

The 49th Shareholders Meeting

1. Date June 28th 2017 AM 10:00

2. Location Tamagawa Electronics 3rd floor conference room
3-11-23 Kamitsuchidananaka Ayase-city,
Kanagawa prefecture Japan

3. Purpose matter
 Report matter
 (1) The 49th Consolidated financial statement and business report
 (2) The 49th financial and business report

 Resolution matter
 (1) The election of 6 directors
 (2) The election of 1 substitute auditor

(Provided document)

Business Report

From April 1st, 2016
to March 31st, 2017

1. Current situation of corporate group

(1) Business condition of the current business year

① Progress and achievement of business

During the current fiscal year, the Japan's economy was on a moderate recovery, with corporate earnings and employment showing signs of a turnaround. The outlook, however, remained uncertain, reflecting fears of downturn driven by international factors such as anticipated slowdown of Chinese economy and the UK's decision to leave the European Union.

In such economic environment, we have made the following efforts. In the Electronics and Telecoms Equipment segment, we focused on increasing sales of facilities relating to the fourth-generation of mobile telecommunications technology (4G) and sales in public sector, as well as capturing orders in new business areas through entering new markets and acquiring new customers. In addition, we focused on sale of internally developed products, together with our ongoing efforts of "delivering higher value-added products," "expanding and developing business areas," and "engaging in joint development with business partners."

As a result, we have seen gradual increase in the number of enquiries from new customers and in new markets, including enquiries regarding optical equipment for business-use wireless devices, as well as high-speed digital signal processors, in addition to our previous high-frequency analog products.

In the mobile telecommunications sector, capex spending by telecom companies showed a moderate increase from the second half of the fiscal year, in line with their efforts to avoid signal interference and improve connection quality. Additionally, there has been gradual increase in the number of enquiries we received from new customers regarding mobile telecommunications facilities for foreign markets.

In the public sector, we have seen higher demand for optical transmission equipment and digital signal processors, etc., for use in disaster preparation, business-use wireless devices, and surveillance systems. We are aiming to further expand such demand, and also to engage in activities which take into account the prospect of market for 5G technology.

As a whole, the number of orders we received has increased. For creating a stable business foundation, we will continue our efforts for increasing profits through expansion of business areas and sale of internally developed products.

In the Renewable Energy Systems Sales segment, we focused on solar power plants. As environment surrounding solar power plants has been increasingly challenging due to various regulations, including those imposed by the Ministry of Economy, Trade and Industry regarding operation of power plants and certification under the feed-in tariff program, our group has actively started looking into the prospect of next renewable energy and environment business in general, which will become a mainstay of our group, with an aim of expanding the segment.

As a result, orders and net sales for the current fiscal year were 4,361 million yen (a decline of 38.5% YoY) and 4,443 million yen (a decline of 38.8% YoY), respectively, and operating income, ordinary income, and net income attributable to owners of parent were 189 million yen (a decline of 32.3% YoY), 106 million yen (a decline of 49.6% YoY), and 44 million yen (a decline of 73.0% YoY), respectively.

In the Electronics and Telecoms Equipment segment, we have been focused on increasing sales in public sector and acquiring new customers. Especially as demand in public sector has been growing, and is expected to maintain steady growth in the future, we will remain focused on increasing profit through expansion of business areas and sale of internally developed products.

In the Renewable Energy System Sales segment, we have been planning and developing products and services relating to renewable energy, with an aim of future expansion of the segment. We will continue our efforts to further expand our sales network and improve our operating systems, for the purpose of maximizing profit.

In the Solar Power and Geothermal Power Plant Operation segments, we are actively working on development of

new business, with an aim of securing long-term stable profit, and are planning to continue increasing the number of our company-owned clean-energy plants that use solar power and other renewable energy.

In addition to such renewable energy business, we are also eyeing opportunities in hydrogen energy business, as a new clean energy capable of generating and storing electricity without emitting CO₂, and have established the “Preparatory office for hydrogen energy business” to investigate and consider the opportunities.

