



1st Fiscal Term **BUSINESS REPORT**

February 2, 2004 ▶ March 31, 2004

Tamura Taiko Holdings, Inc.

Ticker Code: 6675

For Tomorrow's Blossom: New Beginning as the Tamura-Taiko SAXA Group



Susumu Harashima
Representative Director
and Chairman

Masanori Yoshioka
Representative Director
and President

We appreciate the continued support of our shareholders. We hereby report the overview of operations and financial statements for the first fiscal term, the year ended March 31, 2004.

■ Group Reorganization

Tamura Taiko Holdings, Inc. ("the Company" or "we"), was newly established as of February 2, 2004, by transferring the shares from Tamura Electric Works, Ltd. (hereinafter "Tamura Electric"), and Taiko Electric Works, Ltd. (hereinafter "Taiko Electric"), to the new company, and its stock was listed on the First Section of Tokyo Stock Exchange. The respective group companies were also reorganized as of April 1, 2004, and a core business corporation, SAXA, Inc. (hereinafter "SAXA"), was founded through the joint establishment of a new corporation with separation ("kyodoshinsetsu-bunkatsu") of Tamura Electric and Taiko Electric. In addition, two software development companies and two welfare service companies were also consolidated at the same time as new members of the Tamura-Taiko SAXA Group.

■ Further Enhancement of Corporate Value

Based on the new management philosophy of "Creating new values around original, core technologies and contributing to the

Financial Highlights

■ Overview of the First Fiscal Term

For the first fiscal term, the year ended March 31, 2004, consolidated net sales of the Tamura-Taiko SAXA Group edged up 0.5% from Tamura Electric's previous-year figure to ¥36,548 million. Ordinary income totaled ¥1,314 million and net income was ¥1,454 million on a consolidated basis. (The performance for the year under review was calculated under the specific assumption rules, in which Tamura Electric is assumed to be the acquisition company, the consolidated balance sheet date is assumed to be the deemed acquisition date and, accordingly, Taiko Electric's income account is not included in the consolidated statements of income.)

■ Network Solution Business

Net sales of network solutions were ¥15,845 million, down 4.7% from Tamura Electric's previous-year figure. This decline mainly reflected decreased orders for products for export and public telephones although sales for new products in Japan increased due to strenuous efforts to ensure order levels by releasing new products such as business-use key telephone systems compliant with IP phone services.

development of energetic and less inhibited society,” the new group endeavors to combine the strengths from both predecessors in technological, marketing and developing capabilities in the fields of information and technology (IT), IC cards and security. The group intends to establish business foundations that can cope with rapid changes and intensifying competition in the stringent market environment, and obtain top market shares in its strongest markets by leveraging on the group companies’ synergies.

Toward the goal of achieving a primary indicator of a 10% ratio of consolidated ordinary income to net sales for the third fiscal term, the year ending March 31, 2006, we will harness the power of all our group members’ to increase our corporate value.

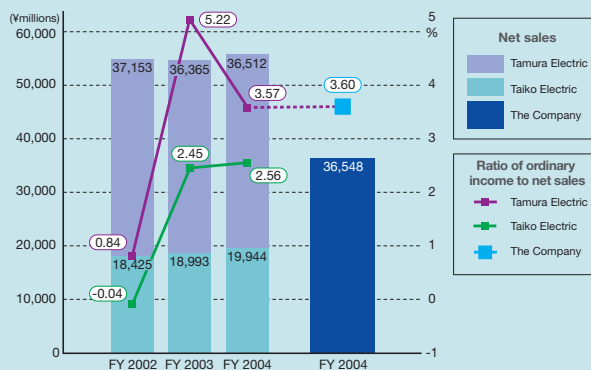
For the year ended March 31, 2004, the Company paid no dividends given that the restructured company was established only two months earlier and that non-consolidated income fell short of expectations (See Page 6). As we intend to make groupwide efforts to improve operating performance to ensure the payment of dividends in the coming year, ending March 31, 2005, we look forward to your continued understanding and support.

