

FY Mar. 2018

## Summary of Accounting Statements [Japanese Standards] (consolidated)

May 14, 2018

Listed company name Tamagawa Holdings Co., Ltd. Exchange Tokyo  
 Code No. 6838 URL http://www.tmex.co.jp  
 Representative (Title) President (Name) Toru Masuzawa  
 Contact person (Title) Finance and accounting division manager (Name) Katsuya Kubo (TEL) 03-6435-6933  
 Ordinary shareholders' meeting to be held: June 28, 2018 Dividends payment to be started: June 29, 2018  
 Securities report to be submitted: June 28, 2018

Preparation of supplementary explanation document for the accounting statement : Yes

Explanatory meeting for the accounting statement : Yes ( For institutional investors / analysts )

(amount under mil. yen rounded off)

## 1. Consolidated performance of FY Mar. 2018 (from Apr 1, 2017 to Mar 31, 2018)

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

	Sales amount		Operating profit		Ordinary profit		Current net profit attributable to the parent company's shareholders	
	mil. yen	%	mil. yen	%	mil. yen	%	mil. yen	%
FY Mar. 2018	3,255	Δ26.7	53	Δ71.9	Δ63	—	Δ146	—
FY Mar. 2017	4,443	Δ38.8	189	Δ32.3	106	Δ49.6	44	Δ73.0

(Note) Comprehensive profit FY Mar. 2018 Δ150 mil. yen ( — %) FY Mar. 2017 44 mil. yen ( Δ71.6 %)

	Current net profit per share	Current net profit per share after dilutive share adjustment	Current net profit ratio of own capital	Ordinary margin of gross asset	Operating margin of sales amount
FY Mar. 2018	yen Δ3.48	yen —	% Δ4.5	% Δ0.7	% 1.6
FY Mar. 2017	1.06	1.06	1.4	1.5	4.3

(Reference) Investment profit on equity method FY Mar. 2018 Δ5 mil. yen FY Mar. 2017 Δ11 mil. yen

## (2) Consolidated financial status

	Gross asset	Net asset	Capital ratio	Net asset per share
FY Mar. 2018	mil. yen 11,178	mil. yen 3,210	% 28.7	yen 73.89
FY Mar. 2017	7,446	3,261	43.8	77.64

(Reference) Own capital FY Mar. 2018 3,209 mil. yen FY Mar. 2017 3,259 mil. yen

## (3) Consolidated cashflow status

	Cashflow by sales activities	Cashflow by investment activities	Cashflow by financial activities	Term-end balance of cash and cash-equivalent
FY Mar. 2018	mil. yen Δ534	mil. yen Δ823	mil. yen 934	mil. yen 1,718
FY Mar. 2017	102	Δ628	Δ56	2,155

## 2. Status of dividend

	Annual dividend					Total dividend (Total)	Dividend tendency (Consolidated)	Net asset dividend rate (Consolidated)
	End 1Q	End 2Q	End 3Q	Term end	Total			
FY Mar. 2018	yen —	yen 0.00	yen —	yen 1.00	yen 1.00	mil. yen 41	% 94.05	% 1.28
FY Mar. 2017	—	0.00	—	0.50	0.50	21	—	0.66
FY Mar. 2019 (forecast)	—	0.00	—	0.50 ~3.00	0.50 ~3.00		—	

(Note) 1. Capital surplus is included in the dividend resource of FY Mar. 2018.

See "Breakdown of dividend with capital surplus as dividend" for detail.

2. Dividend tendency is not stated in the dividend forecast for FY Mar. 2019 because it is disclosed in the range form.

## 3. Consolidated performance forecast of FY Mar. 2018 (from Apr 1, 2018 to Mar 31, 2019)

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

	Sales amount		Operating profit		Ordinary profit		Current net profit attributable to the parent company's shareholders		Current net profit per share
Full year	mil. yen	%	mil. yen	%	mil. yen	%	mil. yen	%	yen
	5,186	59.3	239	349.2	22	—	14	—	0.34

\*Notes

(1) Material transfer of subsidiary during the term (Transfer of the specific subsidiary with change of scope of consolidation) : No

