

FY2023 March The 3Q Summary of Accounting Statements
[Japanese Standards] (consolidated)



February 14, 2023

Listed company name Tamagawa Holdings Co., Ltd. Exchange Tokyo
 Code No. 6838 URL https://www.tmex.co.jp
 Representative (Title) President (Name) Toru Masuzawa
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 Quarterly report to be submitted : February 14, 2023 Dividends payment to be started : —
 Preparation of supplementary explanation document for the quarterly accounting statement : No
 Explanatory meeting for the quarterly accounting statement : No

(amount under mil yen rounded off)

1. Consolidated performance of FY 2023 Mar.: 3Q (from Apr 1, 2022 to December 31, 2022)

(1) Consolidated management result (cumulative) (% indication: change compared with the same quarter of the previous year)

	Sales amount		Operating profit		Ordinary profit		Quarterly profit belonging to the parent company's shareholders	
	mil.yen	%	mil.yen	%	mil.yen	%	mil.yen	%
FY2023 Mar. 3Q	1,908	△54.0	△477	—	△484	—	△460	—
FY2022 Mar. 3Q	4,151	25.3	231	57.3	196	113.6	139	100.8

(Note) Comprehensive profit: FY2023 Mar. 3Q $\Delta 463$ mil.yen (— %) FY2022 Mar. 3Q 157mil.yen (141.1%)

	Quarterly net profit per share	Quarterly net profit per share after issuable share adjustment
FY2023 Mar. 3Q	mil.yen $\Delta 77.19$	mil.yen —
FY2022 Mar. 3Q	24.24	23.29

(2) Consolidated financial status

	Gross asset	Net asset	Own capital ratio
FY2023 Mar. 3Q	mil.yen 8,216	mil.yen 5,037	% 61.2
FY2022 Mar.	8,359	5,442	65.0

(Reference) Own capital: FY2023 Mar. 3Q 5,026mil.yen FY2022 Mar. 2Q 5,432mil.yen

2. Status of dividends

	Annual dividends				
	End 1Q	End 2Q	End 3Q	Term end	Total
FY2022 Mar.	yen —	yen 0.00	yen —	yen 7.00	yen 7.00
FY2023 Mar.	—	0.00	—		
FY2023 Mar. (forecast)				5.00 ~30.00	5.00 ~30.00

(Note) Correction from the dividend forecast recently announced: None (Note)

3. Consolidated performance forecast of FY 2023 Mar. (from Apr 1, 2022 to December 30, 2023)

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

	Sales amount		Operating profit		Ordinary profit		Current net profit belonging to the parent company's shareholders		Current net profit per share
	mil.yen	%	mil.yen	%	mil.yen	%	mil.yen	%	yen
Full business year	2,896 ~3,236	△53.6 ~△48.1	△550 ~△490	—	△605 ~△546	—	△580 ~△521	—	yen △97.5 ~△87.5

(Note) Correction from the performance forecast recently announced: Yes (Note)

Please see the "notice on correction of expected consolidated performance for the full year ending March 2023" announced today for details.

※ 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. : Yes

② Change of the accounting standard except for ① : None

③ Change of the accounting estimate : None

④ Redisplay of revision : None

(Note)For details, see attached document P9. Quarterly Consolidated Financial Statements and Main Notes (3) Notes to Quarterly Consolidated Financial Statements (Changes in Accounting Policies)".

(4) Number of shares issued (ordinary shares)

① Number of term-end shares issued (including own shares)	FY2023 Mar. 3Q	6,073,900shares	FY2023 Mar. 2Q	5,927,900shares
② Number of term-end own shares	FY2023 Mar. 3Q	61,484shares	FY2023 Mar. 2Q	61,484shares
③ Average number of midterm shares (quarterly accumulation)	FY2023 Mar. 3Q	5,960,917shares	FY2023 Mar. 2Q	5,764,314shares

* 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 p.4 "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 on the results for this quarter

(1) Explanation on management results

Matters regarding the future in the text are based on the judgement of our Company group as of the last date of this quarterly consolidated accounting period.