■ Our Business Fields



■ Security Solution Business

Net sales of security solutions totaled ¥20,703 million, up 4.9% from Tamura Electric’s previous-year figure. This rise was primarily due to increased orders for new products such as wireless remote-monitoring systems, the CAMPUS SYSTEM and the MANSION SYSTEM using contactless IC card systems and card printers, which were launched to raise order levels, although orders for card reader units for the leisure industry and other items decreased, principally affected by intensifying market competition and restricted facilities and equipment investment.



IP phone “IP NETPHONE S” Launched

SAXA developed IP NETPHONE S as the first “saxa” brand merchandise. This product, which has a Kanji (Chinese character) display function compliant with SIP,¹ was launched in April 2004.

The IP NETPHONE S model is compliant with SIP and equipped with the standard LAN interface 10BASE-T/100BASE-TX. As a pioneering IP phone manufacturer, we have realized quality-focused, natural and clear sound quality (with the automatic wobble compensation function), which gives us a competitive edge. We have also achieved an attractive low price for IP phones that enable an incoming caller’s name to appear in Kanji on a large display.

Compatible not only with transmission and reception via an IP network but also with advanced IP-PBX and IP Centrex² services, our IP telephone systems can be supplied at reasonably low costs to optimally address customer usage, including the extended communications available within a LAN.

Major features and functions available include the display of an incoming caller’s name in Kanji simultaneously with the receipt of a call, the transmission of calls selectable from past send/receive records, preset dial transmission and call transfers (busy-line transfers, no-answer transfers and unconditional transfers) similar to those available on ordinary telephone systems.

1. SIP (Session Initiation Protocol) is a text-based application layer protocol to realize the call establishment for telephones.
2. IP Centrex services supply private branch exchange (PBX) functions through an IP network. Specifically, this enables voice communications between several IP phones connected to a LAN network by installing the IP-PBX or call agent in a LAN network center or a data center.



IP NETPHONE S

Rain Data Collection and Delivery Service Using DoPa Released

SAXA released PackePack Kouu, a rainfall data collection and delivery service, in April 2004.

This service uses NTT DoCoMo’s packet telecommunications “DoPa³ Network” and a special power-saving radio system to collect rainfall meter data and automatically deliver it to customers’ PCs via the Internet. PackePack Kouu refers to the supply of a package of telecommunications terminals, together with services for communications, calling the center and data delivery. The PackePack Kouu service is easily provided at low cost through a single system.

Previous telecommunications systems for meteorological observation were expensive, and measuring rainfall independently was impossible; someone had to physically check a meter to obtain the necessary data. In contrast, PackePack Kouu allows the easy installation of a terminal to check and output the data to customers via the Internet. Computation and recording operations can be considerably improved because the service system can automatically deliver daily and monthly data, download data and remotely maintain rainfall alarm mails and a telecommunications terminal.

3. DoPa is a registered trademark of NTT DoCoMo, Inc.



Main phone of PackePack Kouu

NexBe Security System Compliant with Broadband Services Released

Taiko Electric launched the broadband-compliant NexBe Security System in November 2003 for security companies. This system enables security operations using an IP network⁴ and sends alarm data via the Internet to the security center. As alarm data are also forwarded to mobile phones, every user can immediately confirm the data even if security staff is away from the security center.

The new display system, which focuses on an alarm display rather than a time-line display and emphasizes the easy-to-see display of the layout's targeted interiors, improves the efficiency of security control operation.

The NexBe Security System is a highly reliable, high-performance integrated security system that can flexibly cope with most security operation concerns.

4. The system requires a TS-NAO 1001P adapter for the use of an IP network.



Receiver for the NexBe Security System

Contactless IC Card Reader/Writer Launched in Response to the Public Individual Authentication Service

A digitized, individual authentication service by official bodies began on January 29, 2004, in line with the e-JAPAN Concept promoted by the Japanese government. In response to this initiative, Tamura Electric simultaneously released the HR330C IC card reader/writer, which is compatible with the new public service.

