

# The 48<sup>th</sup> Shareholders Meeting

1. Date                                      June 29<sup>th</sup> 2016    AM 10:00
  
2. Location                                Tamagawa Electronics 3<sup>rd</sup> floor conference room  
3-11-23 Kamitsuchidananaka Ayase-city,  
Kanagawa prefecture Japan
  
3. Purpose matter  
    Report matter  
    (1) The 48<sup>th</sup> Consolidated financial statement and business report  
    (2) The 48<sup>th</sup> financial and business report  
  
    Resolution matter  
    (1) Partial Amendments to the Articles of Incorporation  
    (2) The election of 7 directors  
    (3) The election of 1 substitute auditor

(Provided document)

## **Business Report**

From April 1st,  
( 2015 )  
to March 31st, 2016

### **1. Current situation of corporate group**

#### **(1) Business condition of the current business year**

##### **① Progress and achievement of business**

##### **Analysis concerning management performance**

Our group's reporting segments were classified as "electronics / communication device business," "solar power system sales business," "solar power station business" and "geothermal power station" until the previous consolidated accounting year, but from the current consolidated accounting year, "solar power system sales business" was changed to "renewable energy system sales business." Comparison and analysis of the current consolidated accounting year are based on the classification after change.

As for Japan's economy in the current consolidated accounting year, facility investment and export are continuously increasing, and although there is some improvement in demands inside and outside the country and of employment and income environment, it made transition with sense of uncertainty about the future due to slowdown of Chinese economy, etc.

Under such management circumstances, for our important business, electronics and communication device business, we have elaborated to acquire orders from new domains by focusing on new markets and customer exploration in addition to sales expansion mainly in 3.9 generation mobile phone facility related market and public related market. We also have tried to enhance proposals of our own products while continuously promoting "attempt for high added value of products," "expansion and exploration of business domains" and "joint development with business alliance."

As a result, inquiries are increasing from newly explored customers and new markets including wireless optic related products for professional use, digital signal processing device essential for high-speed signal processing, etc. in addition to the existing analog high frequency products.

In terms of electronics / communication device business, demands are drastically dropping in mobile communication industry due to rapid facility investment control by review of base station construction plan. It has currently no prospect of recovery in the future, having continuous sense of uncertainty for the future.

Even under such condition, in the public industry, demands for optic transmission devices and digital signal devices, etc. are increasing for disaster measures, professional

wireless and surveillance system. Therefore, we will work on further demand expansion in the public work industry as well as activities focusing on the future trend of next generation mobile related market.

Order situation in general is improving. We will continue to promote expansion of our group's business domains and activities for profit expansion by enhancing the proposals of our self-developed products in order to establish stable business base.

In renewable energy business, we have actively promoted solar power station business in particular. Under the recent strict circumstances surrounding the solar power station business such as alert by the Ministry of Economy, Trade and Industry concerning power business and notification on the review, etc. of operation of facility certification regarding the feed-in tariff, our group has previously sought, investigated and reviewed the power business by wind power, geothermal power, small hydroelectric, biomass, etc. and in order to establish other renewable energy as the mainstay of profit in addition to solar power station business for further expansion of such business.

As a result of the above, the amount of orders received in the current consolidated accounting year was 7,091 million yen (43.6% increase compared to the same period of the previous year) and the amount of proceeds of the same year was 7,259 million yen (42.5% increase compared to the same period of the previous year). In regard to profit and loss, operating profit was 279 million yen (47.4% decrease compared to the same period of the previous year), current profit was 211 million yen (58.9% decrease compared to the same period of the previous year) and current net profit belonging to the parent company's shareholders was 165 million yen (61.3% decrease compared to the same period of the previous year).

In electronics / communication device business, we are focusing on sales expansion activity mainly in the public related market as well as new customers in order to recover the decreased amount of orders received and amount of proceeds due to facility investment control in the communication infrastructure market.

Especially in the public industry, demands are stably increasing and expected to continue to transit steadily. We will promote expansion of our group's business domain and will also keep our activities for profit expansion by enhancement of proposal of self-development products.

Concerning renewable energy system sales business, we could have excellent achievement as a result of activating sales activities of subdivision sales of solar power stations in the current consolidated accounting year. We will from now continuously aim for acquirement of excellent profit in the following period by preparing the company structure and further enhancing the sales activities in order to expand all over Japan the sales channel of the generation system using renewable energy other than solar power with focus on it.

