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

May 31, 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
 Corporate Director, Executive
 Contact (Title) Corporate Officer and Manager, Management Control Division (Name) Masao Sasano (TEL) +81-6-4807-3500
 Scheduled date of ordinary shareholders' meeting June 28, 2018 Scheduled commencement date of dividends payment: —
 Scheduled filing date of the securities report June 28, 2018
 Preparation of supplementary materials for report : Yes
 Convening results briefing : No (For institutional investors and analysts)
 (Amounts rounded down to the nearest million yen)

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

(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	%
Fiscal year ending March 31, 2018	26,417	1.0%	(4,361)	—	(4,432)	—	(8,830)	—
Fiscal year ending March 31, 2017	26,156	(33.1)	(3,333)	—	(3,415)	—	(5,782)	—

(Note) Comprehensive income: Fiscal year ended March 31, 2018 -¥8,628 million yen (-)
 Fiscal year ended March 31, 2017 -¥5,811 million yen (-)

	Net income per share	Net income per share - fully diluted	Net income to shareholders equity	Ordinary income to Assets	Operating income to Net sales
	yen	yen	%	%	%
Fiscal year ending March 31, 2018	(218.48)	-	(157.9)	(16.3)	(16.5)
Fiscal year ending March 31, 2017	(143.07)	-	(44.0)	(9.9)	(12.7)

(2) Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	yen
Fiscal year ending March 31, 2018	22,698	1,277	5.6	31.61
Fiscal year ending March 31, 2017	31,844	9,905	31.1	245.08

(Reference) Shareholders' equity: Fiscal year ended March 31, 2018 ¥1,277 million yen
 Fiscal year ended March 31, 2017 ¥9,905 million yen

(3) Consolidated Cash Flow

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the year

	million yen	million yen	Million yen	Million yen
Fiscal year ending March 31, 2018	(1,753)	(1,260)	1,321	2,623
Fiscal year ending March 31, 2017	(2,985)	(2,635)	4,313	4,365

2. Dividends

	Annual dividends					Total amount of annual dividends	Dividend payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	End of 1Q	End of 2Q	End of 3Q	End of the year	Total			
	yen	yen	yen	yen	yen	million yen	%	%
Fiscal year ended March 31, 2017	-	8.00	-	0.00	8.00	323	-	2.5
Fiscal year ended March 31, 2018	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ending March 31, 2019 (forecast)	-	0.00	-	-	-		-	

(Note) The end of Fiscal year ending March 31, 2019 dividends is not conformed yet

3. Consolidated Operating Results Forecast for the fiscal year ending March 31, 2019

(From April 1, 2018 to March 31, 2019)

(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
First two quarters	13,000	(5.5)	(600)	-	(700)	-	(600)	-	(14.85)

* Notes

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

(2) 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

(3) Number of shares issued (common stock)

1) Number of shares issued at the end of the period (including treasury stock)	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	Fiscal year ending March 31, 2018	85,132shares	Fiscal year ended March 31, 2017	85,042shares
3) Average number of shares issued during the first nine months	Fiscal year ending March 31, 2018	40,417,538shares	Fiscal year ended March 31, 2017	40,417,713shares

(Reference) Summary of non-consolidated financial results

1. Non-Consolidated Operating Results for the fiscal year ended March 31, 2018

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

(1) Non-consolidated operating results (Percentages represent year on year changes)

	Net sales		Operating income		Ordinary income		Net income per share	
	million yen	%	million yen	%	million yen	%	million yen	%
Fiscal year ended March 31, 2018	13,352	(18.1)	(2,924)	—	(1,986)	—	(5,624)	—
Fiscal year ended March 31, 2017	16,309	(45.3)	(4,358)	—	(4,068)	—	(6,433)	—

	Net income per share	Net income per share - fully diluted
	yen	yen
Fiscal year ended March 31, 2018	(139.16)	-
Fiscal year ended March 31, 2017	(159.18)	-

(2) Non-consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	yen
Fiscal year ended March 31, 2018	14,498	(822)	(5.7)	(20.36)
Fiscal year ended March 31, 2017	18,261	4,822	26.4	119.32

(Reference) Shareholders' equity: Fiscal year ended March 31, 2018 -¥822 million yen

Fiscal year ended March 31, 2017 ¥4,822 million yen

- * Financial Results Summary is not subject to audit
- * 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. Summary of Business Results

(1) Summary of Business Results for the Current Fiscal Year

Although the global economy in the fiscal year under review could not eliminate concerns over the global negative impact of trade friction between the US and China due to protectionism in the United States, the economies of the US, China and Europe have been steady. In general, it was on a gradual recovery trend. The Japanese economy continued a moderate recovery trend, reflecting solid employment and improved income situation.

