



4th Fiscal Midterm Business Report

April 1, 2006 ▶ September 30, 2006

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 Fiscal Midterm

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 to quickly and flexibly address a rapidly and drastically changing market environment and intensifying competition, we actively strove to streamline more sophisticated sales and service functions, reinforce and expand the mechatronics and EMS businesses, and establish a competitive manufacturing system.

In addition, we will reorganize the Group in January 2007 to reestablish the sales and maintenance service system of key telephone systems, integrate manufacturing functions and reestablish the maintenance system.

As a result, consolidated sales for the midterm period under review were ¥24,464 million, a decrease of 15.7% year over year. The decline was primarily due to a decrease in Network Solutions sales, whereas sales in Security Solutions were level. As a result, ordinary income decreased 74.8% year over year to ¥678 million, and net income plunged 86.1% to ¥208 million compared with the same period a year earlier.

Network Solutions Business

Net sales were ¥11,881 million, down 26.8% year over year. The decline was mainly due to lowering prices in the key telephone system market for small to medium-sized companies, stagnant demand 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 expand orders by releasing new products, including key telephone systems that are compatible with IP phone services and equipped with Bluetooth communications and security functions, key telephone systems with higher capacity and new products such as optical telephone-related equipment.

Security Solutions Business

Net sales decreased 1.5% year over year to ¥12,582 million, due to a decrease in orders for components and units, etc., despite an increase in orders for reader/writer and data display devices.

Major Achievements

(Millions of yen)

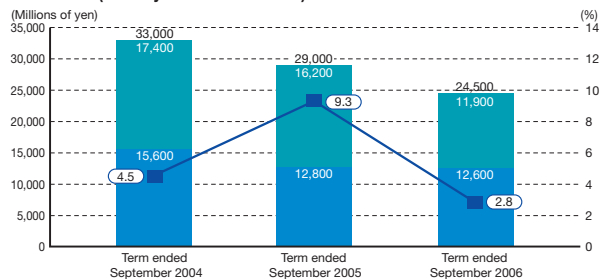
	Term ended September 2004	Term ended September 2005	Term ended September 2006
Net sales	33,000	29,000	24,500
Operating income	1,600	2,800	800
Ordinary income	1,500	2,700	700
Net income	900	1,500	200
Net income per share (yen)	15.1	24.0	3.4
Total assets	62,100	59,700	56,300
Net assets	21,900	25,600	25,500

Network Solutions Business	Term ended September 2004	Term ended September 2005	Term ended September 2006
Net sales	17,400	16,200	11,900

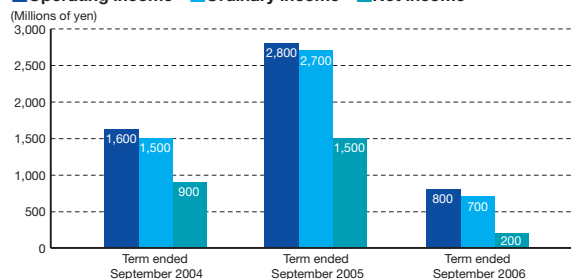
Security Solutions Business	Term ended September 2004	Term ended September 2005	Term ended September 2006
Net sales	15,600	12,800	12,600

Note: The values shown in the tables and graphs are rounded off.

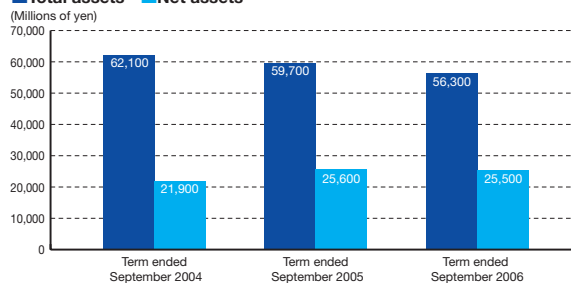
■ Net sales (Network Solutions Business) ■ Ratio of ordinary income to net sales
■ Net sales (Security Solutions Business)



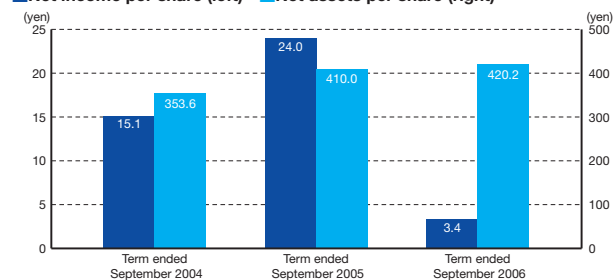
■ Operating income ■ Ordinary income ■ Net income



■ Total assets ■ Net assets



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



▶ Released Business Media System that interlocks a key telephone system, a network camera and a media server

SAXA, Inc., and SAXA Business System, Inc., collaborated with D-glatt, Co., Ltd., to develop a Business Media System that provides TV telephone, security, door-phone and remote monitoring functions via a network, interlocked with a camera server for a network. This product was released in July 2006.