Number of new companies	—	(Company name)	Number of excluded companies	—	(Company name)
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(2) 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 |

(3) 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)

FY Mar. 2018	44,046,000	shares	FY Mar. 2017	42,598,000	shares
FY Mar. 2018	614,546	shares	FY Mar. 2017	614,543	shares
FY Mar. 2018	42,084,453	shares	FY Mar. 2017	41,983,622	shares

(Reference) Outline of individual performance

Individual performance of FY Mar. 2018 (Apr. 1, 2017 ~ Mar. 31, 2018)

(1) Individual management result

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

	Sales amount		Operating profit		Ordinary profit		Current net profit	
	mil. yen	%	mil. yen	%	mil. yen	%	mil. yen	%
FY Mar. 2018	203	Δ37.3	Δ67	-	Δ71	-	Δ108	-
FY Mar. 2017	325	32.3	26	-	21	-	82	-
	Current net profit per share		Current net profit per share after dilutive share adjustment					
	yen		yen					
FY Mar. 2018	Δ2.57		-					
FY Mar. 2017	1.97		1.97					

(2) Individual financial status

	Gross asset		Net asset		Capital ratio		Net asset per share	
	mil. yen		mil. yen		%		yen	
FY Mar. 2018	3,855		2,681		69.5		61.72	
FY Mar. 2017	3,577		2,687		75.1		63.96	

(Reference) Own capital FY Mar. 2018 2,680 mil. yen FY Mar. 2017 2,685 mil. yen

\* The summary of accounting statement is exempted from audit by certified public accountant or auditing firm.

\* Explanation on appropriate use of the performance forecast and other special notes

The statement concerning the future such as performance forecast, etc. described herein is based on the information we have currently obtained and a certain precondition judged as reasonable, and the actual performance, etc. may be greatly different due to various factors. See the attached document p.5 "1. Outlook of management result, etc." (4) Future prospect." For the reminder for use of the assumption and performance forecast.

Breakdown of dividend with the capital surplus as capital resource

Breakdown of dividend with the capital surplus as capital resource among the dividend of FY March 2018 is as follows.

Record date	Term-end	Total
Dividend per share	0.50 yen	0.50 yen
Total dividend amount	21 mil. yen	21 mil. yen

(Note) Net asset reduction rate: 0.008

## 1. Outlook of management result, etc.

### (1) Outlook of the current management result

#### 1. Current management result

While the Japanese economics in the current consolidated accounting year continues to be in the mild turnaround thanks to improvement in the corporate performance and employment situation as well as recover of personal consumption and facility investment, it still shifted with uncertain future due to concerns of trading policy trend of US and political situation of North Korea.

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 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, the facility investment plan as the measures of radio wave interference for communication quality improvement of each carrier has been recovering though slowly since the second half of the term. Additionally, 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 optical transmission device, digital signal processor, etc. are increasing in the public filed for disaster measures, business-use wireless and surveillance system, and therefore we will work on further demand expansion in the public filed as well as activities looking into the future movement of the fifth-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 consolidated accounting year was 3,719 mil. yen (14.7% decrease compared with the same term of the previous year), and the sales amount was 3,255 mil. yen (26.7% decrease compared with the same term of the previous year). In terms of profit and loss, operating loss was 53 mil. yen (71.9% decrease compared with the same term of the previous year), ordinary loss was 63 mil. yen (ordinary loss of the same term of the previous year: 106 mil. yen), and the current net loss attributable to the parent company's shareholders became 146 mil. yen (the current net loss attributable to the parent company shareholders of the same term of the previous year: 44 mil. yen) by recording 110 mil. yen of impairment loss.

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.

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. Power selling started at the solar sharing power plant in Shimada City, Shizuoka Prefecture on March 20, 2018. 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. On March 30, 2018, power selling was started at the mega solar power plant in Goto City, Nagasaki Prefecture. This plant is the largest size in our group, and is the first special high-pressure photovoltaic power plant.