Under such business environment, In the transformer business, orders from our customers, mainly in Asia, remained steady, supported by the global market growth of Household appliances such as air conditioners. On the other hand, in the power supply equipment business, though the power supply for amusement machine increased sharply, Sales of PV inverters declined greatly due to the impact of the sharp reduction in the domestic market, as the purchase price of the Feed In Taliff (FIT), which is a diffusion policy for renewable energy, declined and restrictions were strengthened. Solar power generation continues to expand beyond Japan, and we also began expanding sales in the US and Asia, and we began marketing hybrid storage systems in Hawaii and California. However, it took time to individually deal with products against different power regulations and installation requirements for each region, state, or operator, so that full-scale sales were not reached.

As a result, for the consolidated fiscal year under review, the Company Group posted net sales of 26,417 million yen (up 1.0% year on year), operating loss of 4,361 million yen (compared to operating loss of 3,333 million yen for the same period in the previous fiscal year), and ordinary loss of 4,432 million yen (compared to ordinary loss of 3,415million yen for the same period in the previous fiscal year). As a result of impairment loss on fixed assets of 4,544 million yen as extraordinary loss, net loss attributable to owners of the parent was 8,830 million yen (compared to net loss attributable to owners of the parent of 5,782 million yen for the same period in the previous fiscal year).

The operating results by segment are as follows:

(i) Transformers Business

The Transformers Business, Although sales were stable, due to higher raw material costs of copper and steel materials posted net sales of 9,743 million yen (up 3.7% year on year) and an operating income of 24 million yen (down 92.3% from the previous term).

(ii) Power Supplies Business, Despite a sharp rise in amusement power supply, sales of power equipment business declined due to a slump in the domestic solar power generation market, sales of PV inverters decreased, and net sales amounted to 16,674 million yen (down 0.5% from the previous term). Operating loss was 4,228 million yen (operating loss was 3,420 million yen in the same period of the previous fiscal year) due to the recording of inventory valuation loss.

(2) Summary of Financial Position for the Current Fiscal Year

As for the financial position for the current fiscal year end, total assets stood at 22,698 million yen, a decrease of 9,145 million yen from the previous consolidated fiscal year end. This was primarily due to a decrease in cash and deposits of 1,741 million yen, inventories of raw materials and supplies mainly 1,581 million yen, total property and equipment totaling 3,669 million yen due to impairment etc. and total intangible fixed assets 1,272 million yen respectively. Total liabilities amounted to 21,421 million, a decrease of 517 million yen from the end of the previous consolidated fiscal year. This was mainly due to a decrease in trade notes and accounts payable of 432 million yen and accrued payables by 658 million yen. Net assets stood at 1,277 million yen, a decrease of 8,628 million yen from the previous consolidated fiscal year end. This

was primarily due to the posting of a net loss attributable to owners of the parent of 8,830 million yen.

(3) Summary of Cashflow for the Current Fiscal Year

The amount of cash and cash equivalents for the current fiscal year end was 2,623 million yen, a decrease of 1,741 million yen from the previous consolidated fiscal year end.

Cash flows from operating activities resulted in a net outflow of 1,753 million yen (compared to a net outflow of 2,985 million yen in the previous fiscal year). Primary reasons for the increase were depreciation of 1,278 million yen, an impairment loss of 4,544 million yen a decrease in notes and accounts receivable-trade of 780 million yen and a decrease in inventories 1,557 million yen. Primary reasons for the decrease were loss before income taxes and minority interests of 9,053 million yen, decrease in notes and accounts payable by 610 million yen, and decrease in other current liabilities at 466 million yen.

Cash flows from investing activities resulted in a net outflow of 1,260 million yen (compared to a net outflow of 2,635 million yen in the previous fiscal year). A breakdown of the major items includes an outflow of 1,189 million yen for the purchase of property, plant and equipment, and 266 million yen for the purchase of intangible assets.

