

Consolidated Results for the Fiscal Year Ended Mar. 2018 and Consolidated Earnings Forecast for the Fiscal Year Ending Mar. 2019

May 16, 2018
SAXA Holdings, Inc.

<Cautionary matter of description regarding future prospect>

Please bear in mind that the forecast of our business performance and future forecast described in this material are forecasts judged by our company on the basis of the business environment at this point in time. The actual business performance can be different depending on the development of the business environment hereafter.

Figures of each item in this material are rounded up to the nearest hundred million yen respectively.

Also, change is calculated at hundred million yen units.

1. Overview of the mid-term managerial plan
(Positioning and the redevelopment of our business structure)
2. Main activities to be taken in order to redevelop our business structure
and fortify our management base
3. Consolidated profit-and-loss statement
4. Major breakdown of the increase/decrease in consolidated sales
5. Major breakdown of the increase/decrease in consolidated
operating income
6. Consolidated balance sheet
7. Consolidated cash flow statement



A period to establish a foothold towards a growth track and the thorough streamlining of business

Basic policies

- Shift to a business that can grow sustainably
- Reform to develop an ideal revenue structure

Beyond 2020

Activities in the mid-term managerial plan

To redevelop our business structure

- *Expansion of our core businesses
- *Creation of new businesses
- *Streamlining of businesses

To fortify our business base

- *Optimization of group functions
- *Reduction in total cost
- *Improvement of financial standing
- *Rationalization of personnel

Mid-term managerial plan

FY ended Mar. 2018 → FY ending Mar. 2020

Overview of the mid-term managerial plan

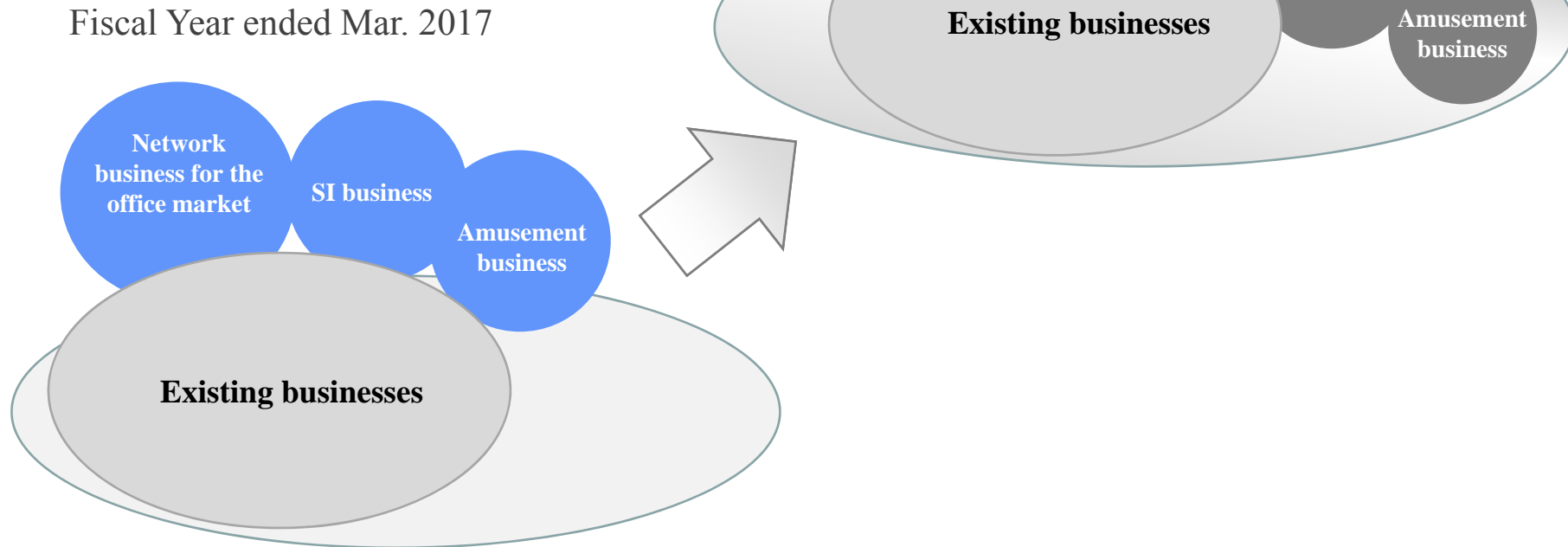
To redevelop our business structure

Overview of the consolidated results for the fiscal year ended Mar. 2018

- To redevelop our business structure**
- *Expansion of our core businesses ●
 - *Creation of new businesses ●
 - *Streamlining of businesses ●

FY ended Mar. 2018 →
 FY ending Mar. 2020
Mid-term managerial plan

Business expansion 



Network business for the office market

- **To expand security-enhancing products in response to the rising need for information security**

- Launch of UTM “SS5000” and the information security gateway “GE1000”

Video business

- **To promote brand recognition and increase new customers**

- To promote brand recognition of “video solutions” and “IoT solutions” that utilize VMS, image compression gateway, and such, and increase new customers (exhibiting our products at SMART FACTORY Expo 2018)

- **To develop high added-value products**

- To supply the video management system “SKVMS” which achieves distributed processing that reduces the concentration of image processing.
- To commercialize the image compression gateway “VC1000” that compresses a high-quality video to approximately one-tenth of its size, which allows for real-time transmission.