The highly evaluated HR330C model is available for use with the electronic declaration system introduced by the National Tax Administration Agency on February 2, 2004.

Strong demand for the HR330C model is also expected in the individual authentication field outside public service.



HR330C

Condensed Financial Statements: Tamura Taiko Holdings, Inc.

● Consolidated Balance Sheet

(Millions of yen)

Account item	1st fiscal term As of March 31, 2004
Assets	
Current assets	34,290
Cash and bank deposits	5,307
Notes and accounts receivable	14,590
Inventories	11,808
Other	2,583
Fixed assets	30,905
Property, plant and equipment	18,259
Intangible fixed assets	4,667
Investments and others	7,978
Total Assets	65,195
Liabilities	
Current liabilities	25,888
Notes and accounts payable	10,820
Short-term borrowings	10,821
Other	4,247
Long-term liabilities	17,818
Long-term loans payable	4,306
Reserve for retirement benefits	4,748
Other	8,763
Total Liabilities	43,707
Minority Interests	
Minority Interests	—
Shareholders' Equity	
Common stock	10,836
Capital surplus	6,303
Retained earnings	325
Land revaluation difference	3,424
Unrealized holding gain on securities	768
Treasury stock	(170)
Total Shareholders' Equity	21,488
Total Liabilities, Minority Interests and Shareholders' Equity	65,195

● Consolidated Statement of Income

(Millions of yen)

Account item	1st fiscal term From April 1, 2003, to March 31, 2004
Net sales	36,548
Cost of goods sold	27,563
Selling, general and administrative expenses	7,050
Operating income	1,935
Nonoperating income	146
Nonoperating expenses	767
Ordinary income	1,314
Special gains	12
Special losses	168
Income before income taxes and minority interests	1,157
Income taxes—current	268
Income taxes—deferred	(565)
Minority interests in earnings of consolidated subsidiaries	—
Net income (loss)	1,454

● Statement of Retained Earnings

(Millions of yen)

Account item	1st fiscal term From April 1, 2003, to March 31, 2004
Capital surplus	
Balance of capital surplus at beginning of year	5,582
Increase in capital surplus	721
Increase due to establishment of the holding company	721
Gain from disposition of treasury stock	0
Balance of capital surplus at end of year	6,303
Retained earnings	
Balance of retained earnings at beginning of year	(1,137)
Increase in retained earnings	1,477
Net income	1,454
Increase due to a reversal of land revaluation difference	22
Decrease in retained earnings	15
Directors' and auditors' bonuses	15
Balance of retained earnings at end of year	325

● Consolidated Statement of Cash Flows

(Millions of yen)

Account item	1st fiscal term From April 1, 2003, to March 31, 2004
Cash flows from operating activities	2,180
Cash flows from investing activities	(1,942)
Cash flows from financing activities	(1,599)
Effect of exchange rate changes on cash and cash equivalents	(1)
Net increase (decrease) in cash and cash equivalents	(1,363)
Cash and cash equivalents at beginning of the term	5,391
Cash and cash equivalents of the newly consolidated subsidiaries at end of year	1,206
Cash and cash equivalents at end of the term	5,235

● Non-consolidated Balance Sheet (Millions of yen)

Account item	1st fiscal term As of March 31, 2004
Assets	
Current assets	48
Cash and bank deposits	46
Deferred tax assets	2
Other current assets	0
Fixed assets	20,407
Intangible fixed assets	6
Trademark rights	6
Investments and others	20,401
Investment in stocks of subsidiaries	20,399
Deferred tax assets	2
Total Assets	20,456
Liabilities	
Current liabilities	49
Accounts payable—other	31
Accrued expenses	3
Accrued income taxes	9
Consumption taxes payable	6
Other current liabilities	0
Long-term liabilities	5
Reserve for directors' retirement allowances	5
Total Liabilities	55
Shareholders' Equity	
Common stock	10,836
Capital surplus	9,562
Additional paid-in capital	9,562
Retained earnings	5
Unappropriated retained earnings	5
Treasury stock	(4)
Total Shareholders' Equity	20,400
Total Liabilities and Shareholders' Equity	20,456

● Decrease in additional paid-in capital:

The first Ordinary General Shareholders' Meeting of the Company determined that additional paid-in capital be decreased by ¥6,562,598,918 out of ¥9,562,598,918 and with that amount being transferred to "Other capital surplus" pursuant to the provision of Article 289, Paragraph 2, of the Japanese Commercial Code.

