



# 5th Fiscal Business Report

April 1, 2007 ▶ March 31, 2008

**SAXA Holdings, Inc.**

Ticker code: 6675



## Message from the President

The environment for information and telecommunications network-related market surrounding the SAXA Group is both rapidly changing and highly competitive, and even more severe environment will be waiting ahead of us. To address such a rapidly changing environment, the 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 SAXA Group.

Masanori Yoshioka  
President & C.E.O.

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## Cautionary Statement

This business report has been prepared for the sole purpose of understanding of the Company's financial position and operations, and not intended to solicit investments. Investors are advised to make their own judgment when making investment decisions.

## ● Overview of Operations for the Year

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The information and telecommunications network-related market, in which the SAXA Group principally provides service, has been adopting new approaches to accommodate expanding optical network, but the key telephone system for small to medium-sized companies, one of our leading products, has still suffered stagnant demand.

The SAXA Group has been pursuing innovation based on its capabilities in engineering and product development, which should be able to cope with such a drastically changing business environment, and therefore has taken various measures to expand business fields and strengthen its management structure. As for “expanding business fields,” we reinforced our market position in our core businesses—Network Solutions and Security Solutions—and actively commercialized new products, and established a capital tie-up with Kobishi Electric Co., Ltd. on April 2, 2007, to streamline its product lineup, create synergies of sales channels to reinforce and expand the Security Solutions Business.

In addition, we established a capital tie-up with System K Corporation on September 28, 2007, and have entered into a new business field, IP network camera systems, to expand business field, providing new solutions of voice, video and data.

As for “strengthening our management structure,” we have introduced a business group system instead of the company system to SAXA, Inc., our core business entity, in order to address the rapidly changing market environment at an early stage. Furthermore, we have newly established the Convergence Business Promotion Division with the objective of promptly commercializing a series of amalgamated products over the conventional framework so that we can satisfy the market demand.

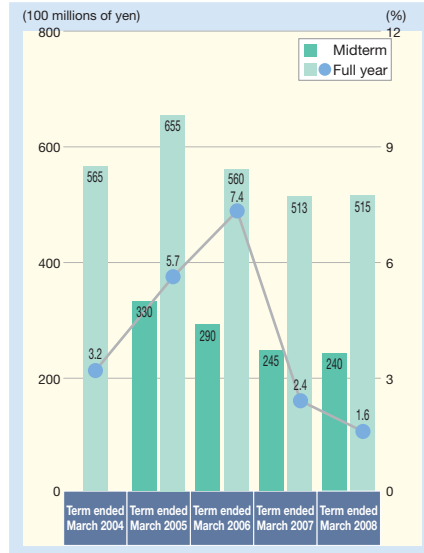
As a result, consolidated sales for the fiscal year under review increased 0.4% year over year to ¥51,536 million. The increase was primarily due to an increase in Security Solutions sales, whereas sales in Network Solutions decreased. On the profit front, ordinary income decreased 35.8% to ¥806 million, and net income decreased 28.9% to ¥505 million. These declines reflected an increase mainly in selling, general and administrative expenses.

# Review of the Year

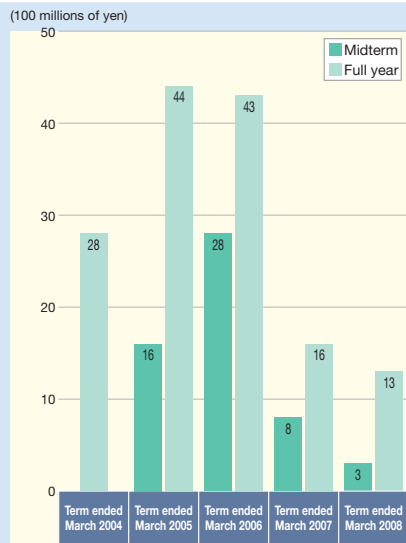
## ● Consolidated Financial Highlight

■ Net sales (left)

