



4th Fiscal Business Report

April 1, 2006 ▶ March 31, 2007

Tamura Taiko Holdings, Inc.

Ticker code: 6675



Message from the President

To address a rapidly changing and highly competitive market, the Tamura-Taiko SAXA Group is committed to striving to meet customer expectations by pursuing innovation based on its capabilities in engineering and product development. We truly appreciate your continuing support and cooperation for the Tamura-Taiko SAXA Group.

Masanori Yoshioka
Representative Director and President

◆ Overview of Operations for the Year

The information and telecommunications network-related market, in which the Tamura-Taiko SAXA Group operates, has been rapidly changing because of expansion of the optical-fiber and IP network and transition to high-speed broadband and mobile devices. To address such an increasingly competitive and drastically changing market, the Tamura-Taiko SAXA Group has taken various measures to expand business fields and reinforce its management structure, pursuing innovation based on its capabilities in engineering and product development.

To expand business fields, we reinforced our market position in our core businesses—Network Solutions and Security Solutions—and actively commercialized new products. As of April 1, 2006, we newly established the FA Division and promoted business by effectively utilizing resources in the Group.

To strengthen our management structure, we actively strove to reinforce our sales capability, streamline service functions, reinforce and expand the mechatronics and EMS businesses, and reorganize subsidiaries to establish a competitive manufacturing system.

In addition, on April 2, 2007, we acquired shares in Kobishi Electric Co., Ltd., to establish a capital and business tie-up through which the Tamura-Taiko SAXA Group will streamline its product lineup, create synergies of sales channels to reinforce and expand the Security Solutions Business, and strive to develop new businesses using collective key component technologies.

We will also change the name of the Company to SAXA Holdings, Inc., effective October 1, 2007, to heighten recognition of the “SAXA” corporate brand and make it more appealing. The Group will aggressively expand its businesses under the “SAXA” corporate brand.

Consolidated sales for the fiscal year under review decreased 8.4% year over year to ¥51,310 million. The decline was primarily due to a decrease in Network Solutions sales, whereas Security Solutions sales rose. Ordinary income fell 69.6% to ¥1,256 million, and net income plunged 72.8% to ¥710 million. These declines reflected the decrease in net sales and one-time expenses related to market concerns.

Network Solutions Business

Net sales were down 25.5% year over year to ¥23,194 million. The decline was mainly due to continuing unexpectedly stagnant demand in the key telephone system market for small to medium-sized companies and a decrease in the replacement of public phones with those that use magnetic cards. The adverse impact of such factors was not offset by our strenuous efforts to reinforce the lineup of key telephone systems and introduce optical telephone-related equipment to the market.

Security Solutions Business

Net sales increased 13.0% year over year to ¥28,116 million primarily due to increases in demand for IC card-compatible equipment for the transportation industry and IC card-related devices such as reader/writers for the amusement industry.

Major Achievements

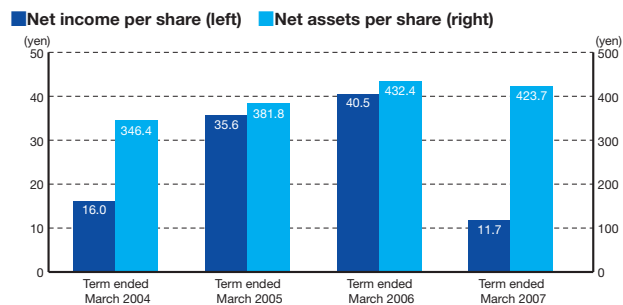
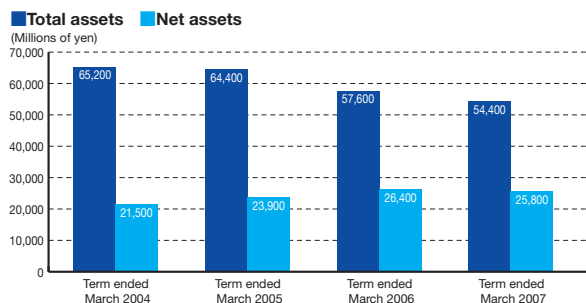
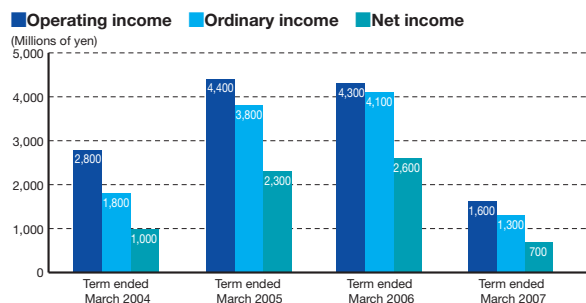
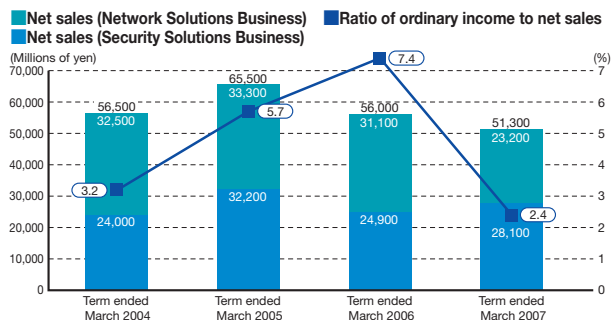
(Millions of yen)