With regard to solar power station business and geothermal power station business, our group as a whole will aim for expansion of profit by constructing the constant system from securement of land for power stations and starting of electricity sales so that we can contribute to the community and society by aiming for stable energy supply.

We are also focusing on hydrogen-related business to generate and store electricity without emit CO<sub>2</sub> as new clean energy besides the above renewable energy business, and have newly established “hydrogen power business preparation room” and are investigating and reviewing such business.

Achievements of the segments are as follows.

① Electronic / communication device business

Facility investment for base station by mobile carriers was affected by rapid investment control and resulted in 2,155 million yen of amount of orders received (33.1% decrease compared to the same period of the previous year), 2,108 million yen of amount of proceeds (38.1% decrease compared to the same period of the previous year), and 11 million yen of segment loss (the same period of the previous year; 467 million yen of segment profit).

② Renewable energy business

As a result of active sales activities for subdivision sales of solar power stations, the amount of orders received was 4,936 million yen (187.9% increase compared to the same period of the previous year), amount of proceeds was 4,964 million yen (176.4% increase compared to the same period of the previous year) and segment profit was 286 million yen (155.9 increase compared to the same period of the previous year).

③ Solar power station business

Since mega solar power stations in Shimonoseki City, Tateyama City and Sodegaura City are selling electricity in a good condition as scheduled, the amount of proceeds was 230 million yen (161.8% increase compared to the same period of the previous year) and segment profit was 56 million yen (155.2% increase compared to the same period of the previous year).

④ Geothermal power station business

The amount of proceeds is not currently allocated and segment loss was 20 million yen (segment loss was 0 in the same period of the previous year) due to expenditure of expenses.

## Financial report

### 1. Consolidated balance sheet

(As of March,31 2016 )

(Thousands JPY)

<b>Current assets</b>	<b>4,220,891</b>	<b>Current liabilities</b>	<b>2,048,500</b>
Cash and deposits	2,736,869	Notes and accounts payable - trade	321,042
Notes and accounts receivable-trade	984,590	Short-term loans payable	974,176
Merchandise and finished goods	57,814	Current portion of bonds	20,000
Work in process	147,522	Current portion of long-term loans payable	400,940
Raw materials and supplies	112,786	Lease obligations	49,367
Deferred tax assets	54,664	Accounts payable-other	100,642
Other	126,643	Income taxes payable	28,165
		Advance received	12,210
		Reserve for bonuses	37,241
		Other	104,714
<b>Non-current assets</b>	<b>2,941,538</b>		
<b>Property, plant and equipment</b>	<b>2,463,909</b>	<b>Non-current liabilities</b>	<b>1,820,355</b>
Buildings	156,901	Bonds payable	20,000
Machinery, equipment and other	1,407,431	Long-term loans payable	592,004
Tools, furniture and fixtures	88,157	Lease obligations	925,239
Land	652,400	Deferred tax liabilities	320
Construction in progress	159,018	Net defined benefit liability	145,592
		Asset retirement obligations	37,024
		Other	100,173
<b>Intangible assets</b>	<b>309,088</b>	<b>Total liabilities</b>	<b>3,868,855</b>
Goodwill	231,694	<b>Shareholders' equity</b>	<b>3,283,336</b>
Software	77,393	<b>Capital stock</b>	<b>1,677,088</b>
Other	0	<b>Capital surplus</b>	<b>1,057,014</b>
<b>Investments and other assets</b>	<b>168,540</b>	<b>Retained earnings</b>	<b>610,512</b>
Investment securities	16,601	<b>Treasury stock</b>	<b>△61, 279</b>
Deferred tax assets	39,678	<b>Valuation and translation adjustments</b>	<b>△4,910</b>
Other	120,960	Valuation difference on available-for-sale	677
Allowance for doubtful accounts	△8,700	Foreign currency translation adjustment	△5,587
		Subscription rights to shares	16,326
<b>Deferred assets</b>	<b>1,177</b>	<b>Total Net Assets</b>	<b>3,294,752</b>
Stock issuance expenses	1,177		
		<b>Total liabilities and net assets</b>	<b>7,163,607</b>
<b>Total assets</b>	<b>7,163,607</b>		

2. Consolidated income statement

(Fiscal year ended March 31,2016)

(Thousands JPY)