(1) Financial situation and aspect of management results

Although restrictions on economic activities due to the expansion of novel coronavirus (COVID) infection have been relaxed, the economy of our country during the consolidated cumulative period for the third quarter has been further unsettled and transitioning in an uncertain situation, fueled by the trend and outlook of the US-China issue, uncertainty relating to global politics, impact from worldwide shortage of semiconductors, high price of crude oil, etc. on the world economy, worsening of the Russia/Ukraine war in this fiscal year, and price increases of various goods including oil, electricity and gas.

Under such managerial environment, we focused on sales expansion mainly in the 5G-related market, governments and public-related markets with respect to the electronics/communications equipment business, and also emphasized on new markets and customer development to receive orders from a new domain as no-contact sales (inside sales) due to COVID to meet the changing need of the times such as website renewal/enrichment to increase new customers and their inquiries.

Proposal of products developed on our own was also strengthened while continuously promoting “efforts for high value added to products,” “expansion/cultivation of new business domain” and “joint development with affiliates.”

As a result, newly developed customers and inquiries from new markets increased, including optical products used for various transceivers in addition to traditional analogue high-frequency products as well as digital signal processing devices essential for high-speed signal processing, millimeter wave products necessary for wireless transmission of mass data, terahertz band frequency products, etc., and we are aggressively engaging in efforts like “Beyond 5G/6G industry-university joint research.”

In the field of mobile communications, the demand for existing products is in trend of decrease due to the influence of infrastructure investment control on each carrier; therefore, we are targeting sales expansion of equipment relating to infrastructure sharing by expecting increased demand of infrastructure sharing as a method to limit investment and expand infrastructure.

With respect to mobile communications equipment for overseas, various restrictions from COVID have been gradually loosened and we resumed remote and in-person proposal activities to new customers.

In the public area, the demand of transceivers, optical transmission devices for disaster prevention and surveillance systems, digital signal processing devices, etc. has been increasing and we are targeting further sales expansion. We also make efforts to ensure long-term and stable order receipts by participating in national projects as the “Measures Concerning National Resilience” from the development stage.

Other than that, we plan to promote aggressive expansion of business domains including implementation of technology developed on our own for surveillance units targeting the drone business market, participation in the private satellite business, etc., and at the same time continue activities for profit expansion for our Company group to establish the stable business foundation for the overall electronics/communications equipment business by emphasizing the proposal of products developed on our own.

In the renewable energy business, we have been engaging in development of small-size wind power plants by utilizing proceeds by selling power plants up to the previous periods, syndicated loan by banks, sustainable financing, etc. During the consolidated cumulative period for the third quarter, 28 units of small-size wind power plants were newly interconnected in Hokkaido and Akita. 14 units of small-size wind power plants will also be newly developed in areas with good wind conditions in Hokkaido with sustainable financing, etc. Furthermore, 30 units of small-size wind power plants will be newly developed with a green loan in the form of a syndicated loan. This green loan limits its use to development of small-size wind power plants and transparency is ensured with reporting of fund usage and actual performance after financing. For this case, a second opinion was acquired from R&I (Rating and Investment Information, Inc.) with respect to adequateness as a green loan.

To ensure elaborate profit structure and growth potential for stakeholders in our company, we started reformation of various organizations and structures including the organization for this business in order to create the unique business model in the renewable energy business as a domestic company mainly including ownership of small-size wind power plants starting this period, in anticipation of implementation of IFRS (international financial reporting standards) within the shortest time. At the same time, we contribute to continuously reduce greenhouse gases by developing small-size wind power plants with small per-unit size to reduce the business risk by ensuring risk diversification and profitability/mobility and accelerating development of new renewable power sources.

As measures for the upcoming periods, we plan to engage in diversification of power sources for the future, by participating in medium- and large-scale projects such as large-size power plants (1.984MW) in Nemuro City, Hokkaido as well as in small water power plant projects in Flores Island, Nusa Tenggara Timur, Indonesia.

