

# Mid term Management Plan 2016-2020

29<sup>th</sup>, June, 2016

Business forecast and future prospect in this document are forecasts determined based on the information currently acquired and may contain potential risks and uncertainty. Therefore, the actual results may differ from these business forecasts due to various factors. Your prior understanding is appreciated.

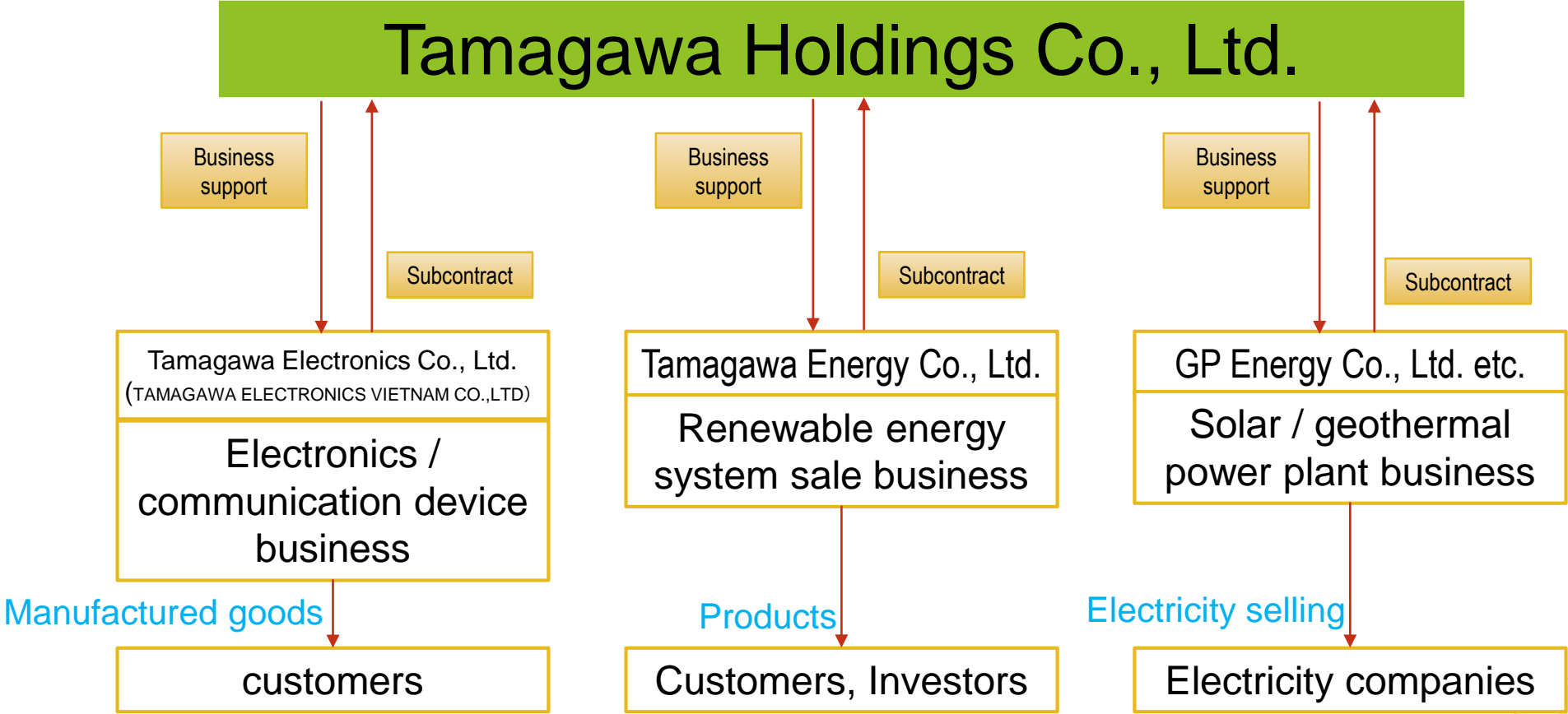
# Corporate Overview

# Major history ~our group's progress~

- May 1970      Founded Tamagawa Electronics Co., Ltd. Started development, manufacture and sale of high-frequency circuit element.
- August 1999      Registered the shares as over-the-counter at Japan Securities Dealers Association.
- December 2004      Cancelled over-the-counter at Japan Securities Dealers Association and had the shares listed at JASDAQ Exchange, Inc.
- October 2007      Business name changed to Tamagawa Holdings Co., Ltd. by company split Acquired 100% ownership of Tamagawa Electronics Co., Ltd.
- July 2011      Started renewable energy business.
- April 2015      Tamagawa Electronics Co., Ltd. founded Tamagawa Electronics Vietnam Co., Ltd.
- January 2016      Newly constructed hydrogen business preparation room.



# Group system chart



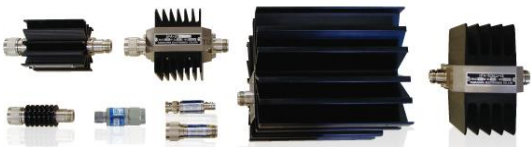
# Business overview①

## ■ Electronics / communication device business

Design, manufacture and sale of high-frequency device and apparatus used at facilities including mobile communication base station, TV broadcasting, public radio system, etc. using high-frequency wireless technology (major products: amplifier, fader, filter, distributor, synthesizer, etc.)



High-frequency amplifier Low noise amplifier



CFA / UFA / SFA fixed fader series



UPD type high-power synthesizing distributor /  
waterproof high-power distributor series



5G R&D



# Business overview②

## ■ Renewable energy system sale business

Planning / sale of power generation equipment / members using renewable energy and consulting service related thereto.



# Business overview③

## ■ Solar / geothermal power plant business

Construct / operate power generation equipment using renewable energy and sell electric power as our own power plant.