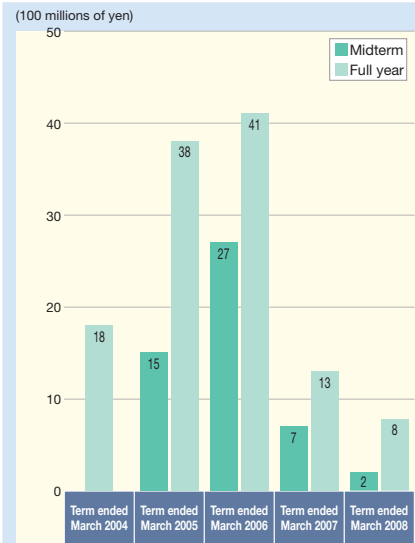
● Ratio of ordinary income to net sales (right)



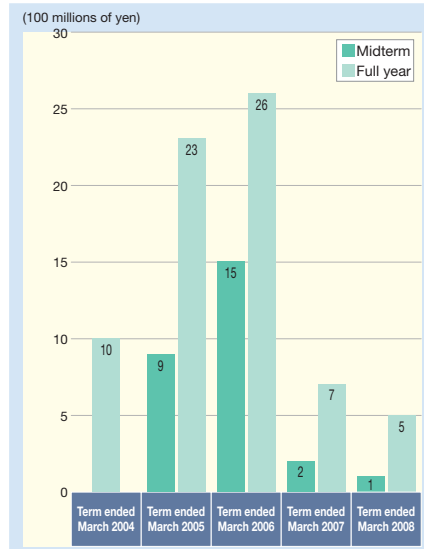
■ Operating income



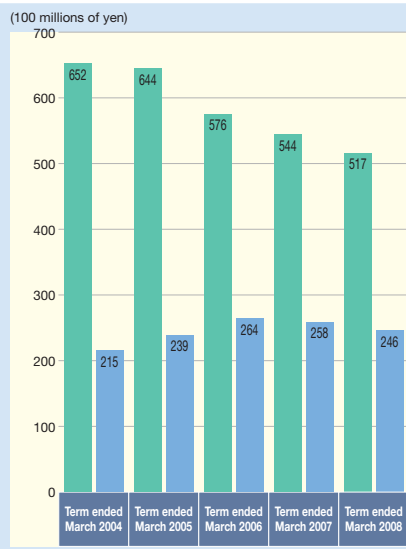
■ Ordinary income



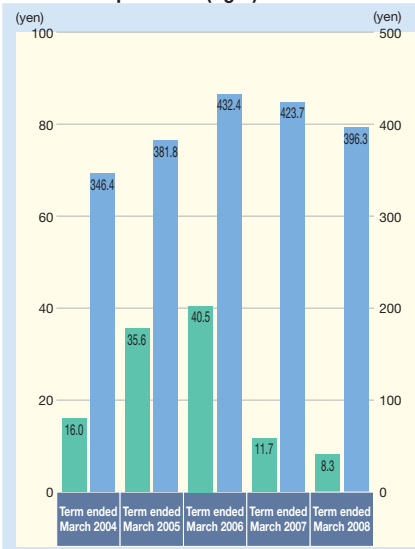
■ Net income



■ Total assets ■ Net assets



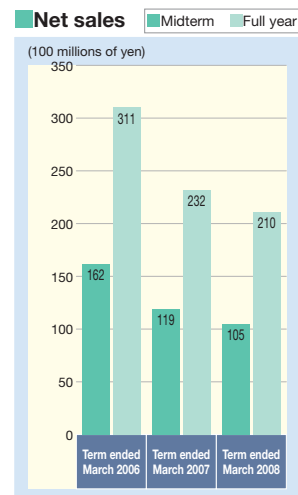
■ Net income per share (left)  
■ Net assets per share (right)



## ●Results of Operations by Business Segment

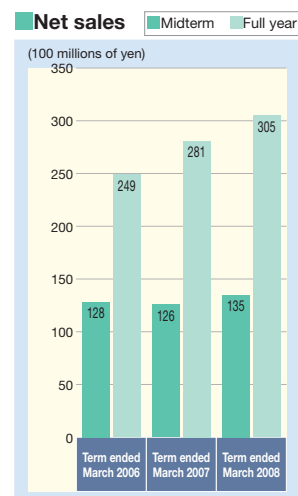
### Network Solutions Business

Net sales decreased 9.5% year over year to ¥20,988 million. The decline was mainly due to continuing stagnant demand in the key telephone system market for small to medium-sized companies, stagnant demand and a decrease in the replacement of public phones.



