

FY2020 March The 2Q Summary of Accounting Statements

[Japanese Standards] (consolidated)

November 14, 2019

Tamagawa Holdings Co., Ltd. Listed company name Tokyo Exchange

6838 URL Code No. https://www.tmex.co.jp

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manager

Quarterly report to be submitted: November. 14, 2019 Dividends payment to be started:

Preparation of supplementary explanation document for the quarterly accounting statement : Yes Explanatory meeting for the quarterly accounting statement : Yes

(amount under. mil yen rounded off))

1. Consolidated performance of FY 2020 Mar.: 2Q (from Apr 1, 2019 to Sep. 30, 2019)

(1) Consolidated management result (cumulative)

(% indication: change compared with the same quarter of the previous year)

	Sales am	ount	Operating profit		orofit Ordinary profit		Quarterly profit belonging to the parent company's shareholders	
	mil.yen	%	mil.yen	%	mil.yen	%	mil.yen	%
FY2020 Mar. 2Q	2,469	49.1	331	1,938.1	244	_	127	_
FY2019 Mar. 2Q	1,655	27.0	16	_	△84	_	△94	_

(Note) Comprehensive profit: FY2020 Mar. 2Q 117mil.yen(-%) FY2019 Mar.2Q △80mil.yen(

	Quarterly net profit per share	Quarterly net profit per share after issuable share adjustment
	yen	yen
FY2020 Mar. 2Q	28.51	25.36
FY2019 Mar. 2Q	Δ21.86	_

(2) Consolidated financial status

	Gross asset	Net asset	Own capital ratio
	mil.yen	mil.yen	%
FY2020 Mar. 2Q	9,476	3,534	37.3
FY2019 Mar.	9,572	3,368	35.2

(Reference) Own capital: FY2020 Mar. 2Q 3,530mil yen FY2019 Mar. 3,364mil. yen

2. Status of dividends

		Annual dividends								
	End 1Q	End 2Q	End 3Q	Term end	Total					
FY2019 Mar. FY2020 Mar.	yen — —	yen 0.00	yen —	yen 5.00	yen 5.00					
FY2020 Mar. (forecast)		0.00	_	5.00 ~30.00	5.00 ~30.00					
(Note) Correction from the dividend forecast recently announced: None										

3. Consolidated performance forecast of 2020 Mar. (from Apr 1, 2019 to Mar. 31, 2020)

(% indication: change compared with the same quarter of the previous year)

	Sales a	mount	Operatin	g profit	Ordinar	y profit	Current n belongin parent co shareho	g to the mpany's	Current net profit per share
	mil. yen	%	mil. yen	%	mil. yen	%	mil. yen	%	yen
Full business year	5,699	48.4	524	242.2	372	_	319	148.7	73.58

(Note) Correction from the performance forecast recently announced:

None

% Notes

(1) Material transfer of subsidiary in the current quarter consolidated cumulative period: None

(Specified subsidiary transfer with change of the consolidated scope)

New —(company name)

Excluded

-(company name)

(2) Application of accounting process specific to preparation of the quarterly consolidated accounting:

None

(3) Change of accounting policy, change of accounting estimate, redisplay of revision

① Change of accounting policy for revision of accounting standard, etc. : None

② Change of the accounting standard except for ① : None

③ Change of the accounting estimate : None

4 Redisplay of revision : None

(4) Number of shares issued (ordinary shares)

① Number of term-end shares issued (including own shares)

② Number of term-end own shares

3 Average number of midterm shares (quarterly accumulation)

FY2020 Mar. 2Q	4,582,000 shares	FY2019 Mar.	4,476,100 shares
FY2020 Mar. 2Q	61,454 shares	FY2019 Mar.	61,454 shares
FY2020 Mar. 2Q	4,465,279 shares	FY2019 Mar. 2Q	4,343,146 shares

- * The quarterly summary of accounting statement is not subject to quarterly review by the certified accountant or audit company.
- * Explanation on appropriate use of the performance forecast and other special notes

Description concerning the future of performance forecast, etc. described in this document is based on the information currently obtained by us and the certain precondition judged as reasonable, and the actual performance, etc. may drastically vary due to various factors. Please see Annex (3) "Explanation on the Future Forecast Information of the Consolidated Performance Forecast, etc." for assumption as the precondition of the performance forecast. and attention for usage of performance forecast.