We are also actively promoting development of small wind power plants as the next pole of clean energy. In Tohoku and Hokkaido regions, we have selected 50 areas with good wind condition and obtained power-selling right in those areas. With wind power generation, compared with photovoltaic power generation, power can be generated when wind blows even in the nighttime, which achieves high capacity factor, and therefore, we can secure high feasibility by selecting places with good wind condition. The fixed purchase price for 20 years of the 50 areas we have obtained this time is all 55 yen/kWh, which is considered to become power plants with high profitability.

We will hereafter continue to endeavor not only to reduce CO<sub>2</sub>, but also to continue to the community and society, and to introduce, spread and promote renewable energy by accelerating community-based development of renewable energy by utilizing characteristic of the community.

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 slowly recovered since the second half of the term, and 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, the amount of orders received was 2,492 mil. yen (8.9% decrease compared with the same term of the previous year), sales amount was 2,626 mil. yen (0.8% increase compared with the same term of the previous year), and segment profit was 225 mil. yen (8.5% decrease compared with the same term of the previous year).
- ② Renewable energy system sales business  
In the photovoltaic power plant sales market, the procedure for certification by the revised FIT Act is being delayed more than expected, which is giving a great impact to starting and completion of the construction, and also the procurement activities and sales activities could not be conducted as planned due to the unpredicted amount of snowfall in Tohoku region. As the result, the amount of orders received was 1,226 mil. yen (24.6% decrease compared with the same term of the previous year), sales amount was 277 mil. yen (83.3% decrease compared with the same term of the previous year) and segment loss was 108 mil. yen (segment loss of the same term of the previous year: 110 mil. yen).
- ③ Photovoltaic power plant business  
Because 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 power selling was started at the mega solar power plant in Kasumigaura City on April 3, 2017, the sales amount was 345 mil. yen (51.7% increase compared with the same term of the previous year) and segment profit was 115 mil. yen (58.1% 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 14 mil. yen (segment loss of the same term of the previous year: 0 yen) due to expenditure of the expenses.

Consolidated financial statements and Notes

Consolidated balance sheet

(In thousand yen)

	FY2016(consolidated) (As of March 31,2017)	FY2017(consolidated) (As of March 31,2018)
<b>Assets</b>		
Current assets		
Cash and deposits	2,155,286	1,718,000
Notes and accounts receivable - trade	1,456,254	1,377,764
Merchandise and finished goods	77,731	157,216
Work in process	156,735	176,416
Raw materials and supplies	108,699	135,063
Advance payments - trade	26,026	582,049
Deferred tax assets	30,489	27,626
Other	76,556	525,287
Total current assets	4,087,780	4,699,425
Non-current assets		
Property, plant and equipment		
Buildings and structures	458,035	452,374
Accumulated depreciation	Δ314,285	Δ322,700
Buildings and structures, net	143,750	129,673
Machinery, equipment and vehicles	1,540,903	5,392,318
Accumulated depreciation	Δ219,485	Δ375,919
Machinery, equipment and vehicles, net	1,321,418	5,016,399
Tools, furniture and fixtures	727,831	665,628
Accumulated depreciation	Δ653,695	Δ587,760
Tools, furniture and fixtures, net	74,136	77,868
Land	405,987	382,049
Construction in progress	638,817	45,326
Total property, plant and equipment	2,584,111	5,651,317
Intangible assets		
Goodwill	212,124	207,554
Software	66,519	66,320
Other	0	0
Total intangible assets	278,644	273,875
Investments and other assets		
Investment securities	22,772	26,172
Long-term loans receivable	103,614	103,809
Deferred tax assets	72,660	105,138
Other	285,649	300,557
Allowance for doubtful accounts	Δ8,700	Δ8,700
Total investments and other assets	475,996	526,978
Total non-current assets	3,338,752	6,452,171
Deferred assets		
Share issuance cost	1,742	911
Development expenses	6,316	129
Business commencement expenses	11,666	26,108
Total deferred assets	19,725	27,149
Total assets	7,446,258	11,178,746

(In thousand yen)