	Term ended March 2004	Term ended March 2005	Term ended March 2006	Term ended March 2007
Net sales	56,500	65,500	56,000	51,300
Operating income	2,800	4,400	4,300	1,600
Ordinary income	1,800	3,800	4,100	1,300
Net income	1,000	2,300	2,600	700
Net income per share (yen)	16.0	35.6	40.5	11.7
Total assets	65,200	64,400	57,600	54,400
Net assets	21,500	23,900	26,400	25,800

Network Solutions Business	Term ended March 2004	Term ended March 2005	Term ended March 2006	Term ended March 2007
Net sales	32,500	33,300	31,100	23,200

Security Solutions Business	Term ended March 2004	Term ended March 2005	Term ended March 2006	Term ended March 2007
Net sales	24,000	32,200	24,900	28,100

Note: The values shown in the tables and graphs are rounded off. The figures for the term ended March 31, 2004, represent simple sums of the results of Tamura Electric Works, Ltd., and Taiko Electric Works, Ltd.



▶ **Highly functional compact TS-MT0802C Transmitter released for use in mechanical security systems The transmitter is compatible with the IP network and FeliCa, and has an entry/exit management function**

SAXA, Inc., developed two new models—the TS-MT0802C Transmitter, which embeds a FeliCa* card reader, and the TS-MT0802 Transmitter—for small to medium-sized companies in the year under review and released them in December 2006.

With the TS-MT0802 and TS-MT0802C transmitters, which are compatible with an IP line, we can establish a low-cost and safe system; data are reported via an IP line unless the IP line malfunctions, in which case the reports are conveyed via an analog line.

The transmitters are also compatible with FeliCa, which is used as a security key (security card) to start and cancel a security mode. These transmitters have the functionality to track the data of persons who enter a room via an access controller (an external card reader) by connecting it to the electric lock and can forward that data to a designated PC not immediately but every certain minutes, thereby enabling simplified entry management and flexibly addressing the needs of small to medium-sized companies.



TS-MT0802C

*FeliCa, a trademark held by Sony Corporation, is a non-contact IC card technology developed by said company.

▶ **Mobile application service for corporations using *Osaifu Keitai*® launched**

SAXA Inc. is aggressively participating in programs to encourage companies in various industries to establish mobile FeliCa applications as a Solution Silver Partner in the Solution Partnership Program of FeliCa Networks, Inc. We intend to offer integrated mobile application systems using mobile FeliCa technology, establishing a provider system and an accompanying network, and providing non-contact IC card reader/writer devices.

As a first step toward such activities, we developed mobile applications for “Hi! Go Quick”¹, a search system for the composition of paint for automobile repairs using *Osaifu Keitai*®² for Kansai Paint Co., Ltd., and Kansai Paint Sales Co., Ltd.; NTT DoCoMo’s i-appli®² and KDDI’s BREW®³ (part of the au design project). The Company also works as Web site providers and, as an agent, conducts FeliCa Networks’ Remote Provision of Service that allots an “area” for each customer within the memory of a mobile FeliCa IC chip. We also engage in the maintenance, management and control of such systems and sell HR310C non-contact IC card readers manufactured by SAXA.