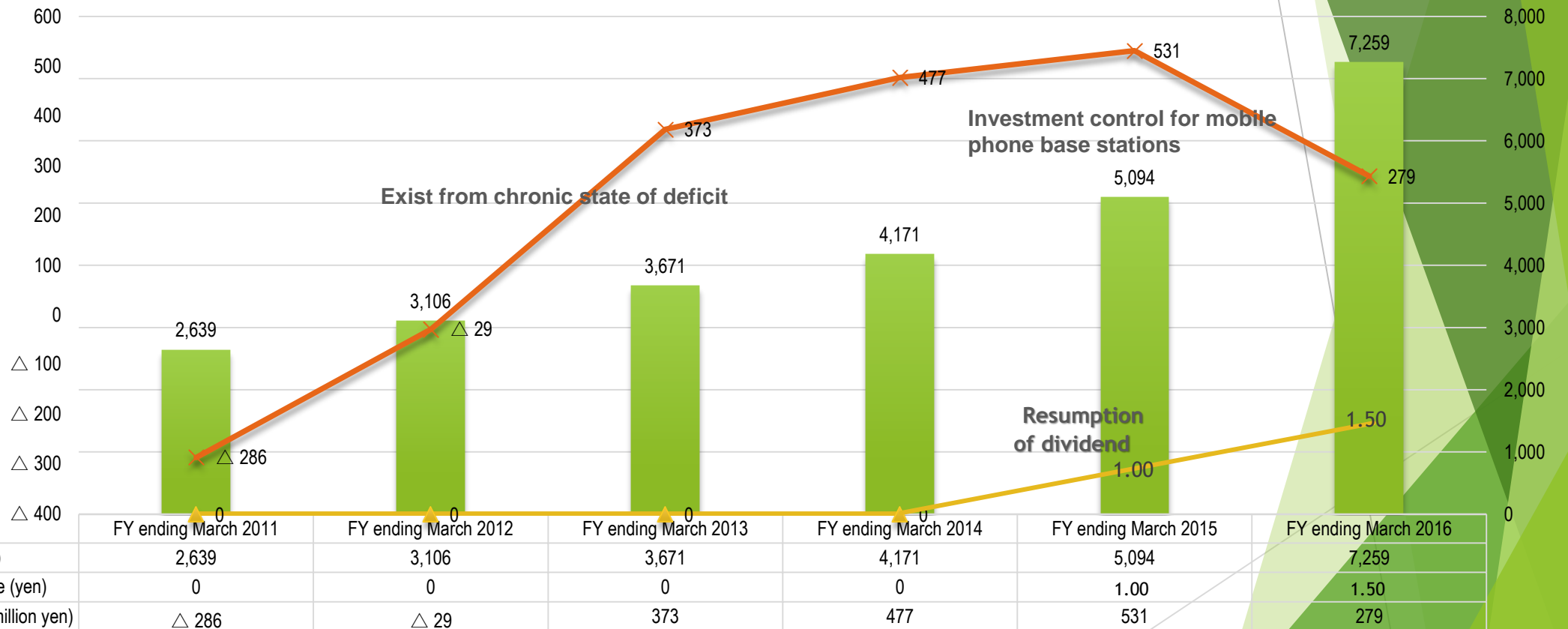


# **Business Results in Previous Business Years**



# Business result transition of past business years

Exited from the chronic state of deficit. Succeeded in resumption of dividend by growing to be structure to secure profit. Profit was secured in the fiscal year ending March 2016, but resulted in negative growth due to influence of investment control for mobile phone base stations.



■ Sales (million yen)    
 ▲ Dividend per share (yen)    
 × Operating profit (million yen)

# Profit and loss status of the latest 3 terms: Review by segment

(Unit: million yen)

Segment	Fiscal year ending March 2014		Fiscal year ending March 2015		Fiscal year ending March 2016	
	Sales	Operating profit	Sales	Operating profit	Sales	Operating profit
Electronics / communication device business	3,229	480	3,400	467	2,091	△11
Renewable system sale business	890	51	1,606	112	4,938	286
Solar power plant business	51	△19	87	22	230	56
Geothermal power plant business	—	—	—	△0	—	△20
Total amount after consolidation adjustment	4,171	477	5,094	531	7,259	279

## Electronics / communication device business

Fiscal years ending March 2014 and March 2015 transited in a good state, but in fiscal year ending March 2016, both sales and operating profit decreased due to rapid facility investment control for the mobile phone infrastructure market.

## Renewable energy system sale business

With strong demand for mainly solar power generation facilities as investment products and the business result transited in a good state. In addition, geothermal power generation facilities are for sale in fiscal year ending March 2016.

## Solar / geothermal power plant business

Starting with Shimonoseki Plant, in March 2016, Tateyama Plant and Sodegaura Plant were newly constructed currently with plants of approximately 5 megawatts.

# Midterm Management Plan

# Positioning and business strategies of mid term management plan

## <<Positioning of mid term management plan>>

Aim for construction of business quality for consolidated operating profit of 1 billion yen with view of active entry to new business by enhancing the existing business structure in order of maximization of the business until 2020.