### Security Solutions Business

Net sales increased 8.6% year over year to ¥30,548 million. The increase was mainly due to increased demand for security devices as a result of the capital tie-up with Kobishi Electric Co., Ltd. for further business expansion, as well as increased demand for printers and components for a particular use, whereas orders for reader/writers for the amusement industry decreased.



## Security functions of Regalis II key telephone system reinforced

SAXA, Inc. and SAXA Business Systems, Inc. have reinforced the security functions of their UT700Std and UT700Pro models and introduced them to market in March 2008. These are enhanced security function versions of their main product line, the IP-compatible key telephone system Regalis II for small to medium-sized companies.

With existing security functions in the conventional models, Regalis II products can detect suspicious persons through telephone units equipped with sensors and threaten them with loud sounds from two or more telephone sets, or relay to a mobile telephone unit registered in advance. Additionally, since each telephone set automatically turns to a hands-free unit, the informed person can immediately threaten them with his or her voice. Moreover, by connecting a Web camera, the scene at sensor detection can be visually checked on a remote mobile telephone unit.

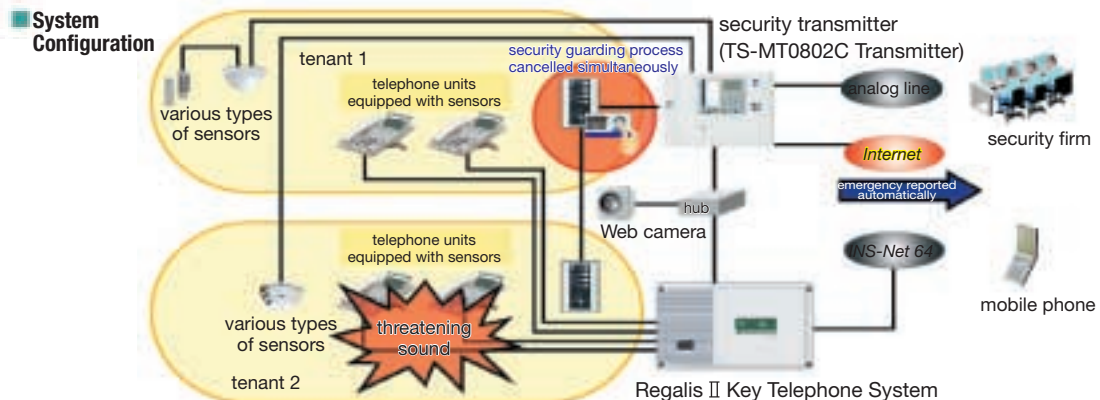
When connected with SAXA, Inc.'s security transmitter TS-MT0802C, the newly introduced, reinforced security functions enable more sophisticated and extensive guarding with the common use of sensors. The telephone units with sensors comprised in the Regalis II system, when detecting a suspicious person, not only activate the threatening function of two or more telephone units, but also enable the communications through data, audio and e-mail transmission via the TS-MT0802C Transmitter. Furthermore, the activation or release operation of the guard system can be conducted not only by holding an IC card over the card reader of the TS-MT0802C Transmitter, but also by using telephone units in such a way that the guard system is turned on or off from remote places by using a mobile phone.