1. An application for approval of the “Hi! Go Quick” trademark was filed by Kansai Paint Co., Ltd., and Kansai Paint Sales Co., Ltd., and is currently in process.

2. *Osaifu Keitai*® and i-appli® are trademarks held by NTT DoCoMo Inc.

3. BREW® and related trademarks are held by QUALCOMM Incorporated.

► **The Agrea IM1000 for small to medium-sized companies released—easy functional enhancement via a licensing (monthly use fee) system**

SAXA, Inc., and SAXA Business System, Inc., developed a full IP system, the Agrea IM1000, for small to medium-sized companies and released it in March 2007.

The standard Agrea IM1000, without any special updates or additional functions, embeds not only conventional key telephone functions including the transfer of incoming messages, an answering machine and call forwarding but also wireless LAN dual mobile telephone terminals and the Desk *de* Address Book, which can connect to a PC and display its mailbox and incoming messages.

The Agrea IM1000 has the flexibility to add functions. It has an optional menu that includes an answering machine, voice recording, conference call capabilities and call center functions. Users can use these additional functions via a licensing (monthly use fee) system.

Because of the licensing system, it is easy to reinforce certain functions or delete rarely used functions, thereby realizing an efficient system and initial cost reduction. We intend to further diversify the functions and applications, taking into consideration customers' feedback.



Agrea IM1000

► **IP-compatible Regalis II key telephone systems released**

SAXA, Inc., and SAXA Business System, Inc., developed the Regalis II IP-compatible key telephone systems with highly enhanced functions for small to medium-sized companies and released them in November 2006.

Regalis II is a series of key telephone systems for small to medium-sized companies that offer a new business style. The systems feature simplified security functions using a wide-variety of conventional wireless models and multifunctional phones embedding a sensor that detects the presence of a person and a mail function integrated into a network.

This functionality enabled connections with Hikari Denwa and Hikari Denwa Office Type offered by NTT East and NTT West, and it is now possible to select a preferred optical line and dispatch messages with a compatible adapter.

In addition, we reinforced various functions including a voice guidance greeting—"Hello. May I help you?"—that is triggered by the human recognition sensor and the forwarding of incoming messages to a registered e-mail address under specified conditions.



Regalis II

Consolidated Financial Statements (Condensed)

● Consolidated Balance Sheets

(Millions of yen)

Account item	3rd fiscal term (as of March 31, 2006)	4th fiscal term (as of March 31, 2007)
Assets		
Current assets	31,722	29,215
Cash and cash equivalents	9,583	6,988
Notes and accounts receivable	12,602	13,745
Inventories	6,683	6,299
Deferred tax assets	1,937	1,297
Other current assets	949	928
Allowance for doubtful accounts	(33)	(44)
Fixed assets	25,911	25,142
Property, plant and equipment	12,848	12,761
Buildings and structures	2,351	2,216
Machinery and transportation equipment	528	558
Tools, furniture and fixtures	1,363	1,411
Land	8,602	8,574
Intangible fixed assets	4,274	5,006
Software	4,215	4,951
Other intangible fixed assets	59	54
Investments and other assets	8,788	7,373
Investment securities	7,579	6,258
Long-term prepayments	551	375
Deferred tax assets	169	278
Other investments	738	698
Allowance for doubtful accounts	(251)	(237)
Deferred assets	—	60
Expenses for issuing bonds	—	60
Total assets	57,633	54,418

Account item	3rd fiscal term (as of March 31, 2006)	4th fiscal term (as of March 31, 2007)
Liabilities		
Current liabilities	16,013	16,716
Notes and accounts payable	6,482	7,274
Short-term borrowings	5,669	5,189
Bonds due redeemable within one year	60	564
Accrued amount payable	1,088	1,108
Accrued expenses	1,495	1,380
Accrued income taxes	214	165
Accrued consumption taxes	171	136
Allowance for product warranties	336	288
Reserve for bonuses to directors and auditors	—	64
Other current liabilities	494	544
Long-term liabilities	15,236	11,947
Bonds	90	2,226
Long-term loans payable	5,016	745
Deferred tax liabilities	3,360	2,350
Reserve for retirement benefits	3,731	3,949
Consolidation adjustment account	2,180	—
Loss on merger	—	1,907
Other long-term liabilities	858	767
Total liabilities	31,249	28,664
Minority interests		
Minority interests	—	—
Shareholders' equity		
Common stock	10,836	—
Capital surplus	6,331	—
Retained earnings	8,248	—
Net unrealized gains or losses on available-for-sale securities	2,019	—
Equity adjustment from foreign currency translation	18	—
Treasury stock	(1,071)	—
Total shareholders' equity	26,383	—
Total liabilities, minority interests and shareholders' equity	57,633	—
Net assets		
Shareholders' equity	—	24,403
Common stock	—	10,836
Capital surplus	—	6,331
Retained earnings	—	8,313
Treasury stock	—	(1,078)
Valuation, translation adjustments and others	—	1,350
Net unrealized gains or losses on available-for-sale securities	—	1,321
Equity adjustment from foreign currency translation	—	29
Total net assets	—	25,753
Total liabilities and net assets	—	54,418

