

FY2019 March **The 3Q Summary of Accounting Statements**
[Japanese Standards] (consolidated)



February 13, 2019

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: February 13, 2019 Dividends payment to be started on: —
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 FY 2019 Mar.: 3Q (from Apr 1, 2018 to Dec 31, 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. 3Q	2,475	24.0	15	—	△145	—	△37	—
FY2018 Mar. 3Q	1,997	△21.3	△96	—	△174	—	△182	—

(Note) Comprehensive profit: FY2019 Mar. 3Q △39mil. yen (—%) FY2018 Mar. 3Q △177mil. yen (—%)

	Quarterly net profit per share	Quarterly net profit per share after issuable share adjustment
	yen	yen
FY2019 Mar. 3Q	△8.73	—
FY2018 Mar. 3Q	△43.43	—

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. 3Q	9,694	3,148	32.5
FY2018 Mar.	11,178	3,210	28.7

(Reference) Own capital: FY2019 Mar. 3Q 3,147mil. yen FY2018 Mar. 3,209mil. yen

2. Status of dividends

	Annual dividends				
	End 1Q	End 2Q	End 3Q	Term end	Total
	yen	yen	yen	yen	yen
FY2018 Mar.	—	0.00	—	0.50	0.50
FY2019 Mar.	—	0.00	—	—	—
FY2019 Mar. (forecast)	—	—	—	5.00 ~30.00	5.00 ~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 fiscal year	3,875	19.1	119	125.2	△85	—	35	—	8.43

(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. 3Q	4,404,600 shares	FY2018 Mar.	4,404,600 shares
② Number of term-end own shares	FY2019 Mar. 3Q	61,454 shares	FY2018 Mar.	61,454 shares
③ Average number of midterm shares (quarterly accumulation)	FY2019 Mar. 3Q	4,343,145 shares	FY2018 Mar. 3Q	4,198,345 shares

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 fiscal year: 0.84 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 (we and our consolidated subsidiaries) as of the final day of the current quarterly consolidated accounting period.

While the Japanese economics in the current 3Q 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, each of the already-operating photovoltaic power plants has been selling power at a good rate, and the mega solar power plant in Goto City, Nagasaki Pref. and the solar sharing plants in Shimada City, Shizuoka Pref. are engaged in power selling more in full scale since the current term. In addition, power selling at the mega solar power plant in Noboribetsu City, Hokkaido started on November 2, 2018. On the other hand, we assigned Kamo Power Plant in Kasumigaura City owned by our group as of December 3, 2018, and recorded special profit of 132 mil. yen.

As the result of the above, the amount of orders received in the current 3Q consolidated cumulative period was 2,682 mil. yen (0.8% decrease compared with the same term of the previous year), and the sales amount was 2,475 mil. yen (24.0% increase compared with the same term of the previous year). In terms of profit and loss, operating loss was 15 mil. yen (operating loss of the same term of the previous year: 96 mil. yen), ordinary loss was 145 mil yen (ordinary loss of the same term of the previous year: 174 mil. yen), and quarterly net loss belonging to the parent company shareholders was 37 mil. yen (quarterly net loss belonging to the parent company shareholders of the same term of the previous year: 182 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 plant business, we entered into the memorandum on January 25, 2019 concerning business cooperation for wind power plant business with AURA-Green Energy who secures the power selling right of small wind power generation in Hokkaido and Aomori Pref. The details of this memorandum are that ①AURA-Green Energy shall assign the power selling right of wind power generation and the land to be used for the business to SPC organized or founded by us, ②both companies shall jointly invest to the investment portion of SPC, ③both companies shall aim for commencement of power selling at 150 wind power plants within three years since the conclusion date of the Memorandum, ④we shall issue share acquisition rights to the president of AURA-Green Energy, ⑤we shall be obligated to make effort for procurement by debt including loan, etc. of SPC. We consider that we can contribute to our group’s future profit by processing construction of the small wind power plants under the Memorandum as much as possible.

Through these efforts, we will continuously endeavor not only to reduce CO2, but also to 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. See “2. Quarterly Consolidated Financial Statements and Major Nots (3) Notes for Quarterly Consolidated Financial Statements (segment information, etc.), Segment information” for details. 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 2,479 mil. yen (43.1% increase compared with the same term of the previous year), sales amount was 1,668 mil. yen (1.7% increase compared with the same term of the previous year), and segment loss was 19 mil. yen (58.7% decrease compared with the same term of the previous year).