Regalis II



TS-MT0802C



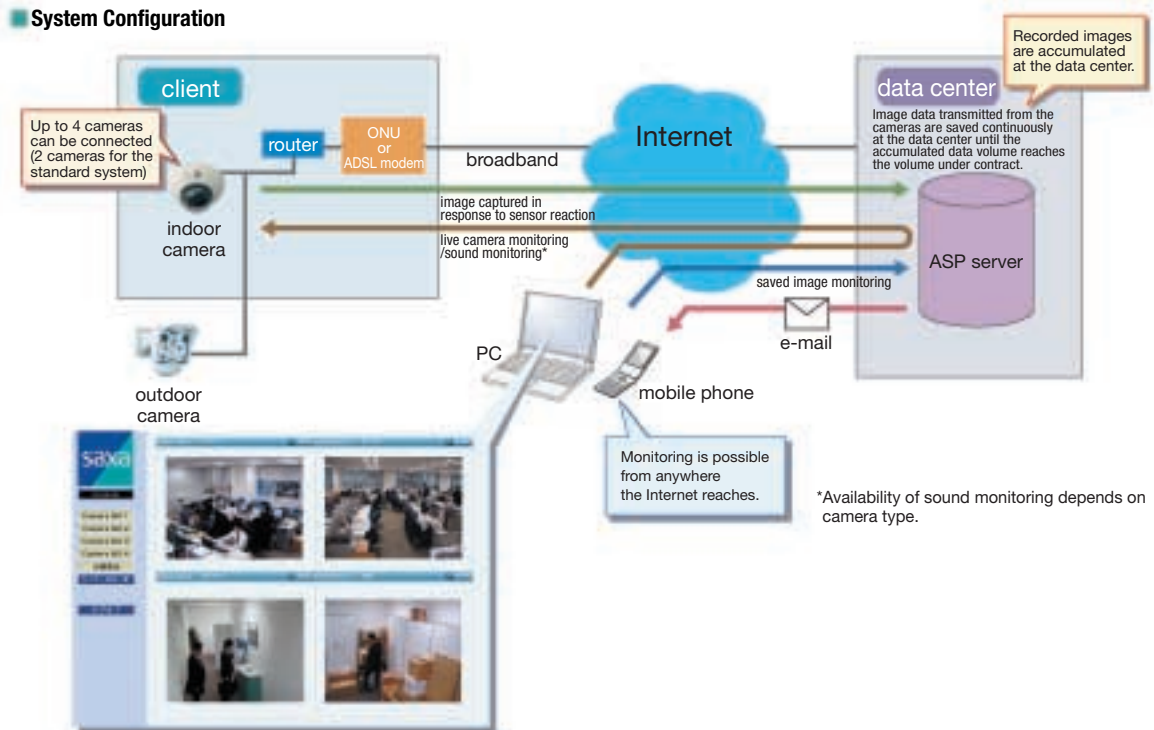
## “Net-de-Rokuga” service launched: ASP service that enables remote monitoring with ease

SAXA, Inc. and SAXA Business Systems, Inc. have launched in March 2008 the ASP service\* named “Net-de-Rokuga” that enables easy monitoring and storage of images without the need of installing any dedicated camera servers at small to medium-sized companies.

The “Net-de-Rokuga” is a monitoring service that enables browsing and storage of images taken with network cameras using the Internet. The system is very easy to build up; no need of providing any special software or video-recording units, but just incorporating it in an existing LAN or other network is sufficient. Real-time images taken by two or more cameras can be observed on the display of a PC or mobile phone connected to the Internet anytime anywhere, and thus the activities in offices and stores can be monitored 24 hours a day. Additionally, since the images of persons or any other objects can be stored whenever any movement of an object is detected, and can be simultaneously noticed to the user by e-mail for immediate monitoring of the scene, the new system will find a wide variety of applications including theft-preventive measures for offices, warehouses, parking areas, etc.

\*ASP (Application Service Provider) service: Services offering applications to users via the Internet

### System Configuration



# Consolidated Financial Statements (Condensed)

## ● Consolidated Balance Sheets

(Millions of yen)

Account item	4th fiscal term (as of March 31, 2007)	5th fiscal term (as of March 31, 2008)
<b>Assets</b>		
<b>Current assets</b>	<b>29,215</b>	<b>28,743</b>
Cash and cash equivalents	6,988	4,958
Notes and accounts receivable	13,745	15,740
Inventories	6,299	6,003
Deferred tax assets	1,297	1,120
Other current assets	928	940
Allowance for doubtful accounts	(44)	(19)
<b>Fixed assets</b>	<b>25,142</b>	<b>22,886</b>
<b>Property, plant and equipment</b>	<b>12,761</b>	<b>12,934</b>
Buildings and structures	2,216	2,114
Machinery and transportation equipment	558	530
Tools, furniture and fixtures	1,411	1,192
Land	8,574	9,097
<b>Intangible fixed assets</b>	<b>5,006</b>	<b>5,842</b>
Software	4,951	4,985
Goodwill	—	559
Other intangible fixed assets	54	297
<b>Investments and other assets</b>	<b>7,373</b>	<b>4,108</b>
Investment securities	6,258	2,865
Long-term prepayments	375	344
Deferred tax assets	278	277
Other investments	698	885
Allowance for doubtful accounts	(237)	(266)
<b>Deferred assets</b>	<b>60</b>	<b>41</b>
Expenses for issuing bonds	60	41
<b>Total assets</b>	<b>54,418</b>	<b>51,670</b>

