

【Update Short Report】

| Company |

TAMAGAWA HOLDINGS CO., LTD.

| Code |

6838 : JASDAQ

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【Update Short Report】

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【Overview of the financial results】**V-shaped recovery & Significant increase in both income and profit****Significant increase in both income and profit (forecasts)****(Operating income increased to 520 million yen, namely 3.4 times larger)**Upgraded to "**Strong Buy**" rating with share price targeted at 3,500 yen**【Target Share Price】**

3,500 yen

(as of May/21/2019)

(as of Dec./20/2018: 2,750 yen)

(as of Jul./2/2018: 2,500 yen)

【Rating】

Strong Buy (UP-Graded)

(as of May/21/2019)

【Performance Forecasts】

FY03/2020 (official forecasts)

Net sales: 5,699 million yen; Operating income: 524 million yen;

Ordinary income: 372 million yen;

Net income: 319 million yen (as of May/21/2019)

【Themes】EDGs/ESG; defensive; national strategies; renewable energy; photovoltaic station; wind power station;
growth; 5G; IoT; analog high-frequency radio; global niche; still-remaining company

(as of May/21/2019)

【Overview of the financial results in FY03/2019】**Both V-shaped recovery & Significant increase in both income and profit were achieved**

On May 21, 2019, the Company announced its financial results of the 3Q, FY03/2019 as follows: Net sales: 3,841 million yen (increased by 18.0%, 586 million yen YoY); Operating income: 153 million yen (increased by 187.7%, 100 million yen YoY); Ordinary loss: (79) million yen (decreased by (16) million yen from (63) million yen in the same period of the previous year); Net income attributable to owners of parent: 128 million yen (increased by 274 million yen from (146) million yen in the same period of the previous year); namely, both revenues and earnings increased significantly.

It should be noted that Operating income significantly to about 2.9 times larger, and Net income attributable to owners of parent increased by 274 million yen, namely from (146) million yen to 128 million yen, which means that both V-shaped recovery and surplus were achieved. Proceeds from sales of two power stations (Kamo station at Kasumigaura city and Hayashi station at Sodegaura city) owned by the Company of 240 million yen was allocated to extraordinary income as gain on sales of non-current assets. However, considering the Company's business activities, normally this amount should be allocated to net sales, so actual performance should be considered based on the assumption that operating income is 393 million yen (increased by 641.5%, 340 million yen), namely 7.4 times larger, and ordinary income is 161 million yen (increased by 224 yen from (63) million yen in the same period of the previous year).

【Performance forecasts for FY03/2020】**Significant increase in both income and profit (operating income of 520 million yen, namely 3.4 times larger)**

On May 21, 2019, the Company announced its performance forecasts for FY03/2020 as follows: Net sales: 5,699 million yen (increase by 48.4%, 1,850 million yen YoY); Operating income: 524 million yen (increase by 242.2%, 387 million yen YoY); Ordinary income: 372 million yen (increase by 451 million yen from (79) million yen in FY03/2019); Net income attributable to owners of parent: 319 million yen (increase by 148.7%, 191 million yen YoY), which means significant increase in both income and profit. It should be noted that significant increase in net sales is projected in every business segment (electronic & communication devices; renewable energy system sales; and renewable energy power station).

TAMAGAWA ELECTRONICS, a subsidiary of the Company, has developed high-frequency radio technologies as its backbone since its foundation in 1968, and has engaged in development/manufacture of such as products applying optical technologies, those for millimeter-wave band, and those related to digital software, mainly deriving from its business in high-frequency circuit element. Therefore, the Company would anticipate to a great extent more order-taking due to growing demands for the field of 5G technologies and those for overseas markets.

These forecasts for the next term would be achieved to a great extent, due to the fact that the Company puts its efforts into its renewable energy business such as small wind power stations and small-scale hydraulic power generation, with a view to development/sales of power generation system utilizing other kinds of renewable energy than photovoltaic generation, and that sales and operation of power stations are doing great for which orders were already received and which has become a source of stable revenues, and also that the Company considers selling off its own photovoltaic stations.

【Remarkable points】

In an effort to expand its business, the Company brings into view development/sales of power generation system utilizing other kinds of renewable energy than photovoltaic generation, such as small wind power stations and small-scale hydraulic power generation, and cooperates with Tohoku University to research into evaluation of batteries for mobile IoT devices making use of surplus electricity in the internally/externally expanding field of natural energy (e.g., solar energy, wind power, biomass, and hot spring), as an academic-industrial partnership, that is expected to a great extent to become an approach to further business expansion in the future.

Rating criteria

Ratings are given based on the criteria as shown below.

Strong Buy

Share price is expected to outperform TOPIX by 30% or more within one year.

Buy

Share price is expected to outperform TOPIX by 10% or more within one year.

Neutral

Share price is expected to vary in the range less than +/- 10% of TOPIX within one year.

Sell

Share price is expected to underperform TOPIX by 10% or more within one year.

Points of concern

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