



FY2019 March **The 2Q Summary of Accounting Statements**
[Japanese Standards] (consolidated)

November 12, 2018

Listed company: 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

Quarterly report to be submitted on: November 13, 2018 Dividends payment to be started on: —

Preparation of supplementary explanation document for the quarterly accounting statement: Yes

Explanatory meeting for the quarterly accounting statement: Yes

(amount under mil. yen rounded off)

1. Consolidated performance of FY 2019 Mar.: 2Q (from Apr 1, 2018 to Sep 30, 2018)

(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	%
FY2019 Mar. 2Q	1,655	27.0	16	—	△94	—	△94	—
FY2018 Mar. 2Q	1,303	△28.1	△65	—	△114	—	△118	—

(Note) Comprehensive profit: FY2019 Mar. 2Q △80 mil. yen (—%) FY2018 Mar. 2Q △155 mil. yen(—%)

	Quarterly net profit per share	Quarterly net profit per share after issuable share adjustment
	yen	yen
FY2019 Mar. 2Q	△21.86	—
FY2018 Mar. 2Q	△28.25	—

We conducted reverse split with ratio of 1 share per 10 ordinary shares on October 1, 2018. Quarterly net profit per share is calculated with assumption that the reverse split was conducted at the beginning of the previous accounting year.

(2) Consolidated financial status

	Gross asset	Net asset	Own capital ratio
	mil. yen	mil. yen	%
FY2019 Mar. 2Q	10,761	3,108	28.9
FY2018 Mar.	11,178	3,210	28.7

(Reference) Own capital: FY2019 Mar. 2Q 3,107 mil. yen FY2018 Mar. 3,209 mil. yen

2. Status of dividends

	Annual dividends				
	End 1Q	End 2Q	End 3Q	Term end	Total
FY2018 Mar.	yen —	yen 0.00	yen —	yen 0.50	yen 0.50
FY2019 Mar.	—	—	—	5.00	5.00
FY2019 Mar. (forecast)	—	—	—	~30.00	~30.00

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

We conducted reverse split with ratio of 1 share per 10 ordinary shares on October 1, 2018. The amount of term-end dividends per share of FY2019 Mar. (forecast) is listed in consideration of effect of such reverse split. See "Explanation on appropriate use of the performance forecast and other special notes" for details.

3. Consolidated performance forecast of 2019 Mar. (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 belonging to the parent company's shareholders		Current net profit per share
	mil. yen	%	mil. yen	%	mil. yen	%	mil. yen	%	yen
Full business year	5,186	59.3	239	349.2	22	—	14	—	3.44

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

We conducted reverse split with ratio of 1 share per 10 ordinary shares on October 1, 2018. Effect of such reverse split is considered for the current net profit per share in the consolidated performance forecast of FY2019 March. See "Explanation on appropriate use of the performance forecast and other special notes" 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 statement: None

(3) Change of accounting policy, change of accounting estimate, redisplay of revision

① Change of accounting policy for revision of accounting standard, etc.: None

② Change of the accounting standard except for ①: None

③ Change of the accounting estimate: None

④ Redisplay of revision: None

(4) Number of shares issued (ordinary shares)

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

FY2019 Mar. 2Q	4,404,600 shares	FY2018 Mar.	4,404,600 shares
FY2019 Mar. 2Q	61,454 shares	FY2018 Mar.	61,454 shares
FY2019 Mar. 2Q	4,343,146 shares	FY2018 Mar.2Q	4,198,346 shares

② Number of term-end own shares

③ Average number of midterm shares
(quarterly accumulation)

We conducted reverse split with ratio of 1 share per 10 ordinary shares on October 1, 2018. Quarterly net profit per share is calculated with assumption that the reverse split was conducted at the beginning of the previous accounting year.

※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 Annex 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.

(Dividends after reverse split and consolidated performance forecast)

The reverse split at the ratio of 1 share per 10 ordinary shares was conducted in accordance with decision at our 50th ordinary shareholders' meeting held on June 28, 2018. The dividend forecast and consolidated performance forecast of FY2019 Mar. when not considering the reverse split shall be as follows.

