

2018 March 3Q Summary of Accounting Statements
[Japanese Standards] (consolidated)

Feb. 13, 2018

Listed company name Tamagawa Holdings Co., Ltd. Exchange Tokyo
 Code No. 6838 URL <http://www.tmex.co.jp>
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 Quarterly report to be submitted: Feb. 13, 2018 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 2018 Mar. 3Q (from Apr 1, 2017 to Dec 31, 2017)

(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	%
2018 Mar. 3Q	1,997	Δ21.3	Δ96	—	Δ174	—	Δ182	—
2017 Mar. 3Q	2,537	Δ24.0	Δ43	—	Δ102	—	Δ88	—

(Note) Comprehensive profit 2018 Mar. 3Q Δ177 mil. yen (—%) 2017 Mar. 3Q Δ85mil. yen (—%)

	Quarterly net profit per share	Quarterly net profit per share after issuable share adjustment
2018 Mar. 3Q	yen Δ4.34	yen —
2017 Mar. 3Q	yen Δ2.09	yen —

(2) Consolidated financial status

	Gross asset	Net asset	Capital ratio
2018 Mar. 3Q	mil. yen 8,582	mil. yen 3,041	% 35.4
2017 Mar.	7,446	3,261	43.8

(Reference) Own capital 2018 Mar. 3Q 3,039 mil. yen 2017 Mar. 3,259mil. yen

2. Status of dividends

	Annual dividends				
	End 1Q	End 2Q	End 3Q	Term end	Total
2017 Mar. 3Q	yen —	yen 0.00	yen —	yen 1.00	yen 1.00
2018 Mar. 3Q	—	0.00	—		
2018 Mar. 3Q (forecast)				1.00 ~3.00	1.00 ~3.00

(Note) Correction from the dividend forecast recently announced :No

3. Consolidated performance forecast of 2018 Mar. (from Apr 1, 2017 to Mar 31, 2018)

(% 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	3,727	Δ16.1	126	Δ33.4	32	Δ70.0	9	Δ79.8	0.23

(Note) Correction from the performance forecast recently announced : No

*Notes

(1) Material transfer of subsidiary during the current quarter consolidated cumulative period : No

(Transfer of the specific subsidiary with change of scope of consolidation)

Number of new companies — (Company name) , Number of excluded companies — (Company name)

(2) Application of accounting process specific to preparation of quarterly consolidated financial statements : No

(3) Change of accounting policy / change of accounting estimate / redisplay of correction

① Change of accounting policy along with revision of the accounting standards, etc. : No

② Change of accounting policy other than ① : No

③ Change of accounting estimate : No

④ Redisplay of correction : No

(4) Number of shares issued (ordinary shares)

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

2018 Mar. 3Q	42,598,000shares	2017 Mar.	42,598,000shares
2018 Mar. 3Q	614,544shares	2017 Mar.	614,543shares
2018 Mar. 3Q	41,983,546shares	2017 Mar. 3Q	41,983,676shares

② Number of term-end own shares

③ Average number of midterm shares (quarterly accumulation)

※ The quarterly summary of accounting statements is excluded from the quarterly review.

※ Explanation concerning appropriate usage of the performance forecast, 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 p.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 account settlement of the current quarter

(1) Explanation concerning the management result

While the Japanese economics in the current 3Q consolidated cumulative period continues to be in the mild turnaround thanks to improvement in the corporate performance and employment situation, it shifted with uncertain future due to concerns of labor scarcity mainly in the small business and of downward swing of economics by impact from foreign politics and economic situation of the Western countries, etc.

Under such economic circumstances, for the electronic and communication device business, in addition to sales expansion business mainly in the fourth generation mobile phone equipment related market and the civil service 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 of various business-use wireless, digital signal processor, etc. indispensable for high-speed signal processing, etc.

In the mobile communication field, although the facility investment plan as the measures of radio wave interference for communication quality improvement of each carrier has been postponed, the facility investment has been slowly restarted, and order receipt has been also recovering though slowly. Inquiries from new clients are slowly increasing in the mobile communication facilities related business for overseas.

