



FY2020 March The 3Q Summary of Accounting Statements [Japanese Standards] (consolidated)

February 14, 2020

Listed company name Tamagawa Holdings Co., Ltd. Exchange Tokyo
 Code No. 6838 URL <https://www.tmex.co.jp>
 Representative (Title) President (Name) Toru Masuzawa
 Contact person (Title) Director (Name) Keita Masuyama (TEL) 03-6435-6933
 Quarterly report to be submitted : November. 14, 2019 Dividends payment to be started : —
 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 2020 Mar.: 3Q (from Apr 1, 2019 to Dec. 31, 2019)

(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	%
FY2020 Mar. 3Q	3,633	46.8	391	2,351.8	278	—	216	—
FY2019 Mar. 3Q	2,475	24.0	15	—	△145	—	△37	—

(Note) Comprehensive profit: FY2020 Mar. 3Q 215mil.yen(-%) FY2019 Mar.3Q △39mil.yen(-%)

	Quarterly net profit per share	Quarterly net profit per share after issuable share adjustment
FY2020 Mar. 3Q	yen 51.18	yen 45.90
FY2019 Mar. 3Q	yen △8.73	yen —

(2) Consolidated financial status

	Gross asset	Net asset	Own capital ratio
FY2020 Mar. 3Q	mil.yen 9,525	mil.yen 3,646	38.2%
FY2019 Mar.	9,572	3,368	35.2%

(Reference) Own capital: FY2020 Mar. 2Q 3,642mil yen FY2019 Mar. 3,364mil yen

2. Status of dividends

	Annual dividends				
	End 1Q	End 2Q	End 3Q	Term end	Total
FY2019 Mar.	yen —	yen 0.00	yen —	yen 5.00	yen 5.00
FY2020 Mar.	—	0.00	—	—	—
FY2020 Mar. (forecast)	—	—	—	5.00 ~30.00	5.00 ~30.00

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

3. Consolidated performance forecast of 2020 Mar. (from Apr 1, 2019 to Mar. 31, 2020)

(% 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	5,699	48.4	524	242.2	372	—	319	148.7	73.58

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

1. Qualitative information concerning the current quarterly financial statement

(1) Explanation on management result

Matters herein concerning the future were determined by our group as of the final day of the current consolidated accounting year.

While the Japanese economics in the current third quarter consolidated cumulative accounting year continues to be in the mild turnaround such as recovery of individual consumption and facility investment thanks to continuous improvement in the corporate performance and employment situation, it continued to shift with uncertain situation due to the impacts on the global economics given by trend of the trading issues and future of Chinese economics, and uncertainty in the policies.

Under such economic circumstances, for the electronic and communication device business, in addition to sales expansion business mainly in the fifth-generation mobile phone 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 used for various business-use wireless, digital signal processor, etc. indispensable for high-speed signal processing, millimeter wave band products, etc. necessary for wireless transmission of data of large volumes.

In the mobile communication field, demands for high-frequency components are increasing including the fifth generation mobile phones related products.

In addition, inquiry cases from new clients related to mobile communication facilities for overseas are gradually increasing.

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 equipment of the fifth-generation mobile phone related market.

Order receipt condition in general electronic and communication device business is increasing compared to the previous term, 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 promoted development and sales of the photovoltaic power plants and small wind power plants in the renewable energy system sales business. We will continue the development / sales activities of photovoltaic power plants, small wind power plants, 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. In addition, by generally judging that we can plan to invest for the next business expansion, we sold out Shimonoseki Toyoura-cho photovoltaic plant in September 2019. Our group is actively reviewing the general renewable energy and environmental businesses which will become our next pillar for expansion of operations of such businesses.

As the result of the above, the amount of orders received in the current third quarter consolidated cumulative period was 3,256 mil. yen (21.4% increase compared with the same term of the previous year), and the sales amount was 3,633 mil. yen (46.8% increase compared with the same term of the previous year). In terms of profit and loss, operating profit was 391 mil. yen (operating profit 15 mil. yen in the same term of the previous year), ordinary profit was 278 mil. yen (ordinary loss of the same term of the previous year: 145 mil. yen), and the quarterly net loss belonging to the parent company shareholders was 216 mil. yen by recording 28 mil. yen of adjusted amount including corporate tax, etc. (quarterly net profit belonging to the parent company shareholders of the same term of the previous year: 37 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, in addition to development / sales of photovoltaic power plants, we are actively engaged in development of small wind power plants. 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.