	FY2016(consolidated) (As of March 31,2017)	FY2017(consolidated) (As of March 31,2018)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	523,660	411,372
Short-term loans payable	404,800	461,800
Current portion of bonds	20,000	-
Current portion of long-term loans payable	561,353	733,551
Lease obligations	74,220	201,494
Accounts payable - other	164,730	164,435
Income taxes payable	57,787	13,437
Advances received	30,075	238,622
Deferred tax liabilities	3,177	207
Provision for bonuses	59,986	66,637
Provision for product warranties	14,295	12,519
Other	126,835	86,269
<b>Total current liabilities</b>	<b>2,040,922</b>	<b>2,390,347</b>
<b>Non-current liabilities</b>		
Long-term loans payable	614,329	523,261
Lease obligations	1,245,516	3,625,902
Deferred tax liabilities	2,584	842
Net defined benefit liability	163,664	176,616
Asset retirement obligations	26,225	55,048
Long-term accounts payable - other	90,178	1,190,558
Other	1,617	6,013
<b>Total non-current liabilities</b>	<b>2,144,115</b>	<b>5,578,242</b>
<b>Total liabilities</b>	<b>4,185,037</b>	<b>7,968,589</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	1,677,088	1,748,137
Capital surplus	994,039	1,065,087
Retained earnings	655,150	466,480
Treasury shares	△61,312	△61,313
<b>Total shareholders' equity</b>	<b>3,264,965</b>	<b>3,218,392</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	329	3,543
Foreign currency translation adjustment	△5,606	△12,774
<b>Accumulated other comprehensive income</b>	<b>△5,276</b>	<b>△9,230</b>
Share acquisition rights	1,532	994
<b>Total net assets</b>	<b>3,261,220</b>	<b>3,210,156</b>
<b>Total liabilities and net assets</b>	<b>7,446,258</b>	<b>11,178,746</b>

Consolidated statement of income and consolidated statement of comprehensive income

Consolidated statement of income

(In thousand yen)

	FY2016 (From April 1, 2016 to December 31, 2017)	FY2017 (From April 1, 2017 to December 31, 2018)
Net sales	4,443,227	3,255,443
Cost of sales	3,151,189	2,236,505
Gross profit	1,292,038	1,018,937
Selling, general and administrative expenses	1,102,811	965,697
Operating profit	189,226	53,240
Non-operating income		
Interest income	6,715	8,792
Dividend income	224	1,142
Insurance income	527	2,764
Other	8,909	5,704
Total non-operating income	16,376	18,403
Non-operating expenses		
Interest expenses	79,525	112,471
Foreign exchange losses	5,092	9,423
Share of loss of entities accounted for using equity method	11,236	5,172
Other	3,248	8,328
Total non-operating expenses	99,102	135,396
Ordinary profit (loss) (Δ)	106,500	Δ63,752
Extraordinary income		
Gain on sales of non-current assets	1,652	2,762
Gain on reversal of share acquisition rights	16,326	—
Other	312	22
Total extraordinary income	18,291	2,784
Extraordinary losses		
Loss on retirement of non-current assets	5,415	0
Impairment loss	8,820	110,006
Other	225	12
Total extraordinary losses	14,461	110,019
Profit (loss) before income taxes (Δ)	110,329	Δ170,986
Income taxes - current	68,872	11,570
Income taxes - deferred	Δ3,180	Δ35,871
Total income taxes	65,691	Δ24,300
Profit (loss) (Δ)	44,637	Δ146,686
Profit (loss) attributable to non-controlling interests	—	—
Profit (loss) attributable to owners of parent (Δ)	44,637	Δ146,686

## Consolidated statement of comprehensive income

((In thousand yen))

	FY2016 (From April 1,2016 to December 31,2017)	FY2017 (From April 1,2017 to December 31,2018)
Profit (loss) (Δ)	44,637	Δ146,686
Other comprehensive income		
Valuation difference on available-for-sale securities	Δ347	3,214
Foreign currency translation adjustment	Δ18	Δ7,168
Total other comprehensive income	Δ366	Δ3,953
Comprehensive income	44,271	Δ150,639
(detail)		
Comprehensive income attributable to owners of parent	44,271	Δ150,639
Comprehensive income attributable to non-controlling interests	-	-