Demands for the analog high frequency product, subsystem, optical transmission device, digital signal processor, etc. are increasing in the civil service and public filed, and therefore we will work on further demand expansion in the civil service and public filed as well as activities looking into the future movement of the next generation mobile communication related market.

Status of order receipt in general is improving, and we will continue to promote expansion of the business fields of our group in order to establish the stable business base, and also continue the activities for profit expansion by enhancing the proposal of self-developed products.

We have actively promoted the photovoltaic power plant business especially among the renewable energy business. Under difficult circumstances surrounding the photovoltaic power plant business such as unpredicted delay of certification procedures in the revised FIT Act instituted in April 2017 and complication of procedures to acquire facilities certification, etc., our group is actively consideration the renewable energy and general environmental business which will become the next pillar and is aiming for expansion of the above businesses.

As the result of the above, the amount of orders received in the current 3Q consolidated cumulative period was 2,704 mil. yen (10.1% decrease compared with the same term of the previous year), and the sales amount was 1,997 mil. yen (21.3% decrease compared with the same term of the previous year). In terms of profit and loss, operating loss was 96 mil. yen (operating loss of the same term of the previous year: 43 mil. yen), ordinary loss was 174 mil yen (ordinary loss of the same term of the previous year: 102 mil. yen), and quarterly net loss belonging to the parent company shareholders was 182 mil. yen (quarterly net loss belonging to the parent company shareholders of the same term of the previous year: 88 mil. yen).

For the electronic and communication device business, in addition to sales expansion activities mainly in the civil service and 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.

We are conducting development and consideration of various products and services related to renewable energy for further expansion of operations in the future for the renewable energy system sales business. With further expansion of sales network and enhancement of the sales system, we will aim for maximization of profit.

In the photovoltaic power plant business and geothermal power plant business, we are actively working on new case development in order to acquire long-term and stable profit. We have acquired the land in Shimada City,

Shizuoka Prefecture for a solar sharing power plant which is now under construction. Solar sharing is an effort to enhance the feasibility by balancing agricultural income and photovoltaic power plant and greatly contribute to resolution of issues in agriculture. We will continue to increase the number of our own clean power plants using renewable energy including photovoltaic.

Additionally, we are not only focusing on the above renewable energy business, but as new clean energy, we are also focusing on the hydrogen related business which can generate and store power without exhausting CO₂, and we are conducting investigation and consideration on such business in the “Hydrogen Power Business Preparation Room.”

Performances of segments shall be as follows.

① Electronic / communication device business

As the result that the facility investment plan for radio wave interference by carriers has been restarted, and the order receipt has been recovering though slowly, that expansion of order receipt in the civil service and public related field has been focused on, and that improvement of operational efficiency has been promoted to shrink cost, the amount of orders received was 1,732 mil. yen (14.4% decrease compared with the same term of the previous year), sales amount was 1,639 mil. yen (11.2% increase compared with the same term of the previous year), and segment profit was 48 mil. yen (16.8% decrease compared with the same term of the previous year).

② Renewable energy system sales business

In the photovoltaic power plant sales market, demands for purchase of power generation companies was active continuously from the previous term, but competition heated up for acquirement of procurement cases, and in addition to decrease of the sales cases initially expected, due to the impact including complication, etc. of certification procedures in the revised FIT Act, the procurement activities and sales activities of the photovoltaic power plant cases and small wind power plant cases could not be conducted as initially expected. As the result, the amount of orders received was 972 mil. yen (1.2% decrease compared with the same term of the previous year), sales amount was 89 mil. yen (90.4% decrease compared with the same term of the previous year) and segment loss was 103 mil. yen (segment loss of the same term of the previous year: 34 mil. yen).

③ Photovoltaic power plant business

The photovoltaic plants in Shimonoseki City, Tateyama City and Sodegaura City which have been already under operation are selling power at a good rate, and especially thanks to good climate and large amount of insolation from April to June 2017, the amount of power selling increased compared to the same term of the previous year. Additionally, because power selling was started at the mega solar power plant in Kasumigaura City on April 3, 2017, the sales amount was 264 mil. yen (52.9% increase compared with the same term of the previous year) and segment profit was 94 mil. yen (69.8% increase compared with the same term of the previous year).