Cash flows from financing activities resulted in a net inflow of 1,321 million yen (compared to a net inflow of 4,313 million yen in the previous fiscal year). A breakdown of the major items includes an inflow of 2,054 million yen from the increase in short-term loans payable.

(4) Future Outlook

The future global economy will continue to be on a recovery trend, supported by steady growth in the US and China economies, although the uncertainty in the future, such as the impact on the world economy by the US protectionism and geopolitical risks. In addition, the domestic economy is expected to continue to be steady, supported by solid consumption and capital investment despite fears of a slowing down of the global economy due to the uncertain world economy and the appreciation of the yen.

Under such circumstances, in the power supply equipment business, inverters for photovoltaic power generation are expected to increase due to factors such as prioritizing residential and power storage systems that are expected to expand their market in the future and aim to expand sales building a stable sales base by expanding OEM products. Regarding overseas markets, we intend to build up sales mainly for electricity storage hybrid system, which is expected to be demanded in the North American market. Furthermore, in the current consolidated fiscal year, we have impaired the fixed assets related to certain overseas subsidiaries and corporate common assets among the power equipment business, energy solutions business and transformer business, Compression of fixed costs is expected. In the transformer business, we expect continued strong business development.

As for the outlook for the next fiscal year, the impact of the sharp reduction of the photovoltaic power generation market is still extremely large, and the effect of the medium-term management plan MBP 2022 formulated in February is expected to be in the second half or later, so we prospect in the first half sales of 13,000 million and an operating loss of 600 million yen. Regarding the full-year outlook, we are considering accumulating various countermeasures and will announce it as soon as it is finalized. The exchange rate is assumed to be 110 yen per dollar.

*Since the above forecasts are based on the information currently available to the Company, and certain assumptions determined reasonable, actual operating results may differ from the forecasts. The major reasons for such difference

include the economic situation and fluctuations in the supply and demand of products in the major markets (Japan, Europe, the U.S., Asia and others), and fluctuations in foreign exchange rates.

2. Basic Approach to Selection of Accounting Standards

The policy of the Company Group for the time being is to prepare its consolidated financial statements in accordance with Japan GAAP. It will do this in consideration of the comparability of consolidated financial statements between accounting periods and between companies.

With respect to the adoption of the International Financial Reporting Standards (IFRS), it is our policy to handle the matter properly, taking into consideration various circumstances inside and outside Japan.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Millions of yen)

	Previous fiscal year (March 31, 2017)	Current fiscal year (March 31, 2018)
Assets		
Current assets		
Cash and deposits	4,365	2,623
Notes and accounts receivable - trade	5,091	4,426
Electronically recorded monetary claims - operating	177	70
Merchandise and finished goods	4,896	4,382
Work in process	540	437
Raw materials and supplies	3,627	2,663
Deferred Tax Asset	51	48
Other	973	996
Allowance for doubtful accounts	(0)	(0)
Total current asset	19,722	15,647
Non-current assets		
Property, plant and equipment		
Buildings and structures	4,091	3,138
Accumulated depreciation	(2,022)	(1,883)
Buildings and structures, net	2,069	1,255
Machinery, equipment and vehicles	8,906	5,516
Accumulated depreciation	(5,499)	(4,086)
Machinery equipment and vehicles, net	3,407	1,430
Land	942	799
Construction in process	264	53
Other	2,410	1,783
Accumulated depreciation	(1,703)	(1,600)
Other, net	707	182
Total property, plant and equipment	7,391	3,722
Intangible assets		
Other	1,409	137
Total intangible assets	1,409	137
Investments and other assets		
Investment securities	1,778	1,733
Long-term loans receivable	284	214
Deferred Tax Asset	29	199
Other	1,229	1,045
Allowance for doubtful accounts	(1)	(1)
Total investments and other assets	3,319	3,192
Total non-current assets	12,121	7,051
Deferred assets		
Bond issuance expenses	0	0
Deferred assets	0	0
Total assets	31,844	22,698

(Millions of yen)