Based on the above, the amount of orders received during the consolidated cumulative period for the third quarter was 3,456 million yen (a 25.5% decrease from the same period of the previous year) and the sales was 1,908 million yen (a 54.0% decrease from the same period of the previous year). Regarding the profit and loss, the operating loss was 477 million yen (the operating profit for the same period of the previous year was 231 million yen), the ordinary loss was 484 million yen after recording 38 million yen of foreign exchange profit from the influence of rapid depreciation of yen (the ordinary profit for the same period of the previous year was 196 million yen), and the quarterly net loss attributable to stockholders of the parent company was 460 million yen after recording 45 million yen of gain on sale of fixed assets as extraordinary profit (the quarterly net profit attributable to stockholders of the parent company for the same period of the previous year was 139 million yen).

For the electronics/communications equipment business, demand continues to grow steadily and is expected to remain strong; therefore, we continue to promote sales expansion activities in existing markets. We also promote aggressive expansion of the business domain by entering new markets. We started to receive orders from new markets and will continue activities to increase profits for our Company group to establish the stable business foundation in the overall electronics/communications equipment business. On the other hand, it is not possible to avoid the influence of difficulties in procuring electronic parts in the world and the sales expected at the beginning of the period has been delayed, making it a factor to suppress performance. We will continuously make efforts to take measures to resolve difficulties in material procurement.

Our Company group is considering to aggressively engage in overseas countries mainly in Southeast Asia without remaining in Japan not only for the renewable energy business but also for the overall environmental business, and will work on investment activities to expand operations of this business. Our Company group will make efforts to take measures for CO2 reduction and global warming more than ever along with all employees in the group and challenge ourselves to positive information disclosure for ESG management as well as for accomplishment of SDG goals.

Management results by segment are as follows.

a. Electronics/communications equipment business

We took measures for recent difficulties in procuring electronic parts, etc. in the electronics/communications equipment business, but were unable to avoid the influence. The sales and segment profit did not reach the plan at the beginning of the period due to sales being pushed back to the next period resulting from delay in delivery of some parts, i.e., the amount of orders received was 3,254 million yen (a 4.6% increase from the same period of the previous year), the sales was 1,706 million yen (a 32.3% decrease from the same period of the previous year), and the segment loss was 70 million yen (the segment profit was 368 million yen for the same period of the previous year).

b. Renewable energy business

Small-size wind power plants and low-pressure solar power plants we own in Hokkaido have been continuously selling electric power during the consolidated cumulative period for the third quarter. Although low-pressure solar power plants were sold, the sales and segment profit decreased due to the push-back from selling the solar power plant in Noboribetsu City, Hokkaido during the previous period (June 2021)

Based on the above, the amount of orders received was 202 million yen (an 86.8% decrease from the same period of the previous year), the sales were 202 million yen (an 87.6% decrease from the same period of the previous year), and the segment loss was 78 million yen (the segment profit for the same period of the previous year was 158 million yen).

2.Consolidated financial statements and Notes

(1)Consolidated balance sheet

(In thousand yen)

	FY 2022 (consolidated) (As of March 31,2022)	3Q FY 2023 (consolidated) (As of December 31,2022)
Assets		
Current Assets		
Cash and deposits	2,060,604	890,619
Notes and accounts receivable - trade	2,205,186	1,026,448
Merchandise and finished goods	781,903	1,774,015
Goods and products	1,077,617	1,455,915
Work in proces	482,925	747,386
Raw materials and supplies	57,205	72,266
Advance payments - trade	172,694	368,551
Other	△27,692	△28,538
Allowance for doubtful accounts	6,810,444	6,306,665
Non-current assets		
Property, plant and equipment		
Buildings and structures	527,933	552,456
Accumulated depreciation	△379,316	△395,017
Buildings and structures, net	148,617	157,438
Machinery, equipment and vehicles	386,774	386,774
Accumulated depreciation	△189,356	△201,736
Machinery and equipment, net	197,417	185,038
Tools, furniture and fixtures	936,939	1,085,351
Accumulated depreciation	△766,358	△834,441
Tools, furniture and fixtures, net	170,580	250,910
Land	315,686	315,686
Construction in progress	0	11,763
Total property, plant and equipment	832,302	920,837
Intangible assets		
Goodwill	5,539	5,333
Software	57,316	56,258
Other	0	0
Total intangible assets	62,856	61,592
Investments and other assets		
Investment securities	186,910	381,977
Long-term loans receivable	187,457	203,867
Deferred tax assets	108,460	109,852
Other	139,124	215,478
Allowance for doubtful accounts	621,953	911,177
Total non-current assets	1,517,112	1,893,606
Deferred assets		
Share issuance cost	29,985	15,194
Development expenses	12	—
Business commencement expenses	1,843	878
Total deferred assets	31,841	16,073
Total assets	8,359,398	8,216,345