④ Geothermal power plant business

No sales amount is recorded currently, and segment loss was 9 mil. yen (segment loss of the same term of the previous year: 0 yen) due to expenditure of the expenses.

(Segment information, etc.)

【Segment information】

I. Previous 3Q consolidated cumulative period (From Apr 1, 2016 to Dec 31, 2016)

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

(unit: 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 system sales business	Photovoltaic power plant business	Geothermal power plant business	Total		
Sales amount							
Sales amount to external clients	1,474,317	890,592	172,839	—	2,537,749	—	2,537,749
Internal sales amount or transfer amount between segments	—	43,405	—	—	43,405	△43,405	—
Total	1,474,317	933,997	172,839	—	2,581,154	△43,405	2,537,749
Segment profit or loss (Δ)	57,702	34,012	55,715	△40	147,390	△190,780	△43,390

(Note)1. Adjusted amount of segment profit △190,780 thousand yen is adjusted amount of realized profit △43,616 thousand yen, adjusted amount of dividends △105,000 thousand yen and profit and loss of group management division not distributed to business segment △42,164 thousand yen.

2. Segment profit or loss (Δ) matches operating loss in the quarterly consolidated profit and loss statement.

II. Current 3Q consolidated cumulative period (From Apr 1, 2017 to Dec 31, 2017)

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

(unit: 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 system sales business	Photovoltaic power plant business	Geothermal power plant business	Total		
Sales amount							
Sales amount to external clients	1,639,763	89,491	264,270	—	1,993,526	3,878	1,997,404
Internal sales amount or transfer amount between segments	—	—	—	—	—	—	—
Total	1,639,763	89,491	264,270	—	1,993,526	3,878	1,997,404
Segment profit or loss (Δ)	48,005	△103,519	94,577	△9,365	29,697	△125,979	△96,282

(Note)1. Adjusted amount of segment profit △125,979 thousand yen is adjusted amount of realized profit 3,983 thousand yen, adjusted amount of dividends from the consolidated subsidiary △79,500 thousand yen and profit and loss of group management division not distributed to business segment △50,462 thousand yen.

2. Segment profit or loss (Δ) matches operating loss in the quarterly consolidated profit and loss statement.

2. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheets

(In thousand yen)

	FY 2016 (consolidated) (As of March 31, 2017)	3Q FY 2017 (consolidated) (As of December 31, 2017)
Assets		
Current assets		
Cash and deposits	2,155,286	1,893,316
Notes and accounts receivable	1,456,254	872,868
Merchandise and finished goods	77,731	98,446
Work in process	156,735	368,509
Raw materials and supplies	108,699	160,705
Deferred tax assets	30,489	11,020
Other	102,582	748,936
Total current assets	4,087,780	4,153,803
Non-current assets		
Property, plant and equipment		
Buildings and structures	458,035	454,039
Accumulated depreciation	Δ314,285	Δ320,111
Buildings and structures-trade, net	143,750	133,927
Machinery, equipment and vehicles	1,540,903	3,119,578
Accumulated depreciation	Δ219,485	Δ335,981
Machinery, equipment and vehicles-trade, net	1,321,418	2,783,597
Tools, furniture and fixtures	727,831	657,350
Accumulated depreciation	Δ653,695	Δ588,524
Tools, furniture and fixtures-trade, net	74,136	68,825
Land	405,987	406,035
Construction in progress	638,817	193,814
Total property, plant and equipment	2,584,111	3,586,201
Intangible assets		
Goodwill	212,124	208,697
Software	66,519	65,998
Other	0	0
Total intangible assets	278,644	274,695
Investments and other assets		
Operational investment securities	22,772	29,088
Long-term loans receivable	103,614	106,174
Deferred tax assets	72,660	80,732
Other	285,649	280,659
Allowance for doubtful accounts	Δ8,700	Δ8,700
Total investments and other assets	475,996	487,955
Total non-current assets	3,338,752	4,348,852
Deferred assets		
Share issuance cost	1,742	1,118
Development expenses	6,316	58,368
Business commencement expenses	11,666	19,990
Total deferred assets	19,725	79,478
Total assets	7,446,258	8,582,134