Financial report

Consolidated balance sheet

(As of March,31 2017)

(Thousands JPY)

Current assets	4,087,780	Current liabilities	2,040,922
Cash and deposits	2,155,286	Notes and accounts payable - trade	523,660
Notes and accounts receivable-trade	1,456,254	Short-term loans payable	404,800
Merchandise and finished goods	77,731	Current portion of bonds	20,000
Work in process	156,735	Current portion of long-term loans payable	561,353
Raw materials and supplies	108,609	Lease obligations	74,220
Deferred tax assets	30,489	Accounts payable-other	164,730
Other	102,582	Income taxes payable	57,787
Non-current assets	3,338,752	Advance received	30,075
Property, plant and equipment	2,584,111	Reserve for bonuses	59,986
Buildings	143,750	Provision for product warranties	14,295
Machinery, equipment and other	1,321,418	Other	130,012
Tools, furniture and fixtures	74,136	Non-current liabilities	2,144,115
Land	405,987	Long-term loans payable	614,329
Construction in progress	638,817	Lease obligations	1,245,516
Intangible assets	278,644	Deferred tax liabilities	2,584
Goodwill	212,124	Net defined benefit liability	163,664
Software	66,519	Asset retirement obligations	26,225
Other	0	Other	91,795
Investments and other assets	475,996	Total liabilities	4,185,037
Investment securities	22,772	Shareholders' equity	3,264,965
Deferred tax assets	72,660	Capital stock	1,677,088
Long-term loans receivable	103,614	Capital surplus	994,039
Other	285,649	Retained earnings	655,150
Allowance for doubtful accounts	△8,700	Treasury stock	△61,312
Deferred assets	19,725	Accumulated other comprehensive income	△5,276
Stock issuance expenses	1,742	Valuation difference on available-for-sale securities	329
Development expenses	6,313	Foreign currency translation adjustment	△5,606
Business commencement expenses	11,666	Subscription rights to shares	1,532
Total assets	7,446,258	Total Net Assets	3,261,220
		Total liabilities and net assets	7,446,258

Consolidated income statement

(Fiscal year ended March 31,2017)

(Thousands JPY)

Net sales		4,443,227
Cost of sales		3,151,189
Gross profit		1,292,038
Selling, general and administrative expenses		1,102,811
Operating income		189,226
Non-operating income		
Interest income	6,715	
Dividend income	224	
Other	9,436	16,376
Non-operating expenses		
Interest expenses	79,525	
Foreign exchange losses	5,092	
Share of loss of entities accounted for using equity method	11,236	
Other	3,248	99,102
Ordinary income		106,500
Extraordinary income		
Gain on sales of non-current assets	1,652	
Gain on reversal of subscription rights to shares	16,326	
Other	312	18,291
Extraordinary loss		
Loss on valuation of investment securities	5,415	
Impairment loss	8,820	
Other	225	14,461
Profit before income taxes		110,329
Income taxes-current	68,872	
Income taxes - deferred	△3,180	65,691
Profit		44,637
Profit attributable to non-controlling interests		—
Profit attributable to owners of parent		44,637

Balance sheet

(As of March,31 2017)

(Thousands JPY)

Current assets	930,246	Current liabilities	407,789
Cash and deposits	761,324	Current portion of long-term loans payable	331,168
Accounts receivable-trade	4,258	Current portion of long-term loans payable to subsidiaries and associates	32,040
Merchandise and finished goods	1,203	Accounts payable - other	9,075
Short-term loans receivable from subsidiaries and associates	16,000	Accrued expenses	2,227
Prepaid expenses	4,827	Income taxes payable	9,467
Accounts receivable - other	129,106	Advances received	3,666
Deferred tax assets	1,086	Deposits received	1,400
Other	12,440	Provision for bonuses	2,952
Non-current assets	2,645,405	Other	15,791
Property, plant and equipment	385,954	Non-current liabilities	482,432
Buildings	1,113	Long-term loans payable	321,597
Machinery, equipment and other	12,704	Long-term loans payable to subsidiaries and associates	159,459
Tools, furniture and fixtures	3,388	Provision for retirement benefits	1,068
Land	307,857	Deferred tax liabilities	307
Construction in progress	60,889	Total liabilities	890,222
Intangible assets	146	Shareholders' equity	2,685,346
Software	146	Capital stock	1,677,088
Investments and other assets	2,259,304	Capital surplus	994,039
Investment securities	20,303	Legal capital surplus	898,431
Shares of subsidiaries and associates	1,602,900	Other capital surplus	95,607
Investments in other securities of subsidiaries and associates	53,079	Retained earnings	75,531
Investments in capital	1,000	Other retained earnings	75,531
Long-term loans receivable from subsidiaries and associates	390,426	Retained earnings brought forward	75,531
Long-term prepaid expenses	125,022	Treasury shares	△61,312
Other	75,252	Valuation and translation adjustments	292
Allowance for doubtful accounts	△8,700	Valuation difference on available-for-sale securities	292
Deferred assets	1,742	Subscription rights to shares	1,532
Stock issuance expenses	1,742	Net assets	2,687,171
Total assets	3,577,393	Total liabilities and net assets	3,577,393

