Consolidated Financial Results for the Fiscal Year Ended March 31, 2014 (Based on J-GAAP)

May 13, 2014

Company name: Tamagawa Holdings Co., Ltd. Listing: JASDAQ (Tokyo Stock Exchange)
Stock Code: 6838 URL: http://www.tmex.co.jp/
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Scheduled date of Annual General Meeting of Shareholders: June 27, 2014
Scheduled Commencement Date of Dividend Payout: —
Scheduled date of filling Annual Securities Report: June 27, 2014
Explanatory Documents Supplemental to the Abridged Financial Statements: Yes
Result Briefing: Yes (For institutional investors and analysts)

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2014 (April 1, 2013 – March 31, 2014)

(1) Consolidated results of operations (full-year) (Percentages represent year-over-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY 2014	4,171	13.6	477	27.8	478	27.6	436	28.5
FY 2013	3,671	18.2	373	—	374	—	339	—

(Note) Comprehensive income (million yen): FY 2014: 438 (26.9%) FY 2013: 345 (—%)

	Net income per share	Diluted net income per share	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
FY 2014	11.65	10.58	20.1	13.8	11.4
FY 2013	15.73	14.76	27.4	18.0	10.2

(Reference) Equity in earnings of affiliates (million yen): FY 2014: — FY 2013: —
(Note) On March 1, 2014, the Company executed a common stock split at the ratio of 3 shares to 1.
Net income per share and net income per diluted share are calculated under the assumption that the stock split took effect at the start of the previous fiscal year.

Explanatory notes on consolidated financial results

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY 2014	4,210	2,638	62.5	64.77
FY 2013	2,709	1,750	63.4	54.28

(Reference) Shareholders' equity (million yen): FY 2014: 2,632 FY 2013: 1,718
(Note) On March 1, 2014, the Company executed a common stock split at the ratio of 3 shares to 1.
Net assets per share is calculated under the assumption that the stock split took effect at the start of the previous fiscal year.

Explanatory notes on consolidated financial position

(3) Consolidated cash flow position

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
FY 2014	764	(265)	875	1,763
FY 2013	35	(454)	783	389

2. Dividends

	Dividends per share					Total dividends (annual)	Dividend payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	Interim	3Q-end	Yearend	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY 2013	—	0.00	—	0.00	0.00	0	0.0	0.0
FY 2014	—	0.00	—	0.00	0.00	0	0.0	0.0
FY 2015 (forecasts)	—	—	—	1.00	1.00		9.15	

(Note) Dividend distribution sources in fiscal year ending March 31, 2015 include the capital surplus.
For details, see the "Breakdown of dividend distribution from capital surplus," which appears later in this report.

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2015 (April 1, 2014 – March 31, 2015)

(Percentages represent year-over-year changes)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
1H (six months)	2,092	15.0	201	(6.2)	196	(10.2)	128	(32.8)	3.10
Full year	4,534	8.7	506	6.1	489	2.4	450	3.3	10.93

(1) Changes in significant subsidiaries during the fiscal year under review
(changes in subsidiaries accompanying change in the scope of consolidation): None
New: None (Company names:)
Excluded: None (Company names:)
Explanatory notes on changes in significant subsidiaries during the fiscal year under review

(2) Changes in accounting principles, estimates and restatement
1) Changes in accounting principles caused by revision of accounting standards: None
2) Changes in accounting principles other than those mentioned above: None
3) Changes in accounting estimates: None
4) Restatement: None
Explanatory notes on changes in accounting principles, estimates and restatements

(3) Number of shares issued and outstanding (shares of common stock)

1) Number of shares outstanding (including treasury stock) at end of period	FY 2014	41,259,000 shares	FY 2013	32,259,000 shares
2) Number of treasury stock at end of period	FY 2014	613,122 shares	FY 2013	610,479 shares
3) Average number of shares outstanding during the period	FY 2014	37,468,446 shares	FY 2013	21,607,940 shares

(Note) On March 1, 2014, the Company executed a common stock split at the ratio of 3 shares to 1.
The number of shares in this table is calculated under the assumption that the stock split took effect at the start of the previous fiscal year.

Breakdown of dividend distribution from capital surplus
The breakdown of the portion of dividends to be distributed from capital surplus in fiscal year ending March 31, 2015 is as follows.

Base date	Yearend	Total
Cash dividends per share	1.00 yen	1.00 yen
Total dividends paid	41 million yen	41 million yen

(Note) Net assets decrease by a factor of 0.016.