(In thousand yen)

	FY 2022 (consolidated) (As of March 31,2022)	3Q FY 2023 (consolidated) (As of December 31,2022)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	700,884	587,065
Short-term loans payable	146,655	119,421
Current portion of long-term loans payable	267,873	246,694
Lease obligations	4,965	4,802
Accounts payable - other	211,349	128,164
Income taxes payable	67,927	7,827
Advances received	42,782	25,016
Provision for bonuses	36,709	19,732
Provision for product warranties	100,980	29,113
Other	55,986	47,496
Total current liabilities	150,038	54,090
Non-current liabilities	1,786,153	1,269,426
Fixed liabilities		
corporate bond	100,000	100,000
Long-term loans payable	584,527	1,365,741
Lease obligations	14,302	10,126
Retirement benefit liability	255,023	267,849
Asset retirement obligations	15,243	13,083
Other	161,634	152,531
Total non-current liabilities	1,130,731	1,909,331
Total liabilities	2,916,884	3,178,757
Net assets		
Shareholders' equity		
Capital stock	2,485,241	2,535,100
Capital surplus	1,683,419	1,692,213
Retained earnings	1,273,405	813,230
Treasury shares	△61,373	△61,373
Total shareholders' equity	5,380,693	4,979,171
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	15,354	△28,332
Foreign currency translation adjustment	36,285	76,011
Accumulated other comprehensive income	51,639	47,679
Stock acquisition right	10,180	10,180
Non-controlling interests	—	555
Total net assets	5,442,513	5,037,587
Total liabilities and net assets	8,359,398	8,216,345

(2) Quarterly consolidated statements of income and Quarterly consolidated statements of comprehensive income

Quarterly

Consolidated statements of income

Consolidates thrid quarter period

(In thousand yen)

	FY 2022 (consolidated) (As of March 31,2022)	3Q FY 2023 (consolidated) (As of December 31,2022)
Net Sales	4,151,290	1,908,466
Cost of sales	2,998,409	1,375,362
Gross profit	1,152,881	533,103
Selling, general and administrative expenses	921,259	1,010,216
Operating profit (loss (△))	231,621	△477,112
Non-operating income		
Interest income	2,437	4,308
Dividend income	305	347
Insurance income	8,767	4,440
Gain on forgiveness of debts	—	38,252
Other	10,029	8,028
Total non-operating income	21,539	55,378
Non-operating expenses		
Interest expenses	20,018	18,065
Foreign exchange losses	5,667	—
Share of loss of entities accounted for using equity method	2,584	3,080
Other	16,408	15,615
Total non-operating expenses	—	18,900
Interest expenses	11,951	7,464
Foreign exchange losses	56,631	63,125
Ordinary profit (loss (△))	196,529	△484,859
special profit		
Gain on sale of fixed assets	—	45,000
Total extraordinary profit	—	45,000
Extraordinary loss		
office relocation costs	—	8,193
Total extraordinary loss	—	8,193
Profit (loss (△)) before income taxes	196,529	△448,052
Income taxes - current	20,164	8,184
Income taxes - deferred	36,596	3,381
Total income taxes	56,760	11,566
Profit (loss (△))	139,768	△459,618
Profit (loss (△)) attributable to non-controlling interests	—	555
Profit (loss (△)) before income taxes	139,768	△460,174