Account item	4th fiscal term (as of March 31, 2007)	5th fiscal term (as of March 31, 2008)
<b>Liabilities</b>		
<b>Current liabilities</b>	<b>16,716</b>	<b>16,996</b>
Notes and accounts payable	7,274	6,899
Short-term borrowings	5,189	5,862
Bonds due redeemable within one year	564	604
Accrued amount payable	1,108	833
Accrued expenses	1,380	1,372
Accrued income taxes	165	221
Accrued consumption taxes	136	384
Allowance for product warranties	288	276
Reserve for bonuses to directors and auditors	64	69
Other current liabilities	544	472
<b>Long-term liabilities</b>	<b>11,947</b>	<b>10,112</b>
Bonds	2,226	1,977
Long-term loans payable	745	1,326
Deferred tax liabilities	2,350	1,515
Reserve for retirement benefits	3,949	2,638
Reserve for retirement benefits for directors and auditors	—	92
Loss on merger	1,907	1,635
Other long-term liabilities	767	927
<b>Total liabilities</b>	<b>28,664</b>	<b>27,108</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>	<b>24,403</b>	<b>24,355</b>
Common stock	10,836	10,836
Capital surplus	6,331	6,331
Retained earnings	8,313	8,272
Treasury stock	(1,078)	(1,085)
<b>Valuation, translation adjustments and others</b>	<b>1,350</b>	<b>(278)</b>
Net unrealized gains or losses on available-for-sale securities	1,321	(301)
Equity adjustment from foreign currency translation	29	22
<b>Minority interests</b>	<b>—</b>	<b>485</b>
<b>Total net assets</b>	<b>25,753</b>	<b>24,562</b>
<b>Total liabilities and net assets</b>	<b>54,418</b>	<b>51,670</b>

Note: The figures in pages 7-8 are rounded down to the nearest million yen.



## ● Consolidated Statements of Income (Millions of yen)

Account item	4th fiscal term <small>(as of March 31, 2007)</small>	5th fiscal term <small>(as of March 31, 2008)</small>
<b>Net sales</b>	<b>51,310</b>	<b>51,536</b>
<b>Cost of goods sold</b>	<b>38,430</b>	<b>38,155</b>
<b>Gross profit</b>	<b>12,879</b>	<b>13,380</b>
Selling, general and administrative expenses	11,232	12,115
<b>Operating income</b>	<b>1,647</b>	<b>1,265</b>
Nonoperating income	499	680
Nonoperating expenses	891	1,139
<b>Ordinary income</b>	<b>1,256</b>	<b>806</b>
Special profits	7	696
Special losses	115	533
<b>Income before income taxes</b>	<b>1,148</b>	<b>969</b>
Income taxes-current	298	261
Income taxes-deferred	140	235
Minority interest in loss	—	33
<b>Net income</b>	<b>710</b>	<b>505</b>