1. Dividend forecast of FY2019 Mar.

Dividend per share: Term-end: 0.50 yen~3 yen

2. Consolidated performance forecast of FY2019 Mar.

Current net profit per share: Full business year: 0.34 yen

1. Qualitative information concerning the account settlement of the current quarter

(1) Explanation concerning the management result

Matters herein concerning the future have been determined by our group as of the final day of the current quarterly consolidated accounting period.

Additionally, classification of the report segments was changed from 1Q consolidated accounting period. The following is comparison of the value of the same term of the previous year with the value after changing to the segment classification after change.

While the Japanese economics in the current 2Q consolidated cumulative period continues to be in the mild turnaround such as recovery of individual consumption and facility investment thanks to improvement in the continuous corporate performance and employment situation, it continued to shift with uncertain future due to trade conflict arising from the trading policy of US and impact of series of natural disasters in various areas of Japan, 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 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, while amount of facility investment of each carrier has been reduced year by year, demands in IBS (industrialized building system) is recovering. Additionally, mobile communication facility related field for overseas is acquiring more inquiries from new clients little by little.

Demands for the optical transmission device, digital signal processor, etc. are increasing for disaster measures, business-use wireless and surveillance system in the public filed, and therefore we will work on further demand expansion in the public filed as well as positively working on self-developed products including product development for the fifth-generation mobile communication related market.

Order receipt condition in general is improving, and we will continue to promote expansion of our group's business field and also continue the activities for profit expansion by proposal and enhancement of self-development products.

We have actively promoted development and sales of the photovoltaic power plant and small wind power plant especially among the renewable energy system sales business. Considerable amount of period is still required for completion of the certification procedures, but the procedures for the cases which filed application since last year have been completed and accordingly inquiries from new clients are increasing little by little. We will continue the sales activity of photovoltaic power plant, etc. for profit expansion.

In the renewable power plant business, although there was a period with bad climate due to impact of Typhoon No.21, the weather was good with a lot of sunlight in the first half, resulting increase of power selling amount compared to that in the same period of the previous year. In addition, mega solar plant in Goto City, Nagasaki Pref. and solar sharing plant in Shimada City, Shizuoka Pref. started to operate in the current period, and are selling electricity at a good rate. Our group are actively considering renewable energy and general environmental business which will be the next pillar, aiming for expansion of operations of such businesses.

As the result of the above, the amount of orders received in the current 2Q consolidated cumulative period was 1,743 mil. yen (66.2% increase compared with the same term of the previous year), and the sales amount was 1,655 mil. yen (27.0% increase compared with the same term of the previous year). In terms of profit and loss, operating loss was 16 mil. yen (operating loss of the same term of the previous year: 65 mil. yen), ordinary loss was 94 mil yen (ordinary loss of the same term of the previous year: 114 mil. yen), and quarterly net loss belonging to the parent company shareholders was 94 mil. yen (quarterly net loss belonging to the parent company shareholders of the same term of the previous year: 118 mil. yen).

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.

For the renewable energy generation plant, power selling started at the mega solar plant in Noboribetsu City, Hokkaido on November 2, 2018. This plant can sell power for 40 yen / 1kWh for 20 years, and in addition, it has 12 units of automatic tracking system which may improve power generation efficiency by photovoltaic energy, which is expected to contribute to our group's profit acquirement.

We will continuously endeavor not only reduce CO2, but also contribute to the community and society and to introduce, spread and promote renewable energy by taking advantage of characteristics of the community, and accelerating development of community-based renewable energy.

Management result status by business type segments is as follows.

Classification of the report segments was changed from 1Q consolidated accounting period.