<b>Net sales</b>		<b>7,259,803</b>
<b>Cost of sales</b>		<b>5,710,166</b>
<b>Gross profit</b>		<b>1,549,637</b>
<b>Selling, general and administrative expenses</b>		<b>1,269,938</b>
<b>Operating income</b>		<b>279,699</b>
<b>Non-operating income</b>		
Interest income	361	
Dividend income	976	
Settlement received	1,700	
Other	12,860	15,898
<b>Non-operating expenses</b>		
Interest expenses	69,406	
Loss on sales of operational receivable	654	
Foreign exchange losses	3,158	
Guarantee commission	848	
Amortization of share issuance cost	9,528	
Other	701	84,270
<b>Ordinary income</b>		<b>211,327</b>
<b>Extraordinary income</b>		
Gain on sales of non-current assets	57,605	
Gain on reversal of subscription rights to shares	2,914	60,520
<b>Extraordinary loss</b>		
Loss on valuation of investment securities	2,318	
Other	378	2,696
<b>Income before income taxes</b>		<b>269,150</b>
Income taxes-current	64,105	
Income taxes-deferred	39,716	103,821
<b>Income before minority interests</b>		<b>165,329</b>
Minority interests in income		—
<b>Net income</b>		<b>165,329</b>

### 3. Balance sheet

(As of March,31 2016 )

(Thousands JPY)

<b>Current assets</b>	<b>1,260,444</b>	<b>Current liabilities</b>	<b>678,452</b>
Cash and deposits	718,207	Short-term loans payable	49,600
Accounts receivable-trade	15,770	Current portion of long-term loans payable	283,400
Merchandise and finished goods	1,203	Short-term loans payable to subsidiaries and associates	250,000
Current portion of long-term loans receivable from subsidiaries and associates	391,889	Current portion of long-term loans payable to subsidiaries and associates	32,040
Prepaid expenses	4,091	Accounts payable - other	50,354
Accounts receivable - other	70,254	Accrued expenses	2,638
Deferred tax assets	27,506	Advances received	3,666
Other	31,521	Deposits received	1,075
<b>Non-current assets</b>	<b>2,590,410</b>	Provision for bonuses	2,493
<b>Property, plant and equipment</b>	<b>655,579</b>	Other	3,184
Buildings	4,681	<b>Non-current liabilities</b>	<b>491,187</b>
Machinery, equipment and other	13,863	Long-term loans payable	298,529
Tools, furniture and fixtures	4,853	Long-term loans payable to subsidiaries and associates	191,499
Land	579,332	Provision for retirement benefits	837
Construction in progress	52,848	Deferred tax liabilities	320
<b>Intangible assets</b>	<b>130,186</b>	<b>Total liabilities</b>	<b>1,169,640</b>
Software	186	<b>Shareholders' equity</b>	<b>2,665,388</b>
Goodwill	130,000	<b>Capital stock</b>	<b>1,677,088</b>
<b>Investments and other assets</b>	<b>1,804,644</b>	<b>Capital surplus</b>	<b>1,057,014</b>
Investment securities	16,601	Legal capital surplus	898,431
Shares of subsidiaries and associates	1,601,000	Other capital surplus	158,583
Investments in other securities of subsidiaries and associates	900	<b>Retained earnings</b>	<b>△7,434</b>
Investments in capital	1,000	Other retained earnings	△7,434
Long-term loans receivable from subsidiaries and associates	111,252	Retained earnings brought forward	△7,434
Other	82,590	<b>Treasury shares</b>	<b>△61,279</b>
Allowance for doubtful accounts	△8,700	<b>Valuation and translation adjustments</b>	<b>677</b>
<b>Deferred assets</b>	<b>1,177</b>	Valuation difference on available-for-sale securities	677
Stock issuance expenses	1,177	<b>Subscription rights to shares</b>	<b>16,326</b>
<b>Total assets</b>	<b>3,852,032</b>	<b>Net assets</b>	<b>2,682,392</b>
		<b>Total liabilities and net assets</b>	<b>3,852,032</b>

4. Income statement

(Fiscal year ended March 31,2016)

(Thousands JPY)

<b>Net sales</b>		<b>245,754</b>
<b>Cost of sales</b>		<b>43,561</b>
<b>Gross profit</b>		<b>202,192</b>
<b>Selling, general and administrative expenses</b>		<b>248,657</b>
<b>Operating income</b>		<b>△46,464</b>
<b>Non-operating income</b>		
Interest income	10,665	
Dividend income	448	
Settlement received	1,700	
Other	731	13,545
<b>Non-operating expenses</b>		
Interest expenses	14,412	
Amortization of share issuance cost	9,528	
Other	85	24,026
<b>Ordinary income</b>		<b>△56,944</b>
<b>Extraordinary income</b>		
Gain on sales of non-current assets	57,605	
Gain on reversal of subscription rights to shares	2,914	<b>60,520</b>
<b>Extraordinary loss</b>		
Loss on valuation of investment securities	2,318	
Other	378	2,696
<b>Income before income taxes</b>		<b>878</b>
Income taxes-current	△41,841	
Income taxes - deferred	80,661	38,819
<b>Net income</b>		<b>△37,941</b>