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 202 mil. yen (79.2% decrease compared with the same term of the previous year), sales amount was 333 mil. yen (272.4% increase compared with the same term of the previous year), and segment loss was 24 mil. yen (segment loss of the same term of the previous year was 103 mil. yen).

c. Renewable energy plant business

Each of the already-operating photovoltaic power plants has been selling power at a good rate, and the mega solar power plant in Goto City, Nagasaki Pref. and the solar sharing plants in Shimada City, Shizuoka Pref. are engaged in power selling more in full scale since the current term. In addition, power selling at the mega solar power plant in Noboribetsu City, Hokkaido started on November 2, 2018. As a result, the sales amount was 498 mil. yen (88.5% increase compared with the same term of the previous year) and segment profit was 153 mil. yen (80.5% increase compared with the same term of the previous year).

(2) Explanation on the financial status

“Partial Amendments of ‘Accounting Standard for Tax Effect Accounting’” (ASBJ Statement No.28, Feb. 16, 2018), etc. have been applied since the beginning of 1Q quarterly consolidated accounting period, and comparison is made with the value after retroactively applying this standard for analysis of the financial status.

③ Analysis of financial status

(Asset)

Gross asset of term-end of the current 3Q consolidated accounting period was 9,694 mil. yen, which was 1,484 mil. yen less than that of the term-end of the previous consolidated accounting year.

This was mainly because the tangible fixed asset reduced due to assignment of Kamo Power Plant in Kasumigaura.

(Debt)

Debt of term-end of the current 3Q consolidated accounting period was 6,545 mil. yen, which was 1,423 mil. yen less than that of the term-end of the previous consolidated accounting year.

This was mainly due to repayment of long-term accounts payable resulting from the installment sales agreement.

(Net asset)

Net asset of term-end of the current 3Q consolidated accounting period was 3,148 mil. yen, which was 61 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 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 3Q consolidated cumulative period.

③ Research and development activities

Amount of research and development activities of the entire group during the current 3Q consolidated cumulative period is 134 mil. yen.

In addition, there is no material change in the status of our group's research and development activities during the current 3Q consolidated cumulative period.

- (3) Explanation on the future forecast information of the consolidated performance forecast, etc.
There is no change in the performance forecast announced on Jan 18, 2019.

2. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheets

(In thousand yen)

	FY 2017 (consolidated) (As of March 31, 2018)	3Q FY 2018 (consolidated) (As of December 31, 2018)
Assets		
Current assets		
Cash and deposits	1,718,000	1,261,133
Notes and accounts receivable	1,377,764	991,637
Merchandise and finished goods	157,216	265,497
Work in process	176,416	488,356
Raw materials and supplies	135,063	189,375
Advance payments - trade	582,049	507,762
Other	525,287	183,273
Total current assets	4,671,798	3,887,035
Non-current assets		
Property, plant and equipment		
Buildings and structures	452,374	536,582
Accumulated depreciation	△322,700	△331,937
Buildings and structures-trade, net	129,673	204,645
Machinery, equipment and vehicles	5,392,318	4,487,549
Accumulated depreciation	△375,919	△491,532
Machinery, equipment and vehicles-trade, net	5,016,399	3,996,016
Tools, furniture and fixtures	665,628	790,993
Accumulated depreciation	△587,760	△625,229
Tools, furniture and fixtures-trade, net	77,868	165,763
Land	382,049	387,466
Construction in progress	45,326	15,590
Total property, plant and equipment	5,651,317	4,769,483
Intangible assets		
Goodwill	207,554	218,014
Software	66,320	50,266
Other	0	0
Total intangible assets	273,875	268,280
Investments and other assets		
Operational investment securities	26,172	19,124
Long-term loans receivable	103,809	55,728
Deferred tax assets	132,765	123,749
Other	300,557	549,601
Allowance for doubtful accounts	△8,700	△8,700
Total investments and other assets	554,605	739,504
Total non-current assets	6,479,798	5,777,268
Deferred assets		
Share issuance cost	911	5,151
Development expenses	129	107
Business commencement expenses	26,108	24,707
Total deferred assets	27,149	29,966
Total assets	11,178,746	9,694,270

(In thousand yen)