New businesses

- **To promote brand recognition and increase new customers**
 - Exhibiting our products at SMART FACTORY Expo 2018
- **To make investments aimed at creating new businesses in the markets of social infrastructure, medicine, etc.**
 - Invest in AXION RESEARCH INC., which develops and provides AI technologies
- **To make investments for accelerating installation of AI technologies and creating new businesses through collaborations with venture corporations**
 - Invest in a venture fund (SBI's AI&Blockchain fund)
- **Tie-up with IBM's Watson for IoT gateway and to create a new IoT service**
 - Participate in New Value Creation Exhibition

Fortify our management base

- Reduction in total cost
- Reduction of interest-bearing debts
- Developing human resources
- Strengthening corporate governance

3

Consolidated profit-and-loss statement

Overview of the consolidated results for the fiscal year ended Mar. 2018

Core businesses have been performing well, however, sales and profit declined due to decrease in orders for OEM key telephone systems and continuous sluggish demand from the amusement market. Due to the decrease in profit, ROE declined to 1.2%

[unit: 100 million yen]

	FY17/Mar Results (A)	FY18/Mar Results (B)	Change	
			(B-A)	Rate
Key telephone systems	142	122	-20	-14%
Network equipment, etc.	118	113	-5	-4%
Network solution field	260	235	-25	-10%
Security systems	73	62	-11	-15%
Parts, etc.	71	80	9	13%
Security solution field	144	142	-2	-1%
Consolidated sales	404	377	-27	-7%
Consolidated operating income	10	5	-5	-50%
Consolidated ordinary income	11	7	-4	-36%
Current net income that belongs to the shareholders of the parent company	5	3	-2	-40%
Current net income per share	84.18 yen	48.02 yen	-	-
ROE	2.2%	1.2%	-	-
Dividend	50 yen	(planned) 30 yen		

*The company made a reverse stock split on Oct. 1, 2017 on the basis of one for every ten shares of common stock.

“Current net income per share” and “Dividend” are calculated assuming said reverse stock split happened at the beginning of FY Mar. 2017.

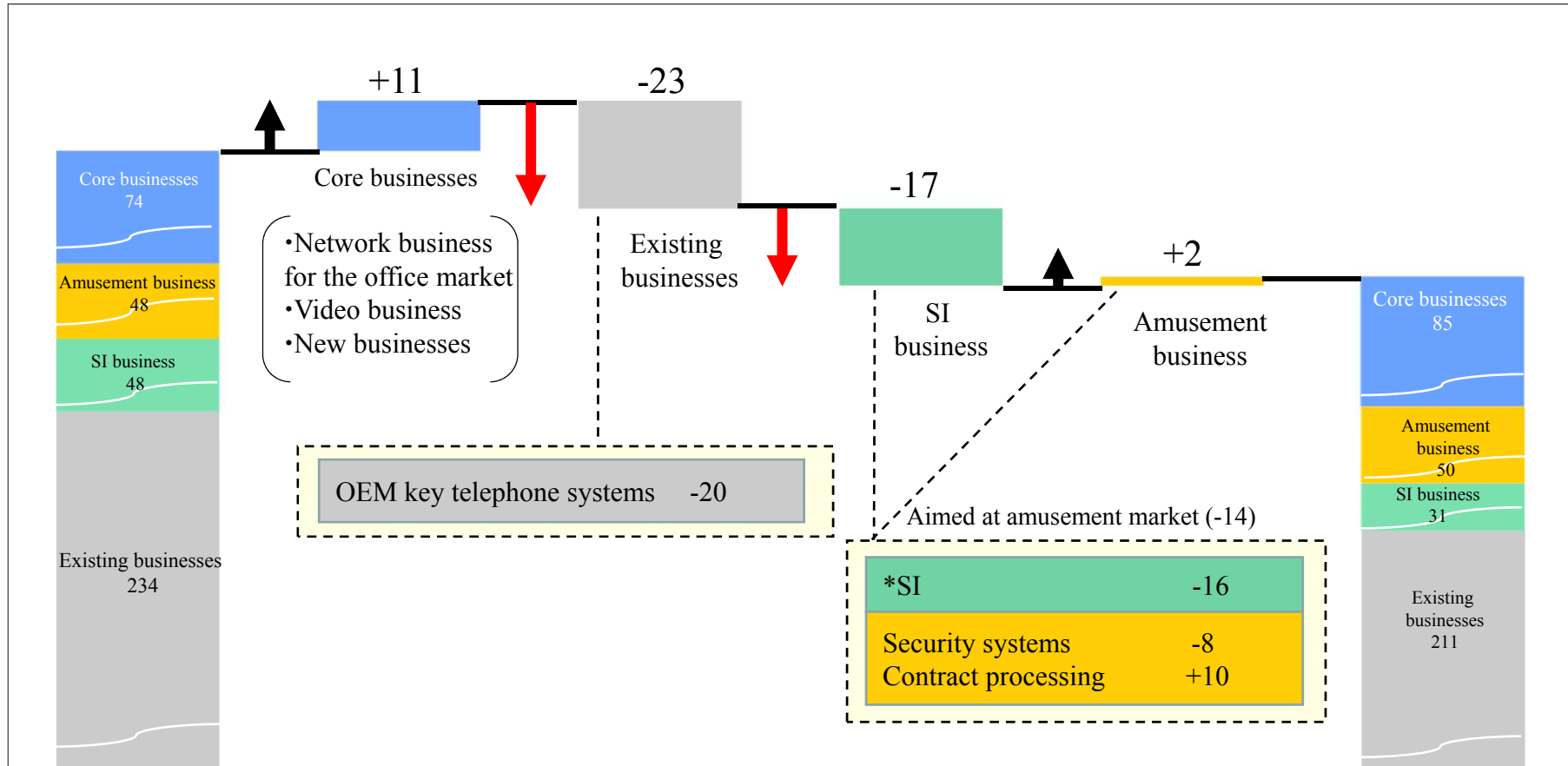
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Major breakdown of the increase/decrease in consolidated sales

Overview of the consolidated results for the fiscal year ended Mar. 2018

Core businesses, such as network business for the office market and video business, have been performing well.