The Business Media System enables simplified TV telephone conversation using a key telephone system, a network camera and a personal computer during business hours at small to medium-sized companies. During non-business hours, security functions of the key telephone system, the network camera and the media server interlock with each other to intimidate intruders, inform registered addressees and even videotape intruders. Connected to a door phone, pictures of visitors can be displayed on a PC screen when the door phone rings. For example, using a remote monitoring function, we can see pictures taken by the network camera on our mobile phones from outside the office. The Business Media System realizes such a convenient office system.



Media Server

▶ Traceability system for the livestock individual management market developed by SAXA, Inc., partnering with SORUN CORPORATION and Fujita Pharmaceutical Co., Ltd. —Manufacturing history management system using a compact IC tag—

SAXA, Inc., partnering with SORUN CORPORATION and Fujita Pharmaceutical Co., Ltd., developed a system to manage livestock production and distribution-related information including feed and drugs for livestock.

This system made it easy to trace the production, processing and distribution of livestock using compact IC tags that embed an RFID¹ in the ears of pigs, cows and other such livestock. With conventional visual-type ear tags on which a bar code and serial number are imprinted, accessing data with handheld readers was difficult because the tags easily collected dirt and the printed area was small. With a large herd of livestock, it was particularly difficult to manage individual animals with those tags. The new system uses ear tags of the same size as the conventional ones but embeds an RFID that enables non-contact data reading. The ear tags are also tamperproof² and block reuse and forgery. With this system, the management of production through the distribution of livestock becomes easier and customers can receive reliable information.

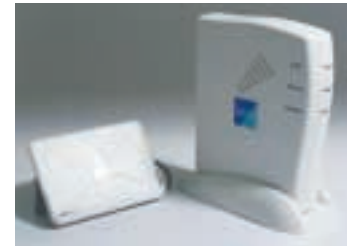


Compact IC tag

1. Radio Frequency Identification (RFID) is a system that identifies and manages persons and products using a tiny wireless chip.

2. The tamperproof function makes it hard to reinstall a compact IC tag after once has already been installed.

▶ **Released the PrintCatcher, which reinforces information security**
—Released three types of package products using non-contact IC cards—



PrintCatcher

SAXA, Inc., and SAXA Business System, Inc., developed a self-authentication print system, PrintCatcher¹, as a security package product that uses a non-contact IC card, an entry-and-exit management system and a diligence-and-negligence management system. PrintCatcher was released in October 2006.

SAXA, Inc., which develops and sells non-contact IC cards and non-contact IC card multi-reader/writers, developed security package products to authenticate a person by a non-contact IC card and IC chip-embedded mobile phones for small and medium-sized companies. A non-contact multi-card reader/writer used for the package products works with the ISO14443-compliant non-contact IC card (Type A, Type B cards and FeliCa²). Companies that already use non-contact IC cards or IC chip-embedded mobile phones for employees' ID cards can reinforce security without changing those cards or mobile phones. PrintCatcher does not start printing without a non-contact IC card or an IC chip-embedded mobile phone of a person who wants to print over the non-contact IC card reader to prevent printed documents from being mixed up, lost, peeked at or left behind without purchase of a special environment or a server.

The Entry-and-Exit Management System locks and unlocks the door by holding up a non-contact IC card or an IC chip-embedded mobile phone over the card reader. It does not require a registration machine or a PC, which were necessary for conventional systems, and the card reader does user registration and cancellation, thereby enabling easy and low-cost security reinforcement.

The Diligence-and-Negligence Management System focuses on management during business hours. With the application software for diligence-and-negligence management included on a system's PC, an employee's performance can be easily calculated.

1. PrintCatcher is a trademark for which SAXA, Inc., is applying to register.

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

▶ **The Privacy Mark was granted.**

The Privacy Mark was granted to SAXA, Inc., and SAXA Business System, Inc., by the Japan Information Processing Development Corporation (JIPDEC) as of September 8, 2006.