	FY 2017 (consolidated) (As of March 31, 2018)	3Q FY 2018 (consolidated) (As of December 31, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	411,372	413,139
Short-term loans payable	461,800	79,464
Current portion of long-term loans payable	733,551	519,506
Lease obligations	201,494	208,437
Accounts payable - other	164,435	144,003
Income taxes payable	13,437	20,749
Advances received	238,622	464,291
Provision for bonuses	66,637	32,612
Provision for product warranties	12,519	12,541
Other	86,269	163,765
Total current liabilities	2,390,139	2,058,511
Non-current liabilities		
Long-term loans payable	523,261	346,830
Lease obligations	3,625,902	3,473,136
Deferred tax liabilities	1,049	1,496
Net defined benefit liability	176,616	183,974
Asset retirement obligations	55,048	55,510
Long-term accounts payable - other	1,190,558	361,318
Other	6,013	64,776
Total non-current liabilities	5,578,449	4,487,043
Total liabilities	7,968,589	6,545,555
Net assets		
Shareholders' equity		
Capital stock	1,748,137	1,748,137
Capital surplus	1,065,087	1,043,371
Retained earnings	466,480	428,540
Treasury shares	△61,313	△61,313
Total shareholders' equity	3,218,392	3,158,736
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,543	△3,563
Valuation difference on available-for-sale securities	△12,774	△7,453
Accumulated other comprehensive income	△9,230	△11,016
Share acquisition rights	994	994
Total net assets	3,210,156	3,148,715
Total liabilities and net assets	11,178,746	9,694,270

(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 FY2017 (from April 1, 2017 to December 31,2017)	3Q FY 2018 (from April 1,2018 to December 31,2018)
Net Sales	1,997,404	2,475,900
Cost of sales	1,372,145	1,671,344
Gross profit	625,259	804,555
Selling, general and administrative expenses	721,541	788,572
Operating loss (△)	△96,282	15,983
Non-operating income		
Interest income	6,560	5,543
Dividend income	355	494
Insurance income	758	2,941
Exchange gain	-	102
Share of profit of entities accounted for using equity method	793	-
Other	4,921	8,623
Total non-operating income	13,389	17,706
Non-operating expenses		
Interest expenses	83,542	171,505
Share of loss of entities accounted for using equity method	-	1,201
Foreign exchange losses	3,249	-
Other	4,395	6,010
Total non-operating expenses	91,187	178,717
Ordinary loss (△)	△174,080	△145,027
Extraordinary income		
Gain on sales of non-current assets	1,298	133,844
Other	22	-
Total extraordinary income	1,321	133,844
Extraordinary losses		
Other	12	424
Total extraordinary losses	12	424
Loss before income taxes (△)	△172,771	△11,607
Income taxes - current	3,444	15,686
Income taxes - deferred	6,154	10,645
Total income taxes	9,599	26,332
Loss (△)	△182,370	△37,939
Loss attributable to non-controlling interests (△)	-	-
Loss attributable to owners of parent (△)	△182,370	△37,939

Quarterly consolidated statements of comprehensive income
Consolidated second quarter period

(In thousand yen)

	3Q FY2017 (from April 1, 2017 to December 31,2017)	3Q FY 2018 (from April 1,2018 to December 31,2018)
Net Loss for the Quarter (△)	△182,370	△37,939
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,831	△7,107
Foreign currency translation adjustment	806	5,321
Total other comprehensive income	4,638	△1,786
Comprehensive income	△177,732	△39,726
(breakdown)		
Comprehensive income attributable to owners of parent	△177,732	△39,726
Comprehensive income attributable to non-controlling interests	-	-

(Segment information, etc.)

【Segment information】

I. Previous 3Q consolidated cumulative period (from April 1, 2017 to December 31, 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 Renewable energy system sales business	Amount recorded in quarterly consolidated profit and loss statement (Note) 2 Renewable energy generation business
	Electronic / communication device business	Renewable energy system sales business	Renewable energy generation business	Electronic / communication device business		
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 (△)	48,005	△103,519	85,211	29,697	△125,979	△96,282

(Note) 1. Adjusted amount of segment profit or loss (△) △125,979 thousand yen is adjusted amount of unrealized profit, etc. 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 (△) matches operating loss (△) in the quarterly consolidated profit and loss statement.

II. Current 3Q consolidated cumulative period (from April 1, 2018 to December 31, 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	1,668,144	305,176	498,188	2,471,508	4,392	2,475,900
Internal sales amount or transfer amount between segments	—	28,126	—	28,126	△28,126	—
Total	1,668,144	333,303	498,188	2,499,635	△23,734	2,475,900
Segment profit or loss (△)	19,847	△24,388	153,786	149,244	△133,261	15,983

(Note) 1. Adjusted amount of segment profit or loss (△) △133,261 thousand yen is adjusted amount of unrealized profit △4,681 thousand yen, adjusted amount of dividends from the consolidated subsidiary △52,500 thousand yen, transaction deletion between segments △6,000 thousand yen, and profit and loss of group management division not distributed to business segment △79,433 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 3Q consolidated cumulative period are listed with what was created by classification after the change.