● Non-consolidated Statement of Income (Millions of yen)

Account item	1st fiscal term From February 2, 2004, to March 31, 2004
Ordinary Profit-and-Loss Section	
Operating revenue	
Management charges of affiliated companies	170
Operating expenses	
General and administrative expenses	78
Operating income	91
Nonoperating income	0
Other nonoperating income	0
Nonoperating expenses	81
Initial expenses	81
Ordinary income	10
Special Profit-and-Loss Section	
Special gains	—
Special losses	—
Income before income taxes	10
Income taxes—current	9
Income taxes—deferred	(4)
Net income	5
Profit brought forward	—
Unappropriated retained earnings	5

● Proposed Appropriation of Retained Earnings (Yen)

Account item	1st fiscal term As of June 29, 2004
Unappropriated retained earnings	5,723,370
Total	5,723,370
To be appropriated as follows:	
Retained earnings to be carried forward	5,723,370

Condensed Financial Statements: Tamura Electric Works, Ltd.

● Non-consolidated Balance Sheet (Millions of yen)

Account item	58th fiscal term As of March 31, 2004	57th fiscal term As of March 31, 2003
Assets		
Current assets	17,075	17,431
Cash and bank deposits	1,661	3,206
Notes and accounts receivable	8,862	8,257
Inventories	4,404	4,286
Other	2,146	1,681
Fixed assets	18,503	17,063
Property, plant and equipment	10,220	10,456
Intangible fixed assets	1,984	1,442
Investments and others	6,298	5,165
Total Assets	35,578	34,495
Liabilities		
Current liabilities	10,082	14,014
Notes and accounts payable	3,101	3,277
Short-term borrowings	5,412	8,176
Other	1,568	2,560
Long-term liabilities	7,822	5,186
Bonds	1,000	1,000
Long-term loans payable	2,550	72
Reserve for retirement benefits	1,820	1,465
Other	2,451	2,648
Total Liabilities	17,904	19,200
Shareholders' Equity		
Common stock	7,645	7,645
Capital surplus	5,582	5,582
Retained earnings	250	(1,174)
Land revaluation difference	3,424	3,447
Unrealized holding gain on securities	771	(205)
Treasury stock	—	(1)
Total Shareholders' Equity	17,674	15,294
Total Liabilities and Shareholders' Equity	35,578	34,495

● Non-consolidated Statement of Income (Millions of yen)

Account item	58th fiscal term From April 1, 2003, to March 31, 2004	57th fiscal term From April 1, 2002, to March 31, 2003
Net sales	23,875	27,623
Cost of goods sold	17,726	21,290
Selling, general and administrative expenses	4,735	4,304
Operating income	1,413	2,027
Nonoperating income	233	163
Nonoperating expenses	612	733
Ordinary income	1,034	1,457
Special gains	10	208
Special losses	166	778
Income before income taxes	879	887
Income taxes—current	9	10
Income taxes—deferred	(532)	445
Net income	1,401	431
Loss brought forward	2,544	2,981
Reversal of land revaluation difference	22	—
Reversal of legal reserve	566	—
Unappropriated deficit for the year	553	2,549

Condensed Financial Statements: Taiko Electric Works, Ltd.