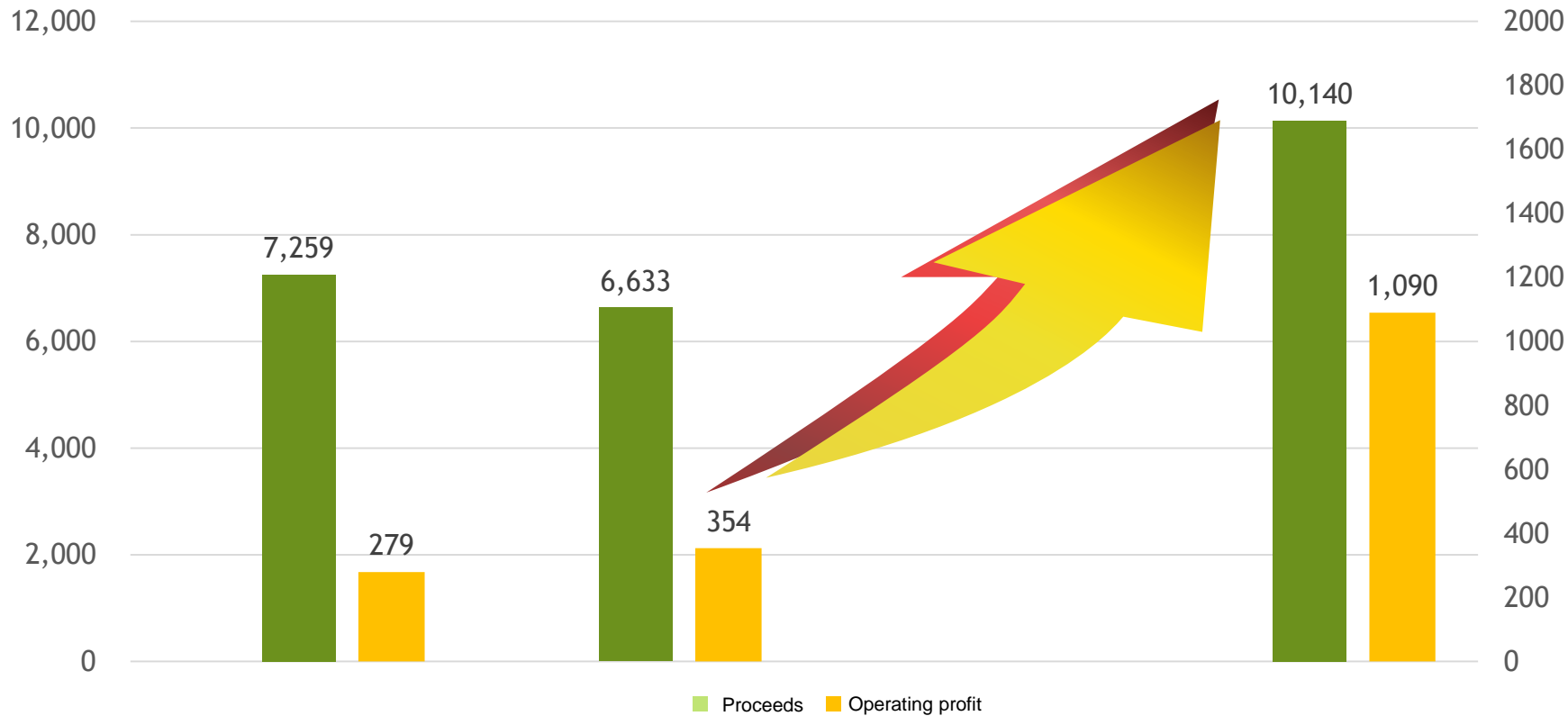
## <<Business strategies by segment>>

Electronics / communication device business	Aim to be No.1 company in the niche field as the expert group of analog high-frequency technology which has become the rarity value.
Renewable energy system sale business	Aim to be the general trade company of not only renewable energy but of general environmental business through active approach of new business.
Solar / geothermal power plant business	Aim to build the scheme for large-scale power plant development and establish profit model.

# Emphasized profit values or indexes for business

	FY2016 Result of previous term	FY2020 Target value	
Consolidated operating profit (Operating profit rate)	0.27 billion yen (3.8%)	1 billion yen (10.7%)	Aim for maximization of profit with profit rate improvement and cost management by providing high added-value products and services.
ROE <Current net profit / shareholders' equity>	5.2%	Over 15.0%	Optimally and effectively rotate gross asset under high profit rate to conduct management with awareness for capital efficiency.
EPS Current profit per share	3.9yen	15yen	Aim for maximization of shareholders' profit by conducting management with awareness for the above ROE.
Dividend ratio	37.7%	About 20%~30%	Aim to become a high-return company for the shareholders while preparing for investment for future and environmental change.
Consolidated Sales	7.2 billion yen	Over 10 billion yen	Focus on the main business as well as aiming for the business expansion by actively considering new products with high feasibility.