- 1. Qualitative information concerning the current quarterly financial statement
- (1) Explanation on management result

Matters herein concerning the future were determined by our group as of the final day of the current consolidated accounting year.

While the Japanese economics in the current second quarter consolidated cumulative accounting year continues to be in the mild turnaround such as recovery of individual consumption and facility investment thanks to continuous improvement in the corporate performance and employment situation, it continued to shift with uncertain situation due to the impacts on the global economics given by trend of the trading issues and future of Chinese economics, and uncertainty in the policies.

Under such economic circumstances, for the electronic and communication device business, in addition to sales expansion business mainly in the fifth-generation mobile phone equipment related market and public related market, we have also focused on new markets and client exploration to acquire orders from new fields. We have also worked on enhancement of proposal of our self-developed products by continuously promoting "effort for high added-value products," "expansion and exploration of business field" and "co-development with the company of business tie-up." As a result, newly explored clients and inquiries are increasing from new markets besides the existing analog high frequency products, including optics related products used for various business-use wireless, digital signal processor, etc. indispensable for high-speed signal processing, millimeter wave band products, etc. necessary for wireless transmission of data of large volumes.

In the mobile communication field, inquiries of high-frequency components are increasing for the fifth-generation mobile communication system which will start its commercial services in 2020.

In addition, inquiry cases from new clients related to mobile communication facilities for overseas are gradually increasing.

Demands for the optical transmission device, digital signal processor, etc. are increasing for disaster measures, business-use wireless and surveillance system in the public filed, and therefore we will work on further demand expansion in the public filed as well as positively working on self-developed products including product development for the fifth-generation mobile communication related market.

Order receipt condition in general electronic and communication device business is increasing compared to the previous term, and we will continue to promote expansion of our group's business field and also continue the activities for profit expansion by proposal and enhancement of self-development products.

We have promoted development and sales of the photovoltaic power plants and small wind power plants in the renewable energy system sales business. We will continue the development / sales activities of photovoltaic power plants, small wind power plants, etc. for profit expansion.

In the renewable power plant business, each of the already-operating photovoltaic power plants has been selling power at a good rate. In addition, by generally judging that we can plan to invest for the next business expansion, we sold out Shimonoseki Toyoura-cho photovoltaic plant in September 2019. Our group is actively reviewing the general renewable energy and environmental businesses which will become our next pillar for expansion of operations of such businesses.

As the result of the above, the amount of orders received in the current second quarter consolidated cumulative period was 2,232 mil. yen (25.7% increase compared with the same term of the previous year), and the sales amount was 2,469 mil. yen (49.1% increase compared with the same term of the previous year). In terms of profit and loss, operating profit was 331 mil. yen (1,938.1% increase compared with the same term of the previous year), ordinary profit was 244 mil. yen (ordinary loss of the same term of the previous year: 94 mil. yen), and the quarterly net loss belonging to the parent company shareholders was 127 mil. yen (quarterly net profit belonging to the parent company shareholders of the same term of the previous year: 94 mil. yen).

For the electronic and communication device business, in addition to sales expansion activities mainly in the public related market, we are focusing on exploration of new clients. Especially in the civil service field, the demands are stably increasing and it is expected to shift steadily hereafter. We will continue to promote expansion of our group's business fields and also continue the activities for profit expansion by enhancement of proposal of self-developed

products.