[unit: 100 million yen]



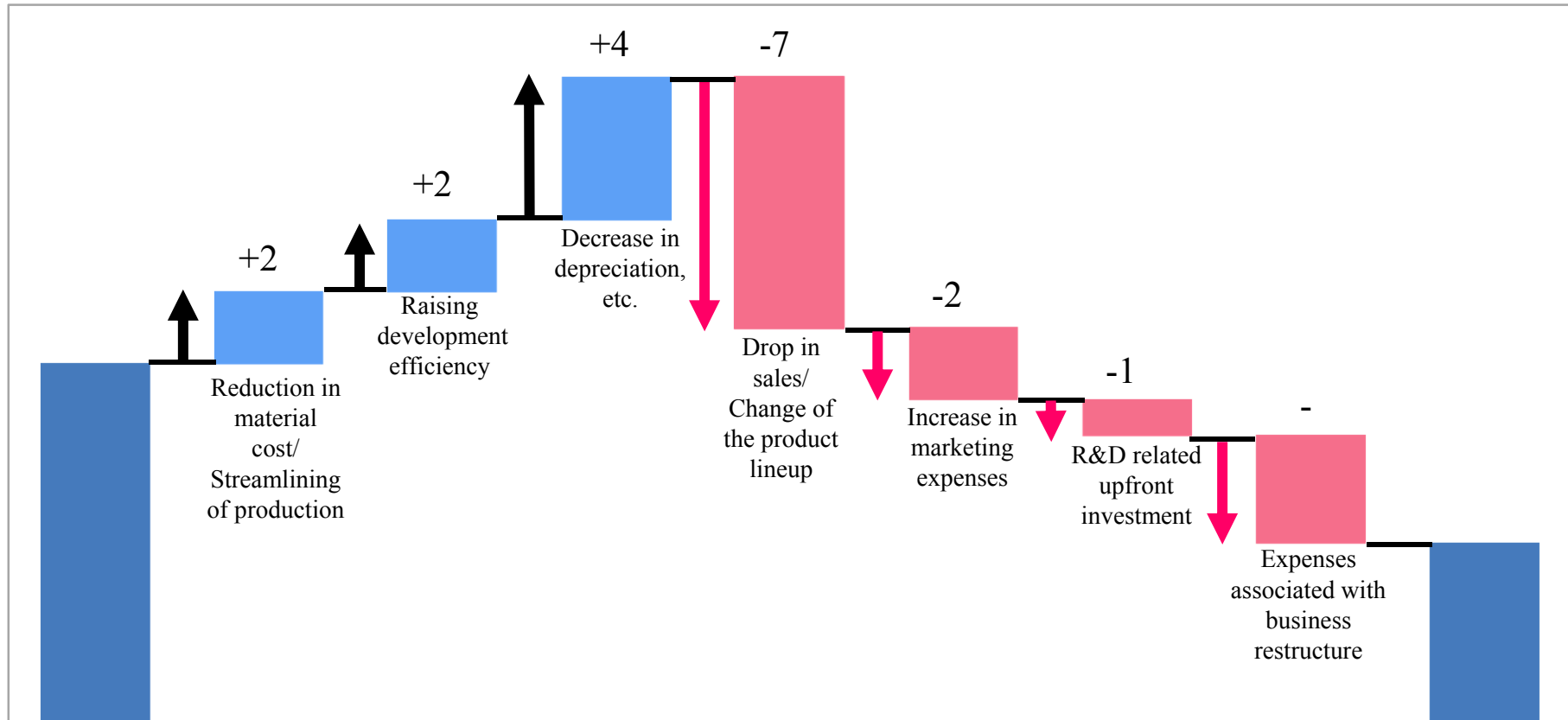
40.4 billion yen
FY17/Mar

2.7 billion yen fall in sales

37.7 billion yen
FY18/Mar

500 million yen decrease in profit due to the drop in sales

[unit: 100 million yen]



1 billion yen
FY17/Mar

0.5 billion yen fall in profit

0.5 billion yen
FY18/Mar

Assets such as accounts receivable declined by 800 million yen, and liabilities decreased by 1.5 billion yen due to repayment of long-term debts and such. Additionally, net assets increased by 700 million yen due to increase of valuation on available-for-sale securities, and total assets declined by 800 million yen.

[unit: 100 million yen]

Section of assets	End of FY17/Mar (A)	End of FY18/Mar (B)	Change (B-A)	Main reasons for change
Current assets	252	244	-8	Decline in cash and deposits, accounts receivable, etc.
Fixed assets, etc.	164	164	0	
Total assets	416	408	-8	
Section of liabilities and net assets	End of FY17/Mar (A)	End of FY18/Mar (B)	Change (B-A)	Main reasons for change
Current liabilities	112	120	8	Increase in payables, etc.
Fixed liabilities	77	54	-23	Decrease in long-term debts and liabilities for retirement benefits
Total liabilities	189	174	-15	
Total net assets	227	234	7	Increase in cumulative total of adjustment amount associated with retirement benefits and other valuation difference on available-for-sale securities
Total liabilities and net assets	416	408	-8	
Equity ratio	54.3%	56.8%	2.5%	

The term-end balance of cash and cash equivalents decreased by 500 million yen, due to expenditure on investment activities, debt repayments, etc.