# Mid-term management plan: Target of consolidated PL value

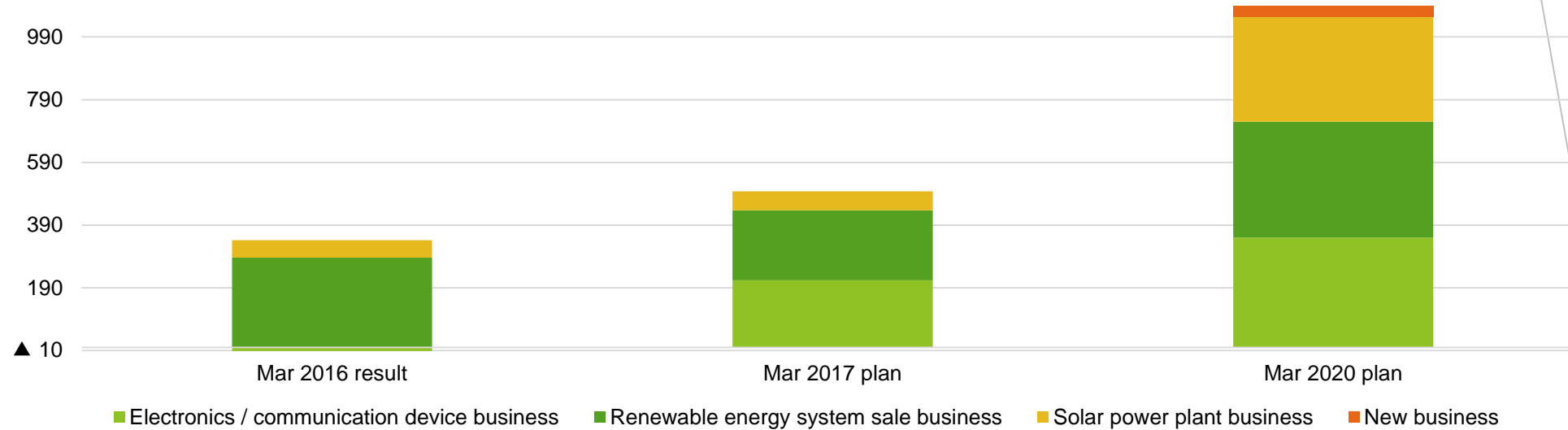


	FY ending March 2016	FY ending March 2017	FY ending March 2020
Proceeds	7,259	6,633	10,140
Operating profit	279	354	1,090

Current net profit: FY ending March 2016 / 165 million yen, FY ending March 2017 / 192 million yen, FY ending March 2020 / 650 million yen.

# Midterm management plan: Proceeds / profit target by segment

## Operating profit



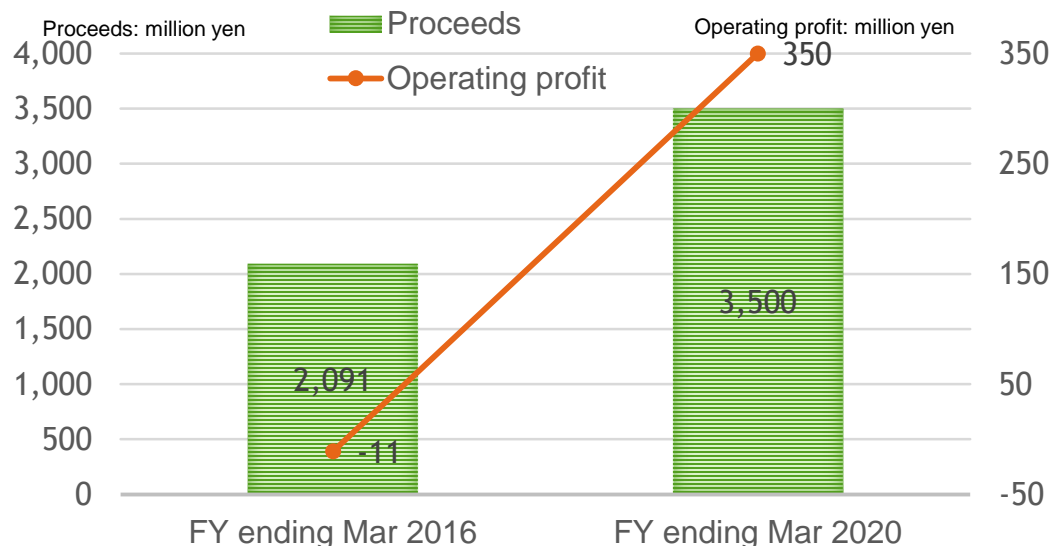
\*The upper layer is sales and the lower is operating profit.