	Previous fiscal year (March 31, 2017)	Current fiscal year (March 31, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,111	2,679
Electronically recorded obligations - operating	1,323	1,056
Short-term loans payable	5,999	8,094
Current portion of long-term loans payable	934	776
Current portion of bonds	60	30
Lease obligations	71	41
Accounts payable	1,543	884
Income taxes payable	45	66
Provision for bonuses	260	218
Provision for product warranties	248	197
Other	1,079	969
Total current liabilities	14,677	15,016
Non-current liabilities		
Bonds payable	30	—
Long-term loans payable	2,232	1,788
Lease obligations	46	2
Net defined benefit liability	666	560
Deferred tax liabilities	505	311
Asset retirement obligation	185	183
Long-term unearned revenue	3,214	3,241
Other	379	316
Total non-current liabilities	7,261	6,405
Total liabilities	21,938	21,421
Net assets		
Shareholders' equity		
Capital stock	3,611	3,611
Retained earnings	6,882	(1,947)
Treasury shares	(21)	(21)
Total shareholders' equity	10,472	1,642
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	125	71
Deferred gains or losses on hedges	(34)	(3)
Foreign currency translation adjustment	(585)	(397)
Remeasurements of defined benefit plans	(72)	(36)
Total accumulated other comprehensive income	(567)	(365)
Total net assets	9,905	1,277
Total liabilities and net assets	31,844	22,698

(2) Consolidated Statement of Income

Consolidated Statement of Income

(Millions of yen)

	The previous fiscal year (From April 1, 2016 To March 31, 2017)	The current fiscal year (From April 1, 2017 to March 31, 2018)
Net sales	26,156	26,417
Cost of sales	23,488	25,738
Gross profit	2,668	679
Selling, general and administrative expenses	6,001	5,040
Operating income	(3,333)	(4,361)
Non-operating income		
Interest income	4	6
Dividend income	5	4
Exchange gain	-	13
Share of profit of entities accounted for using equity method	91	30
Other	50	104
Total non-operating income	151	160
Non-operating expenses		
Interest expenses	78	142
Sales discount	14	13
Derivative loss	-	23
Foreign exchange loss	74	-
Commission paid	61	37
Other	3	13
Total non-operating expenses	233	230
Ordinary income (loss)	(3,415)	(4,432)
Extraordinary income		
Gain on sale of fixed assets	-	9
Total extraordinary income	-	9
Extraordinary loss		
Loss on valuation of investment securities	-	24
Impairment loss	1,050	4,544
Loss on retirement of fixed assets	83	9
Other	78	51
Total extraordinary losses	1,213	4,630
Income (loss) before income taxes and minority interests	(4,628)	(9,053)
Income taxes - current	169	127
Income taxes - deferred	985	(350)
Total income taxes	1,154	(222)
Net income(loss)	(5,782)	(8,830)
Net income attributable to parent company shareholders	(5,782)	(8,830)

Consolidated Statement of Comprehensive Income

(Millions of yen)

	The previous fiscal year (From April 1, 2016 to March 31, 2017)	The current fiscal year (From April 1, 2017 to March 31, 2018)
Net income(Loss)	(5,782)	(8,830)
Other comprehensive income		
Valuation difference on available-for-sale securities	134	(53)
Deferred gains or losses on hedges	(25)	31
Foreign currency translation adjustment	(100)	151
Remeasurements of defined benefit plans, net of tax	20	35
Share of other comprehensive income of entities accounted for using equity method	(57)	36
Total other comprehensive income	(28)	202
Comprehensive income	(5,881)	(8,628)
(Breakdown)		
Comprehensive income attributable to parent company shareholders	(5,811)	(8,628)

(3) Consolidated Statement of Changes in Equity

Previous fiscal year (from April 1, 2016 to March 31, 2017)

(Millions of yen)

	Shareholders' equity			
	Capital stock	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of April 1, 2016	3,611	13,312	(21)	16,902
Changes of items during period				
Dividends of surplus		(646)		(646)
Net income attributable to parent company shareholders		(5,782)		(5,782)
Purchase of treasury shares			(0)	(0)
Net changes of items other than shareholders' equity				
Total changes of items during period	-	(6,429)	(0)	(6,429)
Balance as of March 31, 2017	3,611	6,882	(21)	10,472

	Accumulated other comprehensive income					Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance as of April 1, 2016	(8)	(9)	(428)	(92)	(538)	16,363
Changes of items during period						
Dividends of surplus						(646)
Net income attributable to parent company shareholders						(5,782)
Purchase of treasury shares						(0)
Net changes of items other than shareholders' equity	134	(25)	(157)	20	(28)	(28)
Total changes of items during period	134	(25)	(157)	20	(28)	(6,457)
Balance as of March 31, 2017	125	(34)	(585)	(72)	(567)	9,905