[unit: 100 million yen]

	End of FY17/Mar	End of FY18/Mar
A. Cash flow from operating activities	37	32
Current net income before taxes and other adjustments	9	6
Depreciation	22	21
Change in working capital	5	5
Others	0	0
B. Cash flow from investment activities	-16	-20
Payment for equipment investment	-16	-18
Other investment activities	-	-2
Free cash flow	21	12
C. Cash flow from financial activities	-10	-17
Debt repayment, etc.	-7	-14
Dividends and other financial activities	-3	-3
Term-end balance of cash and cash equivalents	83	78

Consolidated earnings forecast for the fiscal year ending Mar. 2019

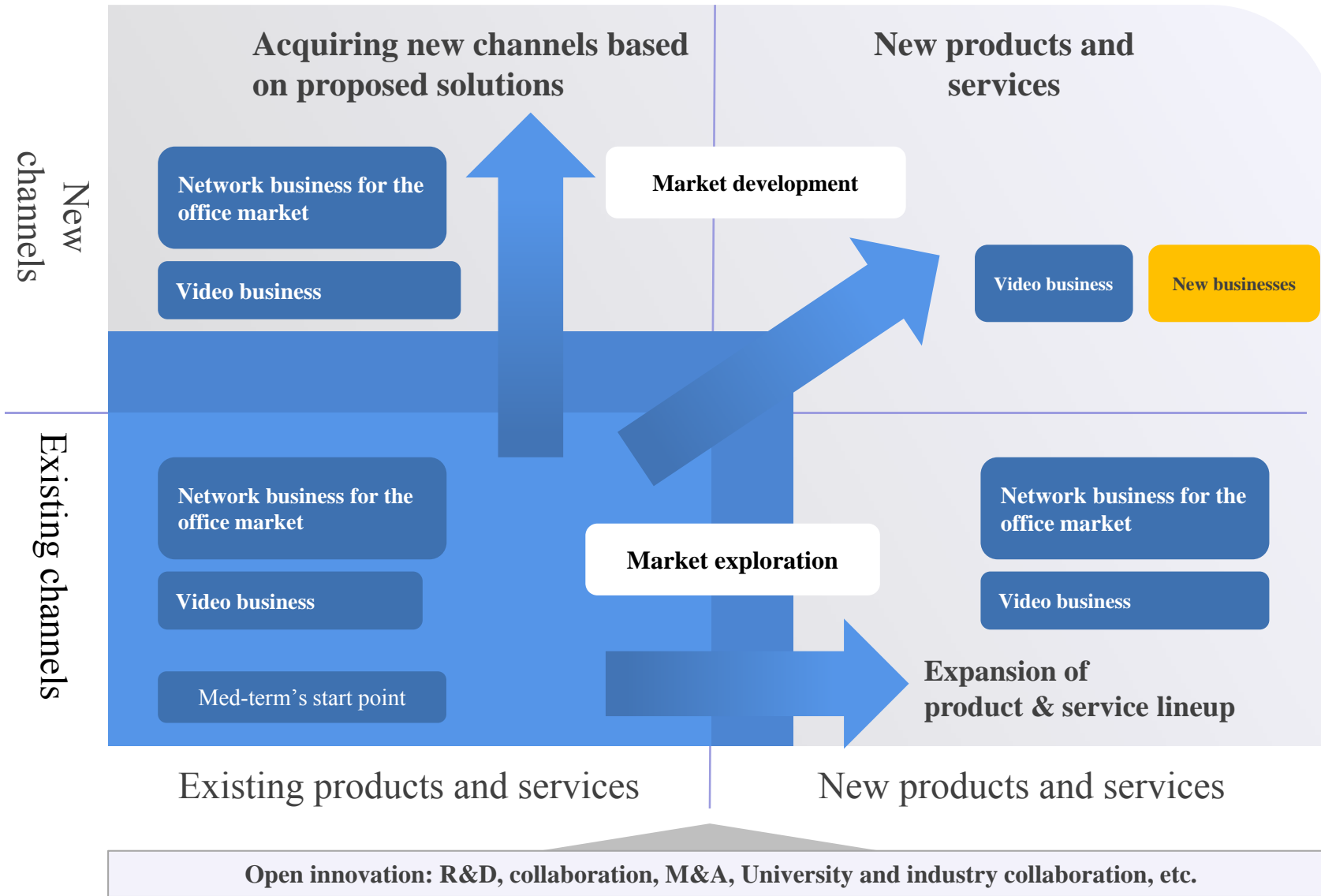
1. Main activities to be taken in order to redevelop our business structure and fortify our management base (mid-term managerial plan)
2. Consolidated profit-and-loss statement
3. Major breakdown of the increase/decrease in consolidated sales estimates
4. Major breakdown of the increase/decrease in consolidated operating income estimates
5. Investment plans
6. Management indicators targeted in mid-term managerial plan