## ● Consolidated Statements of Cash Flows (Millions of yen)

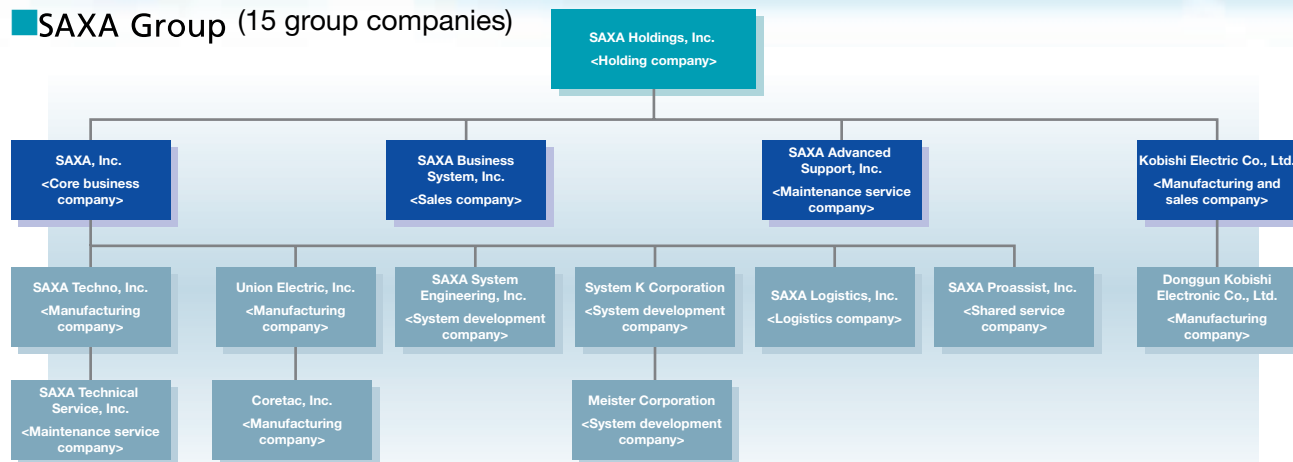
Account item	4th fiscal term <small>(as of March 31, 2007)</small>	5th fiscal term <small>(as of March 31, 2008)</small>
<b>Cash flows from operating activities</b>	<b>3,729</b>	<b>2,697</b>
<b>Cash flows from investing activities</b>	<b>(3,602)</b>	<b>(3,438)</b>
<b>Cash flows from financing activities</b>	<b>(2,722)</b>	<b>(1,389)</b>
Effect of exchange rate changes on cash and cash equivalents	(0)	(0)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(2,595)</b>	<b>(2,131)</b>
Cash and cash equivalents at the beginning of the term	9,583	6,988
<b>Cash and cash equivalents at the end of the term</b>	<b>6,988</b>	<b>4,856</b>

## ● Consolidated Statement of Changes in Shareholders' Equity, etc. (From April 1, 2007 to March 31, 2008) (Millions of yen)

	Shareholders' equity					Valuation, translation adjustments and others			Minority interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	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, 2007	10,836	6,331	8,313	(1,078)	24,403	1,321	29	1,350	—	25,753
Change in FY2007										
Cash dividends paid			(546)		(546)					(546)
Net income			505		505					505
Purchases of treasury stock				(6)	(6)					(6)
Net change in items other from those in shareholders' equity						(1,622)	(6)	(1,629)	485	(1,143)
Total of changes in FY2007			(41)	(6)	(47)	(1,622)	(6)	(1,629)	485	(1,191)
Balance as of March 31, 2008	10,836	6,331	8,272	(1,085)	24,355	(301)	22	(278)	485	24,562

# Group Companies (As of March 31, 2008)

## SAXA Group (15 group companies)



## SAXA Holdings, Inc.

Established February 2, 2004  
 Capital Stock ¥10,836,678,400  
 Number of Employees 1,628 (Consolidated)  
 23 (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 sales of information communication system equipment and components

### Directors and Auditors

President & C.E.O.	Masanori Yoshioka	Director	Toshio Yamada
Managing Director	Shin Murakami	Director	Keiichi Fukumura
Managing Director	Shuji Matsuyama	Director	Kiyoshi Nakanishi
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

Notes: 1. Keiichi Fukumura and Kiyoshi Nakanishi are outside directors.

2. Takashi Kouno and Masahiko Inohana are outside auditors.

## SAXA, Inc.

Established April 1, 2004  
 Capital Stock ¥10,700,000,000  
 Number of Employees 599  
 Business Development, manufacture and sales of information communication system equipment and components, as well as the supply of services incidental to these activities

### Directors and Auditors

President & C.E.O.	Masanori Yoshioka	Director	Yuzuru Suzuki
Director	Shin Murakami	Director	Toshio Adachi
Director	Shuji Matsuyama	Standing Auditor	Masao Fujimaki
Director	Masayuki Fukushima	Auditor	Osamu Mizorogi
Director	Masao Koshikawa	Auditor	Takashi Kouno

Note: Takashi Kouno is an outside auditor.