Note: The figures in pages 5-8 are rounded down to the nearest million yen.

● Consolidated Statements of Income (Millions of yen)

Account item	3rd fiscal term (as of March 31, 2006)	4th fiscal term (as of March 31, 2007)
Net sales	56,003	51,310
Cost of goods sold	40,343	38,430
Gross profit	15,659	12,879
Selling, general and administrative expenses	11,382	11,232
Operating income	4,277	1,647
Nonoperating income	724	499
Interest received	1	15
Dividends received	56	70
Depreciation on consolidation adjustment account	286	—
Depreciation on loss on merger	—	272
Equity in earnings	2	—
Earnings from technology disclosure fees	35	—
Commission income	40	3
Foreign exchange gain	167	43
Miscellaneous income	135	93
Nonoperating expenses	868	891
Interest paid	202	155
Equity in loss	—	9
Loss on valuation of inventories	127	185
Loss from disposal of inventories	115	134
Amortization of differences due to the change in accounting standards for retirement benefits	301	301
Miscellaneous losses	121	105
Ordinary income	4,133	1,256
Special profits	330	7
Gain on sale of fixed assets	3	6
Gain on sale of investment securities	20	1
Depreciation on consolidation adjustment account	243	—
Gain on transfer of operations	63	—
Special losses	257	115
Loss on retirement of fixed assets	150	115
Expenses for disposal of fixed assets	48	—
Loss on valuation of investment securities	15	—
Business consolidation expenses	31	—
Special retirement allowances	11	—
Income before income taxes	4,206	1,148
Income taxes-current	393	298
Reversal of accrued income taxes	(450)	—
Income taxes-deferred	1,650	140
Net income	2,612	710

● Consolidated Statements of Cash Flows (Millions of yen)

Account item	3rd fiscal term (as of March 31, 2006)	4th fiscal term (as of March 31, 2007)
Cash flows from operating activities	2,923	3,729
Cash flows from investing activities	(2,637)	(3,602)
Cash flows from financing activities	(5,160)	(2,722)
Effect of exchange rate changes on cash and cash equivalents	0	(0)
Net increase (decrease) in cash and cash equivalents	(4,874)	(2,595)
Cash and cash equivalents at the beginning of the term	14,458	9,583
Cash and cash equivalents at the end of the term	9,583	6,988

● Consolidated Statement of Changes in Shareholders' Equity, etc.

(Millions of yen)

Account item	Shareholders' equity				Total shareholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	
Balance as of March 31, 2006	10,836	6,331	8,248	(1,071)	24,345
Change in FY2006					
Cash dividends paid (Note 1)			(547)		(547)
Bonuses to directors and auditors (Note 2)			(98)		(98)
Net income			710		710
Purchases of treasury stock				(7)	(7)
Net change in items other from those in shareholders' equity					
Total of changes in FY2006			64	(7)	57
Balance as of March 31, 2007	10,836	6,331	8,313	(1,078)	24,403

Account item	Valuation, translation adjustments and others			Total net assets
	Net unrealized gains or losses on available-for-sale securities	Equity adjustment from foreign currency translation	Total valuation, translation adjustments and others	
Balance as of March 31, 2006	2,019	18	2,037	26,383
Change in FY2006				
Cash dividends paid (Note 1)				(547)
Bonuses to directors and auditors (Note 2)				(98)
Net income				710
Purchases of treasury stock				(7)
Net change in items other from those in shareholders' equity	(698)	10	(687)	(687)
Total of changes in FY2006	(698)	10	(687)	(629)
Balance as of March 31, 2007	1,321	29	1,350	25,753

Note 1: Appropriation of retained earnings for this item was determined by a resolution of the Ordinary General Shareholders' Meeting held in June 2006.