To redevelop our business structure

Strategies for growth businesses & new businesses

Consolidated earnings forecast for the fiscal year ending Mar. 2019



To redevelop our business structure

Main activities to be taken to expand network business for the office market

Consolidated earnings forecast for the fiscal year ending Mar. 2019

Market Development

Acquiring new channels based on proposed solutions

Measures for information security

Networking

Business support

Services

•UTM visualization tools

•Optical line services

•Network services for clinical records

Office



Products

•UTM

•Information security gateway

•Zeroconf VPN router

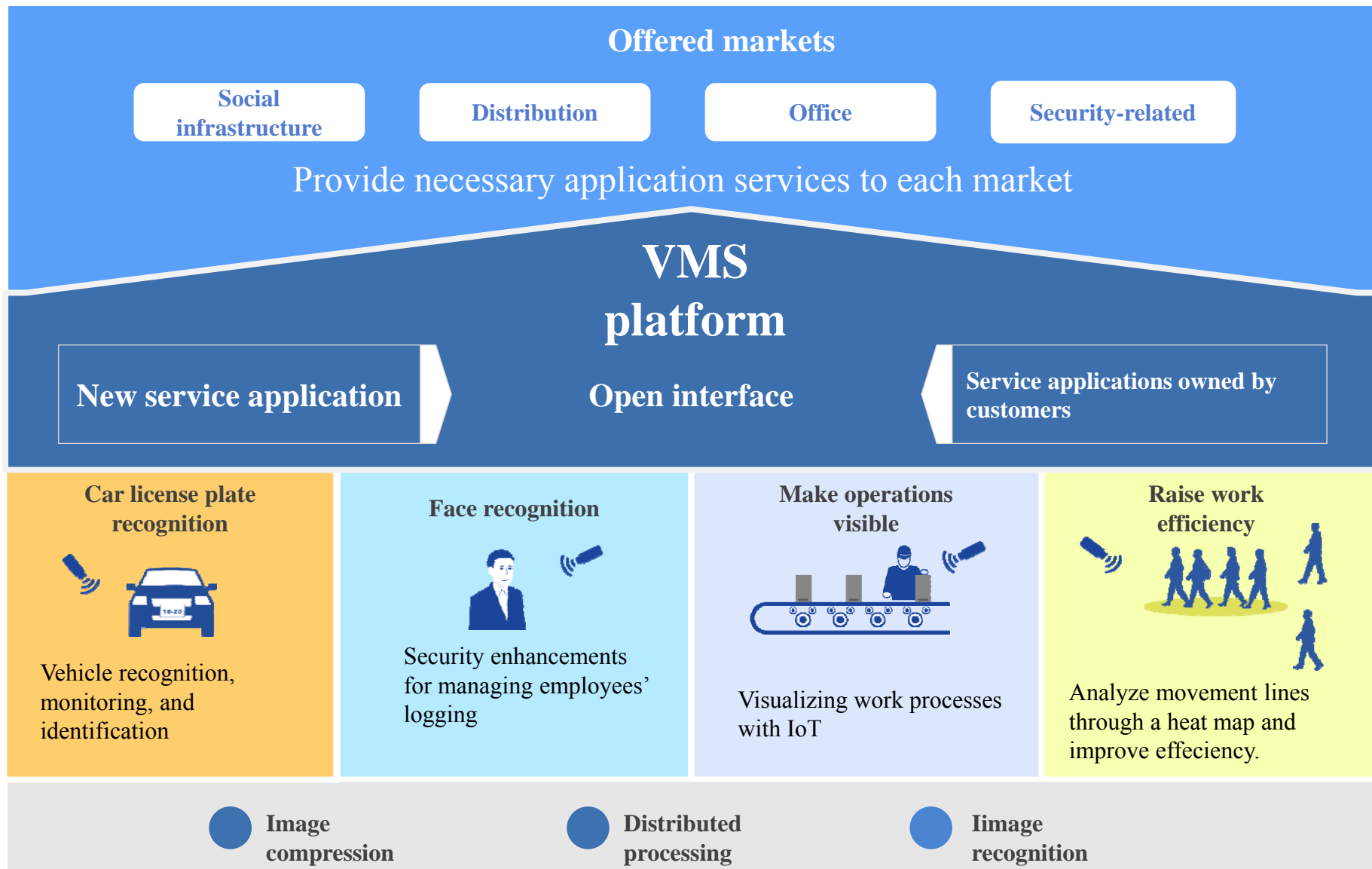
•File server

•Operational support servers

To redevelop our business structure

Main activities to be taken to expand video business

Consolidated earnings forecast for the fiscal year ending Mar. 2019



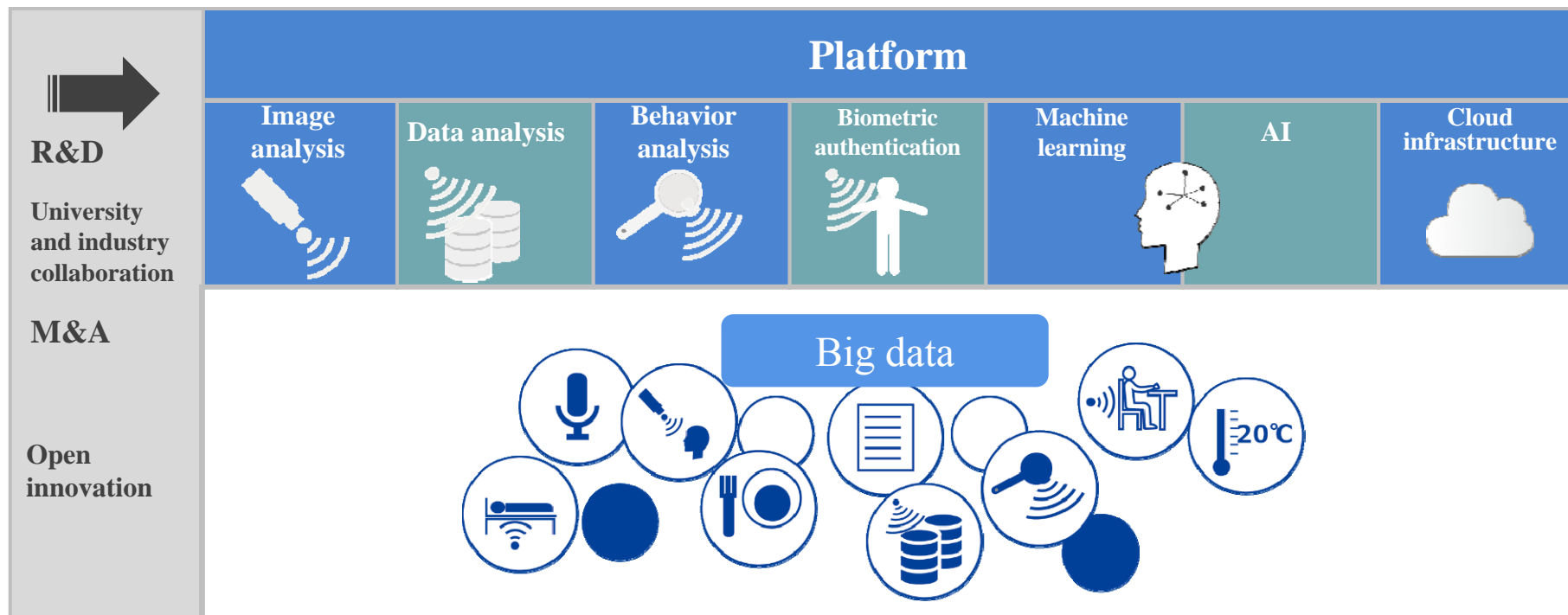
1-4

To redevelop our business structure

Main activities to be taken in order to create new businesses

Consolidated earnings forecast for the fiscal year ending Mar. 2019

Expanding into the social infrastructure market



R&D

University and industry collaboration

M&A

Open innovation

To fortify our management base

● Optimization of group functions

1. Revising distribution of management resources in order to redevelop our business structure and strengthening the new business cultivation division

● Reduction in total cost