The following is comparison of the value of the same term of the previous year with the value after changing to the segment classification after change.

a. Electronic / communication device business

As the result that expansion of order receipt in the mobile communication field, 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 1,649 mil. yen (75.4% increase compared with the same term of the previous year), sales amount was 1,035 mil. yen (2.5% decrease compared with the same term of the previous year), and segment loss was 31 mil. yen (segment profit of the same term of the previous year was 10 mil. yen).

b. Renewable energy system sales business

Although it requires a considerable amount of period for completion of certification procedures by the revised FIT Act, as the result that lot selling of photovoltaic power plant and others has been focused on, the amount of orders received was 93 mil. yen (13.2% decrease compared with the same term of the previous year), sales amount was 256 mil. yen (592.6% increase compared with the same term of the previous year), and segment loss was 15 mil. yen (segment loss of the same term of the previous year was 79 mil. yen).

c. Renewable energy generation business

As the result that each of the already-operating photovoltaic power plants in Shimonoseki City, Tateyama City, Sodegaura City and Kasumigaura City has been selling power at a good rate, and that the mega solar power plant in Goto City, Nagasaki Pref. and the solar sharing plants in Shimada City, Shizuoka Pref. started power selling in full scale in the current term, sales amount was 379 mil. yen (87.5% increase compared with the same term of the previous year) and segment profit was 149 mil. yen (74.9% increase compared with the same term of the previous year).

(2) Explanation on the financial status

① Analysis of financial status

(Gross asset)

Gross asset of term-end of the current 2Q consolidated accounting period was 10,761 mil. yen, which was 417 mil. yen less than that of the term-end of the previous consolidated accounting year.

This was mainly because cash and deposit decreased due to expenditure of long-term advance payment and repayment of loan.

(Debt)

Debt of term-end of the current 2Q consolidated accounting period was 7,653 mil. yen, which was 315 mil. yen less than that of the term-end of the previous consolidated accounting year.

This was mainly because there was repayment of short-term loan and long-term loan.

(Net asset)

Net asset of term-end of the current 2Q consolidated accounting period was 3,108 mil. yen, which was 102 mil. yen less than that of the term-end of the previous consolidated accounting year.

This was mainly because of recording of dividend payment and quarterly net loss belonging to the parent's company shareholders.

② Cash-flow condition

Although there was income, etc. from decrease of trade receivables by collection of accounts receivable, etc. and long-term loan, cash and cash-equivalent (hereafter "Fund") during the current 2Q consolidated accumulation period was 1,426 mil. yen, which was 291 mil. yen less than that of the term-end of the previous consolidated accounting year due to expenditures by acquirement of tangible fixed asset and repayment of lease debt.

(Cash-flow by sales activities)

Fund acquired as a result of the sales activities was 605 mil. yen (Fund expenditure of 142 mil. yen in the same period of the previous year).

This is mainly because of decrease of unearned consumption tax, etc. by reimbursement of consumption tax and local consumption tax, and decrease, etc. of trade receivables by collection of accounts receivable, etc.

(Cash-flow by investment activities)

Fund acquired as a result of investment activities shall be 64 mil. yen (Fund expenditure of 636 mil. yen in the same period of the previous year).

This is mainly because of income by collection of long-term loan and income, etc. by decrease of long-term advance payment.

(Cash-flow by financial activities)

Fund acquired as a result of financial activities shall be 969 mil. yen (Fund expenditure of 757 mil. yen in the same period of the previous year).

This is mainly because of expenditure by repayment of short-term loan and long-term loan, etc.

③ Business and financial issues to be tackled

There is no material matters of business and financial issue to be tackled which newly occurred during the current 2Q consolidated cumulative period.

④ Research and development activities

Amount of research and development activities of the entire group during the current 2Q consolidated cumulative period is 93 mil. yen.

In addition, there is no material change in the status of our group's research and development activities during the current 2Q consolidated cumulative period.

⑤ Explanation on the future forecast information of the consolidated performance forecast, etc.

There is no change in the performance forecast announced on May 14, 2018.

(3) Explanation on the future forecast information of the consolidated performance forecast, etc.

There is no change in the performance forecast announced on May 14, 2018.

2. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheets

(In thousand yen)

	FY 2017 (consolidated) (As of March 31, 2018)	2Q FY 2018 (consolidated) (As of June 30, 2018)
Assets		
Current assets		
Cash and deposits	1,718,000	1,426,921
Notes and accounts receivable	1,377,764	1,035,985
Merchandise and finished goods	157,216	205,395
Work in process	176,416	455,712
Raw materials and supplies	135,063	196,970
Advance payments - trade	582,049	514,036
Other	525,287	212,166
Total current assets	4,671,798	4,047,189
Non-current assets		
Property, plant and equipment		
Buildings and structures	452,374	513,365
Accumulated depreciation	△322,700	△328,398
Buildings and structures-trade, net	129,673	184,966
Machinery, equipment and vehicles	5,392,318	5,441,494
Accumulated depreciation	△375,919	△518,161
Machinery, equipment and vehicles-trade, net	5,016,399	4,923,332
Tools, furniture and fixtures	665,628	749,153
Accumulated depreciation	△587,760	△607,410
Tools, furniture and fixtures-trade, net	77,868	141,743
Land	382,049	382,049
Construction in progress	45,326	17,838
Total property, plant and equipment	5,651,317	5,649,930
Intangible assets		
Goodwill	207,554	220,269
Software	66,320	57,198
Other	0	0
Total intangible assets	273,875	277,467
Investments and other assets		
Operational investment securities	26,172	28,122
Long-term loans receivable	103,809	52,999
Deferred tax assets	132,765	139,479
Other	300,557	549,007
Allowance for doubtful accounts	△8,700	△8,700
Total investments and other assets	554,605	760,908
Total non-current assets	6,479,798	6,688,306
Deferred assets		
Share issuance cost	911	957
Development expenses	129	115
Business commencement expenses	26,108	24,732
Total deferred assets	27,149	25,804
Total assets	11,178,746	10,761,300

(In thousand yen)

	FY 2017 (consolidated) (As of March 31,2018)	2Q FY 2018 (consolidated) (As of June 30, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	411,372	422,913
Short-term loans payable	461,800	118,864
Current portion of long-term loans payable	733,551	641,876
Lease obligations	201,494	205,639
Accounts payable - other	164,435	272,083
Income taxes payable	13,437	22,346
Advances received	238,622	442,389
Provision for bonuses	66,637	66,301
Provision for product warranties	12,519	12,331
Other	86,269	94,763
Total current liabilities	2,390,139	2,299,508
Non-current liabilities		
Long-term loans payable	523,261	396,777
Lease obligations	3,625,902	3,526,292
Deferred tax liabilities	1,049	-
Net defined benefit liability	176,616	187,464
Asset retirement obligations	55,048	57,462
Long-term accounts payable - other	1,190,558	1,179,082
Other	6,013	6,691
Total non-current liabilities	5,578,449	5,353,770
Total liabilities	7,968,589	7,653,279
Net assets		
Shareholders' equity		
Capital stock	1,748,137	1,748,137
Capital stock	1,065,087	1,043,372
Retained earnings	466,480	371,530
Treasury shares	△61,313	△61,313
Total shareholders' equity	3,218,392	3,101,726
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,543	4,939
Valuation difference on available-for-sale securities	△12,774	361
Accumulated other comprehensive income	△9,230	5,300
Share acquisition rights	994	994
Total net assets	3,210,156	3,108,021
Total liabilities and net assets	11,178,746	10,761,300