Fiscal year under review (from April 1, 2017 to March 31, 2018)

(Millions of yen)

	Shareholders' equity			
	Capital stock	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of April 1, 2017	3,611	6,882	(21)	10,472
Changes of items during period				
Dividends of surplus				
Net income attributable to parent company shareholders		(8,830)		(8,830)
Purchase of treasury shares			(0)	(0)
Net changes of items other than shareholders' equity				
Total changes of items during period	-	(8,830)	(0)	(8,830)
Balance as of March 31, 2018	3,611	(1,947)	(21)	1,642

	Accumulated other comprehensive income					Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance as of April 1, 2017	125	(34)	(585)	(72)	(567)	9,905
Changes of items during period						
Dividends of surplus						-
Net income attributable to parent company shareholders						(8,830)
Purchase of treasury shares						(0)
Net changes of items other than shareholders' equity	(53)	31	188	35	202	202
Total changes of items during period	(53)	31	188	35	202	(8,628)
Balance as of March 31, 2018	71	(3)	(397)	(36)	(365)	1,277

(4) Consolidated Statement of Cash Flows

	(Millions of yen)	
	The previous fiscal year (From April 1, 2016 to March 31, 2017)	The current fiscal year (From April 1, 2017 to March 31, 2018)
Cash flows from operating activities		
Income before income taxes and minority interests	(4,628)	(9,053)
Depreciation	1,781	1,278
Impairment loss	1,050	4,544
Increase (decrease) in provision for product warranties	(205)	(51)
Increase (decrease) in net defined benefit liability	(108)	(109)
Amortization of goodwill	149	-
Interest and dividend income	(9)	(11)
Interest expenses	78	142
Share of (profit) loss of entities accounted for using equity method	(91)	(30)
(Profit) loss on sale of tangible fixed assets	83	0
(Profit) loss on valuation of investment securities	-	24
Decrease (increase) in notes and accounts receivable - trade	1,613	780
Decrease (increase) in inventories	591	1,557
Decrease (increase) in other current assets	1,042	(157)
Increase (decrease) in notes and accounts payable - trade	(3,051)	(610)
Increase (decrease) in other current liabilities	(325)	(466)
Increase (decrease) in long-term unearned revenue	(38)	26
Other	(699)	366
Subtotal	(2,757)	(1,769)
Interest and dividend income received	9	11
Interest expenses paid	(78)	(142)
Income taxes paid	(159)	146
Cash flows from operating activities	(2,985)	(1,753)
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,495)	(1,189)
Proceeds from sales of property, plant and equipment	-	31
Purchase of intangible assets	(817)	(266)
Proceeds from sales of investment securities	22	-
Purchase of investment securities	(56)	-
Payment for loans	(287)	-
Revenue from cancellation of insurance reserve fund	60	184
Other	(61)	(20)
Cash flows from investing activities	(2,635)	(1,260)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	4,163	2,054
Proceeds from long-term loans payable	1,907	400
Repayments of long-term loans payable	(927)	(1,000)
Redemption of bonds	(60)	(60)
Cash dividends paid	(641)	(2)
Repayments of finance lease obligations	(129)	(70)
Other	(0)	(0)
Cash flows from financing activities	4,313	1,321
Effect of exchange rate change on cash and cash equivalents	(64)	(48)
Net increase (decrease) in cash and cash equivalents	(1,372)	(1,741)
Cash and cash equivalents at the beginning of the period	5,737	4,365
Cash and cash equivalents at the end of the period	4,365	2,623

(5) Notes to Consolidated Financial Statements

(Notes Relating to Going Concern Assumption)

The Group recorded consolidated operating loss of 3,333 million yen, consolidated ordinary loss of 3,415 million yen and net loss of 5,782 million yen attributable to parent company shareholders in the previous consolidated fiscal year, Even in this consolidated fiscal year, an operating loss of 4,361 million yen, a consolidated ordinary loss of 4,432 million yen, and a net loss attributable to parent company shareholders of 8,830 million yen.