For the renewable energy plant business, in addition to development / sales of photovoltaic power plants, we are actively engaged in development of small wind power plants. We will continuously endeavor not only to reduce CO2, but also to contribute to the community and society and to introduce, spread and promote renewable energy by taking advantage of characteristics of the community, and accelerating development of community-based renewable energy

Management result status by business type segments is as follows.

a. Electronic / communication device business

Thanks to focus on expansion of order receipt in the mobile communication filed and civil service and public related field, the amount of orders received was 2,187 mil. yen (30.0% increase compared with the same term of the previous year), sales amount was 1,407 mil. yen (35.9% increase compared with the same term of the previous year), and segment profit was 84 mil. yen (segment loss of the same term of the previous year: 31 mil. yen).

b. Renewable energy system sales business

Although we are focusing on lot selling of mainly photovoltaic power plants, due to decrease of demand for cases of photovoltaic power generation according to reduction of the fixed purchase price and amended FIT law, the amount of orders received was 44 mil. yen (52.2% decrease compared with the same term of the previous year), sales amount was 83 mil. yen (67.7% decrease compared to the same term of the previous year), and segment loss was 85 mil. yen (segment loss of the same term of the previous year: 15 mil. yen).

c. Renewable energy plant business

Each of the already-operating photovoltaic power plants in Shimonoseki City and Tateyama City, and the mega solar power plants in Goto City, Nagasaki Pref. and the solar sharing plants in Shimada City, Shizuoka Pref. have been selling power at a good rate. In addition, since we sold out Shimonoseki Toyoura-cho photovoltaic plant in September 2019 by generally judging that we can plan to invest for the next business expansion, the sales amount was 971 mil. yen (155.8% increase compared with the same term of the previous year) and segment profit was 421 mil. yen (181.4% increase compared with the same term of the previous year).

(2) Explanation on financial status

(1) Analysis of financial status

(Gross assets)

Gross assets in the end of the current second quarter consolidated accounting period resulted in 9,476 mil. yen, decreasing by 95 mil. yen compared to the end of the previous consolidated accounting year.

This is mainly because bills receivables and accounts receivable, deferred tax asset decreased although cash and deposit increased.

(Liabilities)

Liabilities in the end of the current second quarter consolidated accounting period resulted in 5,942 mil. yen, decreasing by 261 mil. yen compared to the end of the previous consolidated accounting year.

This is mainly because short-term loan increased while outstanding consumption tax included in current liabilities and others decreased, and lease debt decreased due to sellout of Shimonoseki Toyoura-cho photovoltaic plant.

(Net assets)

Net assets in the end of the current second quarter consolidated accounting period resulted in 3,534 mil. yen, increasing by 165 mil. yen compared to the end of the previous consolidated accounting year.

This is mainly because of record of the quarterly profit belonging to the parent company shareholders.

(2)Status of cash flow

Cash and cash equivalent (hereafter "Fund") in the current second quarter consolidated accounting period was 1,058 mil. yen, increasing by 58 mil. yen compared to the end of the previous consolidated accounting year due to income from sellout of the tangible fixed asset and increase of short-term loan, etc.

(Cash flow by sales activities)

The Fund gained as a result of sales activities was 158 mil. yen (Fund of 605 mil. yen was gained in the same term of the previous year).

This was manly because of increase of the quarterly net profit before adjustment of tax, etc.

(Cash flow by investment activities)

The Fund spent as a result of investment activities was 125 mil. yen (Fund of 64 mil. yen was spent in the same term of the previous year).

This was mainly because of income by sellout of the tangible fixed asset.

(Cash flow by financial activities)

The Fund spent as a result of investment activities was 222 mil. yen (Fund of 969 mil. yen was spent in the same term of the previous year).

This was mainly because there was expenditure, etc. for repayment of lease debt despite increase of short-term loan.

3 Business and financial issues to be addressed

There are no material matters in the business and financial issues to be addressed among those arising in the current second quarter consolidated accounting period.

4 Research and development activities

Total amount of research and development cost in the current second quarter consolidated accounting period is 98 mil. yen.

There is no material change in the status of our group's research and development activities in the current second quarter consolidated accounting period.

(3) Explanation on the future forecast information including the consolidated performance expectation information No change in the performance forecast announced on May 20, 2019 for performance forecast.