Note 2: Appropriation of retained earnings for this item was determined by resolutions of the Ordinary General Shareholders' Meeting held in May and June 2006.

Nonconsolidated Financial Statements (Condensed)

● Balance Sheets

(Millions of yen)

Account item	3rd fiscal term (as of March 31, 2006)	4th fiscal term (as of March 31, 2007)
Assets		
Current assets	421	1,252
Fixed assets	20,408	20,402
Total assets	20,830	21,655
Liabilities		
Current liabilities	59	159
Long-term liabilities	36	24
Total liabilities	95	183
Net assets		
Common stock	10,836	—
Capital surplus	9,562	—
Retained earnings	1,407	—
Treasury stock	(1,071)	—
Total net assets	20,735	—
Total liabilities and net assets	20,830	—
Shareholders' equity		
Shareholders' equity	—	21,471
Common stock	—	10,836
Capital surplus	—	9,562
Retained earnings	—	2,151
Treasury stock	—	(1,078)
Total net assets	—	21,471
Total liabilities and net assets	—	21,655

● Statements of Income

(Millions of yen)

Account item	3rd fiscal term (as of March 31, 2006)	4th fiscal term (as of March 31, 2007)
Operating profit	1,842	1,949
Operating income	1,385	1,445
Nonoperating income	0	4
Nonoperating expenses	0	—
Ordinary income	1,386	1,449
Income before income taxes	1,386	1,449
Income taxes—current	122	114
Income taxes—deferred	9	2
Net income	1,254	1,333

Company Profile (As of March 31, 2007)

◆ Tamura Taiko Holdings, Inc.

Established	February 2, 2004
Capital Stock	¥10,836,678,400
Number of Employees	1,421 (Consolidated) 16 (Nonconsolidated)
Head Office	NBF Platinum Tower, 17-3, Shirokane 1-chome, Minato-ku, Tokyo
Business	Management consultation for its subsidiaries that engage in the development, manufacture and/or sales of information and telecommunications network components, equipment and systems

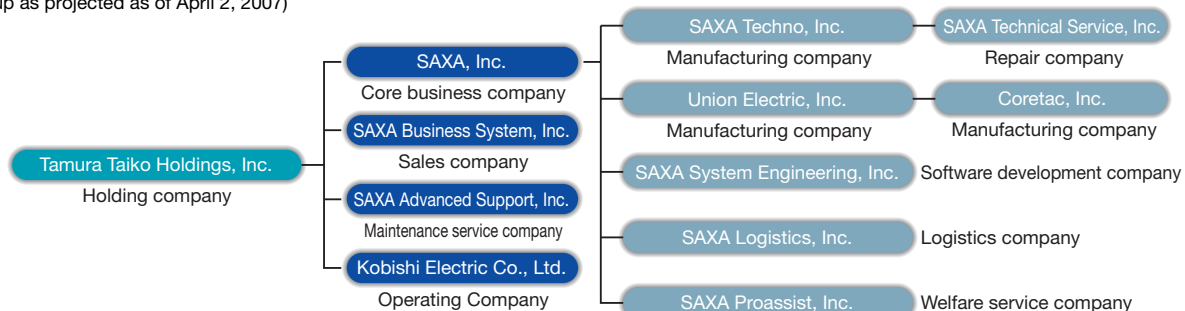
● Directors and Auditors

Representative Director and President	Masanori Yoshioka	Director	Toshio Yamada
Managing Director	Shin Murakami	Director	Hiroaki Tomoda
Managing Director	Shuji Matsuyama	Director	Keiichi Fukumura
Managing Director	Masayuki Fukushima	Standing Auditor	Osamu Mizorogi
Managing Director	Masao Koshikawa	Auditor	Masao Fujimaki
Managing Director	Yuzuru Suzuki	Auditor	Takashi Kouno
Director	Toshio Adachi	Auditor	Masahiko Inohana

Note 1: Hiroaki Tomoda and Keiichi Fukumura are outside directors.
Note 2: Takashi Kouno and Masahiko Inohana are outside auditors.