1. Continue and propel the integrated efforts to reduce total costs for each of development, procurement, production, sales and maintenance processes
2. Reduction of outflow cost
3. Improvement of development productivity and quality

● Improvement of financial strength

1. Improvement in the efficiency of capital, development, and investment
2. Reduction in inventory assets
3. Optimization of the cash position and reduction in interest-bearing debts

● Rationalization of personnel

1. Distribute human resources according to business structure reforms
2. Acquire human resources that can promote business direction change

2

Consolidated profit-and-loss statement

Consolidated earnings
forecast for the fiscal
year ending Mar. 2019

By continuing solid steps towards “expansion of our core businesses” and “creation of new businesses,” an increase in sales and profit is expected. Along with the increase in profit, ROE is expected to reach 4% range, and dividends are forecasted to reach 50 yen

[unit: 100 million yen]

	FY18/Mar Results (A)	FY19/Mar Forecast (B)	Change	
			(B-A)	Rate
Key telephone systems	122	125	3	2%
Network equipment, etc.	113	130	17	15%
Network solution field	235	255	20	9%
Security systems	62	72	10	16%
Parts, etc.	80	83	3	4%
Security solution field	142	155	13	9%
Consolidated sales	377	410	33	9%
Consolidated operating income	5	15	10	200%
Consolidated ordinary income	7	15	8	114%
Current net income that belongs to the shareholders of the parent company	3	10	7	233%
Current net income per share	48.02 yen	171.15 yen	-	-
ROE	1.2%	4.0%	2.8%	-
Dividend	(planned) 30 yen	(forecasted) 50 yen		