a. Electronic / communication device business

Thanks to focus on expansion of order receipt in the mobile communication filed and civil service and public related field, the amount of orders received was 3,197 mil. yen (28.9% increase compared with the same term of the previous year), sales amount was 2,441 mil. yen (46.4% increase compared with the same term of the previous year), and segment profit was 221 mil. yen (1,018.0% increase compared with the same term of the previous year).

b. Renewable energy system sales business

Although we are focusing on lot selling of mainly photovoltaic power plants, due to decrease of demand for cases of photovoltaic power generation according to reduction of the fixed purchase price and amended FIT law, the amount of orders received was 59 mil. yen (70.8% decrease compared with the same term of the previous year), sales amount was 97 mil. yen (70.8% decrease compared to the same term of the previous year), and segment loss was 123 mil. yen (segment loss of the same term of the previous year: 24 mil. yen).

c. Renewable energy plant business

Each of the already-operating photovoltaic power plants in Tateyama City, Noboribetsu City and the mega solar power plants in Goto City, Nagasaki Pref. and the solar sharing plants in Shimada City, Shizuoka Pref. have been selling power at a good rate. In addition, since we sold out Shimonoseki Toyoura-cho photovoltaic plant in September 2019 by generally judging that we can plan to invest for the next business expansion, the sales amount was 1,094 mil. yen (119.7% increase compared with the same term of the previous year) and segment profit was 445 mil. yen (190.0% increase compared with the same term of the previous year).

(2) Explanation on financial status

① Analysis of financial status

(Gross assets)

Gross assets in the end of the current third quarter consolidated accounting period resulted in 9,525 mil. yen, decreasing by 46 mil. yen compared to the end of the previous consolidated accounting year.

This is mainly because accounts due, cash and deposit included in others in the current assets decreased although products in process and raw materials and stored goods increased.

(Liabilities)

Liabilities in the end of the current third quarter consolidated accounting period resulted in 5,879 mil. yen, decreasing by 324 mil. yen compared to the end of the previous consolidated accounting year.

This is mainly because outstanding consumption tax included in others in the current liabilities and others decreased, and lease debt decreased due to sellout of Shimonoseki Toyoura-cho photovoltaic plant.

(Net assets)

Net assets in the end of the current third quarter consolidated accounting period resulted in 3,646 mil. yen, increasing by 277 mil. yen compared to the end of the previous consolidated accounting year.

This is mainly because of record of the quarterly profit belonging to the parent company shareholders.

② Business and financial issues to be addressed

There are no material matters in the business and financial issues to be addressed among those arising in the current third quarter consolidated accounting period.

③ Research and development activities

Total amount of research and development cost in the current third quarter consolidated accounting period is 133 mil. yen.

There is no material change in the status of our group's research and development activities in the current third quarter consolidated accounting period.

- (3) Explanation on the future forecast information including the consolidated performance expectation information
No change in the performance forecast announced on May 20, 2019 for performance forecast.

2.Consolidated financial statements and Notes

(1)Consolidated balance sheet

(In thousand yen)

	FY 2019 (consolidated) (As of March 31,2019)	3Q FY 2020 (consolidated) (As of December 31,2019)
Assets		
Current Assets		
Cash and deposits	1,026,668	938,502
Notes and accounts receivable - trade	1,535,070	1,533,219
Merchandise and finished goods	1,616,585	3,153,271
Work in process	878,670	1,465,872
Raw materials and supplies	185,023	262,843
Advance payments - trade	75,543	97,981
Other	324,495	113,386
Allowance for doubtful accounts	△14,392	△14,392
Total current assets	5,627,664	7,550,684
Non-current assets		
Property, plant and equipment		
Buildings and structures	512,094	515,504
Accumulated depreciation	△331,934	△342,910
Buildings and structures, net	180,160	172,593
Machinery, equipment and vehicles	2,575,930	442,073
Accumulated depreciation	△237,289	△135,671
Machinery, equipment and vehicles, net	2,338,641	306,402
Tools, furniture and fixtures	795,941	822,026
Accumulated depreciation	△643,663	△668,999
Tools, furniture and fixtures, net	152,277	153,027
Land	387,466	387,466
Construction in progress	17,540	15,945
Total property, plant and equipment	3,076,086	1,035,435
Intangible assets		
Goodwill	39,614	39,183
Software	48,205	49,786
Other	0	0
Total intangible assets	87,820	88,969
Investments and other assets		
Investment securities	22,152	60,740
Long-term loans receivable	45,761	55,725
Deferred tax assets	187,140	216,121
Other	506,398	504,203
Allowance for doubtful accounts	△8,700	△8,700
Total investments and other assets	752,754	828,090
Total non-current assets	3,916,660	1,952,495
Deferred assets		
Share issuance cost	4,909	3,409
Development expenses	100	78
Business commencement expenses	23,335	19,145
Total deferred assets	28,345	22,633
Total assets	9,572,670	9,525,813