In addition, about the non-consolidated statement situation, we recorded an operating loss of 4,358 million yen, an ordinary loss of 4,068 million yen, and a net loss of 6,433 million yen in the previous fiscal year, and also recorded in operating loss 2,924 million yen, in ordinary loss 1,986 million yen, and Net assets in the balance sheet amounted to ¥ 4,822 million as of the end of the previous fiscal year, but due to the excess of debts of ¥ 822 million as of the end of the fiscal year under review, As a result of this, borrowing agreements concluded with some financial institutions (outstanding amount of 3,981 million as of March 31, 2018) conflict with the financial restriction provision of this contract. The details of the financial covenant are as follows

- ① 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.
- ② 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.
- ③ 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.
- ④ 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 these circumstances correspond to situations such as significant operating losses, recording of ordinary losses and net losses attributable to the parent company, There are situations of the conflicts with financial covenants, etc., it is necessary to cause important doubts on the premise of going concern.

In order to resolve this situation, we are implementing the following measures to realize reform of profit structure and recovery of business performance, to expand sales both in Japan and overseas, cash on medium and long-term growth We will realize securing flows.

1. About business promotion

1) Promotion new mid-term business plan(MBP2022)

In order to realize further profit structure reform and business performance recovery, we formulated a five-year medium-term business plan from fiscal 2018 to 2022 and expanded in the power electronics market with "Global Power-Solution Company" as the basic strategy · We will push forward the development.

(1) Business organization reform

We are positioning the new automotive business as the third main business area with "distinctive devices" utilizing advanced power electronics technology and "power and solution that is different to one another", and we will begin full-fledged efforts, , As well as power and device businesses, we will promote initiatives that respond to changes in the business environment.

① Energy-solution business division

- i) Restructure domestic business base (Prioritize for residential and power storage systems that are expected to grow in the future)
- ii) Developed to the Global Distributed Energy Resources (DER) market
- iii) Strengthening cost effectiveness through platformization

② Power supply & device business division

- i) Steady expansion of transformer / coil for consumer, industrial, automotive
- ii) New development to PDIC applied products cultivated with power supply for amusement machine

③Automotive business

- i) Taking full advantage of proprietary power electronics technology cultivated through solar power generation, full-scale entry into automotive related business such as in-vehicle equipment and wireless power supply equipment

(2) Business promotion through customer orientation

We work closely with customers, planning, development, production, sales and after-sales service of products that truly appreciate at the site of use, sincerely facing various needs and fulfilling their needs.

2) Business organization reform

With the introduction of the business division system organization, we are promoting global product development and sales structure by (1) prompt decision making, (2) clarification of business-specific profitability responsibilities, and (3) manufacturing, engineering and sales integration.

3) Fixed cost reduction

In addition to promoting thorough labor saving and reviewing production arrangements at overseas bases, we are trying to optimize our production system and also reduce personnel expenses by reducing executive remuneration and bonuses, reviewing labor composition, etc., as well as distribution costs We are striving to thoroughly reduce fixed costs, such as reducing administrative expenses.

In the current consolidated fiscal year, we will impair the energy and solution business, unprofitable sites, and fixed assets related to company-wide common assets in the power equipment business, which is expected to reduce fixed costs.

2. Stabilizing the financial base

About the borrowing loan which already conflict with financial covenants, we request to grace a request for loss of profit for the deadline to the group of banks. And we have received consent from each bank. In addition, we have entered into a contract change agreement with major banks on repayment of long-term borrowings principal. We maintain a close relationship with major banks, mainly in the main bank, and we believe that continuous support will be obtained.

However, these countermeasures are in the process of being implemented, and depending on the above-mentioned countermeasures, depending on the progress of the project in the future and the situation of consultation with major banks, there is a possibility that it will have a significant influence on future cash flow , We recognize that there is an important uncertainty regarding the premise of the going concern at the present time. Therefore, by steadily implementing the aforementioned management improvement measures and maintaining close relationships with major banks, we strive to eliminate events or situations that may cause important doubts concerning the premise of going concern.

The consolidated financial statements are prepared on the premise of a going concern, and the effects of significant uncertainties concerning the premise of such continuing companies are not reflected in the consolidated financial statements.