## Referential Materials for General Meeting of Shareholders

### **Agenda No. 1 Partial Changes in the Articles of Incorporation**

#### **1. Reason for a proposal**

To add business purpose stipulated in Article 2 of the current Articles of Incorporation in order to prepare for expansion and diversion of businesses.

#### **2.Detail of amendment**

Detail of amendment

(The underlined are amended items.)

Current Articles of Incorporation	Amendment draft
Article 2 (description omitted) (1)①~⑤(description omitted) (New construction) (2)~(3) (description omitted) (4) Sale, lease, management and mediation of real estate (5)~(6) (description omitted)  2. The Company aims to operate the services listed from ① to ⑤ of (1) of the previous clause and all services incidental thereto.	Article 2 (the same as the current) (1) ①~⑤ (the same as the current) <u>⑥Service concerning development, etc. of other energy and resources</u> (2)~(3) (the same as the current) (4) Sale, lease, management, mediation and <u>other services regarding real estate</u> (5)~(6) (the same as the current)  2. The Company aims to operate the services listed from ① to ⑥ of (1) of the previous clause and all services incidental thereto.

## **Agenda No. 2 Election of 7 Directors.**

The term of office of the current directors (6 people) will expire after this general meeting. Therefore, please nominate seven directors.

The candidates for Director are as follows.

### **Mr. Toru Masuzawa**

Date of Birth : May 11,1961

April,1985	Wako Securities (Mizuho Securities Co.,Ltd. of current)
June,1994	Commerz Bank South East Asia (Manager)
June,1998	Hongkong and Shanghai Banking Corporation Limited (Vice president)
December,1999	Private Bank of Barclays (Director)
January,2003	Times Square Pte,Ltd. (Managing Director)
July,2003	J.bridge Co.,Ltd. (Asia Development Capital Co. Ltd. of current/Executive officer)
July,2004	J.bridge Co.,Ltd. (CEO)
April,2012	Tamagawa Holdings Co.,Ltd (Executive officer)
June,2012	Tamagawa Holdings Co.,Ltd (CEO/present post)

### **Mr. Masanori Kobayashi**

Date of Birth : December 10,1956

April,1977	Fuji Keiki Co.,Ltd.
December,1981	Tamagawa Electronics Co.,Ltd.
April,1999	Tamagawa Electronics Co., Ltd. (Manager of Measurement hardware Dept.)
June,2005	Tamagawa Electronics Co., Ltd. (Director and Procurement Dept.)
June,2006	Tamagawa Electronics Co.,Ltd. (Auditor)
June,2011	Tamagawa Electronics Co.,Ltd.(Director)
April,2012	Tamagawa Electronics Co.,Ltd. (CEO/present post)
June,2014	Tamagawa Holdings Co.,Ltd (CEO/present post)

### **Mr. Akihiro Ushiroda**

Date of Birth : September 24,1981

July,2005	U-EN Corporation
February,2007	KDA Audit Corporation
January,2012	Tamagawa Holdings Co., Ltd (Manager of Administration Dept.)
June,2014	Tamagawa Holdings Co.,Ltd (General Manager of Corporate Planning Dept. and Financial Control Dept.)
June,2015	Tamagawa Holdings Co., Ltd (Director)

**Mr. Naruhito Kusaka**

Date of Birth : January 15,1962

April,1989	Kusaka Co.,Ltd.
July,1999	Kusaka Co.,Ltd. (President/present post)
June,2009	Tamagawa Holdings Co.,Ltd. (Director/present post)

**Mr. Kozaburo Miyauchi**

Date of Birth : February 16,1949

April,1973	New Japan Securities Co.,Ltd.(Mizuho Securities Co.,Ltd. of current)
November,1984	New Japan securities. Co.,Ltd. (Hong Kong)(Sales Manager)
April,1989	New Japan Merchant Bank. (Singapore)(President)
May,1997	New Japan Securities Europe. (President)
May,2003	Started own Business
December,2011	Maruman Co.,Ltd. (Auditor/present post)
June,2014	Tamagawa Holdings Co.,Ltd.(Director)