● Non-consolidated Balance Sheet (Millions of yen)

Account item	67th fiscal term	66th fiscal term
	As of March 31, 2004	As of March 31, 2003
Assets		
Current assets	11,445	11,316
Cash and bank deposits	814	1,102
Notes and accounts receivable	5,700	5,246
Inventories	4,388	3,868
Other	541	1,098
Fixed assets	8,190	7,730
Property, plant and equipment	2,290	2,320
Intangible fixed assets	2,662	2,454
Investments and others	3,236	2,955
Total Assets	19,635	19,046
Liabilities		
Current liabilities	11,118	10,378
Notes and accounts payable	5,158	3,985
Short-term borrowings	4,316	5,287
Other	1,643	1,106
Long-term liabilities	4,136	4,312
Bonds	210	—
Long-term loans payable	1,353	2,079
Reserve for retirement benefits	2,500	2,233
Other	72	—
Total Liabilities	15,255	14,691
Shareholders' Equity		
Common stock	3,190	3,190
Capital surplus	2,381	2,381
Retained earnings	(1,649)	(1,054)
Unrealized holding gain on securities	457	(161)
Treasury stock	—	(2)
Total Shareholders' Equity	4,380	4,355
Total Liabilities and Shareholders' Equity	19,635	19,046

● Non-consolidated Statement of Income (Millions of yen)

Account item	67th fiscal term	66th fiscal term
	From April 1, 2003, to March 31, 2004	From April 1, 2002, to March 31, 2003
Net sales	19,592	18,632
Cost of goods sold	15,037	14,606
Selling, general and administrative expenses	3,962	3,426
Operating income	592	599
Nonoperating income	86	95
Nonoperating expenses	387	405
Ordinary income	291	289
Special gains	0	—
Special losses	328	433
Loss before income taxes	36	143
Income taxes—current	(32)	(54)
Income taxes—deferred	591	53
Net loss	595	142
Loss brought forward	1,766	1,626
Unappropriated deficit for the year	2,361	1,769

Company Profile (As of March 31, 2004)

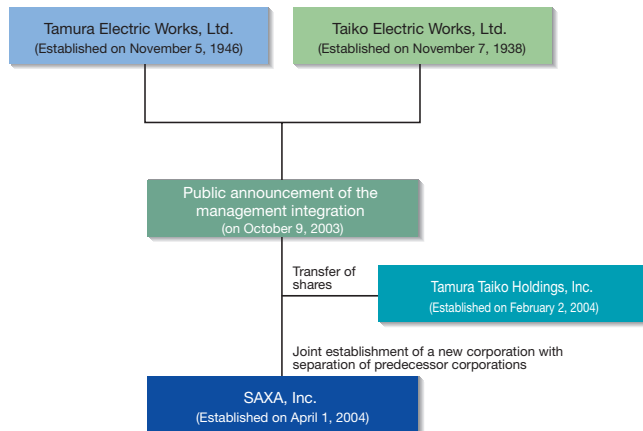
Established	February 2, 2004
Capital Stock	¥10,836,678,400
Number of Employees	17 (Non-consolidated) 1,967 (Consolidated)
Head Office	2-3, Shimo-meguro 2-chome, Meguro-ku, Tokyo

Directors and Auditors (As of April 1, 2004)

Representative Director and Chairman	Susumu Harashima
Representative Director and President	Masanori Yoshioka
Managing Director	Shin Murakami
Managing Director	Shuji Matsuyama
Managing Director	Norio Motosugi
Managing Director	Toshimi Aoki
Managing Director	Osamu Mizorogi
Managing Director	Masayuki Fukushima
Managing Director	Masao Koshikawa
Standing Auditor	Yasuo Nishizawa
Auditor	Masao Fujimaki
Auditor	Takashi Kouno
Auditor	Isamu Fudeya