(Million yen)

Segment	Mar 2016 result	Mar 2017 plan	Mar 2020 plan
Electronics / communication device business	2,091 △11	2,600 214	3,500 350
Renewable energy system sale business	4,938 286	3,787 223	5,100 370
Solar power plant business	230 56	246 61	1,190 335
New business	— —	— —	350 35
<b>Total amount after consolidation adjustment</b>	<b>7,259</b> <b>279</b>	<b>6,633</b> <b>354</b>	<b>10,140</b> <b>1,090</b>

# Electronics / communication device business

~ Aim to expand the share in the domestic public infrastructure market such as demand from public agencies and train radio and professional radio in the airports, etc. ~



## ■ Status and topics until the previous term ■

- Enhanced demands from public agencies and public infrastructure related order activities and delivered “professional radio for airports.”
- Founded a subsidiary company in Vietnam and started production activities for expansion of overseas mobile base station investment mainly in Asia.
- The strategy to expand order opportunities by participating in planning and development stage of large project of major manufacturers is in a good state.

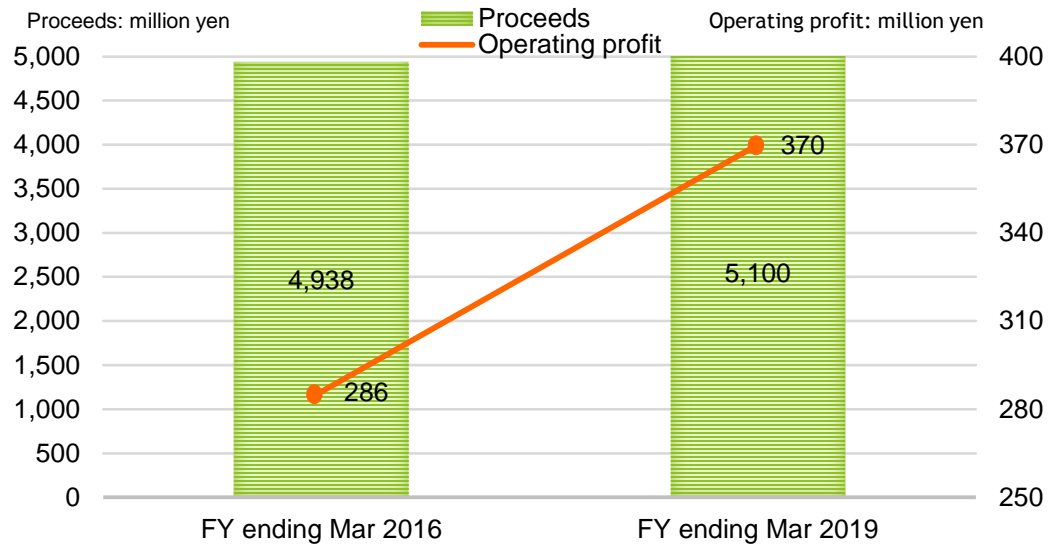
## <Major approach to implement the midterm management plan>

- Develop actually-used equipment such as quasi-millimeter, millimeter analog frontend and high-efficiency power amplifier, etc. and test equipment such as reliability evaluation device of semiconductor for the next-generation mobile terminals for 5G commercialization in 2020 to lead to acquirement of orders.
- Enhance proposal of “AM / FM retransmission device for blind zones” and “ subsystem for the next-generation terrestrial digital broadcasting equipment” prepared as infrastructure for Tokyo Olympic Games to lead to acquirement of orders.
- Achieve “Japanese quality / low price” by improving the local content of members at the overseas plant (Vietnam) and aim for share acquirement and expansion in overseas market.
- Aim for expansion of operations by M&A of the peripheral business expected with synergy.