1. Results of Operations

(1) Analysis regarding results of operations

The Japanese economy in the term under review, although overshadowed by weakness in Europe and concerns over stagnating emerging economies, displayed strengthening signs of improving domestic business amid growth expectations inspired by a range of policy measures instituted by the new government, specifically accommodative monetary policy steps, and attended by progressive weakening of the yen and rising share prices. However, conclusive ripple effects in the real economy have yet to materialize, leaving the further outlook uncertain.

In this operating environment, the Group worked on strengthening business development in its main business lines in Electronics and Telecommunications Equipment Business operations, centered on markets related to 3.9G mobile telecommunications equipment, defense, and wireless technology applications for public infrastructure and disaster prevention. In addition, demand from newly cultivated customers rose as a result of efforts to strengthen its value proposition through business alliances in addition to activities under the themes of "value-added initiatives," "development of our own original products," and "expansion and cultivation of business areas." We have also started ambitious initiatives to raise profits through operation improvements, while we continue to solidify our business foundation.

The Group's Solar Business Division operations (collectively meaning the Solar System Sales Business operations and Solar Power Plant Business operations; the same applies in the following.) experienced rising user interest in renewable energy, especially regarding solar energy power generation, prompted by the enactment of the "Act on Special Measures concerning the Procurement of Renewable Electric Energy by Operators of Electric Utilities" (hereinafter, "Renewable Energy Special Measures Act").

As a result of the developments described in the foregoing, consolidated order receipts reached ¥4,340 million (up 8.6% from the year-earlier period). Sales revenue totaled ¥4,171 million (up 13.6% from the year-earlier period). Earnings increased compared with the year-earlier period, marking operating income of ¥477 million (up 27.8% from the year-earlier period), ordinary income of ¥478 million (up 27.6% from the year-earlier period), and net income for the period of ¥436 million (up 28.5% from the year-earlier period).

The Electronics and Telecommunications Equipment Business saw stiff price competition in the telecommunications infrastructure market—which is expected to only intensify—carry over from the previous year. Despite this unfavorable trend, the mobile telecommunications sector is benefitting from increased facility investment due to measures by carriers to improve quality of service and to cover low reception areas. In the public works sector, demand is rising driven by such factors as the government's supplemental budget and leading to expectations in the public infrastructure area that the wireless market will remain firm. Backed by this demand growth in the market for telecommunications infrastructure, the Company will continue to expand its business terrain and strengthen its operations improvement activities with a view to increase earnings.

In order to expand sales routes nationwide in Japan for the Group's Solar System Sales Business operations, internal frameworks will be put into place and sales and marketing activities will be further strengthened.

Moreover, Solar Power Plant Business operations will aim to provide at the Group-level stable power supply so as to contribute to local communities and society at large. To this end, the Group will endeavor to create integrated frameworks spanning the width from securing land for power plants to the initiation of electric power sales and in this way promote earnings growth.

The board of directors convened on May 8, 2014, and resolved to enter into a business and capital alliance agreement with Mr. Hikonobu Ise, Retail Branding Co. Ltd., and Mr. Yukihiro Akimoto, the President and Representative Director of Retail Branding Co. Ltd. It was also resolved to issue equity warrants through third party allotment of shares.

The Group intends to promote and expand its Solar Power Plant Business and foresees that it can secure the land use rights for solar power plant sites from six related companies through Mr. Ise. The Group believes that the solar power plant operations at these sites have a favorable outlook for profitability. The sites of interest consist of 27 locations in 10 prefectures and have a total land area of 1,419,964 m^2. For these sites, we have applied to sell electricity at 36 yen per kWh, have obtained certification from the Ministry of Economy, Trade and Industry (METI) for renewable energy generation facilities, and have completed application concerning power sales to electric power companies. Solar power plants which are planned for these sites will be able to generate a total of 76.5 MW, consisting under current construction plans of 8.5 MW by March 2015 and an additional 68 MW by May 2016. There are 30 more sites for which application is pending with METI, through the certification application described above, for electric power sales at 32 yen per kWh.

Results by business segment are described below.

1. Electronics and Telecommunications Equipment Business operations

Investment in base station facilities by mobile carriers has been rising, and public works investment in defense-related facilities and public wireless facilities has also been increasing. As a result, new orders brought in ¥3,495 million (up 7.3% from the year-earlier period) and net sales were ¥3,233 million (up 2.5% from the year-earlier period). Segment income was ¥480 million (up 28.1% from the year-earlier period) with the help of operations improvement measures.