(1)Consolidated balance sheet

		(In thousand yen
	FY 2019 (consolidated) (As of March 31,2019)	2Q FY 2020 (consolidated) (As of September 30,2019)
Assets		
Current Assets		
Cash and deposits	1,026,668	1,085,44
Notes and accounts receivable - trade	1,535,070	1,443,16
Merchandise and finished goods	1,616,585	3,313,67
Work in process	878,670	1,307,52
Raw materials and supplies	185,023	269,86
Advance payments - trade	75,543	79,28
Other	324,495	123,46
Allowance for doubtful accounts	Δ14,392	Δ14,39
Total current assets	5,627,664	7,608,03
Non-current assets		
Property, plant and equipment		
Buildings and structures	512,094	513,13
Accumulated depreciation	Δ331,934	△338,90
Buildings and structures, net	180,160	174,22
Machinery, equipment and vehicles	2,575,930	442,07
Accumulated depreciation	△237,289	△127,85
Buildings and structures, net	2,338,641	314,21
Tools, furniture and fixtures	795,941	817,28
Tools, furniture and fixtures	△643,663	Δ671,29
Accumulated depreciation	152,277	145,98
Land	387,466	387,46
Construction in progress	17,540	15,00
Total property, plant and equipment	3,076,086	1,036,89
Intangible assets		
Goodwill	39,614	39,32
Software	48,205	54,06
Other	0	
Total intangible assets	87,820	93,39
Investments and other assets		
Investment securities	22,152	20,58
Long-term loans receivable	45,761	46,45
Deferred tax assets	187,140	150,98
Other	506,398	504,82
Allowance for doubtful accounts	△8,700	Δ8,70
Total investments and other assets	752,754	714,15
Total non-current assets	3,916,660	1,844,44
Deferred assets		
Share issuance cost	4,909	3,88
Development expenses	100	8
Business commencement expenses	23,335	20,54
Total deferred assets	28,345	24,51
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		(In thousand yen)
	FY 2019 (consolidated) (As of March 31,2019)	2Q FY 2020 (consolidated) (As of September 30,2019)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	503,108	635,849
Short-term loans payable	50,000	350,000
Current portion of long-term loans payable	464,982	321,772
Lease obligations	179,152	168,212
Accounts payable - other	151,932	121,526
Income taxes payable	59,636	91,514
Advances received	444,000	450,061
Provision for bonuses	114,905	68,196
Provision for product warranties	14,257	16,787
Other	213,953	142,801
Total current liabilities	2,195,928	2,366,722
Non-current liabilities		
Long-term loans payable	231,415	143,803
Lease obligations	3,132,673	2,734,572
Deferred tax liabilities	2,501	2,435
Net defined benefit liability	187,940	197,813
Asset retirement obligations	35,193	16,994
Long-term accounts payable - other	416,612	422,531
Other	1,882	57,829
Total non-current liabilities	4,008,218	3,575,980
Total liabilities	6,204,146	5,942,702
Net assets		
Shareholders equity		
Capital stock	1,770,627	1,805,919
Capital surplus	1,065,912	1,079,130
Retained earnings	595,043	722,367
Treasury shares	△61,313	Δ61,313
Total shareholders equity	3,370,270	3,546,104
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	△724	△2,248
Foreign currency translation adjustment	Δ5,085	Δ13,318
Accumulated other comprehensive income	Δ5,810	Δ15,567
Share acquisition rights	4,064	3,756
Total net assets	3,368,524	3,534,293
Total liabilities and net assets	9,572,670	9,476,996
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(2) Quarterly consolidated statements of income and Quarterly consolidated statements of comprehensive income Quarterly