(In thousand yen)

	FY 2016 (consolidated) (As of March 31,2017)	3Q FY 2017 (consolidated) (As of December 31, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	523,660	341,216
Short-term loans payable	404,800	422,000
Current portion of bonds	20,000	10,000
Current portion of long-term loans payable	561,353	778,852
Lease obligations	74,220	106,441
Accounts payable - other	164,730	151,266
Income taxes payable	57,787	4,200
Advances received	30,075	159,805
Deferred tax liabilities	3,177	322
Provision for bonuses	59,986	30,892
Provision for product warranties	14,295	15,096
Other	126,835	77,313
Total current liabilities	2,040,922	2,097,406
Non-current liabilities		
Long-term loans payable	614,329	634,467
Lease obligations	1,245,516	1,652,479
Deferred tax liabilities	2,584	1,926
Net defined benefit liability	163,664	169,127
Asset retirement obligations	26,225	33,251
Long-term accounts payable - other	90,178	950,354
Other	1,617	1,617
Total non-current liabilities	2,144,115	3,443,223
Total liabilities	4,185,037	5,540,630
Net assets		
Shareholders' equity		
Capital stock	1,677,088	1,677,088
Capital surplus	994,039	994,039
Retained earnings	655,150	430,796
Treasury shares	△61,312	△61,313
Total shareholders' equity	3,264,965	3,040,610
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	329	4,161
Foreign currency translation adjustment	△5,606	△4,799
Accumulated other comprehensive income	△5,276	△638
Share acquisition rights	1,532	1,532
Total net assets	3,261,220	3,041,504
Total liabilities and net assets	7,446,258	8,582,134

(2) Quarterly consolidated statements of income and Quarterly consolidated statements of comprehensive income Quarterly
Consolidated statements of income
Consolidated third quarter period

	(In thousand yen)	
	3Q FY2016 (from April 1, 2016 to December 31,2016)	3Q FY 2017 (from April 1,2017 to December 31,2017)
Net sales	2,537,749	1,997,404
Cost of sales	1,793,498	1,372,145
Gross profit	744,250	625,259
Selling, general and administrative expenses	787,641	721,541
Operating loss (Δ)	Δ43,390	Δ96,282
Non-operating income		
Interest income	4,513	6,560
Dividend income	190	355
Share of profit of entities accounted for using equity method	-	793
Other	6,550	5,680
Total non-operating income	11,254	13,389
Non-operating expenses		
Interest expenses	59,322	83,542
Foreign exchange losses	764	3,249
Share of loss of entities accounted for using equity method	7,821	-
Other	2,509	4,395
Total non-operating expenses	70,418	91,187
Ordinary loss (Δ)	Δ102,554	Δ174,080
Extraordinary income		
Gain on sales of non-current assets	1,652	1,298
Gain on reversal of share acquisition rights	16,326	-
Other	-	22
Total extraordinary income	17,979	1,321
Extraordinary losses		
Other	5,640	12
Total extraordinary losses	5,640	12
Loss before income taxes (Δ)	Δ90,216	Δ172,771
Income taxes - current	6,312	3,444
Income taxes - deferred	Δ8,513	6,154
Total income taxes	Δ2,200	9,599
Loss (Δ)	Δ88,015	Δ182,370
Loss attributable to non-controlling interests (Δ)	-	-
Loss attributable to owners of parent (Δ)	Δ88,015	Δ182,370

Quarterly consolidated statements of comprehensive income
 Consolidated second quarter period

(In thousand yen)

	3Q FY2016 (from April 1, 2016 to December 31,2016)	3Q FY 2017 (from April 1,2017 to December 31,2017))
Loss (Δ)	Δ88,015	Δ182,370
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	344	3,831
Foreign currency translation adjustment	2,367	806
Total other comprehensive income	2,712	4,638
Comprehensive income	Δ85,303	Δ177,732
(breakdown)		
Comprehensive income attributable to owners of parent	Δ85,303	Δ177,732
Comprehensive income attributable to non-controlling interests	-	-