**Mr. Keita Masuyama**

Date of Birth : October 3, 1975

April,2001	Angel Securities Co., Ltd.
October,2004	Phoenix Partners Co., Ltd.
December,2005	J-Bridge Corp. (Asia Development Capital Co. Ltd. of current)
June,2014	Top Accounting Firm & co.(Director/present post)
June,2015	Tamagawa Holdings Co.,Ltd. and Tamagawa Electronics Co.,Ltd. ( Director/present post)
November,2015	Registry of Certified Public Tax Accountant
December,2015	Top Accounting Firm & co.( Firm member/Present post)

**\*Mr. Yasuhiko Noguchi**

Date of Birth : July 12,1965

April,1989	KOKUSAI Securities Co., Ltd. ( Mitsubishi UFJ Morgan Stanley Securities of current)
August,1996	Dai-ichi Securities Co., Ltd., ( Mitsubishi UFJ Morgan Stanley Securities of current)
July,1998	Alico Japan Co., Ltd.(MetLife,Inc. of current)
June,2014	Tamagawa Solar Systems Co., Ltd. (CEO/present post) (Tamagawa Energy Co., Ltd. of current)

(Note)

1. The asterisk (\*) means new candidates.
2. There is no relationship of special interests between each candidate and our company.
3. Naruhito Kusaka, Kozaburo Miyauchi are candidates of outside Directors.
4. The reasons why outside Directors are selected
  - ① The reason why Naruhito Kusaka is selected as a candidate for the outside director is because he has engaged in the management of Kusaka Co., Ltd. for many years and has an excellent experience and discernment in corporate management. Thus, it was judged that he will be able to execute responsibilities appropriately as an outside Director.
  - ② The reasons why Kozaburo Miyauchi is selected as a candidate for the outside Director was because he has engaged in the management of MARUMAN Co., Ltd. as a standing statutory Auditor and has an excellent experience and discernment in corporate management. Thus, it was judged that he will be able to execute responsibilities appropriately as an outside Director.
5. Naruhito Kusaka is a current outside Director, and his tenure as an outside Director will be 7 years from the end of this general meeting. Kozaburo Miyauchi is a current outside Director, and his tenure as an outside Director will be 2 years from the end of this general meeting.
6. In the case where Naruhito Kusaka and Kozaburo Miyauchi are re-elected to be outside Directors, our company will contract a liability limitation agreement with each of them for either of the higher amount of the limit of the liability of 10 million yen or the minimum liability amount prescribed in Item 1 of the Article 425. Further, our company does not have any liability limitation agreement with the current outside Directors, Naruhito Kusaka and Kozaburo Miyauchi.

### **Agenda No. 3 The election of 1 substitute auditor**

Preparing for the case where the number of Auditors is less than the number provided in laws and ordinances, the nomination of 1 substitute auditor are requested. In the above mentioned substitute Auditor candidates, please nominate Kozo Narazaki as a substitute outside Auditor.

Further, this Agenda item was approved by the Board of Auditors.

The candidates of the substitute Auditor are as follows.

#### **Mr. Kozo Narazaki**

Date of Birth : July 19, 1948

April,1967	Ando Electric Co., Ltd.
April,1998	Division head for the Network business division at Telecommunications division HQ
July,2000	Sales manager of Telecommunications division HQ, Telecommunications marketing division, Telecommunications solutions division
April,2005	President and representative director of Kyushu Ando Electric Co., Ltd.
September,2007	Division head of Telecommunications division HQ, Marketing planning division at Yokogawa Electric Corporation

(Note)

1. There is no relationship of special interests between each candidate and our company.
2. Kozo Narazaki is the candidate for substitute outside Auditor
3. The reasons why the candidates of the outside Auditor was selected  
We believe that Kozo Narazaki could use his rich knowledge in manufacturing industry and excellent discernment in various fields etc. for our Auditor system. Thus, the nomination of him to be the substitute outside Auditor is requested.
4. The reasons why the candidate is judged to be able to execute the responsibilities as an outside Auditor  
It is judged that Kozo Narazaki will be able to execute the responsibilities as an outside Auditor appropriately because he has rich knowledge in manufacturing industry and excellent discernment in various fields.
5. In the case where Kozo Narazaki is selected as a substitute Auditor and then becomes an outside Auditor, our company will contract a liability limitation agreement with each of them for either of the higher amount of the limit of the liability of 10 million yen or the minimum liability amount prescribed in Item 1 of the Article 425.