To prevent infringement on individuals' rights and interests by inappropriately handling personal information, the Tamura-Taiko SAXA Group has endeavored to complete a system to appropriately handle personal information, not only complying with laws and regulations but also aiming to establish a compliance program with higher-level privacy protection. We will continue to maintain and reinforce our management system of secret information including private information with the Group's concerted efforts.

Note: The Privacy Mark is certified and granted by the Japan Information Processing Development Corporation (JIPDEC) to private enterprises that adopt sufficient measures to properly protect personal data regarding electronic computation processing in compliance with the Japan Industrial Standards Requirements of the Compliance Program with Regard to the Protection of Personal Information (JIS Q15001).

Consolidated Financial Statements (Condensed)

● Consolidated Balance Sheets

(Millions of yen)

Account item	4th fiscal midterm (as of September 30, 2006)	3rd fiscal term (as of March 31, 2006)
Assets		
Current assets	30,726	31,722
Cash and cash equivalents	7,852	9,583
Notes and accounts receivable	13,235	12,602
Inventories	7,406	6,683
Deferred tax assets	1,672	1,937
Other current assets	598	949
Allowance for doubtful accounts	(38)	(33)
Fixed assets	25,618	25,911
Property, plant and equipment	12,867	12,848
Buildings and structures	2,293	2,351
Machinery and transportation equipment	619	528
Tools, furniture and fixtures	1,380	1,363
Land	8,574	8,602
Other property, plant and equipment	—	1
Intangible fixed assets	4,735	4,274
Software	4,678	4,215
Other intangible fixed assets	56	59
Investments and other assets	8,014	8,788
Investment securities	6,894	7,579
Long-term prepayments	462	551
Deferred tax assets	196	169
Other investments	710	738
Allowance for doubtful accounts	(249)	(251)
Total assets	56,344	57,633

Account item	4th fiscal midterm (as of September 30, 2006)	3rd fiscal term (as of March 31, 2006)
Liabilities		
Current liabilities	19,449	16,013
Notes and accounts payable	7,791	6,482
Short-term borrowings	7,984	5,669
Bonds due redeemable within one year	60	60
Accrued amount payable	980	1,088
Accrued expenses	1,448	1,495
Accrued income taxes	245	214
Accrued consumption taxes	116	171
Allowance for product warranties	349	336
Other current liabilities	472	494
Long-term liabilities	11,350	15,236
Bonds	60	90
Long-term loans payable	1,529	5,016
Deferred tax liabilities	2,996	3,360
Reserve for retirement benefits	3,864	3,731
Consolidation adjustment account	—	2,180
Loss on merger	2,044	—
Other long-term liabilities	854	858
Total liabilities	30,799	31,249
Net assets		
Shareholders' equity	23,906	—
Common stock	10,836	—
Capital surplus	6,331	—
Retained earnings	7,813	—
Treasury stock	(1,075)	—
Valuation, translation adjustments and others	1,638	—
Net unrealized gains or losses on available-for-sale securities	1,616	—
Equity adjustment from foreign currency translation	21	—
Total net assets	25,544	—
Total liabilities and net assets	56,344	—
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

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

● Consolidated Statements of Income (Millions of yen)

Account item	4th fiscal midterm <small>(as of September 30, 2006)</small>	3rd fiscal midterm <small>(as of September 30, 2005)</small>
Net sales	24,464	29,005
Cost of goods sold	18,162	20,445
Gross profit	6,301	8,559
Selling, general and administrative expenses	5,508	5,801
Operating income	793	2,758
Nonoperating income	320	415
Interest and dividends received	65	49
Depreciation on consolidation adjustment account	—	150
Depreciation on loss on merger	136	—
Other nonoperating income	118	214
Nonoperating expenses	435	480
Interest paid	85	111
Loss from disposal of inventories	126	135
Amortization of differences due to the change in accounting standards for retirement benefits	150	150
Other nonoperating expenses	71	83
Ordinary income	678	2,692
Special profits	3	312
Gain on sale of fixed assets	3	1
Gain on sale of investment securities	—	4
Depreciation on consolidation adjustment account	—	243
Gain on transfer of operations	—	63
Special losses	69	138
Loss on retirement of fixed assets	69	96
Business consolidation expenses	—	31
Special retirement allowances	—	10
Income (loss) before income taxes	613	2,866
Income taxes-current	248	273
Income taxes-deferred	155	1,096
Net income (loss)	208	1,497