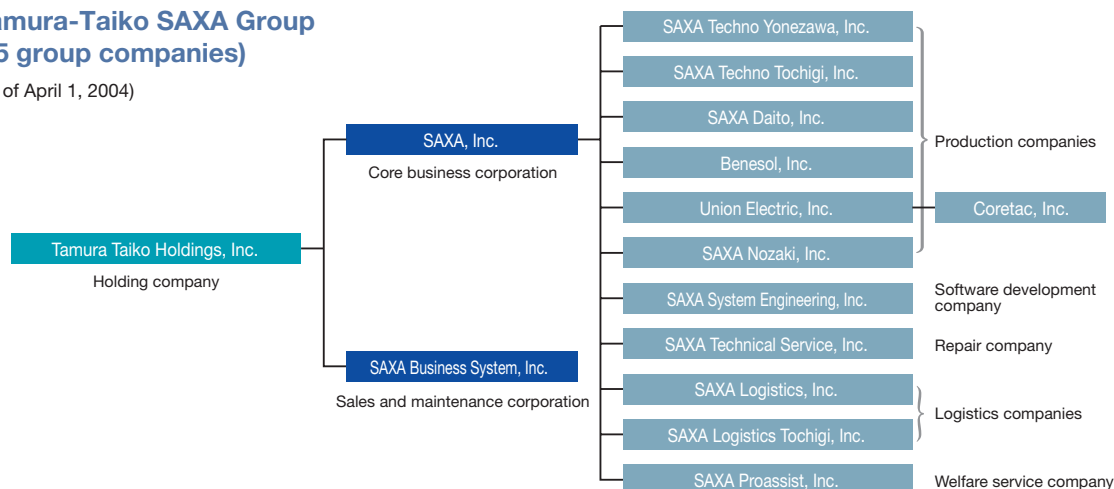
History

Tamura Electric Works, Ltd., which was established in 1946 and Taiko Electric Works, Ltd., which was established in 1938, were integrated in 2004 and began business operations as the Tamura-Taiko SAXA Group.



Tamura-Taiko SAXA Group (15 group companies)

(As of April 1, 2004)



SAXA, Inc. (As of April 1, 2004)

Established	April 1, 2004
Capital Stock	¥10.7 billion
Number of Employees	709
Business	Development, manufacture and sales of information and telecommunications network components, equipment and systems, as well as the supply of services incidental to these activities.

● Major Offices and Plants

Head Office	Meguro-ku, Tokyo
Nakanobe Office	Shinagawa-ku, Tokyo
Sagamihara Plant	Sagamihara, Kanagawa
Tochigi Plant	Nishi-nasuno-cho, Nasu-gun, Tochigi
Yonezawa Plant	Yonezawa, Yamagata
Kansai Regional Office	Kita-ku, Osaka
Chubu Regional Office	Higashi-ku, Nagoya, Aichi
Kyushu Regional Office	Hakata-ku, Fukuoka
Hokkaido Branch	Chuo-ku, Sapporo, Hokkaido
Tohoku Branch	Miyagino-ku, Sendai, Miyagi
Chugoku Branch	Naka-ku, Hiroshima
Hokuriku Sales Office	Kanazawa, Ishikawa

● Directors and Auditors

Representative Director and President	Masanori Yoshioka
Director	Norio Motosugi
Director	Shin Murakami
Director	Shuji Matsuyama
Director	Masayuki Fukushima
Director	Kazunori Hata
Director	Masao Koshikawa
Standing Auditor	Masao Fujimaki
Auditor	Yasuo Nishizawa
Auditor	Takashi Kouno

SAXA Business System, Inc. (As of April 1, 2004)

Established	October 1, 1982
Capital Stock	¥170 million
Number of Employees	226
Business	Sales, installation, maintenance and repair of information and telecommunications network components, equipment and systems, as well as all operations incidental to these activities.