Quarterly consolidated statements of comprehensive income

Consolidated third quarter period

(In thousand yen)

	FY 2022 (consolidated) (As of March 31,2022)	3Q FY 2023 (consolidated) (As of December 31,2022)
Profit (loss (△))	139,768	△459,618
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,566	△43,687
Foreign currency translation adjustment	15,896	39,726
Total other comprehensive income	17,463	△3,960
Comprehensive income	157,231	△463,579
(breakdown)		
Quarterly comprehensive income attributable to shareholders of parent company	157,231	△464,135
Quarterly comprehensive income attributable to non-controlling interests	—	555

Notes for the quarterly consolidated financial statements

(Notes for precondition of continuing company): NA

I . Current 2Q consolidated cumulative period (from April 1, 2021 to December 30, 2021)

Information concerning the sales amount and the amount of profit or loss per report segment

(In thousand yen)

	Report segment			Adjusted amount (Note) 1	Amount recorded in quarterly consolidated profit and loss statement (Note) 2
	Electronic / communication device business	Renewable energy business	Total		
Sales amount					
Mobile communication infrastructure	905,866	—	905,866	—	905,866
Government office	598,900	—	598,900	—	598,900
Public project	550,376	—	550,376	—	550,376
FA・Measurement・Other	464,741	—	464,741	—	464,741
Solar power plant	—	1,114,398	1,114,398	—	1,114,398
Wind power plant	—	510,572	510,572	—	510,572
Revenue from Contracts with Customers	2,519,884	1,624,970	4,144,854	—	4,144,854
Other profit	—	6,435	6,435	—	6,435
Sales amount to external clients	2,519,884	1,631,406	4,151,290	—	4,151,290
Between segments	—	—	—	—	—
Internal sales or transfer amount	—	—	—	—	—
Total	2,519,884	1,631,406	4,151,290	—	4,151,290
Segment profit	368,912	158,096	527,008	△295,387	231,621

(Notes) 1. The adjusted amount of segment profit △295,387 thousand yen represents the cost for group management department △295,387 thousand yen unallocated to the business segment.

2. The segment profit is consistent with the operating profit on the consolidated quarterly income statement.

II . Current 2Q consolidated cumulative period (from April 1, 2022 to December 30, 2022)

Information concerning the sales amount and the amount of profit or loss per report segment

(In thousand yen)

	Report segment			Adjusted amount (Note) 1	Amount recorded in quarterly consolidated profit and loss statement (Note) 2
	Electronic / communication device business	Renewable energy business	Total		
Sales amount					
Mobile communication infrastructure	601, 124	—	601, 124	—	601, 124
Government office	345, 829	—	345, 829	—	345, 829
Public project	426, 698	—	426, 698	—	426, 698
FA ・ Measurement ・ Other	332, 540	—	332, 540	—	332, 540
Solar power plant	—	145, 710	145, 710	—	145, 710
Wind power plant	—	48, 306	48, 306	—	48, 306
Revenue from Contracts with Customers	1, 706, 192	194, 016	1, 900, 209	—	1, 900, 209
Other profit	—	8, 256	8, 256	—	8, 256
Sales amount to external clients	1, 706, 192	202, 273	1, 908, 466	—	1, 908, 466
Between segments	—	—	—	—	—
Internal sales or transfer amount	—	—	—	—	—
Total	1, 706, 192	202, 273	1, 908, 466	—	1, 908, 466
Segment profit	△70, 023	△78, 742	△148, 765	△328, 346	△477, 112

(Notes) 1. The adjusted amount of segment loss (△) △328,346 thousand yen represents the cost for group management department △328,346 thousand yen unallocated to the business segment.

2. The segment loss (△) is consistent with the operating loss on the consolidated quarterly income statement.

(Revenue recognition-related)

Information on breakdown of profits generated from contracts with customers is as described in the “notes (segment information, etc.)”