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

	(In thousand yen)	
	2Q FY2017 (from April 1, 2017 to June 30, 2017)	2Q FY2018 (from April 1, 2018 to June 30, 2018)
Net Sales	1,303,940	1,655,905
Cost of sales	887,869	1,108,232
Gross profit	416,071	547,672
Selling, general and administrative expenses	481,514	531,424
Operating profit (△)	△65,442	16,248
Non-operating income		
Interest income	4,415	4,435
Dividend income	320	254
Exchange gain	-	11
Share of profit of entities accounted for using equity method	2,962	-
Other	4,625	7,856
Total non-operating income	12,323	12,556
Non-operating expenses		
Interest expenses	55,206	116,773
Share of loss of entities accounted for using equity method	-	2,466
Foreign exchange losses	1,765	-
Other	3,913	4,035
Total non-operating expenses	60,885	123,276
Ordinary loss (△)	△114,004	△94,470
Extraordinary income		
Gain on sales of non-current assets	1,009	1,666
Other	22	-
Total extraordinary income	1,032	1,666
Extraordinary losses		
Other	12	424
Total extraordinary losses	12	424
Loss before income taxes (△)	△112,984	△93,229
Income taxes - current	3,170	10,043
Income taxes - deferred	2,463	△8,322
Total income taxes	5,634	1,720
Loss (△)	△118,619	△94,950
Loss attributable to non-controlling interests (△)	-	-
Loss attributable to owners of parent (△)	△118,619	△94,950

Quarterly consolidated statements of comprehensive income
 Consolidated second quarter period

(In thousand yen)

	2Q FY2017 (from April 1, 2017 to June 30, 2017)	2Q FY2018 (from April 1, 2018 to June 30, 2018)
Net Loss for the Quarter (△)	△118,619	△94,950
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,316	1,395
Foreign currency translation adjustment	606	13,135
Total other comprehensive income	2,923	14,530
Comprehensive income	△115,695	△80,419
(breakdown)		
Comprehensive income attributable to owners of parent	△115,695	△80,419
Comprehensive income attributable to non-controlling interests	-	-

(Segment information, etc.)

【Segment information】

I. Previous 2Q consolidated cumulative period (from April 1, 2017 to September 30, 2017)

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	Renewable energy generation business	Total		
Sales amount						
Sales amount to external clients	1,061,933	37,067	202,515	1,301,516	2,424	1,303,940
Internal sales amount or transfer amount between segments	—	—	—	—	—	—
Total	1,061,933	37,067	202,515	1,301,516	2,424	1,303,940
Segment profit or loss (△)	10,384	△79,950	85,635	16,070	△81,512	△65,442

(Note) 1. Adjusted amount of segment profit or loss (△) △81,512 thousand yen is adjusted amount of unrealized profit, etc. 2,493 thousand yen, adjusted amount of dividends from the consolidated subsidiary △62,000 thousand yen and profit and loss of group management division not distributed to business segment △22,006 thousand yen.

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

II. Current 2Q consolidated cumulative period (from April 1, 2018 to September 30, 2018)

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	Renewable energy generation business	Total		
Sales amount						
Sales amount to external clients	1,035,579	237,668	379,729	1,652,977	2,928	1,655,905
Internal sales amount or transfer amount between segments	—	19,071	—	19,071	△19,071	—
Total	1,035,579	256,740	379,729	1,672,048	△16,143	1,655,905
Segment profit or loss (△)	△31,816	△15,360	149,733	102,556	△86,307	16,248

(Note) 1. Adjusted amount of segment profit or loss (△) △86,307 thousand yen is adjusted amount of unrealized profit △3,115 thousand yen, adjusted amount of dividends from the consolidated subsidiary △35,000 thousand yen, transaction deletion between segments △4,000 thousand yen, and profit and loss of group management division not distributed to business segment △50,423 thousand yen.

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

2. Matters concerning change, etc. in report segment

Our group's report segment classification had been four segments of "Electronic / communication device business," "Renewable energy system sales business," "Photovoltaic power plant business" and "Geothermal power plant

business,” but we changed it into three segments of “Electronic / communication device business,” “Renewable energy system sales business” and “Renewable energy generation business” from the current 1Q consolidated accounting period.

This was because the major power generation plant we owned was the photovoltaic power plant in renewable energy business, but we are engaged in business development and consideration of general renewable energy plants other than photovoltaic power plants, such as wind power plant, etc., and therefore we changed the report segments in order to reflect our group’s actual activity situation.

The report segments of the previous 2Q consolidated cumulative period are listed with what was created by classification after the change.