● Major Offices and Plants

Head Office and Tokyo Regional Office	Shinagawa-ku, Tokyo
Kita-kanto Regional Office	Kita-ku, Saitama
Chubu Regional Office	Nakamura-ku, Nagoya, Aichi
Kansai Regional Office	Kita-ku, Osaka
Kyushu Regional Office	Chuo-ku, Fukuoka
Sapporo Sales Office	Chuo-ku, Sapporo, Hokkaido
Sendai Sales Office	Miyagino-ku, Sendai, Miyagi
Shizuoka Sales Office	Shizuoka, Shizuoka
Hiroshima Sales Office	Naka-ku, Hiroshima
Takamatsu Sales Office	Takamatsu, Kagawa
Other service offices nationwide	17

● Directors and Auditors

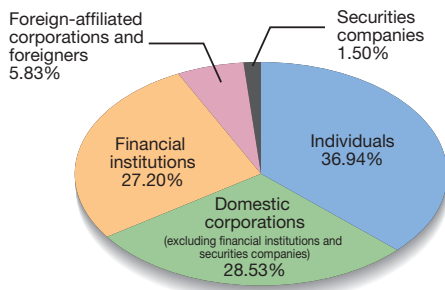
Representative Director and President	Toshio Yamada
Managing Director	Shuji Mogami
Director	Mitsuyoshi Takamura
Director	Masanori Nakajima
Director	Shigeru Hama
Director	Masayuki Fukushima
Auditor	Yuzuru Suzuki

Stock Information (As of March 31, 2004)

Shares

- Total number of shares authorized to be issued . . . 200,000,000
- Total number of shares issued and outstanding . . . 62,449,621
- Number of shareholders 10,899

Distribution of Shareholders by Category



Shareholder Information

Closing of Accounts	March 31 of every year
Payment of Dividends	To be distributed to shareholders determined as of the balance sheet date.
Ordinary General Shareholders' Meeting	June
Record Date for the above Meeting	March 31
Transfer Agent	Mizuho Trust & Banking Co., Ltd. 2-1, Yaesu 1-chome, Chuo-ku, Tokyo
Transfer Agent Office	Stock Transfer Agency Department, Head Office Mizuho Trust & Banking Co., Ltd. 2-1, Yaesu 1-chome, Chuo-ku, Tokyo
Mailing Address	17-7, Saga 1-chome, Koto-ku, Tokyo 135-8722
Telephone Contact	Stock Transfer Agency Department, Mizuho Trust & Banking Co., Ltd. +81-3-5213-5213 (switchboard)
Dedicated Web Site Agencies	http://www.mizuho-tb.co.jp/daikou/ Mizuho Trust & Banking Co., Ltd.: All branches nationwide Mizuho Investors Securities Co., Ltd.: Head office and all branches nationwide
Newspaper for Public Announcement	Nihon Keizai Shimbun (daily newspaper)

Major Shareholders

Name	Investment by shareholders	
	Number of shares	Shareholding ratio
Oki Electric Industry Co., Ltd.	8,447 thousand	13.53 (%)
NEC Corporation	6,060	9.70
Mizuho Bank, Ltd.	2,339	3.75
The Master Trust & Bank of Japan, Ltd. (trust account)	1,985	3.18
Sumitomo Mitsui Banking Corporation	1,767	2.83
Japan Trustee Services Bank, Ltd. (trust account)	1,568	2.51
Mizuho Trust & Banking Co., Ltd.	1,545	2.47
Mitsui Sumitomo Insurance Co., Ltd.	773	1.24
The Bank of Tokyo-Mitsubishi, Ltd.	742	1.19
SOMPO JAPAN INSURANCE INC.	712	1.14

Note: The number of shares held by Mizuho Bank, Ltd., includes the Company's 1,778,000 shares (a 2.85% shareholding ratio), which are contributed by Mizuho Bank, Ltd., as the trust estate of the retirement benefit trust. (They are recorded as "Mizuho Trust & Banking Co., Ltd., Retirement Benefit Trust (Mizuho Bank Account) for the Re-trust by the Trustee of Trust & Custody Services Bank, Ltd.").

Web Site Information

The Company's non-consolidated balance sheet and statement of income are disclosed at the Company's Web site, instead of the previous public announcement of financial statements in a newspaper as set forth in the Articles of Incorporation.
(URL: <http://www.tthd.com/ir/account.html>)

[http:// www.tthd.com](http://www.tthd.com)

At the above Web site, you can view various other information in addition to the Company's financial statements.