Income statement

(Fiscal year ended March 31,2017)

(Thousands JPY)

Net sales		325,127
Cost of sales		6,021
Gross profit		319,105
Selling, general and administrative expenses		292,987
Operating income		26,118
Non-operating income		
Interest income	11,527	
Settlement received	224	
Other	1,009	12,761
Non-operating expenses		
Interest expenses	15,134	
Amortization of share issuance cost	1,928	
Other	232	17,294
Ordinary income		21,584
Extraordinary income		
Gain on sales of non-current assets	437	
Gain on reversal of subscription rights to shares	16,326	16,763
Extraordinary loss		
Loss on valuation of investment securities	3,269	
Other	225	3,495
Income before income taxes		34,853
Income taxes-current	△74,746	
Income taxes-deferred	26,633	△48,112
Profit		82,966

Results by segment are as follows

1) Electronics and Telecoms Equipment

Orders and net sales were 2,735 million yen (an increase of 26.9% YoY) and 2,605 million yen (an increase of 23.6% YoY), respectively, and the segment profit was 245 million yen (compared to segment loss of 11 million yen in the previous fiscal year). The increase was due to the moderate upturn in telecom companies' capex spending from the second half of the fiscal year, associated with measures against signal interference, growth in orders in the government and public sectors, and reduction of costs through streamlining operations.

2) Renewable Energy System Sales

Orders and net sales were 1,626 million yen (a decline of 67.1% YoY) and 1,659 million yen (a decline of 66.6% YoY) respectively, and the segment profit was 110 million yen (a decline of 61.3% YoY). The decline was due to our decision, with an aim of establishing a base for generating long-term stable profits, to own (rather than sell) some of the solar power plants which we originally planned to sell to other companies as a result of sales activities focusing on selling solar power plants in lots, as well as due to the fact that we were unable to engage in sales activities for purchasing solar power plants on behalf of customers, as we originally planned.

3) Solar Power Plant Operation

Net sales and segment profit were 227 million yen (a decline of 1.0% YoY) and 72 million yen (an increase of 28.7% YoY), respectively, supported by steady electricity sale by large-scale solar power plants in Shimonoseki, Tateyama, and Sodegaura, and as a result of improvements in profitability by reduction of sales and administrative expenses.

4) Geothermal Power Plant Operation

No sale is recorded for the segment. Due to expenditures, segment profit/loss was 0 million yen (compared to the segment loss of 20 million yen for the previous fiscal year).

Referential Materials for General Meeting of Shareholders

Agenda No. 1 Election of 6 Directors.

The term of office of the current directors (7 people) will expire after this general meeting. Therefore, please nominate 6 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. 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. 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. 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)

(Note)

1. There is no relationship of special interests between each candidate and our company.
2. Naruhito Kusaka, Kozaburo Miyauchi are candidates of outside Directors.
3. 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.
4. Naruhito Kusaka is a current outside Director, and his tenure as an outside Director will be 8 years from the end of this general meeting. Kozaburo Miyauchi is a current outside Director, and his tenure as an outside Director will be 3 years from the end of this general meeting.
5. 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. 2 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.