# Renewable energy system sale business

~Not only solar power, but also consider possibilities of various renewable energy to expand business size.~



## ■ Status and topics until the previous term ■

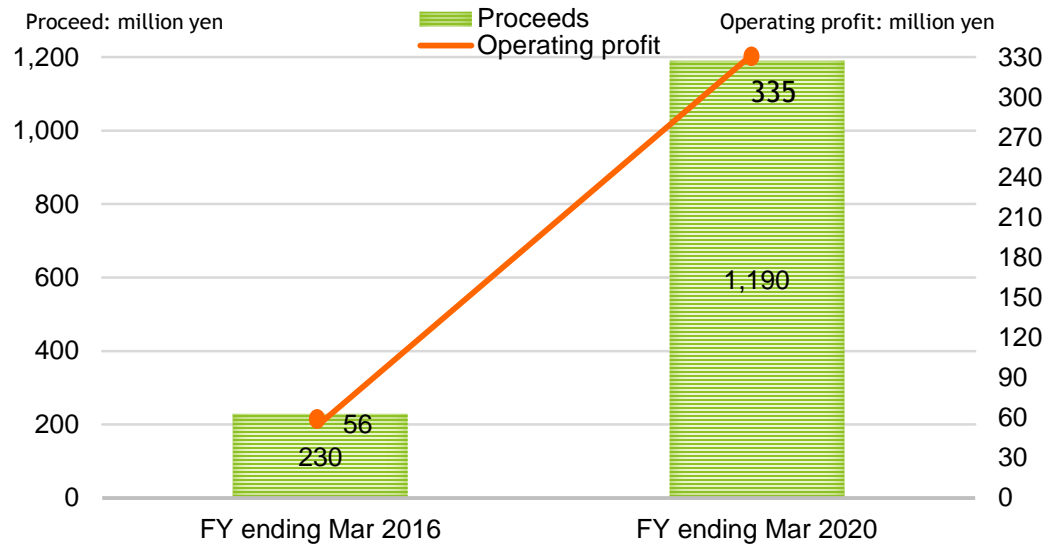
- Order sales is in a good state as excellent investment / tax-saving product thanks to preferential tax treatment
- FIT value decreased by solar power generation and started specific consideration for small-size wind power as new commodity.
- Further enhance sales structure by increasing personnel.

## <Major approach to implement the midterm management plan>

- Secure land for small-size wind power plant and acquire permission to develop active sales activities as excellent sales commodity following solar power generation.
- Aim for early actualization as sales products also by researching geothermal, biomass, small hydroelectric generation facility.
- Explore the used sales market of solar power plants expected to become active in the future along with foundation of the infrastructure fund.
- Improve the organizational structure by expanding the sales network and enhancing the personnel necessary for business expansion.
- Develop efficient sales activity by promoting business collaboration with various related companies for new customer exploration.
- Actively start consideration for entry to environmental business field besides the above.

# Solar / geothermal power plant business

~Expand stable profit business by exploring and possessing high-return products as our own property~



## ■ Status and topics until the previous term ■

- Succeeded in expansion of profit by electric power selling of Shimonoseki Plant, Tateyama Plant and Sodegaura Plant.
- Promote optimization of investment return rate by using finance lease and project finance.
- Acquire new own product.

## <Major approach to implement the midterm management plan>

- Actively work on the products with high FIT price (@40 yen ~32 yen/kwh) right and aim to expand generation capacity of our own power plant from current 5 megawatts to 20 megawatts.
- Actively start development of geothermal power generation which is stable and high return and focus on early actualization of electricity selling.
- Consider possibility of renewable energy plant in Asian countries for globalization of the business.

# Status of approach to new business

## ■ Consideration policy for new business

**Actively consider entry to business with synergy effect or direct / indirect relation with the existing business.**

## ■ Current status of approaches

### 1. Hydrogen related business

Founded the preparation room as new environmental business following renewable energy business. Currently seeking various possibilities for commercialization.



Store electricity by altering electric power generated by renewable energy to hydrogen. Consider commercialization by foreseeing occurrence of new social needs such as electricity storage product.

### 2. Business investment related business

Contribute to group profit by investment for excellent products and fund investment for business regeneration.



Invest to excellent products as the qualified institutional investor.  
(anonymous union investment, real estate liquidation, stock investment)

### 3. Other environmental business

Actively consider the business field using environmental resources other than renewable energy.



Now under research and consideration for commercialization of various environmental resources.