated balance sheet amounted to 3,023 million yen (9,905 million yen at the end of the previous consolidated fiscal year). Due to this situation, there are events or situations that will cause important doubts on the premise of 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 order to realize further profit structure reform and business performance recovery, we have formulated a five-year medium-term management plan from fiscal 2018 to fiscal 2022, and based on the "Global Power-Solution Company" as the basic strategy, we will focus on the power electronics market with continued expansion and development. And we are positioning the new automotive business as our third business division with "distinctive devices" and "unique power solutions" aimed at advanced power electronics technology, starting full-fledged efforts and launching existing energy and solutions business and We will also promote initiatives that respond to changes in the business environment for the power and device business. In addition, we work closely with customers, planning, development, production, sales, after-sales service of products that truly appreciate at the site of use, sincerely face various needs, and can be evaluated at the site of use.

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 third 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, we report on the business results and financial condition of the Group to the financial institution in a timely manner, build a good relationship by obtaining understanding, and strive to further stabilize fund raising and cash flow, 2017 In March, we executed a total of 1,700 million yen of long-term borrowings, and in May and June 2017 we also executed a total of 400 million yen of new long-term borrowings.

Even with the above-mentioned countermeasures, depending on the progress of the project in the future, it may conflict with the financial restriction clause and there is a possibility that it may have a significant influence on the future cash flow, so at the moment there are significant uncertainties However, by steadily implementing the aforementioned management improvement measures and medium-term management plan, we will strive to eliminate events or circumstances that will cause important doubts concerning the premise of going concern.

The quarterly consolidated financial statements are prepared on the assumption of a going concern and significant uncertainties concerning the premise of such continuing companies
The effect of sex is not reflected in the quarterly 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 December 31, 2017)
Not applicable

(Segment Information)

Ⅰ First nine months of the previous 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.

Ⅱ First nine months of the current fiscal year (From April 1, 2017 to December 31, 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	7,232	12,794	20,027	―	20,027
Intersegment net sales or transfers	1,231	―	1,231	(1,231)	―
Total	8,464	12,794	21,259	(1,231)	20,027
Segment income	39	(3,369)	(3,330)	(110)	(3,440)

(Notes) 1. Adjustment of -110 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 third quarter consolidated cumulative period, we recorded an operating loss of 3,440 million yen, an ordinary loss of 3,386 million yen, a net loss of 7,196 million yen attributable to the parent company's shareholders, and a consolidated balance sheet for the quarter The net assets section of the comparison table was 3,023 million yen (9,905 million yen at the end of the previous consolidated fiscal year).

Due to this situation, there are events or situations that will cause important doubts on the premise of 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 as described in "2. Notes on Quarterly Consolidated Financial Statements and Notes (4) Notes on Quarterly Consolidated Financial Statements (Notes on Going Concern Assumption)" .

1. Improve profitability

Reduction in fixed expenses

Business organizational reform

Sales growth by broadening lineups of competitive products

Contract development of power supply equipment for automotive use from TDK Corporation

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 and the new long-term debt total of 400 million yen was also executed during the third quarter consolidated period. While management improvement measures are in the process of progress, but understanding is obtained about support and cooperation of trading financial institutions.

Even with the above-mentioned countermeasures, depending on the progress of the project in the future, it may conflict with the financial restriction clause and there is a possibility that it may have a significant influence on the future cash flow, so at the moment there are significant uncertainties However, by steadily implementing the aforementioned management improvement measures, we will strive to eliminate events or situations that will cause important doubts concerning the premise of going concern.