2. Solar System Sales Business operations

After the business went through an initial period of stagnation, orders for solar power plant system sales have steadily picked up since the Renewable Energy Special Measures Act went into effect on July 1, 2012, and operation efficiency measures were put in place at the same time. Results are still below plan, but the division was able to achieve profit again. As a result, order receipts posted ¥845 million (up 27.3% from the year-earlier period), sales revenue reached ¥890 million (up 830% from the year-earlier period), with a segment income of ¥54 million (down 5.5% from the year-earlier period).

3. Solar Power Plant Business operations

Following the completion of the large-scale solar energy power plant under construction in Shimonoseki city, Yamaguchi prefecture, power sales commenced in the third quarter. Revenue recognition for power sales generated by the plant started in July 2013, but due to prior initial expenditures for other solar energy power plant projects currently under way, a segment loss of ¥19 million (compared with a segment loss of ¥12 million in the year-earlier period) resulted on sales of ¥51 million (no sales revenues were recorded in the year-earlier period).

Power sales at the Shimonoseki solar energy power plant are developing to plan and earnings performance is expected to be favorable.

(2) Analysis regarding financial position

Current assets

Consolidated current assets at the end of the period under review totaled ¥3,420 million (up 61.8% compared with the year earlier). Main constituents were ¥1,763 million in cash and deposits, ¥1,112 million in sales accounts receivable, and ¥346 million in inventories.

Sales accounts receivable are mainly due from major telecommunications equipment manufacturers.

Non-current assets

Consolidated non-current assets at the end of the period under review totaled ¥787 million (up 33.0% compared with the year earlier). Main constituents were ¥718 million in property, plant, and equipment and ¥38 million in investments and other non-current assets.

Current liabilities

Consolidated current liabilities at the end of the period under review totaled ¥1,129 million (up 59.7% compared with the year earlier). Main constituents included ¥473 million in trade accounts payable and ¥303 million in short-term borrowings (includes current portion of long-term borrowings).

Non-current liabilities

Consolidated non-current liabilities at the end of the period under review totaled ¥441 million (up 75.8% compared with the year earlier). Main constituents included ¥60 million in corporate bonds, ¥234 million in long-term bank borrowings, and ¥132 million in retirement benefit provisions.

Net assets

Consolidated net assets at the end of the period under review totaled ¥2,638 million (up 50.7% compared with the year earlier). Main constituents included ¥1,625 million in share capital, ¥1,619 million in capital surplus, and -¥554 million in retained losses.

2. Cash flows

Consolidated cash and cash equivalents (hereinafter, "cash") at the end of the year under review totaled ¥1,763 million, which was ¥1,374 million more than at the end of the previous fiscal year. Main factors included outflows for the acquisition of property, plant, and equipment, together with inflows from the decrease in sales accounts receivables, proceeds from long-term bank borrowings, and issuance of new shares.

Cash flows and relevant factors in the period under review are as follows:

[Cash flows from operating activities]

Net cash provided by operating activities was ¥764 million (compared with ¥35 million provided by operating activities in the year-earlier period). This was mainly due to income before income tax, etc., and higher sales accounts receivable.

[Cash flows from investing activities]

Net cash used in investing activities was ¥265 million (compared with ¥454 million used in investing activities in the year-earlier period). This was mainly due to expenditure for the acquisition of property, plant, and equipment.

[Cash flows from financing activities]
Net cash provided by financing activities was ¥875 million (compared with ¥783 million provided by financing activities in the year-earlier period). Main factors include inflows from proceeds of long-term bank borrowings and issuance of common shares.

(3) Basic policy concerning the distribution of profits and the dividends for the year under review and next fiscal year

The payment of dividends by the Company is subject to a basic policy that applies a long-term perspective, gives full consideration to Company business results and the strengthening of corporate structures, and calls for payment of a stable and continuous dividend.

The Company endeavors to make effective use of retained funds with a view toward developing future business and strengthening the management basis, providing for rapid technical innovation, achieving continued stable growth, and making effective well-focused investments.

However, in consideration of the Group's business results for the past several years, the Company will not pay a dividend for the current fiscal year.

For the following fiscal year, which ends on March 31, 2015, the Company plans to pay a dividend of 1.00 yen per common share as a result of the improving business environment and the decision to foster a business structure in which a stable dividend can be realized.

The Company intends to make distinct improvement in raising profitability and strengthening corporate structures through the concerted efforts of the entire company and endeavors to ensure as quickly as possible that profits can be returned to Company shareholders.