Consolidated statements of income

Consolidated second quarter period

		(In thousand yen)
	2Q FY2019 (from April 1, 2018 to September 30, 2018)	2Q FY2020 (from April 1, 2019 to September 30, 2019)
Net Sales	1,655,905	2,469,210
Cost of sales	1,108,232	1,527,357
Gross profit	547,672	941,852
Selling, general and administrative expenses	531,424	610,683
Operating profit	16,248	331,168
Non-operating income		
Interest income	4,435	2,207
Dividend income	254	270
Exchange gain	11	-
Share of profit of entities accounted for using equity method	-	3,308
Other	7,856	4,234
Total non-operating income	12,556	10,021
Non-operating expenses		
Interest expenses	116,773	91,562
Foreign exchange losses	-	676
Share of loss of entities accounted for using equity method	2,466	-
Other	4,035	4,843
Total non-operating expenses	123,276	97,082
Ordinary Profit	△94,470	244,107
Extraordinary income		
Gain on sales of non-current assets	1,666	-
Total extraordinary income	1,666	-
Extraordinary losses		
Other	424	-
Total extraordinary losses	424	-
Profit before income taxes	Δ93,229	244,107
Income taxes - current	10,043	80,776
Income taxes - deferred	△8,322	36,007
Total income taxes	1,720	116,784
Profit	Δ94,950	127,323
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	△94,950	127,323
-		

		(In thousand yen)
	2Q FY2019 (from April 1, 2018 to June 30, 2018)	2Q FY2020 (from April 1, 2019 to September 30, 2019)
Net Profit for the Quarter	△94,950	127,323
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,395	Δ1,523
Foreign currency translation adjustment	13,135	△8,233
Total other comprehensive income	14,530	Δ9,757
Comprehensive income	△80,419	117,566
(breakdown)		
Comprehensive income attributable to owners of parent	△80,419	117,566
Comprehensive income attributable to non-controlling interests	-	-

(Segment information, etc.)

[Segment information]

I. Previous 2Q consolidated cumulative period (from April 1, 2018 to June 30, 2018)
Information concerning the sales amount and the amount of profit or loss per report segment

(unit: thousand yen) Amount Report segment recorded in Adjusted quarterly Renewable amount consolidated Electronic / Renewable energy (Note) 1 profit and loss communication energy system Total generation statement device business sales business business (Note) 2 Sales amount Sales amount to external 1,035,579 237,668 379,729 1,652,977 2,928 1,655,905 clients Internal sales amount or transfer amount between 19,071 19,071 $\triangle 19,071$ segments 1,035,579 256,740 379,729 1,672,048 $\Delta 16,143$ 1,655,905 Total Segment profit or loss (\triangle) $\Delta 31,816$ $\Delta 15,360$ 149,733 102,556 $\Delta 86,307$ 16,248

(Note)

- 1. Adjusted amount of segment profit or loss (\triangle) \triangle 86,307 thousand yen is adjusted amount of unrealized profit \triangle 3,115 thousand yen, adjusted amount of dividends from the consolidated subsidiary \triangle 35,000 thousand yen, transaction deletion between segments \triangle 4,000 thousand yen, and profit and loss of group management division not distributed to business segment \triangle 50,423 thousand yen.
- 2. Segment profit or loss (\triangle) matches operating loss (\triangle) in the quarterly consolidated profit and loss statement.
 - II. Current 2Q consolidated cumulative period (from April 1, 2019 to September 30, 2019) Information concerning the sales amount and the amount of profit or loss per report segment

(単位:千円)

		Report	segment			Amount recorded in
	Electronic / communication device business	Renewable energy system sales business	Renewable energy generation business	Total	Adjusted amount (Note) 1	quarterly consolidated profit and loss statement (Note) 2
Sales amount						
Sales amount to external clients	1,407,360	83,013	971,147	2,461,521	7,689	2,469,210
Internal sales amount or transfer amount between segments	_	-	ı	1	-	_
Total	1,407,360	83,013	971,147	2,461,521	7,689	2,469,210
Segment profit or loss (\triangle)	84,791	△85,688	421,271	420,374	△89,205	331,168

(Note)

- 1. Adjusted amount of segment profit or loss (\triangle) $\triangle 89,205$ thousand yen is adjusted amount of unrealized profit, etc. 4,640 thousand yen, adjusted amount of dividends from the consolidated subsidiary $\triangle 35,000$ thousand yen and profit and loss of group management division not distributed to business segment $\triangle 58,845$ thousand yen.
- 2. Segment profit or loss (\triangle) matches operating profit in the quarterly consolidated profit and loss statement.