● Consolidated Cash Flows (Millions of yen)

Account item	4th fiscal midterm <small>(as of September 30, 2006)</small>	3rd fiscal midterm <small>(as of September 30, 2005)</small>
Cash flows from operating activities	1,627	637
Cash flows from investing activities	(1,609)	(1,047)
Cash flows from financing activities	(1,745)	(2,837)
Effect of exchange rate changes on cash and cash equivalents	(3)	0
Net increase (decrease) in cash and cash equivalents	(1,731)	(3,247)
Cash and cash equivalents at the beginning of the term	9,583	14,458
Cash and cash equivalents at the end of the midterm	7,852	11,210

● Consolidated Midterm 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 first half of FY2006					
Cash dividends paid (Note 1)			(547)		(547)
Bonuses to directors and auditors (Note 2)			(97)		(97)
Net income			208		208
Purchases of treasury stock				(4)	(4)
Net change in items other from those in shareholders' equity					
Total of changes in first half of FY2006			(435)	(4)	(439)
Balance as of September 30, 2006	10,836	6,331	7,813	(1,075)	23,906

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 first half of FY2006				
Cash dividends paid (Note 1)				(547)
Bonuses to directors and auditors (Note 2)				(97)
Net income				208
Purchases of treasury stock				(4)
Net change in items other from those in shareholders' equity	(403)	3	(399)	(399)
Total of changes in first half of FY2006	(403)	3	(399)	(839)
Balance as of September 30, 2006	1,616	21	1,638	25,544

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	4th fiscal midterm (as of September 30, 2006)	3rd fiscal term (as of March 31, 2006)
Assets		
Current assets	499	421
Fixed assets	20,403	20,408
Total assets	20,903	20,830
Liabilities		
Current liabilities	72	59
Long-term liabilities	23	36
Total liabilities	96	95
Net assets		
Common stock	10,836	—
Capital surplus	9,562	—
Retained earnings	1,482	—
Treasury stock	(1,075)	—
Total net assets	20,806	—
Total liabilities and net assets	20,903	—
Shareholders' equity		
Common stock	—	10,836
Capital surplus	—	9,562
Retained earnings	—	1,407
Treasury stock	—	(1,071)
Total shareholders' equity	—	20,735
Total liabilities and shareholders' equity	—	20,830

● Statements of Income

(Millions of yen)

Account item	4th fiscal midterm (as of September 30, 2006)	3rd fiscal midterm (as of September 30, 2005)
Operating profit	968	959
Operating income	716	739
Nonoperating income	2	0
Nonoperating expenses	—	—
Ordinary income	719	739
Special gains	—	—
Special losses	—	—
Income (loss) before income taxes	719	739
Income taxes—current	51	63
Income taxes—deferred	3	7
Net income (loss)	664	668

Company Profile (As of September 30, 2006)

Name	Tamura Taiko Holdings, Inc. (Listed on the 1st section of the Tokyo Stock Exchange; Ticker code: 6675)
Established	February 2, 2004
Capital Stock	¥10,836,678,400
Number of Employees	1,446 (Consolidated) 15 (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

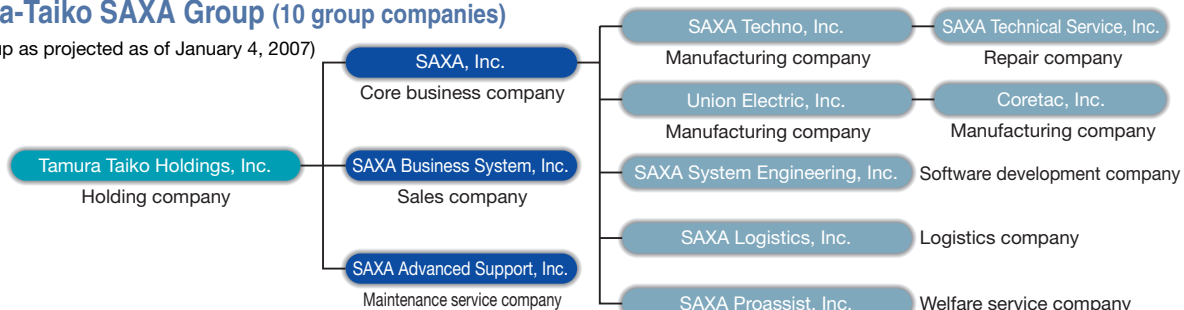
●Directors and Auditors

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 (10 group companies)

(The Group as projected as of January 4, 2007)



Note 1: SAXA Business System, Inc., passed a resolution to establish SAXA Advanced Support, Inc., through a company split and new construction as of January 4, 2007. SAXA Advanced Support, Inc., will take over services including the installation of information and telecommunications system-related equipment, testing and inspection, repair, maintenance and customer service.