Tamura-Taiko SAXA Group (12 group companies)

(The Group as projected as of April 2, 2007)



Note: On April 2, 2007, the Company acquired shares in Kobishi Electric Co., Ltd., to establish a capital and business tie-up.

◆ SAXA, Inc.

Established	April 1, 2004
Capital Stock	¥10.7 billion
Number of Employees	671
Business	Development, manufacture and sales of information communication system equipment, as well as the supply of services incidental to these activities

● Directors and Auditors

Representative Director and President	Masanori Yoshioka
Director	Shin Murakami
Director	Shuji Matsuyama
Director	Masayuki Fukushima
Director	Masao Koshikawa
Director	Yuzuru Suzuki
Director	Toshio Adachi
Standing Auditor	Masao Fujimaki
Auditor	Osamu Mizorogi
Auditor	Takashi Kouno

Note: Takashi Kouno is outside auditor

● Major Offices and Plants

Head Office	Minato-ku, Tokyo
Sagamihara Office	Sagamihara, Kanagawa
Yonezawa Plant	Yonezawa, Yamagata
Tochigi Plant	Nasushiobara, Tochigi
Chubu Regional Office	Naka-ku, Nagoya, Aichi
Kansai Regional Office	Kita-ku, Osaka, Osaka
Chugoku Regional Office	Naka-ku, Hiroshima, Hiroshima
Kyushu Regional Office	Hakata-ku, Fukuoka, Fukuoka
Hokkaido Regional Office	Chuo-ku, Sapporo, Hokkaido
Tohoku Regional Office	Miyagino-ku, Sendai, Miyagi

◆ SAXA Business System, Inc.

Established	October 1, 1982
Capital Stock	¥100 million
Number of Employees	83
Business	Sales of information communication system equipment, as well as all operations incidental to these activities

● Directors and Auditors

Representative Director and President	Toshio Yamada
Director	Miyoshi Takamura
Director	Masahiro Katoh
Director	Shuji Matsuyama
Auditor	Katsuhiko Hatori

● Major Offices and Sales Offices

Head Office and Tokyo Regional Office	Minato-ku, Tokyo
Kita-Kanto Regional Office	Omiya-ku, Saitama, Saitama
Chubu Regional Office	Nakamura-ku, Nagoya, Aichi
Kansai Regional Office	Kita-ku, Osaka, Osaka
Kyushu Regional Office	Chuo-ku, Fukuoka, Fukuoka
6 Sales Offices	

Stock Information (As of March 31, 2007)

◆ SAXA Advanced Support, Inc.

Established January 4, 2007
 Capital Stock ¥70 million
 Number of Employees 67
 Business Maintenance of information communications system equipment and incidental services

● Directors and Auditors

Representative Director and President Toshio Yamada
 Director Masanori Nakajima
 Director Kazuhiro Ichikawa
 Director Noriaki Itoh
 Auditor Yoichi Inoue

● Major Service Centers

Head Office and Metropolitan Service Center Shinagawa-ku, Tokyo
 Technical Support Headquarters Sagamihara-shi, Kanagawa
 North Kanto Service Center Omiya-ku, Saitama-shi, Saitama
 Chubu Service Center Nakamaura-ku, Nagoya-shi, Aichi
 Kansai Service Center Kita-ku, Osaka-shi, Osaka
 Kyushu Service Center Chuo-ku, Fukuoka-shi, Fukuoka
 3 service offices nationwide

◆ Kobishi Electric Co., Ltd.

Established August 25, 1952
 Capital Stock ¥45 million
 Number of Employees 130
 Business Design, manufacture and sales of security and disaster-prevention equipment, transformers and amusement-related equipment as well as incidental services

● Directors and Auditors

Representative Director and President Kuniyoshi Wanikawa
 Senior Managing Director Akira Katoh
 Managing Director Yoshinobu Ishikawa
 Director Hiroaki Okabe
 Director Katsuyuki Kojima
 Director Shoichi Satoh
 Director Masayuki Fukushima
 Auditor Yoichi Inoue