### Executive Officers

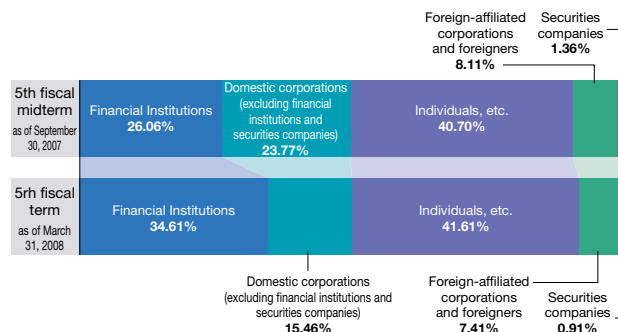
President & C.E.O.	Masanori Yoshioka	Managing Executive Officer	Naomitsu Murata
Managing Executive Officer	Shin Murakami	Managing Executive Officer	Masaki Ohuchi
Managing Executive Officer	Shuji Matsuyama	Executive Officer	Mutsuo Takematsu
Managing Executive Officer	Masayuki Fukushima	Executive Officer	Katsuhiko Hatori
Managing Executive Officer	Masao Koshikawa	Executive Officer	Toshiharu Shimada
Managing Executive Officer	Yuzuru Suzuki	Executive Officer	Tadashi Minagawa
Managing Executive Officer	Toshio Adachi	Executive Officer	Noriaki Itoh
Managing Executive Officer	Toshiyuki Ogawa	Executive Officer	Jun Ishida

# Stock Information (As of March 31, 2008)

## 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..... 8,831

## Distribution of Shareholders by Category



## Major Shareholders

Shareholder name	Investment in the Company by Shareholder	
	Number of shares held (thousand)	Equity position (%)
Oki Electric Industry Co., Ltd.	6,060	9.70
NEC Corporation	6,060	9.70
The Master Trust & Bank of Japan, Ltd. (trust account)	2,789	4.47
Mizuho Bank, Ltd.	2,339	3.75
Sumitomo Mitsui Banking Corporation	1,767	2.83
CBNY DFA International Cap Value Portfolio	1,019	1.63
Bank of Tokyo-Mitsubishi UFJ, Ltd.	959	1.54
Mizuho Trust & Banking Co., Ltd.	900	1.44
Citibank London SA Stitching Shell Pension Fund	867	1.39
Mitsui Sumitomo Insurance Co., Ltd.	773	1.24

### Notes:

1. Although the Company holds 1,694,035 shares of treasury stock, it is not listed in the Major Shareholders above.
2. The number of shares held by Oki Electric Industry Co., Ltd., includes the Company's 6,059,800 shares (a 9.70% equity position), which are contributed by Oki Electric Industry Co., 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 (Oki Electric Industry Account) for the Re-trust by the Trustee of Trust & Custody Services Bank, Ltd." on the register of shareholders.)
3. 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.)
4. Shares less than 1,000 are truncated in the number of shares held (thousands) above.

## Shareholder Information

<b>Fiscal Year</b>	April 1 to March 31
<b>Payment of Dividends</b>	March 31 of every year Note: We do not adopt the interim dividend system.
<b>Ordinary General Shareholders' Meeting</b>	June of every year
<b>Record Date</b>	The shareholders record 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.
<b>Custodian of the Register of Shareholders</b>	Mizuho Trust & Banking Co., Ltd. 2-1, Yaesu 1-chome, Chuo-ku, Tokyo
<b>Handling Office</b>	Stock Transfer Agency Department, Head Office, Mizuho Trust & Banking Co., Ltd. 2-1, Yaesu 1-chome, Chuo-ku, Tokyo
<b>Mailing Address</b>	Stock Transfer Agency Department, Mizuho Trust & Banking Co., Ltd. 17-7, Saga 1-chome, Koto-ku, Tokyo 135-8722
<b>Telephone Referral</b>	0120-288-324 (Toll-free call)
<b>Dedicated Web Site</b>	<a href="http://www.mizuho-tb.co.jp/daikou/">http://www.mizuho-tb.co.jp/daikou/</a>
<b>Agencies</b>	Mizuho Trust & Banking Co., Ltd.: All branches nationwide Mizuho Investors Securities Co., Ltd.: Head office and all branches nationwide, as well as Planet Booths
<b>URL for Public Announcements</b>	<a href="http://www.saxa.co.jp">http://www.saxa.co.jp</a> Note: We provide public announcement 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 ("tangen") 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.



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