Note 2: SAXA Techno Yonezawa, Inc., and Benesol, Inc., passed a resolution to merge as of January 1, 2007, and change the trade name to SAXA Techno, Inc.

◆ Company Profile of SAXA, Inc.

Established	April 1, 2004
Capital Stock	¥10.7 billion
Number of Employees	672
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

●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

●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

◆ Company Profile of SAXA Business System, Inc.

Established	October 1, 1982
Capital Stock	¥170 million
Number of Employees	172
Business	Sales, installation and maintenance of information and telecommunications network components, equipment and systems, as well as all operations incidental to these activities

●Directors and Auditors

Representative Director and President	Toshio Yamada
Director	Miyoshi Takamura
Director	Masanori Nakajima
Director	Tomio Nishimura
Director	Shuji Matsuyama
Auditor	Katsuhiko Hatori

●Major Offices and Sales and Service Offices

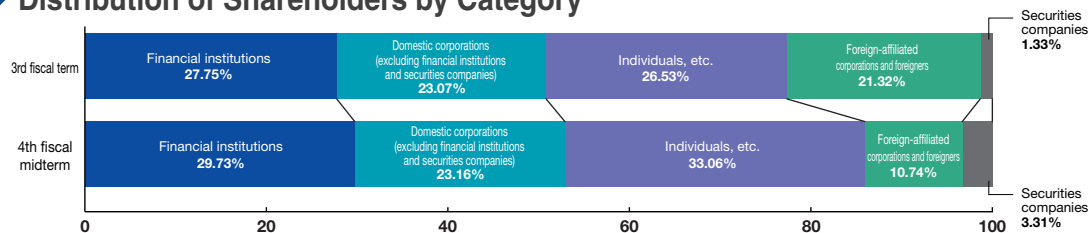
Head Office and Tokyo Regional Office	Minato-ku, Tokyo
Gotanda Office	Shinagawa-ku, Tokyo
Kita-Kanto Regional Office	Omija-ku, Saitama, Saitama
Chubu Regional Office	Nakamura-ku, Nagoya, Aichi
Kansai Regional Office	Kita-ku, Osaka, Osaka
Kyushu Regional Office	Chuo-ku, Fukuoka, Fukuoka
7 Sales Offices and 17 Service Offices nationwide	

Stock Information (As of September 30, 2006)

◆ 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 8,587

◆ Distribution of Shareholders by Category



◆ Major Shareholders

Shareholder name	Investment in the Company by Shareholder	
	Number of shares held thousand	Equity position %
Ok Electric Industry Co., Ltd.	6,060	9.70
NEC Corporation	6,060	9.70
Mizuho Bank, Ltd.	2,339	3.75
Japan Trustee Services Bank, Ltd. (trust account)	2,241	3.59
The Master Trust & Bank of Japan, Ltd. (trust account)	2,158	3.46
Sumitomo Mitsui Banking Corporation	1,767	2.83
Northern Trust Company (AVFC) (Non-Treaty Account)	1,274	2.04
Japan Securities Finance Co., Ltd.	1,082	1.73
The Bank of New York GCM Client Accounts EISG	965	1.55
Bank of Tokyo-Mitsubishi UFJ, Ltd.	959	1.54

Notes:

- 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.)
- Each company of the Schroder Investment Management Group submitted the Report with signatures of all the following companies on Large Shareholders to the Kanto Local Finance Bureau as of October 13, 2006, a copy of which was sent to us. The report said that they jointly held our 3,172,000 shares, or an equity position of 5.08%, as of September 30, 2006. However, we have not yet confirmed the exact number of shares they hold for the fiscal term under review. Therefore, the above list of major shareholders does not include the following:

	Number of shares held (thousand)	Equity position (%)
Schroder Investment Management (Singapore) Limited.	1,649	2.64
Schroder Investment Management (North America) Limited.	1,518	2.43
Schroder Investment Management Limited.	5	0.01

- The Company holds 1,655,000 shares of treasury stock.
- 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 (" <i>Tangen</i> ") 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.