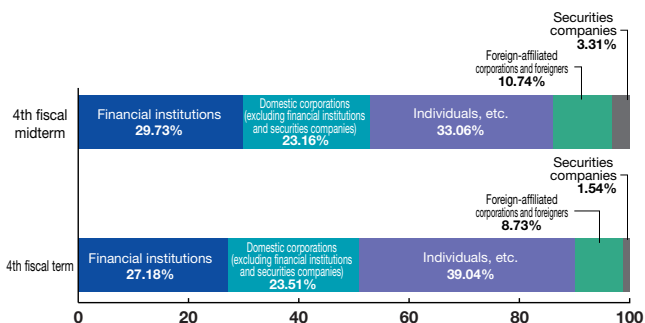
● Major Offices and Plants

Head Office and Plant Kounosu-shi, Saitama
 Osaka Regional Office Kita-ku, Osaka-shi, Osaka
 Fukuoka Sales Office Hakata-ku, Fukuoka-shi, Fukuoka
 Sendai Sales Office Miyagino-ku, Sendai-shi, Miyagi

◆ Shares

- Total number of shares authorized to be issued ... 240,000,000
- Total number of shares issued and outstanding 62,449,621
- Number of shareholders 9,252

◆ Distribution of Shareholders by Category



◆ Major Shareholders

Shareholder name	Investment in the Company by shareholder	
	Number of shares held	Equity position
	thousand	%
Oki Electric Industry Co., Ltd.	6,060	9.70
NEC Corporation	6,060	9.70
The Master Trust & Bank of Japan, Ltd. (trust account)	2,991	4.79
Mizuho Bank, Ltd.	2,339	3.75
Sumitomo Mitsui Banking Corporation	1,767	2.83
Goldman Sachs International	1,112	1.78
Bank of Tokyo-Mitsubishi UFJ, Ltd.	959	1.54
Mizuho Trust & Banking Co., Ltd.	900	1.44
Japan Trustee Services Bank, Ltd. (trust account)	789	1.26
Mitsui Sumitomo Insurance Co., Ltd.	773	1.24

Notes:

1. Although the Company holds 1,672,000 shares of treasury stock, it is not listed in the Major Shareholders above.
2. The number of shares held by Mizuho Bank, Ltd., includes the Company's 1,778,000 shares (a 2.85% equity position), which are contributed by Mizuho Bank, Ltd., as the trust estate of the retirement benefit trust. (They are recorded in the name of "Mizuho Trust & Banking Co., Ltd., Retirement Benefit Trust (Mizuho Bank Account) for the Re-trust by the Trustee of Trust & Custody Services Bank, Ltd.," on the register of shareholders.)
3. Shares less than 1,000 are truncated in the number of shares held (thousands) above.

Shareholder Information

Closing of Accounts	March 31 of every year
Payment of Dividends	March 31 of every year Note: We do not adopt the interim dividend system.
Ordinary General Shareholders' Meeting	June of every year
Record Date	The shareholders recorded as of March 31 of every year in the register of shareholders shall be those who can exercise voting rights at the Ordinary General Meeting of Shareholders. If necessary, another day may be designated as the record date with public notice.
Custodian of the Register of Shareholders	Mizuho Trust & Banking Co., Ltd. 2-1, Yaesu 1-chome, Chuo-ku, Tokyo
Handling Office	Stock Transfer Agency Department, Head Office, Mizuho Trust & Banking Co., Ltd. 2-1, Yaesu 1-chome, Chuo-ku, Tokyo
Mailing Address	Stock Transfer Agency Department, Mizuho Trust & Banking Co., Ltd. 17-7, Saga 1-chome, Koto-ku, Tokyo 135-8722
Telephone Referral	0120-288-324 (Toll-free call)
Dedicated Web Site	http://www.mizuho-tb.co.jp/daikou/
Agencies	Mizuho Trust & Banking Co., Ltd.: All branches nationwide Mizuho Investors Securities Co., Ltd.: Head office and all branches nationwide
URL for Public Announcements	http://www.tthd.com Note: We provide public announcements by electronic means. However, when accidents or other unavoidable reasons prevent us from using the method of electronic announcement, we will make announcements in the <i>Nihon Keizai Shimbun</i> (daily newspaper).
Purchase of Less-than-Unit ("Tangen") Shares	The custodian of the register of shareholders handles the business for purchasing less-than-unit (" <i>tangen</i> ") shares from shareholders. If you have any such shares deposited under the stock certificate custody and transfer system, please make an offer to your securities company.