(Segment Information)

1 Overview of Reportable Segment

(1) Methods of determining reportable segments

The Company's reportable segments are components of the Company about which separate financial information is available and such information is evaluated regularly by the highest decision-making body of the Company in deciding how to allocate resources and in assessing performance.

Based on business units and according mainly to the types of products and similarity in production methods, the Company treats the Transformers Business and the Power Supplies Business as its reportable segments.

(2) Types of products and services under the reportable segments

The Transformers Business manufactures and sells industrial and consumer transformations and other products.

The Power Supplies Business manufactures and sells industrial and consumer power supply equipment, inverters and other products.

2. Calculation Method of Net Sales, Income or Loss by Reportable Segment

The method of accounting procedures for reportable business segments are generally the same as the method of accounting procedures applied to prepare consolidated financial statements.

Income in the reportable segment is based on the operating income amount. Intersegment revenue and transfers are based on the prevailing market prices.

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

The previous fiscal year (From April 1, 2016 to March 31, 2017)

(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	9,391	16,764	26,156	-	26,156
Intersegment net sales or transfers	1,507	-	1,507	(1,507)	-
Total	10,898	16,764	27,663	(1,507)	26,156
Segment income	321	(3,420)	(3,099)	(234)	(3,333)

(Notes) 1. Adjustment of -234 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 Consolidated Statement of Income.

The current fiscal year (From April 1, 2017 to March 31, 2018)

(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	9,743	16,674	26,417	-	26,417
Intersegment net sales or transfers	1,454	-	1,454	(1,454)	-

Total	11,197	16,674	27,872	(1,454)	26,417
Segment income	24	(4,228)	(4,204)	(157)	(4,361)

(Notes) 1. Adjustment of -157 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 Consolidated Statement of Income.

(Per Share Information)

The amounts of net assets per share and net income per share, and their calculation basis were as follows.

Item	Previous fiscal year (March 31, 2017)	Fiscal year under review (March 31, 2018)
Net assets per share	245.08 yen	31.61 yen
Net income (loss) per share	(143.07) yen	(218.48) yen

(Note) 1. Diluted net income per share of previous fiscal year (consolidated) is not presented since the Company had outstanding dilutive securities.

2. Diluted net income per share of current fiscal year (consolidated) is not presented since the Company had outstanding dilutive securities, though posted a net loss per share.

3. The calculation basis for net income per share was as follows.

Item	Previous fiscal year (from April 1, 2016 to March 31, 2017)	Fiscal year under review (from April 1, 2017 to March 31, 2018)
Net income (loss) attributable to parent company shareholders (million yen)	(5,782)	(8,830)
Amount not attributable to common shareholders (million yen)	-	-
Net income (loss) attributable to parent company shareholders applicable to common shares (million yen)	(5,782)	(8,830)
Average number of common shares issued during the period (thousand shares)	40,417	40,417

(Significant Subsequent Events)

Not applicable.

4. Others

Important events on the premise of going concern etc.

The Group recorded consolidated operating loss of 3,333 million yen, consolidated ordinary loss of 3,415 million yen and net loss of 5,782 million yen attributable to parent company shareholders in the previous consolidated fiscal year. Even in this consolidated fiscal year, an operating loss of 4,361 million yen, a consolidated ordinary loss of 4,432 million yen, and a net loss attributable to parent company shareholders of 8,830 million yen.

As a result, we have conflicted with the financial covenant provision of the agreement concerning borrowing agreements (with outstanding borrowings of 3,981 million yen as of March 31, 2018) that we have concluded with some financial institutions.

Due to these circumstances, situations exist that cause important doubt on the premise of a going concern.

In order to resolve this situation and to realize reform of earnings structure and recovery of business results, the Group has adopted "3. Consolidated financial statements and major notes (5) Notes on consolidated financial statements As described in Note), we will implement the following measures to expand sales both in Japan and overseas and realize cash flow for medium- to long-term growth.

2. About business promotion

- 1) Promotion new mid-term business plan(MBP2022)
- 2) Business organization reform
- 3) Fixed cost reduction

3. Stabilizing the financial base

About the borrowing loan which already conflict with financial covenants, we request to grace a request for loss of profit for the deadline to the group of banks. And we have received consent from each bank. In addition, we have entered into a contract change agreement with major banks on repayment of long-term borrowings principal. We maintain a close relationship with major banks, mainly in the main bank, and we believe that continuous support will be obtained.

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