(In thousand yen)

	FY 2019 (consolidated) (As of March 31,2019)	3Q FY 2020 (consolidated) (As of December 31,2019)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	503,108	563,394
Short-term loans payable	50,000	91,660
Current portion of long-term loans payable	464,982	341,325
Lease obligations	179,152	170,314
Accounts payable - other	151,932	165,579
Income taxes payable	59,636	93,991
Advances received	444,000	611,665
Provision for bonuses	114,905	38,686
Provision for product warranties	14,257	14,278
Other	213,953	162,684
Total current liabilities	2,195,928	2,253,580
Non-current liabilities		
Long-term loans payable	231,415	245,775
Lease obligations	3,132,673	2,691,229
Deferred tax liabilities	2,501	3,862
Net defined benefit liability	187,940	201,324
Asset retirement obligations	35,193	17,013
Long-term accounts payable - other	416,612	394,995
Other	1,882	71,880
Total non-current liabilities	4,008,218	3,626,081
Total liabilities	6,204,146	5,879,661
Net assets		
Shareholders' equity		
Capital stock	1,770,627	1,812,823
Capital surplus	1,065,912	1,086,035
Retained earnings	595,043	811,131
Treasury shares	△61,313	△61,313
Total shareholders' equity	3,370,270	3,648,677
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	△724	3,688
Foreign currency translation adjustment	△5,085	△9,819
Accumulated other comprehensive income	△5,810	△6,131
Share acquisition rights	4,064	3,605
Total net assets	3,368,524	3,646,151
Total liabilities and net assets	9,572,670	9,525,813

(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 FY2019 (from April 1, 2018 to December 31, 2018)	3Q FY2020 (from April 1, 2019 to December 31, 2019)
Net Sales	2,475,900	3,633,701
Cost of sales	1,671,344	2,351,975
Gross profit	804,555	1,281,725
Selling, general and administrative expenses	788,572	889,842
Operating profit	15,983	391,883
Non-operating income		
Interest income	5,543	3,212
Dividend income	494	324
Insurance income	2,941	8,778
Exchange gain	102	-
Share of profit of entities accounted for using equity method	-	14,287
Other	8,623	4,231
Total non-operating income	17,706	30,834
Non-operating expenses		
Interest expenses	171,505	134,201
Foreign exchange losses	-	2,106
Share of loss of entities accounted for using equity method	1,201	907
Other	6,010	7,218
Total non-operating expenses	178,717	144,433
Ordinary Profit	△145,027	278,283
Extraordinary income		
Gain on sales of non-current assets	133,844	-
Gain on valuation of investment securities	-	14,754
Total extraordinary income	133,844	14,754
Extraordinary losses		
Loss on retirement of non-current assets	-	153
Other	424	-
Total extraordinary losses	424	153
Profit before income taxes	△11,607	292,885
Income taxes - current	15,686	105,750
Income taxes - deferred	10,645	△28,952
Total income taxes	26,332	76,798
Profit	△37,939	216,087
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	△37,939	216,087

Quarterly consolidated statements of comprehensive income

Consolidated third quarter period

(In thousand yen)

	3Q FY2019 (from April 1, 2018 to December 31, 2018)	3Q FY2020 (from April 1, 2019 to December 31, 2019)
Net Profit for the Quarter	△37,939	216,087
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	△7,107	4,413
Foreign currency translation adjustment	5,321	△4,734
Total other comprehensive income	△1,786	△320
Comprehensive income	△39,726	215,766
(breakdown)		
Comprehensive income attributable to owners of parent	△39,726	215,766
Comprehensive income attributable to non-controlling interests	-	-

(3) Notes for the quarterly consolidated financial statements

(Segment information, etc.)

【Segment information】

I. Previous 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 △79,443 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, 2019 to December 31, 2019)

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	2,441,719	97,291	1,094,690	3,633,701	—	3,633,701
Internal sales amount or transfer amount between segments	—	—	—	—	—	—
Total	2,441,719	97,291	1,094,690	3,633,701	—	3,633,701
Segment profit or loss (△)	221,881	△123,374	445,987	544,493	△152,610	391,883

(Note)

1. Adjusted amount of segment profit or loss (△) △152,610 thousand yen is adjusted amount of unrealized profit, etc. 3,213 thousand yen, adjusted amount of dividends from the consolidated subsidiary △52,500 thousand yen and profit and loss of group management division not distributed to business segment △103,323 thousand yen.

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