Information regarding net sales, income or loss, assets, liabilities, and other items for each reportable segment.  
FY2016 (April 1, 2016 -March 31, 2017)

(In thousand yen)

	Reportable Segment				Total	Adjustment amount (Note1)	Value presented in consolidated financial statements
	Electronic and Communication Device Business	Renewable Energy System Sales Business	Solar Power Plant Business	Geothermal Power Plant Business			
Net Sales							
Sales to external customers	2,605,399	1,610,046	227,781	—	4,443,227	—	4,443,227
Internal sales or Transfers between segments	—	49,403	—	—	49,403	△49,403	—
Total	2,605,399	1,659,449	227,781	—	4,492,631	△49,403	4,443,227
Segment income(loss)	245,987	110,822	72,928	△503	429,234	△240,007	189,226
Segment assets	3,225,830	460,433	2,932,422	56,950	6,675,637	770,620	7,446,258
Other items							
Depreciation	78,982	7,669	88,072	—	174,723	2,568	177,292
Equity in loss of affiliates	—	—	△ 11,236	—	△ 11,236	—	△ 11,236
Impairment Loss	—	—	8,820	—	8,820	—	8,820
Investment for affiliated company accounted for by the equity-method	—	—	103,614	—	103,614	—	103,614
Increase in property, plant and equipment and intangible assets	39,409	36,974	518,621	5,473	600,478	△ 5,000	595,478

(Note)1. (1) Adjusted amount of segment profit or loss (△) △ 240,007 thousand yen is adjusted amount of unrealized profit △44,331 thousand yen, adjusted amount of dividends from the consolidated subsidiary △140,000 thousand yen, transaction deletion between segments △5,000 thousand yen, and profit and loss of group management division not distributed to business segment △50,462 thousand yen.

(2) Adjusted amount of segment asset 770,620 thousand yen is asset of group management division not distributed to business segment 819,004 thousand yen, transaction deletion, etc. between segments △13,968 thousand yen and adjusted amount of estimated recoverable amount of deferred tax asset in the consolidated taxable entity △34,415 thousand yen.

2. Segment profit or loss (△) is adjusted with operating loss in the consolidated financial statement.

FY2017 (April 1, 2017 -March 31, 2018)

(In thousand yen)

	Reportable Segment				Total	Adjustment amount (Note1)	Value presented in consolidated financial statements
	Electronic and Communication Device Business	Renewable Energy System Sales Business	Solar Power Plant Business	Geothermal Power Plant Business			
Net Sales							
Sales to external customers	2,626,727	277,739	345,608	—	3,250,075	5,368	3,255,443
Internal sales or Transfers between segments	—	—	—	—	—	—	—
Total	2,626,727	277,739	345,608	—	3,250,075	5,368	3,255,443
Segment income(loss)	225,035	△108,389	115,281	△14,019	217,908	△164,668	53,240
Segment assets	3,004,660	1,074,833	6,534,353	—	10,613,847	564,898	11,178,746
Other items							
Depreciation	85,407	6,879	147,876	—	240,163	3,192	243,356
Equity in loss of affiliates	—	—	△5,172	—	△5,172	—	△5,172
Impairment Loss	—	—	—	110,006	110,006	—	110,006
Investment for affiliated company accounted for by the equity-method	—	—	103,809	—	103,809	—	103,809
Increase in property, plant and equipment and intangible assets	80,481	2,012	4,362,450	—	4,444,944	7,783	4,452,727

(Note)1. (1) Adjusted amount of segment profit or loss (△) △164,668 thousand yen is adjusted amount of unrealized profit, etc. 6,392 thousand yen, adjusted amount of dividends from the consolidated subsidiary △97,000 thousand yen and profit and loss of group management division not distributed to business segment △74,060 thousand yen.

(2) Adjusted amount of segment asset 564,898 thousand yen is asset of group management division not distributed to business segment 578,009 thousand yen and transaction deletion, etc. between segments △13,111 thousand yen.

2. Segment profit or loss (△) is adjusted with operating loss in the consolidated financial statement.