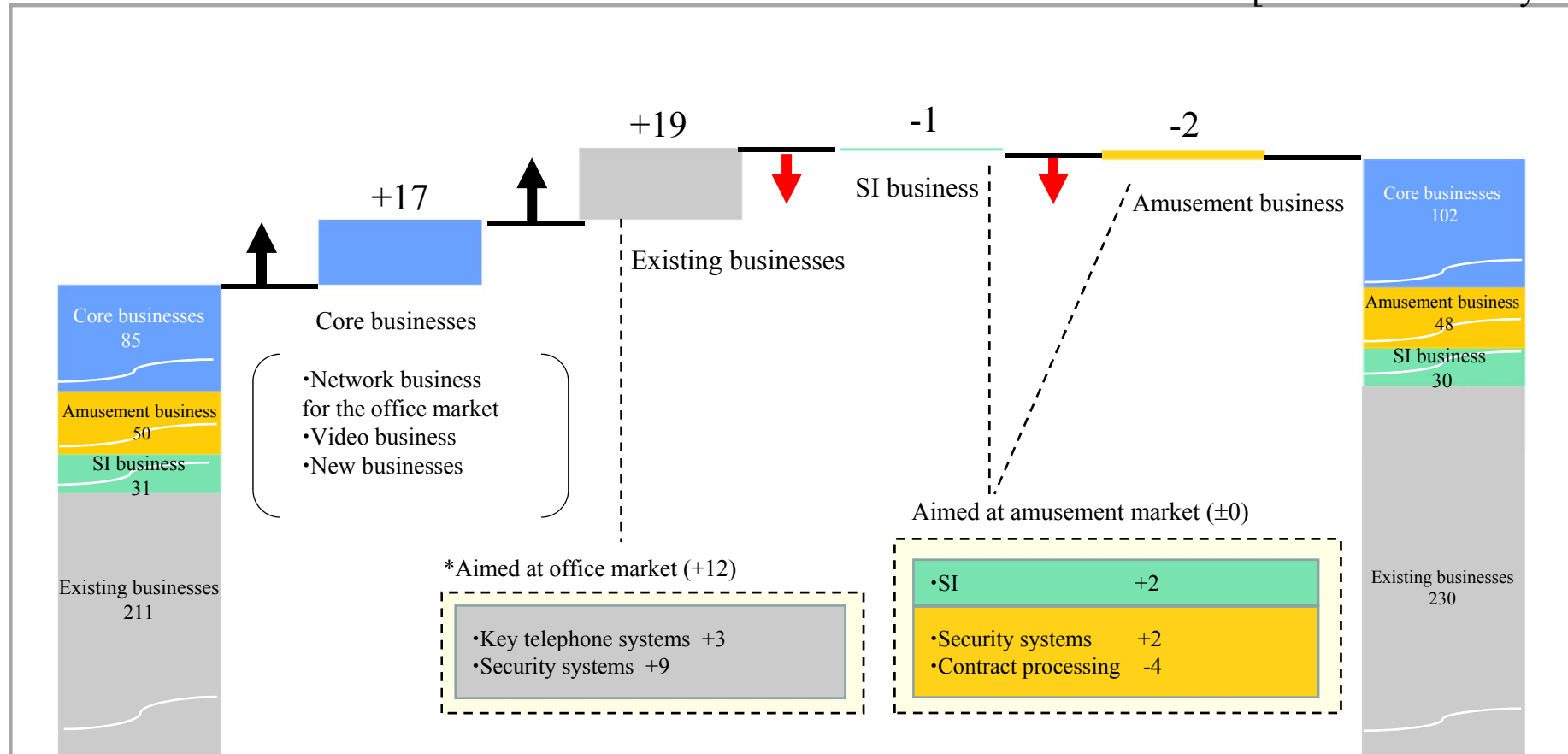
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Major breakdown of the increase/decrease in consolidated sales estimates

Consolidated earnings forecast for the fiscal year ending Mar. 2019

By stepping up initiatives for core businesses, network business for the office market and video business are expected to increase orders

[unit: 100 million yen]



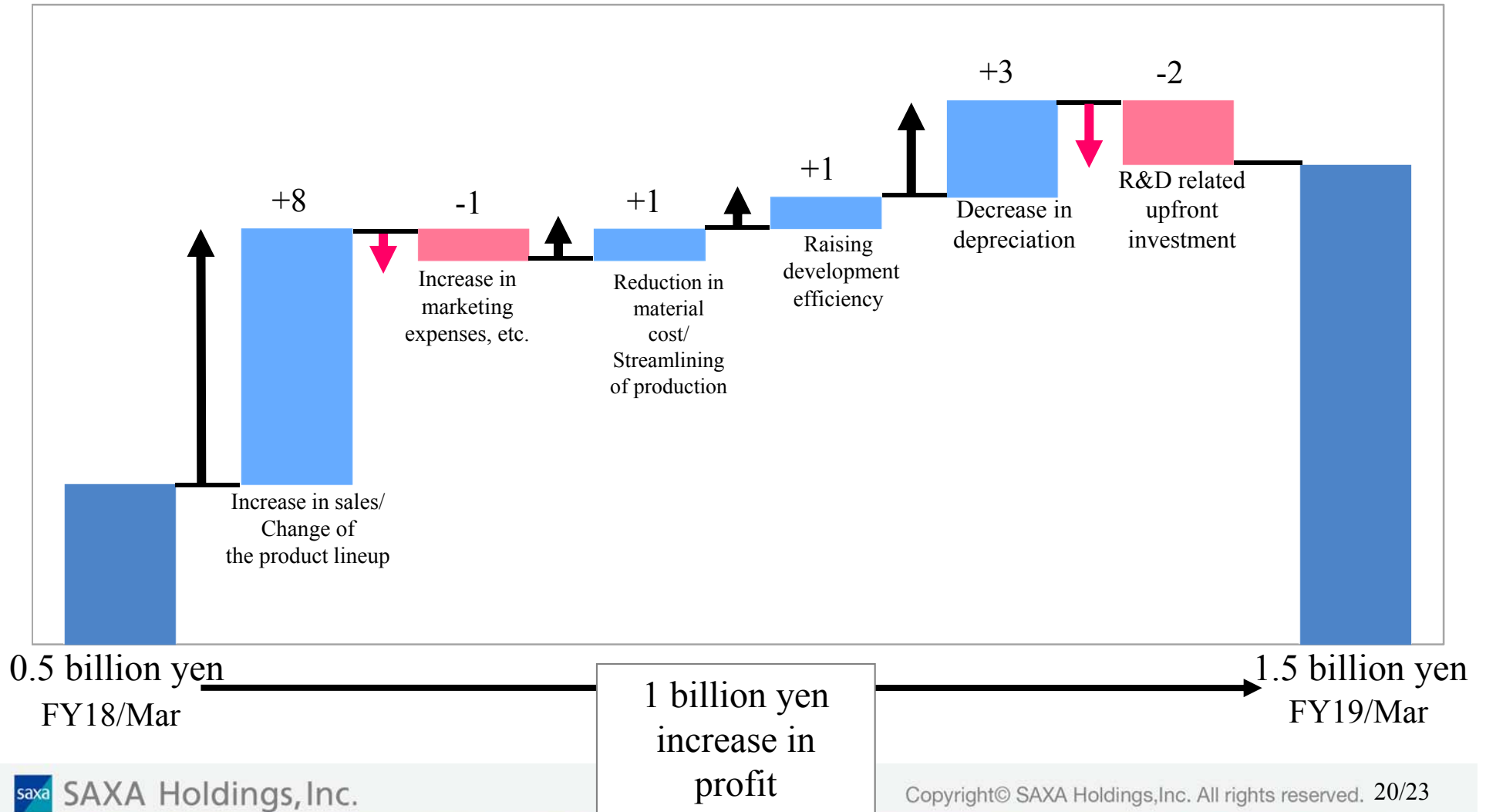
37.7 billion yen
FY18/Mar

3.3 billion yen
increase in sales

41 billion yen
FY19/Mar

With an increase in sales and activities to cut materials cost, a 1 billion yen increase in profit is forecasted.

[unit: 100 million yen]



5 Investment plans

Consolidated earnings
forecast for the fiscal
year ending Mar. 2019

Investment in software, machinery, etc. for developing new products, as well as upfront investment for creating new businesses

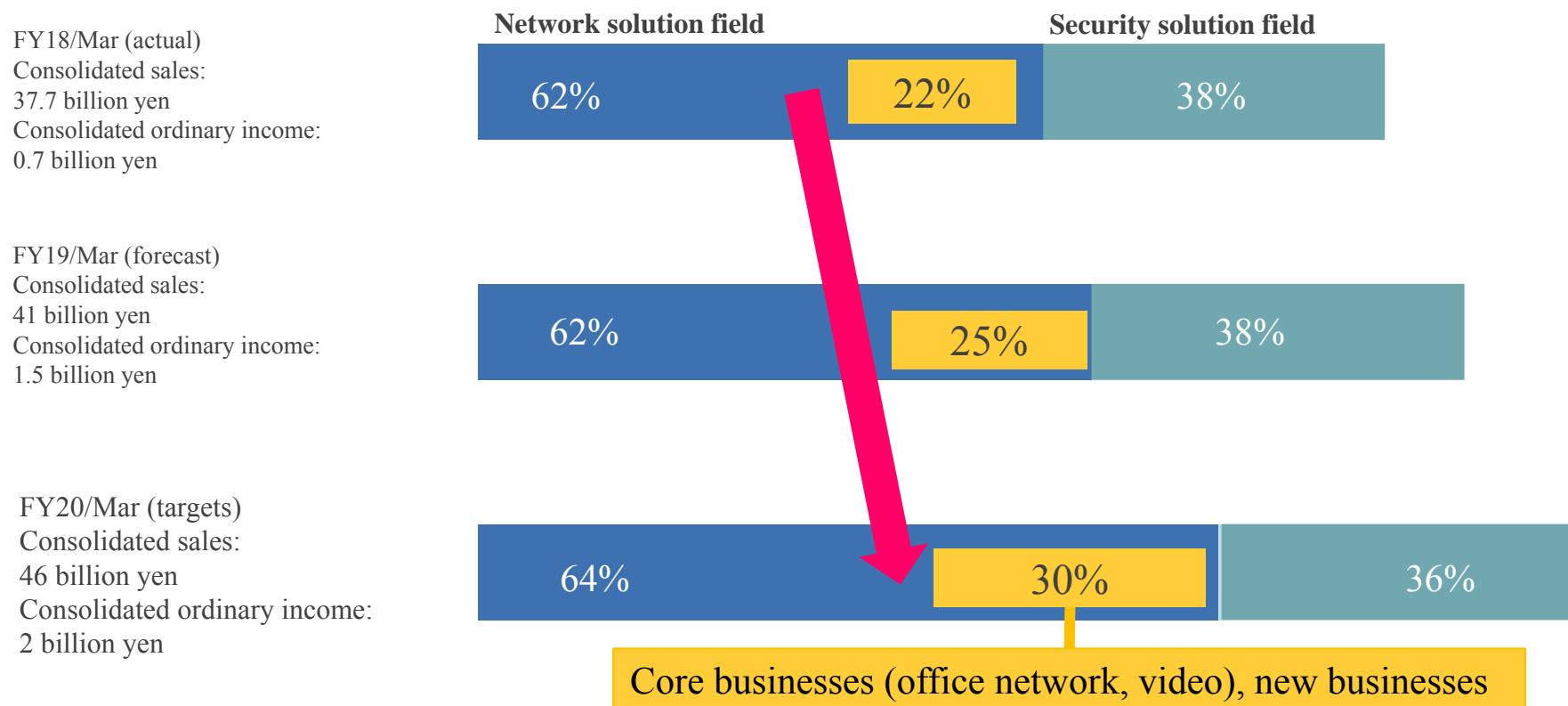
[unit: 100 million yen]

	FY18/Mar Results (A)	FY19/Mar Forecast (B)	Change (B-A)
Capital investment (tangible)	4	9	5
Capital investment (intangible)	15	15	-
Total	19	24	5
R&D cost	45	43	-2
(R&D aimed at creating new businesses)	(4)	(6)	(2)
Depreciation	21	18	-3

FY20/Mar targets:

Consolidated sales of **46 billion yen**, consolidated ordinary income of **2 billion yen**, and ROE **more than 5%**

(Trend of sales composition ratios for each field)



*Sales composition ratios for core businesses and new businesses are calculated based on consolidated sales total.



Corporate Message

Technology to connect, and more ahead

Towards realization of comfortable life, namely assured, comfortable and convenient life, to further pass on to connect our technology with future of our customers, and that is SAXA.